



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: July 20, 2020

Report No: CORS-039-20

Subject: Financial Policy Update - Phase 2

Recommendation: **THAT the following Financial Management policies be approved:**

- No. 115 - Accounting (Appendix C)
- No. 116 - Treasury (Appendix D)
- No. 117 - Development Finance (Appendix E)

THAT the previously approved policies listed in Appendix A be rescinded

THAT the reserve and reserve fund creations, closures and transfers of balances, as presented in Appendix B to this report, be approved.

EXECUTIVE SUMMARY

- Financial policies are central to a strategic, long-term approach to financial management and to safeguarding the Town's assets.
- Staff have undertaken a process to update the Town's existing financial management policy framework. The first phase of the update was presented in 2018, and this report expands on that framework for the three areas noted in the recommendations.
- Through the recommendations noted above several existing Town policies are being consolidated and several revisions are being made. These changes include revisions to the Town's reserve and reserve fund structure, updates to reflect changing legislation, and the introduction of new policies to formalize the Town's practices. Staff have attempted to summarize several key points in the body of the report below and the proposed policies are attached in their entirety as appendices.

REPORT

Background

At the time that the Town's policy update process was initiated in 2018, there were over thirty separate policies that fell within the oversight of the Finance Division. Given the Town's commitment to continually exploring opportunities to improve the way in which

services are delivered to the public, an update to the financial policy framework has been undertaken in phases.

The goals of the financial policy update include:

- 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

In order to accommodate the initiative, the scope has been split into phases. The first phase was presented through report CORS-041-18 and consisted of the following policies:

- No. 110 - Financial Principles
- No. 111 - Taxation & Assessment Base Management
- No. 112 - Procurement & Disposal
- No. 113 - Budget Management
- Purchasing By-law 061-2018

A Town Policy related to Asset Management (Policy No. 114) was also required in advance of July 1, 2019 in accordance with Provincial regulation O.Reg 588/17, and was approved by Council via report CORS-032-19.

The current phase presented herein will update policies in the area of Accounting, Development Finance and Treasury. Remaining phases that are anticipated include a user fee policy update (expected as part of the next comprehensive user fee update) as well as an Enterprise Risk Management policy.

The review process has been undertaken using existing staff resources. As part of the current phase, legal review of the proposed Development Finance policy was also undertaken, and the Accounting Policy was shared with the Town's auditor. Where possible throughout the process, Town staff have undertaken peer reviews and sought guidance from professional and industry association publications (examples: Government Finance Officers Association, Municipal Finance Officers Association, Chartered Professional Accountants of Canada, etc.).

Following Council approval of the policies presented herein, staff will update any related procedures in order to implement any resulting changes. Post implementation, Town staff will monitor the outcomes of the new framework and present any further enhancements or revisions needed to Council for consideration as necessary.

Discussion



Each policy has been attached as a separate appendix to this report. The policies incorporate a consistent structure, including purpose, scope, roles and reporting to name a few.

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

No. 115 - Accounting (attached as Appendix C)

This policy outlines the measures that will be taken in order to safeguard the Town's financial assets and maintain the financial integrity of the Town. The policy includes:

- Introduces new policies in areas like Bank Services / Bank Signing Authority, Year End / External Auditor, Accounts Payable, Journal Entries and Harmonized Sales. The new policies provide a framework for each of these areas based on existing practice and procedures as well as review of available public information from others.
- Existing policy in areas such as Charitable Donations, Tangible Capital Assets and Accounts Receivable have been consolidated and updated where appropriate.
- The policy aligns with existing Town By-laws that provide authorities with respect to bank approvals as well as user fee collection and management.
- Council retains the sole authority to appoint the Town's banking services provider and auditor, to approve any write-offs over \$10,000 (previously \$500), and any gifts-in-kind of greater than \$250,000.
- Reporting to Council will include the presentation of the annual financial statements and annual report (including an opinion expressed by an external auditor) as well as an audit findings report.

No. 116 - Treasury (attached as Appendix D)

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

- An updated debt policy that maintains the Town's existing thresholds (15% of own source revenue for tax-related debt, 20% of own source revenue when other revenue sources such as development charges are considered) and clarifies other areas related to the Town's legislative authorities.
- An investment and cash management policy that largely aligns with the existing Town policy that was approved through report CORS-026-17.
- A reserve and reserve fund policy that outlines the authorities related to the creation, management and closure of the Town's reserve and reserve funds. This is further supported by the appendix to the policy which articulates the purpose and target balance for each of the Town's proposed reserve and reserve funds.

- Through this process, staff are recommending several changes to the Town's existing reserve and reserve fund structure. These are presented in detail in Appendix B, and include:
 - Closure of a number of existing reserve or reserve funds where efficiencies can be realized by consolidating funds with similar purposes and/or relatively small balances.
 - Creation of several new reserves related to infrastructure in order to better align the funding structure to the related funding sources or capital investment planning processes. By way of example, infrastructure renewal will be segregated between roads & structures, stormwater, and recreation/facilities/other, and a differentiation will be made between growth and other non-growth investments.
 - Transfer of balance between the various reserve and reserve fund to support the new structure and balance the allocation of existing funds.
- Reporting to Council will continue both from a forward looking perspective through the budget process, as well as with respect to the actual activity that occurs annually related to debt, investment and reserve activity.

Policy No. 117 - Development Finance (attached as Appendix E)

This policy establishes the framework by which Town will manage growth-related revenues and the financial securities that are held by the Town to reduce the Town's financial risk. This policy includes:

- With respect to Development Charges, the policy outlines the Town's role in the collection process (relative to the Region and School Boards), continues to provide a deferral agreement program for non-retail non-residential development and certain temporary uses, and considers the application of interest.
- Although the development charge policy considers several aspects of the new legislative framework for growth funding, there is not sufficient detail in areas such as the Community Benefit Charge where regulatory postings continue to be made. As such, certain areas of the legislative changes will require future revision to the Town's policy.
- Financial securities are held by the for a number purposes, and this policy outlines the acceptable forms of security the Town will accept, how they will be managed and under what conditions the securities will be released.
- The policy also briefly considers reporting requirements associated with donated assets, insurance requirements for agreements involving the assumption of assets, as well as user fees associated with such agreements.
- With respect to reporting, the policy extends on the existing reporting related to development charge and cash-in-lieu revenues, and will lead to the introduction of reporting to Council on the financial securities held by the Town.



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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 policies 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 along with a review of the proposed Development Finance policy from legal counsel.

Respectfully submitted,

Glen Cowan
Commissioner, Corporate Services / Town Clerk

For questions, please contact: Glen Cowan

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Attachments

Appendix A – List of Policies that are Recommended to be Rescinded
Appendix B – Summary of Reserve & Reserve Fund Revisions
Appendix C – Policy No. 115 – Accounting
Appendix D – Policy No. 116 – Treasury
Appendix E – Policy No. 117 – Development Finance

CAO Approval
Andrew M. Siltala
Chief Administrative Officer



The Corporation of the Town of Milton

Appendix A - List of Policies that are Recommended to be Rescinded

Existing Policies to be Rescinded		New Policy Structure	
No.	Description	No.	Description
1	Accounting Principles	115	Financial Management - Accounting
60	Financial - Bank Reconciliations		
62	Financial - Cheque Signing Authority		
97	Revenue - Methods of Payment		
150	Tangible Capital Assets		
155	Accounts Receivable		
164	Accounting - Charitable Donation Receipts	116	Financial Management - Treasury
61	Financial - Cash Management & Investments		
96	Reserve Funds		
98	OLGC Revenue	117	Financial Management - Development Finance
3	Agreement - Financial		
43	Development - Development Charges		
106	Development - Financial Requirements		

Town of Milton

Treasury Policy Update

Reserves recommended to close

Summary of Recommended Changes to Reserve & Reserve Funds

Reserve Name	Reserve/ Reserve Fund	Estimated Balance (at Dec 31, 2020) *	Proposed Reallocation of Funds	Revised Estimated Balance (at Dec 31, 2020)	Target Balance	Surplus/ (Shortfall)
Stabilization Reserves and Reserve Funds						
Tax Rate Stabilization	R	4,262,298	1,524,699	5,786,996	5,230,279	556,718
Severe Weather	R	1,467,022	-	1,467,022	1,569,084	(102,062)
Building Rate Stabilization	RF	3,622,073	-	3,622,073	7,971,446	(4,349,373)
Corporate Use Reserves						
Legal Matters	R	1,654,829	(200,000)	1,454,829	888,830	565,999
Insurance	R	1,553,302	(200,000)	1,353,302	963,439	389,864
Per Unit Development Processing Fee	R	1,663,121	-	1,663,121	1,130,399	532,722
WSIB	R	1,211,628	400,000	1,611,628	1,605,079	6,549
Working Funds	R	1,064,000	(1,064,000)	-	N/A	
Training	R	460,699	(460,699)	-	N/A	
Growth Related Resources	R	2,021,808	(2,021,808)	-	N/A	
Infrastructure Non Growth						
Capital Works Reserve	R	7,107,124	(7,107,124)	-	N/A	
Infrastructure Renewal - Roads & Structures, Traffic	R	8,567,180	2,946,249	11,513,429	282,248,629	(270,735,200)
Infrastructure Renewal - Stormwater	R	-	2,748,305	2,748,305	20,753,670	(18,005,365)
Infrastructure Renewal - Recreation, Facilities, Misc.	R	-	6,649,403	6,649,403	86,047,402	(79,397,999)
Information Technology	R	1,296,452	3,553,562	4,850,014	4,513,397	336,617
Studies and Other Non Growth Capital		-	1,776,781	1,776,781	1,944,813	(168,031)
Vehicles and Equipment Replacement	R	8,096,063	-	8,096,063	6,368,000	1,728,063
Municipal Building Components	R	9,070,822	(9,070,822)	-	N/A	
Transit & Transportation	R	1,424,116	(1,424,116)	-	N/A	
Municipal Building Replacement	R	1,177,436	(1,177,436)	-	N/A	
Federal Gas Tax	RF	3,728,795	-	3,728,795	N/A	
Ontario Community Infrastructure	RF	172,461	-	172,461	N/A	
Ontario Lottery Corporation Proceeds	RF	12,129,488	-	12,129,488	N/A	
Infrastructure Growth						
Growth Capital - Other	R	-	3,798,589	3,798,589	3,812,963	(14,373)
Capital Provision	R	14,257,870	-	14,257,870	N/A	
Cash-in-lieu of Parkland	RF	9,559,833	-	9,559,833	N/A	
Cash-in-lieu of Parking	RF	329,154	-	329,154	N/A	
Cash-in-lieu of Storm Water Management	RF	47,779	(47,779)	-	N/A	
Development Charge	RF	28,748,447	-	28,748,447	N/A	
Program Specific						
Property Transactions	RF	8,331,602	-	8,331,602	N/A	
Provincial Gas Tax	RF	18,653	-	18,653	N/A	
Election	R	503,811	-	503,811	N/A	
Perpetual Maintenance	RF	608,870	(608,870)	-	N/A	
Aggregate Permit Fees	R	312,763	-	312,763	N/A	
Seniors' Fundraising	RF	76,034	-	76,034	N/A	
Arts Programming	RF	6,131	-	6,131	N/A	
Sportsfield Development	RF	14,935	(14,935)	-	N/A	
Investment in the Arts	RF	514,887	-	514,887	N/A	
Mayor's Legacy	RF	92,416	-	92,416	N/A	
Board, Committee & Other						
Library Tax Rate Stabilization	R	1,858,549	(1,000,000)	858,549	478,549	380,000
Library Capital Infrastructure	R	759,843	1,000,000	1,759,843	951,447	808,397
DBIA Surplus	R	79,902	-	79,902	N/A	
Milton District Hospital Expansion	RF	312,775	-	312,775	N/A	
Provincial Government Transfer	RF	-	-	-	N/A	
Federal Government Transfer	RF	-	-	-	N/A	

* Estimated 2020 balance is based on Dec 31, 2019 balance plus projected 2020 activity as identified in 2020 budget

Appendix B
Summary of Changes to Reserve and Reserve Funds

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	Change from Existing Policies
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.	Minor wording changes to better align text with usage of fund.
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	Changed scope of reserve to severe weather instead of winter to reflect changing climate along with other minor edits to wording for clarification.

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							Update of target balance to align with Disaster Recovery program criteria.
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 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.	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 associated with administering the Building Code Act.	Two years-worth of gross operating costs required to administer the Building Code Act.	Adjusted wording for better clarification.
Corporate Use Reserves These reserves provide for various contingent and potential future liabilities, generally arising from the operating fund.							
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target	Change from Existing Policies

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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.	Minor wording changes. Changed target balance from a fixed amount of \$500,000 to align with historical experience.
Insurance	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.	Contribution from the operating fund. Surplus resulting from unexpended insurance deductible expenses or occasional third party recoveries.	Monies may be used to fund expenditures within the deductibles of the Town's insurance policies that are in excess of 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.	Estimated liability to the Town for outstanding insurance claims.	Minor edits to formalize year end practices with respect to reserve transfers. Changed target balance from a fixed amount of \$500,000 to align with current liability exposure for the Town.
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	Changed target balance to a measurable amount.
WSIB	R	Operating	As a municipal government, the Town is classified as a 'Schedule 2' employer through the Workplace Safety & Insurance Board	Contribution from the operating fund.	Monies may be used to fund any unbudgeted costs for claims associated with accidents in the workplace so	Based on the most current actuarial obligation.	Minor edits to formalize year end practices with respect to reserve transfers.

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			which means the Town is responsible for the full cost of the accident claims filed by its employees. WSIB benefits 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.		as not to impact on the operating fund.		
Working Funds							Recommend closing this reserve and transferring balance to the Tax Rate Stabilization Reserve.
Training							Recommend closing this reserve and transferring funds to Tax Rate Stabilization.

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Summary of Changes to Reserve and Reserve Funds

Growth Related Resources							Recommend closing reserve and transferring balance to the Growth Capital – Other Reserve.
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	Change from Existing Policies
Capital Works Reserve							Recommend closing this reserve and transferring the balance to the Growth Capital – Other Reserve, Studies and Other Non Growth Capital Reserve and Information Technology Reserve based on the needs identified in the

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Summary of Changes to Reserve and Reserve Funds

							2020 to 2029 capital forecast.
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. Perpetual Maintenance fees received from Developers.	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.	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.	Amended existing Infrastructure Renewal Reserve to reflect Roads, Structures and Traffic only.
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 also compare the balance to the accumulated amortization for the asset classes based on historical	New Reserve.

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						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.	New Reserve.
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.	Changed nature of reserve from one of replacement to funding all Information Technology requirements. Removed Operating Fund Surplus as a funding source.
Studies and Other Non Growth Capital	R	Capital	This fund provides a source of financing for any non-growth, non-renewal capital requirements that are not eligible to be funded from other reserves or	Contribution from the operating fund.	Monies will be used to fund non-growth, non-renewal capital projects including the portion of growth projects that have a benefit to existing residents and are ineligible to be funded from development	The average annual requirements based on the 10 year capital forecast.	New Reserve.

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			revenue sources based on policy or legislation.		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.	Minor wording changes.
Municipal Building Components							Recommend closing reserve and transferring funds to Infrastructure Renewal – Recreation, Facilities, Misc
Transit and Transportation							Recommend closing reserve and transferring funds to Infrastructure Renewal Reserve – Roads and Structures, Traffic.
Municipal Building Replacement							Recommend closing reserve and transferring funds to the Infrastructure Renewal Reserve – Recreation, Facilities, Misc.
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 revenues as per the Municipal	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 Funds.	New incremental capital spending on municipal infrastructure for renewal and material enhancement and construction on projects including transit, local roads, bridges, active transportation,	Based on annual contributions from the Federal Government on a per capita basis.	No change.

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			Funding Agreement for the Transfer of Federal Gas Tax Funds.		amateur sport, recreation and cultural infrastructure.		
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.	No change.
Ontario Lottery Corporation Proceeds	RF	Both	Proceeds received from the Ontario Lottery and Gaming Corporation operations at Mohawk Racetrack are invested into the community through contributions to the capital fund, contributions to community organizations and contributions to the hospital expansion.	Contributions from the Ontario Lottery and Gaming Corporation operations at Mohawk Racetrack.	Contribution to the capital fund. Contribution to community organizations. Contribution to fund Milton District Hospital Expansion.	Will fluctuate based on proceeds received and timing of capital projects.	Minor wording changes.
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	Change from Existing Policies
Growth Capital - Other	R	Capital	This fund provides a source of financing for the growth related portion of capital assets and studies not	Annual contribution from the operating budget.	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	New Reserve.

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			eligible for external growth funding.	Excess supplementary tax revenues over the established limit.		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.	No change.
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 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	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	This will be eliminated eventually to be replaced with Community Benefit Charge (CBC).

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			<p>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 zoning requirements and land acquisition.</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.	No change.

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Cash in lieu of Storm Water Management							Recommend closing reserve and transferring funds to Infrastructure Renewal – Stormwater.
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.	No change.
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	Change from Existing Policies
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	Contribution to the capital fund to finance land as required.	Will fluctuate as property needs are addressed.	No change.

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				offsets Town costs and agreements.			
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.	No change.
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.	Changed target balance from \$170,000 to not applicable. The reserve balance will be cyclical based on the election cycle.
Perpetual Maintenance	RF						Recommend closing reserve and transferring funds to Infrastructure Renewal – Roads, Bridges, Structures
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.	Minor wording changes.

Appendix B
Summary of Changes to Reserve and Reserve Funds

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.	No change.
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.	Fundraising activities to support the Centre have been eliminated. Remaining funds to be spent on expenditures related to betterment of Older Adults in community.
Sportsfield Development							Recommend closing this reserve and transferring the funds to Infrastructure Renewal – Recreation, Facilities, Misc.
Investment in the Arts	RF	Operating	To track donations and naming rights collected	Funds received from the “Investment in the Arts	Contribution to the operating fund.	Not applicable.	

Appendix B

Summary of Changes to Reserve and Reserve Funds

			through the “Investment in the Arts Campaign”, including the net cash proceeds from the sale of the surplus lands (+/- 2 acres at Main and Thompson). These funds will be used to phase in the cost of operating the FirstOntario Arts Centre in an effort to mitigate the impact on the annual tax levy.	Campaign”. Net cash proceeds from sale of surplus lands at Main and Thompson.			
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.	No change.
<p>Board, Committee and Other</p> <p>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.</p>							
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target	Change from Existing Policies
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	Contribution from the Library 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.	Changed target rate from 5% to 10% of previous year’s operating budget to align with Town. Eliminated growth as an intended use as stabilization reserves are better used for one time

Appendix B

Summary of Changes to Reserve and Reserve Funds

			Library against unforeseen expenditures or unanticipated deficits that may occur in the fiscal year.				events to minimize fluctuations in tax levy.
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 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.	Changed name and purpose to align with Town infrastructure renewal reserves.
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.	No change.
Milton District Hospital Expansion	RF	Operating	To provide funding for the Town's contribution towards the local share of the redevelopment and expansion of Milton District Hospital.	Contribution from Slots Reserve Fund.	Contribution to Halton Healthcare Services to assist with funding for the local share of the redevelopment and expansion of Milton District Hospital.	Not determined	Eliminated Hospital Tax Levy as a funding source as this was eliminated through the 2018 budget discussions.
Provincial Government Transfer	RF	Both	To track grant funding received from the Provincial Government (excluding Provincial Gas Tax) that requires distinct interest	Funds received from the Provincial Government.	Contribution to capital fund. Contribution to operating fund.	Not applicable.	No change.

Appendix B
Summary of Changes to Reserve and Reserve Funds

			bearing 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.	No change.

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-039-20
Appendix C

Approval Date: July 20, 2020
Effective Date: July 20, 2020

Policy Statement: The [Accounting Policy](#) is intended to ensure that the Town’s financial assets are appropriately safeguarded by establishing diligence, accountability and transparency in financial transactions and processes.

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1. Policy Purpose

This policy sets out the measures that will promote appropriate financial controls and provides guidelines for staff and stakeholders in relation to the Town’s financial transactions. These measures are fundamental towards protecting the Town’s assets and maintaining the financial integrity of the organization.

2. Guiding Principles & Objectives

Financial controls are essential in maintaining the integrity of the data and systems that are related to corporate financial transactions, therefore affecting all assets, liabilities, expenses and revenues. All Town staff have a responsibility to protect the Town's financial health and reputation.

3. Scope

The policies outlined in this document are applicable to all financial transactions and processes undertaken by the Town, save and except property tax collection that will be undertaken in accordance with Town Policy 111 - Taxation and Assessment Base Management. Any transactions processed by the Town for the Milton Public Library (MPL) and the Downtown Milton Business Improvement Area (BIA) are also required to satisfy the policies established herein.

The Accounting & Payroll business unit ensures that the Town is in compliance with applicable financial legislation, by-laws, regulations, Canada Revenue Agency guidelines and the Generally Accepted Accounting Principles (GAAP) as established by the Public Sector Accounting Board (PSAB). In order to achieve compliance with this policy, the Accounting & Payroll unit shall review any new or amended financial procedures developed pursuant to this policy.

4. Policy

4.1 Banking Services & Signing Authority

4.1.1 Appointment of Banking Service Provider

The appointment of Banking Service Providers shall be confirmed by Council resolution.

4.1.2 Bank Signing Authority

A by-law shall be in effect to identify designated signing officers for the corporation to give instructions, to provide verifications and approvals on behalf of the Town to the Banking Service Provider and to be authorized to sign and deliver any service requests or other financial services agreements.

The following transactions/instructions must be signed/approved by two signing officers:

1. Cheques issued by the Town over \$50,000 must be signed utilizing an electronic signature on behalf of the Mayor*, and signed manually by two authorized signatories;
2. Electronic transfers of funds to external parties through wire or banking tools - greater than \$50,000 (excluding Payroll related transfers i.e. employee pay, government remittances);
3. Letter of request for money order and bank draft;
4. Purchase of Investments;
5. Agreements and instructions with Town's banking provider, including but not limited to set up of new bank accounts, new banking services, disclosure of banking information;
6. Agreements with the Town's merchant services provider.

The following transactions/instructions must be signed/approved by one signing officer:

1. Cheques issued by the town up to \$50,000 must be signed utilizing an electronic signature on behalf of the Mayor*, and signed manually by one authorized signatory;
2. Electronic transfers of funds to external parties through wire or banking tools - up to \$50,000;
3. Electronic transfers for Payroll related transactions such as employee pay and government remittances;
4. Request for corrections resulting from on-line payments i.e. recalls;
5. Online banking access for new users and changes to existing users other than reporting privileges.

**Municipal Act, Section 287* states that a municipality may provide that the signatures on a cheque of the municipality be mechanically or electronically reproduced.

4.1.3 Bank Account Management, Deposits and Transfers

The Manager, Accounting & Payroll shall provide oversight to the Town's accounts.

New accounts will only be set up if there is a business reason to do so, and will be done so in accordance with authorities outlined in this policy.

Accounting & Payroll staff shall use the secure means available as is appropriate to ensure revenues are deposited promptly to maximize interest income and reduce the risk of unsecured funds. This may include, but is not limited to, the utilization of armored car or courier services, electronic deposit technology, etc.

All town staff responsible for collecting revenue shall ensure that they understand and will follow all procedures relating to cash handling and ensure that all deposits are submitted accordingly. Any alternative method of making deposits must be approved by the Manager, Accounting & Payroll or Manager, Tax & Assessment.

4.1.4 Bank Account Reconciliations

All bank accounts will be reconciled by the Accounting & Payroll business unit including the following processes:

1. Transaction detail of each bank account will be generated from the general ledger and reconciled against the bank statements provided by the Town's Banking Service Provider;
2. Cashed cheques will be reconciled and validated;
3. All Electronic Fund Transfers (including Wire Transfers) will be reconciled;
4. All bank accounts' activities will be monitored;
5. Any fraudulent items or irreconcilable items will be brought to the attention of the Manager, Accounting & Payroll immediately. The Manager, Accounting & Payroll will take immediate action notifying the Town's banking service providers, the Treasurer and/or police in the case of fraudulent activities, and follow up with staff as is appropriate;
6. The Manager, Accounting & Payroll will sign off on reconciliations and corresponding adjusting entries;
7. Any items not reconciled will be followed up with source documents and staff shall ensure controls have not been compromised;

8. Outstanding cheques which have become stale dated will be followed up to ensure that payment is received by vendors;
9. Outstanding stale dated cheques related to the purchase of goods and services, for which no response is received from the vendor, will be held for two years in a separate account and then transferred to corporate revenue. Outstanding stale dated cheques related to refunds, for which no response is received from the customer, will be transferred back to the originating customer's account if applicable.

4.2 Year End / External Auditors

4.2.1 Procedure

1. Appointment of External Auditors will occur in accordance with Section 296 of the *Municipal Act, 2001* or successor legislation.
2. Timing of Audits - Interim and final audit timelines to review the proceeding year's accounting activities will be established annually at the discretion of the Manager, Accounting & Payroll and generally occurs as follows:
 - a. Interim audit - November,
 - b. Field audit - March/April,
 - c. Issuance of consolidated financial statements & Reporting to Council - May/June,
 - d. Submission of Financial Information Return to Province - June.

4.2.2 Year end

1. The Manager, Accounting & Payroll will determine the schedule for the year end close, which will be communicated to all staff involved as well as the MPL and DBIA.
2. The year-end schedule will cover the timelines for completing and closing off the current year's activity for the following (at minimum):
 - a. Purchasing activities,
 - b. Accounts Payable including Purchasing Card (P-card) program,
 - c. Accounts Receivable,
 - d. Payroll accruals, activities and reimbursements,
 - e. Cash receipts, including deferred revenues,
 - f. Account reconciliations for balance sheet and operational accounts,
 - g. Year-end variance reporting,
 - h. Reserves and reserve funds transfers and balancing,
 - i. Tangible Capital Assets capitalization and disposal.
3. Adherence to timelines is essential in order to meet the audit timelines.
4. The Town's financial system will serve as the official auditable record of all financial transactions. Other software utilized by the Town will support the year end process by providing further data, reporting and support for entries in the Town's general ledger.

4.2.3 Expenses, accruals and estimates

1. All transactions shall have supporting documents including a vendor invoice or cheque requisition, cash receipt or accounts receivable invoice, or adequate information if there is rationale for not presenting said documents.

2. When a source document is not available to substantiate a transaction, which staff deems to be relevant and material to the current year financial statements, then an accrual must be processed using the following recognition criteria:
 - a. The item has an appropriate basis of measurement and a reasonable estimate can be made of the amount involved;
 - b. For an item that involves obtaining or giving up future economic benefits, it is expected that such benefits will be obtained or given up.
3. All accruals must be reviewed and approved by the Manager, Accounting & Payroll or designate. All accruals must be reversed in the subsequent year in order to ensure that entries are not recorded in multiple years.
4. Subsequent to year end, staff will review the previous accruals to ensure the corresponding expense has been recorded.

4.2.4 Revenue, deferral and estimates

1. All revenues must be posted to the fiscal year that said revenue were earned and collectible.
2. Government transfers (i.e. operating and capital grants) must be booked in accordance with PSAB guidelines.
3. All revenues for which funds have been received but are not yet earned must be recorded as deferred revenue and allocated to future reporting periods.
4. All deferred revenue must be reviewed and approved by the Manager, Accounting & Payroll or designate.

4.3 Accounts Payable

4.3.1 General

1. Town staff is responsible to ensure that all purchases of goods and services are in compliance with the Purchasing By-Law.
2. Town staff is responsible for submitting payment request forms or vendor invoices to Accounts Payable with relevant back-up documentation and appropriate authorization including budget authority from the corresponding department.
3. Vendors are responsible to provide an invoice with the following information:
 - a. Invoice number and date,
 - b. Addressee must be either:
 - Town of Milton
 - Milton Public Library
 - Downtown Business Improvement Area

A vendor invoice addressed to a town employee or department is not acceptable.
 - c. Description of goods and/or services provided,
 - d. Invoice prices and other components, such as shipping and taxes,
 - e. HST Registration number. In the event that a vendor does not charge HST, Accounting will determine if follow up is required with the vendor to ensure that they fall under the Canada Revenue Agency (CRA) small supplier exemption or an HST self-assessment is required.

- f. Reference to the Town's Purchase Order (PO) number (or Blanket Purchase Order (BPO) release number), where applicable,
 - g. Other information as may be prescribed by legislation.
4. All payments are processed at net 30 payment term, unless otherwise prescribed by legislation or negotiated by Purchasing & Risk Management division on a case- by-case basis.
5. Vendor Communication:
 - a. Accounts Payable is responsible for communication with a vendor regarding invoice status and payment status.
 - b. Town Staff and the Purchasing & Risk Management business unit is responsible for communication regarding vendor status, purchases and compliance to the Purchasing By-Law.
6. The Town's preferred method of payment is Electronic Funds Transfer (EFT) or Purchasing Card (P-Card). Vendors are encouraged to enroll in these payment programs as opposed to payments by cheque.

4.3.2 Payment of vendor invoices:

After receiving goods or services, department staff is responsible for processing receipt of goods or services against the PO and forwarding the invoice with PO receipt as a back-up to Accounts Payable for payment in a timely manner to be processed within payment terms. Vendor invoice must match the purchase order in the system and be received by department staff before payment is made.

4.3.3 Vendor invoices covered by a Blanket Purchase Order

After receiving goods or services, Town staff is responsible for processing receipt of goods or services against the BPO release and forwarding the invoice with the BPO receipt as a back-up to Accounts Payable for the payment to be processed within the stated payment terms. The vendor invoice must match the purchase order in the system and must be received by department staff before payment is made.

4.3.4 Payments exempt from preparing Purchase Order.

1. This section applies to payment processing of:
 - a. Vendor invoices where bid process is not required according to Purchasing By-Law and a P-Card is utilized as the form of payment.
 - b. Payments that are not related to the purchases of goods and services, and are not included in the scope of Town's Purchasing By-Law, such as:
 - i. Debenture payments,
 - ii. Investment payments
 - iii. Development charges,
 - iv. Payroll related remittances, e.g. source deductions, union dues, etc.
 - v. Refunds, e.g. cash securities, damage deposits, property taxation, recreation programs etc.
 - vi. Tax remittances, e.g. property tax, sales tax,
 - vii. Grants to persons and organizations, e.g. Community Fund,

- viii. Insurance/ Legal settlements,
 - ix. Petty cash replenishment.
 - c. Payments not exempt from the bidding process but exempt from PO process:
 - i. Employee benefits, e.g. Health/ Dental, Life Insurance
 - ii. Banking services.
 - d. Reimbursements to Town employees for purchased goods and services paid for with their personal funds as the Town's stated methods of payment was not possible at the time.
 - e. Payments on behalf of Library and DBIA Management boards.
 - f. Other payments as may be determined at the discretion of the Manager, Accounting & Payroll or designate.
2. Requests for payment must be forwarded to Accounts Payable in the form of a vendor invoice or cheque requisition.
3. Cheque requisitions are used only when no vendor invoice is available. The requisition must clearly indicate:
 - a. The payee with full name and address,
 - b. Description of the goods or services,
 - c. The amount of payment requested,
 - d. Tax amount, if applicable (including HST registration number),
 - e. Cost coding,
 - f. Special instructions.
4. Department staff requesting the payment is responsible for obtaining approval of the request by staff with budget authority in the respective department. Payments described in this section might require two departmental signatures of appropriate authority as stipulated in the related procedures.

4.3.5 Recurring payments

1. Recurring payments exempt from POs and regulated by other agreements, such as lease or periodic deposits, where the amount and the cost center are unchanged from period to period will be paid automatically.
2. Approval of the person with delegated authority obtained for the first payment request is applied to the rest of the recurring payments through the terms of the agreement.
3. Any changes to the terms and coding of the recurring payments must be approved separately by the person with delegated authority.

4.3.6 Utility payments

1. Department staff is responsible for setting up new utilities accounts with utility companies and providing cost code allocations to Accounts Payable.
2. Department staff is responsible for informing Accounts Payable with any changes to and/or termination of utility hook-ups.
3. Accounts Payable is responsible for maintaining a detailed listing of all utility accounts, including the address of the property attached to the utility account number and the GL account number, including the sub ledger, related to that billing. Accounts Payable will

facilitate periodic review of account listing for validity and relevance with department staff.

4. Utility invoices are received in Accounts Payable and processed without departmental approval.
5. Cost transactions for utilities are posted to the GL on the first business day of the month following the date of the last meter reading.
6. Accounts Payable is responsible for reconciling automatic payment withdrawals from the Town's bank account against the utilities invoices received.
7. Department staff is responsible for reviewing the consumption rates and utility costs on a regular basis.

4.3.7 Refunds

1. Requests for refunds including on-line refunds are exempt from the PO process. Payment request forms must be submitted to Accounts Payable (if applicable after consideration of credit on account or electronic processing) and must be approved in accordance with the delegated authority of the department.
2. Departmental staff processing a refund are responsible for verification of accuracy and completeness of the submitted information which should include any relevant back up.
3. Accounts Payable will monitor the status of refunds. Departmental staff requesting the refund are responsible for follow-up on all returned or stale payments.

4.3.8 Corporate credit card processing (P-Cards)

1. Policies with respect to the Town's P-Card program have been established as part of the Town's Procurement & Disposal Policy (Policy 112), including eligible cardholders, authority to establish processes, and eligible purchases.
2. Proper supporting documentation for P-Card transactions must contain the same information elements as an invoice described in section 4.3.1 paragraph (3). Other types of supporting documentation (such as packing slips, transaction confirmations, account statements and booking confirmations) would not constitute proper supporting documentation if submitted alone.
3. Town staff is responsible for the conveyance of supporting documentation related to P-Card activity in a timely manner, as well as for completeness of the supporting documentation, sales tax verification and coding instructions.
4. LMT members are responsible for monitoring the utilization, approvals and reporting of P-Cards within their division or area of responsibility.
5. Accounts Payable and the Purchasing & Risk Management business units are responsible for auditing P-Card packages within established timelines.

4.3.9 Payments

1. Accounts Payable will process an Electronic Fund Transfers (EFT), cheque, and e-payable run every Thursday of each week. The payment run will include all authorized payment requests that are due Thursday of the following week or before.
2. All payments that are required to be included in the current week payment run must be received by Accounts Payable not later than Wednesday afternoon. The deadline is

subject to change by Manager of Payroll & Accounting or designate based on the current business need. Any changes will be communicated promptly to all departments affected by the change.

3. Emergency payment requirements will be considered on case by case basis and must be approved by the Manager, Payroll and Accounting or designate.
4. On occasion once business need arises, Accounts Payable prepares request to the Town's bank to issue US currency Money Order or a bank draft. Approval level for US bank draft is the same as Canadian currency payment types.
5. Certified cheque is not a supported payment type of the Town. In lieu of a certified cheque, the Town offers an Electronic Fund Transfer providing the banking information is made available to the Town at the time of payment.

4.3.10 Payment cancellation

1. A payment that is determined to be in error must be cancelled and reissued if:
 - a. a payment is issued for the wrong amount;
 - b. a payment is issued to the wrong vendor name;
 - c. a payment is issued as a duplicate payment;
 - d. a payment was not received by the vendor.
2. When information for the payment cannot be rectified, the payment is cancelled together with the accounts payable voucher and no expense is recorded.

4.3.11 Stop payment process

1. In cases when the Town does not have the cheque in their possession and it is determined that a cheque has been released to the vendor in error, and / or has never been received by the vendor, Accounts Payable must determine whether the cheque has been cashed. If the cheque has not been cashed, a stop payment must be registered with the bank for the cheque.
2. Stop payments can be registered with the bank by the Manager, Accounting & Payroll or designate.
3. Once the stop payment has been registered with the bank, the cheque can be cancelled and re-issued as required.

4.4 Accounts Receivable

4.4.1 Invoice creation

1. Based on the User Fee By-Law, agreement with a third party or other authorizing document, Departmental staff completes an Invoice Requisition form, which details the following:
 - a. Customer's name and address,
 - b. Description of materials and/or services provided,
 - c. Amount to be billed and applicable taxes,
 - d. Appropriate General Ledger (GL) revenue account number,
 - e. And mailing instructions.

2. Each invoice requisition must be accompanied by supporting documentation for audit purposes and signed by a designate with the appropriate level of authority.
3. For standard monthly or bi-monthly invoicing, an invoice may be created automatically by Accounts Receivable staff; however the responsible department must provide backup as required to substantiate recurring billing.
4. Accounts Receivable staff reviews the form for completeness, sales tax implications and appropriate GL account number. Billings should never be netted against expenses. Payment terms are 30 days from date of invoice unless otherwise specified otherwise in an agreement, legislation or by the Treasurer or designate.

4.4.2 Interest on Overdue Accounts

1. Interest is processed the 1st of day of each month
2. The monthly interest rate charged to overdue accounts is consistent with the rate charged to outstanding property taxes unless stipulated otherwise in the related agreement or legislation or as prescribed by the Treasurer, upon his/her discretion.
3. Payments shall be applied first against the outstanding account noted on the payment remittance, with the remaining amount being applied in order of the oldest to the most recent arrears. The payments shall be applied first against all accrued interest with the remaining being applied to principal.
4. At the discretion of the Treasurer, the application of overdue interest could be waived for customers in, but not limited to, the following categories: charitable donors, sponsors, hospitals, schoolboards, and government agencies.
5. In those cases where the invoice is paid by monthly installments, interest will continue to be charged on the remaining balance, accordingly until the balance is paid in full.

4.4.3 Invoice payment process - miscellaneous items

1. Installments/ Payment plans as a method of invoice settlement could be offered to customers on a case by case basis at the discretion of the Manager, Accounting & Payroll. These arrangements must be stipulated in an agreement with the customer and cannot exceed 2 (two) years in length.
2. If the payment received exceeds the total balance owing, the outstanding credit net any applicable payment issuance fees will be refunded to the customer. Where the net amount of the credit balance is less than \$5 the Town may transfer the remaining credit balance to the Town's General Government revenue account.
3. In the event a customer issues two (2) consecutive returned payments or two (2) returned items within 6 months, staff may request certified cheque, bank draft, cash or debit only, as forms of acceptable tender for a period of 6 months following the last returned item.

4.4.4 Invoice collection process

1. Many of the Town's revenues require payment in advance of the related service being provided, and as such the collection process of the Town's Accounts Receivables staff is not applicable.

2. Accounts Receivable staff are responsible for managing the collection process relating to invoices (with the assistance of the requesting department from time to time) with the exception of the following:
 - a. Lease payment collection which is the responsibility of the corresponding Departmental Staff that manage the tenant relationship (with the support of Accounts Receivable staff),
 - b. Donation and/or sponsorship collection which is the responsibility of the corresponding Departmental Staff that manage the program (with the support of Accounts Receivable staff),
 - c. Grant program revenue collection which is the responsibility of the corresponding Departmental Staff that manage the program (with the support of Accounts Receivable staff),
 - d. Insurance claims related collection is the responsibility of the corresponding Risk Management Department.
3. For invoices managed by Accounts Receivable:
 - a. Invoices not paid within 30 calendar days follow the collection process as outlined below:
 - i. Overdue notice are sent via email or regular mail to customer accounts that are 30, 60 and 90 calendar days past due;
 - ii. Accounts Receivable staff may attempt to contact the customer by phone to confirm if they were in receipt of the invoice and to discuss payment of the outstanding balance. Alternatively Departmental Staff may be requested to do so with customers from their areas;
 - iii. A final notice is sent to accounts that are 90+ calendar days past due. The customer is informed that their account will be forwarded to the Collection Agency contracted by the Town, to the Ministry of Transportation, or added to the tax roll if their payment is not received.
 - b. The Manager, Accounting & Payroll will determine if the account should be referred to the registered collection agency engaged by the Town of Milton. The *Municipal Act*, Section 304, authorizes the municipality to use a registered collection agency for the recovery of a debt. Additional charges will be added as stipulated in User Fee By-Law.
 - c. In accordance to the *Municipal Act*, Section 398(2), some outstanding accounts can be added to the tax roll as an alternative. Additional charges will be applied in accordance with the prevailing User Fee By-law.
 - d. Similarly, some outstanding accounts can be referred to the Ministry of Transportation in order to be collected.
 - e. The Manager, Accounting & Payroll, is authorized to amend the above collection process where, in their discretion, the change is expected to result in a more favourable or equitable outcome.

4.4.5 Non-centralized accounts receivable

1. Separate accounts receivable systems may be utilized in areas such as the following departments to support operational needs:

- a. Community Services - recreation management and ticketing software for memberships, program registrations, events, performances and facility rentals,
 - b. By-law and Enforcement - for parking fines and other penalties,
 - c. Development Services - Planning and building permit applications.
2. Department staff ensures that the management, collection and record retention of non-centralized receivables is maintained and readily available for audit purposes. The aging report is to be reviewed monthly by designated staff. Based upon the review, attempts to collect the outstanding balances identified should ensue.
 3. The Town reserves the right to reject a program registration, facility booking, or provide cash grants from the Milton Community Fund if there is a balance owing on an individual or group account. Balances on accounts that are greater than 30 calendar days are transferred to centralized Accounts Receivable and the management of the collection process is transferred to the Accounts Receivable Clerk where applicable.
 4. Accounts transferred to centralized Accounts Receivable may “prevent access” on client accounts via an identifiable alert from the Accounts Receivable Clerk, which may prevent the customer from registering in person for and purchasing Town’s programs and services until the balance owing is settled.
 5. Customer credits
 - a. Customer credits will be applied to the outstanding balance first.
 - b. Customers are encouraged to use their remaining credit on other Town programs and memberships.
 - c. The credit can be refunded at the customer’s request with the approval of the authorized Departmental Staff:
 - i. To a debit or a credit card at the counter on the day of purchase. Cards not present cannot be refunded.
 - ii. Otherwise to be refunded by cheque but is subject to the cheque issuance fee in accordance with the prevailing User Fee By-law.
 - d. Unused credit amounts older than 1 (one) year may be transferred to the Town’s General Government revenue account. This credit may be returned to the customer upon their request at discretion of the authorized Departmental staff.

4.4.6 Allowance for bad debt

Allowance accounts will be established and managed as follows:

- a. Annually an amount is budgeted and transferred to the allowance account.
- b. At year end an analysis is done on all outstanding accounts receivable to determine if the balance in the allowance account is adequate given the value of outstanding accounts receivable which are in risk of collection.
- c. Accounts deemed to be uncollectible by either staff and/or the Collection Agency are written off against the corporate allowance.

4.4.7 Write-offs

1. A balance may be written off for any of the following reasons:
 - a. The balance has been deemed uncollectable following the collection methodologies that are outlined in this policy.

- i. Includes amount deemed uncollectable by the Collection Agency or staff;
 - ii. Also includes any balance remaining after court or insurance settlement.
 - b. The amount of the balance owing is immaterial
2. The authority for the tiered approval of write-offs is as follows:
 - a. For amounts below \$1,000, the Manager, Payroll & Accounting or designate,
 - b. For amounts of \$1,000 to \$10,000, the Treasurer or their appointed designate,
 - c. For amounts greater than \$10,000, Town Council.
3. Where a previously created invoice is deemed to have included an error, omission, or otherwise requires correction in the discretion of the Treasurer, the correcting entry is considered an administrative adjustment within staff's delegated authority and not a Write-off for the purposes of this policy.

4.5 Method of Payment, Petty Cash & Cash Handling

4.5.1 Method of Payment

1. Where the acceptable methods of payment are not outlined in Council-approved by-laws (such as the prevailing User Fee By-law) or legislation, they shall be determined at the discretion of the Manager, Accounting & Payroll and/or the Manager, Tax & Assessment.
2. There are various payment options that may be considered to ensure the Town goods and services are paid for and properly receipted including, but not limited to, the following:
 - a. Cash and cheques,
 - b. Certified cheques and bank drafts/money orders,
 - c. Payment card services from the Town's approved payment card provider, Depending on the nature of and reason for the payment, these could be received in person, via telephone, or online.
 - d. Third party credit card payment services (property tax payments),
 - e. Electronic transfers inclusive of online banking tools.
3. In determining the acceptable form of payment the following factors may be considered:
 - a. Payment terms must be linked with service delivery;
 - b. Revenue volumes must be considered to minimize costs of the payment options and administration;
 - c. The costs of credit cards and associated terminals that will be charged to the department(s) utilizing the device;
 - d. Utilization of the Town's payment card service provider;
 - e. The security of payments to ensure that PCI standards are met;
 - f. Revenue reporting must be done in a timely manner to comply with the accounting standards and to satisfy all internal reporting deadlines.
4. Third party cheques will not be accepted.
5. The Manager, Accounting & Payroll and/or the Manager, Tax and Assessment is authorized to determine the acceptable method of payment, which may include but is not limited to in person payment or after-hours drop box at Town Hall, by mail or by electronic fund transfer, etc.
6. Payments are applied to invoices the day that they are received:
 - a. For payments in person - the date is stamped on the cashiering receipt;

- b. For payment by cheque - the date stamped as received by the Town's front counter staff;
 - c. For payment by bank wire transfer - the date that the payment is posted to the Town's bank account;
 - d. For payments by installments- the date when installment payment is received.
7. Timing of applying payments could be influenced by Town hall shutdown during public holidays or unforeseen events. Payments received in the mail during such times will be posted to the day before holiday or event once the business is resumed. Payments mailed prior to holiday or event, but received afterwards will be posted to the day received.

4.5.2 Petty Cash

1. Petty cash funds are utilized by departments to facilitate payment of minor purchases that cannot be otherwise purchased using a corporate credit card or purchase order, and/or for coin change float purposes. It also reduces the amount of cheque issuances for very small dollar amounts.
2. These funds should not be used:
 - a. to contravene the Town's Purchasing By-law, Town's employee related business expenses, conferences or seminar and training procedures,
 - b. to pay salaries for any permanent or temporary staff,
 - c. to pay for meal allowances or meal reimbursements,
 - d. to reimburse for mileage,
 - e. to pay supplier invoices,
 - f. for purchases greater than \$50,
 - g. for personal use.
3. Departments must obtain approval from the Manager, Accounting & Payroll in order to establish a petty cash fund. For those departments residing at Town Hall, the Tax & Assessment business unit will serve as the purveyor of petty cash.
4. The Manager, Accounting & Payroll is authorized to establish the appropriate dollar limit for the size of each petty cash fund with input from the requesting service area.
5. The custodian designated is responsible for managing and replenishing the petty cash fund as required, keeping the funds in a secured environment, and ensuring that the petty cash procedure rules are followed.
6. The administrative procedures set to replenish, utilize, record and report on petty cash transactions will be defined by the Manager, Accounting & Payroll or Manager, Tax & Assessment.

4.5.3 Cash Handling

1. For the purposes of these procedures "cash" will include:
 - a. Canadian currency of legal tender under the Currency Act,
 - b. Cheques,
 - c. Money orders and bank drafts,
 - d. US currency with exception for cheques,
 - e. Debit card transactions,
 - f. Credit card transactions.

Note: Rolled coin is considered to be cash, and can be deposited as such without rerolling; however large quantities of loose coin is not considered legal tender under the *Currency Act* and payments in that form can be refused. The Town may not accept loose coin, when the amount of coin is suspected to be over the value of a corresponding roll.

2. Acceptance of foreign currency is limited to US coin and bills:
 - a. US coins and bills can be accepted in lieu of Canadian dollars at par value.
 - b. The Town of Milton will not accept foreign currency cheques. In the event that a foreign currency cheque is deposited in error, the Town will adjust the customer's account at the conversion rates applied by the Town's bank.
 - i. The customer is responsible for any additional payment, should the negative variance arise from this foreign exchange transaction;
 - ii. In case of positive variance, the credit will be applied to the customer's account, less any user fees.
3. Individuals collecting cash should not have any other responsibilities related to cash handling. Cash receipting functions should also be segregated from cash disbursement functions. A different person should be involved in each step of the process:
 - a. Cash collecting/receipting,
 - b. Cash depositing,
 - c. Reconciliation,
 - d. Billing.

If there are not enough staff to perform these tasks, then mitigating controls should be developed.

4. In collaboration with the Supervisor, Recreation Facility Services, procedures for cash handling require the approval of the Manager, Accounting & Payroll and/or the Manager, Tax & Assessment and must be made available to staff in roles with cash handling responsibilities.
5. Town staff may accept cheques made payable directly to the "Town of Milton" or to the organization for which the town has a financial services agreement (eg. Milton Public Library). When staff accepts cheques, money orders or bank drafts they must ensure that:
 - a. the date, amount and payee are correct and that the cheque is signed by the payer,
 - b. to stamp the back of the cheque with the department endorsement showing the department/section name and indicate the general ledger (GL) account number to which the cheque is to be deposited.
6. Staff are expected to take reasonable precautions to secure funds and to avoid accepting counterfeit currency; however, when shortages are identified, the following steps should be taken:
 - a. Staff and management of the department experiencing the cash shortage will make every effort to determine the reason for the shortage and translate the explanation to the Manager, Accounting & Payroll;
 - b. If the shortage is a result of missing funds or theft, staff are obligated to report this directly to the Manager, Accounting & Payroll for further investigation;

- c. The rules listed above for cash shortages also apply in situations for cash overages.
7. **Certified cheques** - Where a certified cheque is required, as is the case with security for tenders and purchasing contracts, a money order or bank draft is accepted as an equivalent form of payment.
8. **Debit cards** - Debit cards are acceptable payment options, provided the staff/department has access to a payment card machine for processing. "Cash back" services are prohibited.
9. **Credit card** - Credit cards are acceptable payment options when the service is an option for payment (see Section 4.5 above), provided the staff/department has access to a payment card machine for processing, and provided the town's card machine can accept that type of credit card. Credit cards shall not be accepted as payments for the following revenue sources:
 - a. Property taxes(except through independent third party provider),
 - b. Development charges,
 - c. Any fees or charges collected by the Town on behalf of other third party (i.e. Region, hydro, etc.),
 - d. Refundable deposits,
 - e. Security deposits,
 - f. Transactions over \$5,000 including tax (HST), unless approved by the Manager, Accounting & Payroll.

New requests for acceptance of credit cards must be approved by the Manager, Accounting & Payroll, who will review the request and determine if the volume, charges and service requirements are sufficient to warrant the acceptance.

For in person transactions, credit card payments should be processed by using chip-n-pin or tap. In the event where the device chip-n-pin is not working, credit card can be processed using swiping. In such case, the customer must sign the receipt and staff must verify the signature against the signature at the back of the credit card. If the credit card is not signed, staff must request another credit card or different form of payment. If a customer's credit card information is collected by using manual imprinter, the signature must also be verified.

Staff must follow the Payment Card Industry Data Security Standard (PCI) and all internal Town procedures in order to protect the card holder and the Town.

10. **Non-Sufficient Funds (NSF) deposits** - the Town is notified when cheques or previously approved electronic incoming transfers cannot be deposited i.e. non-sufficient funds, bank account closed, etc. All NSF cheques are subject to an applicable user fee. For property taxes and parking tickets, the customer's account will be adjusted to account for the returned funds and the NSF fee. For all other NSF payments, the Accounts Receivable Clerk will notify the applicable department and invoice the customer for the original amount plus the NSF fee. All NSF activity (original returns and billings/repayments) are tracked in an NSF receivable GL account. It is the responsibility

of the department to take the appropriate action to assist with collection of payments. Where appropriate, the department might refuse to provide new service until the NSF repayment is made.

4.6 Journal Entries

1. Journal entries are adjustments to the General Ledger (GL) and can be requested by Town staff in situations where sub-ledger adjustments such as accounts payable or accounts receivable adjustments are not applicable:
 - a. Corrections of account coding errors,
 - b. Accruals of revenue and expenses and subsequent reversals of said accruals,
 - c. Reallocations of the revenues and expenses, assets and liabilities, reserves and reserve funds,
 - d. Period end adjustments to the GL as required by PSAB,
 - e. Processing of the transactions from 3rd party financial systems, e.g. Recreation Management Software, Taxation software, Licencing Software etc.,
 - f. Otherwise determined by the Manager, Accounting & Payroll.
2. The requestor of the journal entry must have the journal entry approved and signed off by the designate with budget authority from the department affected by the pending transaction, and provide the required supporting documentation.
3. It is the responsibility of the Accounting staff to review the journal entry package and to post those approved in the Town's financial system.
4. Journal entry package is retained by the Accounting Department for audit purposes.

4.7 Harmonized Sales Tax (HST)

1. Town of Milton collects and pays sales tax in accordance with the Excise Tax Act (R.S.C., 1985). Legislation supersedes Town's policies and procedures.
2. Town Policies on Sales Tax application are consistent with CRA policies and are subject to changes as tax policies change.
3. Town staff is responsible for the collection and recording in the Town's general ledger of sales tax on user fees and other billings where applicable.
 - a. Town's staff takes all possible effort to disclose the sales tax implication on user fees to the public.
 - b. Town staff is responsible for the compilation of the Town's agreements with third parties and is required to disclose sales tax implications in the text of the agreement.
4. Town staff is responsible for the payment of GST/HST identified on vendor invoices, where HST is applicable and the vendor is registered for GST/HST collection. Town staff is responsible for recording GST/HST in Town's General Ledger.
5. Accounting staff is responsible for filing HST/GST return with the CRA. The return must be filed prior to the deadline to avoid penalties and late charges.
6. Town staff purchasing from vendors outside Canada is responsible for notifying accounting staff of the transactions where Ontario sales tax was not charged. A copy of the invoice to be forwarded to Accounting Analyst for sales tax self-assessment.
7. Consistent with CRA policies, sales taxes from other provinces and/or countries cannot be claimed as tax credits and become an expense to the Town. In the arrangements to

recover cost of services provided to third parties, Town staff is responsible to consider all fees and taxes that become a cost to Town, including portion of HST non-recoverable by Public Service Bodies.

8. Accounting staff is responsible to self-assess GST/HST on:
 - a. Taxable supply of goods and services purchased outside of Ontario, when GST/HST was not paid,
 - b. Purchases of non-exempt real property, where seller is indemnified from the collection of GST/HST.
9. Accounting staff may engage the sales tax auditor for periodic review of the Town's books for mitigation of sales tax liability and opportunities of sales tax recovery.
10. Designated Town staff is responsible to communicate with the CRA regarding the Town's GST/HST business account and to make changes to related CRA programs. Business consent forms approved by the Mayor must be filed with CRA to add or remove designated Town's staff.

4.8 Tangible Capital Assets

1. A tangible capital asset should be accounted for and recognized in the financial statements of the Town and its Boards when:
 - a. It is probable that future benefits associated with the tangible capital asset will be obtained;
 - b. There is an appropriate basis of measurement and a reasonable estimate of the value of the asset can be made;
 - c. The asset is in use.
2. All depreciable assets of the Town and its Boards will be amortized using the straight line method which allocates the cost of the asset evenly over its' useful life.
3. Amortization will begin on the acquisition date. The acquisition date of a tangible capital asset is the earliest of:
 - a. The date on which the tangible capital asset being constructed is complete and ready to be put into service. For projects that do not receive a certificate of substantial completion, amortization will begin when the asset is available for use;
 - b. The date legal ownership of the tangible capital asset is obtained by the Town;
 - c. The purchase date.
4. The estimated useful life of the asset will be established by the collaboration between operating departments and Corporate Services.
 - a. Useful life is normally the shortest of the asset's physical, technological, commercial or legal life;
 - b. The useful life of a tangible capital asset depends on its expected use by the Town;
 - c. The useful life of an asset should be reviewed on a regular basis. If expectations differ from previous estimates, the change in useful life is to be accounted for as a change in an accounting estimate.
5. When acquired or constructed, tangible capital assets are measured at cost, the cost is the amount of cash paid and/or the fair value of other assets given up in exchange for

the asset. It includes all charges, including carrying costs, necessary to place the asset in its intended location and condition for use.

6. Tangible capital assets that are donated or contributed to the Town must be recorded at fair value as of the date of transfer. If the Town is the donor or transferor, a deemed disposition is recorded at fair value.
7. Asset Types will be determined and defined by the Manager, Accounting & Payroll in collaboration with the auditors and staff. The current asset types include Land, Land Improvements, Buildings, Machinery & Equipment, Vehicles, Linear Assets, and Capital Work-in-Progress.
8. Tangible capital assets thresholds
 - a. Tangible Capital Assets of the Town should be capitalized according to the following thresholds:

ASSET TYPE	THRESHOLD
Land	\$0 (capitalize all)
Land Improvements	\$10,000
Buildings	\$10,000
Leasehold Improvements	\$10,000
Vehicles	\$5,000
Machinery & Equipment	\$5,000
Linear Assets:	
Storm Water Management -incl. storm sewer assets, storm water management ponds and culverts below 9m.	\$10,000
Roadways - includes road surface & base, bridges and culverts over 9 m.	\$10,000
Other Linear Assets - includes street lights, traffic lights, road signs etc.	\$10,000

- b. Town of Milton's Boards (Library and Business Improvement Area) have a capitalization threshold of \$500 for all asset types;
 - c. Similar assets that have a unit value below the capitalization threshold but have a material value as a group can be combined to create a pool. Examples of assets that can be pooled are library books and computer hardware and software. The pooled capitalization threshold is the same as the single asset type threshold.
9. Replacements
 - a. If the component being replaced had previously been segregated in the asset accounting register as a distinct asset for amortization over its specific expected useful life, then the new component is capitalized and the old component is retired with its residual net book value removed from the accounts (example - building roof);
 - b. If the component being replaced was not previously segregated from the whole asset as a distinct asset, then the replacement is normally considered a repair and the costs are expensed as incurred (even if the component enhances the service potential of the asset, example - small vehicle automobile engine);
 - c. If the component being replaced was not previously segregated from the whole asset, but is essential to the function of the asset, then replacement is recorded

as a new asset with augmented useful life to take into consideration the overall state of the asset. For example - the engine replacements/refurbs for Aerial Trucks, Pumpers, Rescues and Tankers, upon truck/engine refurb - in the final 13th year of useful life year, the old truck is removed from the asset register and the refurbished truck/engine is added with a useful life of 7 years.

10. Betterments

- a. Betterment is a cost incurred to enhance the service potential of a tangible capital asset. Betterments increase service potential and may or may not increase the remaining useful life of the tangible capital asset. Service potential is enhanced if one of the following occurs:
- b. There is an increase in the previously assessed physical output or service capacity;
- c. Associated operating costs are lowered;
- d. The original useful life is extended; or
- e. The quality of the output is improved;
- f. Betterments to existing assets may be capitalized when unit costs exceed the threshold;
- g. An example of a betterment is a road widening.

11. A write-down is used to reflect a partial impairment in the value of a tangible capital asset. The carrying value of a tangible capital asset should be written down if it can no longer contribute to the Town's ability to provide service at the previously anticipated level and the impairment is permanent in nature.

- a. A write-off is a 100% reduction in the net book value of a tangible capital asset to reflect the decline in the asset's value due to a permanent impairment;
- b. Once an asset is written down or off, the transaction cannot be reversed. An asset that has been previously written down cannot be written up in a subsequent period. Similarly an asset that has been written off cannot be written on at a later date.

12. Asset Disposals occur when the ownership of a tangible capital asset is relinquished and may occur by sale, loss, destruction or abandonment.

- a. Upon disposal of a tangible capital asset, whether by sale, loss, destruction or abandonment, the difference between the net proceeds on disposal and the net book value should be recognized as a gain or loss in the period the transaction to dispose of the tangible capital asset is completed.
- b. Pooled assets are considered disposed at the end of their useful life.

13. All Financial Policy and Planning and Accounting staff is responsible for compliance to Public Sector Accounting standard related to Tangible Capital Assets.

14. All Financial Policy and Planning and Accounting staff is responsible to support the financial auditor during auditing of Tangible Capital Assets and related records.

15. Financial Policy and Planning staff is responsible for the annual review of Capital Work-In-Progress for completeness of assets and eligibility of costs to be capitalized. Based on Public Sector Accounting standards and current policy, Financial Policy and Planning staff makes decisions to capitalize an asset, determines its costs and in use date.

16. Accounting staff is responsible for recording additions, changes, amortization and disposal of Tangible Capital Assets in Town's General Ledger according to this policy and the Public Sector Accounting Standards, maintenance of TCA continuity schedule, reconciliations and financial reporting.
17. Town staff is responsible to inform Accounting and Financial Planning & Policy staff on acquisitions, changes or disposal of Tangible Capital assets in their respective departments.

4.9 Charitable Donation Receipts

1. Under Income Tax Act, 1985, the Corporation of the Town of Milton is classified as a "qualified donee" for charitable donations, and as such, is afforded the same privileges as a charitable organization without a registered charity number.
2. According to sections 110.1 (1) (a) and 118.1 (1) of the Income Tax Act, Canadian municipalities are permitted to issue receipts for charitable donations. These donations may come in the form of cash or in-kind.
3. Upon request of the donor, the Town of Milton will issue an official donation receipt for gifts that qualify as charitable donations in accordance with Canada Revenue Agency regulations. The Town will only issue official income tax receipts for eligible donations with a net cash value or net fair market value of \$25 or more.
4. To be eligible for an official receipt, the donation has to:
 - a. • be made payable to the Town, and
 - b. • be in cash or in kind,
 - c. • be voluntary,
 - d. • be supportive of the Town's mandate or beneficial to the community of the Town of Milton.
5. The Town of Milton is not responsible for issuing income tax receipts for donations to its boards.
6. Donations in-kind may be accepted only after the following has been assessed:
 - a. Compliance with Town by-laws and/or policies,
 - b. Compliance with the laws, conventions and treaties of the other levels of government,
 - c. Consistency with the Town's priorities, mandates and strategic and business plans,
 - d. Associated risks (e.g. financial risks, political risk, health and safety issues),
 - e. Condition of the donation,
 - f. Does not consist of financial instruments, other than cash,
 - g. Value of the donation,
 - h. Usefulness of the donation to the Town,
 - i. Cost/benefit analysis, if determined by the Treasurer or designate to be necessary, would consider installation, storage, maintenance, renewal, replacement and relevant costs.
7. Written valuation of donations in-kind assessing Fair Market Value as of the date of donation, shall be submitted with the requests for official receipt and is to meet the following requirements:

- a. Up to \$1,000:
 - i. Appraisal by knowledgeable internal staff, plus
 - ii. Valuation from online auction and shopping website.
 - b. \$1,000 or over:
 - i. External appraisal by an independent individual is required;
 - ii. Responsibility and the costs associated with obtaining a qualified appraisal shall be determined by the member of LMT or Commissioner.
8. Authority for acceptance or rejection of donations in-kind with appraised value of:
- a. Under \$50,000 - LMT Member or Commissioner in consultation with the Treasurer;
 - b. From \$50,000 but not exceeding \$250,000 - requires a written agreement of the value of the donation developed in advance and approval of the Commissioner in consultation with the Treasurer;
 - c. \$250,000 and more - Council approval is required.
9. Non-Qualifying Donations that cannot be acknowledged with official donations for income tax purposes, in accordance with CRA guidelines include:
- a. Intangibles such as services, time, skills, effort;
 - b. Donations that are given to the Town intended as a flow through to a specified recipient who does not have charitable organization status;
 - c. Donations from Charitable Foundations or allocations from other charities;
 - d. Donations of business marketing products such as supplies and merchandise;
 - e. Sponsorship in the form of cash, goods or services toward an event, project, program or corporate asset, in return for commercial benefit (i.e. logo placement or presenting sponsorship);
- The intent of a sponsorship is to enhance the image and marketing opportunities of the sponsor in its target market and/or the community. Sponsorships are reciprocal arrangements benefiting both parties. Usually the cost to the sponsor is categorized as a business expense.
10. Accepting eligible cash donations:
- a. Accepted cash donations are not refundable.
 - b. Date of donation for income tax receipt purposes is the date the donation payment was received by the Town of Milton.
 - i. Date of donation for payments by cheques is the date when the cheque is date stamped as received by the Town's front counter staff;
 - ii. Date of donation for payment by bank wire transfers is the date the payment is posted to Town of Milton's bank account;
 - iii. Date of donation paid in installments is the date when installment payment is received.
 - c. Income tax receipt will be issued for each individual installment.

5. Roles and Responsibilities

Individual(s)	General - Responsibilities
Town Council	<p>Approval of Towns policies</p> <p>Approval of staff recommendation to write of uncollectible accounts receivable over \$10,000</p> <p>Approval of staff recommendation to accept Gift-in-kind with the fair market value of \$ 250,000 or more</p> <p>Approval of the Town’s Auditor & Banking Service Provider</p>
Treasurer or designate	<p>Overseeing the development of Town Policies that safeguard the Town’s financial assets and promote the financial integrity of the Town</p> <p>Approval of staff recommendation to write off Accounts Receivable balances for amounts between \$1,000 and \$10,000</p> <p>Approval of staff recommendation to apply payment terms different from net 30 days from the date of invoice</p> <p>Approval of staff recommendation to waive interest application for customers in, but not limited to the following example categories: charitable donors, sponsors, hospitals, schoolboards, government agencies and other levels of government</p> <p>Signing of official donation receipts on behalf of the Corporation of the Town of Milton for donations over \$10,000</p> <p>Consulting with LMT Members or Commissioners on donations of values up to \$250,000</p> <p>Approval of payments, transactions or approvals in accordance with the delegated authorities provided</p>
Leadership Management Team (LMT)	<p>Approving the activation accounts that have been frozen through the accounts receivable process</p> <p>Accepting or rejecting of donations in-kind with appraised value under \$50,000, in consultation with the Treasurer</p> <p>Ensuring compliance with this Policy and related procedures within their within their division or area of responsibility</p>

<p>Manager, Accounting & Payroll or designate</p>	<p>Creating, modifying and monitoring any procedures required in order to implement this policy, and provide approvals as authorized herein</p> <p>Authorizing write-offs of uncollectable accounts receivable for amounts below \$1000</p> <p>Signing the official donation receipts on behalf of the Corporation of the Town of Milton for Online Donations as well as offline donations up to \$10,000</p> <p>Communicating with CRA on behalf of the Town on GST/HST and Payroll CRA business program accounts as well as updating account program information on account</p> <p>Plan and manage Financial Audit conducted by the appointed auditor</p>
<p>Accounting & Payroll business unit</p>	<p>Implement an effective internal control system and procedures, including segregation of duties, for cash handling, banking services, depositing, reviewing receipts and reconciliations, and investigating unusual variations in revenue</p> <p>Ensure the timely close off of the general ledger and that all current year transactions are reflected on the financial statements, as well as the reconciliation and review of all balance sheet accounts</p> <p>Review and preparation draft financial statements for the Town and local boards</p> <p>Processing all invoices & P-Card Packages in a timely manner, ensuring that proper authority to pay has been received, and that a correct account number & tax treatment has been applied</p> <p>Reviewing invoice requisitions forms, checking account numbers and HST, preparing invoices to be sent to customers, and ensuring revenue account codes are utilized.</p> <p>Following up on overdue accounts, working closely with the collection agency, when necessary, and documenting all collection activity for audit and review;</p> <p>Prepare and file GST/HST returns and assist in Sales Tax Recovery audits</p> <p>Maintain financial records in accordance with audit, CRA, records retention by-law, or other legislated requirements</p>

Budget Owners / Town Staff	<p>Ensure compliance with this policy and related procedures.</p> <p>Approve Purchase Orders, providing GL account number to allocate purchase expense to the appropriate cost centre in a timely manner to facilitate timely payment of the invoice to vendor</p> <p>Approve vendor invoices and/ or cheque requisitions for P.O. exempt purchases, providing GL account number to allocate purchase expense to the appropriate cost centre in a timely manner to facilitate timely payment of the invoice to vendor</p> <p>For Petty Cash Custodians - reconciling, disbursing and replenishing petty cash funds and signing off on confirmation and understanding of procedure</p> <p>Approving billing requests for revenue collected via Accounts Receivable invoices;</p> <p>Authorization of refunds in non-centralized Accounts Receivable</p> <p>Monitoring and collection process of non-centralized Account Receivable;</p> <p>Assisting Accounts Receivable in collection efforts with their respective customers.</p> <p>Providing support during annual financial audit</p>
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6 Policy Management

The Treasurer is delegated the authority to make administrative changes to this policy as 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

1. Staff will present to Council a draft of the audited consolidated financial statements for annually, together with a summary report detailing the highlights of the year end statements, for approval. Included in the draft consolidated financial statements will be the audit opinion as expressed by the external auditing firm.
2. The external auditing firm will report to Council on the audit findings, which will also include any adjusted or unadjusted misstatements and management letter points.
3. The Manager, Accounting & Payroll will file the current year FIR, along with the audited consolidated financial statements with the Ministry of Municipal Affairs, in accordance with the timelines specified by the Province.

4. Once approved by Council, the consolidated financial statements will become a component of the “Annual Report”, which will be posted on the Town’s website. The external auditors must sign off on the financial statement component of the annual report prior to it being published.

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

1. GAAP and PSAB requirements
2. *Municipal Act, 2001*
3. Ministry of Municipal Affairs reporting requirements
4. Federal and Provincial tax legislation and requirements
5. Employment *Standards Act*
6. Applicable financial by-laws (example - Bank Signing Authority By-law)
7. Town policies and related procedures
8. OMERS regulations
9. Payment Card Industry Data Security Standard (PCI DSS)
10. Retention by-law
11. Income *Tax Act*
12. Construction *Act*

Staff may use the following resources to assist in the interpretation of the above:

1. Chartered Professional Accountants of Canada
2. Canada Revenue Agency interpretations and guidelines
3. Established municipal associations
4. Benefit providers’ administrative policies
5. Collective agreements
6. External and internal auditor findings

9 Definitions

1. **Agging** - is an accounts receivable standard term which tracks unpaid invoices by predetermined milestone dates. These dates are usually 30, 60 and 90 days from date of generation.
2. **Amortization** - the accounting process of allocating the cost of a tangible capital asset to operating periods as an expense over its useful life in a systematic manner.
3. **Bank Draft** - a payment on behalf of a payer that is guaranteed by the issuing bank that sufficient funds are available for the check to clear. The funds is set aside from the payer's account to be given out when the bank draft is used.
4. **Banking Service Provider** - represents the financial institution contracted by the Town as the primary provider of banking services (deposit accounts, payment services, etc.)
5. **Banking System** - systems provided by the Banking Service Provider which record banking transaction detail, provide statements, and allow access to information. It also includes any anti-fraud programs which match the information of a Town of Milton cheque to the information on cheques cashed against the town’s bank account(s).
6. **Charitable Donations** - voluntary transfers of tangible property, including cash.

7. **Donations in-kind** - tangible property, other than cash, that are eligible donations.
8. **Fair Market Value (or Valuation)** - The highest dollar value that a property would bring in an open and unrestricted market, between the willing buyer and the willing seller who are acting independently of each other.
9. **Financial Services Provider** - encompasses all financial institutions or service providers that support the Town with financial services other than the Banking Service Provider. As such, it may include but is not limited to credit card providers, point of sale services, investment and securities, custodian services, audit and assurance services, etc.
10. **EFT** - electronic Funds Transfer; funds are transferred from the Town's bank account to a third party's bank account utilizing an electronic transfer instead of a cheque
11. **E-Payables** - electronic payment for Accounts Payable vouchers using Third Party Payment system
12. **FIR** - Financial Information Return; the reporting requirements of the Ministry of Municipal Affairs.
13. **Money Order** - a certificate for a pre-specified amount of money, usually issued by a government or banking institution, which allows the stated payee to receive cash on demand. It is required that the funds be prepaid for the amount shown on it.
14. **Non-Qualifying Donations** - donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.
15. **Non-Sufficient Funds (NSF)** - refers to the status of a checking account that does not have enough money to cover transactions.
16. **Purchasing Card (P-Card)** - refers to the town's corporate credit cards
17. **Reconciliation** - the process of ensuring that two sets of records match at the end of a particular accounting period.
18. **Tangible capital assets** - are non-financial assets having physical substance that:
 - a. 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;
 - b. Have useful economic lives extending beyond one year;
 - c. Are to be used on a continuing basis; and
 - d. Are not for sale in the ordinary course of operations.
19. **Useful life** - the period over which an asset is expected to be used.

10 History of the Policy

Last amended: This policy has not been amended since original approval on July 20, 2020

Previous Policies: This policy replaced the following former policies:

- Policy 1: Accounting Principles (CORS-89-09)
- Policy 60: Financial - Bank Reconciliations
- Policy 62: Financial - Cheque Signing Authority
- Policy 97: Revenue - Method of Payment (CORS-30-01)
- Policy 150: Tangible Capital Assets (CORS-14-09)
- Policy 164: Accounting - Charitable Donation Receipts (CORS-054-12)

- Policy 155: Accounts Receivable (CORS-89-09)

Approval Report/By-law Number: CORS-039-2020
Appendix D

Approval Date: July 20, 2020

Effective Date: September 30, 2020

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 012-2018, 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 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.

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.

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 of the investment portfolio. 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 (012-2018, as amended) establishes the authority of the CFO/Treasurer or an agent of the CFO/Treasurer to make investments on behalf of the town.

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.

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
- v. Senior Financial Analyst.

4.4.7 Performance Benchmarks

The Town's investment 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.

4.4.8 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.

4.4.9 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 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
Financial Planning and Policy Team	<ul style="list-style-type: none"> i. Calculate the Growth-related Debt and Financial Obligation Limit for the

	<ul style="list-style-type: none"> ii. Corporation as prescribed by the Municipal Act, 2001, as amended iii. Coordinate debt issuance requirements with the Region of Halton iv. Apply interest to Reserve Fund balances v. Manage investment activities in accordance with legislation and policy vi. Perform the transfers to and from reserves and reserve funds as authorized by Council vii. Monitor credit ratings of securities held in investment portfolio viii. Ensure that a Cash Management and Investment Procedure manual remains up to date and accessible to all investment officers and other relevant employees ix. Maintain and store all records in accordance with the Town's Retention By-law x. Prepare year end audit files 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. **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. **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. **Credit Risk**: the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.
- vii. **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. **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 one year or less.
 - c. **Long-term:** securities with a holding period 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. **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. **Tax Supported Debt** - long-term indebtedness payable from property tax revenues
- xxviii. **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. **Weighted Average Maturity (WAM):** the average maturity of all the securities that comprise a portfolio.
- xxx. **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: This policy has not been amended since original approval on June 18, 2018

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 fees collected are to be used to administer the Act; surpluses cannot be used to fund general	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 associated with administering the Building Code Act.	Two years-worth of gross operating costs required to administer the Building Code Act.

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			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.			
Corporate Use Reserves						
These reserves provide for various contingent and potential future liabilities, generally arising from the operating fund.						
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	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.	Contribution from the operating fund. Surplus resulting from unexpended insurance deductible expenses or occasional third party recoveries.	Monies may be used to fund expenditures within the deductibles of the Town's insurance policies that are in excess of 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.	Estimated liability to the Town for outstanding insurance claims.

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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 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.	Contribution from the operating fund.	Monies may be used to fund any unbudgeted costs for claims associated with accidents in the workplace so as not to impact on the operating fund.	Based on the most current actuarial obligation.
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. Perpetual Maintenance fees received from Developers.	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.	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.

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						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 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

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						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 Growth Capital	R	Capital	This fund provides a source of financing for any non-growth, non-renewal capital requirements that are not eligible to be funded from other reserves or revenue sources based on policy or legislation.	Contribution from the operating fund.	Monies will be used to fund non-growth, non-renewal capital projects including the portion of growth 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.	The average annual requirements based on the 10 year capital forecast.
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	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 revenues as per the Municipal Funding Agreement	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 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, recreation and cultural infrastructure.	Based on annual contributions from the Federal Government on a per capita basis.

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			for the Transfer of Federal Gas Tax Funds.			
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 through contributions to the capital fund, contributions to community organizations and contributions to the hospital expansion.	Contributions from the Ontario Lottery and Gaming Corporation operations at Mohawk Racetrack.	Contribution to the capital fund. Contribution to community organizations. Contribution to fund Milton District Hospital Expansion.	Will fluctuate based on proceeds received and timing of capital projects.
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	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.

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			above the Development Revenues payable on residential development. This reserve is used to fund non-development revenue recoverable projects on growth-related capital projects.			
Cash-in-lieu of Parkland	RF	Capital	<p>In accordance with the Planning Act R.S.O. 1990 sec. 42. (6), municipalities may adopt a by-law requiring a percentage of land 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>	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
Cash-in-lieu of Parking	RF	Capital	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	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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			and to provide funding to the municipality as consideration for granting the exemption. The funding collected in this reserve fund will be used to finance parking lot construction in areas which do not meet the minimum 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.
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.	Contribution to the capital fund to finance land as required.	Will fluctuate as property needs are addressed.

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				Revenue earned from leases in excess of the portion that offsets Town costs and agreements.		
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.
Investment in the Arts	RF	Operating	To track donations and naming rights collected through the “Investment in the Arts Campaign”, including the net cash proceeds from the sale of the surplus lands (+/- 2 acres at Main and Thompson). These funds will be used to phase in the cost of operating the FirstOntario Arts Centre in an effort to mitigate the impact on the annual tax levy.	Funds received from the “Investment in the Arts Campaign”. Net cash proceeds from sale of surplus lands at Main and Thompson.	Contribution to the operating fund.	Not applicable.

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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.
<p>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.</p>						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target
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 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 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.

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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.
Milton District Hospital Expansion	RF	Operating	To provide funding for the Town's contribution towards the local share of the redevelopment and expansion of Milton District Hospital.	Contribution from Slots Reserve Fund.	Contribution to Halton Healthcare Services to assist with funding for the local share of the redevelopment and expansion of Milton District Hospital.	Not determined
Provincial Government Transfer	RF	Both	To track grant funding received from the Provincial Government (excluding Provincial Gas Tax) that requires distinct interest bearing accounts as well as the expenditure of those funds.	Funds received from the Provincial Government.	Contribution to capital fund. Contribution to operating fund.	Not applicable.
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-039-20
Appendix E

Approval Date: July 20, 2020
Effective Date: July 20, 2020

Policy Statement: The [Financial Management - Development Finance Policy](#) provides a high level framework to guide the development of agreements and financial framework supporting growth in the community while protecting the Town’s financial position.

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1. Policy Purpose

To establish a framework that expands on the legislative requirements in order to allow staff to efficiently and effectively collect and manage growth-related revenues and securities.

2. Guiding Principles & Objectives

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

- i. **Sustainability** - The results of the long-term fiscal impact studies and long-range planning exercises, including official plan reviews and master plans, will be used as the basis for negotiating development agreements.
- ii. **Affordability** - Through the use of development agreements, the Town shall limit the impact to existing taxpayers the costs of financing growth-related infrastructure to the maximum extent allowable.
- iii. **Financial Risk Management** - Development agreements will be developed to minimize the financial risk of development to the Town through the use of financial securities, where appropriate.

3. Scope

This policy addresses the financial management of development within the Town and applies to all departments involved in the negotiation and preparation of financial agreements, planning approvals and any process requiring a financial security to ensure underlying obligations of agreements/approvals are met. Bonds/Sureties required in connection with purchasing contracts and damage deposits associated with facility rentals are excluded from this policy. This policy does not address the role of the Development Finance and Financial Consulting Business Unit in agreements managed by other program areas.

4. Policy

4.1 Development Charges

The Town of Milton will prepare and maintain a by-law to impose development charges in accordance with the Development Charges Act, 1997, or subsequent Act as amended, to recover growth related expenditures for core services to the greatest extent allowable under Provincial legislation.

4.1.1 Administration of Development Charges

The Town will collect development charges on behalf of the Region of Halton, the Halton District School Board and the Halton Catholic School Board. All funds collected on behalf of these agencies will be forwarded to the respective agency in accordance with the Development Charges Act, 1997.

The individual agencies are responsible for interpreting their respective by-laws and calculating the amount of development charges payable. They also maintain responsibility for addressing all inquiries and complaints with respect to their development charge calculations and by-laws. Formal complaints under the Development Charges Act, 1997 and the Education Act, with respect to Town and School Board development charges, respectively, will be heard by Town of Milton Council. Formal complaints under the Development Charges Act, 1997, with respect to Region development charges will be heard by Regional Council.

The Region of Halton is responsible for the administration, calculation, including interest charges, and collection of Regional development charges collected under section 26.1 or through section 27 agreements of the Development Charges Act, 1997. In the event of payment default, the Town is responsible for adding the applicable charges to the tax roll and remitting the payment to the Region, in accordance with the Development Charges Act, 1997.

4.1.2 Deferral Agreements - Non-Residential (Non-Retail) Development Charges

Pursuant to section 27 of the Development Charges Act, 1997, or subsequent Act as amended, the Town is authorized to enter into agreements to defer the payment of development charges and to allow for all or part of the payment to be made at a date otherwise than that provided for under a development charges by-law. The Town will upon request of an owner consider entering into any such deferral agreement which may relate to the payment of non-residential development charges for any such development which may apply to new developments, redevelopments and building expansions for non-retail development and any decision to enter into any deferral agreement by the Town shall be based on the following:

- i. For the purpose of this Policy, eligible non-residential developments shall have the same meaning as “non-retail development” in the Town’s development charges bylaw as may be amended by the Town, and shall be limited to those developments that increase non-population based employment and/or provide an economic or otherwise benefit to the community generally. Population-driven employment developments, such as but not restricted exclusively to retail development, will generally not be considered an eligible non-residential development and will not in accordance with this Policy be considered for a deferral agreement. The eligibility of a development to be considered for a deferral agreement under this section shall be determined by the Treasurer in accordance with this Policy framework.
- ii. Any amounts which are to be deferred shall be amortized over a period not to exceed five (5) years at the prime lending rate of the Town’s bank.
- iii. Payments are required to be made on an annual basis, except in such cases where the term of the agreement is less than one year, in which case, one lump sum payment will be due as specified in the agreement.

- iv. The deferral agreement shall permit registration on title to the satisfaction of the Town solicitor.
- v. In the event that any payment is not made in accordance with the specific terms of the deferral agreement, such non-compliance may be deemed to be a default of the agreement which default may result in the immediate termination of the deferral agreement and the full outstanding principal and interest amount may immediately become due and payable and will be added to the property tax roll and collected as taxes. Determination of the appropriate remedy under this section shall be determined by the Treasurer in accordance with this Policy framework

4.1.3 Deferral Agreements - Temporary Sales Trailer/Pavilion

Pursuant to section 27 of the Development Charges Act, 1997, or subsequent Act as amended, the Town is authorized to enter into agreements to defer the payment of development charges and to allow for all or part of the payment to be made at a date otherwise than that provided for under a development charges by-law. The Town shall upon request by a proponent enter into such a deferral agreement which may relate to the payment of non-residential development charges that may apply to the development of temporary sales trailers/pavilions based on the following:

- i. The Treasurer can approve up to a three-year deferral for any eligible non-residential temporary sales trailer/pavilion.
- ii. Prior to the issuance of a building permit, the applicant will provide financial securities in the full amount of the development charges otherwise payable.
- iii. The Town will return the financial securities to the applicant following confirmation of the demolition or removal of the temporary sales trailer/pavilion within three (3) years of the building permit issuance.
- iv. The Treasurer may approve an extension for up to three (3) additional years.

Failure to remove the temporary sales trailer/pavilion within the agreement timeframe will result in default of the agreement and the financial securities will be used to pay the development charges owing. The proponent will be invoiced separately for any accrued interest, calculated per section 4.1.4, in excess of the value of the financial security along with any costs which the Town may incur in order to have the temporary sales trailer/pavilion removed.

4.1.4 Application of Interest

The Town will charge interest on deferral agreements under section 4.1.2 and 4.1.3 of this policy and in accordance with sections 26.1(7) and 26.2(3) of the Development Charges Act, 1997. Interest will be calculated and applied as follows:

- i. The Town's financial institution prime lending rate will be the interest rate used.
- ii. The interest rate will be variable and updated daily as required.
- iii. Interest will be calculated and compounded monthly; using the amount owing on the last business day of the month.
- iv. Interest under section 26.2(3) of the Development Charges Act, 1997, will accrue and along with the development charges calculated become part of the amounts owing at permit issuance.

- v. Interest on deferral agreements and under section 26.1(7) of the Development Charges Act, 1997, will be payable annually with the development charge payment.

4.2 Provision of Financial Securities

To ensure compliance with the Town's standards and/or to protect the Town's financial interests, the Town requires the submission of financial securities in connection with the related approval processes or agreements including, but not limited to,

- Pre-servicing, servicing, subdivision, site plan, model home or condominium agreements
- Various financial agreements
- Site alteration, entrance, road occupancy, or road cut permit
- Encroachment agreements
- Local Stormwater Management Facility Monitoring Program
- Undertakings

Determination of the value of the financial security is the responsibility of the requesting department and shall be calculated in accordance with the underlying policy, by-law, user fee and/or other agreement. Where applicable, the public service cost estimate, as required in the Engineering and Parks Standards Manual, shall be included as a Schedule in the Agreement and shall be used as the basis for calculating the required financial security, in accordance with the Town's User Fee By-law (By-law 071-2019 as amended or successor by-laws thereto).

4.2.1 Form of Security

Financial securities may be provided by:

- Cash or debit
- Certified Cheque
- Bank draft or money order
- Standby Letter of Credit

4.2.2 Acceptable Financial Institutions

In an effort to achieve a balance between the resources to support the policy and the decentralized intake of financial securities, the Town will only accept letters of credit from the following financial institutions set out in Schedule I of the Bank Act:

- Bank of Montreal
- Bank of Nova Scotia
- Canadian Imperial Bank of Commerce
- National Bank
- Royal Bank of Canada
- TD Canada Trust

In exceptional circumstances, letters of credit from other Schedule I banks may be accepted at the discretion of the Treasurer.

4.2.3 Standby Letter of Credit

If a standby letter of credit is provided as security, it must be in compliance with the Town's Letter of Credit template, established by the Development Finance and Financial Consulting Business Unit, and be from an acceptable financial institution as identified under this policy. Letters of credit shall:

- i. Be issued in Canadian Funds;
- ii. Be registered in the name of the Corporation of the Town of Milton;
- iii. Specify the Letter of Credit is unconditional and irrevocable and is intended to secure all obligations and satisfy all debts which may be owing to the Town of Milton;
- iv. Permit partial drawings; and
- v. Include an automatic renewal clause requiring the Financial Institution to provide at least 30 days advance written notice to the Treasurer or Deputy Treasurer, by registered mail, if it intends not to renew.

Where the agreement requires, the standby letter of credit must include a clause for automatic indexing, annually on April 1st in accordance with the rate to be determined under the Town's Development Charges By-law.

4.2.4 Release of Financial Securities

Upon request by a proponent, periodic reductions to a financial security posted through a Subdivision or Site Plan Agreement will be considered provided:

- i. The request is not related to a Pre-Servicing Agreement;
- ii. The request includes a Statutory Declaration, as described in section 43 of the Evidence Act, R.S.O. 1990, c. E.23, or as amended, and as prescribed by the approving Business Unit, of payment of accounts and a Professional Engineer's certification of work completed and any other documentation as prescribed by the approving Business Unit;
- iii. Upon confirmation of inspection by the Town, the services have been completed to the Town's satisfaction;
- iv. A review of the proponents' standing with the Town has been completed; and
- v. The reduction request is no less than \$250,000 or 25% of the original estimated costs of the works to be completed, whichever is less, unless the reduction request is the final reduction related to completed works entering the maintenance period.

A 10% holdback will be accrued on each security reduction collected through a subdivision agreement and held until final assumption. Upon final assumption of the public works, the residual security will be returned. A 10% holdback on site plan agreements with respect to landscaping works will be held for one winter season following a satisfactory inspection and subject to re-inspection before release.

All other financial securities will be released in full, following completion and inspection of the works for which the security was posted or once conditions of the underlying agreement/by-law/permit have been met and a review of the proponents' standing with the Town has been completed.

4.2.5 Draw of Financial Securities

Should the proponent fail to fulfill any of the obligations for which the security is held, the Town may draw upon the securities to fulfill the obligations or to acquire the services of a qualified contractor to fulfill the obligations.

4.2.6 Unclaimed Financial Securities

Any unclaimed financial security will be published publicly requiring persons to prove their claim to the security within 90 days of the posting of the notice. Upon expiration of the 90 days, all monies for which there is no claim will be transferred to the Town’s general funds.

4.2.7 Interest on Financial Securities

Interest is not paid on securities held.

4.2.8 Management of Financial Securities

The Development Finance and Financial Consulting Business Unit will be the custodian of all financial securities held by the Town. To ensure the safeguarding of the securities, all letters of credit will be securely stored in a fireproof vault and tracked electronically. All cash securities will be recorded and tracked through the Town’s financial management software. The master list of financial securities will be reviewed and reconciled annually.

4.3 Donated Assets

For all agreements whereby the proponent will be constructing public infrastructure that will be assumed by the Town, the agreement must contain clauses requiring the proponent to provide all information required to fulfill the Town’s Public Sector Accounting Board requirements for section 3150 Tangible Capital Assets in a format as prescribed by the Financial Planning and Policy Business Unit.

4.4 Insurance and Indemnification Requirements

For all agreements whereby the proponent will be constructing public infrastructure that will be assumed by the Town, the agreement must contain insurance and indemnification clauses as provided by the Purchasing and Risk Management Business Unit.

4.5 User Fees

The proponent is responsible for paying all applicable user fees associated with an agreement and related works as set out in the most recent Town of Milton User Fee By-law (By-law 071-2019 as amended or successor by-laws thereto).

5. Roles and Responsibilities

Individual(s)	Responsibilities
Town Council	<ul style="list-style-type: none"> i. Approve the Development Charge By-laws. ii. Maintain the financial integrity of the Town.

Strategic Management Team & Leadership Management Team Members	<ul style="list-style-type: none"> i. Ensure that master plans, studies, and service-related strategies include sufficient financial analysis and costing information to support the preparation of the Development Charge Background Study, Community Benefits Strategy, fiscal impact analyses and other financial analysis as required.
Treasurer	<ul style="list-style-type: none"> i. Authorize a reduction and/or release of a financial security held solely in relation to financial obligations of various financial agreements (i.e. Deferral Agreements). ii. Endorse security draws authorized by all internal departments. iii. Approve Development Charge Deferral agreements in accordance with this Policy.
Development Finance and Financial Consulting Business Unit	<ul style="list-style-type: none"> i. Prepare the Development Charge Background study and by-law following the requirements of the Development Charges Act, 1997 and associated regulations. ii. Establish the letter of credit template and acceptable financial institution listing. iii. Establish the Statutory Declaration template. iv. Ensure all financial obligations and associated financial reporting requirements of development agreements are adhered to. v. Responsible for the custody, monitoring and reporting of financial securities. vi. Process the draw, reduction and/or release of financial securities authorized by all Town departments. vii. Administer and calculate development charges for all applicable development applications and collect development charges and other financial obligations under various development and financial agreements. viii. Coordinate the payment of development charges to the Region and School Boards in accordance with the Development Charges Act, 1997. ix. Prepare the prescribed financial reports as required under the Planning Act and Development Charges Act, 1997.
Financial Planning and Policy Business Unit	<ul style="list-style-type: none"> i. Establish the acceptable format to obtain the necessary tangible capital asset information for donated public infrastructure.
Development Engineering Business Unit/Development Review Business Unit	<ul style="list-style-type: none"> i. Determine the value of the required financial security, where a public service cost estimate is required or in accordance with the underlying policy, by-law, user fee or other obligation/agreement.

	<ul style="list-style-type: none"> ii. Obtain the Statutory Declaration and Engineering Certificate of Completion following the inspection of the works to be used as supporting documentation for the security reduction/release request. iii. Authorize the reduction and/or release of the security based on fulfilment of the secured obligations as evidenced by inspection and certification documentation, ensuring the development is in compliance with the agreement. iv. Authorize a draw of a security to fulfill the obligations for which the security was held. v. Collect required financial securities in accordance with this policy.
<p>Plans and Permits Business Unit</p>	<ul style="list-style-type: none"> i. Review development applications and complete the required forms used for the calculation of development charges, including confirming the number of residential units, bedroom counts and/or area and proposed use of non-residential developments. ii. Responsible for the collection of development charges at building permit issuance; ensuring no permits are issued before the receipt of the amounts owing.
<p>Infrastructure and ROW Business Unit; Parks/Facilities Design and Construction Business Unit; Other Business Units as required</p>	<ul style="list-style-type: none"> i. Determine the value of the required financial security in accordance with the underlying policy, by-law, user fee or other obligation/agreement. ii. Collect the required financial securities in accordance with this policy. iii. Authorize the reduction and/or release of the security based on fulfilment of the secured obligations as evidenced by inspection and certification documentation, ensuring the development is in compliance with the agreement. iv. Authorize a draw of a security to fulfill the obligations for which the security was held.
<p>Purchasing and Risk Management Business Unit</p>	<ul style="list-style-type: none"> i. Collect and monitor insurance documentation required in the various development agreements. ii. Perform lien checks against properties as part of the clearance process for subdivision assumptions. iii. Develop insurance and indemnification requirements to be included in development agreements.

6. Policy Management

The Treasurer is delegated the authority to make administrative changes to this policy as 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 Development Charges Act, 1997

Reporting of development charges will be prepared in accordance with the Development Charges Act, 1997.

7.2 Planning Act

Reporting of cash-in-lieu of parkland will be prepared in accordance with the requirements outlined in the Planning Act.

7.3 Financial Securities

Reporting of the financial securities held will be prepared annually, in conjunction with the reporting of development charges and community benefits charges.

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

- Municipal Act, 2001
- Development Charges Act, 1997
- Planning Act
- Delegated Authority Bylaw No. 071-2016

9. Definitions

- Public Works** - includes roads, sidewalks and siteworks, storm sewers, streetlighting, traffic signals, drainage and erosion control, landscaping and lot grading
- Irrevocable Letter of Credit** - a Letter of Credit which is not subject to change or cancellation by the financial institution
- Letter of Credit** - a legal undertaking by a financial institution to honour, without inquiry, and make payment on a specific demand of the holder
- Unclaimed Financial Security** - any cash security which is no longer required by the Town and for which the proponent has not come forward and cannot be located

10. History of the Policy

Last amended: This policy has not been amended since original approval on July 20, 2020

Previous Policies: This policy replaced the following former policies and staff reports:

- Policy No. 003 AGREEMENT - Financial
- Policy No. 043 DEVELOPMENT - Development Charges
- Policy No. 106 DEVELOPMENT - Financial Requirements
- CORS-025-07 and CORS-040-07: Enforcement of Cost Sharing Amount Developing Landowners