Report of the Finance Department

*Ontario Regulation 284/09*

Report No.: F-015-2019  
Meeting Date: November 27, 2019
Subject

*Ontario Regulation 284/09*

Preamble

When preparing the budget for the year, a municipality may exclude certain expenses.

Purpose

The purpose of this report is to outline expenditures excluded from the Corporation of the United Counties of Prescott and Russell’s (the “Corporation”) 2020 Budget and to illustrate the financial impact of these exclusions on the accumulated surplus.

Report

Under *Ontario Regulation 284/09*, when preparing the budget for a year, a municipality may exclude the following expenses:

- Depreciation expense;
- Post-employment benefit expense;
- Solid waste landfill closure and post-closure expenses.

In the event that any of the above expenses is excluded, a municipality must outline these exclusions by means of a report that shall be adopted by Council by resolution prior to adopting the budget.

This report must include:

- an estimate of the impact on the accumulated surplus resulting from the expenditure exclusions;
- an analysis of the estimated impact of these exclusions on the future financing needs of tangible capital assets.

The Corporation’s 2020 Budget only excludes its depreciation expenses. Although presented on an accrual basis, depreciation expenses do not impact the property tax levy. The Corporation does, however, budget post-employment benefit expenses but does not have solid waste landfill closure and post-closure expenses.

The Corporation prepares a balanced budget, whereas estimated revenues equal total estimated operating and capital expenditures. This form of accounting is the cash basis method and is used by most municipalities. Therefore, we must convert the budget on an accrual basis to quantify the impact of the exclusion of the depreciation expenses, as prescribed by *Ontario Regulation 284/09*. 
Impact

a) *Impact of excluded expenses on the 2020 accumulated surplus*

As shown in Appendix A, once the budget is presented on an accrual basis and includes the total depreciation expense, the accumulated surplus amounts to $7,517,500.

b) *Impact on future financing of tangible capital assets*

Regular transfers to reserves help mitigate important tax rate fluctuations. The asset management plan demonstrates our future capital needs and is an important tool to consider during long-term strategic decision-making by Council. However, there is currently a significant shortfall in our infrastructure investments. The plan should be updated, and the budget should reflect the plan’s annual priorities.

Option

N/A

Supporting Documentation

Appendix A – *Ontario Regulation 284/09* Report

Recommendation

Whereas *Ontario Regulation 284/09* allows a municipality to exclude from its estimated expenditures all or a portion of depreciation, post-employment benefit, and solid waste landfill closure and post-closure expenses;

And whereas *Ontario Regulation 284/09* requires a municipality to report on the impact of excluded expenses;

And whereas the United Counties of Prescott and Russell’s 2020 Budget excludes depreciation expenses only.

Be it resolved that Council approve Report F-015-2019 on budgetary expenditures in accordance with *Ontario Regulation 284/09*.

This report was prepared and submitted by:

Valérie Parisien, Treasurer - November 20, 2019
### Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

Mélissa Cadieux

Stéphane P. Parisien