

Mayor's report Highlights

Financial results for the fiscal period ending
December 31, 2018



MAYOR'S MESSAGE

Presented at the city council meeting of June 17, 2019



Dear fellow citizens,

It is with great pride and a sense of accomplishment that I am presenting today the highlights of the 2018 annual financial report, as well as both internal and external audit findings. This financial report is produced in conformity with the Cities and Towns Act, as well as the agreement concluded by way of a city council resolution.

The fiscal year ending December 31st, 2018 has yielded an overall surplus of \$212.7 M, which represents an increase of \$73.2 M, as compared to Fiscal 2017. It is important to note the reduction in the urban agglomeration deficit, from \$86.2 M in 2017 to \$15.6 M in 2018.

From this \$212.7 M surplus, \$73.7 M are the result of sound borough management. Optimization strategies rolled out by corporate departments have also contributed, by generating a surplus of \$139.0 M.

Additional unanticipated revenues have also contributed to this surplus, along with savings related to a stricter control of operational costs.

REVENUES

The total revenues presented in the financial report amount to \$5,482.1 M, which represents an increase of \$189.9 M as compared to 2017.

Montréal's booming real estate sector yielded an increase of \$69.8 M in revenues yielded by property transfer duties, as compared to the original budget, while licenses and permits have generated additional revenues of \$36.6 M.

The city has finalized agreements with the federal and provincial governments for the expropriation of land belonging to Montréal, for the construction of the Samuel-De Champlain Bridge, the Complexe Turcot and the *Réseau express métropolitain*, which have generated unforeseen revenues of \$24.9 M.

However, revenues from fines and penalties were lower than projected in the budget, which yielded an overall surplus reduction of \$17.6 M.

EXPENDITURES

The total operational and financing costs presented in the financial report amount to \$4,998.1 M, as compared to \$5,052.0 M in 2017, which represents a decrease of \$53.9 M.

As far as operational costs are concerned, savings in the amount of \$58.3 M, as compared to the budgeted amounts are the result of the following:

- Lower professional and technical service costs in the amount of \$36.8 M;
- Lower rental, maintenance and repair costs, for a total of \$33.1 M, particularly as pertaining to the rental of immovables;
- Reduction of \$10.1 M in financing costs;
- Reduction of \$34.2 M in contributions to organizations, including the amount of \$22.1 M resulting from lower expenditures made by the *Société de transport de Montréal* as part of the activities of the *Société de financement des infrastructures locales* (SOFIL) and, consequently, from an equivalent, reduced contribution from the city.

The variation in expenditures can also be explained by some higher operational costs in relation to employee compensation and employer contribution, for a total of \$34.8 M, as well as durable goods in the amount of \$17.1 M.

CAPITAL WORKS ACTIVITIES

Capital works expenditures have reached \$1.7 G, which represents an increase of \$306.6 M, as compared to 2017. For the third consecutive year, capital works expenditures have soared by over 20%.

	Capital works expenditures	Increase	Increase
Year	\$ Million	\$ Million	%
2014	842.4		
2015	931.4	89.0	10.57 %
2016	1 163.8	232.4	24.95 %
2017	1 414.9	251.1	21.58 %
2018	1 721.5	306.6	21.67 %

The progression in the realization of investments under the Three-year capital works program (TCWP) is part of the main orientations of the Montréal Capital Investment Program for 2015–2024. Increased annual financial commitments made by the city reflect our will to meet Montréal's infrastructure needs, so as to offset the maintenance deficit of our water and road infrastructures.

In support of the perspective of this historic effort to catch up on infrastructure maintenance, a strategy aiming to increase cash payments has been implemented and maintained since 2014.

AUDITOR REPORTS

The audit of the city's consolidated financial statements for fiscal 2018 was carried out jointly by the city's general auditor and the external firm Deloitte SENCRL/s.r.l., who have shown no reservations with respect to the 2018 statements.

MAINTAINING MOMENTUM

We will not lose sight of our major priorities: economic development, the environment, mobility and housing.

Thus, we will continue our efforts by maintaining investments in the amount of \$360 M over the next four years, in order to accelerate Montréal's economy, thereby continuing to support the positive economic status that Montréal currently enjoys.

In 2018, the city rolled out measures aiming to support business communities in order to mitigate the economic impact of major worksites on the vitality of our commercial thoroughfares. Montréal has paid a contribution of \$13.5 M, in the form of grants to the *Sociétés d'initiative et de développement commercial* in support of their work towards revitalizing the city's commercial thoroughfares.

As far as the environment and Montréal's environmental transition, we have concluded the year with the creation of the *Bureau de la transition écologique et de la résilience* in order to address issues related to climate change. We have earmarked \$1,065 M for mobility, including \$440.9 M in capital works investments, a contribution of \$551.5 M to the *Autorité régionale de transport métropolitain* and the amount of \$72.6 M to manage the operations of the *Service des infrastructures, de voirie et des transports*.

Amounts earmarked for housing represent a total of \$189.6 M for the year 2018. Namely, \$1,337 M were invested as part of the 2018-2020 TCWP, and \$55.9 M for the management of operations of the *Service de la mise en valeur du territoire*. Amounts invested in this sector yielded the following:

- Implementation of the new Homeownership Program;
- Inspection of 2,354 dwelling units carried out by the sanitary housing division;
- Support of the project for the creation of dwelling units by the *Unité de travail pour l'implantation de logement étudiant*;
- Investment in a pilot project for the creation of 307 affordable dwelling units.

These budgets have also allowed for strategic urban planning purchases for projects in various neighborhoods, such as Griffintown, the Triangle and the Campus Outremont site, as well as other planning purchases.

Our success in completing TCWP-related projects and the effectiveness of our teams have brought our debt ratio to 99% for 2018. The debt management policy sets the ratio at a maximum of 100% of budgeted revenues. As a result, our administration will develop a strategy to bring the debt ratio below 100% as part of the elaboration of the upcoming capital investment programs.

We must thus adjust the rhythm of our investment realization to match our borrowing capacity, as well as our ability to generate sums for cash payments of capital works investments. Our intense efforts to offset maintenance deficits in regard of our city's infrastructures must be revisited in order to attain greater social acceptability in view of increased hindrances related to worksites, and to better reflect the city's actual financial capacity.

We are committed to maintaining an effective and transparent financial management. The pre-budget consultation process is an accurate reflection of our commitment in this respect. We are continuing to study the ways in which we can make Montréal a more high-performing, sustainable and innovative city, all while maintaining our finances under the control required for sound management.



Valérie Plante
Mayor of Montréal