

TO: Mayor Caul & Members of Council
FROM: Dawn Galusha, Treasurer
DATE: May 23, 2019
SUBJECT: Ontario Regulation 284/09 – Budget Matters

BACKGROUND

The Town of Fort Frances is required under the Ontario Regulation 284/09 (O. Reg. 284/09) to report on whether amortization expenses, post employment benefits and solid waste landfill closure and post-closure expenses are included in the budget. The purpose of this report is to explain Ontario Regulation 284/09 and illustrate the impact on the 2019 budget if all these expenses had been included.

Accounting standards and reporting requirements changed dramatically in 2009, the most significant change being the introduction of tangible capital asset accounting. The accounting standards, however, do not require that budgets be prepared on the same basis. The Town of Fort Frances, like most municipalities, continues to prepare budgets based on the traditional cash basis.

For 2011 and subsequent years, the municipality or local board shall prepare a report about the excluded expenses and adopt the report by resolution before adopting a budget for that year that excludes from their estimated budget expense costs related to amortization expenses, post employment benefit expenses and solid waste landfill closure and post-closure expenses.

The regulation requires that the report contain information regarding:

- 1) An estimate of the change in the accumulated surplus of the municipality to the end of the year resulting from the exclusion of any of those expenses; and
- 2) An analysis of the estimated impact of the exclusion of any of those expenses on the future tangible capital asset funding requirements of the municipality.

Financial Impact

The Town of Fort Frances developed its 2019 Operating Budget excluding only amortization. The budget this year includes annual post-employment benefits for fire fighters and solid waste landfill closure and post-closure expenses.

- 1) The 2019 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$4,614,600 as shown in **Schedule 3** attached to this report. However, the Capital budget includes Contributions from Reserve Funds in the amount of \$2,772,857 (\$3,612,660 less FGT \$839,803) for capital asset replacement as shown in **Schedule 2** attached to this report.

- 2) The 2019 Operating Budget includes the estimated cost of the post employment benefit expenses incurred in the current year for any retirees resulting from the 2011 firefighter arbitration award. The Town engages Morneau Shepell to provide a post-retirement non-pension benefits actuary report providing an accounting valuation. The post-retirement liability continues to be an unfunded liability.
- 3) The 2019 Operating budget includes the current year expense for landfill closure and post-closure expense, which is estimated at \$23,360. In 2012 EBA Engineering Consultants Ltd. completed a review our landfill to determine the remaining life of the permitted landfill footprint and provided an update of the closure and post closure liabilities for the site. The Post Landfill Closure Reserve Fund as at December 31, 2018 was \$746,146.84 and estimated to have a closing balance of \$797521.24 at December 31, 2019.

Schedule 1 to this report provides an analysis of the impact on the 2019 Budget with the inclusion of the above noted expenses.

RECOMMENDATION

The Administration & Finance Executive Committee recommends that Council receive the Ontario Regulation 284/09 – Budget Matters disclosure report as presented for the 2019 Operating Budget.

Council Approval of This Report Will Agree to the recommendation of the Administration and Finance Executive Committee to receive the Ontario Regulation 284/09 disclosure report for the 2019 Operating Budget as presented.

Schedule 1
2019 BUDGET
PSAB 3150 RECONCILIATION

Revenues	
General Operating	\$23,152,976
Water Operating	2,837,009
Sewer Operating	2,603,945
Capital	6,871,001
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	35,464,931
Less	
Transfers to Capital from other Funds ¹	(3,606,410)
Transfers to Capital from other Funds ¹	(6,250)
Transfers to Operating from other Funds ¹	-
Federal Gas Tax Recognized from Deferred Revenue	839,803
MTO Gas Tax Recognized from Deferred Revenue	-
Prior Year's Surplus	-
Proceeds from Long-Term Debt ²	-
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Total Revenues	\$32,692,074
 Expenses	
General Operating	\$23,152,976
Water Operating	2,837,009
Sewer Operating	2,603,945
Capital	6,871,001
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	35,464,931
Less	
Transfers from Operating to other (Reserve) Funds ³	1,769,089
Transfer from Water & Sewer to other Funds ³	17,982
Prior Year's Deficit	-
Capital Expenses	(6,871,001)
Debt Principal Repayments ⁴	345,838
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Total Expenses	\$30,726,839
 Annual Surplus, before exclusion	
	\$1,965,235
 Excluded Expenses	
Amortization of Tangible Capital Assets	4,614,600
Post Employment Benefits	-
Solid Waste Landfill Closure & Post-closure Expenses	-
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Total Excluded exclusions	\$4,614,600
 Annual Surplus (Deficit), after excluded Expenses	
	(\$2,649,365)

NOTES

¹ Transfers from other funds represents transfers from Reserve Funds for Expenditures and is not considered a revenue source under accrual accounting

² Proceeds from debenture issued is a debt financing decision and is considered a liability and not a revenue source under accrual accounting

³ Transfers to other funds represents contributions to reserves and is not considered an expense under accrual accounting

⁴ Debt principal repayments are considered repayments of long-term liabilities and are not an expense under accrual accounting

Schedule 2

2019 Projected Reserve Funds

Account Name	G/L Account #	Reserve Fund Balance December 31, 2018	Estimated 2019 Interest Earned	Estimated Contributions to Reserve Funds Based on 2019 Draft Budget	Estimated Reserve Cont'n to Capital/General Fund Based on 2019 Draft Budget	Estimated Reserve Fund Balance December 31, 2019
Museum Projects	30-002-0000-0810-20805	34,767.20	708.36		(26,500.00)	8,975.56
Handi-Transit MTO Gas Tax	30-002-0000-0810-20809	45,008.59	917.03			45,925.62
Children's Complex Projects	30-002-0000-0810-20811	66,154.15	1,347.86			67,502.01
Daycare/Toy Library Donations	30-002-0000-0810-20812	2,752.11	56.07			2,808.18
Parks & Cemeteries Projects	30-002-0000-0810-20823	47,327.39	964.28		(6,250.00)	42,041.67
Public Library & Technology Centre	30-002-0000-0810-20827	203,400.59	4,144.19			207,544.78
Sister Kennedy Centre Projects	30-002-0000-0810-20832	21,895.36	446.11			22,341.47
Post Landfill Closure	30-002-0000-0810-20851	746,146.84	15,202.40	111,172.00	(75,000.00)	797,521.24
Waterworks & Sanitary Sewer	30-002-0000-0810-20860	5,554,164.26	113,163.52		(416,277.00)	5,251,050.78
Watermeter Replacement	30-002-0000-0810-20870	113,259.54	2,307.61	17,982.00		133,549.15
Townshend Theatre	30-002-0000-0810-20871	115,134.94	2,345.82	7,000.00		124,480.76
Corporate Vehicles/Equipment	30-002-0000-0810-20874	1,207,735.25	24,607.05	150,000.00	(467,657.00)	914,685.30
Corporate Building	30-002-0000-0810-20875	1,804,881.06	36,773.61	450,000.00	(536,506.00)	1,755,148.67
Corp. Projects Reserve	30-002-0000-0810-20876	1,802,023.14	36,715.38	950,917.00	(1,101,917.00)	1,687,738.52
Corporate Contingency	30-002-0000-0810-20877	1,288,461.44	26,251.81			1,314,713.25
Federal Gas Tax Reserve	30-002-0000-0810-20878	0.00	0.00	976,102.00	(839,803.00)	136,299.00
Modernization Reserve	30-002-0000-0810-20879	-	9,187.07	689,030.00		698,217.07
Municipal Accommodation Tax	30-002-0000-0810-20872	-	-	100,000.00		100,000.00
		13,053,111.86	275,138.16	3,452,203.00	(3,469,910.00)	13,310,543.02
						-
Library Building	30-002-0000-0811-20828	402,289.70	8,045.79		(42,750.00)	367,585.49
		13,455,401.56	283,183.96	3,452,203.00	(3,512,660.00)	13,678,128.52

Cemeteries Reserve Fund

(100,000.00)

(3,612,660.00)

Clinic Financing Loan	244,443.84
Solar Panel Project Loan	90,535.29
Federal Gas Tax	-
Corporate Reserve Funds	7,163,968.47
Library/Technology Reserve Funds	402,289.70
Waterworks/Sanitary Sewer Reserves	5,554,164.26
	13,455,401.56

177,777.12
60,107.29
136,299.00
7,685,308.84
367,585.49
5,251,050.78
13,678,128.52

Reserve Funds Allocation

2019	Museum Projects	Parks & Cemeteries	Post Landfill Closure	Corporate Vehicles/ Equip	Corporate Buildings	Corporate Projects	Library & Tech Centre	Federal Gas Tax	Water & Sewer	Cemetery Reserve Funds	Total
Gen Government						62,000		125,000			187,000
Fire						61,763					61,763
Police Services Board											-
PW Building/General											-
PW Lg Equipment				284,928							284,928
Roads				138,622		757,312		714,803			1,610,737
Connecting Link											-
Sidewalks											-
Streetlight Poles						135,000					135,000
Airport					10,000	35,000					45,000
Parks/Cemetery		6,250								100,000	106,250
Waste Management			75,000								75,000
Children's Complex											-
Handi-van											-
Senior's Centre					2,000						2,000
Memorial Sports Centre				44,107	498,000	15,000					557,107
Recreation					7,961						7,961
Townshend Theatre											-
Sunny Cove					8,000						8,000
Library & Technology							42,750				42,750
Museum	26,500				7,545						34,045
Sorting Gap Marina					3,000	19,079					22,079
Planning & Development						763					763
Animal Shelter											-
Civic Centre											-
Wood Yard Study						16,000					16,000
Sanitary Sewer Projects									322,428		322,428
Waterworks Projects									93,849		93,849
Totals	26,500	6,250	75,000	467,657	536,506	1,101,917	42,750	839,803	416,277	100,000	3,612,660

Schedule 3
Amortization Budget

Department	Budget Distribution 2017 Amortization	Audited Actual 2017 Amoritization	Budget Distribution 2018 Amortization	Audited Actual 2018 Amoritization	Budget Distribution 2019 Amortization
General Government	125,000	148,213.58	164,300	146,907.33	154,000
Fire	40,000	71,848.05	86,100	44,797.72	51,300
Protective Inspection/Control	8,000	7,970.95	7,900	7,121.97	5,300
PW Admin/Buildings & Yards	15,000	19,512.02	20,500	19,654.05	18,900
Roads - Paved	1,300,000	1,326,858.19	1,341,000	1,347,522.03	1,380,300
Roads - Unpaved	47,000	42,636.08	42,700	42,030.60	42,000
Roads Structures	25,000	22,022.12	22,100	26,545.51	31,000
Roads - Winter Control	40,500	45,388.27	56,400	42,291.38	42,300
Sidewalks	235,000	245,708.79	256,500	261,318.24	265,500
Handi Transit	15,000	19,163.38	20,500	23,296.42	23,300
StreetLighting	107,500	108,191.75	114,200	83,448.35	85,100
Air Transportation	76,000	77,264.81	79,400	78,068.90	80,200
Urban Storm Sewer	167,000	170,362.03	180,400	179,903.00	182,400
Rural Storm Sewer	2,500	2,601.57	2,600	2,575.20	2,600
Waste Diversion (Recycling)	15,000	15,670.17	15,700	15,670.17	16,400
Cemeteries	9,800	8,445.74	8,500	12,801.51	18,200
Social & Family Serv	71,000	88,067.32	92,000	95,702.25	95,700
Parks	48,000	55,562.42	69,200	102,712.84	102,700
Recreation	300,000	310,060.12	322,900	332,796.37	359,700
Library	162,500	165,552.80	168,700	168,438.98	172,700
Cultural Services	85,000	81,706.76	85,300	80,783.89	80,800
Planning & Development	-				
Building Inspection Services	200	315.63	1,200	575.41	600
Sanitary Sewer Collection	190,000	177,159.57	184,800	183,297.01	219,500
Sanitary Sewer Treatment Plant	400,000	487,550.19	490,400	497,670.63	508,800
Water Treatment Distribution	325,000	333,233.72	344,300	350,768.22	383,700
Water Treatment Plant	290,000	294,809.26	296,300	294,096.37	291,600
	4,100,000	4,325,875.29	4,473,900	4,440,794.35	4,614,600