



City of Penticton
Third Quarter
Update
Financial Plan
Corporate Business Plan



December 6, 2022

O3 2022 Update

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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 4 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 Corporate Business Plan.**

Financial Summary

This third quarter report summarizes the City's **overall** financial activities up to September 30, 2022. The **City's financial position for the year** to date is strong overall with total revenues expected to be higher than budget by 0.9%, and expenses anticipated to be lower than budgeted by 0.3%.

General Fund

After the third quarter, the 2022 forecast is estimating a General Fund surplus of \$402k, which is a \$1.66M improvement over the budgeted draw of \$1.26M. This substantial decrease is primarily due to increased revenue from building and licensing, recreation fees, successful grants and decreased expenses due to staffing vacancies.

Operating - forecasted surplus of \$402k

Actual revenue received, to the end of third quarter, is \$61M, 96% of amended budget. The majority of the annual revenue is received mid-year for property taxes. End of third quarter, actual expenses are \$43M, 71% of amended budget.

Capital - \$18M

The General Fund 2022 Capital amended budget is \$18M, with an additional \$9M of carry forward projects from 2021, for a total of \$27M. To date, \$12M has been expended or committed with some significant projects having been delayed including the Point Intersection Kinney and South Main of \$3.4M, a portion of the Bike Network, and the remainder of the Penticton Creek rehabilitation project.

Utilities

Electric Fund

Operating – forecasted draw of \$2.2M

The forecasted draw from the Electric reserve is the same as the adopted budget of \$2.2M. Actual electric sales and purchases, for the first three quarters, are at 77% and 73% of budgeted amounts, respectively.

Capital - \$8.2M

2022 amended budget is \$8.2M, with an additional \$856k of carry forward projects from 2021, for a total of \$9.1M. Spending and commitments to date total \$2.3M. Delayed or postponed projects include Point Intersection Kinney and South Main \$1.2M, Utility Scale Battery \$1.7M and City Yard Building upgrades \$1.5M.

Sewer Fund

Operating – forecasted surplus of \$2.3M

The forecasted transfer to Sewer surplus is \$2.3M, an increased transfer of \$421k, from the adopted budget of \$1.85M. Third quarter, actual revenue is 78% of the amended budget and actual expenses are 65% of amended budget.

Capital - \$8.1M

The 2022 amended budget is \$8.1M, with an additional \$1.1M of carry forward projects from 2021, for a total of \$9.2M. To date spending and commitments are at \$871k, which is a reflection of the early stages of the Advance Waste Water Treatment Plant upgrades project for \$6.2M, which makes up the majority of the capital budget for 2022.

Water Fund

Operating – forecasted surplus of \$622k

The adopted 2022 budget included a transfer to Water surplus \$1.5M, which is higher than the third quarter forecasted transfer of \$622k. Actual water revenues to the end of third quarter are 71% of amended budget, while expenses are 95% of amended budget.

Capital - \$11.7M

The 2022 amended budget is \$11.7M, with \$2.3M of carried forward projects from 2021, for a total of \$14M. Spending to date is \$3.3M due to significant projects such as Ridgedale Reservoir \$4.2M and Penticton Ave Pressure Reducing Valve (PRV) upgrade \$2.9M being in early stages.

Cash & Investments

As at the end of September 2022, the City's cash and term deposit balance is \$143M, an increase of \$14M over the beginning of year balance of \$129M. These investments have earned \$1.1M in investment income to date, which is 69% of budgeted amount.

Diversification of current investments can be seen in the table below: **Table 1 Portfolio Allocations (in millions)**

Financial Institution	2021 Portfolio Amount	2021 Percentage	2022 Q3 Portfolio Amount	2022 Q3 Percentage
MFA Pooled Investment Funds	\$ 40.2	31.1%	\$ 40.7	28.4%
DUCA Financial	15.5	12.0%	16.4	11.4%
Agrave	2.6	2.0%	2.5	1.7%
FNBK	2.5	1.9%	2.5	1.7%
Tandia Financial	5.0	3.9%	5.0	3.5%
Haventree Bank	5.0	3.9%	5.0	3.5%
Meridian Credit Union	0.0	0.0%	9.1	6.3%
Kindrid	14.8	11.5%	-	0.0%
Affinity	5.3	4.1%	-	0.0%
Valley First Credit Union	38.4	29.7%	62.2	43.4%
Total	\$ 129.3	100.0%	\$ 143.4	100.0%

Reserves

The City's statutory reserve balances, at the beginning of 2022, were \$30M, and are forecasted to be \$41M, at the end of 2022. Non-statutory reserve balances, at the beginning of 2022, were \$68M, and are forecasted to be \$52M, at the end of 2022.

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 2022-2026 Financial Plan:

TABLE 2 RESERVE FORECAST SUMMARY (IN THOUSANDS OF DOLLARS)

Reserve	2021 Financial Statement	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Statutory	30,069	41,014	52,750	64,850	75,522	91,873
Mandatory	19,050	17,822	17,468	17,112	16,907	16,701
Non- Statutory	68,219	52,420	53,427	57,029	61,129	63,916
Total	117,337	111,257	123,645	138,991	153,559	172,490

Debt

The City’s forecasted debt balance to the end of 2022 is \$22M. 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
	Forecast	Forecast	Forecast	Forecast	Forecast
Opening balance	\$24.2	\$22.0	\$32.7	\$30.3	\$28.0
Principal Repayment	\$2.2	\$2.2	\$2.3	\$2.3	\$2.3
New debt	\$0.0	\$12.9	\$0.0	\$0.0	\$0.0
Ending balance	\$22.0	\$32.7	\$30.3	\$28.0	\$25.7
Liability servicing cost	11.3%	14.4%	14.1%	13.4%	12.7%

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. These loan authorizations are expected to be drawn on in the spring 2023 offering.

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. Repayments are to be funded from existing reserves, currently these borrowings are **the City’s only internal debt**.

Revenue & Expenses Summary

	2022 Adopted Budget	2022 Budget Amendments	2022 Amended Budget	2022 Forecast	Amended Budget to Forecast Variance
Revenue					
Municipal Taxation	\$ (39,026,932)	\$ -	\$ (39,026,932)	\$ (38,927,461)	\$ 99,471
Sale of Services	(11,887,942)	(115,000)	(12,002,942)	(12,955,503)	(952,561)
Electric Utility Revenue	(42,577,253)	-	(42,577,253)	(42,593,021)	(15,768)
Sewer Utility Revenue	(8,567,580)	-	(8,567,580)	(8,562,580)	5,000
Water Utility Revenue	(10,262,600)	-	(10,262,600)	(10,262,600)	-
Storm Water Utility Revenue	(966,000)	-	(966,000)	(968,600)	(2,600)
Fiscal Services	(1,856,516)	-	(1,856,516)	(1,975,446)	(118,930)
Grants	(4,201,862)	(409,870)	(4,611,732)	(4,753,250)	(141,518)
Other Contributions	(4,682,303)	-	(4,682,303)	(4,718,772)	(36,469)
Development Cost Charges	(1,195,000)	-	(1,195,000)	(1,195,000)	-
Donations	(19,500)	-	(19,500)	(19,500)	-
Total Revenues	(125,243,488)	(524,870)	(125,768,358)	(126,931,733)	(1,163,375)
Operating Expenses					
General Operating	59,428,583	960,901	60,389,484	59,435,188	(954,296)
Storm Sewer	551,173	-	551,173	556,173	5,000
Electrical Supply	37,934,940	51,350	37,986,290	37,968,316	(17,974)
Sewer System	4,927,650	-	4,927,650	4,942,650	15,000
Water Utility	4,554,918	-	4,554,918	5,199,918	645,000
Total Operating Expenses	107,397,264	1,012,251	108,409,515	108,102,245	(307,270)
Other Entities Net Taxes	-	-	-	(23,151)	(23,151)
Net Operating Surplus	(17,846,224)	487,381	(17,358,843)	(18,852,639)	(1,493,796)
Capital Expenses					
General Capital	16,133,300	2,113,800	18,247,100	18,247,100	-
Electric Capital	8,190,169	48,014	8,238,183	8,238,183	-
Sewer Capital	11,004,000	(2,941,000)	8,063,000	8,063,000	-
Water Capital	11,448,000	210,000	11,658,000	11,658,000	-
Total Capital Expenses	46,775,469	(569,186)	46,206,283	46,206,283	-
Debt Proceeds	(9,618,519)	-	(9,618,519)	(9,618,519)	-
Debt Servicing - Principal Repayments	2,211,126	-	2,211,126	2,211,126	-
Capital Grant Funding	(410,000)	(267,500)	(677,500)	(677,500)	-
Transfer To (From) Surplus/Reserve	(21,111,852)	349,305	(20,762,547)	(19,268,751)	1,493,796
Financial Plan Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Operating Variance Analysis (In Thousands of Dollars)

Budget Amendments

Revenue - \$525k increase over budget

- Sales of Service
 - Budgeted revenue has been increased for the City assuming operation of the Sportsplex late 2021 and an increase for public swimming revenue.
- Grants
 - The City has received larger grants for the Climate Action Program and the UBCM Strengthening Services grant. The City was also successful in receiving multiple smaller grants in 2022, totaling \$108k, for E-mobility strategy, Fortis Energy Code Funding, 2022 Emergency Support Services (ESS), Union of BC Municipalities (UBCM) Poverty Reduction Planning & Action, Age Friendly, and Housing policy.

Expense - \$1.0M increase over budget

- General Operating
 - Grant expenses, of \$340k, for multiple successful grants for Social Development, Climate action and Emergency Services;
 - Salaries and wage expenses related to positions, such as the Sustainability Supervisor and Community Mobilizer, to date this year total \$255k.
 - Council approved additional Civic Grants of \$38k, in addition to the \$1.0M in grants approved during budget deliberations.
 - Other expenses include a larger order of waste and recycle receptacles due to supply chain and shipping requirements, emergency repairs on CN Tug, Sportsplex maintenance and multiple facilities requiring smaller maintenance or safety projects.
- Electrical Supply
 - Cost sharing of the Occupational Health and Safety Administrator position

Forecast Variances

Revenue - \$1.16M forecasted increase over amended budget

Revenue is forecasted \$1.16M higher than anticipated attributed to the following:

- Sales of Service:
 - Building permit and licensing revenues forecasted higher for increased revenue, based on year to date trending.
 - Swim lesson revenues have decreased substantially due to lifeguard availability, while Pool rental, fitness programs, and adult programs are recognizing higher revenue than budgeted, however still lower than pre-pandemic levels.
 - Transit revenue is higher than anticipated, partly due to increased ridership and partly for the continuation of the Safe Restart and Recovery funding.
- Fiscal Services – higher than budgeted tax penalty revenue
- Grants - Increased grants funds were received for the Museum from the Arts and Culture resiliency grant and the Department of Canadian Heritage reopening grant.

Expenses - \$307k decrease from amended budget

Expenses are forecasted to be \$307k lower than the amended budget.

- General Fund
 - Decreased expenses attributed to staffing vacancies in the RCMP, Bylaw and Recreation.
 - Fuel costs are anticipated to be \$220k higher than budget for increased fuel prices.
 - The South Okanagan Event Center (SOEC) is forecasting a lower deficit than budget, as more concerts and events are occurring than originally planned and deferment of large event.
- Water Utility
 - Increased costs for unexpected water main repairs costs, partly due to colder temperatures for longer durations than normal over the winter increased breakage.
 - Higher chemical water treatment costs to treat the alternative to optimal mixture of inflow water sources related to raw water line supply breakage, as well as the Creek restoration project water flow requirements.
 - Lower Okanagan Lake pump station utilities costs for lower usage during Penticton Ave raw water main break.

Capital Variance Analysis (In Thousands of Dollars)

Budget Amendments

- *General Capital \$2.1M*
 - Land acquisitions and dispositions net expense of \$575k.
 - Increased project costs for Point Intersection Kinney & South Main \$450k (Council resolution 224/2022).
 - Penticton Electric Vehicle Rapid Charging Infrastructure Project \$395k (Largely grant funded).
 - Increased Sportsplex turf costs of \$180k.
 - Increased subcontractor costs for the Skaha Marina repairs \$30k.
 - Increased fleet purchase budgets totaling \$106k for Auto Hoist \$6k, Tandem Dump truck \$75k, 1/2 Ton Pick Up (replacing unit #94) by \$8k, and \$17k for Digger Derrick. Increased costs due to supply chain constraints.
 - Energy Audit - FortisBC's Custom Efficiency Program \$90k, Council resolution 58/2022.
 - Increase of \$100k for the decorative scroll lighting project.
 - There have been several other minor General capital budget amendments totaling \$188k for Okanagan Marina asphalt repair, road works at Alberni St., Lakeview Cemetery Septic System Replacement, electric bikes and vehicles, parking machine software upgrades, city yard minor construction costs and PTCC apron repairs.
- *Electric Capital \$48k* - Increase \$48k for stringing machine for higher than budgeted cost
- *Sewer Capital (\$2.9M)* – Decrease of \$2.9M for North Penticton interceptor project which has been cancelled at this time. Staff will have further flow monitoring studies conducted, which may result in a different project scope.
- *Water Capital \$210k* – Increase of \$210k for Ellis Creek diversion dam bridge replacement due to higher tender costs.

Forecast Variances

Capital budgets are not forecasted quarterly as funding for projects that will continue into future years may 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 2022, there were a total of 51 strategic priorities and initiatives outlined for completion across City divisions and departments.

Strategic priorities and initiatives are items that focus on visible delivery of service, advance Council Priorities or utilize significant cross functional resources.

In 2022, the Community Safety Council Priority was at the forefront of identified strategic initiatives. The previous Council's priorities focused on Asset & Amenity Management, Community Safety and Community Vitality.

Q3 Update

To date, a total of 29 initiatives are on track and City Divisions have successfully completed a total of 15 strategic and operational initiatives.

A total of seven (7) initiatives are delayed, reasons cited for delays range from land use approvals, fish window openings and coordination with concurrent reports and reviews, such as: Community Safety Review and Network Restructure Plan. Below is a summary of delayed projects:

- **Partnership with RDOS to Address Sanitary Sewer Plant Residuals and Organics Waste Management:** ALC did not approve the non-farm use of 1313 Greyback Mountain Road property. RDOS is currently appealing this decision.
- **Penticton Creek Naturalization Project:** Construction for 2022 has concluded. A remaining portion of the project will be completed in 2023 as it could not complete within the 2022 fish window.
- **Development of an Urban Forestry Master Plan:** Request for Proposal (RFP) will be issued in November 2022. Work will commence in Q1 2023.
- **Create a New Points Intersection:** RFP has been issued and work will begin in early 2023.
- **Refresh the Okanagan-Similkameen Transit Future Plan:** Scheduled to complete in early 2023, to coincide with Network Restructure Plan, being led by BC Transit.
- **Explore City Sponsored Monitoring Devices for Repeat Offenders:** On hold awaiting completion of Community Safety Review.
- **Traffic and Safety Road Enforcement:** Penticton RCMP have paused this initiative to focus available members on prolific offender management.

Summary Tables Strategic Initiatives

Community Safety		
Initiative	Status	Lead
Increase Information Technology Capacity	☑	Finance and Administration
Community Safety Review	↑	Community Services
Evaluate Results of the DPA's Remote Guard Service Pilot Project	☑	Community Services
Upgrade Washrooms to Address Vandalism and Safety Issues	↑	Community Services
Water Treatment Plant (WTP) Arc Flash Study	☑	Infrastructure
Expand Bylaw Services and Community Safety Capacity	☑	Development Services
Explore City Sponsored Monitoring Devices for Repeat Offenders	↓	Development Services
Strengthening Penticton's Housing Response	↑	Development Services
Ratify New Collective Agreement with the International Association of Fire Fighters, Local 1399	↑	Penticton Fire Department
Continue FireSmart Penticton Program for 2022	☑	Penticton Fire Department
Host Wildfire Training Symposium 2022	☑	Penticton Fire Department
Expand Internal Training Strategy and Resources	↑	Penticton Fire Department
Enhancing Fire Fighting Apparatus Program	↑	Penticton Fire Department
Enhance Proactive Policing through Prolific Offender Management and Traffic Services	↑	RCMP
Crime Reduction: Property Crime and Drugs	↑	RCMP
Family and Sexual Violence Support	↑	RCMP
Mental Health and Substance Use Support for the Community	↑	RCMP
Traffic and Road Safety Enforcement	↓	RCMP
Employee Wellness Strategy (RCMP)	↑	RCMP

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

Asset & Amenity Management		
Initiative	Status	Lead
Implement Asset Retirement Obligations	↑	Finance and Administration
Finalize and Implement the Asset & Amenity Management Project	↑	Community Services
RCMP Building Mechanical Upgrades	↑	Community Services
Construct New 2-Bay Storage Building at Fire Hall 202	↑	Community Services
Skaha Park Splash Pad Replacement	↑	Infrastructure
Partnership with RDOS to Address Sanitary Sewer Plant Residuals and Organics Waste Management	↓	Infrastructure
Upgrades for Dam Safety Compliance	↑	Infrastructure
Wastewater Treatment Plan Expansion	↑	Infrastructure
Penticton Creek Naturalization Project	↓	Infrastructure

Status		Definition
<input checked="" type="checkbox"/>	Complete	Initiative was successfully completed
↑	On Track	Initiative is on schedule and progress continues towards milestones
↓	Delayed	Initiative is experiencing challenges or delays

Community Vitality		
Initiative	Status	Lead
Continue COVID-19 Business Community Support and Recovery	↑	Community Services
Support Event Portfolio and Future Destination Development	☑	Community Services
Online Accommodation Platform (OAP) Housing Study	↑	Community Services
Expansion of Library Holds Program to Penticton Community Centre	☑	Library
Develop an Urban Forestry Master Plan	↓	Infrastructure
Cleanliness Initiative for Parks and Core City Areas	☑	Infrastructure
Conduct Distribution System Resiliency Study	☑	Infrastructure
Introduction of a Fully Electric Vehicle to Fleet Department	☑	Infrastructure
Installation of a New Lighted Landmark for the Nighttime Landscape	↑	Infrastructure
Completion of Section 2 of the Lake-to-Lake Bike Route	☑	Infrastructure
Create a New Points Intersection to Address Traffic Congestion	↓	Infrastructure
Refresh the Okanagan-Similkameen Transit Future Plan	↓	Infrastructure
New Online Application Software for Developers and Homeowners	↑	Development Services
Complete a Housing Policy Review	↑	Development Services
Implementing the Community Climate Action Plan	↑	Development Services

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

City Mission		
Initiative	Status	Lead
Conduct 2022 General Local Election	☑	Finance and Administration
Facilitate New Council Orientation and Strategic Planning	↑	Finance and Administration
Implement a City Mental Health Strategy	↑	Finance and Administration
Implement IRONMAN Canada Event	☑	Community Services
Continue Rec and Culture Service Recovery Plan	↑	Community Services
Implement Cleland Theatre Optimization Plan	↑	Community Services
Installation of Penticton Heritage Plaques	↑	Community Services
Improve RCMP Investigation Capacity through Technical and Administrative Support	☑	RCMP

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