

2017- 2021 Financial Plan Overview



Introduction

2017- 2021
*Financial Plan
Overview*

- Improvements to Financial Plan
- Financial Plan Highlights



Financial Plan Improvements

- Improve Transparency
- Long Term Approach
- Introduction of metrics and measures
- Financial Plan consistent with Financial Statements



Financial Plan Presentation

- Focus on budget variances
- Improved traceability within detailed budgets
- Presented by financial reporting segment
- CFO co-presents with managers



City of Penticton: Segmented Financial Reporting

| General Government | Protective Services | Transportation Services | Environmental Health Services | Public Health and Safety | Environmental Development Services | Recreation and Culture | Electrical Supply | Sewer System | Water Utility |
|--------------------------|----------------------|--------------------------------------|-------------------------------|--------------------------|------------------------------------|------------------------|-------------------|------------------|--------------------|
| Corporate Administration | Dog Control | Fleet | Solid Waste Management | Cemetery | Development Services | Recreation | Electrical Supply | AWWTP | WTP |
| Finance | Building and License | Roads and Maintenance Storm Sewer | | | Development Engineering | Museum | | Sewer Collection | Water Distribution |
| Procurement | Bylaw Enforcement | Street Lighting | | | Land Management | Parks | | Engineering | Engineering |
| Revenue & Collections | RCMP | Traffic Control | | | Planning | SOEC | | | |
| General Government | Fire Services | Transit | | | Engineering | Library | | | |
| Communications | | | | | Economic Development Tourism | | | | |
| Human Resources | | | | | | | | | |
| Information Technology | | | | | | | | | |
| Mayor and Council | | | | | | | | | |
| Municipal Grants | | | | | | | | | |
| Facilities | | | | | | | | | |

Public Works Engineering Electric Development Services



Financial Plan Detailed Structure

| | | Expenses | 2016 Budget | 2016 Forecast | 2017 Budget | 2018 Budget | 2019 Budget | 2020 Budget | 2021 Budget |
|------------------|---|-----------------------------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Budget Authority | } | Operations by Object | | | | | | | |
| Allocations | | Operations by Project | | | | | | | |
| | } | Internal Allocations In/Out | | | | | | | |
| Cost Centres | | Recoveries | | | | | | | |
| | } | Net Operating Expense | | | | | | | |
| Metrics | | Cost per Capita % of Property Tax | | | | | | | |

For Illustrative Purposes



Financial Plan Detailed Structure

| Expenses | 2016 Budget | 2016 Forecast | 2017 Budget | 2018 Budget | 2019 Budget | 2020 Budget | 2021 Budget |
|----------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
|----------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|

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Operations by Detailed Project

For Illustrative Purposes

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Capital Budget By Project



Financial Plan Funds

Four Revenue Funds

- General
- Electrical
- Sanitary Sewer
- Water



City of Penticton: Segmented Reporting

General

Utilities

| General Government | Protective Services | Transportation Services | Environmental Health Services | Public Health and Safety | Environmental Development Services | Recreation and Culture | Electrical Supply | Sewer System | Water Utility |
|--------------------|---------------------|-------------------------|-------------------------------|--------------------------|------------------------------------|------------------------|-------------------|--------------|---------------|
|--------------------|---------------------|-------------------------|-------------------------------|--------------------------|------------------------------------|------------------------|-------------------|--------------|---------------|

| | | | | | | | | | |
|--------------------------|----------------------|--------------------------------------|------------------------|----------|---------------------------------|------------|-------------------|------------------|--------------------|
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| Information Technology | | | | | | | | | |
| Mayor and Council | | | | | | | | | |
| Municipal Grants | | | | | | | | | |
| Facilities | | | | | | | | | |

Public Works Engineering Electric Development Services



Budgeting Process and Assumptions

- Take a 5 year perspective
- Link to organizational goals
- Identify non-discretionary spending
- Assume inflationary increases of 1.5%
- Budgets compared to forecast spend





2017-2022 Strategy Map

penticton.ca

vision We champion an innovative, thriving, sustainable community through visionary leadership, partnerships and service excellence.

mission Penticton is an innovative, adventurous waterfront city that focuses on sustainable community and economic opportunities.

values leadership. integrity. respect. innovation. collaboration. financial accountability. service.

strategic pillars sustainable livable smart connected & strong

strategies

A great place to live.

Open for business.

Working together.

General Fund: Financial Plan Highlights

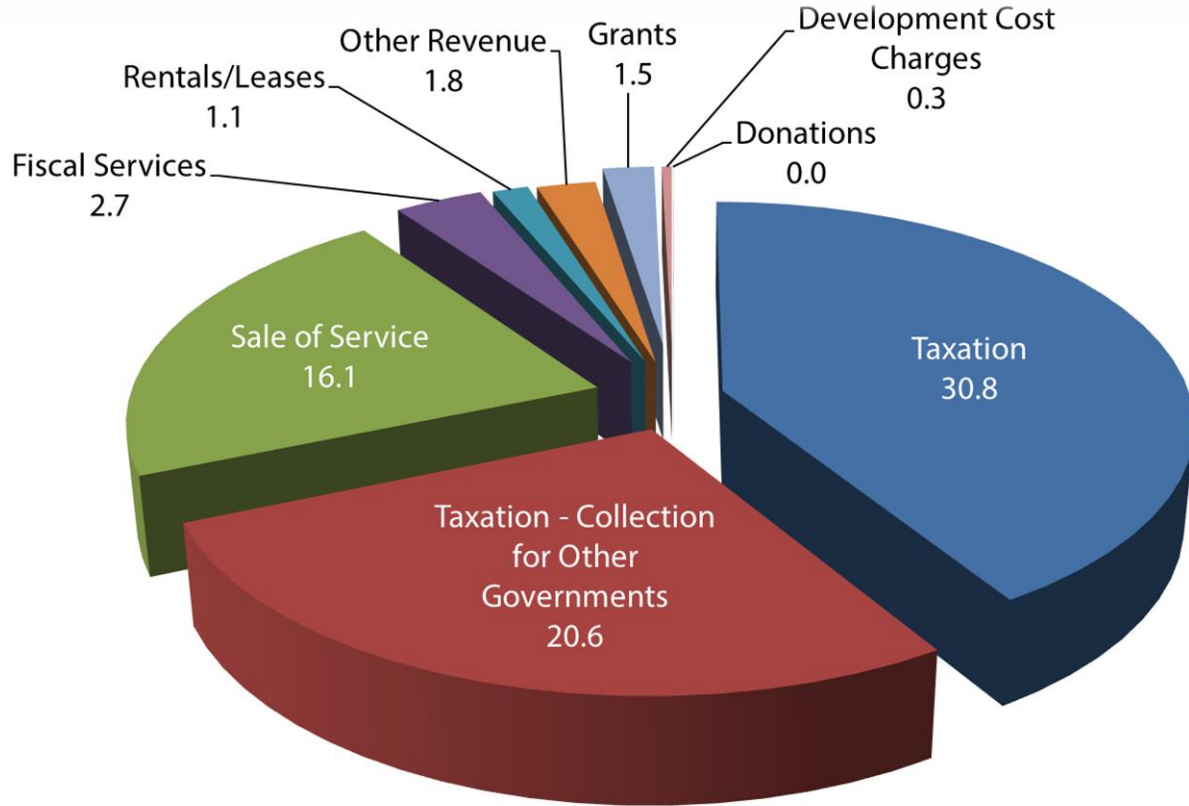
\$ thousands

| | 2016 Forecast | 2017 Budget | Variance |
|-----------------|------------------|----------------|----------|
| Revenues | (75,238) | (74,914) | 369 |
| Expenses | 65,767 | 68,645 | 2,878 |
| Capital | 10,193 | 5,304 | (4,889) |
| Surplus/Deficit | - | - | - |



General Fund Financial Plan Revenue

\$ millions



Historical Tax Increases

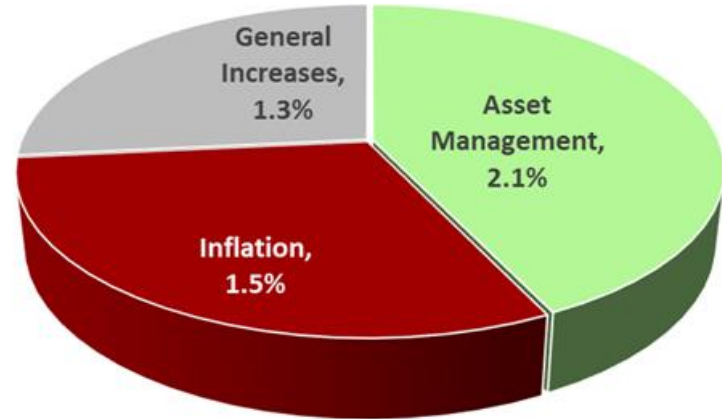


Proposed Tax Changes

2017 Tax Increases

| | |
|---|---------------|
| Tax Rate Increases (5%) | \$1.4 million |
| New Development (Non Market Changes) | \$0.4 million |

| Year | % Increase |
|---------|------------------|
| 2016 | 5.5% (Actual) |
| 2017 | 5% (Budgeted) |
| 2018-21 | 4% (Projection)* |



*Projection to be reviewed in the future



Tax Increases – What does it mean to You

| Key Assumptions | | |
|---------------------|-------------|-------------|
| | Scenario #1 | Scenario #2 |
| Tax Rate | 5% | 5% |
| Business Multiplier | 1.54* | 1.58** |
| Annual Increase | | |
| Residential | \$105 | \$96 |
| Business/Other | \$113 | \$303 |

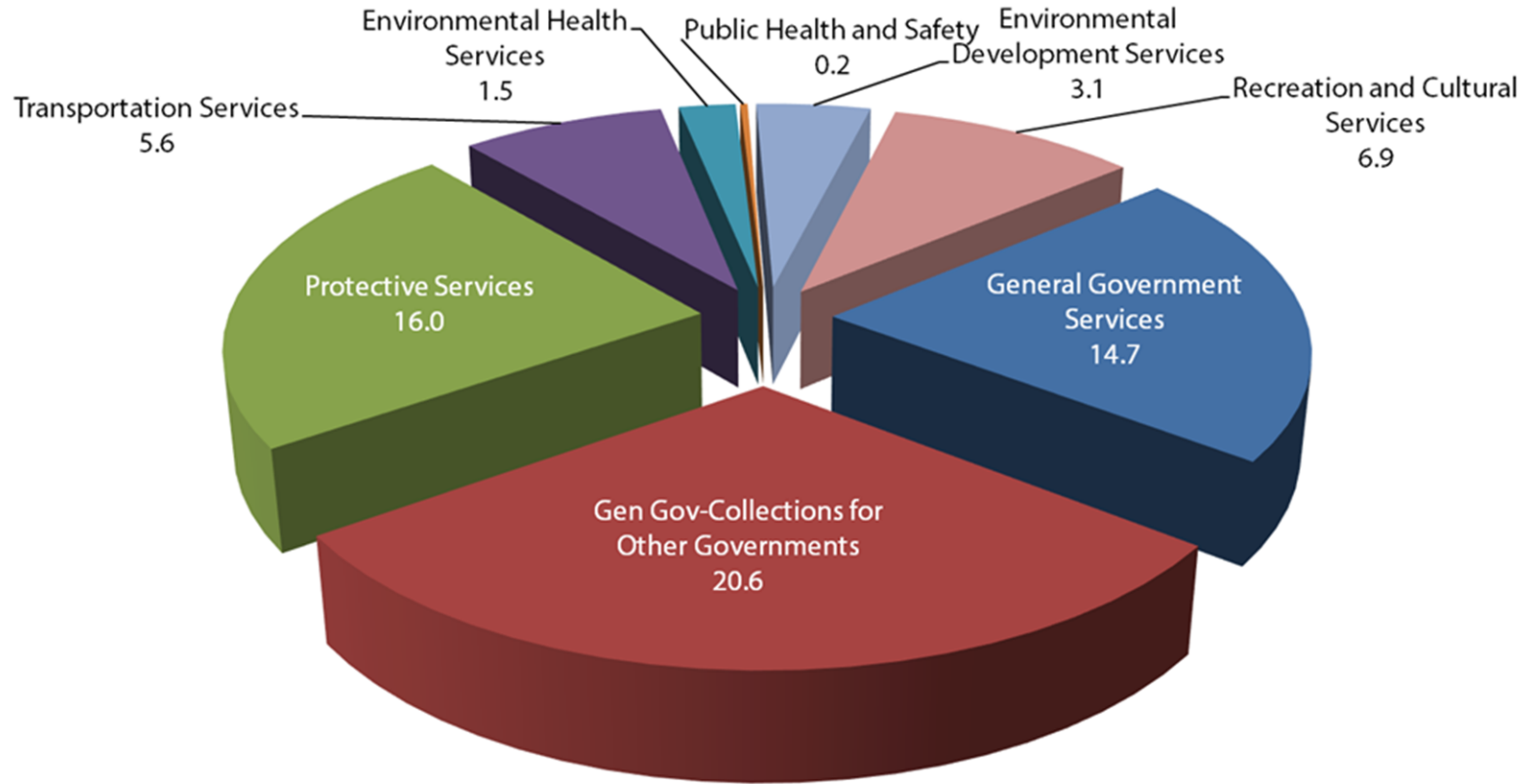
Notes:

- Average Residential Property Value \$368,707 & 2016 taxes would be \$1,516
- Average Business Property Value \$1,082,464 & 2016 taxes would be \$7,204
- *Anticipated 2017 multiplier per 4 year multiplier reduction plan
- **2016 business multiplier



General Expense: 2017 Expense Distribution

\$ millions



General Fund: Expense Metrics

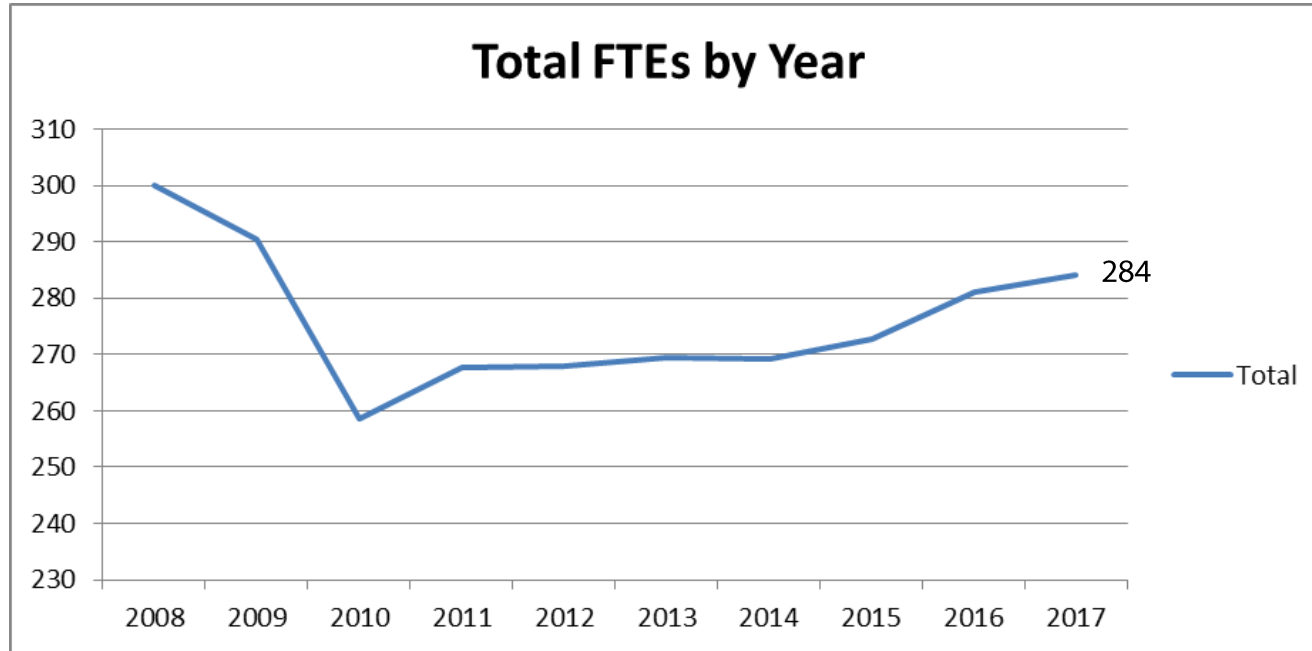
| Segment | % Property Tax | Cost per capita |
|------------------------------------|----------------|-----------------|
| Protective Services | 41% | \$ 373.0 |
| Recreation & Culture | 15% | \$ 140.3 |
| General Government | 14% | \$ 124.8 |
| Transportation Services | 10% | \$ 92.8 |
| Environmental Development Services | 5% | \$ 46.4 |

Spending Changes in 2017

| Key Increases | |
|---|--------------------|
| Contractual Labour Increases & Inflation | \$1,164,000 |
| Proposed Staffing Increases | \$463,000 |
| IT Strategy (Service, System & Process Improvements) | \$420,000 |
| Event Sponsorship | \$250,000 |
| Reallocation of capital to operating | \$223,000 |
| Professional Development & Technical Training | \$105,000 |
| Other (i.e., staff vacancies in 2016, Campbell Mtn Plan, Mapping) | \$243,000 |
| Total | \$2,878,000 |



Historical Staffing Levels



FTE- Full Time Equivalent



City Staffing Comparisons

| | Penticton | Ft St John | Vernon | Port Moody* | West Kelowna | North Vancouver* | New Westminster |
|----------------------------|-----------|------------|--------|-------------|--------------|------------------|-----------------|
| <i>Population (2015)</i> | 33,854 | 22,214 | 40,497 | 34,000 | 34,484 | 51,870 | 71,665 |
| <i>No. of Staff (2015)</i> | 273 | 208 | 314 | 260 | 166 | 544 | 630 |
| <i>%</i> | 0.81% | 0.94% | 0.78% | 0.76% | 0.48% | 1.05% | 0.88% |

- Penticton has an electrical utility and a regional RCMP office.
- Excluding 17 FTEs related to these services would create a comparable FTE count of 257 and a ratio of 0.76%

SOURCE

- BC STATISTICS
- DIRECT MUNICIPAL CONTACT

* 2014



penticton.ca

FTE Staffing Levels

| Department | 2015 | 2016 | 2017 | New | Comments |
|---|------------|------------|------------|----------|--------------------------------|
| Corporate Administration & Communications | 6 | 6 | 7 | 1 | Engagement Officer* |
| Development Services | 22 | 26 | 27 | 1 | Building Inspector |
| Operations | 81 | 82 | 83 | 1 | Sustainability Coordinator |
| Economic Development | 2 | 4 | 4 | - | |
| Finance | 31 | 31 | 32 | 1 | Process Improvement Specialist |
| Fire Services - General | 37 | 38 | 38 | - | |
| Human Resources | 4 | 6 | 6 | - | |
| Recreation & Culture | 30 | 28 | 28 | - | |
| RCMP | 27 | 25 | 25 | - | |
| Sewer | 11 | 11 | 11 | - | |
| Water | 7 | 8 | 8 | - | |
| Electric | 15 | 15 | 15 | - | |
| Total | 273 | 280 | 284 | 4 | |



FTE- Full Time Equivalent



* Previously Approved by Council

FTE Staffing Levels

- We are a very diversified workforce with unique challenges.
 - We have an electrical utility and regional (FTE) RCMP services
 - Difficult to hire and fill leadership and technical positions
- COP 2016 Turnover rate = 13.5%; National = 11%, across all sectors
- 27 retirements over the next 5 years
- Succession planning critical to organizational continuity
- 5 retired staff returned to fill vacancies

Infrastructure Deficit – What we heard

- Tax Increases
 - Should be gradual
 - Borne by both residents and business
 - Should not deter business growth
- No strong desire to increase user fees
- Use Debt Responsibility
- Support investigating facility consolidation and relocation
- Greater engagement before changes made
- Additional efforts by City to increase efficiency
- More analysis and reports back on effectiveness



Infrastructure Deficit

How are we Approaching the Problem

- Replacement of aging infrastructure will be with us forever
- The City has an initial picture of the magnitude of the problem
- Refinement will occur over the next 5 years
- Data to be refined:
 - What we own;
 - How much it costs;
 - How old it is;
 - Service life;
 - Average Annual Investment Required



Infrastructure Deficit

How are we Approaching the Problem

- Service lives will be updated based on study or test data, longer term process
- Risk tolerance will be determined and applied
- Decisions will be made on replacement standards
- At various stages during the process the Asset Management Model will be updated
- Options will be brought forward regarding tax and rate increases



Infrastructure Deficit

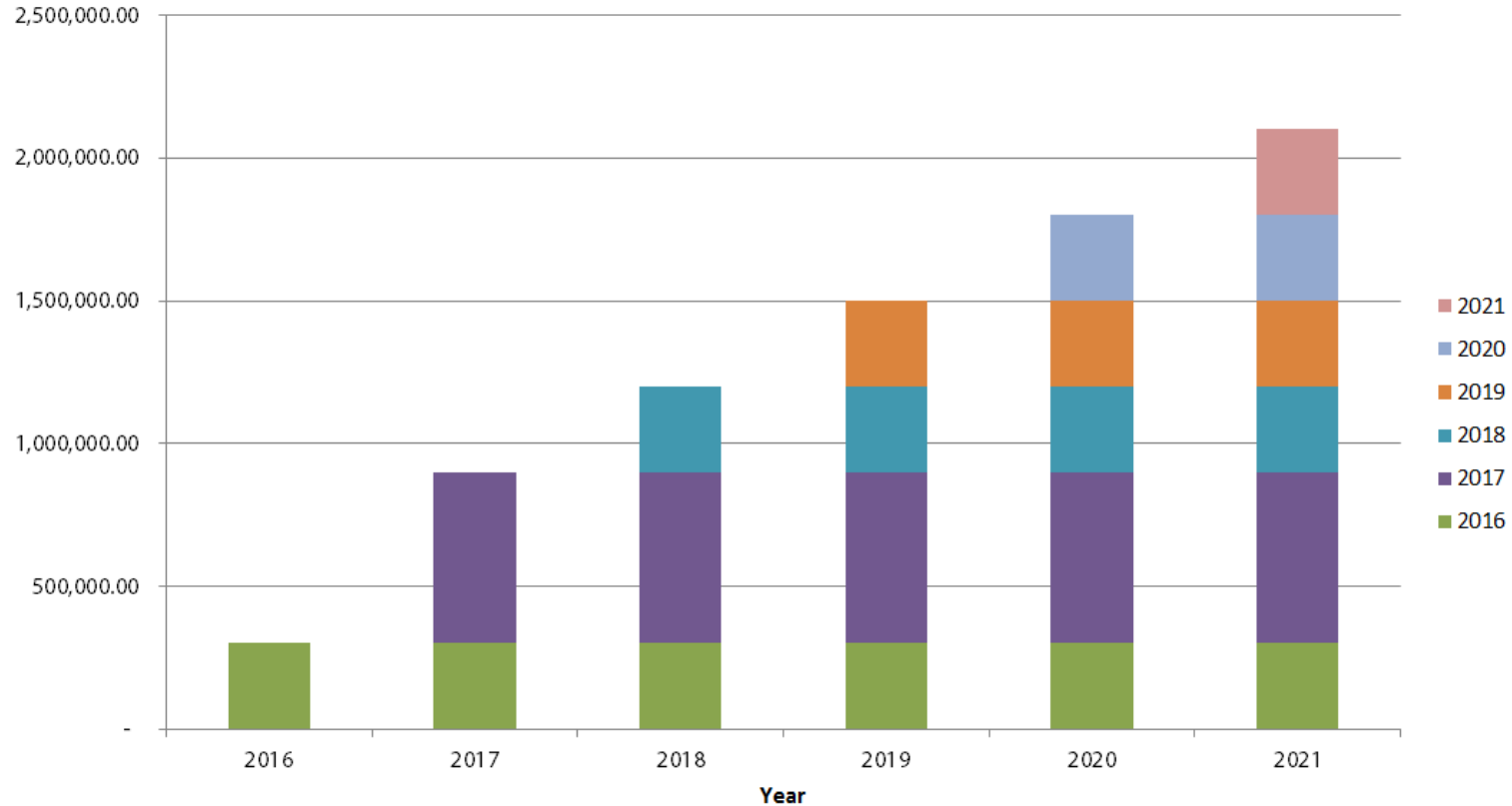
What are we doing in Budget 2017

- Modest Tax Increases
- Exploring Shared Services, Business Process Improvements
- Exploring a Storm Water Utility
- Examining Local Improvement Charges
- Further development of the Asset Management Plan
- Refining our Infrastructure Deficit Estimates
- Continued Implementation of GIS
- Increasing Asset Sustainability Reserve (balance \$1.2 m)
- Assessing and Disposing of Non-core Properties



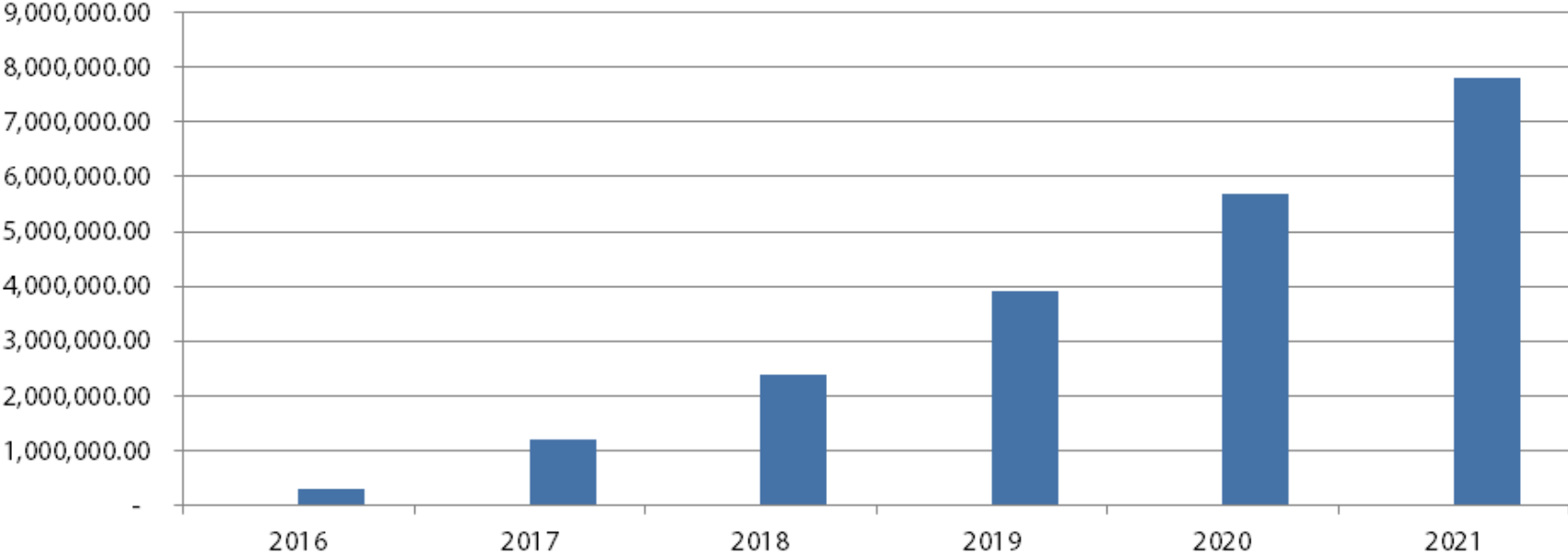
Asset Management Contribution

Asset Sustainability Reserve Transfers 2016-2021 1.1% increase per annum (as proposed in Financial Plan)



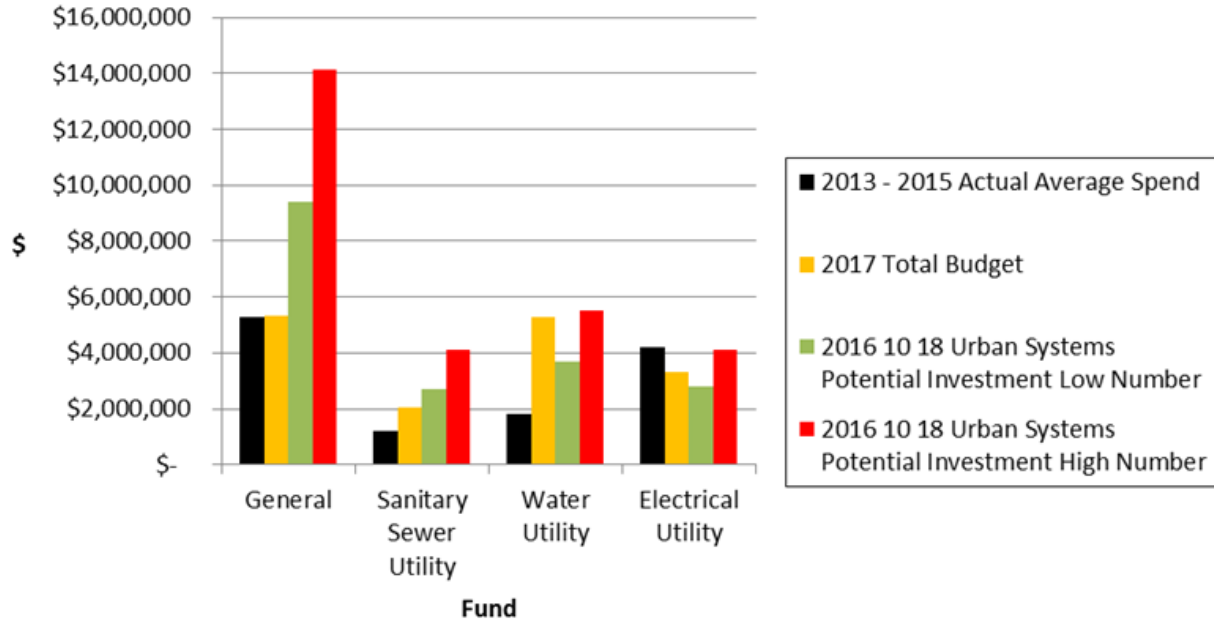
Asset Management Contribution

Asset Sustainability Reserve Forecasted Balance 2016 - 2021
1.1% increase per annum (as proposed in Financial Plan)



Infrastructure Deficit - Capital Spending

Actual, Budget and Potential Spend on Assets by Fund



Capital Highlights

| Department | 2017 Budget | 2018 Budget | 2019 Budget | 2020 Budget | 2021 Budget |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Engineering (Roads, Storm Drainage) | 1,581,500 | 2,334,000 | 3,780,000 | 2,297,000 | 2,425,000 |
| Facilities | 1,066,458 | 9,245,000 | 11,095,000 | 3,095,000 | 4,095,000 |
| Information Technology | 1,164,450 | 1,726,000 | 791,000 | 1,001,000 | 525,000 |
| Other (Fleet, Parks, Finance, etc) | 1,491,694 | 2,687,505 | 3,572,928 | 2,482,504 | 3,202,000 |
| Total General Capital | 5,304,102 | 15,992,505 | 19,238,928 | 8,875,504 | 10,247,000 |
| Electric Utility | 3,765,485 | 3,389,424 | 2,809,618 | 2,997,178 | 3,281,662 |
| Water Utility | 5,282,500 | 3,990,700 | 4,966,285 | 7,504,320 | 3,465,000 |
| Sanitary Sewer | 2,046,000 | 3,240,000 | 4,667,000 | 2,806,000 | 5,820,000 |
| Total Capital | 16,398,087 | 26,612,629 | 31,681,831 | 22,183,002 | 22,813,662 |



Funding of General Capital

| 2017 Budget | |
|--------------------------------------|--------------------|
| Total General Capital Project | 5,304,102 |
| Land Sales | (2,500,000) |
| Funding Sources | |
| Equipment Replacement Reserve | (463,200) |
| Electrical Dividend | (3,177,992) |
| Developer Contribution | (55,000) |
| Transfer from Gas Tax Reserve | (1,439,404) |
| Transfer to Land Acquisition Reserve | 2,500,000 |
| Transfer from Capital Reserve | (168,506) |
| Total Sources | (2,804,102) |

\$892,020



Utilities Overview & Highlights

- Three Utilities: Electrical, Water, Sanitary Sewer
- External consultant completed a Utility Rate Review
- Moves rates to more sustainable model
- Established 5 year Utility Rates (2016 – 2020)
- Will need to revisit rates in 2018 to address Asset Management



Utilities Overview & Highlights

For 2017 Rates are estimated to increase as follows:

| Utility | Estimated Average Monthly Increase 2016 to 2017 | | |
|----------------|---|------------------|-----------------------------|
| | Residential | Small Commercial | Large Commercial Industrial |
| Electrical | \$ 5.00 | \$ 9.00 | \$ 81.00 |
| Sanitary Sewer | \$ - | \$ 50.00 | -\$ 79.00 |
| Water | \$ 5.00 | \$ 22.00 | \$ 64.00 |
| TOTAL | \$ 10.00 | \$ 81.00 | \$ 66.00 |

Notes:

Source Intergroup Consultants 2015 11 Report Electric and Water

Source Intergroup Consultants 2017 02 Email Sanitary



Electrical Utility Financial Overview

\$ thousands

| | 2016 Forecast | 2017 Budget | Change |
|----------------------------------|------------------|----------------|---------|
| Utility Fees | (38,295) | (42,040) | 3,745 |
| Operating Expenses | 30,761 | 37,737 | (6,976) |
| Capital Expenses | 2,787 | 3,715 | (928) |
| General Fund Dividend | 3,184 | 3,178 | |
| Transfer to/from Surplus/Reserve | 1,563 | (2,590) | |
| Balance | - | - | |



Sewer Utility Financial Overview

\$ thousands

| | 2016 Forecast | 2017 Budget | Change |
|-------------------------------|------------------|----------------|--------|
| Utility Fees | (6,102) | (5,418) | 684 |
| Operating Expenses | 4,315 | 4,878 | 563 |
| Capital Expenses | 1,833 | 2,046 | 213 |
| Transfer from Surplus/Reserve | (46) | (1,506) | |
| Fund Balance | - | - | |



Water Utility Financial Overview

\$ thousands

| | 2016 Forecast | 2017 Budget | Change |
|-----------------------------|------------------|----------------|---------|
| Utility Fees | (7,165) | (8,050) | 885 |
| Operating Expenses | 3,787 | 2,265 | (1,522) |
| Capital Expenses | 1,686 | 5,283 | 3,597 |
| Financing | - | (1,500) | |
| Transfer to Surplus/Reserve | 1,692 | 2,002 | |
| Fund Balance | - | - | |



Questions

