

Highlights



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2003 Business Plan

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Introduction

On November 21, 2002, Regional Council approved the 2003 Business Plan. This plan represents the third plan that Regional Council has approved during its three-year term. Final legislative approval was passed on May 29, 2003.

The approved 2003 Property Tax Supported Current Budget has resulted in a 2.6 per cent property tax increase to support increased Police Services costs required as a result of continued significant growth in Peel and to augment existing street crime initiatives and improve response times. The Current Budget related to Regional Programs excluding Police Services was established with no property tax impact notwithstanding growth pressures, necessary increases to service levels and the Region's practice of allowing assessment/tax growth to offset resulting program growth.

The approved 2003 Utility Rate Supported Current Budget has resulted in an average residential and commercial utility rate increase of 2.2 per cent to support the tremendous growth in Peel and the increased service requirements.

The Region will finance the \$2.3 billion 10-Year Capital Plan from a combination of development charges, reserves and external sources dedicated to capital projects while still maintaining its debt-free status, endorsing Peel's tradition of sustainable infrastructure financing that positions the Region for continued economic growth. This strong sense of financial responsibility has been instrumental in the maintenance of the Triple-A credit rating for Peel, together with its area municipalities, from the Canadian rating agency, the Dominion Bond Rating Service (DBRS), as well as American agencies including Standard & Poors and Moody's Investors Service.

The Region sets a standard for its financial management through its Strategic Plan - ***Directions for Success: Investing in Peel's Future***. The 2003 Business Plan supports

the achievement of Peel's strategic directions embodied in all five major goal areas and specifically meets Council's strategic directions of maintaining a sustainable long-term financial plan and ensuring competitive tax and utility rates for Peel residents. While providing service at levels that support our residents and ratepayers is essential, it is important that the service delivery be achieved in a fiscally responsible manner. The Service Strategy/Business Plan Process section of this document outlines the principles, guidelines and procedures that the Region follows in the development of its plan.

As discussed in more detail in the Financial Management section, Peel's residential, industrial and commercial population components are expected to continue to grow at a rapid pace. Furthermore, the residential demographics are shifting towards an increasingly aging population, which will require increased resources for relevant programs. The 2002 assessment growth of approximately 3.7 per cent has been applied to offset 2003 program growth. Prior to taking into account the economic slowdown, assessment growth was not expected to be sustainable at levels over 3 per cent. The lag effect of the slowdown on assessment growth may result in yet even lower levels for the 2004 Business Plan period, presenting a challenge for the Region's future plans. Notwithstanding these factors, residential, industrial and commercial growth is forecasted to continue in the foreseeable future.

Highlights of the Region's 2003 Current Budget on the following pages include reviews of the Current Budget, both for Property Tax Supported Programs and Utility Rate Supported Programs, Revenue Trends, Tax Levy Apportionment, Current Value Assessment (CVA) and Current Budget Summary Schedules. The reader will find that the classification description and summary schedules included in the Current Budget Summary Schedule section provide data for the Region as a whole.

Following the 2003 Current Budget Highlights are highlights of the Region's 2003 Capital Budget and 2004–2012 Capital Forecast including a review of the 10-Year Capital Plan, both for Property Tax Supported Programs and Utility Rate Supported Programs, the Reserves and Reserve Funds and Long-term Debt.

The Service Strategy/Business Plan details and Current Budget details for each program are included in the **2003 Current Budget** document following the Highlights section of that document. The Capital Plan details for each program are included in the **2003 Capital Budget and 2004 – 2012 Capital Forecast** document following the Highlights section of that document.



2003 Current Budget Highlights

Table 1 introduces the Current Budget Highlights discussion by presenting the impact of the 2003 Property Tax Supported Current Budget and the 2003 Utility Rate Supported Current Budget on the Region's taxpayers and ratepayers respectively.

Table 1

Impact of a 2.6% Tax Rate and 2.2% Utility Rate Increase

| | Average Industrial | Average Commercial | Average Small Business | Average Household |
|---------------------------|--------------------|--------------------|------------------------|-------------------|
| CVA Value (note 1) | \$1.7 million | \$1.6 million | \$342,000 | \$259,000 |
| 2003 Regional Levy Impact | \$332 | \$270 | \$58 | \$33 |
| 2003 Utility Bill Impact | \$48 | \$64 | \$16 | \$6 |

Note 1: Current Value Assessment (CVA)

Property Tax Supported Budget

Table 2 indicates the grouping by category of all tax supported programs funded by the Region:

Table 2

Peel Tax Supported Programs

Region Controlled

- Roads
- Waste Management
- Regional Planning
- Ontario Works
- TransHelp
- Children's Services
- Public Health
- Long-Term Care
- Housing Policy and Program
- Heritage
- Ambulance and Emergency Programs
- Non Program/Internal Support

Region Financed External Organizations

- Peel Regional Police
- Ontario Provincial Police
- Conservation Authorities
- Assessment Services
- GO Transit

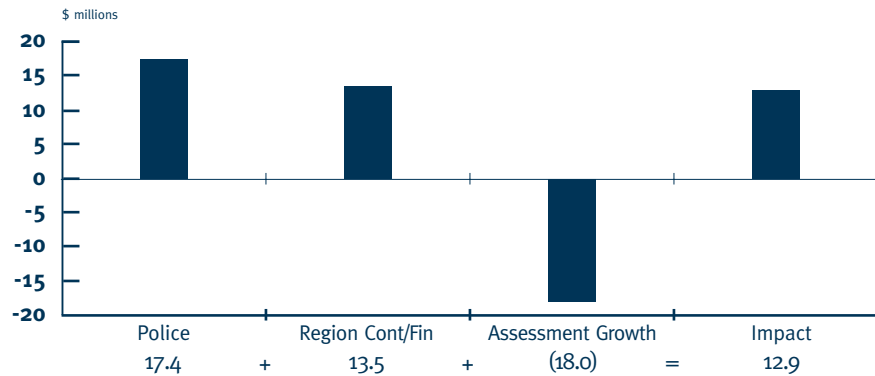
Greater Toronto Area Pooling

The 2003 Net Property Tax Supported Budget totals \$518.0 million. For comparison purposes, this represents a \$30.9 million increase over the adjusted 2002 net levy of \$487.1 million, which has been reduced from \$503.6 million in order to reflect the Region's transfer of its annual \$16.5 million contribution for GO Transit to the area municipalities. Fifty-eight per cent of the increase is funded by growth in the property assessment base of 3.7 per cent (\$18.0 million). The remaining 42 per cent (\$12.9 million) is funded by a 2.6 per cent property tax increase. This increase, as outlined in Table 3, translates into a \$33 annual property tax increase to \$1,318 for an average single-family home assessed at \$259,000.

Table 3

2003 Net Property Tax Impact

\$12.9 million (2.6%)



Note: Region Cont/Fin Includes Region Controlled Programs and Region Financed External Organizations excluding Police.

Table 4 outlines the allocation of the property assessment base increase (\$18.0 million) to Police Programs and to Region Controlled Programs and Region Financed External Organizations (excluding Police). The allocation is based on a pro-rata share of the 2002 net tax levy for the preliminary assessment data. Once the Police Programs' share of assessment growth of \$4.5 million is applied to the Police net expenditure increase over 2002 of \$17.4 million, the resulting net property tax impact is \$12.9 million (2.6 per cent increase). The assessment share of \$13.5 million for the balance of the programs offsets the increase in net expenditures over 2002 of \$13.5 million, resulting in a nil property tax impact.

Table 4

2003 Net Property Tax Budget

| | 2002 Net Levy | | 2003 Net Levy | | Net Levy Increase Over 2002 | Assessment Share (Note 1) | Net Impact |
|--------------------------|---------------|--------------|---------------|-------------|-----------------------------|---------------------------|------------|
| | \$M | % | \$M | \$M | | | |
| Region Cont/Fin (Note 2) | 324.7 | 66.7 | 338.2 | 13.5 | 13.5 | 0.0 | |
| Police | 162.4 | 33.3 | 179.8 | 17.4 | 4.5 | 12.9 | |
| Total | 487.1 | 100.0 | 518.0 | 30.9 | 18.0 | 12.9 | |

Note 1: Pro-rata share of 2002 Net Levy based on preliminary assessment data

Note 2: Region Cont/Fin includes Region Controlled Programs and Financed External Organizations excluding Police.

Table 5 provides a breakdown of all Property Tax Supported Programs in terms of their respective share of the 2003 average residential tax of \$1,318, again, based on an average single-family home assessed at \$259,000.

Table 5

Property Tax Supported Programs

2003 Average Residential Tax Bill = \$1,318

| Program | Tax Bill Share | | Program | Tax Bill Share | |
|-------------------------------------|----------------|------|------------------------------|----------------|-------|
| | \$ | % | | \$ | % |
| Police | 457.56 | 34.7 | Long-Term Care | 32.93 | 2.5 |
| GTA Pooling | 168.02 | 12.7 | Assessment Services | 28.53 | 2.2 |
| Housing Policy & Program | 165.95 | 12.6 | Children's Services | 22.59 | 1.7 |
| Ontario Works | 139.49 | 10.6 | TransHelp | 13.54 | 1.0 |
| Waste Management | 123.13 | 9.4 | Regional Planning | 7.92 | 0.6 |
| Roads | 68.89 | 5.2 | Conservation Authorities | 7.12 | 0.5 |
| Ambulance and Emergency Programs | 40.43 | 3.1 | GO Transit | 5.09 | 0.2 |
| Public Health | 36.51 | 2.8 | Heritage | 2.59 | 0.2 |
| | | | Non Program/Internal Support | (2.29) | (0.2) |

Based on an average single family home assessed at \$259,000

2003 Property Tax Supported Budget Pressures/Issues

The following section provides additional details related to 2003 Property Tax Supported Current Budget pressures/issues. The discussions address 2003 program net expenditure increases over the 2002 budget net expenditure base, prior to the allocation of assessment growth.

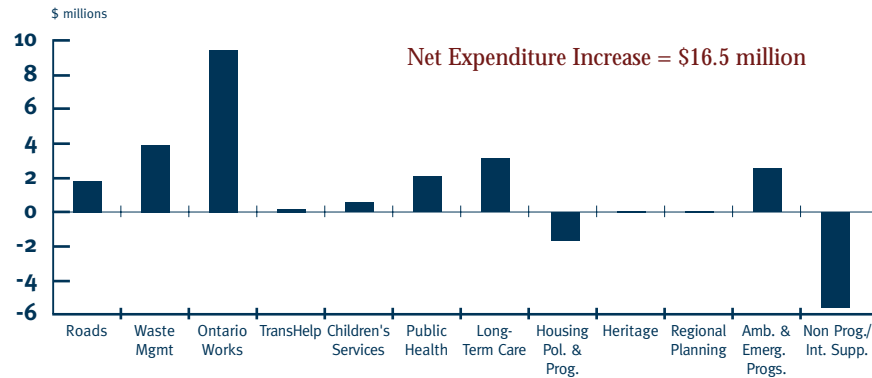
Region Controlled Programs - \$16.5 million net expenditure increase

The **2003 Current Budget** for the Region Controlled Programs reflects service level increases resulting mainly from the Region's tremendous population growth and demographic changes to an increasingly aging population. Furthermore, increases in expenditures reflect the increased needs of the clients of Ontario Works, increased service levels mandated by the province (e.g. Ambulance and Emergency Programs) and an enhanced waste diversion program. Table 6 presents an overview of the net expenditure changes in Region Controlled Programs over the 2002 budget net expenditures.

Table 6

Region Controlled Programs Overview

Net Expenditure Variance 2003 vs 2002



The major pressures/issues related to the Region Controlled Programs are summarized as follows:

- **Roads:** + \$1.8 million due mainly to an increase in capital financing to ensure that the level of funding is sufficient to cover capital needs in 2003 and beyond and the addition of 39 lane kilometres to the Regional road network.
- **Waste Management:** + \$3.9 million due primarily to the costs related to the annualization of the transfer, haulage and disposal of waste to Michigan, as well as costs related to the enhanced waste diversion program. These increases are offset, to a large extent, by a significant contribution from the Waste Management Stabilization Reserve.
- **Ontario Works:** + \$9.4 million due mainly to an increased caseload, higher salary costs and an increase in the province's Ontario Disability Support Program (ODSP).
- **TransHelp:** + \$0.2 million due mainly to increases in salary and facility costs.
- **Children's Services:** + \$0.6 million due mainly to salary increases, facility costs, program quality enhancements and increased contributions to the capital reserve.
- **Public Health:** + \$2.1 million due mainly to year two costs of a three-year program to improve public health services and annualization of year one service level

improvements. This increase is partially offset by increases in grants and subsidies from the province.

- **Long-Term Care:** + \$3.1 million due mainly to costs associated with the addition of two new long-term care facilities scheduled for an August 2003 completion and increases in salary and wage costs, partially offset by increased resident fees, grants and subsidies.
- **Housing Policy and Program:** - \$1.6 million mainly due to savings from decreased mortgage renewal rates and a decrease in the number of rent supplement units from 2002.
- **Heritage:** - The 2003 Heritage budget has a **nil impact** on the Regional taxpayer. Increases due to higher salary and fringe benefit costs have been offset by increased rental recoveries from office space expansion.
- **Regional Planning:** - The 2003 Regional Planning budget has a **nil impact** on the Regional taxpayer. Higher salary costs are offset by recoveries from the Water and Wastewater programs.
- **Ambulance and Emergency Programs:** + \$2.6 million due mainly to increases in service hours to meet legally mandated response times, salary costs due to 2003 wage settlements and the addition of new paramedics. These increases are significantly offset by increases in subsidies from the Ministry of Health.
- **Non Program/Internal Support:** - \$5.6 million due to a number of factors. A \$2.0 million reduction in reserve contributions to facilitate the phase-in of Ontario Municipal Employees Retirement System (OMERS) contributions in the program budgets. Increases in payments in lieu of taxes of \$2.0 million and \$2.4 million in increased net supplementary taxes as a result of revenue estimates developed in collaboration with the area municipal finance staff.

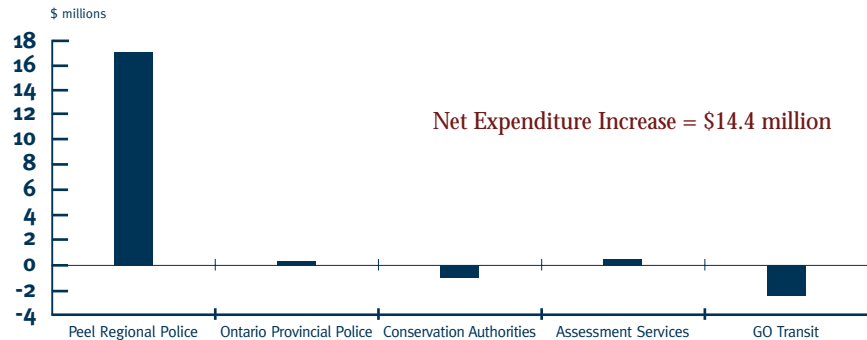
Region Financed External Organizations - \$14.4 million net expenditure increase

The **2003 Current Budget** for the Region Financed External Organizations reflects a \$14.4 million increase in net expenditures over 2002. As indicated in Table 7, the major portion of the variance is due to the Peel Regional Police Program.

Table 7

Region Financed External Organizations

Net Expenditure Variance 2003 vs 2002



The most significant pressures/issues related to the Region Financed External Organizations are summarized as follows:

- **Peel Regional Police:** + \$17.1 million due to an increase in salary costs and the addition of new officers.
- **Ontario Provincial Police (O.P.P.):** + \$0.3 million due to salary adjustments for existing officers moving through the ranks and an increase in support staff.
- **Conservation Authorities:** - \$1.0 million due to a recovery from the utility rate supported programs.
- **Assessment Services:** + \$0.4 million due to the impact of the Region's growth, which is greater than the provincial average, on the allocation formula used to distribute Municipal Property Assessment Corporation (MPAC) costs across all Ontario municipalities.
- **GO Transit:** - \$2.4 million (after the \$16.5 million reduction of the 2002 net expenditure to reflect the Region's transfer of its annual contribution for GO Transit to the area municipalities) due to the impact of the province taking back responsibility for GO Transit. In the past the GTA municipalities and the City of Hamilton funded 100 per cent of the GO Transit costs. Now, municipalities in total will fund \$300 million annually over 10 years.

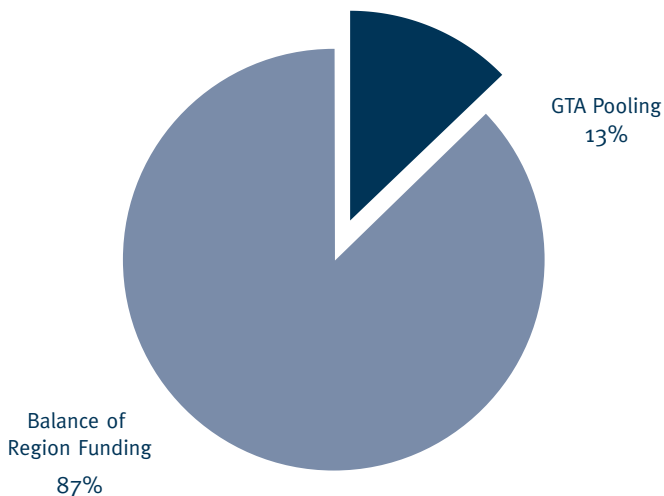
Greater Toronto Area Pooling - No additional impact over 2002 on the 2003 Property Tax Supported Budget

The Greater Toronto Area (GTA) equalization formula is established to recognize the social and economic interdependence within the GTA and to assist in stabilizing the financial costs that the City of Toronto faces from being at the core of a single catchment for social services. It is very likely that the Region's GTA assessment share will increase in 2003. Given the anticipated increase, in addition to the complexity and volatility of the various components of the "pooled costs," the 2003 budget estimate will remain unchanged from 2002. The Region of Peel opposes any form of GTA equalization/pooling of services since the continued funding of GTA pooling has resulted in not satisfying its unmet needs given Peel's considerable growth. Table 8 indicates GTA Pooling's share of the total Region net expenditure for all Property Tax Supported Programs.

Table 8

Greater Toronto Area Pooling Property Tax Impact

Share of Total Region Net Expenditure = \$66 million (13%)



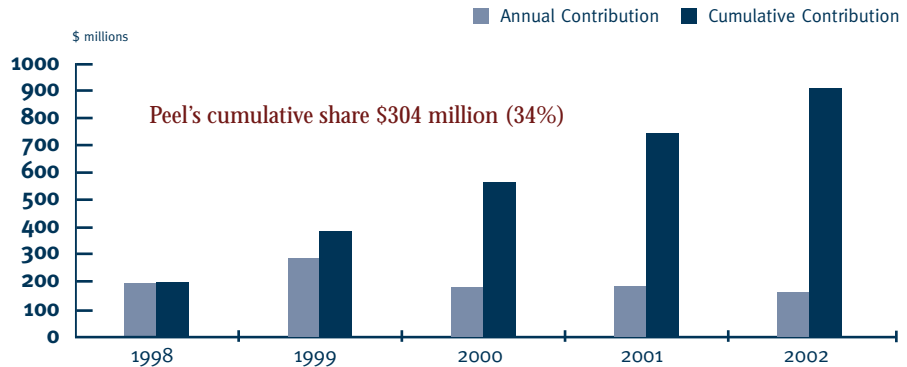
There is a significant risk that Peel may not be able to meet its strategic plan direction of financial sustainability for Regional services due to the mandatory requirement to fund GTA pooling costs.

For 2003, Peel's primary objective is to eliminate pooling from the budget, in order to redirect these resources towards meeting Peel taxpayer objectives. Peel's position is to remove the GTA pooling of social services from the property tax base and utilize provincial income tax funding whereby all Ontarians share in the financing of social services. If the province will not eliminate pooling in 2003, Peel staff will continue to work with the GTA Working Group, a joint provincial/municipal initiative, to protect Peel's interest and limit the impact of GTA pooling in the short term.

Between 1998 and 2002, Peel has contributed \$304 million to GTA pooling. This represents an average of \$204 per household during the period. Table 9 shows that the GTA regions have contributed \$903 million to GTA pooling during the five-year period. Peel's share represents 34 per cent of this amount.

Table 9

Total Greater Toronto Area Regions Pooling Contributions Since 1998



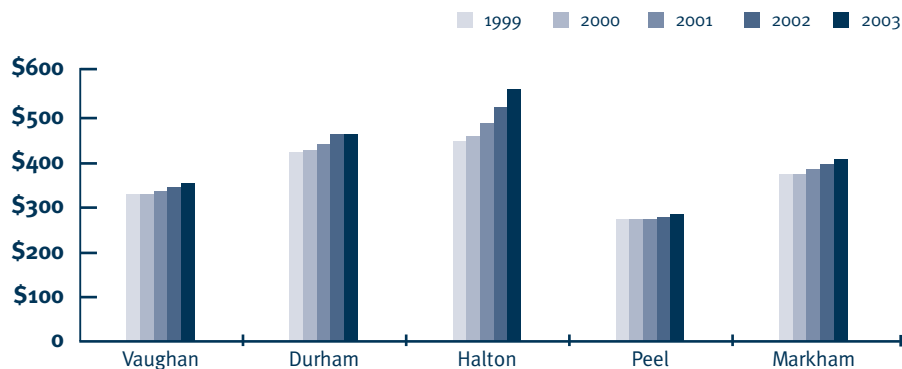
Utility Rate Supported Budget

The Region continues to maintain the lowest combined water and wastewater rates in the Greater Toronto Area (GTA). Operations continue to be debt-free; therefore the rates do not include any debt interest component.

Table 10 presents a five-year view of comparative residential homeowner combined rates.

Table 10

Residential Homeowner Combined Water and Wastewater Utility Rate Bill



The 2003 Utility Rate Supported Current Budget reflects a total expenditure of \$146.9 million - \$71.8 million for the Water Program and \$75.1 million for the Wastewater Program. This reflects an increase of \$11.5 million or 8.4 per cent over 2002. The approved budget has resulted in an average residential and commercial utility rate increase of 2.2 per cent to support the tremendous growth in Peel and the increased service requirements. Effective with bills rendered on or after April 1, 2003, the water and wastewater rates will increase by 3 per cent. Table 11 presents the average impact split.

Table 11

2003 Utility Rate Budget Impact

| Water | Wastewater | Average Impact |
|-------|------------|----------------|
| +3% | +3% | +2.2% |

Table 12 provides the impact of the utility rate increase by user classification. The average 2003 residential water and wastewater user fee is \$285 per household. Peel residents pay significantly less for water and wastewater services combined than for any other utility.

Table 12

Impact of Utility Rate Increase = 2.2%

| | Average Industrial | Average Commercial | Average Small Business | Average Household |
|--------------------------|--------------------|--------------------|------------------------|-------------------|
| 2003 Utility Bill Impact | \$48 | \$64 | \$16 | \$6 |

Table 13 indicates the actual rates by service measurement type.

Table 13

Water Rates

| Meter Measurement Type | Water Rate | Wastewater Rate |
|--|--------------------------------|--------------------------------|
| Meter measure - cubic metres (m ³) | \$4.2008 per 10 m ³ | \$4.9845 per 10 m ³ |
| Meter measure - imperial gallons | \$1.91 per 1,000 gallons | \$2.27 per 1,000 gallons |
| Flat rate (prior to meter installation) | \$6 per month | \$6 per month |

2003 Utility Rate Supported Budget Pressures/Issues

The major pressures/issues related to both the Water and Wastewater programs are as follows:

- **Capital Financing (Internal): + \$4.7 million.** Increased Wastewater Program reserve contributions are required to meet the needs of the capital budget for 2003 and beyond, in particular for projects and initiatives related to the treatment plants and pumping stations, primarily the Lakeview Treatment Plant expansion. Water Program reserve contributions are increased only slightly to meet future needs.
- **Non Program: + \$3.2 million:** Increased Non Program costs are due to a number of factors, mainly an increase in corporate charges allocated to the Water Program.

Water and Wastewater flow revenue increased by \$7.4 million in 2003, reflecting consumption patterns that are consistent with Peel's population growth projections. After applying this increase, as well as an increase in other revenues of \$1.0 million, to the Water and Wastewater total program expenditure increase of \$11.5 million, the net rate impact is \$3.1 million, an average utility rate increase of 2.2 per cent. Table 14 outlines the 2003 Utility Rate Supported Current Budget impact.

Table 14

2003 Utility Rate Supported Current Budget Impact

2.2% Average Utility Rate Increase

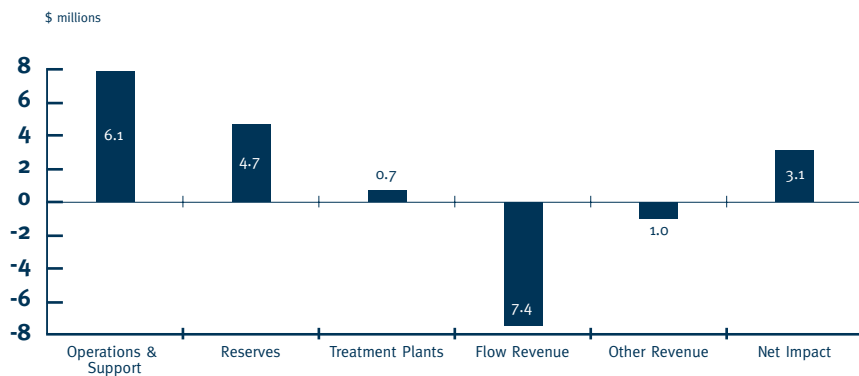
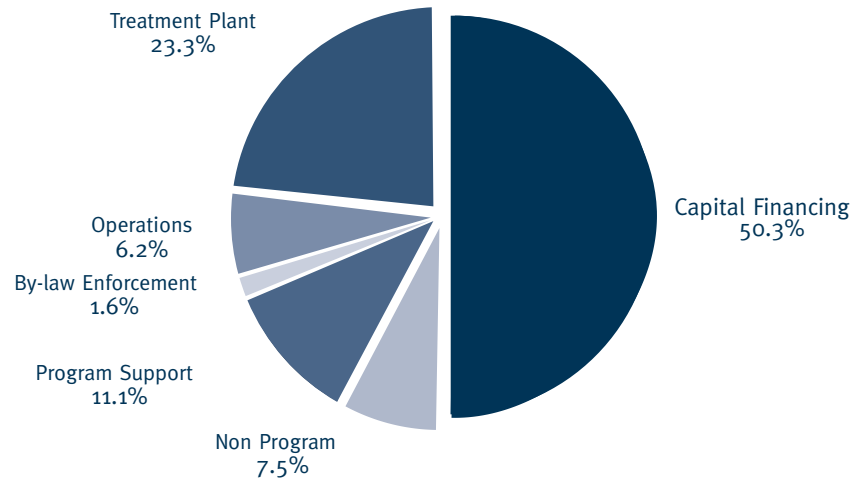


Table 15 indicates the significant components of the \$146.9 million total program costs for the 2003 Water and Wastewater programs:

Table 15

2003 Utility Rate Supported Current Budget

Total Expenditure = \$146.9 million



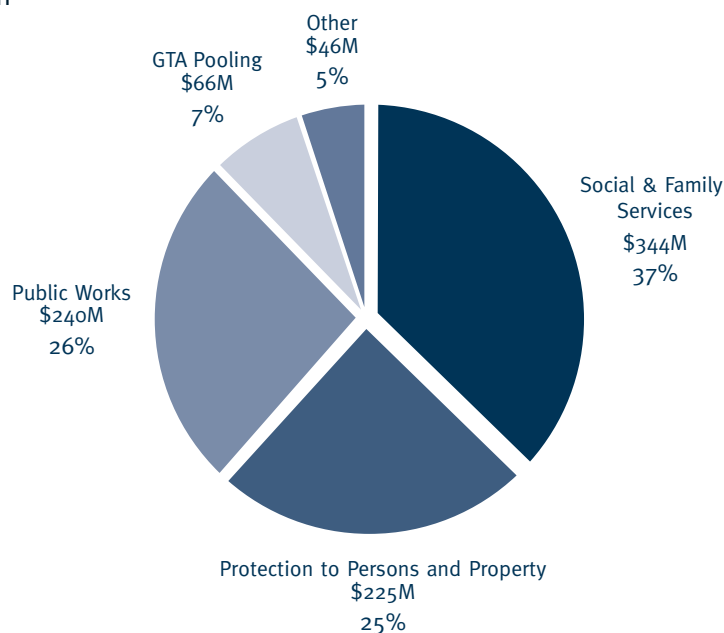
Distribution of Total Program Expenditures

Table 16 presents the Region's **2003 Current Budget** total program expenditures for all Region funded programs of \$921.4 million, which includes both the Property Tax Supported programs (\$774.5 million) and the Utility Rate Supported programs (\$146.9 million). Descriptions of the classifications presented follow the table.

Table 16

2003 Total Operating Expenditures

\$921 million



Protection to Persons and Property includes Peel Regional Police, Ontario Provincial Police, Ambulance and Emergency Programs and Conservation Authorities.

Social and Family Services includes Ontario Works, Long-Term Care, Housing Policy and Program, Public Health, Children's Services and TransHelp.

Public Works includes Roads, Waste Management, Water and Wastewater.

Other includes Regional Planning, Heritage, Non Program, Internal Support Services, Assessment Services and GO Transit.

Greater Toronto Area (GTA) Pooling is the Region's share of costs for the pooling of Ontario Works and Social Housing services in the GTA.

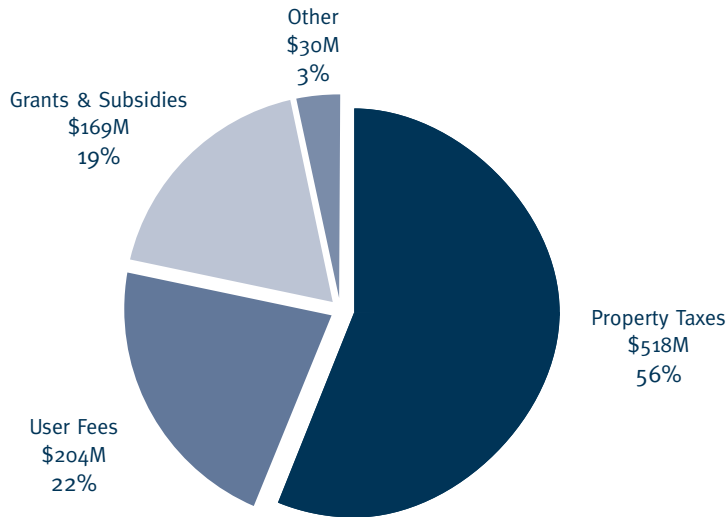
Revenue Trends

The 2003 Total Operating Expenditure for both Property Tax Supported and Utility Rate Supported programs is \$921.4 million. The major funding sources of property taxes, user fees, grants and subsidies required to balance the budget are outlined below in Table 17.

Table 17

2003 Revenue Sources

\$921 million



Property Taxes

The Region obtains the most significant portion of its funding from property taxation. In 2003, \$518.0 million or 56.2 per cent of total Regional funding will be provided by a direct tax levy on the three area municipalities for upper tier purposes. This represents an increase of \$30.9 million over 2002. Fifty-eight per cent of the increase is funded by growth in the property assessment base of 3.7 per cent (\$18.0 million). The remaining 42 per cent (\$12.9 million) is funded by a 2.6 per cent property tax increase. This increase translates into a \$33 annual property tax increase to \$1,318 for an average single-family home assessed at \$259,000.

Although residential, industrial and commercial growth is forecasted to continue over the foreseeable future, even prior to taking into account the economic slowdown,

assessment growth was not expected to be sustainable at levels over 3 per cent. The lag effect of the slowdown on assessment growth may result in yet even lower levels for the 2004 Current Budget.

The Regional Planning department forecasts continued growth of approximately 2 per cent per annum, for the short- to mid-term horizon.

User Fees

One of Council's fundamental financial principles has been to support user pay initiatives wherever practical as a means of maintaining competitive tax/utility rates. In 2003, \$204.4 million or 22.2 per cent of total funding will be provided by the collection of various user fees.

The largest components of the user fee base are the Water and Wastewater programs, which are fully supported by direct charges totaling \$144.4 million for water and wastewater services. Water and wastewater flow revenue reflects consumption patterns that are consistent with Peel's population growth projections, thereby increasing \$7.4 million in 2003. After applying this increase as well as an increase in other revenues of \$1.0 million to the Water and Wastewater total program expenditure increases of \$11.5 million, the net rate impact is \$3.1 million, an average utility residential and commercial utility rate increase of 2.2 per cent. The increase will support the tremendous growth and increased service requirements in Peel. Effective with bills rendered on or after April 1, 2003, the water and wastewater rates will increase by 3 per cent.

In addition to these revenues, a further \$59.6 million is collected by various Regional programs. For example, the Peel Regional Police Airport Division is fully supported by the Greater Toronto Airports Authority (GTAA). Fees are also charged by many of the Region's Social and Family Services programs. These include user fees for homes for the aged, child care centres and the TransHelp transit service, based in large part, on the client's ability to pay in order not to restrict access to services to those most in need.

Grants and Subsidies

In 2003, \$168.7 million or 18.3 per cent of total Regional funding will be provided by provincial and federal grants and subsidies. Approximately \$145.3 million of this amount represents estimated funding from provincial conditional grants. These

grants are tied directly to legislated cost sharing arrangements whereby provincial funding will adjust with approved spending, as follows:

Provincial Conditional Grants

| Regional Program | Program Costs* | Administrative Costs* |
|---|----------------|-----------------------|
| Ontario Works | 80% | 50% |
| Children's Services | 80% | 50% |
| Public Health | | |
| - General Programs | 50% | 50% |
| - Healthy Babies, Health Children Program | 100% | 100% |
| Ambulance and Emergency Programs | | |
| - Ambulance | 50% | 50% |
| Long-Term Care | 43% | 43% |

*subject to budgetary caps and other restrictive conditions

In addition, the province is flowing through funds, within the federal housing transfer to Ontario, to municipalities to be used for housing. The Region's total allocation for 2003 has been set at \$23.5 million. The bulk of this funding is required for subsidy transfers to housing providers and will be determined annually by the province. Municipalities have the authority, within reasonable provincial guidelines, to determine the use of any surplus federal funds; however, the amount of such future surplus cannot be reliably predicted at this time.

Longer-term projections of this revenue source are difficult to make due to uncertainty of the provincial government's mandate direction. While traditionally the province has met its funding obligations, the current practice of the provincial government is to establish further conditions on all grants which may include establishing absolute financial limits and placing restrictions on cost items eligible for subsidy.

Other

Other sources of revenue in the amount of \$30.3 million or 3.3 per cent of the budget include Payments in Lieu of Taxation (PILTS), net investment income, contributions from reserves and supplementary taxation and adjustments.

PILTS represent payments made by governments on those properties that they own or on whose behalf they make tax payments. The 2003 PILTS revenue is \$9.9 million; the majority of the budgeted revenue is associated with receipts from the GTAA.

The 2003 net investment income of \$2.3 million reflects the expectation that the Region will be in a positive working capital position in 2003.

Contributions from reserves and reserve funds provide \$15.8 million of the 2003 Current Budget funding. Supplementary taxes represent the final portion of this “Other” category and are the net impact of supplementary taxes on new properties less any write-offs or refunds which are processed through the year by the area municipality tax offices. These adjustments relate to reductions that result from successful assessment appeals, rebates for business vacancies and Regional tax assistance programs such as rebates to charities and tax deferrals for seniors and persons with disabilities. For the 2003 Current Budget, additional taxes collected are expected to exceed the write-offs/refunds by \$2.3 million.

Tax Levy Apportionment

As an upper-tier municipality, the Region of Peel does not have direct taxing authority and is required to apportion its net operating costs among the three lower-tier municipalities, who in turn issue tax bills to all property owners.

The primary method used to apportion the Region's costs among the three area municipalities is weighted assessment, exclusive of Waste Management and Police Services costs.

Weighted assessment is a product of the taxable assessment, by class, multiplied by the transition ratio of the class for each lower-tier municipality (this will also include any discounts that are offered to some sub-classes of property). This is done in order to reflect the relative differences in the tax burden that will be borne by each class due to the use of the property class transition ratios.

Weighted assessment is used to apportion the upper-tier levy to the lower-tier municipalities as well as to set the tax rates for each property class. The mechanics of calculating tax rates are as follows:

Levy/Weighted Assessment = residential property tax rate (residential class transition ratio is always 1.00)

All other property classes tax rates = residential property tax rate times the transition ratio of the class

The Region's 2003 apportionment process, as outlined in Table 18, can be described as follows:

Police

The Town of Caledon is served by the Ontario Provincial Police (O.P.P.) and all the costs related to servicing that contract are attributed to the Town of Caledon. The Cities of Mississauga and Brampton are served by the Peel Regional Police. Costs for the Peel Regional Police are allocated to the two cities based on their relative share of weighted assessment.

Waste Management

The total cost of waste management is attributed to the area municipalities based on their relative share of tonnage. In the Town of Caledon, a portion of the waste levy is collected through a user fee of \$64 per household.

Other Costs

All other costs are apportioned on the basis of weighted assessment.

2003 Property Tax Apportionment Calculations

Table 18

2003 Property Tax Apportionment Calculations

| | City of Mississauga | City of Brampton | Town of Caledon | Region of Peel |
|--|------------------------|---------------------|--------------------|--------------------|
| Gross General Levy Excluding Pooling, Waste & Police | 146,946,285 | 64,051,019 | 12,745,850 | 223,743,154 |
| GTA Pooling | 43,369,362 | 18,903,859 | 3,761,779 | 66,035,000 |
| Gross General Levy Excluding Waste & Police | 190,315,647 | 82,954,878 | 16,507,629 | 289,778,154 |
| <i>2003 Share of Gross General Levy Excluding Waste & Police</i> | <i>65.67633%</i> | <i>28.62703%</i> | <i>5.69664%</i> | <i>100.00%</i> |
| 2003 Peel Region Policing Net Expenditure | 120,898,332 | 52,697,224 | - | 173,595,556 |
| 2003 OPP Policing of Caledon Net Expenditure | - | - | 6,232,616 | 6,232,616 |
| | 120,898,332 | 52,697,224 | 6,232,616 | 179,828,172 |
| 2003 Waste Management Net Expenditure | 29,914,550 | 15,366,927 | 3,112,197 | 48,393,674 |
| <i>2003 Estimated Share Based on Tonnage</i> | <i>61.8150%</i> | <i>31.7540%</i> | <i>6.4310%</i> | <i>100.00%</i> |
| 2002 Waste Management Adjustments | | | | |
| Adjustment Budget Estimate to Actual Tonnage | 437,700 | (380,318) | (57,382) | - |
| Adjustment Budget Estimate to Actual Expenditure | (2,152,218) | (1,104,889) | (208,232) | (3,465,339) |
| Surplus Management Contribution to Reserve | 1,714,518 | 1,485,207 | 265,614 | 3,465,339 |
| | - | - | - | - |
| Net General Levy | 341,128,529 | 151,019,029 | 25,852,442 | 518,000,000 |
| Raised Through | | | | |
| Area Municipal Tax Rate | 341,128,529 | 151,019,029 | 24,860,186 | 517,007,744 |
| Waste Collection Fees (\$64 x 15,504) | - | - | 992,256 | 992,256 |
| Tax Supported Net Expenditures | 341,128,529 | 151,019,029 | 25,852,442 | 518,000,000 |
| 2003 Average Share | 65.8549% | 29.1543% | 4.9908% | 100.00% |

Current Value Assessment

In 1998, the Province of Ontario introduced a revised assessment valuation system called Current Value Assessment (CVA), which is based on valuing properties at “current” or “market” value. This system was made mandatory across the province and placed properties on a common assessment base year and was more readily understandable to taxpayers. CVA for the 2003 taxation year is based on properties’ market values as of June 30, 2001. The goal of CVA is to update property values on an annual basis and to use a three-year rolling average by 2006. The three-year averaging will help to smooth out anomalies in the assessed value of properties that may arise in any given year.

Properties in different classes are taxed at different tax rates as a result of historical differences in tax burdens that were present prior to the 1998 reforms to the property tax system. Typically, commercial, industrial and multi-residential properties pay higher taxes than residential properties. The different relative tax burdens among property classes are based on the transition ratios set by municipalities. Based on provincial rules, the transition ratio for the residential property class is always set at 1.00 and the managed forest property class is set at 0.25. Therefore, municipalities can only change the transition ratios for the commercial, farmland, industrial, multi-residential and pipeline classes of property. The transition ratios are used by municipalities to apportion the tax levy and to set tax rates for each class of property.

For purposes of apportioning the Regional levy, each municipality’s CVA assessment is weighted by the transition ratios in order to establish a more accurate tax base on which to allocate the levy fairly.

Table 19 presents both the CVA and weighted assessment data by area municipality and by tax class.

Table 19

Current Value Assessment for 2003 Taxation

| TAX CLASSES | Mississauga | Brampton | Caledon | Peel |
|--------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Residential | | | | |
| Fully Taxable | 41,610,750,800 | 19,996,793,679 | 4,919,926,715 | 66,527,471,194 |
| Awaiting Development I | 18,429,000 | 2,524,120 | 42,000 | 20,995,120 |
| Multi-Residential | | | | |
| Fully Taxable | 2,609,746,970 | 894,737,000 | 16,952,920 | 3,521,436,890 |
| Awaiting Development I | 13,366,290 | 4,280,000 | - | 17,646,290 |
| Commercial | | | | |
| Fully Taxable | 11,563,444,099 | 3,636,491,311 | 267,903,225 | 15,467,838,635 |
| Awaiting Development I | 43,233,490 | 1,333,000 | - | 44,566,490 |
| Vacant/Excess Land | 390,911,317 | 123,770,223 | 20,086,190 | 534,767,730 |
| Industrial | | | | |
| Fully Taxable | 3,301,308,895 | 1,667,223,423 | 252,342,745 | 5,220,875,063 |
| Awaiting Development I | 59,183,000 | 13,448,000 | 229,000 | 72,860,000 |
| Vacant/Excess Land | 336,395,049 | 166,576,558 | 27,053,525 | 530,025,132 |
| Farm Land | 12,344,800 | 108,553,470 | 278,180,410 | 399,078,680 |
| Managed Forest | 156,000 | 4,634,515 | 29,250,965 | 34,041,480 |
| Pipeline | 110,470,500 | 71,493,000 | 11,689,000 | 193,652,500 |
| Total | 60,069,740,210 | 26,691,858,299 | 5,823,656,695 | 92,585,255,204 |

Weighted Assessment for 2003 Apportionment

| TAX CLASSES | Transition Ratio | Discount | Mississauga | Brampton | Caledon | Peel |
|--------------------------|------------------|----------|-----------------------|-----------------------|----------------------|------------------------|
| Residential | | | | | | |
| Fully Taxable | 1.0000 | 0% | 41,610,750,799 | 19,996,793,682 | 4,919,926,715 | 66,527,471,196 |
| Awaiting Development I | 1.0000 | 70% | 5,528,700 | 757,236 | 12,600 | 6,298,536 |
| Multi-Residential | | | | | | |
| Fully Taxable | 1.7336 | 0% | 4,524,257,347 | 1,551,116,063 | 29,389,582 | 6,104,762,992 |
| Awaiting Development I | 1.0000 | 70% | 4,009,887 | 1,284,000 | - | 5,293,887 |
| Commercial | | | | | | |
| Fully Taxable | 1.2971 | 0% | 14,998,943,341 | 4,716,892,879 | 347,497,273 | 20,063,333,493 |
| Awaiting Development I | 1.0000 | 70% | 12,970,047 | 399,900 | - | 13,369,947 |
| Vacant/Excess Land | 1.2971 | 30% | 354,935,748 | 112,379,649 | 18,237,658 | 485,553,055 |
| Industrial | | | | | | |
| Fully Taxable | 1.5986 | 0% | 5,277,472,400 | 2,665,223,364 | 403,395,112 | 8,346,090,876 |
| Awaiting Development I | 1.0000 | 70% | 17,754,900 | 4,034,400 | 68,700 | 21,858,000 |
| Vacant/Excess Land | 1.5986 | 30% | 376,432,788 | 186,402,500 | 30,273,436 | 593,108,724 |
| Farm Land | 0.2500 | 0% | 3,086,200 | 27,138,368 | 69,545,103 | 99,769,671 |
| Managed Forest | 0.2500 | 0% | 39,000 | 1,158,629 | 7,312,741 | 8,510,370 |
| Pipeline | 0.9239 | 0% | 102,063,695 | 66,052,383 | 10,799,467 | 178,915,545 |
| Total | | | 67,288,244,852 | 29,329,633,053 | 5,836,458,387 | 102,454,336,292 |
| | | | 65.67633% | 28.62703% | 5.69664% | 100.00000% |

Current Summary Schedules

The following pages include descriptions of expenditure and revenue classifications as well as **2003 Current Budget** summary schedules.

The 2003 Budget Summary by Program (Table 20) and the Total Program Expenditure and Revenue Summary (Table 21) provide comparative data for each of the Region's programs. The Revenue and Expenditure Summary by Account in Table 22 presents the 2003 Current Budget by expense and revenue classifications such as Services and Rents, Grants and Subsidies.

Description of Revenue Classifications

Grants and Subsidies

- subsidies received from various ministries of the provincial government including Community and Social Services, Health and Long-Term Care, Environment and Transportation
- grants received from the federal government.

Fees and Service Charges

- recovery of expenses related to police services provided to the Greater Toronto Airport Authority (GTAA)
- fees collected for providing child care service, maintaining senior citizen homes, meter installation and small sewer connections
- other fees and charges for inspection and engineering services, as well as recoveries from provincial government and other organizations for work done by the Region.

Wastewater and Water Charges

- direct billings for water and wastewater

Investment Income

- interest earned on deposits with banks and other financial institutions

Contributions from Reserves

- contributions from reserves and reserve funds to current operations

Payments in Lieu of Taxation

- payments made by government for their properties that are classed as exempt from realty or business taxes

Supplementary Taxation and Adjustments

- general levy pertaining to taxable assessment added to the tax roll after January 1 of a given tax year
- tax rebates and uncollectible tax write-offs.

General Taxation Levy

- general tax levy collected by the Town of Caledon, the City of Mississauga and the City of Brampton through its tax rolls on behalf of the Region
- net financing required from taxation to support Regional programs, other than Water and Wastewater.

Description of Expenditure Classifications

Services and Rents

- payments to external agencies and organizations for services provided to the Region including policing, child care, water and wastewater
- payments to cover the costs of programs administered by the province including GTA Equalization/Pooling for Social Services and Assessment Services.

Materials and Supplies

- materials and supplies purchased for the operation of Regional programs and facilities
- includes food and beverages for seniors and child care, construction materials, vehicle supplies and utility payments.

Equipment and Furnishings

- includes purchases of furniture, computer hardware, replacement equipment and police weaponry

Internal Charges

- allocation of service charges from source to user departments
- includes finance, police, health, social services, public works, and corporate administration service charges.

Salaries and Wages

- salaries and wages for full-time, part-time and contract staff
- includes overtime, shift and standby premiums, vacation pay, clothing and tool allowances, and the Region's share of employees' benefits.

Reserve Contributions

- contributions to Regional reserves and reserve funds

Debt Charges

- includes interest cost on debenture debt

Grants and Transfer Payments

- payments for social assistance including drug benefits, disability support, housing, employment and general assistance
- transfer payments to conservation authorities.

Internal Recoveries

- recoveries of expenses by the source departments from the internal charge allocation process

Internal Recoveries - Capital

- recoveries of expenses by source departments that were charged to capital projects by the internal allocation process

Table 20

2003 Budget Summary By Program (\$'000)

| | Budget 2003 | | | Budget 2002 | Change from 2002 | | |
|---|-------------------|-----------------|---------------|-----------------|------------------|----------------|--------------|
| | Total Expenditure | Revenues Grants | Other | Net Expenditure | Net Expenditure | \$ | % |
| PROPERTY TAX SUPPORTED | | | | | | | |
| Roads | 27,459 | - | 383 | 27,075 | 25,226 | 1,849 | 7.3 |
| Waste Management | 65,273 | - | 16,880 | 48,394 | 44,482 | 3,912 | 8.8 |
| Regional Planning | 3,194 | - | 81 | 3,113 | 3,125 | (11) | (0.4) |
| TransHelp | 5,880 | - | 559 | 5,321 | 5,163 | 158 | 3.1 |
| Children's Services | 38,706 | 27,524 | 2,302 | 8,880 | 8,310 | 571 | 6.9 |
| Public Health | 37,073 | 21,687 | 1,038 | 14,349 | 12,260 | 2,090 | 17.0 |
| Long-Term Care | 41,597 | 18,411 | 10,243 | 12,943 | 9,800 | 3,143 | 32.1 |
| Housing Policy and Program | 96,378 | 24,709 | 6,446 | 65,223 | 66,823 | (1,600) | (2.4) |
| Heritage | 1,441 | 38 | 383 | 1,019 | 1,058 | (39) | (3.6) |
| Ambulance and Emergency Programs | 24,534 | 8,293 | 350 | 15,891 | 13,332 | 2,559 | 19.2 |
| Non Program/Internal Support | 28,540 | - | 29,442 | (902) | 4,676 | (5,578) | (119.3) |
| Region Directly Controlled Programs | 370,074 | 100,662 | 68,106 | 201,307 | 194,254 | 7,053 | 3.6 |
| Ontario Works | 124,206 | 68,054 | 1,331 | 54,821 | 45,400 | 9,420 | 20.7 |
| Region Controlled Programs | 494,280 | 168,716 | 69,437 | 256,127 | 239,654 | 16,473 | 6.9 |
| Peel Regional Police | 191,810 | - | 18,215 | 173,596 | 156,540 | 17,056 | 10.9 |
| Ontario Provincial Police | 6,385 | - | 152 | 6,233 | 5,897 | 335 | 5.7 |
| | 198,195 | - | 18,367 | 179,828 | 162,437 | 17,391 | 10.7 |
| Conservation Authorities | 2,797 | - | - | 2,797 | 3,751 | (954) | (25.4) |
| Assessment Services | 11,212 | - | - | 11,212 | 10,780 | 432 | 4.0 |
| GO Transit | 2,000 | - | - | 2,000 | 20,942 | (18,942) | (90.4) |
| Region Financed External Organizations | 214,205 | - | 18,367 | 195,838 | 197,911 | (2,073) | (1.0) |
| Greater Toronto Area Pooling | 66,035 | - | - | 66,035 | 66,035 | - | 0.0 |
| Property Tax Supported | 774,520 | 168,716 | 87,804 | 518,000 | 503,600 | 14,400 | 2.9 |
| UTILITY RATE SUPPORTED | | | | | | | |
| Water | 71,833 | - | - | 70,210 | 65,215 | 4,995 | 7.7 |
| Wastewater | 75,128 | - | 1,623 | 74,236 | 67,528 | 6,708 | 9.9 |
| Utility Rate Supported | 146,961 | - | 892 | 144,446 | 132,743 | 11,703 | 8.8 |
| | | | 2,515 | | | | |
| TOTAL REGION | 921,481 | 168,716 | 90,319 | 662,446 | 636,343 | 26,103 | 4.1 |

Note: Schedule may not add due to rounding

Table 21

Total Program Expenditure and Revenue Summary (\$'000)

| | Actual | | Budget | |
|---|----------------|----------------|-------------------|----------------|
| | 2001 | 2002 | 2002 (revised) | 2003 |
| PROGRAM EXPENSES | | | | |
| Roads | 25,912 | 26,312 | 25,554 | 27,459 |
| Waste Management | 51,090 | 58,687 | 62,103 | 65,273 |
| Regional Planning | 3,147 | 3,162 | 3,205 | 3,194 |
| TransHelp | 5,511 | 5,563 | 5,642 | 5,880 |
| Children's Services | 37,038 | 38,002 | 36,348 | 38,706 |
| Public Health | 27,557 | 30,679 | 31,441 | 37,073 |
| Long-Term Care | 29,054 | 31,215 | 30,312 | 41,597 |
| Housing Policy and Program | 76,774 | 86,278 | 98,505 | 96,378 |
| Heritage | 1,318 | 1,404 | 1,464 | 1,441 |
| Ambulance and Emergency Programs | 20,099 | 22,745 | 22,164 | 24,534 |
| Non Program/Internal Support | 37,690 | 33,007 | 27,110 | 28,540 |
| Region Directly Controlled Programs | <u>315,191</u> | <u>337,054</u> | <u>343,848</u> | <u>370,074</u> |
| Ontario Works | 108,948 | 125,155 | 104,782 | 124,206 |
| Region Controlled Programs | <u>424,139</u> | <u>462,209</u> | <u>448,630</u> | <u>494,280</u> |
| Peel Regional Police | 158,751 | 174,894 | 173,269 | 191,810 |
| Ontario Provincial Police | 5,520 | 6,152 | 6,042 | 6,385 |
| | <u>164,271</u> | <u>181,046</u> | <u>179,312</u> | <u>198,195</u> |
| Conservation Authorities | 3,295 | 4,131 | 3,751 | 2,797 |
| Assessment Services | 10,644 | 10,781 | 10,780 | 11,212 |
| GO Transit | 20,411 | 20,454 | 20,942 | 2,000 |
| Greater Toronto Services Board | 498 | - | - | - |
| Region Financed External Organizations | <u>199,119</u> | <u>216,411</u> | <u>214,786</u> | <u>214,205</u> |
| Greater Toronto Area Pooling | 65,994 | 69,712 | 66,035 | 66,035 |
| Property Tax Supported | <u>689,252</u> | <u>748,332</u> | <u>729,451</u> | <u>774,520</u> |
| Water | 82,012 | 70,029 | 67,046 | 71,833 |
| Wastewater | 69,245 | 74,464 | 68,449 | 75,128 |
| Utility Rate Supported | <u>151,256</u> | <u>144,493</u> | <u>135,495</u> | <u>146,961</u> |
| TOTAL REGION | <u>840,508</u> | <u>892,824</u> | <u>864,946</u> | <u>921,481</u> |
| SOURCES OF REVENUE | | | | |
| Grants and Subsidies | 126,671 | 159,992 | 148,563 | 168,716 |
| Greater Toronto Airports Authority | 9,159 | 10,760 | 10,365 | 11,455 |
| Senior Citizens Resident Fees | 7,153 | 7,094 | 6,982 | 9,413 |
| Child Care Fees | 2,228 | 2,307 | 1,950 | 2,269 |
| Connection Charges | 4,382 | 4,152 | 3,607 | 3,589 |
| Waste and Disposal Charges | 4,415 | 3,496 | 4,641 | 3,296 |
| Wastewater and Water Charges | 130,940 | 141,831 | 132,743 | 144,446 |
| Other Fees and Service Charges | 47,942 | 24,512 | 27,670 | 29,903 |
| Net Investment Income | 2,267 | 2,593 | 2,593 | 2,319 |
| Payments in Lieu of Taxation | 9,746 | 8,648 | 8,000 | 9,921 |
| Supplementary Taxation and Adjustments | 8,469 | 5,495 | (497) | 2,389 |
| General Taxation Levy | 476,700 | 503,600 | 503,600 | 518,000 |
| REGION SUB TOTAL | <u>830,071</u> | <u>874,480</u> | <u>850,218</u> | <u>905,716</u> |
| Contributions from Reserves | 10,437 | 18,345 | 14,728 | 15,765 |
| TOTAL REGION | <u>840,508</u> | <u>892,824</u> | <u>864,946</u> | <u>921,481</u> |

Note: Schedule may not add due to rounding



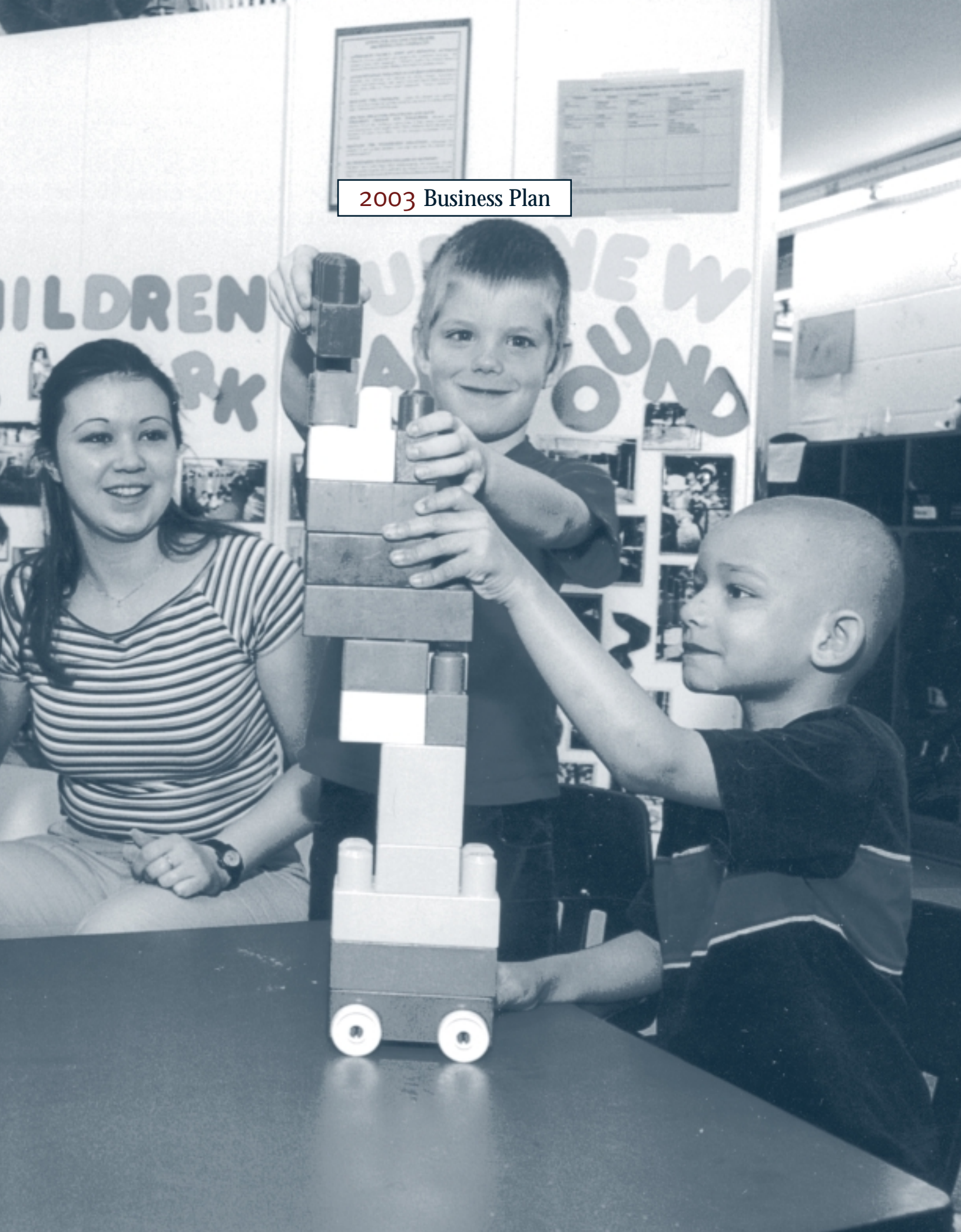
Table 22

Revenue and Expenditure Summary by Account (\$'000)

| | Actual | | Budget | |
|--|------------------|------------------|-------------------|------------------|
| | 2001 | 2002 | 2002 (revised) | 2003 |
| REVENUES | | | | |
| Grants and Subsidies | 126,748 | 159,992 | 148,563 | 168,716 |
| Greater Toronto Airports Authority | 9,159 | 10,760 | 10,365 | 11,455 |
| Senior Citizens Resident Fees | 7,153 | 7,094 | 6,982 | 9,413 |
| Child Care Fees | 2,228 | 2,307 | 1,950 | 2,269 |
| Connection Charges | 4,382 | 4,152 | 3,607 | 3,589 |
| Waste and Disposal Charges | 4,415 | 3,496 | 4,641 | 3,296 |
| Wastewater and Water Charges | 130,940 | 141,831 | 132,743 | 144,446 |
| Other Fees and Service Charges | 47,942 | 24,512 | 27,670 | 29,903 |
| Net Investment Income | 2,267 | 2,593 | 2,593 | 2,319 |
| Payments in Lieu of Taxation | 9,668 | 8,648 | 8,000 | 9,921 |
| Supplementary Taxation and Adjustments | 8,469 | 5,495 | (497) | 2,389 |
| General Taxation Levy | 476,700 | 503,600 | 503,600 | 518,000 |
| Total Revenue | <u>830,071</u> | <u>874,480</u> | <u>850,218</u> | <u>905,716</u> |
| EXPENSES | | | | |
| Services and Rents | 237,904 | 263,354 | 259,773 | 258,232 |
| Materials and Supplies | 19,472 | 25,690 | 24,471 | 26,677 |
| Equipment and Furnishings | 3,019 | 3,245 | 2,242 | 2,543 |
| Salaries and Wages | 252,921 | 278,172 | 278,086 | 323,834 |
| Debt Charges | 276 | 216 | 217 | 577 |
| Grants and Transfer Payments | 157,427 | 178,512 | 182,314 | 191,996 |
| Internal Recoveries - Capital | (12,024) | (15,790) | (16,050) | (16,470) |
| Total Expenses | <u>658,996</u> | <u>733,400</u> | <u>731,054</u> | <u>787,388</u> |
| Net Revenue | <u>171,075</u> | <u>141,080</u> | <u>119,165</u> | <u>118,328</u> |
| Contributions to Reserves | (181,512) | (159,425) | (133,892) | (134,093) |
| Contributions from Reserves | 10,437 | 18,345 | 14,728 | 15,765 |
| Net Contributions to Reserves | <u>(171,075)</u> | <u>(141,080)</u> | <u>(119,165)</u> | <u>(118,328)</u> |
| CHANGE IN CURRENT FUND BALANCE | - | - | - | - |
| Opening Current Fund Balance | - | - | - | - |
| CLOSING CURRENT FUND BALANCE | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Note: Schedule may not add due to rounding

2003 Business Plan





2003 Capital Budget and 2004 - 2012 Capital Forecast

2003 Capital Budget Highlights

The 2003 Capital Budget is \$724.3 million, of which \$451.0 million (62.3 per cent) is utility rate supported and \$273.3 million (37.7 per cent) is property tax supported.

This year's Capital Budget reflects the implementation of Council's strategic directions and includes:

- Implementation of the approved 1999 Development Charge Capital Plan to meet **Regional Official Plan** growth requests:

| | |
|------------|-----------------|
| Roads | \$55.9 million |
| Water | \$51.3 million |
| Wastewater | \$152.9 million |

- Peel's contribution to the GO Transit Growth/Enhancement Capital Plan is \$4.8 million. GO Transit capital expenditures are shared between Peel and its GTA partners.

Many of the capital initiatives will be implemented over a two to three year period; however, the contractual awards will be made in 2003. Total cash flow expenditures are forecasted to be in the \$400.0 million range (refer to Continuity Schedule of Reserves and Reserve Funds - Table 32).

The 2003 Capital Budget financing needs are funded from reserves (52.5 per cent), development charges (36.7 per cent), and other external sources (10.8 per cent). The 2003 Sources of Financing by Program details, found in Table 29, provides comparative data for each of the Region’s programs.

Within the 2003 Capital Budget, reserves account for a greater portion of the property tax supported funding (73.0 per cent) than they do of the utility rate supported funding (40.1 per cent). Conversely, development charges account for a greater portion of the utility rate supported funding (45.3 per cent) than they do of the property tax supported funding (22.7 per cent).

The 2003 Capital Expenditures and Financing are summarized in Table 23, and shown pictorially in Table 24 – Total 2003 Capital Budget, Table 25 – Property Tax Supported Programs, and Table 26 - Utility Rate Supported Programs respectively.

Table 23

2003 Capital Expenditures and Financing Summary

| | Total (Table 24) | | Property Tax Supported (Table 25) | | Utility Rate Supported (Table 26) | |
|---------------------|---------------------|-------------|--------------------------------------|-------------|--------------------------------------|-------------|
| | (\$'000) | % | (\$'000) | % | (\$'000) | % |
| Expenditures | | | | | | |
| Roads | 87,627 | 12% | 87,627 | 32% | | |
| Waste Management | 76,075 | 11% | 76,075 | 28% | | |
| Police | 22,150 | 3% | 22,150 | 8% | | |
| Other | 30,972 | 4% | 30,972 | 11% | | |
| Internal Support | 56,503 | 8% | 56,503 | 21% | | |
| Water | 133,381 | 18% | | | 133,381 | 30% |
| Wastewater | 317,620 | 44% | | | 317,620 | 70% |
| Total | <u>724,328</u> | <u>100%</u> | <u>273,327</u> | <u>100%</u> | <u>451,001</u> | <u>100%</u> |
| Financing | | | | | | |
| Development Charges | 266,098 | 37% | 61,953 | 23% | 204,145 | 45% |
| External | 77,817 | 11% | 11,854 | 4% | 65,963 | 15% |
| Reserves | 380,413 | 53% | 199,520 | 73% | 180,893 | 40% |
| Total | <u>724,328</u> | <u>100%</u> | <u>273,327</u> | <u>100%</u> | <u>451,001</u> | <u>100%</u> |

Note: Schedule may not add due to rounding

Table 24

2003 Capital Budget

Total 2003 Capital Budget \$724.3 million

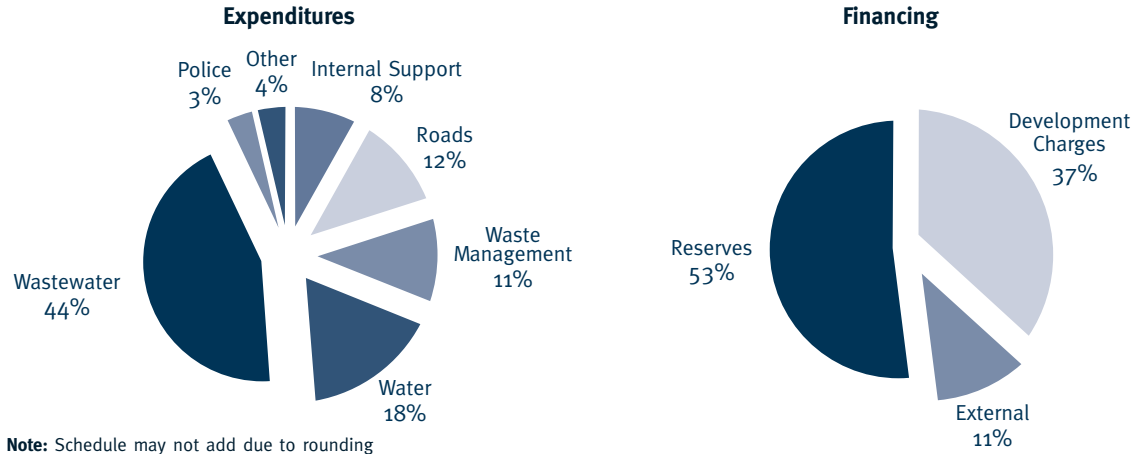


Table 25

2003 Capital Budget

Property Tax Supported Programs \$273.3 million

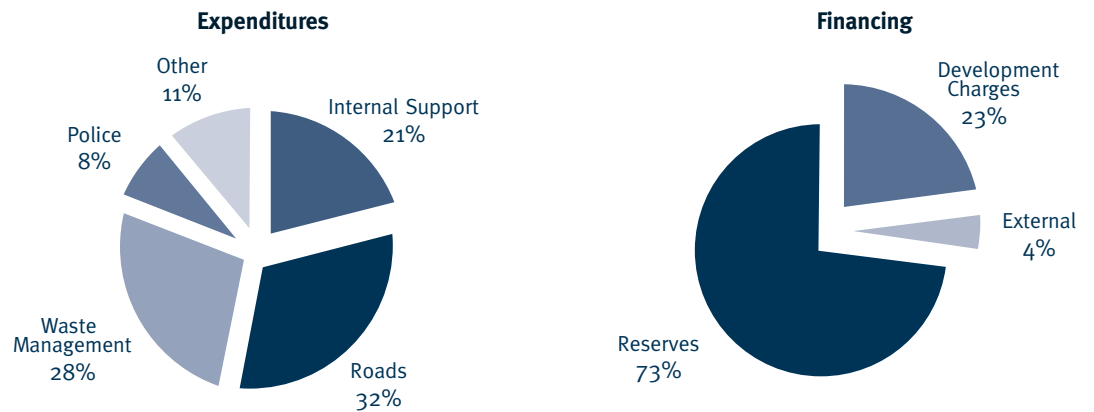
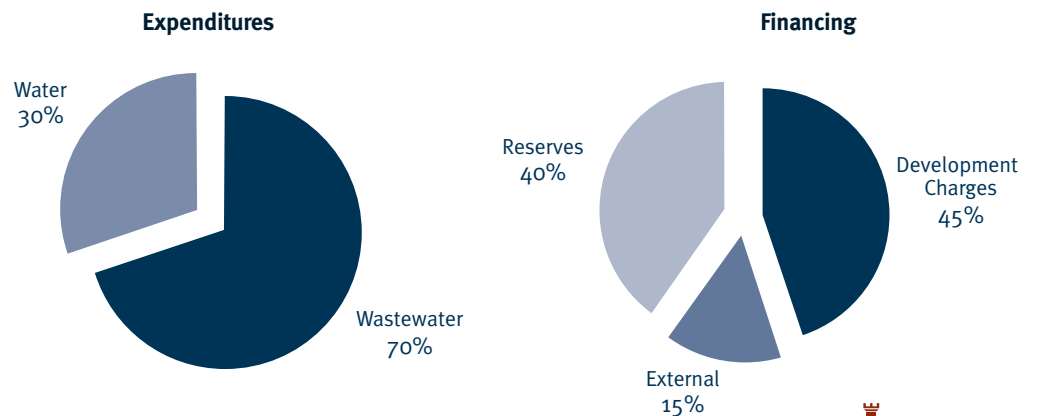


Table 26

2003 Capital Budget

Utility Rate Supported Programs \$451.0 million



Ten Year Capital Plan Highlights 2003-2012

In order to fully assess the sustainability of its business programs, a capital budget is not only developed for the coming year, but also a further nine-year forecast is developed to identify and plan for future expected fiscal pressures.

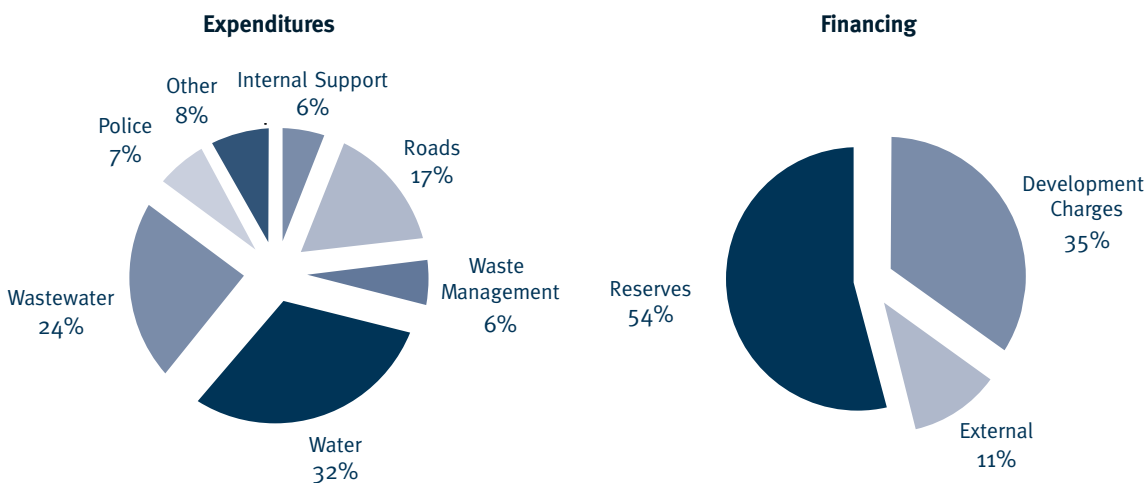
The Ten-Year Capital Plan for the period ending 2012 reflects an estimated spending program of \$2.3 billion. Of the total plan, \$1.3 billion, or 55.8 per cent, relates to the costs required to support the Water and Wastewater components of our service responsibilities. The balance of \$1.0 billion represents the spending estimate for the broad range of tax supported programs including Roads, Police, Waste Management, and Long-Term Care. Table 27 represents the total expenditures and financing by program.

The Capital Plan is funded from tax and rate (non-growth related) reserves (54.3 per cent) and development charges (34.9 per cent). The balance of the funding is from external sources (10.8 per cent). The majority of funding from external sources is from bordering regional governments for boundary road works and the York/Peel water and wastewater servicing initiative. The 2003-2012 Sources of Financing by Program, Table 30, provides comparative data for each of the Region’s programs.

Table 27

2003 - 2012 Capital Plan

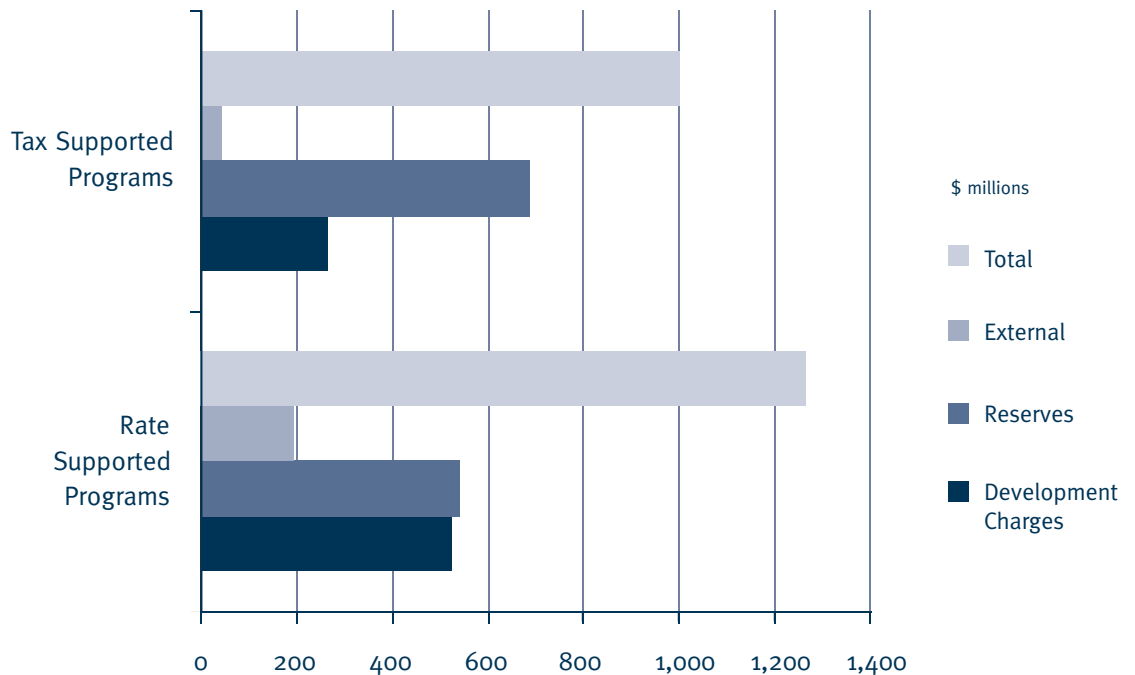
Total Expenditures and Financing \$2.3 billion



The reserves account for a greater portion of the property tax supported funding (68.7 per cent) than they do of the utility rate supported funding (43.0 per cent). Conversely, while development charges fund growth related expenditures and account for 34.9 per cent of the total funding requirement, they account for a greater portion of the utility rate supported funding (41.4 per cent) than they do of the property tax supported funding (26.7 per cent). Therefore, it is essential to maintain sufficient reserves to sustain the Corporation’s multi-billion dollar investment in public infrastructure to meet the planned growth as per the **Regional Official Plan** (ROP) while maintaining the existing infrastructure. Table 28 outlines these financing comparisons.

Table 28

2003 – 2012 Capital Financing



Impact of 2003 Capital Budget on the Current Budget

A disciplined approach to “Pay as You Go” capital budgeting principles enables the Region to finance capital plans via its growth and non-growth reserves, delivering efficient and effective programs while maintaining a debt-free position.

Capital projects are approved by Council and are financed on a “just-in-time” basis, which allocates funds from reserves and reserve funds to the capital projects as expenditures are incurred. This financing method yields higher annual investment income for the reserves and reserve funds and has resulted in a base contribution to reserve of \$158.4 million (\$248.3 million net of development charge contributions of \$88.9 million) in 2002 (refer to Table 32 for the Continuity Schedule of Reserves and Reserve Funds).

To assess the sustainability of the Region’s programs, not only is a capital budget developed for the coming year, but also a nine-year forecast is developed to identify future potential fiscal pressures. It is evident from the Ten-Year Capital Plan that the 2003 Capital Budget has an impact on the Current Budget in a number of programs.

The following is a synopsis of the 2003 Capital Budget impact on the Current Budget:

Ambulance and Emergency Services - The capital program includes new ambulances and related medical equipment within the next 10 years. Each of these ambulances will be staffed in order to meet the growth demands.

Housing Policy and Program - The capital program calls for the construction and operation of three housing projects, with approximately 125 housing units. It is proposed that projects will be established in a manner that will make them self-funding through direct project revenue and provincial subsidies, and reallocation of subsidies within the existing program envelope.

Property Services - The capital program includes the construction of a joint use administration and police division facility for future consolidation of existing lease spaces into a central Regional facility.

Public Health - The capital program includes funds for construction and/or leasehold improvements for new Public Health clinics that will house expanded health-related services. Operating costs for additional space are included in the 2003 Operating Budget for Public Health.

Roads - The capital program incorporates the widening of several regional roads (impacting the reserve contribution), traffic signalization, and winter and roadside maintenance in the 2003 current budget.

TransHelp - The capital program includes plans to add two new buses to the fleet annually, to accommodate service level growth. This will result in additional operating costs.

Wastewater - The capital program incorporates expansions and upgrades to two treatment facilities, Lakeview and Clarkson, to provide additional capacity. These works will impact the current budget upon completion of the projects. To finance this commitment in a sustainable manner, the wastewater rates have been increased by 3.0 per cent.

Water - The capital program incorporates expansions and upgrades to the Lakeview Treatment Plant in order to provide additional capacity. These works will impact the current budget upon completion of the projects. In addition, an enhanced degree of support to Regional and Conservation Authority capital projects focused on water quality and conservation require the Region to increase reserve contributions for these initiatives. To finance these commitments in a sustainable manner, the water rates have been increased by 3.0 per cent.

2003 Sources of Financing by Program

Table 29

2003 Sources of Financing by Program

| | Development Charges (\$'000) | Reserves (\$'000) | External (\$'000) | TOTAL FINANCING (\$'000) | %Total Program |
|---|------------------------------------|----------------------|----------------------|--------------------------------|-------------------|
| PROPERTY TAX SUPPORTED | | | | | |
| Roads | 55,918 | 27,312 | 4,397 | 87,627 | 12.10% |
| Waste Management | - | 76,075 | - | 76,075 | 10.50% |
| Regional Planning | 493 | 225 | - | 718 | 0.10% |
| TransHelp | 57 | 385 | 120 | 562 | 0.08% |
| Children's Services | - | 1,391 | - | 1,391 | 0.19% |
| Public Health | 1,100 | 500 | - | 1,600 | 0.22% |
| Long-Term Care | - | 1,200 | - | 1,200 | 0.17% |
| Housing Policy and Program | - | 9,710 | 6,473 | 16,183 | 2.23% |
| Heritage | - | 571 | - | 571 | 0.08% |
| Ambulance & Emergency Programs | 1,720 | 1,149 | - | 2,869 | 0.40% |
| Region Directly Controlled Programs | 59,288 | 118,518 | 10,990 | 188,796 | 26.06% |
| Peel Regional Police | 707 | 20,173 | 864 | 21,744 | 3.00% |
| Ontario Provincial Police | 38 | 368 | - | 406 | 0.06% |
| Conservation Authorities | - | 1,078 | - | 1,078 | 0.15% |
| GO Transit | 1,920 | 2,880 | - | 4,800 | 0.66% |
| Region Financed External Organizations | 2,665 | 24,499 | 864 | 28,028 | 3.87% |
| Property Tax Supported | 61,953 | 143,017 | 11,854 | 216,824 | 29.93% |
| UTILITY RATE SUPPORTED | | | | | |
| Water | 51,274 | 57,221 | 24,886 | 133,381 | 18.41% |
| Wastewater | 152,871 | 123,672 | 41,077 | 317,620 | 43.85% |
| Utility Rate Supported | 204,145 | 180,893 | 65,963 | 451,001 | 62.26% |
| INTERNAL SUPPORT SERVICES | | | | | |
| Internal Support Public Works | - | 4,206 | - | 4,206 | 0.58% |
| Internal Support Property Services | - | 43,644 | - | 43,644 | 6.03% |
| Executive & Council | - | 1,100 | - | 1,100 | 0.15% |
| Corporate Services | - | 208 | - | 208 | 0.03% |
| Corporate Finance | - | 875 | - | 875 | 0.12% |
| Payroll, Purchasing, Accounting & Systems | - | 2,070 | - | 2,070 | 0.29% |
| Meter and Revenue Services | - | 250 | - | 250 | 0.03% |
| Information Technology Services | - | 4,150 | - | 4,150 | 0.57% |
| Internal Support Services | - | 56,503 | - | 56,503 | 7.80% |
| TOTAL REGION | 266,098 | 380,413 | 77,817 | 724,328 | 100.00% |
| % Total Funding | 36.74% | 52.52% | 10.74% | 100.00% | |

2003 - 2012 Sources of Financing by Program

Table 30

2003 - 2012 Sources of Financing by Program

| | Development Charges (\$'000) | Reserves (\$'000) | External (\$'000) | TOTAL FINANCING (\$'000) | %Total Program |
|---|------------------------------------|----------------------|----------------------|--------------------------------|-------------------|
| PROPERTY TAX SUPPORTED | | | | | |
| Roads | 220,558 | 132,863 | 28,863 | 382,284 | 16.82% |
| Waste Management | - | 147,163 | - | 147,163 | 6.47% |
| Regional Planning | 4,149 | 2,714 | 60 | 6,923 | 0.30% |
| TransHelp | 390 | 3,843 | 960 | 5,193 | 0.23% |
| Children's Services | - | 5,348 | - | 5,348 | 0.24% |
| Public Health | 5,600 | 1,450 | - | 7,050 | 0.31% |
| Long-Term Care | - | 35,244 | - | 35,244 | 1.55% |
| Housing Policy and Program | - | 11,285 | 6,473 | 17,758 | 0.78% |
| Heritage | - | 1,582 | - | 1,582 | 0.07% |
| Ambulance & Emergency Programs | 4,130 | 13,159 | - | 17,289 | 0.76% |
| Region Directly Controlled Programs | 234,827 | 354,651 | 36,356 | 625,834 | 27.53% |
| Peel Regional Police | 8,018 | 143,829 | 10,078 | 161,925 | 7.12% |
| Ontario Provincial Police | 934 | 5,588 | - | 6,522 | 0.29% |
| Conservation Authorities | - | 4,801 | - | 4,801 | 0.21% |
| GO Transit | 24,160 | 36,240 | - | 60,400 | 2.66% |
| Region Financed External Organizations | 33,112 | 190,458 | 10,078 | 233,648 | 10.28% |
| Property Tax Supported | 267,939 | 545,109 | 46,434 | 859,482 | 37.81% |
| UTILITY RATE SUPPORTED | | | | | |
| Water | 244,005 | 330,522 | 145,030 | 719,557 | 31.66% |
| Wastewater | 281,299 | 214,553 | 52,922 | 548,774 | 24.14% |
| Utility Rate Supported | 525,304 | 545,075 | 197,952 | 1,268,331 | 55.80% |
| INTERNAL SUPPORT SERVICES | | | | | |
| Internal Support Public Works | - | 26,537 | - | 26,537 | 1.17% |
| Internal Support Property Services | - | 47,435 | - | 47,435 | 2.09% |
| Executive & Council | - | 8,250 | - | 8,250 | 0.36% |
| Corporate Services | - | 1,049 | - | 1,049 | 0.05% |
| Corporate Finance | - | 4,350 | - | 4,350 | 0.19% |
| Payroll, Purchasing, Accounting & Systems | - | 12,940 | - | 12,940 | 0.57% |
| Meter and Revenue Services | - | 2,100 | - | 2,100 | 0.09% |
| Information Technology Services | - | 42,500 | - | 42,500 | 1.87% |
| Internal Support Services | - | 145,161 | - | 145,161 | 6.39% |
| TOTAL REGION | 793,243 | 1,235,345 | 244,386 | 2,272,974 | 100.00% |
| % Total Funding | 34.90% | 54.35% | 10.75% | 100.00% | |

2003 Business Plan





Reserves and Reserve Funds

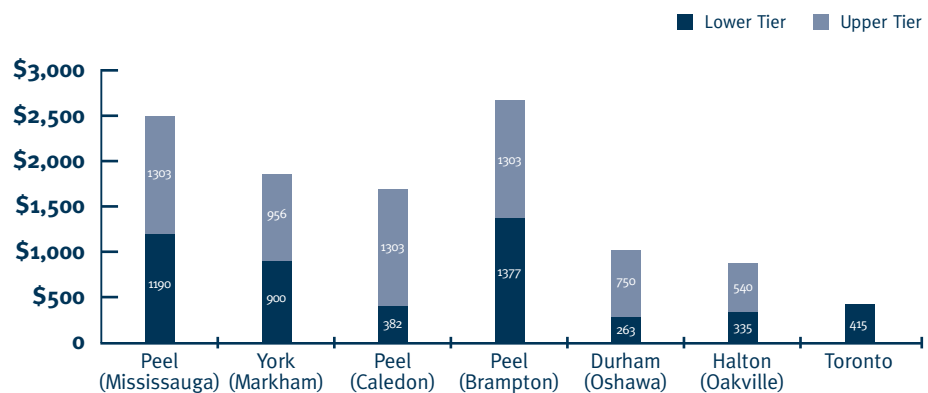
Peel continues to experience the benefits of sound fiscal management, which Council has put in place based on sustainability as the cornerstone of long-term financial planning. Reserves and Reserve Funds are financial management tools used to maintain the financial position of the Region and meet long-term objectives. Peel's evolution to a fully funded annual capital plan from current reserve strategy is a major tool in delivering efficient and effective programs while remaining debt-free.

Peel has the highest level of reserves and reserve funds for upper-tier municipalities per capita in the GTA, as outlined in Table 31 below.

Table 31

Reserves and Reserve Funds Per Capita

December 31, 2001



Peel's positive position, which provides stronger program funding as opposed to debt charge funding, better equips the Region to accommodate future growth and maintain low tax rates.

The Region of Peel reserves are segregated into two categories, Reserves and Reserve Funds. Within each category, reserves are broken down by program and type. Both categories earn investment income on their balances.

A Reserve, which is unrestricted, is an appropriation from net revenue at the discretion of Council, after the provision for all known expenditures. It has no reference to specific assets and does not require the physical segregation of money or assets, as is the case with Reserve Funds. The primary source of revenue for reserves is transfers from current operations. Reserves are generally used to either mitigate the impact of operating cost and revenue fluctuations or to accumulate funds for future or contingent liabilities. Major expenditures are for transfers to both current and capital operations. The 2003 budget reflects a \$131.2 million transfer to reserves representing a 2.0 per cent decrease from the 2002 budget. The Continuity Schedule of Reserves and Reserve Funds (Table 32) is a summary of projected year-end balances based on assumptions and recommendations reflected in this document. Table 33 reflects reserve and reserve fund balances by program at year end 2002.

Reserve Funds differ from Reserves in that reserve fund assets are segregated and restricted to meet the purpose of the reserve fund as defined in the *Municipal Act*. Peel's Reserve Funds are limited to those designated in financing growth-related capital projects as governed by the *Development Charges By-law* which is in accordance with the *Development Charges Act (1997)*. The intent of this by-law is to ensure developers within the Region of Peel finance growth-related capital costs. Capital costs eligible for Development Charge funding are growth-related capital requirements for Water, Wastewater, Roads, Police, Long-Term Care, TransHelp, Health and Ambulance operations. Projected 2003 growth-related expenditures are \$110.0 million, which will be funded from Development Charge Reserve Funds (refer to Table 32).

Peel's Ten-Year Capital Plan is financed exclusively from a combination of reserves, reserve funds and recoveries, with a minor projected debt component. It is expected that this debt component will be funded internally and will allow the Region to sustain its extensive public infrastructure. While significant reserve balances are available in both the Waste Management and Utility programs, Council has approved long-term infrastructure plans that partially commit these reserves.

Description of Major Types of Reserves and Reserve Funds

The following describes the major types of Reserves and Reserve Funds.

Major Types of Reserves:

Capital Construction

This major type of reserve is used for:

- funding new non growth-related capital projects that are not eligible for support from development charges
- minimizing year-over-year fluctuations.

Examples of reserves included in this major type are Capital Construction Reserves and Capital Financing Reserves.

Stabilization

This major type of reserve is used for:

- receiving surpluses and funding deficits arising from utility rate operations in order to minimize annual fluctuations in the utility rates
- providing self-insurance for vehicles, liability and facilities and receiving surpluses and funding deficits from claims and expenditures related to employee medical liabilities
- providing self-insurance for costs on claims related to on-the-job employee injuries
- funding new non growth-related capital projects that are not eligible for support from development charges and minimizing year-over-year fluctuations
- stabilizing the cost of policing the Town of Caledon by the Ontario Provincial Police (O.P.P.).

Examples of reserves included in this major type are Rate Stabilization Reserves, Insurance Stabilization Reserves, and Workers Compensation Reserves.

Vehicle and Equipment Replacement

This major type of reserve is used for:

- funding replacement of Region vehicles and equipment
- funding replacement of Regional police vehicles
- funding replacement of Regional Police operational and office equipment
- funding planned major building equipment repairs, maintenance, and replacement
- funding replacement of furniture.

Examples of reserves included in this major type are Vehicle and Equipment Replacement Reserves and Building Equipment and Furniture Replacement Reserves, Police Vehicle Replacement Reserves, and Police Operations and Office Equipment Reserves.

Building Replacement Reserve

This major type of reserve is used for:

- funding planned building repairs and maintenance of Region buildings.

Major Types of Reserve Funds:

Development Charges

This major type of reserve fund is used for:

- receiving residential and non-residential development charges which are used for funding growth-related capital projects for Regional Roads, Wastewater, Water, Police, Health, Long-Term Care, TransHelp, Health and Ambulance operations identified in the 1999 growth-related capital works forecast as per the *Development Charges By-law* (1999). The rates are indexed to the Construction Price Index published by Statistics Canada.

Continuity Schedule of Reserves and Reserve Funds (\$'000)

Table 32

Continuity Schedule of Reserves and Reserve Funds (\$'000) Projection to December 31, 2003

| | Reserves | | | | | Total |
|---|----------------------|---------------|-----------------------------------|----------------------|---------------------------------------|------------|
| | Capital Construction | Stabilization | Vehicle and Equipment Replacement | Building Replacement | Development Charges Reserve Funds (*) | |
| Balance January 1, 2002 | 694,499 | 247,217 | 70,729 | 93,015 | 183,597 | 1,289,057 |
| Contributions ** | 95,127 | 37,659 | 18,753 | 7,366 | 88,891 | 247,796 |
| Interest | 40,607 | 15,443 | 6,913 | 5,955 | 11,950 | 80,868 |
| Transfers and Other | (62,439) | (13,728) | 50,388 | 12,659 | (967) | (14,087) |
| Expenditures | (86,252) | (10,426) | (21,039) | (18,464) | (89,433) | (225,614) |
| Balance December 31, 2002 | 681,542 | 276,165 | 125,744 | 100,531 | 194,038 | 1,378,020 |
| 2003 Estimated Contribution | 93,549 | 14,942 | 17,995 | 4,706 | 90,000 | 221,192 |
| 2003 Estimated Interest | 34,904 | 12,465 | 5,351 | 5,056 | 8,500 | 66,276 |
| 2003 Estimated Expenditures - Capital and Current | (165,000) | (50,000) | (50,000) | (25,000) | (110,000) | (400,000) |
| Projected Balance Dec. 31, 2003 *** | 644,995 | 253,572 | 99,090 | 85,293 | 182,538 | 1,265,488 |

* The CICA Public Sector Accounting Board requires that Development Charges, previously reported as "Reserves and Reserve Funds", be reported as "Deferred Revenue - Development Charges" on the Region's statutory financial statements.

** Includes contributions from both Current and Capital operations, as opposed to the information presented in the Revenue and Expenditure Summary (Table 22), which only reflects contributions from Current operations.

*** Cash balance

Note: Schedule may not add due to rounding

Reserve and Reserve Fund Balances by Program (\$'000)

Table 33

Region of Peel Reserve and Reserve Fund Balances by Program(\$'000) as at December 31, 2002

| Program | Reserves | | | | | Total | Committed Balance | Balance Available |
|--------------------------------|----------------|----------------|-----------------------|----------------|-----------------------|------------------|-------------------|-------------------|
| | Capital | | Vehicle and | Building | Development | | | |
| | Construction | Stabilization | Equipment Replacement | Replacement | Charges Reserve Funds | | | |
| Roads | 64,347 | 2,328 | 6,296 | 1,450 | 64,318 | 138,739 | (102,509) | 36,230 |
| Waste Management | 209,244 | 27,710 | 279 | 35,465 | - | 272,698 | (33,338) | 239,360 |
| Regional Planning | - | 1,843 | - | - | (288) | 1,555 | (1,167) | 388 |
| Long-Term Care | - | 3,466 | 2,795 | 33,528 | 3,721 | 36,068 | (30,603) | 5,465 |
| TransHelp | - | - | 1,088 | 430 | 189 | 1,707 | (91) | 1,616 |
| Children's Services | - | - | - | 2,650 | - | 2,650 | (422) | 2,228 |
| Public Health | - | 2,108 | 131 | - | 1,814 | 4,053 | - | 4,053 |
| Housing Policy & Program | - | 29,402 | - | 11,238 | - | 40,640 | - | 40,640 |
| Heritage | - | 119 | - | 895 | - | 1,014 | (150) | 864 |
| Ambulance & Emergency Programs | - | 2,498 | 868 | - | 355 | 3,721 | (441) | 3,280 |
| Peel Regional Police | - | 9,733 | 76,997 | - | 2,273 | 89,003 | (54,577) | 34,426 |
| O.P.P. | - | 2,648 | - | - | 462 | 3,110 | (401) | 2,709 |
| Ontario Works | - | 33,863 | - | - | - | 33,863 | - | 33,863 |
| Conservation | 5,101 | - | - | - | - | 5,101 | - | 5,101 |
| GO Transit | 29,582 | - | - | - | 4,078 | 33,660 | (3,388) | 30,272 |
| Hospitals | 67,392 | - | - | - | - | 67,392 | (63,245) | 4,147 |
| Water | 82,168 | 31,994 | 16,384 | 10,050 | 18,848 | 159,444 | (140,028) | 19,416 |
| Wastewater | 204,403 | 14,261 | - | 155 | 105,710 | 324,529 | (104,390) | 220,139 |
| Internal Support Services | 19,305 | 114,191 | 20,906 | 4,671 | - | 159,073 | (25,805) | 133,268 |
| Total | 681,542 | 276,164 | 125,744 | 100,532 | 194,038 | 1,378,020 | (560,555) | 817,465 |



Long-Term Debt

Under the terms of The *Regional Municipality of Peel Act*, Council has approved the issuance of debentures to finance its own capital expenditures and those of the area municipalities within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The annual debt repayment limit is defined as 25 per cent of net revenues less net debt charges and contractual commitments. In 2002, the Region's debt repayment limit increased by \$25.2 million to \$157.9 million primarily due to the exclusion of a provision for Social Housing. Based on existing debt commitments of \$3.7 million, the Region was positioned to increase debt charges by \$154.2 million during 2002.

The *Municipal Act*, as amended, permits Regional governments to issue debentures on behalf of local school boards. The Peel District School Board and the Dufferin-Peel Catholic District School Board provide education in the Region.

Long-term liabilities are reported net of that portion assumed by and recoverable from other governments and school boards as the responsibility for raising the funds required to service these liabilities lies with those respective governments and school boards.

The Region's shares of its own sinking funds are deducted to arrive at net long-term liabilities as they represent funds accumulated to retire those liabilities. The Region has maintained a zero net long-term debt position since 1996. The Region's share of the surplus in the Region's sinking fund amounted to \$0.8 million at December 31, 2002.

A schedule of long-term liabilities is set forth below:

| | (\$ '000) | | | | |
|---|-----------|---------|---------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| Long-term debt incurred by the Region | 262,476 | 235,701 | 225,996 | 94,488 | 46,205 |
| Less: Long-term debt incurred by the Region and assumed by: | | | | | |
| -Area municipalities | 77,862 | 78,447 | 76,518 | 40,302 | 27,558 |
| -School boards | 180,148 | 153,702 | 145,982 | 51,470 | 17,237 |
| | 258,010 | 232,149 | 232,149 | 91,772 | 44,795 |
| Gross long-term liabilities | 4,466 | 3,552 | 3,496 | 2,716 | 1,410 |
| Less: Region's share of sinking funds net of surplus on debt cancellation | 4,466 | 3,552 | 3,496 | 2,716 | 1,410 |
| Net long-term liabilities | - | - | - | - | - |

In the year 2003, the Region plans to maintain its “Pay as You Go” philosophy and will therefore not use debt as a source to finance capital operations. Council’s commitment to eliminate, and remain free of debt, has significantly improved the fiscal flexibility of both the Regional and area municipal operations and has contributed to our ability to deliver quality services combined with competitive tax and utility rates. Table 34 compares Peel’s lower-tier municipality debt per capita with its GTA partners.

Table 34

Long-Term Debt per Capita

December 31, 2001

