



General Purposes Committee

Date: Tuesday, February 24th, 2004

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Linda Barnes
Councillor Derek Dang
Councillor Evelina Halsey-Brandt
Councillor Sue Halsey-Brandt
Councillor Rob Howard
Councillor Kiichi Kumagai
Councillor Bill McNulty
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 4:00 p.m.

Chief Administrative Officer George Duncan advised that it was the intention of staff to complete Questions 2, 3 and 4 if possible this evening, and that at the end of the meeting, determine whether Council wished to continue the process of reviewing the remaining questions or return to Question 1 and delve deeper on the issue of core services.

The Director, Corporate & Intergovernmental Relations, Lani Schultz, briefly reviewed the material circulated to the Committee which included notes from the previous meeting (a copy of which is on file in the City Clerk's Office.)

A brief discussion ensued on business taxes and business licence fees. As a result, staff were requested to compare business licence fees with business taxes and determine if these fees were equivalent to a business tax.

Ms. Schultz referred 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 municipalities?),* and she reviewed the intent of the question with the Committee.

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At the request of Ms. Schultz, the Director of Finance reviewed the charts entitled "Tax Rates of Comparable Municipalities", "Various Tax Rates as a Ratio of Residential Rates in Comparable Municipalities", and "Comparison with Competing Municipalities". Information was also provided on the different types of businesses – light, heavy industry and regular businesses.

Discussion then ensued among Committee members on the reasons why people wanted to live in Richmond, and a list was compiled by Ms. Schultz, which included, to name a few:

- quality of life
- recreation, environment, trails, etc.
- safe community
- clean and well maintained
- strategically located
- a good library system
- a good school system
- Richmond is a culturally harmonious community
- a good place to raise a family
- Richmond had a higher rate of community centres and programs.

Richmond's competitors were then reviewed, with the names of Burnaby, Delta, Vancouver, Surrey, Langley, Abbotsford and the North Shore being put forward. Discussion then ensued among Committee members on the rationale for the competition.

The Committee then responded to a number of questions regarding Question 2, which related to:

A residential perspective: (voting results of the Committee are shown in bold italics)

In your opinion, which of the following best describes our current taxation and service levels relative to our competitors?

- (1) Taxation levels are too high, and services should be decreased. - **0%**
- (2) Taxation levels are about right, and if necessary services should be decreased to maintain current taxes. - **56%**
- (3) Taxation levels are slightly lower than they could be, and could be increased in order to maintain current service levels. - **33%**
- (4) Taxation levels are significantly low compared to our competitors, and could be increased to offset future costs and/or increase services. – **11%**

Committee members then discussed the reasons why businesses wished to locate in Richmond, and among the answers given were:

- location
- good transportation – air, water, ground, rapid transit
- safeness
- business attitude of City Hall

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- a good place for employees to live
- areas designated in the City's Official Community Plan to accommodate different diverse businesses
- competitive tax rates
- diverse economic population
- a good infrastructure
- the Vancouver International Airport (YVR).

Also discussed were (i) the types of businesses which could be attracted to Richmond, including:

- high tech, bio tech, medical
- Western Canada head offices
- film companies
- transportation distribution
- specialty 'niche' areas,

and (ii) Richmond's main business competitors within the City's competitor groups.

Committee then responded to the question which related to:

A business perspective:

Given the current imbalance between tax revenues, and costs to produce current services, what action do you think Council should take?

- (1) Minimal tax increases / cut services = sustainable financial plan model – 56%
- (2) Maintenance of current service levels/increase in taxes = approved 5 year plan – 33%
- (3) Increase service levels, with a higher tax increase than in 1 or 2 above = enhanced service model – 11%.

Mr. Duncan then discussed the results of voting on the two questions noted above in relation to the Financial Sustainability Plan. He advised that the Plan had been unanimously adopted by Council, however, the results of today's voting indicated that support for the plan was now 5 to 4. Mr. Duncan stated that to achieve this financial plan, a \$2 Million reduction in the 2005 budget would be required, and that to realize that goal, reductions in the current program service levels would be necessary.

Discussion then ensued among Committee members and staff on:

- the Financial Sustainability Plan adopted by Council which stated that tax rates would be set at CPI plus 1%, and the impact of this Plan in relation to the City's Five Year Plan
- whether residents and businesses would support a reduction in the level of services provided to them, especially in the areas of community centres and parks

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- whether the City could support its current level of service without adjusting tax rates.
- core services, and which core services were absolutely necessary to be provided by the City
- the increasing costs of the Fire and Police Departments even though the City was maintaining a level course
- the inappropriateness of using property taxes as a funding vehicle
- wage increases and whether these salary increases had been in line with the CPI
- whether CPI should be used to establish a tax rate.

During the discussion, a question was asked about how the tax rate could be reduced when salaries comprised 72% of the budget. Information was provided that that particular question would be addressed at the end of the meeting, when a decision would be made to either address 'core services' in greater detail or to continue responding to the remaining questions. Mr. Duncan stated that staff were of the view that the manner in which the City was operated had to be changed, either through decreasing costs or increasing revenue.

Mr. Duncan, during the discussion, spoke further on:

- the need to have a vision and a strategy rather than arbitrarily picking a number each year for a tax increase; and the need for Council to decide how to bring that vision into line with what could be accomplished
- the need to establish a one time increase to put the City 'where it wants to be' if Council was not prepared to make adjustments in service levels now, as the City was moving closer and closer to the date where the vision and strategies adopted by Council would commence.

Reference was then made to Question #3, "*What is your property tax increase goal, if it is different than stated in the Long Term Financial Sustainability Plan*", and to the Group Response question, "*After having reflected on the answers to the taxation and service levels questions, is your property tax increase goal different than that stated in the Plan?*"

Yes – 56%

No – 44%

Discussion then took place on the results of the questions, with comments being made that:

- several Councillors never intended to reduce service levels by \$2 Million when they approved the Financial Sustainability Plan
- there were other options available, such as finding operating efficiencies and alternative revenue sources, rather than reducing services.

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Concern was expressed during the discussion, that this evening's discussion seemed to be focussed on cutting services. In response, the comment was made that the reality of the situation was that either additional revenue sources be found or costs reduced by \$2 Million in service cuts at the time that the City converted from a Five Year Financial Plan to the Financial Sustainability Plan.

Discussion continued on (i) the proposed tax rate for 2005 which would be based on CPI for existing services with an additional 1% to be placed into the City's reserve accounts; (ii) whether additional levels had been included in the proposed base tax rate of 4.69%; (iii) the inability of the City to limit police costs; (iv) the provision of core services; (v) the impact to the City if services cuts were not approved; (vi) the feasibility of implementing a one-time tax increase which would allow the City to maintain its current levels of service; (vii) who determined into which reserve accounts the additional 1% would be deposited and for what these accounts could be used; and (viii) whether the City could deliver services in a more cost effective way.

As a result of the discussion, staff were requested, for the next meeting, to:

- calculate the amount of a one-time tax increase which could sustain services in the future
- report on those core services which the City was mandated to provide under the *Community Charter*
- compare business licence fees with business taxes and determine if business licence fees were equivalent to a business tax
- provide an analysis of the Lower Mainland region regarding proposed tax increases
- determine where Richmond would want to be in comparison to Burnaby and Surrey with respect to tax rates and capital reserves.

Discussion then took place on whether the Committee wished to review the provision of core services in greater depth or continue with the remaining questions. As a result, it was agreed that the Committee would review the remaining questions prepared by Mr. Duncan, however, the request was made that the information be provided to the Committee prior to the meeting.

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (7:50 p.m.).

CARRIED

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Certified a true and correct copy of the Minutes of the meeting of the General Purposes Committee of the Council of the City of Richmond held on Tuesday, February 24th, 2004.

Mayor Malcolm D. Brodie
Chair

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