



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 11, 2022

Report No: CORS-024-22

Subject: Financial Policy Update

Recommendation: THAT the updates outlined in this report to the following Financial Management policies be approved:

- No. 113 Budget Management Policy (Appendix A)
- No. 116 Treasury (Appendices B and C)
- No. 111 Taxation and Assessment (Appendix D)

THAT a new Post Period Capacity Reserve be established and that the Legal and Insurance Reserves be consolidated, effective December 31, 2021.

THAT the proposed ONE Investment By-law on tonight's agenda, which will expand the Town's investment options to include the ONE Equity Fund, be considered for approval.

THAT staff be authorized to execute the necessary agreements with the Local Authority Services and/or the CHUMS Financing Corporation to invest in the One Investment Program as well as any supplementary documents.

THAT going forward staff be authorized to present administrative updates to the Town's Banking By-law to Council without an accompanying staff report.

EXECUTIVE SUMMARY

- Financial polices are central to a strategic, long-term approach to financial management and safeguarding the Town's assets.
- The Town's existing financial management policies were last updated over two phases in 2018 and 2020.
- Through the recommendations noted above, Town policies, including revisions to reserves and reserve funds, are being updated to reflect current economic

EXECUTIVE SUMMARY

environment and market conditions. The key updates are summarized in the body of the report below and the proposed policies are attached in their entirety as appendices.

- An updated authorizing By-law and agreement with the Local Authority Services and CHUMS Financing Corporation is required in relation to recommended changes to the Town's Treasury Policy, which would introduce the ability to invest up to 10% of the Town's portfolio in the ONE equity fund.

REPORT

Background

The last comprehensive update to the Town's financial policies occurred over two phases between 2018 and 2020 with the goals of:

- Ensuring that the Town's financial assets are appropriately safeguarded
- Enhancing the existing policy framework in an effort to find more efficient, accurate, transparent, timely and economical ways of delivering service to internal and external stakeholders
- Be responsive to the needs of the Town's Departments, residents and businesses
- Ensure that the latest legislative requirements are reflected in all policies
- Consolidate policies to create a more streamlined and manageable structure

The previous updates consisted of the following policies:

- No. 110 - Financial Principles
- No. 111 - Taxation & Assessment Base Management
- No. 112 - Procurement & Disposal
- No. 113 - Budget Management
- No. 114 - Asset Management
- No. 115 - Accounting
- No. 116 - Treasury
- No. 117 - Development Finance

Remaining financial policies still to be updated include a user fee policy (expected as part of the 2023 comprehensive user fee update) and a Risk policy (expected in 2022/2023).

Following implementation of the above noted policies, Town staff monitored the outcomes of the new framework and further enhancements or revisions to select policies have been identified that are being presented to Council for consideration through this report.

Discussion

Provided below is a brief synopsis of each policy recommended for updates with reference to some of the notable items or changes.

No. 113 - Budget Management (attached as Appendix A)

This policy establishes financial controls while allowing flexibility to alter plans as economic and service delivery circumstances changes, while maintaining stability for the taxpayers of Milton. The updates to the policy include:

- Consistent with the operating budget, a provision has been added to allow for capital budget amendments in advance of Council approval for emergency purchases, as defined by the Purchasing By-law, with subsequent reporting back to Council

No. 116 - Treasury (attached as Appendices B and C)

This policy provides guidance to staff for the management of debt, investments as well as the Town's reserve and reserve funds. The updates to the policy include:

- Inclusion of equities through the ONE Equity Fund operated by the Local Authority Services and CHUMS Financing Corporation (also known as the ONE Investment Program) as an authorized investment to a maximum of 10% of the general portfolio
 - Low interest rate environment results in limited opportunities to achieve yields greater than the Town's general bank account
 - Town will continue to invest predominantly in fixed income securities, but minimum exposure to equities is intended to maximize long term rate of return on portfolio (within limitations of risk and liquidity constraints) and further increase portfolio diversification
 - Given short term fluctuations in equity market, equity investments would be matched with long term needs only
 - Greater yield potential through equity market comes at a higher risk that could result in portfolio return fluctuations over the short term
- Revise minimum rating of Schedule II & Other Schedule 1 Banks and Trust Loan/Credit Unions to R-1 (low) from R-1 (mid) for short term fixed income investments (under 365 days).
 - Credit unions typically offer a slightly higher rate than banks on short term investments.
 - Lowering the minimum rating requirement for Credit Unions to be consistent with Schedule 1 banks will provide for additional opportunities for short term investments.
 - Other limitations would continue to be in place for investments with credit unions i.e. maximum investment cannot exceed 10% of overall portfolio

- and individual maximum by credit union cannot exceed 20% of overall investments with credit unions.
- The Town would also continue to be bound by credit union investments restrictions outlined in the Municipal Act whereby certain financial indicators must be met by credit unions.
 - Remove approval process section as investment authorities are governed by Town's Bank Signing Authority By-law
 - Revise text in performance measurement section to allow for selection of benchmarking that best matches Town's portfolio make up
 - Recommend changes to the Town's existing reserve and reserve structure including:
 - Add provision for staff to make transfers to/from Reserve throughout the year or at year end to manage budget relative to actual levels of activity in areas such as tax write offs and dividends from Milton Hydro
 - Consolidate Legal and Insurance Reserves and adjust target to be the estimated liability for outstanding claims plus an estimated amount for a one time catastrophic claim or legal matter
 - Update target for the WSIB Reserve to be the total of the most current benefit obligation as identified in the Town's most current actuarial obligation and a provision for any future catastrophic claims
 - Create a Post Period Capacity reserve to interim finance excess capacity in growth capital projects until the funds can be collected through future DC by-laws
 - Manage stabilization of capital surcharge revenues through the Infrastructure Renewal Roads reserve as opposed to Tax Rate Stabilization as the infrastructure reserve is better positioned to manage the annual fluctuations that are related to the capital program

Agency Agreement with Local Authority Services and the CHUMS Financing Corporation

The Town is currently engaged in an agreement with CHUMS Financing Corporation and Local Authority Services (commonly referred to as the ONE Investment Program) as originally approved through the One Investment Program Enrollment staff report, CORS-073-15, and By-law 103-2015. This agreement enables the Town to invest in products subject to restrictions of the Town's investment policy. These products are restricted by Part I of the Municipal Act Eligible Investment Regulation (O. Reg. 438/97) and municipalities may only invest in these products if they are made through the investment pool - The ONE Investment Program.

Discussion

The One Investment Program historically offered a Money Market Portfolio and a Canadian Government Bond Portfolio, but a Canadian Equity Portfolio was added in 2007 and a Canadian Corporate Bond Portfolio in 2008. The ONE Investment Program utilizes the professional investment services of MFS Investment Management of Canada for the Money Market, Canadian Government and Canadian Corporate Bond Portfolios and Guardian Capital LP for the Canadian Equity Portfolio. Both organizations have tens of billions in assets under management and have a long track record of managing large multi-customer investment pools. The investment guidelines and management activities for each investment portfolio are governed by the ONE Investment Board and additional oversight is provided by the Program (Peer) Advisory Committee, comprised of municipal representatives, and Investment Advisory Committee, comprised of investment sector experts and legal representatives.

There is no requirement for municipalities to invest for a specified period of time in the One Investment Program; money can be invested, withdrawn or transferred at any time, although each of the Portfolios has been established with a certain investment duration in mind. The minimum transaction amount is \$5,000 for any Portfolio. There are no penalties or fees for deposit or withdrawal at any time.

Investment fees for all invested monies are calculated on a daily basis based on the total balance held in the account, and all performance figures provided by One Fund are always posted net of fees. Current One Investment Program annual fees are as follows:

- Money Market - 19 Basis Points
- Canadian Government Bond Portfolio - 40 Basis Points
- Canadian Corporate Bond Portfolio - 45 Basis Points
- Canadian Equity Portfolio - 50 Basis Points

Although the Town does not currently have any holdings in the ONE Investment Program, the Town has previously made investments in the corporate bond pool of the ONE Investment Program.

At the time By-law 103-2015 was approved, authorizing the Town to enter into an agreement with the ONE Investment Program, the By-law included clauses excluding the Town from investing in the Canadian Equity Portfolio of the program. Given staff's recommendation through this policy update for the Town to add Equities as an option for a small portion of its portfolio, an updated By-law has been included on tonight's agenda to amend By-law 103-2015. In the updated By-law, the provisions restricting the Town's investment in the Canadian Equity Portfolio of the ONE Investment Program have been removed. The Town's participation in the Canadian Equity Portfolio of the ONE Investment Program would continue to be restricted by limitations within the Town's Investment Policy,



Discussion

currently recommended that Equity investment be no more than 10% of the overall portfolio.

Upon approval of the new By-law the Town would enter into an amended agreement with CHUMS Financing Corporation and Local Authority Services under the provisions of the updated By-law.

No. 111 - Taxation and Assessment (attached as Appendix D)

A number of administrative changes are proposed for Policy 111. They include:

- Expansion of the variety of pre-authorized payment plan options for taxpayers convenience, as well as revisions to the related enrollment dates;
- Incorporation of the method of payment changes that were previously approved through CORS-002-21;
- Minor amendments to the arrears collection and tax sale processes, primarily related to timing and clarifying responsibilities/authorities; and
- Introduction of a definition for the term "Business Day" to ensure clarity following the introduction of the September 30 Federal holiday.

Bank Signing Authority By-law (By-law 052-2021 or as amended)

The Town's Bank Signing Authority By-law 052-2021 is included on tonight's agenda as a result of a minor housekeeping update resulting from a title change of one of the staff positions referenced in the By-law. No other changes have been made to the By-law.

It is recommended that delegated authority be provided to present administrative changes to the Town's Bank Signing Authority By-law in the future without the need for a related staff report where appropriate.

Financial Impact

The establishment of a strong financial policy framework is critical to supporting sound decision making in support of Council's strategic priorities and vision for the community. The proposed polices promote the safeguarding of the Town's assets, and the effective, efficient and economical delivery of Town services on a sustainable basis.

The update to the financial policies has been undertaken with existing staff resources.

Respectfully submitted,



The Corporation of the Town of Milton

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Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA Phone: Ext. 2216

Attachments

Appendix A - Policy No. 113 - Budget Management
Appendix B - Policy No. 116 - Treasury
Appendix C - Policy No. 116 - Summary of Reserve and Reserve Fund Revisions
Appendix D - Policy No. 111 - Taxation and Assessment

CAO Approval
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.

Approval Report/By-law Number: CORS-024-22, Appendix A
Approval Date: April 11, 2022
Effective Date: April 12, 2022

Policy Statement: The [Budget Management Policy](#) is intended to ensure that the financial integrity of the Town is maintained by establishing a framework for the responsible, responsive and transparent management of the Town’s financial resources.

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1. Policy Purpose

The *Municipal Act 2001, section 290* requires that the Town prepare and adopt a Budget each year. A Budget Management Policy is necessary to:

- i. Ensure that the Town’s resources are utilized for the purpose Council intended through the approval of the annual Operating and Capital Budget
- ii. Establish the appropriate authority required by staff to manage Council approved ~~Budgeted~~ ~~budgeted~~ resources for programs, services and projects
- iii. Establish financial controls while allowing flexibility to alter plans as economic and service delivery circumstances change, and maintaining the stability for the taxpayers of Milton
- iv. Ensure that Council is informed of the status of budgets and any factors or risks that may impact the budget
- v. Maintain public accountability and transparency
- vi. Ensure alignment with Town Council’s Strategic Priorities

The Budget process, administration and any associated reporting should be completed in compliance with this Policy. Non-compliance could result in the weakening of the Town’s long term financial stability, impacting its ability to meet the needs of taxpayers or to meet legislative requirements.

The Budget Management Policy is designed to work in conjunction with other Town policies and Provincial legislation that mandates the responsibility of the Treasurer for the discharge of financial duties and staff for the delivery of Town services. This policy should be revised in concert with other financial policies of the Town as required.

2. Guiding Principles & Objectives

This policy is guided overall by the Financial Management - Financial Principles Policy No. 110. Specific guiding principles and objectives related Budget Management are:

- i. **Strategic Priorities** - Council’s Strategic Plan, Official Plan and various master plans (including financial analysis) are the result of comprehensive public engagement and serve as the guiding documents under which all town initiatives are aligned. The budget will align with, prioritize and implement these plans.
- ii. **Sustainability** - The Operating and Capital Budgets represent a long-term perspective and should be affordable today and in the future. Annual budgets will strive to ensure programs and services are offered in an efficient and sustainable manner.
- iii. **Affordability** - Innovative service delivery strategies and available financing tools will be explored when preparing the budget to minimize the financial impact of rising costs, growth and expanding services.
- iv. **Service Levels** - Services provided will be reevaluated on an ongoing basis to align with Council priorities, resident demand, legislative requirements, and performance measures.

- v. **Interdependency** - The Operating and Capital budgets must be reviewed with a coordinated effort as capital expenditures and financing decisions will impact current and future operating budgets.
- vi. **Flexibility** - Variances from budget estimates will occur due to changes in circumstance and conditions. Flexibility needs to be provided to allow for efficiency in the management of those variances, while maintaining the integrity of the financial planning and resource allocation decisions made during the budget process.
- vii. **Public Input** - Community input and participation will be promoted in the budget process.

3. Scope

This Policy applies to all departments of the Town of Milton.

The Milton Public Library (MPL) and Downtown Milton Business Improvement Area (BIA) are required to comply with the requirements of Section 4.1 (Budget Calendar & Guidelines), Section 4.3 (Annual Budget Submission) and Section 4.5 (Expenditures Prior to Budget Approval). Further, the MPL and BIA are limited to the same Council-delegated authorities as outlined in Section 4.6 (Operating Budget Control), Section 4.7 (Capital Budget Control) and Section 4.8 (Staff Complement Management).

4. Policy

4.1 Budget Calendar & Guidelines

Staff shall prepare and submit annual Budget guidelines and a calendar for Council approval. The guidelines will form the basis upon which staff prepare the Budget Submission for Council's consideration. The Budget calendar shall, at a minimum, include the dates for the review of the Operating and Capital Budgets for Town Departments, the MPL and the BIA.

For the budget pertaining to any year following a municipal election, the budget calendar shall be prepared such that budget approval is scheduled for the month of January in the year which the budget applies. For all other years, the calendar shall be prepared such that budget approval is scheduled in the year preceding the year to which the budget applies, unless such timing would be disadvantageous to the budget preparation process.

Changes to the scheduled date of budget deliberations must be approved by Council.

4.2 Public Input

The budget process will seek community input and stakeholder participation consistent with Council approved principles for public involvement as well as any statutory requirements.

4.3 Annual Budget Submission

4.3.1 Budget Process and Approvals

All Departments, the MPL and the BIA will annually prepare and submit to the Treasurer or designate an Operating and Capital Budget.

The proposed Operating and Capital Budget shall be reviewed by the Leadership and Strategic Management teams, or approved by the appropriate Board in the case of the MPL and BIA, after which they will be submitted to Council for consideration and approval.

Council shall, in accordance with the *Municipal Act, 2001*, consider and adopt an annual Operating and Capital Budget.

4.3.2 Information Included in the Budget

The Operating and Capital Budget will establish the services and service levels to be provided by the Town as well as the resulting funding and spending authority for Programs or Projects, and will include:

- i. All departments, the MPL and the BIA
- ii. A balanced Operating Budget and a two year operating forecast including:
 - a. Financing sources, such as transfers from reserves, deferred revenues, user fees, subsidies from other levels of government, grants, donations, cost sharing and the tax levy.
 - b. Operating expenditures required in-year for program delivery such as compensation, administrative, operational and supply, services, maintenance, equipment, vehicle and technology expenses, as well as any other asset lifecycle related costs.
 - c. Service level change forms for Program Changes for the current year.
 - d. Capital financing including transfer to capital reserves, debt charges, and transfers to the capital fund where a funding source for a Capital Project is identified as a recovery from the Operating Budget.
 - e. Municipal Price Index Summary as well as Key Statistical Indicators and Trends
 - f. Amortization will be excluded from the Operating Budget submission. In accordance with O.Reg. 284/09, a separate report will be provided to Council regarding any eligible excluded expenses as outlined in that regulation, along with the required resolution.
- iii. A Capital Budget and a nine year capital forecast including:
 - a) TCA Projects - Expenditures for tangible capital asset (TCA) acquisition, rehabilitation and replacement in excess of the thresholds established.
 - b) Non-TCA Projects - Expenditures for non-TCA projects (such as studies) which may lend themselves better to the Capital Budget planning and reporting structure to allow for improved transparency, project management and administration, or alignment with funding sources.
 - c) Financing sources such as transfers from reserves, deferred revenues, debentures, grants, donations and cost sharing.
 - d) Identification of future projects requiring current year pre-approval to provide authority to proceed with a purchase commitment in the current year with funding to follow in a subsequent year's budget.
 - e) Capital Project Detail Sheets for all projects included in the first year of the 10 year period or requesting pre-approval in the first year. The project data sheet will include, at a minimum, a detailed description and justification of the project, the project expenditures and funding sources and the operating revenues/expenditures that are anticipated as a result of the capital project.
- iv. A summary of staff complement (Full Time Equivalents) including a continuity schedule summarizing the changes in complement that are proposed relative to the prior year
- v. The reporting of debt and Reserves and Reserve Funds will include:

- a) The debt amounts outstanding for all debt previously issued or approved and amounts recommended for approval with the current Budget.
- b) All debt charges (principal and interest payments) forecasted/anticipated for a period of at least 10 years for issued debt, debt that is authorized but unissued, as well as proposed debt
- c) The Reserves and Reserve Funds and Development Charge and Gas Tax deferred revenue amounts available as well as the amounts recommended for approval within the current Budget.
- d) The forecasted year end balances for Reserves, Reserve Funds and deferred revenue accounts for a period of at least 10 years

4.3.3 Project Administration Surcharge

Each project included in the first year of the Capital Budget will be charged a Project Administration Surcharge based on an established rate and the budget approval amount for each project. This charge is reflective of the support services and overhead costs required to deliver the project. As such, an offsetting revenue will be reflected in the Operating Budget where those costs are incurred. Any difference between the cost to administer the Capital Budget and the surcharge applied within the annual capital program will be managed through a transfer to/from ~~the Tax Rate Stabilization~~ Reserve to negate any volatility on the annual Operating Budget.

4.3.4 Project Management Cost

For projects where a significant amount of internal staff time will be spent performing project management responsibilities or delivering the project, the project budget will include a budget for these expenses. The wages, benefits and related costs associated with these positions will continue to be paid from their respective Operating Budget accounts, with a corresponding recovery from the Capital Budget. To determine the appropriate recovery amount, project managers will record time spent on projects while direct administrative and supervisory support to the project managers may be allocated based on the project managers recorded time where applicable.

4.3.5 Internal Development Fees

A Capital Project shall be charged the appropriate development user fees, such as site plan and building permit fees, as outlined in the prevailing User Fee By-law that would be charged against similar external development applications. The total cost of such fees will be charged to the Project Budget with an offsetting revenue recognized in the Operating Budget of the appropriate Department.

4.3.6 Capital Equipment Replacement

Capital vehicle and equipment planning and implementation shall be carried out as follows:

- i. A transfer to reserve based on the estimated replacement cost and lifecycle for each equipment unit will be included annually in applicable departmental operating budgets to provide for the future replacement of equipment utilized.
- ii. New equipment will be funded from development charges as per approved studies and by-laws.
- iii. Service-enhancement and other new non-development charge related vehicles and equipment will be prioritized as a part of the Capital Budget approval process.

- iv. The vehicle and equipment recovery rates will be updated regularly to ensure that rates are at current market value and reflective of the cost of operating and maintaining the Town's fleet. This will help ensure that the services provided to third parties are recovered at an appropriate rate.

4.4 External Funding

- i. Budgets will include estimated grants and other external revenue sources. Where practical, shortfalls in external revenue in the Operating Budget will be mitigated by restraint in spending for the related Program area. In the Capital Budget, spending against external revenue sources should not be initiated until receipt of the funding is assured. Revenue shortfalls will be reported in the Variance reporting processes.
- ii. LMT members, the MPL and the BIA are responsible for the management of Federal, Provincial or other funding programs or external recoveries that are available for their respective programs and services, including identification of opportunities and submission of applications.
- iii. Financial Planning and Policy staff are responsible for supporting this process, for providing coordination of programs that span multiple program areas, and for reviewing any reporting that is financial in nature and required as a part of any funding program utilized by the Town.

4.5 Expenditures prior to Budget Approval

Prior to Council approval of the current budget, spending shall be limited as set out in this Policy.

- i. Operating expenditures may be committed or incurred on the basis of the previous year's Operating Budget and service level.
- ii. Capital expenditures may be permitted if an individual Project is deemed a priority by Council and specifically approved in advance of the entire Capital Budget.
- iii. Where expenditures form part of a multi-year agreement or are part of the annualization of a service or cost that was introduced in the prior year's budget (or Council approved report thereafter), the goods or services may be incurred in the current year in advance of Budget approval.

4.6 Operating Budget Control

The operating budget approved by Council establishes the spending authority for a program. The annual planned budget is based on assumptions that may not always match actual results. Changes in priority, circumstance or financial conditions will create variances between the Budget and actual expenses.

- i. Increases or decreases to the Gross Operating Budget:
 - a. An increase or decrease to the approved gross operating budget will have no impact on the Council-approved tax levy and will only be made:
 - in accordance with External Funding guidelines as outlined in 4.6.iii, or
 - where provided for in the Financial Management - Treasury Policy, or
 - where approved by Council.
- ii. Re-allocation of Operating Budgets within and between programs:
 - a. Staff, the MPL or the BIA may approve spending in excess of the budget for a particular expense line(s) by making the necessary balancing decisions in other

- expense lines and/or programs provided the program deliverable or outcome is still within the approved service levels. Where the source of budget capacity will be salary & benefits (excluding MPL and BIA), transfer with reserves and reserve funds, reallocations (chargebacks), or financing revenue, validation from the Finance Division is also required.
- iii. Revenues that are received beyond the level provided for in the budget shall not be spent or committed without Council approval with the exception of the following:
 - a. In-year receipt of grant funding for Operating Programs may result in the creation or broadening in scope of an Operating Budget that was not included in the approved Budget. Budgets will be adjusted to reflect the additional revenue and expenses using delegated authority for cumulative amounts not exceeding \$250,000. Amounts exceeding \$250,000 will be adjusted with Council approval. The Program end date must coincide with the end date of the funding to ensure alignment with the grant requirements and adjustments to defer revenue and adjust future year Budgets will be made as required. Any surplus funds at the end of the project must be used in accordance with the terms of the grant funding.
 - b. Where revenues are only achieved through incremental expenditures where the budget impact is net neutral or positive and the program(s) remain within the approved service levels.
 - iv. Forecast Changes:
 - a. A Forecast Change is an estimate of the final year end position of expenses and revenues
 - b. Certain expenses or revenues in the Operating Budget cannot be accurately predicted or controlled due to their variable nature, such as winter maintenance and utilities which are impacted by weather patterns, legal/insurance claim costs and settlements, or Emergency Purchases in accordance with the Purchasing By-law.
 - As much as practical, staff shall make efforts to mitigate the impact of such cost pressures on the total Operating Budget and year-end position
 - LMT members shall report any such anticipated over-expenditures to the Finance Division as soon as such potential over-expenditures are known.
 - c. For all other expenditures not captured in section 4.6.iv.b above, sufficient available budget is required prior to a purchase commitment or hiring decision being made, therefore over expenditures should not occur.
 - d. In addition to the reallocations addressed in section 4.6.ii, expected changes from budget to the year-end position will be reported to Council as Forecast Changes.

4.7 Capital Budget Control

The Capital Budget approved by Council shall establish the scope, funding and spending authority for a Capital Project. Requirements, conditions and estimates may change, resulting in the variances from the originally approved budget. Budget Owners shall identify required budget amendments (where applicable) and secure the required approvals in collaboration with the Finance Division in advance of proceeding with any related purchase commitments.

4.7.1. Project Variance Account

A Project Variance Account will be created and maintained within the Capital Fund.

- i. The purpose of this fund is to provide for flexibility in managing in-year variances to the Town's Capital Projects while maintaining the integrity of the financial plans established through the annual budget process
- ii. Surpluses relating to the non-growth portion of Capital Projects that are funded from Town sources (example: levy, capital works reserve, etc.) will be transferred to the Project Variance Account through Budget Adjustments or at the time of Project closure.
- iii. Shortfalls in the Town's non-growth portion of Capital Projects will be funded from the Project Variance Account in accordance with the authority limits established within this policy.
- iv. Transfers between the Project Variance Account and Reserves may be required should the Project Variance Accounts accumulate excess funds or incur declining balances. Any such transfers will require Council approval.
- v. The target balance for the Project Variance Account will be 10% of the average annual portion of the Town's capital forecast that is to be funded from Project Variance Account-related funding sources (i.e. it will exclude the portion of the forecast that is to be funded from Development Charges, Gas Tax, external recoveries, etc.)
- vi. Any surplus or shortfall in Capital Projects related to the MPL or BIA will be funded from MPL or BIA sources.

4.7.2. Adjustments to Capital Budgets

- i. The scope of an existing project may not be amended without Council approval, unless:
 - a. the scope is the result of the receipt of external grant funding; or
 - b. the change has been authorized by the CAO in accordance with the authority delegated in the Purchasing By-law, or equivalent section of the MPL or BIA's purchasing policies (if applicable); or
 - c. the scope is the result of an Emergency as defined in the Purchasing By-law.
- ii. Budget increases to existing Capital Projects can proceed with authority delegated to the Treasurer or designate as follows:
 - a. for cumulative budget increases not exceeding \$250,000 over the Council-approved project budget where funding is available from the Project Variance Account, deferred revenues and/or external revenue;
 - b. for cumulative budget increases not exceeding \$500,000 over the Council-approved project budget where at least 50% of the funding is from an in-year receipt of grant, municipal or other external funding source and where funding for the remainder is available from the Project Variance Account, deferred revenues and/or external revenue;
 - c. For any budget increase considered in sections a. to b. above, where the cumulative increase exceeds 25% of the approved budget, the approval of the CAO is required.
 - [d. Capital budget increases related to emergency spending as defined by the Town's Purchasing By-law may proceed in advance of Council approval with reporting to Council afterwards](#)
 - ~~d.e.~~ For the MPL and BIA, increases up to \$250,000 can be made without Council approval subject to authorization in accordance with the prevailing MPL or BIA policy, as well as validation of the funding sources by Finance Division.
 - ~~e.f.~~ Council approval will be required for all other budget increases to existing projects.
- ii. Budget decreases to existing Capital Projects may occur when:
 - a. Costs for a project will be less than the approved project budget, resulting from a purchasing award, partial completion of a project or project closure.

- b. Where it has been determined that previously budgeted external recovery will not be required or materialize.
- c. Where a project will be deferred to future years and be re-budgeted through the annual budget process.
- d. All such reductions can be approved by staff, the MPL or the BIA and reported to Council through the variance reporting.
- iii. All new Capital Projects require the approval of Council, unless:
 - a. the scope is the result of the receipt of external grant funding
 - b. the cost is a result of an Emergency as defined in the Purchasing By-law.
 Any new projects created through the staff delegated authority above shall be reported to Council.

4.7.3. Project Closures

Budget Owners and/or LMT Members, the MPL or BIA will notify the Finance Division when a project is complete. Council will approve formal closure of Capital Projects.

4.8 Staff Complement Management

As staff complement represents a major category of cost in the delivery of municipal services to the public, guidelines that allow for the management of the cost associated with Full Time Equivalents (FTE) in a structured, efficient and responsive manner are appropriate. On that basis:

- i. Staff, the MPL and the BIA have the delegated authority to re-purpose an approved FTE within the following parameters:
 - a. changes must be FTE neutral,
 - b. sustainable funding sources must be available, and
 - c. changes must align with the approved service levels
 Should a full-time position be recommended to change from a 40 hour work week to 35 hour work week, or vice versa, this will be deemed to be FTE neutral
- ii. Staff, the MPL and the BIA have the delegated authority to temporarily increase staff complement (as measured by FTE), within the following parameters:
 - a. sustainable funding sources must be available for the term of the resulting contract, and
 - b. changes align with the approved service levels
- iii. All other changes to approved staffing levels must be approved by Council.

5. Roles and Responsibilities

Individual(s)	Responsibilities
Town Council	<ul style="list-style-type: none"> i. Determine the services and service levels to be provided ii. Approve the annual Budget calendar and guidelines upon which staff will prepare the annual Operating and Capital Budgets for Council consideration iii. Approve the Operating and Capital Budget. iv. Approve the overall Staff Complement

	<ul style="list-style-type: none"> v. Approve operating, capital and FTE Budget adjustments in accordance with the thresholds outlined herein vi. Approve the taxation levy and user fees via by-law. vii. Approve use of reserves, reserve funds or debt and respective By-laws, in accordance with the thresholds outlined in this policy. viii. Maintain the financial integrity of the Town. ix. Support multi-year business and financial Budget strategies in support of Council objectives.
Strategic Management Team & Leadership Management Team Members	<ul style="list-style-type: none"> i. Ensure that annual and multi-year Budgets and strategies are developed to support Council's objectives, and the protection and maintenance of the Town's physical and financial assets. ii. Ensure that master plans and service-related strategies include financial analysis and costing information prior to obtaining Council approval iii. Exercise financial control over all corporate operations within the Budget approved by Council. iv. Approve Budget and FTE adjustments as per the thresholds outlined in this policy. v. Identify the long-term financial impacts of current decisions/Budgets. vi. Review and validate Capital Project detail sheets submitted for Capital Projects and Service Level Change forms submitted for Operating Budgets
Treasurer	<ul style="list-style-type: none"> i. Perform the responsibilities outlined in Section 286 of the Municipal Act, 2001 ii. Provide Council with the financial information it requires with respect to the financial health and affairs of the Town iii. Develop financial strategies in support of Council objectives and the strategies developed by the Strategic and Leadership Management teams.
Financial Planning and Policy Business Unit	<ul style="list-style-type: none"> i. Prepare Budget guidelines, assumptions and methodology in accordance with Council guidance. ii. Review Budget submission, consolidate and formalize for Council approval in accordance with the approved timetable. iii. Monitor the annual Operating and Capital Budgets and prepare variance reports based on the input from Budget Owners. iv. Review and action the Budget Adjustments v. Provide support in business case development vi. Support LMT members in applying for external funding opportunities, as well as providing coordination for funding programs that span multiple program areas and for reviewing any reporting that is financial in nature and required as a part of any funding program vii. Support the Treasurer in fulfilling the responsibilities outlined in Section 286 of the <i>Municipal Act, 2001</i>
MPL & BIA	<ul style="list-style-type: none"> i. Ensure that annual and multi-year Budgets and strategies are developed to support Council and/or Board objectives, as well the protection and maintenance of the physical and financial assets.

	<ul style="list-style-type: none"> ii. Ensure that all Board approved Budget submissions comply with the Budget timetable, form and instructions. iii. Ensure compliance with spending limits and Budget Adjustments where applicable within the rules established in this policy iv. Support the Council reporting requirements outlined in this Policy v. Establish internal policies and procedures as necessary
Budget Owners	<ul style="list-style-type: none"> i. Develop, manage and administer annual and multi-year Capital and Operating Budgets for the Program/Project, ensuring support of Council's objectives, financial transparency and accountability. ii. Manage operations in accordance with the approved Budgets, identify and explain Variances. iii. Prepare Capital Project detail sheets iv. Prepare service level change forms v. Ensure Budgets are approved and available in advance of initiating procurement or hiring activities. vi. Identify and prepare Budget adjustments within the rules established in this Policy vii. Manage Federal, Provincial or other funding programs that are available for the respective programs and services, including identification of opportunities and submission of applications. viii. Within 60 days of Project completion, advise the Financial Planning & Policy staff that the project is complete.

6. Policy Management

The Treasurer is delegated the authority to make administrative changes to this policy that may be required from time to time due to legislative changes, Council decisions, or if, in the opinion of the Treasurer, the amendments do not change the intent of the policy. Any changes made under this delegated authority shall be reported to Council on an annual basis.

7. Reporting

7.1 Variance Reporting

- i. Through the Variance Reporting processes, the following information shall be presented to Council:
 - a. Operating Budget and Capital Budget actual results in comparison to Budget and Forecast Changes for the balance of the year
 - b. A description for material variances between approved budgets and actual expenditures and revenues
 - c. All in-year Budget Adjustments
 - d. Changes to the approved Staff Complement made under the delegated authority provided in Section 4.8.ii.
 - e. Budget to actual comparison of the transfers between the Operating Fund and the Reserve Fund
- ii. Detailed variance reports relating to the Capital Budget will be submitted to Council twice annually for the periods ending June 30th and December 31st

- iii. Detailed variance reports relating to the Operating Budget will be submitted to Council three times annually for the periods ending May 31st, September 30th, and December 31st
- iv. Operating Budget and Capital Budget month-end statements will be provided to Council for the month-end positions from March, April, August and October. For July month-end statements provided to Council will be on the Operating fund only.
- v. Any changes made to this policy through the authority delegated under Section 6 shall be reported by the Treasurer to Council annually.

7.2 Project Milestone Reports

Regular Milestone reports will be prepared for any projects that meet criteria such as size (~~example: over \$5,000,000 approved budget~~), risk, public interest or otherwise directed by Council or staff.

8. Related Policies, By-laws, Regulations, Legislation and Accounting Standards

To ensure the prudent fiscal management of the Town's financial resources, this policy shall be enforced in a manner that supports the following policies, By-laws, regulations, legislation, and accounting standards:

- i. *The Municipal Act, 2001*
- ii. *The Development Charges Act, 1997*
- iii. Canadian Public Sector Accounting Standards
- iv. Financial Management Policy Framework
- v. The "Corporate Delegation of Authority" Policy
- vi. *The Public Libraries Act, 1990*
- vii. Various By-laws relating to the establishment and authorities provided to the MPL and BIA

9. Definitions

- i. **Budget**- is an estimate, a plan to allocate resources for the maximum benefit of stakeholders.
- ii. **Budget Owner**- any Town staff responsible for an Operating Budget cost centre or Capital Budget.
- iii. **Budget Adjustment** - an increase or decrease in the authorized limit for an expenditure or revenue line.
- iv. **Capital Budget**- a multi-year plan based on the estimated expenditures and offsetting sources of financing for Capital Projects.
- v. **Capital Project**- a separate account to track expenditures and revenues that is established for the purpose of delivering a scope of work that can extend beyond the current year, and can result in the creation of a Tangible Capital Asset (TCA) or non-TCA asset.
- vi. **Commitment** - a contractual obligation usually involving a purchase order or legal agreement for the purchase of goods, services or construction.
- vii. **Division** - any organizational unit that may encompass one or more municipal services and is at the level at which Council approved funding and fund control in the operating budget. Divisions are generally aligned with LMT Members.
- viii. **Department** - any department of the Town of Milton. Departments are generally aligned with SMT Members.

- ix. **Fiscal Year**- the Town's Fiscal Year is considered to be January 1 to December 31 in accordance with Section 285(e) of the *Municipal Act, 2001*. Other Programs, grants or other obligations may also be required to report a Fiscal Year defined within different parameters; however, this will be defined in contractual documents. For Town purposes, any activity which falls into this second category rolls up into the Town's Fiscal Year.
- x. **Forecast Change** - an estimate of the projected variance that is anticipated relative to budget.
- xi. **Full Time Equivalent (FTE)** - is the fixed number tied to standard staffing hours required to perform Town services or Programs. To illustrate, the following are considered FTE:
 - a. 35 hour work week X 52=1820 =1 FTE
 - b. 40 hour work week X 52=2080=1 FTE
- xii. **Gross** - the value before any deductions
- xiii. **Net** - the value after the exclusion of deductions
- xiv. **Non-TCA Project** - a Project that will not result in a Tangible Capital Asset, however has been created as a part of the Capital Budget due to the benefits in the way of either transparency, project management and administration, or revenue allocation.
- xv. **Operating Budget**- is a financial plan of current operations that encompasses both estimated revenues and expenditures for a specific period, normally a Fiscal Year.
- xvi. **Program Change** - the introduction of a service that is new to the Town or a change in the level of service provided
- xvii. **Project Administration Surcharge** - an expense made against a project to fund the support services and overhead that are required to complete the project
- xviii. **Project Variance Account** - a project account created in the capital fund that is used to fund project shortfalls using accumulated project surpluses, thereby minimizing impacts on the financial plans established through the annual budget process
- xix. **Reserves**- are an allocation of accumulated net revenue that does not require the physical segregation of money or assets.
- xx. **Reserve Fund**- is an obligatory fund that is segregated and restricted to meet a specific purpose. Reserve Funds are required by legislation which stipulates that certain contributions received for special purposes be segregated from the general Reserves of the Town.
- xxi. **Sustainability** - the ability to provide for the needs of today without compromising the future generations' ability to provide for themselves
- xxii. **Tangible Capital Asset (TCA)** - Tangible capital assets are non-financial assets having physical substance that:
 - Are held for use in the supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
 - Have useful economic lives extending beyond one year;
 - Are to be used on a continuing basis; and
 - Are not for sale in the ordinary course of operations.
- xxiii. **Tax Levy**- is the portion of Town Costs that are unfunded by other levels of government or other revenue sources and requires funding from the property owners of the municipality through a property tax.
- xxiv. **Variance**- is a situation where actual recorded results differ from planned results as reflected in the Budget.

10. History of the Policy

Last amended: April 11, 2022 (CORS-024-22)

Originally Approved: June 18, 2018 (CORS-041-18)

Previous Policies: This policy replaced the following former policies:

- Policy 22: Budget - Capital (CS-43-04)
- Policy 23: Budget - Operating (CS-30-01)
- Policy 63: Financial - Department Charge Back

Approval Report/By-law Number: CORS-024-22, Appendix B
Approval Date: April 11, 2022
Effective Date: April 12, 2022

Policy Statement: The [Financial Management - Treasury Policy](#) provides a framework for optimal utilization of the Town’s financial resources, in accordance with legislation and the Town’s strategic goals.

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1. Policy Purpose

This policy outlines the methods the Town will use to manage its financial resources and protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements. This policy provides guiding principles for:

- Utilization of cash resources
- The issuance of external debt by the Town
- Establishment, continuance and use of reserves and reserve funds

The Treasury Policy is designed to work in conjunction with other Town policies and support the financial plans that result from the application of those policies. This policy should be revised in concert with other policies of the Town as required.

2. Guiding Principles & Objectives

Treasury activities are governed by the provisions and requirements of the *Municipal Act, 2001*, *Development Charges Act*, *Planning Act*, *Building Code Act*. Specific governing legislation for each of debt, reserve and reserve fund, and investment activity is further outlined in each of the sections below.

Any Provincial Statues or Regulations thereof will supersede and take precedence over this policy.

3. Scope

The policies outlined in this document are applicable to all investments, debt and reserve and reserve fund activity undertaken by the Town of Milton. In accordance with the *Public Libraries Act, R.S.O. 1990 c P.44, s.25*, the Milton Public Library Board may request the Town to raise

debentures for funds to acquire land, constructing or altering buildings, or to acquire books and other materials required for a newly established library.

Reserves and Reserve Funds of the Milton Public Library are established and administered by the Town of Milton in accordance with this policy. This policy does not apply to the Downtown Milton Business Improvement Area (BIA) who comply with their own respective policies as approved by their Boards. Although the Town maintains a DBIA Surplus Reserve Fund on behalf of the DBIA, these funds are generated and managed by the BIA.

This Policy includes all investment funds that are managed by the Town of Milton and excludes any of the Town's sinking fund investments that are managed by the Region of Halton or investments in Milton Hydro Holdings Inc.

4. Policy

4.1 Banking

The Town maintains a Banking Signing Authorities Bylaw (currently By-law [012-2018052-2021](#), as amended) that identifies the authorities for establishing banking and investment accounts, identifies the authorized banking signing officers on behalf of the Corporation and outlines the authorities and requirements for payment approvals as well as both general banking and investment activities.

4.2 Debt Management

Debenture financing is one of the mechanisms for funding capital projects. Generally capital projects provide benefits to residents over a number of years and therefore it may be appropriate to spread the cost over the benefit period to ensure those who benefit will contribute to the cost. Debenture financing may also be used to mitigate fluctuations in tax rates as well as manage cash flow and reserve balances.

4.2.1 Adherence to Legislative Requirements

Debt issuance at the Town will only be undertaken in compliance with the provisions of the *Municipal Act, 2001*, specifically Part XIII - Debt and Investment, as well as *Ontario Regulation 403/02* (Debt and Financial Obligations Limits). *Ontario Regulation 403/02* limits the amount of debt that can be utilized without required approval from the Ontario Municipal Board (OMB) such that the annual principal and interest payments cannot exceed 25% of own source revenue.

Temporary borrowing for works as per section 405 of the *Municipal Act, 2001*, as amended is permitted to be used to meet cash flow requirements during the construction of infrastructure. Temporary borrowing may only be applied in situations where the capitals works have been approved by Council and the upper tier municipality has approved the issue of debentures for the work.

Temporary borrowing for operational purposes as per section 407 of the *Municipal Act, 2001*, as amended is authorized to meet the current expenditures of the Town until taxes or other revenues are received.

4.2.2 Objectives

The primary objectives of the Town's debt program shall be:

- i) Adhere to legislative requirements;
- ii) Ensure financial flexibility to respond to emerging needs in order to support corporate priorities and strategic plans;
- iii) Minimize long-term cost of financing;
- iv) Minimize financial risk;
- v) Match the recovery of capital cost to an appropriate funding source.

4.2.3 Debt and Financial Obligations

Under *O. Reg. 403/02* the debt charge payments cannot exceed 25% of the Town's annual total own source revenues however this policy sets out further limitations on the amount of debt that the Town may issue. Debt limits must consider and include financing leases as well as any guarantees to other boards or agencies.

For the Town of Milton the amount of debt payments shall be limited to 15% of the Town's own source revenues and the debt limit as calculated by the regulations could be as high as 20% where at least 25% of the debt repayments can be made from other sources of revenue such as user fees, future development revenues or future capital provision payments.

The term of the debt repayment must match or be less than the expected useful life of the asset and will be structured for the shortest period to reduce overall financing costs while considering current and future taxpayer benefit.

Financing leases have different financial and other risks than traditional debt. These risks may include contingent payment obligations, lease termination provisions, equipment loss, equipment replacement options, guarantees and indemnities. These risks will be identified prior to entering into any material financing lease. See Policy No. 112 - Procurement and Disposal.

Temporary borrowing for works under section 405 of the *Municipal Act, 2001*, as amended will be no greater than 3 years and long term debt will be secured as soon as possible after the completion of a project or 3 years, whichever is less, to replace the short term borrowing. All temporary borrowing costs will be charged as part of the project costs and form part of the long-term debt requirements.

Any temporary borrowing for operations, as referenced under section 407 of the *Municipal Act, 2001*, as amended is to be repaid as soon as the Chief Financial Officer & Treasurer has determined adequate cash balances are available to do so.

4.2.4 Authority

Long term borrowing, or debentures, are issued by the Region of Halton on the Town's behalf in accordance with the *Municipal Act, 2001*, s. 401 which states that where there is a two tier government structure, debentures must be issued by the upper tier. The Chief Financial Officer & Treasurer, in accordance with the annual capital budget process, shall determine eligible capital works for debenture financing which will be provided to Council for approval. The minutes of that Council meeting and the associated confirming bylaw will be the supporting documents which provides authority for debenture financing. The Chief Financial Officer & Treasurer, in consultation with the Region of Halton, shall determine the timing of issuance for borrowing that has been approved by Town Council.

Temporary borrowing for works as referenced under section 405 of the *Municipal Act, 2001*, as amended would be managed through the issuance of a By-law authorizing temporary borrowing to meet expenditures associated with approved capital works prior to the issuance of debentures.

Temporary borrowing for operations, as referenced under section 407 of the *Municipal Act, 2001*, as amended will be managed in compliance with the Operational Borrowing By-law of the Town.

4.3 Reserves and Reserve Funds

Under the authority of Council, reserves and reserve funds are appropriations from the Town's net revenues designated for purposes that may extend beyond the current fiscal year. Setting aside funds for planned future capital expenditures, unexpected or unpredicted events or to smooth expenditures which would otherwise cause fluctuations in the operating or capital budgets ensures the ongoing financial stability of the organization. Reserves and reserve funds are an integral part of the municipal budget planning process and long term financing plan that contributes to the municipality's sound financial position.

In addition to reserves and reserve funds the Town also maintains a Project Variance Account within the Capital fund to provide flexibility in managing in-year variances to the Town's Capital Projects. This policy does not apply to the Project Variance Account which is managed in accordance with the Budget Management Policy No. 113.

4.3.1 Adherence to Legislative Requirements

Reserves and Reserve Funds are governed by the *Municipal Act, 2001*, as amended which provides municipalities with broad powers to manage financial matters, which includes power to establish reserves and reserve funds for services under their jurisdiction where they have the authority to spend money. Other governing legislation includes *Development Charges Act, Planning Act, Building Code Act, Federal/Provincial Transfer Payments, Gas Tax*.

4.3.2 Objectives

The primary objectives of reserves and reserve funds shall be:

- i) Adherence to statutory requirements;
- ii) Promotion of financial stability and flexibility;
- iii) Provision for major capital expenditures;
- iv) Reduce the need for tax-levy funded debentures;
- v) Smooth expenditures which would otherwise cause fluctuation in the operating budget;
- vi) Ensure compliance with the terms of financial agreements or contracts.

4.3.3 Establishment of Reserves and Reserve Funds

Council, on the recommendation of the Chief Financial Officer & Treasurer, may establish a reserve or discretionary reserve fund and shall establish an obligatory reserve fund where required pursuant to legislation or contract. Reserves and reserve funds are created by specific by-laws or as part of other by-laws, such as those for development revenues or annual budgets.

Any change to the purpose for which the reserve or reserve fund is designated must be permitted by provincial statute and approved by Council. Reserves or reserve funds for different purposes shall be separate, but each may include a group of services in the same category.

Target funding levels shall be established for every reserve and reserve fund. Reserve and reserve fund balances and associated targets shall be reviewed periodically to ensure adequate reserve and reserve fund levels are being maintained.

4.3.4 Transfers to/from Reserves and Reserve Funds

Contributions to and/or withdrawals from reserves and reserve funds shall be approved by Council as part of the annual budget approval process or specifically by resolution with the following exceptions:

- i. Direct contributions to reserve and reserve funds such as development revenues, investment income, other external revenues, etc.
- ii. Corporate use reserves, as outlined in Appendix A, including Insurance and Legal Matters, ~~Insurance~~ and WSIB where staff may transfer funds throughout the year or as part of the year end process in order to manage the budget relative to actual levels of activity in those areas.
- iii. Transfers authorized through the Town's Budget Management Policy No. 113.
- iii-iv. To manage the budget relative to actual levels of activity in areas such as tax write offs and dividend income from Milton Hydro staff may transfer funds to/from Reserve throughout the year or as part of the year end process.

A schedule summarizing transfers to/from all reserves and reserve funds along with commentary on variances to budget will be reported to Council through the year end operating report as further discussed in section 7.2 - Reserve and Reserve Fund Reporting.

4.3.5 Investment of Reserves and Reserve Funds

Reserves and Reserve Funds may be invested in accordance with the conditions as set out in this policy through section 4.4 - Investments and Cash Management. Interest earned on reserves shall be recognized as revenue in the operating budget. Interest earned on reserve funds shall be recognized as revenue in each specific reserve fund

Interest earnings will be allocated based on the following priority:

- i. Development Reserve Funds will be allocated monthly interest based on the Bank of Canada overnight rate as referenced in the Development Charges Act.
- ii. Reserve Funds (with the exception of Development Reserve Funds) will be allocated monthly interest based on the Town's overall investment portfolio annual return.
- iii. Monthly interest will be calculated on unspent capital balances based on the average annual return on the Town's cash portion of the investment portfolio and allocated to Infrastructure Renewal Reserves.
- iv. Operating fund will be allocated interest in accordance with the Council approved budget.

- v. Excess investment income revenue above the established limit as identified in the Operating fund will be transferred to reserve in accordance with Financial Management - Financial Principles Policy No. 110 section 4.2.vii.

4.3.6 Temporary Borrowing from Reserves and Reserve Funds

Internal borrowing to cover a reserve short-term deficit, interim servicing requirements or internal financing is permissible, subject to any legislative restrictions, and the following requirements:

- Borrowing must not adversely affect the intended purpose of the reserve
- A plan to repay the reserve within a reasonable timeframe is required
- Interest, equivalent to the Town's interest earnings or as prescribed by legislation governing specific reserve funds, will be applied to the outstanding amount borrowed
- Legislated or contractual obligations are satisfied.

4.3.7 Termination of Reserves and Reserve Funds

If the purpose for which the reserve or reserve fund was created has been accomplished, the Chief Financial Officer & Treasurer, in consultation with program area staff and, subject to any legislative restrictions, shall report to Council with recommendations on:

- The closure of the reserve or reserve fund;
- The disposition of any remaining funds; and
- Any necessary changes to this policy.

A resolution of Council will be required to close a reserve.

See Appendix 1 for an inventory of Reserve and Reserve Funds indicating the purpose of each fund, funding source, use of funds and target balance.

4.4 Investment and Cash Management

4.4.1 Adherence to Legislative Requirements

Investment activities must be made in accordance with Section 418 (1) of the *Municipal Act, 2001*, as amended which states that a municipality may invest money it does not need immediately in securities, in accordance with prescribed rules and regulations. The prescribed securities that municipalities may invest in as well as the rules for making investments, entering into related financial agreements and reporting on activities is set out under Ontario Regulation 438/97.

4.4.2 Objectives

The primary objectives of the Investment Program, in order of priority, shall be:

- i) Adherence to statutory requirements
- ii) Preservation of principal
- iii) Ensuring availability of cash to meet disbursements and other obligations;
- iv) Maintaining liquidity;

- v) Diversification of the investment portfolio, commensurate with constraints in (1) to (v);
- vi) Earning a competitive rate of return, commensurate with constraints in (i) to (v);
- vii) Regular review of the effectiveness of the policy in meeting the above objectives; and
- viii) Periodic audit of the investment program to ensure adherence to the policy.

The following summary identifies the eligible instruments and the limits on the total principal that may be outstanding at any time with the issuer. Investments are limited to securities that are expressed or payable only in Canadian dollars.

Authorized Investments and Limitations							
Category	Sector ⁽¹⁾	Portfolio Maximum	Individual Maximum ⁽²⁾	Term Limitation (Years)	Minimum DBRS Rating ⁽³⁾		
					Short-term	Long-Term	
Federal	Federal and Federal Guaranteed ⁽⁴⁾	100%	100%	20	N/A	A (low)	
Provincial	Provincial and Provincial Guaranteed ⁽⁴⁾ (example: Provincial Hydro Authority)	100%	20%	15	R-1 (low)	A (low)	
Municipal	Municipal and Municipal Guaranteed	50%	10%	15	R-1 (low)	A (low)	
Boards / Schools	School Board	15%	5%	10	R-1 (low)	AA(low)	
	University and College ⁽⁵⁾						
	Local Board or Conservation Authority						
	Public Hospital Board						
	Non-profit Housing Corporation						
Financial Institution	Schedule I Bank (BMO, BNS, CIBC, NBC, RBC, TD) ⁽⁶⁾	60% ⁽⁸⁾	60%	20%	10	R-1 (low)	A (low)
	Schedule II & Other Schedule I Banks not listed above		20%	10%	2	R-1 (mid)	
	Trust Loan / Credit Union ⁽⁷⁾						
ONE Investment Program⁽⁹⁾	Bond Portfolio	25%	10%	N/A	N/A	N/A	
	Universe Corporate Bond Portfolio		10%				
	Equity Portfolio		0%				
Other	Asset Backed Securities	10%	5%	5	R-1 (high)	AAA	
	Commercial paper or promissory notes	10%	5%	1	R-1 (mid)	N/A	

Notes:

- (1) Per definitions and regulations under Ontario Regulation 438/97.
- (2) Individual maximum applies to either an individual institution or in the case of the ONE Investment Program it applies to individual portfolios.
- (3) Equivalent ratings from Moody's Investor Services, Standard and Poor's or Fitch Ratings are also acceptable.
- (4) A minimum of 10% of the portfolio must be in the Federal or Provincial category.
- (5) Includes a University in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000 and a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002.
- (6) Six major Schedule I Banks include: Bank of Montreal, Bank of Nova Scotia (The), Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank (The).
- (7) Credit Unions require financial statements or certification in writing that various financial criteria has been met as outlined in O. Reg 438/97.
- (8) The overall Financial Institution category shall not exceed 60% of the total portfolio, within this category:
 - i) Aggregate holdings of the Six major Schedule I Banks shall not exceed 60% of the total portfolio; and
 - ii) Aggregate holdings of Schedule II & Other Schedule I Banks not listed above and Trust Loan / Credit Union's shall not exceed 20% of the total portfolio.
- (9) The ONE Investment Program provides recommended investment timelines for each fund however funds can be withdrawn with one day's notice and investments in each pool meet eligibility criteria as defined by regulations under the Municipal Act.

Authorized Investments and Limitations							
Category	Sector ⁽¹⁾	Portfolio Maximum	Individual Maximum ⁽²⁾	Term Limitation (Years)	Minimum DBRS Rating ⁽³⁾		
					Short-term	Long-Term	
Federal	Federal and Federal Guaranteed ⁽⁴⁾	100%	100%	20	N/A	A (low)	
Provincial	Provincial and Provincial Guaranteed ⁽⁴⁾ (example: Provincial Hydro Authority)	100%	20%	15	R-1 (low)	A (low)	
Municipal	Municipal and Municipal Guaranteed	50%	10%	15	R-1 (low)	A (low)	
Boards / Schools	School Board	15%	5%	10	R-1 (low)	AA(low)	
	University and College ⁽⁵⁾						
	Local Board or Conservation Authority						
	Public Hospital Board						
	Non-profit Housing Corporation						
Financial Institution ⁽⁶⁾	Schedule I Bank (BMO, BNS, CIBC, NBC, RBC, TD)	60% ⁽⁷⁾	60%	20%	10	R-1 (low)	A (low) ⁽⁸⁾
	Schedule II & Other Schedule I Banks not listed above		20%	10%	2		
	Trust Loan / Credit Union						
ONE Investment Program ⁽⁹⁾	Canadian Government Bond Portfolio	25%	10%	N/A	N/A	N/A	
	Canadian Corporate Bond Portfolio		10%				
	Canadian Equity Portfolio		10%				
Other	Asset Backed Securities	10%	5%	5	R-1 (high)	AAA	
	Commercial paper or promissory notes	10%	5%	1	R-1 (mid)	N/A	

Notes:

(1) Per definitions and regulations under Ontario Regulation 438/97.

(2) Individual maximum applies to either an individual institution or in the case of the ONE Investment Program it applies to individual portfolios.

(3) Equivalent ratings from Moody's Investor Services, Standard and Poor's or Fitch Ratings are also acceptable.

(4) Includes bonds, debentures or other evidence of indebtedness issued or guaranteed by the Government of Canada, or a Province of Canada. A minimum of 10% of the portfolio must be in the Federal or Provincial category.

(5) Includes a University in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000 and a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002.

(6) Includes bonds, debentures, deposit receipts, deposit notes, certificates of deposit or similar instruments issued, accepted, guaranteed or endorsed by a bank in Schedule I or II or a Credit Union, including bail-in. Six major Schedule I Banks include: Bank of Montreal, Bank of Nova Scotia (The), Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank (The). Credit Unions require financial statements or certification in writing that various financial criteria has been met as outlined in O. Reg. 438/97.

(7) The overall Financial Institution category shall not exceed 60% of the total portfolio, within this category:

- i) Aggregate holdings of the Six major Schedule I Banks shall not exceed 60% of the total portfolio; and
- ii) Aggregate holdings of Schedule II & Other Schedule I Banks not listed above and Trust Loan / Credit Union's shall not exceed 20% of the total portfolio.

(8) For securities of bonds, debentures, promissory notes or other evidence of indebtedness, issued or guaranteed by a bank listed in Schedule I, II or III to the *Bank Act* (Canada) with a term-to-maturity less than or equal to 2 years on the day the investment is made, the prescribed minimum credit rating is AA(low).

(9) The ONE Investment Program provides recommended investment timelines for each fund however funds can be withdrawn with one day's notice and investments in each pool meet eligibility criteria as defined by regulations under the Municipal Act.

4.4.3 Portfolio Limitations

Portfolio size limitations listed above will be applicable based on the allowable percentage of the portfolio on the day an investment is made.

When determining the portfolio limitations:

- The total portfolio (denominator) shall include all cash, cash equivalents, short-term investments and long-term investments.
- Funds held within general or high interest saving accounts shall not be used to determine the maximum category or sector limitations (numerator).

4.4.4 Credit Ratings

The town shall only invest in securities meeting the ratings prescribed by regulation under the *Municipal Act, 2001*, as amended. ~~If an investment made falls below the standard, a plan will be created that includes expected timelines for selling the investment and sell the investment in accordance with the plan.~~

Credit ratings are forward looking opinions about credit risk which reflect the creditworthiness of an issuer, rated entity, and/or security. Ratings are established by Dominion Bond Rating Service (DBRS), Fitch Ratings, Moody's Investors Service Inc., and Standard & Poor's, as follow:

Rating Description	DBRS		Moody's		S&P		Fitch	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Highest Credit Quality	AAA	R-1 (high)	Aaa	P-1	AAA	A-1+	AAA	F1+
Superior Credit Quality	AA (high)	R-1 (high)	Aa1	P-1	AA+	A-1+	AA+	F1+
	AA	R-1 (mid)	Aa2	P-1	AA	A-1+	AA	F1+
	AA (low)	R-1 (mid)	Aa3	P-1	AA-	A-1+	AA-	F1+
Good Credit Quality	A (high)	R-1 (low)	A1	P-1	A+	A-1	A+	F1 or F1+
	A	R-1 (low)	A2	P-1	A	A-1	A	F1
	A (low)	R-1 (low)	A3	P-2	A-	A-2	A-	F2 or F1

Highest Credit Quality: The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

Superior Credit Quality: The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.

Good Credit Quality: The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.

4.4.5 Delegation of Authority

The Chief Financial Officer/Treasurer (CFO/Treasurer) has overall responsibility for the prudent investment of the investment portfolio and establishment of procedures consistent with this policy. The CFO/Treasurer shall be responsible for all transactions undertaken, and shall establish a

system of controls to regulate the activities of subordinate officials and shall exercise control over that staff. The Town's banking authority by-law (012-2018052-2021, as amended) establishes the authority of the CFO/Treasurer or an agent of the CFO/Treasurer to make investments on behalf of the town. No person may engage in an investment transaction except as provided under the terms of this policy.

The CFO/Treasurer or designate shall be authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities in a manner that conforms to the *Municipal Act, 2001*, as amended and Town policies.

If an investment made subsequently falls below the standard credit rating or otherwise no longer meets the authorized limitation criteria, a plan will be created that includes expected timelines for selling the investment and sell the investment in accordance with the plan.

Those investments governed by the provisions of the "ONE Fund - The Public Sector Group of Funds" agreement shall be deemed delegated to that Agent.

4.4.6 Approval Requirements

~~All investment transactions must be approved in accordance with By law No. 012-2018 as amended or successor by laws which requires approval by two of:~~

- ~~i. Chief Financial Officer/Treasurer;~~
- ~~ii. Deputy Treasurer;~~
- ~~iii. Manager, Accounting & Payroll;~~
- ~~iv. Manager, Financial Planning and Policy; or Senior Financial Analyst.~~

4.4.76 Performance Benchmarks

~~The Town's investment portfolio shall be designed with the objective of obtaining a market rate of return commensurate with the investment risk constraints and cash flow needs. Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio. For both short and long term results will be compared to the ONE Investment Program, or equivalent generally accepted industry benchmarks that consider term, credit quality and levels of diversification.~~

4.4.87 Standards of Care

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due

diligence shall take all necessary actions to ensure the maximum performance of investments on a portfolio basis, subject to the prescribed risk parameters dictated by the investment policy.

Investment officers shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make important investment decisions. Investment officers shall disclose to the Treasurer of the Town any material financial interests in financial institutions that conduct business within Canada, and they shall further disclose any significant personal financial or investment positions that could be related to the performance of the portfolios.

4.4.98 Safekeeping and Custody

All securities shall be held for safekeeping by a financial institution approved by the Town. All securities shall be held in the name of the Town.

The depository shall issue a safekeeping receipt to the Town listing the specific instrument, rate, maturity and other pertinent information. The depository will also provide reports, which list all securities held by the Town, the book value of holdings and the market value.

5. Roles and Responsibilities

Individual(s)	Responsibilities
Town Council	<ul style="list-style-type: none"> i. Review the financial health of the Town as it relates to Treasury activities ii. Approve debt financing for certain capital projects as outlined through the budget process iii. Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution (for reserves) and by-laws (for reserve funds)
Chief Financial Officer & Treasurer	<ul style="list-style-type: none"> i. Oversee and recommend strategies to maintain the financial health of the Town as it relates to Treasury activities ii. Ensure reserves and reserve funds are established, maintained and used in compliance with this policy, PSAB and GAAP guidelines and governing legislation iii. Approve the timing of debt issuances

	<ul style="list-style-type: none"> iv. Report to Council the reserve balances and forecast as part of the annual budget approval process v. Ensure any investment that is not consistent with this policy is disposed of within prescribed timelines vi. Provide annual investment report to Council vii. Ensure all reporting requirements identified within this Policy are met
<p>Financial Planning and Policy Team</p>	<ul style="list-style-type: none"> i. Calculate the Growth-related Debt and Financial Obligation Limit for the Corporation as prescribed by the Municipal Act, 2001, as amended ii. Coordinate debt issuance requirements with the Region of Halton iii. Apply interest to Reserve Fund balances iv. Manage investment activities in accordance with legislation and policy v. Perform the transfers to and from reserves and reserve funds as authorized by Council vi. Monitor credit ratings of securities held in investment portfolio vii. Ensure that a Cash Management and Investment Procedure manual remains up to date and accessible to all investment officers and other relevant employees viii. Maintain and store all records in accordance with the Town's Retention By-law ix. Prepare year end audit files x. Support the CFO & Treasurer through preparing the reporting requirements for Council
<p>Department Director and department staff</p>	<ul style="list-style-type: none"> i. Provide the Financial Planning and Policy team with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves ii. Consult with the CFO & Treasurer when reserve funds are required for transactions

6. Policy Management

The Treasurer is delegated the authority to make administrative changes to this policy that may be required from time to time due to legislative changes, Council decisions, or if, in the opinion of the Treasurer, the amendments do not change the intent of the policy. Any changes made under this delegated authority shall be reported to Council on an annual basis.

7. Reporting

7.1 Debt

The Treasurer will provide annually to Council as part of the budget document pertaining to debt information on existing debt levels, remaining terms and projected future requirements based on long term capital needs. Outstanding debt obligations will also be reported annually as part of the year end process and financial statements.

7.2 Reserves and Reserve Funds

The Treasurer shall prepare and present to Council a statement of continuity for each reserve and reserve fund including the beginning and ending balances, as well as the total contributions and withdrawals for the period.

A forecast of reserve and reserve fund balances is to be prepared and submitted annually with the budget.

7.3 Investments

The CFO/Treasurer shall provide an annual investment report to Council and shall contain at a minimum:

- i. A statement about the performance of the portfolio of investments during the period covered by the Report;
- ii. The balance of the current outstanding investment portfolio;
- iii. A statement as to whether or not all investments were in accordance with the investment policies and goals of the Town;
- iv. If applicable, a description of the estimated proportion of investments that are invested in the Town's own long-term and short-term securities and a description of the change, if any, in the estimated proportion since the previous report;
- v. If applicable, a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and
- vi. Contains such other information that the Council may require or that, in the opinion of the treasurer or designated agent of the treasurer, should be included.

If an investment made by the town is, in the Treasurer's or designated agent of the Treasurer's opinion, not consistent with the investment policies and goals adopted by the Town, the Treasurer shall report the inconsistency to Council within 30 days after becoming aware of it.

8. Related Policies, By-laws, Regulations, Legislation and Accounting Standards

To ensure the prudent fiscal management of the Town's financial resources, this policy shall be enforced in a manner that supports the following policies, By-laws, regulations, legislation, and accounting standards:

- Financial Management - Financial Principles No. 110
- Financial Management - Budget Management No. 113
- The *Municipal Act, 2001*
- The *Building Code Act*
- The *Planning Act*
- The *Development Charges Act, 1997*
- The prevailing Banking Authorities By-law for the Town of Milton

9. Definitions

i. **Annual Debt Repayment Limit** - the maximum amount of annual debt servicing costs that a municipality can undertake or guarantee without seeking approval of the Ontario Municipal Board. This amount is determined for municipalities by the Province described in O. Reg. 403/02. This calculation limits annual debt service costs to 25% of operating income as reported in the municipality's audited financial statements.

ii. **Area Municipality** - any municipality located within the Region of Halton

iii. **Asset Backed Securities** - fixed income securities (other than a government security) issued by a Special Purpose Entity, substantially all of the assets of which consist of Qualifying Assets.

iv. **Bail-in: a resolution tool that the Canada Deposit Insurance Corporation can use to convert some of a failing domestic systemically important bank's debt into common shares in order to recapitalize the bank and allow it to remain open and operating.**

iv-v. **Basis Point (BPS):** a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

v-vi. **CHUMS Financing Corporation (CHUMS):** a subsidiary of the Municipal Finance Officers Association of Ontario (MFOA) which in conjunction with the Local Authority Services Limited operates the ONE Investment Program.

vi-vii. **Credit Risk:** the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

vii-viii. **Debt** - any obligation for the payment of money. The Town considers debt to consist of Debentures, cash loans from financial institutions, capital leases, debenture financing approved through by-law but for which debt has yet to be issued, debenture financing approved through the capital budget but for which a by-law has yet to be established, outstanding financial commitments, loan guarantees, and any debt issues by, or on behalf of the Town, including mortgages, Debentures or demand loans.

- viii-ix. **Debenture** - a formal written obligation to repay specific sums on certain dates. In the case of a municipality, debentures are typically unsecured.
- i. **Development Revenue Supported Debt** - debt issued in advance of development revenue collections. Debt charges for this type of debt are funded from development reserve funds.
 - ii. **Discount:** the amount by which the par value of a security exceeds the price paid for the security.
 - iii. **Diversification:** a process of investing assets among a range of security types by class, sector, maturity, and quality rating.
 - iv. **Duration:** a measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
 - v. **Holding Period Classifications:**
 - a. **Cash Equivalent:** short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value
 - b. **Short-term:** securities with a holding period of less than one year ~~or less~~.
 - c. **Long-term:** securities with a holding period of one year or greater ~~than one year~~.
 - vi. **Liquidity:** a measure of an asset's convertibility to cash.
 - vii. **Local Authorities Service Limited (LAS):** a subsidiary of the Association of Municipalities of Ontario ('AMO') which in conjunction with CHUMS operates the ONE Investment Program.
 - viii. **Long Term Debt** - any Debt for which the repayment of any portion of the principal is due beyond one year
 - ix. **Net Revenues** - total Town consolidated revenues less grants from other levels of government less sales of land and development revenues earned. These revenues do not include donations of tangible capital assets.
 - x. **Non Tax Supported Debt** - long-term indebtedness payable from sources other than property tax revenues
 - xi. **Market Risk:** the risk that the value of a security will rise or decline as a result of changes in market conditions.

- xii. **Market Value:** current market price of a security.
- xiii. **Maturity:** the date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See “Weighted Average Maturity”.
- xiv. **ONE Investment Program:** a professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations under the *Municipal Act, 2001*.
- xv. **Ontario Municipal Board** - is an independent administrative board, operated as an adjudicative tribunal, in the province of Ontario. It hears applications and appeals on municipal and planning disputes as well as other matters specified in provincial legislation.
- xvi. **Own Source Revenues** - revenue for a fiscal year, excluding:
 - a. Grants from the Government of Ontario or Canada or from another municipality
 - b. Proceeds from the sale of real property
 - c. Contributions or net transfers from a Reserve or Reserve Fund
 - d. Development Revenues
 - e. Government of Ontario revenues received for the purpose of repaying the principal and interest of Long-Term Debt, toward meeting financial obligations of the municipality
- xvii. **Par:** the face value or principal value of a bond.
- xviii. **Premium:** the amount by which the price paid for a security exceeds the security’s par value.
- xix. **Principal:** the face or par value of a debt instrument or the amount of capital invested in a given security.
- xx. **Prudent Person Rule:** an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.
- xxi. **Rate of Return:** the yield obtainable on a security based on its purchase price or its current market price. Yield reflects coupon, term, liquidity and credit quality.
- xxii. **Reserves-** an appropriation of net revenues set aside at the discretion of Council to assist the maintenance of its financial position. It does not require the segregation of assets, and may be established for any municipal purpose. Typically, reserves support the operating budget. Since they are typically shorter term in nature, reserves do not receive an annual interest allocation.
- xxiii. **Reserve Funds** -established through a by-law of Council, or by a requirement of federal or provincial legislation i.e. Development Charges Act, for a specific purpose and segregated from general revenues of a municipality to meet the financial requirements of

a future event. Typically, reserve funds support the capital budget. Reserve Funds may be discretionary or obligatory. Reserve Funds receive an annual interest allocation based on the average annual balance.

- a. **Obligatory Reserve Funds** - Monies set aside and legally restricted by provincial legislation, a municipal by-law, or agreement. The funds are raised for a specific purpose and cannot be used for any other purpose. Examples include Development Revenues, Cash In Lieu of Parkland and Gas Tax Reserve Funds
 - b. **Discretionary Reserve Funds** - Monies set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under section 4174 (4) of the *Municipal Act, 2001*.
- xxiv. **Schedule I banks:** Schedule I banks are domestic banks and are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.
- xxv. **Schedule II banks:** Schedule II banks are foreign bank subsidiaries authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

xxvi. **Security: an exchangeable, negotiable instrument representing financial value.**
Securities are broadly categorized into debt securities (such as banknotes, bonds and debentures) and equity securities e.g. common stocks and derivatives contracts, such as forwards, futures, options and swaps.

xxvi-xxvii. **Sinking Fund:** money accumulated on a regular basis, through regular contributions and interest earnings, in a separate custodial account that is used to redeem debt securities by a specified date.

xxvii-xxviii. **Tax Supported Debt** - long-term indebtedness payable from property tax revenues

xxviii-xxix. **Temporary Borrowing** - Debt for which the repayment of the entire principal is due within one year or in the case of funding for a capital project, borrowing until Long-Term Debt to cover the costs is obtained or issued.

xxix-xxx. **Weighted Average Maturity (WAM):** the average maturity of all the securities that comprise a portfolio.

xxx-xxxii. **Yield to maturity (YTM):** the annual return on a bond held to maturity when interest payments and price appreciation (if priced below par) or depreciation (if priced above par) are considered.

10. History of the Policy

Last Amended: April 11, 2022 (CORS-024-22)

Originally Approved: July 20, 2020 (CORS-039-20)

Previous Policies: This policy replaces the following former policies:

- Policy 61: FINANCIAL - Cash Management & Investments
- Policy 96: Reserve Funds
- Policy 98: Revenue - OLG Revenue
- Debt Management (was previously part of Policy 22: Budget Capital)

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Reserve & Reserve Fund Definitions and Policies						
Stabilization Reserves and Reserve Funds						
These funds are used to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, revenue shortfalls, and to manage cash flows and minimize large fluctuations in the tax levy.						
Name	Reserve/ Reserve Fund (Note 1)	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Target Balance
Tax Rate Stabilization	R	Operating	To mitigate fluctuations in the tax levy during preparation of the annual operating budget and provide financial resources to respond to extraordinary events that are operating and typically one-time in nature, or unanticipated deficits that may occur in the year.	Contributions from the operating fund. In years where capital surcharge revenues exceed costs to administer the capital program the excess will be transferred to the reserve.	Funds are to be used for one-time expenditures identified through the operating budget or annual operating deficits. Funds will also be used to offset impact in years where there is a shortfall in capital surcharge revenues relative to costs to administer capital program.	10% of previous year's tax levy.
Severe Weather Stabilization	R	Operating	To provide funding for the cost associated with severe weather events which exceed the amount provided for in the Town's operating budget so as not to adversely impact the current year's operating fund.	Contribution from the operating fund.	Monies may be used to fund winter control deficits and/or costs associated with severe weather events.	3% of previous year's tax levy
Building Rate Stabilization	RF	Both	The Building Division must report their surpluses and deficits to the industry as a separate entity as the Building Code Act states that the	Surplus earned on building permit revenues in excess of the costs to administer the Building Code Act.	Funds will be used as required in years where building permit revenues are insufficient to recover the costs	Two years-worth of gross operating costs required to administer the Building Code Act.

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			fees collected are to be used to administer the Act; surpluses cannot be used to fund general Town expenditures, and deficits should be funded from a Reserve Fund and not from the Town funds. For this reason, the Building Rate Stabilization Reserve Fund was established to provide for capital expenditures and revenue stabilization, as building permit activity is highly cyclical.		associated with administering the Building Code Act.	
<p>Corporate Use Reserves These reserves provide for various contingent and potential future liabilities, generally arising from the operating fund.</p>						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target
Legal Matters	R	Both	To finance unbudgeted or extraordinary costs associated with legal matters so as to not impact negatively on the Town's operating fund.	Contribution from the operating fund. Developer contributions, to be collected at time of subdivision registration or site plan for residential units at an amount set out in the annual User Fee By-law.	Funds may be used in either operating or capital for unbudgeted or extraordinary costs associated with legal matters.	Two times the average of the previous 5 years of operating related legal costs.
Insurance <u>and</u> <u>Legal Matters</u>	R	Both	This reserve is used to provide a source of funding for insurance claims and other insurance related expenditures in excess of annual budget amounts. <u>It will also be</u>	Contribution from the operating fund. Surplus resulting from unexpended insurance	Monies may be used to fund <u>extraordinary costs associated with legal matters and</u> expenditures within the deductibles of the Town's insurance policies that are in excess of	Estimated liability to the Town for outstanding insurance claims <u>plus an estimated amount related</u>

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			<u>used to finance unbudgeted or extraordinary costs associated with legal matters so as to not impact negatively on the Town’s operating fund.</u>	deductible expenses or occasional third party recoveries. <u>-Developer contributions, to be collected at time of subdivision registration or site plan for residential units at an amount set out in the annual User Fee By-law.</u>	the annual budgeted deductible expenses, claims related expenditures in excess of the Town’s insurance policies, or additional insurance related expenditures as approved by Council.	<u>a catastrophic claim or legal matter.</u>
Per Unit Development Processing Fee	R	Operating	To recover time spent by staff outside the Planning and Building Department for review and processing of development related applications.	Developer contributions, to be collected at time of subdivision registration or site plan for residential units at an amount set out in the annual User Fee By-law.	To be distributed proportionately among the processing departments based on the time spent on development applications.	Two years-worth of the gross operating costs of staff in reviewing and processing development related applications
WSIB	R	Operating	As a municipal government, the Town is classified as a ‘Schedule 2’ employer through the Workplace Safety & Insurance Board which means the Town is responsible for the full cost of the accident claims filed by its employees. WSIB benefits-claims payments and excess insurance are budgeted based on average historical experience. This reserve will provide a source of funding to offset greater than budgeted WSIB cost of claimsest as well as the <u>costs associated with any catastrophic claims.</u>	Contribution from the operating fund.	Monies may be used to fund any unbudgeted costs for <u>both</u> claims associated with accidents in the workplace <u>or catastrophic claims</u> so as not to impact on the operating fund.	Based on the most current actuarial obligation <u>including both the Town’s benefit obligation and provision for any future catastrophic claims.</u>

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Infrastructure Renewal Reserves						
These funds are used to fund the annual capital program including both the replacement and rehabilitation of existing infrastructure to maintain assets in a state of good repair and purchase of infrastructure to support a growing community.						
Name	Reserve/ Reserve Fund	Capital or Operating	Purpose of Fund	Funding Source	Intended Use	Funding Target
Infrastructure Renewal– Roads & Structures, Traffic	R	Capital	This reserve is used to fund infrastructure renewal expenditures to extend the useful life on or replace Town road, bridges, culverts and traffic assets.	Contribution from the operating fund. <u>A portion Milton Hydro dividends.</u> Perpetual Maintenance fees received from Developers. <u>In years where capital surcharge revenues exceed costs to administer the capital program the excess will be transferred to the reserve.</u>	Replacement or renewal of roads, structures and traffic assets as identified and prioritized in the Corporate Asset management Plan including the portion of growth projects where there is a benefit to existing residents. <u>Funds will also be used to offset impact in years where there is a shortfall in capital surcharge revenues relative to costs to administer capital program.</u>	When combined with forecasted new revenue & anticipated debt utilization, the balance in this reserve should provide for the needs outlined in the Town’s Corporate Asset Management Plan for the full lifecycle of the assets. As a proxy, the Town will also compare the balance to the accumulated amortization for the asset classes based on historical cost and/or replacement costs.
Infrastructure Renewal – Stormwater	R	Capital	This reserve is used to fund infrastructure renewal expenditures to extend the useful life on or replace Town’s stormwater infrastructure.	Contributions from the operating fund.	Replacement or renewal of stormwater infrastructure as identified and prioritized in the Corporate Asset Management Plan including the portion of growth projects where there is a benefit to existing residents	When combined with forecasted new revenue & anticipated debt utilization, the balance in this reserve should provide for the needs outlined in the Town’s Corporate Asset Management Plan for the full lifecycle of the assets. As a proxy, the Town will

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						also compare the balance to the accumulated amortization for the asset classes based on historical cost and/or replacement costs.
Infrastructure Renewal – Recreation, Facilities, Misc.	R	Capital	This reserve is used to fund infrastructure renewal expenditures to extend the useful life of Town recreation, facilities and misc. or to fund the replacement of assets that have reached the end of their useful life.	Contribution from the operating fund.	Replacement or renewal of recreation, facilities or other infrastructure as identified and prioritized in the Corporate Asset Management Plan including the portion of growth projects where there is a benefit to existing residents.	When combined with forecasted new revenue & anticipated debt utilization, the balance in this reserve should provide for the needs outlined in the Town’s Corporate Asset Management Plan for the full lifecycle of the assets. As a proxy, the Town will also compare the balance to the accumulated amortization for the asset classes based on historical cost and/or replacement costs.
Information Technology	R	Capital	To fund the information technology requirements of the Town including both replacement of existing hardware as well as software acquisitions and associated training costs.	Contributions from the operating fund. Proceeds from sale of used equipment.	Purchase of computer hardware and software outlined in the 10 year capital forecast and associated training costs	The average annual information technology requirements for hardware and software as determined by the ten year replacement forecast.
Studies and Other Non	R	Capital	This fund provides a source of financing for any non-growth, non-renewal capital requirements that	Contribution from the operating fund.	Monies will be used to fund non-growth, non-renewal capital projects including the portion of growth	The average annual requirements based on the 10 year capital forecast.

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Growth Capital			are not eligible to be funded from other reserves or revenue sources based on policy or legislation.		projects that have a benefit to existing residents and are ineligible to be funded from development or other growth funding sources or infrastructure renewal reserves.	
Vehicles and Equipment Replacement	R	Capital	To fund the refurbishment and/or replacement of Town owned vehicles and associated equipment.	Contribution from the operating fund. Proceeds from sale or disposal of used equipment.	Funds will be used to purchase replacements of operations vehicles and equipment, fire trucks, transit buses, recreation vehicles and protective services vehicles.	Based on lifecycle requirement targets as outlined in the most current Equipment Rate Review study.
Federal Gas Tax Canada Community-Building Fund (formerly Federal Gas Tax)	RF	Capital	This reserve fund is used to track receipts and disbursements of funds in accordance with the terms of the Municipal Funding Agreement for the transfer of Federal Gas Tax Canada Community Building Fund revenues as per the Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds .Canada Community Building Funds.	Contributions from the Association of Municipalities for Ontario for the Federal Government as per the Municipal Funding Agreement for the Transfer of Federal Gas Tax Canada Community Building Funds.	New incremental capital spending on municipal infrastructure for renewal and material enhancement and construction on projects including transit, local roads, bridges, active transportation, amateur sport, <u>fire stations</u> , recreation and cultural infrastructure.	Based on annual contributions from the Federal Government on a per capita basis.
Ontario Community Infrastructure	RF	Capital	Funding received from the Ontario Community Infrastructure fund (OCIF) on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the expenditure of these funds.	Contributions from the OCIF on behalf of the OMAFRA. Interest earned on monthly balances and surplus financing from completed capital projects.	Contributions to capital fund to finance eligible projects and expenditures under the OCIF-Formula based component agreement.	Not applicable.
Ontario Lottery Corporation Proceeds	RF	Both	Proceeds received from the Ontario Lottery and Gaming Corporation operations at Mohawk Racetrack are invested into the community	Contributions from the Ontario Lottery and Gaming Corporation operations at Mohawk Racetrack.	Contribution to the capital fund. Contribution to community organizations.	Will fluctuate based on proceeds received and timing of capital projects.

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			through contributions to the capital fund, contributions to community organizations and contributions to the hospital expansion.		Contribution to fund Milton District Hospital Expansion.	
Infrastructure Growth Reserves						
These funds will be used to fund any component of growth-related capital projects that are not funded by development revenues.						
Name	Reserve/ Reserve Fund	Capital or Operating	Purpose of Fund	Funding Source	Intended Use	Funding Target
Growth Capital - Other	R	Capital	This fund provides a source of financing for the growth related portion of capital assets and studies not eligible for external growth funding.	Annual contribution from the operating budget. Excess supplementary tax revenues over the established limit.	Monies will be used to fund the growth portion capital projects or studies not eligible for external growth funding.	The average annual amount informed by the Town’s Development Charges Study and ten year capital forecast.
Capital Provision	R	Capital	In order to mitigate the impact of growth on tax rates and on the Town’s debt capacity limits, developers have agreed to provide a capital provision fee over and above the Development Revenues payable on residential development. This reserve is used to fund non-development revenue recoverable projects on growth-related capital projects.	Developer contributions to be collected at time of building permit issuance or subdivision or site plan.	Provision of capital facilities and infrastructure as negotiated and identified in fiscal impact assessments.	Fund should be drawn down to zero by end of HUSP build out.
Cash-in-lieu of Parkland	RF	Capital	In accordance with the Planning Act R.S.O. 1990 sec. 42. (6), municipalities may adopt a by-law requiring a percentage of land	Contributions received in lieu of land being conveyed to the Town for parkland requirements as per the Planning Act.	Contribution to the capital fund to fund the construction and development of parkland.	Not applicable

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			<p>being developed or redeveloped to be conveyed to the municipality for park or other public recreational purposes. Where parkland cannot appropriately be provided, the municipality may require a payment of the value of land otherwise to be conveyed.</p> <p>The funding collected in this reserve fund will be used to fund the acquisition of land for parks or any other public recreational purpose and the development or redevelopment of land, parks, and recreational facilities.</p>			
Cash-in-lieu of Parking	RF	Capital	<p>In accordance with the Planning Act R.S.O. 1990 sec. 40. (2), municipalities may enter into an agreement with a property owner for providing and maintaining parking facilities on their land as required under municipal by-law and to provide funding to the municipality as consideration for granting the exemption.</p> <p>The funding collected in this reserve fund will be used to finance parking lot construction in areas which do not meet the minimum</p>	Contributions received from developers in lieu of providing and maintaining parking facilities on properties being developed.	Contribution to the capital fund to fund the construction of parking lots and acquisition of land.	Not applicable.

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			zoning requirements and land acquisition.			
Development Revenues	RF	Capital	As per the Development Charges Act, 1997, c.27, s. 2(1), Municipalities may pass a by-law that allows the development revenues against lands that are being developed that will result in greater capital costs due to increased needs for services provided by the municipality. Based on Town provided services as referenced in the Act.	Contributions received from developers as per the Development Charges by-law.	Growth-related capital projects as funded by the development charges by-law and identified in the Development Charges Background Study.	Based on growth activity.
<u>Post Period Capacity</u>	<u>RF</u>	<u>Capital</u>	<u>To interim finance excess capacity in growth capital projects until the funds can be collected through future DC by-laws.</u>	<u>Contributions received from developers through applicable Development Charge by-laws.</u>	<u>Interim finance excess capacity in growth capital projects until the funds can be collected through future DC by-laws.</u>	<u>Not applicable.</u>
Program Specific						
These are established to accumulate funds for specific programs or contain funding received for a specified purpose.						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target
Property Transactions	RF	Capital	To provide financing for property acquisition to meet Town needs (i.e. rights of way, road allowances, etc).	Proceeds from sale of Town owned property. Contribution from the operating fund. Revenue earned from leases in excess of the portion that offsets Town costs and agreements.	Contribution to the capital fund to finance land as required.	Will fluctuate as property needs are addressed.

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Provincial Gas Tax	RF	Both	This reserve fund is used to track funding received from the Ministry of Transportation and the expenditure of these funds as per the guidelines of the Dedicated Gas Tax Funds for Public Transportation Program.	Contributions from the Ministry of Transportation based on an allocation formula of 70% ridership and 30% population.	Incremental operating or capital expenditures that promote increased transit ridership. Increased capital expenditures that provide improvements to transit security and passenger safety.	Not applicable.
Election	R	Operating	To mitigate budget pressure resulting from the expenditures of a municipal election. One-quarter of the estimated costs of the election will be transferred annually to this reserve and drawn upon in the year of election.	Contributions from the operating fund.	Funds are to be used for election related expenses.	Cyclical. The projected cost of each election is to be accumulated over a 4-year period.
Aggregate Permit Fees	RF	Capital	To assist in financing rural roads reconstruction as a result of truck traffic to and from local quarries to extract aggregate.	Legislated per tonne fee collected from the Ministry of Natural Resources for all aggregate extracted in Milton.	Monies will be used to fund road reconstruction on rural haul routes.	Not applicable.

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Arts Programming	RF	Operating	This reserve is to track receipts and disbursements pursuant to the Donor Advised Named Endowment Fund Agreement (the “agreement”) between the Community Foundation of Halton North (CFHN) and the Town of Milton.	Funds received by the Town of Milton from sale of naming rights of the Arts Centre as well as donations received from fundraising campaigns specific to the agreement will be held in this reserve fund prior to distribution to the CFHN. Annual disbursements of income earned from the CFHN endowment fund to the Town of Milton will be transferred into this reserve fund to be used for Arts programming.	Contribution to the CFHN for Arts programming	Not applicable.
Seniors’ Fundraising	R	Operating	To segregate historical fundraising by the Seniors’ Centre for use in funding activities at the Seniors’ Centre through the operating fund.	Historical surplus fundraising revenue generated by the Seniors’ Centre.	To be used as a contribution to the operating fund to fund expenditures related to betterment of Older Adults in the community.	Not applicable.
Mayor’s Legacy	RF	Capital	To be used for the development of trails within the Milton Heights area.	Funds received from 25th Anniversary Mayor’s Legacy Fund.	Monies will be used to fund the capital construction of trails within the Milton Heights area.	Not applicable.
Board, Committee and Other						
These are established for the specific use of the Town boards and Committees as well as the expansion of the Milton District Hospital. Also included are obligatory reserve funds used to track the revenues received from the Provincial and Federal Governments through various grant programs. The funds accumulate in the respective reserve funds until such time as they can be spent following approval and in accordance with the guidelines of each program.						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target

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Library Tax Rate Stabilization	R	Operating	To stabilize revenue streams and provide resources to respond to extraordinary events. This reserve will be used to moderate fluctuations in the Library Tax Levy during preparation of the annual operating budget and to protect the Library against unforeseen expenditures or unanticipated deficits that may occur in the fiscal year.	Contribution from the Library tax levy. Operating fund surplus from Library.	Contribution to operating fund for: 1. Funding of year-end operating deficits. 2. Funding of extraordinary events and unanticipated expenditures.	10% of the Library's previous year's operating budget.
Library Capital Works	R	Capital	This reserve is used to fund infrastructure renewal expenditures that extend the useful life or replace Library assets. The reserve will also be used to fund any component of growth related projects that are not eligible for funding from development revenues. This reserve may also be used to fund emergency capital requirements outside of the annual budget process.	Contribution from the Library tax levy. Operating fund surplus from Library. Proceeds from sale or disposal of used assets.	Contribution to the capital fund.	Based on the average annual capital requirements for Library assets as identified in the 10 year capital forecast.
DBIA Surplus	R	Operating	To finance improvements in the Downtown Milton Business Improvement Area (BIA).	Surplus funds generated by the BIA.	Subject to approval of BIA Board of Directors.	At the discretion of the DBIA Board of directors.
Provincial Government Transfer	RF	Both	To track grant funding received from the Provincial Government (excluding Provincial Gas Tax) that requires distinct interest bearing	Funds received from the Provincial Government.	Contribution to capital fund. Contribution to operating fund.	Not applicable.

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			accounts as well as the expenditure of those funds.			
Federal Government Transfer	RF	Both	To track grant funding received from the Federal Government (excluding Federal Gas Tax) that requires distinct interest bearing accounts as well as the expenditure of those funds.	Funds received from the Federal Government.	Contribution to capital fund. Contribution to operating fund.	Not applicable.

Note 1: Reserve Funds receive an annual interest allocation based on average annual balance; Reserves do not receive an interest allocation

Approval Report/By-law Number: CORS-024-22, Appendix D
Approval Date: April 11, 2022
Effective Date: April 12, 2022

Policy Statement: The Taxation & Assessment Base Management Policy provides guidance to staff for the effective and efficient collection of property taxes on behalf of the Town of Milton (“the Town”), the Region of Halton (“the Region”), the school boards and the local Business Improvement Area. The Policy also directs the Town’s assessment review activities to help ensure the stability and accuracy of the assessment base.

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1. Policy Purpose

To establish the framework within which staff will manage the Town’s assessment base, upon which property taxes are allocated, as well as to administer property tax collection services.

These activities are essential to ensuring that the programs and services provided by the Town are funded in a sustainable, fair and efficient manner.

2. Guiding Principles & Objectives

- i. Property tax administration is highly legislated through both the *Municipal Act, 2001* and the *Assessment Act*. Compliance with these acts and associated regulations is of paramount importance.
- ii. Customer service is a central focus of staff, and the policies and procedures should provide timely, accessible, responsive and informative support for property owners throughout the assessment, billing and collection processes.
- iii. The Town will look to leverage technology to make the property tax collection process more convenient for property owners and more efficient to administer.
- iv. The Town will use a variety of mediums to communicate taxation and assessment matters with property owners.
- v. The Municipal Property Assessment Corporation (MPAC) has the responsibility for assessing and classifying all properties in Ontario in compliance with the *Assessment Act* and regulations set by the Province of Ontario (“the Province”).
- vi. The Town’s primary goal in its Assessment Base Management program is to ensure equity between property owners, resulting in a fair distribution of the cost of the Town’s services.
- vii. The Region has the authority to establish tax policy at the municipal level in Halton. Town of Milton staff will collaborate with the Region and the other local municipalities in order to inform and implement those policies and communicate with the Province in matters related to taxation and assessment.
- viii. The Town of Milton encourages the prompt payment of property taxes and actively pursues the collection of such taxes in arrears.

3. Scope

This policy covers all aspects of the billing and collection of property taxes, and the management of the Town’s assessment base. This policy excludes collection of Payments-In-Lieu of Taxes (PILTs) as this type of revenue is generated by various government bodies to compensate the local municipality by approximating the taxes that would be paid if the property was not exempt, and therefore follows different processes in various respects.

4. Policy

4.1 Property Tax Billing

4.1.1 Regular Tax Billing

A levying by-law passed by Council is required in advance of either an interim or final tax billing. Interim tax billings are issued in or around January based on the assessment as per the Assessment Roll provided by MPAC multiplied by 50% of the ~~applicable notional~~ previous

~~year's tax rate. This amount may be adjusted by the Treasurer or designate if more than 50% of previous year levy.~~

Final tax billings are produced after the passing of the annual Town and Halton Region budgets and are based on tax rates established through a by-law from the budget requirements of the Town, the Region and the Ministry of Education. The billing will be calculated to produce a tax amount equal to the assessment multiplied by the appropriate rate, including all local improvement charges and any special charges levied by the Town. The interim tax billing amount will be deducted from the total yearly amount calculated in order to produce final billing installment amounts.

The tax bill will comply with the Standardized Tax Bill format as required under section 343(2) of the *Municipal Act, 2001*. Arrears are reflected in the first installment due date amount.

Due Dates: The first installment due date must be at least twenty-one (21) days after the date of mailing the tax bill in accordance with section 343(1) of the *Municipal Act, 2001*. Due dates will be clearly identified on the tax bill in accordance with the levying by-laws passed by Council.

Town of Milton due dates for payment of taxes are traditionally as follows:

Interim Bill: the last business day of February and April

Final Bill: the last business day of June and September

Where due dates are delayed as a result of factors beyond the Town's control, they shall then be set with regard to the notice provision above.

4.1.2 Supplementary/Omitted Tax Billing

MPAC regularly provides additional assessment data on properties necessitating a supplementary billing in accordance with section 341 of the *Municipal Act, 2001*. The Town will bill for these additional assessments as soon as practical after receipt of the supplementary assessment rolls from MPAC but not prior to the issuance of the final tax billing.

There are two sections of the *Assessment Act* that allow for assessment of property not included in the annual assessment roll. These deal with omissions and additions to the roll.

Section 33 of the *Assessment Act* allows for the assessment of property that has been omitted from the roll. Omitted assessments can be added for the current year and if applicable, for any part or all of the previous two (2) years.

Section 34 of the *Assessment Act* allows for the assessment of property that has increased in value due to an addition, renovation or construction during the current year. A supplementary assessment can also be issued when there has been a change in use since the return of the last revised roll. Supplementary assessments can be added for all or part of the current year.

Due Dates: Supplementary and omitted tax billings are legislated to be due a minimum of twenty-one (21) days after the date of the mailing. These billings will be payable in one installment, therefore the Town will provide a minimum of forty-five (45) calendar days' notice.

4.1.3 Apportionment of Land Tax Billing

Based on information supplied to the Town by MPAC, these billings will be processed in accordance with section 356 of the *Municipal Act, 2001*. The Manager, Taxation & Assessment is delegated the authority to establish and oversee the procedures to administer these adjustments.

Apportionments pertain to lands originally assessed as one parcel but due to severance and sale now require that property taxes previously levied and unpaid be apportioned to reflect the revised configuration and billed to the current owners.

Apportionment tax billings will be payable a minimum of twenty-one (21) days after the date of mailing of the Notice of Apportionment and billings will be payable in one installment.

4.1.4 Mortgage Company Tax Billing

A mortgage listing of roll numbers, taxes due and owing, and the installment due dates will be provided to each mortgage company in which written notification has been provided to the Town that they hold an interest in a particular property and are responsible for payment of property tax on behalf of their client.

This listing shall be provided in ~~hardcopy~~ electronic format and e-mailed a minimum of twenty-one (21) days prior to the due date, unless notified by the mortgage company that ~~an electronic~~ a hardcopy version of the listing is the preferred method of delivery, whereby it shall be ~~delivered mailed through electronic means~~ a minimum of twenty-one (21) days prior to the due date.

Where the mortgage company is responsible for payment of tax, property owners will not be issued an interim tax bill, however; will be provided a final tax bill annually, outlining the amount(s) invoiced to the respective mortgage lender for that year.

4.1.5 Pre-Authorized Tax Payment Plan (PTP) Billing

Monthly Plans

- a) —End of Month - This plan provides twelve (12) withdrawals occurring on the last business day of each month from November through ~~October~~ October.
- b) Mid-Month - This plan provides twelve (12) withdrawals occurring on the 15th day of each month (moved to the next business day if the 15th falls on a weekend) each month from November through October.
- c) Semi-Monthly - This plan provides twenty four (24) withdrawals occurring on the 15th day of each month (moved to the next business day if the 15th falls on a weekend) and the last business day of each month from November through October

There are two (2) permitted enrollment deadlines to join ~~this any of the monthly~~ programs - May 01 and ~~November 01~~ October 15. For participants joining by the May 01 deadline, one annual tax bill will be issued in June indicating the amount of the upcoming twelve (12) withdrawals. The June to October amounts complete the current year property tax obligation and the

November to May amounts represent the first 7 withdrawals that will be applied to the upcoming taxation year. For participants joining by the November 01-October 15 deadline, they will be issued an interim notice for the first 7 withdrawals (November through May) and will roll into the annual notice process beginning in June.

Due Date Plan - This plan provides four (4) withdrawals occurring on the regular tax dues dates approved by Council annually. Enrollment deadlines for this program are May 01 and October 15 annually and participants will receive their notice following the same timeframes as regular tax bill mailings.

Arrears plan - This plan provides for monthly withdrawals of a pre-determined amount that will clear the ratepayer's arrears, inclusive of current billings within an eighteen (18) month timeframe. Enrollment is permitted at any time throughout the year. Approval by tax staff is required.

Where the owner fails to specify if the Monthly or Due Date Program is preferred, the default will be enrollment into the Due Date plan. If payment has defaulted and is not replaced within the specified timeframe, the account will be removed from the PTP program. Cancellation from any of the PAP programs or changes to banking information must be received in writing no later than the 15 business days prior to the next scheduled withdrawal. 20th day of the month in which the change is to occur. Should an owner move within Milton, enrollment into the PTP program must be made independently for each property owned and is non-transferable between properties.

4.1.6 Delivery of Tax Bills

Sections 343(6)(6.1)(8) of the *Municipal Act, 2001* requires that property tax bills and notices are issued to the current owner(s) of the property and are mailed to the address of the property as shown on the tax roll unless the taxpayer advises the Town, in writing, of an alternate mailing address. The direction by the owner continues until it is revoked in writing by the owner. Taxpayers are responsible to notify the Town of any changes to a mailing address. Failure to notify the Town of an address change in writing is not an error on behalf of the Town.

Regular tax bills will be delivered by Canada Post or sent electronically via digital service if the taxpayer has chosen to receive the tax bill in that manner.

Any bill or notice sent by mail is considered delivered to and received by the address unless the notice is returned by Canada Post and an error in the mailing address is evident. Bills delivered via digital service are considered delivered unless the digital account has been closed.

Section 343(1) of the *Municipal Act, 2001* requires tax billings to be post marked and mailed no less than twenty-one (21) calendar days prior to the due date. Where a mortgage company has provided notification to the Town that they hold an interest in a particular property and will be paying taxes on behalf of the assessed owner(s), section 4.1.4 of this policy will prevail.

4.2 Property Tax Collection

4.2.1 Method of Payment

Payment of property tax will be accepted in person at Town Hall, by mail, after hours drop box, electronic, at a bank or financial institution, via auto-pay programs or through a third party credit card service provider. In person payment methods for property tax include cheque and debit only. Cash for tax is not permitted. The Manager, Taxation and Assessment is delegated the authority to add, remove or revise methods of payment as required. Cheques are payable to the Corporation of the Town of Milton. Third party cheques will not be accepted. In the event a foreign funds cheque is processed, it will be accepted at the exchange rate established by the Town's bank on the processing date.

4.2.2 Late Payment charges

Section 345 of the *Municipal Act, 2001* sets out the provisions for imposing late payment charges. The rate at which penalty and interest is charged is set by municipal by-law. A penalty, established by by-law, is added on the first day of default following an installment due date. Interest, also established by by-law, is added on the first day of each month thereafter until paid. Penalty and interest will not be compounded. Other charges may also be applied in accordance with the prevailing user fee by-law (example: the user fee associated with issuing an overdue tax notice).

Penalty and interest charges cannot be waived with exception of the following circumstances:

- Where taxes are adjusted under section 334, 354, 357 or 358 of the *Municipal Act, 2001*
- Where taxes are adjusted following a change in assessment under the *Assessment Act*
- Where penalty and/or interest were charged as a result of the Town's error or omission

The amount of late payment charges cancelled is limited to the amount related to the tax reduction associated with a tax adjustment, change in assessment or Town's error or omission.

4.2.3 Application of Payment

In accordance with Section 347(1),(2) of the *Municipal Act, 2001*, property tax payments are applied first to the oldest year of outstanding penalty/interest, and when it is cleared, to the oldest year of outstanding taxes; payment is then applied to the next oldest year of outstanding penalty/interest, and when it is cleared, to the next oldest year of outstanding taxes, etc.

Credit will be given based on the business date that the payment is received by the Town, not the postmark date. For electronic payment, credit is given based on the day funds are received in the Town of Milton's bank account.

Partial payment will not be accepted on a tax account where a Tax Arrears Certificate has been registered against the property except where the Town has entered into an extension agreement.

Where a credit appears on the tax account as a result of a payment, or a payment is made in error against the account by the owner, it will be applied to subsequent installments not yet due in the current year. At the written request of the taxpayer, a refund may be generated, allowing

sufficient time for the taxpayer's payment to clear their financial institution. A refund issuance user fee will be charged in accordance with the prevailing user fee by-law.

Section 341 of the *Municipal Act, 2001* provides that a municipality may apply refunds owing from appeal activity to an outstanding tax liability. The Town will apply any refund resulting from an appeal, request for reconsideration, or other legislative reduction first to the taxpayers account. A taxpayer may request in writing, a refund for the balance of the remaining credit balance. A refund issuance user fee will not be charged in these circumstances.

4.3 Property Tax Arrears Collection

Property taxes are a secured special lien on land in priority to any other claim except a claim by the Crown. Property taxes may be recovered, with costs, as a debt due to the Town from the original owner and/or any subsequent owner of the property.

The ultimate resolution to clearing unpaid taxes is through Tax Sale. This authority is provided to municipalities per *Part XI* of the *Municipal Act, 2001*, wherein it sets out the process for the 'Sale of land for Tax Arrears'. Bill 68 has provided municipalities the authority to commence Tax Sale proceedings at such time that the property has accumulated the current and one (1) preceding year of tax arrears. The Town of Milton will continue to administer the Tax Sale process at such time that the property has accumulated the current and two (2) preceding years of tax arrears.

Prior to the commencement of Tax Sale proceedings the following series of collection steps will have been taken:

4.3.1 Year-end Statement of Tax

In January of each year, in accordance with tax legislation, a Year End Statement of Tax (Notice of Tax Arrears) is sent to all taxpayers who owed taxes as of December 31st of the preceding year. Year-end Statement of Tax in the amount of \$4.99 or less are not produced, as it is not cost efficient.

4.3.2 Overdue Notices

A Notice of Tax Arrears will be sent to all taxpayers with an overdue amount equal to or greater than five (\$5.00) dollars during the months of March, May, July, August, October, November and December. A Notice of Tax Arrears in the amount of \$4.99 or less are not produced, as it is not cost efficient.

4.3.3 Payment Arrangements (prior to Final Notice)

Staff may enter into payment arrangements at any time prior to the registration of a Tax Arrears Certificate. Payment arrangements must include all tax arrears, current taxes, accruing estimates of future taxes and late payment charges and be sufficient to ensure payment in full is

realized within a reasonable period of time. Late payment charges will continue to accrue during all such payment arrangements until full payment on the account has been made.

Authorization for extending payment terms is as follows:

STAFF LEVEL	MAXIMUM NEGOTIABLE PAYMENT ARRANGEMENT TERM		
	Residential	Non-Residential	Crown Tenant
Treasurer	>36 months	>36 months	>24 months
Manager	36 months	36 months	24 months
Supervisor	24 months	24 months	15 months
All other tax staff	18 months	18 months	N/A

~~Notwithstanding any such arrangements, no third party payments will be refused for payment on account (e.g. payment from a mortgagee).~~

Where acceptable payment arrangements have been negotiated, the onus remains on the ratepayer to follow through with the agreed upon terms. Only in instances where the property is approaching Tax Sale will the arrangement be monitored for compliance and follow-up by telephone or email/writing be conducted with the ratepayer.

4.3.4 First Year Tax Arrears

In or around ~~July-August~~ of each year, staff will extract a list of properties that have between twelve (12) and eighteen (18) months of property tax arrears and prepare a Pre-Authorized Tax Payment Plan ~~calculation invitation~~ in an attempt to solicit enrollment by the ratepayer. The terms of repayment will not exceed 18 months ~~(notwithstanding approval beyond the 18 month term)~~ and shall include all tax arrears, current billing amounts and an estimate of penalty/interest to the end of the term.

4.3.5 Second Year Tax Arrears

In or around October of each year, staff will extract a list of properties that have a minimum of twenty-four (24) but no more than thirty-five (35) months of property tax arrears and prepare a Warning Letter advising these owners that failure to address the tax arrears over the next 12 month period may result in the issuance of a Final Notice in or around ~~October-September~~ of the following year.

4.3.6 Third Year Tax Arrears (Final Notice Prior to ~~Tax Sale~~ Registration of the Tax Arrears Certificate)

In or around ~~October-September~~ of each year, staff will extract a list of properties that have a minimum of thirty-six (36) months of property tax arrears with no previously agreed upon payment arrangement in place. This notice advises the ratepayer that they have until a predetermined date (usually in early December) ~~thirty (30) days~~ to pay the taxes owed or enter into a firm, suitable payment arrangement with the Town. The Final Notice prior to registration

~~of the Tax Arrears Certificate will be sent by regular mail. Prior to Tax Sale will be issued by Registered Mail.~~

Payment arrangements will be documented, specifying the repayment schedule, method of payment, amount, phone number and email address. Payment arrangements resulting from the issuance of a Final Notice will be approved by the Manager.

4.3.7 Notice to Interested Parties

If a property owner fails to respond to the Final Notice Prior to ~~Tax Sale~~ registration of the Tax Arrears Certificate by the predetermined December deadline established in accordance with Section 4.3.6 ~~within that thirty (30) day timeframe~~, a property title search is carried out by the Town in order to identify all parties with a financial interest in the property. The identified parties are then notified of the Tax Arrears.

The Notice to Interested Parties advises that the Town intends to proceed with a ~~Municipal Tax Sale~~ Tax Sale registration and provides interested parties with a minimum thirty (30) day opportunity to pay the arrears in order to protect their interest in the property.

~~4.3.8 Final Notice (Prior to Tax Arrears Certificate Registration)~~

~~If neither the property owner nor interested parties respond to the previous notices, or previously agreed to payment arrangements have been breached, a Final Notice Prior to Tax Arrears Certificate Registration is issued by Registered Mail, as one last notification to the property owner of their outstanding balance prior to proceeding with a Municipal Tax Sale. The Final Notice Prior to Tax Arrears Certificate Registration advises the property owner that they have 30 days to pay their taxes or enter into a firm, suitable arrangement with the Town. Otherwise, the Town will register a Tax Arrears Certificate against their property.~~

~~A Notice of Intent to Realize on Security that asks if the taxpayer is currently engaged in farming for commercial purposes and as required by the *Farm Debt Mediation Act*, is sent with the Final Notice Prior to Tax Arrears Certificate Registration.~~

4.3.89 Tax Arrears Certificate Registration

If all efforts have failed to collect the tax arrears, a Tax Arrears Certificate may be registered against title and the procedures according to Part XI, section 373 of the *Municipal Act* are followed. In brief,

- The Town sends a Notice of Registration of Tax Arrears Certificate to the property owner(s) and all interested parties.
- The property owner(s) or interested parties have one year from the date of registration in which to redeem the property for all taxes, interest and penalty outstanding, including any associated legal costs. This amount is identified as the Cancellation Price.
- If full payment is not received within 280 days of registration and an Extension Agreement is not in place, the Town will issue a Final Notice before Tender to the property owner(s) and all interested parties.

- If no response to the Final Notice before Tender is received, the one-year period has passed and no Extension Agreement has been entered into, the Town may proceed with a Municipal Tax Sale.
- All costs incurred for collection to obtain information and/or collect tax arrears are payable by the property owner(s).

4.3.910 Tax Sale Extension Agreement

Subsection 378(1) of the *Municipal Act, 2001* provides ~~that the authority (the Town, through a by-law), for the municipality to enter into an~~ may enter into an Extension Agreement that extends the time in which the cancellation price is to be paid. An Extension Agreement is prepared by the Town and signed by the applicants entering into the agreement and the municipal officials that have the authority to bind the Corporation. The agreement ~~it does not require Councils approval, and the authorizing by-law~~ The Extension Agreement must be ~~passed by Council entered into~~ prior to the expiry of the redemption period (365 days after the registration of the Tax Arrears Certificate). An Extension Agreement may be entered into with the owner of the land, the spouse of the owner, a mortgagee or a tenant in occupation of the land.

4.3.10 Transferring Title after the Public Sale

Sections 379(5)(a), (13) of the *Municipal Act, 2001* provide the Treasurer (or delegate) full authority to execute any and all necessary agreements and documents, inclusive of deed registration in the name of the successful purchaser or the vesting into the name of the municipality.

4.4 Property Tax Administration

4.4.1 Minimum Balance Write-off

Any balance on account, as at December 31st of equal to or less than \$4.99 will automatically be written off as at December 31st each year, as it is uneconomical for the Town to pursue settlement of these amounts.

4.4.2 Multiple Dishonored Payments

In the event a property owner issues two (2) consecutive returned payments or two (2) returned items within 6 months, staff are to accept certified cheque, bank draft, internet payment, ~~cash~~ or debit only, as forms of acceptable tender for a period of 6 months following the last returned item.

4.4.3 Write-off of Taxes

In accordance with section 354 of the *Municipal Act, 2001* uncollectible taxes may be approved for write-off by Council on the recommendation of the Treasurer.

4.4.4 Contaminated Property

Council approval is required for any Tax Sale proceedings where it is suspected that a property is environmentally contaminated.

4.4.5 Development Conditions

The Town will add conditions on application for items such as but not limited to: official plan amendments, rezoning requests, condominium exemption and land division under the committee of adjustments indicating that all property taxes levied against the property are paid before approval.

4.4.6 Bankruptcy

When a property owner files for bankruptcy, the Town is a secured creditor, as the tax debt is a charge against the real property. The Town ranks in preference and priority to any other claims, except those of the Provincial and Federal government. A letter is forwarded to the trustee advising them of the Town's claim and that it is assumed property taxes will be paid once the property is sold.

4.4.7 Discretion

In order to ensure that all taxpayers are treated fairly and equitably, the Treasurer or his/her designate, has the authority to exercise discretion in the application of this policy where unusual circumstances are apparent, provided such discretion is in accordance with all applicable legislation.

4.5 Tax Policy

Staff will participate as part of the Tax Team with Halton Region, Oakville, Burlington and Halton Hills in consultation in areas such as:

- Tax ratio setting
- Review of applicable tax classes and subclasses
- Capping/Phase-in parameters/programs
- Provincial legislative changes
- Vacancy, Rebate and Deferral Programs

A report will be presented to Council annually outlining relevant policy changes with the applicable considerations to the Town.

4.6 Assessment Base Management (ABM)

4.6.1 General

- i. The Town's ABM program will promote the equitable distribution of property taxes by establishing a systematic review process of the assessment values determined by MPAC, as well as ~~through~~-undertaking targeted reviews.

- ii. Town staff will have the responsibility for establishing the work program required annually to maximize Town resources dedicated to ABM in this regard.

4.6.2 Assessment Roll Analysis and Audit

- i. The annual Assessment Roll is legislated to return no later than the second Tuesday following December 1st and is delivered to the Town by MPAC.
- ~~ii.~~ MPAC also provides the Town with data such as Municipal Change Profiles (MCP). The MCP file captures an estimate of assessment growth, an estimated change between CVA base years, and the impact of the assessment update between the base year and the Phased-in Assessment used for current year taxation. The MCP file is typically delivered in November of the current tax year for the following one year. The preliminary MCP product is delivered in June, a Notice Based report in November (tentative) and a final MCP based on Assessment Roll values in late December.
- ~~iii.~~ii. Town staff will utilize these files to undertake analysis that may include:
 - a. Calculating the notional tax rates that would produce the same tax levy as the previous assessment base;
 - b. Identifying and investigating any resulting tax shifts caused by the re-assessment in each property class;
 - c. Identifying and describing the change in CVA for each respective tax class and/or by property code;
 - d. Ad-hoc reports as requested by management or Council.
- ~~iv.~~iii. Staff will utilize the annual roll return to at minimum, audit the following:
 - a. Large shifts in property assessment per tax class;
 - b. Shifts between property classes or property codes;
 - c. PILT properties for classification, CVA and ownership;
 - d. Town owned properties for any anomalies in value or improper tax classification (possible taxable tenants);
 - e. Assessment of newly created roll numbers;
 - f. Assessment base growth figures for use in budgeting and fiscal planning.

4.6.3 Assessment Review Board (ARB) Appeals

- i. The Town may launch property assessment appeals for reasons including but not limited to:
 - a. Plans of Subdivision that are registered in the year preceding the taxation year that have not been assessed as individual lots by MPAC before the Assessment Roll close for the current taxation year.
 - b. Properties that have incorrect tax classifications that would result in a different tax rate for the taxation year if the correct tax classification is applied.
 - c. The CVA of a property is too low due to incorrect factual information or due to a recent sale of the property.
 - d. MPAC indicating that an error in assessment cannot be resolved through a Request for Reconsideration, Minutes of Settlement at the ARB, or cannot be added through supplementary or omitted assessment.
 - e. A building permit that has not yet been assessed and is in the third year of having been completed and/or occupied.
 - f. Lands that have been reclassified through a zoning application, or are in the process of being developed.
 - g. Lands that cease to be farmed.

- ii. Each year, prior to the expiry of the Assessment Review Board appeal deadline of March 31st staff undertake a comprehensive review of the Town's annual Assessment Roll as prepared by MPAC.
- iii. The Treasurer's assessment appeal designate(s) will apprise Council of the Town initiated assessment appeals for the current taxation year, in a report following the appeal deadline.
- iv. In complex appeals, the ARB procedural requirements include the filing of 'Statement of Issues' by the appellant. MPAC and the municipality (if it intends to participate) are required to file 'Response Statements' that address the appellants concerns. In the event that the Town of Milton's position differs from MPAC, the Town of Milton may be required to participate and disclose evidence in the ARB proceedings.

4.6.4 Building Permits

- i. In addition to the monthly permit file sent by the Planning Department to MPAC, assessment staff will identify occupied properties, high valued permits, and/or unassessed permits, and send them separately to MPAC for in year or year-end roll addition.
- ii. Staff will maintain electronic copies of the priority permit lists sent to MPAC for monitoring purposes.
- iii. Staff will conduct periodic site inspections to identify completed new construction and when required, will request MPAC to assess the new construction for the supplementary rolls.

4.6.5 Supplementary/Omitted Assessment Review

- i. Staff will monitor internal inventory files to ensure requests for supplemental assessment have been processed by MPAC.
- ii. Staff will ensure exempt to taxable supplementary assessments are issued by MPAC when previously exempt properties are sold or leased to taxable entities.
- iii. Staff will ensure supplementary assessments are correct and values are accurate.

4.6.6 Review of Request for Reconsideration (RfR)

- i. RfR's are challenges to the assessment of a property filed by a property owner to MPAC. For any property with a Residential Tax (RT) component, this process is mandatory. Should the assessor determine that a change to the assessed value or tax classification is required, they will present the owner with a 'Minutes of Settlement' (MoS) document to be signed. Once returned, MPAC will forward a copy to the municipality for processing, at which time assessment staff will conduct a review as per the following:
 - a. For Residential properties, ensure that written reasons for the reduction accompany MoS when the assessment is reduced by greater than 10% or by \$100,000, (whichever threshold is met first) and/or by the discretion of assessment staff;
 - b. For Non-Residential properties, ensure that written reasons for the reduction accompany MoS when the assessment is reduced by greater than 20% or by \$400,000, (whichever threshold is met first) and/or by the discretion of assessment staff;
 - c. In the absence of a written explanation, contact MPAC for clarification;

- d. Maintain an inventory of completed RfRs;
- e. Review any sales associated with the property under review;
- f. Confirm properties that gain exempt status are in legal use with the Licensing and Enforcement Division;
- g. In the event that staff disagree with the MoS, the Town can file an 'Objection to the Agreement' with the ARB/MPAC by signing the back of the RfR. This objection constitutes an appeal to the ARB with the Town as the appellant.

4.6.7 Monitor Assessment Growth

- i. Staff will utilize information provided by MPAC to calculate the year to date net assessment growth for use in the annual budget preparation process.
- ii. Staff will monitor building permit data to ensure proper supplementary assessments are issued by MPAC.

4.6.8 Tax Appeal Applications (*Municipal Act, 2001* Sections 357,358,359)

- i. For applications filed under S.357(1)(f) Sickness and Poverty, and Unduly Burdensome, the Town of Milton has passed bylaw 071-2016 delegating the Assessment Review Board to respond accordingly, whether denying or approving applications.
- ii. For applications filed under S.357(1)(g) Repairs or Renovations to the land that prevented normal use for more than three months during the year, the refund amount for approved applications will be 30% of taxes paid, based on the assessed value portion returned by MPAC for the purposes of the application. Calculation:

<u>value of vacant area</u>	X	taxes levied on whole	X	<u>number of days under</u> <u>repair or renovation</u>	X	30% =	rebate
assessed value of "full occupied" classification		property for the year		number of days in year			

- iii. For all other applications, Town staff have delegated authority to process and applicants will be notified by mail. Town staff may seek Council approval at their discretion.

4.6.9 Public Viewing of the Assessment Roll

- i. As per Section 39(2) of the *Assessment Act, 1990*, upon receiving the Assessment Roll for the municipality, the clerk shall make it available for inspection by the public during office hours only.
- ii. Assessment Roll information is not available over the telephone or via email.
- iii. Staff are to provide an area for the Public to view the Roll books.
- iv. In accordance with MPAC's licensing agreement, no reproduction of Assessment Rolls such as photocopying, scanning, digital photos, video etc, shall be permitted.

5. Roles and Responsibilities

Individual(s)	Responsibilities
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<p>Province of Ontario (the Province)</p>	<p>The provincial government sets the policies and rules affecting property assessment and taxation in Ontario. It does this by creating legislation, called Provincial Statutes and also creates regulations, which are authorized under the Statutes. There are three ministries that play a role in assessment and tax policy.</p> <ul style="list-style-type: none"> • Ministry of Finance- The principal ministry involved in setting assessment and tax policies is the Ministry of Finance. Under the <i>Fair Municipal Finance Act, 1997</i>, the Ministry created a new province-wide, current value assessment system, which also introduced new property classes. The Minister of Finance sets assessment policy and standards across the province and is responsible for Ontario’s Tax and Property Assessment Legislation • The Minister of Finance is responsible for establishing the majority of the regulations governing reassessment and tax policy, such as Bill 35 introduced in the 2008 Ontario budget. This Ministry is also responsible for setting education tax rates for all property classes. • Ministry of Municipal Affairs - This ministry is responsible for establishing some of the regulations under the <i>Municipal Act</i> and the <i>Tenant Protection Act</i> associated with property tax policy. As the primary contact with municipalities, it deals more with the implementation of legislation and regulations • Ministry of Education - This ministry is responsible for establishing the deadlines for municipalities to pay their education tax installments. Although not responsible for setting the education tax rates, this Ministry is responsible for allocating the education taxes to the school boards
<p>Municipal Property Assessment Corporation (MPAC)</p>	<p>MPAC, a not-for-profit corporation funded by all Ontario municipalities and accountable to the Province, is responsible for assessing all property in Ontario. MPAC carries out its activities in accordance with the provisions of the <i>Assessment Act</i>, as well as regulations issued under the Act by the Province of Ontario.</p>
<p>Region of Halton (the Region)</p>	<p>The upper-tier municipality is responsible for the creation of property tax policies throughout the Region of Halton. Although most property tax policies are set at the regional level, the Region works in co-operation with the local municipalities. Policy decisions include:</p> <ol style="list-style-type: none"> i. tax ratio setting or delegation of tax ratio setting to the local municipalities ii. optional property classes iii. graduated tax rates for commercial and industrial classes of properties iv. phasing-in of property tax increases/decreases v. how to fund the mandated caps for multi-residential, commercial, industrial properties vi. charity and similar organizations rebate programs vii. low-income senior and disabled homeowners programs

<p>Town of Milton (the Town)</p>	<p>Local municipalities are responsible for the following:</p> <ul style="list-style-type: none"> i. tax ratio setting if delegated by the upper-tier municipality ii. administration of the property tax system, including billing, collection, and rebates of property taxes iii. taxpayer inquiries iv. adjustments to tax bill v. tax reduction/rebate for heritage properties (if adopted)
<p>Assessment Review Board (ARB)</p>	<p>The ARB is an independent tribunal which is responsible for hearing property assessment appeals. It has the authority to change an assessed value. All parties to an appeal (property owner, MPAC and the municipality) can present evidence at an appeal hearing. The Board's decision is binding. If the result of either process changes an assessed value, the municipality will adjust the taxes for that property. The Town of Milton has delegated powers to the ARB to settle matters relating to tax relief for people in hardship (unduly burdensome provision)</p>
<p>Town Council</p>	<ul style="list-style-type: none"> i. Pass by-laws pertaining to the collection of interim and final property taxes ii. Approve write-offs and/or reductions in accordance with the thresholds outlined in this policy
<p>Town Staff</p>	<p>The Manager, Taxation and Assessment is authorized to create, modify and monitor any procedures required in order to implement this policy</p>

6. Policy Management

The Treasurer is delegated the authority to make administrative changes to this policy that may be required from time to time due to legislative changes, Council decisions, or if, in the opinion of the Treasurer, the amendments do not change the intent of the policy. Any changes made under this delegated authority shall be reported to Council on an annual basis.

7. Reporting

The Manager, Taxation and Assessment will provide Council with the following (but not limited to) reports on an annual basis:

- Tax Collection Summary and Trends

- Town Initiated Assessment appeals and Bylaw
- Assessment Review initiatives undertaken

8. Related Policies, By-laws, Regulations, and Legislation

- *Municipal Act, 2001*
- *Assessment Act*
- *Tenant Protection Act*
- Region of Halton by-laws
- Other Town of Milton Policies

9. Definitions

Apportionment of Land	The process of assigning land value (and allocation of outstanding taxes) from a larger piece of land into newly divided smaller parcels of land
Assessed Value (Assessment)	The value of a property (lands and buildings) for taxation purposes
Assessment Act	The law that governs the way property is assessed in Ontario
Assessment Review Board (ARB)	An independent tribunal that hears assessment appeals. A decision made by the ARB is final unless a point of law is being disputed
Assessment Roll	An annual list of the assessed values of all properties in a municipality, which includes the name of the property owner or tenant, their address, the realty tax class and qualifier, size of the property and information on structures on the property if any. Assessment Rolls are delivered to a municipality at the end of the year preceding the taxation year
<u>Business Day</u>	<u>A day of the week that does not fall on either a Provincial nor Federally declared holiday where Canada Postal services and Financial institutions are closed.</u>
Cancellation Price	The amount owing equal to all tax arrears, together with all current taxes owing, late payment charges and costs incurred by the Town after the registration of a Tax Arrears Certificate under section 373 of the Municipal Act
Collection Costs	Represents all costs incurred by the Town to obtain information for collection purposes and/or collect Tax Arrears including, but not limited to, title search fees, corporate search fees, registered or certified mail, administrative charges, legal costs and tax sale scale of costs
Current Value Assessment (CVA)	Is defined as the amount of money a property would realize if sold at arm's length by a willing seller to a willing buyer. To calculate a property's assessed value, MPAC

	analyzes market information from similar types of property in the vicinity.
Delegate(s)	Any person or persons upon whom the Town By-Law confers the duties and discretion associated with complaints filed with the Assessment Review Board (ARB) under sections 33, 34, 39.1, 40 and or 40.1 of the <i>Act</i> .
Municipal Act	The statute governing how municipalities administer municipal services and collect taxes
Omitted Assessment	An assessment which has not been recorded on the assessment roll. When an omitted assessment is added to the assessment roll, property taxes can be collected for the current year and, if applicable, for any part or all of the previous two years.
Payment-in-lieu of Taxes	Payments made to municipalities by the provincial or federal government, where properties are exempt from property taxation.
Roll Number	A unique 19-digit number used as an identifier for each property
Supplementary Assessment	An assessment made during a taxation year for an addition, renovation or construction. When a supplementary assessment is added to the Assessment Roll, additional property taxes can be collected for that portion of the current tax year that the supplementary addresses
Tax Arrears	Any portion of property taxes that remain unpaid after the date on which they are due
Tax Arrears Certificate	A document that is registered on title, indicating the described property will be sold by public sale if all property taxes are not paid to the Town within one year of the registration of the certificate

10. History of the Policy

Last amended: [April 11, 2022 \(CORS-024-22\)](#)

[Originally Approved: June 18, 2018 \(CORS-041-18\)](#) ~~This policy has not been amended since original approval on June 18, 2018~~

Previous Policies: This policy replaced the following former policies:

- Policy 110: Tax - Collection
- Policy 111: Tax - Installments
- Policy 112: Tax - Interest on Arrears
- Policy 113: Tax - Minimum Reductions
- Policy 114: Tax - Bills



- Policy 115: Tax - Assessment Roll Change
- Policy 116: Tax - Supplementary
- Policy 117: Tax - Assessment Adjustments
- Policy 153: Tax Reassessment