



**Mike Mayes, Director  
Financial Services**

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June 2, 2014

## **CORPORATE SERVICES REPORT - FINANCIAL SERVICES - 2014-24**

TO: Mayor Tony Van Bynen and Members of Council  
Committee of the Whole

SUBJECT: 2014 Budget Reconciliation

ORIGIN: Senior Financial Analyst

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### **RECOMMENDATION**

**THAT Corporate Services Report - Financial Services – 2014-24 dated June 2, 2014 regarding the 2014 Budget Reconciliation be adopted.**

### **COMMENTS**

#### **Purpose**

The purpose of this report is to provide Council with a reconciliation of the Council-approved 2014 budget as it compares to the budget that will be reported in the 2014 financial statements and to adopt the estimates for amortization and the provision for post-retirement benefits.

#### **Budget Impact**

This report is for information purposes and has no direct impact on the operating and capital budget.

#### **Summary**

The 2014 Council approved budget, including the infrastructure levy, has a revenue amount of \$112,992,139 and an expenditure total of \$136,731,734. The adjusted budget, per the Consolidated Statement of Operations, has the same revenue amount and a reduced expenditure amount of \$104,920,065 due to the inclusion of budgeted amortization expense, post-employment benefit expense and the exclusion of budgeted tangible capital assets capitalized. These adjustments make the budget PSAB compliant.

## **Background**

This report responds to a requirement under Ontario Regulation 284/09 which requires municipalities to report on whether they are budgeting for amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses.

The Town's 2014 Budget excluded the following three expenses:

1. The budget did not include expenses for the amortization of its tangible capital assets in the amount of \$15.8 million. The budget does, however, include \$13.9 million in contributions to the asset replacement funds.
2. Based on an actuarial review as at the end of 2012, the 2014 expense for post-retirement benefits was estimated to be \$392,000. The budget only included an estimated amount of \$122,000 for actual payments on behalf of current retirees. The remaining \$270,000 is to provide for future benefits and was not included in the budget.
3. The Town does not have an active landfill site. No solid waste landfill closure and post-closure costs have been determined at this time.

In preparing the budget for 2014, the Town included an amount of \$51.4 million in capital expenditures. Of this amount, \$47.8 million has been identified as being tangible capital assets.

The attachment illustrates what the 2014 budget would look like in the Town's consolidated financial statements.

## **Post-Employment Benefits**

Employee Future Benefits are health and dental benefits that are provided to early retirees, future retirees, and employees currently on long-term disability. An actuarial valuation was carried out as at December 31, 2012 using a discount rate of 3.75%. It was determined that at the end of 2013, the liability for employee future benefits was \$4.4 million of which \$1.3 million (29.6%) has been funded. Although there is no legislative requirement to fund this liability – it may be handled on a “pay-as-you-go” basis – the Town continues to be fiscally prudent. The liability is expected to grow to \$4.8 million in 2014 (29.5% funded).

## **BUSINESS PLAN AND STRATEGIC PLAN LINKAGES**

This report supports the fiscal responsibility objective of the Well Equipped and Managed area of the Community Strategic Plan.

## **BUDGET IMPACT**

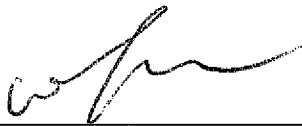
This report is for information purposes only and, as such, will have no direct impact on taxes, fees and charges or the use of reserves. There is no impact on the future tangible capital asset funding requirements of the municipality, as a result of the exclusion of any of the estimated expenses.

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The original 2014 budget approved by Council included a deficit for the year of \$23.7 million (due to the draw on reserves and reserve funds to fund the capital program). With the inclusion of the PSAB reporting requirements, the budget would result in a surplus of \$8.1 million.

**CONTACT**

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



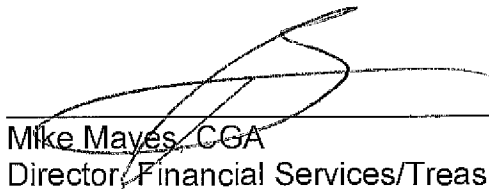
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Frank Wu, MBA  
Senior Financial Analyst



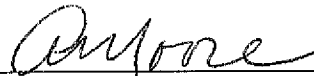
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Dawn Schellenberg, CPA  
Manager, Finance and Accounting



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Mike Mayes, CGA  
Director, Financial Services/Treasurer



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Anita Moore, AMCT  
Commissioner, Corporate Services

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Attachment

(1) 2014 Operating Budget – Budget Reconciliation (1 pg.)

## 2014 Operating Budget Budget Reconciliation

The budget approved by Council differs from the budget in the Consolidated Statements. The differences are mainly due to PSAB 3150 reporting requirements.

		Revenues		Expenses
<b>Council approved budget for 2014:</b>				
Operating fund - December 9, 2013		\$ 106,077,009		\$ 106,077,009
Principal payment on long-term debt		\$ -		\$ (2,798,034)
Transfers to / from other funds		\$ (6,575,362)		\$ (17,961,366)
Capital - New - December 9, 2013		\$ 23,730,863		\$ 23,730,863
Capital - Carryovers		\$ 27,683,262		\$ 27,683,262
Transfers to / from other funds		\$ (39,222,676)		\$ -
Reserves and Reserve funds - May 25, 2014		\$ 19,035,409		\$ 45,064,379
Transfers to / from other funds		\$ (17,736,366)		\$ (45,064,379)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>(1)</b>	<b>\$ 112,992,139</b>		<b>\$ 136,731,734</b>
Less: Tangible Capital Assets Capitalized	<b>(2)</b>	-		(47,842,284)
Plus: Budgeted amortization expense	<b>(3)</b>	-		15,760,615
Plus: Post-employment benefit expenses	<b>(4)</b>	-		270,000
<b>Adjusted Budget per Consolidated Statement of Operations</b>		<b>\$ 112,992,139</b>		<b>\$ 104,920,065</b>

- (1) Council approves balanced budgets with the exception of Reserves and Reserve Funds. The difference between Revenue and Expenses is the net transfer to or from other funds.
- (2) This figure represents the total expenditures in the Capital Budget for Tangible Capital Assets. Disposals are not considered to be material and are therefore excluded.
- (3) This figure is the estimated amortization for the current year's budgeted Tangible Capital Asset additions and adding it to the previous year's actual amortization expense.
- (4) This is estimated based on the 2012 actuarial evaluation.