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*Distinguished
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**Regional Municipality of Peel
Ontario**

For the Fiscal Year Beginning

January 1, 2003

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **Regional Municipality of Peel, Ontario** for its annual budget for the fiscal year beginning **January 1, 2003**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our present budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.

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- Public Health
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- Housing
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Acronym List and Glossary

For a very high level review of the entire 2004 budget, please refer to the **Budget in Brief** section of the *2004 Executive Summary* document.

For an in-depth introduction to the Region, including the introduction, corporate overview, background information, corporate priorities and the service strategy business plan process, please refer to the *2004 Executive Summary* document.

For a current budget discussion of both the property tax and utility rate supported budgets along with program service strategy business plan details, please refer to the *2004 Service Strategy Business Plan and Current Budget* document.

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Introduction and Highlights

Introduction

The Region of Peel's *2004 Business Plan* is comprised of three documents:

- **2004 Executive Summary**
- **2004 Service Strategy Business Plan and Current Budget**
- **2004 Capital Budget and 2005 – 2013 Capital Forecast**

This document is the *2004 Capital Budget and 2005-2013 Capital Forecast*. For a complete *2004 Business Plan*, please refer to all three documents.

2004 Capital Budget Highlights

The 2004 Capital Budget is \$637 million, of which \$376 million (59 per cent) is utility rate supported and \$260 million (41 per cent) is property tax supported.

The Capital Budget continues to reflect the implementation of Council's strategic directions and the Programs' Service Strategy Business Plans.

In summary the 2004 Capital Budget is \$637 million (Table 2). The majority of the budget relates to three programs consisting of Roads (sixteen per cent), Water (thirty-three per cent) and Wastewater (twenty-six per cent). The remainder of the budget is Waste Management (five per cent), Police (three per cent), Internal Support (nine per cent) and Other programs (eight per cent).

The 2004 Capital Budget is financed mainly through Reserves (forty-eight per cent) and Development Charges (thirty-seven per cent). The remainder of the financing is from external sources (fifteen per cent). The 2004 Sources of Financing by Program (Table 7) provides comparative data for each of the Region's programs.

The Capital Budget continues to implement the approved 2003 Development Charges Capital Plan to meet the Regional Official Plan through \$237 million of development charges for growth requests (excluding GO Transit):

Roads	\$ 62.2 million
Water	\$ 101.4 million
Wastewater	\$ 71.4 million
Peel Regional Police	\$ 0.5 million
Regional Planning	\$ 0.5 million
Ambulance and Emergency Programs	\$ 0.5 million

The Region's contribution to the GO Transit Growth/Enhancement Capital Plan is \$5.5 million, financed through \$2.2 million in development charges and \$3.3 million in

internal reserves. The new provincial government passed the Fiscal Responsibility Act, 2003 which amended the GO Transit Act enabling municipalities to continue raising development charges revenue in 2004 for GO Transit projects.

A total of \$305 million dollars of the 2004 Capital Budget is financed from reserves. Water and Wastewater related projects are funded through utility rate supported reserves; the remainder are funded from tax supported reserves.

The external funding sources are grants, contributions from other levels of government or debt.

The 2004 Capital Expenditures and Financing are summarized in Tables 1 and 7 and shown pictorially in Tables 2 and 3.

It should be noted that the majority of the capital projects will be implemented over a two to three year period; however since contractual obligations will be awarded in 2004, full amount requires approval in 2004. The total estimated cash flow of expenditures funded from Reserves and Reserve Funds are forecasted in the Continuity Schedule of Reserves and Reserve Funds (Table 10).

Table 1

2004 Capital Expenditures and Financing Summary

	Total (Table 10)		Property Tax Supported (Table 12)		Utility Rate Suported (Table 13)	
	(\$000s)	%	(\$000s)	%	(\$000s)	%
Expenditures						
Roads	104,804	16	104,804	40		
Waste Management	31,627	5	31,627	12		
Police	17,541	3	17,541	7		
Other	52,469	8	48,955	19	3,514	1
Internal Support	57,927	9	57,236	22	691	0
Sub-Total	264,368	42	260,163	100	4,205	1
Water	209,796	33			209,796	56
Wastewater	162,409	26			162,409	43
Total	636,573	100	260,163	100	376,410	100
Financing						
Development Charges	238,626	37	65,863	25	172,763	46
External	92,642	15	40,866	16	51,776	14
Reserves	305,305	48	153,434	59	151,871	40
Total	636,573	100	260,163	100	376,410	100

Note: Schedule may not add due to rounding.

Table 2

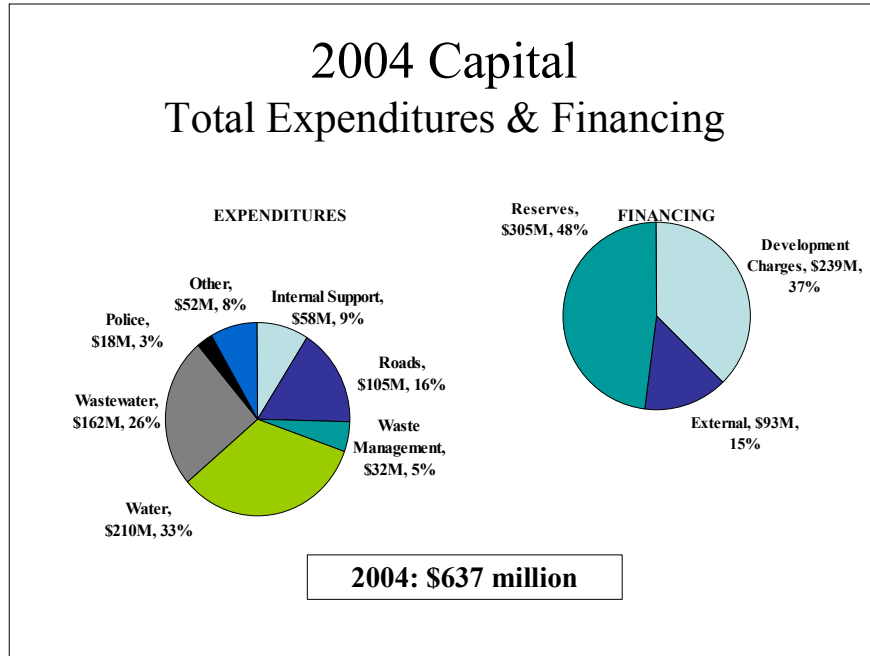


Table 3

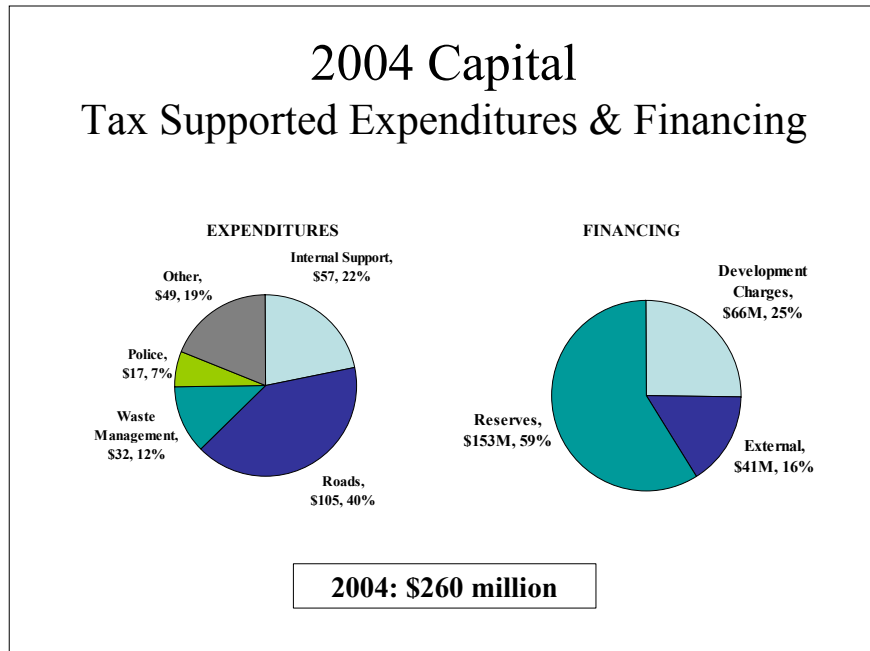
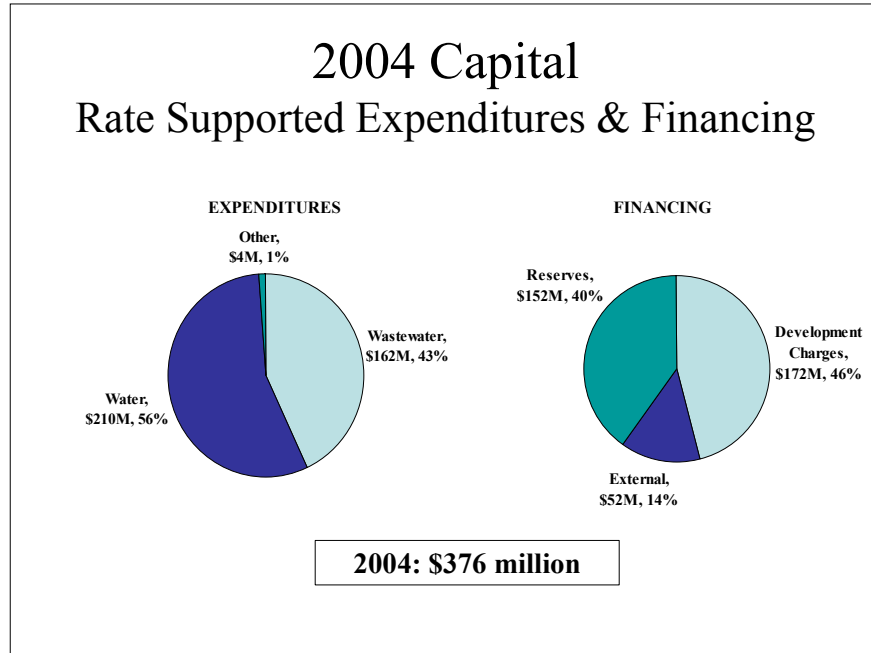


Table 4

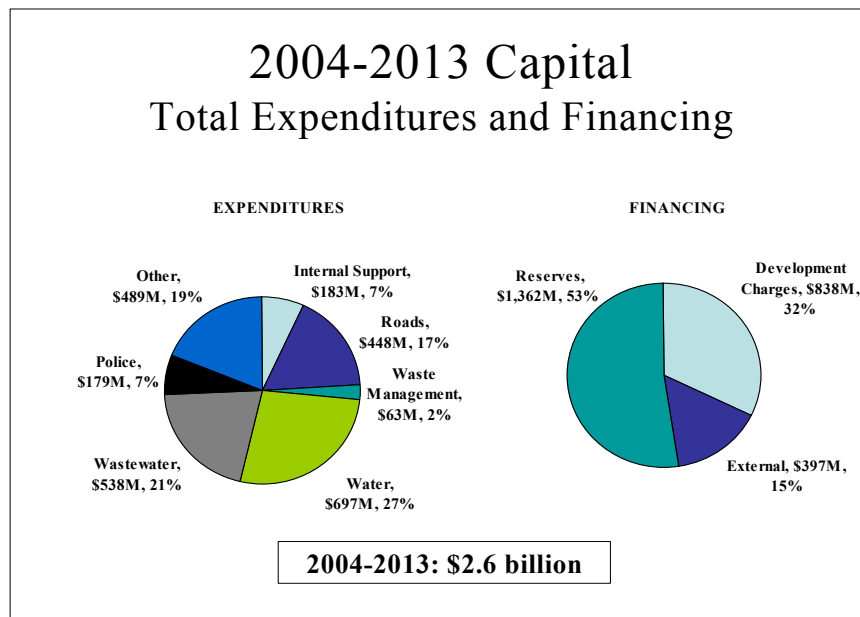


Ten Year Capital Plan Highlights 2004-2013

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.

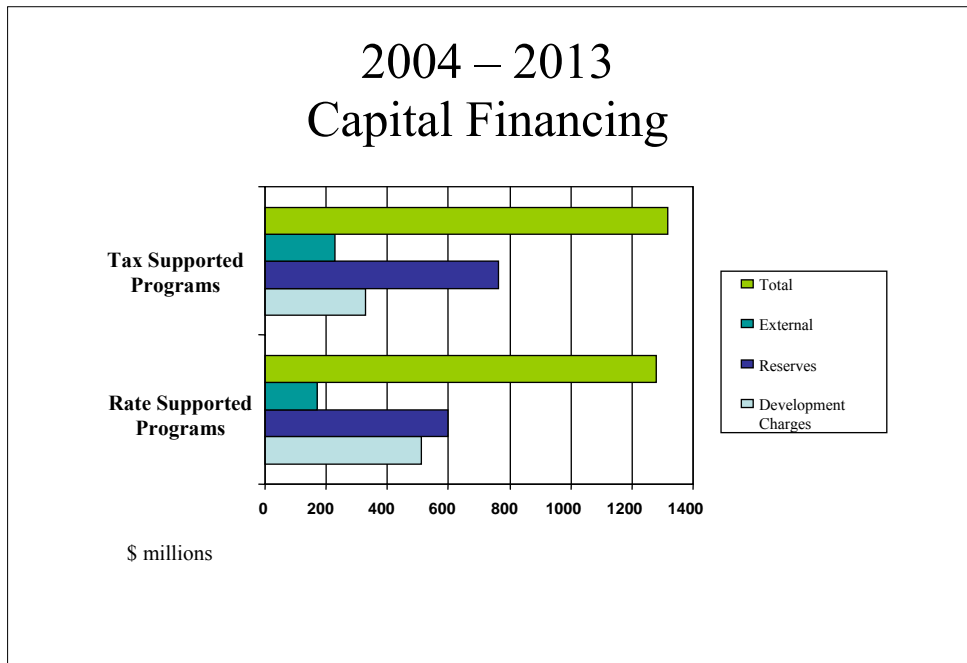
The Ten-Year Capital Plan for the period ending 2013 reflects an estimated expenditure program of \$2.6 billion. Approximately one half of the Ten Year Capital Plan relates to the funds required to support the Water and Wastewater projects, twenty-seven per cent and twenty-one per cent respectively, of the Region's service responsibilities. The remaining half of the Ten Year Capital Plan includes Roads (seventeen per cent), Internal Support (seven per cent), Police (seven per cent), Waste Management (two per cent) and Other programs (nineteen per cent). Other programs consist of Housing (twelve per cent), GO Transit (three per cent), Conservation Authorities (two per cent), Long Term Care (one per cent) while the final one per cent is Regional Planning, TransHelp, Children Services, Public Health, Heritage and Ambulance and Emergency Services. (Tables 5 and 8)

Table 5



The Capital Plan is funded from Reserves (fifty-three per cent), Development Charges (thirty-two per cent) and external sources (fifteen per cent). The majority of the funding from external sources is from bordering regional governments for road works and the York/Peel water and wastewater servicing initiative.

Table 6



Impact of the 2004 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 no debt position. All capital projects are approved by Council and 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 an estimated base contribution to reserves of \$232 million (\$134 million net of estimated development charge contributions of \$98 million) in 2003 (refer to Table 10 for the Continuity of Reserves Schedule).

In order to assess the sustainability of its business programs, Council requested that staff not only develop a capital budget for the coming year, but also a nine-year forecast to identify future potential fiscal pressures. From this exercise, it becomes evident that the Capital Plan has an impact on the Current Budget in a number of programs.

The **Roads** capital program incorporates the widening of several Regional Roads impacting the reserve contribution, traffic signalization, and winter and roadside maintenance in the 2005 and subsequent current budgets.

The **Waste Management** capital program includes the Region-wide Organics program which anticipates having a processing facility operational by 2005. The initial impact of this facility will be in 2006 at an estimated operation cost of \$4.7 million.

The **TransHelp** capital program includes plans to add new buses to the fleet to accommodate service level growth. This will result in additional staffing and operating costs as they become operational.

The **Public Health** capital program includes funds for leasehold improvements of new Public Health clinics that will house expanded Public Health related services. Additional staffing costs will be incurred upon the opening of these new clinics of approximately \$200 thousand annually per clinic. The first new clinic is planned for 2006.

The **Long Term Care** capital program extends the useful life of long term care assets, reduces operating costs in the long run and minimizes injury to residents and employees. The Sheridan Villa redevelopment will result in a cumulative net current budget increase of \$5.5 to \$6.0 million over the life of the project.

The **Housing** capital program calls for the construction of two hundred affordable housing units in 2004. It is proposed that projects will be established in a manner that will make them self-funding through direct project revenue and provincial subsidies.

The **Ambulance and Emergency Programs** capital program includes new ambulances and related medical equipment within the next ten years.

The **Peel Regional Police** capital program includes funds for information technology that will require future reserve contributions. In addition, three new community stations will require staff and operating funds.

The **Water** 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 5 per cent.

The **Wastewater** 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. Additionally, there are further operating costs to the pumping stations due to the upgraded provincial legislation. To finance these commitments in a sustainable manner, the wastewater rates have been increased by 5 per cent.

The **Property and Facilities Asset Management** 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.

Table 7

2004 Sources of Financing by Program

	Development Charges (\$'000)	Reserves (\$'000)	External (\$'000)	TOTAL FINANCING (\$'000)	%Total Program
PROPERTY TAX SUPPORTED					
Roads	62,166	29,798	12,840	104,804	16.46%
Waste Management	0	31,627	0	31,627	4.97%
Regional Planning	534	340	0	874	0.14%
TransHelp	0	448	120	568	0.09%
Children's Services	0	1,512	0	1,512	0.24%
Public Health	0	300	0	300	0.05%
Long Term Care	0	3,835	0	3,835	0.60%
Housing	0	4,835	27,000	31,835	5.00%
Heritage	0	222	0	222	0.03%
Ambulance & Emergency Programs	431	2,109	0	2,540	0.40%
Region Directly Controlled Programs	63,131	75,026	39,960	178,117	27.98%
Peel Regional Police	548	15,937	906	17,391	2.73%
Ontario Provincial Police	0	150	0	150	0.02%
Conservation Authorities	0	5,235	0	5,235	0.82%
GO Transit	2,219	3,329	0	5,548	0.87%
Region Financed External Organizations	2,767	24,651	906	28,324	4.45%
Property Tax Supported	65,898	99,677	40,866	206,441	32.43%
UTILITY RATE SUPPORTED					
Water	101,361	63,607	44,828	209,796	32.96%
Wastewater	71,402	84,059	6,948	162,409	25.51%
Utility Rate Supported	172,763	147,666	51,776	372,205	58.47%
INTERNAL SUPPORT SERVICES					
Public Works Services	0	2,489	0	2,489	0.39%
Property & Facilities Asset Management	0	46,222	0	46,222	7.26%
Executive & Council	0	550	0	550	0.09%
Corporate Services	0	125	0	125	0.02%
Finance	0	4,441	0	4,441	0.70%
Information Technology	0	4,100	0	4,100	0.64%
Internal Support Services	0	57,927	0	57,927	9.10%
TOTAL REGION	238,661	305,270	92,642	636,573	100.00%
% Total Funding	37.49%	47.96%	14.55%	100.00%	

Table 8

2004 - 2013 Sources of Financing by Program

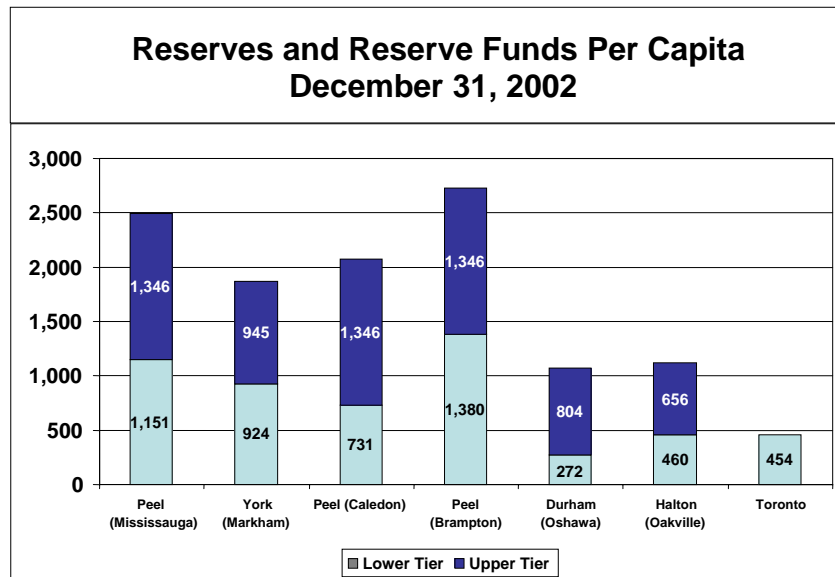
	Development Charges (\$'000)	Reserves (\$'000)	External (\$'000)	TOTAL FINANCING (\$'000)	% Total Program
PROPERTY TAX SUPPORTED					
Roads	269,329	141,412	37,156	447,897	17.25%
Waste Management	0	63,060	0	63,060	2.43%
Regional Planning	5,101	3,345	60	8,506	0.33%
TransHelp	288	4,149	1,066	5,503	0.21%
Children's Services	0	5,460	0	5,460	0.21%
Public Health	3,240	1,310	0	4,550	0.18%
Long Term Care	0	32,941	956	33,897	1.31%
Housing	0	122,295	181,500	303,795	11.70%
Heritage	0	1,125	0	1,125	0.04%
Ambulance & Emergency Programs	2,724	15,226	0	17,950	0.69%
Region Directly Controlled Programs	280,682	390,323	220,738	891,743	34.34%
Peel Regional Police	17,383	148,293	6,989	172,665	6.65%
Ontario Provincial Police	896	5,370	0	6,266	0.24%
Conservation Authorities	0	39,868	0	39,868	1.54%
GO Transit	27,458	41,184	0	68,642	2.64%
Region Financed External Organizations	45,737	234,715	6,989	287,441	11.07%
Property Tax Supported	326,419	625,038	227,727	1,179,184	45.40%
UTILITY RATE SUPPORTED					
Water	234,600	326,529	135,872	697,001	26.84%
Wastewater	277,051	227,079	33,527	537,657	20.70%
Utility Rate Supported	511,651	553,608	169,399	1,234,658	47.54%
INTERNAL SUPPORT SERVICES					
Public Works Services	0	27,116	0	27,116	1.04%
Property & Facilities Asset Management	0	57,528	0	57,528	2.22%
Executive & Council	0	5,500	0	5,500	0.21%
Corporate Services	0	969	0	969	0.04%
Finance	0	36,523	0	36,523	1.41%
Information Technology	0	55,600	0	55,600	2.14%
Internal Support Services	0	183,236	0	183,236	7.06%
TOTAL REGION	838,070	1,361,882	397,126	2,597,078	100.00%
% Total Funding	32.27%	52.44%	15.29%	100.00%	

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 transition 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 9 below.

Table 9



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 2004 budget reflects a \$225 million transfer to reserves representing a three per cent decrease from the 2003 budget. The Continuity Schedule of Reserves and Reserve Funds (Table 10) is a summary of projected year-end balances based on assumptions and recommendations reflected in this document. Table 11 reflects reserve and reserve fund balances by program at year-end 2003.

Reserve Funds differ from Reserves in that reserve fund assets are segregated and restricted to meet the purpose of the reserve. Peel's Reserve Funds include 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 2004 growth-related expenditures are \$189 million, which will be funded from Development Charge Reserve Funds (refer to Table 10).

Peel's Ten-Year Capital Plan is financed 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
- providing support for in-year fiscal pressures.

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 Regional 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 growth related capital works forecast as per the *2003 Development Charges By-law* and the *2001 GO Transit Development Charges By-law*. The rates are indexed to the Construction Price Index published by Statistics Canada.

Table 10

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

Projection to December 31, 2004

	Reserves					Reserve Funds (*)	Total
	Capital Construction	Stabilization	Vehicle and Equipment Replacement	Building Replacement			
Balance January 1, 2003	\$ 681,541	\$ 276,274	\$ 125,216	\$ 100,531	\$ 194,676	\$ 1,378,238	
Contributions **	93,545	19,653	20,410	7,956	100,313	241,876	
Interest	40,730	16,440	7,128	5,447	12,690	82,435	
Transfers and Other	13	(15,685)	19	288	(187)	(15,551)	
Expenditures	(120,449)	(5,546)	(37,727)	(30,324)	(76,663)	(270,710)	
Balance December 31, 2003	695,380	291,136	115,046	83,898	230,829	1,416,289	
2004 Estimated Contribution	91,843	14,710	18,615	4,913	93,285	223,367	
2004 Estimated Interest	34,219	15,350	4,952	3,655	9,303	67,480	
2004 Estimated Expenditures							
Current	-	(20,656)	(237)	(167)	-	(21,060)	
Capital	(244,106)	(47,726)	(58,329)	(20,214)	(188,734)	(559,109)	
Projected Balance Dec. 31 2004***	\$ 577,336	\$ 252,814	\$ 80,047	\$ 72,085	\$ 144,683	\$ 1,126,967	

* 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 which only reflects contributions from Current operations.

*** Cash balance

Note: Schedule may not add due to rounding

Table 11

Reserves & Reserve Fund Balances by Program (\$'000)

As at December 31, 2003

Program	Reserves					Total	Encumbered	Net Total
	Capital Construction	Stabilization	Vehicle and Equipment Replacement	Building Replacement	Reserve Funds			
Roads	60,990	2,671	6,261	1,155	79,956	151,033	(153,444)	(2,411)
Waste Management	197,650	21,691	-	36,438	118	255,897	(81,206)	174,691
Regional Planning	-	1,752	-	-	(651)	1,101	(1,465)	(364)
Long Term Care	-	1,835	3,354	11,932	(1,660)	15,461	(3,653)	11,808
TransHelp	-	-	1,593	761	301	2,655	(597)	2,058
Children's Services	-	-	-	2,394	-	2,394	(613)	1,781
Public Health	-	1,779	148	-	2,145	4,072	(2,131)	1,941
Housing Policy and Program	-	40,288	-	12,143	-	52,431	(12,919)	39,512
Heritage	-	114	-	941	-	1,055	(392)	663
Police - PRP and OPP	-	14,678	59,761	-	7,097	81,536	(39,589)	41,947
Ontario Works	-	34,536	-	280	-	34,816	(1,523)	33,293
Conservation	7,647	-	-	-	-	7,647	-	7,647
GO Transit	31,894	-	-	-	5,851	37,745	(1,314)	36,431
Ambulance and Emergency	-	3,204	975	-	213	4,392	(2,373)	2,019
Hospitals	56,612	-	-	-	-	56,612	(48,639)	7,973
Water	120,833	28,916	18,350	11,509	23,070	202,678	(186,975)	15,703
Wastewater	197,794	15,102	-	164	114,389	327,449	(333,277)	(5,828)
Internal Support Services	21,960	124,571	24,603	6,180	-	177,314	(28,175)	149,139
Total	695,380	291,137	115,045	83,897	230,829	1,416,288	(898,285)	518,003