

Long Term Financial Overview

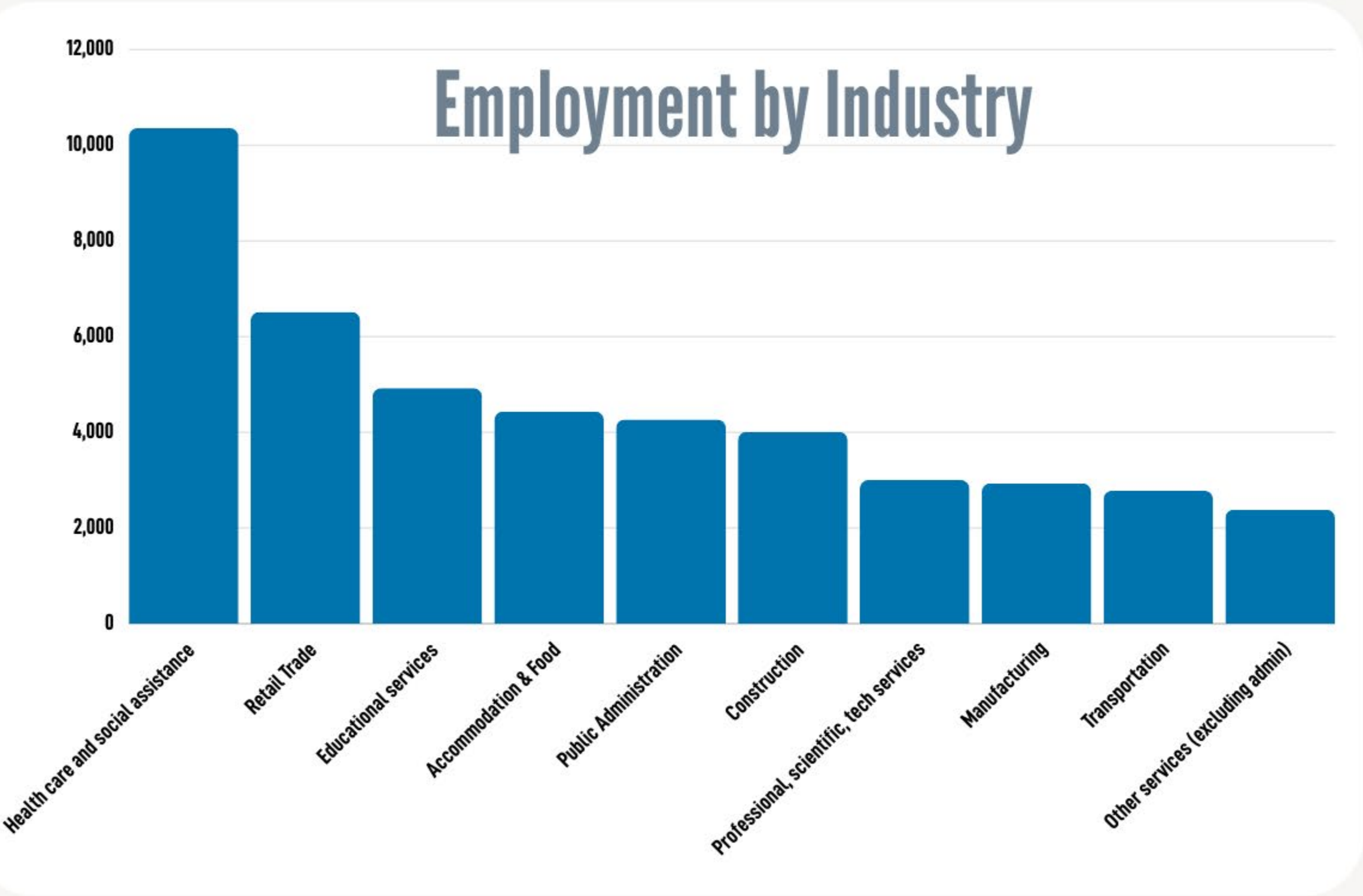
2024 AND BEYOND
PRESENTED TO:
COMMITTEE OF THE WHOLE
JANUARY 23, 2024

Presentation Agenda

- Economic Environment
- Taxation and Affordability
- 2024 Budget Overview
- Infrastructure, Debt and Reserve Funds
- Financial Projections 2025-2029

Economic Environment

Labour and Employment Overview



Unemployment

as of November 2023


2024 forecast

4.7%

4.5%

Employment Growth

2023 forecast

 4.9%

near 64,900 people

Construction's cumulative employment gain over

2022-24

1,900

approximately

Our Community

Thunder Bay's current population is

110,664

Age Distribution
Highest % (2023)

25-29



Real Estate

Resale housing (2022)

AVG price

\$333,023



2023 Real GDP growth
(forecast)

2%

Canada
1.5%

Housing Affordability

Thunder Bay
ranks

#8



in Ontario



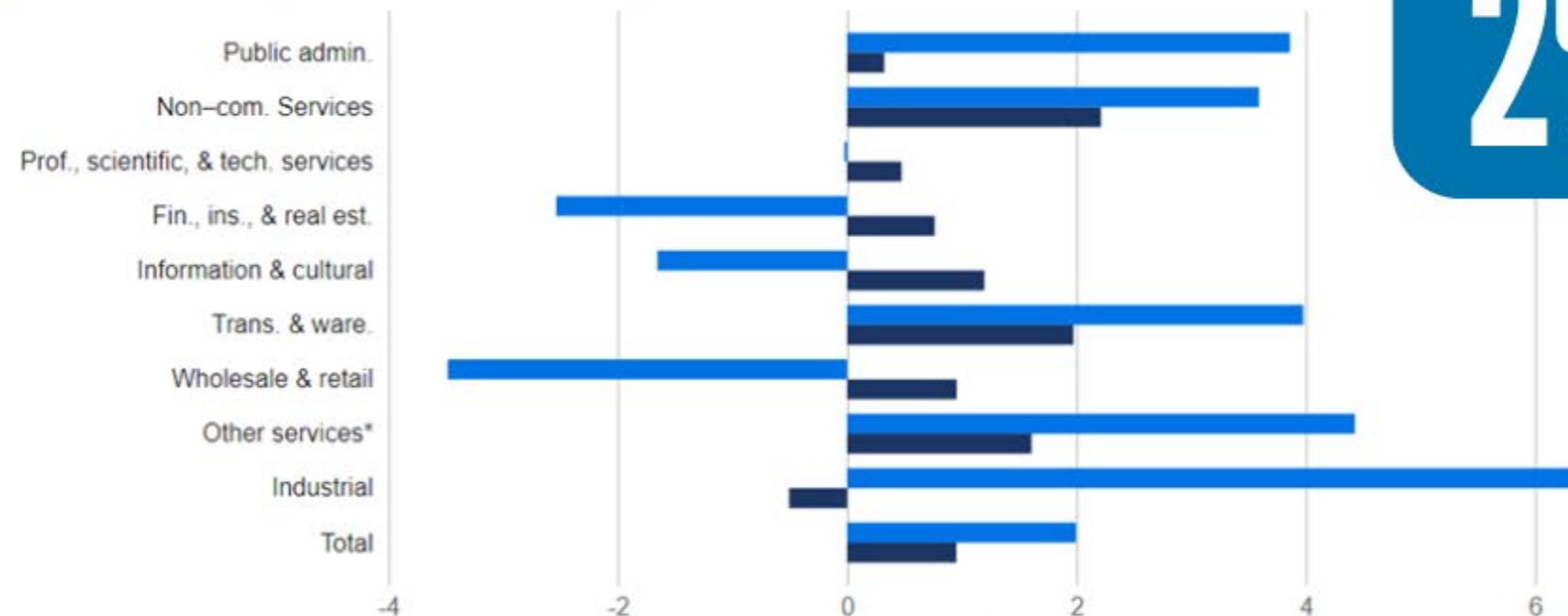
Rental vacancy rate

1.8%

(2022)

GDP outlook
(per cent)

● 2023 (annual growth rate) ● 2024-2027 (average annual compound growth rate)



*arts, entertainment, and recreation; accommodation and food services; and other services (except public administration)
Note: All data is forecast data.

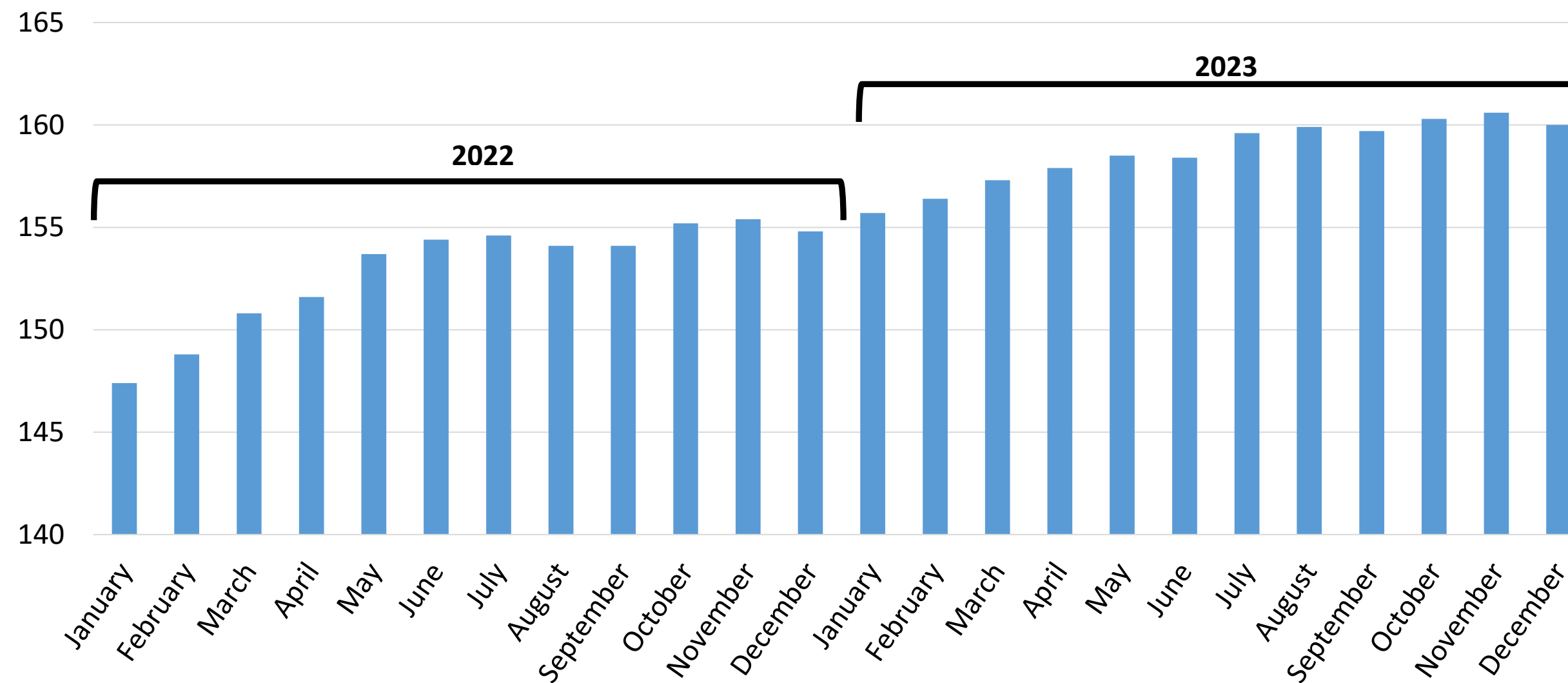
Retails sales up (2022)



9.2%

Inflation

CPI, Ontario 2022-2023



Tax Supported Variance (2014-2023)

Year	\$ variance	% variance (net budget)
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	(\$5.0M) Unfavourable	(1.8%)
2023	(\$0.8M) Unfavourable Projected at Q3	(0.3%)

2024 Tax Levy Comparators

Current Proposed Municipal Tax levy increases

15 Ontario municipalities surveyed

- Increases range from 2.5% to 14.2%
- Average: 6.7%
- City of Thunder Bay Proposed Levy increase 5.5%

Ontario Wage Trends by Sector

As at December 2023

Provincial Broader Public Sector	4.2%
Municipal Sector	3.0%
Private Sector	4.3%
Federal Sector	3.0%

Source: Ontario Ministry of Labour, Immigration, Training & Skills Development, Collective Bargaining Highlights

Forecasted Additional Assessment (Growth)

Forecasted Growth for 2024 to 2025

- Strip Mall and Apartment Building – Golf Links Road (60 units)
- Condominium – Former Hillcrest High School – Phase 3 (52 units)
- Hotel – Arthur Street (90 units)
- Hotel – Oliver Road (129 units)
- Automotive Dealership – Central Avenue
- Commercial Building – Harbour Expressway
- Multi-Unit Industrial Building – Waterford Street
- Various apartment buildings totaling 175 units

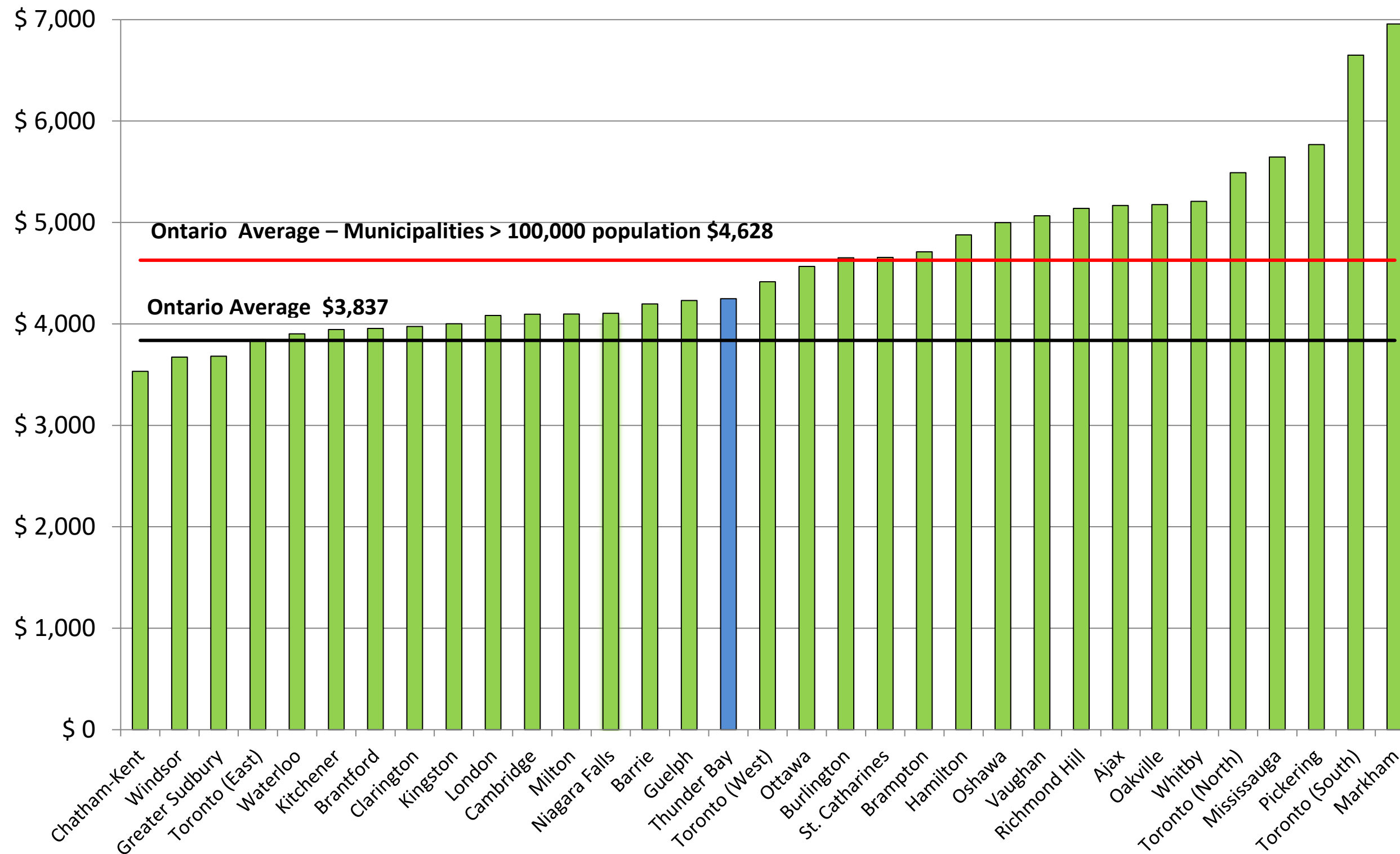
Tax Rate and Tax Bills

Tax Rate x Assessed Property Value = Tax Bill

	Tax Rate (A)	Assessed Property Value Average (B)	Tax Bill C=A x B
City of Thunder Bay	1.7089	248,600	\$4,248
Toronto (West)	0.6663	662,900	\$4,415

Taxation and Affordability

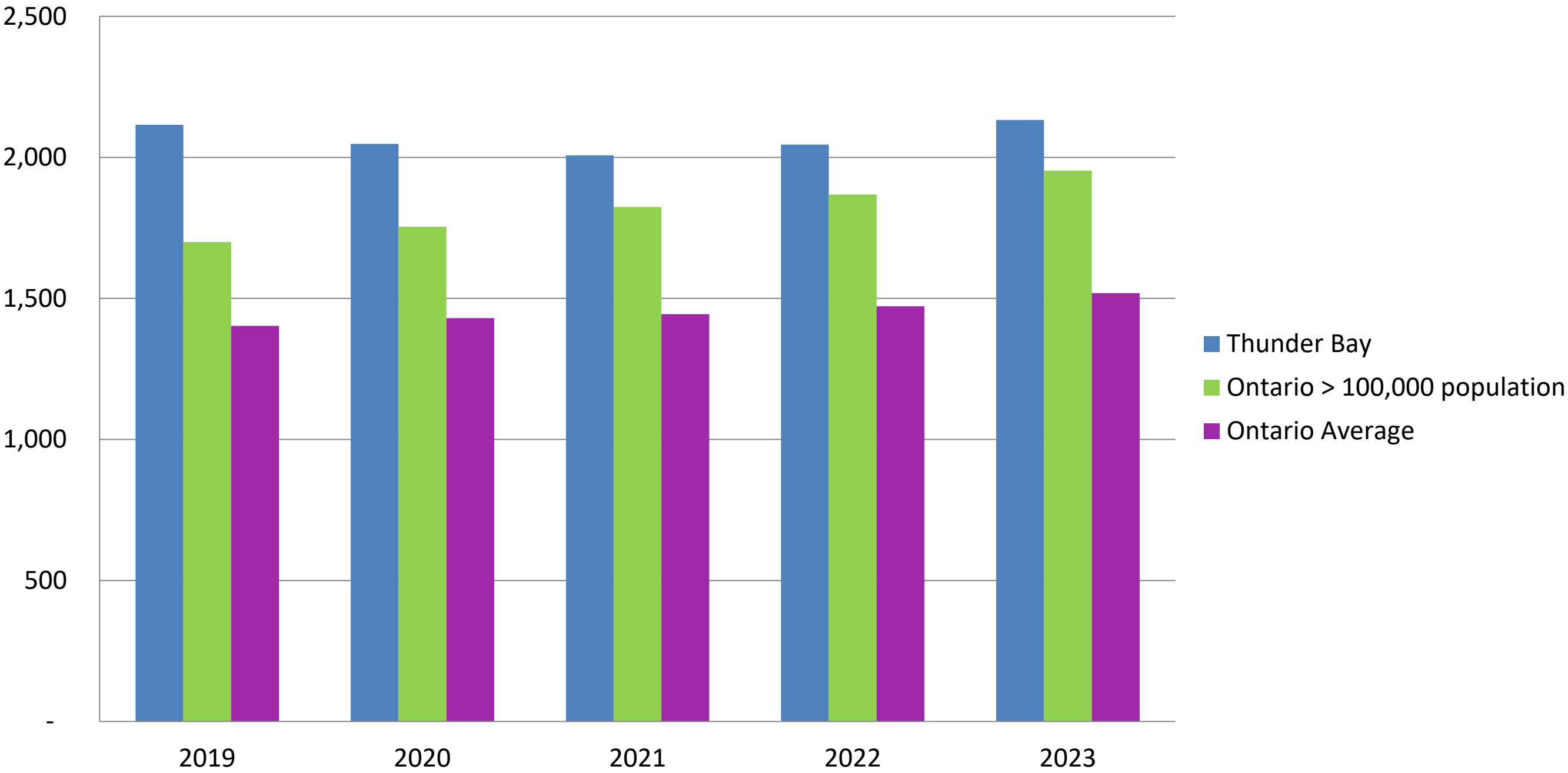
Residential - Single Family Detached Bungalow 2022 Municipal Tax Per Household Municipalities > 100,000 population



Source: BMA Municipal Study – 2023 (Thunder Bay 4,248)

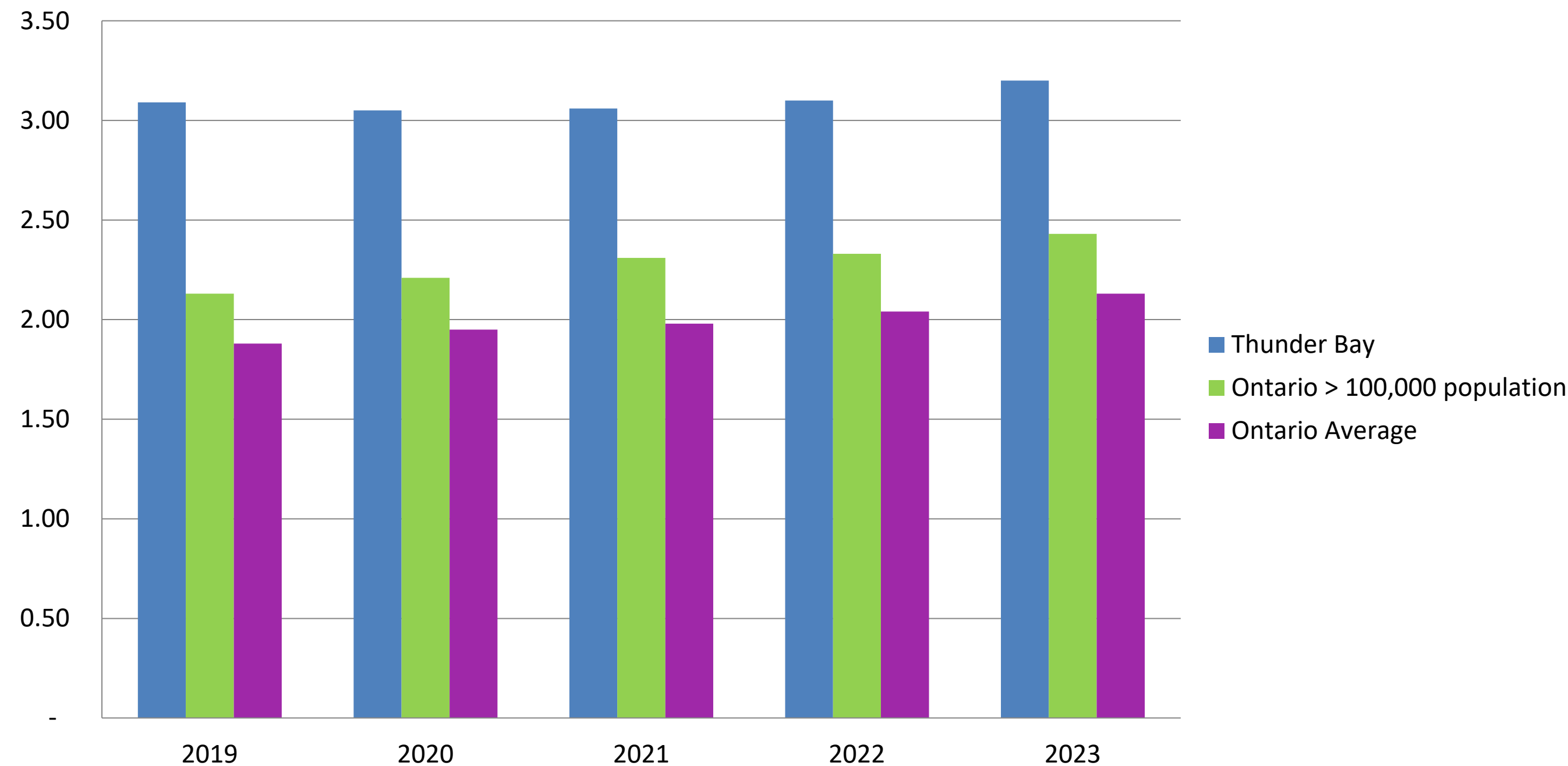
Ontario Average includes all Municipalities participating in 2023 BMA Study (121 municipalities)

**Multi Residential – Walk-Up Apartments
Municipal Tax - Per Unit Basis (2018-2023)
BMA Municipal Study**



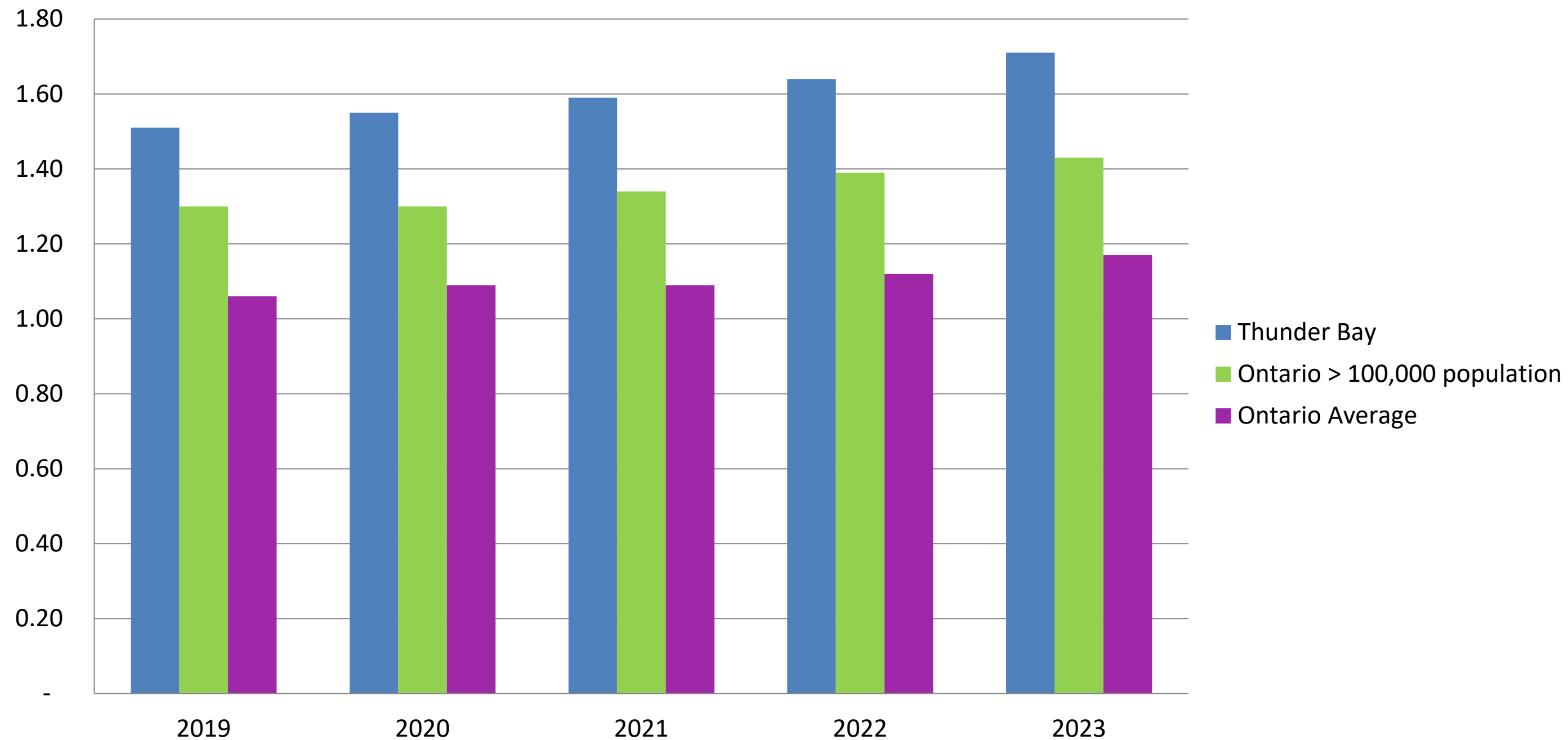
Source: BMA Municipal Study - 2023

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



Source: BMA Municipal Study - 2023

Industrial-Standard Industrial Municipal Tax Per Square Foot (2018-2023) BMA Municipal Study



Source: BMA Municipal Study - 2023

Long-Term Tax Strategy

Tax Ratios:

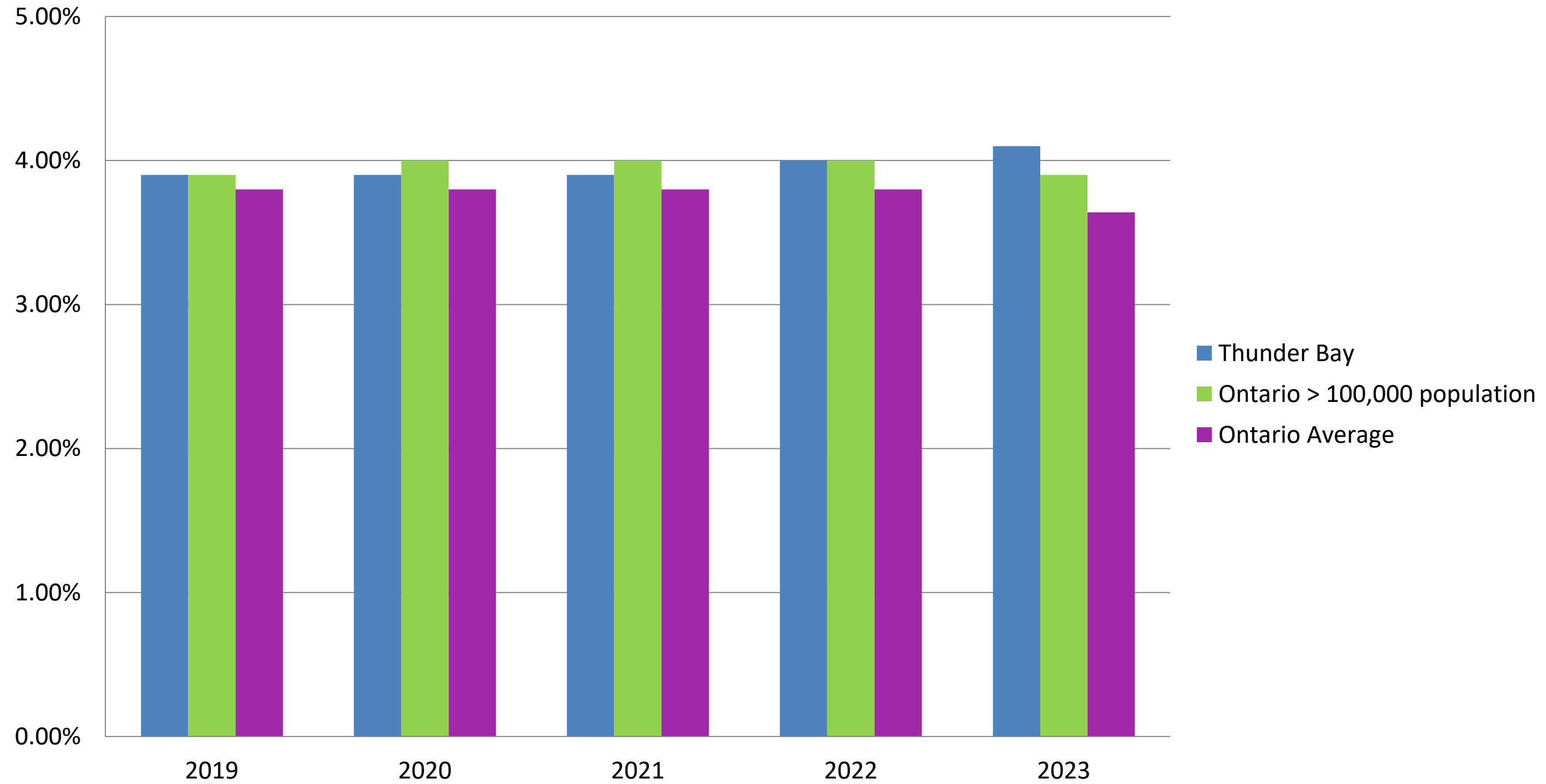
- Multi-Residential → Reduce by 0.01 each year
- Commercial → Reduce by 0.01 each year
- Industrial → Hold
- Large Industrial → Reduce by 0.12 each year until equal to Industrial

Affordability

	2023 Median Value of Dwelling	2023 Estimated Average Household Income	Median Value of Dwelling to Average Household Income
Thunder Bay	\$ 229,441	\$ 96,022	2.4
Ontario Average	\$ 365,866	\$ 120,341	3.0
Ontario Average > 100,000 population	\$ 439,089	\$ 125,667	3.5

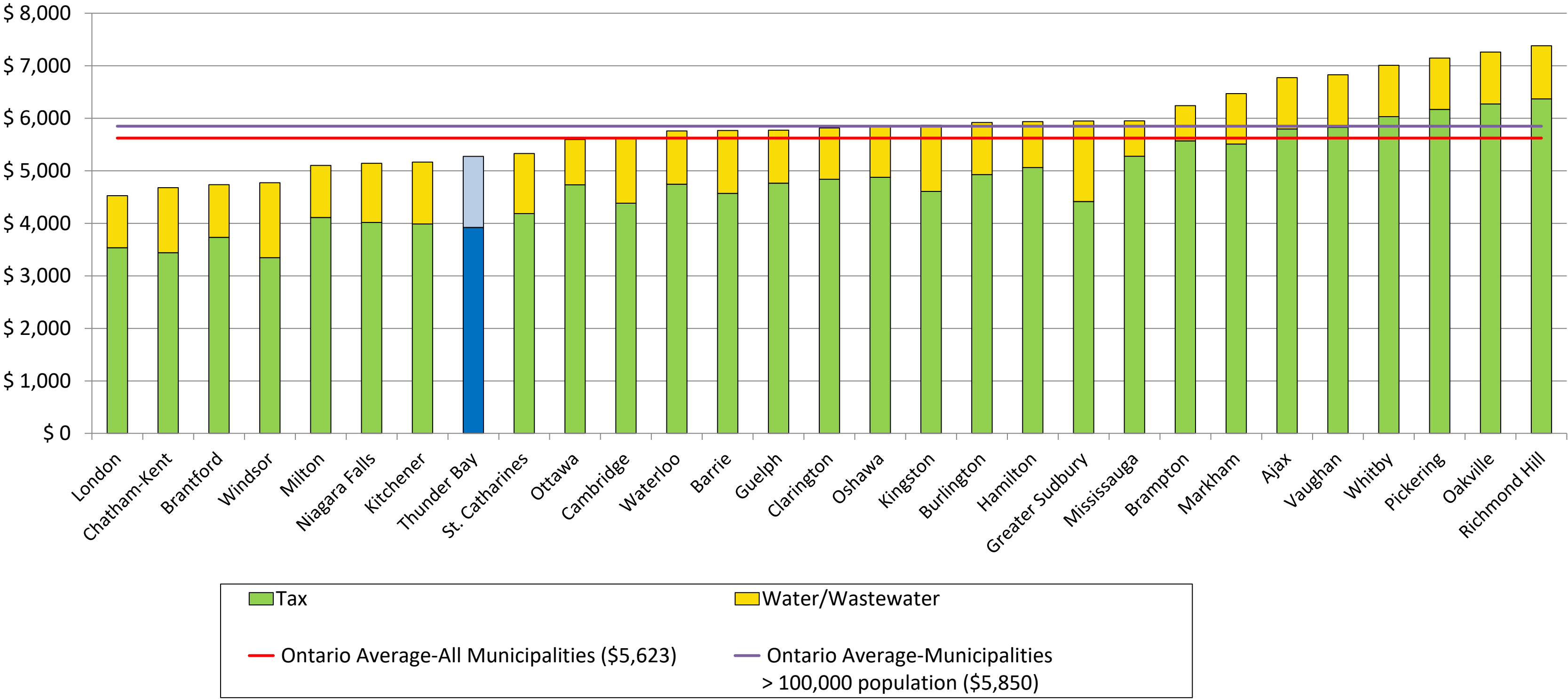
Source: BMA Municipal Study 2023

Average Residential Property Taxes as % of Average Household Income (2018-2023) BMA Municipal Study



Source: BMA Municipal Study - 2023

Average Municipal Tax, Water/Wastewater Burden
Per Average Household - 2023 BMA Municipal Study
Municipalities > 100,000 population



2023 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	2023 Levy per Capita
Sault Ste. Marie	\$1,785
Timmins	\$1,836
Thunder Bay	\$1,904
Sudbury	\$1,906
North Bay	\$1,921
Average for Northern	\$1,870
Across 121 Ontario municipalities	Range-\$1,169 to \$3,973 (average = \$1,815)

2024 Budget Overview

2024 Budget Directions

Tax levy increase net of growth of no more than 5.5%

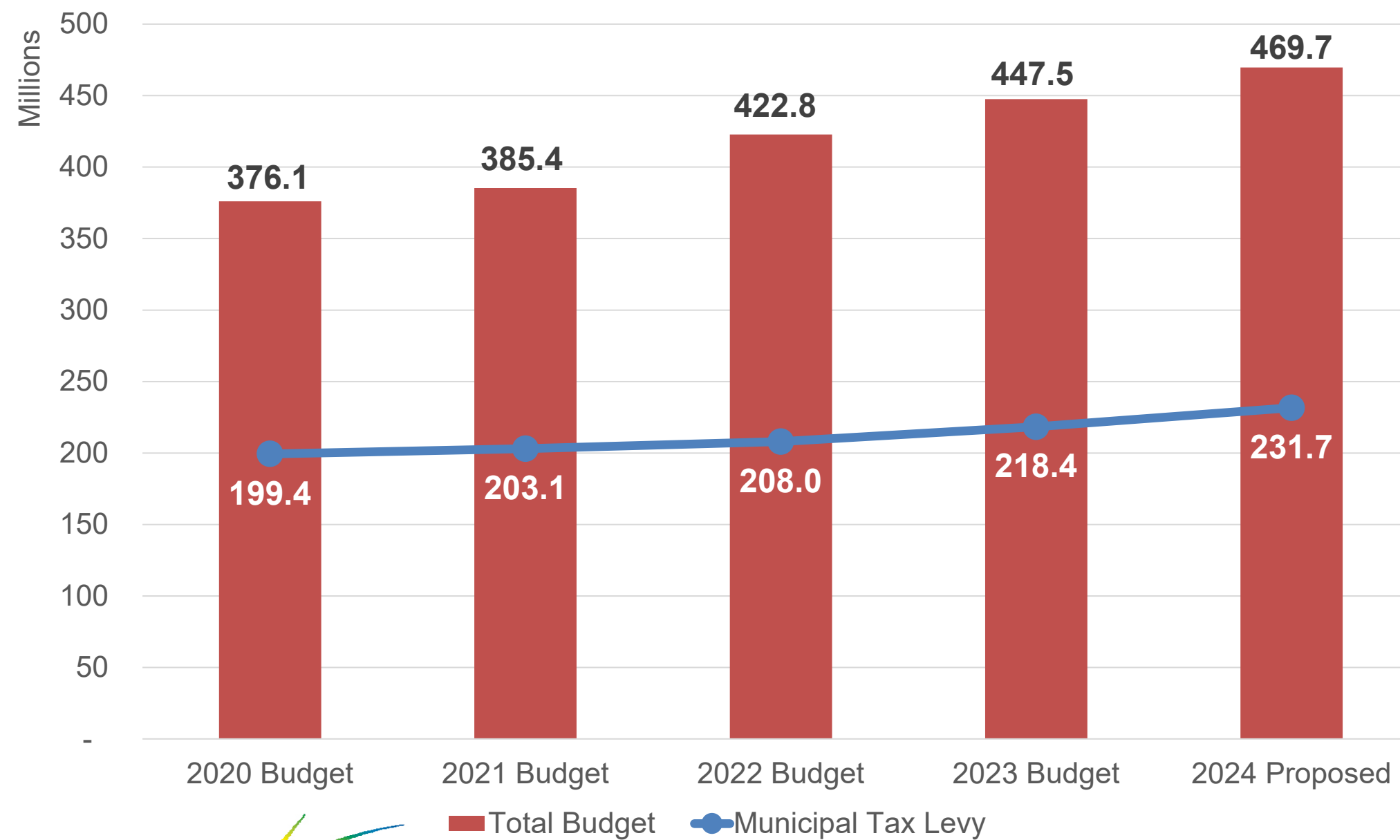
Where appropriate, user fee increases of at least 5%

Identified service level changes

Options for reductions/cost savings for EMT Review:

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

Tax Levy and Budget



2024 Proposed Tax Levy
Consistent with
Budget Direction

5.5%



City of Thunder Bay

Municipal Tax Levy % Change

YEAR	% CHANGE Before Growth	% Net Growth	% CHANGE Net of Growth
2015	3.8%	0.7%	3.1%
2016	4.0%	1.9%	2.1%
2017	3.6%	0.5%	3.1%
2018	3.1%	0.7%	2.4%
2019	2.3%	0.3%	2.0%
2020	2.7%	0.9%	1.8%
2021	1.8%	0.2%	1.6%
2022	2.4%	0.1%	2.3%
2023	5.0%	0.6%	4.4%
2024*	6.1%	0.6%	5.5%
10 Year Average	3.5%	0.7%	2.8%

*Proposed 2024 Municipal Tax Levy increase

City of Thunder Bay

Municipal Tax Levy % Change

	% Levy Increase Before Growth	Compounded Levy Increase Before Growth	% of Growth	% Levy Increase After Growth	Compounded Levy Increase After Growth	CPI Ontario	Compounded CPI Ontario
2014	3.0%		1.3%	1.7%		2.3%	
2015	3.8%	7.0%	0.7%	3.2%	4.9%	1.2%	3.5%
2016	4.0%	11.3%	1.9%	2.1%	7.1%	1.8%	5.4%
2017	3.6%	15.3%	0.5%	3.1%	10.5%	1.7%	7.2%
2018	3.1%	18.9%	0.7%	2.4%	13.2%	2.3%	9.7%
2019	2.3%	21.6%	0.3%	2.0%	15.4%	1.9%	11.7%
2020	2.7%	24.9%	0.9%	1.9%	17.6%	0.6%	12.5%
2021	1.8%	27.2%	0.2%	1.6%	19.4%	3.5%	16.4%
2022	2.4%	30.3%	0.1%	2.4%	22.3%	6.9%	24.3%
2023	5.0%	36.8%	0.6%	4.4%	27.7%	3.4%	28.6%
2024	6.1%	45.2%	0.6%	5.5%	34.7%	2.4%	31.7%

Significant Budget Impacts

Favourable Impact

- Organizational realignment and service level reduction (\$2.6M)
- User fees (\$1.2M)
- Other revenue increases (\$2.5M)
- Insurance premium decrease (\$0.8M)

Unfavourable Impact

- Community Partner increases (\$4.1M)
- Inflationary pressures and supply chain constraints (\$1.1M)
- Continued implementation of Program & Service Review recommendations and other expansions (\$1.7M)

Tax Levy Impact

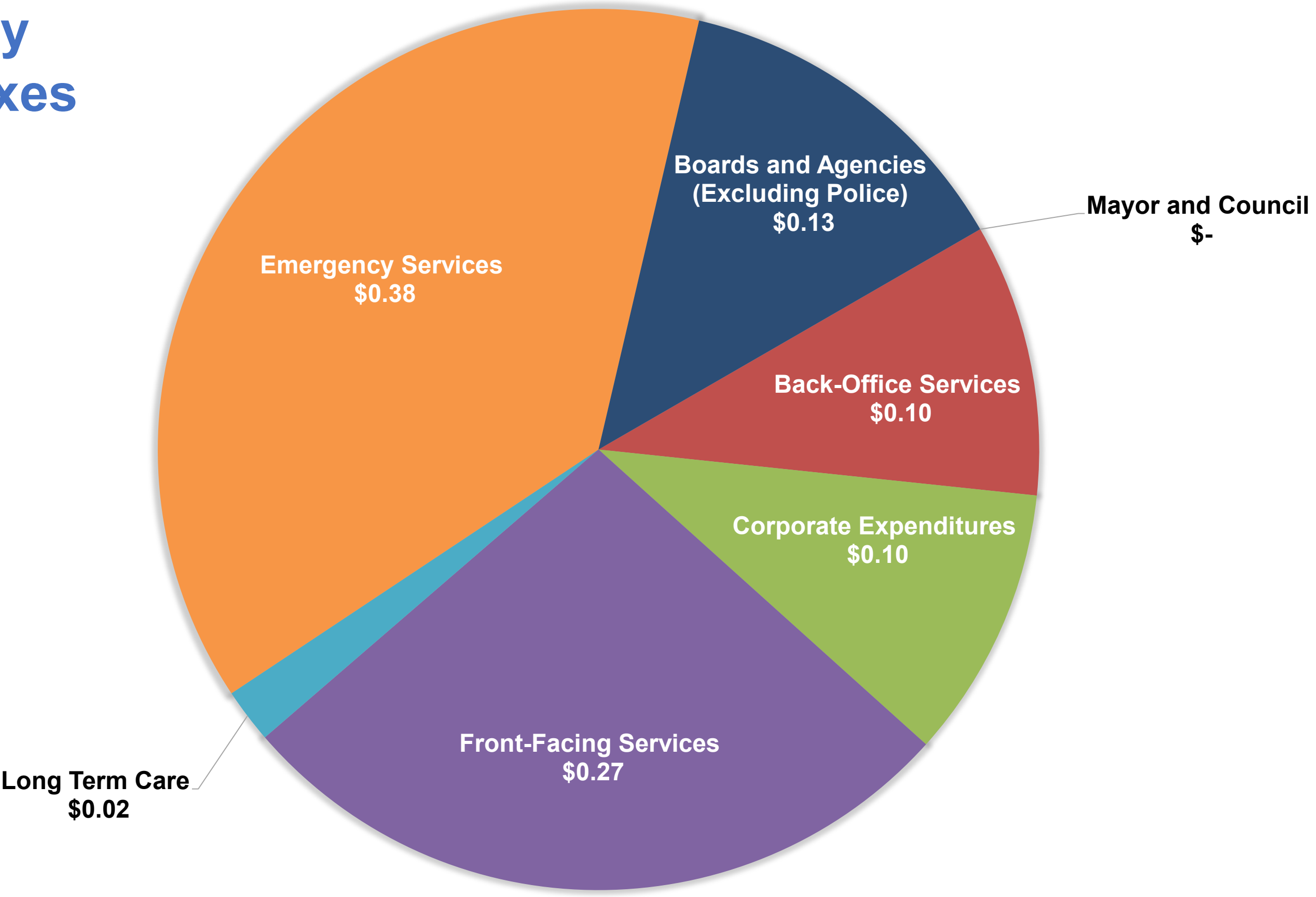


**Median Assessed Value
(Single Family Detached Home)
\$219,000**

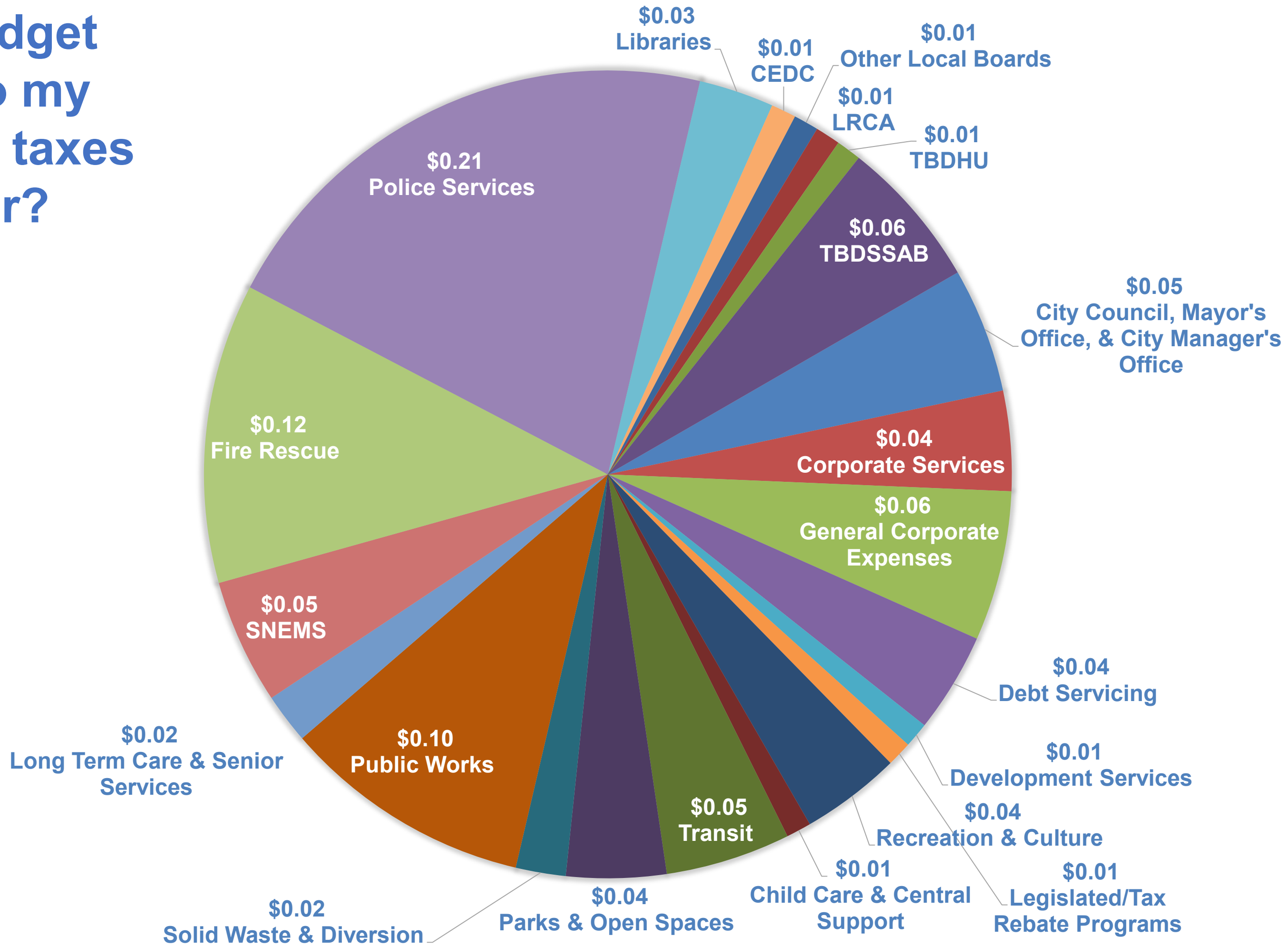
**Impact on Tax Bill
\$201* per year**

* Based on 2023 Ratios

2024 Budget
What do my
municipal taxes
pay for?

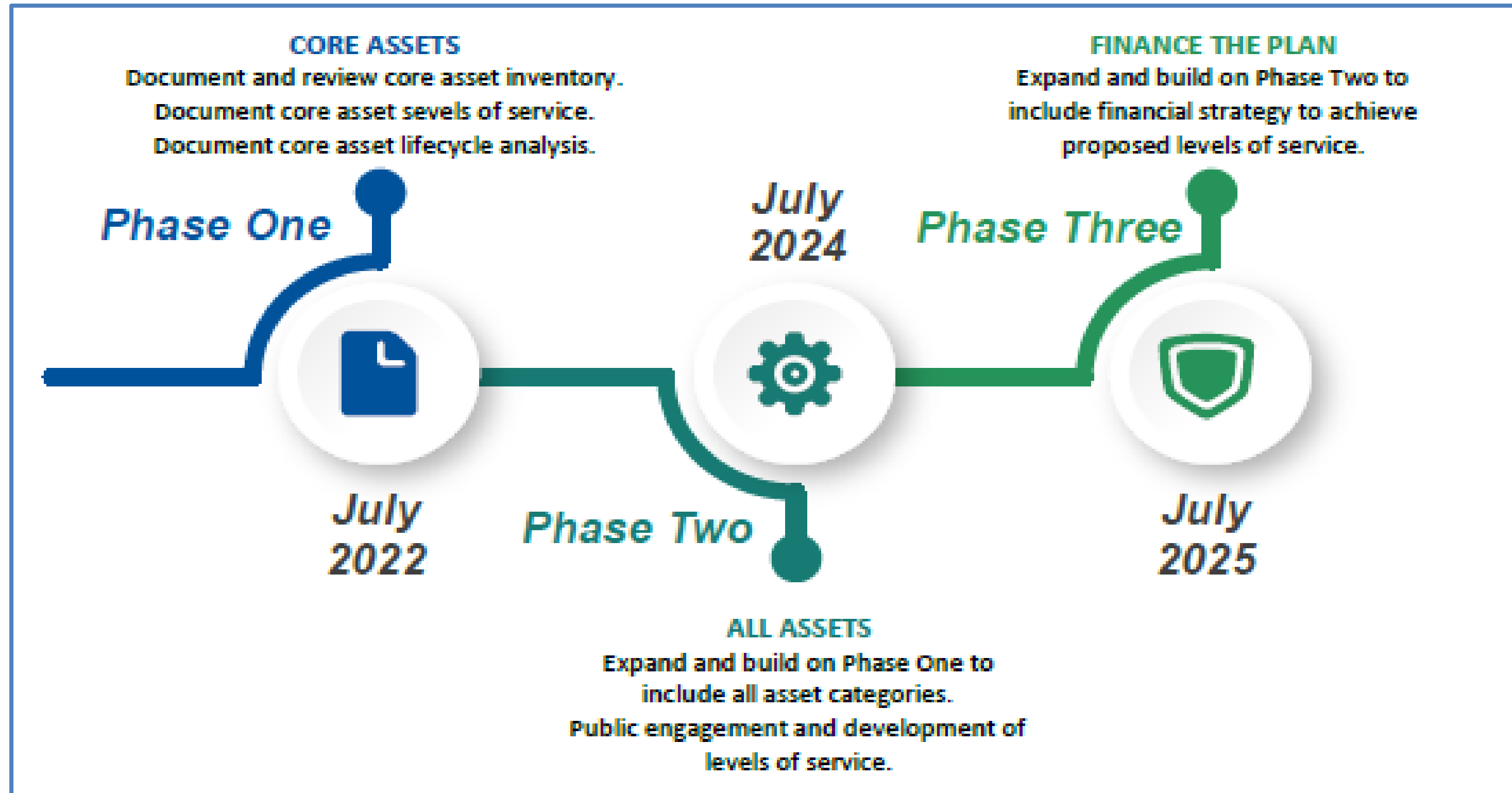


2024 Budget
What do my
municipal taxes
pay for?



Infrastructure, Debt and Reserve Funds

Asset Management Plan



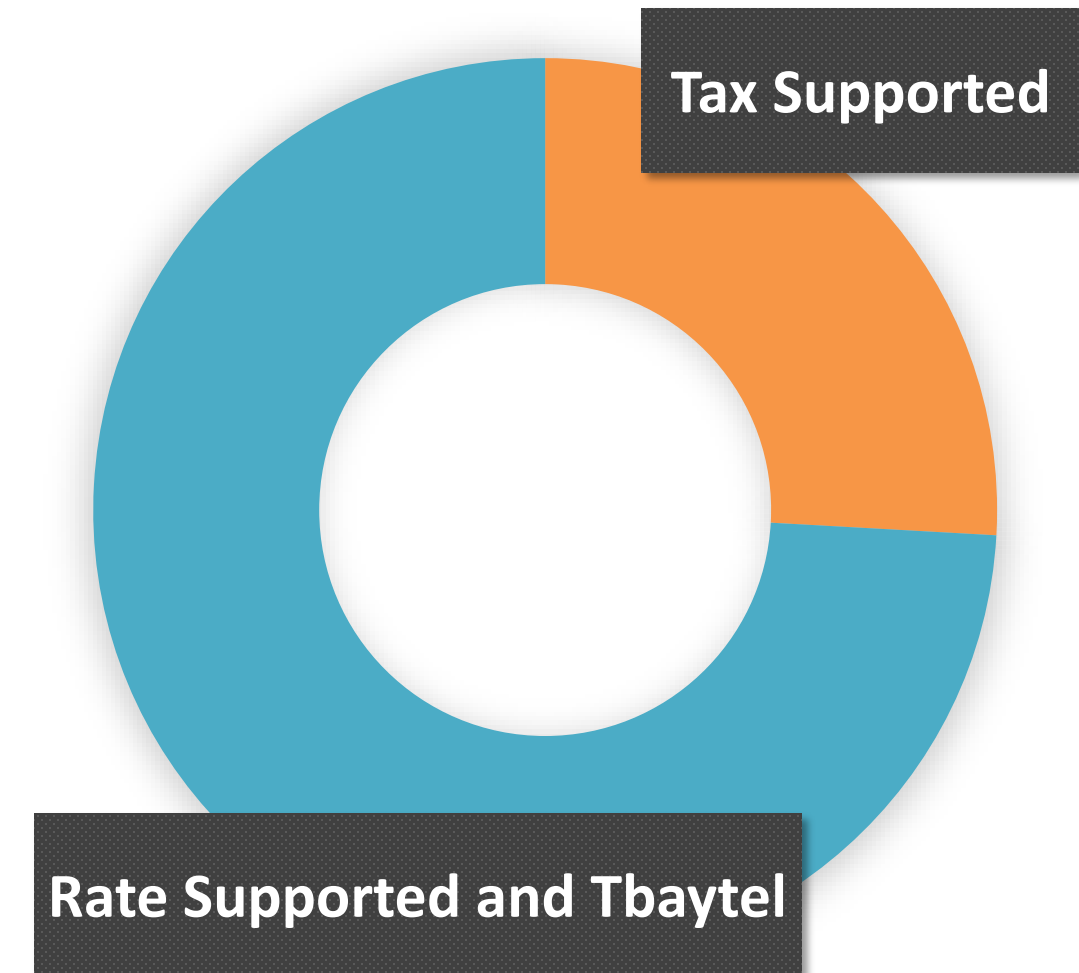
Debt Management Strategy

Key components:

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

Debenture Balance (2021 – 2023)

	Outstanding December 31, 2021	Outstanding December 31, 2022	Projected December 31, 2023
Tax Supported	\$63,509,572	\$58,631,396	\$52,009,044
Wastewater (Rate)	\$31,594,945	\$52,133,738	\$50,278,122
Waterworks (Rate)	\$62,819,314	\$61,040,960	\$57,179,468
Solid Waste (Rate)	\$1,189,621	\$3,629,000	\$3,242,500
Tbaytel	\$44,675,000	\$41,425,000	\$38,175,000
Total Outstanding Balance	\$203,788,452	\$216,860,094	\$200,884,134



Tax Supported Debt Maturity Dates

	Original Principal	Issue Date	Interest Rate	Principal at December 31, 2023	Annual P+I payment	Final Payment Year
NEXT 5 years						
Homes	45,000,000	2003	5.825%	-	-	2023
Junot 2A	5,743,948	2016	2.52%	1,723,185	614,309	2026
Junot 2B	2,921,841	2016	2.52%	876,553	312,488	2026
EMS Satellite Stations	309,457	2016	2.52%	92,837	33,096	2026
				2,692,575	959,893	
BEYOND 5 YEARS						
Radios	3,999,231	2019	2.37%	2,399,539	454,572	2029
Waterfront	2,220,600	2016	3.23%	1,443,390	156,880	2036
EMS Headquarters	10,028,256	2012	3.49%	5,615,824	594,150	2037

Rate Supported Debt Maturity Dates

	Original Principal	Issue Date	Interest Rate	Principal at December 31, 2023	Annual P+I payment	Final Payment Year
NEXT 5 years						
Wastewater 2004	20,000,000	2004	2.64%	1,000,000	1,019,854	2024
Water 2005	42,000,000	2005	4.61%	4,200,000	2,269,882	2025
Wastewater 2005	23,000,000	2005	2.41%	2,300,000	1,198,634	2025
UV/Cogen	8,882,924	2011	3.38%	1,776,585	647,390	2026
Water 2007	19,201,000	2007	5.06%	3,840,200	1,142,652	2027
Solid Waste 2018	365,000	2018	3.27%	182,500	42,185	2028
				13,299,285	6,320,597	
5 – 10 years						
Solid Waste 2019	900,000	2019	2.27%	720,000	105,877	2031
Water 2012	9,532,886	2012	3.30%	3,813,154	614,652	2032
Solid Waste 2022	2,600,000	2022	4.66%	2,340,000	366,305	2032
Water 2013	4,328,721	2013	3.94%	2,164,361	299,808	2033

Debt Service Ratios

<u>Debt Service Ratio</u>	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Actual</u>	<u>Maximum Limit (Note 1)</u>
	%	%	%	%
Overall	6.3	6.2	6.0	10
Tax	5.9	6.1	5.7	7.5
Water	24.7	23.7	24.1	26
Wastewater	18.0	17.3	18.0	30
Solid Waste	17.2	17.3	25.7	16

Note 1: Max. Limits per
Debt Management Strategy

Tax Supported Debt Limits

Debt Servicing Maximum	Maximum Debt Servicing Costs 2024	Projected Debt Servicing Costs 2024	Debt Servicing Available 2024	Amount of new Debt room before hitting Max 2024
7.5%	\$19.1 million	\$10.6 million	\$8.5 million	\$61 million to \$107 million*

Outstanding approved or potential special debentures

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

Victoriaville (\$15.4M) – estimated debt servicing costs \$2.1M/year

Indoor Turf Facility (\$20.9M) – estimated debt servicing costs \$1.7M/year

Police Building

*Amount of debt available is dependent on term, interest rate and timing

Reserves and Reserve Funds



Fiscal challenges

Financing for one-time or short-term requirements

Leverage government funding

Internal financing

Acquisition of capital assets

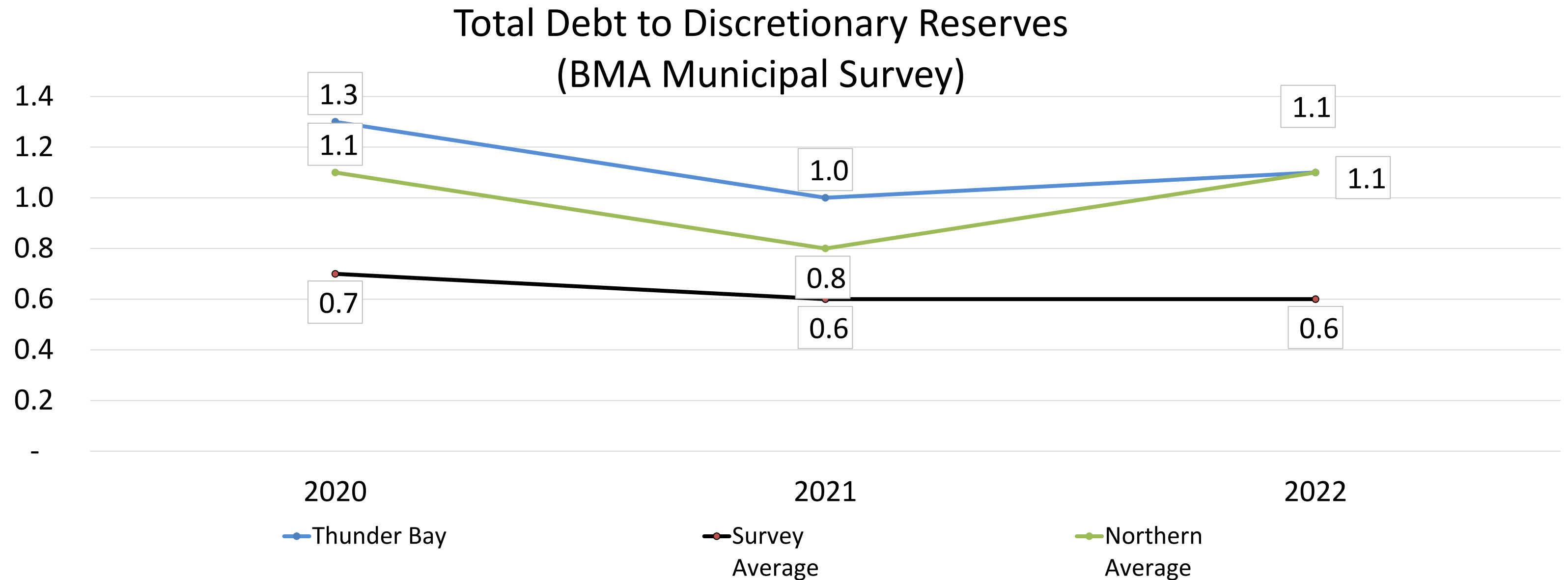
Future liabilities

Ensure adequate cash flows

2023 Change in Uncommitted Reserves and Reserve Funds

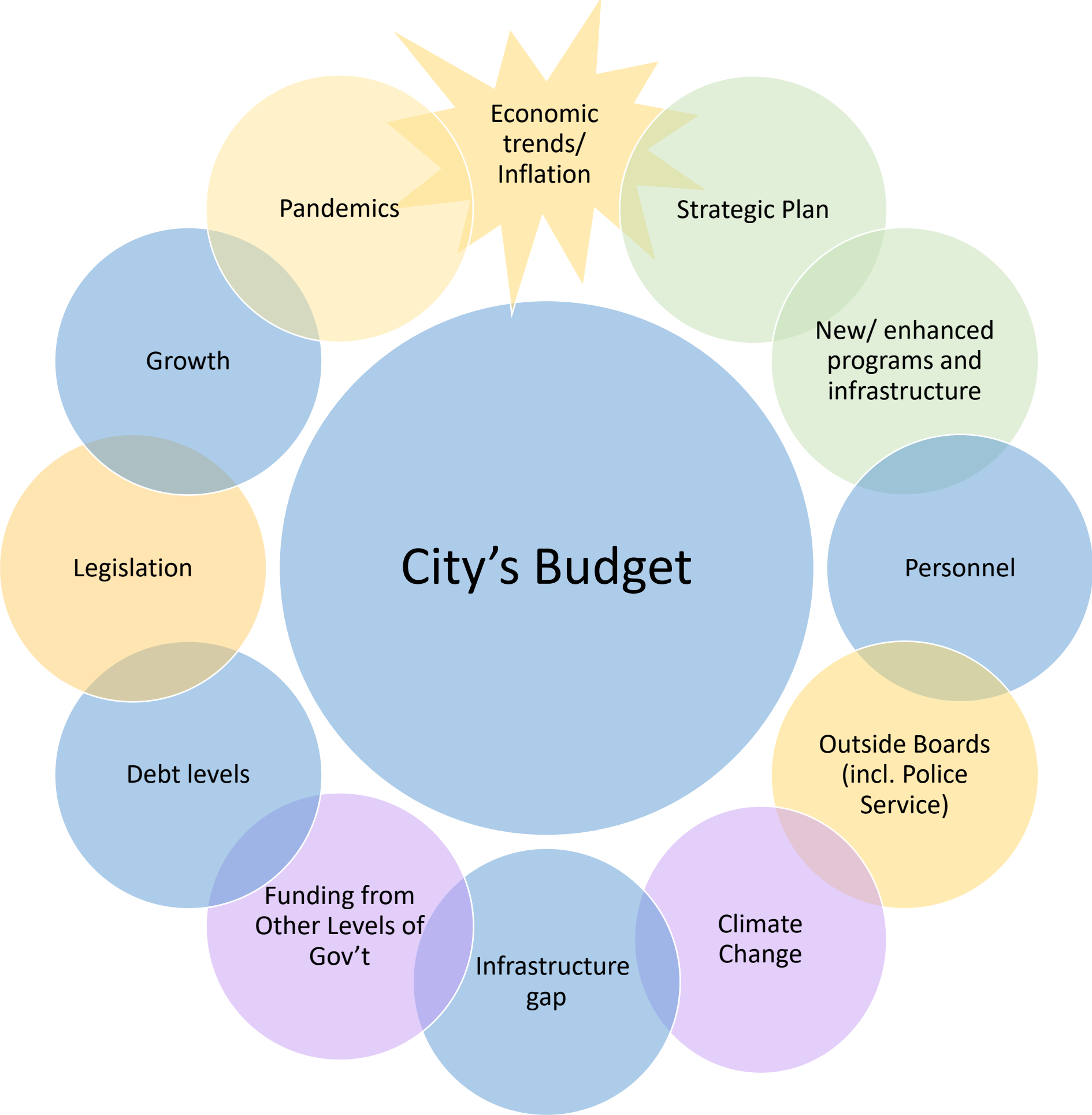
	December 31, 2022	December 31, 2023	Change
Total Tax-Supported Reserve Funds	\$63.2 M	\$64.2 M	\$1.0 M
Total Rate-Supported Reserve Funds	\$31.6 M	\$28.0 M	(\$3.6 M)
Total Reserves	\$32.6 M	\$29.6 M	(\$3.0 M)
Total Reserves and Reserve Funds	\$127.4 M	\$121.8 M	(\$5.6 M)

Debt to Reserve Funds



Financial Projections 2025 – 2029

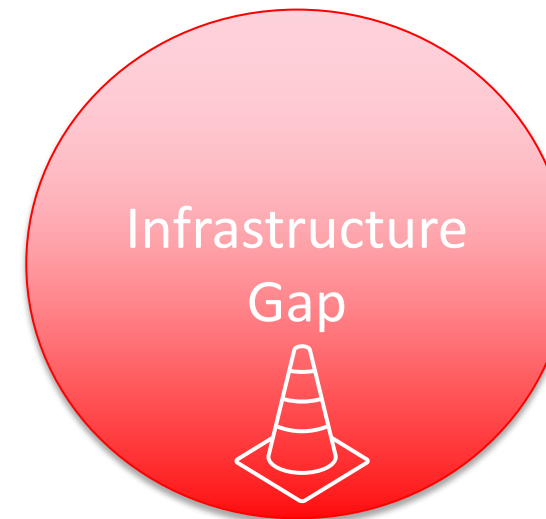
Budget Influences/Drivers



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 funded by debenture
- Reinvest net savings in debt servicing costs related to maturity of debt
- Council-approved Strategies – continued implementation

Needs and Decisions Around the Corner



Projected Municipal Tax Levy Increase

	Total	Net of Growth
2025	4.4%	3.9%
2026	4.8%	4.4%
2027	4.7%	4.3%
2028	4.6%	4.2%
2029	4.8%	4.4%

Based on estimated annual growth of \$1.2 million in 2025 and \$1 million thereafter

2025 – 2029 Future Directions

- Align priorities with Strategic Plan
- Continued implementation of Council-approved Strategies recommendations
- Grapple with inflation and world-wide economic disruption and uncertainty
- Nurture and grow key relationships with the federal and provincial governments
- Accelerate Housing and Growth

Questions?

