



City of Richmond

Report to Committee

To: Finance Committee

From: Jerry Chong,
Director Finance, Finance and Corporate Services

Re: 2013 Operating Budget


Date: October 18, 2012

File:

Staff Recommendations

That:

1. The 2013 Operating Budget as presented in the attached report from Director of Finance be approved.
2. Ongoing additional levels for a total of \$400,000 be approved.
3. The 5 Year Financial Plan (2013-2017) be prepared for presentation to Council incorporating the 2013 Operating Budget



Jerry Chong, CA
Director, Finance

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER <i>[Signature]</i> FOR A. NAZARETH	
REVIEWED BY SMT SUBCOMMITTEE	INITIALS: <i>AE</i>
REVIEWED BY CAO <i>yes</i>	INITIALS: <i>GT</i>

Origin

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 2013 Operating Budget as presented in this report forms the basis of the City's 5YFP. Under the Community Charter, the City is prohibited from incurring any expenditure unless the expenditures have been included for that year in its financial plan, and the City is required to provide a balanced budget, with no projection of a deficit.

The proposed 2013 Operating Budget ("Budget") has been prepared using the principles of Council's Long Term Financial Management Strategy (LTFMS) (Policy 3707), which was originally adopted in 2003, *"Tax increases will be at Vancouver CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1% towards infrastructure replacement needs."*

2013 marks the 10th anniversary of Council's adoption of the Long Term Financial Management Strategy. The LTFMS has provided taxpayers with the financial security of being able to expect consistent modest year-to-year tax increases that closely reflect regional increases in the Consumer Price Index (CPI). The rigour that has been applied in limiting tax increases has ensured that Richmond property taxes remain among the lowest in the region.

During the last 10 years, the City has made significant strides in improving its financial health. The City's financial reserves were shrinking in 2002 and were insufficient to meet our future needs for infrastructure replacement. However, the City's reserve balances have increased as there have been additional transfers to reserves post LTFMS implementation. During the same period, the financial strength provided by these initiatives allowed the City to significantly expand its infrastructure base.

Council's policies and LTFMS have allowed the City to weather several years of global economic instability, including fluctuations in the City's development-related revenues, with minimal service level impacts to the community. In summary, Council's LTFMS has ensured that Richmond residents receive an enviable level of service and public amenities that also provide sound value for their cost.

Analysis

Staff was directed to bring forward a same level of service budget that met Council's policy, i.e. that any tax increase would not exceed Vancouver's CPI rate. In addition, 1% transfer to reserves was included that will be used towards infrastructure replacement.

Budget Challenges

There are a number of challenges in meeting the objectives outlined in the LTFMS for tax increases. The costs of providing programs while maintaining the same level of service has increased as the City and community grow. Municipal expenditures have increased at a rate that exceeds the Consumer Price Index (CPI) due to a number of non-discretionary items such as policing contracts, asphalt capping, and materials. A significant portion of City revenue will not increase at the same rate as expenditures. The combination of these factors results in a challenging budget process, and staff looked for efficiencies and innovative ways to deliver services. Attachment 1 highlights the current environmental scan that impacts the City, its operations and the budget.

To address some of these challenges, the CAO with Council approval undertook a corporate reorganization that created additional savings and efficiencies, and that would allow the City to focus on compliance with policies and greater efficiencies. In addition, the City undergoes a continuous review of its programs and services in order to identify further efficiencies, service improvement and cost reductions. These resulting changes will include streamlining business processes, use of alternative service delivery and the increased use of technology.

Background

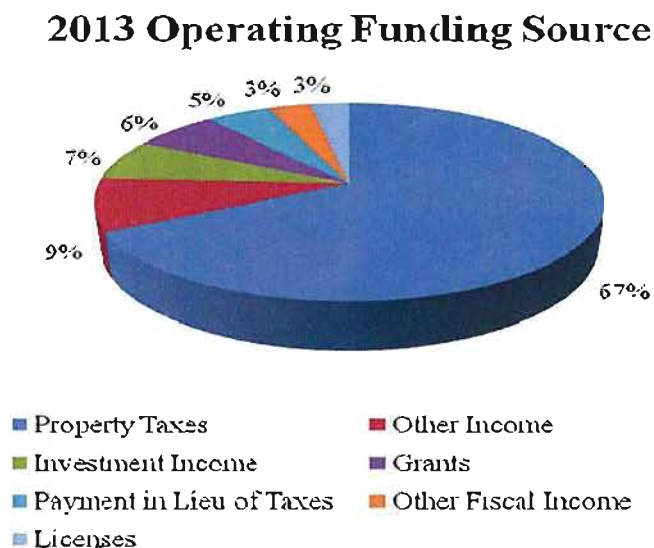
The City was not immune to the recession that occurred over the last few years and as a result revenues were negatively impacted. Revenues have subsequently recovered to pre-recession levels. However in 2009 Council was required to make difficult decisions to balance the budget. These decisions included reductions in exempt and unionized staff, which resulted in reductions of service levels for City services such as street sweeping, building permit inspections, tax clerks, parks and boulevard plantings and business liaison. In addition, it was decided to delay filling some of the vacant positions as part of the budget reduction strategies. As a result of these prudent decisions, Council delivered an Operating Budget including additional levels of service and infrastructure replacement funding with a tax increase of 3.45% in 2010, 2.94% in 2011 and 2.98% in 2012.

2013 City Funding Sources

As indicated in Chart 1, property tax, which represents the largest share of the revenue, amounts to 67% or \$175.3 million of the City’s operating budget. Payment in lieu of taxes, gaming revenue, investment income, licenses and user fees account for the remaining 33%.

There is limited opportunity to increase the other revenues other than the current practice of increasing user fees by CPI. City staff manage these challenges through cost containment, and implementing various efficiency initiatives in order to comply with the direction of the LTFMS and the Budget Policy.

Chart 1 – 2013 Operating Funding Source



2013 Budget process

Council’s policy 3016 requires that a same service level budget be prepared, including only non-discretionary increases that can be clearly identified and support efficiency. Therefore the 2012 service levels form the basis of the 2013 base budget. In addition City Staff reviewed operations for efficiencies, and made reductions where possible to achieve Council policy.

Chart 2 illustrates the 2013 budget process:

Chart 2 – 2013 Budget Process



2013 Budget Assumptions

Pursuant to Council’s Budget Preparation policy, only the verifiable non-discretionary rate increases or pre-committed non-discretionary cost increases that support efficiency are included in the 2013 budget. The following preliminary assumptions have been used and are based upon the information available at the time:

Table 1: 2013 Budget Assumptions

Key Financial Drivers / Indicators	Preliminary 2013 Budget Assumptions
Consumer Price Index(CPI) annual average forecast 2013 ¹	2.00%
Municipal Price Index (MPI) ²	3.00%
Electricity ³	3.00%
Natural Gas ⁴	3.00%
RCMP Contract Increase ⁵	4.00%
Increase in User fees ⁶	2.00%
Return on Investment ⁷	2.00%
Growth (Tax Base) ⁸	1.30%

Source: ¹TD Quarterly Economic Forecast Sep 18, 2012; ²City of Richmond; ³BC Hydro estimate; ⁴Fortis BC Estimate; ⁵Federal Government; ⁶Council Approved; ⁷Treasury Department Estimate; ⁸BC Assessment Authority

2013 proposed Budget

For the 2013 budget year, staff recommend a tax increase of 1.39% for the same level of service, plus a 1% transfer to reserves for future corporate facilities and community infrastructure demands in order to meet Council's LTFMS policy. In addition, 0.36% has been included for the operating budget impact (OBI) of the Council approved 2013 capital projects. A further 0.23% is recommended for additional levels of service (i.e. Child Care Coordinator and transfer for fire equipment reserve). The total increase tax increase is therefore the same as in 2011 at 2.98%.

Trend of tax increases

Table 2 represents the total City's operating budget and the tax increase from 2010 to 2013.

Table 2: City's Operating Budget 2010-2013

Millions (\$)	2010*	2011	2012	2013 ¹
City Operating Budget(\$)	243.7	304.0	308.9	315.5
Base level increase ¹ (%)	3.34	2.62	1.70	1.39
Transfer to reserves ¹ (%)	0.00	0.00	1.00	1.00
OBI ² (%)	0.11	0.32	0.16	0.36
Additional level (%)	0.00	0.00	0.12	0.23
Total Tax Increase (%)	3.45	2.94	2.98	2.98

¹ Subject to Council approval

² Includes the operating budget impact (OBI) as a result of the capital projects

*Does not include amortization expense(non-cash)

These tax increases were amongst the lowest in the Lower Mainland. As seen in Chart 3, the tax increases in the last 5 years has been generally on average lower than the comparative cities.

Chart 3 – Annual Metro Vancouver Tax Increase (2008 – 2012)

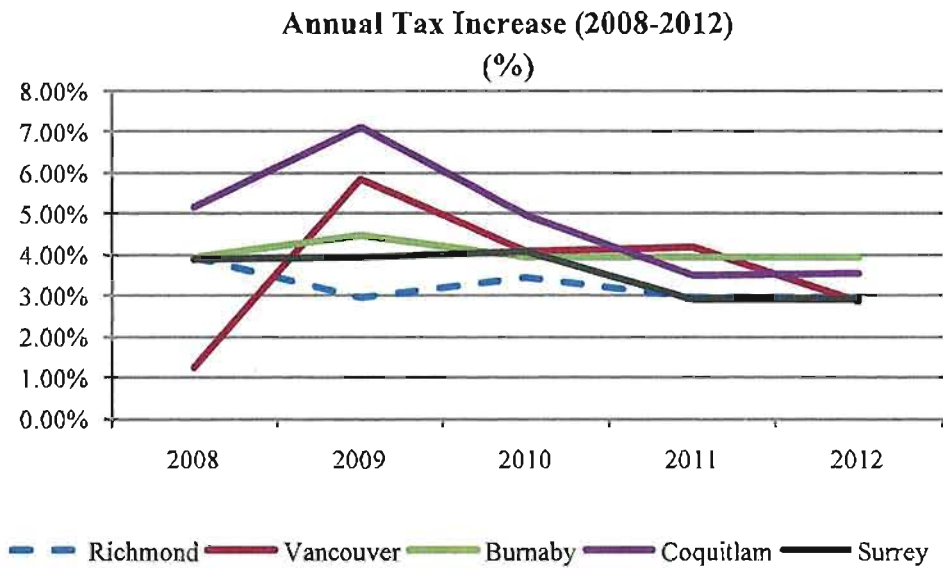
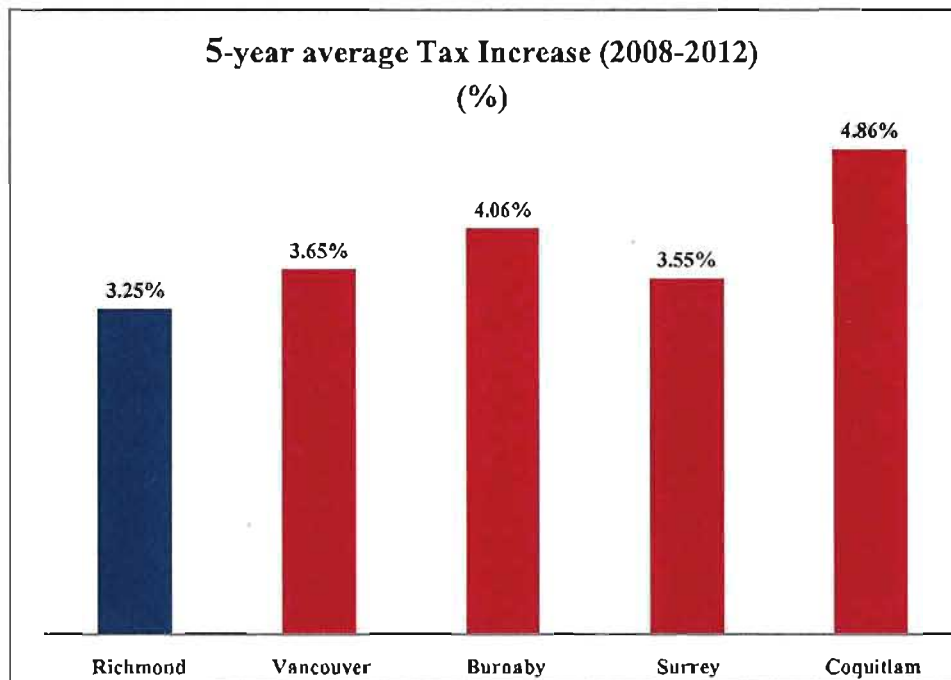


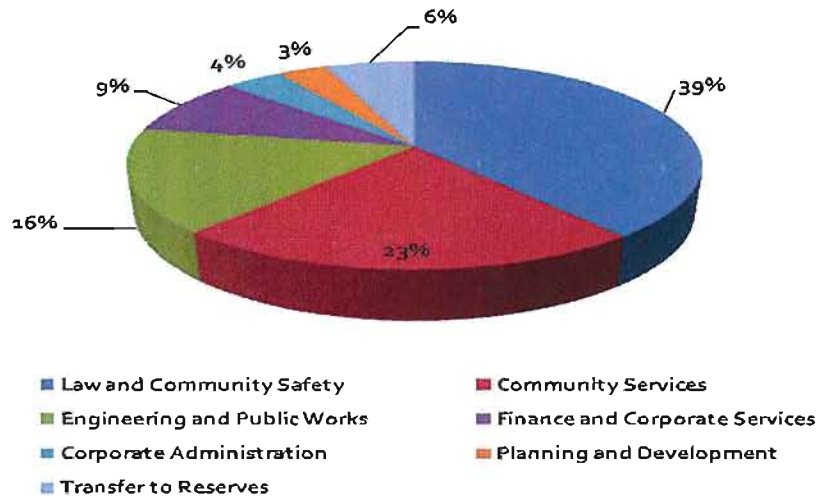
Chart 4 – 5-year Average Metro Vancouver Tax Increase (2008-2012)



2013 Operating Budget by Department

The following Chart 5 and Table 3 present the 2013 departmental breakdown of the net increase of \$3.9 million and the comparative budget respectively:

Chart 5 – 2013 Proposed Operating Budget by Department (Excluding Fiscal)



Council’s policy 3016 requires that the City’s 2013 budget prepared for Council review is for the same service levels as in 2012, and include only non-discretionary increases that can be clearly justified. In addition City staff reviewed operations for efficiencies, and made reductions where possible to achieve Council policy. As can be seen from the table below, staff’s oversight and review has resulted in a modest increase of 1.39%, which is well below Vancouver’s CPI that Council policy requires.

Table 3 – 2013 Comparative Budget by Department

Department	2012 Adjusted Net Budget (In 000s)	2013 Proposed Bylaw Budget (In 000s)	Change \$ (In 000s)	Change %	Tax Impact
Law and Community Safety	70,683	72,945	2,262	3.20%	1.34%
Community Services	41,732	42,302	570	1.37%	0.34%
Engineering and Public Works	29,345	29,960	615	2.10%	0.37%
Finance and Corporate Services	16,510	16,631	121	0.74%	0.07%
Corporate Administration	7,154	7,233	79	1.11%	0.05%
Planning and Development	6,016	6,049	33	0.55%	0.02%
Fiscal	(181,098)	(180,850)	248	0.14%	0.15%
Transfer to Reserves	9,658	9,658	-	0.00%	0.00%
Proposed Budget Net Increase	0	3,928	3,928		2.34%
Estimated Growth			(1,600)		(0.95%)
Same Level of Service			2,328		1.39%

2013 Non-Discretionary Cost Drivers

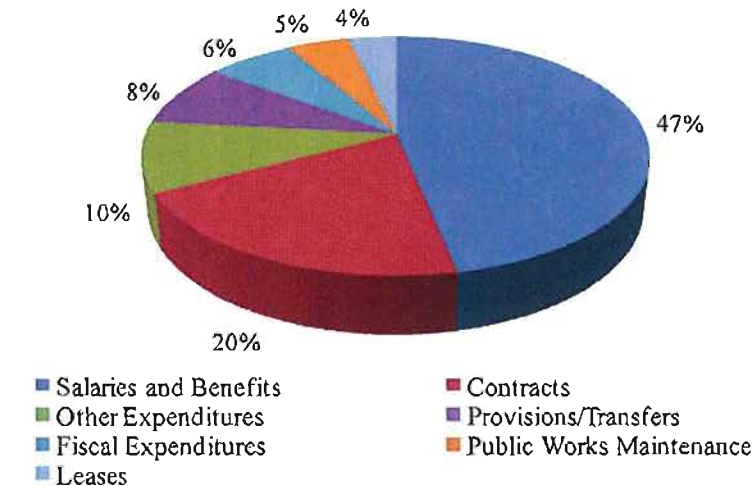
The base budget has been prepared using existing programs and service levels in order to maintain the current standard services provided to the community. This budget contains the projected cost increases to labour, contracts, fuel, energy costs and is offset by expected increased revenues from growth and various user fees. In addition to the costs for providing the same level of service, the 2013 Operating Budget contains the operating budget impact (OBI) as a result of capital construction, and an additional 1% increase for transfer to reserves for future facilities and community infrastructure demands. The significant non-discretionary drivers that impact the City are:

Table 4: Main Cost Drivers:

Main Cost Drivers	\$000's	% Tax Impact
Salary Increase Estimate	2,020	1.20%
Policing Contracts	1,433	0.85%
Vehicle related – Fuel /Insurance	237	0.14%
Asphalt Capping	169	0.10%
ECOMM (Police and Fire)	112	0.07%
Electricity / Natural Gas	40	0.02%
Increase in Business License revenues	(60)	(0.03%)
Increase in Building Permit revenue	(63)	(0.04%)
Other (Other revenues increase and expense increase/decrease)	40	0.02%
Total Before Growth, 2013 OBI, Additional Transfer to Reserve and Additional Levels	3,928	2.34%

Chart 6 - 2013 Operating Budget By Type

2013 Operating Budget Expenditures



Source: City of Richmond

Salaries

As illustrated in Chart 6, 47% of the increased expenditures is related to salaries. Salary increases for all employee groups have been estimated based on information currently available. Contract negotiations are ongoing with CUPE 718 and 394. Negotiations are also ongoing for International Association of Fire Fighters (IAFF) 1286 (for 2013 onwards).

Other non-discretionary cost drivers

In 2013, other non discretionary cost drivers include increases that pertain to policing and ECOMM contracts. Another major cost driver is the monthly leases and vehicle charges resulting from higher fuel and insurance costs.

The preliminary budget assumptions from BC Hydro and Fortis BC for electricity and natural gas are approximately 3%. However, the actual energy budget in 2013 increase is only at 1% partially due to the increase in energy efficiencies through various energy retrofit projects managed by the Sustainability unit and other departments.

The proposed same level of service tax increase for 2013 is 1.39%, or an additional \$2.33 million is required to balance the budget. Council's LTFMS policy directs that an additional 1% be added for transfer to reserves for future facilities and community infrastructure demands. Additionally, any ongoing costs or operating budget impact (OBI) associated with the Council approved 2013 capital projects of \$609K or 0.36% of tax impact will be included.

Attachment 2 summarizes the gross budget by department and Attachment 3 illustrates the 2013 \$1 tax breakdown by services.

Additional 1% Transfer to Reserves for Infrastructure Replacement

In 2003 Council adopted a strategic approach to the City's Finances and a Long Term Financial Management strategy was approved. This astute move resulted in a number of prudent measures to safeguard the City's Finances, which has led to the ability for Richmond to continue to experience modest tax increases, and continued growth at or above comparative cities despite the economic downturn.

One of those key measures adopted in the Long Term Management Strategy was a 1% transfer to reserves for future corporate facilities and community infrastructure. The additional 1% represents savings that will be used for funding future infrastructure and facilities such as pools, community centers, libraries and public safety buildings.

Table 5 – 2013 Operating Budget Summary with 1% Transfer to reserves for infrastructure replacement

Item	Amount (In \$000s)	Tax Impact %
2013 Net Increase for Same level of Service	\$ 2,328	1.39%
Additional 1% transfer to reserves for infrastructure replacement	\$ 1,682	1.00%
Same Level of Service after Additional 1% transfer to reserves for infrastructure replacement	\$4,010	2.39%

As a result of stringent budget measures, the total tax increase for the same level of service is 1.39%, which is below the projected 2013 Vancouver CPI. The additional 1% savings for future infrastructure and facilities adjusts the tax increase to 2.39 %.

2013 Operating Budget Impact (OBI) related to 2013 Capital Budget and increase in inventory

The total OBI relating to the proposed 2013 recommended projects as adopted in the 2013 Capital Budget report on November 13th, 2012 is \$1.6 million. Of this amount, \$993K is associated with utility projects and has been addressed through the 2013 Utility Budget process. The net impact of \$609K in OBI results in a property tax impact of 0.36%. Table 6 below presents the 2013 OBI by capital program:

Table 6: 2013 OBI by Capital Program

Program	Total OBI (In \$000s)	Tax Impact %
Major Building	253.5	0.15%
Roads	176.9	0.11%
Major Parks / Streetscapes	115.4	0.07%
Child Care Program	27.5	0.02%
Drainage	16.7	0.01%
Minor Public Works	5.8	0.00%
Public Art	10	0.00%
Minor Parks	3	0.00%
Total OBI	608.8	0.36%

Additional Level Requests

The additional level requests represent a permanent increase to programs or levels of service and is usually funded through increases to the tax rate. Attachment 4 shows the complete list of additional level requests submitted by staff and these items were all considered. For 2013, there are 2 additional level requests recommended by SMT totaling \$400K.

1. Additional Transfer to the Fire Vehicle Reserve - \$300,000

These funds will ensure funding for future fire vehicle and equipment replacement. The Fire equipment and Vehicle Reserve requires additional funding to ensure sustainable vehicle and equipment replacement.

2. Child Care Coordinator - \$100,000

The primary focus of this position will be to lead and implement City child care initiatives, with emphasis on the planning and development of City-owned child care facilities. At present (July, 2012), five City-owned child care facilities, negotiated through private rezoning, are in the planning or development process and more are pending.

The incumbent will coordinate work required to see these facilities through future rezoning. As well, the coordinator will be responsible for implementing the City's Child Care Development Policy and, as time permits, leading work on developing, augmenting and refining related policies and practices.

Table 7 shows the 2013 Operating Budget and the associated tax impact of the recommended additional level requests. The inclusion of these recommended additional levels would result in an overall tax rate of 3.00%.

Table 7: Ongoing Additional Level Requests

Items	Amount (In \$000s)	Tax Impact %
2013 Net Increase after OBI	\$ 4,619	2.75%
Additional Levels: Fire Vehicle Reserve	\$300	0.17%
Additional Levels: Child Care Coordinator	\$100	0.06%
Additional Level Total	\$400	0.23%
2013 Net Increase	\$5,019	2.98%

Financial Impact

The proposed 2013 Operating Budget results in an increase of \$2.33 million in net expenditures (1.39% tax increase) for the same level of service which translates to less than 1% (i.e. 0.73%) increase on a budget of \$315.5M. Also included is a 1% transfer to reserves for future facilities and community infrastructure demands and OBI of \$609K (0.36% tax increase) from the Council approved 2013 capital projects. Staff also recommend that the additional levels of \$400K (0.23%) be approved. The proposed 2013 Operating Budget results in overall net expenditures increasing by \$5.02 million (2.98%), which is the same tax increase as previous year.

Table 8: 2013 Summary of Tax Increase

Items	Amount (In \$000s)	Tax Impact %
2013 Operating Budget same level of service increase	\$ 2,328	1.39%
Additional 1% Transfer to Reserves	\$ 1,682	1.00%
2013 OBI related to 2013 Capital Budget	\$609	0.36%
Additional Level Requests	\$400	0.23%
2013 Net Increase	\$5,019	2.98%

Conclusion

Staff recommend that Council adopt the 2013 Operating Budget with a net expenditure increase of \$5.02 million or a tax impact of 2.98% and direct staff to prepare the 5 Year Financial Plan (2013-2017) incorporating these recommendations.



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NS:vl



Attachments

- | | |
|--------------------------------------|---------|
| 1. Environmental Scan | Page 13 |
| 2. Comparative Budget Summary | Page 20 |
| 3. Breakdown of \$1 of Municipal Tax | Page 21 |
| 4. Ongoing Additional Level requests | Page 22 |

2013 Operating Budget Environmental Scan

Environmental Scan

Trends and Outlooks

A number of major trends were reviewed to create the business plans and budgets, including: a growing population, environmental considerations and an aging and diverse population.

The City's services are not based on cost recovery. Services such as aquatics, arenas, community centers and libraries are priced to encourage participation. This makes budget preparation a challenging exercise and limits opportunities for revenue generation and cost containment. In addition, the City must provide for programs and services such as flood protection, dykes, drainage and the transportation network, where the available service level often exceeds actual day-to-day needs in order to ensure adequate capacity is in place at times of emergency or high demand.

Financial Overview

Although the City is currently in sound financial position, Richmond faces many of the same challenges other municipalities are encountering. These issues include a growing demand for infrastructure and services, along with increasing costs and community growth.

There are 5 key principles that are considered when preparing the budget:

1. **Sufficiency:** Ability to obtain the sufficient resources to provide planned service levels
2. **Flexibility:** Flexibility measures the City's ability to adapt to environmental changes

3. **Vitality:** Ability of the community to sustain the services
4. **Equity:** Distribution of the tax burden for funding of services
5. **Demand:** The need for services

1. Sufficiency

Ability to obtain the sufficient resources to provide planned service levels

Table 1: Economic indicators

Description	2008	2009	2010	2011	2012*
Real GDP (%)	0.3	-2.8	3.0	2.8	1.7
Employment (% Change)	2.0	-2.1	1.7	0.8	1.7
Unemployment(%)	4.6	7.7	7.6	7.5	7.0
Housing Starts # (000)	34.3	16.1	26.3	25.9	26.8
3-month T-Bill (%)	2.4	0.4	0.6	0.91	0.92
10-year T-Bill (%)	4.0	3.9	3.7	3.3	2.7

Source: Central 1 Sept, 2012 Issue

*Forecast 2012

Table 2: City Statistics

Description	2008	2009	2010	2011	2012*
Tax per capita (\$)	808	835	860	882	907
User fees per capita (\$)	469	500	537	557	587
Reserves per capita (\$)	1,446	1,414	1,255	1,383	1,400
Tax growth (%)	2.91	2.28	1.22	1.29	1.47
Building permits issued #	1,277	1,290	1,547	1,480	1,332

Source: City of Richmond, Finance Division

*Estimates as of June 30th, 2012

As indicated in Table 1, the change in employment rate and housing starts is gradually increasing which indicates economic recovery.

2013 Operating Budget Environmental Scan

Demand for parks, recreational programs and other community services increase annually. Therefore, it is important to meet the demand for current service levels.

2. Flexibility

Flexibility measures the City's ability to adapt to environmental changes

The City must balance its budget each year. To prevent overburdening the taxpayers, Council has directed user fees increase by the CPI and has encouraged staff to find alternative funding sources for increased levels of service or to reduce the tax rate. (LTFMS)

The City has been successful in adapting to the environment by seeking some new alternative revenues sources. For example, sponsorship revenues were utilized to fund some of the events and services such as the Media Lab at the Richmond Cultural Centre, Maritime Festival and Ships to Shore. In addition, the gaming revenue has been used to fund grant requests from community groups in the last few years. However, the cost of City expenditures has increased at a higher rate than the CPI. In short, non-tax revenue growth is not keeping up with costs and plant/population growth.

Property taxes are the primary revenue source that can be directly affected to balance increases in costs.

Despite these challenges, the prudent steps taken by Council has ensured the current financial position is positive. The City has almost repaid the entire long term debt.

Vitality

Ability of the community to sustain the services

The City is a fast growing community with annual population increases of at least 1.2%.

Table 3: Statistics

Description	2008	2009	2010	2011
Population ¹	189,056	193,505	196,858	199,141
# Residential Dwellings ²	58,717	60,260	61,538	62,460
# Businesses ²	13,009	13,273	12,832	12,988
# Farms ²	716	710	717	706
# YVR Passengers (million) ³	17.9	16.2	16.8	17.0
Hotel Room Revenue (\$m) ⁴	131.5	111.9	136.3	145.9

Source: ¹BC Stats, Ministry of Labour and Citizens' Services; ²BC Assessment, ³YVR Annual Report, ⁴Statistics BC

It is expected that by 2041 the City would reach 280,000 residents. In 2011 the City had 13,000 businesses and more than 62,000 residential units.

In light of the growing and changing community, Council Term Goals and priorities are reviewed on a regular basis throughout the year to ensure that the City is capable of sustaining the services and solving the community and regional trends and issues.

4. Equity

Distribution of the tax burden for funding of services

Staff is aware of the tax burden that is faced by the average Canadian household. Based on the Fraser Institute in their "2011 Canadian Consumer Tax Index", the average household spends 41% of their average income on taxes.

2013 Operating Budget Environmental Scan

It should be noted that only about five per cent of this figure is the result of property taxes. Of this, more than half (51%) of the property taxes collected are on behalf of other agencies, including school taxes and Translink taxes.

Chart 1

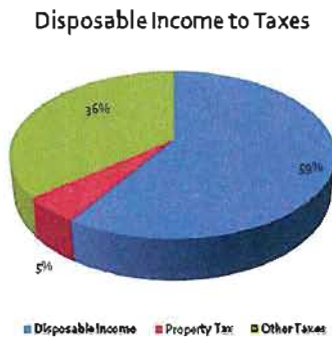
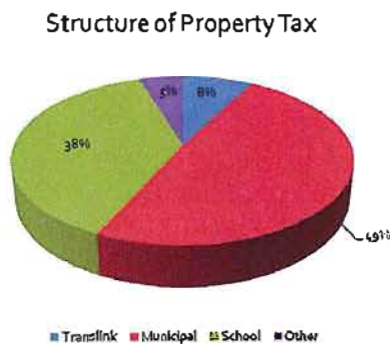


Chart 2

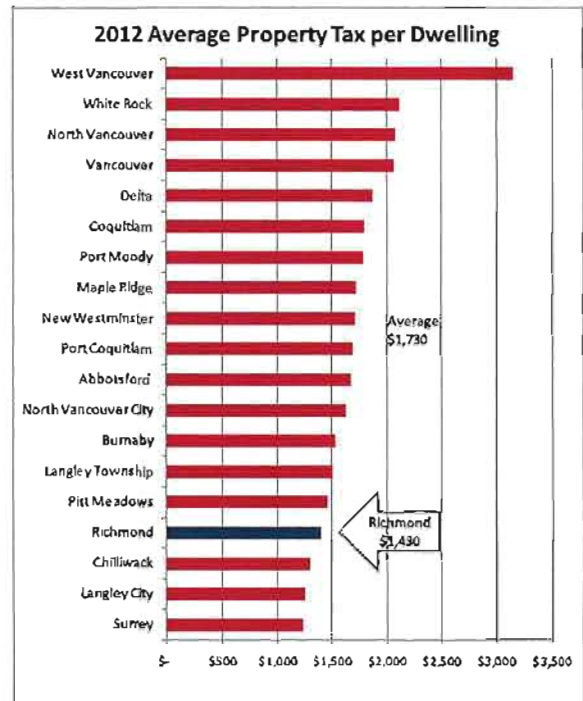


Source: Fraser Institute in "2011 Canadian Consumer Tax Index"

As illustrated in Chart 3, the average residential tax bill in the Greater Vancouver Area amounted to \$1,730 in 2012 while the tax bill in Richmond amounted to \$1,430.

The City of Richmond provides significant value to taxpayers by offering excellent services while maintaining relatively low taxes.

Chart 3



Source: Info received from municipalities in Greater Vancouver Area

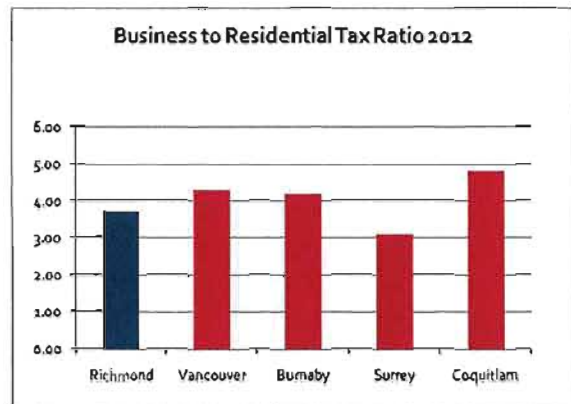
Maintaining the principles of equity in determining the tax rates is another of the major decisions considered by Council in adopting its budget. A fair and balanced property tax rate structure must take into account the very diverse market forces that drive the property assessments of different tax categories, such as residential and business.

In terms of property taxes, finding the right balance to ensure fairness and equity for all taxpayers, including small business has been Council's objective. To this end, Council has directed staff to regularly review and analyze the City's business to residential tax ratio, to ensure that it remains competitive and fair. In addition, Richmond is the only municipality to date to have successfully sought and obtained provincial support for the provision of temporary tax relief for a number of Richmond

2013 Operating Budget Environmental Scan

City Centre businesses impacted by large assessment increases.

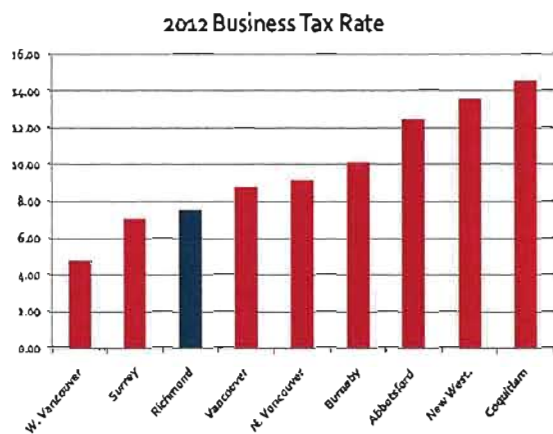
Chart 4



Source: Info received from municipalities in Greater Vancouver Area

Chart 5 shows that Richmond has the 3rd lowest business property tax rate in the entire lower mainland.

Chart 5



Council continues to develop policies in support of businesses, such as the creation of two commercial business districts as part of our City Centre Area Plan and ongoing protection of industrial lands. Further, through its Economic Development Office, the City continues to invest in programs that attract new businesses to the community at the same time as we

support existing business growth and expansion.

Council continues to fund improvements to our transportation network, such as the Nelson Road/Highway 91 Interchange, to ensure access for businesses in the strategically important trade sector. Investing with Translink on the Canada Line and other transit improvements has been equally important to Council, in order to facilitate efficient access and connectivity to transportation. Regulation through our Business License Bylaw ensures businesses are treated in an equitable manner. Council continues to contribute significant funding towards community safety, thus providing a secure environment in which businesses can operate.

The better measure of business property tax burden is to compare the tax rate itself or the absolute tax dollars paid over the past 10 years. Under this model, the Richmond municipal portion of the property tax bill (approximately 49% of the total tax levied in any year) has on average increased in synch with inflation and growth.

5. Demand

Current demand and new changing demand

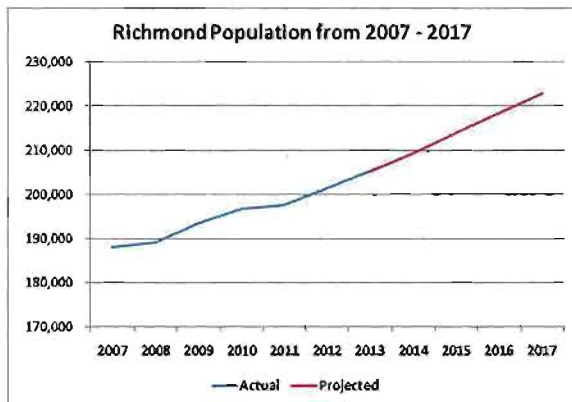
Population

Richmond has been growing on an average of 1.2% per year since 2007, following a period of rapid growth over the last 30 years during which the population doubled in size. It is projected that Richmond will grow to 280,000 people by 2041, an increase of 80,000 from 2011. Richmond is expected to expand approximately at the same rate as the rest of BC and will account for approximately 7% of Metro Vancouver's population.

2013 Operating Budget Environmental Scan

More population growth is expected to occur in the City Centre (61%) than in the rest of Richmond. The City Centre will double its population by 2041 and increase its share of the City's population from 25% in 2011 to 36% in 2041. The following chart illustrates the population growth from 2007 to 2011 and the projection for the next five years:

Chart 6



Source: City of Richmond Projections via Urban Futures

With a population that is growing at an average of 1.2% per year, including many newcomers to Canada from all over the world, the City faces significant challenges in creating the appropriate service mix to offer its residents.

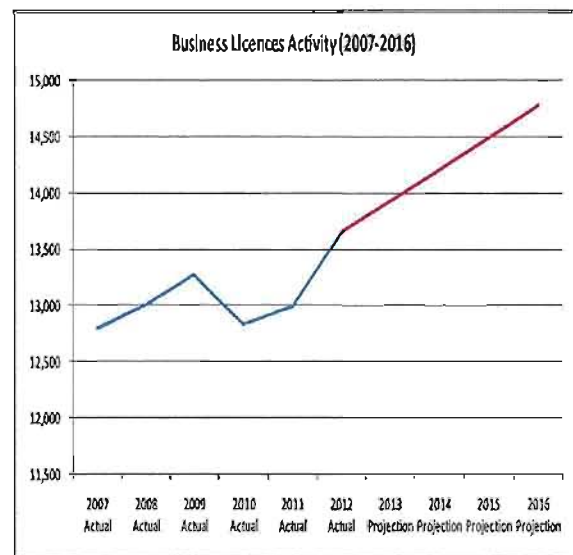
Furthermore, with the fastest growing segment of Richmond's population being between the ages of 55 to 64 and with a majority of residents whose first language is not English, the City needs to continuously review the service levels based on the demographic trends and citizens' input.

Business Licenses

Business Licensing in Richmond is steadily growing with a noted increase in Home Occupation and Non-Resident Contractor Activity.

The chart below shows business license activity in Richmond for the last six years. The projection reflects bringing current business license activity to a regulatory valid status. The majority (97%) of Richmond businesses are involved in sales and services and more than 100,000 jobs have been created, of which 60% are full time positions.

Chart 7



Source: City of Richmond

2013 Operating Budget Environmental Scan

Demand for City Services

The following tables represent the increasing trend in City population and services:

Table 4: Demand for City Services

Demand for City Service	2009	2010	2011	2012	2013 *
Population Growth (per annum)	2.30%	1.70%	1.10%	1.20%	1.80%
Capital Construction Costs (\$mil)	\$63.90	\$152.92	\$75.164	\$63.69	\$69.70
Registration in Recreation Programs	113,396	128,622	122,784	128,923	135,000
Fire Rescue Responses	9,240	9,048	9,141	9,164	9,400
Public Works Calls for Services	12,554	13,664	13,332	13,800	14,214

Source: BC Statistics, Departments Data
*2013 Projection

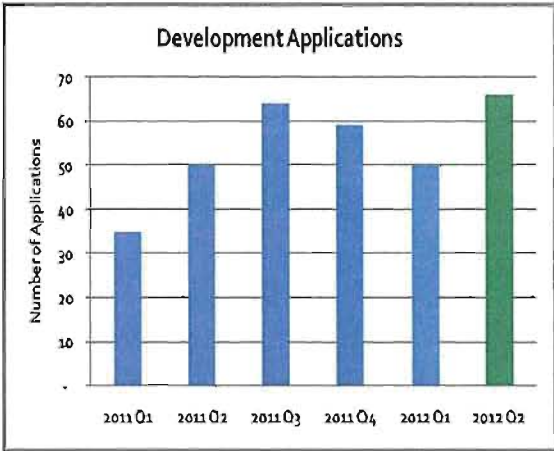
Housing and Development

Richmond housing prices outpaced the residential average for Metro Vancouver, with detached houses rising sharply above \$1 million in early 2011 and staying near that value throughout the year. Housing starts in 2012 were forecasted at 1,284. Chart 9 below illustrates the number of development applications received in 2011 and the first two quarters of 2012. While the level of recent development activity is not at the historic high

levels experienced in the mid 2000’s prior to the economic recession, development activity in the City remains strong. With the forecasted projections of continued economic recovery, the development activity in the City is expected to remain at a consistent level. The City Centre will continue to be a focal point for development activity in 2013-2016.

Number of Development Applications

Chart 8



Source: Planning and Development Department

It should be noted that development activity does not translate into additional tax growth immediately. New tax growth estimates are based on “non-market change” figures provided by BC Assessment. Non-market change is the term BC Assessment uses for changes to the municipal roll value that is not a result of market conditions. Non-market change could include: changes in assessment class, exempt properties that become taxable in the following year or taxable properties that become exempt in the following year and developments under construction. With respect to developments under construction, assessors at BC Assessment determine the value of all new developments under

2013 Operating Budget Environmental Scan

construction by the percentage of completion as of November 30th each calendar year. Increases in a property's market value are not included in the non-market change figure. Therefore the development applications received during the year should have no impact on new growth for the coming year as actual construction on the property would not have taken place. The reported project value of the development may take up to three years to be fully reflected in the municipality's assessment roll. Based on the above, staff are confident that growth will materialize in future years, therefore minimizing the tax impact.

Attachment 2
2012-2013 Comparative Gross Budget Summary

Department	2012 Adjusted Budget	2013 Proposed Bylaw Budget	Change \$	Change %	Tax Impact %
<u>Law and Community Safety</u>					
Revenue/Transfers	9,186,900	8,946,200	(240,700)	(2.62%)	(1.14%)
Expenditures	79,869,700	81,891,300	2,021,600	2.53%	1.20%
	(70,682,800)	(72,945,100)	(2,262,300)	3.20%	1.34%
<u>Community Services</u>					
Revenue/Transfers	11,192,300	11,412,400	220,100	1.97%	0.13%
Expenditures	52,924,076	53,713,700	789,624	1.49%	0.47%
	(41,731,776)	(42,301,300)	(569,524)	1.36%	0.34%
<u>Engineering and Public Works</u>					
Revenue/Transfers	13,511,400	14,407,300	895,900	6.63%	0.53%
Expenditures	42,856,313	44,367,300	1,510,987	3.53%	0.90%
	(29,344,913)	(29,960,000)	(615,087)	2.10%	0.37%
<u>Finance and Corporate Services</u>					
Revenue/Transfers	4,767,900	5,039,400	271,500	5.69%	0.16%
Expenditures	21,278,114	21,671,100	392,986	1.85%	0.23%
	(16,510,214)	(16,631,700)	121,486	0.74%	0.07%
<u>Corporate Administration</u>					
Revenue/Transfers	156,300	156,300	-	0.00%	-
Expenditures	7,310,097	7,389,300	79,203	1.08%	0.05%
	(7,153,797)	(7,233,000)	(79,203)	1.11%	0.05%
<u>Planning and Development</u>					
Revenue/Transfers	5,335,600	5,398,800	63,200	1.18%	0.04%
Expenditures	11,351,900	11,448,000	96,100	0.85%	0.06%
	(6,016,300)	(6,049,200)	(32,900)	0.55%	0.02%
<u>Fiscal</u>					
Revenue/Transfers	226,184,200	226,698,900	514,700	0.23%	0.31%
Expenditures	45,086,600	45,849,200	762,600	1.69%	0.45%
	181,097,600	180,849,700	247,900	0.14%	0.15%
<u>Transfer to Reserves</u>					
Revenue/Transfers	19,866,900	19,866,900	-	0.00%	0.00%
Expenditures	29,524,700	29,524,700	-	0.00%	0.00%
	(9,657,800)	(9,657,800)	-	0.00%	0.00%
<u>Total</u>					
Revenue/Transfers	290,201,500	291,926,200	1,724,700	0.96%	1.65%
Expenditures	290,201,500	295,854,600	5,653,100	2.28%	3.94%
Net Increase	0	3,928,400	3,928,400		2.34%
Same level of service increase			2,328,400		1.39%

Attachment 3 Breakdown of \$1 of Municipal Tax



Source: City of Richmond

Attachment 4 2013 Ongoing Additional Level Requests

	Requested by	Description	Ranking	Tax Impact %	Requested Amt	Recommended Amount
1	Law and Community Safety	Additional Amount to Fire Vehicle Reserve	High	0.18%	300,000	300,000
2	Community Services	Child Care Coordinator	High	0.06%	100,000	100,000
3	Community Services	Public Art Planner	Low	0.07%	110,700	-
4	Engineering and Public Works	Project Engineer	Low	0.06%	108,200	-
5	Community Services	Legislation compliance for additional 24/7 staff onsite coverage at Richmond Arenas	Low	0.06%	100,000	-
6	Community Services	Urban Forest Management Plan Update	Low	0.02%	40,000	-
7	Deputy CAO	Licenses and support for the 2012/2013 performance appraisal electronic system	Low	0.01%	21,000	-
Ongoing Expenditure Grand Total					779,900	400,000