



Overview- Table of Contents

cityofmississauga2007budgetandbusinessplan

OVERVIEW SECTION D

Introduction.....	D-1
Increase in City Taxes: 4.7%	D-3
Preliminary 2007 Budgetary Property Tax Impacts	D-5
Municipal Budget Pressures	D-7
2007 Recommended Operating Program Highlights	D-8
Corporate Operating Summary	D-12
Operating Expenditure Highlights by Cost Category	D-14
Operating Program Revenues	D-14
2007 Recommended Operating Program by Department and Service	D-15
2007 Operating Program Reductions.....	D-17
2007 Staffing Summary	D-19
Operating Program - Forecast of Future Tax Increases	D-26
2007 Recommended Capital Program and 2007-2016 Forecast.....	D-27
Capital Highlights	D-30
Capital Issues	D-30
Provincial Funding Sources	D-33
Federal Funding Sources.....	D-35
Projects Under Consideration	D-35
Financial Health of the City of Mississauga	D-36
2007 Capital Program Highlights	D-38
2007-2016 Capital Forecast Highlights	D-40
Capital Reserve Fund Balances	D-42
Non-Growth Based Funding.....	D-46
Internal and External Long-Term Debt.....	D-46
Capital Program – Forecast of Future Tax Increases.....	D-47
Conclusion	D-49

Introduction

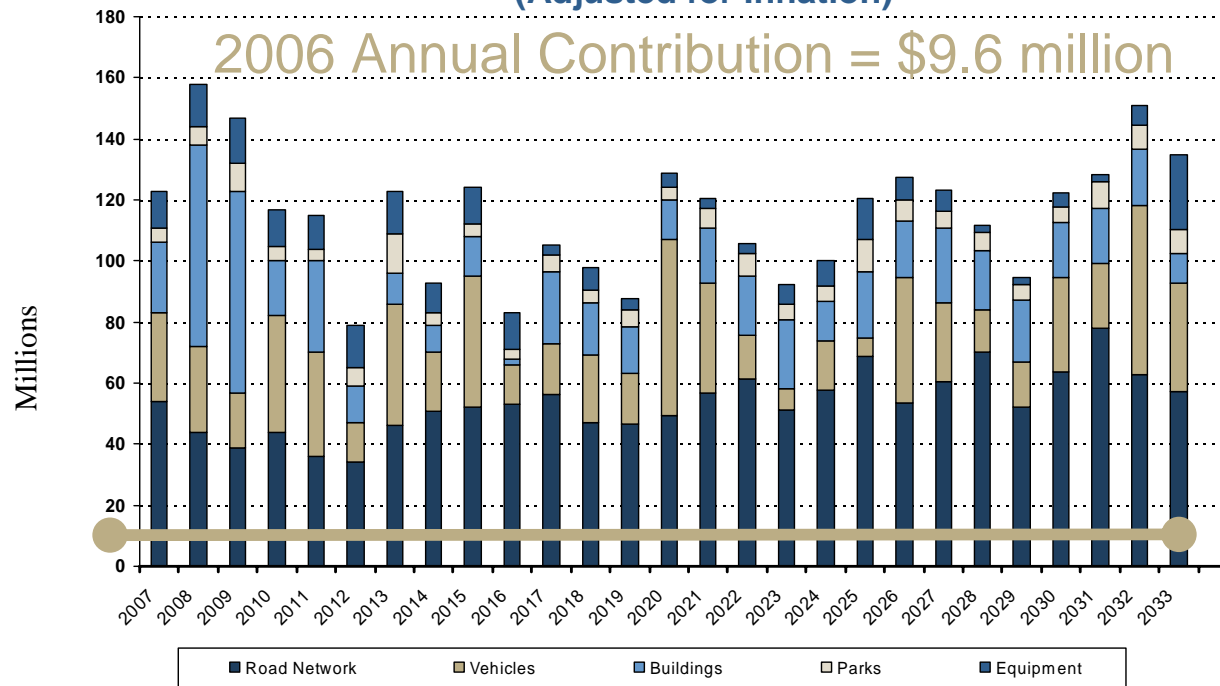
Mississauga's 2007 Budget and Business Plan, comprised of both the operating and capital budgets, totals \$673.7 million in gross and \$444.2 million in net expenditures.'

The Mississauga 2007 Budget process began with preliminary operating cost pressures of \$23 million equating to a potential tax rate increase of 8.9 % (net of assessment growth). City staff refined estimates and identified efficiencies and cost savings in order to reduce the tax rate increase required to support ongoing operations to \$11.6 million or 3.2% after allowances for assessment growth at 1.6%.

As the city's infrastructure continues to age, the need to invest in additional capital requirements is also increasing. To accommodate these needs, the 2007 Budget is also recommending an increase in the transfer to capital of \$3.6 million – increasing the transfer from its current level of \$9.6 million to \$13.2 million per year. This equates to an additional 1.5% tax rate increase.

The following chart shows the tax related spending on various assets recommended in the 2007-2016 Capital Budget as well as the estimated expenses for various assets in the future.

Aging Infrastructure: Tax Funded Capital Needs (Adjusted for Inflation)



While the City is investing approximately \$13 million per year in tax-based capital infrastructure replacement, we are spending on tax supported capital at a rate in excess \$80 million a year. This is not sustainable in the long term as reserves are depleted.

Combining the 3.2% tax rate increase from operating with the 1.5% increased capital contribution, results in a recommended a 4.7% tax increase after assessment growth of 1.6%. The impact on a homeowner who owns a single, detached dwelling with average assessment of \$365,000 is an additional \$45.27 in taxes. For a condominium with average assessment of \$204,000 it will be \$25.31. The following chart shows the incremental taxes at various residential assessed values:

Increase in City Taxes: 4.7%

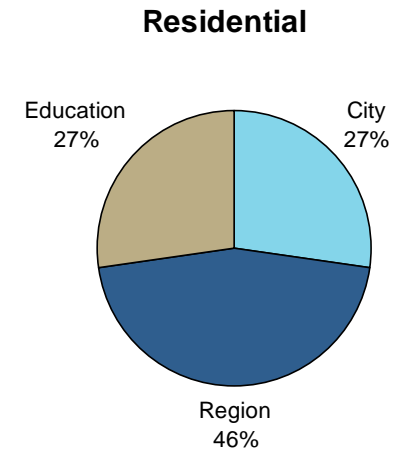
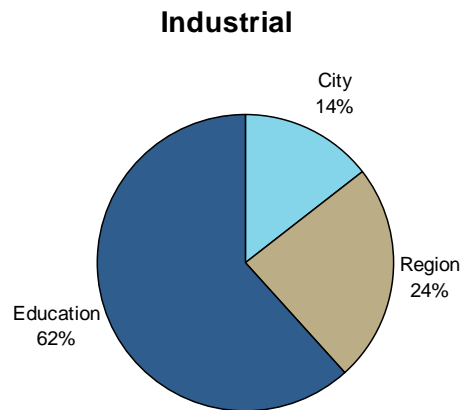
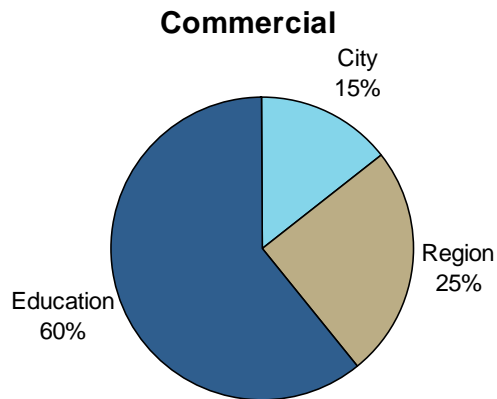
2005 Assessment Values	\$250,000	\$300,000	\$350,000	\$365,000	\$400,000	\$450,000
Operating (3.2%)	\$21.11	\$25.34	\$29.56	\$30.82	\$33.78	\$38.00
Capital (1.5%)	\$9.90	\$11.88	\$13.86	\$14.45	\$15.83	\$17.81
Total Additional Taxes	\$31.01	\$37.22	\$43.42	\$45.27	\$49.61	\$55.81

As commercial properties can vary greatly in their assessed value, a small retail store, a small office building (such as a medical building) and a large office building have been selected to demonstrate the 2007 tax impact.

Increase in City Taxes: 4.7%

	Retail Store	Small Office Building	Large Office Building
2005 Assessment Values (\$)	\$500,000	\$1,200,000	\$9,500,000
Operating (3.2%)	\$59.53	\$142.87	\$1,131.07
Capital (1.5%)	\$27.90	\$66.97	\$530.19
Total Additional Taxes	\$87.43	\$209.84	\$1,661.26

The total property tax bill is made up of three different components: the City of Mississauga, the Region of Peel and the Province of Ontario – Education taxes. The increases reflected in this budget document relate to the City of Mississauga’s portion only. Tax rates approved by the Region of Peel and Education rates, set by the Province of Ontario, must also be considered in order to determine the final amount paid by each taxpayer. Based on 2005 assessed values, the following chart shows the proportion of the total tax bill that relates to each component: for residential, commercial and industrial properties:



Preliminary 2007 Budgetary Property Tax Impacts

Combining the estimated tax increases of 4.7% from the City of Mississauga, an estimated 5.5% from the Region of Peel and assuming no increase related to the Education portion of the tax bill, the average total residential tax bill would increase by 3.8%. When this is applied to the average home assessed at \$365,000 (based on 2005 Current Value Assessment), the total tax impact would translate into an approximate increase of \$134.50 for 2007.

Assessed value of \$365,000	2006 Bill	Estimated 2007 Bill	\$ Change	% Change
Region of Peel	\$1,622.32	\$1,711.55	\$89.23	5.5%
Education	\$963.60	\$963.60	-	-
City of Mississauga - Operating	\$963.26	\$994.08	\$30.82	3.2%
City of Mississauga - Capital		\$14.45	\$14.45	1.5%
Total	\$3,549.18	\$3,638.68	\$134.50	3.8%

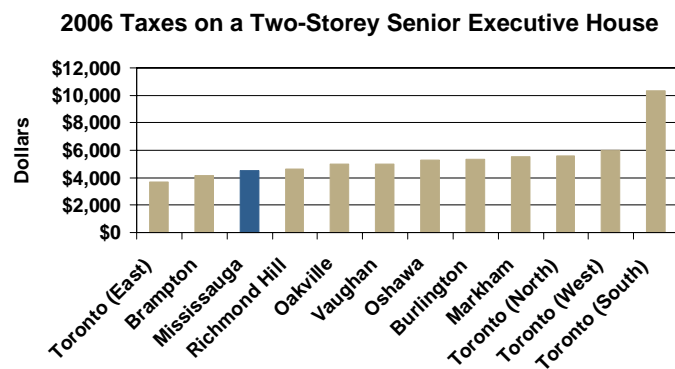
The following chart shows the break down of the tax rate increase by service.

Services	2006 Budget (\$000's)	2007 Request (\$000's)	Change (\$000's)	Tax Rate Increase
Fire & Emergency	67,472	71,435	3,963	1.7%
Roads & Watercourses	43,813	47,217	3,403	1.4%
Municipal Buildings	25,559	28,858	3,300	1.4%
Corporate Support	41,609	44,531	2,923	1.2%
Transit	33,502	36,271	2,769	1.2%
Recreation & Parks	25,505	27,466	1,961	0.8%
Departmental Business Services	12,541	14,046	1,505	0.6%
Land Development	1,461	2,084	624	0.3%
Library	18,940	19,695	755	0.3%
Regulatory	(4,612)	(4,588)	24	0.0%
Other	(23,055)	(29,466)	(6,412)	-2.7%
Total	242,735	257,549	14,814	6.2%
New Provincial Gas Tax Revenue (for Transit Expansion)	(2,646)	(5,908)	(3,262)	-1.4%
Less Assessment Growth		<u>(3,840)</u>	<u>(3,840)</u>	<u>-1.6%</u>
Tax Funding for Operations	240,089	247,801	7,712	3.2%
Increase Capital Provisions		<u>3,600</u>	<u>3,600</u>	<u>1.5%</u>
Final Tax Rate Increase	240,089	251,401	11,312	4.7%

Municipal Budget Pressures

Municipalities across Ontario have been facing significant budget pressures in recent years. The cumulative impacts of higher fuel/commodity costs, labour pressures, dwindling support from Federal and Provincial governments and rising infrastructure needs are contributing factors. Since 2000, municipal property tax increases in Southern Ontario have generally ranged between 5% and 10% annually, well above inflation. Despite having successfully managed with a zero tax increase between 1990 and 2001 (12 years), the City of Mississauga is now facing budgetary pressures which are forcing tax increases above inflation.

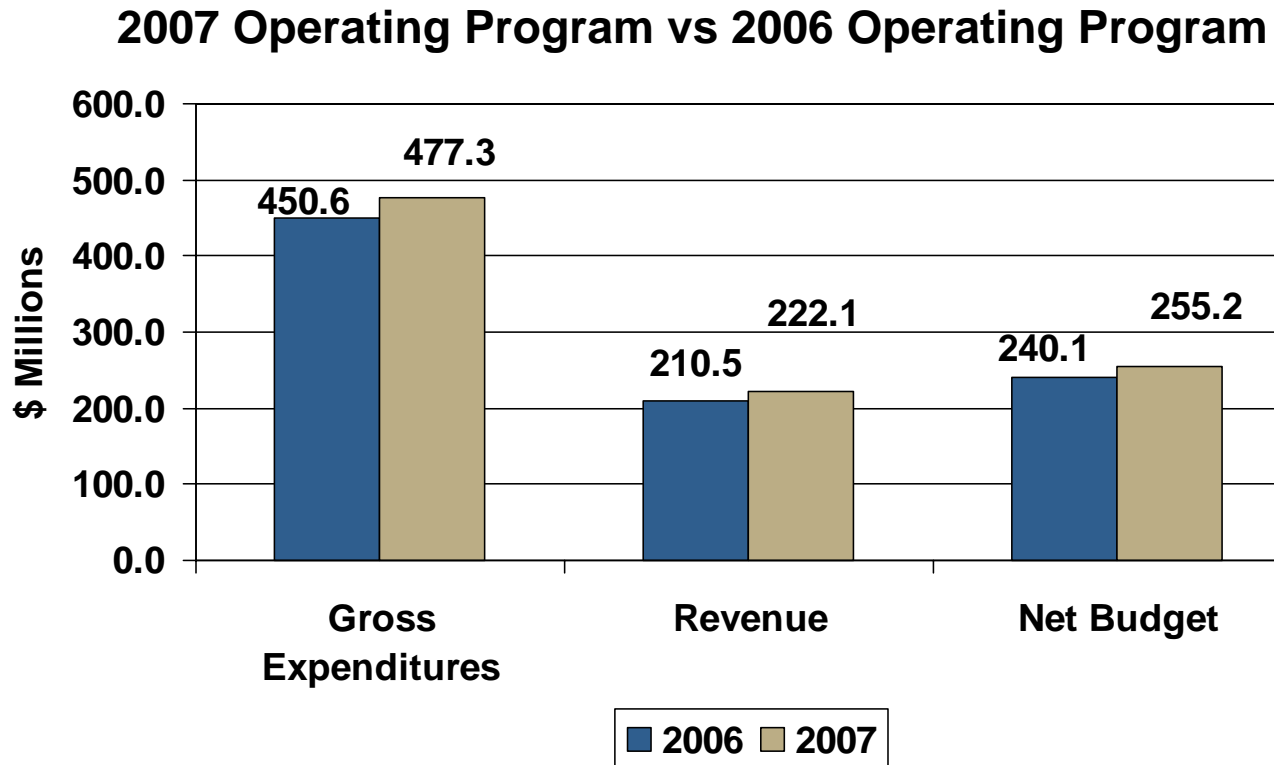
As shown below, Mississauga's taxes during 2006 were competitive with municipalities across the Greater Toronto Area (GTA). Taxes for a two storey senior executive house which would have been valued in Mississauga at roughly \$467,000 were \$4,544. This is the third lowest of comparable GTA municipalities. This is shown in the graph below.



Many municipalities are facing severe budget pressures. The cumulative effects of service and cost downloading from senior levels of government are forcing municipalities to call on the Federal and Provincial governments for a “New Deal” and to address the “fiscal imbalance” facing Ontario’s cities and towns. In Mississauga, we are not immune from these trends. The City entered the 2007 budget planning process facing almost \$23 million in net cost pressures or an initial 8.9% tax increase. The 2007 Budget tries to balance fiscal responsibility with the demand for services resulting in a net cost increase for operations of \$11.5 million requiring a 3.2% tax rate increase adjusting for assessment growth of 1.6%. Combined with a proposed increased investment for capital infrastructure of \$3.6 million or an additional 1.5% tax rate increase, the 2007 total tax increase is a reduction of 4.2% from original estimates. This reduction has been achieved through a balanced mix of new revenues, operational efficiencies and cost estimate refinements. All this has been accomplished with no significant service level reductions and some new, enhanced or expanded services.

2007 Recommended Operating Program Highlights

The chart below compares Mississauga's gross and net operating programs for 2006 and 2007.



Changes to the 2007 Operating Program have been classified into various categories. Brief descriptions of each one are as follows:

2007 Base Changes:

These are changes in both costs and revenues that relate to a normal ongoing part of the city's business. Examples of initiatives included in this category are additional staff to ensure that existing service levels are maintained, the operating impact of opening new facilities, hydro rate increases or economic adjustments awarded in union agreements and to non-union staff. Increased or decreased revenues which are a result of change in usage or rates, in line with normal expectations, are also included in this category.

Other Program Changes:

New Services/Initiatives – These are services which are added or being increased or expanded beyond the level that the City currently provides.

New Revenues – These are new revenues from implementation of new programs or services, new fees for existing services, result from a change from the existing city policy or rate increases higher than normally expected (eg. above inflation).

Service Level Reductions – These are reductions in service levels which have resulted in cost savings.

Efficiencies – These are savings which have been realized by the city improving the way services are delivered or the cost of resources used in the service provision.

Reserve Transfers – This category represents increased use of reserves which reduces the tax rate increase.

Labour Costs

Combining all categories together, one of the City's major cost pressures is labour. These costs account for 69% of the 2007 Operating Program, and produce significant pressures on the budget. Even small percentage labour cost increases can have substantial tax implications. When compared to the 2006 Budget, the 2007 labour budget has increased \$19.0 million. This increase is reflected in several of the program change categories described above. The changes to labour can be broadly explained as follows:

- \$9.9 million net increase over 2006 relates to various economic increases, performance pay and step increases;
- \$5.7 million for new staff in the 2007 Budget which primarily relates to transit expansion, proactively managing land intensification and growth; and ensuring that existing service levels are maintained; and
- \$3.4 million in annualization of approved new staff added during the year in 2006.

Key Budget Changes for Ongoing Operations

Included in the 2007 Operating Program are base budget pressures of approximately \$18 million with details provided below. These pressures, reduced for new assessment growth, would have caused a city tax increase of about 8.9%, if no mitigating measures were undertaken by Mississauga. Highlights of specific initiatives are included below and may include labour:

\$3.6 million	Increased investment in capital requirements (transfer to capital);
\$1.7 million	Winter Maintenance;
\$1.7 million	New growth costs include maintenance of new parks; operating costs of the new Churchill Meadows Library branch and recreation space and costs of the two new Councillors and their associated office staff;
\$1.3 million	Reduction in revenues due to declining tax penalty and interest revenues which the 2007 Budget reduction represents the second year of a two year phase-in;
\$1.1 million	Lease and other occupancy agreements including funds for additional office space, needs to accommodate new staff and higher shared use costs at Courtney Park Library and Erin Meadows Community Centre;

\$0.9 million	Projected utility rate increases and higher usage from additional facilities and parkland growth;
\$0.7 million	Increase in the Payment – in – Lieu of Taxes (PILT) for the Pearson International Airport which is more than offset by a reduction in the transfers from reserve as the 2006 Budget reduction was funded on a one-time basis;
\$0.4 million	Increased costs of maintenance contracts primarily for aging equipment, new building automation system contracts, and meeting fire code requirements in city facilities;
\$0.3 million	Mileage costs;
(\$4.4 million)	Investment income has increased as interest rates and the average daily balances available to invest have both risen;
(\$1.8 million)	A net increase in recreational revenues (both rate and volume driven) offset by reductions in golf course and arena revenue;
(\$1.3 million)	Removal of the 2006 contingency created from additional assessment growth; and
(\$0.3 million)	Increase in Provincial Offences Act (POA) revenue based on projected increase in

number of tickets, more court sessions and enhanced collection efforts.

The remaining changes primarily relate to labour costs.

New Services and Initiatives

In addition to the base budget changes, new services and initiatives of \$5.8 million are recommended. Highlights are as follows:

\$3.3 million	Transit service expansion which is offset by provincial revenues including gas tax funding;
\$0.6 million	Additional funding for implementation of the arts strategy offset by the LAC grant reduction;
\$0.4 million	Three career development staffing positions and consulting services for building a City for the 21 st Century;
\$0.4 million	Addition of four positions as well as funding for maintenance contracts to implement the Consolidated Call Centre;
\$0.2 million	Resources to support new – Environmental Advisory Committee;

\$0.2 million “My Mississauga” is an initiative to promote outdoor events surrounding the Civic Centre which started in 2006. In 2007, the City would like to expand these programs/events such as Celebrate the Season, Mississauga Marathon, and the Living Arts Centre Children’s Festival;

\$0.2 million An Information Technology Auditor position to review information technology related risks and an Administrative Coordinator for the Director of Strategic Initiatives as this position’s responsibilities have grown and coverage has become more critical;

\$0.1 million Ongoing costs associated with a Finance Analyst to help design and implement the new mandated Tangible Capital Asset reporting requirements. The total operating costs are \$0.4 million including one-time implementation costs of which \$0.3 million which are funded from the Reserves;

\$0.1 million Expansion of the Sign Unit to ensure adequate resources are available to deal with election related signs.

Various other smaller service level increases such as a new Heritage Grant (\$50,000) and funding for Healthy City Stewardship program (\$20,000) are also included. A detailed listing of these items can be found in the Summary of Program Changes tab located at the beginning of this book.

Corporate Operating Budget Summary

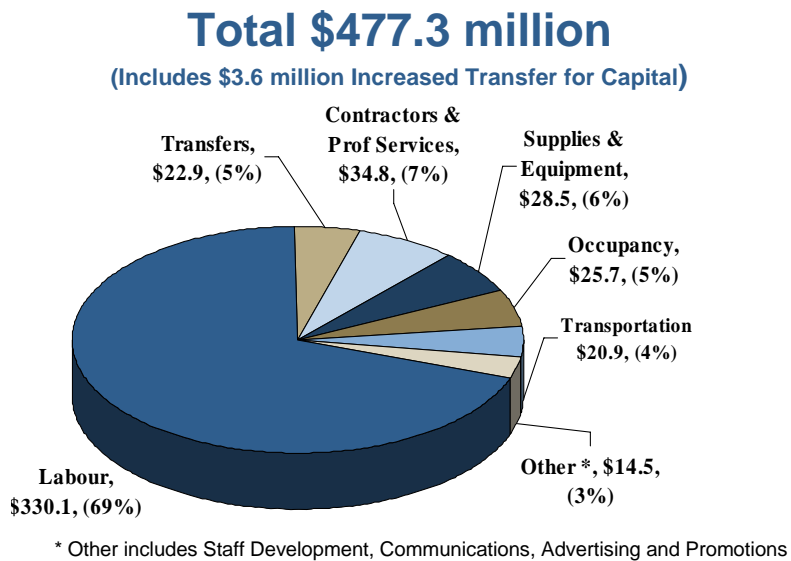
The following table summarizes the 2007 Operating Budget by expenditure category. Details of the programs and their associated budget impacts are included in the respective departmental/ service sections.

Corporate Operating Budget Summary

	2005 Actual	2006 Restated Budget	2007 Requested Budget	Change in 2007 Requested Budget to 2006 Restated Budget	
	\$	\$	\$	\$	%
EXPENDITURES					
LABOUR COST	278,054,874	311,076,900	330,046,200	18,969,300	6.1
Staff Development Costs	1,365,130	1,457,000	1,632,800	175,800	12.1
Communication Costs	2,529,402	2,711,500	2,500,400	(211,100)	-7.8
Transportation Costs	18,932,532	20,058,200	20,915,000	856,800	4.3
Occupancy & City Costs	21,640,548	23,381,100	25,678,700	2,297,600	9.8
Equipment Costs & Maintenance Agreement	5,325,785	6,461,100	6,671,300	210,200	3.3
Contractor & Professional Services	32,318,515	32,905,300	34,811,100	1,905,800	5.8
Advertising & Promotions	2,609,368	2,098,700	2,246,100	147,400	7.0
Materials, Supplies & Other Services	18,827,782	20,455,400	21,825,300	1,369,900	6.7
Finance Other	5,758,396	9,341,900	8,083,500	(1,258,400)	-13.5
Transfers	70,143,170	20,625,500	22,929,500	2,304,000	11.2
OTHER OPERATING EXPENSES	179,450,627	139,495,700	147,293,700	7,798,000	5.6
TOTAL EXPENDITURES	457,505,501	450,572,600	477,339,900	26,767,300	5.9
REVENUES					
Supplementary Railway & Corridors	(7,629,566)	(5,286,100)	(4,911,100)	375,000	7.1
Payments In Lieu	(23,068,314)	(22,238,800)	(22,508,800)	(270,000)	-1.2
Grants	(2,334,519)	(1,931,500)	(2,082,900)	(151,400)	-7.8
Fees & Service Charges	(81,616,401)	(88,552,500)	(94,732,800)	(6,180,300)	-7.0
Licenses & Permits	(16,286,158)	(16,458,400)	(16,686,200)	(227,800)	-1.4
Rents, Concessions & Franchise	(16,862,696)	(18,076,200)	(18,409,900)	(333,700)	-1.8
Fines	(13,644,544)	(13,634,200)	(13,967,500)	(333,300)	-2.4
Penalties & Interest On Taxes	(3,700,390)	(5,990,000)	(5,690,000)	300,000	5.0
Investment Income	(8,619,272)	(6,761,000)	(11,203,500)	(4,442,500)	-65.7
Other Revenue	(17,328,190)	(14,138,500)	(17,610,800)	(3,472,300)	-24.6
Transfers	(47,363,648)	(17,417,200)	(14,295,200)	3,122,000	17.9
TOTAL REVENUES	(238,453,699)	(210,484,400)	(222,098,700)	(11,614,300)	-5.5
NET TAX LEVY	219,051,802	240,088,200	255,241,200	15,153,000	6.3

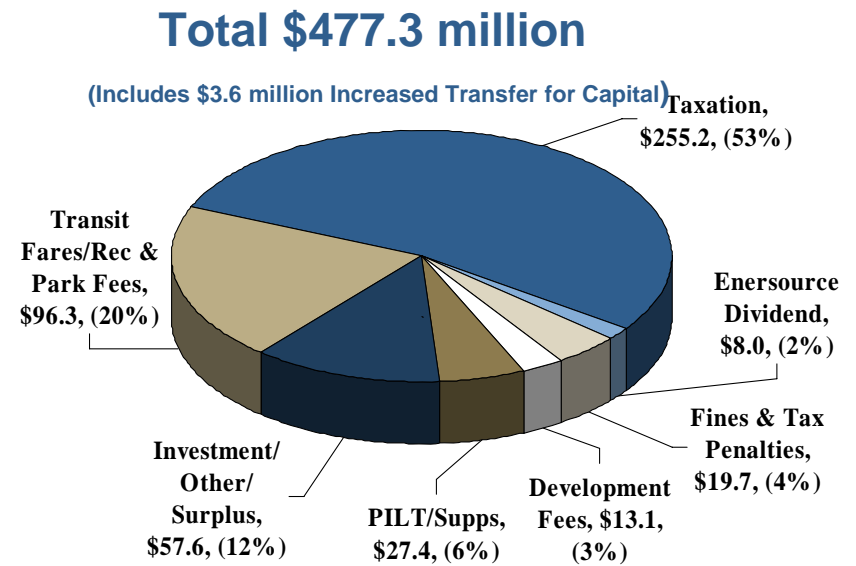
Operating Expenditure Highlights By Cost Category

A break down of the major operating expenditure categories is as follows:



Operating Program Revenues

A break down of the major financing categories is as follows:



2007 Recommended Operating Program by Department and Service

The 2007 recommended departmental net budget by department is as follows:

Net Recommended Budget (\$000's)										
	2005 Actual	2006 Restated Budget	2007 Base Budget	2007 New Service & Initiatives	2007 New Revenues	2007 Service Level Adjustments	2007 Efficiencies & Reserve Transfers	2007 Requested Budget	Change in 2007 Requested Budget to 2006 Restated Budget	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
PROGRAM EXPENDITURES										
City Manager'S Department	2,938	3,627	4,048	198				4,246	619	17.1%
Planning & Building Department	973	1,462	2,649	468	(673)		(216)	2,228	766	52.4%
Transportation & Works Department	80,897	80,774	87,583	3,261	(5,637)		(528)	84,679	3,906	4.8%
Corporate Services	50,077	57,454	62,725	608	(30)	(5)	(736)	62,563	5,109	8.9%
Community Services Department	108,072	116,714	124,168	200	(40)		(708)	123,620	6,906	5.9%
Mayor And Council Department	2,786	3,114	3,722	50				3,772	658	21.1%
Nondepartmental Accounts	(26,691)	(23,056)	(30,454)	1,048			(60)	(29,466)	(6,411)	-27.8%
NET OPERATING IMPACT	219,052	240,088	254,441	5,832	(6,380)	(5)	(2,248)	251,641	11,553	4.8%
Additional Capital Investment									3,600	1.5%
Total Net City Budget									15,153	6.3%

The following chart shows the same information categorized by major city service.

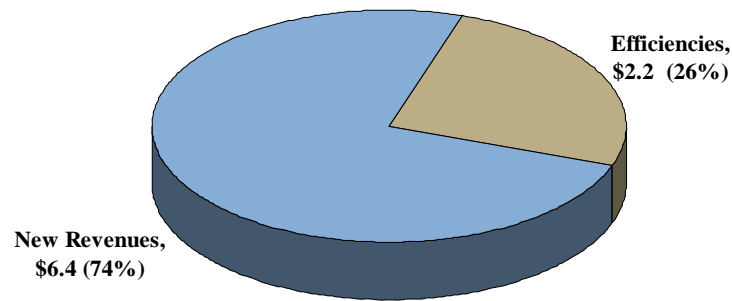
Net Recommended Budget (\$'000's)										
	2005 Actual	2006 Restated Budget	2007 Base Budget	2007 New Service & Initiatives	2007 New Revenues	2007 Service Level Adjustments	2007 Efficiencies & Reserve Transfers	2007 Requested Budget	Change in 2007 Requested Budget to 2006 Restated Budget	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
PROGRAM EXPENDITURES										
Fire & Emergency	60,734	67,472	71,435					71,435	3,963	5.9%
Roads & Watercourses	45,625	43,813	47,060	157				47,217	3,403	7.8%
Municipal Buildings	23,671	25,559	29,269				(411)	28,858	3,300	12.9%
Corporate Support	35,822	41,609	44,076	798	(30)		(313)	44,531	2,923	7.0%
Transit	30,686	33,502	36,031	3,005	(2,467)		(445)	36,124	2,622	7.8%
New Provincial Gas Tax Revenue		(2,646)	(2,646)	(42)	(3,073)			(5,761)	(3,115)	-117.7%
Recreation & Parks	25,322	25,505	27,734	150			(418)	27,466	1,961	7.7%
Departmental Business Services	11,693	12,541	13,842	244	(40)			14,046	1,505	12.0%
Land Development	570	1,461	2,510	468	(673)	(5)	(216)	2,084	624	42.7%
Library	17,397	18,940	19,985				(290)	19,695	755	4.0%
Regulatory	(5,777)	(4,612)	(4,401)	5	(97)		(95)	(4,588)	24	0.5%
Other	(26,691)	(23,056)	(30,454)	1,048			(60)	(29,466)	(6,411)	-27.8%
NET OPERATING IMPACT	219,052	240,088	254,441	5,832	(6,380)	(5)	(2,248)	251,641	11,553	4.8%
Additional Capital Investment									3,600	1.5%
Total Net City Budget									15,153	6.3%

2007 Operating Program Reductions

Faced with preliminary budget pressures of \$23 million requiring an 8.9% tax increase in 2007, strategies were developed to reduce the tax impact while retaining existing services as residents have consistently indicated that they do not want services reduced.

The following chart shows the areas where adjustments were made to bring the tax increase down from the 9.6% to 3.2% for total net expenditures reductions of \$8.6 million. Details can be found in Appendix 2 – Summary of Program Changes tab.

2007 Efficiencies and New Revenues \$8.6 Million



Highlights of new revenues of \$6.4 million are as follows:

- \$2.0 million Transit revenue increase due to fare increases (\$0.10 cents for tickets, \$1.00 for passes and \$4.00 for monthly passes);
- \$3.2 million Increased provincial gas tax revenue offsetting the operating costs of 15 new transit buses which will be put into service in 2007 as well as the annualization of 2006 service expansion;
- \$0.7 million Increased planning fees to reflect a full cost recovery basis; and
- \$0.5 million Transit bus advertising and fare media revenue increases.

Highlights of cost saving efficiencies of \$2.2 million are as follows:

- \$0.5 million Reduction in transit parts inventory required for bus repairs as a result of the reduced age of the bus fleet which in 2007 is estimated to be 5.6 years based on 12 year lifecycle replacement;
- \$0.4 million Purchase of hydro and natural gas on the open market;
- \$0.3 million Cost reductions in Recreation and Parks;
- \$0.2 million Information Technology hardware optimization and application simplification;
- \$0.2 million Elimination of three Planning & Building positions funded from the Reserve for Development Stabilization. This program was set up in 1997 to deal with increased workload resulting from higher levels of development activity. This is part of a phase out strategy which will be completed in 2008; and
- \$0.3 million Refining staffing levels at Libraries and reduced material handling requirements.

Various other smaller administrative changes comprise the remainder of the savings.

In addition to these cost savings incorporated into the Budget, cost pressures of over \$1.6 million for vehicle fuel and utilities were included in the initial 2007 costs estimates in the Spring. It was determined that they would not be needed as the year progressed and were removed for the budget requirements.

2007 Staffing Summary

This section provides an overview of 2007 staffing levels and summarizes any changes from the previous year. The permanent staff complement changes are as follows:

Department	2005 Approved Total	2006 Complement Approved Total	2006 Complement Changes (Net)	Revised Total	2007 Complement Add/ Delete	2007 Complement Recommended Complement
City Manager's Office*	28	28	1	29	*7	36
Community Services*	1,535	1,580	(125)	1,455	*11	1,466
Corporate Services	484	492	20	512	20	532
Planning & Building	195	193	(1)	192	(3)	189
Transportation & Works	1,233	1,266	107	1,373	96	1,469
Non Departmental	0	0	0	0	2	2
Sub-Total	3,475	3,559	2	3,561	133	3,694
Mayor & Council	32	39	0	39	0	39
TOTAL	3,507	3,598	2	3,600	133	3,733

* Includes transfer of 5 Arts Unit Staff from Community Services to City Manager's Office

Highlights of 2006 Changes are as follows:

- Facilities and Property Management Division (122 staff) were transferred to Corporate Services from Community Services;
- Enforcement Division (109 staff) were transferred to Transportation and Works from Corporate Services;
- The creation of The Office of the Arts added a Director of the Arts;
- The creation of a Bus Rapid Transit Project Office (BRT Office) added two additional positions to the full time complement.
- Two Managers of Financial Services (Transportation & Works & Community Services) and five Information Technology positions (Transportation & Works, Community Services and

Planning & Building) were transferred to Corporate Services to centralize the reporting relationships.

- As well one position was approved in the 2006 Operating Budget for Transportation & Works in error and has subsequently been deleted.

For 2007, departments are requesting a net total of 133 new permanent positions. Details of these new positions are provided on the next page. The increases are largely for Transit to support and enable the expansion of the Transit Service.

The City of Mississauga continues to critically examine every vacant position to determine whether or not the position should be refilled.

2007 Recommended Permanent Staff Request Details of Complement Changes	
City Managers: 2	
	1 Information Technology Auditor 1 Administrative Coordinator <i>5 Arts Unit Transferred from Community Services</i>
Community Services: 16	
Recreation and Parks	6 Pool Assistant Supervisors 1 Marketing & Admin Clerk - Museums 1 Recreational Programmer - Churchill Meadows 2 Parks Person II 1 Recreation Coordinator - SportsZone 1 Recreation Programmer - SportsZone 1 Admin Assistant - SportsZone 1 Lakeview Golf Course - Head Pro 1 BraeBen - Facility Operator 1 BraeBen - Food and Beverage Coordinator 1 BraeBen - Assistant Pro 1 BraeBen - Sous Chef <i>(5) Arts Unit Transferred to City Managers</i>
Departmental Business Services:	1 Organizational Development Consultant
Library Services:	(3) Library Assistants

2007 Recommended Permanent Staff Request Details of Complement Changes	
Corporate Services: 20	
Organizational Wellness & Business Services	1 HR Consultant
Clerks	1 Access & Privacy Officer 1 Micrographics Clerk
Communication	1 Senior Graphics Designer
Information Technology	1 Project Leader - Hansen Enterprise Team 1 SAP Portfolio Coordinator
Revenue	1 Intermediate Buyer
Finance	1 Tangible Asset Accountant
Legal	1 Information Technology Lawyer
Customer Service	1 Call Centre Manager 1 Knowledge Base Developer 4 Customer Service Agents
Facilities & Property Management	1 Project Manager 2 Project Coordinators 1 Project Leader - Realty Services 1 Apprentice Electrician - Building Maintenance
Other: 2	
	1 Environmental Committee Coordinator
	1 Environmental Planner
Planning & Building: (3)	
	(1) Building Inspector - Workload Assistance (1) Planner - Workload Assistance (1) Researcher - Workload Assistance

2007 Recommended Permanent Staff Request Details of Complement Changes

Transportation & Works: 96	
Departmental Business Services	1 Financial Analyst 1 Compliance Analyst 1 IT Technician 1 Revenue Coordinator 1 HR Consultant
Enforcement	1 Animal Services Officer 1 Bilingual Customer Inquiries Clerk - Contract Conversion
Engineering & Works	1 Technical Specialist 1 Speed Sensor - Unionized Staff 1 Traffic Safety Coordinator
Transportation & Infrastructure Planning	1 Transportation Planning Analyst 1 Transportation Planner
Transit	45 Transit Operators 7 Mechanics 1 General Service Person 1 Bodyman 5 Route Supervisors 1 Training Officer 1 Maintenance Clerk 1 Bus Allocator 1 Report Clerk/Allocator 1 Report Clerk 1 Service Development - Statistician 1 Transit Planner 1 Maintenance Supervisor - Malton 1 Storekeeper - Malton 5 Transit Customer Service Agents 4 Security Officers - City Centre Transit Terminal 4 Security Officers - Transit Mobile 1 Transit Security Supervisor 1 Administrative Assistant - Bus Rapid Transit Project Office 1 Financial Analyst - Bus Rapid Transit Project Office

The table below shows the distribution of the contract positions recommended for 2007.

Department	2005	2006			2007	
	Approved Contract Positions	Approved Contract Positions	Additions and / or Transfers	Revised Contract Positions	Contract Additions, Conversions or Deletions*	Total Recommended Contract Positions
City Manager's	5	5	0	5	1	6
Corporate Services	3	3	0	3	3	6
Community Services	0	0	0	0	0	0
Transportation & Works	1	1	0	1	7	8
Planning & Building *	2	5	0	5	4	9
Mayor & Council	0	0	0	0	0	0
Total	11	14	0	14	15	29

* Does not include 3 Career Development Positions in Planning & Building for Building A City of the 21st Century.

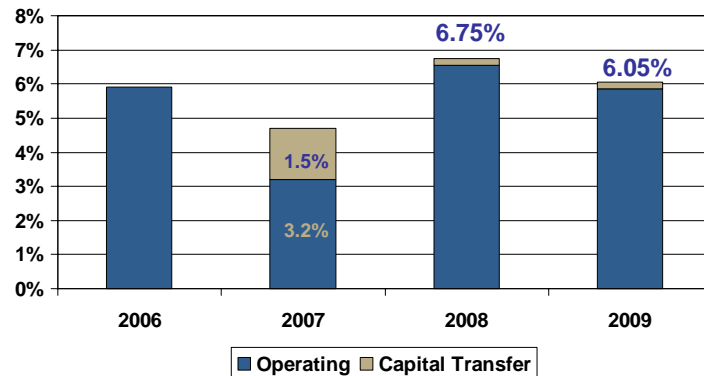
There have been 15 new contract positions added in 2007. Details are shown by department:

2007 Recommended Contract Details of Changes	
City Manager's:	1 Call Centre Reengineering Support
Corporate Services:	2 Project Coordinators - Capital Projects
	1 Communications Coordinator
	(1) Communications Support Position
	1 Nurse
Planning & Building:	1 Contract Researcher
	2 Planners
	1 Landscape Architect
	3* Building A City for The 21 st Century -(Career Development Positions)
Transportation & Works:	1 Human Resources Recruiter - Gas Tax Funded
	1 Pro-Active Licensing Enforcement Officer
	1 Mobile Licensing Taxi School Trainer
	1 First Attendance Administrator
	2 GTA Farecard Business Analysts
	1 GTA Farecard Administrative Assistant
	1 Transit 2010 IT Strategy/Hastus Business Analyst
	(1) Contract Conversion of Bilingual Customer Inquiries Clerk

Operating Program - Forecast of Future Tax Increases

The following chart provides a preliminary estimate of future years' tax increases associated with the operating program. Based on existing assumptions, Mississauga is facing 6% to 7% tax increases in 2008 and 2009. These increases include an additional \$0.5 million per year in tax funding support to the capital program.

Summary of Tax Rate Increases 2007-2009



As labour is the largest component of City's Operating program, it is a major factor contributing to future cost pressures. Small percentage increases in labour, associated with economic adjustments, pension changes or performance increases, have a large impact on the tax rate. In addition to labour pressures, price increases and lower development

related revenues are contributing to tax rate increases. Other contributing factors include:

- Costs associated with operating new growth-related facility requirements; such as the new Fire Training and Mechanical Centre;
- Operating costs of new facilities such as additional parks and new roads;
- Utility rate and diesel fuel cost increases;
- Contract price increases for winter maintenance, road repair and information technology maintenance contracts; and
- All costs related to Transit service expansion, will be funded from Provincial Gas Tax with no net increase in the tax rate.

2007 Recommended Capital Program and 2007-2016 Forecast

Introduction

The Capital portion of the Overview Section has been structured in the following manner:

- Introduction – provides brief historical information related to the capital section;
- Capital Highlights – provides an overview of changes from the 2006-2015 Capital Program;
- Capital Issues – provides a list of capital challenges the City is facing;
- 2007 Capital Program Highlights – provides a summary of capital projects or programs for 2007;
- 2007-2016 Capital Program Highlights – provides a summary of capital projects or programs for the 10 year period;
- Fund Balances – provides details of projected reserve fund balances which reflect revenue projections and forecasted project expenditures; and
- Funding Strategy – provides details related to the funding of the non-growth (i.e. tax-based capital) program as well as the projected tax impacts.

Mississauga's capital program is made up of two primary components. A non-growth component, which includes replacement, maintenance and changes to existing infrastructure and a growth related component, which includes acquisition or construction of additional or new assets. Some

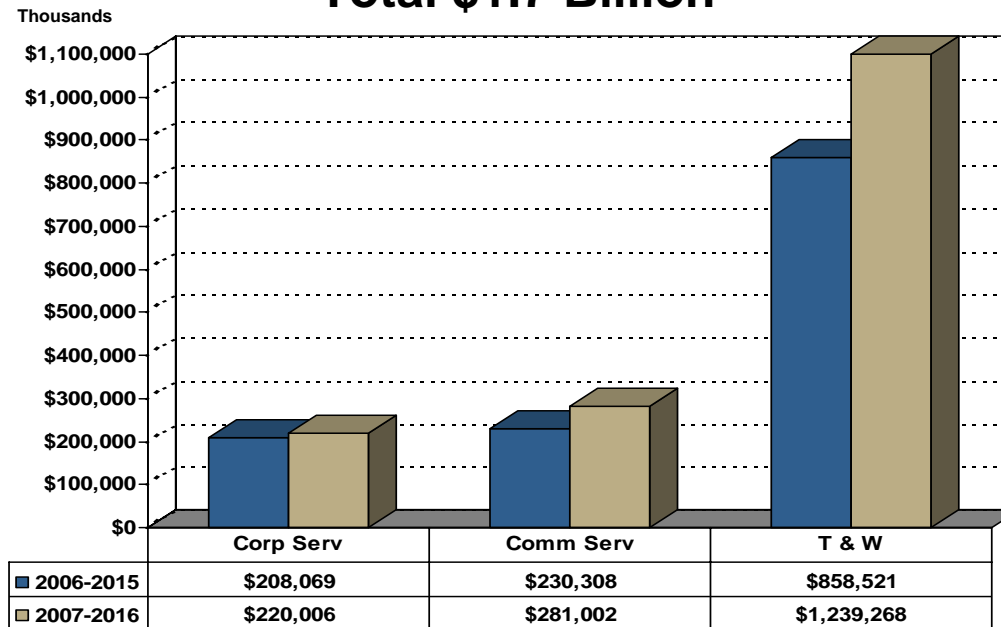
projects may include both growth and non growth elements, such as the expansion and replacement of the Fire Training and Vehicle Maintenance Centre.

Funding can be classified into either subsidy or recovery, gas taxes, tax-based or development-based. More detailed descriptions are:

1. Subsidies or recoveries are amounts received from third parties as contributions towards specific projects. Examples include joint funding of a road expansion with another municipality, contributions from senior levels of governments towards bus replacements or contributions from a community group towards a tennis court renovation.
2. Gas tax funding relates to the provincial and federal sharing of gas tax revenue, provincial funding of the Bus Rapid Transit project or federal public transit funding. Details of these funding sources are included in the Transportation Section below
3. Tax-based funding sources include annual transfers from the operating fund, tax-based reserves, and internal and external debt.
4. Development-based funding includes monies received under the *Development Charges or Planning Act* or developer contributions towards specific works. Examples include development charges for the construction of new roads, cash-in-lieu of parkland or developer contributions towards sidewalk construction, street tree planting or traffic signals.

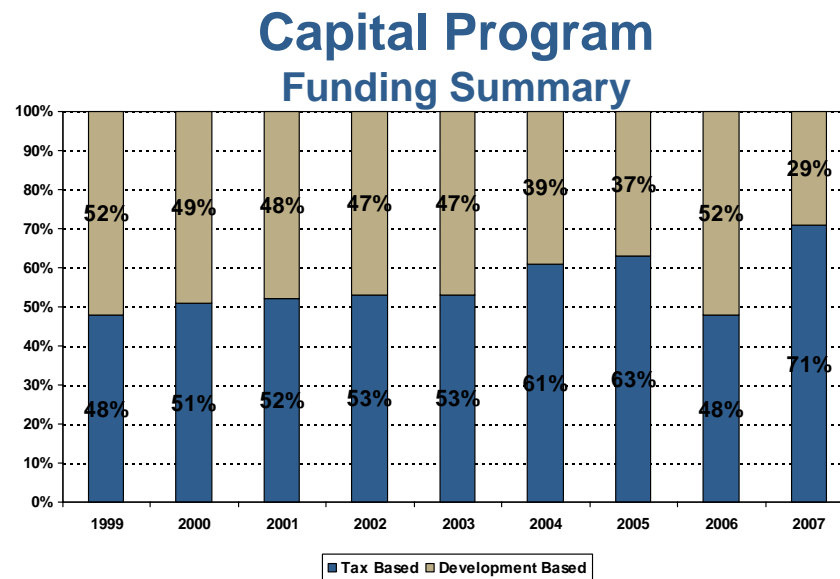
The following chart provides a high level summary of the proposed 2007 Capital Program as compared to the 2006 Approved Capital Program.

2006-2015 vs 2007-2016 Capital Summary of Departmental Spending Total \$1.7 Billion



The 2007-2016 Capital Program strikes a balance between providing for the service needs of newly developed areas, including installation of new playgrounds, new roads, and new parks, and addressing the needs of older communities including replacement, repair and rehabilitation of existing pathways, roads and buildings. The 2007-2016 Capital Budget incorporates a number of changes from last year including revised estimates for Office Accommodation (\$16.8 million in 2007) in Corporate Services; Library and Recreational Facility renovation program (\$53.9 million) and the Fire Training Centre (\$30.0 million) in Community Services; and inclusion of the Mississauga Bus Rapid Transit (\$211.6 million) and revised costing for the renovations and expansion of the Central Parkway Transit Facility (\$70.0 million) in Transportation and Works.

The following chart provides a brief historical summary of tax based versus development based funding. Although the City continues to grow, the capital budget is slowly shifting its focus from adding new infrastructure to maintaining Mississauga's existing asset base.



In 2006, however, the results are distorted, compared to other years, by the funding of the growth-related Sports Complex at \$36.1 million using funds from the Cash in lieu of Parkland Dedication and Development Charges Reserve Funds, both of which are development-based funding. In 2007, a much larger share of the capital budget is tax based as various transit related projects such as BRT are reflected in the tax-based component.

Capital Highlights

The City has taken a different long term approach in the development of the 2007-2016 Capital Program. In addition to updating the ongoing capital projects required to ensure that the roads, buildings, vehicle and equipment are maintained at an appropriate level, all departments critically reviewed their entire capital requirements.

During 2006 Budget, the 10 year forecast for tax-based capital maintenance programs were increased by \$471 million to accommodate estimated infrastructure maintenance costs. In the 2007 Budget, Departments were challenged to review their tax-based capital programs with the goal of reducing their capital program by 10%. These reductions were not made equally across the board. Firstly, Departments reviewed their programs for efficiencies or cost savings that could be made without affecting service standards. For example, four year replacement service standard for the City's personal computer program could be maintained as a result of declining computer prices. Another example includes the detailed review of the City's storm drainage infrastructure conditions conducted

during the summer. This allowed for refinement of the storm drainage capital program priorities and timing (both advancing and deferring projects) with few implications for the future – generating savings of \$11 million.

Departments then reviewed the programs which were required from a safety perspective or contributed to a larger, approved strategy. Examples of these types of programs include major roads, maintenance of roadway and pathway bridge rehabilitations, culverts', and replacement of playground structures. In these programs, funding was maintained if not increased.

Departments faced various challenges responding to increased prices for projects. The following are examples of cost increases: asphalt cement 36%, building components and park construction increases on average 10%. These further compounded the challenge of trying to reduce the size of the tax based capital program.

Without this review refinement and use of reserves, property taxes would need to rise much higher in the short term or the City's infrastructure be allowed to decline.

Capital Issues

Aging Infrastructure

Over the last couple of years, Mississauga began a process of identifying and continues to refine its long-term infrastructure

needs. Depending on the asset group reviewed, information available for long term costing estimates varies. For the road network, which accounts for 68% of the city's infrastructure, much detailed planning work has been conducted with the assistance of computer modeling software. Other assets, such as buildings and Information Technology, have been assessed on the basis of lifecycle estimates for major components. Lastly, there are several categories of assets for which no provisions for age related major maintenance costs have been included 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.

Capital Prioritization

Staff are in the process of developing a new capital prioritization system. This new tool will be available for the 2008 Budget and will assist staff and Council compare a wide variety of projects and prioritize them amongst the total available financial resources. Currently staff have developed a series of criteria such as health and safety, life cycle replacement and cost savings potential for assessing project requests. This new process will be tested in 2007 and phased in over a period of time as a means to evaluate and prioritize all project requests but expanded to all projects eventually.

Transportation

The efficient and effective movement of people and goods across the city continues to be a top priority for Mississauga. Ongoing concerns with traffic congestion, combined with

environmental issues, are widely recognized by senior levels of government. The change in both the Federal and Provincial political environments has demonstrated a commitment to address these needs. Both the Federal and Provincial gas tax allocations, provincial contributions towards Mississauga's development of Rapid Transit system and Federal Public Transit Funding will assist Mississauga in addressing its critical transportation infrastructure and service needs.

Funding from the Federal and Provincial levels of government can be summarized as follows:

- Provincial Funding for Mississauga Rapid Transit;
- Provincial Gas Tax;
- Multi-Year Transit Vehicle Funding Program formerly known as Ontario Transit Vehicle Program (OTVP);
- Federal Gas Tax (City and Regional portion); and
- Federal Public Transit Funding.

The following chart provides a summary of revenues over the next 5 years

(\$ millions)	2007	2008	2009	2010	2011	Total
Provincial Gas Tax	15.3	15.3	15.3	15.3	15.3	76.5
Multi-Year Transit Vehicle Funding formerly OTVP	6.2	4.2	2.3	7.9	6.6	27.2
Federal Gas Tax	7.9	10.0	19.9	19.9	19.9	77.6
Federal Gas Tax (Regional Portion)	7.4	6.1	15.8	17.9	17.9	65.1
Federal Public Transit Funding	4.5	4.5	4.5			13.5
Total	41.3	40.1	57.8	61.0	59.7	259.9

Provincial Funding Sources

During the 2006 Provincial Budget, the province announced its one-time support of public transit with \$65 million to fund, primarily, the Mississauga Bus Rapid Transit – a separated roadway connecting the Mississauga/Oakville border to Renforth via Highway 403 and Eglinton.

The 2006 Provincial Budget also included the Multi-Year Transit Vehicle Funding Program which replaces the Ontario Transit Vehicle Program (OTVP). This program subsidizes the costs of replacing buses. The exact criteria of the new program are unknown at this time but the provincial portion is to be fixed annually.

The Province announced gas tax funding for transit at 1 cent per litre per year starting in October 2004 with increases of one half cent per litre in October 2005 and October 2006, bringing the total contribution to 2 cents per litre of gas sales. These funds will be allocated across Ontario municipalities 70% based on transit ridership and 30% based on population. The

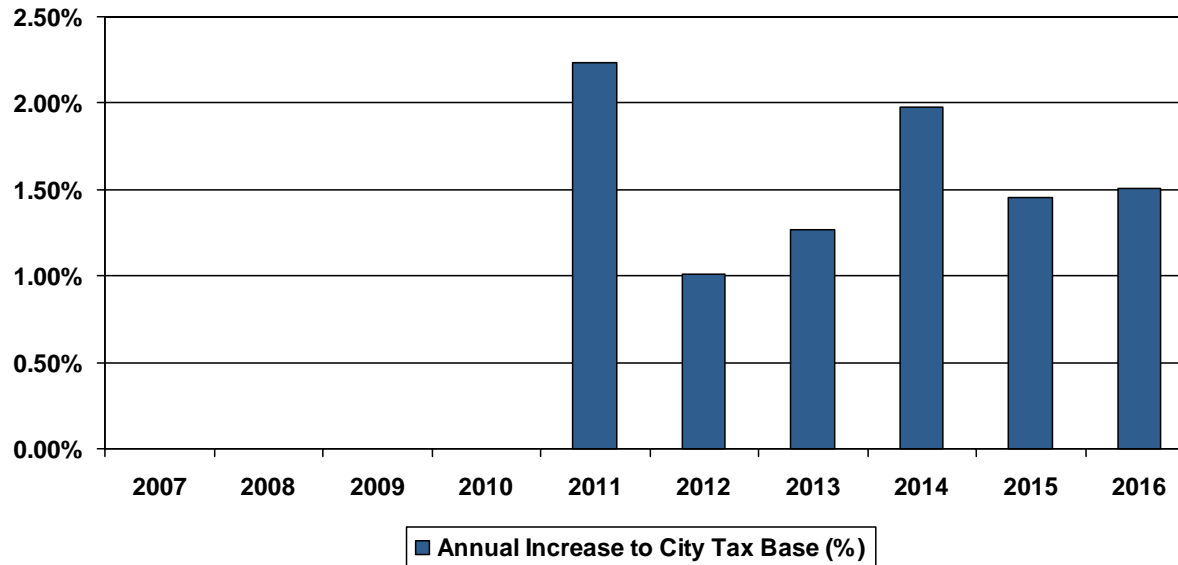
primary purpose of this funding is to increase overall ridership through the expansion of public transportation capital infrastructure and levels of service. The Ministry of Transportation requires that ridership growth and asset management plans be prepared, detailing the use of these and future gas tax receipts. The existing plan, which expires on September 30, 2007, permits the use of gas tax revenues to offset the increased operating costs of putting new buses into service.

Provincial gas tax funding is being used to offset the operating costs of new buses. Provincial gas tax funding can be used to offset higher day to day transit costs (such as salaries/wages, diesel fuel, bus parts, etc.), but City practice has been to apply these to Transit service expansion costs only. The ongoing use of provincial gas tax funding to support Transit growth allows for the expansion of Transit service with no tax impact. If this funding were discontinued by the province, there would be a significant impact of the tax rate in order to retain the expanded service provision.

The following chart shows the tax rate impact of the transit service expansion when the provincial funding reaches its limit of \$15.3 million per year.

Operating Budget Impact of Transit Service Expansion

Annual Tax Increment Required (%)



Federal Funding Sources

The 2006 Federal Budget confirmed that the one-time transit funding agreement, contingent on the 2005-06 Federal Budget surplus that was negotiated by the New Democrat Party (NDP) with the former Liberal Government, will be honoured. The Federal Budget also amended the second year of the program as well as its duration and funding levels. The second year funding was redirected into a three-year Public Transit Capital Trust and increased from \$196 million to \$510 million. Mississauga's 2006-07 entitlement is \$4.5 million. This funding is restricted exclusively to transit capital expenditures. Federal gas tax revenue is based on gas tax sharing of 1.5 cents per litre in 2005 and 2006. This will increase to 2 and 2.5 cents respectively in 2007 and 2008. Finally in 2009, the gas tax is forecast to double from the 2008 level of 2.5 cents to 5.0 cents per litre. The receipts in 2009 are estimated at \$20 million with a total of \$78 million being received over the next five year period. Also, the Region of Peel has agreed to flow through any federal gas tax receipts to the lower tier municipalities after accounting for TransHelp requirements. For the period, 2007 to 2011, these receipts total \$65 million.

The use of the Federal tax revenues is restricted to certain purposes. These funds can be applied to no more than two of the following city services: transit, storm water systems and community energy systems. To be eligible for funding, municipalities can not reduce their existing/historical spending on capital projects. Similar to Provincial gas tax revenues, Federal gas taxes can not be used to reduce property taxes.

Projects under Consideration - Highlights of Transit Projects

The 2007 – 2016 Budget recommends the following projects which are funded from a variety of transportation related funding sources as described above. Highlights are as follows:

- Over the next three years the Central Parkway Transit facility will be renovated as well as expanded to include the storage of an additional 120 buses including the necessary maintenance and operational areas at a cost of \$70 million;
- As the fleet continues to grow, another Transit bus storage and maintenance facility is anticipated to be constructed in 2011. Likely to be located in the northwest area of the city, the budget of \$30 million (jointly funded from gas tax and development charges) includes land acquisition, design and construction.
- Mississauga will be jointly constructing a \$211.6 million transit corridor along Highway 403 and Eglinton which will also be used by GO transit. The project includes the design and construction of the transitway as well as the purchase of 15 – 60 foot buses. Currently funding has been identified from Mississauga, GO Transit and the Province but required Federal support for the Bus Rapid Transit is unconfirmed at this time. This project will provide a link from the Mississauga/Oakville border to Renforth in Toronto.

- Mississauga needs to invest in transit infrastructure on its busiest route - the Hurontario Corridor. From 2007 to 2009, Mississauga will be investing \$5 million in feasibility and environmental assessment studies. For 2010 to 2015, \$30 million has been allocated for transit priority measures and upgraded passenger facilities along this corridor.
- Bus growth includes 15 additional buses per year (eight funded from development charges and seven from the gas tax). Starting in 2010, the bus plan also assumes that both the new and replacement buses will be hybrid. The combined cost for growth and replacement buses is \$249 million over the ten years.
- Mississauga Transit has dedicated platforms at the Islington subway station. With ongoing renovations planned at both Kipling and Islington, \$5 million has been identified as Mississauga's contribution.
- Beyond the time horizon of this budget, projects under future consideration include a new or expanded City Centre Transit terminal, an on-street terminal along Burnhamthorpe in the City Centre and ultimately a bus or light rail transit facility along the Hurontario corridor.

Financial Health of the City of Mississauga

Although Mississauga is maturing, the City is still expecting growth, albeit at a slower rate over the next 30 years. As the overall asset base is early in its life cycle and in good condition, Mississauga has the benefit of time to adequately

plan for its eventual replacement. As part of the evolving process, Mississauga has re-evaluated its needs related to its long term infrastructure replacements over the next 10 years.

The City of Mississauga currently operates under a pay-as-you-go philosophy and does not have any debt. On an annual basis, the Province of Ontario calculates the Annual Debt Repayment Limit respecting long-term debt charges and other financial obligations which can not exceed 25% of own source revenues. The City of Mississauga's 2006 Annual Repayment Limit, provided by the Ministry of Municipal Affairs and Housing is \$97 million which would support \$975 million in debt. Since the City of Mississauga has no debt, this Annual Repayment Limit is not utilized at this time. However, in order to address future infrastructure funding needs, the City has reviewed internal and external debt financing options in the 2007-2016 Capital Program as part of its new financing strategy approved in 2006.

Based on a recent financial review by Standards & Poor, the City of Mississauga was awarded an AAA credit rating. This is the highest credit rating assigned to a municipality. Outside the United States, Mississauga is only the 11th municipality to earn this coveted rating. Although Standards & Poor confirmed the City's high credit rating, it did note some concerns with the projected rapid depletion of capital reserve funds combined with debt requirements in the future. Steps have been incorporated into the 2007 to 2016 Capital Budget and Forecast and related financing strategy, to address these concerns. Three major changes are:

- requesting departments to cut their tax-based capital budget by 10%;

- increasing our transfer from operating to capital in 2007, and every year thereafter; and
- maintaining a base funding level (\$30 million) in future years' tax-based capital reserve funds.

Mississauga has many tools available to manage its finances in the future. Although Mississauga's debt free status and high

credit rating will assist in managing the City's growing infrastructure needs, future challenges will still be significant. Future tax increase will be required to fund the forecast capital program requirements.

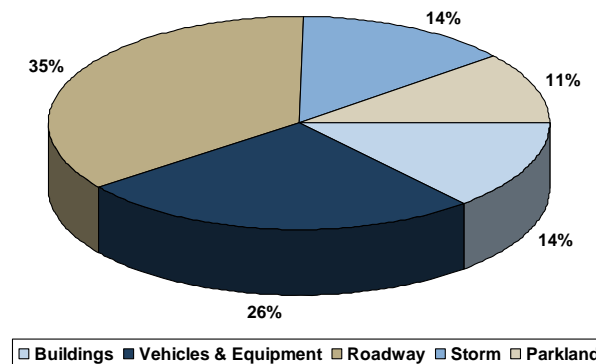
2007 Capital Program Highlights

The City of Mississauga's Capital Program for 2007 is being recommended at a gross cost of \$196.4 million and \$189.0 million, net of subsidies and recoveries.

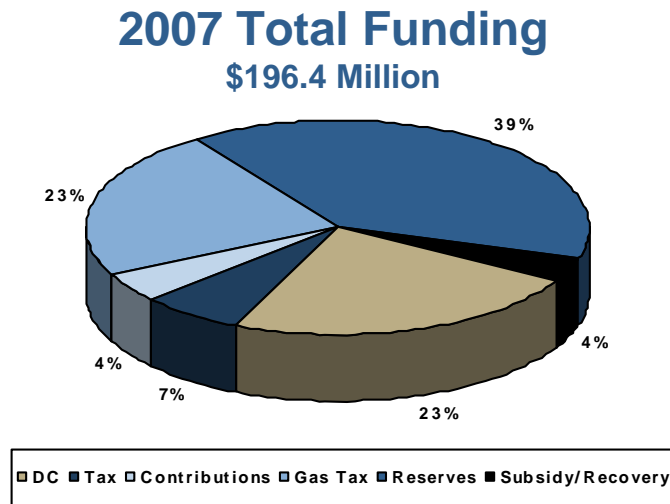
Departments (\$ millions)	Gross Cost	Subsidy/ Recovery	Net Cost
Community Services	31,939.3	437.0	31,502.3
Corporate Services	38,785.0	0.0	38,785.0
Transportation & Works	125,636.0	6,926.0	118,710.0
Total	196,360.3	7,363.1	188,997.2

The following chart shows the distribution of expenditures by major asset category:

2007 Capital Budget Gross Expenditures \$196.4 Million



The following chart shows the funding sources for the 2007 Capital Budget.



During 2007, Mississauga is starting several key projects. Some of these projects are being phased in over several years. Highlights are as follows:

- \$16.8 million for the Office Accommodation program with a further \$4.7 million projected in each of the next three years. This medium range plan will provide for the phased expansion and realignment of space necessary to meet existing space shortfalls;
- \$12.0 million of the initial investment in the Highway 403/Eglinton Bus Rapid Transitway. Gross funding for this project is projected at \$211.6

million between 2007 and 2011 and will be jointly funded from GO Transit and the federal and provincial levels of government. This initial phase will provide funding for an operational plan, land acquisition and preliminary design;

- \$1.8 million is being invested in a study to look at alternative higher forms of transit along the Hurontario corridor; and
- \$0.9 million for design of the renovation of two recreational facilities – Vic Johnston Arena and River Grove Community Centre fitness and aquatic amenities.

Highlights of 2007 ongoing programs are as follows:

- \$31.0 million for bus acquisitions – 35 replacement and 15 growth
- \$23.4 million for road rehabilitation
- \$19.3 million for major roads and related works
- \$15.9 million for parkland acquisition, development and facility installation
- \$9.7 million for storm drainage
- \$5.0 million for new and replacement information technology applications, including Call Centre consolidation
- \$3.0 million for park redevelopment and maintenance
- \$2.9 million for Bicycle Pedestrian System
- \$1.8 million for the renovation of the existing gymnastics club at Mississauga Valley Community Centre

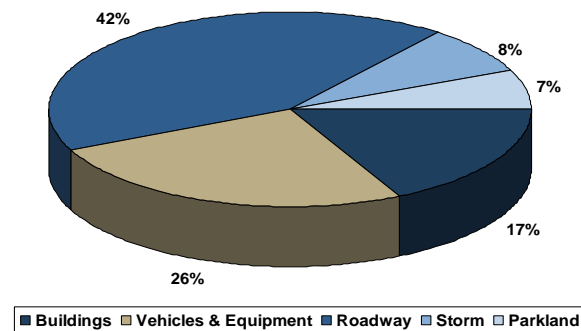
A summary and details of the 2007 Recommended Capital Budget can be found in Appendix 3 – 2007 Summary of Capital Projects tab or within each Department’s Capital Section of the Budget Book.

2007 - 2016 Capital Forecast Highlights

Departments (\$ millions)	Gross Cost	Subsidy/ Recovery	Net Cost
Community Services	281,001.8	9,505.6	271,496.2
Corporate Services	220,006.2	0.0	220,006.2
Transportation & Works	1,239,268.0	135,176.0	1,104,092.0
Total	1,740,276.0	144,681.6	1,595,594.4

The following chart shows the distribution of expenditures by major asset category.

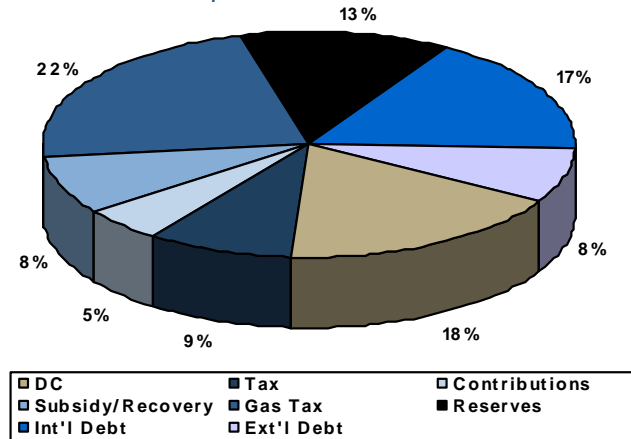
2007 – 2016 Capital Budget Gross Expenditures \$1.74 Billion



The following chart shows the funding sources for the 2007-2016 Capital Program.

2007 -2016 Total Funding

\$1.74 Billion



During 2007 to 2016, Mississauga is planning several key capital projects, some of which are being started in 2007.

Details are as follows:

- \$211.6 million of the initial investment in the Highway 403/Hurontario Bus Rapid Transitway (BRT) of which the City's portion is \$64.2 million;
- \$31.9 million for the renovation of various community centres;
- \$30.9 million for the Office Accommodation program over the of the next four years;

- \$30.0 million is being invested in transit priority measures and upgraded passenger facilities along Hurontario;
- \$30.0 million for the construction of the Fire Training and Mechanical Centre
- \$30.0 million for a second Transit satellite facility to accommodate the proposed expansion of the transit fleet;
- \$15.3 million for the renovation of various libraries;
- \$11.4 million for the construction of an indoor soccer facility;
- \$3.5 million for the revitalization of the city centre to coincide with the "Placemaking" and "My Mississauga" initiatives; and
- \$2.5 million for the implementation of self-service technology in the libraries.

Highlights of 2007 to 2016 routine capital projects are as follows:

- \$266.8 million for new and replacement bus acquisitions, including 15 new sixty foot buses for the BRT;
- \$239.7 million for road rehabilitation;
- \$159.5 million for major roads and related works;
- \$77.0 million for storm drainage;
- \$72.9 million for major facility maintenance;
- \$40.5 million for traffic signals and streetlighting;
- \$45.0 million for parkland acquisition;
- \$37.7 million for park redevelopment and maintenance including equipment;

- \$33.1 million for new and replacement information technology applications;
- \$21.7 million for parkland development and the construction Bicycle/Pedestrian trails;
- \$21.2 million for replacement of fire pumpers, aerial trucks and other vehicles;
- \$17.7 million for bridge and culverts;
- \$16.7 million for information technology applications upgrades; and
- \$12.0 million for urban forestry of which over 60% relates to planting of infill or new street trees.

Capital Reserve Fund Balances

Revenue Projections

New Development Charge rates were approved by Council on July 7, 2004 and the Ontario Municipal Board (OMB) approved the appeal settlement in January, 2005 based on negotiations with developers. Development Charges By-law rates are adjusted on a semi-annual basis, for increases in the Construction Price Index. The Development Charge revenues included in the 2007-2016 Capital Program reflect these revised rates for the ten year period.

Under the *Development Charges Act, 1997*, the city's Development Charges By-law must be revised every five years. As we are unable to predict the rate changes likely to result from the next scheduled 2009 Development Charges By-law review, these impacts have not been incorporated into the revenue projections used.

The City's tax based reserve funds, used to fund infrastructure maintenance projects, include a Capital Reserve Fund as well as 7 subsidiary reserve funds as follows:

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

In addition to these Reserve Funds, other tax based reserves have been established for other specific projects such as the non-growth portion of the Fire Training Centre, Courtney Park Turf/Synthetic Track and BraeBen Golf Course.

As a result, the City's existing transfer from operating to capital in 2006 was \$9.6 million. It is recommended that this amount be increased by \$3.6 million in 2007 and by \$500,000 every year thereafter. The rationale for this recommendation is two fold:

1. The City's existing contribution to capital from the operating program is relatively low given the size of

our capital budget (especially our replacement needs); which is non growth related;

2. Increasing the contribution will reduce future projected debt requirements and ultimately result in lower costs and lower tax increases in the future.

The Capital Reserve Fund will receive transfers from the operating budget of \$13.2 million per year (in 2007) increasing

by \$0.5 million per year from 2008 to 2016 as shown in the chart below. As tax based spending is over \$80 million per year on average, the annual shortfall must be funded either from reserves or, when reserves are depleted, from debt. Over 2007 to 2016 period, the total transfer from the operating budget to capital will be \$154.5 million.

Summary of Capital Transfers from the Operating Budget (\$ millions)										
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
\$13.2	\$13.7	\$14.2	\$14.7	\$15.2	\$15.7	\$16.2	\$16.7	\$17.2	\$17.7	\$154.5

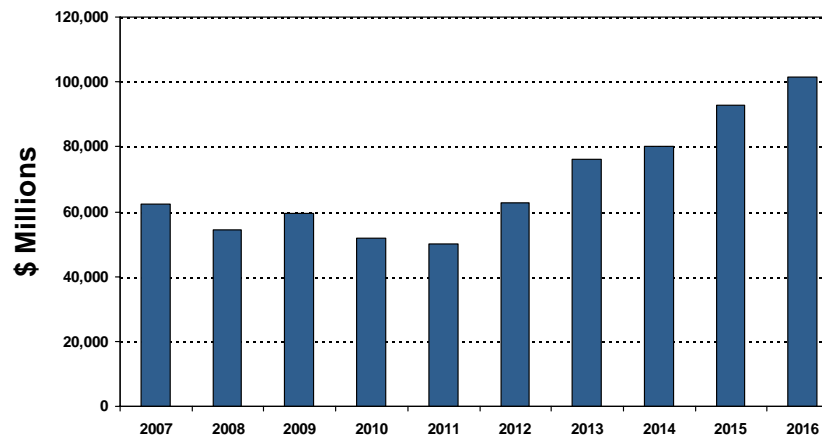
Development Charge Reserve Fund Balances

With respect to growth-related development financing, sufficient funding is not immediately available from every source for the recommended capital projects. The need to provide services in advance to an area not yet fully populated is necessary in several instances. Funding these projects may create a short-term negative fund balance in any one Development Charge Reserve Fund which is expected to be recovered from future growth.

By combining the projects within the 10 year capital forecast with the related revenue projections, an annual estimate of Development Charge Reserve Fund balances is generated.

The following chart shows the total balance in the Development Charge Reserve Funds over the next ten year period.

Summary of Development-Based Capital Reserve Funds – Closing Balances



Development charge reserve funds will remain in a positive balance throughout the 10 year forecast period although future shortfalls have been identified for a few specific services. These include:

- Fire Services
- Recreation and Parks
- General Government

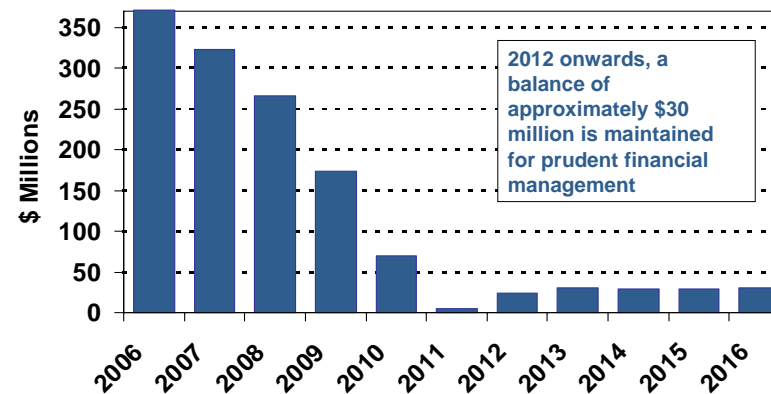
Staff will continue to monitor these reserve funds and related project costs. It may be necessary to amend our Development Charge By-law or introduce a new By-law before 2009 in order to deal with the impending deficits for these three services.

Tax Based Maintenance Reserve Fund Balances

Mississauga prepares the tax-based financing plan assuming an inflationary increase of 2% per year. As such the tax funded portion of the Capital forecast of \$809 million is inflated to \$877 million. This inflation adjusted expenditure requirement forms the basis for the remainder of the analysis.

As illustrated in the following chart, the tax-based reserve fund balances will be drawn to approximately \$30 million per year by 2010. This is the minimum balance that is targeted to be maintained in its tax-based reserve funds. As a result, the future capital forecast must be carefully reviewed each year. Capital needs must be critically evaluated to ensure a correct balance between capital project spending relative to the tax rate increases.

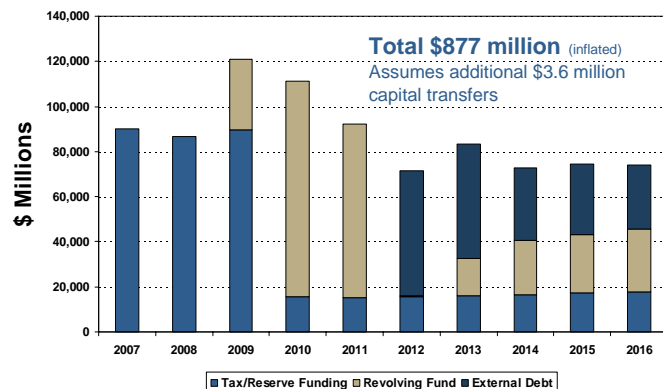
Summary of Tax-Based Capital Reserve Funds



Non-Growth Based Funding

When the tax-based project costs are adjusted for inflation and combined with the City's funding strategy, the financing plan outlined in the graph below is needed. In this model, the tax based reserve funds are fully depleted to their minimum level by 2009. The principal balance of the revolving fund is depleted in 2011 with interest and principal repayments being the only source of funding for future years. External debt financing becomes the primary source of funding for tax-based capital expenditures from 2012 onward. With the \$3.6 million proposed for 2007 and the additional \$0.5 million proposed to be invested in capital each year, therefore, the issuance of external debt can be deferred by one year to 2012 as compared to the outlook in the 2006 – 2015 Capital Budget.

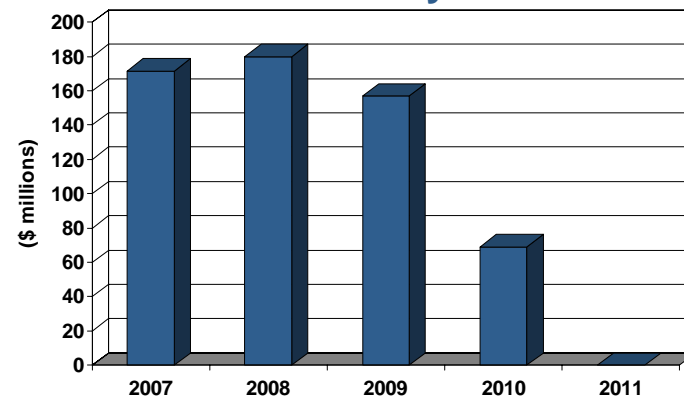
Funding Sources 2007 to 2016 Projects



Internal and External Long-Term Debt

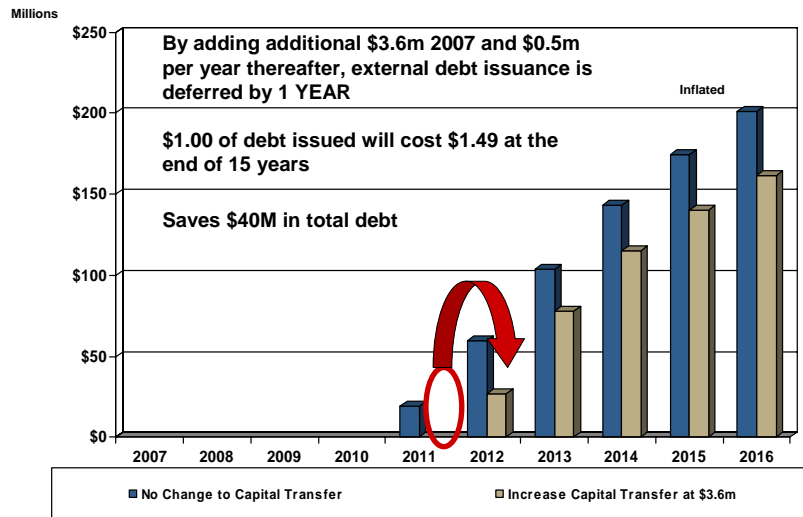
Under the new capital financing strategy, the revolving fund will be used as a self-sustaining, internal borrowing fund. Funds borrowed would be repaid (principal and interest) through property taxes. The following chart shows the outstanding balance of the Revolving Fund year by year. At the end of 2011, the principal portion of the revolving fund would be depleted. Only the principal and interest repayments are available as a source of future funding. These proceeds are then re-invested in the capital forecast as a source of financing.

Capital Revolving Fund Balance Issued over 15 years



As the principal portion of the revolving fund is depleted, the City must issue external debt to finance the capital program. The following chart shows the cumulative value of outstanding external debt over the next 10 years. As the chart below demonstrated the additional \$3.6 million in 2007 and an additional \$0.5 million per year invested thereafter in capital each year has resulted in the deferral of the issuance of external debt by one year to 2012 and reduces overall debt levels by \$40 million.

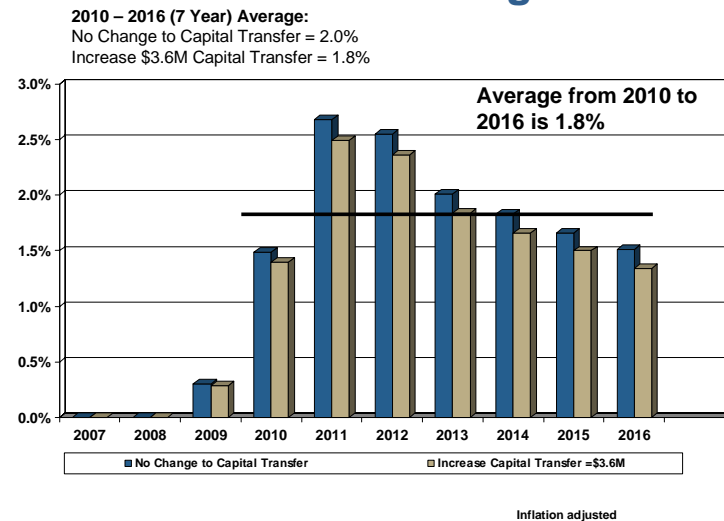
External Debt Balances



Capital Program - Forecast of Future Tax Increases

The city's capital financing strategy includes the use of existing reserve fund balances and internal and external debt financing. Based on these financing principles the chart below shows the resulting annual tax increase required to fund the capital forecast.

Tax Rate Increases Required to Fund Debt Charges



As the issuance of internal or external debt necessitates a repayment schedule, the above chart shows the tax rate increases necessary in each year to support the recommended

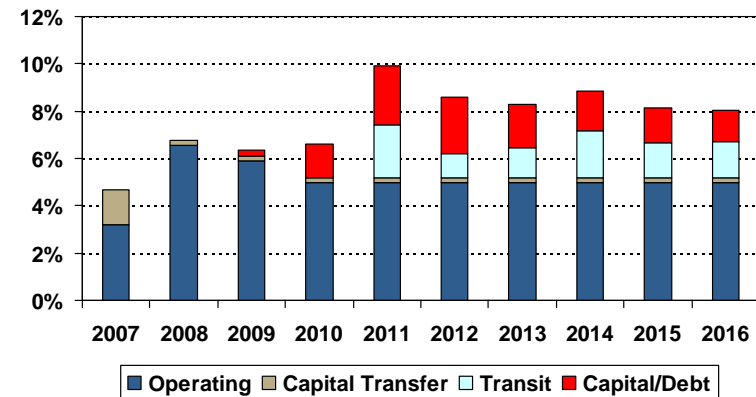
capital program. Mississauga has several options as to how the financing of the capital program will affect taxes. The tax impact of the debt issuance would mean an annual average tax increase of 1.8% for the seven years beginning in 2010.

Alternatively, Mississauga could increase taxes in the earlier part of the period with the knowledge that the increases in the latter part would be lower. The tax impacts of financing the capital program will need to be added to the operating tax increases to determine the final total impact on Mississauga residents and businesses.

Conclusions

Mississauga is at a pivotal point in its development. As funding for the City's budget changes from focusing on servicing new growth to focusing on maintaining existing infrastructure and services, the decisions and trade-offs will become more challenging. In future years, the impact of cost increases within operating programs will need to be combined and balanced with capital infrastructure maintenance needs. In order to determine the total tax increase, both the capital and operating (including transit) impacts, must be examined. The following chart shows the forecasted tax increases.

Long Term Operating Outlook – Required Tax Rate Increase



Conclusion

While Mississauga's capital financing strategy is designed to meet the city's long term infrastructure needs, there are several significant implications from implementing this strategy:

- Future taxes will rise;
- Existing tax-based capital reserve funds will be reduced to \$30 million, which represents a substantial decline from current levels and the minimum level of acceptable funding; to be preserved; and
- External debt will be required to fund future years' capital programs beginning in 2012.

Clearly stable, sustainable, long-term funding is required from the Federal and Provincial Governments especially for major strategic investments such as transit expansion and road rehabilitations as well as injections of special funding to support vital investments such as rapid transit. As this funding is primarily restricted to capital expenditures, there may be substantial impacts on the operating budgets of municipalities from these capital programs.

More importantly, the Province must reduce its heavy reliance on the property tax base to fund health, social services, education and housing programs and services so that funds are freed up for municipalities use to address ongoing service pressures and funding shortfalls. These improvements are crucial components to any "New Deal" so that municipalities

can have the adequate resources needed to deal with Canada's widening infrastructure gap.

In addition, given these future financial implications, the City must review its capital forecast and financing priorities. For the 2008 Budget process, staff will implement a new capital budget prioritization tool. Difficult choices will be required as Council deals with competing demands for limited resources.