



City of Richmond

## Report to Committee

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**To:** General Purposes Committee

**Date:** January 20, 2004

**From:** George Duncan  
Chief Administrative Officer

**File:**

**Re:** **Strategic Financial Planning - Key Question Discussions**

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### Staff Recommendation

That the attached discussion papers be received as information, in preparation for Council discussions on the "Key Questions" identified for the Long Term Financial Planning process.

A handwritten signature in black ink, appearing to read "George Duncan".

George Duncan  
Chief Administrative Officer  
(4338)

## Staff Report

### Origin

City Council recently adopted a “Long Term Financial Management Strategy” that outlined 10 principles for making financial decisions that would lead to a number of desirable financial goals and outcomes. Two key financial goals of the strategy included:

1. Tying tax rates to CPI without affecting service levels, and
2. Replenishing financial reserves to appropriate levels through an additional 1% increase.

These goals were attainable through the combined effects of executing all 10 interrelated principles contained in the strategy, for all future budget decisions. In monitoring our progress towards attaining these goals, it has become apparent that achieving the goal of tax increases at CPI plus 1%, with no changes in services levels, is in jeopardy given current budget pressures and the trend of current decision making practices. Current practices reflect adherence to some of the principles contained in the adopted Long Term Financial Management process, but not others. Because the Long Term Financial Strategy was developed on the combined effects of the 10 principles, achieving Council’s goals as outlined in the strategy is only possible through the execution of all 10 principles simultaneously. Therefore, at the January 5<sup>th</sup>, 2004 General Purposes meeting, staff were directed to prepare discussion papers on 9 “Key” questions related to foundations of the City’s long term financial management process, for further debate and consideration. These questions included:

1. The City needs to define its core business and determine the extent to which we will continue to fund functions which are outside our core business.
2. What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?
3. What is your property tax increase goal, if it is different than stated in the Plan?
4. If necessary, are you prepared to make cuts to achieve your property tax increase goal?
5. Are you prepared to exceed your Five-Year Plan or Sustainable Financial Plan goal projections in order to accommodate additional level requests which Council wishes to support (e.g. policing)?
6. Are you prepared to require that cost savings be achieved through the Parks & Recreation review?
7. Is Council prepared to place an in-depth focus on cost centres where our costs are actually increasing to a significant degree, as opposed to continuing current budget review practices?
8. What is Council’s Policy of user payments vs. inclusion in tax base for services received; a

9. What is an appropriate definition for "Same Level of Service".

### **Analysis**

The purpose of the discussions being undertaken by Council regarding the above "Key Financial Planning Questions" is to determine what changes need to be made in both current decision making practices, and Long Term Financial Strategy goals, to achieve desired short and long term financial outcomes. Key to these discussions, is establishing a philosophical base from which Council wishes to operate, in order to set achievable goals and to plan and manage City financial matters in a strategic and responsible manner. There is much leeway in Council's mandate regarding which services the City chooses to be involved in (and to what degree), and in what manner Council chooses to finance these services. Decisions regarding service types and levels, taxation levels, user fees etc. work together to produce the City's bottom line, and decisions about one directly affect the others.

At present, financial decisions reflect a conscious effort to keep our tax rates down, containing the amount of money we have coming in to pay for the services we offer. Concurrently, the level of some of our "core services" is growing, as are the financial requirements of certain contractual obligations and other uncontrollable cost factors. While significant savings have been realized over the past several years through specific efficiency measures, the growth in our costs is causing our financial resources to be spread thinner each year. As well, there appear to be a number of "non-core" or discretionary services which the City offers, which draw on City finances, further impacting the City's ability to pay for core services. The effects of these trends are now signalling significant financial consequences for the City. In summary, the practices of holding tax rates at a minimum, at the same time as absorbing increased costs for additional services, contractual obligations, and other necessary expenditures, is not sustainable. These practices will in the near future, begin to erode our ability to produce balanced budgets or provide quality services. This matter has led to the need for the upcoming discussions on the City's Long Term Financial Planning Strategy, which will help Council to identify a course of action that reflects Council's priorities with respect to taxation and service levels, while at the same time ensuring sustainable fiscal practices and decision making for the future of our community.

Attached are the first three of nine discussion papers, in preparation for Council discussions which are scheduled to begin on February 2, 2004 as part of the General Purposes meeting. These papers are intended to introduce each of the key questions, and to stimulate discussion. They are not intended to be detailed reports reviewing detailed analysis of the questions being examined. Rather, their purpose is to provide a discussion point to help clarify Council's philosophical base for making financial decisions, in order to reconcile the City's financial goals with financial decision making practices.

### **Financial Impact**

There are no financial impacts to this report at this time. However, the results of Council's collective discussions on the nine Key Questions may lead to changes in the City's Long Term Financial Management Strategy.

## Conclusion

Richmond City Council is seen as a leader in local governance, and has completed a rare, long term financial management strategy to address short and long term financial issues in a proactive, sustainable manner. Achievement of the goals and outcomes of the strategy is currently being threatened by immediate budget pressures, requests and decisions. As such, Council has directed staff to prepare for facilitated discussions session to revisit the foundations of the Long Term Financial Strategy, to ensure they reflect Council's priorities and philosophy, so that appropriate changes can be made to reconcile our strategy goals and principles with our decision making practices.



Lani Schultz  
Director, Corporate & Intergovernmental Relations  
(4286)

SLS:sls

**Strategic Financial Planning - Key Question Process**

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**\*\*NB\*\* This document only contains the discussion papers for the first three “key questions”  
The other discussion papers are being prepared, and will be distributed at a future date.**

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**What is your property tax increase goal, if it is different than stated in the Long Term Financial Sustainability Plan?**

### Question 1

**The City needs to define its core business and determine the extent to which we will continue to fund functions which are outside our core business.**

City government in British Columbia is constrained by the limited powers given to it by the Provincial Government, under the Community Charter. The Charter sets out the purposes of a local government as including:

- providing good government for its community,
- providing the services and other things that the local government considers are necessary or desirable for all or part of its community
- providing stewardship of the public assets of its community, and
- fostering the current and future economic, social and environmental well-being of its community.

Notwithstanding that the Community Charter provides a legislative framework within which all local governments must perform, it also recognizes differences in the many different municipalities and provides a fair amount of leeway in terms of the actual services and levels of service required to be provided. At their most basic level, local governments must provide sound public process, and provide basic infrastructure services. Many of the other services are at the discretion of the local governing body. Traditionally, the role of City government was mainly a legislative and legalistic one, providing “property services” such as engineering, land use planning, and permits and licenses. Over time, the property services focus broadened to include services to people, including recreation and social planning, etc. Most recently, local government service trends have taken on a more facilitative, interactive and entrepreneurial focus, working in partnership with the business and not-for-profit sectors in the provision of a variety of services.

Given financial realities, the new service demands being created by a growing community, changing demographics with different expectations, changes in senior government operations, and other trends and issues, local governments should regularly review their core services to ensure:

- the appropriate menu of services is being offered to meet their community needs,
- the services are being offered at the appropriate service levels; and
- the services are being offered in the most effective and efficient manner

Determining appropriate core services is a key component of a well managed and strategic organization. Defining core services is not easy, and requires a good understanding of an organization’s philosophical base. Given the flexibility in the Community Charter, it is incumbent upon Council to review and establish the City’s core services, based on philosophical beliefs about what is best for the community. An appropriate starting point for such discussions would be the City’s vision and mission statements, which include:

**Our Vision:** “To be the most appealing, livable and well-managed community in Canada”  
**Our Mission:** “To protect and enhance the City’s livability and economic well being for current and future generations”

Based on the City’s vision and the Community Charter, Council must decide whether or not the City should actually be involved in any particular service.

Questions that might help Council determine what our core services should be include:

1. Is it required by the Community Charter to provide the service?
2. How significantly does the service contribute to the City's vision and mission?
3. Does the service respond to community liveability goals and objectives?
4. Can the service be provided at the same or better quality and at competitive costs by the private sector?
5. Is there a sound business case for the City offering the service?

Answers to these kinds of questions will help to define what should be considered "core services". Once the City determines its core services, the City can then consider how the service should be delivered.

That is, should the City:

1. be the provider of the service, or
2. provide the service in partnership with another party, or
3. enter into a contractual arrangement for the provision of the service from the private sector.

(Appendix One of this discussion paper contains a sample list of "types" of current services that could be considered for the core services discussion.)



Appendix One

**Samples of service “types” that could be considered for the Core Services discussion:**

As a local government organization, the City of Richmond provides numerous regulatory, community and physical infrastructure services to its residents, businesses and visitors. Its mission and mandate is “to protect and enhance the City’s liveability and economic well being for current and future generations.” To deliver its mandate, and ensure a vibrant future for Richmond, the City has embraced the vision of becoming “the most appealing, liveable and well managed community in Canada” to guide its plans, programs, actions and decision making processes. Within its mandate, and in line with its vision, the City provides services that can roughly be divided into 6 focus areas, which include:

1. Services which ensure the physical development and maintenance of a well functioning, well designed community.
2. Services which ensure a healthy, vibrant and caring social fabric to connect the people in our community.
3. Services that promote and enhance community economic and business development.
4. Services that ensure the safety and protection of citizens, businesses and visitors.
5. Services which ensure sound, accountable financial management for current and future needs.
6. Services that ensure sound, responsible and sustainable governance, management and administration of City programs and services.

Using the above broad service categories, examples of current services that could be considered for core services include:

<b>Service Category</b>	<b>Current “Types “ of Programs</b>
<p><b>1. Physical Development of the Community:</b>  <i>Services which ensure the physical development &amp; maintenance of a well functioning, well designed community</i></p>	<ul style="list-style-type: none"> <li>• Land Use Planning and OCP implementation</li> <li>• Development Applications</li> <li>• Zoning processes</li> <li>• Environmental Planning</li> <li>• Transportation planning and development</li> <li>• Infrastructure development and maintenance programs – water, sewer, roads, drainage, dykes, community facilities, parks and open space</li> <li>• Development of short and long range capital plans</li> <li>• Agricultural viability initiatives</li> <li>• Urban design plans, policies and initiatives</li> <li>• Building permits and inspections</li> <li>• Works Yard Operations</li> <li>• Land acquisition and disposal</li> </ul>
<p><b>2. Social Development of the Community:</b>  <i>Services that promote the development of a healthy, vibrant and caring social fabric to connect the people in our community</i></p>	<ul style="list-style-type: none"> <li>• Recreation and cultural programs and services – Gateway Theatre, sports programs, special events, art gallery, museum services, aquatic programs, fitness and wellness programs, special needs programs, nature and heritage programs, seniors programs</li> <li>• Library services</li> <li>• Social planning –youth programs, poverty issues, multiculturalism, homelessness, etc.,</li> <li>• Community grants program</li> </ul>

<p><b>3. Sound, Sustainable Fiscal Management</b>  <i>Programs and services which ensure sound, accountable financial management for current and future needs.</i></p>	<ul style="list-style-type: none"> <li>• <i>development of economic and financial plans and strategies – industrial strategy, long term financial management strategy,</i></li> <li>• <i>Treasury and Investment services</i></li> </ul>
<p><b>4. Community Economic and Business Development</b>  <i>Programs and Services that promote and enhance community economic and business development</i></p>	<ul style="list-style-type: none"> <li>• <i>Economic Development</i></li> <li>• <i>Business liaison services</i></li> <li>• <i>Customer Service and Front of House</i></li> <li>• <i>Client Services</i></li> </ul>
<p><b>5. Community Safety and Protective Services:</b>  <i>Services that ensure the safety and protection of citizens, businesses and visitors</i></p>	<ul style="list-style-type: none"> <li>• <i>Fire Rescue – Public Education, Emergency Response, Preventative programs, etc.</i></li> <li>• <i>Policing – general duty, bike and dog squads, community policing, YVR contract, youth and family services, victim assistance, forensic identification, management of police records, E-comm, etc.</i></li> <li>• <i>Emergency services</i></li> <li>• <i>Community bylaw development and enforcement</i></li> <li>• <i>Snow removal programs</i></li> <li>• <i>dyke maintenance programs</i></li> <li>• <i>Recycling and Environmental programs</i></li> </ul>
<p><b>6. Corporate Governance and Administration:</b>  <i>Program, processes and Services that ensure sound, responsible and sustainable governance, management and administration of City initiatives</i></p>	<ul style="list-style-type: none"> <li>• <i>City Council and Mayor's office</i></li> <li>• <i>Clerks office - Statutory requirements including advertising and notifications; general elections and by-elections, Council and Committee meetings and agendas; records management</i></li> <li>• <i>Various public processes,</i></li> <li>• <i>Budget and accounting services</i></li> <li>• <i>Corporate and strategic planning</i></li> <li>• <i>Tax collection</i></li> <li>• <i>Payroll and benefits</i></li> <li>• <i>Fleet management</i></li> <li>• <i>Purchasing</i></li> <li>• <i>Risk management</i></li> <li>• <i>Legal/legislative services</i></li> <li>• <i>Corporate Records Management</i></li> <li>• <i>Information Technology</i></li> <li>• <i>Human Resources</i></li> <li>• <i>Administration.</i></li> </ul>

## Question 2

**What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?**

The City of Richmond exists and operates within a broader lower mainland regional context. As such, it is in direct competition with neighbouring lower mainland communities when it comes to attracting and retaining businesses, attracting and retaining residents, and attracting visitors and tourists. Today, businesses and homeowners alike shop around for desirable locations. Two key attraction criteria in their decision making are tax rates and levels/quality of services. These two criteria do not operate in isolation of one another, given that in simplest terms, one represents the funding available to produce the other. In determining its competitive niche, local governments must determine what they believe to be the optimum **balance between tax rates and service types and levels**, to attract desirable economic and residential growth. Simply looking at tax rates in isolation of the level of service may result in unintentional changes in quality of life or service levels that will effect a City's competitive edge.

### Taxes

The City is often compared to other neighbouring municipalities in terms of taxes. Many of the tax comparisons in the newspapers must be read with a caveat that the comparison may not be relating apples to apples. Each municipality may have a slightly different definition of "average" tax and "average" assessment value when reporting their numbers to the Press.

In order to have a more accurate comparison, Tax Collectors in the Lower Mainland have banded together and have standardized the input data. The result of the 2003 study (Appendix 1) shows that in the category of Single Family Dwelling, the City of Richmond is the eighth lowest in total utilities and property taxes and the sixth lowest in municipal taxes. When combining both Single Family Dwellings and Strata Units together (Appendix 2), Richmond's total utilities and property taxes are the lowest in the region.

Appendix 3 shows the City of Richmond's position in comparison to municipalities that are our direct competition for new businesses and residents.

### Service Levels

Comparisons in service levels are rare because they are more difficult to quantify and much harder to compare due to differences in services provided. Some of the reasons for the disparity are:

- Economic base - services provided are tailored to their specific needs
- Population base - impact on service levels
- Asset base - municipal golf courses, cemeteries, etc that are not available in all municipalities
- Council priorities

Currently the city offers a high level of service in areas such as relatively new facilities, good selection of recreational classes, excellent library hours, beautiful streets, abundant open areas/parks, etc.

Regardless of how the City compares to other municipalities, levels of service directly impact our bottom line. It is everyone's wish to have the lowest property taxes but the highest in service levels. Unfortunately, given the reality of the current financial constraints and rising prices, this wish may be difficult to attain because service level and revenue level sit together on the continuum.

The following questions may stimulate discussion when deciding where the City should be in comparison to neighbouring municipalities in the area of taxes and service levels.

1. The City's taxes are one of the lowest when compared to other municipalities of similar size. How much lower should taxes be, knowing that service levels would also be impacted?
2. Should taxes be raised to offset cost increases to current service levels?
3. Are there services that the City currently provides that could be better provided by the private sector? If so, should the City continue to offer this service?
4. Are there services that other municipalities offer that are not offered in Richmond? Does Council wish to offer these services and is Council willing to increase taxes to support these services?
5. Are there any services currently being provided that Council is willing to consider dropping or reducing?

The outcomes of Council's discussion on where the City should be positioned with regards to its comparator group (ie. lower mainland communities) will play a big role in determining the direction of the City's economic development strategy. Understanding who we lose to or gain from in terms of business or residential attraction, and ensuring a competitive edge against these communities through the optimum balance between services and tax rates is key to the economic vitality of the Richmond community.

**Appendix 1 to Question 2**  
 What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?

SINGLE FAMILY DWELLING		
Ranking	MUNICIPALITY	TOTAL UTILITIES & MUNICIPAL DOLLARS
1	LANGLEY TOWNSHIP	1,537
2	ABBOTSFORD (wtd. average)	1,550
3	PITT MEADOWS	1,551
4	SURREY	1,567
5	MAPLE RIDGE	1,609
6	PORT COQUITLAM	1,707
7	COQUITLAM	1,719
8	RICHMOND	1,847
9	NORTH VANCOUVER CITY	1,888
10	DELTA	1,904
11	LANGLEY CITY	1,914
12	VANCOUVER	2,002
13	PORT MOODY	2,028
14	BURNABY	2,180
15	NEW WESTMINSTER	2,191
16	NORTH VANCOUVER DIST	2,225
17	WHITE ROCK	2,271
18	WEST VANCOUVER	3,291

SINGLE FAMILY DWELLING		
Ranking	MUNICIPALITY	MUNICIPAL TAX DOLLARS
1	SURREY	963
2	LANGLEY TOWNSHIP	1,027
3	PITT MEADOWS	1,031
4	MAPLE RIDGE	1,128
5	ABBOTSFORD (wtd. average)	1,142
6	RICHMOND	1,243
7	PORT COQUITLAM	1,284
8	COQUITLAM	1,292
9	LANGLEY CITY	1,295
10	DELTA	1,369
11	BURNABY	1,371
12	NORTH VANCOUVER CITY	1,377
13	VANCOUVER	1,432
14	PORT MOODY	1,478
15	NORTH VANCOUVER DIST	1,554
16	NEW WESTMINSTER	1,604
17	WHITE ROCK	2,082
18	WEST VANCOUVER	2,598

Source: Lower Mainland Tax Comparison - R. Tanner, Manager of Revenue Services - City of Chilliwack

**Appendix 2 to Question 2**  
 What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?

SINGLE FAMILY DWELLING & STRATA		TOTAL UTILITIES & MUNICIPAL DOLLARS
Ranking	MUNICIPALITY	
1	RICHMOND	1,277
2	ABBOTSFORD	1,301
3	LANGLEY CITY	1,307
4	BURNABY	1,348
5	PITT MEADOWS	1,403
6	MAPLE RIDGE	1,434
7	SURREY	1,449
8	LANGLEY TOWNSHIP	1,468
9	NORTH VANCOUVER CITY	1,489
10	COQUITLAM	1,522
11	PORT COQUITLAM	1,536
12	NEW WESTMINSTER	1,587
13	VANCOUVER	1,686
14	PORT MOODY	1,704
15	WHITE ROCK	1,719
16	DELTA	1,818
17	NORTH VANCOUVER DIST	2,065
18	WEST VANCOUVER	3,052

SINGLE FAMILY DWELLING & STRATA		MUNICIPAL TAX DOLLARS
Ranking	MUNICIPALITY	
1	SURREY	845
2	PITT MEADOWS	883
3	LANGLEY CITY	937
4	LANGLEY TOWNSHIP	958
5	RICHMOND	965
6	ABBOTSFORD	965
7	NORTH VANCOUVER CITY	978
8	MAPLE RIDGE	1,012
9	BURNABY	1,069
10	COQUITLAM	1,095
11	PORT COQUITLAM	1,113
12	VANCOUVER	1,116
13	NEW WESTMINSTER	1,131
14	PORT MOODY	1,192
15	DELTA	1,293
16	NORTH VANCOUVER DIST	1,393
17	WHITE ROCK	1,530
18	WEST VANCOUVER	2,359

Source: Lower Mainland Tax Comparison - R. Tanner, Manager of Revenue Services - City of Chilliwack

**Appendix 3 to Question 2**  
 What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?

**COMPARISON WITH COMPETING MUNICIPALITIES**

SINGLE FAMILY DWELLING		Total Utilities & Municipal Dollars
Ranking	MUNICIPALITY	
1	SURREY	1,567
2	COQUITLAM	1,719
3	RICHMOND	1,847
4	DELTA	1,904
5	VANCOUVER	2,002
6	BURNABY	2,180
7	NEW WESTMINSTER	2,191

SINGLE FAMILY DWELLING		MUNICIPAL TAX DOLLARS
Ranking	MUNICIPALITY	
1	SURREY	963
2	RICHMOND	1,243
3	COQUITLAM	1,292
4	DELTA	1,369
5	BURNABY	1,371
6	VANCOUVER	1,432
7	NEW WESTMINSTER	1,604

SINGLE FAMILY DWELLING & STRATA UNITS		Total Utilities & Municipal Dollars
Ranking	MUNICIPALITY	
1	RICHMOND	1,277
2	BURNABY	1,348
3	SURREY	1,449
4	COQUITLAM	1,522
5	VANCOUVER	1,686
6	NEW WESTMINSTER	1,587
7	DELTA	1,818

SINGLE FAMILY DWELLING & STRATA UNITS		MUNICIPAL TAX DOLLARS
Ranking	MUNICIPALITY	
1	SURREY	845
2	RICHMOND	965
3	BURNABY	1,069
4	COQUITLAM	1,095
5	VANCOUVER	1,116
6	NEW WESTMINSTER	1,131
7	DELTA	1,293

Source: Lower Mainland Tax Comparison - R. Tanner, Manager of Revenue Services - City of Chilliwack

**Question 3**

**What is your property tax increase goal, if it is different than stated in the Long Term Financial Sustainability Plan**

The current Long Term Financial Sustainability Plan calls for an ongoing tax increase of CPI plus 1%. This rate is predicated on Council adhering to the ten policies recently adopted as part of the Long Term Financial Sustainability Plan.

If Council's property tax goal is different than that stated in the Long Term Financial Sustainability plan, or Council is no longer comfortable with the ten policies, there will be significant impacts on either levels of service or the infrastructure reserves. If this is the direction that Council wants to proceed, this should be clearly stated so that the short and long impacts can be identified and strategies developed to deal with them.

If Council is happy with the tax goal as stated in the Long Term Financial Sustainability Plan then there is a need to for Council to keep the ten Strategic Policies in mind and incorporate them into their everyday budget related decisions. The Long term Plan will only be successful if the ten policies are followed as an overall strategy, as opposed to focussing in on one of them.