

# Budget Plan

2003 BUDGET

Ville de Montréal

# 2003 BUDGET

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Adopted by  
the Montréal City Council  
December 18, 2002

Prepared by  
the Service des finances

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# 2003 BUDGET

## Members of the City Council and of the borough councils<sup>1</sup>



**Gérald Tremblay**  
Mayor

### Borough of Ahuntsic- Cartierville



◦ **Beauchamp, Maurice**  
District of Saint-Sulpice



◦ **Belleli, Hasmig**  
District of Acadie



◦ **Eloyan, Noushig**  
District of Cartierville



◦ **Lapointe, Pierre**  
District of Ahuntsic



◦ **Polcaro, Achille**  
District of  
Sault-au-Récollet

### Borough of Anjou



◦ **Beaupré, Carol**



◦ **Miranda, Luis**



• **Hénault, Andrée**



◦ **Kemp, Roy A.**



• **Grassby, Florence**  
District of Beaurepaire



• **Parent, Anne-Marie**  
District of James Morgan

### Borough of Beaconsfield/ Baie-D'Urfé

## Borough of Côte-des-Neiges/ Notre-Dame-de-Grâce

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◦ **Applebaum, Michael**  
District of  
Notre-Dame-de-Grâce



◦ **Rotrand, Marvin**  
District of Snowdon



◦ **Searle, Jeremy**  
District of Loyola



◦ **Sénécal, Francine**  
District of  
Côte-des-Neiges



◦ **Tremblay, Marcel**  
District of Décarie



◦ **Zajdel, Saulie**  
District of Darlington

## Borough of Côte-Saint-Luc/ Hampstead/ Montréal-Ouest

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◦ **Berku, Dida**



◦ **Libman, Robert**



• **Housefather, Anthony**

## Borough of Dollard- Des Ormeaux/ Roxboro

---



◦ **Janiszewski, Edward**



◦ **Zingboim, Howard**



• **Bayouk, Zoe**

## Borough of Dorval/L'Île-Dorval

---



◦ **Yeomans, Peter B.**



• **Bourbeau, Robert M.**  
District of Strathmore



• **Rouleau, Edgar A.**  
District of  
Desiré-Girouard

## Borough of Kirkland

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◦ **Meaney, John W.**



• **Gibson, Michel**  
District of  
Côte-Sainte-Marie



• **MacDonald, Brian B.**  
District of Brunswick



## Borough of Lachine

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◦ Cowell-Poitras, Jane



◦ Dauphin, Claude



• Blanchet, Bernard

## Borough of LaSalle

---



◦ Barbe, Manon



◦ Deschamps, Richard



◦ Farinacci, Alvaro



• Kaluzny, Oksana  
District of Sault-  
Saint-Louis



• Vadacchino, Michael  
District of  
Cécil P. Newman

## Borough of L'Île-Bizard/ Sainte-Genève/ Sainte-Anne-de-Bellevue

---



◦ Cardinal, Jacques



• Bélanger, Richard  
District of Jacques-Bizard



• Tierney, Bill  
District of  
l'Anse-à-l'Orme

## Borough of Mercier/Hochelaga- Maisonneuve

---



◦ **Dompierre, Richer**  
District of Maisonneuve



◦ **Faust, Lyn**  
District of Louis-Riel



◦ **Larivée, Luc**  
District of Hochelaga



◦ **Le Duc, Ivon**  
District of Tétreaultville



◦ **Saint-Arnaud, Claire**  
District of Longue-Pointe

## Borough of Montréal-Nord

---



◦ **Gibeau, Jean-Marc**



◦ **Infantino, James V.**



◦ **Parent, Marcel**



• **Fortin, Normand**  
District of  
Ovide-Clermont



• **Morin, Georgette L.**  
District of Marie-Clarac

## Borough of Mont-Royal

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◦ **Caron, Suzanne**



• **Carrie, Cliff**  
District of  
Frederick G. Todd



• **Stephens, Nicholas**  
District of Rockland

## Borough of Outremont

---



◦ Harbour, Stéphane



• Cinq-Mars, Marie  
District of Joseph-Beaubien



• Piquette, Claude B.  
District of Jeanne-Sauvé

## Borough of Pierrefonds-Senneville

---



◦ Ward, Bertrand A.



◦ Worth, Monique



• Leblanc, René E.

## Borough of Plateau-Mont-Royal

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◦ Fotopulos, Helen  
District of Mile End



◦ Poulin, Christine  
District of Laurier



◦ Prescott, Michel  
District of Jeanne-Mance



◦ Tétrault, Nicolas  
District of Plateau-Mont-Royal

## Borough of Pointe-Claire

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◦ McMurchie, Bill



• Iermieri, Aldo  
District of Donegani



• Trudeau, Morris  
District of Valois

## Borough of Rivière-des-Prairies/Pointe-aux-Trembles/Montréal-Est

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◦ Maciocia, Cosmo  
District of Marc-Aurèle-Fortin



◦ Minier, Marius  
District of Pointe-aux-Trembles



◦ Paul, Colette  
District of Bout-de-l'Île



◦ Plante, Michel  
District of Rivière-des-Prairies

## Borough of Rosemont/ La Petite-Patrie

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◦ **Bourque, Pierre**  
District of Marie-Victorin



◦ **Larouche, Denise**  
District of  
Vieux-Rosemont



◦ **Plante, Jean-François**  
District of Louis-Hébert



◦ **Purcell, François**  
District of Saint-Édouard



◦ **Thibault, Nicole**  
District of Étienne-  
Desmarteau

## Borough of Saint-Laurent

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◦ **DeSousa, Alan**



◦ **Dussault, René**



◦ **Grundman, Irving**



• **Biron, Michèle D.**  
District of  
Norman McLaren



• **Cohen, Maurice**  
District of Côte-de-Liesse

## Borough of Saint-Léonard

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◦ **Bissonnet, Yvette**



◦ **Perri, Dominic**



◦ **Zampino, Frank**



• **Battista, Mario**  
District of Port-Maurice



• **Zambito, Robert L.**  
District of Grande-Prairie

## Borough of Sud-Ouest

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◦ **Bousquet, Robert**  
District of Émard



◦ **Hamel, Line**  
District of Louis-Cyr



◦ **Montpetit, Jacqueline**  
District of  
Pointe-Saint-Charles

## Borough of Verdun

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◦ **Bossé, Georges**



◦ **Dugas, Laurent**



◦ **Trudel, Claude**



• **Gallagher, John**  
District of  
Desmarchais-Crawford



• **Marotte, Ginette**  
District of Champlain

## Borough of Ville-Marie

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◦ **Laramée, Robert**  
District of Saint-Jacques



◦ **Lemay, Martin**  
District of Sainte-Marie



◦ **O'Sullivan-Boyne, Louise**  
District of Peter McGill

## Borough of Villeray/ Saint-Michel/ Parc-Extension

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◦ **Deros, Mary**  
District of Parc-Extension



◦ **Lachance, Sylvain**  
District of Villeray



◦ **Samson, Anie**  
District of Jarry



◦ **Tamburello, Paolo**  
District of Saint-Michel



◦ **Venneri, Frank**  
District of Jean-Rivard

## Borough of Westmount

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◦ **Marks, Karin**



● **De Castell, John**  
District of  
Côte-Saint-Antoine



● **Lulham, Cynthia**  
District of  
W. D. Lighthall

<sup>1</sup>In conformity with the act on municipal mergers, certain boroughs are divided into electoral districts. In these cases, the district name is indicated below that of the councillor.

- member of the City Council  
and of the borough council
- borough councillor

# 2003 BUDGET

## The Executive Committee



**Gérald Tremblay**  
Mayor



**Frank Zampino**  
Chairman of the Executive  
Committee



**Francine Sénécal**  
Vice-chairwoman of the  
Executive Committee



**Michel Prescott**  
Vice-chairman of the  
Executive Committee



**Georges Bossé**  
Member of the Executive  
Committee



**Claude Dauphin**  
Member of the Executive  
Committee



**Alan DeSousa**  
Member of the Executive  
Committee



**Helen Fotopulos**  
Member of the Executive  
Committee



**Robert Libman**  
Member of the Executive  
Committee



**Cosmo Maciocia**  
Member of the Executive  
Committee



**Louise O'Sullivan-Boyne**  
Member of the Executive  
Committee



**Peter B. Yeomans**  
Member of the Executive  
Committee

## ASSOCIATE COUNCILLORS

Michael Applebaum  
Manon Barbe  
Suzanne Caron  
Stéphane Harbour  
Luis Miranda  
Marvin Rotrand  
Marcel Tremblay  
Claude Trudel

### Commission des transports, des services aux citoyens et des relations avec les communautés culturelles

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Chairman  
**Jeremy Searle**

Vice-chairwoman  
**Mary Deros**

Members  
**Michael Applebaum**  
**Pierre Lapointe**  
**Marcel Tremblay**  
**Bertrand A. Ward**  
**Howard Zingboim**

### Commission des finances et du développement des ressources humaines

---

Chairman  
**Edward Janiszewski**

Vice-chairman  
**Bertrand A. Ward**

Members  
**Richard Deschamps**  
**Jean-Marc Gibeau**  
**James V. Infantino**  
**Michel Plante**  
**Frank Venneri**

### Commission des arts, de la culture et du patrimoine

---

Chairman  
**Claude Trudel**

Vice-chairwoman  
**Hasmig Belleli**

Members  
**Manon Barbe**  
**Karin Marks**  
**John W. Meaney**  
**Jean-François Plante**  
**Monique Worth**

### Commission du développement économique et centre des affaires

---

Chairman  
**Luis Miranda**

Vice-chairman  
**Richard Deschamps**

Members  
**Carol Beaupré**  
**Robert Bousquet**  
**Richer Dompierre**  
**Howard Zingboim**

### Commission de l'habitation et du développement social et communautaire

---

Chairwoman  
**Jane Cowell-Poitras**

Vice-chairman  
**Maurice Beauchamp**

Members  
**Yvette Bissonnet**  
**Jean-Marc Gibeau**  
**Stéphane Harbour**  
**Sylvain Lachance**  
**Bill McMurchie**

### Commission de la sécurité publique

---

Chairman  
**Peter B. Yeomans**

Vice-chairman  
**Marcel Tremblay**

Members  
**Carol Beaupré**  
**Roy A. Kemp**  
**Robert Laramée**  
**Monique Worth**

### Commission de l'urbanisme, de l'aménagement du territoire et du développement durable

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Chairwoman  
**Suzanne Caron**

Vice-chairwoman  
**Dida Berku**

Members  
**Jacques Cardinal**  
**Stéphane Harbour**  
**Dominic Perri**  
**François Purcell**  
**Anie Samson**

### Commission de la présidence

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President  
**Marcel Parent**

Vice-chairwoman  
**Claire Saint-Arnaud**

Members  
**Dida Berku**  
**Cosmo Maciocia**  
**Karin Marks**  
**Marvin Rotrand**  
**Nicolas Tétrault**



# 2003 BUDGET

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

The 2003 budget of the Ville de Montréal reflects the city's new dynamic and new vision.

It is the first budget that carries the signature of our administration since the establishment of the new city, on January 1st, 2002. The Ville de Montréal's 2002 budget was produced by the Montréal Transition Committee.

This year's budget features transparency, participation and innovation. All administrative units of the City, including the boroughs and municipal services, participated in tabling the 2003 budget. During the month of September, the Comité d'étude sur le budget devoted over 100 hours in meetings with senior management of all municipal units to discuss their budget forecasts. This exercise, in which elected officials from both the majority and opposition parties closely collaborated, helped to better define the respective realities of each borough and department.

Through this collective effort, we have achieved a balanced budget, as well as important savings and productivity gains that constitute Montréal's contribution towards solidifying the first City contract with the Government of Québec. The aim of this contract is to redefine, through new means and in a more comprehensive manner, the City's relationship with this most important partner.

The 2003 budget also reflects the orientations that our administration will establish for the new metropolis. It takes into account the commitments we have made to the citizens of Montréal.

We are maintaining the quality of services to citizens, holding increases in expenditures to below the level of inflation, continuing to maintain and rehabilitate infrastructures to preserve their value, and slightly reducing the City's debt.

As planned, we have also initiated a tax equalization and development incentive process by creating four funds to allocate additional financial support to the boroughs that are underfunded or less well off, that are dealing with one or more unusual situations, that have recently experienced extensive real estate development, or wish to carry out a project deemed a priority at the Sommet de Montréal. These four funds are the Revenue-sharing and Equalization Fund, the Special Fund, the Development Fund, and the Sommet de Montréal Fund.

As announced in October, these measures will allow the boroughs to share an additional \$17.8 million in 2003, not including the appropriations provided for in the Sommet de Montréal Fund. We are thereby allotting to the boroughs expenditure budgets that better reflect their characteristics and needs.

In terms of taxation, we are maintaining the overall tax burden of taxpayers and initiating harmonization.

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We have until 2011 to harmonize the tax structure. This gradual transition will begin in 2003, with the abolition of the business tax in the ten sectors where it was still levied. The replacement of this tax with a tax on non-residential properties may, in some cases, result in a tax shift for buildings of this category. We have, however, initiated various measures, including two subsidy programs, to mitigate the impact of the change in regime.

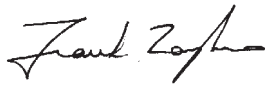
Compared to 2002, after taking into account the difference in tax burdens, 75% of residential properties and 58% of non-residential properties in Montréal will receive, in 2003, tax reductions or increases that are lower than the level of inflation.

The 2003 budget also provides us with an opportunity to be innovative. We are introducing a new section entitled Business plan and performance indicators. This initiative represents our desire to improve services to Montrealers. Each borough and municipal department has spelled out priorities, set objectives, and identified a series of effective tools that will accurately gauge their progress towards these objectives. Moreover, we have established a management structure, supported by budgetary policies that will enable the administration and all city employees to achieve the desired level of performance, effectiveness and efficiency in the services that are provided on a daily basis.

The 2003 budget is in line with the action plan drawn up by our administration to soundly manage public finances, to modernize the municipal apparatus, to foster the development of strong, autonomous boroughs, to create wealth, and to enhance our citizen's quality of life. We remain committed to shaping and accelerating the success of the new Montréal.



Gérald Tremblay  
Mayor



Frank Zampino  
Chairman of the Executive Committee

# 2003 BUDGET

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## Message from the Director-general

Over the past year, the first in the history of the new city, the Direction générale has worked tirelessly to establish Montréal's organizational and decision-making structure.

We have ensured the harmonious decentralization of the former Ville de Montréal into nine boroughs, completed the merger of several former suburban municipalities into five boroughs, and guided the municipalities that have become boroughs throughout the process. The implementation of the staffing plan has also enabled us to finalize the city's organizational structure.

It was in this context that we began to draft the 2003 budget, the first to be planned and produced entirely by the new city. The process was a rigorous one. All boroughs and departments drew up a business plan with performance indicators. This was the first stage in developing tools that will allow us to assess the effectiveness and efficiency of the administrative apparatus, and provide a framework for budgetary decisions in years to come.

Such rigour is imperative, as we face significant challenges. In 2003, the city's management team will continue to ensure the maintenance of citizen services and to implement the best service and management practices, while respecting the autonomy of the boroughs.

Next year, the municipal workforce will represent some 23,350 person-years. As the management team, it is our duty to ensure that, in their respective areas, all employees contribute to the wellbeing of Montréal residents.

The production of this budget is a first, determining step for Montréal, laying down action guidelines for the year ahead. Major undertakings initiated in 2003 will have a significant impact on future budgets. Chief among these is the negotiation of the first collective agreements, a process initiated in 2002, which should be completed by next year, and the implementation of the city contract.

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For my part, this is the last budget I will be involved in as director-general of the Ville de Montréal. I have had the privilege of managing the city through its first year, after holding the reins of Montréal municipal departments for a little over two years. I had ample opportunity to gauge the complexity of establishing the new city—a unique and challenging task.

I leave the Ville de Montréal, confident that it is well on its way, ready to meet the challenges of the future. The current organization is flexible enough to allow the next director-general the necessary leeway to adapt its structure to the needs that will arise over the years.

Lastly, I would like to thank all the members of the executive and management who supported me throughout my time as director-general. Their spirit of cooperation and remarkable skills have allowed us to accomplish what many thought was impossible. The city's success is in good hands.



Guy Coulombe  
Director-general

### A city of contrasts

Montréal is a unique city that takes its differences and contrasts in stride.

With a wealth of experience acquired over 360 years of history, Montréal, one of the oldest cities in North America, remains remarkably young and vibrant. This second largest francophone city in the world is also home to dozens of different communities, speaking many languages. But there is even more to Montréal's uniqueness.

Montréal is an ode to diversity. Its residents are living proof of the possibility of a global village. Montrealers by birth or by adoption and those who are only passing through live together side by side in harmony. The resulting cultural mix fosters exceptional artistic activity. Many Montréal artists have made their mark on the international scene: Céline Dion, the Cirque du Soleil, Michel Tremblay, Betty Goodwin and Leonard Cohen, to name a few.

This plurality is also evident in everyday life. Commercial streets and public markets are cosmopolitan meeting places. We have a Chinatown, a Little Italy and a Little Portugal, but no ghettos. Montréal's diversity also extends to its climate, where the changing seasons redecorate the city at very little cost!

Another Montréal paradox is that while it offers comfortable living, it is also known for its nightlife. Openness to the world makes Montréal a joyous, gastronomic city, qualities that are reflected not only in its many restaurants and cafes, but also in its international festivals and events. At cultural or sporting activities, Montrealers celebrate life to the full, and always peaceably.

How can we explain the unique atmosphere, at once quiet and passionate, that characterizes the metropolis? Perhaps the answer lies in the fact that Montréal is also an island, and that its shores, mountain, canal and vast parks have managed to preserve a rural, peaceful quality.

And although several boroughs may resemble a country village, Montréal is definitely a city of business and action. In addition to the lively downtown area with its skyscrapers and commercial buildings, the city has many industrial parks, where a great variety of high-tech products are developed and manufactured. Montréal's economy is carving out a leading place for itself in the knowledge industries, such as biopharmaceuticals, aerospace and telecommunications.

Montréal is a well-situated island. At the entrance to the Great Lakes, it opens onto the heart of North America, and also provides quick access to the New England states. This strategic location has been and continues to be a significant advantage. Many multinationals choose Montréal as their gateway to the eastern U.S. market. And this doesn't take into account the financial institutions, international organizations and consulates that have settled in the city...

Montréal offers a world of possibilities. A unique, contrasting world that is in constant evolution. The world of Montréal!

# 2003 BUDGET

## A profile of Montréal

### 104

Borough councillors, of whom 73 are also members of the city council, in addition to the mayor.

### 27

Boroughs making up the territory of the new city: nine from the former cities of Montréal and Montréal-Est, and 18 constituted from the 27 former suburban municipalities.

### \$3,681,964,200

2003 budget of the Ville de Montréal.

### 23,350

City employees, in person-years. The Société de transport de Montréal represents another 7,170 person-years.

### 1,812,723

Residents making up the population of Montréal. They account for over half the population living in the census metropolitan area (CMA), and more than a quarter of the population of Québec. A cultural mosaic, Montréal's population comprises members of some 100 different communities.

### 482.84

Square kilometres of Montréal territory, which includes 11 islands. The largest, the island of Montréal, is 50 kilometres long and 16 kilometres across at its widest point.

### \$104 billion

Total property values on Montréal territory.

### 772,340

Housing units in Montréal, ranking the city first in North America and fifth in the world in terms of price-space ratio: 66% of residents are tenants, and 34% own their homes.

### US\$91.2 billion

Gross domestic product, or the "value of all goods and services produced" in the Montréal metropolitan area in 2000, ranking it 19th among North American urban agglomerations.

### 450

University and private research centres that make Montréal an important centre for innovation.

### 4,800

Manufacturing companies providing 150,000 jobs and making Montréal the third city in North America in terms of total number of jobs in the manufacturing sector.

### 260

Companies operating in the aerospace industry, concentrating in the Montréal area 55% of activities in this sector of the Canadian economy, and employing some 42,000 people.

### 1,017,000

Jobs within the Montréal territory, representing 69.7% of jobs in the metropolitan area.

### 20,700,000

Metric tonnes of merchandise passing through the port of Montréal in 2000, the second largest port on the eastern coast of North America.

### 309,088

Conventioners in Montréal in 2001; the city ranks third in North America in annual number of international conventions.

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## **\$450,000,000**

Spent annually in the metropolitan area by business travellers and conventioners.

## **\$632,000,000**

In investment in the film and television industries for the 584 productions shot in Montréal in 2001. These investments generated economic spinoffs of approximately \$521,500,000.

## **9,700,000**

Tourists who visited the metropolitan area in 2001.

## **40**

International festivals and events presented every year. They contribute to Montréal's cultural wealth, and place it on a par with other leading cultural cities, such as London, Paris and New York.

## **4**

Universities, two French- and two English-language, with which are associated renowned schools, such as the École des hautes études commerciales, École polytechnique, École nationale d'administration publique, École de technologie supérieure, and Institut national de la recherche scientifique.

## **33**

Hospitals that are at the heart of the healthcare network that also includes 29 Centres locaux de services communautaires (CLSC).

## **426,910,240**

Rides taken annually by users of the public transportation network, composed of a Métro with 66 km of underground tunnels and 65 stations, 173 bus routes and 5 commuter trains.

## **5,617**

Kilometres of roads and 883 kilometres of railway track.

## **30**

Kilometres of corridors, indoor malls and tunnels, making Montréal the leader in terms of underground networks of this type. Every day, 500,000 people are able to go about their business protected from the elements.

## **140**

Kilometres of bicycle paths that contribute to making Montréal the top cycling city in North America, among cities with a population of over one million.

Montréal is also home to 88 major corporate headquarters, as well as 70 international organizations, 46 consulates general, and 87 international financial institutions.

# City of Montréal Organizational Chart



# 2003 BUDGET

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## Highlights

## BUDGET HIGHLIGHTS

- For the first time, the budget of the Ville de Montréal includes an outline of the business plan adopted by each unit—borough and department—as well as performance indicators established in order to improve service delivery to residents.
- Expenditures increased by 1.9%, which is less than the expected inflation of 2.1%.
- The municipal workforce increased slightly over the 2002 comparative, to 23,350.5 person-years.
- The fiscal burden of taxpayers remains the same as in 2002, with the increase in tax revenues coming essentially from the broadening of the tax base.
- The 2003 budget includes additional tax revenues of \$53.7 million, particularly attributable to a \$1.4 billion increase in property values.
- In the context of harmonization of taxation as provided for by law, Montréal will abandon the business tax, collected by only 10 of the 28 former municipalities. The abandonment of this tax, levied on the occupants of non-residential properties, results in adjustments to property taxes applicable to this building category.
- Two tax subsidy programs were created to offset tax shifts resulting from the abandonment of the business tax. The purpose of one of the programs is to mitigate the impact of increases that exceed 5% of the global tax burden of certain properties with a property value of \$5 million or less. The other program targets occupants formerly exempt from the business tax, such as non-profit organizations.
- Tax bills are in keeping with the commitments made to taxpayers. In the category of residential properties, more than half of the tax bills are lower than in 2002. In fact, the variation in three-quarters of the tax bills for this sector is below the expected rate of inflation. In the non-residential sector, close to half of the tax bills are lower than last year.

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	<b>% of number of tax bills</b>	
	<b><u>Residential</u></b>	<b><u>Non-residential</u></b>
Decrease	54.1	49.4
Increase (0% to 2.1%)	20.9	8.6
Increase (2.2% to 5%)	20.3	32.8
Increase (more than 5%)	4.7	9.2

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- The levying of water user fees and fees for solid waste treatment remains the same, except in the Côte-Saint-Luc, Montréal-Nord, and Saint-Léonard sectors, where some changes were made.

## Budget Plan

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- The budget allotment of boroughs rose to \$913.4 million, a \$37.2 million or 4.2% increase over the adjusted 2002 budget. In consideration of the rationalization of certain expenditures in the amount of \$6.6 million, and in addition to a provision of \$19.4 million for various adjustments, the boroughs will share additional appropriations totalling \$17.8 million from three specific funds as follows:
  - 14 of the boroughs that are less well off will share \$5 million from the Equalization Fund;
  - 16 boroughs will receive more than 90% of the \$5.5 million of the Development Fund to assume costs related to the development of their territories;
  - the Special Fund will provide 21 boroughs with additional budgetary appropriations in the amount of \$7.3 million to address their own particular situations.
- The creation of the Sommet de Montréal Fund will make it possible to carry out structuring projects in 2003 that will have a direct impact on creating wealth and improving the quality of life of citizens. To that end, the boroughs and municipal departments will receive appropriations of \$5 million.
- The 2003 budget includes additional appropriations of \$5.6 million to finance public transportation.
- New appropriations totalling more than \$14 million are planned for social housing.
- An amount of \$5 million, to be allocated in 2003, is also planned to finance structuring projects pertaining to the fulfilment of the municipal departments' respective missions.
- The 2003-2005 three-year capital expenditures program provides for investment in the amount of \$1,588.0 million in Montréal's 27 boroughs. One quarter of this amount will be assumed by upper levels of government and by partners.
- In 2003, \$556.3 million will be invested as part of the three-year capital expenditures program, and 70% of this amount will be used to upgrade or overhaul infrastructures; this represents a 24.6% increase in investment, which will be attained without adding to the fiscal burdens of taxpayers.
- Amounts required for debt repayment are 3.1% lower than in 2002.
- Discussions are still under way to finalize a city contract between the Ville de Montréal and the government of Québec.

# Budget environment

### **BUSINESS PLAN**

#### **PREAMBLE**

The first year of the new Ville de Montréal allowed us to establish and consolidate structures to properly serve the citizens of Montréal throughout the island.

Thanks to the hard work of city personnel—managers and unionized employees alike—the establishment of Montréal's organizational structures was completed within a more than reasonable timeframe. The 27 boroughs are in a position to offer their residents quality services, while actively participating in the development of the island as a whole, and the municipal departments are performing effectively. Day-to-day support services are provided to the boroughs to complement those they already deliver. Our greatest achievement has been, without a doubt, to offer Montrealers the services they have a right to expect: the best services at the best possible price. We will continue to improve citizen services through the identification and implementation of the best practices. And we will do so in cooperation with the boroughs, which are the key to the new city's success.

While building solid foundations for the new city, we also embarked on the most extensive collective planning exercise in the island's history. In partnership with Montréal developers and entrepreneurs, the new administration successfully completed its greatest undertaking: the organization of the Sommet de Montréal, held on June 4, 5 and 6, 2002. An historic meeting of Montrealers, the Sommet de Montréal enabled us to develop a common vision of our city's future: progress. It also allowed us to involve Montrealers in the process of defining the character of their new city. The five main integrating topics were as follows:

- City of creativity and innovation, open to the world;
- City of sustainable development;
- City of good living, solidarity and inclusiveness;
- City of democracy, fairness and transparency;
- City with an efficient administration serving the community.

Dozens of concrete actions were identified for each aspect of municipal life, and the Forum des chefs de délégation, whose members participated in the Sommet, was formed to ensure that these actions would be carried out, according to a precise timetable, by all partners.

On the last day of the Sommet de Montréal, the Québec government and the Ville de Montréal mutually agreed to sign a city contract. This historic agreement marked the beginning of a true partnership that paves the way for Montréal's accelerated growth.

#### **A NEW GOVERNANCE APPROACH TO POSITION MONTRÉAL AS A LEADER AMONG MAJOR NORTH AMERICAN CITIES AND TO BETTER SERVE MONTREALERS**

More than ever, Montréal must focus on added value and make it a determining factor in its actions.

Focusing on added value means that, as of today, we view our actions from a new perspective: the constant search for and creation of wealth, and the distribution of this new wealth, on the one hand, and the improvement of citizens' quality of life, on the other.

## Budget Plan

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A value-added project is one that makes the quest for multiple results converge in a single action. A value-added project contributes to accelerated growth and improved living conditions for residents. It also serves as a catalyst for other projects, like the major development to be initiated by the Société du Havre. Another example of a value-added project is the creation of a centre of excellence for water management, which will make optimum use of the extensive expertise available in Montréal and focus it on a common objective: to develop our talents at home in order to better export our skills.

In future, throughout the city's areas of intervention, we will evaluate the appropriateness of all decisions in the light of this new perspective. The Forum des chefs de délégation was charged with putting this new vision into practice by according priority to proposals stemming from the Sommet de Montréal. A \$5-million fund was created in the 2003 budget to follow up on these proposals, and we thought it essential to choose projects based on their added value and integrating nature. A first list of projects should be carried out in 2003, and the same process will be repeated in 2004.

The development projects presented to the city will have to meet added-value criteria. We would like entrepreneurs and developers to know that, if their projects meet these criteria, they will find an attentive and sympathetic ear at the city. Otherwise, they will be invited to enhance their proposal.

Our new approach also involves performance indicators for all administrative units of the new city. These performance indicators will allow us to improve the services we provide to Montrealers. Instituting common performance indicators for the boroughs and municipal departments will enable us to quickly identify the best practices in order to implement them throughout the island, for the benefit of all citizens. We seek quality interventions, cost optimization and, of course, attainment of our goals.

### **Modernization of the municipal administration**

Significant efforts on the part of the boroughs and municipal departments will allow us to generate \$36 million in productivity gains and economies of scale in 2003. These efforts will be renewed in subsequent years. We expect management savings of at least \$30 million per year. This will serve as our basic contribution towards solidifying the city contract. We are subjecting ourselves to a rigorous discipline: re-examining the way we do things in order to implement the best management practices.

This management philosophy will be applied in a decentralized environment, and the administration will adopt general policies, while allowing the boroughs to adopt the practices that best meet their needs and those of their residents.

### **Competitive, fair and simplified taxation**

Montréal is at once the mainspring of the metropolitan area's prosperity and Québec's launchpad to the world. Montréal's role as a metropolis is such that the city bears, proportionally, higher costs than most other municipalities in Québec. Other factors also contribute to this situation, such as the age of infrastructures and buildings, the make-up of the social fabric, and the diversity of the urban environment. These combined elements have a definite impact on the new city's taxation.

The impact is more noticeable in the non-residential sector: there is a difference of approximately 66% between Montréal's average property tax rate and that of the other municipalities in the census metropolitan area (CMA). This disparity must be reduced, in as much as Montréal is evolving in the same environment as the other major cities in the agglomeration, but also must compete with large North American cities.

The city contract will help us to reduce the tax disparity that exists in our competitive environment. Independently of the city contract, we will pursue the ongoing harmonization to reduce tax inequities among the former municipalities that have become boroughs, while fully respecting the maximum 5% increase prescribed by law. We will also apply the following principles: local autonomy, fair taxation, and taxation simplicity and stability.

### **The borough, key to the new city's success**

Once the boroughs had been established, we decided to introduce a new governance culture, founded on the sharing of power, decentralization, mutual respect and accountability. We will, of course, continue to apply these principles. Our primary objective is to synchronize the work of the units, departments and boroughs to better serve residents. The boroughs will therefore be called upon to provide quality local services to citizens, while putting their combined skills to work towards the city's economic and social development.

In 2003, the city will increase overall allotments to the boroughs. An additional \$37.2 million will be under local management. We have created funds totalling \$17.8 million, which will allow us to allocate new appropriations to boroughs that are less well off, to adjust the budget of boroughs that have experienced substantial real estate development, and to take into account the specific situations of a good number of boroughs. The decentralization approach will also be applied in determining the three-year capital expenditures program budgets. In 2003, the portion of the net three-year capital expenditures program dedicated exclusively to the boroughs will reach some \$163.4 million, a 6% increase over the \$153.7 million they received in 2002. An amount of \$25.8 million (\$2.5 million of which is dedicated to property), compared with \$9.7 million in 2002, will be added for specific projects to be carried out in the boroughs, for an actual increase of 16% in the boroughs' three-year capital expenditures program.

### **AN INTEGRATED VISION OF DEVELOPMENT**

#### **Urban development**

Urban and development plans and urban planning and development by-laws are essential to good management of our living environment. In order for Montréal to properly reflect these new realities, it is essential to update and harmonize existing urban plans. The city's urban plan will establish priority orientations for the development of the metropolis. The sector-related urban plans will provide guidelines for local development and constitute powerful tools for the promotion and development of the 27 boroughs' respective identities.

The urban plan will provide a frame of reference for interventions on city territory, as proposed during the Sommet de Montréal. Its drafting is a highly strategic matter, and will be done in cooperation with all interested persons and groups and, most importantly, with the citizens of Montréal.

The primary aim of the urban plan will be to consolidate existing urbanized areas. Densification supports sustainable development and local economic development, through increased demand for public and business services. This approach also contributes to residential development. The urban plan will favour new construction on sites where urban infrastructures already exist, thereby reducing development and construction costs for new housing.

In keeping with this fundamental urban consolidation objective, we will focus on three important issues: the quality of residential areas, development that promotes the use of public transportation, and the strengthening of existing economic centres.

## Budget Plan

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To ensure the quality of residential areas, we will increase allotments to existing and emerging neighbourhoods for community facilities, parks and green spaces, services, and public transportation. Using an integrated approach, we will pay particular attention to design and to neighbourhoods requiring rehabilitation. We will see a marked impact on the quality of life of residents by concentrating in these neighbourhoods a series of interventions related to housing, the environment, infrastructures and other matters pertaining to the urban environment.

The urban plan will also serve to promote increased use of public transportation. To that end, we will channel growth into economic centres and ensure better links between these centres and existing and emerging residential areas. As our administration's goal is to reduce car travel on Montréal territory, it is imperative that the city be developed in that spirit. Lastly, the urban plan must contribute to the consolidation of existing economic centres.

Our overall strategy revolves around projects and programs that will accentuate the strength of the various economic sectors. Downtown Montréal, the heart of the agglomeration, will receive special attention. We will implement a policy for vacant lots and parking lots, with a view to developing currently unexploited potential.

### Developing Montréal's housing

We will establish a true housing policy. Focusing on the current rental housing shortage, the diversity of needs of Montréal households, and the level of tax revenue to be maintained in making development choices, this policy will provide a global intervention vision for this major concern of the municipal administration.

Over the next few years, the housing policy will be guided by three major principles:

- the construction of affordable housing to counter the current shortage;
- the renovation and adaptation of the existing residential housing stock, and its development;
- access to ownership.

Montréal's current rental housing shortage has major repercussions for a good number of households—the experiences of July 1, 2001 and 2002 are a forceful reminder. To remedy this situation, the operation *Solidarité 5 000 logements* was launched in early 2002. For the next few years, the construction of 5,000 housing units will remain a priority for the administration, and follow-up options will be explored. We plan to accelerate the completion of social and community housing projects by working in partnership with the boroughs, community organizations, and private sector.

We will strive to improve the quality of the existing housing stock, by optimizing residential renovation programs and strengthening measures to prevent and address serious cases of dilapidation.

Lastly, over the next few years, we will see the multiplication and diversification of programs and measures facilitating access to ownership for Montréal households, and promoting the establishment of new households in the city.

### Enhancing safety and security

The sense of wellbeing that comes from living in a safe and peaceful environment contributes greatly to citizens' quality of life. This gives Montréal a definite competitive advantage over the other large cities of the world. We will consolidate this advantage and assure Montrealers that their city will continue to provide an environment where they can flourish, and where they can feel comfortable, any time, anywhere.



We will use a variety of means to improve the safety of Montrealers. Firstly, and as promised, we will adopt a policy on safe development. We will ensure that private and public construction and renovation projects reflect the principles that will be established by this policy, notably safe, adequate lighting, which prevents the creation of dark corners and hiding places, the availability of emergency services, etc.

Secondly, we will work with the Service de police de la Ville de Montréal to increase police visibility and to foster the development of closer ties between law enforcement officers and Montréal residents.

In terms of security, we will invest in prevention programs and increase the number of firefighter visits in higher risk areas. We will also follow up on our commitment to implement the first response program for emergency prehospital care.

In response to the new realities that have emerged since September 11, 2001, we will soon introduce a policy on public order and safety and emergency preparedness. The city must be prepared to deal with any eventuality at all times.

Security is everyone's business. This is why we will continue to invest in local community crime prevention programs, such as Tandem. We will foster implementation of this approach, according to need, in all boroughs of the city.

### **A HEALTHY ENVIRONMENT FOR ALL**

#### **Municipal sustainable development strategy**

Sustainable development is a form of development that does not jeopardize the development possibilities of future generations. Montréal must position itself as a city that has adopted a sustainable development approach not only as a guiding principle, but also in its service delivery. The city must promote sustainable development as a way of life shared by the community as a whole. We will therefore develop an overall sustainable development strategy based on environmental protection and enhancement, through the use of clean technologies and the promotion of social behaviours that are in keeping with this objective that is of increasing concern to any progressive society.

#### **Transportation**

Vehicular traffic on the island causes congestion problems that are counterproductive to both quality of life and the economy. Public transportation service must be improved, especially at rush hour. Consequently, we will create new rapid transit links. We will focus on improving the quality of public transit, which is essential to attracting new users.

#### **Water: natural wealth**

Water is a vital resource and an increasingly prized natural asset. Over the next 20 years, Montréal will have to invest at least \$4 billion in bringing drinking water production plants up to code standard, and in the water distribution network, waste water treatment and sewer rehabilitation. It is important to take advantage of the opportunity presented by this massive investment to create added value. The way to achieve this is to establish a centre of excellence for water management, bringing together the best skills and recognized methods in the field. This project will be carried out by a partnership of governments, universities, research institutes, the Canadian Water Network, and private corporations.

## **Budget Plan**

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### **Developing our natural heritage**

The island's remaining green spaces, covering 1,600 hectares, are under considerable pressure as a result of development. This creates conflict and forces the city to either buy them at a high price, or lose them—a difficult choice. Consequently, Montréal is now examining ways to ensure the conservation or integration of natural environments. It also wants to implement a strategy involving a wide range of means to protect and develop natural spaces.

Drawn up in cooperation with the boroughs, the strategy will be implemented in conformity with the green network, including Mont Royal, and Montréal bleu. It aims to make the river more accessible to Montrealers and to promote the use of the city's shoreline.

### **Soil revitalization**

The city has signed a new memorandum of understanding with the ministère de l'Environnement du Québec with respect to the *Revi-Sol* program. This program is extremely successful, and helps to stimulate investment and recycle land that can, after decontamination, be re-used productively. Brownfield remediation throughout the territory is essential to Montréal's real estate and economic development. The city will therefore employ the necessary means to pursue that objective, as the economic spinoffs translate into recurring municipal tax revenues and stimulate job creation and construction of much-needed residential units.

## **A FAIR, COMPETITIVE CITY, OPEN TO THE WORLD**

### **A just and equitable city**

The city plays an important role in the social development of the Montréal community. Through interventions such as managing the Sécurité du revenu (income security) program and providing direct assistance to organizations operating within its territory, it greatly contributes to the creation of a more just society. We will consolidate our assistance to targeted organizations and pay particular attention to problems related to homelessness. In cooperation with organizations working with the homeless, we will institute measures and programs to help these people to find a better life and, thereby, to contribute to the development of a better Montréal.

To improve their effectiveness, we will focus our interventions on disadvantaged neighbourhoods. A multiplication of efforts on the part of government and private players is required to breathe new life into these neighbourhoods.

### **A city of culture and learning, open to the world**

Culture promotes a sense of belonging among residents. In that respect, Montrealers' access to libraries, Maisons de la culture and other cultural venues is a priority.

The municipal administration is seeking to establish an intervention framework that will set guidelines for all culture-related interventions in our city. Montréal's cultural policy will be drafted according to the expectations of the cultural community, and to the needs of Montréal residents. It will take into account the city's institutions, cultural facilities, artists, creators, organizations, corporations and cultural events.

The Conseil du patrimoine will be the city's consultative body for matters pertaining to heritage. It will participate in the drafting and implementation of Montréal's heritage policy.

### **An international city**

With major accomplishments such as establishing the offices of the ICAO and of the Institut de gestion des grandes métropoles to its credit, the city will continue to offer services to international organizations, with a view exporting Montréal's expertise in growing fields, where our skills distinguish themselves from traditional practices.

To that end, the creation of a centre of excellence for distance learning would make Montréal a leader in the World Bank's Global Development Learning Network. The centre would also enable Montréal institutions to further develop the distance learning sector.

The establishment of Montréal's international university city is among the projects that the administration would like to see completed as quickly as possible. A consensus on this project was reached at the Sommet de Montréal, where all university partners made a firm commitment to see it through. It aims to ensure foreign, Canadian and Québec students quality housing, exceptional student services, and a learning environment unparalleled in North America.

This university city will bring different views of the world to Montréal, where they can be shared with Quebeckers and students from around the world, in a climate of peace and openness, fundamental characteristics of Montréal.

Lastly, to firmly position Montréal on the international scene, all stakeholders in Montréal's reputation abroad, such as the Chambre de commerce, Montréal International, Culture-Montréal and Tourisme-Montréal, will be called to work together to draw up guidelines providing a frame of reference for actions undertaken. This will make us better informed about our partners' resources, and maximize results.

### **Sectoral and local economic development strategy**

The boroughs have a leading role to play in local economic development. The adaptation of existing structures to the new territorial divisions and the development of new mandates should generate projects that meet identified needs. The adoption of a local development policy will support actions required for community enrichment.

However, local development does not preclude targeted interventions to maintain Montréal's competitive advantages. Some sectors were chosen for their power to attract high-performing companies, and in view of Montrealers' potential to become leaders in those areas. Life sciences are the first field under consideration, in two areas: advanced technology research, and biopharmaceutical companies.

A second undertaking will involve the creation of a bio-food incubator, to locate industrial spaces that provide the required sanitary conditions and environmental quality. Food processing companies are in full expansion and offer significant job creation potential.

Lastly, we must consolidate sectors that have always been a part of Montréal's reality, such as clothing and fashion, and create a nanoscience centre. Traditional sectors will generate innovations that will be quickly integrated into the region's industrial sectors, while the aeronautics, aerospace, pharmaceutical and biological industries, to name but a few, will all benefit from technological advances stemming from researchers' work at the new complex.

### CONCLUSION

In just under a year, we have laid the foundation of the new Montréal, a city that will create more wealth, that will more equitably distribute this wealth, and that will offer its residents an ever-improving quality of life. Our city's new momentum is based on the consensuses reached at the Sommet de Montréal, and on the city contract that we will sign with the Québec government, in a spirit of partnership and responsibility.

From the outset, all municipal departments and boroughs were called upon to contribute to the establishment of sound public fund management practices. By implementing the best practices in all units of the new city, we have generated considerable savings, resulting in a substantial surplus. This surplus will be re-invested in a balanced manner, with a view to responsible management of public funds.

We have proven that, to develop Montréal's full potential, it is essential that we work together towards its success. More importantly, we have shown that it is possible **to position Montréal as a leader among major North American cities.**

## **PROFILE OF THE ECONOMIC SITUATION**

### **Montréal economy surprisingly strong**

Montréal, like the rest of Canada, has emerged unscathed from the turbulence that has rocked the American economy since the beginning of 2001. Despite the drop in American production and the impact of the terrorist attacks of September 11, 2001, the employment rate remained stable in the Montréal metropolitan area at the end of 2001, and climbed by 2.5% in the first six months of 2002.

The pace slowed in the second half of 2002, but strong domestic demand continued to support Montréal's economy. Overall, employment grew by 3.1% in 2002. However, it is important to note that this increase slightly overstates actual economic growth, as a large portion of it can be attributed to part-time jobs: +6.7% in 2002, compared with +2.5% for full-time jobs.

The increase in employment encourages Montrealers to enter the labour market. Good job market performance had a greater impact on the labour force participation rate than on unemployment. The participation rate rose from 65.7% in 2001, to 67.1% in 2002. The unemployment rate, after a brief jump at the end of the previous year, declined slightly. The annual average rate rose from 8.2% to 8.5%.

### **Surge in consumption**

The consumer—employed and enjoying the benefits of low interest rates and lower taxes—remains the primary support of economic activity. Retail sales continue to climb. Growth extends to other sectors of the economy. The public sector is doing its part by stepping up investment. Business services are hiring. Even tourism and transportation, which were left reeling from the impact of the terrorist attacks in September 2001, are turning things around. The durable-goods industries remain stable. More specifically, regional jet sales have remained stable, while business aircraft sales have dropped. However, employment in the clothing industry is falling. The IT sector is undergoing a period of readjustment.

### **Higher employment increase for suburban residents**

This year, residents of Montréal's suburban ring drew greater benefit from the increase than did Montrealers. The employment rate for Montréal residents rose by 0.4 percentage points, from 56.6% in 2001, to 57.0% in 2002, while the rate for the Montréal metropolitan area as a whole climbed by 1.0 point, from 60.4% to 61.4%. The drop in employment was felt primarily in clothing production, accommodation and other services (various consumer services), industries with a large number of employees living in Montréal. Conversely, new jobs are being created in the construction and business sectors, whose labour force resides primarily in the suburbs.

That said, there is little difference between the city's performance and that of its suburban ring, owing to the fact that current growth is so diversified. On the one hand, the growth of business services, whose employees live in Montréal, improves the city's performance. On the other, the problems affecting the transportation sector, whose labour force resides primarily in the suburbs, hinders the suburbs' performance.

### **Montréal's economy returns to earth**

Having taken off rapidly in the first half of 2002, the Montréal economy is gradually coming back down to earth. Already, the labour market has softened, with the increase in employment dropping from an annualized rate of 5.5%, in the first six months, to 1.0% in the third quarter. As previously mentioned, part-time positions accounted for a large percentage of jobs created in early 2002. Henceforth, companies will tend to avoid hiring new staff by making more efficient use of existing human resources. Exports will continue to decline as industrial demand weakens in the United States and consumers reduce spending.

## **Budget Plan**

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### **Economy still buoyant**

Fortunately, strong job creation in the first half of the year fuelled economic momentum in Montréal and should sustain the city's economy through this period of external weakness. Increased revenues generated by the creation of new jobs will stimulate consumer spending. Subsequently, confirmation of the U.S. economic recovery should strengthen Montréal's exports and industrial production.

However, job creation is expected to moderate. Standing at 3.1% in 2002, job creation in the Montréal area should level off at a more sustainable rate of 1.5% in 2003, and 2.0% in 2004. Although somewhat diminished, the increase in employment should reduce the unemployment rate even further than it already did in 2002, while encouraging Montrealers to enter the job market. The unemployment rate is expected to drop from 8.5% in 2002, to 7.4% in 2004.

### **Real estate prices going through the roof**

The health of Montréal's economy is reflected in the improved performance of all real estate sectors compared with the North American average. Employment growth and lower mortgage rates have led to increased demand for housing, which now extends to all types of properties and buyers: rental housing, owner-occupant housing, and first- and second-time buyers. Strong demand has effectively eliminated the surplus situation that reigned throughout the 1990s. Housing resales reached record levels in the first quarter of 2002, and prices, which had been steadily rising, exploded in the second quarter: the annual increase stands at 12%. Transaction volumes have since declined, owing to the lack of available properties. Nonetheless, prices continue to climb.

Young people are usually tenants. Increasing employment figures for young people over the past three years have therefore greatly stimulated demand for rental housing. In 1999, the vacancy rate fell below 3%—the equilibrium level of supply and demand—and has since remained under 1%.

Adjusting housing supply to demand is a slow process. As new buildings account for only a small portion of the housing stock, price variations have little short-term effect on supply, which somewhat lags demand. This sometimes creates imbalances: a surplus in the 90s, when the implosion of demand put an end to the construction boom, and a shortage in the early 2000s, when an upturn in demand ran up against weak construction. In the case of rental housing, the situation is complicated by the fact that construction costs have risen faster than rental rates, thus reducing the profitability of this type of investment.

### **Belated housing-start boom continues**

It is only recently that the number of housing starts began to take off, six years after the upturn in housing resales and two years after the resorption of the rental market surplus. In 2002, the number of housing starts escalated by 54% in the Montréal metropolitan area, and by 34% in the city as a whole.

The lack of vacant housing stock and resale housing is indicative of pent-up demand. Higher incomes and stable interest rates will give consumers more breathing room to spend. Given the supply lag, housing construction and prices should continue to rise over the coming years, despite low demographic growth. Moreover, rental housing availability in Montréal will be supported by the municipal program Opération 5000 logements. Residential construction will thus maintain the same accelerated pace as in 2002, with 20,000 to 23,000 housing starts per year in the metropolitan area, and 5,000 to 6,000 in Montréal.

High demand will prolong the housing shortage and stimulate housing and rental prices. The vacancy rate will remain below 1% in the Montréal metropolitan area.

### **Surplus of downtown office space**

The office building market reflects Montréal's healthy economic situation. Vacancy rates experienced only a marginal increase. Demand for office space even rose slightly in 2002, especially in the suburbs. A number of IT firms freed up office space, but demand is increasing on the part of pharmaceutical companies and call centres.

However, despite sustained demand to date in Montréal, the vacancy rate can only escalate over the coming months. Large construction projects will add 2.4 million square feet of office space to downtown Montréal in 2002 and 2003. If the absorption rate—which was negative in 2001 and currently stands at 400,000 square feet per year—does not accelerate, the downtown vacancy rate could rise from 12.0% in the second quarter of 2002, to 14.6% at the end of 2003.

### **Industrial market remains balanced**

Demand for industrial real estate fell in 2001. The vacancy rate rose from 3.7% in 2001, to 4.5% in 2002. The market is considered balanced at a rate below 6%. A more restrained exuberance than that of the American manufacturing industry has helped to control building surpluses. However, weak exports may restrain demand for industrial space.

### **Institutional construction takes up the slack**

Construction starts are counterproductive when vacancy rates are on the rise. In 2002, the value of construction permits issued in Montréal plummeted by 57% in the commercial sector and by 19% in the industrial sector. However, institutional construction is flourishing (+ 15%). University buildings are currently under construction, and work on two major hospitals and a cultural complex will begin shortly.

Assuming that all anticipated projects go forward as planned, public investment will continue to stimulate non-residential construction and will more than compensate for the drop in private commercial- and industrial-type construction. The value of construction permits may remain at \$5.5 billion in the Montréal metropolitan area and at \$2 billion in Montréal. This should result in a \$1.4-billion increase in taxable values, taking into account valuation revision agreements.

### **Moderate inflation**

Price increases have been minimal. For the last 10 years, Montréal's average annual inflation rate has been 1.4%. The past year was no exception: the consumer price index in the Montréal area rose by 1.8%. A large part of this increase is attributable to higher cigarette taxes. Lower natural gas prices and mortgage rates are the primary inflation inhibitors.

With the exception of oil, residential real estate and cigarette taxes, pressure on prices remains moderate. In the absence of a broad recovery of economic activity in North America, inflation will remain low. Slow U.S. growth and a stronger Canadian dollar should further reduce this pressure. The consumer price index will increase slightly, by 2.1% in 2003 and by 2.0% in 2004.

### FINANCIAL STRUCTURE 2003-2005

Each year, the Service des finances produces multiyear budget projections to inform the budgetary and financial decisions that the city's administration must make. These projections, also called the financial structure, provide a medium-term financial perspective that is essential for decision making. This section contains the projections on which the budgetary decisions for the fiscal year were based.

The financial structure was first developed in May 2002 and was then updated in the fall when the 2003 budget preparations were more advanced. It gives an overview of the city's annual budgetary projections for the period from 2003 to 2005. These projections, which already take into account the effects of decisions made previously by the Administration, are based on a set of assumptions regarding revenue and expenditure trends. The main assumptions include the principle that the taxpayer's overall burden should remain constant during the period and that the structure of the projected expenditures should reflect a continuation of the city's current operations and responsibilities.

The main observation that arises from a review of the financial structure is that, in the absence of any budget strategy, the growth rate of expenditures is far outpacing that of revenues. This trend may be accentuated if the economy deteriorates. As a result of a new evaluation of the needs pertaining to certain expenditures, especially pension contributions, the ratio of the growth rate of expenditures to that of revenues will have to be reviewed. Until only recently, the expenditures-revenues growth ratio was three to one.

This discrepancy between revenues and expenditures is a direct result of the notable predominance of property tax revenues in the city's overall revenues. In the cities, the growth rate for new construction is increasing less rapidly than the natural increase in expenditures, which tends to outpace inflation. The city must apply a multi-pronged strategy. It must tackle the increase in its expenditures and at the same time try to increase and diversify its revenues.

### THE 2002 BUDGET IN RETROSPECT

The preparation of the 2002 budget provided the opportunity to introduce many changes intended to reflect the organization of the new city. The most significant changes are the implementation of boroughs on the territory of the former Ville de Montréal, which involved a substantial reorganization of resources, as well as the merger of all the fire departments into a single municipal department. Taxation, financing and treasury operations as well as municipal court management were also folded into the appropriate departments. The Administration implemented the new organizational structure, which will have 280 fewer managers. It also introduced a compensation policy for its managers.

In terms of taxation, the 2002 budget marked the beginning of a transition period during which the taxation rules of each former municipality will be gradually amended to ultimately arrive at tax rates that are generally uniform for each building category in the new city's territory. By law, this harmonization must be completed in no more than 10 years.

In services, the administration decided to extend access to the Carte privilège issued by the Société de transport de Montréal to students under 25, at a cost of \$7.5 million.

The 2002 budget was balanced with \$65 million from the surpluses of the former municipalities and the former Communauté urbaine de Montréal. Of that amount, \$45 million will have to be repaid to the former cities over a five-year period from 2003 to 2007.



## Budget Plan

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### 2003 PROJECTIONS BEFORE THE BALANCING STRATEGY IS APPLIED

Before application of a budget strategy, the projected expenditures for 2003 represent an increase of \$193.9 million, or 5.4%, while revenues are up \$46.2 million. This dynamic, before any strategy is applied, causes a budget imbalance of \$147.7 million.

The increase in certain expenditures that cause the imbalance is structural or cyclical, whereas others are generally the result of choices made by the administration.

#### Expenditures

The pressure on expenditures comes mainly from the projected compensation based on constant staff levels. The estimated increase is \$61.3 million in 2003. It is due to the increase in projected direct compensation as a function of the forecast rate of inflation, increases in salaries and wages, and the impact of certain specific elements, as well as to the increase in employer contributions, especially to the Régie des rentes du Québec.

**Table 1 – Summary of 2003 budget projections  
before application of the balancing strategy**

	<b>2002 Budget</b>	<b>2003 Projection</b>	<b>Change (\$million)</b>
<b>Expenditures</b>			
Compensation	1 536,8	1 598,1	61,3
Other expenditures items	623,8	649,7	25,9
Financial expenses	883,6	873,2	(10,4)
Contributions and other expenditures	567,7	684,8	117,1
Total expenditures	3 611,9	3 805,8	193,9
<b>Revenues and appropriations</b>			
Taxes	2 378,2	2 431,1	52,9
Payments in lieu of taxes	198,3	203,7	5,4
Other revenue and sources of funds	556,7	556,9	0,2
Transfers	413,7	421,4	7,7
Surplus	65,0	45,0	(20,0)
Total revenues and appropriations	3 611,9	3 658,1	46,2
<b>Change</b>		<b>147,7</b>	<b>147,7</b>

The \$25.9 million increase in the category Other expenditure items is due mainly to indexing of various expenditure items and to annualization of certain decisions made by the administration in 2002.

In 2003, financing expenses were down \$10.4 million. This decrease, which is due mainly to the retiring or refinancing at lower interest rates of loans subsidized by the Québec government, is also accompanied by an equivalent reduction in government transfers.

Another category of expenditure – Contributions and other expenditures – has a significant impact on the budget equilibrium because it rises by \$117.1 million in 2003. This variation is due mainly to an increase anticipated last May, within a budget scenario, in the contribution paid to the Société de transport de Montréal (STM). The anticipated increase was \$33 million at that time.

In addition, according to an exploratory scenario, expenditures pertaining to social housing and affordable housing will rise by \$48.2 million. These housing expenditures consist of a \$37.8 million increase in the cost of subsidy programs (before related revenues of \$25 million) and a \$10.4 million contribution paid to the Communauté métropolitaine de Montréal (CMM). Moreover, additional appropriations of \$24.3 million are related to additional expenses for standardization, development and budgetary adjustments from the units. Finally, reimbursement over five years of the voluntary contribution of \$45 million from the former cities, which was used to balance the budget in 2002, represents \$9.05 million in 2003 or \$9 million a year as well as \$50.0 of interest.

### Revenues and allocations

With the taxpayer's overall burden remaining constant, the increase in tax revenues comes solely from the broadening of the tax base. Tax revenues (excluding payments in lieu of taxes) will rise 2.2% in 2003 (\$52.9 million). Of that amount, \$26 million is due to annualization of data and \$26.9 million comes from an evaluation of the growth forecast for 2003.

Payments in lieu of taxes will rise \$5.4 million in 2003. This increase stems mainly from the review of rates for buildings in the education and health care systems.

The growth strategy for tax revenues and payments in lieu of taxes was based on the assumption that new buildings with a total value of almost a billion dollars will be added to the roll each year.

As a result of an increase in reimbursements from the CMM, with respect to expenditures associated with the new program Logement Abordable Québec, and a decrease in long-term financed operating expenditures, other revenues and financing sources have remained stable.

Finally, the financial structure calls for a surplus appropriation of \$45 million in 2003, or a reduction of \$20 million in relation to 2002. This improvement in public finances is continuing gradually so as to limit this type of financing to less than 1% of the budget.

### 2003 BUDGET PROCESS

#### Budget policies

The 2003 budget has been established as a function of the administration's policies as well as principles for sound management of public funds. It is based on the following objectives, conditions and assumptions:

- The growth rate of expenditures will remain under the rate of inflation, estimated at 2.1% in 2003;
- Productivity and performance will improve;
- A city contract in which recurring revenues are expected will be concluded with the Québec government;
- Payroll growth will stabilize;
- The quality of the services provided to citizens will be maintained;
- The cost of debt will be unchanged or will decrease;
- An equalization initiative and development incentives for the boroughs will be introduced.

On the basis of these conditions, the 2003 budget objective has been set at \$3,684 million.

## Budget Plan

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### Strategy for 2003

To achieve this budget objective, a strategy has been developed to reduce the expected variance between expenditures and revenues by \$147.7 million. The strategy is designed to reduce the forecast growth of expenditures by \$121.8 million and to increase revenues by \$25.9 million.

**Table 2 – Summary of budget projections and balancing strategy for 2003**

	<b>2002 Budget</b>	<b>2003 Projection</b>	<b>Change (\$million)</b>
Expenditures	3 611,9	3 805,8	193,9
Revenues and appropriations	<u>3 611,9</u>	<u>3 658,1</u>	<u>46,2</u>
<b>Change</b>	<b>-</b>	<b>147,7</b>	<b>147,7</b>
<b>2% maximum growth objective</b>	<b>3 611,9</b>	<b>3 684,0</b>	<b>72,1</b>
Expense-reduction objective		121,8	
Revenue-increase objective		<u>25,9</u>	
<b>Expense and revenue objective to balance the budget</b>		<b>147,7</b>	
<b>Level of budget equilibrium</b>		<b>3 684,0</b>	

The strategy for 2003 is two-fold. The first aspect pertains specifically to elements of the budget and does not affect the administrative units directly; the second concerns both the boroughs and the municipal departments.

The proposals that apply to particular components of the organization constitute specific measures. All these requested measures, which are necessary for a balanced budget, come to some \$75 million. They include the following:

- Maintenance at the 2002 level of the contribution to the Société de transport de Montréal, from the perspective of a new financial structure for public transit that should be in effect in 2004: contribution to the equilibrium of \$28 million, without affecting services;
- No salary or wage increases in 2003: contribution of \$28 million to the equilibrium;
- Replacement of the business tax by a property tax, in the context of tax harmonization: contribution of \$15 million to the equilibrium;
- Optimum management of financing operations: contribution of \$4 million to the equilibrium.

The common approaches are intended for all the units. They are designed to achieve savings through a reorganization of operations and productivity gains, while maintaining the level of services. The cost-cutting effort required of the boroughs and municipal departments represents respectively 1.1% and 1.5% of the adjusted 2002 budget. It should permit savings of \$22 million.

Moreover, creation of the new Ville de Montréal has given rise to the need and the opportunity to reorganize certain operations carried out by both the boroughs and the municipal departments. At present, a number of operations – rolling stock management, building maintenance and leasing, information technologies, procurement management, economic development, creation of technical centres, and health care and safety resources – are being reviewed by committees that will submit proposals to the administration. The mandates of these committees include determining best management practices. Ultimately, this reorganization will save \$23 million.

Over all, these common measures designed to modernize the municipal apparatus total \$45 million, of which \$36 million will be carried out in 2003.

As regards net financing expenses, the 2003 strategy forecasts a slight drop in this expenditure, although a 10% increase in net investments is expected.

Finally, the balanced budget takes into account revenues obtained under the city contract negotiated with the Québec government, in return for the city's increase in productivity.

### **Result: 2003 budget**

The 2003 budget resulting from the application of the strategy totals \$3,682 million, or \$2 million less than the objective of \$3,684 million. In relation to the 2002 budget, this represents an increase of 1.9%, which is less than the expected inflation rate of 2.1%.

The measures adopted will enable the city to table a balanced budget and ensure a suitable level of appropriations for the delivery of services to the population. They will improve public finances, especially by limiting payroll growth, by initiating a productivity improvement and performance follow-up process and by diversifying the city's revenues. These appropriations involve the creation of several special funds.

First, the equalization and development funds are designed to ensure more equitable allotments to the boroughs. Second, the Sommet de Montréal Fund will help create winning conditions for Montréal's development. These three funds will be renewed for fiscal 2004 and 2005.

Finally, the 2003 budget also takes into account the creation of a Special Fund to correct certain budgetary problems in the boroughs. Another development fund will be intended for the municipal departments. The last fund is related to the modernization of the municipal apparatus and will be used to continue establishing the city.

In addition, the 2003 budget allocates considerable resources to housing and development, in line with the administration's objectives. Moreover, although the initial budget strategy maintained the contribution to the Société de transport de Montréal, the 2003 budget provides a \$4.9 million increase in the city's contribution to maintain the level of service.

The overall equilibrium is predicated on conclusion of the city contract with the Québec government. In addition, the growth in values resulting from new building construction is more substantial than that forecast in the initial budget strategy – \$1.4 billion rather than \$1 billion – so that the budgeted revenue was higher than expected, which contributed to the final equilibrium.

### PROJECTIONS FOR 2004 AND 2005 AND STRATEGY

The public finance dynamic, whereby expenditures tend to rise three times more rapidly than revenues, and the increase – \$29.3 million in 2004 and \$34.2 million in 2005 – in contributions provided in the notarial acts of the former Montréal indicate that the city's deficit is expected to range from \$115 million to \$130 million in the fiscal years to come.

To offset the variance expected for 2004, the administration will continue to strive for efficiency and savings. This initiative concerns manpower, and to that end the city has begun negotiations with its employees. The Québec government should recognize this effort by the new city and support Montréal by at least matching the amount. In this spirit, the city will continue its negotiations with Québec to reach an agreement.

Created on December 31, 2001, from \$30 million of surpluses from the former Ville de Montréal, a special capital accumulation fund is intended to ensure capitalization of the former city's pension plans. The fund will be used to reduce the impact of the increase in contributions to the actuarial deficits for the taxpayers of the former Ville de Montréal. The city will continue its discussions with Québec to find ways of mitigating this impact for citizens.

The city also plans to review operations related to implementation of the city and to begin a review of the cost of municipal operations. Moreover, a continuing strong performance by the real estate markets would increase revenues and improve the budget situation. The combination of these various elements should allow the city to balance its budget in the years to come.

#### Pension fund considerations

In 2001 and 2002, financial market returns were down significantly from those recorded in the previous decade. The slumping financial markets have had a major impact on pension fund returns. The city's pension plans are no exception. As a result, between now and 2004 the city should resume contributing to certain plans for which it has suspended payments or it will incur new actuarial deficits. The city expects a very significant increase in pension plan contributions in 2004. These amounts are not provided for in the financial structure.

The expected increase in pension contributions, as a result of poor financial market returns, will increase the expenditures-revenues growth ratio to four to one, an increase from previous years when it was three to one.

The situation that the administration must cope with is widely shared by public and private organizations alike. Solutions have to be applied, and these solutions are not the city's sole responsibility. An action plan is required, and measures are being considered.

### **BUDGET MANAGEMENT FRAMEWORK**

In 2002, at the Sommet de Montréal, the city initiated the development of a strategic plan outlining the administration's priorities and the means to achieve them, such as a budgetary approach that promotes the attainment of targeted objectives, and performance measurement.

As of this year, the city will adopt a management framework laying the necessary foundations for sound financial and budgetary management. To ensure that the framework policies are applied, the city council will review and approve, every year at the time of the adoption of the budget, the practices arising from these principles.

### **FINANCIAL AND BUDGETARY MANAGEMENT PHILOSOPHY**

In keeping with this framework, the city is committed to practising sound management of public funds, fostered, on the one hand, by a constant concern for economy, efficiency and effectiveness in the provision of services and, on the other, by a spirit of innovation and initiative with regard to the creation of wealth. The city has opted for decentralized management, and has made citizens the main focus of its administration by adopting results-oriented management. This approach, which allows managers more freedom in their quest for service delivery performance, requires them in return to account for their actions before the city or borough council. Management thus becomes more transparent.

To provide better services to residents, city management must concentrate on planning and coordinating its activities with a view to controlled development. The city wishes to act rather than react. It must, however, take into account the reality of the transition period, and deal with the various action priorities from a medium- to long-term perspective.

The city will make decisions based on guidelines such as transparent, sound, responsible, prudent and accountable management, budgetary management that promotes development and, lastly, equitably distributed costs that take into account the citizen's ability to pay.

#### **Transparent management**

By adopting a management framework, the new administration has committed itself to charting a course for transparency towards citizens, employees and other levels of government. This transparency is reflected in the budget process, which ensures the participation of elected officials. It makes the city's financial information public through the distribution of budgetary documents, so that all may take part in the debate and play their roles in the budget process. The Sommet de Montréal served as the catalyst for this relationship which continues on in the search for consensus and action priorities in guiding the decisions of the administration, particularly those concerning financial management.

The political process surrounding the drafting of the budget involves the participation of the borough councils, council committees, executive committee and city council. In parallel with the formal process, consultations were held on specific aspects of the budget, such as harmonization and development incentive measures. The budget review committees provide units with an opportunity to present their budgetary orientations and financial requirements.

The city is adopting effective and transparent practices in matters pertaining to contract awards, thereby ensuring that it will pay the best possible prices. It is also engaged in a bargaining process with its employees, where it is putting its cards on the table and the unions are involved in the quest for performance.

## **Budget Plan**

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### **Sound, responsible and prudent management**

The mission of the administration is to ensure sound management of public finances. It is also legally responsible for presenting balanced budgets. To assist it in developing and implementing sound management practices, the administration has established a multi-year financial framework enabling it to plan its finances over several years.

Sound management implies a quest for effectiveness and efficiency in all areas. The development of business plans and performance indicators, combined with a periodic review of activities, allows the city to verify that objectives are obtained and expectations met.

To have the means to realize these goals, the administration must exercise responsible and prudent management of municipal finances. It sets up reserves for contingencies, and to ensure the stability of the operating budget. It plans to create a reserve, to protect it against unexpected costs, such as those associated with snow removal.

Montréal uses its non-recurring revenues to avoid making long-term financial commitments, and seeks to diversify its sources of revenue to ensure the stability of municipal finances.

The city strives to reduce its debt load through various measures, which include paying a growing portion of its capital expenditures in cash. This, combined with other anticipated measures, will improve Montréal's financial situation, and eventually improve its credit rating with rating agencies.

### **Management accountability**

The administration manages through public policy, allowing managers the opportunity to adopt specific practices according to their needs. The administration sets out its orientations in administrative guidelines and budgetary policies.

Montréal wishes to recognize its units' good management by sharing with them the results of this good management. This objective will translate, among other things, into a policy on the appropriation of unrestricted surpluses. The performance-based management remuneration policy recognizes individual achievement in terms of good management and results obtained.

### **Budgetary management fostering development**

The city promotes development and wealth creation by supporting the initiatives of citizens and employees alike, and providing sufficient budgetary allotments for its units. In terms of infrastructures, it ensures the necessary conditions for the development and maintenance of these assets, while making the city attractive to investors. Montréal has also initiated development incentive measures to recognize borough development activities.

### **Equitably distributed costs taking into account citizens' ability to pay**

The city must ensure the provision of quality services to citizens within the limits of their ability to pay. To that end, it seeks effectiveness and efficiency in the organization of its services, and exercises strict control over its expenditures. It has set itself the goal of keeping increases in expenditures below the level of inflation. This control of expenditures applies to all levels of the organization. The city is also managing its debt so as to reduce financing expenses while ensuring harmonious development.

The cost of financing services must be divided fairly among citizens today and those of future generations. The city is pursuing the harmonization process initiated in 2002. In an effort to make spending more equitable, it promotes the regionalization of relevant expenditures through the Communauté métropolitaine de Montréal. It encourages the charging of user fees to better reflect service costs.

### 2002 ACHIEVEMENTS

In the new Ville de Montréal's first fiscal year, the Transition Committee and the new administration were already laying the groundwork for the city's budgetary management. The 2002 budget contained increases in expenditures that were below the level of inflation, despite pressures arising from the municipal reorganization and the resultant additional short-term expenditures. The city reduced overall adjusted tax burdens for both the residential and non-residential sectors by 0.7%.

An amount of \$30 million has been placed in a fund to meet actuarial obligations for the pension plans of employees of the former Ville de Montréal. The 2001 revenue surpluses over expenditures were used by the former municipalities for expenditures with no recurring impact on the operating budget.

In 2002, Montréal completed the assisted departure program for management employees. Its implementation allowed the financing of the establishment of the management remuneration policy, and of the city's new administrative structure.

Over the course of the year, the city began taking an inventory of its infrastructures. It also initiated the harmonization of budgetary practices, and the installation of IT systems that will generate the quality of data required for informed decision-making.

Lastly, the city is establishing budgetary policies and administrative guidelines to allow it to apply, in all units, the principles set forth in its management framework. In some cases, these policies or guidelines are already in place; in others, they are still at the drafting stage. They are addressed in the section of this document entitled *Analysis of policies that affect the budget*.

### THE 2003 BUDGET

The 2003 budget plan, including operating and investment budget forecasts, was prepared in the context of the new city's second year, taking into account the fact that it is the first budget produced entirely by the new administration. It is based, among other things, on the following:

- Responsible fiscal management maintains the tax burden of citizens at the same level as in 2002. The city has introduced revenue-growth objectives in order to diversify sources of revenue and reduce the portion coming from property taxes. In consideration of this effort, and in order to ensure management autonomy and accountability, the positive or negative effects resulting from this exercise will be assumed by the units.
- Budget growth in 2003 (1.9%) has been kept below the projected inflation rate (2.1%).
- The amount of used surplus went from \$65 million in the 2002 budget to \$45 million in the 2003 budget.
- In 2003, the city will not resort to borrowing for long-term financing of operating expenditures.



## Budget Plan

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- The city has set up a fund for projects resulting from the Sommet de Montréal, one for development and another for equalization, to help it reach its goals for more development and equality. These elements enable Montréal not only to deliver a high level of services to its residents, but also to improve those services wherever possible.
- The city places priority on infrastructure maintenance and renewal, earmarking nearly 70% of the amounts in the three-year capital expenditures program for this area.
- The city has developed business plans for the municipal administration as a whole and for each of its units which include performance indicators to measure progress. These documents are found in a complementary budget volume, *Renseignements supplémentaires sur le plan budgétaire*.

Lastly, it should be noted that the management framework meets the expectations of the *Government Finance Officers Association* and credit rating firms. It also demonstrates the importance the administration places on sound management of public funds.

In conclusion, the city has adopted the following budget and financial principles:

- The city will continue to provide quality services to its residents and improve those services as much as its available financial resources allow.
- The city will present a balanced, annual budget and verify that its operating costs also are balanced.
- The city will maintain expenditure growth below the inflation rate.
- The city will continue to use a multi-year financial framework enabling it to plan its operating and capital expenditure budgets on a three-year basis.
- The city will continue to keep a quantitative and qualitative inventory of its infrastructures as well as encourage their maintenance and renewal to preserve their useful life.
- The city will seek to diversify its revenue sources.
- The city will diversify its revenues from user fees.
- The city will use non-recurrent revenues for non-recurrent expenditures.
- The city will prepare a contingency action plan in the eventuality of a substantial rise or fall in forecast revenues.
- The city will reduce its debt load through optimal management of its financing activities in addition to making cash payment for an increasing portion of its capital expenditures.
- The city will maintain or improve its credit rating, now A2 with *Moody's* and A+ with *Standard & Poor's*.
- The city gradually will expand its contingency reserves to a sufficient level to maintain a stable operating budget.
- The city will maintain the financial solvency of its employee pension funds.
- The city will make a quarterly financial report to city council stating its revenues and expenditures as well as forecasts for the end of the current fiscal year.
- The city will work with its employees in its quest for performance, efficiency and effectiveness.

# Budget

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**CERTIFICATE OF THE TREASURER AND ASSISTANT DIRECTOR-GENERAL, FINANCE**

Subject to the adoption of the provisions related to tax measures in Bill 137 and its amendments, and pursuant to section 93 of Schedule C of the Charter of Ville de Montréal, I certify that the following credits are necessary and available in the Ville de Montréal's fiscal 2003 to service the debt and meet obligations stemming from legislation and decisions that have been or will be made and that have thus far been brought to my attention:

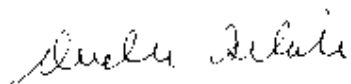
**a) Debt service** (\$000)

Total debt service costs break down as follows:

- |   |           |
|---|-----------|
| ▪ Amount covered by partners and higher levels of government through agreements | 239,388.2 |
| ▪ Net interest income from sinking funds  | 58,290.0  |
| ▪ Amount covered by Montréal taxpayers  | 558,520.5 |

**b) Obligations stemming from legislation and decisions that have been or will be made**

- |  |             |
|--|-------------|
| ▪ Signature of leases and awarding of contracts for the supply of goods and services | 560,464.0   |
| ▪ Awarding of financial support and municipal aid                                    | 383,016.0   |
| ▪ Employee compensation, wages and benefits  | 1,577,947.6 |



André Delisle  
Assistant Director-General, Finance  
and Treasurer

November 28, 2002

### NOTE

The budget of the Ville de Montréal is presented in accordance with the requirements of the ministère des Affaires municipales et de la Métropole du Québec. The main budgetary practices guiding its preparation are explained in appendices.

All budget figures herein are stated in thousands of dollars unless specified otherwise. The 2002 budget projections have been adjusted to enable comparison with fiscal 2003.

## **STATEMENT OF FINANCIAL ACTIVITIES**

Montréal's operating budget for 2003 totals \$3,682.0 million, which represents a 1.9% increase over \$3,611.9 million in 2002. This increase is less than the projected inflation rate of 2.1% for 2003. The present administration is therefore meeting the objective of keeping budget growth below the inflation rate.

Attaining these results meant implementing a strategy for balancing the budget to offset a difference of some \$147.7 million between the revenues and expenses projected in the three-year financial plan.

The decisions surrounding preparation of the budget are reflected in the table on the next page entitled "Statement of financial figures". It clearly indicates that taxes and payments in lieu of taxes account for a substantial share of the city's total revenues. In fact, over 71.8% of revenues stem from property taxes as such.

The 2003 budget indicates an increase in non-tax revenues. Nonetheless, from the standpoint of balancing the budget, it would appear that achieving a substantial diversification of sources of revenue will be an important issue for Montréal in the years ahead.

As regards operating expenditures, it should be noted that gross financing activities represent 23.3% of the total expenditures budget. This figure becomes 15.2% once associated revenues such as government transfer payments and sinking fund income are factored in.

Public safety accounts for 18.6% of the total expenditures budget and transportation for 16.1%. Expenditures for general administration as well as for recreation and culture are also substantial.

The following pages contain, for each item, a description of the type of activities associated with it, its budget and the spread between the comparative 2002 and 2003 budget.

It is important to note that the comparisons with 2002 are based on a comparative budget. The latter differs from the 2002 budget approved by city council in December 2001 in that general administration includes amounts related to the actuarial deficits of units of the former Ville de Montréal. Other adjustments of a technical nature have also been made to facilitate comparison between the 2002 and 2003 projections. Moreover, the 2002 figures have been standardized.

The "Statement of financial figures" table also reflects Montréal's ongoing efforts to improve its finances. In fact, the city has implemented strategies aimed at reducing the use of surpluses from past years to balance its budget. Use of the surplus has declined: whereas it amounted to \$84.7 million in the 2001 budget, the corresponding figure is \$65 million in the 2002 and \$45 million in the 2003 budget. For fiscal 2003, the surpluses represent 1.2% of total expenditures, compared with 1.8% in the 2002 and 2.4% in the 2001 budget. Furthermore, the 2003 budget includes an amount of \$9.05 million to repay, over five years, \$45 million in surpluses from the former municipalities that were used to balance the 2002 budget.

## Budget Plan

**Table 3 – Statement of financial figures, 2003 and comparative 2002**

	<b>2002</b>	<b>2003</b>	<b>%</b>
	<b>Figure</b>	<b>Budget</b>	<b>Change</b>
<b>Revenues</b>			
Taxes	2 378 165,1	2 443 040,7	2,7
Payments in lieu of taxes	198 318,1	201 770,5	1,7
Other revenues from local sources	533 094,7	552 214,8	3,6
Transfers	413 736,7	442 643,8	7,0
<b>Total revenues</b>	<b>3 523 314,6</b>	<b>3 639 669,8</b>	<b>3,3</b>
<b>Operating expenditures</b>			
General administration <sup>1</sup>	501 761,3	519 938,3	3,6
Public safety	672 339,5	683 578,7	1,7
Transportation	583 583,2	593 692,5	1,7
Environmental hygiene	268 335,0	272 936,9	1,7
Health and welfare	101 996,6	117 748,5	15,4
Urban planning and development	119 629,2	123 273,0	3,0
Recreation and culture	414 136,5	431 207,6	4,1
Electricity	19 028,7	20 039,6	5,3
Financing expenses	473 329,7	450 167,3	(4,9)
<b>Total operating expenditures</b>	<b>3 154 139,7</b>	<b>3 212 582,4</b>	<b>1,9</b>
<b>Other financial activities</b>			
Repayment of long-term debt	410 243,5	406 031,4	(1,0)
Transfer to investment activities	47 500,0	63 350,4	33,4
<b>Total other financial activities</b>	<b>457 743,5</b>	<b>469 381,8</b>	<b>2,5</b>
<b>Total expenditures</b>	<b>3 611 883,2</b>	<b>3 681 964,2</b>	<b>1,9</b>
<b>Financial activity surplus before appropriations</b>	<b>(88 568,6)</b>	<b>(42 294,4)</b>	
<b>Appropriations</b>			
Unappropriated accumulated surplus	-	-	
Appropriated accumulated surplus	65 040,0	45 000,0	
Financial reserves and earmarked funds			
- transfer from	10 289,8	6 344,4	
- (transfer to)	-	(9 050,0)	
	<b>75 329,8</b>	<b>42 294,4</b>	
<b>Surplus before long-term financing</b>	<b>(13 238,8)</b>	<b>(0,0)</b>	
<b>Long-term financing of financial activities</b>	<b>13 238,8</b>	<b>-</b>	
<b>Net surplus</b>	<b>0,0</b>	<b>(0,0)</b>	

<sup>1</sup> The increase in credits for general administration involves three sums: \$5 million to finance major projects stemming from the Sommet de Montréal, another \$5 million to pay for major projects carried out by city departments in fulfilling their missions, and \$2 million to modernize the municipal apparatus. These amounts will be charged to other accounts in the course of the year. Thus, if these amounts are excluded, the increase in general administration drops from 3.6% to 1.2% over the comparative 2002 figure.

Figure 1  
Revenues and allocations

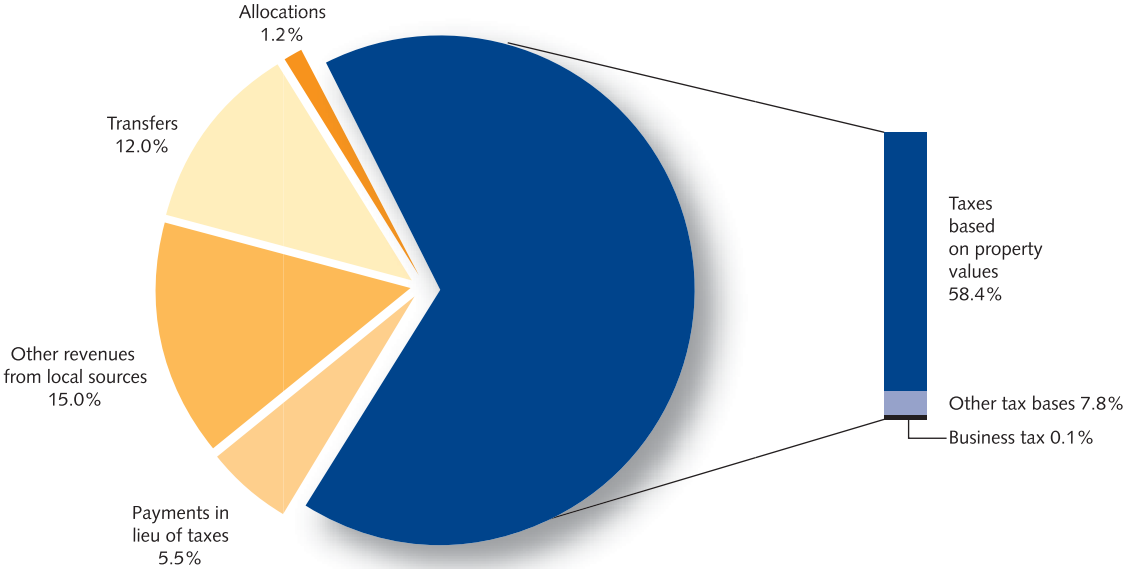
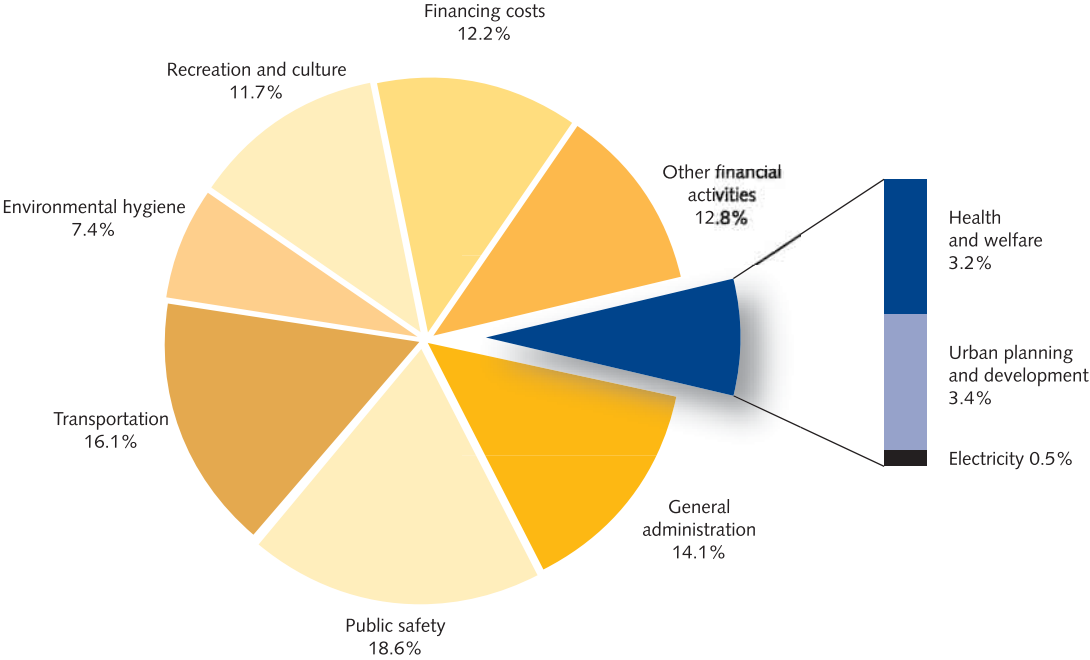


Figure 2  
Operating expenditures and other financial activities





### ANALYSIS OF FINANCIAL ACTIVITIES – REVENUES

To provide a clearer idea of the structure of city revenues, the 2003 budget has been divided into four main categories, based on the nomenclature of the ministère des Affaires municipales et de la Métropole:

TAXES

PAYMENTS IN LIEU OF TAXES

OTHER REVENUES FROM LOCAL SOURCES

TRANSFERS

One immediately notices that these sources of revenue can be divided into two types: the first two (taxation and payments in lieu of taxes) represent tax revenues, while the remaining two are non-tax revenues such as income from fees and transfer payments, including government subsidies and various other forms of revenue.

The following pages cover each of the four revenue categories. They begin with a brief description of the category concerned, then list its components and the revenues associated with each in the 2003 budget along with the percentage change from the previous year.

Lastly, each section includes explanations of the nature of and reasons for revenue variances between 2002 and 2003.

Anyone interested in further details about revenues by unit should see the French-language document entitled *Renseignements supplémentaires sur le plan budgétaire*.

## TAXES

Tax revenues, including water user fees and fees for the treatment of solid waste total \$2,443 million, which represents a 2.7% increase over the 2002 budget.

Table 4 – Taxes, 2003 and comparative 2002

	2002 Figure	2003 Budget	% Change
<b>On property value</b>			
General tax	1 790 618,1	2 138 634,0	19,4
Sector tax			
- debt service	8 670,0	9 590,0	10,6
- operations	1 900,0	1 816,1	(4,4)
	<b>1 801 188,1</b>	<b>2 150 040,1</b>	<b>19,4</b>
<b>On another basis</b>			
User fees for municipal services			
- water	225 518,4	225 885,6	0,2
- waste removal and recycling	15 724,2	15 292,5	(2,7)
- debt service	41 819,5	39 516,8	(5,5)
- fixed assets and other capital spending	46,3	26,8	(42,1)
- waste water treatment	7 400,0	7 400,0	-
	290 508,4	288 121,7	(0,8)
Business taxes			
- on the entire rental value	282 795,6	-	(100,0)
- other	3 673,0	4 878,9	32,8
	286 468,6	4 878,9	(98,3)
	<b>576 977,0</b>	<b>293 000,6</b>	<b>(49,2)</b>
<b>Total</b>	<b>2 378 165,1</b>	<b>2 443 040,7</b>	<b>2,7</b>

## Property taxes

The administration has decided to abolish the business tax in the 10 sectors (Anjou, Côte-Saint-Luc, Montréal, Montréal-Nord, Montréal-Ouest, Mont-Royal, Outremont, Pierrefonds, Senneville and Saint-Léonard) where it was still levied in 2002. The equivalent of revenues generated by the occupant business tax, namely \$282.8 million, will henceforth be collected through a special property tax rate for non-residential buildings. Tax revenues have therefore been adjusted accordingly. This decision, which is part of an effort to harmonize and simplify the tax systems, results in gains for the city and thereby helps to balance the budget. To ensure an orderly transition, provision has been made for tax subsidy programs to offset some of the tax shifts caused by the change of regime.

## Budget Plan

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Similarly, property tax revenues have increased by \$6.9 million—an amount corresponding to the compensation for the business tax levied on the Québec government in 2002 for premises it occupied as a tenant in taxable buildings. This compensation will henceforth be collected through a property tax. A decline in compensation revenues, by the same amount, is expected in 2003.

Furthermore, an additional \$4.6 million in revenues stems from an increase in property taxes on taxable buildings housing the facilities of the government of Canada and its agencies. Since they are not subject to payment of the equivalent of the business tax, the change in regime results in their tax burden matching that of other taxpayers.

Lastly, the good performance of the real estate market broadens the tax base. In fact, the addition of numerous taxable buildings to Montréal's immovables stock increases tax revenues by approximately \$53 million. Of this amount, over \$26 million stems from annualization of the 2002 figures, and \$27 million from the estimated rise in property values in 2003. This estimated increase is based on the addition of new buildings valued at \$1.4 billion to the roll.

### Other taxes

Repeal of the business tax decreases this item by \$282.8 million while property taxes increase by an equivalent amount. Adjustment of the dues used to finance business initiative and development corporations based on each one's operating budget accounts for a \$1.2-million increase, which is offset by an equivalent expense.

### Tax rates and fees

The tax rates and fees for municipal services used to determine tax revenues are discussed in the chapter on taxation.

In 2003, with the introduction of a varied-rate property tax regime, it will no longer be possible to itemize, under tax revenues, various property taxes such as the tax on non-residential buildings and the surtax on serviced vacant lots. For the sake of comparison, the projected revenues in 2002 from the general tax, tax on non-residential buildings and surtax on vacant lots have been grouped together.

### PAYMENTS IN LIEU OF TAXES

Government buildings are tax-exempt as such. The Québec government, in keeping with the *Act respecting municipal taxation*, and the federal government, in keeping with the *Payments in Lieu of Taxes Act*, partly help finance municipalities by making payments in lieu of taxes. The same applies to non-profit organizations accredited by the Commission municipale du Québec and the religious orders that pay compensation to municipalities.

Tax revenue derived from payments in lieu of taxes totals \$201.8 million, which represents a 1.7% increase over the previous year.

Table 5 – Payments in lieu of taxes, 2003 and comparative 2002

	2002 Figure	2003 Budget	% Change
<b>Government of Québec</b>			
Government immovables and enterprises			
- property taxes	15 692,5	25 189,4	60,5
- business taxes	14 180,3	-	(100,0)
- compensations for municipal services	9 589,7	9 772,6	1,9
	39 462,5	34 962,0	(11,4)
Public immovables			
- health and social services	44 810,6	45 577,6	1,7
- cegeps (junior colleges) and universities	48 098,6	47 806,4	(0,6)
- primary and secondary schools	21 702,6	21 768,1	0,3
	114 611,8	115 152,1	0,5
Other immovables			
- immovables belonging to certain government and international organizations – property taxes	-	1 415,3	-
- immovables belonging to certain government and international organizations – business taxes	3 761,5	-	(100,0)
- classified cultural property	96,6	102,2	5,8
	3 858,1	1 517,5	(60,7)
	<b>157 932,4</b>	<b>151 631,6</b>	<b>(4,0)</b>
<b>Government of Canada and its enterprises</b>			
Property taxes	28 393,9	40 111,5	41,3
Business taxes	363,6	-	(100,0)
Compensations for municipal services	7 217,1	5 737,5	(20,5)
	<b>35 974,6</b>	<b>45 849,0</b>	<b>27,4</b>
<b>Municipal organizations</b>			
Compensations for municipal services	2 552,6	2 612,9	2,4
	<b>2 552,6</b>	<b>2 612,9</b>	<b>2,4</b>
<b>Other</b>			
	<b>1 858,5</b>	<b>1 677,0</b>	<b>(9,8)</b>
<b>Total</b>	<b>198 318,1</b>	<b>201 770,5</b>	<b>1,7</b>

The above table shows a \$6.3-million decline in compensation payments from the Québec government. This is basically due to the change in tax regime as a result of which the \$6.9 million in business-tax compensation collected in 2002 for facilities in taxable buildings is now raised through a special property tax for non-residential buildings. A revenue increase of the same amount is projected for property taxes.

## Budget Plan

Moreover, compensatory payments from the Canadian government are \$9.9 million higher. Since the federal government is not subject to payment of the business-tax equivalent, the change in tax system results in \$8.1 million in additional revenues from payments in lieu of taxes. The amount of compensation from the Canadian government is thereby adjusted to match the tax levied on any other non-residential building. Furthermore, the addition of new buildings accounts for \$1.8 million more in payments.

### OTHER REVENUES FROM LOCAL SOURCES

In the 2003 budget, other revenues from local sources consist primarily of all revenues associated with services provided to municipal organizations, services for which fees are charged, and other revenues. These revenues total \$552,214.8, for an increase of \$19,120.1 or 3.6%.

**Table 6 – Other revenues from local sources, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
<b>Services provided to municipal organizations</b>	<b>32 044,3</b>	<b>43 221,2</b>	<b>34,9</b>
<b>Other services provided</b>	<b>175 864,0</b>	<b>177 010,1</b>	<b>0,7</b>
<b>Other revenues</b>			
Fees collection			
- licenses and permits	9 984,6	11 559,9	15,8
- real estate transfer fees	46 698,1	64 000,0	37,1
- other - municipal charges	-	7,7	-
	56 682,7	75 567,6	33,3
Fines and penalties			
- tickets – traffic and parking	103 772,7	105 717,7	1,9
- other - fines and penalties	7 090,7	6 603,8	(6,9)
	110 863,4	112 321,5	1,3
Interest			
- tax arrears	11 383,2	11 941,9	4,9
- sinking fund	79 745,2	72 304,0	(9,3)
- cash and other interest	31 379,4	27 606,2	(12,0)
	122 507,8	111 852,1	(8,7)
Long-term transfer of assets	15 892,9	13 992,5	(12,0)
Developers' contributions	15 410,0	15 823,0	2,7
Other	3 829,6	2 426,8	(36,6)
	<b>325 186,4</b>	<b>331 983,5</b>	<b>2,1</b>
<b>Total</b>	<b>533 094,7</b>	<b>552 214,8</b>	<b>3,6</b>

**Services provided to municipal organizations**

One of the main changes resulting in this increase is an additional \$12,663.6 in revenue from the Communauté métropolitaine de Montréal (CMM) for housing subsidy programs. This revenue increase offsets the higher expenses that are associated with social housing programs and refundable by the CMM. Lastly, revenues from the CMM related to scientific institutions are \$1,158.4 lower. These revenues are adjusted to reflect the CMM's reimbursement rules (ceiling and reference year).

**Other services provided**

Other services provided mainly encompass a variety of fees for services rendered to residents and private enterprises.

**Other revenues**

This item mainly includes revenues from municipal fees (licenses and permits, property transfers etc.), fines and penalties, interest, assignments of long-term assets and developer contributions. In 2003, these other revenues will increase by \$6,797.1, to \$331,983.5

The \$17,301.9 increase in transfer fees, 37.1% higher than in the comparative 2002 budget, stems from a rise in both the volume and value of real estate transactions.

On the other hand, interest income is down by \$10,655.7. Lower interest rates than in past years mean less return on cash and the sinking fund.

Revenues from the sale of long-term assets is \$1,900.4 lower. In this regard, the new policy on development incentives calls for a measure involving a rebate of 20% of the net proceeds from the sale of municipal lands and buildings (subsequent to deduction of debt, independent appraisal and transaction fees, as well as the replacement costs of municipal buildings, if applicable, covered by the city administration) to the boroughs.

## Budget Plan

### TRANSFERS

Revenue from all transfer payments totals \$442,643.8. These funds mainly come from governments, in the form of subsidies, public organizations and private firms. It is worth pointing out that these revenues serve to cover operating expenditures as well as debt service and capital spending. In some cases, there are special conditions attached to the use of these revenues; hence the distinction between “unconditional” and “conditional transfers”.

**Table 7 – Transfer payments, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
<b>Unconditional transfers</b>			
Québec government subsidies			
- municipal amalgamation	200,0	-	(100,0)
- compensation for TGE-FFLA	24 130,0	33 700,0	39,7
- equalization	-	-	-
- urban centres	7 966,5	7 966,5	-
- municipal reorganization	177,3	-	(100,0)
- neutrality	10 700,0	10 700,0	-
- diversification of revenues	-	-	-
- other	33 250,5	69 330,3	108,5
	<b>76 424,3</b>	<b>121 696,8</b>	<b>59,2</b>
<b>Conditional transfers<sup>1</sup></b>			
Government subsidies	336 344,7	-	(100,0)
- related to capital spending			
- cash payment	-	25 150,0	-
- repayment of long-term debt	-	178 690,9	-
- related to operating budget	-	117 051,6	-
	336 344,7	320 892,5	(4,6)
Other conditional transfers related to the operating budget	967,7	54,5	(94,4)
	<b>337 312,4</b>	<b>320 947,0</b>	<b>(4,9)</b>
<b>Total</b>	<b>413 736,7</b>	<b>442 643,8</b>	<b>7,0</b>

<sup>1</sup> For fiscal 2002, the amounts came under government subsidies.

Unconditional transfers include:

- Revenues associated with the fiscal pact;
- Revenues stemming from the neutrality program, to mitigate losses due to government payments in lieu of taxes;
- Compensation revenue for urban centres;
- Revenue from the city contract with the Québec government.

Overall, this item is \$45,272.5 higher, resulting in \$121,696.8 in revenues in 2003. This increase in transfer payments is due primarily, on the one hand, to a \$35-million contribution from the Québec government under the city contract and, on the other, to a \$9-million increase in revenues already provided for in the fiscal pact.

Conditional transfers total \$320,947.0 for a decline of \$16,365.4 The decrease is due primarily to a \$17,577.0 reduction in government subsidies for the Métro system debt repayment and waste water treatment. This reduction, however, is offset by an equivalent cut in spending.

Conditional government transfers fall into two categories:

- Payments associated with cash reimbursement for capital projects or reimbursements for servicing debt;
- Payments associated with the reimbursement of operating expenditures.

**Subsidies for capital spending**

Revenues stemming from government subsidies for capital spending total \$203,840.9. In fact, the city carries out capital projects for the government. It finances the projects through long-term loans, while the government reimburses the amounts required to service the debt. For example, we can cite the work involved in building the Métro and water treatment facilities done by the former MUC for a total of \$150,889.8. Moreover, to this can be added the cost of roadwork done through the Canada-Québec Infrastructure Works Program for a total of \$25,890.9.

**Table 8 – Government subsidies in 2003 for capital spending**

	<b>2003 Budget</b>
Public transit - Métro	65 824,0
PTRIU projects and cash payments	
- Recreation and culture	7 986,3
- Roads	25 890,9
- Local sanitation	8 758,0
	42 635,2
Wastewater treatment	85 065,8
Urban renewal	2 218,2
Other	8 097,7
<b>Total</b>	<b>203 840,9</b>



## Budget Plan

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### Subsidies to reimburse operating expenditures

The subsidies to reimburse operating expenditures are related to programs that the city implements and manages on behalf of the government or jointly with it. They total \$117,051.6. For example, within its former boundaries, the Ville de Montréal administers the Programme de sécurité du revenu (income security program) and is therefore reimbursed \$71,794.9. The city also receives \$5,449.0 for expenditures related to clean air and food inspection.

In addition, the city manages certain renovation subsidy programs jointly with the Québec government. The program costs are shared 50-50, which in 2003 accounts for \$11,946.9 in transfer revenues. Moreover, an amount of \$7,297.0 is earmarked primarily to buy books for libraries. Furthermore the city receives \$15 million in compensation for special police services, which, in other parts of Québec, are assumed by the Sûreté du Québec.

**Table 9 – Government subsidies in 2003 to reimburse operating expenditures**

	<b>2003 Budget</b>
Air purification	1 771,0
Management of income security	71 794,9
Food inspection	3 678,0
Urban renewal	11 946,9
Recreation and culture	7 297,0
Other	20 563,8
<b>Total</b>	<b>117 051,6</b>

## **ANALYSIS OF FINANCIAL ACTIVITIES – OPERATING EXPENDITURES AND OTHER FINANCIAL ACTIVITIES**

Operating expenditures and other financial activities covered by the Montréal budget are classified in accordance with the nomenclature of the ministère des Affaires municipales et de la Métropole. For the sake of understanding, the presentation of the budget data is structured along the same lines, except that some aspects of financial activities are broken down into more detail.

In the following pages, the budget plan is therefore presented under the following major headings:

- GENERAL ADMINISTRATION
- PUBLIC SAFETY
- TRANSPORTATION
- ENVIRONMENTAL HYGIENE
- HEALTH AND WELFARE
- URBAN PLANNING AND DEVELOPMENT
- RECREATION AND CULTURE
- ELECTRICITY (excluding financing)
- FINANCING EXPENSES
- OTHER FINANCIAL ACTIVITIES

Each section contains a brief description of the activities involved in the function, as well as a table indicating the 2003 and 2002 budget for each activity along with the percentage change.

Each section also includes comments describing any anticipated substantial variance, details pertinent to understanding each function, and special factors affecting the 2003 budget.

More specifically, the comparisons are based on a comparative 2002 budget. One of the main differences between the 2002 budget approved by city council in December 2001 and the comparative budget basically stems from the decision to include amounts related to the actuarial deficits of former Ville de Montréal units under general administration. The use of this comparative budget for 2002 avoids significantly skewing a comparison of appropriations between the two years.

Anyone interested in further details about expenditures by unit should see the volume entitled *Renseignements supplémentaires sur le plan budgétaire*.

## Budget Plan

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### GENERAL ADMINISTRATION

Overall, general administration accounts for 14.1% of the 2003 budget for operating expenditures. This function is a shared responsibility, meaning that it is assumed by both the boroughs and municipal departments. Essentially, it encompasses all activities related to municipal administration and management. The expenditures involved mainly cover council operations, application of the law, and financial, administrative and personnel management.

Certain one-time expenditures that cannot be allocated among the various municipal activities are also likely to appear here. General administration is a support function for the activities of the municipal apparatus as a whole.

**Table 10 – General administration expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
City council	43 981,6	47 682,1	8,4
Application of the law	36 356,3	34 951,3	(3,9)
Finance and administration management	142 723,9	146 328,3	2,5
City clerk	13 758,1	14 752,9	7,2
Valuation	19 445,7	18 347,9	(5,6)
Personnel management	26 604,8	29 392,9	10,5
Other	218 890,9	228 482,9	4,4
<b>Total<sup>1</sup></b>	<b>501 761,3</b>	<b>519 938,3</b>	<b>3,6</b>

<sup>1</sup> The increase appropriations for general administration involves three sums: \$5 million to finance major projects stemming from the Sommet de Montréal, another \$5 million to pay for major projects carried out by city departments in fulfilling their missions, and \$2 million to modernize municipal apparatus. These amounts will be charged to other accounts in the course of the year. Thus, if these amounts are excluded, the increase in general administration drops from 3.6% to 1.2% over the comparative 2002 figure.

As the above table shows, the 2003 budget for general administration is \$18,177.0 or 3.6% higher than in 2002.

It is important to bear in mind that this increase is calculated from the comparative 2002 budget. One of the most significant consequences of using a comparative budget is that the 2002 figures for general administration include amounts related to actuarial deficits from other municipal functions, i.e. units (boroughs and departments) of the former Ville de Montréal.

That having been said, the general increase in appropriations is due primarily to the following factors.

#### Democracy

- \$3,248.0 is allocated for restructuring positions on the executive committee and city council as well as in the mayor's office. This amount was announced in early fiscal 2002, and its inclusion in the 2003 budget is an adjustment. There is also a \$183.7 allotment for the Bureau de la présidence du conseil (council president's office).

- The budget for the Office de consultation publique is \$500.0 higher, increasing from \$1,000.0 in the 2002 comparative budget to \$1,500.0 in 2003.
- The appropriations for ombudsman activities, which amounted to \$150.0 in 2002, rise to \$700.0 in 2003.
- An adjustment of five person-years amounting to \$339.8 is budgeted for the Direction du greffe (city clerk's office), owing to an increase in the number of standing committees.

### **Government agreement**

- A budget increase of \$600.0 stems from the agreement between the Québec ministère des Relations avec les citoyens et de l'Immigration and Ville de Montréal on implementation of a joint action plan for immigrant orientation and integration.

### **Establishing the new Ville de Montréal**

- Appropriations of \$5,000.0 are allocated to launch the major projects stemming from the Sommet de Montréal. The *Cahier d'information complémentaire* contains a chapter on the Sommet. These funds will be used to carry out the priority actions agreed upon by the partners, which should produce concrete results in 2003. These results include a cultural development policy, municipal transportation plan, action plan for the fashion industry, and heritage policy.
- There is also a \$5,000.0 allotment to finance major projects associated with the individual missions of municipal departments. This funding will be allocated in early 2003.
- An amount of \$2,000.0 has been earmarked to support modernization of the municipal apparatus. These funds will serve to pursue establishment of the new city in 2003 by reviewing the way in which certain support activities deliver services.
- The provision for collection losses is \$1,979.7 lower. This decrease stems from revising the assumptions concerning losses for all taxation and fee revenues, and takes into account replacement of the business tax with a property tax.

### **Other Items**

- The funding for the personnel management program has also increased under several headings: \$1,210.4 for managing legal cases, \$300.5 for arbitration fees and the employee assistance program, and \$1,034.6 for additional rent.
- The budget for workplace accidents is \$1,620.9 higher due to an increase in the number of employees absent as a result of occupational injuries. The 2003 appropriations is an estimate based on 2002 experience.
- The allocation for transition expenditures is reduced by a total of \$8,226.5; \$3,497.7 of the reduction stems from transition expenditures reimbursed by the provincial government, and the remaining \$4,728.8 from expenditures budgeted in 2002, which are now covered by long-term financing.
- Overall savings amounting to some \$7,500.0 make it possible to offset the cutback in general administration, which in the 2002 budget had been used to finance application of the CAM student rate to full-time students ages 18 to 25.

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The above list covers the main variances. Yet another set of adjustments has modified the resources related to general administration or shifted appropriations between programs within the same function. For example, a substantial portion of the over \$5,800.0 allocated for office rent for the nine boroughs that emerged from the former Ville de Montréal has been transferred from the “other” category to financial and administrative management.

### Municipal court reorganization

Reorganizing the municipal court is a major undertaking. This section of the 2003 budget would be incomplete without discussing it.

In 2002, the city began a major reorganization of its municipal court system based on the principles laid down by the Québec government in the legislation reforming the municipal territorial organization of the Montréal, Québec City and Outaouais metropolitan areas, and Order 1498-2001. This far-reaching operation integrates the 23 municipal courts established on the island of Montréal as at December 31, 2001, and creates a headquarters and seven points of service, backed up by one-stop service counters in the 27 borough offices.

This major reorganization involves a redeployment of operations at the service points and adjustments to the costs associated with the judiciary, lawsuits, and legal services. Its impact on the budget exceeds \$3.7 million.

In view of the issues involved and relevant negotiations with Québec government representatives planned for next year, the city has decided, for 2003, not to rationalize the operational resources assigned to the municipal court, but rather to wait for the outcome of the talks.

So as not to exceed the budgetary appropriations, a negative amount equivalent to the \$3.7-million budgetary impact has been included in this unit's budget. In 2003, a report on various options for resolving the situation will be submitted to the administration.

### PUBLIC SAFETY

Public safety accounts for the largest share of the budget, namely 18.6% of expenditures. The 2003 appropriations for this function amount to \$683,578.7, an increase of 1.7% compared with 2002. Over 60% of the amount is allocated for police services, and slightly over one-third for fire protection. The remainder will go for various public safety activities such as emergency preparedness and the municipal pound.

**Table 11 – Public safety expenditures, 2003 and comparative 2002**

	<b>2002</b>	<b>2003</b>	<b>%</b>
	<b>Figure</b>	<b>Budget</b>	<b>Change</b>
Police	418 769,2	422 026,9	0,8
Fire protection	223 899,0	233 795,5	4,4
Emergency preparedness	1 458,2	1 465,9	0,5
Other	28 213,1	26 290,4	(6,8)
<b>Total</b>	<b>672 339,5</b>	<b>683 578,7</b>	<b>1,7</b>

Two municipal departments account for the bulk of public safety operations: the Service de police and the Service de la sécurité incendie.

Police and fire department staffing amounts to 7,827.2 person-years, or 33.5% of all Ville de Montréal personnel.

### **Police**

The budget for police operations is 0.8% higher. This \$3,257.7 increase is primarily due to the following factors:

- Payroll increases of \$1,566.2:
  - Part of this amount, specifically \$336.0, stems from hiring civilians for various administrative duties until now handled by police officers. This change is aimed at increasing police presence on the streets.
  - The need to comply with new legislation, particularly the federal *Youth Criminal Justice Act* and the Québec *Act concerning the organization of police services* (2001, Bill 19), accounts for a \$328.0 cost increase.
  - A computer security system upgrade requires an additional \$275.0 in funding.
  - Various payroll adjustments call for \$627.2 more in appropriations.
- \$1,971.0 increase in appropriations for computer services:
  - This increase encompasses various items related to computer security (\$150.0), installation of a computerized integrated telecommunication system (\$529.0), the billing system (\$295.0) and work on the IT systems (\$997.0).

In 2003, the Service de police will mark the fifth anniversary of creating the first neighbourhood stations, which now number 49. A recent assessment of their performance has brought to light various concerns about this form of organization. Task forces will identify means of resolving the operational issues surrounding certain aspects of neighbourhood policing.

### **Fire protection**

Fire protection on the entire island is provided by a single fire department. This new department comes from merging the 22 fire departments that existed prior to the municipal amalgamation. This merger is still underway and will be phased in gradually. The integration process will continue in 2003 and focus mainly on the following items:

- decentralizing administrative management;
- standardizing and upgrading work methods and equipment;
- developing a new response-management system;
- harmonizing the collective agreements.

Moreover, the *Fire Safety Act* (RSQ 2000, c. 20) requires that Montréal produce, by September 1, 2004, a risk coverage plan for its territory to determine fire-protection objectives and the actions required to attain them. Preparation of the plan will involve public consultation. For this purpose, \$120.0 in financial assistance spread over two years has been provided by the Ministère de la Sécurité publique.

## Budget Plan

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The 2003 budget is \$9,895.0 higher than the comparative 2002 figure. Total remuneration alone is up by approximately \$5,000.0. This variation is mainly the result of revising certain parameters in the formula for calculating employee benefits and payroll. Also, \$2,905.8 has been transferred from the boroughs to the Service de la sécurité incendie. Following the municipal reorganization, in 2002, this amount remained in the borough budgets under items other than those related to public safety. Furthermore, changes in the method of allocating costs related to invoicing for rolling stock and buildings account for a \$2,230.3 variance.

### Other

The other variances under public safety result mainly from savings on rental space (\$1,166.0) as well as budget adjustments and transfers (\$756.7).

## TRANSPORTATION

This function encompasses all expenditures related to road network planning, organization and maintenance on the one hand, and public transit on the other. Road network activities are decentralized and primarily a borough responsibility. Meanwhile public transit operations are basically the responsibility of agencies that Montréal helps fund.

The transportation budget for 2002 totals \$593,692.5, an increase of \$10,109.3 over the comparative 2002 budget. The maintenance and repair of public thoroughfares, all snow-removal operations, street-lighting and road-sign management account for \$315,184.0 in expenditures. This amount will be spent mostly by the boroughs. Meanwhile, the city's share of public transit financing amounts to \$275,139.1.

**Table 12 – Transportation expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Road network			
- city road network	106 582,6	113 745,7	6,7
- snow removal	129 686,5	131 583,3	1,5
- street lighting	33 253,1	32 688,2	(1,7)
- traffic and parking	35 707,0	37 166,8	4,1
	<u>305 229,2</u>	<u>315 184,0</u>	<u>3,3</u>
Public transit	269 514,5	275 139,1	2,1
Other	8 839,5	3 369,4	(61,9)
<b>Total</b>	<b>583 583,2</b>	<b>593 692,5</b>	<b>1,7</b>

**Road Network**

Expenditures related to municipal roads are up by \$7,163.1 for 2003. A big part of the increase—close to \$1,700.0—stems from larger borough appropriations for transporting debris from public road repairs and maintenance to the Complexe environnemental de Saint-Michel (CESM). The additional funds should enable the boroughs to cope with the CESM fee hike.

Many boroughs are particularly concerned about clean streets, for which reason the appropriations for this item have increased. The borough of Plateau-Mont-Royal, for instance, has budgeted an amount of \$981.6 for the creation of a night cleaning crew to tidy up business arteries before the stores open. Moreover, additional revenues collected under memoranda of understanding enable the Ville-Marie borough to increase the appropriation for this purpose by \$493.3 to ensure the cleanliness and beautification of Avenue McGill College and Montréal's Quartier international. Furthermore, additional funds totalling almost \$740.0 have also been budgeted by other boroughs.

Lastly, other variances are explained by the adjustments that certain boroughs have made to the allocation of expenditures related to buildings and rolling stock.

Snow-removal expenditures are \$1,896.8 higher. In 2002, due to new contracts involving higher costs, an additional \$1,727.1 was recurrently allocated for the nine boroughs within the boundaries of the former Ville de Montréal. An amount of \$800.0 is allocated for renting vehicles with drivers to clear snow outside of the contract period, which extends from November 15 to March 15. Lastly, some of the boroughs have reviewed their work methods, thereby saving \$517.3.

The \$564.9 decrease in expenditures related to street lighting and \$1,459.8 increase in expenditures related to traffic and parking are due to a reallocation of the administrative expenditures associated with these activity sectors.

**Public transit**

Public transit expenditures consist of the two contributions the city is obliged to make to the agencies responsible for this service. The first, in the amount of \$249.0 million, goes to the Société de transport de Montréal (STM). The second, totalling over \$26.1 million, helps fund the Agence métropolitaine de transport (AMT). The \$5,624.6 increase in public transit expenditures is due mainly to a \$4,900.0, or 2%, increase in STM funding and a \$724.6, or 2.8%, increase in AMT funding. These higher contributions reflect the administration's intention of maintaining and improving, as much as possible, the services provided for public transit users.

STM expenditures for 2003 amount to slightly over \$751 million. Its revenues come mainly from three sources: fares, government subsidies, and Montréal's contribution. The latter accounts for 33% of STM revenues.

The city's contribution to the AMT includes an amount of \$9,229.0—the equivalent of 1% of Montréal's property tax base—for the public transit regional development fund, as well as \$16,890.0 to absorb the commuter train operating deficit. The higher contribution to the AMT in 2003 comes from cost indexing as well as higher operating costs because of more frequent trains—four return trips a day instead of two—between Montréal and Delson.



## Budget Plan

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Public transit funding is an important issue that will be discussed in the coming months. In fact, the Québec government has mandated a committee, chaired by Louis Bernard, to study public transit financing in the Montréal metropolitan area. The conclusions and recommendations of the committee's report will soon be released. It will be important for Montréal to assess its impact and consequences jointly with the Québec government.

### Other

This item consists mainly of Bureau du taxi expenses. "Other" transportation expenditures are down by \$5,470.1. This decrease is due primarily to a change in the allocation of benefits and administrative costs related to public works employees in the borough of Montréal-Nord to other activities. Moreover, a reorganization of rental space enables the Service de l'environnement, de la voirie et des réseaux to save \$904.7.

### ENVIRONMENTAL HYGIENE

Water and sewer system management, solid waste management and environmental protection are the main expenditures associated with this function. Water and sewer system management includes the supply, treatment and distribution of drinking water, as well as waste water collection and treatment.

The 2003 appropriations for environmental hygiene amount to \$272,936.9, an increase of \$4,601.9, or 1.7%, over the comparative 2002 budget.

**Table 13 – Environmental hygiene expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Water and sewers			
- supply and treatment of drinking water	41 642,5	38 060,2	(8,6)
- drinking water distribution system	38 998,7	42 126,3	8,0
- waste water treatment	49 994,6	48 645,0	(2,7)
- sewer system	18 857,0	20 822,3	10,4
	149 492,8	149 653,8	0,1
Solid waste removal and recycling			
- household waste	75 264,4	75 697,1	0,6
- recyclable materials	23 941,1	30 287,3	26,5
- disposal of dry materials	10 411,7	8 903,5	(14,5)
	109 617,2	114 887,9	4,8
Waterways			
Environmental protection	7 368,1	7 702,7	4,5
Other	1 856,9	692,5	(62,7)
<b>Total</b>	<b>268 335,0</b>	<b>272 936,9</b>	<b>1,7</b>

The increase stems mainly from the higher costs of the recycling program. In fact, an increase of \$6,346.2, or 26.5%, is budgeted for expenditures related to recyclables. As regards the calls for tenders for contracts that have expired since August 30, 2002, the bids received indicate substantial increases in 21 boroughs or borough sectors. To minimize the increases, the city has obtained an exemption from the ministère des Affaires municipales et de la Métropole (MAMM) from the obligation to seek bids following the expiry of recycling collection contracts, and permission to extend them under existing conditions until March 28, 2003. This extension will enable Montréal to determine, with its partners, the most economical solutions.

Moreover, the borough of Montréal-Nord was allocated \$543.0 to introduce a recycling program. It is the only borough on the island of Montréal with no such program.

On the whole, the budget for water and sewage remains stable, yet includes appropriation transfers among various accounts, notably:

- drinking water supply and treatment expenditures are down by \$3,582.3, due primarily to changes in the method of allocating expenditures related to billing for rolling stock and workshops;
- the \$3,127.6 increase in drinking water distribution system expenditures essentially results from appropriations transferred from other activities;
- the \$1,349.6 decline under waste water treatment comes mainly from savings achieved by revising the treatment station maintenance contracts;
- the higher sewer system expenditures are accounted for by an additional \$500.0 for sewer and manhole cleaning and maintenance, as well as an adjustment to appropriations from other activities.

All the other variances basically stem from interactivity transfers. In the case of environmental protection, however, over \$300.0 has been added to improve clean-up.

## Budget Plan

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### HEALTH AND WELFARE

This section discusses the costs of managing income security programs and organizing public employment services on former Ville de Montréal territory. These expenditures are recovered from the Québec government under an agreement with the ministère de l'Emploi et de la Solidarité sociale (MESS). Health and welfare also encompasses all public health and welfare services for citizens, such as food inspection and public housing.

The 2003 budget amounting to \$117,748.5 is 15.4% higher than in 2002.

**Table 14 – Health and welfare expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Food inspection	3 887,9	3 585,6	(7,8)
Social housing	25 002,9	39 047,6	56,2
Income security and other	73 105,8	75 115,3	2,7
<b>Total</b>	<b>101 996,6</b>	<b>117 748,5</b>	<b>15,4</b>

#### Food inspection

With respect to food inspection, it should be noted that the ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) currently finances all expenditures associated with the various food inspection programs. In this regard, renewal of the agreement on the operation and financing of these programs is a key issue in 2003 and beyond. A rationalization of activities and change to expenditure classification account for the reduction in the food inspection budget for 2003.

#### Social housing

The increase in the health and welfare budget is due primarily to public housing programs.

In 2002, to cope with the shortage of rental housing on its territory, Montréal launched the construction of 5,000 social and community housing units jointly with the Québec government. This vast project will be carried out over the next two years through contributions from the AccèsLogis program for 1,850 units, and Logement Abordable Québec for the remaining 3,150 (2,100 public sector units; 1,050 private sector units). The appropriations budgeted for the two programs are specified below.

**Table 15 – Social housing expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>\$ Change</b>
AccèsLogis	6 637,6	10 835,7	4 198,1
Logement Abordable Québec (public sector)	-	7 470,0	7 470,0
<b>Total</b>	<b>6 637,6</b>	<b>18 305,7</b>	<b>11 668,1</b>

It should be pointed out that this problem was discussed at the Sommet de Montréal. The budget for the AccèsLogis program is \$4,198.1 higher in 2003. The additional appropriations will serve to accelerate construction starts on non-profit co-op housing: the number of projects will climb from 550 units in 2002, to 925 in 2003.

The new Logement Abordable Québec program stems from an agreement between the Québec and federal governments announced in late 2001. The social phase of the program aims to deliver 600 affordable housing units in 2003. The private phase includes a \$482.3 subsidy budgeted under urban planning and development.

The municipal expenditures related to these two programs, excluding the private phase, are reimbursed in full by the Communauté métropolitaine de Montréal (CMM). They are then distributed on the basis of general criteria among all municipalities belonging to the CMM. In 2003, the share for social housing paid by the Ville de Montréal to the CMM is \$2,376.6 higher, boosting the total increase in the social housing budget to \$14,044.7.

### **Income security and other**

“Other” expenditures are mostly associated with managing income security programs and organizing public employment services within the boundaries of the former Ville de Montréal. They are recovered from the Québec government under an agreement with the ministère de l’Emploi et de la Solidarité sociale (MESS). Negotiations towards renewal of the agreement are now underway. Montréal plans to extend management of these programs to all of Montréal Island.

In addition, following the Sommet de Montréal, the Québec government and Ville de Montréal signed a joint statement calling for the signature of a city contract before the end of 2002. In this context, Montréal also expects to implement an agreement made with the MESS on social development throughout the island of Montréal. The objective of the Québec government and the Ville de Montréal is to arrive at a Montréal strategy for social development based on “full participation”.

The \$1,364.5 increase in 2003 expenditures over the comparative 2002 budget is largely explained by the amortization of development work already reimbursed by the Québec government over the term of the leases for the premises concerned. Deferred revenue equivalent to the amortization expense is also included in the 2003 budget.

A transfer of \$183.0 in budgetary appropriations pursuant to the framework agreement signed with the Québec government will enable various social development projects to be carried out.

Furthermore, \$100.0 has been budgeted for the creation and coordination of the Conseil jeunesse de Montréal (CJM), further to a commitment by the municipal administration to support young people.

## Budget Plan

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### URBAN PLANNING AND DEVELOPMENT

The appropriations available in 2003 for urban planning and development total \$123,273.0, an increase of \$3,643.8, or 3%, over the comparative 2002 budget.

**Table 16 – Urban planning and development expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Urban planning and zoning	26 962,3	29 523,2	9,5
Promotion and economic development			
- industry and commerce	46 440,7	47 899,4	3,1
- tourism	1 499,6	1 499,6	-
- other	546,8	495,4	(9,4)
	48 487,1	49 894,4	2,9
Urban renewal	44 053,5	43 813,3	(0,5)
Other	126,3	42,1	(66,7)
<b>Total</b>	<b>119 629,2</b>	<b>123 273,0</b>	<b>3,0</b>

This increase is due primarily to the additional resources that will be assigned at the beginning of the year to two major projects discussed at the Sommet de Montréal. An amount of \$2,560.9 has been added to the budget of the Service du développement économique et urbain to develop a strategic vision that will serve as the basis for preparing an economic development plan for Montréal. This vision must harmonize with the one currently developed by the Communauté métropolitaine de Montréal (CMM). Furthermore, the additional appropriations will also make it possible to begin drafting the first urban plan for the new city. The plan will pay special attention to heritage buildings and to sustaining borough vitalization.

At the Sommet de Montréal, the vision of economic development was approached along two main lines: sectoral development and local development. These approaches will be treated jointly in an effort to make the various economic partners aware of the overall problem and encourage the emergence of regional leadership to strengthen the city's competitive position.

In addition, the human resources assigned to economic development were reorganized for planning consistent structuring initiatives at both the local and municipal levels. The result is a decentralization of economic development project management at the borough level.

The extra funding for vulnerable neighbourhoods under the aid programs for access to home ownership and *AccèsLogis* expires in 2002. Nonetheless, fresh appropriations are budgeted for the operating expenditures of the new *Renouveau urbain* program. Launched in partnership with the Québec government, the program enables public sector investments towards sustaining employment and economic activity to be made sooner than expected, namely in 2002 and 2003. Its objectives are to:

- ensure renewal of the physical surroundings and environment in certain built-up areas;
- stimulate socioeconomic revitalization;
- support residents and partners active in these areas and encourage them to become more involved in shaping the future of their neighbourhood.

An additional \$482.3 is also budgeted for subsidies under the phase of the Logement Abordable Québec program intended for the private sector. The purpose of this phase is to stimulate the construction of rental housing at affordable prices for middle-income households. The new program was the subject of a partnership agreement signed in the fall of 2002 by the Ville de Montréal and the Société d'habitation du Québec.

## RECREATION AND CULTURE

The budget for recreational and cultural activities totals \$431,207.6, or 11.7% of total city expenditures. This amount is \$17,071.1 higher than in the comparative 2002 budget. The bulk of the increase stems from improved allocation among the activities of certain costs such as administrative expenditures, manual labour, and maintenance of rolling stock and buildings.

**Table 17 – Recreation and culture expenditures, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
<b>Recreational activities</b>			
- community centres	57 263,9	56 300,9	(1,7)
- indoor and outdoor skating rinks	34 613,9	39 129,1	13,0
- swimming pools, beaches and marinas	33 544,4	35 915,4	7,1
- parks and playing fields	120 579,7	128 883,1	6,9
- regional parks	5 333,6	5 006,6	(6,1)
- exhibitions and fairs	2 410,5	443,5	(81,6)
- other	12 747,1	14 167,2	11,1
	<u>266 493,1</u>	<u>279 845,8</u>	<u>5,0</u>
<b>Cultural activities</b>			
- community centres	10 724,7	11 032,1	2,9
- libraries	65 967,3	68 059,1	3,2
- museums and exhibition centres	51 393,1	52 538,6	2,2
- other	19 558,3	19 732,0	0,9
	<u>147 643,4</u>	<u>151 361,8</u>	<u>2,5</u>
<b>Total</b>	<b>414 136,5</b>	<b>431 207,6</b>	<b>4,1</b>

### Recreational activities

The recreation portion primarily covers the management of sports and recreational activities and their facilities, as well as the design and upkeep of parks and green spaces.

Nearly two thirds of the recreation and culture budget is allocated for recreational activities. The \$13,352.7 increase stems from substantial transfers from other activities due to improved allocation of administrative expenditures as well as reallocation of operating expenditures related to building and rolling stock maintenance and labour. All these transfers and rearrangements result in substantial budget variances yet have no impact on citizen services.

## Budget Plan

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The budget increase is also explained by an additional contribution of \$1,000.0 to the Société du parc des Îles, which had to expand its budget after signing a new collective agreement with blue-collar workers.

To support the development of the Mosaïcultures internationales de Montréal as called for in the agreement, an additional \$800.0 appropriation has been budgeted. Other additional funding includes \$550.0 for the upkeep, planting and watering of areas along the Lachine Canal to enhance this new recreotourism attraction. Finally, pursuant to the Sommet de Montréal, \$240.0 has been allocated to the Direction du parc du Mont-Royal for park improvements.

### **Cultural activities**

Cultural and educational activities consist mainly of operating library systems and venues for cultural events as well as scientific institutions (Botanical Garden, Biodome, Insectarium and Planetarium). They also include support for cultural initiatives and Pointe-à-Callière, the Montréal Museum of Archaeology and History.

This budget represents a \$3,718.4, or 2.5%, increase over the 2002 budget.

More specifically, an additional \$855.0 is allocated for scientific institutions to improve their user services and promote certain revenue-generating projects. An additional contribution of \$461.0 is budgeted for new projects at the Montréal Museum of Archaeology and History.

The \$2,091.8 increase under libraries is partly due to a \$473.1 adjustment resulting from harmonization of the accounting standards of certain boroughs. Other variances stem from improved allocation of the administrative expenditures related to this activity sector.

The contribution to the Conseil des arts amounts to \$9 million, an increase of 4% or \$353.0 over 2002. Its mission is to promote the dissemination of culture and support creative talent.

In conclusion, the budget for recreational and cultural activities is in line with the administration's main objectives of pursuing modernization of the municipal apparatus by standardizing cost allocation methods, stimulating public participation in recreational and cultural activities, developing promising projects and, lastly, carrying out concrete actions stemming from the Sommet de Montréal.

### **ELECTRICITY (excluding financing)**

The electricity function covers all activities related to the purchase and distribution of electrical power. Within Ville de Montréal boundaries, the borough of Westmount operates an electrical utility (Hydro Westmount) for its taxpayers.

#### **Background summary**

In 1904, the Westmount city council officially created the electrical utility managed by the Montréal Light, Heat and Power Company (MLHPC). At the time, the electricity was generated by incinerating the waste of all the neighbouring communities.

Two years later, a new powerstation went into operation. It was improved and modernized until 1933, when its load capacity became sufficient to meet demand for energy in Westmount. At that point, Westmount purchased all the assets from the MLHPC, including the power lines of the old trash-burning generating station. This transaction, however, was contingent upon the city continuing to buy its electricity from the MLHPC and the old powerstation only being used in the event of a major breakdown. The station was maintained until 1961, and only used on rare occasions, mainly during World War II (1939-1945).

Following the nationalization of electricity, Westmount began buying energy from Hydro-Québec, as it still does. Today Hydro Westmount is one of nine municipal networks used for power distribution.

**Operating method**

Hydro Westmount buys its power from Hydro-Québec, with which it has signed an agreement that sets forth the terms of the purchase and sale of electricity. Under the contract, Hydro Westmount agrees to pay for purchased electricity based on the higher volume of two consumption rates: actual use and the amount estimated (subscribed power) by Hydro Westmount. Nonetheless, Hydro Westmount may increase subscribed power at any time, but must wait 15 months after the last request for an increase before reducing it.

The selling price must be the same as the one Hydro-Québec charges all its customers. It should be noted that the rate freeze until 2002 announced by Hydro-Québec has been extended until 2004. The freeze also applies to Hydro Westmount customers.

**Table 18 – Electricity, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
<b>Electricity<sup>1</sup></b>	<b>19 028,7</b>	<b>20 039,6</b>	<b>5,3</b>

<sup>1</sup> Excluding financing expenses associated with this item.

The amount budgeted for electricity is 5.3% higher, due mainly to a \$1,200.0 increase in the cost of purchasing electricity. Of this amount, \$455.0 is allocated for generating new revenues and \$745.0 represents an adjustment to the purchase price to comply with the terms of the agreement between Hydro Westmount and Hydro-Québec. It is important to note that this activity pays for itself.

**FINANCING EXPENSES**

This function covers interest and other charges associated with financing municipal activities. Long-term debt payments are treated separately under “other financial activities.”

In the 2003 budget, financing expenses total \$450,167.3. This represents a decrease of \$23,162.4, or 4.9%, from the 2002 figure, which was \$473,329.7. Compared with the 2001 budget, financing expenses have declined by \$37,056.2, or 7.6%.



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**Table 19 – Financing expenses, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Long-term debt			
- interest	436 900,4	428 013,1	(2,0)
- other costs	<u>33 938,8</u>	<u>19 692,3</u>	<u>(42,0)</u>
	470 839,2	447 705,4	(4,9)
Other financing costs	2 490,5	2 461,9	(1,1)
<b>Total</b>	<b>473 329,7</b>	<b>450 167,3</b>	<b>(4,9)</b>

The decline in financing expenses is attributable, among other things, to a reduction in debt of approximately \$140 million in fiscal 2002, resulting in a \$7.7 million reduction in interest payments.

In 2003, the level of debt has very little effect on financing expenses, as there is a \$477-million reduction in rolled-over borrowing, while \$470 million is expected in new loans from the three-year capital expenditures program. Moreover, as regards financing new projects, lower interest rates than in past years result in a \$2.8-million savings in financing expenses. This reduction also applies to refinanced borrowing for additional savings of \$14.9 million found primarily under "other expenses".

In brief, for the past few years the city has benefited from general economic conditions of low interest rates. In fact, from 1994 to 1996, interest rates stood at approximately 8%, while in the 2002 and 2003 budgets, a 6.5% rate was used to calculate the expense.

Discount and bond issue expenditures for new borrowing are \$2.2 million higher in the 2003 budget.

It should be mentioned that in return for the financing expenses paid by the city, \$111,781.7 in revenue is collected in the form of government subsidies to finance capital expenditures.

**OTHER FINANCIAL ACTIVITIES**

Expenditures related to other financial activities total \$469,381.8. They consist mainly of the appropriations required to cover municipal capital expenditures, except for interest payments, which appear under financing expenses. They include the funds required to repay loans as well as cash payments, whether the expenditures are the responsibility of the city itself or external partners.

These expenditures are \$11,638.3, or 2.5%, higher than in the 2002 budget.

**Table 20 – Other financial activities, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Repayment of long-term debt	410 243,5	406 031,4	(1,0)
Transfer to investment activities	47 500,0	63 350,4	33,4
<b>Total</b>	<b>457 743,5</b>	<b>469 381,8</b>	<b>2,5</b>

Long-term debt repayment expenditures declined from \$410,243.5 in 2002, to \$406,031.4 in 2003, a decrease of \$4,212.1, or 1%. This change is essentially the result of approximately \$140 million less debt than in 2002. Thus, the city's gross direct debt drops from \$5.9 to close to \$5.7 billion.

The three-year capital expenditures program calls for \$556 million in capital expenditures in 2003. Given developer contributions and tax recovery, among other factors, borrowing requirements are estimated at \$521 million. The 2003 financial framework calls for nearly 90% completion of work and some \$470 million in borrowing. This amount is essentially equivalent to the debt that falls due in fiscal 2003.

Expenditures under "transfer to investment activities" amount to \$63,350.4 in the 2003 budget, an increase of \$15,850.4. This contribution from the operating budget enables a corresponding reduction in the use of long-term loans. This sum comes mainly from expenses in the three-year capital expenditures program covered by developers, government subsidies for infrastructure projects, and an amount financed with city revenues.

## Budget Plan

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In addition to the sections on revenues and expenditures, the city budget has two other parts, namely:

- allocations;
- long-term financing of financial activities.

### ANALYSIS OF ALLOCATIONS

To balance the budget in 2003, the city plans to use allocation totalling \$42,294.4. This amount comes from the accumulated surplus, financial reserves, and funds earmarked to finance activities in the current fiscal year.

**Table 21 – Allocations, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Unappropriated accumulated surplus	-	-	-
Appropriated accumulated surplus	65 040,0	45 000,0	(30,8)
Financial reserves and reserved funds			
- transfer from	10 289,8	6 344,4	(38,3)
- (transfer to)	-	(9 050,0)	-
<b>Total</b>	<b>75 329,8</b>	<b>42 294,4</b>	<b>(43,9)</b>

The above table shows \$45,000.0 coming from the appropriated accumulated surplus. This amount is \$20,040.0 lower than in the 2002 budget. The reduction reflects a better balance between revenues and expenditures, and thereby a general improvement in the budget.

In the 2002 budget, \$10,289.8 was allocated to amortize expenditures associated with creation of the new city. These expenditures fall into three categories: cost of the assisted-departure program, financial compensation for elected officials whose terms were cut short and, lastly, various professional fees. Based on the results appearing in the Transition Committee's financial statements as at December 31, 2001, the amortization of expenditures related to creation of the new city amounts to \$6,344.4 in 2003. It is worth mentioning that this sum has no impact on the budget balance because it is offset by an identical expenditure.

To balance the 2002 budget, the new city had to temporarily use part of the available surpluses of the former municipalities of the island of Montréal, as well as some of the available surplus of the former Communauté urbaine de Montréal (CUM). Excluding the CUM share, the contribution of the former suburban communities and former Ville de Montréal to balancing the 2002 budget amounted to \$45 million. In the case of former suburban municipalities with no available surplus to contribute to balancing the 2002 budget, their share was covered by other former suburban municipalities; this additional loan bears interest.

In keeping with the policy adopted by the city council on using and allocating unappropriated surplus as at December 31, 2001, the new city will repay this loan over a five-year period extending from 2003 to 2007. Thus, in 2003, \$9,050.0 will be returned to the borough's unappropriated surpluses. This amount includes \$50.0 in interest payments to the lending boroughs.

## ANALYSIS OF LONG-TERM FINANCING OF FINANCIAL ACTIVITIES

This item involves operating expenditures that can be financed by borrowing. In contrast to the 2002 budget, in 2003 the city will not use borrowing for long-term financing of operating expenditures. Because of their nature, these expenditures cannot be capitalized.

**Table 22 – Long-term financing of financial activities, 2003 and comparative 2002**

	<b>2002 Figure</b>	<b>2003 Budget</b>	<b>% Change</b>
Transition expenditures	4 728,8	-	(100,0)
Issue and discount expenses on bonds	4 726,0	-	(100,0)
Other projects	3 784,0	-	(100,0)
<b>Total</b>	<b>13 238,8</b>	<b>-</b>	<b>(100,0)</b>

The decrease in 2003 is due to the following factors:

- Expenditures associated with bond issues and discounts now appear under financial expenditures, in order to harmonize the budget practices of the new city.
- The 2002 transition expenditures that were expected to be covered by borrowing appear, in 2003, under financing expenses and other financial activities.

Lastly, the following projects totalling \$5,506.0 will be paid for in cash in 2003, and appear under the operating expenditures of the various units:

- McGill University – Percival Molson Stadium	\$1,973.0
- Cité des arts du cirque	\$1,300.0
- Equipment purchase – police	\$963.0
- Pole elimination – wire burial program	\$600.0
- Montréal Museum of Archaeology and History (exhibition renewal and conservation)	\$461.0
- Redevelopment of Îlot Caty-Bruneau	\$159.0
- Business subsidy program – Beaconsfield	\$50.0

By avoiding borrowing for long-term financing of operating expenditures, Montréal is demonstrating its firm commitment to implementing best management practices.

## ANALYSIS OF OPERATING EXPENDITURES AND OTHER FINANCIAL ACTIVITIES BY ITEM

The presentation of the Ville de Montréal budget by expenditure item provides information on the economic nature of the goods and services acquired.

### Compensation

The largest expenditure item is total compensation, which consists of the remuneration of employees and elected officials, as well as the related employer contributions. Total compensation accounts for close to 42.9% of city expenditures. A detailed analysis of the changes in compensation can be found in the document entitled *Renseignements supplémentaires sur le plan budgétaire*.

Total compensation amounts to \$1,577,947.6 in 2003, an increase of 2.1% over the comparative 2002 budget. Remuneration, which totals \$1,238,240.3, is up by 1.6%. This increase stems mainly from changes in the workforce and wage adjustments, as well as wage increases called for by collective agreements now in effect.

Employer contributions, totalling \$339,707.3, are up by 4.1%. In addition to the adjustments stemming from payroll variations, part of this increase is due to higher contributions to the Régie des rentes du Québec, and to certain adjustments in contributions to various employee pension plans (past and current service). A \$1,620.9 provision has been added to cover the costs of employees with occupational injuries.

**Table 23 – Analysis of compensation and employer contributions, 2003**

	Authorized structures p.y.	Remu- neration \$000	Employer contributions		Total compensation \$000
			Employee benefits \$000	Payroll taxes \$000	
Elected representatives	105,0	7 233,6	1 420,7	539,0	9 193,3
Managerial staff and foremen	2 189,5	165 053,0	48 542,1	15 498,9	229 094,0
Professional and white-collar employees	8 875,9	382 282,7	71 271,9	44 172,3	497 726,9
Blue-collar employees	5 595,2	261 481,6	46 639,4	32 542,4	340 663,4
Police officers <sup>1</sup>	4 040,3	276 156,1	461,1	24 432,2	301 049,4
Firefighters	2 316,5	140 767,8	38 361,9	15 266,8	194 396,5
School-crossing guards	228,1	5 265,5	-	558,6	5 824,1
<b>Total</b>	<b>23 350,5</b>	<b>1 238 240,3</b>	<b>206 697,1</b>	<b>133 010,2</b>	<b>1 577 947,6</b>

<sup>1</sup> At present, the city does not contribute to the police pension fund. Note that other contribution holidays are also in effect, though not associated with any particular job category.

The Ville de Montréal budget covers a workforce of 23,350.5 person-years. Authorized structures increase by 236.0 person-years compared with the 2002 budget. An additional 43 person-years in the boroughs is a result of the first workforce-structure reorganizations arising from the consolidation and harmonization process launched in 2002. These initial reorganizations cost nothing, but required a \$2.9-million budget transfer to total compensation. Moreover, the addition of 150 person-years to the borough workforce was determined on the basis of the standard formula.

Other workforce adjustments stem from government agreements such as housing programs and targeted projects, particularly those related to maintenance.

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### Other items

Purchases of goods and services account for 17.9% of 2003 expenditures, compared with 17.2% in 2002. This category covers transportation and communication expenditures, professional and technical services, appropriations for building and equipment rental and maintenance, and the purchase of non-durable goods.

The increase in the relative weight of the goods and services category is due mainly to additional appropriations of more than \$6,500.0 to purchase technical services in order to stave off the announced increase in recycling costs, and to introduce a recycling program in Montréal-Nord. Also, nearly \$3,000.0 has been allocated to the boroughs to deal with real needs in the area of snow removal and regular household waste collection. The distribution of appropriations as equalization payments and award of development incentives have also increased the share of the city's total budget accounted for by goods and services.

Financing expenses, which consist mainly of interest payments to service the debt, represent 12.2% of the total city budget, compared with 13.1% in 2002.

Contributions to various organizations total \$383,016.0, which represents 10.4% of the total budget. Nearly 80% of this sum, or \$303,319.0 goes to the Société de transport de Montréal, the Communauté métropolitaine de Montréal, and the Agence métropolitaine de transport. The increase in contributions is due mainly to these three organizations.

Other expenditure items, which total \$142,661.1 or 3.9% of the budget, consist primarily of allocations for various residential, industrial and commercial renovation programs (\$59,964.6) and contingencies (\$36,455.1), and a provision for doubtful accounts (\$14,304.7).

Other financial activities (12.7% of total budget) represent principal payments on long-term debt and transfers to investment activities. The latter, which is up by \$15,850.4, covers cash payments for some capital expenditures.

Lastly, it should be mentioned that an effort has been made to standardize the presentation of expenditures in all the boroughs. This makes it more difficult to compare figures for the two fiscal years, even though the main changes are reflected in the comparative 2002 budget.

**Table 24 – Analysis of operating expenditures by item and other financial activities, 2003 and comparative 2002**

	2002 Figure	2003 Budget	% Change
<b>Operating expenditures</b>			
Remuneration			
- elected representatives	6 537,3	7 233,6	10,7
- employees	<u>1 211 924,2</u>	<u>1 231 006,7</u>	1,6
	1 218 461,5	1 238 240,3	1,6
Employer contributions			
- elected representatives	1 910,9	1 959,7	2,6
- employees	<u>324 431,7</u>	<u>337 747,6</u>	4,1
	326 342,6	339 707,3	4,1
Transportation and communication	36 791,9	37 431,2	1,7
Professional, technical and other services			
- professional fees	35 246,6	35 117,0	(0,4)
- purchase of technical services	124 889,1	149 620,8	19,8
- other	<u>25 530,0</u>	<u>25 778,2</u>	1,0
	185 665,7	210 516,0	13,4
Rental, maintenance and repairs			
- rental	75 769,6	80 788,7	6,6
- maintenance and repairs	<u>63 731,0</u>	<u>60 134,1</u>	(5,6)
	139 500,6	140 922,8	1,0
Non-durable goods			
- delivery of public services	85 112,7	79 216,8	(6,9)
- other non-durable goods	<u>172 661,5</u>	<u>190 703,6</u>	10,4
	257 774,2	269 920,4	4,7
Financing expenses			
- interest and other charges on long-term debt payable by:			
- municipality	337 742,5	321 576,6	(4,8)
- other municipal organizations	198,6	58,6	(70,5)
- governments of Québec and Canada	132 982,3	125 796,1	(5,4)
- other third parties	73,0	-	(100,0)
- other financing costs	<u>2 333,3</u>	<u>2 736,0</u>	17,3
	473 329,7	450 167,3	(4,9)
Contributions to organizations			
- municipal organizations			
- allocation of expenditures	23 959,5	28 230,6	17,8
- other	273 062,2	280 065,3	2,6
- government organizations	29 046,5	29 306,9	0,9
- other organizations	<u>40 034,7</u>	<u>45 413,2</u>	13,4
	366 102,9	383 016,0	4,6
Other items			
- doubtful or bad debts	16 647,3	14 523,6	(12,8)
- other	<u>133 523,3</u>	<u>128 137,5</u>	(4,0)
	150 170,6	142 661,1	(5,0)
<b>Total for operating expenditures</b>	<b>3 154 139,7</b>	<b>3 212 582,4</b>	<b>1,9</b>
<b>Other financial activities</b>			
Repayment of long-term debt	410 243,5	406 031,4	(1,0)
Transfer to investment activities	<u>47 500,0</u>	<u>63 350,4</u>	33,4
<b>Total other financial activities</b>	<b>457 743,5</b>	<b>469 381,8</b>	<b>2,5</b>
<b>Total</b>	<b>3 611 883,2</b>	<b>3 681 964,2</b>	<b>1,9</b>

## **OVERVIEW OF FINANCIAL ACTIVITIES BY ACTIVITY AND ITEM**

The 2003 budget is the first to detail revenues and expenditures for each activity.

The purpose of this new way of presenting budget figures is to provide readers with more complete financial information and introduce the concept of an activity's net cost (net allotment) by detailing the revenues and expenditures associated with it. Thus, for each borough, the 2003 budget volume entitled *Renseignements supplémentaires sur le plan budgétaire* contains figures on the net cost of each activity, i.e. the difference between the revenues and expenditures associated with the activity.

The presentation of this financial information is a first step towards a more in-depth analysis of the cost of city programs and activities, and of the use of budgetary appropriations for borough activities and municipal departments.

The summary table on the following page contains the 2003 budget figures for each activity sector of the municipal organization by major revenue and expenditure category. It makes it possible, on the one hand, to determine the sources of revenue and their relative magnitude in relation to each activity sector and, on the other, to know the types of expenditures incurred by each sector.

The budget figures for financial activities may, for each activity sector, include revenues in any of the following four categories (described earlier under Analysis of financial activities – Revenues): services provided to municipal organizations, other services rendered, other revenues and transfer revenues. Note that all revenues from taxes and payments in lieu of taxes appear under “other activities.”

Furthermore, the budget figures for financial activities appear under the following four headings: total compensation (which includes employer contributions), goods and services, contributions to organizations, and other expenditures. The amounts associated with these expenditure items are divided among the various financial activities. Financing expenses and expenditures for other financial activities appear under very distinct headings, namely financing expenses, repayment of long-term debt, and transfer to investment activities.



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**Table 25 – Summary of 2003 revenues by activity and main item**

	Taxes	Payments in lieu of taxes	Serv. provided to mun. org.	Other services provided	Other revenues	Transfers	Total revenues
<b>General administration</b>							
City council							-
Application of the law					109 601,5		109 601,5
Finance and administration management				1 502,0	627,2		2 129,2
City clerk				59,7		70,0	129,7
Valuation				114,0			114,0
Personnel management			5,3			1,0	6,3
Other			0,1	4 991,5	17 769,9	6,5	22 768,0
<b>Public safety</b>							
Police				16 236,5	2 500,0		18 736,5
Fire protection			10,0	274,2		180,0	464,2
Emergency preparedness				64,0			64,0
Other				313,1	29,8		342,9
<b>Transportation</b>							
City road network				2 520,3	6,0		2 526,3
Snow removal			672,0	306,0	15,0		993,0
Street lighting							-
Traffic and parking				12 863,5	60,8		12 924,3
Public transportation							-
Other				532,2	2 034,2		2 566,4
<b>Environmental hygiene</b>							
Supply and treatment of drinking water			141,7	8,0		1,1	150,8
Drinking water distribution system			1,2	305,2	0,1		306,5
Waste water treatment				68,9			68,9
Sewer system			80,0	720,8			800,8
Household waste				43,8		11,6	55,4
Recyclable materials				275,1	17,0		292,1
Disposal of dry materials				4 443,0			4 443,0
Waterways							-
Environmental protection				224,0	122,5	1 759,4	2 105,9
Other				38,0			38,0
<b>Health and welfare</b>							
Food inspection					120,0	3 678,0	3 798,0
Social housing			18 305,6	136,3			18 441,9
Income security and other				95,7	10,0	71 794,9	71 900,6
<b>Urban planning and development</b>							
Urban planning and zoning				6 127,2	9 662,2		15 789,4
Promotion and economic development				588,7		115,2	703,9
Urban renewal				55 711,8		9 946,9	65 658,7
Other			1,0	370,0			371,0
<b>Recreation and culture</b>							
Community centres – recreational activities			4,3	3 212,1			3 216,4
Indoor and outdoor skating rinks				6 388,7			6 388,7
Swimming pools, beaches and marinas				2 728,4			2 728,4
Parks and playing fields				5 296,2		35,0	5 331,2
Regional parks				908,9	20,0		928,9
Exhibitions and fairs				84,1			84,1
Other – recreational activities				2 474,3		79,9	2 554,2
Community centres – cultural activities				678,0	8,0		686,0
Libraries				1 675,7	7,0	6 947,1	8 629,8
Museums and exhibition centres			24 000,0	14 967,1		265,0	39 232,1
Other – cultural activities				782,6		329,0	1 111,6
<b>Electricity</b>				22 752,5			22 752,5
<b>Physical and technical support</b>							
Other activities	2 443 040,7	201 770,5		6 128,0	61 697,2	143 582,3	2 856 218,7
<b>Financing costs</b>					111 852,1	111 781,7	223 633,8
<b>Other financial activities</b>							
Repayment of long-term debt	-	-	-	-	-	66 909,2	66 909,2
<b>Transfer to investment activities</b>					15 823,0	25 150,0	40 973,0
<b>Total revenues</b>	<b>2 443 040,7</b>	<b>201 770,5</b>	<b>43 221,2</b>	<b>177 010,1</b>	<b>331 983,5</b>	<b>442 643,8</b>	<b>3 639 669,8</b>
<b>Allocations</b>							<b>42 294,4</b>
<b>Long-term financing of financial activities</b>							-
<b>Total</b>							<b>3 681 964,2</b>

Table 26 – Summary of 2003 expenditures by activity and main item

	Total compensation	Goods and services	Financing expenses	Contributions to organizations	Other expenditures	Other financial activities	Total expenditures
<b>General administration</b>							
City council	27 902,5	10 431,3		7 634,6	1 713,7		47 682,1
Application of the law	23 416,4	13 847,8			(2 312,9)		34 951,3
Finance and administration management	113 990,5	55 219,0		126,8	(23 008,0)		146 328,3
City clerk	9 989,8	3 907,6			855,5		14 752,9
Valuation	14 848,3	2 242,9			1 256,7		18 347,9
Personnel management	18 133,0	10 392,1		4,5	863,3		29 392,9
Other	96 166,9	33 498,6		382,2	98 435,2		228 482,9
<b>Public safety</b>							
Police	368 237,8	41 216,9		2 600,0	9 972,2		422 026,9
Fire protection	206 485,4	25 701,1		16,3	1 592,7		233 795,5
Emergency preparedness	923,0	653,4		1,0	(111,5)		1 465,9
Other	18 455,0	6 178,8		1 592,1	64,5		26 290,4
<b>Transportation</b>							
City road network	74 099,0	39 421,7		48,5	176,5		113 745,7
Snow removal	44 662,3	86 877,0		40,4	3,6		131 583,3
Street lighting	9 493,2	22 973,7		7,4	213,9		32 688,2
Traffic and parking	26 312,9	10 680,9		3,7	169,3		37 166,8
Public transportation		20,1		275 119,0			275 139,1
Other	2 154,5	1 214,9					3 369,4
<b>Environmental hygiene</b>							
Supply and treatment of drinking water	16 671,0	21 332,4		19,5	37,3		38 060,2
Drinking water distribution system	25 690,3	14 400,4		273,2	1 762,4		42 126,3
Waste water treatment	18 801,3	27 737,5			2 106,2		48 645,0
Sewer system	12 014,9	8 711,2		12,5	83,7		20 822,3
Household waste	24 111,7	51 148,5		436,9			75 697,1
Recyclable materials	1 668,7	27 242,1		1 376,5			30 287,3
Disposal of dry materials	6 162,4	2 634,3		286,2	(179,4)		8 903,5
Waterways							-
Environmental protection	6 163,5	1 307,2		232,0			7 702,7
Other	627,0	65,5					692,5
<b>Health and welfare</b>							
Food inspection	3 228,6	357,0					3 585,6
Social housing				20 741,9	18 305,7		39 047,6
Income security and other	62 459,7	11 137,3		1 251,6	266,7		75 115,3
<b>Urban planning and development</b>							
Urban planning and zoning	24 281,2	4 809,2		1,4	431,4		29 523,2
Promotion and economic development	6 182,5	4 582,0		20 544,5	18 585,4		49 894,4
Urban renewal	7 709,2	5 225,3		700,0	30 178,8		43 813,3
Other	5 784,3	(6 910,0)		1 167,8			42,1
<b>Recreation and culture</b>							
Community centres – recreational activities	21 764,8	22 302,2		11 405,1	828,8		56 300,9
Indoor and outdoor skating rinks	20 879,0	17 348,0		806,7	95,4		39 129,1
Swimming pools, beaches and marinas	18 951,2	16 069,0		667,3	227,9		35 915,4
Parks and playing fields	79 073,1	37 243,9		11 860,4	705,7		128 883,1
Regional parks	2 336,8	2 669,8					5 006,6
Exhibitions and fairs	290,8	152,7					443,5
Other – recreational activities	8 399,0	4 354,1		1 535,4	(121,3)		14 167,2
Community centres – cultural activities	6 011,9	4 420,9		498,5	100,8		11 032,1
Libraries	44 263,9	23 126,8		254,7	413,7		68 059,1
Museums and exhibition centres	28 677,8	13 962,0		9 863,0	35,8		52 538,6
Other – cultural activities	3 735,0	3 360,0		12 188,8	448,2		19 732,0
<b>Electricity</b>	2 155,1	17 476,6			407,9		20 039,6
<b>Physical and technical support</b>	64 582,4	(41 953,3)		(684,4)	(21 944,7)		-
<b>Other activities</b>							-
<b>Financing costs</b>			450 167,3				450 167,3
<b>Other financial activities</b>							-
<b>Repayment of long-term debt</b>						406 031,4	406 031,4
<b>Transfer to investment activities</b>						63 350,4	63 350,4
<b>Total expenditures</b>	<b>1 577 947,6</b>	<b>658 790,4</b>	<b>450 167,3</b>	<b>383 016,0</b>	<b>142 661,1</b>	<b>469 381,8</b>	<b>3 681 964,2</b>

# Other facets of the budget

### MONTREAL TAXATION

The year 2002 marked the beginning of a transition period during which the taxation specific to each sector—that is, the territory of each of the former municipalities—would gradually be modified to ultimately arrive at, with regard to tax rates and fees for items such as water use and solid waste treatment, a single tax rate for each building category on the territory of the new Ville de Montréal.

The tax rates for 2003 have been established to maintain a constant tax burden for the whole city, with the increase in tax revenues coming from the broadening of the tax base.

In 2003, as in 2002, the annual increase in the tax burden imposed on a sector, excluding charges for debt repayment, cannot exceed the 5% prescribed by law.

By the same token, the annual decrease in the tax burden imposed on a sector is subject to limitation. The maximum decrease in the tax burden has been set at 1.53% for residential properties and at 1.66% for non-residential properties.

In addition to the debt of former municipalities financed by property taxes last year, the property tax to be levied in 2003 also covers the sums required for the city to maintain a global tax burden and to enable it to finance new debt.

Beginning this year, the city will adopt a general property tax regime with varied rates according to building category. In fact, this change in the tax regime has no impact on taxpayers' level of taxation.

Furthermore, the various fees rates for water use and solid waste treatment remain the same in the territories where they applied, with the exception of the Montréal-Nord, Saint-Léonard, and Côte-Saint-Luc sectors, where some changes were made.

Lastly, the city is abandoning the business tax in the 10 sectors where it was levied on the occupants of business establishments, and it will consequently adjust the general property tax rate applicable to non-residential properties. Subsidy programs will be set up to mitigate the impact of tax shifts resulting from this change.

This chapter focuses on municipal taxation. The first section deals with the harmonization process for 2003. The second section presents the main taxation parameters that will be in effect throughout fiscal 2003. The third section sets forth the variation in tax burdens observed among the city's various sectors. The fourth section describes the taxation process, and the last section presents the changes in the 2001-2003 three-year valuation roll.

**IMPORTANT NOTE: This chapter does not deal with boroughs but rather with sectors; that is, in the context of tax transition, the territory of a former municipality. The concept of a sector is necessary because the harmonization of taxation involves the former municipalities and not the boroughs, which may include one or more former municipalities or only a part of one.**

### HARMONIZATION OF TAXATION

In 2002, the new city began the harmonization of tax rates, while ensuring that the increase in the tax burden of all buildings in each of the sectors did not increase by more than 5% compared with the previous year. In order to establish tax burdens in a fair and equitable manner, the tax burdens of former municipalities that had used surpluses in amounts surpassing the average surplus appropriated during the five previous fiscal periods were adjusted in 2001. Furthermore, the harmonization of the tax structure could not begin in Year 1 of the new city, because the law prevented the city from abandoning or even reducing business taxes in former municipalities where they were levied and where the study of various pricing methods for water use and solid waste treatment had not yet been conducted.

Montréal taxation for 2003 is marked by the municipal administration's resolve to pursue harmonization while promoting a gradual, carefully considered transition that is in keeping with the principles of sound management of public finances.

#### Harmonization of tax rates

For another nine years (that is, until December 31, 2011), the city council may continue to use different tax rates for different sectors. This would allow for gradual harmonization of the tax levels of the various sectors, ultimately resulting in the levying of a single general property tax rate for each building category.

Again this year, in accordance with its charter, the new city will limit the increase in the tax burden of any given sector to 5% over fiscal 2002. This levelling-off of the tax burden takes place in each sector, by building category: the category of non-residential properties, the category of six or more housing units, and the residual category, also called the category of buildings with five or fewer housing units.

The category of serviced vacant lots is not subject to the levelling-off or to the limiting of the reduction of the tax burden, as the highest applicable rate is double the basic rate. The charter nevertheless stipulates that in sectors of the city where the tax on serviced vacant lots was not levied, this tax must be gradually introduced in equal annual payment periods from 2002 to 2006.

In order to offset the shortfall for 2003 resulting from the 5% ceiling on increases in the tax burden, the city has set the maximum decrease in the tax burden of residential properties at 1.53%, and at 1.66% for non-residential properties.

The tax burden for all assessment units in a sector for fiscal 2002 includes:

- 1° revenues from the general property tax;
- 2° revenues from other taxes and fees for water use and the treatment of solid waste;
- 3° amounts in lieu of taxes from the governments of Québec and Canada, or one of the latter's agencies;
- 4° the amount of the surplus used to allow a credit respecting a source of revenue covered by one of the paragraphs 1° to 3°, if the surplus comes from a former municipality and has been used to benefit residents and ratepayers in its territory;
- 5° for the category of non-residential properties, and in addition to the other revenues, the business tax, the tax on non-residential properties, and in-lieu amounts, where levied in 2002.

In all of these cases, the revenues used to finance expenditures relating to the debts of the former municipalities are excluded from the tax burden. Also excluded from the tax-burden concept are revenues that are not solely a result of the constitution of the new city. Therefore, revenues generated by updating the rolls are not taken into consideration in the harmonization process.

### **Harmonization of the fiscal structure**

The harmonization of tax regimes of the new city should be completed at the latest by December 31, 2011, as prescribed by its charter. Until then, the charter allows the tax rates and fees levied to vary from one sector to another. In order to promote an orderly, gradual transition, the municipal administration decided to begin harmonization of the fiscal structure in 2003.

**Abandonment of the business tax** – Starting in fiscal 2003, the new city had the choice of abolishing the business tax or of levying it throughout the territory, or of continuing to levy it only in the sectors where it had been levied in the past. The city felt it appropriate to abolish the business tax. Abandoning this tax will reduce the cost of preparing and updating the rental valuation roll, it will reduce expenditures associated with the management of taxes, and it will result in the application of the same property tax regime to all of the non-residential properties in the city. The withdrawal of the business tax in favour of a source of taxation based on property values is also motivated by the obsolescence of the former, created at a time when the permanence of a business' location was considered important to its success. As it is, some businesses now escape the business tax thanks to a progressive erosion of rental values over the years, resulting in a certain inequity. Therefore, in the 10 sectors where the business tax was collected in 2002, namely in Anjou, Côte-Saint-Luc, Montréal, Montréal-Nord, Montréal-Ouest, Mont-Royal, Outremont, Pierrefonds, Senneville, and Saint-Léonard, the equivalent in business tax revenues generated by occupants will now be collected as a property tax rate levied on non-residential properties.

The municipal administration has developed two subsidy programs to offset tax shifts resulting from the change in the tax regime. The terms and conditions of these programs are presented farther on. It should be noted that the cost of these programs must be financed by the taxpayers of each sector concerned.

The municipal administration also took the necessary steps before the Québec legislature for the adoption of legislative measures enabling the owners of non-residential properties to change the terms of current leases to reflect the adjustments to the property tax subsequent to the abandonment of the business tax.

**A property tax at varied rates** – Beginning in fiscal 2003, the levying of a general property tax at varied rates, already in effect in three sectors, has been broadened to include the city as a whole. This will make it possible to avoid introducing a new tax regime at the same time as the next valuation roll comes into effect, in January 2004, which could result in major tax shifts. This tax method, which enables municipalities to set as many as five different property tax rates depending on the various building categories, becomes mandatory in each of the Québec municipalities as the three-year valuation rolls are tabled. It is important to mention that the change in the regime in no way changes the tax burden for ratepayers.

The administration has chosen to levy four different rates out of a possible five. Therefore, residential properties have been divided into two groups: buildings with five or fewer housing units (the residual category), and those with six or more housing units. A third category groups together commercial and industrial properties (the category of non-residential properties); lastly, a fourth category includes vacant lots that receive services (the category of serviced vacant lots).

It should be noted that vacant lots that do not have services fall into the residual category, as do all of the buildings that do not fit the definitions of the other three categories.

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The four different building categories are subject to different property tax rates, called varied rates. This range of general property tax rates replaces the single-rate general property tax, the tax on non-residential properties, and the surtax on serviced vacant lots.

***Fees for water use and for the treatment of solid waste*** – Pricing practices still vary widely, especially in relation to fees for water use. While some sectors set user fees according to actual consumption, measured with the help of water meters, with or without a minimum level and at varied fee rates, others impose fixed payments, with the amounts payable by the occupants in some cases and by the owners in others. Some sectors simply do not levy fees for their services. On the territory of the former city of Montréal, it was decided to maintain the water user fee based on rental value. Eight sectors levy fees for solid waste treatment; the amounts levied vary from one sector to sector.

The harmonization of fees is a relatively arduous exercise to be decided upon by the new city while respecting the legal constraints surrounding the process. The city must in particular limit any increase in tax burdens—including fees for water use and solid waste treatment—to 5% in each sector.

In 2002, the municipal administration began conducting studies to enable it to obtain a technical and financial overview of public management of water for Montréal as a whole. The combined results of these studies will provide the city with the data required to make an informed decision concerning the public management of water and the related fees for its use.

Studies will also be conducted with regard to the management of solid waste treatment. Until then, the existing methods of pricing will, on the whole, be maintained.

### **Forward averaging of the variation in property values**

In order to mitigate a major variation in property tax bills resulting from the valuation roll that came into effect in January 2001, seven former municipalities opted for forward averaging of the variation in taxable property values over three years. They are Côte-Saint-Luc, Lachine, LaSalle, Montréal, Saint-Léonard, Verdun, and Westmount.

The new city decided that sectors corresponding to these municipalities could pursue this measure in 2002. In 2003, the property values that constitute the basis of taxation therefore become the property values on the three-year valuation roll in effect for the third and last year, for all sectors.

The effect of the end of averaging of the variation in values is that it changes the basis of taxation of the properties. At a constant tax burden, the result was an increase in tax rates when property values declined between the 1995 roll and that of 2001. Inversely, it resulted in a decline in tax rates when the tax base grew.

### 2003 TAXATION PARAMETERS

The tax rates for 2003 have been established to keep the tax burden constant for all sectors of the city, the increase in tax revenues coming solely from the broadening of the tax base.

The establishment of rates for each sector of the city was calculated in accordance with the process of harmonization of taxation stipulated in the charter.

The property tax rates in effect for fiscal 2003 are presented in Table 27.

In 2003, the city is adopting a tax regime of general property taxes at varied rates, abandoning the various property taxes such as the tax on non-residential properties and the surtax on serviced vacant lots. It should be noted that levying this new property tax will not change the level of taxation of taxpayers.

Therefore, owners of buildings with five or fewer housing units continue to assume the equivalent of the single-rate general property tax. They are subjected to what is known as the “basic rate” in the varied-rates regime. The same is true for owners of buildings with six or more housing units in sectors where the varied-rate general property tax did not apply in 2002. In these sectors, the rates for these two building categories are identical. Nevertheless, a rate that is different from the basic rate will still be levied, in 2003, in the three sectors where the rate specific to buildings with six or more housing units has been prescribed since the coming into effect of the 2001 valuation roll, namely in Montréal, Montréal-Nord and Westmount.

A general property tax rate specific to non-residential properties is imposed on these building owners and is the equivalent to the amount of the single-rate general property tax and to the tax on non-residential properties. The same applies to the owners of serviced vacant lots: the rate specific to this building category corresponds to the sum of the single-rate general property tax and the surtax on serviced vacant lots.

With regard to mixed-use buildings, that is, buildings that are not entirely residential or non-residential, the tax rates vary; first, according to the number of housing units (five or fewer housing units or six or more housing units) and, second, based on the portion of the building that is considered non-residential. The scale is similar to the one used to determine the tax rate of non-residential properties, which previously applied to these properties.

As for properties that were previously subject to a surtax on serviced vacant lots as well as a tax on non-residential properties—outdoor parking lots in particular—the general property tax rate is determined by adding to the general property tax rate applicable to the non-residential building category, the rate specific to the category of serviced vacant lots minus the basic rate.

Furthermore, expenditures relating to the debts of the former municipalities remain the responsibility of the buildings located in their respective territories. The same holds true for the actuarial deficits of pension funds, compensation for elected municipal officials whose mandates were shortened, and other liabilities (legal proceedings, appeals, etc.). Municipal agreements are also considered. All of these expenditures are assumed by the taxpayers of each of the sectors concerned. Consequently, a portion of the general property tax is used to finance these expenditures. It should be noted that these amounts are not considered in the calculation of the tax burden for the levelling-off of taxes in 2003. The assessment of debts and other liabilities of the former municipalities is reviewed annually based on the events that occur, such as for example the maturing of a bond debt or the settlement of a legal case.



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Lastly, an amount of \$17.9 million, representing the portion of tax revenues paid in 2003 by the reduction of charges related to the debt and other liabilities of the former municipalities, was reallocated to taxpayers as a whole in order to maintain the global tax burden. This portion of 2003 tax revenues notably will finance expenditures related to new debt.

**Table 27**  
**2003 tax rates<sup>1</sup>**

Sector <sup>2</sup>	Immovables category			
	5 or fewer units <sup>3</sup>	6 units or more <sup>4</sup>	Non-residential	Serviced vacant lots <sup>5</sup>
Anjou <sup>6</sup>	1.6757	1.6757	4.6064	3.3514
Baie-D'Urfé	1.0339	1.0339	3.1895	2.0678
Beaconsfield	1.5387	1.5387	3.6988	3.0774
Côte-Saint-Luc *	1.7181	1.7181	5.5980	3.4362
Dollard-Des Ormeaux	1.5539	1.5539	4.4246	3.1078
Dorval	1.6539	1.6539	4.1559	3.3078
Hampstead	1.9702	1.9702	4.2589	3.9404
Kirkland	1.4077	1.4077	3.9998	2.8154
Lachine *	1.4223	1.4223	4.6219	2.8446
LaSalle *	1.6384	1.6384	4.0741	3.2768
L'Île-Bizard	1.3885	1.3885	3.6537	2.7770
L'Île-Dorval	3.7177	3.7177	6.0064	5.2048
Montréal *	1.9522	2.0992	4.1722	3.9044
Montréal-Nord	1.6791	1.9026	5.0133	2.3507
Montréal-Est	1.5444	1.5444	4.2353	3.0888
Montréal-Ouest	2.0525	2.0525	4.5282	2.8735
Mont-Royal	1.2731	1.2731	3.7881	2.5462
Outremont	1.5205	1.5205	4.2936	2.1287
Pierrefonds	1.7999	1.7999	4.7923	3.5998
Pointe-Claire	1.5249	1.5249	4.3034	3.0498
Roxboro	1.6648	1.6648	4.1848	3.3296
Sainte-Anne-de-Bellevue	1.4866	1.4866	4.0420	2.9732
Sainte-Geneviève	1.4233	1.4233	4.1132	2.8466
Saint-Laurent	1.4577	1.4577	3.6786	2.9154
Saint-Léonard *	1.7299	1.7299	4.7576	3.4598
Senneville	1.0998	1.0998	2.8211	1.5397
Verdun * <sup>7</sup>	1.4717	1.4717	5.3525	2.0604
Westmount *	1.2929	1.5326	4.0848	1.8101

1. All property tax rates are expressed in \$ per \$100 of valuation.

2. Sectors identified by an asterisk used forward averaging in the 2001 and 2002 valuation rolls.

3. This rate is levied on properties in the residential category (building with 5 or fewer units) and unserviced vacant lots.

4. The rate levied on buildings with 6 or more units is identical to that of the category for buildings with 5 or fewer units except in three sectors (Montréal, Montréal-Nord and Westmount), where varied rates have been levied since the 2001 roll came into effect.

5. The rate for the category of serviced vacant lots is the equivalent of twice the rate of the residential category (buildings with 5 or fewer units) except in 7 sectors (Île-Dorval, Montréal-Nord, Montréal-Ouest, Outremont, Senneville, Verdun and Westmount) where the surtax on serviced vacant lots has been introduced gradually since 2002.

6. In Anjou, to the general property tax is added a tax of \$0.1124 per \$100 of valuation for land only to pay for municipal works.

7. In Verdun, to the general property tax is added a tax to pay for municipal works. The rate for l'Île-des-Sœurs is different than the rate of the rest of the sector (mainland): Île-des-Sœurs: \$0.3251 per \$100 of valuation; mainland: \$0.5400 per \$100 of valuation.

### Residential properties

There are two general property tax rates applicable to residential properties: the rate for buildings with six or more housing units and the rate for the so-called residual category, for buildings with five or fewer housing units. The rate that applies to the residual category is the basic rate of the general property tax.

In the three sectors that, prior to the creation of the new city, used a tax regime of general property taxes at varied rates, the tax rate to be levied in 2003 on properties in the category of six or more housing units differs from the basic rate. In the other sectors, the rate specific to this building category is equal to the basic rate.

Like the other general property tax rates, the basic rate comprises three elements. The first concerns the portion attributable to the debts belonging to each of the former municipalities. As there is no uniformity in the debts of the former municipalities, this portion of the property tax rate varies widely. The second element, which is the equivalent of \$0.0108 per \$100 of assessment levied on all taxpayers of the new city, represents the portion of tax revenues required to maintain the global tax burden, and makes it possible to cover the cost of financing new debt. Lastly, the third element is the portion of the rate established in accordance with the process of the harmonization of taxation stipulated by the charter. Harmonization of the taxation of residential properties is carried out by adjusting the two general property tax rates applicable to these properties. As provided for in the charter, the general property tax rates levied by the city council vary from one sector to another.

It should also be mentioned that the tax rates have been adjusted in sectors where forward averaging was in effect, in order to maintain at their 2002 levels the tax revenues prior to harmonization.

With regard to fees for water use and solid waste treatment, there is little change compared with fiscal 2002. Among the changes made to water user fees for residential properties, we should mention the case of Montréal-Nord. Starting in 2003, a fixed property-tax fee of \$100 per housing unit will be applied to buildings with three or fewer housing units. The same type of fee in the amount of \$69 per housing unit will be applied to buildings with four or more housing units. It should be noted that occupants will not be charged fees for the 2003 fiscal year.

Saint-Léonard also made changes concerning fees for water use and solid waste treatment. For fiscal 2003, it decided that the fee charged occupants in 2002 should be cut in half, and that the property tax rate for 2003 should be adjusted accordingly. Occupants will thus be billed \$41.50 in 2003.

As for the other sectors, the methods of levelling fees for water use and solid waste treatment in 2002 remain unchanged in fiscal 2003. This implies that there will be no major impact on the various ways of pricing for water use or for the treatment of solid waste in sectors that used such pricing methods in 2002. On the other hand, sectors that did not charge for water use or solid waste treatment in 2002 will make no changes in this regard in 2003.

Table 28 presents the various tax rates of residential buildings for each sector. The revenues from fees have been translated into property tax rates and have been included for reference purposes. This equivalent indicates the approximate property tax rate that would have to be levied to generate the same level of revenues as those coming from fees for water use and the treatment of solid waste in each sector. Consequently, the average cumulative property tax rate for each sector is the sum of the general property tax rate and the equivalent property tax from fees for water use and the treatment of solid waste.

Finally, Table 29 shows the fees charged for water use and solid waste treatment in each sector.

**Table 28**  
**2003 tax rates**  
**Residential properties<sup>1</sup>**

<b>Sector<sup>2</sup></b>	<b>Property tax<sup>3</sup></b>	<b>Property tax equivalent of fees<sup>4</sup></b>	<b>Avg. cumul. rate<sup>5</sup></b>
Anjou <sup>6</sup>	1.6757	0.0972	<b>1.7729</b>
Baie-D'Urfé	1.0339	0.0662	<b>1.1001</b>
Beaconsfield	1.5387	0.2356	<b>1.7743</b>
Côte-Saint-Luc *	1.7181	0.0500	<b>1.7681</b>
Dollard-Des Ormeaux	1.5539	0.1481	<b>1.7020</b>
Dorval	1.6539	-	<b>1.6539</b>
Hampstead	1.9702	0.0595	<b>2.0297</b>
Kirkland	1.4077	0.1059	<b>1.5136</b>
Lachine *	1.4223	0.4063	<b>1.8286</b>
LaSalle *	1.6384	0.3436	<b>1.9820</b>
L'Île-Bizard	1.3885	0.1079	<b>1.4964</b>
L'Île-Dorval	3.7177	0.7609	<b>4.4786</b>
Montréal *			
5 or fewer units	1.9522	-	<b>1.9522</b>
6 units or more	2.0992	-	<b>2.0992</b>
Montréal-Nord			
5 or fewer units	1.6791	0.1617	<b>1.8408</b>
6 units or more	1.9026	0.1617	<b>2.0643</b>
Montréal-Est	1.5444	0.0712	<b>1.6156</b>
Montréal-Ouest	2.0525	0.1024	<b>2.1549</b>
Mont-Royal	1.2731	0.0764	<b>1.3495</b>
Outremont	1.5205	0.1067	<b>1.6272</b>
Pierrefonds	1.7999	0.1834	<b>1.9833</b>
Pointe-Claire	1.5249	0.1363	<b>1.6612</b>
Roxboro	1.6648	0.1839	<b>1.8487</b>
Sainte-Anne-de-Bellevue	1.4866	0.1190	<b>1.6056</b>
Sainte-Geneviève	1.4233	0.5254	<b>1.9487</b>
Saint-Laurent	1.4577	0.1212	<b>1.5789</b>
Saint-Léonard *	1.7299	0.1744	<b>1.9043</b>
Senneville	1.0998	0.0469	<b>1.1467</b>
Verdun * <sup>7</sup>	1.4717	0.2648	<b>1.7365</b>
Westmount *			
5 or fewer units	1.2929	-	<b>1.2929</b>
6 units or more	1.5326	-	<b>1.5326</b>
<b>All sectors combined</b>			<b>1.8317</b>

1. All property tax rates are expressed in \$ per \$100 of valuation.

2. Sectors identified by an asterisk used forward averaging in the 2001 and 2002 valuation rolls.

3. In 2003, there are two categories of residential buildings: buildings with 5 or fewer units (the residual category), and the category of buildings with 6 units or more. The property tax rates for these categories are identical for all sectors except Montréal, Montréal-Nord and Westmount.

4. Fees revenues have been translated into property tax rates and are shown for reference purposes. They compile revenues from water user fees and fees for solid waste treatment divided by the taxable residential valuation.

5. The average cumulative rate is the sum of the general tax rate and the fees translated into the equivalent tax rates. In this respect, it comes as close as it can to forming an acceptable basis of comparison between sectors.

6. In Anjou, to the general property tax is added a tax of \$0.1124 per \$100 of valuation for land only to pay for municipal works.

7. In Verdun, to the general property tax is added a tax to pay for municipal works. The rate for l'Île-des-Sœurs is different than the rate of the rest of the sector (mainland): Île-des-Sœurs: \$0.3251 per \$100 of valuation; mainland: \$0.5400 per \$100 of valuation.

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**Table 29**  
**Fees for water use and solid waste treatment for residential properties**  
**in the various sectors of Montréal for fiscal 2003<sup>1</sup>**

Sector	Water	Solid waste
Anjou	Buildings with 5 or fewer units: fixed fee of \$85 per unit. Buildings with 6 units or more: metered rate of \$0.176/m <sup>3</sup> .	n/a
Baie-D'Urfé	Except condos: fixed fee of \$80 per meter for the first 227.3 m <sup>3</sup> and \$0.682/m <sup>3</sup> for excess consumption. Condos: fixed minimum of \$64 for the first 181.8 m <sup>3</sup> and \$0.682/m <sup>3</sup> for excess consumption.	n/a
Beaconsfield	Base rate of \$40 per meter and metered rate of \$0.7765/m <sup>3</sup> .	\$162 per unit
Côte-Saint-Luc	Fixed fee rate of \$0.05 per \$100 of adjusted valuation.	n/a
Dollard-Des Ormeaux	Varied fixed fees: single-family dwelling, \$200; condo, duplex, triplex and quadruplex, \$150 per unit; apartment building, \$130 per unit; seniors residences, \$65 per room.	n/a
Dorval	No specific water user fee.	n/a
Hampstead	Metered rate of \$0.33/m <sup>3</sup> .	n/a
Kirkland	5 of fewer units: \$90 per unit for the first 272.8 m <sup>3</sup> , \$0.627/m <sup>3</sup> up to 4,546 m <sup>3</sup> and \$0.88/m <sup>3</sup> for excess consumption. 6 units or more: semi-annual fee of \$45 per unit for the first 136.4 m <sup>3</sup> , \$0.627/m <sup>3</sup> up to 2,273 m <sup>3</sup> and \$0.88/m <sup>3</sup> for excess consumption.	n/a
Lachine	Lachine sector: \$150 per unit and Saint-Pierre sector: \$240 per unit.	\$85 per unit
LaSalle	Base rate of \$90 per unit for the first 255 m <sup>3</sup> , metered rate of \$0.371/m <sup>3</sup> up to 425 m <sup>3</sup> and \$0.406/m <sup>3</sup> for excess consumption.	\$100 per unit
L'île-Bizard	Varied fixed fees: chalet, \$90 per unit; rooming house, \$60 per room; other buildings, \$160 per unit.	n/a
L'île-Dorval	Fixed fee of \$190 per unit.	n/a
Montréal	No specific water user fee.	n/a
Montréal-Est	Fixed fee of \$50 per unit except for rooming house where water meters are used at the rate of \$0.31/m <sup>3</sup> .	n/a
Montréal-Nord	Buildings with 1 to 3 units: fixed fee of \$100 per unit. Buildings with 4 units or more: fixed fee of \$69 per unit.	n/a
Montréal-Ouest	Metered rate of \$0.534/m <sup>3</sup> .	n/a
Mont-Royal	Annual minimum depending on meter diameter (\$100 to \$3,320), which corresponds to a specific water volume, and metered rate of \$0.484/m <sup>3</sup> for excess consumption.	n/a
Outremont	No specific water user fee.	\$202 per unit
Pierrefonds	Fixed fee of \$85 per unit.	\$85 per unit
Pointe-Claire	The higher of: a) metered rate of \$0.5287/m <sup>3</sup> ; b) annual minimum depending on meter diameter, (\$127 to \$2,280).	n/a
Roxboro	Buildings with 10 or fewer units: fixed fee of \$180 per unit. Buildings with 11 units or more: fixed fee of \$147 per unit.	n/a
Sainte-Anne-de-Bellevue	Annual minimum of \$110 per unit for the first 263 m <sup>3</sup> and metered rate of \$0.418/m <sup>3</sup> for excess consumption.	n/a
Sainte-Geneviève	Fixed fee of \$175 per unit.	\$125 per unit \$50 per room
Saint-Laurent	Fixed minimum of \$75 per unit for the first 228 m <sup>3</sup> , metered rate of \$0.396/m <sup>3</sup> for excess consumption.	n/a
Saint-Léonard	Fixed minimum of \$85 per unit for the first 318.2 m <sup>3</sup> , metered rate of \$0.267/m <sup>3</sup> for excess consumption.	\$41.50 per unit
Senneville	Different fixed fees depending on three different water networks (\$180 to \$270 per unit) depending on the sector.	n/a
Verdun	Fixed fee of \$78 per unit.	\$96 per unit
Westmount	No specific water user fee.	n/a

1. This table lists general information regarding water user fees and solid waste treatment; many details are not included. Consumption data have been converted into metric measurement.

### NON-RESIDENTIAL PROPERTIES

In 2002, in several sectors of the city, business premises were subject to two types of taxation: one is a property tax specific to non-residential properties and added to the general property tax; the other is a rental tax levied on occupants—the business tax.

Pursuant to the charter, the municipal administration chose to abandon the business tax in the 10 sectors that levied it in 2002. This change in regime promotes the harmonization of municipal taxation for the new city as a whole while disposing of a taxation method that had become obsolete and unfair because a relatively significant number of taxpayers were not subjected to it. Lastly, it simplifies the management of tax revenues. The application of a single, more stable regime could have the effect of alleviating the tax burden of all non-residential properties on the island of Montréal over the medium term.

With the abandonment of the business tax, the property tax rate specific to non-residential properties was adjusted to offset this change. This transfer does not represent an increase in the tax burden of these properties as a whole. Nevertheless, the fact that the equivalent in revenues previously generated by the business tax will now be collected as a tax based on property value may result in tax shifts where certain buildings are concerned. This is especially true for buildings whose total taxable rental values are lower than the buildings' property values.

To compensate for these transfers, the municipal administration created a subsidy program to offset increases that exceed 5% in the level of taxation of taxable buildings. An amendment will be made to the charter of the Ville de Montréal to confer to the city the powers required to do so. The estimated cost of this program is \$10.1 million. This amount will be allocated to those buildings with a property value of \$5 million or less that are subject to such an increase in their overall taxation level.

Another tax subsidy program aimed at those occupants, often not-for-profit organizations, who were exempt from the business tax, has been set up to keep them from being affected by the change in the tax regime. The implementation of this program will also require amendments to the charter. The estimated cost of this program is \$4.3 million.

The total cost of subsidies in a given sector is assumed by all of the properties in the non-residential category in that sector. It should be noted that the cost of subsidy programs is not part of the tax burden considered in the rate harmonization process. The non-residential property tax rate consequently increases; nevertheless, additional tax revenues in relation to it are redistributed to taxpayers who benefit from the program.

Three elements are considered in establishing the general property tax rate for non-residential properties in each sector. First, a portion of the rate is attributable to the debts of the former municipalities. A rate of \$0.0444 per \$100 of valuation is also levied on all taxpayers; this rate represents the portion of revenues required to maintain the global tax burden and to cover the expenses relating to new debt. Finally, the remaining portion of the rate is established in accordance with the process of the harmonization of taxation stipulated by the charter.

It should also be mentioned that the tax rates have been adjusted in sectors where forward averaging was in effect, in order to maintain the tax revenues prior to harmonization at the same level as in 2002.

With regard to fees for water use and solid waste treatment, as is the case of properties in the residential category, little change was made to the pricing practices for fiscal 2003, compared with those in effect in 2002.

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One change was made to fees levied for water use of non-residential properties in Montréal-Nord. Starting in fiscal 2003, a fixed rate of \$0.3247 per \$100 of valuation of the parts of buildings used for non-residential purposes will be levied on all taxable buildings. For 2003, the practice of charging occupants water user fees has been abandoned in this sector.

A second change to taxation involving non-residential properties has to do with fees for solid waste treatment in the Saint-Léonard sector. For fiscal 2003, it was decided that the fee charged to occupants should be reduced by half, and that the property tax rate for 2003 should be adjusted accordingly. Occupants will thus be billed \$41.50 in 2003.

Lastly, in the Côte-Saint-Luc sector, the water fee rate of \$0.86 per \$100 of valuation levied in 2002 on the adjusted property value will increase to \$0.97 per \$100 of valuation on the three-year roll, with forward averaging of the variation in values ending in 2003 in this sector.

As for the other sectors, the methods of charging for water use and solid waste treatment in 2002 remain unchanged in fiscal 2003.

Table 30 presents the various taxation rates in effect in 2003 for non-residential properties for each sector of the new city. The revenues from fees have been translated into property tax rates and have been included for reference purposes. This equivalent indicates the approximate property tax rate that would have to be charged to generate the same level of revenues as those coming from fees for water use and solid waste treatment. Consequently, the average cumulative property tax rate for each sector is the sum of the general property tax rate and the property-tax equivalent from fees for water use and solid waste treatment.

Lastly, Table 31 shows the fees for water use and solid waste treatment by sector.

**Table 30**  
**2003 tax rates**  
**Non-residential properties<sup>1</sup>**

<b>Sector<sup>2</sup></b>	<b>Property tax: Category of non-residential properties</b>	<b>Property tax equivalent of fees<sup>3</sup></b>	<b>Avg. cumul. rate<sup>4</sup></b>
Anjou <sup>5</sup>	4.6064	0.1070	<b>4.7134</b>
Baie-D'Urfé	3.1895	0.2982	<b>3.4877</b>
Beaconsfield	3.6988	0.3926	<b>4.0914</b>
Côte-Saint-Luc *	5.5980	0.6349	<b>6.2329</b>
Dollard-Des Ormeaux	4.4246	0.0097	<b>4.4343</b>
Dorval	4.1559	0.0000	<b>4.1559</b>
Hampstead <sup>6</sup>	4.2589	0.0000	<b>4.2589</b>
Kirkland	3.9998	0.4946	<b>4.4944</b>
Lachine *	4.6219	0.2365	<b>4.8584</b>
LaSalle *	4.0741	0.3267	<b>4.4008</b>
L'Île-Bizard	3.6537	0.1138	<b>3.7675</b>
L'Île-Dorval <sup>6</sup>	6.0064	0.0000	<b>6.0064</b>
Montréal *	4.1722	1.2499	<b>5.4221</b>
Montréal-Est	4.2353	0.3683	<b>4.6036</b>
Montréal-Nord	5.0133	0.2785	<b>5.2918</b>
Montréal-Ouest	4.5282	0.0320	<b>4.5602</b>
Mont-Royal	3.7881	0.3336	<b>4.1217</b>
Outremont	4.2936	0.2822	<b>4.5758</b>
Pierrefonds	4.7923	0.1957	<b>4.9880</b>
Pointe-Claire	4.3034	0.2493	<b>4.5527</b>
Roxboro	4.1848	0.2041	<b>4.3889</b>
Sainte-Anne-de-Bellevue	4.0420	0.2349	<b>4.2769</b>
Sainte-Geneviève	4.1132	0.2620	<b>4.3752</b>
Saint-Laurent	3.6786	0.1758	<b>3.8544</b>
Saint-Léonard *	4.7576	0.1741	<b>4.9317</b>
Senneville	2.8211	0.3185	<b>3.1396</b>
Verdun * <sup>7</sup>	5.3525	0.2595	<b>5.6120</b>
Westmount *	4.0848	0.0000	<b>4.0848</b>
<b>All sectors combined</b>			<b>4.6259</b>

1. All property tax rates are expressed in \$ per \$100 of valuation.
2. Sectors identified by an asterisk used forward averaging in the 2001 and 2002 valuation rolls.
3. Fee revenues have been translated into property tax rates and are shown for reference purposes. They compile revenues from water user fees and fees for solid waste treatment divided by the taxable non-residential valuation.
4. The average cumulative rate is the sum of the general tax rate for non-residential properties and the fees translated into the equivalent property tax rate.
5. In Anjou, to the general property tax is added a tax of \$0.1124 per \$100 of valuation for land only to pay for municipal works.
6. There are no non-residential properties in these sectors. The rates indicated in the table are for prospective business establishments.
7. In Verdun, to the general property tax is added a tax to pay for municipal works. The rate for l'Île-des-Sœurs is different than the rate of the rest of the sector (mainland): Île-des-Sœurs: \$ 0.3251 per \$100 of valuation; mainland: \$0.5400 per \$100 of valuation.



**Table 31**  
**Fees for water use and solid waste treatment for non-residential properties**  
**in the various sectors of Montréal for fiscal 2003<sup>1</sup>**

Sector	Water	Solid waste
Anjou	Metered rate of \$0.187/m <sup>3</sup> .	n/a
Baie-D'Urfé	Metered rate of \$0.682/m <sup>3</sup> .	n/a
Beaconsfield	Base rate of \$40 per meter and metered rate of \$0.7765/m <sup>3</sup> .	\$162 per business establishment
Côte-Saint-Luc	Fixed fee rate of \$0.97 per \$100 of non-residential valuation.	n/a
Dollard-Des Ormeaux	No specific water user fee.	n/a
Dorval	No specific water user fee.	n/a
Hampstead	n/a	n/a
Kirkland	Semi-annual fee of \$45 per business establishment for the first 136.4 m <sup>3</sup> , \$0.627/m <sup>3</sup> up to 2,273 m <sup>3</sup> and \$0.88/m <sup>3</sup> for excess consumption.	n/a
Lachine	Varied metered fees for mixed-use and non-residential buildings. Lachine: the higher of a) \$150 per unit or establishment; b) \$0.33/m <sup>3</sup> for 454,609 m <sup>3</sup> and \$0.255/m <sup>3</sup> for excess consumption. Saint-Pierre, the higher of: a) \$0.90/m <sup>3</sup> ; b) \$240 per unit or \$360 per business establishment; c) depending on the type of meter, \$1,300 to \$4,700.	\$85 per business establishment
LaSalle	Base rate of 90 \$ per unit for the first 255 m <sup>3</sup> , metered rate of \$0.371/m <sup>3</sup> up to 425 m <sup>3</sup> and of \$0.406/m <sup>3</sup> for excess consumption.	\$100 per business establishment
L'Île-Bizard	Varied fixed fees: business in mixed-use building, \$160 per business establishment location, other businesses, \$270 per business premise location.	n/a
L'Île-Dorval	n/a	n/a
Montréal	Water tax based on rental valuation at the rate of 8.89%. In addition, metered rate at \$0.22/m <sup>3</sup> for some major water users.	n/a
Montréal-Est	Fixed fee rate of \$50 per establishment and metered rate of \$0.31/m <sup>3</sup> .	n/a
Montréal-Nord	Fixed fee of \$0.3247 per \$100 of valuation.	n/a
Montréal-Ouest	Metered rate of \$0.534/m <sup>3</sup> .	n/a
Mont-Royal	Quarterly minimum depending on meter diameter (\$25 to \$825), which corresponds to a specific water volume, and metered rate of \$0.484/m <sup>3</sup> for excess consumption.	n/a
Outremont	Metered rate of \$0.444/m <sup>3</sup> . A credit of \$0.10 per \$100 of commercial valuation is given.	\$202 per business office or \$518 per business
Pierrefonds	Base rate of \$85 per business establishment for the first 360 m <sup>3</sup> and metered rate of \$0.21/m <sup>3</sup> for excess consumption.	\$85 per business establishment
Pointe-Claire	The higher of: a) metered rate of \$0.5287/m <sup>3</sup> ; b) semi-annual minimum rate depending on meter diameter (\$60 to \$2,790).	n/a
Roxboro	Fixed fee per business establishment location (from \$180 to \$360) depending on the type of business.	n/a
Sainte-Anne-de-Bellevue	Minimum rate of \$110 per unit for the first 263 m <sup>3</sup> and metered rate of \$0.418/m <sup>3</sup> for excess consumption.	n/a
Sainte-Genève	Base rate of \$175 per unit for the first 227.3 m <sup>3</sup> and metered rate of \$0.275/m <sup>3</sup> for excess consumption.	\$125 per business establishment
Saint-Laurent	Different fixed minimum fee depending on meter diameter. Metered rate of \$0.396/m <sup>3</sup> up to 909,200 m <sup>3</sup> , and of \$0.297/m <sup>3</sup> for excess consumption.	n/a
Saint-Léonard	Fixed minimum of \$85 per establishment for the first 318.2 m <sup>3</sup> and metered rate of \$0.267/m <sup>3</sup> for excess consumption.	\$41.50 per business establishment
Senneville	Different fixed fees depending on three water networks (\$180 to \$270 per unit) depending on the sector.	n/a
Verdun	Fixed fee of \$78 per unit for the first 228 m <sup>3</sup> and metered rate at \$0.19/m <sup>3</sup> for excess consumption.	\$96 per business establishment
Westmount	No specific water user fee.	n/a

1. This table lists general information regarding water user fees and solid waste treatment; many details are not included. Consumption data have been converted into metric measurement.

### **Serviced vacant lots**

In accordance with the charter of the new Ville de Montréal, a surtax on serviced vacant lots was introduced in 2002 in sectors that did not levy it before the creation of the new city. These sectors are L'Île-Dorval, Montréal-Nord, Montréal-Ouest, Outremont, Senneville, Verdun, and Westmount. The surtax was to be introduced gradually in equal annual payments over a period of five years. The rate of the surtax was to be equal to that of the property tax. Consequently it would have been the equivalent of 40% of the property tax rate in 2003 if the city had levied this surtax rather than introducing the tax regime of property taxes at varied rates. Based on this new regime, serviced vacant lots will be subject to a specific property tax rate equal to the basic rate plus 40%.

In the other sectors, the rate specific to this building category is equal to twice the basic rate.

### **Compensation in lieu of taxes**

In 2003, properties of the governments of Québec and Canada are generally subject to compensation corresponding to the full amount of municipal taxes. Such is not the case for properties in the health and education network, which pay compensation equivalent to a percentage of the aggregate tax rate (in 2003, the aggregate tax rate has been set at \$2.1443 on a preliminary basis).

## VARIATION IN TAX BURDENS

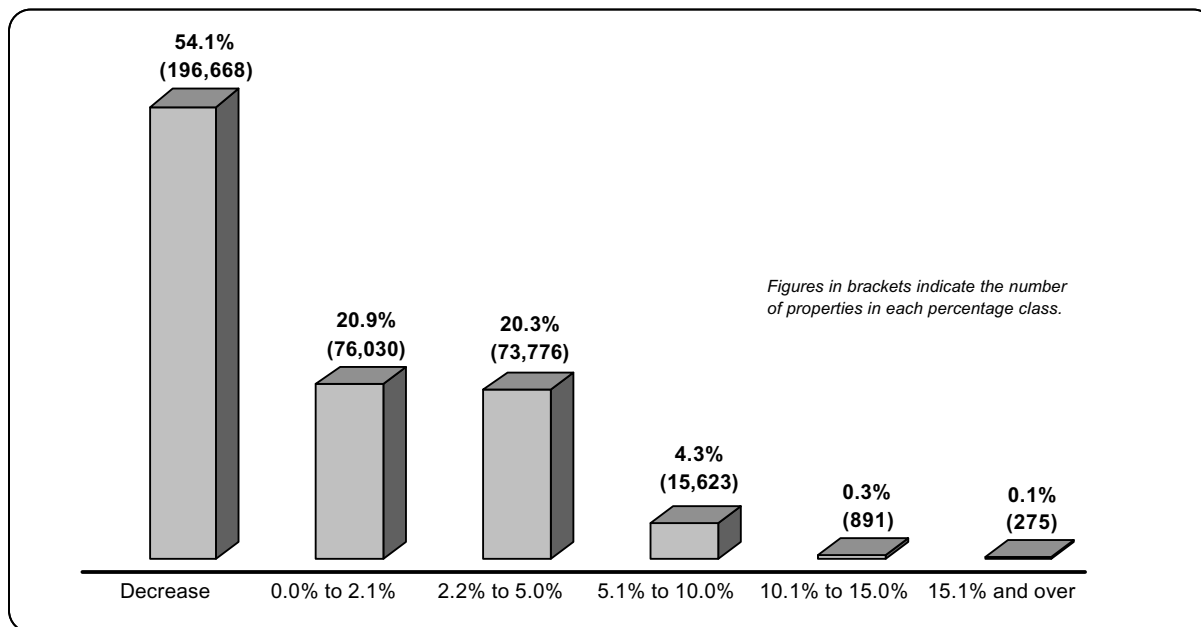
### Residential properties

Using the new taxation parameters set for fiscal 2003, it is possible to obtain an overview of the variation in global tax burdens of residential properties for each sector of the new city. Of course, this overview does not reflect the reality of the properties considered individually.

A first aspect of the variation of the tax burden is the comparison between the global tax burden of 2002 and that of 2003. "Global tax burden" means the revenues generated by the various general property tax rates in the residual category (buildings with five or fewer housing units) and in the category of buildings with six or more housing units, and from fees for water use and solid waste treatment. Finally, it should be mentioned that the portion of the general property tax paid by serviced vacant lots is not included in the global tax burden.

Figure 3 presents the variation in global tax burdens in 2003 compared with 2002 for residential properties in the new city as a whole. Tax burdens either declined, or they increased less than the expected rate of inflation of 2.1% for more than 75% of these properties. With regard to properties for which the tax burden increased more than 5%—namely, 4.7% of residential properties—a large portion of the increase is attributable to the end of property-value forward averaging in sectors where it applied, as well as the adjustment of property tax rates, necessary to maintaining the global tax burden and to covering expenditures related to financing the new city's debt.

**Figure 3**  
**Variation in 2003/2002 tax burdens of residential properties**



The tax rates of 2003 compared with 2002 and the variation of tax burdens for each sector are presented in tables 32 and 33. The variation of tax burdens established in accordance with the charter is also indicated in Table 33. The concept of residential property tax burden is explained on the page following the next two tables.

**Table 32**  
**2002 and 2003 tax rates**  
**Residential properties<sup>1</sup>**

Sector <sup>2</sup>	Fiscal 2002			Fiscal 2003		
	General property tax <sup>3</sup>	Property tax equivalent of fees <sup>4</sup>	Avg. cumul. rate <sup>5</sup>	General property tax <sup>3</sup>	Property tax equivalent of fees <sup>4</sup>	Avg. cumul. rate <sup>5</sup>
Anjou	1.6134	0.0972	<b>1.7106</b>	1.6757	0.0972	<b>1.7729</b>
Baie-D'Urfé	0.9761	0.0662	<b>1.0423</b>	1.0339	0.0662	<b>1.1001</b>
Beaconsfield	1.5059	0.2356	<b>1.7415</b>	1.5387	0.2356	<b>1.7743</b>
Côte-Saint-Luc *	1.6971	0.0500	<b>1.7471</b>	1.7181	0.0500	<b>1.7681</b>
Dollard-Des Ormeaux	1.5724	0.1481	<b>1.7205</b>	1.5539	0.1481	<b>1.7020</b>
Dorval	1.5792	-	<b>1.5792</b>	1.6539	-	<b>1.6539</b>
Hampstead	1.9986	0.0595	<b>2.0581</b>	1.9702	0.0595	<b>2.0297</b>
Kirkland	1.3496	0.1059	<b>1.4555</b>	1.4077	0.1059	<b>1.5136</b>
Lachine *	1.4244	0.4010	<b>1.8254</b>	1.4223	0.4063	<b>1.8286</b>
LaSalle *	1.6487	0.3405	<b>1.9892</b>	1.6384	0.3436	<b>1.9820</b>
L'Île-Bizard	1.3179	0.1079	<b>1.4258</b>	1.3885	0.1079	<b>1.4964</b>
L'Île-Dorval	3.7764	0.7609	<b>4.5373</b>	3.7177	0.7609	<b>4.4786</b>
Montréal *						
5 or fewer units	1.9702	-	<b>1.9702</b>	1.9522	-	<b>1.9522</b>
6 units or more	2.0621	-	<b>2.0621</b>	2.0992	-	<b>2.0992</b>
Montréal-Nord						
5 or fewer units	1.7031	0.2039	<b>1.9070</b>	1.6791	0.1617	<b>1.8408</b>
6 units or more	1.9326	0.2039	<b>2.1365</b>	1.9026	0.1617	<b>2.0643</b>
Montréal-Est	1.4878	0.0712	<b>1.5590</b>	1.5444	0.0712	<b>1.6156</b>
Montréal-Ouest	2.0839	0.1024	<b>2.1863</b>	2.0525	0.1024	<b>2.1549</b>
Mont-Royal	1.2068	0.0764	<b>1.2832</b>	1.2731	0.0764	<b>1.3495</b>
Outremont	1.4904	0.1067	<b>1.5971</b>	1.5205	0.1067	<b>1.6272</b>
Pierrefonds	1.7694	0.1834	<b>1.9528</b>	1.7999	0.1834	<b>1.9833</b>
Pointe-Claire	1.4611	0.1363	<b>1.5974</b>	1.5249	0.1363	<b>1.6612</b>
Roxboro	1.6563	0.1839	<b>1.8402</b>	1.6648	0.1839	<b>1.8487</b>
Sainte-Anne-de-Bellevue	1.4107	0.1190	<b>1.5297</b>	1.4866	0.1190	<b>1.6056</b>
Sainte-Geneviève	1.4512	0.5254	<b>1.9766</b>	1.4233	0.5254	<b>1.9487</b>
Saint-Laurent	1.3889	0.1212	<b>1.5101</b>	1.4577	0.1212	<b>1.5789</b>
Saint-Léonard *	1.7153	0.2279	<b>1.9432</b>	1.7299	0.1744	<b>1.9043</b>
Senneville	1.0351	0.0469	<b>1.0820</b>	1.0998	0.0469	<b>1.1467</b>
Verdun *	1.4799	0.2633	<b>1.7432</b>	1.4717	0.2648	<b>1.7365</b>
Westmount *						
5 or fewer units	1.2873	-	<b>1.2873</b>	1.2929	-	<b>1.2929</b>
6 units or more	1.5004	-	<b>1.5004</b>	1.5326	-	<b>1.5326</b>

1. All property tax rates are expressed in \$ per \$100 of valuation.

2. Sectors identified by an asterisk used forward averaging in the 2001 and 2002 valuation rolls. The effect of forward averaging of the variation in values is that it changes the taxable value of properties and consequently property tax rates increase or decline depending on a positive or negative difference between the 1995 and 2001 three-year valuation rolls.

3. In 2003, there are two categories of residential buildings: buildings with 5 or fewer units (the residual category), and the category of buildings with 6 units or more. The property tax rates for these categories are identical for all sectors except Montréal, Montréal-Nord and Westmount, where buildings with 6 or more units have a different rate since 2001.

4. Fee revenues have been translated into property tax rates and are shown for reference purpose. They compile revenues from water user and solid waste treatment fees divided by the taxable residential valuation as updated September 13, 2002. In 2003, the property-tax-rate equivalent of fees remains the same except in 7 municipalities that used forward averaging in the 2001 and 2002 valuation rolls.

5. The average cumulative rate is the sum of the general tax rate and the fees translated into the equivalent tax rates. In this respect, it comes as close as it can to forming an acceptable basis of comparison between sectors.

**Table 33**  
**Variation in 2003/2002 tax burdens**  
**in Montréal sectors**  
**Residential properties<sup>1</sup>**

<b>Sector</b>	<b>Tax burden<sup>1</sup></b>	<b>Global tax burden<sup>2</sup></b>
Anjou	5.00%	3.64%
Baie-D'Urfé	5.00%	5.55%
Beaconsfield	2.17%	1.88%
Côte-Saint-Luc	0.86%	0.91%
Dollard-Des Ormeaux	-1.53%	-1.08%
Dorval	5.00%	4.73%
Hampstead	-1.53%	-1.38%
Kirkland	5.00%	3.99%
Lachine	-1.53%	-1.13%
LaSalle	-1.53%	-1.26%
L'Île-Bizard	5.00%	4.95%
L'Île-Dorval	-1.53%	-1.29%
Montréal	-1.53%	-1.37%
Montréal-Est	5.00%	3.63%
Montréal-Nord	-1.53%	-3.45%
Montréal-Ouest	-1.53%	-1.44%
Mont-Royal	5.00%	5.17%
Outremont	1.51%	1.88%
Pierrefonds	2.66%	1.56%
Pointe-Claire	5.00%	3.99%
Roxboro	0.77%	0.46%
Sainte-Anne-de-Bellevue	5.00%	4.96%
Sainte-Genève	-1.53%	-1.41%
Saint-Laurent	5.00%	4.56%
Saint-Léonard	-1.53%	-1.78%
Senneville	5.00%	5.98%
Verdun	-1.53%	-0.96%
Westmount	5.00%	5.32%
<b>VILLE DE MONTRÉAL</b>	<b>0.00%</b>	<b>0.09%</b>

1. The variation in tax burdens is established in accordance with the charter. In all cases, it excludes revenues used to finance debt-related expenditures, revenues that do not solely result from the constitution of the new city, as well as those generated by the portion of the general property tax paid by serviced vacant lots.
2. "Global tax burden" means the revenues generated by the general property tax (including amounts required to finance debt-related expenditures) and by water user fees and fees for solid waste treatment. Finally, it should be noted that the portion of the general property tax paid by serviced vacant lots is not included in the global tax burden.

The disparity of the variation in tax burden and that of global tax burden is due to debt revision, and to its distribution between residential and non-residential properties, and to the property tax adjustment that ensures that the global tax burden is maintained and, in particular, covers debt financing expenses of the new city.

From the standpoint of variation in tax burdens—that is, excluding revenues used to finance debt-related expenditures, revenues that do not solely result from the constitution of the new city, as well as those generated by the portion of the general property tax paid by serviced vacant lots—it should be noted that the tax burdens of residential properties as a whole are the same as in 2002. Table 34 and Figure 4 present an overview by sector in two different forms. The 5% ceiling was reached in 12 sectors and the maximum decrease of 1.53% is attributed to 11 sectors (in the table, the decrease is rounded up to 1.5% for presentation purposes). Finally, in five sectors, the increases or decreases in tax burdens did not require the setting of limitations.

**Table 34**  
**Distribution of the tax burden by sector in accordance with the charter**  
**Residential properties**

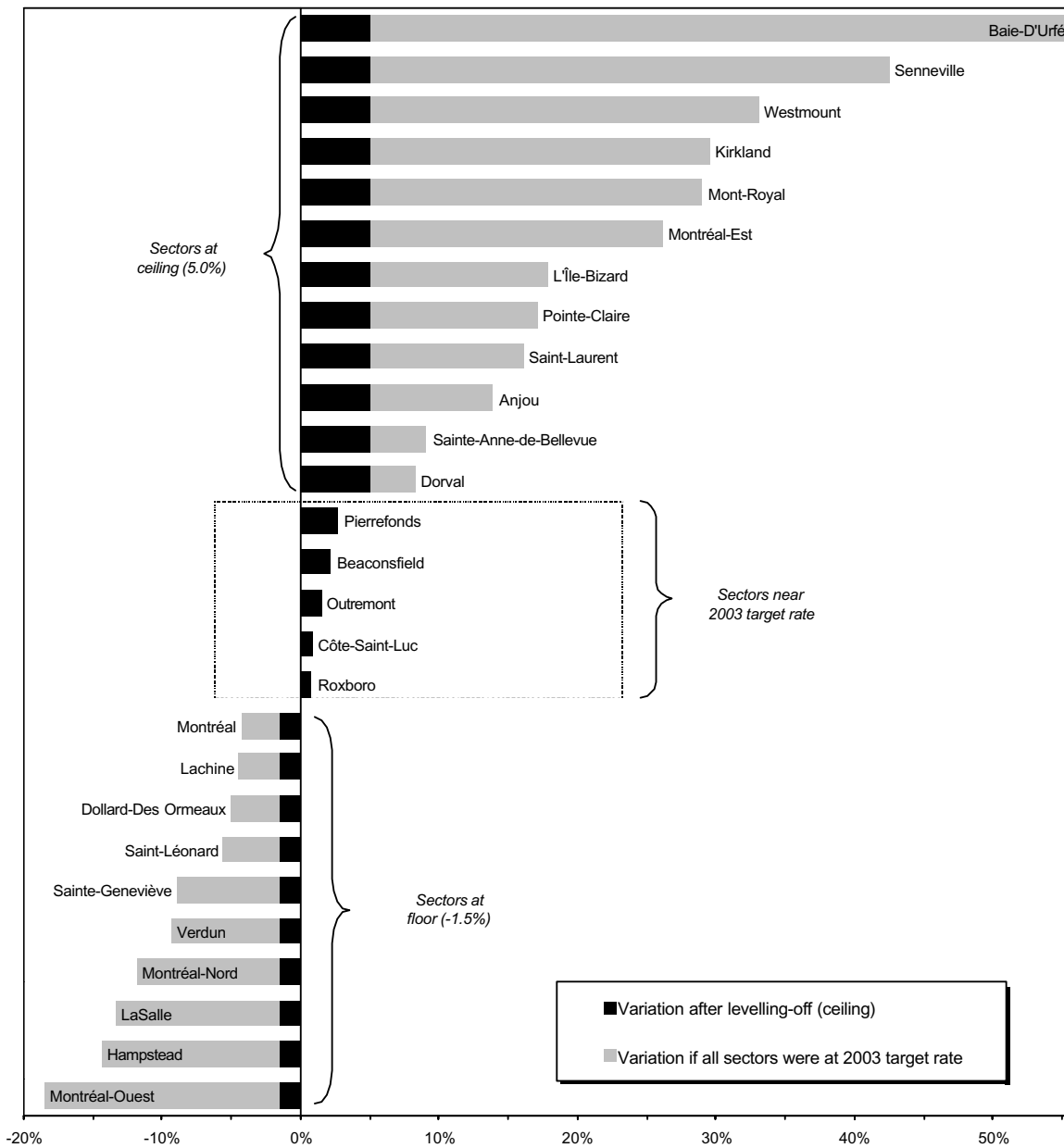
Sector <sup>1</sup>	Total for 2002 excluding debt <sup>2</sup>	Ultimate total (2003 target rate)	Ultimate gross variation using 2003 target rate		Variation after levelling-off		2003 total after levelling-off	
	\$000	\$000	%	\$000	%	\$000	\$000	
30 Montréal *	444,574.5	425,448.4	-4.3 %	-19,126.1	-1.5 %	-6,802.0	437,772.6	Sectors at floor
12 LaSalle *	37,198.6	32,245.8	-13.3 %	-4,952.8	-1.5 %	-569.1	36,629.5	
16 Montréal-Nord	30,498.9	26,893.6	-11.8 %	-3,605.3	-1.5 %	-466.6	30,032.3	
28 Verdun *	31,440.0	28,530.7	-9.3 %	-2,909.2	-1.5 %	-481.0	30,958.9	
26 Saint-Léonard *	36,828.8	34,749.8	-5.6 %	-2,079.0	-1.5 %	-563.5	36,265.4	
7 Hampstead	11,943.3	10,231.7	-14.3 %	-1,711.6	-1.5 %	-182.7	11,760.6	
5 Dollard-Des Ormeaux	31,475.0	29,905.5	-5.0 %	-1,569.5	-1.5 %	-481.6	30,993.5	
15 Montréal-Ouest	6,012.6	4,899.0	-18.5 %	-1,113.6	-1.5 %	-92.0	5,920.6	
19 Lachine *	18,252.8	17,425.3	-4.5 %	-827.5	-1.5 %	-279.3	17,973.5	
24 Sainte-Geneviève	1,478.8	1,347.3	-8.9 %	-131.5	-1.5 %	-22.6	1,456.2	
9 L'Île-Dorval	178.0	60.4	-66.1 %	-117.6	-1.5 %	-2.7	175.3	Sectors near 2003 target rate
21 Roxboro	3,117.6	3,141.5	0.8 %	24.0	0.8 %	24.0	3,141.5	
4 Côte-Saint-Luc *	24,397.3	24,606.1	0.9 %	208.9	0.9 %	208.9	24,606.1	
17 Outremont	23,458.3	23,813.1	1.5 %	354.8	1.5 %	354.8	23,813.1	
3 Beaconsfield	19,113.4	19,527.3	2.2 %	413.9	2.2 %	413.9	19,527.3	
18 Pierrefonds	28,340.0	29,094.5	2.7 %	754.5	2.7 %	754.5	29,094.5	
23 Sainte-Anne-de-Bellevue	2,512.0	2,740.7	9.1 %	228.6	5.0 %	125.6	2,637.6	Sectors at ceiling
14 Montréal-Est	1,343.9	1,695.9	26.2 %	352.0	5.0 %	67.2	1,411.1	
22 Senneville	1,343.8	1,914.7	42.5 %	570.9	5.0 %	67.2	1,411.0	
6 Dorval	11,465.6	12,415.8	8.3 %	950.2	5.0 %	573.3	12,038.9	
8 L'Île-Bizard	9,089.4	10,720.4	17.9 %	1,630.9	5.0 %	454.5	9,543.9	
2 Baie-D'Urfé	3,145.8	4,894.0	55.6 %	1,748.2	5.0 %	157.3	3,303.1	
1 Anjou	17,090.1	19,464.6	13.9 %	2,374.6	5.0 %	854.5	17,944.6	
20 Pointe-Claire	17,675.9	20,690.8	17.1 %	3,015.0	5.0 %	883.8	18,559.7	
10 Kirkland	13,823.0	17,921.1	29.6 %	4,098.1	5.0 %	691.2	14,514.2	
25 Saint-Laurent	37,255.6	43,244.3	16.1 %	5,988.6	5.0 %	1,862.8	39,118.4	
13 Mont-Royal	21,055.2	27,165.3	29.0 %	6,110.1	5.0 %	1,052.8	22,108.0	
29 Westmount *	28,109.3	37,404.1	33.1 %	9,294.8	5.0 %	1,405.5	29,514.7	
<b>Ville de Montréal</b>	<b>912,217.6</b>	<b>912,191.8</b>	<b>0.0 %</b>	<b>-25.8</b>	<b>0.0 %</b>	<b>8.3</b>	<b>912,225.9</b>	

**2003 target rate: \$1.5379<sup>3</sup>**

- Sectors identified by an asterisk used forward averaging in 2001 and 2002.
- Includes revenues from the general property tax and fees (water and solid waste), excluding debt.
- The 2003 target rate is the result of the tax burden (\$912.2M) divided by the total 2003 taxable property values and those subject to compensation (\$59,314.1M) as updated September 13, 2002. The difference with the 2002 target rate (\$1.5237) is partly attributable to the end of forward averaging of the variation in property values in sectors where it had been applied.

Source: Compiled based on 2002 fiscal parameters and updated property-tax value base as at September 13, 2002.

**Figure 4**  
**Variation in tax burdens in 2003**  
**Residential properties**





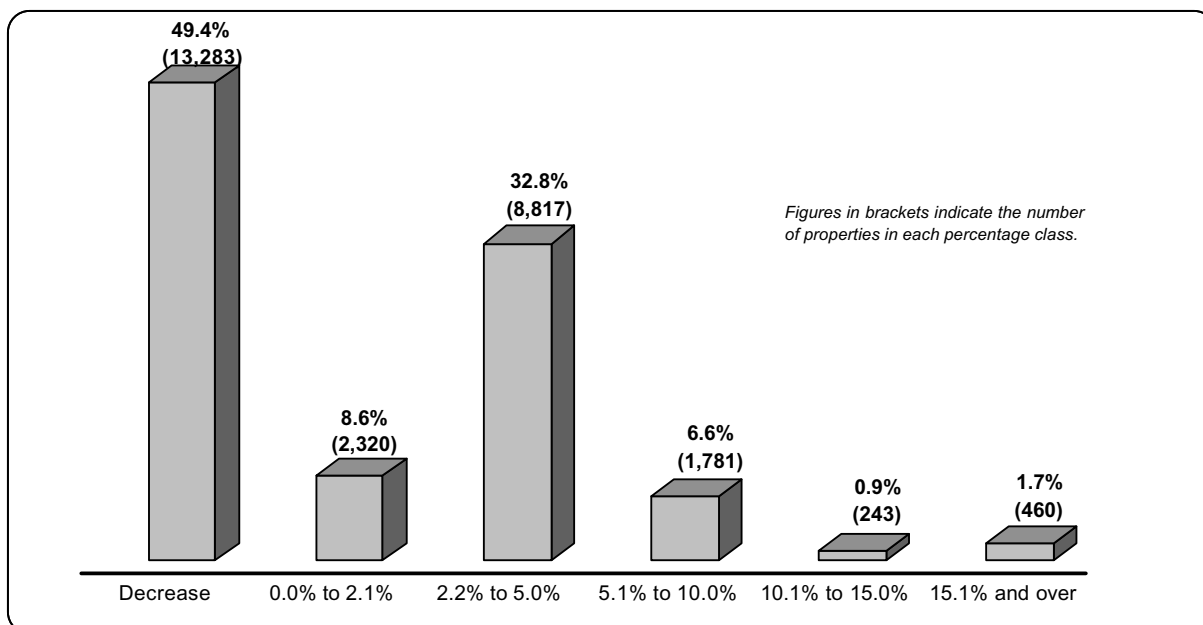
## Budget Plan

### Non-residential properties

To establish the global tax burdens of non-residential properties, revenues from the general property tax and fees for water use and solid waste treatment must be considered.

Figure 5 presents the variation in global tax burdens in 2003 compared with 2002 for non-residential properties in the new city as a whole. For nearly 58% of these properties, tax burdens either declined, or they increased less than the expected rate of inflation of 2.1%. Nevertheless, close to 9% of them have increases that exceed 5%. A large portion of the increases is attributable to dropping forward averaging of property values in certain sectors, to additional revenues generated by the abandonment of the business tax for certain government contributors, to tax shifts resulting from the change in tax regime involving certain properties not eligible for the grant program, and to adjustments to property tax rates necessary to maintaining the global tax burden and to covering expenditures related to financing the debt of the new city.

**Figure 5**  
**Variation in 2003/2002 tax burdens of non-residential properties**



The taxation rates of 2003 compared with 2002 and the variation in tax burdens for each sector are presented in tables 35 and 36. Table 36 also shows the variation in tax burdens established in accordance with the charter. The concept of non-residential property tax burden is explained on the page following the next two tables.

Comparison of the global tax burden of 2003 with 2002 shows a slight increase. This increase is due to the abandonment of the business tax and its replacement by a property tax that allows the levying of a non-residential tax on taxpayers that were not subject to rental taxation—for example, the federal government and its agencies, which the law prohibits from paying the equivalent of business taxes but which obliges them to pay a contribution in lieu of the property tax specific to non-residential properties. The adjustment of the tax burden of these taxpayers broadens the tax base.

**Table 35**  
**2002 and 2003 tax rates**  
**Non-residential properties<sup>1</sup>**

Sector <sup>2</sup>	Fiscal 2002				Fiscal 2003	
	General property tax	Tax on non-residential properties	Business tax		Combined rate for non-residential properties <sup>4</sup>	Property tax: Category of non-residential properties <sup>5</sup>
			Rate	Property tax equiv. <sup>3</sup>		
Anjou	1.6134	1.0267	11.83%	1.6783	4.3184	4.6064
Baie-D'Urfé	0.9761	2.0181	-	-	2.9942	3.1895
Beaconsfield	1.5059	1.9965	-	-	3.5024	3.6988
Côte-Saint-Luc *	1.6971	0.3784	18.54%	2.5635	4.6390	5.5980
Dollard-Des Ormeaux	1.5724	2.8896	-	-	4.4620	4.4246
Dorval	1.5792	2.4212	-	-	4.0004	4.1559
Hampstead <sup>6</sup>	1.9986	2.0000	-	-	3.9986	4.2589
Kirkland	1.3496	2.5758	-	-	3.9254	3.9998
Lachine *	1.4244	3.0219	-	-	4.4463	4.6219
LaSalle *	1.6487	2.3207	-	-	3.9694	4.0741
L'Île-Bizard	1.3179	2.1412	-	-	3.4591	3.6537
L'Île-Dorval <sup>6</sup>	3.7764	2.0000	-	-	5.7764	6.0064
Montréal * <sup>7</sup>	1.9702	0.3348	12.99%	1.6360	3.9410	4.1722
Montréal-Est	1.4878	2.7875	-	-	4.2753	4.2353
Montréal-Nord	1.7031	0.9497	13.45%	1.8937	4.5465	5.0133
Montréal-Ouest	2.0839	0.2381	10.83%	1.6281	3.9501	4.5282
Mont-Royal	1.2068	0.1039	14.30%	2.1103	3.4210	3.7881
Outremont	1.4904	0.2775	13.63%	1.8642	3.6321	4.2936
Pierrefonds	1.7694	1.6564	7.65%	1.0610	4.4868	4.7923
Pointe-Claire	1.4611	2.6487	-	-	4.1098	4.3034
Roxboro	1.6563	2.3335	-	-	3.9898	4.1848
Sainte-Anne-de-Bellevue	1.4107	2.5973	-	-	4.0080	4.0420
Sainte-Geneviève	1.4512	2.4379	-	-	3.8891	4.1132
Saint-Laurent	1.3889	2.1015	-	-	3.4904	3.6786
Saint-Léonard *	1.7153	1.0380	12.22%	1.6183	4.3716	4.7576
Senneville	1.0351	0.0954	13.43%	1.3698	2.5003	2.8211
Verdun *	1.4799	3.2481	-	-	4.7280	5.3525
Westmount *	1.2873	2.2948	-	-	3.5821	4.0848

1. All property tax rates are expressed in \$ per \$100 of valuation.

2. Sectors identified by an asterisk used forward averaging in the 2001 and 2002 valuation rolls. The effect of forward averaging of the variation in values is that it changes the taxable value of properties and consequently property tax rates increase or decline depending on whether the difference between the 1995 and 2001 three-year rolls is negative or positive. The impact on the non-residential property tax rate is considerable as these variations in value were the greatest for property in this category.

3. Business-tax revenues have been translated into property-tax equivalent for comparative purposes.

4. The combined rate for non-residential properties is the sum of the general property tax rate, the tax rate on non-residential properties, and the property-tax-rate equivalent to the business tax.

5. In 2003, the property tax rate specific to non-residential properties replaces the rates of the general property tax, the tax on non-residential properties, and the business tax, levied in 2002.

6. There are no non-residential properties in these sectors. The rates indicated in the table are for prospective business establishments.

7. For business establishments with a rental value under \$30,000, a credit reduced the effective business tax rate to as low as 11.01% in 2002.

**Table 36**  
**Variation in 2003/2002 tax burdens**  
**in Montréal sectors**  
**Non-residential properties**

<b>Sector</b>	<b>Tax burden<sup>1</sup></b>	<b>Global tax burden<sup>2</sup></b>
Anjou	5.00%	4.35%
Baie-D'Urfé	5.00%	5.93%
Beaconsfield	5.00%	4.89%
Côte-Saint-Luc	-1.66%	-0.24%
Dollard-Des Ormeaux	-1.66%	-0.84%
Dorval	3.57%	3.89%
Hampstead	n/a	n/a
Kirkland	1.67%	1.70%
Lachine	-1.66%	-1.27%
LaSalle	-1.63%	-1.08%
L'Île-Bizard	5.00%	5.39%
L'Île-Dorval	n/a	n/a
Montréal	-1.66%	0.09%
Montréal-Est	-1.21%	-0.85%
Montréal-Nord	3.78%	2.15%
Montréal-Ouest	5.00%	4.72%
Mont-Royal	5.00%	5.65%
Outremont	5.00%	5.48%
Pierrefonds	5.00%	3.97%
Pointe-Claire	5.00%	4.43%
Roxboro	5.00%	4.41%
Sainte-Anne-de-Bellevue	0.29%	0.89%
Sainte-Geneviève	5.00%	4.48%
Saint-Laurent	5.00%	5.12%
Saint-Léonard	-1.66%	-1.17%
Senneville	5.00%	10.81%
Verdun	-1.66%	-1.11%
Westmount	5.00%	5.20%
<b>VILLE DE MONTRÉAL</b>	<b>0.00%</b>	<b>1,05%<sup>3</sup></b>

1. The variation in tax burdens is established in accordance with the charter. In all cases, it excludes revenues used to finance debt-related expenditures, revenues that do not solely result from the constitution of the new city, as well as those generated by the portion of the general property tax paid by serviced vacant lots.

2. "Global tax burden of non-residential properties" means the revenues generated by the general property tax (including amounts required to finance debt-related expenditures, and to cover subsidy programs to offset tax shifts resulting from the abandonment of the business tax, and expenses generated by its abandonment), and by the levying of fees (water and solid waste). Lastly, it should be noted that the portion of the general property tax paid by serviced vacant lots is excluded from the global tax burden.

3. Disparities between the variation in the tax burden and that of the global tax burden are due to debt revision, to distribution between residential and non-residential properties, and to the property tax adjustment that ensures that the global tax burden is maintained and covers debt financing expenses of the new city. Certain variations may also be explained by the replacement of the business tax by a property tax that levies a non-residential tax on certain taxpayers who were not subject to rental taxation: the federal government and its agencies, for example, which the law prohibits from paying the equivalent of business taxes, but obliges to pay a contribution in-lieu of the property tax specific to non-residential properties.

With regard to the tax burden established in accordance with the charter, Table 37 and Figure 6 show that the 5% ceiling was reached in 14 sectors and that the maximum decrease of 1.66% applied to six sectors. (In the table, the decrease is rounded up to 1.7% for presentation purposes). Lastly, in six sectors, increases or decreases in tax burdens did not require the setting of limitations.

It should be noted that in the establishment of the non-residential tax burden, revenues used to finance debt-related expenditures and revenues that are not solely a result of the constitution of the new city are excluded. Among these types of revenues are revenues generated by the abandonment of the business tax and those necessary for financing grant programs set up to mitigate the tax shift resulting from the transfer of business taxes to property taxes.

**Table 37**  
**Distribution of the tax burdens by sector in accordance with the charter**  
**Non-residential properties**

Sector <sup>1</sup>	Total for 2002 excluding debt <sup>2</sup>	Ultimate total (2003 target rate)	Ultimate gross variation using 2003 target rate		Variation after levelling-off		2003 total after levelling-off
	\$000	\$000	%	\$000	%	\$000	\$000
30 Montréal *	669,596.8	639,901.9	-4.4 %	-29,694.9	-1.7 %	-11,115.3	658,481.5
19 Lachine *	28,456.9	26,949.2	-5.3 %	-1,507.7	-1.7 %	-472.4	27,984.5
26 Saint-Léonard *	30,104.6	28,697.7	-4.7 %	-1,406.8	-1.7 %	-499.7	29,604.8
5 Dollard-Des Ormeaux	8,931.1	8,098.4	-9.3 %	-832.7	-1.7 %	-148.3	8,782.9
28 Verdun *	13,544.5	12,889.8	-4.8 %	-654.7	-1.7 %	-224.8	13,319.7
4 Côte-Saint-Luc *	5,865.2	5,257.8	-10.4 %	-607.5	-1.7 %	-97.4	5,767.8
12 LaSalle *	25,639.6	25,221.6	-1.6 %	-418.0	-1.6 %	-418.0	25,221.6
14 Montréal-Est	14,772.7	14,594.3	-1.2 %	-178.4	-1.2 %	-178.4	14,594.3
23 Sainte-Anne-de-Bellevue	3,355.3	3,365.0	0.3 %	9.8	0.3 %	9.8	3,365.0
10 Kirkland	11,917.2	12,115.7	1.7 %	198.5	1.7 %	198.5	12,115.7
6 Dorval	44,241.6	45,819.5	3.6 %	1,577.9	3.6 %	1,577.9	45,819.5
16 Montréal-Nord	21,164.7	21,965.1	3.8 %	800.4	3.8 %	800.4	21,965.1
15 Montréal-Ouest	538.8	609.3	13.1 %	70.4	5.0 %	26.9	565.8
21 Roxboro	583.3	669.7	14.8 %	86.4	5.0 %	29.2	612.5
24 Sainte-Geneviève	389.0	493.5	26.9 %	104.5	5.0 %	19.4	408.4
3 Beaconsfield	1,016.7	1,171.7	15.2 %	155.0	5.0 %	50.8	1,067.6
22 Senneville	741.1	981.2	32.4 %	240.0	5.0 %	37.1	778.2
8 L'Île-Bizard	1,224.0	1,620.9	32.4 %	396.9	5.0 %	61.2	1,285.2
18 Pierrefonds	4,979.9	5,693.9	14.3 %	714.0	5.0 %	249.0	5,228.9
2 Baie-D'Urfé	4,556.1	5,390.7	18.3 %	834.6	5.0 %	227.8	4,783.9
13 Mont-Royal	18,269.3	19,521.2	6.9 %	1,252.0	5.0 %	913.5	19,182.7
20 Pointe-Claire	35,546.3	37,347.8	5.1 %	1,801.4	5.0 %	1,777.3	37,323.7
17 Outremont	5,384.0	7,920.5	47.1 %	2,536.5	5.0 %	269.2	5,653.2
1 Anjou	29,392.9	32,136.1	9.3 %	2,743.2	5.0 %	1,469.6	30,862.5
29 Westmount *	12,431.1	16,491.5	32.7 %	4,060.4	5.0 %	621.6	13,052.7
25 Saint-Laurent	96,642.3	114,366.6	18.3 %	17,724.3	5.0 %	4,832.1	101,474.4
<b>Ville de Montréal</b>	<b>1,089,285.0</b>	<b>1,089,290.6</b>	<b>0.0 %</b>	<b>5.6</b>	<b>0.0 %</b>	<b>17.0</b>	<b>1,089,302.0</b>

Sectors  
at  
floor

Sectors  
near  
2003  
target rate

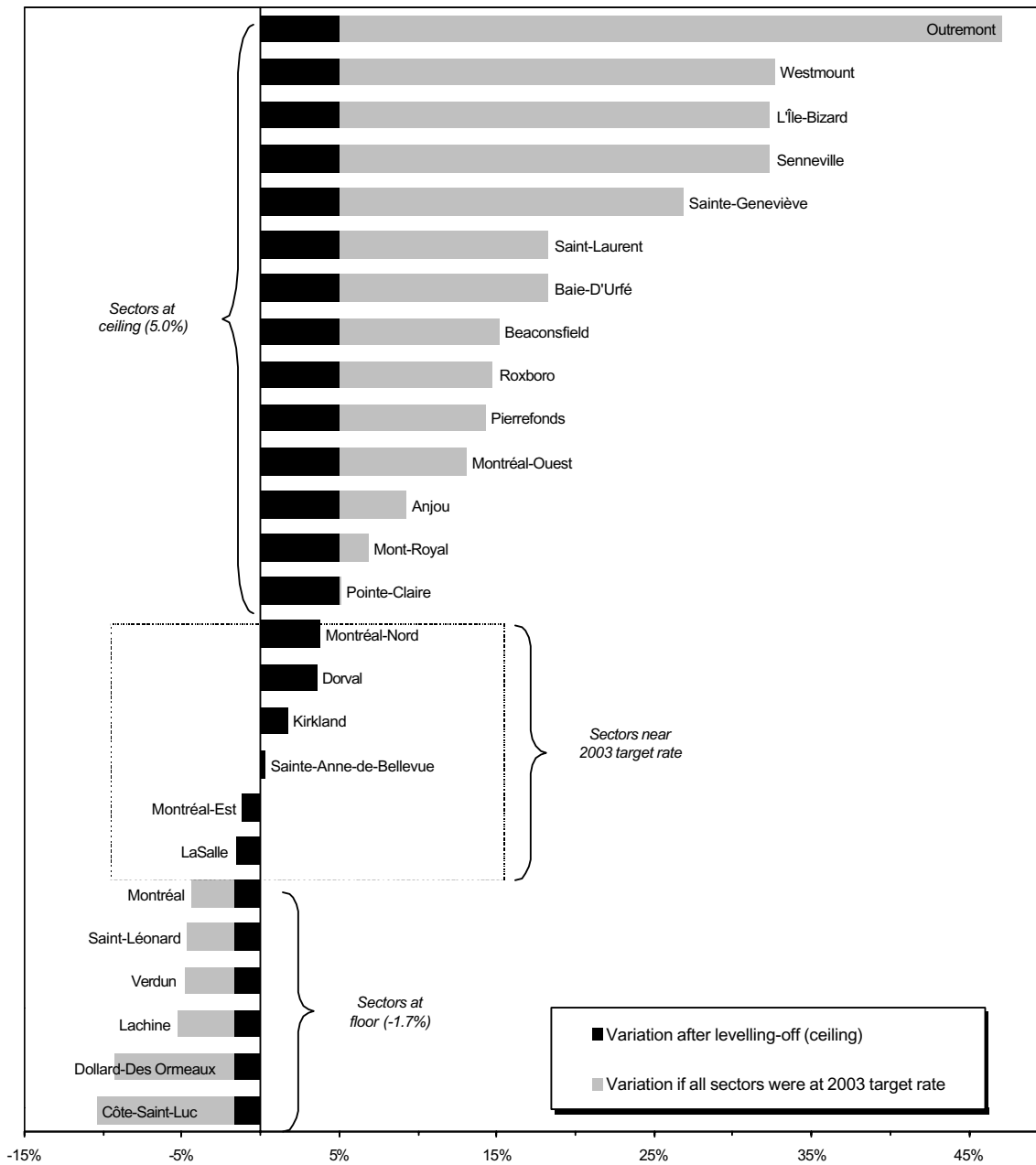
Sectors  
at  
ceiling

**2003 target rate: \$3.7229<sup>3</sup>**

1. Sectors identified by an asterisk used forward averaging in 2001 and 2002.
2. Includes revenues from the general property tax, the non-residential tax, fees (water and solid waste), and rental taxes, excluding debt.
3. The 2003 target rate is the result of the tax burden (\$1,089.3M) divided by the total 2003 taxable values and those subject to compensation (\$29,259.2M) as updated September 13, 2002.

Source: Compiled based on 2002 fiscal parameters and updated property-tax value base as at September 13, 2002.

**Figure 6**  
**Variation in tax burdens in 2003**  
**Non-residential properties**



### TAXATION PROCESS

The municipal taxation process consists of two stages: levying and collection. Levying consists of establishing the amount of taxes and the fee rates eligible for a given fiscal period; collection designates the recovery of sums established at the levying stage.

Starting in fiscal 2003, there will be only two forms of levying: the property tax at varied rates, and fees for water use and treatment of solid waste. As previously mentioned, Montréal no longer levies the business tax in the 10 sectors where it was applied in 2002. Levying of a general property tax involves two elements: a property value, namely the valuation of the property as established in the last valuation roll, and a tax rate. The amount of property taxes is the quotient of the applicable rates and the corresponding values.

Fees for water use or solid waste treatment are billed to the owner or the occupant of a housing unit or a business establishment, in accordance with various methods specific to each sector (see tables 29 and 31).

The property values are established by the Direction de l'évaluation foncière of the Ville de Montréal. The tax rates are adopted as a by-law by the city council after budget study. The terms and conditions of payment and the payment deadlines are also adopted by means of a by-law of the city council, but these come under the Act respecting Municipal Taxation. The municipal tax bills will be mailed no later than January 31, 2003. The deadlines for the first payment are March 3 and June 2 of the same year. The responsibility to produce timely tax bills and to collect amounts that are current is the responsibility of the Service des finances of the Ville de Montréal. In the event of non-payment, the department proceeds with various stages of collection from a simple notice to various personalized efforts at collection before putting the property on sale for unpaid property taxes.

## VALUATION ROLL

The year 2003 is the last year of the 2001-2003 three-year valuation roll. As at September 13, 2001, property values totalled \$102.5 billion, representing \$85.5 billion in taxable property values and \$17 billion in tax-exempt property values. A year later, as at September 13, 2002, taxable property values totalled \$86.9 billion and tax-exempt values totalled \$17.2 billion, a variation of 1.6% and 1.2% respectively. It should be noted that these values reflect the real estate market on July 1, 1999, the reference date of the 2001-2003 three-year valuation roll.

Table 38 shows the changes in the roll since its tabling and, more specifically, changes over last year, compiled from certificates that increased or decreased the value of properties situated on Montréal territory.

**Table 38**  
**Changes in the 2001-2003 three-year roll**

	Property value (\$M)	
	Taxable	Non-taxable
Value as at September 13, 2000	84,583.2	17,110.5
Value as at September 13, 2001	85,534.2	16,960.4
Changes during the year:		
Addition of new buildings	1,113.3	16.1
Change to existing buildings	568.0	150.3
Valuation revision agreements	(256.3)	(32.4)
TAQ decision	(21.2)	0.0
Fire	(9.9)	(0.1)
Demolition	(22.6)	(5.8)
Other	(41.1)	83.3
Value as at September 13, 2002	86,864.3	17,171.9
Net change		
September 13, 2000 – September 13, 2001	<b>951.1</b>	<b>(150.1)</b>
September 13, 2001 – September 13, 2002	<b>1,330.1</b>	<b>211.5</b>

Source: Ville de Montréal, Direction de l'évaluation foncière.

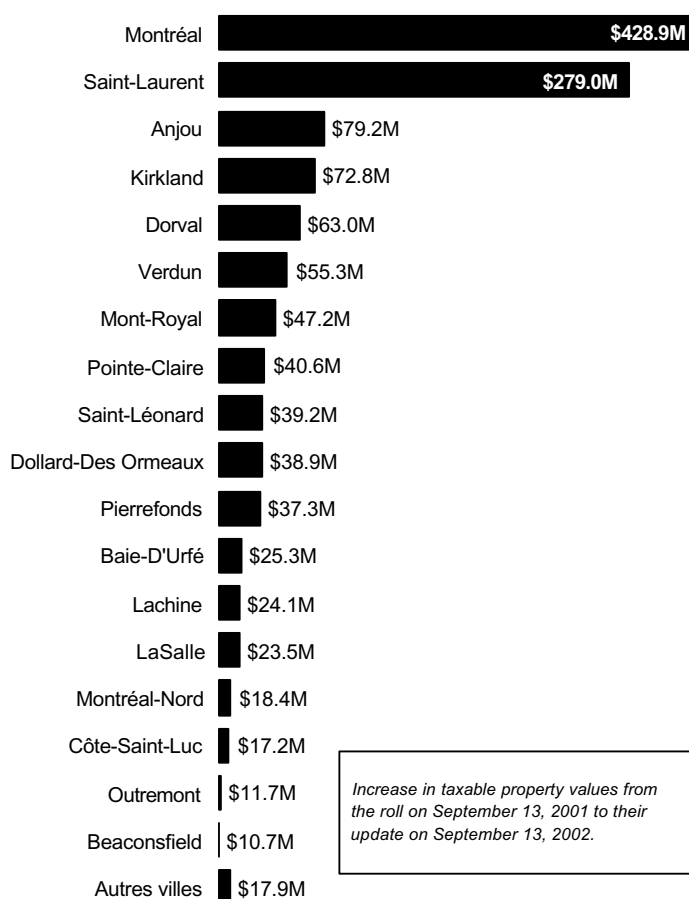
The addition of new buildings and changes to existing buildings increased the base of taxable property values by \$1,681.3 million. On the other hand, certain events such as fires, demolitions, valuation revision agreements and decisions of the Tribunal administratif du Québec (TAQ) imposing a decrease in the value of properties whose owners had appealed the valuation, contributed to reducing this tax base. On September 13, 2002, whether by agreement or decision, the revision of values reduced the tax base of taxable property values by \$277.5 million.



## Budget Plan

Figure 7 presents the change in taxable value for each sector of the city. A little more than half of the changes apply to the Montréal and Saint-Laurent sectors, for additional values totalling \$707.9 million. There were other changes that represented substantial increases in the Anjou, Kirkland, and Dorval sectors.

**Figure 7**  
**Changes in taxable value**



Source : Ville de Montréal, Direction de l'évaluation foncière.

Table 39 shows the changes in the tax base in 2002 in various real estate sectors. Residential property values increased by \$761.4 million, of which a very large portion is attributable to single-family dwellings (\$244.0 million) and especially to condominiums (close to \$500 million). Again this year, most of the additional property units were in the condominium market, attesting to the popularity of condominiums in housing development. With regard to commercial properties, property values increased 3%, representing a net broadening of \$593.5 million. The various businesses (\$153.2 million), warehouses (\$186.6 million), and office buildings (\$125.7 million) account for 78% of the broadening of the tax base as concerns the values of non-residential properties.

In the industrial sector, property values increased by 3.8%, or approximately \$165 million. Close to 85% of this increase is in the category of light manufacturing, despite an absolute decline in numbers of units, which leads to the conclusion that operations are consolidating. Lastly, in the vacant lot sector, values declined by \$48.7 million, despite an increase in the number of units, a decline that can be explained by the piecemeal operations and subdivision often characterizing this type of property.

**Table 39**  
**Valuation roll of the new Ville de Montréal**

	September 2001		September 2002		Variation 2001/2002		
	Units	Value \$M	Units	Value \$M	Units	Value \$M	%
<b>Residential sector</b>							
Single-family dwelling	143,566	24,356.9	143,686	24,600.8	120	244.0	1.0%
Duplex	74,302	11,126.9	74,272	11,120.3	(30)	(6.6)	(0.1%)
Triplex	29,079	5,152.2	29,039	5,148.2	(40)	(4.0)	(0.1%)
4 to 11 housing units	22,622	4,503.3	22,566	4,497.7	(56)	(5.6)	(0.1%)
Rooming house and secondary building	911	163.4	901	165.3	(10)	1.9	1.2%
Apt. building	6,341	7,228.4	6,331	7,260.2	(10)	31.9	0.4%
Condominium	76,012	7,266.0	78,895	7,765.8	2,883	499.8	6.9%
	<b>352,833</b>	<b>59,797.0</b>	<b>355,690</b>	<b>60,558.4</b>	<b>2,857</b>	<b>761.4</b>	<b>1.3%</b>
<b>Commercial sector</b>							
Mixed-use building	8,782	1,818.8	8,769	1,824.0	(13)	5.2	0.3%
Varied commercial	5,354	3,480.9	5,343	3,634.1	(11)	153.2	4.4%
Warehouse	2,673	3,472.5	2,684	3,659.1	11	186.6	5.4%
Shopping centre	242	2,020.3	245	2,096.8	3	76.5	3.8%
Office building	1,118	6,448.4	1,117	6,574.1	(1)	125.7	1.9%
Garage and service station	1,325	591.6	1,322	610.4	(3)	18.8	3.2%
Hotel/motel	161	1,067.6	162	1,077.0	1	9.4	0.9%
Theatre/stadium	16	43.0	16	63.1	0	20.2	47.0%
Loft building	294	548.1	291	539.7	(3)	(8.3)	(1.5%)
Parking	613	222.1	605	228.4	(8)	6.3	2.9%
Other	43	111.1	46	111.1	3	0.1	0.1%
	<b>20,621</b>	<b>19,824.3</b>	<b>20,600</b>	<b>20,417.9</b>	<b>(21)</b>	<b>593.5</b>	<b>3.0%</b>
<b>Industrial sector</b>							
Railway	48	413.3	46	386.8	(2)	(26.5)	(6.4%)
Plant	305	1,588.2	301	1,633.5	(4)	45.3	2.9%
Light manufacturing	1,956	2,144.1	1,945	2,284.0	(11)	139.9	6.5%
Utilities	174	182.3	180	188.6	6	6.2	3.4%
	<b>2,483</b>	<b>4,327.9</b>	<b>2,472</b>	<b>4,492.8</b>	<b>(11)</b>	<b>164.9</b>	<b>3.8%</b>
<b>Vacant lot</b>	<b>9,509</b>	<b>1,429.0</b>	<b>10,918</b>	<b>1,380.3</b>	<b>1,409</b>	<b>(48.7)</b>	<b>(3.4%)</b>
<b>Farm</b>	<b>30</b>	<b>15.1</b>	<b>31</b>	<b>14.8</b>	<b>1</b>	<b>(0.3)</b>	<b>(2.2%)</b>
<b>Taxable immovables</b>	<b>385,476</b>	<b>85,534.2</b>	<b>389,711</b>	<b>86,864.2</b>	<b>4,235</b>	<b>1,330.0</b>	<b>1.6%</b>
<b>Non-taxable immovables</b>	<b>16,800</b>	<b>16,960.4</b>	<b>16,127</b>	<b>17,171.9</b>	<b>(673)</b>	<b>211.5</b>	<b>1.2%</b>
<b>TOTAL, PROPERTY VAL. ROLL</b>	<b>402,276</b>	<b>102,494.6</b>	<b>405,838</b>	<b>104,036.1</b>	<b>3,562</b>	<b>1,541.6</b>	<b>1.5%</b>

Source: Ville de Montréal, Direction de l'évaluation foncière.

## Budget Plan

Tables 40 and 41 present the property values according to territory. The first refers to the former municipalities of the island of Montréal; the second to the 27 boroughs of the Ville de Montréal. The taxable property value has been divided into three main categories: residential, commercial and industrial, and vacant lots

**Table 40**  
**Property values in Montréal sectors**

	Units	Taxable value (\$M)			Non-taxable (\$M)	Roll total	
		Residential	Commercial/ industrial	Vacant lots		Value (\$M)	% of total
Anjou	10,256	1,290.5	801.1	30.1	149.0	2,270.8	2.2%
Baie-D'Urfé	1,652	305.8	144.8	12.5	39.4	502.4	0.5%
Beaconsfield	6,636	1,243.9	28.8	28.5	98.6	1,399.8	1.3%
Côte-Saint-Luc	8,287	1,596.1	111.8	32.5	195.7	1,936.0	1.9%
Dollard-Des Ormeaux	13,721	1,923.0	208.0	31.0	199.6	2,361.7	2.3%
Dorval	6,069	765.3	986.2	40.3	462.3	2,254.1	2.2%
Hampstead	1,836	661.0	0.0	4.3	33.2	698.5	0.7%
L'Île-Bizard	5,516	676.9	41.3	22.2	45.5	785.9	0.8%
L'Île-Dorval	74	3.9	0.0	0.0	0.7	4.6	0.0%
Kirkland	7,014	1,151.7	316.3	22.7	46.3	1,537.0	1.5%
Lachine	10,950	1,091.1	705.0	58.0	284.2	2,138.3	2.1%
LaSalle	16,082	2,120.3	615.2	33.1	423.1	3,191.8	3.1%
Montréal	205,827	28,761.7	14,351.3	548.0	11,923.9	55,584.9	53.4%
Montréal-Est	1,202	87.7	382.2	27.9	26.1	523.9	0.5%
Montréal-Nord	13,537	1,880.7	429.7	27.5	313.0	2,650.8	2.5%
Montréal-Ouest	1,590	306.3	16.1	12.5	26.6	361.6	0.3%
Mont-Royal	5,243	1,743.7	511.8	32.9	130.7	2,419.1	2.3%
Outremont	5,393	1,653.0	82.6	24.1	343.1	2,102.8	2.0%
Pierrefonds	17,219	1,870.8	130.4	42.0	262.0	2,305.2	2.2%
Pointe-Claire	9,979	1,335.1	967.8	44.0	218.6	2,565.6	2.5%
Roxboro	2,114	199.3	16.2	6.2	13.8	235.4	0.2%
Sainte-Anne-de-Bellevue	1,625	171.7	39.1	8.3	179.5	398.6	0.4%
Sainte-Genève	803	87.3	11.5	2.0	24.4	125.2	0.1%
Saint-Laurent	19,794	2,804.6	2,735.3	186.1	710.6	6,436.6	6.2%
Saint-Léonard	11,701	2,269.6	727.2	33.6	214.3	3,244.7	3.1%
Senneville	440	120.2	25.9	3.0	34.3	183.6	0.2%
Verdun	15,715	1,938.6	222.1	36.7	333.8	2,531.2	2.4%
Westmount	5,563	2,498.4	317.9	30.1	439.9	3,286.2	3.2%
<b>VILLE DE MONTRÉAL</b>	<b>405,838</b>	<b>60,558.4</b>	<b>24,925.5</b>	<b>1,380.3</b>	<b>17,172.0</b>	<b>104,036.2</b>	<b>100.0%</b>

Source: Ville de Montréal, Direction de l'évaluation foncière, 2001 property valuation roll updated as at September 13, 2002.

**Table 41**  
**Property values in Montréal boroughs**

	Units	Taxable value (\$M)			Non-taxable (\$M)	Roll total	
		Residential	Commercial/ industrial	Vacant lots		Value (\$M)	% of total
Ahuntsic/Cartierville	25,786	4,045.6	963.5	66.2	1,261.5	6,336.8	6.1%
Anjou	10,256	1,290.5	801.1	30.1	149.0	2,270.8	2.2%
Beaconsfield/Baie-D'Urfé	8,288	1,549.6	173.6	41.0	138.0	1,902.2	1.8%
Côte-des-Neiges/Notre-Dame-de-Grâce	22,451	4,584.8	881.5	51.4	1,847.4	7,365.1	7.1%
Côte-Saint-Luc/Hampstead/Montréal-Ouest	11,712	2,563.4	127.9	49.2	254.7	2,995.2	2.9%
Dollard-Des Ormeaux/Roxboro	15,835	2,122.3	224.2	37.2	213.3	2,597.1	2.5%
Dorval/L'Île-Dorval	6,143	769.3	986.2	40.3	463.0	2,258.7	2.2%
Kirkland	7,009	1,151.7	316.3	22.7	45.0	1,535.7	1.5%
Lachine	10,950	1,091.1	705.0	58.1	284.2	2,138.3	2.1%
LaSalle	16,082	2,120.3	615.2	33.1	423.1	3,191.8	3.1%
L'Île-Bizard/Sainte-Geneviève/Sainte-Anne-de-Bellevue	7,981	939.5	91.8	32.8	287.1	1,351.2	1.3%
Mercier/Hochelaga-Maisonneuve	24,889	3,181.2	983.5	53.2	1,297.8	5,515.7	5.3%
Montréal-Nord	13,537	1,880.7	429.7	27.5	313.0	2,650.8	2.5%
Mont-Royal	5,677	1,843.3	511.8	34.0	133.9	2,523.0	2.4%
Outremont	5,393	1,653.0	82.6	24.1	343.1	2,102.8	2.0%
Pierrefonds/Senneville	17,627	1,987.5	156.3	44.8	259.8	2,448.4	2.4%
Plateau-Mont-Royal	21,209	3,122.5	971.7	23.4	703.7	4,821.4	4.6%
Pointe-Claire	9,979	1,335.1	967.8	44.0	218.6	2,565.6	2.5%
Rivière-des-Prairies/Pointe-aux-Trembles/Montréal-Est	31,704	3,157.9	1,039.8	177.9	849.0	5,224.7	5.0%
Rosemont/La Petite-Patrie	25,579	3,406.2	650.6	34.0	966.4	5,057.2	4.9%
Saint-Laurent	19,794	2,804.6	2,735.3	186.1	710.6	6,436.6	6.2%
Saint-Léonard	11,701	2,269.6	727.2	33.6	214.3	3,244.7	3.1%
Sud-Ouest	14,397	1,486.3	590.6	75.4	574.8	2,727.1	2.6%
Verdun	15,715	1,938.6	222.1	36.7	333.8	2,531.2	2.4%
Ville-Marie	18,201	2,969.2	7,810.4	68.6	3,779.2	14,627.4	14.1%
Villeray/Saint-Michel/Parc-Extension	22,380	2,795.8	841.8	24.7	667.9	4,330.2	4.2%
Westmount	5,563	2,498.4	317.9	30.1	439.9	3,286.2	3.2%
<b>VILLE DE MONTRÉAL</b>	<b>405,838</b>	<b>60,558.4</b>	<b>24,925.5</b>	<b>1,380.3</b>	<b>17,171.9</b>	<b>104,036.1</b>	<b>100.0%</b>

Source: Ville de Montréal, Direction de l'évaluation foncière, 2001 property valuation roll updated as at September 13, 2002.

### THREE-YEAR CAPITAL EXPENDITURES PROGRAM

The Programme triennal d'immobilisations or "PTI" (three-year capital expenditures program) is an investment program that ensures the quality and the maintenance of municipal assets. The PTI also makes possible the new investment projects required to meet the needs of Montrealers and to maintain their quality of life.

In 2003, municipal stakeholders will make the most of resources to strive for harmonization of services provided to citizens as a whole. In this respect, the methods promoted will be:

- upgrading the quality of infrastructures;
- improvement of the quality of life of citizens;
- support for economic development.

With regard to infrastructure work and other structuring projects, in order to attain its objectives, the administration will promote financing methods that have a major leveraging effect, such as projects that are financed mainly by the various levels of government.

For detailed, comprehensive information on the *Programme triennal d'immobilisations 2003-2005*, consult the document by the same name, one of the four documents that make up the 2003 budget of the Ville de Montréal.

**Table 42 – Capital expenditures program 2003–2005 by area of intervention**

	2003	2004	2005	Total
Urban development	61 388,0	36 746,0	29 979,0	128 113,0
Office buildings	20 283,0	17 813,0	15 337,0	53 433,0
Environment	113 727,0	98 150,0	104 170,0	316 047,0
Infrastructure	122 395,0	121 562,0	118 774,0	362 731,0
Rolling stock and equipment	25 891,0	25 650,0	24 914,0	76 455,0
Multipurpose	44 811,0	54 074,0	50 552,0	149 437,0
Parks and green spaces	37 209,0	27 169,0	28 952,0	93 330,0
Electrical network	40 560,0	50 246,0	52 438,0	143 244,0
Public safety	21 822,0	16 126,0	16 000,0	53 948,0
Sports, community and culture	31 063,0	34 603,0	23 268,0	88 934,0
Information system	37 134,0	42 932,0	42 886,0	122 952,0
<b>Total</b>	<b>556 283,0</b>	<b>525 071,0</b>	<b>507 270,0</b>	<b>1 588 624,0</b>

### EXPENDITURES

The 2003-2005 capital expenditures program anticipates spending of \$1,588.6 million over the three years, including \$556.3 million in 2003. These amounts include investments provided for in the Underground Conduits Fund as well as financing to come from Hydro Westmount. It is important to note that these two entities are engaged in commercial activity.

For the year 2003, the environment and infrastructures areas of intervention will account for \$236.1 million or 42.4% of the total planned capital projects. These areas of intervention include all public works involving the water distribution and sewer systems, as well as pavement, road resurfacing and road infrastructure repair.

## Budget Plan

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Major sums will also be devoted to the urban development and multifunctional areas of intervention. In the multifunctional area, more than 50% of the amount (\$76.2 million) will be allocated to structuring projects over the entire period. These last projects effectively meet the needs identified during the Sommet de Montréal. They will also support modernization of municipal apparatus and upgrade basic infrastructures in various boroughs.

### FINANCING

Over the next three years, Montréal will spend \$1,588.6 million in various investment areas, which is more than \$500 million a year. Financing these expenditures will require the city to borrow \$1,205.0 million. Montrealers will assume \$1,084.7 million of these loans, while the loans from the Underground Conduits Fund (\$116.4 million) and from Hydro Westmount (\$3.9 million) will be repaid through the respective business activities of these entities.

A long-term loan is the principal source of financing for the city's three-year program. In 2003, the city plans to issue bonds chargeable to Montrealers in the amount of \$361.6 million. It also plans to issue bonds in the amount of \$57.8 million chargeable to the Québec government, with reimbursement of principal and interest each year.

Budgetary appropriations to the three-year capital expenditures program are made so as to keep the financing costs of long-term debt assumed by Montrealers relatively stable over the coming years. This approach has the significant advantage of not unduly encumbering the operating budget. Every year, particular attention is paid to the Montréal debt and the resulting financial expenses.

Other sources of investment are provided by the city's financial partners. Among these are developers' contributions to real-estate projects, conditional transfers resulting from grant programs from other levels of government, and other sources mostly deriving from specific agreements. In addition, it should be noted that certain subsidy programs of the government of Québec provide for payment of the grant in the form of repayment of loans that financed eligible capital expenditures.

**Table 43 – 2003–2005 capital expenditures program by sources of funding**

	2003	2004	2005	Total
General sector taxes	-	-	-	-
Contribution of developers	15 823,0	10 000,0	8 366,0	34 189,0
Conditional transfers	68 048,0	38 904,0	45 065,0	152 017,0
Other	19 318,0	13 914,0	5 302,0	38 534,0
Long-term loans				
- chargeable to the government of Québec	57 829,0	58 033,0	43 072,0	158 934,0
- commercial activities <sup>1</sup>	33 711,0	42 666,0	43 911,0	120 288,0
- chargeable to the city <sup>2</sup>	361 554,0	361 554,0	361 554,0	1 084 662,0
<b>Total</b>	<b>556 283,0</b>	<b>525 071,0</b>	<b>507 270,0</b>	<b>1 588 624,0</b>

<sup>1</sup> Includes Hydro Westmount and the Commission des services électriques de Montréal.

<sup>2</sup> Based on fiscal results, this amount could be reassessed in 2004 and 2005.

### DEBT AND OUTLOOK

The level of debt that a municipality can support to meet its set capital expenditure requirements ultimately depends on its financial capacity. A series of parameters (various debt ratios, debt service, the economic situation, the competitive position of the municipality, etc.) are normally used to determine both the level of debt and the pace at which the municipality will reduce or increase that debt in relation to its financial capacity. In the final analysis, the municipality will be able to measure the impact of its decisions on financing operations (costs and access to markets) by its credit rating, as established by rating agencies.

With gross direct and indirect long-term debt of some \$6.7 billion as at December 31, 2001 and annual borrowing requirements (refinancing and new projects) of between \$700 million and \$900 million, the new city must take stock of its financial situation and develop a strategy that takes its debts into account.

### DEBT TRENDS AND FINANCING EXPENSES

Over the past few years, net long-term debt per resident has improved. From 1996 to 2001, it declined almost 8% from \$2,237 to \$2,063.

The preceding fact notwithstanding, the city's debt continues to dominate its budget, as is the case for other Québec cities.

In the coming years, Montréal's debt will increase as the loans of the former cities of the CUM reach maturity or are refinanced. The new 2002 and 2003 debts are assumed by the new city. Amounts determined for the three-year capital expenditures program and financed by loans will be added to existing debt.

Over the years, financing expenses will vary based on the level of debt and on interest rates, while the level of debt itself depends on past and future investment projects.

### EFFECT OF THE THREE-YEAR CAPITAL EXPENDITURES PROGRAM ON THE OPERATING BUDGET

Expenditures for capital projects have a direct effect on the operating budget, not only with respect to operating expenditures that may require budgetary adjustment but also, and to a great extent, with regard to the cost of debt service.

The municipal administration must rely mainly on long-term loans to finance its capital expenditures. Therefore, realization of the three-year capital expenditures program has a budgetary impact during the entire financing period.

Nevertheless, borrowing power is exercised with constant concern for limiting the scope of bonded debt and for reducing the pressure placed on the city's operating budget by the cost of debt service. In the 2003 budget, the gross cost of debt, \$856.2 million, represents 23.3% of total operating expenditures (15.2% net of associated revenues). This is the result, on the one hand, of the consolidation of debt that took place prior to the merger of the municipalities of the island; and, on the other hand, of the budget strategy adopted for fiscal 2002 and for fiscal 2003, a strategy aimed at stabilizing net financing expenses. It was in consideration of this objective that the level of the capital expenditures program was determined.

It should be noted that part of these costs must be assumed by Montréal taxpayers. The table that follows indicates the other sources of revenues to consider in establishing the cost of the actual debt for which taxpayers are accountable.

**Table 44 – Debt service in 2003**

<b>Gross cost of long-term debt<sup>1</sup></b>		<b>856 198,7</b>
Interest and other charges	450 167,3	
Reimbursement of long-term debt	<u>406 031,4</u>	
<b>Less: revenues related to municipal debt</b>		<b>250 994,9</b>
Sinking fund investment income	72 304,0	
Québec government subsidies receivable	<u>178 690,9</u>	
<b>Less : recoupment in the form of royalties for the use of buried conduits and other</b>		<b>46 683,3</b>
<b><u>Amount covered by taxpayers<sup>2</sup></u></b>		<b><u>558 520,5</u></b>

<sup>1</sup> Corresponds to 23.3% of total operating expenses and other financial activities.

<sup>2</sup> Corresponds to 15.2% of total operating expenses and other financial activities.

Therefore, the gross cost must be reduced by \$72.3 million, the amount of investment revenues set aside as a reserve in the Sinking Fund.<sup>1</sup> Moreover, some loans were contracted in keeping with government subsidies. On this point, government subsidies should reach \$178.7 million. In addition, the city undertakes borrowing for the Commission des services électriques de Montréal (C.S.É.M.). These debts are assumed in their entirety by users of the C.S.É.M. through fees totalling \$46.6 million. Finally, also deducted from debt servicing chargeable to taxpayers is an amount of \$61.7 million associated with providing water to the municipality of Charlemagne. Considering its sources of revenues, the cost of debt servicing chargeable to Montréal taxpayers totals \$558.5 million or 15.2% of total operating expenditures.

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<sup>1</sup> Some of the loans issued contain clauses stipulating the contributions that must be made each year in order to, on the one hand ensure a sufficient accumulation of capital to meet obligations at loan maturity, and on the other hand, to stabilize the repayment cost throughout the term of the loan.



## EQUALIZATION

The legislation that created the new city makes provision for the incorporation of equalization elements into the boroughs' allotments. This provision sets a precedent in municipal finances, an aspect for which there was no prior provision in the preparation of its budget. In 2003, the establishment of the equalization fund and its upgrading by the city consequently shows a clear resolve to work within the new context and ensure a start to the equitable distribution of budgetary resources among boroughs.

In the Montréal context, equalization will make it possible to make additional appropriations to boroughs that are under-budgeted or that are especially economically and socially disadvantaged.

On the basis of eligibility criteria and the calculation method below, eligible boroughs will share an initial total amount of \$5 million. The appropriations will be permanently integrated into the boroughs' allotments, thus increasing the budget resources at their disposal for providing services to their inhabitants. Eligible boroughs will share a new budget amount of \$5 million in 2004, and the same amount again in 2005.

### ELIGIBILITY AND CALCULATION OF ALLOTMENTS

To be eligible for equalization, a borough must be either under-funded or especially economically and socially disadvantaged. The amount is divided into \$3.75 million and \$1.25 million for each phase.

#### Under-funding

For the purposes of the equalization program, a borough is under-funded if its residential allotment per person is lower than that of the other boroughs as a whole. A series of adjustments determines the residential allotment. First, the budgets are corrected for differences in responsibilities between the boroughs of the former city and those issuing from former suburbs, as well as for certain budget considerations. Then, the residential allotment is set in terms of the corrected expenditures that are intended only to finance services of inhabitants (excluding those provided to companies, institutions or other non-residential activities).

#### Disadvantaged boroughs

A borough qualifies as disadvantaged if more than 50% of its inhabitants are economically and socially deprived. The disadvantage index chosen is established in terms of a combination of economic and social dimensions, identified by three variables.

<b>Economic disadvantage</b>	<b>Social disadvantage</b>
▪ Average household income	▪ Percentage of single-parent families
▪ Unemployment rate	▪ Percentage of people living alone
▪ Percentage of people without high-school diplomas	▪ Percentage of people separated, divorced, or widowed

Only boroughs that meet one or another of the eligibility criteria may benefit from the equalization program.

The total \$5 million budget is broken down into two phases, in response to the needs created by under-funding and disadvantage.

## Budget Plan

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The first phase, involving a payment of \$3.75 million, partially bridges the gap between the eligible boroughs' residential allotment per person and the average residential allotment for the boroughs as a whole, and for each inhabitant.

The second phase extends to boroughs that fulfil one or another of the criteria for under-funding or disadvantage, distributing the second amount of \$1.25 million based on the number of residents who qualify as disadvantaged.

### RESULTS

In 2003, 14 boroughs will share \$5 million in equalization amounts.

**Table 45 – Equalization results**

<b>Boroughs</b>	<b>(\$000)</b>
Ahuntsic-Cartierville	454.1
Anjou	141.8
Côte-des-Neiges/Notre-Dame-de-Grâce	882.8
LaSalle	276.6
L'Île-Bizard/Sainte-Geneviève/Sainte-Anne-de-Bellevue	34.4
Mercier/Hochelaga-Maisonneuve	233.9
Montréal-Nord	748.9
Plateau-Mont-Royal	251.7
Rosemont/La Petite-Patrie	489.8
Saint-Léonard	93.5
Sud-Ouest	116.3
Verdun	83.5
Ville-Marie	79.8
Villeray/Saint-Michel/Parc-Extension	1,113.0
<b>Total<sup>1</sup></b>	<b>5,000.0</b>

<sup>1</sup> The total does not balance due to rounding.

### DEVELOPMENT INCENTIVES

#### DEVELOPMENT FINANCING: PRINCIPLES AND METHODS

Through the establishment of the development financing fund, the city of Montréal seeks to ensure harmonious development throughout its territory. To this end, the fund will supplement current allotments to the boroughs with additional resources to meet increased demand for services created by new real estate projects. It also aims to encourage the boroughs, through the introduction of incentive measures, to view development in a favourable light.

The purpose of this fund is twofold. The first purpose—development budgeting—consists in permanently adjusting the budget base of the boroughs by granting additional appropriations to those experiencing major real estate growth. This enables the boroughs to provide newcomers with services of comparable quality, without reducing the quality of services available to their existing taxpayers.

The second purpose—development incentives—involves a series of measures to encourage the boroughs to welcome development by compensating them, on a temporary or occasional basis, for resulting inconveniences.

#### DEVELOPMENT BUDGETING

The primary aim of budgeting is to adjust the budgets of boroughs that are under considerable pressure as a result of substantial real estate development. It ensures that the budgets of eligible boroughs are adjusted based on the increase in the valuation roll attributable to the addition of new buildings. A borough is eligible for budgetary appropriations only when this increase exceeds the average increase of all boroughs combined.

The budget increase granted to the boroughs is proportional to the increase in their valuation roll attributable to new buildings, as long as this increase exceeds the increase in the valuation roll attributable to new buildings for the city of Montréal as a whole. This partial increase reflects the fact that existing employees, infrastructures, and facilities can meet part of the increased demand for services resulting from development, enabling the city to assume the related expenditures.

Given that the servicing of residential properties does not necessarily involve expenditures of the same nature or magnitude as the servicing of non-residential properties, eligibility and the amount of the budgetary appropriations are assessed for each major sector. The budget is consequently broken down—as is the increase in the valuation roll attributable to new buildings—between the residential and non-residential sectors<sup>1</sup>. This method allows boroughs to be eligible for budgeting under one budgetary adjustment or the other, or under both. For example, Beaconsfield/Baie-D'Urfé is eligible only for the non-residential budgeting, while Anjou is also eligible for the residential budgeting.

In total, the fund redistributes \$3.3 million to 16 boroughs in its development budgeting function.

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<sup>1</sup> The residential allotment thus obtained is an estimate of the budgetary appropriations made for the provision of services to inhabitants while the non-residential allotment includes all other appropriations available made for the provision of non-residential services.

## **Budget Plan**

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### **DEVELOPMENT INCENTIVE MEASURES**

In addition to budgeting, three mechanisms have been set up to encourage the boroughs to welcome development, by compensating them for any inconveniences they may experience. This compensation will be of limited duration, or provided on an ad hoc basis, depending on the case.

#### **Contribution by way of taxes generated by new developments**

The boroughs that generate new tax revenues by welcoming development projects in return receive 10% of the amount of new taxes generated for a period of three years. Each year, a new three-year cycle for tax rebates will begin, and these will be calculated based on new buildings added to the roll during the fiscal period that precedes the beginning of the application of the budget cycle by two years. The amounts paid as tax rebates presented in the table on the following page are included in the borough budgets, but are not permanently integrated into their budget base.

In total, the 27 boroughs will share \$2.2 million in tax rebates.

#### **Reserves for parks and playing fields**

Reserves created for parks and playing fields as a result of new development will be appropriated to the boroughs that have welcomed such new construction. Boroughs will thereby benefit from accepting new projects. The appropriation of reserves must be made for the intended purpose, which is the planning and development or redevelopment of parks. The amounts paid to the boroughs as part of this incentive measure do not appear in the boroughs' budgets, but will be added to their resources throughout the year as the reserves are created.

#### **Sale of land and buildings**

Twenty per cent (20%) of the net proceeds of the sale of land and buildings (subsequent to deduction of debt and transaction fees and fees for outside expertise assumed by the municipal administration where applicable) will be returned to the boroughs and must primarily be allocated to the cash payment of non-recurring structuring projects. These amounts may be constituted as reserves. The amounts paid to the boroughs as part of this incentive measure do not appear in the boroughs' budgets, but will be added to their resources throughout the year as the sales are completed.

Table 46 – Development financing – budgeting and incentives (\$000)

Boroughs	Development financing		
	Budgeting <sup>1</sup>	Incentives – Tax rebates <sup>2</sup>	Total <sup>3</sup>
Ahuntsic-Cartierville	0.0	38.0	38.0
Anjou	310.8	136.4	447.1
Beaconsfield/Baie-D'Urfé	77.5	91.1	168.7
Côte-des-Neiges/Notre-Dame-de-Grâce	0.0	45.1	45.1
Côte-Saint-Luc/Hampstead/Montréal-Ouest	0.0	34.9	34.9
Dollard-Des Ormeaux/Roxboro	292.5	104.0	396.5
Dorval/L'Île-Dorval	0.0	42.3	42.3
Kirkland	595.7	160.4	756.1
Lachine	95.6	85.2	180.9
LaSalle	0.0	59.2	59.2
L'Île-Bizard/S <sup>te</sup> -Geneviève/S <sup>te</sup> -Anne-de-Bellevue	30.8	20.8	51.6
Mercier/Hochelaga-Maisonneuve	0.0	95.8	95.8
Montréal-Nord	9.8	31.4	41.3
Mont-Royal	43.4	62.6	105.9
Outremont	0.0	16.8	16.8
Pierrefonds-Senneville	60.3	38.1	98.4
Plateau-Mont-Royal	0.0	40.3	40.3
Pointe-Claire	76.3	56.2	132.5
Rivière-des-Prairies/Pointe-aux-Trembles/Montréal-Est	119.7	136.9	256.6
Rosemont/La Petite-Patrie	186.2	84.9	271.1
Saint-Laurent	729.0	395.5	1,124.5
Saint-Léonard	0.0	15.9	15.9
Sud-Ouest	311.6	113.4	425.0
Verdun	340.4	75.6	416.0
Ville-Marie	9.0	187.2	196.2
Villeray/Saint-Michel/Parc-Extension	0.0	42.1	42.1
Westmount	0.0	7.2	7.2
<b>Total<sup>3</sup></b>	<b>3,288.8</b>	<b>2,217.3</b>	<b>5,506.1</b>

<sup>1</sup> Amount permanently integrated into the borough budget.

<sup>2</sup> Amount paid for a period of three years, not integrated permanently into the borough budget.

<sup>3</sup> The totals do not balance due to rounding.

### **ANALYSIS OF POLICIES THAT AFFECT THE BUDGET**

Beyond the rules prescribed by the new charter, the new Ville de Montréal has created a management framework focused on decentralization and accountability. As a general rule, the administration sets forth budgetary and financial policies that guide managers in carrying out their duties. These policies nevertheless allow them to adopt practices that meet their specific needs. Certain general conduct guidelines were adopted in 2002 while others are being developed. They translate direction in precise areas of management, while promoting the attainment of objectives.

#### **Policy regarding the use and allocation of surpluses as yet not earmarked for specific purposes as at December 31, 2001 in the former municipalities and in the former CUM.**

As provided for by law, the policy regarding the use and allocation of unearmarked surpluses as at December 31, 2001 in the former municipalities and in the former CUM allocates these amounts to the former cities and towns where they were created. In addition, surpluses of the former CUM have been paid to the new city.

Nevertheless, after having created sufficient reasonable reserves and provisions to meet their claims, the administration asked the former municipalities to contribute the amount of \$45 million from their surpluses to supply a start-up fund intended to help balance the 2002 budget of the new city. The amounts loaned by the former municipalities were established based on the respective share each had in the CUM, and are repayable over five years. The former suburbs that did not have the financial means were forced to contract loans from other one-time municipalities, with interest payable, to assume their share.

As at December 31, 2001, these unearmarked surpluses, minus contributions to balance the 2002 budget, thus became available in all boroughs and could be used with the authorization of the borough council. Their use should not, however, result in increased expenditures in the operating budget over subsequent years, unless approved by the city council. With regard to the contributions of boroughs to balance the 2002 budget, they will receive repayment from the administration between January 1, 2003 and January 1, 2007. These sums, like the other surpluses, will be unrestricted and may be used in accordance with the provisions noted above.

If they result in future spending increases in the operating budget for one or several years, the expenditures financed by these surpluses will have to be authorized by the city council.

#### **Capitalization and amortization policy with regard to capital expenditures**

At its June 21, 2002 meeting, the city council adopted a capitalization and amortization policy with regard to capital expenditures. This policy details the components of a capital expenditure, making the distinction between a new expenditure and an improvement to an existing asset, while introducing the concept of a capitalization threshold and useful life and amortization criteria.

More specifically, it specifies that the cost of a capital asset includes indirect costs such as brokerage fees, soil decontamination, archeological excavation, and the salaries of employees allocated directly to carrying out the work.

With regard to the idea of improvement, the policy describes conditions that enable the city to make the distinction between a capital expenditure, and maintenance and repair costs. It also sets the threshold for determining whether an expenditure is considered to be a capital expenditure and establishes that several identical assets can be grouped together to exceed this threshold.

Finally, it specifies that straight-line amortization is the method generally chosen for budgetary purposes, except where another method is more appropriate to describe the useful life of a capital asset.

### **Policy regarding the management framework of the three-year capital expenditures program**

This year, in order to adopt a more rigorous approach that is more specific to each area of investment, the administration set up seven working committees composed of experts in municipal infrastructures and facilities. The mandate of these committees is to determine capital expenditure requirements using standard criteria, in order to create the budget for the capital expenditures program for the next three years. It also includes the responsibility of sharing accountability with regard to the management of municipal assets.

More specifically, the total investment budget is established based on certain prescriptive criteria with regard to municipal inventory such as the extent of the water distribution and sewer systems, or the number of kilometres of local and arterial road networks, the number of municipal parks and their area, the average age of municipal vehicles, as well as certain other specific needs of various areas of intervention.

Once the total budget is established, the executive committee approves it along with its allocation among boroughs and municipal departments. Each borough council and municipal department will then determine the projects they want to undertake based on their spheres of responsibility while respecting the parameters of the executive committee (closed sub-budgets, percentage of projects involving the protection of municipal assets, etc.). The city council then adopts, as a whole, the three-year capital expenditures program, submitted by both the boroughs and the municipal departments.

It should be noted that the adoption of the budget is not synonymous with authorization of spending by the boroughs or the municipal departments. The appropriations vote takes place only once the lending by-law is adopted. In addition, unused appropriations are cancelled the following year. The appropriations remain available as long as the expenditures or projects for which they were voted have not been completed. There is thus no direct connection, on an annual basis, between the investment budget and the appropriations authorized by law. Nevertheless, the boroughs and municipal departments are accountable for the annual budget allocated to them. If amounts allocated in 2002 were not spent, the boroughs may carry them over to 2003.

Two types of loan by-laws, which must be approved by the ministère des Affaires municipales et de la Métropole, are used to fund projects. There are specific loan by-laws, connected to specific projects, and loan by-laws, which are general in scope. The latter type of by-law enables acceleration of the approval process for protection projects that are similar in nature (road resurfacing, vehicle replacement, building protection, etc.). The by-law thus corresponds to an authorization for borrowing to finance capital expenditures. Nevertheless, the granting of the contract determines the scope of the actual expenditure that must be part of the annual budget approved by the city council. Financing of work carried out in 2002 and in 2003 as provided for in the budgets of the units is chargeable to all Montréal taxpayers.

### **Policy regarding remuneration of executives and managerial staff**

The management remuneration policy was adopted by the executive committee on February 20, 2002.

The purpose of this policy is to offer total, competitive, and fair remuneration to attract and retain qualified executives and managerial staff, to recognize performance in a tangible way, and to facilitate mobility of the workforce in a constantly changing environment, while making it possible to adequately meet the city's human resources requirements.

The salary of managerial staff is determined using a system of evaluation of responsibilities. In addition, a performance bonus of up to five additional days of paid leave may be granted to the person holding the position. The salaries of executives are established based on a recognized method of job evaluation. In this case, the performance bonus is estimated at 5% of the payroll of this group of employees.

### **Policy regarding granting contracts for the provision of goods, services, and professional services**

While not yet formally adopted, the policy for awarding contracts has already been put into practice due to existing legislation.

Contracts relating to the acquisition of goods, services, professional services and work executed by the Ville de Montréal must be awarded in compliance with the minimum provisions of the Cities and Towns Act and the charter of Ville de Montréal.

For contracts of less than \$25,000, the law allows negotiation of a private contract with a single supplier. It is proposed that written confirmation be obtained from at least two suppliers.

For contracts of \$25,000 to \$100,000, the law requires that the city invite two suppliers to bid for the contract. It is proposed that at least five suppliers on the city suppliers list be asked to submit proposals.

For contracts of \$100,000 or more, the law requires a publicly advertised call for tenders.

Finally, all calls for tenders for professional services require prior authorization by the bodies empowered to award the contract. With regard to goods and services, prior authorization is required only for publicized calls for tenders in the amount of \$100,000 or more.

### **Equalization policy**

The equalization policy was adopted during the 2003 budget process.

In accordance with the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and the Outaouais* (L.Q. 2000, c.56), an act that makes provision for the incorporation of equalization elements into the allotments of the boroughs, the city set up an equalization and improvements fund with a twofold objective: to support boroughs that are under-funded and have a large proportion of disadvantaged residents. With the help of this fund, it distributes an amount of \$5 million to boroughs whose per capita residential budget allotment is lower than the municipal average or whose disadvantaged population is greater than 50% of the municipal average.

An initial payment of this budget (\$3.75 million) is shared based on the prevailing difference between the borough's per capita residential allotment and the average per capita residential allotment for boroughs as a whole. The second payment of the budget amount (\$1.25 million) will be distributed based on under-funding or a disadvantaged population. The amounts distributed are recurring and are integrated into the boroughs' budget bases.

A new budget allowance of \$5 million will be distributed to eligible boroughs in both 2004 and 2005.

### **Policy regarding development budgeting and incentives**

The development budgeting and incentive policy was adopted during the 2003 budget process.

The purpose of this policy is to provide the boroughs with budgetary conditions that promote development projects. The policy is twofold: development budgeting and development incentives. Budgeting provides the boroughs with ongoing compensation for part of the supplementary charges they must assume related to carrying out major development projects. The budget of boroughs where the increase in the valuation roll attributable to new buildings exceeds the increase in the valuation roll attributable to new buildings for the city of Montréal as a whole is indexed to the value of this spread. In 2003, this mechanism results in the permanent integration of \$3.3 million into borough allotments.



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With regard to incentive development, three measures have been taken. The first measure grants a tax rebate for a period of three years, a rebate corresponding to 10% of tax revenues generated by new buildings. In this regard, \$2.2 million will be paid to the boroughs in 2003. The second measure makes it possible to give the boroughs that welcomed new development the amounts set aside in reserves created for parks. Finally, the third measure involves returning to the boroughs that concluded such sales, 20% of the net proceeds of the sale of municipal land and buildings (subsequent to deduction of debt and transaction fees and the replacement cost of municipal buildings, where applicable).

### **POLICIES UNDER DEVELOPMENT**

#### **Policy regarding the use of future surpluses**

On the one hand, this policy will see to the implementation of sound management measures for the new city; and, on the other, it will see to balancing the budget of future fiscal periods through the desired use of current surpluses. The objective also will be to enable the boroughs to benefit from their initiatives in order to increase revenues and promote development and sound management of expenditures. This policy has several parts, namely: the creation of a new reserve for unexpected costs with regard to the city, the creation of reserves for actuarial deficits, the balancing of the budget as a whole, and accountability with regard to deficits, and the creation of reserves for snow removal, the latter requiring a separate policy. Within certain guidelines, especially those emphasizing the use of surpluses for investment purposes or debt repayment, the boroughs would be accountable for deciding on the way they would use the savings resulting from their management.

#### **Policy regarding snow removal budgets and the creation of a reserve**

The purpose of this policy is to create a reserve to stabilize snow removal budgets for each borough through surpluses associated with this activity, serving also to absorb past or future deficits. The reserve would be the property of the borough and be created gradually.

#### **Policy regarding the establishment of financial reserves**

Within the context of the creation of the new city, the surpluses from fiscal 2001 remained the property of the former cities. Consequently, the new city began its first fiscal period without financial reserves. The policy regarding the establishment of financial reserves is part of prudent and responsible management. In order to prepare for the unexpected and to ensure stability of the operating budget, the city will create financial reserves, for example, from the present city's new surpluses.

#### **Policy regarding the use of non-recurring revenues**

The objective of this policy is to set a framework for the use of non-recurring revenues in order to minimize their impact on the city's operating budget. Non-recurring revenues are normally associated with non-recurring expenditures. The policy will be in accordance with the good management practices adopted by the administration.

#### **Policy regarding the financing of infrastructures in new residential developments**

It should be noted that this policy is currently being evaluated. The objective of this policy is to review the cost of infrastructures in new residential developments (subdivisions). The objectives of this policy are threefold: to standardize the rules of financing infrastructures, to decentralize management of work, and to provide relief in terms of the city's financial commitments. The policy also shows a clear political resolve to ensure fair practice with regard to developers and residential buyers in all boroughs. Those who create the need, rather than the taxpayers as a whole, will assume the costs of infrastructures. In addition, the policy ensures the quality of the work on infrastructures, and it makes provision for a simple and transparent administrative control of the process.

It should also be mentioned that programs that promote home ownership would be updated with regard to the impact of this new policy for financing infrastructures; and, within a broader framework, with regard to the administration's housing objectives. Other measures are intended to mitigate the constraints on development, such as the soil decontamination assistance program.

## **Budget Plan**

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### **Financing policy**

Taking into account the needs linked to capital projects and the resolve to introduce sound management practices, the financing policy will set medium and long-term objectives with regard to debt.

This policy should greatly influence future programs of capital expenditures, and it will contain a series of measure intended to guarantee the attainment of objectives in relation to debt.

# Addenda

## THE BUDGET PROCESS

Since January, the Service des finances has been working on a budget process covering the various operations that need to be carried out in the course of the year.

Now that the island's municipalities have been merged into one, a new partner at the decision-making level is involved in the budget process - the borough council.

The following table summarizes part of the budget process for Year Two of the new post-merger city of Montréal. It gives an overview of the work done by the people in the administrative departments and political offices to produce the 2003 budget. Some of the stages are administrative or politically-related, while others are required by the ministère des Affaires municipales et de la Métropole. It should be noted that more emphasis will be placed on certain administrative timelines in fiscal 2003.

### BUDGET PROCESS TIMETABLE

Month	Administrative timelines	Decision-making timelines
<b>January</b>	<p>The treasurer submits the budget adopted in December of the previous year to the ministre des Affaires municipales et de la Métropole.</p> <p>Meetings may be held as needed with city council's standing commissions throughout the year.</p> <p>The multi-year financial framework is developed (and updated several times between January and May).</p> <p>The allocation method for the three-year capital expenditures program is prepared (and updated several times between January and May).</p>	
<b>February</b>	<p>The multi-year financial framework is finalized and submitted to the executive committee.</p> <p>The macro equilibrium strategy is developed and presented to the executive committee (and revised several times up until May).</p> <p>The first stage of the municipal activities cost review is initiated (February to May)*.</p>	
<b>March</b>	<p>The first budget update for the current year's budget is prepared by all units (boroughs and departments).</p>	

## Budget Plan

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Month	Administrative timelines	Decision-making timelines
April	Public consultations and presentations are held on the equalization fund and development incentives.	<p>The results of the first budget update are approved by the executive committee, then tabled before city council.</p> <p>If appropriate, the chairman of the executive committee presents the equalization fund and development incentive documents at a press conference.</p>
	<p>The first budget update of the three-year capital expenditures program is prepared by the units (boroughs and departments).</p> <p>The financial framework is completed, along with the macro equilibrium strategy and the summary of the program review*. All three documents are sent to the executive committee.</p>	<p>The financial trends framework, the macro equilibrium strategy and the results of the program review are submitted for approval to the executive committee.</p>
June	The second update of the current budget is prepared by all of the units (boroughs and departments).	<p>The results of the first budget update for the three-year capital expenditures program are submitted for approval to the executive committee.</p>
	The information on the budgetary appropriations for the units and the budgetary objective (target) for each of the units are presented to the executive committee.	<p>The budgetary appropriations and objectives for all of the units are approved by the executive committee, which then sends them to the borough council presidents.</p> <p>The borough council presidents may take requests made by citizens at borough council meetings into consideration.</p>
	Appropriations relating to the three-year capital expenditures program are presented to the executive committee.	<p>The executive committee approves the amount of the three-year capital expenditures program appropriations for each of the units.</p>
	The director general informs the units of allocated amounts and budgetary objectives.	

Month	Administrative timelines	Decision-making timelines
	The municipal departments and boroughs prepare their respective budget requisitions, accompanied by their business plans (June to mid-August).	Each borough presents its budget and business plan to the borough council (June to mid-August).
July		The results of the second update of the current budget are submitted for approval to the executive committee, then tabled before city council.
August	The units (boroughs and departments) prepare the second budget update of the three-year capital expenditures program.	
September	<p>The municipal departments and the boroughs (units) submit their budgets and business plans to the budget review committee. This committee is made up of members of the executive committee, members of the <i>Commission des finances et du développement des ressources humaines</i>, municipal finance officials and employees of other municipal departments.</p> <p>The third update of the current budget is prepared by all of the units (boroughs and departments).</p> <p>Fiscal scenarios are presented to the administration (September and October).</p> <p>If need be, public presentations may be held on particular budget items.</p>	<p>The results of the second budget update of the three-year capital expenditures program are submitted for approval to the executive committee.</p> <p>The budget is analyzed by the review committee.</p> <p>The chairman of the executive committee may hold a press conference if deemed appropriate.</p>
October	The allotted budgets, including the appropriations for specific funds, are presented to the executive committee. The units (boroughs and departments) are informed when their budget is accepted.	The executive committee studies the budgetary appropriations allotted to each unit and the chairman of the executive committee informs the various borough council presidents.

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<b>Month</b>	<b>Administrative timelines</b>	<b>Decision-making timelines</b>
<b>October (cont'd)</b>	<p>The information used to present the budget is written up.</p> <p>The Société de transport de Montréal (STM) tables its budget before the executive committee.</p> <p>The three-year capital expenditures program is presented to the executive committee.</p>	<p>The results of the third update of the current budget are submitted for approval to the executive committee, then tabled before city council.</p> <p>The fiscal scenarios are submitted for approval to the executive committee.</p> <p>The mayor presents the city's financial statement to city council.</p> <p>The executive committee studies the budget of the Société de transport de Montréal.</p>
<b>November</b>	<p>The city clerk issues a public notice.</p> <p>The budget is submitted for approval to the executive committee.</p> <p>The city's three-year capital expenditures program budget, the budgets of the paramunicipal corporations and the sociétés d'initiative et de développement d'artères commerciales, and the budget of the Société de transport de Montréal are tabled before the city clerk's office.</p>	
<b>December</b>	<p>The operating budget, the three-year capital expenditures program, the budget of the Société de transport de Montréal and the budgets of the paramunicipal corporations are presented to the Commission des finances et du développement des ressources humaines.</p> <p>The city clerk issues public notice of a special session for the adoption of the budgets by city council.</p>	<p>The executive committee submits the budget to city council for adoption.</p>



Month	Administrative timelines	Decision-making timelines
<p><b>December (cont'd)</b></p>	<p>Public notice of implementation of the budget by-laws is issued.</p> <p>Each of the units (boroughs and departments) prepares the final update of its current budget for the year.</p>	<p>A special session of city council is held to:</p> <ul style="list-style-type: none"> <li>▪ Adopt Montréal's budget and three-year capital expenditures program;</li> <li>▪ The treasurer determines the appropriations he/she considers necessary over the coming year and files a certificate to that effect.</li> <li>▪ Adopt the budget and three-year capital expenditures program of the Société de transport de Montréal;</li> <li>▪ File the certificates of the city's treasurer and the treasurer of the Société de transport de Montréal;</li> <li>▪ Authorize the payment of contributions to the Société de transport de Montréal and to the paramunicipal corporations;</li> <li>▪ Adopt a resolution to publish a document explaining the city's budget;</li> <li>▪ Present a notice of motion to adopt the by-laws;</li> <li>▪ Adopt the budgets of the paramunicipal corporations and the sociétés d'initiative et de développement des artères commerciales;</li> <li>▪ Adopt the budget by-laws;</li> <li>▪ Present a notice of motion on the general loan by-laws for the projects involving the three-year capital expenditures program;</li> <li>▪ File the texts of the by-laws.</li> </ul> <p>A special session of council is held to adopt the budget by-laws relating to taxation, fees, subsidies, etc.</p> <p>N.B. – The final update of the current budget is presented to the executive committee which approves it when the financial statements are finalized, in February of the following year.</p>

\* The program review will be dealt with in 2003.

## **BUDGET PRACTICES STATEMENT**

### **PROJECTED FINANCIAL STATEMENTS**

In its projected financial statements, the city accrues the transactions that have been accounted for in the various funds and statements. Inter-fund operations and internal operations are eliminated. Also, given that some paramunicipal corporations are owned or controlled by the city, it must be noted that the budgeted results of these corporations are neither accrued nor consolidated in the city's projected financial statements.

### **ACCOUNTING METHODS**

Transactions are itemized using the accrual basis of accounting. In accordance with that method, the revenues and expenditures of a financial year are recorded when the revenues are duly earned and the expenses duly incurred, without regard to the actual time when the accounts are settled by a cash receipt or disbursement.

However, certain transactions are accounted for in the statement of financial activities using the cash-based accounting method. These transactions are (1) interest charges on long-term loans issued before January 1, 2001, (2) interest income from the investment of money from the redemption funds for these loans and (3) pension plan-related expenses.

### **DISPOSAL OF ASSETS**

In a capital disposition, the proceeds are accounted for as deferred revenue, up to and including the balance of the debt associated with the general loan by-law, on the one hand, and the projected results for the surplus of the proceeds of the disposition over the balance of debt, on the other hand. Lastly, the deferred revenue is linearly amortized over the remainder of the duration of the general loan by-law.

### **SUBSIDIES**

Cash subsidies are recorded in the statement of financial activities. Subsidies used to cover financing costs are presented as revenue. The latter operation is performed when the corresponding financing charges are recorded.

### **CLOSURE AND "AFTER-CLOSURE" COSTS FOR CONTROLLED TIPPING LANDFILLS**

The city is assuming the closure and "after-closure" costs for controlled tipping landfill sites it used to operate. These costs correspond to the actualized value of the recovery costs and the actualized value of the control and maintenance of the biogas systems and leachates, minus the actualized value of the interest calculated on the amounts assigned to preceding years. The costs are estimated on the basis of the used capacity of the sites.

The assumptions used in calculating these costs are reviewed periodically to account for progress made in the management of the controlled tipping landfills.

## **Budget Plan**

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### **CURRENCY CONVERSIONS**

The revenues and expenditures resulting from transactions conducted in foreign currencies are converted into Canadian dollars, at the exchange rate in effect at the time of the transactions. Investments and loans contracted in foreign currencies are converted at the exchange rate on the date when the statement of accounts is made. The debt, which is hedged against exchange rate risks (swap), is converted at the rates specified in the hedge agreement.

Loan repayments and payments to redemption funds for loans denominated in foreign currencies are converted at the exchange rates in effect on the date of the transaction. The gains or losses resulting from the differential between the original conversion rate and the conversion rate on the date of repayment (or payment) are posted to expenditures.

## **GLOSSARY**

### **ACTIVITY**

Term referring to a broad area of municipal responsibility. The city's activities are defined by the ministère des Affaires municipales et de la Métropole (MAMM).

### **BOROUGH**

A territorial, administrative and political division. Montréal is divided into 27 boroughs that have their own level of jurisdiction.

### **BUDGETARY APPROPRIATION**

Amount assigned for a predefined purpose. Budgetary appropriations may be made for human, material or financial resources.

### **ÉCO-CENTRE**

Facility where local residents can deposit recyclable and reusable items. Eco-centres are also community resources where Montrealers can get information and take part in educational or other activities relating to the environment.

### **ÉCO-QUARTIER**

Program that promotes citizens' initiatives to promote and improve the quality of life in their borough.

### **FUNCTION**

A municipal area of interest. Montréal's functions are defined by the ministère des Affaires municipales et de la Métropole (MAMM) and are as follows: general administration; public safety; transportation; environmental health; health and welfare; urban planning and development; recreation and culture; electricity and financing expenses.

### **INTERUNIT CHARGE**

Expenditure linked to an activity carried out by one unit on behalf of other units, the cost of which is then allocated between the units that benefited from the activity.

### **LOCAL IMPROVEMENT CHARGE**

Charge made to certain owners of buildings to cover the costs of the infrastructure work required for the construction of a residential development, including such things as sidewalks, water and sewer mains, lighting, paving, etc. The local improvement tax can be paid in a lump sum or broken down into annual payments over 10 or 20 years.

## **Budget Plan**

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### **MUNICIPAL DEPARTMENT**

Central administrative entity that provides planning and support services to the administration and the boroughs. A municipal department may also have operational responsibilities.

### **OCCUPATION OF THE PUBLIC DOMAIN**

Erection of complete or partial structures for an extended period of time, on land normally reserved for public use. Examples would include stairs, balconies and raised or underground walkways. The owner is charged rent for the use of the public domain. The rent may be for an symbolic amount, be determined by contract or be calculated according to a value set by the city.

### **PARAMUNICIPAL CORPORATION**

Entity having corporate status under conditions provided for the municipal charter and engaged in a business relationship with the city.

### **PARAMUNICIPAL ORGANIZATION**

Non-profit entity having corporate status under conditions provided for by law and engaged in a business relationship with the city.

### **P-Y**

Abbreviation of person-year.

### **REAL ESTATE TRANSFER**

Transfer of the ownership rights to a property as a result of its sale or rental under an emphyteotic lease. The purchaser is required to pay 0.5% of the value of the property up to \$49,999; 1% of the value of the property between \$50,000 and \$249,999 and 1.5 % of any value above \$249,999.

### **ROYALTIES – UNDERGROUND CONDUITS**

Rent charged to users of the underground conduits system operated by the Commission des services électriques, on the basis of the space occupied.

### **SICK LEAVE BANK**

Hours of sick leave the city grants in advance to its employees. Unused sick leave is payable to the employees.

### **SUBSIDY**

Financial assistance granted to a group, a taxpayer or an organization in an area of activity considered to be a priority by the municipal administration.

**SURPLUS**

Excess of revenues over expenditures.

**TAX ROLL**

Register containing the information on Montrealers' tax accounts. The tax roll reflects specific fiscal provisions enacted by the legislators and distinct conditions adopted by city council.

**UNIT**

Term used in the city's budget documents to refer to a borough, municipal department, paramunicipal corporation or paramunicipal organization, as the case may be.

**VALUATION ROLL**

Register maintained by Montréal's Direction de l'évaluation foncière containing all of the information required to prepare the tax roll.

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