



REPORT
ON THE VERDUN BOROUGH'S
FINANCIAL SITUATION

INTRODUCTION

On behalf of the members of Borough Council, I am pleased to table the Report on the Verdun Borough's Financial Situation. I am addressing you this evening within the framework provided for by the *Cities and Towns Act*.

To begin with, we will be presenting the Auditor General's report as well as the results of the 2006 fiscal year. This will be followed by a preliminary analysis of the projected results for 2007. We will then close this meeting with a look at the budgets for 2008—both the operating budget and the Capital Expenditure Program.

AUDITOR GENERAL'S REPORT FOR 2006

The Auditor General made 16 recommendations to the Verdun Borough: 13 on estimating the costs of implementing contracts and 3 on e-mail. Out of that number, 11 were resolved and 5 should be within the next few months. In addition, at the beginning of 2007, recommendations were issued about occupational health and safety matters. These are currently being followed up so that an action plan can be submitted to Management by November 30. And lastly, the presentation of this report on the financial situation was reviewed in order to take the Auditor General's recommendations into account.

RESULTS OF FISCAL YEAR 2006

OPERATING BUDGET

The Verdun Borough ended its 2006 fiscal year with a surplus of \$2,296,700.

REVENUES

Revenues from local sources	\$3,432,900	
Conditional transfers	<u>\$224,600</u>	

TOTAL	\$3,657,500	
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ALLOTMENT (amended budget)	<u>\$3,117,100</u>	\$540,400
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OPERATING EXPENSES

General administration	\$5,015,900	
Public security	\$732,800	
Transport	\$8,166,200	
Public hygiene	\$5,242,600	
Health and welfare	\$92,200	
Urban planning and development	\$2,526,700	
Recreation and culture	<u>\$9,504,800</u>	

TOTAL OPERATING EXPENDITURES	\$31,281,200	
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OTHER FINANCIAL ACTIVITIES

Transfers to investment activities	<u>\$929,000</u>	
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TOTAL OPERATING EXPENDITURES AND OTHER FINANCIAL ACTIVITIES	\$32,210,200	
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ALLOTMENT (AMENDED BUDGET)	<u>\$33,966,500</u>	<u>\$1,756,300</u>
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SURPLUS FOR FISCAL YEAR		<u>2,296,700</u>
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Our surplus for the fiscal year is explained by the following main factors:

- Increase in our parking revenues and meters: \$223,200
- Increase in our revenues from occupancy of public property: \$81,300
- Strict, rigorous management of our labour costs (\$1,296,400), which made it possible for us to absorb the additional household waste management costs of \$541,600
- Savings from snow clearance operations due to milder weather conditions: \$712,400
- In 2006, a favourable variance of \$577,800 with regard to the retrospective plan to manage our occupational health and safety matters was recorded, based on the data received by Ville de Montréal's *Service des finances*. Given the fact that this data contained errors and was corrected in 2007, it has incurred us a budget deficit, to date, of \$425,400.
- And lastly, the revenues from the borough tax that was levied was not used, due to the margins generated during the year by increasing our revenues and reducing our expenditures.

The allocation and use of these surpluses by the Verdun Borough are in keeping with the policy established by Ville de Montréal's City Council.

CAPITAL EXPENDITURE PROGRAM

In 2006, the budget allowance of the Verdun Borough's three-year Capital Expenditure Program consisted of an initial amount of \$6,216,000 for (discretionary) protection projects. Taking into account the carry-over amounts not spent in 2005 (\$1,411,000), and the amounts transferred from financial activities (\$1,201,000), the Borough therefore had a total budget allowance, in 2006, for investment purposes, of \$8,828,000. Out of that total, an amount of \$2,143,000 was carried forward to 2007.

Some of the main investments made are as follows:

• Playground improvement program	\$2,345,000
• Road repair program	\$3,361,000
• Building protection program	\$320,000
• Vehicle replacement program	\$580,000
• Others	<u>\$79,000</u>
	<u>\$6,685,000</u>

The breakdown of the sources for funding these 2006 investments is as follows:

• Loan borne by Borough residents, payable against the 2008 tax bill, according to corporate guidelines	\$4,714,000
• Loan borne by residents of Ville de Montréal	\$552,000
• Operating budget (transfer to investment activities)	\$1,201,000
• Grant	<u>\$218,000</u>
	<u>\$6,685,000</u>

Added to the previous considerations are the structuring development projects, for which the initial budget came from a corporate budget allowance of \$12,900,000. For 2006, taking into account the carry-over of amounts not spent in 2005 (\$10,511,000) and the amounts transferred from financial activities (\$432,000), the Borough had a total budget allowance of \$23,843,000. Out of that total, an amount of \$6,566,000 was carried forward to 2007.

The main investments included:

• Construction of boulevard Gaétan-Laberge	\$3,627,000
• Parks and green space	\$5,136,000
• The purchase of land – L'Île-des-Sœurs neighbourhood	\$3,508,000
• Completion of section "C" – L'Île-des-Sœurs neighbourhood	\$4,164,000
• Other	<u>\$842,000</u>
	<u>\$17,277,000</u>

The sources of funding for these 2006 investments consist of a \$14,328,000 loan, for all Ville de Montréal residents; an amount of \$2,925,000 from the operating budget (transfer to investment activities); and a grant of \$24,000.

And lastly, an investment to improve the Borough's water supply service, under the responsibility of SITE (*Service des infrastructures, du transport et de l'environnement*) was made in 2006. Expenditures of approximately \$1,792,000 were incurred. The source of funding was the special tax to improve the water supply service, introduced in 2004.

PRELIMINARY PROJECTIONS FOR 2007

OPERATING BUDGET

For 2007, Ville de Montréal allocated us a budget of \$2,880,900 for revenues and \$32,178,700 for operating expenses.

Nevertheless, it should be mentioned that we had to consider an appropriation amount of approximately \$2,211,200 from our accumulated surpluses in order to increase our budget allotment for operating expenses to \$34,389,900, so that we could provide Verdun taxpayers with quality services.

Following the analysis of budget changes in revenues and expenditures with regard to the projections for 2007, we are today able to expect a slight surplus.

CAPITAL EXPENDITURE PROGRAM

We invested \$6,100,000 in the protection aspect of the 2007 Capital Expenditure Program. This investment includes a carry-over of \$2,143,000 from 2006 and \$479,000 in amounts transferred from financial activities.

The main investments made include the following:

• Repairs to facilities and renovations to parks and waterfront areas:	\$1,421,000
• Road repair program	\$2,731,000
• Building protection program	\$1,026,000
• Vehicle replacement program	<u>\$922,000</u>
	<u>\$6,100,000</u>

Just as in 2006, these investments were financed by a loan of \$5,621,000, payable by Verdun residents, and by an amount of \$479,000 from the operating budget.

There is also the developmental aspect, for which the Verdun Borough made investments of \$33,957,000. These investments were made possible through a basic allowance of \$7,825,000, through the carry-over of amounts unspent in 2006 (\$6,566,000) and the use of a increased budget allowance of \$19,566,000, from Ville de Montréal's three-year investment fund of \$180,000,000, which included in 2007 an amount of \$60,000,000 to promote the development of major projects already planned—such as the Pointe-Nord project in the L'Île des-Sœurs neighbourhood. It is therefore this project that made it possible for us to obtain this \$19,566,000 increase for our 2007 allowance.

The main investments made are as follows:

• Construction of boulevard Gaétan-Laberge	\$837,000
• Parks and green space	\$2,680,000
• Completion of section "C", L'Île-des-Sœurs neighbourhood	\$2,234,000
• Road infrastructures	\$815,000
• Development of Pointe-Nord, L'Île-des-Sœurs neighbourhood	<u>\$27,391,000</u>
	<u>\$33,957,000</u>

The source of funding for the development work consists of a \$33,957,000 loan payable by all residents of Ville de Montréal.

At the end of 2007, the Borough will know the balances that may be transferred in 2008, depending on the extent of advancement of the projects currently under way.

In closing, expenses of \$1,853,000 were recorded to date to improve the Borough's water supply service, for which the source of funding is identical to that in 2006.

2008 BUDGET ALLOTMENT

OPERATING BUDGET

It is in a context of limited financial resources that Ville de Montréal established the boroughs' budget allotment for their 2008 fiscal year. With regard to revenues, our budget allotment was set at \$2,938,500, while our allotment for our operating expenses amounted to \$33,664,900.

The Borough is benefiting from overall indexing of 3.6% of its 2007 allotment, i.e., an increase of \$1,159,300, in addition to the development fund (\$1,143,900), plus the upgrading fund (\$292,000) and certain other adjustments (\$22,600). Nevertheless, at the same time, the Borough must contribute to Ville de Montréal's budget challenge and is therefore faced with a \$1,156,600 reduction in spending and the obligation to reduce its manpower by 25.8 persons / year, between now and the 2009 budget.

These aspects therefore represent financial constraints with which the City and the boroughs are confronted: an imbalance between spending and revenues that continues to intensify.

Budgeting for 2008 is being completed at the present time. The Council members will be submitting their results to taxpayers at the time of the adoption of the budget. And yet the budget allowance that was devoted to us is—a priori—proving to be insufficient to maintain all the quality services being offered to Verdun Borough residents.

CAPITAL EXPENDITURE PROGRAM

The budget for the three-year Capital Expenditure Program for 2008-2010 has been set at \$10,881,000 by Ville de Montréal.

The Borough Council members are in the process of finalizing the investments projects totalling \$3,530,000 for 2008.

It should be noted that since 2005, following decentralization, the capital expenditures of each borough have been payable by taxpayers residing where these expenses are incurred rather than being shouldered by all taxpayers in Ville de Montréal; therefore, starting in 2007, instead of being taxed based on an across-the-board rate, a special tax is being levied on Verdun taxpayers to finance capital expenditures annually incurred since 2005 in the Borough.

We also wish to mention that the Verdun Borough will be adopting its operating budget as well as its three-year Capital Expenditure Program at a special Borough Council meeting on October 9, 2007.

CONTRACTS

LIST OF CONTRACTS

As required under section 144.7 of Bill 33, the Borough's *Division des ressources financières* has listed all the contracts involving an expenditure of over \$25,000, as well as all contracts incurring an expenditure of over \$2,000, when the expenditures of all these contracts combined total over \$25,000 for one and the same sub-contractor. All these contracts were approved by Borough Council during the period of September 2006 to August 2007.

CONCLUSION

In conclusion, it is a positive report that I am presenting you, this evening, on the Borough's financial situation. A report that reflects the energy invested by a team of very competent municipal management staff and Councillors.

I would like to take the liberty of mentioning, as a reminder, that the gestures we have made and the actions we have taken over the past two years have been based on the Strategic Development Plan that the Borough adopted in 2005. This plan will continue to shape our Borough's living space.

Nevertheless, over the coming years, we will have to face many constraints—both budgetary and administrative ones—to reach the target that Ville de Montréal has set. The choices that we Council members will have to make will sometimes be difficult ones.

We will have to do "more" with "less".

However, I can affirm to you that we will not sway from our main concern of providing sound management, while continuing to offer Verdunites quality services and a highly stimulating living environment.

Thank you for your attention.

Tabled by Claude Trudel,
Verdun Borough Mayor
on Tuesday, October 2, 2007