



**Mayor's report on the highlights**  
Financial results for the fiscal year that ended  
on December 31, 2017

**2017**



Montréal 

## MESSAGE FROM THE MAYOR

Presented at the city council meeting of June 18, 2018



Dear fellow citizens,

I am presenting today the highlights of the city's 2017 annual financial report, as well as the conclusions drawn from the reports by both external and internal auditors who have verified it. This is the first financial review tabled by our administration.

Firstly, the fiscal year that ended on December 31, 2017 yielded an overall surplus of \$139.5 M, which is a very similar result to that of 2016, which was of \$139.1 M. This surplus represents 2.6% of the city's global revenues.

This surplus is namely the result of special, nonrecurring events, and of a significant increase in transfers, such as those generated by the voluntary reimbursement program implemented in order to retrieve some of the sums paid unfairly for public contracts as part of the collusion that existed. Other important factors have contributed to our surplus and increased operational costs in central services and boroughs.

### REVENUES

Total revenues for fiscal 2017 amount to \$5, 515.3 M, an increase of \$313.6 M as compared to the projected revenues for 2017. This increase is, among other reasons, due to:

- A sound real estate market that allowed the city to generate an additional revenue of \$58.5 M from property transfer taxes, and of \$25.6 M from the construction permits issued;
- Additional earmarked revenues of \$125 M mainly resulting from relief measures related to retirement plans and to the general QST plan, from

surplus accumulated during previous years, and from certain operational expenditures;

- An increase of \$105 M in government transfers. Several elements contributed to this increase, such as:
  - The transfer of the land formerly occupied by the Hippodrome, from the government of Québec to Montréal, which allowed the city to record gains in the amount of \$33.6 M;
  - A transfer for leisure and culture amounting to \$24.1 M more than provided for in the initial budget;
  - Receipt of a new subsidy of \$9.4 M, as part of the Revi-Sols program, for the decontamination of land in the Parc d'entreprises de la Pointe-Saint-Charles;
  - The Réflexe Montréal agreement, which generates an additional net revenue of \$8.6 M;
  - Transfers made as part of the voluntary reimbursement program implemented following the Commission Charbonneau.

## **EXPENDITURES**

In terms of expenditures, they total \$5,375.8 M for fiscal 2017. Operational costs have increased by \$173.6 M within central services and boroughs. This increase is mainly the result of compensation and employer contributions, as well as aid to certain organizations.

It is important to note that, once more, in 2017, snow-related expenditures have increased and that extreme weather events are likely to reoccur in the upcoming years. Already in 2018, snow expenses are reducing our leeway. Moreover, the crisis currently facing the recyclable materials market is adding pressure on public finances.

## **CAPITAL WORKS ACTIVITIES**

The city's capital works expenditures have reached \$1,415 M in 2017, which represents a \$251 M (21.6%) rise compared to the \$1,164 M invested in 2016. This increase is provided for in the city's 2015-2024 capital works program (PMI), which aims to reduce the deficit in the maintenance of our aging infrastructures.

In order to catch up with this deficit, the city has continued to increase the cash payment towards its capital works investments, bringing it to \$377.3 M in 2017, which represents an increase of \$65.8 M (21.1%) in comparison with 2016.

This said, capital works activities have been undertaken and carried out in line with the general 2017-2019 orientations and budgetary perspectives.

Notable facts:

- The city has maintained its debt ratio under the projected cap of 100% of city revenues, in conformity with the debt management policy, with an 89% ratio in 2017;
- The city has maintained a net cost of debt below the set maximum of 16% of all operation costs, for a rate of 11.7% in 2017.

## **AUDITOR REPORTS**

As far as the audit of the 2017 consolidated financial statements is concerned, two independent auditors' reports were produced: one by the city's general auditor, and one by the external firm Deloitte S.E.N.C.R.L./s.r.l. Both audit reports show no reservations with respect to the 2017 financial statements of Montréal.

## **BUILDING THE MONTRÉAL OF THE FUTURE**

Our administration has taken up the challenge very successfully. The favorable economic momentum in the city is ongoing and we have every intention to continue to implement policies that will sustain this major economic growth.

Our strategy and policies anchored in both ambition and realism, have been quite fruitful. For instance, in April 2018, employment had risen by 2.1% compared to the performance of the previous administration, whereas unemployment rates had dropped by 1.4%, reaching 7.3%.

Full employment is thus within arm's reach in Montréal, but its corollary is job shortage. The policies that will be put forth by our federal and provincial partners, namely with regard to immigration, will have a major impact on our ability to reach our economic goals.

The continuing inflow of investments and the powers and responsibilities granted to the city – not to mention those that we will continue to obtain as a result of our new metropolis status – will allow us to reach our objectives and to further strengthen our economic and social situation. The city will, however, have to ensure that the funding granted under its new powers and responsibilities, namely in terms of managing the legalization of cannabis, will be long-lasting and indexed.

In an effort to transform the city and to adapt it to changes and to the new realities that we are faced with, we will also have to continue to invest in our infrastructures, namely water infrastructures. Improving their condition will allow us to obtain major, strategic investments in the key sectors of our economic poles.

Aside from these internal considerations, there are also external factors that call for caution. The resilience of Montréal's economy, attributed to the diversity of its employment sectors and economic poles, is unwavering. The city is not however entirely sheltered from potential stock market shocks. Ten years after the last economic crisis, in the context of uncertainty surrounding the future of international trade agreements, and given the recent stock market fluctuations, our administration will be taking the necessary measures to protect Montréal's economy and its workers.

In fact, workers remain at the very heart of our preoccupations. Within the municipal system, our administration is committed to establishing harmonious and respectful working relations, in order to create a climate for our teams to spring into action enthusiastically.

We are also committed to maintaining rigorous and transparent financial management, while continuing to strive to make Montréal a more performing, sustainable and innovative city, to build the Montréal of the future.

The Mayor of Montréal,



Valérie Plante