

# REPORT ON THE VERDUN BOROUGH'S FINANCIAL SITUATION PRESENTED AT THE BOROUGH COUNCIL MEETING ON SEPTEMBER 2, 2008

## INTRODUCTION

On behalf of the Borough Council members, 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, I will present the Auditor General's report as well as the results of the 2007 fiscal year. I will then discuss the preliminary projections for the 2008 fiscal year. In closing, I will give you a preview of the budgets for 2009—both the operating budget and the three-year Capital Expenditure Program.

### AUDITOR GENERAL'S REPORT FOR 2007 AND THE FIRST QUARTER OF 2008

The Auditor General made no specific recommendations to the Verdun Borough; however, a recommendation given to the *Direction des technologies de l'information of the Service des affaires corporatives*, regarding the transfer of mobile equipment to a secured site, was implemented early in 2008 for the Borough; moreover, all the other recommendations were examined and considered when one of them applied to the Borough.

In this context, a heading has been added to this report to present the remuneration and expense allowances of the Councillors who hold a particular position on Borough Council.

### FINANCIAL ACTIVITIES RELATING TO OPERATIONS YEAR ENDED DECEMBER 31, 2007

<b>REVENUES</b>		
Transfers	\$171,700	
Revenues from local sources	<u>\$4,416,200</u>	
<b>TOTAL REVENUES</b>	<b>\$4,587,900</b>	
<b>FINAL AMENDED BUDGET FOR 2007</b>	<b><u>\$3,207,500</u></b>	<b>\$1,380,400</b>
<b>OPERATING EXPENDITURES</b>		
General administration	\$5,131,000	
Public security	\$882,200	
Transportation	\$10,657,200	
Environmental health	\$5,786,800	
Health and welfare	\$93,400	
Urban planning and development	\$1,897,500	
Recreation and culture	<u>\$10,336,600</u>	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$34,784,700</b>	
<b>OTHER FINANCIAL ACTIVITIES</b>		
Transfers to investment activities	<u>\$855,200</u>	
<b>TOTAL OPERATING EXPENDITURES AND OTHER FINANCIAL ACTIVITIES</b>	<b>\$35,639,900</b>	
<b>FINAL AMENDED BUDGET FOR 2007</b>	<b><u>\$34,841,500</u></b>	<b>(\$798,400)</b>
<b>SURPLUS FOR FISCAL YEAR</b>		<b><u>\$582,000</u></b>

All of the following main factors account for our surplus for the fiscal year:

With regard to revenues:

* An increase in our revenues related to recreational and cultural activities:	\$134,900
* An increase in our revenues from third party collections:	\$120,500
* An increase in our revenues from licences and permits:	\$201,300
* Disposal of capital assets:	\$203,100
* Write-off of previous provisions and discounts on invoices:	\$324,100
* Adjustment to a balance with Montréal regarding the provision for bad debts - fines issued prior to January 1, 2002:	\$312,600

With regard to expenditures:

* Our overall remuneration (salaries and employer's contributions), for which strict management and tight controls over our labour costs produced savings, combined with under-budgeting of certain items relating to the employer's contributions; a new actuarial valuation of the pension plan and the effect of the retrospective plan for management of our occupational health and safety matters produced an unfavourable variance:	(\$681,200)
* The costs of our snow clearance operations (transportation, rental of loaders and graders) which was over budget:	(\$908,200)
* Savings were made in managing residual materials, as a result of appropriate business decisions:	\$416,100
* And lastly, it should be pointed out, in closing, that savings were achieved following a reduction in professional services:	\$132,700

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

#### CAPITAL EXPENDITURE PROGRAM

In 2007, the budget allowance of the Verdun Borough's three-year Capital Expenditure Program consisted of an initial amount of \$3,478,000 for (discretionary) protection projects. Taking into account the carry-over of amounts not spent in 2006 (\$1,939,000), the amounts transferred from financial activities and totalling \$971,000 and an adjustment to grants or subsidies from previous years (\$302,000), the Borough therefore had a total budget allowance, in 2007, for investment purposes, of \$6,086,000. Out of that total, an amount of \$3,465,000 was carried forward to 2008.

Among the main investments made in 2007, we wish to mention the:

* Playground improvement program	\$585,000
* Road repair program	\$889,000
* Building protection program	\$698,000
* Vehicle replacement program	<u>\$449,000</u>
	<u>\$2,621,000</u>

The breakdown of the sources for funding these 2007 investments is as follows:

* Loan borne by Borough residents, payable against the 2009 tax bill, according to corporate guidelines	\$1,797,000
* Operating budget (transfer to investment activities)	<u>\$824,000</u>
	<u>\$2,621,000</u>

Added to the previous considerations are the structuring development projects, for which the initial budget came from a corporate budget allowance of \$27,391,000. For 2007, taking into account the carry-over of amounts not spent in 2006 (approximately \$6,566,000) and an amount of \$262,000 transferred from financial activities, the Borough had a total budget allowance of \$34,219,000. Out of that total, an amount of \$2,877,000 was carried forward to 2008.

The main investments in 2007 included:

* Construction of boulevard Gaétan-Laberge	\$54,000
* Development of parks and green spaces	\$2,007,000
* Road infrastructures	\$1,128,000
* Completion of section "C" - L'Île-des-Sœurs neighbourhood	\$762,000
* Development of the northern tip, L'Île-des-Sœurs neighbourhood	<u>\$27,391,000</u>
	<u>\$31,342,000</u>

The sources of funding for these 2007 investments consist of a \$31,045,000 loan, for all Ville de Montréal residents, and an amount of \$297,000 from the operating budget (transfer to investment activities).

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 2007. Expenditures of approximately \$2,744,000 were incurred. The source of funding was the special tax to improve water supply service, introduced in 2004.

#### PRELIMINARY PROJECTIONS FOR 2008

##### OPERATING BUDGET

For 2008, Ville de Montréal allocated us a budget of \$3,472,900 for revenues and \$34,199,300 for operating expenses.

To maintain the level of services offered to our Verdun taxpayers, it should be mentioned that the Borough had to make appropriations of \$425,200, and reintroduce—as it did in 2006—a special local tax amounting to \$900,000, in order to increase our budget allotment for our operation expenses to \$35,524,500.

As for the analysis of budget changes in revenues and expenditures with regard to the projections for 2008, you will recall that following out-of-the-ordinary weather conditions early in the year, insofar as snowfalls were concerned, combined with the costs related to the increase in fuel products, the Borough had to resort to using \$1,900,000 from its accumulated surpluses in order to meet its budget obligations.

##### CAPITAL EXPENDITURE PROGRAM

We invested \$7,409,000 in the (discretionary) protection facet of the 2008 Capital Expenditure Program. This investment includes a carry-over of \$3,465,000 from 2007, a total of \$375,000 transferred from financial activities as well as subsidies and grants of \$39,000.

The main investments include the following:

* Repairs to facilities and renovations to parks and waterfront areas	\$1,707,000
* Road repair program	\$3,261,000
* Building protection program	\$1,068,000
* Vehicle replacement program	\$1,128,000
* Miscellaneous	<u>\$245,000</u>
	<u>\$7,409,000</u>

Just as in 2007, these investments were financed by a loan of \$7,034,000, payable by Verdun residents as well as by an amount of \$375,000 from the operating budget.

With regard to developmental projects, the Verdun Borough made investments of \$11,359,000, thanks to the carry-over of \$2,877,000 unspent in 2007; and to an amount of \$8,482,000 dedicated to the development of the northern tip of L'Île-des-Sœurs neighbourhood that comes from the Ville de Montréal's investment fund to promote the development of major projects.

The main investments are as follows:

* Construction of boulevard Gaétan-Laberge	\$803,000
* Development of parks and green spaces	\$789,000
* Completion of section "C", L'Île-des-Sœurs neighbourhood	\$539,000
* Road infrastructures	\$746,000
* Development of the northern tip, L'Île-des-Sœurs neighbourhood	<u>\$8,482,000</u>
	<u>\$11,359,000</u>

The source of funding for the developmental projects consists of an \$11,359,000 loan payable by all residents of Ville de Montréal.

At the end of 2008, the Borough will know the balances that may be transferred in 2009, depending on the extent of advancement of the projects currently under way.

In closing, expenses of \$4,855,200 have been recorded to date in order to improve the Borough's water supply service, for which the source of funding is identical to that in 2007.

#### 2009 BUDGET ALLOTMENT

##### OPERATING BUDGET

It is in a context of limited financial resources that Ville de Montréal has established the boroughs' budget allotment for their 2009 fiscal year. With regard to revenues, our budget allotment has been set at \$3,472,900, while our allotment for our operating expenditures amounts to \$34,131,600.

From its expenditure allotment, the Borough is benefiting from the development fund (\$957,300) and from the upgrading fund (\$138,200); however, it is faced with a constraint approximately corresponding to the costs resulting from salary increases and from the inflation of other expenses. In addition, the Borough must continue contributing to the obligation to reduce its manpower by 8.9% (or the equivalent of 25.8 persons year) between 2007 and 2010. To date, including the reduction of 2 persons year already planned for 2009, a further reduction of only 1.8 person year will need to be made for 2010. The targeted amount has therefore almost been reached.

These aspects therefore represent financial constraints with which the City and the boroughs are confronted—an imbalance between spending and revenues that is constantly increasing.

Budgeting for 2009 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. 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. It is therefore established that in order to meet residents' expectations, the Borough will once again draw on its accumulated surpluses (it will take \$316,000, to be precise) and will maintain approximately the same special local tax rate as in 2008.

##### CAPITAL EXPENDITURE PROGRAM

The budget for the three-year Capital Expenditure Program for 2009-2011 has been set at \$11,466,000 by Ville de Montréal.

The Borough Council members are in the process of finalizing the investments projects (totalling \$4,059,000) for 2009.

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 in the Borough since 2005.

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 14, 2008.

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

For the acting Mayor:	\$132/month
For committee chairs:	\$2,032/year
There is no expense allowance associated with these positions.	

In addition, each Borough Councillor in Verdun receives additional annual remuneration of \$6,725. 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 were approved by Borough Council from September 1, 2007 to August 15, 2008 inclusively.

#### CONCLUSION

I'm proud of the report that I'm presenting this evening on the Borough's financial situation. It's a report that shows, once again, the energy devoted by a team of highly competent councillors and administrators.

In line with the commitment we had made to pursue the implementation of the strategic plan adopted in 2005, this positive performance is also based on decisions which, I must confess, aren't always easy to make, but whose ultimate goal is to continue providing Verdunites with the best possible service.

However, we will have to go on being creative in our management methods, in order to deal with the many budget and administrative constraints imposed on us by Ville de Montréal, in order to reach the spending reduction objectives that it has set for the City as a whole. I am once again repeating what I have previously mentioned: that we will have to keep on doing "more" with "less"!

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