

Council Policy No.:	CP2026-006
Council Policy Name:	Budget and Surplus/Deficit Disposition Policy
Date Approved by Council:	March 24, 2026 CW2026-036/CR2026-082
Date revision approved by Council:	
Related SOP, Management Directive, Council Policy, Forms	<p>Strategic Asset Management Policy</p> <p>Proposing a Budget through Strong Mayor Powers Standard Operating Procedure</p> <p>Capital and Special Projects Management Directive</p> <p>Replacing Former Council policies CP2021-014, CP2023-003, and CP2024-009</p>

### **Policy Statement and Rationale:**

The City of Kawartha Lakes is committed to providing service excellence to taxpayers. The City’s services are implemented through capital and operating budgets, ensuring services are provided in a financially responsible and sustainable manner that is consistent with the Asset Management Plans (AMP), Long Term Financial Plan (LTFP) and other strategic plans adopted by Council. This policy guides the financial administration of the City as it relates to budgets.

### **Scope:**

This policy applies to the City’s operating and capital budgets for tax-supported services and user-rate-supported water-wastewater services. This policy applies to all revenues and expenditures undertaken by the City, applies to all municipal departments, agencies, boards, and commissions, and guides the City’s compliance with the Municipal Act, 2001, S.O. 2001, c.25, s.284.16 and s.290.

## Policy:

### 1. Definitions:

“asset” means a tangible article of capital, such as land, facilities, infrastructure or equipment, or a component thereof, that is or will be owned by the City and is capitalizable pursuant to the Strategic Asset Management Policy.

“budget” means, in accordance with the Municipal Act, a Council-adopted plan of expenditures and financing, in respect of a calendar year, which authorizes creation and execution of the projects and other activities identified therein.

“budget year” means, in the case of a project approved as part of a budget, the year of the budget, otherwise, the year following the year in which the project is approved.

“capital budget” means a budget for a set of capital programs.

“capital program” means a set of similar or closely related capital projects that are logically grouped for forecasting, budgeting or project management purposes and for which a single department is typically responsible.

“capital project” means a project for the design, creation, acquisition, installation, expansion or disposition of one or more physically related assets, or the material improvement thereto.

“City” or “Municipality” means the Corporation of the City of Kawartha Lakes.

“Council” means the municipal council of the City.

“debt” means funds borrowed for the purpose of financing a capital project.

“designated timeframe” means the initial length of time for which a project may remain open after approval, commencing January 1 of the budget year of the project

“emergency” means an immediate need to address an emergent and untenable risk to health, safety, finances, legislative compliance, obligations under an agreement, or essential municipal services or assets through an unplanned or unexpected project.

“financing” means the sources and manner by which a project is planned to be funded.

“funding” means the quantum of monies committed to a project and equal to the respective planned expenditure.

“operating budget” means, in accordance with the Municipal Act and as approved by Council, a plan of expenses and revenue for the provision of City services, including operating and maintenance of assets.

“project” means a distinct, infrequent and temporary activity of the City, defined by a scope, expenditure and financing arrangement, whose creation and execution are subject to approval by Council.

"project manager" refers to the department, division or staff of the City responsible for the management of a project within their purview.

"scope" means the deliverables, objectives and limits of a project.

“special project” means a non-routine and financially material operational project, such as a study, plan or initiative relating to an uncapitalizable asset, which ought to be budgeted separately from a general operating budget for managerial or financial reasons.

“surplus/deficit” means the positive or negative budget balance in a project or operating segment upon completion.

## **2. Budget Process**

- 2.1 Adequate public notice in respect of proposed budgets will be provided in accordance with the City of Kawartha Lakes By-Law to Outline the Form, Manner and Timing of the Provision of Notices Required Under the Municipal, 2001 (By-Law 2023-209).
- 2.2 Staff shall work with an appointed Budget Committee to develop a budget schedule/calendar for recommendation to the Mayor.
- 2.3 The maintenance of existing service levels, and budget forecasts and targets for the respective budget year as outlined in the City's Long Term Financial Plan and Water-Wastewater Rate Study, will be the default starting point for all proposed budgets.
- 2.4 Updates to the Long-Term Financial Plan shall be presented to Council annually, accounting for changes to service levels, financial circumstances and recommended adjustments for future years.
- 2.5 Proposed budgets shall be guided by the Long-Term Financial Plan, wherein capital projects are categorized by state-of-good-repair and expansionary types.

- 2.6 Agencies, boards and commissions shall submit their budget requests annually by August 30th; otherwise, the previous year's budget may be replicated.
- 2.7 Draft Budgets shall be prepared annually by staff on behalf of the Mayor no later than twelve weeks prior to the legislated deadline of February 1<sup>st</sup> for the Mayor to propose Budgets as outlined in O. Reg. 530/22 (Municipal Act, 2001) and include revenues and expenditures for all boards, agencies and commissions financially supported by the City.
- 2.8 Budgets shall be adopted no later than February 28th annually in accordance with O. Reg. 530/22 (Municipal Act, 2001).
- 2.9 Until such time that an annual budget is adopted by Council, section 4 of this policy shall apply.

### **3. Operating Surplus and Deficit Disposition**

#### **Legislated**

- 3.1 Surpluses (deficits) incurred by the Building and Septic Division of the Development Services Department (17300) shall be transferred to (from) the Building Reserve in accordance with the Building Code Act.

#### **Discretionary – Tax-Supported**

- 3.2 Year-end surpluses and deficits shall be considered and allocated pursuant to 3.3 to 3.9, with any residual net surplus disposed of pursuant to 3.10. In the year of a net deficit, the discretionary transfer to reserves outlined in 3.3 to 3.9 do not apply.
- 3.3 Surpluses (deficits) relating to debt payments shall be transferred to (from) the General Tax Stabilization Reserve, committed to debt payments.
- 3.4 Revenue relating to the sale of real property shall be allocated to the Property Development Reserve to the extent permitted by applicable law and agreements.
- 3.5 Revenue relating to the sale of fleet and related equipment shall be allocated to the Fleet Reserve.
- 3.6 Surpluses (deficits) relating to winter control activities, excluding wages, shall be transferred to (from) the General Tax Stabilization Reserve, committed to winter control.

- 3.7 Any wage-related surpluses (deficits) not captured by 3.3 to 3.6 shall be transferred to (from) the General Tax Stabilization Reserve.
- 3.8 Surpluses (deficits) relating to Arts and Culture, Public Art shall be transferred to (from) the Heritage Reserve, committed to Public Art.
- 3.9 Surpluses (deficits) relating to the Short-Term Rental Program shall be transferred to (from) the Short-Term Rental Reserve.
- 3.10 Any residual net surplus (deficit) remaining after the application of 3.3 through 3.10 shall be transferred to (from) the General Tax Stabilization Reserve.
- 3.11 Aggregate resource revenue shall be transferred to the Capital Contingency Reserve, committed to Haul Routes
- 3.12 In the year of a municipal election, surpluses (deficits) relating to the municipal election shall be transferred to (from) the Election Reserve.
- 3.13 Revenue from the Fenelon Falls Hydro Generation shall be allocated to the Fenelon Falls Powerlink Reserve.
- 3.14 Revenue from the Norland Dam shall be allocated to the Norland Dam Reserve.

**Discretionary – Water-Wastewater**

- 3.15 Surpluses (deficits) relating to water-wastewater operations shall be transferred to (from) the respective Water-Wastewater User Rate Stabilization Reserves.

**Discretionary – Area-Rated Services**

- 3.16 Surpluses (deficits) relating to an area-rated service shall be transferred to (from) the Area Rate Stabilization Reserve, committed to that service as follows:
  - Transit
  - Ontario Provincial Police
  - Kawartha Lakes Police Service

In the event of a deficit exceeding the respective reserve balance, the deficit will be recovered through the subsequent year's area-rated tax levy.

#### **4. Interim Spending**

- 4.1 In the event operating budgets are not yet approved for a budget year, interim spending authority shall be granted to staff with budget spending authority. Those staff are authorized to make operating expenses during the interim period, subject to the following limitations:
- (a) Expenses are to be those normally incurred in the course of municipal business operations;
  - (b) Every reasonable effort is to be made to contain departmental expenses within general budgetary parameters, as set out in the prior year's budget, subject to fluctuations relating to contractual agreements.
- 4.2 In the event capital budgets are not yet approved for a budget year, Council may elect to give time-sensitive capital projects advance approval, in which case procurement and expenditures may proceed for those projects.

#### **5. Project Proposal, Approval, Management and Closure**

- 5.1 Projects are to be proposed by project managers for forecasting, budgeting and approval purposes, in accordance with applicable management directives.
- 5.2 Only in unexpected and exigent circumstances, such as emergencies, changes in legislation or emergent grants, should project approval be sought outside the budget process. Proposals of such projects must, except in emergencies, be facilitated by a report to Council prepared by the project manager.
- 5.3 Designated timeframes for projects shall be set out in the management directives.
- 5.4 Council delegates to staff the authority to do the following, whereby the delegation of authority may be regulated by the management directives:
- Extend project timeframes beyond their designated timeframes;
  - Close projects and dispose of their surpluses and deficits;
  - Create and proceed with projects to address emergencies;
  - Adjust project funding to address emergence of unplanned external funding;

- Finance project deficits, including those relating to minor changes in scope, subject to the associated financial thresholds set out by the Purchasing Delegation of Authority;
  - Finance aggregate net deficits across tax-supported capital projects to an upset limit of \$500,000 per year;
  - Finance aggregate net deficits across water-wastewater capital projects to an upset limit of \$500,000 per year;
  - Finance aggregate net deficits across special projects to an upset limit of \$200,000 per year;
  - Commit and expend multi-year project budgets in advance of their approved future funding installments; and
  - Reallocate transferable capital financing within a capital program.
- 5.5 For greater certainty, Council approval is required to finance a project deficit that exceeds the associated financial threshold set out by the Purchasing Delegation of Authority.
- 5.6 Treasury shall report to Council annually on the progress and closure of projects, and the report shall inform Council of the surplus/deficit disposition of projects closed since the previous report, projects created to address emergencies since the previous report, and the status of open projects.
- 5.7 Debt financing may be used only for capital projects that result in one or more assets with an expected useful life of not less than 10 years and that meet any other debt-eligibility criteria set out in the Long-Term Financial Plan and management directives.

## **6. Responsibilities**

- 6.1 Council is responsible for establishing this policy.
- 6.2 The Chief Administrative Officer is accountable for the provision of any management directives established under this policy.
- 6.3 Corporate Services is responsible for the application of this policy and its management directives.

6.4 Departments are responsible for complying with this policy and its management directives, and for providing Corporate Services with information required for the implementation of this policy and its management directives.

### Revision History:

Proposed Date of Review:

<b>Revision</b>	<b>Date</b>	<b>Description of Changes</b>	<b>Requested By</b>
1.0	March 10, 2026	This policy repeals and replaces CP2021-014, CP2023-003, and CP2024-009	Council