

Corporate Report

REPORT NUMBER 001-2026-Corporate Services-Finance

DATE

PREPARED

January 5, 2026

FILE

MEETING DATE

January 26, 2026

SUBJECT

2026 Proposed Operating Budget

RECOMMENDATION TO CITY COUNCIL

WITH RESPECT to Report 1-2026-Corporate Services-Finance, we recommend that the proposed 2026 Operating Budget for tax and rate-supported operations be approved as outlined in this Report;

AND THAT the 2026 Tax-Supported Operating Budget of \$412,198,500 be approved as outlined in this Report;

AND THAT the 2026 Municipal Taxes raised to support the Tax-Supported Operating Budget, including Assessment Growth, be approved at \$228,484,400 as outlined in this Report;

AND THAT when combined, the total 2026 Municipal Taxes to be raised to support the Tax-Supported Operating and Capital Budget, including Assessment Growth, be approved at \$251,527,800 as outlined in this Report;

AND THAT with respect to the Tax-Supported Operating Budget, contributions to reserves and reserve funds from operations totalling up to \$13,491,200 and transfers from reserves and reserve funds totalling up to \$3,002,600 be approved as outlined in this Report;

AND THAT the Victoria Avenue Business Improvement Area levy of \$71,700 be approved;

AND THAT the Waterfront District Business Improvement Area levy of \$120,400 be approved;

AND THAT the 2026 Solid Waste (Landfill) Operating Budget be approved at \$4,417,900 gross expenditure and \$2,570,400 net income, with a contribution to the Solid Waste – Landfill Reserve Fund to result in \$0 net income;

AND THAT the 2026 Waterworks Operating Budget be approved at \$27,545,300 gross expenditure and \$10,797,300 net income, with a contribution to the Waterworks Reserve Fund to result in \$0 net income;

AND THAT the 2026 Wastewater (Sewer) Operating Budget be approved at \$22,655,300 gross expenditure and \$7,300,100 net income, with a contribution to the Wastewater Reserve Fund to result in \$0 net income;

AND THAT the 2026 Prince Arthur's Landing – Boater Services Operating Budget be approved at \$483,700 gross expenditure and \$221,900 net income, with a contribution to the Boater Services Capital Reserve Fund to result in \$0 net income;

AND THAT the 2026 Parking Operating Budget be approved at \$2,799,600 gross expenditure and \$0 net income;

AND THAT the User Fees as outlined in Appendix 4 of the Proposed 2026 Operating Budget be approved effective April 1, 2026;

AND THAT reconciliation adjustments for the Budget presentation in accordance with Ontario Regulation 284/09 and Public Sector Accounting Board Standards be approved as outlined in this Report;

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

EXECUTIVE SUMMARY

The purpose of this Report is to present the City of Thunder Bay proposed 2026 Operating Budget (Tax and Rate-Supported) to City Council for consideration and approval. City Council will deliberate the Budget in accordance with the amended Budget Calendar with anticipated confirmation and approval of the Budget ratification at the February 3, 2026 City Council meeting.

Under the Council-approved 2026 budget mandate, Administration worked diligently to develop a fiscally responsible budget, targeting a municipal tax levy increase of no more than 2.6%.

The City achieved the 2.6% budget target for City-delivered programs and services. However, while some Agencies, Boards, and Commissions (ABCs) were able to meet this direction, several ABCs submitted budget requests in excess of the target. Most notably, the Thunder Bay Public Library (TBPL), Thunder Bay Police Service (TBPS), District of Thunder Bay Social Services Administration Board (TBDSSAB), and Thunder Bay District Health Unit (TBDHU), all submitted budgets above the 2.6% target.

Using additional Ontario Municipal Partnership Funds (OMPF), Administration has recommended a portion of these increases be absorbed within the 2.6% target,

however overall, the ABC's that exceeded the target have driven the Municipal Tax Levy increase to 4.0%.

| (\$000s) | 2025 | 2026 | Change | % |
|--|------------------|------------------|----------------|-------------|
| City Programs and Services | 129,965.7 | 133,532.8 | 3,967.9 | 2.6% |
| Capital Budget Tax Levy | 22,642.6 | 23,043.4 | | |
| Thunder Bay Public Library | 7,218.0 | 7,526.6 | 187.6 | 2.6% |
| Less OMPF Allocated to TBPL | | (121.0) | | |
| Thunder Bay Police Service Operations | 59,386.1 | 64,819.2 | 4,684.6 | 7.9% |
| Less OMPF Allocated to TBPS | | (748.5) | | |
| District of Thunder Bay Social Services Administration Board | 18,606.2 | 19,225.5 | 619.3 | 3.3% |
| Thunder Bay District Health Unit | 3,004.0 | 3,154.2 | 150.2 | 5.0% |
| Municipal Tax Levy | 240,822.6 | 250,432.2 | 9,609.6 | 4.0% |
| Assessment Growth Funds | | 1,095.6 | | |
| 2026 Growth Adjusted Municipal Tax Levy | | 251,527.8 | | |

The estimated 2026 property tax increase for a residential single-family detached home would be approximately \$72 for every \$100,000 of assessed value.

Rate-supported Operating Budgets were developed consistent with the respective Financial Plans. Any net income generated is directed to the respective reserve funds to support future requirements.

The proposed 2026 Tax and Rate-Supported Operating Budget is provided in **Attachment A: Proposed 2026 Operating Budget**.

DISCUSSION

The City of Thunder Bay received a Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA) for its 2025 Budget. To earn recognition, budget documents must meet program criteria and excel as a policy document, financial plan, operations guide, and communication tool. Administration believes the 2026 budget document continues to conform to the Distinguished Budget Presentation Award program requirements and will be submitting it to GFOA to determine its eligibility for another award.

The 2026 Budget presentation is organized into the following primary sections:

- Proposed 2026 Budget Overview – a high-level summary of the financial impacts of the budget
- The City at a Glance – a community profile and a summary of how the budget supports the City's strategic plan
- Budget Framework – a summary of the budget process and the 2026 budget mandate approved by Council
- Understanding How Our City is Funded – additional detail on the various municipal funding sources
- Proposed 2026 Operating Budget – a summary of the staffing changes and financial impacts of the budget. **New in 2026, this section includes a detailed summary of all staffing changes including a listing of fully funded expansions, impact of the Central Support Services review, and other staffing changes.**
- Department/Division Summaries – detailed budgets for each City Division as well as Agencies, Boards, and Commissions. Each Division includes a summary of the programs and services, 2026 priorities, a staffing summary, and a budget summary. **After each budget summary, a “Summary of Changes 2026 vs 2025” is provided to assist Council with its budget deliberations.** This summary explains the year-over-year changes within the following categories:
 - Realignment – Changes related to the Central Support Services review and realignment of resources
 - Inflationary – Increases to expenses (or revenues) due to the rising cost of materials or services
 - Line-by-Line Review Adjustments – Each line is reviewed to determine appropriateness based on recent experience or expectations
 - Program Funding Adjustments – Changes to programs mandated by other levels of government
 - Service Enhancements – Increases or additions to services provided by the City.
 - 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
 - One-Time – Budgeted expenses and revenues that are temporary in nature (e.g. pilot program, one time grant).
- Glossary – Key terms and definitions
- Appendix 1-Debentures and Internal Loans – a detailed summary of all the City's debentures and internal loans
- Appendix 2-Reserves and Reserve Funds Usage – a detailed summary of the contributions to and transfers from reserves and reserve funds in the budget
- Appendix 3-Estimated Uncommitted Reserves and Reserve Funds – a detailed summary of the estimated 2026 ending uncommitted balance of reserves and reserve funds including proposed 2026 budget usage
- Appendix 4-2026 User Fee Schedules – 2026 user fee schedules for each Division are provided. **New in 2026, the beginning of this section includes a Summary of Notable Changes to assist City Council in its review.**

Strong Mayor Powers

Amendments have been made to the Municipal Act, 2001 (Part VI.1) (“Strong Mayor powers”) that grant new powers and duties to mayors of designated municipalities, in addition to their role as head of council (section 225) and chief executive officer (section 226.1). On October 31, 2023, the City of Thunder Bay was added to the list of designated municipalities in Ontario Regulation 530/22.

With respect to the annual budget, as a strong mayor municipality, the Mayor has the duty to present the proposed City Budget no later than February 1st to City Council. If the Mayor does not present a proposed budget, the responsibility of the City Budget returns to City Council. With respect to this responsibility, Mayor Boshcoff issued Mayoral Decision MDEC 12-2025 on August 25, 2025, of his intention not to exercise this power with respect to the 2026 Budget. This results in the annual budget becoming the responsibility of City Council as a whole.

The proposed 2025 Operating Budget presented in this Report corresponds with the Mayoral Directive (MDIR-01-2025) issued by Mayor Boshcoff on August 25, 2025 which directed the City Manager and the City Treasurer to bring forward a budget consistent with council direction.

Budget Process

Budget Policy 05-02-01 supports the effective allocation of human, technological, and financial resources to achieve the City’s goals and objectives. The City of Thunder Bay has established service levels in accordance with legislation, Council direction, or best practices. Where there has not been explicit direction, service levels reflect Administration’s understanding of what residents have come to expect from the municipality.

Administration is responsible for ensuring the preparation and effective management of the municipal budget. City Council reviews and approves the annual operating and capital budget estimates for all municipal Departments as well as the Agencies, Boards, and Commissions (ABCs) under its jurisdiction.

The 2026/27 Capital Budget was deliberated and approved by Committee of the Whole on November 24, 2025 and was ratified on December 2, 2025.

In accordance with the approved 2026 Budget Calendar, Committee of the Whole will deliberate the proposed 2026 Operating Budget at Special Committee meetings on the following dates:

- January 26, 2026
- January 28, 2026

Ratification of the 2026 Operating Budget is scheduled to occur on February 3, 2026.

2026 Budget Mandate

In August 2025, Administration presented Report 216-2025 (Corporate Services-Finance) which recommended a budget mandate limiting the 2026 municipal tax levy increase to no more than 2.6%, before growth, for programs and services within the City's direct control. This target was based on the rolling 4-year average Consumer Price Index (CPI):

- 2023 – 3.9% actual
- 2024 – 2.4% actual
- 2025 – 1.9% estimated
- 2026 – 2.0% projected → rolling 4-year average 2.6%

Council approved the 2026 budget mandate as recommended by Administration. At Council's direction, the ABCs were asked to align their 2026 budget requests with the 2.6% target.

The mandate was ambitious considering significant inflationary pressures, council directed/approved initiatives, and proposed expansions for programs and services. Across the province Municipalities are facing tax levy increases that exceed inflation. The table below shows some comparative municipalities and their 2026 approved or targeted tax levy.

| Municipality | 2026 Tax Levy Increase | Status |
|-----------------|------------------------|----------|
| Chatham-Kent | 4.63% | Approved |
| Hamilton | 7.00% | Proposed |
| Niagara Region | 6.98% | Proposed |
| Ottawa | 3.75% | Approved |
| Sault Ste Marie | 3.87% | Approved |
| Sudbury | 3.90% | Approved |
| Timmins | 4.96% | Proposed |

Through effective collaboration and accountability, Administration has successfully achieved the 2.6% budget target for City-delivered programs and services. However, while some Agencies, Boards, and Commissions (ABCs) were able to meet this direction, several ABCs submitted budget requests in excess of the target. Most notably, the Thunder Bay Public Library (TBPL), Thunder Bay Police Service (TBPS), District of Thunder Bay Social Services Administration Board (TBDSSAB), and Thunder Bay District Health Unit (TBDHU), submitted budgets above the 2.6% target.

Using additional Ontario Municipal Partnership Funds (discussed below), Administration has recommended a portion of these increases be absorbed within the 2.6% target, however overall, the ABC's that exceeded the target have driven the Municipal Tax Levy increase to 4.0%.

| (\$000s) | 2025 | 2026 | Change | % |
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| City Programs and Services | 129,965.7 | 133,532.8 | 3,967.9 | 2.6% |
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| Less OMPF Allocated to TBPL | | (121.0) | | |
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| District of Thunder Bay Social Services Administration Board | 18,606.2 | 19,225.5 | 619.3 | 3.3% |
| Thunder Bay District Health Unit | 3,004.0 | 3,154.2 | 150.2 | 5.0% |
| Municipal Tax Levy | 240,822.6 | 250,432.2 | 9,609.6 | 4.0% |
| Assessment Growth Funds | | 1,095.6 | | |
| 2026 Growth-Adjusted Municipal Tax Levy | | 251,527.8 | | |

Staffing Complement

The staffing resources needed to deliver the services outlined in the proposed 2026 Budget, excluding ABCs, total 1,894.8 full-time equivalent (FTE) positions, reflecting a net increase of 50.3 FTEs compared to 2025.

| Department | 2025 FTEs | Realign Central Support | 2025 FTEs Restated | 2026 FTEs | Increase/ (Decrease) |
|------------------------------------|----------------|-------------------------|--------------------|----------------|----------------------|
| Mayor's Office | 2.0 | - | 2.0 | 2.0 | - |
| City Manager's Office | 65.5 | - | 65.5 | 69.0 | 3.5 |
| Corporate Services – Tax | 130.2 | 31.0 | 161.2 | 168.1 | 6.9 |
| Corporate Services – Rate | 8.5 | - | 8.5 | 7.0 | (1.5) |
| Community Services | 887.2 | (14.0) | 873.2 | 897.4 | 24.2 |
| Growth | 64.5 | 1.0 | 65.5 | 76.7 | 11.2 |
| Infrastructure & Operations – Tax | 536.6 | (18.0) | 518.6 | 524.6 | 6.0 |
| Infrastructure & Operations – Rate | 150.0 | - | 150.0 | 150.0 | - |
| Total | 1,844.5 | - | 1,844.5 | 1,894.8 | 50.3 |

The net increase in FTEs includes 57.1 FTE expansions that are fully funded directly from grants, program fees and rent revenues, dedicated reserves and reserve funds, or indirectly through the increased Ontario Municipal Partnership Fund (OMPF).

The budget also reflects the 2025 Central Support Services Review, resulting in the redeployment of staff from the Central Support Divisions to other Divisions and a net reduction of 2.5 FTEs. Other redeployments and the end of one-time and/or grant-funded positions result in an additional net reduction of 4.3 FTEs.

Further detail on each proposed FTE expansion/reduction/redeployment is provided in the Department/Divisional Summaries in **Attachment A: Proposed 2026 Operating Budget**.

Proposed 2026 Tax-Supported Operating Budget

The proposed 2026 Tax-Supported Operating Budget includes total gross spending of \$412,198,500 (2025: \$386,302,900) an increase of \$25,895,600 or 6.7% over the previous year.

Attachment A: Proposed 2026 Operating Budget provides detailed budget summaries for each City Department/Division, along with the Agencies, Boards, and Commissions (ABCs). Revenues directly associated with specific programs are included within the corresponding division's budget summary, ensuring that program-specific costs and funding sources are clearly aligned.

The Province announced an increase to the 2026 Ontario Municipal Partnership Fund (OMPF) to assist municipalities in providing critical municipal services to people across the province. The City's 2026 OMPF allocation will increase by \$3.5 million (14.3%) from \$24.3 million to \$27.8 million. The increase in OMPF funding enabled the following service enhancements, including some safety and security enhancements of the ABCs:

- **\$633,100** – Represents a 2.6% increase to the prior year OMPF, consistent with the 2.6% tax levy mandate, to support existing City services.
- **\$620,000** – To develop and implement the City's Mobile Safety and Security Pilot, enhancing community safety and response capacity.
- **\$121,000** – To support the Thunder Bay Public Library's security expansion request.
- **\$748,500** – To support the Thunder Bay Police Service expansion request for 6 additional Constable positions.
- **\$400,000** – To maintain operations of 3 recycling depots for the 2026 year.
- **\$367,700** – To support costs associated with the implementation of a One-Stop Customer Service Shop, improving service access and consistency for citizens.
- **\$321,100** – To address the corporate insurance budget increase, reflecting trends based on five years of actual cost experience.
- **\$163,000** – To increase the annual contribution to the Superior North EMS Reserve Fund, supporting the planned replacement of ambulances that have reached end of life.
- **\$100,000** – To increase the annual contribution to the Election Reserve Fund, initiating early financial preparation for the 2030 municipal election.

The 2026 Capital Budget was ratified on December 2, 2025, and included \$23,043,400 financed from the tax levy. Therefore, the total 2026 Municipal Tax Levy (Operating and Capital) would be \$250,432,200 which is \$9,609,600 or **4.0%** more than the previous year.

| Tax-Supported Expenditures | 2025 Budget \$ | 2026 Budget \$ | Change | |
|---|--------------------|--------------------|------------------|-------------|
| | | | \$ | % |
| Tax-Supported Operating Expenditures | 386,302,900 | 412,198,500 | 25,895,600 | 6.7% |
| Non-Tax Levy Operating Revenue | 168,122,900 | 184,809,700 | 16,686,800 | 9.9% |
| Municipal Tax Levy – Operating | 218,180,000 | 227,388,800 | 9,208,800 | 4.2% |
| Tax-Supported Capital Expenditures | 119,572,500 | 114,354,800 | (5,217,700) | (4.4%) |
| Non-Tax Levy Financing | 96,929,900 | 91,311,400 | (5,618,500) | (5.8%) |
| Municipal Tax Levy – Capital | 22,642,600 | 23,043,400 | 400,800 | 1.8% |
| Municipal Tax Levy - Total | 240,822,600 | 250,432,200 | 9,609,600 | 4.0% |
| Assessment Growth Funds | | 1,095,600 | | |
| Total Municipal Taxes to be Raised | | 251,527,800 | | |

The growth in the assessment base during 2025 from new construction and expansions, less lost assessment from demolitions and successful assessment appeals, is expected to generate \$1,095,600 in tax revenue in 2026. The proposed 2026 Operating Budget allocates Assessment Growth Funds into the Assessment Growth Reserve Fund to be invested in future growth-related activities. Therefore, the Total Municipal Taxes to be Raised (Growth-Adjusted Municipal Tax Levy) for 2026 is \$251,527,800.

2026 Rate-Supported Operating Budget Highlights

Rate-supported operations include Solid Waste (Landfill), Waterworks, Wastewater (Sewer), Prince Arthur's Landing – Boater Services, and Municipal Parking Services. These operations are supported by user fees rather than municipal taxation revenues. Any net income generated in these programs is transferred into their respective reserve fund to finance future requirements.

| Department/Division (\$000s) | | 2025 Budget | 2026 Budget | Change \$ | Change % |
|----------------------------------|-------------------|-----------------|-----------------|----------------|-----------------|
| Solid Waste (Landfill) | Revenues | 5,997.8 | 6,988.3 | 990.5 | 16.5% |
| | Expenditures | 5,076.3 | 4,417.9 | (658.4) | (13.0%) |
| | Net Income | 921.5 | 2,570.4 | 1,648.9 | 178.9% |
| Waterworks | Revenues | 37,231.6 | 38,342.6 | 1,111.0 | 3.0% |
| | Expenditures | 29,077.6 | 27,545.3 | (1,532.3) | (5.3%) |
| | Net Income | 8,154.0 | 10,797.3 | 2,643.3 | 32.4% |
| Wastewater (Sewer) | Revenues | 29,088.1 | 29,955.4 | 867.3 | 3.0% |
| | Expenditures | 24,162.4 | 22,655.3 | (1,507.1) | (6.2%) |
| | Net Income | 4,925.7 | 7,300.1 | 2,374.4 | 48.2% |
| Boater Services | Revenues | 652.3 | 705.6 | 53.3 | 8.2% |
| | Expenditures | 499.7 | 483.7 | (16.0) | (3.2%) |
| | Net Income | 152.6 | 221.9 | 69.3 | 45.4% |
| Municipal Parking Services | Revenues | 3,453.9 | 2,799.6 | (654.3) | (18.9%) |
| | Expenditures | 2,891.7 | 2,799.6 | (92.1) | (3.2%) |
| | Net Income | 562.2 | - | (562.2) | (100.0%) |
| Total Net Income | | 14,716.0 | 20,889.7 | 6,173.7 | 42.0% |

Highlights for the 2026 proposed Rate-Supported Operating Budgets are presented below.

Solid Waste (Landfill)

The Proposed 2026 Solid Waste (Landfill) Budget has been prepared, consistent with the Solid Waste Financial Plan.

The Proposed 2026 Operating Budget for Solid Waste (Landfill) is \$4,417,900 (2025: \$5,076,300). The minimum charge for a trip to the landfill remains at \$10 applicable on loads up to 120kg. Consistent with the Solid Waste (Landfill) Financial Plan, tonnage charges for loads over 120kg will increase 3.0% to \$94.65/tonne up \$2.80/tonne from 2025. The effective date for the proposed fee increases is April 1, 2026. Projected net income of \$2,570,400 (2025: \$921,500) would be transferred to the Solid Waste – Landfill Reserve Fund.

Waterworks

The Proposed 2026 Waterworks Budget has been prepared, consistent with the approved Water Authority Financial Plan. In accordance with Ontario Regulation 453/07, this plan funds necessary work, both operating and capital, and maintains affordable water rates over the long term.

The Proposed 2026 Operating Budget for Waterworks is \$27,545,300 (2025: \$29,077,600). Effective April 1, 2026, 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. Projected net income of \$10,797,300 (2025: \$8,154,000) would be transferred to the Waterworks Reserve Fund.

Wastewater (Sewer)

The Proposed 2026 Wastewater (Sewer) Budget has been prepared, consistent with the approved Wastewater System Financial Plan.

The Proposed 2026 Operating Budget for Wastewater is \$22,655,300 (2025: \$24,162,400). The Wastewater surcharge is proposed to remain at 90% of the total water fixed and volumetric charge, consistent with the Wastewater System Financial Plan. Projected net income of \$7,300,100 (2025: \$4,925,700) would be transferred to the Wastewater Reserve Fund.

Prince Arthur's Landing – Boater Services

The Proposed 2026 Boater Services Budget has been prepared, consistent with the approved Boater Services Financial Plan.

The Proposed 2026 Operating Budget for Boater Services is \$483,700 (2025: \$499,700). Projected net income of \$221,900 (2025: \$152,600) would be transferred to the Boater Services Capital Reserve Fund.

Municipal Parking Services

In 2025, the City implemented a temporary complimentary two-hour on-street parking initiative to encourage increased activity and support ongoing growth in the City's cores. This initiative is continued in the 2026 budget and results in a significant reduction in budgeted parking revenues. To mitigate this impact, cost-containment measures have been implemented, including suspending contributions to the Parking Reserve Fund for the year. The projected shortfall of \$239,300 would be funded from the Assessment Growth Reserve Fund.

The Proposed 2026 Operating Budget for Parking is \$2,799,600 (2025: \$2,891,700). Any net income of generated in 2026 would be transferred to the Parking Reserve Fund.

Reserve and Reserve Funds

Reserve and Reserve Fund Policy No. 05-01-08 supports long-term financial stability and flexibility for the Corporation. The proposed 2026 Operating Budget includes contributions to reserves and reserve funds totalling \$34,346,100 and transfers to operations totalling \$3,002,600.

Appendix 2 in **Attachment A** presents the proposed 2026 Budget reserve and reserve fund contributions and transfers. Significant proposed transactions are highlighted as follows:

- Assessment Growth Reserve Fund – Includes contribution of new assessment growth funds in the amount of \$1,095,600 as well as \$740,400 from the prior year that was not allocated on a permanent basis. Transfer from the Assessment Growth Reserve Fund in the amount of \$1,336,000 will support growth-related operating initiatives.
- Municipal Accommodation Tax Reserve Fund – Includes contribution of \$2,210,000 representing 50% of the expected net Municipal Accommodation Tax (MAT) net revenues. This is an increase of \$228,100 compared to the prior year.
- Renew Thunder Bay Reserve Fund – Includes the annual reserve fund contribution of \$150,000 as well as a \$2,000,000 special dividend from Tbaytel. Also, the Lakehead Regional Conservation Authority (LRCA) has temporarily paused the sole-benefitting portion of its levy. Therefore, on a one-time basis, Administration recommends the resulting levy savings of \$781,100 be invested in the Renew Thunder Bay Reserve Fund.

- Solid Waste and Recycling Reserve Fund – Includes a one-time contribution of \$863,000 to prepare for the implementation of the Organics (Green Bin) Program. This contribution is the same as the prior year.
- Superior North EMS Capital Reserve Fund – Includes a contribution of \$1,793,500 including an increase of \$163,000 to fund ambulance replacements considering significant cost escalation.
- Insurance Reserve – Includes a contribution of \$500,000. In prior year(s) an allocation has been made to the Stabilization Reserve. Considering the relative health of the two reserves, Administration is recommending the contribution be redirected to the Insurance Reserve on a one-time basis.

A full listing of estimated reserve and reserve fund balances is presented in Appendix 3 of **Attachment A**. The estimated balances as at December 31, 2025 are unaudited and subject to change through the 2025 year-end process. The total estimated uncommitted reserves and reserve funds, considering proposed contributions and withdrawals for Operating and the approved Capital Budget in 2026, is \$105.7 million.

Financial Disclosure Requirements

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.

Ontario Regulation 284/09 permits municipalities to exclude the following expenses from their municipal budgets:

- Post-employment benefits expenses – 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 \$236,700 in 2026.
- Solid waste landfill closure and post-closure expenses – 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 20 years). The impact (change) of landfill closure and post-closure costs is an increase to the accumulated surplus and is estimated to be \$1,629,500 in 2026.
- Acquisition and amortization of tangible capital assets (net) – Annual financial statements include amortization expenses on tangible capital assets as required

by Public Sector Accounting Board (PSAB) standards. Although the City's Proposed 2026 Operating 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 2026 impact on tangible capital assets is a net increase of \$62,414,400 to the accumulated surplus.

Accordingly, these expenses are excluded in the City's Proposed 2026 Operating Budget. The City of Thunder Bay, like most municipalities, continues to prepare budgets on the traditional fund basis where revenue and expenditures for Operating Budgets are balanced. On a fund basis, there is no projected impact to the City's accumulated surplus.

The estimated impact on the City of Thunder Bay's 2026 accumulated surplus, due to the excluded expenses and change in reporting, is a net increase of \$63,807,200, summarized as follows:

| | |
|---|---------------------|
| • Post-employment benefit expenses | (\$ 236,700) |
| • Solid waste landfill closure and post-closure expenses | \$ 1,629,500 |
| • Acquisition/Amortization of tangible capital assets (net) | <u>\$62,414,400</u> |
| | \$63,807,200 |

The changes to accounting and reporting requirements under the PSAB are a financial accounting treatment only and do not affect operating surpluses.

User Fee By-law

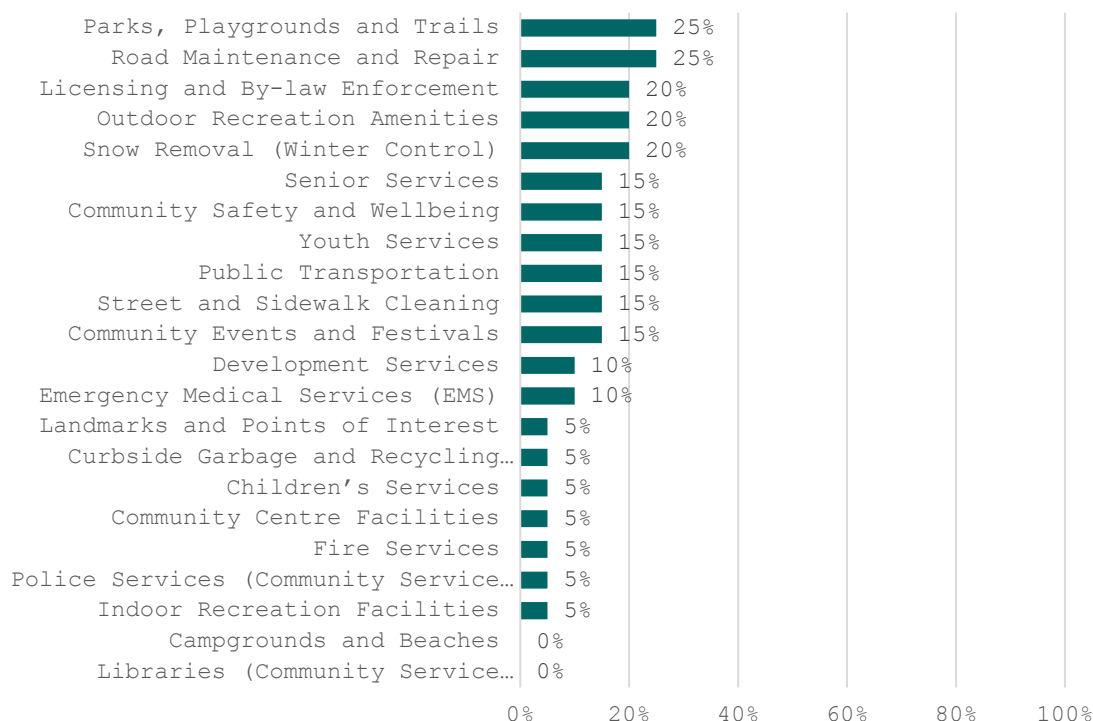
The current User Fee By-law 24-2025 sets fees for various Municipal Services. The by-law is amended annually, sometimes more frequently, to update the user fee schedules. The by-law was replaced in 2025 to align with best practices and reflect the new structure of the City of Thunder Bay. Updated user fee schedules have been provided in Appendix 4 of **Attachment A**, including a summary of notable changes to assist Council in its review.

CONSULTATION

Community Engagement

In accordance with the approved 2026 Budget Calendar, Administration held a Thunder Bay Talks event On October 22, 2025, where members of the Finance Division were present for budget engagement. 20 people participated in a dot voting prioritization activity where they chose their top three priority areas for spending. The proportion of respondents who would prioritize each category are depicted in the graph below. The highest prioritized service categories were Road Maintenance and Repair, and Parks, Playgrounds, and Trails with five votes each.

Service Category Dot Voting Priorities



Administration will conduct a Budget Survey between January 16 and January 29, 2026, with survey results shared directly with members of Council throughout budget deliberations, as well as a final summary report, to be presented at the February 3, 2026, City Council meeting, prior to budget ratification.

During the same period, Administration will hold at least two pop up booths in the community to further engage with the public. These booths will have staff available to take questions and help with the budget survey. As of January 8, 2026, dates and locations are to be determined.

The new budget email, your.budget@thunderbay.ca is also available for the public to provide feedback.

Results of the public consultation will be communicated to City Council, with a final consultation report prior to ratification of the 2026 Budget.

Standing Committee Consultation

Mobile Safety and Security Response Pilot

At the November 18, 2025, Quality of Life Standing Committee meeting, Administration presented Report 342-2025 Corporate Services-Licensing & Enforcement which outlined a proposed Mobile Safety and Security Response Pilot.

In response to ongoing public and employee concerns about safety and recurrent incidents of disorderly behaviour, Administration is recommending a Mobile Safety and Security Response Pilot. The pilot will operate at transit terminals, on board buses, and across public spaces and municipally owned facilities, providing support to neighbourhood and community organizations in addressing safety issues.

The pilot proposes the deployment of Municipal Law Enforcement Officers (MLEOs) in a mobile capacity to provide a visible, proactive presence and timely response to incidents of unwanted behaviour or disorderly conduct that do not warrant police intervention. The service would operate seven days per week between 8:30 a.m. and 12:30 a.m., with teams of two officers on rotating shifts supported by field supervision.

The objectives of the program are to:

- Enhance public safety;
- Foster community engagement; and
- Support vulnerable populations.

The pilot would emphasize education, prevention, and de-escalation, with all officers receiving extensive training including communication, de-escalation, and Mental Health First Aid, and would enhance measures already taken to address issues that disrupt transit services.

The Standing Committee endorsed the recommendation to include the service level expansion in the 2026 Operating Budget for City Council's consideration. The prorated financial impact of \$621,400 is included in the Licensing & Enforcement operating budget.

Recycling Depot Operations

At the December 16, 2025, Quality of Life Standing Committee meeting, Administration presented Report 356-2025 Infrastructure & Operations-Environment which provided an update on recycling depot operations.

The City of Thunder Bay transitioned its residential Blue Box (blue bag) recycling program to full producer responsibility on July 1, 2024, in accordance with the requirements of *O. Reg 391/21 "Blue Box"*. Producers have been required to maintain depot collection services for Blue Box materials in the City of Thunder Bay during the province wide transition period which occurred between July 1, 2024, and December 31, 2025.

As of December 31, 2025, the Producers, represented by Circular Materials, are obligated to maintain one recycling depot in the community to service multi-residential residents only. Administration has recently confirmed that starting January 1, 2026, Circular Materials will no longer operate all three depots in the community. They will continue to only operate one depot, at a location that is yet to be determined.

The Province has repeatedly indicated that Ontario residents were not to experience a reduction in residential Blue Box recycling services because of the transition to full producer responsibility.

Given the uncertainty around the City's recycling depot operations, and to maintain continuity of this valuable service, Administration proposed measures to maintain adequate depot service for residents in 2026 until a more informed decision can be made for 2027 and beyond.

Standing Committee endorsed the recommendation to include the service level in the 2026 Operating Budget for City Council's consideration. The financial impact of \$400,000 is included in the Solid Waste & Recycling Services operating budget.

Community, Youth & Cultural Funding Program

At the December 9, 2025, Finance and Administration Standing Committee meeting, Administration presented Report 388-2025 Community Services-Recreation & Culture which outlined the 2026 Community, Youth & Cultural Funding Program (CYCFP) budget recommendation.

The total recommended funding for 2026 is \$3,169,300. This includes nineteen (19) sustaining/operating grants and \$55,000 to be allocated in-year for project grants. The CYCFP review process, as approved by Council, has been followed in making the recommendations.

Standing Committee endorsed the recommendation to include the Review Team's recommendations in the 2026 Operating Budget for City Council's consideration. The financial impact of \$3,169,300, an increase of \$99,300 over the prior year, is included in the Recreation & Culture (CYCFP) operating budget.

FINANCIAL IMPLICATION

The proposed 2026 Tax-Supported Operating Budget, as presented, would result in a total Operating Budget of \$412,198,500. The proposed operating budget would require a Municipal Tax Levy of \$227,388,800. Including the Capital Tax Levy of \$23,043,400 that was previously approved, the total Municipal Tax Levy would be \$250,432,200, an increase of \$9,609,600 or 4.0% over the prior year.

With Assessment Growth Funds of \$1,095,600, the Total Municipal Taxes to be Raised (Growth-Adjusted Municipal Tax Levy) is \$251,527,800.

| Tax-Supported Expenditures | 2025 Budget \$ | 2026 Budget \$ | Change | |
|---|--------------------|--------------------|------------------|-------------|
| | | | \$ | % |
| Tax-Supported Operating Expenditures | 386,302,900 | 412,198,500 | 25,895,600 | 6.7% |
| Non-Tax Levy Operating Revenue | 168,122,900 | 184,809,700 | 16,686,800 | 9.9% |
| Municipal Tax Levy – Operating | 218,180,000 | 227,388,800 | 9,208,800 | 4.2% |
| | | | | |
| Tax-Supported Capital Expenditures | 119,572,500 | 114,354,800 | (5,217,700) | (4.4%) |
| Non-Tax Levy Financing | 96,929,900 | 91,311,400 | (5,618,500) | (5.8%) |
| Municipal Tax Levy – Capital | 22,642,600 | 23,043,400 | 400,800 | 1.8% |
| | | | | |
| Municipal Tax Levy - Total | 240,822,600 | 250,432,200 | 9,609,600 | 4.0% |
| Assessment Growth Funds | | 1,095,600 | | |
| Total Municipal Taxes to be Raised | | 251,527,800 | | |

The estimated increase to the 2026 property tax bill for a residential single-family detached home would be approximately \$72 for every \$100,000 of assessment.

In Q2 2026, Council will make 2026 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.

The proposed 2026 Rate-Supported Budget, as presented, would result in a total Operating Budget of \$57,901,800 including \$20,889,700 to be transferred into reserve funds. The proposed 2026 Rate-Supported Budget is consistent with the approved financial plans for Solid Waste (Landfill), Waterworks, Wastewater (Sewer), Boater Services, and Parking.

BACKGROUND

At the August 11, 2025 Committee of the Whole meeting, Report 216-2025-Corporate Services-Finance was presented. City Council approved a resolution establishing the 2026 budget calendar and the 2026 budget mandate including a target Municipal Tax Levy increase of no more than 2.6% before growth for those programs and services within the City's direct control.

REFERENCE MATERIAL ATTACHED

Attachment A: Proposed 2026 Operating Budget

REPORT PREPARED BY

Andrea Morrison, CA, CPA, Director Finance

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

01/08/2026 (MM/DD/YEAR)