

Staff Report



To City Council
Service Area Office of the Chief Administrative Officer
Date Wednesday, November 26, 2025
Subject **Budget Impacts per Ontario Regulation 284-09 and Budget - Public Sector Accounting Standards Reconciliation 2026**

Recommendation

1. That the budget impacts per Ontario Regulation 284-09 and budget – Public Sector Accounting Standards reconciliation for the 2026 budget be approved.

Executive Summary

Purpose of Report

To provide a reconciliation between the 2026 City of Guelph unconsolidated budget and the Public Sector Accounting Standards (PSAS) budget in accordance with Ontario Regulation 284/09. The PSAS budget is presented in the audited financial statements to enable PSAS budget to actual comparison.

Key Findings

This report is required annually by legislation. Ontario Regulation 284-09 requires a report to be presented to Council to outline the impact of amortization of tangible capital assets (TCA), post-employment benefit costs and asset retirement obligations if they are not included in the City’s budget. The regulation also requires the City to report the approved budget on a PSAS basis in the audited financial statements. The audited financial statements are prepared in accordance with PSAS, which must exclude debt principal payments, discretionary reserve and reserve fund transfers and other capital-related expenditures from the Statement of Operations. The PSAS adjusted 2026 budget is included in this report as Attachment-1. The reconciliation shows both the required adjustments under Ontario Regulation 284-09, as well as the additional adjustments for full accrual accounting, resulting in a 2026 estimated PSAS surplus of \$258,607,000 (2025 - \$126,728,000) for audited financial statement purposes.

Strategic Plan Alignment

This report aligns with the maintain the City’s healthy financial position objective of the Foundations theme of the Future Guelph strategic plan. This reconciliation between the City’s budget and the PSAS budget is required to ensure compliance with regulations and provide transparent communications to Council and the community. Budgets are a spending control and revenue rate setting document that is required to maintain the City’s healthy financial position.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

There are no direct financial implications associated with this report. The intent of this report is to estimate the 2026 PSAS compliant budget based on the 2026 Council approved budget.

Report

The budget is a spending control document, a revenue rate setting document, and the means to calculate the tax levy. It is prepared on a modified cash basis because including non-cash expenditures such as amortization in the budget would inflate total expenses and complicate the tax levy calculation.

The audited financial statements are prepared in accordance with PSAS, which requires full accrual accounting. The audited financial statements capitalize TCA purchases, record amortization expense, include estimates of liabilities (employee future benefits, contaminated sites and asset retirement obligations), and differs from the operating budget in the accounting treatment for debt principal repayments and transfers to and from discretionary reserves and reserve funds.

This report restates the budget in accordance with PSAS for comparability to actual results reported in the audited financial statements, however, it is an imperfect estimate given that the timing of capital expenditures and the related recognition of grant and development charge revenue frequently occur over multiple years for large capital projects. This includes the Guelph Transit and Fleet Services Facility project which is the main driver of the increased PSAB surplus projection compared with 2025.

Reconciliation Summary

The 2026 City of Guelph Operating Budget (Unconsolidated) Public Sector Accounting Standards Reconciliation, Attachment-1, shows the reconciliation of the City's 2026 draft budget update, to the budget restated in accordance with PSAS and presents the estimated PSAS annual surplus for the 2026 year-end.

This reconciliation shows both the required adjustments under Ontario Regulation 284/09, as well as the additional adjustments for PSAS accrual accounting, resulting in a 2026 estimated surplus of \$258,607,000 (2025 - \$126,728,000).

Adjustments to Revenues for Financial Statement Purposes

The 2026 budgeted transfers from reserve and reserve funds are estimated to be \$178,456,000 and represent the amount to be transferred from tax and rate supported capital reserve funds to fund expenditures, the majority of which relate to capital project costs. Such transfers are not considered revenue under PSAS, as these funds are recorded as revenue in the year received.

The City will receive \$805,000 in principal on loans made to The Elliott Community in 2026. The City includes this as revenue in the operating budget. However, under PSAS, this is considered a reduction of a loan receivable asset.

Contributed subdivision assets are non-cash accounting revenues recognized when the City takes ownership of new subdivision infrastructure within City limits. They are not included as revenue in the operating budget, but they are considered revenue for audited financial statement purposes. The City budgets for the costs of maintenance and replacement of these assets in the year when the service is required. The estimated figure for contributed subdivision assets in 2026 is \$2,812,000.

Adjustments to Expenses for Financial Statement Purposes

Transfers to discretionary reserves and reserve funds do not meet the definition of expenses under PSAS and are not included. The 2026 budgeted transfers to reserves and reserve funds are estimated to be \$146,458,000.

Capital expenditures are amounts to be spent on capital projects in the City's capital budget. Most capital acquisition costs are not considered expenses under PSAS and are capitalized on the Statement of Financial Position and expensed over the useful life of the assets through amortization expense. The total estimated capital expenditures for 2026 are \$342,093,000.

Debt principal payments are included in the City's operating budget to determine the tax revenue required to pay the principal portion of the current year's debt obligations (however, the City budgets for debt payments to be fully funded from transfers from capital reserve funds and this is eliminated from both the revenue and expense side of this reconciliation). The total estimated debt principal repayments for 2026 are \$8,665,000. These payments are not considered an expense under PSAS, as debt principal is recorded as a reduction of the City's debt liability on the Statement of Financial Position.

The City budgets for the current year costs related to Asset Retirement Obligations (ARO). The ARO is made up of costs for monitoring the closed landfill, asbestos removal in City owned buildings and disposal costs for hazardous materials. Under PSAS, the City recognizes a liability in the financial statements which amounts to the present value of costs related to retirement costs of the assets. Each year this liability estimate is updated and results in a non-cash adjustment under PSAS. No significant change in the liability is expected in 2026, and no estimate has been included in the budget reconciliation. Any changes required in 2026 will be included in the 2026 financial statements.

Employee future benefits encompass four categories of benefits – retirement, post-employment, sick leave and Workplace Safety Insurance Board (WSIB). Retirement benefits are health, dental and travel coverage for early retirees until age 65. Post-employment benefits are health, dental, and travel coverage paid to employees who have been on long-term disability for more than two years. Sick leave benefits are paid to first responders under the terms of their collective agreements. WSIB benefits are administered on a self-insured basis as a Schedule II employer. Retiree, post-employment, and WSIB costs payable in the budget year are included in the City's operating budget. The City also maintains reserves to mitigate future benefit and WSIB cost increases, and to fund sick leave payouts. The estimated increase in the employee future benefits liability in 2026 is \$7,824,000 which is driven by increased WSIB claims.

The Tax Increment Based Grant program (TIBG) is included as a transfer to reserves in the City's operating budget to set aside the funds required to cover the

long-term obligations expected under the program. Under PSAS, a liability must be recorded when the grant is finalized after property reassessment, resulting in a non-cash expense being included in the audited financial statements in that year. For 2026, there is a projected decrease in the liability of \$2,616,000.

The 2026 TCA amortization expense is estimated to be \$56,952,000. Amortization is an accounting allocation that recognizes the cost of assets over their useful lives rather than in the year the asset was purchased.

Financial Implications

There are no direct financial implications associated with this report. The intent of this report is to estimate the 2026 PSAS compliant budget based on the 2026 Council approved budget.

Consultations and Engagement

None.

Attachments

Attachment-1 2026 City of Guelph Operating Budget (Unconsolidated) Public Sector Accounting Standards Reconciliation.

Departmental Approval

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