

**REPORT**  
**ON THE VERDUN BOROUGH'S**  
**FINANCIAL SITUATION**  
**PRESENTED AT**  
**THE BOROUGH COUNCIL MEETING**  
**ON OCTOBER 5, 2010**



## **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 2009 fiscal year. I will then discuss the preliminary projections for the 2010 fiscal year. In closing, I will give you an overview of the budgets for 2011—both the operating budget and the three-year Capital Expenditure Program.

## **AUDITOR GENERAL'S REPORT ON THE YEAR ENDING DECEMBER 31, 2009**

### **The breakdown of contracts awarded to contractors by the various authorities**

The Auditor General selected 21 contracting firms on Ville de Montréal territory that are rehabilitating and replacing facilities and infrastructures. He audited all the contracts that had been awarded to them between 2006 and 2009. A series of measures have already been implemented, with more to follow, in order to improve management and control when contracts are awarded by the various administrative units.

On Verdun territory, he noted that 26 contracts, for a total value of \$22,647,666, had been awarded to the Catcan firm. The measures concerning the Borough were implemented and the Borough is closely involved in developing upcoming measures.

### **Management of the motor vehicle fleet**

The Auditor General also conducted an audit to ensure sound management of the motor vehicle fleet. The Verdun Borough was subject to such audits, as were three other boroughs and two departments within the City. The audit covered 2008 and from January to September 2009.

A follow-up of the Auditor-General's recommendations is being carried out.

## **2009 FINANCIAL STATEMENTS: RESULTS AND ANALYSES**

### **OPERATING BUDGET**

In 2009, the Verdun Borough was subject to the measures of a recovery plan initiated by Ville de Montréal, which reduced its allotment from the City by \$1,065,700. Through tight controls over its financial resources and by prioritizing the activities to be carried out, the Borough nevertheless succeeded in generating a management surplus of \$1,850,200.

The following main factors account for our management surplus:

With regard to revenues, there is little significant difference between all the initially budgeted items and the actual revenues, except for budget items relating to occupancy of public property and building permits, which generated more revenues than projected.

As for the budget appropriation item, it mainly represents, among other things, the annual taxation by Ville de Montréal to balance the allocation that it pays the Borough, as well as the amount paid to the Borough, offset by a special local tax.

With regard to expenditures, it is chiefly in relation to total compensation (salaries and employer's contributions: occupational health and safety) that surpluses were able to be generated in 2009. We have continued to benefit from the health and safety investments made over the years. A few expenditure items were subject to cuts, and in particular, the one concerning advertising and information. The item relating to rental and supply of public services was also adjusted downward, as the costs proved to be less than estimated.

And lastly, in relation to appropriations, the amount of \$577,000 mainly represents the capitalization of total compensation to be charged to capital asset activities, and the amount of \$195,000 is 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 has been previously presented under the "miscellaneous revenue" item.

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 credit transfer from the corporation for contributions paid by the Employer to the Management pension plan for rate variances, and lastly, an adjustment for expenditure accounting in relation to capital asset activities.

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, 2009

**OPERATING ACTIVITIES***(in \$000,000s)*

	<b>2009</b>		<b>2008</b>
	<b>Total</b>		<b>Total</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Payments in lieu of taxes			
Transfers	168	12	12
Services rendered	3,288	3,393	3,265
Licences and permits	245	371	293
Fines and penalties	57	54	56
Interest		2	
Other revenues		141	28
Budget appropriation	31,702	31,403	31,726
	<b>35,460</b>	<b>35,376</b>	<b>35,380</b>
<b>Operating expenditures</b>			
General administration	5,512	4,629	4,818
Public safety and security	799	921	837
Transportation	11,714	10,912	12,349
Public hygiene	5,147	4,551	5,663
Health and welfare	124	112	112
Urban planning and development	1,891	1,780	1,752
Recreation and culture	10,589	10,032	9,397
Finance charges			
	<b>35,776</b>	<b>32,937</b>	<b>34,928</b>
<b>Surplus (deficit) for the year</b>	<b>(316)</b>	<b>2,439</b>	<b>452</b>
<b>Financing</b>			
Repayment of the long-term debt			
<b>Appropriations</b>			
Capital asset activities		(577)	(520)
Unappropriated surplus			
Appropriated surplus	316	343	1,565
Financial reserves and earmarked funds		(195)	(62)
Amount to provide for in the future			
	<b>316</b>	<b>(429)</b>	<b>983</b>
<b>Management surplus based on modified budget</b>		<b>2,010</b>	<b>1,435</b>
Corporate corrections		(160)	24
<b>Management surplus</b>		<b>1,850</b>	<b>1,459</b>

## CAPITAL EXPENDITURE PROGRAM

### Protection expenditures

In 2009, the budget allowance for the Verdun Borough's three-year Capital Expenditure Program consisted of an initial amount of \$5,010,000 for protection projects. Taking into account the carry-over of amounts not spent in 2008 (\$2,918,000), amounts transferred from financial activities and totalling \$1,185,000, a subsidy of \$39,000 and an insurance refund of \$63,000, the Borough therefore had a total budget allowance, for investment purposes, of \$9,215,000 in 2009. Out of that total, an amount of \$3,083,000 was carried forward to 2010.

Also added to these same expenditures is an amount of \$597,000 from a corporate budget, but out of which an amount of \$475,000 is carried forward to 2010.

And so, among the main investments made in 2009, we wish to mention the:

• Playground improvement program	\$1,475,000
• Road repair program	\$2,787,000
• Building protection program	\$483,000
• Vehicle replacement program	\$1,209,000
• Miscellaneous	<u>\$300,000</u>
	<u>\$6,254,000</u>

The breakdown of the sources for funding these 2009 investments is as follows:

• Loan payable by Borough residents, against the 2011 tax bill, according to corporate guidelines	\$4,773,000
• Loan payable by all residents of Ville de Montréal	\$122,000
• Operating budget (transfer to investment activities) and surplus appropriation	\$1,185,000
• Other sources	<u>\$174,000</u>
	<u>\$6,254,000</u>

### Development expenditures

Added to the previous considerations are the \$6,713,000 in development projects from a corporate budget. Also taking into account the carry-over of amounts not spent in 2008 (approximately \$481,000), a financial contribution from the Borough of \$43,000 and other sources of funding totalling \$38,000, the Borough had a total budget of \$7,275,000. Out of that total, an amount of \$230,000 was carried forward to 2010.

The main investments in 2009 included:

• Completion of boulevard Gaétan-Laberge	\$33,000
• Development of parks and green spaces	\$141,000
• Road infrastructures	\$51,000
• Completion of section "C" – L'Île-des-Sœurs neighbourhood	\$107,000
• Development of Pointe-Nord area, L'Île-des-Sœurs neighbourhood	<u>\$6,713,000</u>
	<u>\$7,045,000</u>

The sources of funding for these 2009 investments mainly consist of loans of \$7,002,000, payable by all residents of Ville de Montréal, and a financial contribution from the Borough of \$43,000.

### **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 2009. Expenditures of approximately \$11,853,000 were incurred. The source of funding was the special tax to improve water supply service, introduced in 2004.

And lastly, Ville de Montréal's road repair program was added to all the above, for which road repairs of approximately \$711,800 were confirmed for the Verdun Borough.

## PRELIMINARY PROJECTIONS FOR 2010

### OPERATING BUDGET

For 2010, Ville de Montréal allocated us a budget of \$4,274,500 for revenues and \$35,095,100 for operating expenditures.

To maintain the level of services offered to our Verdun taxpayers, it should be mentioned that the Borough had to make an appropriation of \$477,200 from its surplus and consider maintaining a special local tax, for an amount of \$1,311,300, in order to bring our budget for our operating expenditures to an amount of \$36,883,600.

However, due to the economic and financial crisis at the end of 2008 and early 2009, the effects of which are still lingering on in 2010, insofar as the projected results are concerned, the Verdun Borough had to contribute an amount of \$351,000 to the fiscal plan adopted by Ville de Montréal's Executive Committee in June 2010. This amount therefore reduced our budget accordingly for the current fiscal year.

Nevertheless, it should be mentioned that an amount of \$476,780 was paid to the Borough last September, from a Ville de Montréal reserve budgeted in 2010. This amount will be used to purchase automotive equipment.

Based on the preliminary indications for the current fiscal year, we are able to present the following budgetary developments as at August 26, 2010:

<b>SUMMARY OF REVENUE AND EXPENDITURE MANAGEMENT</b>			
	<b>BUDGET MODIFIED ON 26/8/10</b>	<b>PROJECTIONS FOR 2010</b>	<b>SURPLUS/(DEFICIT) FOR 2010</b>
REVENUES	\$36,842,600	\$37,319,380	\$476,780
EXPENDITURES	\$37,621,600	\$36,252,700	\$1,368,900
	(\$779,000)	\$1,066,680	\$1,845,680
APPROPRIATIONS	\$779,000	(\$1,066,680)	(\$1,845,680)
SURPLUS (DEFICIT)	\$0	\$0	\$0

Our budget planning to date prompts us to present results for the fiscal year without any surplus or deficit, as our objective is to make maximum use of the surpluses that will be achieved during the year in order to finance the capital asset expenditures that are currently being funded by accumulated surpluses.

## **CAPITAL EXPENDITURE PROGRAM**

### **Protection expenditures**

We plan on investing \$8,610,000 in protection expenditures within the capital expenditure program for 2010. This investment includes the 2010 budget allowance of the Verdun Borough's three-year Capital Expenditure Program, for an amount of \$4,039,000, a carry-over of \$2,149,000 from 2009, amounts transferred from financial activities and totalling \$883,000, a subsidy of \$83,000 and a financial contribution of \$1,456,000 from Ville de Montréal.

It should be noted that the \$3,083,000 initially budgeted as a carry-over from 2009 was subject to a reduction of \$1,409,000 imposed by Ville de Montréal, due to the economic situation, thereby cutting back on our efforts to maintain our infrastructures, continuing our maintenance deficit and, in so doing, forcing us to postpone various projects that had to be financed from the three-year Capital Expenditure Program for the current year.

The main investments include the following:

• Repairs to facilities and renovations to parks and waterfront areas	\$2,687,000
• Road repair program	\$1,195,000
• Building protection program	\$3,863,000
• Vehicle replacement program	\$780,000
• Miscellaneous	<u>\$85,000</u>
	<u>\$8,610,000</u>

These investments will be financed by a loan of \$5,713,000, payable by Verdun residents as well as by another loan of \$1,931,000, payable by all residents of Ville de Montréal in addition to an amount of \$883,000 through the operating budget and a subsidy of \$83,000.

### **Development expenditures**

With regard to development projects, the Verdun Borough plans on making investments of \$6,298,000, through the carry-over of \$174,000 not spent in 2009, as well as through an amount of \$6,124,000, earmarked for the development project in the Pointe-Nord area 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 are as follows:

• Completion of boulevard Gaétan-Laberge	\$24,000
• Development of parks and green spaces	\$50,000
• Completion of section "C", L'Île-des-Sœurs neighbourhood	\$88,000
• Road infrastructures	\$12,000
• Development of the Pointe-Nord area in the L'Île-des-Sœurs neighbourhood	<u>\$6,124,000</u>
	<u>\$6,298,000</u>

The source of funding the developmental projects consists of loans payable by all residents of Ville de Montréal.

It should be noted that a large part of the work planned in the Pointe-Nord area in the L'Île-des-Sœurs neighbourhood might be postponed until 2011, due to Ville de Montréal's long delay in confirming budget availability.

### **Other projects**

In addition, expenditures of \$3,505,000 are planned in order to improve the Borough's water supply service, for which the source of funding is identical to that in 2009. And lastly, added to all the above, the Verdun Borough has been given confirmation of approximately \$1,092,000 for work to be carried out, under Ville de Montréal's road repair program. This amount is solely earmarked for relocating a water main, due to the reconstruction of the cows' bridge.

At the end of 2010, the Borough will know the balances that may be transferred in 2011 for protection and development projects, depending on how advanced the projects currently under way actually are at that point in time.

## 2011 BUDGET ALLOTMENT

### **OPERATING BUDGET**

It is within a context of limited financial resources that Ville de Montréal has established the boroughs' budget allotment for the 2011 fiscal year. With regard to revenues, our budget allotment has been set at \$4,336,500, while our allotment for our operating expenditures amounts to \$36,472,500—the same as in 2010, to which an amount of \$900,600, related to the development fund, has been paid to us as well as an additional amount of \$476,800, recently granted from a reserve budgeted for 2010.

As was the case for 2009 and 2010, 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 2011 is in the process of being finalized. The preliminary results were presented to taxpayers at an information session held on September 1, 2010. The final results will be presented at the time of the adoption of the budget. However, the budget allowance that was allocated to us is—a priori—proving to be insufficient to maintain all the quality services that we provide Verdun Borough residents, considering the growth in the Borough's needs. In addition, it must be taken into account, just as for 2010, that additional expenditures must be budgeted in order to support projects that are currently being carried out, such as the Montreal Canadiens Children's Foundation skating rink, the cost for rental of a building for the Maison des generations project, costs for activities at Maison Nivard-De Saint-Dizier and lastly, costs for *Montréal complètement cirque*.

Consequently, the Verdun Borough will make an appropriation from its surplus and will maintain a special local tax in order to balance the 2011 budget.

And lastly, it should be pointed out that a new real estate assessment roll was deposited on September 15, 2010 and will come into effect for 2011, 2012 and 2013. For the Verdun Borough, compared to the Agglomeration of Montréal as a whole, the difference in values for residential buildings stands at 23.6% vs 23.5% for residential buildings and at 20.5% vs 20.2% for non-residential ones.

## **CAPITAL EXPENDITURE PROGRAM**

The budget for the three-year Capital Expenditure Program for 2011-2013 has not yet been established by Ville de Montréal.

### **ADOPTION OF THE BUDGETS**

We might mention that the Verdun Borough will be adopting its operating budget for 2011 as well as its three-year Capital Expenditure Program for 2011-2013 at a special Borough Council meeting to be held on November 2, 2010.

### **ADDITIONAL REMUNERATION FOR COUNCILLORS HOLDING A PARTICULAR POSITION WITHIN BOROUGH COUNCIL**

For the acting mayor:	\$133/month
For committee chairmen:	\$2,044/year
There is no expense allowance associated with these positions.	

Moreover, each Borough Councillor in Verdun receives additional annual remuneration of \$6,765.

This additional remuneration is in keeping with the municipal By-law 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 August 22, 2009 to September 16, 2010 inclusively have been approved by Borough Council or will be at the meeting on October 5, 2010, 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, once more, 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. Yet again this year, we will therefore have to go on doing "more" with "less"! Nevertheless, 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 5, 2010