

# REGULAR COUNCIL MEETING #22-2016

The Minutes of the Regular Council Meeting held in the Council Chambers, Municipal Office Building, Vermilion Bay, Ontario on Monday, October 24, 2016, at 7:00 p.m.

Present: Drew Myers, Mayor  
Ron Kujansuu, Deputy Mayor  
Linda Anderson, Councillor  
Gord Griffiths, Councillor  
Joe Ruete, Councillor  
Tammy Rob, Clerk Treasurer

Absent:

Gallery:

## 1. Call to Order:

The Regular Council Meeting was called to order by Mayor Drew Myers at 7:00 p.m.

## 2. Approval of Agenda:

### RESOLUTION NUMBER 1

MOVED BY: Councillor J. Ruete

SECONDED BY: Councillor L. Anderson

**THAT** the Agenda for the Regular Council meeting of Monday, October 24, 2016 be accepted as presented. **CARRIED**

## 3. Declaration of Conflict or Pecuniary Interest:

*None*

## 4. Delegation(s):

4.1 Ron Gillis – Machin Housing Corporation.

*Mr. Gillis went before Council to discuss a proposal from Kenora District Services Board (KDSB) to expand housing stock under the Social Housing Improvement Program (SHIP).*

*Copy of the Proposal attached to original Minutes.*

## 5. Notice of Motions

## 6. Approval of Previous Minutes:

### 6.1 RESOLUTION NUMBER 2

MOVED BY: Councillor G. Griffiths

SECONDED BY: Councillor R. Kujansuu

**THAT** Machin Council accept the Regular Council Meeting Minutes #21-2016 held October 11, 2016 as presented. **CARRIED**

**7. Unfinished Business:**

- 7.1 The Royal Canadian Legion – Military Service Recognition book  
**RESOLUTION NUMBER 3**  
MOVED BY: Councillor J. Ruete  
SECONDED BY: Councillor R. Kujansuu  
**THAT** Machin Council approve of purchasing a colour business card ad for \$225.00 in the NWO Royal Canadian Legion Military Service Recognition Book. **CARRIED**

**8. Committee/Officer Reports:**

- 8.1 Pine Tree Pathways Committee Meeting Minutes October 4, 2016  
**RESOLUTION NUMBER 4**  
MOVED BY: Councillor G. Griffiths  
SECONDED BY: Councillor R. Kujansuu  
**THAT** Machin Council accept the October 4, 2016 Pine Tree Pathways Committee Meeting Minutes as presented. **CARRIED**
- 8.2 CBO Report  
**RESOLUTION NUMBER 5**  
MOVED BY: Councillor L. Anderson  
SECONDED BY: Councillor G. Griffiths  
**THAT** Machin Council accept the October 13 & 18, 2016 Chief Building Official Report as presented. **CARRIED**
- 8.3 Unused Vacation Time  
**RESOLUTION NUMBER 6**  
MOVED BY: Councillor L. Anderson  
SECONDED BY: Councillor G. Griffiths  
**THAT** Machin Council approve of paying staff for their unused vacation time from 2011 – 2015. **CARRIED**

**9. New Business:**

- 9.1 Policy 3.30 Annual Vacation with Pay  
**RESOLUTION NUMBER 7**  
MOVED BY: Councillor G. Griffiths  
SECONDED BY: Councillor J. Ruete  
**THAT** Machin Council approve changes to Machin Policy No. Part 3.30 Annual Vacation With Pay. **CARRIED**
- 9.2 Eagle River Fire Hall New Garage Door  
**RESOLUTION NUMBER 8**  
MOVED BY: Councillor L. Anderson  
SECONDED BY: Councillor G. Griffiths  
**THAT** Machin Council approve of purchasing a second ½ ton size garage door to be put in the Eagle River Fire Hall. **CARRIED**

9.3 Ontario Regulation 284/09: Budget Matters - Expenses

**RESOLUTION NUMBER 9**

MOVED BY: Councillor G. Griffiths

SECONDED BY: Councillor R. Kujansuu

**THAT** Machin Council approve this report as required under the Municipal Act, 2001, Ontario Regulation 284/09.

**PURPOSE**

This report is being presented to Council in order to meet the requirements of Regulation 284/09 under the Municipal Act, 2001. This report contains information related to changes in financial reporting and budget requirements for municipalities as a result of the new Public Sector Accounting Board (PSAB) accounting standards.

**FINANCIAL IMPLICATIONS**

As permitted under Regulation 284/09 in preparing the budget for a year, a municipality may exclude from the estimated expenses all or a portion of the following:

- Post-employment benefits expenses,
- Solid waste landfill closure and post-closure expenses, and
- Amortization expenses (related to tangible capital assets).

These expenses were not included in the Municipal budget for 2016. The Municipality of Machin like most municipalities, continues to prepare budgets on the traditional funding basis where revenue and expenditures for operating and capital budgets are balanced. Accordingly, on a funding basis, there is not projected impact to the Municipalities accumulated surplus. Regulation 284/09 requires a municipality to identify the impact of the 2016 budget on the Municipalities accumulated surplus after converting the 2016 budget and assumptions to the full accrual basis of accounting.

Employee Future Benefits/Post-Employment Benefits Expenses

PSAB Standards do not require liabilities associated with Employee Future Benefits to be fully funded by setting aside any portion of the accumulated surplus as reserves and/or reserve funds. Employee Future Benefits include sick leave benefit plans, long-term disability plans, Workplace Safety and Insurance Act (WSIB) benefits and vacation agreements.

The Municipalities financial statements report liabilities and expenses relating to Employee Future Benefits while the Municipalities budget includes estimated expenditures based on expected cash payments to be made during the year.

As part of long-term financial planning, the Municipality continues to budget for estimated annual payments for related expenses and will continue to contribute funds to reserves which will assist in closing the current funding gap.

Solid Waste Landfill Closure and Post-Closure Liability

Under the Ontario Environmental Protection Act, the Municipality is required to provide for the closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided over the estimated remaining life of the landfill site based on usage and recorded as such on the Municipalities Financial Statements.

PSAB standards do not require liabilities associated with solid waste landfill closure and post-closure care activities to be fully funded by setting aside any portion of the accumulated surplus as reserves and/or reserve funds.

**9. New Business:**

**9.3 RESOLUTION NUMBER 9 (con't)**

As at December 31, 2015 the Municipality had a liability of landfill closure and post-closure costs of approximately \$843,000.00 which is not funded.

Amortization Expenses on Tangible Capital Assets

Annual financial statements now include amortization expense on tangible capital assets as required by the new PSAB.

The Municipalities 2015 Statement of Financial Activities includes \$9.5M expensed for amortization related to the recording of tangible capital assets. This amortization is based on the cost of these assets when they were built or purchased.

Although the Municipalities 2016 budget does not include amortization expense on tangible capital assets, provisions are made for contributions to capital and transfers to/from reserves to fund capital expenses. The 2016 budget is based on planned capital expenditures for the year. The 2016 approved capital budget (including water) is \$437K. Provisions of approximately \$1.74M have been included in the 2016 operating budget as contributions to capital to allow for the cash financing of capital projects. The balance of \$437K is mostly funded through grants and reserves.

In addition to the \$437K provided in the 2016 budget, \$87K is included for the repayment of the principal component of past debt issued on the Water Plant and LED Lighting. In total, \$437K is provided in the budget for capital purposes.

As amortization expense is not included in the budget, the impact is an estimated \$682K reduction for the Municipalities accumulated surplus. However, offsetting amortization expense is the funding for the acquisition of tangible capital assets estimated at \$37K.

The estimated 2016 impact of tangible capital assets is a net increase of \$645K to the accumulated surplus.

**STRATEGIC PRIORITY IMPLICATIONS**

There is no relationship to the strategic plan as this is a compliance report under the Municipal Act.

**BACKGROUND**

Ontario Regulation 284/09 (O. Reg. 284/09) is a new regulation recently added to the Municipal Act, 2001, S.O. 2001, c. 25, as amended (the Municipal Act). This regulation allows municipalities to exclude from the annual budget estimated expenses for all or a portion of the following:

1. Amortization expenses
2. Post-employment benefits expenses
3. Solid waste landfill and post-closure expenses

If a municipality has adopted a budget for 2016 that excluded any of the expenses listed above, a transitional rule allows the municipality within 60 days of receiving its audited financial statements for 2015 to:

- A. Prepare a report about the excluded expenses
- B. Adopt the report by resolution

This report details the impact of the expenses listed above should they have been included within the 2016 budget.

**9. New Business:**

**9.3 RESOLUTION NUMBER 9 (con't)**

**COMMENTS**

In 2009 accounting standards and reporting requirements underwent major revisions, most notably the inclusion of tangible capital asset accounting as required by the Public Sector Accounting Board (PSAB). However the new standards do not required that budgets be prepared on the same basis. Therefore most municipalities, including the Municipality of Machin, continue to prepare budgets on a cash basis.

The annual budget process is an important municipal exercise which considers plans for current and future activities and acquisitions. One of the main outcomes of the annual budget process is a tax rate which Council is asked to approve. This tax rate is determined on a cash basis and does not include the PSAB requirements of accrual accounting and accounting for a non-financial assets and liabilities such as amortization and post-employment benefits.

Amortization Expenses

The 2015 amortization expense reported on the financial statements totaled \$9.5M. Theoretically this amount represents the annual use of Municipal assets. Taking into account new assets coming into service in 2016 along with the existing asset base, amortization projections are expected to exceed \$9.8M for 2016.

By definition, amortization expense is the attribution of capital cost over the useful life of the asset. However amortization is also a good tool to predict the future annual financial commitment of asset replacements. Given this fact, it is reasonable to expect that as the Municipalities asset inventory and associated amortization expenses continue to grow, deficits may occur. As such, the consideration of a dedicated capital levy in the future years may be needed to ensure that the Municipalities capital assets are being replaced in a timely manner without large fluctuations in the tax rate or the issuance of debt.

Post-Employment Liabilities

Post-employment expenses are dental and health care benefits that the Municipality provides between the time an employee retires and the time that employee reaches age 65. The Municipality has been reporting the impact of post-employment liabilities annually as part of the financial statements.

**RELATIONSHIP TO STRATEGIC PLAN**

There is no relationship to the strategic plan as this is a compliance report required under the Municipal Act.

**FINANCIAL IMPACT**

There is not financial impact to this report. To include amortization expenses in the 2016 budget, which would have mean a tax rate increase of 39% instead of the 2% increase imposed.

**COMMUNICIATIONS IMPACT**

There is no communications impact to the report.

**ENVIRONMENTAL IMPACT**

There is no environmental impact to this report.

**CONSULTATION**

Staff referred to O. Reg. 284/09 to complete this report.

**9. New Business:**

**9.3 RESOLUTION NUMBER 9 (con't)**

**CONCLUSION**

In conclusion, beginning with 2017 and subsequent years and as required by the Municipal Act 2001, O. Reg. 284/09 these costs will be considered through the annual budget process. **CARRIED**

9.4 2016 Emergency Program

**RESOLUTION NUMBER 10**

MOVED BY: Councillor R. Kujansuu

SECONDED BY: Councillor G. Griffiths

**THAT** Machin Council approve of the 2016 Emergency Program.

**CARRIED**

9.5 IMS 200 and EM 200

**RESOLUTION NUMBER 11**

MOVED BY: Councillor G. Griffiths

SECONDED BY: Councillor J. Ruete

**THAT** Machin Council approve of Holly Toews taking the EM200 (Basic Emergency Management) and IMS 200 (Basic Incident Management System) held in Kenora November 8 – 10, 2016.

**CARRIED**

**10. In Camera**

10.1 Personnel

**RESOLUTION NUMBER 12**

MOVED BY: Councillor G. Griffiths

SECONDED BY: Councillor L. Anderson

**THAT** Machin Council approve of entering into an In-Camera session @ 7:25 pm. re: Personnel

**CARRIED**

**RESOLUTION NUMBER 13**

MOVED BY: Councillor G. Griffiths

SECONDED BY: Councillor L. Anderson

**THAT** Machin Council approve of rising and reporting from an In-Camera session 8:08 pm.

**CARRIED**

**11. By-laws:**

11.1 **RESOLUTION NUMBER 14**

MOVED BY: Councillor R. Kujansuu

SECONDED BY: Councillor L. Anderson

**THAT** Machin Council approve By-law 35-2016 - Being a By-law to Confirm the Proceedings of a Meeting.

READ a FIRST, SECOND and THIRD time, and FINALLY passed this 24<sup>th</sup> day of October, 2016.

**CARRIED**

**12. Adjourn:**

**RESOLUTION NUMBER 15**

MOVED BY: Councillor J. Ruete

**THAT** Machin Council approve of adjourning @ 8:27 p.m.

**CARRIED**

THE CORPORATION OF THE  
MUNICIPALITY OF MACHIN

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Drew Myers, Mayor

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Tammy Rob, Clerk Treasurer