



## CITY POLICY

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**SECTION: FINANCE**

**NO: FI – SD - 01**

**REFERENCE: SURPLUS/DEFICIT**

**Date: November 2018**

**Next Review Date: November 2020**

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### **TITLE: OPERATING SURPLUS AND DEFICIT POLICY**

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#### **1.0 Purpose**

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- 1.1 The purpose of this policy is to establish a priority framework for the allocation of any operating surpluses and eliminate any operating deficits using the same priority framework.
- 1.2 This policy is limited to any discretionary reserves or reserve funds.

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#### **2.0 Scope**

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- 2.1 This policy applies to all City of Dryden departments.
- 2.2 The net City operations, based on the City's Year-End Operating results (actuals to budget), will be the basis for this policy.

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#### **3.0 Definitions**

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- 3.1 Surplus – As per the Municipal Act, a surplus can be summarized as a positive variance to the operating budget.
- Surpluses are the result of revenues being greater than budgeted (estimated) or expenses being less than budgeted (estimated).
- 3.2 Deficit – As per the Municipal Act, a deficit can be summarized as a negative variance to the operating budget.
- Deficits are the result of revenues being less than budgeted (estimated) or expenses being greater than budgeted (estimated).

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## **4.0 Principles**

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- 4.1 Surpluses shall be distributed as outlined in the "Priority Allocation for Operating Surpluses" sections below.
- 4.2 A Deficit shall be funded as outlined in the "Priority Allocation for Operating Deficits" sections below.
- 4.3 Department staff will respect the nature of and manage a global budget by first offsetting higher than expected spending in one area through the operating savings in another.
- 4.4 Certain Reserves, as noted in 5.1 a and b, have been established with the primary source of funding being an allocation from operating surpluses. Each of these Reserves have an upper limit defined in the Reserve and Reserve Fund Policy.

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## **5.0 Priority Allocation Operating Surpluses – Aaron Park**

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- 5.1 In the event of an operating surplus at Aaron Park, the Treasurer is authorized to:
  - a) Transfer 100% of any operating surplus to the Aaron Park Operating Reserve until the upper limit of the fund, as defined in the Reserve and Reserve Fund Policy, has been met;
  - b) If the upper limit in a) has been met, the remaining surplus funds would be applied to the General Capital Reserve Fund.

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## **6.0 Priority Allocation Operating Surpluses – All Other Departments**

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- 6.1 In the event of an operating surplus, the Treasurer is authorized to:
  - a) Transfer 25% of any operating surplus to the General Operating Reserve until the upper limit of the fund, as defined in the Reserve and Reserve Fund Policy, has been met;

- b) Transfer 25% of any operating surplus to the Emergency Capital Asset Replacement Reserve until the upper limit of the fund, as defined in the Reserve and Reserve Fund Policy, has been met;
- c) Transfer 50% of any operating surplus to the General Capital Reserve Fund.
- d) If the upper limits in a) and/or b) have been met, the remaining surplus funds would be applied to the following year's capital program.

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## **7.0 Priority Allocation for Operating Deficits – Aaron Park**

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- 7.1 In the event of an operating deficit at Aaron Park, the Treasurer is authorized to:
- a) Transfer the necessary funds from the Aaron Park Operating Reserve;
  - b) If a deficit remains, the amount shall be carried forward to the subsequent year's budget for Aaron Park in accordance with the provisions of the Municipal Act and staff shall be directed to review their budgets to find savings equal to the unfunded deficit amount.

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## **8.0 Priority Allocation for Operating Deficits – All Other Departments**

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- 8.1 In the event of an operating deficit, the Treasurer is authorized to:
- a) Transfer the necessary funds from the General Operating Reserve;
  - b) Review the status of other discretionary reserves and, in collaboration with the Senior Management Team, transfer any available funds from these reserves to the operating deficit;
  - c) Transfer the necessary funds from the General Capital Reserve Fund to reduce the operating funding requirement for capital in that fiscal year, thus freeing up Operating budget to offset the deficit.
  - d) Review the status of other Capital Reserve Funds and, in collaboration with the Senior Management Team, transfer funds from Other Capital Reserve Funds to reduce the operating funding requirement for capital in that fiscal year, thus freeing up Operating budget to offset the deficit.

- e) If a deficit remains, the amount shall be carried forward to the subsequent year's budget in accordance with the provisions of the Municipal Act and staff shall be directed to review their budgets to find savings equal to the unfunded deficit amount.

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## 9.0 Reporting Requirements

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- 9.1 Council shall receive a report detailing the recommended distribution of the operating surplus or deficit funding and corresponding budget revisions by June 30 of each year for their approval.
- 9.2 This policy will be reviewed annually after the year end surplus or deficit figures have been verified.

History			
Approval Date:		Approved by:	By-law 4589-2018
Amendment Date:		Approved by:	
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