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**Acronym List and Glossary**

Acronym List

Glossary of Terms

## Reader's Guide

*The Region's business plan incorporates a Service Strategy Business Plan for Region Controlled Programs, Internal Support Services, and for the Region Financed External Organization Peel Regional Police.*

These plans detail the services that will be provided at the department, division, business and program level and how they will be provided. The Service Strategy portion of the plan will be reworked with every new term of council (three years); however, the Business Plan portion is reviewed and adjusted each year.

The Region's budget structure has three main components: Region Controlled Programs, Region Financed External Organizations and Internal Support Services. These three components are defined as follows:

### **Region Controlled Programs**

The Region Controlled Programs are comprised of all public works programs, social services programs, health programs, housing programs, planning, and ambulance and emergency programs.

### **Region Financed External Organizations**

The Region Financed External Organizations are separate from the Region; however, they receive a portion of their funding from the Region. Included in these programs are policing services (Peel Regional Police and Ontario Provincial Police), Ontario Disability Support Program, conservation authorities (Conservation Halton, Credit Valley Conservation and Toronto and Region Conservation Authority), GO Transit (capital funding only) and Greater Toronto Area Pooling. The Municipal Property Assessment Corporation also receives funding for the provision of assessment services including the preparation of the annual assessment roll which is used in calculating property taxes.

### **Internal Support Services**

Internal Support Services provide such functionality as financial (including meter and revenue services, payroll, purchasing, and audit), executive and Council, corporate services, human resources, information and technology, public works services and property services.

There is a significant amount of material presented in the Region's *2005 Business Plan* document and individual reader interests may vary. Although the tables of contents provide detailed referencing, this guide will direct the reader to particular areas of interest.

The *2005 Business Plan* is presented in five separate documents as follows:

- **2005 Peel Story**
- **2005 Service Strategy Business Plan**
- **2004 Service Level Review**
- **2005 Regional Current and Capital Budget**
- **2005 Public Works 10 year Capital Plan Detail**

**Readers Interested in a Concise Business Plan Overview**

For readers whose interest is a very high level review of the business plan, the **Budget in Brief** and **Appendices II & III** of the *2005 Peel Story* document provides this overview.

**Readers Unfamiliar with the Region of Peel**

A review of the *2005 Peel Story* document containing the introduction, overview, background information, corporate priorities and the Budget in Brief process sections provides an in-depth introduction to the Region.

**Readers Interested in a Detailed Business Plan Review and Current Budget Information**

The *2005 Regional Current and Capital Budget* document provides a high level current budget discussion for both the property tax and utility rate supported budgets. Property tax, user rate impacts and contributing factors are discussed in detail in this section. Graphs and charts are used to provide “at a glance” impacts. Program service strategy business plan details for Region Controlled Programs, Region Financed External Organization Peel Regional Police and Internal Support Services are contained in the *Service Strategy Business Plan* document. The Service Strategy Business Plan provides a discussion of each program and is presented under the following headings:

- A. Background
- B. Description of Current Services
- C. Trends and Issues
- D. Mandate, Objectives and Actions
- E. Monitoring and Measuring the Service Strategy Business Plan

**Readers Interested in the Capital Budget**

The *2005 Region Current and Capital Budget* document (*Appendix IV*) provides the 2005 capital budget detail for each of the Region supported programs. Contained in this document (*Appendix VII*) is the Region's 10 Year Capital Forecast by program and for 2005-2014.

The *2005 Public Works 10 year Capital Plan* document captures the 10 year Capital Plan for Public Works.

**Acronym List and Glossary of Terms**

A list of acronyms and glossary of terms used throughout the five documents that form the Region's *2005 Business Plan* are located at the back of each book for easy reference.

*The complete 2005 Business Plan is accessible on the Region's Web site at [www.peelregion.ca/finance](http://www.peelregion.ca/finance). A hard copy or CD format can be obtained by contacting the Region of Peel Finance Department at 905-791-7800 during business hours 8:30 a.m. – 4:30 p.m. Monday to Friday.*

## 2005 Budget Guidelines

*For the 2005 Business Plan process, the framework (outlined below) for budget and development review was introduced. Under this framework, 2005 budget resources were reviewed based on the following categories:*

- **Enhancements** - Resources required for new operating initiatives or increases in 2004 service levels are considered to be enhancements for the population at large. This is the most discretionary cost category.
- **Growth** - As the population continues to increase in Peel, growth costs are significant. This category includes additional costs required to maintain service at 2004 levels for the increased population in the Region. While these costs have a discretionary component, any reduction in growth-related resources would result in a decreased service level to Peel's residents and businesses.
- **Annualization** – Annualization costs are related to the full year impact (in 2005) of 2004 commitments.
- **Mandatory/Legislated** - These costs are related to funding decisions and program requirements specified by other levels of government and are largely beyond the Region's control. An example of a mandatory program is the Child Health program in Public Health.
- **Base** – Base costs are required to provide the level of service offered in 2004, taking into account price increases for contracted services, inflation (utility and property tax increases, hydro and gas rates only), and wage and benefit increases. Efficiencies and other cost reductions were identified and offset against base cost increases. These costs are non-discretionary.

Each program prepared budgets using this framework. The categories support the decision-making process by clearly identifying costs such as contract price increases, over which the Region has little discretion. At the same time, it highlights policy decisions required for proposed service enhancements and related costs.

As part of their budget submission, program managers were instructed to provide the CAO and Treasurer with a business analysis for new operating initiatives and/or new capital projects. All costs and revenues generated both internally and externally are incorporated into the budget for all new initiatives.

## Budget Philosophy

*On June 3rd, 2004 Council adopted a new Financial Control By-law (By-law 2004-45), establishing financial controls related to the Region's current and capital budgets and reserve management based on the solid foundation of Peel's budget principles. These principles, in conjunction with the Strategic Plan – Fast Forward Peel: Building a Strong Community Together, have guided the Region during the 2005 budget process. A complete discussion of the Region's financial management principles, controls, guidelines and directions is included in this document.*

The Region's philosophy is to balance Council's service objectives, taxpayer impact and fiscal responsibility. The need to maintain the Region's fiscal strengths while minimizing the impact on tax and rate payers is a priority.

The Region uses the Corporate Performance Measurement (CPM) tool to manage the efficiency, effectiveness and community impact of service delivery. By using performance measurement indicators, services can be measured against estimated needs. A complete discussion of Corporate Performance Measurement and Benchmarking initiatives is included in the Overview section of this document.

CPM data is included in *Appendix VIII* of the *2005 Regional Current and Capital Budgets* document. It covers a seven year period; three years of actual results, two budget years and two forecast years.

## Financial Policies and By-laws

The Region has several financial policies and by-laws that govern the financial management of the Corporation. These policies and by-laws form the framework for budget development, cash management and investment strategies and assumptions that support the long-term financial planning process.

### *Financial Control By-law (2004-45)*

The *Financial Control By-law* defines financial controls related to Peel's current and capital budgets and reserve management based on the solid foundation of the Region's budget principles. These principles guide management and staff throughout the budget process and throughout the year in the execution of their financial management.

In conjunction with the *Financial Control By-law*, the Region's budget is developed and managed by considering several factors:

**Balanced Budget** - All programs must present and commit to a balanced budget. A balanced budget is one where all expenditures are offset by a source of revenue. All deviations from these budgets require disclosure and approval by Council as defined in the *Financial Control By-law*. Council shall receive written status reports on the current operating budget and capital works in progress at a minimum of twice yearly.

**Long-Range Planning** – Peel is one of the fastest growing communities in Canada and is committed to developing budgets that assess the long-term implications of today's decisions.

**Asset Inventory** - Presently, Canadian generally accepted accounting principles for local municipal governments do not require the capitalization of capital assets. Such expenditures are expensed as incurred. As such the Region has never maintained a comprehensive policy to inventory and assess all major capital assets.

### Revenue Policies

The Region's budget is supported by several sources of revenue.

**Property Taxes** - The Region obtains the most significant portion of its funding from property taxes. In 2005, 56 per cent of the total Region funding will be provided by a direct levy on the three lower tier area municipalities. Each year, as part of the budget approval process, the *Tax Levy By-law* is updated and presented to Council for approval. This is the Region's authority to levy the appropriate billing to the area municipalities.

**Grants and Subsidies** - Twenty per cent of the 2005 revenues for the Region will be provided by provincial and federal grants and subsidies. These grants are tied directly to legislated cost sharing arrangements.

**User Fees** - One of Council's fundamental financial principles is to support user pay initiatives wherever practical as a means of maintaining competitive tax and utility rates. In 2005, 22 per

cent of the total funding for the current budget will be provided through the collection of user fees. The largest components of the user fee base are the Water and Wastewater programs, which are fully supported by direct charges for water and wastewater services.

In addition to these fees the Region collects revenues for the Peel Regional Police Airport Division which is fully supported by the Greater Toronto Airports Authority. Fees are also charged by many of the Region's Social and Family Services programs including user fees at Long Term Care centres, Child Care centres and TransHelp transit service, based largely on the client's ability to pay.

Additional revenue is generated by the fees charged for services provided by the business units. These fees are governed by the Schedule of Fees which is established each year via the passing of the Region's *Fees By-laws* (By-law numbers 134-2004, 25-2004, 132-2004, 133-2004, 135-2004), established in accordance with the *Municipal Act* (a framework statute for the structure, governance, and general powers of municipalities). The *Fees By-laws* stipulate "that the respective business units annually review the costs involved in providing services, and make recommendations for changes to the *Fees By-laws* when necessary." The review ensures the costs related to the services provided are identified and recovered.

**Development Charges** - Development charges are funds received from developers to finance growth related capital costs. Peel's Development Charges 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*.

**Other** - Other sources of revenue include Payments in Lieu of Taxation, net investment income, supplementary taxation and adjustments representing 2 per cent of the 2005 current budget.

**One-time and Unpredictable Revenues** – One-time or unpredictable revenues are received in two ways. Those with specific direction, often from government subsidies, go directly to the program identified and Council is informed of the receipt. Those with no specific direction, which are not dependent on expenditures to provide a service, shall not be spent or committed without Council approval. At year-end, these revenues will become part of the Regional surplus management review and handled in the same manner as under-spent budgets.

## Expenditure Policies

### *Purchasing By-law (62-2001)*

The Region's current *Purchasing By-law* was established in 2001. The main objective of this by-law is to promote the most effective use of funds allocated by Regional Council for the purchase of goods and services by achieving the optimum quality, quantity, price, delivery, performance, guarantees, sureties and all other material terms and conditions as may be applicable in the circumstances.

### **Operating/Capital Expenditures**

The *Financial Control By-law* provides the authority that governs the use of current and capital funds. The by-law stipulates that every year Council will receive written status reports on current and capital budgets and reserves not less frequently than semi annually.

### **Investment Policy**

The Region of Peel invests funds in accordance with its Investment Policy; the investment goals can be broken down into four basic objectives:

**Conform to Legislative Constraints** - Staff must operate within the boundaries of the current Municipal Act (Municipal Act, 2001 Section 418-420) and legislation governing eligible investments (Ontario Regulation 438/97 as amended by Ontario Regulation 399/02).

**Ensure Safety of Principal** - The loss of monies resulting from the default of an issuer on principal or interest payments has been minimized through the establishment of investment limitations.

**Maintain Adequate Liquidity** - Maintaining adequate liquidity helps to ensure that surplus funds are invested until they are needed and temporary borrowing requirements are limited. There is a trade-off between liquidity and return, the higher the liquidity, the lower the return. For example, the most liquid investments are Government of Canada Treasury bills; they are also the lowest yielding investments.

**Maximize Rate of Return while Conforming to Other Objectives** - The objectives of safety of principal and maintenance of liquidity must not be compromised in order to maximize returns. Once the essential parameters governed by the first three objectives have been addressed, the Treasury section then manages the portfolio in such a way to maximize the longer-term income flow of the portfolio.

## **Basis of Accounting and Budgeting**

*The Regional Municipality of Peel prepares financial information in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).*

### **Basis of Accounting and Current Budgeting**

The Region follows the accrual basis for accounting and current budgeting which recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay. The Current Budget includes annual expenditures for goods and services, salaries and wages, and contributions to reserves, as well as revenues from subsidies, grants, fees and other charges. The budget is approved each year by Regional Council for the period January 1 to December 31.

### **Basis of Capital Budgeting**

The Capital Budget includes expenditures and financing sources to acquire, construct and maintain Regional assets. The term of the majority of these projects extends beyond one year.

The Consolidated Schedules of Current Fund Operations, Capital Fund Operations and Reserve Operations are reported separately in the Region's statutory financial statements. Details of Peel's reserve and reserve fund policies and related discussion of its surplus management strategy, "Pay as You Go" capital budgeting principles and "just-in-time" financing practices are included in this document.

### **Basis of Financial Operations**

The Region's financial operations are structured with a "business" focus as opposed to a "public sector" focus. Accordingly, the Region does not follow typical public sector fund accounting practices (e.g. the Region is one of the few municipalities in Canada to operate under the commercial PeopleSoft license).

### **Other Funds**

In addition to the funds established for the restricted reserves, Peel maintains a sinking fund as a separate fund for the purpose of providing periodic repayment of all debt to be retired by means of sinking funds. The financial activity and position of this fund are disclosed separately in the Sinking Fund financial statements. The financial activity and position of the funds held in trust by the Region for residents of its three long-term care centres are also reported separately in the Trust Funds financial statements.

### **Budget Amendments**

Redeployments of current and capital budgets are considered and processed throughout the year. Only redeployments that, in the opinion of the Treasurer, are significant and material will be processed. The level of approval required (Council, the Chief Administrative Officer, Commissioner or Director) is dependent on the materiality of the proposed change(s) on budgeted objectives or service levels. These protocols are incorporated in the Region of Peel's *Financial Control By-law*.

### **Budget Assumptions**

- Assessment growth will be available to finance service enhancements dictated by Council
- The Corporation's overall continuous improvement initiative is expected to offset the impact of inflation for Region Directly Controlled Programs.

For further information, the Region of Peel's **Financial Annual Report** is available on the Web site at [www.peelregion.ca/finance](http://www.peelregion.ca/finance)

## Strategic Directions, Controls, Guidelines, Principles

While providing service at levels that support residents and ratepayers is essential, it is important that the service delivery be achieved in a fiscally responsible manner.

The Region's *Financial Control By-law* defines financial controls related to Peel's current and capital budgets and reserve management based on the solid foundation of the Region's budget principles. The principles that guide management and staff throughout the budget process and throughout the year in the execution of their financial management responsibilities are:

**Sustainability** - Budget decisions made today should be affordable today and tomorrow.

**Interdependency** - Capital and current budgets are interdependent. Capital decisions will invariably have tax rate implications for the upcoming budget year.

**Pay as You Go** - Peel's future will not be mortgaged by debt. Asset replacement will be well planned and annual investments will be made to maintain our quality infrastructure.

**Fee for Service** - Peel will ensure that user fees will be utilized to cover costs for appropriate services.

**Management Excellence** - Peel will maximize program efficiencies while maintaining program effectiveness.

These principles, in conjunction with our Strategic Plan *Fast Forward Peel: Building a Strong Community Together*, have guided Peel during the 2005 budget process. The specific Strategic Plan goals that focus on the financial management are:

Goal 2 "Assess and manage all aspects of growth that affect Peel services to ensure a more liveable region"

Goal 4 "Contribute to a strong regional economy"

Goal 5 "Be a citizen-focused Regional government"

These goals are broken down further into strategic directions, and those directions that relate specifically to financial management are as follows:

- 2.1 Assess and manage the environmental, human service and financial impacts of growth as it relates to the provision of Regional services
- 4.1 Ensure that financial planning supports the delivery of existing and planned Regional services
- 4.2 Ensure competitive Regional tax and water/wastewater rates

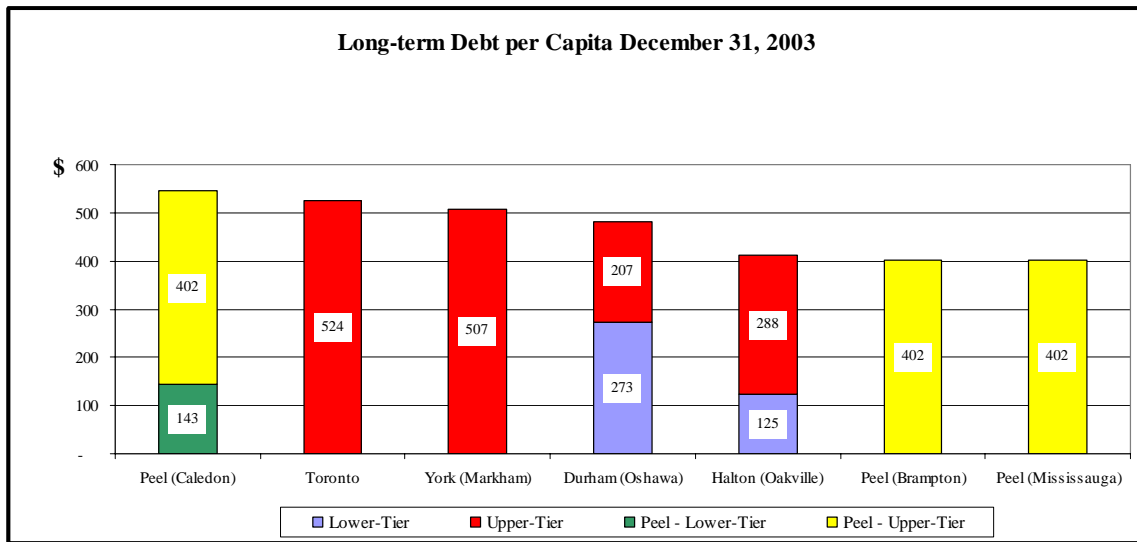
- 4.4 Secure funding from other levels of government and the private sector for Regional services
- 4.5 Work with other governments to ensure fair and equitable tax policies
- 4.6 Advocate that the Regional tax and revenues are used only for program and service funding for which Regional Council is accountable
- 4.7 Support the regional economy through strategic investment in infrastructure and human services
  
- 5.7 Maintain a progressive continuous improvement process

In addition to establishing financial principles, the *Financial Control By-law* provides direction as to how those principles shall be implemented including specification of accountability (approval authority, roles and responsibilities). An example of one of the key directions is as follows:

“Council shall be informed on a timely basis of any material variance between planned current and capital budgets and actual expenditures, actual revenues, or actual service level quality/quantity performance deliveries. Council shall receive written status reports on the current operating budget and on capital works in progress including a summary of major activity and all pre-approved unallocated project activity, not less frequently than semi-annually.”

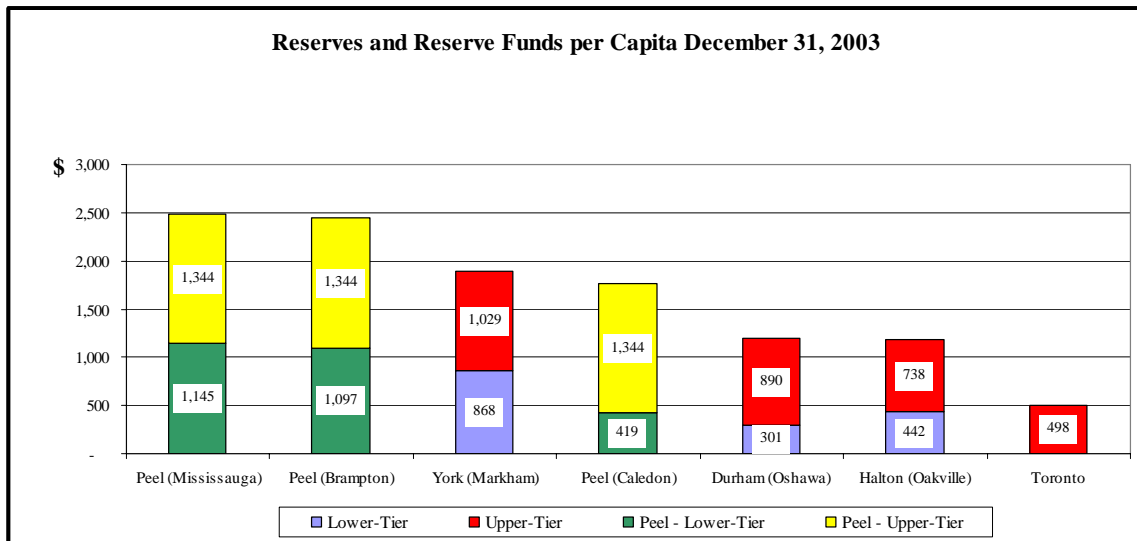
The *Financial Control By-law* also outlines the Region’s reserve policies. Reserves and Reserve Funds are financial management tools used to maintain the financial position of the Region and meet long-term objectives. Peel’s evolution to a fully funded annual capital plan from current reserve strategy is a major tool in delivering efficient and effective programs while remaining debt-free. Table 16 provides a comparison to other GTA municipalities of the lower-tier municipality debt.

Table 16



Peel has the highest level of reserves and reserve funds for upper tier municipalities per capita in the GTA, as outlined in Table 17.

Table 17



The Region continues to be debt-free in all of its operations. Peel, together with its Area Municipalities, has received the highest credit rating a municipality can receive in Canada as evidenced by the Triple ‘A’ Rating awarded by the Dominion Bond Rating Service (DBRS) (see Table 18). This reflects Peel’s record of strong financial management, low and stable taxes and positive economic fundamentals and outlook.

Table 18

Canadian Municipal Governments DBRS Rating Review								
Long-Term Debt Rating	Ontario				Western Canada			
	Peel	City of Toronto	City of Ottawa	City of Hamilton	Winnipeg	Calgary	Edmonton	Vancouver
	AAA	AA	AA (high)	AA	AA (low)	AA	AA (high)	AA (high) <sup>p</sup>
<b>Rating:</b>		<b>Relative Risk:</b>						
AAA - Highest		High						
AA - Superior		Moderate (Mod)						
A - Satisfactory		Low						
p - based on public information								

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

The Region of Peel’s 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 fund 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.

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*. The largest portion of 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. The Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board requires that Development Charges, previously reported on the Region’s statutory financial statements as “Reserves and Reserve Funds”, be reported as “Deferred Revenue – Development Charges”; however, operationally, they are treated as reserve funds. Peel also maintains a small number of reserve funds set up to record revenues for restricted purposes. These reserve funds are established by the passing of a By-law.

The Region's surplus management strategy permits year-end transfers to and from reserves to manage the level of surplus carried forward into the next fiscal year. Such transfers are made to ensure that future commitments of the Region can be met without incurring debt and are based on management's planning for an analysis of infrastructure replacement, property tax rate and user rate stabilization, potential exposure to program funding shortfalls and contingent liabilities. The allocation of these transfers and their purpose is disclosed annually to Council following completion of the year-end audit.

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.

One of the ways in which the Region ensures that the principle "Fee for Service" is maintained is via the directives of the Region's *Fees By-laws* (By-law numbers 134-2004, 132-2004, 25-2004, 133-2004, 135-2004) which were established in accordance with the *Municipal Act*. The by-laws stipulate "that the respective business units annually review the costs involved in providing services, and make recommendations for changes to the *Fees By-laws* when necessary." The review ensures that the Region identifies the costs related to the services provided and recovers sufficient revenue to offset the costs associated with service delivery. Approximately 410 separate fees are included in the Schedule of Fees.

## Investment Goals and Policies

### Investment Goals

The Region of Peel invests funds in accordance with its Investment Policy.

The overall investment goal is to ensure that surplus funds are invested, in accordance with the existing legislation, in such a way as to maximize returns while minimizing risk.

The investment goal can be further broken down into four basic objectives:

**Conform to Legislative Constraints** - Staff must operate within the boundaries of the current Municipal Act (Municipal Act, 2001 Section 418-420) and legislation governing eligible investments (Ontario Regulation 438/97 as amended by Ontario Regulation 399/02).

**Ensure Safety of Principal** - The loss of monies resulting from the default of an issuer on principal or interest payments has been minimized through the establishment of investment limitations.

**Maintain Adequate Liquidity** - Maintaining adequate liquidity helps to ensure that surplus funds are invested until they are needed and temporary borrowing requirements are limited. There is a trade-off between liquidity and return, the higher the liquidity, the lower the return. For example, the most liquid investments are Government of Canada Treasury bills; they are also the lowest yielding investments.

**Maximize Rate of Return while Conforming to Other Objectives** - The objectives of safety of principal and maintenance of liquidity must not be compromised in order to maximize returns. Once the essential parameters governed by the first three objectives have been addressed, the Treasury section then manages the portfolio in such a way to maximize the longer-term income flow of the portfolio.

### Investment Policies

Effective January 1, 2003 the regulation governing eligible investments was expanded for municipalities with a long term debt rating of AA (L) or higher, to directly invest in:

- Asset-backed securities which are rated AAA or R1 high
- Commercial paper, maturing in less than one year, which are rated R1 mid or higher.

The major revision in the legislation is the inclusion of asset-backed securities and commercial paper. The inclusion of these asset classes offers municipalities the opportunity to augment returns with marginal additional risk.

## **Investment Limitations**

The investment limitations reflect the requirement of the current eligible investment legislation and the Region's own judgement on prudent investment standards. All investment activity must adhere to these limits.

The Region's investment limitations include sector exposure, credit rating and term structure. The purpose of establishing such limits is to ensure that the investment activity takes into consideration risk tolerance, capital preservation and portfolio diversification.

Changes to the Region's investment limitations include:

- An increase in the maximum for AAA and total provincial exposure from 35 per cent to 50 per cent
- An increase in the maximum for AAA asset backed securities and commercial paper exposure from 10 per cent to 20 per cent.

The rationale for the changes is to allow for more flexibility in acquiring securities with the highest possible rating. The exposure limit was set low last year for asset backed securities as this was the first year legislation allowed the sector.

## **Investment Strategy**

The Region of Peel's investment strategy is one of "Matching". This strategy ensures that the term structure of the assets (investments) reflects the term structure of the liabilities (expected ultimate use of the cash). A neutral weighting would infer that your overall cash flow will net out without having to be exposed to potential loss of purchasing power caused by re-investing excess funds at lower rates or selling longer term investments during a period of rising interest rates.

The interest rate exposure will vary depending upon the average term of the portfolio. The average term, of the portfolio, is set by the Treasury Manager and reflects the Manager's interest rate outlook and the current liability structure as documented in the Region's 10 year capital plan.

## 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

- contribution from reserves and reserve funds to current operations

### Payment 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

### Reserves Contributions

- contribution 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

## 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.

## 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 2004, the Region's debt repayment limit decreased by \$4 million to \$157.8 million. The decrease is due to absorbing a full year's debt charges associated with Housing mortgages in 2002. The 2003 annual repayment limit calculation did not include debt charges for the full year since the effective date of consolidation for Peel Non-Profit Housing Corporation was October 1, 2001. Given the Region's consolidated debt charges were \$34.5 million in 2002, the Region would be allowed to increase annual debt charges by \$157.1 million.

*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 \$52,000 at December 31, 2004.

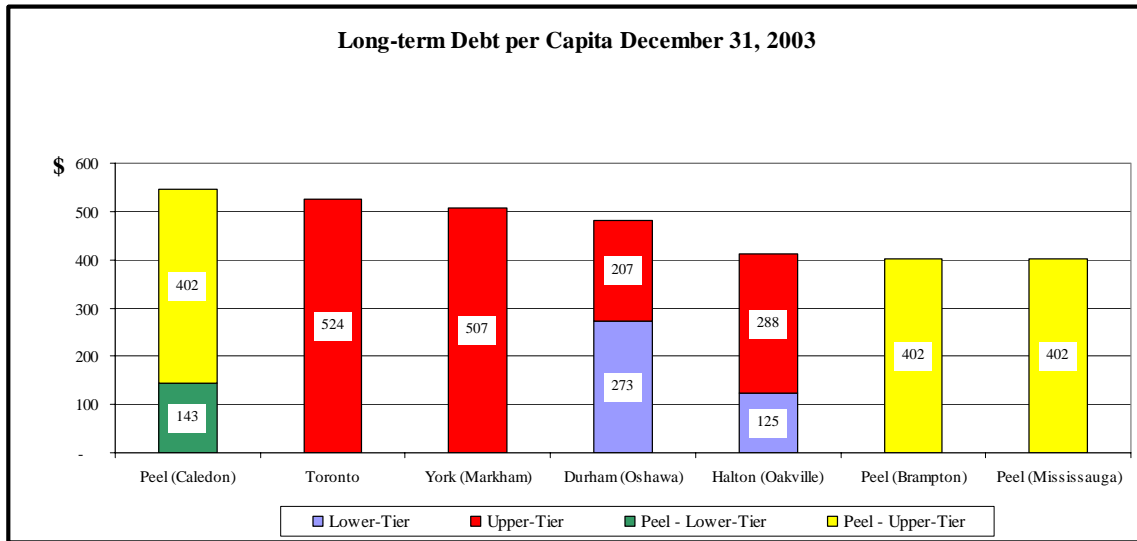
A schedule of long-term liabilities is set forth below:

	2000	2001	2002	2003	2004
	(\$'000)				
Long-term debt incurred by the Region	225,996	94,488	46,205	35,345	30,018
Less: Long-term debt incurred by the Region and assumed by: -Area municipalities	76,518	40,302	27,558	26,140	25,037
School boards	145,982	51,470	17,237	8,679	4,506
	232,149	91,772	44,795	34,819	29,543
Gross long-term liabilities	3,496	2,716	1,410	526	474
Less: Region's share of sinking funds net of surplus on debt cancellation	3,496	2,716	1,410	526	474
Net long-term liabilities	-	-	-	-	-

**Appendix II** Financial Management

In 2004, the Region continues 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 19 compares Peel’s lower-tier municipality debt per capita with its GTA partners.

**Table 19**



## 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 2005 apportionment process, as outlined in Table 20, can be described as follows:

### Police

The Town of Caledon is served by the Ontario Provincial Police 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.

Table 20

**REGIONAL MUNICIPALITY OF PEEL  
2005 PROPERTY TAX APPORTIONMENT CALCULATIONS**

	City of Mississauga	City of Brampton	Town of Caledon	Region of Peel
Gross General Levy Excluding Pooling, Waste & Police	163,101,234	76,414,663	14,498,638	254,014,535
GTA Pooling	37,957,602	17,783,540	3,374,184	59,115,326
Gross General Levy Excluding Waste & Police	201,058,836	94,198,203	17,872,822	313,129,861
<i>2005 Share of Gross General Levy Excluding Waste &amp; Police</i>	<i>64.20941%</i>	<i>30.08279%</i>	<i>5.70780%</i>	<i>100.00000%</i>
2005 Peel Region Policing Net Expenditure	144,119,666	67,521,597	-	211,641,263
2005 OPP Policing of Caledon Net Expenditure	-	-	7,311,000	7,311,000
	144,119,666	67,521,597	7,311,000	218,952,263
2005 Waste Management Net Expenditure	37,364,090	21,831,457	4,622,329	63,817,876
<i>2005 Estimated Share Based on Tonnage</i>	<i>58.5480%</i>	<i>34.2090%</i>	<i>7.2430%</i>	<i>100.0000%</i>
2004 Waste Management Adjustments				
Budget Estimate to Actual Tonnage	(1,546,184)	1,719,042	(172,858)	-
Budget Estimate to Actual Expenditure	(2,355,928)	(1,189,203)	(258,249)	(3,803,380)
Surplus Management Contribution to Reserve	3,902,112	(529,839)	431,107	3,803,380
	-	-	-	-
Net General Levy	<u>382,542,592</u>	<u>183,551,257</u>	<u>29,806,151</u>	<u>595,900,000</u>
Raised Through				
Area Municipal Tax Rate	382,542,592	183,551,257	28,735,303	594,829,152
Waste Collection Fees (\$64 x 16,732)	-	-	1,070,848	1,070,848
<b>Tax Supported Net Expenditures</b>	<b><u>382,542,592</u></b>	<b><u>183,551,257</u></b>	<b><u>29,806,151</u></b>	<b><u>595,900,000</u></b>
<i>2005 Average Share</i>	<i>64.19577%</i>	<i>30.80236%</i>	<i>5.00187%</i>	<i>100.0000%</i>

## 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 2005 taxation year is based on market values of properties as of June 30, 2004. The goal of CVA is to update property values on an annual basis and to use a three-year rolling average by 2007. The three-year averaging will help to smooth out anomalies in the assessed value of properties that may arise in any given year.

Properties are classified and 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 are taxed higher 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. As a result, municipalities can only change transition ratios for 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 21 presents both the CVA and weighted assessment data by area municipality and tax class.

**Table 21**

**REGIONAL MUNICIPALITY OF PEEL  
CURRENT VALUE ASSESSMENT FOR 2005 TAXATION**

<b>TAX CLASSES</b>	<b>Mississauga</b>	<b>Brampton</b>	<b>Caledon</b>	<b>Peel</b>
<b>Residential</b>				
Fully Taxable	50,456,189,711	26,409,836,149	5,921,279,200	82,787,305,060
Awaiting Development I	16,619,000	1,510,135	44,000	18,173,135
<b>Multi Residential</b>				
Fully Taxable	3,064,159,235	1,054,078,195	20,902,470	4,139,139,900
Awaiting Development I	11,776,000	4,493,555	-	16,269,555
<b>Commercial</b>				
Fully Taxable	12,887,429,355	4,087,185,017	324,148,116	17,298,762,488
Awaiting Development I	43,839,000	1,560,000	-	45,399,000
Vacant/Excess Land	441,893,328	196,561,076	30,992,460	669,446,864
<b>Industrial</b>				
Fully Taxable	3,255,109,791	1,750,407,321	270,659,085	5,276,176,197
Awaiting Development I	74,638,725	15,763,000	337,000	90,738,725
Vacant/Excess Land	429,008,135	235,168,746	53,909,015	718,085,896
<b>Farm Land</b>				
	8,175,535	100,187,161	297,301,219	405,663,915
<b>Managed Forest</b>				
	160,500	4,976,650	51,266,670	56,403,820
<b>Pipeline</b>				
	114,782,500	75,892,000	12,418,000	203,092,500
<b>Total</b>	<b>70,803,780,815</b>	<b>33,937,619,005</b>	<b>6,983,257,235</b>	<b>111,724,657,055</b>

**WEIGHTED ASSESSMENT FOR 2005 APPORTIONMENT**

<b>TAX CLASSES</b>	<b>Transition</b>		<b>Mississauga</b>	<b>Brampton</b>	<b>Caledon</b>	<b>Peel</b>
	<b>Ratio</b>	<b>Discount</b>				
<b>Residential</b>						
Fully Taxable	1.0000	0%	50,456,189,712	26,409,836,150	5,921,279,199	82,787,305,061
Awaiting Development I	1.0000	70%	4,985,700	453,041	13,200	5,451,941
<b>Multi Residential</b>						
Fully Taxable	1.7336	0%	5,312,026,450	1,827,349,959	36,236,522	7,175,612,931
Awaiting Development I	1.0000	70%	3,532,800	1,348,067	-	4,880,867
<b>Commercial</b>						
Fully Taxable	1.2971	0%	16,716,284,616	5,301,487,686	420,452,521	22,438,224,823
Awaiting Development I	1.0000	70%	13,151,700	468,000	-	13,619,700
Vacant/Excess Land	1.2971	30%	401,225,885	178,471,560	28,140,224	607,837,669
<b>Industrial</b>						
Fully Taxable	1.5986	0%	5,203,618,512	2,798,201,143	432,675,613	8,434,495,268
Awaiting Development I	1.0000	70%	22,391,618	4,728,900	101,100	27,221,618
Vacant/Excess Land	1.5986	30%	480,068,683	263,158,530	60,325,266	803,552,479
<b>Farm Land</b>						
	0.2500	0%	2,043,884	25,046,790	74,325,305	101,415,979
<b>Managed Forest</b>						
	0.2500	0%	40,125	1,244,163	12,816,668	14,100,956
<b>Pipeline</b>						
	0.9239	0%	106,047,552	70,116,619	11,472,990	187,637,161
<b>Total</b>			<b>78,721,607,237</b>	<b>36,881,910,608</b>	<b>6,997,838,608</b>	<b>122,601,356,453</b>
General levy shares			<b>64.20941%</b>	<b>30.08279%</b>	<b>5.70780%</b>	<b>100.00000%</b>
Peel Regional Police Shares			<b>68.09620%</b>	<b>31.90380%</b>	<b>0.00000%</b>	<b>100.00000%</b>