



# REPORT TO COUNCIL

To: **Mayor and Councillors**

Subject: Allocation of Operating Budget Surpluses Policy

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From: Darrin Leite, CPA, CA  
Director of Corporate Services

Date: July 12, 2024

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## RECOMMENDATION:

THAT the Allocation of Operating Budget Surpluses Policy CO-83 be adopted by City Council.

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## PURPOSE:

The purpose of the report is to adopt a policy on the use of operating surpluses.

## POLICY:

CO-83 Allocation of Operating Budget Surpluses

## COMMENTS/ANALYSIS:

City Council requested a policy be drafted to guide the use of operating surpluses.

Municipal governments are required by Provincial legislation to have balanced operating budgets and cannot budget for an operating deficit. This requires the City to be conservative on estimating revenues for things like developer paid fees or interest income earnings as the City doesn't control when development occurs or how national interest rates change. Likewise, a large portion of the City's expenses are driven by staffing costs. Situations occur where employees retire or otherwise leave their employment with the City and this creates a vacancy. It takes time to rehire employees so during this vacancy, staffing expenses are lower resulting in an overall operating surplus.

The operating surplus of the prior year is identified as part of preparing the year end financial statements. The final value of the surplus is determined after the audited financial statements have been approved.

The City historically has allocated to the reserves to help fund future capital improvement plan projects. The annual budgeted reserve transfers are not sufficient to fund all the capital needs, so any operating surpluses helps to fund needed capital projects.

During the year, a budget amendment may be necessary if capital project expenditures are determined to be higher than originally planned. For example, if an Engineering project is tendered and the price for the work is higher than anticipated, more funding is required. The City has depended on the prior year's surplus to help fund these unanticipated project costs through a budget amendment.

### **BUDGET IMPLICATIONS:**

The annual operating surpluses have fluctuated over the last 10 years. The highest surplus transfers to the Capital Works Reserve (CWR) happened during COVID when there was higher Provincial Government support to offset the loss of casino proceeds. In 2019, \$1 million in surplus was also transferred to the Tax Rate Stabilization Reserve due to the uncertainty surrounding how taxation revenues would be collected during COVID.

<b>Year</b>	<b>Surplus to CWR</b>
2015	\$ 476,000
2016	\$ 160,000
2017	\$ 624,000
2018	\$ 1,800,000
2019	\$ 470,000
2020	\$ 5,300,000
2021	\$ 1,150,000
2022	\$ 900,000
2023	\$ 2,900,000

### **ALTERNATIVES:**

Council could choose to allocate 10% of the prior year surplus to reduce the property tax levy in future years. As the prior year surplus value is not finalized until after the year end audit it would be too late to help with the following year's budget. Therefore, the 10% portion would be put into the Tax Rate Stabilization Reserve and used in the next year's budget. For example, 10% of the 2024 operating surplus would be put into the Tax Rate Stabilization Reserve to reduce property taxes in 2026.

Respectfully Submitted,



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Darrin Leite, CPA, CA  
Director of Corporate Services

Attachment:

1. Draft CO-83 Allocation of Operating Budget Surpluses Policy

**CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:**

I support the recommendation.



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Francis Cheung, P. Eng.  
Chief Administrative Officer