

# Mississauga Residents' Associations Network (MIRANET)

## Deputation re: Mississauga 2010 Budget To: Budget Committee, Council Chamber, January 13, 2010 (Check against delivery)

### Introduction

We appreciate the opportunity of making a presentation on behalf of MIRANET concerning the City's Operating and Capital Budgets. We recognize that the City is operating within very difficult fiscal circumstances and like most municipalities has inadequate revenue sources to meet all of its requirements. MIRANET seeks to support the City in setting priorities and seeking solutions to some of these problems. In reviewing the current Budget process we offer some suggestions that we hope this Committee and Staff will consider incorporating into the preparation of the 2011 Operating Budget.

Having attended the Budget Committee meetings since last June we are impressed by the professional hard work of staff. We wish to acknowledge the time and interest they have taken in responding to our questions. We most recently submitted seven written questions to Ms. Elliott-Spencer, Director of Finance, to which we received detailed responses, and these have been attached to your Agenda.

As an observation concerning the current status of the 2010 Budget, which as of the December 14, 2009 meeting suggests a tax increase of approximately 2.2 percent, supplemented with an infrastructure tax levy of 1.0 percent subject to your further approval, we view the projected tax increase of 2.2 percent to be moderate and we hope acceptable to most ratepayers.

That said however, we are concerned at the magnitude of the tax increase of 10.9 percent currently projected for 2011 and 8.5 percent for 2012. We therefore wish to comment on some of the underlying premises that drive the Budget, and to address the following topics:

1. The Budget Process
2. Tax Increase Target
3. Additional Sources of Funding
4. Wage & Salary Increases
5. Infrastructure Levy
6. Strategic Plan and Capital Budget
7. Conclusions

### **1. The Budget Process**

#### ***Current Process:***

We understand that the present tax-funded portion of the Budget is the amount required to bridge the difference between the forecast of department costs and City revenues, the latter based upon a forecast of user fees and investment income. Department cost forecasts appear to commence at an unrealistically high level. The budget process then consists of a series of meetings at which staff are directed to reduce costs by removing programs, reducing service levels, or finding efficiency gains.

***MIRANET Recommends:***

MIRANET believes that the current process could be improved to the significant benefit of the Budget Committee and Staff. We recommend that departmental forecasts should be based on current year spending estimates and inflated at a rate no higher than a consensus inflation forecast for the Budget year. A consensus economic forecast such as that provided by the Conference Board of Canada is recommended. We suggest any additions to the base forecast in the form of proposed new initiatives be identified separately with their estimated cost.

MIRANET also recommends that the City's productivity program become a departmental responsibility with each department developing a productivity program for the Budget year with an estimate of the savings to be generated. We recommend that departmental managers be responsible for planning and executing the program in their areas of responsibility. We think that such a program will help to ameliorate cost pressures and reduce the size of the cost increase. Departmental managers' compensation should be tied to achieving their targets. We believe this approach will significantly enhance the City's productivity program and its contribution to holding down annual cost and tax increases.

## **2. Tax Increase Target**

***Current Process:***

Staff have been very diligent and successful in their efforts, under your guidance, to reduce the size of the tax increase from 6.7 percent forecast in June 2009, to the present 2.2 percent. Given some of the recent economic forecasts for 2010 and 2011, particularly that of the Royal Bank of Canada issued on December 14, 2009 which forecasts a core consumer price index (CPI) increase of 1.6 percent and 1.8 percent for those years respectively, we view the projected tax increase of 2.2 percent to be moderate and we hope acceptable to most ratepayers.

***MIRANET Recommends:***

We would like to see Council adopt a long-term goal for the annual tax increases. We submit that over several years, the average tax increase should rise no faster than the rate of inflation. The City should adopt a consensus economic forecast as the basis for setting its budget priorities. A target tax increase should be established by the Budget Committee for existing services no higher than the forecast of inflation. Proposed changes to City services and programs can be identified separately and the cost impact of these changes should be identified and incorporated only if approved by Council.

We suggest that long term tax increases greater than the rate of inflation are unsustainable for City ratepayers.

### **3. Additional Sources of Funding**

#### ***Current Situation:***

Municipal funding appears to be in crises across the GTA. Municipalities are at the bottom of the funding chain, while they are required to cover more and more societal costs ignored by other levels of government. The current federal and provincial deficits portend very restrictive times ahead. We do not view the current funding *modus operandi* for the City to be sustainable. We also feel that property taxes are regressive in that they are borne by poor and rich alike. The City must have other ways of raising the needed revenue which is within its own authority and not dependent on funding from senior levels of government. The City made an initial effort to persuade these governments to expand municipal revenue generating options in the Cities NOW program, now sadly defunct, but nothing substantive has changed.

#### ***MIRANET Recommends:***

We recommend that the City develop a realistic funding plan for its annual operating and capital expenditures over a realistic time horizon (5-10 years). The plan should include some options for new funding sources that the City could implement. One option could be a share of several points of the provincial tax schedule, so that the realty tax portion of the City operating budget could be funded by property taxes and progressive income taxes. We believe that similar models exist in several U.S. jurisdictions, but unfortunately not yet in Canada. Other options could include ensuring that tax-paying businesses are included in local intensification plans, and engaging community resources in implementing neighbourhood projects.

We also recommend a sustained lobbying effort in coordination with the Association of Municipalities of Ontario (AMO), to persuade the Provincial government that the City must have stable and predictable funding to meet both its operating and capital needs.

### **4. Wage and Salary Increases**

#### ***Current Situation:***

We understand that the City has built in to the 2010 Budget a 3.0 percent wage increase for unionized workers based upon existing contracts. To date the Budget appears to have adopted the same increase for non-unionized staff, except for senior management and yourselves [Council members]. These increases will occur in the context of one of the worst recessions in living memory and which appears to have hardly impacted the public service. In the Region of Peel the current unemployment figure as of the 3<sup>rd</sup> Quarter for 2009 is 11.4 percent, up from 7.4 percent for the 3<sup>rd</sup> Q in 2008 (*source*: Region of Peel reference to Statistics Canada data). Others who have

kept their jobs have seen their working hours and wages fall. In comparison, our municipal public service not only enjoys high job security but also appears to expect a general increase of 3.0 percent, in addition to any annual performance entitlements.

In the private sector, there have been some high profile examples of union contracts being re-opened and renegotiated in 2009.

Unionized City employees have a privileged employment position in Mississauga. They have good job security based on the nature of the services they provide and their collective agreements; we believe they are well paid; and they have pensions and benefits.

***MIRANET Recommends:***

In light of these employment benefits it would seem reasonable that the City could have sought a reduction in annual raises built into their collective agreements. While it is too late now to open discussions for the 2010 Budget we recommend that this approach be considered in preparing the 2011 Operating Budget, if the economy does not improve.

While MIRANET applauds the example set by yourselves and senior management in forgoing any salary increase in 2010, we suggest that any salary increase awarded to non-union staff be modest and no more than 1.0 percent. By reference to the Staff response to MIRANET question #1 [in Attachment to the Agenda], such a reduction in the projected wage increase would reduce the non-union wage and salary budget for 2010 by approximately two-thirds or \$4.4 million. That figure results from prorating the non-union wage pressure of \$6.6 million.

We do not agree with the suggestion that staff salaries should rise in tandem with those offered by the Region of Peel, since that creates a domino effect between adjacent municipalities. Mississauga has an opportunity to provide leadership to municipalities in the GTA rather than following the herd.

## **5. Infrastructure Levy**

***Current Situation:***

The City has introduced a levy of 1.0 percent of the tax bill to make a contribution to funding the maintenance and refurbishment of infrastructure. This levy amounts to \$2.9 million in 2010 versus an annual infrastructure deficit over a 20 year period of \$86 million per year as shown in the December 14<sup>th</sup> Budget document. However the City has presented information in previous meetings, which showed that the funding requirements are low in the early years and grow dramatically towards the end of the period.

***MIRANET Recommends:***

We recommend that alternatives for funding infrastructure needs should be examined and an approach chosen to take into account forecast year by year expenditures (as opposed to 20 year average annual expenditures). Funding alternatives can then be

developed for the accumulation of reserves to meet these needs, including a larger City levy possibly and including cost sharing arrangements with provincial and federal governments. Negotiations on infrastructure funding with senior levels of government could become part of the overall funding discussions we outlined previously. We think the objective for the City is to accumulate funds in a realistic, stable, and consistent way to meet the expenditure forecast.

## **6. Strategic Plan and Capital Budget**

### ***MIRANET Recommends:***

The City's new Strategic Plan embodies a grand vision for the future of the City and will be implemented through a large number of action plans to be executed over many years. We recommend that Operating and Capital Budgets include a section clearly identifying action items to be executed in that Budget year and their in-year cost, which flow from the Strategic Plan. We also recommend the Budget identify action items from the Plan which are not included in the Budget and the reasons for their omission.

With regard to the funding of capital expenditures, we are concerned that the Capital Reserve Fund is being depleted quickly over the next few years and that the projected \$30 million balance for the fund may be too low in relation to the total planned capital expenditures through 2019.

## **7. Conclusions**

In concluding, we wish to thank Budget Committee for the opportunity to present these recommendations to you. We emphasize again MIRANET's desire to assist and support the City in this most important budgeting process.

We also wish to reiterate our appreciation for the work of staff in the finance department. Their task is not an easy one. MIRANET would be glad to meet with the City Manager and/or the Director of Finance at their convenience as preparation of the 2011 Budget commences, to discuss the changes we consider beneficial to the Budget review process.

In addition we urge you to consider establishing a Review Panel with representatives of the business community, the Mississauga Board of Trade, ratepayer associations (perhaps through MIRANET) and other stakeholders, to canvass their views on the Budget review process, since we believe there are other knowledgeable stakeholders with a vital interest in the outcome of the Budget preparation.

These are MIRANET's recommendations. Many thanks for your kind attention.

*Presented by the MIRANET Municipal Finance Subcommittee:*

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