



Office of the Mayor

Annual Report of the Mayor
on the 2012 Financial Situation,
the General Orientations for 2013 and the
Three-Year Capital Expenditures Program
for 2013-2014-2015

November 12, 2012

Presentation

In conformity with article 474.1 of the *Cities and Towns Act*, I am pleased to present the Report on the financial situation of the City of Côte Saint-Luc (“City”).

To begin with, I will present the results for the fiscal year ending December 31, 2011. I will then update you on the preliminary projections for the 2012 fiscal year. In closing, I will give you an overview of the operating and the three-year capital expenditure program budgets for the 2013 fiscal year.

Financial report for the year ended December 31, 2011

The financial statements for the year ended December 31, 2011, were audited by the external auditing firm of Raymond Chabot Grant Thornton and deposited at the City Council meeting on October 22, 2012.

The City registered a net cumulative operating surplus of \$4,792,898 and a cumulative pension plan surplus of \$2,948,600 totalling \$7,741,498 as at December 31, 2011. Although the pension plan surplus is shown on our balance sheet, it cannot be used by the City for operating or capital purposes.

At the end of the 2010 fiscal year, the City launched the construction of the Aquatic and Community Centre (“ACC”). The estimated budget for the construction was \$18.2 million; however, the actual net cost of the project totalled \$17.3 million. The project was successfully completed on schedule and opened in September 2011 and was able to fully benefit from the federal and provincial grants totalling \$11,365,000 from the “Programme fonds chantiers Canada – Québec (volets collectivités et grandes villes)” to cover two-thirds of the costs. In 2012, the ACC project costs and financing were finalized yielding a net cost to the City in the amount of \$5.9 million. The City has received subsidies from Hydro Quebec and Gaz Metro in the amount of \$214,000, and will continue to apply for other possible subsidies that may be available.

During the last several years, the City Council has made a conscious effort to ensure that the City limits the amount of money that it borrows. In 2011, 13.31% of the operating budget was used to pay interest and capital payments on long term debt. Due to the completion of the construction of the ACC and the project to redevelop the land around the Cavendish Mall (“City centre”), the debt service ratio is estimated to rise to 16.13% in 2012. That said, the annual reimbursement of the Quebec government portion of the ACC cost, and local improvement billings from the Cavendish Mall loan by-laws, will cause the debt service ratio related to existing borrowings to decrease beginning in 2013.

In 2007, the City created a Working Fund to finance capital projects by transferring \$1 million from surplus into this fund. This allows the City to finance projects without incurring long-term debt and interest charges. Since 2009, the City has financed \$1.2 million of capital projects through the Working Fund and has benefitted from the fact that the amortization period for such financing is 10 years. The City intends to continue increasing the Working Fund and will borrow from it whenever Council judges it to be beneficial based on a business case analysis.

Three-year capital expenditures program for 2012-2013-2014

In addition to normal operating expenses, the City also prepares a budget for capital expenditures, which are funds used to pay for goods or services that will be used by residents for a long period of time, such as the ACC, playground equipment, water infrastructure and new roads. The 2012-2013-2014 three-year capital budget was adopted in December 2011 and approved projects were the following:

Projects	2012	2013	2014
Roads and Traffic Infrastructure	\$2,410,000	\$4,535,000	\$1,900,000
Water and Sewer Infrastructure	\$2,160,000	\$2,200,000	\$1,800,000
Buildings and Civil Properties	\$670,000	\$755,000	\$1,040,000
Parks Improvements	\$619,038	\$2,015,671	\$3,770,000
Vehicles and Equipment	\$996,000	\$743,000	\$52,000
Subtotal	\$6,855,038	\$10,248,671	\$8,562,000
Less: Various grants	\$(3,727,845)	\$(2,774,800)	\$0
Net expenditures	\$3,127,193	\$7,473,871	\$8,562,000

Most projects included in the three-year capital expenditures program for the 2012 fiscal year have either been completed or are in the process of being completed.

The City's capital investment budget for fiscal year 2012 was invested in major improvements to its water and roads infrastructure. The City took advantage of the government funding TECQ program for a total of \$2.97 million to be received from other levels of government during the year, allowing for major work on rehabilitation of the water distribution network underneath twelve (12) streets that were completed throughout the year. In addition to the water infrastructure projects, the City also invested \$2.2 million in reconstruction and resurfacing of various roads and sidewalks. Furthermore, the City also approved and financed part of the work on the roads and infrastructure of the project to redevelop the City centre which is projected to be completed in 2012.

The three (3) year capital investment budget is designed to be a planning document required by law with no obligation to carry out any of the projects. City Council must approve each project in this planning document on an individual basis before any funds are actually committed.

Preliminary forecast on the financial situation for the year 2012

The year-end operating revenues are expected to be slightly below our budget based on year to date results mostly due to overestimated refundable QST credits on commercial activities. Generally accepted accounting principles required that these credits be refunded to the capital investment budget in the 2011 fiscal year since the majority of the work was completed in that year. Although we have reduced the revenue projections for QST credits in 2012, additional tax revenues were received during the year due to the Cavendish Mall redevelopment project that will keep revenues closer to budget.

The year-end operating expenses are within budget at the end of the third quarter and we will continue to keep close control over expenses in an effort to balance the expenses with any shortfall in revenue.

As in the past six years, members of the City Council closely monitor the actual City revenues and expenses. On a monthly basis, the Audit Committee, chaired by Councillor Dida Berku, examines internal financial reports produced by the Finance Department and identifies corrective measures when required.

General orientation for the 2013 budget

The 2013 operating budget building guiding principles are as follows:

- The budget must ensure that there is a balance between revenues and expenditures;
- The budget must be established to ensure that our local budget does not increase beyond the rate of inflation despite the costs related to the new ACC that continues to expand programs and activities. However it is important to note that the City does not control the spending of the regional level of government. The current island wide budget deposited by the City of Montreal has indeed proposed expenditures at a higher level than the demerged municipalities have judged reasonable and our representatives have announced they will not attend meetings of the finance committee analyzing the budget in protest. In addition, all of the representatives of the Association of Suburban municipalities voted against the capital projects budget of the Agglomeration for numerous reasons including the disappearance of the monies allotted to the Cavendish extension which is of enormous importance to the City;
- The budget must ensure long-term financial viability of the City;
- To meet the growing needs of residents, the budget building process must ensure efficiency, and the budget monitoring process must ensure a City-wide commitment for controlling costs in all departments;
- The City will not issue long-term debt unless justified through a business analysis on a case-by-case basis.

As in previous years, the established priorities for the 2013 operating budget will continue to focus on quality services for the residents of the City.

The 2013 capital budget priorities will continue to be investments in our parks, aqueduct infrastructure and maintenance of roads/sidewalks with priority for those projects that are eligible for government grant programs. In addition we will undertake a first phase of repairs to City Hall in view of the longstanding problems related to the construction of the building in the 1980s, especially as relates to the bricks. In view of the fact that 2011 was a watershed year for major investments, which has impacted our long term debt, the City administration recognizes that we must reduce the pace of capital investment in the coming years. The decision to move forward simultaneously with two major capital works projects of the ACC and the redevelopment of the City centre was done with the expectation that these new facilities and installations will revitalize our City and help generate more tax revenues in the future. Therefore, for reasons of fiscal prudence, we reduced the pace of investment in 2012 and will do so again in 2013, putting off some road works, building and park renovations that were previously identified in our capital works program for other sectors of the City.

In the upcoming weeks, the City Administration and City Council will finalize the 2013 operating and capital budgets. The City Council will adopt the 2013 operating budget and the 2013-2014-2015 capital expenditure program three (3) year plan at a special public Council meeting in December 2012.

As noted above, while the Mayor and City Council continue to monitor the local budget, we have little input or control over the Agglomeration portion of the expenses. These Agglomeration expenses mainly used to pay for island-wide and regional services (including STM public transit), Fire, Police, water treatment and distribution, Evaluation, downtown expenses and collective centre city assets) have increased considerably over the past five years. The City paid a total of \$26.8 million to the Agglomeration in 2012. The draft budget for the Agglomeration proposed to increase this amount again in 2013. The reliance on Montreal island cities alone to continue to pay for these central services will not be sufficient to cover these continuously increasing costs in the future. We will continue to seek a correction from the Quebec government to ensure that certain Agglomeration services are paid for by the entire region of the Montreal Metropolitan Community and to ensure that there is sustainable financing for these services going forward without having to continuously overtax Montreal island residents.

Finally, the 2013 Budget must allow Côte Saint-Luc to sustainably uphold the excellent standards and services our residents have become accustomed to, such as EMS, the Library, snow removal, and now our new and modern ACC and recreation facilities. We must modernize and upgrade our service delivery systems, keeping up with the fast-paced and increasingly self-directed world and make them even more convenient for residents.

In early December 2012, the City Council will hold a public information meeting to review the 2013 budget and provide the opportunity to the public to give input into the budget. More information will be posted at www.CoteSaintLuc.org in the next few days.

List of contracts exceeding \$25,000.00

In accordance with the law, I have deposited with the City Clerk the list of all contracts issued in 2011 that include an expenditure exceeding \$25,000 and entered into since the last meeting of Council at which I presented this report. I have also deposited the list of all contracts involving an expenditure exceeding \$2,000 entered into within that period with the same contracting party, if those contracts involved a total expenditure exceeding \$25,000.

Remuneration of members of council

As members of the Council, we receive an annual remuneration and an annual allowance for expenses related to our function.

The following table indicates the remuneration and allowances received by members of Council.

Office	Remuneration	Expense allocation
Mayor	\$49,111	\$15,310
Councillors	\$16,371	\$8,185

In addition to the above, the Mayor receives an amount of \$10,221 from the Agglomeration of Montreal for serving as the City's representative on the Agglomeration council and Councillor Dida Berku receives an amount of approximately \$5,000 as a member of the Agglomeration Contacts Review Commission.

Conclusion

In conclusion, I would like to assure you that maintaining quality services at the most reasonable cost possible is at the heart of the goals of the City Council and City Administration who will work very hard to create a fair and efficient budget for the 2013 fiscal year. We will preserve the

high quality of life and continue to foster the sense of community that makes our city special, thinking always towards the future while preserving what is most remarkable about our past and present.

Anthony Housefather
Mayor