

DATE: March 15, 2012

REPORT TITLE: **2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END
(UNAUDITED)**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That staff be authorized to implement the 2011 surplus management actions and administrative adjustments as outlined in the report of the Chief Financial Officer and Commissioner of Corporate Services, dated March 15, 2012, titled "2011 Semi-Annual Performance Report – Year End (Unaudited)".

REPORT HIGHLIGHTS

Current Operations

- The Region's Tax Supported Programs generated a surplus of \$18.2 million or a total variance of 2.2 per cent relative to the Tax Supported net levy of \$829.9 million
- Regionally Controlled Tax Supported Programs generated a surplus of \$12.5 million
 - \$4.5 million due to various changes in operational costs and assumptions
 - \$8.0 million in unanticipated Supplementary Tax Revenue
- Ontario Provincial Police (OPP) surplus was \$1.4 million, and Peel Regional Police (PRP) was \$4.3 million
- Utility Rate Supported Programs is in a surplus position of \$5.4 million, a variance of 2.3 per cent relative to total Utility Rate direct billings of \$234.4 million

Surplus Management Allocation

- Recommended surplus management allocations include an increase in reserve contributions of \$13.8 million to address the capital funding gap identified in the 2012 Budget, utilization of \$1.2 million in Ontario Works (OW) reserves to support the increased caseload
- \$5.4 million to bring Utility Rate Stabilization Reserves into compliance with the Financial Control By-law (FCBL), and
- \$5.7 million allocated to Externally Funded Program reserves

Capital Operations

- Gross capital spending for the 12 months ending December 31, 2011 is \$700.5 million or 92.9 per cent of the 2011 budgeted cash flow

2012 Outlook

- The approved 2012 Budget included adjustments to assumptions to reflect many of the major operating variances in 2011

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DISCUSSION

The following report summarizes the financial status of Regional programs for the 12 months ending December 31, 2011 for Current Operations, Capital Operations, Surplus Management allocations and Reserve and Reserve Funds.

1. Current Operations

Appendix I of the subject report summarizes the Region's net expenditure position for the 12 months ending December 31, 2011 for Current operations. The Region's Current operations include both Tax Supported Programs and Utility Rate Supported Programs.

a) Tax Supported Programs - \$18.2 million or 2.2% of Tax Supported Net Levy

The Region's Tax Supported Programs generated a surplus of \$18.2 million, \$12.5 million from Regionally Controlled Programs and \$5.7 million from Externally Funded Programs. This represents a total variance of 2.2 per cent relative to the Tax Supported net levy of \$829.9 million.

Region Controlled Programs - \$12.5 million

- **Operations:** Region Controlled Programs generated a surplus of \$4.5 million attributable to various changes in operational costs and assumptions i.e. lower winter events, increased revenues at Community Recycling Centres and provincial funding, and lower mortgage rates.
- **Other:** Supplementary Tax revenue received was \$8.0 million higher than budgeted, representing 64 per cent of the total Regionally Controlled Programs' surplus

Region Supported External Programs – \$5.7 million

Operations of Police Services resulted in a \$1.4 million Ontario Provincial Police (OPP) surplus and \$4.3 million Peel Regional Police (PRP) surplus.

Of note:

Per Council direction, Resolution 2011-1159, \$15.4 million of the 2011 additional investment to reduce the Housing waitlist was redirected to the New Capital Development reserve to match funding from the Province to create additional affordable housing units; 528 new housing subsidies were created in 2011.

b) Utility Rate Supported Programs

The Utility Rate Supported Programs produced a surplus of \$5.4 million, a variance of 2.3 per cent relative to total Utility Rate direct billings of \$234.4 million. This surplus was largely driven by \$8.2 million in lower variable costs in electricity and chemicals due to lower treated volume; a lower unit price and a switch in the type of chemicals used; offset by the decline in per capita utility consumption resulting in \$6 million lower water and wastewater Peel billings. In addition, process optimization contributed to considerable savings in miscellaneous contractor expenses of \$1.9 million.

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c) Surplus Management Allocations

In accordance with the *Financial Control By-law*, the Chief Administrative Officer and the Chief Financial Officer and Commissioner of Corporate Services are authorized to carry out the necessary surplus management actions in order to stabilize the year-end fiscal position and future tax and utility rates. In accordance with the by-law, a summary of the surplus management transactions are presented in Appendix II (a), of the subject report. The bulk of the Tax Supported surplus has been allocated to address the capital funding gap identified in the 2012 Budget (refer to Appendix II (b)). The Utility Rate surplus of \$5.4 million was allocated to the Utility Rate Stabilization Reserves to bring the reserve into compliance with the FCBL, as set out in Appendix II (a).

Police surpluses of \$ 5.7 million are returned to reserves supporting Police Services.

d) Write-offs

Accounts Receivable Policy F40-03 gives the Chief Financial Officer the authority to approve the write-off of Water and Sewer billings and General Receivable billings. Presented below are the write-off transactions for the period ending December 31, 2011.

Write-offs for Period Ending December 31, 2011				
Category	Total Billings	Write-Off Total	% Write-off to Billings	Balance Remaining in Allowance Accounts
General Receivables	\$ 91,476,840	\$ 12,416	0.00%	\$ 295,909
Water/Wastewater	\$ 42,621,834	\$ 174,563	0.07%	\$ 177,385

The annual budget incorporates an estimate of anticipated write-offs which are charged to an "Allowance for Doubtful Accounts". Write-offs are only recorded when all means of collection have been exhausted. Write-offs are well within budgeted estimates, with positive balances remaining in the Allowance for Doubtful Accounts.

e) 2012 Outlook

Tax Supported Programs:

Assumptions used in developing the 2012 Budget were adjusted to better reflect the program drivers as seen in 2011 which include:

- o **Roads** – modified the number of winter events from 39 to 30 and summer and emergency maintenance assumptions
- o **Waste Management** – increased revenue budget to reflect commodity price recovery as well as assumptions for fuel costs
- o **Housing & Homelessness** – adjusted subsidy to providers for lower mortgage costs
- o **Social Assistance** – increased OW caseload to reflect 2011 year end trend

It is anticipated that the adjustments made to the 2012 Budget will help reduce the overall year end variances for 2012. Also, as announcements on provincial funding and grants are made, staff will inform Council of the financial impact to Peel.

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Utility Rate Supported Programs:

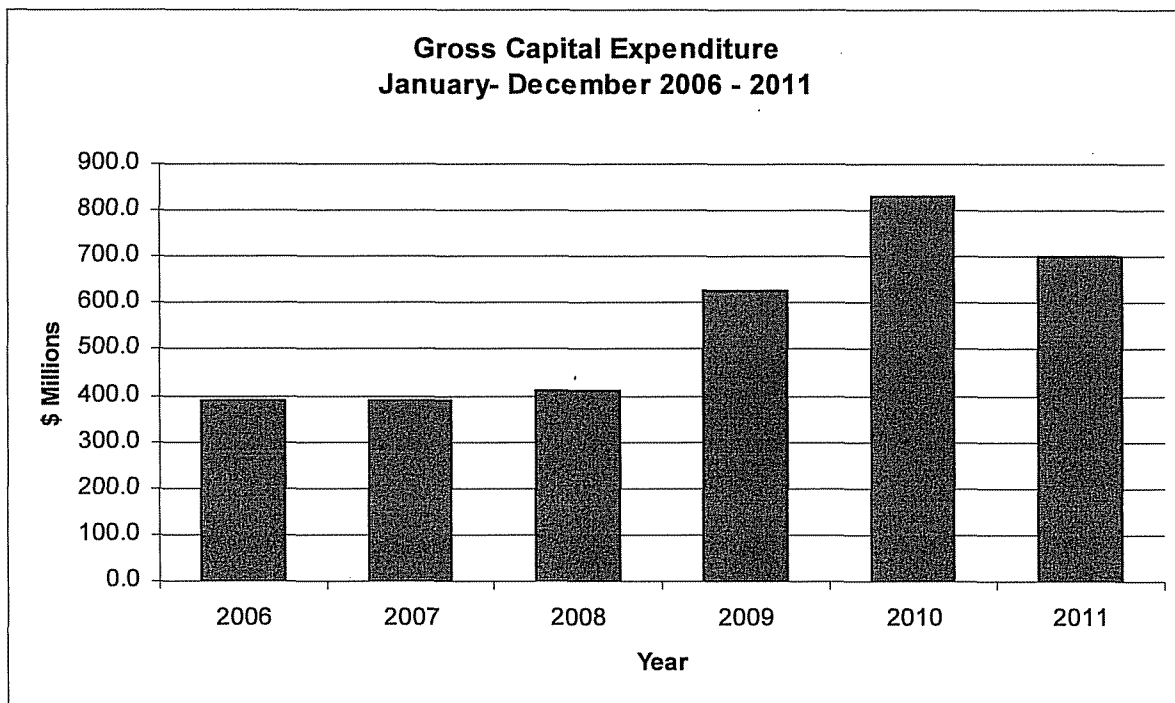
Staff worked closely with the Program areas in developing the 2012 Budget assumptions in order to align with the Term of Council Priority (TOCP) #3: Reduce Per Capita Water Consumption and better reflect actual revenue levels currently being experienced. The 2012 budgeted billable volumes were reduced based on a trend analysis but are 1.7 per cent greater than 2011 actual billed volumes. Both Water and Wastewater programs will continue to develop updated Master Plans in 2012, which will help guide the future consumption models. The Utility Rate Study is currently in progress and an update on the proposed utility rate structure is anticipated to be presented to Council in the first half of 2012.

2. Capital Operations

a) Overview

Gross expenditures for the twelve months ending December 31, 2011 were \$700.5 million which represents 92.9 per cent of the revised 2011 cash flow forecast (refer to Appendix III of the subject report).

Project cash flow forecasting has greatly improved over the last three years as a result of more dynamic management of capital projects especially in Public Works and the commitment to concentrate efforts on already approved projects. The following chart demonstrates the capital spending trends over the past several years.



b) Capital Reserves

Overall, \$101 million was returned to reserves in 2011. As reported in the 2012 Budget, the tax supported and utility rate supported capital reserve shortfalls were estimated at \$329 million and \$451 million respectively. The return of unused capital funds to reserves is modeled in the assumptions used to calculate the 10 Year Capital shortfall for Peel's state of

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good repair infrastructure requirements. Appendix IV of the subject report provides the detail on these transactions.

c) Unfunded Liability

As of December 31, 2011 Peel has an outstanding liability to GO Transit of \$50.9 million, which includes billings for the 2007, 2008, 2009, 2010 and 2011 fiscal years. This represents an unfinanced liability due to Peel Regional Council's decision to limit funding for GO Transit to the growth capital plan funded through development charges which was \$2.3 million in 2011.

3. Reserves and Reserve Funds

a) Highlights

A high level overview of the Region's Reserves and Reserve Funds is set out below:

\$ Millions	Reserves	Other Reserve Funds	DC Reserve Funds	Total
Balance before Commitments	\$1,274.9	\$ 18.6	\$ (7.7)	\$ 1,285.8
Commitments	(583.1)	(8.7)	(1,002.0)	(1,593.7)
Balance after Commitments	\$ 691.8	\$ 9.9	\$ (1,009.7)	\$ (307.9)

Reserves continue to play an integral role in managing the Region's diverse current and capital programs.

While the overall balance of the Region's Reserves and Reserve Fund portfolio before commitments is positive, the Development Charge (DC) reserve funds are in a deficit position at \$1 billion after commitments. The DC model projected DC revenues from 2007 - 2011 at \$1 billion. The actual revenue collected over that five year period was \$434 million with \$103 million of that collected in 2011 (2011 Revenue forecast - \$187 million).

Appendix V of the subject report focuses on year-to-date activity while Appendix VI provides a more detailed breakdown of fund balances by program and type. The majority of the reserves are committed to finance the updated 2012 - 2021 Ten-Year Capital Plan of \$5.7 billion.

b) Debt

As at December 31, 2011 the Region's debt totals \$1,077 million. The debt can be separated into three general categories as illustrated in the table below:

Type of Debt	Debt Issued as at Dec. 31, 2011 (\$ millions)
DC Related debt	\$ 723
Non-DC Growth	\$ 51
Mortgages (Peel Living)	\$ 303
Total Debt Issued	\$1,077

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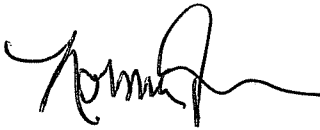
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The Region has issued debt totaling \$774 million of which \$723 million was issued to address the shortfall in DC revenues and \$51 million is for non-DC related growth (Regional building at 7120 Hurontario). The remaining debt of \$303 million represents the mortgages held on Peel Living properties.

As of December 31, 2011, using the Annual Repayment Limit amount of \$287.9 million, the Region would have an additional borrowing capacity of approximately \$3.3 billion assuming a term of 20 years at 6.0 per cent interest.

CONCLUSION

In summary, the Region's Tax Supported Programs generated a surplus of \$18.2 million a variance of 2.2 per cent actual to budget. The Region's Utility Rate Supported Programs generated a surplus of \$5.4 million, a variance of 2.3 per cent actual to budget. The 2011 surplus was largely driven by uncontrollable factors as outlined in this report. The surplus management activities support the organization's overall fiscal stability and sustainability.



Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:



D. Swarc, Chief Administrative Officer

For further information regarding this report, please contact Stephen VanOfwegen at extension 4759 or via email at stephen.vanofwegen@peelregion.ca.

c. Legislative Services

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APPENDIX I
 2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)
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Region of Peel
 Statement of Net Expenditures (\$'000)
 For the Year Ended December 31, 2011

	2011 Revised Budget	Actuals Prior to Surplus Mgt.	Variance (Over)/Under
	(1)	(2)	(3) = (1)-(2)
Region Controlled Programs-Tax Supported			
Public Works			
Development Services	1,079	835	244
Transportation	69,604	66,456	3,148
Waste Management	87,178	82,654	4,524
Oper Supp Serv (including Rev Mgmt)	1,139	726	413
Subtotal Public Works	158,999	150,671	8,328
Human Services			
Housing and Homelessness	95,163	94,627	536
Early Learning and Childcare	22,824	20,378	2,446
Social Assistance and Employment	70,302	72,761	(2,459)
Subtotal Human Services	188,289	187,766	523
Health Services			
Long Term Care	27,865	27,810	55
Paramedic Services	35,627	35,484	144
Public Health	24,169	23,922	247
Health Admin Services	505	444	60
Subtotal Health Services	88,166	87,661	505
Corporate Services	19,989	19,749	241
Employee & Business Services	20,048	22,249	(2,202)
Executive Office, CIO, SIP, Council	7,070	6,689	380
Non-Program	(822,241)	(826,962)	4,720
General Corporate	(33,743)	(33,743)	-
Subtotal Internal Support/Non-Program	(808,878)	(812,017)	3,140
Total Region Controlled Programs - Tax Supported	(373,424)	(385,920)	12,496
Region Financed External Organizations-Tax Supported			
Peel Regional Police (PRP)	312,641	308,355	4,286
Ontario Provincial Police (OPP)	10,092	8,700	1,392
Conservation Authorities	14,019	14,023	(4)
Assessment Services	16,372	16,372	-
Toronto Tax	20,300	20,248	52
Total Region Financed External Organizations - Tax Supported	373,424	367,698	5,726
Total Tax Supported Programs	-	(18,222)	18,222
Utility Rate Supported Programs			
Water	(11)	557	(568)
Wastewater	11	(5,918)	5,928
Total Utility Rate Supported Programs	-	(5,361)	5,361

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APPENDIX II (a)
2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)
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2011 Summary of Proposed Surplus Management Entries

2011

Property Tax Supported Programs:

Surplus / (Deficit) - Property Tax Supported Programs \$ 18,221,643

Property Tax Supported Allocations

Police	R2221	PRP - Facilities Reserves	3,785,831	
Police	R1231	PRP - General	500,000	
		Surplus Net of Police	<u>4,285,831</u>	
OPP	R0001	Caledon Policing Cost Stabilization	1,392,186	
Ontario Works	R1261	General Assistance Working Fund	(1,200,000)	
7120 Hurontario	R0230	General Government - CFSR	2,169,008	
Capital Shortfall	R1145	New Capital - Waste	11,574,618	
			<u>13,935,812</u>	
Total Proposed Tax Supported Allocations				<u>\$ 18,221,643</u>

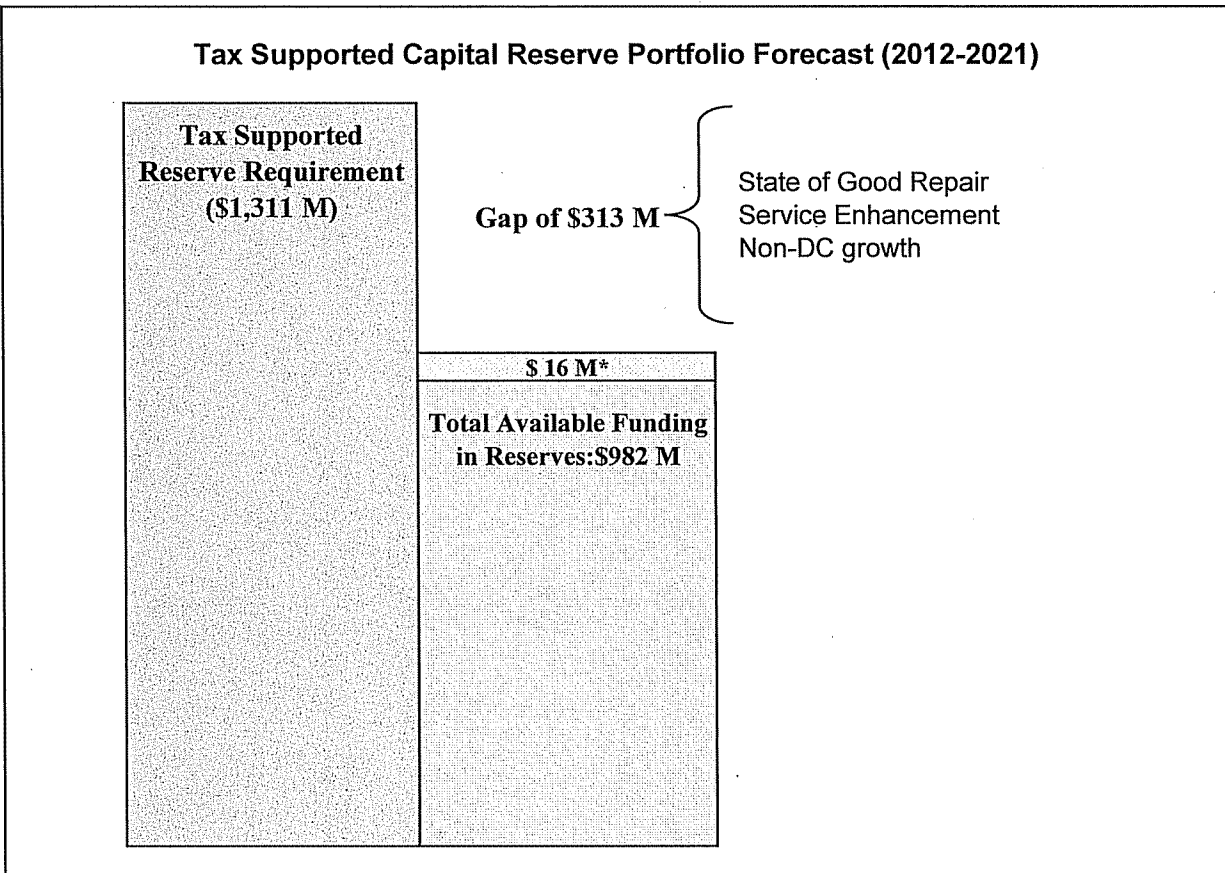
Utility Rate Supported Programs:

Surplus / (Deficit) - Water Program (567,792)
Surplus / (Deficit) - Wastewater Program 5,928,099 \$ 5,360,307

Utility Rate Supported Allocations

Wastewater	R0012	Wastewater Rate Stabilization	<u>5,360,307</u>	
Total Proposed Utility Rate Supported Allocations				<u>\$ 5,360,307</u>

Impact of Tax Surplus Allocations on Tax Supported Capital Reserve Shortfall



*Note: * Funding from planned 2011 surplus allocation of \$11.6 million with interest adjustments, which reduces shortfall gap from \$329 million to \$313 million over the ten years. This is exclusive of the allocation of 1% solution approved in 2012 Budget.*

APPENDIX III

2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)

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Capital Expenditures
Financial Status by Program (\$'000)
December 31, 2011

	Gross Expenditure Forecast	Gross Expenditures Jan. 1 - Dec. 31	Variance \$	% Spent From Budget Forecast
Region Controlled Programs-Tax Supported				
Public Works				
Waste Management	26,700	6,785	19,915	25.4%
Transportation	110,000	113,875	(3,875)	103.5%
Development Services	0	0	0	0.0%
Operations Support	20,189	13,701	6,488	67.9%
	156,889	134,361	22,528	85.6%
Health Services:				
Long Term Care	6,403	3,140	3,263	49.0%
Paramedic Services	12,190	10,854	1,336	89.0%
Public Health	1,574	588	986	37.4%
	20,167	14,582	5,585	72.3%
Human Services:				
Early Learning and Childcare	550	1,044	(494)	189.8%
Housing and Homelessness	86,484	73,429	13,055	84.9%
Social Assistance and Employment	750	228	522	30.4%
	87,784	74,701	13,083	85.1%
Internal Support:				
Corporate Services	1,979	615	1,364	31.1%
Employee and Business Services	42,527	25,811	16,716	60.7%
Executive/Council	1,434	32	1,402	2.2%
	45,940	26,458	19,482	57.6%
Total Region Controlled Programs-Tax Supported	310,780	250,102	60,678	80.5%
External Organizations-Tax Supported				
Ontario Provincial Police	6,100	1,674	4,426	27.4%
GO Transit	0	20,470	(20,470)	0.0%
Peel Regional Police	28,809	23,071	5,738	80.1%
Conservation Authorities	1,314	721	593	54.9%
Hospitals	0	0	0	0.0%
Total Region Financed External Organizations	36,223	45,936	(9,713)	126.8%
Total Tax Supported Programs	347,003	296,038	50,965	85.3%
Water	300,000	294,971	5,029	98.32%
Wastewater	107,048	109,461	(2,413)	102.3%
Total Utility Rate Supported Programs	407,048	404,432	2,616	99.4%
Total Region	754,051	700,470	53,581	92.9%

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APPENDIX IV
 2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)
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Capital Activity by Program
 Impacting Reserves & Reserve Funds
 For the Period Ended December 31, 2011

Tax Supported Programs	Budget Increase		Budget Decrease		Closed Projects		Returned to Reserves	
	# Proj.	\$'000	# Proj.	\$'000	# Proj.	\$'000	# Proj.	\$'000
Operations Support	1	(1,593)			2	57	3	(1,536)
Transportation			9	10,373	85	12,799	94	23,172
Waste Management					2	939	2	939
Housing & Homelessness	3	(2,607)			5	41,308	8	38,701
Early Learning & Childcare							0	-
Social Assistance and Employment							0	-
Long Term Care					2	-	2	-
Public Health					4	3,021	4	3,021
Paramedic Services					4	1	4	1
Corporate Services					7	560	7	560
Employee & Business Services	2	(3,273)			21	362	23	(2,911)
Executive Office/CIO					3	317	3	317
Region Controlled Programs	6	(7,472)	9	10,373	135	59,364	150	62,264
OPP	2	(1,500)					2	(1,500)
PRP	3	(2,247)			41	10,635	44	8,388
Police Services	5	(3,747)			41	10,635	46	6,888
Conservation Authorities					1	-	1	-
External Organization	5	(3,747)	0	0	42	10,635	47	6,888
Tax Supported Programs	11	(11,219)	9	10,373	177	69,999	197	69,152
Utility Rate Supported Programs								
Water	6	(3,268)	5	3,750	29	3,584	40	4,066
Wastewater	4	(1,008)	9	24,230	26	4,536	39	27,757
Utility Rate Supported Programs	10	(4,277)	14	27,980	55	8,120	79	31,823
Total Region	21	(15,496)	23	38,353	232	78,119		100,975 *

Note: *73% of the total was returned to DC Reserves

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APPENDIX V
2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)
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Region of Peel
Continuity Schedule of Reserves and Reserve Funds (\$'000)
As at December 31, 2011

	Capital Construction	Stabilization	Vehicle and Equipment Replacement	Building Replacement	Other Restricted Funds	DC Funds	Total
Balance January 1, 2011	607,852	200,409	187,730	205,629	18,283	(482,172)	737,731
Contribution	192,427	13,760	23,921	20,001	36,846	810,095	1,097,049
Interest	28,985	12,660	7,822	8,766	753	(24,833)	34,154
Transfers and Other	-	6	-	-	-	-	6
Expenditures	(184,615)	(5,337)	(29,659)	(15,480)	(37,261)	(310,803)	(583,155)
Balance December 31,	644,648	221,499	189,814	218,916	18,621	(7,713)	1,285,785
Balances Committed	(450,470)	(6,852)	(66,172)	(59,578)	(8,679)	(1,001,972)	(1,593,722)
Balance Available December 31, 2011	194,178	214,647	123,643	159,338	9,942	(1,009,686)	(307,937)

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APPENDIX VI
 2011 SEMI-ANNUAL PERFORMANCE REPORT - YEAR END (UNAUDITED)
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Region of Peel
 Reserves & Reserve Fund Balance by Program (\$'000)
 As at December 31, 2011

Program	Capital Construction	Stabilization	Vehicle and Equipment Replacement	Building Replacement	DC and Restricted Reserve Funds	Total	Committed Balances	Balance Available
Roads	\$ 88,752	\$ 6,193	\$ -	\$ -	(19,977)	\$ 74,968	\$ (324,147)	\$ (249,180)
Waste Management	146,129	2,530	-	44,065	210	192,934	(31,673)	161,261
PW Operation Support Tax	-	-	16,432	(2,843)	-	13,589	(10,777)	2,812
Regional Planning	1,793	539	-	-	(114)	2,218	(986)	1,232
Long Term Care	(236)	5,536	5,612	12,305	4,124	27,340	(13,250)	14,090
TransHelp	-	554	2,838	1,818	14,803	20,012	(7,462)	12,550
Early Learning and Childcare	-	13,317	-	2,527	836	16,681	(954)	15,727
Public Health	2,615	1,983	2,044	-	4,562	11,203	(625)	10,578
Housing & Homelessness	(14,176)	7,874	-	74,399	184	68,282	(64,889)	3,393
Police	-	34,077	64,679	37,647	4,077	140,480	(44,684)	95,796
Police - PRP	-	23,216	64,679	37,647	3,010	128,551	(37,901)	90,651
Police - OPP	-	10,861	-	-	1,067	11,928	(6,783)	5,145
Social Assistance & Employment	-	12,301	-	2,681	2,107	17,089	(916)	16,173
Conservation	6,258	-	-	-	-	6,258	(1,382)	4,876
GO Transit	2,194	-	-	-	501	2,695	-	2,695
Paramedic Services	32,355	745	4,123	11,203	1,496	49,922	(25,644)	24,278
Hospitals	18,077	-	-	-	-	18,077	(2,922)	15,155
Water	112,450	5,254	-	12,686	(119,769)	10,622	(522,530)	(511,909)
Wastewater	184,143	14,426	-	8,467	116,940	323,977	(469,496)	(145,519)
PW Operation Support Rate	-	-	45,006	4,151	-	49,157	(4,003)	45,154
Internal Support Services	64,292	116,169	49,081	9,809	929	240,280	(67,382)	172,899
Total	\$ 644,648	\$ 221,499	\$ 189,814	\$ 218,916	\$ 10,908	\$ 1,285,785	\$ (1,593,722)	\$ (307,937)