

For Information

DATE: October 11, 2012

REPORT TITLE: **TRIANNUAL FINANCIAL PERFORMANCE REPORT AS AT AUGUST 31, 2012**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

**OBJECTIVE**

To provide Regional Council with an update on the forecasted financial year end position of Regional programs based on information and financial results as of August 31, 2012 for Current Operations and Capital Operations.

**REPORT HIGHLIGHTS**Current Operations

- The forecasted year end position for Tax Supported Programs is a surplus of \$5.5 million, less than one per cent of the budget
- As reported to Council, Regionally controlled program surplus will be allocated to a reserve to fund transition costs associated with the phasing out of directly operated Learn Play Care centres
- The forecasted year end position for Utility Rate Supported Programs is a surplus of \$12.7 million, 4.6 per cent of the budget

Capital Operations

- Forecasted gross capital spending is expected to be over 89 per cent of the expected cash flow for 2012

2013 Outlook

- Ongoing trends impacting financial results are monitored and factored into the development of the 2013 budget

Development Charge Status

- 2012 Development Charge (DC) revenue will be approximately \$10 million less than forecasted in the DC background study
- As expected the net DC cash flow position requires the issuance of additional debt

**DISCUSSION**

The following report forecasts the year end financial position of Regional programs using the information and financial results as August 31, 2012 for Current Operations and Capital Operations.

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**TRIENNIAL FINANCIAL PERFORMANCE REPORT AS AT AUGUST 31, 2012****1. Current Operations**

The Region's Current operations include both Tax Supported Programs and Utility Rate Supported Programs.

**a) Tax Supported Programs**

A year end position of \$5.5 million surplus is currently forecast for Tax Supported Programs and represents a variance of less than one per cent of the total net tax supported budget.

**i) External Funding**

As of August 31, 2012, the Region had received additional provincial funding in Early Learning and Child Care of \$2.4 million; \$2.3 million Waste Diversion Ontario (WDO) funding in Waste Management; an Ontario Health Insurance Plan (OHIP) reimbursement of \$0.2 million in Public Health; and \$0.5 million in provincial funding in Paramedic Services.

**ii) Payments in Lieu of Taxes (PILTS) and Supplementary Taxes**

Staff forecast overall year-end revenue from PILTS and Supplementary Taxes to be less than budget by \$0.5 million. PILTS is forecasted to exceed budget by \$1.4 million offset by under budget in Supplementary Taxes by \$1.9 million (net of write-offs).

**iii) Commodity Prices**

Commodity prices for recycled material, predominantly fibre, are lower than budgeted and are expected to continue to be sluggish. Staff forecast the year end impact will be a shortfall of \$3.8 million in commodity revenue in the Waste Management program.

**iv) Peel Regional Police**

Peel Regional Police estimate a year-end current budget surplus of approximately \$1 million, due to fiscally responsible spending.

**v) Financial Impact of Labour Disruption**

Lower labour costs in Public Works and Human Services were offset by higher overtime, security and other costs (\$4.1 million) as well as a loss of revenue e.g. Waste Management (\$0.1 million). Overall, the net financial impact of the labour disruption was an under-expenditure of \$4.0 million.

In developing the 2012 Budget Regional Council approved contingency working fund draws of \$6.9 million to manage potential risks. Based on forecast results these draws will not be required.

In 2011 Council endorsed the Housing Investment Plan (HIP). The plan included multiple strategies to support clients on the Housing Waitlist. The strategy also allowed for unused funds in a calendar year to be directed to the Housing New Development Capital reserve to be used to increase the supply of affordable housing in Peel. Progress to implement the HIP was delayed during the labour disruptions. Staff forecast in 2012 \$9.3 million will be redirected to the capital reserve.

As Council will recall, the termination of Algonquin Power waste services required that waste would be diverted to landfill. This change in business process was expected to generate savings which was to be placed in a reserve to fund the new Energy from Waste (EFW)

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facility. For 2012, the savings are forecasted to be \$1.4 million and will be redirected to the EFW reserve.

As reported to Council in September, the forecasted year end surplus for Regionally controlled programs will be allocated to a reserve to fund the transition costs associated with the phase out Peel's directly operated Learn Play Care centres.

Appendix I of the subject report provide key highlights of the Region's forecasted net expenditure position for the year ending December 31, 2012 for Current operations. Appendix II of the subject report provides by program the forecasted net expenditure position for the year ending December 31, 2012.

### **b) Utility Rate Supported Programs**

A year end position of \$12.7 million surplus is currently forecast for Utility Rate Supported Programs. The surplus reflects a combination of additional revenue of \$9 million due to higher water consumption and operational savings of \$3.7 million as a result of process improvement. Abnormally dry weather this summer, increased demand for water above the modeled budget assumptions. Ongoing process optimizations at the water treatment plants have reduced the usage of chemical and electricity.

### **c) 2013 Outlook**

As noted earlier, 2012 financial results are being driven by a number of factors such as the economy, weather, funding etc. Staff will assess risks associated with key changes and incorporate sustained base changes in developing the 2013 Budget. Generally, the drivers impacting 2012 financial performance are balanced between positive and negative. Changes which impact the 2013 Budget to vary from the 2013 Budget forecast will be highlighted for Regional Council during the 2013 Budget review for both Tax and Utility rate programs.

## **2. Capital Operations – Cash Flow**

At Council's request staff are continuing to develop and evolve performance management of Peel's capital program bringing forward more value add information.

Gross capital expenditures are forecast to be at \$685.9 million or over 87 per cent of the revised 2012 cash flow forecast (refer to Appendix III of the subject report). There are 1.352 active projects that have remaining unspent budgets of \$2.3 billion with over 30 per cent of those projects nearing completion.

### **a) Projected Cash Flow to Year End**

While the majority of the 2012 budgeted cash flows are projected to come in on target, there are three areas where the current projected cash flow is expected to be significantly less than budgeted;

- Waste Management – projected cash flow is forecast to be 32 per cent of budget. The main drivers of this variance are due to the site planning delay at the Heartlake Community Recycling Centre and the Council endorsed P3 funding process for the new Energy from Waste Facility.

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- o Early Learning & Childcare – projected cash flow is forecast to be 6 per cent of budget. Staff are revisiting capital investments in light of Council’s decision to phase out the the directly operated centres.
- o Employee and Business Services – projected cash flow is forecast to be 47 per cent of budget. As reported to Council on March 29, 2012, staff are currently reviewing the technology plan. This has resulted in a prudent delay in technology replacement pending the results of the review.

**b) Cash Encumbered by Existing Capital Projects**

As of August 31, 2012, there were 1,352 projects with remaining unspent budgets of \$2.3 billion. Of these projects, 68 projects with remaining unspent budgets greater than \$5 million represent 5 per cent of the total number of projects and 65 per cent of the total unspent capital budget or \$1.5 billion (see Table I below). Typically projects of significant size take longer to complete and therefore remain on the active books with significant dollars encumbered against funding reserves for several years.

As part of the development of the 2013 Capital Budget, staff are taking into consideration the remaining cash requirements of the existing capital works.

**Table I**

| <b>Cash Encumbered by Existing Capital Projects</b> |   |                                       |                                  |
|---|---|---------------------------------------|----------------------------------|
| <b>Program</b>                                      | <b>Projects with Capital Budgets Greater than or Equal to \$5 Million</b> |                                       |                                  |
|   | <b># of Projects</b>  | <b>Remaining Budget (\$ Millions)</b> | <b>% of Total Unspent Budget</b> |
| Tax Supported                                       | 32  | 448                                   | 30%                              |
| Utility Rate Supported                              | 36  | 1064                                  | 70%                              |
| <b>Total</b>  | <b>68</b>   | <b>1512</b>                           | <b>100%</b>                      |
| <b>% of Region Total</b>                            | <b>5%</b>   | <b>65%</b>                            |                                  |

Monitoring Capital Works in Process is an important part of Cash and Debt Management strategy. As major projects move from one phase to the next, staff will consider Peel’s current financial condition prior to proceeding.

**3. Development Charge Reserve Fund Status**

In September Regional Council approved an new DC By-law. Staff were directed to enhance monitoring of DC revenues and expenditures to manage debt levels and identify if and when an update to the DC By-law is required.

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The Table II below outlines projected 2012 activities.

**Table II**

|                      | <b>As at Aug 31<br/>\$ millions</b> | <b>Projected to Dec 31<br/>\$ millions</b> |
|----------------------|-------------------------------------|--|
| YTD DC Revenues      | 101                                 | 165  |
| YTD DC Expenditures  | 156                                 | 275  |
| Total DC Debt Issued | 723                                 | 923 - 1023                                 |

Projected 2012 Development Charge (DC) revenue of \$165 million is \$10 million less than the forecasted amount of \$175 million in the DC background study. DC related expenditures are \$275 million to the end of 2012.

As communicated to Council, the DC expenditures net of anticipated DC revenue requires additional debt issuance to support the DC capital plan and maintain appropriate liquidity.

**CONCLUSION**

The Region of Peel's forecasted year end financial position for Tax Supported programs is \$5.5 million surplus, a variance of 0.64 per cent on a net tax budget of \$854 million and a surplus of \$12.7 million for Utility Rate supported programs that represents a variance of 4.6 per cent of the total utility rate budget of \$274 million.



Norma Trim  
Chief Financial Officer  
and Commissioner of Corporate Services

**Approved for Submission:**


D. Szwarc, Chief Administrative Officer

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c. Legislative Services

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APPENDIX I

2012 Forecasted Year End Financial Position By Program - Highlights

| Program                          | Rationale   | Forecasted surplus/(deficit) (\$ millions) |
|----------------------------------|---|--|
| Housing and Homelessness         | Lower than anticipated payments to private housing providers, reduction in rent supplement, Prevention of Homelessness in Peel Program (PHIPP) and hostel payments partially offset by additional hostel per diem revenue | 3.7  |
| Social Assistance and Employment | Lower expenditures due to labour disruption and operational savings in employment program costs offset by additional costs related to a caseload increase of 800  | 3.3  |
| Early Learning and Child Care    | Additional provincial funding combined with operational savings in Learn.Play.Care (LPC) centers  | 2.6  |
| Transportation                   | Fewer winter events (33 budgeted vs. 27 forecasted)   | 2.8  |
| Waste Management                 | Lower than budgeted commodity revenue due to lower commodity prices for recycled materials offset by additional funding   | (1.4)                                      |
| Non Program/Internal Services    | Lower than budgeted supplementary taxes partially offset by increased PILTS; additional operating costs (staff and security) due to the labour disruption   | (6.2)                                      |

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**Regional Municipality of Peel**  
**For the period ending: August 2012**

|  | <i>2012 Revised<br/>Budget (A)</i> | <i>Program<br/>Projected Year<br/>End Position<br/>(B)</i> | <i>Reduced<br/>Contingent<br/>Working Fund<br/>Draw (C)</i> | <i>Adjusted Year<br/>End Position<br/>(D=B-C)</i> | <i>In \$'000<br/>Projected<br/>Surplus<br/>/(Deficit)<br/>(E=A-D)</i> |
|--|------------------------------------|--|---|---|---|
| <b>Region Controlled Programs</b>                  |                                    |  |   |   |   |
| <b>Public Works</b>                                |                                    |  |   |   |   |
| Development Services                               | 932                                | 601  | (200)   | 801   | 131   |
| Transportation                                     | 71,567                             | 68,723   |   | 68,723  | 2,844   |
| Waste Management                                   | 93,882                             | 95,282   |   | 95,282  | (1,400)   |
| Oper Supp Serv (including Rev Mgmt)                | 1,208                              | 1,208  |   | 1,208   | -   |
| <b>Subtotal Public Works - Tax</b>                 | <b>167,589</b>                     | <b>165,814</b>   | <b>(200)</b>  | <b>166,014</b>                                    | <b>1,575</b>  |
| <b>Human Services</b>                              |                                    |  |   |   |   |
| Housing and Homelessness/Residential Management    | 110,271                            | 106,567  |   | 106,567   | 3,704   |
| Early Learning and Child Care                      | 23,848                             | 21,010   | (270)   | 21,280  | 2,568   |
| Social Assistance and Employment                   | 55,406                             | 50,322   | (1,788)   | 52,110  | 3,296   |
| Community Investment                               | 5,102                              | 5,626  | (475)   | 6,101   | (999)   |
| <b>Subtotal Human Services</b>                     | <b>194,626</b>                     | <b>183,524</b>   | <b>(2,534)</b>  | <b>186,058</b>                                    | <b>8,568</b>  |
| <b>Health Services</b>                             |                                    |  |   |   |   |
| Long Term Care                                     | 28,896                             | 29,710   |   | 29,710  | (814)   |
| Paramedic and Emergency Programs                   | 38,655                             | 37,902   | (430)   | 38,332  | 323   |
| Public Health                                      | 24,725                             | 23,360   | (307)   | 23,667  | 1,058   |
| Health Admin Services                              | 690                                | 636  | (78)  | 714   | (24)  |
| <b>Subtotal Health Services</b>                    | <b>92,967</b>                      | <b>91,609</b>  | <b>(815)</b>  | <b>92,424</b>                                     | <b>543</b>  |
| <b>Internal Support/Non-Program</b>                |                                    |  |   |   |   |
|  | <b>(834,698)</b>                   | <b>(831,849)</b>   | <b>(3,311)</b>  | <b>(828,538)</b>                                  | <b>(6,160)</b>  |
| <b>Total Region Controlled Programs - Tax</b>      | <b>(379,515)</b>                   | <b>(390,901)</b>   | <b>(6,859)</b>  | <b>(384,042)</b>                                  | <b>4,527</b>  |
| <b>Region Financed External Organizations</b>      |                                    |  |   |   |   |
| <b>Police Services</b>                             |                                    |  |   |   |   |
| Peel Regional Police                               | 325,654                            | 324,654  |   | 324,654   | 1,000   |
| Ontario Provincial Police                          | 11,000                             | 11,000   |   | 11,000  | -   |
| <b>Subtotal Police Services</b>                    | <b>336,654</b>                     | <b>335,654</b>   |   | <b>335,654</b>                                    | <b>1,000</b>  |
| Conservation Authorities                           | 15,602                             | 15,602   |   | 15,602  | -   |
| Ontario Disability Support Payment                 | -                                  | -  |   | -   | -   |
| Assessment Services                                | 17,060                             | 17,060   |   | 17,060  | -   |
| Toronto Tax  | 10,200                             | 10,200   |   | 10,200  | -   |
| Go Transit   | -                                  | -  |   | -   | -   |
| <b>Total Region Finance External Organizations</b> | <b>379,515</b>                     | <b>378,515</b>   |   | <b>378,515</b>                                    | <b>1,000</b>  |
| <b>Total Region - Tax Supported Programs</b>       |                                    | <b>(12,386)</b>  | <b>(6,859)</b>  | <b>(5,527)</b>                                    | <b>5,527</b>  |
| <b>Region Controlled Programs - Utility</b>        |                                    |  |   |   |   |
| Water  | -                                  | (6,731)  |   | (6,731)   | 6,731   |
| Wastewater   | -                                  | (6,014)  |   | (6,014)   | 6,014   |
| <b>Total Region - Utility Supported Programs</b>   |                                    | <b>(12,745)</b>  |   | <b>(12,745)</b>                                   | <b>12,745</b>   |
| <b>TAX</b>   |                                    |  |   |   | <b>5,527</b>  |
| <b>RATE</b>  |                                    |  |   |   | <b>12,745</b>   |

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Forecasted Capital Spending to December 31, 2012 ('\$000)

|  | <i>Estimated 2012<br/>Cashflow<br/>Forecast</i> | <i>YTD Gross<br/>Expenditures (Jan.<br/>1- Aug. 31)</i> | <i>Projected<br/>Spending To<br/>Year-End<br/>(Sep.-Dec.)</i> | <i>To Year-End<br/>Total Spent</i> | <i>To Year-End<br/>Total % Spent</i> |
|--|---|---|---|------------------------------------|--------------------------------------|
| <b>Region Controlled Programs - Tax:</b>         |   |   |   |                                    |                                      |
| <b>Public Works - Tax</b>                        |   |   |   |                                    |                                      |
| Waste Management                                 | 36,741  | 4,507   | 7,447   | 11,954                             | 33%                                  |
| Transportation                                   | 114,000   | 42,282  | 52,718  | 95,000                             | 83%                                  |
| Operations Support                               | 18,429  | 6,866   | 10,203  | 17,069                             | 93%                                  |
| <b>Subtotal PW - Tax</b>                         | <b>169,170</b>                                  | <b>53,655</b>   | <b>70,368</b>   | <b>124,023</b>                     | <b>73%</b>                           |
| <b>Health Services:</b>                          |   |   |   |                                    |                                      |
| Long Term Care                                   | 8,011   | 5,176   | 2,933   | 8,109                              | 101%                                 |
| Paramedic Services                               | 8,490   | 5,539   | 6,022   | 11,561                             | 136%                                 |
| Public Health                                    | 394   | 84  | 10  | 94                                 | 24%                                  |
| <b>Subtotal Health Services</b>                  | <b>16,895</b>                                   | <b>10,799</b>   | <b>8,965</b>  | <b>19,764</b>                      | <b>117%</b>                          |
| <b>Human Services:</b>                           |   |   |   |                                    |                                      |
| Early Learning & ChildCare                       | 634   | 36  | 0   | 36                                 | 6%                                   |
| Housing & Homelessness                           | 91,329  | 42,097  | 35,694  | 77,791                             | 85%                                  |
| Social Assistance & Employment                   | 0   | 636   | 0   | 636                                | 0%                                   |
| <b>Subtotal Human Services</b>                   | <b>91,963</b>                                   | <b>42,769</b>   | <b>35,694</b>   | <b>78,463</b>                      | <b>85%</b>                           |
| <b>Internal Support:</b>                         |   |   |   |                                    |                                      |
| Corporate Services                               | 1,801   | 1,086   | 1,242   | 2,328                              | 129%                                 |
| Employee and Business Services                   | 41,518  | 9,750   | 9,729   | 19,479                             | 47%                                  |
| Executive/Council                                | 190   | 0   | 0   | 0                                  | 0%                                   |
| <b>Subtotal Internal Support</b>                 | <b>43,509</b>                                   | <b>10,836</b>   | <b>10,971</b>   | <b>21,807</b>                      | <b>50%</b>                           |
| <b>Total Region Controlled - Tax</b>             | <b>321,536</b>                                  | <b>118,059</b>  | <b>125,998</b>  | <b>244,057</b>                     | <b>76%</b>                           |
| <b>Region Financed External Organizations</b>    |   |   |   |                                    |                                      |
| Ontario Provincial Police                        | 6,000   | 3,067   | 2,933   | 6,000                              | 100%                                 |
| GO Transit                                       | 0   | 0   | 0   | 0                                  | 0%                                   |
| Peel Regional Police                             | 39,550  | 14,764  | 13,014  | 27,778                             | 70%                                  |
| Conservation Authorities                         | 1,266   | 259   | 1,007   | 1,266                              | 100%                                 |
| Hospitals  | 0   | 0   | 0   | 0                                  | 0%                                   |
| <b>Total Region Financed Organizations</b>       | <b>46,816</b>                                   | <b>18,090</b>   | <b>16,954</b>   | <b>35,044</b>                      | <b>75%</b>                           |
| <b>Total Region - Tax Supported Programs</b>     | <b>368,352</b>                                  | <b>136,149</b>  | <b>142,952</b>  | <b>279,101</b>                     | <b>76%</b>                           |
| <b>Region Controlled Programs - Utility</b>      |   |   |   |                                    |                                      |
| Water  | 300,000   | 161,848   | 138,152   | 300,000                            | 100%                                 |
| Wastewater                                       | 102,205   | 67,679  | 27,321  | 95,000                             | 93%                                  |
| <b>Total Region - Utility Supported Programs</b> | <b>402,205</b>                                  | <b>229,527</b>  | <b>165,473</b>  | <b>395,000</b>                     | <b>98%</b>                           |
| <b>Total Region</b>                              | <b>770,557</b>                                  | <b>365,676</b>  | <b>308,425</b>  | <b>674,101</b>                     | <b>87%</b>                           |