

CITY OF WESTMOUNT
2015 BUDGET

PRESENTATION TO COUNCIL
December 15, 2014

BY: Councillor Victor M. Drury
Commissioner of Finance

Mayor Trent, fellow Councillors, ladies and gentlemen:

I am pleased to present the details of the City's 2015 Operating Budget, and the 2015-2017 Capital Works Budget.

In August, Council established the following guidelines for the 2015 budget:

“Limit the increase in taxation for local services to the rate of inflation + 1%. This limit excludes increases for Capital Works and also any increases stemming from our apportionment from the Agglomeration Council of Montreal or the Montreal Metropolitan Community (CMM); and,

Continue efforts to increase revenue from sources other than property taxes to balance the budget.”

Consistent with these objectives, I am pleased to announce that, in 2015, revenues from the general property tax for the average single family dwelling will increase by 2%; that is, a 1.5% tax increase for the operating budget, and a 0.5% increase for investments in roads and parks through our Pay-As-You-Go policy. Furthermore, the increase of 2.4%¹ in local controllable expenses also meets our objective.

Here are the main points of the budget:

1. This year, 0.5% of the taxation revenue increase will be used to increase infrastructure investments in roads and parks. This amounts to \$400K. Next year, we will likely also consider increasing taxes by an additional 0.5% to improve our roads and parks.
2. Council remains committed to its Pay-As-You-Go policy, and to increase the fund to \$7.8 million in 2015 from \$6.4 million in 2014 by contributing \$4.0 million (\$3.6 million in 2014) from taxation revenue and \$3.7 million (\$2.8 million in 2014) from appropriated accumulated surplus. The Pay-As-You-Go strategy for Capital Works plays a significant role in reducing indebtedness and in keeping infrastructure up-to-date.

3. The Quebec government will reduce its payments in lieu of taxes by \$637,900 in 2015. In addition, the Quebec sales tax rebate on municipal operations will be reduced from 62.8% in 2014 to 50% in 2015, which is equivalent to a cost increase of \$247K including both the operating and Capital Works budgets. In order to shelter the Westmount taxpayer from this downloading, the City will finance the entire amount in 2015 using accumulated surplus rather than increasing taxes. The City assumes that a permanent fiscal pact with the government will relieve the City of such obligations beyond 2015.
4. Council remains committed to sustainability. As in previous years, such spending is reflected in the various departmental budgets, as sustainability has become a part of the standard operating practices within the City.
5. Council has asked the Administration to continue maximizing the use of grants, and examining sources of revenue other than property taxes to offset operating and capital expenses. To that effect, among other initiatives, we will be reviewing the facility membership card fee for the Westmount Recreation Centre (WRC) in 2015.
6. The City will also implement new parking meter technology, starting with a pilot project at the Westmount Recreation Centre. In addition, the City will consider increasing the number of metered parking spaces.
7. Council remains committed to paying the WRC debt over a 10-year period. To that effect, as of 2013, yearly appropriations have been made in view of the large \$2.7 million bullet debt payment in 2018.
8. The new 2014 mortality table for the public sector increased pension plan costs substantially: namely, \$347K for past service cost and \$123K for current service cost, which include both the municipal and Hydro Westmount impacts. Although Bill 3 has been enacted to reduce pension plan costs, we will only see its benefits on current service cost once negotiations with the unions take place, and the revised pension plan with lower benefits is approved.
9. Finally, an amount of \$3.8 million (\$3.3 million in 2014) has been appropriated from accumulated surplus to balance the budget and to finance Capital Works, thereby limiting the taxation increase and reducing the need for borrowing.

There remains a number of issues and risks that we must consider while looking ahead: the high cost of pension plan actuarial deficits, union negotiations, and optimum infrastructure investment, especially for Hydro Westmount.

THE 2015 OPERATING EXPENSES BUDGET

The principal elements of the 2015 operating expenses budget are the following:

Delivery of local services	\$33,266,900
Debt service & financing costs	7,340,000
Government transfer payments (grants)	(1,410,500)
Pension and future benefits	3,649,700
Municipal Pay-As-You-Go* (excl. Hydro Westmount)	5,137,500
Provisions, contingencies and recoverables	737,900
Montreal Metropolitan Community contribution	852,500
Apportionment for Agglomeration Council charges	51,324,300
Appropriation from accumulated surplus	(3,799,900)
Total	\$97,098,400

*Total PAYG is \$7.8 million, including \$5.1 million for the City and \$2.7 million for Hydro Westmount.

The total operating budget increased 2.1% over last year's budget. Similar to 2014, the apportionment for Agglomeration Council charges and the Montreal Metropolitan Community contribution account for 54% of the operating budget.

CAPITAL WORKS

The Capital Works budget for 2015 shows our continued commitment to infrastructure renewal especially in light of the need to catch up in certain areas, such as roads, water and sewer networks, and Hydro Westmount. Major projects include reconstruction of Prince Albert, water network rehabilitation from Claremont to Grosvenor, Victoria Hall restoration, parking meter replacement, and a new billing system for Hydro Westmount. We are also planning the implementation of a capital asset management system that will help us prioritize our investments.

Total capital spending for 2015, net of grants, is up by \$1.0 million¹ or slightly more than 10%¹ when compared to 2014. This represents an increase from \$9.7 million¹ to \$10.7 million.

CAPITAL WORKS PROGRAM 2015 - 2016 – 2017

Catégorie de projets - Project Category	2015		2016		2017	
	Net ⁽¹⁾	Brut - Gross	Net ⁽¹⁾	Brut - Gross	Net ⁽¹⁾	Brut - Gross
Municipal						
1. Bâtiments - Buildings	\$ 1,037,400	\$ 1,037,400	\$ 961,600	\$ 961,600	\$ 986,900	\$ 986,900
2. Chemins - Roads	2,623,100	2,653,500	3,210,500	3,210,500	2,130,500	2,859,400
3. Réseau d'aqueduc et d'égouts - Water and Sewer Network	698,500	1,832,300	698,500	1,832,300	1,214,800	1,619,700
4. Parcs - Parks	544,100	693,400	904,050	1,384,900	575,000	828,100
5. Véhicules - Vehicles	491,000	491,000	575,100	575,100	481,000	481,000
6. Informatique - Information Systems	352,200	352,200	361,200	361,200	370,200	370,200
7. Divers - Miscellaneous	551,700	551,700	369,500	369,500	253,100	253,100
Total Municipal	\$ 6,298,000	\$ 7,611,500	\$ 7,080,450	\$ 8,695,100	\$ 6,011,500	\$ 7,398,400

Hydro Westmount	Net ⁽¹⁾		Brut - Gross		Net ⁽¹⁾		Brut - Gross	
8. Projets majeurs - Major Projects	\$ 1,950,000	\$ 1,950,000	\$ 2,510,000	\$ 2,510,000	\$ 2,730,000	\$ 2,730,000		
9. Véhicules - Vehicles	285,000	285,000	100,000	100,000	370,000	370,000		
10. Projets municipaux - Municipal Projects	237,800	237,800	141,800	141,800	141,800	141,800		
Total Hydro Westmount	\$ 2,472,800	\$ 2,472,800	\$ 2,751,800	\$ 2,751,800	\$ 3,241,800	\$ 3,241,800		

Projets spéciaux non récurrents - Non-recurring special projects	Net ⁽¹⁾		Brut - Gross		Net ⁽¹⁾		Brut - Gross	
1. Nouveau système de facturation Hydro Westmount - New Hydro Westmount billing system	\$ 469,400	\$ 469,400	\$ -	\$ -	\$ -	\$ -		
2. Nouveau système de gestion financière - New financial accounting system	100,000	100,000	-	-	-	-		
3. Remplacement des parcomètres - Replacement of parking meters	650,000	650,000	-	-	-	-		
4. Logiciel de permis d'Aménagement Urbain - Urban Planning permit software	80,000	80,000	-	-	-	-		
5. Écran antibruit - Sound barrier	253,100	506,200	253,100	506,200	-	-		
6. Remplacement du système de communication radio ECOM - Replacement of the radio communication system ECOM	354,300	354,300	-	-	-	-		
7. Nouveau départ HQ, câble 15 Kv et 5 Kv, disjoncteurs sous-station St-Antoine et travaux civils - New start HQ, câble 15 Kv and 5 Kv, switchgear for St-Antoine substation and engineering	-	-	5,000,000	5,000,000	-	-		
Total projets spéciaux non récurrents - Non-recurring special projects	\$ 1,906,800	\$ 2,159,900	\$ 5,253,100	\$ 5,506,200	\$ -	\$ -		

Grand Total	\$ 10,677,600	\$ 12,244,200	\$ 15,085,350	\$ 16,953,100	\$ 9,253,300	\$ 10,640,200
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FINANCEMENT - FINANCING

PAYG de la taxation - PAYG from taxation	\$ 4,045,500	\$ 4,045,500	TBD	TBD	TBD	TBD
PAYG de l'excédent cumulé affecté - PAYG from appropriated accumulated surplus	1,407,200	1,407,200	TBD	TBD	TBD	TBD
PAYG (projets spéciaux) de l'excédent affecté - PAYG (special projects) from appropriated surplus	1,906,800	1,906,800	TBD	TBD	-	-
PAYG recouvrables MTQ - recoverable MTQ	80,000	80,000	-	-	-	-
Subventions anticipées (temporairement PAYG de l'excédent affecté) - Anticipated grants (PAYG temporarily from appropriated surplus)	-	402,400	-	733,950	-	253,100
TOTAL PAYG	\$ 7,439,500	\$ 7,841,900	\$ -	\$ 733,950	\$ -	\$ 253,100
Subventions (Programme de la taxe sur l'essence) - Grants (Gas tax program) ⁽²⁾	-	1,164,200	-	1,133,800	-	1,133,800
Endettement net - Net indebtedness - 2015 LBL	3,006,900	3,006,900	TBD	TBD	TBD	TBD
Endettement net - Net indebtedness - 2014 LBL	231,200	231,200	-	-	-	-
TOTAL	\$ 10,677,600	\$ 12,244,200	\$ 15,085,350	\$ 16,953,100	\$ 9,253,300	\$ 10,640,200

Notes:

- (1) Budget net = Budget brut moins subventions, si applicable.
Net budget = Gross budget less grants, if applicable.
- (2) Revenus de transfert de subventions ; une dette sera émise pour la portion provinciale.
Transfer payment grants ; a debt will be issued for the provincial portion.

DEBT MANAGEMENT

As of December 31st, 2014, Westmount's outstanding debt will be \$54 million. Of this amount, \$42.4 million should be assumed by the City, and \$11.6 million by the Quebec government that now pays its grants over 10 to 20 years. The WRC-portion of the \$42.4 million municipal debt amounts to \$11.6 million.

The level of municipal debt payment and financing costs in the 2015 budget is \$7.3 million, which includes \$5.9 million assumed by the City and \$1.4 million covered by grants. In addition, Hydro Westmount's debt payment stands at \$700K.

ACCUMULATED OPERATING SURPLUS

To fund additional Capital Works projects, \$3 million has been transferred from unappropriated accumulated surplus to be used for infrastructure. This leaves us with \$2.5 million in unappropriated accumulated surplus.

2015 MUNICIPAL TAXATION AND LOCAL REVENUES

As required by law, municipal budgets must be balanced. Therefore, total revenues required to match the 2015 municipal expenses, net of appropriation from accumulated surplus, will be \$97,098,400 (\$95,144,500 in 2014).

Of this amount, local revenues from sources other than taxation will total \$11.2 million as compared to \$10.6 million in 2014. Several significant 'non-tax' revenue items include \$5.55 million for parking fees and court fines (\$5.55 million in 2014), \$3.30 million for transfer duties (\$3.30 million in 2014), and \$1.15 million for recreational activities (\$810K in 2014). It is our intention to continue reviewing our revenue sources in 2015 to diminish the reliance on property tax revenue and to ensure an increased contribution from users.

The in-lieu-of-tax payments received from the federal and provincial governments will amount to \$3.2 million (\$3.8 million in 2014). The Quebec government's payment in-lieu-of-taxes was reduced by \$637.9K in 2015. In addition, Quebec Sales Tax recovery (rebate) in 2015 will be reduced from 62.8% QST to 50.0%, which will increase operating costs by \$130,000 and Capital Works by \$117,000.

Hydro Westmount's net operating surplus is budgeted at \$1.1 million. The \$2.7 million Pay-As-You-Go relating to the electrical network is deducted in the Utility Operation section after the related operating surplus.

Taxes raised from Westmount property owners will total \$83.8 million (\$81.4 million in 2014). Of this amount, \$829K is generated by new construction.

2015 TAXATION RATES

When the new assessment roll was deposited in September 2013, we decided to “phase in” the application of the roll over a three-year period to decrease the impact on our residents. 2015 will mark the second year of its application.

In 2015, the municipal tax rates (per \$100 of valuation) will be:

For residential properties containing 5 housing units or less	\$0.9022
For apartment buildings with 6 or more units	\$0.9839
For non-residential properties	\$3.5596

With a 2015 residential rate of \$0.9022, the tax bill of the average single-family dwelling will be \$12,669, which is \$248 more when compared to \$12,421 in 2014, or a 2.0% increase. The single family dwelling’s value is \$1,404,256 in 2015.

Again, it must be stressed that this example reflects the impact of the taxation rates on the average single-family dwelling. Tax bill increases/decreases will vary depending upon the change in valuation of each individual property.

The Westmount tax bills will be mailed by the end of January. Payment can be made in two instalments, the first due on February 27, 2015, and the second on May 29, 2015. An interest rate of 9% per annum will be charged on the unpaid balance. A penalty of 0.5% per month on the outstanding principal will also be charged, to a maximum of 5%, over and above the interest charges.

In closing, I would like to emphasize that while the current Council and the City have every intention of keeping property tax increases to a manageable level, the pension situation and infrastructure renewal will need to be addressed in the coming year.

With the above comments, I hereby table the 2015 Westmount Operating and Capital Budget for Council’s approval.

Councillor Victor M. Drury
Commissioner of Finance

¹ Calculated using the 2014 restated budget reflecting the new 50.0% QST recovery (rebate) by invoice, rather than the 62.8% QST recovery in 2014. This calculation was made to make the 2014 budget comparable with the 2015 one.