

Mayor & Members of Council

Term: December 1, 2006 to November 30, 2010
(Photos to be inserted once finalized)

Mayor Hazel McCallion

**Carmen Corbasson,
Councillor Ward 1**

**Patricia Mullin,
Councillor Ward 2**

**Maja L.A. Prentice
Councillor Ward 3**

**Frank Dale,
Councillor Ward 4**

**Eve Adams
Councillor Ward 5**

**Carolyn Parrish
Councillor Ward 6**

**Nando Iannicca
Councillor Ward 7**

**Katie Mahoney,
Councillor Ward 8**

**Pat Saito,
Councillor Ward 9**

**Sue McFadden
Councillor Ward 10**

**George Carlson,
Councillor Ward 11**

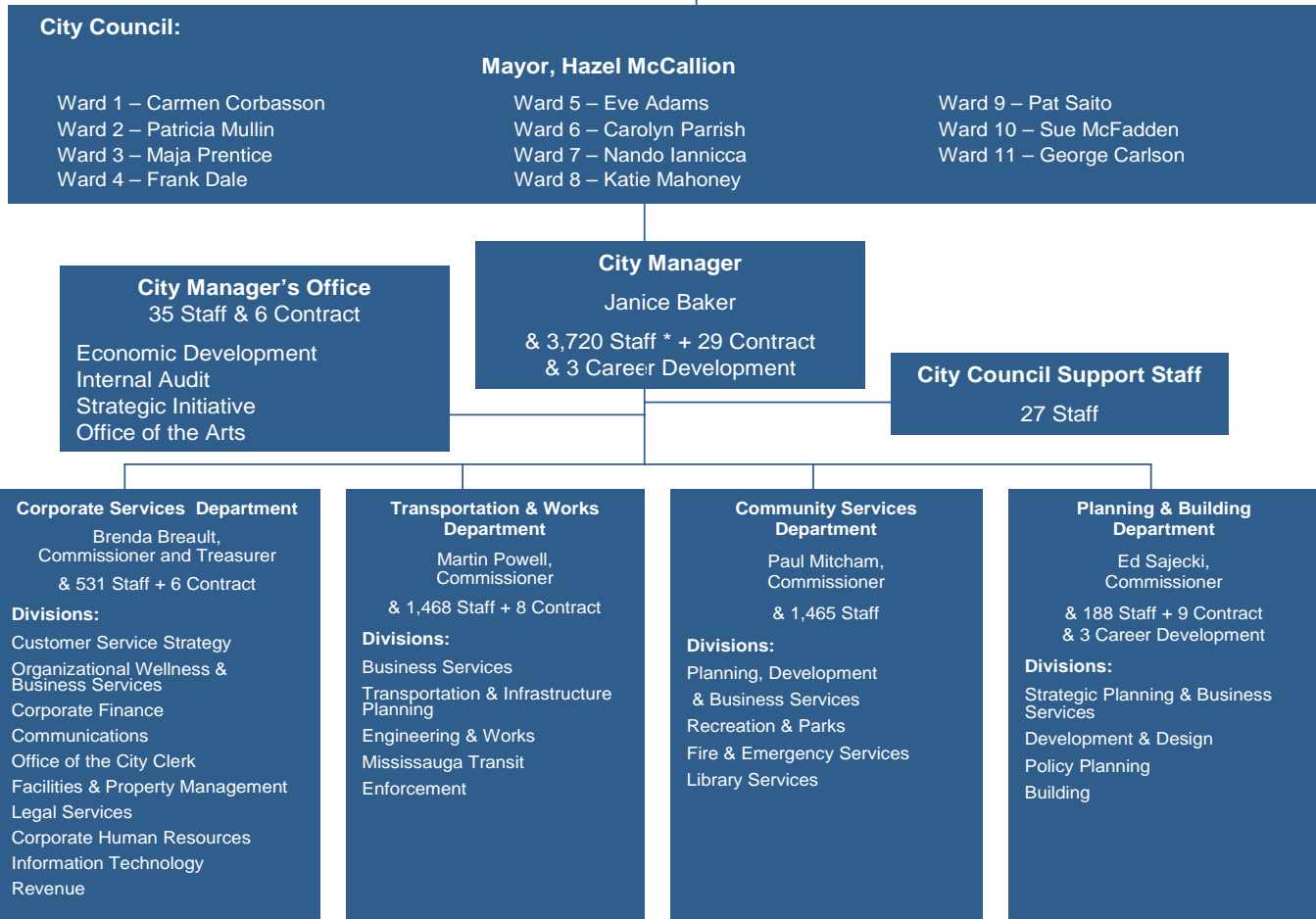
City Manager & Leadership Team

Photos of City Manager & Leadership Team to be inserted once finalized

City of Mississauga Organization Chart

Citizens

2007 Corporate Organization
and Staffing Complement



* Includes 2 staff for new Environmental Committee co-ordination and support



The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Presentation to the City of Mississauga for its annual budget for the fiscal year beginning January 1, 2006. The City of Mississauga has consecutively won the Distinguished Budget Presentation Award for 17 years.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. The City of Mississauga believes the 2007 annual budget continues to conform to program requirements, and it will be submitted to GFOA to determine its eligibility for another award.

Introduction

The following outlines how the Budget Book is presented, so that the reader is able to clearly understand and follow the information provided.

The **Approved** section includes amendments to the staff recommended budget and will be issued after Council approval.

The **Executive Summary/Recommendations** provides a high level review of the key points contained in the 2007 budget and requests the approval of the submitted budget document.

The **Introduction** provides statistical information about the City and documents the City's mission statement and fiscal policies. An outline of Mississauga's budget process is provided in a chart format for easy reference as well as revenue and expenditures trends and sensitivity analysis.

The **Overview** section provides a summary of the major issues faced in preparing the 2007 budget, including operating pressures and capital infrastructure requirements. There are also Corporate summaries of the Operating and Capital spending plans.

The **Reserves and Reserve Funds** section provides a description of the reserves and a continuity schedule for the reserves and reserve funds currently in use by the City.

Individual Departmental Sections:

There are recommended budgets for each department. Each Department is further split into one or more of the 11 different services as follows:

- Corporate Support Service;
- Departmental Business Services;
- Fire and Emergency Service;
- Land Development Service;
- Library;
- Municipal Buildings;
- Recreation and Parks;
- Regulatory;
- Roads and Watercourses;
- Transit; and
- Other

A detailed capital spending plan for Community Services, Corporate Services and Transportation and Works is included within the departmental sections. A Non-Departmental section includes those revenues and expenditures of a corporate nature which cannot be allocated to a specific department.

Each Department section consists of the following:

- **Department Introduction Section** includes goals, strategic objectives, a listing of services contained within the Department, a financial summary and forecast, a 10 year capital summary, operating and capital highlights, organizational chart and human resources table.
- **Service Overview Section** includes a listing of responsibilities, external factors influencing activities and outcomes, service delivery objectives and key initiatives, customer and community benefits, service level, efficiency and effectiveness indicators through benchmarking, a service financial overview including the details by cost/revenue category as well as program listing. Some smaller services may not have all of these elements.

- **Department Operating Program Descriptions** contains a general description of each program, a financial summary by detailed expenditure/revenue cost category and an explanation of significant changes from the 2006 Budget.
- **Department Program Capital Project Descriptions** summarizes the net financial impact of each program for 2007-2016 and provides project details including project description, recommended year and net cost. (There are no capital project description sheets for City Manager, Council, Planning & Building or Non-Departmental).

The Glossary Section provides a list of abbreviations used throughout the budget book.

Community Profile

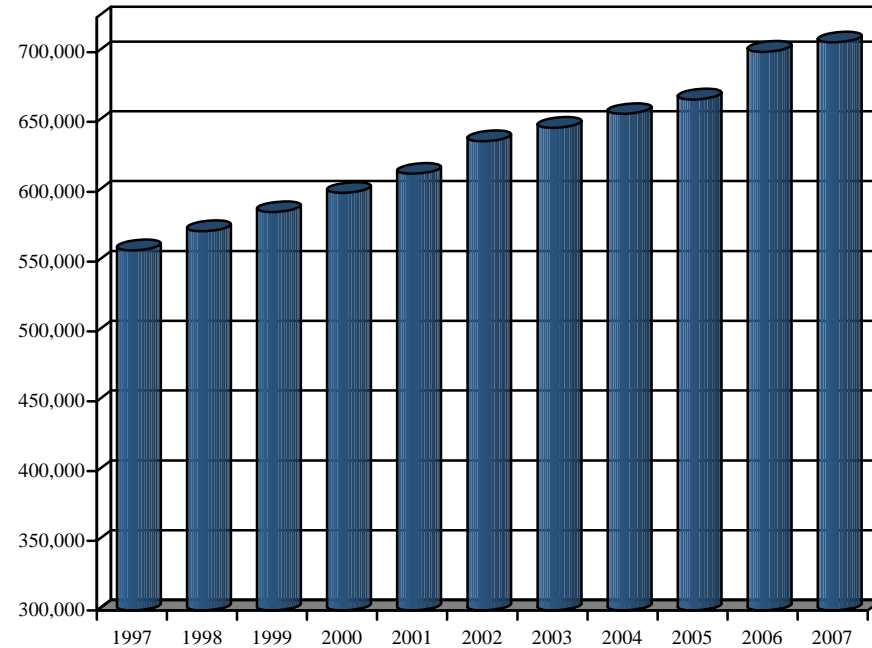
Mississauga has been one of Canada's fastest growing cities and has established itself as a municipal leader by delivering well-planned, quality public services in a business-like and responsible manner. 2007 will continue the tradition of successfully creating a progressive business environment and a quality of life for residents that is second to none across the country and around the world.

CITY OF MISSISSAUGA - COMMUNITY PROFILE	
The Mississauga Difference!	
Date Incorporated	1974
Area	71,040 acres (111 square miles)
Location	Mississauga is one of the many cities and towns in the "Golden Horseshoe" which is Canada's manufacturing heartland. Located on the western boundary of the City of Toronto, it forms part of the Greater Toronto Area.
Transportation Services	Mississauga is served by Canada's largest international airport - Pearson International Airport, two national railways and the greatest concentration of major highways in Canada.
Population	707,000 (2007 Forecast) Mississauga is Canada's 6th largest City. In 2031, projected population will be 768,800
Median Household Income	\$67,767 (2001 Census)
Population Characteristics	68% of the population is under 45 years of age. 40% of the population is between 20-44 years of age. (2001 Census)
Total Employment	435,400 (2006 Estimate)
Form of Government	Two tier structure of local Government with Mayor & Council who are elected for a four year term. City of Mississauga along with the City of Brampton & Town of Caledon are within the Regional Municipality of Peel.
Administration	City Manager appointed by Council. Four Commissioners report to the City Manager.
Next Municipal Election	November 2010
Registered Voters	446,000 (Estimate)

COMMUNITY SERVICES & INFRASTRUCTURE			
Open Space (in acres)	6,567	Spray Pads	17
Open Space (in hectares)	2,666	Libraries	18
Community Centres	11	Fire Stations	20
Minor Centres	8	Theatres	1
Arenas (includes Hershey)	12	Cemeteries	9
Indoor Ice Surfaces	24	Municipal Golf Courses	2
Outdoor Artificial Ice Surfaces	3	Public Marinas	2
City Ball Diamonds	138	Museums	2
City Soccer Fields	193	Tennis Courts	134
Outdoor Pools	7	Bus Shelters	886
Indoor Pools	7	Buses	394
Indoor School Pools	4	Permitted Picnic Areas	27
Skateboard Park	7		

CITY OF MISSISSAUGA & REGION OF PEEL - PROVISION OF SERVICES -	
CITY OF MISSISSAUGA	REGION OF PEEL
Fire & Emergency Services	Police
Libraries	Public Health Services
Transit	Water & Sanitary Sewer Services
Parks Maintenance	Social Services & Welfare
Recreation Facilities & Programs	Children's Aid
Provincial Offences Court	Long Term Care
Local & Arterial Roads	Waste Collection & Disposal
Bridges & Watercourses	Regional Roads & Planning
Storm Sewers	Social Housing
Winter Maintenance	Emergency & Ambulance
Municipal Planning & Zoning	Trans Help
Building Controls & Inspections	
Tax Collection	

City Of Mississauga Population (1997-2007)



Mississauga is Canada's 6th Largest City.

The above chart shows the City's annual population from 1997 to 2007. During this period the City's population increased by 148,900 or 26.7%.



City of Mississauga's Labour Force and Employment Statistics

City of Mississauga's Labour Force and Employment Statistics

Located in the centre of Canada's major consumer and industrial market, the Greater Toronto Area (GTA), Mississauga is strategically situated on the western edge of the City of Toronto. The GTA boasts a population of 5.3 million. The City of Mississauga is only 90 minutes from the United States border which positions local companies adjacent to a vast market of more than 164 million consumers. Fast and convenient access to both local and international markets is a key factor in Mississauga's success as a prime business

location. Mississauga is home to Pearson International Airport (Canada's busiest airport and among the top 30 in the world) and has the greatest concentration of major highways in the country, makes this city a prime gateway to serve local, national and international markets and visitors alike.

Because of the magnitude of the industrial and commercial base located in Mississauga, this City has become a major employment centre within the GTA. Mississauga's 21,000 employers have access to a pool of more than 3.1 million workers. The City's population growth continues to expand the available labour force, which has above average education and skill levels.

MISSISSAUGA'S TOP EMPLOYERS (1,000+ EMPLOYEES)	
Air Canada	Greater Toronto Airports Authority
AstraZeneca Canada	Honeywell
Atomic Energy Canada Inc. (AECL)	Loblaw Companies East
Bell Canada	RBC Financial Group
Bell Mobility	RBC Insurance Services
Canada Revenue Agency*	Servisair/Globe Ground
Canada Post – Gateway Postal Facility*	Symcor
Cara Operations	TD Bank Financial Group
C F M Vermont Castings Majestics Products	The Credit Valley Hospital*
City of Mississauga*	Trillium Health Centre – Mississauga*
Federal Express Canada Ltd.	University of Toronto at Mississauga – Erindale Campus*
GlaxoSmithKline Inc.	Wal-Mart Canada Inc.
G 4 S Security Services (Canada) Ltd.	Winners Merchants Inc.

Source: Mississauga Economic Development Office

*Indicates Government or Institutional Employers

One of the great strengths of Mississauga's business community is the wide variety of companies located here. Close to 21,000 businesses occupy industrial/commercial premises in the City of Mississauga, close to 11,000 of these companies are in sectors such as manufacturing, wholesaling, distribution, transportation, construction and business services. The remaining 10,000 are retail, personal service, government, education or institutional. Mississauga is home to 56 of Canada's Fortune 500 head offices and 51 of Fortune's Global 500 companies have their Canadian head offices located in Mississauga.

Such is the diversity that no one sector tends to dominate, although there are some notable clusters: finance, insurance & business services, information and communication technologies, pharmaceutical & biomedical, and automotive & aerospace industries. Complementing these sectors are active business associations in Mississauga.

Mission Statement & Strategic Plan

In the last 33 years, Mississauga has seen tremendous change. Growing from a collection of small communities into the sixth largest city in Canada, Mississauga today is a dynamic and unique urban centre.

Our mission statement – **“To provide the right municipal services, in a superior way, at a reasonable cost to Mississauga taxpayers”** captures important elements of the Strategic Plan. It ensures that Mississauga grows and

continues to be the community that people want to call home in the future. Our operating philosophy is:

- To earn the respect, appreciation and support of our customers;
- To consistently set the standards for excellence in public service;
- To run the City like a business;
- To be an employer of choice; and
- To engage all employees in the achievement of our goals.

To respond to the challenges and growth that lie ahead, the City continues to build upon its ***Strategic Plan: a Vision for Mississauga's Future***. It serves as the framework that sets the direction for long term growth and development and provides the link for all City plans and strategies. The Strategic Plan is the vehicle that provides citizens with an understanding of the City's direction and vision for the future. The Strategic Plan consists of 10 vision statements with specific objectives and strategic actions that reflect the changes occurring throughout the GTA, the effects of downloading and the continued growth in Mississauga.

10 Vision Statements of the Strategic Plan:

- Mississauga will be a distinct major Canadian City.
- The City Centre will be downtown Mississauga.
- Mississauga will have distinct and recognizable communities.

- Mississauga will have a dynamic and diverse economic base.
- Mississauga will have a transportation system which allows for safe and efficient movement within and beyond the City.
- Mississauga will provide the right services, delivered in a superior way, at a reasonable cost.
- Mississauga will be an environmentally responsible community.
- Mississauga will be governed in an open and responsive manner.
- Mississauga will achieve excellence in public administration.
- Mississauga will offer a diversity of cultural opportunities.

As part of the City's new Business Planning process, we will continue to incorporate the 10 vision statements of the Strategic Plan into the design and delivery of City programs and services. By working together to bring creative and innovative solutions to the challenges that lie ahead, Mississauga will continue to be one of the leading-edge cities in Canada. This budget document is in keeping with our philosophy of running like a business. We challenge staff to provide the services that residents have come to expect in the most cost-effective and efficient way. We continually review methods of service delivery as part of our continuous improvement efforts.

This budget supports the City's mission to provide the right municipal services, in a superior way, at a reasonable cost to

Mississauga taxpayers. All services and service levels were reviewed in this context.

The city's short term priorities centre around four key areas of strategic focus:

- Building a City for the 21st Century;
- Building a Sustainable Business Plan;
- Continuing to be an Employer of Choice; and
- Focusing on Leadership.

Progress in these key areas will assist the city in meeting its long term strategic goals. During 2007, the city will work towards achieving specific deliverables in each of these areas and integrating 2008 deliverables into the 2008 Budget as the City's new Corporate Business Planning process is developed and refined.

Fiscal Policy

In 1996, Council approved a fiscal policy which forms the basic framework for the overall fiscal management of the City of Mississauga. Most of the following points represent long-standing principles, traditions and practices which have guided the City in the past and have helped maintain the financial stability over the last 33 years.

As the City matures, this fiscal policy will need to be continually reviewed to coincide with Mississauga's transition from a rapidly growing to a maturing city.

- ***New Development:*** Existing taxpayers should not bear the financing of growth-related infrastructure costs except to the extent that City-wide facilities are required in response to new services, higher desired service levels, or as a result of service expectations from a city of larger size. Growth related infrastructure is funded primarily through development charges in accordance with the *Development Charges Act*. Funding for non-growth infrastructure is funded through tax based revenues.
- ***Adequate Maintenance and Replacement of Infrastructure:*** Projects and maintenance are not generally deferred unless the need for the project or maintenance changes. As a result, projects in the 10 year capital forecast advance from year to year in an orderly fashion. Maintenance is not deferred to meet funding constraints since deferred maintenance generally results in increased operating or replacement costs in the future.
- ***Capital Projects:*** The City prepares a multi-year operating forecast to identify the impact of new facilities and infrastructure. Unless the City has the ability to afford the new facility, the project will not proceed.
- ***Operating Like a Business:*** Core services will be identified and funded. Non-core services will be maintained only if they are financially viable, reduce costs elsewhere in the Corporation, or if there is

sufficient community use to justify the cost of providing the service. The City will identify which programs are to be funded through general revenues, which are to be self-funded and which programs require a subsidy from general revenues. Emphasis will be placed upon reducing the reliance on funding from tax revenues. Methods of service delivery will continually be reviewed to reduce costs.

- ***No Debt Financing:*** The City adheres to a pay-as-you-go philosophy whereby City facilities and infrastructure are not built unless City funds are available for construction. This policy requires the maintenance of significant capital reserves to set aside funding prior to project inception. It should be noted however that under Council's new Capital Financing Strategy, external debt financing of the capital budget will be required by 2012.
- ***Do Not Exhaust Reserves:*** In addition to its capital reserve funds, the City has established reserves to fund, large, long term liabilities; eliminate tax rate fluctuations due to unanticipated expenditures and revenue shortfalls; smooth expenditures; and fund multiple year special projects. Use of reserves is planned and is not considered as an alternate funding source in place of good financial practice. Long term liabilities will be reviewed on an annual basis. Reserves and reserve funds will be established as required and maintained.

- **One Time Revenues:** Major one-time revenues and operating surpluses are transferred to capital and other reserves or reserve funds. Using one time revenues to fund ongoing expenditures results in incurring annual expenditures obligations which may be unfunded in future years.

The 2007 budget and forecast demonstrates fiscal prudence and controlled spending despite a number of challenges and pressures. These will be further discussed in the Overview section of this budget document.

Budget Structure

The 2007 Budget comprises revenue and expenses for the operating and capital funds for the City of Mississauga including the City of Mississauga Public Library Board. All financial information is prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB). The City's sources of financing and expenditures are recorded using the modified accrual basis of accounting. This basis recognizes revenues as they become available and measurable; and expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Fund Structure and Overview

Each year, a portion of the City's capital projects are funded from taxation and to provide for this, the City makes a transfer

from the Revenue Fund to the Capital Fund. Mississauga refers to the Revenue Fund as the Operating or Current Funds/Budget. This transfer to the Capital Fund is budgeted for in the Non-Departmental section of the Operating Budget. For 2007, the recommended amount of this transfer is \$13.2 million.

The Budget also includes a provision for contributions to and from Reserves and Reserve Funds as required and approved by Council. For example, in an election year, election expenditures are financed by a transfer from the Reserve for Elections. Both the election expenditures and the revenue from the Reserve are budgeted for within the Operating Budget. The Reserves and Reserve Fund section of this budget book provides additional information on reserves and reserve funds.

Fund Accounting

In municipal financial operations, money raised or supplied for a particular purpose must be used for that particular purpose. Legal restrictions and contractual agreements prevent it from being diverted to any other use. Fund accounting shows that money has been used for the purpose for which it was obtained. The funds used by the City of Mississauga are the General Revenue Fund, the Capital Fund, the Reserve Fund and the Trust Fund. This 2007 Budget pertains to programs, services, and activities within the General Revenue and the Capital Fund. Although, transfers are made to and from reserves, these transactions are summarized in the Reserves and Reserve Funds section. An example of transfers from one fund to another is the recommended 2007 transfer from the Operating

Program of \$13,200,000 to the Capital Reserve Funds. The City of Mississauga's Trust Funds are for the Perpetual Care Fund (sale of cemetery plots) and the Election Surplus Fund (holds surplus election funds of registered candidates in municipal elections) and are not included in this document.

The City of Mississauga 2007 Budget Process

What the 2007 Budget Represents

This document presents financial and operational information which facilitates the evaluation of past performance and allows for future planning. The budget incorporates the strategic, administrative and financial plans of the City of Mississauga. The 2007 Budget was prepared in accordance with certain assumptions and guidelines. The 2007 Budget was built on the assumption of a modest tax rate increase needed to meet 2007 spending needs, and maintaining existing city service levels. The net requirements of the City, as identified in the Operating Budget, form the basis of the property tax calculation and the related tax rate increase. In this way, the City Budget is balanced under the *Municipal Act*, as Ontario municipalities are restricted from running an operating deficit.

Priorities for the 2007 Budget

Given that resources are limited, the priorities for 2007 are to provide for the costs of operating new and existing facilities, maintain existing capital infrastructure, and continue to provide current service levels all within a moderate tax rate increase.

The 2007 Budget Process

Mississauga integrates its budgeting process by combining the operating program and capital spending plans into one budget document that reflects sound financial planning and prudent fiscal management practices. The City uses a collaborative process to prepare the budget in cooperation with all the departments.

The City's financial organization structure is based on a combination of decentralized and centralized financial staff. Early in the year, departmental and corporate financial staff develop a timetable. It identifies all the major processes including critical due dates. Major processes and milestones are included in the timetable as follows:

- semi-annual operating and capital works in progress variance reporting;
- summaries of major pressures and opportunities;
- salary and wage projections;
- operational funding envelopes; and
- budget submission due dates.

Prior to the budget preparation process, a manual was issued to guide City departments in the preparation of their budgets, to define the process and to identify information requirements. The 2007 Budget process began early in 2006. The chart titled "Budget Process", on the following page, provides details of the process followed in developing and preparing the budget document.

Typically during the year, each Department estimates all major changes which will impact their budget in the upcoming year. These changes are incorporated into a framework, along with overall corporate assumptions, and reviewed by the Leadership Team (LT). They ensure that the preliminary financial estimates are in line with the City's priorities. Initial Business Planning processes have been incorporated into the 2006 and 2007 Budgets such as identifying service levels, program

pressures and possible mitigating opportunities, as well as performance and benchmarking measures.

This internal budget process ensures that the all the necessary information/material is prepared for Budget Committee. Budget Committee is comprised of the Mayor (as the Chairperson) and all Councillors. Budget Committee meeting dates and their general purpose are outlined below.

Timing	Purpose
Winter	Provide feedback on the prior years' budget process Identify initial funding priorities; and Preliminary overview of the upcoming year's budget issues
June	Initial review and input into the upcoming year's budget via detailed service presentations Preliminary tax rate increase discussions
November	Final review of operating and capital budget assumptions
December	This meeting and detailed sessions includes the review of the staff recommended budget. Budget Committee receives the Budget Book as least one week in advance of the meeting. The meeting's usual topics are as follows: <ul style="list-style-type: none"> • Corporate-wide Overview presentation; • Review of any changes to Fees & Charges (including reports and by-laws) contained within the Budget; and • Departmental – Detailed Questions and Answers.

The final budget approval is adopted at a future Council meeting early in the new year. At that time any changes to the staff recommended budget, if necessary, are highlighted and approved.

Due to the election of a new Council in November 2006, which included two new Councillors, the Budget Committee process, outlined above, was abbreviated and delayed by about 2 months for the 2007 Budget.

Public Input into Budget Process

As part of the budget planning process, public input may be requested for specific or general initiatives. Stakeholders, as well as general public/ward meetings or separate Council reports, may be undertaken in order to ensure decisions are in line with the needs of the public.

All Budget Committee meetings are publicized in advance through the City's website and the members of the public are invited to attend and, if they wish, to express their views about the plan. Various ratepayers' seminars and meetings are held to discuss issues impacting the City of Mississauga.

Once a budget presentation or budget has been distributed to Council, it is accessible through the City's website or at any public library. On an annual basis, the Mayor hosts a televised phone-in program where residents can voice their opinions and ask questions concerning the budget.

Valuable taxpayers' input was obtained as a result of these processes to provide feedback relating to service needs and delivery.

BUDGET PROCESS

March to June	<p>Staff meet with Mayor and Council to obtain direction and identify issues to be addressed in the upcoming budget. Debriefing sessions are conducted with Mayor and Council and budget staff regarding prior year's process. Budget Managers participate in a series of meetings that are used for developing and refining budget targets, and setting budget priorities.</p> <p>Planning and Building releases population and employment projections.</p> <p>Funding Envelopes are approved by the Leadership Team and issued to Departments.</p> <p>Request for information technology, furniture, audio visual equipment and facility repairs and renovations request are submitted to the appropriate Departments.</p> <p>Financial Planning prepares the mid-year monitoring report which includes both capital and operating budget adjustments and forecasts based on April and May month ends, respectively.</p> <p>Financial Planning prepares and distributes Budget Procedures Manual.</p> <p>Series of Budget Committee (includes Mayor & Council) meetings are held.</p>
July to September	Departments prepare their budget requests conforming to their funding envelopes, and a multi-year plan.
September/ October	<p>Departments submit their detailed budget requests to Financial Planning for analysis and consolidation.</p> <p>Departments present their budget requests to Leadership Team (LT) and Budget Committee.</p> <p>The City's Leadership Team reviews and establishes a final recommended Budget.</p> <p>Project and Program description sheets and Departmental Overviews are prepared by departments.</p>
October/ December	<p>Councillors may conduct public meetings to discuss the budget.</p> <p>Financial Planning prepares the final budget document for distribution to Mayor and Members of Council, City departments, the press and posting on the City's website.</p> <p>Financial Planning prepares the Year End Forecast Report.</p> <p>Budget Committee reviews the Budget Book in a series of public meetings.</p> <p>Each department's budget is presented to Budget committee.</p> <p>Budget Committee adopts the Budget subject to any changes they approve.</p>
January	<p>Financial Planning incorporates any changes, if required, to the budget document.</p> <p>Council approves the Budget.</p> <p>Once the year end results are finalized, the approved section of the budget book is completed and distributed. Any pages that change as a result of Council's review are highlighted within the text, reprinted and redistributed.</p>
February / March	Tax Rate By-law is prepared

Budget Assumptions

As the budget year progresses, assumptions related to revenues and expenses, as well as corporate issues, are constantly updated as more accurate and updated information becomes available. In advance of the Budget, revenue and expenditures are reviewed on four separate occasions as follows:

- a detailed analysis is prepared highlighting any year end budget variances;
- two times per year, a detailed analysis is prepared comparing the forecasted revenues and expenditures for the year relative to the approved budget for both capital projects and operating which identifies trends; and
- in preparation for the upcoming budget, operational staff use this information to prepare estimates of upcoming pressures and opportunities for the next three years.

This information forms the basis of the funding envelope and forecasted tax rate increases.

Operating Program

The operating program provides for the normal operating expenditures and revenues associated with the day to day provision of services.

Summary of Revenue Assumptions and Sensitivity Analysis

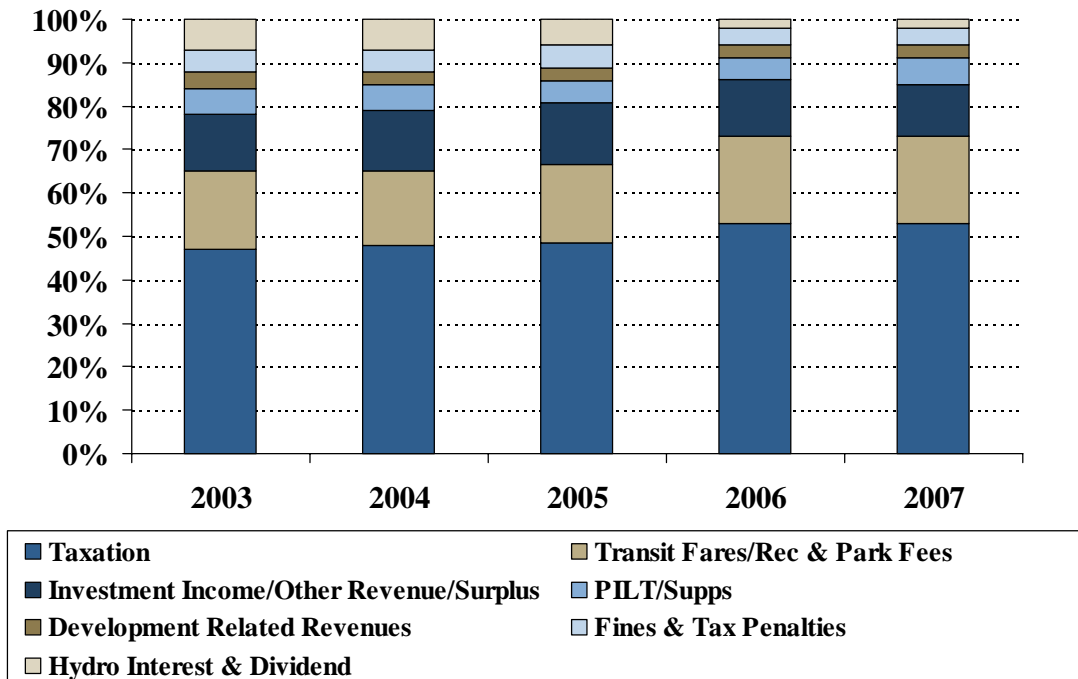
Revenue figures included in the budget are based on a number of factors. By combining forecasted performance to date, prior year's trends, estimated rate increase for the upcoming year

and market factors, a realistic budget is created for the numerous revenue sources. Revenues have been classified into two categories. Revenue changes which are included as part of the 2007 base budget reflect those increases or decreases which are a normal part of business. Revenues categorized as 'New Revenues' reflect either higher increases than normal business practices or represent a change in policy direction. Major revenue-related assumptions used in the 2007 Operating Program are as follows:

- 2006 growth in assessment incorporated into the 2007 budget is estimated at 1.6%.
- Provincial sharing of gas tax on the sale of gasoline is used to offset the cumulative operating costs of transit expansion and service improvements for 2005 and onward;
- Individual recreation rate increases vary, but an average rate increase of 2.5% was assumed;
- Where noted, revenues may be revised based on actual results achieved in 2006 and expected to continue in 2007;
- From a policy perspective, children and youth recreational program revenues are set at a rate which incorporates a subsidization while adult rate are set on a full cost recovery basis;
- Returns on short term investments are estimated at 3.9% in the operating program; and
- The investment in Enersource, a jointly owned company with OMERS, is forecast to generate \$8 million in dividends as in 2006.

This chart shows the revenues generated by the City broken down by source over the last five years.

History of Various Operating Budget Revenues Sources



In the preparation of the Budget, Mississauga is and will continue to closely monitoring the impact of declining growth. The following operating revenues are generated from growth:

- Building permits;
- Planning and subdivision fees; and
- charges to growth or development funded capital projects.

With the exception of building permit fees, Mississauga is not forecasting any decreases to these revenue sources in subsequent budget years. As the rate of building slows and the associated permit revenue declines, Mississauga has various options in dealing with this situation. Options include increasing the building permit rates to a full cost recovery basis, decreasing revenue estimates in the budget, increasing the fees or subsidizing any shortfalls from reserves. These sources will continue to be monitored in the future.

Mississauga is experiencing some shortfalls in recreational revenues. Increased competition in the arena, fitness and golf course businesses are incorporated and have been adjusted downward in the last two budgets. These revenues will continue to be reviewed but no further adjustments are anticipated in the future.

Lastly Mississauga has several revenue sources which are roughly linked to the economy – transit fares and Payments In Lieu of Taxes (PILT's) for Pearson International Airport (PIA). The 2007 Budget includes \$55.5 million in transit fares and

\$16.2 million for PILT – PIA based on passenger count. Any economic downturns, would reduce revenues in both these areas as fewer passenger trips would be made by bus or airplane for work or leisure purposes. No reduction to these revenue sources have been forecasted this year.

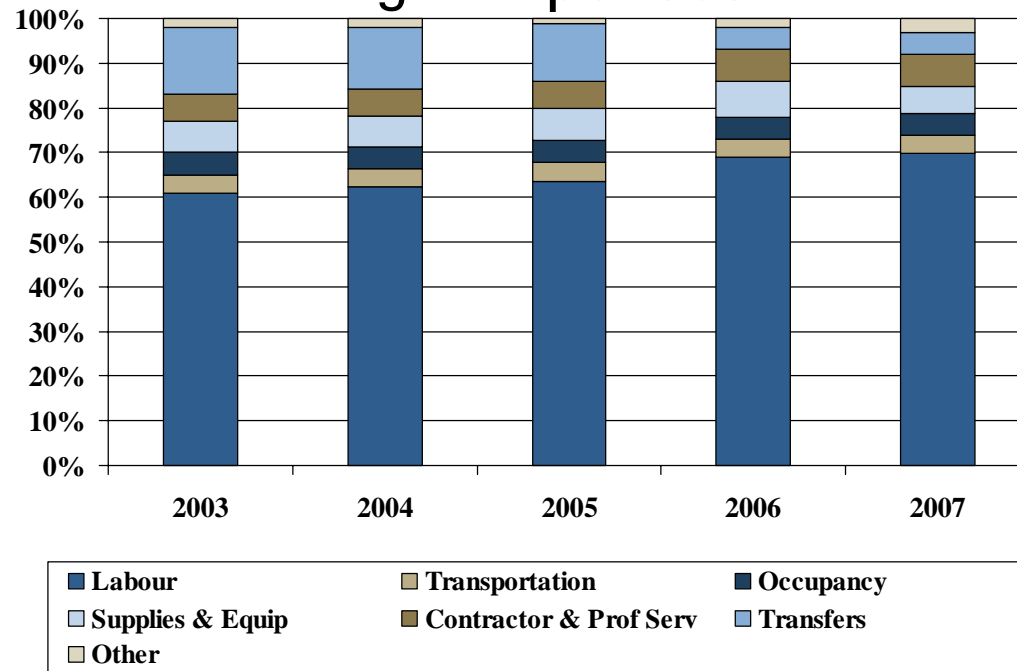
Summary of Expenditure Assumptions and Sensitivity Analysis

Operating expenses are expected to increase in a number of areas in 2007. Major expenditure assumptions used in the 2007 Operating Program are as follows:

- No general inflationary increases have been provided for the operating program. Inflationary pressures have been assessed on a case by case basis;
- Labour increases include negotiated union settlements which have been estimated.
- The 2007 Budget includes a provision for a diesel fuel purchase price that average about \$0.83 cents per litre. Bio-diesel fuel or future contracts may be considered for diesel fuel purchases;
- Utility rate increases for all areas, except street lighting, have been included at an average rate of 8.0% ; and
- Increases for third party contractors and the operation of jointly owned facilities have been estimated at various rates depending of the major cost drivers. For example, city pools housed in schools are anticipating an increase in line with rising energy costs.

This chart shows expenses incurred by the City in operating cost components over the last five years.

History of Various Operating Budget Expenses



Labour comprises over 69% of the city's gross expenditures. As such even small percentage increases to this expenditure has a large impact on the Budget and any subsequent tax rate increases.

Approximately 52% of the city's full time staffing complement is covered under 7 different collective agreements. Human Resources provide Finance with estimates for labour and fringe benefit rate changes for each union group which are incorporated into the budget. Labour cost adjustment estimates are also included for the remaining non-unionized staff.

The following chart shows examples of the sensitivity of various changes in labour and fringe benefits rates on the budget:

Description	\$ Impact (Millions)	Tax Rate Increase
1% Economic Adjustment	\$1.1	0.5%
1% PMP and Union Step Progression Increase	\$1.4	0.6%
1 Extra Working Day in Year	\$1.0	0.4%
1% OMERS Rate Increase	\$2.0	0.8%
Upset Limit of CPP increase from \$42,100 to \$42,700	\$0.2	0.1%
Major Medical & Dental 5% Rate Increase	\$0.7	0.3%
Long Term Income Protection Plan Benefit – 10% Rate Increase	\$0.3	0.1%

Capital Program

The Recommended 2007 Capital Budget and 2008-2016 forecast provide for significant expenditures to acquire, construct or improve land, buildings, engineering structures, or machinery and equipment used in providing municipal services. These capital expenditures confer benefits lasting beyond one year and result in the acquisition of, enhancement to or extension of the normal useful life of a fixed asset. The capital budget is set on a project-commitment basis (versus cash flow), with actual budget spending often occurring over one or more fiscal years. However, two large transit projects which span several years, the Bus Rapid Transit (BRT) construction and expansion of Central Parkway Transit facility, have been budgeted on a multi year, cash flow basis.

Assumptions included as part of the capital program are as follows:

- All project costs are estimated in 2007 dollars. Capital forecasting and tax impacts have been calculated using costs adjusted for inflation for modeling purposes only. The rate of inflation is assumed at 2%;
- The revolving and tax based reserve funds will be used to finance capital infrastructure needs. The Capital Revolving Fund was created through the redistribution of the Hydro Reserve Fund, whereby one half of the Hydro Reserve Fund balance or \$144 million was re-allocated to this Reserve Fund. The other \$144 million was allocated to the tax-based capital reserve funds;
- Longer term returns on the City's Reserve Funds investment are estimated at 5.0% except Development Charges which are 3.5%;

- Debt financing option has been modeled using a 5.5% annual interest rate with debt being issued for a 15 year term;
- Development Charge revenues, for the entire ten year period, have been estimated using the rate in affect on August 2006; and
- Federal and provincial gas tax revenues have been incorporated into the capital plan.

Mississauga uses the following criteria for estimating the long term maintenance requirements:

- Facilities maintenance is based on life cycle replacement as follows:
 - Electrical systems – 30 years;
 - Compressors – 35 years;
 - Roofing – 20-25 years;
 - Rooftop Heating Ventilation Air-Conditioning (HVAC) – 15 years;
 - Chillers – 25 years;
 - Condensers – 18 years;
 - Unit Heaters – 10 years;
 - Carpeting – 8 years;
- Roads are evaluated based on an inventory condition and criteria established through a pavement management system with resurfacing every 15-25 years and total reconstruction every 75 years;
- Information technology (IT) lifecycle replacements as follows:
 - Replacement of major applications – 10 years;

- Version upgrade in business application systems – 3 years;
- Servers and communication switches – 5 years;
- Desktop personal computers and peripheral units – 4 years; and

- Transit buses are replaced based on a 12 year life cycle.

Processes used on an annual basis by staff to determine the timing and recommended priority for various components of the capital budget are as follows:

- Major facility maintenance needs are classified as necessary, high, medium or low based on various criteria, including health and safety. This information is augmented by periodic audits of the City's major building components;
- Parks maintenance is jointly evaluated by city-wide representatives from each Parks area;
- Construction related to new development such as storm drainage, road-expansion, new park construction, etc. is based on anticipated timing of various developments; and
- IT capital priorities are assessed and recommended by an IT Committee made up of representatives from each Department that review budgets and business cases for each new initiative.

Mississauga is in the process of developing a capital budget prioritization process. This tool will be piloted in early 2007 and incorporated into the 2008 Budget.