

## 2015 BUDGET

December 9, 2014  
Check against delivery.

# A BUDGET OF DECISIONS



TODAY'S BUDGET IS THE LAST  
STEP IN RATIONALIZING  
THE ENTIRE MUNICIPAL  
ADMINISTRATION THROUGH  
CLEAR ORIENTATIONS AND  
WELL-DELIMITED BUDGET  
ENVELOPES.

Good evening ladies and gentlemen!

I am very pleased to present Gatineau's 2015 budget to its residents.

Last year at this time, we brought you this Municipal Council's first budget. Having just been elected a few weeks prior to that, we decided to adopt a transition budget until we had had a chance to take a careful look at the situation and to decide on some key changes for this year's budget strategy.

A great deal of work has gone into preparing for today's budget. We began by pooling all of our electoral programs into a formal Council program that sets out our mandate's main priorities. In this way, we are correcting a key weakness identified by many of you and by numerous observers who had indicated that Gatineau has been paying a high price for the lack of clear orientation, in the order of \$4 to \$5 million according to the Raymond Chabot Grant Thornton (RCGT) report of January 22, 2013.

We then asked our team of officials to draw up a quantified action plan with clear timeframes, so that we could deliver our program. Today's budget is the last step in rationalizing the entire municipal administration through clear orientations and well-delimited budget envelopes. This will enable us to tell our teams what they should work on, what not to work on, and how much money they can count on to do what they have to do.

I would like to take a moment to pay tribute to the excellent contribution made by all those in the municipal administration who played a part, from near or far, in this lengthy process. We have made some key changes in our ways of doing things, and, throughout the process, we have been able to count on the professionalism, efficiency and, most of all, the desire of our employees, from top management to employees in the field, to serve Gatineau well.

I also want to thank all of the elected officials who spent so much time on preparing the 2015 budget, in particular those who worked on the Executive Committee, the Comité des immobilisations et du budget and the members of the Commission de révision des dépenses et des services. I would also like to thank my own Office team, who have been preparing since December 2013 for tonight's budget.

This is the kind of invaluable teamwork that has made it possible for us to bring Gatineau residents a budget of decisions, a budget that could be taken as a policy in the finest sense of the term, because in it we make choices on behalf of our community, which is our primary role.



Maxime Pedneaud-Jobin, mayor

## Fiscal pact

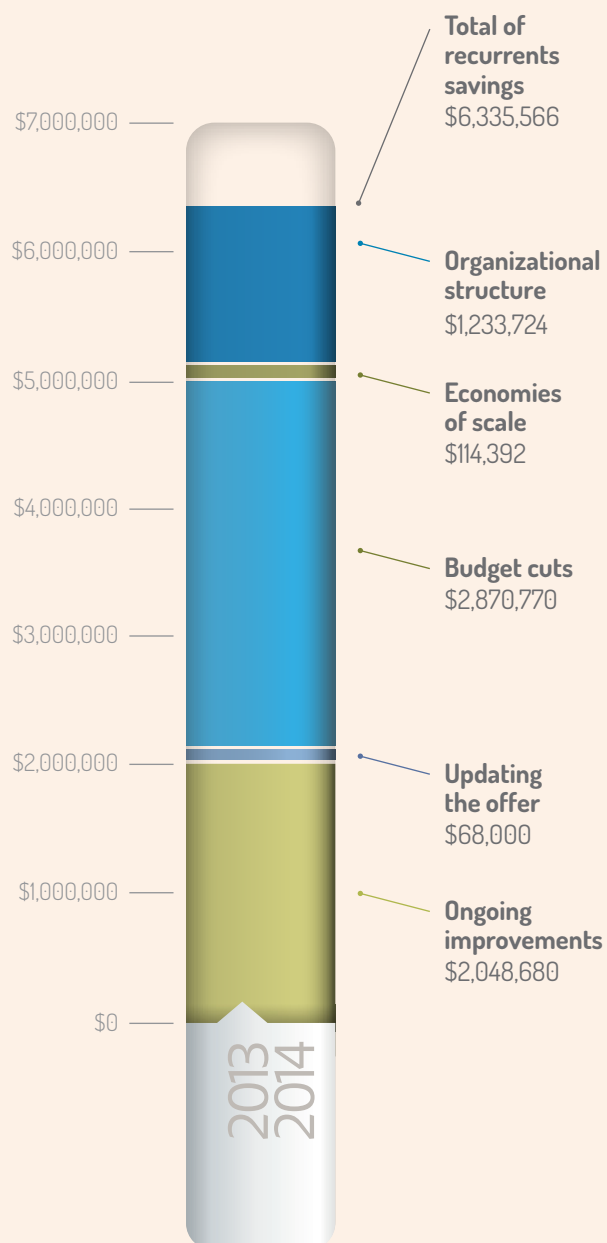
This serious, rigorous and lengthy exercise was undermined by what the Government of Quebec called the transitional fiscal pact for 2015, and that we called the imposed *fiscal setback*. By striking out at the tax offsets and QST refund to which we were entitled, the Government of Quebec assaulted our financial foundation. These unilateral cutbacks, imposed just days before the start of the budget review, forced us to reverse some of the points of agreement and to make some difficult decisions. This situation illustrates the importance of making cities, or if you prefer, local governments, autonomous. We are accountable to our residents, we have a sound democratic life, we are under the scrutiny of our auditor general and the media, and Quebec should focus on its own management instead of messing around with ours.

## The Commission de révision des dépenses et des services

The first new aspect of this year's budget discussions will have been the fact that we started by reviewing the work done by the Commission de révision des dépenses et des services in 2013 and 2014. This work gave us the opportunity to achieve recurrent savings in the order of \$6.3 million. These savings, which will add up over the years, will help reduce the growth of the municipal budget.

These savings stem, for instance, from:

- the elimination of positions, which makes it possible to create new ones at zero cost where growth calls for new hirings, for instance in infrastructure-related operations;
- improved practices, such as reducing the use of road salt; and
- budget cuts, such as freezing overtime budgets.



We also made some strategic choices that will lead to savings in the coming months and years. For instance, we decided to consolidate our property management team. This investment, which is financed mainly by eliminating positions, will enable us to reduce the under-utilization of certain buildings and our maintenance costs, namely by selling a number of assets currently in our portfolio. We also set up a Bureau des grands projets to concentrate our expertise, limit cost overruns, and ensure that deadlines are met and risks are better managed. Finally, we adopted an activity-based management approach rather than one based on budget items, which will make it easier to reach strategic decisions and to optimize our human and financial resources.

In addition to the \$6.3 million in direct savings generated by the Commission, we avoided \$3.4 million in costs by reassessing some of our practices, such as leasing instead of buying, or phasing in our equipment upgrades instead of doing them all in one shot, which has generated savings of close to \$10 million over the last two years.

THIS TYPE OF RIGOROUS  
APPROACH CARRIED OUT  
IN COOPERATION WITH  
OUR STAFF WILL MEAN  
THE DIFFERENCE BETWEEN  
INDISCRIMINATE CUTS AND  
SUSTAINABLE IMPROVEMENTS  
IN OUR ORGANIZATION.

Finally, during the budget talks, we agreed to clarify the mandate of the Commission de révision des dépenses et des services. The Commission will have to review the offer of services to the public in order to boost the recurrent savings achieved by 2018 from \$6.3 million to \$15 million. The Commission will do this by assessing the relevance of the services offered, the level of those services, and their optimal delivery. This type of rigorous approach carried out in cooperation with our staff will mean the difference between indiscriminate cuts and sustainable improvements in our organization.

All of this work has to factor in the reality of the city's continued growth. This year was certainly no exception. Since the merger in 2001, Gatineau has welcomed more than 40,000 new residents, the equivalent of a city the size of Rimouski. While this kind of growth means new revenues, it also means significant costs in terms of services to people and in infrastructure requirements.

# REVENUES

As has been the case in the past four years, the tax increase has two components. The first 1.9% corresponds to the principle of Gatineau's long-term financial plan. In order to avoid too great a gap between taxes from one year to the next, every year Gatineau pegs its basic tax increase to the Bank of Canada target consumer price index (CPI), that is to say 2%. I want to be clear that we do not tax according to the CPI for the current year, but according to the Bank of Canada's target increase, which enables us to avoid overly sharp variations.

In fact, over the last five years, the tax increase related to operations averaged 1.66% while the inflation rate was 1.96%. This increase, which was dedicated entirely to operations, enabled us to maintain existing services, to absorb the economic indexation of our expenditures, to assume new responsibilities transferred by other levels of government and to meet our obligations under our employee pension plans. Thus, Gatineau is in a perpetual budget cutback situation in order to limit its property tax increases.

The second component of the tax increase, the additional 1%, is entirely dedicated to our infrastructure, and has now been in place for four years. It has enabled us to do some catch up in this area, as and when called for. Thanks to the establishment of the 1% dedicated infrastructure tax in 2012, to date we have been able to invest \$20.8 million, to which another \$15.2 million will be added in 2015.

In summary, the tax increase would be 1.9% if we had not had any catching up to do in our infrastructure maintenance. This situation is a result of 30 years of neglect due to the decision to keep our taxes artificially low by putting off the maintenance of our infrastructures. This year, the tax increase will be 2.9%, which comes to \$70 for a median residential tax account (on a property assessed at \$237,700).

In 2015, property taxes will represent just over 86% of Gatineau's revenues. The remainder will come from: fees for services (3.4%), transfer fees (2.9%), subsidies (2.6%), fines (2.2%) and other sources (2.8%).

\$546 631 000  
BALANCED  
BUDGET

## **Revenue diversification: a must for Gatineau**

Not only Gatineau, but every city in Quebec is suffering from over reliance on property taxes. We are reeling under the pressure of increasingly complex economic and social issues and of increasingly frequent instances of responsibilities being transferred by other levels of government. In order to keep offering services to residents and to take on the infrastructure challenge, we need to find other solutions that will enable us to limit the increase in property taxes. Cities operate under a two hundred year old fiscal structure, and it is high time that they get to be able to count on new stable and predictable sources of revenue other than property taxes.

WE NEED TO FIND OTHER  
SOLUTIONS THAT WILL ENABLE  
US TO LIMIT THE INCREASE IN  
PROPERTY TAXES.

Gatineau is actively involved in this municipal movement for sounder taxation.

- We introduced growth fees in order to cover the costs generated by urban growth without imposing further taxes. We now want Quebec to do like other Canadian provinces and U.S. states, and let us introduce development charges for new construction projects. These charges are a good way to limit the growth in general taxes, and they have proven their worth, including next door in Ottawa.
- We will continue to demand that revenues associated with an increase in the QST be redistributed to the cities. This is not an additional tax but rather a fiscal transfer. The advantage of this tool is that it encourages cities to stimulate their economies, and amounts to an interesting form of taxation because it is paid only by consumers.
- In 2015, I will table before the Municipal Council a municipal revenue diversification plan that will include the previous measures, as well as others such as the power to tax certain commercial parking lots, as they do in Montréal.
- This kind of revenue diversification is all the more important because since 2005, 100% of Gatineau's new revenue sources have been dedicated to its infrastructures. In the future, some of these new revenues will have to be allocated to other municipal missions that are also essential to our development, and that also put considerable pressure on our budgets. We know that while there is a price to pay when we neglect our roads, there is also one to pay as a society when we neglect our libraries.

# EXPENDITURES

It is important to reiterate that a significant portion of municipal spending stems from responsibilities that have been assigned to us by the Government of Quebec without any offsetting funding. There are many examples of this: we are responsible for maintaining 58% of our infrastructures even though we only receive 8% of the taxes and fees; since the municipal merger, 40% of the positions created in Gatineau have been for firefighters and police, and these were created because the Government of Quebec increased the standards we have to meet; Quebec only gives us a portion of the taxes we should get, etc.

Still, we are doing everything in our power to keep our spending under control. In particular, we:

- set a ceiling on the annual increase in Gatineau's assessed contribution to the Société de transport de l'Outaouais (STO);
- reduced by more than half the budget for service improvements;
- set a ceiling on Gatineau's contribution to the Gatineau airport;
- significantly reduced the number of projects on which our departments will be working; and
- took steps to promote the adoption of a bill on pension plans and municipal autonomy.

This same commitment to keeping our spending under control led us to take the reins in the battle against collusion.

In this regard, a number of measures have been introduced over the past year, always with the same objective in mind: reduce the cost to public institutions and open markets in order to stimulate competition. Our commitment in fact prompted the Union des municipalités du Québec (UMQ) to recognize Gatineau as a model in its brief to the Charbonneau commission.

## 3.9%

IN 2015, WE WILL  
SPEND \$20.7 MILLION,  
OR 3.9% MORE THAN  
IN 2014.

# INFRASTRUCTURE MAINTENANCE

2015,  
A RECORD YEAR  
IN INFRASTRUCTURE  
MAINTENANCE.

When it comes to infrastructure investments, 2015 is going to be a record year. We all know that Gatineau is one of the cities in Quebec and Canada that is doing the most to fill in this huge gap:

- since 2012, we have had a special 1% dedicated tax exclusively for infrastructures;
- since 2005, 100% of new revenues in Gatineau have gone to infrastructures;
- in order to avoid a recurrence of this toxic public finance dynamic, we introduced a life cycle reserve for our new infrastructures so that we can start planning for their future maintenance from the moment they are built: this fund will help stop the degradation of our properties and, ultimately, limit our expenses;
- we adopted a policy that supports a temporary debt increase so that we can take part in subsidy programs that can help us catch up: since the merger, half of the debt increase has been used for this purpose; and
- the Service des travaux publics is the only municipal service whose budget is automatically adjusted to help it adapt to increased infrastructure investments.

These measures, all of which focus on our infrastructures, represent the bulk of our fiscal flexibility.

This year, we are announcing a record investment of **\$171 million** in infrastructure maintenance. We are addressing the lag in our road resurfacing efforts by increasing the amounts invested and our crews' capacities. The main infrastructure investments are as follows:

**33 million**  
Road repairs

**51 million**  
Water supply and sewer  
system repairs

**6 million**  
Municipal buildings

**17 million**  
Radio communications

**32 million**  
Plants and pumping stations

**3 million (minimum)**  
Housing

These numbers speak for themselves: over the past ten years, we have made tremendous strides in terms of funding our infrastructures. Nonetheless, the gap is still widening, and we are now \$1.3 billion behind. We will continue to step up our demands to other levels of government.

### The debt is under control

All indications lead us to believe that our debt is sound. The \$575.5 million in 2014 is expected to decrease by \$5 million in 2015. Debt servicing charges are only 12% of our 2015 expenditures, compared to 23% at the time of the merger.

Gatineau is continuing to manage its debt prudently. We essentially use it as a financial lever that enables us to maintain our massive infrastructure investments. Think of it in terms of Gatineau managing its debt like a mortgage on our infrastructures, which will continue to benefit us for many years to come, not as a credit card used to pay current expenses.

# INVESTMENT PLAN: MAKING CHOICES

Our desire to act responsibly also prompted us to make some significant changes in our three-year capital plan, which is our investment plan for our infrastructures, the largest budget item after salaries.

We combined all municipal investments into a single tool, the investment plan. We included what used to be the three-year capital plan (PTI), which will now be known as the infrastructure maintenance plan, to which we will continue to allocate 85% of investments. But this year, for the first time, we will also set an objective of allocating 15% to development projects. The purpose of these projects is to improve our quality of life and to create wealth throughout our territory.

By gathering all municipal investments into one, we will be able to have a good overview of all of our investments so that we can make informed decisions, and thereby avoid working piecemeal. The RCGT report indicated that we should stop scattering our efforts and set clear priorities, which is exactly what we are doing.

The infrastructure maintenance investment plan is an indispensable planning tool for any sound municipal administration. This is the part of the budget in which our ability (or inability) to make precise choices will have consequences for our crews and on our long-term expenditures.

## **Infrastructure maintenance investment plan**

### **1) Sweeping exercise for setting new priorities**

Until now, budget envelopes were set for the different types of work, for example roads, water supply systems and buildings, and in each category the order of priority for carrying out projects was largely influenced by deadlines under the three-year capital plan. This approach had clear policy benefits, because it simplified debates, but it is now a thing of the past because sound management is our obvious priority.

From now on, projects listed in the infrastructure maintenance investment plan will be reassessed annually and prioritized based on three criteria: available funds, the opinion of our Service des infrastructures about the physical condition of our infrastructure, and the opinions of the different service centres about the strategic importance of the particular infrastructure in the community. For instance, the decision to spread asphalt on one road instead of another will not be based on its ranking in our work list but on its condition compared to others, as well as on the impact on the community of resurfacing it, for example when there is a school on it. From now on, the conditions in the field will dictate our choices.

## 2) No more funding by sector or electoral district

These changes in our approaches also include eliminating the latest policies on funding based on sectors or electoral districts. It is worth remembering that neighbourhood skating rinks were allocated by electoral district, and that every sector was supposed to have its share of road resurfacing or sidewalk edging repairs on a pro rata basis. Our crews often found themselves investing time and money on lower priority repairs. The latest policies in this regard have now been eliminated. From this point on, every intervention in our infrastructures will be based on real needs and strategic choices. In terms of road resurfacing alone, this new approach has resulted in changes in nearly half of the streets that had been previously earmarked.

## 3) A place for infrastructures geared to people

We also made the fundamental choice to acknowledge Gatineau's essential role in providing services to people through libraries, sports, culture and social development by earmarking 15% development project investments for those areas. This will also help ensure that funding from the Fonds de développement des communautés is not extended when those budgets run out. This principle is being applied for the first time this year by the Federal Government and by the Government of Quebec through the new gas tax redistribution program, under which up to 20% of available monies can be allocated to sports or cultural infrastructures, both of which are wealth generating and synonyms of quality of life.

## 4) The downtown: a priority

The same rationale for assessing needs and priorities will apply to investments in the downtown. Until now, investments in the downtown came from revenues generated by new construction in that area. From now on, the downtown will be defined as a priority by the Municipal Council, and the funds earmarked for it will come from the general budget. This is another way of affirming that the health of our downtown is everybody's business, not only that of the people who live there.

## 5) Gravel road rehabilitation program

We will discontinue our farm roads paving program, and focus instead on rehabilitating the gravel roads. We have decided to allocate the available funds to solidifying our gravel roads instead of paving them. This will enable us to avoid having to pave 75 kilometres of roads, and to save on maintenance.

## 6) New infrastructure maintenance plan: four strategic axes

In thoroughly redoing our infrastructure maintenance plan, we took a stand against scattering our efforts and in favour of focusing our investments in four activity sectors that will enable our entire municipal organization to become more efficient.

- We started by choosing to invest \$22.7 million in renewing, over a short four-year timeframe, our fleet of vehicles and equipment, namely those used for snow clearing and street cleaning. By renewing our aging fleet, we will be able to reduce the incidence of breakdowns during operations, reduce necessary maintenance expenditures, and increase our ability to deliver the level of service promised to residents, maybe even increase that level without increasing our operating budgets.

- Still with an eye to swiftly increasing our overall efficiency, we will invest \$21.5 million over five years in our computer services. Our systems are so outdated that the auditor general has serious concerns for the safety of our data, and our employees lose enormous amounts of time carrying out procedures that should have been computerized a long time ago, such as managing invoices. This is another choice that, in the end, should improve our efficiency and generate savings.
- The time has come to renew our radio communications infrastructure for our municipal services. We will be allocating \$17 million to this project, which will also improve the efficiency of our services.
- Finally, we will take advantage of the opportunity provided by the STO's construction of a new \$75 million garage to redesign the facilities next to the new garage (\$3 million). The new STO garage will also enable the municipal carrier to extend the life of its buses and to improve its offer of services to users, for instance by making it possible for its buses to depart directly from the city's east end when serving this sector, which will save fuel and time.

WE WILL BE DOUBLING OUR  
ANNUAL INVESTMENTS IN  
OUR DOWNTOWN.

### Investments in development projects

In order to improve the quality of life of residents and to generate wealth, the Municipal Council has chosen to place the priority over the next four years on projects representing \$67 million out of a long list adding up to \$407 million.

- We want to give our downtown a boost. As one of Gatineau's engines, a key source of wealth creation, we will earmark a \$32 million envelope to it. This essentially means that we will be doubling our annual investments in our downtown. As well, in order to ensure that our efforts pay off, we will give our teams two clear priorities:
  - development of the ruisseau de la Brasserie sector; and
  - development of the popular Aubry/Laval neighbourhood.

These short-term measures will be supplemented by a ten-year intervention plan that will be developed in partnership with stakeholders in the downtown. Our message is clear: we know where we are going, we are ready to lead the way in developing our downtown, and we are going to work in partnership with people in the field.

As another way of stimulating our downtown, we have extended the subsidy aimed at promoting construction on Île de Hull. Before this program was in place, 511 dwellings were built over the space of 20 years. Since its introduction six years ago, 532 additional dwellings have been built in the downtown. What's more, the program made it possible for residents from every income bracket to move into the area. Thus, it will be extended for another six years, or until 4,000 new dwellings are built, including those that are currently being or that have already been constructed. The Municipal Council insisted on modifying this program to make it more amenable to the construction of smaller and affordable dwellings.

- If we are going to build a city in which everyone feels at home, Gatineau will have to develop its entire territory. As a result, we did not restrict our focus to the downtown. We considered that this was the only way. We earmarked a \$10.1 million envelope for projects that will enable us to develop all of our communities. In some cases, the communities had been waiting for years. We pinpointed projects, determined the envelopes, and mandated our departments to come up with an implementation plan for each project. The following are the ones that were selected:
  - renovation of parc des Cèdres, a landmark project for the Aylmer sector;
  - heritage protection for the Deschênes rapids;
  - oxygenation of lac Beauchamp, one of the Gatineau's two main O<sub>2</sub> reservoirs;
  - urban revitalization of the old city centres in the Gatineau, Aylmer, Buckingham and Masson sector, all essential to keeping the urban cores rich and attractive;
  - projects to turn Gatineau into a model city in the use of bicycles, including key investments for stimulating the utilitarian uses of bicycles, making links and improving signage, and also investing in creating a pathway connecting the Masson-Angers and Buckingham sectors along rivière du Lièvre; and
  - all of the investments that have already been identified for the Fonds des communautés and major projects such as the rue Jacques-Cartier redevelopment.
- Finally, for the very first time since the municipal merger, we have set up an envelope to develop our library network. Out of a \$123 million development and catch-up plan, we will be investing \$21.9 million in the following three libraries:
  - our priority, a new library in the Plateau area, which has grown phenomenally and does not have a library anywhere nearby; and
  - afterwards, depending on available funding and opportunities, we will invest in upgrading the Lucy-Faris and Guy-Sanche libraries.

# CONCLUSION

Tonight we bring you a good budget, a budget of decisions. This budget is based on a common program, a common vision. Our priorities are clear, and better defined than ever. Thanks to this budget, we are setting the stage for the future by attempting to generate wealth through investing in our libraries, in our employment nodes, in our downtown, and in our neighbourhoods. Thanks to this budget, we will continue to be one of the most active cities in Quebec when it comes to the enormous catch-up challenge we face with our infrastructures.

This budget also reflects our rigorous approach. We rewrote our three-year capital plan. We introduced an ongoing expenditure review process. We stopped allocating money by sector. We refused to scatter our efforts and instead focused our actions on specific objectives.

Naturally, this is only the beginning. Several major construction projects await us in 2015. We will continue to revise our approaches in order to make them even more efficient. We will revise our fees. We will revise our committee and commission structures. We will look more carefully at the situation with our arenas. We will continue our efforts to achieve a true partnership with school boards, which is certainly in the best interests of our residents and taxpayers, which are the same. I also remain convinced of the tremendous importance to Gatineau of collaborating with our post-secondary institutions, namely the Université du Québec en Outaouais, which can and must play a larger role in bringing more prosperity to our region.

In the report by the UMQ's committee of elders (the comité des sages), author and journalist Lise Bissonnette affirmed that the more we define our concerns in global terms, the more we define our hopes at a human scale. It is in the context of cities, towns and villages that they are best expressed and must be fulfilled. If the hopes of Gatineau residents are to be fulfilled, their elected officials must make choices. This is what we have done with this budget, and we can be proud of it.

Thank you and have a great evening!

THIS BUDGET IS BASED  
ON A COMMON PROGRAM,  
A COMMON VISION.