



City of Richmond

Report to Committee

To: Finance Committee

Date: January 28, 2010

From: Andrew Nazareth
General Manager, Business & Financial Services

File:

Re: 2010 Operating Budget

Staff Recommendation

That the 2010 Operating Budget with a net expenditure increase of \$5.10M and a corresponding 3.45% tax increase be approved and form the basis of the City's 5 Year Financial Plan (2010 – 2014).

Andrew Nazareth
General Manager, Business & Financial Services
(604-276-4095)

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

Staff Report

Origin

At the January 18, 2010 Special Council meeting, Council passed the following motion:

"That the 2010 Operating Budget be referred back to staff."

Subsection 165(1) of the Community Charter requires the City to adopt a Five Year Financial Plan (5YFP) Bylaw on or before May 15th of each year. The 2010 Operating Budget (the "Budget") as presented in this report forms the basis of the City's 5YFP.

Analysis

The 2010 Operating Budget and the 2010-2104 5-Year Financial Plan (5YFP) was presented to Committee on December 21, 2009. Subsequently, the City received its fourth quarter gaming revenue which was approximately \$3.1M. The total gaming revenues for 2009 amounted to approximately \$11.8M which is \$0.8M more than budgeted, (2008 gaming revenue-\$12.2M). The surplus gaming revenue will be transferred to the City's gaming revenue provision account. Due to the positive results from the local casino, staff will increase the forecasted 2010 budgeted gaming revenues by \$1.0M from \$10.0M to \$11.0M and increase the budgeted transfer to reserves by the same amount. This amendment will have no tax impact.

During the preparation of the City's operating budget in July 2009, staff were in discussion with other municipalities in the lower mainland exchanging information and benchmarking. The information received indicated that all municipalities were facing significant decreases in building permit revenues, lower growth and an increase in salary budgets due to the negotiated collective agreements. Some of the municipalities that have approved their budgets include;

- Vancouver 2.26% (re-distribution- residential 4.26%, business 0.26%)
- Burnaby 3.95%
- Surrey 5.10%
- Coquitlam 4.96%

City of Richmond's Budget Reduction Strategy

In order to offset the net increase in 2010 expenditures, the following budget reduction strategy was implemented to reduce the overall net expenditures:

- Increase in user fees of \$0.16M as a result of increased parking rates and fines;
- Reduction in computer hardware and software budget of \$0.20M;
- The phasing in of the 2010 Council approved capital projects OBI (\$0.51M) over three years. This will result in a net increase of \$0.17M in 2010;
- Delayed replacements (gap funding), resulting in a reduction of \$0.75M to overall City salaries and benefits; and
- Funding the temporary decline in permits and development from general surplus in the amount of \$1.2M (rate stabilization).

The following table illustrates the above budget reduction strategy, which is an overall net expenditure increase of \$5.10M over 2009 or a general tax levy of 3.45%.

Budget Reduction Strategy (000's):		Tax Impact
Net Increase in 2010 expenditures	\$7,759	5.25%
Increase in parking rates and fines	(163)	(0.11%)
Reduce computer hardware and software	(200)	(0.14%)
Phase in OBI over three years	(344)	(0.23%)
Delayed replacement (Gap Funding)	(750)	(0.51%)
Fund temporary decline in permits & development	(1,200)	(0.81%)
Total Budget Reduction	(\$2,657)	(1.80%)
Net Increase after budget reduction strategy	\$5,102	3.45%

The breakdown of the increase between the City and the RCMP is as follows:

		Tax Impact
Net Increase in 2010 Civic expenditures	\$3,174	2.15%
Net Increase in 2010 RCMP expenditures	1,928	1.30%
Total	\$5,102	3.45%

2010 Operating Budget Corporate Summary (Net Expenditures) (In 000's)			
Department	2009 Adjusted Budget Bylaw	2010 Proposed Budget	Year over Year Change
Law & Community Safety	\$ 62,861	\$ 65,465	\$ 2,604
Parks & Recreation	22,425	23,469	1,044
Community Services	13,751	14,390	639
Engineering & Public Works	17,988	18,787	799
Business & Financial Services	2,430	2,704	274
Planning & Development	5,091	7,009	1,918
Corporate Services	13,212	14,045	833
Corporate Administration	3,426	3,532	106
Project Development and Facilities	7,492	7,783	291
Fiscal	(158,320)	(160,744)	(2,424)
Transfer to Reserves	9,644	9,644	-
2009 Net Expenditures/Tax Impact (Before Tax Growth and Additional Expenditures)	-	6,084	6,084
2009 Tax Growth			(1,800)
2009 Net Expenditures before Additional Expenditures			4,284
Oval Funding			650
Operating Budget Impact of Capital Expenditures			168
2009 Net Expenditures			\$ 5,102

Financial Impact

The 2010 Operating Base Budget results in an increase of \$5.10M in net expenditures.

The gaming revenue account and transfer to reserves will be increased by \$1.0M, which will have no tax impact.

Conclusion

Staff recommend that Council adopt the 2010 Operating Budget net expenditure increase of \$5.10M, which amounts to an average tax increase of \$38.47 for an average residential home assessed at \$520,086.



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