



AGENDA MATERIAL

COMMITTEE OF THE WHOLE – SPECIAL SESSION (2022 CAPITAL & OPERATING BUDGET)

COUNCIL BUDGET REVIEW

MEETING DATE: TUESDAY, JANUARY 18, 2022

LOCATION: S. H. BLAKE MEMORIAL AUDITORIUM
(Council Chambers)

TIME: 5:00 P.M.



MEETING: Committee of the Whole

DATE: Tuesday, January 18, 2022

Reference No. COW - 15/53

OPEN SESSION in S.H. Blake Memorial Auditorium at 5:00 p.m.

Committee of the Whole - Special Session (2022 Capital & Operating Budget)

Chair: Councillor Mark Bentz

DISCLOSURES OF INTEREST

CONFIRMATION OF AGENDA

Confirmation of Agenda - January 18, 2022 - Committee of the Whole - Special Session **(Page 6)**

WITH RESPECT to the January 18, 2022 Committee of the Whole – Special Session meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

REPORTS OF MUNICIPAL OFFICERS

Proposed 2022 Operating and Capital Budget

Report R 1/2022 (Corporate Services & Long Term Care - Financial Services) relative to the Proposed 2022 Operating and Capital Budget. **(Pages 7 – 24)**

Memorandums Received Relative to Report R 1/2022

Memorandum from Emma Westover, Director – Financial Services, dated December 20, 2021 attaching detailed agendas for January 18, 20, 26 and February 1, 2022 meetings, 2022 Budget Executive Summary, 2022 Tax Supported Operating and Capital Budget, and 2022 Rate Supported Operating & Capital Budget. **(Distributed separately on Monday, December 20, 2021)**

Memorandum from Emma Westover, Director – Financial Services, dated December 20, 2021 relative to 2022 Budget Executive Summary – Updated Pages 7, 8 & 9. **(Distributed separately on Monday, December 20, 2021)**

Memorandum from Emma Westover, Director – Financial Services, dated December 15, 2021 relative to 2022 estimated Reserves and Reserve Fund balances. **(Distributed separately on Monday, December 20, 2021)**

Memorandum from Emma Westover, dated January 4, 2022 attaching the 2022 Budget Community Handbook. **(Distributed separately on Monday, December 20, 2021)**

Confidential Memorandum from Kristie Sinclair, Accountant – Financial Services dated December 20, 2021 relative to Wage Contingency in 2022 Proposed Tax Supported Budget. **(Distributed separately to Members of Council and EMT on Monday, December 20, 2021)**

Resolution to Receive the Proposed 2022 Operating and Capital Budgets

Resolution to Receive the Proposed 2022 Operating and Capital Budgets:

WITH RESPECT to Report R 1/2022 (Corporate Services & Long-Term Care – Financial Services), we recommend that the proposed 2022 Operating and Capital budgets for tax and rate supported operations be received for the consideration of Committee of the Whole.

Budget Report R 1/2022 Resolution

Resolution as contained in Report R 1/2022:

WITH RESPECT to Report R 1/2022 (Corporate Services and Long Term Care - Financial Services), we recommend that the proposed 2022 Operating and Capital budgets for tax and rate supported operations be received for consideration of Committee of the Whole;

AND THAT the 2022 General Municipal Tax Supported Operating Budget be approved at \$329,162,500 gross and \$248,155,100 net;

AND THAT the following Business Improvement Area levies be approved:

- | | | |
|----|----------------------------|-----------|
| 1. | Waterfront District B.I.A. | \$101,500 |
| 2. | Victoria Avenue B.I.A. | \$60,000; |

AND THAT the 2022 General Municipal Tax Supported Capital Budget be approved at \$121,069,700 gross with financing as follows:

Capital Financed by the Tax Levy (before EIRP and Debenture)	72,280,000	
Enhanced Infrastructure Renewal Program (EIRP)	8,440,600	
Less Debenture Debt	<u>(63,284,400)</u>	
Net Capital Financed by the Tax Levy		\$17,436,200
Debenture Debt (Annual)		\$7,284,400
Debenture Debt (Special – Police Building)		\$56,000,000

Reserve & Reserve Funds:

Fifty-Five Plus Centre Endowment	25,000	
Capital General	3,310,000	
Capital Transit	35,200	
Corporate Information Technology	412,100	
Clean Green and Beautiful	220,000	
Corporate Energy Innovation	50,000	
Dedicated Gas Tax (Obligatory)	2,056,084	
Equipment Replacement	540,000	
EMS Vehicle & Equipment	855,000	
Canada Community Building Fund (Obligatory)	13,424,700	
Ontario Community Infrastructure Fund (OCIF)	5,816,100	
Recreation Trails	39,500	
Renew Thunder Bay	650,000	
		\$27,433,684
Subsidy:		
Disaster Mitigation & Adaptation Funding	767,000	
FedNor Grant	296,096	
Investing in Canada Infrastructure Program (ICIP) - Transit Stream	6,839,660	
Provincial Grants – Miscellaneous	792,004	
		\$8,694,760
Other Sources:		
Capital carry forward	85,000	
Recoveries and fees	2,549,300	
Canadian Tire Jump Start	750,000	
Other	<u>836,356</u>	<u>\$4,220,656</u>
Total 2022 Gross Tax Supported Capital Budget		<u>\$121,069,700</u>

AND THAT contributions to Capital reserve funds supported by the tax levy be approved at \$2,301,700;

AND THAT the 2022 Solid Waste (Landfill Operations) Operating Budget be approved at \$3,011,300 gross expenditure and \$1,239,500 net income, with a contribution to the Landfill reserve fund to result in \$0 net profit;

AND THAT the 2022 Solid Waste (Landfill Operations) Capital Budget be approved at \$460,900 gross, with the Landfill reserve fund as the source of financing;

AND THAT the 2022 Wastewater Operating Budget be approved at \$15,087,800 gross expenditure and \$6,296,800 net income, with a contribution to the Sewer Rate reserve fund to result in \$0 net profit;

AND THAT the 2022 Wastewater Capital Budget be approved at \$14,430,500 gross, with financing from the Sewer Rate reserve fund (\$5,922,500), debenture debt (\$8,000,000) and Disaster Mitigation & Adaptation grant funding (\$508,000);

AND THAT the 2022 Waterworks Operating Budget be approved at \$19,940,200 gross expenditure and \$8,033,300 net income, with a contribution to the Waterworks reserve fund to result in \$0 net profit;

AND THAT the 2022 Waterworks Capital Budget be approved at \$12,606,000 gross, with financing from the Waterworks reserve fund (\$8,406,000) and debenture debt (\$4,200,000);

AND THAT the 2022 Prince Arthur's Landing – Boater Services Operating Budget be approved at \$342,200 gross expenditure and \$92,600 net income, with a contribution to the Marina (Boater Services) reserve fund to result in \$0 net profit;

AND THAT the 2022 Prince Arthur's Landing – Boater Services Capital Budget be approved at \$360,000 gross, with financing from the Marina (Boater Services) reserve fund (\$60,000) and debenture debt (\$300,000);

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

1. Child Care –2.0-2.8% increase in fees;
2. Transit – \$2.50 increase to adult monthly pass fee, effective April 1, 2022;
3. Recreation & Culture – various user fee changes on average 2.8% increase;
4. Recreation & Culture – various new user fees such as advertising fees at arenas, new fitness and swim lesson, additional child care fees at Canada Games Complex (CGC) and new swim lane fees at CGC;
5. Supply Management – weigh scale fee increased by 1.1%;
6. Revenue – new user fees added for water final disconnection notice and water service representative property visit – no turn off fee;
7. Long Term Care and Senior Services – Jasper single tenant fee – per day to increase 6.0% and Jasper double tenant fee – per day to increase 6.4%;
8. Long Term Care and Senior Services – fees for extra tenant meals (per meal) to increase 9.8% and guest meals (per meal) to increase 9.0%;
9. Long Term Care and Senior Services – Meals on Wheels (per meal) fee to increase 10.3%;
10. City Solicitor & Corporate Counsel – Registrations fee to increase by 2.0%;
11. Planning – majority of user fees to increase by 2.0%;
12. Engineering – \$5 increase to multiple user fees including tender package, engineering development standards documentation, heavy/oversize load permits, driveway permit applications, and street closures application processing;
13. Engineering – Subdivision Agreement Review & Administration to Final Acceptance – Per Stage fee to increase by 2.0%;
14. Parks – fee for adult organized league activities (charge per team for season) – outdoor rinks to increase by 2.0%;
15. Parks – some cemetery and campground user fees to increase by approximately 2.8% on average;
16. Parks – some recreation facilities fees to increase by approximately 2.8% on average;
17. Parks – new user fees added for Pool 6 including cruise ship docking, passenger fees and miscellaneous services;
18. Parks – golf - various user fee increases, reduction of \$0.89 (16.8%) to pull cart (round) fee and removal of golf Season pass for adults and older adults double (Monday to Friday until 4:00pm) fee and removal and replacement of 9 and 18 Hole Golf Power Cart Fees (round) with Power Cart Trail Fee (round);

19. Solid Waste – Multi-residential and Commercial pickup fees to increase by \$0.50 per pickup;
20. Solid Waste – tonnage charge for loads over 120kg to increase by 3% from \$81.64 to \$84.09/tonne;
21. Solid Waste – Other user fees 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;
22. Parking Authority – parkade monthly rates will increase from \$62.50/month to \$65.00/month effective June 2022;
23. Waterworks fixed and volumetric charges to increase by 3.0% effective April 1, 2022;
24. Other Waterworks charges related to consumption and services to be increased by 3.0% effective April 1, 2022;
25. Wastewater surcharge to remain at 90% of water fixed and volumetric charges;
26. Wastewater – new user fee added for Emergency/After-Hours/Weekend/Holiday Laboratory Opening Fee based on cost recovery;
27. Prince Arthur's Landing – Boater Services fees to increase by 5% on average effective April 1, 2022;

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.

NEW BUSINESS

ADJOURNMENT

MEETING DATE 01/18/2022 (mm/dd/yyyy)

SUBJECT Confirmation of Agenda

SUMMARY

Confirmation of Agenda - January 18, 2022 - Committee of the Whole - Special Session

RECOMMENDATION

WITH RESPECT to the January 18, 2022 Committee of the Whole – Special Session meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

Corporate Report

DEPARTMENT/ DIVISION	Corporate Services & Long Term Care - Financial Services	REPORT NO.	R 1/2022
DATE PREPARED	11/04/2021	FILE NO.	
MEETING DATE	01/18/2022 (mm/dd/yyyy)		
SUBJECT	Proposed 2022 Operating and Capital Budget		

RECOMMENDATION

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6. Revenue – new user fees added for water final disconnection notice and water service representative property visit – no turn off fee;
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22. Parking Authority – parkade monthly rates will increase from \$62.50/month to \$65.00/month effective June 2022;
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25. Wastewater surcharge to remain at 90% of water fixed and volumetric charges;
26. Wastewater – new user fee added for Emergency/After-Hours/Weekend/Holiday Laboratory Opening Fee based on cost recovery;
27. Prince Arthur's Landing – Boater Services fees to increase by 5% on average effective April 1, 2022;

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 2022 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 2022 budget.

2022 Tax Supported Budget

The proposed 2022 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 \$208,006,500 (an increase of 2.44% or \$5.0 million over the 2021 approved municipal tax levy of \$203,053,800). By comparison, in 2021 the municipal levy increase was \$3.7 million, representing a 1.83% increase over 2020. 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 2022.

The projected growth in the assessment base during 2021, 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 2022 municipal tax levy increase before and net of growth.

	Amount (\$)	% Change
Proposed 2022 Municipal Tax Levy Increase	4,952,700	2.44%
Tax Revenue from 2021 Growth in Assessment	(300,000)	(0.15%)
Impact of Municipal Tax Levy Net of Growth	4,652,700	2.29%

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

The 2022 proposed capital budget is presented at \$121,069,700 gross of which \$17,436,200 is funded by the tax levy representing an increase of 8.0% compared to the 2021 budget.

2022 Estimated Impact of COVID-19

The 2022 Proposed Budget includes one-time financial impacts due to COVID-19 based on service areas continuing to operate consistent with Provincial restrictions in place as of the fall of 2021.

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. 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. This approach is consistent with 2021.

The following chart summarizes the estimated impact of COVID-19 on 2022 along with the proposed funding source.

Expected COVID-19 2022 Impact	\$
Tax Supported Operating impact (excluding-Transit)	\$4,589,100
Transit	\$1,858,800
Total (tax supported only)	\$6,447,900
Landfill impact	\$ 509,400
To be funded by Stabilization Reserve Fund	\$6,957,300

2022 Rate Supported Budget

The 2022 rate-supported operating and capital budgets are being presented as follows:

1. Waterworks – operating budget of \$8,033,300 net income to be transferred to the Waterworks reserve fund and net capital budget of \$8,406,000 to be funded from the Waterworks reserve fund.

2. Wastewater – operating budget of \$6,296,800 net income to be transferred to the Sewer Rate reserve fund and net capital budget of \$5,922,500 to be funded from the Sewer Rate reserve fund.
3. Solid Waste (Landfill Operations) – operating budget of \$1,239,500 net income to be transferred to the Landfill reserve fund and a Landfill net capital budget of \$460,900 to be funded from the Landfill reserve fund.
4. Prince Arthur’s Landing – Boaters Services – operating budget of \$92,600 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 3.0% for 2022 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 \$84.09/tonne.
7. The Boaters Services fees are proposed to increase by 5% on average.

Budget Review Process

The proposed 2022 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 24/2021 (Corporate Services & Long Term Care – Financial Services).

Staffing Complement

The 2022 Proposed Budget includes a total complement of 1,815.9 full-time equivalent (FTE), an increase of 58.8 over 2021. This total has been offset by the reduction of 5.9 FTE due to COVID-19. As a result, the 2022 complement change excluding the impact of COVID-19 is 64.7 FTE.

The increase in non-COVID FTEs are primarily due to tax supported expansions and reductions that equal 60.6 FTE, of which 53.9 FTE are fully or partially funded by other levels of government.

DISCUSSION

During the 2022 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 2022 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 and opportunities for cost containment without service level reductions.
- Review of corporate accounts that includes trend analysis where appropriate.
- Consideration of Program and Service Review recommendations.
- Analysis of current year projected variances.
- Proposed 2022 tax supported capital financing to be increased a minimum of 5%.

Council approved “Budget Directions 2022 and Beyond” (R 84/2021) which recommended Administration prepare the 2022 tax-supported budget with service level changes included in the Superior North EMS (SNEMS) Master Plan, Thunder Bay Fire Rescue Master Plan, and initiatives arising from the Program and Service Review including the HR Recruitment Process and Digital Strategy. The report also identified Administration’s plans to propose additional service level changes in areas including Licensing & Enforcement, Fleet, Parks, Transit and Long-Term Care.

2022 Tax Supported Operating Budget Highlights (excluding COVID-19 impacts)

The proposed 2022 tax supported budget is presented with a 2022 municipal tax levy of \$208,006,500 (an increase of \$5.0 million over 2021). 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 2022 budget with a 2.44% municipal tax levy increase before growth and 2.29% net of growth.

In May, Council will make 2022 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 2022 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.

Increases for Thunder Bay Police Service Operation (\$1.6 million) and Thunder Bay Police Services Board (\$0.2 million) results in a 0.9% increase to the municipal tax levy. The increase is primarily due to increased personnel services costs offset slightly by increased revenues.

Excluding the impact of the 2021 one-time reduction, the capital budget that is funded by the tax levy increased by \$1.0 million, and results in a 0.5% increase to the municipal tax levy.

Expansions (excluding Program and Service Review initiatives) add \$1.0 million or 0.5% to the municipal tax levy. These include, but are not limited to, the restructuring of Licensing and Enforcement to increase efficiency and effectiveness of the division, Parks section increase for Pool 6 and Superior North Emergency Medical Services (SNEMS) as guided by the SNEMS Master Strategic Plan.

Program and Service Review initiatives, including advancement of a digital strategy, improved employee recruitment and expansion of the municipal recycling program to include the collection of plastic containers coded No. 3 through No. 7, add \$0.5 million or 0.25% to the municipal tax levy.

Insurance premiums are expected to increase by \$0.5 million or 0.25% of the municipal tax levy. The increase is being partially driven by increases in cyber insurance.

Base inflationary increases for Outside Boards are expected to increase \$0.3 million and results in a 0.15% increase to the municipal tax levy.

The increases noted above have been partially offset by other revenue increases and expenditure reductions totalling \$3.7 million, which reduce the municipal tax levy by 1.83% and are discussed below.

The annual funding through the Ontario Municipal Partnership Fund (OMPF) is increased by \$0.8 million, reducing the municipal tax levy by 0.4%.

Administration has included \$0.6 million in reductions mainly related to FTEs in Thunder Bay Fire Rescue as outlined in the Thunder Bay Fire Rescue Masterplan, which reduces the municipal tax levy by 0.3%.

Tax write-off expenses are expected to decrease \$0.5 million, which reduces the municipal tax levy by 0.25%.

Debenture interest charges are expected to decrease \$0.4 million, which reduces the municipal tax levy by 0.2%.

Insurance claim expenses are expected to decrease \$0.4 million, which reduces the municipal tax levy by 0.2%.

Legal expenses are expected to decrease \$0.4 million, which reduces the municipal tax levy by 0.2%.

Increases to user fees provide an additional \$0.3 million, which reduces the municipal tax levy by 0.15%.

The projected growth in the assessment base during 2021, 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 0.15% reduction to the tax levy increase. This is the lowest level of growth realized in over ten years.

Key Components

Key components of the 2022 tax supported operating budget include:

1. Federal Grants

The proposed budget includes \$6.8 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 2022 OMPF budget is \$20.3 million, an increase of \$0.8 million from the 2021 budget.

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 this report was prepared the 2022 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, local improvement revenues, administrative recoveries, municipal accommodation taxes, Synergy North merger efficiency dividend and roof top solar dividend, investment earnings and sundry revenues. Excluding 2022 and 2021 one time impacts including COVID-19 impacts, these sources total approximately \$13.5 million compared to \$13.4 million in 2021. The \$0.1 million increase relates to increased penalties and interest revenue and transfer from Land Development Account offset by reduced administrative recoveries.

4. Other Corporate Expenditures

Provision for Operating Reserve and Reserve Funds

In 2022, the proposed budget contains contributions to operating reserve and reserve funds of \$0.6 million, unchanged from 2021. These include contributions to the Community Economic Development Commission (CEDC), Election and WSIB reserve funds. The contribution of \$0.2 million to CEDC will be directed to CEDC's Investment Reserve Fund.

Debenture Debt Charges (excluding one time items)

In 2022 the debenture charges are expected decrease \$0.3 million to \$13.4 million compared to \$13.7 million in 2021.

Other Corporate Expenditures

Other corporate expenditures, excluding reserves and debenture charges, total \$15.2 million and have decreased \$0.3 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 2022 proposed net budget, for all City departments (includes SNEMS and Thunder Bay Fire Rescue) is \$132.3 million a \$2.9 million or 2.3% increase over the 2021 level of \$129.4 million.

Included in the tax supported departmental budgets are expansions and reductions that equal 60.6 FTE primarily related to expansions in SNEMS, Licensing and Enforcements, Long-term Care, Parks, and Corporate Information Technology that are offset slightly by reductions in Thunder Bay Fire Rescue.

The 60.6 FTEs include 44.0 FTE fully funded and 9.9 FTE partially funded by other levels of government. This leaves 6.7 FTE to be fully funded from the tax base.

A detailed complement change and summary are provided in the executive summary section of the 2022 budget books. Personnel services make up approximately 74% of departmental gross expenditures.

7. One time items (non-COVID-19)

The 2022 proposed budget includes one time items of \$0.4 million and include costs for the 2022 Municipal Election, anti-racism and Respect intern and increased one-time training and uniform cost within Licensing and Enforcement. These items are recommended to be funded by the Stabilization Reserve Fund.

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

In 2022, the projected contribution to boards and agencies excluding wage contingencies totals \$80.4 million, a \$2.3 million or 2.9% increase over the 2021 level of \$78.1 million. The increase relates primarily to Thunder Bay Police Service Operations (\$1.6 million), Thunder Bay Police Services Board (\$0.2 million), Thunder Bay Public Library (\$0.2 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 2022 proposed capital budget is presented at \$121,069,700 gross, of which \$17,436,200 is funded by the municipal tax levy. The following chart summarizes the components included in the 2022 capital budget compared to 2021.

	2022 Proposed Budget	2021 Approved Budget
Gross Capital – City Departments (excluding EIRP)	\$52,856,700	\$39,379,700
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>61,297,300</i>	<i>47,820,300</i>
Add : Gross Capital – Boards and Agencies	59,772,400	2,704,000
<i>Total Gross Capital Budget</i>	<i>121,069,700</i>	<i>50,524,300</i>
Less : Debenture annual funding	(7,284,400)	(7,284,400)
Less : Debenture special funding	(56,000,000)	-
Less : Reserves, grants and other funding	(40,349,100)	(27,089,200)
<i>Net Capital Financed by the Tax Levy</i>	<i>17,436,200</i>	<i>16,150,700</i>

Gross capital for City departments increased from \$47.8 million in 2021 to \$61.3 million in 2022 primarily relating to Fort William Stadium and track rehabilitation project, Waterfront trail project and increases in playground equipment and structure.

Gross capital requests from outside boards and agencies increased from \$2.7 million in 2021 to \$59.8 million in 2021. The increase mainly relates to the Thunder Bay Police Service request for a new police facility.

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 \$56.0 million from 2021 due to a recommended special debenture to fund a new facility for the Thunder Bay Police Service.

The recommended tax supported capital budget includes reserve and reserve fund financing of \$27.4 million (\$18.4 million in 2021). 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, and Dedicated Gas Tax reserve fund. The contribution from reserve funds has increased by \$9.0 million primarily due to the 2021 one-time additional CCBF (\$6.6 million) as well as one-time contribution from the General Capital Reserve Fund of \$3.3 million. The \$3.3 million from the General Capital Reserve Fund includes the \$2.8 million 2020 year end surplus allocation, which Council directed Administration to include as a one-time increase in the 2022 Capital Budget.

The 2021 one-time additional CCBF funds referenced above (\$6.6 million) are proposed to fund projects such as the Fort William Stadium and track rehabilitation, waterfront trail and Pool 6 cruise dock and lands.

The capital budget also includes subsidies in the amount of \$8.7 million primarily comprised of the Investing in Canada Infrastructure Program (ICIP) Transit stream (\$6.8 million).

Other revenue totaling \$4.2 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 2021 and 2022 budget, contributions to capital reserve funds funded through the tax levy are expected to increase from \$2.4 million in 2021 to \$2.5 million in 2022. These include provisions for Corporate Information Technology (CIT), Clean, Green and Beautiful, Community Partnership, General Capital, and Recreation Trails 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. The change in contributions to capital reserve funds is mainly due an increase of \$0.3 million to the CIT reserve fund, offset by the elimination of a contribution to the Renew Thunder Bay reserve fund.

Contributions to obligatory reserve funds are expected to remain at \$12.7 million, these provisions are for the Ontario Community Infrastructure Fund and the Canada Community Building Fund reserve funds.

Impact of COVID-19 Pandemic

The COVID-19 pandemic will continue to impact the City in 2022. The 2022 proposed budget was prepared assuming all service areas would operate consistent with Provincial restrictions in place in the fall of 2022. 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 and the approach taken in 2021, the estimated impact of COVID-19 is not impacting the tax levy in the proposed 2022 budget and is proposed to be funded from the Stabilization reserve fund. For rate supported operations, the impact on Landfill operations is also proposed to be funded by the Stabilization reserve fund. The remaining 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 2022 along with the proposed funding sources.

Expected COVID-19 2022 Impact	\$
Tax Supported Operating impact (excluding-Transit)	\$4,589,100
Transit	\$1,858,800
Total (tax supported only)	\$6,447,900
Landfill impact	\$ 509,400
To be funded by Stabilization Reserve Fund	\$6,957,300

Based on Budget Variance #3 (Corporate Report R 126/2021), Administration is not expecting excess Federal-Provincial Safe Restart funding or COVID-19 Recovery funding for carry forward into 2022. The Stabilization reserve fund will be required to cover all 2022 COVID-19 impacts absent any additional Federal or Provincial funding.

Major Drivers of COVID-19 impact

The estimated net impact of COVID-19 is \$7.0 million. The majority of this estimate is driven by expected lost revenues and increased screening and cleaning costs (materials and related FTEs) partially offset by COVID-19 funding in Long-term Care.

Key areas of the budget impacted by the pandemic include:

- Transit mainly related to lost revenues - \$1.9 million
- Recreation & Culture mainly due to lost revenues and screener and cleaning costs and the return of typical staff for reopening and resumption of programs and services (19.5 FTEs) - \$1.5 million
- Child Care increased costs (4.7 FTEs) and lost revenues - \$1.0 million

- Landfill Operations mainly related to reduced commercial waste - \$0.5 million
- Parks increased costs (1.7 FTEs) and security - \$0.5 million
- Parking Authority mainly related to lost revenues - \$0.5 million
- Provincial Offences (Revenue Division) mainly related to lost fine revenue - \$0.3 million
- Reduced Supplementary taxes - \$0.3 million
- Thunder Bay Police Service increased costs and lost revenues - \$0.2 million

The Municipal Accommodation Tax (MAT) is again expected to be reduced due to COVID-19's impact on the tourism and travel industry. The 2022 proposed budget estimates MAT to be similar to 2019 levels after a one-time adjustment of \$0.3 million. The one-time adjustment impacts the associated transfers to the Indoor Turf Facility reserve fund and the Community Economic Development Commission, which have been reduced from \$1,150,000 to \$1,000,000 each.

2022 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 2022 Waterworks operating budget is projected at gross expenditures of \$19,940,200 and net income of \$8,033,500, to be transferred to the Waterworks reserve fund. The proposed budget includes \$23,000 in expected net impacts from COVID-19 to be absorbed in the transfer to the Waterworks reserve fund.

The 2022 Waterworks capital budget totals \$12,606,000 gross with financing of \$8,406,000 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, 2022, 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 2022 Wastewater (Sewer) operating budget is projected at gross expenditures of \$15,087,800 and a net income of \$6,296,800 to be transferred to the Sewer Rate reserve fund. This proposed budget includes an estimated financial net impact of \$17,400 related to COVID-19 proposed to be absorbed in the transfer to the Sewer Rate reserve fund.

The 2022 Wastewater capital budget totals \$14,430,500 gross with financing of \$5,922,500 from the Sewer Rate reserve fund, debenture financing of \$8,000,000 and Disaster Mitigation & Adaptation grant funding of \$508,000. 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 3.0% from \$1,277 in 2021 to \$1,315 annually. For customers only connected to the water system, the cost to consume 200m³ of water per year will increase annually by \$20 from \$672 to \$692.

Solid Waste (Landfill Operations)

The 2022 Solid Waste (Landfill Operations) operating budget reflects gross expenditures of \$3,011,300 and a net income of \$1,239,500 to be transferred to the Solid Waste reserve fund. This budget includes an estimated financial net impact from COVID-19 of \$509,400 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 2022 Landfill capital budget totals \$460,900 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 20 year Solid Waste (Landfill) Financial Plan approved by Council in September 2019, tonnage charges for loads over 120kg will increase 3.0% to \$84.09/tonne up \$2.45/tonne from 2021. A 200 kilogram load of waste will cost \$0.49 more than in 2021. The effective date for the proposed fee increases is April 1, 2022.

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

The 2022 Prince Arthur's Landing - Boater Services operating budget reflects gross expenditures of \$342,200 and a net income of \$92,600 to be transferred to the Marina (Boater Services) reserve fund.

The 2022 Prince Arthur's Landing – Boater Services capital budget totals \$360,000 gross with financing of \$60,000 from the Marina (Boater Services) reserve fund and debenture financing of \$300,000.

Included in the 2022 Prince Arthur's Landing – Boater Services budget are proposed user fee increases of 5% on average effective April 1, 2022.

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 2022. 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 2022 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 2022 ending surplus due to the excluded expenses and change in reporting is anticipated to be a net increase of \$19.0 million, summarized as follows:

	<u>(\$000's)</u>
Post-employment benefit expenses	(\$14)
Solid waste landfill closure and post closure costs	\$602
Amortization expenses on tangible capital assets	\$(46,032)
Acquisition of tangible capital assets	<u>\$64,422</u>
	\$18,978

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 \$14,000 in 2022.

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 19 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 2022.

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 2022 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 2022 impact on tangible capital assets is a net increase of \$18.4 million to the accumulated surplus.

FINANCIAL IMPLICATION

The 2022 proposed tax supported budget is presented with a 2.44% municipal tax levy increase before growth and 2.29% 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 Corporate Information Technology, Licencing and Enforcement, Parks, Solid Waste, Superior North EMS and Thunder Bay Fire Rescue.

Excluding the one-time reduction to tax supported capital in 2021, the proposed 2022 tax supported capital funding has been increased by \$1.0 million over 2021 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, similar to 2021.

The 2022 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 2022 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:

2022 Budget Package including:

2022 Budget Executive Summary **(Distributed separately with Agenda)**

2022 Tax Supported Operating and Capital Budget

(Distributed separately with Agenda)

2022 Rate Supported Operating and Capital Budget

(Distributed separately with Agenda)

PREPARED BY: EMMA WESTOVER, DIRECTOR FINANCIAL SERVICES

THIS REPORT SIGNED AND VERIFIED BY:	DATE:
Linda Evans, GM Corporate Services & Long Term Care, City Treasurer	December 17, 2021

MEETING DATE 01/18/2022 (mm/dd/yyyy)

SUBJECT Memorandums Received Relative to Report R 1/2022

SUMMARY

Memorandum from Emma Westover, Director – Financial Services, dated December 20, 2021 attaching detailed agendas for January 18, 20, 26 and February 1, 2022 meetings, 2022 Budget Executive Summary, 2022 Tax Supported Operating and Capital Budget, and 2022 Rate Supported Operating & Capital Budget. **(Distributed separately on Monday, December 20, 2021)**

Memorandum from Emma Westover, Director – Financial Services, dated December 15, 2021 relative to 2022 estimated Reserves and Reserve Fund balances. **(Distributed separately on Monday, December 20, 2021)**

Memorandum from Emma Westover, dated January 4, 2022 attaching the 2022 Budget Community Handbook. **(Distributed separately on Monday, December 20, 2021)**

Confidential Memorandum from Kristie Sinclair, Accountant – Financial Services dated December 20, 2021 relative to Wage Contingency in 2022 Proposed Tax Supported Budget. **(Distributed separately to Members of Council and EMT on Monday, December 20, 2021)**



MEETING DATE 01/18/2022 (mm/dd/yyyy)

SUBJECT Resolution to Receive the Proposed 2022 Operating and Capital Budgets

SUMMARY

Resolution to Receive the Proposed 2022 Operating and Capital Budgets

RECOMMENDATION

WITH RESPECT to Report R 1/2022 (Corporate Services & Long-Term Care – Financial Services), we recommend that the proposed 2022 Operating and Capital budgets for tax and rate supported operations be received for the consideration of Committee of the Whole.

MEETING DATE 01/18/2022 (mm/dd/yyyy)

SUBJECT Budget Report R 1/2022 Resolution

SUMMARY

Resolution as contained in Report R 1/2022.

RECOMMENDATION

WITH RESPECT to Report R 1/2022 (Corporate Services and Long Term Care - Financial Services), we recommend that the proposed 2022 Operating and Capital budgets for tax and rate supported operations be received for consideration of Committee of the Whole;

AND THAT the 2022 General Municipal Tax Supported Operating Budget be approved at \$329,162,500 gross and \$248,155,100 net;

AND THAT the following Business Improvement Area levies be approved:

- | | | |
|----|----------------------------|-----------|
| 1. | Waterfront District B.I.A. | \$101,500 |
| 2. | Victoria Avenue B.I.A. | \$60,000; |

AND THAT the 2022 General Municipal Tax Supported Capital Budget be approved at \$121,069,700 gross with financing as follows:

Capital Financed by the Tax Levy (before EIRP and Debenture)	72,280,000	
Enhanced Infrastructure Renewal Program (EIRP)	8,440,600	
Less Debenture Debt	<u>(63,284,400)</u>	
Net Capital Financed by the Tax Levy		\$17,436,200
Debenture Debt (Annual)		\$7,284,400
Debenture Debt (Special – Police Building)		\$56,000,000
Reserve & Reserve Funds:		
Fifty-Five Plus Centre Endowment	25,000	
Capital General	3,310,000	
Capital Transit	35,200	
Corporate Information Technology	412,100	
Clean Green and Beautiful	220,000	
Corporate Energy Innovation	50,000	

Dedicated Gas Tax (Obligatory)	2,056,084	
Equipment Replacement	540,000	
EMS Vehicle & Equipment	855,000	
Canada Community Building Fund (Obligatory)	13,424,700	
Ontario Community Infrastructure Fund (OCIF)	5,816,100	
Recreation Trails	39,500	
Renew Thunder Bay	650,000	
		\$27,433,684
Subsidy:		
Disaster Mitigation & Adaptation Funding	767,000	
FedNor Grant	296,096	
Investing in Canada Infrastructure Program (ICIP) - Transit Stream	6,839,660	
Provincial Grants – Miscellaneous	792,004	
		\$8,694,760
Other Sources:		
Capital carry forward	85,000	
Recoveries and fees	2,549,300	
Canadian Tire Jump Start	750,000	
Other	<u>836,356</u>	<u>\$4,220,656</u>
Total 2022 Gross Tax Supported Capital Budget		<u>\$121,069,700</u>

AND THAT contributions to Capital reserve funds supported by the tax levy be approved at \$2,301,700;

AND THAT the 2022 Solid Waste (Landfill Operations) Operating Budget be approved at \$3,011,300 gross expenditure and \$1,239,500 net income, with a contribution to the Landfill reserve fund to result in \$0 net profit;

AND THAT the 2022 Solid Waste (Landfill Operations) Capital Budget be approved at \$460,900 gross, with the Landfill reserve fund as the source of financing;

AND THAT the 2022 Wastewater Operating Budget be approved at \$15,087,800 gross expenditure and \$6,296,800 net income, with a contribution to the Sewer Rate reserve fund to result in \$0 net profit;

AND THAT the 2022 Wastewater Capital Budget be approved at \$14,430,500 gross, with financing from the Sewer Rate reserve fund (\$5,922,500), debenture debt (\$8,000,000) and Disaster Mitigation & Adaptation grant funding (\$508,000);

AND THAT the 2022 Waterworks Operating Budget be approved at \$19,940,200 gross expenditure and \$8,033,300 net income, with a contribution to the Waterworks reserve fund to result in \$0 net profit;

AND THAT the 2022 Waterworks Capital Budget be approved at \$12,606,000 gross, with financing from the Waterworks reserve fund (\$8,406,000) and debenture debt (\$4,200,000);

AND THAT the 2022 Prince Arthur's Landing – Boater Services Operating Budget be approved at \$342,200 gross expenditure and \$92,600 net income, with a contribution to the Marina (Boater Services) reserve fund to result in \$0 net profit;

AND THAT the 2022 Prince Arthur's Landing – Boater Services Capital Budget be approved at \$360,000 gross, with financing from the Marina (Boater Services) reserve fund (\$60,000) and debenture debt (\$300,000);

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

1. Child Care –2.0-2.8% increase in fees;
2. Transit – \$2.50 increase to adult monthly pass fee, effective April 1, 2022;
3. Recreation & Culture – various user fee changes on average 2.8% increase;
4. Recreation & Culture – various new user fees such as advertising fees at arenas, new fitness and swim lesson, additional child care fees at Canada Games Complex (CGC) and new swim lane fees at CGC;
5. Supply Management – weigh scale fee increased by 1.1%;
6. Revenue – new user fees added for water final disconnection notice and water service representative property visit – no turn off fee;
7. Long Term Care and Senior Services – Jasper single tenant fee – per day to increase 6.0% and Jasper double tenant fee – per day to increase 6.4%;
8. Long Term Care and Senior Services – fees for extra tenant meals (per meal) to increase 9.8% and guest meals (per meal) to increase 9.0%;
9. Long Term Care and Senior Services – Meals on Wheels (per meal) fee to increase 10.3%;
10. City Solicitor & Corporate Counsel – Registrations fee to increase by 2.0%;
11. Planning – majority of user fees to increase by 2.0%;
12. Engineering – \$5 increase to multiple user fees including tender package, engineering development standards documentation, heavy/oversize load permits, driveway permit applications, and street closures application processing;
13. Engineering – Subdivision Agreement Review & Administration to Final Acceptance – Per Stage fee to increase by 2.0%;
14. Parks – fee for adult organized league activities (charge per team for season) – outdoor rinks to increase by 2.0%;
15. Parks – some cemetery and campground user fees to increase by approximately 2.8% on average;
16. Parks – some recreation facilities fees to increase by approximately 2.8% on average;
17. Parks – new user fees added for Pool 6 including cruise ship docking, passenger fees and miscellaneous services;

18. Parks – golf - various user fee increases, reduction of \$0.89 (16.8%) to pull cart (round) fee and removal of golf Season pass for adults and older adults double (Monday to Friday until 4:00pm) fee and removal and replacement of 9 and 18 Hole Golf Power Cart Fees (round) with Power Cart Trail Fee (round);
19. Solid Waste – Multi-residential and Commercial pickup fees to increase by \$0.50 per pickup;
20. Solid Waste – tonnage charge for loads over 120kg to increase by 3% from \$81.64 to \$84.09/tonne;
21. Solid Waste – Other user fees 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;
22. Parking Authority – parkade monthly rates will increase from \$62.50/month to \$65.00/month effective June 2022;
23. Waterworks fixed and volumetric charges to increase by 3.0% effective April 1, 2022;
24. Other Waterworks charges related to consumption and services to be increased by 3.0% effective April 1, 2022;
25. Wastewater surcharge to remain at 90% of water fixed and volumetric charges;
26. Wastewater – new user fee added for Emergency/After-Hours/Weekend/Holiday Laboratory Opening Fee based on cost recovery;
27. Prince Arthur's Landing – Boater Services fees to increase by 5% on average effective April 1, 2022;

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.