

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

Office of the Mayor • November 9, 2015



Ville de  City of
Côte Saint-Luc

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 Cote Saint Luc (“City”).

To begin with, I will present the results for the fiscal year ending December 31, 2014. I will then update you on the preliminary projections for the 2015 fiscal year. In closing, I will give you an overview of the operating and the three-year capital expenditure program budgets for the 2016 fiscal year.

Financial report for the year ended December 31, 2014

The financial statements for the year ended December 31, 2014, were audited by the firm Raymond Chabot Grant Thornton and adopted by the City on May 4, 2015.

The City registered a cumulative operating surplus of \$4,136,921 and a cumulative pension plan surplus of \$1,819,200 totalling \$5,956,121 as at December 31, 2014. 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 2014, the City generated \$119,272 in surplus due to close monitoring of the City’s taxation rates and expenses.

The City Council always makes a conscious effort to ensure that the City limits its indebtedness by ensuring its eligibility for government grants for infrastructure. This year it was confirmed by the auditors’ report that the City has benefited from obtaining the full part of a federal and provincial grant (\$9,524,982) based on the gas tax and contribution from Quebec (TECQ) to subsidize infrastructure improvements to the City from 2010 to 2013. In 2014, 14% of the operating budget was used to repay interest and capital on long-term debt. In 2015, the City has funded some of its capital projects using internal financial resources such as unrestricted surplus and the working fund. The debt-service ratio is expected to remain stable even as the City borrows to maintain and improve its infrastructure. 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 2014, the City used about \$2.8 million from unrestricted surplus, parkland reserves, closed bylaws and the working fund to upgrade Arthur Ziegelbaum Park, Allan J. Levine Playground, replace the roof on the Public Works garage, renovate library bathrooms and improve security by the purchase and installation of cameras. This use of financial reserves allows the City to finance projects by incurring less long-term debt and interest charges. Since 2009, the City has financed approximately \$3 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

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, such as the buildings, parks and equipment, water infrastructure and new roads.

The three-year capital expenditures program for 2015 – 2016 – 2017 was adopted on December 15, 2014 and the approved projects were the following:

Projects	2015	2016	2017
Roads and Traffic Infrastructure	\$3,015,000	\$4,050,000	\$3,600,000
Water and Sewer Infrastructure	\$0	\$2,800,000	\$2,800,000
Buildings and Civil Properties	\$4,165,000	\$0	\$3,200,000
Parks Improvements	\$3,015,000	\$2,450,000	\$1,270,000
Vehicles and Equipment	\$2,162,000	\$1,772,000	\$1,042,000
Technology and Emergency Preparedness	\$617,000	\$380,000	\$242,000
Total Expenditures	\$12,974,000	\$11,452,000	\$12,154,000

Some projects included in the program for 2015 have either been completed or are in the process of being completed. It was used to make repairs to the City’s sidewalks and to upgrade its inventory of vehicles and equipment. During 2015, approximately \$2 million has been spent to upgrade the City’s vehicle fleet and equipment, many of which desperately needed replacement. There have also been preliminary professional studies for the requirements of the new 2014-2018 gas tax based federal and provincial grant (TECQ), which will include extensive work on the library building envelope, and work on the water and road infrastructure. The City is ensuring that it can meet those requirements as well as others in order to benefit from the \$9,524,982 grant from the federal and provincial governments.

The 2014 Ziegelbaum Park and Levine Playground projects have been completed and are open to the public. Approximately \$630,000 of the financing for 2015 projects have come from internal sources such as unrestricted surplus, 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 expenditures program 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 2015

The City is estimating a minimal surplus for 2015 based on our year-to-date results, contingent on the closing of the transfer of city land to B’Nai Brith before the end of the fiscal year. 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, fines, permits and the possible impact of the sale of land. The City also has realized some of the adverse effects of the austerity measures implemented by the Quebec government this year, as mentioned in the 2014 Mayor’s report. It is important to note, however, that the City did realize some increased tax revenue from new residential development projects.

The City's 2015 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 regular 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 2015, the City Council has focused its attention on improving the efficiency of internal operations, replenishing its fleet and repairs to sidewalks. This includes setting up the Montreal Agglomeration radio communication system, changing the City telephone hardware and renovating the City Hall auditorium.

General orientation for the 2016 budget

The 2016 operating budget building guiding principles are as follows:

- The budget must ensure that there is a balance between revenues and expenditures;
- The budget must ensure that our increase in taxes stays within the range of increases of the other cities of the island Agglomeration
- 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.
- Wages make up more than 50 % of the City local budget. The increase in wages, which are presently being negotiated, may push our tax increase beyond the rate of inflation.
- 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;
- Maximization of grants available from the federal and provincial governments for use to upgrade infrastructure.

As in previous years, the established priorities for the 2016 operating budget will continue to focus on quality services for the residents of the City while remaining within budget constraints. The most important elements of the 2016 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 which 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 2016 operating and capital budgets. The City Council will adopt the 2016 operating budget and the 2016-2017-2018 capital expenditure program three-year plan at a special public Council meeting in December 2015.

As previously mentioned, the Quebec government implemented serious cutbacks that reduced the City's Quebec sales tax reimbursement and compensation in lieu of tax for public schools and hospitals in the order of approximately \$400,000 annually for the City of Côte Saint Luc alone. This very significant reduction in revenues that all municipalities face continues to force the City as well as the others to make difficult financial choices going forward in order to maintain a balanced budget. The goal when making these choices is to continue to maintain the high level of services our residents expect.

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 Montreal public transit, fire department, police department, water treatment and distribution, property evaluation, downtown expenses and collective centre city assets)

have increased considerably over the past five years. This year, the City has paid more than \$28 million to the Agglomeration and the Metropolitan Montreal Community. We expect this amount to increase in 2016. 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 2015, the City Council will hold a public information meeting to review the 2016 budget and provide the opportunity to the public to give input into the budget building process. More information will be posted at 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 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	\$51,250	\$15,876
Councillors	\$17,083	\$8,541

In addition to the above, the Mayor receives an amount of \$10,999 from the Agglomeration of Montreal for serving as the City's representative on the Agglomeration Council and Councillor Dida Berku can receive up to approximately \$15,000 as Vice-President of the Agglomeration Contacts Review Commission.

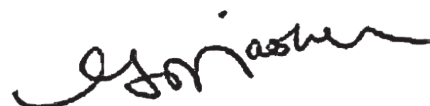
Conclusion

In conclusion, I would like to assure you that maintaining quality services at the most reasonable cost possible is at the heart of the goal of the City Council and City Administration. We are focused on creating a fair and efficient budget for 2016.

I wish to thank Councillors Steven Erdelyi and Dida Berku for their leadership in the complex task of creating a responsible budget and in monitoring it throughout the year. The staff of the Finance Department, under the direction of Ruth Kleinman, have done a tremendous job in managing our tax dollars. Thanks to all of our directors, city staff and volunteers for their dedication to all of our residents and for providing excellent programs, services and facilities, 365 days a year.

Our entire City Council takes the job of overseeing our beautiful city very seriously and I thank them all for their unwavering commitment. And finally, I must recognize the extraordinary stewardship of Mayor Anthony Housefather, for leading us all with vision and passion and for ensuring the financial stability of the City of Cote Saint Luc.

All of us will continue to do everything possible to maintain the excellent level of services that residents have come to expect and that have made our city an incredible place to call home. Thank you.



Glenn J. Nashen
Acting Mayor