

**Subject: Report on 2025 budget expenses pursuant to Ontario Regulation  
284/09**

**File Number: ACS2025-FCS-FIN-0001**

**Report to Finance and Corporate Services Committee on 4 March 2025  
and Council 26 March 2025**

**Submitted on February 21, 2025 by Isabelle Jasmin, Deputy City Treasurer,  
Corporate Finance, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet : Rapport sur les dépenses budgétaires de 2025 conformément au  
règlement de l'Ontario 284/09**

**Dossier : ACS2025-FCS-FIN-0001**

**Rapport au Comité des finances et des services organisationnels**

**le 4 mars 2025**

**et au Conseil le 26 mars 2025**

**Soumis le 21 février 2025 par Isabelle Jasmin, Trésorière municipale adjointe,  
Services des finances municipales, Direction générale des finances et des  
services organisationnels**

**Personne ressource : Miriam Mesquita, Gestionnaire, Comptabilité et Rapports,  
Services des finances municipales, Direction générale des finances et des  
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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION**

**That the Finance and Corporate Services Committee recommend that Council:**

**Adopt this report in accordance with Ontario Regulation 284/09 and include the accrual budget presentation within the City of Ottawa's final adopted 2025 budget book, for information purposes.**

## **RECOMMANDATION DU RAPPORT**

**Que le Comité des finances et des services organisationnels recommande au Conseil:**

**D'adopter ce rapport conformément au règlement de l'Ontario 284/09 et inclure la présentation finale du budget d'exercice au livre budgétaire final de 2025 adopté par la Ville d'Ottawa, à titre d'information.**

## **BACKGROUND**

The *Municipal Act* requires that municipalities prepare balanced budgets. This means that municipalities need to have or raise sufficient funds each year, through the setting of tax rates, water rates, and user fees, in order to cover their operating and capital spending requirements for the year.

*Ontario Regulation 284/09* permits municipalities to exclude a portion or all of the following expenses from their annual budgets:

- Amortization expenses (related to tangible capital assets)
- Employment benefit expenses
- Solid waste landfill closure and post-closure expenses.

The legislation requires that Council consider and adopt a report with respect to non-cash items that have been excluded from the annual budget such as fixed asset amortization expenses, employee benefits liabilities, and landfill closure costs, prior to finalizing the budget for the year. The report must identify any impacts of these differences on the change in the City's accumulated surplus.

Once adopted by Council, staff will add the 2025 accrual budget presentation to the City of Ottawa's Final Adopted 2025 Budget Book.

## DISCUSSION

### Budgeting on a Modified Accrual Versus Full Accrual Basis

There are differences between how municipalities set out their spending plans at the beginning of the year in their budgets and how they report on their results in their financial statements at year-end. The City of Ottawa, like other municipalities, prepares its annual budget on a modified accrual basis, with no anticipated surplus or deficit.

Modified accrual accounting treats certain cash items (such as borrowings, the initial cost of assets, and debt repayments) as revenues and expenses, but recognizes these expenses and other transactions at the time they are incurred, not when the cash is received or paid.

Financial statements are prepared on a different basis. The province requires that municipalities follow the accounting standards set by the Public Sector Accounting Board (PSAB) for governments in Canada, which recommends that financial statements be prepared on a full accrual basis.

### Full Accrual Budget Presentation

Table 1 below shows the City's budgeted operating results on the full accrual basis. These are presented in the same way the actual results are reported in the year-end financial statements, which is by function as opposed to by Service Area as reported in the City's Budget Books.

**Table 1 – Full Accrual Budget Consolidated Statement of Operations and Accumulated Surplus (in \$000's)**

	2025 Budget	2024 Budget
<b>Revenues</b>		
Taxes available for municipal purposes	<b>\$2,431,788</b>	\$2,328,811
Government transfers	<b>1,495,128</b>	1,437,681
Fees and user charges	<b>1,136,108</b>	1,026,615
Contributed tangible capital assets	<b>472,422</b>	459,877
Development charges	<b>170,544</b>	173,322
Investment income	<b>64,913</b>	59,638
Fines and penalties	<b>90,936</b>	99,948
Other revenue	<b>41,699</b>	41,647
Share of earnings of government business enterprise	<b>29,000</b>	37,500
<b>Total Revenues</b>	<b>5,932,538</b>	5,665,039

	2025 Budget	2024 Budget
<b>Expenses</b>		
General government	117,929	118,316
Protection to persons and property	799,797	723,344
Roads, traffic and parking	496,221	479,704
Transit	825,737	825,653
Environmental services	539,604	518,400
Health services	248,479	230,813
Social and family services	935,196	803,594
Social housing	399,061	366,990
Recreation and cultural services	424,467	414,233
Planning and development	111,579	105,731
<b>Total Expenses</b>	<b>4,898,070</b>	<b>4,586,778</b>
<b>Annual Surplus</b>	<b>\$1,034,468</b>	<b>\$1,078,261</b>

### Reconciliation Between Modified Accrual and Full Accrual Budgets

There are several ways in which the modified accrual budget differs from the full accrual budget:

1. **Consolidated Entities:** Financial reporting includes most financial transactions of related entities, such as corporations owned by the City. The exceptions are transactions between related entities and the City, which are eliminated from the consolidated financial statements.
  - Ottawa Community Housing Corporation (OCHC) and other related entities are not included in the City's budget whereas these entities are included in the City's annual consolidated financial statements. These entities have balanced budgets and therefore their budgeted revenues and their budgeted expenses are added to revenues and expenses accordingly for full accrual budgeting purposes.
  - Hydro Ottawa is 100 per cent owned by the City of Ottawa. The modified accrual budget includes the dividends that the City receives from Hydro Ottawa. The full accrual budget includes the Hydro Ottawa equity pickup as an addition to revenues.
2. **Amortization:** The modified accrual budget treats capital spending as an expense in the year it occurs. Under the full accrual method, assets such as vehicles or buildings, which are expected to last more than one year, are

“capitalized”. The asset is amortized over its expected service life and therefore that annual amount of amortization is recorded as an expense each year.

- 3. *Post-Employment Benefits:*** The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and long-term disabled employees based upon contractual agreements with various bargaining units. The benefits include income, medical, dental, life insurance, workers’ compensation, and sick leave benefits. For modified accrual budget purposes, the City estimates the amount of cash that will be paid out for these benefits in the year. In the full accrual budget, post-employment benefits are employee benefits that have been earned in the current year but will be paid in the future as employees retire.
- 4. *Future Liabilities:*** These items have incurred obligations in the current year but are to be paid out in future years. Examples include asset retirement obligations, landfill closure and post-closure liabilities, contaminated sites, brownfields, accrued interest, and contingent legal liabilities. These items are added as an expense in the full accrual budgeting presentation.
- 5. *Contributed Assets:*** These are tangible capital assets that are donated, contributed, or transferred from another organization. Contributed assets are not part of the modified accrual budget because they do not require cash. Contributed assets are added as revenue to the full accrual budget.
- 6. *Timing Differences Between Capital Budget and Spending:*** Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried over one or more fiscal years. Whereas amounts were budgeted for on a project-oriented basis, the full accrual budget uses amounts based on estimated spend during the year to reflect the same basis of accounting that was used to report the actual results.
- 7. *Acquisition of Tangible Capital Assets:*** The modified accrual budget treats capital spending as an expense in the year it occurs. Under the full accrual method, qualified spending on tangible capital assets can be capitalized and amortized over the life of the asset instead of recognizing the entire cost in the year it occurred. Some capital spending in the modified accrual budget is reclassified at year-end as an expense. The impact is estimated in the full accrual budget.

- 8. Transfers To/From Reserves:** Transfers from reserves and the proceeds of borrowing are not revenues, so they are removed from that category in moving from modified to full accrual. This has the effect of reducing budgeted revenues in full accrual and thus reducing the annual surplus, all other things being equal. Transfers and contributions into reserves and repayments of debt are not expenses under full accrual, so they are removed from expenses. This has the effect of reducing budgeted spending and thus increasing the surplus under full accrual.

Table 2 below shows a reconciliation between the 2025 modified accrual budget and the full accrual budget.

**Table 2 – Reconciling the 2025 budget with PSAB standards (in \$000's)**

<b>Revenues</b>	
Adopted budget operating and capital	\$6,181,292
<i>PSAB related adjustments for full accrual budgeting:</i>	
Contributed tangible capital assets	472,422
Timing differences between capital budget and spending	157,936
Consolidated entities	249,778
Reclassification of investment income	32,500
Hydro Ottawa Holding Inc. equity pickup	19,500
Transfers from reserves	(779,269)
Proceeds of debt issued	(384,947)
Reclassifications and eliminations	(16,674)
<b>Total budgeted revenues for financial statement purposes</b>	<b>\$5,932,538</b>
<b>Expenses</b>	
Adopted budget operating and capital	\$6,181,292
<i>PSAB related adjustments for full accrual budgeting:</i>	
Timing differences between capital budget and spending	167,475
Amortization	458,396
Consolidated entities	249,778
Obligations to be funded in future years	(13,397)
Employee future benefits and pension agreements	38,664
Acquisition of tangible capital assets	(1,133,634)
Transfers to reserves	(839,704)
Debt principal repayments	(191,526)
Reclassifications and eliminations	(19,274)
<b>Total budgeted expenses for financial statement purposes</b>	<b>\$4,898,070</b>
<b>Budgeted annual surplus for financial statement purposes</b>	<b>\$1,034,468</b>

The full accrual budgeting method includes adjustments to the balanced budget which provides an estimate of the budgeted annual surplus on an accrual basis. The most significant difference between the balanced budget and the estimated accrual budget is that the accrual budget reflects the capital asset budgeting practices of setting aside funds in the capital budget for the acquisition and renewal of assets at a rate that is greater than the amounts required to recognize historical capital costs based on amortization expenses.

Table 2 shows the full accrual adjustments for 2025 which results in a budgeted annual surplus of \$1.03 billion. This represents an improvement in the City's financial position from an accrual accounting basis.

### **FINANCIAL IMPLICATIONS**

There are no financial implications associated with this report.

### **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendations in this report.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a citywide report and does not require comments by Ward Councillors.

### **CONSULTATION**

This report is administrative in nature and therefore no consultation was required.

### **ACCESSIBILITY IMPACTS**

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

### **ASSET MANAGEMENT IMPLICATIONS**

There are no asset management implications associated with this report.

### **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications associated with this report.

### **RURAL IMPLICATIONS**

This report is a city-wide report with no specific rural implications.

**TERM OF COUNCIL PRIORITIES**

This report supports the current 2023 - 2026 Term of Council Priorities as well as the City's commitment to financial sustainability and transparency.

**DISPOSITION**

Once this report is adopted by Council, staff will add the 2025 accrual budget presentation to the City of Ottawa's Final Adopted 2025 Budget Book.