



Operating Surplus / Deficit Policy

Policy Statement

1. The purposes of this policy are:
 - a) To ensure that operating surpluses are returned to the taxpayers;
 - b) To establish a priority framework for the allocation of any operating surpluses and eliminate any operating deficits through the use of the same priority framework.
2. This policy is limited to any discretionary reserves or reserve funds.

Scope

3. This policy applies to all Town of Parry Sound departments.
4. This policy does not apply to user fee funded operations of the Town. Examples of user fee funded operations would be the water and wastewater system.

Policy

Guiding Principles

5. Surpluses not required to fund reserve balance thresholds, as set out in the Town's Reserve and Reserve Fund Policy, shall be distributed as outlined in the "Priority Allocation for Operating Surpluses" section below.
6. A deficit shall be funded as outlined in the "Priority Application for Operating Deficits" below.
7. Department staff will respect the nature of and manage a global budget by first offsetting higher than expected spending in one area through savings in another.



Priority Allocation for Operating Surpluses

8. Certain Reserve Funds (as noted in paragraphs 9 a, b and c below) have been established with the primary source of funding as an allocation from operating surpluses. Each of these Reserve Funds have targeted upper limits.
9. The Director of Finance and POA Court Services / Treasurer is authorized to, subject to approval process in paragraph 11:
 - a) Transfer 30% of any operating surplus to the Tax Rate Stabilization Reserve until the upper limit of the fund as defined in the Reserve and Reserve Fund Policy is met;
 - b) Transfer 30% of any operating surplus to the Capital Replacement Reserve Fund until the upper limit of the fund as defined in the Capital Replacement Reserve Fund establishing by-law is reached;
 - c) Transfer 10% of any operating surplus to the Emergency Capital Asset Replacement Reserve until the upper limit as defined in the Reserve and Reserve Fund Policy is reached;
 - d) The remaining 30% of any operating surplus shall be allocated to reserves by the CAO and Director of Finance and POA Court Services in collaboration with the Senior Leadership Team. Where no reserve has been previously established, the Director of Finance and POA Court Services is authorized to create the necessary reserves. The creation of reserves shall be contingent on a review of budget obligations, which in the opinion of the CAO and the Director of Finance and POA Court Services are material;
 - e) If surplus funds still remain, the amount shall be carried forward to the subsequent years' budget in accordance with the provisions of the Municipal Act.



Priority Application for Operating Deficits

10. In the event of an operating deficit, the Director of Finance is authorized to, subject to approval process in paragraph 11:

- a) Transfer the necessary funds from the Tax Rate Stabilization Reserve unless these funds have been included in the subsequent years' budget funding estimates;
- b) Review the status of discretionary reserves and, in collaboration with Senior Leadership Team, transfer any available funds from these reserves to the operating deficit;
- c) Transfer the necessary funds from the Capital Replacement Reserve Fund, unless these funds have been included in the subsequent year's budget funding estimates;
- d) If a deficit still remains, the amount shall be carried forward to the subsequent years' 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.

Reporting Requirements

11. In addition to any information requested by Council, or that the Director of Finance and POA Court Services consider appropriate, Council shall receive a report detailing the recommended distribution of the operating surplus or deficit funding by June 30 of each year for their approval.

12. This policy will be reviewed annually after the year end surplus or deficit figures have been verified.