
REPORT TITLE: 2025 Operating Financial Triannual Performance Report - Year End (Unaudited)

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

RECOMMENDATION

- 1. That the report from the Chief Financial Officer and Commissioner of Corporate Services, listed on the April 23, 2026 Regional Council agenda titled “2025 Operating Financial Triannual Performance Report – Year End (Unaudited)”, be endorsed; and**
- 2. That the transfer of \$6,599,925 from the 2025 surplus in tax supported Peel Region services, to the Tax Rate Supported Stabilization Reserve, be approved; and**
- 3. That the transfer of \$336,593 from the 2025 surplus in Ontario Provincial Police (OPP), to the Caledon Policing Stabilization Reserve, be approved; and**
- 4. That the contribution of the 2025 surplus of \$90,693 from utility rate supported services to the Utility Rate Supported Stabilization Reserve, be approved.**

REPORT HIGHLIGHTS

- Regional Council approved the 2025 Operating Budget of \$4.0 billion to enable the Peel Region to continue delivering services and meet the service needs of the residents, taxpayers, and the service demands of a growing community.
- Staff recommend that the surplus of \$6.6 million from tax supported Peel Region Services be transferred to the Tax Rate Supported Stabilization Reserve.
- Staff recommend that the surplus of \$0.3 million from Ontario Provincial Police be transferred to the Caledon Policing Stabilization Reserve.
- Staff recommend that the surplus of \$90.7 thousand from utility rate supported services to be transferred to the Utility Rate Supported Stabilization Reserve.
- A companion capital performance report for 2025 has been provided to Regional Council to provide an overview of the capital program.

DISCUSSION

1. Background

The Budget Policy requires that staff report the status of operating and capital services at a

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minimum of twice annually to manage financial performance to ensure the long-term financial sustainability of Peel Region Services. This report provides the third and final update on the financial results of the 2025 Operating Budget as of December 31, 2025.

a) 2025 Operating Budget

The approved 2025 Operating Budget of \$4.0 billion includes \$0.9 billion for 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.

Peel Region's operating budget is developed using the best information available at the time of budget preparation. Key budget assumptions are modelled and projected for major cost drivers, including social assistance caseloads, 9- 1- 1 call volumes, winter control events, and water consumption levels. Risks are identified and mitigated wherever feasible, supported by the strategic use of rate stabilization reserves to help manage fluctuations arising from weather variability, economic conditions, and one- time initiatives, and to minimize impacts on both Tax and Utility ratepayers.

During 2025, expenditures were incurred which at times differed from the amount budgeted. These differences are known as budget variances. Budget variances are typically driven by changes in service demand, economy, and other external factors.

2. Operating Results

The Region's operating performance includes Tax Supported Services, comprising both Peel Region Services and Regionally Financed External Organizations, as well as Utility Rate Supported Services. As outlined in Table 1, the Region concluded the year with a total surplus of \$7.0 million. This result reflects a \$6.9 million surplus for Tax Supported Services and a \$0.1 million surplus for Utility Rate Supported Services.

Table 1: Regional Budget Variances at Year-End

	Net Revised Budget	Year-End Actuals	Actual Year-End Surplus	Variance to Net Budget
	\$Millions			
Tax Supported Services	\$1,678.8	\$1,671.9	\$6.9	0.4%
Utility Rate Supported Services	\$611.9	\$611.8	0.1	0.0%
Total	\$2,290.7	\$2,283.7	\$7.0	0.3%

Note: Numbers may not add up due to rounding.

Appendix II provides details on the year end operating financial position by service.

a) Tax Supported services

As presented in Table 2, Tax Supported Peel Region Services concluded the year with a surplus of \$6.6 million, representing a 0.8 per cent variance from the approved Tax

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Supported net budget. This is well within the Peel's budget accuracy target of plus or minus 3 per cent.

Regionally Financed External Organizations reported a surplus of \$0.3 million, primarily attributable to the Ontario Provincial Police (OPP) ending the year in surplus.

Table 2: Budget Variances for Tax Supported Services

	Net Revised Budget	Year-End Actuals	Actual Year-End Surplus/ (Deficit)	Variance to Net Budget
	\$Millions			
Peel Region Services	\$845.9	\$839.3	\$6.6	0.8%
Regionally Financed External Organizations	\$832.9	\$832.6	\$0.3	0.0%
Total	\$1,678.8	\$1,671.9	\$6.9	0.4%

Note: Numbers may not add up due to rounding.

i. Peel Region Services

The following summarizes the key drivers associated with the six largest budget variances for Peel Region Services:

a) Business Services (Net surplus of \$16.7M)

- Higher-than-expected Payments In Lieu of Taxes of \$5.0 million, \$8.5 million in addition in supplementary tax revenue, and a \$3.2 million from reduced tax write-offs.

b) Waste Management (Net surplus of \$9.6M)

- \$6.1 million results from lower-than-budgeted tonnage, which produced a \$2.9 million surplus in collection costs—primarily for Yard Waste—along with \$2.7 million related to processing and disposal costs and \$0.5 million for Community Recycling Centres (CRC).
- \$2.6 million savings related to the transition of the blue box recycling program from the vendor and \$0.8 million resulting from the cancellation of the Cap & Trade program and the related federal carbon charge compensation effective April 1, 2025.

c) Housing Support (Net surplus of \$6.0M)

- These under-expenditures are temporary in nature and are not expected to continue in future years.
- \$6.9 million from subsidies primarily driven by higher rental revenues from rent-geared-to-income units, which have reduced the overall subsidy requirement.

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- Additional savings with the phase in of the implementation of the 200 new portable subsidies, has resulted in gradual uptake through the end of 2025, with full annualization occurring in 2026.
- A one-time property tax refund of \$1.5 million resulting from a provider receiving property tax exempt status.
- \$5.8 million resulting from the deferral of the Place - Based Outreach and wrap - around supports programs to 2027 as directed by Council to prioritize encampment protocols.
- \$2.6 million in staffing costs due to vacancies and additional federal and provincial funding to support administrative programs;
- \$1.3 million from "My Home 2nd Units" program since discontinued; and
- \$1.2 million surplus in homelessness agency contracts due to change in service delivery model and staffing vacancies at the agencies.
- These savings are partially offset by over - expenditures, including:
 - \$8.0 million due to increased demand for homelessness shelter overflow;
 - \$2.0 million to the local municipalities for encampment related costs as directed by council;
 - \$2.4 million for Peel's share of the Asylum Claimant Response not covered by the federal funding model, and
 - \$0.9 million for maintenance and cleaning pressures at the Region Shelters.

d) Seniors Services (Net deficit of \$9.6M)

- Provincial funding has not kept pace with service requirements, resulting in a \$6.1 million funding gap.
- Staffing related expenses of \$6.0 million which includes overtime, backfill requirements to maintain minimum staffing levels, rising employee benefit costs, and the impact of recently negotiated union settlements. Additional operating cost increases -covering food, medical supplies, repair and maintenance, and utilities.
- Additional revenue of \$2.5 million from resident user fees and provincial funding enhancements.

e) Paramedic Services (Net deficit of \$9.1M)

- A shortfall of \$5.5 million attributable to the Provincial funding model.
- Increased in staffing costs of \$2.4 million due to accommodate modified work schedules, higher Workplace Safety and Insurance Board (WSIB) claims, and higher overtime and unbudgeted Collective agreement cost.
- Additional fleet repairs and maintenance costs of \$1.2 million due to delays in receiving vehicle replacements. A backlog in the delivery of replacement vehicles has led to the continued use of older ambulances beyond their scheduled replacement timelines. To sustain service levels, these vehicles are retained in operation, require higher repair and maintenance requirements to keep them in good working order.

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f) TransHelp (Net deficit of 4.0M)

- Deficit of \$4.0 million due to an additional 14 per cent more ridership growth than anticipated and increased contracted services to offset vacancies in the shortage of drivers.

Staff will continue to monitor the key drivers outlined above and will implement actions, as required, to manage and mitigate potential risks throughout the 2026 fiscal year and during the development of the 2027 budget.

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

b) Utility Rate Supported Services

As outlined in Table 3, Utility Rate Supported Services ended the year with a surplus of \$0.1 million, representing a 0.0 per cent variance which is within the budget accuracy target range of plus or minus 3 per cent. The surplus was primarily driven by higher water consumption resulting from a hotter summer, which increased revenue billings by \$2.9 million, while lower market prices for treatment chemicals contributed a further \$2.2 million in savings. These favourable results were offset by \$3.4 million in hydro rate increases that exceeded budget assumptions, along with \$1.6 million in higher insurance premiums and property taxes, reducing the overall surplus to a modest level.

Appendix III provides a summary of the key drivers of the year-end variance for Water and Wastewater.

Table 3: Budget Variances for Utility Rate Supported Services

Services	Net Revised Budget	Year-End Actuals	Actual Year-End Surplus/ (Deficit)	Variance to Net Budget
	\$Millions			
Water/Wastewater Net Expenditures before Billings	\$611.9	\$616.4	(\$4.5)	0.0%
Peel Direct Billings	\$567.2	\$570.1	\$2.9	0.0%
Other Recoveries /Surcharges	\$44.7	\$46.4	\$1.7	0.0%
Total	\$ -	\$0.1	\$0.1	0.0%

Note: Numbers may not add up due to rounding.

3. Surplus Management Actions

Appendix IV of the report provides a summary of the surplus management actions below.

a) Tax Supported Services

Tax Supported Services generated a total surplus of \$6.9 million. Approximately \$6.6 million was generated by Peel Region Services and a surplus of \$0.3 million was generated by Regionally Financed External Agencies.

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Recommendation – That surplus of \$6.6 million generated by Peel Region Services is proposed to be allocated to the Tax Supported Rate Stabilization Reserve. This reserve is utilized for pressures in the operating budget and one-time needs. The contribution of the surplus will bring the balance in line with guidelines as set out in the Reserve Management policy.

The surplus generated by Ontario Provincial Police (OPP) – Caledon \$0.3 million will be transferred to the Caledon Policing Stabilization Reserve.

b) Utility Rate Supported Services

Utility Rate Supported Services generated a total surplus of \$0.1 million.

Recommendation – The surplus of \$0.1 million generated by Utility Rate Supported Services is proposed to be allocated to the Utility Rate Supported Rate Stabilization Reserve.

The above recommended surplus management actions support the Peel Region's overall Long Term Financial Planning Strategy by mitigating risks to financial flexibility, financial vulnerability and financial sustainability of Peel Region services and assets. These actions stabilize the overall financial condition and future tax and utility rates, as well as contribute to the sustainability of the capital program.

4. Staffing Costs and Vacancies

People are a key investment in delivering services to Peel's community. As 32.9 per cent of the total Peel Region's budget is related to staffing, the Region closely monitors workforce related activities. In 2025 overall, Peel Region services spent 100.5 per cent of the budgeted workforce related costs.

There was an increase in staffing costs due to collective agreement settlements across the Region in 2025.

5. Write-Offs

The Accounts Receivable Policy gives the Chief Financial Officer the authority to approve the write-off of Water, Wastewater and General Receivable billings deemed uncollectable and require staff to disclose this through the triannual reporting process.

The 2024 Budget includes provision for anticipated write-offs. Write-offs are only recorded when all means of collection have been exhausted. At the end of 2025, total write-offs amounted to approximately \$590.5 thousand or 0.07 per cent of total billings.

Appendix V provides a summary of the write-offs for the 12-month period ending December 31, 2025.

6. Impact on Rate Stabilization Reserves

The 2025 revised Budget provided a total of \$49.1 million (\$42.9 million for Peel Region Services) in contingent Rate Stabilization Reserve draws to fund one-time pressures and smooth out the tax and utility rate impacts such as to mitigate temporary service pressures where there was some degree of uncertainty as to the permanence of the pressure. Regional Council's decision to utilize draws from Rate Stabilization Reserves to address

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temporary pressures is prudent. This allows the Region to maintain financial flexibility and unnecessarily increasing property taxes through the budget.

At year end, budgeted draws from the Peel Region Services rate stabilization reserves fell short of the budget by \$41.3 million (96.3%).

7. 2026 Outlook

Peel Region continues to be intently focused on the everyday operations and uninterrupted service delivery, while facing the challenges from the social emergency in the Region. Such challenges include:

- Building homes faster
- Declining development charge revenue
- Increasing community affordability issues
- Changing global market impacts
- Increasing vulnerability in the community
- A rapidly growing population

The 2026 budget and Business Plan invest in Peel's future and addresses these pressures and challenges, aggressively supporting the housing enabling infrastructure Peel requires to meet provincial housing targets in a fiscally responsible way.

Peel's latest strategic agenda reiterates our commitment to housing and social impact, sustainability, service excellence, future readiness, and fostering an environment where our employees are supported in their wellness, growth, and creativity. The Region has made significant progress on our Strategic Agenda and continued our important work to mitigate climate impacts and de-colonize our systems.

The budget is built on long-term sustainable funding to ensure the necessary services the Region delivers are protected and enhanced, while upholding our tradition of financial responsibility and social programs.

8. Capital Performance

A companion report titled "2025 Capital Performance and Impact on Capital Reserves and Reserve Funds – December 31, 2025" is being presented to Regional Council on April 23, 2026. The companion report provides additional analysis and insights on the Region's capital program to support Regional Council in making well-informed decisions regarding capital planning and investment.

BILL 45, BILL 60, AND BILL 98 RISKS AND IMPLICATIONS

On December 11, 2025, Bill 45 (*Peel Transition Implementation Act, 2025*) received Royal Assent and initiated a phased transfer of certain services from the Regional Municipality of Peel to the Cities of Mississauga and Brampton, and the Town of Caledon. Responsibility for regional roads and stormwater infrastructure is scheduled to transfer by July 1, 2027, followed by waste collection services by October 1, 2027.

On November 27, 2025, Bill 60 (*Fighting Delays, Building Faster Act, 2025*) received Royal Assent and introduced additional changes, including amendments to the *Municipal Act*,

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2001 transferring jurisdiction over water and wastewater utilities to lower-tier municipalities effective January 1, 2029, or a later prescribed date. Bill 60 also enacted the *Water and Wastewater Public Corporation Act, 2025*, enabling designated public utility corporations to deliver water and wastewater services on behalf of municipalities. On March 30, 2026, the provincial government tabled Bill 98 (*Building Homes and Improving Transportation Infrastructure Act*), which provided further details respecting this model, although additional regulations are required to fully implement the proposed framework.

At this time, the full legal, financial, and operational implications of Bill 45, Bill 60, and Bill 98 for Peel Region and its local municipalities remain uncertain. Staff will continue to monitor legislative and regulatory developments and report back to Council as further information becomes available.

CONCLUSION

Peel Region will continue to monitor the impact of key drivers on service delivery and funding opportunities from senior levels of government, while actively identifying opportunities to reduce expenditures with minimal risk to service levels. These actions; including ongoing monitoring of inflationary pressures, will be incorporated into decision-making and aligned with the principles guiding the maintenance of Regional services throughout the transition period and subsequent directions.

APPENDICES

Appendix I – Operating Year-End Position – Tax and Utility Services

Appendix II – Drivers of Year-End Variance to 2025 Budget

Appendix III – 2025 Surplus/(Deficit) Allocation Summary

Appendix IV – Summary of 2025 Write-Offs

Appendix V – 2025 Service Levels



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