

The Growth of the Accumulated Surplus

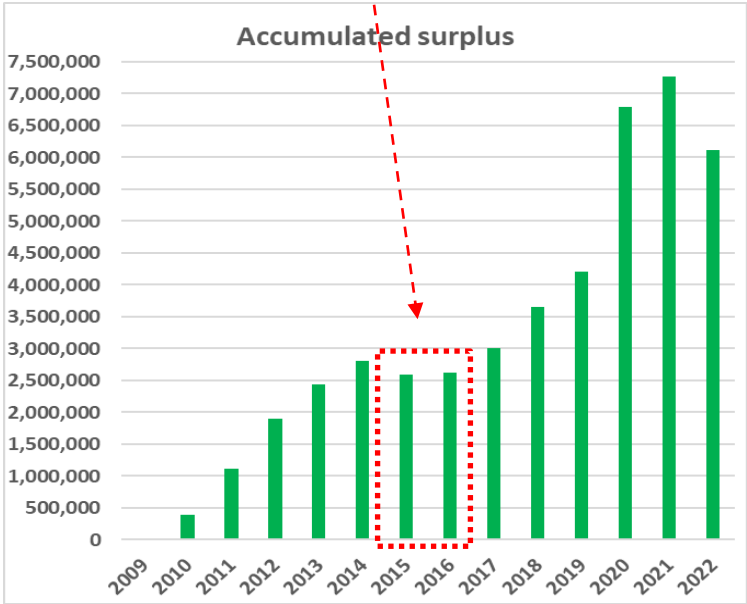
The **annual operating surplus** (“surplus”) is money left over at the end of the year from the Town’s every-day activities throughout the year. By underestimating revenues and overestimating expenses it is possible to create large surpluses.

At the end of each year the surplus is transferred to the **accumulated surplus (AS)**, which is the sum of 3 components: the **unappropriated surplus**, the **appropriated surplus**, and the **reserve fund**. **Appropriated** means that it has been earmarked, or committed, for some project, but not yet spent. (“**Allocated**” is sometimes used instead of “appropriated”.) The **AS** is not a windfall, it’s mostly taxes already collected, as if you overpaid your income tax, or credit card.

After demerger at the beginning of **2006**, the Town’s expenses were not what had been forecast leading to a negative surplus of **-\$231,000** in **2007**. The Town acted prudently to generate some substantial surpluses, including in **2012 & 2013** when they were **7.4%** and **7.0%** of property taxes, to restore a healthy **AS**.

		Total	Surplus	
		property	as % of	Accumulated
	Surplus	taxes	taxes	surplus
2006	224,168			-33,202
2007	-231,000			-264,302
2008	5,934			-258,368
2009	-481	10,381,113	0.0	23,651
2010	370,861	11,299,053	3.3	394,512
2011	489,755	11,630,324	4.2	1,113,108
2012	880,757	11,915,318	7.4	1,893,514
2013	867,005	12,346,248	7.0	2,431,850
2014	291,495	12,368,222	2.4	2,800,938
2015	359,323	12,515,106	2.9	2,585,693
2016	449,380	12,713,767	3.5	2,628,352
2017	426,079	13,091,411	3.3	3,003,431
2018	478,491	13,351,879	3.6	3,649,981
2019	462,813	13,631,845	3.4	4,211,613
2020	950,049	13,568,575	7.0	6,784,662
2021	826,508	13,730,734	6.0	7,267,442
2022	275,649	14,489,788	1.9	6,112,570
The condo land sale contributed \$1.623M to the accumulated surplus.				

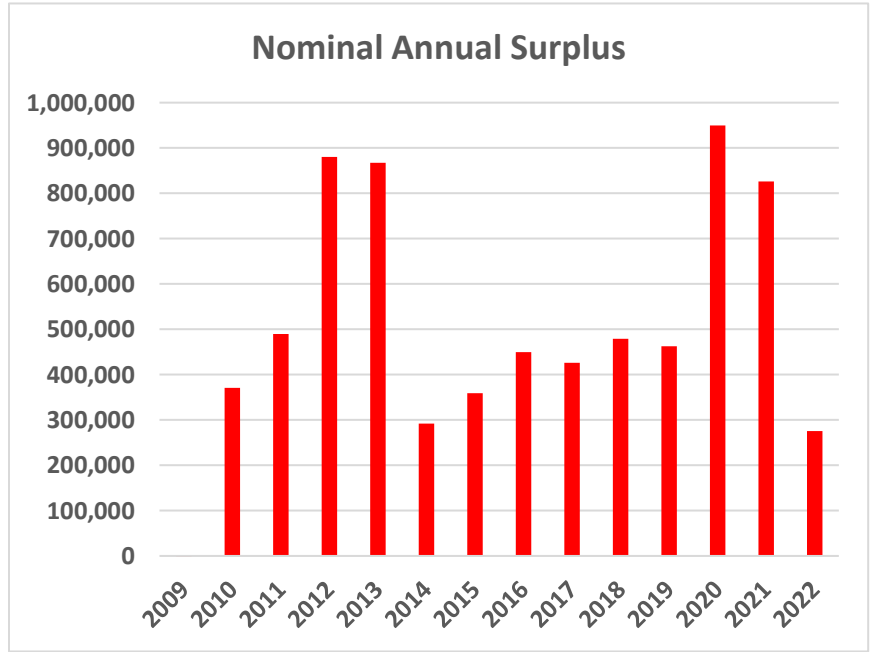
By **2014** the AS had reached **\$2.8M** and was stabilized to about a reasonable **\$2.6M** for **2015 & 2016**.



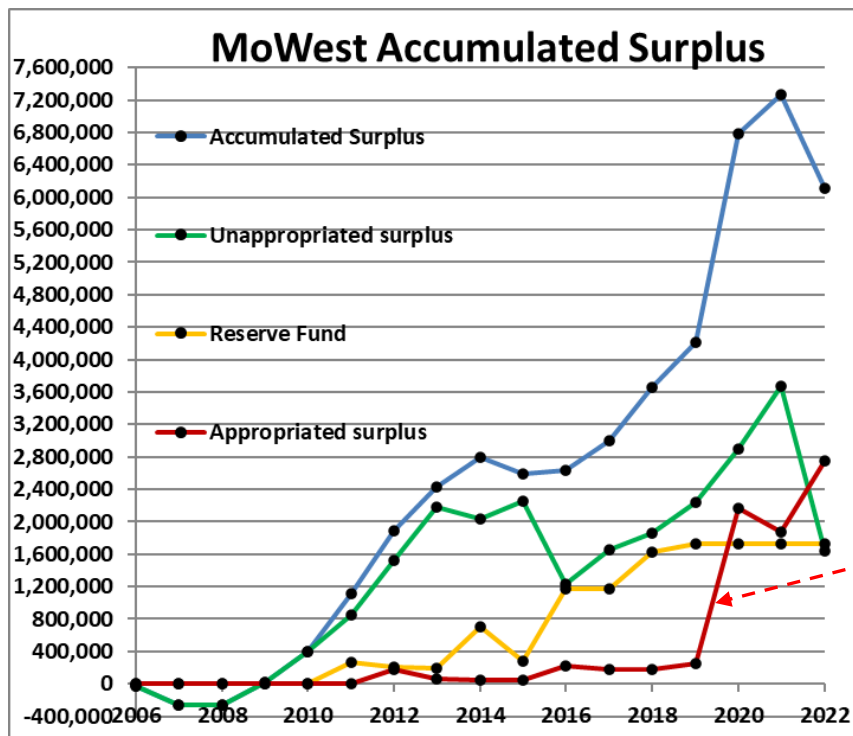
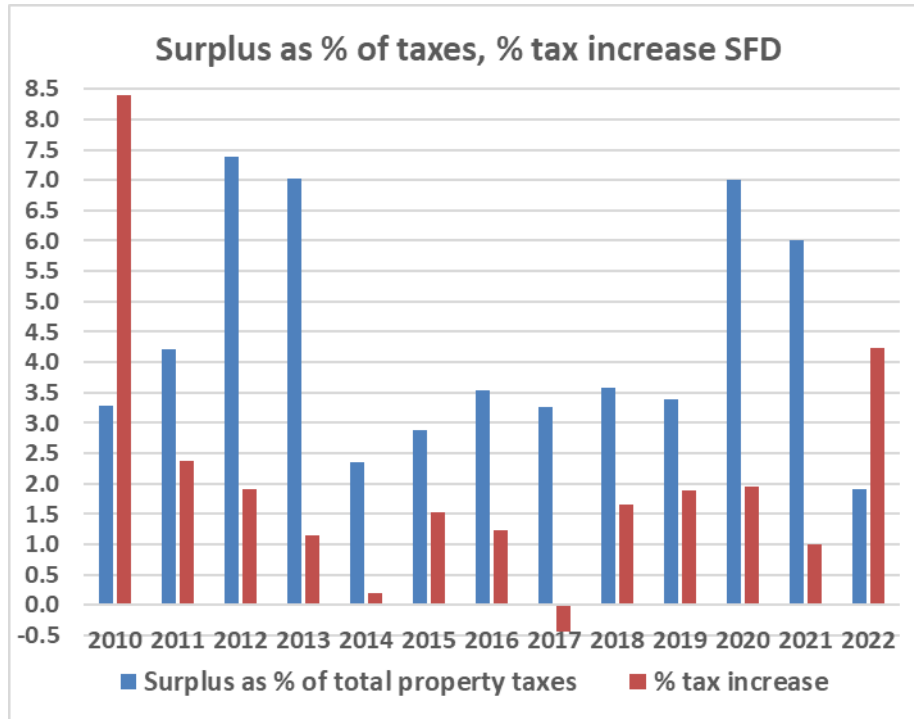
Once the Town decided to build a new rec center, the AS grew **115%** from **\$2.63M** in **2016** to **\$5.64M** in **2021** – without the condo land sale proceeds.

For data nerds only:

Budgeting can be tricky, but in 2020 & 2021 the Town significantly underestimated revenues from two sources that were entirely predictable by looking at recent historical values. This led to surpluses that were **7%** and **6%** of total property taxes, meaning that taxes could have been frozen, or even reduced, in those years and there still would have been a healthy increase in the AS.



Here's a comparison of the **% tax increase** on a single-family dwelling (SFD) and the **% increase in taxes** the same year. Note that in 2010 we were still recovering from shaky finances after demerger, hence the huge tax increase. **Remember that all tax increases are cumulative, once we have them we're stuck with them, and they compound like interest.** And a 1% increase in highly taxed MoWest is often much more than a 1% increase elsewhere, so comparing % tax increases with other municipalities is deceptive.



The \$1.623M proceeds of the condo land appears to have been directly transferred to the appropriated surplus for use on the arena – the jump in the red line in 2020.

DATA FOR THE ACCUMULATED SURPLUS IS ON THE LAST PAGE.

Sources of data

All of the data can be found on the Town's website under the **Finance & Administration** menu item → **Budgets & Reports**. The 1st screenshot below is from the 2022 Financial Report, "Rapport Financier". www.montreal-west.ca/en/finance-administration/finance/budget-reports/

Page 23 shows the money in the 3 accumulated surplus components: **non-affecté (unappropriated, or unallocated)**, **affecté (appropriated)**, and the **reserve fund**.

RENSEIGNEMENTS COMPLÉMENTAIRES EXCÉDENT (DÉFICIT) ACCUMULÉ AU 31 DÉCEMBRE 2022

		2022	2021
Excédent (déficit) accumulé			
Excédent (déficit) de fonctionnement non affecté	1	1 636 783	3 678 126
Excédent de fonctionnement affecté	2	2 753 970	1 867 499
Réserves financières et fonds réservés	3	1 721 817	1 721 817
Dépenses constatées à taxer ou à pourvoir	4 ())
Financement des investissements en cours	5	(737)	(137 603)
Investissement net dans les immobilisations et autres actifs	6	17 213 962	16 898 741
Gains (pertes) de réévaluation cumulés	7		
	8	23 325 795	24 028 580

Page 22 of the 2021 Rapport gives the surpluses in 2021 (\$826,508) and 2020 (\$2,573,049 – which includes the \$1.623M proceeds of the condo land sale).

Dépenses constatées à taxer ou à pourvoir	23			
Investissement net dans les immobilisations et autres actifs	24			
	25	260 000	(211 566)	(526 992)
	26	(729 191)	842 851	954 769
Excédent (déficit) de fonctionnement de l'exercice à des fins fiscales	27		826 508	2 573 049

Data showing the funds in each of the 3 accumulated surplus components

2019/20	S17 L27	Unappropri	Appropri.	Reserve	Accumulat.
	Surplus	Surplus	Surplus	Fund	Surplus
2005		-257,370	0	0	-257,370
2006	224,168	-33,202	0	0	-33,202
2007	-231,000	-264,302	0	0	-264,302
2008	5,934	-258,368	0	0	-258,368
2009	-481	23,651	0	0	23,651
2010	370,861	394,512	0	0	394,512
2011	489,755	854,048	0	259,060	1,113,108
2012	880,757	1,515,805	175,863	201,846	1,893,514
2013	867,005	2,177,832	55,615	198,403	2,431,850
2014	291,495	2,037,144	52,513	711,281	2,800,938
2015	359,323	2,256,929	53,228	275,536	2,585,693
2016	449,380	1,229,859	225,751	1,172,742	2,628,352
2017	426,079	1,655,939	173,908	1,173,584	3,003,431
2018	478,491	1,855,651	171,332	1,622,998	3,649,981
2019	462,813	2,243,568	246,228	1,721,817	4,211,613
2020 →	2,573,049	2,891,617	2,171,228	1,721,817	6,784,662
2021	826,508	3,678,126	1,867,499	1,721,817	7,267,442
2022	275,649	1,636,783	2,753,970	1,721,817	6,112,570

This includes
\$1.623M from
the condo land
sale.