

Bill No. 114
2025

By-law No. CPOL.-46()-__

A by-law to amend By-law No. CPOL.-46-242
being Surplus/Deficit Policy by deleting and
replacing Schedule "A".

WHEREAS section 5(3) of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides that a municipal power shall be exercised by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides a municipality with the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority;

AND WHEREAS the Municipal Council of The Corporation of the City of London wishes to amend By-law No. CPOL.-46-242, as amended, being A bylaw to revoke and repeal Council policy related to Surplus/Deficit Policy and replace it with a new Council policy entitled Surplus/Deficit policy by deleting and replacing Schedule "A"

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. By-law No. CPOL.-46-242, as amended, being Surplus/Deficit Policy and is hereby amended by deleting Schedule "A" and replacing it with the attached new Schedule "A".
2. This by-law shall come into force and effect on the date it is passed subject to the provisions of PART VI.1 of the *Municipal Act, 2001*.

PASSED in Open Council on April 1, 2025 subject to the provisions of Part VI.1 of the *Municipal Act, 2001*.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading – April 1, 2025
Second Reading – April 1, 2025
Third Reading – April 1, 2025

Schedule “A”

Surplus/Deficit Policy

Policy Name: Surplus/Deficit Policy

Legislative History: Enacted June 13, 2017 (By-law No. CPOL.-46-242); Amended October 16, 2018 (By-law CPOL.-46(a)-500); Amended August 10, 2021 (By-law No. CPOL.-46(b)-240); Amended July 25, 2023 (By-law No. CPOL.-46(c)-228, Amended April 1, 2025 (By-law No. CPOL.-46(____))

Last Review Date: April 1, 2025

Service Area Lead: Director, Financial Planning & Business Support

1. Policy Statement

The purpose of this policy is to establish a priority framework for the allocation of any operating surpluses and funding for any operating deficits.

2. Definitions

- 2.1 **Authorized Debt:** Council approved debt financing as a source of funding for capital projects.
- 2.2 **City Treasurer:** The individual appointed by the municipality as treasurer.
- 2.3 **Deficit:** In the operating budget, when there is an excess of expenditures over revenues.
- 2.4 **Multi-Year Budget:** Adoption of a four year operating and capital budget.
- 2.5 **Operating Budget:** A budget that funds day to day operations. Some of the expenses could include personnel, utilities, and reserve fund contributions.
- 2.6 **Property Tax Supported Budget:** A budget that includes property taxes as a primary source of revenue used to fund City programs and services.
- 2.7 **Reserve:** An appropriation from net revenue and/or cost savings at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Municipal Councils may set up reserves for any purpose for which they have the authority to spend money.
- 2.8 **Reserve Fund:** Funds that have been set aside either by a by-law of the municipality or by a requirement of senior government statute or agreement to meet a future event. Municipal Councils may set up reserve funds for any purpose for which they have the authority to spend money.
- 2.9 **Reserve Fund Policy:** A policy governing the management and administration of reserve and reserve funds, establishing guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for reserves and reserve funds managed by the City.
- 2.10 **Surplus:** In the operating budget, when there is an excess of revenues over expenditures.
- 2.11 **Wastewater & Treatment Rate Supported Budget:** A budget to fund services exclusively related to the collection and treatment of wastewater and stormwater through rates charged to users of the system.
- 2.12 **Water Rate Supported Budget:** A budget to fund services exclusively related to the distribution of potable water through rates charged to users of the system.

3. Applicability

This policy applies to the annual operating budgets for the Property Tax Supported Budget, Water Rate Supported Budget, and Wastewater & Treatment Rate Supported Budget, unless otherwise stated.

4. The Policy

4.1. Principles

4.1.1. All surpluses and deficits be treated as one-time in nature.

4.1.2. The year-end operating surplus or deficit for the Property Tax Supported Budget, Water Rate Supported Budget, and Wastewater & Treatment Rate Supported Budget will only be allocated (surplus) or funded (deficit) within the operations and reserves and reserve funds of each respective Budget. Any year-end surplus will be temporarily contributed to the respective Budget Contingency Reserve to balance year-end operations, prior to allocations outlined in this Policy being completed.

Property Tax Supported Budget – In a Year of Surplus

- a) Surplus shall be reported to Municipal Council in the Operating Budget Year-end Monitoring Report prior to the allocations outlined below.
- b) The City Treasurer, or designate, is authorized to retain all or a portion of the year-end surplus in the Operating Budget Contingency Reserve (OBCR), not to exceed the reserve target balance established through the Reserve and Reserve Fund Policy.
- c) The remaining surplus shall be allocated in accordance with the following proportions:
 - i) 60% shall be contributed to the Debt Substitution Reserve Fund.
 - ii) 3% shall be contributed to the Community Investment Reserve Fund.
 - iii) 17% shall be contributed to the Unfunded Liability Reserve Fund, not to exceed the reserve fund target balance established through the Reserve and Reserve Fund Policy.
 - iv) 20% shall be contributed to the Capital Infrastructure Gap Reserve Fund, not to exceed the reserve fund target balance established through the Reserve and Reserve Fund Policy.

Should any amounts to be contributed under c) iii) and iv) be in excess of the respective reserve fund target, that excess amount shall be allocated under c) i).

Property Tax Supported Budget – In a Year of Deficit

- d) The City Treasurer, or designate, is authorized to drawdown from the OBCR to balance year-end operations.

Wastewater & Treatment Rate Supported Budget – In a Year of Surplus

- e) Surplus shall be reported to Municipal Council in the Operating Budget Year-end Monitoring Report prior to the allocations outlined below.
- f) The City Treasurer, or designate, is authorized to retain all or a portion of the year-end surplus in the Wastewater Budget Contingency Reserve (WWBCR), not to exceed the reserve target balance established through the Reserve and Reserve Fund Policy.
- g) The remaining surplus shall be allocated in accordance with the following

proportions:

- i) 60% shall be contributed to the Wastewater and Treatment Debt Substitution Reserve Fund.
- ii) 40% shall be contributed to the Sewage Works Reserve Fund, not to exceed the reserve fund target balance established through the Reserve and Reserve Fund Policy.

Should an amount to be contributed under g) ii) be in excess of the respective reserve fund target, that excess amount shall be allocated under g) i).

Wastewater & Treatment Rate Supported Budget – In a Year of Deficit

- h) The City Treasurer, or designate, is authorized to drawdown from the WWBCR to balance year-end operations.

Water Rate Supported Budget – In a Year of Surplus

- i) Surplus shall be reported to Municipal Council in the Operating Budget Year-end Monitoring Report prior to the allocations outlined below.
- j) The City Treasurer, or designate, is authorized to retain all or a portion of the year-end surplus in the Water Budget Contingency Reserve (WBCR), not to exceed the reserve target balance established through the Reserve and Reserve Fund Policy.
- k) The remaining surplus shall be allocated in accordance with the following proportions:
 - i) 60% shall be contributed to the Water Debt Substitution Reserve Fund.
 - ii) 40% shall be contributed to the Waterworks Reserve Fund not to exceed the reserve fund target balance established through the Reserve and Reserve Fund Policy.

Should an amount to be contributed under k) ii) be in excess of the respective reserve fund target, that excess amount shall be allocated under k) i).

Water Rate Supported Budget – In a Year of Deficit

- l) The City Treasurer, or designate, is authorized to drawdown from the WBCR to balance year-end operations.

4.2 Reporting

The City Treasurer, or designate, shall provide the following reports related to year-end projected or actual surplus or deficit positions:

- i) Operating Budget Mid-Year Monitoring Report (January 1st to June 30th)
- ii) Operating Budget Year-End Monitoring Report (January 1st to December 31th)