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Town of Aurora
Committee of the Whole Report
No. FIN26-009

Subject: 2026 Year End Surplus - Deficit Management and Bylaw Report

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Department: Finance

Date: April 14, 2026

Recommendation

1. That Report No. FIN26-009 be received; and
2. That the bylaw to allocate any 2026 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 2026 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 a 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 that a tax-funded surplus be managed as follows in this order:

1. Excess 2026 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 accounts 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 2026 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 be allocated to the tax-funded asset management reserves.

Alternatively, should a net operating deficit occur in 2026, 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 their 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 2026 surplus recognized by the library will be directed to the 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 this 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 by-laws 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 complicating 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 may choose not to approve the By-law to allocate any 2026 Operating Fund surplus and any 2026 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 administer 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 procedure, staff will report back to Council as to the actual yearend results and the final surplus allocations made for 2026.

Attachments

[Attachment 1 – 2026 Year End Surplus-Deficit Management Bylaw](#)

Previous Reports

None

Pre-submission Review

Agenda Management Team review on March 26, 2026

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer