COUNCIL POLICY | **FIN-022-C**

CITY OF FORT SASKATCHEWAN

ALLOCATION OF OPERATING BUDGET SURPLUS

Date Issued: July 10, 2017

Mandated by: City Council

Current Revision: March 10, 2026, R037-26

Cross Reference:
- Financial Reserves Policy FIN-021-C
- Operating and Capital Budgets Policy FIN-024-C
- Management & Financial Reporting Policy FIN-025-C

Next Review: January 1, 2031

Responsibility: Chief Financial Officer

1. PURPOSE

1.1 The City strives to be financially viable while providing an adequate level of municipal services and supporting the long-term capital plan. The City recognizes that an important component for reaching and maintaining this objective is the management of Operating Budget Surpluses.

1.2 This Policy provides principles and guidelines for the allocation of Operating Budget Surpluses.

2. POLICY

2.1 The City shall manage the annual allocation of Operating Budget Surpluses in a fiscally responsible manner acting as good stewards of the City's resources managing costs and investing for the future.

3. DEFINITIONS

3.1 *Budget Carry-Forward Items* **-** mean projects that have been approved by Council in the current year operating budget but have not been completed at year-end and are intended to be completed in the following year.

3.2 *City* - means the City of Fort Saskatchewan.

3.3 *Council* – means the municipal Council of the City of Fort Saskatchewan.

3.4 *Designated Reserve* - means funds designated to a financial reserve for a specific purpose which has not yet been approved by Council to be applied towards a specific expenditure. Reserve funds remain designated for a specific purpose as outlined by reserve description in Financial Reserves Policy FIN-021-C.

3.5 *Operating Budget Surplus* **-** means the excess of revenues over expenditures as compared to the annual operating budget approved by Council, net of Budget Carry-Forward Items.

3.6 *Utility Operations* – means operations that include water distribution, wastewater collection and solid waste services with these specific services provided on a user pay basis, ensuring that users pay the full cost of utility.

4. GUIDING PRINCIPLES

4.1 The allocation of Operating Budget Surpluses shall be consistent with Council’s strategic priorities and the City’s objective to sustain a financially viable City that can provide an adequate level of municipal services and support the City’s long-term capital plan.

4.2 The City does not budget for a deficit or plan for surpluses. The City shall adopt a balanced budget whereby operating revenues are equal to operating expenditures for each year in accordance with Operating and Capital Budgets Policy FIN-024-C.

4.3 Operating Budget Surpluses shall be calculated in conjunction with the audit of the City's annual consolidated financial statements. Operating Budget Surpluses are not equivalent to the annual operating surplus or deficit presented in the annual consolidated financial statements, which are presented in accordance with Public Sector Accounting Standards. A reconciliation between the Operating Budget Surplus and the annual operating surplus or deficit is provided in the notes to the financial statements.

4.4 Operating Budget Surpluses shall be recorded as unrestricted surplus in the fiscal year in which they arise. Council-approved allocations shall be recorded as transfers to the appropriate financial reserves in the year the allocation is approved, as a reclassification within accumulated surplus.

4.5 Operating Budget Surpluses represent one-time funding that, by its nature, cannot be relied on to recur on an ongoing basis. Therefore, Operating Budget Surpluses shall be allocated to fund one-time, generally non-recurring expenditures such as one-time funding for operating/capital projects, contributions to financial reserves to achieve or maintain optimal balances pursuant to the Financial Reserves Policy FIN-021-C, and debt repayments, where applicable and practical to do so.

4.6 Administration shall report year-end Operating Budget Surpluses and provide Council with recommendations for their allocation, when Council reviews and approves the City’s annual audited consolidated financial statements in accordance with Management & Financial Reporting Policy FIN-025-C, for Council’s review and consideration.

4.7 Budget Carry-Forward Items are allocated to Designated Reserves at year-end and are not considered part of the Operating Budget Surplus.

4.8 As Operating Budget Surpluses are non-recurring in nature, they shall not be applied to the following year's operating budget to fund ongoing expenditures and/or to reduce the following year's property tax rates.

4.9 Operating Budget Surpluses of self-sustaining operations, including Utility Operations, shall only be allocated within these operations and their respective financial reserves.

5. AUTHORITY / RESPONSIBILITY TO IMPLEMENT

5.1 The Chief Financial Officer is responsible for the implementation of this Policy and to ensure compliance with City bylaws, the *Municipal Government Act*, and any other applicable legislation.