

Municipality of Chatham-Kent

Finance, Budget and Information Technology Services

Financial Services

Routine Approval

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: February 10, 2020

Subject: Budget Methodology

Under Ontario Regulation 284/09, municipalities are allowed to exclude the following for budget purposes:

- Amortization expense
- Post-employment benefit expense
- Solid waste landfill closure cost and post closure expenses (not a material issue in Chatham-Kent)

The standards and reporting requirements of the Public Sector Accounting Board (PSAB) changed drastically in 2009, most significantly with the introduction of tangible capital assets to the statement of financial position, and amortization expense to the statement of operations. However, the accounting standards do not require municipalities to prepare budgets on the same basis. The Municipality of Chatham-Kent continues to develop its budget on the cash basis. This provides the annual cash requirements for the municipality and excludes the PSAB requirements for non-financial assets and liabilities. By rule, this method of budgeting must be reaffirmed each year.

For 2020, the amortization expense is estimated to be \$38.3 million, and the post-employment benefit expense is estimated to be \$3.7 million, both of which were excluded in developing the 2020 budget. The 2020 budget does include Chatham-Kent's lifecycle and capital budgets, which are greater than the historical amortization of its current assets as replacement costs increase over time, and the current year's post-employment benefit expense for eligible retired employees.

Prepared by:

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Chief Financial Officer, Treasurer

Attachment(s): None

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