

Annual Report of the Mayor on the 2014 Financial Situation, the General Orientations for 2015 and the Three-Year Capital Expenditures Program for 2015 – 2016 – 2017

Office of the Mayor • November 17, 2014



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, 2013. I will then update you on the preliminary projections for the 2014 fiscal year. In closing, I will give you an overview of the operating and the three-year capital expenditure program budgets for the 2015 fiscal year.

Financial report for the year ended December 31, 2013

The financial statements for the year ended December 31, 2013, were audited by the firm Raymond Chabot Grant Thornton and adopted by the City on July 14, 2014.

The City registered a cumulative operating surplus of \$6,087,050 and a cumulative pension plan surplus of \$2,004,300 totalling \$8,091,350 as at December 31, 2013. Although the pension plan surplus is shown on our balance sheet, it cannot be used by the City for operating or capital purposes.

For the year ended 2013, the City generated \$1,853,554 in surplus with the majority of it arising from unbudgeted additional revenue generated from new housing developments.

The City Council always makes a conscious effort to ensure that the City limits its indebtedness. In recent years, funds were borrowed to complete the construction of the Aquatic and Community Centre (“ACC”) and to re-develop the City Centre. In 2013, 14.22% of the operating budget was used to repay interest and capital on long-term debt, which came in slightly lower than originally projected. In 2014, the City has funded many of its Capital projects using internal financial resources such as unrestricted surplus, the working fund and parkland reserves. The debt service ratio is expected to remain stable even as the City borrows to maintain and improve its infrastructures. This projected debt service ratio falls in line with the City’s financial objective of maintaining an approximate 15% ratio of operating budget to capital and interest payments on long-term debt.

In 2013, the City used just over \$3 million from unrestricted surplus, parkland reserves and the working fund to finance the renovation of City Hall, underpass repairs, public works building upgrades, parks and improve computerized aspects of the City’s operations such as the ACC turnstiles. This use of financial reserves allows the City to finance projects without incurring long-term debt and interest charges. Since 2009, the City has financed approximately \$1.6 million of capital projects through the working fund. It has benefited from the fact that the amortization period of monies borrowed can be extended to 10 years allowing the City to borrow from itself for a longer period without incurring extra charges to its debt service expenses. The City intends to continue using its financial reserves as financing vehicles to ensure that it incurs long-term debt only when absolutely required to provide the necessary services to its residents.

Three-year capital expenditures program for 2014 – 2015 – 2016

In addition to normal operating expenses, the City also prepares a budget for capital expenditures, which are funds used to pay for assets that will be used by residents for a relatively long period of time, such as the buildings, parks & equipment, water infrastructure and new roads. The 2014 – 2015 – 2016 three-year capital budget was adopted on December 16, 2013 and the approved projects were the following:

| Projects | 2014 | 2015 | 2016 |
|---------------------------------------|--------------------|---------------------|--------------------|
| Roads and Traffic Infrastructure | \$2,650,000 | \$2,100,000 | \$2,450,000 |
| Water and Sewer Infrastructure | \$0 | \$2,100,000 | \$2,150,000 |
| Buildings and Civil Properties | \$2,130,000 | \$3,865,000 | \$1,325,000 |
| Parks Improvements | \$1,010,000 | \$1,280,000 | \$1,680,000 |
| Vehicles and Equipment | \$1,165,000 | \$1,201,000 | \$1,413,000 |
| Technology and Emergency Preparedness | \$1,115,000 | \$205,000 | \$200,000 |
| Total Expenditures | \$8,070,000 | \$10,751,000 | \$9,218,000 |

A majority of the projects included in the three-year capital expenditures program for the 2014 fiscal year have either been completed or are in the process of being completed.

The City’s capital investment budget for the 2014 fiscal year was utilized to make major improvements to the City’s sidewalks, roads infrastructure, parks and civic properties. During 2014, approximately \$740,000 is being spent to rejuvenate Zyguelbaum Park, Levine Playground as well as upgrading vacant municipal lots. A backup generator has been purchased for the ACC and the public works building and yard have been receiving much needed repairs. The 2013 Shuster and Schwartz parks projects have been completed and open to the public. Close to \$2.5 million of the financing for 2014 projects have come from internal sources such as unrestricted surplus, reserves and working capital. This is in accordance with the City’s decision to maintain its required long-term debt balance and debt service ratios at the appropriate levels as discussed earlier.

The three-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 2014

The City is estimating a minimal surplus for 2014 based on our year-to-date results. We will continue to keep close control over our expenses until the end of the year while maintaining a high quality of service to City residents.

The year-end operating revenues are expected to be slightly below budget based on year-to-date results. This is due to lower than expected revenues for programming and the sale of land.

It is important to note, however, that the City did realize increased tax revenue from new residential development projects.

The City's 2014 operating expenses will be within budget at the end of the third quarter and are expected to be in line with our final numbers.

Once again this year, members of the City Council will closely monitor the actual revenues and expenses of the City. On a monthly basis, the Audit Committee, chaired by Councillor Steven Erdelyi, examines internal financial reports produced by the Finance Department and identifies corrective measures to financial results when required.

In 2014, the City Council has focused its attention on Emergency Preparedness and repairs to infrastructure of city buildings. This included setting up an automated mass notification system for emergencies and the purchase of a generator for the ACC and various needed equipment in case of emergencies. The City has begun the process of replacing the bricks at the Bernard Lang Civic Centre, which had been problematic since its construction in the mid-1980s and replaced pipes and the roof at the Public Works Yard.

General orientation for the 2015 budget

The 2015 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. However it is important to note that the City does not control the spending of the regional level of government and if the Agglomeration of Montreal increases its expenditures at a higher level, property tax increases may exceed the rate of inflation due to the portion of the City budget that pays the pro-rated share of island services. The City together with the other demerged municipalities on the island is working with the new administration in the City of Montreal to restrain the spending of the Agglomeration.
- 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;
- To maximize access to grants from the federal and provincial governments to upgrade infrastructure.

As in previous years, the established priorities for the 2015 operating budget will continue to focus on quality services for the residents of the City while remaining within budget constraints.

However we are facing a new challenge this year. The Quebec government has recently announced serious cutbacks that will reduce our QST reimbursement and compensation in lieu of tax for public schools and hospitals in the order of approximately \$400,000 annually for Côte Saint-Luc alone. This is a very significant reduction in revenues that all municipalities face and will lead Côte Saint-Luc as well as the others to make difficult financial choices going forward.

The most important elements of the 2015 capital budget will continue to be investments in our parks, aqueduct infrastructure and maintenance of roads/sidewalks. The City will give priority to those projects that are eligible for government grant programs as well as an excellent return on investment.

In the upcoming weeks, the City Administration and City Council will finalize the 2015 operating and capital budgets. The City Council will adopt the 2015 operating budget and the 2015-2016-2017 capital expenditure program three (3) year plan at a special public Council meeting in December 2014.

It should be noted that 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 \$27 million to the Agglomeration in 2014. We expect this amount to increase in 2015. 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 Metropolitan 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. In December 2014, the City Council will hold a public information meeting to review the 2015 budget and provide the opportunity to the public to give input into the budget building process. More information will be posted at www.CoteSaintLuc.org in that regard.

List of contracts exceeding \$25,000

In accordance with the law, I have deposited with the City Clerk the list of all contracts issued in 2013 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 |
|-------------|--------------|----------|
| Mayor | \$50,642 | \$15,787 |
| Councillors | \$16,880 | \$8,439 |

In addition to the above, the Mayor receives an amount of \$10,847 from the Agglomeration of Montreal for serving as the City's representative on the Agglomeration council and Councillor Dida Berku can receive approximately \$10,000 as Vice-President of the Agglomeration Contacts Review Commission.

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 are working very hard to create a fair and efficient budget for the 2015 fiscal year. We continue to do everything possible to increase the excellent level of services that residents have come to expect at the most reasonable cost possible.



Anthony Housefather
Mayor