



Finance Committee

Date: Thursday, October 19th, 2006
Place: Anderson Room
Richmond City Hall
Present: Councillor Evelina Halsey-Brandt, Chair
Councillor Cynthia Chen
Councillor Sue Halsey-Brandt
Councillor Rob Howard
Councillor Harold Steves
Mayor Malcolm D. Brodie
Absent: Councillor Linda Barnes
Councillor Derek Dang
Councillor Bill McNulty
Call to Order: The Chair called the meeting to order at 4:01 p.m.

MINUTES

1. It was moved and seconded
That the minutes of the meeting of the Finance Committee held on Tuesday, June 20th, 2006, be adopted as circulated.

CARRIED

BUSINESS & FINANCIAL SERVICES DEPARTMENT

2. **FINANCIAL INFORMATION FOR THE SECOND QUARTER ENDED JUNE 30TH, 2006**
(Report: Aug. 25/06, File No.: 03-0970-09-01/2006-Vol 01) (REDMS No. 2010262)

The Director, Finance, Jerry Chong introduced the new Manager Budgets & Accounting, Wilson Chao, to the Committee.

1.

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Discussion then took place among Committee members and staff on the Financial Information for the second quarter. Staff explained that the surplus figure in the Year to Date was due to the method of budgeting and accounting, the timing of regional payments, contract and equipment expenditures which had not yet been expended, and an unexpected increase in revenue, and that the current surplus would be reduced as expenditures and revenues balanced out.

During the discussion, Appendix 2 was reviewed with the Committee, and questions were answered with respect to specific items, such as the More Subdivision Watermain (2004), and why some projects dated back to 2002. Also addressed was the award of contracts during the second quarter (Appendix 4 to the report), and in particular, the amount of the contract which had been awarded for the purchase of plastic bags.

In response to further questions, advice was given that the reported decrease in revenues at the Great Canadian Casino had not resulted in reduced gaming revenue to the City; and that the administration costs related to the construction of the Olympic Oval were reflected in the Olympic Oval Office expenses.

It was moved and seconded

That the report on Financial Information for the second quarter ended June 30, 2006 be received for information.

CARRIED

3. **LONG TERM FINANCIAL MANAGEMENT STRATEGY UPDATE**
(Report: September 19, 2006, File No.: 03-0970-03-01/2006-Vol 01) (REDMS No. 2021364)

The General Manager, Business & Financial Services, Andrew Nazareth, spoke about the City's Long Term Financial Management Strategy (LTFMS), stating that the City was in 'solid financial shape and well positioned for the future'. He then reviewed the graphs which were on display in the room to explain the 'Actual Reserve Balances vs Required Reserve Levels' and the 'Total Reserve Balances vs Required Reserve Levels'. He noted that the figures did not take into account the sale of City properties.

Discussion then ensued among Committee members and staff on:

- clarification regarding the loss of grants from senior levels of government in the mid-1990s and how the City addressed this loss of revenue
- the \$42 million in unappropriated surplus funds and whether this figure was reflected in the graphs
- tax revenue and what had been undertaken in the past; the zero percent allocated to tax reserves in 2005 and whether any funds were taken from the surplus for that year and allocated to Reserves

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- the LTFMS 'report card' - the rationale for the words 'needs improvement', specifically with reference to "Efficiencies & Service Level Reductions"; and the importance of this with respect to the LTFMS
- the use of the CPI (Consumer Price Index) with respect to household inflation and the MPI (Municipal Price Index) to track inflation related to City costs
- the build up of reserve accounts
- the challenges faced by Council and staff in balancing the additional level requests and the operating budget, and at the same time, increasing the reserve fund accounts
- the timing of when the City would be debt free
- how the City would deal with the potential future growth of the City and the resulting increase in expenditures;
- additions to the City's capital assets, such as the Olympic Oval, and the need to consider infrastructure replacement costs because new capital projects would not deteriorate at the same rate as other facilities
- the four areas in the LTFMS 'report card' which 'need improvement', and how staff proposed to deal with these issues
- the RCMP contract and the lack of control which the City has over the significant increase in costs and whether the budget should be reduced to offset the costs imposed by the RCMP

During the discussion the Chair confirmed that the LTFMS report would be brought forward for review in conjunction with future budget reports as Committee continues with the budget process.

It was moved and seconded

That the report (dated September 19th, 2006, from the General Manager, Business & Financial Services), regarding the Long Term Financial Management Strategy update, be received for information.

CARRIED

4. **2007 CAPITAL BUDGET**

(Report: Sept. 19/06, File No.: 03-0970-01-2007) (REDMS No. 2021274)

The Chair provided a brief recap of the 2007 Capital Plan, noting that the total value of regular capital projects, in the amount of \$45,699,783, was consistent with prior years' capital budgets.

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Discussion then took place among Committee members, Mr. Nazareth and Mr. Chong, during which staff were requested to provide information to Council prior to the October 23rd, 2006 meeting on the City's prior capital budgets as adjusted for major projects. Confirmation was also requested on whether funds required to implement the recommendations relating to the Fire-Rescue Department had been included in the Capital Budget.

Reference was made to an item in the Roads Program, relating to \$1.0 Million for phase three of the River Road re-alignment, and information was provided that this amount was to provide the last of the funding to complete the final phase of the road project.

Reference was made to an item in the Drainage program, relating to "Peace Arch", and advice was given that the project in question was for improvements to the "Peace Arch Pump Station" located on Rice Mill Road.

Reference was made to comments made that the Olympic Oval was costing the City money and that other capital projects would not be completed during the next ten to fifteen years. It was noted that the budget now being considered had proved otherwise and that the Oval project was not taking funds from the regular capital program that the city engages in every year.

It was moved and seconded

- (1) *That the 2007 Capital Budget report be approved as the basis for preparing the 5 Year Financial Plan (2007-2011); and*
- (2) *That staff be authorized to commence construction of the 2007 projects effective January 1, 2007.*

CARRIED

5. **2007 UTILITY BUDGETS**

(Report: Sept. 30/06, File No.: 03-0970-01-2007) (REDMS No. 2032025, 2031981)

Discussion took place among Committee members, the Manager, Environmental Programs, Suzanne Bycraft, and the Manager, Water Services, Steve McClurg on the proposed rates and the implications to the City if the GVRD rates should change after the City's 2007 rates had been approved. Information was provided during the discussion that the City's rate stabilization fund would be used to offset any additional increase.

Discussion then ensued on the GVRD rates and the rationale for the increases. It was explained that a majority of the costs were related to the construction of a new water filtration plant and an ultra-violet disinfection plant which provide clean drinking water to the public. Also addressed during the discussion was the GVRD's long term financial strategy, the services provided by the GVRD, and how these services would be funded.

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Reference was made to the City's rate stabilization fund, and information was provided that approval of the utility rates now before the Committee would not reflect any last minute changes made by the GVRD, and in the event that changes did occur, staff would use the rate stabilization fund to make the appropriate adjustment.

In concluding the discussion, staff commended Council on approving the establishment of a rate stabilization fund as it meant that Richmond residents would not be faced with significant regional rate increases for water purchases.

It was moved and seconded

- (1) *That the 2007 Utility Expenditure Budgets (outlined in Option 3 in the staff report dated September 30, 2006, from the Managers of Revenue, Water, Sewerage & Drainage, and Fleet & Environmental Programs), be approved as the basis for establishing the 2007 Utility Rates.*
- (2) *That staff report directly to Council with the necessary amendment bylaws to bring into effect the proposed Sewer Connection Charges, amendments to the Waterworks and Water Rates Bylaw and the 2007 Utility Rates option recommended by Committee.*

CARRIED

6. **2007 BASE OPERATING BUDGET**

(Report: October 9, 2006 , File No.: 03-0970-01-2007) (REDMS No. 2032018)

Mr. Nazareth, accompanied by Mr. Chong, spoke briefly about the process followed by staff to develop the 2007 base operating budget now being considered.

In response to questions, advice was given that the target had always been to have a balanced budget and that staff had always acted in a conservative manner with regard to budget projections. Information was provided that due to unexpected increases in revenue from building permits issued to date and a decrease in expenditures due to vacancies there would be a modest year end surplus.

Discussion then ensued among Committee members on the need to also consider the 'additional level' requests at the same time as dealing with the base operating budget. Opinions were voiced that it would be premature to be making a decision on the base operating budget without being aware of the additional level requests which would be coming forward at the next Committee meeting.

As a result of the discussion, the following **referral** motion was introduced:

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It was moved and seconded

That the report (dated October 9th, 2006, from the Director, Finance), regarding the 2007 Base Operating Budget, be referred to staff to bring forward with the report on the "Additional Level" budget requests to the next Finance Committee budget meeting.

CARRIED

The Chair thanked staff for their efforts in presenting the 2007 base operating budget to Committee so early in the process.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:28 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Thursday, October 19th, 2006.

Councillor Evelina Halsey-Brandt
Chair

Fran J. Ashton
Executive Assistant, City Clerk's Office