

**Budget in Brief** Table of Contents

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## Overview

*The Region of Peel is an upper-tier municipality located in southern Ontario within the Greater Toronto Area (GTA). The Cities of Mississauga and Brampton and the Town of Caledon are the lower-tier municipalities within the Region. It covers approximately 1,225 square kilometres, has a population of 1,102,000 and a work force of 593,000. The Region provides community and infrastructure services that are effectively administered over a large geographic area.*

The municipality is governed by a Regional Council of 22 members with representation as follows:

- Regional Chair (appointed by Council)
- The Mayors of the three lower-tier municipalities
- Nine members of Council from the City of Mississauga
- Five members of Council from the City of Brampton
- Four members of Council from the Town of Caledon

The Region of Peel directly provides or funds (those items in italics) many of the services that impact the day to day activities of its residents including:

Roads	Heritage
Waste Management	Regional Planning
Water	Ambulance and Emergency Programs
Wastewater	<i>Peel Regional Police</i>
Ontario Works	<i>Ontario Provincial Police</i>
TransHelp	<i>Conservation Authorities</i>
Children's Services	<i>Assessment Services</i>
Public Health	<i>GO Transit</i>
Long Term Care	<i>Greater Toronto Area Pooling</i>
Housing Policy and Program	<i>Ontario Disability Support Program</i>

## Service Strategy Business Plan (SSBP) Process

*The foundation for the development of the Region of Peel's Business Plan is the Strategic Plan – Fast Forward Peel: Building a Strong Community Together (for the specific components of the plan, refer to the Strategic Plan in the Overview section of this document). The Strategic Plan guides Council and staff in addressing the changing needs of the people who live and work in Peel and establishes a framework for Peel's work with community partners.*

The 2003 business plan year was the first year the region utilized the SSBP process, a link between the Strategic Plan and the day-to-day work of the departments, divisions and programs. These plans have become the primary corporate planning tool for all departments and reflect the current environment and future trends. The Region's corporate planning process includes the preparation of an annual current and capital budget with a nine-year capital forecast. At the time Council approves the current year budget the forecast is approved, in principle, for planning purposes.

The detailed SSBPs provide Council with strategic workplans, which are required to realize the achievement of the strategic goals. These strategic workplans form an integral part of the organization's performance measurement and review process.

With every new term of Council (three years) a new strategic plan for the Region is developed; a new plan was developed in 2004. At the same time, the departments, divisions and programs undertake a renewal of their SSBPs.

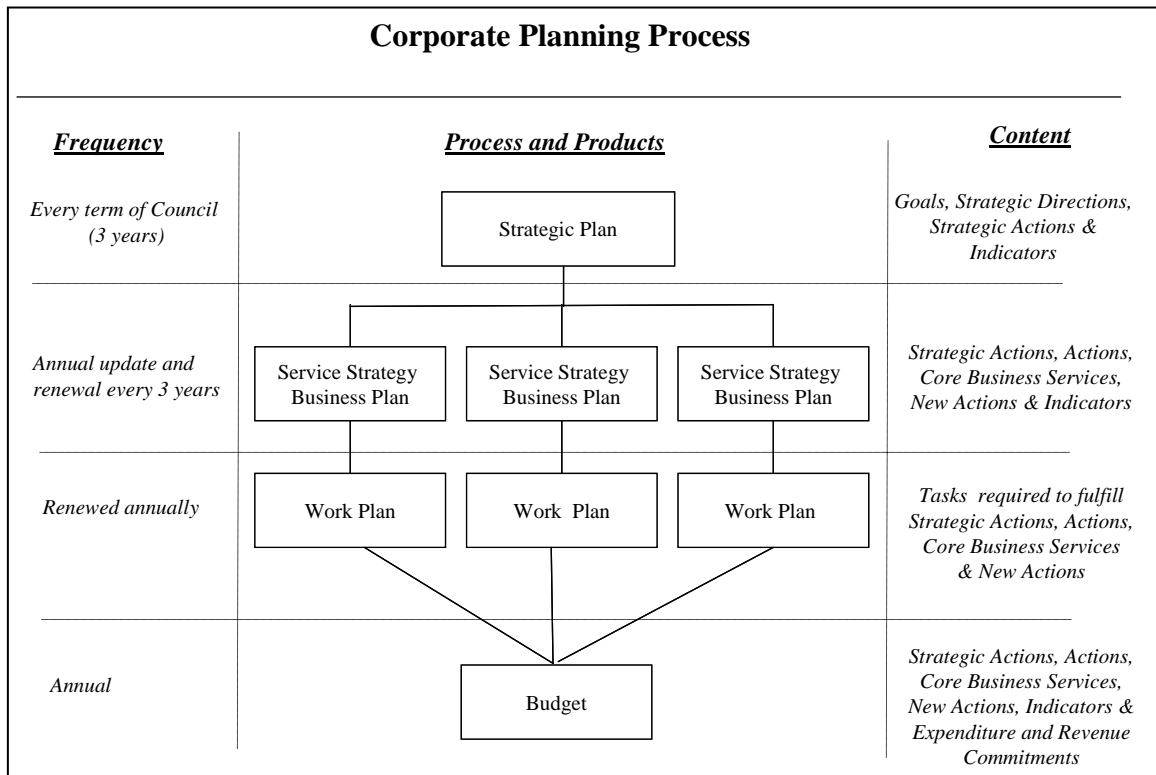
In developing the business plan, key principles are followed including fiscal sustainability, the need for continuous improvement, the use of activity based costing models and the commitment to measure the success of the plan. Success can be measured through such actions as corporate performance measurement, the provincial benchmarking process lead by the Chief Administrative Officers of various municipalities and through the Municipal Performance Measurement Program implemented as part of provincial legislation in 2001.

The Region of Peel utilizes numerous tools in developing and monitoring the success of its business plan. The success of the planning process has been confirmed through accreditation and recognition by the National Quality Institute and the Government Finance Officers Association. These tools include:

- The current budget details the expenditures and revenues approved by Regional Council each calendar year. A two-year operating forecast is included in this plan.
- The capital budget includes details of the expenditures and financing sources approved for capital spending to acquire, construct and maintain Regional assets. The capital forecast provides the long-term view of Regional infrastructure and non-growth related asset acquisition or construction requirements, as well as the related financing sources.

- The Triannual Financial Report and various performance measurement processes and benchmarking exercises are utilized throughout the year to determine the effectiveness and efficiency of service delivery.

The corporate planning processes involving the Strategic Plan, SSBP and Budget are outlined below.



## Service Strategy Business Plan Cycle

*The service strategy business plans (SSBP) are the primary planning tool for the Region and are the link between the Strategic Plan and the day-to-day work of the departments, divisions and programs. They reflect the current environment and future trends and are reviewed and renewed annually.*

For the 2005 budget, departments streamlined and consolidated their plans; eight SSBPs were prepared by Region Controlled Programs and five by Internal Support Services. Region Financed External Organizations are not mandated to follow the SSBP process; therefore, are not included, with the exception of Peel Regional Police.

Every spring, the Chief Administrative Officer (CAO) and the Executive Management Team (EMT) meet to establish objectives for the upcoming budget year. During the months that follow, the program SSBPs are developed, taking into account Regional strategic directions and specific objectives determined by the CAO. These CAO guidelines are an integral part of the Current and Capital Budget Instruction Guide utilized by all business program staff in preparing their budgets. The guidelines include factors such as growth assumptions, legislated changes, funding availability, cost pressures and service level assumptions.

Salary and wage projections are finalized and internal charges are established based on service level agreements between Regional internal support service providers and their clients. The Finance business planning team analyzes and consolidates the program business plans and provides updates to management throughout the process.

The CAO and Treasurer meet with senior management and staff from every program to prioritize unmet needs and establish the program's budget recommendations to Council. Following the CAO/Treasurer reviews, the SSBPs and draft budgets are updated and distributed to Councillors for their review. Special Council meetings (open to the public and press) are set-up to provide program management the opportunity to present the details of their budget for deliberation and approval. Proposed service levels of the draft business plans' financial impacts are discussed at this annual review. Among other things, the discussions revolve around existing service levels, unmet needs, capital forecasts and reserve adequacy in concert with the strategic directions, all of which have been built into the SSBPs. The culmination of this process is approval of a budget that meets Council's strategic direction of maintaining competitive tax and utility rates for the residents of Peel.

## Financial Overview

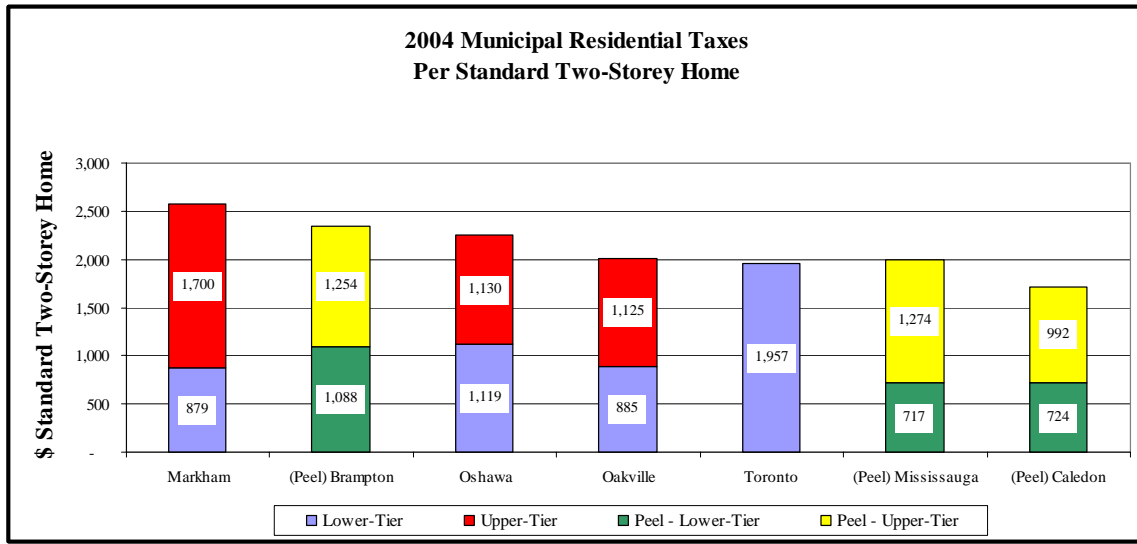
*The provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and the Region's Financial Control By-law guide the Region in its daily operations.*

The Region sets a standard for its financial management through its Strategic Plan – *Fast Forward Peel: Building a Strong Community Together* in conjunction with the provincial statutes and the Region's *Financial Control By-law* (By-law number 2004-45). The 2005 Business Plan supports the achievement of Peel's strategic directions embodied in the Strategic Plan's 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. The principles identified in the *Financial Control By-law* guide management and staff in the execution of their financial management responsibilities.

The *2005 Business Plan* represents the second plan that the Regional Council has approved during its three-year term. The Property Tax Supported Current Budget has resulted in a 3.2 per cent property tax increase. The Business Plan related to Peel Region Police has resulted in a 1.5 per cent increase to support increased policing costs required as a result of continued significant growth in Peel communities. The Business Plan related to Region Controlled Programs (excluding Police) was established with a 1.7 per cent property tax impact notwithstanding growth pressures as well as necessary increases to service levels and the Region's practice of allowing assessment/tax growth to offset resulting program growth. This increase translates into a \$44 annual property tax increase to \$1,408 for an average single family home assessed at \$292,500.

**Table 1** provides comparative residential tax data with other regions based on a standard two-storey home; Peel's three municipalities are presented individually. This indicates that for 2004 Peel residents enjoyed rates which were competitive with other municipalities within the GTA.

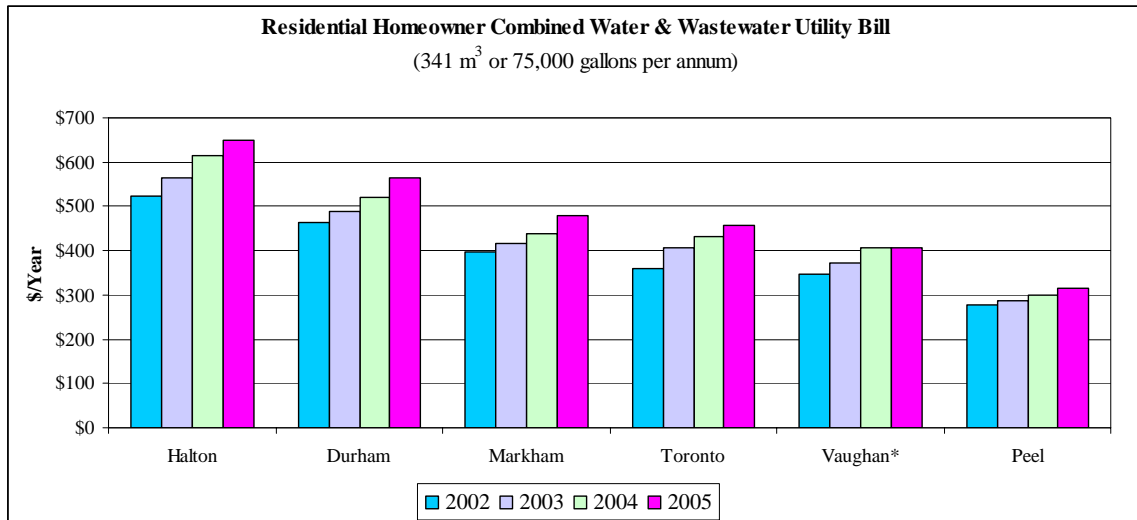
**Table 1**



The approved 2005 Utility Rate Supported Current Budget includes a 5.0 per cent increase in the water and wastewater rates, effective April 1, 2005. The increase translates into a \$15 increase in 2005, for a total average household cost of \$313.

The Region continues to maintain the lowest combined water and wastewater rates in the GTA. Operations continue to be debt-free; therefore the rates do not include any debt interest component. Table 2 presents a four-year view of comparative residential homeowner combined rates.

**Table 2**



\* Rates change in July

The Region will finance the \$2.7 billion 10-Year Capital Plan from a combination of development charges, reserves and external sources dedicated to capital projects while endorsing Peel's tradition of sustainable infrastructure financing that positions the Region for continued economic growth.

## **Economic Environment in Peel**

### **Introduction**

During 2004, growth in the Region of Peel remained at a relatively high level, continuing the trend observed over the past decade. The sustained growth reflected some positive macroeconomic factors such as the maintenance of a historically low interest rate environment which continued to support housing demand and drive very high levels of residential construction activity. The Region's economy remained strong, resilient and diversified and therefore continued to be attractive to new businesses and residents.

In order to continue to support positive changes in the region, the business plan for the Region of Peel remained focused on efficiently managing growth thereby ensuring that the standard of service, and service delivery remain competitive.

### **Current Developments**

In 2004, the Canadian economy was in a recovery mode, emerging from the numerous challenges which characterized the economy in 2003. To continue to support the recovery process, interest rates remained at historically low levels. As a result, both the Ontario (2.3 per cent) and Canadian (2.7 per cent) economies are estimated to have registered stronger levels of growth in 2004, relative to the growth (1.6 per cent and 2 per cent respectively) registered in 2003.

Notwithstanding the sustained growth, the year 2004 was characterized by its own challenges. These included:

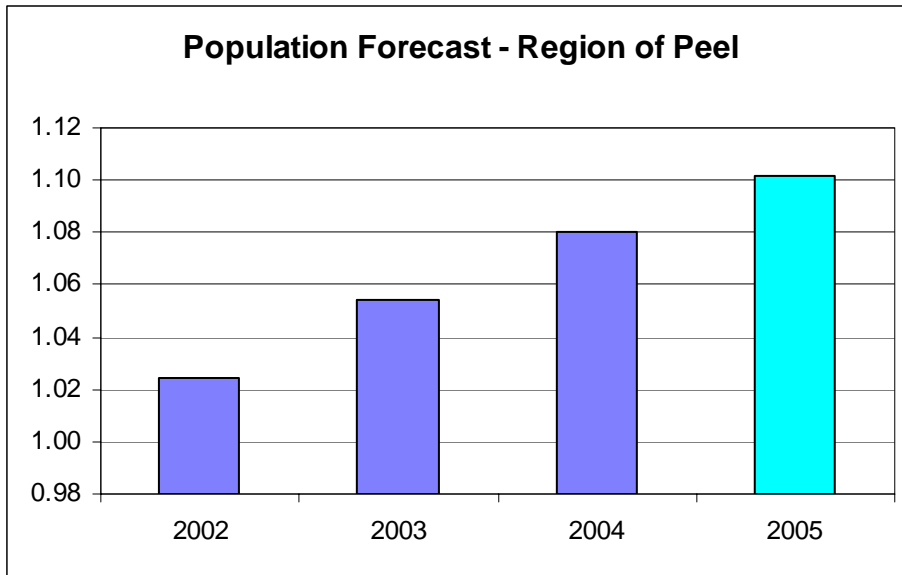
- A slowdown in the US economy during the second half of 2004;
- A further 7.7 per cent appreciation of the Canadian currency; and
- Higher international oil prices.

These factors impinged on the performance of export oriented sectors and constrained growth in employment and output during the year.

### ***The Region of Peel***

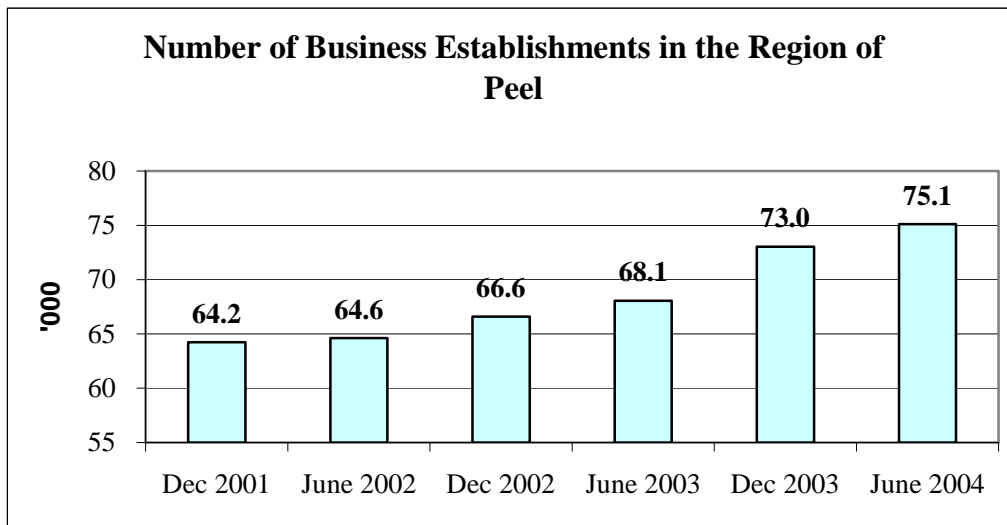
The Region of Peel remained one of the fastest growing regions in Canada, attracting an increasing number of new residents and businesses during 2004. Peel's population growth was estimated at 2.5 per cent in 2004 pushing the total population to approximately 1.1 million people.

**Table 3**



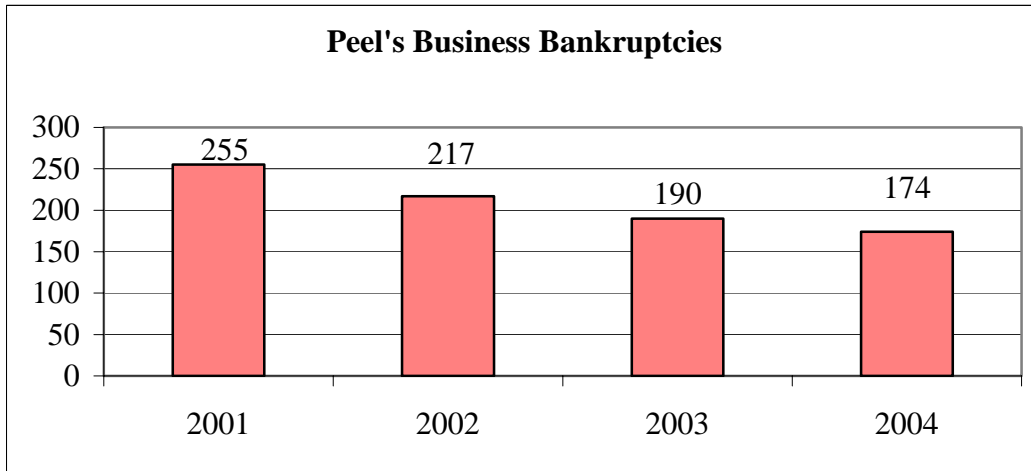
The business sector also expanded during the year. The total number of business establishments in the region as of June 2004, was 75,107, an increase of 10 per cent over that registered in June 2003. The increase was broad based, reflecting growth in both the goods producing and services sectors.

**Table 4**



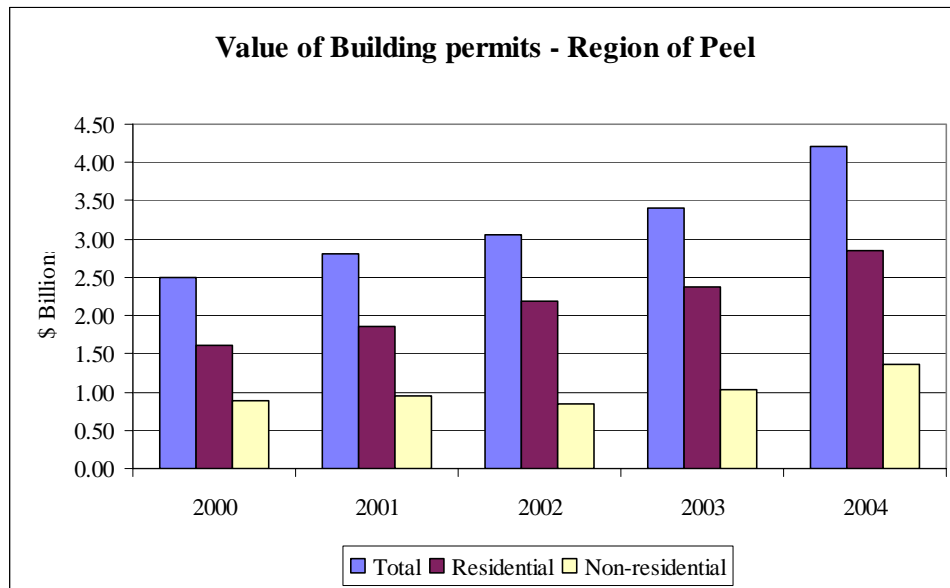
In addition to the growth in Peel’s business sector, the number of business bankruptcies recorded in the region continued to decline, suggesting the existence of a relatively stable and positive business environment in the local business sector. In 2004, the total number of business bankruptcies recorded was 123 a decline of 10.2 per cent compared with those recorded in 2003.

**Table 5**



Broad macroeconomic changes were also influential in the changes in Peel in 2004. On the positive side, the maintenance of the low interest rate environment continued to support growth in the region's construction sector. The value of building permits issued in 2004 increased by 23.4 per cent to surpass the \$4 billion mark for the first time. Both residential and non residential permits registered increases.

**Table 6**



The level of housing starts remained at historically high levels. In 2004, there were 11,603 residential housing starts in the Region of Peel, well above the annual average of 8,847 registered during the previous 10 year period; however, not as high as the levels attained in 2002 and 2003.

Table 7

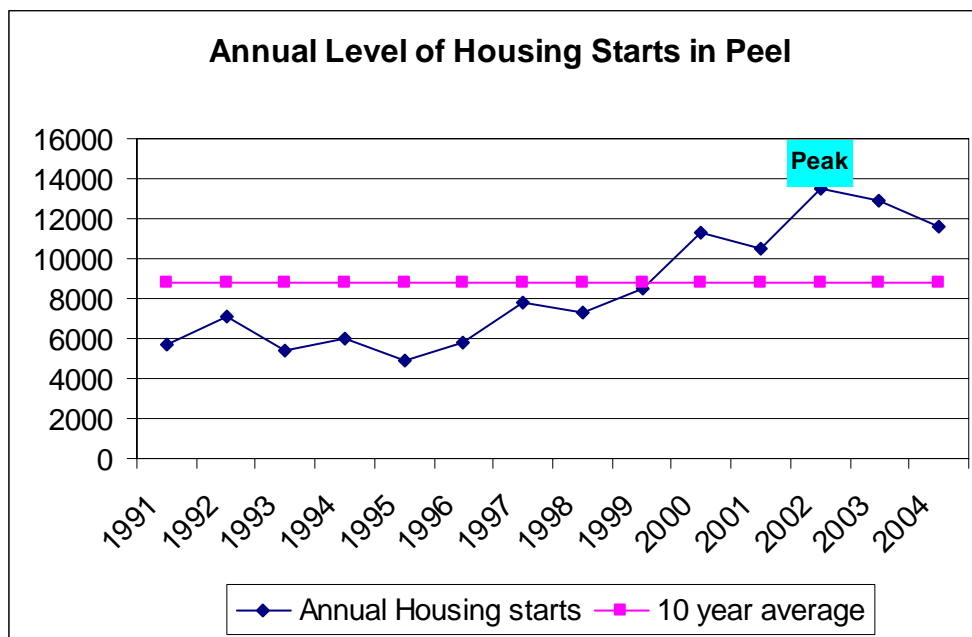


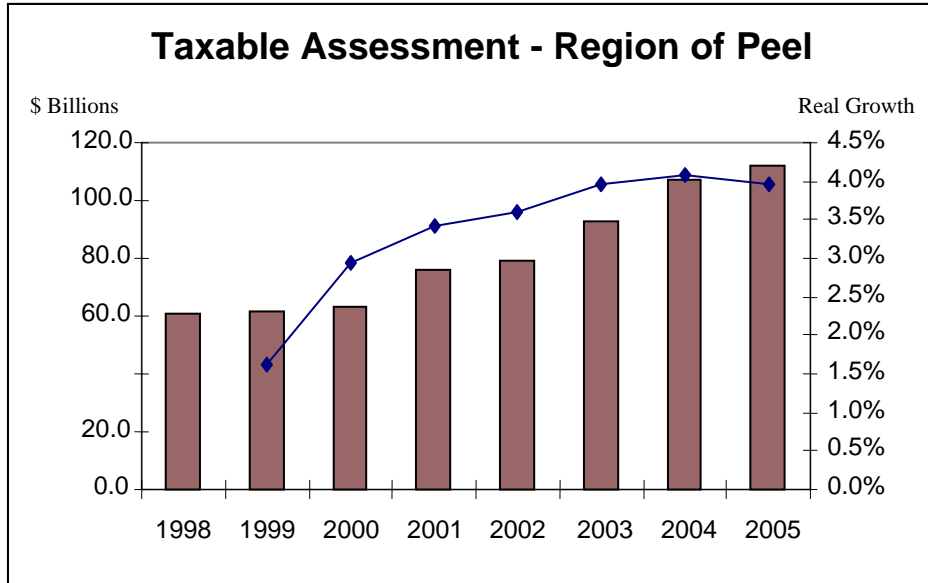
Table 8

REGION OF PEEL			
RESIDENTIAL HOUSING STARTS - JANUARY - DECEMBER 2003 - 04			
LOCATION/TYPE	2003	2004	% Chg. 04/03
<b>GTA</b>	<b>50,208</b>	<b>46,372</b>	<b>-7.6%</b>
Singles	22,772	21,593	-5.2%
Multiples	27,436	24,779	-9.7%
<b>TORONTO CMA</b>	<b>45,475</b>	<b>42,115</b>	<b>-7.4%</b>
Singles	19,626	19,076	-2.8%
Multiples	25,849	23,039	-10.9%
<b>REGION OF PEEL</b>	<b>12,874</b>	<b>11,603</b>	<b>-9.9%</b>
<b>Brampton</b>	<b>6,425</b>	<b>6,670</b>	<b>3.8%</b>
Singles	4,456	5,114	14.8%
Multiples	1,969	1,556	-21.0%
<b>Caledon</b>	<b>600</b>	<b>583</b>	<b>-2.8%</b>
Singles	431	499	15.8%
Multiples	169	84	-50.3%
<b>Mississauga</b>	<b>5,849</b>	<b>4,350</b>	<b>-25.6%</b>
Singles	1,507	1,237	-17.9%
Multiples	4,342	3,113	-28.3%

The strong demand for Peel as a destination of choice for residents was not only evident in the new housing market. Peel’s housing resale market also remained buoyant. A total of 20,091 single family residential housing units were sold in 2004, up 6 per cent from the previous year. This was just above the 5.8 per cent growth recorded in the Greater Toronto Area (GTA).

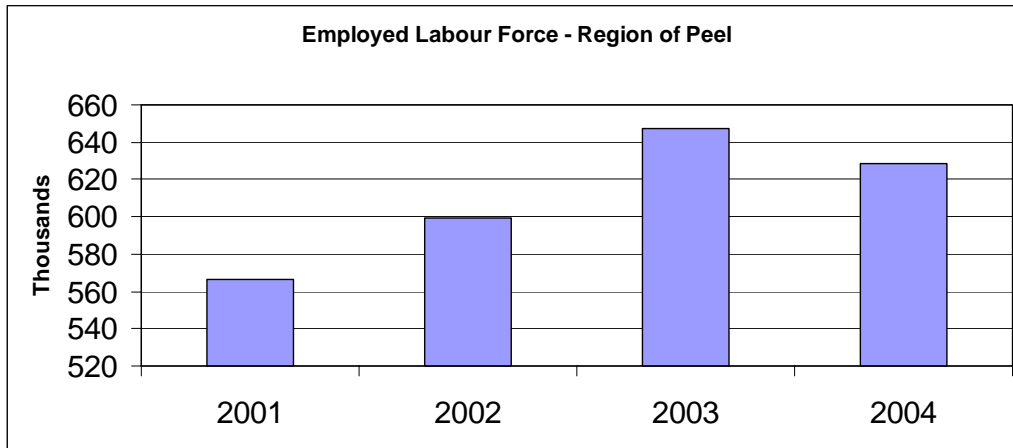
Supporting the sustained expansion in the region, the assessment base of the Region of Peel continued to increase at a brisk pace. In 2004, the taxable assessment base increased by 4 per cent. Residential assessment continued to lead the growth with a 4.5 per cent increase. Non residential assessment increased by 2 per cent.

**Table 9**



The Region of Peel and the broader GTA were not insulated from the challenges which emerged in the Canadian economy in 2004. The slowdown in the US economy, and the appreciation of the Canadian currency combined with increased production cost associated with the increase in the international price of oil constrained export activities in oriented sectors, and other sectors whose activities are closely linked to export. These were particularly more evident towards the latter half of the year as the impact of the currency appreciation became more pronounced. In particular, activities in the manufacturing, trade, transportation and warehousing sectors were affected. This affected employment negatively. For the full year, total employed labourforce in Peel declined by 2.8 per cent, contributing to an increase in the region’s unemployment rate from 7.4 per cent in 2003, to 8 per cent in 2004.

Table 10



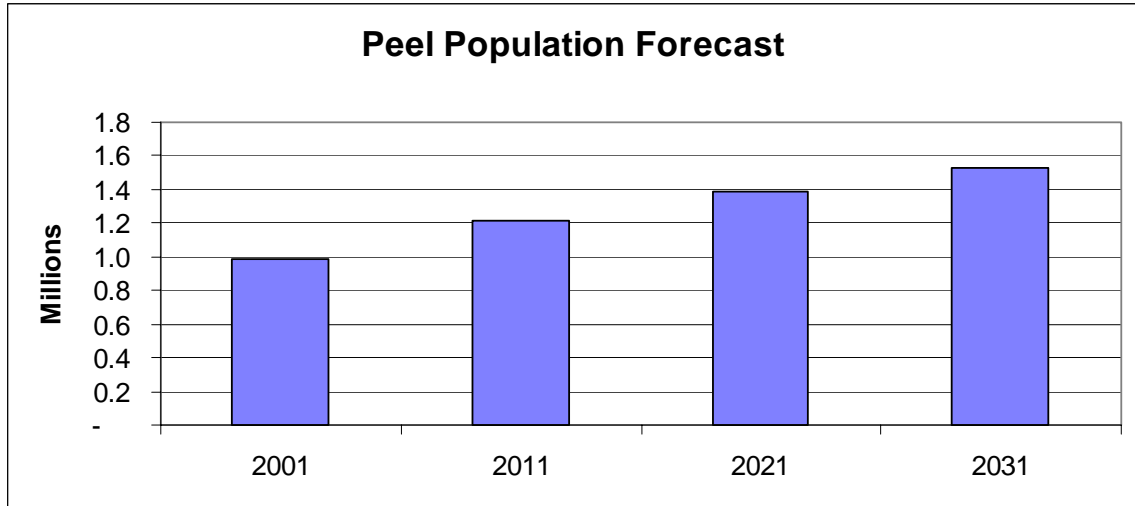
### Projected outlook

The medium to long term outlook for Peel's economy remains positive. The region remains a destination of choice for new residents and businesses given a number of strategic advantages which it has. These include the following:

- The region is strategically located close to the world's largest market, the USA and provides an important gateway to that market;
- The Region of Peel is serviced by a sophisticated series of road network, comprised of six major highways; and
- Peel is located in the GTA, allowing its residents to benefit from activities in one of the most vibrant economic centers of Canada.

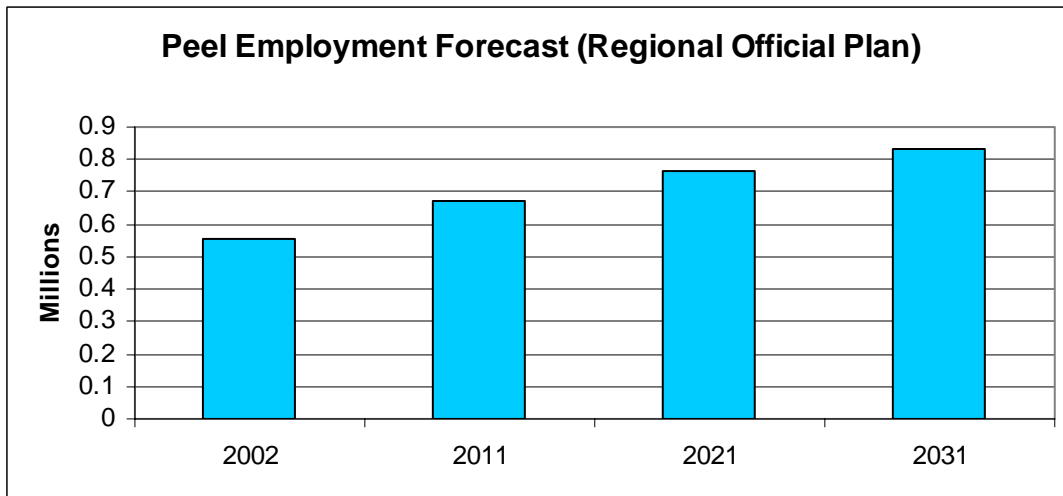
Reflecting these factors Peel's population is expected to continue to increase by an average of 3 per cent over the medium to long run, reaching 1.524 million by 2031.

**Table 11**



As the Region expands to accommodate an increasing population and hence an increasing pool of labour, it will become even more attractive to new businesses. As such, employment generated in Peel is also expected to increase over the long term, moving up by a projected 56 per cent in the next 30 years to reach approximately 823,000 jobs.

**Table 12**



Short run changes in Peel are expected to be more mixed reflecting the combined influences of factors at the local and broader national levels. On the positive side, the region’s assessment base is expected to continue to grow at a healthy pace. In addition, the housing sector is expected to remain at elevated levels given the maintenance of a relatively low interest rate environment.

However, some short term challenges are likely to affect the region's economy. In 2003 and 2004 the Canadian currency appreciated 12.1 per cent and 7.7 per cent respectively. As a consequence the export sector is likely to experience a reduction in external demand for its products resulting in some contraction in the sector.

Although the currency appreciation had some negative consequences, it did however allow Canadian businesses the opportunity to retool at lower costs and emerge from this period more efficient and productive.

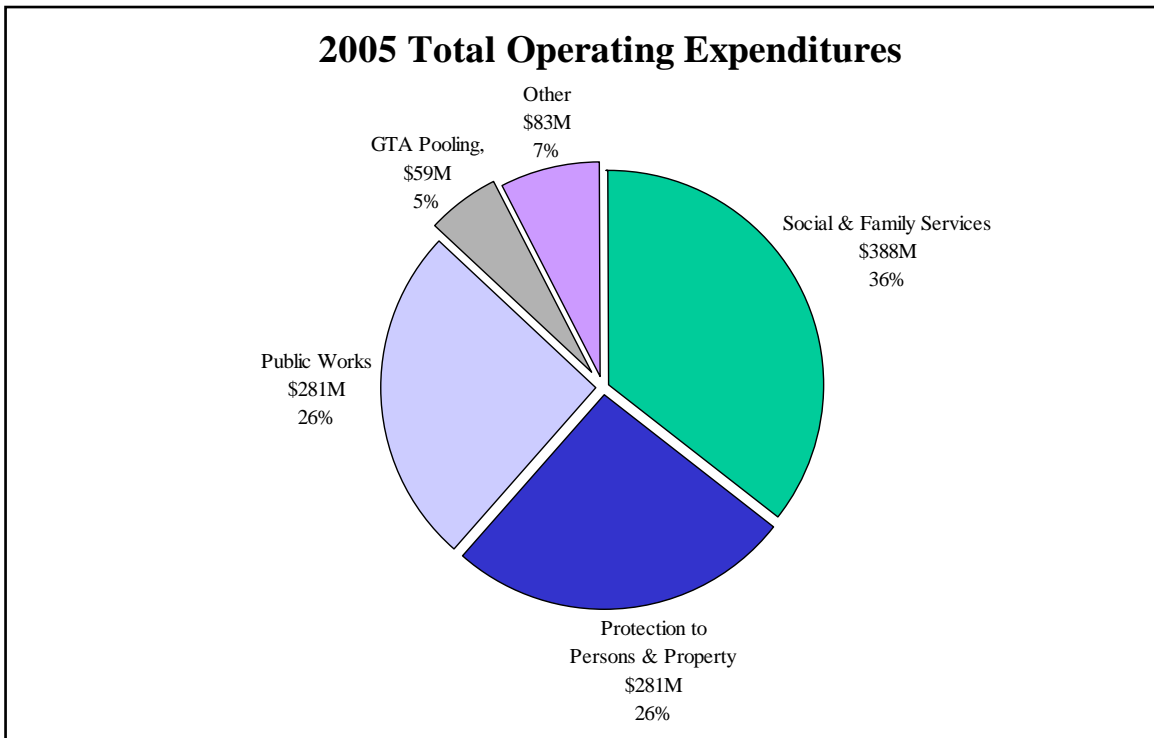
The Region of Peel remains well positioned to continue to support growth with strong and effective fiscal management, ensuring economic fundamentals remain positive. As the region continues to grow, the Region of Peel will continue to deliver quality service while meeting the needs of a growing community. At the same time, the Region has, and will continue to ensure that tax and utility rates remain competitive. Full control over fiscal issues is therefore critical if the Region is to achieve these objectives while still being in a position to accommodate any necessary program adjustments.

The existing pooling of social assistance and social housing arrangements in the GTA affords the Region little control over these issues. The pooling arrangement also presents a number of other challenges to the Region of Peel, the most critical being the limitation that it places on the Region's financial flexibility to deal with its own expenditure pressures. Council continues to engage the provincial government to limit, if not eliminate, the fiscal impact of these income redistribution programs on the property tax base.

## Distribution of Total Program Expenditures

Municipalities in Ontario cannot finance their current operations through debt and are required to present a fully financed budget each year. Table 13 presents the Region's 2005 Current Budget total program expenditures for all Region funded programs of \$1.1 billion, which includes both the Property Tax Supported programs and the Utility Rate Supported programs. Descriptions of the classifications presented follow the table.

Table 13



**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.

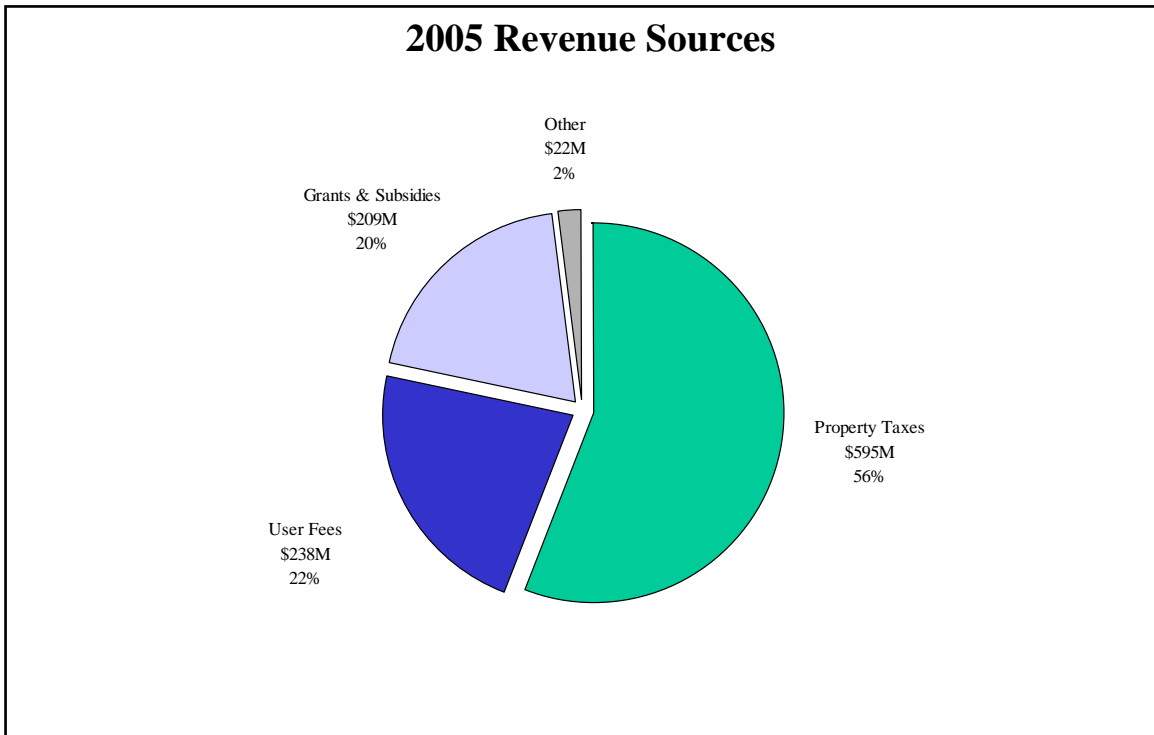
**Other** includes Regional Planning, Heritage, Non Program, Internal Support Services, Assessment Services, Ontario Disability Support Program and GO Transit.

**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 2005 Total Operating Expenditure for both Property Tax Supported and Utility Rate Supported programs is \$1.1 billion. The major funding sources of property taxes, user fees, grants and subsidies required to balance the budget are outlined in Table 14.

**Table 14**



### Property Taxes

The Region obtains the most significant portion of its funding from property taxation. In 2005, \$595 million or 56 per cent of total Region funding will be provided by a direct tax levy on the three area municipalities for upper tier purposes. This represents an increase of \$38 million over 2004 net levy of \$557 million. Fifty-one per cent, or \$19.5 million, of the increase is funded by a 3.5 per cent growth in the property assessment base. The balance of the budget increase, or \$18.5 million, translates into a 3.2 per cent proposed tax increase. This increase translates into a \$44 annual property tax increase to a \$1,408 for an average single family home assessed at \$292,500.

Residential, industrial and commercial growth is forecasted to continue into the foreseeable future.

The Region's 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 and utility rates. In 2005, \$238 million or 22 per cent of total funding 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 totaling \$166.3 million for water and wastewater services. Effective with April 1, 2005 billing, the water and wastewater rates will increase by 5 per cent.

In addition to these revenues, a further \$71.9 million is collected by other 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 at Long Term Care centres, Child Care centres and the TransHelp transit service, based largely, on the client’s ability to pay in order not to restrict access to services to those most in need.

## Grants and Subsidies

In 2005, \$218 million or 20 per cent of total Region funding will be provided by provincial and federal grants and subsidies. These grants are tied directly to legislated cost sharing arrangements whereby provincial funding will adjust with approved spending, included in the following chart:

**Table 15**

### Provincial Conditional Grants

<i>Regional Program</i>	<i>Program Costs*</i>	<i>Administrative Costs*</i>
Ontario Works	80%	50%
Children’s Services	80%	50%
Public Health		
- General Programs	55%	55%
- Healthy Babies, Healthy Children Program	100%	100%
Ambulance and Emergency Programs		
- Ambulance	50%	50%
Long Term Care	49%	49%

\*subject to budgetary caps and other restrictive conditions

In addition, the province is providing funding within the federal housing transfer to Ontario, to municipalities to be used for housing. The Region's total allocation for 2005 has been set at \$24.3 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. The province has scheduled five year reconciliations of the federal funding, with unknown consequences. Service managers are already facing substantial liabilities as necessary repairs deplete the Housing Provider capital reserves. Surpluses will only partially offset these liabilities.

Longer-term projections of this revenue source are difficult to make due to uncertainty of the provincial government's mandated direction. While the province has traditionally 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 \$22 million or 2 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 2005 PILTS revenue is \$9.5 million; the majority of the budgeted revenue is associated with receipts from the GTAA.

The 2005 net investment income of \$3.1 million reflects the expectation that the Region will be in a positive working capital position in 2006.

Contributions from reserves and reserve funds provide \$27.5 million of the 2005 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 2005 Current Budget, additional taxes collected are expected to exceed the write-offs/refunds by \$9.4 million.