

TO: Mayor Avis & Members of Council
FROM: Laurie Lindberg, Treasurer
DATE: June 5, 2017
SUBJECT: Ontario Regulation 284/09 – Budget Matters (Amended)

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 2017 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 2017 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 2017 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$4,100,000.00 as shown in ***Schedule 3*** attached to this report. However, the Capital budget includes Contributions from Reserve Funds in the amount of \$1,859,070 (\$2,729,070 less FGT \$820,000 + MTO Gas Tax \$50,000) for capital asset replacement as shown in ***Schedule 2*** attached to this report.
- 2) The 2017 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 2017 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 of 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, 2016 was \$544,695.22 and estimated to have a closing balance of \$641,081.63 at December 31, 2017.

Schedule 1 to this report provides an analysis of the impact on the 2017 Budget with the inclusion of the above noted expenses.

This report is to replace Treasury Report 2017/55 dated May 17, 2017 as the Capital funding for Colonization Rd E project has been amended.

RECOMMENDATION

The Administration & Finance Executive Committee recommends that Council receive the Ontario Regulation 284/09 – Budget Matters disclosure report for the 2017 Operating Budget as amended and replacing Treasury Report 2017/54 dated May 17, 2017.

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 2017 Operating Budgets as amended and replacing the Treasury Report 2017/55 dated May 21, 2017.

**2017 BUDGET
PSAB 3150 RECONCILIATION**

Schedule 1

	<u>AMENDED</u>
Revenues	
General Operating	\$21,739,787
Water Operating	2,749,279
Sewer Operating	2,515,426
Capital	7,568,731
	<hr/> 34,573,223
Less	
Transfers to Capital from other Funds ¹	(2,718,070)
Transfers to Capital from other Funds ¹	(11,000)
Transfers to Operating from other Funds ¹	0
Federal Gas Tax Recognized from Deferred Revenue	820,000
MTO Gas Tax Recognized from Deferred Revenue	50,000
Prior Year's Surplus	0
Proceeds from Long-Term Debt ²	0
Total Revenues	<hr/> \$32,714,153 <hr/>
Expenses	
General Operating	\$21,739,787
Water Operating	2,749,279
Sewer Operating	2,515,426
Capital	7,568,731
	<hr/> 34,573,223
Less	
Transfers from Operating to other (Reserve) Funds ³	1,468,413
Transfer from Water & Sewer to other Funds ³	453,202
Prior Year's Deficit	
Capital Expenses	(7,568,731)
Debt Principal Repayments ⁴	639,674
Total Expenses	<hr/> \$29,565,781 <hr/>
Annual Surplus, before exclusion	\$3,148,372
Excluded Expenses	
Amortization of Tangible Capital Assets	4,100,000
Post Employment Benefits	0
Solid Waste Landfill Closure & Post-closure Expenses	0
Total Excluded exclusions	<hr/> \$4,100,000 <hr/>
Annual Surplus, after excluded Expenses	-\$951,628

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

Schedule 2

2017 PROJECTED RESERVE FUNDS

Account Name	G/L Account #	Reserve Fund Balance as at December 31, 2016	Jan-17 Adjustment	%	Estimated Interest Earned	Contributions to Reserve Funds	Additional Contribution to Reserve Fund	Reserve Fund Contributions to Capital/General	Estimated Reserve Fund Balance as at December 31, 2017
Museum Projects	R-L60-0805-0000	50,640.95		0.46%	927.24				51,568.19
Handi-Transit MTO Gas Tax	R-L60-0809-0000	50,867.99		0.47%	931.40			(50,000.00)	1,799.39
Children's Complex Projects	R-L60-0811-0000	103,207.40		0.94%	1,889.73			(42,200.00)	62,897.13
Daycare/Toy Library Donations	R-L60-0812-0000	2,664.07		0.02%	48.78				2,712.85
Parks & Cemeteries Projects	R-L60-0823-0000	48,746.91		0.45%	892.56				49,639.47
Public Library & Technology Centre	R-L60-0827-0000	207,021.10		1.90%	3,790.57				210,811.67
Sister Kennedy Centre Projects	R-L60-0832-0000	21,194.79		0.19%	388.08				21,582.87
Post Landfill Closure	R-L60-0851-0000	544,695.22		4.99%	9,973.41	86,413.00			641,081.63
Waterworks & Sanitary Sewer	R-L60-0860-0000	3,648,287.03	(154,170.23)	31.99%	63,977.52	435,220.00		(103,102.00)	3,890,212.32
Watermeter Replacement	R-L60-0870-0000	75,505.73		0.69%	1,382.52	17,982.00			94,870.25
Townshend Theatre	R-L60-0871-0000	101,100.53		0.93%	1,851.16	7,000.00			109,951.69
Corporate Vehicles/Equipment	R-L60-0874-0000	982,923.73		9.00%	17,997.40	150,000.00		(394,082.00)	756,839.13
Corporate Building	R-L60-0875-0000	1,554,024.08		14.23%	28,454.29	450,000.00		(151,270.00)	1,881,208.37
Corporate Projects Reserve	R-L60-0876-0000	2,185,990.77		20.01%	40,025.64	600,000.00		(1,122,416.00)	1,703,600.41
Corporate Contingency	R-L60-0877-0000	1,173,729.76		10.75%	21,491.07	175,000.00			1,370,220.83
Federal Gas Tax Reserve	R-L60-0878-0000	172,350.91	154,170.23	2.99%	5,978.63	483,532.25	8,560.14	(820,000.00)	4,592.16
Tax Rate Stabilization Reserve	R-L60-0880-0000	-							-
Sub-total		10,922,950.97	0.00	1.00	200,000.00	2,405,147.25	8,560.14	(2,683,070.00)	10,853,588.36
									-
Library Building	R-L61-0828-0000	435,963.40			4,000.00			(35,000.00)	404,963.40
		11,358,914.37			204,000.00	2,405,147.25	8,560.14	(2,718,070.00)	11,258,551.76
Cemeteries Reserve Fund								(11,000.00)	
								(2,729,070.00)	
Clinic Financing Loan		377,777.28							311,110.56
Solar Panel Project Loan		148,300.26							119,920.97
Federal Gas Tax		172,350.91							4,592.16
Corporate Reserve Funds		6,293,708.66							6,222,070.43
Library/Technology Reserve Funds		642,984.50							615,775.07
Waterworks/Sanitary Sewer Reserves		3,723,792.76							3,985,082.57
		11,358,914.37							11,258,551.76

Reserve Funds Allocation

2017	Corporate Vehicles/Equip	Corporate Buildings	Corporate Projects	FF Children's Complex	Library & Tech Centre	MTO Gas Tax	Federal Gas Tax	Water & Sewer	Cemetery Reserve Funds	TOTAL
Gen Government			78,000				155,250			233,250
Fire	36,470		13,920							50,390
Police Services Board			5,830							5,830
PW Building/General	8,000	40,000	15,930							63,930
PW Lg Equipment	116,800									116,800
Roads			262,437							262,437
Connecting Link			80,324				383,724			464,048
Sidewalks			110,750				281,026			391,776
Streetlight Poles			15,000							15,000
Airport			25,000							25,000
Parks/Cemetery	58,500								11,000	69,500
Waste Management			75,000							75,000
Children's Complex	35,000			42,200						77,200
Handi-van	81,067					50,000				131,067
Memorial Sports Centre	48,245	28,100	90,000							166,345
Recreation	10,000		60,770							70,770
Sunny Cove			8,000							8,000
Library & Technology					35,000					35,000
Museum										0
Sorting Gap Marina										0
Planning & Development			8,030							8,030
Animal Shelter										0
Civic Centre		83,170								83,170
Market Square Project			273,425							273,425
Sanitary Sewer Projects								103,102		103,102
Waterworks Projects								0		0
Totals	394,082	151,270	1,122,416	42,200	35,000	50,000	820,000	103,102	11,000	2,729,070

Schedule 3

Amortization Budget

Department	Budget Distribution 2015 Amortization	Audited Actual 2015 Amortization	Budget Distribution 2016 Amortization	Audited Actual 2016 Amortization	Budget Distribution 2017 Amortization
General Government	120,000.00	122,504.73	125,000.00	123,676.79	125,000.00
Fire	38,000.00	39,565.37	40,000.00	36,675.10	40,000.00
Protective Inspection/Control	6,000.00	6,128.59	10,000.00	7,812.66	8,000.00
PW Admin/Buildings & Yards	35,000.00	11,767.36	12,500.00	14,990.70	15,000.00
Roads - Paved	1,220,000.00	1,225,488.23	1,240,000.00	1,288,546.41	1,300,000.00
Roads - Unpaved	43,000.00	46,208.95	47,000.00	46,584.56	47,000.00
Roads Structures	25,000.00	23,922.64	25,000.00	22,824.63	25,000.00
Roads - Winter Control	30,000.00	28,570.13	30,000.00	40,199.61	40,500.00
Sidewalks	235,000.00	232,585.02	235,000.00	234,867.42	235,000.00
Handi Transit	12,000.00	11,914.66	14,500.00	11,914.66	15,000.00
StreetLighting	110,000.00	104,676.98	107,500.00	106,426.00	107,500.00
Air Transportation	67,000.00	64,843.55	67,000.00	75,463.39	76,000.00
Urban Storm Sewer	160,000.00	161,513.63	165,000.00	166,911.92	167,000.00
Rural Storm Sewer	2,500.00	2,185.46	2,300.00	2,406.65	2,500.00
Waste Disposal	0.00	0.00	0.00	0.00	0.00
Waste Diversion (Recycling)	15,000.00	9,717.50	16,000.00	14,172.85	15,000.00
Cemeteries	12,000.00	9,267.64	12,000.00	8,856.69	9,800.00
Social & Family Serv	68,000.00	69,488.76	70,000.00	70,477.25	71,000.00
Parks	45,000.00	46,830.48	48,000.00	47,235.17	48,000.00
Recreation	280,000.00	281,627.48	285,000.00	294,404.48	300,000.00
Library	190,000.00	174,978.80	175,000.00	160,577.50	162,500.00
Cultural Services	80,000.00	81,894.20	82,000.00	83,657.99	85,000.00
Planning & Development	80.00	20.05	50.00	0.00	0.00
Building Inspection Services	200.00	199.52	200.00	199.32	200.00
Sanitary Sewer Collection	190,000.00	183,193.71	190,000.00	189,193.83	190,000.00
Sanitary Sewer Treatment Plant	281,220.00	278,413.39	281,220.00	375,626.01	400,000.00
Water Treatment Distribution	300,000.00	301,056.31	305,000.00	318,072.32	325,000.00
Water Treatment Plant	260,000.00	270,653.27	274,730.00	285,699.07	290,000.00
	3,825,000.00	3,789,216.41	3,860,000.00	4,027,472.98	4,100,000.00