



City of Richmond

Report to Committee

To: Finance Committee
From: Jerry Chong, CA
Director, Finance
Re: 2014 Operating Budget

Date: November 29, 2013

File:

Staff Recommendation

That:

1. The 2014 Operating Budget as presented under Budget Option 1 in the staff report dated October 18, 2013 from the Acting Manager, Financial Planning and Analysis be approved.
2. The 2014 Richmond Public Library budget as presented in Attachment 3 be approved in accordance with the Library Act.
3. The Five-Year Financial Plan (2014-2018) be prepared for presentation to Council incorporating the 2014 Operating Budget.

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

Att. 3

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY SMT	INITIALS:
APPROVED BY CAO 	

Staff Report

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 2014 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 2014 Operating Budget ("Budget") has been prepared to reflect Council's focus on meeting the needs of the community, while ensuring both current and long term financial needs are met and that taxpayers receive good value for their investment in the City.

A strong focus of the Budget is on completing or furthering Council's 2011-2014 Term Goals. In particular, the budget reflects Council Term Goal 5: Financial Management, which is *"To develop and implement effective and innovative financial policies and strategies that help the City to successfully manage the challenges of tough economic times, while taking advantage of financial opportunities, and balance current and long term financial needs."*

The proposed Budget applies 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."*

Since the implementation of the LTFMS, the City has made significant strides in improving its financial health. The City's reserve balances have increased as there have been additional transfers to reserves post-LTFMS implementation to meet future needs for infrastructure replacement and capital repairs.

The proposed Budget also follows Council's Budget & 5-Year Financial Plan Preparation Policy (Policy 3016) which requires that a same level of service budget be brought forward, with only non-discretionary increases that can be clearly identified and supported. Therefore, the 2013 service levels form the basis of the 2014 base budget. Any enhanced or new levels of service will be identified as an ongoing additional expenditure request by the respective departments for Council's consideration.

Council's policies 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. 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

The LTFMS sets guidelines for tax increases to ensure that municipal spending growth is carefully regulated and that resulting municipal property tax increases are modest and 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 comparable within the Metro Vancouver region.

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 CPI due to a number of non-discretionary items such as policing contracts and asphalt capping. Unlike the CPI basket of goods which includes consumer products, the municipal basket of goods contains groups of goods or services such as compensation for a unionized workforce, costs of raw materials and supplies, and costs of energy etc.

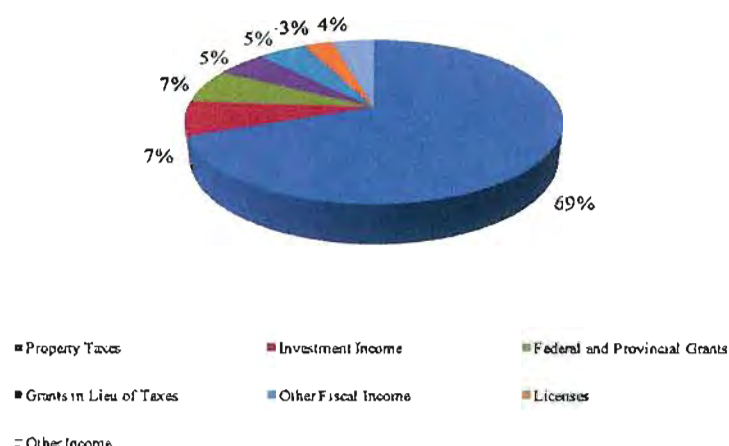
A significant portion of City revenue will not increase at the same rate as expenditures. The combination of these factors results in a challenging budget process and staff looked for efficiencies and innovative ways to deliver services.

To address some of these challenges, 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.

In 2012, the CAO, with Council approval, undertook a corporate reorganization that enabled the City to focus on improving compliance and organizational performance. The CAO also introduced an extensive corporate wide operational review program. The reorganization, amongst numerous other changes and benefits, established an Administration and Compliance Division and provided for the reallocation of approximately 2.5 senior staff positions which were used to support the new Performance and Compliance, and Sustainability functions. The operational review program provides an in depth review of resource allocations in direct relation to service levels. Staffing the Sustainability function enabled the City to better manage the BC Hydro rate through our Energy Management Program.

2014 City Funding Sources

As indicated in Figure 1, property tax, which represents the largest share of the revenue, amounts to 69% or \$182.0 million of the City's operating budget. Payment in lieu of taxes, gaming revenue, investment income, licenses and user fees account for the remaining 31%.

Figure 1**2014 Operating Budget Funding Source**

There are limited opportunities 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 Preparation Policy.

Staff are aware of the tax burden that is faced by the average Canadian household. Based on information obtained from the Fraser Institute in their “2012 Canadian Consumer Tax Index” published in April 2013 (summarized in Table 1), the average household incurs 42.66% of their average income on taxes. Figure 2 illustrates the distribution of average household taxes.

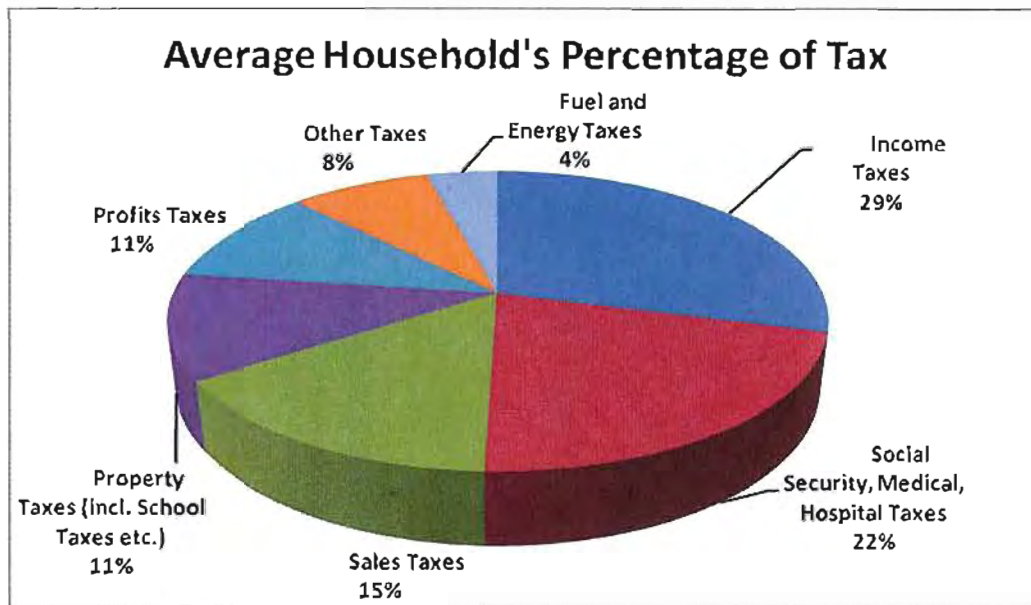
However, it should be noted that only 4.87% of this is for property taxes, of which approximately half (47%) is for taxes collected on behalf of the Province including school taxes and TransLink taxes as shown in Figure 3.

Table 1 – Taxes as a Proportion of Average Total Income

Income/Taxes	Amount	% of Income	% of Tax
Total Cash Income	\$74,113	100.00%	-
Income Taxes	9,195	12.41%	29.08%
Social Security, Medical, Hospital Taxes	6,769	9.13%	21.41%
Sales Taxes	4,812	6.49%	15.22%
Property Taxes (incl. School Taxes etc.)	3,607	4.87%	11.41%
Profits Taxes	3,302	4.46%	10.44%
Other Taxes	2,627	3.54%	8.31%
Fuel and Energy Taxes	1,303	1.76%	4.12%
Total Taxes	\$31,615	42.66%	100.00%

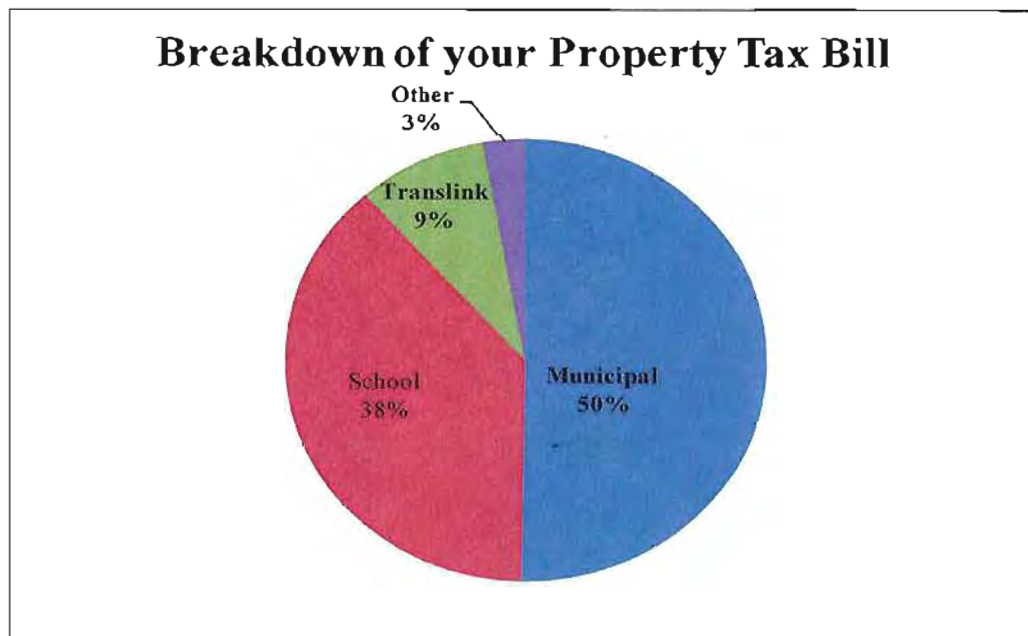
Source: The Fraser Institute's Canadian Tax Simulator 2012

Figure 2



Source: The Fraser Institute's Canadian Tax Simulator 2012

Figure 3



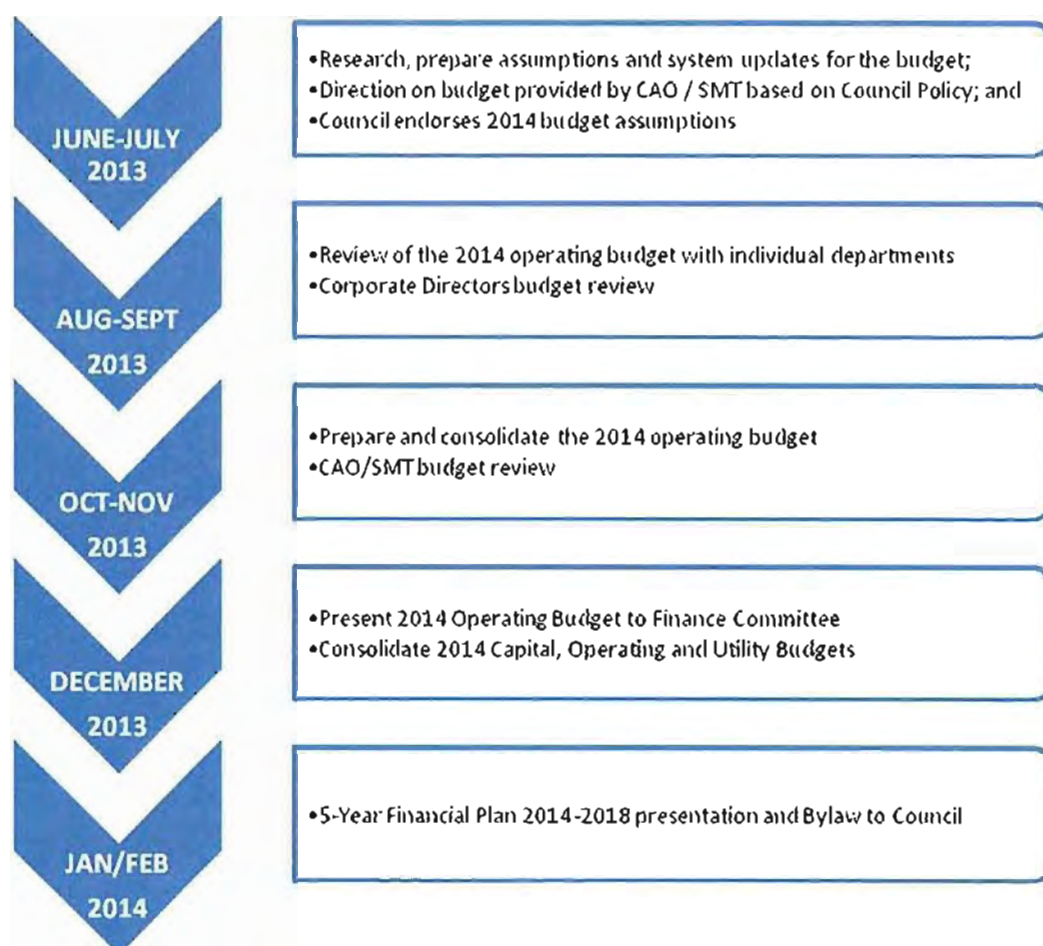
Source: City of Richmond

2014 Budget Process

The proposed 2014 budget is a same level of service budget that meets Council's policy, i.e. that any tax increase would not exceed Vancouver's CPI rate. In addition, 1% transfer to reserves is included that will be used towards infrastructure replacement and capital repairs.

Figure 4 illustrates the 2014 budget process:

Figure 4



2014 Budget Assumptions

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, energy costs and is offset by expected increased revenues from growth and various user fees.

Table 2 summarizes the budget assumptions used based on information contained in contracts, agreements and external economic publications.

Table 2 – 2014 Budget Assumptions

Key Financial Drivers/Indicators	2014 Budget Assumptions
Consumer Price Index (CPI) annual average forecast 2014 ¹	2.00%
Municipal Price Index (MPI) ²	2.86%
Electricity ³	3.00%
Natural Gas ³	0.00%
RCMP Contract Increase ⁴	2.91%
Increase in User fees ⁵	2.00%
Return on Investment ⁶	1.75%
Growth (Tax Base) ⁷	1.32%

Source: ¹Based on TD Quarterly Economic Forecast September 25, 2013; ²City of Richmond; ³Energy Manager City Richmond; ⁴Federal Government; ⁵Council Approved; ⁶Treasury Department Estimate; ⁷BC Assessment Authority

Salaries and fringe benefits are the largest component of costs and are stipulated in the collective agreements. For 2014, an increase of 1.75% plus step increases has been allocated to the departments for CUPE 718 and CUPE 394. Negotiations are ongoing for International Association of Fire Fighters (IAFF) 1286. The demand for City services has increased annually and this is reflected in Table 3:

Table 3 – Demand for City Services

Demand for City Services	2009	2010	2011	2012	2013 *
Population Growth (per annum) ¹	2.30%	1.70%	1.10%	1.20%	1.80%
Budgeted Capital Construction Costs (\$mil) ²	63,901	148,136	75,536	80,287	71,768
Registration ³	113,396	128,622	122,784	129,526	135,000
Fire Rescue Responses ⁴	9,240	9,048	9,141	9,164	9,700
Public Works Calls for Services ⁵	12,554	13,664	13,332	13,800	14,200

Source: ¹ BC Statistics, ² City of Richmond Capital Model, ³ Registration Summary Report

⁴ Fire Rescue, ⁵ City of Richmond Hansen System

*2013 figures include forecasts to the end of the year

2014 Proposed Budget Highlights

For the 2014 budget year, staff recommend a tax increase of 1.53% for the same level of service, which is in accordance with Council policy. A further 0.09% is recommended for ongoing additional expenditures. Before adding the Operating Budget Impact (OBI) of the 2014 recommended Capital program, the tax impact is 1.62% as shown in Table 4.

Table 4 – Tax Impact Before OBI

Tax Impact Component	Tax Impact %
Same Level of Service Increase (%)	1.53
Additional Expenditures (%)	0.09
Tax Impact Before OBI (%)	1.62

The total OBI from the 2014 recommended Capital program is \$3.95 million. Including this full amount in the proposed 2014 budget would result in a tax impact of 2.25% for a total tax impact of 3.87% if this entire amount had to be included in the 2014 Budget. As discussed in the 2014 Capital Budget report, the 2014 OBI includes a preliminary estimate of \$3.56 million for the Corporate Facilities Implementation Plan – Phase 1. This estimate will be subject to further review and analysis before it is presented to Council for approval. The details of the programming and service levels for these facilities will be the subject of a future Council report to be submitted by Community Services staff. Furthermore, the CAO has requested that this OBI request and all future OBI requests be scrutinized by an Operational Review Committee to verify the appropriateness of the service levels and amounts requested. The CAO also requested that the Operational Review Committee enlist an independent external technical resource should such assistance prove necessary.

The timing of the OBI funding requirement is staggered over the next few years as construction is completed and therefore this OBI will be phased-in to align with the timing of services provided. Staff presented three options in the 2014 Capital Budget report to phase-in this OBI, which are summarized in Table 5. Staff are recommending OBI Phase-in Option 2 to include \$600,000 in the proposed 2014 budget. This results in a 0.34% tax impact. If Council approves Phase-in Option 2, as recommended, the total tax increase is 1.96%.

Table 5 – Summary of OBI Phase-in Options with Corresponding Tax Impact

OBI Phase-in Options	OBI Phase-in Option 1	OBI Phase-in Option 2 (Recommended)	Phase-in Option 3
OBI Phase-in Increment	\$500,000	\$600,000	\$700,000
OBI Phase-In Completion Year	2021	2020	2019
Tax Impact Before OBI (%)	1.62	1.62	1.62
OBI Phase-in (%)	0.29	0.34	0.40
2014 Tax Impact (%)	1.91	1.96	2.02

Should Council wish to Phase-in the OBI at a faster rate, using Phase-in Option 3, Table 6 presents alternative budget options. Out of the options presented, only Option 1 fully complies with Council policies. Options 2 and 3 propose a tax impact that slightly exceeds the CPI increase. In order to adhere to Council's LTFMS Policy, each option includes a transfer to reserves to fund future infrastructure and capital repairs. Options 1 and 3 fully comply with the 1% transfer and Option 2 proposes a slight reduction in order to keep the overall tax impact after transfer to reserves under 3%.

Table 6 – Proposed 2014 Budget Options

Tax Impact Component	Budget Option 1 (Recommended)	Budget Option 2	Budget Option 3
Same Level of Service Increase (%)	1.53	1.53	1.53
OBI Phase-in (%)	0.34 ¹	0.40 ²	0.40 ²
Additional Expenditures (%)	0.09	0.09	0.09
Tax Impact (%)	1.96	2.02	2.02

Transfer to Reserves

Transfer to Reserves (%)	1.00	0.96	1.00
Total Tax Impact & Transfer to Reserves	2.96	2.98	3.02

¹Budget Option 1 assumes OBI Phase-in Option 2

²Budget Options 2 and 3 assume OBI Phase-in Option 3

Budget Option 1 (Recommended)

This option includes the full 1% transfer to reserves as per Council's LTFMS Policy and the OBI Phase-in Option 2 using an increment of \$600,000 per year until the 2014 OBI is phased-in completely in 2020. The tax impact of 1.96% meets Council's policy of Vancouver's CPI rate plus 1% transfer to reserves and is the recommended option.

Budget Option 2

This budget option uses the OBI Phase-in Option 3 to bring in the OBI at an increment of \$700,000 per year until the 2014 OBI is phased-in completely in 2019. This option includes a tax impact of 2.02% which is not in accordance with Council policy. The transfer to reserves is reduced to 0.96% which is not in accordance with Council's LTFMS to transfer 1% to reserves. This option is not recommended as transfers to reserves are crucial to ensuring the City's long term financial needs can be met.

Budget Option 3

This option is the same as Budget Option 2 using the OBI Phase-in Option 3 to bring in the OBI at an increment of \$700,000 per year until the 2014 OBI is phased-in completely in 2019. However, the transfer to reserve is maintained at Council policy of 1%. This results in an overall tax impact of 3.02%. Although this meets Council's LTFMS, the tax increase exceeds Vancouver's CPI rate and is therefore not recommended as it does not meet Council's policy.

The remainder of this report is prepared based on the staff recommendation of Budget Option 1.

Trend of Tax Increases

Table 7 represents the total City's operating budget and the tax increase from 2011 to 2014. The proposed tax increase for 2014 of 1.96% is the lowest in five years before including the transfer to reserves.

Table 7 – City's Operating Budget 2011-2014

Millions (\$)*	2010	2011	2012	2013	2014 ¹
City Operating Budget (\$)	243.7	304.0	308.9	317.2	319.1
Same Level of Service Increase (%)	3.34	2.62	1.70	1.39	1.53
OBI (%) ²	0.11	0.32	0.16	0.36	0.34
Additional Expenditures	0.00	0.00	0.12	0.23	0.09
Tax Increase (%)	3.45	2.94	1.98	1.98	1.96
Transfer to Reserves (%)	0.00	0.00	1.00	1.00	1.00
Total Tax Increase with Transfer to Reserves (%)	3.45	2.94	2.98	2.98	2.96

¹ Subject to Council approval

² Includes the operating budget impact (OBI) as a result of the capital projects. 2014 is based on OBI Phase-In Option 2, which is subject to Council approval.

*Does not include amortization expense (non-cash)

Richmond's average tax increase over the past five years remains comparable to other cities in Metro Vancouver as shown in Charts 1-3. The 2014 Operating Budget is expected to maintain this record of providing sound value to local taxpayers.

Chart 1 - Annual Metro Vancouver Tax Increase (2009-2013)

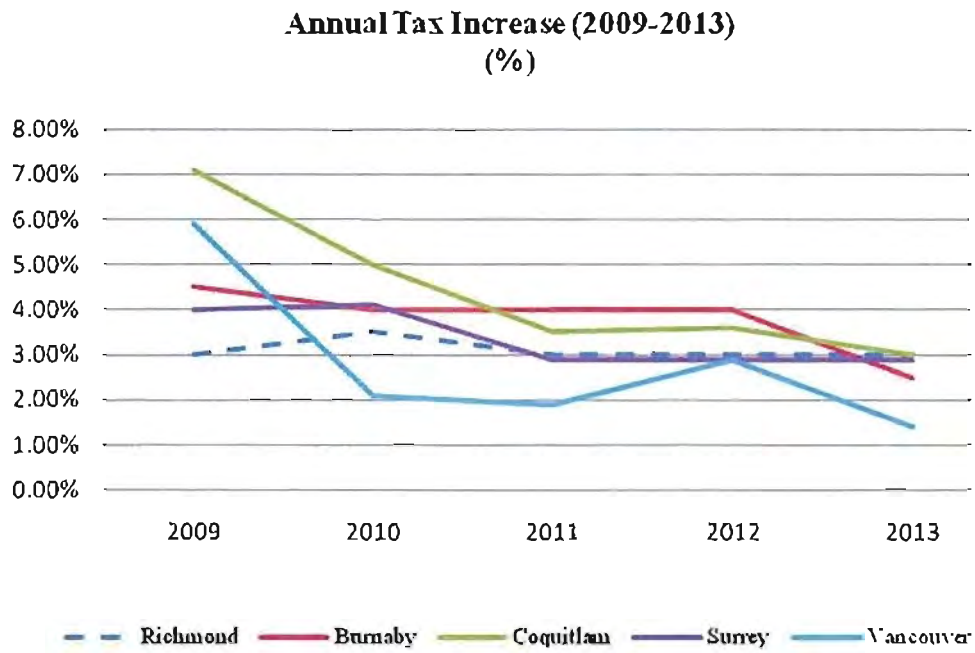


Chart 2 – 5-year Average Metro Vancouver Tax Increase (2009-2013)

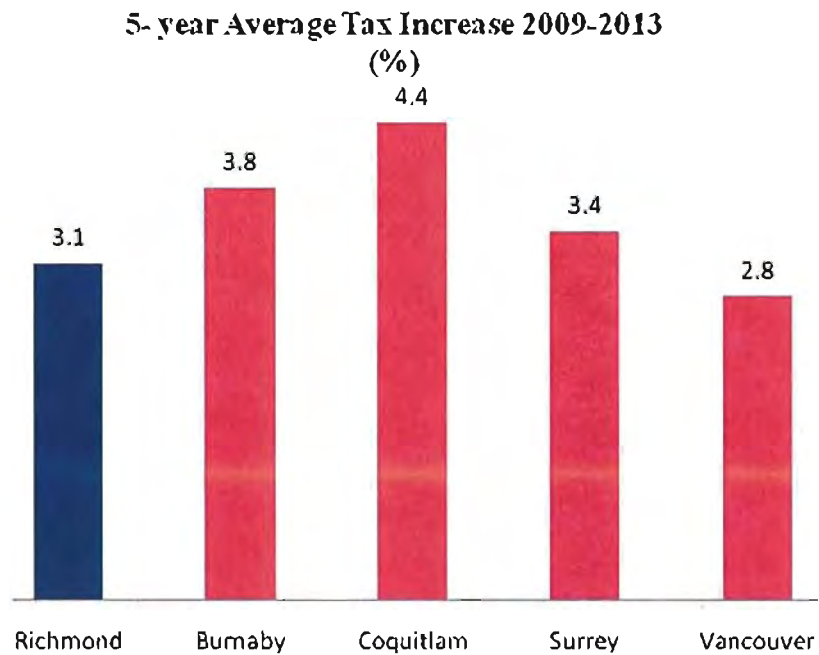
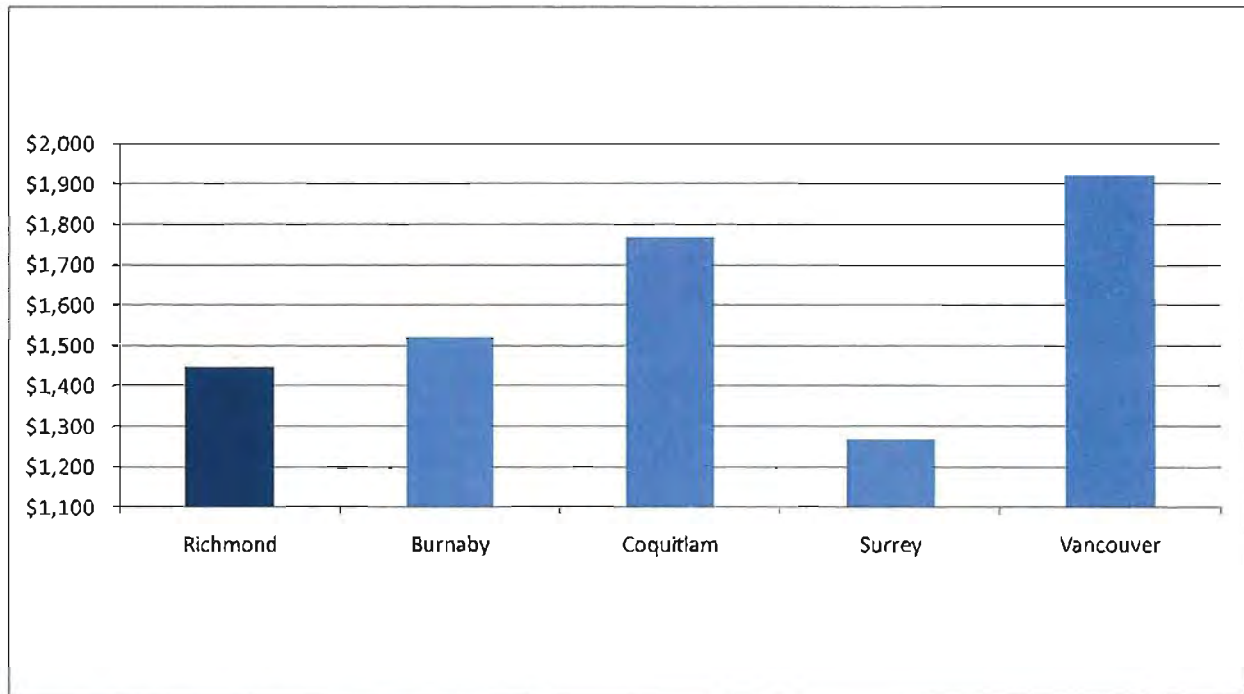


Chart 3 – 2013 Average Residential Tax Per Dwelling



2014 Operating Budget by Department

While the 2014 Operating Budget primarily focuses on maintaining existing service levels, in order to meet Council's financial objectives, it also supports continued service enhancement in a number of areas highlighted by Council's Term Goals, including Community Safety, Community Social Services, Sustainability, Arts and Culture and Community Wellness.

Council continues its investment in Community Safety, with over one-third of every tax dollar going to fund police, fire, bylaw, law and emergency services. For 2014, this Budget will continue to ensure Richmond remains a safe community with outstanding public safety services and a strong focus on community outreach through community policing, public safety awareness initiatives, crime and fire prevention programs, bylaw education and enforcement and emergency planning and preparedness programs.

Community Services, which includes Parks and Recreation and Community Social Services, is another core budget area. The Budget will continue the City's expanded focus on social services, particularly in the areas of affordable housing, child care, seniors and youth services and diversity services. The Budget will also fund operation of new parks and recreation amenities and services including the new Railway Greenway, Terra Nova Rural Park playground and enhanced arts, cultural and heritage services and programs that promote community wellness, and access to recreation for all.

Included in the Community Services budget is a contribution of \$8,250,800 for the Library. Per the Library Act, the Library Board must prepare and submit to council its annual budget for

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providing library services to the municipality. The Richmond Public Library proposed 2014 budget is included in Attachment 3.

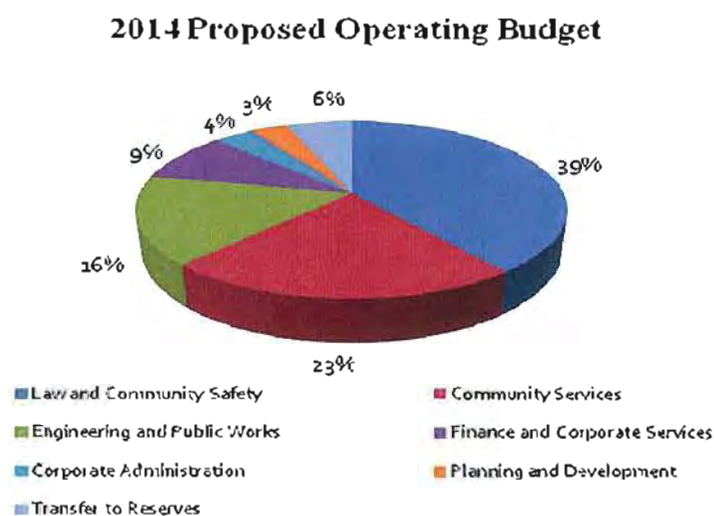
Sustainability is another key Council Term goal. The Budget will support Richmond's continued implementation of its Sustainability Framework with a focus on combating climate change, reducing our environmental footprint and engaging our citizens and businesses in supporting sustainability initiatives.

The proposed same level of service tax increase for 2014 is 1.53%, or an additional \$2.68 million is required to balance the budget as shown in Table 8.

The growth figure of \$2.3M represents new tax growth estimates based on "non-market change" figures provided by BC Assessment Authority. 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 Authority determine the value of all new developments under 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.

The current practice entails utilizing growth to fund the existing levels of service budget; however, some portion of the funding generated through growth should be used to fund the associated necessary growth in administrative resources that will be needed to keep up with the increased demand. The CAO has recommended that staff review whether a percentage of growth should be allocated for administrative need and this will be addressed by the Operational Review Committee.

Chart 4 presents the 2014 departmental breakdown of the 2014 Budget. Table 8 presents the comparative net budget and Attachment 1 summarizes the gross budget by department. Figure 5 illustrates the 2014 \$1 tax breakdown by services.

Chart 4 - 2014 Proposed Operating Budget by Department (Excluding Fiscal)**Table 8 – 2014 Comparative Budget by Department**

Department	2013 Adjusted Net Budget (In 000's)	2014 Proposed Bylaw Budget (In 000's)	Change \$ (In 000's)	Change %*	Tax Impact
Law and Community Safety	73,226	75,678	2,452	3.35%	1.40%
Community Services	42,713	43,736	1,023	2.40%	0.59%
Engineering and Public Works	30,421	31,162	741	2.44%	0.42%
Finance and Corporate Services	17,062	17,413	351	2.06%	0.20%
Corporate Administration	6,795	6,979	184	2.71%	0.11%
Planning and Development	6,092	6,209	117	1.92%	0.07%
Fiscal	(187,650)	(187,534)	116	0.06%	0.07%
Transfer to Reserves	11,340	11,340	-	0.00%	0.00%
Proposed Net Budget Increase	-	4,983	4,983		2.85%
Estimated Growth			(2,300)		(1.32%)
Same Level of Service Increase			2,683		1.53%

*Slight differences between Table 8 and Attachment 1 Change % are due to rounding.

2014 Non-Discretionary Cost Drivers

Non-discretionary costs include incremental increases specified in contracts and salary increases associated with collective agreements.

The significant non-discretionary drivers that impact the City are summarized in Table 9 and explained below:

Salaries

Salaries and fringe benefits are the largest component of costs and are stipulated in the collective agreements. For 2014 an increase of 1.75% plus step increases has been allocated to the departments for CUPE 718 and CUPE 394. Negotiations are ongoing for International Association of Fire Fighters (IAFF) 1286. Salaries accounts for \$4.3 million of the 2014 budget increase.

RCMP Contract

The increase in RCMP policing contracts of \$958,000 is due to an increase in the pension rate from 15.58% to 20.23% and an increase in planned spending for security enhancement projects, training equipment, police mobile workstations and radios. There is also an increase in charges related to the Government of Canada Shared Services costs. This increase is offset by savings from health modernization.

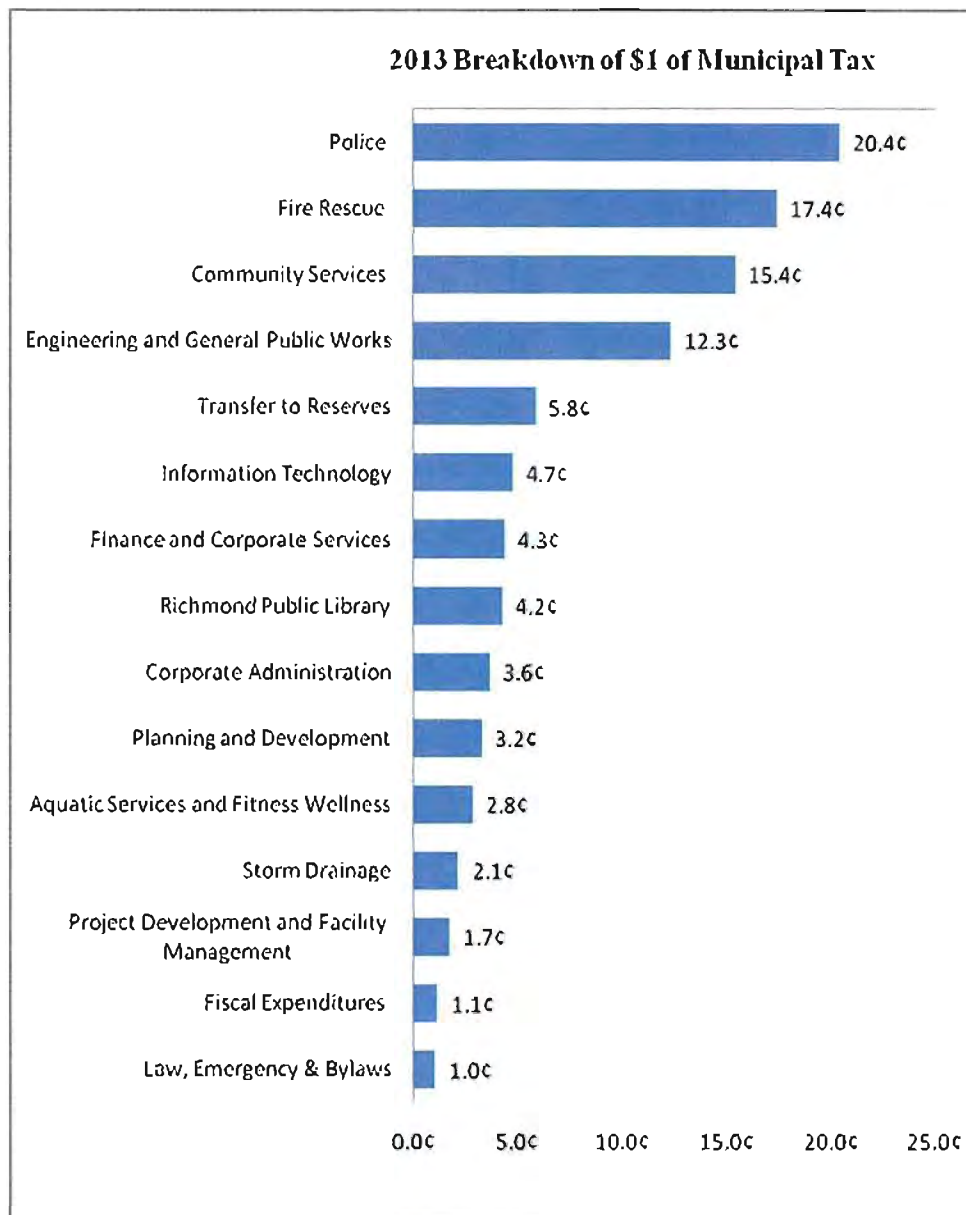
Other

Other financial drivers include increased parking revenue, user fees, building permit revenue and business license revenue.

Table 9 – Main Financial Drivers:

Main Financial Drivers	\$000's	Tax Impact %
Salary Increase	4,344	2.48%
Policing Contracts	958	0.55%
Other (Other revenues increase and expense increase/decrease)	(319)	0.18%
Net Expenditure Increase Before Growth, Transfer to Reserve and Additional Levels	4,983	2.85%

Figure 5



Source: City of Richmond

2014 Operating Budget Impact (OBI) Related to 2014 Capital Budget

The total OBI from the 2014 recommended Capital program is \$3.95 million. Of this amount \$20,246 is associated with utility projects and has been addressed through the 2014 Utility Budget process. The net impact of \$3.93 million in OBI results in a property tax impact of 2.25% if this entire amount had to be included in the 2014 Budget. Table 10 below presents the 2014 OBI by Capital program.

Table 10 – 2014 OBI By Capital Program

Program	Total OBI (in \$000s)	Tax Impact %
Infrastructure	\$128	0.08%
Parks	122	0.07%
Land	-	0.00%
Internal Transfers/Debt Repayment	-	0.00%
Equipment	113	0.06%
Buildings	3,565	2.04%
Affordable Housing	-	0.00%
Child Care Program	-	0.00%
Total OBI	\$3,928	2.25%

As discussed under the 2014 Proposed Budget Highlights and in further detail in the 2014 Capital Budget report under the 2014 Operating Budget Impact section, \$3.56 million of the 2014 OBI relates to the Major Corporate Facilities - Phase 1. This is based on preliminary estimates and the details of programming and service levels will be presented to Council for approval at a future date by Community Services staff. Three options are presented in the 2014 Capital Budget report to phase-in this OBI, which are summarized in Table 5. Due to the amount and timing of the OBI funding requirements, it is recommended to begin phasing in the OBI in 2014 and the phase-in plan will be adjusted once Council approves the final amounts.

Staff are recommending OBI Phase-in Option 2 to include \$600,000 in the proposed 2014 budget. This results in a 0.34% tax impact. If Council approves Phase-in Option 2, as recommended, the total increase tax increase is 1.96%.

Additional Expenditure Requests

The additional expenditure requests represent a permanent increase to programs or levels of service and is usually funded through increases to the tax rate. Attachment 2 shows the complete list of additional expenditure requests submitted by staff. For 2014, there is one additional level request for \$155,600 recommended by SMT.

Quick Response Team Officer - 1 Officer - \$155,600

The further development of the Quick Response Team (QRT) with 1 additional officer in 2014 would facilitate further action towards time sensitive, emerging crime trends. The unit works closely with the Crime Analyst and Intelligence led police to proactively focus their efforts on prolific offenders and trending crime types impacting the safety and security of Richmond's citizens. As well, QRT has a pro active and targeted approach to managing chronic and high risk offenders of interest and those who are on parole and probation.

Table 11 summarizes the tax impact of the same level of service, the 1% transfer to reserves and the recommended ongoing additional expenditure requests.

Table 11 – Ongoing Additional Level Requests

Tax Impact Components	Amount (in \$000s)	Tax Impact %
Same Level of Service Increase	\$2,683	1.53%
OBI Phase-in	\$600	0.34%
Additional Expenditure: Quick Response Team Officer-1 Officer	\$155	0.09%
2014 Tax Increase	\$3,438	1.96%

Additional 1% Transfer to Reserves for Infrastructure Replacement

In 2003 Council adopted a strategic approach to the City's finances and the LTFMS 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 LTFMS 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 capital repairs and facilities such as pools, community centers, libraries and public safety buildings. The reserves balance has allowed Council to move forward with plans for the construction of the new Minoru Aquatic Centre and Older Adults Centre.

Financial Impact

The proposed 2014 Operating Budget results in an increase of \$2.68 million in net expenditures (1.53% tax increase) for the same level of service which translates to less than 1% (i.e. 0.84%) increase on a budget of \$317.2M. There will be an OBI of \$600k (0.34% tax increase) from the proposed 2014 Capital projects based on OBI phase-in Option 2. Staff also recommend that the additional expenditure of \$155,600 (0.09%) be approved. The proposed 2014 Operating Budget results in overall net expenditures increase of \$3.43 million (1.96%) as summarized in Table 12. Staff also recommend a 1% transfer to reserves in accordance with the LTFMS for future facilities and capital repairs for a total net budget increase of \$5.19 million.

Table 12 – 2014 Summary of Tax Impact

Tax Impact Components	Amount (in \$000s)	Tax Impact %
Same Level of Service Increase	\$2,683	1.53%
OBI Phase-in	\$600	0.34%
Additional Expenditure	\$155	0.09%
2014 Tax Increase	\$3,438	1.96%
Additional 1% Transfer to Reserves	\$1,748	1.00%
2014 Net Budget Increase	\$5,186	2.96%

Conclusion

In summary, the 2014 Operating Budget will maintain Richmond's record of providing an excellent level of service to the community, supporting fulfilment of Council Term Goals that enhance overall quality of life.

Staff recommend that Council adopt Budget Option 1 of the proposed 2014 Operating Budget with a tax impact of 1.96% plus 1% transfer to reserves and direct staff to prepare the 5-Year Financial Plan (2014-2018).



Melissa Shiau, CA
Acting Manager, Financial Planning and Analysis
(604-276-4231)

MS:ms

Attachment 1
2013 – 2014 Comparative Gross Budget Summary

Department	2013 Adjusted Budget	2014 Proposed Bylaw Budget	Change \$	Change %	Tax Impact %
<u>Law and Community Safety</u>					
Revenue/Transfers	\$9,053,600	\$9,319,000	\$265,400	2.93%	0.15%
Expenditures	82,279,700	84,996,900	2,717,200	3.30%	1.55%
	(73,226,100)	(75,677,900)	(2,451,800)	3.35%	(1.40%)
<u>Community Services</u>					
Revenue/Transfers	12,153,900	12,045,500	(108,400)	(0.89%)	(0.06%)
Expenditures	54,867,100	55,781,200	914,100	1.67%	0.52%
	(42,713,200)	(43,735,700)	(1,022,500)	2.39%	(0.58%)
<u>Engineering and Public Works</u>					
Revenue/Transfers	23,274,300	24,828,200	1,553,900	6.68%	0.89%
Expenditures	53,695,600	55,990,200	2,294,600	4.27%	1.31%
	(30,421,300)	(31,162,000)	(740,700)	2.43%	(0.42%)
<u>Finance and Corporate Services</u>					
Revenue/Transfers	5,139,400	5,423,400	284,000	5.53%	0.16%
Expenditures	22,201,400	22,836,000	634,600	2.86%	0.36%
	(17,062,000)	(17,412,600)	(350,600)	2.05%	(0.20%)
<u>Corporate Administration</u>					
Revenue/Transfers	128,100	128,100	-	0.00%	0.00%
Expenditures	6,923,600	7,107,500	183,900	2.66%	0.11%
	(6,795,500)	(6,979,400)	(183,900)	2.71%	(0.11%)
<u>Planning and Development</u>					
Revenue/Transfers	5,547,500	5,565,300	17,800	0.32%	0.01%
Expenditures	11,639,700	11,775,000	135,300	1.16%	0.08%
	(6,092,200)	(6,209,700)	(117,500)	1.93%	(0.07%)
<u>Fiscal</u>					
Revenue/Transfers	233,342,800	234,765,800	1,423,000	0.61%	0.81%
Expenditures	68,372,300	69,911,300	1,539,000	2.25%	0.88%
	164,970,500	164,854,500	(116,000)	0.07%	(0.07%)
<u>Transfer to Reserves</u>					
Revenue/Transfers	20,866,900	21,366,900	500,000	2.40%	0.29%
Expenditures	9,527,100	10,027,100	500,000	5.25%	0.29%
	11,339,800	11,339,800	-	0.00%	0.00%
<u>Total</u>					
Revenue/Transfers	309,506,500	313,442,200	3,935,700	1.27%	2.25%
Expenditures	309,506,500	318,425,200	8,918,700	2.88%	5.10%
Net Increase	-	\$4,983,000	\$4,983,000		2.85%
Estimated 2014 Growth	-		(2,300,000)		(1.32%)
Same Level of Service Increase			\$2,683,000		1.53%

Attachment 2
2014 Ongoing Additional Expenditure Requests

Ref	Requested By	Description	Ranking	Tax Impact %	Requested Amount	Recommended Amount
1	Law and Community Safety	Quick Response Team Officer -1 Officer The further development of the Quick Response Team (QRT) with 1 additional officer in 2014 would facilitate further action towards time sensitive, emerging crime trends. The unit works closely with the Crime Analyst and Intelligence led police to proactively focus their efforts on prolific offenders and trending crime types impacting the safety and security of Richmond's citizens. As well, QRT has a pro active and targeted approach to managing chronic and high risk offenders of interest and those who are on parole and probation.	High	0.09%	\$155,600	\$155,600
2	Law and Community Safety	Unsolved Homicide Unit - 3 Officers Richmond has 40 unsolved homicides, missing persons and suspicious deaths dating back to 1973. The team would consist of 3 investigators, one corporal (supervisor/investigator) and two constables. The unit would provide a review of previously investigated homicides and can utilize advanced modern technology and investigative techniques to assist in reactivating and solving the cases to provide the families and the community closure.	Medium	0.27%	\$466,700	-
		2014 Ongoing Additional Expenditures Grand Total			\$622,300	\$155,600

Attachment 3
2014 Richmond Public Library Budget

Department / Division	2013 Adjusted Bylaw Budget	2014 Proposed Bylaw Budget	Change 2014 \$	Change 2014 %
Revenue	(\$2,393,700)	(\$2,268,400)	\$125,300	(5.23%)
Conditional Grants	(70,500)	(60,500)	10,000	(14.18%)
External Revenue Recoveries	(8,000)	(8,000)	-	-%
Fines	(220,000)	(250,200)	(30,200)	13.73%
Internal Department Recoveries	(1,348,200)	(1,348,900)	(700)	0.05%
Miscellaneous Fiscal Earnings	(110,000)	-	110,000	(100.00%)
Miscellaneous Operating Income	(285,000)	(248,800)	36,200	(12.70%)
Unconditional Grants	(352,000)	(352,000)	-	-%
Expense	\$10,419,100	\$10,519,200	\$100,100	0.96%
Advertising and Marketing	9,400	9,400	-	-%
All Salaries	6,650,000	6,765,900	115,900	1.74%
Amortization	-	-	-	-%
Contracts	205,800	159,200	(46,600)	(22.64%)
Facilities Management	135,900	138,900	3,000	2.21%
Fiscal Expenditures	3,600	3,600	-	-%
Fringe Overhead Expenditures	1,274,000	1,274,000	-	-%
General Operating Expenditures	272,700	272,700	-	-%
Leases / Vehicles	216,100	216,100	-	-%
Maintenance	100,100	100,100	-	-%
Other Expenditures	128,400	128,400	-	-%
Professional Fees	6,000	6,500	500	8.33%
Provisions and Allowances	1,185,900	1,212,500	26,600	2.24%
Public Works Maintenance	4,300	8,500	4,200	97.67%
Purchases Equipment and Others	51,900	51,900	-	-%
Supplies	140,900	137,400	(3,500)	(2.48%)
Transfer to Statutory Reserves	-	-	-	-%
Travel and Training	30,700	30,700	-	-%
Utilities	3,400	3,400	-	-%
Grand Total	\$8,025,400	\$8,250,800	\$225,400	2.81%