

City of Belleville

Report No: DDF-2024-02

Meeting Date: March 25, 2024



To: Mayor and Members of Council

Department: Finance

Staff Contact: Brianne MacNevin, Treasury - Deputy Treasurer

Subject: Surplus & Deficit Management Policy

Recommendation:

“THAT Council approve the recommendations of the Finance Committee as outlined in the Manager of Finance/Deputy Treasurer's Report No. DDF-2024-02, and approve the Surplus & Deficit Management Policy.”

Strategic Plan Alignment:

The City of Belleville’s Strategic Plan identifies nine strategic themes. This report aligns with each of the City’s nine strategic themes and the City’s mission statement by providing innovative and efficient services in support of our community’s vision.

Background:

As part of the Terms and Reference of the Finance Committee and their regular responsibilities, the committee reviews financial and fiscal policies of the Corporation. At the February 21, 2024 Finance Committee meeting, a new Surplus & Deficit Management Policy was reviewed.

Financial/Analysis:

This policy was established to govern the management and administration of surpluses and deficits at the City in accordance with the *Municipal Act, 2001*. It sets a consistent priority application framework, intended to replenish key reserve funds, including but not limited to the City's Tax Rate Stabilization, Asset Management, and various user-funded reserve funds.

In anticipation of the policy's development, Council approved the transfers of the tax-funded accumulated surplus totaling \$11.9 million in May 2023, representing the net accumulation of surpluses and deficits incurred by the City as of December 31, 2022. The draft policy attached to this report formalizes this process, requiring the annual disbursement or funding strategy of

its year-end surpluses or deficits, respectively. Pending approval, these annual transfers will be provided to the Finance Committee and Council upon presentation of the City's year-end audited financial statements.

Conclusion:

“THAT Council approve the recommendations of the Finance Committee as outlined in the Manager of Finance/Deputy Treasurer's Report No. DDF-2024-02, and approve the Surplus & Deficit Management Policy.”

Attachments:

[DRAFT Surplus & Deficit Management Policy](#)

Approved by:

Brandon Ferguson, Director of Finance, Treasurer
Katy Macpherson, Deputy City Clerk
Rod Bovay, Chief Administrative Officer

Status:

Approved - 18 Mar 2024
Approved - 18 Mar 2024
Approved - 18 Mar 2024



DRAFT City of Belleville Surplus & Deficit Management Policy

Dated: February 2024

1. POLICY STATEMENT

A policy governing the management and administration of Surpluses and Deficits at the City of Belleville (the City).

2. PURPOSE

This policy has been established to ensure:

- The treatment of Surpluses and Deficits are in accordance with the *Municipal Act, 2001* (the Act).
- A priority application framework is established and consistently applied for the allocation of Surpluses and Deficits.
- That the intended uses and targets established in the Reserve & Reserve Fund Policy are continually considered when making decisions at the City.
- Financial sustainability is maintained while still providing for stabilized taxes and user fees to ratepayers.

3. SCOPE

This policy applies to all operating and capital Surpluses and Deficits owned by the City that are not subject to the net allocations as outlined in the Reserve & Reserve Fund Policy.

4. DEFINITIONS

“Budget & Financial Controls Policy” is a policy adopted by Council that outlines the City’s annual budget process and approval/reporting requirements for budgetary overages.

“Capital Budget” is a plan of proposed capital expenditures to be incurred in the current year over a period of subsequent years (long-term), identifying each capital project and the method of financing. Capital budgets are approved on an annual basis.

“Deficit” is the amount for which annual municipal expenditures exceed revenue under the modified accrual method of accounting typically applied by municipalities.

“Operating Budget” is a budget containing the revenues and expenditures, including but not limited to, salaries and wages, materials and supplies, contracted services, external transfers, utilities, and insurance required to provide government programs and services for the current fiscal year.

“Operating Budget Area” is the net individual business section within each corporate-wide department (e.g., Transportation and Operating Services; Winter Control) that can be identified in the City’s operating budget under the net expenditures by funding source. These may be subject to change over time and will be presented accordingly.

“Reserve” is an allocation of funds that is not restricted by by-law or legislation but can be related to projects that are of a nature prescribed and managed by approval of Council. Reserves are held in the general bank account and typically do not receive an annual interest allocation.

“Reserve Fund” is a fund set aside for a specific purpose as required by legislation, by-law, or agreement and consists of obligatory (externally restricted) and discretionary (internally restricted) reserve funds. Reserve funds receive an interest allocation.

“Reserve & Reserve Fund Policy” is a policy adopted by Council that governs the management and administration of the City’s Reserve & Reserve Funds.

“Surplus” is the amount for which annual municipal revenue exceeds expenditures under the modified method of accounting typically applied by municipalities.

5. POLICY

5.1. OPERATING BUDGET SURPLUSES/DEFICITS

5.1.1. Tax-funded Operating Areas:

The Treasurer or designate is authorized to distribute the tax-funded operating surplus in the preceding year as follows:

- 50% to the Tax Rate Stabilization Reserve Fund;
- 50% to the Asset Management Reserve Fund;

Subject to certain reporting requirements to the Finance Committee, the Treasurer and CAO may approve Operating Budget Area overages within the parameters outlined in the Budget & Financial Controls Policy. In this case, the Treasurer or designate is thereby authorized to transfer the necessary funds to cover these overages under the funding strategy determined.

In the event of any residual tax-funded operating Deficit, the Treasurer or designate is authorized transfer the necessary funds from the Tax Rate Stabilization Reserve Fund unless these funds have been included in the subsequent years’ budget funding estimates. If a Deficit remains, the Treasurer may recommend other funding alternatives before any residual deficit must be carried forward to the subsequent years’ budget in accordance with the Act.

5.1.2. User-funded Operating Areas:

The Treasurer or designate is authorized to distribute the user-funded operating surpluses as follows:

- 100% of the Water surplus to the Water Service Reserve Fund;
- 100% of the Wastewater surplus to the Sanitary Sewer Reserve Fund;
- 100% of the Parking surplus to the Parking Development Reserve Fund;
- 100% of the Building Services surplus to the Building Code Act Reserve Fund.

Subject to certain reporting requirements to the Finance Committee, the Treasurer and CAO may approve Operating Budget Area overages within the parameters outlined in the Budget & Financial Controls Policy. In this case, the Treasurer or designate is thereby authorized to transfer the necessary funds to cover these overages under the funding strategy determined.

In the event of any residual user-funded operating Deficits, the Treasurer or designate is authorized to transfer the necessary funds from the Water Service, Sanitary Sewer, Parking Development, and Building Code Act Reserve Funds, respectively, unless these funds have been included in the subsequent years' budget funding estimates. If a Deficit remains, the Treasurer may recommend other funding alternatives before any residual deficit must be carried forward to the subsequent years' budget in accordance with the Act.

5.2. CAPITAL BUDGET SURPLUSES/DEFICITS

Budgeted utilizations of reserve funds are transferred to capital projects in accordance with the Council-approved funding plan. The Treasurer or designate is authorized to transfer any unspent Reserve Funds upon completion of the capital project back to the respective Reserve Fund at year-end.

Subject to certain reporting requirements to the Finance Committee, the Treasurer and CAO may approve capital project overages within the thresholds outlined in the Budget & Financial Controls Policy. In this case, the Treasurer or designate is thereby authorized to transfer the necessary funds to cover these overages under the funding strategy determined.

In the event of any residual capital project Deficits above the thresholds outlined in the Budget & Financial Controls Policy, the Treasurer or designate is authorized to, subject to approval by Council, transfer the necessary funds from the originating Reserve Fund identified in the funding plan initially approved by Council.

5.3. ROLES & RESPONSIBILITIES

Council:

- In accordance with Section 224 of the Act, develop and evaluate policies, ensure that administrative policies are in place to maintain the financial integrity of the City.
- Approve transactions to and from Reserves and Reserve Funds when applicable.

CAO:

- Support the Treasurer or Designate in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all departments.

Treasurer or Designate:

- Develop and update this policy as necessary and present changes to Finance Committee/Council.
- Ensure that the principles and requirements contained in this policy are applied consistently.
- Perform the transfers to and/or from Reserves and Reserve Funds in accordance with this policy.
- Recommend strategies for the adequacy of Reserves and Reserve Funds.
- Report to Finance Committee and Council the Surplus/Deficit balances and related transfers as part of the annual year-end audit process.

5.4. REPORTING

In addition to any information requested by the Finance Committee and/or Council and through reporting requirements as outlined in the Budget & Financial Controls Policy, or that the Treasurer consider appropriate, Finance Committee and Council shall receive the distribution of the preceding year-end operating and capital surpluses and/or Deficits prior to or at the time of the approval of the City's audited financial statements.

5.5. REVIEW

This policy shall be presented to Finance Committee and Council for review and update, if applicable, every four years, in the first year of each elected Council, or as deemed necessary by Council or the Treasurer.