

Message from the Chief Financial Officer and Commissioner of Corporate Services

The Region continues to be one of the fastest growing municipalities in Ontario with residents increasing on average by 34,000 each year. In 2008, growth in population, coupled with a declining global economy, exerted additional pressures on the demand for various services provided by Peel including income and employment supports, social housing and the cost of child care. Although presented with this challenging environment, Peel was able to sustain a high level of service to its residents while minimizing the impact on tax and utility rates.

Peel remains debt-free and maintained the highest credit rating attainable by a municipality – a Triple A credit rating from both the Dominion Bond Rating Service Limited and the Standard and Poor's Rating Services. Underpinning this rating is Peel's balance sheet strength, reflecting its manageable debt levels and exceptional liquidity. The credit rating agencies anticipate that although facing a global recession and an expected decline in reserves and cash balances, the financial outlook for Peel remains stable. To support this outlook, the Region remains committed to its four fiscal pillars of debt avoidance, growth management, sustainability and valuing partnerships.

Peel Region is a key partner in the Greater Toronto Area (GTA), working closely with its peers to develop and share best practices. By participating in partnerships such as the Ontario Municipal Benchmarking Initiative, a project to push for service excellence in municipal government, the Region benefits from innovative ideas related to private and public sector projects.

Reflecting Peel's commitment to remaining fully accountable to its citizens and taxpayers, our Finance group was awarded the Canadian Award for Financial Reporting for the seventh consecutive year. The award is considered the highest form of recognition for excellence in governmental accounting and financial reporting.

The Regional Economy

In 2008, broad macroeconomic conditions deteriorated and provided a more challenging environment in which the Region's economy operated. Reflecting this, some key growth variables in Peel registered less positive changes in 2008 relative to those registered in 2007. These included:



Peel Regional Paramedics responded to over 80,000 emergency calls in 2008.

- A fall in construction activities;
- A decline in Peel's labour force and employment;
- Sustained weakness in Peel's manufacturing; and
- An increase in Ontario Works caseloads.

Notwithstanding the less positive macroeconomic environment, local economic conditions remained fairly positive. The Region of Peel remained a destination of choice for both residents and businesses, given its location and its highly developed transportation network. As a result, some variables in Peel remained positive in 2008. These included:

- A 2.0 per cent increase in total population from 1.18 million in 2007 to 1.2 million in 2008;
- A 2.09 per cent increase in total taxable assessment base; and
- A 0.7 per cent increase in the number of business establishments in Peel.

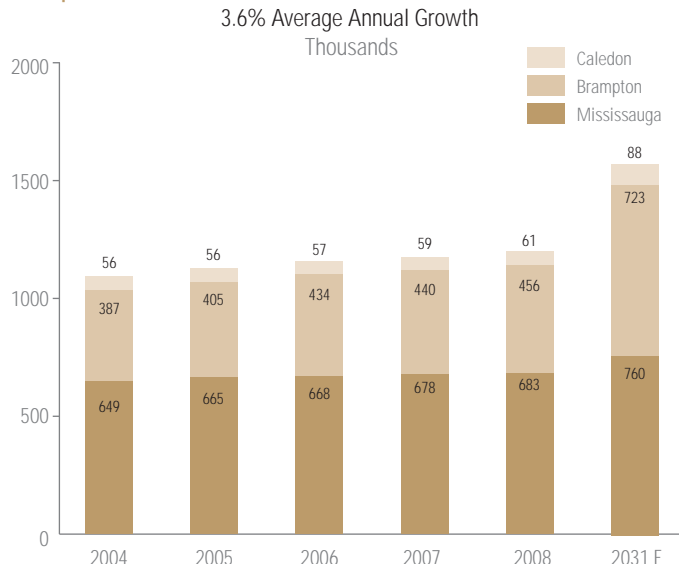
The protracted economic downturn in the United States and its expected negative impact on the Ontario and Canadian economies will provide a challenging economic environment for Peel in 2009. In particular, the expected lowering of external demand will constrain economic activities in Peel given the importance of exports to its economy. The highly export-oriented manufacturing sector is expected to remain challenged and continue to be a drag on employment and business growth in 2009. The forecast for further slowing in personal consumption expenditure is also expected to continue to weigh on Peel's residential construction.

Despite facing numerous challenges, Peel's economy is expected to remain strong, diversified and resilient, with a relatively large business sector. These characteristics should help the economy to weather the current economic storms and emerge ready to take advantage of the economic boom which is expected to follow in the medium-term. As a result, medium-term to long-term prospects for the Peel economy remain positive.

The following is further discussion on some of the prime economic indicators evident in Peel during the year.

Growth in total population: Peel remained an attractive destination for new residents in 2008 as population climbed to an estimated 1.2 million residents, with both Brampton and Caledon registering strong growth at 3.6 and 3.4 per cent respectively. Peel's population growth is expected to remain steady at around 2 per cent in 2009, pushing population to 1.22 million residents.

Population from 2004 to 2008 with Forecast to 2031



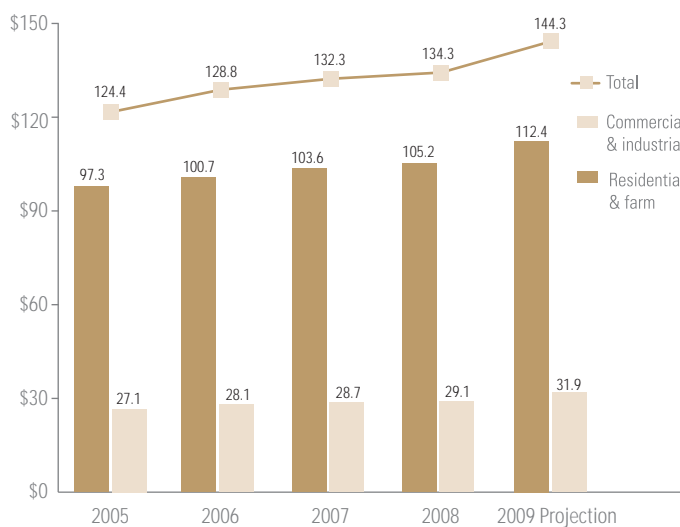
Sustained increase in total taxable assessment base: The total taxable assessment base in Peel continued to increase in 2008, climbing by 2.09 per cent. This was an increase from the 1.57 per cent attained in 2007 but below the five year average of 2.8 per cent. The increase achieved in 2008 is not expected to be the beginning of a new trend, as annual assessment growth is expected to continue its downward trend going forward. This trend will be exacerbated by the ongoing economic downturn.

A 43 per cent decrease in the total value of building permits issued: Building intentions measured by the total value of building permits issued decreased in 2008 by 43 per cent to \$2.07 billion. The decline in building permit value was broad based, occurring across both the residential and the non-residential sub-sectors as well as across all three area municipalities. In terms of categories, the residential sub-

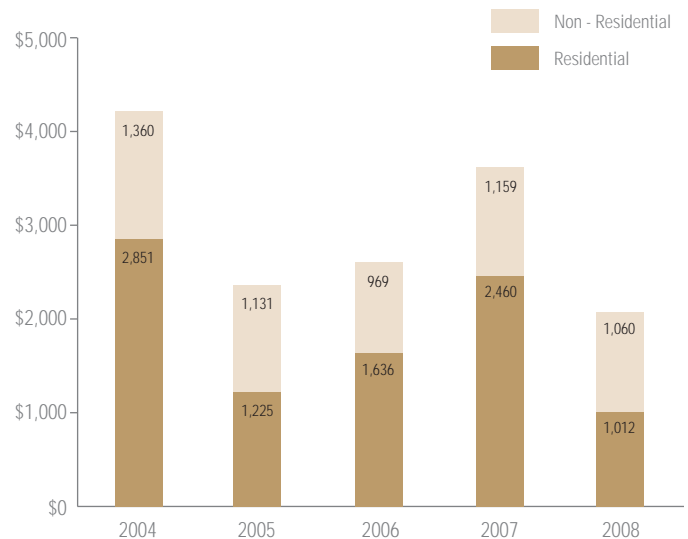
sector at \$1.01 billion led the decline with a decrease of 58.9 per cent. The strong decrease in building permits was influenced by the less positive economic conditions and the after effects of the revision of the Region's Development Charges By-law which triggered a surge of building permit applications in 2007.

The number of housing starts, an indicator of actual construction activities, continued its downward trend in 2008: The drop of 7 per cent to 7,342 units marks the sixth consecutive year housing starts have declined. The most noticeable decline was in the single unit segment of the market with 2,074 starts, down 57.4 per cent. Growth in the multiple unit segment bounced back from a 35.6 per cent decline in 2007 to register a relatively strong 74.0 per cent increase in 2008. The sustained reduction in the number of housing starts in Peel reflected a retreat from

Taxable Assessment from 2005 to 2009
Average annual growth = 2.8% on total normalized assessment
\$ Billions



Building Permits Issued from 2004 to 2008
\$ Millions





The Water Efficiency Program (Water Smart Peel) saved over 3,000 megalitres of water, which resulted in a saving of approximately 2,000 megawatts of electricity (equivalent to 671 tonnes of carbon dioxide emissions).

historic and unsustainable levels of activity in 2002 – 2003. Current levels of activity in Peel’s housing market are now more consistent with the sustainable long-term growth levels.

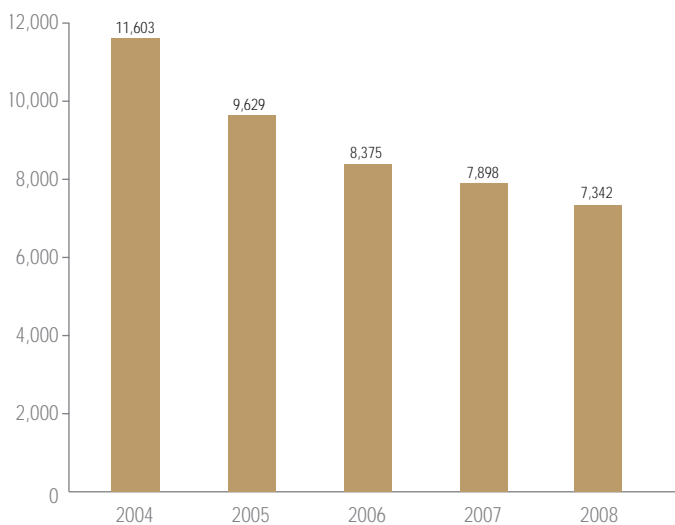
As the level of activities in the construction sector continued to trend down, Peel’s labour market registered a decline in the number of persons employed in the sector. Total employment in the construction sector declined by 5.2 per cent in 2008, the second consecutive year employment has declined in this sector.

Decreased sales in Peel’s residential housing resale market: In 2008, negative changes also characterized Peel’s residential resale housing market. The number of single family residential housing units sold in Peel was 17,245 units, 21.4 per cent lower than the amount sold in 2007.

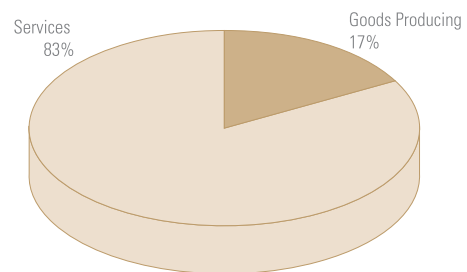
Despite the influence of a less positive macroeconomic environment, Peel’s business sector remained resilient and continued to increase in 2008, albeit at a reduced rate: As at December 2008, there were 86,611 business establishments in Peel with 72,080 establishments, or 83 per cent, in the service sector and the remaining 17 per cent in the goods producing sector. The number of businesses in the goods producing sector remained relatively flat at 14,531 businesses. While the 0.6 per cent growth was positive, the rate of growth decelerated compared with the 4.2 per cent attained in 2007.

The slow down in the growth rate in the business sector was accompanied by an increase in the number of business bankruptcies registered. A total of 282 business bankruptcies were recorded in 2008, up 6.8 per cent relative to 2007.

Housing Starts
8,969 Annual Average



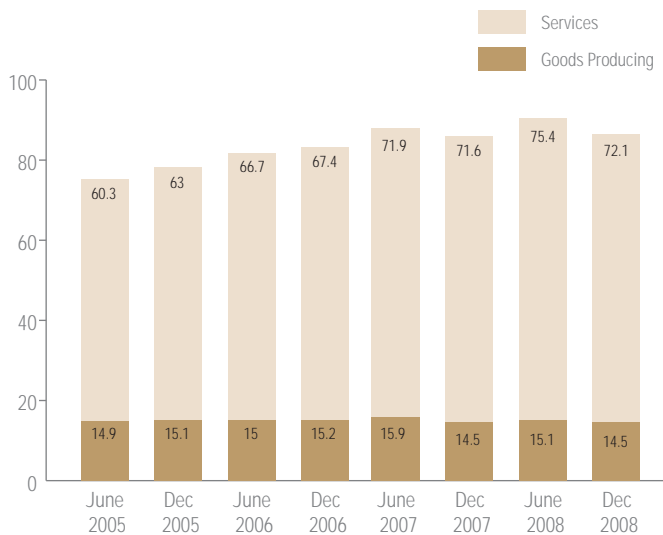
Total Business Establishments 86,611



Source - Statistics Canada

Peel Business Establishments by Major Category

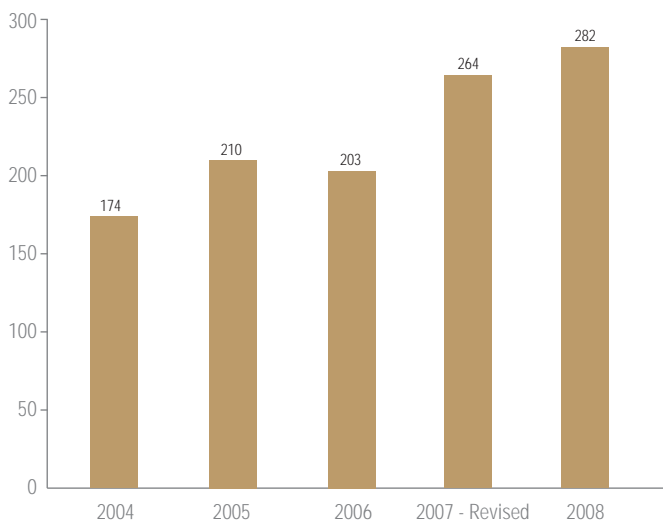
Thousands



After a first quarter growth in Peel's labour force and employment, labour market conditions for 2008 deteriorated relative to what was attained in 2007. Labour market conditions showed sustained deterioration during the final three quarters resulting in the total labour force and total employment declining by 5.4 and 5.1 per cent respectively for 2008. A 7.6 per cent decline in full-time positions was partially offset by a 10.1 per cent increase in part-time employment. The goods producing sector declined 11.2 per cent including 18,000 positions lost in the manufacturing sector. In the service sector, full-time employment declined by 3.0 per cent from 2007.

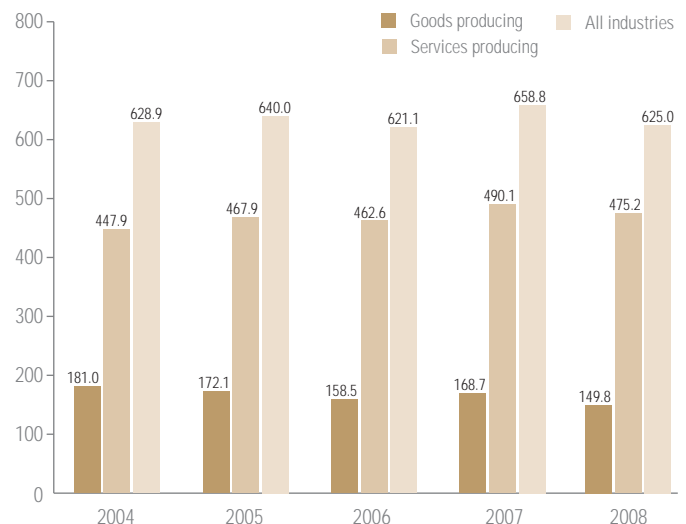
Although employment decreased by 5.1 per cent in 2008, the larger 5.4 per cent decrease in the number of persons entering the labour force resulted in a decrease in the unemployment rate in Peel from 6.9 per cent in 2007 to 6.6 per cent in 2008.

Business Bankruptcies



Employed Labour Force

Thousands





Story time during Literacy Month at Brampton West Learn.Play.Care. Child Care Centre, one of 12 Regionally-owned and operated child care centres.

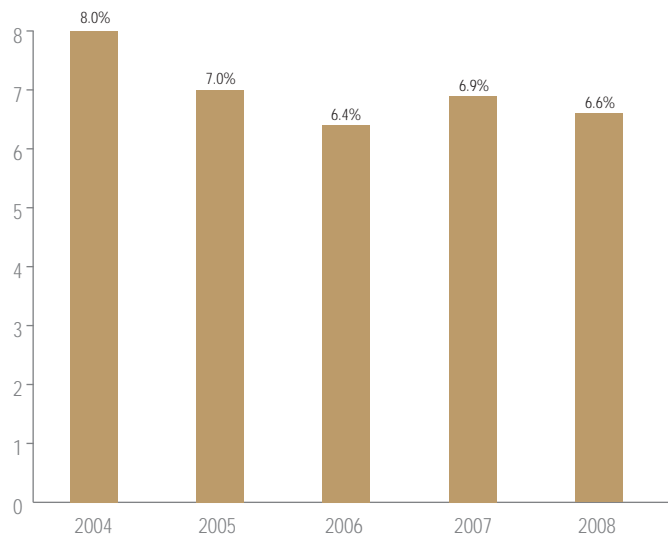
Employment Profile	2002	2003	2004	2005	2006	2007	2008	Change 2008 / 2007
Total labour force	646.5	698.5	683.3	688.5	663.6	707.9	669.4	-5.4%
Employed labour force	599.2	647.0	628.9	640.0	621.1	658.8	625.0	-5.1%
Full-time	514.3	557.4	540.4	545.1	527.0	568.2	525.1	-7.6%
Part-time	84.9	89.6	88.5	94.9	94.1	90.7	99.9	10.1%
Unemployed	47.3	51.5	54.4	48.5	42.5	49.1	44.4	-9.6%
Unemployment rate (%)	7.3	7.4	8.0	7.0	6.4	6.9	6.6	-0.3
Employment by Industry								
Goods producing	166.9	174.6	181.0	172.1	158.5	168.7	149.8	-11.2%
Services producing	432.3	472.4	447.9	467.9	462.6	490.1	475.2	-3.0%

Source: Labour Force Survey; Statistics Canada

Throughout 2008, the deterioration in global economic conditions impacted negatively on world demand and this resulted in less positive performances in sectors dependent on or with close linkages to export activities such as the goods producing sector. The loss of jobs in the goods producing sector resulted in the loss of jobs in the services producing sector.

Alongside the deteriorating labour market conditions in Peel, the number of Ontario Works cases increased during 2008. The average number of cases assisted each month were 9,975 cases up 4.5 per cent, relative to the 9,548 cases registered in 2007. This increasing trend started in 2001 and was only interrupted in 2007 when the total number of cases declined by 2.2 per cent.

Unemployment Rate



Peel's economy will continue to face challenges in the short run given the continuation of economic slowdown in the worldwide economy. However, the long-term economic prospects for Peel remain positive given the existence of a number of strategic and economic advantages. Peel is located in the largest economic centre of Canada, serviced by a number of major highways and the gateway to the large U.S. market. In addition, the economy remains resilient and diversified and is expected to remain an attractive destination for both residents and businesses, allowing for sustained economic growth and development.

Corporate Planning Process

The Corporate Planning Process begins with our fifth Strategic Plan titled, *Region of Peel Strategic Plan V: 2007 – 2010*. This plan, solidly built on extensive consultations with community stakeholders, employees and Councillors, guides Council and staff in addressing the changing needs of the people who live and work in Peel. The Strategic Plan describes how we will achieve the Region's vision and mission. The vision is for Peel to remain a healthy, vibrant and safe community that values its diversity and quality of life. Peel's mission is to serve its changing community through leadership, partnership and service excellence.

The Strategic Plan establishes a framework for our work with community partners and furthermore, enables the Region to establish priorities to support a broad range of interests. It is our high-level plan that focuses on the future of Peel, and it builds on the successes and lessons of the Region's previous four plans. The process for developing the Strategic Plan is inclusive. The Region uses focus groups with employees, volunteers, multicultural community agencies and community stakeholders for direct feedback.

Each spring, the Chief Administrative Officer (CAO) and the Executive Management Team meet to establish objectives for the upcoming budget year and acquire a better understanding of the pressures being faced by the various programs. This process provides the basis to the CAO guidelines for Current and Capital Budget development and a report to Council on budget pressures. The CAO guidelines are the foundation for the *Current and Capital Budget Instruction Guide* used by all business program staff. The guidelines indicate factors such as growth assumptions, legislative changes, funding

availability, cost pressures and service level assumptions. 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. In the fall, the CAO and the Chief Financial Officer meet with senior management and staff from every program area to prioritize unmet needs and establish program budget recommendations to Council. The Region's Corporate Planning Process includes the preparation of annual Current and Capital Budgets with a further nine-year capital forecast.

The Current Budget includes the expenditures and revenues approved by Regional Council for the period from January 1 to December 31 each year. A two-year operating forecast is also included in the business plan.

The Capital Budget includes the expenditures and financing sources to acquire, construct and maintain Regional assets approved for capital spending.

The Ten-year Capital Plan provides the long-term view of the Regional infrastructure and non-growth related asset acquisition or construction requirements as well as the related financing sources.

Audit Subcommittee

The Audit Subcommittee was established in 1995 to ensure that the business of the Region is conducted in a fiscally responsible and accountable manner. The Subcommittee is comprised of the Regional Chair (Ex-officio), the Chair and Vice-Chair of the Management Section of the General Committee and must include one member from each of the area municipalities. Concurrent representation from



The Region of Peel contributed over \$2 million to the construction of a new road connection to Highway 427 that opened in 2008. The partnership involved York Region, City of Vaughan, the Region of Peel and the Government of Ontario.

Peel Housing Corporation is included in the membership.

One responsibility of the Subcommittee is to oversee the financial and management reporting in order to assure the General Committee and Peel Housing Corporation Board of Directors that information reported by management at the Region of Peel and Peel Housing Corporation reasonably portrays the financial condition, results of operations, plans and long-term commitments of those organizations. Beside the financial reporting process, other oversight responsibilities are the system of internal control and the internal and external audit processes.

The mandate of Internal Audit at Peel is to provide independent, objective assurance and advisory services in an accurate, methodical, professional and credible manner for management and Council, to ensure that residents can have confidence in the way Peel is being managed. Internal Audit uses a systematic and disciplined approach to assess risk and evaluate the effectiveness of risk mitigation, control and governance processes.

Financial Management and Control

The financial management and control of the Region of Peel is governed by the Financial Control By-law, the Purchasing By-law and various other by-laws that prescribe the accounting, investment, risk management procedures and debt policy. Council has the authority to allocate funds through the approval of the Current and Capital Budgets (referred to collectively as “the budget”).

2008 Budget

The Region of Peel’s 2008 Current and Capital Budgets were developed to minimize the tax impact by balancing

the excellent services and quality programs against what the Region can afford.

The Regional tax increase of 4.3 per cent, or \$65 per average household, supports policing, social housing, paramedics, garbage collection and other Regional services, in addition to the Region’s share of provincially downloaded programs. There was an increase of 9 per cent, or \$33 per average household, to the water and wastewater utility rate. A portion of this increase was used to fund conservation authority operations in Peel.

The approved 2008 Capital Budget to maintain, build and enhance infrastructure was \$653.0 million.

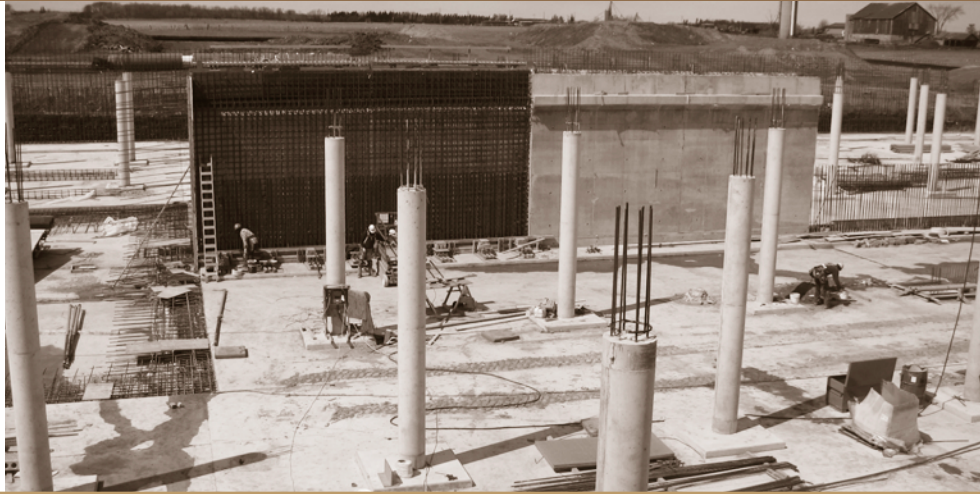
The budget was well-balanced, sustainable and focused on providing residents in Brampton, Caledon and Mississauga with quality programs and services to meet their needs, and on remaining debt-free.

Additional highlights of the 2008 Budget:

Regional Services:

- 7,008 additional paramedic hours to handle more calls and maintain optimal emergency response times;
- 41,500 additional TransHelp trips;
- A new program to help communities deal with emerging human services issues;
- A new Community Recycling Centre;
- A service enhancement in Public Health, including annual dental care services for 1,575 seniors and 7,650 children; and
- Increased capital investment to sustain aging infrastructure.

Program / Service	(\$ per household)	(%)	Description of Services Provided
Police	577	36.6	Peel Regional Police provide policing services to residents in the Cities of Brampton and Mississauga and the Ontario Provincial Police provide policing services to residents in the Town of Caledon.
Waste Management	164	10.4	Provides for the collection, processing and disposal of waste generated by Peel residents.
Social Housing	154	9.8	Responsible for administrative services for social housing providers, the rent supplement programs and managing a social housing waiting list.
Ontario Works	131	8.3	Delivers a range of programs providing employment and financial assistance to residents in need.
Toronto Tax (GTA Pooling)	111	7.1	Responsible for subsidizing social housing and welfare costs across the GTA.
Roads	82	5.2	Provides management of the Regional road network.
Ontario Disability Support	67	4.3	Cost sharing of a Provincially delivered pension program for residents with disabilities.
Paramedic & Emergency Services	57	3.6	Responsible for the provision of paramedic services and management, administration and policy development for emergency programs.
Long Term Care	53	3.4	Operates five long-term care facilities for seniors.
Public Health	48	3.0	Provides programs that focus on health promotion, illness prevention and strategic health planning.
Other Programs/Internal Support	36	2.3	Includes Regional Planning, Heritage and Internal Support Programs.
Assessment Services	32	2.0	Provides funding to the Municipal Property Assessment Corporation, which administers a province-wide property assessment service.
Children's Services	26	1.6	Operates 12 child care centres in Brampton and Mississauga and provides subsidized child care.
TransHelp	21	1.3	Provides bus/taxi transportation to persons with disabilities.
Conservation Authority	17	1.1	Funding to the conservation authorities.
Total	\$1,576	100%	



Commenced construction of a new \$36 million reservoir and pumping station in West Brampton to support growth in Northwest Brampton.

Police Services:

- 27 additional frontline officers to maintain existing services; and
- 7 additional officers to form a new Organized Crime Unit.

Conservation Authorities:

Additional funding of \$3.5 million was allocated to new projects related to global warming. In total, \$24.6 million was allocated to the conservation authority operations in 2008.

The budget was a credit to Regional Councillors and outlines their commitment to serve current Peel residents and future generations. The Region is experiencing significant growth, and we will continue to press the Province of Ontario to meet its responsibility to provide the necessary funding to help municipalities manage the cost of growth.

The average tax per household for services provided by Peel in 2008 was \$1,576. The chart on the facing page lists the services provided by the Region with a breakdown of average cost per household.

2008 Water and Wastewater Rates

The Region continues to enjoy the lowest combined water and wastewater rates in the GTA despite an average budget increase of 9.0 per cent or \$33 per household. The rate increase enables the Region to:

- Combat global climate change and protect Peel's natural water resources, including groundwater and surface water (lakes and rivers) through additional projects and initiatives;

- Fund additional work at water treatment plants to reduce seasonal taste and odours related to algae; and
- Provide sufficient funding in the future to secure Peel's ability to adequately maintain its growing water system infrastructure.

The Region's water and wastewater operations continue to be debt-free, meaning rates are for services provided, not interest on debt.

2008 Audited Consolidated Financial Statements

The consolidated financial statements contained in the 2008 Annual Financial Report have been prepared 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. The statements and related information are the responsibility of management and include the financial activities of all entities deemed to be controlled by Peel including the Peel Regional Police Services Board and the Peel Housing Corporation.

Peel continues to demonstrate an entrenched tradition of administering a well-managed organization. Management's ability to achieve its financial results is an outcome of consistent, dependable and progressive budgetary performance, capital budgeting and exemplary financial reporting.

Peel maintains its exceptionally strong financial position through the maintenance of reserves, minimal debt burden and a reliance on pay-as-you-go financing, with these policies underpinned by continuing growth in population and taxable assessment.

2008 FINANCIAL HIGHLIGHTS

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position describes the Region's financial position in terms of assets and liabilities as at the end of the accounting period. PSAB standards for reporting require the Region to distinguish between financial and physical assets. Financial assets are those assets on hand, which could provide resources to discharge liabilities or finance future operations. The difference between financial assets and liabilities, or net financial resources, is an indicator of the Region's ability to finance future activities and to meet its liabilities and commitments.

In 2008, the Region's net financial resources increased by \$99.1 million to \$807.6 million. Increases in financial resources were attributed to a decline in total liabilities of \$57.5 million, primarily due to lower mortgages payable for Peel Housing Corporation and lower deferred revenue from development charges. Financial assets including cash, short-term and long-term investments, and accounts receivable increased by \$41.6 million.

The Region remains debt-free as the net long-term liabilities position of \$375.6 million is for provincially guaranteed mortgages on Peel Housing Corporation properties and for debt issued on behalf of and recoverable from other municipalities.

The Region maintained its healthy financial position as fund balances increased by over 7.0 per cent compared with 2007. The majority of the \$1.2 billion in Reserves and Reserve Funds is committed to finance the Ten-year

Capital Plan, as well as discharge liabilities for closure and post closure costs for landfill sites, and other liabilities. The Region's investment in Peel Housing Corporation, a non-profit housing provider, amounts to \$20.0 million.

Consolidated Statement of Financial Activities

The Consolidated Statement of Financial Activities consolidates all revenues by source, and expenditures by function, for the Region's Current Fund, Capital Fund and Reserves and Reserve Fund operations, with the financial activities for Peel Housing Corporation. Total revenues of \$1,720.4 million include \$730.9 million from the tax levy on area municipalities and \$206.0 million from direct charges for water and wastewater services. Other sources of revenue were government subsidies, development charges to finance capital projects, fees and service charges and investment income. Expenditures on current and capital operations totalled \$1,621.4 million, resulting in an increase to net financial resources of \$99.1 million.

Additional details of the financial activities in the Current, Capital and Reserves and Reserve Funds are discussed below.

Consolidated Schedule of Current Fund Operations

The Current Fund consists of the current operations of the Region's property tax supported and utility rate supported programs consolidated with the current operations of Peel Housing Corporation.

i) Comparison with Prior Year

In 2008, total revenues increased by \$159.7 million, or 12.3 per cent, to \$1,456.6 million primarily due to the following:



Families take part in early learning programming in one of three Learning in our Neighbourhood (LION) vehicles. The LION project is a partnership between the Region of Peel, Success By 6 Peel, Citizenship and Immigration Canada, local school boards and community agencies.

- A \$67.0 million grant for infrastructure spending through the *Investing in Ontario Act, 2008*;
- A \$40.0 million tax levy increase to finance key service level enhancements highlighted in the 2008 budget; and
- A 10.5 million increase in provincial funding for the Children's Services Best Start Program.

Other factors contributing to the increase were supplementary tax revenue, direct charges for water and wastewater services due to higher rates, and additional subsidies to finance a higher caseload for social assistance in the Ontario Works program.

Compared with 2007, total expenditures grew by \$83.6 million to \$1,189.3 million. Besides inflationary pressures on salaries, materials, services and utilities, additional costs were linked to service level enhancements for additional police officers, paramedic hours and TransHelp trips, and for administering a higher social assistance caseload. Other factors contributing to the increase were a harsher winter, increasing winter maintenance costs, and additional funding allocated to conservation authorities. Partially offsetting these increases were lower costs related to the phasing out of the Toronto Tax (GTA Pooling).

ii) Comparison with Budget

Total revenues of \$1,456.6 million exceeded the budget by \$85.9 million primarily due to the following:

- The \$67.0 million grant through the *Investing in Ontario Act, 2008*;

- A \$8.0 million increase in funding for Human Services;
- A \$6.5 million increase in supplementary tax revenue; and
- A \$4.3 million one-time grant from the Ontario Municipal Partnership Fund.

These increases were mitigated by utility revenues that were less than anticipated due to wet weather conditions that lowered the demand for water services.

Total expenditures of \$1,189.3 million were \$16.2 million under budget mainly due to the following factors:

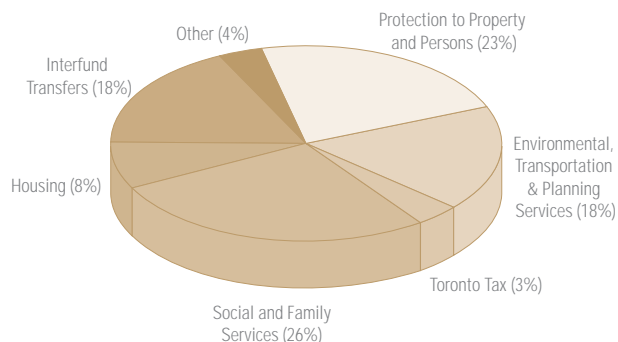
- Lower costs associated with administering a lower than expected Ontario Works caseload;
- Less than anticipated demand for Wastewater Services, reducing operating expenses for chemicals, hydro and natural costs; and
- Delay of planned service level improvements in Health Services to keep expenditures aligned to Provincial approved funding levels.

Total net revenue of \$267.3 million exceeded the budget by \$102.1 million. Peel reported a surplus, net of planned fund transfers and excluding the financial activity of Peel Housing Corporation, of \$21.4 million for property tax supported programs. Utility rate supported programs for water and wastewater ended in a deficit position of \$3.4 million for the year. The net surplus of \$18.0 million consists of the amount remaining after all financing transfers including amounts to fund capital investments and planned transfers to Reserves and Reserve Funds.

The Region has a surplus management strategy, which permits year-end transfers to and from reserves to manage the level of surplus carried forward into the next year in order to stabilize the year-end fiscal position and future tax and utility rates. Pursuant to this strategy, the surplus was transferred to Capital and Working Fund Reserves, reducing the closing balance in the Current Fund to zero at year-end.

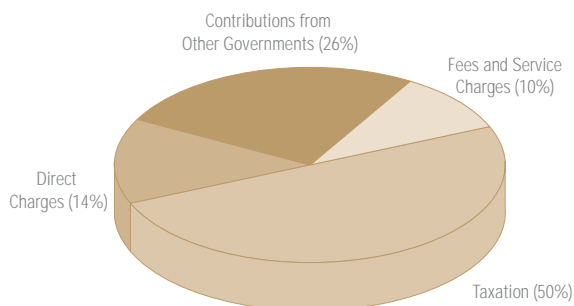
2008 Current Fund Operations

Expenditures – \$1,189.3 Million Interfund Transfers – \$267.3 Million



2008 Current Fund Operations

Revenues – \$1,456.6 Million



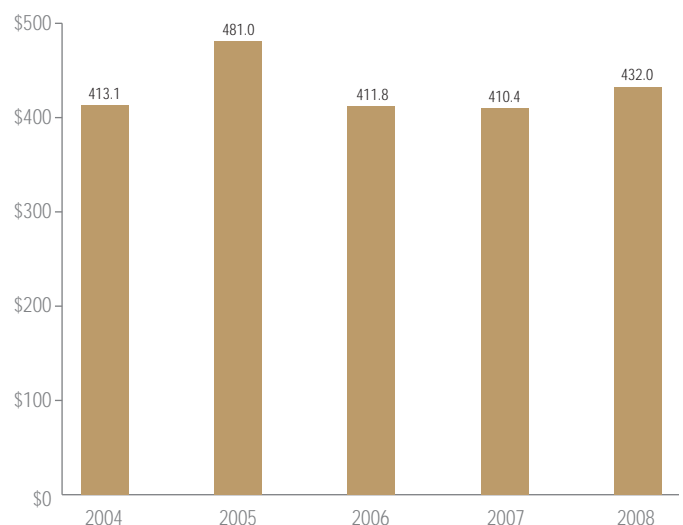
Consolidated Schedule of Capital Fund Operations

In 2008, capital expenditures continued to reflect the strategic directions of Council as \$284.7 million, or 66 per cent of total spending, occurred in the transportation, water and wastewater services including work on the following projects.

- Widening of Mayfield Road from Hurontario Street to Heart Lake Road
- Development of the Highway 407 Wastewater Corridor
- Construction of a transmission main to the Herridge Reservoir
- Expansion of the Clarkson Wastewater Treatment Plant
- Expansion of the Lorne Park Wastewater Treatment Plant and Pumping Station

Capital Fund Expenditures

\$ Millions





The Region's second annual Green Peel Expo took place on Saturday, May 5, 2008 at the Mississauga Valley Community Centre in Mississauga. The event was a huge success with nearly 70 vendors participating and approximately 1,000 visitors.

Work has been completed on the joint headquarters expansion at 10 Peel Centre Drive. The new building opened to the public in April 2009 and will enable the Region and Peel Regional Police to provide greater public access to important programs and services while addressing long-term staff accommodation needs.

All capital projects are approved by Council and financed on a "just-in-time" basis, which allocates funds from Reserves, Reserve Funds and Development Charges to the capital projects as expenditures are incurred.

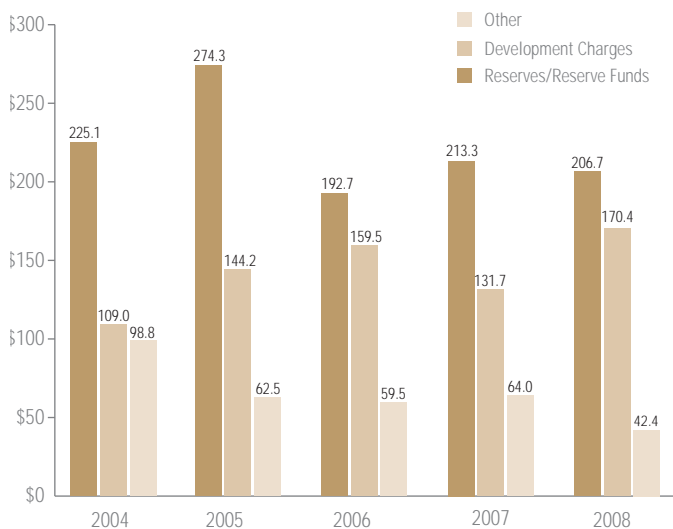
Development charge revenue earned from developers in the amount of \$170.4 million, and planned contributions from capital reserves in the amount of \$206.6 million were used to finance the majority of the capital projects. Long-term debt was not incurred to finance capital projects, sustaining the Region's pay-as-you-go philosophy.

Consolidated Schedule of Reserves and Reserve Funds

A reserve is an appropriation from net revenue at the discretion of Council, after the provision of all known expenditures. Reserves are utilized to finance non-growth related capital construction, fund vehicle and equipment replacement, and stabilize potential fluctuations to utility and tax rate operations.

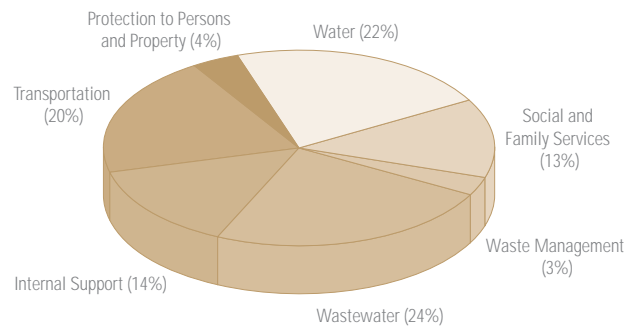
Capital – Sources of Financing

Long-term debt not used as source of financing
\$ Millions



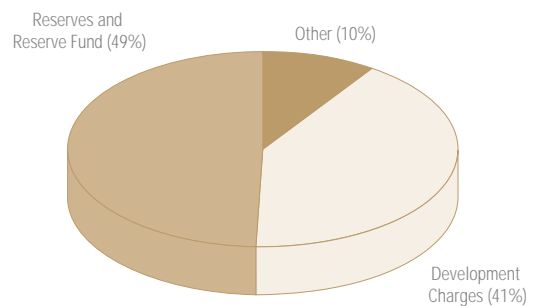
2008 Capital Fund Expenditures

\$432.0 Million



2008 Capital Fund Financing

\$419.5 Million



In 2008, the Region's balance for Reserves and Reserve Funds increased by \$99.5 million to \$1.2 billion. Investment income of \$58.9 million and contributions from the Current Fund of \$238.8 million, combined with \$206.6 million in contributions to the Capital Fund for capital project financing, were the main drivers behind the increase to the fund balance.

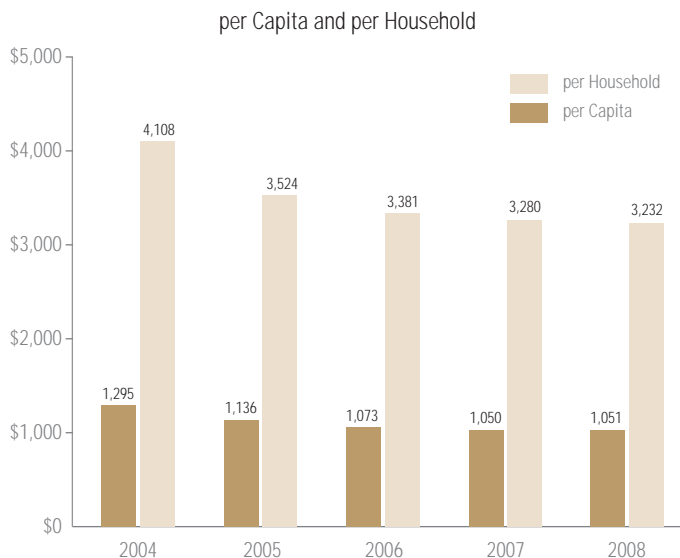
The Region also has a balance for collections of development charges revenue, which decreased by \$73.9 million to \$35.1 million. These funds are designated to finance only growth related capital projects as governed by the Development Charges By-law, which is in accordance with the *Development Charges Act, 1997*. As such, PSAB requires these balances be reported as deferred revenue on the Statement of Financial Position. The decline in the

balance is attributed to capital prices, which have remained high despite the current economic conditions. These conditions have resulted in significantly lower than forecasted development charge revenue, which has resulted in a drop in value of the development charges reserves.

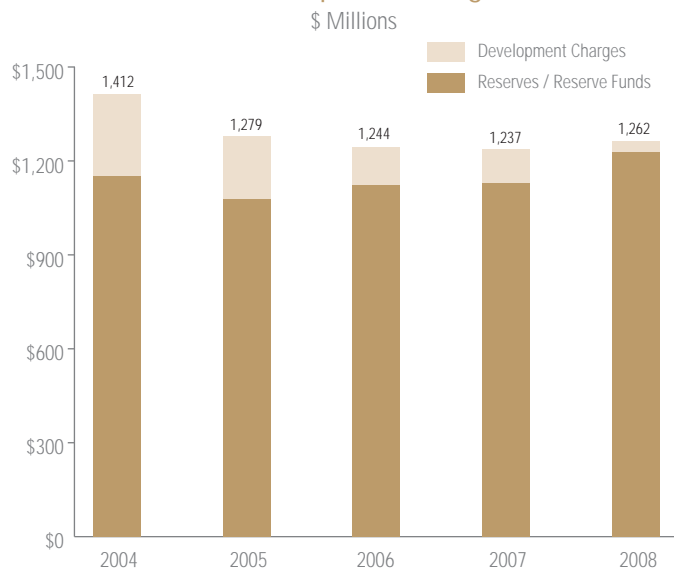
The majority of committed funds are for growth and non-growth related capital construction and infrastructure replacement. Other financing is from external sources including bordering governments partnering with Peel in cost sharing projects.

Peel continues to maintain its debt-free status, endorsing the long-term commitment to serving Peel residents and ratepayers through prudent asset management and the maintenance of Regional infrastructure.

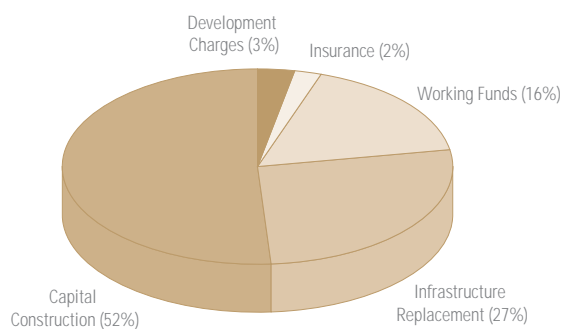
Reserves / Reserve Funds and Development Charges



Reserves / Reserve Funds and Development Charges



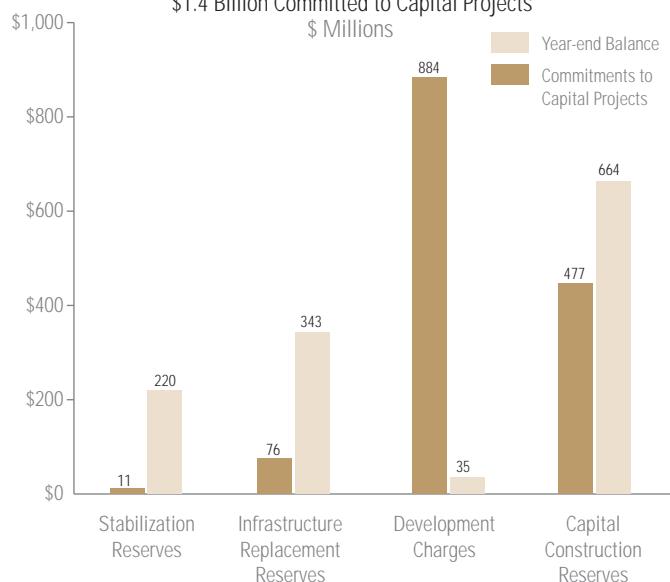
2008 Reserves / Reserve Funds (\$1.2 Billion) and Development Charges (\$35.1 Million)



Toronto Tax

The Toronto Tax (GTA Pooling) equalization formula was established by the Government of Ontario in 1999 to assist in stabilizing the financial costs that the City of Toronto faces in being at the core of a single catchment for social services in the GTA. The Region of Peel has always held the position that the Toronto Tax should be removed from the property tax base and instead, provincial funding sources should be utilized so that all Ontarians share in the financing of social services. The 2007 Ontario budget announced that the Toronto Tax would be phased out over six years with the contribution amount decreasing by one-sixth starting in 2007 and a total elimination of the tax by 2013. The Region of Peel's Toronto Tax costs since 1999 have amounted to \$668.2 million, including \$50.6 million in 2008.

Committed to Capital Projects \$1.3 Billion—Reserves / Reserve Funds and Development Charges \$1.4 Billion Committed to Capital Projects



Performance Measurement

The Region was one of the first municipalities to institute corporate measurement and benchmarking programs. For most of the past decade, the Region's services have been measured in detail. This data has been tracked and analyzed over time as a tool for continuous improvement and quality assurance. Corporate performance measures form the basis for detailed annual business plans and play an important role in the long-term planning and reporting of service efficiency and effectiveness to Regional Council and the citizens of the Region. Service benchmarking has become a standard municipal practice and the Region, as a founding member, remains an active participant in the Ontario Municipal CAO's Benchmarking Initiative (OMBI), whose member municipalities represent about 73 per cent of Ontario's population. The Region has utilized the OMBI data to gain further insight about service levels provided

elsewhere and to review annual program budget requests.

The Province of Ontario first introduced the Municipal Performance Measurement Program (MPMP) in 2000. The objectives of MPMP are to improve service delivery within and among municipalities, enhance accountability and increase taxpayer awareness. This program, which is now in its ninth year of existence, has mandated the data collection and reporting of service performance measures in a number of municipal service areas such as Solid Waste, Water and Wastewater, Police, General Government, Land Use Planning and Roads. For the 2008 MPMP reporting

year, the Region collected data on 37 measures shown on the following pages. Measures for Fire Services, Library Services, Parks and Recreation, Storm Water and Transit are not reported by the Region since these services are provided by lower-tier municipalities.

The MPMP results from 2004 to 2008 are shown in the Five-Year Financial and Statistical Review (page 57). Overall the Region's results show moderate changes while some measures which have experienced notable increases in cost can be attributed in part to definition changes.

Municipal Performance Measurement Program (unaudited)		2008
General Government		
1.	Operating costs for governance and corporate management as a percentage of total municipal operating costs	3.70%
Police		
2.	Operating costs for police services per person	\$220.65
3.	Violent crime rate per 1,000 persons	5.15 crimes
4.	Property crime rate per 1,000 persons	18.97 crimes
5.	Crime rate for other Criminal Code offences per 1,000 persons (excluding traffic)	9.04 crimes
6.	Total crime rate per 1,000 persons (Criminal Code offences, excluding traffic)	33.16 crimes
7.	Number of youth crimes per 1,000 youths	43.32 crimes
Note: Definitions of crime based on Statistics Canada definitions in Canadian Crime Statistics.		
Roads		
8.	Operating costs for paved (hardtop) roads per lane kilometre	\$1,281.86
9.	Operating costs for unpaved (loose top) roads per lane kilometre	\$18,302.40
10.	Operating cost for winter maintenance of roadways per lane kilometre maintained in winter	\$7,776.15
11.	Percentage of paved lane kilometres where the condition is rated as good to very good	89.1%
12.	Percentage of winter events where the response met or exceeded locally determined road maintenance standards	100%

Municipal Performance Measurement Program (unaudited)

2008

Wastewater

13. Operating costs for the collection of wastewater per kilometre of wastewater main	\$6,146.40
14. Operating costs for the treatment and disposal of wastewater per megalitre	\$127.76
15. Operating costs for the collection, treatment and disposal of wastewater per megalitre (Integrated System)	\$224.55
16. Number of wastewater main backups per 100 kilometres of wastewater main in a year	1.23 backups
17. Percentage of wastewater estimated to have by-passed treatment	0.04%

Drinking Water

18. Operating costs for treatment of drinking water per megalitre	\$217.63
19. Operating costs for the distribution of drinking water per kilometre of water distribution pipe	\$5,080.68
20. Operating costs for the treatment and distribution of drinking water per megalitre (Integrated System)	\$327.05
21. Weighted number of days when a boil water advisory issued by the Medical Officer of Health, applicable to a municipal water supply, was in effect	0 days
22. Number of water main breaks per 100 kilometres of water distribution pipe in a year	7.32 breaks

Solid Waste Management

23. Operating costs for garbage collection per tonne	\$79.37
24. Operating costs for garbage disposal per tonne	\$122.93
25. Operating costs for solid waste diversion (recycling) per tonne	\$162.07
26. Average operating costs for solid waste management (collection, disposal and diversion) per tonne	\$180.91
27. Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households	9.17 complaints
28. Total number of solid waste management sites owned by the municipality with a Ministry of Environment Certificate of Approval	10 sites
29. Number of days per year when a Ministry of Environment compliance order for remediation concerning an air or groundwater standard was in effect for a municipality-owned solid waste management facility, by facility	0 days
30. Percentage of residential solid waste diverted for recycling	50.24%

Municipal Performance Measurement Program (unaudited)

2008

Land Use Planning

31. Percentage of new lots, blocks and/or units with final approval that are located within settlement areas	99.82%
32. Percentage of land designated for agricultural purposes that was not re-designated for other uses during 2006	100%
33. Percentage of land designated for agricultural purposes that was not re-designated for other uses relative to the base year of 2000	88.02%
34. Number of hectares of land originally designated for agricultural purposes that was re-designated for other uses during 2006	0 hectares
35. Number of hectares of land originally designated for agricultural purposes that was re-designated for other uses since January 1, 2000	3,048 hectares
36. Hectares of land in the settlement areas as of December 31, 2008	58,752 hectares
37. Percentage change in the size of the settlement area relative to the base year of 2004	5.4%

Conclusion

Through ongoing collaboration and regular consultation with Council, staff will continue to present a well-balanced annual budget each year, ensuring the Region maintains its strong fiscal position well into the future.



Norma Trim
Chief Financial Officer and
Commissioner of Corporate Services
May 2009