




**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 20, 2025
<b>SUBJECT/REPORT NO:</b>	Reserve and Reserve Fund Policy Update (FCS25002) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Matt Hilson (905) 546-2424 Ext. 1444
<b>SUBMITTED BY:</b>	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

### RECOMMENDATION(S)

That the Reserve and Reserve Fund Policy, attached as Appendix "A" to Report FCS25002, be adopted;

### EXECUTIVE SUMMARY

The purpose of Report FCS25002 is to recommend updates to the Reserve and Reserve Fund Policy to better align with current legislation, municipal best practices and to provide clearer overarching guidance on reserves and reserve funds.

This updated Policy establishes the guiding principles, primary objectives, key management and administrative responsibilities and reporting requirements for reserves and reserve funds managed by the City.

Although this Policy provides overarching guidelines that apply to all reserves and reserve funds, individual reserve and reserve fund policies will be used to understand the intended use, relevancy, appropriateness, adherence to any specific funding agreements and any other legislative agreements or Acts and target annual allocation and balances.

Staff is recommending that the Reserve and Reserve Fund Policy attached as Appendix "A" be adopted.

---

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None.

Staffing: None.

Legal: Policies have been drafted in accordance with applicable legislation at the time of writing. The policies highlight that should a conflict arise between a policy and legislation, that the legislation takes precedence.

**HISTORICAL BACKGROUND**

The City maintains reserves and reserve funds to retain capital for future use. Reserves serve as general pools of capital that are often used to mitigate risk, maintain assets, support growth or meet unexpected expenses. Reserve funds are established for a specific purpose such as covering a foreseeable future expense or retaining monies for a particular goal, such as, defined capital projects or initiatives that involve substantial expense.

Reserves and reserve funds share the purpose of easing the burden of the property tax levy on the taxpayer for significant or infrequent expenses, minimizing credit market risk by accumulating financial resources for future capital needs, decreasing reliance on borrowing and offering a form of protection against unforeseeable situations, such as, catastrophic events, emergencies, etc. Reserves and reserve funds are leveraged to contribute to the City’s long-term financial stability and flexibility.

Reserve Funds may be obligatory (required by legislation) or discretionary (voluntarily established by Council). Council has the authority to allocate funds from obligatory reserve funds subject to the restrictions of applicable legislation. In contrast, Council has defined what constitutes an authorized use from discretionary reserve funds and there are processes that can be undertaken should Council seek to use funds for alternate purposes.

In line with the Mayoral Directive to staff, the 2024 Tax Budget leveraged the City’s strong financial position to advance the Housing Sustainability and Investment Roadmap, phase-in property tax impacts resulting from Provincial legislation and to phase-in funding pressures from provincially mandated programs and collective bargaining, given the current economic environment and affordability concerns.

The existing Reserve and Reserve Fund Policy (ADM-01) was approved on May 14, 2014 through report FCS14028. The requirements of applicable legislation supersede any City policy or by-law.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

This overarching Reserve and Reserve Fund Policy applies to all individual reserve policies. Individual reserve and reserve fund policies are required to identify any specific legislative requirements.

Reserves and reserve funds shall be managed in accordance with the *Municipal Act, 2001*, as amended, this includes but is not limited to:

- Section 10 (2) authorizing single-tier municipalities to pass by-laws respecting accountability, transparency and financial management;
- Section 290 (2) indicating that the budget shall set out the estimated revenues and expenditures of reserves and reserve funds contained within a municipality's budget;
- Section 291 covering multi-year budget requirements of municipalities;
- Section 417 (3) noting that money raised for a reserve fund shall be paid into a special account and shall be invested only in securities or classes of securities prescribed;
- Section 418 (3) indicating that, as allowed by the Corporation, money held in any fund (including General, Capital and Reserves and Reserve Funds) may be combined for investment purposes; and
- Section 418 (4) indicating that earnings from combined investments shall be credited to each segregated fund in proportion to the amount invested in it.

## **RELEVANT CONSULTATION**

Finance and Administration Managers, Corporate Services Department

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

The existing Reserve and Reserve Fund Policy was approved on May 14, 2014. As it is good financial practice to update policies on a periodic basis, staff has conducted a thorough review of the existing Reserve and Reserve Fund Policy and has revised this Policy to better align with legislative requirements and municipal best practices.

Major updates to the Policy include:

- The identification of primary objectives and guidance on how these objectives will be achieved.
- The addition of a transparency section.
- A more detailed outline of Council and City Employees' responsibilities.
- The addition of formulas that determine how much investment income will be allocated to specific reserves and reserve funds.

The primary objectives of this Policy shall be:

- Adherence to statutory requirements
- Promotion of financial stability and flexibility
- Maintaining liquidity targets
- Maintaining the City's credit rating
- Promotion of intergenerational equity

**ALTERNATIVES FOR CONSIDERATION**

Not Applicable

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS25002 – Reserve and Reserve Fund Policy

Appendix "B" to Report FCS25002 – Redline Version of Updated Reserve and Reserve Fund Policy

MH/dt