



City of Richmond

Report to Committee

To: Finance Committee

Date: August 2, 2019

From: Jerry Chong
Director, Finance

File: 03-0970-09-01/2019-
Vol 01

Re: Financial Information – 2nd Quarter June 30, 2019

Staff Recommendation

That the staff report titled, “Financial Information – 2nd Quarter June 30, 2019”, dated August 2, 2019 from the Director, Finance be received for information.

Jerry Chong, CPA, CA
Director, Finance
(604-276-4064)

Att: 5

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Building Approvals	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Facilities	<input checked="" type="checkbox"/>	
Information Technology	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Origin

Pre-audited financial information for the 2nd quarter ended June 30, 2019 is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City's financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2018-2022 Strategic Focus Area #5 Sound Financial Management and #8 An Engaged and Informed Community:

5.1 Maintain a strong and robust financial position.

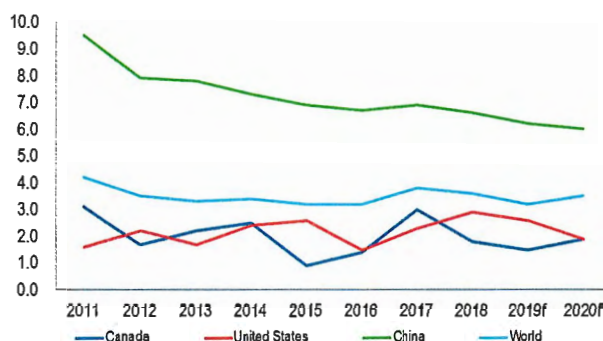
5.2 Clear accountability through transparent budgeting practices and effective public communication.

8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.

Analysis

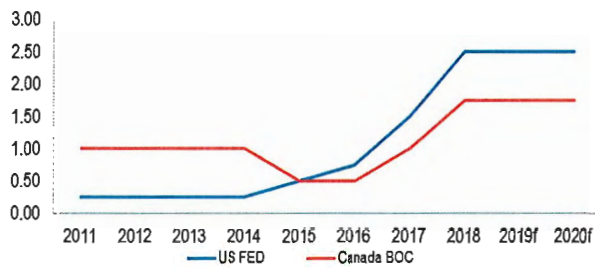
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change¹

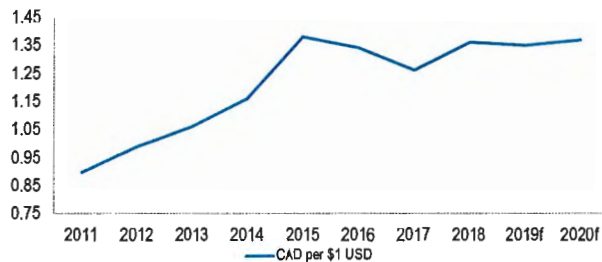


- In 2019, the International Monetary Fund (IMF) projects the pace of global growth to slow down as policy uncertainty begins to impact the world's economy.
- The global growth in GDP was 3.6% in 2018 and is expected to be 3.2% in 2019 and 3.5% in 2020.
- In Canada, the GDP growth forecast is unchanged this quarter, at 1.5% for 2019 and 1.9% for 2020. The U.S. economy is forecasted to grow by 2.6% in 2019 and 1.9% in 2020.
- GDP growth for China is forecasted at 6.2% and 6.0% in 2019 and 2020, respectively.

¹ International Monetary Fund, World Economic Outlook (July 2019)

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End²

- After experiencing three upward adjustments totaling 0.75 percentage points in 2018, the Bank of Canada's (BoC) overnight rate remained at 1.75% in Q2 2019 amidst slowing global growth and rising trade tensions.
- Canada's overnight rate is forecasted at 1.75% in 2019 and 2020.
- The same factors caused the U.S. Federal Reserve (US FED) to hold its short-term rate steady at 2.50% throughout the first half of 2019. On July 31, 2019, the US FED announced an interest rate cut of 0.25% to 2.25%.

3) Exchange Rates – CAD/USD at Year-End³

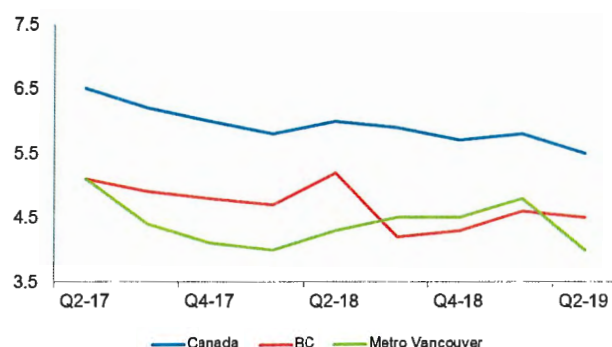
- The Canadian dollar ended Q2 2019 at \$1.34 CAD per \$1 USD.
- The forecasted USD/CAD exchange rates for 2019 and 2020 are \$1.35 CAD per \$1 USD and \$1.37 CAD per \$1 USD, respectively.

² US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (June 2019)

³ Royal Bank Economic Research Forecast (June 2019)

Regional & Local Economic Activity Indicators

4) Unemployment⁴



- British Columbia and Canada continue to experience very tight labour markets with near full employment. Unemployment rates decreased in the second quarter of 2019 by 2.2% and 5.2%, respectively.
- At the end of Q2 2019, the unemployment rate was 5.5% in Canada, 4.5% in B.C. and 4.0% in Metro Vancouver.
- British Columbia continues to have the lowest unemployment rate of all Canadian provinces. In Q2 2019, the rate declined by 13.5% over the same period in 2018.

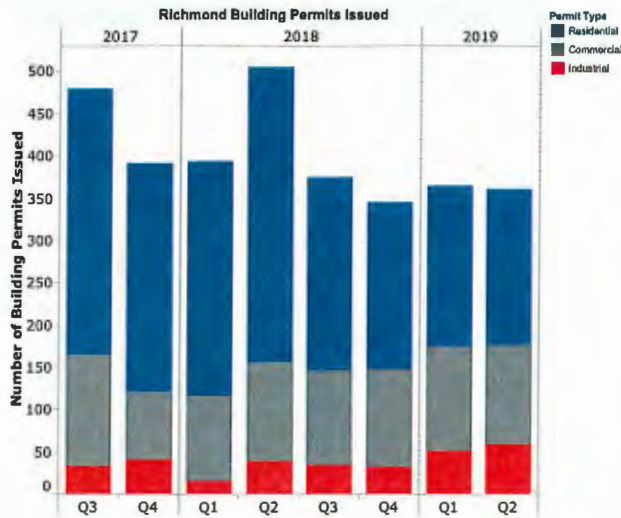
5) Consumer Price Index (CPI – 2002=100)⁵



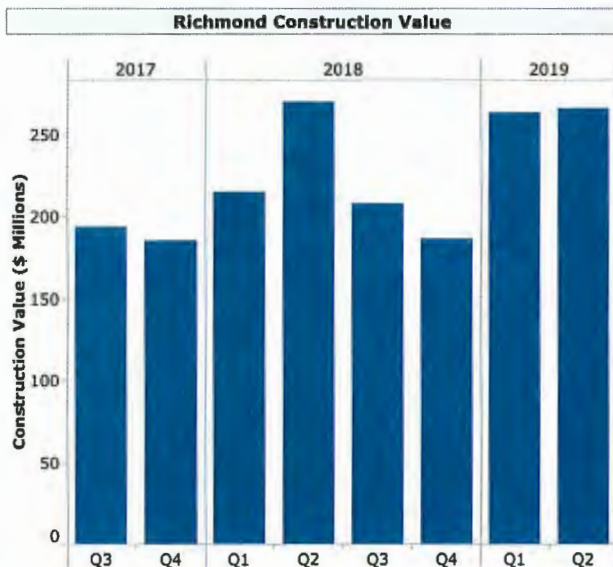
- The country's annual pace of inflation, as measured by Consumer Price Index (CPI), continues to rise in Metro Vancouver, B.C. and Canada in the second quarter of 2019, with rising energy (particularly gasoline), transportation and food prices among the main contributors.
- At the end of Q2 2019, the CPI climbed by 2.0% in Canada, 2.6% in British Columbia and 2.7% in Metro Vancouver compared to the same period last year.
- The BoC continues to monitor inflation closely, and increases to its policy interest rate are intended to maintain the CPI rate of increase at the midpoint between 1 and 3 percent.

⁴ Statistics Canada

⁵ Statistics Canada

6) Building Permits – Richmond⁶

- In Q2 2019, there were 186 residential, 117 commercial, and 47 industrial building permits issued in Richmond.
- The 186 residential building permits issued consist of 49 permits for new residential construction and 137 permits for residential alterations.
- While the total number of residential building permits issued throughout the first half of 2019 decreased by 60% compared to the first six months of 2018, the total number of units increased by 64% which indicates a larger proportion of multi-family developments.
- During the first six months of 2019, building permits were issued to construct 1,458 residential units compared to 889 units in the same period of 2018.
- Commercial building permits increased by 11% and industrial permits increased by 82% over the same period last year.



- The total value of construction activity in the first half of 2019 totaled \$530 million.
- During the first six months of 2019, the total value of construction activity increased by 9.2% over the same period last year. Large multi-family developments, as well as increased construction and labour costs, contributed to this increase.

⁶ City of Richmond Building Permits

7) Housing Starts⁷

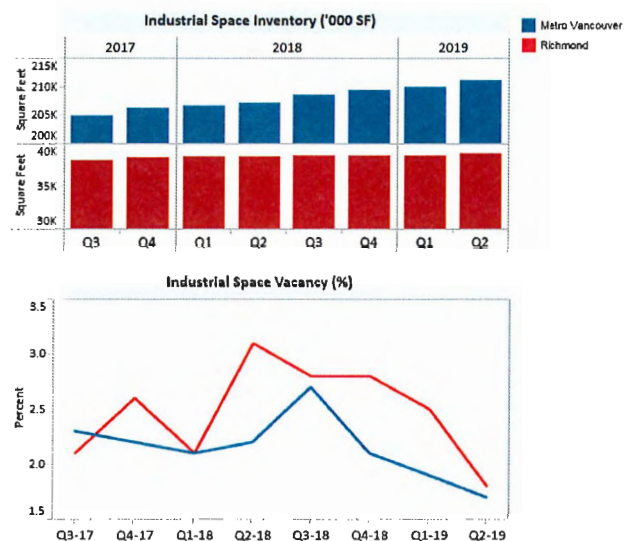
- In Q2 2019, there were 1,760 housing starts in Richmond and 9,951 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on a verification that construction work has commenced⁸.
- Over the first six months of 2019, the total number of housing starts increased by 35% in Richmond and 25% in Metro Vancouver compared to the same period in 2018.
- While home-ownership demand has slowed with recent policy measures, current project starts reflect projects pre-sold in previous years when the market was significantly stronger.
- The increase in CHMC's housing start data for Richmond in Q2 2019 does not directly compare to the change in residential building permits issued by the City. This is mainly due to the varying timing between issuing a residential building permit and determining a housing start.

⁷ Canada Mortgage and Housing Corporation

⁸ Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.

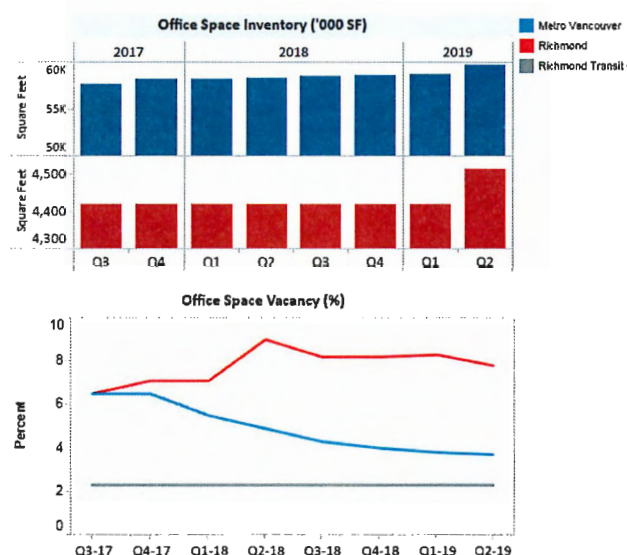
8) Commercial Space⁹

a) Industrial Space



- Despite a net addition of 338,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has kept the industrial vacancy rate low. It ended Q2 2019 at 1.8%, down from 3.1% in Q2 2018.
- The industrial vacancy rate in Richmond and Metro Vancouver declined year over year by 42% and 23%, respectively.
- With this acute shortage of industrial space, Richmond and Metro Vancouver are experiencing difficulty accommodating new large users as well as the expansion of existing businesses.
- At 38.9 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (36 million), Burnaby (31 million), Delta (25 million), and Vancouver (24 million).

b) Office Space

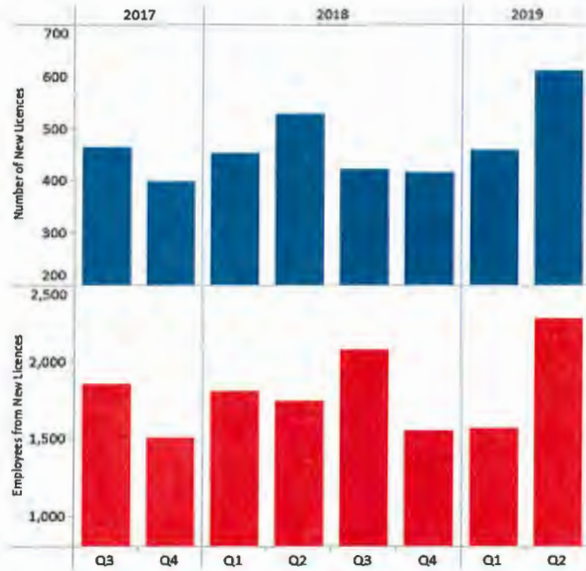


- Despite an addition of 98,000 square feet of Class A office space in Richmond in Q2 2019, the overall vacancy rate decreased by 13% over the same period last year.
- At the end of Q2 2019 the office vacancy rate was 7.8% in Richmond compared to 3.7% throughout Metro Vancouver.
- Demand for high quality office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market.

⁹ Cushman & Wakefield Office and Industrial Market Beat Reports

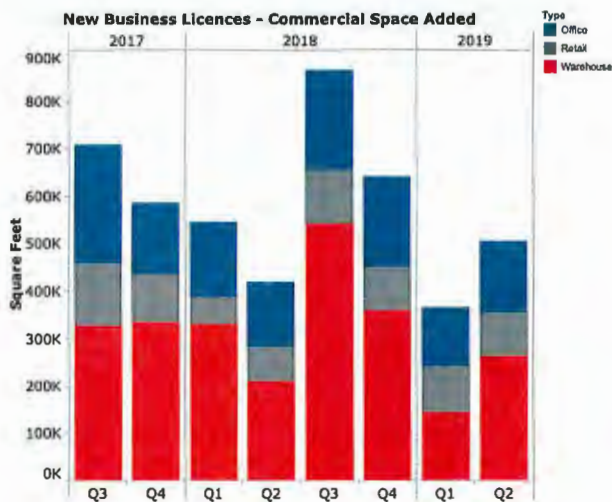
9) Business Growth – Richmond

a) New Business Licences



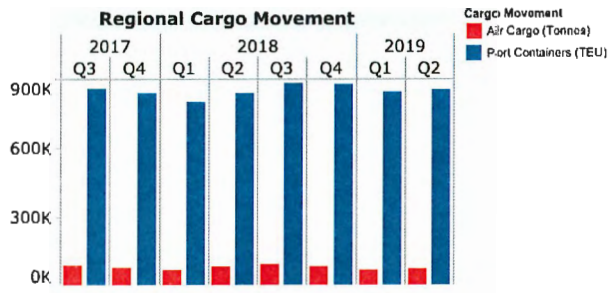
- There were 1,070 new business licences issued in Richmond during the first half of 2019, an increase of 9% over the same period in 2018.
- The addition of 3,846 jobs was attributed to these new businesses.

b) New Business Licences – Commercial Space

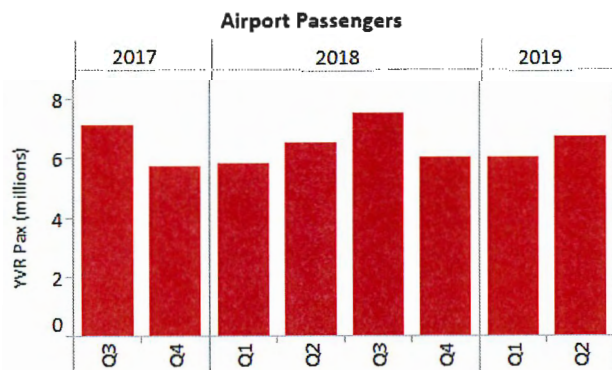


- 869,000 square feet of commercial space absorption was related to the new business licences issued throughout the first half of 2019.
- As industrial users typically require more space, 47% of total commercial space absorption was attributed to warehouse-type industrial space.
- 32% of commercial absorption in the first half of 2019 was related to office-based businesses and 21% of commercial space absorption throughout this period was from retail businesses.

10) Goods and People Movement

a) Regional Cargo Movement¹⁰

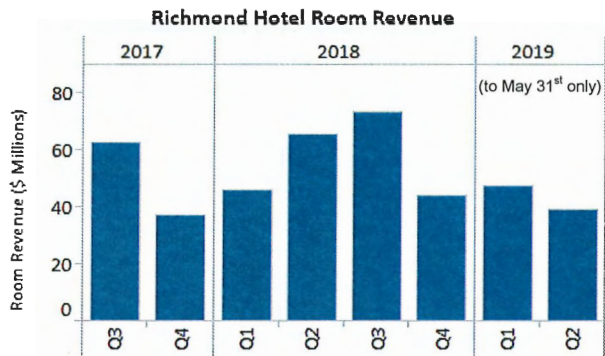
- Data indicators of regional trade activity varied in the first half of 2019. While there was an increase in container movements at the Port of Vancouver, the Vancouver International Airport (YVR) experienced a decline in the volume of air cargo it handled.
- In the first half of 2019, there were 1.7 million Twenty Foot Equivalent Units (TEUs) of container movements at the Port of Vancouver, an increase of 3.5% over the same period in 2018.
- At YVR, 147,000 tonnes of air cargo was handled throughout the first six months of 2019, a decrease of 6.5% over the same period last year.

b) Airport Passengers¹¹

- YVR continued to experience passenger growth. 6.7 million passengers travelled through the airport in Q2 2019, an increase of 3.1% over Q2 2018. The year-to-date passenger traffic also increased by 3.3%.

¹⁰ Port of Vancouver Monthly Cargo Statistics

¹¹ YVR Monthly Statistics

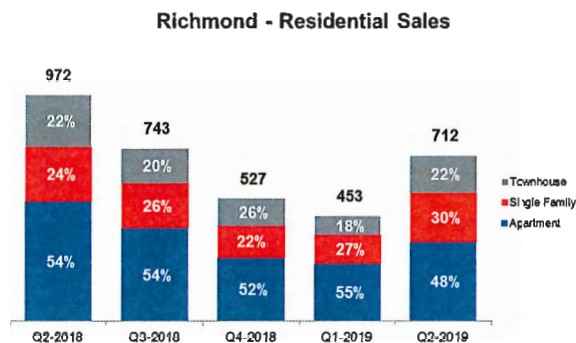
c) Richmond Hotel Room Revenue¹²

* Q2 data for 2019 include figures from April and May. June figures not yet available.

- \$86.4 million was collected in hotel room revenue throughout the first five months of 2019 in Richmond, an increase of 2.6% over the same five months of last year.

Residential Real Estate¹³

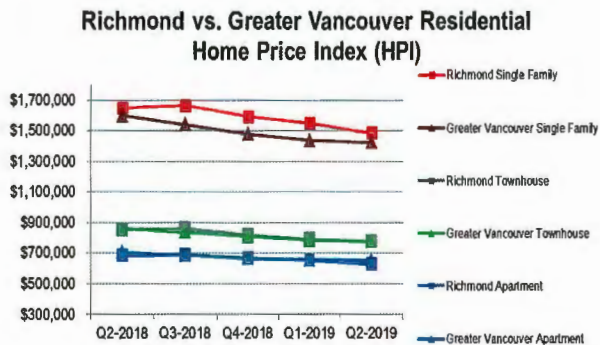
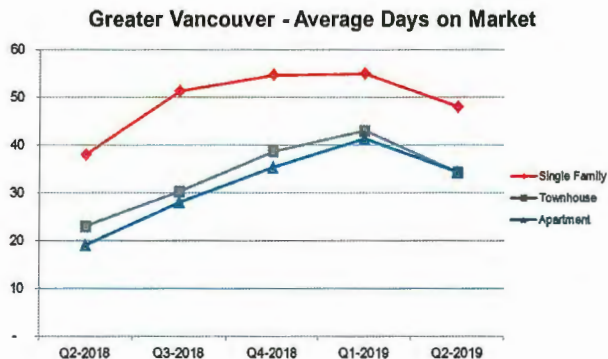
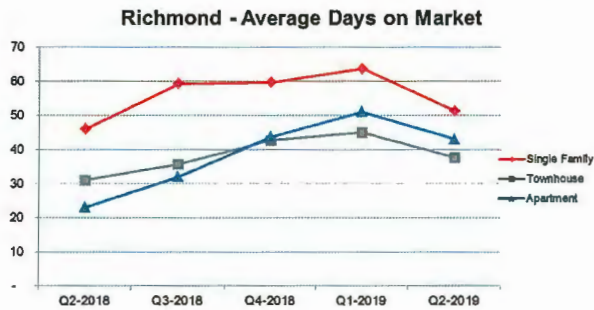
In the first half of 2019, home buyer activity continued at a slow pace. The combination of government intervention and restrictions on foreign buyers continue to affect buyer activities.



- Single family detached (SFD) home sales have continued to decline with a 22% year-over-year decrease.
- Apartment and townhouse sales have declined 39% and 42% respectively year-over-year.
- Apartment sales make up 48% of the residential home sales in Richmond. Townhouse sales and SFD sales contributed approximately 22% and 30%, of current home sales in Richmond, respectively.
- There were 1,165 residential home sales in Richmond during the first six months of 2019, a 36% decrease compared to the same period last year.

¹² City of Richmond Additional Hotel Room Tax Ledger; Destination BC

¹³ Real Estate Board of Greater Vancouver



- At Q2 2019, SFD properties in Richmond had an average of 51 days on the market, an 11% increase compared to Q2 2018. Townhouses and apartments had an average of 38 and 43 days on the market, respectively, representing a 23% and 87% increase over the same period last year.

- At Q2 2019, SFD properties in GVRD had an average of 48 days on the market, which increased by 26% compared to Q2 2018. Both townhouses and apartments had an average of 34 days on the market, which represent an increase of 48% and 79%, respectively, over the same period in 2018.

- Compared to the average at Q2 2018, the residential real estate markets in both Richmond and GVRD are slowing down.

- The Home Price Index (HPI)¹⁴ for SFD properties in Richmond is \$1,484,600 as at June 30, 2019, a decrease of 10% compared to the same period last year. The GVRD housing market has also slowed down with SFD properties prices at \$1,423,500, which is an 11% decrease compared to Q2 2018.

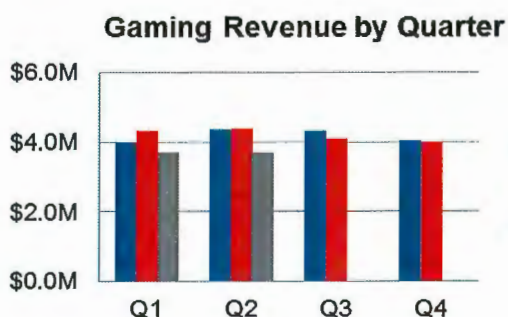
- The HPI for townhouse properties in Richmond is \$779,200, a decrease of 8.8% compared to Q2 2018. The HPI for townhouse properties in GVRD is \$774,700, which represents a 10% decrease compared to the same period last year.

- The HPI for apartments is \$628,500, which decreased by 8.0% compared to Q2 2018. The GVRD's apartment prices decreased to \$654,700, which is a 7.0% decrease from Q2 2018.

¹⁴ Home Price Index is a tool to measure home prices trends in Metro Vancouver and other major markets in the country. It is an alternative measure of real estate prices that provides the market trends over traditional tools such as mean or median average prices.

Gaming Revenue

In accordance with the Host Financial Assistance Agreement with the Province of BC, the Province pays 10% of net gaming income to the City. Net gaming revenue is calculated as net win from casino games less (i) fees payable by BC Lottery Corporation (BCLC) to the service provider and (ii) BCLC's administrative and operating costs. Distributions are subject to volatility due to fluctuations in net winnings from casino games, operating costs and accounting adjustments.



- Gaming revenue for Q2 2019 decreased by 15.7% to \$3.70M compared to \$4.39M in Q2 2018.
- Q2 2019 increased by 0.1% compared to the previous quarter.
- At the end of Q2 2019, the City received \$7.40M or 44.9% of the 2019 annual budgeted of \$16.5M for gaming revenue.

Since the beginning of 2018, River Rock has steadily declined in Table Drop¹⁵ revenue as a result of the BCLC source of funds procedures¹⁶ enacted in early 2018.

However, the second quarter gaming revenue holds steady compared to the first quarter of the year. This quarter plateaued the declining trend for the first time since the beginning of 2018. Year over year comparison of gaming revenue received for the first six months of the year still shows a 15% decrease relative to the same period in 2018.

At the February 11, 2019 Council meeting, the 2019 Budget was approved which included the gaming revenue allocation for 2019. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be adjusted from the Capital Building and Infrastructure Reserve. The distribution is consistent with the 2018 gaming revenue allocation.

Table 1: *Distribution of the 2019 gaming revenue allocation*

	Distribution	2019 Budget
Capital Reserves	30%	\$5.0M
Grants	15%	2.5M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.7M
Capital Building and Infrastructure Reserve	Remainder	3.0M
Total		\$16.5M

¹⁵ Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games.

¹⁶ Source of funds procedures requires all BC casinos to obtain a bank receipt for any buy-ins of \$10,000 or more over a 24-hour period. The original receipt must be from the same day of the transaction and it must display the financial institution, branch and account number.

Operating Activity

Table 2 compares budget to unaudited actual activity up to June 30, 2019. The net figure represents combined revenue and expense amounts. Actuals includes estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: *Net Operational Activity for the period January 1, 2019 to June 30, 2019 (in \$000's)*

Net operational activity ¹	Unaudited 2019 results			
Division/Department ²	2019 YTD Net Budget	2019 YTD Actuals and Commitments ³	Variance YTD (\$)	Variance YTD(%)
Community Safety ⁴	(\$1,312)	(\$2,026)	\$714	54%
Community Services	22,325	21,835	490	2%
Corporate Administration	5,532	4,973	559	10%
Engineering and Public Works	22,379	21,360	1,019	5%
Finance and Corporate Services	13,053	12,121	932	7%
Fire Rescue	20,250	18,833	1,417	7%
Library	5,083	5,070	13	0%
Planning and Development	2,346	922	1,424	61%
Policing	27,236	25,364	1,872	7%
Fiscal	(90,257)	(90,936)	679	1%
Total Operating	\$26,635	\$17,516	\$9,119	
Water utility	4,197	2,993	1,204	29%
Sanitary sewer utility	3,749	2,683	1,066	28%
Sanitation and recycling utility	4	(1,174)	1,178	-
Total Utilities	\$7,950	\$4,502	\$3,448	

¹Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc.

²Based on organizational structure in place as of June 30, 2019

³Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.

⁴Includes Community Safety Administration, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2019 Financial Plan:

- Community Safety's (excluding fire and policing) favourable variance is driven by business licence revenue and community bylaw revenue.
- Community Services' favourable variance is mainly from Parks expenditures as more activity is expected to be incurred in the summer months.
- Corporate Administration's favourable variance is mainly due to vacant positions.
- Engineering and Public Works' favourable variance is mainly due to underpinning and permit fee revenue, and timing of expenditures.

- Finance and Corporate Services' favourable variance is mainly due to vacant positions.
- Fire Rescue's favourable variance is mainly due to vacant positions as an additional 12 firefighters were approved on March 11, 2019 in the 2019 Operating Budget. The recruitment process is underway and the positions are expected to be filled in October.
- The Library is on budget.
- Planning and Development's favourable variance is primarily due to building permit revenue related to multi residential buildings and vacant positions.
- Policing's favourable variance is mainly due to vacant positions as an additional 19 officers were approved on March 11, 2019 in the 2019 Operating Budget resulting in lower than budgeted RCMP contract costs.
- Fiscal's favourable variance is due to higher than budgeted investment income and timing of expenditures.
- Water Utility's favourable variance is mainly due to unbudgeted revenue received from developers for water consumption charges during construction of new residential developments. Any surplus at year end will be transferred to the Water Levy Stabilization Provision.
- Sanitary Sewer Utility's favourable variance is mainly due to unbudgeted revenues received from developers for sanitary sewer user fees during construction of residential developments. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance is mainly due to higher than budgeted Recycle BC revenue and recycling collection fees. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different than the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Statement of Operations for the Six Month Period Ended June 30, 2019, with comparative figures for 2018 is included in Attachment 3.

Cash and Investment Portfolio

As of June 30, 2019, the City's total cash and investment balance was \$1.33 billion with a weighted average yield of 2.50%.

The overall cash and investment balance is comprised of \$801.3 million in investments (see holdings in Attachment 4) and \$533.1 million in high interest savings cash accounts. The high cash balance is mainly due to the collection of property taxes during June and the more favourable yield being realized on shorter term deposits caused by the inversion of the yield curve as discussed below.

Table 3: *Market Interest Rates (for analytical purposes only)*

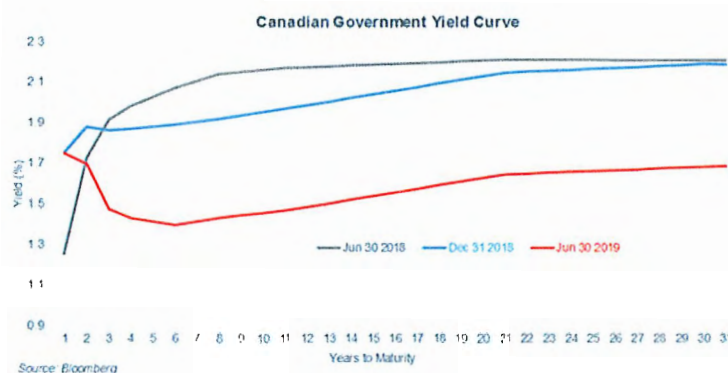
	June 30, 2019	March 31, 2019
2 Year Government of Canada Bonds	1.46%	1.46%
5 Year Government of Canada Bonds	1.40%	1.43%
10 Year Government of Canada Bonds	1.50%	1.54%

Source: Bank of Canada

Trade tensions and the overall uncertainty of the global conditions continued to contribute to the synchronous slowdown across many countries. In response, many central banks have signed a slower pace of monetary policy normalization. In the U.S., with the incoming economic data releases and the trade tension between the U.S. and China, the U.S. Federal Reserve announced its interest rate cut of 0.25% to 2.25% on July 31, 2019.

The Bank of Canada showed no urgency at its July 10, 2019 meeting to make a policy change even though the U.S. Federal Reserve had already signed its intention to lower the U.S. interest rate. The Bank of Canada kept its interest rate unchanged at the current level of 1.75% in its latest interest rate announcement meeting. This was the sixth-straight policy meeting where the Bank of Canada has kept its overnight interest rate at the same level since the last interest rate increase in October 2018.

As shown in the Canadian Government yield curve below, the market is in an inverted yield curve environment where long-term debt instruments have a lower yield than short-term debt instruments for the same credit quality. It is therefore more favourable for the City to keep its available funds in cash and equivalent short-term products in order to optimize the earning potential of the City's funds.



Cash balance as of June 30, 2019 was \$533.1 million. The cash balance is anticipated to drop by around \$220 million during July and August 2019 when property tax collections are being remitted to the various taxing agencies.

The City continues to comply with its Investment Policy (3703) by carrying a cash and investment portfolio with strong credit quality, meeting the objectives of managing its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

Contract Awards

This report provides information on the formal contracts awarded by the City during the second quarter. In accordance with Policy 3104, 33 contracts greater than \$75,000 were awarded totalling over \$17.1 million (Attachment 5).

Financial Impact

None.

Conclusion

The City of Richmond is maintaining its strong financial position through the second quarter of 2019. Building construction and development activity are showing signs of moderating from the extreme levels of the past years due to the constraints on new constructions. It is expected that these trends will continue throughout 2019.



Cindy Gilfillan, CPA, CMA
Manager, Financial Reporting
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- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Unaudited Statement of Operations
- Att. 4: Cash and Investment Portfolio
- Att. 5: Contract Awards greater than \$75,000

Economic Indicators**June 30, 2019****Macroeconomic Indicators & Forecast**

1) Real GDP - % Change	2017	2018	Change	2019f	2020f
Canada	3.0	1.9*	(36.7%)	1.5	1.9
United States	2.2*	2.9	31.8%	2.6	1.9
China	6.8*	6.6	(2.9%)	6.2	6.0
World	3.8	3.6	(5.3%)	3.2	3.5
2) Interest Rates (at YE)	2017	2018	Change	2019f	2020f
Bank of Canada	1.00	1.75	75.0%	1.75	1.75
US FED	1.50	2.50	66.7%	2.50	2.50
3) Exchange Rate	2017	2018	Change	2019f	2020f
CAD per \$1 USD	1.26	1.36	7.9%	1.35	1.37

Regional and Local Market Indicators

4)	Unemployment (%)	Q2-2019	Q1-2019	Change	Q2-2018	Change	
	Canada	5.5	5.8	(5.2%)	6.0	(8.3%)	
	BC	4.5	4.6	(2.2%)	5.2	(13.5%)	
	Metro Vancouver	4.0	4.8	(16.7%)	4.3	(7.0%)	
5)	CPI (2002=100)	Q2-2019	Q1-2019	Change	Q2-2018	Change	
	Canada	136.3	135.4	0.7%	133.6	2.0%	
	BC	131.9	130.7	0.9%	128.6	2.6%	
	Metro Vancouver	134.8	133.3	1.1%	131.3	2.7%	
6)	Richmond Building Permits	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
	Residential – New Construction^	49	177	(72.3%)	122	304	(59.9%)
	Residential – Alterations	137	173	(20.8%)	255	324	(21.3%)
	Residential Total	186	350	(46.9%)	377	628	(40.0%)
	^ Number of units from new residential construction	861	512	68.2%	1,458	889	64.0%
	Residential	186	350	(46.9%)	377	628	(40.0%)
	Commercial	117	116	0.9%	240	217	10.6%
	Industrial	47	39	20.5%	98	54	81.5%
	Building Permits Total	350	505	(30.7%)	715	899	(20.5%)
	Construction Value (\$ million)	266.1	269.8	(1.4%)	529.5	484.7	9.2%
7)	Housing Starts (Units)	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
	Starts - Metro Vancouver	9,951	5,698	74.6%	15,723	12,562	25.2%
	Starts - Richmond	1,760	753	133.7%	1,902	1,413	34.6%
8)	Richmond Residential Sales Activity	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
	Sales - Detached	213	234	(9.0%)	333	429	(22.4%)
	Sales - Townhouse	159	222	(28.4%)	243	416	(41.6%)
	Sales - Apartment	340	516	(34.1%)	589	965	(39.0%)
	Sales Total/Average Change	712	972	(26.7%)	1,165	1,810	(35.6%)

Economic Indicators**June 30, 2019****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings Ratio (%)**

	Q2-2019	Q2-2018	Change
Single Family Detached	6.3	9.2	(31.5%)
Townhouse	9.7	26.6	(63.5%)
Apartment	12.5	36.8	(66.0%)

10) Average Days on Market

Property Type	Richmond			Metro Vancouver		
	Q2-2019	Q2-2018**	Change	Q2-2019	Q2-2018**	Change
Single Family Detached	51	46	10.9%	48	38	26.3%
Townhouse	38	31	22.6%	34	23	47.8%
Apartment	43	23	87.0%	34	19	78.9%

11) Home Price Index (\$000 at QE)

Property Type	Richmond			Metro Vancouver		
	Q2-2019	Q2-2018	Change	Q2-2019	Q2-2018	Change
Single Family Detached	1,485	1,649	(9.9%)	1,424	1,598	(10.9%)
Townhouse	779	855	(8.8%)	775	860	(9.9%)
Apartment	629	684	(8.0%)	655	704	(7.0%)

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q2-2019	Q2-2018	Change	Q2-2019	Q2-2018	Change
Office Vacancy (%)	7.8	9.0	(13.3%)	3.7	4.9	(24.5%)
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,517	4,419	2.2%	59,678	58,243	2.5%
Industrial Vacancy (%)	1.8	3.1	(41.9%)	1.7	2.2	(22.7%)
Industrial Inventory (000 sf)	38,877	38,539	0.9%	211,126	207,097	1.9%

13) Richmond Business Growth

	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Total Valid Business Licences (at QE)	n/a	n/a	n/a	14,737	14,368	2.6%
New Licences - Number Issued	611	529	15.5%	1,070*	982	9.0%
New Licences - Employees	2,281	1,747	30.6%	3,846	3,556	8.2%
New Licences - Office Added (sf)	151,327	137,396	10.1%	273,711	296,656	(7.7%)
New Licences - Retail Added (sf)	91,977	73,035	25.9%	189,681	129,665	46.3%
New Licences - Industrial Added (sf)	261,708	208,990	25.2%	405,301	538,743	(24.8%)
Total Space Added (sf)/Avg. Change	505,012	419,421	20.4%	868,693	965,064	(10.0%)

Economic Indicators**June 30, 2019****Regional and Local Market Indicators (continued)**

14) Goods & People Movement	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
YVR Air Cargo (tonnes)	76,601	85,062*	(9.9%)	146,884*	157,120*	(6.5%)
PMV Container Movement (TEUs)	852,336	836,224	1.9%	1,695,375	1,637,441	3.5%
YVR Passengers (million)	6.7	6.5	3.1%	12.7	12.3*	3.3%
Richmond Hotel Revenue (\$ million)***	38.9	38.1**	2.1%	86.4	84.2**	2.6%

Notes:

- a) QE indicates quarter end
- b) f - forecast to year-end
- c) * - Figures have been updated to reflect changes in source data.
- d) ** - Figures have been updated for comparability.
- e) *** - Hotel revenue for 2018 and 2019 Q2 excludes June figures for comparative purposes. The three month of Q2 2018 hotel revenue was \$65.4M and the first six month of 2018 was \$111.5M.

List of Sources:

- 1) International Monetary Fund, World Economic Outlook (July 2019)
- 2) & 3) US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (June 2019)
- 4) & 5) Statistics Canada
- 6) City of Richmond Building Permits
- 7) Canada Mortgage and Housing Corporation
- 8), 9) 10) & 11) Real Estate Board of Greater Vancouver
- 12) Cushman & Wakefield Office and Industrial Market Beat Reports
- 13) City of Richmond Business Licences
- 14) Port of Vancouver Monthly Cargo Statistics
YVR monthly statistics
City of Richmond Additional Hotel Room Tax Ledger, Destination BC

Financial and Key Indicators**June 30, 2019**

(All dollar amounts in \$000's)

1) Development Cost Charges Contributions	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Roads, Water, Sewer DCC's Received	\$6,444	\$6,820	(5.5%)	\$17,348	\$11,337	53.0%
Parks DCC's Received	\$4,366	\$7,035	(37.9%)	\$9,997	\$12,632	(20.9%)
Total DCC Fees Received	\$10,810	\$13,855	(22.0%)	\$27,345	\$23,969	14.1%
DCC Reserves – Uncommitted balance at QE	\$116,778	\$87,340	33.7%	n/a	n/a	n/a
2) Uncommitted Reserves (at QE)	Q2-2019	Q2-2018	Change			
Capital Funding Reserves	\$151,925	\$120,336	26.3%			
Utility Reserves	\$103,924	\$93,133	11.6%			
Affordable Housing Reserves	\$3,316	\$2,249	47.4%			
Other Reserves	\$84,291	\$65,170	29.3%			
Total Uncommitted Reserves	\$343,456	\$280,288	22.5%			
3) Taxes to date	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Taxes Collected	\$276,038	\$253,195	9.0%	\$287,205	\$263,517	9.0%
City Portion of Taxes Collected	\$135,259	\$124,065	9.0%	\$140,731	\$129,123	9.0%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$6,348	\$5,148	23.3%	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,308	6,248	1.0%	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$5,967	\$5,838	2.2%	\$14,826	\$14,542	2.0%
Interest rate % paid	1.95%	1.20%	62.5%	1.95%	1.20%	62.5%
<i>Sources: All data is from City of Richmond records</i>						
4) Cash and Investments	Q2-2019	Q2-2018	Change			
Investments	\$801,334	\$943,806	(15.1%)			
Cash (includes high interest savings accounts)	\$533,132	\$257,894	106.7%			
Total Cash and Investments	\$1,334,466	\$1,201,700	11.0%			
Average City Rate of Return on Investments %	2.50%	2.31%	8.2%			

Financial and Key Indicators**June 30, 2019**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Building Permit Fees Collected	\$1,857	\$2,568	(27.7%)	\$4,732	\$5,169	(8.5%)
Development Applications Received	44	62	(29.0%)	82	111	(26.1%)
Development Applications Fees	\$150	\$335	(55.2%)	\$344	\$568	(39.4%)
6) Business Licences	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Revenue Received for Current Year Licences	\$1,191	\$1,159	2.8%	\$3,128	\$3,009	4.0%
Revenue Received for Next Year (Deferred)	\$307	\$262	17.2%	\$367	\$352	4.3%
Total Licence Revenue	\$1,498	\$1,421	5.4%	\$3,495	\$3,361	4.0%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Parking Program Revenue	\$544	\$524	3.8%	\$1,076	\$974	10.5%
Gaming Revenue	\$3,702	\$4,389	(15.7%)	\$7,402	\$8,730	(15.2%)
Traffic Fine Revenue	\$1,926	\$1,985	(3.0%)	\$1,926	\$1,985	(3.0%)
8) Employees	Q2-2019	Q2-2018	Change			
Full Time Equivalent (FTE) Employees (at QE) (City and Library)	1,577	1,583	(0.4%)			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Fire Rescue Responses	2,326	2,433	(4.4%)	4,612	5,093	(9.4%)
RCMP - Calls for Service Handled	19,699	16,910	16.5%	38,032	32,191	18.1%
Public Works calls for Service	4,053	3,847	5.4%	7,181	7,054	1.8%

Financial and Key Indicators**June 30, 2019**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

10) Housing Units Secured Since 2007 (at QE)	Q2-2019	Q2-2018	Change
<u>Affordable Housing</u>			
Non-Market Rental (units)	529	449*	17.8%
Affordable Rental (LEMR**) (units)	798	510*	56.5%
ARTS Rental (units)	37	37	0.0%
Entry Level Home Ownership (units)	25	25*	0.0%
<u>Market Housing</u>			
Market Rental (units)	726	411	76.6%
Secondary Suite / Coach House (units)	287	269*	6.7%
Total Housing Units	2,402	1,701*	41.2%

* Figures have been updated to reflect changes in source data and methodology.

** LEMR units refer to Low End Market Rental units.

*** The floor space secured refers to square footage negotiated through phased developments. The number remains unchanged, as the development applications for subsequent phases have not come forward at this time with the unit breakdown and mix. LEMR units are still consistently secured through standard rezoning and development applications.

11) Richmond Population Estimate Year End	2019f	2018
	227,407	222,945
Population figures provided by City of Richmond – Policy Planning		

Notes:

- a) All figures presented above are unaudited
- b) f - forecast to year-end

Unaudited Statement of Operations¹

For the Six Month Period Ended June 30, 2019, with comparative figures for 2018.

(Expressed in thousands of dollars)

	Budget June 30 2019	Actuals June 30 2019	Actuals⁴ June 30 2018
Revenue:			
Taxes and levies	\$115,185	\$115,185	\$108,439
Utility fees	48,802	52,269	51,121
Sales of services	16,754	16,275	16,085
Payments-in-lieu of taxes	7,100	7,744	7,324
Provincial and federal grants	3,795	4,293	4,073
Development cost charges	12,456	9,765	8,048
Other capital funding sources	31,599	9,837	12,508
Other revenue:			
Investment income	10,807	11,210	9,789
Gaming revenue	8,250	7,402	8,730
Licences and permits	6,662	8,585	7,853
Other	4,487	35,792	17,329
Equity income	-	682	414
	265,897	279,039	251,713
Expenses:			
Community safety	56,281	50,924	48,596
Utilities: water, sewer and sanitation	47,535	44,697	42,902
Engineering, public works and project development	37,158	32,810	30,702
Community services	35,419	30,509	28,315
General government	32,510	30,458	27,206
Planning and development	8,485	7,944	6,856
Library services	6,010	5,306	5,010
	223,398	202,648	189,587
YTD Surplus (Annual Surplus) ²	42,499	76,391	62,126
Accumulated surplus, beginning of year	3,119,119	3,119,119	2,935,988
Accumulated surplus, end of June 30 ³	\$3,161,618	\$3,195,510	\$2,998,114

¹ Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company but excludes Oval results.

² Annual Surplus is the difference between revenues and expenses and reflects the change in the accumulated surplus on the Statement of Financial Position. Annual Surplus is prior to transfer to reserves and surplus appropriations. The revenues include capital contributions, development cost charges and other items that impact the investment in tangible capital assets within the accumulated surplus. The expenses include amortization which impacts the investment in tangible capital assets in accumulated surplus.

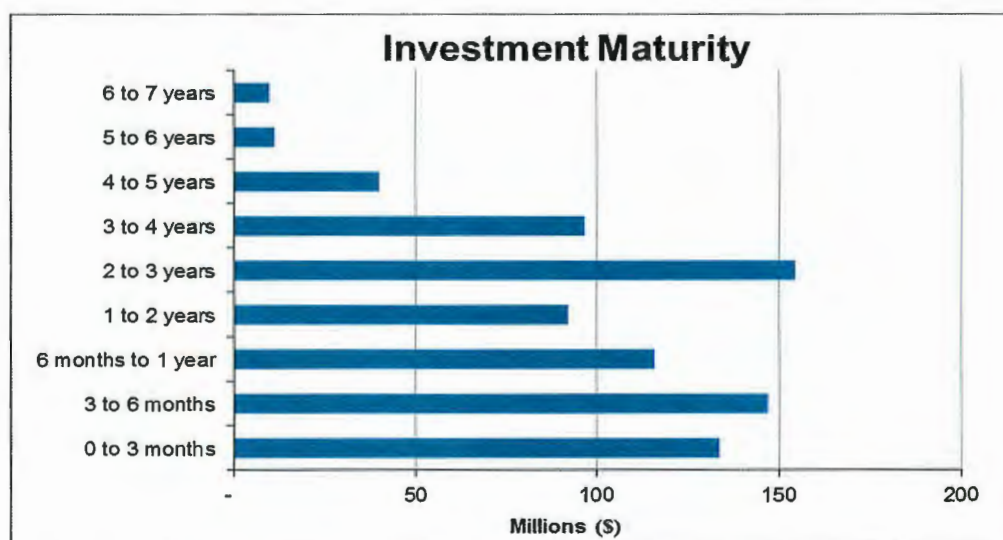
³ Accumulated surplus is equivalent to the net worth of an organization and is comprised of investment in tangible capital assets, reserves, appropriated surplus, general surplus and other equity.

⁴ Statement of Operation figures for 2018 were adjusted for comparative purposes.

Cash and Investment Portfolio

June 30, 2019 (in 000's)

Asset Class	DBRS Long Term Rating	Issuer	Term	Net Book Value	% of Total Portfolio	Investment Limit (% of Portfolio)
Provincial						
	AA (high)	Alberta	2019-2022	\$ 68,135	8.50%	
	A (high)	Manitoba	2021	22,494	2.81%	
	A (high)	Quebec	2022-2023	22,154	2.76%	
	AA (high)	British Columbia	2021	15,042	1.88%	
	AA (low)	Ontario	2024	11,199	1.40%	
	A (high)	Nova Scotia	2021	10,503	1.31%	
	A (high)	Saskatchewan	2019-2020	10,235	1.28%	
	A (high)	New Brunswick	2021	5,187	0.65%	
		Total		\$ 164,949	20.59%	50%
Chartered Banks						
	AA	Bank of Nova Scotia	2019-2022	\$ 119,890	14.96%	
	AA	Royal Bank	2019-2023	69,884	8.72%	
	AA	TD Bank	2019-2023	51,219	6.39%	
	AA (low)	National Bank of Canada	2019-2021	43,506	5.43%	
	A (high)	HSBC Bank of Canada	2021-2023	32,131	4.01%	
	AA	Bank of Montreal	2022-2025	29,955	3.74%	
	AA	CIBC	2019-2022	24,887	3.11%	
	A (low)	Canadian Western Bank	2019	23,982	2.99%	
		Total		\$ 395,454	49.35%	50%
BC Credit Unions						
BC Credit Unions		Vancity	2019-2020	\$ 72,204	9.01%	
BC Credit Unions		Gulf and Fraser	2019-2020	41,606	5.19%	
BC Credit Unions		Coast Capital Savings	2019	31,018	3.87%	
Federal Credit Union		Coast Capital Savings	2020	20,546	2.56%	
BC Credit Unions		Westminster Savings	2019	18,164	2.27%	
BC Credit Unions		Blue Shore Financial	2019	10,644	1.33%	
		Total		\$ 194,182	24.23%	30%
Pooled Investments						
		MFA Pooled Investment Fund		\$ 46,749	5.83%	20%
Total Investment Portfolio Balance				\$ 801,334	100.00%	
Cash Balance (includes high interest saving products with terms less than 90 days)				\$ 533,132		
Total Cash and Investment Balance				\$ 1,334,466		



Contract Awards greater than \$75,000April 1st to June 30th, 2019

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Provision of Producer and Production Services for Richmond Maritime Festival	Anigraph Productions Ltd.	124,293	Community Services
2	Rental of three (3) dump trucks and one (1) flat deck truck	The Driving Force	77,420	Engineering & Public Works
3	Tree Relocation at River Parkway Project	Tree Wisemen Landscaping Ltd.	138,400	Engineering & Public Works
4	Watermania Cooling Tower Replacement	ESC Automation	234,369	Engineering & Public Works
5	Consulting Services for Network Architecture and Project Management	Nettraffic Technologies Consulting Inc.	175,000	Finance & Corporate Services
6	2019 GIS Enterprise Licence Agreement Renewal	ESRI Canada Ltd.	172,500	Finance & Corporate Services
7	Library Cultural Centre (LCC) Mechanical Upgrade – Consulting Services for Detailed Design and Construction Administration	Williams Engineering Canada Inc.	85,550	Engineering & Public Works
8	On-Call Refrigeration Contractor	CIMCO Refrigeration	300,000	Engineering & Public Works
9	Cisco 8851 IP Phones and Licenses	Telus Communications Inc.	93,542	Finance & Corporate Services
10	Terra Nova Adventure Playground Tower Renewal: Design-Build Services	Kinsol Timber Systems Ltd.	134,086	Community Services
11	Pipe Relining at North side of Park Road	Mar-Tech Underground Services Ltd.	86,000	Engineering & Public Works
12	2019 Public Sector Maintenance Support Renewal (Hansen)	Infor Canada Ltd.	104,695	Finance & Corporate Services
13	Firefighter Candidate Assessment	BL Associates Corporate Psychologists Inc.	95,550	Community Safety
14	Supply and Installation of Test VXRail Server Environment	Turning Point Technologies	333,887	Finance & Corporate Services
15	Supply and Delivery of a Professional Audio System	Sapphire Sound Inc.	85,802	Engineering & Public Works
16	City Centre Community Police Office Tenant Improvement Project	Edifice Construction Inc.	4,705,500	Engineering & Public Works
17	Hugh Boyd Park - Synthetic Sports Surfacing Replacement	Astro Turf West Distributors Ltd.	1,499,000	Community Services

Contract Awards greater than \$75,000 (continued)April 1st to June 30th, 2019

Item	Description	Awarded Vendor	Awarded Amount	Division
18	Provision of Filmmaking Services About the History of Richmond	Lantern Films Inc.	147,000	Community Services
19	Minoru Park and Richmond Tennis Court Repair and Resurfacing	Tomko Sport Systems Inc	82,682	Community Services
20	On-Call Inspection, Maintenance and Installation of Tent Structures	Slip Tube Enterprises Ltd.	160,000	Engineering & Public Works
21	City Hall Annex Level 1 Renovations	Ashton Mechanical Ltd.	624,219	Engineering & Public Works
22	Sea Island Community Hall Envelope and East Exterior Stairs Replacement	Ashton Mechanical Ltd.	145,036	Engineering & Public Works
23	Annual Software Licence and Support Services	Tempest Development Group	103,962	Finance & Corporate Services
24	Gilley and Westminster Hwy Culvert Replacement	Fortis BC	83,585	Engineering & Public Works
25	Event Security Services	Genesis Security	92,577	Community Services
26	Lawn Bowling Turf Replacement	Marathon Surfaces Inc.	278,915	Community Services
27	Design Services for MPAC Tenant Improvement Project	O4 Architecture Ltd.	155,100	Engineering & Public Works
28	Gateway Theatre Upgrade	Kindred Construction Ltd.	5,491,683	Engineering & Public Works
29	Consultant Services for Detailed Design, Costing, Phasing and Construction Administration for Minoru Lakes Renewal	ISL Engineering and Land Services	394,259	Community Services
30	Provision of Structural Engineering Consulting Services for Replacement of City Bridges	McElhanney Consulting Services Ltd.	196,320	Engineering & Public Works
31	Delivery of Advanced Lifeguarding, Lifesaving & First Aid Instructional and Recertification Courses	LIT Aquatics Ltd.	229,000	Community Services
32	Tent Rentals and Supplies for City Events	Phoenix Tent Millennium Tents Cascade Tent Elite Tents	353,004	Community Services
33	CCTV Inspection Services	McRae's Environmental Services Ltd.	89,100	Engineering & Public Works
Total contracts awarded greater than \$75,000			\$17,072,036	