

2025 BUDGET

The Corporation of the City of Thunder Bay

Volume 1 – Budget Overview



Passed by Resolution December 9, 2024
and February 10, 2025

Land Acknowledgement

We respectfully acknowledge that the City of Thunder Bay is located on the ancestral lands of the Anishinaabeg (or Anishinaabe people) and traditional territory of the Ojibwa people of Fort William First Nation, signatories to the Robinson Superior Treaty of 1850, and original caretakers and stewards of this area. We honour their long-standing relationships with this land, which have sustained their cultures, ceremonies, and communities for generations.

We also recognize the contributions of a diversity of Indigenous peoples and communities, including Métis and Inuit, who now consider this land their home. The financial, cultural, and social contributions of all Indigenous peoples and communities in this area enrich and strengthen the fabric of Thunder Bay.

We remain committed to reconciliation by fostering meaningful relationships with Indigenous peoples, communities, and governments, while addressing the lasting impacts of historical and ongoing injustices. Together, we look toward a future built on respect, collaboration, and shared prosperity.

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MESSAGE FROM THE CITY MANAGER

His Worship Mayor Ken Boshcoff
Members of Council
Residents and Businesses of the City of Thunder Bay



It is my privilege to present the 2025 Operating and Capital Budget for the City of Thunder Bay. This budget reflects our unwavering commitment to meeting the mandate set by City Council while ensuring that our services remain robust, reliable, and responsive to the needs of our growing community.

In developing this budget, we have remained disciplined to Council's fiscal framework and maintained our focus on financial responsibility; while not compromising the quality of services relied upon by our residents and businesses alike. I am pleased to report that the 2025 budget does not include any significant reductions to existing services. It also prioritizes strategic investments in key areas that will support sustainable growth, enhance our quality of life, and strengthen Thunder Bay's position as a thriving and vibrant city.

The mandate recommended to, and approved by Council was to prepare a budget that saw a property tax rate increase of no more than a four-year rolling average of the Consumer Price Index (CPI). To calculate the average inflation based on CPI, we used the known figures for 2022 and 2023, the estimated figures for 2024 and the predictive figures for 2025. Our mandate therefore became a property tax rate increase of no more than 3.8%. I am very pleased to report that the municipal tax levy target increase in 2025 was achieved.

The 2025 budget also reflects our vision for growth. Strategic initiatives included in this plan aim to support economic development, modernize infrastructure, and create opportunities for our community. This budget reflects our collective priorities and a shared commitment to building a stronger, more prosperous Thunder Bay. I invite residents and businesses to engage by reviewing this document, sharing their thoughts, and joining us in shaping the future of our city.

Thank you for your continued understanding and support as we work together to make Thunder Bay an even better place to live, work, play, and grow.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Collin'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Collin
City Manager
City of Thunder Bay

2025 BUDGET OVERVIEW

The 2025 Operating and Capital Budget for the City of Thunder Bay advances the 2023 – 2027 *Maamawe, Growing Together Strategic Plan*, fostering an inclusive city focused on service excellence, collaboration, and providing opportunities for a high quality of life. The City of Thunder Bay values accountability, transparency, and inclusiveness in its budget process. The budget has been developed to efficiently allocate the City’s financial, technological, and human resources to deliver key services in the City of Thunder Bay.

The City's 2025 Council-approved budget mandate aimed to limit the municipal tax levy increase to no more than 3.8% before growth for programs and services within the City's direct control. The budget mandate also sought to limit the increase to personnel services (excluding Workplace Safety and Insurance Board) to 1%.

To compensate for inflationary cost pressures and deliver a responsible budget within the mandate, mitigation strategies were considered and implemented where appropriate. The strategies included line-by-line reviews, project prioritization, and opportunities to increase revenues. Through effective collaboration and accountability, Administration successfully met both targets.

The City is also responsible for funding its Agencies, Boards, and Commissions (ABCs) as part of the annual budgeting process. At Council’s direction, the ABCs were asked to align their 2025 budgets with the 3.8% target; however, most budget submissions exceeded this level. In total, the ABC budget submissions were \$1.0M higher than the City’s budget mandate. However, a significant increase in the Ontario Municipal Partnership Fund enabled the overages from the ABCs to be absorbed and allowed for additional enhancements in the 2025 Budget.

Overall, the City of Thunder Bay 2025 Operating and Capital Budget includes total gross spending of \$611.4 million, an increase of \$77.1 million or 14.4% compared to the previous year.

Operating Expenditures	2024 Budget \$	2025 Budget \$	Change	
			\$	%
Tax-Supported – Operating	369,598,000	385,052,500	15,454,500	4.2%
Tax-Supported – Capital	76,972,900	119,572,500	42,599,600	55.3%
Total Tax-Supported	446,570,900	504,625,000	58,054,100	13.0%
Rate-Supported – Operating	61,435,900	63,787,100	2,351,200	3.8%
Rate-Supported – Capital	26,263,400	42,949,600	16,686,200	63.5%
Total Rate-Supported	87,699,300	106,736,700	19,037,400	21.7%
Total Budget	534,270,200	611,361,700	77,091,500	14.4%

Tax-Supported Budget

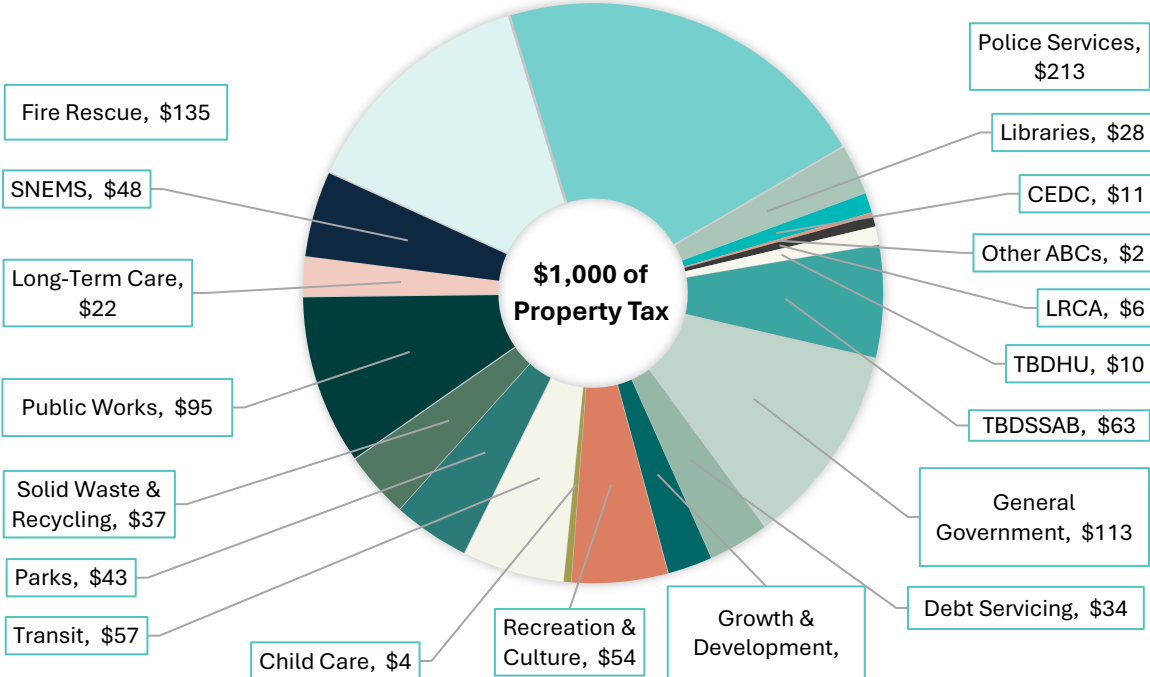
The 2025 Tax-Supported Operating and Capital Budget totals \$504.6 million. The municipal tax levy required to fund the budget is \$240.0 million, an increase of \$8.7 million or **3.8%** compared to the previous year.

Tax-Supported Expenditures	2024 Budget \$	2025 Budget \$	Change	
			\$	%
Tax-Supported Operating Expenditures	369,598,000	385,052,500	15,454,500	4.2%
Non-Tax Levy Operating Revenue	159,997,100	167,682,100	7,685,000	4.8%
Municipal Tax Levy – Operating	209,600,900	217,370,400	7,769,500	3.7%
Tax-Supported Capital Expenditures	76,972,900	119,572,500	42,599,600	55.3%
Non-Tax Levy Financing	55,287,800	96,929,900	41,642,100	75.3%
Municipal Tax Levy – Capital	21,685,100	22,642,600	957,500	4.4%
Municipal Tax Levy - Total	231,286,000	240,013,000	8,727,000	3.8%
Assessment Growth		1,693,400		
Total Municipal Taxes to be Raised - Operating		241,706,400		

The total Municipal Taxes to be Raised in 2025 for the Operating and Capital Budget, including Assessment Growth, is \$241,706,400. Assessment Growth refers to the additional property taxes that will be collected from new and/or expanded homes and businesses. It is the net increase in assessment attributable to new construction less adjustments resulting from assessment appeals and property tax classification changes. The 2025 Budget allocates Assessment Growth into the Assessment Growth Reserve Fund to be invested in future growth-related activities.

Every day, residents and businesses use city services and see tax dollars at work. Each time 911 is dialled, your garbage is collected, roads and sidewalks are plowed, or you take the bus to work, you are witnessing tax dollars at work. The chart below provides a detailed breakdown of how each \$1,000 in property taxes is distributed to fund a variety of essential municipal services.

HOW YOUR PROPERTY TAXES ARE SPENT



Rate-Supported Budget

Rate-supported programs include Solid Waste (Landfill), Waterworks, Wastewater (Sewer), Prince Arthur’s Landing – Boater Services, and Municipal Parking Services.

The water rate increase in 2025 of 3.0% follows the long-term Water Authority Financial Plan, updated in 2024. The Financial Plan maintains the City’s water rates at affordable levels overall and provides a sustainable water system that will deliver safe drinking water today and into the future. Wastewater surcharges will remain at 90% of the total water fixed rate and volumetric charge consistent with the Wastewater System 20-Year Financial Plan updated in 2022.

Thunder Bay water and wastewater rates remain affordable. For the average Thunder Bay household consuming 200 cubic meters of water in a year, the total cost for water and wastewater would be about \$1,437 for 2025, or approximately 1.5% of the median household income. The industry standard suggests that rates are considered affordable when a combined water/sewer bill is no more than 4.5% of median household income. The average household would pay less than \$4 per day for water and sewer services.

Average Residential Household – Consumption @ 200 m ³ Per Year					
Program		2024 \$	2025 \$	Average Annual Increase \$	Average Cost Per Day \$
Waterworks	Fixed Rate (\$/year)	333.61	343.83	10.22	0.94
	Volumetric (\$/200 m ³)	400.40	412.40	12.00	1.13
	Total Water	734.01	756.23	22.22	2.07
Wastewater	90% Sewer Surcharge	660.61	680.61	20.00	1.86
Total Water and Wastewater		1,394.62	1,436.84	42.22	3.93

Staffing

The staffing resources required to deliver the services outlined in the 2025 Budget are summarized below (excluding ABC staffing resources). The full-time equivalent (FTE) staff complement in the 2025 budget is 1,844.6, a net increase of 24.7 FTEs compared to the 2024 approved budget. The budget reflects the 2024 corporate reorganization which established the Growth Department. Other staff expansions in 2025 are, for the most part, fully funded by grants, additional revenue generation, reserves and reserve funds, or offset by other FTE reductions.

Department	2024 FTEs	2025 FTEs	Increase/ (Decrease)
Mayor’s Office	2.0	2.0	-
City Manager’s Department	63.4	65.5	2.1
Corporate Services Department – Tax	131.1	130.2	(0.9)
Corporate Services Department – Rate	8.5	8.5	-
Community Services Department	876.7	887.2	10.5
Growth Department	57.5	64.5	7.0
Infrastructure & Operations Department – Tax	533.8	536.7	2.9
Infrastructure & Operations Department – Rate	146.9	150.0	3.1
Total	1,819.9	1,844.6	24.7

THE CITY AT A GLANCE

Situated on the northern shores of Lake Superior, the City of Thunder Bay is the largest urban center in the region and a vital gateway connecting communities across Ontario and Canada. Thunder Bay boasts a rich blend of industries, including manufacturing, health care, education, and natural resources. Its strategic location, reliable infrastructure, and skilled workforce make it a critical node for regional commerce and trade.

Whether providing essential services, fostering economic development, or acting as a gathering place for residents and visitors, Thunder Bay's role as a regional hub ensures a strong foundation for the prosperity and resilience of the City.

Economic Context

Thunder Bay's economic outlook in 2025 reflects both challenges and opportunities, but there are encouraging signs of resilience and growth. Construction output is forecasted to end 2024 up 4.4% and to increase another 8.6 % in 2025. The Conference Board of Canada expects retail sales growth to be 0.9% in 2024, then rise 2.7% in 2025, and advance 1.8% annually in 2026-2028.

The local Gross Domestic Product (GDP) is projected to grow by 0.2% in 2024, building on the 0.1% increase in 2023. This modest but steady growth underscores Thunder Bay's ability to adapt and leverage its strategic strengths in the face of shifting economic conditions. Despite the challenges of the post-pandemic recovery, the forecast from the Conference Board of Canada is positive as the expectation is that the local GDP will grow 2.0% in 2025.

Population

Net migration continues to lift Thunder Bay's population; according to the Conference Board of Canada, net in-migration will lift Thunder Bay's population for a third consecutive year. According to the North Superior Workforce Planning Board, the working age population is projected to decrease by 6.1% over the next ten years (2025-2035), leaving fewer people working. In-migration is vital to support the local economy.

The Ontario Ministry of Finance forecasts a 2.2% increase to the population in 2024, and a further 0.8% increase in 2025. If local housing starts continue to accelerate, and the housing market continues to be more affordable than others parts of the province, it may incentivize more international immigrants to locate to and remain in the community.

Employment

In November 2024, the unemployment rate for the Thunder Bay census metropolitan area was 5.3%, compared to the province at 7.6%. Employment continues to rise, with 65,000 workers employed in November 2024. A number of sectors in Thunder Bay have experienced job losses in 2024, but are expected to recover in 2025, especially in health care and social services sectors. The Conference Board of Canada expects total employment to fall by 260 jobs or 0.4 % in 2024 but to recover these losses with an 1,100-person (1.8%) jump in 2025.

City Council

The City of Thunder Bay is governed by an elected City Council of 13 members: The Mayor and 12 Councillors, who serve a four-year term. The City's five At Large Councillors and seven Ward Councillors represent all citizens in the City of Thunder Bay.

- Mayor Ken Boshcoff
- Councillor Rajni Agarwal - At Large
- Councillor Albert Aiello - McIntyre Ward
- Councillor Mark Bentz - At Large
- Councillor Shelby Ch'ng - At Large
- Councillor Kasey Etrene - At Large
- Councillor Andrew Foulds - Current River Ward
- Councillor Trevor Giertuga - At Large
- Councillor Brian Hamilton - McKellar Ward
- Councillor Greg Johnsen - Neebing Ward
- Councillor Kristen Oliver - Westfort Ward
- Councillor Dominic Pasqualino - Northwood Ward
- Councillor Michael Zussino - Red River Ward

Executive Leadership Team

The Executive Leadership Team (ELT) provides corporate strategic management, directs efforts to achieve organization goals, and makes overall decisions for the Corporation in support of service excellence, City Council's goals and direction, and for the benefit of the City's employees.

- | | |
|---|-----------------|
| • City Manager | John Collin |
| • Commissioner, Community Services | Kelly Robertson |
| • Commissioner, Corporate Services & City Treasurer | Keri Greaves |
| • Commissioner, Growth | Kerri Marshall |
| • Commissioner, Infrastructure & Operations | Kayla Dixon |
| • City Solicitor | Patty Robinet |
| • Director, Human Resources | Karie Ortgiese |
| • Director, Legislative Services & City Clerk | Krista Power |
| • Director, Strategy & Engagement | Cynthia Olsen |

Our Vision: Maamawe, Growing Together

All together (Maamawe), Thunder Bay will foster an inclusive city focused on service excellence and collaboration, and provide opportunities for a high quality of life. We embrace and celebrate our diversity, which makes our community a vibrant and dynamic place to live and prosper.



Our Values

- Accountability
- Continuous Improvement
- Teamwork
- Respect

A.C.T. with Respect

Our Promise

We will improve the quality of life for people in Thunder Bay through tangible gains in: Truth & Reconciliation, Safety & Well-being, Growth, and Sustainability.

Strategic Plan

The 2025 Budget aligns with the overarching vision of the *Maamawe – Growing Together Strategic Plan*, which focuses on collaboration and inclusivity to advance Thunder Bay's progress. This approach ensures meaningful outcomes across all strategic priorities.

Maamawe – All Together

The 2025 Budget underscores the City's dedication to reconciliation by prioritizing investments in programs and projects that empower and support Indigenous communities, fostering meaningful partnerships and progress toward shared goals.

Goals:

1. Strengthen the City's relationships with Indigenous communities, leaders and organizations to advance Truth & Reconciliation priorities together.
2. Enhance the integration of Indigenous perspectives in City services, programs, and places.
3. Foster an inclusive, diverse, and equitable community and workplace.

Safety & Well-being

Enhancing community safety and well-being is a critical focus of the 2025 Budget. Resources are allocated to improving public spaces, advancing crime prevention strategies, and delivering community health initiatives. By creating a safer and more accessible environment, the city aims to promote a higher quality of life for all residents, as envisioned in the Strategic Plan.

Goals:

1. Improve access to supports for priority populations to narrow gaps in equity.
2. Enhance safety and well-being at the community level through climate action and environmental design.
3. Strengthen connection and engagement of community through strong neighborhoods and Indigenized spaces.

Growth

The 2025 Budget drives economic growth by supporting housing development, urban infrastructure, and policies that encourage business investment. These priorities reflect Thunder Bay's role as a regional hub for education, healthcare, and innovation. The investments also support the Strategic Plan's goals of fostering sustainable urban density and economic diversification.

Goals:

1. Collaboratively create an attractive and supportive environment where people and businesses can flourish.
2. Support urban density through complete, compact, and walkable development.
3. Make it easier to access City services.

Sustainability

Sustainability is embedded throughout the 2025 Budget, with a focus on green infrastructure, renewable energy, and climate resilience. Aligned with the Net-Zero Strategy, these initiatives aim to reduce the City's environmental footprint while promoting economic and social stability. The City's investment ensures a balance between growth and environmental stewardship, fulfilling the Strategic Plan's commitment to long-term resilience.

Goals:

1. Respond to the climate emergency through decisive action.
2. Plan and deliver financially sustainable and cost-effective services.

BUDGET FRAMEWORK

The City of Thunder Bay Operating Budget serves as a financial roadmap, guiding the delivery of essential municipal services and initiatives that enhance the quality of life for residents. It reflects the City's commitment to fiscal responsibility, strategic planning, and community well-being. The 2025 Operating Budget outlines how public funds will be allocated to maintain existing services, meet evolving community needs, and invest in the City's future.

Financial Management

The City employs robust internal controls to support effective financial management, ensure the accuracy and relevance of financial information, and safeguard municipal assets. Key financial policies and by-laws include:

Budget Process Policy 05-02-01: To establish the component processes of the annual budget process and assign responsibility for the tasks related to the preparation, approval and administration of the annual budget.

Budget Public Consultation Policy 05-02-05: To ensure that opportunities are provided for a consistent, standardized and meaningful public consultation process as part of the annual budget process.

User Fee Framework Policy 05-06-01: To ensure consistency across the Corporation with respect to the calculation of user fees.

Mill Rates Policy 05-05-02: To provide for the payment of taxes levied and to be levied.

Reserve and Reserve Fund Policy 05-01-08: To establish guiding principles for the establishment, maintenance, management and accounting of Reserves and Reserve Funds.

Reserve Fund By-law 220-2023: To consolidate and provide for the establishment of and maintenance of all Reserve Funds of The Corporation of the City of Thunder Bay

Capital Financing and Debt Policy 05-01-12: To ensure that all statutory requirements with respect to incurring debt for capital purposes and the issuance of debentures and prescribed financial instruments for or in relation to the debt are complied with.

Tangible Capital Asset Policy 05-01-15: To ensure that all statutory requirements with respect to the accounting for and reporting of tangible capital and infrastructure assets are fulfilled.

Investment Policy 05-01-04: To summarize and define the investment objectives, risk tolerance and liquidity needs and investment horizon for the City's investment portfolio.

Supply Management By-law 359-2024: To govern the way the Corporation purchases goods, services and construction.

Travel Expenses Policy 05-01-10: To define regulations for the authorization, payment and reimbursement of travel claims.

Mileage Rates (Car Allowance) Policy 05-01-05: To establish appropriate compensation for employees who are required to use their vehicles for City business.

Budget Process

The municipal budget process relies on the collaboration between City Council, Administration, and the Public:

City Council

City Council plays a critical role in ensuring sound financial management and governance for the municipality. Its responsibilities in the budget process include:

1. **Approval of Financial Governance Policies:** Council is responsible for endorsing corporate policies and procedures that guide planning, budgeting, and financial oversight. These frameworks ensure accountability, transparency, and alignment with strategic objectives.
2. **Review and Approval of Budgets:** Council reviews and approves the annual operating and capital budget estimates for all municipal departments, agencies, boards, and commissions under its jurisdiction. This includes evaluating proposals to ensure they align with Council-approved service levels, community priorities, and fiscal sustainability.

These responsibilities underscore Council's role in maintaining the financial health of the municipality while supporting strategic service delivery and infrastructure investments.

Administration

Administration is responsible for ensuring the preparation and effective management of the municipal budget. Key responsibilities include:

1. **Policy Development and Oversight:** Administration is responsible for developing and maintaining robust policies and procedures for planning, budgeting, and financial control. These frameworks provide the foundation for sound financial governance and ensure alignment with the municipality's strategic priorities.
2. **Budget Preparation:** Administration prepares annual operating and capital budgets for departments and agencies, adhering to the guidelines, instructions, and policies outlined in the City of Thunder Bay Budget Manual. This process ensures the budgets are comprehensive, compliant, and reflective of the City's fiscal objectives.
3. **Ensuring Cost Effectiveness and Efficiency:** Administration is committed to maximizing cost-effectiveness and efficiency in all budget proposals submitted to City Council. This includes critically evaluating and refining submissions to ensure the best use of municipal resources.
4. **Budget Review with City Council:** Administration reviews operating and capital budget decision packages with City Council, facilitating informed discussions and ensuring that proposals meet strategic and operational needs.

Budgets are monitored throughout the year. Administration presents City Council with financial status updates on a quarterly basis. These reports include the projected financial position to the end of the fiscal year.

Public Engagement

Effective public engagement is an important element of the City of Thunder Bay's budget process. The City is committed to fostering transparency and accountability by involving residents and stakeholders in the decision-making process. A pre-budget survey conducted in May 2024 highlighted the public's preferred engagement methods, with a strong preference for a budget survey and open-house sessions. Key public engagement activities for the 2025 Budget include:

1. **Public Survey:** A public survey conducted once the budget is made public, enabling residents to share their input on budget priorities. The survey results are shared with Council during budget deliberations.
2. **Informal Q&A Sessions:** Informal Question & Answer sessions will be held the week before budget deliberations. These sessions provide opportunity for both the public and Council to engage with Administration, discuss concerns, and ask questions about the budget.

Through these activities, the City ensures that budget decisions are informed by public input.

Agencies, Boards, and Commissions

City Council is responsible for funding the budgets of its Agencies, Boards, and Commissions (ABCs) which include:

- Community Economic Development Commission (CEDC)
- Thunder Bay Public Library (TBPL)
- Thunder Bay Police Service (TBPS)
- Victoriaville Centre
- Victoria Avenue Business Improvement Area
- Waterfront District Business Improvement Area.

City Council is also required to pay legislated levies as determined by the:

- District of Thunder Bay Social Services Administration Board (TBDSSAB)
- Lakehead Region Conservation Authority (LRCA)
- Thunder Bay District Health Unit (TBDHU).

Budget Basis of Presentation

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. The annual operating and capital budgets outline the spending required to deliver municipal services and identify the sources of revenue needed to fund them. Revenues are recognized when they are earned, while expenditures are accounted for in the period they are expected to be incurred.

The operating budget funds the day-to-day operations of the City. It is tracked in the operating fund and is comprised of transactions relating to operational revenues and expenditures.

The capital budget is tracked in the capital fund and is comprised of revenues and expenditures relating to capital projects, as approved in the capital budget. These accounts are maintained until projects are complete, which can span multiple years.

The City prepares budgets for its operating and capital funds using a modified accrual basis of accounting which combines aspects of both cash basis and accrual basis of accounting. In contrast, the audited financial statements are prepared under the accrual basis of accounting and Public Sector Accounting Standards (PSAS).

There are significant differences between the two reporting methods due to the treatment of employee obligations and other liabilities, reserve and reserve fund transactions, and tangible capital assets.

A detailed reconciliation of the 2025 Budget presented below and the 2025 Budget to be presented in the annual Consolidated Financial Statement is provided as follows:

- Post-employment benefit expenses (\$ 3,064,200)
 - Solid waste landfill closure and post-closure expenses \$ 797,400
 - Acquisition/Amortization of tangible capital assets (net) \$63,669,200
- \$61,402,400**

AA+ Credit Rating

In the spring of 2024, Standard & Poor' (S&P) Global Ratings reaffirmed the City of Thunder Bay's credit rating of AA+ with a stable outlook for the third year in a row. The credit rating is an independent third-party assessment of the City's financial health based on several factors:

Key Rating Factors	Score
Institutional Framework	1
Economy	2
Financial Management	3
Budgetary Performance	1
Liquidity	1
Debt Burden	1
Issuer Credit Rating	AA+/Stable



According to the credit rating report, Financial Management is the area in which the City has the greatest opportunity to improve. In response, the City is committed to making financial management a key focus for 2025 and beyond. This will include the introduction of a multi-year capital budget for 2026/27 to better align funding with long-term infrastructure needs. Additionally, the City will develop a comprehensive long-term financial plan which will serve as a roadmap to align resources with strategic priorities and ensure long-term financial sustainability.

2025 Budget Mandate

Each year, Administration recommends to Council, a target municipal tax levy increase based on thorough analysis of cost pressures and trends. For the 2025 Budget, Administration identified cost pressures including:

- Wages and Benefits (Inflationary) \$ 5.6 million
- Materials and Services (Inflationary) \$ 1.2 million
- Council Directed/Approved Initiative \$ 1.5 million
- Expansions for Programs/Services \$ 1.7 million
- Net Increase to Capital / Debt Servicing \$ 1.0 million
- User Fee Increases (\$ 1.3 million)
- **Total Budget Pressures (Within City Control) \$ 9.7 million or 6.9%.**

These cost increases could result in a tax levy of 6.9%, more than 3.5x the projected 2025 Consumer Price Index (CPI) of 1.9%.

The average municipal tax levy increase over the past 10 years has been 3.5% before growth compared to the average annual CPI of 2.6%. Although the goods and services that a municipality consumes are not the same as the basket of goods used to calculate the CPI, the residents and businesses of the City are directly impacted by these inflationary pressures. Municipal tax levy increases that consistently outpace the CPI, without the benefit of substantial growth, are not financially sustainable in the long-term.

To maximize stability from year-to-year, Administration recommended that future municipal tax levies before growth be limited to the rolling 4-year average of CPI (Canada):

- 2022: 6.8% actual
- 2023: 3.9% actual
- 2024: 2.6% estimated
- 2025: 1.9% projected → rolling 4-year average 3.8%
- 2026: 1.9% projected → rolling 4-year average 2.6%.

Employing a 4-year average CPI for the 2025 budget year, Administration recommended the 2025 municipal tax levy mandate be set at no more than 3.8% before growth, with a preliminary target for 2026 of 2.6%.

In addition, the mandate limits personnel services increases in 2025, with the exception of Workplace Safety and Insurance Board (WSIB) costs, to 1%.

City Council approved the 2025 budget mandate.

UNDERSTANDING HOW OUR CITY IS FUNDED

Municipalities have limited avenues to generate revenue, relying primarily on property taxes, user fees, and transfers from other levels of government to fund essential services and infrastructure. This challenging financial landscape requires municipalities to carefully manage resources while responding to local needs and emerging challenges such as climate adaptation, public safety, and unexpected expenses.

Property Tax

Property taxes are the primary revenue source for municipalities, providing the majority of funding needed to deliver essential services and maintain infrastructure. These taxes are levied on residential, commercial, and industrial properties based on their assessed value, and they are a stable and predictable form of revenue for local governments.

Payments in Lieu of Taxes

Payment in Lieu of Taxes (PILT) refers to payments made to municipalities by universities, colleges, hospitals, federal or provincial governments, or other tax-exempt entities in place of property taxes that would otherwise be levied on their properties. PILT serves as compensation to municipalities for the services they provide to these government properties, such as infrastructure maintenance, fire protection, and policing.

Supplementary Taxes

A supplementary tax bill is issued for various scenarios, such as when a house has been newly built on land that had been assessed as vacant; a new building has been constructed on a business property; or the use of a property has changed resulting in a change in tax class.

Grants

The Ontario Municipal Partnership Fund (OMPF) is the Province's main general assistance grant to municipalities. The program primarily supports small, northern and rural municipalities across the province. Its objectives are to:

- recognize the challenges of small, northern and rural municipalities, while targeting funding to those with more challenging fiscal circumstances
- support areas with limited property assessment
- assist municipalities that are adjusting to year-over-year funding changes.

The Province is increasing the level of OMPF over the next 2 years (2025 & 2026) to assist municipalities in providing critical municipal services to people across the province. The City will receive an increase of \$3.3 million or 15.6% in 2025.

The City also receives Provincial/Federal Grants specific to Long-Term Care, Transit Services, Superior North EMS, and other programs and services.

The City actively seeks government grants and funding opportunities to support local projects and enhance community services.

User Fees and Other Revenue Streams

User fees are charged to individuals who use fee-based programs and services provided by the City, regardless of their status as taxpayers. These fees are typically applied when the services benefit specific individuals rather than the community as a whole. Examples of user fees include transit fares, recreation program fees, landfill tipping fees, water and wastewater user rates. Revenue projections for user fees are determined through historical trends, market analysis, and adjustments to fee structures.

The City also generates revenue through licensing and permits, fines, penalties and interest, donations, and earns investment income.

Debt

Long-term debt is a critical component of the City's long-term capital financing strategy. The City employs 2 methods to borrow for its capital program:

Debentures: Infrastructure Ontario (IO) has established a lending program for municipalities and other public sector organizations to access financing for capital programs at competitive interest rates and predictable repayment schedules. Once the capital projects are complete, the City applies to IO for financing and issues a Debenture(s), which IO purchases to provide the required funding.

Internal Loans: Funds may be borrowed from the City's own reserves and reserve funds, allowing for flexibility and reduced reliance on external borrowing. Interest is charged at 0.5% above the average investment rate in the year the loan is issued.

The City has a Capital Financing and Debt Policy (#05-01-12) and Debt Management Strategy designed to ensure responsible borrowing and fiscal sustainability. The primary objectives, in priority order, are:

- Adhere to statutory requirements
- Ensure long-term financial flexibility and sustainability
- Limit financial risk exposure
- Minimize long-term cost of financing
- Match the term of the capital financing to the useful life of the related asset and
- Maintain a superior credit rating.

The Debt Management Strategy limits annual debt repayments as a percentage of net own source revenues (Debt Service Ratio (DSR)).

	2025 Budget		Maximum	
	Debt Payment \$	DSR	Debt Payment \$	DSR
Tax-Supported	10,875,500	4.1%	19,492,700	7.5%
Rate-Supported: Waterworks	8,674,200	24.0%	9,388,300	26.0%
Rate-Supported: Wastewater	6,842,800	23.5%	8,726,400	30.0%
Rate-Supported: Solid Waste (Landfill)	1,186,500	20.4%	932,000	16.0%

On a consolidated basis, the Debt Management Strategy also limits total annual debt repayments (including Tbaytel) to no more than 10% of the City's annual net revenue; a threshold well below the provincially mandated maximum of 25%. Currently, the City allocates about 5.6% of its net revenue toward debt repayment, reflecting a cautious and disciplined approach to borrowing. This approach supports the City's commitment to sound financial management while maintaining flexibility for future investments.

The outstanding debentures and internal loans, along with the projected 2025 debt repayments (principal and interest) are presented in Volume 2 - Appendix 1.

Reserves and Reserve Funds

The establishment and use of reserve and reserve funds is an essential part of the City's long-term financial planning. These funds, built up over time through prudent financial management, allow the City to address both planned and unforeseen needs without relying on increased taxes or new debt. The primary objectives of reserves and reserve funds are:

- Adherence to statutory requirements
- Promotion of financial stability and flexibility
- Provision for major capital expenditures
- Smooth expenditures which would otherwise cause fluctuation in the operating budget
- Facilitate long-term financial planning; and/or
- Leverage funding opportunities.

The City continues to maintain healthy reserves and reserve funds. Planned usage in the 2025 Operating Budget is summarized in Volume 2 - Appendix 2.

GLOSSARY

This glossary outlines common terms found throughout the City Budget process.

Actual vs. Budget

Difference between the real revenues and expenditures incurred by the end of the fiscal year (actual) and the amount of anticipated revenues and expenditures at the beginning of the fiscal year (budget).

Affordability Measures

Actions taken by the City to ensure the budget remains fiscally responsible; including cost-saving initiatives, revenue generation strategies, and measures to minimize financial impacts.

Assessment

The value of a property as determined by the Municipal Property Assessment Corporation.

Assessment Growth

The additional property taxes that will be collected from new and/or expanded homes and businesses. It is the net increase in assessment attributable to new construction less adjustments resulting from assessment appeals and property tax classification changes.

Asset

Infrastructure such as roads, vehicles/equipment, parks, sidewalks, trails, streetlights, playgrounds and buildings.

Capital Budget

The City's plan to purchase, build, maintain, repair and replace assets. Capital budget can also include budgets for projects that span multiple years.

Capital Financed by the Tax Levy

The portion of the Capital Budget that is paid for by property taxes as opposed to grants, debt, transfers from reserves, or other funding sources.

Debenture

A type of long-term loan used to finance major capital projects. The debt, including interest, is typically repayable over 10 to 25 years. Debenture debt spreads the project costs over a number of years and ensures that future taxpayers/ratepayers pay their fair share of capital projects being completed today.

Debt

An amount of money that is borrowed to fund infrastructure and other capital projects. It is a liability that must be repaid over time with interest.

Education Tax

A tax collected as part of the property tax, that is used to fund the cost of elementary and secondary school education. The Ontario Ministry of Finance sets the education rates for all property classes annually and the municipality forwards the education taxes levied to applicable school boards using a formula established by the province.

Expansion

An increase in budgeted staffing or service levels not related to a one-time item.

Expenditure

Spending or outflow of funds to acquire goods, services, or assets or to fulfill a financial obligation. It represents the allocation of resources to support operations, programs, and capital investments.

External Financing

Financing from sources external to the City, such as provincial or federal grants.

Fiscal Year

The period designated by the City for the beginning and ending of financial transactions. The fiscal year for the City of Thunder Bay begins January 1 and ends December 31.

Full-Time Equivalent (FTE)

An employee works 1820 hours a year if they work a full-time job. This is used to convert the hours worked by several part-time employees into the hours worked by full-time employees. When a business employs a significant number of part-time staff, it can be useful to convert their hours worked into full time equivalents, to see how many full-time staff they equate to.

Gross Operating Budget

Total expenditures (e.g. wages/benefits, supplies, contracted services, utilities, debt repayments etc.) required to deliver day-to-day City services.

Inflationary Changes

Increases to expenses (and revenues) due to the rising cost of materials or services.

Infrastructure

Facilities that support a community; including roads, water lines, sewers, public buildings, parks, etc.

Infrastructure Gap / Annual Infrastructure Deficit

The amount of capital that remains unfunded when comparing the required funding and planned capital budget.

Inter-functional Transfers and Recoveries

The reallocation of costs between different Divisions for services provided by one Division to support the operations of another. The Transfer/Recovery process ensures that the costs of shared or support services are accurately accounted for and charged to the appropriate Divisions that benefit from those services, including Rate-Supported programs.

Internal Loans

Funds borrowed from the City's own reserves and reserve funds for capital projects.

Materials

Costs associated with goods, supplies, and consumables required for the delivery of municipal services and operations. These include a wide range of items, like business supplies, asphalt, road salt, postage, fertilizer, food supplies, insurance premiums, etc.

Municipal Tax Levy

The total amount of property taxes that a municipality needs to collect from taxpayers to fund its budgeted expenditures after accounting for all other revenue sources, such as grants, user fees, and reserve funds.

Net Operating Budget

Expenditures required to deliver day to day City services less certain revenues received by the City (e.g. user fees, specific grants, building permit fees etc.) and transfers to/from reserve funds.

One-Time Items

Budgeted expenses and revenues that are temporary in nature (e.g. pilot program, one time grant).

Personnel Services

Expenses relating to employees, including wages, benefits, training, and protective equipment. WSIB costs are also captured in this section.

Property Class

A category assigned to each type of use that occurs on a property. Descriptions are set out in provincial legislation to identify the criteria for residential, new multi-residential, multi-residential, commercial, industrial, pipeline, farm, and managed forests property classes. A municipality may adopt optional classes (office building, shopping centre, parking lots and vacant land, residual commercial, large industrial, professional sports facility and resort condominiums) by by-law. Thunder Bay currently has adopted the New Multi-Residential and Large Industrial property classes.

Property Tax

Property taxes are the primary revenue source for municipalities, providing the majority of funding needed to deliver essential services and maintain infrastructure. These taxes are levied on residential, commercial, and industrial properties based on their assessed value, and they are a stable and predictable form of revenue for local governments

Purchased Services

Expenses relating to services that are not directly delivered by the City. These include services like professional fees, contractor costs, and consultant fees.

Rate Supported Budget

The portion of the City's budget that is fully funded by fees that are only applied to the users of the service. These rates are separate from the property tax bills. The rate supported budget includes Waterworks, Wastewater, Solid Waste (Landfill), Prince Arthur's Landing – Boater Services, and Parking.

Reduction

A decrease in budgeted staffing levels or service not related to a previous one-time item.

Rents and Financial Expenses

Expenses for facility and equipment rentals, banking, audit and other financial fees.

Reserves/Reserve Funds

Monies set aside for specific purposes, including both operating and capital budget items. There are two types of reserve/reserve funds:

- Statutory/Obligatory – municipalities are required by legislation to establish certain reserve funds (e.g. Canada-Community Building Fund)
- Discretionary – can be established by City Council for a specific purpose (e.g. Tax Assessment Appeals, Recreation Trails).

Revenue

The funds collected or earned by the municipality to finance its operations, services, and infrastructure.

Service Enhancements

Increases or additions to services provided by the City.

Special Service Area Tax Rates (or Urban Service Area Tax Rates)

A tax rate associated with a service or activity of the municipality that is not being provided or undertaken generally throughout the municipality or is being provided or undertaken at different levels or in a different manner in different parts of the municipality. The City has a special area rate for garbage, public transportation (transit), sewage and drainage (storm water), and street lighting.

Tax Ratios

The relationship between the municipal tax rate for the residential class and the tax rates for other property classes. The residential class is the basis for comparison for other classes, so its tax ratio is always 1.0. If the tax ratio for another class has a value of 2.0, the tax rate for that class when measured against the residential rate is two times more. Municipal Councils can change tax ratios to some extent within parameters established by the province.

Tax Supported Budget

The portion of the City's budget which is funded through property taxes and funds a variety of services that contribute to the health, safety and quality of life in the City of Thunder Bay such as:

- Roads
- Parks & Open Spaces
- Emergency Services (Thunder Bay Police, Thunder Bay Fire Rescue, Superior North Emergency Medical Service)
- Recreation and Culture
- Planning Services
- Pioneer Ridge, Long Term Care and Senior Services

Threshold Ratios

In 2001, the Province introduced "threshold ratios" for Multi-Residential, Commercial, and Industrial property classes. If the commercial or industrial tax ratio is above the threshold ratio, only 50% of the property classes' share of the general municipal levy increase can be passed on to that class. The other property classes must assume the remaining 50% of the tax increase that is not permitted to flow through. If the multi-residential tax ratio is above the threshold ratio, a full 100% levy increase restriction applies. This restriction does not apply to urban/special service levy increases.

User Fee

A sum of money paid for a service, like paying to swim at the pool, or to golf at a golf course.

User Fee Changes

Portion of budgeted revenues that relate to a change to the rate of a user fee (not related to change in consumption/up-take of user fee).

Vacancy

The period during which a position remains unfilled, typically resulting from resignations, retirements, unpaid leaves, or the creation of new roles.