

**TOWN OF MINTO**

DATE: March 16, 2015
REPORT TO: Mayor and Council
FROM: Gordon Duff, Treasurer
SUBJECT: Budget Impacts per Reg 284/09

STRATEGIC PLAN:

5.6 Analyze, prioritize and evaluate major capital projects from a cost-benefit perspective to determine fiscally feasibility. Comply with Provincial Asset Management Plan rules and accepted practices for small rural municipalities.

BACKGROUND:

The Province of Ontario has enacted new legislation regarding the adoption of budgets for 2010 and subsequent years. Regulation 284/09 allows a municipality to exclude from their estimated expenses costs related to amortization expense, post-employment benefits, and solid waste landfill closure and post-closure expenses. However, the regulation does require that the municipality report on the impact of these excluded costs. The regulation requires that the report contain information regarding 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 the estimated impact of the exclusions on future tangible capital asset funding requirements.

The Town of Minto continues to prepare budgets on a modified accrual basis. The tax rate is based on annual cash requirements and therefore does not include the PSAB requirements around accrual accounting and accounting for “non-financial assets and liabilities.”

COMMENTS:

For the year 2015, the Town of Minto has a post-employment benefit liability of approximately \$49,800 and it had no anticipated landfill closure costs. The Town of Minto developed its 2016 budget excluding amortization expenses. Based on 2015 amounts, amortization for 2016 is expected to be about \$2,750,000. This figure includes approximately \$1,010,000 in estimated amortization of water and wastewater tangible capital assets. The amount of proposed capital expenditures measured in the traditional way contained in the draft 2016 budget is approximately \$7,300,700. The Town of Minto calculated its 2016 operating and capital budgets on a traditional basis which included cash required to make principal payments on long-term debt and pay for the acquisition of tangible capital assets. The Town also continued to finance its water and wastewater utilities on a full cost recovery basis. Therefore, the budget is prepared in order to calculate the tax levy for the year in order to fund all activities of the municipality excluding water and wastewater operations.

In effect, the Reserve and Capital Funds no longer exist for accounting purposes. Transfers between the Operating, Reserve and Capital Funds are all eliminated in order to prepare the annual audited financial statements. Contributions of \$1,908,634 to the Reserve Fund will not be recognized as an expense nor will capital purchases of \$7,300,700 or principal debt payments of \$965,000 be treated as an expense for accounting purposes. Conversely, transfers from the Reserve Fund to the operating and Capital funds totaling \$2,156,334 will also not be recognized.

FINANCIAL CONSIDERATIONS:

While there are no direct financial implications associated with this report, the information contained herein will be reflected in the 2015 and 2016 annual audited financial statements.

RECOMMENDATION:

That Council receives and approves the report dated March 17, 2016 from the Treasurer regarding Budget Impacts per Reg 284/09.

Gordon Duff
Treasurer