



To: Richmond City Council
From: Mayor Malcolm D. Brodie
Chair, General Purposes Committee
Re: 2004 BUDGET

To Council - Mar 22, 2004
Date: March 17th, 2004
File: 03-0970-01/2004-Vol 01

The General Purposes Committee, at its meeting held on Tuesday, March 16th, 2004, considered the attached report, and recommends as follows:

Committee Recommendation

(Mayor Brodie and Cllrs. E. Halsey-Brandt and Howard opposed to Part (1); Cllr. Howard opposed to Part (3)(a); Cllrs. Howard and Kumagai opposed to Part (3)(b); Cllrs. Dang, Kumagai and McNulty opposed to Part (5))

- (1) *That Item Nos. 1 to 9 inclusive (as identified in the Staff Compromise Proposal), which would result in a 2.52% property tax increase, be adopted and form the base level for the 2004 Operating Budget.*
- (2) *That the additional levels, Items Nos. 12 to 14 inclusive, which would result in a .66% property tax increase, be approved for inclusion in the base level operating budget.*
- (3) *That the requests for funding from the:*
 - (a) *Disability Resource Centre, and*
 - (b) *Richmond Therapeutic Equestrian Society,**which would result in property tax increases of 0.07% and 0.02% respectively, be included in the additional levels and form part of the base operating budget, with the appropriate adjustment being made to the funding for the Disability Resource Centre to make it a conventional revenue source.*
- (4) *That "Translation Services" be included in the base 2004 operating budget as an additional level, resulting in a tax increase of 0.02%.*
- (5) *That an additional \$500,000 or 0.46% tax increase be added to the operating budget for transfer to a reserve account to be named at a later date.*

Mayor Malcolm D. Brodie, Chair
General Purposes Committee

Attach.

VARIANCE

Please note that staff recommended the following:

That

1. Council adopt the Staff Compromise 2004 Operating Budget proposal, having a 2.32% property tax increase, exclusive of additional levels;
2. Council provide direction regarding the inclusion of any additional level requests in the 2004 Operating Budget; and
3. Staff be directed to prepare the Five-Year Financial Plan for presentation to Council at the earliest opportunity.

**History of 2004 Operating Budget Proposals
Including Committee Recommendations**

	\$	Tax Impact	Cumulative Tax Impact
October 29, 2003			
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	<u>(1,583,802)</u>	<u>(1.50%)</u>	<u>4.45%</u>
	4,699,398	4.45%	4.45%
December 10, 2003			
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	<u>(316,500)</u>	<u>(0.30%)</u>	<u>3.55%</u>
	3,751,612	(0.90%)	3.55%
March 2, 2004			
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.16%
Other	229,025	0.22%	4.38%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.42%
6 Hydro rate increase of 7.23%	99,495	0.10%	4.52%
	<u>4,767,551</u>	<u>0.97%</u>	<u>4.52%</u>
Committee Recommendations			
7 GST Rebate proposed (February 1, 2004)	(916,667)	(0.86%)	3.65%
8 Overtime reduction program	(200,000)	(0.19%)	3.46%
9 Revolving Line repayment from Casino	(1,000,000)	(0.95%)	2.52%
10 Expansion of parking program	0	0.00%	2.52%
11 New user fees	0	0.00%	2.52%
	<u>2,650,884</u>	<u>(2.00%)</u>	<u>2.52%</u>
ADDITIONAL LEVELS			
12 Annual Election Reserve Contribution Increase	34,059	0.03%	2.55%
13 Highlight Copier Kodak IS70 Replacement - Lease	28,730	0.03%	2.58%
14 Maintain RCMP Complement to 189	630,988	0.60%	3.17%
15 Disability Resource Center	70,000	0.07%	3.24%
16 Richmond Therapeutic Equestrian Society	23,000	0.02%	3.26%
17 Translation Services	16,000	0.02%	3.28%
18 Transfer to reserves	500,000	0.46%	3.74%
COMMITTEE RECOMMENDED FINAL DRAFT.....	<u>3,953,661</u>	<u>1.23%</u>	<u>3.74%</u>

Staff Report

Origin

The 2004 Budget must be approved by May 15, 2004. The process also requires that the City complete a Five-Year Financial Plan including public consultation in this time frame. The following Staff Report provides a brief sequential history of the 2004 Budget Reports and offers three options on budget packages for Council’s consideration. Council may choose one of the three budget packages or give staff direction to pursue some alternative budget configuration; however, the limited time frame noted above should be taken into consideration.

Analysis

Context

The 2004 Budget package options are offered in light of the fact that the transition to the Sustainable Strategic Plan cannot be completed in time to apply the basic principles and policies to the 2004 Operating Budget, and that Committee has indicated that they will not support the cost structure changes which were prepared in response to the 2004 Operating Budget referral of March 2nd, 2004.

The history of the 2004 Operating Budget proposals is as follow:

History of the 2004 Operating Budget Proposals	Same Level of Service (SLS)	Additional Level of Service (ALS) (Included)
October 29, 2003 – 2004 Operating Budget Proposal (consistent with Five-Year Financial Plan)	4.45%	n/a
December 10, 2003 – CAO’s proposal including approximately \$600,000 reduction in management salaries	3.55%	n/a
March 2, 2004 – Council referral requesting a 3% SLS budget without any program or service level cuts – no action taken – not recommended by staff		
March 2, 2004 – Emerging Issues Budget Proposal – leads to Committee referral to staff to identify \$2,000,000 in cost/revenue benefits	4.52%	5.18%

Staff response to March 2, 2004 referral would achieve a 2004 Operating Budget at:	2.62%	3.28%
Councillor Kumagai's 2004 Operating Budget Proposal This proposal utilizes \$916,667 GST rebate, \$366,000 appeals revenue; and \$378,000 casino revenue.	2.94%	3.60%

The appeal of Councillor Kumagai's proposal is that while not incorporating the policies of the Sustainable Financial Plan, it imposes an impact on property taxes that is within the property tax increase limits which were established by Council in the Sustainable Financial Plan.

The downside is the risk associated with the assumption that the GST rebate will be in place in time to be absorbed into the budget, and the uncertainty regarding the outcome of the appeals. If any of the assumptions are not realized, a corresponding value of adjustments will be required to the City's costs and/or revenue projections.

March 15, 2004 – Staff Compromise Proposal	Same Level of Service (SLS)	Additional Level of Service (ALS) (Included)
March 15, 2004 – Staff Compromise Operating Budget Proposal This proposal utilizes \$916,667 GST rebate, \$200,000 overtime reduction, \$1,000,000 casino revenue, \$100,000 expanded parking program (partial year), and \$100,000 expanded/new user fees.	2.32%	2.98%

The staff proposal combines some aspects of Councillor Kumagai's proposal (GST rebate and casino funds) and other items being suggested by staff.

The positive aspect is that the rate of property tax increase is consistent with the Sustainable Financial Plan goals of CPI + 1% to reserves, and it creates capacity to add 1% to 1.5% to create a stabilization effect for 2005 and/or to make a contribution to reserves.

This option also allows Council to begin the transition to the Sustainable Financial Plan due to factors such as increased revenues and operating cost reductions.

The less appealing aspects of the Staff Proposal are the use of the GST rebate and a considerable amount of casino revenue. Staff's rationale for supporting this option is that the GST rebate is relatively secure given the commitment made by the Prime Minister. The use of casino revenue is supported on the basis of it being a temporary measure (likely 2004 and 2005) to provide time for and to assist the transition to the Sustainable Financial Plan goals of CPI + 1% to reserves.

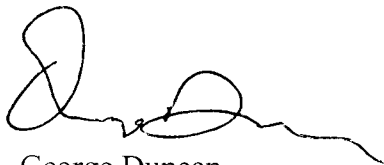
Financial Impact

Each option provides the operating revenue required for 2004, with various impacts on property taxes.

Conclusion

Considerable work is required to complete the transition from the Five-Year Financial Plan to the Sustainable Financial Plan which requires approximately \$2,000,000+ increase in revenue from sources other than property tax and/or reductions in operating costs.

During the interim, Council has limited options: increase taxes, cut expenditures, utilize alternative revenue sources or some combination of the above. Although the use of casino revenue is not recommended over the long term, this option, as well as the suggested increase in fees, etc. is available to Council at this time to assist with the transition to the Sustainable Financial Plan, while providing a degree of stability for the taxpayer.



George Duncan
Chief Administrative Officer
(4338)

:acs

**History of 2004 Operating Budget Proposals
Including the Staff Compromise Proposal**

	\$	Tax Impact	Cumulative Tax Impact
October 29, 2003			
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	(1,583,802)	(1.50%)	4.45%
	4,699,398	4.45%	4.45%
December 10, 2003			
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	(316,500)	(0.30%)	3.55%
	3,751,612	(0.90%)	3.55%
March 2, 2004			
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.16%
Other	229,025	0.22%	4.38%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.42%
6 Hydro rate increase of 7.23%	99,495	0.10%	4.52%
	4,767,551	0.97%	4.52%
Staff Compromise Proposal			
7 GST Rebate proposed (February 1, 2004)	(916,667)	(0.87%)	3.65%
8 Overtime reduction program	(200,000)	(0.19%)	3.46%
9 Revolving Line repayment from Casino	(1,000,000)	(0.95%)	2.51%
10 Expansion of parking program	(100,000)	(0.10%)	2.41%
11 New user fees	(100,000)	(0.10%)	2.32%
	2,450,884	(2.20%)	2.32%
ADDITIONAL LEVELS			
12 Annual Election Reserve Contribution Increase	34,059	0.03%	2.35%
13 Highlight Copier Kodak IS70 Replacement - Lease	28,730	0.03%	2.38%
14 Increase RCMP Complement By 6 (4 for Green Team & 2 For School Liaison Officers)	630,988	0.60%	2.98%
FINAL DRAFT.....	3,144,661	0.66%	2.98%

**History of 2004 Operating Budget Proposals
Including Cllr. Kumagai's Proposal**

	\$	Tax Impact	Cumulative Tax Impact
October 29, 2003			
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	(1,583,802)	(1.50%)	4.45%
	4,699,398	4.45%	4.45%
December 10, 2003			
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	(316,500)	(0.30%)	3.55%
	3,751,612	(0.90%)	3.55%
March 2, 2004			
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.16%
Other	229,025	0.22%	4.38%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.42%
6 Hydro rate increase of 7.23%	99,495	0.10%	4.52%
	4,767,551	0.97%	4.52%
Councillor Kumagai's Proposal			
7 GST Rebate proposed (February 1, 2004)	(916,667)	(0.87%)	3.65%
8 Reduction of provision for Richmond Ice Ctr and Watermainia	(366,000)	(0.35%)	3.30%
9 Revolving Line repayment from Casino	(378,000)	(0.36%)	2.94%
	3,106,884	(1.57%)	2.94%
ADDITIONAL LEVELS			
10 Annual Election Reserve Contribution Increase	34,059	0.03%	2.97%
11 Highlight Copier Kodak IS70 Replacement - Lease	28,730	0.03%	3.00%
12 Increase RCMP Complement By 6 (4 for Green Team & 2 For School Liaison Officers)	630,988	0.60%	3.60%
	3,800,661	0.66%	3.60%

**History of 2004 Operating Budget Proposals
Including the Staff Compromise Proposal**

	\$	Tax Impact	Cumulative Tax Impact
October 29, 2003			
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	(1,583,802)	(1.50%)	4.45%
	4,699,398	4.45%	4.45%
December 10, 2003			
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	(316,500)	(0.30%)	3.55%
	3,751,612	(0.90%)	3.55%
March 2, 2004			
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.16%
Other	229,025	0.22%	4.38%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.42%
6 Hydro rate increase of 7.23%	99,495	0.10%	4.52%
	4,767,551	0.97%	4.52%
Staff Compromise Proposal			
7 GST Rebate proposed (February 1, 2004)	(916,667)	(0.87%)	3.65%
8 Overtime reduction program	(200,000)	(0.19%)	3.46%
9 Revolving Line repayment from Casino	(1,000,000)	(0.95%)	2.51%
10 Expansion of parking program	(100,000)	(0.10%)	2.41%
11 New user fees	(100,000)	(0.10%)	2.32%
	2,450,884	(2.20%)	2.32%
ADDITIONAL LEVELS			
12 Annual Election Reserve Contribution Increase	34,059	0.03%	2.35%
13 Highlight Copier Kodak IS70 Replacement - Lease	28,730	0.03%	2.38%
14 Increase RCMP Complement By 6 (4 for Green Team & 2 For School Liaison Officers)	630,988	0.60%	2.98%
FINAL DRAFT.....	3,144,661	0.66%	2.98%

**History of 2004 Operating Budget Proposals
Including Cllr. Kumagai's Proposal**

	\$	Tax Impact	Cumulative Tax Impact
October 29, 2003			
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	(1,583,802)	(1.50%)	4.45%
	4,699,398	4.45%	4.45%
December 10, 2003			
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	(316,500)	(0.30%)	3.55%
	3,751,612	(0.90%)	3.55%
March 2, 2004			
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.16%
Other	229,025	0.22%	4.38%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.42%
6 Hydro rate increase of 7.23%	99,495	0.10%	4.52%
	4,767,551	0.97%	4.52%
Councillor Kumagai's Proposal			
7 GST Rebate proposed (February 1, 2004)	(916,667)	(0.87%)	3.65%
8 Reduction of provision for Richmond Ice Ctr and Watermainia	(366,000)	(0.35%)	3.30%
9 Revolving Line repayment from Casino	(378,000)	(0.36%)	2.94%
	3,106,884	(1.57%)	2.94%
ADDITIONAL LEVELS			
10 Annual Election Reserve Contribution Increase	34,059	0.03%	2.97%
11 Highlight Copier Kodak IS70 Replacement - Lease	28,730	0.03%	3.00%
12 Increase RCMP Complement By 6 (4 for Green Team & 2 For School Liaison Officers)	630,988	0.60%	3.60%
	3,800,661	0.66%	3.60%