

APPENDIX "A"

Bill No.

By-law No. A.-xxxxx

A by-law to establish a Surplus/Deficit Policy.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

AND WHEREAS the Municipal Council wishes to implement a policy with respect to surplus/deficit management;

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

1. The attached Municipal Council Policy entitled "Surplus/Deficit Policy", appended hereto as Schedule "A", is hereby approved and adopted.
2. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on December 8, 2015.

Matt Brown
Mayor

Catharine Saunders
City Clerk

First Reading – December 8, 2015
Second reading – December 8, 2015
Third reading – December 8, 2015

SCHEDULE “A”

x(xx) Surplus/Deficit Policy

1.0 POLICY STATEMENT AND PURPOSE

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

2.0 SCOPE

This policy applies to the annual operating property tax supported budget.

3.0 PRINCIPLES

With the overarching principle that all surpluses and deficits be treated as one-time in nature, the one-time allocation and funding principles of the Surplus/Deficit Policy are as follows:

In A Year Of Surplus

- a) The Managing Director, Corporate Services & City Treasurer, Chief Financial Officer or designate be authorized to contribute an amount to the Operating Budget Contingency Reserve (OBCR) not to exceed the reserve target balance of 1.5% - 2.0% of the property tax gross expenditure budget, subject to the contribution to the OBCR being confirmed by the Municipal Council.
- b) The Managing Director, Corporate Services & City Treasurer, Chief Financial Officer or designate be authorized to contribute an amount to the Unfunded Liability Reserve not to exceed any operational savings realized from personnel and contingency budgets at year-end.
- c) Remaining surplus to be reported in the 4th Quarter Operating Budget Status Report with the surplus contributed to the OBCR to balance year-end operations. The remaining surplus allocations shall be drawn down from the OBCR and allocated in accordance with the following proportions:
 - i. 50% of any operating surplus shall be applied to reduce authorized but unissued debt, it being noted that debt reduction will reduce future year's debt servicing costs.
 - ii. 25% of any operating surplus shall be contributed to the Community Investment Reserve Fund to be allocated at the discretion of Municipal Council.
 - iii. 25% of any operating surplus shall be contributed to the Capital Infrastructure Gap Reserve Fund to mitigate growth in the infrastructure gap.

In A Year Of Deficit

- d) The Managing Director, Corporate Services & City Treasurer, Chief Financial Officer or designate be authorized to drawdown from the OBCR to balance year-end operations.

4.0 REPORTING

- e) The Managing Director, Corporate Services & City Treasurer, Chief Financial Officer or designate shall strive to provide the following reports related to year-end projected surplus or deficit positions within 45 days of the close of the reporting period:
 - i. Second Quarter Operating Budget Status Report to be submitted at the discretion of the City Treasurer (January 1st to June 30th)
 - ii. Third Quarter Operating Budget Status Report (January 1st to September 30th)
 - iii. Fourth Quarter Operating Budget Status Report (January 1st to December 31th)

5.0 TRANSITION TO NEW SURPLUS/DEFICIT POLICY

As part of the existing Surplus/Deficit Policy (passed by Municipal Council on December 3, 2007), an annual draw of \$850 thousand from the OBCR was established. This annual draw is recognized as revenue each year, reducing the property tax levy requirement.

To mitigate budget pressures within the implementation of the City's first multi-year budget (2016-2019), the plan is to phase out the \$850 thousand draw from the OBCR by the year 2021. This approach provides needed continuity to the City's existing budget framework, while ensuring the elimination of this draw occurs in a reasonable period.