
Approved by Council: November 3, 2025

1.0 Policy Statement and Purpose

A policy governing the establishment of 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 budget for the Property Tax Supported Budget, unless otherwise stated.

3.0 Objectives

All surpluses and deficits be treated as one-time in nature.

3.1 The year-end operating **surplus** for the Property Tax Supported Budget, Water Rate Supported Budget, and Wastewater & Treatment Rate Supported Budget will only be allocated within the operations, reserves, and reserve funds of each respective Budget.

3.2 The year-end operating **deficit** for the Property Tax Supported Budget, Water Rate Supported Budget, and Wastewater & Treatment Rate Supported Budget will only be funded within the operations, reserves, and reserve funds of each respective Budget.

3.3 Property Tax Supported Budget – In a Year of Surplus

- a) The Treasurer, or designate, be authorized to contribute to prior year reserve provisions for the following items:
- i. Mandated Provincial Bill 124 Reserve for Building Permits – Bill 124 mandates that building activities are accounted for separately from municipal activities. Surpluses are reserved with the expectation that, in the event of declining building permit revenue, a draw from the reserve may be required to meet budgetary requirements regarding these activities. This mechanism provides stability to the pricing of building permits;
 - ii. Insurance Risk Reserve – Any surplus in Risk Management operations and the Insurance and General Administration operations is contributed to the Insurance Risk Reserve until the established target is met. Conversely, any operating deficits within these areas are funded from the reserve. These variances typically relate to claims, recoveries, insurance administrative and premium costs.;
 - iii. Police Service Board Municipal Reserves – 50% of the final Police Services surplus be allocated to the Police Service Reserves; and

- iv. Specific Operational Surpluses – Operating surpluses in the following areas shall be transferred to their respective reserves until the established reserve targets are achieved. Conversely, operating deficits may be offset by withdrawals from the corresponding reserves to address current and future operating pressures, including but not limited to economic downturns, changes in Provincial service requirements, and investment income fluctuations.

1. Public Health
2. Senior Services
3. Employment & Social Services
4. Transit
5. Property Disposition
6. Community Improvement Plan
7. Workers Compensation Municipal Portion
8. Closed Employee and Labour Relations
9. Claims Fluctuation
10. Planning Applications
11. Investment Income Fluctuation

- b) Any remaining surplus identified in the Final Operations Variance Report, after contributions have been made to the reserve provisions outlined above (in section 3.3 a), recommended allocations will be at the discretion of the Treasurer (or designate), in collaboration with the Executive Management Team and approved by Council. The allocation will be directed toward addressing current economic conditions and financial pressures facing the Municipality of Chatham-Kent.

4.0 Responsibilities

The Treasurer has overall responsibility for the development and recommendations of any annual surplus or deficit allocation.

Notwithstanding, the Director, Budget & Performance Services and/or designate will carry out responsibilities as follows:

- Develop specific procedures and workflows to establish and maintain ongoing variance reporting for each municipal department. This will be accomplished by:
 - Collaborating with municipal departments to complete two in-year variance reports, followed by a final year-end variance report;
 - Reviewing each department's variance report, ensuring accuracy and providing input on any area with significant under and/or overspending; and
 - Provide annual reporting to Council through a Report to Council highlighting any variances and making recommendations on any reallocation of funds, which may be required either throughout the year or in the final variance report.

5.0 Glossary of Terms

Deficit

In the operating budget, when there is an excess of expenditures over revenues.

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| Operating Budget | A budget that funds day to day operations. Some of the expenses could include personnel, utilities, and reserve and reserve fund contributions. |
| Property Tax Supported Budget | A budget that includes property taxes as a primary source of revenue used to fund municipal programs and services. |
| Reserve | An appropriation from net revenue and/or cost savings at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Municipal Councils may set up reserves for any purpose for which they have the authority to spend money. |
| Reserve Fund | Funds that have been set aside either by a by-law of the municipality or by a requirement of senior government statute or agreement to meet a future event. Municipal Councils may set up reserve funds for any purpose for which they have the authority to spend money. |
| Treasurer | The individual appointed by the municipality as treasurer and/or deputy treasurer(s). |
| Surplus | In the operating budget, when there is an excess of revenues over expenditures. |
| Wastewater & Treatment Rate Supported Budget | A budget to fund services exclusively related to the collection and treatment of wastewater through rates charged to users of the system. |
| Water Rate Supported Budget | A budget to fund services exclusively related to the distribution of potable water through rates charged to users of the system. |