

2018 - 2022 Financial Plan Overview



Financial Plan Approach

- Follow 2017-21 Structure
- Greater Public Engagement
- Transparency & Citizen Friendly
- Focus on metrics and measures
- Ensure Alignment with Council Priorities



Financial Plan - 2018

- Streamlined Internal Allocations
- Budgeting Appropriately Upfront
- Focus on key budget Changes
- Traceability to Detailed Budgets
- Presented by Financial Reporting Segment
- CFO co-presents with managers



Council Priorities

Community Building

Community building views the City as a whole and focuses on the investment of services and infrastructure, which are fundamental to quality of life.

Economic Vitality

Economic vitality refers to the city's economy, economic development and creating policy that promotes investment.

Environmental Sustainability

The way we operate has an impact on the environment. The City is committed to integrating sustainability into decision making and business practices.

Social Development

Social development encompasses principles of social equity, social well-being and citizen engagement, and support of a healthy community and quality of life.

Good Governance

Good governance refers to the system of municipal government in its role as a democratic institution, a public policy maker and a provider of public services.

Fiscal Sustainability

Good Fiscal sustainability refers to the City's ability to maintain programs and services while funding its growing infrastructure commitments.



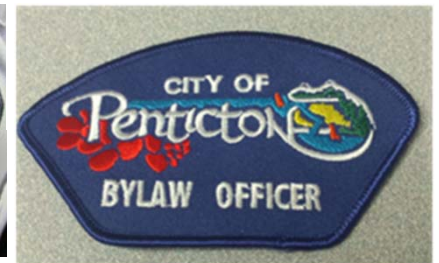
Our City

- Population – 33,716
 - 2.7% increase in past 5 years
- Strong Growth
 - 2017 Year to Date
 - Planning applications up 55%
 - Building permits up 39%
 - Business Licenses up 13%
- Service demands/social issues
- Asset Management
- Balance immediate community needs while addressing our aging infrastructure



Financial Plan Themes

- Growth and Development
- Asset Management
- Safety & Enforcement



Financial Plan Funds

Four Revenue Funds

- General
- Electrical
- Sanitary Sewer
- Water

- Storm Water Utility – proposed addition



City of Penticton: Financial Plan Reporting Structure

General

Utilities

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

Public Works Engineering Electric Development Services Financial Services Recreation & Culture

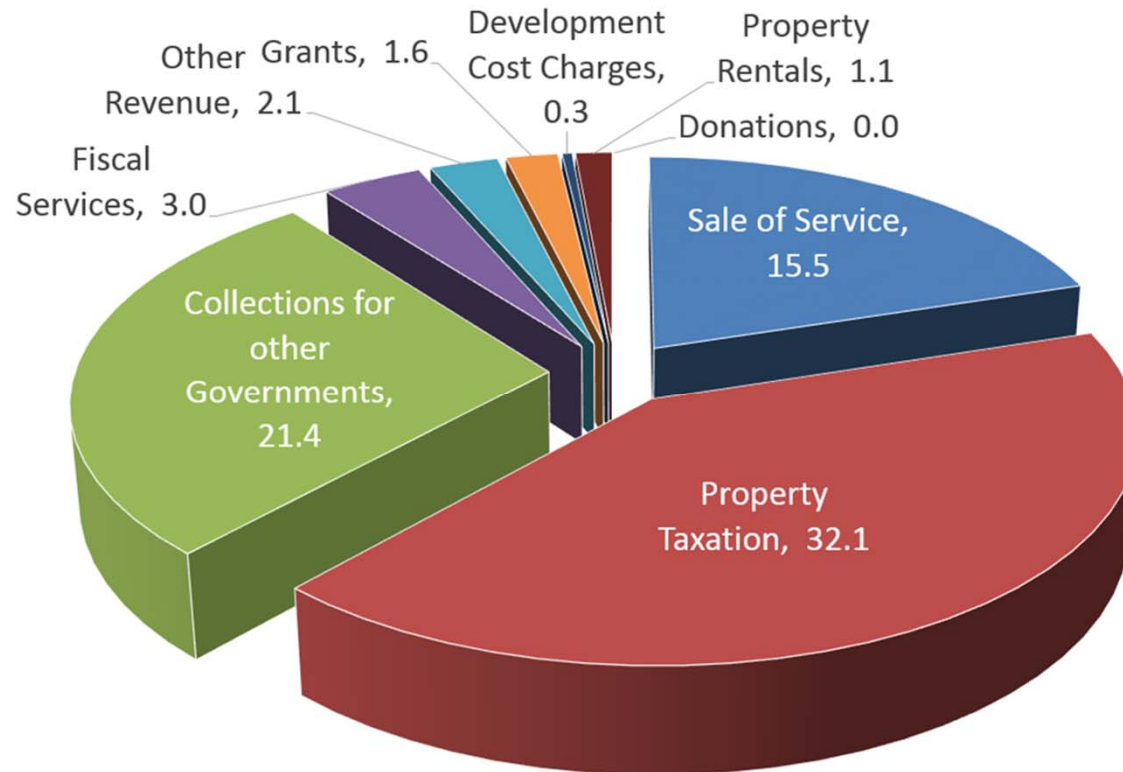


General Fund: Financial Plan Highlights

	2017 Forecast	2018 Budget	Variance
Revenues	- 76,741,805	- 77,095,982	- 354,176
Expenses	68,773,041	70,453,107	1,680,066
Debt Principal Repayments	3,232,875	1,985,241	- 1,247,634
Transfer to/from Reserve/Surplus	<u>4,735,889</u>	<u>4,657,634</u>	- <u>78,256</u>
Surplus/Deficit	-	-	-
Total Capital		9,525,825	



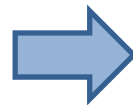
General Fund: Revenue Distribution (\$ millions)



Proposed Tax Changes

2018 Tax Increases	
Tax Rate Increases (3%)	\$900,000
New Development (Non Market Changes)	\$500,000

Year	% Increase
2017	4.36% (Actual)
2018	3% (Budgeted)



Historical Tax Increases



Tax Increases – What does it mean to You

Key Assumptions	Scenario #1	Scenario #2	Scenario #3
Proposed Tax Rate Adjustment	3.00%	3.00%	3.00%
Business Multiplier	1.58*	1.8	2
Annual Increase per \$100,000 Property Value			
Residential	\$13.00	\$5.64	-\$6.81
Business/Other	\$20.54	\$105.47	\$168.34

Notes:

- *2017 business multiplier
- Based on 2017 Assessment Roll
- Increase could vary depending on 2018 assessment values



Municipal Taxes 101

BC municipalities collect taxes across nine classes of properties.

- Balance between the classes to achieve equity while ensuring economic prosperity for the City.
- Business Tax Multiplier - applies different tax rates to different classes – residents always 1.00

City of Penticton Distribution 2017:

	Multiplier
Class 1 Residential	1.00
Class 2 Utilities	5.93
Class 3 Supportive Housing	1.00
Class 4 Major Industry	1.58
Class 5 Light Industry	1.58
Class 6 Business & Other	1.58
Class 7 Managed Forest Land	1.58
Class 8 Recreation/Non Profit	1.39
Class 9 Farm	2.06



Penticton's 2017 Tax Distribution

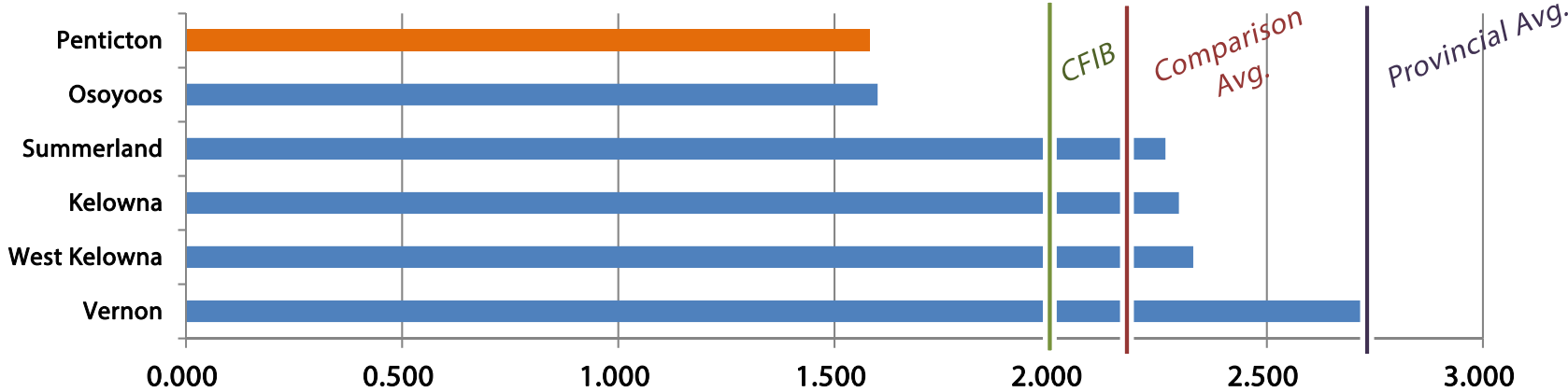
Property Class	Properties	Tax Multiplier	2017 Taxes	% of Total Levies
1 Residential	13,984	1.00	\$22,306,664	74.33%
2 Utilities	30	5.93	\$ 445,624	1.48%
5 Light Industry	84	1.58	\$ 612,654	2.04%
6 Business & Other	883	1.58	\$ 6,541,533	21.80%
8 Recreation/Non-Profit	18	1.39	\$ 63,689	0.21%
9 Farm	267	2.06	\$ 38,412	0.13%
Total:	15,270		\$ 30,008,576	100.00%

Residential And Business Make up 96% of the City of Penticton's total levies



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Business Multiplier Comparisons (2017)

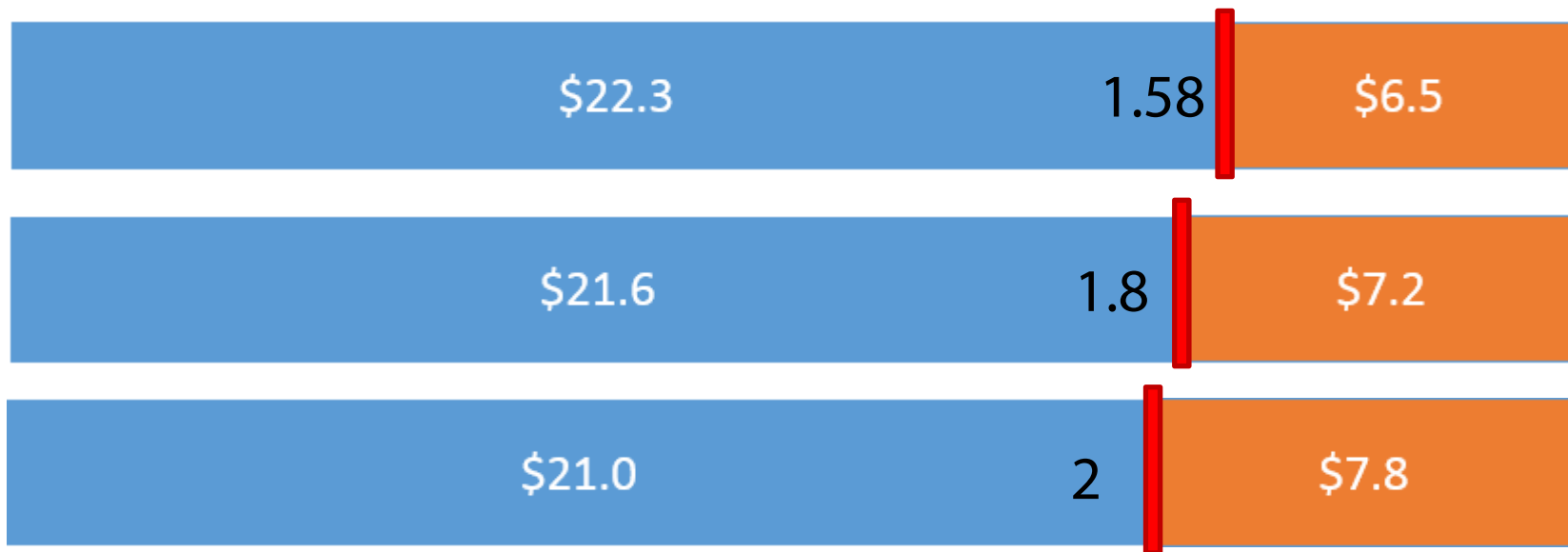


- Canadian Federation of Independent Business (CFIB) supports a business class multiplier of no more than 2.0.
- Penticton currently ranks 7th lowest in the province and is considerably lower than comparison municipalities.



Tax Distribution

Multiplier Effect
(in Millions)



■ Residential

■ Business And Other



Creating a Positive Business Climate

Political and Business Stability

- *5 year Economic Development Strategy*
 - *Business Retention & Expansion survey*

Regulatory Streamlining

- *Process Improvement*
 - *Business Licencing Application Process*
 - *Planning & Building Permit Processes*

Reliable Infrastructure

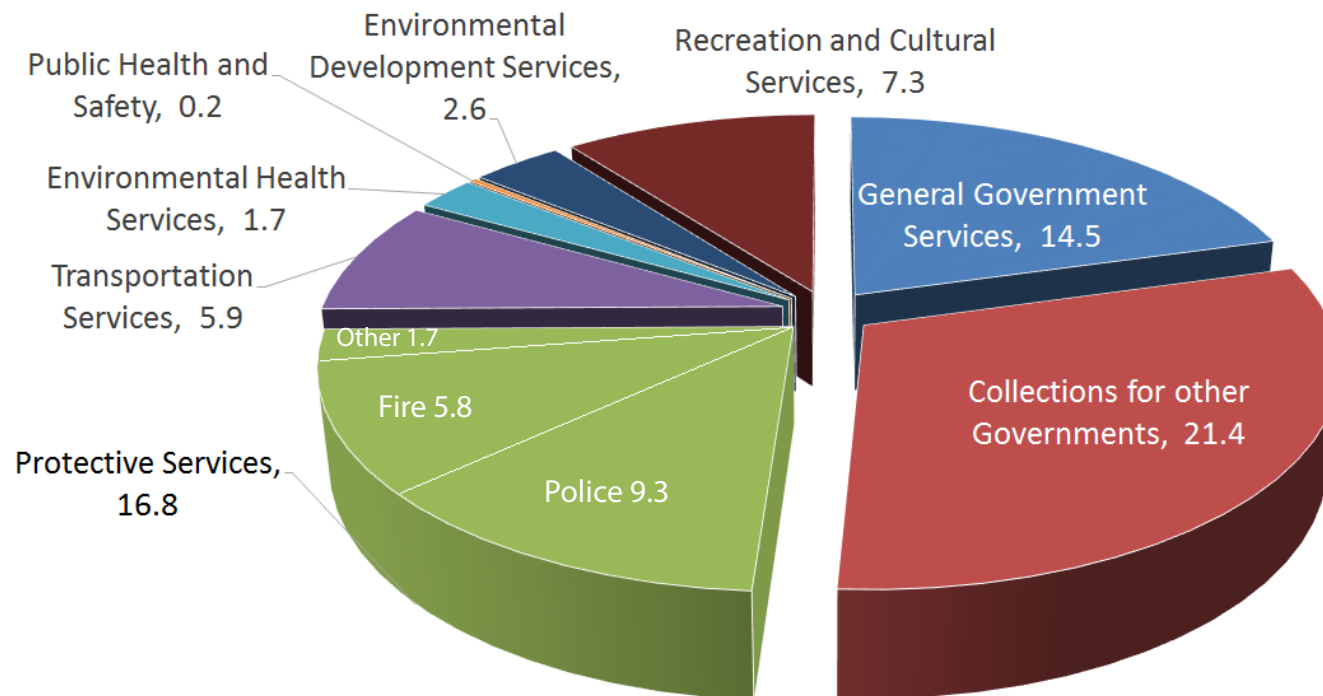
- *Asset Management*
- *Telus Falcon Project*

Skilled Workforce

- *Start Here Okanagan*



General Fund: Expense Distribution (\$ millions)



General Fund: Expense Metrics

Segment	% Property Tax	Cost per capita
Protective Services	42%	\$401
Recreation & Culture	15%	\$145
Transportation Services	11%	\$101
General Government	9%	\$88



Spending Changes in 2018

Key Increases	
Non-Discretionary Increases	
Contractual Labour Increases	\$449,893
RCMP Contract	\$125,558
Transit Contract	\$85,093
Solid Waste	<u>\$182,312</u>
Total Non-Discretionary	\$842,856
Safety & Enforcement	
Increased Bylaw Officer Presence	\$65,846
RCMP - New Officer	<u>\$150,000</u>
	\$215,846
Asset Management	
Increased Contribution to Asset Management Reserve	\$300,000
GIS Coordinator	<u>\$90,000</u>
	\$390,000
Development Services	
Process Improvements	\$250,000



Full Time Equivalent Staffing Levels

- We are a very diversified workforce with unique challenges.
 - We have an electrical utility and regional RCMP services
 - Difficult to leadership and technical positions
- City Year to date 2017 Turnover rate = 10%
- 27 retirements over the next 5 years
- Succession planning critical to organizational continuity
- 5 retired staff returned to fill vacancies



FTE Staffing Levels

Department	2017	2018	New	Comments
Corporate Administration & Communications	7	8		Position Moved from Economic Development
Development Services	29*	30	1	Bylaw Intake Officer
Operations	83	83		
Economic Development	4	1	-1	EDO not filled
Finance	32	34	1	GIS Coordinator Position moved from HR
Fire Services - General	38	38		
Human Resources	6	5		
Recreation & Culture	28	29		Position Moved from Economic Development
RCMP	25	26	1	IT Support
Sewer	11	11		
Water	8	8		
Electric	<u>15</u>	<u>15</u>		
Total	286	288	2	

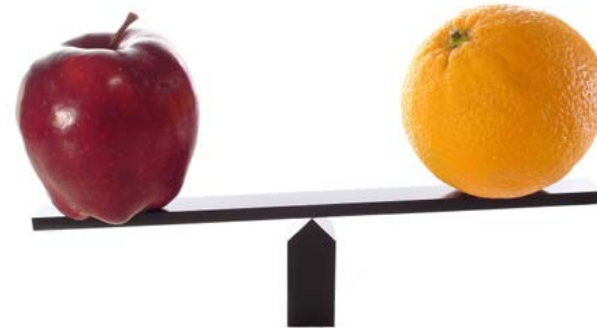
*Plan Checker (term) & Traffic Enforcement
Positions added in 2017



City Staffing Comparisons

	Penticton	Fort St John	Vernon	Port Moody	West Kelowna	North Vancouver	New Westminster
Population (2016)	33,761	19,897	40,116	33,551	32,655	52,898	70,996
No. of Staff (2016)	262	228	319	267	164	425	647
%	0.78%	1.15%	0.79%	0.80%	0.50%	0.80%	0.91%

- Penticton has an electrical utility and a regional RCMP office. Above figures exclude 17 FTEs related to these services.



SOURCE

- STATS CAN
- DIRECT MUNICIPAL CONTACT



Infrastructure Deficit

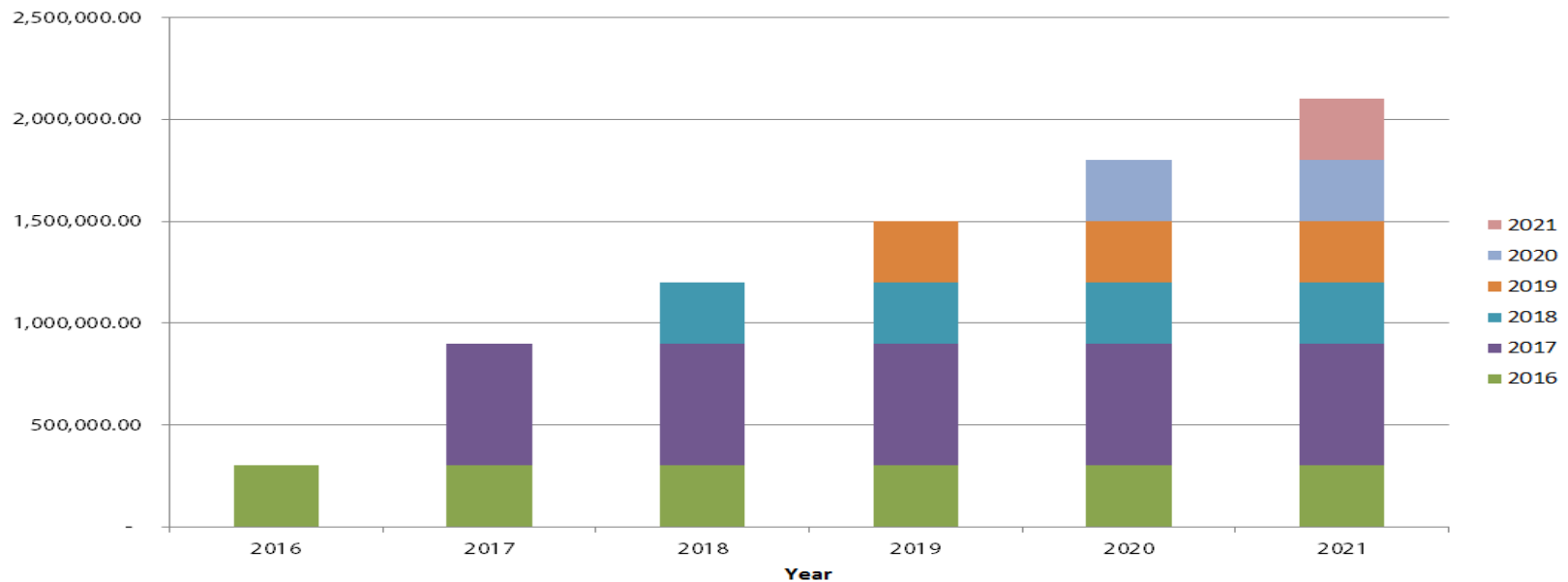
What are we doing in Budget 2018

- Increasing Asset Sustainability Reserve Contribution - \$1.2 m
- Achieving City efficiencies through Shared Services, Process Improvements
- Examining Local Improvement Charges
- Further development of the Asset Management Plan
- Refining our Infrastructure Deficit Estimates
- Continued Implementation of GIS
- Assessing and Disposing of Non-core Properties
- Proposing a Storm Water Utility



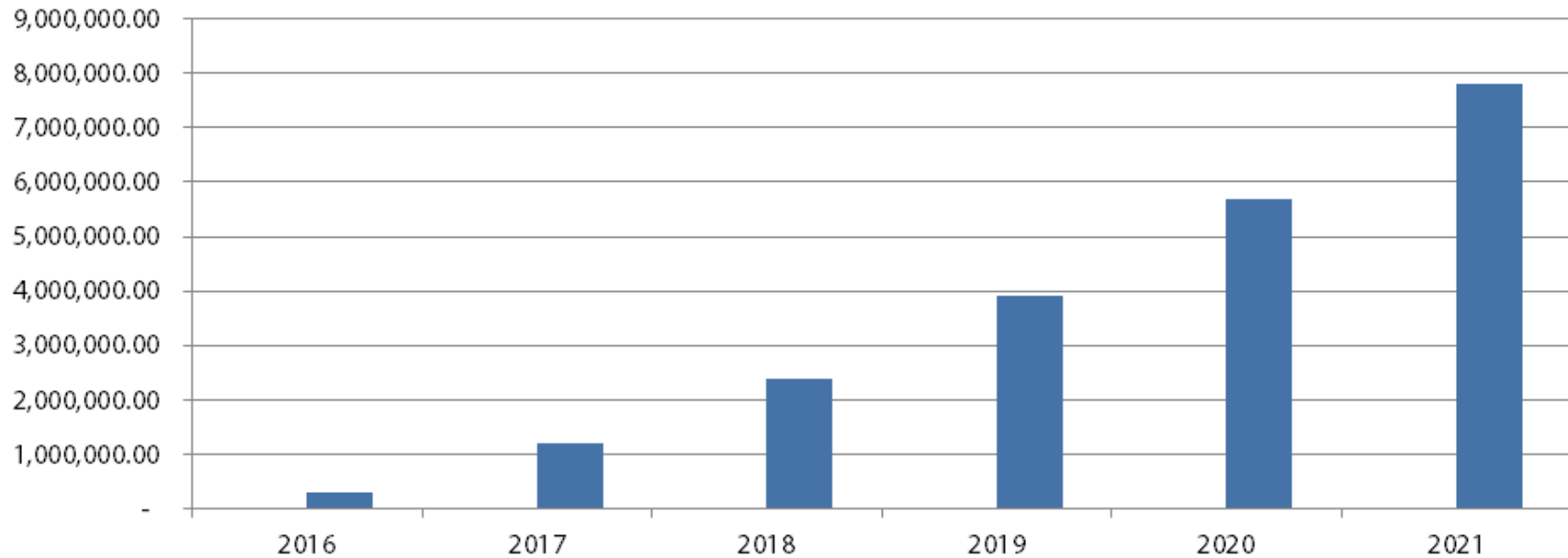
Asset Management

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



Asset Sustainability Reserve Balance

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



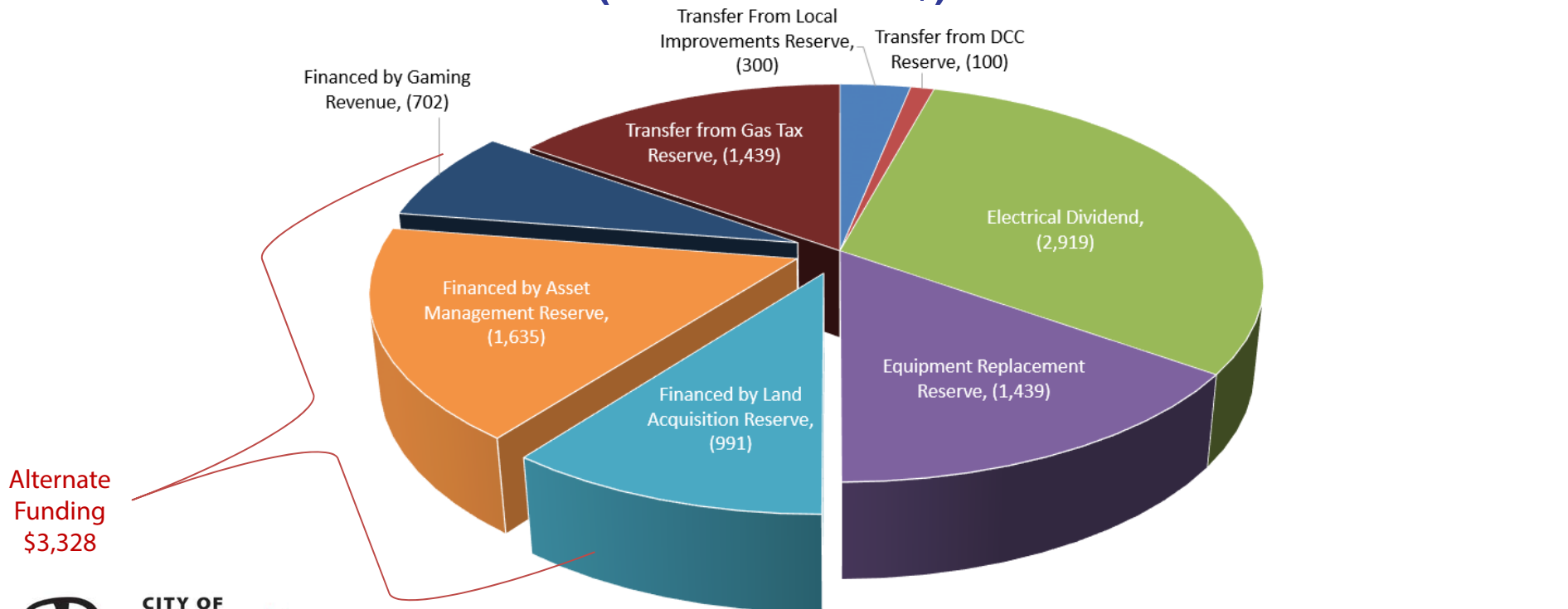
Capital Highlights

Department	2018 Budget
Engineering (Roads, etc.)	3,899,050
Facilities	2,542,500
Information Technology	925,000
Other (Fleet, Parks, etc)	<u>2,159,275</u>
Total General Capital	9,525,825
Electric Utility	3,305,287
Water Utility	3,407,250
Sanitary Sewer	<u>2,677,000</u>
Total Utilities Capital	<u>9,389,537</u>
GRAND TOTAL CAPITAL	18,915,362



General Capital Funding Sources

(in Thousands \$)



Alternate Funding
\$3,328



Alternate Funding Options

Borrowing

- Improved Debt levels
 - 30.7% to 23%
- Casino funding
 - \$1.5 m available for debt servicing

Asset Management Reserve

- 2018 - \$2.8m in 2018



Alternate Funding Options

Land Sales

- 935 Forestbrook Dr.
- 703 Pineview Rd.
- 711 Pineview Rd.
- 98 Ellis Street
- 292 Gurnsey Ave.



Projects to Finance

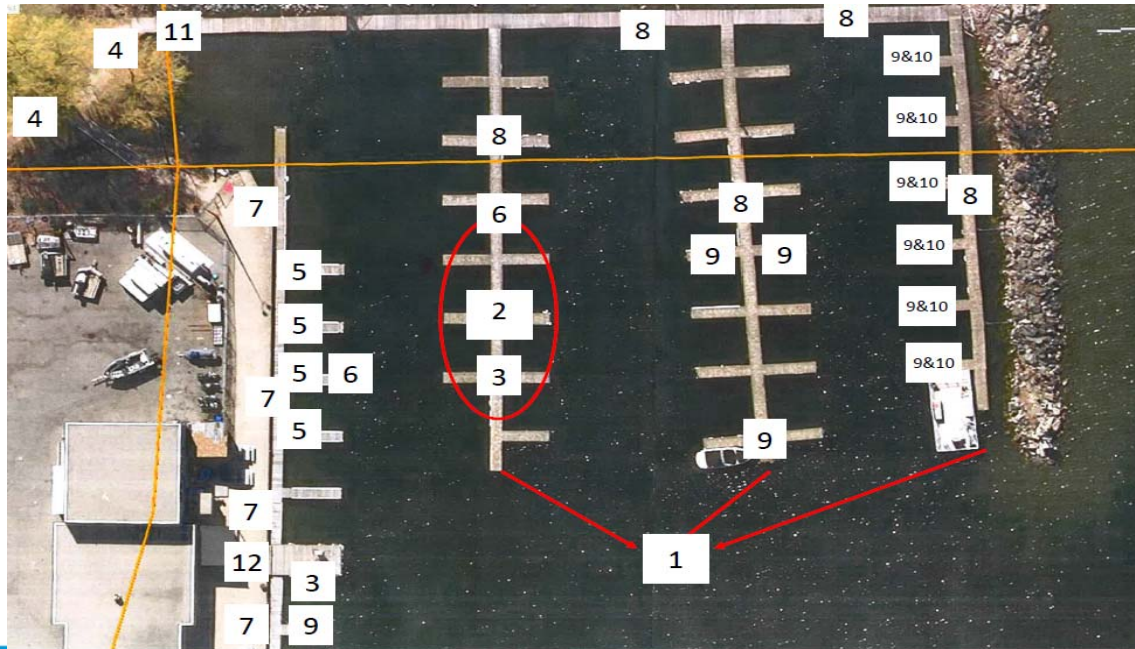
- **300 Block Downtown Revitalization - \$2.285m**
 - Term 5 years - Borrowing \$1.635m
 - Local Improvement Area Funding -\$300,000
 - \$350K funded by water utility



Projects to Finance (cont.)

Skaha Marina Dock Revitalization

- Term 5 years
- \$1.7m (2018 & 2019)



Utilities Overview & Highlights

- Three Utilities: Electrical, Water, Sanitary Sewer
- Looking to establish a storm water utility in 2018
- External expert completed a Utility Rate Review in 2015
- Moved rates to more sustainable model
- Established 5 year Utility Rates (2016 – 2020)
- Electrical Rates moved to year to year
- Will need to revisit rates in 2018 to address Asset Management



Utilities Overview & Highlights

For 2018 Rates are estimated to increase as follows:

Utility	Estimated Average Monthly Change 2017 to 2018		
	Residential	Small Commercial	Large Commercial Industrial
Electrical	\$0.52	\$0.52	\$0.52
Sanitary Sewer	\$6.53	\$40.15	\$106.06
Water	\$2.55	\$4.70	\$17.89
Total	\$9.61	\$45.37	\$124.48



Electrical Utility Financial Overview

\$ thousands

	2017 Forecast	2018 Budget	Change
Utility Revenue	-42,103	-42,084	18
Operating Expenses	37,688	37,129	-559
Capital Expenses	3,715	3,305	-410
General Fund Dividend	3,178	3,172	-6
Transfer to/from Surplus/Reserve	<u>-2,478</u>	<u>-1,522</u>	956
Fund Balance	0	0	0



Sewer Utility Financial Overview

\$ thousands

	2017 Forecast	2018 Budget	Change
Utility Revenue	-5,453	-5,946	-493
Operating Expenses	4,291	4,721	430
Debt Fees	575	575	0
Development Cost Charges	-100	-100	0
Transfer to/from Surplus/Reserve	-1,359	-1,927	-568
Capital Expenses	<u>2,046</u>	<u>2,677</u>	<u>631</u>
Fund Balance	0	0	0



Water Utility Financial Overview

\$ thousands

	2017 Forecast	2018 Budget	Change
Utility Revenue	-8,131	-8,895	-764
Operating Expenses	3,550	3,989	439
Debt Fees	422	422	0
Development Cost Charges	-626	-200	426
Transfer to/from Surplus/Reserve	-497	1,276	1,773
Capital Expenses	<u>5,283</u>	<u>3,407</u>	<u>-1,875</u>
Fund Balance	0	0	0



Questions

