

2010 Privatization Report

A White Elephant in Wine Country

The South Okanagan Event Centre P3 Penticton, BC

Prepared on behalf of the Canadian Union of Public Employees

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INTRODUCTION

When asked to comment on the South Okanagan Event Centre (SOEC), Mayor Dan Ashton told reporters that, “in hindsight whoever drafted the contract at the time should have done it differently.”¹

Since the beginning, the City of Penticton’s decision to enter into a public-private partnership (P3) to build and operate the SOEC, Penticton Trade and Convention Centre and Memorial Arena has weighed heavily on the municipality’s and residents’ pocketbooks. The project has been plagued by cost overruns, construction delays and operating deficits. Poor attendance and an inability to attract sufficient large conventions to the City forced Global Spectrum Management, the private firm overseeing operations of the facilities, to cut ticket and concession prices, but still, long-term operating deficits are predicted.

Privatization of the facilities has also impacted wellness and recreational opportunities for youth, seniors and other community members. Ice fees at the new facility are significantly higher than those at the previously publicly operated rinks. Residents have had to fight for access to the promised indoor walking track, which is in reality merely the SOEC’s main concourse.

The following report examines the overall community impact of the public-private partnership for the South Okanagan Event Centre, the Penticton Trade and Convention Centre and Memorial Arena. It begins with a brief background to the Project and outlines the major contract components. The discussion then reviews the SOEC’s financial and social impacts.

Penticton’s experience illustrates the high cost of public-private partnerships. It shows clearly the propensity for the costs of such projects to balloon, the loss of public access to privatized facilities and the limited ability of cities to transfer risk to private operators. It is, indeed, as many Penticton residents suggest, a white elephant in wine country.

The intent of this report is not to suggest that residents of the South Okanagan have not benefited from the SOEC. Many people enjoy the musical acts and touring shows that have come through town. Access to a new Olympic-sized skating rink has also allowed the Okanagan Hockey School to expand its programming. Yet, these benefits have come at a steep financial and social cost that could have been largely avoided by maintaining public operation of the facilities. Thus, the intent of this report is to highlight why it is important to keep municipal services controlled, operated and maintained by public bodies.

¹ Miller, J. (2010) *Losing revenue, but not a lost cause*. Penticton Herald, May 31, 2010

BACKGROUND

Located in British Columbia's Okanagan region, the City of Penticton has a population of approximately 43,300 with a regional labour force of 46,000.² In February 2010, regional unemployment hovered at 9%.³ The city's long-term vision is to become a regional centre of tourism and retail services. Improving conference and event facilities is a central component of this effort.

In June 2003, the City received \$1.3 million in provincial funding to upgrade the Penticton Trade and Convention Centre (PTCC). The proposed project involved interior renovations and minor new additions to the south lobby, ballroom and meeting rooms. It also included a new vestibule to the south entry and landscaping work. Shortly after the provincial funding was secured the City announced its interest in expanding event capacity with the development of a full service concert and sporting venue linked directly to the PTCC - the South Okanagan Event Centre (SOEC)

The City's goal was to increase tourist traffic by attracting major musical, sporting and convention events and promoting spin-off development in the high-end hotel and restaurant industry.

The Request of Qualifications (RFQ), issued in January 2006, proposed a 20-year public-private partnership for a 5125 seat multi-purpose event centre, which would include:

- a 200-plus seat community facility and NHL-size ice rink (expandable to Olympic size);
- a galleria linking the building to the Penticton Trade and Convention Centre;
- an indoor walking track;
- a restaurant and other commercial enterprises;
- the BC Hockey Hall of Fame; and
- a Health and Wellness Clinic, restaurants and other commercial sports and entertainment related enterprises.

The City also indicated to residents that there would be a year-round indoor walking track.

Promises Made

Penticton contracted with GPM Consulting Inc. to review the direct consumption benefits, impact on employment and spin-off benefits of the SOEC. In May 2006 the City released the firm's report entitled *Economic Impact*

² City of Penticton (2010) <http://www.penticton.ca/links/faq.asp>

³ BC Stats (2010) <http://www.bcstats.gov.bc.ca/data/lss/lfs/ur1002.pdf>

Analysis of the Proposed Expansion of the South Okanagan Events Centre. This document makes a large number of assumptions about the number and size of events the SOEC would attract. The authors repeatedly emphasized the tenuousness of these assumptions. Still, the document suggested the SOEC would have the following benefits:

- \$58.5-\$135 million in related economic benefit during construction phase
- \$33.9 - \$51.9 million in related economic benefit during operations phase
- 900 more jobs during construction
- 30 full-time positions at the SOEC
- Up to 200 part time positions
- Total regional job creation between 158 and 240
- Increased development of high-end hotels
- Additional flights and expansion of the City's airport
- Increased visibility of Penticton in BC
- Increased participation in ice-related activities (e.g. hockey, ice skating, curling)
- New spending from outside the area and retention of community spending

In a promotional document printed in the Penticton Western News in April 2006, the City stressed that the vision of the SOEC was to “increase recreational opportunity for youth” and to “help answer the challenges faced by an ever-growing need for more community recreational facilities.” Community bookings were to remain a priority and would be included in the contract with the private operator.

The expanded facility was expected to increase local events within 4 years from 45 to between 60 and 85 per year. The City argued that contracting with a private firm to operate the SOEC necessary because private firms “have access to broad distribution channels outside those currently used by the [Penticton Trade and Convention Centre].”⁴

The Deal:

As with most P3 deals of this size there was little competition for the contract. The City received only 2 bids – from Global Entertainment Corporation and Giffels Partnerships Solution Inc.

⁴ GPM Consulting (2005) *Economic Impact Analysis of the Proposed Expansion of the South Okanagan Events Centre*, p. 12

On June 15, 2006, the City announced its decision to partner with the Giffels Group Consortium which included Giffels Partnership Solution, Western Industrial Contractors, Chernoff Thompson Architects and Global Spectrum.

The deal handed over operation of the new SOEC, the existing PTCC and Memorial Arena to Global Spectrum for 20 years. However, as noted below, the deal did not include a number of crucial elements. For example, the City remains liable for operating expenses, including employee payroll, benefits, retirement funds, severance, operating supplies, advertising, repairs and maintenance, advertising, taxes and legal fees. The Giffels' bid also did not originally include ticketing, marketing and food services.

Capital Costs

In keeping with the general secrecy surrounding P3s, the City declined to reveal the potential cost of the project until after the successful proponent was announced in June 2006. Giffels Group vice president Peter Hall assured Penticton residents and City Council that construction costs would not exceed \$39.6 million – providing that the parties could reach an agreement by October 18, 2006.⁵ An additional \$16.56 million would also be necessary for off-site work, sports field relocation and soft costs not listed in the RFQ, leading to a total capital cost projection of \$56.16 million.

The parties did not reach an agreement by the October 18th deadline and in late October, then Mayor Jake Kimberley announced that costs were likely to rise. By the time shovels broke ground in late 2006 the capital cost estimates had skyrocketed to \$73 million – on completion the project cost \$81 million.

Operating Costs

The deal includes a monthly “base management fee” of \$20,833 to Global Spectrum for operation and minor maintenance of the facility.⁶ This fee does not include equipment repair, employee expenses, taxes and utilities. The City pays Global Spectrum additional money to cover these expenses quarterly. They are not fixed.

When the contract was signed, Penticton residents were told that the project's total annual operating costs would be significantly less than the current contributions made by the City towards the existing Memorial Arena and Penticton Trade and Convention Centre – estimated at \$807,000 in 2005. Evelyn O'Connor, the former marketing manager for the PTCC publicly questioned the truthfulness of these operating projections. Her cautions were well warranted; the SOEC has cost taxpayers far more than promised.

⁵ Moorhouse, J. (2006) \$56 Million: City chooses Giffels as partner in mega-project. Penticton Herald. June 16, 2006. Depner, W. (2006) *Cost overrun looms over event centre* Penticton Western October 20, 2006

⁶ City of Penticton (2008) *Facilities operation and management agreement between the Corporation of the City of Penticton and Global Spectrum Facility Management, L.P*

The Missing Pieces

Three crucial services were not included in the base operating fees despite the fact that Global Spectrum leveraged its ownership of subsidiaries in these fields to win the contract - commercial advertising, food services and ticketing. Global Spectrum offered to include these “value-added services” for an additional fee.⁷ The City accepted this offer and contracts with Ovations Food Services and New Era Tickets were rolled into the general operations deal.

The cost of capital repairs and maintenance also remains with the City and the private operator is only responsible for preventative and day-to-day maintenance. The costs to the City are estimated to rise from \$250,000 to \$350,000 per year over the 20-year contract. This arrangement provides very little incentive for the private operator to invest in significant maintenance of the facility and leaves the City at risk of major capital repairs in the future that could have been avoided by keeping operations public.

The much anticipated Health and Wellness Centre was also removed from the P3 contract. Although the Centre was included in the City’s original Terms of Reference for the SOEC, it was not included in Giffels’ bid and thus their guaranteed price. Giffel’s offered to add the Centre to their proposal for an additional \$6.84 million. In response, the City scrapped its original plans.⁸

Financing

The City chose not to pursue private financing for its portion of this project when it determined that public borrowing would be significantly cheaper. Each quarter percentage point difference between public and private borrowing rates amounted to a \$1.2 million savings over the lifetime of the agreement. The Provincial Government also stepped in and offered significant grant and casino funding to move the P3 project along. Financing therefore came from a mixture of provincial grants, gambling transfers and property tax increases:

- Casino Development Assistance Compensation (DAC) program - \$40 million over 13 years
- Provincial Major Regional Sports Facility Grant – \$9.7 million
- City Casino Legacy Fund and other reserve funds - \$7.2 million
- Residential property tax increase 2%

⁷ City of Penticton (2006) *Overview of Giffels Group Proposal: South Okanagan Event Centre Project (information updated 11 September 2006)*

⁸ City of Penticton (2006) *City and Giffels sign South Okanagan Event Centre design-build agreement*. December 21, 2006; City of Penticton (2006) *South Okanagan Events Centre Expenditure and Funding Sources*. December 9, 2008. The Wellness Centre was later built elsewhere in the city at a cost of \$3 million.

- Commercial property tax increase \$17 for every \$100,000 of assessed value
- All other necessary financing borrowed from the Municipal Finance Authority

It is important to note that allocation of Casino Legacy Funds and DAC to the SOEC means that future municipal projects, like the Performing Arts Centre and the expansion of the community aquatics centre are not eligible for this funding.

FOUR YEARS LATER: PROBLEMS & BROKEN PROMISES

a. Construction Cost Overruns

Concerns over cost increases surfaced even before the P3 contract was signed. By the end of construction, Penticton taxpayers were handed a bill for \$81 million – almost \$25 million more than they had been promised.

The cost increases are linked to construction delays and “additions and enhancements”, including a second floor galleria, a score-clock, wood content features, landscaping and additional costs for refrigeration and aisle lighting upgrades. As is the case with other P3 projects, the total costs also include over \$1 million in unexpected legal, consulting and debt-issue charges.

Penticton residents were led to believe that construction costs for the SOEC were capped and that the private partner had accepted the risk for any cost overruns. This was, in fact, not the case; there was very limited risk transfer.

According to a public summary of the initial Giffels Group bid, the consortium would “absorb construction cost over-runs, if any.”⁹ However, changes in the design, scope or timing of the project, would be covered by the City. When neither the City nor the Private Partner could reach agreement on contract terms in October 2006, any promised risk transfer evaporated.

b. Delays

In their original proposal, the Giffels Group agreed to begin the project in May 2006, with construction completed by fall of 2008. However, negotiations over contract specifications took much longer than the City had estimated, and the Giffels Group had indicated in bid documents. This delay added to the cost of the final project.

As per the original agreement, construction was supposed to be completed well in advance of the Union of BC Municipalities meeting in September 2008. The deadline was not met and the UBCM meeting had to be relocated to the

⁹ City of Penticton (2006), *Overview of Giffels Group Proposal: South Okanagan Event Centre Project (information updated 11 September 2006)* p. 4

existing PTCC and makeshift tents placed outside on the grounds. The SOEC eventually opened in November 2008, but significant elements remained unfinished for over a year.

c. Operating Deficits

Despite Global Spectrum's promise to increase the number of events in the area to between 60 and 85 and generate significant revenue, after its first year of operation the SOEC was \$1.6 million in deficit. The total losses for the three facilities run by Global Spectrum were over \$2.1 million.¹⁰ Initially Penticton Mayor Dan Ashton defended the private company saying, "New businesses aren't that profitable right off the start. It does need some track time and usually it's up to two years before businesses start seeing black instead of red."¹¹ However, mounting deficits forced him to admit in May 2010 that the SOEC was a significant and ongoing drain on the City's financial resources: "We're going to be in a structural deficit with this and for how long – I don't want to guess."¹²

The deficits are blamed on poor attendance, an inability to compete against Nanaimo and Vancouver for large conventions and the limited number of high-end hotel spaces in the City. The poor attendance itself has been linked to unrealistic expectations, high ticket prices, user fees and concession costs. Some local hockey fans have also complained about Global Spectrum's policies and security practices.

Residents and local government officials have speculated that the main problem is that the P3 contract does not provide sufficient financial incentives to force Global Spectrum to develop a rigorous marketing strategy. According to former Director of Corporate Services, Jack Kler, "one of the problems is if the money doesn't come out of your own pocket when you run into a deficit, you will not be hungry enough to go out there and get it done right."¹³ Councillor John Vassilaki echoed Kler's criticism, noting that Global Spectrum is "just not promoting it properly, to the extent they should be doing it."¹⁴

d. A "can't lose contract" – Limited Risk Transfer

A significant attraction of all public-private partnerships is the promise that they will transfer financial and operational risk to a private firm. This very rarely happens. As noted above, the City of Penticton was unable to transfer the construction risk to their private partner and taxpayers were handed a bill for over \$25 million in added costs.

¹⁰ City of Penticton (2010) *SOEC/PT&CC/Memorial Arena – Year end financial statements*. City of Penticton Press Release, March 23, 2010.

¹¹ Moorhouse, J. (2009) *Event Centre deficit deepens*. Thursday, May 21, 2009. Penticton Herald

¹² Miller, J. (2010) *Losing revenue, but not a lost cause*. Penticton Herald, May 31, 2010

¹³ Walkinshaw, B. (2009) *City at a loss over events centre deficit*. Penticton Western News, November 24, 2009.

¹⁴ Walkinshaw, B (2010) *Global Spectrum defends its promoting of the convention centre*. Penticton Western News, February 12, 2010

While construction costs ballooned, the City Council assured residents that *operating risk* would be transferred to Global Spectrum by guaranteeing that the company would incur the first \$50,000 of any budget shortfall. This “performance based penalty” would, in theory, encourage the company to meet or exceed projected revenues. However, careful examination of the P3 contract shows that this clause is greatly limited. Funding for the SOEC is determined each year through a Business Plan and budget process in which Global Spectrum presents the City with its projected expenses and revenues. The City is then responsible for depositing the budgeted funds into a “Facilities Operating Bank Account” and for topping up this account if costs are higher than projected.¹⁵

Two problems are immediately evident in this arrangement. First, Global Spectrum determines the projected revenue against which the performance based penalty will be assessed. This encourages the company to lowball revenue projection rather than providing incentive to work harder to attract profitable acts. Second, the contract does not cap the amount paid to Global Spectrum. As a result, operation risk is not transferred and there is little incentive for the private company to increase efficiency.

In addition, while a majority of any profits go to Global Spectrum, the City retains the major responsibility for performance of the SOEC, PTCC and Memorial Arena. For example, the City continues to be liable for operating expenses, including, employee payroll, benefits, retirement funds, severance, operating supplies, advertising, repairs and maintenance, advertising, taxes and legal fees. The City also pays for all food/restaurant equipment and utility charges.¹⁶

In light of these issues, City officials admitted in May 2010 that the P3 does not transfer risk and called it a “can’t lose contract”.¹⁷ Mayor Dan Ashton told reporters that “in hindsight, whoever drafted the contract at the time should have done it differently.”

Indeed, rather than holding Global Spectrum accountable for the facility’s poor performance, the City of Penticton has assumed the shortfall by cutting services and reallocating funds from other budget areas. In short, it is taxpayers and residents who are paying the costs, not the private operator.

¹⁵ City of Penticton (2008) *Facilities operation and management agreement between the Corporation of the City of Penticton and Global Spectrum Facility Management, L.P.*

¹⁶ Ibid

¹⁷ Miller, J (2010) *Losing revenue, but not a lost cause*. Penticton Herald, May 31, 2010

e. Increased ticket prices and user fees

When the City of Penticton announced that it would be entering into a P3 agreement, it promised community members that ice fees would not increase and that fees at the new arena would be comparable to those at the existing McLaren Arena. Still fees at the SOEC and Memorial Arena have increased dramatically, from \$86/hour to \$140/hour. This has a significant impact on local figure skating and hockey clubs. The Hockey Association estimates its costs increased by \$55,000 in 2008/2009.

In the hopes of raising revenue, the City and Global Spectrum increased ticket prices for local hockey and concerts. This plan only stopped residents from attending events. In 2009 Global Spectrum was forced to slash ticket prices in the hopes of attracting more fans.

f. Privatized concessions

Prior to the P3 contract many of Penticton's skating and hockey groups encouraged members and fans to bring their own food and beverages to games or to buy them from volunteer-run concession stands. This helped keep costs down for families. The current contract gives control of concessions to Global Spectrum's subsidiary, Ovations Food Service. Ovations does not allow visitors to bring their own food and drink into the facilities. To make matters worse, concession prices increased significantly under private operation.¹⁸ More troubling than rising concession prices is the loss of an important fundraising opportunity for local sports. For years the Penticton Minor Hockey Association (PMHA) subsidized registration for low income players through the sale of concessions at games and practices. When the City announced the P3 plan, the PMHA worried that it would lose this valuable source of funding and many children would no longer be able to participate. These fears were realized. On October 31, 2008 the City of Penticton revoked the group's concession licence and forced them to enter into negotiations with Global Spectrum and Ovations Food Service.

Originally, Global Spectrum refused to allow the Hockey Association to sell concessions because they are not a registered charity. The PMHA persisted in their fight and in early 2010 Global Spectrum agreed to let non-profit groups volunteer for a portion of concession revenues. Between 8 and 24 volunteers are required depending on the event and groups receive 10% of food sales and 5% of alcohol sales. This is significantly less money than the Hockey Association generated under its concessions licence.

h. No room for walkers

¹⁸ Lagging attendance at events recently forced Ovations to reduce their prices. Nevertheless, under the private model, families still have to pay more.

Part of the City's original intent was to use the SOEC to improve existing community facilities. To this aim, the initial RFQ specified the construction of an indoor walking track. Residents were led to believe this would be accessible all year. Walking has become an important component of the City's "Steps Out" program and is a popular recreation activity.

The "accessible track" included in the South Okanagan Events Centre may be less than what was envisioned by residents. It is not a dedicated pathway, but rather, walkers are encouraged to circumnavigate the SOEC's central concourse. In addition, Global Spectrum only intended to allow access to the facility during the winter months. After public pressure, however, the company has agreed to allow access in the mornings for May and June 2010.

i. Business boon?

It is too early to tell whether the SOEC and upgraded PTCC will have positive long term impacts on the business community. To date, the project has not spurred expansion of the airport as promised, and, while representatives of a few high end hotel chains have visited the region, there are no plans to build new capacity. The Coast Hotel recently renovated an existing hotel, however, there are no clear plans to build a larger facility..

In interviews,¹⁹ prominent members of the business community suggested that the SOEC has had very limited impact on the City's economy. There is hope that the SOEC will eventually encourage more tourism in the area, but business owners do not believe that the facility is attracting people from outside the Okanagan – those who might stay a couple of days and spend money in the community. A majority of respondents in a survey by the Penticton and Wine Country Chamber of Commerce indicated that the South Okanagan Event Centre has not benefited their business. Although this is not a statistically significant sampling of area businesses, it does suggest that the promises of economic growth may be falling short.

j. Long term impact on community resiliency and budget

SOEC cost overruns and budget allocations are having long term impacts on public services in Penticton. In summer 2009, the City embarked on a core services review with the goal of streamlining costs and cutting "non-core" services. According to the Frequently Asked Questions on Penticton's website, one of the principal causes of the City's budget problems is "increased costs with new facility construction (SOEC)"²⁰ However, because they are privately operated, the Event Centre, Memorial Arena and the PTCC are not part of the review.

¹⁹ Personal interviews conducted in Penticton in June 2010. The names and affiliations of participants are withheld for confidentiality.

²⁰ City of Penticton (August, 2009) Core Service and Organizational Review Question & Answers, <http://www.penticton.ca/events/2009-08-26-CoreServiceReview.asp>

By April 2010 it was clear that the Core Service Review would lead to cuts to municipal services, including less money allocated to ongoing repair and maintenance of existing facilities. The City has cut funding to community events, such as Music in the Park and the Skateboard Park Ambassadors, reduced the number of exhibits at the local museum and reduced security at the library and museum.²¹ To generate additional revenue, the City plans to increase transit fares, admission fees at the community centre, and rental fees for public facilities.

Overruns and deficits at the SOEC have also impacted employment. The RCMP detachment was reduced from 45 to 42 in 2010. In total five senior managers were let go in spring 2010, as well as five non-management positions. The City also intends to freeze all non-union salaries and increase fees for garbage and recycling by 5 percent.

By far the most striking and perplexing fall-out of the P3 event centre is the potential privatization of Penticton's aquatics facility. Despite recent capital upgrades and a staff and programs that are internationally renowned for their quality, the City is contemplating handing over control of the facility to a private operator. Representatives have claimed that it no longer has the money to run the facility publicly because of the costs of financing the SOEC. Yet, if anything is to be gained from the SOEC it is the lesson that privatization will not reduce operation costs.

CONCLUSION: A WHITE ELEPHANT IN WINE COUNTRY

The South Okanagan Event Centre project is not living up to the promises of its boosters. As a result, Penticton joins the ranks of other municipalities, such as Cranbrook, Abbotsford and London, ON, dealing with the construction delays, poor attendance, service reductions and mounting debt loads caused by P3 entertainment complexes.

Penticton's experience is evidence of the problems with P3s. Time and time again, public-private partnerships have failed to deliver the cost savings and service improvements they were intended to bring. Instead, these multi-decade contracts often squeeze municipal budgets further and lead to cut backs and layoffs. In the case of the South Okanagan Events Centre, operational deficits, delays and cost over-runs have forced Penticton to reduce services in other vital areas, including policing and community recreation.

The SOEC Project also illustrates the fallacy that P3s transfer risk from the public to the private sector. In truth, companies will not take on excessive risk without significant financial compensation. Otherwise, as is evident in

²¹ Non-residents pay more for using City facilities than City residents.

Penticton, contracts are crafted to minimize private sector responsibility for performance and costs.

This raises the question of whether Penticton could have built and could operate the SOEC, PTCC and Memorial without a private partner. Evidence suggests that it could. The City did not rely on private financing as this was shown to be too expensive. Rather the SOEC was financed through a combination of government grants, municipal borrowing and gambling revenue. While the Province's contributions appear at least nominally tied to the P3 proposal, this need not have been the case. Other municipalities, such as Whistler, have avoided Provincial pressure once it was clear that residents wanted services to remain public.

Municipalities in British Columbia also have numerous alternative funding sources, many of which are underutilized. For example, given that the SOEC benefits the entire region, through increased tourism and improved entertainment opportunities, the City could have entered into a *public-public partnership* (PuP) with surrounding local governments. In such an arrangement, two or more public bodies pool resources to build, maintain and operate infrastructure and/or services. In this way risk and benefits are shared.

Negotiations with the Giffels Group delayed construction and raised the total project cost. This is a common characteristic of P3s. Had Penticton chosen traditional procurement, construction could have begun earlier and the City could have avoided the skyrocketing costs of construction materials.

Municipalities may need to hire professional help in developing marketing and promotions strategies for large event centres. However, it is not inconceivable that a City hire its own specialists in these domains. Daily operations at the SOEC, PTCC and Memorial Arena could similarly have been kept public. Municipalities across the country employ concession and catering staff, maintenance workers, ticket takers and ushers in publicly run facilities. Penticton had done so successfully for many decades prior to the P3 agreement.

By maintaining public control over the facility Penticton would have direct oversight over budget decisions, service quality, maintenance standards and employment decisions. City Councillors would be able to ensure that decisions made at the facility responded directly to community priorities and expanded, rather than reduced, opportunities for residents to participate in recreation and sporting activities. All profits would also go directly to the City and could be used to finance this and other public services.

In conclusion, Penticton residents are understandably frustrated with the outcome of the South Okanagan Event Centre project and its management by

Global Spectrum. Privatization has not brought the economic development, tourist dollars or recreation opportunities they had been promised. Instead, residents face significant cuts to municipal services and long term budget deficits. It is still early in the 20-year contract, but Penticton's gift to the South Okanagan looks more like a white elephant than a golden goose.