

## City of Melfort Policy Manual

<i>POLICY TITLE:</i> <b>Surplus/Deficits Policy</b>	<i>POLICY NUMBER:</i> <b>1.3.60</b>	<i>EFFECTIVE DATE:</i> <b>December 10, 2007</b>
<i>ORIGIN:</i> <b>Finance Department</b>	<i>ADOPTED BY COUNCIL ON:</i> <b>December 10, 2007</b>	<i>DATE AMENDED:</i> <b>April 12, 2010 November 16, 2015</b>

### 1. PURPOSE

The purpose of this policy is to provide strategic guidelines for the annual review and allocation of the City of Melfort's year-end operating surplus/deficits.

### 2. PRINCIPLES

- 2.1 Surplus/deficits should be reviewed in context of the source they are generated from, the circumstances that have given reason to their occurrence and the likelihood of their re-occurrence.

### 3. POLICY

- 3.1 Surplus/deficits are to be dealt with in conjunction with City Council reviewing/accepting the previous year's Financial Statement.
- 3.2 Any surplus/deficit generated through reserve interest earnings is to be re-allocated back to reserves for future capital projects (Capital programs are aligned with previous year's actual investment income, less an adjustment for inflation [See Reserve Policy 1.46, Section 3.1]).
- 3.3 General budget surplus funds (minus interest earnings) are to be allocated 50% to Council's special capital project reserve and 50% to the facility maintenance operating reserve; however, at a minimum, fifty percent (50%) of any annual surplus must first be applied to any deficit existing within the mill rate stabilization reserve.
- 3.4 Utility budget surplus funds created from the gallonage charge are to be allocated to the Utility Water Rate Stabilization Reserve. This policy exists due to the fact that Melfort's aged infrastructure makes water loss difficult to

- accurately determine. Surplus funds resulting from the basic fee charge are to be allocated to the utility capital budget.
- 3.5 Surplus funds from landfill and waste collection operations should be allocated to reserves to deal with environmental issues, landfill closure and post-closure liability issues.
  - 3.6 Operating deficits are to be recovered from the fund's Stabilization Reserve. A plan detailing repayment of drawdown must be stipulated in the Council resolution authorizing such drawdown.
  - 3.7 This policy is to be reviewed on an annual basis.

#### **4. RESPONSIBILITIES**

##### **4.1 City Treasurer**

- 4.1.1 Updates and administers this policy.

##### **4.2 City Manager**

- 4.2.1 Monitors and ensures compliance with this policy.