



# BUDGET

Operating Budget  
At a Glance

# 2016

Montréal 



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This document is the tabled  
version of Montréal's 2016  
Operating Budget At a Glance.

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# Message from the Mayor and Chairman of the Executive Committee



Dear Fellow Montrealers,

Halfway through our first term in office, we have now prepared our third budget. As you can see, we have not altered course. We are pursuing the same plan we adopted after arriving in City Hall, involving tight management of municipal spending, massive investment in aging infrastructure and sweeping administrative reform, to make Montréal a more efficient and competitive metropolis.

As always, we remain committed to capping taxes at the level of inflation, while continuing to deliver excellent service to all Montrealers.

And we have unequivocal proof that we're on the right track. In October, Standard & Poor's (S&P) boosted Montréal's credit rating from A+ to AA-. This rating had not previously budged a notch since 1984.

S&P's upgrade for Montréal results from greater confidence in its long-term financial health. The markets see that Montréal's economic revival has a solid and secure foundation. Such confidence helps us continue to put our finances back in order and rigorously manage public moneys.

It is thus with a sense of pride in the work done to date and in keeping with prior efforts that we present this \$5,061.2 M budget for 2016, up 2.4% (\$120.2 M) from 2015.

Following our "historic" 2015 Budget, marking an unprecedented 0.3% decline in operating expenses, this 2.4% increase for 2016 does not signal any decline in our commitment to control municipal expenditures. Responsible management of public resources remains one of our key concerns.

In fact, if we only compare operating expenses, the 2016 Budget is up a mere 0.5% from 2015 and 0.3% from 2014. The increase for 2016 is thus in keeping with previous budgets, all of which were aimed at capping costs.

The prime reason for the 2016 Global Budget's 2.4% growth is a \$120 M increase in upfront capital spending. Capital investment is a key component of our plan to rebuild Montréal.

Since taking office in November 2013, we have often reiterated our commitment to repair and overhaul our metropolis's road and underground infrastructure, following years of neglect.

Such an effort, however, requires vast resources and must be planned over time. The needs are great and corresponding investments must be made over many years.

Last year we launched a comprehensive 10-year infrastructure investment plan.

Under Montréal's 2015-2024 Capital Investment Program, spending will rise each year to an annual total of \$2.1 B, as assessed by our experts and in line with our needs.

To keep debt levels reasonable, we decided to pay up front for a share of these new investments.

This is why our 10-year plan not only provides for a gradual increase in spending, but greater payments for capital investments as incurred.

By paying more in cash for capital investments, we keep borrowing at levels consistent with our debt management policies. Such an approach is not only responsible, it is more equitable for future generations that will not have to shoulder an unbearable debt burden.

Last year, we established a strategy of making higher upfront capital payments, with \$40 M allocated to this effort. This year we are spending an additional \$120 M, for a total of \$204.6 M in 2016, including contributions from the Water and Roadwork Funds.

Such cash payments should climb next year and every year through 2024 by \$80 M a year.



Each year, the challenge of finding the additional money to pay for this capital spending plan will grow. This is why we must stay the course and maintain tight control over public moneys, so we can continue following through on our plans.

In addition to this additional capital spending, the city must meet growth in several other areas, including additional transfer credits to the boroughs (\$19.4 M), an increase in budgets allocated to services to citizens (\$44.5 M) and a \$25.1 M hike in our contribution to public transit, including our regular \$20.7 M contribution to the Société de transport de Montréal (STM).

In 2016, the city's regular contribution to the STM will accordingly total \$429.8 M, up 5.1% from 2015.

The central departments have made huge efforts to limit this growth in expenditures in addition to assuming the non-indexation of certain credits other than those related to remuneration. They have completed a resource optimization plan, which resulted in savings of \$31.5 M.

For example, we are streamlining our workforce by eliminating one position out of two when an employee leaves under our Five-Year Staff Reduction Plan ("PQMO"). For 2016, this means 214.2 fewer person years, generating \$10 M in savings.

The excellent performance of our retirement funds from 2012 to 2014, accompanied by the effects of Bill 15 (*An Act to foster the financial health and sustainability of municipal defined benefit pension plans*) should generate overall savings of \$103.6 M in our retirement plans—a 25.3% reduction compared to the cost of the pension plans in 2015.

This means Montréal is gradually resuming control over its payroll spending. In 2012, such costs made up 53.1% of the city budget. Under our Five-Year Staff Reduction Plan and new government action on pension plans, this proportion shrunk to 48.6% in 2015, and will be down to 46.4% in 2016.

To keep tax levels reasonable, our administration has established the principle of always capping tax increases at inflation, which the Conference Board of Canada has forecast at 2.3% for Greater Montréal in 2016.

In the present budget, the tax charges under city council responsibility were increased by 1.9% for residential properties, representing a 1.8% increase of total tax charges for these properties. Additionally, decisions of the borough councils have the overall effect of increasing the tax charges of residential properties by 0.1%, for a total increase of 1.9%.

These figures are well below inflation, in line with our commitment.

The tax hike for non-residential properties is just 0.9%—half the announced residential increase. Our decision to limit tax increases on non-residential properties is in line with our efforts to help Montréal's businesses, make our city more competitive and promote the economic development of our metropolis.

This decision will cost Montréal \$18 M per year and all of the city's non-residential property owners will benefit from it. The smaller increase for the non-residential sector will be offset by our expense reductions.

Montréal is taking this initiative to show the business community it is prepared to go even further, to take meaningful action when it comes to economic development and to adjust the city's tax scheme to promote job creation, so businesses will set up shop and stay in Montréal.

This is the first—and far from the last—step in this direction.

We will explore other options in 2016 and will consider applying tax incentives in certain sectors to assist key components of Montréal's economy, such as major sports and cultural events, as well as local businesses.

The city has multiple opportunities to take action when it comes to economic development. This is a subject that requires a great deal of planning. For example, should we lower taxes for businesses located in commercial districts encumbered by construction projects?

Should we do more to attract business to locate in our industrial parks?

Should we create a one-stop shop for municipal services that will simplify and harmonize Montréal's business procedures for all boroughs?

We must make decisions on these and many other issues in the very near term.

This is why we shall soon announce the creation of a special task force to study various fiscal and other initiatives that can boost Montréal's economic development. It will also review the new powers and resources requested by Montréal under the *Loi sur la métropole* that should be tabled in February 2016.

Economic development has always been a top priority for our administration. Over the past few months, we have deployed such tools as PME MTL, with its six different organizations providing support to entrepreneurs and businesses. Like the PRAM-Commerce and PRAM-Artères en chantier programs, PME MTL is designed to assist our business community.

Our economic development plan is based on entrepreneurship and innovation. It promotes the creation of new industrial sectors, such as transport electrification and green chemistry.

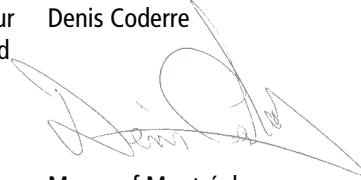
Montréal is also investing millions in infrastructure, which helps make our city more attractive to investors. Furthermore, we conduct economic missions publicizing Montréal's many advantages around the world.

Montréal has already done much to relaunch its economy, but more work remains. We must find additional means of taking direct action to support our businesses.

Proposals from this new task force, combined with fresh resources under the *Loi sur la métropole* will pave the way this year for a new series of economic development initiatives to be announced by June 2016 and included in the 2017 Budget.

In the meantime, we shall vigorously pursue our efforts to make Montréal a true 21st-century metropolis and a smart city, where technology serves the public. We are building an exemplary metropolis, committed to public transit and environmental protection. We are making Montréal an even more vibrant and radiant city than ever before, as we prepare to celebrate our 375<sup>th</sup> anniversary in just one year.

Denis Coderre



Mayor of Montréal

Pierre Desrochers



Chair of the Executive Committee

# 2016 Highlights

- A **\$5,061.2 M** budget, up 2.4% from the 2015 Budget. However, operating expenses rose a mere 0.5%.
- A **\$120.0 M** gross increase in upfront payments on capital investments.
- 1.9% growth in residential and 0.9% in non-residential property taxes, in line with our goal of keeping such hikes below inflation, while promoting economic development.
- Continuation of our intensive Five-Year Staff Reduction Plan ("PQM"), with 214.2 person years already shaved from the 2016 Budget.
- The boroughs also cut 2016 staffing under the PQM, applying these savings to balancing their own budgets.
- The Borough Finance Reform continues in 2016, with **\$16.1 M** more funding for the boroughs. Of this money, \$3.3 M has been added for to public sewer connections.
- Creation of 5 professional positions in the Urban Planning (Direction de l'urbanisme) to support the boroughs, particularly in urban planning and urban project management. These new jobs have been established in response to one of the borough financing reform recommendations.
- Following adoption of Bill 15 (*An Act to foster the financial health and sustainability of municipal defined benefit pension plans*), the city is continuing to negotiate with its union partners to find lasting solutions for shrinking retirement plan costs. Savings of **\$103.6 M** are forecast for 2016.
- A **\$14 M** contribution will be awarded to Montréal's 375<sup>th</sup> Anniversary Society (Société des célébrations du 375<sup>e</sup> anniversaire de Montréal), \$4 M more than in 2015.
- The **\$429.8 M** regular payment to the STM has been raised by **\$20.7 M**, 5.1% more than in 2015.
- The AMT's **\$64 M** contribution is up \$0.4 M.
- An additional **\$0.7 M** will be allocated to the Centre to Prevent Violent Radicalization (Centre de prévention de la radicalisation), bringing the 2016 total to \$0.9 M.
- **\$680.4 M** to the Montréal Police Department (SPVM) and **\$351 M** to the Fire Department (SSIM).
- **\$382.5 M** for water management, up \$5.6 M.
- **\$138.1 M** for city road repairs, including \$5.9 M for the pothole and crack repair program, \$1.7 M more than in 2015.
- **\$160.6 M** for waste management, down \$5.4 M from 2015, thanks to lower contract costs and less waste. \$1.8 M will be used for food waste management expenses.
- A budget of **\$533.1 M** for cultural and recreational activities as well as parks, up \$20 M, including:
  - **\$73.2 M** for the Space for Life (Biodôme, Botanical Garden, Insectarium and Rio Tinto Alcan Planetarium).
  - **\$13.9 M** for the Montréal Arts Council, \$0.5 M over the 2015 figure.
  - **\$5.9 M** for Pointe-à-Callière, the Montréal Museum of Archeology and History, \$0.4 M more than in 2015.
  - **\$6.7 M** for the urban forest (planting trees and fighting against the emerald ash borer), including \$1 M to support initiatives on private property in at-risk sectors, backing actions already underway on public lands. The Three Year Capital Program will also provide \$36 M for this effort from 2016 through 2018, with \$12 M set aside for 2016.
- **\$159.4 M** for snow removal, up \$3.7 M from 2015.
- **\$13 M** for the Société du parc Jean-Drapeau, up \$3 M.
- **\$15.3 M** (\$2.3 M more than in 2015) for the success@montréal Program (PR@M-Industry) to stimulate our city's economic development.
- The city will contribute over **\$1.9 M** to the Bureau de la ville intelligente et numérique (Smart and Digital City Office) in 2016 to make Montréal an internationally recognized world leader among smart and digital cities, under an initiative developed out of its 2014-2017 strategy (*Stratégie montréalaise 2014-2017 – ville intelligente et numérique*). This investment follows creation of the Montréal, Smart and Digital City structure in 2015 on a \$0.5 M budget.

- **\$1 M** has been set aside for deploying secure Wi-Fi networks in all city buildings and some public areas.
- **\$2.1 M** for launching the “Client Experience Office” (Bureau de l’expérience client) to ensure that the municipal initiatives address constituent needs. The city will use this money to fast-track continuous improvement and optimization of municipal services, while making the municipal apparatus more effective and efficient.
- A **\$2.1 M** contribution to *Concertation régionale de Montréal* for supporting and coordinating the work of elected urban agglomeration officials and socio-economic stakeholders, particularly after the dissolution of the Conférence régionale des élus (CRÉ) due to implementation of *An Act mainly to implement certain provisions of the Budget Speech of 4 June 2014 and return to a balanced budget in 2015-2016*.



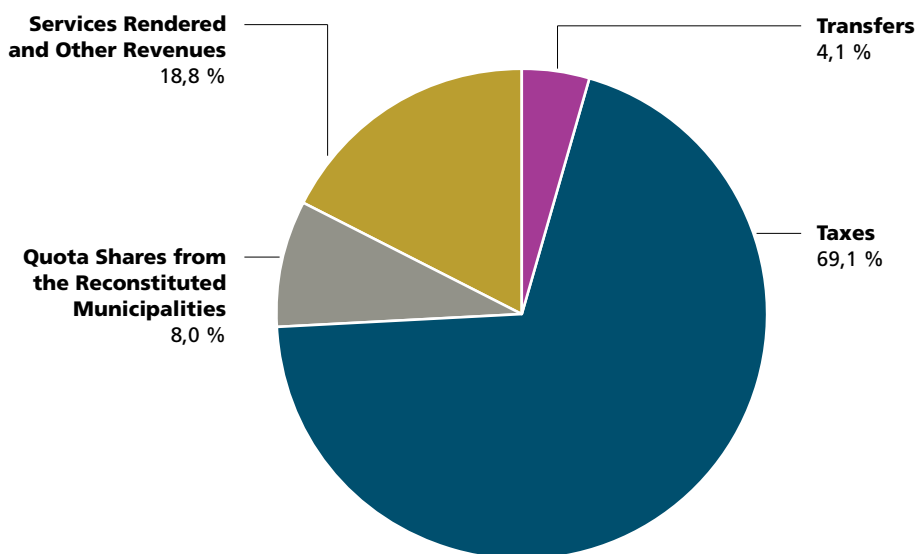
## How Are City Revenues Generated?

Montréal's 2016 revenues will come primarily from property taxes totalling \$3.4 B and representing 69.1% of the city administration's total funding.

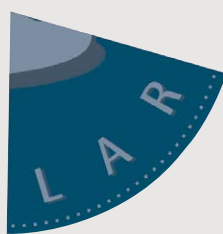
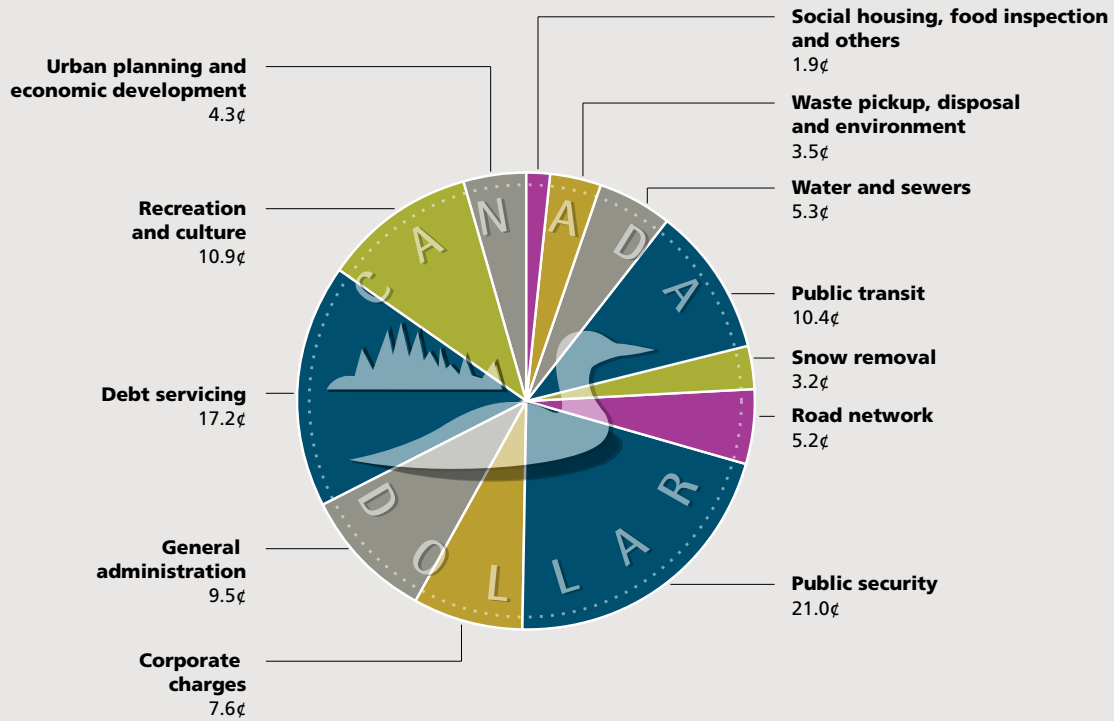
Fee-for-service and other revenues are projected to stand at \$952 M and represent 18.8% of the total. Transfer revenues—grants from the higher levels of government and various agencies—amount to an expected \$207 M (4.1% of the total).

Under *An Act to amend various legislative provisions concerning Montréal* (RSQ 2008, c. 19), "urban agglomeration expenditures will be financed by aliquot (quota) shares required from the related municipalities." Quota shares charged to related municipalities stand at \$405 M (8% of Montréal's revenues).

All these revenues have been earmarked for funding expenses associated with local city and agglomeration areas of responsibility. Montréal, as the central city, is responsible for administering the agglomeration's financial responsibilities on behalf of all related municipalities.



# Your Taxes Are Important



<b>Public security</b>	<b>21.0%</b>
Police	13.5%
Fire safety	7.1%
Civil security and others	0.4%

<b>Recreation and culture</b>	<b>10.9%</b>
Swimming pools, parks and playing fields	4.1%
Community centres	1.6%
Libraries	1.8%
Heritage, museums and exhibition centres	1.5%
Skating rinks	0.8%
Others	1.1%

<b>Corporate charges</b>	<b>7.6%</b>
Pension plans	3.3%
Contingencies, pay equity and others	4.3%

<b>General administration</b>	<b>9.5%</b>
City council	1.2%
Law enforcement	1.4%
Financial management	5.0%
City clerk and property assessment	0.7%
Human resource management	1.2%

# 2016 Tax Highlights

## Overall Tax Increase

The administration is raising taxes 1.9% for residential and 0.9% for non-residential properties. This decision will result in a total tax charge increase of 1.8% for residential and 0.9% for non-residential properties.

The Administration's decision to levy a lower tax increase on non-residential properties is in keeping with its commitment to promote economic development.

## Borough Taxation

The boroughs are responsible for indexing their service taxes to ensure overall indexing of their budgets.

Borough councils increased their service tax revenues a global 1.6% for 2016. These decisions, made by each council, will boost total residential property taxes 0.1% and will have a negligible overall impact on non-residential taxes.

## Changes in Overall Taxation

The following chart presents changes in overall taxation for Montreal taxpayers by borough, including the impact of changes in borough taxes.

Individual taxpayer's tax bills could drop or climb to different extents depending on changes in the value of their property compared to that of other Montréal properties.

### Change in total tax charges between 2015 and 2016, by borough

Boroughs	Residential properties			Non-residential properties		
	General tax charges <sup>1</sup>	Borough service taxes	Overall tax charges	General tax charges <sup>1</sup>	Borough service taxes	Overall tax charges
Ahuntsic-Cartierville	2,1%	0,1%	2,2%	0,2%	—	0,2%
Anjou	1,1%	0,5%	1,6%	0,6%	0,1%	0,7%
Côte-des-Neiges–Notre-Dame-de-Grâce	2,4%	0,1%	2,5%	1,0%	—	1,0%
Lachine	2,2%	0,2%	2,4%	(1,2%)	0,1%	(1,1%)
LaSalle	1,6%	(1,4%)	0,2%	(0,1%)	(0,3%)	(0,4%)
L'Île-Bizard–Sainte-Geneviève	0,9%	0,1%	1,0%	(1,2%)	—	(1,2%)
Mercier–Hochelaga-Maisonneuve	1,0%	0,1%	1,1%	(0,3%)	—	(0,3%)
Montréal-Nord	0,7%	0,3%	1,0%	(0,1%)	0,1%	0,0%
Outremont	3,2%	0,1%	3,3%	2,1%	—	2,1%
Pierrefonds-Roxboro	0,9%	0,1%	1,0%	0,6%	—	0,6%
Plateau-Mont-Royal	3,1%	0,6%	3,7%	2,8%	0,1%	2,9%
Rivière-des-Prairies–Pointe-aux-Trembles	0,3%	0,2%	0,5%	(0,6%)	—	(0,6%)
Rosemont–La Petite-Patrie	2,2%	0,1%	2,3%	2,0%	—	2,0%
Saint-Laurent	2,1%	0,2%	2,3%	(1,3%)	—	(1,3%)
Saint-Léonard	0,9%	0,2%	1,1%	0,4%	—	0,4%
Sud-Ouest	2,1%	0,1%	2,2%	0,3%	—	0,3%
Verdun	1,5%	0,2%	1,7%	2,0%	—	2,0%
Ville-Marie	1,2%	0,1%	1,3%	1,8%	—	1,8%
Villeray–Saint-Michel–Parc-Extension	2,0%	0,1%	2,1%	1,2%	—	1,2%
<b>VILLE DE MONTRÉAL</b>	<b>1,8%</b>	<b>0,1%</b>	<b>1,9%</b>	<b>0,9%</b>	<b>—</b>	<b>0,9%</b>

— Minimal data

<sup>1</sup> "General tax charges" include general property taxes, the water and road taxes, fiscal user fees and borough investment taxes. They exclude changes relating to borough service taxes.

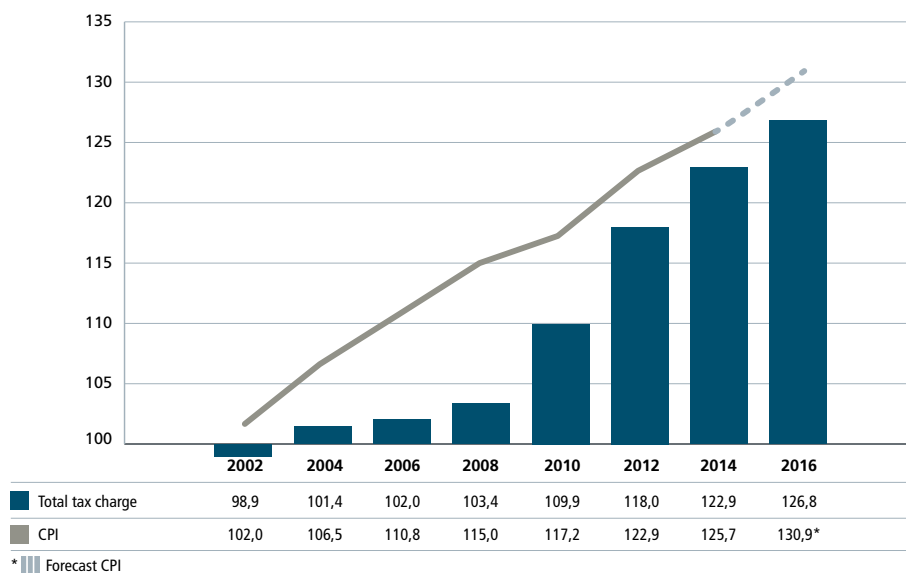
Source: Compilation updated September 11, 2015 and based on 2015 and 2016 tax parameters.

## Total Tax Changes Since 2001

The following graphs present changes in total taxes paid by Montréal taxpayers since 2001, by property category.

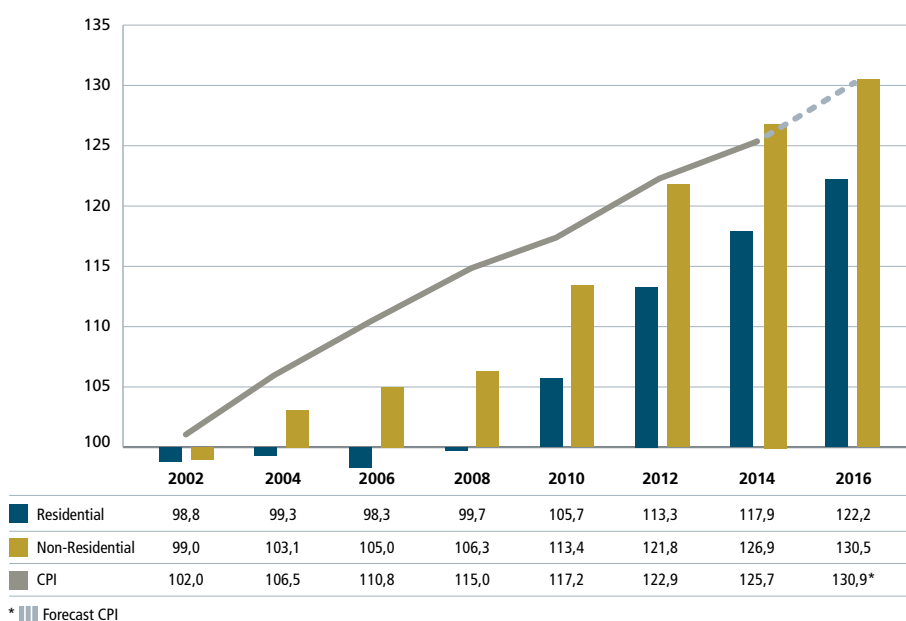
### Evolution of total tax charge<sup>1</sup> and consumer price indexes<sup>2</sup>, between 2001 and 2016

Index (2001 = 100)



### Evolution of total tax charge<sup>1</sup> and consumer price indexes<sup>2</sup>, by property category, between 2001 and 2016

Index (2001 = 100)

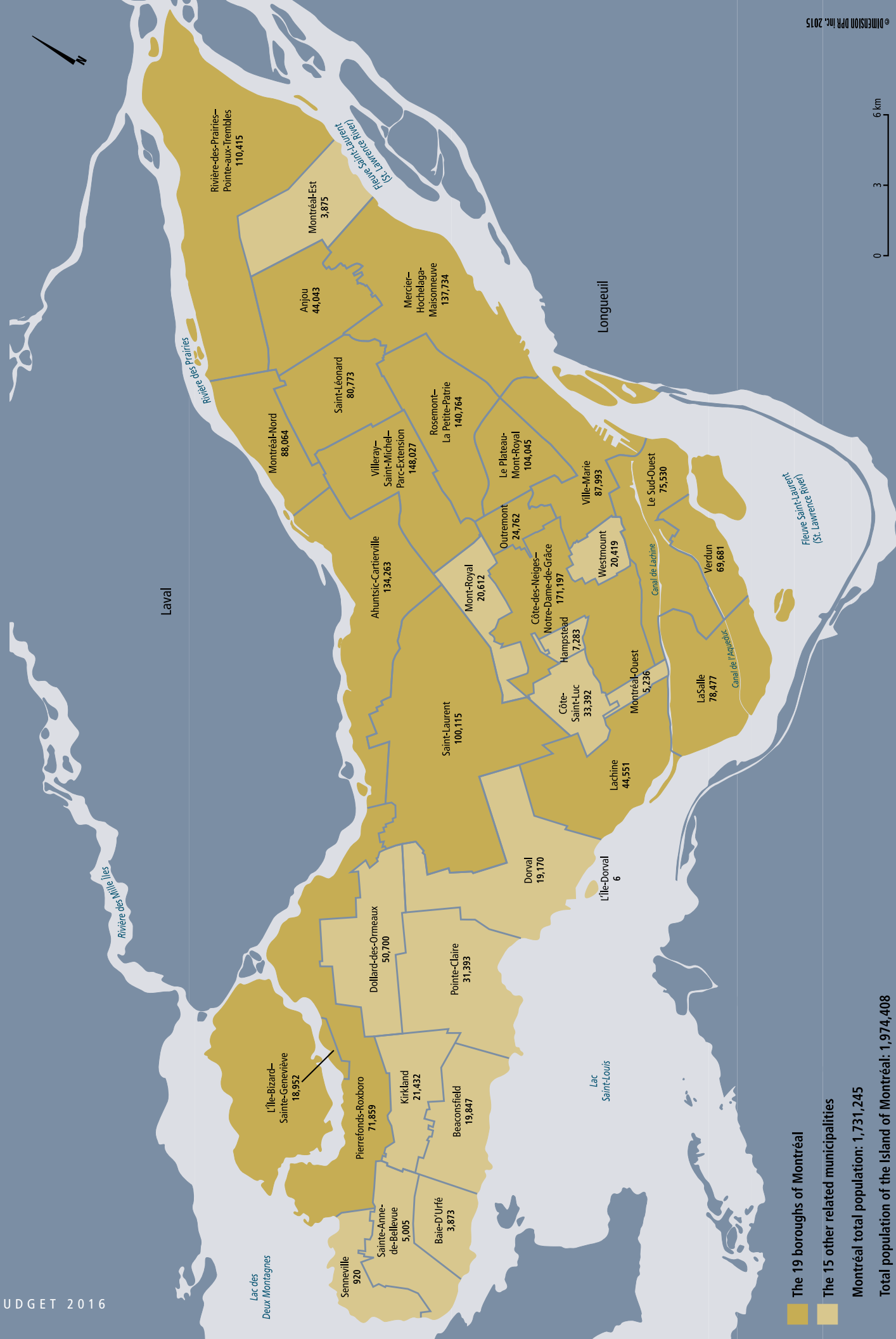


<sup>1</sup> The total tax charge index measures the changes in the general property tax, fiscal and user fees, borough service taxes and water and road taxes.

<sup>2</sup> Source: Institut de la statistique du Québec and Statistics Canada.



# The Island of Montréal and its Population



Published by the  
Ville de Montréal  
Service des finances

[ville.montreal.qc.ca/finances](http://ville.montreal.qc.ca/finances)

Legal deposit - Bibliothèque et  
Archives nationales du Québec,  
2015

Legal deposit - Library and  
Archives Canada, 2015

978-2-7647-1386-0  
Budget de fonctionnement,  
Printed document, French

978-2-7647-1387-7  
Budget de fonctionnement,  
PDF, French

978-2-7647-1390-7  
Budget en bref,  
Printed document, French

978-2-7647-1391-4  
Budget en bref, PDF, French

978-2-7647-1392-1  
Operating Budget / At a glance,  
Printed document, English

978-2-7647-1393-8  
Operating Budget / At a glance,  
PDF, English

Graphic design and printing  
Communications  
Ville de Montréal  
10650 (11-15)

Printed in Canada

This document is printed  
on 100% recycled paper.



