

MIRANET Deputation

Mississauga Council

December 12, 2012

Re: 2013 Operating & Capital Budgets

Introduction

MIRANET notes several improvements in the presentation of the 2013 Budget and the 2013 to 2016 Business Plan. These included an engaging presentation on the global economic outlook presented by Ms. Emanuella Enenajor of CIBC World Markets Inc, plus an improved and shortened version of the Budget book and documents, posted online. Staff presented some excellent reports and you, our elected representatives appeared engaged in the process. We felt there were some probative questions and dialogues with Staff. We appreciated the break-out of consultancy fees, as previously suggested by MIRANET.

We shall address the following topics:

1. Budget Process
2. Scope of the Budget
3. Mississauga Transit
4. Hurontario LRT
5. Emerald Ash Borer Management Plan
6. Progress on the LED Project
7. Capital Budget
8. Stormwater Financing
9. Additional Sources of Revenue
10. Recommendations

1. Budget Process

Process is the greatest concern for MIRANET.

Preparation of the 2013 Budget appears to have commenced in June, when Budget Committee made the surprising decision to hold its first meeting of the new budget cycle *in camera*.

Staff's proposed increase for the 2013 Operating Budget and subsequent tax impact did not become known until shortly before their presentations to Budget

Committee on November 26th. This is too late in the process for either MIRANET or other informed citizen groups to add much value to the budget review process, if approval is to take place today.

The Public Budget Open House was held early in the process – only one day after presentation of the Financial Overview report on Nov. 26, and prior to significant decisions made since at Budget Committee. For the last 2 years this open house was held in JANUARY.

We would ask WHY Mississauga taxpayers are NOT meaningfully engaged in the Budget review process? De facto, the speed of this budget cycle precludes it.

On October 3rd at Budget Committee we requested that the City not rush to finalize the Budget by December 12. We respectfully request that Council consider our recommendations in January before moving to adopt the 2013 Budget.

The City appears to draw comfort from an Environics survey appearing in the Overview budget documents as Overall Citizen Satisfaction with Mississauga. The questions are self-serving and clearly designed to produce a positive response. MIRANET suggests that an online survey be available to all ratepayers who may log-on using their assessment role identification. Questions could be graded from strongly agree to strongly disagree.

The City has reportedly taken polls showing there is no desire for a reduction in services – what is the methodology for these surveys? Were the respondents also asked if they were willing to pay increased taxes to maintain these same services, or was status quo assumed?

We question the conclusions drawn per the Roads, Storm Drainage and Watercourses presentation [[http://www.mississauga.ca/file/COM/E2014-2016.Presentation for Roads.pdf](http://www.mississauga.ca/file/COM/E2014-2016.Presentation%20for%20Roads.pdf)]. Slide 14 shows satisfaction levels, with 56% "somewhat satisfied" with the state of transportation but a conclusion that there is 81% satisfaction.

Depending on the service, we might well be willing to pay more (we can't say), but we are also looking for balance of costs and priorities within the Budget to minimize the impacts on those who struggle to pay their property taxes even now.

Consequently, we support and applaud the direction given to department heads to reduce the cost of delivering core services by 1.0 percent from the 2012 level. This is the type of cost constraint that MIRANET has previously advocated. We

congratulate the City on this initiative and encourage you to raise the bar higher for 2014.

2. Scope of the Budget

There are new projects and funding areas in this year's Budget that need to be examined in detail. In principle, dedicated user fees are acceptable only if they are applied fairly, receive transparent accounting and are completely eliminated from the balance of the Operating Budget. Will these special levies and users fees be eventually eliminated when no longer required? We question whether all new tax increases are to be handled through special levies and user fees in future, and what are the implications (e.g. increased staffing/administration costs)?

We will now touch on a few major items contained in the proposed Budget.

3. Mississauga Transit

Mississauga Transit is expanding rapidly and accounts for \$2.3 million of the \$2.9 million of New Initiatives included in the Budget. Unfortunately costs are rising faster than revenues and the revenue to cost ("R/C") ratio has declined from 0.47 in 2010 to 0.45 in 2012. While a 0.02 decline may not appear significant, it has a leveraged impact on the level of public subsidy required. We hope that the improved service offered by the new BRT later in 2013 will stabilize this decline in the R/C ratio and eventually help to improve it.

MIRANET repeats recommendations made in previous years, namely that under-performing routes should be regularly reviewed and discontinued if staff so recommend. Express routes, such as the BRT, should require a premium fare.

As presented by Audit staff at the September meeting of Audit Committee, the increasing popularity of the PRESTO card results in more transit revenue flowing directly to Metrolinx which controls the card system for all 9 regional transit systems that have adopted it. Unfortunately Mississauga Transit has no means of verifying the cumulative daily revenue remitted to Metrolinx. A 2.0 percent fee is paid to Metrolinx for the Presto card service. Mississauga has no independent means of confirming that it is receiving its appropriate share of the total revenue collected by Metrolinx. This needs to change.

Contained in the schedule of consulting contracts awarded in 2012 is a contract with the IBI group for a system-wide customer transit survey costing \$224,303 of which \$197,935 has been spent to date. MIRANET fails to understand how

handing out a survey, then collating and analyzing the response can justify this amount of money, almost ¼ million dollars!

4. Hurontario LRT

This is proving to be a costly venture. The City, along with Brampton, is committed to paying SNC Lavalin \$15.0 million to complete a detailed route study, an environmental assessment and business case. Neither the City or the province presently has the money to invest in this project.

Last year we asked “What risk management strategies exist to minimize the consulting costs if the project does not proceed?” We were told it was a gamble that the City had to take for the project to remain on the Metrolinx priority list.

Since then it has been announced that Metrolinx has allocated \$16.0 Billion to the first wave of the “Big Move”. Committed investment includes the four LRT lines in Toronto, the upgrade to Union Station, the GO Transit line to the airport to be completed in time for the 2015 PanAm Games, the Mississauga BRT and an LRT in Hamilton. Metrolinx has no guarantee of further funds. It is expected to make recommendations by June 2013 as to what additional taxes or fees will be levied throughout the GTHA to raise funds for the second wave of the “Big Move.” If and when such money is collected we expect to see most of the funds allocated to Toronto, which now has plans to construct a crosstown subway from Union station to the Scarborough Town Centre at an estimated to cost \$6 Billion. Given that the Toronto subway system is in such a poor state of repair and the reliance of the inner City on public transit, we expect the greater share of new funding to be invested there. We do not expect that any significant funding for Mississauga’s LRT will be available for many years.

The Press Release by Metrolinx on November 29, 2012

[<http://www.newswire.ca/en/story/1080785/metrolinx-unveils-next-wave-of-big-move-projects>] DID mention Mississauga as a possible recipient of the second wave of the Big Move funding. The subsequent Mississauga Press Release suggested we will get the required funding.

[http://www.mississauga.ca/portal/cityhall/pressreleases?paf_gear_id=9700020&itemId=800036r]

We note the LRT is entirely unfunded in the capital budget, but it has become a major and distracting topic of conversation. We need major public consultation on the funding for this project. We also need a (long overdue) Transportation Committee established by the City.

We are seeing over-sized development proposals along the Hurontario Corridor becoming prevalent, and we worry about the drain from other transit improvements throughout the City.

We can't afford our third of the \$1.8B should the City ever get provincial and federal funding for the other 2/3. And what about the operating costs?

Let's reduce focus on the LRT and plan on building more and better public transit in Mississauga without it! (e.g. shuttle buses) We need to relieve gridlock sooner rather than later.

In principle, we support maintaining adequate transit service to employment lands throughout the City, to enhance business opportunities and support the Move pillar of the Strategic Plan.

5. Emerald Ash Borer Management Plan

The City's urban forestry department proposes spending \$51.0 million over the next ten years to combat the devastating insect. Private property owners will have to make their own plans. If approved, the 10 year EAB Management Plan is scheduled to commence in 2013. It is expected to treat 20,000 trees with TreeAzin over the ten-year period. Other ash trees will need to be removed and replaced.

A detailed cost analysis of the program was not presented to Budget Committee. A vague estimate of \$51.0 million was presented without supporting details. MIRANET does not consider this to be the appropriate way to introduce yet another tax levy. In this instance, staff are proposing an annual levy of \$5.6 million to be placed in a reserve fund, with money being withdrawn each year to support the program through to completion.

MIRANET recognizes that the City must take action immediately and we are not qualified to criticize the action plan proposed by staff. However, it is premature for the City to embark upon another tax levy based upon such uncertain cost information. We propose that Budget Committee approve the funding of \$2.5 million requested for 2013. Staff should be required to provide more detailed cost information as part of the 2014 Budget review to justify a levy for the remaining 9 years of the program. This would result in a saving of \$3.1 million and a reduction from 7.8 percent to 6.9 percent in the year over year increase in the Operating Budget, with the 2.0 percent infrastructure and debt-financing levy included.

We note that action on the EAB management program is in alignment with other City initiatives to increase our tree canopy and protect the trees we already have in this City. The new Urban Forest Strategy underway, the recent passage of the Private Tree Protection By-law and the Strategic Plan to plant 1million trees (to begin in 2013) and other Living Green initiatives are all parts of this important environmental policy area.

6. Progress on the LED Project

As part of last year's budget review, MIRANET supported the expenditure of \$35.0 million over two years for the retrofitting of all City streets with LED lighting. This was considered a green initiative and the project was introduced with a payback period of 8 years. It was anticipated that the City would need to debt finance \$20.0 million of its 2012 capital expenditures, mainly due to the commencement of this project.

We understand the LED project has been delayed. We are told by staff that three separate contracts have been negotiated and that installation work on the standard LED lights will commence in 2013. One contract requires the design of a new type of bulb for some City lights.

The good news for taxpayers is the estimated cost of the LED project is now reduced from \$35.0 million to \$26.0 million, with a payback of approximately 4 years.

MIRANET does not recollect this information being formally presented to Budget Committee and we recommend that you seek confirmation from senior management in Transportation & Works. It is a good news story!

7. 2013 Capital Budget

\$40.8 million of the proposed 2013 Capital Budget remains unfunded. Staff explained that prioritization of the capital projects are undertaken to meet the limits of the available funding (transfer from capital reserves, tax supported and debt financed). It is not clear to MIRANET why staff should make this prioritization as opposed to you, our elected representatives.

The ten-year Capital Budget has been reduced from \$2.5 billion to \$1.6 billion, leaving \$931 million unfunded. The ten-year Capital Budget appears to be a staff wish list. MIRANET reiterates the position it took last year, i.e. only projects approved by Budget Committee should appear on the ten-year Capital Budget.

Debt financing of \$50 Million is projected for 2013. MIRANET questions whether this should be reduced due to the projected savings for the LED project?

8. Stormwater Financing

In a process separate from the 2013 Budget Cycle, the City has undertaken a study of the means to finance the City's significant and previously under funded Stormwater drainage program.

Further to the deputation last week at General Committee by Kiruthiha Kulendiren, President of Lisgar Residents' Association (one of the MIRANET member groups), we would echo: We require equity. We require transparent accounting. Why are there incentives to residents but credits to non-residential owners? It appears residents will pay disproportionately according to the sample fees for corporate property owners.

We weren't kidding when our Tree Bylaw Subcommittee suggested credits for large trees on a property.

The Kitchener Waterloo model may not be appropriate here, but we note the same consultant, with the same recommendations, was used for both municipalities. There are projected staffing costs of \$770,000 for first year. This funding doesn't account for growing administrative needs.

Lisgar RA asked for a delay to 2014 for implementation, and we support this. We have questions as to whether the list of exemptions (e.g. school boards, Metrolinx), so quickly decided last week, is appropriate. More time is needed to understand the full impact of this new levy and ensure equity and we look forward to reviewing the next report.

9. Additional Sources of Revenue

We note that determination of other sources of revenue is being debated in fits and starts. A Budget Review Committee (as recommended previously by MIRANET) would be a good place to ensure appropriate consideration before asking the province for these additional taxing powers. Regarding recent discussion about the Land Transfer Tax, we also note this staff recommendation has been put on hold until the Federation of Large Urban Municipalities adopts a position. We would state strongly that any new sources must be proven to be equitable.

We look forward to the next report concerning possible revenues from Secondary Suites and the need for revenue/taxation to reflect increased use of services by occupants of these suites. We were shocked to learn that MPAC does not recognize such use when assessing the value of property. Despite the additional income from their property, such owners are not paying their fair share towards City services compared to other property owners in the City.

Without taking a position on any new proposed tax, MIRANET would like to see all municipalities benefit from an increase in both the Federal and Provincial gas tax subsidy. However, both level of governments have stated they will not increase the gas tax.

10. Recommendations

We note the 2.0% increase in the non-unionized salaries including both merit and economic adjustments which will add \$6.0M to the 2013 operating budget. We would further note that on the federal and provincial levels, public sector salaries are in the midst of a multi-year restraint program. **We again ask our Council to set an example by forgoing their planned 2% increase in 2013.**

We recommend that the EAB levy not be introduced in 2013 but that \$2.5M be approved for the program to proceed in 2013, funded through the Operating Budget.

We continue to be disappointed at the pace of governance reform in the City. Specific to the budget process, MIRANET has made several proposals in past deputations to make the budget process more effective and we continue to advocate for a Budget Chief, a Budget Review Panel, and regular public meetings of Budget Committee from April of each year. We also need a Transportation Committee.

Finally, we respectfully request that Council defer approval of the 2013 Budget. We request this opportunity in order that all citizens and stakeholders, and not just MIRANET, have the opportunity to review the proposed Budget and make representations to Council.

Chris Mackie, Chair, MIRANET Municipal Finance Committee
Dorothy Tomiuk, MIRANET Spokesperson