City of Richmond

Minutes

Finance Select Committee

Date:	Tuesday, November 18th, 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 Derek Dang Councillor Sue Halsey-Brandt
Call to Order:	The Chair called the meeting to order at 5:56 p.m.

MINUTES

1. It was moved and seconded
That the minutes of the meeting of the Finance Select Committee held on Wednesday, October 29th, 2003 and continued on Monday, November 3rd, 2003, be adopted as circulated.

CARRIED

It was moved and seconded
That the report (dated November 14th, 2003, from the Director, Parks Operations), regarding the Dredging of Scotch Pond and Entrance Channel, be added to the agenda as an additional item.

CARRIED

2. **BUSINESS LICENCE FEES**
(Report: Nov. 7/03, File No.: 8060-20-7464) (REDMS No. 1091185, 921853)

The Manager, Customer Services, Anne Stevens, accompanied by Licence Inspector Joanne Hikida, briefly reviewed the proposed recommendations with the Committee.

It was moved and seconded
That Bylaw No. 7464, which amends Business Licence Bylaw 7360 by:

(1) licence fee increases, and
(2) adding definitions for liquor licences in line with Provincial regulations,

be introduced and given first, second and third readings.

CARRIED

3. **WATER RATE STABILIZATION**
(Report: Nov. 6/03, File No.: 1075-01) (REDMS No. 1091384)

The Director of Finance, Andrew Nazareth introduced the City's new Manager, Budgets & Accounting, Jerry Chong to the Committee.

It was moved and seconded
That the report (dated November 6th, 2003, from the Manager – Budgets and Accounting, and the Manager – Water Services), on the water rate levelling fund, be received for information.

CARRIED

4. **2004 CAPITAL PROGRAM REFERRALS**
(Report: Nov. 18/03, File No.: 0970-02-01) (REDMS No. 1089540, 1079076)

The Chair of the Finance Select Committee, Councillor Kiichi Kumagai, addressed the Committee regarding the 2004 budget process. A copy of his remarks are attached as Schedule A and form part of these minutes.

The Manager, Finance & Administration, Community Safety Division, Mike Mack, accompanied by the General Manager, Finance & Corporate Services, Jim Bruce, advised that he had nothing further to add.

Discussion then ensued among Committee members and staff on:

- the *Skate Spot City Centre* – in response to questions, advice was given that the skate spot could be in place by the Spring of 2004; it was the expectation of staff that interested youth would undertake fundraising activities to purchase portable skate spot elements; Brighouse Park and the lacrosse box were being considered as potential sites for the skate spot
- the feasibility of taking funds from the deferred projects instead of from the Capital Reserve – information was provided by staff on the various projects and how funding was to be provided, and discussion took place among Committee members on the availability of funding for various projects.

It was moved and seconded

(1) That the 2004 Capital Plan (attached to the report dated November 18th, 2003, from the General Manager, Finance & Corporate Services), be adopted for inclusion in the 2004 Five Year Financial Plan (2004 – 2008) Bylaw; and

(2) That staff be authorized to commence construction of the 2004 capital projects.

CARRIED

4A. DREDGING OF SCOTCH POND AND ENTRANCE CHANNEL

(Report: Nov. 14/03, File No.: 7200-01) (REDMS No. 1079312)

The Director, Parks, Operations, Dave Semple, indicated that he was available to respond to questions.

Mr. Bruce then provided information on the availability of funds to complete the project.

It was moved and seconded

(1) That $160,000 of additional funding be approved as part of the 2004 Capital Program to complete dredging operations at Scotch Pond; and

(2) That staff develop an operating agreement with the Scotch Pond Fishers Heritage Cooperative to establish a dredging reserve fund for the future.

The question on the motion was not called, as Mr. Semple, in response to questions, commented on the feasibility of placing the dredged material onto Garry Point Park. Advice was given that staff did not support this proposal because of the requirements which would be imposed by Environment Canada and FREMP.

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

5. 2004 OPERATING BUDGET

(Report: Oct. 21/03, File No.: 0970-01 (2004)) (REDMS No. 1081746)

Cllr. Kumagai talked about the 2004 budget process, during which he advised that staff were seeking provisional approval of the operating budget in order to begin preparations on the Five Year Financial Plan for 2004 and 2005.

Mr. Nazareth then reviewed the 2004 preliminary operating budget, noting that the proposed increase was consistent with what had been approved by Council six months ago as part of the Five Year Financial Plan. He explained that this would translate into a $45 tax increase for the average household.

Discussion then ensued among Committee members and staff on:

- the rationale for the base level adjustment in the Finance Department
- Grants In-Lieu - Other
- Fiscal Expenditure – net
- transfers to statutory reserves
- Leases & Vehicles and the rationale for the significant increase in costs
- the proposed property tax increase and whether this figure included any additional level requests
- the purpose of "Other Expenditures"
- the rationale for the increase in Professional Fees
- the Reduction re Loss of YVR Fire Contract
- the 2003 service level review and whether 2004 projections reflected a salary growth rate
- whether there was any evidence that the City's efficiency strategies were proving to be effective
- whether there was any progress being made in becoming a more efficiently operated city
- those projects which had been approved in principle earlier this year and included in the 2004 base level budget – staff were asked to provide information to the Committee on those projects which had been approved, including funding which had been set aside for the West Nile Virus
- the status of the casino project and the amount of revenue which staff anticipated the City would receive for casino revenue in 2004
- the rationale for the elimination of the Casino Revenue – the Mayor asked for a report on the usage of casino revenue to date, and the Chair asked that the report include a breakdown of the Council Provision Account
- City Parking Program and whether anticipated revenue targets would be achieved – staff were requested to provide information on the projected revenue targets.

Discussion continued among Committee members, during which concern was expressed by the Mayor that specific matters had not been included in the budget now before the Committee. He expressed the belief that even though the work submitted by staff may be accurate and complete as possible, the Committee still needed to look at the process to obtain a better degree of analysis. Discussion then ensued between the Chair and Mayor Brodie on this issue.

The Chair suggested that the only way to find reductions was to agree to undertake a 'value for dollar' approach with respect to certain departments, which could result in 5% reductions. He noted that this would mean a different way to operate the City, and added that the current system had not changed since the time he had first been elected to Council in 1972 . In response, the Mayor expressed concern that staff had only provided the Committee with a summary of expenses and revenues for the coming year without the necessary background information.

Councillor Kumagai then spoke at length on the budget processes which had been followed by staff.

Questions were then raised about the rationale for including the maintenance of the Water and High Angle Rope Rescue Equipment as an item in the "Additional Level Requests" even though the project itself had been approved by Council earlier in the year.

(At this point, the Chair left the meeting and Vice Chair Councillor Steves assumed the Chair – 6:57 p.m.)

Discussion continued, with staff providing a response regarding the Water and High Angle Rope Rescue Equipment.

(Cllr. Kumagai returned to the meeting at 6:59 p.m., and resumed the Chair.)

Discussion continued among Committee members on the need for more information, during which the comment was made that the Finance Select Committee should have a more active role in the preparation of the budget rather than just through the budget cycle.

During the discussion, reference was made to 'user fees'. Discussion then ensued specifically on 'user fees', during which the suggestion was made that an on-going review should be undertaken of these fees to determine if the City's rates were in line with other municipalities and the direction which should be taken by the City. Also discussed were the user fees charged at the Aquatic Services and Ice Arenas, and whether the City had any control over the setting of these rates. As a result of the discussion, staff were asked to provide a report on (i) whether user fees had been included in the budget; (ii) how user fees had been identified; (iii) the user fees charged at the Aquatics Centre and Ice Arenas, and (iv) a breakdown of the increases to provide more of an understanding of the rationale for these increases.

Discussion continued on the provision of information among Committee members and staff, during which the comment was made that the 2004 Operating Budget could not be completed until the additional information was provided.

Reference was made to the increase in expenses for Aquatic Services and the need to understand this increase, and the request was made that staff provide 'line by line' budget detail for each of the City's departments. However, the comment was made that Council 'could not know everything' and had the entire year to obtain any information that they thought was necessary.

It was moved and seconded

That the 2004 Operating Budget report be approved as the basis for preparing the 5 Year Financial Plan (2004-2008).

The question on the motion was not called, as an objection was raised by the Mayor to the motion being put on the table before Council had the information it needed on the approach taken by staff for each budget request. He noted that the proposed budget was already at a 4.45% increase and that amount did not include additional level requests.

Cllr. Kumagai stated that he was exercising his prerogative as Chair of the Finance Select Committee, not to accept the introduction of the motion. He stated that he would like the Committee to have a 'comfort' level about the proposed budget; and that this was a 'work in progress' budget. He noted that figures on growth and assessment were not yet available for inclusion in the budget.

Cllr. Steves indicated that he might challenge the ruling of the Chair regarding not accepting the motion. He stated that Cllr. Howard's comments were correct, advising that the information was available and that the Committee should be dealing with the budget and not on-going work. Cllr. Steves further stated that the Chair should have accepted the motion and that it should be the responsibility of the Committee to deal with the staff recommendations.

Cllr. Kumagai, in response, acknowledged that it was unusual to be reviewing the budget in November, when in 2003, Council did not deal with the operating budget until May 14th, 2003. However, he indicated that there was sufficient time to obtain the information which the Committee and Councillors felt was necessary to address specific issues.

Discussion continued on the 2004 Operating Budget. Chief Administrative Officer George Duncan advised that staff would be able to provide any level of detail to any Councillor who wished to have such information on a one-to-one basis, however it was impractical to try and satisfy individual wishes when the budget was being discussed at a committee meeting. Mr. Duncan then reviewed a number of questions which he felt needed to be addressed by Council as a whole:

- What is Council's core business? How much does Council plan to fund functions that are outside of the City's core businesses?
- What market position does Council's want to maintain in its comparator group?
- What is Council's property tax increase goal?
- Is Council prepared to exceed its Five-Year plan projection in order to accommodate additional levels?
- Is Council prepared to project cost savings that would be achieved through the Parks & Recreation review?

- Is Council focusing on areas where City costs are actually increasing?

A brief discussion ensued on the questions raised by Mr. Duncan, during which the comment was made that an in-depth discussion should be held on the questions raised, but not as part of the budget process.

(Cllr. Dang left the meeting at 7:45 p.m., and did not return.)

Discussion continued on the 2004 operating budget, during which the request was made that information be provided to Committee on those projects which had been approved in principle over the past two years which had an impact on the operating budget, but were not approved as part of the operating budget and were now appearing as additional level requests.

(The Chair left the meeting during the above discussion and Vice Chair Councillor Steves assumed the Chair – 7:50 p.m. Cllr. Kumagai returned to the meeting at 7:52 p.m., and resumed the Chair.)

Questions were raised about when the Finance Select Committee would be meeting to discuss the Additional Level requests, and it was agreed that a meeting would be held at 5:30 p.m., on Tuesday, November 25th, 2003, following the Parks, Recreation & Cultural Services Committee meeting.

Discussion continued briefly, during which Mr. Duncan spoke about the need to work on the City's Long Term Financial Strategy to ensure success in the future.

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (8:01 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, November 18th, 2003

Councillor Kiichi Kumagai
Chair

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

SCHEDULE A TO THE MINUTES OF THE FINANCE SELECT COMMITTEE MEETING HELD ON TUESDAY, NOVEMBER 18TH, 2003

City of Richmond
Councillors' Office

Memorandum

To:	Finance Select Committee	**Date:**	November 17, 2003
From:	Kiichi Kumagai Councillor	**File:**	0107-12-01

Re: EDITORIAL FOR FINANCE SELECT

I would like to thank all departments for their input into the 2004 budget process which commenced in July and also to recognize their due diligence.

The Finance Department, under the leadership of Andrew, faced great challenges to bring forward a budget within our Five Year Financial Plan increase estimate of 4.45%.

Quick Facts:

Breakdown of the 2004 tax increase of $4.6 m or 4.45%

RCMP	$2.1 m
Fire Rescue	$1.0 m
Other City	$3.1 m
Growth	<$1.6 m>

Were it not for growth, the tax increase would have been $6.2 m or 5.87% increase.

I would like to thank the Committee and Council for endorsing staff's Long Term Financial Management Strategy to be implemented for the 2005 budget year.In the meantime, I would like to share with you the current trends before full implementation of this strategy:

Staff expect RCMP to continue growing at the rate of $1.4 m to $2.0 m per year; Fire Rescue is expected to grow at a rate of $0.8 to $1.5 m per year as new fire halls come on board and the workforce becomes more senior. The rest of the City is expected to grow at $2.0 to $3.0 m per year based on the labour contracts of 2.5% and a more senior workforce.

As these trends indicate and based on existing labour contracts, we are looking at anywhere from $4.2 m to $6.5 m per year before growth, efficiencies, new revenues, service level reductions etc. This is the level of funding increases required in order to keep pace with the size of the operation that we run.

Kiichi Kumagai
Councillor

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RICHMOND
Island City, by Nature