



2017 Budget

December 6, 2016
Check against delivery.



Four Years of Strategic Choices

WE ARE PRESENTING A BUDGET THAT PROVIDES A GOOD ILLUSTRATION OF THE CHANGES MADE SINCE 2013

I am very pleased to present Gatineau's 2017 budget to our residents. With three budgets adopted by the Municipal Council and one more to go this evening, I am very proud of the key changes we have made to our procedures since November 2013. With this 2017 budget, you are giving me the opportunity to present an overview of this Council's work on the financial and budgetary fronts.

After combining our electoral platforms and agreeing on the top priorities for our mandate, we prepared a long list of strategic budget choices, streamlined our priorities for maintaining our infrastructures, pared down the list of projects underway, and adopted a detailed implementation plan on which we started reporting last year.

This approach enabled us to respond to a key weakness identified in the January 2013 report by Raymond Chabot Grant Thornton indicating a lack of clear orientations that was costing Gatineau between four and five million dollars a year.

This Council will certainly have left its mark, not only in terms of its choice of investments, but also in terms of the changes to how it does business, and I am definitely satisfied with the increased rigour in the budget process. In fact, for the first time this year, we are in a position to compare our rate of completion on investment projects for infrastructure maintenance to last year's. The same goes for our development projects throughout the city, as well as for the revenue diversification plan. We clarified priorities, timelines and respective responsibilities, which means that we can now report on an annual basis.

I would like to take this opportunity to recognize the excellent contributions made by every single person in the municipal administration who contributed directly or indirectly to this lengthy process. Numerous discussions were held, and at every point we were able to rely on our employees' professionalism and efficiency, regardless of their position in the organization.

I would also like to thank all of the elected officials who dedicated so much time to preparing the 2017 Budget, in particular those who served on the Executive Committee, on the Comité des immobilisations et du budget and on the Commission de révision des dépenses et des services.

This is the kind of invaluable collaboration that has made it possible for us today to bring Gatineau residents a budget that clearly illustrates the changes made since 2013.

Transparency

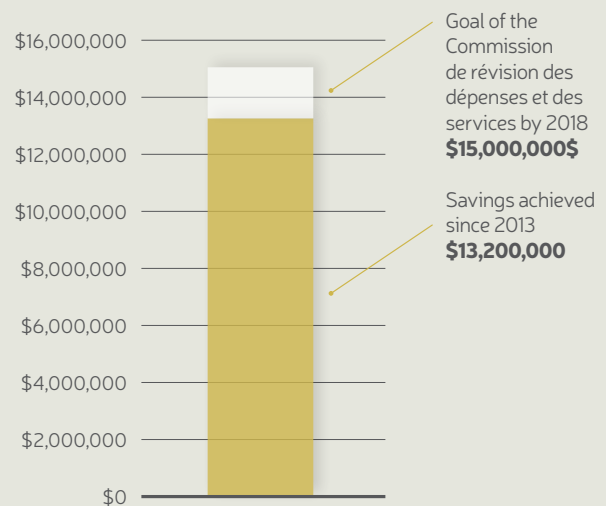
When we took office in 2013, Gatineau was already one of the most transparent cities in Quebec. Since 2014, Municipal Council sessions have not only been televised but also webcast live. Furthermore, the agendas and supporting documents for the presentations are now more quickly available.

Last year, we innovated by releasing a tool to make the issues more easy to grasp for the public at large. This year, we are taking another step forward with the tool entitled “*Budget perspective citoyenne*”, a microsite where, for each residential civic address, you can find the actual amounts allocated to the municipal services connected to that address. The site has already had thousands of hits, and I encourage everyone to check out this highly educational exercise.

SINCE 2013, ITS WORK HAS ALREADY FREED UP \$13.2 MILLION, WHICH LEADS US TO BELIEVE THAT WE WILL REACH OUR GOAL.

The Commission de révision des dépenses et des services

This year once again, the budget review week started with an overview of the work done by the Commission de révision des dépenses et des services, which examines costs, organizational performance and the city’s offer of services. Its goal is to identify \$15 million in recurrent savings annually until 2018. Since 2013, its work has already freed up \$13.2 million, which leads us to believe that we will reach our goal.



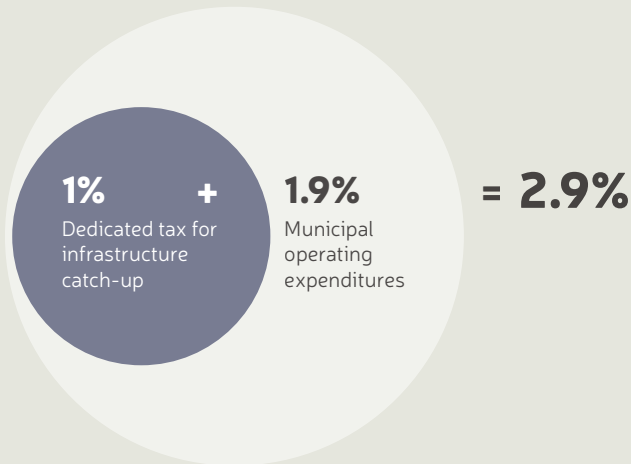
I am pleased with the approach we chose to this end. Instead of cutting indiscriminately, we are taking it department by department, coming up with ways to improve efficiency, to do things better. Our employees are central to the approach, and I thank them for their commitment and their professionalism. Together, we are generating sustainable savings.

Gatineau residents can rest assured that public funds are being carefully spent.

REVENUES

This year once again, tax increases are being held to our long-term financial plan. The first 1.9% of the tax increase will be used to maintain services, and the second 1% for our much needed infrastructure catch-up. This second tranche is being fully allocated to infrastructures, and 2017 will mark the sixth year it has been applied. Created in 2012, so far this dedicated infrastructure tax has enabled us to invest \$56 million, and we will be adding another \$25.2 million in 2017.

This year, the tax increase will be 2.9%, which is equivalent to \$75 for a median residential tax account (\$237,700 property tax). In 2017, property taxes will represent slightly over 87% of Gatineau's revenues.



Revenue diversification plan

In order to reduce our dependence on property taxes and limit tax increases, last year I proposed a revenue diversification plan. This is an ambitious undertaking, and several major issues are being addressed in collaboration with the Union des municipalités du Québec and other cities.

It is important to highlight several key gains achieved by municipalities in the past three years:

- Adoption of a "Gatineau clause", a historic development whereby the government recognizes and guides the imposition of development growth fees. This is a modern ecofiscal tool that is indispensable to reducing the pressure on taxpayers. A new by-law is being drafted, and will be in effect by the summer.

- Adoption of a policy on regulatory relief to reduce the cost of red tape between Quebec and the municipalities. Gatineau annually spends some 74,000 hours, the equivalent of 41 full-time employees, on reporting to the Province.
- Adoption of a safety switch policy to limit any new government measures that will increase municipal costs (e.g. new standards).
- Increase in refunds in lieu of taxes of close to \$1 million by closing (in 2019), and recognition by the Government of Quebec that it will eventually have to pay 100% of its taxes, which will represent an additional \$4.2 million in annual revenue for Gatineau.
- Improvement in the power balance of cities in terms of labour relations.
- Greater equity in the management of pension plans.

This list will likely grow further by the end of the year. Every one of the requests in our revenue diversification plan has been included in the UMQ proposals. We are now awaiting the tabling of the draft legislation on municipal autonomy.

The debt is under control

All indicators point to a healthy debt. Estimated at \$563.8 million in 2016, it is expected to decrease for a third consecutive year, by \$6 million in 2017. Debt servicing charges only amount to 11% of our expenditures in 2017, compared to 23% at the time of the municipal merger.

Gatineau is continuing to manage its debt prudently. The debt is essentially used as a mortgage on infrastructures that will serve us over many years to come, not as a credit card used to pay current expenses.

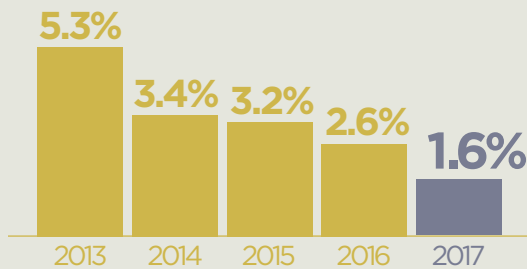
Moreover, Gatineau is paying cash for more than 60% of its infrastructures. None of the other major cities in Quebec have done as well. Here again you are seeing the results of our rigorous process and administration, and the consideration we have for tomorrow's taxpayers.

Expenditures

Whereas in 2013 spending under the operating budget was increasing by 5.4%, we have mandated the administration to limit the increase to 4%, and we revisited our way of doing business. Thanks to our efforts to instill more discipline, last year we posted the lowest increase in Gatineau's history, 2.6%, and I am very pleased to announce that in 2017, spending under the operating budget will only increase by 1.6% over 2016. This figure attests to the prudent and rigorous approach we are taking to managing Gatineau.

Changes in operating budget expenditure increases

Without the dedicated tax



We have managed to cap our expenses through a number of key measures:

- The work of the Commission de révision des dépenses et des services, specifically the \$13.2 million in efficiency gains and budget cuts.
- Our assessed contribution by the STO this year has been limited to a \$2.8 million increase compared to \$3.5 million previously, even as services have been improved.
- We also reduced by half our payments to the Gatineau Airport, while at the same time stepping up our efforts to promote it.

Even as we continued to pursue our efforts to be more rigorous, we were able to invest in a number of service improvements. Since 2013, we have made a number of strategic choices. We:

- increased funding for the policies on heritage, culture, celebrations and festivals, and social development, as well as the action plan for seniors;
- chose to earmark close to \$1 million annually to purchase time for the sports infrastructures at the Branchaud-Brière complex, a business model that benefits Gatineau;
- revived the Ruisseau de la Brasserie skating rink;
- developed partnerships with the Université du Québec en Outaouais and the École nationale d'administration publique;
- fostered artist workshops and residencies;
- introduced a pilot project to increase safety and the sense of safety in schools;
- improved our support for groups wishing to build outdoor skating rinks; and
- expanded the bibliothèque Aurélien-Doucet.

All of these initiatives underwent rigorous review, and have had a significant impact on the quality of life of Gatineau residents.

Continuing to catch up on infrastructure

Over the past four years, we continued to invest massive amounts in our infrastructure. In 2015, we reached a record of a total of \$171 million, and our annual average increased considerably. Gatineau is one of the municipalities in Quebec and Canada that is doing the most to close this enormous gap:

- since 2012, we have had a special 1% dedicated infrastructure tax;
- since 2005, 100% of our new revenues have been dedicated to our infrastructure;
- since 2010, we have had a life cycle reserve for new infrastructures, so that we can start planning for their future maintenance from the moment they are built: this fund was used this year for the very first time, to replace a part at the Aylmer water treatment plant;
- we apply for every grant that could help us with our catch-up: since the municipal merger, close to 60% of the debt increase has been used for this purpose; and
- the Service des travaux publics is the only municipal department whose budget is automatically adjusted to help it adapt to increased infrastructure investments: every other municipal department has to absorb the cost of municipal growth.

These measures, all of which focus on our infrastructures, represent the bulk of our fiscal flexibility. But we also changed the way we do business, and made several strategic choices:

- we abolished envelopes based on sectors or electoral districts;
- we put an end to the “first come, first served” approach: investments are now assessed based on priority requirements, and territorial directors are consulted to ensure that our investments reflect the communities’ requirements;
- we adhere to the principle that infrastructures intended to service individuals also suffer from a significant shortfall in investment, and should as a rule receive 15% of the total envelopes;
- we doubled annual investments in the downtown; and
- we invested in those sectors that can help improve our services. For example, we accelerated catch-up efforts in renewing our fleet of vehicles so that our employees could have reliable equipment for their work. We also did some significant information technology catch-up, which will enable us to improve all of our services. Finally, we launched a review of all of our properties, which will lead to short-term savings and revenues.

In addition to these reforms, we also announced some major long-awaited construction projects. Over the next four years, we will completely redo rue Notre-Dame in Vieux-Gatineau (\$20 million), and boulevard Saint-Joseph in the Hull sector (\$43 million). As well, this year we will start a \$53 million major project extending over several years to correct the situation with water discoloration in several neighbourhoods, a key quality of life consideration. In regard to active transportation, it should be noted that we doubled our investments to close to \$2 million for bicycle paths annually, and more than \$4 million in work is planned or underway. This year, we also reviewed our progress on our neighbourhood development projects. It should be remembered that this \$67 million plan, with clear priorities and fixed timelines, was adopted in July 2015, and we have until 2018 to complete it.

Conclusion

As we approach the end of our mandate, I am very pleased with the overall performance of this Council, which did not shy away from tackling several tricky issues. Since 2013, a series of strategic choices have enabled us to fine-tune our approaches and to invest according to our priorities.

Our rigorous principles and the Council's overall vision guided our decisions. Despite the many challenges we face, Gatineau's financial health is sound. The house is in order, and Gatineau's future looks bright.

GATINEAU'S FINANCIAL
HEALTH IS SOUND



Maxime Pedneaud-Jobin, mayor