



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer/Treasurer
Date:	December 9, 2019
Report No:	CORS-074-19
Subject:	Ontario Regulation 284/09
Recommendation:	THAT Council adopt the compliance report for expenses excluded from the 2020 budget outlined in report CORS-073-19 as a requirement of Ontario Regulation 284/09 passed under the <i>Municipal Act, 2001</i>.

EXECUTIVE SUMMARY

The Town of Milton 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 \$34.3 million have been excluded from the budget.

REPORT

Background

As a municipality, the Town is required to follow the accounting standards established by the Public Sector Accounting Board. 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 Town of Milton continues to prepare budgets on a modified accrual basis. The annual budget of a municipality is an important exercise, one which plans for current and future activities and acquisitions. 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.”



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Discussion

The Province of Ontario introduced Ontario Regulation 284/09 (O. Reg. 284/09), which allows a municipality to exclude from its annual budget estimated expenses related to the following:

- 1) Amortization
- 2) Solid waste landfill closure and post-closure
- 3) Post-employment benefits

The regulation requires that the municipality report on the impact of these excluded costs and, before adopting a budget for the year that excludes any of the expenses listed above, Council must adopt the report by resolution.

The Town of Milton's 2020 proposed budget and associated tax levy excludes the following:

- a) Amortization expenses, estimated at \$34.3 million, since amortization is a non-cash expense¹.
- b) Solid waste landfill closure and post-closure expenses as the Town does not have responsibility for landfill sites.

Post-employment benefits were discontinued for Town employees with the exception of the firefighters where, based on the Town's current Collective Agreement with the Milton Fire Fighter's Association, extended health care benefits are available up to age sixty five (65) for individuals who retire early. Furthermore, retirees are also eligible for an additional allowance of up to \$2,500 per year for a period of ten (10) years commencing on the day the employee reaches 65 years of age. To support financial reporting and planning, actuarial reviews are conducted to estimate the liability related to both fire fighters as well as the closed group of others employees who remain eligible under the previous program. The 2020 budget accommodates the current year's post-employment benefit expenses for the Town's eligible retired employees.

Financial Impact

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

Although amortization expenses are not an ideal method of determining the impairment of an asset, since it is used to attribute the capital cost over the life of the asset it can be

¹ Note: Instead of amortization the Town includes in its operating budget transfers to the capital fund, reserve fund and debt principal payments as these forms of capital financing better reflect the Town's current and future funding requirements.



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one potential tool to predict the annual financial commitment required for future asset rehabilitation. As discussed in both the Fiscal Impact Study report CORS-062-17 and the Asset Management Plan report CORS-067-17, current annual contributions to capital reserves are not sufficient to maintain the lifecycle replacement requirements of the Town's growing asset base. Infrastructure funding strategies to address the Town's long-term infrastructure needs continue to be incorporated into the 2020 proposed budget, including an incremental \$1.0 million contribution to the Infrastructure Renewal Reserve as well as contributions to reserves for lifecycle requirements of new assets.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA 905-878-7252 x2216

Attachments
None

CAO Approval
Andrew M. Siltala
Acting Chief Administrative Officer