

TO: Mayor Avis & Members of Council
FROM: Laurie Witherspoon, Treasurer
DATE: May 4, 2016
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 2016 budget had all of these expenses 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 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 shall prepare a report about the excluded expenses and adopt the report by resolution.

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 2016 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 2016 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$3,860,000 as shown in ***Schedule 3*** attached to this report. However, the Capital budget includes Contributions from Reserve Funds in the amount of \$ 5,396,214.00 (\$6,281,462 less FGT \$876,304 + Donation from Cemetery Reserve Fund of \$8,944) for capital asset replacement as shown in ***Schedule 2*** attached to this report.
- 2) The 2016 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 2016 Operating budget includes the current year expense for landfill closure and post-closure expense, which is estimated at \$28,464. 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, 2015 was \$479,511.11 and estimated to have a closing balance of \$544,995.97 at December 31, 2016.

Schedule 1 to this report provides an analysis of the impact on the 2016 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 2016 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 2016 Operating Budgets as presented.

2016 BUDGET
PSAB 3150 RECONCILIATION
Schedule 1

Revenues

General Operating	\$21,604,520
Water Operating	2,681,685
Sewer Operating	2,430,115
Capital	12,164,941
	<hr/> 38,881,261
Less	
Transfers to Capital from other Funds ¹	(6,272,518)
Transfers to Capital from other Funds ¹ (In-Kind Services)	(22,580)
Transfers to Operating from other Funds ¹	(242,003)
Federal Gas Tax Recognized from Deferred Revenue	876,304
Prior Year's Surplus	0
Proceeds from Long-Term Debt ²	0
Total Revenues	<hr/> \$33,220,464 <hr/>

Expenses

General Operating	\$21,604,520
Water Operating	2,681,685
Sewer Operating	2,430,115
Capital	12,164,941
	<hr/> 38,881,261
Less	
Transfers from Operating to other (Reserve) Funds ³	1,437,893
Transfer from Water & Sewer to other Funds ³	17,981
Prior Year's Deficit	
Capital Expenses	(12,164,941)
Debt Principal Repayments ⁴	645,371
Total Expenses	<hr/> \$28,817,565 <hr/>

Annual Surplus, before exclusion \$4,402,899

Excluded Expenses

Amortization of Tangible Capital Assets	3,860,000
Post Employment Benefits	0
Solid Waste Landfill Closure & Post-closure Expenses	0
Total Excluded exclusions	<hr/> \$3,860,000 <hr/>

Annual Surplus, after excluded Expenses \$542,899

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

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

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

2016 RESERVE FUNDS

Schedule 2

Page 1 of 2

Account Name	G/L Account #	Reserve Fund Balance as at December 31, 2015	%	Estimated Interest Earned	Interest from FFCC Loan Payments	Contributions to Reserve Funds	Reserve Fund Contributions to Capital	Estimated Reserve Fund Balance as at December 31, 2016
Handi-Transit MTO Gas Tax	R-L60-0809-0000	49,948.92	0.366%	915.92	31.14		(40,000.00)	10,895.99
Children's Complex Projects	R-L60-0811-0000	114,171.39	0.837%	2,093.59	71.18			116,336.16
Daycare/Toy Library Donations	R-L60-0812-0000	2,615.94	0.019%	47.97	1.63			2,665.54
Parks & Cemeteries Projects	R-L60-0823-0000	45,639.63	0.335%	836.90	28.45			46,504.99
Public Library & Technology Centre	R-L60-0827-0000	220,872.96	1.620%	4,050.20	137.71			225,060.86
Sister Kennedy Centre Projects	R-L60-0832-0000	20,811.85	0.153%	381.63	12.98			21,206.46
Post Landfill Closure	R-L60-0851-0000	479,511.11	3.517%	8,792.90	298.96	56,393.00		544,995.97
Waterworks & Sanitary Sewer	R-L60-0860-0000	6,369,407.04	46.719%	116,797.24	3,971.11		(3,495,154.00)	2,995,021.39
Watermeter Replacement	R-L60-0870-0000	56,304.24	0.413%	1,032.46	35.10	17,981.00		75,352.81
Townshend Theatre	R-L60-0871-0000	91,420.38	0.671%	1,676.40	57.00	6,500.00		99,653.77
Corporate Vehicles/Equipment	R-L60-0874-0000	1,334,121.43	9.786%	24,464.08	831.78	150,000.00	(700,414.00)	809,003.29
Corporate Building	R-L60-0875-0000	1,075,278.74	7.887%	19,717.63	670.40	475,000.00	(129,905.00)	1,440,761.77
Corp. Projects Reserve	R-L60-0876-0000	1,947,018.24	14.281%	35,702.91	1,213.90	550,000.00	(1,000,741.00)	1,533,194.05
Corporate Contingency	R-L60-0877-0000	1,147,484.43	8.417%	21,041.68	715.42	200,000.00		1,369,241.53
Federal Gas Tax Reserve	R-L60-0878-0000	441,363.94	3.237%	8,093.39	275.18	483,532.25	(876,304.00)	56,960.75
Tax Rate Stabilization Reserve	R-L60-0880-0000	237,500.17	1.742%	4,355.09	148.07	(242,003.34)		0.00
Sub-total		13,633,470.41	100.00%	250,000.00	8,500.00	1,697,402.91	(6,242,518.00)	9,346,855.32
Library Building	R-L61-0828-0000	357,901.56					(30,000.00)	327,901.56
Cemeteries Reserve Fund		13,991,371.97		250,000.00	8,500.00	1,697,402.91	(6,272,518.00)	9,674,756.88
							(8,944)	
							(6,281,462)	
Clinic Financing Loan		444,444.00						377,780.28
Solar Panel Project Loan		175,707.63						148,300.26
Federal Gas Tax		441,363.94						56,960.75
Corporate Reserve Funds		5,925,370.60						5,468,378.96
Library/Technology Reserve Funds		578,774.52						552,962.42
Waterworks/Sanitary Sewer Reserves		6,425,711.28						3,070,374.20
		13,991,371.97						9,674,756.88

Reserve Funds Allocation

Page 2 of 2

2016	Corporate Vehicles/Equip	Corporate Buildings	Corporate Projects	Sister Kennedy Centre	Library & Tech Centre	MTO Gas Tax	Federal Gas Tax	Water & Sewer	Cemetery Reserve Funds	TOTAL
Gen Government			110,000							110,000
Corporate - Honeywell			17,855							17,855
Fire			40,425							40,425
Police Services Board			10,000							10,000
PW Building/General	8,000	37,405	27,290							72,695
PW Lg Equipment	558,414									558,414
PW Sm Vehicles										0
Roads			25,000					708,272		733,272
Connecting Link			4,526				472,268			476,794
Sidewalks							404,036			404,036
Streetlight Poles			16,200							16,200
Airport			60,000							60,000
Parks/Cemetery	54,000								8,944	62,944
Waste Management			13,255							13,255
Children's Complex	35,000									35,000
Handi-van	45,000					40,000				85,000
Memorial Sports Centre		27,500	106,900							134,400
Recreation			112,000							112,000
Sunny Cove			8,000							8,000
Library & Technology					30,000					30,000
Museum										0
Sorting Gap Marina										0
Planning & Development			2,290							2,290
Animal Shelter										0
Civic Centre		65,000	327,000							392,000
Market Square Project			120,000							120,000
Sanitary Sewer Projects								2,459,752		2,459,752
Waterworks Projects								327,130		327,130
Totals	700,414	129,905	1,000,741	0	30,000	40,000	876,304	3,495,154	8,944	6,281,462

Schedule 3

Amortization Budget

Department	Budget Distribution 2014 Amortization	Actual 2014 Amortization	Budget Distribution 2015 Amortization	Un-Audited Actual 2015 Amortization	Budget Distribution 2016 Amortization
General Government	118,800	123,387.22	120,000	122,504.73	125,000
Fire	48,000	37,769.15	38,000	39,565.37	40,000
Protective Inspection/Control	4,300	4,358.98	6,000	6,128.59	10,000
PW Admin/Buildings & Yards	12,500	10,765.54	35,000	11,767.36	12,500
Roads - Paved	1,215,000	1,208,211.86	1,220,000	1,225,488.23	1,240,000
Roads - Unpaved	43,000	40,524.88	43,000	46,208.95	47,000
Roads Structures	25,000	24,619.39	25,000	23,922.64	25,000
Roads - Winter Control	30,000	22,129.33	30,000	28,570.13	30,000
Sidewalks	235,000	230,921.13	235,000	232,585.02	235,000
Handi Transit	40,300	11,914.66	12,000	11,914.66	14,500
StreetLighting	110,000	102,546.76	110,000	104,676.98	107,500
Air Transportation	64,000	55,899.26	67,000	64,843.55	67,000
Urban Storm Sewer	155,000	156,691.41	160,000	161,513.63	165,000
Rural Storm Sewer	4,500	2,185.46	2,500	2,185.46	2,300
Waste Disposal	0	0.00	0	0.00	0
Waste Diversion (Recycling)	17,500	6,759.48	15,000	9,717.50	16,000
Cemeteries	12,000	9,267.64	12,000	9,267.64	12,000
Social & Family Serv	65,000	68,060.39	68,000	69,488.76	70,000
Parks	45,500	45,152.25	45,000	46,830.48	48,000
Recreation	285,000	276,923.95	280,000	281,627.48	285,000
Library	190,000	189,956.63	190,000	174,978.80	175,000
Cultural Services	85,000	81,636.97	80,000	81,894.20	82,000
Planning & Development	150	40.14	80	20.05	50
Building Inspection Services	0	99.76	200	199.52	200
Sanitary Sewer Collection	210,000	178,654.47	190,000	183,193.71	190,000
Sanitary Sewer Treatment Plant	295,000	279,891.60	281,220	278,413.39	281,220
Water Treatment Distribution	325,000	293,564.44	300,000	301,056.31	305,000
Water Treatment Plant	270,000	254,730.32	260,000	270,653.27	274,730
	3,905,550	3,716,663.07	3,825,000	3,789,216.41	3,860,000