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Financial Management – Treasury Policy No. 116

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.	Funds are to be used for one-time expenditures identified through the operating budget or annual operating deficits.	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 Town expenditures, and deficits	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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			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.			
<p>Corporate Use Reserves These reserves provide for various contingent and potential future liabilities, generally arising from the operating fund.</p>						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target
Insurance and Legal Matters	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. It will also be used 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. Surplus resulting from unexpended insurance deductible expenses or occasional third party recoveries. 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.	Monies may be used to fund extraordinary costs associated with legal matters and 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 plus an estimated amount related a catastrophic claim or legal matter.
Per Unit Development Processing Fee	R	Operating	To recover time spent by staff outside the Planning and Building Department for review and	Developer contributions, to be collected at time of subdivision registration or site plan for residential units at an amount set	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

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			processing of development related applications.	out in the annual User Fee By-law.		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 claims payments are budgeted based on average historical experience. This reserve will provide a source of funding to offset greater than budgeted cost of claims as well as the costs associated with any catastrophic claims.	Contribution from the operating fund.	Monies may be used to fund any unbudgeted costs for both claims associated with accidents in the workplace or catastrophic claims so as not to impact on the operating fund.	Based on the most current actuarial obligation including both the Town's benefit obligation and provision for any future catastrophic claims.
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. A portion Milton Hydro dividends. Perpetual Maintenance fees received from Developers. In years where capital surcharge revenues exceed costs to administer the capital program	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. 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.	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

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				the excess will be transferred to the reserve.		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 also compare the balance to the accumulated amortization for the asset

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						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.
Canada Community-Building Fund (formerly Federal Gas Tax)	RF	Capital	This reserve fund is used to track receipts and disbursements of funds in accordance with the terms of the Municipal Funding Agreement for the transfer of Canada Community Building Fund revenues as per the Municipal Funding Agreement for the Transfer of Canada Community Building Funds.	Contributions from the Association of Municipalities for Ontario for the Federal Government as per the Municipal Funding Agreement for the Transfer of Canada Community Building Funds.	New incremental capital spending on municipal infrastructure for renewal and material enhancement and construction on projects including transit, local roads, bridges, active transportation, amateur sport, fire stations, recreation and cultural infrastructure.	Based on annual contributions from the Federal Government on a per capita basis.

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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.
Project Variance Reserve	R	Capital	To provide flexibility in managing in-year variances within the Town’s capital projects.	Surpluses within the Town’s capital projects and transfers from other Town source reserves as required and approved by Council.	To manage in-year variance to the Town’s capital projects.	10% of the average annual portion of the Town’s capital forecast that is to be funded from Project Variance Reserve-related funding sources (i.e. it will exclude the portion of the forecast that is to be funded from Development Charges, Gas Tax, external recoveries, etc.)
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	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

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			studies not eligible for external growth funding.	Excess supplementary tax revenues over the established limit.		Charges Study and ten year capital forecast.
Capital Provision	R	Capital	In order to mitigate the impact of growth on tax rates and on the Town’s debt capacity limits, developers have agreed to provide a capital provision fee over and above the Development Revenues payable on residential development. This reserve is used to fund non-development revenue recoverable projects on growth-related capital projects.	Developer contributions to be collected at time of building permit issuance or subdivision or site plan.	Provision of capital facilities and infrastructure as negotiated and identified in fiscal impact assessments.	Fund should be drawn down to zero by end of HUSP build out.
Cash-in-lieu of Parkland	RF	Capital	In accordance with the Planning Act R.S.O. 1990 sec. 42. (6), municipalities may adopt a by-law requiring a percentage of land 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. The funding collected in this reserve fund will be used to fund the acquisition of land for parks or any other public recreational	Contributions received in lieu of land being conveyed to the Town for parkland requirements as per the Planning Act.	Contribution to the capital fund to fund the construction and development of parkland.	Not applicable

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			purpose and the development or redevelopment of land, parks, and recreational facilities.			
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.
Development Charges	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.

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Post Period Capacity	RF	Capital	To interim finance excess capacity in growth capital projects until the funds can be collected through future DC by-laws.	Contributions received from developers through applicable Development Charge by-laws.	Interim finance excess capacity in growth capital projects until the funds can be collected through future DC by-laws.	Not applicable.
Program Specific						
These are established to accumulate funds for specific programs or contain funding received for a specified purpose.						
Name	Reserve/ Reserve Fund	Operating or Capital	Purpose of Fund	Funding Source	Intended Use	Funding Target
Property Transactions	RF	Capital	To provide financing for property acquisition to meet Town needs (i.e. rights of way, road allowances, etc).	Proceeds from sale of Town owned property. Contribution from the operating fund. Revenue earned from leases in excess of the portion that offsets Town costs and agreements.	Contribution to the capital fund to finance land as required.	Will fluctuate as property needs are addressed.
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	Legislated per tonne fee collected from the Ministry of	Monies will be used to fund road reconstruction on rural haul routes.	Not applicable.

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

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Library Tax Rate Stabilization	R	Operating	To stabilize revenue streams and provide resources to respond to extraordinary events. This reserve will be used to moderate fluctuations in the Library Tax Levy during preparation of the annual operating budget and to protect the Library against unforeseen expenditures or unanticipated deficits that may occur in the fiscal year.	Contribution from the tax levy. Operating fund surplus from Library.	Contribution to the 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 tax levy. Operating fund surplus from Library. Proceeds from sale or disposal of used assets.	Contribution to the capital fund.	Based on the average annual capital requirements for Library assets as identified in the 10 year capital forecast.
DBIA Surplus	RF	Operating	To finance improvements in the Downtown Milton Business Improvement Area (BIA).	Surplus funds generated by the BIA.	Subject to approval of BIA Board of Directors.	At the discretion of the DBIA Board of directors.
Provincial Government Transfer	RF	Both	To track grant funding received from the Provincial Government (excluding Provincial Gas Tax) that requires distinct interest bearing 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.

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