



Corporation of the Town of Cobourg

Division: Corporate Services

Effective Date: Date

Department: Finance

Approval Level: Council

Policy Title: Annual Surplus/Deficit
Allocation - Administration

Section # 3-3
Policy #

1.0 Purpose

- 1.1 This Policy is a requirement of the *Municipal Act, 2001*, which requires a local municipality in the year or the immediately preceding year, prepare and adopt a budget including the estimates of all sums required during the year for the purposes of the municipality. As the budget is an estimate, the actual results will vary each year.
- 1.2 Section 290 of the *Municipal Act, 2001* outlines the requirements of local municipalities in preparing and adopting a budget including estimates of all sums required during the year for the purposes of the municipality.
- 1.3 The purpose of this Policy is to establish the allocation of operating budget surpluses and funding of operating budget deficits. Such allocation will be reported annually and operating budget surplus will be used to reduce the Town's exposure to uncontrollable external factors and provide flexibility to respond to future needs.

2.0 Definitions

- 2.1 "Operating Budget Surplus" means the net excess that exists at a fiscal year-end when expenditures are less than budgeted for and/ or revenues are greater than budgeted for
- 2.2 "Operating Budget Deficit" means the net excess that exists at a fiscal year end when expenditures are more than budgeted and/or revenues are less than budgeted
- 2.3 "Council" means the Mayor and members of Council for the Town of Cobourg
- 2.4 "Operating Budget" means a budget that funds day to day operations. Some of the expenses could include personnel, utilities, and reserve and reserve fund contributions
- 2.5 "Reserves" means Monies set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council. Reserves do not receive an annual interest allocation.
- 2.6 "Reserve Fund" means monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. Reserve Funds receive an annual interest allocation based on the average annual balance Reserve funds can either be obligatory or discretionary



Corporation of the Town of Cobourg

Division:	Corporate Services	Effective Date:	Date
Department:	Finance	Approval Level:	Council
Policy Title:	Annual Surplus/Deficit Allocation - Administration	Section # Policy #	3-3

Policy

3.1 Industry Best Practices

- (1) Municipalities, including the Town of Cobourg, use reserve and reserve funds to flow the surplus or fund a deficit at year end. Municipalities adopt policies which provide guidance on the priority use of reserves as well as providing delegated authority to the Treasurer for the allocation of a surplus or to fund a deficit.
- (2) It should be noted that the funds above don't disappear, the surplus goes into reserve funds for future years' use. This ensures that the taxpayer benefits from this surplus. The first advantage of this process is that it allows for budgets to be passed early in the year (or late in the prior year) which provides the authorization for spending and investment in the community. The second advantage is that in future years' budgets, the reserves and reserve funds can utilize a known balance in the reserve which provides for financial sustainability.

3.2 Disposition of Operating Surplus/Deficit

The annual operating surplus/deficit will be reported to Council each year. Staff will present a report to Council that outlines the surplus/deficit amount and provides recommendations for its allocation as follows:

- Annual surpluses or deficits generated by specific business units (such as the marina, campground, and other identified operations) are transferred to/from the associated reserves prior to the calculation and reporting to the municipality's final operating surplus.
- Final operating surplus/deficit funds will be allocated to the Tax Stabilization Reserve and alternative or additional reserves as recommend by staff. Such recommendations will be included in the annual surplus/deficit report to Council.

4.0 Scope

This policy applies to the Town of Cobourg and shall not be applied to its committees, enterprises and outside boards, commissions and agencies for which Council is required to approve annual budget estimates or levels.



Corporation of the Town of Cobourg

Division: Corporate Services

Effective Date: Date

Department: Finance

Approval Level: Council

Policy Title: Annual Surplus/Deficit
Allocation - Administration

Section # 3-3
Policy #

5.0 Administration

The Treasurer has overall responsibility for the development and recommendations of any annual surplus/deficit allocation and has the responsibility to provide an annual report to Council on the disposition of the operating fund surplus/deficit.

Cross Reference

Policy # (related policies)

Procedure # (related procedures)

Report No.	Revision Purpose	Approval Signature	Approval Date