



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: December 4, 2023

Report No: CORS-058-23

Subject: Ontario Regulation 284-09 - Report for 2024 Budget

Recommendation: THAT the compliance report for the expenses excluded from the 2024 budget outlined in report CORS-057-23 be approved as a requirement of Ontario Regulation 284-09 passed under the *Municipal Act, 2001*.

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 2024, amortization of \$37.9 million has 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. Since the introduction of tangible capital asset accounting in 2009, the accounting standards have not required 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.” The lifecycle requirements for the non-financial infrastructure assets are instead captured in the operating budget through transfers to reserve and debt charge payments, with the related expenditure reflected in the capital budget. This approach

Background

provides a better reflection of the Town's current and future investment needs for both financial planning and reporting purposes.

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 2024 proposed budget and associated tax levy excludes the following:

- a. Amortization expenses, estimated at \$37.9 million, since amortization is a non-cash expense.
- b. Solid waste landfill closure and post-closure expenses as the Town does not have responsibility for landfill sites.

It is important to note that instead of amortization, the Town includes in its operating budget the 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.

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 a previous program.

The 2024 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 one potential tool to predict the annual financial commitment required for future asset rehabilitation. As discussed in the Asset Management Plan report CORS-038-21, 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 2024 budget, including contributions to reserves for lifecycle requirements of new assets. Although the annual incremental \$1.0 million contribution to the Infrastructure Renewal Reserve was eliminated from the budget in 2023 and 2024 to manage tax pressures, a re-introduction of the contribution is planned for 2025 at an annual amount of \$1.5 million. The increased annual contribution rate will allow the Town to recover from the two year deferral and will grow the long-term reserve balances to more sustainable levels in the future.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA Phone: Ext. 2216

Attachments

None

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.