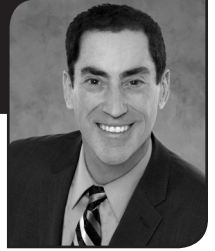


Annual Report of the Mayor on the 2016 Financial Situation, the General Orientations for 2017 and the Three-Year Capital Expenditures Program for 2016 – 2017 – 2018

Office of the Mayor • October 13, 2016



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 Côte Saint Luc ("City").

To begin with, I will present the results for the fiscal year ending December 31, 2015. I will then update you on the preliminary projections for the 2016 fiscal year. In closing, I will give you an overview of the operating and the three-year capital expenditure program budgets for the 2017 fiscal year.

Financial report for the year ended December 31, 2015

The financial statements for the year ended December 31, 2015, were audited by the firm Raymond Chabot Grant Thornton and adopted by the City on May 9, 2016.

The City registered a cumulative operating surplus of \$3,161,246 and a cumulative pension plan surplus of \$1,575,700 totalling \$4,736,946 as at December 31, 2015. 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 2015, the City balanced its budget 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. In 2015, the City has also funded some of its capital projects using internal financial resources such as the unrestricted surplus and the working fund.

In 2007 & 2008 the City created the working fund to finance capital projects by transferring \$1 million from surplus into this fund. In 2014 & 2015, the City further increased the working fund by \$1.5 million to a total of \$2.5 million. This fund allows the City to finance projects without incurring long-term debt and interest charges.

In 2015, the City's municipal long-term debt decreased by \$2.6 million as it continues to pay down debt while carefully monitoring new borrowings. 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 2015, the City used about \$672,000 from its unrestricted surplus and its working fund to complete upgrades to Arthur Zygielbaum Park, Allan J. Levine Playground, renovations to the library bathrooms and the auditorium as well as improve public security through the purchase of a new radio communication system shared with other cities in the Montreal Agglomeration. This use of financial reserves and the working fund allows the City to finance projects by incurring less long-term debt and interest charges. 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.

The City encountered various financial challenges in the year pertaining to remuneration. The challenges were providing for retroactive salary equity and collective agreement salary payments. Both are expenditures in 2016. The City prudently set up a reserve of \$2.9 million for both these potential liabilities in the 2015 financial statements.

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 2016 – 2017 – 2018 was adopted on December 14, 2015 and the approved projects were the following:

Projects	2016	2017	2018
Roads and Traffic infrastructures	\$3,307,106	\$7,086,660	\$5,249,375
Water and Sewer infrastructures	\$944,887	\$2,099,750	\$0
Buildings and Civil Properties	\$2,209,987	\$0	\$4,724,437
Parks Improvements	\$3,167,473	\$1,758,541	\$2,360,433
Vehicles and Equipment	\$1,200,008	\$1,080,330	\$1,065,625
Technology and Emergency preparedness	\$220,473	\$353,900	\$382,154
Total expenditures (net taxes)	\$11,049,934	\$12,379,181	\$13,782,024

Some projects included in the program for 2016 have either been completed or are in the process of being completed. The program was used to upgrade Trudeau Park. It was also used to repair the library envelope, renovate the Côte Saint Luc pump station and Westminster Underpass. There were also repairs to the City's sidewalks and planting of trees. During 2016, approximately \$1.1 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 cost of replacing the Côte Saint Luc Road underpass pump station has been split with Montreal, with Côte Saint-Luc's portion paid by using our water reserve. The City is also using approximately \$520,000 of its reserve of balances available from closed by-laws to fund the Westminster underpass as well as the working fund to pay for technological upgrades.

This strategy of using other sources than long-term debt 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 2016

The City is estimating a small surplus for 2016 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, and permits, as well as a change in accounting policy for grants. The City also has absorbed the increased expenses of salary equity measures and the negotiation of the collective agreements. It is important to note, however, that the City realized some increased tax revenue from new residential development projects as well as from the sale of land.

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 2016, the City Council has focused its attention on improving the efficiency of internal operations and improving its infrastructure and parks.

General orientation for the 2017 budget

The 2017 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;
- The budget must account for wages which make up more than 50% of the City local budget;
- 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 2017 operating budget will continue to focus on quality services for the residents of the City while remaining within budget constraints.

The management team is currently working on the City's operating budget in preparation for adoption by Council. The plan is to pursue our annual investments in our parks, aqueduct infrastructure and maintenance of roads and sidewalks. Côte Saint-Luc 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 2017 operating and capital budgets. The City Council will adopt the 2017 operating budget and the 2017-2018-2019 capital expenditure program three-year plan at a special public Council meeting in December 2016.

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 are 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. Given the new 2017-2018-2019 evaluation role and the cost sharing formula for other

island wide expenses, the effect on our tax rate is yet to be determined. In December 2016, the City Council will hold a public information meeting to review the 2017 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 this report was presented. 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* (March 11 to December 31, 2016)	\$42,015	\$13,100
Councillors Districts 1, 2, 3, 4, 5, 6	\$17,340	\$8,670
Councillor District 7* (January 1 to February 8, 2016)	\$1,735	\$870
Councillor District 7 (April 19 to December 31, 2016)	\$12,270	\$6,135

In addition to the above, this year Mayor will receive about \$9,000 from the Agglomeration of Montreal for serving as the City's representative on the Agglomeration Council. Councillor Dida Berku can receive up to approximately \$8,340 as Vice-President of the Agglomeration Contacts Review Commission.

*the proration of remuneration & expense allocation is due to a by-election that took place on April 10, 2016. The Mayor won by acclamation on March 11, 2016.

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 2017.

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, City Treasurer, 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.

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,



Mitchell Brownstein
Mayor