

Corporate Report

REPORT NUMBER 400-2024-Corporate Services-Finance		
DATE PREPARED	October 29, 2024	FILE
MEETING DATE November 4, 2024		
SUBJECT 2025 Proposed Capital Budget		

RECOMMENDATION

WITH RESPECT to Report 400-2024-Corporate Services-Finance, we recommend that the proposed 2025 Capital Budget be approved as outlined in this Report;

AND THAT the 2025 Capital Budget of \$161,808,500 as outlined in this Report be financed as follows:

Capital Financed by the Tax Levy	\$ 22,642,600
Debenture (Regular Tax-Supported)	\$ 7,648,600
Debenture (Special Tax-Supported: Indoor Turf Facility)	\$ 15,675,000
Debenture (Waterworks)	\$ 4,500,000
Debenture (Wastewater)	\$ 3,000,000
Debenture (Landfill)	\$ 996,300
Internal Loan (Landfill)	\$ 1,320,900
Internal Loan (Parking)	\$ 2,266,200
Grants	\$ 47,939,600
Tax-Supported Reserve and Reserve Funds	\$ 27,740,000
Waterworks Reserve Fund	\$ 11,010,000
Wastewater Reserve Fund	\$ 16,067,600
Solid Waste – Landfill Reserve Fund	\$ 815,100
Boater Services Capital Reserve Fund	\$ 60,000
Parking Reserve Fund	\$ 126,600

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

LINK TO STRATEGIC PLAN

The proposed 2025 Capital Budget supports the City of Thunder Bay's strategic direction to plan and deliver cost-effective services, with a focus towards ensuring accountability of the City's financial resources. The annual Budget is the primary

mechanism through which City Council allocates its resources to achieve its strategic goals and objectives.

The Budget also directly supports the growth and sustainability pillars of the 2023-2027 Strategic Plan by allocating funds for essential infrastructure and community projects and improvements that drive long-term development.

EXECUTIVE SUMMARY

The purpose of this First Report is to present the City of Thunder Bay proposed 2025 Capital Budget to City Council for consideration and eventual approval. City Council will deliberate the Capital Budget in accordance with the amended Budget Calendar with anticipated ratification at the December 9, 2024, City Council meeting.

The proposed 2025 Capital Budget of \$161,808,500, as presented in Attachment A, is in line with City Council's 2025 budget mandate, and includes an effective mix of funding sources:

Municipal Tax Levy	\$ 22,642,600	(14%)
Grants	\$ 47,939,600	(30%)
Debentures	\$ 35,407,000	(22%)
Reserve and Reserve Funds	<u>\$ 55,819,300</u>	<u>(34%)</u>
Total	\$161,808,500	

DISCUSSION

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 duty would revert to City Council. With respect to this responsibility, Mayor Boshcoff issued a Mayoral Decision on July 15, 2024, of his intention not to exercise this power with respect to the 2025 Budget.

The proposed 2025 Capital Budget presented in this Report corresponds with the Mayoral Decision issued by Mayor Boshcoff.

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.

In August 2023, through Report 287-2024 (Corporate Services-Office of the City Treasurer), Administration recommended a target municipal tax levy increase of no more than 3.8% before growth for both Operating and Capital Budgets. Administration also recommended a strategy to maximize the portion of the Capital Budget that is directed towards capital renewal, capping the amount of spending on new capital at 20% of the total Capital Budget. City Council approved this mandate.

Historically, the Operating and Capital Budgets are presented at the same time. On October 28, 2024, pursuant to a recommendation from Administration, City Council passed a motion amending the 2025 Budget Calendar with respect to the Capital Budget:

- Proposed 2025 Capital Budget to be presented to Committee of the Whole as a First Report on November 4, 2024.
- Proposed 2025 Capital Budget to be presented to Committee of the Whole for deliberation on November 25, 2024.

Ratification of the proposed 2025 Capital Budget would be scheduled for December 9, 2024, giving Administration a two-month head-start on the 2025 capital program.

The proposed 2025 Operating Budget would still be presented and deliberated in January 2025 in accordance with the 2025 Budget Calendar.

Proposed 2025 Capital Budget

The proposed 2025 Capital Budget totals \$161,808,500 (2024: \$103,236,300) and represents an increase of \$58,572,200, or 57% from the prior year. The significant increase is partially attributed to major federal and provincial investments and new city initiatives:

- Housing Accelerator Fund (HAF) Projects \$ 6,516,900
 - Housing-Enabling Water System Fund (HEWSF) Projects \$ 4,017,300
 - Building Faster Fund (BFF) Projects \$ 1,741,800
 - Indoor Turf Facility (75% of Project Cost) \$32,025,000
 - Temporary Village \$ 5,000,000
- \$49,301,000**

Attachment A – Proposed 2025 Capital Budget presents the detailed capital plan. The format of the Budget has been transformed from the traditional corporate structure-based budget to a service-based budget to help develop a clearer understanding of the investments being made in critical areas and better communicate the community impact. Capital projects are grouped into the following services:

• Transportation Services	\$ 27,255,700
• Environmental Services	\$ 49,969,700
• Protective Services	\$ 3,764,700
• Parks, Recreation, and Neighbourhood Services	\$ 62,825,700
• Social and Health Services	\$ 14,010,500
• Corporate Initiatives and Operational Support	<u>\$ 3,982,200</u>
	\$ 161,808,500

The proposed 2025 Capital Budget leverages significant external funding from the federal and provincial government. This, combined with strategic use of debt and reserve funds, enables the City to pursue major infrastructure and community projects without placing an excessive financial burden on tax and ratepayers.

The proposed 2025 Capital Budget would be funded as follows:

• Municipal Tax Levy	\$ 22,642,600	(14%)
• Grants	\$ 47,939,600	(30%)
• Debenture	\$ 35,407,000	(22%)
• Reserve Fund	<u>\$ 55,819,300</u>	<u>(34%)</u>
	\$ 161,808,500	

Overall, the proposed 2025 Capital Budget reflects significant and strategic capital investments in the City, prioritizing projects that enhance infrastructure, improve public spaces, and strengthen community services.

City Council Mandate – Levy Impact

In 2023, the Homes Debenture was retired and in accordance with the City’s Debt Management Strategy, rather than decrease the levy, those tax-supported debt payments were invested into the 2024 Capital Budget and Capital General Reserve Fund. This is a prudent, temporary measure to increase the level of investment in infrastructure without creating variations in the municipal tax levy. As special debentures are issued in future years, these funds will be realigned to cover the subsequent debt payments.

The proposed 2025 Capital Budget includes \$22,642,600 financed from the tax levy. The “base” tax levy amount of \$19,906,900 (2024: 19,178,100) is 3.8% more than the previous year’s “base” tax levy which is in line with City Council direction. The 2025

municipal tax levy contribution also includes \$2,735,700 (2024: 2,736,900) related to the retirement of the tax-supported Homes Debenture.

City Council Mandate – 80/20 Renewal/New

Administration has developed the following definitions to support the 80/20 split between renewal and new capital projects:

- Capital Renewal – The rehabilitation or replacement of existing infrastructure due to obsolescence, health and safety concerns, legislative requirements, or deterioration of assets. Capital Renewal would also include a betterment to an asset that will extend the asset life cycle.
- New Capital – a new or expanded level of service or operational service area.

Administration has allowed consideration for those new capital projects where dedicated external funding has already been approved for a specific project, as well as large new projects where funds are being set aside in a Reserve Fund to save for a project.

With these considerations, approximately 82% of the Budget will be invested in capital renewal projects.

CONSULTATION

Administration will engage with the community through a public Budget Survey specific to the proposed 2025 Capital Budget during the period October 30 - November 12 with the results presented to Council on November 25, 2024.

FINANCIAL IMPLICATION

The proposed 2025 Capital Budget, as presented, would result in an investment of \$161,808,500 in infrastructure and community projects. The proposed budget would require a municipal tax levy of \$22,642,600 and is consistent with City Council's 2025 budget mandate.

CONCLUSION

The proposed 2025 Capital Budget, totalling \$161,808,500 is in line with City Council's 2025 budget mandate. Therefore, it is concluded that City Council should approve the 2025 Capital Budget as presented.

BACKGROUND

At the October 28, 2024, City Council meeting, a Memorandum from Councillor Bentz was presented, amending the 2025 Budget Calendar. The amended calendar directs Administration to present the proposed 2025 Capital Budget to Committee of the Whole

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on November 4, 2024, as a First Report, and to present the proposed 2025 Capital Budget to Committee of the Whole on November 25, 2024, for deliberation.

At the August 26, 2024, Committee of the Whole meeting, the 2025 Budget Direction Report 287-2024-Corporate Services-Office of the City Treasurer was presented. City Council approved a 2025 budget mandate of 3.8% before growth for Operating and Capital Budgets, as well as a cap on new capital projects being 20% of the total capital budget.

At the June 24, 2024, Committee of the Whole meeting, the 2025 Budget Calendar Report 227-2024-Corporate Services-Office of the City Treasurer was presented.

REFERENCE MATERIAL ATTACHED

Attachment A: Proposed 2025 Capital Budget

REPORT PREPARED BY

Andrea Morrison, CPA, CA, Director Finance – Corporate Services

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, General Manager – Corporate Service & City Treasurer

10/29/2024 (MM/DD/YEAR)