

2014 BUDGET

Tuesday, December 17, 2013

Check against delivery.

“A Transition Budget”

Good evening ladies and gentlemen,

I am very pleased to present to you Gatineau’s 2014 budget, the first by the Municipal Council elected on November 3. A municipal budget takes a long time to put together. The documents used as background for the discussions take months to prepare. Every municipal department is involved in making sure that the final outcome is a balanced budget, the entire exercise being overseen by the finance department and the chief administrator’s office.

This year, the twelve new elected officials had to very quickly absorb a considerable amount of information. I deeply appreciate the help provided by staff and the diligence shown by the new councillors throughout the discussions.

We made a choice, a wise one in my opinion, to postpone some of the discussions to early 2014. This will give us time to take a closer look at certain things, in particular, development charges, communities’ funds and fees for services. On this last point, we would like to review all municipal service fees based on the principles of equity, effectiveness and access.

We will quite soon in the new year launch into an analysis of the main budget orientations to ensure that the 2015 Budget more clearly carries the mark of the new Council.

The discussions surrounding the preparation of this budget took place in public between November 25 and 28, and were posted on the municipal Web site. They are still up for viewing in case you are interested.

I believe that Gatineau is the only city in Quebec to hold most of its budget discussions in public, and this is something of which we can be proud.

Over the next few years, Gatineau intends to further develop its commitment to transparency in municipal affairs. One example of this is the Municipal Council meetings, which are currently Webcast and then posted on the municipal Web site: as of January 2014, they will be accessible directly through the Internet.

Gatineau's issues and obligations

Our city has had a decade of sustained growth in both demographic and economic terms. Early this year its population passed the 270,000 level, which means an increase of close to 5,000 residents since January 2012. This is good news, but it places significant pressure on our services, including everything from libraries to sports facilities, as well as roads and plants. This year, we also had to take into account the federal public service staff cutbacks because these have a significant impact on the housing market, which in turn affects our revenues.

With all of these issues taken into consideration, this evening the Municipal Council is presenting you with a \$526 million balanced budget.

For the average residential tax bill, the 2014 increase amounts to 2.9%, or \$67.

The tax increase can be divided into two parts. The first 1% is the dedicated infrastructure tax. This dedicated tax, which has been in place for three years, is necessary in view of the massive catch-up needed in regard to infrastructures. It is also one of our main arguments in convincing other levels of government to assist us: we do what we must, and they must do the same.

The second part of the increase is the 1.9%. This represents a return to the principle of the long-term financial plan that Gatineau developed for itself. In order to avoid overly large variations in taxes, every year Gatineau sets its basic tax increases to the Bank of Canada's consumer price index "target", that is to say 2%. The "target" index is a desired long-run average, not an annual index. It is this minimum increase that Gatineau intends to use for its offer of services and to manage its growth.

Revenues

Property taxes represent close to 85% of municipal revenues, that is to say \$447 million.

The other moneys coming in are from the following sources:

- **land transfer taxes**, which represent 3.1% of revenues;
- **fees** for services, which account for 3.5% of revenues;
- **subsidies**, which account for 2.7% of revenues;
- **finances**, which represent 2.3% of revenues; and
- various others, accounting for 3.4%.

While **fees** may only contribute a limited amount, they do provide another source of revenue to Gatineau. At \$18.5 million, they represent 3.5% of revenues in the budget. This year, the Municipal Council decided to limit increases for seniors, families, day camps and aquatics.

As I indicated previously, during this mandate we want to revise all fees for municipal services based on the principles of equity, effectiveness and access.

Investments in services and infrastructures

Changes to Gatineau's operating budget and **service improvements represent 1.9%** of this increase consisting, among other things, of the following:

- a \$3.7 million increase in its assessed contribution to the **Société de transport de l'Outaouais (STO)**, for a total of \$51.3 million, bringing Gatineau's contribution to 47% of the STO budget, with \$1.4 million of the \$3.7 million going towards the adjustments required for the Rapibus;
- a \$1.2 million increase for new equipment and staff (13 firefighters) under the **fire safety cover plan**;
- a contribution of \$590,000 to complete the implementation of the **police organization plan**; and
- since the merger, nearly 40% of the new positions created in Gatineau have been for police officers and firefighters, in accordance with directions issued to all cities by the Government of Quebec, without any real offsetting financial adjustment.

This year's budget also allows for a slight improvement in municipal services, including the following:

- \$229,000 to the **Heritage Policy** and the **Cultural Policy**, and for **celebrations and festivals**;
- \$300,000 to the **Policy on Social Development**;
- \$925,000 to purchase additional ice time and time on the synthetic surface at the **centre Branchaud-Brière**;
- an additional \$300,000 to improve our **bike paths**, bringing the total annual expenditure to \$1.8 million; and
- \$250,000 for the **emerald ash borer** management plan.

Infrastructures

Over the last several years, Gatineau has introduced a number of measures in order to step up its infrastructure investments. In addition to the 1% infrastructure dedicated tax, Gatineau systematically makes use of the subsidy programs run by other levels of government.

In 2014, Gatineau will allocate \$96 million to its **municipal infrastructures**. This is an enormous amount. We have to address the city's growth and at the same time invest in the sorely needed catch-up in this regard. It cannot be emphasized enough: cities have to maintain 58% of public infrastructures even though they only receive 8% of the taxes paid by their residents. It is hardly surprising that our infrastructure is deteriorating.

Without Quebec City and Ottawa, Gatineau can limit the damage, but no more. The other levels of government must increase their contributions further.

Of this \$96 million, **parks and recreational, sports and community infrastructures** will receive \$3.5 million, and \$1.8 million will be invested in **recreational pathways including some major repairs** in 2014.

An annual \$1.2 million envelope will also be allocated under the **Programme Rénovation Québec (PRQ)**. In addition, 125 **social housing units** will be built under AccèsLogis Québec, which will amount to a \$2.1 million investment.

Report on expenditures

The increase in municipal expenditures is capped at 4%.

As well, in 2014, we will accelerate the expenditure review process. For this first year, we are aiming for significant rationalization. We believe it is essential to ensure optimal operational performance, and to put every dollar collected from residents to good use. We also want to carry out a similar review process for the STO.

Gatineau's debt at the end of 2013 comes to \$528.5 million. In 2014, it will rise to \$570.7 million, an increase of \$42 million. Most of this will stem from upgrades to the Gatineau wastewater plant (\$36.5 million). Increasing the debt also enables Gatineau to take advantage of government subsidies for infrastructure repairs and works adding up to \$105 million. Whereas at the time of the merger, debt servicing costs represented 23% of the municipal budget, they now represent only 12% of our expenditures. Gatineau is managing its debt efficiently, as a result of which it can now make up for past shortfalls in infrastructure investments.

Supplementary budget issues

It is strikingly clear that cities in Quebec are overly dependent on property taxes. Gatineau relies on those taxes for 85% of its revenues. For years, municipalities in Quebec have been asking the provincial government to do something. The Province is moving far too slowly on this issue.

There is an urgent need to diversify municipal revenue sources. In the coming year, we will continue to bring this issue to the table during negotiations around the fiscal and financial partnership with Quebec. It bears repeating that since the merger, nearly 40% of new employees hired by Ville de Gatineau have been police officers and firefighters. This is an obligation imposed by the Government of Quebec, without any real offsetting financial adjustment.

We will also have to continue asking Quebec to increase funding for affordable housing. We depend on the Province for that as well, and Quebec must supply more such units. Access to housing is the key to winning the battle against poverty.

In 2014, we will be meeting with our employees to discuss the health of our pension funds. The 2008 financial crisis dealt a severe blow to these funds. We are entering this round of negotiations with the aim of ensuring the survival of pension plans and protecting the interests of municipal taxpayers.

Conclusion

The budget that we are adopting tonight is responsible and forward-looking. By providing the kinds of investments that are needed to improve our city, it offers Gatineau residents the kinds of quality services that will help us continue to build a city where people can achieve their potential in every aspect of their lives.

It is also a transition budget on which the new Municipal Council has left its first stamp. We are setting out the markers for a mandate that will likely be very heavy, but also very important for Gatineau's development.