



Finance Select Committee

Date: Tuesday, April 8th, 2003
Place: Anderson Room
Richmond City Hall
Present: Councillor Kiichi Kumagai, Chair
Councillor Harold Steves, Vice-Chair
Councillor Evelina Halsey-Brandt
Councillor Rob Howard
Councillor Bill McNulty
Mayor Malcolm D. Brodie
Also Present: Councillor Linda Barnes
Councillor Sue Halsey-Brandt
Call to Order: The Chair called the meeting to order at 4:00 p.m.

MINUTES

1. It was moved and seconded
That the minutes of the meeting of the Finance Select Committee held on Wednesday, February 5th, 2003, be adopted as circulated.

CARRIED

2. **PROPOSED 5 YEAR FINANCIAL PLAN (2003-2007)**
(Report: April 2/03, File No.: 0970-01) (REDMS No. 989132, 991396)

At the request of the Chair, material was circulated to the Committee which provided information on revised proposed tax increases (a copy of which is attached as Schedule A and forms part of these minutes), based on the proposal to stagger the construction of one of the proposed new fire halls.

The General Manager, Finance & Corporate Services, Jim Bruce, accompanied by the Director, Finance, Andrew Nazareth, then reviewed with the Committee, the proposed Five Year Financial Plan, and the 2003-2007 assumptions, during which he noted that 2003 reflected a property tax increase of 4.35%. With reference to the 2003-2007 assumptions, he advised that an additional 1.5% tax increase had been included in 2004 to accommodate the construction of the new Community Safety Building.

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Also within 2004, was an additional \$2 Million in revenue; however, revenue generated from the sale of the City's land assets had not been included. Mr. Bruce advised that staff would like to examine other options to increase revenue as he was of the opinion that the City's land assets should not be used to finance depreciating assets.

Mr. Bruce spoke further about the proposal to stagger construction of one of the new fire halls, noting that the delay would help the City to reduce the amount of the anticipated property tax increase for 2004. He explained that preloading would take place at both the Burkeville and Hamilton locations, however, construction of the Hamilton fire hall would be staggered to accommodate the longer period of time required for site preparation.

Mr. Bruce spoke further on the proposed tax increases for the coming years, and provided information on steps being taken by staff to find additional efficiencies which would reduce the proposed tax increase in 2004 from 5.86%.

Discussion then ensued among Committee members and staff on the proposed Five Year Financial Plan, and in particular, on:

- the rationale for the significant increase in gas and hydro for 2004, followed by smaller increases for subsequent years
- the rationale for the significant increase in liability insurance for 2003 whether staff were being too conservative in making assumptions about the cost of this expense
- the rationale for the recommendation that the construction of the Hamilton Fire Hall be staggered to late 2004 or 2005, and the reaction of the affected communities and Richmond firefighters to this proposal
- the rationale for assuming that the parking revenue generated in 2004 would be less than in 2003
- the use of the Consumer Price Index to increase all user fees, including parking meters, on an annual basis
- funding for the proposed Community Safety Building
- the proposed 2004 property tax increase and the fact that the proposed increase did not include any funding for the RCMP Five Year Plan
- the impact to future property tax increases if the 2003 rate remained at 5.86%
- the rationale for not recommending that the engineering plans be completed for the design of the Hamilton Fire Hall, because of the possibility that there could be major changes to the Building Code, which could result in significant costs to alter the plans

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- the need to commence the 2004 budget review process immediately after adoption of the 2003 budget in order to develop a strategy which would provide funding not only for the second fire hall in 2004 but also other priorities
- whether the approach taken by City staff with respect to the preparation of this Five Year Financial Plan should be conservative or excessive
- the need to communicate to the public, the fact that the Community Safety budget accounted for a certain percentage of the total budget, and as part of the public process, to separate that particular component out to indicate to the public that these were the 'cost drivers' which the City had to deal with, and that the City operations, other than the Community Safety component, had been close to or below the rate of inflation for the past number of years
- the impact to future property tax increases if the RCMP expenses resulting from their Five Year Plan were included in the City's budget
- the upcoming Long Term Financial Management Strategy Workshop and the need to address long term financial planning for the City at that workshop
- the expenses being faced by the City and the steps being taken by staff to reduce the negative impact in the current plan
- whether the Council should be considering a reduction in the level of service in certain areas to the public as a means of offsetting future proposed property tax increases
- the feasibility of an increase in Casino revenue, over and above what had been anticipated by staff, and how this additional revenue could be used
- the feasibility of the City undertaking self-insurance, and what this could mean for the future.

During the discussion, reference was to the proposed Hamilton Fire Hall, and advice was given that because of the extended time required for the preloading of the site, which would not be completed until mid-year of 2004, the actual construction of the facility would only be staggered another six months. Further advice was given that in the event additional revenue was obtained from other sources, such as Casino revenue, that the construction schedule for that building could be accelerated. Concern was expressed however by several Councillors about staggering the construction of the Hamilton fire hall.

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Also during the discussion, reference was made to decisions of previous Councils which saw tax increases kept at close to zero levels. Both the Chair and staff stated that the City was now having to deal with the resulting impact of those decisions through significant property tax increases. The comment was made that if a moderate property tax increase had been approved at that time, then staff and Council would not be faced with having to deal with such significant tax increases. There was some limited discussion with respect to having tax increases connected to changes in the Consumer Price Index.

Councillor Harold Steves assumed the Chair, as the Chair, Councillor Kiichi Kumagai left the meeting (8:25 p.m.).

Discussion continued among the Committee and staff on the proposal to stagger construction of the Hamilton Fire Hall, during which information was provided on the timing of construction for the new Burkeville Fire Hall and the Hamilton Fire Hall, if construction was not delayed on that facility.

Councillor Kumagai returned to the meeting and resumed the Chair (8:27 p.m.), during the above discussion.

Also discussed with Committee members and staff were such matters as:

- the likelihood, if any, that the engineering plans for the Hamilton Fire Hall would require changes as a result of amendments to the provincial Building Code; and the impact which the proposed staggering of construction could have on grant applications for this project
- the amount of money required to service the City's debt, and whether it was feasible to reduce that amount
- the timing of the completion of construction of the new Great Canadian Casino on the site of the former Bridgeport Market, and the use of this additional revenue (if the casino should open earlier than anticipated) to finance capital projects which had been put on hold, and to add to existing reserve funds

During the discussion, the Chair reported on steps being taken by the GVRD and E-Comm to remove the '9-1-1 billing' removed from property tax bills and added as a levy to local telephone bills. At the request of the Chair, Mr. Bruce advised that he would provide information on the cost of the levy to the Committee.

In concluding the discussion, the Chair noted the concerns of some members of the Committee about not proceeding immediately with the construction of the Hamilton Fire Hall, however he pointed out that the delay would only be for six months. He stated that if funding became available that construction of the facility could be put back on track.

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It was moved and seconded

That:

- (1) the proposed 5 Year Financial Plan (2003-2007) be approved, subject to the staggering of construction of the Hamilton Fire Hall;*
- (2) the 2004 budget process commence immediately after adoption of the Five Year Financial Plan and budget bylaws, and that within that process, that the construction of the Hamilton Fire Hall and other identified priorities, be accelerated if possible; and*
- (3) staff undertake a process of public consultation regarding this Plan before it is adopted as per the requirement of Section 327 of the Local Government Act.*

Prior to the question on the motion being called, discussion ensued briefly on the matter of the proposed tax increases and financial sustainability, during which the comment was made that the City had to change its current way of doing business.

The question on the motion was then called, and it was **CARRIED**.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (8:45 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Select Committee of the Council of the City of Richmond held on Tuesday, April 8th, 2003.

Councillor Kiichi Kumagai
Chair

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

CITY OF RICHMOND
SENSITIVITY ANALYSIS - 5YFP
2004 & 2005 OPERATING BUDGETS

2004			
Tax Levy (\$'000s)	Increase (\$'000s)	Rate (%)	Reductions Reqd. (\$'000s)
111,773	6,187	5.86%	0
111,657	6,071	5.75%	116
111,393	5,807	5.50%	380
111,129	5,543	5.25%	644
110,865	5,279	5.00%	908
110,601	5,015	4.75%	1,172
110,337	4,751	4.50%	1,436
110,073	4,487	4.25%	1,700
109,809	4,223	4.00%	1,964
109,545	3,959	3.75%	2,228
109,282	3,696	3.50%	2,492
109,018	3,432	3.25%	2,756
108,754	3,168	3.00%	3,020
108,490	2,904	2.75%	3,284
108,226	2,640	2.50%	3,548
107,962	2,376	2.25%	3,812
107,698	2,112	2.00%	4,076
107,434	1,848	1.75%	4,340
107,170	1,584	1.50%	4,604
106,906	1,320	1.25%	4,868
106,642	1,056	1.00%	5,131
106,378	792	0.75%	5,395
106,114	528	0.50%	5,659
105,850	264	0.25%	5,923
105,586	2003 Base	0.00%	6,187

2005			
Tax Levy (\$'000s)	Increase (\$'000s)	Rate (%)	Reductions Reqd. (\$'000s)
111,390	5,804	5.12%	0
111,254	5,668	5.00%	136
110,971	5,385	4.75%	419
110,687	5,101	4.50%	703
110,404	4,818	4.25%	986
110,120	4,534	4.00%	1,270
109,837	4,251	3.75%	1,553
109,554	3,968	3.50%	1,836
109,270	3,684	3.25%	2,120
108,987	3,401	3.00%	2,403
108,703	3,117	2.75%	2,687
108,420	2,834	2.50%	2,970
108,137	2,551	2.25%	3,253
107,853	2,267	2.00%	3,537
107,570	1,984	1.75%	3,820
107,286	1,700	1.50%	4,104
107,003	1,417	1.25%	4,387
106,720	1,134	1.00%	4,670
106,436	850	0.75%	4,954
106,153	567	0.50%	5,237
105,869	283	0.25%	5,521
113,361	2004 Base	0.00%	5,804

	Proposed 5YFP	CSB Deferral Change	Revised 5YFP	Diff
2003	4.35%	\$0	4.35%	0.00%
2004	5.86%	-\$1,494,140	4.45%	-1.41%
2005	5.12%	-\$498,046	4.69%	-0.43%
2006	3.00%	\$996,093	3.83%	0.83%
2007	2.93%	\$996,093	3.73%	0.80%
		\$0		