

TO: Mayor Avis & Members of Council
FROM: Dawn Galusha, Deputy Treasurer
DATE: May 2, 2018
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 2018 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 2018 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 2018 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$4,473,900.00 as shown in ***Schedule 3*** attached to this report. However, the Capital budget includes Contributions from Reserve Funds in the amount of \$2,134,161 (\$2,640,719 less FGT \$506,558) for capital asset replacement as shown in ***Schedule 2*** attached to this report.

- 2) The 2018 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 2018 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, 2017 was \$641,958.65 and estimated to have a closing balance of \$764,242.91 at December 31, 2018.

Schedule 1 to this report provides an analysis of the impact on the 2018 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 2018 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 2018 Operating Budget as presented.

Schedule 1
2018 BUDGET
PSAB 3150 RECONCILIATION

Revenues

General Operating	\$22,324,295
Water Operating	2,808,219
Sewer Operating	2,579,930
Capital	8,187,424
	<hr/> 35,899,868
Less	
Transfers to Capital from other Funds ¹	(3,547,845)
Transfers to Capital from other Funds ¹	0
Transfers to Operating from other Funds ¹	0
Federal Gas Tax Recognized from Deferred Revenue	579,653
MTO Gas Tax Recognized from Deferred Revenue	0
Prior Year's Surplus	0
Proceeds from Long-Term Debt ²	0
Total Revenues	<hr/> \$32,931,676

Expenses

General Operating	\$22,324,295
Water Operating	2,808,219
Sewer Operating	2,579,930
Capital	8,187,424
	<hr/> 35,899,868
Less	
Transfers from Operating to other (Reserve) Funds ³	1,517,729
Transfer from Water & Sewer to other Funds ³	616,432
Prior Year's Deficit	
Capital Expenses	(8,187,424)
Debt Principal Repayments ⁴	438,282
Total Expenses	<hr/> \$30,284,887

Annual Surplus, before exclusion \$2,646,789

Excluded Expenses

Amortization of Tangible Capital Assets	4,473,900
Post Employment Benefits	0
Solid Waste Landfill Closure & Post-closure Expenses	0
Total Excluded exclusions	<hr/> \$4,473,900

Annual Surplus (Deficit), after excluded Expenses -\$1,827,111

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
2018 Projected Reserve Funds

Account Name	G/L Account #	Reserve Fund Balance as at December 31, 2017	Estimated Interest Earned	Contributions to Reserve Funds	Reserve Fund Contributions to Capital/General	Estimated Reserve Fund Balance as at December 31, 2018
Museum Projects	30-002-0000-0810-20805	60,756.59	1,093.62			61,850.21
Handi-Transit MTO Gas Tax	30-002-0000-0810-20809	14,196.93	255.54			14,452.47
Children's Complex Projects	30-002-0000-0810-20811	65,299.04	1,175.38			66,474.42
Daycare/Toy Library Donations	30-002-0000-0810-20812	2,717.24	48.91			2,766.15
Parks & Cemeteries Projects	30-002-0000-0810-20823	50,402.22	907.24			51,309.46
Public Library & Technology Centre	30-002-0000-0810-20827	211,160.69	3,800.89			214,961.58
Sister Kennedy Centre Projects	30-002-0000-0810-20832	21,617.86	389.12			22,006.98
Post Landfill Closure	30-002-0000-0810-20851	641,958.65	11,555.26	110,729.00		764,242.91
Waterworks & Sanitary Sewer	30-002-0000-0810-20860	4,804,825.43	86,486.86	598,450.00		5,489,762.29
Watermeter Replacement	30-002-0000-0810-20870	95,152.73	1,712.75	17,982.00		114,847.48
Townshend Theatre	30-002-0000-0810-20871	113,264.45	2,038.76	7,000.00	(11,000.00)	111,303.21
Corporate Vehicles/Equipment	30-002-0000-0810-20874	819,668.40	14,754.03	150,000.00	(505,341.00)	479,081.43
Corporate Building	30-002-0000-0810-20875	1,892,156.07	34,058.81	450,000.00	(544,204.00)	1,832,010.88
Corp. Projects Reserve	30-002-0000-0810-20876	2,369,017.51	42,642.32	800,000.00	(1,882,647.00)	1,329,012.83
Corporate Contingency	30-002-0000-0810-20877	1,272,157.14	22,898.83			1,295,055.97
Federal Gas Tax Reserve	30-002-0000-0810-20878	72,160.96	934.45	506,557.59	(579,653.00)	0.00
Tax Rate Stabilization Reserve	30-002-0000-0810-20880	0.00				0.00
		12,506,511.91	224,752.77	2,640,718.59	(3,522,845.00)	11,849,138.27
Library Building	30-002-0000-0811-20828	423,735.79	7,725.00		(25,000.00)	406,460.79
		12,930,247.70	232,477.77	2,640,718.59	(3,547,845.00)	12,255,599.06

Clinic Financing Loan	311,110.56	244,443.84
Solar Panel Project Loan	119,920.97	90,535.29
Federal Gas Tax	72,160.96	-
Corporate Reserve Funds	6,892,180.57	5,694,587.79
Library/Technology Reserve Funds	634,896.48	621,422.37
Waterworks/Sanitary Sewer Reserves	4,899,978.16	5,604,609.77
	<u>12,930,247.70</u>	<u>12,255,599.06</u>

Reserve Funds Allocation

2018	Corporate Vehicles/ Equip	Corporate Buildings	Corporate Projects	Library & Tech Centre	Townshend Theatre	Federal Gas Tax	Total
Gen Government			215,500				215,500
Fire			182,009				182,009
Police Services Board							-
PW Building/General		35,000	8,763			62,250	106,013
PW Lg Equipment	330,000						330,000
Roads			433,134			517,403	950,537
Connecting Link			206,703				206,703
Sidewalks			351,615				351,615
Streetlight Poles			207,000				207,000
Airport	42,000						42,000
Parks/Cemetery	46,750	270,000	22,000				338,750
Waste Management			75,000				75,000
Children's Complex							-
Handi-van							-
Memorial Sports Centre	47,794	128,900	45,000				221,694
Recreation	10,000	56,000	56,000				122,000
Townshend Theatre					11,000		11,000
Sunny Cove							-
Library & Technology				25,000			25,000
Museum		27,405					27,405
Sorting Gap Marina							-
Planning & Development			9,923				9,923
Animal Shelter							-
Civic Centre	28,797	26,899					55,696
Market Square Project			70,000				70,000
Sanitary Sewer Projects							-
Waterworks Projects							-
Totals	505,341	544,204	1,882,647	25,000	11,000	579,653	3,547,845

Schedule 3
Amortization Budget

Department	Budget Distribution 2016 Amortization	Audited Actual 2016 Amortization	Budget Distribution 2017 Amortization	Audited Actual 2017 Amortization	Budget Distribution 2018 Amortization
General Government	125,000	123,676.79	125,000	148,213.58	164,300
Fire	40,000	36,675.10	40,000	71,848.05	86,100
Protective Inspection/Control	10,000	7,812.66	8,000	7,970.95	7,900
PW Admin/Buildings & Yards	12,500	14,990.70	15,000	19,512.02	20,500
Roads - Paved	1,240,000	1,288,546.41	1,300,000	1,326,858.19	1,341,000
Roads - Unpaved	47,000	46,584.56	47,000	42,636.08	42,700
Roads Structures	25,000	22,824.63	25,000	22,022.12	22,100
Roads - Winter Control	30,000	40,199.61	40,500	45,388.27	56,400
Sidewalks	235,000	234,867.42	235,000	245,708.79	256,500
Handi Transit	14,500	11,914.66	15,000	19,163.38	20,500
StreetLighting	107,500	106,426.00	107,500	108,191.75	114,200
Air Transportation	67,000	75,463.39	76,000	77,264.81	79,400
Urban Storm Sewer	165,000	166,911.92	167,000	170,362.03	180,400
Rural Storm Sewer	2,300	2,406.65	2,500	2,601.57	2,600
Waste Diversion (Recycling)	16,000	14,172.85	15,000	15,670.17	15,700
Cemeteries	12,000	8,856.69	9,800	8,445.74	8,500
Social & Family Serv	70,000	70,477.25	71,000	88,067.32	92,000
Parks	48,000	47,235.17	48,000	55,562.42	69,200
Recreation	285,000	294,404.48	300,000	310,060.12	322,900
Library	175,000	160,577.50	162,500	165,552.80	168,700
Cultural Services	82,000	83,657.99	85,000	81,706.76	85,300
Planning & Development	50	-	-	-	-
Building Inspection Services	200	199.32	200	315.63	1,200
Sanitary Sewer Collection	190,000	189,193.83	190,000	177,159.57	184,800
Sanitary Sewer Treatment Plant	281,220	375,626.01	400,000	487,550.19	490,400
Water Treatment Distribution	305,000	318,072.32	325,000	333,233.72	344,300
Water Treatment Plant	274,730	285,699.07	290,000	294,809.26	296,300
	3,860,000	4,027,472.98	4,100,000	4,325,875.29	4,473,900