



Corporate Report

DEPARTMENT/ DIVISION	Corporate Services & Long Term Care - Financial Services	REPORT NO.	R 1/2021
DATE PREPARED	11/10/2020	FILE NO.	
MEETING DATE	01/19/2021 (mm/dd/yyyy)		
SUBJECT	Proposed 2021 Operating and Capital Budget		

RECOMMENDATION

WITH RESPECT to Report R 1/2021 (Corporate Services and Long Term Care - Financial Services), we recommend that the proposed 2021 Operating and Capital budgets for tax and rate supported operations be received for consideration of Committee of the Whole;

AND THAT the 2021 General Municipal Tax Supported Operating Budget be approved at \$317,346,500 gross and \$243,835,400 net;

AND THAT the following Business Improvement Area levies be approved:

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|----|----------------------------|-----------|
| 1. | Waterfront District B.I.A. | \$91,500 |
| 2. | Victoria Avenue B.I.A. | \$60,000; |

AND THAT the 2021 General Municipal Tax Supported Capital Budget be approved at \$51,607,300 gross with financing as follows:

Capital Financed by the Tax Levy (before EIRP and Debenture)	15,369,500	
Enhanced Infrastructure Renewal Program (EIRP)	8,440,600	
Less Debenture Debt	<u>(7,284,400)</u>	
Net Capital Financed by the Tax Levy		\$16,525,700
Debenture Debt		\$7,284,400
Reserve & Reserve Funds:		
Capital Transit	1,900	
CIT	418,200	
Clean Green and Beautiful	225,000	
Corporate Energy Innovation	45,000	
Dedicated Gas Tax (Obligatory)	1,395,000	
EMS Facility	87,000	
EMS Vehicle & Equipment	2,388,700	
Federal Gas Tax (Obligatory)	7,124,400	

Fort William Stadium	60,000	
Municipal Accommodation Tax	230,000	
Ontario Community Infrastructure Fund (OCIF)	5,816,100	
Recreation Trails	39,500	
Renew Thunder Bay	400,000	
Whalen Building	<u>295,000</u>	\$18,525,800
Subsidy:		
Disaster Mitigation & Adaptation Funding	500,000	
Investing in Canada Infrastructure Program (ICIP) - Transit Stream	<u>5,817,300</u>	\$6,317,300
Other Sources:		
Capital carry forward	616,300	
Recoveries and fees	2,228,000	
Other	<u>109,800</u>	<u>\$2,954,100</u>
Total 2021 Gross Tax Supported Capital Budget		<u>\$51,607,300</u>

AND THAT contributions to Capital reserve funds supported by the tax levy be approved at \$2,093,100;

AND THAT the 2021 Solid Waste (Landfill Operations) Operating Budget be approved at \$2,882,800 gross expenditure and \$1,365,200 net income, with a contribution to the Landfill reserve fund to result in \$0 net profit;

AND THAT the 2021 Solid Waste (Landfill Operations) Capital Budget be approved at \$414,000 gross, with the Landfill reserve fund as the source of financing;

AND THAT the 2021 Wastewater Operating Budget be approved at \$14,160,100 gross expenditure and \$6,127,500 net income, with a contribution to the Sewer Rate reserve fund to result in \$0 net profit;

AND THAT the 2021 Wastewater Capital Budget be approved at \$9,012,700 gross, with financing from the Sewer Rate reserve fund (\$6,502,700), debenture debt (\$2,000,000) and Disaster Mitigation & Adaptation grant funding (\$510,000);

AND THAT the 2021 Waterworks Operating Budget be approved at \$19,739,600 gross expenditure and \$7,221,200 net income, with a contribution to the Waterworks reserve fund to result in \$0 net profit;

AND THAT the 2021 Waterworks Capital Budget be approved at \$10,680,800 gross, with financing from the Waterworks reserve fund (\$6,380,800) and debenture debt (\$4,300,000);

AND THAT the 2021 Prince Arthur's Landing – Boater Services Operating Budget be approved at \$317,900 gross expenditure and \$101,600 net income, with a contribution to the Marina (Boater Services) reserve fund to result in \$0 net profit;

AND THAT the 2021 Prince Arthur's Landing – Boater Services Capital Budget be approved at \$60,000 gross, with the Marina (Boater Services) reserve fund as the source of financing;

AND THAT operational savings realized from the repayment of the internal loan for the LED streetlight project be redirected into capital renewal;

AND THAT for 2020 year-end Administration release the tax supported capital project for Parkdale Environmental Assessment for \$250,000 to help offset the impact of COVID-19;

AND THAT the following User Fee increases and new fees be approved;

1. Child Care – 2.0% increase in fees;
2. Transit – fee increases to single ride, monthly and annual passes;
3. Recreation & Culture – various user fee changes resulting in an average 2.0% increase;
4. Financial Services – weigh scale fee and tender document fee increased by 3.0%;
5. Building Services – new user fee for processing/refunding refundable deposits;
6. Building Services – increased user fees for building statistics report subscriptions;
7. Licensing & Enforcement – new user fees for order registered on title – non compliance and order removal from title;
8. Licensing & Enforcement – various user fee changes for animal services fees;
9. Planning – new user fee for completed facilities inspection;
10. Planning – various committee of adjustment fees and mapping fees to increase by 2.0%;
11. Realty – various administration fees, annual fees, application fees, and street and lane closing applications fees to increase by an average of 2.0%;
12. Engineering – new user fee for Subdivision agreement review;
13. Parks – various campground fees, cabin rentals, some golf and cemetery fees to increase by approximately 3% on average;
14. Solid Waste & Diversion – Multi-residential and Commercial pickup fees increase by \$0.50 per pickup;
15. Parking Authority – parkade monthly rates will increase from \$60/month to \$62.50/month effective June 2021;
16. Parking Authority – parkade maximum daily rates will increase from \$6.00/day to \$6.50/day effective June 2021;
17. Solid Waste – tonnage charge for loads over 120kg will increase by 3% from \$79.26 to \$81.64/tonne;
18. Waterworks fixed and volumetric charges to increase by 3.5% effective April 1, 2021;
19. Other Waterworks and Wastewater charges related to consumption and services to be increased by 3.5% effective April 1, 2021;
20. Wastewater surcharge to remain at 90% of water fixed and volumetric charges;
21. Prince Arthur's Landing – Boater Services fees to increase by 5% on average effective April 1, 2021;

AND THAT the “Additional Financial Disclosure Requirements Pursuant to Ontario Regulation 284/09” be received for information purposes;

AND THAT any necessary By-laws be presented to Council for ratification including By-laws related to user fee changes.

EXECUTIVE SUMMARY

The purpose of this Report is to present the proposed 2021 operating and capital budgets to Committee of the Whole for review and approval. The proposed budget represents the “starting point” for Council’s deliberations on the 2021 budget.

2021 Tax Supported Budget

The proposed 2021 municipal tax levy, which represents the total amount of dollars that needs to be raised from property tax payers to fund City services, local boards and agencies and contribute to capital infrastructure programs, is \$203,682,300 (an increase of 2.15% or \$4.3 million over the 2020 approved municipal tax levy of \$199,398,000). By comparison, in 2020 the municipal levy increase was \$5.3 million, representing a 2.73% increase over 2019. Not included in the increase are costs associated with the COVID-19 pandemic, which are proposed to be funded from the Stabilization Reserve Fund in 2021.

The growth in the assessment base during 2020, resulting from investment in the community through new construction and expansions less lost assessment from demolitions and successful assessment appeals, provides tax generation of \$300,000 or a 0.15% reduction in impact to the municipal tax levy increase. Value changes from reassessment are not considered growth and do not generate additional revenue for the City.

The following chart shows the proposed 2021 municipal tax levy increase before and net of growth.

	Amount (\$)	% Change
Proposed 2021 Municipal Tax Levy Increase	4,284,300	2.15%
Tax Revenue from 2020 Growth in Assessment	(300,000)	(0.15%)
Impact of Municipal Tax Levy Net of Growth	3,984,300	2.00%

Key drivers impacting the tax levy are discussed further in the report.

The 2021 proposed capital budget is presented at \$51,607,300 gross of which \$16,525,700 is funded by the tax levy representing an increase of 8.6% compared to the 2020 budget

2021 Estimated Impact of COVID-19

The 2021 Proposed Budget includes one-time financial impacts due to COVID-19 assuming all service areas continue operating, adhering to the Provincial restrictions that were in place in the fall of 2020.

As per Council's direction, the estimated impact of COVID-19 is excluded from the tax levy and is proposed to be funded from the Stabilization Reserve Fund in 2021. The impact on the reserve fund will be partially offset by any unused Federal-Provincial Safe Restart Operating funding from 2020 (currently estimated at \$3.0 million) as well as the City's 2021 Safe Restart Operating allocation of \$1.24 million announced on December 16, 2020. For rate-supported operations, Administration is proposing to fund the COVID-19 impact on the Landfill from the Stabilization Reserve Fund. The other rate supported areas (Waterworks, Wastewater and Boater Services) can absorb the impact using rate supported reserve funds. COVID-19 is not proposed to impact the user fees.

The following chart summarizes the estimated impact of COVID-19 on 2021 along with the proposed funding sources.

Expected COVID-19 2021 Impact	\$
COVID-19 Operating impact (non-Transit)	\$6,809,300
COVID-19 Net Transit Impact	\$1,204,400
Total COVID-19 impact (tax supported only)	\$8,013,700
COVID-19 Landfill impact	\$764,400
Total COVID-19 impact	\$8,778,100
Less Estimated 2020 Federal Provincial Safe Restart Operating funding	(\$3,046,600)
Less 2021 Federal Provincial Safe Restart Operating funding	\$(1,240,000)
Estimated Impact to be funded by Stabilization Reserve Fund or other mitigating options	\$4,491,500

As per Council's request, Attachment A contains a list of 40 one time cost reduction items for Council's consideration that will reduce the estimated impact of COVID-19 in 2021. Option #1 (recommended) would reduce the estimated reliance on the Stabilization reserve fund by \$2.0 million. Option #2 would reduce the reliance on the Stabilization reserve fund by \$2.6 million. Administration will provide Council with a memo and recommended resolution ahead of the 2021 budget deliberations.

2021 Rate Supported Budget

The 2021 rate-supported operating and capital budgets are being presented as follows:

1. Waterworks – operating budget of \$7,221,200 net income to be transferred to the Waterworks reserve fund and net capital budget of \$6,380,800 to be funded from the Waterworks reserve fund.
2. Wastewater – operating budget of \$6,127,500 net income to be transferred to the Sewer Rate reserve fund and net capital budget of \$6,502,700 to be funded from the Sewer Rate reserve fund.
3. Solid Waste (Landfill Operations) – operating budget of \$1,365,200 net income to be transferred to the Landfill reserve fund and a Landfill net capital budget of \$414,000 to be funded from the Landfill reserve fund.
4. Prince Arthur’s Landing – Boaters Services – operating budget of \$101,600 net income to be transferred to the Marina (Boater Services) reserve fund and net capital budget of \$60,000 to be funded from the Marina (Boater Services) reserve fund.
5. Administration is proposing increases to the water rates of 3.5% for 2021 in accordance with the 2018 Water Authority Financial Plan. Wastewater surcharge rates are proposed to remain at 90% of the total water fixed and volumetric charge consistent with the Wastewater System 20 year financial plan approved in 2015.
6. The minimum charge for a trip to the landfill remains at \$10 applicable on loads up to 120kg. Tonnage charges for loads over 120kg will increase 3% to \$81.64/tonne.
7. The Boaters Services fees are proposed to increase by 5% on average.

Budget Review Process

The proposed 2021 operating and capital budgets will be considered by Committee of the Whole at Special Committee meetings, in accordance with the budget calendar approved by City Council Report No. R 27/2020 (Corporate Services & Long Term Care – Financial Services).

Staffing Complement

The 2021 Proposed Budget includes a total complement of 1,758.1 full-time equivalent (FTE), an increase of 36.8 over 2020. This increase is due to COVID-19 one-time expansions. Excluding COVID-19 one-time expansions, the 2021 complement is 1,718.9, a decrease of 2.4 FTE over 2020.

DISCUSSION

During the 2021 budget review process, the Executive Management Team, members of the Financial Services team and staff from each City department worked together to prepare the proposed 2021 budget for Council consideration.

Key elements of the budget review included the following:

- Thorough review of budgets by City departments and outside boards and agencies to identify estimated impacts of COVID-19 and efficiencies and opportunities for cost containment without service level reductions.
- Corporate accounts were reviewed for possible budget reductions.
- Consideration of Program and Service Review recommendations.
- Proposed 2021 tax supported capital financing to be increased a minimum of 5%.

Council approved “Budget Directions 2021 and Beyond” (R 98/2020) which recommended that pending Council direction, the 2021 budget incorporate additional service level changes arising from the Program and Service Review (PSR). Subsequently, Council recommended that Administration report back on December 9th with their recommendations with respect to Grant Thornton’s PSR. The proposed budget includes the financial impacts of Council approved PSR recommendations related to the development of a Human Resource strategy, and improvements in Transit and Corporate Safety.

2021 Tax Supported Operating Budget Highlights (excluding COVID-19 impacts)

The proposed 2021 tax supported budget is presented with a 2021 municipal tax levy of \$203,682,300 (an increase of \$4.3 million over 2020). The tax levy represents the total amount of dollars that needs to be raised from property tax payers to fund City services, local boards and agencies, and contribute to capital infrastructure programs. Not included in the increase are estimated financial impacts associated with the COVID-19 pandemic, which are proposed to be funded from the Stabilization Reserve Fund and discussed further below.

Administration is presenting the proposed 2021 budget with a 2.15% municipal tax levy increase before growth and 2.00% net of growth.

In May, Council will make 2021 tax policy decisions based on the approved budget. At that time, policy options and an impact analysis will be provided. The analysis will include the tax implications for properties within each property class.

Major Drivers

The 2021 proposed municipal tax levy increase is driven by several major items in addition to inflationary and wage related increases required to continue to offer the same services.

The capital budget that is funded by the tax levy increased by \$1.3 million, and results in a 0.7% increase to the municipal tax levy. This increase is partially offset by a \$0.6 million decrease in LED streetlight electricity costs discussed further below.

Insurance premiums are expected to increase by \$1.0 million or 0.5% of the municipal tax levy. This is based on guidance received from the City Solicitor and Insurance & Risk Management Specialist on expected market conditions and municipal insurance trends. At the time of preparing this report, actual cost information was pending.

Workplace Safety and Insurance Board (WSIB) costs in Superior North EMS have doubled compared to the 2020 budget with a request for an additional \$0.8 million in 2021 net of recoveries from area municipalities. This increase represents 0.4% of the municipal tax levy.

Changes to Canada Pension Plan (CPP) rates and increasing long term disability (LTD) costs result in increased fringe benefit costs of \$0.6 million or 0.3% of the municipal tax levy.

Expansions add \$0.4 million or 0.2% to the municipal tax levy. These include, but are not limited to, additional infection control protocols at Pioneer Ridge, automated CPR units and scheduling software at SNEMS, additional training for the Thunder Bay Police Service as recommended by the Office of the Independent Police Review Director (OIPRD), and improvements in Transit with the addition of two Lift Plus buses and a Transit Trainer position.

Administration has proposed removing contributions from the Sick Pay Liability Reserve Fund and the Post Employment Reserve Fund for a total of \$0.3 million or 0.2% of the municipal tax levy. Removing these sources of revenue will improve the sustainability of revenues and is consistent with the Corporation's approved Financial Guiding principles.

The increases noted above have been partially offset by other revenue increases and expenditure reductions totalling \$3.0 million, which reduce the municipal tax levy by 1.5% and are discussed below.

Based on historical trends, the proposed budget includes an estimate for salary and benefit savings of \$1.0 million or 0.5% of the levy. These savings are expected to be realized from gap savings related to the time it takes to fill vacant positions through the normal course of business.

The annual funding through the Ontario Municipal Partnership Fund (OMPF) is increased by \$0.7 million, reducing the municipal tax levy by 0.4%.

The proposed budget includes \$0.6 million (0.3% of the municipal tax levy) in streetlight electricity savings related to a multi-year \$4.0 million project to convert residential lighting to light emitting diode (LED) streetlights. This 2013 project was partially financed through an internal loan that is being repaid from energy savings as well as grant funding from Thunder Bay Hydro. The internal loan will be paid in full in 2021 leaving an estimated \$0.6 million that is no longer required to repay the internal loan. The approved resolution in 2013 (Report 2013.176 Infrastructure & Operations), stated:

That once the City internal loan is repaid, Administration report back on any operational savings from longer lamp life and lower maintenance costs as well as "Smart Technology" including the option to redirect net savings to maintain the City's trail lighting system and parking lot lighting at Recreation Centres throughout the city.

Administration recommends that the \$0.6 million in savings estimated in 2021 be redirected to the capital budget to address the annual infrastructure deficit. In the proposed 2021 budget the \$0.6 million has been directed towards funding the renewal of the Conservatory greenhouse.

Redirecting the savings to capital infrastructure generally, rather than to a specific category of asset as outlined in the 2013 resolution, allows flexibility to direct the funds to priority infrastructure renewal projects. Administration will report back in 2022 on the success of the program overall after the Smart Technology has been in place for a year in order to provide information on its impact.

Administration has included \$0.3 million in reductions mainly related to full time equivalent positions (FTEs) in Thunder Bay Fire Rescue and the Articling Student in City Solicitor and Corporate Counsel which reduce the municipal tax levy by 0.1%.

The proposed budget includes a \$0.2 million increase in revenue for penalties and interest on taxes reducing the municipal tax levy by 0.1%.

Increases to user fees provide an additional \$0.2 million, which reduces the municipal tax levy by 0.1%.

The growth in the assessment base during 2020, resulting from investment in the community through new construction and expansions less lost assessment from demolitions and successful assessment appeals, provides tax generation of \$0.3 million or 0.2% reduction to the tax levy increase. This is the lowest level of growth realized in over ten years.

Key Components

Key components of the 2021 tax supported operating budget excluding one time items include:

1. Federal Grants

The proposed budget includes \$6.8 million in Federal Gas Tax grant revenue that is transferred to the obligatory Federal Gas Tax reserve fund to be used for capital projects.

2. Provincial Grants

The largest component of provincial grant revenue is the Ontario Municipal Partnership Fund (OMPF). The 2021 OMPF budget is \$19.5 million, an increase of \$0.7 million from the 2020 budget. This is the first increase since 2017.

Also included in provincial grant revenue is the Ontario Community Infrastructure Fund (OCIF) estimated at \$5.8 million, which is transferred to the obligatory OCIF reserve fund to be used for capital projects. At the time of this report the 2021 allocation notices have not been provided to municipalities. The Province is currently reviewing this program.

3. Other Revenue

Tbaytel Annual Dividend

The proposed budget includes \$18.0 million dividend revenue of which \$0.25 million is to be transferred to the General Capital Reserve Fund consistent with the Tbaytel Dividend policy.

Other Corporate Revenues

Other non-one time revenues include transfers from the Land Development Account, casino revenues, penalties and interest on taxes, administrative recoveries, municipal accommodation taxes, Synergy North merger efficiency dividend and roof top solar dividend, investment earnings and sundry revenues. Excluding 2021 one time impacts including COVID-19, these sources total approximately \$13.4 million compared to \$14.2 million in 2020. The \$0.8 million reduction mainly relates to removed contributions from the Sick Pay Liability and Post Employment Benefit reserve funds, and removed transfers from the Stabilization Reserve Fund and WSIB Reserve Fund related to 2019 one time items, partially offset by increased penalties and interest revenue.

4. Other Corporate Expenditures

Provision for Operating Reserve and Reserve Funds

In 2021, the proposed budget contains contributions to operating reserve and reserve funds of \$0.6 million, unchanged from 2020. These include contributions to the Community Economic Development Commission, Election and WSIB reserve funds.

Debenture Debt Charges

In 2021 the debenture charges are expected to remain consistent at \$13.7 million compared to \$13.8 million in 2020.

Other Corporate Expenditures

Other corporate expenditures, excluding reserves and debenture charges, total \$18.6 million and have increased \$0.2 million or 1.3%. These costs primarily relate to amounts set aside for wage settlements, contributions to community groups and organizations, insurance claim costs, external legal fees, early leave and retirement benefits, payments to the Municipal Property Assessment Corporation, tax write-offs and legislated rebates, and corporate WSIB.

6. Net Departmental Budgets (excluding one time items)

The 2021 proposed net budget, for all City departments is \$126.7 million a \$1.4 million or 1.1% increase over the 2020 level of \$125.3 million.

Included in the tax supported budget is a decrease of 4.6 full time equivalents (FTEs) primarily related to the reduction in Thunder Bay Fire Rescue through attrition of the fifth person on the Pumper/Rescue (2.3), a reduction in SNEMS Community Paramedicine emergency department avoidance program due to a loss of funding

(1.0), a reduction in the Youth Inclusion Program to reflect actual staffing requirements (0.5), a reduction in Human Resources related to the termination of an agreement with the Thunder Bay Public Library (0.5), and reductions associated with prior year one time staffing (1.2) partially offset by expansions associated with new asset maintenance requirements in Infrastructure & Operations (0.5), and a transit trainer position (0.5). The detailed departmental changes and a summary are provided in the executive summary section of the 2021 budget books. Personnel services make up approximately 74% of departmental gross expenditures.

7. Contributions to Outside Boards and Agencies (excluding one time items)

In 2021, the projected contribution to boards and agencies excluding wage contingencies totals \$78.1 million, a \$1.2 million or 1.6% increase over the 2020 level of \$76.8 million. The increase relates primarily to Thunder Bay Police Services (\$0.9 million), and the estimated increase in the Thunder Bay District Social Services Administration Board (TBDSSAB) levy of \$0.2 million.

The boards and agencies included in this category are the Thunder Bay Police Service Operations, Thunder Bay Police Services Board, TBDSSAB, Thunder Bay District Health Unit, Thunder Bay Public Library, Lakehead Region Conservation Authority, Thunder Bay Community Economic Development Commission, Parking Authority, Victoriaville Centre, Victoria Avenue BIA, and the Waterfront District BIA.

Tax Supported Capital Budget

The 2021 proposed capital budget is presented at \$51,607,300 gross, of which \$16,525,700 is funded by the municipal tax levy. The following chart summarizes the components included in the 2021 capital budget compared to 2020.

	2021 Proposed Budget	2020 Approved Budget
Gross Capital – City Departments (excluding EIRP)	\$39,874,700	\$35,128,900
Add : Gross Capital – City Departments Enhanced Infrastructure Renewal Program (EIRP) Component	8,440,600	8,440,600
<i>Total Gross Capital – City Departments (including EIRP)</i>	<i>48,315,300</i>	<i>43,569,500</i>
Add : Gross Capital – Boards and Agencies	3,292,000	3,071,300
<i>Total Gross Capital Budget</i>	<i>51,607,300</i>	<i>46,640,800</i>
Less : Debenture funding	(7,284,400)	(7,284,400)

Less : Reserves, grants and other funding	(27,797,200)	(24,144,800)
<i>Net Capital Financed by the Tax Levy</i>	<i>16,525,700</i>	<i>15,211,600</i>

Gross capital for City departments increased from \$43.6 million in 2020 to \$48.3 million in 2021 primarily relating to the conservatory greenhouse project, new water billing and payment software and defibrillator replacements at SNEMS.

Gross capital requests from outside boards and agencies increased from \$3.1 million in 2020 to \$3.3 million in 2021. The increase mainly relates to increased requests from the Thunder Bay Police Service and a request from the Community Economic Development Commission for washrooms at the Terry Fox Lookout.

Funding of capital is provided from debenture financing, reserves and reserve funds, grants, funding from third parties, and by the tax levy.

Debenture financing remains consistent with 2020 levels of \$7.3 million.

The recommended tax supported capital budget includes reserve and reserve fund financing of \$18.5 million (\$15.9 million in 2020). The most significant uses of reserve funds include the Federal Gas Tax reserve fund, Ontario Community Infrastructure Fund reserve fund, Dedicated Gas Tax reserve fund and the EMS Vehicle and Equipment reserve fund.

The capital budget also includes subsidies in the amount of \$6.3 million primarily comprised of the Investing in Canada Infrastructure Program (ICIP) Transit stream (\$5.8 million).

Other revenue totaling \$3.0 million is also included in the capital budget. Other revenue includes interdepartmental recoveries, user fees, the use of capital carry forward funds and contributions from outside municipalities and organizations.

Contributions to capital reserve funds funded through the tax levy are expected to remain at \$1.3 million. These include provisions for Corporate Information Technology, Clean, Green and Beautiful, Community Partnership, General Capital, Recreation Trails, and Renew Thunder Bay reserve funds. The contribution to the Indoor Turf Facility reserve fund is funded from the Municipal Accommodation Tax, and is discussed further in the Impact of COVID-19 Pandemic section below. Contributions to obligatory reserve funds total \$12.7 million, an increase of \$0.6 million. These provisions are for the Ontario Community Infrastructure Fund and the Federal Gas Tax reserve funds.

Impact of COVID-19 Pandemic

The COVID-19 pandemic will continue to impact the City in 2021. The 2021 proposed budget was prepared assuming all service areas would be operating within the Provincial restrictions in place in the fall of 2020. Actual results will differ as these estimates are largely influenced by changes to Provincial restrictions and resident comfort in using City provided services.

Consistent with Council's direction, the estimated impact of COVID-19 is not included in the tax levy in the proposed 2021 budget and is proposed to be funded from the Stabilization reserve fund. The impact on the reserve fund will be partially offset by any unused Federal-Provincial Safe Restart Operating funding from 2020 (estimated at \$3.0 million) as well as the City's 2021 Safe Restart Operating allocation of \$1.24 million announced on December 16, 2020. For rate supported operations, the impact on Landfill operations is proposed to be funded by the Stabilization reserve fund as well. The other rate supported areas (Waterworks, Wastewater and Boater Services) are proposed to absorb the impact using rate supported reserve funds. COVID-19 is not proposed to impact user fees.

The following chart summarizes the estimated impact of COVID-19 in 2021 along with the proposed funding sources.

Expected COVID-19 2021 Impact	\$
COVID-19 Operating impact (non-Transit)	\$6,809,300
COVID-19 Net Transit Impact	\$1,204,400
Total COVID-19 impact (tax supported only)	\$8,013,700
COVID-19 Landfill impact	\$764,400
Total COVID-19 impact	\$8,778,100
Less Estimated 2020 Federal Provincial Safe Restart Operating funding	(\$3,046,600)
Less 2021 Federal Provincial Safe Restart Operating funding	\$(1,240,000)
Estimated Impact to be funded by Stabilization Reserve Fund or other mitigating options	\$4,491,500

The estimated available 2020 Federal-Provincial Safe Restart funding is higher than reported in the Budget Variance #3 (Corporate Report R122) to reflect Administration's recommendation to release a 2020 capital project for the Parkdale Environmental Assessment valued at \$250,000.

As per Council's request Attachment A provides a list of 40 one time cost reduction items for Council's consideration that will reduce the estimated impact of COVID-19 in 2021. Option #1 (recommended) would reduce the estimated reliance on the Stabilization reserve fund by \$2.0 million. Option #2 would reduce the estimated reliance on the Stabilization reserve fund by \$2.6 million. These options include temporary adjustments to service levels, deferral of capital projects, and one time reduced contributions to other reserve funds. With respect to capital, Administration focused on delaying new projects rather than deferring renewal or maintenance of existing assets. Administration will provide Council with a memo and recommended resolution ahead of the 2021 budget deliberations.

Major Drivers of COVID-19 impact

The estimated net impact of COVID-19 is \$8.8 million. The majority of this estimate is driven by expected lost revenues and increased screening and cleaning costs partially offset by COVID-19 funding and savings in travel, training and office expenses.

Key areas of the budget impacted by the pandemic include:

- Recreation & Culture mainly due to lost revenues and screener and cleaning costs (9.6 FTEs) - \$2.1 million
- Transit mainly related to lost revenues partially offset by expected excess 2020 Transit Safe Restart funding available for January to March 2021 (\$0.4 million) - \$1.4 million
- Casino revenues due to reduced capacity at Gateway Casino - \$1.2 million
- Child Care increased costs (9.1 FTEs) and lost revenues - \$1.2 million
- Landfill Operations mainly related to reduced commercial waste - \$0.8 million
- Parking Authority mainly related to lost revenues - \$0.5 million
- Thunder Bay Police Service and Superior North EMS increased costs for Personal Protective Equipment (PPE), cleaning costs (4.0 FTEs) and lost revenues - \$0.5 million
- Provincial Offences (Revenue Division) mainly related to lost fine revenue - \$0.4 million
- Reduced Supplementary taxes - \$0.3 million
- Long Term Care and Senior Services mainly due to increased costs (15.7 FTEs) partially offset by expected Provincial funding - \$0.3 million
- Parks increased costs (2.1 FTEs) and security - \$0.3 million
- Corporate-wide savings in travel, training and office costs - \$0.4 million

The Municipal Accommodation Tax (MAT) is also expected to be reduced due to COVID-19's impact on the tourism industry. The 2021 proposed budget estimates MAT will be reduced by 30% compared to 2019 levels and the associated transfers to the Indoor Turf Facility reserve fund and the Community Economic Development Commission will be reduced from \$1,150,000 to \$822,500 each.

2021 Rate Supported Operating Budget Highlights

Rate supported operations include Waterworks, Wastewater (Sewer), Solid Waste (Landfill) and Prince Arthur's Landing – Boater Services. These operations are supported by user fees rather than municipal taxation revenues.

Waterworks

The 2021 Waterworks operating budget is projected at gross expenditures of \$19,739,600 and net income of \$7,221,200, to be transferred to the Waterworks reserve fund. The proposed budget includes \$10,100 in expected net impacts from COVID-19.

The 2021 Waterworks capital budget totals \$10,680,800 gross with financing of \$6,380,800 from the Waterworks reserve fund and debenture financing of \$4,300,000. Debenture financing is consistent with the Water Authority Financial Plan approved by Council in July 2018.

Effective April 1, 2021, all water fixed and volumetric charges are recommended to increase by 3.5% to meet future financial requirements as per the Water Authority Financial Plan. Other program charges will also increase by 3.5% consistent with water rate changes.

Wastewater (Sewer)

The 2021 Wastewater (Sewer) operating budget is projected at gross expenditures of \$14,160,100 and a net income of \$6,127,500 to be transferred to the Sewer Rate reserve fund. This proposed budget includes an estimated financial net impact of \$414,700 related to COVID-19 proposed to be absorbed in the transfer to the Sewer Rate reserve fund.

The 2021 Wastewater capital budget totals \$9,012,700 gross with financing of \$6,502,700 from the Sewer Rate reserve fund, debenture financing of \$2,000,000 and Disaster Mitigation & Adaptation grant funding of \$510,000. Debenture financing is within levels set out in the Wastewater Financial Plan approved by Council in March 2015.

The sewer rate surcharge is proposed to continue at 90% of water rates.

For the average Thunder Bay household, one that consumes 200m³ of water per year, the combined cost for sewer and water services will increase by 3.4% from \$1,235 in 2020 to \$1,277 annually. For customers only connected to the water system, the cost to consume 200m³ of water per year will increase annually by \$22 from \$650 to \$672.

Solid Waste (Landfill Operations)

The 2021 Solid Waste (Landfill Operations) operating budget reflects gross expenditures of \$2,882,800 and a net income of \$1,365,200 to be transferred to the Solid Waste reserve fund. This budget includes an estimated financial net impact from COVID-19 of \$764,400 mainly related to lower commercial waste revenues. This impact is proposed to be funded from the Stabilization reserve fund as the Solid Waste reserve fund does not have the capacity to absorb this impact. The 2021 proposed budget no longer reflects waste diversion and recycling costs as they have been fully moved to the tax supported budget in 2020.

The 2021 Landfill capital budget totals \$414,000 gross which is financed from the Landfill reserve fund.

The minimum charge for a trip to the landfill remains at \$10 applicable on loads up to 120kg, in 2020 this was applicable on loads up to 130kg. Consistent with the 20 year Solid Waste (Landfill) Financial Plan approved by Council in September 2019, tonnage charges for loads over 120kg will increase 3.0% to \$81.64/tonne up \$2.38/tonne from 2020. A 200 kilogram load of waste will cost \$0.48 more than in 2020. The effective date for the proposed fee increases is April 1, 2021.

Prince Arthur's Landing (Waterfront Park) – Boater Services

The 2021 Prince Arthur's Landing - Boater Services operating budget reflects gross expenditures of \$317,900 and a net income of \$101,600 to be transferred to the Marina (Boater Services) reserve fund. This budget includes \$10,000 in lost revenues associated with COVID-19.

The 2021 Prince Arthur's Landing – Boater Services capital budget totals \$60,000 gross and will be funded from the Marina (Boater Services) reserve fund.

Included in the 2020 Prince Arthur's Landing – Boater Services budget are proposed user fee increases of 5% on average effective April 1, 2021.

Additional Financial Disclosure Requirements Pursuant to Ontario Regulation 284/09

Section 290 of the Municipal Act requires municipalities to prepare balanced budgets which include estimates of all sums required during the year for the purposes of the municipality.

Regulation 284/09 permits municipalities to exclude the following expenses from their municipal budgets:

- Amortization expenses on tangible capital assets;
- Post-employment benefits expenses; and
- Solid waste landfill closure and post-closure expenses.

These expenses were not included in the City's proposed budget for 2021. The City of Thunder Bay, like most municipalities, continues to prepare budgets on the traditional fund basis where revenue and expenditures for operating and capital budgets are balanced. Accordingly, on a fund basis, there is no projected impact to the City's accumulated surplus. Regulation 284/09 requires a municipality to identify the impact of the proposed budget on the City's accumulated surplus after converting the 2021 proposed budget and assumptions to include the excluded expenses. The City must also estimate the impact of the excluded expenses on the future tangible capital asset funding requirements.

The estimated effect on the 2021 ending surplus due to the excluded expenses and change in reporting is anticipated to be a net increase of \$0.8 million, summarized as follows:

	<u>(\$000's)</u>
Post-employment benefit expenses	\$28
Solid waste landfill closure and post closure costs	\$563
Amortization expenses on tangible capital assets	\$(45,488)
Acquisition of tangible capital assets	\$45,728
	<u>\$831</u>

The changes to accounting and reporting requirements under the Public Sector Accounting Board (PSAB) are a financial accounting treatment only and do not affect operating surpluses. This difference is one of financial statement presentation only.

Employee Future Benefits / Post-Employment Benefits

Employee future benefits include benefits which are earned by the employee in the current period but are not paid for by taxes or rates until a future period. These benefits include sick

leave, vacation pay, health and dental care, life insurance and Workplace Safety and Insurance Board (WSIB) payments.

The impact (change) of employee future benefits expense is an increase to the accumulated surplus and is estimated to be \$28 thousand in 2021.

Solid Waste Landfill Closure and Post-Closure Liability

Under the Ontario Environmental Protection Act, the City is required to provide for the closure and post-closure care of its solid waste landfill site. The costs related to these obligations are provided over the estimated remaining life of the landfill based on usage (currently estimated at 20 years). The impact (change) of landfill closure and post-closure costs is an increase to the accumulated surplus and is estimated to be \$0.6 million in 2021.

Amortization Expenses on Tangible Capital Assets

Annual financial statements include amortization expenses on tangible capital assets as required by PSAB standards.

Although the City's proposed 2021 budget does not include amortization expense on tangible capital assets, provisions are made for contributions to capital and transfers to/from capital reserves to fund capital expenses.

The estimated 2021 impact on tangible capital assets is a net increase of \$0.2 million to the accumulated surplus.

Impact on Future Tangible Capital Asset Funding Requirements

The inclusion of tangible capital asset information in the financial statements can assist in understanding the obligation to maintain, renew and replace assets. The amount provided in the proposed 2021 budget for tangible capital asset purposes (\$45.7 million) can be compared to the 2021 estimated amortization of \$45.5 in order to determine whether the City has adequately provided for its capital needs.

However, even if amortization is fully funded, other factors will need to be examined to quantify the City's capital funding requirements. It would be beneficial to compare existing capital funding levels to required future funding levels. Amortization is based on costs when assets were built or purchased and is not necessarily the cost to repair or replace the asset in today's dollars and using current standards (accessibility, climate change, etc.). Some assets may need to be replaced before the end of their amortization period. Consideration is also required for new and growth related assets.

Accounting and reporting on tangible capital assets will provide information, but it will not provide financial planning, set appropriate rates and fees, or supply information on the condition of assets.

FINANCIAL IMPLICATION

The 2021 proposed tax supported budget is presented with a 2.15% municipal tax levy increase before growth and 2.00% net of growth. The proposed budget maintains current programs and services and contributions to local boards and agencies, includes expansions primarily relating to Transit, Corporate Information Technology, Long Term Care, Superior North EMS, and the Thunder Bay Police Service. It also incorporates savings identified during the budget preparation process. The proposed 2021 tax supported capital funding has been increased by \$1.3 million over 2020 levels.

The expected impact of COVID-19 is excluded from the municipal tax levy and is proposed to be funded by the Stabilization reserve fund. Council has been provided with options in Attachment A to reduce the estimated reliance on the Stabilization reserve fund.

The 2021 proposed rate supported budget is presented consistent with the approved financial plans for Waterworks, Wastewater and Solid Waste Landfill Operations.

CONCLUSION

It is concluded that City Council should approve the 2021 Operating and Capital Budget as proposed. It is also concluded that Administration should implement the recommendations presented in this report.

BACKGROUND

None.

REFERENCE MATERIAL ATTACHED:

Attachment A – One Time Options to Reduce 2021 COVID-19 Impacts

2021 Budget Package including:

- 2021 Budget Executive Summary
- 2021 Tax Supported Operating and Capital Budget
- 2021 Rate Supported Operating and Capital Budget

PREPARED BY: Lauren Paradis, Manager, Budgets and Long Term Planning

THIS REPORT SIGNED AND VERIFIED BY: (NAME OF GENERAL MANAGER)	DATE:
Linda Evans, GM Corporate Services & Long Term Care, City Treasurer	December 17, 2020

ONE TIME OPTIONS TO REDUCE 2021 COVID-19 IMPACTS				(000)'s with March 1, 2021 implementation			Ranking of List for Council					
Item	Department	Division	Item	FTE	Union/Non union	Operating	Capital	Total	Additional Information	Option 1 (Recommended)	Option 2 (all)	Option 3 (none)
1	City Manager's Office	Office of the City Clerk	Legislative Compliance - AODA				50.0	50.0	Capital related accessibility projects may need to be deferred. Facility Audit was conducted in 2019. City Clerks Office is working with Construction Services to manage projects.	50.0	50.0	
2	Community Services	Asset Management	Defer generator replacement at Fire Station #3				150.0	150.0	As there are alternate equipped locations, the risk of deferring this planned renewal project for 1 year is low.	150.0	150.0	
3	Community Services	Recreation and Culture	Close one community aquatic facility Jan. 1 - Dec. 31/21.	10.5	Non-affiliate 8.52 FTE and 2 CUPE	226.8		226.8	Council approved deferred reopening of Volunteer Pool November 2020. This item assumes Churchill Pool closes March 1 - Dec 31/21 and Volunteer Pool reopens March 1/21. Volunteer Pool/Community Centre supports Playground Program and various community organizations. The closure of Churchill will facilitate the completion of planned renewal projects. Total annual bather visits (2019): 45,000 Churchill; 65,000 Volunteer Pool. (Capacity would be restricted due to COVID-19.) Loss of access to Churchill Pool could be partially mitigated through reopening of seasonal aquatic operations (Art Widnall, Heath outdoor pools and Sandy Beach).	226.8	226.8	
4	Community Services	Transit Services	Reduce service hours	0.5	Union (ATU - PT)	50.0		50.0	Evening service routes will end 45 minutes earlier (eg. 11:45 pm vs 12:30 am service end time) and seasonal service to Chippewa Park will be suspended. Reduction of evening service equates to annual reduction of 1,350 service hours and 22,000 boardings. City-wide, ridership drops from 40 to 15 boardings/hr after 11:45 pm. Chippewa service has historically been offered weekends/statutory holidays between late June to mid August and averages 4 - 5 trips/day.	50.0	50.0	
5	Corporate	Contribution to Reserve Fund	CEDC			109.0		109.0	Proposed Budget includes a contribution of \$200k. \$91k is pre-committed contribution to the College Aviation Centre of Excellence (ACE).	109.0	109.0	
6	Corporate	Contributions to Capital Reserve Funds	Clean, Green and Beautiful			208.1		208.1	Reduced annual contribution to the Clean Green and Beautiful Reserve Fund with 2021 projects funded by carryforward funds – in part or in whole, depending on the option selected.	100.0	208.1	
7	Corporate	Contributions to Capital Reserve Funds	Community Partnership			100.0		100.0	Applications for this funding will be deferred for a year.	100.0	100.0	
8	Corporate	Contributions to Capital Reserve Funds	Recreational Trails			39.5		39.5	No annual contribution to the Recreational Trails Reserve Funds in 2021.		39.5	
9	Corporate	Contributions to Capital Reserve Funds	Renew Thunder Bay			250.0		250.0	Current uncommitted balance \$13.2M at Dec 31 2020	250.0	250.0	

Item	Department	Division	Item	FTE	Union/Non union	Operating	Capital	Total	Additional Information	Option 1 (Recommended)	Option 2 (all)	Option 3 (none)
10	Corporate Services & Long Term Care	Revenue	Defer reopening of Cashier Counter Service	1.0	Union	41.0		41.0	Customers have 7 other ways to pay their water and tax bills.	41.0	41.0	
11	Development & Emergency Services	McKellar Mall	Assign 2021 profit to reduce COVID pressures				138.7	138.7	Assigning profit to reduce COVID impacts rather than repay internal loan. Loan will take approximately 1 year longer to repay.	138.7	138.7	
12	Infrastructure & Operations	Engineering	Defer property acquisition for projects/subdivisions in 2021.				25.0	25.0	Limits the advancement of projects requiring property.	25.0	25.0	
13	Infrastructure & Operations	Engineering	Defer property acquisition for the Northwest Arterial in 2021.				50.0	50.0	Limits the advancement of projects requiring property.	50.0	50.0	
14	Infrastructure & Operations	Engineering	Defer updates to the Northwest Arterial Environmental Assessment in 2021.				150.0	150.0	Defer to 2022. Could result in risk to meeting MTO schedule for Thunder Bay Expressway interchanges.	150.0	150.0	
15	Infrastructure & Operations	Engineering	Cancel chipsealing in 2021.				30.0	30.0	No chipsealing in 2021, this offers one time savings.	30.0	30.0	
16	Infrastructure & Operations	Engineering	Reduce investment into traffic calming in 2021.				50.0	50.0	Reduced by 50% in 2021 as a one time savings.	50.0	50.0	
17	Infrastructure & Operations	Engineering	Reduce Active Transportation initiatives in 2021				50.0	50.0	A reduction to the Active Transportation (AT) budget will decrease the available support and advancement to AT initiatives, including City programs and services delivered by EcoSuperior.		50.0	
18	Infrastructure & Operations	Engineering	Active Transportation Connection Neebing McIntyre Floodway				50.0	50.0	Defer installation of new active transportation connection (wayfinding and bike lane) to 2022.		50.0	
19	Infrastructure & Operations	Environment	Reduce the available amount of the Residential Drainage Rebate in 2021.				50.0	50.0	Reduce available amount from \$125k to \$75k for 2021.	50.0	50.0	
20	Infrastructure & Operations	Parks	Do not operate the rides at Chippewa Park and the Muskeg Express in 2021.	1.5	CUPE	46.0		46.0	May not be able to operate due to COVID-19 restrictions	46.0	46.0	
21	Infrastructure & Operations	Parks	Do not operate the campgrounds at Chippewa Park and Trowbridge Falls in 2021.	1.4	Non-Affiliates	11.7		11.7	Cost avoidance - COVID budget forecasts a loss. Not operating the campgrounds would result in cost avoidance related to the hiring of students and operating costs. No revenue would be generated.	11.7	11.7	

Item	Department	Division	Item	FTE	Union/Non union	Operating	Capital	Total	Additional Information	Option 1 (Recommended)	Option 2 (all)	Option 3 (none)
22	Infrastructure & Operations	Parks	Do not operate splash pads in 2021.	1.0	Non-Affiliates	54.3		54.3	Not operating the splash pads would result in an avoidance of additional costs to operate in a COVID environment, including additional supervision, cleaning, and water. One time cost avoidance will only be realized if COVID restrictions remain in place. The Northwood Playfield site will not operate in 2021 if required to do so under COVID restrictions. The cost for students to supervise and additional cleaning measures for the Northwood site in July and August have not been included in the amount provided.		54.3	
23	Infrastructure & Operations	Parks	Open both golf courses on May 14, 2021.	0.3	CUPE, UFCW, Non-Affiliates	20.0		20.0	Net savings realized by opening the Golf program later in the season than traditionally (approx. 2 weeks) done so in years prior to the 2020 season.	20.0	20.0	
24	Infrastructure & Operations	Parks	Defer the design and planning for the next splash pad.				50.0	50.0	Defer design for the next splash pad.	50.0	50.0	
25	Infrastructure & Operations	Parks	Defer the renewal of Golf assets (equipment) in 2021.				50.0	50.0	Defer renewal of Golf equipment.	50.0	50.0	
26	Infrastructure & Operations	Roads	Discontinue Residential Road Plowing on Sundays			35.0		35.0	Reduced levels of snow plowing service. Amount has been adjusted to reflect a March 1st implementation.		35.0	
27	Infrastructure & Operations	Roads	Discontinue Residential Road Plowing on Saturdays			35.0		35.0	Reduced levels of snow plowing service. Amount has been adjusted to reflect a March 1st implementation.		35.0	
28	Infrastructure & Operations	Roads	Discontinue Sidewalk Plowing on Sundays			12.0		12.0	Reduced levels of snow plowing service. Amount has been adjusted to reflect a March 1st implementation.		12.0	
29	Infrastructure & Operations	Roads	Discontinue Sidewalk Plowing on Saturdays			12.0		12.0	Reduced levels of snow plowing service. Amount has been adjusted to reflect a March 1st implementation.		12.0	
30	Infrastructure & Operations	Roads	Do not run the Adopt a Road program in 2021			5.3		5.3	Adopt-A-Road program will not operate in 2021.	5.3	5.3	
31	Infrastructure & Operations	Roads	Cancel the maintenance and replacement of driveway culverts in 2021			40.0		40.0	Critical maintenance would still need to be addressed on a case by case basis.		40.0	
32	Infrastructure & Operations	Roads	Defer the expansion of Wayfinding in 2021				50.0	50.0	Defer expansion of the program in the downtown core.	50.0	50.0	
33	Infrastructure & Operations	Roads	Reduce one additional Pedestrian Crossover (PXO) in 2021				75.0	75.0	Eliminate one PXO in the 2021 budget. Remaining PXO's are partially funded through ICIP.	75.0	75.0	
34	Infrastructure & Operations	Roads	Defer the purchase of a weather station in 2021				25.0	25.0	Reduced information for Patrol Supervisors during winter events.	25.0	25.0	
35	Infrastructure & Operations	Roads	Curb ramping 2021				70.0	70.0	Curb ramping improvements will be limited to capital construction.	35.0	70.0	

Item	Department	Division	Item	FTE	Union/Non union	Operating	Capital	Total	Additional Information	Option 1 (Recommended)	Option 2 (all)	Option 3 (none)
36	Mayor & Council	General Council	Budget reduction to Committee Expenses			7.0		7.0	Meal costs are reduced due to virtual meetings or committees not meeting at all. Should this change in 2021, there is a possibility of a negative variance. Council has been advised that a full meal expense review will begin once at least 75% of committees are meeting in person.		7.0	
37	Mayor & Council	General Council	Budget reduction to General Expense			2.0		2.0	This account has been under budget for a number of years. Service levels would not be affected.		2.0	
38	Outside Boards & Agencies	CEDC	One-time COVID costs - CEDC to fund from their surplus carry forwards			12.0		12.0	Costs related to Board of Director Meetings to be held in person at external venues. Fund from CEDC unrestricted assets.	12.0	12.0	
39	Outside Boards & Agencies	CEDC - Tourism	One-time COVID costs - CEDC to fund from their surplus carry forwards			38.2		38.2	Costs related to increased janitorial and requested increased electrostatic cleaning to clean and disinfect washrooms and touch points at Terry Fox Lookout. Fund from CEDC unrestricted assets.	38.2	38.2	
40	Outside Boards & Agencies	CEDC - Tourism	24hr permanent washroom facility at Terry Fox Lookout			22.0	73.0	95.0	Visitor needs would not be met.		95.0	
TOTAL						1,515.6	1,048.0	2,563.6		1,988.7	2,563.6	-

2021 COVID pressures	4,491.5	4,491.5	4,491.5
Less: Option Savings from above	1,988.7	2,563.6	-
Balance remaining to be funded from Stabilization Reserve Fund	2,502.8	1,927.9	4,491.5