

REPORT
ON THE VERDUN BOROUGH'S
FINANCIAL SITUATION
PRESENTED AT
THE BOROUGH COUNCIL MEETING
ON OCTOBER 4, 2011



INTRODUCTION

On behalf of the Borough Council members, I am pleased to present 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, I will present the report from Ville de Montréal's Auditor General as well as the results of the 2010 fiscal year. I will then discuss the preliminary projections for the 2011 fiscal year. In closing, I will give you an overview of the budgets for 2012—both the operating budget and the three-year Capital Expenditure Program.

AUDITOR GENERAL'S REPORT ON THE YEAR ENDING DECEMBER 31, 2010

In 2010, no specific audits were conducted in the Verdun Borough by the Auditor General's office. As for the recommendations issued in relation to the previous audits, we confirm that with regard to a few recommendations, follow-up is under way, where deemed appropriate, within a context of limited resources and change.

2010 FINANCIAL STATEMENTS: RESULTS AND ANALYSES

OPERATING BUDGET

The Verdun Borough was allocated an amount of \$4,274,500 by Ville de Montréal with regard to revenues for 2010 as well as an amount of \$35,095,100 in relation to expenditures. The Borough therefore had to resort to its surpluses and to a local tax to meet its original operating budget for 2010, which was set at \$36,883,600.

Nevertheless, as was the case for the 2009 fiscal year, the boroughs within Ville de Montréal were faced, in 2010, with the implementation of a plan to improve the financial situation, thereby reducing our original budget by \$351,000.

Despite this constraint and thanks to strict management controls enforced all throughout 2010, we succeeded in ending the year with a management surplus of \$3,604,000, benefiting from favourable weather conditions (fewer snowfalls), for instance.

This management surplus is also due to the following factors:

With regard to revenues, a significant difference, mainly in relation to construction permits, accounts for the surpluses generated, whereas a contribution for parks is included in the "Miscellaneous revenue" item.

As for the amount indicated in the budget appropriation item, it comes, in particular, from the property taxes annually assessed by Ville de Montréal as well as from the revenues collected by the Borough's special tax.

With regard to operating expenditures, we recorded both pluses and minuses. Accordingly, insofar as total compensation is concerned, there are no savings to report, due to over-budgeted expenses that were incurred for occupational health and safety. As for snow clearance operations, savings of over \$1 million are worthy of note in our management surplus for 2010. Added to the components of this surplus were costs under budget for some of our professional, technical and other services. For example, savings were achieved due to tonnage credits and fuel costs related to waste material operations. And lastly, additional savings were recorded with regard to expenses for parts and accessories for the maintenance and repair of buildings and automotive equipment as well as municipal facilities and infrastructures, due to certain work prioritized by the Borough.

As for appropriations, the amount of \$207,000 represents capital acquisitions financed following budget transfers from operating expenses, and the amount of \$163,000 represents our repayment to the working capital fund as well as an amount to be transferred to our parks and playgrounds fund, the revenue for which was previously presented under the "Other revenues" item.

And the allocated surplus of \$831,000 represents the effect of accounting for our surplus appropriation, as established at the time of adopting the original budget for 2010 as well as new surplus appropriations during the year for financing operating expenses.

With regard to the corporate corrections item, it primarily involves year-end adjustments considered at the corporate level, and namely, subsidized revenue for the acquisition of library books, a "general" corrections follow-up (sale of assets) as well as specific ones (blue-collar leaves of absence for Union business, pay equity, repayment of expenses for emergency measures, etc.).

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

Verdun Borough

Year ended December 31, 2010

OPERATING ACTIVITIES

(in \$000,000s)

	2010		2009
	Budget	Actual	Actual
Revenues			
Taxes			
Payments in lieu of taxes			
Transfers	175	20	12
Services rendered	3,310	3,775	3,393
Assessment of fees	733	842	371
Fines and penalties	57	61	54
Interest		7	2
Other revenues		96	141
Budget appropriation	32,132	32,365	31,403
	36,407	37,166	35,376
Operating expenditures			
General administration	5,298	4,816	4,629
Public safety and security	878	913	921
Transportation	12,139	11,051	10,912
Public hygiene	5,428	4,363	4,551
Health and welfare	128	123	112
Urban planning and development	1,910	2,248	1,780
Recreation and culture	11,103	10,765	10,032
Finance charges			
	36,884	34,279	32,937
Surplus (deficit) for the year	(477)	2,887	2,439
Financing			
Repayment of long-term debt			
Appropriations			
Capital asset activities		(207)	(577)
Unappropriated surplus			
Appropriated surplus	477	831	343
Financial reserves and earmarked funds		(163)	(195)
Future provisions			
	477	461	(429)
Management surplus based on modified budget		3,348	2,010
Corporate corrections		256	(160)
Management surplus		3,604	1,850

CAPITAL EXPENDITURE PROGRAM

Protection expenditures

In 2010, the budget allowance for the Verdun Borough's three-year Capital Expenditure Program consisted of an initial amount of \$4,039,000 for protection projects. Taking into account the carry-over of amounts not spent in 2009 (approximately \$1,674,000), amounts transferred from financial activities and totalling \$2,087,000, a subsidy of \$83,000 and a third-party refund of \$337,000, the Borough's total budget allowance, for investment purposes, therefore came to \$8,220,000 in 2010. Out of that total, an amount of \$5,053,000 was carried forward to 2011.

Also added to these same expenditures is an amount of \$2,303,000 from a corporate budget, but out of which an amount of \$1,975,000 is carried forward to 2011.

And so, among the main investments made in 2010, we wish to mention the following:

• Playground improvement program	\$1,167,000
• Road repair program	\$806,000
• Building protection program	\$644,000
• Vehicle replacement program	\$456,000
• Infrastructures (waterworks/sewage)	\$337,000
• Miscellaneous	<u>\$85,000</u>
	<u>\$3,495,000</u>

The breakdown of the sources for funding these 2010 investments is as follows:

• Loan payable by Borough residents, against the 2012 tax bill, according to corporate guidelines	\$2,169,000
• Loan payable by all residents of Ville de Montréal	\$328,000
• Operating budget (transfer to investment activities) and surplus appropriation	\$578,000
• Other sources	<u>\$420,000</u>
	<u>\$3,495,000</u>

Development expenditures

Added to the previous considerations are the \$500,000 in development projects from a corporate budget. Also taking into account the carry-over of amounts not spent in 2009 (approximately \$230,000), the Borough's total budget stood at \$730,000. Out of that total, an amount of \$133,000 was carried forward to 2011.

The main investments in 2010 included:

• Completion of boulevard Gaétan-Laberge	\$12,000
• Road infrastructures	\$81,000
• Development of Pointe-Nord area, L'Île-des-Sœurs neighbourhood	\$257,000
• An additional infrastructure – L'Île-des-Sœurs neighbourhood	<u>\$243,000</u>
	<u>\$593,000</u>

The sources of funding for these 2010 investments consist of loans payable by all Ville de Montréal taxpayers.

Miscellaneous projects

In addition, 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 2010. Expenditures of approximately \$2,781,000 were incurred. This investment was funded by the special tax to improve water supply service, which was introduced in 2004.

PRELIMINARY PROJECTIONS FOR 2011

OPERATING BUDGET

For 2011, Ville de Montréal allocated the Verdun Borough a budget of \$4,376,400 for revenues and \$36,512,400 for operating expenditures.

It should be mentioned that in order to improve the level of services offered to our Verdun residents, the Borough was obliged to make an appropriation of \$387,500 from its surplus and consider maintaining a special local tax, for an amount of \$1,863,000, bringing the total of our operating expenditures budget to \$38,762,900.

Based on the preliminary indications for the current fiscal year, we are able to present the following budgetary developments as at July 29, 2011:

REVENUE AND EXPENDITURE MANAGEMENT SUMMARY			
	MODIFIED BUDGET	PROJECTIONS FOR 2011	SURPLUS/(DEFICIT) FOR 2011
REVENUES	\$38,748,900	\$38,571,900	(\$177,000)
EXPENDITURES	<u>\$41,606,500</u>	<u>\$41,429,500</u>	<u>\$177,000</u>
	\$2,857,600	\$2,857,600	0
APPROPRIATIONS	\$2,857,600	\$2,857,600	0
SURPLUS (DEFICIT)	\$0	\$0	\$0

Thanks to our budget planning to date, we are able to present results for the fiscal year without any surplus or deficit, given our objective to make maximum use of the surpluses to be achieved during the year in order to finance operating expenditures (for example, snow clearance, blue-collar workers' salaries as a result of the new collective agreement, etc.) and capital expenditures that are currently being funded by accumulated surpluses.

CAPITAL EXPENDITURE PROGRAM

Protection expenditures

We plan on investing \$11,830,000 in protection expenditures within the capital expenditure program for 2011. This investment includes the 2011 budget

allowance within the Verdun Borough's three-year Capital Expenditure Program, for an amount of \$4,412,000, a carry-over of \$7,028,000 from 2010, amounts transferred from financial activities and totalling \$381,000 and a third-party contribution of \$9,000.

The main investments planned include the following:

• Repairs to park facilities as well as renovations to parks and waterfront areas	\$2,873,000
• Road repair program	\$2,404,000
• Building protection program	\$4,816,000
• Vehicle replacement program	\$1,560,000
• Miscellaneous	<u>\$177,000</u>
	<u>\$11,830,000</u>

These investments will be financed by a loan of \$7,449,000, payable by Verdun taxpayers as well as by another loan of \$2,443,000, payable by all Ville de Montréal taxpayers, in addition to an amount of \$1,929,000 through the operating budget and other funding of \$9,000.

Development expenditures

With regard to development projects, the Verdun Borough plans on making investments of \$8,486,000, through the carry-over of \$133,000 not spent in 2010, as well as through an amount of \$8,353,000, earmarked for development of the L'Île-des-Sœurs neighbourhood and which comes from the investment fund set up by Ville de Montréal to encourage the development of major projects.

The main investments to be made are as follows:

• Development of parks and green spaces	\$2,375,000
• Road infrastructures	\$133,000
• Development of the Pointe-Nord area in the L'Île-des-Sœurs neighbourhood	\$5,576,000
• Miscellaneous	<u>\$402,000</u>
	<u>\$8,486,000</u>

The developmental projects will be funded through loans payable by all Ville de Montréal taxpayers.

Other projects

In addition, expenditures of \$4,659,000 are planned in order to improve the Borough's water supply service. The budget for this project comes from the water fund, which continues to be financed by all Ville de Montréal taxpayers.

At the end of 2011, the Borough will know the balances that may be transferred in 2012 for protection and development projects, depending on how advanced the projects currently under way actually are at that point in time. However, according to new guidelines issued with the 2012 budget documents, the expenditures for the projects funded by the corporate budget will have to be initiated in 2011 in order to benefit from an automatic carry-over to 2012.

2012 BUDGET ALLOTMENT

OPERATING BUDGET

It is once again within a context of limited financial resources that Ville de Montréal has established the boroughs' preliminary budget allotment for the 2012 fiscal year. With regard to revenues, our budget allotment has been set at \$4,376,400, while our allotment for our operating expenditures amounts to \$36,654,100—the same as in 2011, to which has been added an amount of \$313,500, related to the development fund, as well as further adjustments totalling a reduction of \$3500. Nevertheless, this amount was subsequently reduced by \$168,300 for the human resources staffing project.

As was the case for 2009, 2010 and 2011, the Borough is being asked to adopt measures of constraint approximately corresponding to the costs resulting from salary increases and from inflation in other expenditures. These aspects therefore represent financial constraints facing the City and the boroughs: an ever-increasing imbalance between revenues and expenditures.

Budgeting for 2012 is in the process of being finalized. The final results will be presented to taxpayers when the budget is adopted on October 17. However, the budget allowance that was allocated to us is—*a priori*—insufficient to maintain all the quality services that we provide Verdun Borough residents, considering the Borough's increasing needs. In addition, it must be taken into account, just as for 2010 and 2011, that additional expenditures must be budgeted in order to support projects that are currently being continued, such as the Montreal Canadiens Children's Foundation skating rink, the Maison des generations project, costs for activities at Maison Nivard-De Saint-Dizier and lastly, costs for *Montréal complètement cirque*.

Consequently, as was the case in previous years, the Verdun Borough will make an appropriation from its surplus and will maintain a special local tax in order to balance the 2012 budget.

And lastly, it should be pointed out that 2012 is the second year of applying the averaging measures within the real estate assessment roll introduced on September 15, 2010 for 2011, 2012 and 2013.

CAPITAL EXPENDITURE PROGRAM

The budget for the three-year Capital Expenditure Program for 2012-2014, set by Ville de Montréal at \$10,818,000, was adopted at a special meeting of Borough Council on September 6, 2011.

ADOPTION OF THE OPERATING BUDGET

We wish to mention that the Verdun Borough will be adopting its operating budget for 2012 at a special Borough Council meeting to be held on October 17, 2011.

ADDITIONAL REMUNERATION FOR COUNCILLORS HOLDING A PARTICULAR POSITION WITHIN BOROUGH COUNCIL

For the acting Mayor:	\$135/month
For committee chairmen:	\$2,069/year

There is no expense allowance associated with these positions.

Moreover, each Borough Councillor in Verdun receives additional annual remuneration of \$6,846.

This additional remuneration is in keeping with the municipal bylaw and with provincial legislation.

CONTRACTS

LIST OF CONTRACTS

As required under section 144.7 of the *Charter of Ville de Montréal*, the Borough's *Division des ressources financières* has drawn up a list of all the contracts involving an expenditure of over \$25,000, as well as a list of 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 subcontractor. All these contracts for the period from September 17, 2010 to September 13, 2011 inclusively have been approved by Borough Council or will be approved at the meeting on October 4, 2011, for the contracts issued since the previous meeting.

CONCLUSION

Once again this year, we are proud of the report that we are presenting on the Borough's financial situation. It's a report that shows, yet another time, the energy devoted by a team of highly competent councillors and administrators.

This positive performance is based on decisions which, I admit, are not always easy to make, but whose ultimate goal is to continue providing Verdunites with the best possible service.

Just as we did in years past, we will have to pursue our very strict management in order to deal with the many budget and administrative constraints imposed on us by Ville de Montréal, so as to meet the spending reduction objectives that it has set for the City as a whole. And once again this year, we will therefore have to go on doing "more" with "less"! Despite all this, I am reiterating the fact that the decisions that my colleagues and I have reached are making it possible for us to state that Verdun is in excellent financial health.

I'm counting on the cooperation of each and every resident to keep on making Verdun an outstanding borough that's a great place to live, and I thank you for your kind attention.



Presented by Claude Trudel
Verdun Borough Mayor
and member of the Executive Committee
responsible for public safety and security
October 4, 2011