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Town of Aurora
Committee of the Whole Report
No. FIN25-016

Subject: 2025 Year End Operating Surplus/Deficit Management

Prepared by: Sandeep Dhillon, Senior Advisor, Financial Management

Department: Finance

Date: March 4, 2025

Recommendation

1. That Report No. FIN25-016 be received; and
2. That the by-law to allocate any 2025 operating surplus or deficit, as detailed in this report, be brought forward to a future Council meeting for approval.

Executive Summary

This report proposes that the bylaw to allocate any operating surplus, or deficit, for the 2025 fiscal year end will be managed by making allocations to, or from, reserve funds for the Town of Aurora and the Aurora Public Library.

- Allocations to and from reserve funds are used to manage the impact of surpluses or deficits at year end
- A tax-funded surplus or deficit allocation to reserves follows specific steps and criteria to determine which reserves are impacted
- A surplus or deficit for building services, water, wastewater and stormwater operating budgets are managed through their own reserves
- Aurora Public Library surpluses are managed by the Surplus/Deficit Management By-law

Background

On an annual basis Council approves a bylaw to manage the surplus or deficit in the tax and user rate funded operating budgets. This bylaw has directed the surpluses to specific reserves or managed the deficits through reserve draws. This action avoids the

requirement under subsection 290(4) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended to carryover the surpluses or deficits to the following year's budget.

Analysis

Allocations to and from reserve funds are used to manage the impact of surpluses or deficits at year end

The bylaw identifies the reserves to be used to offset an overall surplus or deficit for tax and user rate funded operations. This avoids the need to carryover these variances to future years' operating budgets. The bylaw uses a formula approach to allocate the surplus and identifies the reserves to be used to fund any deficits. The results are reported back to Council as part of the year end budget variance report.

A tax-funded surplus or deficit allocation to reserves follows specific steps and criteria to determine which reserves are impacted

The Surplus/Deficit Management Bylaw outlines the steps to allocate a tax-funded operating surplus and manage a deficit using reserves. It is recommended at year end a tax-funded surplus be managed as follows in order:

1. The excess 2025 supplementary tax revenue growth be allocated to the Growth and New reserve.
2. Any net operating budget surplus in winter operations be allocated to the Winter Control reserve. This contribution is not to exceed the Town's total tax-funded surplus.
3. Any net operating budget surplus in insurance account be allocated to the insurance reserve. This contribution is not to exceed the Town's total tax-funded surplus.
4. If the funds in tax rate stabilization reserve is at, or above, 10 percent of annual levy target balance, then any remaining 2025 net operating surplus be allocated to tax-funded asset management reserves based on the future asset management plan requirements. Otherwise, 50 percent of the annual surplus will be used to replenish the Tax Rate Stabilization reserve balance to the target level and the remaining 50 percent to be allocated to the tax-funded asset management reserves.

Alternatively, should a net operating deficit occur in 2025, it would be funded from the tax rate stabilization reserve.

The tax rate stabilization reserve helps protect the annual tax rates from significant one-time or temporary pressures. Such pressures could include the impacts from significant new service or facility costs, market conditions affecting revenues, adverse weather or climate events, or other factors. A standard practice is to keep the tax rate stabilization reserve at a target balance of about 10 percent of annual tax revenue.

A surplus or deficit for building services, water, wastewater and stormwater operating budgets are managed through their own reserves

The operating budgets for building services, water, wastewater and stormwater are fully funded through the user rates and do not impact the tax levy. Any year end variance within these operations will be managed through a transfer to/from their appropriate reserve funds.

Aurora Public Library surpluses are managed by the Surplus/Deficit Management By-law

Any 2025 surplus recognized by the library will be directed to facilities asset management reserve to support asset management of the Town-owned facilities used by the Aurora Public Library. Should the Library experience a year end operating deficit, it will continue to manage the variance through a draw from its general capital reserve.

Advisory Committee Review

Not applicable

Legal Considerations

Paragraph 3 of subsection 11(2) of the Municipal Act, 2001 allows the municipality to pass bylaws respecting the financial management of the municipality and its local boards.

Financial Implications

This report outlines how the year end surplus or deficit in the tax and rate funded operations will be managed. The Municipal Act requires that any surplus or deficit be carried forward into the following year's budget, unless controlled through reserves as proposed in this report. The bylaw will balance the budget and eliminate any surplus or deficit, avoiding the need for any budget carry forwards.

Communications Considerations

The Town will inform the public of the information contained in this report by making it available on the Town's website.

Climate Change Considerations

The information contained within this report does not impact greenhouse gas emissions or impact climate change adaptation.

Link to Strategic Plan

Outlining a strategic approach to managing yearend surpluses and/or deficits, and thereby avoiding the need to complicate the following year's budget with such matters, contributes to achieving the Strategic Plan guiding principle of "Leadership in Corporate Management" and improves transparency and accountability to the community.

Alternative(s) to the Recommendation

1. Council could choose not to approve the By-law to allocate any 2025 Operating Fund surplus and any 2024 Water, Wastewater, and Stormwater Operating Fund surplus or deficit Surplus/Deficit Control By-law and instead address any year end results by way of budget amendment following budget approval

Conclusions

Staff are recommending that a bylaw be adopted which will authorize the Director of Finance to apply the year end variance funding adjustments as outlined in the bylaw and this report. This will balance the tax levy and rate funded operating budgets. As part of the yearend procedures, staff will report back to the General Committee as to the actual yearend results and the final surplus allocations made for 2025.

Attachments

Attachment #1 – 2025 Year End Operating Surplus/Deficit Management Bylaw

Previous Reports

None. A new bylaw is required each year. This equivalent report for 2024 was FIN24-013 which went to Committee of the Whole Report on April 2, 2024.

Pre-submission Review

Agenda Management Team review on February 14, 2025

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer