



## STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

# Corporate, Finance, and Legislative Standing Committee

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Report to: Mayor, Deputy Mayor, and Councillors  
From: Adam Giddings, Treasurer/Director of Corporate Services  
Standing Committee Date: October 9, 2025  
Report Number: COR-2025-021  
Council Meeting Date: October 29, 2025  
Subject: **Annual Surplus/Deficit Allocation Policy**

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### 1. Recommendation:

WHEREAS the Committee adopt the following recommendation and refer to Regular Council for final approval.

NOW THEREFORE BE IT RESOLVED THAT Council approve the Annual Surplus Allocation Policy.

### 2. Executive Summary:

Section 290 of the *Municipal Act, 2001* requires municipalities to prepare and adopt annual budgets that estimate all revenues and expenditures. Because budgets are estimates, actual results vary each year, leading to either a surplus or a deficit.

Industry best practices recommend that municipalities use reserves and reserve funds to manage these year-end results, thereby reducing financial risk, strengthening financial sustainability, and ensuring taxpayers benefit from unspent funds. The Town of Cobourg's Annual Surplus Allocation Policy provides

a consistent framework for allocating surpluses and funding deficits, aligning with practices adopted across Ontario municipalities.

The policy has no direct financial or budgetary impact, as surpluses and deficits occur naturally and are already part of municipal financial operations. Instead, it provides a structured and transparent approach to managing year-end results. By adopting this policy, the Town of Cobourg will strengthen financial resilience, improve long-term planning capacity, and enhance accountability in the management of public funds - all of which align with Council's strategic priorities.

### **3. Background**

Section 290 of the *Municipal Act, 2001* requires municipalities to prepare and adopt a budget that includes estimates of all sums required during the year. As municipal budgets are estimates, actual revenues and expenditures vary annually, resulting in either a surplus or deficit.

Industry best practices recommend the use of reserves and reserve funds to manage year-end results, thereby reducing financial risk and supporting long-term sustainability. The adoption of the Annual Surplus/Deficit Allocation Policy will provide a consistent and transparent framework for the management of year-end financial results, align with industry best practices, and strengthen the Town's financial sustainability.

### **4. Discussion:**

A major objective of the Town of Cobourg is to sustain a financially viable municipality that can provide an adequate level of municipal services and support the Town's long-term capital plan. The Town recognizes that an important component for reaching and maintaining this objective is the management of operating budget surpluses. The policy provides guidelines for the allocation of operating budget surpluses.

Further surplus/deficit surplus allocations are common best practices across Ontario municipalities to:

- Manage timing differences between budget adoption and audited financial results.
- Provide transparency in how surpluses are allocated.
- Reduce financial risk and ensure taxpayers benefit from unspent funds.

In the past, any surplus/deficit funds were not reallocated. The 2023 surplus was allocated to the Tax Stabilization Reserve but a clear policy framework is required to ensure consistency and long-term sustainability.

The Annual Surplus/Deficit Allocation Policy will:

1. Ensure that annual operating surpluses are used to strengthen the Town's reserves, mitigate financial risk, and support asset management and long-term financial planning.
2. Provide the Council an update and approval on how to allocate surpluses or address deficits according to the guidelines in the policy.
3. Promote transparency and accountability in the year end financial process.

The policy highlights that:

- Establish a clear process for allocating operating surpluses and funding operating deficits.
- Ensure transparency and accountability by requiring annual reporting to Council.
- Ensure that surpluses/deficits from specific business units (such as the marina and campground) are transferred to their associated reserves before calculating the final operating surplus/deficit.

This approach ensures that taxpayers benefit from year-end results and that reserves are available to respond to future needs and uncontrollable external factors.

## **5. Financial Impact and Budget**

The establishment of an Annual Surplus/Deficit Allocation Policy has no direct financial or budget impact. Surpluses and deficits are a normal occurrence across Ontario municipalities and represent a best practice for managing the timing differences between budget adoption and audited financial results.

As this policy only establishes a structured approach for managing future surpluses or deficits, it does not impact on the approved budget or create any new financial obligations.

## **6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:**

Thriving Community

Service Excellence

The Annual Surplus/Deficit Allocation Policy embodies service excellence by ensuring that the Town of Cobourg delivers high-quality, transparent, and fiscally responsible financial management practices that directly benefit residents and stakeholders.

The policy provides a structured framework that enables timely responses to financial results and ensures taxpayers directly benefit from unspent funds, reinforcing trust in municipal stewardship.

Sustainability

The Annual Surplus Allocation Policy directly advances the Town of Cobourg's commitment to sustainability by ensuring that financial decisions made today do not compromise the Town's ability to provide services and invest in community needs in the future.

By directing surpluses to reserves, the policy ensures that resources are available to manage unexpected costs, economic fluctuations, or other uncontrollable external factors.

## **7. Public Engagement:**

Public engagement is not considered necessary for the development of the Annual Surplus/Deficit Allocation Policy. The allocation of annual surpluses and management of deficits are established best practices across Ontario municipalities to ensure financial sustainability, transparency, and accountability.

This policy does not introduce new taxes, fees, or expenditures, nor does it alter service levels. Instead, it provides a structured and consistent framework for how existing surplus funds are allocated, with the goal of reducing financial risk, strengthening reserves, and supporting long-term asset management and financial planning.

Council will continue to receive updates and make decisions on surplus or deficit allocations in accordance with the policy, ensuring transparency in the year-end financial process. Given that the policy is administrative in nature and focuses on internal financial management practices rather than changes that directly affect residents, public engagement is not required.

**8. Attachments:**

Annual Surplus/Deficit Allocation Policy