



THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Subject: Compliance with Ontario Regulation 284/09

Report Number: Treasury-2020-28

Meeting Date: Wednesday, February 19, 2020

Recommendation: THAT Council adopt the compliance report for expenses excluded from the 2020 budget outlined in report TRE 2020-28 as a requirement of Ontario Regulation 284/09 passed under the Municipal Act, 2001

Date to be considered by Council: Wednesday, February 19, 2020

Report Summary:

The Municipality of Kincardine is required under Ontario Regulation 284/09 to report on amortization, post-employment benefits and solid waste landfill closures and post-closure expenses that are excluded from the annual budget. For 2020, expenditures of ~ \$6.3 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. The Municipality continues to prepare budgets on a modified accrual basis. A key outcome of the annual budget is a 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

Origin: Municipal Act, 2001

Existing Policy: None

Background/Analysis: Ontario Regulation 284/09 allows municipalities to exclude from their annual budgets amortization, post-employment expenses, solid waste landfill closure and post-closure expenses. The regulation requires that the Municipality prepare a report on the impact of these excluded costs.

The Municipality of Kincardine's 2020 budget and associated tax levy excludes the following:

- a) Amortization expenses, estimated at \$5.35 million, since amortization is a non-cash expense. 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.
- b) Solid waste landfill closure and post-closure expenses estimated at \$520,000. 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 reserves and reserve funds.

The 2020 budget accommodates the current year's landfill post-closure expenses for 3 closed landfills estimated at \$23,000.

- c) Post-employment benefits costs estimated at \$432,000. 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 municipality)
 - Life insurance for eligible employees under early retirement (50% premiums paid by municipality)

The 2020 budget accommodates the current year's post-employment benefit expenses in the amount of \$9,500 for eligible retired employees.

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

Community Plan and Integrated Community Sustainability Plan (ICSP) Considerations:

Financial Implications: This report ensures compliance with the requirements of O.Reg 284/09.

Amortization expenses attribute the capital cost over the life of the asset, and therefore it can be one potential tool to predict the annual financial commitment required for future asset rehabilitation. Current annual contributions to capital reserve funds are inadequate to maintain the lifecycle replacement requirements of the Municipality's growing capital asset base.

Infrastructure funding strategies to address the Municipality's long-term infrastructure needs continue to be incorporated into the 2020 budget, including a \$3.33 million contribution to the Lifecycle Reserve Fund and additional rate-funded contributions towards water and wastewater assets.

Attachments: None

