

**THE CORPORATION OF THE TOWN OF GEORGINA**

**REPORT NO. CAO-2017-0012**

**FOR THE CONSIDERATION OF COUNCIL  
OCTOBER 11, 2017**

**SUBJECT: SERVICE DELIVERY REVIEW (SDR)  
PROGRESS REPORT No. 4 - FINANCIAL POLICY FRAMEWORK**

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**1. RECOMMENDATIONS:**

- 1. That Council receive Report No. CAO-2017-0012 prepared by the Office of the CAO dated October 11, 2017 respecting Service Delivery Review Progress Report No. 4 - Financial Policy Framework.**
- 2. That within the 2017 fiscal year staff develop and present additional tools of the Financial Policy Framework such as Corporate Debt Management Policy, Corporate Investment Policy, Corporate Reserves and Reserve Funds Strategy and a Surplus/Deficit Control Policy for Council's consideration.**
- 3. That Council direct staff to consolidate all Town's discretionary reserves and reserve funds into new categories for higher efficiency and effectiveness and report to Council on October 18, 2017.**

**2. PURPOSE:**

This report presents an opportunity for the introduction of a number of prudent financial management tools and options for the Town and seeks Council's approval to develop these policies for Council's consideration.

**3. BACKGROUND:**

As part of presenting this report, it should be acknowledged and recognized that some parts of the information and statistics gathered in this report were previously compiled by Town's former Director of Administrative Services/Treasurer.

In December 2016, Council adopted the Town's first Long Range Financial Plan. The associated review confirmed that the both operating and capital expenditures for the Town of Georgina are assumed to grow over the next few years.

The Plan also confirmed that Georgina is subject to many challenges towards sustainable financial strategies, the most prominent challenges being its strong

reliance on property tax revenues to fund its delivery of programs and services and the current infrastructure gap.

This report provides recommendations for introduction of a number of policies that will establish a frame and foundation for prudent financial management in a growing/complex municipal operation.

#### 4. **ANALYSIS:**

It is imperative for the Town to review and refine its existing financial tools and policies and to establish new strategies that are sensible and practical to strive for an effective and efficient approach in long-term sustainability of the municipal finances.

##### 4.1 Financial Strategy

Several financial strategies can be used by the Town to maintain stable tax rates and to promote sustainable delivery of services and programs. These strategies provide the guiding principles for a plan of action designed to achieve particular goals, through the linkage of financial policies and practices.

It is important to note that each of the Town's financial policies and practices are not stand-alone and will have favourable and complimentary impacts as well as potentially conflicting interests. For example, the Town's annual budget is impacted by financial transactions arising from management of its reserve funds; and conversely, the Town's reserve funds will be subject to budgetary limitations and annual budgetary surplus or deficit results.



This report only focuses on describing a number of financial tools and options that may not have been considered previously.

#### 4.2 Consolidation of Reserves and Reserve Funds

In government accounting (Fund Accounting), the reserves and reserve funds play a significant role in municipal finances as they provide the coverage for major capital spending and other specific expenditures in the future. In simple words, the reserves and reserve funds are considered to be the bank accounts for future municipal plans. As such, as municipal councils are planning for a long-range capital forecast, they need to adopt a harmonized reserves and reserve funds strategy in order to set aside sufficient funding to pay for those planned future expenditures.

To achieve this goal, Ontario municipalities have adopted various strategies such as departmental (similar reserves set aside for each department) or specific reserves (specified component of a specific location/building, etc.). This approach may have been popular in the past for smaller municipalities with simple plans of operation or capital budgets however, for the fast growing municipalities, predominantly in the Greater Toronto Area (GTA) and other medium/large size municipalities with more complex operations the most successful approach can be described as a “corporate” approach, which is recommended in this report.

This approach provides a higher flexibility and creates the opportunity to consolidate or set aside funds for major classes of assets/functions (e.g. Corporate Initiatives, New Infrastructure, Asset Management such as Facilities, Roads, vehicles, etc.) and therefore allows capital items to be paid for as the needs are identified (vs. lack of funding for a new initiatives, a needed building or vehicle in one department, where another department has sufficient funds with no immediate needs).

A more consolidated reserves and reserve methodology will accommodate the immediate needs of the municipality in a timely manner and will mitigate and minimize any exposure to any unnecessary delay or risks created by isolated pots of money, if the ownership is assumed by various departments or interest groups.

Staff will be bringing forward a Corporate Reserves and Reserve Funds Policy on October 18th, 2017 for Council's consideration.

#### 4.3 Corporate Debt Management Policy

A review of the Town's financial plans, and as indicated in the Long Range Financial Plan, has established that the Town will need to rely on debenture and/or borrowing to temporarily fund some of its large future capital projects. Also a number of provisions

and regulations have been included in the Municipal Act to control the amount of borrowing for municipalities in relationship to their ability to repay the loan. Municipal councils though have been given the power and authority to control their own destiny with respect to debt control/management. Staff will be bringing a Corporate Debt Management Policy forward on November 1<sup>st</sup>, 2017 for Council's consideration.

#### 4.4 Investment Policy

The Municipal Act under section 418 and related subsections, indicates that a municipality may invest in prescribed securities, in accordance with the prescribed rules, money that it does not immediately need, including:

- a) money in a sinking, retirement or reserve fund;
- b) money raised or received for the payment of a debt of the municipality or interest on the debt;
- c) proceeds from the sale, loan or investment of any debentures.
- d) A municipality may combine money held in any fund and deal with the money in accordance with subsection (1).

Under related regulations, the Lieutenant Governor has been empowered to make regulations, (a) prescribing rules for the purpose of subsection (1); (b) prescribing and defining securities or classes of them for the purpose of subsection (1); (b.1) prescribing and defining financial instruments and agreements that municipalities may issue or enter into for or in relation to investments under subsection (1); (c) providing that a municipality does not have the power to invest in securities or classes of securities specified in the regulation. 2006, c.32, Sch.A, s.182(2).

Municipal Councils may choose to establish additional limitations, restrictions and condition on such investments. Accordingly, staff will be bringing an Investment Policy to Council at the meeting of November 15, 2017, for Council's consideration.

#### 4.5 Surplus/Deficit Control By-law

It is normal, expected and anticipated any public or private corporation with a multi-million dollar budget to have a budget variance at the end of each fiscal year. However, in order to control any potential fluctuation arising from those variances, municipalities put in place a Surplus/Deficit Control By-law that would clarify any actions necessary to deal with those year-end operating variances.

Staff will be bringing a report forward at the Council meeting of December 6<sup>th</sup>, 2017 to address this matter, for Council's consideration.

**5. RELATIONSHIP TO STRATEGIC PLAN:**

This policy framework report herein provides several recommendations to enhance financial sustainability of the Town's service delivery and stewardship of the Town's capital assets, as well as rate stabilization, supporting the following goal in the Town's Strategic Plan:

Strategic Goal # 4 "Provide Exceptional Municipal Service" – Organizational and Operational Excellence:

- Open, accountable and responsive government
- Proactive financial and municipal asset management
- Progressive organizational practices
- Engaged and collaborative leadership.

**6. FINANCIAL AND BUDGETARY IMPACT:**

The recommendations contained in this report will not have any immediate financial impact, nor any budgetary impact on the 2017 budget. This report is however intended to provide the strategic goals and guidelines to enhance the Town's overall financial position, and sustainability of service delivery in the long-term. If Council approves the recommendations included in this report, these policies will be introduced within the balance of the 2017 fiscal year so that the 2018 budget process can be prepared in accordance with the approved direction/approach.

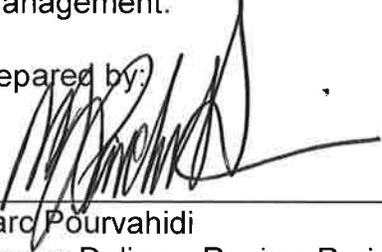
**7. PUBLIC CONSULTATION AND NOTICE:**

This report is administrative in nature and there has been no related public consultation.

**8. CONCLUSION:**

This report contains recommendations that Council receive, and consider through future reports, general financial policy guidelines in support of responsible fiscal management.

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