



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Business and Financial
Services
Re: 2011 Surplus Appropriation

Date: April 26, 2012

File:

Staff Recommendation

That the December 31, 2011 surplus of \$4.556 million be appropriated as outlined in the attached report.

Andrew Nazareth
General Manager Business and Financial Services Department
(4046)

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

Staff Report

Origin

For the year ended December 31, 2011, the City of Richmond had an operating surplus of \$4.556 million. This amount, which excludes the operations of the Library and the Oval, is due primarily to the following:

- Higher than budgeted building permit revenues and servicing agreement fees in Planning and Development.
- Increased revenues in Roads and Storm and Engineering.
- Lower than budgeted costs in both the RCMP and Fire Rescue due to unfilled positions and lower than expected contract and operational costs.
- Lower than budgeted costs in other Departments due to vacant positions and cost savings due to the CAO's cost containment initiative that took place since September 2011 in freezing all of the City's discretionary expenses.

Pursuant to the Community Charter (the Charter), the City prepares on an annual basis, a balanced operating budget (budget). In addition the Charter expressly prohibits the City from making an expenditure unless it is included for that year in its financial plan. Therefore conservatism is encouraged in preparing the budget and the City might realise a surplus due to favourable revenues and costs at the end of each fiscal year.

Analysis

For 2011 there are 18 one time expenditure requests totalling \$6.7M. The Corporate Directors Group prioritized the submissions and TAG provided the final review, recommendations and ranking for Council's consideration.

If any appropriations are approved by Council, the respective expenditure will be included in the upcoming amendment to the City's 5 Year Financial Plan. There is no tax impact to the approval of any of the proposed expenditures provided they are funded from the 2011 surplus.

The following provides a brief description of all one-time expenditure requests from departments with recommendations provided by TAG. Council may change any of the recommendations or may choose to address other one-time funding needs, which are not contained in this section.

2011 One Time Expenditure Requests				
Ref	Requested By	Description	Total Amt Req'd \$	TAG recommendation \$
1	Law Community Safety/RCMP	2012 Retroactive Pay Increase The anticipated 2012 retroactive pay increase was removed from the 2012 budget to assist in achieving the over-all tax increase. This may leave the City with a need to find between \$0.712M to \$1.29m, depending on the final results of the court case and the anticipated RCMP wage settlement.	1,289,053	1,289,053
2	Project Development & Facility Unit Admin	Hollybridge Lease - City Hall North Funding request for 9 month lease (Jan1-Sep30, 2012). Currently on month to month arrangement on an overhold basis. \$8,854.17 + \$1,062.50 HST = \$9,917.67 per month.	89,259	89,259
3	Fire Administration	The Fire-Rescue Equipment and Vehicle Reserve These funds will ensure funding for future vehicle and equipment replacement. The Fire-Rescue Equipment and Vehicle Reserve requires additional funding to ensure sustainable vehicle and equipment replacement. Based upon the current replacement plan the reserve would be depleted in 2016.	800,000	400,000
4	Library Technical Service	Chinese Language Library Donation In summer 2011 the library received a very substantial donation of books from Dr. and Mrs. Lee, long time supporters of the library. The donation consists of approximately 46,000 Chinese language books valued at just under \$1.2 million. Subject matters include Chinese art; a wide selection of Chinese classics, literature, economics, philosophy, psychology, law and religion; and classics of world literature which have been translated into Chinese. The evaluator described it as "one of the most important Canadian cultural and literary legacies that I am aware of, and with respect to Chinese culture it ranks among the finest." Funding is for inventorying and preparation of materials for integration into the library's regular collection. The inventory will also be the basis for engaging the community in a major fundraising effort to ensure ongoing support for the collection. This collection will help establish Richmond as a cultural destination.	203,320	100,000
5	Finance	New Mandatory Regulations -Contaminated Sites The Public Sector Accounting Board (PSAB) has recently required all local governments to report a liability associated with the remediation of contaminated sites starting from 2014. The funding request is to hire a consultant for the implementation of the report requirement by assessing the contaminated sites with the environmental specialists, performing risk analysis and documenting the remediation estimates.	250,000	250,000
6	Project Development & Facility Unit Admin	Funding for Infrastructure In the June 30, 2011 report to Public Works and Transportation Committee staff recommended an increase in funding to address replacement of failing infrastructure. The funding gap of 4.0M annually was to be closed over the next seven years and the \$750K was to be the first step in closing the gap. The status of the 2012 program this year is as follows. As of May 31 (41% into the year), 76% of the \$1.925M infrastructure replacement budget has been spent leaving \$460,933 for the rest of the year. The additional \$750k of funding for 2012 will provide additional funding required for the balance of the year.	750,000	275,000

2011 One Time Expenditure Requests				
Ref	Requested By	Description	Total Amt Req'd \$	TAG recommendation \$
7	Recreation Services	<p>Processes & Controls- Community Associations Funding is requested to cover the one-time cost to engage a consultant to; i) update the Community Association's cash handling procedures and processes, ii) develop specific cash handling procedures related to CLASS, iii) develop ongoing monitoring and reconciliation processes to ensure that appropriate financial checks and balances are in place, and iv) create and deliver a training program to implement and roll-out these new procedures to front-line staff and supervisors.</p>	100,000	100,000
8	Recreation and Community Services	<p>Consultant - Youth Strategy The recently endorsed 2011-2014 Council Term Goals identified the "development of an updated youth strategy to address the needs and to build on the assets of youth in the community." Funding is being requested to engage a consultant to review and update the 2008 - 2012 "Where Youth Thrive" Youth Strategy. Preparation of the updated Strategy would be a joint initiative of the Parks and Recreation and Community Services Departments.</p>	30,000	30,000
9	Arts, Culture & Heritage	<p>Lansdowne Greenway Art Project Lansdowne Road has been designated in the CCAP as a major east/west street connecting the Olympic Oval to the Garden City Lands. It will be a wide, safe and well lit "street of art", a ceremonial/parade route incorporating a 10 metre wide linear park and a 10 acre linear park. To date, there is no overall plan and functional design for the street, building face to building face, including the street and sidewalk designs, park and street planting plans, street furniture and art installation opportunities. As development is occurring at an unanticipated rate interim designs per property are being developed however major opportunities are going to be lost and the risk of a very mediocre piecemeal product likely if there is not an ultimate design in place to guide these development projects. This project will fast track the creation of proper coordinated designs, details and implementation plans as well as a transition plan that contributes to the ultimate completed street. This will enable the City to get significantly more done, at lesser cost, more quickly, and provide a superior product.</p>	150,000	150,000
10	Sustainability	<p>Consultant Fees for Pre-Design Assessments In order to ensure that potential energy management projects are well developed and designed, which allows for a thorough assessment of the cost/benefit to the City and for the opportunity to take advantage of external funding, pre-design assessments are needed to be completed over a year in advance of project implementation. This request is to fund between five and eight pre-design assessments for energy management projects; to be completed by May 2013. Once pre-design work is completed, the projects with the strongest business case (i.e. best payback performance) or the projects with a high demonstration value for the community will be submitted for capital consideration in 2013. If submitted projects are successful in receiving capital funding, the pre-design work will be capitalized in the capital budget. Currently the Energy Management Program does not have a consistent source of funding to support this needed work.</p>	85,000	85,000

2011 One Time Expenditure Requests				
Ref	Requested By	Description	Total Amt Req'd \$	TAG recommendation \$
11	Social Planning	<p>Child Care Non-Capital Grants On April 10, 2012, Council resolved to introduce and give first, second and third reading to a Child Care Operating Reserve Fund Establishment Bylaw. One of the purposes of the fund is to provide grants to non-profit societies to support child care professional and program development within the City, as recommended by the Child Care Development Advisory Committee. As the Bylaw has not yet been adopted, and it will take time for developer contributions to accumulate in the Fund, a one-time funding source is needed to offer non-capital child care grants in 2012.</p>	20,000	20,000
12	TAG	<p>2013 Capital Program In order to accommodate various capital requests that do not have specific funding available, staff propose that the current general program be increased for 2013 . Council will review and approve the projects as part of the 2013 capital budget. This step provides additional funding towards the 2013 capital program.</p>	2,000,000	1,767,688
13	Arts, Culture & Heritage	<p>Major Events Provision Fund Request for \$250,000 to replenish the Major Events Provision Fund for monies expended for Hockey Day in Canada, Ships to Shore 2012 and Maritime Festival 2012. Council Term Goals envision a city that is "vibrant and cultural". While the City has become well known for a variety of City-produced festivals and events, without a dedicated funding source there is a lack of ability to engage in long-term planning for Council-approved festivals and events.</p>	250,000	-
14	Budgets	<p>City's Budget System Providing reliable, accurate and quality financial reporting is a key requirement for the City. The City requires a new module in order to reduce staff time and to ensure the continual support and operational ability of the budgeting system. The new system will increase the capacity, enhance the interface in PeopleSoft and improve the security of the system as the City's operating budget is growing. The system will streamline the budget process and require less data manipulation. The funding request is for the first phase of the system acquisition.</p>	250,000	-
15	Fire Administration	<p>Mobile Community Safety Education Unit The educational program provided by RFR to children and adults on how to remain safe during kitchen fires, structural fires, evacuations and dealing with life threatening situations like floods, earthquakes etc. The current Fire Safety House Public Education Unit has reached the end of it useful life and technological advances in a new unit would enhance the level of education previously provided. Potential sponsorship is currently being investigated. If achieved funds would be returned to surplus.</p>	135,000	-
16	Sustainability	<p>Consultant Fees for Policy Development The Council adopted energy and climate change targets include a 33% community-wide GHG emission reduction from 2007 levels by 2020 and a 10% community-wide energy use reduction from 2007 levels by 2020. Consultant services are required for staff to engage the public and evaluate, develop and implement energy management policies such as home energy retrofits financed through property taxes; Pay-As-You-Save (energy) programs; and new construction specific energy performance requirements to name a few.</p>	50,000	-

2011 One Time Expenditure Requests				
Ref	Requested By	Description	Total Amt Req'd \$	TAG recommendation \$
17	Parks Operations	Funding- Re-Design and Re-Development of Designated Landscapes Many of the landscape elements throughout the City have become labor intensive to maintain, as a result of the new "no pesticide" bylaw, that they are no longer sustainable. Without the use of pesticides, maintaining the landscape elements to the current standard is no longer economically feasible. In order to reflect the need for more sustainable landscapes which continue to show color and beautify the City, but are resistant to disease and require less intensive maintenance, we need to re-design and replace many of these displays. Funding is requested for the re-design and re-development of designated landscapes to more sustainable and easily maintained elements.	100,000	-
18	Arts, Culture & Heritage	Salmon Row 2013 This site-specific play was commissioned to tell the story of the development of the Steveston waterfront and the stories of the diverse labor force from the mid 1800's to the forced internment of the Japanese community beginning in 1941. The play ran to sold out audiences over a 9 night run at Britannia Heritage Shipyard site and employed many actors, musicians, dancers and production technicians, many of whom were Richmond residents. An estimated \$200,000 is required to mount a 10 day run in 2013 with two weeks of rehearsal. Any sponsorship funding would go to reducing the amount requested.	200,000	-
TOTAL			6,751,632	4,556,000

Financial Impact

For the year ended December 31, 2011, the City of Richmond had an operating surplus of \$4.556 million and staff recommend that this surplus be appropriated to meet some of the one time expenditure requests. Any resulting ongoing budget impacts will be identified as part of the 2013 budget process.

Conclusion

Staff recommend that the 2011 surplus of \$4.556 million be appropriated towards one-time expenditure requests for items (1) to (12).



Jerry Chong
 Director of Finance
 (4064)