2011 Financial Overview

DRAFT

MISSISSAUGA
Leading today for tomorrow

Table of Contents

2011-2014 Business Plan and Budget Financial Overview

The City of Mississauga's 2011-2014 Business Plan and Budget presents the City's Plan for the next four years to preserve existing levels of service, deliver these in a more cost effective way through continuous improvement efforts, enhance service in some areas and meet growth pressures, and to implement the City's Strategic Plan. The Business Plan and Budget document sets out this plan in a transparent and accountable way. This section presents the financial impacts of each component of the plan – delivering existing services, improving services, meeting the costs of growth and implementing the Strategic Plan.

The Plan recognizes that residents and businesses continue to face difficult economic times. The City also continues to deal with economic challenges. Costs to deliver existing services are increasing while revenues are flat or declining. City infrastructure is aging and, while in good shape today, will require increased funding to maintain a state of good repair. The City has had the benefit of substantial discretionary reserves but these are being drawn down to mitigate the future tax increases and fund infrastructure. Greenfield development has basically run its course, and the City's development related revenues are declining. Assessment growth has slowed from highs of 4.5 percent in the late 90's to forecasts of 1.3 percent in 2011 to 0.3 percent over the 2012 to 2014 period.

The City is facing a new, but not unexpected, financial reality in the upcoming years. Financial plans are being developed to address these new challenges; however, the financial challenges are being exacerbated by the economic slowdown and associated decline in revenues. Almost three quarters of the increased operating costs of this Business Plan represent the cost to deliver existing services at the same service levels as today. This increase is driven largely by lower revenues, as well as market forces on labour, uncontrollable costs such as contractual obligations and price increases and operating costs for new facilities that are opening soon. In addition, the capital program has grown in response to infrastructure demands, which impacts the capital reserve requirements and increases the need for debt financing over the next 10 years.

At the same time, the community has clearly expressed their desire to move quickly to implement their strategic vision. The City cannot grow and maintain services while holding tax increases to the traditional rate of inflation. This plan clearly sets out the costs to deliver our existing services as well as the costs to move closer to achieving our strategic vision. The plan is designed to allow Council and stakeholders to clearly understand where investments are being made and to make informed decisions on where resources are placed.

Total property taxes in the City of Mississauga are very competitive and at the low end of the GTA communities. Standard and Poor's recently reaffirmed the City's AAA credit rating. In their report they state: *"The City also has room to increase property taxes, which we believe are relatively low due to a 11 year tax freeze that ended in 2002."*

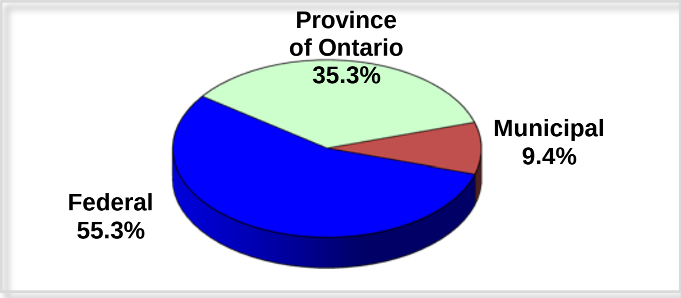
Putting Municipal Property Taxes into Context

Municipalities provide the services that residents use in their daily lives – roads and bridges, snow clearing, water and waste water systems, garbage collection, recreation programs, parks, trails, transit service, and libraries. They also provide services to ensure public safety, such as policing, fire and emergency services. Yet a very small portion of tax dollars are contributed to the municipal sector.

It is very important to understand this when considering increases in property taxes.

Taxation in Canada

Each taxpayer in Canada pays taxes to government at three different levels– federal, provincial and municipal. Each level of government has an established set of responsibilities to deliver specific services. Within each province, there is variation as to services which are provided provincially and services which are provided at the municipal level. In some provinces education and social services are funded by the provincial government. In Ontario, a portion of the costs for education are included on the municipal property tax bill, as well as a portion of social service costs. In some provinces municipalities can collect sales taxes, however this is not allowed in Ontario. The only source of taxation revenue for municipalities in Ontario is property taxes. The following chart provides a comparison of the amount of taxes that an average Ontario resident pays to each level of government. Taxes to the senior levels of government are paid through income taxes and sales taxes. At the municipal level, taxes are raised entirely on property based on its current market value. In Ontario, Municipalities receive only 9.4 cents of every tax dollar paid.



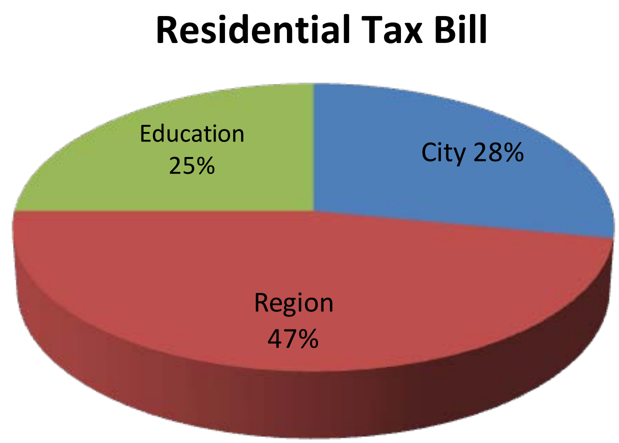
Source: The Fraser Institute's Canadian Tax Simulator, 2010

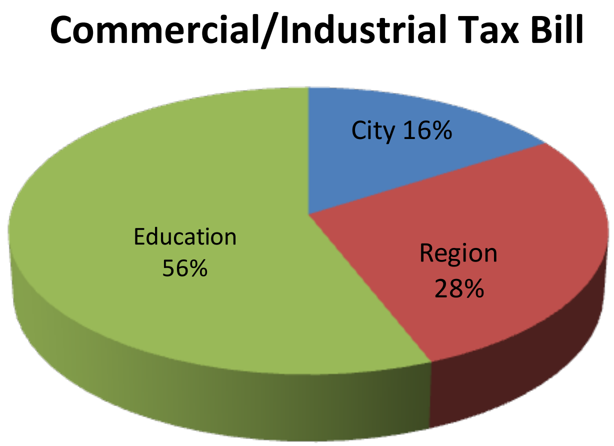
Another major difference between taxation rules for municipalities and senior levels of Government is that municipalities must have balanced budgets. The Federal and Provincial levels of government are allowed to carry deficits. When revenues decline at Federal and Provincial levels of government due to an economic downturn, these levels of government can mitigate service impacts by carrying budget deficits until revenues recover. In contrast, municipalities, by legislation, must balance their budgets each year. While this is fiscally prudent, when municipalities are dealing with the financial strains associated with an economic downturn, they have more limited alternatives. Where possible, when demand declines for services as a consequence of an economic slowdown, municipalities reduce the direct costs to provide these services. However, fixed costs remain. The only alternatives remaining to offset the revenue lost are to cut services, finance costs from reserves, or increase property taxes.

Municipal Taxes in Ontario

As noted above, municipal taxes comprise only 9.4 percent of total taxes paid by an Ontario resident. These taxes are used to fund the services in the community which most closely affect residents – roads and bridges, snow clearing, garbage collection, recreation programs, parks, trails, transit service, libraries, water and waste water, policing, fire and emergency services. In Mississauga, these services are provided by two different tiers of government – the Region of Peel and the City of Mississauga. When the City sends out a tax bill, it includes the taxes for the Region and the City as well as for the education. The following charts show a breakdown of the amount paid to each of these three levels of government (Region of Peel, City of Mississauga and Province of Ontario for Education) which are included on the municipal property tax bill for residents, commercial and industrial properties.

On a residential tax bill, the City of Mississauga receives only 28 percent of the property taxes paid. That translates to only 2.6 cents of every tax dollar paid by the taxpayer to all levels of government. For commercial and industrial property taxes, the City taxes represent only 16 percent of the total property tax bill.

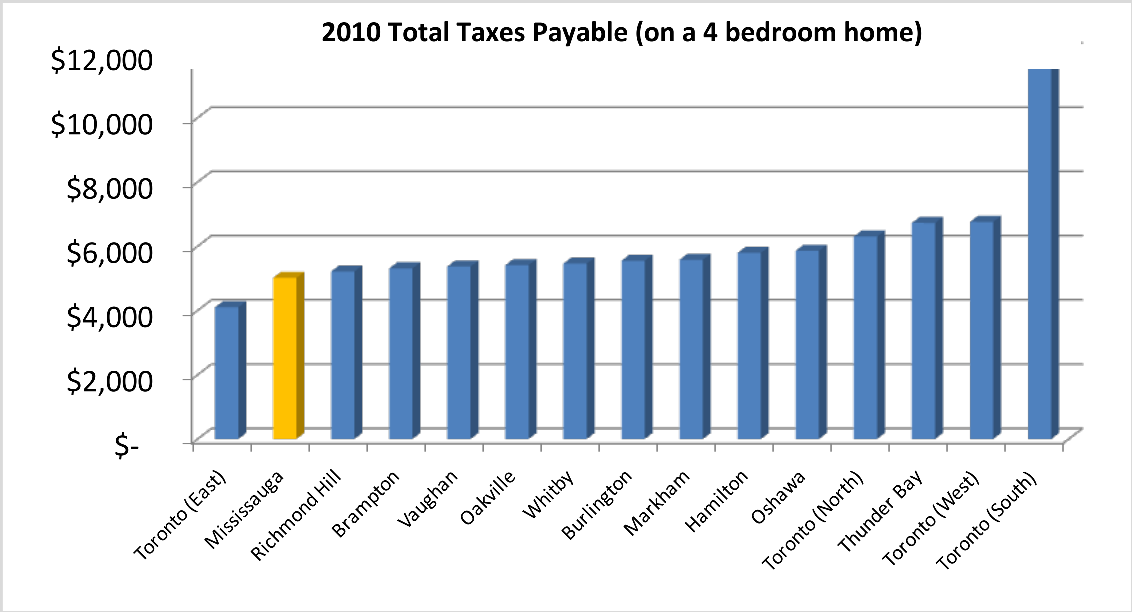




Mississauga Has Very Competitive Tax Rates

Mississauga's property taxes are very competitive. The following chart shows the total amount of 2010 taxes paid on a typical four bedroom house in Mississauga compared to various surrounding municipalities.

Providing accurate comparisons of property taxes across municipalities is only possible based on the total property tax bill. In Ontario, there are single tier municipal governments and two tier municipal governments. Mississauga is part of a two tier structure, where the Region of Peel is responsible for police, social services, garbage collection, health, water and sewer, and regional roads and Mississauga provides fire, transit, recreation and culture, libraries, arts and culture, planning and building, storm water management and local roads and bridges. Single tier municipalities such as Toronto, Ottawa and Hamilton provide the full range of municipal services. The City of Toronto, City of Ottawa and City of Hamilton property tax increase are comparable to the combined impact of the Region of Peel and the City of Mississauga tax increases. In two tier regional government structures, the service responsibility can vary between the upper and lower tier. In some cases lower tiers provide a portion of the water and sewer system. Responsibility for road networks can vary based on agreements between lower and upper tier municipalities. In some municipalities, transit is an upper tier responsibility while in others it is a lower tier responsibility. For example, transit is a very large proportion of the City's budget. For all municipalities located within the Region of York and Durham, these services are delivered at the upper tier. The financial impact of the City's 2011-2014 Business Plan and Budget is presented in terms of the impact on the total tax bill and dollars per $100,000 of assessment as well as the total dollar impact on the City's Budget. The impact on the total tax bill provides an equivalent comparison to the City of Toronto, Ottawa and Hamilton.



Provincial Tax Room Transfers to the Municipal Sector

Municipalities have been strongly advocating a new funding model for municipal services, both for infrastructure and for social services, which are more appropriately funded through income based taxes. While this issue still has a long way to go before it is resolved, the Province has made steps to provide better balance in service costs and to create tax room for municipalities. The province has assumed responsibility for setting education tax rates and has not increased these rates in real terms for 13 years. Holding the education rate increase at zero creates tax room for municipalities by allowing the municipal portion of the property tax bill to increase at a greater rate than inflation while still achieving an overall property tax increase in the range of inflation.

Additionally, the Province has uploaded various Social Service related costs. The “Toronto Tax” or “GTA Social Service Pooling” is being phased out by 2013. This reduces the tax requirements of the Region of Peel by $10.1 million per year. The uploading of Ontario Disabilities Support Program (ODSP) costs provides further savings of $13.7 million. This allows the Region to divert this tax room to other services, and still achieve low tax increases. For example, in 2010 the Region’s tax increase was 2.1 percent. Without the saving from the Toronto Tax/ODSP upload, the increase would have been 5.1 percent – therefore the tax room created by the uploading of these costs is equivalent to approximately a 3.0 percent tax increase on the Regional portion of the tax bill.

These savings are not shared with the lower tier in the Region of Peel. However, the City can share in the tax room by leveraging the low increase in Regional taxes, allowing for an overall property tax increase in the range of inflation.

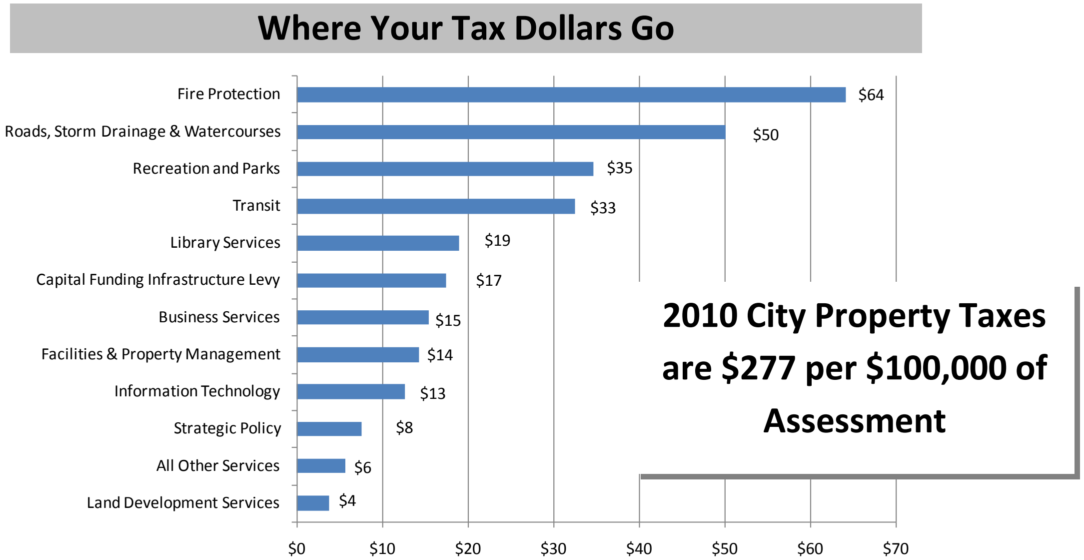
The following table illustrates the total tax rate increase at 2.7 percent whereby the City tax rate increase is 7 percent and the Regional increase of 1.5 percent. If the City and Region include a 1 percent infrastructure levy, the increase in the total tax bill rises to 3.4 percent

	Excluding Infrastructure Levy	Including Infrastructure Levy
City Increase	6.99%	7.99%
City Impact on Total Tax Bill	1.96%	2.24%
Potential Regional Increase	1.50%	2.50%
Region Impact on Total Tax Bill	0.71%	1.18%
Total Tax Bill Increase	**2.66%**	**3.41%**

What City Tax Dollars Buy You

When a resident pays their property tax bill, 28 percent pays for the City of Mississauga services. In 2010 the amount of City taxes paid per $100,000 of property assessment was $277. The following chart shows where these tax dollars went. Approximately 73 percent or $201 of the tax dollars fund five services – Transit, Roads, Fire, Recreation and Parks and Libraries. Including funds to maintain our infrastructure and facilities and property management this rises to 84 percent or $232 per $100,000 of assessment. The majority of residents' taxes are contributing towards direct front-line services delivery. The remaining 16 percent funds the services necessary to support the delivery of these front-line services.

Presenting taxes by $100,000 of assessment allows a taxpayer to calculate the cost on their individual property. City taxes paid in 2010 on an individual property can be calculated by taking the assessed value for the property as shown on the tax bill, divide by $100,000 and multiply by $277 for the total cost. For example, a home with an assessed value of $300,000 paid $831 for City's services in 2010. A home assessed at $450,000 paid $1,248.



How Does this Compare to Other Average Household Costs?

In 2010, the average home in Mississauga had an assessed value of $408,000 and an estimated average household income of $96,800. This average household would have paid $1,130 in City property taxes. In comparison, the same average household would have paid $1,094 in natural gas to heat their home, $788 for hydro (assuming 12,000 kWh usage), income taxes of $13,500, Canada Pension Plan (CPP) payment of $2,163 and Employment Insurance (EI) payments of $747 for each income earner. This clearly illustrates the value for money residents receive for their property taxes.

2011 Budget and 2011-2014 Business Plan and Budget

The 2011-2014 Business Plan and Budget has been developed as a fully integrated document with the objective of laying out information in a transparent manner to allow Council and interested stakeholders to understand where their tax dollars are being invested. The investment of tax dollars is set out for the cost to deliver our existing services and also by the cost to deliver on our plans. The information is presented by service and also by building block to the overall budget requirement. The cost to deliver our existing services and the cost to deliver on our plans can be clearly understood and discussed, and modified as desired by Council. The Business Plan and Budget has been prepared to facilitate discussions with Council and interested stakeholders, particularly taxpayers.

This document provides Council with more information on existing services and the proposed changes to them than has ever been provided before. The plan lays the issues on the table and invites commentary and direction.

The table on page C-10 presents the 2011-2014 Business Plan and Budget by Service Area for the next four years, for both the cost to deliver existing services and to move forward with service area plans.

The table on page C-11 presents the 2011-2014 Business Plan and Budget by the main building blocks which comprise the cost to deliver existing services and service levels, including the operating costs associated with new or renovated capital facilities, and continuous improvements initiatives; and the cost to deliver our plans through program changes to address growth, enhance existing services and implement the City's Strategic and Master plans. The cost to deliver existing services has an impact on the total tax bill of 2 percent or under, in each of the next four years. The impact on the total tax bill to deliver existing services, implement a 1 percent infrastructure levy and implement initiatives to advance strategic plans remain under 3 percent in each year over the life of the plan.

4 Year Operating Budget and Forecast

Service ($000's)	2010 Budget	2011 Budget	%	2012 Budget	%	2013 Forecast	%	2014 Forecast	%
Roads, Storm Drainage & Watercourses	63,768	65,599	2.9%	69,140	5.4%	72,655	5.1%	75,342	3.7%
Fire & Emergency Services	81,582	84,863	4.0%	89,064	4.9%	94,387	6.0%	96,407	2.1%
Mississauga Transit	41,338	50,414	22.0%	57,743	14.5%	70,231	21.6%	74,141	5.6%
Recreation & Parks	44,029	47,141	7.1%	50,129	6.3%	52,617	5.0%	54,664	3.9%
Mississauga Library	24,134	24,887	3.1%	25,608	2.9%	26,311	2.7%	26,320	0.0%
Land Development & Services	4,841	5,671	17.2%	6,969	22.9%	7,834	12.4%	8,321	6.2%
Legislative Services	(1,587)	(2,827)	78.1%	(2,632)	6.9%	(2,349)	10.7%	(2,084)	11.3%
Arts & Culture	4,038	4,643	15.0%	5,371	15.7%	5,785	7.7%	6,021	4.1%
Regulatory Services	806	1,802	123.6%	2,692	49.4%	3,353	24.5%	3,756	12.0%
Facilities & Property Management	18,182	18,867	3.8%	20,170	6.9%	21,184	5.0%	21,734	2.6%
Strategic Policy	9,641	9,989	3.6%	10,791	8.0%	11,766	9.0%	12,113	3.0%
Information Technology	16,034	16,101	0.4%	17,254	7.2%	18,544	7.5%	19,254	3.8%
Business Services	19,593	20,492	4.6%	22,398	9.3%	23,714	5.9%	24,761	4.4%
Council	4,068	4,165	2.4%	4,362	4.7%	4,559	4.5%	4,694	3.0%
Financial Transactions*	(33,236)	(26,960)	18.9%	(20,890)	22.5%	(16,155)	22.7%	(11,159)	30.9%
Total Operating Budget Impact	**297,231**	**324,847**	**9.29%**	**358,170**	**10.3%**	**394,435**	**10.1%**	**414,285**	**5.0%**
Less Assessment Growth			(1.30%)		(0.5%)		(0.3%)		(0.5%)
City Operating Tax Rate Increase			**7.99%**		**9.8%**		**9.8%**		**4.5%**
Impact on Total Tax Bill			**2.2%**		**2.7%**		**2.8%**		**1.3%**

Note: Numbers may not balance due to rounding.

* Includes Infrastructure levy of 1 percent or $3 million

Drivers of Tax Levy Increase

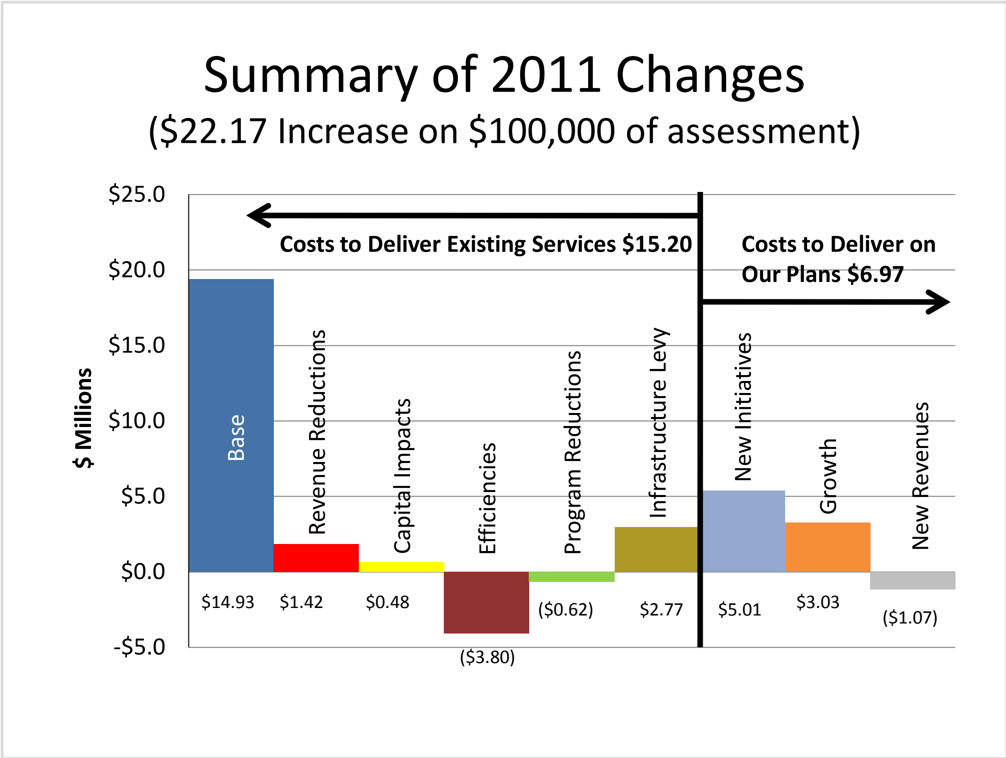
Description	2011 ($000's)	2012 ($000's)	2013 ($000's)	2014 ($000's)
Prior Year Budget	**297,231**	**324,847**	**357,720**	**394,085**
Base Changes				
Labour	14,921	18,387	18,552	14,246
Other	4,505	6,527	3,114	1,757
Reduction in Revenues	1,850			
Impact of New Capital Projects	625	643	5,769	(320)
Continuous Improvements				
Efficiencies	(4,067)	(488)	428	324
Budget Reductions	(661)	(238)	(201)	(339)
Total - Cost to Deliver Existing Service	**17,173**	**24,831**	**27,662**	**15,668**
Increase to Deliver Existing Service *(after Assessment Growth)*	**4.5%**	**6.9%**	**7.2%**	**3.5%**
Impact on Total Tax Bill, Cost to Deliver Existing Services	**1.3%**	**1.9%**	**2.0%**	**1.0%**
Infrastructure Levy	**2,970**	**3,100**	**3,200**	**3,300**
Total Deliver Existing Service Including Infrastructure Levy	**20,143**	**27,931**	**30,862**	**18,968**
Proposed Changes				
Growth Driven Initiatives	3,252	3,932	4,453	2,348
New Service Level/New Initiatives - Funded from Tax or Reserves	5,370	3,312	2,471	520
New Revenues	(1,148)	(2,302)	(1,420)	(1,985)
Total Operating Increase	**27,616**	**32,872**	**36,366**	**19,850**
Increase in City Budget *(after Assessment Growth)*	**8.0%**	**9.6%**	**9.9%**	**4.5%**
Impact on Total Tax Bill	**2.2%**	**2.7%**	**2.8%**	**1.3%**
$ per 100,000 of Assessment*	**$22.17**	**$24.30**	**$26.70**	**$27.91**

Note: Numbers may not balance due to rounding.

* 2012 to 2014 estimated based on percentage increase as future years assessment information not available.

2011 Operating Budget

The following graph illustrates how each item in the above chart impacts the 2011 tax bill per $100,000 of taxable assessment. The cost to deliver existing services, including the infrastructure levy, adds $15.20 per $100,000 of assessment. Delivering on our plans adds $6.97 per $100,000 of assessment.



Total Impact on the Tax Bill in 2011

While the Region's 2011 Budget has not yet been tabled, the following chart shows the overall increase on a Mississauga residential tax bill, under various scenarios for the Region's tax increase. All scenarios assume an infrastructure levy of 1 percent for both the City and the Region, as these levies are necessary to sustain the infrastructure of both levels of municipal government.

Many GTA municipalities establish tax rate increase targets on the total increase in the tax bill. In 2010 Caledon established an overall target of 3.9 percent. The final lower tier tax rate depended on the final Region of Peel rate. Once the Region set their rate, the remainder was available to support lower tier services. In Halton Region, the Town of Oakville and City of Burlington also employ this approach.

	If Region at 2.5% with Infrastructure	If Region at 3.5% with Infrastructure
City Impact on Total Tax Bill	2.24%	2.24%
Region Impact on Total Tax Bill	1.18%	1.65%
Education	0.00%	0.00%
Total Tax Bill Increase	**3.42%**	**3.88%**

What's Driving the Cost to Deliver Existing Services

When surveyed, residents emphasize the need to preserve and maintain the City's existing services and service levels. Environics surveys report that 82 percent of citizens are satisfied with the services being provided. Council has acknowledged many times that citizens are not interested in reducing services, they want more.

The 2011-2014 Business Plan and Budget includes changes to the base budget to deliver existing services. These changes include labour increases, annualized cost of service enhancements approved in the 2010 budget, operating impacts of completed capital projects and continuous improvement initiatives. In 2011, these changes result in an increase in gross expenditures of $15.5 million for the delivery of existing services. This is only an increase of 2.8 percent over 2010. However, the following chart clearly shows that flat or declining non-tax revenues have a major net impact on the net cost increase required to deliver existing services.

The Cost to Deliver Our Existing Services

($ thousands) Summary of Operating Impacts Base Changes to:	2010 Budget	Base Changes before Continuous Improvements	Change from 2010 $	Change from 2010 %	Efficiencies	Budget Reductions	Cost to Deliver Existing Services	Change from 2010 $	Change from 2010 %	Impact on Total Tax Bill
Labour	379,183	394,538	15,354	4.0%	(945)	(349)	393,244	14,061	3.7%	1.3%
Other Operating	169,880	174,688	4,809	2.8%	(3,041)	(312)	171,336	1,457	0.9%	0.1%
Total Expenditures	**549,063**	**569,226**	**20,163**	**0**	**-3,985**	**-661**	**564,581**	**15,518**	**2.8%**	**0.8%**
Revenue	(251,832)	(250,095)	1,737	0.7%	(82)	-	(250,177)	1,655	0.7%	0.2%
Net before assessment growth	**297,231**	**319,131**	**21,900**	**7.4%**	**(4,067)**	**(661)**	**314,403**	**17,173**	**5.8%**	**1.6%**
Less Assessment Growth				-1.3%					-1.30%	-0.4%
Net Impact on Tax Rate*				**6.1%**					**4.5%**	**1.3%**

Note: Numbers may not balance due to rounding.

Non-Tax Revenue

Non-tax revenues decline by $1.7 million from 2010. This is primarily due to a drop of $12 million in 2009 which is being phased in through the use of reserves. The City relies on non-tax revenues to fund almost 44 percent of the gross expenditures reflecting the City's philosophy of user pay. If these revenues had remained flat, or equal to 2010 revenues the increase in the cost to deliver existing services in 2011, would have been reduced to a 3.9 percent increase rather than 4.5 percent, or 1.1 percent on the total tax bill. More significantly, if non-tax revenues had increased by the same rate as our expenditures to deliver existing services (2.8 percent), this would have reduced the City's 2011 tax levy requirement for the base budget by $8.7 million to a 1.6 percent increase, or 0.5 percent increase on the overall tax bill.

The revenue reductions are primarily the result of economic impacts on Transit, Planning and Building, Parking and Recreation programs and Regulatory licensing fees and are beyond the control of the City. To offset these reductions, costs have been reduced to the extent possible without reducing service levels. Transit has scaled back the ridership growth plan and resulting service expansion. As well, the 2011 Budget includes the second year of the Transit and, Planning and Building revenue reduction phase-in plans approved in the 2010 Budget. The impact on the 2011 tax levy from the phase-in plans is $3.2 million. The plans use Reserves and Reserve Funds to smooth the tax rate increase required to offset these revenue reductions over a 4 year period. In 2010 transfers from reserves were $10.6 million; in 2011 transfers are $7.4 million.

The following chart provides highlights of the revenue pressures which are offset by revenue increases – highlights of which are included on the following page.

Highlights of Revenue Reductions

Description ($ 000's)	2011	2012	2013	2014	Total Net Costs
Transit revenue shortfall phase-in	2,050	2,050	1,499	1,258	6,857
Phasing in building permit revenue shortfall from 2010 Budget	1,128	1,129			2,257
Shortfall in Regulatory revenues (i.e.business licensing)	500				500
Phase in Regulatory revenue shortfall from Reserves	(250)	250			0
City Centre on-street paid parking	500				500
Fire false alarms	185				185
Lakeview Golf Course	170				170
Library fine revenue	150	25			175
Community Centre Room Rentals	140				140
Reduction in development revenue	100	25	25	25	175
Iceland Concession	80				80
Cemetery	65				65
Total Base Budget Highlights	**4,818**	**3,479**	**1,524**	**1,283**	**11,104**

Note: Numbers may not balance due to rounding.

Where possible, the City continues to increase revenues to reduce the reliance on property taxes. However, even with these increases, overall the City's non-tax revenues have declined by $1.7 million from 2010. It is not until 2013 that revenue increases exceed forecast revenue reductions. The following chart provides highlights of major revenue increases.

Highlights of Revenue Increases

Description ($ 000's)	**2011**	**2012**	**2013**	**2014**	**Total Net Costs**
Highway Traffic Act - POA Provincial set fine increase	(1,237)	(100)			(1,337)
2% Transit ridership growth	(1,200)	(1,200)	(1,200)	(1,200)	(4,800)
Payments in Lieu of Taxes - GTAA	(1,000)	1,000			0
Building permit fee increase	(300)	(300)			(600)
Recreation program and rental fee increase averaging 2.5%	(315)	(320)	(325)	(329)	(1,289)
Transit shelter advertising revenue			(1,000)	(867)	(1,867)
Total Base Budget Highlights	**(4,052)**	**(920)**	**(2,525)**	**(2,396)**	**(9,893)**

Note: Numbers may not balance due to rounding.

Labour Costs to Deliver our Existing Services

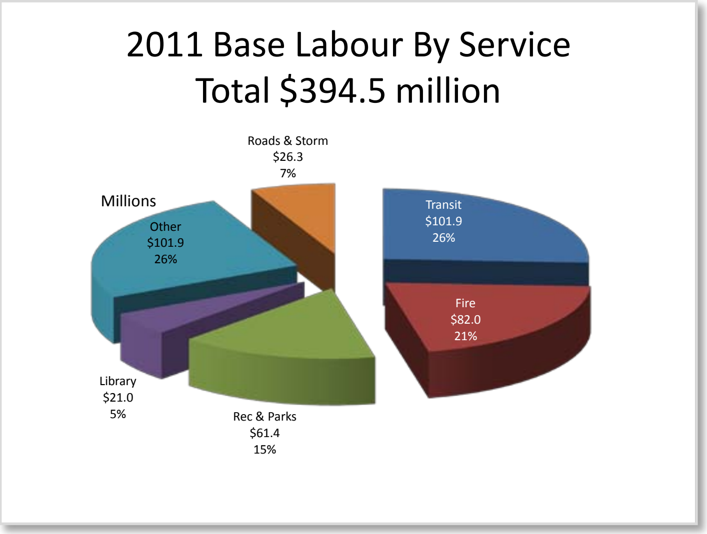
The City provides services and services are delivered by people, therefore labour is a significant component of city costs. The City's 2011 Gross Budget is comprised 69 percent of labour costs.

In terms of specific services, labour accounts for over 96 percent of the Fire budget, 79 percent of the Transit budget, 80 percent of the Library budget and 67 percent of the Recreation and Parks budget.

The 2010 Provincial Budget announced changes to Provincial compensation under the *Public Sector Compensation Restraint Act, 2010*. This Act covers non-bargaining employees throughout the broader Public Sector excluding municipalities but including Ontario Public Service, hospitals, schools, colleges and universities, Hydro One, Ontario Power Generation and many other provincial agencies. The Act prohibits increases in rates of pay and benefits other than those that were in effect as of March 24, 2010. Employees covered by union collective agreements are exempt under this legislation, however the Province made it clear that it expected that new collective agreements would settle at 0 percent, and made no provisions in the Provincial budget for wage increases related to new contract settlements.

The Province has suggested that municipalities should adopt a similar approach but has provided no tools to do so. Municipalities are required to negotiate with their unions. Recent provincial and municipal negotiated and arbitrated labour settlements have not upheld the *Public Sector Compensation Restraint Act, 2010* with settlements ranging between 1 percent and 3.6 percent annual increases. In order to effectively implement this Act, the Province would need to introduce legislation to limit labour cost increases province-wide.

The Council of the City of Mississauga passed a resolution calling on the Province to implement a wage freeze, which was unsuccessful.



Compared with other government organizations, the City's labour force has a lower proportion of unionized staff. The split is almost equal with non-union comprising 48 percent and union 52 percent of full time staff. In most other levels of government, primarily management and some exempt positions comprise the non-union segment of their workforce.

The labour and benefit costs associated with delivering existing services has increased by $14.0 million or 3.7 percent over the 2010 budget. The labour costs provide for increases related to the existing labour force as of December 31, 2010, and reflect modest economic adjustments and movement within salary ranges based on performance, for a total cost of $13.1 million. In addition, the labour cost to deliver our existing services includes the annualized cost of staffing approved as part of the 2010 budget for hire part way through the year ($0.5 million), staffing costs driven by completed capital projects such as the reopening of Port Credit arena and additional acres of parkland to be maintained ($0.4 million). Continuous improvement initiatives reduce labour costs by $1.3 million.

Also included is the addition of 18 transit operators required to offset increased overtime costs being experienced in transit due to modified work/absenteeism ($1.5 million). Relying on overtime to backfill absenteeism results in service impacts as overtime is voluntary thus adding full time operators mitigates service disruptions. The cost of the Transit operators is being phased in through the use of Provincial gas tax and is funded from reserve in 2011.

In addition to the modest wage adjustments included in this plan, the statutory benefits which the City must provide are increasing by over 8 percent. OMERS costs are increasing by over 10 percent, and Employment Insurance costs by 5 percent, both of which are uncontrollable to the Corporation.

The $5.0 million reduction in labour budgets to be covered through vacancies and labour savings which was implemented in 2010 is being continued in 2011.

Other Expenses to Deliver Existing Services:

Similar to individual property owners, the City is impacted by the increased cost of fuel and utilities. These, combined with other expenses for materials, supplies, contracted and purchased services, have increased in 2011 by 2.8 percent or $4.8 million over 2010. Highlights of some of the cost increases incorporated into the 2011 Budget and the 2011 - 2014 Business Plan and Budget are listed below.

Highlights of Base Budget Changes

Description ($ 000's)	2011	2012	2013	2014	Total Net Costs
Annual $0.10 per litre increase in diesel fuel cost for Transit buses	1,520	1,520	1,520	1,520	6,080
Utilities rate and usage changes	809	625	469	479	2,382
Winter - increased contractor, salt and sand costs	749	778	785	816	3,128
Additional equipment and contractors costs associated with building maintenance	363	115			478
Information technology maintenance	305	81			386
Facility Leasing	297	4	4	(79)	226
Vehicle leasing	180	12			192
Maintenance of transit destination signs	179	10	10	10	209
Annualization of library Sunday openings	154	20			174
Increased contractor costs at Hershey	146				146
Annualization of Community Commons Park	60				60
Total Base Budget Highlights	**4,762**	**3,165**	**2,788**	**2,746**	**13,461**

Note: Numbers may not balance due to rounding.

Other Changes to Deliver Our Existing Services – Operating Impacts of Capital Projects:

The Business Plan and Budget also include increases in costs related to capital projects which have been completed and will be operational over the life of the plan. In 2011 operating impacts of capital projects total $0.6 million. Over the four years of the Business Plan capital impacts total $6.7 million. The detailed Budget Requests included in Volume 2 provide additional details on each item noted below.

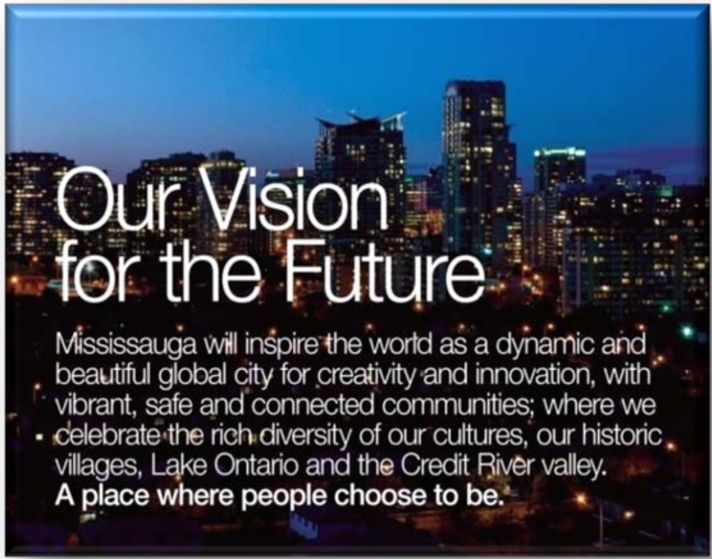
Operating Impacts from Capital Projects ($000's)

Service	BR #	Description	2011	2012	2013	2014	Total Net Costs
Roads, Storm Drainage & Watercourses	272	Update and Enhancement of the Rain Gauge Network	10	10	0	0	20
Fire & Emergency Services	61a	Garry W. Morden Centre	0	260	97	0	357
Mississauga Transit	104	BRT Operation and Maintenance	0	0	5,504	(706)	4,798
Recreation & Parks	312	Malton Community Centre Pool	(5)	(14)	(10)	(10)	(39)
Recreation & Parks	316	Mississauga Valley Community Centre Therapy Pool	0	(18)	0	0	(18)
Recreation & Parks	319	Clarkson Community Centre Pool	(8)	(29)	(20)	(10)	(67)
Recreation & Parks	415	Parkland Growth	116	80	198	406	800
Recreation & Parks	271	Mississauga Celebration Square Base Operating Impacts	512	354	0	0	866
		Total Operating Budget Impact	**625**	**643**	**5,769**	**(320)**	**6,717**
		Tax Rate Impact	**0.2%**	**0.2%**	**1.9%**	**-0.1%**	**2.3%**

Note: Numbers may not balance due to rounding.

Continuous Improvement – Improving the Cost to Deliver Existing Services

The City strives to continuously improve its services and keep service costs low by identifying efficiencies and program reductions which do not impact service. Efficiencies allow the City to provide the same service level at a reduced cost. Program reductions eliminate expenditures which do not impact service. As part of the preparation of the 2011-2014 Business Plan and Budget staff conducted an exercise to assess what would be required to reduce their budgets by three percent. Many of the options would result in service level reductions. Many of these options have previously been presented to Council, and Council did not wish to implement them due to the negative impact on service, therefore these options are not included in this plan. However, cost savings through efficiencies of $3.8 million have been identified over the 2011 to 2014 period with most savings being realized in 2011. Budget reductions of $1.6 million have also been included. All of these initiatives are subject to Council approval.



A summary of efficiencies by service over the next four years is presented below. Each Service Area Business Plan describes recommended efficiencies. The detailed Budget Requests included in Volume 2, Appendix 2 provide additional details on each item.

Efficiencies - Summary ($ 000's)

Service	2011	2012	2013	2014	Total Net Costs
Roads, Storm Drainage & Watercourses	(1,882)	0	50	(50)	(1,882)
Mississauga Transit *	(167)	22	0	14	(131)
Recreation & Parks	(744)	(66)	(10)	0	(820)
Mississauga Library	(160)	(55)	3	0	(212)
Land Development & Services	(388)	(578)	0	0	(966)
Legislative Services	3	0	(5)	10	8
Regulatory Services	22	0	0	0	22
Facilities & Property Management	(180)	(70)	(3)	0	(253)
Strategic Policy	(109)	0	0	0	(109)
Information Technology	(427)	259	238	50	121
Business Services	(35)	0	155	300	420
Total Operating Budget Impact	**(4,067)**	**(488)**	**428**	**324**	**(3,803)**
Tax Rate Impact	**-1.4%**	**-0.2%**	**0.1%**	**0.1%**	**-1.3%**

*Totals include Budget Requests from Departmental Business Services

Note: Numbers may not balance due to rounding.

Examples of efficiencies include staff reductions in land development services to offset reduced development activity and related revenues; replacement of multi-function copy/print devices; improved efficiency in street cleaning and in leaf collection services; winter maintenance review; reduction in prosecution staff; implementation of an integrated budget system; pooling of voice minutes for cellular devices; improved utility procurement strategy; and increased recreation and parks online registration.

The list below identifies program reductions totalling $1.4 million over the next four years which are included in the 2011-2014 Business Plan and Budget. Program reductions in 2011 total $661,000. The detailed Budget Requests included in Volume 2 provide additional details on each recommended reduction.

Recommended Program Reductions ($000's)

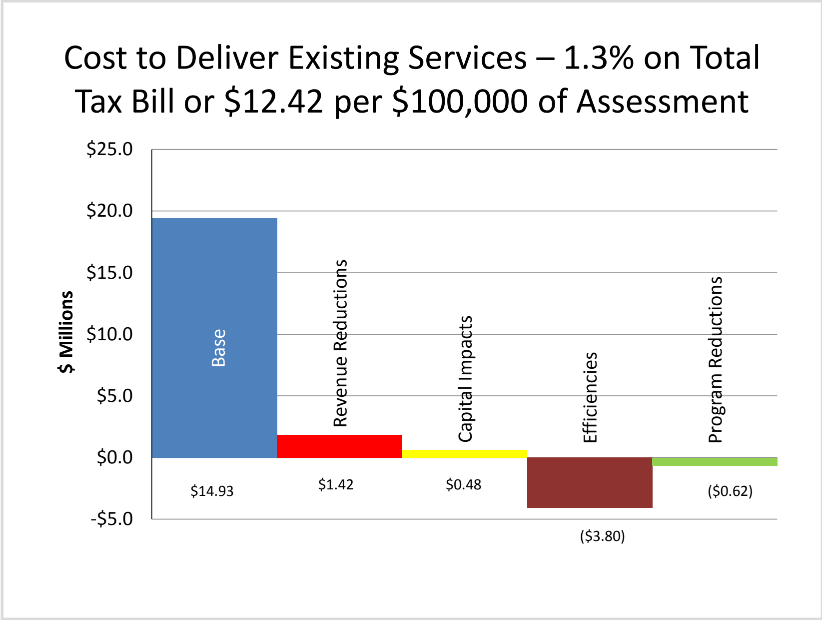
Service	BR #	Description	2011	2012	2013	2014	Total Net Costs
Roads, Storm Drainage & Watercourses *	533	Reductions in Business Services Division - Transportation and Works Department	-53	0	0	0	(53)
Recreation & Parks	227	Organizational Review	-303	-233	-23	-23	(582)
Mississauga Library	147	Self Serve Check-Out	0	58	-178	-316	(436)
Legislative Services	441	2011 Cost Control Options-Legislative Services	-88	-12	0	0	(100)
Arts & Culture	245	3% Budget Reduction	-67	0	0	0	(67)
Strategic Policy	378	Opportunities to reduce costs - EDO Professional Services	-29	0	0	0	(29)
Business Services	34	Reduce Size and Printing of 2011 to 2014 Business Plan and Budget book	-4	0	0	0	(4)
Business Services	392	Printing Production Efficiency Initiative	-26	0	0	0	(26)
Business Services	503	Redesign Tax Bills	-2	0	0	0	(2)
Business Services	514	Reduce frequency of tax overdue notice mailings	-28	0	0	0	(28)
Business Services	561	Cost Reduction Options For Communications	-25	0	0	0	(25)
Business Services	589	Lower winter heating Temp. by 1 deg.C and raise summer cooling to 25 deg.C to save energy	-36	-51	0	0	(87)
		Total Operating Budget Impact	**(661)**	**(238)**	**(201)**	**(339)**	**(1,439)**
		Tax Rate Impact	**-0.2%**	**-0.1%**	**-0.1%**	**-0.1%**	**-0.5%**

* Totals include Budget Requests from Departmental Business Services

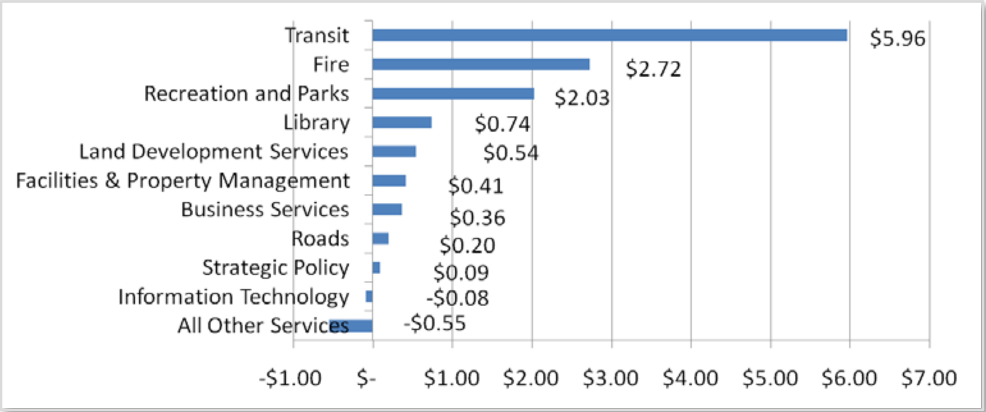
Note: Numbers may not balance due to rounding.

Summary – 2011 Total Cost to Deliver Existing Services

The City's budget to deliver our existing services requires a 4.5 percent increase in the City's tax levy, or 1.3 percent on the total tax bill. The cost per $100,000 of assessment is $12.42. The following chart provides a summary by Budget driver.



The following chart shows the allocation of the additional $12.42 by Service Area. Transit, Fire Protection and Recreation and Parks services comprise almost 71 percent of the total increase.



Proposed Budget Changes to Deliver on Our Plans

The community has expressed a desire to move quickly to implement the City's strategic vision which they helped create. Therefore, in addition to preserving existing service levels, the City is moving forward with the implementation of the Strategic Plan, and related master plans. This requires additional funding over and above the level required to deliver existing services. The inclusion and timing of various initiatives represent staff's best thinking as to the highest priority items balanced with their ability to deliver upon these initiatives.

The City cannot grow and maintain services while holding tax increases to the traditional rate of inflation. These initiatives require the investment of tax dollars which will require increases exceeding the traditional rate of inflation. Initiatives have been presented such that Council may choose to include or exclude them as well as speed up or slow down each item.

The proposed changes included in the 2011 Budget have been categorized as follows:

- Growth – providing existing service levels to an expanded community;
- Increased Service Levels /New initiatives— initiatives to implement our plans;
- New Revenues; and
- One-time Items – Funded from Reserves.

Each Service Area Business Plan contains Budget Requests that are identified by the above categories. Over 275 Budget Requests have been included; the details of each Budget Request are included in Volume 2, Appendix 2.

Growth

Costs driven by growth total $3.3 million in 2011 and total $14.0 million over the four years of this plan. The impact to the property tax bill in 2011 is $3.03 per $100,000 of assessment.

Service	2011	2012	2013	2014	Total Net Costs
Roads, Storm Drainage & Watercourses	192	47	22	22	283
Fire & Emergency Services	137	525	1,902	115	2,679
Mississauga Transit *	1,983	2,317	2,153	1,845	8,298
Recreation & Parks	64	141	85	0	290
Mississauga Library	0	42	57	309	408
Arts & Culture	305	303	0	0	608
Regulatory Services	66	0	90	0	156
Facilities & Property Management	105	132	91	42	370
Strategic Policy	38	99	0	0	137
Information Technology	0	0	50	15	65
Business Services	362	326	4	0	692
Total Operating Budget Impact	**3,252**	**3,932**	**4,454**	**2,348**	**13,986**
Tax Rate Impact	**1.1%**	**1.3%**	**1.5%**	**0.8%**	**4.7%**

*Totals include Budget Requests from Departmental Business Services

Note: Numbers may not balance due to rounding.

Highlights of initiatives included in this category include: the Transit Growth Ridership Strategy – 2011 is the first year that these costs increases must be borne by the tax payer as Provincial Gas Tax funding has been fully allocated to previous transit expansion costs; operating cost for the Bus Rapid Transitway; increased grants to cultural groups to achieve a $3 per capita; and operating Costs associated with new Fire Station #120.

Increased Service Levels/New Initiatives

Initiatives included in this category include those required to deliver or implement the City's Strategic Plan, Council approved Master Plans, Official Plan and various other studies. They represent costs for new or enhanced levels of service. Also included are costs to deliver provincially mandated programs or services levels, such as the Presto Fare Card and minimum roadway maintenance standards. This plan includes increased service levels and new initiatives totalling $5.4 million in 2011, and $11.7 million over the four year plan. These initiatives impact the property tax in 2011 by adding $5.01 per $100,000 of assessment. A summary by service area follows.

Increased Service Levels/New Initiatives - Summary ($000's)

Service	2011	2012	2013	2014	Total Net Costs
Roads, Storm Drainage & Watercourses *	1,329	792	985	704	3,810
Fire & Emergency Services	12	96	0	0	108
Mississauga Transit *	1,821	464	(32)	(131)	2,122
Recreation & Parks	844	389	9	(61)	1,181
Mississauga Library	0	95	190	(334)	(49)
Land Development & Services	246	(95)	(50)	0	101
Legislative Services	73	43	45	65	226
Arts & Culture	251	297	288	147	983
Regulatory Services	70	0	0	0	70
Facilities & Property Management	88	364	142	(49)	545
Strategic Policy *	442	226	499	18	1,185
Information Technology	108	164	338	190	800
Business Services	85	477	56	(30)	588
Total Operating Budget Impact	**5,369**	**3,312**	**2,470**	**519**	**11,670**
Tax Rate Impact	**1.8%**	**1.1%**	**0.8%**	**0.2%**	**3.9%**

Note: Numbers may not balance due to rounding

* Total include Budget Requests from Departmental Business Services and Financial Transactions

Highlights of initiatives included in this category include the GTA PRESTO fare card, the iBus project, costs associated with amended minimum maintenance standards and cost to implement the cycling master plan.

New Revenues

Annually, all revenue streams are examined to ensure they are keeping pace with the cost base and the external environment. This plan includes revenue increases of $1.1 million in 2011, and total $6.9 million over the four years of this plan. These increased revenues are largely due to the Transit Fare Strategy. In 2011 new revenues reduce the property tax bill by $1.07 per $100,000 of assessment.

New Revenues ($000's)

Service	BR #	Description	2011	2012	2013	2014	Total Net Costs
Mississauga Transit	390	Transit Fare Strategy	(970)	(2,040)	(1,320)	(1,650)	(5,980)
Recreation & Parks	230	User Fee Rationalization	0	(70)	(70)	(70)	(210)
Recreation & Parks	276	Cellular Towers on Community Services lands	0	(15)	(30)	(15)	(60)
Recreation & Parks	491	Mississauga Celebration Square Gateway Sign	(74)	(74)	0	0	(148)
Mississauga Library	298	Burnhamthorpe Branch Library - Dixie Bloor Neighbourhood Drop-In Centre - Lease	(104)	(103)	0	0	(207)
Land Development Services	258	Fees and Charges Review	0	0	0	(250)	(250)
		Total Operating Budget Impact	**(1,148)**	**(2,302)**	**(1,420)**	**(1,985)**	**(6,855)**
		Tax Rate Impact	**-0.4%**	**-0.8%**	**-0.5%**	**-0.7%**	**-2.3%**

Note: numbers may not balance due to rounding.

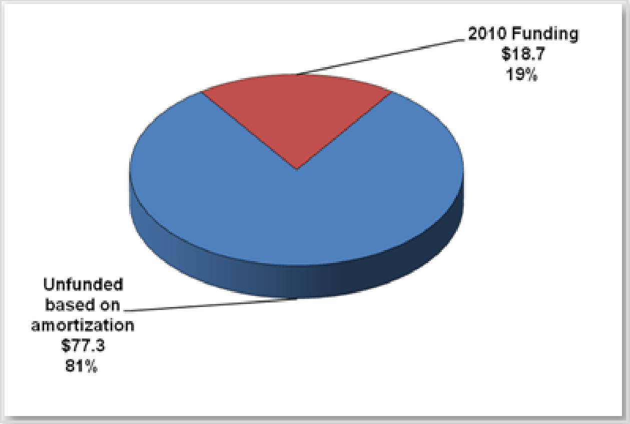
Why an Infrastructure Levy Is Necessary

The City of Mississauga owns infrastructure assets with an estimated replacement cost of $6.7 billion excluding land. The historical value as recorded on the City's Financial Statements is $8 billion ($3.5 billion, excluding land). Daily, the City's infrastructure is used by our residents and this causes assets to deteriorate, similar to the wear and tear on resident's automobiles, roofs and furniture. Up until 2009 the cost of infrastructure use was not reflected in municipalities' financial statements. The cost was only recognized when the asset was built or rehabilitated. Beginning in 2009, municipalities are required to report this cost as part of their financial statements. The accounting term for annual consumption of assets is referred to as amortization expense. Amortization expense recognizes the cost of infrastructure used up in a year and represents the amount that should be put aside each year to replace the infrastructure in the future, similar to putting money into a RESP to fund a child's university education. Amortization can be compared to the transfer to capital. Amortization expense is the cost of the asset consumed each year while the transfer to capital refers to the amount of funding being provided each year out of the tax base to fund the capital infrastructure. The gap between these two factors can be roughly used to estimate the minimum infrastructure gap.

The following chart shows the amount of annual amortization expense for the City is $96 million as of the end of 2009. The transfer to capital is only $18.7 million. Therefore the City is only providing for 19 percent of the cost of infrastructure consumed, resulting in an annual infrastructure gap of $77.3 million. To fully fund the City's amortization expense, a tax increase of 26 percent would be required. It is very important to understand that amortization is based on historical values, not replacement values. The actual cost based on replacement values would be significantly higher. Additionally, as new infrastructure is added, amortization expense increases. The infrastructure gap must be closed by reducing or delaying capital expenditures, drawing down reserves, issuing debt and increasing tax based funding raised through an infrastructure levy.

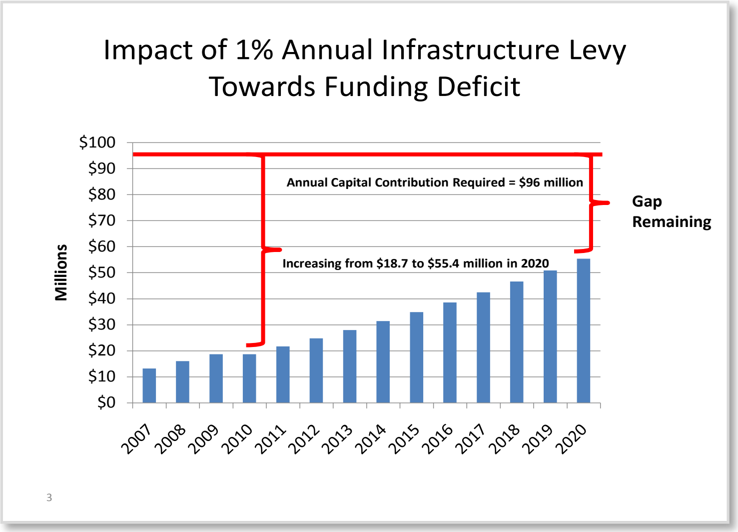
The Infrastructure Gap

Based on $96 million in Annual Capital Depreciation



During the City's period of growth, much of Mississauga's infrastructure was paid for by development based funding such as lot levies, development charges and cash-in-lieu. As Mississauga matures as a city, it will be required to balance the need to maintain existing infrastructure with the need to address large city issues such as congestion and urbanized facilities. Projects required to address these issues are expensive and will require additional funding over and above the basic capital requirements.

In order to begin to address this infrastructure gap it is recommended that an annual Infrastructure Levy equal to a 1 percent tax increase be included in the City's Budget. The following chart shows how the infrastructure levy gradually reduces the infrastructure gap.



When the City issues debt, it will be required to increase taxes to repay this debt. The estimated impact of the future debt servicing costs indicates that an annual infrastructure levy of 2 percent is actually required.

If an infrastructure levy is not included in the 2011 Budget, it will reduce capital financing by $30 million by the end of 2020. This will require the elimination of projects or additional debt. A 1 percent increase in the City's taxes for infrastructure will impact the total residential tax bill by 0.28 percent or approximately $2.77 per $100,000 of assessment. Annual incremental infrastructure levies gradually build a sustainable funding source for replacement and maintenance of the City's assets without requiring drastic tax increases in any one particular year.

Summary of 2011 Operating Budget and 2011-2014 Business Plan

The 2011 -2014 Business Plan and Budget provides the necessary resources to deliver our existing services which are valued by residents. It balances modest expenditure increases against significant revenue pressures. It also moves forward with delivering on our plans, providing the resources to implement the Strategic Plan and various Master Plans. This requires an investment of taxpayer dollars somewhat higher than the rate of inflation. The plan addresses the City's new financial reality. It sets out proposed changes by driver which allow Budget Committee to make decisions to approve or not approve various initiatives as well as speed up or delay their timing.

The following table presents the 2011 Budget, by service and by budget driver:

Service ($000's)	2010 Budget	*/***Costs to Del Existing Serv	***% Change	New Service	Growth	New Revenue	Total	**Total % Change
Roads, Storm Drainage & Watercourses	63,768	64,158	0.6%	1,249.0	192	0	65,599	2.9%
Fire & Emergency Services	81,582	84,714	3.8%	12.0	137	0	84,863	4.0%
Mississauga Transit	41,338	47,769	15.6%	1,828.0	1,787	(970)	50,414	22.0%
Recreation & Parks	44,029	46,308	5.2%	842.8	64	(74)	47,141	7.1%
Mississauga Library	24,134	24,991	3.6%	0.0	0	(104)	24,887	3.1%
Land Development & Services	4,841	5,425	12.1%	246.2	0	0	5,671	17.2%
Legislative Services	(1,587)	(2,900)	82.7%	73.0	0	0	(2,827)	78.1%
Arts & Culture	4,038	4,087	1.2%	251.0	305	0	4,643	15.0%
Regulatory Services	806	1,666	106.7%	70.0	66	0	1,802	123.6%
Facilities & Property Management	18,182	18,675	2.7%	87.8	105	0	18,867	3.8%
Strategic Policy	9,641	9,759	1.2%	192.0	38	0	9,989	3.6%
Information Technology	16,034	15,993	-0.3%	108.0	0	0	16,101	0.4%
Business Services	19,593	19,774	0.9%	160.0	558	0	20,492	4.6%
Council	4,068	4,165	2.4%	0.0	0	0	4,165	2.4%
Financial Transactions***	(33,236)	(30,180)	-9.2%	250.0	0	0	(29,930)	-9.9%
Total Operating Budget Impact**	**297,231**	**314,403**	**5.8%**	**5,370**	**3,252**	**(1,148)**	**321,877**	**8.3%**
After 1.3% Assessment			**4.5%**					**7.0%**
Total Operating Budget, including Infrastructure Levy		**317,373**	**5.5%**				**324,847**	**8.0%**
Total Impact on Tax Bill, after assessment growth			**1.5%**					**2.2%**

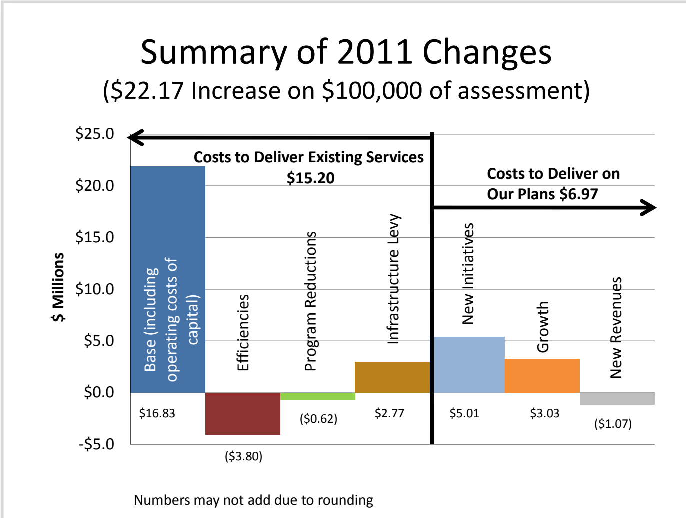
Totals include Budget Requests from Departmental Business Services or Financial Transactions.

Note: Numbers may not balance due to rounding.

* Includes operating impacts from capital projects

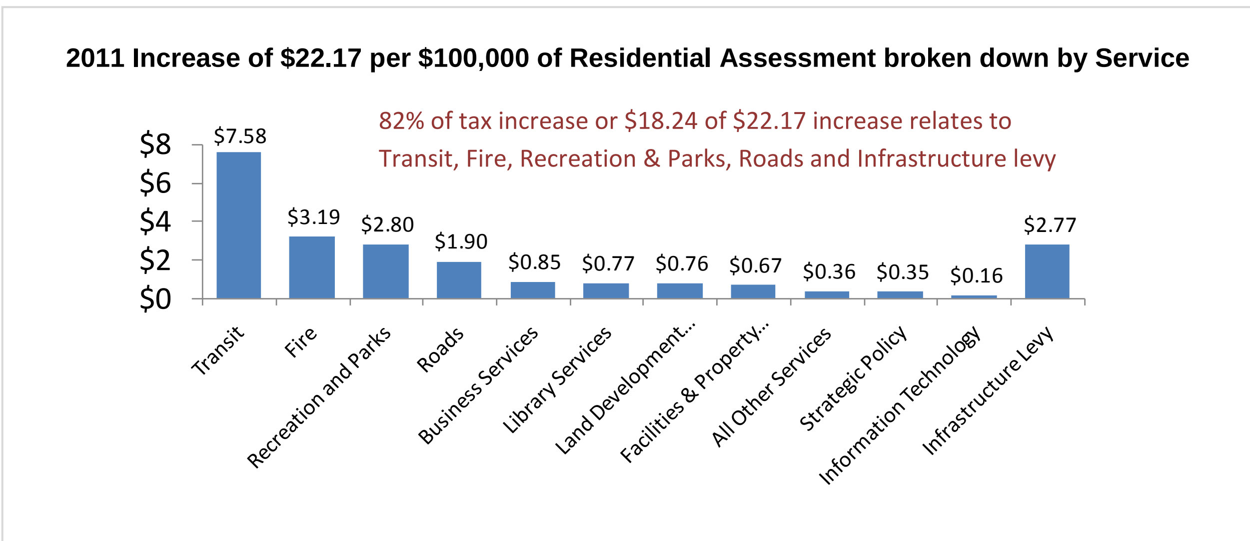
** Before assessment growth
*** Excludes infrastructure levy of 1 percent

The total 2011 Operating Budget has an impact on the total tax bill of 2.2 percent. Four services comprise 70 percent of the total change in the 2011 Budget.



This chart provides a summary of each budget driver as well as the impact on $100,000 of assessment.

In terms of dollars, the increase in the City's 2011 tax levy costs only $22.17 per $100,000 of assessment. For a home assessed at $350,000 this translates to a total increase of $77.57, for a home assessed at $450,000 this represents an increase of $99.73. The increase of $22.17 per $100,000 of assessment is allocated by service in the chart below.



In 2011, the total taxes paid to the City per $100,000 of residential assessment will be $299.55. These tax dollars provide for fire, roads, transit, recreation and parks, library, facilities, infrastructure maintenance and support services. Compared to other household costs this represents excellent value for money.

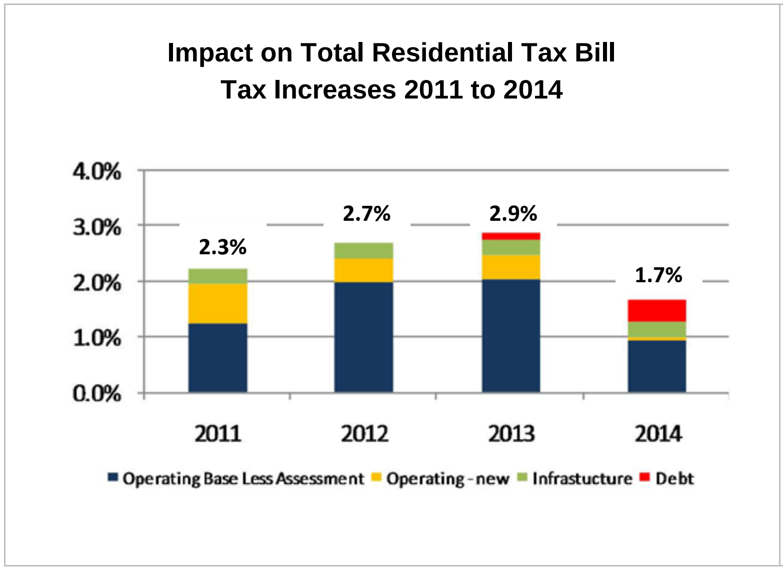
The following chart shows the total impact of the City's budget under an assumed increase of 2.5 percent for the Region; per $100,000 of residential assessment and various values of residential properties.

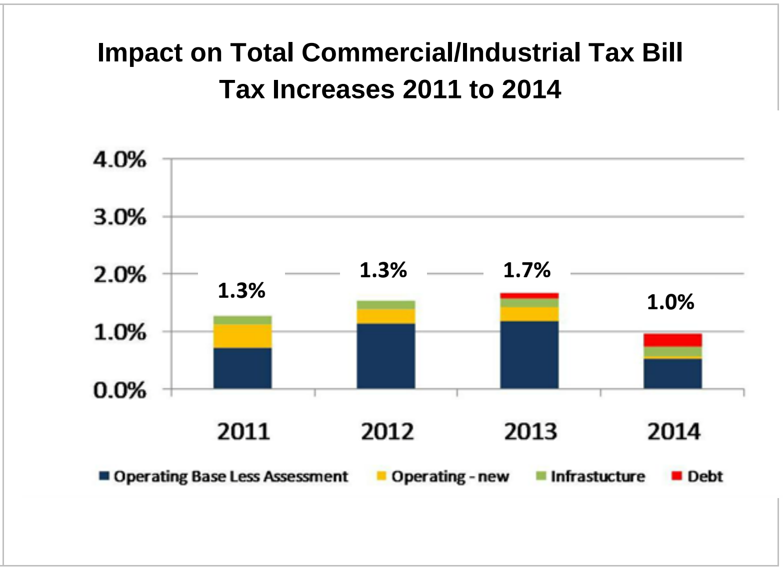
Assessment **2011 Impact on Tax Bill**	**$100,000**	**$350,000**	**$450,000**	**$550,000**	**$650,000**
City - Operating	19.40	67.86	87.25	106.64	126.03
City – Infrastructure	2.77	9.71	12.48	15.26	18.03
Total City Increase	**$22.17**	**$77.57**	**$99.73**	**$121.90**	**$144.06**
Region	11.59	40.58	52.17	63.76	75.36
Total Base Impact on Tax Bill	**$33.76**	**$118.15**	**$151.90**	**$185.66**	**$219.42**

Note: Numbers may not balance due to rounding.

Forecast Tax Rate Increase – 2011-2014

The 2011-2014 Business and Budget provides the cost to deliver existing services and deliver on our plans over the next four years. The City's Budget impact on the total property tax bill is illustrated below, by base, new initiatives, 1 percent infrastructure levy and annual debt requirements, for both residential and commercial/industrial properties.





2011 Capital Budget and 2012 to 2020 Capital Forecast

The 2011-2014 Business Plan and Budget identifies significant investments in the City's infrastructure, both to maintain our existing infrastructure in a state of good repair, and to invest resources to develop the infrastructure required to implement the Strategic Plan and related Master plans. The Capital Forecast identifies significant investments in Transit, Fire, Roads and Bridges and Watercourses, Cycling and Recreation and Parks. Through the Business Planning process new initiatives, not previously included in the City's Capital forecast were identified, increasing the City's capital forecast by $197 million over the next ten years.

Similar funding pressures are facing the City with its capital program as with its operating budget. The economic downturn has reduced development charge revenues, requiring the delay of projects that are driven by growth. The Province has eliminated the Ontario Bus Replacement funding program, which reduces the funding for bus replacements by almost $50 million over the ten year capital forecast. To keep the Transit fleet in a good state of repair the City must make up this lost funding from other City sources. Major investments in Transit cannot take place without significant funding from the Federal and Provincial governments, so investment in Light Rail Transit on the Hurontario corridor is not included in the capital forecast.

Despite these pressures, the Capital Budget and forecast includes over $197 million in new initiatives to maintain our infrastructure and to implement the strategic plan. The funding plan for the forecast assumes a minimum 1 percent infrastructure levy annually for the next ten years. The City will begin incurring debt by 2013, based on a cash flow forecast of capital spending. The use of debt is not a negative – it merely reflects the changing nature of the City.

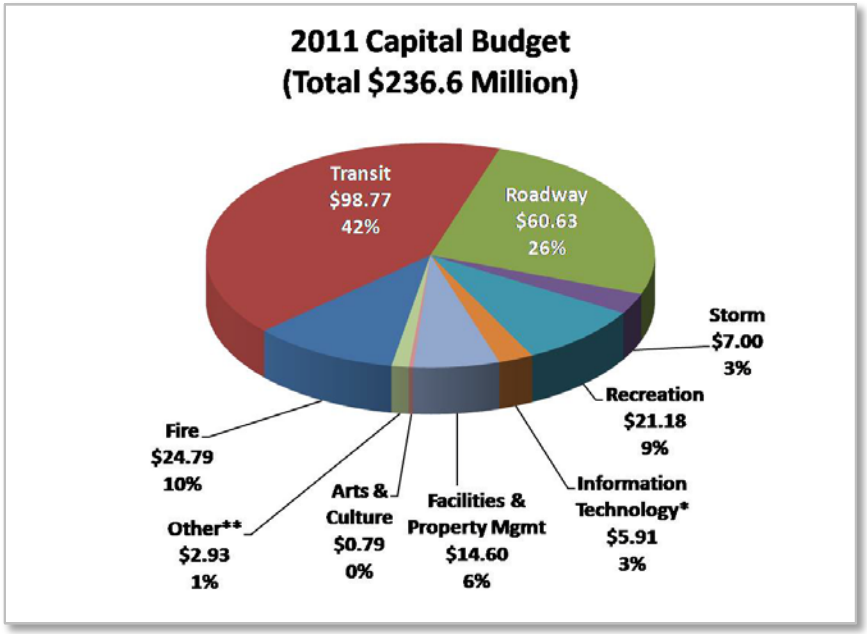
Becoming a mature City means there is less growth, and less growth related infrastructure which is funded from development charges. The focus is changing to maintaining infrastructure and emplacing infrastructure required in a major world class City. Debt is a form of financing, and with sound policies and strategies it is a logical and reasonable financial tool. These policies and strategies are being developed by staff.

Funded Capital Budget and Future Requirements

As shown in the following charts, the City's 2011 budget recommends projects with a gross cost of $236.6 million.

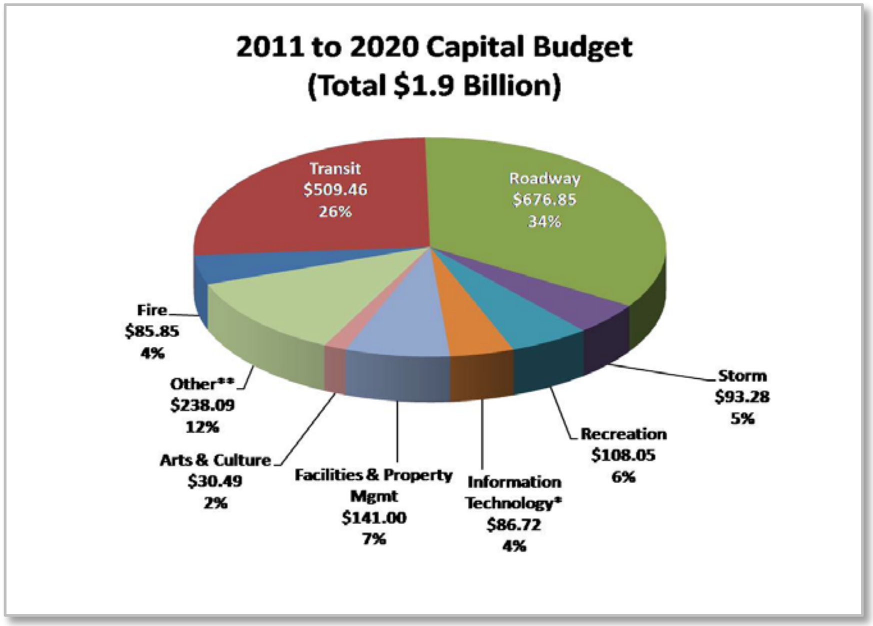
Highlights of the 2011 projects are as follows:

- $37.7 million for major roads and bridges and structure related works such as Burnhamthorpe Road resurfacing;
- $62.5 million for the next phase of the construction of the Bus Rapid Transit line;
- $23.2 million for replacement of 35 transit buses and ongoing maintenance;
- $22.9 million for road rehabilitation;
- $7.0 million for storm drainage including $4.7 million for Cooksville Creek;
- $6.9 million in building lifecycle maintenance on various City facilities; and
- $2.9 million for the construction of the Hershey Air Supported Structure.



Highlights of the 2011 to 2020 projects are as follows:

- $96.2 million for the construction of the Bus Rapid Transit line totalling $264 million;
- $50.3 million for the construction of new facilities including Meadowvale Library and Community Centre, Northwest Community Centre, two outdoor artificial soccer fields and Hershey Air Supported Structure;
- $37.7 million for the Cycling Program;
- $32.6 million for Waterfront development which coincides with the Strategic Pillars;
- $27.9 million for design and construction of a new administrative facility;
- $27 million for various grade separations throughout the City to relieve traffic congestion issues such as Goreway Drive and Drew Road;
- $15.5 million for four new fire stations;
- $15 million for a Parking Garage Structure in the City Centre;
- $12.7 million for the renovation of facilities including Rivergrove and Mississauga Valley Community Centres;
- $10.1 million for the Garry W. Morden Centre-totalling $44 million;
- $6.8 million for an Artefact Preservation and Storage Facility;
- $5.4 million for the Meadowvale Theatre renovation; and
- $3.3 million for Art Gallery Mississauga.



The 2011-2020 Capital forecast includes budget requests identified in the Business Planning process totalling $269.9 million. These requests have been offset by adjustments to the previous Capital forecast resulting in an overall increase of $197 million in the ten year capital forecast. These budget requests are detailed in the individual Service Area Plans, and in Appendix 2 of Volume 2.

2011 - 2020 Business Planning Capital Project Highlights ($000's)

Service	BR #	Description	2011	2012	2013	2014	Post 2014	Total Net Costs
Mississauga Transit	505	Transit Bus Fleet Replacement	4340	2,230	3,590	2,720	27,946	40,826
Roads, Storm Drainage & Watercourses	94	Bridge/Culvert Rehabilitation Program	2175	4,175	2,375	2,375	18,745	29,845
Roads, Storm Drainage & Watercourses	80	Burnhamthorpe Road through City Centre (Arista Way to Mavis Road)	1250	(2,500)	0	0	30,000	28,750
Roads, Storm Drainage & Watercourses	267	Permanent Snow Storage Sites	150	2,500	0	7,100	5,400	15,150
Recreation & Parks	414	North West Community Centre as Partnership	0	0	0	1,400	12,240	13,640
Mississauga Transit	242	Hurontario Corridor Implementation	6000	6,000	0	0	0	12,000
Roads, Storm Drainage & Watercourses	280	On-Street Paid Parking and BIA Parking Facilities	300	298	460	160	10,000	11,218
Information Technology	526	VCOM Mobile Radio Replacement	750	1,010	5,023	1,060	0	7,843
Roads, Storm Drainage & Watercourses	62	Noise Attenuation Barriers	350	0	2,622	1,178	3,563	7,713
Arts & Culture	101	Artifact Preservation and Storage Facility	0	0	200	2,650	4,000	6,850
Facilities & Property Management	622	Office Accommodation	3000	3,000	0	0	0	6,000
Recreation & Parks	221	Street Tree Replacement	600	600	600	600	3,600	6,000
Roads, Storm Drainage & Watercourses	63	Roadway Rehabilitation Program	5800	0	0	0	0	5,800
Arts & Culture	87	Life-Cycle Renovation of Meadowvale Theatre	0	0	200	3,160	2,000	5,360
Mississauga Transit	478	Post-BRT Transit Service Plan	0	0	0	(192)	(13,800)	(13,992)
		Total Capital Budget Impact	**24,715**	**17,313**	**15,070**	**22,211**	**103,694**	**183,003**

Note: Numbers may not balance due to rounding.

The details of all the recommended capital projects can be found in Appendix 4 and 5 of Volume 2.

Unfunded Future Requirements

Due to the funding challenges noted earlier a number of projects remain unfunded and therefore are not included in the Capital forecast. Projects totalling $432 million can be roughly split into three categories:

- $114 million related to growth projects which are shown as unfunded due to insufficient funds in the Development Charge accounts;
- $66 million in transit related projects; and
- $252 million related to estimated life cycle replacement.

Ongoing maintenance requirements will need to be funded. Not doing so has several consequences including unanticipated closures, unpredictable maintenance costs and higher maintenance costs in the future as the optimal capital maintenance schedule could not be maintained.

Mississauga is struggling to ensure that existing infrastructure, built mainly in the late 1970's and early 1980's, is properly maintained. Mississauga's capital assets have an estimated replacement cost of $6.7 billion excluding land. The historical value as recorded on the City's Financial Statements is $3.5 billion, excluding land. These roads, bridges and buildings, originally paid for by developers, are nearing the end of their useful life or require significant capital maintenance costs. Over the next 20 year time horizon, approximately 80 percent of all the City's roads will need to be rehabilitated assuming a 25 year average life span. As our road network makes up about 50 percent of the City's total infrastructure, the financial challenges facing Mississauga in the longer term planning horizon are substantial.

Other assets, such as buildings, information technology and bridges, have been assessed on the basis of lifecycle estimates for major components. Lastly, there are several categories of assets for which provisions for age related major maintenance costs have not been incorporated in the capital program. The long term infrastructure maintenance and rehabilitation needs will continue to be refined in future years as more detailed, accurate information becomes available.

As the City's infrastructure continues to age, the investment required to maintain these assets increases, even with the influx of the economic stimulus funds. The ISF and RInC programs have allowed the City to accelerate 138 needed infrastructure projects – a total value of $165 million, with the combined City contribution of $61 million, and provincial/federal contribution of $104 million. Despite this, significant future capital requirements remain. For the next 10 year period, approximately $432 million in unfunded capital projects have been identified.

The Need for an Infrastructure Levy

While the recent influx of funding from senior levels of government has helped the City address some of its infrastructure gap, this funding is one time. A sustainable long term funding plan is required to address the City's long term infrastructure funding shortfall. With the exception of Federal and Provincial Gas Tax funding, funding received to date from senior levels of government is one-time and unpredictable in nature. In the last budget, the Province discontinued the Ontario Bus Replacement Program funding. With the large deficits that the federal and provincial governments are projecting, future one-time funding does not appear favourable and possibly, the existing funding that the City receives could be in jeopardy. This supports the need for an incremental annual infrastructure levy at a minimum of 1 percent so the City can move towards self-sustainability. The 1 percent Infrastructure levy does not include the debt servicing costs the City will be facing in coming years as it begins to issue debt. In order to provided adequate funding including the cost of debt, an infrastructure levy of a minimum 2 percent would be required. This is discussed in more detail later in this overview.

If an infrastructure levy is not included in the 2011 Budget, it will reduce capital financing by $30 million by the end of 2020. This will require the elimination of projects, further increasing the City's unfunded list of projects. A 1 percent increase in the City's taxes for infrastructure will impact the total residential tax bill by 0.28 percent or approximately $2.77 per $100,000 of assessment. Annual incremental infrastructure levies gradually build a sustainable funding source for replacement and maintenance of the City's assets without requiring drastic tax increases in any one particular year.

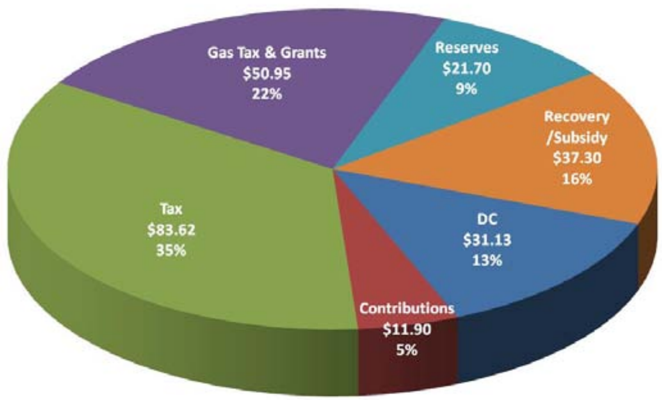
2010 Duke of York Road resurfacing improvements

Roads like Confederation Parkway are being redesigned to include cycling and transit facilities.

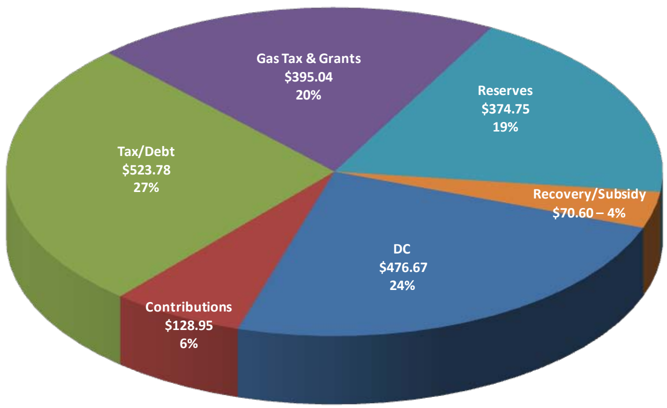
Financing the 2011 Capital Budget and 2012-2014 Capital Forecast

The major sources of funding for the City's Capital Budget and Forecast are subsidies and recoveries, Development Charges, developer contribution (e.g. cash-in-lieu of parkland), Federal and Provincial Gas Tax, Reserves, property taxes (contribution to capital) and debt. The following charts set out the funding for the 2011 Capital Budget and the 2011-2020 Capital Forecast.

Total 2011 - $236.6 Million
($ Millions)



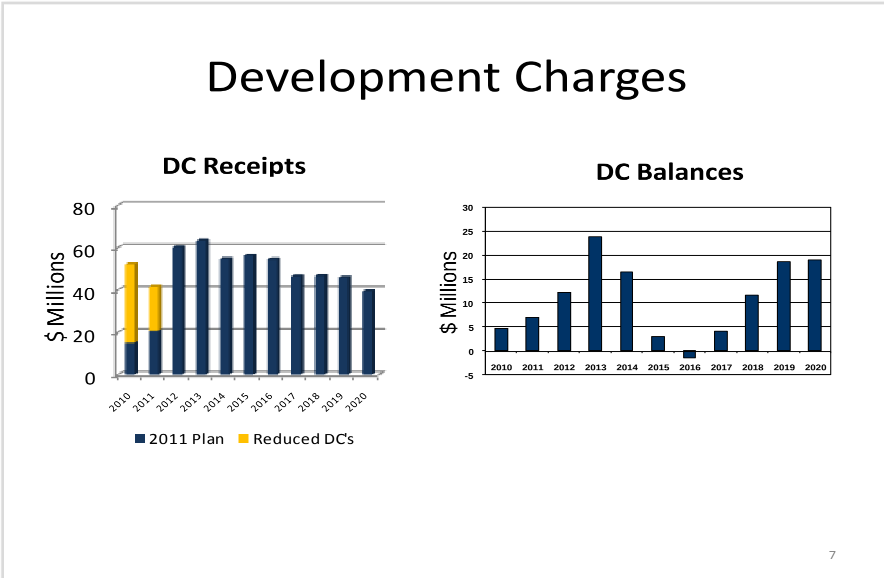
Total 2011-2020 - $1,969.8 Million
($ Millions)



Subsidies and Recoveries provide for project specific recoveries such as cost sharing with another municipality for jointly owned assets, contributions from community groups or recoveries from senior levels of government, excluding gas tax. They provide 16 percent of the funding of the 2011 Capital Budget and 4 percent of the 2011-2020 Capital Forecast.

Development Charges

Development Charges include funds collected under the City Development Charges By-law. Revenues are based on development requirements and are sensitive to economic conditions. The City's development charge revenue has declined significantly in 2009 and 2010, and is anticipated to remain low in 2011. The following chart shows the revenues included in the 2010 Capital Forecast as compared to those in the 2011 Capital Forecast. Estimates have been reduced to correspond to the reduced economic activity. Each year Development Charge funded projects are reviewed compared to available receipts. If revenues decline further, projects will have to be delayed.



In addition to the economic impacts, the existing DC Bylaw is under appeal. The main issues relate to the use of a revised approach known as the Gross Growth Methodology and the Transit congestion factor. Loss of the Gross Growth Methodology would result in losses of almost $23 million over a 10 year period split among the Recreation ($16.1 million), Transit ($2.6 million), Library ($2.0 million) and other services ($2.0 million). The loss of the Transit congestion factor would result in an additional $11.8 million in the transit service revenue over a 10 year period.

Development Charges provide 13 percent or $31.3 million of the funding for the 2011 Capital budget and 24 percent or $476.7 million of the ten year forecast. The small level of funding in 2011 reflects the reduced development charge revenue, due to economic conditions and the resulting deferral of growth related projects.

Gas Tax and Grants

Gas tax funding includes provisions for provincial and federal gas tax funding as well as various transit specific grants. The use of Provincial gas tax funding to support Transit growth has allowed the expansion of Transit service with no tax impact. In 2010 the Province announced the elimination of the Ontario Bus Replacement Program, which subsidized the cost of replacement buses. The lost funding to the City totals approximately $50 million. This means the City has to find alternative funding sources to maintain its transit fleet in a good state of repair. In 2009, the Federal gas tax forecast doubled from the 2008 level of 2.5 cents to 5.0 cents per litre. The receipts in 2010 were $20.5 million with a total of $102.5 million being received over the next five year period. Also, the Region of Peel, since 2006 has flowed through any Federal gas tax receipts to the lower tier municipalities after accounting for TransHelp requirements. The City's capital forecast assumes this will continue and includes annual receipts of $17 million over the period 2011 to 2014 for a total of $68 million. To 2020 the receipts are estimated at $170 million. In addition to one-time funding received in 2008 as previously mentioned, the province has provided a one-time support of public transit with $65 million to fund Mississauga's Bus Rapid Transit (BRT) project – a separated roadway connecting the Mississauga/Oakville border to Renforth Drive via Highway 403 and Eglinton Avenue.

Reserve Fund Balances

Details related to closing balances of the Development Charges, Cash In Lieu (CIL) of Parkland, Transit related Reserve Funds can be found in the Reserve and Reserve Funds section of the Business Plan and Budget Book. Individual balances may vary on an annual basis, even running a small overall deficit at times, when combined together. However, balances are positive by the end of the 10 year forecast.

Reserve Fund Balances – Tax Based Funding Sources

After considering other funding sources, the balance of the City's capital program is funded from tax based funding sources. This includes tax based reserves and reserve funds, the infrastructure levy and finally, debt financing.

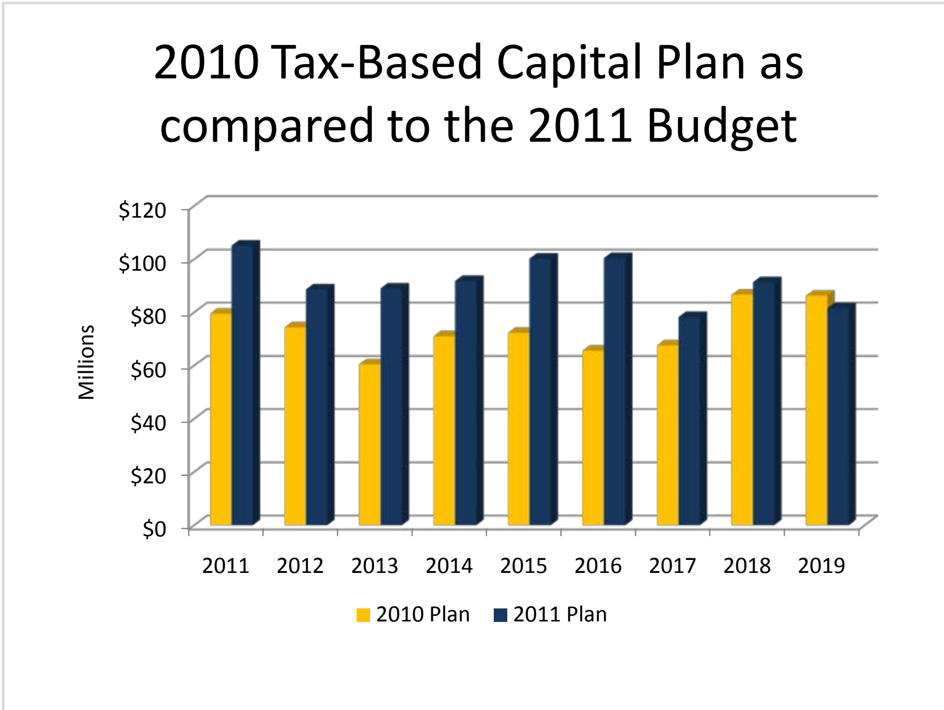
Tax based Reserve Funds are comprised of the following Reserve Funds:

- Community Facility Redevelopment Reserve Fund;
- Facility Repairs and Renovations Reserve Fund;
- Fire Vehicle and Equipment Replacement Reserve Fund;
- Main Fleet Vehicle and Equipment Replacement Reserve Fund;
- Roadway Infrastructure Maintenance Reserve Fund; and
- Transit Vehicle Replacement and Equipment Replacement Reserve Fund.

In previous years the tax based funding plan was based on maintaining a minimum balance in the Capital reserves of $30 million, to provide for emergencies. Staff now recommend that this balance be a minimum of $60 million. The value of the City's infrastructure is increasing as well as its capital needs. It is important that the City maintains a balanced debt to reserves ratio in order to maintain its credit rating. The City has a Triple A credit rating which is the highest rating available and shows the City is fiscally very healthy. It also results in a lower cost of borrowing. Therefore it is important to maintain this rating.

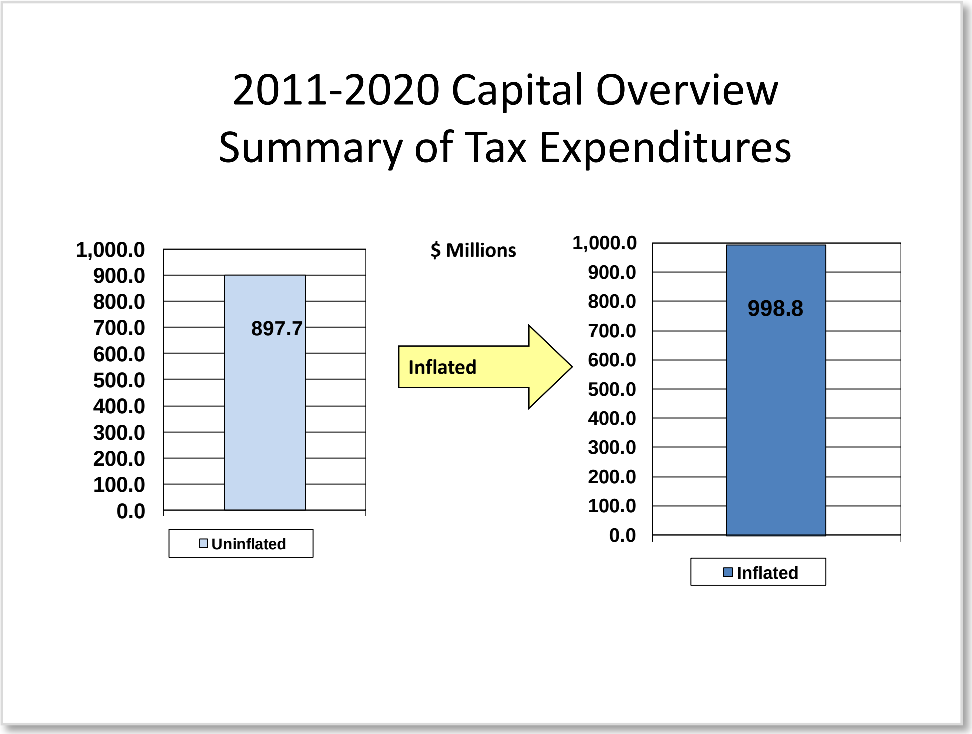
Tax based Capital Funding:

The following chart provides a summary of tax based requirements over the next 10 years as compared to the 2010 Budget. Excluding 2020, tax funding of capital expenditures have increased by $163 million over the 2010 capital budget. The total tax based funding requirements for 2011 to 2020 are $898 million.



Debt Issuance

As the City depletes its Tax Funded Reserve Funds, it will be necessary to issue debt to bridge the gap between its annual contribution and its capital requirements. In order to estimate the amount of debt required the City must add an inflationary factor to these expenditures. The following chart shows the annual tax based funding requirements over the next 10 years including the inflationary factor. Including inflation, the City funding requirements increase from $898 million to $999 million.

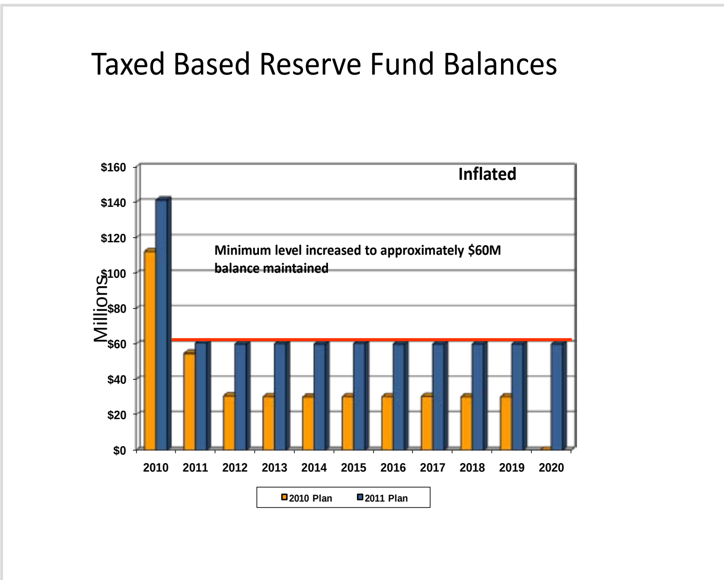


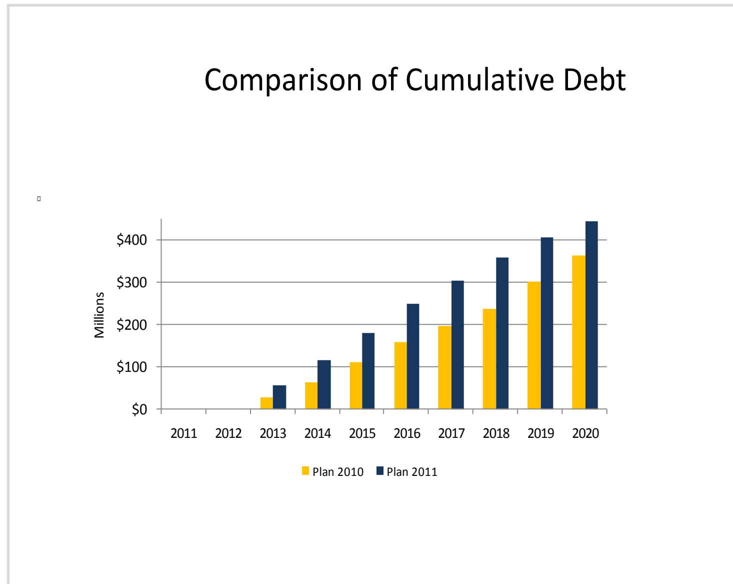
Transfer from Operating to Capital

Assuming that contribution from the operating budget continues to increase by a minimum of 1 percent per year, the transfer to capital will increased from $18.7 million in the 2010 Budget to $55.4 million by 2020, as detailed in the following table.

Budget Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2012	2020
$ Millions	$18.7	$21.7	$24.8	$28.0	$31.4	$34.8	$38.6	$42.5	$46.6	$50.9	$55.4

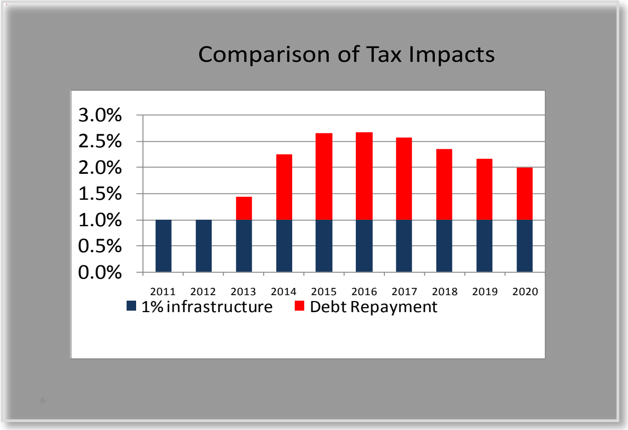
Based on a $999 million in inflated capital expenditures and a 1 percent infrastructure levy increase over the 2011 to 2020 period, the City's tax based reserve funds will be reduced to their minimum level of $60 million by 2013. Thereafter, debt will need to be issued to fill any gaps between the tax funded capital projects and the transfer to capital.





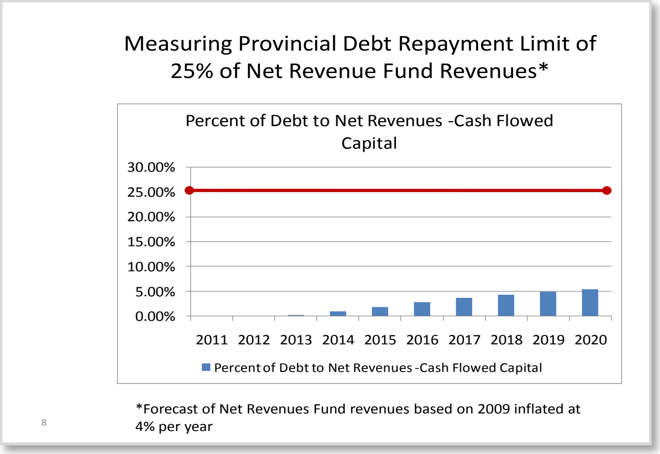
The City's debt requirements are based on the estimated cash flow of capital spending, rather than the year of project commitment. The chart above shows $446 million of debt to be issued over the next 10 years.

The issuance of debt will generate debt repayment costs resulting in tax rate increases over and above the 1 percent infrastructure levy. The following graph shows the tax rate increase required for the infrastructure levy and debt servicing costs over the next 10 years. Tax rate increases ranging between 1 percent and 2.65 percent are required to support the capital program. This illustrates that a 2 percent infrastructure levy is required to fund debt servicing costs as well as direct contributions to capital.



Debt Servicing Costs as a Percentage of Revenue

Provincial legislation requires that debt charges can only make up 25 percent of municipalities total net revenue adjusted for various items such as provincial and federal grants. The following chart shows the City's estimated debt levels from 2011 to 2020. Debt levels remain well below the provincial maximum, approaching 5 percent of net revenue in 2020.



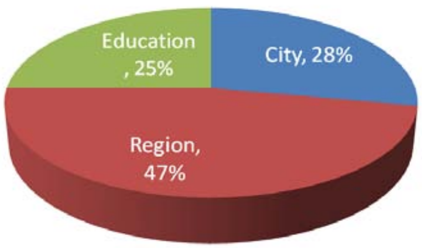
Impact on the Total Tax Bill

Property Tax bills are made up of three different components – City, Regional and Education. The following chart provides an estimate of the impacts on the total tax bill, assuming a 2.5 percent increase in the Region of Peel component and no increase for the Education portion. As the proportion varies for residential, commercial and industrial components, the impact on all three have been shown.

A residential tax bill will increase by approximately 3.4 percent or $33.76 per each $100,000 of assessment. A commercial and industrial bill will increase by approximately 2.0 percent or $47.59 per $100,000 of assessment for a commercial property and $53.02 per $100,000 of assessment for an industrial property.

Residential Property Tax Bill

Split of Residential Tax Bill



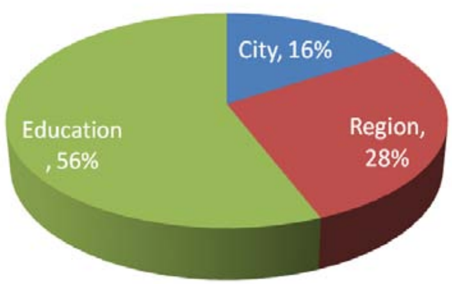
Impact on Total Tax Bill (assuming a 2.5 Regional Tax Increase)

		Impact on Total Tax Bill
City - Operating	6.99%	1.96%
City Infrastructure	1.00%	0.28%
City Total		**2.24%**
Regional Increase	2.50%	1.18%
Education Increase	0.00%	0.00%
Total		**3.42%**

The following table provides a summary of the impact of the City and Regional tax increases on various residential assessment values.

2011 Impact on Tax Bill by Assessment	$100,000	$350,000	$450,000	$550,000	$650,000
City - Operating	19.40	67.86	87.25	106.64	126.03
City - Infrastructure	2.77	9.71	12.48	15.26	18.03
Total City Increase	**$ 22.17**	**$77.57**	**$99.73**	**$121.90**	**$144.06**
Region	11.59	40.58	52.17	63.76	75.36
Total Impact on Tax Bill	**$33.76**	**$ 118.15**	**$151.90**	**$185.66**	**$219.42**

Commercial and Industrial Property Tax Bill



		Impact on Total Tax Bill
City - Operating	6.99%	1.12%
City Infrastructure	1.00%	0.16%
Subtotal	**7.99%**	**1.28%**
Regional Increase	2.50%	0.70%
Education Increase	0.00%	0.00%
Total		**1.98%**

The following table provides a summary of the impact of the City and Regional tax increases on various commercial assessment values.

2011 Impact on Tax Bill by Assessment	$100,000	$500,000	$1,500,000	$10,000,000
City - Operating	27.34	136.68	410.03	2,733.54
City - Infrastructure	3.91	19.55	58.66	391.07
City Total	**31.25**	**156.23**	**468.69**	**3,124.61**
Region	16.34	81.72	245.16	1,634.43
Total Impact on Tax Bill	**47.59**	**237.95**	**713.86**	**4,759.04**

The following table provides a summary of the impact of the City and Regional tax increases on various industrial assessment values.

2011 Impact on Tax Bill by Assessment	$100,000	$500,000	$1,500,000	$10,000,000
City - Operating	30.46	152.28	456.84	3,045.61
City - Infrastructure	4.36	21.79	65.36	435.71
City Total	**34.81**	**174.07**	**522.20**	**3,481.31**
Region	18.21	91.05	273.15	1,821.02
Total Impact on Tax Bill	**53.02**	**265.12**	**795.35**	**5,302.33**

PAGE LEFT BLANK INTENTIONALLY