
For Information

REPORT TITLE: 2023 Operating Financial Triannual Performance Report – August 31, 2023

FROM: Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide a status update on the 2023 Operating Financial Triannual Performance Report as at August 31, 2023.

REPORT HIGHLIGHTS

- Regional Council approved the 2023 Operating Budget of \$3.1 billion to enable the Region of Peel to continue delivering services and meet the service needs of the residents, taxpayers, and the service demands of a growing community.
 - Regionally Controlled Tax Supported Programs project a surplus of \$9.4 million or variance of 1.3 per cent, and Utility Rate supported services project a surplus of \$6.3 million or variance of 1.2 per cent.
 - Projected year end results are based on actions that are consistent with the principles approved by Council to maintain Regional services through the transition period.
 - A companion capital triannual performance report as at August 31, 2023 will be provided to Regional Council to provide analytics on the capital program.
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DISCUSSION

1. Background

The Budget Policy requires that staff report the status of operating and capital services at a minimum of twice a year to manage financial performance to ensure the long-term financial sustainability of Regional services. This report provides the first forecasted year-end financial position of the Operating Budget based on the information and financial results as of August 31, 2023.

a) 2023 Operating Budget

The approved 2023 Operating Budget of \$3.1 billion includes \$0.6 billion to the Regionally Financed External Organizations: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities. The budget provides the Region with the funding to support community needs through services. Highlights of the Region's 2023 service levels are listed in Appendix I.

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The Region’s operating budget is developed based on the best information available during budget preparation. Budget assumptions are modeled and projected for drivers such as social assistance caseload, 9-1-1 call volumes, winter events and water consumption. Risks are identified and mitigated where reasonably possible, including the use of rate stabilization reserves to address volatility in weather conditions, economic cycles, and one-time initiatives or to minimize the impact on the Tax and Utility ratepayers.

2. Operating Results

The Region’s operating performance includes Tax Supported Services, both Regionally Controlled and Regionally Financed External Organizations, and Utility Rate Supported Services. Overall, the Region anticipates an overall surplus of \$15.9 million, which includes \$6.3 million for Utility Rate Supported services.

Appendix II provides a summary of the projected year-end position by service.

a) Tax Supported Services

As outlined in Table 1 below, Tax Supported Services are forecasting a surplus of \$9.6 million by year-end, representing a variance of 0.7 per cent of the Tax Supported total net budget, which is within Peel’s budget accuracy target of plus or minus 3 per cent. Regionally Controlled Tax Services are forecasting a surplus of \$9.4 million and Regionally Financed External Agencies are forecasting a \$0.2 million surplus driven by the Municipal Property Assessment Corporation’s (MPAC) projection of lower than expected growth in Peel.

Table 1: Projected Variances for Tax Supported Services

	Net Revised Budget	Year-End Projection	Projected Year-End Surplus/ (Deficit)	Variance to Net Budget
	\$Millions			
Regionally Controlled Services	\$728.0	\$718.6	\$9.4	1.3 %
Regionally Financed External Organizations	\$595.6	\$595.4	\$0.2	0.0 %
Total	\$1,323.6	\$1,314.0	\$9.6	0.7 %

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The following highlights key drivers of the projected budget variances for Regionally Controlled Tax Supported Services based on the information available at the time of the writing of this report.

- a) Waste Management (Net surplus of \$6.2M)**
 - Largely driven by higher than budgeted payments of \$3.8 million for the Blue Box program from producers.
 - Surplus due to lower tonnage and salary savings due to vacancies.
 - Surplus is partially offset by a settlement with a vendor of \$2.2 million.

- b) Transportation (Net surplus of 3.9M)**
 - Surplus is driven by staff vacancies of \$3.0 million.
 - Surplus of \$1.9 million in the TransHelp program due to lower trip demand resulting from an ongoing impact of COVID-19; 85 per cent of the budgeted trips are expected to be delivered.
 - Underspending in the Red Light Camera and Automated Speed Enforcement program
 - Surpluses are partially offset by increased maintenance and labour costs for traffic signals, streetlight maintenance and winter road maintenance (\$1.5 million)

- c) Income Support (Net surplus of \$3.9M)**
 - Largely driven by savings in staffing costs.

- d) Early Years and Child Care (Net surplus of \$2.6M)**
 - Surplus is largely driven by the implementation of the Canada-Wide Early Learning and Child Care program which provided the opportunity to mitigate part of the Region's share of the childcare fee subsidy program.

- e) Increased Net Pressures on Housing Support (Net deficit of \$1.5M)**
 - Projected deficit of \$4.6 million driven by the overflow in the shelter system for the provision of shelter to Asylum Claimants.
 - Projected deficit of \$2.8 million due to Peel Family Shelter relocation costs to support the Ukraine response.
 - The deficits were partially offset by a projected surplus of \$5.6 million due to lower availability of Rent Geared to Income Units, and
 - Projected \$1.2 million surplus due to the program redesign of My 2nd Home Units as recommended through the service level review.

- f) Business Services (Net deficit of \$5.9M)**
 - Deficit is largely due to tax appeal write-offs (\$4.3M)
 - Bill 112 costs pressures (\$1.9M) and net pressures on self-insured benefits (\$1.6M), offset by underspending on regular operations driven by vacant positions (\$3.0M)

Staff will continue to monitor the key drivers listed above and take actions to manage and mitigate potential risks where necessary for the remainder of the 2023 fiscal year.

Appendix III provides a summary of key drivers of the year-end variances by service for Tax Supported Services.

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b) Utility Rate Supported Services

As outlined in Table 2 below, Utility Rate Supported Services are forecasting to have a surplus of \$6.3 million, with a variance of 1.2 which is within the budget accuracy target range of plus or minus 3 per cent. The surplus is mainly driven by residents using more water, resulting from warmer than usual temperatures earlier in the summer months and a renewed contract with the City of Toronto for wastewater services which allowed for incremental retroactive revenue from 2016-2022.

Appendix III provides a summary of the key drivers for Water and Wastewater.

Table 2: Projected Variances for Utility Rate Supported Services

Services	Net Revised Budget	Year-End Projection	Projected Year-End Surplus/ (Deficit)	Variance to Net Budget
	\$Millions			
Water/Wastewater Net Expenditures before Billings	\$531.2	\$531.6	(\$0.4)	0.1 %
Peel Direct Billings	\$488.2	\$492.6	\$4.4	0.9 %
Other Recoveries / Surcharges	\$43.0	\$45.3	\$2.3	5.3 %
Total	\$ -	\$ 6.3	\$ 6.3	1.2 %

3. 2024 Outlook

As the economy continues to transition to a post pandemic environment, services will continue their steady return to a 'normal' service delivery comparable to pre-COVID days. The pace at which this will occur will continue to be dependant on staff capacity and their ability to meet current service delivery demands while simultaneously catching up on their backlogged work due to the pandemic. Any residual COVID-19 related costs will result in no net impact to the Region as these costs will be funded from reserves established from surpluses or broader municipal COVID funding.

Nationally, higher prices and rising interest rates are two of the most consequential characteristics of the economic environment and they have exaggerated affordability challenges for households, and increased costs for businesses as well as governments. Increased investments to support Peel's vulnerable population will be needed in 2024.

Key variables for the 2024 -2027 Business Plan and 2024 Budget will include the effects of the current economic uncertainty resulting from heightened geopolitical tensions, higher prices, rising interest rates, elevated recession risks and increased demand for support services.

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As presented through the June 22, 2023, report of the Chief Financial Officer and Commissioner of Corporate Services titled “Approach to the Development of the 2024 Budget”, no budget targets have been set for 2024 given the current economic environment (Resolution 2023-515). In addition, as approved by Council through the June 8, 2023 report from the Chief Administrative Officer titled “Bill 112 – Managing Through the Transition”, the budget will be developed according to the 12 principles to maintain Regional services through the transition period (Resolution 2023-455).

4. 2023 Capital Performance

A companion report titled, “2023 Capital Financial Triannual Performance Report – August 31, 2023” is listed on the October 26, 2023 Regional Council agenda. The goal is to provide additional information and analyses of the Region’s capital program to support Regional Council in making better informed decisions on the capital program.

BILL 112 RISKS AND IMPLICATIONS

The 2023 Second Triannual Operating Budget forecast reflects additional costs of \$1.9 million related to pressures from Bill 112 including incremental external legal costs, staffing and Council approved wellness benefits for staff. Staff have not received any invoices for costs from the Transition Board yet but expect to receive them soon.

CONCLUSION

The Region will continue to monitor the impact of key drivers on services and funding opportunities from senior levels of government whilst actively looking for opportunities to reduce spending with minimal risk to service levels. These actions, including active monitoring of inflation, will be taken into consideration including alignment to the principles to maintain Regional Services through the transition period and subsequent direction related to Bill 112.

APPENDICES

Appendix I - 2023 Service Levels

Appendix II - 2023 Projected Operating Year-End Position by Service

Appendix III – Drivers of Year-End Variance to 2023 Budget



Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

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