

# Corporate Report

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**MEETING DATE**

July 14, 2025

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**SUBJECT**

2024 Operating Budget Q4 Financial Status and Reserve and Reserve Fund Update

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## **RECOMMENDATION**

For Information only.

## **LINK TO STRATEGIC PLAN**

The 2024 Operating Budget Q4 Financial Status and Reserve and Reserve Fund Update supports the strategic direction to plan and deliver cost-effective services, with a focus towards ensuring accountability of the City's financial resources.

## **EXECUTIVE SUMMARY**

Overall, the City of Thunder Bay's 12-month period ending December 31, 2024, resulted in a favourable variance. The 2024 Operating Budget had planned for a \$2.9 million withdrawal from the Stabilization Reserve to fund one-time operational items. However, due to favourable variance across multiple areas, this withdrawal was ultimately not required. After accounting for this, the net variance in tax-supported operations was \$38,600, representing 0.02% of the 2024 Municipal Tax Levy of \$231.3 million.

In accordance with the City's Reserve and Reserve Fund Policy, the net variance has been transferred to the Stabilization Reserve.

Overall, the City of Thunder Bay's 12-month period ending December 31, 2024 resulted in a favourable variance of \$1.6 million in its rate-supported operations. The variances within each rate program have been managed using the respective reserve funds in accordance with the Consolidated Reserve Fund By-law and the approved 2024 Budget.

This Report also includes the annual reserve and reserve fund update including a Non-Consolidated Statement of Continuity of Reserves and Reserve Funds (Attachment 2).

## ***DISCUSSION***

### **Reconciling the Q4 Financial Status Report and Audited Financial Statements**

The City of Thunder Bay, like most municipalities, prepares and approve its Budget using a modified accrual basis of accounting. The unaudited financial results presented in this Corporate Report are provided on the same basis as the Municipal Budget.

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.

The external audit of the City of Thunder Bay's Consolidated Financial Statements for the period ending December 31, 2024 is currently underway. Because of the differences between the two reporting methods, the financial results presented in the audited Consolidated Financial Statements will be different than the results presented in this Corporate Report.

### **2024 Variance Explanations**

As a practice, the Corporation budgets based on a full approved staff complement. Throughout the variance explanations presented below, there is a general trend of under-expenditures in Personnel Services, totaling \$4.8 million between tax- and rate-supported operations. This includes \$3.1 million in WSIB costs that were over budget, which means the actual savings from staff vacancies were significantly higher. Of the total savings, \$2.5 million was anticipated and built into the budget as a corporate vacancy allowance.

#### **Tax-Supported Operations**

For the year ended December 31, 2024, there was a favourable variance of \$38,600 in the City's tax-supported operations. Attachment 1 – Q4 Financial Status Update by Division presents the net budget, year-end position, and variance for each Division. Explanations for significant variances, as noted in Attachment 1, are presented below:

#### **1. Corporate Revenues – Stabilization Reserve Contribution**

The 2024 budget included a contribution of \$2.9 million from the Stabilization Reserve, intended to offset one-time items. This contribution was not required due to the City's overall favourable operating variance (discussed below).

**2. Revenue**

Favourable variance of \$0.9 million in 2024 primarily in Personnel Services due to temporary staff vacancies during the year as well as higher than expected Provincial Offences Act (POA) fine revenues net of distribution to District Municipalities.

**3. Superior North Emergency Medical Services (SNEMS)**

Favourable variance of \$0.7 million in 2024 primarily in Personnel Services due to temporary staff vacancies during the year offset somewhat by higher WSIB compensation, health care, physician and administration fees. Vehicle repairs, maintenance and fuel costs were higher than budget. Provincial grants were lower than budget in 2024 as the grant amount is calculated on actual expenditures.

**4. Licensing and Enforcement**

Favourable variance of \$0.4 million in 2024 primarily in Personnel Services due to significant temporary staff vacancies during the year.

**5. Recreation and Culture**

Unfavourable variance of \$0.9 million in 2024, primarily in Personnel Services and Materials. The Personnel Services variance includes an higher WSIB costs, however the overall variance was largely due to staffing levels and compensation costs. These cost increases were partially offset by favourable revenue trends, including higher-than-anticipated federal grant funding for fully funded programs and increased user fee revenues.

**6. Transit**

No variance is reported for 2024 as the favourable variance of \$0.9 million was transferred to the Capital Transit Reserve Fund in accordance with the Consolidated Reserve Fund By-law. The favourable variance was primarily in Personnel Services due to temporary staff vacancies during the year, and favourable trends in materials. Revenues trended close to budget.

**7. Long Term Care and Senior Services**

Favourable variance of \$1.0 million in 2024, primarily due to increased provincial grants resulting from adjustments to the funding model and higher accommodation revenues. Temporary staff vacancies contributed to a favourable variance in Personnel Services, although this was offset by increased contracted services to maintain continuity of care.

**8. Engineering and Operations**

Although an unfavourable variance of \$0.9 million was reported for 2024, the Division would have ended the year in a favourable position if not for the transfer to the Winter Control Roads Reserve. Within the Division, the Winter Control area experienced a favourable variance of \$1.9 million due to a

relatively mild winter. In accordance with the Reserve and Reserve Fund Policy, this amount was transferred to the Winter Control Roads Reserve.

The \$0.9 million unfavourable variance was primarily driven by higher expenditures on road surface maintenance, in accordance with Roads Maintenance Objectives, and increased costs for traffic control and street lighting contracts, which were necessary to maintain service levels amid significant staff shortages.

#### **9. Solid Waste**

Favourable variance of \$2.0 million in 2024, primarily due to operational impacts related to the implementation of the Blue Box program. The savings were driven by a combination of factors, including lower costs for contract service agreements, most notably a significant reduction in the contract termination fee. Also, temporary staff vacancies, increased provincial grant funding, and higher user fee revenues contributed to the favourable variance.

#### **10. Thunder Bay Fire Rescue**

Unfavourable variance of \$0.9 million in 2024 primarily in Personnel Services due to higher overtime costs, WSIB compensation, health care, physician and administration fees, offset somewhat by temporary staff vacancies during the year.

#### **11. Development Services**

Favourable variance of \$0.5 million in 2024 primarily in Personnel Services due to temporary staff vacancies during the year and higher than expected permit fee revenues.

#### **12. Corporate Expenditures Net of General Revenues**

Corporate Expenditures and Revenues include budgets for various items that are not necessarily attributable to any one Division, these include general personnel costs, tax write-offs, service fee to the Municipal Property Assessment Corporation (MPAC), debt servicing, legal expenses and insurance.

Unfavourable variance of \$3.0 million however it is noted that Corporate Expenditures includes the \$2.5 million corporate vacancy allowance discussed above. Although these savings were expected and materialized through temporary staff vacancies within Divisions, the actual savings are recorded at the divisional level. This results in an apparent unfavourable variance within Corporate Expenditures, which is strictly a presentation issue rather than a reflection of overspending.

This category reflects a mix of favourable and unfavourable variances. The most material items are outlined below:

- Unfavourable Tax Write offs: \$0.8 million
- Unfavourable Insurance Claims and associated fees: \$1.3 million
- Favourable investment earnings: \$2.4 million

### 13. Police Services Operations

Favourable variance of \$0.3 million in 2024 primarily due to favourable revenues. Provincial grants were \$0.7 million favourable, user fee revenue for paid duty service was also \$0.7 million more than budget and spending on Materials were less than anticipated due to implementation of operational changes where services are completed in house rather than outsourced. These favourable trends are partially offset by unfavourable Personnel Services, including overtime, WSIB, health care, physician and administration fees. The Personnel Services variance also includes paid duty wages which are recovered through applicable user fee revenue and vacancy savings.

### Rate-Supported Operations

For the year ended December 31, 2024, overall, there was a favourable variance of \$1.6 million in the City's rate-supported operations. Any under or over expenditure in these programs results in a transfer to or from their respective reserve funds.

<b>Rate-Supported Variances (\$M)</b>			
Program	Budget Surplus Transfer to Reserve Fund	Actual Surplus/(Deficit) Transfer to/(from) Reserve Fund	Variance F/(U)
Waterworks	\$8.1	\$7.8	(\$0.3)
Wastewater (Sewer)	\$4.6	\$5.5	\$0.9
Solid Waste (Landfill)	\$0.3	\$1.5	\$1.2
Boaters' Services	\$0.2	\$0.2	\$0.0
Municipal Parking Services	\$0.5	\$0.3	(\$0.2)
<b>Total Variance</b>	<b>\$13.7</b>	<b>\$15.3</b>	<b>\$1.6</b>

Explanations for significant variances are presented below:

- **Waterworks**  
Unfavourable variance of \$0.3 million in 2024 primarily due to lower user fee revenues, as well as higher costs for materials and contracted services. These pressures were partially offset by savings in Personnel Services resulting from temporary staff vacancies during the year.
- **Wastewater (Sewer)**  
Favourable variance of \$0.9 million in 2024 primarily in Personnel Services due to temporary staff vacancies during the year and lower cost of materials, partially offset by lower than expected user fee revenues.

- **Solid Waste (Landfill)**  
Favourable variance of \$1.2 million in 2024 primarily due to favourable user fee revenues and increased internal recovery from the change in application of tipping fees.
- **Municipal Parking Services**  
Unfavourable variance of \$0.2 million in 2024 primarily due to lower user fee revenues due to timing of parking service changes, and the implementation of parking exemption zones.

### ***FINANCIAL IMPLICATION***

Overall, the City of Thunder Bay's 12-month period ending December 31, 2024, resulted in a favourable variance of \$38,600 in tax-supported operations. This outcome reflects a more substantial favourable variance in the net operating variance as the budgeted 2024 transfer of \$2.9 million from the Stabilization Reserve to operating was not required.

The Reserve and Reserve Fund Policy provides direction for the allocation of the operating surplus/deficit (year-end variance). In accordance with this policy, the \$38,600 year-end surplus will be transferred to the Stabilization Reserve.

### **Non-Consolidated Statement of Continuity of Reserves and Reserve Funds**

Attachment 2 – Non-Consolidated Statement of Continuity of Reserves and Reserve Funds, provides details of the activities in reserves and reserve funds for the year, and includes the transfer to Stabilization Reserve in the amount of the tax-supported year-end surplus in accordance with the Reserve and Reserve Fund Policy.

Reserves and reserve funds are a critical component of a long-term financial plan. Adequate levels of reserves and reserve funds demonstrate financial flexibility and an ability to adapt to fiscal challenges.

The overall increase of \$9.1 million reflects contributions of \$59.5 million in net funding provided for capital projects and \$3.5 million in funding for operations that are offset by interest and investment earnings of \$8.0 million, contributions from operations of \$59.7 million and contributions from capital of \$4.8 million.

Tax-supported reserve and reserve fund balances are \$196.9 million (2023 - \$186.6 million) and rate-supported reserve fund balances at December 31, 2024 are \$49.9 million (2023 – \$50.3 million).

### Tax-Supported

The 2024 tax-supported reserve and reserve fund balance is \$196.9 million representing an increase of \$10.9 million over 2024.

The overall 2024 increase in Reserves and Reserve Funds mainly relates to:

Increases in:

- Indoor Turf Reserve Fund (\$3.0 million);
- Capital Expenditure Reserve (\$2.4 million);
- Winter Control Roads Reserve (\$1.9 million);
- Renew Thunder Bay (\$0.9 million); and
- Building Permit Reserve Fund (\$0.6 million);

Offset with decreases in:

- Capital General Reserve Fund (\$1.4 million);
- Event Hosting Reserve (\$0.8 million);
- Insurance Reserve (\$0.7 million); and
- Stabilization Reserve (\$0.5 million);

The increase in Reserve and Reserve Fund balances is consistent with the City's commitment to long term financial sustainability and fiscal resilience. This strong reserve position supports the City's ability to respond to financial pressures and supports strategic capital investments.

### Rate-Supported

Long-range financial plans are in place for the City's rate-supported operations (waterworks, wastewater, solid waste, boaters' services, and municipal parking services). User fees are based on future cash flow requirements for operating (including borrowing costs), capital, and reserve fund contributions. The long-term strategy for rate-supported operations is expected to provide for a gradual increase to reserve fund balances for future capital asset replacement.

### **CONCLUSION**

It is concluded that the City of Thunder Bay tax-supported operations resulted in a surplus of \$38,600 for the 2024 year. In accordance with the City's Reserve and Reserve Fund Policy, this surplus has been transferred to the Stabilization Reserve.

It is further concluded that the City's rate-supported operations generated an overall surplus of \$1.6 million in 2024. In alignment with the Consolidated Reserve Fund By-law and 2024 Approved Budget, the surplus will be transferred to and from the applicable rate supported reserve funds in order to support future infrastructure and operating needs.

Administration provides the Non-Consolidated Statement of Continuity of Reserves and Reserve Funds (Attachment 2) to City Council for information purposes.

***BACKGROUND***

The Operating Budget for the fiscal year January 1, 2024 to December 31, 2024 was approved by City Council on February 12, 2024.

***REFERENCE MATERIAL ATTACHED***

Attachment 1 – Q4 Financial Status Update by Division

Attachment 2 – Non-Consolidated Statement of Continuity of Reserves and Reserve Funds (Unaudited)

***REPORT PREPARED BY***

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***REPORT SIGNED AND VERIFIED BY***

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06/16/2025 (MM/DD/YEAR)