



Finance Select Committee
From: Andrew Nazareth
Director Finance
Re: 2005 Operating Budget

Date: November 2, 2004
File: 03-0970-25-2005-
FCSE1/2004-1

Staff Recommendation

It is recommended that:

The 2005 Operating Budget report be approved as the basis for preparing the 5 Year Financial Plan (2005-2009).

Andrew Nazareth
Director of Finance
(4365)

FOR ORIGINATING DIVISION USE ONLY		
CONCURRENCE OF GENERAL MANAGER		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

The 2005 Operating Budget (the Budget) is required to be approved in order to prepare the Five Year Financial Plan (5YFP) since Subsection 165(1) of The Community Charter requires the City to adopt a 5YFP Bylaw (which forms the base) before May 15th of each year. Approval of the Budget also allows the data-file to be loaded into the City's accounting system, which then allows expenditures to be tracked against the Budget commencing January 1st, 2005.

Analysis

The City's annual Operating Budget cycle begins in May when service levels are established and budget guidelines are set.

On July 28, 2004 the Finance Department conducted the budget rollout and subsequently accounting systems were opened to all departments for their budget input. The input was completed by Sept 30, 2004 and the departmental budgets were then presented by each corresponding department and reviewed by the Finance Department.

Although specific efficiency reductions are not identified in the 2005 Budget, significant efficiencies have been achieved by managing the Olympic Oval Project and Rav Project with existing staffing resources. We have absorbed the additional responsibility and workload with the same staffing resources.

Assumptions

The following assumptions have been used in preparation of the Budget based upon the information available at the time of preparation.

General Assumptions

Consumer Price Index*	2.00%
USD Exchange*	1.30

Specific Assumptions

RCMP Contract	7.40%
ECOMM	18.80%
Fuel	5.00%
Return on Investment	3.50%
Gas and Hydro	10.00%
Tax Growth (net)	1.50%

Salaries

Fire Rescue (2.5% Jan 1 plus 1% July 1)	3.00%
Civic Staff**	2.50%
Library Staff	2.50%

*Information obtained from Province of BC Economic Report

**Salary increases for bargaining unit staff are non-discretionary

Highlights

	Change	Tax Impact
Expenditures:		
RCMP Contract (not ECOMM)	\$1,718,635	1.56%
Fire Rescue salaries	1,239,400	1.12%
Salaries	1,175,100	1.06%
MRN Roads	600,000	0.54%
Public Works Maint(fuel/asphalt)	576,400	0.52%
Facilities Mgmt.(gas/hydro/bldg)	419,700	0.38%
ECOMM (RCMP and Fire)	374,128	0.34%
PST savings	(150,000)	(0.13%)
Fire Rescue (YVR) expenditures	(1,261,900)	(1.14%)
Revenues:		
Traffic Fines sharing	1,414,000	(1.28%)
MRN funding	600,000	(0.54%)
Community Facility revenue	394,600	(0.36%)
Business Licenses and Permits	115,700	(0.10%)
Fire Rescue (YVR) recoveries	(1,427,700)	1.29%
Gaming revenues	8,922,200	(8.07%)
Trans to Reserves (Gaming Rev)	(8,922,200)	8.07%

Expenditures

Contracts - RCMP contract cost increased by \$1,718,635, based on maintaining a force of 189 officers.

Fire salaries - increase of \$1,239,400 due to standard increases previously negotiated.

Salaries - increase of \$1,175,100, due to standard increases previously negotiated.

Public Works Maintenance - increase of \$1,176,400 due mainly to increases in the following programs;

a. MRN Roads (offset by additional MRN revenue)	\$600,000
<i>Non-discretionary inflation costs</i>	
b. Roads and Construction (increases in cost of asphalt)	\$267,900
c. Fleet Operations (increases in fuel and supplies)	\$308,500

Facilities Management - expenditures have increased due to increases in utility charges and building maintenance.

ECOMM - increase in contract costs of \$374,128 for both Fire (\$63,000) and RCMP (\$311,128).

Fire (YVR) - reduction in expenditures due to the loss of the contract with YVR.

Included in our expenditures is the estimated savings (\$150,000) from the reduction in the Provincial Sales Tax of .5%.

Revenues

Gaming revenues - an increase of \$8,922,200 in Gaming Revenues to \$11,600,000, that will be utilized as outlined in the the table below.

Increase in traffic fine sharing of \$1,414,000

Increase in Major Road Network (MRN) funding of \$600,000.

Community Facilities - Increase in revenues of \$394,600 due to an increase in fees and an expected increase in usage of arenas and aquatic centres.

Business Licenses & Permits - Increase due to Business Licences and Permits rate and volume increase of \$115,700.

Service Charges - Reduction mainly due to the loss of the YVR contract (\$1,427,700) with Fire Rescue.

Tax Growth (net) - estimated to be \$1,657,392 or 1.5%. The 1.5% increase has been maintained based on the most recent information from the BC Assessment Authority.

Other

In order to comply with the standards of the Public Sector Accounting Board (PSAB) of the Institute of Chartered Accountants, the City has modified its accounting policy with respect to capital assets to record acquisitions as expenditures. In conjunction with this change the City has also modified the recording of transfers to reserves and appropriated surplus to ensure that the amounts flow through the statement of financial activities. The 2005 Transfers to Reserves have increased \$12,993,800 due to the increase in estimated gaming revenues and the flow through of interest income to the reserve accounts.

Allocation of Gaming Revenues

Estimated Receipts – 2005 <i>(based on Sept. 30/04 receipt)</i>		\$ 11,600,000
Revolving Fund Reserve		(2,339,209)
Capital		
Infrastructure Capital Program	(675,000)	
Parks Capital Program	(225,000)	
Building Capital Program	(855,500)	
Equipment Capital Program	(175,300)	
		(1,930,800)
Capital Building & Infrastructure		(2,013,491)
Oval Capital Project Reserve		(5,000,000)
Grants		(316,500)
		<u>\$ -</u>

Financial Impact

Division	2004 Adjusted Budget Bylaw	2005 Budget Draft	Change (\$)	Change (%)	Tax Impact
Community Safety	45,089,050	48,624,600	3,535,550	7.8%	3.20%
Parks, Rec.Cultural	27,634,300	28,586,600	952,300	3.4%	0.86%
Eng'g & P. Works	17,246,700	17,731,400	484,700	2.8%	0.44%
Finance & Corporate	9,905,600	10,334,100	428,500	4.3%	0.39%
Urban Development	3,912,600	3,972,400	59,800	1.5%	0.06%
Human Resources	2,147,100	2,183,300	36,200	1.7%	0.03%
Corp Administration	2,226,300	2,249,900	23,600	1.1%	0.02%
Corp Prog Projects	285,009	307,400	22,391	7.9%	0.02%
Fiscal	(118,011,759)	(132,936,100)	(14,924,341)	(12.6%)	(13.51%)
Transfer to Reserve	9,565,100	22,558,900	12,993,800	135.8%	11.76%
Balance		\$3,612,500	\$3,612,500		3.27%
	Add Tax Growth (1.5%)		(1,657,392)		(1.50%)
	Net Tax Increase		\$1,955,108		1.77%

The 2005 Budget results in an overall increase of \$1,955,108 from the 2004 Budget. The area with the largest increase year over year (\$3,535,550) is Community Safety. The budget reflects the organizational changes to Community Safety which were recently presented to Council.

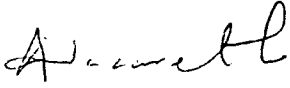
	Change	Tax Impact
Fire	\$ 1,507,550	1.36%
RCMP	2,028,000	1.84%
Traffic Fine Revenues	(1,414,000)	(1.28%)
City	1,490,950	1.35%
	3,612,500	3.27%
Net Growth	(1,657,392)	(1.50%)
	\$ 1,955,108	1.77%

2005 Capital Plan and operating expenditure impact

The Budget includes the operating impact from the proposed 2005 Capital Plan, which is \$239,062 or .22% tax impact.

Conclusion

The current proposed 2005 Operating Budget contains a shortfall of \$1,955,108 or a 1.77% tax increase.



Jerry Chong
Budgets and Accounting Manager
(4064)

per

**CITY OF RICHMOND
2005 OPERATING BUDGET
CORPORATE SUMMARY**

	2004 Budget Bylaw	2004 Base Level Adjustments	2004 Adjusted Budget Bylaw	2005 Budget Bylaw	Change (\$)	Change (%)
Community Safety						
RCMP	24,306,100	0	24,306,100	26,334,100	2,028,000	8.3%
Fire Rescue	20,681,200	101,750	20,782,950	22,290,500	1,507,550	7.3%
Community Safety Administration	250,700	(250,700)	0	0	0	0.0%
Emergency & Environmental	287,500	(287,500)	0	0	0	0.0%
Community Bylaws	286,800	(286,800)	0	0	0	0.0%
Sanitation & Recycling	0	0	0	0	0	0.0%
Total Community Safety	45,812,300	(723,250)	45,089,050	48,624,600	3,535,550	7.8%
Parks Recreation & Cultural Services Division						
Aquatic Services	3,220,600	236,000	3,456,600	3,566,000	109,400	3.2%
Arenas	2,103,300	160,000	2,263,300	2,340,300	77,000	3.4%
Parks, Recreation Cultural Administration	265,900	0	265,900	279,400	13,500	5.1%
Recreation & Cultural Services	782,200	0	782,200	805,100	22,900	2.9%
Parks	7,291,700	0	7,291,700	7,558,700	267,000	3.7%
Gateway Theatre	912,400	0	912,400	991,200	78,800	8.6%
Community Recreation Services	4,884,500	0	4,884,500	5,040,000	155,500	3.2%
Heritage & Cultural Services	1,886,600	0	1,886,600	1,935,500	48,900	2.6%
Richmond Public Library	5,891,100	0	5,891,100	6,070,400	179,300	3.0%
Total Parks Rec & Cultural Services Division	27,238,300	396,000	27,634,300	28,586,600	952,300	3.4%
Engineering & Public Works Division						
General Public Works	(871,500)	2,200,000	1,328,500	1,326,000	(2,500)	(0.2%)
Roads & Construction	6,177,300	0	6,177,300	6,486,400	309,100	5.0%
Storm Drainage	2,765,500	0	2,765,500	2,747,700	(17,800)	(0.6%)
Emergency & Environmental	0	287,500	287,500	299,100	11,600	4.0%
Facility Management	3,231,800	(38,400)	3,193,400	3,262,800	69,400	2.2%
Fleet Operations	(37,500)	0	(37,500)	0	37,500	(100.0%)
Sanitation & Recycling	0	0	0	0	0	0.0%
Water Utility	0	0	0	0	0	0.0%
Sewer Utility	0	0	0	0	0	0.0%
Engineering	3,410,200	0	3,410,200	3,481,600	71,400	2.1%
Communications	121,800	0	121,800	127,800	6,000	4.9%
Total Engineering & Public Works Division	14,797,600	2,449,100	17,246,700	17,731,400	484,700	2.8%
Finance & Corporate Services Division						
Finance	3,367,700	(64,100)	3,303,600	3,459,000	155,400	4.7%
Law	633,200	0	633,200	655,200	22,000	3.5%
Information Technology	6,105,000	0	6,105,000	6,276,500	171,500	2.8%
Customer Services	(1,267,100)	0	(1,267,100)	(1,252,800)	14,300	(1.1%)
City Clerks	1,130,900	0	1,130,900	1,196,200	65,300	5.8%
Total Finance & Corporate Services Division	9,969,700	(64,100)	9,905,600	10,334,100	428,500	4.3%
Urban Development Division						
Urban Administration	358,900	0	358,900	351,800	(7,100)	(2.0%)
Development Applications	926,500	0	926,500	918,200	(8,300)	(0.9%)
Policy Planning	933,000	9,200	942,200	1,013,800	71,600	7.6%
Community Bylaws	0	562,800	562,800	519,200	(43,600)	(7.7%)
Transportation	1,736,600	0	1,736,600	1,788,600	52,000	3.0%
Building Approvals	(614,400)	0	(614,400)	(619,200)	(4,800)	(0.8%)
Total Urban Development Division	3,340,600	572,000	3,912,600	3,972,400	59,800	1.5%
Human Resources Division						
Human Resources	2,083,000	64,100	2,147,100	2,183,300	36,200	1.7%
Total Human Resources Services Division	2,083,000	64,100	2,147,100	2,183,300	36,200	1.7%
Corporate Administration						
General Government	619,600	0	619,600	645,000	25,400	4.1%
Corporate Programs Management Group	910,500	166,600	1,077,100	1,136,500	59,400	5.5%
Chief Administrative Office	731,200	(201,600)	529,600	468,400	(61,200)	(11.6%)
Total Corporate Administration	2,261,300	(35,000)	2,226,300	2,249,900	23,600	1.1%
Corporate Program Projects	183,500	101,509	285,009	307,400	22,391	7.9%
Fiscal						
Fiscal Revenues & Expenditures	(115,251,400)	(2,760,359)	(118,011,759)	(132,936,100)	(14,924,341)	(12.6%)
Total Fiscal	(115,251,400)	(2,760,359)	(118,011,759)	(132,936,100)	(14,924,341)	(12.6%)
Transfer to Reserves						
Transfer to Statutory Reserves	9,565,100	0	9,565,100	22,558,900	12,993,800	135.8%
Total Transfer to Reserves	9,565,100	0	9,565,100	22,558,900	12,993,800	135.8%
Balance	0	0	0	3,612,500	3,612,500	3.27%
				Add Tax Growth Factor (1.5%)	1,657,392	1.50%
				Shortfall	1,955,108	Net Tax Increase 1.77%