

**REPORT NUMBER** 001-2023-Corporate Services & Long-Term Care-Financial Services

**DATE**

**PREPARED**

December 5, 2022

**FILE**

**MEETING DATE**

January 17, 2023

**SUBJECT**

2023 Proposed Operating and Capital Budget

## RECOMMENDATION

WITH RESPECT to Report R 1/2023 (Corporate Services and Long Term Care - Financial Services), we recommend that the proposed 2023 Operating and Capital budgets for tax and rate supported operations be approved as outlined in this report;

AND THAT the 2023 General Municipal Tax Supported Operating Budget be approved at \$347,261,100 gross and \$257,682,200 net;

AND THAT the following Business Improvement Area levies be approved:

- |    |                            |           |
|----|----------------------------|-----------|
| 1. | Waterfront District B.I.A. | \$106,500 |
| 2. | Victoria Avenue B.I.A.     | \$60,000; |

AND THAT the 2023 General Municipal Tax Supported Capital Budget be approved at \$65,858,400 gross with financing as follows:

Capital Financed by the Tax Levy (before EIRP and Debenture)	21,179,200	
Enhanced Infrastructure Renewal Program (EIRP)	7,763,100	
Less Debenture Debt	<u>(12,004,400)</u>	
Net Capital Financed by the Tax Levy		\$16,937,900

Debenture Debt (Annual)	\$7,284,400
Debenture Debt (Special – Victoriaville Phase I)	\$4,720,000

Reserve & Reserve Funds:

Fire Training Centre	55,000
Capital General	600,000
Capital Transit	320,000
Corporate Information Technology	3,204,000
Clean Green and Beautiful	220,000

Corporate Energy Innovation	45,000	
Dedicated Gas Tax (Obligatory)	1,298,315	
EMS Vehicle & Equipment	860,400	
Fire Equipment	55,250	
Fuel Farm	60,000	
Municipal Accommodation Tax	700,200	
Canada Community Building Fund (Obligatory)	7,438,600	
Ontario Community Infrastructure Fund (OCIF)	10,000,000	
Recreation Trails	39,500	
Whalen Building	280,000	
		\$25,176,265
Subsidy:		
Disaster Mitigation & Adaptation Funding	568,000	
Federal Grants – Green and Inclusive Community Building (GICB) Program	3,047,520	
FedNor Grant	1,000,000	
Investing in Canada Infrastructure Program (ICIP)	4,208,077	
Provincial Grants – Miscellaneous	483,150	
		\$9,306,747
Other Sources:		
Capital carry forward	32,000	
Loan to Parking	441,000	
Recoveries and fees	1,905,100	
Other	<u>54,988</u>	<u>\$2,433,088</u>
Total 2023 Gross Tax Supported Capital Budget		<u>\$65,858,400</u>

AND THAT the 2023 Solid Waste (Landfill Operations) Operating Budget be approved at \$3,375,000 gross expenditure and \$322,700 net income, with a contribution to the Landfill reserve fund to result in \$0 net profit;

AND THAT the 2023 Solid Waste (Landfill Operations) Capital Budget be approved at \$1,824,400 gross, with the Landfill reserve fund as the source of financing;

AND THAT the 2023 Wastewater Operating Budget be approved at \$17,359,700 gross expenditure and \$4,466,100 net income, with a contribution to the Sewer Rate reserve fund to result in \$0 net profit;

AND THAT the 2023 Wastewater Capital Budget be approved at \$11,243,600 gross, with financing from the Sewer Rate reserve fund (\$6,555,600), debenture debt (\$3,000,000), Disaster Mitigation & Adaptation grant funding (\$742,000), third party contributions (\$646,000) and transfer from the Land Development Account (\$300,000);

AND THAT the 2023 Waterworks Operating Budget be approved at \$21,416,500 gross expenditure and \$7,756,500 net income, with a contribution to the Waterworks reserve fund to result in \$0 net profit;

AND THAT the 2023 Waterworks Capital Budget be approved at \$11,482,300 gross, with financing from the Waterworks reserve fund (\$7,282,300) and debenture debt (\$4,200,000);

AND THAT the 2023 Prince Arthur's Landing – Boater Services Operating Budget be approved at \$373,900 gross expenditure and \$140,300 net income, with a contribution to the Marina (Boater Services) reserve fund to result in \$0 net profit;

AND THAT the 2023 Prince Arthur's Landing – Boater Services Capital Budget be approved at \$60,000 gross, with financing from the Marina (Boater Services) reserve fund (\$60,000);

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

1. City Solicitor & Corporate Counsel – 3% increase to registration of subdivision and condominiums
2. City Solicitor & Corporate Counsel – registrations increase of 5.1%
3. City Solicitor & Corporate Counsel – 3% increase in legal fee deposits
4. Office of the City Clerk - \$25 increase to marriage licence;
5. Child Care – 5.0% increase in fees for children not eligible for Canada Wide Early and Child Care (CWELLCC) program;
6. Transit – on average 3% increase in transit user fees;
7. Recreation & Culture – various user fee changes on average 3.0% increase;
8. Recreation & Culture – various new user fees such as one month rates for aquatics, various types of swimming lessons, fitness and annual membership fees;
9. Recreation & Culture – various new fees related to Live on the Waterfront;
10. Recreation & Culture – various new art class fees;
11. Revenue – new master card reversal fee;
12. Long Term Care and Senior Services – Jasper Place single & double tenant fees – per day to increase 2.6%;
13. Long Term Care and Senior Services – fees for extra tenant meals (per meal) to increase 1.6% and guest meals (per meal) to increase 1.5%;
14. Engineering – various new user fees for Engineering Administration;
15. Parks – various user fee changes on average 5.0% increase;
16. Parks – various new user fees related to water connection fees, docking fees, seasonal applications Administration fees, golf cancellation fees, shared options for golf cart seasonal passes;
17. Solid Waste – multi-residential and commercial pickup fees to increase by \$0.50 per pickup;
18. Solid Waste – tonnage charge for loads over 120kg to increase by 3% from \$84.09 to \$86.61/tonne;

19. Solid Waste – other user fee changes including dumping charges (excluding passenger vehicles), non-residential user pay schedule (per trip), special commodities over 200kg and minimum charge and weight certificate for vehicle for waste requiring pit handling increased by approximately 3% on average;
20. Solid Waste – new minimum charge fees, plus general dumping fee rate for both asbestos and international waste disposal;
21. Parking Authority – parkade monthly rates will increase from \$65.00/month to \$67.50/month;
22. Parking Authority – surface lots monthly rate increase from \$53.00/month to \$55.00/month;
23. Parking Authority – maximum daily rate at parkade increased from \$6.50/day to \$7.00/day;
24. Parking Authority – new minimum daily user fee of \$2.50 at parkades for first two hours;
25. Waterworks fixed and volumetric charges to increase by 3.0% effective April 1, 2023;
26. Other Waterworks charges related to consumption and services to be increased by 3.0% effective April 1, 2023;
27. Wastewater surcharge to remain at 90% of water fixed and volumetric charges;
28. Prince Arthur's Landing – boater services fees to increase by 5% on average effective April 1, 2023;

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 2023 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 2023 budget.

### **2023 Tax Supported Budget**

The proposed 2023 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 \$220,819,700 (an increase of 6.2% or \$12.8 million over the 2022 approved municipal tax levy of \$207,966,700). By comparison, in 2022 the municipal levy increase was \$4.9 million, representing a 2.42% increase over 2021. Not included in the increase are one-time changes to the budget, which are proposed to be funded from the Stabilization reserve fund in 2023.

The growth in the assessment base during 2022, resulting from investment in the community through new construction and expansions less lost assessment from demolitions and successful assessment appeals, provides tax generation of \$1,241,200 or a 0.60% reduction in impact to the 2023 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 2023 municipal tax levy increase before and net of growth.

	Amount (\$)	% Change
Proposed 2023 Municipal Tax Levy Increase	12,853,000	6.18%
Tax Revenue from 2022 Growth in Assessment	(1,241,200)	(0.60%)
Impact of Municipal Tax Levy Net of Growth	11,611,800	5.58%

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

The 2023 proposed capital budget is presented at \$65,858,400 gross of which \$16,937,900 is funded by the tax levy representing a decrease of 2.6% compared to the 2022 budget.

### **2023 Rate Supported Budget**

The 2023 rate-supported operating and capital budgets are being presented as follows:

1. Waterworks – operating budget of \$7,756,500 net income to be transferred to the Waterworks reserve fund and net capital budget of \$7,282,300 to be funded from the Waterworks reserve fund.
2. Wastewater – operating budget of \$4,466,100 net income to be transferred to the Sewer Rate reserve fund and net capital budget of \$6,555,600 to be funded from the Sewer Rate reserve fund.
3. Solid Waste (Landfill Operations) – operating budget of \$322,700 net income to be transferred to the Landfill reserve fund and a Landfill net capital budget of \$1,824,400 to be funded from the Landfill reserve fund.
4. Prince Arthur’s Landing – Boaters Services – operating budget of \$140,300 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 3.0% for 2023 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 2022.

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 \$86.61/tonne.
7. The Boaters Services fees are proposed to increase by 5% on average.

### **Budget Review Process**

The proposed 2023 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 59/2022 (Corporate Services & Long Term Care – Financial Services).

### **Staffing Complement**

The 2023 Proposed Budget includes a total complement of 2,223 full-time equivalent (FTE), an increase of 23.1 over 2022 (Executive Summary, pages 7). This total includes the impact of current year one-time FTEs, less the removal of prior year one-time FTEs. Excluding one-time FTEs, the proposed complement is 2,216.3, an increase of 50.9 FTE.

The permanent increase of 50.9 FTEs are primarily due to tax supported expansions (62.4) and reductions (11.5) of which 20.3 FTE are fully or partially funded by other levels of government. Of the remaining 30.6 positions, 23.2 FTEs are within Outside Boards including Thunder Bay Police Service (20.8) and the Community Economic Development Commission (2.4). The remaining 7.4 FTE are within City departments.

### ***DISCUSSION***

In election years, the City Manager provides budget directions to City staff and Outside Boards. For 2023, the City Manager directed departments to submit a proposed 0% budget increase excluding expansions approved in prior years, legislated and/or negotiated wage and benefit increases, inflationary increases for facilities and fleet, implementation of Council approved recommendations arising from the Program and Service Review and service level changes identified for SNEMS Master Strategic Plan, Thunder Bay Fire Services Strategic Plan and the mandated Organics Program.

During the 2023 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 2023 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 efficiencies in light of increasing costs of service delivery and capital projects.

- Review all revenues, rates and fees to be examined and considered to offset inflationary and other cost increases.
- Analysis of service level reductions/cost saving opportunities for cost containment.
- Consider the use of leveraging reserve funds where appropriate.
- Review of corporate accounts that includes trend analysis where appropriate.
- Analysis of current year (2022) projected variances.

The budget review process was exceptionally difficult this year, with the initial budget submissions reflecting \$21.0 million or a 10.11% tax levy increase before growth. In order to present a proposed budget that was reasonable in the existing fiscal environment, reductions totalling \$6.6 million were first identified resulting in a tax levy increase of 6.95%. To further reduce the proposed levy, direction was given to decrease tax supported capital by 10%, resulting in the proposed tax levy increase before growth of 6.18%.

The following chart shows the breakdown of the initial \$6.6 million in reductions and the impact of the \$1.6 million reduction to capital.

	Levy Increase	
	\$ (in millions)	%
<b>Initial Budget Submission</b>	<b>21.0</b>	<b>10.11</b>
Capital - Deferred / Eliminated	(0.1)	
Expansion - Deferred / Eliminated / Phased-in	(1.2)	
Use of Reserves / Reserve Funds	(2.3)	
Revenues/User Fee Adjustments	(1.7)	
Operating Cuts	(1.1)	
Other	(0.2)	
<b>Total Reductions to Initial Submission</b>	<b>(6.6)</b>	<b>(3.16)</b>
Capital - 10% Cut	(1.6)	(0.77)
<b>Total 2023 Proposed Tax Levy Increase (Before Growth)</b>	<b>12.8</b>	<b>6.18</b>

Included in the Capital directed reductions above is \$121,500 related to the Thunder Bay Public Library (TBPL). The TBPL's original capital submission was \$810,000. The proposed capital budget for the TBPL is \$688,500.

### 2023 Tax Supported Operating Budget Highlights

The proposed 2023 tax supported budget is presented with a 2023 municipal tax levy of \$220,819,700 (an increase of \$12.8 million over 2022). 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. As a financing strategy the projected 2023 one time costs are to be funded from the Stabilization reserve fund and not included in the tax levy. More details are provided below in Key Components #7.

Administration is presenting the proposed 2023 budget with a 6.18% municipal tax levy increase before growth and 5.58% net of growth.

In May 2023, Council will make 2023 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 2023 proposed municipal tax levy increase is driven by several major items in addition to inflationary and wage related increases required to continue to offer existing services.

Increases for Thunder Bay Police Service Operation (\$4.1 million) and Thunder Bay Police Services Board (\$0.3 million) results in a 2.12% increase to the municipal tax levy. The increase is primarily due to increased personnel services costs offset slightly by increased revenues.

Inflationary cost increases (\$1.6 million) have generated significant financial pressure representing 0.8% increase to the municipal tax levy. These items include materials and purchased services for Facilities & Fleet Services (parts and contracted repairs & maintenance), Roads (salt & paint) and Long Term Care and Senior Services (food). These are areas where 2022 budgets have proven to be insufficient and the known inflationary increases are expected to continue into out years.

Expansions (including Program and Service Review initiatives) add \$1.3 million or 0.6% to the municipal tax levy. These include, but are not limited to, HR Strategy, Digital Strategy, provincially mandated Organics Program and as guided by the SNEMS Master Strategic Plan.

Base inflationary increases for Outside Boards (excluding Thunder Bay Police Service Operations & Police Services Board) are expected to increase by \$0.9 million and results in a 0.4% increase to the municipal tax levy.

Insurance premiums are forecasted to increase by \$0.6 million or 0.3% of the municipal tax levy.

Estimated permanent fuel increase of \$0.5 million or 0.2% of the municipal tax levy. The increase in fuel relates primarily to the 2023 impact of the Federal carbon tax.

Debt cost is expected to increase by 0.3 million or 0.1% of the municipal tax levy.



The increases noted above have been partially offset by other revenue increases and expenditure reductions totalling \$3.1 million, which reduce the municipal tax levy by 1.6% and are discussed below.

Administration has included \$0.8 million in corporate vacancy savings which reduces the municipal tax levy by 0.4%.

The capital budget that is funded by the tax levy excluding Police Services decreased by \$0.8 million, and results in a 0.4% decrease to the municipal tax levy.

Other revenue including Administrative recoveries and Casino revenue is expected to increase by \$0.7 million, which reduces the municipal tax levy by 0.3%.

The annual funding through the Ontario Municipal Partnership Fund (OMPF) has increased by \$0.5 million, reducing the municipal tax levy by 0.2%.

Increases to user fees provide an additional \$0.3 million, which reduces the municipal tax levy by 0.1%.

The projected growth in the assessment base during 2022, resulting from investment in the community through new construction and expansions less lost assessment from demolitions and successful assessment appeals, provides tax generation of \$1.2 million or 0.60% reduction to the tax levy increase.

#### Key Components (Refer to pages 11-15 in Executive Summary)

Key components of the 2023 tax supported operating budget include:

1. Federal Grants

The proposed budget includes \$7.1 million in Canada Community Building Fund (formally known as the Federal Gas Tax) grant revenue that is transferred to the obligatory Canada Community Building Fund 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 2023 OMPF budget is \$20.8 million, an increase of \$0.5 million from the 2022 budget.

Also included in provincial grant revenue is \$10.0 million Ontario Community Infrastructure Fund (OCIF), which is transferred to the obligatory OCIF reserve fund to be used for capital projects.

3. Other Revenue

Tbaytel Annual Dividend

The proposed budget includes \$18.0 million dividend revenue. In accordance with the Tbaytel Dividend Policy, \$0.25 million is to be transferred to the Stabilization reserve fund unless its year-end uncommitted balance is greater than \$10.0 million in which case the excess funds are to be transferred to the General Capital reserve fund

Thunder Bay Hydro Corporation

In accordance with R98/2021 (Synergy North Corporation – Rate Model) and the outstanding promissory note owing to the City, the budget includes the \$10.0 million lump sum payment. The \$10.0 million is to be transferred to the Capital General reserve fund; however, these funds will not be received until late December 2023 and as a result are not available for use until 2024.

R98/2021 recommended the \$10.0 million could be used to reduce the amount of new debt taken for a major infrastructure project in future years.

Other Corporate Revenues

Other non-one time revenues include transfers from the Land Development Account, casino revenues, penalties and interest on taxes, local improvement revenues, administrative recoveries, municipal accommodation taxes, Synergy North merger efficiency dividend and roof top solar dividend and sundry revenues.

Excluding 2023 and 2022 one time impacts, these sources total approximately \$13.8 million compared to \$13.5 million in 2022. The \$0.3 million increase relates to increased penalties and interest revenue, Casino revenue and administrative recoveries that are offset by a reduction in the Synergy North dividends.

4. Other Corporate Expenditures

Provision for Operating Reserve and Reserve Funds

In 2023, the proposed budget contains contributions to operating reserve and reserve funds of \$0.85 million, compared to \$0.84 million in 2022. These include contributions to the Community Economic Development Commission (CEDC), Election, WSIB and Stabilization reserve funds.

Debenture Debt Charges

In 2023 the debenture charges will increase \$0.3 million to \$13.7 million compared to \$13.4 million in 2022.

### Other Corporate Expenditures

Other corporate expenditures, excluding reserves and debenture charges, total \$16.9 million, an increase of \$3.5 million. 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 (MPAC), tax write-offs and legislated rebates, and corporate WSIB.

### 6. Net Departmental Budgets (excluding one time items)

The 2023 proposed net budget, for all City departments (includes SNEMS and Thunder Bay Fire Rescue) is \$139.3 million a \$5.1 million or 3.8% increase over the 2022 level of \$134.2 million.

Included in departmental budgets are expansions and reductions that equal 27.7 FTE primarily related to expansions in SNEMS, Long-term Care, Solid Waste & Diversion, Corporate Information Technology and HR that are offset slightly by reductions in Recreation & Culture, Thunder Bay Fire Rescue, Community Services Central Support and Revenue.

The 27.7 FTEs include 17.9 FTE fully funded and 2.4 FTE partially funded by other levels of government. This leaves 7.4 FTE in City departments fully funded from the tax base.

A detailed FTE complement change and summary are provided on pages 7-9 in the executive summary section of the 2023 budget books. Personnel services make up approximately 74% of departmental gross expenditures.

### 7. One time items

The 2023 proposed budget includes one time items of \$1.4 million. As a financing strategy, given the volatility of fuel prices, a portion of the projected 2023 price increase for gasoline and diesel (\$0.7 million) has been reflected as one time in order to minimize the impact on the tax levy. Other one-time items include contract nursing costs at Pioneer Ridge due to vacancies and temporary staffing costs for Contract Solicitor, HR Analyst II, Community Engagement and Research Assistant, Archeology Intern and Ontario Winter Games Coordinator.

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

In 2023, the projected contribution to boards and agencies totals \$85.6 million, a \$5.2 million or 6.5% increase over the 2022 level of \$80.4 million. The increase relates primarily to Thunder Bay Police Service Operations (\$3.8 million, 20.8 FTE), Thunder Bay Police Services Board (\$0.3 million), estimated increase in the Thunder Bay District Social Services Administration Board (TBDSSAB) levy of \$0.3 million, Thunder Bay Public Library (\$0.2 million) and Thunder Bay Community Economic Development Commission (\$0.2 million, 2.4 FTE).

The boards and agencies included in this category are:

- 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
- Waterfront District BIA.

### Tax Supported Capital Budget

The 2023 proposed capital budget is presented at \$65,858,400 gross, of which \$16,937,900 is funded by the municipal tax levy. The following chart summarizes the components included in the 2023 capital budget compared to 2022.

	<b>2023 Proposed Budget</b>	<b>2022 Approved Budget</b>
Gross Capital – City Departments (excluding EIRP)	\$54,777,100	\$56,412,600
Add : Gross Capital – City Departments Enhanced Infrastructure Renewal Program (EIRP) Component	7,763,100	8,440,600
<b>Total Gross Capital – City Departments</b>	<b>62,540,200</b>	<b>64,853,300</b>
Add : Gross Capital – Boards and Agencies	3,318,200	6,172,400
<b>Total Gross Capital Budget</b>	<b>65,858,400</b>	<b>71,025,700</b>
Less : Debenture annual funding	(7,284,400)	(7,284,400)
Less : Debenture special funding	(4,720,000)	-
Less : Reserves, grants and other funding	(36,916,100)	(46,345,500)
<b>Net Capital Financed by the Tax Levy</b>	<b>16,937,900</b>	<b>17,395,800</b>

Gross capital for City departments decreased from \$64.9 million in 2022 to \$62.5 million in 2023 with the main factor being the one-time additional Canada Community Building Fund dollars included in the 2022 budget.

Gross capital requests from outside boards and agencies decreased from \$6.2 million in 2022 to \$3.3 million in 2023. 2022 included \$2.4 million for Thunder Bay Police Service Budget related to the Police Facility preliminary work.

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

Debenture financing has increased \$4.7 million from 2022 due to a special debenture to fund Phase I of the Victoriaville demolition project.

The recommended tax supported capital budget includes reserves and reserve fund financing of \$25.2 million (\$33.3 million in 2022). The most significant uses of reserve funds include the Canada Community Building Fund (CCBF) reserve fund, Capital General reserve fund, Ontario Community Infrastructure Fund reserve fund, CIT reserve fund, EMS Vehicle reserve fund and Dedicated Gas Tax reserve fund. The contribution from reserve funds has decreased by \$8.1 million primarily due to a decrease in financing from the CCBF, Renew Thunder Bay reserve fund, General Capital reserve fund and Provincial Gas Tax reserve fund.

The capital budget also includes subsidies in the amount of \$9.3 million primarily comprised of the Investing in Canada Infrastructure Program (ICIP) (\$4.2 million), Green and Inclusive Community Building Program (\$3.0 million) and FedNor (\$1.0 million).

Other revenue totaling \$2.4 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.

Excluding the impact of one-times from the 2022 and 2023 budget, contributions to capital reserve funds funded through the tax levy are expected to decrease from \$2.2 million in 2022 to \$1.9 million in 2023. These contributions include provisions for Corporate Information Technology (CIT), Clean, Green and Beautiful, Community Partnership and Recreation Trails reserve funds. The change in contributions to capital reserve funds is mainly due the decrease in contribution to the Municipal Accommodation Tax reserve fund of \$0.5 million offset by the reinstatement of \$0.2 million to the Renew Thunder Bay reserve fund.

One-time contributions to capital reserve funds include \$10.0 million to the Capital General reserve fund from the Thunder Bay Hydro Corporation note repayment.

Contributions to obligatory reserve funds are expected to increase from \$16.8 million in 2022 to \$17.1 million in 2023. These provisions are for the Ontario Community Infrastructure Fund and the Canada Community Building Fund reserve funds.

## **2023 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 2023 Waterworks operating budget is projected at gross expenditures of \$21,416,500 and net income of \$7,756,500, to be transferred to the Waterworks reserve fund.

The 2023 Waterworks capital budget totals \$11,482,300 gross with financing of \$7,282,300 from the Waterworks reserve fund and debenture financing of \$4,200,000. Debenture financing is consistent with the Water Authority Financial Plan approved by Council in July 2018.

Effective April 1, 2023, all water fixed and volumetric charges are recommended to increase by 3.0% to meet future financial requirements as per the Water Authority Financial Plan. Other program charges will also increase by 3.0% consistent with water rate changes.

### Wastewater (Sewer)

The 2023 Wastewater (Sewer) operating budget is projected at gross expenditures of \$17,359,700 and a net income of \$4,466,100 to be transferred to the Sewer Rate reserve fund.

The 2023 Wastewater capital budget totals \$11,243,600 gross with financing of \$6,555,600 from the Sewer Rate reserve fund, debenture financing of \$3,000,000 and Disaster Mitigation & Adaptation grant funding of \$742,000, \$646,000 to be from third party contribution and \$300,000 to be transferred from the Land Development Account. Debenture financing is within levels set out in the Wastewater Financial Plan approved by Council in 2022.

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

For the average Thunder Bay household, one that consumes 200m<sup>3</sup> of water per year, the combined cost for sewer and water services will increase by 3.0% from \$1,315 in 2022 to \$1,355 annually. For customers only connected to the water system, the cost to consume 200m<sup>3</sup> of water per year will increase annually by \$21 from \$692 to \$713.

### Solid Waste (Landfill Operations)

The 2023 Solid Waste (Landfill Operations) operating budget reflects gross expenditures of \$3,375,000 and a net income of \$322,700 to be transferred to the Solid Waste reserve fund.

The 2023 Landfill capital budget totals \$1,824,400 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. Consistent with the Solid Waste (Landfill) Financial Plan approved by Council in September 2019, tonnage charges for loads over 120kg will increase 3.0% to \$86.61/tonne up \$2.52/tonne from 2022. A 200 kilogram load of waste will cost \$0.50 more than in 2022. The effective date for the proposed fee increases is April 1, 2023.

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

The 2023 Prince Arthur's Landing - Boater Services operating budget reflects gross expenditures of \$373,900 and a net income of \$140,300 to be transferred to the Marina (Boater Services) reserve fund.

The 2023 Prince Arthur's Landing – Boater Services capital budget totals \$60,000 gross with financing of \$60,000 from the Marina (Boater Services) reserve fund.

Included in the 2023 Prince Arthur's Landing – Boater Services budget are proposed user fee increases of 5% on average effective April 1, 2023.

### **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 2023. 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 2023 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 2023 ending surplus due to the excluded expenses and change in reporting is anticipated to be a net increase of \$17.4 million, summarized as follows:

	<u>(\$000's)</u>
Post-employment benefit expenses	(\$64)
Solid waste landfill closure and post closure costs	\$564
Amortization expenses on tangible capital assets	\$(45,798)
Acquisition of tangible capital assets	<u>\$62,702</u>
	\$17,404

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 a decrease to the accumulated surplus and is estimated to be \$64,300 in 2023.

#### 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 2023.

#### 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 2023 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 2023 impact on tangible capital assets is a net increase of \$16.9 million to the accumulated surplus.



### ***FINANCIAL IMPLICATION***

The 2023 proposed tax supported budget is presented with a 6.18% municipal tax levy increase before growth and 5.58% net of growth. The proposed budget maintains current programs and services and contributions to local boards and agencies, includes service level changes primarily relating to Thunder Bay Police Service Operations, Corporate Information Technology, Human Resources, Long-term Care and Senior Services, Solid Waste and Superior North EMS.

The 2023 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 2023 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***

2023 Budget Package including:

- 2023 Budget Executive Summary **(Distributed separately)**
- 2023 Tax Supported Operating and Capital Budget **(Distributed separately)**
- 2023 Rate Supported Operating and Capital Budget **(Distributed separately)**

### ***REPORT PREPARED BY***

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### ***REPORT SIGNED AND VERIFIED BY***

Linda Evans, General Manager – Corporate Services & Long Term Care

Date (12/19/2022)