

Manager	Director	CAO

THE CORPORATION OF THE CITY OF PENTICTON
COUNCIL REPORT

TO: Council
FROM: Doug Leahy, CFO
SUBJECT: 2012 Budget

FILE: 1810
DATE: January 13, 2012

BACKGROUND:

The 2012-2016 Financial Plan is being presented for Council to commence budget discussions. In accordance with the Financial Plan policy all budget deliberations shall be by the Committee of the Whole in open meetings, save and except matters dealing with Land, Legal and Labor as per Section 90 of the Community Charter.

In 2012 staff undertook a unique approach to budgeting that has not occurred previously at the City. All management staff were tasked with reviewing their own departments with a goal of delivering efficiencies, producing cost reductions, eliminate duplication and increasing productivity. The budget process commenced in early August. Guidelines and expectations were discussed at a senior leadership meeting. The senior staff met with their own departmental staff and commenced deliberations on the 2012 budget.

Upon completion of departmental reviews the entire City's management team met five days to review each budget in detail. As a result of these meetings the budget was reduced by approximately \$800k without significantly affecting existing service levels.

HIGHLIGHTS OF STAFF BUDGET DELIBERATIONS

- Zero Base Budgeting is utilized
- \$2.1M deficit originally forecast for 2012
- Decreased by approximately \$800k without significant impact on service delivery
- Limited flexibility to decrease deficit other than reduction of services and therefore reducing workforce
- Materials & Supplies have been scrutinized in detail during past three years by staff and Council
- IAFF labor contract has yet to be finalized.
- Community Centre open full year resulting in innovative and fresh approaches to revenue generation
- Efficiencies resulting from consolidating Public Works and Parks fully recognized in 2012
- RCMP staffing complement remains unchanged from 2011 levels.

GENERAL FUND SUMMARY

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Taxation	25,877	25,764	25,920	26,076	26,283	26,489
Sales of Goods & Services	10,763	9,711	10,295	10,432	10,609	10,663
Gaming Proceeds	5,700	5,700	5,700	5,700	5,700	5,700
Own Sources	3,927	4,084	3,971	4,053	4,120	4,137
Reserve Transfers	<u>7,578</u>	<u>7,082</u>	<u>7,071</u>	<u>5,634</u>	<u>5,635</u>	<u>5,637</u>
	53,845	52,341	52,957	51,895	52,348	52,626
Base Services	19,576	20,136	20,280	20,553	20,724	20,867
Protective Services	12,430	11,877	12,259	12,633	12,883	13,334
Contractual Obligations	4,430	4,360	4,460	4,429	4,399	4,368
Library & Civic Grants	1,727	1,703	1,630	1,656	1,682	1,709
Debt Servicing	7,760	7,721	7,720	5,895	5,895	5,895
Reserve Transfers	<u>7,922</u>	<u>7,824</u>	<u>7,842</u>	<u>7,917</u>	<u>8,042</u>	<u>8,042</u>
	53,845	53,621	54,191	53,083	53,625	54,215
Surplus/ (Deficit)		(1,280)	(1,234)	(1,188)	(1,277)	(1,589)

Budget was reduced by \$800k after thorough staff review. Current deficit is \$1.28M.

GENERAL FUND

- \$53.6M Gross Expenditures
- Gross Expenditures Decrease by \$224k.
- Base Service expenditures increase by \$560k due to community centre reopening.
- No increase in RCMP staff complement
- Grant in Aid levels yet to be determined
- Library Grant to remain at 2011 level
- Employee training frozen at 2010 level

SOLUTIONS TO CONSIDER

- Utilize Interest Stabilization Reserve - \$400k
- Reduce Equipment Depreciation Transfer - \$300k
- Utilize prior years surplus - \$500 or \$800k
- Taxation
- Combination of all of the above

REVENUE OPPORTUNITIES

- User Fees
- Parking Fees
- Increased Utilization of Community Centre
- Gaming Funds – 90% Committed
- Rural Areas – Recreation
- City Hall Charge-outs to Utilities
- Land Inventory
- Taxation

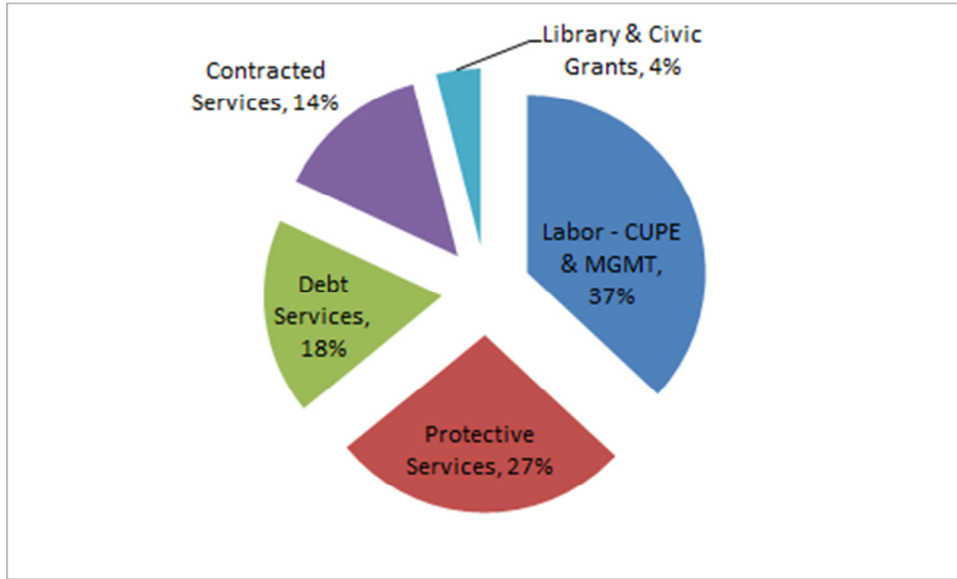
BREAKDOWN OF GENERAL FUND

Total Operating Expenditures		53.6	
Debt Servicing	7.7		
Transfer to Reserves	7.8	<u>15.5</u>	
Contracts			
RCMP	7.6		
Global Spectrum	1.6		
Transit	1.5		
Garbage/Recycling	1.3		
Economic Development/HRT	1.1		
Insurance - Property & Liability	0.6	<u>13.7</u>	
Labor - CUPE & Mgmt	16		
Fire Protection	4.2		
Grants - Library/Civic	1.75	<u>21.95</u>	
Controllable Expenses		2.45	4.6%

The ability of Council to affect change is diminished by the lack of controllable expenses. Staff have reviewed each budget in detail and have eliminated or identified specific services or opportunities that will be investigated.

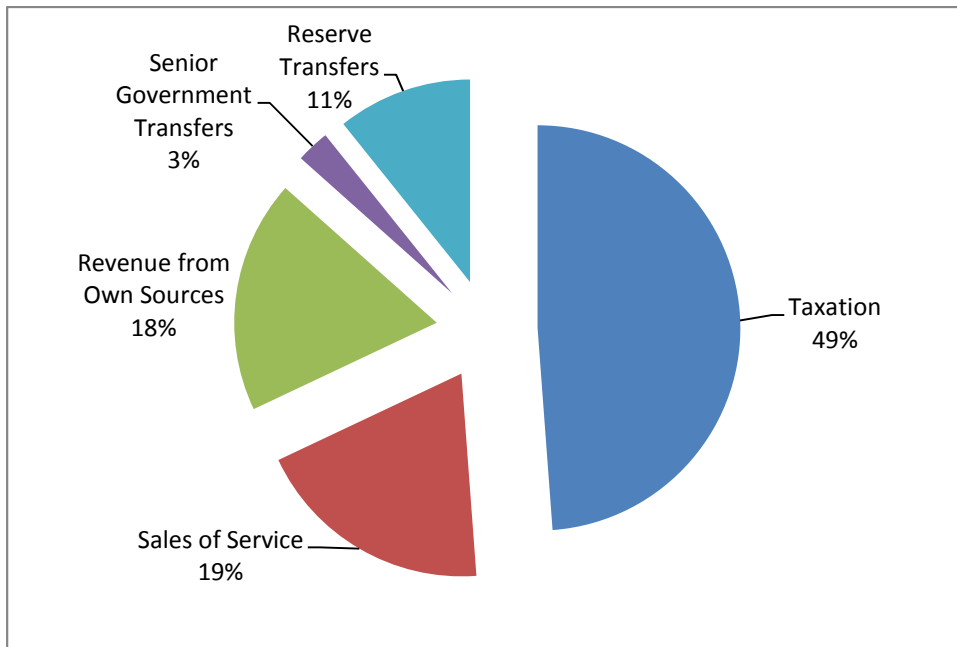
General Fund Expenditures

As the chart below indicates, in excess of 60% of the expenses in the General Fund are for services that are non discretionary and are committed to via a contract.

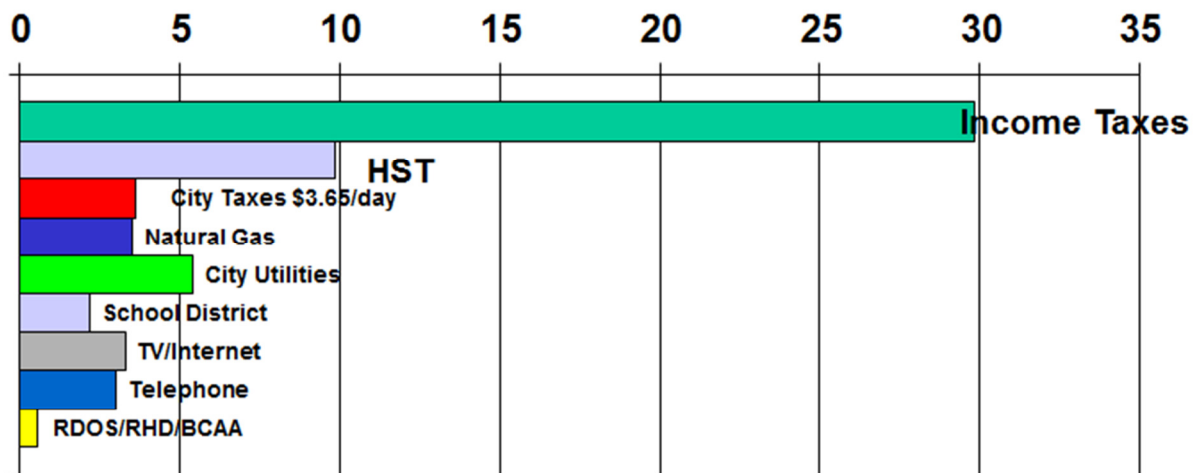


General Fund Revenues

Taxation represents 49% of revenue sources in the General Fund. User Fees represent 19%, Own Sources 18% and reserve and senior government transfers represents 14%.



Typical Daily Household Tax & Utility Expenditures City of Penticton



Valuations based on:

- BCAA 2011 average residential assessed value of \$346,000.
- Median household annual income in Penticton of \$48,057 in 2006. (Stats Canada)
- Statistics Canada average household expenditures in B.C. used to estimate daily Income Taxes and HST expenditures.
- Calculated city taxes excludes the Home Owners Grant discount.
- City utility payments include 10% discount for prompt payment.
- City taxes based on 2011 budget.
- City Utilities based on new 2011 rates

GENERAL CAPITAL

Capital has been prioritized as High, Medium and Low. Each category has been vetted by management. Capital that is classified as “Base” or “Ongoing” have been included as a High Priority.

Capital Budget priorities have been adjusted by Council in accordance with the Strategic Planning/Priorities session that were held on December 21, 2011. The two main Capital priorities for the next three years identified by Council were:

- 1) Waterfront Enhancements
- 2) Downtown Revitalization

A workshop with Council was held on January 10, 2012 to provide in depth details and analysis of the capital budgets. The General Capital budget in its entirety will be provided at the January 13 open budget sessions.

SEWER UTILITY FUND

- \$5.5M total operating & capital budget
- No user fee increase
- \$825k Capital program
- Sewer accumulated surplus projected to be \$5M

WATER UTILITY FUND

- \$8.4M total operating & capital budget
- Zero user fee increase
- \$4M Capital program
- \$1.8M dam maintenance upgrades
- \$1.7M water upgrade program
- Water accumulated surplus projected to be \$2.9M

ELECTRIC UTILITY FUND

- User fee increase yet to be determined by council
- \$35.4M total operating & capital budget
- \$23.7M power purchases
- \$5M Capital program
- Labor increases yet to be determined
- 4.0% increase in purchase of power from FortisBC approved by the BC Utilities Commission
- \$3M transfer to general capital fund
- \$2.8M Capacity and Backup Upgrades
- Electric accumulated surplus projected to be \$4.8M

Respectfully submitted,

Doug Leahy, CMA
CFO

SCHEDULE A

Proposed Budget Timeline

- January 13, 16, 17
Budget Meetings – Council Chambers
- January 23 – Budget Bylaw to third reading
- February 6 – Budget Bylaw adopted
- April 16 – 3 readings of Tax Rates Bylaw
- May 7 – Adoption of Tax Rates Bylaw

**AGENDA FOR THE SPECIAL MEETING OF THE
MUNICIPAL COUNCIL OF
THE CORPORATION OF THE CITY OF PENTICTON
AT CITY HALL, 171 MAIN STREET, PENTICTON, BC
FRIDAY JANUARY 13, 2012 AT 8:30 A.M.**

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- 1.0 **CALL TO ORDER**
- 2.0 **PUBLIC COMMENTS RELATED TO 2012 BUDGET**
- 3.0 **2012 BUDGET**

3.1 General Operating Fund

January 13 - Day 1

8:30 – 9:00 – Corporate Administration
9:00 – 9:30 – Human Resources
9:30 – 10:15 – Information Technology
10:15 – 10:30 – Break
10:30 – 12:00 – RCMP
12:00 – 1:00 – Lunch
1:00 – 3:00 – Public Works/Parks/Water & Sewer Operations
3:00 – 3:15 – Break
3:15 – 4:00 – Recreation/Facilities/Museum
4:00 – 4:30 -- Finance

January 16 - Day 2

8:30 – 9:15 – Development Services
9:15 – 10:00 – Fire Protection
10:00 – 10:15 – Break
10:15 – 11:00 – Revenues & Fiscal Services
11:00 – 12:00 – Operations
12:00 – 1:00 – Lunch
1:00 – 3:15 – Engineering & Design/Water & Sewer Plants
3:15 – 3:30 – Break
3:30 – 4:30 – Electric Utility

January 17 - Day 3

8:30 – 12:00 – Capital
1:00 – 4:30 – Library & Civic Grants

ADJOURN

