

Long Term Financial Overview

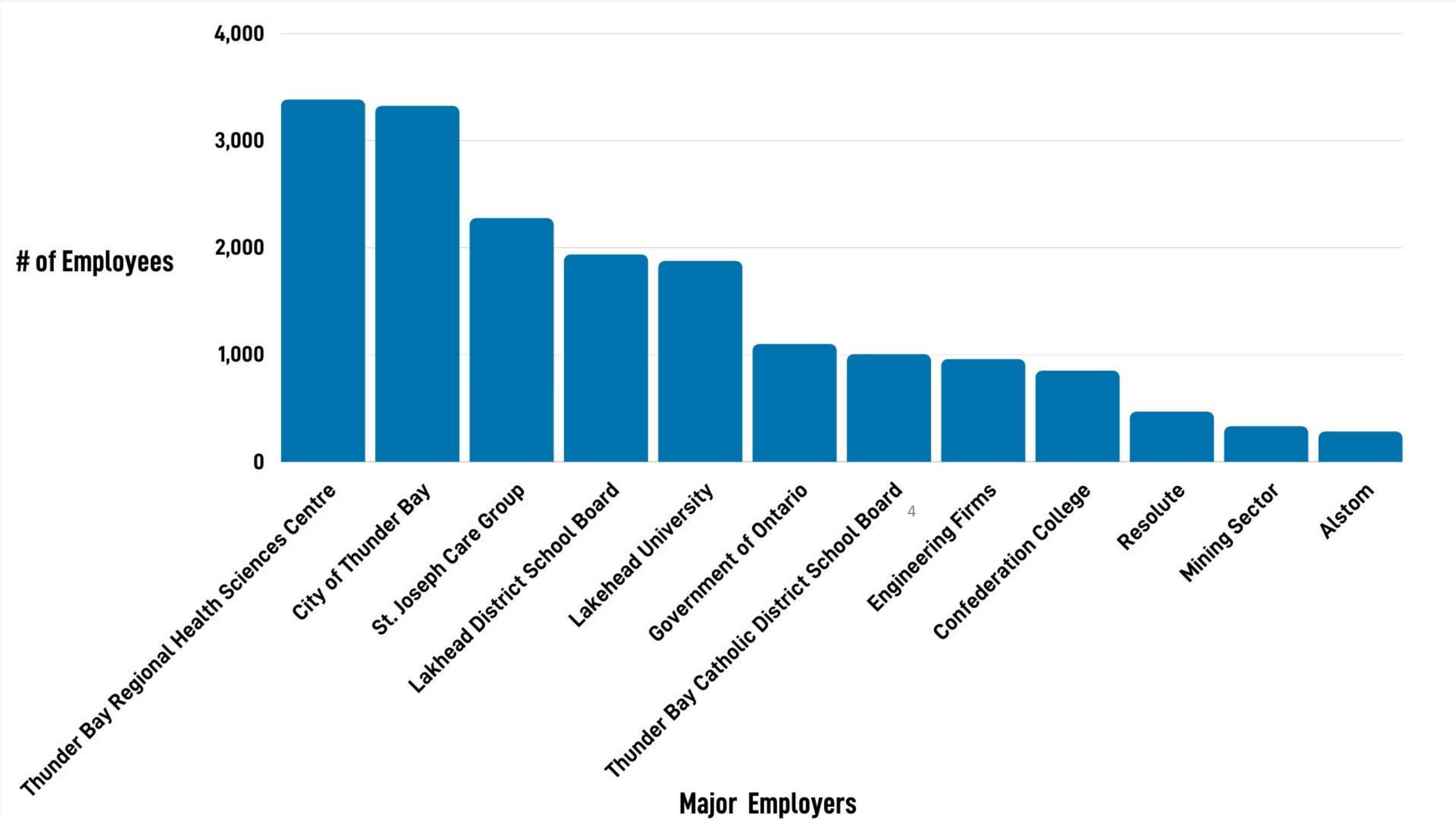
2023 AND BEYOND
PRESENTED TO:
COMMITTEE OF THE WHOLE
JANUARY 10, 2023

Presentation Agenda

- Economic Environment
- Taxation and Affordability
- 2023 Budget Overview
- Infrastructure, Debt and Reserve Funds
- Financial Projections 2024-2028

Economic Environment

Major Employers in Thunder Bay



Unemployment Statistics

Thunder Bay's current unemployment rate is

4.8%

Population Trends

Thunder Bay's current population is

108,843

The AVG age in Thunder Bay is

44



The AVG consumption per household is

\$78,999



The AVG income per household in Thunder Bay is

\$93,040



Affordability Ranking

AVG Thunder Bay house in 2021 was \$309,950

Now in 2022 it is

\$309,310

AVG ONTARIO house is

\$835,000

Thunder Bay ranks



#3



in Ontario

Business Climate

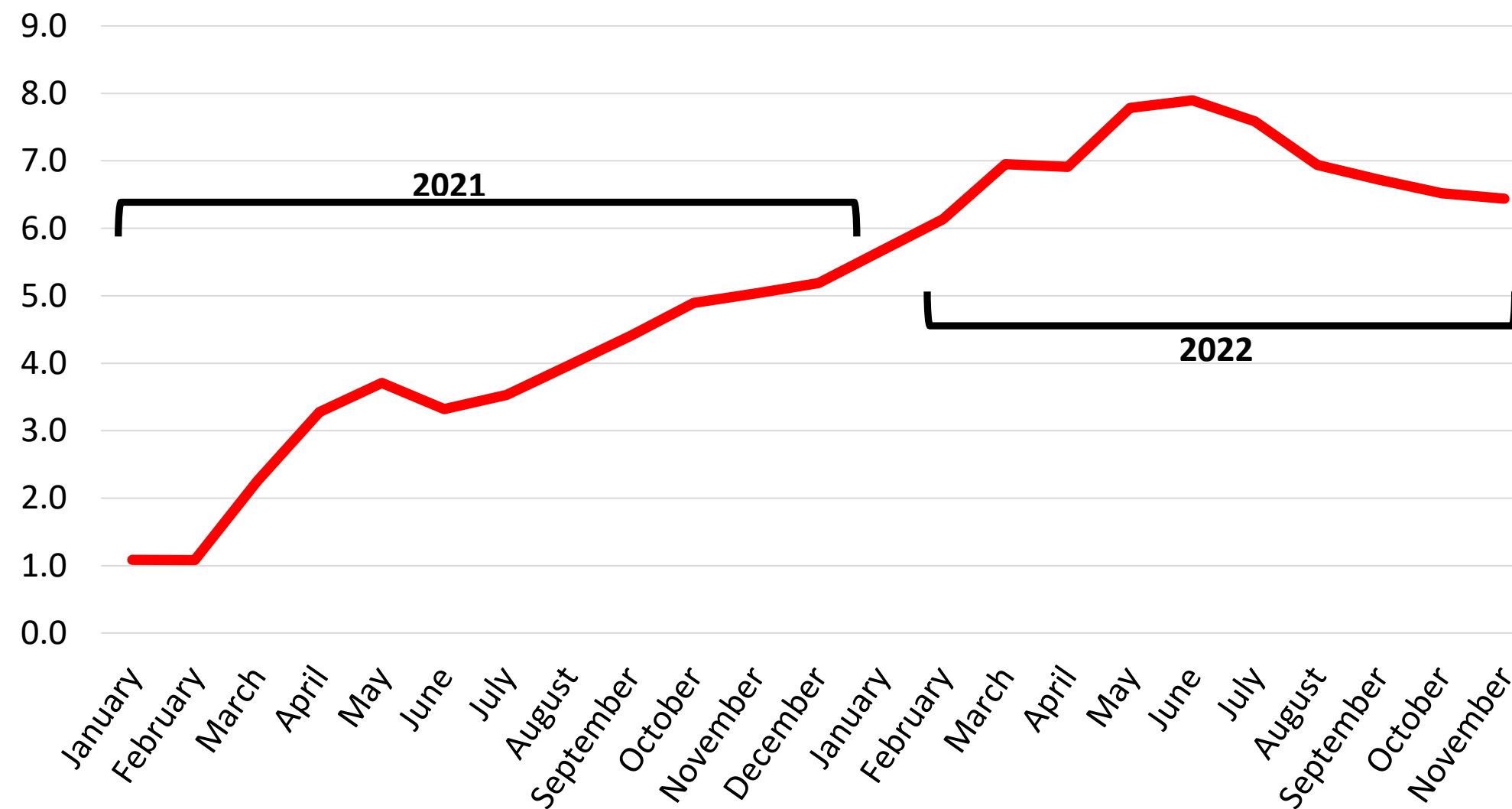
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Business Locations in 2022



Inflation

CPI year-over-year changes, Ontario 2021-2022



Tax Supported Variance (2013-2022)

Year	\$ variance	% variance (net budget)
2013	(\$6.8M) Unfavourable	(3.2%)
2014	(\$3.6M) Unfavourable	(1.7%)
2015	\$1.0M Favourable	0.4%
2016	\$2.7M Favourable	1.2%
2017	\$5.6M Favourable	2.3%
2018	\$3.4M Favourable	1.4%
2019	\$3.4M Favourable	1.3%
2020	\$4.1M Favourable	1.6%
2021	\$10.9M Favourable	4.0%
2022	(\$3.9M) Unfavourable Projected at Q3	(1.4%)

2023 Tax Levy Comparators

Current Proposed Municipal Tax levy increases

11 Ontario municipalities surveyed

- Increases range from 2.9% to 9.3%
- Average: 6.24%
- City of Thunder Bay Proposed Levy increase 5.58%

Tax Rate and Tax Bills

$$\text{Tax Rate} \times \text{Assessed Property Value} = \text{Tax Bill}$$

	Tax Rate (A)	Assessed Property Value Average (B)	Tax Bill C=A x B
City of Thunder Bay	1.6341	248,600	\$4,062
Toronto (West)	0.6319	662,900	\$4,189

Ontario Wage Trends by Sector

As at December 2022

Provincial Broader Public Sector	1.3% (Bill 124)
Municipal Sector	2.0%
Private Sector	3.9%
Federal Sector	3.1%

Provincial Source: Ministry of Labour, Training and Skills Development, Collective Bargaining Highlights 2022

Private Source: Ministry of Labour, Training and Skills Development

Federal Source: Employment & Social Development Canada, Collective Bargaining Information Published December 1, 2022

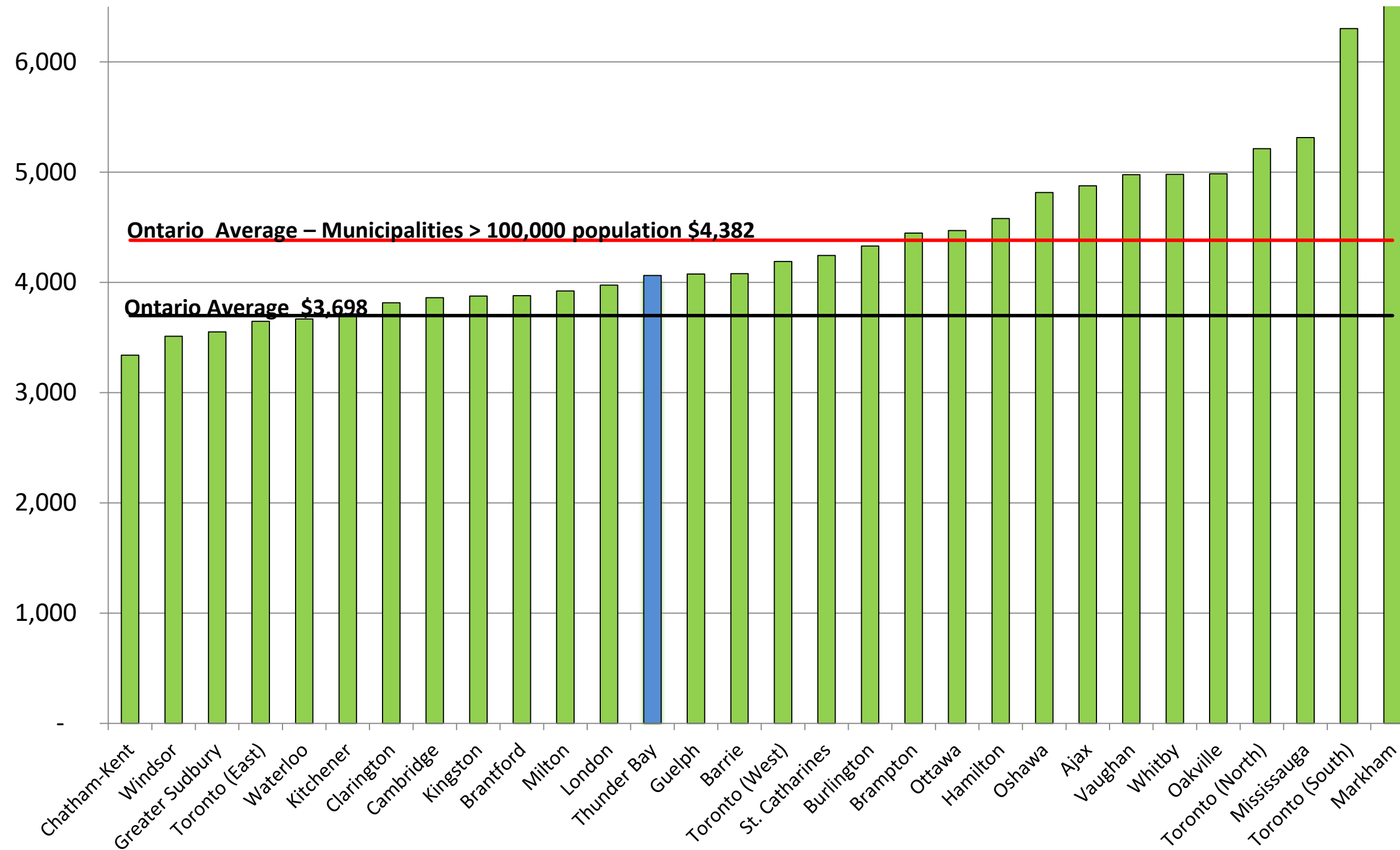
Forecasted Additional Assessment (Growth)

Limited Forecasted Growth for 2023 to 2024

- Strip Mall and Apartment Building – Golf Links Road (32 units)
- Condominium – Former Hillcrest High School – Phase 3 (52 units)
- Apartment Buildings – Kingsway (40 units)
- Hotel – Arthur Street (90 units)
- Long Term Care Facility – Clavet Street (160 beds)
- Hangar – Derek Burney Drive
- Strip Malls – Arthur Street West and Fort William Road

Taxation and Affordability

Residential - Single Family Detached Bungalow 2022 Municipal Tax Per Household Municipalities > 100,000 population



Source: BMA Municipal Study – 2022 (Thunder Bay 4,062)

Ontario Average includes all Municipalities participating in 2022 BMA Study (117 municipalities)

Multi Residential – Walk-Up Apartments Municipal Tax - Per Unit Basis (2017-2022) BMA Municipal Study



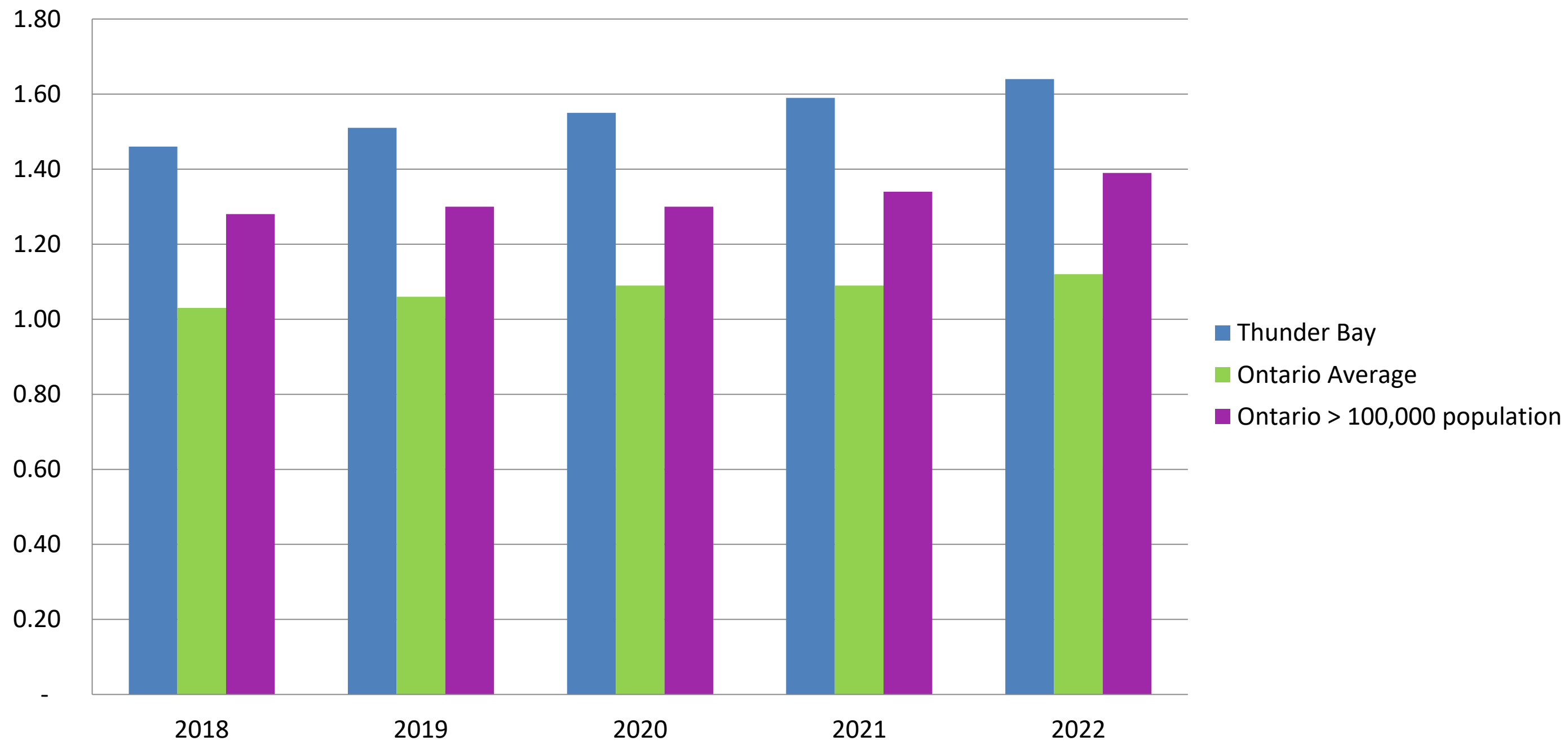
Source: BMA Municipal Study - 2022

Commercial – Office Buildings
Municipal Tax Per Square Foot (2018-2022)
BMA Municipal Study



Source: BMA Municipal Study - 2022

Industrial-Standard Industrial Municipal Tax Per Square Foot (2018-2022) BMA Municipal Study



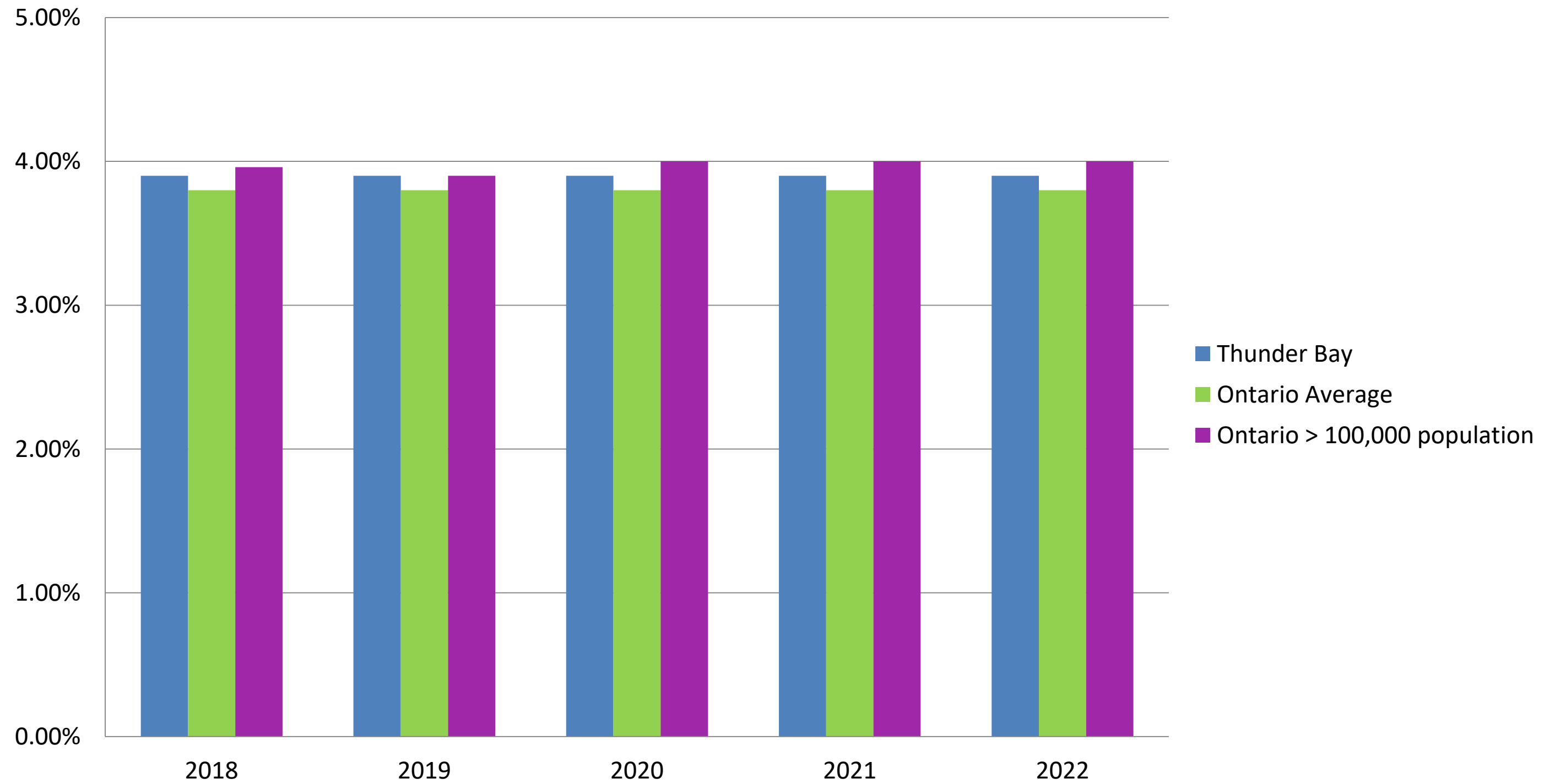
Source: BMA Municipal Study - 2022

Affordability

	2022 Median Value of Dwelling	2022 Estimated Average Household Income	Median Value of Dwelling to Average Household Income
Thunder Bay	\$ 229,441	\$ 93,040	2.5
Ontario Average	\$ 367,518	\$ 110,000	3.3
Ontario Average > 100,000 population	\$ 438,223	\$ 112,881	3.9

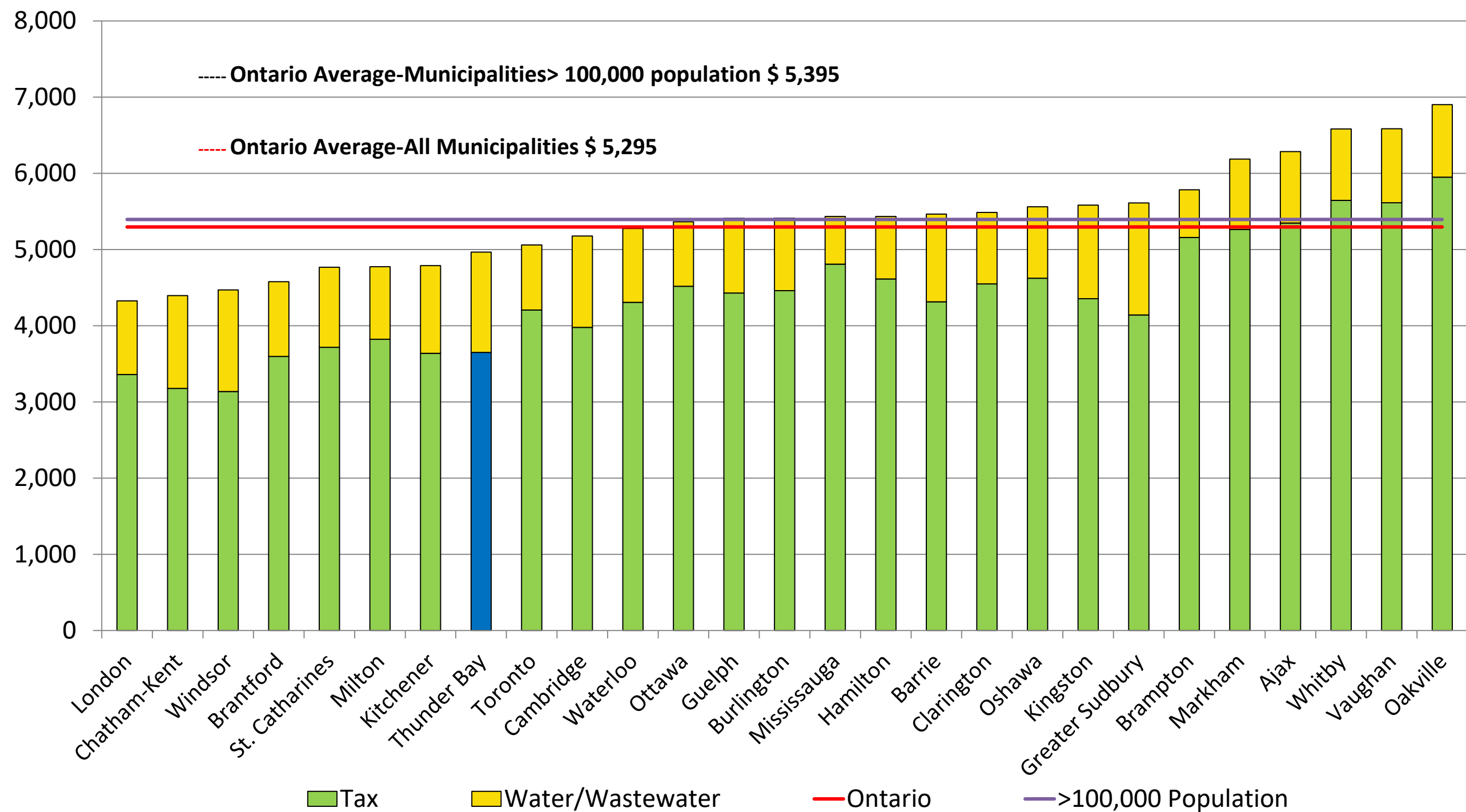
Source: BMA Municipal Study 2022

Average Residential Property Taxes as % of Average Household Income (2018-2022) BMA Municipal Study



Source: BMA Municipal Study - 2022

Average Municipal Tax, Water/Wastewater Burden Per Average Household - 2022 BMA Municipal Study Municipalities > 100,000 population

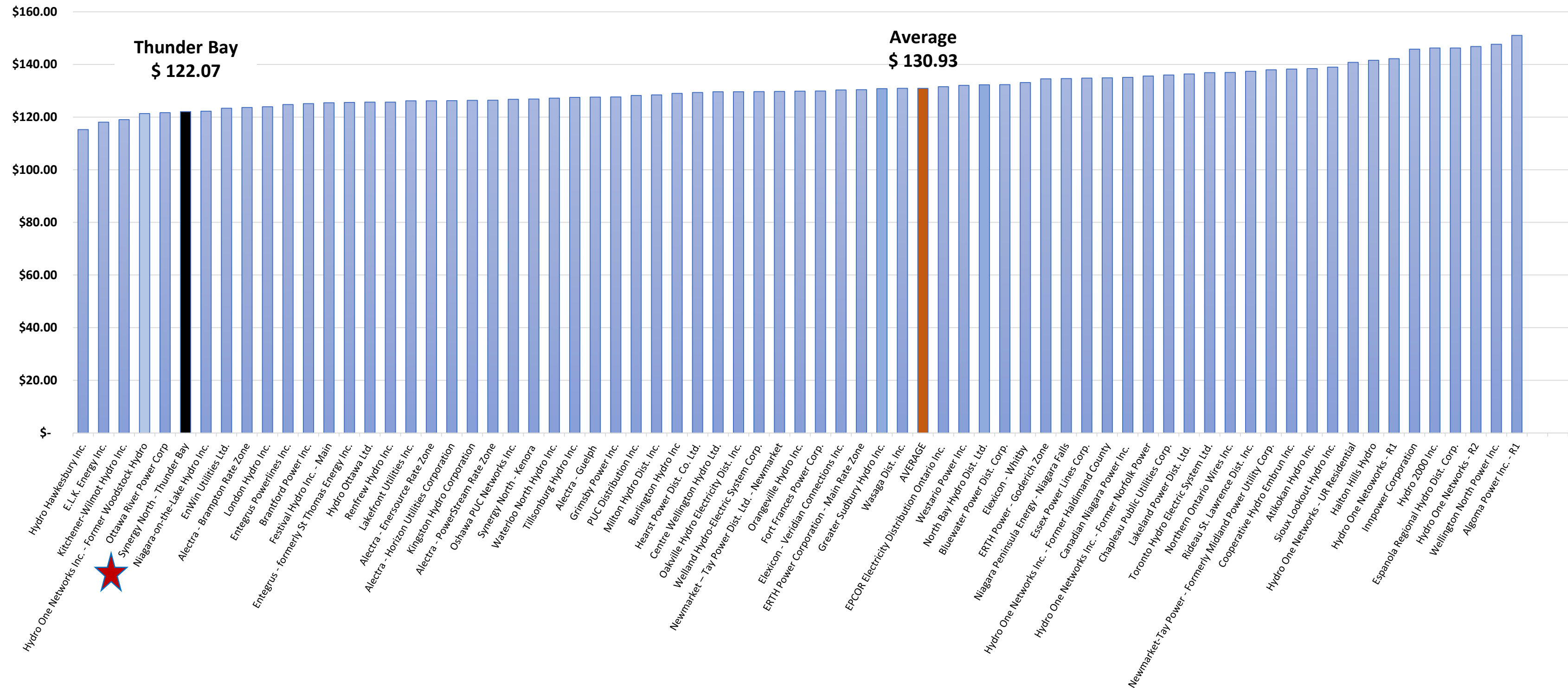


*2022 BMA Study – Weighted Median Value of Dwelling-Thunder Bay \$229,441
 & average annual water consumption of 200 m³*

Net Municipal Levy per Capita

Northern Municipality	2022 Levy per Capita
Sault Ste. Marie	\$1,714
Timmins	\$1,787
Sudbury	\$1,818
North Bay	\$1,841
Thunder Bay	\$1,846
Average for Northern	\$1,801
Across 117 Ontario municipalities	Range-\$1,113 to \$3,681 (average = \$1,698)

2022 Residential Hydro Bill Comparison
(800 kwh's per month)



As at December 1, 2022
Includes 8% Provincial Rebate
Source: OEB Website: <https://www.oeb.ca/consumer-information-and-protection/bill-calculator>

2023 Budget Overview

2023 City Manager Budget Directions

0% increase with the following exceptions:

- Program & Service Review initiatives
- Wages & benefits
- Inflationary increases related to Facilities & Fleet

Options for reductions/cost savings for EMT Review:

- Focus on reviewing areas for efficiencies & cost savings
- Review of revenues, rates and fees with consideration to offset inflation and cost increases

2023 Budget Key Drivers

	\$ Tax Levy Increase (\$000s)	% Change in Tax Levy
City of Thunder Bay Base Increase (excluding Police)	\$ 6,723.2	3.23%
Inflation (\$1.6M) & Fuel Carbon Tax (\$0.5M)	\$2,071.3	1.00%
Expansions	\$1,263.7	0.61%
Base Increase Outside Boards	\$906.6	0.44%
Insurance Premiums	\$643.6	0.31%
Reductions	(\$266.7)	(0.13%)
User Fee Increases	(\$268.0)	(0.13%)
Change in Reserve Fund Transfers	(\$280.7)	(0.13%)
Capital Financed by the Tax Levy (excluding Police)	(\$781.5)	(0.38%)
Vacancy Gap Savings, Other Revenue & OMPF	(\$1,573.0)	(0.76%)
City of Thunder Bay Tax Levy Increase Before Growth	\$8,438.5	4.06%
Thunder Bay Police Service & Police Services Board	\$4,414.5	2.12%
Municipal Tax Levy Increase Before Growth	\$12,853.0	6.18%
Taxable Growth	(1,241.2)	(0.60%)
Total Municipal Tax Levy Increase Net of Growth	\$ 11,611.8	5.58%

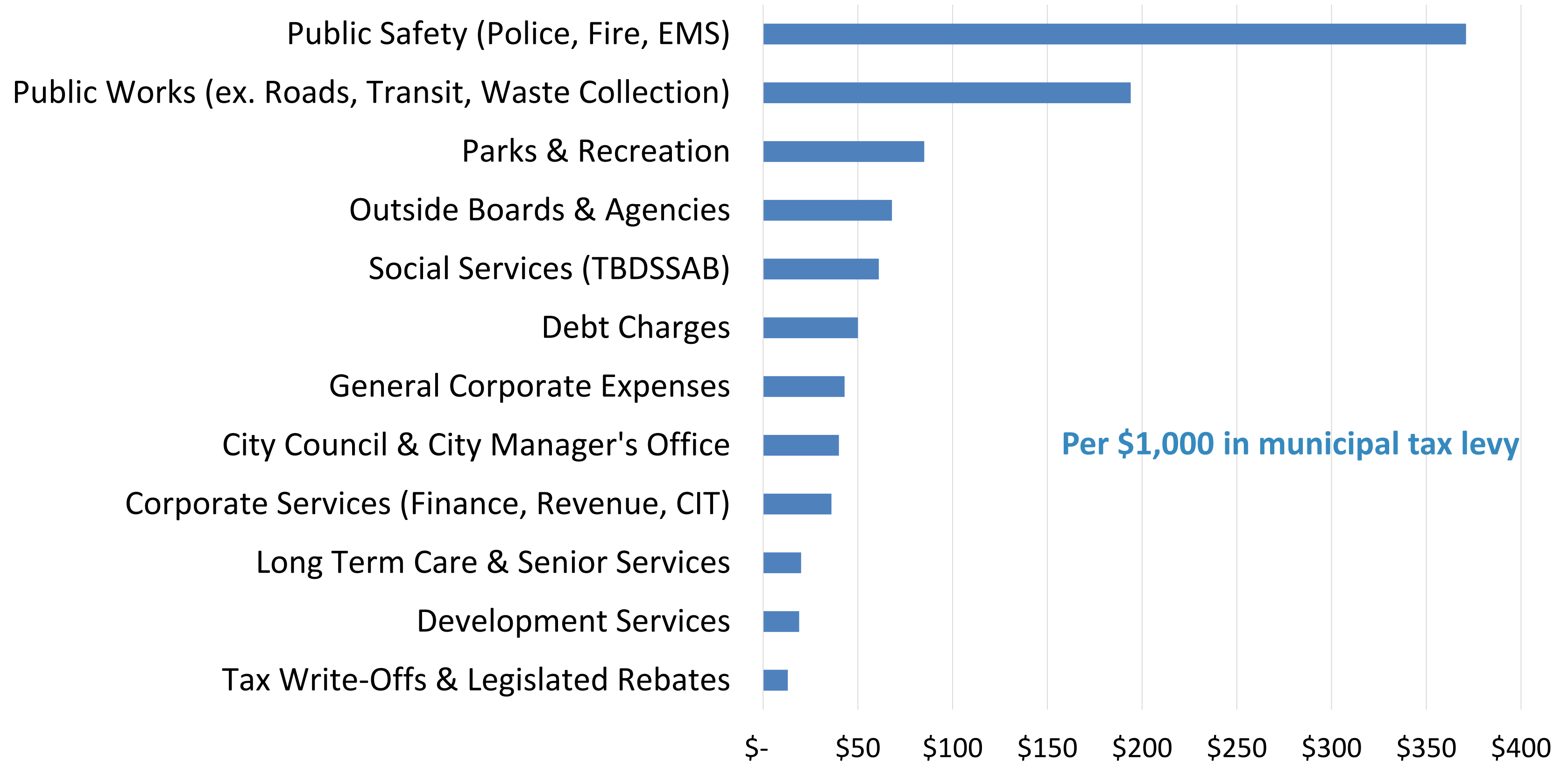
City of Thunder Bay

Municipal Tax Levy % Change

YEAR	% CHANGE	% Net Growth	% CHANGE
	Before Growth		Net of Growth
2014	3.02%	1.33%	1.69%
2015	3.83%	0.65%	3.18%
2016	4.04%	1.94%	2.10%
2017	3.59%	0.46%	3.13%
2018	3.13%	0.71%	2.42%
2019	2.29%	0.31%	1.98%
2020	2.73%	0.85%	1.89%
2021	1.83%	0.23%	1.60%
2022	2.42%	0.06%	2.36%
2023*	6.18%	0.60%	5.58%
10 Year Average	3.31%	0.71%	2.59%
*Proposed 2023 Municipal Tax Levy increase			

2023 Budget

What do my municipal taxes pay for?



2023 Rate Supported Budget

Supported by Long Term Financial Plans

Water & Wastewater Rates 2023 vs. 2022

Average Residential Household - consumption@ 200 m3 per year

		2022	2023	Increase Year	Cost per Day
Water	Fixed Rate (\$/yr)	314.63	324.12	9.49	0.89
	Volumetric (\$/200m3)	377.40	388.80	11.40	1.07
	Total Water (200m3)	692.03	712.92	20.89	1.95
Wastewater	90% Sewer Surcharge	622.83	641.63	18.80	1.76
Total Water & Wastewater		1,314.86	1,354.55	39.69	3.71

Infrastructure, Debt and Reserve Funds

Asset Management Plan

Significant Corporate Wide Initiative

- Full Lifecycle costing
- Service levels
- Condition assessments
- Risk assessments
- Climate change
- Alignment with other plans
- Public engagement
- Financial strategy

July 2019 – Asset Management Policy



July 2022 – Core assets (Roads, Bridges, Wastewater, Stormwater, Water) and current service levels



July 2024 – Remaining assets and current service levels

July 2025 – Council approved proposed service levels, financial strategy

Debt Management Strategy

Key components:

- Reinvest debt servicing savings into Capital
- Establish debt service target ratios
- Only consider additional debenture financing for major capital initiatives

Debenture Balance (2020 – 2022)

	Outstanding at December 31, 2020	Outstanding at December 31, 2021	Projected at December 31, 2022
Tax Supported	\$69,473,352	\$63,509,572	\$58,631,396
Wastewater (Rate)	\$30,591,907	\$31,594,945	\$52,133,738
Waterworks (Rate)	\$63,886,815	\$62,819,314	\$61,040,960
Solid Waste (Rate)	\$305,744	\$1,189,621	\$3,629,000
Tbaytel	\$47,925,000	\$44,675,000	\$41,425,000
Total Outstanding Balance	\$212,182,817	\$203,788,452	\$216,860,094

Tax Supported Debt Maturity Dates

	Original Principal	Issue Date	Interest Rate	Principal at December 31, 2022	Annual P+I payment	Final Payment Year
NEXT 5 years						
Homes	45,000,000	2003	5.825%	3,781,099	3,947,076	2023
Junot 2A	5,743,948	2016	2.52%	2,297,579	628,665	2026
Junot 2B	2,921,841	2016	2.52%	1,168,737	319,790	2026
EMS Satellite Stations	309,457	2016	2.52%	123,783	33,870	2026
				7,371,198	4,929,311	
BEYOND 5 YEARS						
Radios	3,999,231	2019	2.37%	2,799,462	463,894	2029
Waterfront	2,220,600	2016	3.23%	1,554,420	160,339	2036
EMS Headquarters	10,028,256	2012	3.49%	6,016,954	607,613	2037

Rate Supported Debt Maturity Dates

	Original Principal	Issue Date	Interest Rate	Principal at December 31, 2022	Annual P+I payment	Final Payment Year
NEXT 5 years						
Wastewater 2004	20,000,000	2004	2.64%	2,000,000	1,046,182	2024
Water 2005	42,000,000	2005	4.61%	6,300,000	2,366,161	2025
Wastewater 2005	23,000,000	2005	2.41%	3,450,000	1,226,197	2025
UV/Cogen	8,882,924	2011	3.38%	2,368,780	647,390	2026
Water 2007	19,201,000	2007	5.06%	4,800,250	1,190,698	2027
				18,919,030	6,476,628	
5 – 10 years						
Solid Waste 2018	365,000	2018	3.27%	237,250	43,362	2028
Solid Waste 2019	900,000	2019	2.27%	810,000	107,875	2031
Water 2012	9,532,886	2012	3.30%	4,766,443	629,994	2032
Solid Waste 2022	2,600,000	2022	4.66%	2,600,000	378,123	2032

Debt Service Ratios

<u>Debt Service Ratio</u>	<u>2019 Actual</u>	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>Maximum Limit (Note 1)</u>
	%	%	%	%
Overall	6.0	6.3	6.2	10
Tax	5.9	5.9	6.1	7.5
Water	25.0	24.7	23.7	26
Wastewater	18.9	18.0	17.3	30
Solid Waste	13.3	17.2	17.3	16

Note 1: Max. Limits per
Debt Management Strategy

Tax Supported Debt Limits

Debt Servicing Maximum	Maximum Debt Servicing Costs 2023	Projected Debt Servicing Costs 2023	Debt Servicing Available 2023	Amount of new Debt room before hitting Max 2023
7.5%	\$18.0 million	\$14.3 million	\$3.7 million	\$26 million to \$46 million*

Outstanding approved or potential special debentures

Art Gallery (\$5M) – estimated debt servicing costs \$0.7M/year

Victoriaville (\$15.2M) – estimated debt servicing costs \$2.2M/year

Police Building

Indoor Turf Facility

Reserve Funds



Fiscal challenges

Financing for one-time or short-term requirements

Leverage government funding

Internal financing

Acquisition of capital assets

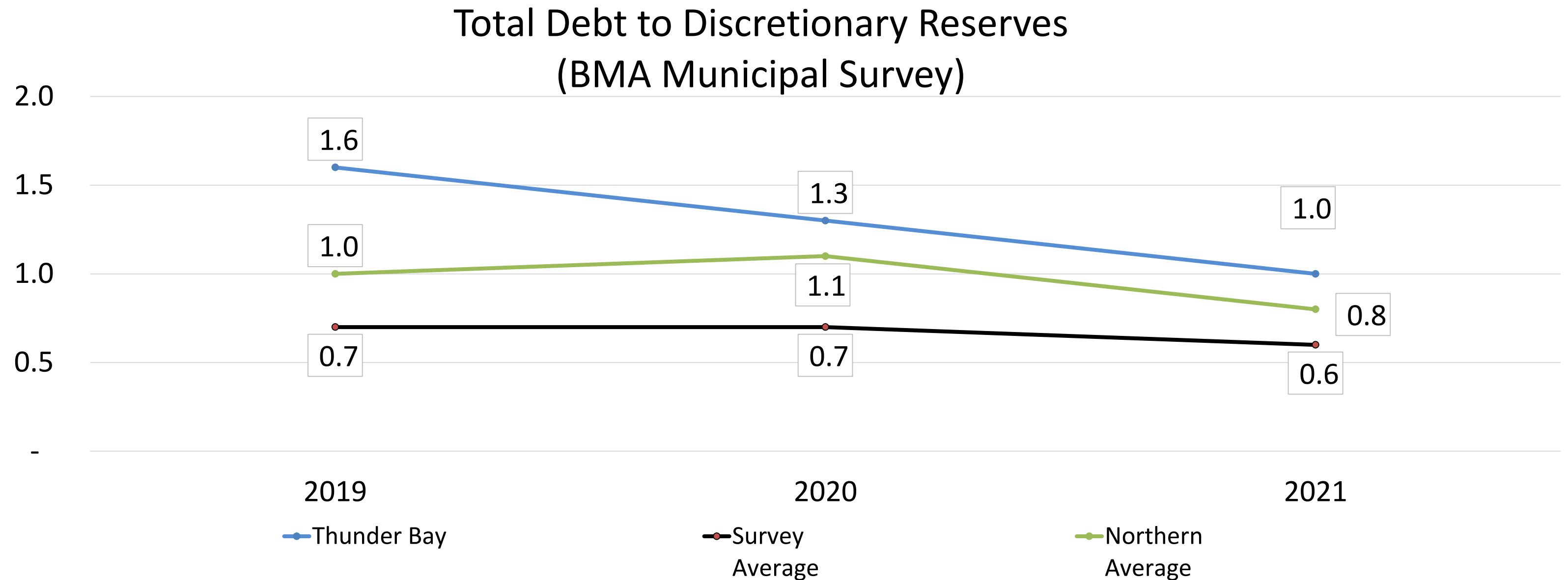
Future liabilities

Ensure adequate cash flows

2022 Change in Uncommitted Reserve Funds

Tax-Supported Reserve Funds	December 31, 2021	December 31, 2022 (current)	Change
Operating	\$49.9 M	\$39.8 M	(\$10.1 M)
Capital	\$61.3 M	\$44.8 M	(\$16.5 M)
Total	\$111.2 M	\$84.6 M	(\$26.6 M)

Debt to Reserve Funds



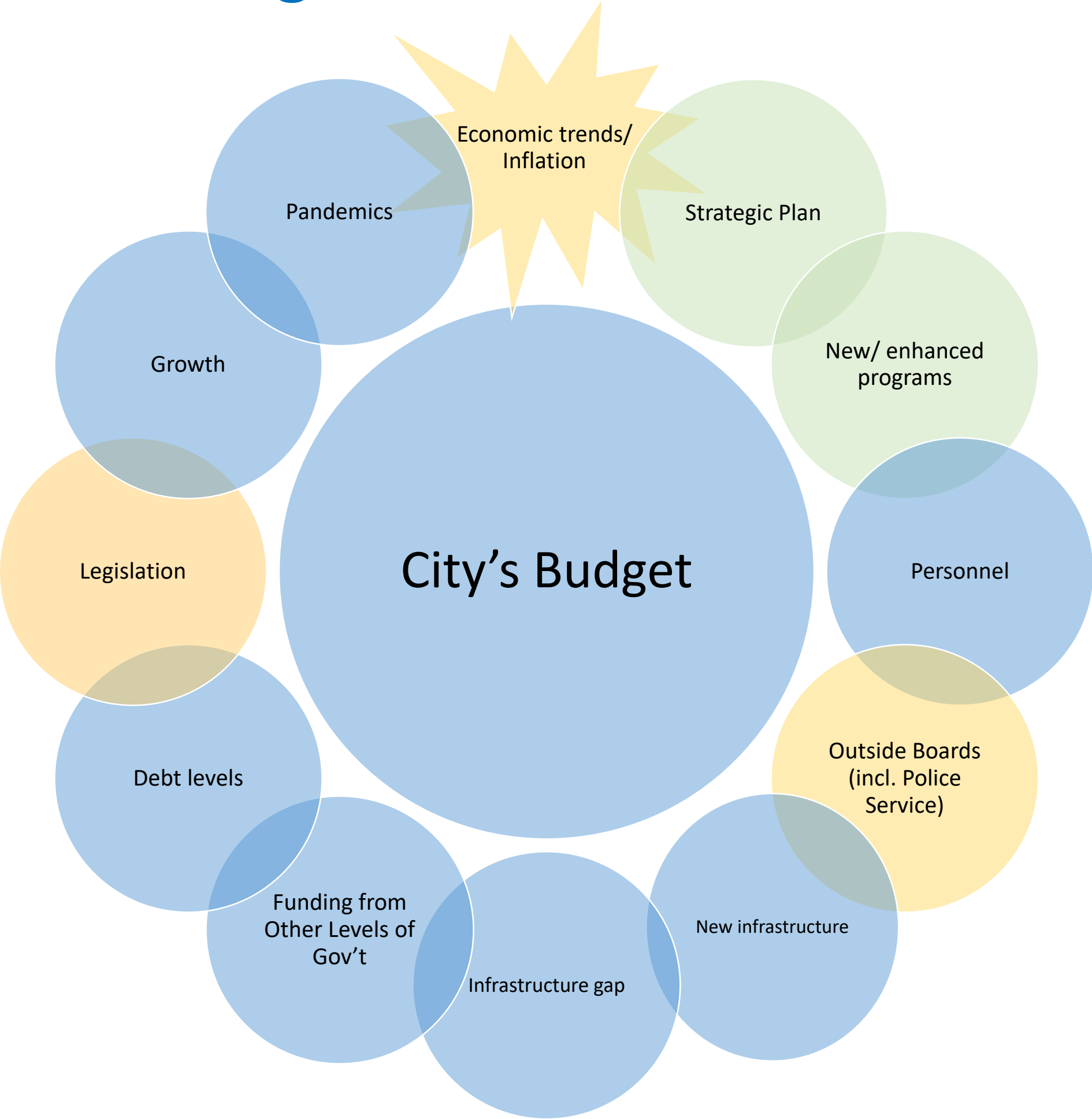
Rate Supported Financial Plans

Projected Key Financial Indicators

	Water Authority		Wastewater		Solid Waste	
	2021 Actual	Projected End of Plan (2037)	2021 Actual	Projected End of Plan (2042)	2021 Actual	Projected End of Plan (2038)
Debt Balance	\$62.8 m	\$17.9 m	\$31.6 m	\$41.7 m	\$5.5 m	\$8.2 m
Reserve Fund Balance	\$18.1 m	\$24.6 m	\$17.2 m	\$41.3 m	\$3.5 m	\$2.6 m
Debt to Reserve Ratio	3.47	0.73	1.84	1.01	1.57	3.15

Financial Projections 2024 - 2028

Budget Influences/Drivers



Assumptions

- Departmental budgets - 0% increases (excluding wage & benefit increases)
- Inflationary increases for Boards & Agencies, Insurance/Legal, and utilities
- OMPF grant expected to remain stable
- CPP Reform increases continue
- 5% annual increases to Capital financed by the tax levy
- Reinvest net savings in debt servicing costs related to maturity of debt
- Program & Service review – continued implementation

Projected Municipal Tax Levy Increase

	Total	Net of Growth
2024	5.79%	5.38%
2025	2.58%	2.20%
2026	3.35%	2.98%
2027	3.21%	2.84%
2028	3.62%	3.27%

Based on estimated annual growth of \$0.9 million.

Key Drivers 2024

Police Service Operations impact of 2023 FTE delayed starts - \$1.1 million

Thunder Bay District Health Unit change in Provincial funding ratios - \$1.1 million

Mandated organics program and producer funded recycling - \$0.9 million

CIT Digital Strategy & software - \$0.9 million

Impact of 2023 FTE delayed starts (excluding Police) – \$0.6 million

Debt repayment savings – Homes debenture – (\$3.2 million)

Reinvestment to capital from debt savings - \$3.2 million

❖ Projected levy increase (net of growth) **5.38%**

Key Drivers 2025 - 2028

Year	Projected levy increase (net of growth)	Key Drivers of Projections
2025	2.20%	<ul style="list-style-type: none"> • Cont. organics program and producer funded recycling – (net savings \$1.3 million) • Victoriaville closure operating savings – (\$0.6 million)
2026	2.98%	<ul style="list-style-type: none"> • Inflationary increases to Boards & Agencies, Insurance/Legal, and utilities
2027	2.84%	
2028	3.27%	

2024 – 2028 Future Directions

- Continue managing impacts of COVID-19
- Continued implementation of Council approved Program & Service Review recommendations
- Grapple with inflation and world-wide economic disruption and uncertainty
- Nurture and grow key relationships with the federal and provincial governments
- Potential new infrastructure (eg. NW Arterial)

Questions?

