

2023-2027

# Financial & Corporate Business Plan



City of Penticton

Financial and Corporate Business Plan  
September 12, 2023

## Second Quarter 2023 Update



Introduction to Quarterly Updates .....	2
Financial Summary .....	3
General Fund .....	3
Utilities .....	4
Cash & Investments .....	5
Reserves .....	5
Debt .....	6
Revenue & Expense Summary .....	7
Operating Variance Analysis .....	8
Second Quarter Budget Amendments .....	8
Forecast Variances .....	9
Capital Variance Analysis .....	10
Second Quarter Budget Amendments .....	10
Forecast Variances .....	10
Strategic Initiatives .....	11
Corporate Business Plan .....	11

## Introduction to Quarterly Updates

The Corporate Quarterly report is produced three times a year to present the City's financial position for the quarter and communicate progress made on Strategic Initiatives.

There are four components within this report:

1. Financial Summary - provides a quarterly update on the City's financial position. Included in this section of the report are summaries for the City's operating and capital funds as well as details on cash & investments, reserves, debt, and a summary of revenue and expenses.
2. Operating Variance Analysis – provides highlights on operating funds for current forecast variances as well as budget amendments made during the quarter.
3. Capital Variance Analysis - provides highlights on capital funds budget amendments made during the quarter.
4. Strategic Initiatives - includes progress update on the initiatives detailed in the City's Financial and Corporate Business Plan.

## Financial Summary

The 2023 -2027 budget was adopted by Council on April 18, 2023, with the first quarter update received by Council on May 16, 2023. This second quarter report summarizes the City's overall financial activities up to June 30, 2023. The City's financial position for the second quarter has total revenues expected to be higher than budget by 5.7%, and operating expenses are anticipated to be 0.4% lower than budget.

### General Fund

After the second quarter, the 2023 forecasted draw is lower than budget, with a draw from the General Fund surplus reserve of \$2.5M, compared to adopted budget draw of \$3.0M.

#### *Operating - forecasted draw of \$2.5M*

Second quarter revenue increases are mainly attributed to successful grants, higher interest rate returns and increased transit revenue. Expenses are trending, in most cases, as budgeted with the exception of cost savings for staffing and RCMP vacancies, offset by increased costs for interest paid by the City. The Operating Variance section below provides a more in-depth analysis of the variances.

#### *Capital - \$16.3M*

The General Fund 2023 Capital amended budget is \$16.3M, an increase of 1.1M from the approved budget, which is detailed below in the Capital Variance Analysis section. Larger projects that are underway, with completion planned for 2024, including the Point Intersection Kinney and South Main project and the AAA Lake to Lake Bike Network route. The Penticton Creek rehabilitation and multiple facility upgrades and underway and expected to be completed in 2023.

## Utilities

### Electric Fund

*Operating – forecasted draw of \$2.5M*

The forecasted draw from the Electric reserve is the same as the adopted budget of \$2.5M.

*Capital - \$5.3M*

The 2023 amended budget is \$5.3M, same as the approved budget. The Point Intersection Kinney and South Main electrical portion \$2.5M is underway with the majority of the work to be completed in 2023.

### Sewer Fund

*Operating – forecasted surplus of \$1.1M*

The forecasted transfer to Sewer surplus is \$1.1M, a decrease of \$100k from the adopted budget of \$1.2M for higher costs related to planned capital sewer works.

*Capital - \$3.3M*

The 2023 amended budget was increased by \$100k to \$3.3M. The majority of the capital is for the Advance Waste Water Treatment Plant upgrades project that is expected to be tendered in the third quarter, with construction in 2024.

### Water Fund

*Operating – forecasted surplus of \$465k*

The forecasted transfer to Water surplus is \$456k, compared to the adopted 2023 budget transfer of \$783k, a decrease of \$318k for capital amendments for planned water capital works, waterline upgrade, and portable water supply station that are coming in higher than originally anticipated.

*Capital - \$4.5M*

The 2023 amended budget is \$4.5M, an increase of \$318k from the adopted budget of \$4.2M. The Ridgedale Reservoir \$4.2M and Penticton Ave Pressure Reducing Valve (PRV) upgrade \$2.9M are expected to tender in 2023, with construction in 2024. Civil contractors are extremely busy and currently do not have capacity to take on additional large projects.

## Cash & Investments

As at the end of June 2023, the City's cash and term deposit balance is \$138.5M, an increase of \$5.2M over the beginning of year balance of \$133.3M. These investments have earned approximately \$2.8M in investment income to date, which is 75% of budgeted amount, and the forecast has been increased by \$400k to reflect higher interest received.

Diversification of current investments can be seen in the table below:

**Table 1 Portfolio Allocations (in millions)**

Financial Institution	2022 Portfolio Amount	2022 Percentage	2023 Q2 Portfolio Amount	2023 Q2 Percentage
MFA Pooled Investment Funds	\$ 41.1	30.8%	\$ 42.1	30.4%
DUCA Financial	16.4	12.3%	21.4	15.5%
Agrove	2.5	1.9%	2.5	1.8%
FNBK	2.5	1.9%	2.5	1.8%
Tandia Financial	5.0	3.8%	5.0	3.6%
Haventree Bank	5.0	3.8%	5.0	3.6%
Meridian Credit Union	9.1	6.8%	9.1	6.6%
Valley First Credit Union	51.7	38.8%	50.9	36.8%
<b>Total</b>	<b>\$ 133.3</b>	<b>100.0%</b>	<b>\$ 138.5</b>	<b>100.0%</b>

## Reserves

The City's statutory reserve balances at the beginning of 2023 were \$32M, and forecasted to be \$32M, at the end of 2023, and does not yet reflect the \$7.177M earmarked for disbursement from the Growing Community Reserve. Mandatory reserve balances at the beginning of 2023 were \$19M and are forecasted to be \$13M at the end of 2023 due to the Council resolution to withdraw up to \$4.1M from the Asset Emergency Reserve to fund the Community Centre facility condition improvements and upgrades. Non-statutory reserve balances at the beginning of 2023 were \$63M, and are forecasted to be \$44M at the end of 2023.

The City's reserve balances are detailed in the table below and forecasted based on year to date results as well as transfers as approved in the City's 2023-2027 Financial Plan:

**Table 2 Reserve Forecast Summary (in thousands of dollars)**

Reserve	2022	2023	2024	2025	2026	2027
	Financial Statement	Forecast	Forecast	Forecast	Forecast	Forecast
Statutory	31,882	31,882	31,677	34,473	35,865	37,499
Mandatory	18,761	13,381	10,885	10,422	5,812	4,116
Non-Statutory	63,423	44,229	38,154	38,676	39,222	39,971
<b>Total</b>	<b>114,067</b>	<b>89,491</b>	<b>80,716</b>	<b>83,571</b>	<b>80,900</b>	<b>81,586</b>

## Debt

The City's forecasted debt balance to the end of 2023 is \$27M. Debt is currently represented by issues for the General, Water and Sewer funds. Liability Servicing Cost is legislatively limited to 25% where debt servicing costs cannot exceed 25% of specific municipal revenues of the previous year. A five year forecast of long-term debt is included in the table below:

**Table 3 Long Term External Debt Budget Forecast (in millions of dollars)**

	2022	2023	2024	2025	2026	2027
	Financial Statement	Forecast	Forecast	Forecast	Forecast	Forecast
Opening balance		\$ 20.80	\$ 26.69	\$ 29.60	\$ 27.32	\$ 25.48
Principal Repayment		\$ 1.91	\$ 2.19	\$ 2.28	\$ 1.84	\$ 1.84
New debt		\$ 7.80	\$ 5.10	\$ -	\$ -	\$ -
Ending balance	\$ 20.80	\$ 26.69	\$ 29.60	\$ 27.32	\$ 25.48	\$ 23.64
Estimated Liability						
Servicing Cost %	2.8%	2.8%	3.6%	3.6%	3.5%	3.1%

In October 2022, Council approved (Council resolutions 339/2022, 340/2022, 341/2022) up to \$12.9M in new debt, for upgrades and expansions at the Advanced Waste Water Treatment Plant, Penticton Ave PRV, and Ridgedale Reservoir. The loan proceeds of \$7.8M for the AWWTP and Ridgedale Reservoir have been issued and funds will be available in the coming weeks. The remaining loan authorization of \$5.1M for the Penticton Ave PRV is expected to be drawn on in the spring 2024 offering. The Proposed borrowing in year 2025 and 2026 of the Financial Plan Bylaw have not been incorporated into the above table at this time.

In June 2022, Council approved (Council resolution 224/2022) up to \$7.4M in internal borrowing for the Bike Network, Point Intersection Kinney Ave & South Main St, and Fire Hall 2 – 2 bay garage, with repayment over 10 years. Annual repayments are to be funded from existing reserves, currently these borrowings are the City's only internal debt. To date \$3.5M has been borrowed internally with the remainder anticipated to be drawn during 2023 and 2024.







# Operating Variance Analysis

## Second Quarter Budget Amendments

Revenue - \$445k increase

- Sales of Service \$94k
  - Transit revenue has been increased to reflect the updated budget as part of the Transit Agreement approved by Council.
- Grants \$351k
  - The City was successfully in receiving the following operating grants:
    - 2 Billion Trees grant of \$300k, split equally over 2 years, to assist with the Urban Forestry Master Plan project;
    - Federation of Canadian Municipalities Home Energy Loan Grant of \$175k;
    - Union of BC Municipalities 2023 ESS Community Emergency Preparedness grant of \$26k.

Expense - \$699k increase

- General Operating \$699k
  - The City's share of Transit expenses increased \$81k with the signing of the Transit Agreement, which is offset by higher revenue.
  - The expenses for successful operating grants mentioned above were added of \$383k.
  - The Land Management budget was increased \$50k for land feasibility study of 2509 Main Street, as approved by council.
  - Line painting budget was increased \$80k for the annual line painting contract costs which was higher than anticipated , as well as the Council approved Rainbow crosswalk.
  - Unplanned facility demolitions of \$80k and other minor requests totaling \$25k for increased costs for planned facility maintenance projects.

## Forecast Variances

Each quarter, actual revenue and expense are reviewed comparative to budget, and the forecast is updated to reflect anticipated changes, and highlights or specific items that are being monitored are noted below.

### Revenue

- Sales of Service
  - Transit revenue is similar to last year and the forecast has been increased \$25k to reflect the higher revenue for increased ridership.
  - Franchise fee revenue received is \$115k higher than budgeted and reflected in the forecast.
  - Building Permit revenue June year to date is 41% of the annual budget. This is mainly attributed to reduced building permits due to apprehension in the market with the high costs of construction and increased borrowing rates.
  - Recreation revenue is on budget at this time, and will depend on the length of the unplanned extended closure.
- Electric sales revenue at the end of the second quarter is \$22.7M, which is 50% of the annual budget.
- Sewer revenue year to date is \$4.6M, which is 51% of the annual budget. Sewer billing for November to March is billed based on water usage, while from April to October the rates are fixed.
- Water revenue to the end of June is 44% of the annual budget, slightly higher than this time last year. This June was significantly dryer than June of last year, which is being reflected in higher water usage. Water peak months are May through October each year.
- Fiscal Services is higher for higher interest revenue on cash and investments than budgeted. Variable interest rate holdings are budgeted conservatively.

### Expenses

- General Fund
  - The forecast reflects current savings to date for vacancies in various departments and the RCMP. Recruitment expenses are anticipated to be higher than budget with senior staff vacancies.
  - The SOEC is forecasting a slightly lower draw from the City, comparative to budget.
  - As interest rates are significantly higher than previous years, interest paid on monies held by the City is more than budgeted and is forecasted accordingly.
- Electric Utility
  - Bulk Energy purchases are \$16.5M for Jan-Jun, compared to the annual budget of \$35M, or 47% of the annual budget, and is similar for the same period last year. Depending on weather, the summer months often are as high as the winter months. The City is still awaiting information relating to the request from FortisBC for an additional interim rate increase for 2023 of 3.98%.

# Capital Variance Analysis

## Second Quarter Budget Amendments

The second quarter capital budget amendments total \$337k, and are as follows:

- *General Capital \$87k*
  - Facilities \$252k
    - Facility projects that were completed under budget, cancelled or deferred for 2023 total (\$377k), with \$150k of the savings being utilized to fund additional projects including an unplanned repair of a floor heat changer at the SOEC for \$10k, roof anchors required for safety \$110k at the SOEC, and building renovations at Westminster Center to relocate Community Services staff \$30k.
    - Council approved 300 Block Main Street Breezeway gates for \$10k (Res 182/2023).
    - Inflation increases for indoor soccer facility roof bubble and rental equipment for \$222k, to be funded from Growing Communities fund.
    - Fire Hall 2 - two bay garage project experiencing significant cost increases to project in electrical and foundation works anticipated to be \$247k, to be funded from Growing Communities fund.
  - Public Works (\$165k)
    - Marina Way Park memorial bench approved by Council \$20k. (Res. 213/2022)
    - Council approved the removal of the balance of Decorative scroll lights project costs of \$185k (Res. 203/2023).
- *Sewer Capital \$100k*
  - Increased costs for planned sewer capital works.
- *Water Capital \$150k*
  - Increased costs for planned water capital works.

## Forecast Variances

Capital budgets are not forecasted quarterly as projects may continue into future years, with funding be carried forward to fund the completion of the project.

# Strategic Initiatives

## Corporate Business Plan

To ensure strong public accountability each year the City's Strategic Initiatives are published in the Corporate Business Plan. In 2023, there were a total of 35 strategic priorities and initiatives outlined for completion across City divisions and departments.

In 2023, Council introduced and adopted their strategic priorities to guide their four-year term from 2022 – 2026. Council's Priorities are:

- **Safe & Resilient** – Enhance and protect the safety of all residents and visitors to Penticton;
- **Livable & Accessible** – Proactively plan for deliberate growth and focus on community infrastructure to support an inclusive, healthy, safe and desirable place to live;
- **Vibrant & Connected** – Support vibrant and diverse activities creating opportunities for connection; and
- **Organizational Excellence** – Support a culture of service excellence around governance, leadership and sound financial decisions.

### Q2 Update

For the first quarter update to Council a total of two (2) initiatives were completed and two (2) initiatives were delayed. In the second quarter, City Divisions reported 30 initiatives are on track to successfully complete within their stated timelines, with three (3) initiatives now being considered delayed.

Completed initiatives include:

- **Develop a Privacy Management Program** – Under direction and in accordance to the Minister responsible for FOIPPA the Legislative Services department developed and introduced a privacy management program for the City of Penticton.
- **Increase Hours for Existing Library Pages** -- Staff schedules for the existing Library Pages have been adjusted to include expanded hours as approved by Council.

Below is a summary of delayed projects:

- **GIS Upgrade** – The IT team has been successful in launching the hardware architecture. Development and testing environment will commence in Q3 this will be followed by staff testing. This initiative is expected to successfully complete by year-end.
- **Sport and Event Strategy Update** – This initiative is currently on hold due to staff vacancies and emerging priorities. Work is expected to resume on this initiative in Q3.
- **Collective Bargaining with IAFF Local 1399** – Due to a conflict in available schedules for the bargaining team, collective agreement bargaining is expected to resume in Q4.

## Summary Tables Strategic Initiatives

<b>Safe &amp; Resilient</b>	
<b>Enhance and protect the safety of all residents and visitors to Penticton</b>	
<b>Initiative</b>	<b>Status</b>
<p><b>Community Safety Building Design Development</b> Space planning has completed and final site selection is currently underway. This facility will look at consolidating Fire, Emergency Operations, Bylaw, Community Safety Officers and a portion of RCMP detachment within one multi-use community safety centre</p>	↑
<p><b>Fire Hall #2 Renovations</b> Apparatus storage building arrived at the end of July and anticipate final completion by end of September. The construction of the new two-bay building at Fire Hall #2 will increase capacity for firefighting apparatus.</p>	↑
<p><b>Dam Safety Compliance</b> The City must ensure all dams meet the regulatory requirements and continue to provide safe water retention and storage for the community. Ellis 4 project nearing completion, Ellis 2 detail design underway.</p>	↑
<p><b>Increase Resiliency and Reliability of the Electric Utility</b> Options to increase the reliability and resiliency of the electrical utility are being analyzed for future business case consideration. The Electric Utility is participating in the City's utility rate review.</p>	↑
<p><b>Increasing Officer Authority for Bylaw Services</b> Bylaw Services is working towards several initiatives to increase the authority of BEOs and CSOs to reflect the expectations of Council and the community. Council endorsed the Bylaw Enforcement Officer Bylaw on April 3, 2023 to designate Bylaw Enforcement Officers as Peace Officers. Officers have received training related to peace officer authority in Q2.</p>	↑
<p><b>Building Safer Communities Fund (BSCF)</b> Public Safety Canada has committed \$1.2M in grant funding to the City as part of the Government of Canada's investment to support municipalities with initiatives for at-risk youth. Social Development is leading this program and has committed funds to local programs for youth including Ooqnakane Friendship Centre, YMCA of Southern Interior BC and Foundry Penticton.</p>	↑
<p><b>Improved Operational Readiness of the Penticton Fire Department</b> The Council-approved increase in four firefighters has brought the PFD's staffing model to the accepted best practice for the industry. In Q2, firefighters completed their six week training program and are on shift.</p>	↑
<p><b>First Responder Program Analysis</b> The PFD continues to compile an analysis of all medical emergencies responded to for 2023. Council will receive a report later this year.</p>	↑
<p><b>Community Safety Team</b> Council endorsed two additional RCMP members to establish a specialized team focused on non-enforcement response. Team is a collaborative partnership with the City's Community Safety Officers (CSOs). The team is working closely with community partners.</p>	↑
<p><b>Serious Crimes Administrator</b> Council supported a new municipal staff position to oversee Electronic File Disclosure and Administrative Coordination. The position has been filled and is working with the Serious Crimes Team.</p>	↑
<p><b>Car40 Program</b> Car 40 or the MICRT Program (Mobile Integrated Crisis Response Team) is a non-enforcement response to substance use, homelessness and mental health issues. The provincial government has announced funding for this program, timelines for implementation are in development.</p>	↑

## Livable & Accessible

Proactively plan for deliberate growth and focus on community infrastructure to support an inclusive, healthy, safe and desirable place to live

Initiative	Status
<b>Attainable and Affordable Housing Development</b> The City is committed to reducing the impacts of the housing crisis by seeking affordable housing partners. The City's OCP Task Force has completed Penticton's Housing Needs Assessment as part of the CMHC Housing Accelerator Fund (HAF) application requirement.	↑
<b>Develop an Urban Forestry Master Plan</b> To further the goals outlined in the City's OCP and the Parks and Recreation Master Plan an urban forest master plan is required, this plan has been branded the ComuniTREE Plan. Staff have completed the background report on the City's urban forest and are preparing for public engagement workshops to be held in Q3.	↑
<b>Sanitary Sewer Plant Residuals and Organics Waste Management</b> This is a continuing, multi-year initiative for the City. The City has developed recommended options with the Regional District of the Okanagan Similkameen for this project. Estimated completion is 2026.	↑
<b>Climate Action and Sustainability Initiatives</b> To advance the City's Corporate and Community Climate Action Plans, 2023 will focus on initiatives for emissions, recycling and EV charging. Blue Skies Transportation Fund is an ongoing success with 16 bike racks installed this year and 24 EV Ready Plans approved.	↑
<b>Points Intersection and Lake-to-Lake All Ages and Abilities Bike Route Completion</b> This project will reduce vehicle congestion along South Main Street and Kinney Avenue as well as improving safety for all road users while encouraging active transportation. In Q2, underground utility work for South Main Street, Galt Avenue and Pineview road was undertaken.	↑
<b>Advanced Waste Water Treatment Plant (AWWTP) Upgrades</b> The AWWTP is in need of upgrades to increase capacity, improve treatment processes and replace end-of-life infrastructure. In Q2, staff completed their first review of the detail design. Tender is scheduled for late August.	↑
<b>Transportation Safety and Choice</b> This initiative seeks to improve safety for all road users. The Safe Routes to School pilot program is underway at Carmi and Uplands Elementary. Final consultant report is expected in Q3.	↑
<b>Refinement of Permit and Education Programs</b> The Development Services Division is working to update education and communication tools for developers and stakeholders to increase transparency and gain efficiencies in permit processing and file management. In Q2, the e-newsletter program continues as well as group and individual education session with building industry partners. Preparing for the Province's release of the new homeowner guide for second suites in early September.	↑
<b>Official Community Plan Review</b> The OCP requires updating to ensure our policies align with the new growth projections reflected in the 2021 Canadian Census Report. The OCP Task Force continues to meet and successfully completed the Housing Needs Assessment report. Planning for public engagement in the fall.	↑

## Vibrant & Connected

Support vibrant and diverse activities creating opportunities for connection

Initiative	Status
<b>Sports and Event Strategy Update</b> A review and update of this Strategy is required to ensure the City has a current framework that is aligned with Council and stakeholder priorities to direct support and investment into events in Penticton. This initiative is currently on hold due to staff vacancy and emerging priorities.	↓
<b>Permanent Exhibit Revitalization – Museum</b> Existing permanent exhibits are more than 20 years old and in need of revitalization to ensure they are relevant and remain an indispensable part of the City's cultural life. The museum is working with fabricators and graphic designers, construction is still underway.	↑
<b>Arena Use Analysis</b> This initiative is in alignment with the Civic Places and Spaces report recommendations. Data collection is underway. User group engagement is planned for Q3. Project is on track to complete for Q4.	↑
<b>Increasing Digital Collections</b> This expansion of materials is in response to growth in demand for digital and electronic items. This initiative will be on-going due to demand by patrons for e-content. May 2023 statistics show an increase by over 113% from May 2022.	↑
<b>Skaha Splash Pad Replacement</b> The existing splash pad at Skaha Park was constructed in 1996 and is due for replacement. Splash pad design concept is complete and project is on schedule for construction to start fall 2023.	↑
<b>Columbia Park Sports Court Upgrades</b> Court requires upgrades to meet the growing demands of users and anticipated future use. RFP is complete and construction to start in August.	↑
<b>Social Development Framework</b> The development of the Framework and five-year work plan will guide the City's role and purpose in supporting the social well-being of the community. Social Development presented to Council in July to share preliminary results for the Social Framework.	↑

## Organizational Excellence

Support a culture of service excellence around governance, leadership and sound financial decisions

Initiative	Status
<b>Develop a Privacy Management Program</b> Changes to the FOIPPA require public bodies to put into place a privacy management program, effective February 1, 2023. This initiative was successfully completed in Q1.	☑
<b>Utility Benchmarking and Rate Review</b> Benchmarking will allow the City to compare water and sewer operations against other similar utilities. The utility rate review will make recommendations for the City's utilities over the next five years. Benchmarking data has been collected and compiled and public engagement will occur in Q3.	↑



## City Mission

Penticton will serve its residents, businesses and visitors through organizational excellence, partnership and the provision of effective and community focused services.

Initiative	Status
<b>Expanded Customer Payment Options</b> The addition to accept credit cards at City Hall for payments will be phased in over 2023 and 2024 to allow time for integration. Contract with the payment vendor has been signed and is scheduled for implementation in Q4.	↑
<b>Implement Asset Retirement Obligations</b> Asset Retirement Obligations (AROs) is a new accounting standard that affects municipalities. Accounting staff continue to advance this project in collaboration with City departments.	↑
<b>Geographic Information Services (GIS) Upgrade</b> A change in system architecture, product versions and integrations are required. Hardware architecture is up and running and the development/testing environment testing will begin shortly.	↓
<b>Implement a Computerized Maintenance Management System (CMMS)</b> CMMS will build a complete and current inventory of the City's physical assets and development of computerized scheduled for required maintenance and testing. Final stages underway with projected go-live in Q3.	↑
<b>Increase Hours for Existing Library Pages</b> To manage growth in patron demand an increase in Senior and Junior Page position hours is required. This initiative was successfully completed in Q1.	☑
<b>Collective Bargaining with IAFF Local 1399</b> Effective collective bargaining with the Penticton Professional Firefighters union (International Association of Fire Fighters) allows for a progressive and harmonious working environment. Due to conflict with Union Executive bargaining is postponed to Q4.	↓

Status		Definition
☑	Complete	Initiative was successfully completed
↑	On Track	Initiative is on schedule and progress continues towards milestones
↓	Delayed	Initiative is experiencing challenges or delays
X	Not Started	Initiative work is waiting to begin