Agenda Item # Page #

TO:	**CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON FEBRUARY 4, 2014**
FROM:	**MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER**
SUBJECT:	**ADDITIONAL MUNICIPAL ACT REPORTING REQUIREMENTS DUE TO IMPLEMENTATION OF TANGIBLE CAPITAL ASSETS**

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, this report **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Corporate Services Committee, June 18, 2013, Additional Municipal Act Reporting Requirements Due to Implementation of Tangible Capital Assets.

Finance & Administrative Services Committee, August 20, 2012, Additional Municipal Act Reporting Requirements Due to Implementation of Tangible Capital Assets.

BACKGROUND

The City of London is required under Ontario Regulation 284/09 (O. Reg. 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 2014 budget in the Public Sector Accounting Board (PSAB) 3150 format.

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 changed dramatically in 2009 including the introduction of tangible capital assets accounting. The new accounting standards, however, do not currently require that budgets be prepared on the same basis. The City of London, 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.

Analysis and Options

The City of London developed its 2014 Operating Budget excluding amortization, post employment benefits and solid waste landfill closure and post closure expenses.

London's 2014 operating budget is scheduled to be approved by Council on February 27, 2014 and excludes the following expenses:

1. The budget did not include expense for the amortization of its tangible capital assets estimated in the sum of $123.7 million. However, the budget did include reserve fund contributions of $68.8 million for capital asset additions and $60 million for pay as you go capital asset additions.

2. The budget did not contain the current year's post-employment benefit expense for early retirement and accrued sick leave estimated to total $7.5 million for employees that are eligible for these benefits. The liability as at December 31, 2012 was $127.3 million and reserve funds offset the liability by $18.3 million.

3. The City has a landfill closure and post-closure liability of $27.9 million, which is not recorded as an expense in the budget. There is also a Sanitary Landfill reserve fund with a balance of $11.5 million as of December 31, 2012, which partially offsets this liability.

4. The City also makes contributions to an additional reserve to offset the liabilities created from the post-employment (Paragraph 2. above) and landfill closure and post-closure (Paragraph 3. above) expenses depending upon generated surpluses and personnel cost savings. The balance as of December 31, 2012 in this reserve is $47.2 million.

The above items, should they have been included in the 2014 budget would decrease the annual surplus, before exclusions.

The inclusion of a contribution to capital asset replacement program in the 2014 budget will help to ensure that the City'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.

Appendix "A" of this report illustrates the 2014 draft budget and 2013 approved budget in Public Sector Accounting Board 3150 format.

Financial Implications

While there are no direct financial implications associated with this report, information contained in this report will be reflected in the 2014 annual audited Financial Statements.

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.

PREPARED BY:	**PREPARED BY:**
SHARON SWANCE **MANAGER, ACCOUNTING**	**JOSH CLARK** **MANAGER, FINANCIAL PLANNING & POLICY**
CONCURRED BY:	**RECOMMENDED BY:**
MIKE TURNER **DEPUTY CITY TREASURER**	**MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER**

Attachment