

2024-2028

Financial & Corporate Business Plan



City of Penticton

Financial and Corporate Business Plan
August 6, 2024

Second Quarter 2024 Update



Introduction to Quarterly Updates	2
Financial Summary	3
General Fund	3
Utilities	4
Cash & Investments	5
Reserves	6
Debt	7
Revenue & Expense Summary	8
Operating Variance Analysis	9
Second Quarter Budget Amendments	9
Forecast Variances	10
Capital Variance Analysis	11
Second Quarter Budget Amendments	11
Forecast Variances	11
Strategic Initiatives	12
Corporate Business Plan	12

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 2024 -2028 budget was adopted by Council on December 14, 2023, and the first quarter report was received by Council on May 7, 2024. This second quarter report includes activities up to June 30, 2024. The City's financial position remains stable with draws and transfers to surpluses remaining steady, despite increased costs.

General Fund

After the second quarter, the 2024 forecasted draw from General Fund surplus reserve is higher than budget, with a draw of \$1.6M, compared to adopted budget draw of \$1.5M.

Operating - forecasted draw of \$1.6M

An increase in revenue of \$1.3M is forecasted compared to budget, mostly related to higher than anticipated investment returns as reserve balances are higher than projected due to delays in capital expenditures, and increased non-market change taxation, which are offset by higher forecasted expenses including recent union contract settlements. These variances minimize the overall effect on the draw from surplus. The Operating Variance section below provides a more in-depth analysis of the variances.

Capital - \$16.9M

The General Fund 2024 Capital amended budget is \$16.9M, an increase of \$1.7M from the approved budget of \$15.3M, detailed below in the Capital Variance Analysis section.

Utilities

Electric Fund

Operating – forecasted draw of \$4.1M

The forecasted draw from the Electric reserve is similar to the approved budget of \$4.2M.

Capital - \$8.4M

The 2024 amended budget is \$8.4M, same as the approved budget.

Sewer Fund

Operating – forecasted surplus of \$1.8M

The forecasted transfer to Sewer surplus is \$1.8M, is \$29k lower than the approved budget, which reflects the union contract negotiations, offset by identified savings.

Capital - \$3.2M

The 2024 amended budget is the same as the first quarter forecast.

Water Fund

Operating – forecasted draw of \$2.7M

The forecasted draw from Water surplus is \$2.7M, which has increased \$68k mainly due to the union contract negotiations.

Capital - \$14.5M

The 2024 amended budget is the same as the first quarter forecast.

Cash & Investments

As at the end of June 2024, the City's cash and term deposit balance is \$154.0M, an increase of \$6.8M over the beginning of year balance of \$147.2M. This increase is mainly attributed to receipt of taxation revenue due at the beginning of July, as opposed to the end of July in previous years, which will contribute to City operations throughout the following 12 months.

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

Table 1: Types of Investments (in millions)

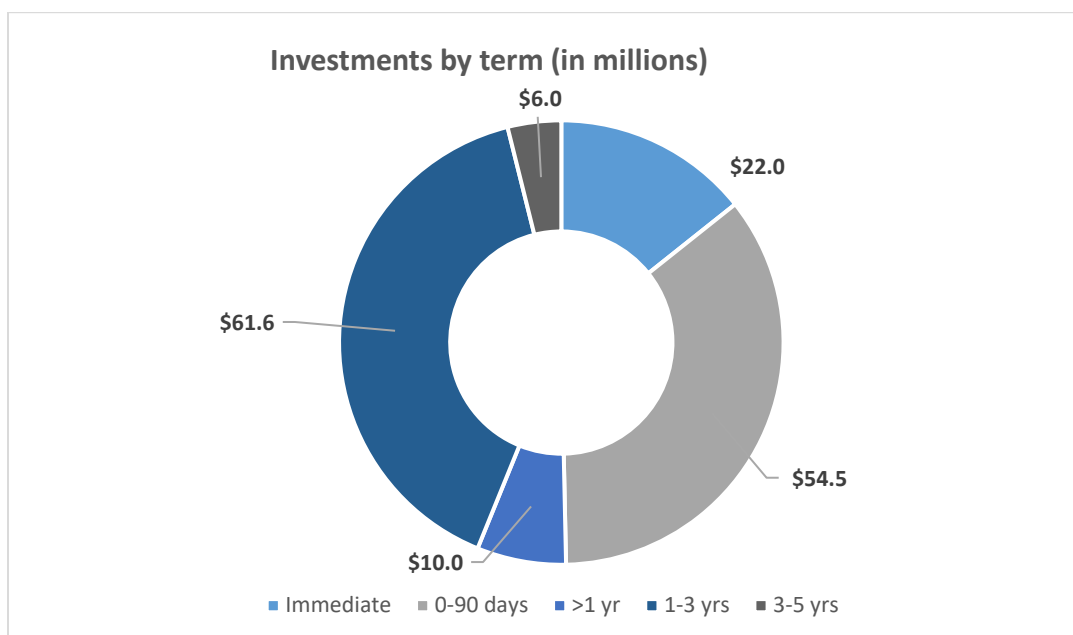
Type of Investment	2023 Portfolio Amount	2023 Percentage	2024 Q2 Portfolio Amount	2024 Q2 Percentage
Cash	\$ 8.81	6.0%	\$ 22.04	14.3%
Municipal Finance Authority Investment funds	43.3	29.4%	44.3	28.8%
*Securities in a Chartered Bank	12.5	8.5%	12.5	8.1%
*Deposits in BC Based Credit Unions	36.9	25.0%	33.7	21.9%
*Deposits in Credit Unions based outside of BC	45.8	31.1%	41.6	27.0%
Total	\$ 147.2	100.0%	\$ 154.1	100.0%

**All are Guaranteed Investments/Term deposits*

On a regular basis, Staff monitor overall cash balances, forecast incoming and outgoing cash requirements and determine excess cash that could be invested. In addition, Staff select investments that are low risk and where possible ladder maturity timelines to meet the City's ongoing needs. In 2024, the City has a significant capital program, which requires funds to be liquid as projects progress, as such more funds may be held in unrestricted cash investments.

Below is a table of the investment terms:

Table 2: Investments terms (in millions)

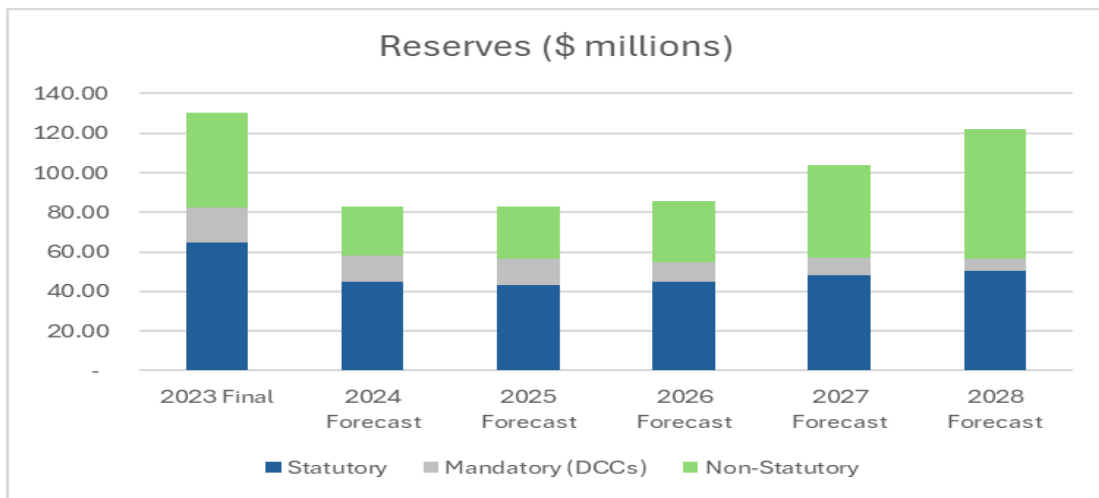


Reserves

The City's total reserve balances at the beginning of 2024 are \$130M and forecasted to be \$83M at the end of 2024 which is largely in part to a substantial planned capital program. Should that capital not be fully expended by the end of the year, reserve balances will be higher than anticipated, however those funds will remain available for use in subsequent years when the projects are completed.

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 2024-2028 Financial Plan:

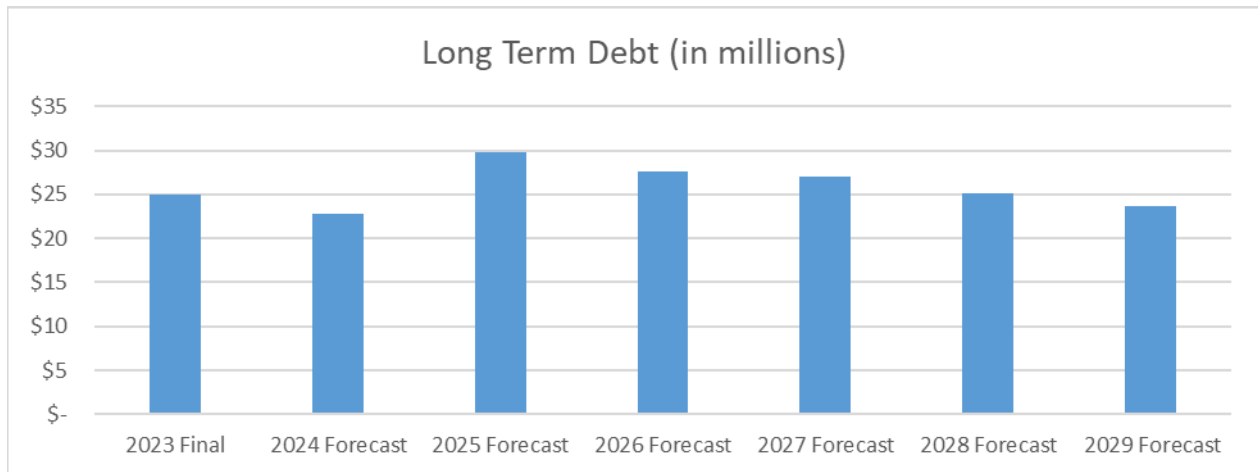
Table 3: Reserve Forecast Summary (in millions)



Debt

The City's forecasted debt balance at the end of 2023 was \$25M and forecasted to decrease to \$23M by the end of 2024. Debt is currently represented by issues for the General, Water and Sewer funds. Municipalities can only obtain long-term borrowing for the purchase or construction of capital assets. A five-year forecast of long-term debt is included in the table below:

Table 4: Long Term External Debt Budget Forecast (in millions)



In October 2022, Council approved (Council resolution 340/2022) up to \$5.1M in new debt, for the Penticton Ave PRV replacement. At this time, funds have not been drawn on this loan authorization, and have been included in the 2025 forecast.

Liability Servicing Cost is legislatively limited to 25% where debt servicing costs cannot exceed 25% of specific municipal revenues of the previous year. The estimated Liability Service Cost is noted in the table below:

Table 5: Liability Servicing Costs

	2023 Final	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Estimated Liability Servicing Cost %	2.5%	3.0%	2.8%	3.2%	2.8%	2.8%	1.7%

Operating Variance Analysis

Second Quarter Budget Amendments

Expense - \$223k increase

- General Operating:
 - Penticton and District Society for Community Living has been allotted \$15k for the Affordable Housing Pilot Project which was approved by Council. (Resolution 64/2024).
 - Council approved the rental of a chiller for City Hall for \$133k (Resolution 179/2023).
 - Downtown Parking Utilization and Need Study for \$50k was approved by Council. (Resolution 144/2024).
 - Increased budget for Bylaw service level review of \$25k.

Forecast Variances

Each quarter, actual revenue and expenses are reviewed comparative to budget, and the forecast is updated to reflect anticipated changes.

Revenue \$1.3M

- Municipal Taxation
 - Municipal Taxation is \$139k higher than budgeted, primarily due to higher non-market change than anticipated.
- Sales of Services
 - Solid waste fees – the forecasted revenue has been increased by \$81k to reflect the actual revenue received for solid waste services.
 - RCMP DFT analysis – forecasted revenue has been increased by \$130k based on the increased utilize of this new service offered by the RCMP team.
- Storm Water Revenue
 - Actual revenues recognized were \$65k lower than budgeted.
- Fiscal Services
 - Investment income is forecasted \$1.0M higher than budget, based on higher current investment rates. As interest rates are highly variable, investment income is budgeted conservatively based on historical averages in order to ensure taxation variances are smoothed.

Expenses \$800k

Overall expenses are forecasting a \$800k increase from budget, which is mainly related to the recent negotiation of collective agreements and higher insurance costs than budgeted. These additional costs have been offset by lower costs for vacancies at the RCMP, as well as identified savings within budgets.

Capital Variance Analysis

Second Quarter Budget Amendments

The second quarter General capital budget amendments total \$1.3M, and are as follows:

- Land \$600k
 - Acquisition of 940 Creston Ave (Resolution IC40/2024).
- Facilities \$69k
 - \$44k Inflationary increase realized on SOEC flooring replacement project, funded from the Growing Communities Fund (inflationary allocation).
 - \$25k Replacement of failed hot water tank at the PTCC, funded from the Asset Emergency reserve.
- Engineering \$526k
 - \$500k Successful application for 2024 BC Active Transportation grant.
 - \$26k Design and specifications for Okanagan Lake Channel retaining wall work which will determine the scope and costs of the required retaining wall project, that is planned to be completed in coordination with other work in the area, funded by the Asset Sustainability reserve.
- Public Works \$100k
 - 2024 expansion of seasonal lighting display, funded from Growing Communities Fund (Resolution 207/2023).

Forecast Variances

The capital forecast is equivalent to the capital budgets as projects may continue into future years, with funding eligible for 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 2024, there were a total of 27 strategic priorities and initiatives outlined for completion across City divisions and departments.

For Council's four-year term from 2022 – 2026, their priorities for the City of Penticton include:

- **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

In the second quarter of 2024, City Divisions reported 22 initiatives were on track to successfully complete within their stated timelines, with two (2) initiatives being considered delayed. Staff are pleased to report that three (3) initiatives have been successfully completed.

Below is a summary of delayed projects:

- **City Hall Envelope Review and Design** – In Q1, the project team engaged consultants to begin the envelope review and design. In Q2, advancement of the consultant work was paused to allocate staff time towards the complete project plan and funding options.
- **HELP Revitalization** – the Home Energy Loan Program (HELP) enhancements are currently being reviewed by staff for implementation options. A report to Council is being planned for presentation in Q3/Q4.

Completed initiatives include:

- **Integrated Crisis Response Team (ICRT) Program Implementation** – Also known as the Car 40 program. ICRT became operational in the first quarter. In the second quarter, ICRT documented assistance on 84 PRIME files and took the lead role on 127 PRIME files.
- **Procurement of a New Waste Collection Contract** – Council endorsed the RFP agreement in the first quarter of 2024. The new contract is a regional waste collection contract with the Regional District Okanagan Similkameen and neighbouring South Okanagan and Similkameen communities.
- **Implementation of Expanded Customer Payment Options** – During the first quarter, payment options were expanded so that all City locations can now accept credit cards, subject to a processing surcharge fee. Debit cards and cash remain acceptable forms of payment without associated fees.

Summary Tables Strategic Initiatives

Safe & Resilient Enhance and protect the safety of all residents and visitors to Penticton	
Initiative	Status
Community Safety Building (CSB) Design Development The CSB will house the Penticton Fire Department, Community Policing, Bylaw Services, Emergency Operations Centre (EOC) and Emergency Support Services (ESS). In 2024, the building's detail and design phase will be completed to prepare for the release of the Request for Proposals (RFP) for interested firms to bid on the construction of this new City asset. A public consultation opportunity is being prepared for and planned for Q2 2024.	↑
Dam Safety Compliance The City must ensure all dams meet the regulatory requirements and continue to provide safe water retention and storage for the community. This is a continuing initiative that has spanned multiple years. The construction Request for Proposals (RFP) is scheduled to go out in Q2.	↑
Pressure Reducing Valve (PRV) Replacement and Relocation The water main PRV downstream of the Water Treatment Plant (WTP) has reached its end of life. A new high capacity PRV station will be built at the Duncan Avenue Reservoir to provide increased reliability and operational flexibility for the City's municipal water supply. Detailed design work for the project completed in Q1.	↑
Building Safer Communities Fund (BSCF) 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 Ooknakane Friendship Centre, YMCA of Southern Interior BC and Foundry Penticton. In Q1, Penticton's free transit initiative for riders under 24-years of age went live with positive responses to-date.	↑
Operational Readiness Analysis The 2023 Council-approved increase in four firefighters has brought the PFD's staffing model to the accepted best practice for the industry. In 2024, the focus will shift to assessing and evaluating the increase in resources.	↑
FireSmart Program Building on success of the program in prior years, an awareness campaign is planned for the Community Wildfire Resiliency Plan (CWRP). CWRP strives to increase the community understanding of wildfire threats and develop achievable and accountable action items for the City to reduce wildfire risks.	↑
Car40 Program –Integrated Crisis Response Team Car 40 or the Integrated Crisis Response Team (ICRT) is a non-enforcement response to substance use, homelessness and mental health issues. MICRT partners dedicated mental health professionals with RCMP officers to provide appropriate health care services when the police have been called.	☑

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
Community Centre Energy Efficiency Upgrades To advance the City's Corporate Energy and Emissions Plan (CEEP), Facilities will utilize grant funds to complete important energy improvements to the Community Centre. Facilities is working with an engineer on design specifications. Planning for the initial energy efficiency upgrades to be completed in tandem with the annual shutdown in Q3.	↑
Home Energy Loan Program (HELP) Revitalization The HELP program will be re-developed in 2024 to increase uptake by residents. The City of Penticton will utilize a grant from the Federation of Canadian Municipalities to enhance the current HELP application	↓

process allowing applicants to receive upfront approval and funding for qualifying projects. External and internal surveys for improvement recommendations were completed in Q1.	↑
Points Intersection and Kinney Avenue Improvements To address vehicle congestion and improve safety along the South Main corridor and collector routes improvements for all road users will be completed including: re-design of Skaha Lake Road intersection at Kinney Avenue and a signalized intersection at Galt Avenue and Skaha Lake Road. Roadwork along Skaha Lake Road started in Q1 with South Main Street and Kinney Avenue work planned for Q2.	↑
Advanced Waste Water Treatment Plant (AWWTP) Upgrades This is a continuing multi-year initiative. This work includes the installation of a new secondary clarifier, a new nitrified mixed liquor pump and remediation of the headworks concrete and slide gate. Upgrades will increase AWWTP capacity and replace end-of-life infrastructure. Detailed design work completed in Q1 and the project is scheduled to go out for tender in Q2.	↑
Housing Accelerator Fund (HAF) Project The City applied for grant funding through the Canada Mortgage and Housing Corporation (CMHC) to boost the housing starts in Penticton. Unfortunately the grant application was not successful. The City will continue to direct staff time towards key HAF initiatives.	↑
Accessibility Plan Leadership Social Development is leading the City's newly adopted Accessibility Plan, as per Provincial legislation. Work with internal departments will be undertaken to support implementation of identified accessibility initiatives. A key highlight is the application to the federal government's Enabling Accessibility Fund for Lakawanna Park upgrades to create opportunities and support persons with disabilities.	↑

Vibrant & Connected	
Support vibrant and diverse activities creating opportunities for connection	
Initiative	Status
Arena Feasibility Study A key recommendation of the City's 2021 Civic Places and Spaces report was to conduct an arena use analysis study to inform decisions around the City's existing arenas. The Arena Feasibility Study is scheduled to begin in Q2 which will then be summarized into a final report to Council for recommendations regarding the City's arenas.	↑
Sport & Recreational Needs Assessment In 2024, the Recreation, Arts and Culture department will complete an assessment of sport and recreation needs for the community. The Request for Proposals (RFP) for this project has been drafted and work is expected to commence in Q2.	↑
Maker Lab (Creative Solution) Pilot Project In 2024, the Library is utilizing a provincial grant to develop the Creative Solution project for emerging technology. The project is well underway in 2024, with more than 50 patrons completing the initial technology training and over 50 patrons have participated in related programs so far this year.	↑
Parks Improvement and Enhancement Projects In response to user group requests for improvements to City parks, a number of minor works projects will be undertaken to enhance parks use. Projects will be completed for: Wiltse Fastball Dust Control; Automated Turf Painter; Kiwanis Park Field; and Kings Park Access.	↑
CommuniTREE Plan The City of Penticton is preparing an Urban Forest Management Plan. The urban forest is a buffer between the homes and businesses and climate change impacts. The release of the Plan is slightly delayed to allow additional consideration of Provincial Housing Policy changes as well as the OCP Task Force recommendations.	↑

Organizational Excellence

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

Initiative	Status
CIS Implementation The City's existing utility software needs to be upgraded. This project's implementation will be led by the vendor and requires significant support from the IT and Collections departments. The new version will bring modern features and emerging technologies for improved customer service. In Q1, the project team worked to determine Functional Discovery.	↑
Business Continuity Planning for City Hall The City has identified that an update to the business continuity plan for City Hall is required. The purpose of the plan is to lessen impacts to residents and businesses in the event of an extended system downtime and other emergencies. The project Steering Committee met in Q1 with additional meetings scheduled in Q2.	↑
Digital Transformation Project – Implementation of Microsoft 365 The digital transformation and implementation of Microsoft 365 is a multifaceted project involving all departments and staff at the City of Penticton. Benefits will include easier access to information and modern abilities for collaboration and communication with City staff and outside agencies. In Q1, the IT project team successfully migrated select City departments to the new system.	↑
Introduction of eScribe Meeting Management System Legislative Services will lead the implementation of this new electronic tool for meeting management which will improve efficiencies for meeting processes as well as increasing transparency and access to public meeting documents and reports. The required IT system work was completed in Q1.	↑
City Yards Facility Upgrades Facilities will lead this construction project. In 2024, design development will be completed for planned renovations to the City Yards office buildings and the Electric Utility building. Facilities is overseeing the construction work on the new electrical building. Foundation work will commence in early Q2 and background work continues with user groups on main building and fleet shop design.	↑
City Hall Envelope Review and Design City Hall was opened on June 25, 1966 and has served Penticton well over the years. A review of the building envelope is required to improve the building's operation and energy efficiency. Preliminary work is underway with design and consultation work planned for Q3 2024.	↓
Procurement of a New Waste Collection Contract The City of Penticton is leading the Request for Proposals (RFP) process to secure a new collection contract to include Penticton and neighbouring communities of Osoyoos, Oliver, Summerland, Keremeos and the Regional District Okanagan Similkameen (RDOS). In Q1, Council supported the agreement and amended the Financial Plan for 2025 onwards to allow for the waste collection agreement that will run until 2032.	☑
Emergency Support Services (ESS) Program Enhancements In 2024, there is a need to complete an internal review of the ESS program including items such as: emergency role clarification; volunteer program review; assessment of required training; and development of administrative policies to guide ESS practices.	↑

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
Implementation of Expanded Customer Payment Options Over the counter service that accept credit card payment methods went live in Q1 2024. Cashier services at City Hall includes credit cards, cash, cheque and bank draft. The associated expenses related to credit card processing will be applied to these transactions to recover costs for the City.	☑

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