

2006

OVERALL BUDGET



BUDGET BY ACTIVITY

KEY FACTORS USED IN FORMULATING THE 2006 BUDGET

Preparation of the 2006 Budget and of the revenues, expenditures and allocations falling the City Council and Urban Agglomeration Council budgets was guided by principles of sound management of public funds, consideration of policies with budgetary impact and respect for the taxpayer's ability to pay.

Funding for the reconstituted municipalities was removed from the city budget in formulating the 2006 Budget.

Funding was distributed among areas of local responsibility that fall under the City Council and those for which the urban agglomeration is responsible and which fall under Urban Agglomeration Council, as described above.

In accordance with these principles, the following factors were taken into account:

Revenue-Related Factors

- The assumptions used in estimating tax revenue and employee remuneration are based on an estimated \$2.1 billion growth in 2006 of the property assessment roll for the Urban Agglomeration Council Budget. Corresponding growth of the roll for the City Council Budget is estimated at \$1.75 billion. These assumptions are based on historic trends and on anticipated construction projects.
- Renewal of revenue associated with the fiscal pact negotiated between the municipal community and the Government of Québec, has been included in these calculations and such revenue has been indexed.
- Revenue from SOFIL (Société de financement des infrastructures locales du Québec) has been included in the budget pursuant to agreements.
- Property transfer revenue projections have been upwardly revised, in view of the real estate market's vitality.

Expenditure-Related Factors

The expenditure structure reflects the maintenance and evolution of the city's activities and responsibilities.

- Expenditures include increased remuneration and employer contributions, based on the rules established in the City's new collective agreements and remuneration policies. Various other remuneration-related factors that will have a major impact have also been taken into account. These factors include the anticipated impact of actuarial valuations as at December 31, 2004, hikes in insurance premiums, contributions to the occupational health and safety board and the pay equity process that is currently under negotiation.

The budget also takes into account expectations pertaining to the ongoing process of harmonizing city employee working conditions.

- Financing cost levels were calculated on the basis of anticipated capital expenditures in 2006 and financing strategies for loans that are to be contracted. An interest rate of 6% was used in formulating these projections.
- The water management strategy is described in the budget.
- Funding has been set aside for establishing a program to repair the road network.
- The budget provides funds for supporting high-priority cleanup efforts.
- A \$10 million increase in the city's contribution to the STM appears in the budget.

CERTIFICATE OF THE PRINCIPAL DIRECTOR AND TREASURER

The *Charter of the Ville de Montréal and the Cities and Towns Act* (RSQ, c. C-11.4) and the *Cities and Towns Act* ("CTA") (RSQ, c. C-19) authorize the Treasurer of the Ville de Montréal to issue a certificate attesting that budgetary funds will be available for scheduled expenditures.

Pursuant to section 477.1 of the CTA, a council by-law or resolution authorizing an expenditure is only operative when accompanied by a treasurer's certificate stating that the municipality does in fact possess the necessary funds for the purpose to which the expenditure is to be applied.

I confirm that the budgetary credits will be available for forecasted expenditures in the budget under the responsibility of the City Council and in the budget under the responsibility of the Urban Agglomeration Council, in their respective areas of jurisdiction.

(In thousands of dollars)

<i>City Council Budget</i>	<i>Urban Agglomeration Council Budget</i>
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a) Debt service

Total debt service costs breaks down as:

▪ Financing costs	\$342,345.0	\$74,590.0
▪ Repayment of long-term debt	\$329,792.6	\$68,903.1

b) For obligations resulting from laws and from decisions that have been or will be made

▪ Signing of leases and awarding of contracts for the provision of supplies and services	\$383,819.1	\$227,361.8
▪ Granting of financial contributions and municipal assistance	\$75,460.1	\$379,659.3
▪ Salaries, wages and employer contributions	\$799,659.4	\$936,413.8

Principal Director and Treasurer,



Robert Lamontagne
January 20, 2006

STATEMENT OF FINANCIAL ACTIVITIES

The Statement of Financial Activities presents a synopsis of the city operating budget with respect to revenues, expenditures and allocations. Revenues are presented by category, while expenditures are presented by municipal category. Allocations represent the use of surpluses, reserves or earmarked funds for the fiscal year's financial activities. This statement distinguishes between revenues, expenditures and allocations based on the respective responsibilities of the City Council and the Urban Agglomeration Council. A Global Budget combines both of these components and excludes transactions to be eliminated between the two entities.

The original data from the 2005 Budget have been adjusted so that they can be presented on the same basis as that required for the 2006 Budget. These data appear under the column entitled "2005 Restated."

NOTE

The Ville de Montréal's budget is presented in accordance with the rules established by the Ministère des Affaires municipales et des Régions. The appendix describes the main budgetary practices applying to its formulation.

Please refer to Appendix 1 for further information on how budgetary information is structured and on significant accounting practices pertaining to the operating budget.

The following tables cover the years 2005 and 2006. Because of changes in the governance structure, the Restated 2005 Budget only appears in the Statement of Financial Activities.

Table 2
Statement of Financial Activities
City Budget

(In thousands of dollars)

	Restated	City council budget	Agglomeration council budget	Inter-unit transactions to be eliminated ¹	Overall budget
	2005	2006	2006	2006	2006
Revenues					
Taxes	2 462 991,0	982 521,7	1 557 325,9	0,0	2 539 847,6
Payments in lieu of taxes	222 674,0	93 660,6	142 916,8	0,0	236 577,4
Other revenues from local sources	568 333,8	514 225,1	183 211,4	(71 477,1)	625 959,4
Transfers	515 910,6	367 141,1	90 572,2	0,0	457 713,3
Specific revenues transferred to investment activities	(84 577,0)	(25 693,0)	(26 230,0)	0,0	(51 923,0)
Total revenues	3 685 332,4	1 931 855,5	1 947 796,3	(71 477,1)	3 808 174,7
Operating expenditures					
General administration	570 332,5	361 529,5	267 909,1	(58 650,6)	570 788,0
Public security	739 380,1	17 770,0	763 340,2	0,0	781 110,2
Transportation	588 659,5	202 536,5	420 491,1	0,0	623 027,6
Environmental hygiene	307 205,2	128 905,4	201 140,0	(10 593,9)	319 451,5
Health and welfare	126 709,3	87 804,9	41 291,2	0,0	129 096,1
Urban planning and development	179 186,9	130 774,0	55 685,5	(2 232,6)	184 226,9
Recreation and culture	392 404,4	333 751,9	79 570,5	0,0	413 322,4
Financing expenses	411 182,5	342 345,0	74 590,9	0,0	416 935,9
Total operating expenditures	3 315 060,4	1 605 417,2	1 904 018,5	(71 477,1)	3 437 958,6
Other financial activities					
Repayment of long-term debt	396 663,0	329 792,6	68 903,1	0,0	398 695,7
Other transfers investment activities	2 141,0	0,0	18 272,0	0,0	18 272,0
Total others financial activities	398 804,0	329 792,6	87 175,1	-	416 967,7
Total expenditures	3 713 864,4	1 935 209,8	1 991 193,6	(71 477,1)	3 854 926,3
Financial activity surplus before appropriations	(28 532,0)	(3 354,3)	(43 397,3)	-	(46 751,6)
Appropriations					
Unappropriated accumulated surplus	0,0	0,0	0,0	0,0	-
Appropriated accumulated surplus	30 913,9	3 354,3	52 223,6	0,0	55 577,9
Financial reserves and reserved funds					
- transfer from	6 444,4	0,0	0,0	0,0	-
- (transfer to)	(8 826,3)	0,0	(8 826,3)	0,0	(8 826,3)
	28 532,0	3 354,3	43 397,3	-	46 751,6
Surplus before long-term financing	-	-	-	-	-
Net surplus	-	-	-	-	-

¹The Restated 2005 Budget is presented for purposes of information. The information appearing in the Restated 2005 Budget has been adjusted in line with such factors as the withdrawal of funding for the reconstituted municipalities to make such data as comparable as possible to those of the 2006 Budget. In view of the many legislative and administrative modifications appearing in the 2006 Budget and particularly those concerning the distribution of local and agglomeration powers, the Restated 2005 reflects these changes as faithfully as possible.

²The City Council and Urban Agglomeration Council budgets must be formulated within two separate accounting entities. Inter-entity transactions to be eliminated result from the exchange of billed services between business units in which the supplier is based in an accounting entity different than that of the client. These internal transactions must be eliminated to consolidate city budget data. They are, in other words, deducted from the total so that they will not be counted twice.

Statement of Financial Activities**City budget***(In thousands of dollars)*

	Restated	Overall budget	%
	2005	2006	Change
Revenues			
Taxes	2 462 991,0	2 539 847,6	3,1
Payments in lieu of taxes	222 674,0	236 577,4	6,2
Other revenues from local sources	568 333,8	625 959,4	10,1
Transfers	515 910,6	457 713,3	(11,3)
Specific revenues transferred to investment activities	(84 577,0)	(51 923,0)	(38,6)
Total revenues	3 685 332,4	3 808 174,7	3,3
Operating expenditures			
General administration	570 332,5	570 788,0	0,1
Public security	739 380,1	781 110,2	5,6
Transportation	588 659,5	623 027,6	5,8
Environmental hygiene	307 205,2	319 451,5	4,0
Health and welfare	126 709,3	129 096,1	1,9
Urban planning and development	179 186,9	184 226,9	2,8
Recreation and culture	392 404,4	413 322,4	5,3
Financing expenses	411 182,5	416 935,9	1,4
Total operating expenditures	3 315 060,4	3 437 958,6	3,7
Other financial activities			
Repayment of long-term debt	396 663,0	398 695,7	0,5
Other transfers investment activities	2 141,0	18 272,0	-
Total others financial activities	398 804,0	416 967,7	4,6
Total expenditures	3 713 864,4	3 854 926,3	3,8
Financial activity surplus before appropriations	(28 532,0)	(46 751,6)	
Appropriations			
Unappropriated accumulated surplus	0,0	0,0	
Appropriated accumulated surplus	30 913,9	55 577,9	
Financial reserves and reserved funds			
- transfer from	6 444,4	0,0	
- (transfer to)	(8 826,3)	(8 826,3)	
	28 532,0	46 751,6	
Surplus before long-term financing	-	-	
Net surplus	-	-	

³The Restated 2005 Budget is presented for purposes of information. The information appearing in the Restated 2005 Budget has been adjusted in line with such factors as the withdrawal of funding for the reconstituted municipalities to make such data as comparable as possible to those of the 2006 Budget. In view of the many legislative and administrative modifications appearing in the 2006 Budget and particularly those concerning the distribution of local and agglomeration powers, the Restated 2005 reflects these changes as faithfully as possible.

Chart 20
Revenues and Allocations

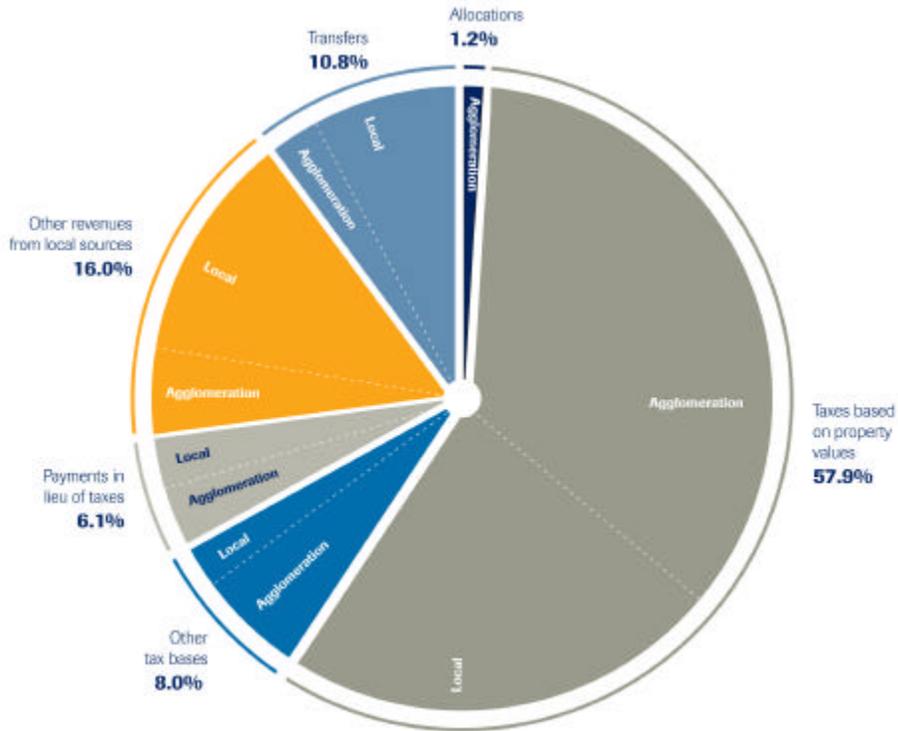
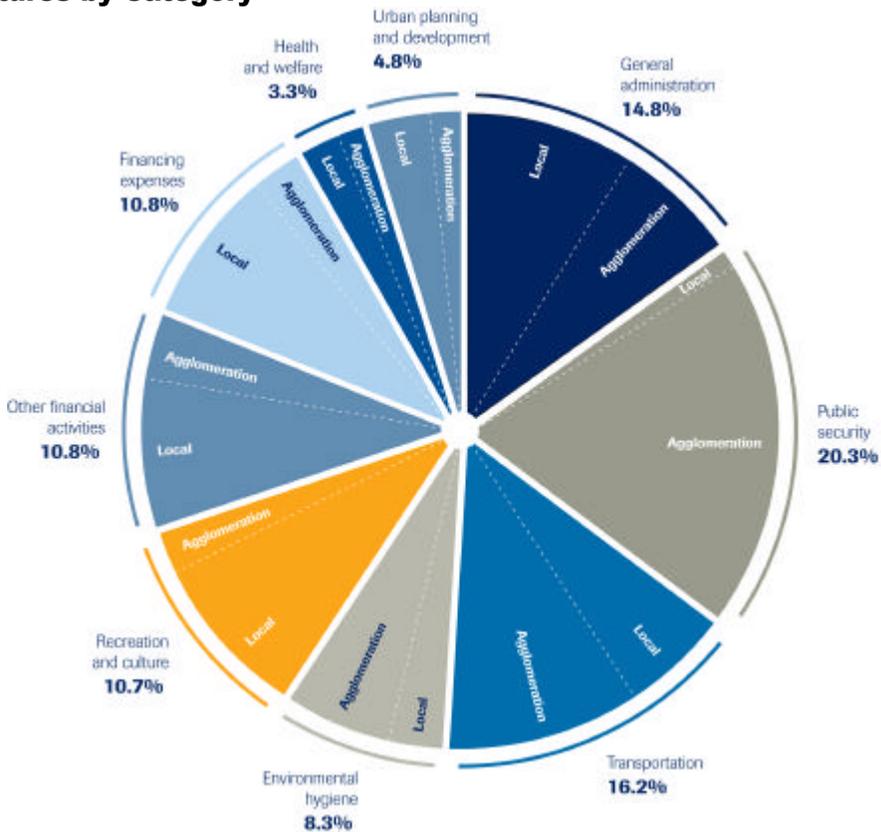


Chart 21
Expenditures by Category



KEY FACTORS IN THE 2006 BUDGET

Following reconstitution of the demerged cities and creation of the Montréal Urban Agglomeration, the Ville de Montréal is, for the first time, presenting its budget with distinction made between revenues, expenditures and allocations corresponding to areas of responsibility that fall under either the City Council or the Urban Agglomeration Council.

The preceding table also presents the Restated 2005 Budget, which contains financial data that have been adjusted to reflect changes in the new governance structure and the new distribution of responsibilities. In those sections of the budget pertaining to the City Council Budget and to the Urban Agglomeration Council, the reader will find explanations concerning various factors associated with each activity as defined by the Ministère des Affaires Municipales et des Régions, and on the various types of revenue.

Funding has been allocated based on the respective responsibilities of each entity. The Introduction to the budget contains a summary table, which outlines the key factors using in allocating the different areas of responsibility.

The 2006 Budget totals \$3,854.9 million, a \$141.1 million increase over the Restated 2005 Budget.

The increase in the 2006 Global Budget is primarily due to:

- A 2.6% rise (some \$43.4 million) in global remuneration over the Restated 2005 Budget. This growth includes the amortization cost of actuarial liabilities, pursuant to the latest actuarial valuations as at December 31, 2004.
- Additional funding of \$20 million in the operating budget will be injected for repairs to the road network.
- Inclusion of \$33 million from SOFIL (Société de financement des infrastructures locales du Québec), which will be entirely devoted to water management efforts.
- The injection of a \$10 million, which will be devoted to high-priority clean-up efforts.
- Additional staffing of 133 police officers, permitting the establishment of a new road and nautical safety program, for an amount of \$10.1 million.
- Gradual implementation of the first-responder service, requiring an additional \$5 million.
- A \$10 million increase in the city's contribution to the Société de transport de Montréal .
- Establishment of the ICI-Montréal program aimed at accelerating real-estate, commercial and industrial investments, at a cost of \$1.3 million.
- Increase in the number of housing units in the private sector of the affordable housing program at a cost of \$1.3 million.
- \$5 million in funding for the war against poverty and social exclusion.
- An additional \$700 million in 2006 (for a total of \$1 million) for organizing the first *International Outgames—Montréal 2006*.
- Increased library hours and book purchases, at a cost of nearly \$2 million.

