

TO: Mayor Caul & Members of Council
FROM: Dawn Galusha, Treasurer
DATE: April 7, 2020
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 2020 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 2020 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 2020 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$4,800,000. However, the Capital budget includes Contributions from Reserve Funds in the amount of \$5,088,849 (\$5,601,097 less FGT \$512,248) for capital asset replacement as shown in ***Schedule 2*** attached to this report.

- 2) The 2020 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 2020 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, 2019 was \$889,007.13 and estimated to have a closing balance of \$675,209.55 at December 31, 2020 due to the use of funds for Landfill site expansion activities.

Schedule 1 to this report provides an analysis of the impact on the 2020 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 2020 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 2020 Operating Budget as presented.