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REQUIRED DISCLOSURE RE: BUDGET IMPACTS PER ONTARIO REGULATION 284/09

The Audit Committee recommends the adoption of the recommendation contained in the following report dated June 3, 2010, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that Council receive this report for information.

2. PURPOSE

The Regional Municipality of York is required under Ontario Regulation 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 2010 budget in the Public Sector Accounting Board (PSAB) 3150 format.

3. BACKGROUND

The Province of Ontario enacted a regulation allowing for certain items to be excluded from budgets but with a required reporting disclosure

Accounting standards and reporting requirements have changed dramatically for 2009 including the introduction of tangible capital assets accounting. The new accounting standards, however, do not require that budgets be prepared on the same basis. York Region like most municipalities continues to prepare budgets on the traditional basis.

The Province of Ontario introduced Ontario Regulation 284/09 (O. Reg. 284/09) that allows a municipality to exclude from their estimated expenses costs related to amortization expense, post employment benefit expense and solid waste landfill closure and post-closure expense. 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:
(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 or local board.

4. ANALYSIS AND OPTIONS

The Regional Municipality of York has developed its 2010 Operating Budget excluding amortization, post employment benefits and solid waste landfill closure and post closure expenses

York Region's 2010 operating business plan and budget was approved by Regional Council on December 16, 2009 and excluded the following expenses:

1. The budget did not include expense for the amortization of its tangible capital assets in the sum of $129.8 million. However, the budget did include reserve contributions of $34.4 million for capital asset replacement.
2. The budget did not contain the current year's post employment benefit expense for early retirement and accrued sick leave totalling $51.7 million for employees that are eligible for these benefits.
3. The Region does not have a landfill site and therefore is not subject to solid waste landfill closure and post-closure expenses.

The above items, should they have been included in the 2010 budget, would decrease the operating surplus. However the surplus is still greater than the current amortization and post employment benefit expenses that would be included under O. Reg. 284/09.

The inclusion of a contribution to capital asset replacement program in the 2010 budget will help to ensure that the Region's tangible capital assets are being replaced in a timely manner without large fluctuations in the tax rate or the issuance of a high amount of debt.

The following table illustrates the 2010 budget in Public Sector Accounting Board 3150 format.

Table 1
2010 Budget
PSAB 3150 Reconciliation

	2010 Budget
Revenues	
Operating	$ 1,444,142,000
Capital	989,184,000
Less:	
Transfer from other funds [1]	(148,016,137)
Proceeds on debenture issue [2]	(568,185,000)
Total Revenues	$ 1,717,124,863
Expenses	
Operating	$ 1,444,142,000
Non-tangible Capital	197,042,000
Capital	792,142,000
Less:	
Transfer to other funds [3]	(168,988,563)
Capital expenses	(792,142,000)
Debt principal payments [4]	(133,389,259)
Total expenses	$ 1,338,806,178
Annual surplus; *before exclusions*	$ 378,318,685
Exclusions:	
Amortization of tangible capital assets	$ 129,800,000
Post-employment benefits	51,700,000
Solid waste landfill closure and post-closure	
Total exclusions	$ 181,500,000
Annual surplus; *after exclusions*	$ 196,818,685

Notes:
1. “Transfer to other funds” represents transfers from reserves for expenditures and is not considered a revenue source under accrual accounting.
2. “Proceeds on debenture issues” is a debt financing decision and is considered a liability and not a revenue source under accrual accounting.
3. “Transfer to other funds” represents the contribution to reserves and is not considered an expense under accrual accounting.
4. “Debt principal payments” are considered a repayment of a long term liability and is not an expense under accrual accounting.

In future years this schedule will be included as part of the budget approval process.

5. FINANCIAL IMPLICATIONS

While there are no direct financial implications associated with this report, information contained in this report will be reflected in the 2010 annual audited financial statements.

6. LOCAL MUNICIPAL IMPACT

Ontario Regulation 284/09 impacts all municipalities in the same capacity. There is no direct impact of the Region’s adherence to this regulation on the local municipalities.

7. CONCLUSION

This report provides the information necessary to provide disclosure under Ontario regulation 284/09 that requires municipalities to report to Council when certain expenses are excluded from the budget and the impact on the overall accumulated surplus of such transactions.

For more information on this report, please contact Kelly Strueby, Director of Business Planning and Budgets at Ext. 1611.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the June 10, 2010 Committee meeting.)

Attachment 1

Ontario

ServiceOntario
e-Laws

ONTARIO REGULATION 284/09

made under the

MUNICIPAL ACT, 2001

Made: July 31, 2009
Filed: July 31, 2009
Published on e-Laws: August 4, 2009
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BUDGET MATTERS — EXPENSES

Exclusion

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

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

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

(a) prepare a report about the excluded expenses; and

(b) adopt the report by resolution.

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

(a) prepare a report about the excluded expenses; and

(b) adopt the report by resolution.

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.

Attachment 1

2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012.

Commencement

5. This Regulation is deemed to have come into force on January 1, 2009.

Made by:

JIM WATSON

Minister of Municipal Affairs and Housing

Date made: July 31, 2009.

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