

City Council Report

REPORT NUMBER 026-2026-Corporate Services-Finance

DATE

PREPARED

December 19, 2025

FILE

**CITY COUNCIL
MEETING DATE**

January 13, 2026

SUBJECT

Tbaytel Dividend Model

RECOMMENDATION TO CITY COUNCIL

WITH RESPECT to Report 026-2026-Corporate Services-Finance, we recommend that the revised Tbaytel Dividend Policy as contained within this report and encompassing three major elements (a Fixed Annual Dividend, a Performance Dividend and a Special Dividend) be approved;

AND THAT the Dividend Policy continue to serve as a direction to the Tbaytel Municipal Services Board for purposes of payment of future dividends to the City of Thunder Bay;

AND THAT a review of the Tbaytel Dividend policy be undertaken every two years;

AND THAT the next review occurs in conjunction with the 2027 Third Quarter update from Tbaytel;

AND THAT the Fixed Annual Dividend of \$21.0 million (2026) and \$22.0 million (2027), be included as general corporate revenue in the Operating Budgets;

AND THAT a portion of the annual increase to the Fixed Annual Dividend be used to supplement the base capital tax levy to achieve a 5% year-over-year increase;

AND THAT Administration be directed to recommend, through the annual budget process, the transfer of \$500,000 from the Fixed Annual Dividend to an appropriate reserve or reserve fund;

AND THAT the Performance and Special Dividends, including the planned Special Dividends of \$2.0 million in 2026 and \$3.0 million in 2027, be directed to the Renew Thunder Bay Reserve Fund;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

The purpose of this report is to provide information regarding the current Dividend Policy for Tbaytel and to make recommendations for revisions to the policy.

The report recommends the Fixed Annual Dividend be increased to \$21.0 million for 2026 and \$22.0 million for 2027, included as general corporate revenue in the Operating Budgets.

From the Fixed Annual Dividend, Administration recommends a \$500,000 contribution to an appropriate reserve or reserve fund, be included in the 2026 and 2027 Operating Budgets.

To support efforts to close the City's capital infrastructure gap, a portion of the Tbaytel Fixed Annual Dividend will be allocated to Tax-Supported capital. In accordance with the 2026 Budget Direction Report 216-2025 Corporate Services-Finance, the base capital tax levy is to increase by 5% in 2026 and 2027, supplemented through use of the Tbaytel Dividend.

In 2025, a Special Dividend of \$4.5 million was declared over two years (\$2.5 million in 2025 and \$2.0 million in 2026). In accordance with the current Dividend Policy, this Special Dividend will be transferred into the Renew Thunder Bay Reserve Fund, and per Report 168-2025-Infrastructure & Operations-Engineering, will be subsequently transferred from the Renew Thunder Bay Reserve Fund to the Indoor Turf Facility Reserve Fund to support construction of the Tbaytel Multiplex facility.

Tbaytel has announced additional Special Dividends of \$2.0 million in 2026 and \$3.0 million in 2027 which will continue to be directed into the Renew Thunder Bay Reserve Fund.

DISCUSSION

Current Dividend Policy

The Tbaytel Dividend Policy was last revised in 2023 and encompasses three components:

Fixed Annual Dividend

The Fixed Annual Dividend of \$19.0 million for 2024 and \$19.5 million for 2025, flows quarterly to the City. The dividend is included as general corporate operating revenue in the City's operating budget, reducing the municipal tax levy. The operating budget also included contributions to the Stabilization Reserve in the amount of \$250,000 (2024) and \$500,000 (2025) unless the year-end uncommitted balance of that reserve is greater than \$10.0 million, in which case excess funds are to be transferred to the Capital General Reserve Fund.

Performance Dividend

An annual Performance Dividend to the City, calculated as 25% of net income over the approved plan (exclusive of unbudgeted government grants), is paid following the finalization of year-end financial reporting. Performance Dividends are to be transferred to the Renew Thunder Bay Reserve Fund.

No Performance Dividend was paid in 2023 and \$530,871 was paid in 2024.

Special Dividend

Following an annual review of both the retained earnings and free cash generated, the Board of Directors of Tbaytel may declare any available retained earnings as a Special Dividend at the Annual Members meeting or a Special Members meeting. Special Dividends are to be transferred to the Renew Thunder Bay Reserve Fund.

No Special Dividends were declared in 2023 or 2024. In 2025, a Special Dividend of \$4.5 million was declared over two years (\$2.5 million in 2025 and \$2.0 million in 2026). This Special Dividend will be directed into the Renew Thunder Bay Reserve Fund as outlined in the Policy. In accordance with Report 168-2025-Infrastructure & Operations-Engineering, this Special Dividend will be subsequently transferred from the Renew Thunder Bay Reserve Fund to the Indoor Turf Facility Reserve Fund to support construction of the Tbaytel Multiplex facility.

Proposed Dividend Policy Revisions

City Council has directed Administration to review the Dividend Policy every two years.

It is recommended that the Dividend Policy be updated to require a Fixed Annual Dividend of \$21.0 million for 2026 and \$22.0 million for 2027.

It is also recommended that from the Fixed Annual Dividend, Administration include a \$500,000 contribution to an appropriate reserve or reserve fund, through the 2026 and 2027 operating budgets. The current Dividend Policy specifies a contribution to the Stabilization Reserve unless the year-end uncommitted balance of that reserve is greater than \$10.0 million, in which case excess funds are to be transferred to the Capital General Reserve Fund. Administration is recommending a more flexible approach for 2026/27 to allow funds to be directed to reserves or reserve funds that may require strengthening, based on emerging financial priorities.

To support efforts to close the City's capital infrastructure gap, a portion of the Fixed Annual Dividend will be allocated to Tax-Supported capital. In accordance with the 2026 Budget Direction Report 216-2025 Corporate Services-Finance, the base capital tax levy is to increase by 5% in 2026 and 2027 supplemented through use of the Tbaytel Dividend.

In addition to the \$4.5 million Special Dividend announced in 2025 (\$2.5 million in 2025, \$2.0 million in 2026), Tbaytel has announced an additional \$2.0 million Special Dividend in 2026 and \$3.0 million in 2027. These Special Dividends will continue to be transferred into the Renew Thunder Bay Reserve Fund.

FINANCIAL IMPLICATIONS

The Tbaytel Dividend significantly reduces the municipal tax burden (by 8-9%) for City taxpayers.

The Fixed Annual Dividend will increase to \$21.0 million in 2026 and \$22.0 million in 2027 and will be included in the 2026 and 2027 Operating Budgets. In addition, newly announced Special Dividends of \$2.0 million in 2026 and \$3.0 million in 2027 will be included in the respective Operating Budgets.

Performance Dividends and Special Dividends will continue to be transferred to the Renew Thunder Bay Reserve Fund.

Since the formation of the Municipal Service Board in 2004, Tbaytel has provided \$417.4 million to the City of Thunder Bay.

CONCLUSION

It is concluded that City Council should approve the revised Dividend Policy as contained within this report, which serves as direction to the Tbaytel Municipal Services Board for purposes of payment of future dividends.

It is also concluded that a review of the Dividend Policy should occur every two years and that the next review should be in conjunction with the Third Quarter update from Tbaytel in 2027.

It is also concluded that the Performance Dividend and Special Dividend should continue to be directed to the Renew Thunder Bay Reserve Fund as outlined in this report.

BACKGROUND

Thunder Bay Telephone was operated as a department of the municipality for close to one hundred years. In 2004, the City changed the governance model for the utility to that of a Municipal Services Board (created under the Municipal Act, 2001). By-law 257- 2004 functions as the “articles of incorporation” for Tbaytel, the City-owned telecommunications corporation.

The Dividend Policy was reviewed and approved in December 2021 at which time there was an amendment to By-law 257–2004 which excluded unbudgeted government grants from Net Income for the purposes of calculating the Performance Dividend beginning in fiscal year 2022.

The Dividend Policy was most recently reviewed and approved in December 2023. At that time, the dividend amounts were updated, while all other provisions of the By-law remained unchanged.

REFERENCE MATERIAL ATTACHED

None

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REPORT SIGNED AND VERIFIED BY

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01/07/26 (MM/DD/YEAR)