BUDGET 2012-2013

QUÉBEC, ITS MUNICIPALITIES AND REGIONS

Partnership for Development

Finances Québec

Paper inside pages

EcoLogo 100%

This document is printed on completely recycled paper, made in Québec, contaning 100% post-consumer fibre and produced without elemental chlorine.

RECYCLED
Paper made from recycled material
FSC® C011825

Cardboard Cover

MIX
Paper from responsible sources
FSC® C011825

Budget 2012-2013

QUÉBEC, ITS MUNICIPALITIES AND REGIONS
Partnership for Development

Legal deposit - Bibliothèque et Archives nationales du Québec
March 2012
ISBN 978-2-551-25186-5 (Print)
ISBN 978-2-550-64258-9 (PDF)

TABLE OF CONTENT

INTRODUCTION

In the coming year, the government and the municipalities will negotiate the renewal of the current fiscal pact, namely, the 2007-2013 Agreement on a New Fiscal and Financial Partnership with the Municipalities (2007-2013 Agreement).

To pave the way for these discussions, the government, as of the second chapter of this document, gives an update of the current agreement, presents the financial position of municipal bodies and describes, from the government's viewpoint, the issues to be addressed by the government and the municipalities.

However, the partnership between the government, the municipalities and the other actors in the development of all Québec regions is not limited to the provisions of the 2007-2013 Agreement.

In Budget 2012-2013, the government is therefore taking immediate actions to foster the development of Québec, primarily by supporting its partners – municipalities, regional conferences of elected officers (CREs), regional county municipalities (RCMs), Aboriginal communities, and the Montréal and Québec metropolitan communities.

The first chapter of this document presents these actions in greater detail.

1. IMMEDIATE ACTIONS

Québec's development depends on the contribution of all its communities, cities and towns, and regions. The Québec government, the regions and the municipalities therefore share common interests and challenges regarding economic development, transportation and sustainable development. It is in everyone's interest to support local and regional development, for example by ensuring efficient transportation of passengers and goods, as well as sustainable land development.

With that in mind, the goverment has taken in recent years several important, concrete actions to support local and regional development. These initiatives benefit all Quebecers. For example, in the last year alone, the government:

— implemented the Plan Nord, the plan for sustainable development of Northern Québec that will generate investments of over $80 billion and will create or consolidate an average of 20 000 jobs a year;

— launched, in November 2011, the 2011-2016 strategy to ensure the occupation and vitality of territories, and tabled the framework bill underpinning it;

— announced that it would allot nearly $3.5 billion to upgrade Québec's road network.

These initiatives were taken in keeping with the government's plan to restore fiscal balance. Future initiatives by the government will also be guided by the same concern.

To foster the development of the regions, municipalities, Aboriginal communities and, ultimately, Québec as a whole, the government is taking a series of immediate and developmental actions in Budget 2012-2013, in order to:

— support the actors involved;

— foster the development of the Québec and Montréal metropolitan communities;

— support public transit and alternative transportation;

— provide targeted assistance to Aboriginal peoples.

Finally, in addition to these measures, which are presented in detail in this chapter, other initiatives for the regions and municipalities are presented in other Budget 2012-2013 documents; these initiatives are summarized in section 1.1.4.

TABLE 1

Financial impact of the measures for the regions, municipalities and Aboriginal communities
(millions of dollars)

	2012-2013	2013-2014	2014-2015	Total
Annual envelope of $60 million for the regional development fund	–19.8	–19.8	–19.8	–59.4
Additional support for local development centres	–17.5	–19.5	–19.5	–56.5
RCMs become responsible for planning local road work	–4.0	–5.0	—	–9.0
Implementation of green belts	–8.0	–10.0	–12.0	–30.0
$15 million for Montréal inc. de demain	–1.9	–0.2	–0.2	–2.3
Renewal and improvement of the Aboriginal Initiatives Fund	–8.0	–10.0	–16.0	–34.0
TOTAL	**–59.2**	**–64.5**	**–67.5**	**–191.2**

TABLE 2

Investments in the Montréal and Québec metropolitan communities
(millions of dollars)

	2011-2016 Québec Infrastructures Plan
Legacies for the 375th anniversary of the founding of Montréal	124.9
Construction of the Théâtre Le Diamant	30.0
Renovation of Wilson Hall at McGill University	35.0
TOTAL	**189.9**

1.1 Supporting the actors involved

Since 2003, the prosperity and development of all regions in Québec has been a focus of the government. In fact, the government has taken many initiatives in that respect. More specifically, the regions and municipalities were given new means through:

— the creation, in 2003, of the regional conferences of elected officers (CREs), which provide elected municipal officers with the means necessary to develop their region;

— the 2007-2014 National Policy on Rurality, announced in December 2006, which is intended to ensure the development of rural communities by capitalizing on their diversity and specific character and by guaranteeing the dynamic occupation of Québec's territory;

— the Strategy for the Development of Every Region, announced in Budget 2007-2008, which provides substantial assistance particularly to the resource regions and to the regional county municipalities (RCMs) of central regions that have specific needs;

— the government action plan to help devitalized municipalities, announced on September 25, 2008, which offers assistance tailored to the needs of these municipalities;

— the Strategy for the Development of the Gaspésie–Îles-de-la-Madeleine Region, announced in Budget 2008-2009 and renewed in Budget 2010-2011, which provides financial assistance for the economic diversification of the region.

In addition to these policies, the FIER-Régions funds support the implementation of developmental projects. Tourism initiatives and initiatives in the biofood and forest sectors also contribute to regional development in Québec.

Through these actions, the government has kept its commitment to give the regions the means and powers necessary to achieve their full development potential, with a view to greater autonomy.

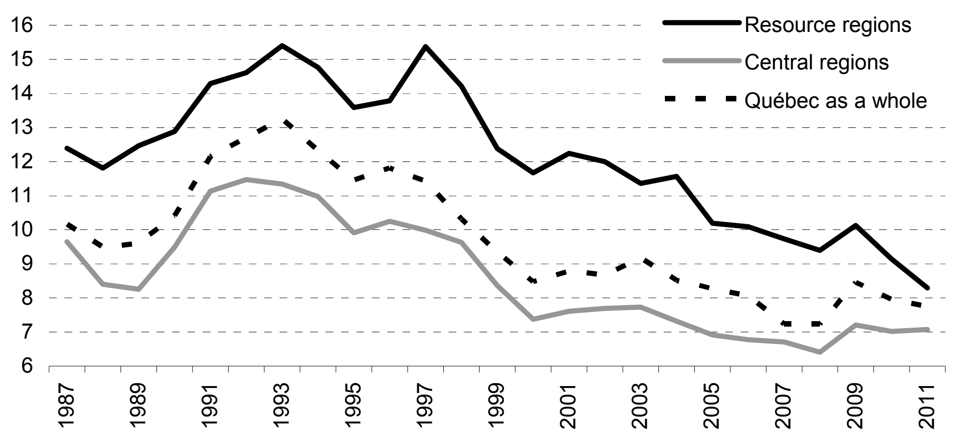
❑ An improved economic situation in most regions

The labour market situation has improved in most Québec regions in the past ten years, especially in those regions where the economy is based largely on mining and public services.

- The unemployment rate is in decline in most Québec regions.
- Since 2003, this trend has been more marked in the resource regions than in Québec as a whole. In fact, the unemployment rate in these regions is the lowest in 25 years.
  - The Abitibi-Témiscamingue region posted an unemployment rate below that of Québec as a whole, while the Mauricie region and the combined Côte-Nord and Nord-du-Québec region posted the same rate as that for all of Québec.
  - The Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean and Gaspésie–Îles-de-la-Madeleine regions experienced their lowest unemployment rate in 25 years.
- Thus, the resource regions have improved their relative situation compared to Québec as a whole. The gap between the unemployment rate in the resource regions and that of the central regions has narrowed considerably since 2003.

CHART 1

Change in the unemployment rate
(per cent)



Sources: Institut de la statistique du Québec and Statistics Canada.

Moreover, in 2010-2011, inter-regional net migration was positive in all of Québec's regions, with the exception of the Montréal, Nord-du-Québec and Bas-Saint-Laurent regions.

- However, the situation continues to improve in the Nord-du-Québec and Bas-Saint-Laurent regions, which now post lower negative net migrations than in the past decade.
- The regions with the best internal migration rates are those neighbouring Montréal, which have posted positive net migrations for many years.

While the indicators point to an improved economic situation in the regions, the latter are still faced with numerous challenges, such as economic disparities within the same region, population aging and the capacity to attract graduates.

The causes of these challenges and the means of addressing them differ from region to region and, consequently, require tailored, flexible solutions. Capitalizing on the assets specific to each region will enable the regions to develop fully and thus contribute to the growth of Québec as a whole.

❑ Deployment of a strategy to ensure the occupancy and vitality of territories

To foster the economic development potential of every region in Québec, the government launched in November 2011 the strategy to ensure the occupancy and vitality of territories and tabled its framework bill.

— The strategy proposes ways of addressing the issues and challenges in all territories. It relies on a development approach defined on the basis of the demographic, socioeconomic and environmental realities of each region.

Strategy to ensure the occupancy and vitality of territories
Description The strategy to ensure the occupancy and vitality of territories proposes an integrated vision for territorial development, occupancy and vitality, through coherent and concerted action with the bodies headed by elected officers. In introducing this strategy, the government's objective is to maximize the efficiency and benefits of its interventions and to better match them with the priorities of local, supralocal, regional and metropolitan communities. The strategy has three ambitious goals: − foster citizens' and elected officers' participation in, and commitment to, the occupancy and vitality of their territory; − implement government actions in Québec territories that are developmental, more coherent and better tailored; − contribute, in a sustainable manner, to the prosperity of communities throughout Québec. **Policy directions** The actions in the strategy focus on the following policy directions: − acting to better inhabit our territories; − acting to derive a livelihood from our territories; − acting in synergy; − meeting the challenges specific to the metropolitan region of Montréal.

Source: Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

In Budget 2012-2013, the government is consolidating its action for all regions of Québec and announcing additional investments of $164.5 million over five years, which will enable:

— the regional development fund (RDF) to be renewed, at $60 million a year, for a total of $300 million over five years;

— additional assistance for local development centres (CLDs) to be extended, at $17.5 million in 2012-2013 and $19.5 million in 2013-2014 and 2014-2015, thus raising the overall envelope to $361.0 million over five years;

— an envelope of $9 million to be allocated, over two years, to improving the planning of local road work in rural communities.

TABLE 3

Measures for the regions
(millions of dollars)

	2012-2013	2013-2014	2014-2015	Total over 3 years	Total over 5 years
Regional development fund					
Basic envelope(1)	40.2	40.2	40.2	120.6	201.0
Additional amount	19.8	19.8	19.8	59.4	99.0
Subtotal	**60.0**	**60.0**	**60.0**	**180.0**	**300.0**
Assistance for regional CLDs					
Basic envelope(1)	60.9	60.9	60.9	182.7	304.5
Additional assistance	17.5	19.5	19.5	56.5	56.5
Subtotal	**78.4**	**80.4**	**80.4**	**239.2**	**361.0**
Planning of local road work in rural communities	4.0	5.0	—	9.0	9.0
TOTAL BUDGET 2012-2013	**41.3**	**44.3**	**39.3**	**124.9**	**164.5**
TOTAL OF INTERVENTIONS	**142.4**	**145.4**	**140.4**	**428.2**	**670.0**

(1) The amounts are drawn from the budgets of the departments and bodies concerned.

Overall, $670 million will be allotted to the development of the regions over the next five years. These interventions are in addition to the other initiatives that contribute to regional economic and social development.

1.1.1 Annual envelope of $60 million for the regional development fund

The government finances regional conferences of elected officers (CREs) through the regional development fund (RDF). This fund enables CREs to fulfil their role as primary interlocutors to the government on regional development in their respective territories.

CREs are frontline partners in the implementation of the government's directions and policies, in that they take the measures necessary to facilitate the regionalization of the government's action and better match the actions of government departments and bodies with the specific needs of the regions.

Regional conferences of elected officers
Regional conferences of elected officers (CREs) were introduced in 2003. They are regional planning and concertation bodies comprised primarily of elected municipal officers (mayors of local municipalities and wardens of RCMs), along with representatives of the various local socioeconomic sectors. CREs are mandated in particular to: − promote concerted action among partners in the region and, where warranted, give advice on regional development matters to the minister concerned; − develop and implement a five-year development plan for their region, taking foremost account of young people's and women's participation in democratic life; − enter into specific agreements with the government, or one of its departments or bodies, for the implementation of specific projects in keeping with the priorities of the regions. There are 21 CREs in Québec, that is, one per administrative region, with the exception of the Montérégie and Nord-du-Québec regions, which each have three CREs.

To continue the action of CREs in all regions of Québec, this budget provides for the maintenance of the RDF's annual $60-million envelope for the next five years.

In that regard, additional appropriations of $19.8 million a year will be necessary over the next five years.

For the 2012-2013 to 2016-2017 period, the appropriations will be allotted annually as follows: $17.0 million to the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire, $2.0 million to the Ministère du Conseil exécutif[1] et $0.8 million to the Ministère du Développement économique, de l'Innovation et de l'Exportation. The amounts for 2012-2013 are included in the expenditure budget of these departments.

[1] The appropriations will be given directly to the Conseil exécutif, without going through the RDF.

These amounts will serve to finance the operation of CREs, specific agreements and support for priority projects identified by the regions. CREs also receive funding from other sources, for example specific agreements to take responsibility for certain activities, such as regional land and natural resource commissions (CRRNTs).

- These funding agreements will also be renewed for the coming years. The Minister of Natural Resources and Wildlife will announce the terms of the funding at a later date.

❑ New governance framework

The deployment of the strategy to ensure the occupancy and vitality of territories requires the commitment of all local and regional stakeholders, including CREs, as well as of all government departments and bodies concerned by territorial occupancy and vitality.

Accordingly, the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire will establish a new governance framework to optimize the distribution of resources to the territories. To that end, it will introduce a coordination mechanism that will facilitate concertation and synergy between the multiple stakeholders.

At the same time, it will clearly define the policy directions, action priorities and objectives of the RDF, and inform CREs of its expectations regarding their role in achieving these objectives.

Monitoring and performance indicators, in particular with regard to the demographics, economic prosperity and densification of inhabited territories, will be developed for evaluating progress in territorial occupancy and vitality. These indicators will be made available to CREs, in order to encourage them to conduct an assessment of their region and support them in decision making.

As part of this exercise, CREs will also be expected to:

- prepare a five-year development plan prioritizing interventions that have the greatest structuring effect on the region's development and are in keeping with the objectives of the strategy to ensure the occupancy and vitality of territories;

- conduct a rigorous evaluation of the results obtained, on the basis of their five-year plan and the government's expectations, for example in regard to the efficacy and efficiency of the intervention tools at their disposal;

- carry out regular financial monitoring and standardize their reporting.

1.1.2 Additional support for local development centres

Entrepreneurship is one of the main drivers of innovation, competitiveness and growth. Thus, to promote local entrepreneurship and support economic development, a network of 120 local development centres (CLDs) was set up in all regions of Québec.

In addition to the Québec Entrepreneurship Strategy launched in November 2011, CLDs will be called on to help implement the strategy to ensure the occupancy and vitality of territories. They provide technical and financial support to local businesses, primarily small and medium-sized businesses, which very often ensure territorial vitality.

Considering the importance of the work of CLDs in the regions of Québec, Budget 2012-2013 provides for the renewal of the increased financing for CLDs, $17.5 million a year, to:

- further develop an entrepreneurial culture;
- support creation, growth and succession, by emphasizing assistance and financing for businesses;
- increase the rate of entrepreneurship, that is, the number of enterpreneurs in relation to the general population;
- increase the survival rate of companies that have been in existence for less than three years.

In addition to a basic payment, CLDs will have access to performance-related payments. The performance criteria will be determined at a later date by the Ministère du Développement économique, de l'Innovation et de l'Exportation, in collaboration with RCMs.

Moreover, the government is making a matching envelope available to RCMs as of 2013-2014. Hence, for every dollar invested by an RCM, the government will add one dollar, up to a maximum of $2 million, with a view to supporting entrepreneurship in the regions.

Thus, annual appropriations of $17.5 million will be required for 2012-2013 and $19.5 million in 2013-2014 and 2014-2015.

TABLE 4

Additional support for local development centres
(millions of dollars)

	2012-2013	2013-2014	2014-2015	Total
Basic payment	17.5	15.0	12.5	45.0
Performance-related payment	—	2.5	5.0	7.5
Subtotal	**17.5**	**17.5**	**17.5**	**52.5**
Matching envelope for CLDs	—	2.0	2.0	4.0
TOTAL	**17.5**	**19.5**	**19.5**	**56.5**

For the period from 2012-2013 to 2014-2015, appropriations of $14.2 million will be allocated to the Ministère du Développement économique, de l'Innovation et de l'Exportation and $3.3 million to the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire. The amounts for 2012-2013 will be included in the expenditure budget of these departments.

In addition, appropriations of $2.0 million will be allocated to the Ministère du Développement économique, de l'Innovation et de l'Exportation in 2013-2014 and 2014-2015 for the matching envelope.

■ Interventions for the regions

The measures announced in this budget are complementary to the other measures announced in the past.

— Budget 2010-2011 renewed the measures for Québec and Montréal, which represent $7 million and $35 million a year, respectively.

— Those sums were augmented by amounts totalling $115.4 million over three years for the deployment of the Strategy for the Development of Every Region.

With the measures announced in Budget 2012-2013 and the renewal of the specific agreements with regional land and natural resource commissions (CRRNTs), interventions for the regions will be maintained at more than $200 million a year over the next three years.

TABLE 5

Interventions for the regions
(millions of dollars)

	2012-2013	2013-2014	2014-2015	Total
Budget 2010-2011				
Renewal of the measures for Montréal and Québec	42.0	42.0	42.0	126.0
Continuation of the Strategy for Development of Every Region	47.3	36.8	31.3	115.4
Budget 2012-2013				
Regional development fund	60.0	60.0	60.0	180.0
Support for CLDs	78.4	80.4	80.4	239.2
RCMs become responsible for planning local road work	4.0	5.0	—	9.0
CRRNTs	8.0	8.0	8.0	24.0
TOTAL	**239.7**	**232.2**	**221.7**	**693.6**

1.1.3 RCMs become responsible for planning local road work

The local road network in rural communities is an essential component of Québec's road network. The municipalities are responsible for managing the local road network, which is comprised of roads that:

- link rural centres to one another (level 1 local roads);
- provide access to permanently inhabited rural properties (level 2 local roads);
- provide, among other things, access to rural properties not inhabited year round (level 3 local roads).

Given the importance of the local road network, it is crucial to optimize the investments made. Accordingly, better investment planning is required.

Thus, local road work planning by RCMs is the starting point of a future local road rehabilitation plan, which will be dealt with in depth in Chapter 4 of this document.

To plan properly, RCMs will need to determine and prioritize their needs, taking into account the level of infrastructure degradation, the levels of service targeted and the socioeconomic importance of the various roads.

- RCMs are the logical place for such planning, because they are headed by elected officers who manage the local road network and are aware of the local and regional socioeconomic issues.

The government wants RCMs to begin the the planning required, before the rehabilitation plan under consideration is implemented. To that end, Budget 2012-2013 provides for the payment to RCMs of $4.0 million in 2012-2013 and $5.0 million in 2013-2014.

These amounts will enable RCMs to target the infrastructure they consider to be the priority.

The eligibility criteria and the distribution of the $9-million envelope will be announced at a later date by the Minister of Transport.

The expenditures associated with this measure will be financed by the Land Transportation Network Fund.

1.1.4 Other initiatives for the regions

Budget 2012-2013 also provides for measures for the economic and social development of the regions. These measures will, among other things, provide support for businesses and the labour force, in addition to improving the quality of life of Quebecers.

Other initiatives for the regions
The Plan Nord An amount of $374 million is set aside for the Northern Plan Fund over the next five years, to support initiatives in the territory of the Plan Nord. **Forests** The sustainability of silvicultural work is assured for five years. The work will reach $200 million a year and maintain jobs in the regions. The Fonds Valorisation Bois will be created to support successful forest companies in the secondary and tertiary processing sector. The fund will have $170 million in capital. Nearly $30 million will be allotted to promote the use of wood in Québec's construction industry. **Tourism** A new financing program with an envelope of $85 million over five years will be put in place in order to develop international-calibre traffic builders. A refundable tax credit to foster the modernization of the tourist accommodation offering in the regions will also be introduced, and will be in effect for almost four years. **Agriculture, fisheries and food processing** Budget 2012-2013 contains measures totalling $34 million over three years in order to, among other things, encourage Quebecers to buy Québec products, and support the food processing sector and businesses in the commercial fishing and aquaculture sector. **Labour force** The tax assistance for new graduates working in a remote region will be enhanced, to the benefit of approximately 17 000 young graduates. To facilitate contact between newcomers to Montréal and businesses in the regions, three new Interconnection centres will be set up. Newcomers will thus be able to discover the job possibilities in the regions. **Housing** The government is announcing investments of $330 million for housing construction and home adaptations. All regions of Québec will benefit from these investments. **Sports and recreation** The Sports and Physical Activity Development Fund, which has an envelope of $634 million, will support projects for the construction or renovation of facilities such as skating rinks, swimming pools and soccer fields.

1.2 Fostering the development of the Montréal and Québec metropolitan communities

1.2.1 Creating green belts

At the end of a broad public consultation, the Montréal and Québec metropolitan communities adopted, in December 2011, their metropolitan land use and development plans. The implementation of these plans is intended to address the challenges with respect to land use planning posed by development, the environment and transportation, with a view to strengthening the attractiveness and competitiveness of the metropolitan regions.

The government wishes to underscore these plans, which exemplify the power of concertation, by supporting one of their central components, namely, the creation of greenways and blueways that will enhance the natural and human environments and preserve the biodiversity of their territory.

— Inspired by the green belt concept already implemented in certain cities in Canada and elsewhere in the world, greenways and blueways are aimed at controlling urban sprawl, developing natural spaces and improving the living environment of the population.

In Budget 2012-2013, the government is announcing that it will allocate an envelope of $60 million over five years for the implementation of developmental projects focused on the creation of greenways and blueways on the territory of the metropolitan communities.

To finance these investments, additional appropriations of $8.0 million in 2012-2013, $10.0 million in 2013-2014 and $12.0 million in 2014-2015 will be divided between the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire and the Ministère du Développement durable, de l'Environnement et des Parcs. The appropriations required for 2012-2013 will be drawn from the Contingency Fund.

TABLE 6

Contribution to the creation of greenways and blueways – 2012 2017
(millions of dollars)

	5 years
Territory of the Communauté métropolitaine de Montréal	50.0
Territory of the Communauté métropolitaine de Québec	10.0
TOTAL	**60.0**

❑ Forward-looking projects for the Montréal and Québec metropolitan communities

The metropolitan communities determined in their land use and development plan certain forward-looking catalyst projects for the creation of greenways and blueways. These projects resulted in a strong consensus among elected officers, the population and organizations in the communities.

With $60 million in investments, the government supports the leadership and efforts of the metropolitan communities, and works in close concertation with them for the implementation of their land use and development plan on their territory.

■ Communauté métropolitaine de Montréal

An envelope of $50 million will be available to support the implementation of projects for the creation of greenways and blueways on the territory of the Communauté métropolitaine de Montréal (CMM).

Of this amount, the government will allot up to $20 million for the development of a bicycle and pedestrian path that will cross Greater Montréal from Oka to Mont-Saint-Hilaire.

Below are other projects defined in the CMM's metropolitan land use and development plan:

— creation of a park along the rivière des Mille-Îles, in order to protect and enhance several elements of the natural environment;

— creation of a linear park and beaches on the Seaway Dyke (Parc-plage du Grand Montréal);

— creation of a green corridor between Châteauguay and Léry, in order to counter the loss and fragmentation of woodlands;

— creation of an ecoforest corridor in the mont Saint-Bruno area.

Creation of the Oka–Mont-Saint-Hilaire bicycle and pedestrian path
▪ Will link Oka, Laval, Montréal, Longueuil, Belœil and Mont-Saint-Hilaire. ▪ Will be more than 120 kilometres long. ▪ Will connect three national parks on the territory of Greater Montréal, as well as several regional and local green spaces. ▪ Will be part of the National Trail, which crosses Québec from west to east over more than 1 650 kilometres.

Source: Metropolitan land use and development plan of the Communauté métropolitaine de Montréal.

Communauté métropolitaine de Québec

For the Communauté métropolitaine de Québec (CMQ), an envelope of $10 million will be available to help carry out projects relative to the creation of greenways and blueways, for example:

— creation in the city of Québec of a network of natural, recreational and heritage areas for the well-being and leisure activities of the public, with a view to improving access to the network, protecting the natural environment and creating healthy lifestyles;

— enhancement of the territory's main natural attractions by developing a network of recreational areas associated with waterways, such as the rivière Saint-Charles linear park;

— creation of a riparian corridor along the St. Lawrence River in the Côte-de-Beaupré RCM, in order to enhance the attractiveness of the shoreline and access to the St. Lawrence River.

The government: a partner in the creation of green belts

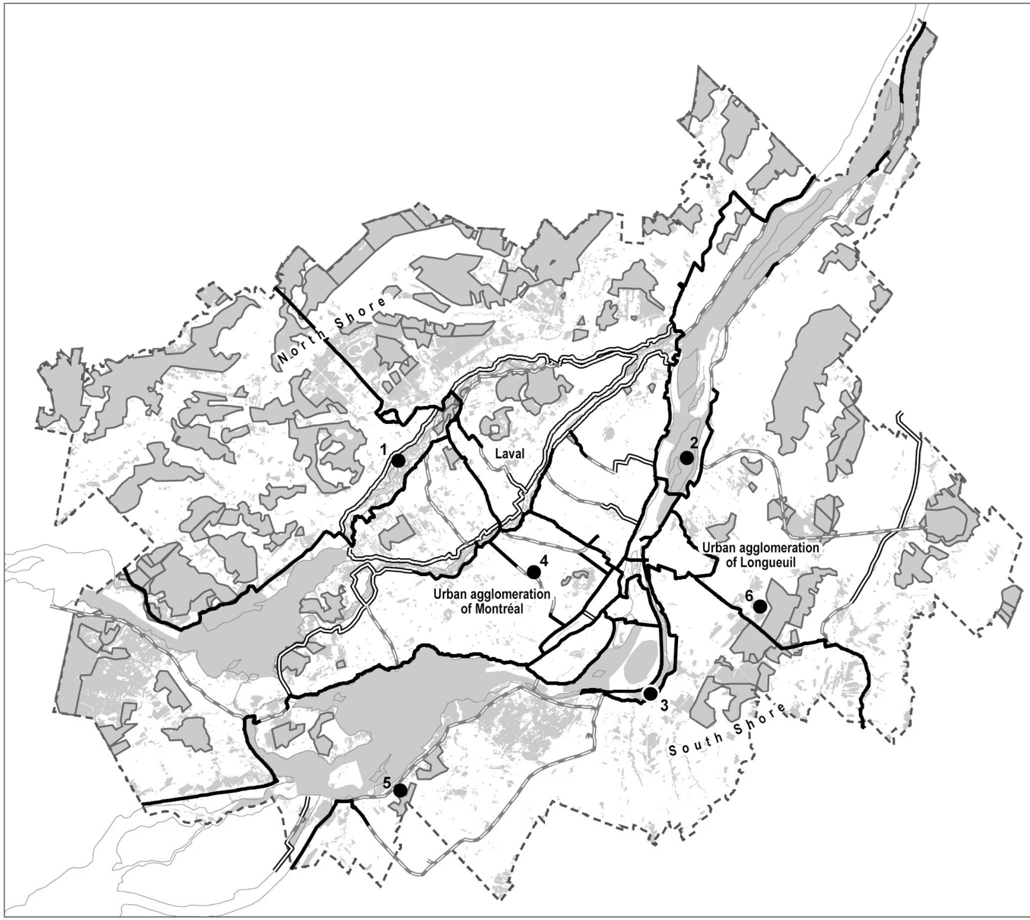
The government already plays a role in the protection and enhancement of natural and built-heritage areas of interest to Québec as a whole, in particular by:

- applying legislative and regulatory provisions (e.g. protection of lakeshores, riverbanks, littoral zones and floodplains, protection of wetlands);
- creating national parks, nature reserves and wildlife sanctuaries;
- providing assistance and expertise to help the regions with area design, planning and characterization.

Other government initiatives in Budget 2012-2013 supporting the creation of greenways and blueways

- Territory of the Communauté métropolitaine de Montréal
  - Expansion and renovation of the discovery and services centre of the Parc national des Îles-de-Boucherville, development of a new sector, installation of a shuttle transit reception area on the St. Lawrence, and development of the islands throughout the archipelago.
- Territory of the Communauté métropolitaine de Québec
  - Development of a world-class activity centre at the Parc de la Chute-Montmorency, upgrading of the reception and services infrastructure, and creation of an integrated entrance to the site.

Green Belt – Communauté métropolitaine de Montréal



COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL

Natural areas and greenway/blueway[1]

- Protected areas/wetlands/forest cover
- Wooded areas and metropolitan forest corridors
- Current bicycle network
- Bicycle network to be developed
- Bicycle network to be enhanced

Recreation/tourism area to be developed

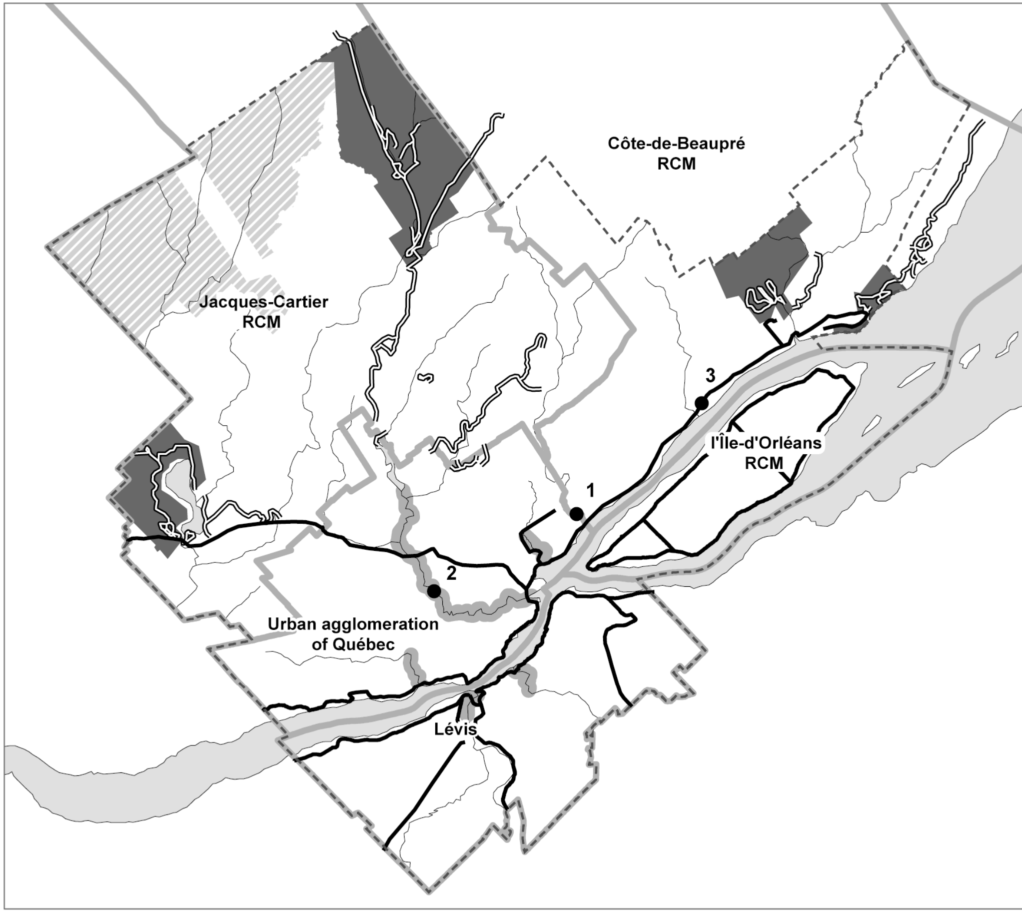
1 Parc de la rivière des Mille-Îles
2 Parc national des Îles-de-Boucherville
3 Parc-plage du Grand Montréal
4 Greater Montréal bicycle and pedestrian path
5 Bois de Châteauguay-Léry
6 Bois du mont Saint-Bruno

Communauté métropolitaine de Montréal

[1] For example, the proposed measures could be implemented in these areas.

Source:
The information on this map is drawn from the maps entitled "Potentiel de conservation des bois, des corridors forestiers et des milieux humides" and "Concept de la trame verte et bleue" in the metropolitan land use and development plan of the Communauté métropolitaine de Montréal. Certain items have been grouped for simplicity.

Green Belt – Communauté métropolitaine de Québec



COMMUNAUTÉ MÉTROPOLITAINE DE QUÉBEC

Green, blue and white metropolitan networks[1]

- River
- Water body
- Big natural or public recreational space
- Large natural or public recreation area included in a concentrated recreation/tourism area
- Riparian corridor
- Metropolitan bicycle network
- Hiking trail

Recreation/tourism area to be developed

1 Parc de la Chute-Montmorency
2 Rivière Saint-Charles
3 Côte-de-Beaupré

- Communauté métropolitaine de Québec
- Urban agglomeration and RCM

[1] For example, the proposed measures could be implemented in these areas.

Source:
The information on this map is drawn from the map entitled "Le réseau vert, bleu et blanc métropolitain" map in the metropolitan land use and development plan of the Communauté métropolitaine de Québec. Certain items have been grouped for simplicity.

1.2.2 Marking the 375th anniversary of the founding of Montréal

In 2017, the metropolis will celebrate its 375th anniversary. Ville de Montréal will also take advantage of the occasion to mark the 50th anniversary of the 1967 World Exposition.

So that there is tangible legacy of the 375th anniversary, Ville de Montréal proposed to the government that investments be made in developmental projects relating to Montréal's history and distinctive image. The government intends to contribute $125 million to support the implementation of the following projects:

— $45 million for the reconfiguration, expansion and construction of buildings on the Espace pour la vie site, which groups the Montréal Botanical Garden, the Biodôme, the Insectarium and the future Planétarium Rio Tinto;

— $35.0 million for the construction of a shoreline boardwalk and the refurbishment of Place des Nations at Parc Jean-Drapeau;

— $26.4 million for tourist development projects at Saint Joseph's Oratory;

— $18.5 million for the construction of a new pavilion for the Montreal Museum of Fine Arts, in order to house a unique collection donated by Michal Hornstein and Renata Hornstein.

This investment of $125 million will enable the implementation of developmental, sustainable projects that will benefit all Quebecers.

The government's financial contribution will be funded out of the amounts allocated to the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire and the Ministère de la Culture, des Communications et de la Condition féminine under the 2011-2016 Québec Infrastructures Plan.

Legacies for Montréal's 375th anniversary
The legacies will serve to: − ensure the preservation and sustainability of infrastructure recognized as cultural property representative of the history and growth of the city of Montréal; − contribute to the city's visibility on the national and international stage; − diversify the cultural offering, for the benefit of all Quebecers; − consolidate Montréal's position as a recognized, popular and preferred international tourist destination; − drive economic growth for the metropolis; − increase the number of visitors to the sites targeted by the infrastructure projects.

❑ Enhancement of the activities offered on the Espace pour la vie site

The Espace pour la vie site groups the Montréal Botanical Garden, the Biodôme, the Insectarium and the future Planétarium Rio Tinto. These establishments are important heritage assets for the city of Montréal. Every year, nearly 1.7 million people flock to them, confirming their importance to tourism in Montréal and the city's economy.

To strengthen Montréal's position as a recognized science city and increase the number of visitors to these establishments, the government will invest $45 million in projects at the Biodôme, the Insectarium and the Botanical Garden.

■ Addition of a fifth ecosystem at the Biodôme

With the Biodôme's four ecosystems reconstructed under the same roof, there is no equivalent facility in the world. The addition of a fifth ecosystem will enhance the activities on offer at the Biodôme. The ecosystem will propose a new way for humans to interact with nature.

■ Expansion of the Insectarium

The Montréal Insectarium is a leader in its field. Its flagship event, "Butterflies Go Free", attracts some 200 000 visitors a year. The expansion project involves the construction of a living building and a large greenhouse to house, in freedom, insects of all species.

■ Construction of a glass pavilion at the Botanical Garden

Thanks to its collection of over 20 000 varieties of plants, its greenhouses for exhibits and its thematic gardens, the Montréal Botanical Garden ranks among the world's major botanical gardens. The construction of a glass pavilion will enable world-renowned horticultural exhibitions to be held.

❑ Refurbishment of Place des Nations and construction of a panoramic shoreline boardwalk at Parc Jean Drapeau

Parc Jean-Drapeau, which grew out of the 1967 World Exposition, is a major point of interest for tourists in Montréal. With its facilities and infrastructures intended for entertainment and international events, the park is visited by close to 11 million people a year.

As part of Montréal's 375th anniversary and the 50th anniversary of the 1967 World Exposition, the Société du parc Jean-Drapeau will refurbish the 1967 Place des Nations and build a shoreline boardwalk linking Île Notre-Dame and Île Sainte-Hélène that will offer a magnificent view of the city.

The government plans to invest $35 million in these projects, in order to develop Parc Jean-Drapeau, enhance it and reposition it as one of the metropolis's principal tourist attractions.

Refurbishment of the 1967 Place des Nations
▪ Ville de Montréal proposes to create a year-round events venue for inhabitants and visitors. ▪ The importance of the communities of different origins that have settled in Montréal since 1967 will be highlighted on the site. ▪ The project provides for the creation of a green terrace at the Concordia Bridge and the construction of a building with a panoramic view of the metropolis. ▪ The government will allot $12 million for the completion of this project.

❑ New pavilion for the Montreal Museum of Fine Arts

The international stature of the Montreal Museum of Fine Arts will be enhanced by an exceptional donation for Montréal's 375th anniversary from the great Montréal philanthropists Michal and Renata Hornstein. The collection, estimated at over $75 million, includes nearly 80 paintings and drawings. The collection's size and quality, extending from the Renaissance to the advent of the modern era of painting, put it in a class of its own.

To exhibit this unique collection in its entirety, a new pavilion must be built. To that end, the government will contribute $18.5 million. For its part, the museum undertakes to assume the full operating costs of the future pavilion.

This collection will enhance Montréal's appeal with tourists, and the Montreal Museum of Fine Arts will impose itself as one of the best in North America.

❑ Tourist development projects at Saint Joseph's Oratory

Founded in 1904, Saint Joseph's Oratory of Mount Royal is one of Montréal's major tourist attractions. Of great historical importance, the Oratory attracts over two million pilgrims and visitors a year from all corners of the world. Not only is it the largest church in Canada and the largest sanctuary in the world dedicated to Saint Joseph, but it is also a place of spirituality famous the world over.

Over the years, and due to ever-bigger crowds, the Oratory facilities have become outdated and inefficient in satisfying the growing number of visitors and meeting the modern requirements of accessibility and traffic management, in particular with regard to pedestrian safety.

Accordingly, the Oratory has undertaken a large-scale project to:

— set up an observation centre in the dome of the Oratory's basilica;

— build a new unit integrating the reception and pilgrims' pavilions;

— reconfigure the sacred stairway.

The work will require investments of $79.2 million. The Oratory, with the assistance of its foundation, has undertaken to collect one-third of that amount, $26.4 million. The government will invest up to $26.4 million.[2] Ville de Montréal and the federal government will be solicited to round out the financing of the project.

---

[2] To that end, Saint Joseph's Oratory, in collaboration with Infrastructure Québec, will prepare a business case in the coming months, in accordance with the Framework Policy for the Governance of Major Public Infrastructure Projects.

1.2.3 Renovation of Wilson Hall at McGill University

The government is allotting substantial amounts to infrastructure renewal. In education, modern laboratories and facilities contribute to students' acquisition of knowledge and to the visibility of educational institutions.

McGill University's Wilson Hall, a heritage building that houses the schools of nursing and social services, no longer meets teaching and research requirements. Major work must be undertaken to:

- replace the equipment essential to upgrading the building, such as the electrical, heating and ventilation, security and fire protection equipment;

- renovate several service areas, repair support structures and eliminate problems related to pyrite and the presence of asbestos.

The Québec government recognizes the necessity of these renovations and will contribute up to $35 million to see them carried out.[3]

The government's contribution will be financed out of the amounts allocated to the Ministère de l'Éducation, du Loisir et du Sport under the 2011-2016 Québec Infrastructures Program.

[3] To that end, McGill University, in association with Infrastructure Québec, will prepare a business case in the coming months, in accordance with the Framework Policy for the Governance of Major Public Infrastructure Projects.

1.2.4 $15 million for Montréal inc. de demain

As part of the 2011-2014 Québec Entrepreneurship Strategy, the government pledged to make Montréal an entrepreneurial metropolis.

To achieve that objective, the Québec government wants to encourage young Montrealers to participate in entrepreneurial activity in conjunction with the Fondation du maire: le Montréal inc. de demain (the Fondation du maire).

This non-profit organization, whose mission is to spur the new generation of entrepreneurs on to success, offers grants to facilitate business startups in Montréal, as well as support services through a network of volunteer partners, entrepreneurs and businesspeople.

The Fondation du maire: successful businesses

Over the years, the Fondation du maire has become a reference in searching out the most promising young entrepreneurs. Created in 1996, the foundation supports the creation of businesses in all fields, some of which have gained international recognition.

Harricana by Mariouche: Created by Mariouche Gagné, Harricana by Mariouche is one of the very first companies to receive a Fondation du maire grant. The company designs and markets fine-fashion, innovative apparel and accessories made from recycled fine materials such as fur and silk.

Lufa Farms: In 2011, Mohamed Hage founded Lufa Farms, a business dedicated to sustainable urban agriculture. Lufa Farms is the world's first commercial rooftop greenhouse. The 2 880-square-metre greenhouse produces year round many varieties of pesticide—and herbicide—free vegetables and herbs.

Nüvü Caméras: In 2010, Marie-Ève Ducharme and Olivier Daigle founded Nüvü Caméras, a company that designs scientific cameras recognized as the most sensitive in the world. Nüvü Caméras has since revolutionized how scientists around the world understand astronomy. It is preparing to do the same for biomedical diagnostics.

Kinova: For people with a mobility impairment, many actions are difficult, even impossible, to perform. The JACO invention is a game changer: With this robotic arm, which can be fitted onto a power wheelchair, a bed or a workstation, actions as precise as picking up an egg or pouring water into a glass are now possible. JACO is the creation of Kinova, a Montréal company founded in 2006. JACO was named innovation of the year at the Autonomic fair in France in January 2010.

❑ Creation of a match fund

To enable the Fondation du maire to continue and step up its efforts to assist Montréal's young entrepreneurs, Budget 2012-2013 provides for a $15-million endowment fund.

— The endowment fund will start with $10 million, half of which will be financed by the government and the other half, by the Fonds de solidarité FTQ. This financing will be in the form of ten-year interest-free repayable loans.

— The Fondation du maire will continue its fundraising through private donors, in an effort to add $5 million to the endowment fund.

— The endowment fund will be managed by a board of directors, whose members will be appointed by the government, the Fonds de solidarité FTQ and the Fondation du maire.

■ Mission and investment policy

The investment income generated by the endowment fund will enable grants to be awarded to young entrepreneurs, and will help develop new services.

— The endowment fund's operating expenses will also be paid out of the fund's yields.

Thus, the endowment fund will ensure the continuation of the Fondation du maire's policy, by targeting entrepreneurship among Montréal's young people aged 35 and under.

The Minister of Economic Development, Innovation and Export Trade, the Fonds de solidarité FTQ and the Fondation du maire will announce the terms of the fund's implementation at a later date.

To enable the government's participation in the endowment fund, appropriations of $1.7 million will be granted to the Ministère du Développement économique, de l'Innovation et de l'Exportation in 2012-2013. The appropriations will be drawn from the Contingency Fund.

1.2.5 Construction of the Théâtre Le Diamant à Québec

Over the years, the city of Québec has forged an internationally recognized cultural reputation by holding major artistic events such as the Cirque du Soleil shows, the Image Mill and the Festival d'été de Québec. With a view to diversifying and enhancing the cultural products available, Ville de Québec wants to put on international-calibre contempory creations such as those of creator Robert Lepage. However, it does not have a hall with a flexible configuration enabling it to take advantage of this niche.

As part of Budget 2012-2013, the government will invest up to $30 million to support Ex Machina and its other partners in the construction of the Théâtre Le Diamant.[4]

The proposed project has two components. The first component involves the construction of two performance halls, one of which will be a 625-seat hall of variable geometry at the cutting edge of contemporary artistic production needs. The second component involves the creation of commercial and restaurant spaces.

The Théâtre Le Diamant will showcase Ex Machina's repertory by staging productions that have marked world theatre in recent years. It will also be an ideal venue for Carrefour international de théâtre productions, foreign productions, circus shows and operas.

With the Palais Montcalm and the Capitole de Québec, the Théâtre Le Diamant will form a cultural hub in Place d’Youville.

TABLE 7

Contributions by financial partners
(millions of dollars)

	Cost	Québec government	Ex Machina and other sources
Component 1: Construction of performance halls	52	30	22(1)
Component 2: Creation of commercial spaces	8	—	8
TOTAL	**60**	**30**	**30**

(1) Ville de Québec, patrons, Canadian government and fundraising campaign.

4 To that end, Ex Machina, in association with Infrastructure Québec, will prepare a business case in the coming months, in accordance with the Framework Policy for the Governance of Major Public Infrastructure Projects.

1.3 Supporting public transit and alternative transportation

❑ Funding for public transit and alternative transportation through revenue from the carbon market

Funding public transit and alternative transportation is a major challenge for the government and its partners in transit agencies and the municipal sector.

In this budget, the government is taking a first step to ensure funding for its future ambitions with respect to the maintenance and development of infrastructure and public transit and alternative transportation services.

The government is announcing that two-thirds of the revenue generated by the carbon market and the extension of the duty on fuel and fossil fuels will be allocated to the funding of transportation initiatives that reduce greenhouse gas emissions, including those that target public transit and alternative transportation. This measure is part of the government's 2013-2020 Climate Change Action Plan (this announcement is presented in detail in the budget paper entitled *A New Climate Change Action Plan for 2013-2020 – A Greener Environment*).

This revenue will provide long-term funding for the public transit and alternative transportation financial assistance programs of the Ministère des Transports (MTQ). The revenue allocated to the programs will increase, on average, by 13.9% a year between 2011-2012 and 2016-2017, to $250 million in 2016-2017. Thus, by 2020, this new revenue will provide total funding of $1 536.7 million for these programs.

TABLE 8

Revenue allocated to public transit and alternative transportation
(millions of dollars)

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	By 2020(1)
2006-2012 Action Plan	130.0	130.0	65.0	—	—	—	195.0
2013-2020 Action Plan	—	6.7	70.0	145.0	234.7	248.7	1 536.7
TOTAL	**130.0**	**136.7**	**135.0**	**145.0**	**234.7**	**248.7**	**1 731.7**

(1) Total of the amounts from 2012-2013 to 2020-2021.

❑ Development of public transit: a priority for the government and municipalities

The use of revenue from the carbon market to ensure long-term funding for public transit assistance programs reflects the government's desire to improve public transit services.

The development of public transit is a priority for the government. Given its economic, social and environmental dimensions, the development of public transit networks confirms the government's commitment to sustainable development. Public transit is in fact at the centre of the government's 2013-2020 Climate Change Action Plan.

In addition, an accessible, efficient public transit system is a key development tool for Québec and municipalities.

Reliance on public transit:

— enhances the mobility of the overall population;

— reduces traffic on the road network, thereby accelerating the transportation of passengers and goods.

Moreover, the development of public transit networks leads to better development of municipal territories, by fostering densification of residential zones. In this way, municipalities will offer inhabitants a dynamic, sustainable living environment.

1.4 Providing targeted assistance for Aboriginal peoples

❑ $135 million for the renewal and improvement of the Aboriginal Initiatives Fund

Created in 2006, the Aboriginal Initiatives Fund (AIF) is intended to support projects likely to have substantial benefits for the economic and social development of Québec's Aboriginal communities.

To continue and step up the government's participation in the economic and social development of Aboriginal communities, Budget 2012-2013 provides for the renewal, for five years, of the AIF and the increase in its funding from $125 million to $135 million:

— $64 million for economic development projects;

— $38 million for investment in community infrastructure;

— $20 million for costs related to consultations of the communities (amount based on the history of such costs);

— $8 million to help community organizations;

— $5 million for loan guarantees.

The terms and conditions of the allocation of the new AIF envelope will be announced at a later date by the Minister responsible for Native Affairs.

Renewal of the AIF and increase in its envelope:
Examples of projects that will be funded

Encouraging young entrepreneurs

To encourage the involvement of Aboriginal youths in the economic and social development of their communities, a total of $2 million of the $64-million economic development envelope will be set aside for projects developed by young Aboriginal entrepreneurs.

Supporting Aboriginal women

A total of $1 million of the $8-million envelope for helping community organizations will be set aside to support efforts by Aboriginal women to improve their living conditions and support them in their economic and social participation.

Supporting urban Aboriginals

The mission of Aboriginal friendship centres consists in improving the quality of life of Aboriginals living in urban areas such as Montréal. The centres provide a multitude of services (for example, homework assistance, sharing circles, accommodation and stopover centre). In this regard, the AIF could finance operating and capital expenditures of certain Aboriginal friendship centres.

■ The Aboriginal Initiatives Fund: A tailored, efficient development tool

Aboriginal communities face specific economic and social development issues. The communities must cope with a population that is very young and growing fast. This demographic dynamic accentuates the already considerable needs of the communities with regard to jobs, infrastructure and services. In addition, a large number of Aboriginal communities are located in remote regions and grappling with specific problems.

The AIF is an economic and social development tool tailored to the needs of Aboriginal communities. After five years of existence, the results of the AIF are conclusive. To date, the AIF has:

— supported nearly 350 economic and community projects;

— supported 13 community action organizations;

— funded 41 consultation support projects;

— created and consolidated over 1 270 jobs;

— generated more than $300 million in investments.[5]

Without the support of the AIF, many of these projects and investments would not have come to pass. For example, the AIF helped fund developmental, forward-looking projects such as Groupe UMEK's processing plant in the Côte-Nord region and the construction of a youth centre in Obedjiwan. These two projects are presented in greater detail on the following page.

To enable the Aboriginal Initiatives Fund to carry out its mission, appropriations of $8.0 million in 2012-2013, $10.0 millions de dollars in 2013-2014 and $16.0 million in 2014-2015 will be granted to the Ministère du Conseil exécutif. The appropriations required for 2012-2013 will be drawn from the Contingency Fund.

[5] Source: Secrétariat aux affaires autochtones.

Two developmental, forward-looking projects financed by the AIF

Investment of $515 000 by the AIF in Groupe UMEK

Founded in 2005, Groupe UMEK is an Aboriginal entrepreneurial success story and an example of partnership with non-Aboriginal companies.

Specialized in the processing of snow crab, Groupe UMEK is 70%-owned by the Innu communities of Essipit, Pessamit and Uashat Maliotenam.

The plant exports 70% of its production to the United States and employs approximately 120 seasonal workers, the majority of whom are from various Aboriginal nations and communities.

With its plant and its interests in the companies Pêcherie Manicouagan and Crabiers du Nord, Groupe UMEK enables the three Innu communities involved to benefit from a well-integrated, diversified commercial fishing industry.

Investment of $475 000 by the AIF to build the Obedjiwan youth centre

A new youth centre was built in the heart of the community.

In addition to leisure activity-related functions, the youth centre serves as a training and referral centre and as a meeting place for the community's youth. Its mission also consists in helping to ensure that young people stay in school and to prevent alcoholism and drug abuse.

Moreover, the construction of the new youth centre led to the creation of two full-time jobs for activity leaders.

2. TOWARDS A NEW FISCAL PACT WITH THE MUNICIPALITIES

The announcements in Budget 2012-2013 are in addition to the substantial sums already paid to the municipalities by the government. For example, in 2010, financial transfers from the government to the municipalities accounted for 18% of their total revenue.

These government transfers are paid under:

— the Agreement on a New Fiscal and Financial Partnership with the Municipalities for the years 2007-2013 (2007-2013 Agreement);

— other government initiatives for municipal bodies.[6]

In the plan to restore fiscal balance, the government has placed the focus on controlling its spending. Nevertheless, it has decided to maintain its full support for the municipalities.

2.1 Update on the 2007-2013 Agreement with the municipalities

The 2007-2013 Agreement will end on December 31, 2013. With the negotiations that should lead to its renewal getting under way, this is a good time to provide an update on the Agreement.

The government's objective in negotiating a fiscal pact with the municipalities is to ensure they have sustainable, predictable and developmental sources of revenue that supplement the own-source revenue already at their disposal, and thus provide them with the financial means to offer quality services to their citizens.

The 2007-2013 Agreement between the Québec government, the Fédération québécoise des municipalités, the Union des municipalités du Québec and Ville de Montréal has set the basic framework for financial relations with the municipalities for the duration of the Agreement.

The 2007-2013 Agreement provides for a total of $3.8 billion in government financial transfers to the municipalities. It includes specific financial commitments and other measures in which the government has pledged to find solutions to particular problems in conjunction with the municipalities.

[6] The expression "municipal bodies" refers to the municipalities, the RCMs, the CMM, the CMQ, intermunicipal boards and public transit authorities.

2.1.1 Financial commitments of the 2007-2013 Agreement

The 2007-2013 Agreement includes fiscal measures (reimbursement of the QST and taxation of private thermal power plants), as well as budgetary measures with specific financial commitments.

TABLE 9

2007-2013 Agreement: fiscal and budgetary measures
(millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	Total
Enhancement of compensations in lieu of taxes for parapublic immovables	166.5	166.5	166.5	166.5	166.5	166.5	166.5	**1 165.5**
Compensations in lieu of taxes for public lands	20.7	20.7	20.7	20.7	20.7	20.7	20.7	**144.9**
Subsidies in lieu of access to natural resource royalties	10.2	10.2	10.2	10.2	10.2	10.2	10.2	**71.4**
Equalization	46.8	50.0	50.0	50.0	60.0	60.0	60.0	**376.8**
Taxation of thermal power plants	1.1	1.1	1.1	1.1	1.1	1.1	1.1	**7.7**
Assistance to RCMs	3.2	3.2	3.2	3.2	3.2	3.2	3.2	**22.4**
Assistance for designated metropolitan equipment within the territory of the Communauté métropolitaine de Montréal	13.3	13.3	13.3	13.3	13.3	13.3	13.3	**93.1**
Reimbursement of the QST paid by the municipalities	144.8	170.0	210.0	255.0	295.0	380.0	472.0	**1 926.8**
TOTAL	**406.6**	**435.0**	**475.0**	**520.0**	**570.0**	**655.0**	**747.0**	**3 808.6**
Growth in %	*4.6*	*7.0*	*9.2*	*9.5*	*9.6*	*14.9*	*14.0*	

The 2007-2013 Agreement, totalling $3.8 billion, has thus doubled the government assistance of $1.9 billion paid to the municipalities under the 2000-2005 Fiscal Pact.

It should be noted that, in 2006, the 2000-2005 Fiscal Pact was extended for one year for $388.7 million.

The 2007-2013 Agreement provides for the maintenance of some of the measures of the previous fiscal pact: enhancement of compensations in lieu of taxes for parapublic immovables, compensations for public lands, subsidies in lieu of access to natural resource royalties, assistance to RCMs and assistance for Montréal's metropolitan equipment.

The most notable gain for the municipalities in the 2007-2013 Agreement is the measure concerning the gradual reimbursement of the QST. The amount of the QST reimbursement will rise from $145 million in 2007 to $472 million in 2013, representing an average increase of 21.8% per year.

— From 2007 to 2013, the QST will be reimbursed gradually through predetermined annual amounts, distributed among the municipalities in proportion to their respective taxable expenditures. The Agreement provides for the full reimbursement of the QST paid by each municipal body, starting in 2014.

Another important gain for the municipalities in the 2007-2013 Agreement is the measure on the equalization program. Not only have equalization amounts been increased (rising gradually from $36.8 million in 2006 to $60 million in 2011), but the formula has been modified so as to better target municipalities whose fiscal capacity is weak.

In addition to these measures, the subsidy granted to the city of Québec as Québec's capital has been raised.

2000-2005 Fiscal Pact

2000-2005 Fiscal Pact
(millions of dollars)

Measures	2000	2001	2002	2003	2004	2005	2006	Total
Compensations in lieu of taxes	—	49.0	49.0	64.0	109.0	154.0	187.0	**612.0**
Gain allocated to each municipality	75.0	71.0	71.0	71.0	71.0	71.0	71.9	**501.9**
Municipal reorganization		30.0	45.0	45.0	45.0	45.0	14.5	**224.5**
Diversification of revenue	—	—	15.0	45.0	60.0	60.0	64.1	**244.1**
Assistance for major urban centres and RCMs	—	14.0	14.0	14.0	14.0	14.0	14.4	**84.4**
Equalization	—	36.0	36.0	36.0	36.0	36.0	36.8	**216.8**
TOTAL	**75.0**	**200.0**	**230.0**	**275.0**	**335.0**	**380.0**	**388.7**	**1 883.7**

One of the clauses of the 2000-2005 Fiscal Pact stipulated that, if the parties failed to reach an agreement, an amount of $380 million would be renewed and indexed according to the consumer price index (CPI) for Canada.

2.1.2 Other measures of the 2007-2013 Agreement

In addition to the measures providing for financial transfers from the government, the 2007-2013 Agreement includes various so-called "peripheral" measures that have a favourable impact on the revenue or financial expenses of the municipalities, in particular:

- the change in the funding of 9-1-1 emergency centres, which requires that cell phone subscribers contribute to the cost of these centres: the municipal tax for 9-1-1, introduced on December 1, 2009, placed $32.4 million in revenue, or roughly $11 million more than under the previous regime, at the disposal of municipalities as of the first year. In 2011, the amounts remitted to the municipalities represented $36.6 million;

- the increase in curbside recycling compensation for businesses, to 100% of the cost, and confirmation of the commitment that 85% of disposal charges would be redistributed to the municipalities:

  - since 2005, $189.3 million has been paid to the municipalities under the curbside recycling compensation regime,

  - since 2006, $304.4 million has been paid to the municipalities through the redistribution of the charges payable for the disposal of residual materials;

- the measures for consolidating the tax base of the municipalities: government cultural corporations are now required to pay property taxes in full and the rule for weighting the aggregate taxation rate used to calculate compensations in lieu of taxes for parapublic immovables has been changed;

- the introduction of fees payable by the operators of quarries and sandpits, to compensate for damage to municipal roads: the measure to impose fees on quarry and sandpit operators, in effect since January 2009, generated annual revenue of $36.0 million in 2009 and $51.8 million in 2010 for the municipalities.

TABLE 10

2007-2013 Agreement – List of commitments and steps taken

Commitments	Steps taken
Financing of 9-1-1 services	
Introduce a government fee applicable to all telephone services, the proceeds of which would be redistributed among the municipalities in order to finance 9-1-1 services.	Adoption of Bill 82 in June 2008, Bill 45 in June 2009 and the *Regulation governing the municipal tax for 9-1-1* in June 2009. – Collection of a tax of $0.40 a month per telephone number since December 1, 2009.
Payments and contributions to pension plans	
Propose regulatory amendments so that municipalities and municipal bodies would not be required, as of 2007, to make the payments needed to offset the solvency deficiencies of their pension plans.	Regulatory provisions have been adopted to exempt municipalities, as of December 31, 2006, from having to offset solvency deficiencies, while at the same time maintain the obligation to offset funding deficiencies.
Apply stricter rules to decisions to take a contribution holiday or improve a plan.	The solvency criterion for such decisions has been maintained and strengthened.
Compensation for curbside recycling	
Aim for full compensation of the cost of curbside recycling by 2010.	Adoption of Bill 88 in June 2011. The Bill stipulates that the percentage of compensation for admissible costs will reach 100% in 2013.
Review the contribution of written media to compensation for the cost of curbside recycling.	Bill 88 increases this contribution.
Charges for the disposal of residual materials	
Reimburse municipalities 85% of the cost of charges for the disposal of residual materials.	The charges came into effect in 2006 and a reimbursement of 85% has since been shared among the municipalities.
Imposition of municipal and school taxes on certain government immovables	
Require state museums, the Grand Théâtre de Québec, and the Bibliothèque et des Archives nationales du Québec to pay the municipal and school taxes normally payable.	The necessary legislative amendments to the *Act respecting Municipal taxation* were adopted in June 2006, with entry into force in 2007.
Compensations in lieu of taxes for parapublic immovables	
Propose legislative amendments to modify the formula for calculating compensations in lieu of taxes for parapublic immovables so as to neutralize situations where the reduction in a municipality's aggregate taxation rate (ATR), stemming from a marked increase in the value of taxable immovables in rolls coming into effect in 2006, 2007 and 2008, would result in a decrease in compensations.	Legislative amendments were adopted in June 2006 to introduce an ATR weighting rule that would offset, for rolls coming into effect in 2006, 2007 and 2008, the decrease in compensations. For rolls coming into effect as of 2009, the *Regulation respecting compensations in lieu of taxes* was amended in March 2010 to ensure that the offset of the decreases in compensations enabled by the weighting of the ATR for the 2006, 2007 and 2008 rolls would be recurrent.

2007-2013 Agreement – List of commitments and steps taken (cont.)

Commitments	Steps taken
Assistance program for RCMs	
In addition to the annual amount of $3.2 million, renew the amount of $6 million for each year of the 2007-2013 Agreement.	The program is being maintained for the 2007-2013 period.
Imposition of fees on quarry and sandpit operators	
Allow fees to be imposed on the operators of quarries and sandpits.	This measure was implemented starting on January 1, 2009, following the adoption of Bill 82 in June 2008.
Accounting treatment of the QST reimbursement paid to municipal bodies	
Study the terms and conditions required to ensure that the amounts representing a reimbursement of the QST paid by municipal bodies are considered general revenues for all municipal purposes.	For the period from 2007 to 2013, amounts paid under the QST reimbursement measure will be considered general revenue, as they do not constitute a reimbursement of the QST actually paid by each municipality but a compensation calculated using various factors (including a minimum gain percentage).
Subsidy for Québec's capital city	
Conclude an agreement between the government and Ville de Québec to pay the city $7.8 million a year from 2007 to 2013, as a subsidy for Québec's capital.	Every year, the Minister responsible for the Capitale-Nationale region requests authorization from Cabinet to pay a $7.8-million subsidy to Ville de Québec.
Role of the Table Québec-Municipalités (TQM)	
Enhance the role of the TQM by fostering: – consultation with the municipalities on measures that concern them; – discussion of these measures in a spirit of partnership.	The frequency of TQM meetings has been increased and discussions are held in a spirit of partnership.

2.2 Total government initiatives for municipal bodies

A distinctive feature of the amounts paid to municipalities under a fiscal pact is that they are set for a specific period. Accordingly, the 2007-2013 Agreement provides for a total of $3.8 billion, with annual amounts agreed upon beforehand between the municipalities and the government.

To these amounts are concurrently added other sums that are paid to municipal bodies under existing programs of government departments or organizations, or in the wake of budget announcements or the implementation of Québec-wide policies or strategies. These sums are intended to help the municipalities carry out their mandates. The main transfers are made in the form of assistance for the funding of local infrastructure and public transit.

As shown in the table on the next page, government assistance for the municipalities will total $21.6 billion from 2007 to 2013. To this amount will be added other government interventions for municipal bodies that do not constitute transfers but that represent additional sources of revenue for these bodies.

Accordingly, total government assistance to the municipalities will rise from $2.2 billion in 2007 to $3.7 billion in 2013. This increase of $1.5 billion can be attributed mainly to:

— the additional $340.4 million that will be paid under the 2007-2013 Agreement;

— the additional $510.8 million that will be invested in municipal infrastructure work;

— the additional $464.4 million that will be invested in public transit infrastructure;

— the additional $150.7 million that will be paid for the operation of public transit in 2013, compared with the amount paid in 2007.

TABLE 11

Government assistance for municipal bodies – 2007-2013
(millions of dollars)

	2007	2008	2009	2010	2011[F]	2012[F]	2013[F]	TOTAL	Difference between 2013 and 2007
2007-2013 Agreement	406.6	435.0	475.0	520.0	570.0	655.0	747.0	3 808.6	340.4
Municipal infrastructure									
Operations[(1)]	124.7	118.5	119.6	120.1	120.0	120.0	120.0	842.9	–4.7
Investment	333.8	338.9	562.7	911.2	889.2	851.6	844.6	4 732.0	510.8
Total	458.5	457.4	682.3	1 031.3	1 009.2	971.6	964.6	5 574.9	506.1
Public transit									
Operations	299.2	310.9	396.7	466.4	461.5	448.2	449.9	2 832.8	150.7
Investment	327.0	292.6	568.0	609.4	703.5	943.2	791.4	4 235.1	464.4
Total	626.2	603.5	964.7	1 075.8	1 165.0	1 391.4	1 241.3	7 067.9	615.1
Economic development	107.9	114.0	120.3	120.1	119.3	121.0	121.3	823.9	13.4
Other transfers to local or regional authorities	236.3	228.5	287.2	295.5	294.9	258.8	249.1	1 850.3	12.8
Other	321.0	349.3	327.1	313.4	316.3	336.3	346.7	2 310.2	25.7
TOTAL	**2 156.5**	**2 187.7**	**2 856.6**	**3 356.1**	**3 474.7**	**3 734.1**	**3 669.9**	**21 435.8**	**1 513.5**

F: Forecasts.
Notes: This table does not include the payments in lieu of taxes that represent a transfer of $2 560 million over the period.
Since figures are rounded, the sum of the amounts may not correspond to the total.
The data in this table date from the end of the fiscal year of the government or the municipal bodies, as the case may be.
(1) In 2008, the Ministère des Transports du Québec took on the management of the 4 281 bridges in the municipal network.
Sources: Ministère des Affaires municipales, des Régions et de l'Occupation du territoire, Ministère des Transports du Québec and Ministère des Finances du Québec.

2.2.1 Financial assistance for municipal infrastructure

Municipal infrastructure consists mainly of local road network, drinking water and wastewater infrastructure. The quality of this infrastructure is an important issue for the municipalities.

The government pays financial assistance of $120 million a year for the local road network.

As regards government assistance for the renewal and upgrading of municipal infrastructure (chiefly water supply systems and sewers), it will amount to $4.7 billion for the 2007-2013 period.

— Government assistance for 2012 will total $851.6 million.

This assistance is provided for under the Québec Infrastructures Plan and the investment plan of the Société de financement des infrastructures locales (SOFIL).

Société de financement des infrastructures locales (SOFIL)

The mission of SOFIL is to provide financial assistance to municipal bodies for infrastructure projects relating primarily to drinking water, wastewater, local roads and public transit.

As at December 31, 2011, the sums paid and commitments made by SOFIL to municipal bodies since it began its activities in 2005 totalled $3.7 billion.

Programs covered by SOFIL

- The program relating to the transfer of the federal gasoline tax and Québec's contribution is aimed at funding municipal drinking water, wastewater and local road infrastructure.
  - From 2006 to 2010, subsidies of $1 307 million were approved for the municipalities for drinking water, wastewater, local road and other types of infrastructure. Payments of $446.6 million were also authorized over the same period for public transit infrastructure.
  - For the period from 2010 to 2014, SOFIL will have $2 099 million at its disposal for municipal drinking water, wastewater, local road and other types of infrastructure, as well as $700 million for the funding of public transit.
- SOFIL has also granted $440 million for Québec's contribution to the following programs:
  - Municipal Rural Infrastructure Fund;
  - Canada Strategic Infrastructure Fund;
  - Québec Municipalités infrastructure program.

2.2.2 Financial assistance for public transit

Nine public transit authorities operate transportation networks in Québec's main urban agglomerations. Elsewhere in Québec, 25 municipal and intermunicipal transportation agencies (MITAs) as well as 77 RCMs and CREs are responsible for public transit. Lastly, in the Greater Montréal area, the Agence métropolitaine de transport coordinates and supports the funding of metropolitan transportation services.

Government assistance is paid by the Ministère des Transports under six programs and by SOFIL. In accordance with the main programs, government subsidies reach:

- 50%, 75% or 85% of the acquisition cost of public transit fixed assets;
- 100% of the acquisition cost of new rapid transit systems, i.e. subway, train, streetcar or light-rail systems;
- 50% of additional operating costs associated with the supply of services.

From 2007 to 2013, government assistance for public transit will total $7.1 billion.

- In 2012, the assistance will amount to $1.4 billion, i.e. $448.2 million for operations and $943.2 million for infrastructure investment.

2.2.3 Other assistance for municipal bodies

Other government transfers to municipal bodies will total $5 billion over the 2007-2013 period:

- $823.9 million for economic development;
- $1 850.3 million for transfers to local or regional authorities;
- $2 310.2 million for other targeted transfers.

❑ Economic development

The government supports the economic development actions of the municipalities by granting them assistance of approximately $120 million per year. Essentially, it provides the assistance through government support programs for CLDs, local economic development and entrepreneurship, and territories in difficulty. Montréal and Québec City receive special development assistance.

❑ Other transfers to local or regional authorities

Other transfers are made to local or regional authorities. In 2012, these transfers will reach $258.8 million. Montréal receives special assistance for the fight against poverty, the participation of its police force in the fight against tax evasion, the management of its scientific facilities and its role as Québec's metropolis.

As for Ville de Québec, it receives annual subsidies of $28 million, particularly to assist the city in its role as Québec's capital and to support its economic development.

❑ Other government assistance

The "Other" category includes targeted assistance for municipal libraries, the fight against crime, the rehabilitation of contaminated land, and curbside recycling. It also includes assistance paid under other programs offered to the municipalities by government departments and organizations. This assistance will total $336.3 million in 2012.

2.2.4 Revenue diversification initiatives

In addition to the 2007-2013 Agreement and the direct assistance paid in the different categories mentioned above, certain government initiatives have enabled the municipalities to diversify their sources of revenue.

For example:

— legislative amendments have enabled Ville de Montréal to impose a tax on parking spaces ($19 million in 2012), a higher rate of transfer duties on transactions involving high-value immovables ($6.5 million in 2012) and a tax on passenger vehicles registered within the territory of the Island of Montréal ($26 million in 2012);

— the repeal, as of January 1, 2012, of the special taxation scheme applicable to certain shunting yards will increase, when fully implemented, municipal revenues by approximately $6 million;

— the delegation of land management of lands in the domain of the State to RCMs or, in some cases, municipalities provides for the equal division of certain property tax revenues among these bodies. Prior to the delegation of this responsibility, land and forest management of intramunicipal public territory was also delegated to RCMs.

3. FINANCIAL POSITION OF MUNICIPAL BODIES

This chapter provides an overview of the financial position of the municipalities over the past decade, as well as a more detailed analysis of the nature of municipal bodies' revenue and expenditure.

3.1 Change in financial position

The municipalities are required by law not to run a deficit in their budgetary transactions. This is why the municipalities generally show surpluses for the year in their financial results.

TABLE 12

Financial position of municipal bodies – 2001-2010
(millions of dollars)

	2001	2004	2006	2008	2010
Revenue	10 660	12 095	13 337	15 370	17 704
Expenses before amortization (operating expenditures)	8 666	9 759	10 690	12 170	12 510
	1 994	**2 336**	**2 647**	**3 200**	**5 194**
Revenue transferred to investment activities	–582	–755	–867	–1 160	–2 049
Repayment of the long-term debt(1)	–1 301	–1 365	–1 551	–1 335	–1 455
Allocations and long-term financing of operating activities(2)	313	261	321	–115	–853
Operating surplus for the year(3)	**424**	**477**	**550**	**590**	**837**

Note: Since figures are rounded, the sum of the amounts may not correspond to the total.
(1) As of 2007, following certain accounting rule changes, the repayment amounts for the long-term debt have included only the portion covered by municipal bodies, whereas, for previous years, they also included the portion covered by third parties. Note that this accounting rule change has no impact on the calculation of the operating surplus for tax purposes.
(2) For 2009 and 2010, this item also includes the other reconciliations for tax purposes contained in the financial reports of the municipal bodies.
(3) This corresponds to the items "operating surplus for the year" for 2010, "surplus for the year for budgetary purposes" for 2008 and "financial activities–surplus for the year" for 2001 to 2006.
Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

Table 12 presents the financing of municipal bodies' operating activities from 2001 to 2010. The operating surpluses, which reached $837 million in 2010, indicate that the revenue of municipal bodies makes it possible to cover their operating expenditures. The operating surpluses may then be used to finance investments.

3.2 Change in consolidated revenue

The financing of municipal bodies is based mainly on own-source revenue sources and government transfers.

The consolidated revenue of municipal bodies grew by an average of 5.8% per year between 2001 and 2010.

TABLE 13

Consolidated revenue of municipal bodies – 2001-2010
(millions of dollars)

	2001	2004	2006	2008	2010	Average annual growth
Own-source revenue						
Property and business taxes	5 433	6 146	6 785	7 774	8 519	5.1%
Fees and sales of goods and services	2 547	2 703	2 913	3 249	3 452	3.4%
Compensations in lieu of taxes	514	584	702	693	782	4.8%
Other revenue from local sources	893	1 106	1 362	1 587	1 766	7.9%
Subtotal own-source revenue	**9 387**	**10 539**	**11 762**	**13 303**	**14 519**	**5.0%**
Government transfers	1 273	1 556	1 575	2 067	3 185	10.7%
TOTAL	**10 660**	**12 095**	**13 337**	**15 370**	**17 704**	**5.8%**

Note: Since figures are rounded, the sum of the amounts may not correspond to the total.
Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

❑ Own-source revenue

From 2001 to 2010, the own-source revenue of municipal bodies grew by an average of 5.0% per year, or by more than the average annual growth rate of nominal GDP, which was 3.6% over the same period.

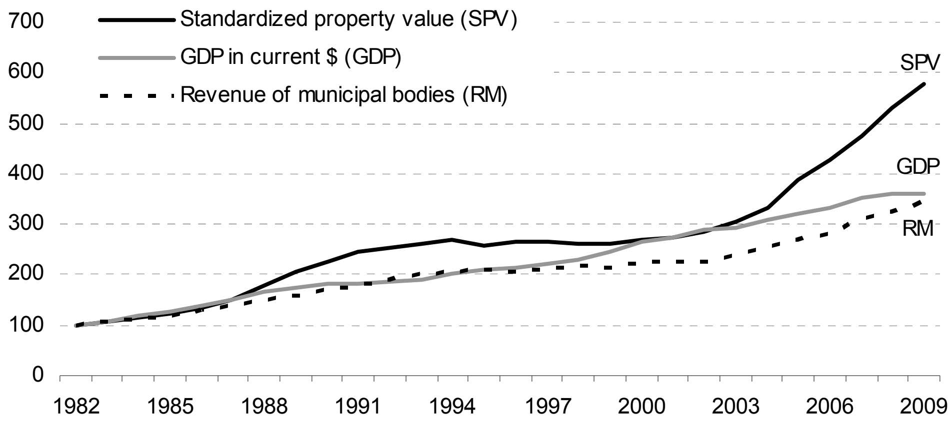
Revenue related to property and business taxes rose by 5.1% on average. This increase is due partly to the vitality of the real estate market, which enabled the construction of new immovables and thus expanded the tax base. These immovables also generate infrastructure and service needs that encourage municipalities to increase their revenue in order to finance new spending.

Property taxes are the main source of revenue for the municipalities (nearly 58% of own-source revenue, on average). Generally speaking, these taxes serve Québec municipalities well.

Chart 2 shows that the tax base enables the revenue of the municipalities to grow at that same pace as the economy.

CHART 2

Change in the SPV,[1] GDP and consolidated revenue of municipal bodies 1982 to 2009
(index 1982 = 100)



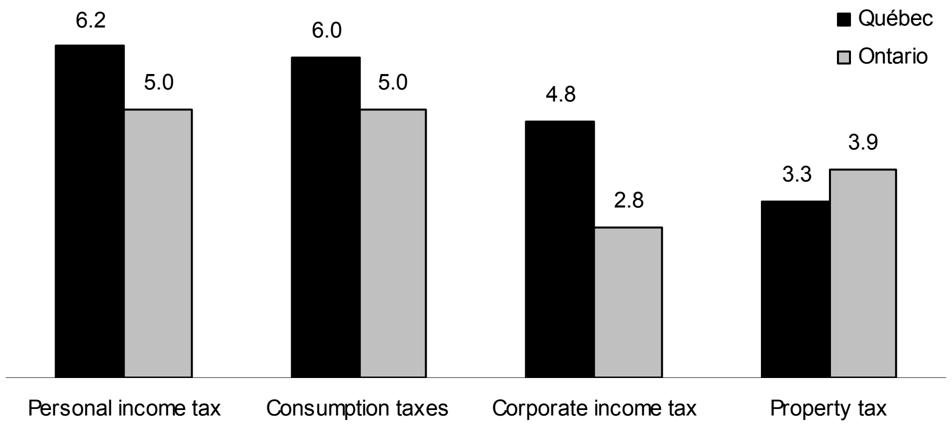
(1) Standardized property value.
Sources: Ministère des Affaires municipales, des Régions et de l'Occupation du territoire, Institut de la statistique du Québec and Ministère des Finances du Québec.

In addition to being the least damaging form of taxation for the economy,[7] the property tax is a stable and predictable source of funding for the municipalities. It is not very conducive to tax evasion and is not subject to the fluctuations that affect income tax and the sales tax.

It should also be noted that the property taxation field is the only taxation field that is used to a lesser extent in Québec than in Ontario.

CHART 3

Occupation of taxation fields in Québec and Ontario – 2008[(1)]
(as a percentage of GDP)



(1) Latest year available.
Sources: Statistics Canada, OECD and Ministère des Finances du Québec.

Revenue from fees and sales of goods and services grew by 3.4% between 2001 and 2010. This growth rate was weaker than that of the economy and other revenue sources.

7 Åsa JOHANSSON et al., *Tax and Economic Growth*, Economics Department Working Paper No. 620, OECD, July 11, 2008.

Fees and sales of goods and services of municipal bodies

The items **municipal service fees** and **sales of goods and services** correspond to fees for water, sewer and wastewater treatment services, the collection, transport and disposal of residual materials, police services, including the Sûreté du Québec, fire protection services, recreation and cultural activities, roads, lighting, snow removal, septic tank cleaning services and 9-1-1 emergency centres.

The item **debt service fees** corresponds to the fees imposed on taxpayers for servicing the debt for which they are responsible.

The item **public transit fees** corresponds to public transit ticket sales and the contributions of motorists to public transit paid to the Société d'assurance automobile du Québec.

Fee components and sales of goods and services – 2001-2010
(millions of dollars)

Fees and sales of goods and services	2001	2004	2006	2008	2010	Average annual growth
Municipal service fees	978	1 054	1 175	1 106	1 270	2.9%
Debt service fees	224	218	203	211	219	–0.3%
Sales of goods and services	855	864	916	1 234	1 205	3.9%
Public transit fees	490	567	619	698	758	5.0%
TOTAL	**2 547**	**2 703**	**2 913**	**3 249**	**3 452**	**3.4%**

Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

Other revenue from local sources grew significantly (7.9%). Essentially, this revenue corresponds to revenue from licences and permits, fines and penalties, duties on the transfer of immovables, fees on quarries and sandpits, developers' contributions, interest income and other revenue from local sources.

— This revenue increased from $893 million in 2001 to $1.8 billion in 2010. The largest increases over the period can be explained by the vitality of the real estate market. They stem from developers' contributions (from $90 million to $267 million) and duties on the transfer of immovables (from $188 million to $455 million).

❑ Government transfers

Government transfers increased substantially over the same period, growing by an average of 10.7% per year.

- They rose from \$1.3 billion in 2001 to \$3.2 billion in 2010.
- This increase is due, in particular, to the financial measures stemming from the 2000-2005 Fiscal Pact and the 2007-2013 Agreement, as well as massive government investment in municipal infrastructure starting in 2007 (Québec Infrastructures Plan, Société de financement des infrastructures locales and Canada's Economic Action Plan).

3.3 Change in consolidated expenditure

The analysis of municipal bodies' consolidated expenditure takes into account spending as a whole, i.e. operating expenditures (or expenses without amortization) and investment expenditures.

TABLE 14

Consolidated expenditure of municipal bodies – 2001-2010
(millions of dollars)

	2001	2004	2006	2008	2010	Average annual growth
General administration	1 366	1 644	1 815	1 809	1 721	2.6%
Public security	1 628	1 896	2 071	2 361	2 462	4.7%
Roads	1 746	2 075	2 283	3 168	2 885	5.7%
Public transit	1 166	1 463	1 618	1 948	1 954	5.9%
Environmental health (water supply systems, sewers, residual materials)	1 507	1 887	2 240	2 728	3 521	9.9%
Health and welfare (assistance to the homeless, integration of immigrants, social housing)	119	144	215	209	195	5.6%
Land use, urban planning and development	511	660	724	889	1 061	8.5%
Recreation and culture	1 356	1 521	1 650	2 096	2 561	7.3%
Financing costs	975	926	842	993	1 091	1.3%
Electricity	182	206	209	244	268	4.4%
TOTAL	**10 556**	**12 422**	**13 667**	**16 445**	**17 719**	**5.9%**

Note: After allocation of other investments for 2008 and 2010.
Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

The annual rate of change in the consolidated expenditure of municipal bodies was 5.9%. In the case of the different municipal expenditure items, the rate varied from one item to the next:

— expenditures related to environmental health, land use, urban planning and development, and recreation and culture rose more rapidly;

— general administration expenditures and other expenditures rose more slowly.

Reconciliation between expenses before amortization and consolidated expenditure

Consolidated expenditure of municipal bodies – 2001-2010
(millions of dollars)

	2001	2004	2006	2008	2010
Expenses before amortization (operating expenditures)	8 666	9 759	10 690	12 170	12 510
Investment expenditures	1 891	2 663	2 976	4 275	5 209
CONSOLIDATED EXPENDITURE	**10 557**	**12 422**	**13 666**	**16 445**	**17 719**

Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

The main municipal expenditure items are still traditional activities: roads, public transit, public security, water supply systems, sewers and residual materials. They account for 60% of municipal spending.

— Expenditures related to environmental health (water supply systems, sewers, residual materials and certain environmental protection activities) have increased substantially, i.e. at a rate of 9.9% per year. Over the 2001-2010 period, they rose from $1.5 billion to $3.5 billion. This is due essentially to the growth of the population and immovable property stock, the coming into force of new environmental and drinking water standards, and municipal and government investments in infrastructure.

— Roads are the second most important municipal expenditure item. Road spending rose from $1.7 billion in 2001 to $2.9 billion in 2010.

— The amounts allocated to recreation and culture are growing at a substantial pace (7.3% per year on average). In 2010, recreation and culture were the third most important expenditure item, ranking after roads and environmental health and ahead of public transit and public security.

— Health and welfare spending remained stable over the period, in spite of the expenses related to social housing (65% of total health and welfare spending). Health and welfare expenditures account for a fairly modest share (1%) of municipal bodies' spending as a whole.

— Land use, urban planning and development accounted for only 6% of total municipal spending in 2010 even though municipal spending in this regard doubled between 2001 and 2010 (from $511 million to $1.1 billion).

It should be noted that remuneration and fringe benefits accounted for 52% of municipal spending in 2010.

In addition, the latest Institut de la statistique du Québec study[8] on compensation found a difference of 29.2%, in favour of municipal employees, between the compensation of government employees and the employees of municipalities with 25 000 inhabitants or more.

TABLE 15

Compensation of employees of municipalities with 25 000 inhabitants or more and that of employees of Québec's public sector – 1991-2011
(per cent)

Year	Wage gap	Compensation gap
1991	14.0	25.0
1995	17.8	27.3
1999	18.5	29.4
2001	15.4	24.9
2009	12.9	24.7
2010	16.3	29.6
2011	16.1	29.2

Source: Institut de la statistique du Québec.

Municipal spending in Québec accounts for a fairly stable proportion of total spending by the municipalities and the Québec government. As shown in Table 16, for every $100 in government and municipal spending, $15.20 was spent by the municipalities in 1988 compared with $15.30 in 2008.

TABLE 16

Municipal spending in relation to total spending by Québec and the municipalities and in relation to GDP – 1988-2008
(per cent)

Year	As a % of municipal and government spending	As a % of GDP
1988(1)	15.2	4.9
1990	15.9	5.4
1996	15.6	5.3
2002	12.8	4.1
2008(1)	15.3	5.4

(1) First and last years available.
Source: Statistics Canada.

8 INSTITUT DE LA STATISTIQUE DU QUÉBEC, *Rémunération des salariés – État et évolutions comparées*, November 2011.

The Québec government, contrary to the Ontario government, has decided not to transfer certain fields of jurisdiction to the municipalities (e.g. health and social services). The most recent transfers of responsibilities to the municipalities took place in the 1990s.

— During the 1992 reform, the government assigned increased responsibilities to the municipalities, for a net additional burden of approximately $100 million.

— As of 1996, the municipalities have been required to help put public finances in order through a series of measures, the most important of which were: the elimination of the QST rebate to the municipalities ($76 million), the increase in the amount payable for Sûreté du Québec services ($39 million) and the contribution of $356 million to the Special Local Activities Financing Fund in 1998, 1999 and 2000.

However, in the context of their traditional responsibilities, Québec municipalities must deal with new, more stringent government standards, particularly with regard to the environment, drinking water quality, wastewater treatment, fire protection and police services.

— These standards are requested by citizens and are comparable with those in place in the other Canadian provinces.

— Citizens want to drink quality water and hope that residual materials can be recycled and that police and firefighters can respond rapidly in the event of emergencies.

Although these new requirements concern areas of municipal jurisdiction, the government provides substantial support for their application to the municipalities.

For example, the municipalities take in considerable sums from the regime to compensate municipalities for curbside recycling services, the government program to redistribute to the municipalities the charges payable for the disposal of residual materials, and the municipal tax introduced for 9-1-1 services.

— Since 2005, a total of $493.7 million has been paid to the municipalities as part of residual materials management, particularly curbside recycling.

— The 9-1-1 tax (whose proceeds in 2011 are estimated at $36.6 million) enables the municipalities to finance the new standards for emergency call services.

In addition, the government shares with the municipalities the expenditures related to Sûreté du Québec services, covering a proportion of up to 49%. In 2011, the share of such expenses covered by the government was $238 million.

Nonetheless, despite substantial government assistance, the municipalities cover a large proportion of the costs associated with the higher standards in their areas of jurisdiction.

Examples of new expenditures for the government

Similarly, Quebecers' expectations regarding government services entail new expenditures for the government, such as:

- the installation of increasingly expensive high-technology equipment in hospitals;
- the deployment of childcare centre networks;
- School 2.0 (smartboards, computers and multimedia projectors, e-textbooks, educational software).

4. THE FUTURE: THE MAIN ISSUES FOR THE QUÉBEC-MUNICIPALITIES PARTNERSHIP

On the eve of negotiations for the renewal of the 2007-2013 Agreement, the Québec-municipalities partnership is faced with major issues, in particular:

- funding of municipal retirement plans;
- funding of public transit;
- infrastructure maintenance;
- municipal debt levels;
- QST reimbursement;
- diversification of municipal revenue sources.

All of these issues will be discussed in the coming months.

4.1 Municipal retirement plans

Québec and Canadian public and private pension plans are among the plans that perform the best in the world. However, adjustments must be made if they are to meet the challenges facing them. Like pension plans in the other provinces and abroad, Québec pension plans have had to cope in recent years with the increase in life expectancy and with low stock market and bond returns. These new realities put substantial pressure on the financial health of defined-benefit pension plans, such as those of municipal employees.

The situation of Québec municipal pension plans is a matter of concern. Despite the measures already implemented to help municipalities cope with the actuarial deficits of their plans, pension plan liability has accrued rapidly in a number of cities and towns.

Measures already implemented to help municipalities address their pension plan deficits

Further to the fluctuations in the financial markets that began in the early 2000s, the government introduced liberalization measures so that muncipalities would be able to address their pension plan deficits:

- implementation of various transitional measures (Bill 1 of July 2003, Bill 23 of July 2003, Bill 54 of November 2004 and Bill 102 of June 2005);
- withdrawal of the obligation to absorb a solvency deficiency (regulatory amendment made in December 2006), in order to take into account the long-term future of municipalities. The obligation to absorb capital deficits was maintained;
- introduction of a measure to spread, over three years (2009, 2010 and 2011), payments made to the fund of the plans, in order to absorb the losses sustained in 2008 (*Regulation respecting the funding of pension plans of the municipal and university sectors*, promulgated in June 2010). The application of the measure was extended two years (2012 and 2013) in February 2012;
- introduction of a rule for averaging the expenditures to be provided for in municipal budgets for the purpose of absorbing pension plan deficits.

The Québec government is concerned about the situation. Solutions must be found to ensure the sustainability of the pension plans of municipal employees. Accordingly, the government invites the municipalities and unions to begin negotiations as soon as possible, if they have not yet done so, in order to find lasting solutions that will lead to a better sharing of the risks and costs of the plans.

The Ministère des Affaires municipales, des Régions et de l'Occupation du territoire (MAMROT) has set up a working group, comprised of representatives of MAMROT, the Régie des rentes du Québec, the municipalities and union associations, to examine the changes that should be made to municipal plans in order to stabilize their costs. This could lead to amendments to the regulations of the *Supplemental Pension Plans Act*.[9]

[9] R.S.Q., c. R-15.1.

The working group set up by MAMROT is part of a broader process undertaken by the government with regard to the issues respecting public and private pension plans. Three other initiatives have been put forward:

- an expert panel chaired by Alban D'Amours, which is mandated to identify the main problems relative to defined-benefit pension plans. It started work in November 2011 with the following objective:
  - examine the overall situation of private pension plans, in particular defined-benefit plans,
  - submit a report with recommendations to improve the retirement system to ensure its viability and performance, while giving consideration to the new demographic and economic realities;
- the Commission nationale sur la participation au marché du travail des travailleuses et travailleurs expérimentés de 55 ans et plus, which was mandated to examine ways to increase labour market participation among experienced workers and improve the financial situation of retirees. The Commission made the following recommendations in its report:
  - implementation of a voluntary retirement savings plan at all employers that do not offer a pension plan,
  - imposition of a mandatory minimum contribution by employers and employees under the plan,
  - assurance that the new savings plan will be flexible to meet the needs of workers and employers without adding to the administrative burden of businesses;
- the technical committee on target benefit pension plans, which is mandated to submit opinions and recommendations to the Régie des rentes du Québec to enhance its proposals on the introduction of target benefit pension plans and their oversight by the *Supplemental Pension Plans Act*.[10]
  - This committee, consisting of pensioners and worker representatives, began working in July 2011.

[10] R.S.Q., c. R-15.1.

4.2 Funding public transit

❑ Major needs for the future

The Association du transport urbain du Québec (ATUQ) estimates that investments of $19 billion are needed by 2020 to ensure that the gains made under the Québec Public Transit Policy are not lost and that the necessary development of public transit systems occurs:[11]

— $7 billion solely to maintain the assets (buses, buildings, garages, etc.) of Québec transit corporations;

— $5 billion to implement the infrastructure upgrades and developments provided for in the strategic plans of Québec transit authorities;

— $7 billion to finance regional projects.

In recent years, the government and its partners have worked together to find new sources of funding for public transit. For example, the government offered the metropolitan communities of Montréal (CMM) and Québec (CMQ) the possibility of levying on their territory, as of 2010, an additional tax on gasoline of up to 1.5 cents a litre. The additional tax must be used to fund public transit.

The CMM took advantage of that option, raising its additional tax on gasoline to 3 cents a litre, because an additional tax of 1.5 cents a litre for funding public transit had already been in place on the territory of the CMM since 1996.

In addition, at the request of the elected officers of the Gaspésie–Îles-de-la-Madeleine region, it was announced, on February 18, 2012, that an increase of 1 cent a litre to fund public transit would take effect in their territory on July 1, 2012.

Funding of public transit in the Gaspésie–Îles-de-la-Madeleine region
On February 18, 2012, the Minister responsible for the Gaspésie–Îles-de-la-Madeleine region emphasized the government's support for the implementation of a plan to improve public transit in the Gaspésie–Îles-de-la-Madeleine administrative region. The project, initiated by the Réseau de transport collectif de la Gaspésie–Îles-de-la-Madeleine and the regional conference of elected officers, received the backing of the region's elected officers, who unanimously requested a 1-cent-per-litre increase in the tax on gasoline to apply throughout the territory of the administrative region. Thanks to this concerted initiative, the region will be better equipped to address passenger transportation issues, thereby benefiting residents (better quality of life) and all municipalities in its territory (attractiveness and competitiveness). Legislative amendments will be proposed to follow through on the announcement.

11 Association du transport urbain du Québec, *Consultations prébudgétaires 2012-2013*, brief presented to the Minister of Finance.

In this budget, the government is taking a first step to ensure funding for its future ambitions with respect to the maintenance and development of infrastructure and public transit and alternative transportation services.

The government is announcing that two-thirds of the revenue from the greenhouse gas emission cap-and-trade system (carbon market) will be allocated to the funding of transportation initiatives, specifically the funding of public transit and alternative transportation initiatives, as well as other transportation initiatives to reduce greenhouse gas emissions (see section 1.3 of this document).

Given the scale of the needs, it is clear that, even with the revenue from the carbon market, new sources of revenue will have to be identified in order to ensure funding for the public transit needs of both the government and the municipalities.

In that regard, the government is open to analyzing any public transit funding proposal that reaches a consensus among municipal and regional elected officers.

4.3 Municipal infrastructure

4.3.1 Investment in municipal infrastructure

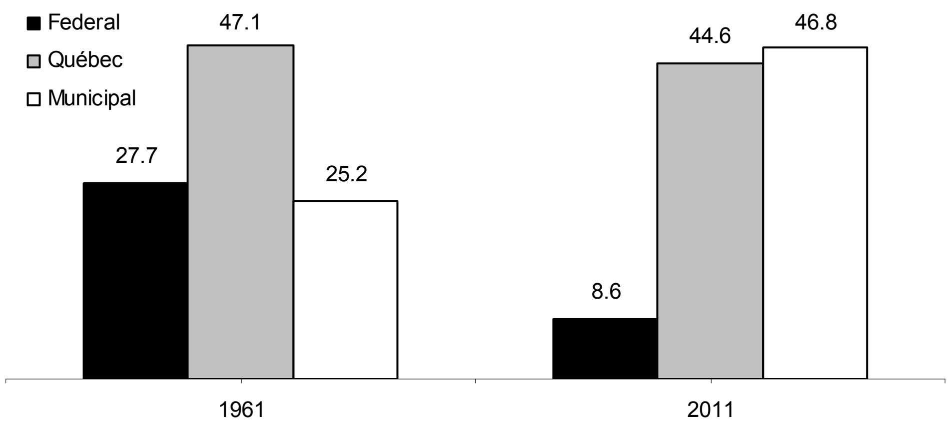
Recent data show that the portion of infrastructure[12] held by municipalities increased between 1961 and 2011. The municipalities' share of capital stock with respect to public administrations as a whole rose from 25.2% in 1961 to 46.8% in 2011.

Capital stock for public administrations as a whole stood at $85 billion in 2011, with municipalities accounting for $39.7 billion (46.8%), the Québec government, for $37.9 billion (44.6%), and the federal government, for $7.3 billion (8.6%).

— The health and social services network, the education network and public enterprises are not taken into account in this comparison.

CHART 4

Share of public administrations, without the networks, Québec[(1)]
1961-2011
(per cent)



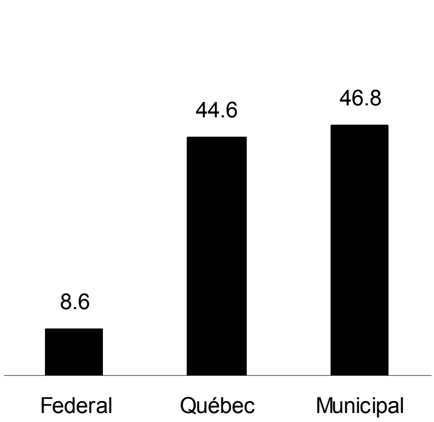
(1) Excluding the health and social services network and the education network.
Source: Statistics Canada.

Taking into account the health and social services network and the education network, the Québec government's share of capital stock rose to 61.7% and that of municipalities, to 31.9%, in 2011.

12 This is non-residential capital. The data is from STATISTICS CANADA, *Table 031-0002 – Flows and stocks of fixed non-residential capital, by NAICS and asset, Canada, provinces and territories*, CANSIM.

CHART 5

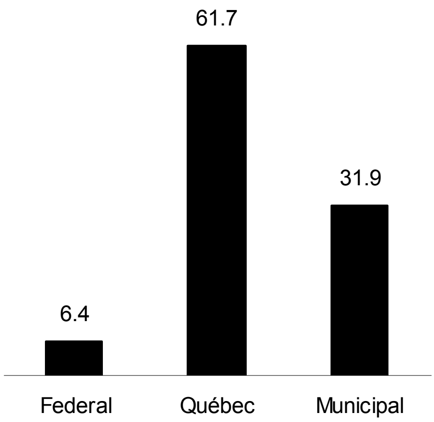
Public administrations' share of capital stock without the networks(1) – 2011
(per cent)



(1) Excluding the health and social services network and the education network.
Sources: Statistics Canada and Ministère des Finances du Québec.

CHART 6

Public administrations' share of capital stock including the networks(1) – 2011
(per cent)



(1) Including the health and social services network and the education network.
Sources: Statistics Canada and Ministère des Finances du Québec.

Municipalities still have substantial infrastructure needs. Major investments are required to upgrade and repair the existing infrastructure

The scale of the needs in large cities and the weak fiscal capacity of small municipalities are a key issue in the funding of municipal infrastructure.

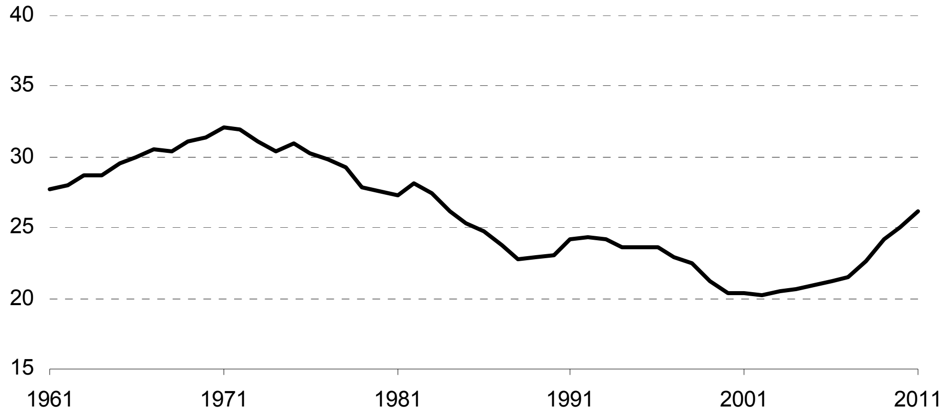
The Québec government and the federal government have introduced various assistance programs for municipal infrastructure funding. These major government investments have led to some progress in making up the municipal infrastructure maintenance deficit. For example, excluding public transit, Québec's financial assistance for municipal infrastructure investment will total $4.7 billion from 2007 to 2013.

In Québec, the government and municipalities did not invest enough in their infrastructure during the 1980s and 1990s. The value of the capital stock of public administrations, as a percentage of GDP, therefore fell from 35.6% in 1971 to 22.5% in 2002.

After stabilizing in the early 2000s, the value of the capital stock of public administrations posted strong growth, rising from 23.2% of GDP in 2006 to 28.1% in 2011. That growth reflects the massive reinvestment by the Québec government and the municipalities in their infrastructure, particularly since 2007.

CHART 7

Public capital stock intensity, Québec[1] and municipalities – 1961 2011
(percentage of real GDP)



(1) Including the health and social services network and the education network.
Sources: Statistics Canada and Ministère des Finances du Québec.

Continuing this effort in the coming years is one of the main challenges facing the Québec government and municipalities. In fact, the Québec government will ask the federal government to renew to 2014 its municipal infrastructure funding commitments.

Principal government assistance programs for municipal infrastructure funding

The Building Canada Fund – Quebec (BCF–Q) serves to provide municipalities with water infrastructure to improve drinking water services or mitigate the negative environmental effects of wastewater or projects with an economic, urban or regional impact. The fund's total envelope since 2008 is $1.8 billion, provided by the Québec and Canadian governments.

The Green Municipal Fund (GMF), financed by the federal government, provides support to municipalities for capital projects involving the water, energy, residual materials, transportation and contaminated sites sectors, as well as for plans, feasibility studies and pilot projects.

The Québec-Municipalités infrastructure program (PIQM) is intended to improve quality of life and the environment by funding water and sewer infrastructure and projects with an economic, urban or regional impact. Since 2002, 983 projects have been promised financial assistance, for a total government contribution of $1.5 billion.

The gas tax program (TECQ) is intended to transfer a portion of the gas tax revenue to the municipalities so that work can be done on their drinking water, wastewater and local road infrastructure.

4.3.2 Implementation of a local road rehabilitation plan

Québec's road network is comprised of approximately 325 000 kilometres of roads. The Ministère des Transports is responsible for about 30 450 kilometres of autoroutes, provincial roads, regional roads, feeder roads and resource access roads. Roughly 189 800 kilometres of roads are managed by other Québec government departments, the Canadian government or Hydro-Québec. Municipalities manage nearly one-third of Québec's road network, that is, 105 000 kilometres of roads, including 40 000 kilometres of local roads.[13]

In 1993, the government entrusted the management of the local road network to the municipalities. The purpose of the transfer was to ensure a fairer distribution of responsibilities and resources between the government and the municipalities with respect to road network management. Managing the road network can, however, be a heavy responsibility for smaller municipalities.

Thus, to help municipalities with fewer than 100 000 inhabitants assume these new responsibilities, the government introduced three financial assistance programs. The programs are still in effect and, in 2011-2012, account for a total envelope of $120 million:

- $87 million for the assistance program for local road maintenance;
- $31 million for the assistance program for municipal road upgrades;
- $2 million for the assistance program for repairs to bridges and other civil engineering works.

❑ A necessary update and enhancement of the financial assistance programs for the local road network

After 20 years of existence, it has become necessary to update and enhance the financial assistance programs for the local road network. The amounts of assistance paid to the municipalities have never been adjusted, whereas the costs of maintaining, repairing and upgrading the local road network have risen since 1993. In addition, investment has lagged, resulting in the deterioration of the local road network and an increase in rehabilitation costs.

In addition, the current programs contain inequalities, because the maintenance subsidy amounts allocated to municipalities were determined on the basis of the 1992 standardized property value (SPV). However, in the past 20 years, the increase in property value and local road management needs has varied from one municipality to the next.

[13] Source: Ministère des Transports du Québec.

❑ The government is considering a $200-million local road rehabilitation plan

Because of the degradation observed in the condition of the local road network, and according to the government's evaluation of the situation, a road repair plan with a budget of $200 million is required.

Under the plan, the three existing financial assistance programs for municipalities would be updated and merged into a single program. This new program would have three components: Planning, Capital Assets and Maintenance. Thus, the assistance program for municipal road upgrades and the assistance program for repairs to bridges and other civil engineering works currently in effect would be grouped under the Capital Assets component of the new program. The Planning component would be added to prepare road infrastructure intervention plans and safety assessments. Lastly, the Maintenance component would be kept.

The new program should place more emphasis on infrastructure upgrades. Under the existing programs, 72% of total assistance is allotted to infrastructure upkeep, compared to only 28% for infrastructure maintenance and upgrades.

By proposing to raise the annual financial assistance from $120 million to $200 million, the government acknowledges the growing local road work needs and the responsibilites borne by the municipalities. However, due to the the current budgetary situation, the government is not able to increase its annual contribution of $120 million.

Accordingly, the government proposes that, during the upcoming negotiations concerning the renewal of the 2007-2013 Agreement with the municipalities, it work with its municipal partners to find a solution to financing the $80-million shortfall in the budget of the proposed program.

The budget of the rehabilitation plan would be increased gradually, over a four-year period, to $200 million, at the rate of capital expenditure growth.

TABLE 17

Change in the budget of the rehabilitation plan under consideration
(millions of dollars)

	Current	Year 1	Year 2	Year 3	Year 4
Plan budget					
Planning	—	14.0	14.0	14.0	14.0
Capital Assets	—	64.8	76.0	94.8	106.0
Maintenance	—	80.0	80.0	80.0	80.0
Total budget	—	**158.8**	**170.0**	**188.8**	**200.0**
Existing programs	120.0	—	—	—	—
TOTAL	**120.0**	**158.8**	**170.0**	**188.8**	**200.0**

Source: Ministère des Transports du Québec.

4.4 Municipal indebtedness

Québec municipalities are more in debt than those in the other Canadian provinces.

The total net long-term debt borne by municipal taxpayers stood at $18.4 billion in 2010.

❑ Reasons for loans contracted by municipal bodies

Capital expenditures and, to a lesser extent, the funding of the actuarial deficits of pension plans, along with debt consolidation, are the primary reasons for the indebtedness of municipal bodies.

- Loans contracted to finance capital projects (approximately $2 billion a year from 2006 to 2008) are the main factor in the indebtedness of municipal bodies.
- The financing of actuarial deficits is a factor of indebtedness to a lesser degree, although Ville de Montréal contracted, on an exceptional basis in 2003 and 2005, loans totalling $1.5 billion to refinance the actuarial deficit of its pension plans.
- Debt consolidations are marginal and fluctuate from year to year ($14 million in 2007, $1 million in 2008).

❑ Comparison with the other provinces

The higher municipal indebtedness in Québec is explained primarily by the way in which capital projects are financed.

Until 1980, contracting loans was the principal infrastructure financing method of Canada's large cities. Skyrocketing interest rates in the 1980s prompted most municipalities in the other provinces to scale back their investments and change their financing methods.

In Québec, however, loans have remained the preferred method of financing, with the result that Québec municipalities saw their debts rise more rapidly than those of municipalities in the rest of Canada.

- For example, in Ontario, municipal capital projects are financed through reserve funds financed chiefly by development charges or equivalent means.

Loans are the principal source of financing of capital expenditures for Québec municipalities (52% in 2009).

- In Ontario, loans accounted for only 22% of capital project financing sources in 2009, cash financing being the predominant source.

TABLE 18

Comparison of municipal capital financing methods – 2009

	Ontario		Québec	
	($M)	(%)	($M)	(%)
Capital expenditures	7 939		5 067	
Financing sources				
Long-term loans	1 735	22%	2 647	52%
Government transfers	1 783	22%	1 354	27%
Own-source revenue (taxes, quotas, reserves, reserve funds, gifts, other revenue)	4 421	56%	1 066	21%
TOTAL	**7 939**	**100%**	**5 067**	**100%**

Source: Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

Québec municipal bodies have the option of setting up reserve funds and imposing special taxes to finance their capital projects. However, these financing tools continue to be used relatively little.

Indebtedness of municipal bodies

Long-term debt refers to the debt of municipal bodies, the principal and interest of which are paid through Québec government subsidies. Long-term debt rose from $14.2 billion in 2001 to $21.3 billion in 2010, for an average annual growth of 4.6% during that period.

Total net long-term debt reflects the portion of the municipal debt borne by municipal taxpayers and includes expenditures that have been incurred but that have not yet been financed by long-term loans, as well as debts that are being refinanced. Total net long-term debt rose from $10.3 billion in 2001 to $18.4 billion in 2010, for an average annual growth of 6.7% during that period.

The debt service-to-costs ratio trended downward, due essentially to the low interest rates during that period.

The long-term debt load relative to GDP increased as of 2008, due chiefly to large municipal and government investments in municipal infrastructure.

Change in the indebtedness of municipal bodies – 2001-2010

	2001	2004	2006	2008	2010
Long-term debt ($M)	14 214	15 129	16 700	18 753	21 334
Total net long-term debt ($M)	10 250	11 869	13 391	15 417	18 422
Debt service/Costs (%)(1)	N.A.	18.4	17.9	15.1	15.5
Long-term debt/GDP (%)	6.1	5.8	5.9	6.2	6.7

(1) Costs include net non-amortized costs plus long-term debt repayments and variation in the sinking fund.
Sources: Financial reports of municipal bodies, compilation of the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

4.5 Reimbursement of the QST

The 2007-2013 Agreement provides for reimbursement, in the form of compensation, of a portion of the QST paid by municipalities on purchases of property and services. Under the Agreement, the reimbursement will reach, in 2014, 100% of the QST actually paid by each municipal body.

— It should be borne in mind that, from 2007 to 2013, QST is reimbursed by distributing between the municipalities, in proportion to their respective taxable expenditures, a global amount determined for each year in the Agreement.

TABLE 19

Reimbursement of the QST, determined under the 2007-2013 Agreement

	2007	2008	2009	2010	2011	2012	2013
QST amount ($M)	144.8	170.0	210.0	255.0	295.0	380.0	472.0
Growth rate (%)	—	17.4	23.5	21.4	15.7	28.8	24.2

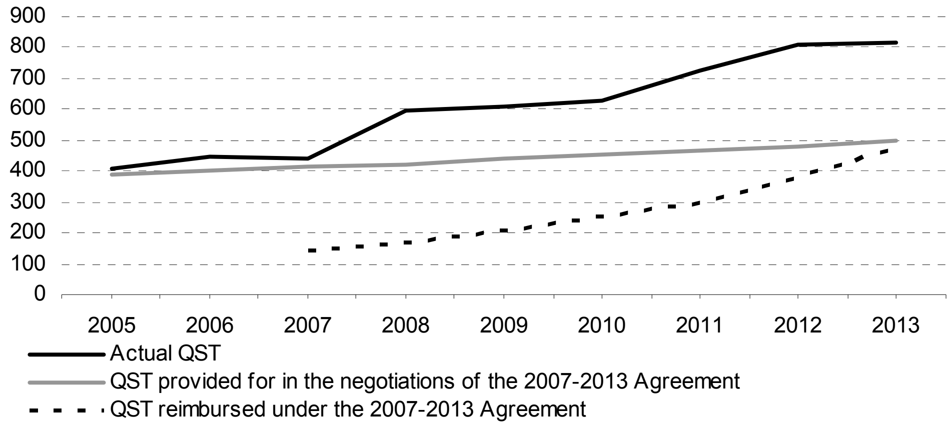
In 2005 and 2006, during the negotiations pertaining to the Agreement, the QST paid by the municipalities was expected to be $500 million in 2014. That projection was based on the data available in 2006.

However, over time, a gap developed between the reimbursement amounts provided for in the Agreement and the QST actually paid by the municipalities.

The Ministère des Affaires municipales, des Régions et de l'Occupation du territoire and the Ministère des Finances now anticipate that the cost of full reimbursement of the QST actually paid by the municipalities will be on the order of $820 million in 2014.

CHART 8

Amounts reimbursed to the municipalities and QST actually paid[1]
2007-2013
(millions of dollars)



(1) Estimates by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire and the Ministère des Finances.

The gap between the forecast respecting the QST amount that would be paid by municipalities and the amount actually paid is explained primarily by two factors that were not foreseen at the time:

— the strong increase in municipal infrastructure investments with the support of the Québec government and the federal government, in particular as part of economic recovery plans;

— the two-percentage-point increase in the QST (one percentage point on January 1, 2011 and a second percentage point on January 1, 2012).

Further to the 2008-2009 recession, the Québec government adopted a plan to restore budget balance in 2013-2014 and will have to continue its effort in order to subsequently maintain budget balance.

Accordingly, the reimbursement gap—$300 million in 2014—represents a considerable financial challenge for Québec and will have to be discussed during the negotiations for the renewal of the 2007-2013 Agreement.

4.6 Diversification of municipal revenue sources

For several years now, the representatives of municipalities have been requesting access to new sources of revenue.

Diversification of municipal revenue sources will be a focus of the discussions aimed at renewing the 2007-2013 Agreement. A number of subjects will be discussed, such as the efficient use of fees and improved access to the economic benefits stemming from natural resource development and development charges.

4.6.1 Fees

Québec municipalities have less recourse to fees than municipalities in the other Canadian provinces, with the exception of Newfoundland and Labrador, and Prince Edward Island.

Furthermore, in many cases, the fees charged by Québec municipalities are not tied directly to the use of services. Rather, lump sums or taxes other than property taxes, payable by all taxpayers, are charged. This type of fee enables a service to be funded, but has no impact on the level of demand.

— For example, in many municipalities, fees for water represent a fixed amount per dwelling irrespective of the actual use of the service.

The introduction of a rigorous fee policy, comparable to that brought in by the Québec government as part of the Policy for the Funding of Public Services, would no doubt enable municipalities to make more effective use of fees. The government will support municipalities that wish to adopt a fee policy.

TABLE 20

Relative weight of fees in the total revenue of municipal administrations 2008(1)
(per cent)

Provinces	
British Columbia	31.5
Manitoba	26.1
Alberta	25.2
New Brunswick	24.1
Saskatchewan	21.5
Ontario	20.7
Nova Scotia	19.0
Québec	**16.1**
Newfoundland and Labrador	15.8
Prince Edward Island	13.9
Canada	**21.7**

Note: For comparison purposes, Statistics Canada excludes the transit agencies of municipal administrations.
(1) Last year available.
Source: Statistics Canada.

4.6.2 Natural resources

Natural resources belong to all Quebecers, regardless of the region in which they live. The economic benefits of developing the resources must be available to everyone. This principle must be upheld.

That said, it is essential for natural resource development to foster and support the development of the communities established in a territory where development activities are being carried out.

The Québec government, under a program initially introduced under the 2000-2005 Fiscal Pact and subsequently renewed by the 2007-2013 Agreement, pays \$10.2 million annually to the RCMs as grants in lieu of a share of royalties for natural resources.

The grant envelope initially allocated in 2002 totalled \$2.5 million and reached \$10.2 million in 2006. It was renewed for the same amount in the 2007-2013 Agreement. Each time the envelope was increased, the grants awarded were adjusted proportionately, without a review of the distribution rules or an update of the data used in the calculation.

— The royalties taken into account in the distribution rules are based primarily on forest resources.

Since collecting royalties on natural resources is a tax field of the government, not the municipalities or RCMs, the government can consider updating the program of grants in lieu of a share of royalties for natural resources, as part of the negotiations to renew the 2007-2013 Agreement.

Moreover, communities want to take advantage of the economic benefits of natural resource development by acquiring equity interests in energy projects. However, they do not always have the expertise required to start up and carry out such projects. The government will analyze the possibility of contributing to a fund that would support communities and cooperatives in starting up renewable energy development projects.

4.6.3 Development charges

Development charges are a financial contribution levied by municipalities on promoters of new developments. The purpose of the charges is to ensure financing for new capital projects, or to upgrade existing capital assets, located off-site and required to meet increased demand for municipal services driven by urban growth.

The advantage of this approach is that it reduces the municipalities' reliance on loans as the main method of financing growth-related infrastructure. From this perspective, development charges and other, similar financing means are worth considering.

Application of development charges in Ontario
Principal characteristics of the Ontario development charges regime The application of the regime is optional. Each municipal level is empowered to decide whether to apply a development charges regime to finance capital projects: charges relative to public transit infrastructure are the purview of the supralocal level; those relative to water supply systems and sewers are the purview of local municipalities. Eligible off-site infrastructure and equipment: water supply systems, sewers, drainage, roads, water treatment plants, parks, facilities for electrical, police and firefighting services, community centres, recreational centres and libraries. Expenditures financed: acquisition, construction and upgrading of buildings, planning expenditures, studies, engineering and technical analyses. All categories of immovables are covered (residential, commercial industrial and institutional). Special funds are created and set aside for the charges collected.

5. CONCLUSION

The government has considerably increased its financial support for municipalities in recent years, be it under the 2007-2013 Agreement or through the implementation of several other initiatives, despite the major budgetary challenges it has had to face further to the 2008 recession.

However, the coming years will bring considerable challenges. Citizens rightly expect the government and municipalities to meet these challenges together and thereby collaborate in maintaining and improving public services, at the best possible cost.

The renewal of the 2007-2013 Agreement is the opportunity to examine the overall assistance provided by the government to municipalities. The components of the current agreement will of course be discussed, but other important subjects, such as long-term infrastructure financing, must also be dealt with.

Moreover, as was the case with the 2007-2013 Agreement, all of the issues discussed will not necessarily be addressed in the new agreement, as the parties may decide it is preferable to deal with certain subjects in another context.

The goal is to reach an agreement by March 2013. It will then be possible to integrate the new agreement into the government's financial framework and take it into account in the municipal budgets that will be tabled in fall 2013.

It is the responsibility of the government and the municipalities, as partners in Québec's development, to work together to find long-term solutions to their common challenges.