



Town of Whitby Policy

Policy Title:	Disposition of Operating Surplus Policy
Policy Number:	F 010
Reference:	Council Resolution #313-13
Date Approved:	June 24, 2013
Date Revised:	April 11, 2021
Approval:	Council
Point of Contact:	Financial Services Department

Policy Statement

One of the principles of the Town's financial planning model is to ensure that annual operating budgets are fiscally responsible and sustainable. Surplus revenues cannot be relied upon as a sustainable revenue source in future budget periods.

Purpose

The purpose of this policy is to ensure that any operating budget surpluses are used to reduce the Town's exposure to uncontrollable external factors and provide flexibility to respond to future needs.

Scope

This policy applies only to the Town of Whitby 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.

Index

1. Definitions	2
2. Responsibilities	2
3. Protocol	2
4. Related Documents	3

1. Definitions

- 1.1.**Council** means the Mayor and members of Council for the Town of Whitby.
- 1.2.**Operating Surplus** means the net excess that exists at a fiscal year-end when expenditures are less than budgeted for, or revenues are greater than budgeted for.
- 1.3.**Reserve** is an appropriation of net revenues set aside at the discretion of Council to assist the maintenance of its financial position. It does not require the segregation of assets, and may be established for any municipal purpose. Reserves do not typically earn interest unless specified by Council.
- 1.4.**Reserve Fund** is established through a by-law of Council, or by a requirement of provincial or federal legislation or for a specific purpose and segregated from the general revenues of a municipality to meet the financial requirements of a future event. Reserve Funds may be discretionary (funds authorized by Council) or obligatory (legislated funds that may only be used for their prescribed purpose). Reserve Funds typically earn interest.
- 1.5.**Stabilization Reserve / Reserve Funds** (sometimes called Contingency Reserves) are used to offset extraordinary and unforeseen expenditures requirements, revenue shortfalls and management of cash flows. This includes reserves to address volatility such as (but not limited to) winter control, tax stabilization and insurance costs.
- 1.6.**Treasurer** means the employee designated as such by Council for the position. The Treasurer shall exercise all powers and duties of the Treasurer as set out in the Municipal Act.

2. Responsibilities

- 2.1.The Treasurer or their designate has the authority to allocate the Operating Surplus as approved under section 3 of this policy and has the responsibility to provide an annual report to Council on the disposition of the operating fund surplus.

3. Protocol

3.1.Disposition of Operating Surplus

If there is an operating fund surplus at year-end, the gross Operating Surplus shall be allocated pursuant to 3.1.1 and 3.1.2, to determine the net Operating surplus, which will then be disposed pursuant to 3.1.3.

- 3.1.1. Any Operating Surplus or revenue transfers will be transferred to the appropriate reserve / reserve fund, as per the applicable

Council approved policy. Any Operating Surplus within the Parking Enforcement division will be allocated as per the Parking Reserve Fund Policy.

3.1.2. Any remaining Operating Surplus after 3.1.1 has been applied shall be allocated to the reserve / reserve funds / reserve categories up to the minimum target balance level, as defined in the applicable Council approved policy. Any Operating Surplus within in the Building Services division will be allocated as per the Building Permit Reserve Fund Policy.

3.1.3. The remaining balance after 3.1.2, is considered to be the net Operating Surplus and shall be allocated as follows:

i. 50% of the net surplus after 3.1.2 has been applied shall be transferred to the Asset Management Reserve Fund and 50% to the Long Term Finance Reserve, unless directed otherwise by Council.

4. Related Documents

- Asset Management Reserve Fund Policy F 040
- Building Permit Reserve Fund Policy F 310
- Contingency Reserves (also known as the Stabilization Category Reserve / Reserve Funds) Policy F 020
- Disposition of Operating Surplus Procedure
- Engineering Development Fee Reserve Policy
- Insurance Reserve Fund Policy F 160
- Long Term Finance Reserve Policy F 030
- Marina Reserve Fund Policy F 370
- Operating Budget Process Policy F 140
- Operating Budget Monitoring Policy F 180
- Parking Reserve Fund Policy F 360
- Planning Development Fee Reserve Policy
- Winter Control Reserve Policy F 060
- Workplace Safety and Insurance Board Reserve Policy F 240

This Policy is hereby approved by Council Resolution #313-13 on this 11th day of April, 2021.