

2012 BUDGET

2012 Operating
Budget
At a Glance

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This document is the adopted version of Montréal's 2012 Operating Budget At a Glance.

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Published by the
Service des finances
Ville de Montréal
155, rue Notre-Dame Est
Montréal (Québec)
H2Y 1B5
Canada
ville.montreal.qc.ca/finances

Graphic Design and Printing
Communications
Ville de Montréal
000570-9465 (01-12)
Printed in Canada

Legal Deposit
1st Quarter 2012
Bibliothèque nationale
du Québec
ISBN 978-2-7647-1048-7
ISBN 978-2-7647-1049-4

This document is printed on
100% recycled paper.



> Message from the Mayor and the Chairman of the Executive Committee



Ladies and Gentlemen,

Our administration has been working diligently over the past 10 years to achieve its main mission, to provide Montréal residents with quality services and safe infrastructures, thereby improving their quality of life, while at the same time rising to the challenge of meeting their ability to pay.

The 2012 Budget attests to our efforts. Despite unprecedented investments over the past 10 years in all areas of city activity, we are continuing our efforts, as reflected by a record \$4.4 billion Three-year Capital Works Program (TCWP) for 2012-2014, which was adopted in September.

The operating budget stands at \$4.7 billion. Again this year, the city's budget priorities meet those of Montrealers. Citizen safety rightfully remains our first priority. A \$991-million budget was awarded to the *Service de sécurité incendie* (fire department) and *Service de police de la Ville de Montréal* (police department). Also, our administration's commitment to public transit is undeniable. Since 2001, the city has doubled its contribution, which stands at \$446 million for 2012. A budget of \$466 million will help us continue to provide Montrealers with a wide array of quality cultural, recreational and sports services.

We are introducing a conservative budget, one that focuses on our basic missions, because we believe that stringent management will help us to meet the needs of the community and, despite the financial pressures exerted on the budget, limit the growth of general property taxes to the level of inflation, or 2.5%.

We have achieved this feat and must stay the course over the coming years. This is why we are carrying out negotiations with all employee groups to reduce the cost of pension plans, which are shouldered by Montréal taxpayers. The problems resulting from the high cost of pension plans is a challenge that is shared by all the municipalities in Québec. However, because of the size of Montréal, the impact of the pension plans is even more significant. In 2012, pension plans will represent 13% of the Montréal budget. Given the ability to pay of Montrealers, we have the obligation to find solutions.

Additionally, we have committed to continuing our efforts to reduce the work force by eliminating 1,000 jobs by the end of 2013. As the employee payroll represents close to 50% of the city budget, we believe that improving efficiency will enable us to continue to provide the same level of services with fewer employees. Of course, cutting down on direct services to the community is not a solution. Moreover, the economic effervescence visible in Montréal, which is reflected by both private and public investments, requires city investments to support development. Clearly, our administration will hire necessary personnel to make sure that construction cranes remain a strong feature on the city landscape.

Our administration will continue to fulfill its responsibilities in areas where others have not dared to do so. Since 2004, the city has been charging a progressive special contribution dedicated to the Water Fund, to help finance water main and sewer line rehabilitation, as well as upgrade water production facilities and wastewater treatment plants. It is an absolute must for the Montrealers of today and for future generations.

Following the recommendations of the *Commission permanente sur l'eau, l'environnement, le développement durable et les grands parcs* (standing committee on water, the environment, sustainable development and large parks), our administration is carrying out its financing strategy for the Water Fund and is increasing the dedicated water tax by 0.5% for 2012.

The 2012 budget is, without a doubt, the legacy of our work over the past 10 years. It meets the needs of the Montrealers of today, while paving the way for future generations.



Gérald Tremblay
Mayor of Montréal



Michael Applebaum
Chairman of the Executive Committee

> Message from the Director General and the Treasurer

Fellow Residents,

Today we are presenting Montréal's 2012 Operating Budget. It results from a determination by all of the city's business units to provide the most effective and efficient support possible for the Administration's guidelines and priorities.

Building on achievements of 2011 and in keeping with City Administration requirements, the city will step up its efforts in 2012 to cap increased spending. Excluding the surge in pension costs (\$132 million), the rise in the 2012 Operating Budget and in property taxes is equal to inflation forecasts. In view of growing financial pressures stemming from the city's priority investments in its core missions, this outcome attests to the vigorous efforts deployed by all business units to contain growing costs.

Guided by a constant concern to limit tax increases, the Administration has asked us to cut 1,000 permanent jobs from the municipal workforce by 2013. To meet this challenge, we must collectively do our best to enhance the efficiency of management efforts and activities so that we can provide equal levels of service with fewer employees wherever we decide to downsize. However, the city is aware of the need to add to the workforce when required by higher activity or service levels. This is the situation with the bridge, tunnel and overpass group and with the deployment of the fire department's new Safety Cover Plan. The 2012 permanent workforce will be reduced by 310 person-years, or one-third our total goal. The 2012 and 2013 periods, when large numbers of employees will retire, will be critical to this process.

The city has of course already deployed a variety of efforts to optimize its processes and to implement high-performance, state-of-the-art financial mechanisms that respond to needs of the city and its residents. A few examples from 2011 include Montréal's new contract management policy, its two contract review committees, its new procurement policy, its upgraded budget process (including earlier adoption of the Three-year Capital Works Program (TCWP), stricter investment priorities and payment of capital project labour costs as incurred. All these strategies will help promote the sound management, efficiency, ethics, transparency and equity of municipal activities and bolster productivity. The 2012 period will be an opportunity to continue along this path, by further consolidating and better integrating the city's management-planning cycle.

The city will be strengthening its Water Fund in 2012. Fund revenues that had been taken from general property taxes will now be drawn entirely from the Water Tax. This change will have no fiscal impact but will increase the transparency and accuracy of financial information for taxpayers, while enhancing and optimizing the efficiency of Water Fund transactions.

The city administers a \$4.7 billion Operating Budget designed to withstand financial ups and downs, along with changes in the ability of taxpayers to pay, while maintaining services and the metropolis's social, cultural and economic development. The City Administration and all municipal workers must take a close and innovative look at the efficiency of their activities and work together in applying lessons learned.

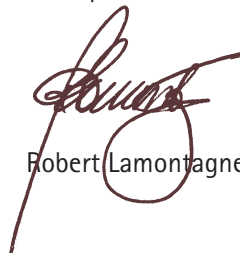
Responding to constant change is a big task for a city serving nearly 2 million inhabitants. That is why we must act decisively by fostering a disciplined and prudent approach in managing public expenditures, while consolidating our activities and going all out in fulfilling the city's core responsibilities. We accordingly extend our heartfelt thanks to city workers. Their diligence and dedication will make it possible for us to meet our goals.

Director General



Louis Roquet

Principal Director and Treasurer,



Robert Lamontagne

> 2012 Operating Budget Highlights

A budget that respects taxpayers' ability to pay

- A \$4.7-billion budget, up 5.2% compared to 2011.
- General property tax increase maintained at the inflation level of 2.5%.
- A 0.5% increase in the dedicated water tax.
- Pension plan costs stand at \$609 million, up \$132 million compared to 2011. The city plans to take measures to reduce these costs.
- Sustain efforts to reduce the work force by 1,000 positions between now and 2013.

Invest in water and road infrastructures

- Operating budget of \$331 million for water management, in addition to investments of \$392 million included in the Three-year Capital Works Program (TCWP) for 2012.
- Operating budget of \$130 million for the road network, in addition to investments of \$330 million included in the TCWP for 2012.

Invest in public transit

- \$395 million for the Société de transport de Montréal.
- \$51 million for the Agence métropolitaine de transport.

Ensure the safety of montrealers

- \$662 million for the Service de police de Montréal.
- \$329 million for the Service de sécurité incendie de Montréal.

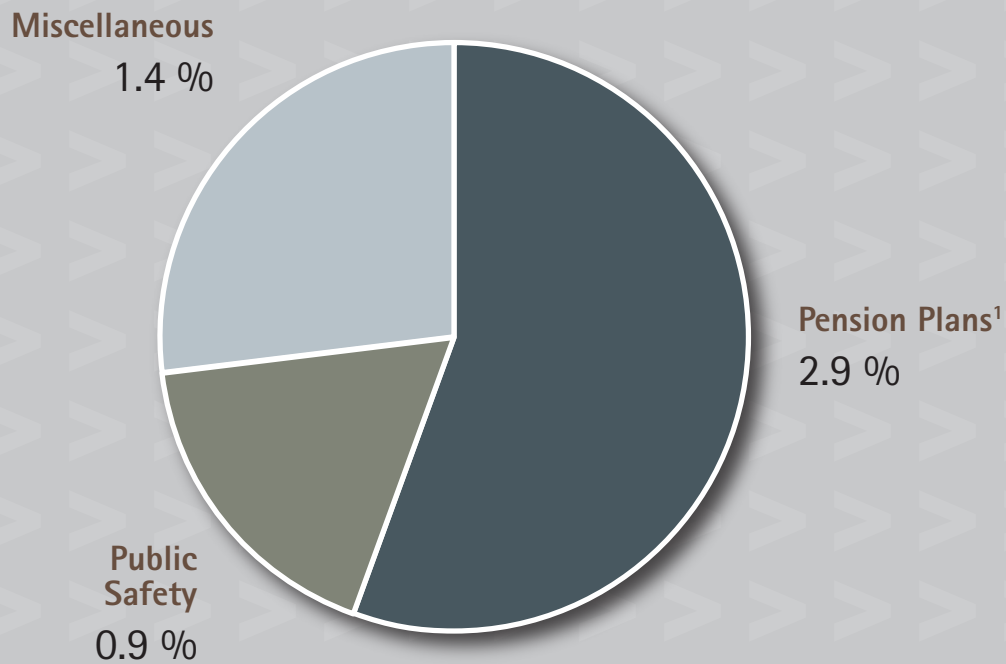
Maintain quality services for the community

- \$466 million for cultural, recreational and sports activities.
- \$180 million for solid waste management.
- \$160 million for cleanliness and snow removal.
- \$61 million to combat poverty and social exclusion.

Assert Montréal's leadership role as a metropolis

- \$69 million for the Montréal Biodôme, Botanical Garden and Insectarium
- \$16 million for the Success@montreal (PR@M-Industry) program to promote economic development.
- \$12 million for the Conseil des arts de Montréal.
- \$5 million for the Pointe-à-Callière Montréal Museum of Archaeology and History.

> 5.2% Overall Budget Spending Increase



Notes

1. This increase includes a nonrecurring charge of \$132 million for the pension plans, primarily to alleviate significant fluctuations in the financial markets and to reflect changes in certain actuarial assumptions. This large increase has, however, been offset by certain relief initiatives that reduce the net impact of this charge by \$90.1 million.

> Focusing on Resident Needs

Montréal has made big changes over the past decade. Navigating through the maze of mergers and demergers, as well as changes in structures and jurisdictions, the City Administration has strived to build a city for its residents. It has made massive and unprecedented investments in all areas, including roads and tunnels that have suffered from decades of chronic neglect, social housing to overcome inadequate capacity and public transit afflicted by a steady decline in ridership. Major initiatives have been needed to improve the city's life quality.

Fiscal consolidation is the starting point for such immense undertakings. Through the tight and prudent management of its spending practices, as documented by the best credit ratings in Montréal's history, the city has acquired the means to achieve its goals, while keeping taxes to a minimum. The past decade's accomplishments have enabled the City Administration to meet its key objective of providing residents with excellent service within their ability to pay.

Montréal's 2012 Budget embodies the Administration's commitment to resident needs. This requires a budget focused on the city's core functions. The Administration's 2012 Budget, for example, has capped general property tax hikes at inflation levels (2.5%).

Such a modest increase was an amazing accomplishment in view of pressures on city moneys. Despite record investments in all spheres of municipal activity over the past decade, greater needs must be met. City infrastructure requires immediate spending to ensure its reliability and security, make up for a prior lack of progress and ensure the durability of city assets. It is only through the efforts of the past few years that we could put together a 2012 Budget that would meet the requirements of current and future generations.

Cutting Pension Plan Costs

The upsurge in the cost of city worker pension plans poses one of the greatest challenges to city finances. The city contributed \$130 million to such plans in 2003. By 2011, pension plans consumed almost 10% (\$477 million) of the municipal budget. In just one year, these costs jumped \$132 million, to \$609 million in the 2012 Budget.

The City Administration wants to reduce the use of tax dollars to fund city worker pension plans by slashing \$50 million from such spending. One approach would be to push back the retirement age in line with current Canadian demographics. The Administration also intends to make contributions more equitable, by matching worker and city contributions. Montréal's taxpayers are now making 70% of such payments. The Administration intends to conclude new agreements with each employee group, without altering the city's current obligations.

The city has applied its best efforts to harmonizing the 28 pension plans for its different employee groups resulting from the municipal merger. Completing this process in 2012 will not only contribute to better management but to shrinking management costs.

Saving Money by Tightening the Budget

The city adopted one of Québec's strictest contract management policies in 2011, aimed at encouraging healthy competition, efficiency, good ethics, transparency and equity, while bolstering internal audit processes.

Two contract review committees were also created in 2011, one reporting to the City Council and the other to the Urban Agglomeration Council. Committee members must ensure that contract requests they receive comply with the tendering process and that before issuance, such contracts are reported to the appropriate authorities. They can also periodically modify review criteria and recommend improvements to the review process.

The city recently adopted a new procurement policy. It provides for harmonization of procurement practices by all business units, to help boost the productivity of municipal activities. In addition to meeting requirements of the Lobbying Transparency and Ethics Act, this policy should generate total estimated savings of more than \$40 million by late 2015.

The city has also maintained its indebtedness at an average \$600 million, in compliance with its debt management policy and plans additional efforts to reduce this level gradually.

For the same reasons, Montréal has established a policy of paying the labour costs of capital projects as incurred. Such expenses were previously paid through loans. As stated in the 2012 TCWP, \$72 million from the overall Operating Budget will be used over the 2012 to 2014 period to repay loans owed by taxpayers, reducing loans chargeable to taxpayers by the same amount.

Cutting Taxes by Downsizing the Municipal Workforce

Almost half the city's budget is used to pay the municipal workforce. The City Administration believes that it can deliver equal service with fewer workers by boosting efficiency. The Administration accordingly has decided to eliminate 1,000 jobs by the end of 2013, provided that the level of service remains constant. Additional employees will of course be needed when increased service levels are provided. For example, the city has adopted a record \$4.4 billion Three-Year Capital Works Program for 2012–2014. The Administration must hire additional staff and, in particular, engineers to follow through on this program. The workforce of the city and its boroughs will accordingly increase by 40 positions in 2012, from 21,921 person-years to 21,961 person-years. However, on a constant level basis, the change in the workforce actually translates into a net cut of 310 person-years.

Maintaining Our Investments in the Water Fund

One of a city's most important responsibilities is to manage its water. The Administration is committed to proper management of this vital public resource. Since 2004, the city has charged a special Water Tax to finance the Water Fund. This tax rises each year to pay for the water main and sewage line rehabilitation program, along with upgrades of drinking water production and wastewater treatment plants.

The Administration recently invited the public to take part in hearings on strategies for funding this community resource. The city's water management priorities must ensure the reliability and durability of municipal infrastructure for future generations, in terms of health, asset optimization and responsible financial management. Doing so will ensure that the city is not eventually overwhelmed by its mounting financial obligations.

In line with recommendations of the Commission permanente sur l'eau, l'environnement, le développement durable et les grands parcs, the City Administration will maintain its Water Fund financing strategy. The Special Water Tax will rise 0.5% for Montréal taxpayers in 2012.

Moreover, to ensure greater transparency in funding water and sewage infrastructure, the city will modify its method of replenishing the Water Fund. Until now, this fund was partly supported by the Special Water Tax as well as by general taxes, quota shares from the related municipalities and various user fees. That portion of the contribution to this fund that was paid by property taxes will now be provided by the Water Tax. This change, which has no fiscal impact because it simply involves a transfer from one tax to another, means that general property taxes will be cut in 2012, with an equivalent increase in the Water Tax. Taxpayers will now be able to find their exact contributions to the Water Fund in their tax assessment notices.

> Renovation and Rehabilitation of Montréal's Infrastructure

A decade ago, residents of the new city struggled to cope with decaying municipal infrastructure that suffered from decades of neglect. Municipal infrastructure investments stood at \$265 million in 2001. By tabling the 2012–2014 TCWP in September 2011, the City Administration announced average annual infrastructure investments of some \$1.5 billion. These record outlays on municipal assets will help make up for prior lapses and provide Montrealers with safe and modern infrastructure.

Continued Rehabilitation of Municipal Roads with a Qualified Workforce

The city's investments in its road system have soared more than 560% since 2001. Obviously, the city must employ qualified labour to support this effort. Under the 2012 Operating Budget, the city will set aside an additional \$4.4 million for the road system to ensure the internal expertise required for work planned under the 2012–2014 TCWP.

Over \$130 million will be earmarked for maintaining and upgrading the city's roads, including \$2.5 million that will be used solely for minor bridge and tunnel repairs. The city increased the number of road structure inspections by 70% over the past three years. This rigorous program is providing a faithful portrait of infrastructure status.

In 2012, the City Administration will expand its bridge and tunnel crew, which possesses unexcelled knowledge of the city's structures. The six new positions for engineers, technical agents, one draughtsperson and one cost controller are vital for stepping up the pace of inspections and upgrading Montréal's civil structures.

The 2012–2014 TCWP, incidentally, has allocated over \$1.6 billion for road infrastructure, including \$132 million for bridges, tunnels and overpasses.

In addition to maintaining and upgrading its aging infrastructure, the city seeks opportunities for urban revitalization whenever it undertakes repairs. Wherever possible, the Administration is demolishing outdated infrastructure so that it can implement contemporary and user-friendly development projects. Good examples of these efforts include \$30 million in investment for the Pie-IX/Henri-Bourassa interchange and \$69 million for Phase 1 of the Bonaventure Expressway.

Effective Support for Investments in Our Water Supply System

The management and supply of water to some two million inhabitants are key priorities for the Administration. The city is spending almost 10 times more on its water supply system than it did in 2001. And this is only the start. An estimated \$8.5 billion will be needed over the next decade to make up for the lack of past maintenance. The Administration has planned to make some \$1.3 billion in investments during the upcoming three years alone.

The city must accordingly continue developing its internal expertise on water and on sustainable management. The 2012 Budget sets aside over \$331 million for the water supply system. This amount also includes staffing nine positions to support the preventive leak detection crew. Such know-how, accompanied by municipal investments in the upgrade of its water infrastructure, has resulted in a reduction in drinking water production of around 11%.

The city intends to reduce leakage, identify water consumption for different sectors of activity and boost efficiency in drinking water consumption. As part of this process, the city intends to revive the water-meter project and add staff to this effort in 2012.

The city used blue patrols in 2011 to conduct basic audits of the island's industrial, commercial and institutional sector to help such organizations detect water losses and encourage them to obtain environmental certifications and improve their water management skills.

Finally, the wastewater disinfection project and in particular, implementation of the ozonation process, will be staffed by 14 additional workers in 2012.

> An Unequivocal Commitment to Active Transportation and Public Transit

The City Administration has restored the reputation for excellence of Montréal's public transit system and its active transportation infrastructure. The city's total contribution to the Société de transport de Montréal (STM), for example, has grown from \$237 million in 2001 to \$395 million in 2012. Such efforts are paying off. Furthermore, the American Public Transportation Association has ranked Montréal as North America's third leading city (behind New York and Mexico City) for per-capita use of public transit.

The city will pursue this momentum in its 2012–2014 TCWP, with planned investments of \$514 million in public transit, including \$105 million to create new reserved bus and taxi lanes. It will spend another \$70 million on active transportation, including \$30 million for developing and upgrading the bike path system and \$40 million for initiatives to make life safer for pedestrians.

Investing in Public Transit

The City Administration is committed to public transit because it is easily accessible, carries riders swiftly to their destinations, emits few greenhouse gases and stimulates economic development. Public transit also helps keep vehicles off the roads and makes travel easier for everyone, including those not using this system.

In 2011, the STM, like all the city's business units, made efforts to optimize its activities and reduce spending without compromising service quality. Because of the STM's effectiveness and efficiency, it recently received an American Public Transportation Association award as Outstanding Public Transit System in North America.

The city will pay \$395 million to the STM in 2012, or \$5 million more than in its 2011 Adjusted Budget. In particular, the city's contribution will enable the STM to optimize service and add additional service time to its bus and metro lines and paratransit system.

The STM will also be able to continue renovating its infrastructure and systems, pursue repair projects as at the Berri-UQÀM station, expand and build transport and body shop centres and proceed with the electrification program. Montréal intends to purchase seven fully electric minibuses by late 2012 as part of its plan to transition to an entirely electric bus fleet.

The STM also plans to boost ridership by 1.25% in 2012 as part of its goal to deliver 540 million rider trips each year by 2020. The STM expects to have provided a record 400 million rider trips by December 31, 2011. The STM will continue its efforts to enhance reliability of the metro system and to meet demand in supporting this growth in ridership.

Promoting Active Transportation

The City Administration has been trying to change travel habits and behaviour over the past 10 years. Its Transportation Plan seeks to reduce dependence on the car and promote such active forms of transportation as walking and cycling.

With the self-service BIXI bike system and 530 km of bike paths, Montréal has become internationally acclaimed for the user-friendliness and safety of its cycling infrastructure. Because of its high-performance facilities and despite the limitations imposed by cold winters, the **Copenhagenize Urban Cycling Index** rated Montréal in 2011 as the world's eighth best city for urban cycling.

The number of bicycles travelling downtown Montréal's five bike paths has jumped 35%, just from 2003 to 2008. The bike links between Berri and De Maisonneuve are now North America's busiest, peaking at 7,000 trips per day.

In addition to 37 development projects and bike path upgrades scheduled for late 2012 at a cost of some \$10 million, the city also intends to continue rolling out bike boxes. In 2012, new boxes will be delineated and sections of road set aside to make left turns from one bike lane to another easier and safer for cyclists.

The city also plans to continue its support and maintenance for the bike path system in 2012. Furthermore, it intends to continue creating green districts that provide an alternative to dense urban life and offer a user-friendly environment to pedestrians and cyclists. Through such multiple efforts, the city is helping to reshape Montréal and ensure excellent life quality for Montrealers of all ages.

> Safer, More Welcoming and More Pleasant Neighbourhoods

Montréal's 2012 Budget focuses on the city's core missions. The City Administration is committed to providing residents with friendly, pleasant and safe living environments. It has strived over the past decade to provide residents with a secure environment, lively and clean communities, outstanding parks and green spaces and rich and diversified cultural events.

Ensuring Public Safety

The City Administration will allocate an additional \$28 million to the Service de police de Montréal (SPVM), bringing its total funding to \$662 million, the city's single largest budget item. There is a good reason why Montréal ranks among the world's five safest cities. This increase will make it possible to boost the force's strength to some 4,300 officers. The city is taking this initiative to maintain consistent public-safety service levels, particularly in terms of call response time and efforts to ensure the smooth flow of traffic.

Montréal's crime rate has plunged 25% over the past decade, a remarkable improvement compared with other Canadian cities. Crimes against individuals dropped 22%, giving Montréal the fourth lowest crime rate among North America's 26 biggest cities. The overall number of offences in 2010 was 10% lower than the average for the five preceding years.

Under the heading of fire safety, the City Administration will allocate a \$329 million budget to the Service de sécurité incendie de Montréal (SSIM), up \$14 million from the 2011 Budget.

The SSIM will launch its fourth and penultimate year of implementing its fire-safety cover plan. This plan constitutes a vital fire risk assessment and management resource that will guide elected officials in their decision-making and help Montréal's 2,400 fire-fighters plan their prevention and response activities.

The fire-safety risk cover plan will increase equipment and human-resource requirements. The SSIM's additional 2012 budget needs are due to the establishment of prevention programs, the creation of two fire stations and one training centre, the purchase of eight emergency-response vehicles and wear and tear on equipment caused by a greater number of responses.

The Transportation Association of Canada presented Montréal with the 2011 Road Safety Engineering Award for the city's decision to cut speed limits on local streets to 40 km/h. The city provided \$1.7 million in funding for this activity.

Maintaining the Quality of Public Services and Increasing Access to Them

Montrealers can draw on a vast range of outstanding cultural, recreational and athletic services and activities. In 2012, Montréal will spend more than \$466 million to provide such activities to residents of all ages in difference sports, community, cultural and recreational centres, as well as in municipal parks and playgrounds. This figure is up \$7 million from 2011. Montréal is widely acclaimed for its outstanding life quality largely because of the diversity, scope and level of activities available to the public and their access to user-friendly and well-maintained municipal facilities.

Libraries are cornerstones of such municipal services. As a key portal to culture, Montréal's free public library system went digital in 2011. Users now have online access to some 700,000 musical recordings of all kinds on the city's library site. Plans to lend digital readers have, moreover, been launched in about 10 libraries to assess user interest in this platform. New Web-based resources also offer users who wish to update their IT knowledge free computer courses on this topic.

The city also harmonized its library system and merged collections of its 43 libraries in 2011. With just one library card, every Montrealer can now obtain over four million books, periodicals and recordings at no charge through its online Nelligan catalogue. Such initiatives clearly demonstrate that the city is meeting the expectations of its residents by tailoring services to their new lifestyles.

The city will be increasing library services in 2012 to meet demand. An additional \$1.6 million will be used to add staff and extend hours in several libraries.

Under the 2012-2014 TCWP, \$65 million will be applied to renovating, expanding and building libraries, \$50 million will be invested in the renovation and upgrading of arenas, nearly \$45 million will be used to install a sports complex in Saint-Laurent and almost \$28 million will serve for the construction of an indoor soccer centre at the Saint-Michel Environmental Complex. Furthermore, \$152 million has been set aside for improving borough parks and nature parks.

Alleviating Poverty and Social Exclusion

The city is deploying a number of initiatives to alleviate poverty and social exclusion and to improve quality of life among the most disadvantaged members of society, improve their access to healthcare and social services and promote their return to the community.

In 2012, the city will team with other organizations in initiatives to assist less fortunate members of society and will apply \$61 million to these efforts. These funds will, in particular, support many organizations that work directly with the homeless. These moneys will also assist food security projects, while helping the city boost public security, manage public areas more effectively and create housing for vulnerable individuals.

As we know, the construction and renovation of social and community housing is a crucial means of ensuring good living conditions for all Montrealers. Over \$21 million of these funds will be applied to grant programs aimed at augmenting access to adequate and affordable accommodations for households at risk of poverty or social exclusion.

Protecting and Enhancing the Environment

Municipal efforts to make the city cleaner and keep traffic moving during snowstorms are helping to make public spaces more attractive, user-friendly and secure. The city will apply \$160 million to clean-up and snow-removal activities in 2012.

A \$180 million operating budget will also be set aside for waste management efforts in 2012. These funds are in addition to the \$25 million that will be used to build new waste management facilities under the 2012-2014 TCWP. As we know, the city will spend \$144.6 million over the next decade just for facilities required under the 2010-2014 Waste Management Master Plan.

The recent opening of Montréal's seventh ecocentre in LaSalle has boosted such service for Western Montréal residents. This new LEED Gold certified structure will increase capacity beyond the 85,000 tons of waste that Montrealers deposited in the six other ecocentres in 2010. Almost 71% of this amount was recycled, reused or reclaimed, rather than discarded as landfill.

Montréal, which won the 2010 Phoenix Environmental Award in the "Responsible Consumption" category, distributed more than 230,000 wheeled bins throughout the city in 2011. These lidded containers make it easier for Montréal families to recycle more, while keeping their neighbourhoods cleaner.

Furthermore, a major public consultation process is underway in Montréal with respect to the creation of four organic waste treatment centres. The city wants to know what its residents think and has deployed mechanisms for tuning into public opinion and creating centres in each community based on resident needs.

> Affirm Montréal's Leadership as a Metropolis

The City Administration announced investments of some \$404 million in major wealth generation projects when it tabled the 2012–2014 TCWP. The city is also engaging in multiple initiatives under its new 2011–2017 Economic Development Strategy to make Montréal one of North America's best cities for living standards and life quality by 2025.

Montréal is booming. The city has not seen so many cranes in the sky since the 1976 Olympics. By combining talent with creativity, teamwork, innovation, cultural vitality and proximity, the city is asserting its leadership as a metropolis.

Stimulating Montréal's Economic Development

The city is constantly boosting service levels to companies, investors and entrepreneurs. It is supporting the development of high-potential economic sectors, backing entrepreneurship and stimulating development through various programs, consulting services and grants.

Montréal is also striving to maintain the vitality of its commercial districts and keep jobs in the city, including its industrial and technological parks. The East-End Action Plan is one of several targeted initiatives under the city's new Economic Development Strategy.

This strategy comprises six stimulus projects throughout the city. They are: development of the Space for Life initiative in the Maisonneuve, development of the port area (Cité portuaire), creation of the Henri-Bou-rassa/Pie-IX intersection in Montréal-Nord, development of the Assomption sector and development of the area surrounding the future Saint-Léonard Station (including conversion of the sector's industrial parks) and revitalization of Old Pointe-aux-Trembles.

To support these East-End stimulus measures, the city will invest \$550 million in infrastructure, development and support for development by 2017, including an annual \$1 million contribution to the new Eastern Development Fund.

In 2012, the industrial component of the *Success@Montréal* (PR@M-Industry) program will also be expanded and receive an additional \$7 million for a total \$16 million in funding, to support Montréal's industrial vitality, by promoting the construction, expansion or conversion of industrial structures. By enhancing this program, the city will bolster several economic spheres that make Montréal a destination known for successful business investment.

Supporting Innovation and Promoting Heritage

Montréal is internationally renowned as a major North American fashion and production centre, alongside Los Angeles and New York. As a metropolis, the city builds on its knowledge and creativity to promote international growth for its fashion designers and suppliers. This industry represents 72% of revenues generated by Québec's apparel sector.

Since its establishment in 2009, Montréal's Bureau de la mode has worked actively with key fashion industry stakeholders to focus the sector on a strategy involving a strong and distinctive identity for the Montréal market and efforts that will generate a positive impact.

In addition to funding under the 2012–2014 TCWP to revitalize Acadie-Chabanel, the city is financing several major events, including Montréal Fashion Week and the Festival Mode Et Design. It is also supporting other development projects, including implementation of a program to support foreign media, foreign missions and interactive tools (including modemontreal.tv, which provides maps to local designer production and distribution facilities). In 2012, the city will maintain its support for this local industry, which provides 75% of Québec's apparel sector jobs.

Montréal's Conseil des arts will receive an additional \$500,000, bringing the city's total contribution in 2012 to almost \$12 million. The council launches coordination and development efforts aimed at supporting and promoting the metropolis's artistic excellence. It provides important financial support to the cultural sector and promotes young talent and diversity. The Council also provides funding and contributes to the visibility of over 300 cultural organizations that help make our metropolis such a lively and creative venue.

In addition to heritage conservation investments, including \$39 million for development work under the 2012–2014 TCWP, the city also intends to maintain its \$500,000 contribution to the Conseil du patrimoine de Montréal, a consultative body and a key player in protecting and promoting Montréal's natural and cultural heritage.

Furthermore, the only major archaeology museum in Québec or the rest of Canada, Pointe-à-Callière, Montréal Museum of Archaeology and History, will receive an additional \$250,000, raising the city's total 2012 contribution to almost \$5 million. This amount will be used to fund the redevelopment of Maison-des-Marins into a beacon of education for young people and the general public.

The Bureau du 375^e anniversaire de la fondation de Montréal will begin groundwork for 375th anniversary celebrations to bolster the metropolis's position as a favourite business and leisure destination. The Office de consultation publique has already conducted a large public consultation process among 700 people to find the best ideas for a festivities program that will adequately project the city's image.

Finally, the Space for Life, which includes Montréal's famed Biodôme, Botanical Garden and Insectarium, launched construction in 2011 of the future Rio Tinto Alcan Planetarium. The city will invest more than \$31 million during 2012 in the construction of this planetarium, scheduled to open in 2013 under the 2012–2014 TCWP. To support these efforts, an operating budget of almost \$18 million will be granted to this museum complex that is destined to become the world's largest exhibition space dedicated to human beings and nature.

> The Source of City Revenues

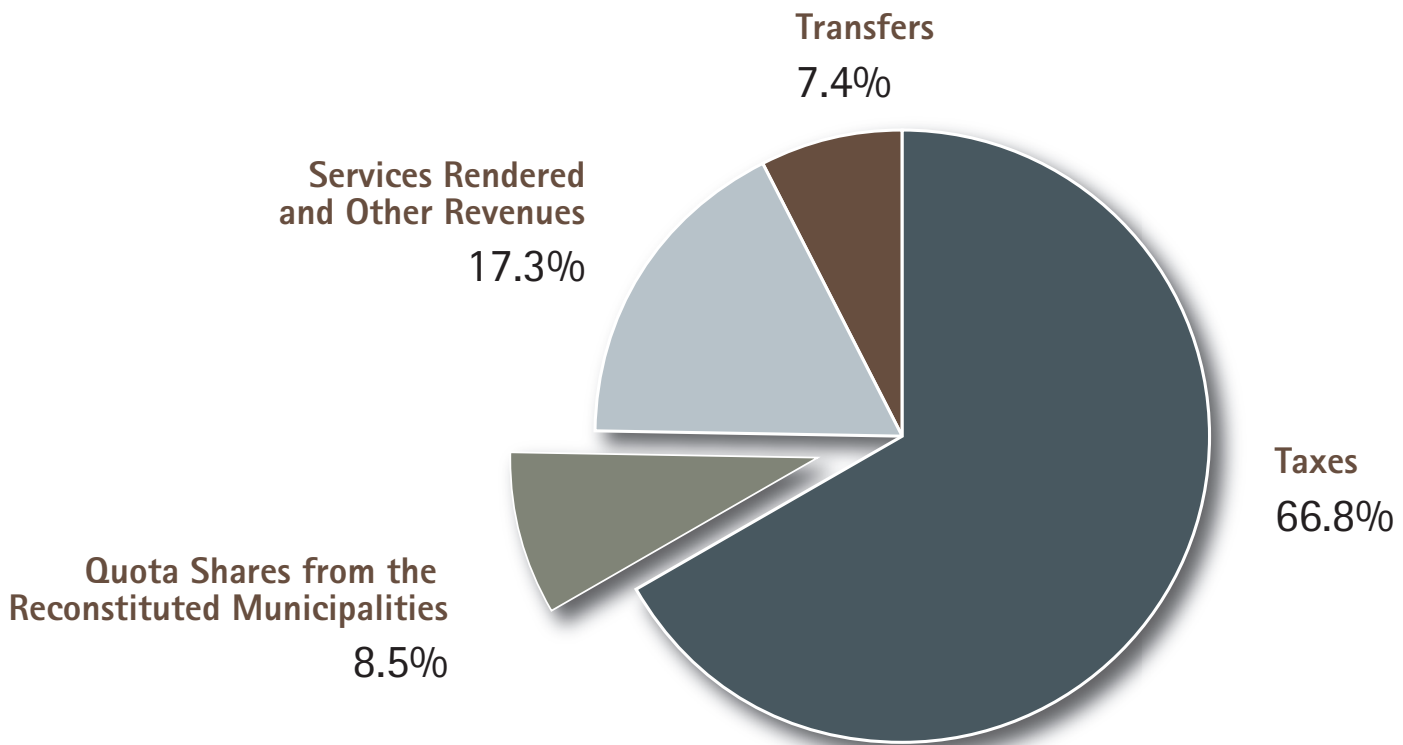
City revenues are primarily generated by property taxes and will total some \$3 billion in 2012 or two thirds of total revenues.

Revenues generated by services rendered and other revenues will stand at \$801.3 million and represent 17.3% of the city's total income in 2012. Transfer revenues (grants from the higher levels of government and other entities) will be \$344.2 million or 7.4% of Montréal's total income for 2012.

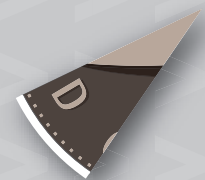
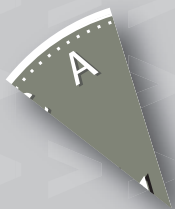
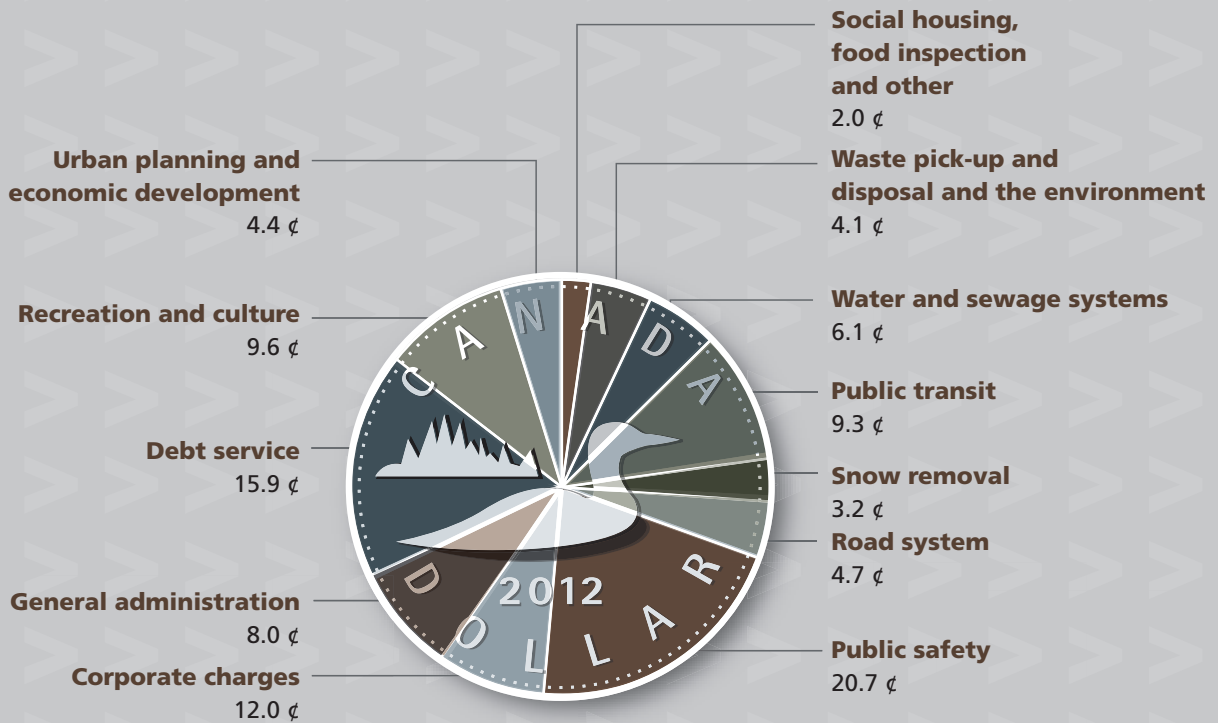
Furthermore, under *An Act to amend various legislative provisions concerning Montréal* (S.Q. 2008, c.19) urban agglomeration expenditures are funded through a system of quota shares that all of the related municipalities pay to the Urban Agglomeration Council Budget.

The reconstituted municipalities are required to contribute \$393.3 million (or 8.5%) of Montréal's revenues.

This set of revenues is used to cover expenditures generated by the city's local areas of authority and by those of the urban agglomeration. As the central city, Montréal is of course responsible for administering the urban agglomeration's financial operations on behalf of all of the related municipalities.



> Your Taxes Are Important



Public Safety	20.7 ¢
Police	13.4 ¢
Fire safety	6.9 ¢
Civil security and other	0.4 ¢

Recreation and Culture	9.6 ¢
Pools, parks and playgrounds	3.4 ¢
Community centers	1.7 ¢
Libraries	1.5 ¢
Heritage, museums and exhibition centres	1.3 ¢
Skating rinks	0.8 ¢
Other	0.9 ¢

Corporate Charges	12.0 ¢
Pension plans	7.6 ¢
Contingent expenses, salary equity and other	4.4 ¢

General Administration	8.0 ¢
City Council	1.0 ¢
Law enforcement	1.2 ¢
Financial management	4.1 ¢
City Clerk's Office and property assessment	0.8 ¢
Human resources management	0.9 ¢

> 2012 Tax Highlights

There will be an average 2.5% general property tax increase on residential and non-residential properties.

An additional charge, equal to 0.5% of general taxes on residential and non-residential buildings, will be applied to the Water Fund. All water-related revenues have been consolidated so that taxpayers can easily determine the percentage of their tax dollars applied to water and sewage works.

As part of the water pricing harmonization process, different residential property rates will be lowered in several of the boroughs in which they are charged. These measures will not entail any general rise in taxes.

Nine boroughs Anjou, Lachine, LaSalle, Montréal-Nord, Pierrefonds-Roxboro, Saint-Laurent, Saint-Léonard, Sud-Ouest and Verdun will either create a service tax or increase such existing taxes.

Individual tax bills may increase or decrease to different extents, depending on changes in the value of one property compared to those of others.

The property transfer tax on the portion of transactions in excess of \$1 million will rise from 2.0% to 2.5%.

Change in total taxes from 2011 to 2012, by borough Residential and non-residential property

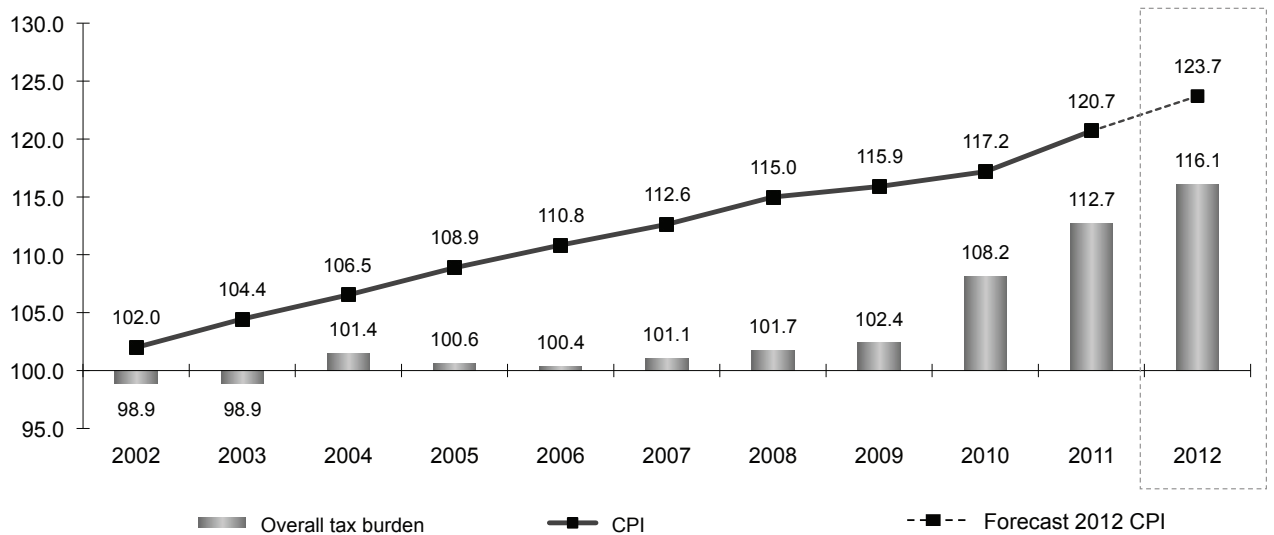
Borough	Residential Properties				Non-Residential Properties			
	General Taxes ¹	Water Tax	Borough Service Taxes	Total Taxes	General Taxes ¹	Water Tax	Borough Service Taxes	Total Taxes
Ahuntsic-Cartierville	2.30%	0.50%		2.80%	2.51%	0.46%		2.97%
Anjou	2.45%	0.46%	2.52%	5.43%	2.11%	0.52%	0.66%	3.29%
Côte-des-Neiges—Notre-Dame-de-Grâce	2.00%	0.50%		2.50%	1.50%	0.37%		1.87%
Lachine	3.23%	0.46%	1.00%	4.69%	3.01%	0.57%	0.25%	3.83%
LaSalle	2.41%	0.49%	0.46%	3.36%	2.54%	0.51%	0.11%	3.16%
L'Île-Bizard—Sainte-Geneviève	0.57%	0.44%		1.01%	0.84%	0.34%		1.18%
Mercier—Hochelaga-Maisonneuve	3.22%	0.50%		3.72%	2.08%	0.50%		2.58%
Montréal-Nord	2.24%	0.45%	0.46%	3.15%	3.29%	0.50%	0.12%	3.91%
Outremont	4.02%	0.54%		4.56%	3.13%	0.37%		3.50%
Pierrefonds-Roxboro	1.92%	0.48%	0.16%	2.56%	4.05%	0.48%	0.03%	4.56%
Plateau-Mont-Royal	5.14%	0.52%		5.66%	6.08%	0.50%		6.58%
Rivière-des-Prairies—Pointe-aux-Trembles	2.13%	0.48%		2.61%	2.95%	0.49%		3.44%
Rosemont—La Petite-Patrie	3.88%	0.50%		4.38%	3.72%	0.44%		4.16%
Saint-Laurent	(0.42%)	0.49%	2.01%	2.08%	(0.17%)	0.53%	0.50%	0.86%
Saint-Léonard	0.59%	0.50%	0.60%	1.69%	2.25%	0.55%	0.15%	2.95%
Sud-Ouest	4.29%	0.49%	0.10%	4.88%	4.49%	0.51%	0.02%	5.02%
Verdun	1.23%	0.49%	0.41%	2.13%	4.15%	0.48%	0.10%	4.73%
Ville-Marie	1.63%	0.51%		2.14%	2.54%	0.51%		3.05%
Villeray—Saint-Michel—Parc-Extension	3.30%	0.50%		3.80%	3.70%	0.50%		4.20%
MONTRÉAL	2.50%	0.50%			2.50%	0.50%		

¹ "Total taxes" include the general property tax, the Water and Road Taxes, tax tariffs, and borough investment taxes. They exclude changes relating to the Water Tax and Borough Service Taxes.

Source: Compilation updated September 15, 2011 and based on 2011 and 2012 tax parameters.

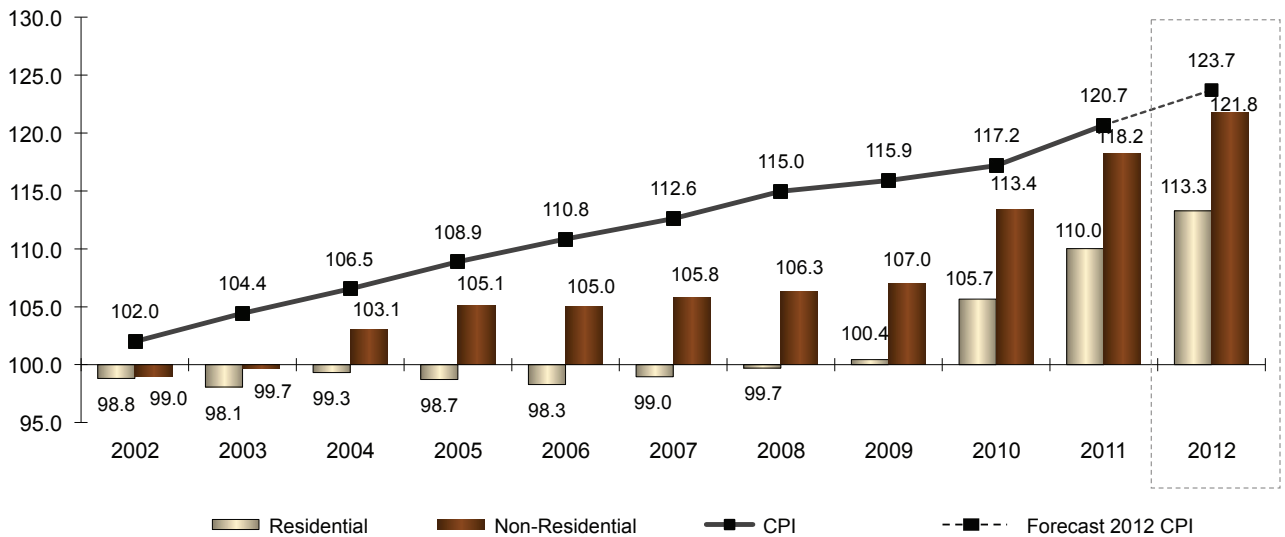
Evolution of the overall tax burden¹ and consumer price² indexes from 2001 to 2012

Index (2001 = 100)



Evolution of the overall tax burden¹ and consumer price² indexes, by building category, from 2001 to 2012

Index (2001 = 100)



¹ The overall tax burden index measures the changes of the general property tax, fiscal user fees, borough investment taxes and taxes relative to water and road. It excludes the changes of borough services taxes.

² Sources: Institut de la statistique du Québec and Statistics Canada.

