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cityofmississauga2008budgetandbusinessplan

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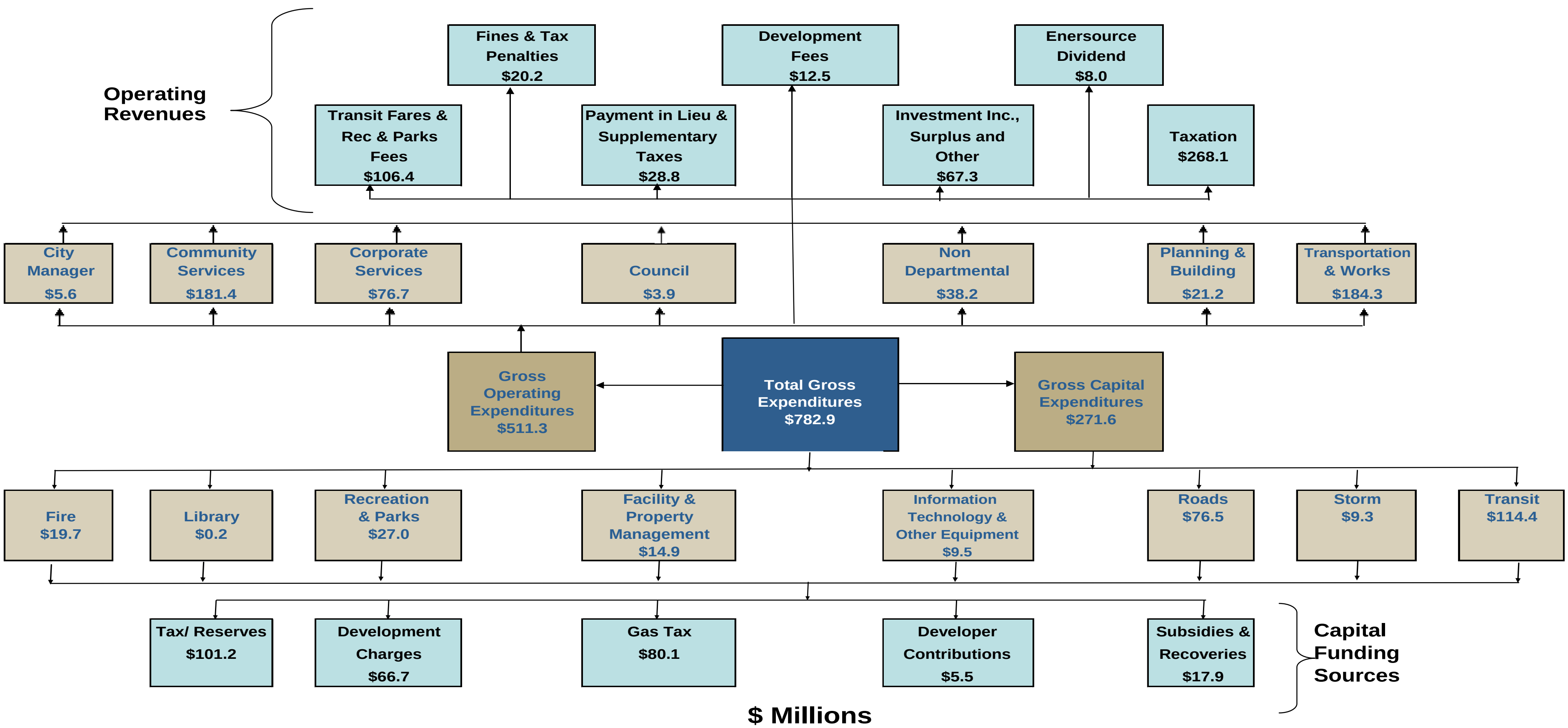
Introduction

Mississauga's 2008 Budget and Business Plan, comprised of both the operating and capital budgets, totals $782.9 million in gross and $521.8 million in net expenditures.



The Mississauga 2008 Budget process began with preliminary operating cost pressures of over $17 million equating to a potential tax rate increase of 6.7 % (net of assessment growth). City staff refined estimates and identified efficiencies, cost savings and revenue opportunities in order to reduce the tax rate increase required to support ongoing operations to $10.1 million or 3.9% after provision for assessment growth of 1.0%.

The impact of this tax increase on a homeowner who owns a single, detached dwelling with an average assessment of $365,000 is an additional $39.33 in taxes. For a condominium with average assessment of $204,000, it will be $21.98. The following chart shows the incremental taxes for a range of residential assessed values:

Increase in City Taxes: 3.9%

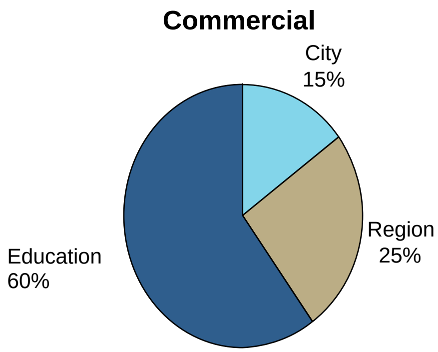
Assessment Values	$250,000	$300,000	$350,000	$400,000	$450,000	$500,000
2007 Taxes	$690.78	$828.94	$967.09	$1,105.25	$1,243.40	$1,381.56
Additional Taxes for 2008	$26.94	$32.32	$37.71	$43.10	$48.49	$53.88

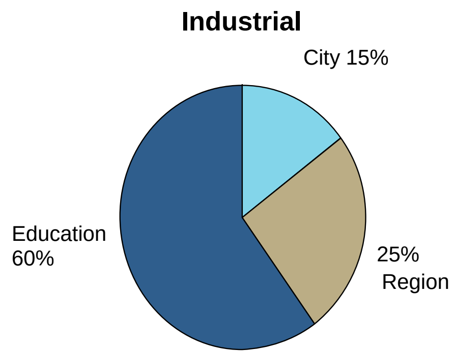
As commercial properties can vary greatly in their assessed value, a small retail store, a small office building (such as a medical building) and a large office building have been selected to illustrate the 2008 tax impact as follows:

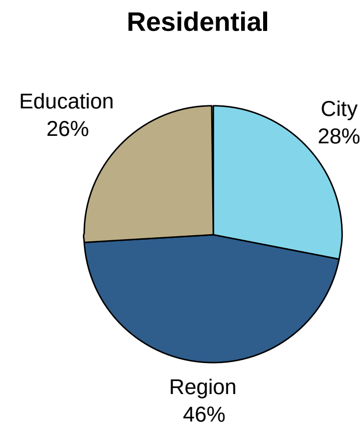
	Retail Store	Small Office Building	Large Office Building
Assessment Values	$500,000	$1,500,000	$9,500,000
2007 Taxes	$1,947.75	$5,843.24	$37,007.16
Total Additional Taxes for 2008	$75.96	$227.89	$1,443.33

* Based on assessed values as of 2005

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:







At the time of preparing the budget book, information regarding regional and educational tax increases is unavailable so we are not able to present the total property tax impact for 2008, incorporating changes in all three tax components.

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

2008 NET BUDGET BY SERVICE

	2007 Restated Budget	2008 Requested Budget	$ Change	Tax Rate %
	$	$	$	%
SERVICE EXPENDITURES				
Arts and Culture	442,300	866,400	424,100	0.2%
Business Services	35,982,800	39,027,400	3,044,600	1.2%
Corporate Assets	27,206,900	27,507,600	300,700	0.1%
Community Grants	2,445,900	2,445,900	0	0.0%
Departmental Business Services	12,261,200	12,999,000	737,800	0.3%
Financial Transactions*	(25,733,600)	(35,824,600)	(10,091,000)	-4.0%
Fire and Emergency Services	70,534,500	73,640,600	3,106,100	1.2%
Land Development Services	38,200	2,080,700	2,042,500	0.8%
Legislated Services	(2,159,600)	(1,845,000)	314,600	0.1%
Library	20,618,400	21,428,100	809,700	0.3%
Mayor and Council	3,751,500	3,925,100	173,600	0.1%
Recreation and Parks	28,965,100	32,340,000	3,374,900	1.3%
Regulatory	(217,100)	1,700	218,800	0.1%
Roads, Storm Drainage and Watercourses	46,904,900	49,896,200	2,991,300	1.2%
Strategic Policy	4,689,300	5,243,800	554,500	0.2%
Transit	29,775,700	31,828,100	2,052,400	0.8%
NET SERVICE IMPACT	**255,506,400**	**265,561,000**	**10,054,600**	**3.9%**

* Includes 1.0% or $2.5million in assessment growth
Numbers may not add due to rounding

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, stagnant revenue growth, higher social service costs, limited support from Federal and Provincial governments and rising infrastructure needs are contributing factors. Since 2000, property tax increases in Southern Ontario municipalities have ranged on average between 5% and 10% annually, well above rates of general inflation. Despite having successfully managed with a zero tax increase between 1990 and 2001 (12 years), the City of Mississauga is also experiencing budgetary pressures which are forcing tax increases above inflation.

Into the foreseeable future, Mississauga will be dealing with issues related to a growing city. Although much of our green field development is completed, we continue to grow through intensification and redevelopment within our existing communities and neighbourhoods. This change, combined with growth in surrounding municipalities, has lead to escalating traffic gridlock. Transportation was identified as the single largest issue facing Mississauga in a recent survey of our residents. Issues specifically related to land use intensification and mixed use developments further compound the challenges.

With gridlock a big concern for Greater Toronto Area (GTA) residents, municipalities across the GTA are examining ways to allow for the efficient movement of goods and services. The large investments in infrastructure, combined with a healthy economic environment, have contributed to escalating prices and competition in the marketplace. Whether discussing new staff, contracted services or construction costs, Mississauga is experiencing significantly higher costs for the necessary inputs to maintain or improve our services as required.

From a longer term perspective, Mississauga is struggling to ensure that our existing infrastructure, built mainly in the late 1970's and early 1980's, is properly maintained. Mississauga has an estimated $7.7 billion worth of assets. These roads, bridges and buildings, originally paid for by developers, are nearing the end of their useful life or require significant capital maintenance costs. Over the next 20 year time horizon, approximately 80% of all the city's roads will need to be rehabilitated assuming a 25 year average life span. As our road network makes up about 70% of the city's total infrastructure, the financial challenges facing Mississauga in the longer term planning horizon are substantial.

Addressing Mississauga's Infrastructure Deficit

In the economic statement delivered on October 30th by Finance Minister Jim Flaherty, the federal government announced a 1% reduction in the Goods and Service Tax (GST) as well as reductions in personal and business income taxes. These reductions result in about a $600 savings for the average Mississauga household. While the federal government is well aware of the estimated $60 to $100 billion in municipal infrastructure funding shortfall across the country, they failed to implement any programs that would provide relief to struggling municipalities. At this time, Council is in receipt of a report which examines the impact of increasing property taxes by an additional 5% in 2008 to help begin to address the City's long term infrastructure funding needs. A 5% increase equates to an additional $12.75 million per year in contributions to capital replacement reserves. With a longer term infrastructure deficit estimated at $1.5 billion over the next 20 years or $75 million per year, the additional $12.75 million is but a small portion of the increased sustainable funding that will be necessary in order to ensure Mississauga's infrastructure is maintained for the future.

Financial Health of the City of Mississauga

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 2007 Annual Repayment Limit, provided by the Ministry of Municipal Affairs and Housing is $102 million which would support just over $1.0 billion in debt. Since the City has no debt, this Annual Repayment Limit is not utilized at this time. However, in order to address future infrastructure funding needs, the City is forecasting internal borrowing and external debt financing in the 2008-2017 Capital Program totalling $258 million. Even with external debt, Mississauga will still have over $250 million in unfunded capital project requirements over the next ten years.

Based on a recent financial review by Standard & Poor's, 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 12th municipality to earn this coveted rating. Although Standards & Poor's confirmed the City's high credit rating, it did note some concerns with the projected rapid depletion of tax-based capital reserve funds combined with debt requirements in the future.

Mississauga has limited tools available to manage its finances in the future. Although Mississauga's debt free status and high credit rating will assist in addressing the City's growing infrastructure needs, upcoming challenges will still be significant. Tax increases and assistance by senior levels of government will be required to fund the forecast capital program requirements in the next ten years.

Budget Assumptions

The net funding 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 as required under the *Municipal Act*, wherein Ontario municipalities are prohibited from running an operating deficit.

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

- twice a 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;
- a detailed analysis is prepared highlighting any year end budget variances; and
- in preparation for the upcoming budget, operational staff review financial performance to assist in the preparation of estimates of upcoming pressures and opportunities for the next three years.

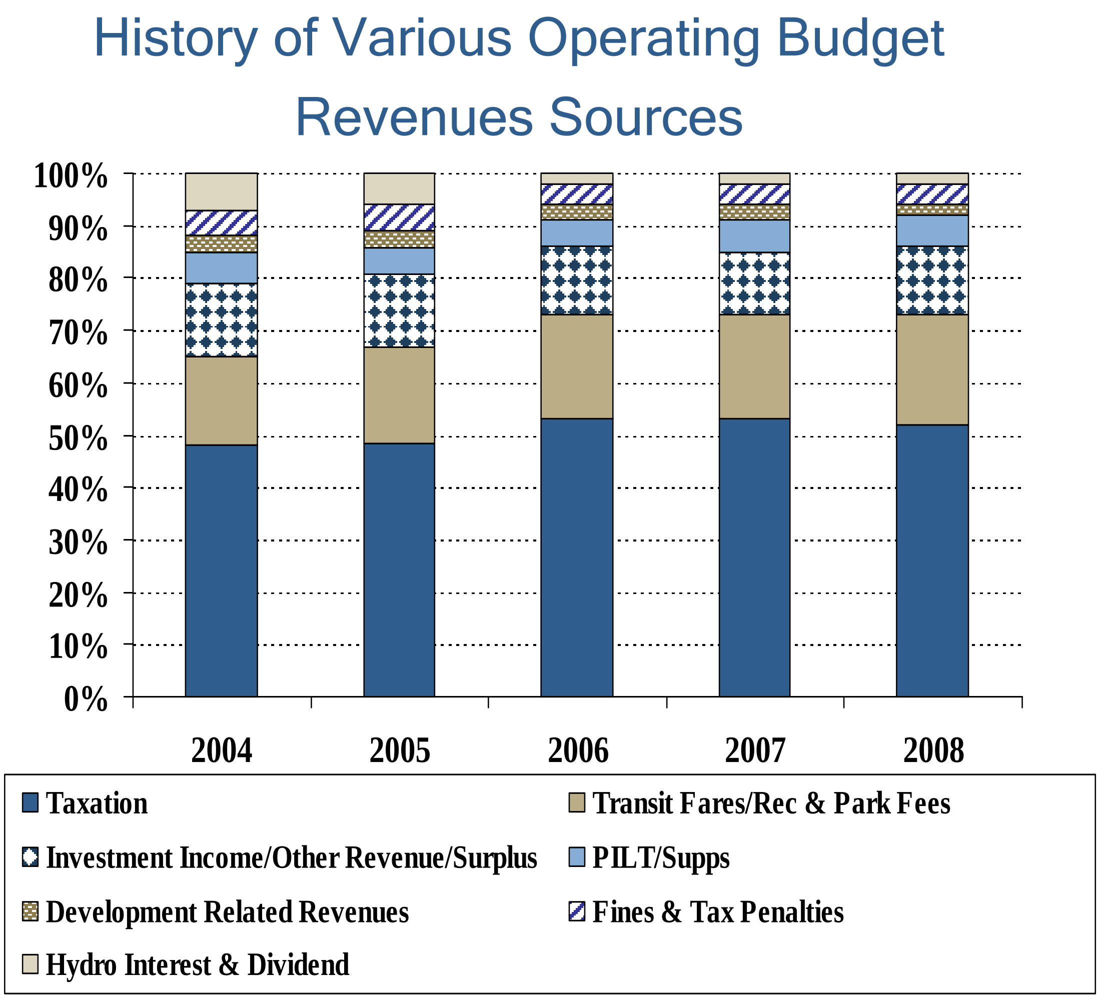
The information gathered through these reviews forms the basis of the funding requirements for the upcoming year and related tax rate increases.

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 years' trends, estimated rate increases for the upcoming year and market factors, realistic budgets are developed for the numerous revenue sources. Major revenue-related assumptions used in the 2008 Operating Program are as follows:

- As the Municipal Property Assessment Corporation (MPAC) is upgrading their computer system, the new roll return cut off date has advanced to October 24 which has reduced the level of the assessment growth from 1.5% to 1.0%. Some assessment growth will be reflected in additional supplementary revenues in 2008 rather than on the 2007 year-end assessment roll as a result of this earlier cutoff.
- Provincial sharing of gas tax collected on gasoline sales used to offset the cumulative operating costs of transit expansion and service improvements for 2005 to 2011;
- Individual recreation rate increases vary, but an average rate increase of 2.5% was assumed;
- 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;
- Where noted, revenues may be revised based on forecasted results in 2007 which are expected to continue into 2008;
- Returns on short term investments are estimated at 4.15% 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 2007.

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



In the preparation of the Budget, the impacts of declining growth are and will be closely monitored. The following operating revenues are generated from growth:

- Building permits; and
- Planning and Subdivision fees.

With the exception of a $500,000 reduction in building permit fees, Mississauga is not forecasting any significant decreases to these revenue sources in the 2008 Budget. 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, adjusting expenses or subsidizing any shortfalls from reserves. These revenue sources will continue to be monitored in the upcoming years.

As a result of 2007 reduced assessment growth, the 2008 supplementary revenues have been increased by $1.25 million to account for the revenues foregone in 2007 due to the early roll return cut off date.

Lastly Mississauga has revenue sources which are roughly linked to the health of the economy – in particular transit fares and Payments In Lieu of Taxes (PILT's) for Pearson International Airport (PIA). The 2008 Budget includes $61.9 million in transit fares and $17.8 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 2008. Major expenditure assumptions used in the 2008 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 2008 Budget includes a provision for a diesel fuel purchase price that averages about $0.83 cents per litre; 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 such as utilities.

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	$2.1	0.9%
1% PMP and Union Step Progression Increase	$1.4	0.5%
1 Extra Working Day in Year	$1.1	0.5%
Upset Limit of CPP increase from $43,700 to $45,400	$0.4	0.2%
Major Medical & Dental Benefits 5% Rate Increase	$0.7	0.4%
Long Term Income Protection Plan Benefit – 10% Rate Increase	$0.4	0.2%

Labour comprises 70% of the city's gross expenditures, and thus, even small percentage increases in this expenditure area have a large impact on the Budget funding requirements.

Approximately 52% of the city's full time staffing complement of 3,868 is covered under one of 11 different collective agreements. Estimated labour and fringe benefit rate changes for each union group are incorporated into the budget. Labour cost adjustment estimates are also included for the remaining 48% non-unionized staff.

It should be noted that the Province recently enacted a new statutory holiday for February called Family Day. At the time of printing this budget, estimates are still being refined but staff believe that the cost could range from $650,000 to $1,000,000. A contingency has been incorporated into the 2008 Budget to provide for this additional expense.

2008 Recommended Operating Program Highlights

Budget Objectives

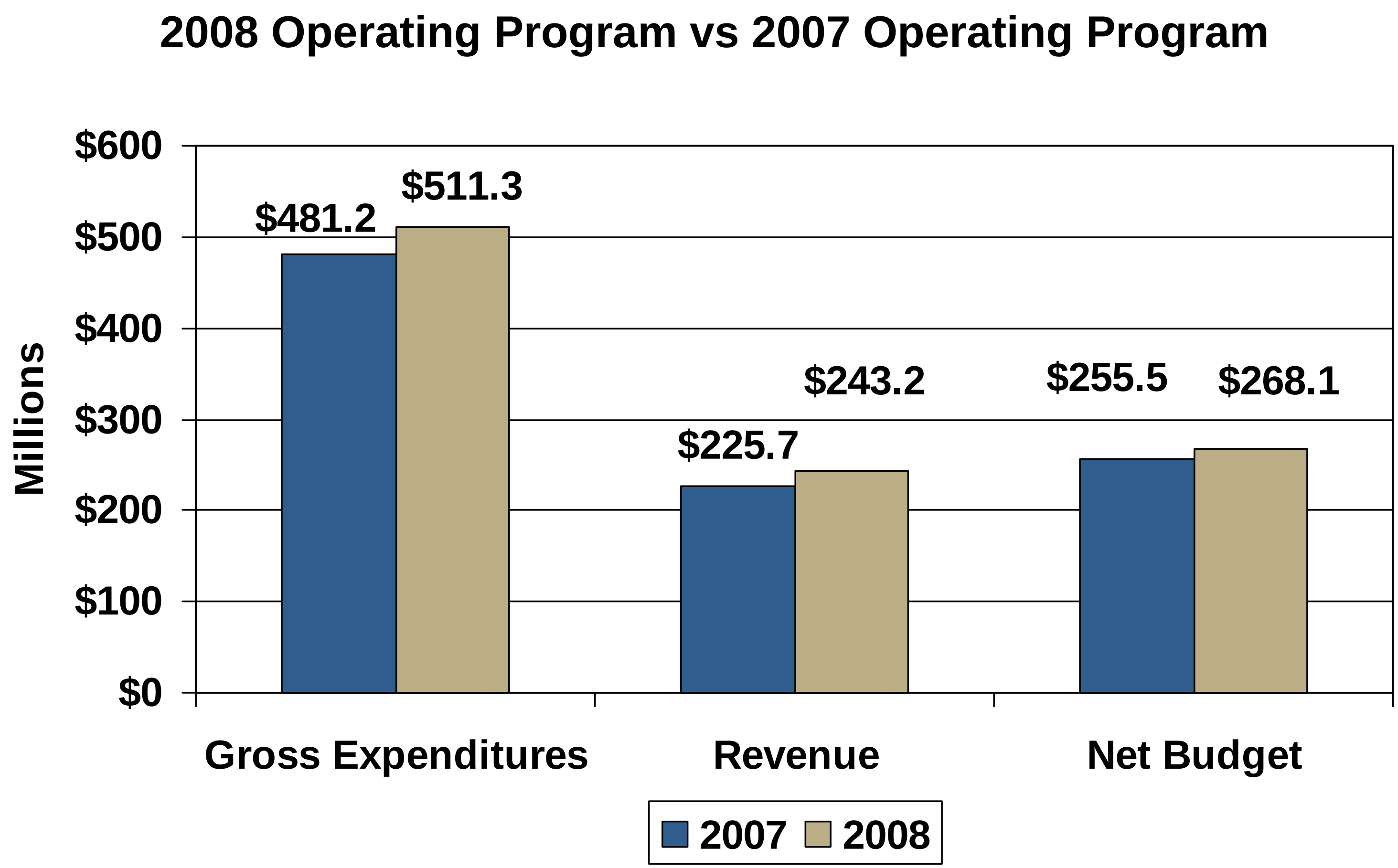
Given that resources are limited, the priorities for 2008 are to provide for the costs of operating new and existing facilities, maintain existing capital infrastructure, and continue to provide current service levels, all within a moderate tax rate increase. Key goals of the 2008 Budget include:

- Invest resources to continue to implement the City's four Strategic Priorities:
  - Building a City for the 21st Century
  - Building a Sustainable Business Plan
  - Continue to be an Employer of Choice
  - Focus on Leadership
- Expand transit, improving our service and growing ridership.

Specific important investments being proposed in the 2008 budget include:

1. Funding for the new arts strategy;
2. Improved community planning and related studies;
3. Various environmental improvements such as using bio-diesel fuel and recycling in parks; and
4. Undertaking an ambitious public consultation for the preparation of a new strategic plan for the City.

The chart below compares Mississauga's gross and net operating programs for 2007 and 2008.



Budget Categories

Changes to the 2008 Operating Program have been classified into various categories. Brief descriptions of each one are as follows:

2008 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 include costs increases to ensure 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 Changes have been categorized as follows:

Program Changes – These are services which are added or being increased or expanded beyond the level that the City currently provides as well as any new staff complement positions which are not otherwise covered in the following three categories.

New Revenues – These are new revenues from implementation of new programs or services, new fees for existing services that result from a change in 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 and Reserve Transfers – 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. Also included in this category is the increased use of reserves to offset expenditures which reduces the required tax rate increase.

For each service any budget items which fall into any of the categories, other than Base Changes, will have a sheet at the end of the operating service budget presentation which provides detailed information about each individual initiative or new staff request.

Labour Costs

When compared to the 2007 Budget, the 2008 labour budget has increased $24 million. This increase is comprised of changes to the base of $18.5 million including annualization of staff added during 2007. The remaining increase of $5.8 million is comprised of new staff being added during 2008. Offsetting costs or additional revenues associated with new positions have been included in the base change category. The costs associated with Family Day are under review, and will be funded from the Labour Contingency or Reserve.

Corporate Operating Budget Summary

The following table summarizes the 2008 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

	2007 Restated Budget	2008 Requested Budget	Change in 2008 Requested Budget To 2007 Restated Budget	
	$	$	$	%
EXPENDITURES				
LABOUR COST	**331,458,600**	**355,442,800**	**23,984,200**	**7.2%**
Staff Development Costs	1,665,800	1,813,800	148,000	8.9%
Communications Costs	2,500,400	2,655,000	154,600	6.2%
Transportation Costs	20,953,400	22,488,100	1,534,700	7.3%
Occupancy & City Costs	25,773,700	26,234,100	460,400	1.8%
Equipment Costs & Maintenance Agreement	6,567,800	7,237,100	669,300	10.2%
Contractor & Professional Services	35,658,400	39,112,200	3,453,800	9.7%
Advertising & Promotions	2,331,100	2,282,200	(48,900)	-2.1%
Materials, Supplies & Other Services	21,528,700	21,607,600	78,900	0.4%
Finance Other	8,026,800	7,970,400	(56,400)	-0.7%
Transfers	24,709,400	24,478,500	(230,900)	-0.9%
Debt	0	0	0	0.0%
OTHER OPERATING EXPENSES	**149,715,500**	**155,879,000**	**6,163,500**	**4.1%**
TOTAL EXPENDITURES	**481,174,100**	**511,321,800**	**30,147,700**	**6.3%**
REVENUES				
Supplementary Railway & Corridors	(4,911,100)	(6,126,100)	(1,215,000)	-24.7%
Payments in Lieu	(22,508,800)	(22,745,500)	(236,700)	-1.1%
Grants	(2,082,900)	(2,154,200)	(71,300)	-3.4%
Fees & Service Charges	(95,156,800)	(102,780,100)	(7,623,300)	-8.0%
Licenses & Permits	(16,656,200)	(16,356,700)	299,500	1.8%
Rents, Concessions & Franchise	(18,410,900)	(20,644,700)	(2,233,800)	-12.1%
Fines	(13,967,500)	(14,530,600)	(563,100)	-4.0%
Penalties & Interest on Taxes	(5,690,000)	(5,690,000)	0	0.0%
Investment Income	(11,203,500)	(14,203,500)	(3,000,000)	-26.8%
Other Revenue	(17,619,800)	(20,442,900)	(2,823,100)	-16.0%
Transfers	(17,460,200)	(17,586,500)	(126,300)	-0.7%
Long Term Liabilities	0	0	0	0.0%
TOTAL REVENUES	**(225,667,700)**	**(243,260,800)**	**(17,593,100)**	**-7.8%**
NET TAX LEVY	**255,506,400**	**268,061,000**	**12,554,600**	**4.9%**

Note: Assessment growth of 1% results in a City tax increase of 3.9%.

2008 Recommended Operating Program by Department and Service

The 2008 recommended departmental net budget by department is as follows:

	2006 Actual	2007 Restated Budget	2008 Base Budget	2008 Program Changes	2008 New Revenues	2008 Service Level Adjustments	2008 Efficiencies & Reserve Transfers	2008 Requested Budget	Change in 2008 Requested Budget to 2007 Restated	
	$	$	$	$	$	$	$	$	$	%
Department										
City Manager's	3,347,009	4,249,900	4,414,600	517,200	0	0	0	4,931,800	681,900	16.0%
Planning & Building	1,750,515	2,438,100	3,590,500	1,278,200	0	0	0	4,868,700	2,430,600	99.7%
Transporation and Works	71,440,528	83,779,100	88,495,900	1,391,300	(743,700)	0	0	89,143,500	5,364,400	6.4%
Corporate Services	54,949,612	60,448,400	64,660,900	719,500	0	0	(1,166,200)	64,214,200	3,765,800	6.2%
Community Services	116,617,990	124,310,900	131,282,900	1,106,400	(386,100)	37,000	0	132,040,200	7,729,300	6.2%
Mayor and Council	2,943,209	3,751,500	3,925,100	0	0	0	0	3,925,100	173,600	4.6%
Non Departmental	(13,420,667)	(23,471,500)	(30,951,600)	0	0	0	(110,900)	(31,062,500)	(7,591,000)	-32.3%
NET PROGRAM IMPACT	**237,628,197**	**255,506,400**	**265,418,300**	**5,012,600**	**(1,129,800)**	**37,000**	**(1,277,100)**	**268,061,000**	**12,554,600**	**4.9%**

Note: Assessment growth of 1% results in a City tax increase of 3.9%.

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

	2006 Actual	2007 Restated Budget	2008 Base Budget	2008 Program Changes	2008 New Revenues	2008 Service Level Adjustments	2008 Efficiencies & Reserve Transfers	2008 Requested Budget	Change in 2008 Requested Budget to 2007 Restated	
	$	$	$	$	$	$	$	$	$	%
SERVICE EXPENDITURES										
Arts and Culture	1,898	442,300	541,000	325,400	0	0	0	866,400	424,100	95.9%
Business Services	32,680,860	35,982,800	38,837,000	573,800	0	0	(383,400)	39,027,400	3,044,600	5.3%
Corporate Assets	24,222,832	27,206,900	28,241,400	49,000	0	0	(782,800)	27,507,600	300,700	1.1%
Community Grants	2,074,232	2,445,900	2,445,900	0	0	0	0	2,445,900	0	0.0%
Departmental Business Services	10,659,881	12,261,200	12,788,000	211,000	0	0	0	12,999,000	737,800	6.0%
Financial Transactions	(15,251,848)	(25,733,600)	(33,213,700)	0	0	0	(110,900)	(35,824,600)	(10,091,000)	-29.5%
Fire and Emergency Services	66,725,166	70,534,500	73,910,300	116,400	(386,100)	0	0	73,640,600	3,106,100	4.4%
Land Development Services	103,418	38,200	844,800	1,235,900	0	0	0	2,080,700	2,042,500	5346.9%
Legislated Services	(1,363,281)	(2,159,600)	(1,845,000)	0	0	0	0	(1,845,000)	314,600	14.6%
Library	18,639,296	20,618,400	21,428,100	0	0	0	0	21,428,100	809,700	3.9%
Mayor and Council	2,943,209	3,751,500	3,925,100	0	0	0	0	3,925,100	173,600	4.6%
Recreation and Parks	27,696,224	28,965,100	31,506,100	796,900	0	37,000	0	32,340,000	3,374,900	11.7%
Regulatory	(612,291)	(217,100)	(65,800)	67,500	0	0	0	1,700	218,800	100.8%
Roads, Storm Drainage and Watercourses	37,895,032	46,904,900	49,316,100	580,100	0	0	0	49,896,200	2,991,300	6.4%
Strategic Policy	3,360,506	4,689,300	4,901,600	342,200	0	0	0	5,243,800	554,500	11.8%
Transit	27,853,063	29,775,700	31,857,400	714,400	(743,700)	0	0	31,828,100	2,052,400	6.9%
NET SERVICE IMPACT	**237,628,197**	**255,506,400**	**265,418,300**	**5,012,600**	**(1,129,800)**	**37,000**	**(1,277,100)**	**265,561,000**	**10,054,600**	**3.9%**

* Note: Assessment growth of 1% results in a City Tax increase of 3.9%

Key Budget Changes for Ongoing Operations (Base Changes)

Included in the 2008 Operating Program are base budget (net) pressures of approximately $10 million with details provided below.

$12.4 million	Net increase in the cost of labour for existing staff including economic adjustments, performance awards, fringe benefit rate adjustments, and the new Family Day statutory holiday;
$4.6 million	Annualization of service improvements including expanded transit service implemented during 2007;
$1.0 million	Various planning studies such as Official Plan reviews including neighbourhood/ district plans;
$0.9 million	Increased costs of various road related activities including winter maintenance and traffic signal and utility cut maintenance. These increases also provide for a 1.5% growth component;
$0.6 million	Contract costs increases related to the maintenance of building systems and equipment including fire alarm systems and electrical code compliance;
$0.6 million	Increase in Recreation and Parks part time labour costs primarily due to the extension of one week in the spring and one week in the fall for seasonal parks maintenance and an increase in the part time benefit rates in line with corporate standards;
$0.6 million	Reduction in development based revenues mainly due to lower building permit revenue;
$0.5 million	Increased transfer to the capital program;
($3.1 million)	Transit fare increase resulting in $2.5 million in additional revenues as well as the annualization of the 2007 fare increase;
($3.0 million)	Investment income has increased as interest rates and the average daily balances available to invest have both risen;
($2.8 million)	Increase in Provincial gas tax revenues allocated to offset the annualization costs of the 2007 transit service expansion;
($0.7 million)	Increased site plan, rezoning and subdivision application fees, in line with actual 2007 performance;

($0.6 million) Increased rates for various recreational program fees;

($0.6 million) Net increase in the amounts received from other governmental bodies in lieu of paying property taxes primarily due to the increase in payments received for Pearson International Airport (PIA); and

($0.2 million) Increase in the operational costs and revenues of growth related facilities such as the annualization of the Churchill Meadows facility, the redevelopment of the Gymnastics Centre, the new Sports Complex and additional parkland. New staff associated with these new facilities is included in the program change section. Without the inclusion of user fees, the tax impact of these new facilities would otherwise have been $2.4 million.

New Services and Initiatives

In addition to the base budget changes, new services and initiatives (including all new staff requests) of $5.0 million are recommended. Highlights are as follows:

$2.5 million Transit service expansion which is offset by provincial gas tax revenue and fare increased revenues;

$1.5 million Various land planning and development staff across the corporation to maintain service levels and provide resources to conduct various studies including neighbourhood plan reviews;

$0.5 million New initiatives to support a cleaner environment such as parks recycling enhanced floral displays and two new staff to assist with research and promotion of various environmental initiatives;

$0.4 million Increased funding for resources needed to prepare the arts master plan, public art policy and promote arts and culture within the community;

$0.3 million Growth related costs including six new staff positions related to the “My Mississauga” initiative, redevelopment of the Gymnastics Centre and parkland maintenance.

$0.3 million New service and three new staff members for road related initiatives issues such as speed traffic and lane marking and removal. The additional staff will assist with utility cuts, traffic operations and storm drainage works;

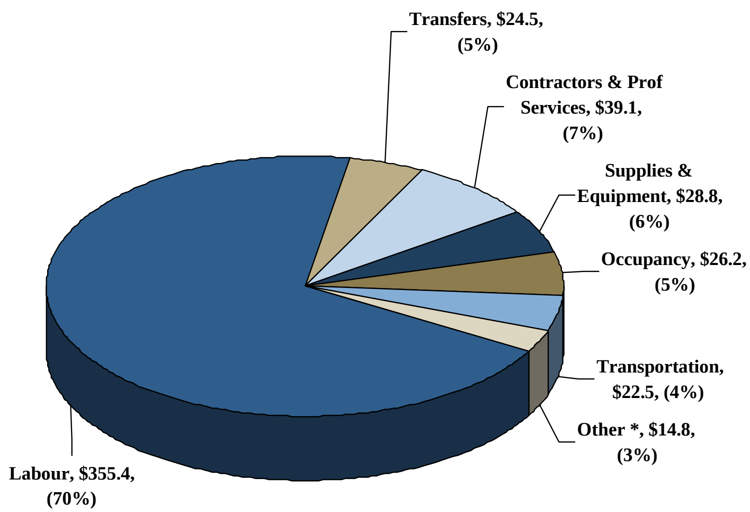
$0.2 million Three new fire staff as well as funding to prepare an emergency management strategy;

$0.1 million	Addition of three new positions to implement the Consolidated Call Centre;
$0.1 million	Net cost of a new Compliance and Licensing Officer and a Mobile Licensing Officer which are partially offset by additional revenues; and
$0.1 million	Three new staff members to implement and operate pay for parking initiatives.

The remaining costs primarily relate to new staff. A detailed listing of these items can be found in the Summary of Program Changes tab located at the beginning of this book

Operating Expenditure Highlights By Cost Category

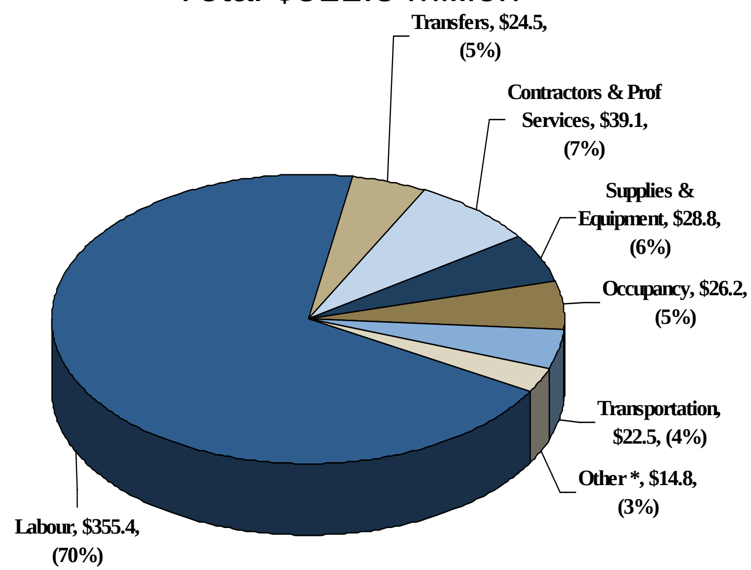
A break down of the major operating expenditure categories is as follows:



* Other includes Staff Development, Communications, Advertising and Promotions

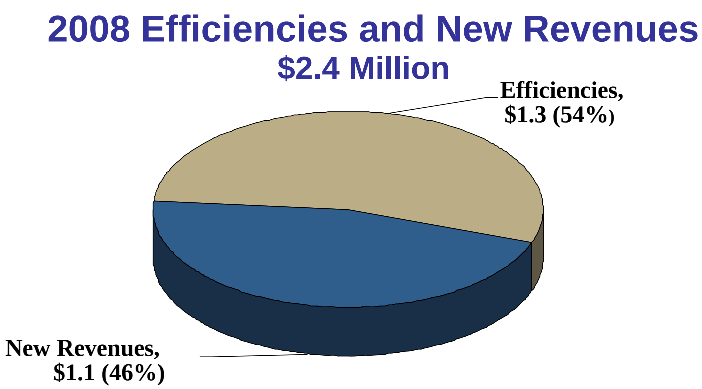
Operating Program Revenues

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



2008 Operating Program Reductions

The following chart shows the areas where adjustments were made to bring the tax increase down approximately 1% or $2.4 million. Details can be found in Appendix 2 – Summary of Program Changes tab.



Highlights of new revenues of $1.1 million are as follows:

$0.7 million Additional transit fare revenue associated with the new service being added in 2008;

$0.3 million New charge for fire response to motor vehicle accidents involving Mississauga residents; and

$0.1 million New charge to school boards for fire false alarms.

Highlights of cost saving efficiencies of $1.3 million are as follows:

$0.8 million Savings in gas and electricity costs resulting from energy retrofits, conservation and the use of leading edge open market purchase strategies;

$0.4 million Information Technology (IT) savings resulting from hardware and software simplification and consolidation strategies; and

$0.1 million Savings related to the new banking contract.

2008 Staffing Summary

This section provides an overview of 2008 staffing levels and summarizes any changes from the previous year. The permanent staff complement changes are as follows:

Department	2006 Approved Total	2007 Complement Approved Total	2007 Complement Changes* (Net)	2007 Complement Revised Total	2008 Complement Add/ Delete	2008 Complement Recommended Complement
City Manager's Office	28	36	0	36	5	41
Community Services	1,580	1,466	2	1,468	16	1,484
Corporate Services	492	532	10	542	14	556
Planning & Building	193	189	0	189	6	195
Transportation & Works	1,266	1,469	(3)	1,466	87	1,553
Non Departmental	0	2	(2)	0	0	0
Sub-Total	3,559	3,694	7	3,701	128	3,829
Mayor & Council	39	39	0	39	0	39
TOTAL	**3,598**	**3,733**	**7**	**3,740**	**128**	**3,868**

* ***Details of changes are provided on the following page.***

Highlights of 2007 Changes are as follows:

- Eight security officers and one transit security supervisor were transferred from Transportation and Works Department to Corporate Services Department under the Corporate Security Section;

- Two positions which were part of the 2007 Non Departmental budget were allocated out to Community and Corporate Services to support the new Council Environmental Advisory Committee and related initiatives; and

- Environmental Coordinator was transferred from Transportation and Works Department to Community Services Department.

- As well, during 2007, seven new positions were approved in the Operating Budget for Transportation & Works to implement the City Centre Transit Shuttle service.

For 2008, departments are requesting a net total of 128 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 vacancy should be filled.

2008 Recommended Permanent Staff Requests

City Managers: 5	
	1 Advisor 1 Public Arts Officer 1 Administrative Coordinator - Conversion from contract 1 Business Information Officer - Conversion from contract 1 Business Consultant - Conversion from contract
Community Services: 16	
Recreation and Parks	1 Environmental Research Assistant 1 Recreational Programmer - Gymnastics Centre 1 Operator II - Gymnastics Centre 1 Parks Person II - Parkland Growth 1 Parks Person II - Sports Complex 1 Program Supervisor - My Mississauga 1 Program Coordinator - My Mississauga 1 Training & Development Coordinator 1 Community Development - Central
Fire	1 Fleet Maintenance Mechanic 1 Fire Prevention Supervisor 1 Communication Administrative Assistant
Departmental Business Services:	3 Planners 1 Landscape Architect

2008 Recommended Permanent Staff Requests

Corporate Services: 14	
Organizational Wellness & Business Services	1 HR Consultant 1 Communications Coordinator - Conversion from contract
Communication	1 Public Affairs Consultant
Information Technology	1 Application Test Coordinator - TXM (Transfer from capital) 1 Applicator Developer - TXM (Transfer from capital)
Revenue	1 Junior Buyer
Human Resources	1 Occupational Health Consultant 1 Claims Management Assistant
Finance	1 Investment Support Analyst 1 Business Planning Coordinator
Customer Service	1 Team Leader 2 Customer Service Agents
Facilities & Property Management	1 Skilled Tradesperson (Plumber)
Planning & Building: 6	
	1 Counter Planner 1 Committee of Adjustment Planner - Conversion from contract 2 Urban Designers - Conversion 1 Site Plan Technologist 1 Project Coordinator 1 Landscape Architect 1 Researcher - Conversion 1 Manager, Community Planning 1 Planner, Community Planning (1) Counter Planner - Workload Assistance Position (1) Building Plan Examiner - Workload Assistance Position (1) Mechanical Inspector HVAC - Workload Assistance Position (1) Mechanical Inspector Plumbing - Workload Assistance Position

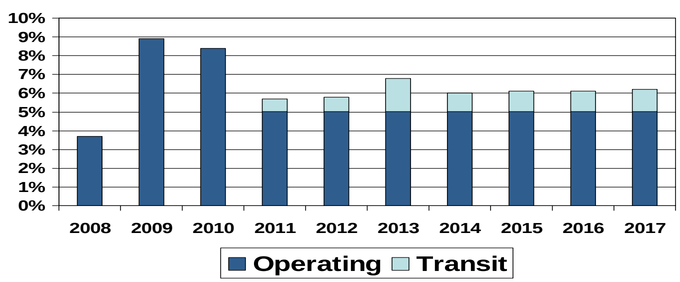
2008 Recommended Permanent Staff Requests

Transportation & Works: 87	
Departmental Business Services	1 Graphic Artist
Enforcement	1 Compliance & Licensing Enforcement Officer 1 Mobile Licensing Enforcement Officer 1Taxi School Trainer - Conversion 1 Licensing Admin Clerk - Taxi School - Conversion 1 Licensing Admin Clerk - Mobile Licensing - Conversion 1 Speed Sentry Program - Conversion
Engineering & Works	1 Pay for Parking Coordinator 1 Traffic Operations Technologist 1 Utility Cut Technician 1 Parking Meter Collection Person
Transportation & Infrastructure Planning	1 Storm Drainage Technologist 1 Parking Manager 1 Transportation Engineer
Transit	54 Transit Operators 3 Mechanics 4 General Service Persons 1 Bodyman 1 Route Supervisor 1 Service Reliability Specialist 1 Cost Model Analyst 1 Transit Systems Specialist 1 Transit Equipment Technician 1 Service Delivery Admin Assistant 1 Operations Supervisor 1 Maintenance Systems Analyst 1 Parts Technician 2 Transit Customer Service Agents - Conversions from part-time hours

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 8% to 10% tax increases in 2009 and 2010. These increases include an additional $0.5 million per year in tax funding support for the capital program.

Summary of Tax Rate Increases 2008-2017



Impacts of capital improvements built into future operating budgets include:

- Costs associated with operating new growth-related facilities; such as the new Fire Training and Mechanical Centre;
- Operating costs of approximately 155 new acres of parkland and 1.5% increase in the number of lane kilometres of new roads;
- Transit operating costs associated with 15 new buses a year to accommodate new service expansion. These costs are offset by additional fare box revenue and provincial gas tax with no net impact on the tax rate until 2011;
- Mississauga is in the process of consolidating its various call centres across the city. This initiative is the precursor to "311" and requires 4 new staff over the 2009 and 2010 forecast period;
- With ongoing investment in energy management programs, electricity and natural gas savings of approximately $150,000 and $160,000 have been included in the 2009 and 2010 forecasts respectively;
- Information Technology (IT) maintenance costs are estimated to increase $1.1 million in 2009 to support new and upgraded applications and technology included within the capital program; and
- In 2009, the newly renovated and expanded Central Parkway Transit campus is anticipated to open. 17 new staff have been recommended which are funded through gas tax.

Other factors increasing future tax rates include:

- Utility rate and diesel fuel cost increases;
- Contract price increases for winter maintenance, road repair and building maintenance contracts; and
- Implementing the city transit growth ridership plan and other service expansion beyond 2011.

2008 Recommended Capital Program and 2008-2017 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 Issues – provides a list of capital challenges the City is facing;
- 2008 Capital Program Highlights – provides a summary of capital projects or programs for 2008;
- 2008-2017 Capital Program Highlights – provides a summary of capital projects or programs for the 10 year forecast 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 enhancements 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.

Capital Program

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

- All project costs are estimated in 2008 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 3%;
- The revolving and tax based reserve funds will be used to finance capital infrastructure needs.
- Longer term investment returns on the City's Reserve Funds are estimated at 5.0% except Development Charges which are 3.5%;
- Debt financing 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 rates in effect on August 2007; and
- Federal and provincial gas tax revenues have been incorporated into the capital plan.

Mississauga uses the following criteria for estimating long term capital 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.

Capital Prioritization

During 2007, the City implemented a capital prioritization tool to assist in the decision making process. This new prioritization model was used as a tool; used by staff and the City's Leadership Team to assist in the assessment and prioritization of capital requests in preparation of the capital program for the preparation and internal approval of the City's recommended to Council.

The assessment model includes a two stage approach using block funding for regular asset infrastructure replacement projects/programs and a two-part scoring criteria/weighting system for all other projects.

The evaluation criteria is as follows:

Ranking Criteria	Points
Legislated	10
Health & Safety	10
Contributions to Strategic Priorities	10
Project Endorsed by Council	10
Updates Services within Current City Standards	10
Efficiency/Cost Savings/Co-Funding	10
Life Cycle Replacement/State of Good Repair	10
Previous Funding/Spending Approved	10
Environmental Benefits	10

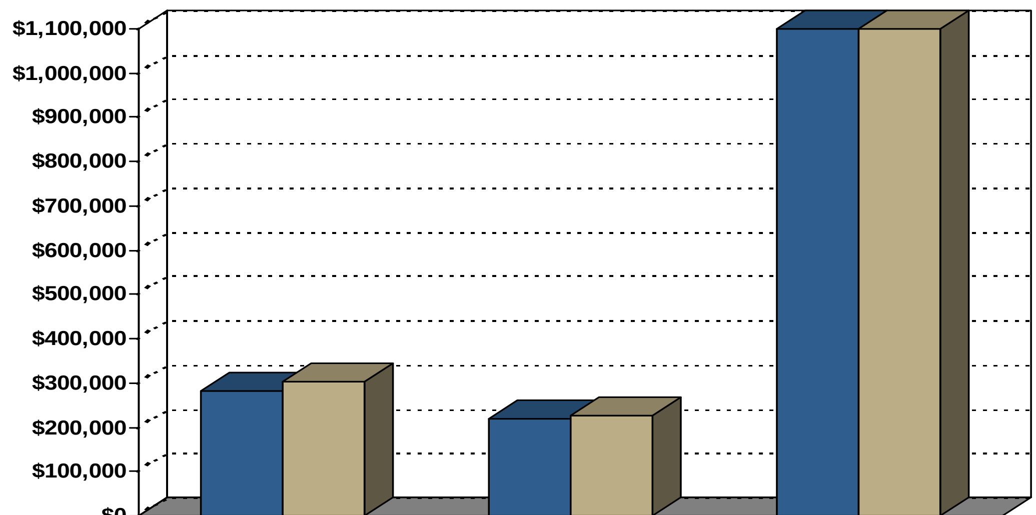
Timing Criteria		
Urgent	Necessary	Desirable
300 Points	200 Points	100 Points

In addition to the scores, the city's capacity to fund, build and deliver projects and coordination of timing with other governmental bodies and developers and services was also considered.

The following chart provides a high level summary of the approved 2007 – 2016 Capital forecast contained within the 2007 Budget as compared to the proposed 10 Year forecast contained within the Budget.

Tax Funding Requirements by Department
10 Year Capital Plan Comparison

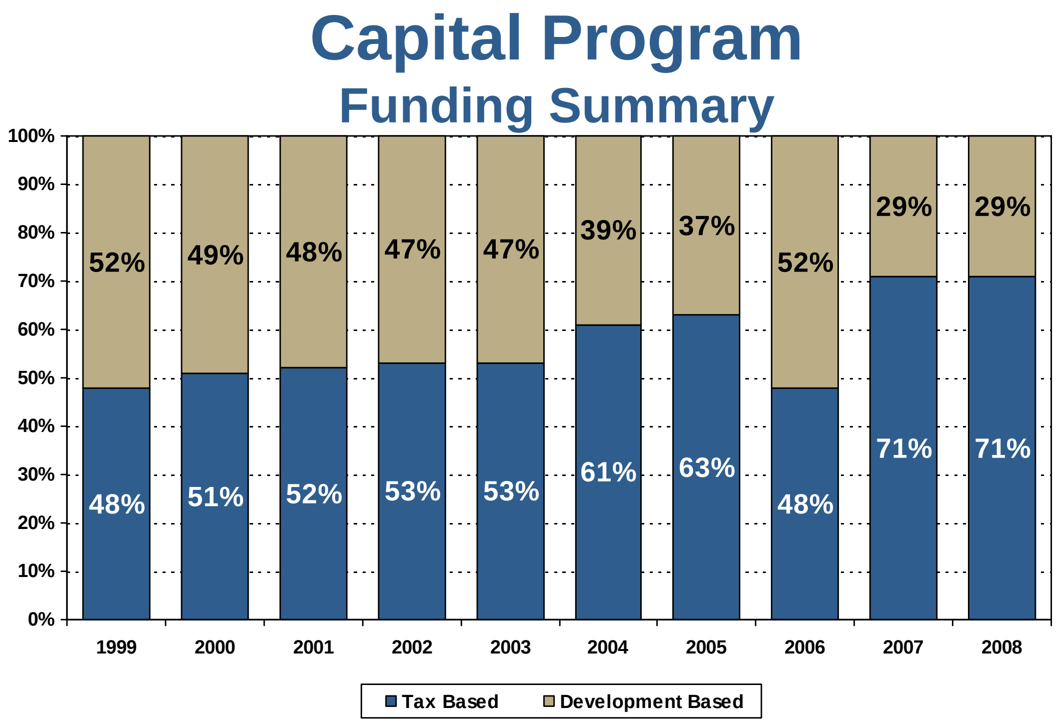
($'000)



	Comm Serv	Corp Serv	T & W	Total
2007-2016	$281,002	$220,006	$1,239,268	$1,740,276
2008-2017	$302,080	$227,138	$1,245,729	$1,774,947

The 2008-2017 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 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, the results are distorted somewhat, compared to other years as a result of the substantial funding allocation to 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

Capital Issues

Aging Infrastructure

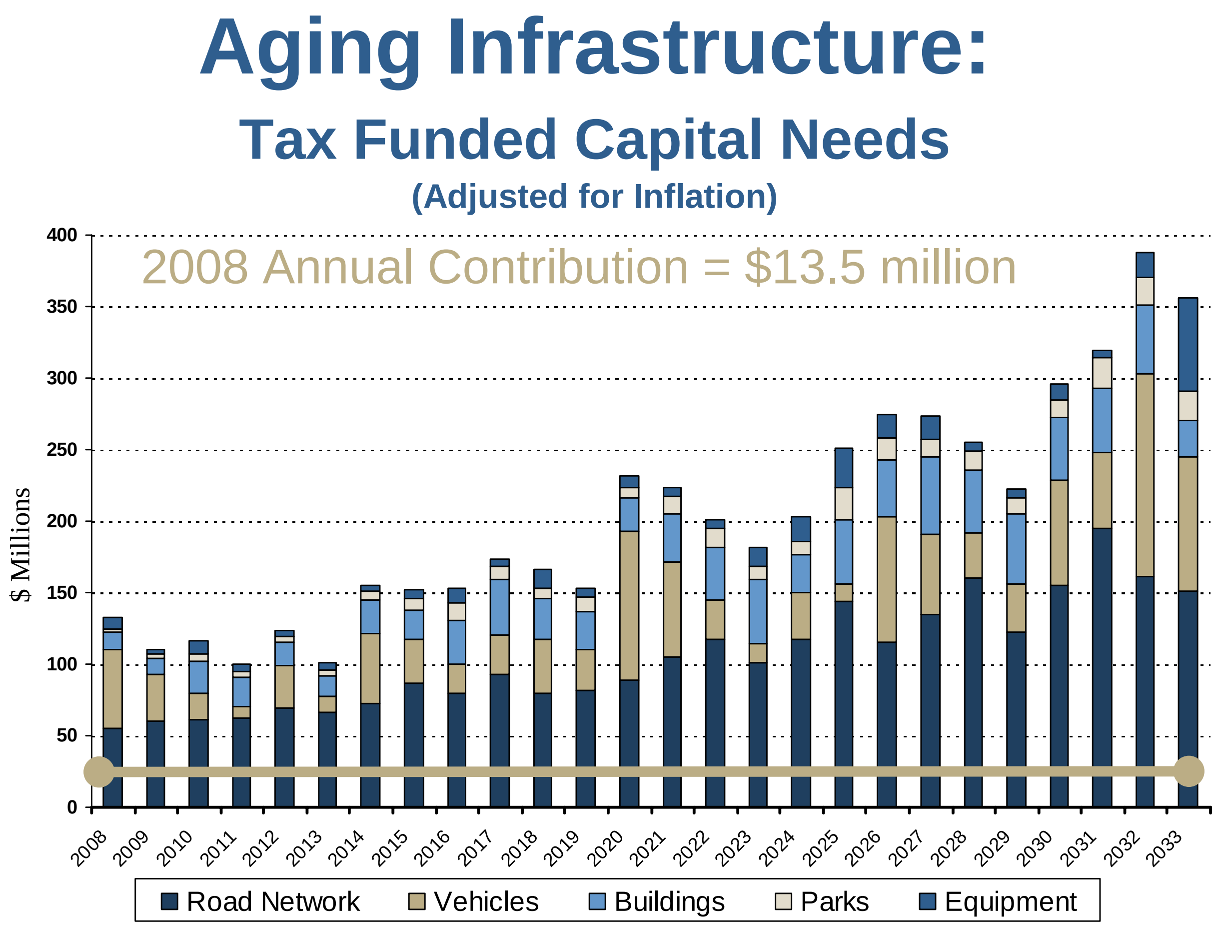
Over the last few years, Mississauga began a process of identifying and refining its long-term infrastructure needs. Depending on the asset group reviewed, information available for long term costing estimates varies. For the road network, which accounts for 68% of the City's infrastructure, much detailed 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 provisions for age related major maintenance costs have still be incorporated in the capital program. The long term infrastructure maintenance and rehabilitation needs will continue to be refined in future years as more detailed, accurate information becomes available.

As the City's infrastructure continues to age, the investment required to maintain these assets increases. For 2008, an amount of $13.5 million is recommended for transfer from the operating budget to support the capital program. This equates to an additional $500,000 or 0.2% tax rate increase in 2008 over 2007. As previously mentioned, Council is also considering increasing property taxes by an additional 5% to assist with infrastructure deficits. As well, discussion will occur at local and regional councils with respect to how to use the tax room created by the Province uploading costs over the next 4 to 6 years of the Toronto Tax and some social program.

For the next 10 year period, approximately $220 million uninflated ($253 million inflation adjusted) in unfunded capital projects have been identified. Although shortfalls in the road rehabilitation program comprises the majority of the unfunded list of projects, other notable projects include the rehabilitation of Lorne Park and Lakeview Library branches, various park developments and redevelopments, rehabilitation of the Malton arena, renovation of 12 fire stations, rehabilitation of indoor and outdoor pools and facility maintenance.

While the City is allocating approximately $13.5 million per year out of taxes each year to fund capital needs, we are spending on tax supported capital at a rate in excess $80 million a year. This is not sustainable in the long run as existing reserves and reserve funds are depleted. From a longer term perspective, Mississauga continues to struggle with an estimated infrastructure shortfall of approximately $1.5 billion.

The following chart shows the tax related spending on various assets recommended in the 2008-2017 Capital Budget as well as the estimated expenses for various assets in the future:



Transportation

The efficient and effective movement of people and goods across the City continues to be a top priority for Mississauga. In a recent Environics survey, gridlock was identified as the most important problem facing Mississauga. Related to this, Transit was identified as one of the top areas in which to increase spending with over 54% of residents agreeing that we need to spend more funding on this service. On going concerns with traffic congestion, combined with environmental impacts are widely recognized by all levels of government.

The Federal and Provincial political environments has demonstrated some willingness to assist in addressing these mounting concerns. The Federal and Provincial gas tax allocations, commitments towards funding Mississauga's Bus Rapid Transit system by both the Provincial and Federal levels of government, Federal funding through the Public Transit Capital Trust Funding and the Province's Ontario Bus Replacement Program will start to assist Mississauga in addressing its critical transit infrastructure and service needs.
Current funding from the Federal and Provincial levels of government to assist in supporting critical transit infrastructure and service needs include the following:

- Provincial Gas Tax;
- Ontario Bus Replacement Program;
- Federal Gas Tax (City and Regional portion); and
- Federal Public Transit Capital Trust Funding.

In addition to these funding programs, Mississauga has also received one-time funding of $65 million from the Province and a $58 million commitment from the Federal government to fund the Bus Rapid Transit (BRT) project. These numbers exclude any recoveries from GO Transit which may flow through to the City from the Province and Federal levels of governments.

While all this additional funding is being directed to expand or improve transit services, no federal or provincial funding support is available to support the City's road infrastructure needs.

The following chart provides a summary of revenues from the provincial and federal levels of government over the next five years:

($ millions)	2008	2009	2010	2011	2012	Total
Provincial Gas Tax	$15.3	$15.3	$15.3	$15.3	$15.3	$76.5
Ontario Bus Replacement	$3.4	$1.9	$3.5	$2.9	$1.5	$13.2
Federal Gas Tax	$10.0	$19.9	$19.9	$19.9	$19.9	$89.6
Federal Gas Tax (Regional Portion)	$5.6	$14.7	$16.7	$16.7	$16.7	$70.4
Subtotal	$34.3	$51.8	$55.4	$54.8	$53.4	$249.7
Provincial BRT Funding						$65.0
Federal BRT Commitment						$58.0
Total						$372.7

Provincial Funding Sources

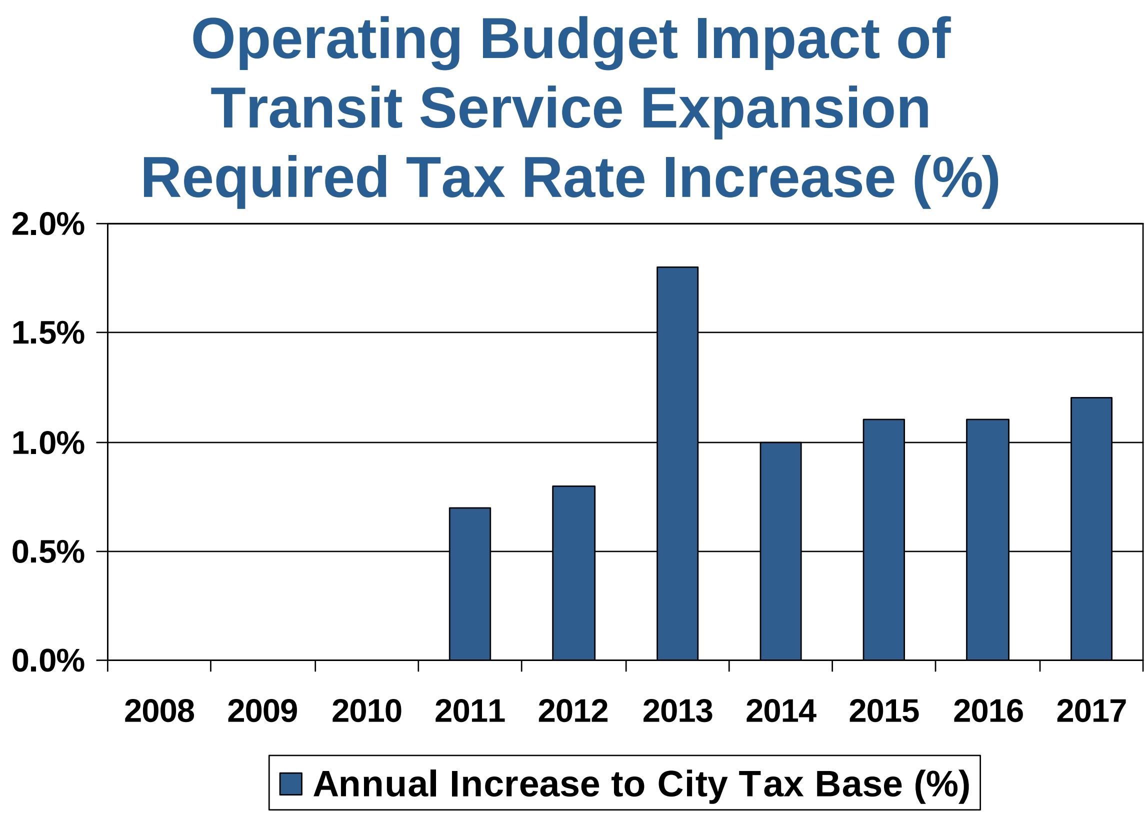
During the 2006 Ontario Budget, the province announced its one-time support of public transit with $65 million to fund Mississauga's Bus Rapid Transit (BRT) – a separated roadway connecting the Mississauga/Oakville border to Renforth Drive via Highway 403 and Eglinton Avenue.

The Ontario Bus Replacement Program subsidizes the cost of replacement buses. The annual subsidy is based on a fixed amount of funding allocated each year by the province. Each municipality is then allocated their share of the allocation based on the total province wide transit requirements. In 2007, the bus replacement subsidy was 24% while the 2008 rate is estimated at 20%. It should be noted that prior to 1998, the Province used to subsidize 75% of all bus purchases.

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 are 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. In keeping with the Ministry of Transportation requirements, ridership growth and asset management plans have been approved by Council, detailing the use of the provincial gas tax receipts. The existing plan permits the use of gas tax revenues to offset the increased Transit operating costs as well. The existing plan permits the use of gas tax revenues to offset the increased Transit operating costs as well. However, Provincial gas tax funding can not be used to finance municipalities growing road or building infrastructure deficits.

The City's Provincial gas tax funding is being used to offset the operating costs of new buses. While Provincial gas tax funding can be used to offset higher day to day transit costs (such as salaries/wages, diesel fuel, bus parts, etc.), the City's practice has been to apply these revenues 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. By 2011, the provincial gas tax funding will have been fully allocated towards transit growth related operating costs. In 2012 and beyond, costs associated with any further Transit expansion will have to be absorbed through property taxes. Mississauga will need to evaluate the impact of forecasted transit service level expansion relative to the tax rate increases for the future

The following chart shows the tax rate impact of the transit service expansion once the provincial limit of $15.3 million per year has been fully allocated to support expansion in 2010.



Federal Funding Sources

Early in 2007, Mississauga received just over $14 million in funding for the Federal Public Transit Capital Trust program covering years 2007 to 2009. This funding was initially created through the New Democratic Party (NDP) negotiations with the Liberal government as a compromise during the 2005-06 Budget. The 2006 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 entitlement over 2007 to 2009 is approximately $4.6 million. This funding is restricted exclusively to transit capital expenditures, and can not be used to fund capital infrastructure deficiencies.

Federal gas tax revenue is based on gas tax sharing of 1.5 cents per litre in 2005 and 2006. This increases 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 $70 million.

The use of the Federal gas 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. Starting in 2007, large cities may also use Federal gas taxes to fund road infrastructure. 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. In order to help address the City's growing gridlock problems, Mississauga plans to invest Federal gas tax revenues to expand transit infrastructure, improve transit services and to help finance bus replacements. As such, Federal gas taxes are not available to fund general capital infrastructure needs

Projects under Consideration - Highlights of Transit Projects

The 2008 – 2017 Budget recommends the following projects which are funded from a variety of transportation related funding sources as described above:

- Over the next two years the Central Parkway Transit facility will be renovated as well as expanded to include storage for an additional 120 buses including the associated maintenance and operational areas at a capital cost of $77 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 $53 million (jointly funded from gas tax and development

charges) includes land acquisition, design and construction.

- Mississauga will be jointly constructing a $259 million Bus Rapid Transit (BRT) corridor along Highway 403 and Eglinton Avenue 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 as one third from both the Provincial and Federal Governments with the remaining one third split between Mississauga and GO Transit. This project will provide a link from the Mississauga/Oakville border to Renforth Drive in Toronto.
- Mississauga needs to invest in transit infrastructure on its busiest route - the Hurontario Corridor. In 2008, Mississauga will be investing $2.6 million in feasibility and environmental assessment studies. This amount is being added to the $1.8 million already approved in the 2007 budget for a total of $4.4 million. For 2010 to 2017, $80 million has been allocated for transit priority measures and upgraded passenger facilities along this corridor.
- Bus growth and service expansion includes 15 additional buses per year (eight funded from development charges and seven from the Federal Gas Tax). Starting in 2010, the bus plan also assumes that 25% of the replacement buses will be hybrid. The combined cost for growth and replacement buses is $106.8 million over the ten years.
- Beyond the time horizon of this budget, projects under future consideration include a new or expanded City Centre Transit terminal and an on-street terminal along Burnhamthorpe Road in the City Centre.

In June 2007, the Province announced a $17.5 billion rapid transit action plan for the Greater Toronto area. In addition to the BRT, Mississauga initiatives include:

- Light rail transit between Queen Street in Brampton to Lakeshore Road in Mississauga along Hurontario Street;
- Light rail transit from Kipling Station to Hurontario Street;
- Expansion of the Lakeshore West GO transit rail line by adding a third track between Oakville and Port Credit; and
- Capacity expansion of the Milton and Georgetown GO railway lines.

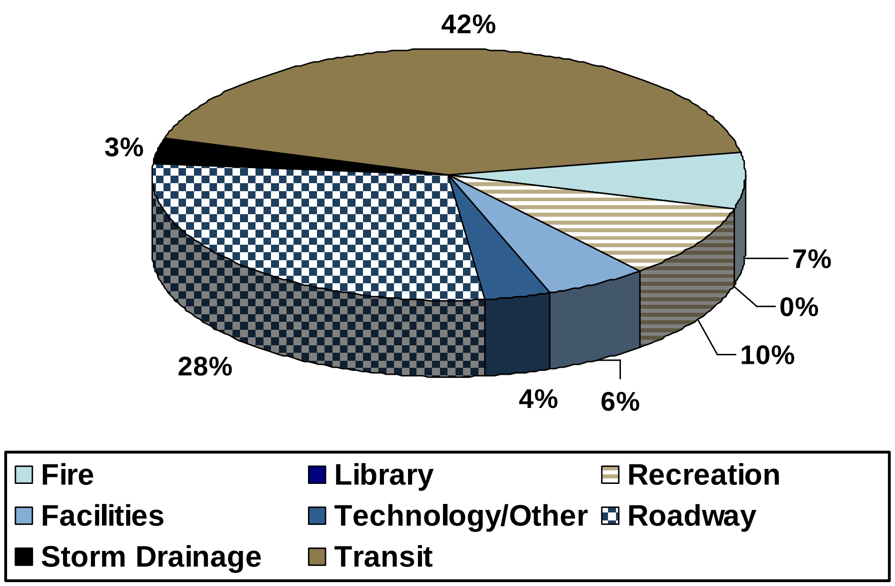
These projects will be funded 65% from the Province with the remaining 35% to come from the Federal Government.

2008 Capital Program Highlights

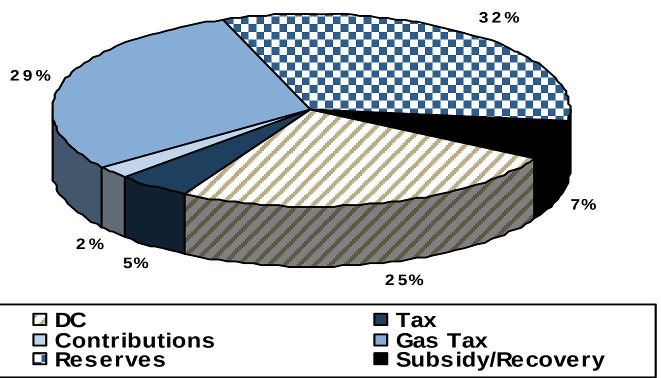
The recommended City of Mississauga's 2008 Capital Program has a gross cost of $271.6 million and $253.7 million, net of subsidies and recoveries.

Department ($ thousands)	Gross Cost	Subsidy/ Recovery	Net Cost
Community Services	46,888.8	3,109.7	43,779.1
Corporate Services	24,449.7		24,449.7
Transportation & Works	200,238.0	14,770.0	185,468.0
Total	**271,576.5**	**17,879.7**	**253,696.8**

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



The following chart shows the funding sources for the 2008 Capital Budget.



During 2008, Mississauga is starting several key projects. Some of these projects are being phased in over several years. Highlights are as follows:

- Gross funding for the Highway 403/Eglinton Bus Rapid Transitway project is projected at $259.0 million between 2007 and 2012 and will be jointly funded with GO Transit and the federal and provincial levels of government. In 2008 land acquisition and design is $21.1 million;
- $11.3 million towards the facility renovation and rehabilitation program including the construction portion of the Vic Johnston Arena, River Grove Community Centre, Streetsville Village Hall renovations and the design portion for the Port Credit Arena renovation.
- $8.5 million for the first phase of the construction of the Fire Training and Mechanical Centre; and
- $4.7 million for the Office Accommodation program. This medium range plan, with funding over the next three years, will provide for the phased expansion and realignment of space necessary to meet existing space shortfalls.

Highlights of 2008 ongoing programs are as follows:

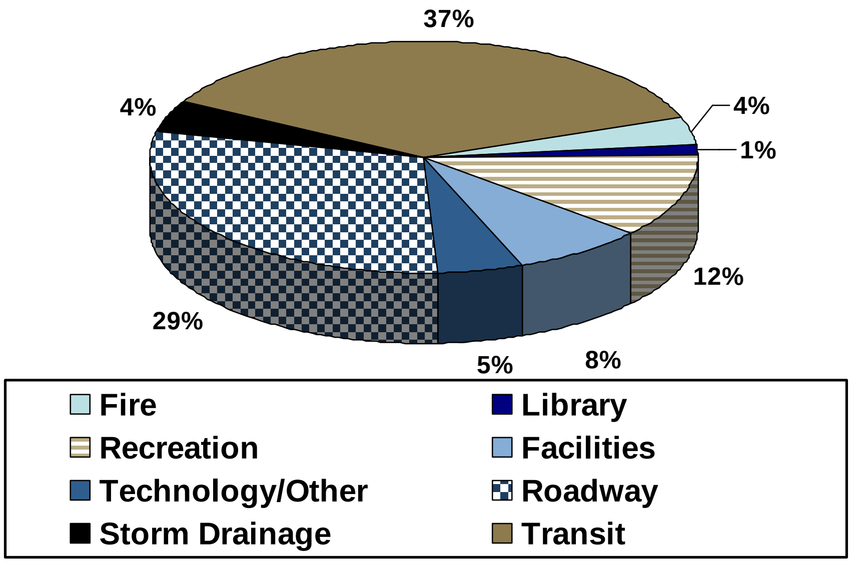
- $23.1 million for bus acquisitions – 40 replacement and 15 growth;
- $22.4 million for road rehabilitation;
- $27.6 million for major roads and related works;
- $8.9 million for the lifecycle maintenance program for buildings and pathway lighting;
- $9.3 million for storm drainage;
- $5.8 million for new and replacement information technology applications, including migration of human resources and payroll systems from Peoplesoft to SAP;
- $4.9 million for park redevelopment and maintenance including a large amount for pathway reconstruction;
- $3.5 million for the design and major renovation of Fire Stations 105 and 106; and
- $3.1 million for Bicycle Pedestrian System.

A summary and details of the 2008 Recommended Capital Budget can be found in Appendix 3 – 2008 Summary of Capital Projects tab or within each Department's Capital Section of the Budget Book.

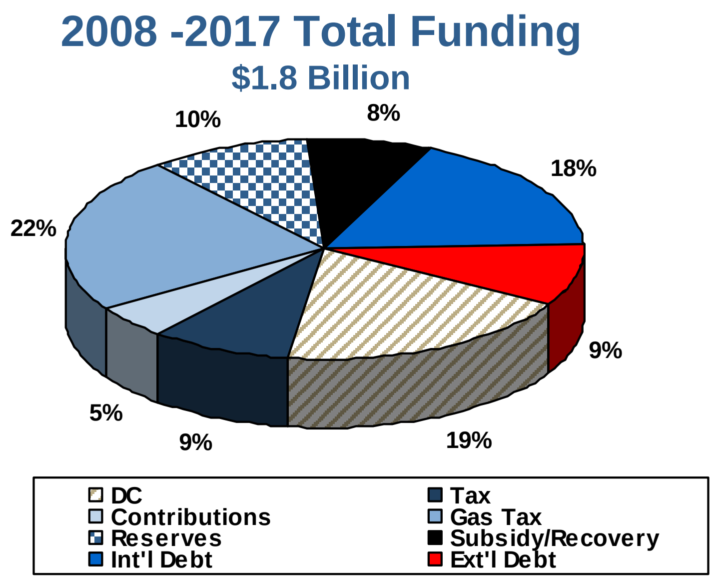
2008 - 2017 Capital Forecast Highlights

Departments	Gross Cost	Subsidy/ Recovery	Net Cost
	($ Thousands)		
Community Services	302,080.3	10,077.4	292,003.0
Corporate Services	227,138.6		227,138.6
Transportation & Works	1,245,729.0	128,402.5	1,117,328.5
Total	**1,774,947.9**	**138,479.9**	**1,636,468.1**

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



The following chart shows the funding sources for the 2008-2017 Capital Program.



During 2008 to 2017, Mississauga is planning several key capital projects, some of which are being started in 2008. Details are as follows:

- $259.0 million of the initial investment in the Highway 403/Hurontario Bus Rapid Transitway (BRT) of which the City's portion is $64.0 million;
- $80.0 million is being invested in transit priority measures and upgraded passenger facilities;
- $53.0 million for a second Transit satellite facility to accommodate the proposed expansion of the transit fleet;
- $39.1 million for the Office Accommodation program;
- $35.5 million for the renovation of various community centres;
- $30.2 million for the construction of the Fire Training and Mechanical Centre;
- $20.9 million for the renovation of various libraries;
- $10.8 million for the construction of a soccer facility in the west end of the city;
- $7.3 million for the revitalization of the city centre to coincide with the "Placemaking" and "My Mississauga" initiatives; and
- $6.2 million for Fire Station 116 as well as renovations to Stations 105 and 106.

Highlights of 2008 to 2017 routine capital projects are as follows:

- $231.8 million for road rehabilitation;
- $154.4 million for major roads and related works;
- $106.8 million for new and replacement bus acquisitions;
- $77.1 million for storm drainage;
- $76.4 million for major facility lifecycle maintenance;
- $53.3 million for new and replacement information technology applications;

- $39.6 million for traffic signals and streetlighting;
- $44.8 million for parkland acquisition;
- $29.7 million for park redevelopment and maintenance including equipment;
- $22.4 million for parkland development and the construction Bicycle/Pedestrian trails;
- $21.7 million for replacement of fire pumpers, aerial trucks and other vehicles;
- $20.3 million for bridge and culverts;
- $22.5 million for information technology infrastructure; and
- $11.3 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 2008-2017 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 six other special reserve funds as follows:

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

The Capital Reserve Fund will receive a transfer from the operating budget of $13.5 million in 2008, increasing by $0.5 million per year from 2009 to 2016 as shown in the chart below. The City also has a capital Revolving Fund which will be used as a source of internal borrowing for capital projects.

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 2008 to 2017 period, the total transfer from the operating budget to capital will be $157.5 million.

Summary of Capital Transfers from the Operating Budget ($ millions)										
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
$13.5	$14.0	$14.5	$15.0	$15.5	$16.0	$16.5	$17.0	$17.5	$18.0	$157.5

Recent proposals to increase these amounts either through a Special Infrastructure Levy or by using tax room created through Provincial uploading of social services, has not been factored into the Capital Budget Forecast.

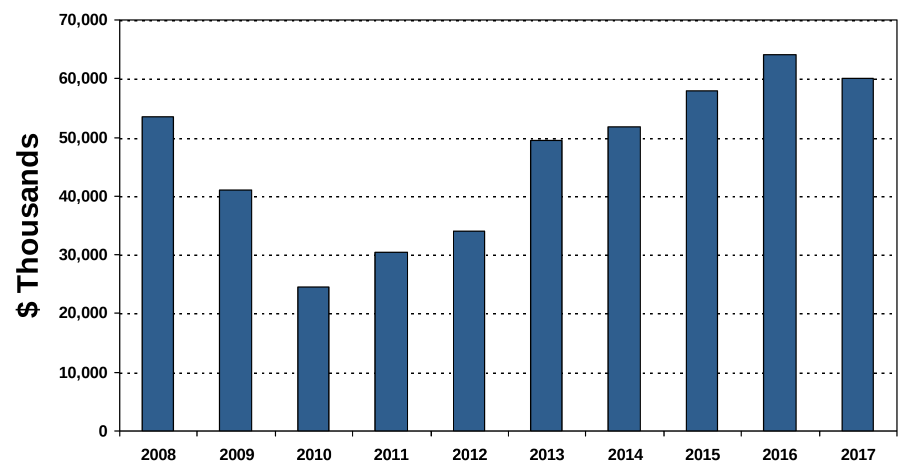
Development Charge Reserve Fund Balances

With respect to development financing, sufficient funding to cover the cost of growth related works is collected over time. The need to provide services in advance to an area in advance of full development is necessary in several instances. Funding such 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 shortfalls have been identified in a few individual service areas. These include:

- Fire Services
- Recreation and Parks; and
- General Government.

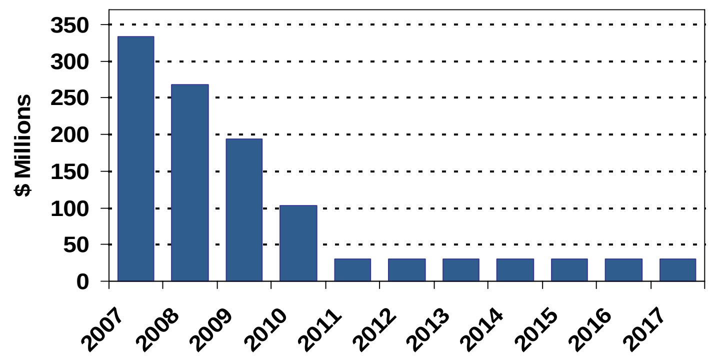
Staff will continue to monitor these reserve funds and related project costs.

Tax Based Maintenance Reserve Fund Balances

Mississauga prepares the tax-based financing plan assuming an inflationary increase of 3% per year. As such the tax funded portion of the ten year capital forecast of $809 million is inflated to $913 million. This inflation adjusted expenditure requirement forms the basis for the analysis which follows.

As illustrated in the following chart, the tax-based reserve fund balances will be reduced to approximately $30 million per year by 2011. This is the minimum balance that is targeted to be maintained in the tax-based capital reserve funds. As a result, the future capital needs must be carefully reviewed and critically evaluated each year to ensure a manageable balance between capital project spending relative to the tax rate increases required to support the program.

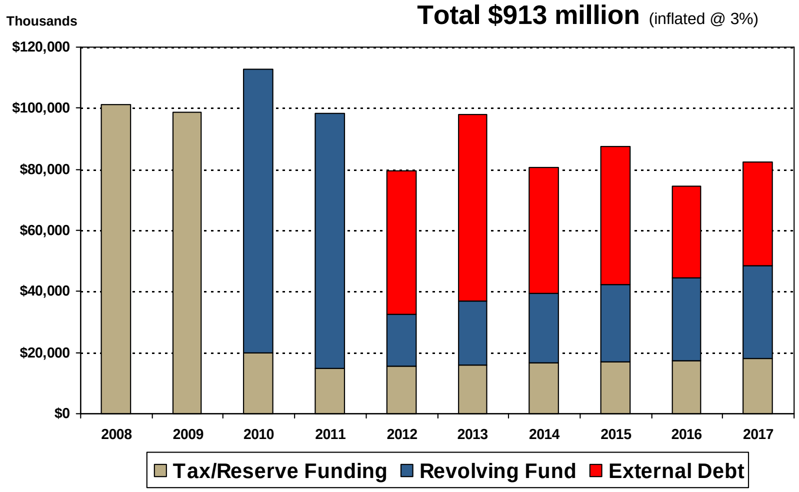
Summary of Tax-Based Capital Reserve Funds – Closing Balances



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 financing from this funding source in future years. External debt financing becomes the primary source of funding for tax-based capital expenditures from 2012 onward.

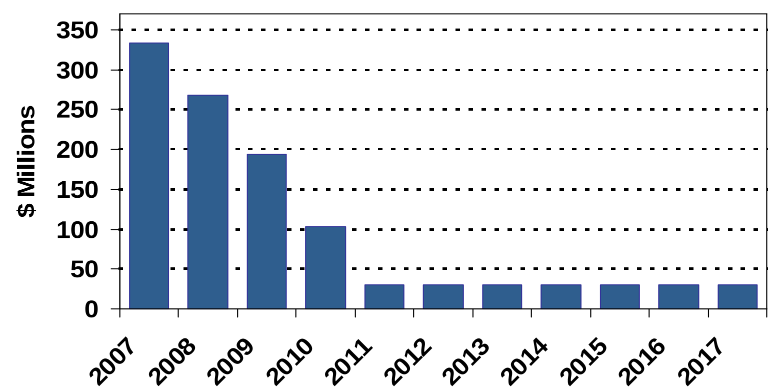
2008 to 2017 Capital Requests by Funding Source



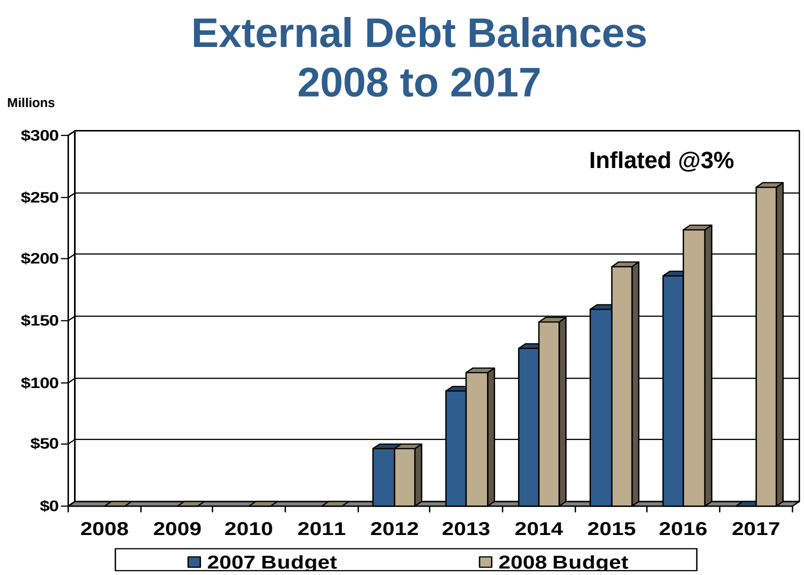
Internal and External Long-Term Debt

Under the new capital financing strategy, the revolving fund will be used as a self-sustaining, internal borrowing fund. Funds borrowed will 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 will be depleted. Only the principal and interest repayments are available as a source of future financing from this Fund. These proceeds are then re-invested in the capital forecast as a source of financing.

Summary of Tax-Based Capital Reserve Funds – Closing Balances

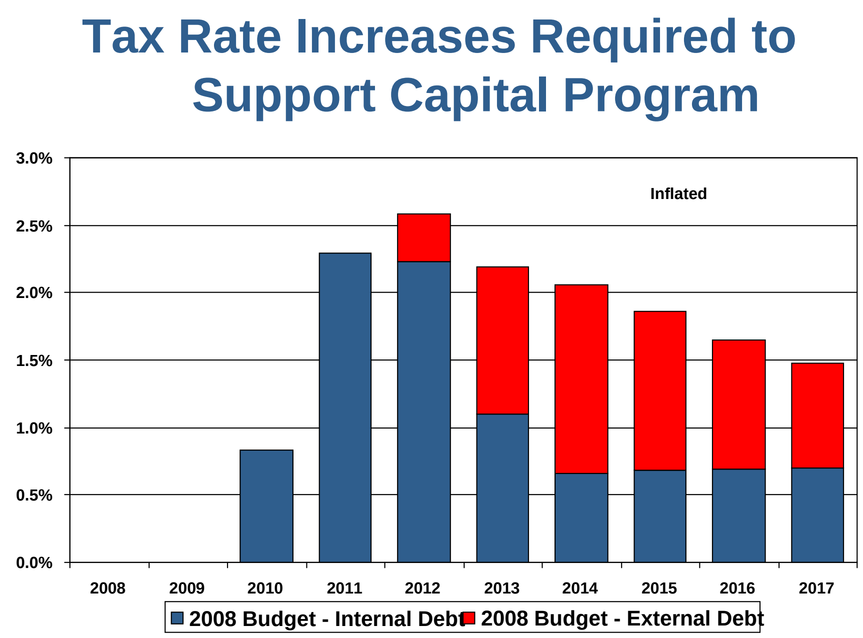


As the principal portion of the revolving fund is depleted, the City must issue external debt to finance the capital program. The following chart shows the cumulative value of outstanding external debt over the next 10 years. By the end of the 10 year period, Mississauga will have issued $258 million in cumulative debt.



Capital Program - Forecast of Future Tax Increases

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



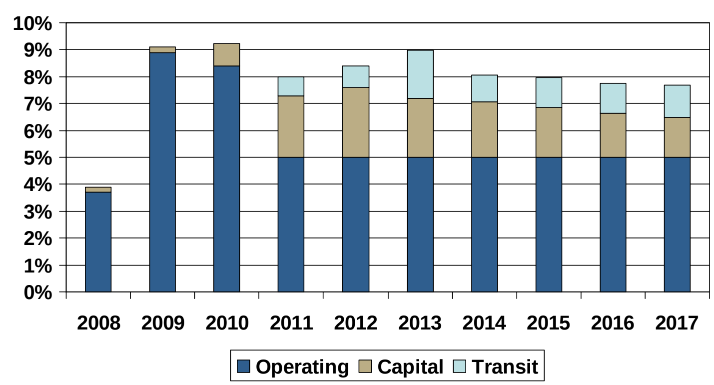
As the use of internal borrowing and external debt results in the requirement to repay principal and interest over time, the above chart shows the tax rate increases necessary in each year to support the recommended capital program. Mississauga has several options as to how the financing of the capital program will affect taxes. The tax impact of the debt issuance would mean an annual average tax increase of 1.9% for the eight 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 tax impact on Mississauga residents and businesses.

It is very important to note that despite the rapid use of capital reserve funds and despite the increasing use of both internal borrowing and external debt financing, there would still remain $253 million in unfunded capital needs over the next 10 years – this despite significant tax increases.

Conclusion

Mississauga is at a pivotal point in its development. As funding for the City's budget shift 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 capital and operating (including transit) impacts, must be examined. The following chart shows the forecasted tax increases.

Summary of Tax Rate Increases 2008-2017



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 must increase to support capital needs;
- 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;
- External debt will be required to fund future years' capital programs beginning in 2012;
- Unfunded capital projects will still amount to $253 million over the next 10 years

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

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 to use to address ongoing service pressures and funding shortfalls.