

Staff Report to Council

Title: 2024 Compliance with
Regulation 284/09

Report Number: Financial Services-2024-06

Director: Corporate Services

Manager: Manager.

Meeting Date:
Wednesday, March 6, 2024

Date to be considered by Council:
Wednesday, March 6, 2024

Recommendation:

That Council adopt the compliance report for expenses excluded from the 2024 budget outlined in report Financial Services-2024-06 as a requirement of Ontario Regulation 284/09 passed under the Municipal Act, 2001.

Executive Summary:

Municipalities are required under Ontario Regulation 284/09 to report on amortization, post-employment benefits and solid waste landfill closure and post-closure expenses that are excluded from the annual budget. For 2024, expenditures of \$9.8 million have been excluded from the budget. The Municipality is required to follow the accounting standards established by the Public Sector Accounting Board (PSAB). With the introduction of tangible capital asset accounting in 2009, the new accounting standards do not require budgets to be prepared on a full accrual basis. A key outcome of the annual budget is the tax rate which Council approves. This 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.

Strategic Priorities:

D.16-Ensure the Municipality provides value for money and long-term sustainability

Financial Considerations:

Infrastructure funding strategies to address the Municipality's long-term infrastructure needs continue to be incorporated into the budget process.

In 2024 a total of \$4.35 million will be contributed to the Lifecycle Reserve Fund, as well as \$2.015 million in rate-funded contributions have been budgeted for Water and Sewer Reserve Funds. An additional \$350,000 has been contributed for fleet, fire apparatus, the landfill cell replacement, and the indoor community swimming pool.

Policy:

Municipal Act, 2001

Context and Background Information:

Ontario Regulation 284/09 allows municipalities to exclude from their annual budgets amortization, post-employment expenses, and solid waste landfill closure and post-closure expenses. The regulation requires that the Municipality prepare a report on the impact of these excluded costs on the accumulated surplus (total amount of assets, both financial and non-financial, less any liabilities).

The Municipality of Kincardine's 2024 budget and associated tax levy excludes the following:

- a) Amortization expenses, estimated at \$6.8 million. Instead of amortization, the Municipality includes in its operating budget transfers to reserve funds and debt principal payments, as these forms of capital financing better reflect the Municipality's current and future funding requirements.

The Asset Management Plan is used to guide decision making with respect to the appropriate level of contributions, rather than amortization expense. The Municipality has adopted the practice of increasing the contribution to the Lifecycle Reserve fund by 3% annually in order to fund future infrastructure requirements. Using amortization expense as an indicator of appropriate capital funding is not always appropriate for the following reasons:

- Assets that are fully depreciated will not be included;
 - Amortization is based on the historical costs of assets and not the replacement costs, which may be higher due to inflation or changing standards or needs;
 - In-year current amortization is not a good measure of estimating future capital requirements (i.e., excludes growth-related infrastructure)
- b) Solid waste landfill closure and post-closure expenses for active and closed landfill sites estimated at \$2,375,000. These future costs include all activities related to the eventual closing of the landfill site, including final cover and vegetation, drainage, leachate and water quality monitoring. A liability must be recognized in the municipal financial statements as the landfill site's capacity is used. The reporting of landfill closure expenses reduce the municipality's accumulated surplus.

PSAB standards do not require liabilities associated with solid waste landfill closure and post-closure care activities to be fully funded by setting aside any portion of the accumulated surplus as reserve and reserve funds. The municipal budget does

include a \$100,000 reserve fund transfer for future landfill costs associated with the creation of a new cell, as well as \$90,000 for annual monitoring costs.

- c) Post-employment benefit costs estimated at \$629,000. Under full accrual accounting, any amounts expected to be paid on behalf of employees on or after retirement will be expenses throughout the employee's active service life. To support financial reporting, actuarial reviews are conducted to estimate the liability related to post-employment benefits, including:
- Sick leave accumulated and available for use in future years
 - Health and dental benefits for eligible employees under early retirement (50% premiums paid by the Municipality)
 - Life insurance for eligible employees under early retirement (50% premiums paid by the Municipality)

The 2024 budget accommodates the current year's post-employment benefit expenses in the amount of \$22,000 for eligible retired employees.

Ontario Regulation 284/09 requires that this report be adopted by Council.

Consultation Overview:

Not applicable.

Origin:

Staff report

Implementation Considerations:

This report is for information only and to be compliant with legislation.

Risk Analysis:

The risk of not budgeting for future expenditures and liabilities is that sufficient funds will not be available in the future to meet our obligations.

Attachments: None

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