



Memorandum

Office of the City Clerk
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TO: Members of Council
FROM: Ms. K. Power, Deputy City Clerk
DATE: Thursday, May 23, 2019
SUBJECT: **Additional Information**
Committee of the Whole/City Council – May 27, 2019

COMMITTEE OF THE WHOLE

ADDITIONAL INFORMATION

1. Report R 91/2019 (Corporate Services & Long Term Care - Financial Services) 2019 Tax Policy Report
2. Report R 76/2019 (Corporate Services & Long Term Care – Revenue) Non-Consolidated Financial Statements and Reserve Fund Update

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Corporate Report

DEPARTMENT/ DIVISION	Corporate Services & Long Term Care - Revenue	REPORT NO.	R 91/2019
DATE PREPARED	05/14/2019	FILE NO.	
MEETING DATE	05/27/2019 (mm/dd/yyyy)		
SUBJECT	2019 Tax Policy Report		

RECOMMENDATION

With respect to the Corporate Tax Policy Report R 91/2019 (Revenue), we recommend that Administration be directed to undertake a review relative to phasing out the 30% municipal discount factors applied to vacant and excess land subclasses in the commercial and industrial property classes;

AND THAT the special service area boundary be extended for sewage and land drainage and street lighting as included in Attachment 2;

AND THAT graduated taxation apply to the large industrial property class for 2019 with two bands of taxation, the lower band being taxed at 81% of the upper band and the CVA boundary between taxation bands be \$18.5 million;

AND THAT the recommended tax ratios and tax rates included in Attachment 8 be approved for the 2019 taxation year;

AND THAT the final tax levy be due in two installments on August 7th and October 3rd, 2019;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

This report is being presented to provide City Council with recommendations on the Corporate Tax Policy options and requirements under the Municipal Act, 2001 for the setting of tax policies, tax rates and due dates in preparation for the 2019 final property tax billing. This report recommends tax ratios that are consistent with the approved long term tax strategy.

DISCUSSION

Legislation Update

Vacant/Excess Land Subclasses

Since 1998, the vacant/excess land subclasses have provided reductions to commercial and industrial land. Commercial and industrial properties or portions of these properties in the vacant and excess land property tax subclass are taxed at a fixed percentage below the tax rate for the class. Thunder Bay has a discount of 30% for qualifying properties. In 2018, 379 properties received a municipal discount totaling \$721,595.

In 2019, the Province announced that it is phasing-out the education portion of the subclass reductions by 2020. The education subclass reduction is reduced from 30% to 15% in 2019 and is 0% in 2020.

Municipalities wanting to phase-out the subclass reductions must consult with local stakeholders before making a formal request for changes to the Minister of Finance. Administration recommends that a vacant/excess land subclass review be undertaken this year with implementation of any changes approved by Council occurring in 2020.

Phase-In of MPAC Reassessment Changes and Assessment Growth

There is a four-year phase-in of assessment increases as determined by the Municipal Property Assessment Corporation (MPAC), whereby increases are spread equally over a four-year term (2017 - 2020) using a January 1, 2016 valuation date. Decreases resulting from reassessment are not phased-in, but flowed through to taxpayers in 2017.

Thunder Bay experienced an overall increase in its taxable and payment in lieu of taxes assessment base of 5.41% in 2019. As seen in Attachment 1, assessment growth was 0.45% and value/equity changes attributed to the reassessment phase-in program represents 4.94%. The full impact of the assessment update will not be realized until 2020.

The City is experiencing low or negative growth in the commercial and industrial classes and the majority of the growth continues to come from the residential class resulting in the ongoing shift of the tax levy onto the residential property class.

Net assessment growth of 0.45% in 2018 has contributed \$565,980 in taxation revenue in 2019.

Education Taxes

The Province sets the education rates, which are uniform across all municipalities in Ontario. The Province updates education tax rates on an annual basis to offset the impact of reassessment. For 2019, the residential education tax rate decreased from 0.170% to 0.161% and the commercial/industrial education tax rate decreased from 1.09% to 1.03%. Municipalities in Ontario that have assessment increases higher than the provincial average change will experience an increase in education taxes while those municipalities that have assessment increases lower than the provincial average change will experience a decrease in education taxes as a result of the reset. Thunder Bay experienced an overall decrease of \$332,133 with the majority of the decrease applicable to the commercial property class.

The decrease in education taxes creates education tax room that can be used to reduce the large industrial and multi-residential tax ratios with minimal impact to the overall tax burden on the residential taxpayer.

The following table shows the change in education taxes levied by property class from 2018 to 2019:

Education Tax Levy			
	2018	2019	Change
Residential	13,963,366	\$ 13,897,341	(66,025)
New Multi Residential	23,103	22,814	(289)
Multi Residential	688,274	699,763	11,489
Commercial	16,033,046	15,730,828	(302,218)
Industrial	577,667	621,238	43,571
Large Industrial	705,783	700,486	(5,297)
Landfills	7,521	7,107	(414)
Pipeline	391,562	378,536	(13,026)
Farm	1,646	1,699	53
Managed Forest	519	542	23
TOTAL	\$ 32,392,487	\$32,060,354	(332,133)

Urban/Special Area Services

Urban Service Area By-laws were established when the City was first amalgamated as a fairness measure so that citizens who did not receive the benefit of certain services (transit, street lighting, sewage and drainage, and garbage collection) did not pay for them.

Report No. 2002.53 (Revenue) authorized Administration to bring forward by-laws as required to expand the areas within which special services (historically known as urban services) are provided.

Expanding the areas does not generate additional revenue for the City, but it does spread the cost of providing the services over more properties. This results in a decrease for those currently paying a special services charge and an increase for those who now benefit from the special service being made available.

In this regard, expansions to Schedule A and Schedule B of By-law 46-2006 is in order to reflect properties benefiting from the drainage and flood control systems and street lighting special service. Special area expansions are included in Attachment 2.

Municipal Tax Levy

The 2019 municipal tax levy including payments in lieu of taxes was approved by City Council at \$194,091,700. This represents an increase of \$4.35 million or 2.29% over 2018. For billing purposes, the budget is allocated as follows in order to levy separately for urban/special services:

	<u>2018</u>	<u>2019</u>
Municipal General Tax Levy	\$168,839,884	\$170,061,494
<u>Urban/Special Services:</u>		
Garbage Collection	5,048,457	6,087,234
Street Lighting	3,581,308	3,764,049
Sewage and Drainage	942,940	2,375,482
Public Transportation	11,328,811	11,803,441
 Total Municipal Tax Levy	 \$189,741,400	 \$194,091,700

Tax Ratios

- A municipal tax ratio is the degree of which a property class is taxed relative to the residential class.
- The residential tax ratio is always 1.0.
- Tax ratios determine how much of the municipal tax burden is borne by each property class.
- Altering tax ratios does not alter the overall levy amount, only how it is distributed.
- Education tax rates are set by the Province and are not dependent on tax ratios approved by municipal Councils.
- The Province has established a range of fairness for each property class. With the exception of revenue neutral ratios, tax ratios cannot be moved further away from the range of fairness.

- Revenue neutral tax ratios are a ratio flexibility decision that is made annually by the Province. This flexibility allows municipalities to adjust tax ratios away from the range of fairness to offset tax shifts that may occur between property classes as a result of the phase-in of reassessment changes.
- The Province has established threshold ratios for the multi-residential (2.0), commercial (1.98) and industrial (2.63) property classes. Property tax increases cannot be spread evenly over all property classes if any tax ratio exceeds the provincial thresholds
- Attachment 3 provides an overview of Thunder Bay’s historical tax ratios including those recommended in 2019.
- As shown in the following table, in 2018 the tax ratios shifted the Municipal tax burden from residential to non-residential properties. Although residential properties represented 79.1% of total taxable property assessment, due to existing tax ratios in the multi-residential, commercial, and industrial classes, they paid only 63.0% of the total tax levy.

Property Class	% of Taxable Assessment 2018	% of Total of Municipal Tax Levy 2018
Residential	79.1	63.0
New multi-residential	0.1	0.1
Multi-residential	3.9	7.5
Commercial	15.3	25.9
Industrial	0.6	1.0
Large Industrial	0.7	1.7
Pipelines	0.3	0.8
Total	100	100

- The chart below is a comparison of the provincial ranges of fairness, the tax ratios approved for 2018, and the tax ratios for each of the options identified in this report.

Class	Range of Fairness		2018 Approved Tax Ratios	Option 1 Ratios (Recommended)	Option 2 Ratios	Option 3 Ratios
	Low	High				
Residential	1.0	1.0	1.0	1.0	1.0	1.0
New Multi-Residential	1.0	1.0	1.0	1.0	1.0	1.0
Multi-Residential	1.0	1.1	2.422438	2.285000	2.321109	2.321109
Commercial	0.6	1.1	2.137932	2.115246	2.115246	2.147500
Industrial	0.6	1.1	2.441050	2.415148	2.415148	2.401144
Large Industrial (no band)	0.6	1.1	3.304256	3.170000	3.269195	3.250238
Landfills	0.6	1.1	2.583329	2.583329	2.583329	2.714880
Pipelines	0.6	.7	2.768387	2.768387	2.768387	2.843817
Farm	0.01	0.25	0.25	0.25	0.25	0.25
Managed Forests	0.25	0.25	0.25	0.25	0.25	0.25

Graduated Taxation

Since 1998, graduated taxation has been an option available to municipalities. The objective of graduated taxation is to reduce taxation levels on businesses that are located on lower-value properties. This program is self-funded within the class, and as such, providing a lower tax rate for lower valued properties, increases the tax rate for the higher valued properties in the class.

Municipalities are permitted to tax commercial and industrial properties at different rates depending upon their CVA. Graduated CVA bands are defined by CVA ranges.

Either two or three bands may be chosen with no limits being placed on where the CVA boundaries between bands are set. Municipalities also have full flexibility to choose the relative tax levels for each band although the band with the highest value properties is always set at 100%. As previously noted, this program is self-funded within the class, and as such, by providing a lower tax rate for a lower band, the tax rate for the higher band increases.

The 2014 Tax Policy established graduated taxation as the tool to manage significant tax shifts that would have occurred among properties within the large industrial property class leading to tax increases in excess of 10% for some properties. Graduated taxation was utilized in 2014 with

the intent of phasing it out in future years so the year over year tax changes among the properties in the class were reasonable. In 2015, grain elevators were reclassified from the large industrial property class to the commercial class leaving seven properties in the large industrial class. As such, any change in graduated taxation has a larger impact on each of the remaining properties in the class.

The CVA boundary between taxation bands in 2018 was \$18.5 million with the low band being taxed at 73% of the high band.

Graduated taxation is a means to mitigate shifts in taxation levels among properties within the large industrial property class. Administration recommends changes to graduated taxation as outlined in option 1.

Optional Property Classes

In addition to the standard property classes, municipalities can adopt optional classes. Optional classes provide flexibility in spreading the municipality's property tax burden within the commercial and industrial property classes.

In 1998, City Council approved the creation of the shopping centre, office building, parking lot/vacant land, and large industrial optional classes. These classes were adopted to mitigate large shifts in the overall tax burden that would have otherwise occurred. They were not intended to be a permanent solution and in 2006, Council ceased using optional commercial classes.

The large industrial optional class is currently used by the city. The large industrial ratio was 3.30 in 2018 compared to the industrial residual ratio of 2.44.

There are currently seven properties in large industrial class, two of which are vacant land. Having so few properties in the class, increases the volatility of the class, which is magnified by the high ratios. Therefore, administration recommends that the large industrial class ratio be reduced as outlined in option 1.

Long Term Property Tax Strategy

The following resolution was approved by City Council on May 13, 2019:

With respect to Report No. 59/2019 (Corporate Services & Long Term Care - Revenue), we recommend that a long-term property tax strategy be established to guide Administration in preparation of annual tax policies with the following considerations:

- Graduated taxation in the large industrial property class be phased out by increasing the low band rate;
- The broad class industrial ratio be reduced from 2.925444 (2018) to 2.63, the provincial threshold ratio for the industrial property class by reducing the large industrial tax ratio;

- The multi-residential tax ratio be reduced from 2.422438 (2018) to the provincial threshold ratio of 2.0; with the revenue from growth in the new multi-residential property class being directed to reduce the multi-residential tax ratio;
- The commercial tax ratio be reduced from 2.137932 (2018) to 1.98, the provincial threshold ratio for the commercial property class by adopting the starting ratio each year;
- Recommendations in paragraphs 1-4 be limited to the extent that the impact on a median residential property does not exceed the Council approved tax levy increase for the year by more than 0.5% (i.e., 2019, 2.29% levy increase before growth is equal to not more than 2.79% tax rate increase for residential property owners);
- The annual tax policy report will provide three options for Council’s consideration including; an option which will reflect recommendations in paragraphs 1-5; a status quo option (starting ratios with same tax policies as adopted by City Council in the previous year) and a tax shift mitigation option.

Option 1 – Approved Long Term Tax Strategy

Graduated Taxation: In 2018, the lower band was taxed at 73% of the upper band and the CVA boundaries between taxation bands was \$18.5 million. Left unchanged, large industrial properties having an assessed value of less than \$18.5 million would experience a tax levy decrease of 3.59% and the property having an assessed value in excess of \$18.5 million would experience a tax levy decrease of 0.03%.

Consistent with the long term tax strategy, administration is recommending that the lower band be taxed at 81% of the upper band. The CVA boundary between taxation bands is recommended to remain unchanged at \$18.5 million. Properties in the low band would experience an overall tax increase of 0.80%, while the one property having a value in excess of \$18.5 million will have a tax decrease of 2.15%. Graduated taxation shifts taxation levels within the Large Industrial class as follows:

	Taxation Before Graduated Taxation	Taxation After Graduated Taxation	Difference
Assessment <\$18.5m	2,374,669	2,186,345	(188,324)
Assessment >\$18.5m	1,384,739	1,573,063	188,324

Tax Ratios:

In conjunction with the change to graduated taxation as noted above, the large industrial ratio would be reduced to 3.17 for this option. Without the change to the large industrial ratio, property tax increases experienced by four of the six properties included in the low band boundary would be in excess of 5% with the highest increase at 12%.

The multi-residential ratio would be reduced to 2.285. This reduction results in 43 properties experiencing a tax reduction in excess of 2.49% resulting in rent reductions for 1201 of 6943 units. Therefore, 17% of units in the multi-residential class would be subject to rent reduction.

As shown in Attachment 4, the residential property class would see a municipal levy increase of 2.79%; however, due to changes in the education levy, the overall increase to the residential property class is 2.45%.

The median residential single family detached home in Thunder Bay which has an updated assessment of 209,133 in 2019, would see an increase to their tax bill of \$84.57.

This approach is consistent with the approved long term tax strategy and is being recommended for 2019.

Option 2 - Status Quo

Graduated Taxation: Under option 2, administration recommends that the lower band be taxed at 78% of the upper band. The CVA boundary between taxation bands is recommended to remain unchanged at \$18.5 million. Properties in the low band would experience an overall tax increase of 1.6%, while the one property having a value in excess of \$18.5 million will have a tax increase of 0.99%.

Graduated taxation shifts taxation levels within the Large Industrial class as follows:

	Taxation Before Graduated Taxation	Taxation After Graduated Taxation	Difference
Assessment <\$18.5m	2,431,837	2,203,633	(228,204)
Assessment >\$18.5m	1,418,038	1,646,242	228,204

Tax Ratios: Under this option, the 2018 tax ratios are updated to account for the 2018 levy restrictions applicable to the commercial, industrial, and multi-residential property classes. These updated tax ratios become the starting ratios for 2019 and are shown in Attachment 5. This approach is typically adopted when Council has achieved its desired ratios and is satisfied that the shifts that are occurring due to reassessment or growth are not significant enough to warrant a different approach.

As shown in Attachment 5, the residential property class would see a municipal levy increase of 2.62%; however, due to changes in the education levy, the overall increase to the residential property class is 2.30%.

The median residential single family detached home in Thunder Bay which has an updated assessment of 209,133 in 2019, would see an increase to their tax bill of \$79.58, \$4.99 less per year compared to recommended option 1.

29 properties in the multi-residential class would experience a tax reduction in excess of 2.49% resulting in rent reductions for 642 of 6943 units or 9%. This option results in the least number of units that would be subject to rent reduction compared to options 1 and 3.

This approach is not being recommended for 2019.

Option 3 – Tax Shift Mitigation

Graduated Taxation: If option 3 is adopted, administration recommends that the lower band be taxed at 78% of the upper band. The CVA boundary between taxation bands is recommended to remain unchanged at \$18.5 million. Properties in the low band would experience an overall tax increase of 0.80%, while the one property having a value in excess of \$18.5 million will have a tax increase of 0.19%.

Graduated taxation shifts taxation levels within the Large Industrial class as follows:

	Taxation Before Graduated Taxation	Taxation After Graduated Taxation	Difference
Assessment <\$18.5m	2,412,499	2,186,108	(226,391)
Assessment >\$18.5m	1,406,780	1,633,171	226,391

Tax Ratios: Under this approach, revenue neutral tax ratios are selected which adjust tax ratios away from the range of fairness to offset tax shifts that may occur between property classes as a result of the phase-in of reassessment changes. Tax ratios are then adjusted where permitted with the goal of achieving uniform tax changes across all property classes.

As shown in Attachment 6, the residential property class would see a municipal levy increase of 2.22%; however, due to changes in the education levy, the overall increase to the residential property class is 1.93%, which is below the approved 2019 tax levy increase of 2.29%. The industrial class would experience a tax levy increase of 3.22%, however since the increase is due to the phase-out of the education portion of the vacant/excess land subclass reductions, no further reduction to the industrial tax ratio is recommended.

The median residential single family detached home in Thunder Bay which has an updated assessment of 209,133 in 2019, would see an increase to their tax bill of \$67.76, \$16.81 less per year compared to recommended option 1.

33 properties in the multi-residential class would experience a tax reduction in excess of 2.49% resulting in rent reductions for 844 of 6943 units. Therefore, 12% of units in the multi-residential class would be subject to rent reduction.

This approach results in an increase to the commercial ratio which is not consistent with the approved long term tax strategy. According to the 2018 BMA Municipal Study, Thunder Bay had the fourth highest commercial tax ratio and the city’s relative commercial taxes were among

the highest of the surveyed municipalities. Therefore, this approach is not recommended for 2019.

Attachment 7 highlights the Municipal Tax Shift by property class moving from Options #1 through #3.

Tax Rates and Due Dates

Attachment 8 provides the tax ratios and tax rates required to raise the 2019 Municipal Tax Levy using the approved long term tax strategy - option 1. This option is being recommended.

Attachment 9 provides tax ratios and tax rates that would be required to raise the 2019 Municipal Tax Levy using option 2 – Status Quo. This option is not being recommended.

Attachment 10 provides tax ratios and tax rates that would be required to raise the 2019 Municipal Tax Levy using option 3 – Tax Shift Mitigation. This option is not being recommended.

Final bills are anticipated to be ready for mailing by the first week of July.

Administration has historically recommended a minimum 30-day notice provision and is therefore recommending the final tax levy be due in two installments: August 7th and October 3rd, 2019.

FINANCIAL IMPLICATION

Approval of the 2019 tax policies and tax rates as recommended will ensure that the 2019 tax levy will be sufficient to meet budgeted taxation revenue.

CONCLUSION

It is concluded that the tax policies and tax rates as recommended in Report R 91/2019 (Revenue) should be approved for the 2019 taxation year.

BACKGROUND

The provincial government sets the province-wide policies and rules with respect to property assessment and taxation. The Ministry of Finance sets assessment policy and standards and is responsible for establishing the majority of legislation and regulations governing tax policy. It also is responsible for setting education tax rates for all property classes. The Ministry of Education is responsible for establishing the deadlines for municipalities to pay their education tax installments and is responsible for allocating the education taxes to the school boards.

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing all property in Ontario. The Province transferred responsibility for property assessment to what is now called MPAC on December 31, 1998. MPAC carries out its activities in accordance with the provisions of the Assessment Act, as well as regulations issued under the Act by the Province. Municipalities use the values MPAC establishes for properties when they calculate property taxes.

Municipalities have been granted some decision-making responsibility by the Province relating to municipal taxation. In this regard, there are options made available by the Province through the Municipal Act, 2001, and regulations issued thereunder whereby certain tax policy decisions must be made by December 31st of each year.

Since the introduction of current value assessment by the Province in 1998, inequities in tax treatment have been identified in the multi-residential, commercial and industrial property classes in many cities including Thunder Bay. On May 13, 2019, City Council approved a long term tax strategy that is designed to reduce property tax ratios to enhance long-term financial stability and achieve greater fairness and relative competitiveness over time.

REFERENCE MATERIAL ATTACHED

- Attachment 1 - Assessment Changes 2018-2019
- Attachment 2 - Special Service Area Expansion
- Attachment 3 - Tax Ratios 1998 - 2019
- Attachment 4 - Impact of using Option 1 – Approved Long Term Tax Strategy
- Attachment 5 - Impact of using Option 2 – Status Quo
- Attachment 6 - Impact of using Option 3 – Tax Shift Mitigation
- Attachment 7 - Impact Options 1, 2 & 3 have on Distribution of the Tax Levy
- Attachment 8 - 2019 Tax Rates & Ratios with Option 1 – Approved Long Term Tax Strategy
- Attachment 9 - 2019 Tax Rates & Ratios with Option 2 – Status Quo
- Attachment 10- 2019 Tax Rates & Ratios with Option 3 – Tax Shift Mitigation

PREPARED BY: Kathleen Cannon – Director of Revenue

THIS REPORT SIGNED AND VERIFIED BY: LINDA EVANS, GM, CORPORATE SERVICES & LONG TERM CARE, AND CITY TREASURER	DATE: MAY 23,2019
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Assessment Changes 2018 - 2019
(Third year of 4 year phase-in)

Property Class	2018 Returned Roll	2018 Year-end Roll	2018 Growth	2019 Returned Roll	2019 Value Change	% Growth	% Value Change	Total % Change
	A	B	C (B - A)	D	E (D - B)	F (C/A)	G (E/B)	H (D/A)
Residential	8,169,100,730	8,214,562,590	45,461,860	8,632,851,822	418,289,232	0.56	5.09	5.68
New Multi-Residential	8,504,680	13,589,920	5,085,240	14,170,460	580,540	59.79	4.27	66.62
Multi-Residential	404,647,539	404,867,261	219,722	434,635,231	29,767,970	0.05	7.35	7.41
Commercial	1,578,746,205	1,578,779,894	33,689	1,634,380,722	55,600,828	0.00	3.52	3.52
Industrial	61,731,278	61,706,980	-24,298	65,483,441	3,776,461	-0.04	6.12	6.08
Large Industrial	68,984,338	64,425,694	-4,558,644	68,092,947	3,667,253	-6.61	5.69	-1.29
Landfill	690,000	690,000	0	690,000	0	0.00	0.00	0.00
Pipeline	35,805,500	35,923,080	117,580	36,751,040	827,960	0.33	2.30	2.64
Farm	3,841,515	3,873,212	31,697	4,221,157	347,945	0.83	8.98	9.88
Managed Forest	1,184,514	1,220,228	35,714	1,347,816	127,588	3.02	10.46	13.79
Total Taxable/PIL	10,333,236,299	10,379,638,859	46,402,560	10,892,624,636	512,985,777	0.45	4.94	5.41

Assessment Totals 2016 - 2020
(Full impact of reassessment)

Property Class	2016 Year-end Roll	Destination Value	Total % Change
Residential	7,387,193,916	9,051,141,066	22.52
New Multi-Residential	12,428,839	14,751,000	18.68
Multi-Residential	346,242,517	464,403,200	34.13
Commercial	1,519,882,237	1,689,981,530	11.19
Landfill	794,000	690,000	-13.10
Industrial	56,273,070	69,259,900	23.08
Large Industrial	58,598,225	71,760,200	22.46
Pipeline	34,267,160	37,579,000	9.66
Farm	3,389,623	4,569,100	34.80
Managed Forest	1,076,753	1,475,400	37.02
Total Taxable/PIL	9,420,146,340	11,405,610,396	21.08

Attachment 2

Special Service Area Expansion

By-law 46-2006, Schedule A, sewage and drainage special area expansion:

1. All of Bishop Court
2. Part of Pioneer Drive, being Assessment Roll Identifiers:
 - i. 58 04 020 099 062 32
 - ii. 58 04 020 099 062 33
 - iii. 58 04 020 099 062 34
 - iv. 58 04 020 099 062 35
 - v. 58 04 020 099 062 36
 - vi. 58 04 020 099 062 37
3. All of Magnolia Drive
4. Part of Ouimet Drive (Mount Forest Boulevard to Rockcliff Drive)
5. Part of Rockcliff Drive (Rockcliff Crescent to Ouimet Drive)

By-law 46-2006, Schedule B – street lighting special area expansion:

1. All of Bishop Court
2. Part of Pioneer Drive, being Assessment Roll Identifiers:
 - i. 58 04 020 099 062 32
 - ii. 58 04 020 099 062 33
 - iii. 58 04 020 099 062 34
 - iv. 58 04 020 099 062 35
 - v. 58 04 020 099 062 36
 - vi. 58 04 020 099 062 37

**Tax Ratios for the City of Thunder Bay
1998 to 2019**

	Residential	New Multi-Residential	Multi-Residential	Commercial	Shopping Centre	Office Building	Parking/Vac Land	Industrial	Large Industrial (No Band)	Landfill	Pipelines	Farmland	Managed Forests
1998	1.000000		2.903900	2.445000	2.213600	2.582300	1.493900	3.230100	3.471800		2.198400	0.250000	0.250000
1999	1.000000		2.903900	2.445000	2.213600	2.582300	1.493900	3.230100	3.471800		2.198400	0.250000	0.250000
2000	1.000000		2.903900	2.445000	2.213600	2.582300	1.493900	3.230100	3.471800		2.198400	0.250000	0.250000
2001	1.000000		2.538500	2.445000	2.213600	2.582300	1.493900	3.230100	3.471800		2.152000	0.250000	0.250000
2002	1.000000		2.538500	2.394081	2.167501	2.528523	1.462789	3.162832	3.399498		2.152000	0.250000	0.250000
2003	1.000000		2.538500	2.020900	1.829700	2.134400	1.234800	2.475700	2.660900		2.152000	0.250000	0.250000
2004	1.000000		2.740000	2.020900	1.829700	2.134400	1.234800	2.382400	2.681200		2.152000	0.250000	0.250000
2005	1.000000		2.740000	1.980000	1.866300	2.091700	1.259500	2.430000	2.627500		2.152000	0.250000	0.250000
2006	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.627500		2.152000	0.250000	0.250000
2007	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.627500		2.152000	0.250000	0.250000
2008	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.627500		2.152000	0.250000	0.250000
2009	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.627500		2.152000	0.250000	0.250000
2010	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.465000		2.152000	0.250000	0.250000
2011	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.465000		2.152000	0.250000	0.250000
2012	1.000000		2.740000	1.952709	n.a	n.a	n.a	2.430000	2.465000		2.152000	0.250000	0.250000
2013	1.000000		2.708571	1.980000	n.a	n.a	n.a	2.559283	2.596145		2.271603	0.250000	0.250000
2014	1.000000	1.000000	2.685576	1.980000	n.a	n.a	n.a	2.540000	3.230648		2.388795	0.250000	0.250000
2015	1.000000	1.000000	2.649522	2.045366	n.a	n.a	n.a	2.503555	3.325639		2.502278	0.250000	0.250000
2016	1.000000	1.000000	2.631000	2.067700	n.a	n.a	n.a	2.445300	3.376233		2.612379	0.250000	0.250000
2017	1.000000	1.000000	2.566505	2.144417	n.a	n.a	n.a	2.488302	3.368219	2.453732	2.691541	0.250000	0.250000
2018	1.000000	1.000000	2.422438	2.137932	n.a	n.a	n.a	2.441050	3.304256	2.583329	2.768387	0.250000	0.250000
2019 (recommended)	1.000000	1.000000	2.285000	2.115246	n.a	n.a	n.a	2.415148	3.170000	2.583329	2.768387	0.250000	0.250000
Percent change	0.00	0.00	-21.31	-13.49				-25.23	-8.69	5.28	25.93	0.00	0.00

Notes:

In 2006 City Council stopped using the optional commercial property classes (shopping centre, office building, and parking/vac Land).

In 2014 City Council created the optional new multi-residential property class and confirmed a tax ratio of 1.0 for the class.

In 2017 the Province created a new property class for landfills.

Large Industrial properties are subject to graduated taxation with the lower band (assessment up to \$18.5 million) being taxed at 81% of the higher band (assessment over \$18.5 million) in 2019.

**Analysis of 2019 Tax Change by Property Class
Option 1
Recommended**

Property Class	2019 Tax Ratio	2018 Municipal Taxation at Year-end \$	2018 Education Taxation at Year-end \$	2018 Total Taxation at Year-end \$	2019 Municipal Taxation \$	2019 Education Taxation \$	2019 Total Taxation \$	Difference Between 2018 and 2019 Taxation					
								Municipal \$	Municipal %	Education \$	Education %	Total Change \$	Total Change %
Residential	1.000000	119,006,443	13,963,366	132,969,809	122,327,450	13,897,341	136,224,791	3,321,007	2.79%	(66,025)	-0.47%	3,254,982	2.45%
New Multi-Residential	1.000000	199,416	23,103	222,519	203,698	22,814	226,512	4,282	2.15%	(289)	-1.25%	3,993	1.79%
Multi-residential	2.285000	14,122,252	688,274	14,810,526	14,200,129	699,763	14,899,892	77,877	0.55%	11,489	1.67%	89,366	0.60%
Commercial	2.115246	48,754,154	16,033,046	64,787,200	49,222,441	15,730,828	64,953,269	468,287	0.96%	(302,218)	-1.88%	166,069	0.26%
Industrial	2.415148	1,893,053	577,667	2,470,720	1,951,276	621,238	2,572,514	58,223	3.08%	43,571	7.54%	101,794	4.12%
*Large Industrial	3.170000	3,098,885	705,783	3,804,668	3,058,950	700,486	3,759,436	(39,935)	-1.29%	(5,297)	-0.75%	(45,232)	-1.19%
Landfills	2.583329	23,760	7,521	31,281	23,012	7,107	30,119	(748)	-3.15%	(414)	-5.50%	(1,162)	-3.71%
Pipelines	2.768387	1,459,297	391,562	1,850,859	1,462,512	378,536	1,841,048	3,215	0.22%	(13,026)	-3.33%	(9,811)	-0.53%
Farm	0.250000	13,120	1,646	14,766	13,853	1,699	15,552	733	5.59%	53	3.21%	786	5.32%
Managed Forests	0.250000	4,103	519	4,622	4,394	542	4,936	291	7.10%	23	4.41%	314	6.79%
Total		188,574,483	32,392,487	220,966,970	192,467,715	32,060,354	224,528,069	3,893,232	2.06%	(332,133)	-1.03%	3,561,099	1.61%

*Large Industrial (Properties < \$18.5 M)	1,009,519	228,921	1,238,440	1,017,209	231,087	1,248,296	7,690	0.76%	2,165	0.95%	9,856	0.80%
*Large Industrial (Properties > \$18.5 M)	2,089,366	476,862	2,566,228	2,041,741	469,399	2,511,140	(47,625)	-2.28%	(7,463)	-1.56%	(55,088)	-2.15%
Total Large Industrial Property Class	3,098,885	705,783	3,804,668	3,058,950	700,486	3,759,436	(39,935)	-1.29%	(5,298)	-0.75%	(45,232)	-1.19%

*Graduated taxation reflected with two bands of taxation; the lower band being taxed at 81% of the upper band and CVA boundary between taxation bands is \$18.5 million. There is currently one property in the large industrial class having an assessment in excess of \$18.5 million.

**Analysis of 2019 Tax Change by Property Class
Option 2
Not Recommended**

Property Class	2019 Tax Ratio	2018 Municipal Taxation at Year-end \$	2018 Education Taxation at Year-end \$	2018 Total Taxation at Year-end \$	2019 Municipal Taxation \$	2019 Education Taxation \$	2019 Total Taxation \$	Difference Between 2018 and 2019 Taxation					
								Municipal \$	Municipal %	Education \$	Education %	Total Change \$	Total Change %
Residential	1.000000	119,006,443	13,963,366	132,969,809	122,124,517	13,897,341	136,021,858	3,118,074	2.62%	(66,025)	-0.47%	3,052,049	2.30%
New Multi-Residential	1.000000	199,416	23,103	222,519	203,360	22,814	226,174	3,944	1.98%	(289)	-1.25%	3,655	1.64%
Multi-residential	2.321109	14,122,252	688,274	14,810,526	14,400,500	699,763	15,100,263	278,248	1.97%	11,489	1.67%	289,737	1.96%
Commercial	2.115246	48,754,154	16,033,046	64,787,200	49,140,608	15,730,828	64,871,436	386,454	0.79%	(302,218)	-1.88%	84,236	0.13%
Industrial	2.415148	1,893,053	577,667	2,470,720	1,948,032	621,238	2,569,270	54,979	2.90%	43,571	7.54%	98,550	3.99%
*Large Industrial	3.269195	3,098,885	705,783	3,804,668	3,149,423	700,486	3,849,909	50,538	1.63%	(5,297)	-0.75%	45,241	1.19%
Landfills	2.583329	23,760	7,521	31,281	22,974	7,107	30,081	(786)	-3.31%	(414)	-5.50%	(1,200)	-3.83%
Pipelines	2.768387	1,459,297	391,562	1,850,859	1,460,085	378,536	1,838,621	788	0.05%	(13,026)	-3.33%	(12,238)	-0.66%
Farm	0.250000	13,120	1,646	14,766	13,830	1,699	15,529	710	5.42%	53	3.21%	763	5.17%
Managed Forests	0.250000	4,103	519	4,622	4,386	542	4,928	283	6.90%	23	4.41%	306	6.61%
Total		188,574,483	32,392,487	220,966,970	192,467,715	32,060,354	224,528,069	3,893,232	2.06%	(332,133)	-1.03%	3,561,099	1.61%
*Large Industrial (Properties < \$18.5 M)		1,009,519	228,921	1,238,440	1,030,892	227,416	1,258,308	21,374	2.12%	(1,505)	-0.66%	19,868	1.60%
*Large Industrial (Properties > \$18.5 M)		2,089,366	476,862	2,566,228	2,118,531	473,070	2,591,601	29,164	1.40%	(3,792)	-0.80%	25,373	0.99%
Total Large Industrial Property Class		3,098,885	705,783	3,804,668	3,149,423	700,486	3,849,909	50,538	1.63%	(5,297)	-0.75%	45,241	1.19%
*Graduated taxation reflected with two bands of taxation; the lower band being taxed at 78% of the upper band and CVA boundary between taxation bands is \$18.5 million. There is currently one property in the Large Industrial Class having an assessment in excess of \$18.5 million.													

**Analysis of 2019 Tax Change by Property Class
Option 3
Not Recommended**

Property Class	2019 Tax Ratio	2018 Municipal Taxation at Year-end \$	2018 Education Taxation at Year-end \$	2018 Total Taxation at Year-end \$	2019 Municipal Taxation \$	2019 Education Taxation \$	2019 Total Taxation \$	Difference Between 2018 and 2019 Taxation					
								Municipal \$	Municipal %	Education \$	Education %	Total Change \$	Total Change %
Residential	1.000000	119,006,443	13,963,366	132,969,809	121,644,157	13,897,341	135,541,498	2,637,714	2.22%	(66,025)	-0.47%	2,571,689	1.93%
New Multi-Residential	1.000000	199,416	23,103	222,519	202,559	22,814	225,373	3,143	1.58%	(289)	-1.25%	2,854	1.28%
Multi-residential	2.321109	14,122,252	688,274	14,810,526	14,343,667	699,763	15,043,430	221,415	1.57%	11,489	1.67%	232,904	1.57%
Commercial	2.147500	48,754,154	16,033,046	64,787,200	49,693,245	15,730,828	65,424,073	939,091	1.93%	(302,218)	-1.88%	636,873	0.98%
Industrial	2.401144	1,893,053	577,667	2,470,720	1,929,105	621,238	2,550,343	36,052	1.90%	43,571	7.54%	79,623	3.22%
*Large Industrial	3.250238	3,098,885	705,783	3,804,668	3,118,827	700,486	3,819,313	19,942	0.64%	(5,297)	-0.75%	14,645	0.38%
Landfills	2.714880	23,760	7,521	31,281	24,050	7,107	31,157	290	1.22%	(414)	-5.50%	(124)	-0.40%
Pipelines	2.843817	1,459,297	391,562	1,850,859	1,493,960	378,536	1,872,496	34,663	2.38%	(13,026)	-3.33%	21,637	1.17%
Farm	0.250000	13,120	1,646	14,766	13,776	1,699	15,475	656	5.00%	53	3.21%	709	4.80%
Managed Forests	0.250000	4,103	519	4,622	4,369	542	4,911	266	6.48%	23	4.41%	289	6.24%
Total		188,574,483	32,392,487	220,966,970	192,467,715	32,060,354	224,528,069	3,893,232	2.06%	(332,133)	-1.03%	3,561,099	1.61%

*Large Industrial (Properties < \$18.5 M)	1,009,519	228,921	1,238,440	1,020,873	227,416	1,248,289	11,354	1.12%	(1,505)	-0.66%	9,849	0.80%
*Large Industrial (Properties > \$18.5 M)	2,089,366	476,862	2,566,228	2,097,954	473,070	2,571,025	8,588	0.41%	(3,792)	-0.80%	4,796	0.19%
Total Large Industrial Property Class	3,098,885	705,783	3,804,668	3,118,827	700,486	3,819,313	19,942	0.64%	(5,297)	-0.75%	14,645	0.38%

*Graduated taxation reflected with two bands of taxation; the lower band being taxed at 78% of the upper band and CVA boundary between taxation bands is \$18.5 million. There is currently one property in the Large Industrial Class having an assessment in excess of \$18.5 million.

Tax Ratio Options - Impact on Distribution of 2019 Municipal Tax Levy

Property Class	A	B	Municipal Tax Levy \$ Change between Option 1 and Option 2	% Change
	2019 Municipal Tax Levy Option 1 (Recommended)	2019 Municipal Tax Levy Option 2 (Not recommended)		
Residential	122,327,450	122,124,517	202,933	0.17%
New Multi-Residential	203,698	203,360	338	0.17%
Multi-Residential	14,200,129	14,400,500	(200,371)	-1.39%
Commercial	49,222,441	49,140,608	81,833	0.17%
Industrial	1,951,276	1,948,032	3,244	0.17%
Large Industrial Properties <\$18.5M	1,017,209	1,030,892	(13,683)	-1.33%
Large Industrial Properties >\$18.5M	2,041,741	2,118,531	(76,790)	-3.62%
Landfills	23,012	22,974	38	0.17%
Pipelines	1,462,512	1,460,085	2,427	0.17%
Farm	13,853	13,830	23	0.17%
Managed Forest	4,394	4,386	7	0.16%
Total	192,467,715	192,467,715	0	0.00%

Property Class	B	C	Municipal Tax Levy \$ Change between Option 2 and Option 3	% Change
	2019 Municipal Tax Levy Option 2 (Not recommended)	2019 Municipal Tax Levy Option 3 (Not recommended)		
Residential	122,124,517	121,644,157	480,360	0.39%
New Multi-Residential	203,360	202,559	801	0.40%
Multi-Residential	14,400,500	14,343,667	56,833	0.40%
Commercial	49,140,608	49,693,245	(552,637)	-1.11%
Industrial	1,948,032	1,929,105	18,927	0.98%
Large Industrial Properties <\$18.5M	1,030,892	1,020,873	10,019	0.98%
Large Industrial Properties >\$18.5M	2,118,531	2,097,954	20,577	0.98%
Landfills	22,974	24,050	(1,076)	-4.47%
Pipelines	1,460,085	1,493,960	(33,875)	-2.27%
Farm	13,830	13,776	54	0.39%
Managed Forest	4,386	4,369	17	0.40%
Total	192,467,715	192,467,715	0	0.00%

Property Class	A	C	Municipal Tax Levy \$ Change between Option 1 and Option 3	% Change
	2019 Municipal Tax Levy Option 1 (Recommended)	2019 Municipal Tax Levy Option 3 (Not recommended)		
Residential	122,327,450	121,644,157	683,293	0.56%
New Multi-Residential	203,698	202,559	1,139	0.56%
Multi-Residential	14,200,129	14,343,667	(143,538)	-1.00%
Commercial	49,222,441	49,693,245	(470,804)	-0.95%
Industrial	1,951,276	1,929,105	22,171	1.15%
Large Industrial Properties <\$18.5M	1,017,209	1,020,873	(3,664)	-0.36%
Large Industrial Properties >\$18.5M	2,041,741	2,097,954	(56,213)	-2.68%
Landfills	23,012	24,050	(1,038)	-4.31%
Pipelines	1,462,512	1,493,960	(31,448)	-2.10%
Farm	13,853	13,776	77	0.56%
Managed Forest	4,394	4,369	25	0.56%
Total	192,467,715	192,467,715	0	0.00%

2019 Tax Rates Summary

Option 1 - Approved Long Term Tax Strategy

Recommended

	Residential	New Multi-Residential	Multi-Residential	Commercial			Industrial		
				Occupied	Excess Land	Vacant Land	Occupied	Excess Land	Vacant Land
<u>Tax Ratios</u>	1.000000	1.000000	2.285000	2.115246			2.415148		
Education	0.00161000	0.00161000	0.00161000	0.01030000	0.00875500	0.00875500	0.01030000	0.00875500	0.00875500
General	0.01246043	0.01246043	0.02829694	0.02627581	0.01839307	0.01839307	0.03000122	0.02100086	0.02100086
Garbage	0.00044972	0.00044972	0.00102761	0.00095127	0.00066589	0.00066589	0.00108614	0.00076030	0.00076030
PubTrans	0.00096548	0.00096548	0.00220612	0.00204223	0.00142956	0.00142956	0.00233178	0.00163224	0.00163224
SewDrain	0.00020220	0.00020220	0.00046203	0.00042770	0.00029939	0.00029939	0.00048834	0.00034184	0.00034184
Street Lighting	0.00029701	0.00029701	0.00067867	0.00062825	0.00043977	0.00043977	0.00071732	0.00050213	0.00050213
Total Full Service 2019	0.01598484	0.01598484	0.03428137	0.04062526	0.02998268	0.02998268	0.04492480	0.03299237	0.03299237

	Large Industrial						Landfills	Pipelines	Farm	Managed Forests
	Occupied			Excess Land			Occupied	Occupied	Occupied	Occupied
	No Band	Low Band	High Band	No Band	Low Band	High Band				
<u>Tax Ratios</u>	3.170000						2.583329	2.768387	0.250000	0.250000
Education	0.01030000	0.00947810	0.01170135	0.00875500	0.00805638	0.00994615	0.01030000	0.01030000	0.00040250	0.00040250
General	0.03937807	0.03623372	0.04473299	0.02756465	0.02536360	0.03131310	0.03218939	0.03449530	0.00311511	0.00311511
Garbage	0.00142561	0.00131177	0.00161948	0.00099793	0.00091824	0.00113363	0.00116177	0.00124500	0.00011243	0.00011243
PubTrans	0.00306057	0.00281618	0.00347677	0.00214240	0.00197133	0.00243374	0.00249415	0.00267282	0.00024137	0.00024137
SewDrain	0.00064097	0.00064097	0.00079132	0.00044868	0.00044868	0.00055392	0.00052235	0.00055977	0.00005055	0.00005055
Street Lighting	0.00094152	0.00086634	0.00106955	0.00065907	0.00060644	0.00074869	0.00076727	0.00082224	0.00007425	0.00007425
Total Full Service 2019	0.05574674	0.05134708	0.06339146	0.04056773	0.03736467	0.04612923	0.04743493	0.05009513	0.00399621	0.00399621

2019 Tax Rates Summary
Option 2 - Status Quo
Not Recommended

	Residential	New Multi-Residential	Multi-Residential	Commercial			Industrial		
				Occupied	Excess Land	Vacant Land	Occupied	Excess Land	Vacant Land
<u>Tax Ratios</u>	1.000000	1.000000	2.321109	2.115246			2.415148		
Education	0.00161000	0.00161000	0.00161000	0.01030000	0.00875500	0.00875500	0.01030000	0.00875500	0.00875500
General	0.01243992	0.01243992	0.02869657	0.02623246	0.01836271	0.01836271	0.02995172	0.02096621	0.02096621
Garbage	0.00044898	0.00044898	0.00104213	0.00094970	0.00066479	0.00066479	0.00108435	0.00075905	0.00075905
PubTrans	0.00096371	0.00096371	0.00223688	0.00203848	0.00142694	0.00142694	0.00232750	0.00162925	0.00162925
SewDrain	0.00020189	0.00020189	0.00046861	0.00042705	0.00029893	0.00029893	0.00048759	0.00034132	0.00034132
Street Lighting	0.00029649	0.00029649	0.00068819	0.00062715	0.00043900	0.00043900	0.00071607	0.00050125	0.00050125
Total Full Service 2019	0.01596099	0.01596099	0.03474238	0.04057484	0.02994737	0.02994737	0.04486723	0.03295208	0.03295208

	Large Industrial						Landfills	Pipelines	Farm	Managed Forests
	Occupied			Excess Land			Occupied	Occupied	Occupied	Occupied
	No Band	Low Band	High Band	No Band	Low Band	High Band				
<u>Tax Ratios</u>	3.269195						2.583329	2.768387	0.250000	0.250000
Education	0.01030000	0.00932743	0.01195824	0.00875500	0.00792831	0.01016451	0.01030000	0.01030000	0.00040250	0.00040250
General	0.04054328	0.03671247	0.04706727	0.02838030	0.02569873	0.03294709	0.03213640	0.03443851	0.00310999	0.00310999
Garbage	0.00146780	0.00132911	0.00170399	0.00102746	0.00093038	0.00119279	0.00115986	0.00124295	0.00011225	0.00011225
PubTrans	0.00315056	0.00285287	0.00365753	0.00220539	0.00199701	0.00256027	0.00248958	0.00266792	0.00024093	0.00024093
SewDrain	0.00066002	0.00066002	0.00084618	0.00046201	0.00046201	0.00059233	0.00052155	0.00055891	0.00005047	0.00005047
Street Lighting	0.00096928	0.00087770	0.00112525	0.00067850	0.00061439	0.00078768	0.00076593	0.00082080	0.00007412	0.00007412
Total Full Service 2019	0.05709094	0.05175960	0.06635846	0.04150866	0.03763083	0.04824467	0.04737332	0.05002909	0.00399026	0.00399026

2019 Tax Rates Summary Option 3 - Tax Shift Mitigation Not Recommended

	Residential	New Multi-Residential	Multi-Residential	Commercial			Industrial		
				Occupied	Excess Land	Vacant Land	Occupied	Excess Land	Vacant Land
<u>Tax Ratios</u>	1.000000	1.000000	2.321109	2.147500			2.401144		
Education	0.00161000	0.00161000	0.00161000	0.01030000	0.00875500	0.00875500	0.01030000	0.00875500	0.00875500
General	0.01239135	0.01239135	0.02858429	0.02652837	0.01856986	0.01856986	0.02966167	0.02076317	0.02076317
Garbage	0.00044722	0.00044722	0.00103805	0.00096040	0.00067228	0.00067228	0.00107384	0.00075169	0.00075169
PubTrans	0.00095961	0.00095961	0.00222736	0.00206076	0.00144253	0.00144253	0.00230416	0.00161291	0.00161291
SewDrain	0.00020101	0.00020101	0.00046657	0.00043167	0.00030217	0.00030217	0.00048265	0.00033786	0.00033786
Street Lighting	0.00029527	0.00029527	0.00068535	0.00063409	0.00044386	0.00044386	0.00070899	0.00049629	0.00049629
Total Full Service 2019	0.01590446	0.01590446	0.03461162	0.04091529	0.03018570	0.03018570	0.04453131	0.03271692	0.03271692

	Large Industrial						Landfills	Pipelines	Farm	Managed Forests
	Occupied			Excess Land			Occupied	Occupied	Occupied	Occupied
	No Band	Low Band	High Band	No Band	Low Band	High Band				
<u>Tax Ratios</u>	3.250238						2.714880	2.843817	0.250000	0.250000
Education	0.01030000	0.00932743	0.01195824	0.00875500	0.00792831	0.01016451	0.01030000	0.01030000	0.00040250	0.00040250
General	0.04015064	0.03635693	0.04661144	0.02810545	0.02544986	0.03262802	0.03364103	0.03523873	0.00309784	0.00309784
Garbage	0.00145357	0.00131623	0.00168747	0.00101750	0.00092136	0.00118123	0.00121415	0.00127181	0.00011181	0.00011181
PubTrans	0.00311896	0.00282426	0.00362085	0.00218327	0.00197698	0.00253459	0.00260523	0.00272896	0.00023990	0.00023990
SewDrain	0.00065333	0.00065333	0.00083760	0.00045733	0.00045733	0.00058632	0.00054572	0.00057164	0.00005025	0.00005025
Street Lighting	0.00095970	0.00086902	0.00111413	0.00067179	0.00060831	0.00077989	0.00080162	0.00083969	0.00007382	0.00007382
Total Full Service 2019	0.05663620	0.05134720	0.06582973	0.04119034	0.03734215	0.04787456	0.04910775	0.05095083	0.00397612	0.00397612

Corporate Report

DEPARTMENT/ DIVISION	Corporate Services & Long Term Care - Financial Services	REPORT NO.	R 76/2019
DATE PREPARED	04/25/2019	FILE NO.	
MEETING DATE	05/27/2019 (mm/dd/yyyy)		
SUBJECT	Non-Consolidated Financial Statements and Reserve Fund Update		

RECOMMENDATION

With respect to Report R 76/2019 (Financial Services), we recommend that the Non-Consolidated Financial Statements (Attachment A) for the Corporation of the City of Thunder Bay be received by City Council for information purposes;

AND THAT contributions to the Pioneer Ridge Structural Reserve Fund be expanded to include additional sources of financing as detailed in the report; and the reserve funds for Corporate Information Technology (CIT) and CIT Capital be merged;

AND THAT the 2018 tax-supported surplus of \$3.4 million be transferred to reserve funds as follows: \$0.1 million to the Pioneer Ridge Structural Reserve Fund, \$0.8 million to the Insurance Reserve Fund, and \$2.5 million to the Renew Thunder Bay Reserve Fund;

AND THAT the Mayor and Clerk be authorized to sign all documentation related to these matters;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

For the year ended December 31, 2018, there was an overall favourable variance from tax-supported operations of \$3.4 million. The surplus represents 1.4% of the total net operating budget of \$248.6 million and 0.9% of the total gross operating budget of \$370.4 million.

Rate-supported operations resulted in a favourable variance of \$3.5 million (which was transferred to rate supported reserve funds), representing 5.8% of the total gross rate-supported budget of \$60.4 million.

Reserves and reserve funds are a critical component of the City of Thunder Bay's long-term financial plan. This Report also includes an annual reserve fund update.

Pioneer Ridge Long Term Care facility receives \$0.2 million in provincial funding each year towards future capital building and equipment costs which is transferred to the Pioneer Ridge Structural Reserve Fund. Pioneer Ridge is now 25 years old and life cycle repair and replacement of the major building components is required. Therefore, Administration is recommending the funding source for the reserve fund be expanded to include annual favourable variances in preferred accommodation revenue and to provide for the option that Council may, in each year, budget for a contribution to the Pioneer Ridge Structural Reserve Fund.

The CIT Reserve Fund and CIT Capital Reserve Fund were established to provide funding for cyclical asset replacements. As both reserve funds provide funding for similar projects, Administration is recommending the two reserve funds be merged and the balance in the CIT Capital Reserve Fund be transferred to the CIT Reserve Fund.

Generally, the annual surplus of \$3.4 million would be transferred to the Stabilization Reserve Fund as outlined in Corporate Report 2004.235 (Finance – Accounting), however Administration is recommending that the favourable variance in preferred accommodation revenue of \$0.1 million from Pioneer Ridge be transferred to the Pioneer Ridge Structural Reserve Fund and the favourable variance of \$0.8 million in insurance claims be transferred to the Insurance Reserve Fund. Transferring the favourable variance would result in an estimated uncommitted balance at December 31, 2018 of \$2.0 million in the Insurance Reserve Fund and \$1.2 million in the Pioneer Ridge Structural Reserve Fund.

Administration is also recommending that the remaining \$2.5 million surplus be transferred to the Renew Thunder Bay Reserve Fund to provide a source of financing to leverage the Investing in Canada Infrastructure Program (ICIP). The ICIP program is a cost-shared infrastructure program between federal, provincial and municipal governments with funding streams available to the City of Thunder Bay in public transit, green infrastructure, community, culture and recreation infrastructure.

The unaudited non-consolidated financial statements were presented to the Audit Committee on May 22, 2019. The Audit Committee recommends the presentation of the unaudited non-consolidated financial statements of The Corporation of the City of Thunder Bay as at and for the year ended December 31, 2018 to Committee of the Whole on May 27, 2019.

DISCUSSION

Non-Consolidated Financial Statements

The non-consolidated financial statements were prepared by Administration for internal purposes only and are not audited. The information contained in these statements is included as part of the audited consolidated financial statements.

The audited consolidated financial statements will be presented to the Audit Committee for review on June 11, 2019 and to Committee of the Whole on June 24, 2019.

The Non-Consolidated Statements (Attachment A) being presented includes:

- Statement of Financial Position
- Schedule 1 - Statement of Capital Operations
- Schedule 2 - Statement of Continuity of Reserves and Reserve Funds
- Schedule 3 - Statement of Financial Activities and Accumulated Net Revenue
- Schedule 3.1- Schedule of Other Revenue

FINANCIAL IMPLICATION

Non-Consolidated Statement of Financial Position

This statement shows the financial position of The Corporation of the City of Thunder Bay as at December 31, 2018, with comparatives for 2017.

Assets

The total assets as at December 31, 2018 are \$375.4 million.

Cash and investments of \$91.6 million have increased by \$21.5 million from the prior year, primarily resulting from an increase in reserve funds of \$12.8 million, a decrease in accounts receivable of \$2.5 million and taxes receivable of \$1.4 million, and an increase in accounts payable of \$5.3 million resulting in higher cash on hand at year end.

The decrease in accounts receivable of \$2.5 million mostly relates to an decrease in due from school boards of \$2.0 million; offset by an increase in a life insurance premium refund of \$1.2 million, and the timing of grants receivable from Clean Water and Wastewater Fund (decrease \$4.8 million) and the Public Transit Infrastructure Fund (increase \$2.7 million).

Long-term receivables include \$28.9 million due to the City from Tbaytel with respect to the long-term liability incurred by the City on behalf of Tbaytel, \$0.5 million from Lake Superior Centre for Regenerative Medicine Inc. and \$1.5 million from local improvement charges. The increase of \$13.5 million from the prior year primarily relates to the

addition of a long term receivable from Tbaytel of \$15.0 million offset by repayments of \$1.7 million.

The capital outlay balance is equal to the municipal long-term liabilities as disclosed in the Liabilities and Equity section of this statement. When the City acquires debentures for capital works that have been completed or are yet to be completed, an asset (capital outlay) is recorded in the same amount as the liability. As the debenture principal is repaid, both the asset and the liability are reduced by the same amount.

Liabilities and Equity

The assets are financed by liabilities of \$260.9 million and equity of \$114.5 million. Accounts payable and accrued liabilities have increased by \$5.3 million from 2017, reflecting the timing of payments year over year and an increase in the provision for tax write offs of \$3.5 million.

Amounts included in deferred revenue are revenues that have been received in the year which relate to projects or activities to be completed in the subsequent year.

As at December 31, 2018, outstanding debt related to tax-supported operations comprised \$77.0 million (37%) of the total municipal long-term liabilities. The remaining \$100.0 million in municipal long-term liabilities represents borrowing for rate-supported operations (water and wastewater) and long-term borrowing by the municipality on behalf of Tbaytel of \$28.9 million.

The following table shows the comparative balances for 2018 and 2017:

	2018 (millions)	2017 (millions)	Change (millions)
Tax-supported	\$77.0	\$81.7	\$(4.7)
Rate-supported	100.0	101.7	(1.7)
Subtotal - City	177.0	183.4	(6.4)
Tbaytel	28.9	15.6	13.3
Total	205.9	199.0	6.9

The decrease in the municipal long-term liabilities of \$6.4 million from 2017 reflects the increase in construction advances for tax supported capital projects in progress (\$6.2 million), waterworks capital projects in progress (\$3.8 million), and wastewater capital projects in progress (\$1.3 million); as well as completed rate supported wastewater capital projects (\$1.2 million) and solid waste capital projects (\$0.4 million), offset by repayments of the principal portion of previously acquired debt (\$19.3 million).

Schedule 1 – Statement of Capital Operations

This statement shows the activity related to capital projects for the year. The balance at the beginning and end of the year reflects the expenditures on capital projects that have not yet been financed; net of the unexpended debentures proceeds, and includes the balance in the Land Development account. The Land Development account reflects the net proceeds from the sale and lease of City-owned property and expenditures related to such property.

Capital Expenditures

The capital expenditures of \$61.7 million in 2018 include:

- General government - \$2.1 million primarily for renovation and repairs to corporate facilities (\$0.7 million), computer hardware replacement and software upgrades (\$0.7 million), clean, green & beautiful initiatives (\$0.2 million) and website development (\$0.2 million).
- Protection to persons and property - \$6.3 million primarily for Lakehead Region Conservation Authority (\$1.4 million), radio renewal for fire/police (\$3.5 million), fire vehicle, equipment and facility repairs (\$0.3 million), and police vehicles, equipment, computer hardware and software upgrades (\$1.0 million).
- Transportation services - \$25.2 million primarily relating to roads (\$8.6 million), bridges (\$3.5 million), sidewalks, traffic and street lighting (\$2.3 million), vehicles and equipment (\$1.6 million), transit (\$4.4 million), High street retaining wall (\$0.9 million), parkade repairs (\$0.8 million).
- Environmental services - \$15.3 million primarily for sanitary sewer mains and inspections (\$3.1 million), water main replacement and pumping station upgrades (\$3.9 million), storm sewer upgrades (\$3.0 million), water treatment plant rehabilitation (\$0.9 million), wastewater treatment plant maintenance (\$2.1 million) and a landfill compactor (\$0.8 million).
- Health services - \$0.8 million for SNEMS vehicles and equipment upgrades.
- Social and family services - \$0.9 million primarily for Pioneer Ridge maintenance and equipment replacement.
- Recreation and cultural services - \$10.8 million primarily relating to various parks renewal, maintenance, and soccer and baseball field upgrades (\$1.8 million), various facility upgrades (\$1.7 million), annual contribution to library capital works (\$0.7 million), urban forest management and response to the emerald ash borer (\$0.9 million), festival stage and related equipment (\$1.6 million) and Waterfront development projects (\$1.4 million).
- Planning and Development - \$0.3 million, primarily for Whalen Building upgrades.

Capital Financing

During 2018, capital financing was obtained from a number of sources.

The net capital contribution from the revenue fund increased slightly to \$8.9 million from \$8.4 million in 2017 relating to timing of spend.

Contributions from reserves and reserve funds increased by \$1.1 million to \$35.2 million. Rate-supported capital projects funded from reserve funds for solid waste, wastewater, water and marina projects was \$13.6 million. Other contributions for capital work include \$5.8 million from the Federal Gas Tax Reserve Fund and \$3.2 million from the Ontario Community Infrastructure Reserve Fund for various road and storm sewer projects, \$1.6 million funding from the Dedicated Gas Tax Reserve Fund for transit capital, \$1.2 million from Renew Thunder Bay, and \$6.4 million from the Capital Expenditure Reserve for various tax supported capital budgeted in prior years but not yet completed.

Contributions to reserves funds increased to \$6.0 million (2017 - \$3.6 million) and represents debenture proceeds received for prior years' water and wastewater capital projects.

Debenture borrowing decreased \$3.0 million to \$12.9 million in 2018. The decrease in borrowing relates to the timing of capital spend. Rate-supported debenture borrowing follows approved long-term financial plans.

The level of Ontario and Canada grants decreased \$2.0 million primarily relating to a decrease in the Clean Water and Wastewater Fund of \$4.6 million offset by an increase in NOHFC funding of \$1.3 million, Municipal GHG Challenge Fund \$0.3 million and other Federal grants totalling \$0.6 million.

Other capital financing is mainly comprised of internal debentures for capital projects in golf, parking, LED street lighting, landfill and other miscellaneous revenues.

Schedule 2 – Statement of Continuity of Reserves and Reserve Funds

This Statement provides details of the activities in Reserves and Reserve Funds for the year.

The overall increase of \$12.8 million reflects investment earnings of \$2.1 million, contributions from operations of \$43.5 million, contributions from capital of \$6.0 million and contributions from developers of \$0.1 million offset by \$35.2 million in net funding for capital projects, and \$3.7 million in funding for operations.

Rate-supported reserve fund balances at December 31, 2018 are \$13.5 million (2017-\$6.2 million) and tax-supported reserve fund balances are \$114.0 million (2017-\$108.5 million).

Update of Reserve and Reserve Fund Balances

Reserves and reserve funds are a critical component of a long-term financial plan. Adequate levels of reserves and reserve funds demonstrate financial flexibility and an ability to adapt to fiscal challenges.

Rate-Supported

Long-range financial plans are in place for the City's rate-supported operations (waterworks, wastewater, and solid waste). User fees are based on future cash flow requirements for operating (including borrowing costs), capital and reserve fund contributions. The long-term strategy for rate-supported operations is expected to provide for a gradual increase to reserve fund balances for future capital asset replacement.

The long-term strategy for Waterworks is based on the City of Thunder Bay Environment Division – Water Authority Financial Plan which was approved by City Council in July, 2018 (Report No. 101/2018 (Environment)). This was the third update of the plan and included borrowing for capital projects and small annual increases in reserve funds over the 20-year term of the plan. The Financial Plan projects a Waterworks Reserve Fund balance of \$24.6 million in 2037.

The long-term strategy for Wastewater is based on the City of Thunder Bay Environment Division – Wastewater Long Term Financial Plan, which was approved by City Council on March 2, 2015 as part of the 2015 Budget review and approval process. This plan included borrowing for capital projects and annual increases in reserve funds over the 20-year term of the plan. The Financial Plan projects a Wastewater Reserve Fund balance of \$25.0 million in 2034.

The long-term strategy for Solid Waste is based on The City of Thunder Bay Environment Division – Solid Waste System Financial Plan (R 91/2016 Environment) and was approved by City Council as part of the 2017 Budget review and approval process. This plan included transferring the costs of diversion to taxation over a three year phase-in approach, included borrowing for capital projects and annual increases in reserve funds over the 19-year term of the plan. The Financial Plan projects a Solid Waste Reserve Fund balance of \$3.0 million in 2035.

Tax-Supported

The 2018 tax-supported reserve fund balance is \$114.0 million representing an increase of \$5.5 million.

The 2018 increase mainly relates to net contributions to the Renew Thunder Bay Reserve Fund (\$2.0 million), Federal Gas Tax Reserve Fund (\$1.2 million), Transit Reserve Fund (\$1.0 million), Ontario Municipal Commuter Cycling Reserve Fund (\$0.9 million) and Insurance Reserve Fund (\$0.8 million).

BMA Management Consulting Inc. (“BMA”) completed a comparative municipal study with 108 participating Ontario municipalities, including the City of Thunder Bay.

The following chart shows tax discretionary reserves as a % of total taxation as reported in the 2018 BMA Survey. The City of Thunder Bay fell below the overall survey average in 2014 to 2017 and below the median in 2014 to 2017; however continues to be above the survey average for the Northern Region.

Tax Discretionary Reserves as % of Total Taxation

BMA Survey	Thunder Bay	Northern Region	Survey Median (restated)	Survey Average (restated)
2018	57%	unknown	unknown	unknown
2017	59%	43%	68%	73%
2016	52%	41%	65%	74%
2015	55%	41%	69%	70%
2014	59%	41%	61%	68%

The following chart shows the total debt to total discretionary reserve ratios from 2014 to 2018. BMA recommends a debt to reserve ratio of 1.0 so that for every \$1 in debt, there would be \$1 in reserves.

The City’s projected ratio of 1.7 for 2018 indicates that for every \$1.70 in debt, there is \$1.0 in reserves. The City of Thunder Bay’s ratio performance fell below the survey average, survey median and northern region in each of the years 2014 to 2017. The ratio projected for 2018 has slightly improved from 2017 mainly due to the increase in reserve fund balances as a result of the year-end favourable variance.

Total Debt to Total Discretionary Reserve Ratio

BMA Survey	Thunder Bay	Northern Region	Survey Median (restated)	Survey Average (restated)
2018	1.7	unknown	unknown	unknown
2017	1.8	1.2	0.6	1.0
2016	2.0	1.3	0.7	1.0
2015	1.8	1.3	0.8	1.0
2014	1.7	1.0	0.8	1.1

The following chart shows the City's total debt to total reserve ratios from 2014 to 2018 broken down between tax supported and rate supported excluding and including Tbaytel debt.

Using updated information as at December 31, 2018, the City's ratio of tax-supported debt to reserves was 0.7, which is more favourable than the BMA recommended debt to reserve ratio of 1.0.

The ratio for the rate-supported component excluding Tbaytel is 7.4 and including Tbaytel is 9.5. This is reflective of the City's use of long term debt and reserve funds to upgrade the water and wastewater facilities.

Total Debt to Total Reserve Ratio
(Tax Supported and Rate Supported excluding and including Tbaytel Debt)

Year	Tax Supported	Rate Supported (excluding Tbaytel)	Rate Supported (including Tbaytel)
2018	0.7	7.4	9.5
2017	0.8	16.4	18.9
2016	0.9	22.4	23.9
2015	0.7	34.8	38.6
2014	0.7	64.9	75.6

Reserve Fund Update

Reserve Fund Changes

The Pioneer Ridge Structural Reserve Fund was created in 2006 (Corporate Report 2007.008 (Finance – Accounting & Budgets)) to fund future structural compliance expenditures. The Home currently receives an annual funding envelope from the Province of \$0.2 million which is transferred to this reserve fund. Pioneer Ridge is now 25 years old and life cycle repair and replacement of the major building components is required. Therefore, Administration is recommending the funding source for the reserve fund be expanded to include annual favourable variances in preferred accommodation revenue and to provide for the option that Council may annually budget for a contribution to the Pioneer Ridge Structural Reserve Fund.

The 2018 favourable variance in preferred accommodation revenue is \$0.1 million. The uncommitted reserve fund balance including the favourable variance in preferred accommodation revenue at December 31, 2018 is \$1.2 million.

The CIT Reserve Fund (Corporate Report 2008.030 (Finance – Accounting & Budgets)) and CIT Capital Reserve Fund (Corporate Report 2014.076 – Finance & Corporate Services – Accounting & Budgets) were established to provide funding for projects that represent cyclical asset replacements, including hardware, software and network infrastructure. As both reserve funds provide funding for similar projects, Administration is recommending the two reserve funds be merged and the balance in the CIT Capital Reserve Fund be transferred to the CIT Reserve Fund.

Schedule 3 – Statement of Financial Activities and Accumulated Net Revenue

Gross Revenue Variance

Total revenues were \$378.3 million, a favourable variance of \$8.0 million from the budgeted amount of \$370.3 million. The main components of this variance are:

- Favourable variance in Federal and Ontario grants of \$3.8 million, including \$1.1 million of unbudgeted grant revenue from the federal government for emergency flood evacuations, as well as unbudgeted grant revenues of \$0.9 million from Ontario Municipal Commuter Cycling, and favourable variances in Ontario grants for SNEMS \$0.7 million and Pioneer Ridge Homes for the Aged \$0.5 million.
- Favourable variance in user fees of \$1.1 million, primarily relating to favourable variances of \$1.3 million in waterworks resulting from increased water consumption, private water connection revenue and late payment revenues and \$0.3 million in commercial rental income from city owned properties. This is offset with an unfavourable variance of \$0.6 million in wastewater due to lower use and lower volumes subject to sewer surcharge fees.
- Favourable variance in other revenue of \$2.9 million primarily related to a life insurance premium refund of \$1.2 million, unbudgeted municipal accommodation tax revenue \$0.7 million, interest income \$0.4 million, penalties & interest on taxes \$0.3 million, and a DSSAB surplus refund of \$0.4 million.

Gross Expenditure Variance

Total expenditures were \$329.6 million, a favourable variance of \$2.1 million, representing 0.6% of the budgeted amount of \$331.7 million.

The following provides an overview of the specific expenditure categories:

General government – Includes expenditures related to general administration, corporate overhead, members of council and general financial expenditures. The unfavourable variance of \$1.6 million relates primarily to unfavourable variances in legal fees (\$1.1 million), unbudgeted emergency flood evacuation expenses (\$1.1 million), and provision for tax write offs (\$2.8 million). These variances were offset by favourable variances in insurance claims (\$0.8 million), Corporate Services (\$0.8 million) primarily related to fringe benefit and vacancy savings, City Manager’s Office (\$0.3 million), legislative changes to Bill 148 (\$0.5 million) and miscellaneous savings in general financial expenses (\$0.4 million).

Protection to persons and property – Expenditures for fire and police constitute the majority of this category (94%), with provincial offences, licensing and enforcement, and animal services accounting for the balance. The unfavourable variance of \$0.1 million primarily relates to an unfavourable variance in police (\$0.6 million) related to equipment, vehicle and other material costs and legal fees, offset with a favourable variance in Fire (\$0.3 million).

Transportation services – Roads and transit account for 88% of the expenditures in this category, with the balance relating to parking, and street lighting. The favourable variance of \$1.2 million primarily relates to fringe benefit and vacancy savings in conventional and specialized transit (\$0.9 million). The favourable variance of \$0.9 million has been transferred to the Capital Transit Reserve Fund as per Corporate Report 2007.008 (Finance - Accounting & Budgets).

Environmental services – Expenditures related to waterworks and sanitary sewers make up 78% of the total, with storm sewers and garbage collection and disposal forming the remainder. The favourable variance of \$3.3 million relates to:

- Sanitary Sewers (\$1.6 million) - primarily due to retirements, staff turnover, fringe benefit savings (\$1.1 million), energy savings (\$0.5 million), vehicle maintenance and materials savings (\$0.3 million), lower than budgeted financing costs (\$0.3 million), offset by an unfavourable variance in contracted services due to operational needs and vacancies (\$0.6 million).
- Garbage Disposal (\$1.1 million) – primarily due to internal billings for sludge and grit disposal relating to sanitary sewer operations.
- Waterworks (\$0.6 million) - primarily due to retirements, staff turnover, and fringe benefit savings (\$0.6 million), reduced energy costs (\$0.4 million), offset by an unfavorable variance in contracted services due to operational needs and vacancies (\$0.4 million).

Health services – Included in this category are expenditures related to Superior North EMS (91%) with cemeteries forming the remainder. The unfavourable variance of \$0.5 million mainly relates to higher WSIB costs in Superior North EMS.

Social and family services – General assistance to persons and assistance to aged persons accounts for 92% of the expenditures included here with child care forming the balance. There is no significant variance in social and family services.

Recreation and cultural – This category includes parks, recreation programs, recreation facilities, golf, marina, contributions to the Thunder Bay Public Library, Thunder Bay Museum, Thunder Bay Community Auditorium and the Thunder Bay Art Gallery. The favourable variance of \$0.5 million primarily relates to energy savings in recreation facilities.

Planning and development – This category includes planning and zoning activities, economic development, and tourism. The unfavourable variance of \$0.6 million primarily relates to the unbudgeted municipal accommodation tax transfer to the Community Economic Development Commission (\$0.4 million).

Net Variance

The preceding analysis of year-end variances is in accordance with the presentation of gross revenues and gross expenditures as required to produce audited financial statements for Ministry of Municipal Affairs and Housing reporting purposes. For internal quarterly variance reporting during the year, the variances are identified on a net basis by departments. The total net favourable variance for tax-supported operations is \$3.4 million or 1.4% of the total net operating budget of \$248.6 million and 0.9% of the total gross operating budget of \$370.4 million.

Generally, the annual surplus of \$3.4 million would be transferred to the Stabilization Reserve Fund as outlined in Corporate Report 2004.235 (Finance-Accounting)), however Administration is recommending that the favourable variance in preferred accommodation revenue at Pioneer Ridge of \$0.1 million be transferred to the Pioneer Ridge Structural Reserve Fund and the favourable variance of \$0.8 million in insurance claims be transferred to the Insurance Reserve Fund. The Pioneer Ridge Structural Reserve Fund was established to fund future structural compliance expenditures for the facility. The Insurance Reserve Fund was created for the purpose of offsetting unfavourable variances. Transferring these favourable variances would result in an estimated uncommitted balance of \$1.2 million in the Pioneer Ridge Structural Reserve Fund and \$2.0 million in the Insurance Reserve Fund as at December 31, 2018.

Administration is also recommending that the remaining \$2.5 million surplus be transferred to the Renew Thunder Bay Reserve Fund to provide a source of financing to leverage the Investing in Canada Infrastructure Program (ICIP). The ICIP program is a cost-shared infrastructure program between the federal, provincial and municipal governments with funding streams available to the City of Thunder Bay in public transit, green infrastructure, community, culture and recreation infrastructure.

The following chart highlights the net variance in both tax-supported and rate-supported operations with explanations for the key drivers.

Section	+(-) Variance (\$ millions)	Comments
TAX SUPPORTED		
Mayor & Council	0.1	No significant variance
City Manager's Office	0.3	Human Resources 0.1; Corporate Strategic Services 0.1; City Solicitor 0.1
Community Services	0.1	Central Support & GM office 0.2; Asset Management (0.1)
	0.8	Recreation & Culture – staff vacancy & fringe benefit savings 0.5, energy savings 0.3
Corporate Services & Long Term Care	0.8	Financial Services 0.3; Revenue 0.1; CIT 0.4 - primarily due to vacant positions, staff on STD/LTD and fringe benefit savings
	1.0	Long Term Care – increased revenue 0.7, energy savings 0.1, lower wages & fringe benefits due to staff shortages 0.2
Development & Emergency Services	0.5	Fire 0.4; Superior North EMS 0.1
	0.4	Planning Services 0.2; Planning Rebate Program 0.1; Realty Services & GM Office 0.1
Infrastructure & Operations	0.3	Engineering 0.2; GM Office 0.2; Parks 0.1; Roads (0.2)
City Manager's Office	0.3	Human Resources 0.1; Corporate Strategic Services 0.1; City Solicitor 0.1
Police Services	(1.3)	Primarily relating to increased equipment, vehicle, legal and other material costs 0.9; lower revenues 0.4
Corporate Legal & Insurance	(0.2)	Insurance claims 0.8; Legal Fees (1.0)
Taxation related	(2.5)	Penalties & Interest, PILs and supplementary taxes 0.3; tax write-offs (2.8)
Miscellaneous corporate revenues	1.7	Life insurance premium refund 1.2; interest income 0.4; miscellaneous income 0.1
Miscellaneous corporate expenditures	1.4	Bill 148 legislative changes 0.5; Corporate Financial 0.4; Corporate Human Resources 0.4; debenture charges 0.1
Total Tax Supported	3.4	
RATE SUPPORTED		
Waterworks	2.0	Revenue higher than predicted 1.4; lower wages due to staff turnover and retirements & fringe benefit savings 0.6; energy savings 0.4; higher contracted services (0.4)
Wastewater	1.0	Lower wages due to staff turnover and retirements & fringe benefit savings 1.1; energy savings 0.5; vehicle maintenance and materials savings 0.3, financing costs 0.3; lower revenues (0.6); higher contracted services (0.6)
Solid waste	0.5	Revenue higher than predicted 0.3; vacancy and WSIB savings 0.2
Total Rate Supported	3.5	

CONCLUSION

It is concluded that the Non-Consolidated Financial Statements and Reserve Fund Update for the Corporation of the City of Thunder Bay (Attachment A) should be received by City Council for information purposes.

It is further concluded that City Council should authorize updating the contribution parameters of the Pioneer Ridge Structural Reserve Fund and the merging of the CIT and CIT Capital Reserve Funds; and approve the year end reserve fund transfers as detailed in this Report and in Schedule 2 to the non-consolidated financial statements.

REFERENCE MATERIAL ATTACHED:

ATTACHMENT A - NON-CONSOLIDATED FINANCIAL STATEMENTS

PREPARED BY: DAWN PARIS, DIRECTOR FINANCIAL SERVICES

THIS REPORT SIGNED AND VERIFIED BY: (NAME OF GENERAL MANAGER) LINDA EVANS, GM CORPORATE SERVICES & LONG TERM CARE, AND CITY TREASURER	DATE: MAY 23, 2019
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THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(Unaudited - Prepared by Management)

	<u>2018</u>	<u>2017</u>
	\$	\$
Assets		
Cash and investments	91,617,721	70,098,477
Accounts receivable	60,851,039	63,352,965
Taxes receivable	10,526,735	11,952,377
Other current assets	4,323,656	3,867,631
Long term receivables	31,084,132	17,617,687
Capital outlay	176,980,686	183,444,342
	<hr/>	<hr/>
	375,383,969	350,333,479
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Equity		
Accounts payable and accrued liabilities	46,022,893	40,749,557
Deferred revenue	8,994,059	8,398,976
Long term liabilities - municipal	176,980,686	183,444,342
Long term liabilities - on behalf of Tbaytel	28,925,000	15,600,000
Capital fund (Schedule 1)	(13,395,516)	(12,885,511)
Reserves and reserve funds (Schedule 2)	127,560,008	114,729,276
Operating fund (Schedule 3)	296,839	296,839
	<hr/>	<hr/>
	375,383,969	350,333,479
	<hr/> <hr/>	<hr/> <hr/>

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CAPITAL OPERATIONS
Schedule 1

Year ended December 31, 2018
with comparative figures for 2017
(Unaudited - Prepared by Management)

	2018	2017
	\$	\$
		<i>(Reclassified)</i>
Unfinanced capital outlay, beginning of year	<u>12,885,511</u>	<u>20,536,217</u>
Capital expenditure		
General government	2,137,247	1,648,836
Protection to persons and property	6,338,912	4,736,658
Transportation services	25,210,184	25,198,556
Environmental services	15,312,772	20,444,256
Health services	760,741	638,451
Social and family services	899,097	273,757
Recreation and cultural services	10,821,402	6,295,683
Planning and development	263,168	849,640
	<u>61,743,523</u>	<u>60,085,837</u>
Capital financing		
Net contributions from revenue fund	8,877,791	8,365,093
Contributions from reserves and reserve funds	35,246,465	34,150,644
Contributions to reserves and reserve funds	(5,971,340)	(3,554,991)
Long-term liabilities incurred	12,873,093	15,836,609
Canada grants	4,270,104	6,719,586
Ontario grants	2,595,930	2,188,436
Interest earned on debenture proceeds	18,046	19,488
Net proceeds from land development account activity	887,505	990,560
Insurance proceeds	11,708	620,680
Other	2,424,216	2,400,438
	<u>61,233,518</u>	<u>67,736,543</u>
Unfinanced capital outlay, end of year	<u>13,395,516</u>	<u>12,885,511</u>
Represented by		
Capital projects to be financed by debenture	9,082,768	6,456,131
Capital projects funded by internal loans	10,297,602	11,562,391
Unexpended debenture proceeds	(700,949)	(820,929)
Land development account	(5,283,905)	(4,312,082)
	<u>13,395,516</u>	<u>12,885,511</u>

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>Reserves & Reserve Funds Total</u>	<u>Animal Control Donations</u>	<u>Arthur Street</u>	<u>Building Permit</u>	<u>CEDC</u>	<u>Capital General</u>	<u>Capital Landfill</u>	<u>Capital Sewage (Wastewater)</u>	<u>Capital Transit</u>	<u>Capital Waterworks</u>
Balance at beginning of year	\$ 114,729,276	192,741	89,670	1,456,566	616,971	1,165,540	1,801	3,197,159	1,539,156	2,524,200
Revenue										
Interest earned	2,171,910	4,232	1,928	29,832	7,890	21,246	4,513	87,456	43,320	107,283
Contribution from revenue fund	43,508,768	11,193	-	-	-	-	1,304,920	6,014,952	989,900	7,335,419
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution from capital fund	5,971,340	-	-	-	-	-	-	2,147,058	-	3,824,282
Contribution from developers	98,609	-	-	-	-	-	-	-	-	-
Total revenue	51,750,627	15,425	1,928	29,832	7,890	21,246	1,309,433	8,249,466	1,033,220	11,266,984
Expenditures										
Contribution to capital fund	35,246,465	-	-	-	-	354,700	888,686	6,420,900	38,476	6,228,286
Transfer to capital fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	3,673,430	2,967	-	138,022	500,000	-	-	-	-	-
Total expenditures	38,919,895	2,967	-	138,022	500,000	354,700	888,686	6,420,900	38,476	6,228,286
Balance at end of year	\$ 127,560,008	205,199	91,598	1,348,376	124,861	832,086	422,548	5,025,725	2,533,900	7,562,898

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>CIT</u>	<u>CIT Capital</u>	<u>Clean Green & Beautiful</u>	<u>Community Centres</u>	<u>Community Partnership</u>	<u>Corporate Energy Innovation</u>	<u>Dedicated Gas Tax</u>	<u>Digital Parcel Mapping</u>	<u>Election Expense</u>	<u>EMS Facility</u>
Balance at beginning of year	1,765,834	2,082,637	846,876	45,031	317,158	447,719	421,239	155,893	367,517	348,264
Revenue										
Interest earned	32,840	48,073	17,820	903	6,957	10,161	-	3,352	4,715	7,475
Contribution from revenue fund	103,278	423,000	200,100	-	75,000	60,532	1,361,319	-	110,000	-
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution from capital fund	-	-	-	-	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Total revenue	136,118	471,073	217,920	903	81,957	70,693	1,361,319	3,352	114,715	7,475
Expenditures										
Contribution to capital fund	580,061	116,347	236,155	6,056	62,151	10,723	1,558,113	-	-	1,164
Transfer to capital fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	-	-	-	-	-	-	-	-	406,433	-
Total expenditures	580,061	116,347	236,155	6,056	62,151	10,723	1,558,113	-	406,433	1,164
Balance at end of year	1,321,891	2,437,363	828,641	39,878	336,964	507,689	224,445	159,245	75,799	354,575

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>EMS Vehicle & Equipment</u>	<u>Federal Gas Tax</u>	<u>55+ Food Program</u>	<u>55+ Ctre Endowmt</u>	<u>55+ Ctre Southside</u>	<u>Fire Equipment</u>	<u>Fire Training Centre</u>	<u>Ft William Stadium</u>	<u>Fuel Farm</u>	<u>Hillcourt Estates</u>
Balance at beginning of year	2,094,247	4,263,615	63,971	1,587,879	133,549	-	39,360	81,107	32,850	670,785
<u>Revenue</u>										
Interest earned	44,521	103,756	1,362	34,139	2,871	1,015	890	1,778	836	14,422
Contribution from revenue fund	712,600	6,902,675	-	-	-	94,410	4,022	3,197	19,677	-
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution from capital fund	-	-	-	-	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Total revenue	757,121	7,006,431	1,362	34,139	2,871	95,425	4,912	4,975	20,513	14,422
<u>Expenditures</u>										
Contribution to capital fund	759,577	5,778,210	-	-	-	-	-	-	7,581	-
Transfer to capital fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	-	-	1,240	-	-	-	-	-	-	-
Total expenditures	759,577	5,778,210	1,240	-	-	-	-	-	7,581	-
Balance at end of year	2,091,791	5,491,836	64,093	1,622,018	136,420	95,425	44,272	86,082	45,782	685,207

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>Insurance</u>	<u>Legal Fees</u>	<u>Marina Capital</u>	<u>McKellar Mall Capital</u>	<u>MTO Transit Capital</u>	<u>Municipal Accommodation Tax</u>	<u>Oliver Paipoonge Policing</u>	<u>Ontario Community Infrastructure Fund</u>	<u>Ontario Municipal Cycling</u>
Balance at beginning of year	1,137,574	1,756,581	474,066	-	316,362	-	13,706	548,262	-
<u>Revenue</u>									
Interest earned	33,185	39,042	10,434	591	6,802	3,755	295	15,501	9,316
Contribution from revenue fund	811,811	118,686	59,797	55,000	-	349,311	-	3,585,564	910,579
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-
Contribution from capital fund	-	-	-	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	-	-	-	-
Total revenue	844,996	157,728	70,231	55,591	6,802	353,066	295	3,601,065	919,895
<u>Expenditures</u>									
Contribution to capital fund	-	-	37,361	-	-	-	-	3,240,091	43,969
Transfer to capital fund	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	37,361	-	-	-	-	3,240,091	43,969
Balance at end of year	1,982,570	1,914,309	506,936	55,591	323,164	353,066	14,001	909,236	875,926

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>Parking Revenue</u>	<u>Police Capital Projects</u>	<u>Pioneer Ridge Structural</u>	<u>Post Employment Benefits</u>	<u>PRO Kids</u>	<u>Recreation Trails</u>	<u>Renew Thunder Bay</u>	<u>Sandy Beach</u>	<u>Sick Pay Liability</u>	<u>Simpson Street BIA</u>
Balance at beginning of year	210,753	12,355	915,689	5,483,421	932,813	82,179	25,249,246	-	2,551,251	17,651
<u>Revenue</u>										
Interest earned	5,808	266	21,090	114,627	18,756	1,143	531,852	-	52,240	380
Contribution from revenue fund	118,780	-	310,713	450,000	87,277	39,500	2,654,129	-	-	-
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution from capital fund	-	-	-	-	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Total revenue	124,588	266	331,803	564,627	106,033	40,643	3,185,981	-	52,240	380
<u>Expenditures</u>										
Contribution to capital fund	-	-	33,714	-	-	97,544	1,223,932	-	-	-
Transfer to capital fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	-	-	-	753,900	208,185	-	-	-	248,500	-
Total expenditures	-	-	33,714	753,900	208,185	97,544	1,223,932	-	248,500	-
Balance at end of year	335,341	12,621	1,213,778	5,294,148	830,661	25,278	27,211,295	-	2,354,991	18,031

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>Stabilization</u>	<u>Subdivision Deposits</u>	<u>Tax Assessment Appeals</u>	<u>Tournament Centre</u>	<u>Vested Property</u>	<u>Victoriaville Capital</u>	<u>Waterfront Capital</u>	<u>Whalen Building</u>	<u>Winter Roads</u>
Balance at beginning of year	13,097,001	333,043	8,292,396	224,501	5,406,208	40,058	51,182	557,125	947,279
Revenue									
Interest earned	266,987	7,566	178,287	5,096	116,420	860	1,369	14,119	21,905
Contribution from revenue fund	904,544	-	-	25,000	17,385	5,000	25,000	317,341	143,103
Transfer from reserves and reserve funds	-	-	-	-	-	-	-	-	-
Contribution from capital fund	-	-	-	-	-	-	-	-	-
Contribution from developers	-	98,609	-	-	-	-	-	-	-
Total revenue	1,171,531	106,175	178,287	30,096	133,805	5,860	26,369	331,460	165,008
Expenditures									
Contribution to capital fund	853,464	60,881	-	-	-	-	-	118,226	-
Transfer to capital fund	-	-	-	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-	-	-	-
Contribution to revenue fund	1,409,076	-	-	-	-	5,107	-	-	-
Total expenditures	2,262,540	60,881	-	-	-	5,107	-	118,226	-
Balance at end of year	12,005,992	378,337	8,470,683	254,597	5,540,013	40,811	77,551	770,359	1,112,287

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUNDS
Schedule 2
For the Year ended December 31, 2018

(Unaudited - Prepared by Management)

	<u>WSIB</u>	<u>Reserve Funds Total</u>	<u>Equipment Replacement</u>	<u>Capital Expenditure</u>	<u>Working Capital</u>	<u>Reserves Total</u>
Balance at beginning of year	2,161,967	97,362,004	294,844	12,772,428	4,300,000	17,367,272
Revenue						
Interest earned	48,632	2,171,910	-	-	-	-
Contribution from revenue fund	200,000	36,914,714	72,565	6,521,489	-	6,594,054
Transfer from reserves and reserve funds	-	-	-	-	-	-
Contribution from capital fund	-	5,971,340	-	-	-	-
Contribution from developers	-	98,609	-	-	-	-
						-
Total revenue	248,632	45,156,573	72,565	6,521,489	-	6,594,054
Expenditures						
Contribution to capital fund	-	28,756,368	99,971	6,390,126	-	6,490,097
Transfer to capital fund	-	-	-	-	-	-
Transfer to reserves and reserve funds	-	-	-	-	-	-
Contribution to revenue fund	-	3,673,430	-	-	-	-
Total expenditures	-	32,429,798	99,971	6,390,126	-	6,490,097
Balance at end of year	2,410,599	110,088,779	267,438	12,903,791	4,300,000	17,471,229

**THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND ACCUMULATED NET REVENUE**

Schedule 3

Year ended December 31, 2018

(Unaudited - Prepared by Management)

	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
	\$	\$	\$
Revenue			<i>(Reclassified)</i>
Taxation	180,947,400	182,837,763	176,168,790
Payments in lieu of taxes	10,554,300	8,751,717	10,311,989
Federal and Ontario grants	61,650,900	65,455,539	62,644,120
Fees and service charges	88,009,200	89,158,155	85,610,862
Other (Schedule 3.1)	29,195,400	32,133,775	32,498,402
	<u>370,357,200</u>	<u>378,336,949</u>	<u>367,234,163</u>
Expenditure			
General government	25,369,814	27,004,404	23,686,766
Protection to persons and property	86,125,566	86,271,329	83,339,401
Transportation services	49,680,473	48,526,792	47,043,415
Environmental services	51,953,473	48,688,215	48,566,095
Health services	28,879,793	29,415,732	27,732,210
Social and family services	43,325,040	43,188,314	43,436,985
Recreational and cultural	39,188,954	38,730,052	37,609,989
Planning and development	7,192,187	7,798,982	7,292,016
	<u>331,715,300</u>	<u>329,623,820</u>	<u>318,706,877</u>
Excess of revenue over expenditure for the year before the undernoted	38,641,900	48,713,129	48,527,286
Net transfers to capital	(15,259,000)	(8,877,791)	(8,365,093)
Net transfers to reserves	-	(6,594,054)	(6,593,649)
Net transfers to reserve funds	(23,382,900)	(29,828,873)	(28,014,864)
	<u>-</u>	<u>3,412,411</u>	<u>5,553,680</u>
Year end Surplus	-	3,412,411	5,553,680
Yearend surplus transfer to Reserve Funds	-	(3,412,411)	(5,553,680)
Excess of revenue over expenditure after reserve fund transfer	-	-	-
Accumulated net revenue, beginning of year	-	296,839	296,839
Accumulated net revenue, end of year	<u>-</u>	<u>296,839</u>	<u>296,839</u>

THE CORPORATION OF THE CITY OF THUNDER BAY
NON-CONSOLIDATED SCHEDULE OF OTHER REVENUE
Schedule 3.1
Year ended December 31, 2018
(Unaudited - Prepared by Management)

	Budget	Actual	Actual
	<u>2018</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Licences and permits	1,805,600	1,738,032	1,835,044
Fines	3,391,100	3,177,986	3,187,421
Penalties and interest on taxes	2,230,000	2,542,012	2,464,154
Tbaytel contribution	17,500,000	17,500,000	18,550,123
Recoveries from district municipalities	3,349,400	3,377,321	3,186,065
Miscellaneous	919,300	3,798,424	3,275,595
	29,195,400	32,133,775	32,498,402