

TO: Mayor Avis & Members of Council
FROM: Laurie Witherspoon, Treasurer
DATE: June 5, 2014
SUBJECT: Ontario Regulation 284/09 Report – 2014 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 2014 budget had all of these expenses been included.

Accounting standards and reporting requirements changed dramatically for 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 2014 Operating Budget excluding only amortization. The budget this year does include annual post employment benefits and solid waste landfill closure and post-closure expenses.

- 1) The 2014 Operating Budget does not include expense for the amortization of its tangible capital assets estimated in the sum of \$3,905,550. However, the budget did include \$1,194,282.00 (\$2,001,045 less FGT \$806,763) for capital asset replacement as shown in ***Schedule 1*** attached to this report.
- 2) The 2014 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 engaged Morneau Shepell to provide a post-retirement non-pension benefits actuary report providing an accounting valuation as at December 31, 2013 and have projected results to the end of the 2014 and 2015. The post-retirement liability continues to be an unfunded liability.
- 3) The 2014 Operating budget includes the current year expense for landfill closure and post-closure expense, which is estimated at \$39,807. 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, 2013 was \$306,867.90 and estimated to have a closing balance of \$353,615.81 at December 31, 2014.

Schedule 2 to this report provides an analysis of the impact on the 2014 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 2014 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 - Budget Matter disclosure report for the Town of Fort Frances 2014 Budgets as presented.

Town of Fort Frances - Reserve Funds
Estimated Projections to December 31, 2014

Schedule 1

						2014			
Account Name	G/L Account #	Balance as at Dec. 31/13	%	Interest Earned	Contribution to/from Revenue Fund, Donations or FGT Funding	Contributions to Capital Projects as per Capital Budget to	Reserve Balance Projected to December 31, 2014		
Handi-Transit Van-MTO Gas Tax	R-L60-0809-0000	21,826.31	0.219%	493.68	7,000.00		29,319.99		
Day Care/Toy Library Donations	R-L60-0812-0000	2,512.38	0.025%	56.83			2,569.21		
Waterworks/Sanitary Sewer Projects	R-L60-0860-0000	6,524,769.40	65.592%	147,580.92	219,740.00	(543,683.00)	6,348,407.32		
Parks & Cemeteries Projects (Parkland/Lion's)	R-L60-0823-0000	45,931.34	0.462%	1,038.90			46,970.24		
Public Library & Technology Centre	R-L60-0827-0000	259,919.28	2.613%	5,879.00			265,798.28		
Sister Kennedy Centre Projects	R-L60-0832-0000	19,987.99	0.201%	452.10			20,440.09		
Post Landfill Closure	R-L60-0851-0000	306,867.90	3.085%	6,940.91	39,807.00		353,615.81		
Water Meter Replacement	R-L60-0870-0000	18,725.70	0.188%	423.55	19,533.00		38,682.25		
Townshend Theatre	R-L60-0871-0000	83,747.22	0.842%	1,894.24	6,500.00	(11,600.00)	80,541.46		
Corporate Vehicles & Equipment	R-L60-0874-0000	1,402,419.82	14.098%	31,720.72	100,000.00	(382,000.00)	1,152,140.54		
Corporate Buildings	R-L60-0875-0000	311,497.26	3.131%	7,045.62	450,000.00	(35,293.00)	733,249.88		
Corp. Projects Reserve Fund	R-L60-0876-0000	592,850.97	5.960%	13,409.44	500,000.00	(221,706.00)	884,554.41		
Corporate Contingency	R-L60-0877-0000	9,134.88	0.092%	206.62	285,000.00		294,341.50		
SUB-TOTAL		9,600,190.45		217,142.53	1,627,580.00	(1,194,282.00)	10,250,630.98		
Federal Gas Tax	R-L60-0878-0000	347,390.57	3.492%	7,857.47	460,506.90	(806,763.00)	8,991.94		
Tax Rate Stabilization (Deferred Revenue)	R-L60-0880-0050		0.000%		663,000.00	(559,396.00)	103,604.00		
Library Building (Separate Acct)	R-L61-0828-0000	37,241.43		300.00			37,541.43		
Investment Interest				196,925.00					
Solar Project Interest				7,638.00					
B/L 35/96A WPCP Debenture Interest				7,767.00					
Clinic Financing		9,984,822.45		225,000.00	2,751,086.90	(2,560,441.00)	10,400,768.35		

Clinic Financing Loan	577,777.44
Solar Panel Project Loan	227,738.60
Federal Gas Tax	347,390.57
Corporate Reserve Funds	1,991,260.03
Library Building Reserve Funds	297,160.71
Waterworks Reserve Funds	6,543,495.10
	<u>9,984,822.45</u>

Clinic Financing Loan	511,110.72
Solar Panel Project Loan	202,176.37
Federal Gas Tax	8,991.94
Corporate Reserve Funds	2,988,060.04
Library Building Reserve Funds	303,339.71
Waterworks Reserve Funds	6,387,089.57
	<u>10,400,768.35</u>

2014 BUDGET
PSAB 3150 RECONCILIATION
Schedule 2

Revenues

General Operating	\$22,244,645
Water Operating	2,561,716
Sewer Operating	2,210,871
Capital	6,383,330
	<u>33,400,562</u>

Less

Transfers to Capital from other Funds ¹	(2,001,045)
Transfer to Capital from other Funds ¹ (In-Kind Services)	(181,524)
Transfers to Operating from other Funds ¹	0
Federal Gas Tax Recognized from Deferred Revenue	806,763
Prior Year's Surplus	0
Proceeds from Long-Term Debt ²	0
Total Revenues	<u>\$32,024,756</u>

Expenses

General Operating	22,244,645
Water Operating	2,561,716
Sewer Operating	2,210,871
Capital	6,383,330
	<u>33,400,562</u>

Less

Transfers from Operating to other Funds ³	(1,388,307)
Transfer from Water & Sewer to other Funds ³	(239,273)
Prior Year's Deficit	(63,205)
Capital Expenses	(6,383,330)
Debt Principal Repayments ⁴	(777,718)
Total Expenses	<u>\$24,548,729</u>

Annual Surplus, before exclusion	\$7,476,027
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Excluded Expenses

Amortization of Tangible Capital Assets	3,905,550
Post Employment Benefits	0
Solid Waste Landfill Closure & Post-closure Expenses	0
Total Excluded exclusions	<u>\$3,905,550</u>

Annual Surplus, after excluded Expenses	\$3,570,477
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NOTES

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

² Proceeds from debenture issue 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

2014 Budget Summaries

<u>General Division</u>	Revenue	Expenditure	Budget Deficit
Corporate	(\$17,342,135)	\$8,272,447	(\$9,069,688)
Administration & Finance	(\$581,746)	\$1,297,066	\$715,320
Emergency Services	(\$63,134)	\$3,762,714	\$3,699,580
Community Services	(\$2,218,046)	\$3,755,477	\$1,537,431
Operations & Facilities	(\$1,859,284)	\$4,627,763	\$2,768,479
Planning & Development	(\$180,300)	\$529,178	\$348,878
	<u>(\$22,244,645)</u>	<u>\$22,244,645</u>	<u>(\$0)</u>
Capital Budget	<u>(\$6,383,330) *</u>	<u>\$6,383,330</u>	<u>\$0</u>
Water Operating Budget	(\$2,561,716)	\$2,561,716	\$0
Sewer Operating Budget	(\$2,210,871)	\$2,210,871	(\$0)
	<u>(\$4,772,587)</u>	<u>\$4,772,587</u>	<u>(\$0)</u>

* Includes In-Kind Contribution of \$181,524

Amortization Budget

Department	Budget Distribution 2012 Amortization	Actual 2012 Amortization	Budget Distribution 2013 Amortization	Un-Audited Actual 2013 Amortization	Budget Distribution 2014 Amortization
General Government	90,000	102,081.97	105,000	116,315.95	118,800
Fire	50,000	59,127.37	60,000	47,535.46	48,000
Protective Inspection/Control		3,740.34	3,500	4,273.43	4,300
PW Admin/Buildings & Yards				12,404.80	12,500
Roads - Paved	1,050,000	1,421,473.85	1,500,000	1,188,213.24	1,215,000
Roads - Unpaved	40,000	42,249.06	42,500	37,222.27	43,000
Roads Structures	20,000	24,218.14	25,000	24,218.14	25,000
Roads - Winter Control	20,000	22,129.33	23,500	22,129.33	30,000
Sidewalks		236,954.91		230,303.58	235,000
Handi Transit	8,000	9,072.91	15,000	40,331.17	40,300
Parking	0	305.90	0		0
Street Lighting	50,000	67,896.37	75,000	88,700.01	110,000
Air Transportation	60,000	67,895.60	75,000	56,600.53	64,000
Urban Storm Sewer	150,000	151,838.76	160,000	152,804.81	155,000
Rural Storm Sewer		1,537.04	1,500	4,425.27	4,500
Waste Disposal		194.19	0	0.00	
Waste Diversion (Recycling)	5,000	6,759.48	7,000	6,759.48	17,500
Cemeteries	5,000	6,908.71	7,200	9,210.89	12,000
Social & Family Serv	55,000	59,430.68	62,500	64,335.52	65,000
Parks	37,000	44,111.60	45,500	45,246.79	45,500
Recreation	200,000	257,500.20	267,500	270,929.97	285,000
Library	150,000	189,414.25	190,300	189,490.31	190,000
Cultural Services	55,000	78,440.31	7,900	80,760.92	85,000
Planning & Development		272.34	0	156.24	150
Building Inspection Services		2,094.70	2,000	0.00	0
Sanitary Sewer Collection	100,000	148,607.87	158,000	173,785.36	210,000
Sanitary Sewer Treatment	300,000	306,832.74	310,000	291,980.93	295,000
Water Treatment	225,000	256,093.22	260,000	283,505.16	325,000
Water Distribution	230,000	264,866.68	273,100	254,730.32	270,000
	2,900,000	3,832,048.52	3,677,000	3,696,369.88	3,905,550