



To: Finance Committee

Date: January 3, 2019

From: Jerry Chong, CPA, CA
Director, Finance

File: 03-0985-01/2019-Vol
01


Re: 2019 Proposed Operating Budget

Staff Recommendation

That:




1. The 2019 Operating Budget as presented in Option 4 in Table 14 of the staff report titled 2019 Proposed Operating Budget be approved as follows:
 - a. A same level of service budget increase, after tax growth, of \$3,249,703 with a tax increase of 1.50% before additional levels of service be approved; and
 - b. Non-discretionary external senior government increase of \$2,987,000 with a tax increase of 1.38% be approved; and
 - c. Ongoing funding for expenditures previously approved by Council totaling \$3,389,308 for the following items: 16 RCMP Officers, 3 Municipal Employees to support the RCMP Detachment, an Emergency Program Neighbourhood Preparedness Program Assistant, Richmond Public Library Expanded Senior Services, Minoru Centre for Active Living operating budget impact phase-in, and operating budget impact of developer contributed assets with a tax increase of 1.56% be approved; and
 - d. Operating budget impact of the 2019 Capital Budget totaling \$1,208,320 with a three-year phase-in plan, resulting in a tax increase of 0.18% in 2019, 0.18% in 2020, and 0.18% in 2021 be approved; and
 - e. Transfer to reserves for community facilities infrastructure needs as per Council's Long Term Financial Management Strategy in the amount of \$2,167,033 with a tax increase of 1.00% be approved; and
 - f. City-wide additional levels in the amount of \$149,828 as presented in Attachment 10 of the staff report titled 2019 Proposed Operating Budget with a tax increase of 0.07% be approved; and
 - g. Pursuant to Council's Safe Community Priority program, provide 35 additional RCMP officers and 17 additional municipal employees to support the RCMP Detachment in the amount of \$6,567,867 as presented in Attachment 12 with a three-year phase-in plan, resulting in a tax increase of 1.01% in 2019, 1.01% in 2020, and 1.01% in 2021 be approved; and

- h. Pursuant to Council's Safe Community Priority program, the capital and one-time costs for the additional 35 RCMP officers and 17 municipal employees to support the RCMP Detachment in the amount of \$839,519 be approved with funding from the Rate Stabilization Account; and
 - i. Pursuant to Council's Safe Community Priority program, the capital and one-time costs for the additional 36 firefighters in the amount of \$2,541,276 be approved with funding from the Rate Stabilization Account; and
 - j. Pursuant to Council's Safe Community Priority program, provide 36 additional firefighters in the amount of \$6,023,898 as presented in Attachment 13 with a seven-year phase in plan, resulting in no tax increase in 2019 and a tax increase of 0.40% in years 2020 through 2026 be approved; and
 - k. The Rate Stabilization Account be used to reduce the overall impact of additional operating costs for a total of \$2,968,835 resulting in a tax decrease of 1.37% be approved; and
2. The 2019 Operating Budget overall tax increase of 5.33% as listed in staff recommendation 1 above be approved; and
3. The 2019 Operating Budget of 5.33% be included in the Consolidated 5 Year Financial Plan (2019-2023).



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

Att: 13

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

Executive summary

As part of the 2019 budget process, there were significant requests for external senior government related increases and additional levels of service from police and fire rescue for this five year planning period that needed to be considered collectively, including:

- The Provincial Government’s new Employer Health Tax,
- The Federal Government’s enhancements to the Canada Pension Plan, and
- Council’s Safe Community Program priority, including additional RCMP Officers, additional municipal staff to support the RCMP Detachment and additional firefighters.

The proposed 2019 budget includes the following components:

Budget Component	Amount (in \$’000s)	Tax Impact
1. Same Level of Service Increase – meets LTFMS target (pages 11-13)	\$3,250	1.50%
2. External Senior Government Related Increases (pages 13-14)	2,987	1.38%
3. Previously Approved Expenditures (pages 15-16)	1,113	0.51%
4. Operating Budget Impact from 2019 Capital Budget (pages 16-17)	402	0.18%
5. Investment in Community Facilities Infrastructure (Transfer to Reserves) (pages 17-18)	2,167	1.00%
6. City Wide Additional Levels (Attachment 10) (pages 18 and 68-69)	150	0.07%
7. Safe Community Program – 107 policing and fire rescue positions phased-in over three years (pages 18-20)	4,465	2.06%
8. Less: Rate Stabilization (page 21)	(2,969)	(1.37%)
Proposed 2019 Operating Budget Increase	\$11,565	5.33%

1. Same Level of Service Increase

Council’s Long Term Financial Management Strategy (LTFMS) policy is that “tax increases will be at Vancouver’s CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0% towards infrastructure replacement needs.” Vancouver’s CPI forecast for 2019 is 2.20% and therefore this policy target is met as the proposed same level of service increase is 1.50%. The main cost driver for the 2019 increase across all City divisions is the salary and step increases in accordance with collective agreements. Another significant driver of the same level of service increase is the RCMP contract increase for the existing complement of RCMP officers.

2. External Senior Government Related Increases

The Provincial Government announced that it would be replacing the current system of subsidizing the health care system through collecting individual Medical Services Plan (MSP) premiums with a new Employer Health Tax (EHT), effective 2019. The estimated budget impact to the City is \$2.56M for a 1.18% tax impact.

The Federal Government announced enhancements to the Canada Pension Plan (CPP) which would be phased-in gradually starting in 2019 through 2025. The full impact through 2025 results in a budget increase of \$2.5M, with \$0.3M estimated for 2019 for a 0.14% tax impact.

Federal Government changes to the Municipal Officers' Expense Allowance take effect in 2019 which results in 1/3 of salaries and benefits for council members no longer being tax-free. The estimated budget impact as a result of this change is \$0.13M for a tax impact of 0.06%.

3. Previously Approved Expenditures

In the 2018 Budget, Council approved 16 additional RCMP Officers and 3 municipal employees to support the RCMP Detachment with the tax impact fully offset by the Rate Stabilization Account (RSA), thus deferring the 1.05% tax impact to the future. These officers have been received at the RCMP Detachment and the municipal employees have been hired as of the end of the 2018 calendar year and therefore ongoing funding is required in the 2019 budget.

In summary, the amounts previously approved by Council that require funding in the 2019 budget include:

- 16 RCMP Officers and 3 Municipal Employees to support the RCMP Detachment (approved in the 2018 Budget) - \$2.28M (1.05% tax impact). This amount is included in the Safe Community Program under item 7.
- An Emergency Program Neighbourhood Preparedness Program Assistant (approved in the 2018 Budget) - \$0.1M (0.05% tax impact)
- Richmond Public Library – Expanded Senior Services (approved in the 2018 Budget) - \$0.2M (0.09% tax impact)
- Minoru Centre for Active Living expanded programming (estimated amount approved in the 2014 Budget and detailed service levels approved by Council on November 14, 2016) - \$0.6M (0.27% tax impact)
- Operation and maintenance costs of developer contributed assets that will be transferred to the City in 2019 (approved by Council through various development and rezoning applications detailed in Attachment 9) - \$0.2M (0.10% tax impact)

4. Operating Budget Impact from the 2019 Capital Budget

Operating Budget Impacts (OBI) from the 2019 Capital Budget in the amount of \$1,208,320 (excluding Utility projects) are proposed to be phased-in over three years, which amounts to \$0.4M or a 0.18% tax impact.

5. Investment in Community Facilities Infrastructure

Civic buildings, including recreation facilities, fire halls, community centres and other public amenities are important to ensure the safety, upkeep and well-being of the community.

Council's Long Term Financial Management Strategy (LTFMS) has a policy to increase 1% transfer to reserves to fund community infrastructure replacement needs. This reserve funds the replacement of buildings, such as Fire Hall 1 which opened in 2018. The Minoru Centre for Active Living is currently under construction and is anticipated to open in 2019. In 2018, Council approved Major Facilities Phase 2 which includes the Animal Shelter, Lawn Bowling Clubhouse, Phoenix Net Loft, and Steveston Community Centre and Branch Library. This

reserve fund is also largely utilized to fund major repairs for all City owned buildings, including Watermania and Gateway Theatre, to ensure community buildings remains safe and operational.

It is recommended to continue with Council's LTFMS and transfer an additional 1% into the capital reserves to replenish the funds spent on completed projects, as well as to bolster the funds available for required capital projects in the future years. It is important to recognize that a significant portion of reserve balances are committed to active projects. The reserve balances are drawn down on a cash basis (i.e. when spent), not as projects are approved. Therefore it is prudent to ensure funding is in place for future investments, such as the Steveston Community Centre and Branch Library.

6. City Wide Additional Levels

As summarized in Attachment 10 and the table below, only two additional levels requests have a tax impact, both of which were endorsed by Council to include in the budget, namely the OBI for the Council approved City Centre Police Office, and to incorporate the Sister City Program, which has been funded through Rate Stabilization in recent years, into the ongoing base budget. The remaining additional levels of service are funded through reallocations of existing resources or through an increase in program revenues, thus resulting in no tax impact.

Additional Level	Amount (in \$'000s)	Tax Impact
RCMP City Centre Community Police Office Operating Budget Impact	\$90	0.04%
Sister City Program	60	0.03%
Total Additional Levels (Attachment 10)	\$150	0.07%

7. Safe Community Program

Council's Safe Community Program includes 107 new police and fire personnel, including:

- 16 RCMP Officers and 3 Municipal Employees to support the RCMP Detachment which were approved by Council in the 2018 budget as mentioned in the Previously Approved Expenditures item, but funding was deferred to 2019 therefore this is included as part of the Safe Community Program.
- 35 additional RCMP Officers and 17 additional Municipal Employees to support the RCMP Detachment, with funding to be phased-in over three years (2019-2021).
- 36 firefighters, including 12 for Steveston / Seafair and 24 for City Centre/Brighthouse, with funding to be phased-in over seven years (2020-2026).

To enhance community safety, it is proposed to fund 107 positions (51 RCMP Officers, 20 municipal employees to support the RCMP Detachment, and 36 Firefighters).

8. Rate Stabilization

Recommended Budget Option 4 proposes to utilize the Rate Stabilization Account (RSA) to reduce the impact of the additional operating costs, which will gradually be phased out over four years.

Staff Report

Origin

Subsection 165(1) of the *Community Charter* requires the City to adopt a 5 Year Financial Plan (5YFP) Bylaw. The 2019 Operating Budget 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 2019 Operating Budget ("Budget") applies the principles of Council's Long Term Financial Management Strategy (LTFMS) (Policy 3707) (Attachment 6), 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.*"

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

- 7.1. *Relevant and effective budget processes and policies.*
- 7.2. *Well-informed and sustainable financial decision making.*
- 7.3. *Transparent financial decisions that are appropriately communicated to the public.*
- 7.4. *Strategic financial opportunities are optimized.*

This report also supports Council's 2014-2018 Term Goal #1 A Safe Community:

Maintain emphasis on community safety to ensure Richmond continues to be a safe community.

- 1.1. *Policy and service models that reflect Richmond-specific needs.*
- 1.2. *Program and service enhancements that improve community safety services in the City.*
- 1.3. *Improved perception of Richmond as a safe community.*

Council's 2014-2018 Term Goals are summarized in Attachment 1.

The types of programs and services delivered by each division have been categorized as Core, Traditional or Discretionary as presented in Attachment 2.

Analysis

Budget Process

The proposed 2019 Budget presents a same level of service budget, with only non-discretionary increases that can be clearly identified and supported. Enhanced or new levels of service are identified separately as ongoing additional expenditure requests by the respective divisions for Council's consideration in accordance with Council's Budget & 5-Year Financial Plan Preparation Policy. Please refer to Attachment 3 for the 2019 Budget Cycle.

Environmental Scan

Economic Outlook

Overall, housing starts show nominal growth over the last five years, though the trend has been towards decreasing starts since a high of over 3,000 in 2014. A 48% year-to-date growth in housing starts in 2018 compared to 2017, suggests that housing market demand fundamentals remain solid in the near term. However, rising interest rates may offset such possible uptick in future demand.

An otherwise steady-state performance in building activity over the last five years is being transformed into an upward trend by a record nearly \$1 billion in construction value of building permits in 2015. While the year to date Q3 construction value of \$693 million is not quite as high as the 2015 value of \$750 million, it is well above last year's \$524 million, positioning 2018 to finish at par or higher than the \$712 million average annual construction activity over the previous five years.

Please refer to Attachment 4 for further information on the Economic Outlook.

Taxation

When compared to the 21 municipalities in Metro Vancouver, the 2018 average residential home in Richmond ranks as the 9th highest in average assessment value of \$1.094M while having the 5th lowest average municipal taxes of \$1,657. Approximately 50% of the tax bill comprises of levies collected for other taxing jurisdictions including Translink, School Board, Metro Vancouver, BC Assessment and Municipal Finance Authority. City Council has no control over the rate of increase of levies. Within the comparator group, Richmond continues to have the 2nd lowest municipal tax for the average residential assessment. Please refer to Attachment 5 for a comparison of all Metro Vancouver municipalities.

With significant increases in residential assessments in comparison to the moderate increases in business assessments in the region, overall residential tax rates across the Metro Vancouver municipalities decreased greater than business tax rates. As a result, business to residential tax ratios for 2018 are lower than the prior year. Richmond's business to residential tax ratio decreased from 3.57 in 2017 to 3.19 in 2018. Richmond's ranking improved by dropping from the 10th highest position in 2017 to the 13th highest in 2018, aligning with Council's goal of

being in the middle in comparison to other municipalities in this regard. However, Richmond is the lowest in business to residential tax ratio when compared to our comparator group.

Long Term Financial Management Strategy (LTFMS)

On March 23, 2015 Council approved a new Casino funding allocation model which took effect starting with the 2016 budget.

Table 1 summarizes the allocation of gaming revenue in comparison to the 2018 allocation.

Table 1 – Casino Funding Allocation (in \$000s)

Casino Funding	Allocation	2019 Budget	2018 Budget
Capital Reserve	30%	\$4,950	\$4,950
Grants	15%	2,475	2,475
Council Community Initiatives Account	2%	330	330
Debt Servicing	Fixed	5,000	5,000
Operating (RCMP)	4 Officers	706	687
Capital Building Infrastructure Reserve	Remainder	3,039	3,058
Total		\$16,500	\$16,500

Debt servicing relates to the \$50M debt to fund the Major Facilities Phase 1 which will be repaid over a 10 year term (2015 through 2024).

Grants funded by gaming revenue include:

- Gateway Theatre contribution
- Health, Social and Safety grants
- Arts, Culture and Heritage grants
- Parks and Recreation grants
- Richmond Centre for Disability contribution
- Richmond Therapeutic Equestrian Society contribution
- Various Youth Grants

The Council Community Initiatives Account provides funding for one-time expenditures that address social, environmental, recreation and sports, heritage, arts and culture, safety and security, or infrastructure needs.

Please refer to Attachment 6 for a full analysis of the LTFMS.

Financial Position

Vulnerability – In 2017, Senior Government level transfers amount to 5.0% of total revenue. Gaming revenue is the predominant source as the City receives 10% of River Rock’s net gaming revenues from the Province. Only a small portion of gaming revenue is used in the operating

budget for policing and grants, therefore the City's vulnerability to potential fluctuations in this external source of funding is minimized.

Sustainability – In 2017, Richmond's financial assets (cash, investments, receivables, etc.) to liabilities ratio is 2.7 to 1.0 which indicates ability to cover existing liabilities. While this is a strong current position, long term planning is required in order to fund future infrastructure replacement costs. Options are to build up reserve balances, or to fund with external borrowing should interest rates remain low. There is also the option to delay replacement of aging infrastructure; however, this could result in repair/refurbishment costs that exceed the life cycle cost of replacing the aging assets.

Flexibility – Table 2 shows the 2017 Net Book Value of Capital Assets to Cost is 68.3% (56.3% excluding land) which indicates that the City's assets are aging and future replacement or increased repairs and maintenance will be required.

Table 2 – Net Book Value to Cost (in \$millions)

2017 Tangible Capital Assets	NBV	Cost	Ratio
Land	\$905	\$905	100.0%
Tangible Capital Assets (Excluding Land)	1,347	2,394	56.3%
Total Tangible Capital Assets	\$2,252	\$3,299	68.3%

Uncommitted Reserve Balances

As at November 30 2018, the City has \$297.9M in uncommitted reserves as shown in Table 3; however, many of these balances are designated for specific purposes.

Table 3 – Uncommitted Reserve Balances (in \$millions)

Statutory Reserve Funds	Balance at November 30, 2018 (in millions)
Building Reserves	\$60.0
General Reserve	73.8
Utility Reserves	94.5
Other specific purpose reserves	69.6
Total Uncommitted Reserve Balance	\$297.9

The uncommitted funding available in Building Reserves (Capital Building and Infrastructure Reserve and Leisure Facilities Reserve) is \$60.0M. Phase 1 of the Major Facilities Replacement Plan (including City Centre Community Centre, Fire Hall 1, Minoru Centre for Active Living) was \$124.1M and the funding from the building reserves has been fully allocated.

The General Reserve (i.e. Revolving and Industrial Use Fund) is utilized to fund land acquisitions, various programs across the City including street lights, playgrounds, minor building projects and it is also the funding source for the required City Assist Factor projects funded by Development Cost Charges. This reserve has also been relied upon to fund the Major

Facilities projects due to insufficient amounts in the Building Reserves, therefore, funding of other City programs are affected.

Development Cost Charges provide funding for Roads, Parks and Utility Infrastructure; however, this funding is prohibited for community facilities, fire halls and other civic buildings, which are the most visible assets provided to citizens. Therefore, the City must plan to invest in building infrastructure to provide for the needs of the growing community.

The Long Term Financial Management Strategy policy requirement is to add 1% transfer to the Capital Building and Infrastructure Reserve each year until the optimal annual level of reserve funding is reached. Council has successfully implemented this policy in the majority of years since the inception of the policy and has allowed the City to deliver replacement of facilities in Phase 1 of the Major Facilities Replacement Plan. In certain years the 1% transfer to reserve has been reduced or waived in order to maintain stable tax increases.

Budget Challenges

In addition to the already complex nature of municipal operations, which includes operation of fire halls, maintenance of roads, watermains, pump stations, storm and sanitary sewers, traffic lights, parks, arenas, pools, libraries, community centres, etc. Richmond has additional complexities with the diking system that is unique to our island city.

Funding is required for maintaining aging facilities and replacement of major facilities. In addition, for expanded or repurposed facilities, there is a tax impact from the associated OBI which may include additional heat and electricity to operate the building as well as additional staff to expand the current programs offered within the new facility.

There is also a significant demand for enhanced community safety including additional level requests Richmond Fire Rescue and from the RCMP for additional officers and municipal staff to support the RCMP Detachment.

The downloading of services previously provided by senior levels of government such as first responders, affordable housing, mental health services and child care has left the municipality to meet the needs of the community.

To address some of these challenges, the City undergoes a continuous review of its programs and services in order to identify further service improvements and cost reductions. Staff continually look for efficiencies and innovative ways to deliver services that would streamline business processes, contain costs and leverage the increased use of technology.

Organization Profile

The City's six corporate divisions include:

- Community Safety
- Community Services
- Corporate Administration
- Engineering and Public Works

- Finance and Corporate Services
- Planning and Development

Please refer to Attachment 7 for the Municipal Breakdown of \$1.

Operating Budget

The All Divisions summary included in Attachment 8 shows the City's base operating budget which totals \$321.1M. Since the City delivers a vast array of services and programs, labour is a significant component of the budget (47%). Contracts represent 22% of the base operating budget, which is largely due to the RCMP contract.

The base operating budget is primarily funded by property tax (70%). Community User Fees were increased by 2.2%, where possible through the Consolidated Fees Bylaw, effective January 1, 2019.

1. Same Level of Service Increase

Council's Long Term Financial Management Strategy (LTFMS) policy is that the tax increase to maintain current programs and maintain existing infrastructure at the same level of service will be at Vancouver's CPI rate. Preliminary Vancouver CPI forecasts from the Conference Board of Canada is estimated at 2.2% for 2019. In comparison, the Municipal Price Index is estimated at 4.5%. The same level of service increase as shown in Table 4 is 1.50%, therefore this policy target is met.

Table 4 presents the net base budget by department/division for 2018 and the proposed net base budget to deliver the same levels of service in 2019, before external senior government related increases. This includes non-discretionary increases only as supported by contracts and agreements and does not include any additional levels of service. Attachment 8 includes further details on each Division's same level of service budget.

Table 4 – Same Level of Service Base Budget (in \$000s)

Department/Division	2018 Adjusted Net Base Budget	2019 Proposed Net Base Budget	Amount Change	Per Cent Change	Tax Impact
Policing	\$48,077	\$50,149	\$2,072	4.31%	0.97%
Fire Rescue	35,473	36,732	1,259	3.55%	0.58%
Community Safety - Other	(1,020)	(985)	(35)	(3.33%)	0.02%
Community Safety Total	\$82,530	\$85,896	\$3,366	4.08%	1.56%
Community Services	41,441	42,319	878	2.12%	0.41%
Library	9,346	9,651	305	3.26%	0.14%
Community Services including Library	\$50,787	\$51,970	\$1,183	2.33%	0.55%
Engineering and Public Works	37,105	37,767	662	1.79%	0.31%
Finance and Corporate Services	23,815	24,223	408	1.71%	0.19%
Corporate Administration	10,166	10,366	200	1.97%	0.09%
Planning and Development	5,526	5,365	(161)	(2.90%)	(0.07%)
Fiscal	(209,929)	(209,837)	92	(0.04%)	0.04%
Same Level of Service Increase	\$-	\$5,750	\$5,750		2.65%
Less: Estimated 2019 New Tax Growth		(2,500)	(2,500)		(1.15%)
Same Level of Service Increase After Growth		\$3,250	\$3,250		1.50%

Key Financial Drivers

The largest cost driver of the same level of service budget is the RCMP contract increase to maintain the existing complement of RCMP officers.

Another cost driver for the 2019 increase across all City divisions is the salary and step increases in accordance with collective agreements. CUPE 718 and 394 collective agreements were ratified in 2017 and settled at 2.0% for 2019.

The Richmond Firefighters Association (RFFA) collective agreement is settled at 2.5% until 2019.

The combined costs for RCMP and Fire Rescue, including the E-Comm contract increase is \$3.4M.

Table 5 – 2019 Key Financial Drivers

Cost Breakdown	Amount (in 000's)
RCMP - Contract Increase ¹	\$2,076
Salaries and Benefits Increase – City-Wide ²	1,699
Salaries and Benefits – Fire Rescue ³	1,178
2018 OBI Year 2 of 2	495
E-Comm Contract increase	181
Other Increases	121
Net Budget Increase	\$5,750

Sources:

¹ RCMP E Division² CUPE 718 and 394 collective agreements³ RFFA, Local 1286

Tax Growth

New tax growth projections are based on “non-market change” figures provided by BC Assessment Authority. Non-market change is the term BC Assessment Authority 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.

New tax growth for 2019 is estimated at \$2.5M.

2. External Senior Government Related Increases

Council Policy 3707 item 2 states:

“Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year’s taxes above and beyond the CPI and infrastructure percentage contribution.”

In accordance with Council policy, these items are identified and included in the tax increase above and beyond the CPI target as summarized in Table 6.

Table 6 – External Senior Government Related Increases (in \$000s)

Legislating Body	Amount	Tax Impact
Provincial Government	\$2,560	1.18%
Federal Government	427	0.20%
Total	\$2,987	1.38%

Employer Health Tax

The Provincial Government announced that it would be replacing the current system of subsidizing the health care system through collecting individual Medical Services Plan (MSP) premiums with a new Employer Health Tax (EHT), effective January 2019.

Employer Health Tax of 1.95% takes effect in January 2019. However, while MSP premiums were reduced by 50 per cent commencing in January 2018, they will not be eliminated until January 1, 2020. As such, both MSP premiums and the EHT will be payable in 2019.

The estimated budget impact in 2019 for the new Employer Health Tax is \$2.56M or a 1.18% tax impact. The estimated amount of 2019 MSP Premiums for the City is \$0.75M and the Library is \$60k. As this is the final year for this premium, it is recommended to rate-stabilize the amount of \$0.8M.

Canada Pension Plan Enhancement

Starting in 2019, the Canada Pension Plan (CPP) will be gradually enhanced. This means the employee will receive higher benefits in exchange for making higher contributions. The CPP enhancement will only affect employees, as of 2019, that work and make contributions to the CPP.

Employers will pay the same increase in contributions as their employees. The estimated budget impact in 2019 is \$0.30M or a 0.14% tax impact. Future year impacts of this enhancement will continue through 2025 estimated to \$0.3-\$0.4M per year.

Municipal Officers' Expense Allowance

For 2019 and later tax years, non-accountable allowances paid to elected officers will be included in their income. This change was stated in the 2017 federal budget, which received royal assent on June 22, 2017 (Bill C-44).

This means that Council will no longer receive 1/3 of their salaries and benefits tax free effective January 2019. The reimbursement of employment expenses will remain a non-taxable benefit to the recipient.

The estimated budget impact in 2019 is \$127k or a 0.06% tax impact.

3. Previously Approved Expenditures

There are two types of previously approved amounts in Table 7 that are included in the 2019 budget:

- i. Amounts deferred or gradually phased-in to the budget
- ii. OBI of Developer Contributed Assets negotiated through development

Table 7 – 2019 Previously Approved Expenditures (in \$000s)

Previously Approved Expenditures	Amount	Tax Impact
Emergency Programs Assistant and Expanded Library Services	303	0.14%
Minoru Centre for Active Living – OBI Phase-in	600	0.27%
2019 Developer Contributed Assets OBI	210	0.10%
Subtotal	\$1,113	0.51%
Safe Community Program:		
16 RCMP Officers and 3 Municipal Employees to support the RCMP Detachment	\$2,276	1.05%
Total including Safe Community Program	\$3,389	1.56%

Previously Approved RCMP Additional Level Requests

In the 2018 budget, 16 additional RCMP Officers and 3 Municipal Employees to support the RCMP Detachment were approved. Due to the time required to hire and train new officers, the tax impact was fully rate stabilized to align with the timing of when the officers were expected to be deployed. Therefore, the tax impact was deferred and needs to be funded in the 2019 Budget for \$2.2M or a 1.05% tax impact.

Previously Approved City-Wide Additional Level Requests

At the Council meeting held on December 11, 2017 the following resolution was passed for the 2018 budget:

The ongoing additional levels for the Emergency Program Neighbourhood Preparedness Program Assistant (\$100,125) and the Richmond Public Library – Expand Senior Services (\$203,004) for a total of \$303,129 be approved and that the Rate Stabilization Account be used to pay for those additional levels.

The funding required for the Emergency Program Neighbourhood Preparedness Program Assistant and the Richmond Public Library expanded senior services which was deferred is \$0.3M or a 0.14% tax impact.

Previously Approved Operating Budget Impacts of Major Facilities Phase 1

In the 2014 Budget, a Major Facilities Phase 1 Operating Budget Impact (OBI) phase-in plan was approved, resulting in \$600,000 incremental budget added each year until 2020 to provide funding for:

- the new City Centre Community Centre
- expanded Fire Halls 1 and 3, and
- the expanded replacement of the Older Adults Centre
- the expanded replacement of the Minoru Aquatics Centre.

This OBI phase-in plan was amended on November 14, 2016 through the Minoru Centre for Active Living service levels. The final years of this OBI phase-in plan relates to funding for expanded programming at the Minoru Centre for Active Living.

The 2019 amount for the Major Facilities OBI phase-in is \$0.6M for a 0.27% tax impact.

OBI Associated Developer Contributed Assets

Developer contributed assets that were previously approved by Council as part of development applications or rezoning approvals will be placed in service in 2019 and will require funding for ongoing operation and maintenance. These assets include road, water, sanitary and sewer infrastructure, traffic lights, and parks. As these assets become part of the City's inventory of assets to manage, additional operating budget funds are required to ensure the same level of service is maintained for the City's growing infrastructure.

2019 Developer Contributed Assets OBI amounts to \$0.2M or a 0.10% tax impact as detailed in Attachment 9.

4. Operating Budget Impact from the 2019 Capital Budget

The 2019 Capital Plan includes new and expanded infrastructure and equipment which also requires operating funds to maintain. The 2019 Capital Budget total is \$111,333,702. The OBI associated with the 2019 Capital program is \$1,229,320. Table 8 presents the 2019 OBI by Capital program. Of this amount \$21,000 is associated with utility projects and will be included in future utility budgets. These impacts will be phased in over three years to align with the expected completion of the projects.

2019 Capital OBI in the amount of \$1,208,320 is proposed to be phased-in over three years, which amounts to \$0.4M or a 0.18% tax impact as shown in Table 9.

Table 8 – Recommended 2019 Funding and OBI by Program (in \$ '000s)

Program	Amount	OBI	Tax Impact
Infrastructure	\$37,799	\$338	0.15%
Land	10,000	-	-
Parks	11,820	197	0.09%
Internal Transfers/Debt Payment	12,214	-	
Equipment	12,277	335	0.15%
Building	20,916	349	0.16%
Public Art	563	10	0.01%
Affordable Housing	775	-	-
Child Care	160	-	-
Contingent External Contribution	10,000	-	-
Total 2019 Capital Funding & OBI	\$116,524	\$1,229	0.56%
Less: Utility Budget Impact		(21)	(0.01%)
2019 OBI - to be phased in over 3 years		\$1,208	0.55%

On September 26, 2016 Council endorsed the City Centre Community Centre North facility which would require additional funds to be added to the operating budget. In the 2017 budget, a phase in plan was approved for the City Centre Community Centre North OBI estimated impact of \$1.42M minimizing the tax impact to approximately 0.18% each year until 2020. However, the facility is not expected to open until 2022 or later. Therefore, it is recommended to suspend the phase-in of this OBI as it can be completed over years 2020 through 2022.

Table 9 – Operating Budget Impact from 2019 Capital Budget (in \$000s)

Capital Operating Budget Impacts	Amount	Tax Impact
2019 Capital Program OBI Year 1 of 3	\$402	0.18%
City Centre Community Centre North OBI Phase-in	-	-%
Total	\$402	0.18%

5. Investment in Community Facilities Infrastructure (Transfer to Reserves)

Civic buildings, including recreation facilities, fire halls, community centres and other public amenities are important to ensure the safety, upkeep and well-being of the community.

Council's Long Term Financial Management Strategy (LTFMS) has a policy to increase 1% transfer to reserves to fund community infrastructure replacement needs. This reserve funds the replacement of buildings, such as Fire Hall 1 which opened in 2018. The Minoru Centre for Active Living is currently under construction and is anticipated to open in 2019. In 2018, Council approved Major Facilities Phase 2 which includes the Animal Shelter, Lawn Bowling Clubhouse, Phoenix Net Loft, and Steveston Community Centre and Branch Library. This reserve fund is also utilized to fund major repairs for all City owned buildings, including Watermania and Gateway Theatre, to ensure community buildings remains safe and operational.

It is recommended to continue with Council's LTFMS and transfer an additional 1% into the capital reserves to replenish the funds spent on completed projects, as well as to replenish the funds that are committed to approved capital projects which are in progress. It is important to recognize that a significant portion of reserve balances are committed to active projects. The reserve balances are drawn down on a cash basis, not as projects are approved. Therefore it is prudent to ensure funding is in place for future investments, such as the Steveston Community Centre and Branch Library.

6. City Wide Additional Levels

Additional level submissions have been prioritized and reviewed by the Senior Management Team (SMT) and the CAO. Only high priority items are recommended to be added to the base budget. For 2019, 20 additional level submissions (excluding RCMP and Fire Rescue positions) have been received totaling \$1,298,595. After reviews and discussions, seven are recommended by SMT and the CAO with only two submissions having a tax impact of \$149,828. Please refer to Attachment 10 for the list of recommended additional levels and Attachment 11 for the list of not recommended additional levels.

7. Safe Community Program

RCMP

Based on population, Richmond has fewer police officers than its peer group. Richmond currently has a police officer to population ratio of 1:970. According to the Municipal Police Statistics for 2015, Richmond has the lowest RCMP cost per capita compared to its peer group. RCMP has devised a 3 Year Resource Plan to take into account the current and future police resource challenges and demands.

In 2018, 16 additional officers and 3 municipal employees were added to directly support the RCMP Detachment, which was fully rate stabilized, thus deferring the tax impact to 2019.

Table 10 presents the RCMP additional level requests approved in 2018 and summarizes the Three Year Resource Plan for 2019-2021.

Table 10 – Summary of RCMP Additional Resource Requirements 2018-2021

Year	Police Officers	Municipal Employees	Amount (in \$'000s)	Tax Impact
2018	16	3	\$2,276	1.05%
2019	19	10	3,722	1.72%
2020	12	5	2,105	0.97%
2021	4	2	741	0.34%
Total	51	20	\$8,844	4.08%

Refer to Attachment 12 for further details of the RCMP Three Year Resource Plan.

The capital and one-time costs associated with the new positions amounts to \$839,519 and is proposed to be funded from the Rate Stabilization Account. This amount is for vehicles, equipment, and other one-time costs for 35 RCMP Officers and 17 Municipal Employees to support the RCMP Detachment. The one-time capital costs for the 16 RCMP Officers and 3 Municipal Employees approved in 2018 were funded by the Rate Stabilization Account in 2018.

Fire Rescue

On December 12, 2016, Council approved one-time funding for the Richmond Fire Rescue Plan Update. On May 23, 2017, it was announced that ORH Ltd was retained to conduct an Optimal Deployment Review for Richmond Fire-Rescue. Based on the consultant's report, in order to maintain the current levels of service a Rescue Company consisting of 12 firefighters will be required in the Steveston/Seafair area by 2023 and an Engine Company consisting of 24 firefighters in the City Centre/Brighthouse area will be required by 2027.

Therefore, Council directed staff to:

- Create a comprehensive and time sensitive implementation plan in time for the 2019 budget process
- Submit capital and operating budget requests for consideration by Council beginning in the year 2019 extended through the year 2024 budget cycles to add an additional rescue vehicle and staffing
- Analyze the needs and priorities for 36 more firefighters taking into account alternative implementation options for phasing in new firefighters

Refer to Attachment 13 for a summary of the RFR additional levels request.

Table 11 summarizes the full cost of the recommended additional level requests, before consideration of a phase-in plan.

Table 11 – Summary of Additional Level Expenditure Requests (in \$000s)

Additional Level Expenditure Requests		Tax Impact (%)
City Wide Additional Levels – Recommended (Attachment 10) (pages 66-67)	\$150	0.07%
35 Additional RCMP Officers	5,323	2.46%
17 Additional Municipal Employees to support RCMP	1,245	0.57%
36 Firefighters	6,024	2.78%
Total Additional Level Expenditures	\$12,742	5.88%

Phase-in Plan

As a result of Council's direction, various implementation options were considered for the deployment of 36 additional firefighters. Two phase-in options are brought forward for Council's consideration as part of the 2019 Proposed Operating Budget:

- i) An accelerated implementation plan which is 3-6 years ahead of demand (Budget Options 1 and 2 from Table 14)

Under Budget Options 1 and 2, funding for 36 additional firefighters is phased-in over three years (2019-2021).

- ii) Implementation aligned with timing of increased demand (Budget Options 3 and 4 from Table 14)

Under Budget Options 3 and 4, funding for 36 additional firefighters is phased-in over seven years, starting in 2020 through 2026. The budget options are discussed further under the header Budget Options on page 21.

Hiring will be the responsibility of the department to implement in the most effective manner for the operational area. The capital and one-time costs associated with the new positions amounts to \$2,541,276 and is proposed to be funded in 2019 from RSA to enable commencement of the procurement process. This amount is for fire rescue vehicles, personal protection equipment, minor renovations to Fire Hall 2 to accommodate additional firefighters, and other one-time costs.

It is proposed to phase-in funding for the Safe Community Program in 2019-2026 as follows:

- 51 RCMP officers and 20 municipal employees to support the RCMP Detachment phased-in over 3 years (2019-2021)
- 36 firefighters phased-in over 7 years (2020-2026)

Table 12 summarizes the 2019 funding requirement of the Safe Community Program in 2019.

Table 12 – Safe Community Program – 2019 Funding Requirement (in \$000s)

		Tax Impact (%)
Safe Community Program		
Ongoing costs:		
16 RCMP Officers and 3 MEs to support the RCMP (to fund in 2019)	\$2,276	1.05%
35 Additional RCMP Officers (Year 1 of 3)	1,774	0.82%
17 Additional Municipal Employees to support RCMP (Year 1 of 3)	415	0.19%
36 Firefighters (Phase-in period is 2020-2026)	-	-%
Total Additional Level Expenditures – Ongoing	\$4,465	2.06%
Capital and one-time costs:		
35 Additional RCMP Officers	605	0.28%
17 Additional Municipal Employees to support RCMP	234	0.11%
36 Firefighters	2,541	1.17%
Less: Rate Stabilization of capital and one-time costs	(3,380)	(1.56%)
Total Additional Level Expenditures – Ongoing and One-Time	\$4,465	2.06%

Council has the discretion to change the recommendation for funding any of the additional level requests with resulting tax impacts.

8. Rate Stabilization

Council established a Rate Stabilization Account (RSA) to accumulate surplus and use it to fund one-time costs and to offset any large spikes in the City's annual tax increase allowing for a smoothing of the tax rate in most years. Rate Stabilization is a temporary funding solution to stabilize the 2019 tax increase and therefore, defers the tax increase to future years.

Table 13 summarizes the proposed utilization of the RSA as presented in the following reports:

- 2019 One-time Expenditures
- 2019 Capital Budget
- 2019 Proposed Operating Budget (this report)

Table 13 –Proposed RSA Utilization (in \$000s)

RSA Balance as of November 30, 2018		\$14,633,790
2019 Capital Projects funded by RSA	(5,743,000)	
2019 One-Time Expenditures	(1,315,909)	
Fire Rescue Capital and One-Time Costs for 36 Firefighters	(2,541,276)	
RCMP Capital and One-Time Costs for 35 RCMP and 17 Municipal Staff to support the RCMP Detachment	(839,519)	
Proposed Rate Stabilization (Budget Option 4)	(2,968,835)	
Total 2019 Proposed RSA Utilization		(13,408,539)
Balance After Proposed 2019 Utilization		\$1,225,251

It is proposed to utilize \$3.4M from RSA to fund the capital and one-time costs of the Safe Community Program. If funding was not available to offset these increases, the proposed tax increase would have been higher to cover these required costs.

It is further proposed to utilize \$3.0M to reduce the impact of the 2019 Operating Budget, which results in a decrease in the tax impact of 1.37% as recommended in Budget Option 4, which is discussed in the following section. This would leave a remaining balance of \$1.2M in RSA for other one-time expenditures that may arise before the 2018 surplus is finalized and deposited into the RSA.

Budget Options

SMT and the CAO have done considerable work including conducting a significant number of reviews to achieve a same level of service budget of 1.50% which is below the CPI target of 2.2%, and to provide a recommendation on the requested additional levels of service.

Options 1-4 all include the following:

- 51 RCMP Officers, 20 Municipal Employees to support the RCMP detachment, phased-in over 3 years
- 36 Firefighters including 12 for Steveston/Seafair and 24 for City Centre/Brighthouse

- An increased investment in community infrastructure pursuant to Council's Long Term Financial Management Strategy of 1%.
- Rate stabilization of one-time costs for the transition from MSP to EHT at 0.37%.
- In addition, in 2023 allowance has been established for City wide additional levels.

What varies between the options are the following:

- a. The phase-in period for 36 additional firefighters (highlighted in purple in the following tables)
- b. The amount of additional rate stabilization utilized.(highlighted in green in the following tables)

Accelerated Deployment

Budget options 1 and 2 present the accelerated deployment of 36 additional firefighters, with a phase-in plan of three years from 2019-2021. This option phases-in funding earlier than is required to meet the increased service levels which are expected for Steveston/Seafair by 2023 and City Centre/Brighthouse by 2027.

Budget options 1 and 2 address Council's safety priorities all within this Council Term rather than deferring this to future Councils.

A 3 year phase-in plan would result in a tax impact of 0.94% in each year (2019-2021).

Deployment Aligned with Demand for Increased Service Levels

Budget options 3 and 4 present the deployment of 36 additional firefighters over seven years 2020-2026. Seven years most closely aligns with the timing of expected demand for increased services levels based on the consultant's report, which recommended 12 firefighters for Steveston/Seafair by 2023 and 24 firefighters for City Centre/Brighthouse by 2027. A longer phase-in plan results in a lower tax impact each year. It is recommended for the seven year phase-in period to start in 2020 and end in 2026, which allows time to recruit and train all of the firefighters to ensure readiness for active service by 2027.

Budget options 3 and 4 address Council's safety priorities, however this phase-in period extends into the next Council term, resulting in tax impacts being pre-approved that partially carry into the next term.

A 7 year phase-in plan would result in a tax impact of 0.40% in each year (2020-2026).

Additional Rate Stabilization

Each year that rate stabilization funding is used to offset ongoing expenditures, the amount is added to the subsequent year's "previously approved expenditures" to capture the amount that is deferred to the following year.

Table 14 summarizes the 2019 budget components under each of the four options.

Table 14 – 2019 Budget Options

	Option 1	Option 2	Option 3	Option 4 (recommended)
RCMP Officers / Phase-in period Municipal Employees (MEs) / Phase-in period Firefighters (RFR) / Phase-in period Includes 1% Transfer to Reserves Amount of additional rate stabilization (RSA)	51 RCMP / 3 20 MEs / 3 36 RFR / 3 1% Transfer None	51 RCMP / 3 20 MEs / 3 36 RFR / 3 1% Transfer 1% RSA	51 RCMP / 3 20 MEs / 3 36 RFR / 7* 1% Transfer None	51 RCMP / 3 20 MEs / 3 36 RFR / 7* 1% Transfer 1% RSA
Same Level of Service Increase	1.50%	1.50%	1.50%	1.50%
External Senior Government Related Increases	1.38%	1.38%	1.38%	1.38%
Previously Approved Items:				
Policing (16 Officers and 3 Municipal Employees to support the RCMP Detachment)	1.05%	1.05%	1.05%	1.05%
Others (Minoru Centre for Active Living OBI, Library Senior Services, Emergency Programs)	0.41%	0.41%	0.41%	0.41%
Operating Budget Impact from Developer Contributed Assets	0.10%	0.10%	0.10%	0.10%
Net Increase with Previously Approved Items	4.44%	4.44%	4.44%	4.44%
Operating Budget Impact from 2019 Capital	0.18%	0.18%	0.18%	0.18%
Investment in Community Facilities Infrastructure (Transfer to Reserves)	1.00%	1.00%	1.00%	1.00%
Additional Level Expenditures:				
City Wide	0.07%	0.07%	0.07%	0.07%
Policing Additional Level	1.01%	1.01%	1.01%	1.01%
Fire Rescue Additional Level	0.93%	0.93%	-	-
Less: Rate Stabilization – One-Time for MSP/EHT Transition	(0.37%)	(0.37%)	(0.37%)	(0.37%)
Less: Additional Rate Stabilization	-	(1.00%)	-	(1.00%)
Total Tax Impact	7.26%	6.26%	6.33%	5.33%

* The 7 year phase-in period for 36 additional firefighters begins in 2020 through 2026.

Budget Option 1 (not recommended)

Under this budget option, RCMP and Fire Rescue additional levels are phased-in over 3 years (2019-2021).

This budget option includes the full tax impact of 7.26% in 2019, with rate stabilization of one-time costs only. No additional rate stabilization funding is used in the first year. This would leave the remaining balance in the RSA for unanticipated costs that may arise before the 2018 surplus is finalized and deposited into the RSA. In subsequent years of the five year plan, rate stabilization funding is included at a rate of 1.00% in 2020 and increases to 1.50% in 2021. The rate stabilization funding is not phased out during this 5-year period, thus deferring 1.50% of the additional level impacts to years beyond 2023. This option would need to be reviewed annually, subject to funding available in the RSA.

Table 15 – Budget Option 1

Budget Option 1	2019	2020	2021	2022	2023
Same Level of Service Increase	1.50%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Safe Community Program (3 years)	2.99%	1.94%	1.94%	-%	-%
City Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Previously Approved Expenditures	0.51%	0.25%	1.05%	1.58%	1.59%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Infrastructure	1.00%	1.00%	1.00%	1.00%	1.00%
Less: Rate stabilization	(0.37%)	(1.00%)	(1.50%)	(1.50%)	(1.50%)
Proposed Tax Increase	7.26%	4.66%	4.58%	3.61%	5.36%

Budget Option 2 (not recommended)

Under this budget option, RCMP and Fire Rescue additional levels are phased-in over 3 years (2019-2021).

This budget option utilizes an additional 1.0% of rate stabilization, reducing the 2019 tax impact to 6.26%. This option leaves a balance of \$1.2M in the RSA for unanticipated expenditures that may arise before the 2018 surplus is finalized and deposited into the RSA. In subsequent years, this rate stabilization is gradually reduced until it is completely phased out in 2022, and therefore does not defer any tax impacts beyond the year 2022.

Table 16 – Budget Option 2

Budget Option 2	2019	2020	2021	2022	2023
Same Level of Service Increase	1.50%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Safe Community Program (3 years)	2.99%	1.94%	1.94%	-%	-%
City Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Previously Approved Expenditures	0.51%	1.26%	0.75%	0.38%	0.09%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Infrastructure	1.00%	1.00%	1.00%	1.00%	1.00%
Less: Rate stabilization	(1.37%)	(0.70%)	(0.30%)	-%	-%
Proposed Tax Increase	6.26%	5.97%	5.48%	3.91%	5.36%

Budget Option 3 (not recommended).

Under this budget option, RCMP additional levels are phased-in over 3 years (2019-2021) and Fire Rescue is phased-in over 7 years (2020-2026).

This budget option includes the full tax impact of 6.33% in 2019, with rate stabilization of one-time costs only. This would leave the remaining balance in the RSA for unanticipated costs that may arise before the 2018 surplus is finalized and deposited into the RSA. In subsequent years of the five year plan, the operating budget does not rely on RSA funding being available, rather it allows any RSA funding to be utilized for required one-time costs that fluctuate from year to year.

Table 17 – Budget Option 3

Budget Option 3	2019	2020	2021	2022	2023
Same Level of Service Increase	1.50%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Safe Community Program (7 years)	2.06%	1.41%	1.41%	0.40%	0.40%
City Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Previously Approved Expenditures	0.51%	0.26%	0.05%	0.08%	0.09%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Infrastructure	1.00%	1.00%	1.00%	1.00%	1.00%
Less: Rate stabilization	(0.37%)	-%	-%	-%	-%
Proposed Tax Increase	6.33%	5.14%	4.55%	4.01%	5.76%

Budget Option 4 (recommended).

Under this budget option, RCMP additional levels are phased-in over 3 years (2019-2021) and Fire Rescue is phased-in over 7 years (2020-2026).

This budget option utilizes an additional 1.0% of rate stabilization, reducing the 2019 tax impact to 5.33% and keeps the future year increase more stable as compared to budget option 3. This option leaves a balance of \$1.2M in the RSA for unanticipated expenditures that may arise before the 2018 surplus is finalized and deposited into the RSA. In subsequent years, this rate

stabilization is gradually reduced until it is completely phased out in 2022, and therefore does not defer any tax impacts beyond the year 2022.

This is the recommended option as it addresses Council’s safety priorities, and does not defer any rate stabilization to years beyond 2022.

Table 18 – Budget Option 4

Budget Option 4	2019	2020	2021	2022	2023
Same Level of Service Increase	1.50%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Safe Community Program (7 years)	2.06%	1.41%	1.41%	0.40%	0.40%
City Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Previously Approved Expenditures	0.51%	1.26%	0.75%	0.38%	0.09%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Infrastructure	1.00%	1.00%	1.00%	1.00%	1.00%
Less: Rate stabilization	(1.37%)	(0.70)%	(0.30)%	-%	-%
Proposed Tax Increase	5.33%	5.44%	4.95%	4.31%	5.76%

Financial Impact

Staff recommend the proposed Budget Option 4 with a tax increase of 5.33% as summarized in Table 19.

Table 19 – 2019 Proposed Tax Increase (in \$000s)

Budget Component	Amount (in \$'000s)	Tax Impact
Same Level of Service Increase (meets LTFMS target)	\$3,250	1.50%
External Senior Government Related Increases	2,987	1.38%
Safe Community Program – 107 policing and fire rescue positions	4,465	2.06%
City Wide Additional Levels	150	0.07%
Previously Approved Expenditures	1,113	0.51%
Operating Budget Impact from 2019 Capital Budget	402	0.18%
Investment in Community Facilities Infrastructure (Transfer to Reserves)	2,167	1.00%
Less: Rate stabilization	(2,969)	(1.37%)
Proposed 2019 Operating Budget Increase	\$11,565	5.33%

Conclusion

The 5 Year Financial Plan (2019-2023) is proposed to be based on Budget Option 4 as presented in Table 19.



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2019 Proposed Operating Budgets

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1. Council Term Goals (2014-2018)



1. A Safe Community

Maintain emphasis on community safety to ensure Richmond continues to be a safe community.



2. A Vibrant, Active, and Connected City

Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.



3. A Well-Planned Community

Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.



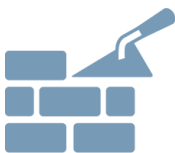
4. Leadership in Sustainability

Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.



5. Partnerships and Collaboration

Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.



6. Quality Infrastructure Networks

Continue diligence towards the development of infrastructure networks that are safe, sustainable, and address the challenges associated with aging systems, population growth, and environmental impact.



7. Strong Financial Stewardship

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.



8. Supportive Economic Development Environment

Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.

9. Well-Informed Citizenry

Continue to develop and provide programs and services that ensure the Richmond community is well-informed and engaged on City business and decision making.

2. Approved Types of Programs and Services

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
CAO's Office (7)	CAO's Office			
	<ul style="list-style-type: none"> Corporate Administration 	√	√	
	<ul style="list-style-type: none"> Administrative Support Services (including the Mayor's Office & Councillors' Office) 		√	√
	<ul style="list-style-type: none"> Intergovernmental Relations & Protocol Unit 			√
	<ul style="list-style-type: none"> Corporate Programs Management Group 			√
	<ul style="list-style-type: none"> Corporate Communications & Marketing 		√	
	<ul style="list-style-type: none"> Production 			√
	<ul style="list-style-type: none"> Corporate Planning & Programs 		√	
Deputy CAO (4)	Human Resources			
	<ul style="list-style-type: none"> Training & Development 		√	
	<ul style="list-style-type: none"> Employee & Labour Relations 	√	√	
	<ul style="list-style-type: none"> Compensation, Job Evaluation & Recognition 	√	√	
	<ul style="list-style-type: none"> Workplace Health, Safety & Wellness 	√	√	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Community Services (18)	Parks			
	<ul style="list-style-type: none"> Parks Operations (includes Asset Management, Construction & Maintenance, Turf Management, Horticulture, Urban Forestry) 		√	√
	<ul style="list-style-type: none"> Parks Programs (includes Nature Park) 		√	
	<ul style="list-style-type: none"> Parks Planning, Design & Construction 		√	√
	Recreation & Sport			
	<ul style="list-style-type: none"> Community Services Admin. 		√	√
	<ul style="list-style-type: none"> Community Recreation Services (includes community centres) 		√	√
	<ul style="list-style-type: none"> Aquatic, Arena & Fitness Services 		√	√
	<ul style="list-style-type: none"> Sport & Event Services (includes volunteer management) 			√
	<ul style="list-style-type: none"> Planning & Project Services 			√
	Arts, Culture, Heritage, Major Events & Film			
	<ul style="list-style-type: none"> Arts Services (includes Art Gallery, Art Centre, Cultural Centre, Major Events and Film) 			√
	<ul style="list-style-type: none"> Heritage Services 			√
	<ul style="list-style-type: none"> Major Events and Film 			√
	<ul style="list-style-type: none"> Britannia 			√
	Community Social Development			
	<ul style="list-style-type: none"> Social Planning 			√
	<ul style="list-style-type: none"> Affordable Housing 			√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> Diversity & Cultural Services 			√
	<ul style="list-style-type: none"> Child Care Services 			√
	<ul style="list-style-type: none"> Youth Services 			√
	<ul style="list-style-type: none"> Senior Services 			√
Engineering & Public Works (14)	Engineering			
	<ul style="list-style-type: none"> Engineering – Planning 	√	√	
	<ul style="list-style-type: none"> Engineering – Design & Construction 	√	√	
	<ul style="list-style-type: none"> Facility Services 		√	
	<ul style="list-style-type: none"> Capital Building Project Development 			√
	<ul style="list-style-type: none"> Sustainability - District Energy 			√
	<ul style="list-style-type: none"> Sustainability - Corporate Energy 			√
	<ul style="list-style-type: none"> Sustainability - Environmental 			√
	Public Works			
	<ul style="list-style-type: none"> Public Works Administration 		√	√
	<ul style="list-style-type: none"> Health and Safety Program 	√		
	<ul style="list-style-type: none"> Fleet Operations 		√	√
	<ul style="list-style-type: none"> Environmental Programs 		√	√
	<ul style="list-style-type: none"> Roads & Construction Services 	√	√	
	<ul style="list-style-type: none"> Sewerage & Drainage 	√	√	
	<ul style="list-style-type: none"> Water Services 	√	√	

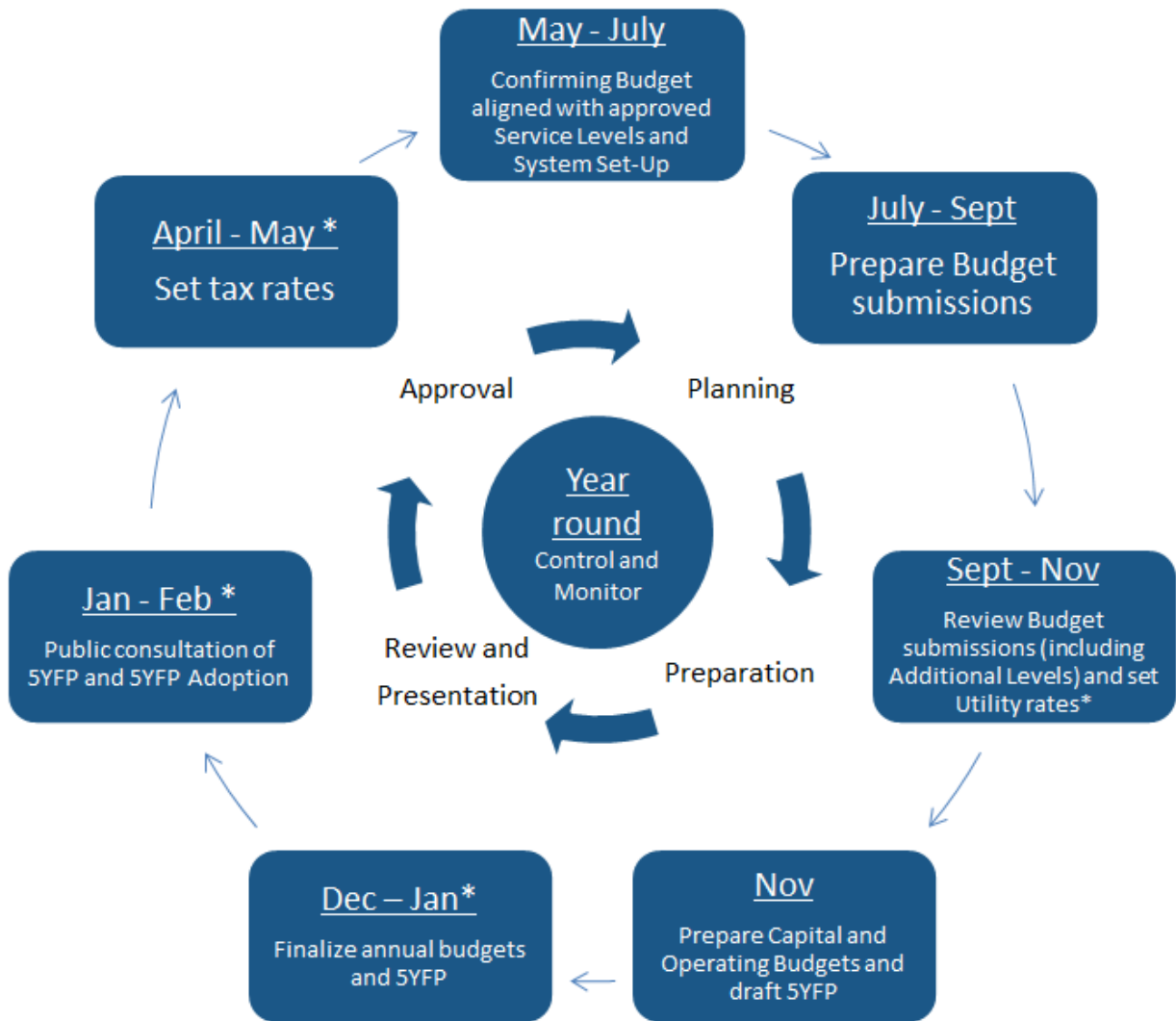
Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Finance & Corporate Services (26)	Finance			
	<ul style="list-style-type: none"> Finance Administration 		√	√
	<ul style="list-style-type: none"> Financial System and Support 		√	√
	<ul style="list-style-type: none"> Financial Reporting and Accounts Payable 	√	√	√
	<ul style="list-style-type: none"> Financial Planning & Analysis 	√	√	√
	<ul style="list-style-type: none"> Revenue/Taxation 	√	√	√
	<ul style="list-style-type: none"> Purchasing and Stores 		√	√
	<ul style="list-style-type: none"> Treasury & Financial Services (includes Accounts Receivable) 	√	√	√
	<ul style="list-style-type: none"> Payroll 		√	√
	Information Technology			
	<ul style="list-style-type: none"> IT Administration 		√	√
	<ul style="list-style-type: none"> Business & Enterprise Systems 		√	√
	<ul style="list-style-type: none"> Innovation 			√
	<ul style="list-style-type: none"> Infrastructure Services 		√	√
	<ul style="list-style-type: none"> GIS & Database Services 		√	√
	<ul style="list-style-type: none"> Customer Service Delivery 		√	√
	City Clerk's Office			
	<ul style="list-style-type: none"> Operations/Legislative Services 	√	√	
	<ul style="list-style-type: none"> Records & Information 	√	√	
	<ul style="list-style-type: none"> Richmond Archives 		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	Corporate Business Service Solutions			
	<ul style="list-style-type: none"> • Business Advisory Services 		√	√
	<ul style="list-style-type: none"> • Risk Management 			√
	<ul style="list-style-type: none"> • Economic Development 			√
	<ul style="list-style-type: none"> • Corporate Partnerships 			√
	<ul style="list-style-type: none"> • Customer Service 		√	√
	<ul style="list-style-type: none"> • Corporate Compliance 			√
	<ul style="list-style-type: none"> • Corporate Performance 			√
	Real Estate Services			√
	Law		√	√
Community Safety (9)	RCMP			
	<ul style="list-style-type: none"> • Administration (includes Telecommunications, Records, Crime Prevention, Information Technology, Victim Assistance, Finance, Risk Management, Court Liaison) 	√	√	√
	Fire-Rescue			
	<ul style="list-style-type: none"> • Administration 	√	√	√
	<ul style="list-style-type: none"> • Operations 	√	√	√
	<ul style="list-style-type: none"> • Fire Prevention 	√	√	√
	<ul style="list-style-type: none"> • Training and Education 	√	√	√
	Community Bylaws		√	√
	Business Licences		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	Emergency Programs	√	√	√
	Community Safety Administration		√	√
Planning & Development (8)				
	Transportation			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	Building Approvals			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	Development Applications			
	• Developments	√	√	√
	Policy Planning	√	√	
Total = 86		27	59	63

3. 2019 Budget Cycle

2019 Budget Cycle



* Council Involvement

4. Economic Outlook

Businesses contribute almost 45% of the City's property tax revenues and a healthy local economy can afford families and individuals exceptional levels of municipal services. Richmond is an open economy, subject to constantly changing global, regional and local economic trends. As part of its budget planning process, the City examines the current economic context and available forecasts to reduce exposure to short-term risks and advance long-term financial sustainability.

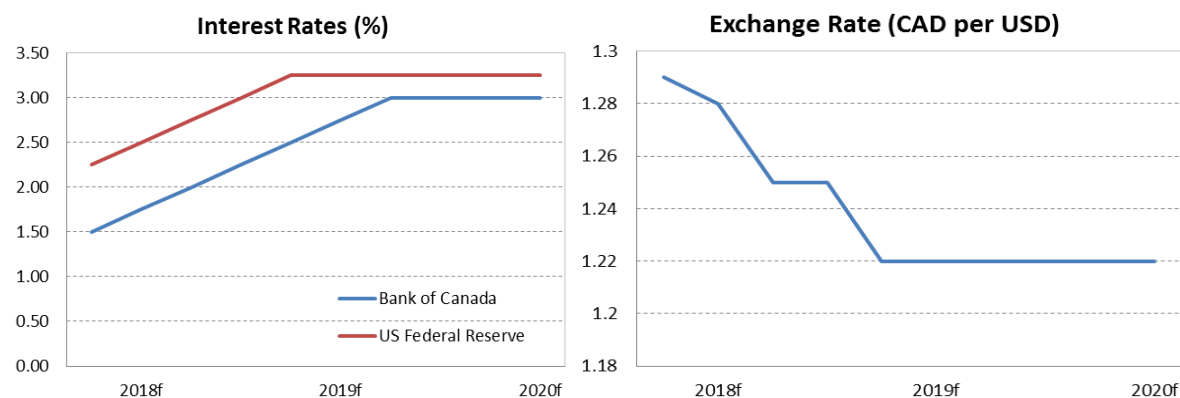
Global, National and Provincial Forecasts

With Richmond's advantageous location for global trade, market conditions in the world's major economies and the overall global trade climate have a significant impact on the local economy.

1. Global Forecast

Global growth for 2018–19 is projected to remain steady at its 2017 level of 3.7%, but its pace is less vigorous than projected earlier in the year. The downward revision reflects rising trade barriers and a weaker outlook for some key emerging markets. Beyond the next two years, as output gaps close and monetary policy settings begin to normalize, growth in most advanced economies is expected to decline to potential rates well below the averages reached before the global financial crisis of a decade ago.¹

2. Canadian Forecast²



Facing the build-up of excess demand and rising inflationary pressures, both the US Federal Reserve and the Bank of Canada are expected to gradually raise their policy rates toward 3.0% over the forecast period. Due to NAFTA uncertainty, the Canadian dollar is 7% weaker than its long-run equilibrium driven by the price of oil and the multilateral adjustment of the US dollar. The unwinding of uncertainty regarding NAFTA and global trade war, and a gradual convergence of Canadian interest rates towards the US rates should lead to an appreciation of the Canadian dollar from 1.29 to 1.22 over the forecast period.

¹ Source: International Monetary Fund, World Economic Outlook: Challenges to Steady Growth (October 2018)

² Source: Scotiabank, Forecast Tables (October 15, 2018)

Canadian Economic Indicators	2017	2018f	2019f	2020f
Real GDP	3.0	2.1	2.2	1.8
Consumer Price Index	1.6	2.6	2.4	2.0
Residential Investment	2.8	-0.2	0.6	0.9
Non-Residential Investment	2.7	6.4	2.7	6.2
Unemployment Rate (%)	6.3	5.9	5.8	5.8
Housing Starts (000s)	220	213	202	201

A strong US and global economy are supporting Canada's shift in growth from consumption and housing to investment and exports. Output capacity constraints are prompting Canadian firms to invest in a challenging business climate, with business investment projected to outperform substantially declining residential construction. Modest Canadian economic growth of 2.1% in 2018, 2.2% in 2019 and 1.8% in 2020 is forecast as a result of removal of NAFTA negotiations uncertainty and rising interest rates.

Rising wage pressures are beginning to reflect a constrained labour market, resulting in upward movement in the CPI by over 2% annually over the forecast period. Growth in business investment will continue to drive job creation up, with the unemployment rate declining to 5.8% over the forecast period.

Currently still-high house prices and still-low interest rates will support strong housing starts through 2018. With rising interest rates, housing start levels nation-wide will trend down over the forecast period, to their average level of 200,000 over the previous 5 years.

3. British Columbia Forecast³

British Columbia Indicators	2017	2018f	2019f	2020f
Real GDP	3.9	3.1	2.3	2.8
Consumer Price Index	2.1	2.7	2.0	2.1
Residential Investment	3.4	1.6	-4.6	-1.5
Business Investment ⁴	4.7	10.8	16.3	18.0
Unemployment Rate (%)	5.1	5.0	5.1	5.2
Housing Starts (000s)	43.5	40.5	35.4	34.8

Following four years of robust growth, B.C. GDP growth is expected to moderate below 3%, beginning in 2019. A modest but steady economic growth is expected through 2020, as robust business investment offsets a sharp decline in residential investment and housing starts.

Tight labour market conditions are expected to continue to contain the unemployment rate hovering at a nominal 5% throughout the forecast period. Hourly wages are forecast to climb at 3% annually, after a 4% increase last year.

Province-wide housing starts are past their peak, reflecting a drag from mortgage lending requirements, interest rates and government tax measures. A continuous decline is forecast

³ Source: Central 1 Credit Union, BC Economic Forecast (October 2018)

⁴ Includes both non-residential construction and machinery and equipment

through 2019 and a further decline in 2020 and beyond, with levels headed for their average of 30,000 per year over the last decade.

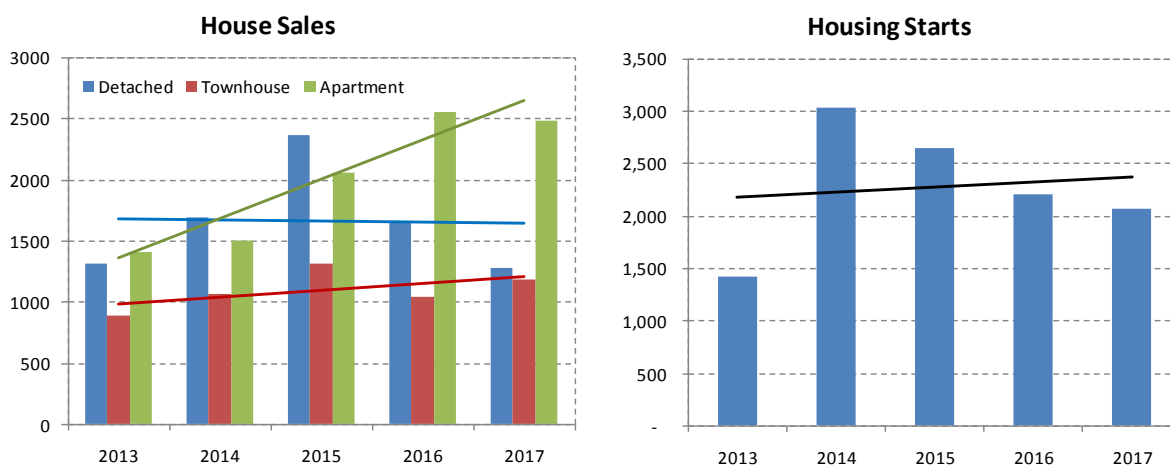
Local Trends⁵

Unlike the rest of Metro Vancouver, where population-serving jobs tend to outweigh population-serving industries, a larger share of Richmond’s jobs (60%) are in sectors that comprise Richmond’s economic base – sectors that drive the Richmond economy. Nearly 70% of Richmond’s economic base jobs are in sectors linked to the City’s role as a people and goods movement gateway, including transportation, warehousing and logistics, manufacturing, wholesale and tourism. Richmond has a regional advantage in the above industries, due to the presence of the port and airport.

After a tepid increase of 1.7% between 2006 and 2011, at 7.8%, Richmond job growth heated up between over the next five year census period and, at 7.8%, Richmond outpaced job growth elsewhere in the region, with the exception of Surrey⁶.

Richmond businesses in core economic sectors have performed well in the last few years, as demonstrated by the following key local economic performance indicators the City tracks on a monthly, quarterly and annual basis.

1. Housing Market



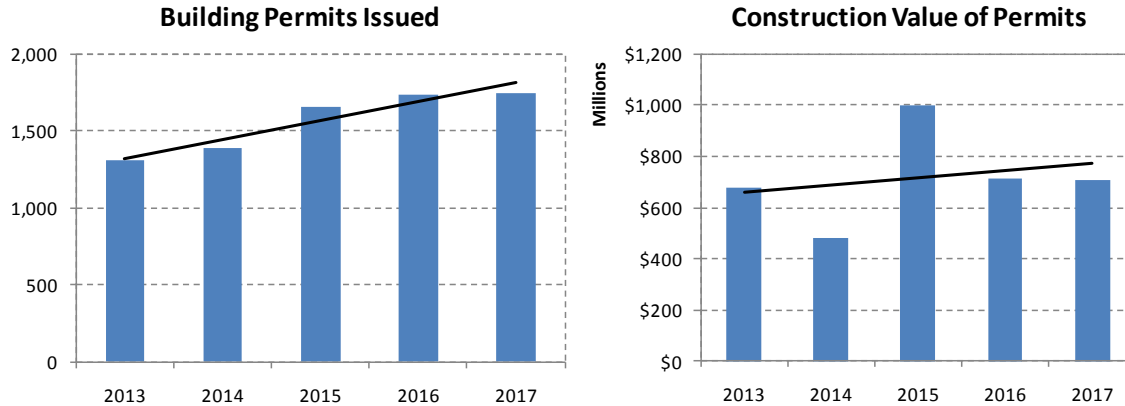
Sales activity has remained robust over the last five years, yet rising interest rates, tightening mortgage rules and government housing affordability measures are indicating a continued cooling in the residential market in the short term. Detached house sales registered a nominal decline in sales and townhouses have registered incremental growth in the last five years. Due to ongoing development in the City Centre, apartment sales have outperformed all other categories, yet tightening market conditions have caught up with this indicator which has begun slowing down in 2017. Year to date figures at the end of Q3 in 2018, compared to 2017, are significantly down (-40%) for detached, (-37%) for townhouses and (-30%) for apartments, indicating a continued downward pressure on house sales.

⁵ Source: Interactive Data, <http://www.businessinrichmond.ca/data-centre/> (unless stated otherwise)

⁶ Source: Statistics Canada, Census 2016

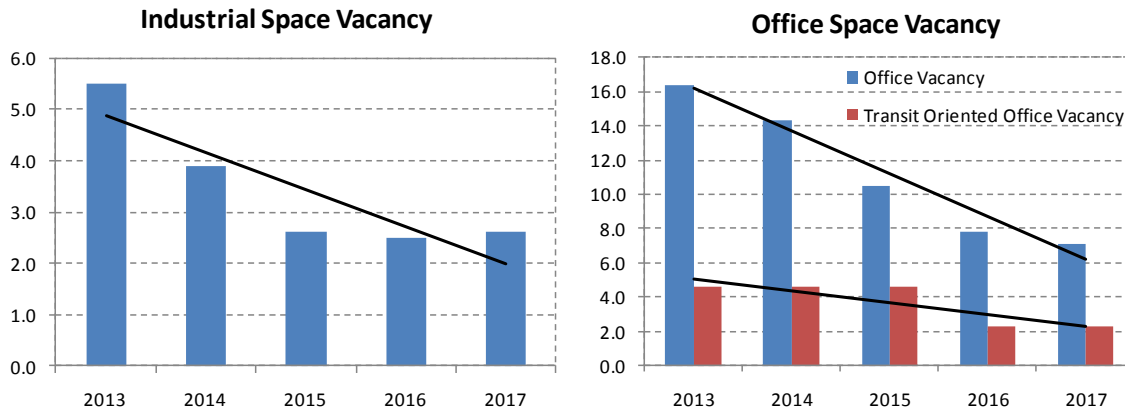
Overall, housing starts show nominal growth over the last five years, though the trend has been towards decreasing starts since a high of over 3,000 in 2014. A 48% year-to-date growth in housing starts in 2018 compared to 2017, suggests that housing market demand fundamentals remain solid in the near term. However, rising interest rates may offset such possible uptick in future demand.

2. Construction Activity



An otherwise steady-state performance in building activity over the last five years is being transformed into an upward trend by a record nearly \$1 billion in construction value of building permits in 2015. While the year to date Q3 construction value of \$693 million is not quite as high as the 2015 value of \$750 million, it is well above last year's \$524 million, positioning 2018 to finish at par or higher than the \$712 million average annual construction activity over the previous five years.

3. Commercial Space



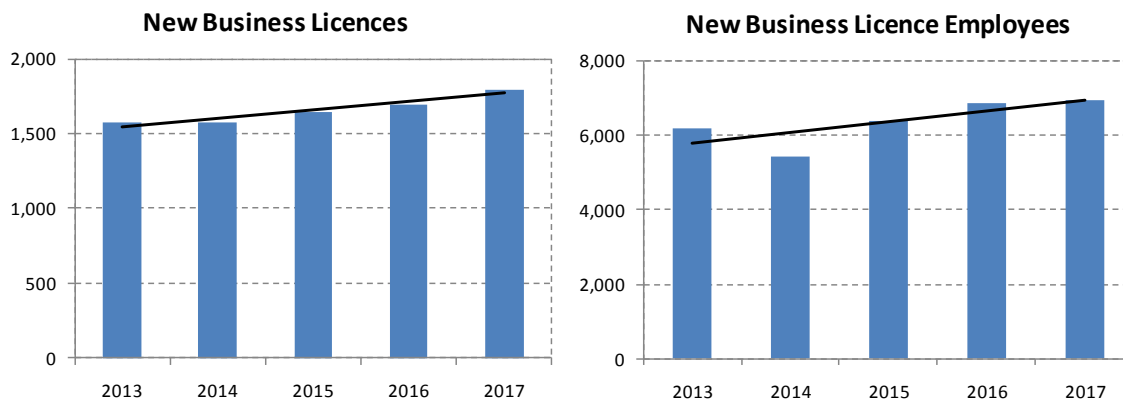
Both the industrial and the office space vacancy rates Richmond have registered a sharp overall decline in the last five years, suggesting substantial business growth and expansion.

Richmond has over 38.5 million square feet of industrial space, which, at 19%, represents the largest share of Metro Vancouver's regional industrial inventory. For the last three years, the industrial vacancy rate has hovered at an unhealthy 2.5% mark, despite a 2% inventory growth within the period. Severe industrial land supply shortages in Richmond and the region remains the number one obstacle for business expansion in the people and goods movement industries, which are sectors of competitive advantage for Richmond. As a result, Richmond has led the

Metro Vancouver region by initiating an industrial land intensification policy project, targeting better utilization and higher productivity of its existing industrial lands for industrial purposes.

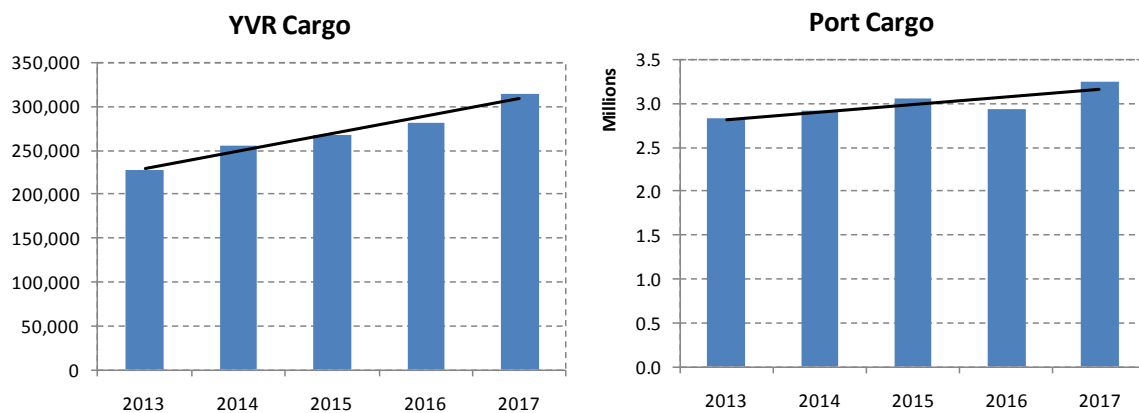
At 4.4 million square feet, Richmond’s share of the regional office inventory is 8%, which is the fourth largest after Vancouver, Burnaby and Surrey. Increased leasing activity over the last five years has resulted in a 10% drop in the suburban office vacancies, with absorption attributed primarily to compression in the Vancouver market and organic growth in local businesses. Meanwhile, at 2.3% availability, transit-oriented office space in Richmond is virtually non-existent. Business and employment needs for rapid transit access and proximity to amenities continue to drive demand for office space along the Canada Line. With no office space added in the last 10 years anywhere in Richmond, including the Canada Line corridor, Richmond has eroded its ability to attract highly skilled and highly paid jobs in science, technology, the creative industries and other sectors of future growth.

4. Business Growth



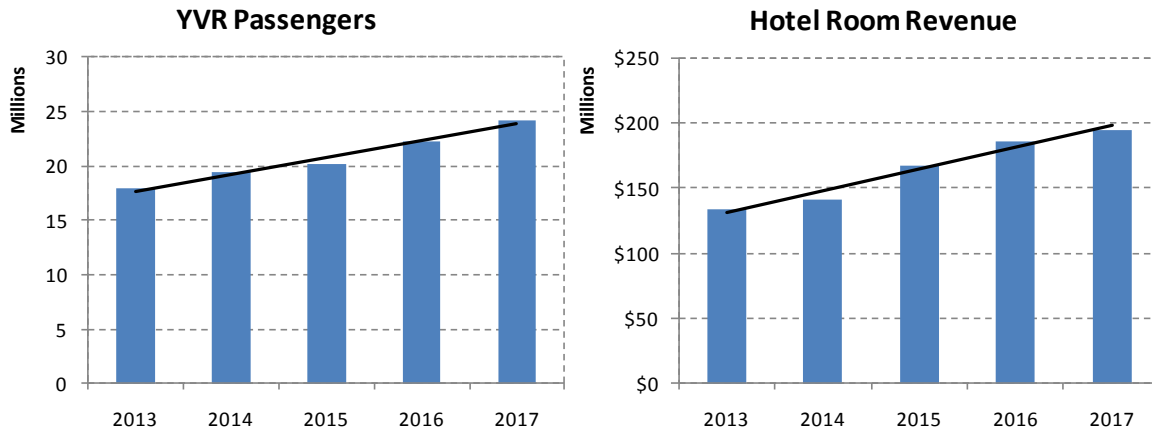
New business licences and associated employment have grown on average at 3.5% and 3.3%, respectively, over the last five years. At between 13,000 and 14,000, growth in total business licences has remained nominal in the last five years, registering an average annual growth rate of 1.6%. These two indicators combined reveal that a portion of Richmond’s business growth is occurring through attrition (new businesses displacing businesses closing or leaving), with a small 1.6% uptick in overall business growth.

5. Trade



Responding to growth in global trade volumes, both Port of Vancouver and YVR cargo volumes registered sustained growth over the last five years. Ongoing expansion of services at YVR's Cargo Village in cargo flights and ground distribution facilities led to a healthy 8% average annual growth rate in cargo tonnes. Port of Vancouver cargo growth, as measured by twenty-foot-equivalent container movements, registered a nearly 4% annual average growth rate in the last five years. Both YVR and Port of Vancouver trade indicators are on track for an even better 2018, trending 10% up for YVR cargo and 4% up for the Port of Vancouver cargo, compared to the same year-to-date period in 2017. However, tariffs from the new trade agreement between Canada and the United States have not filtered into the marketplace yet and may impact trade BC's trade accounts if demand South of the border softens.

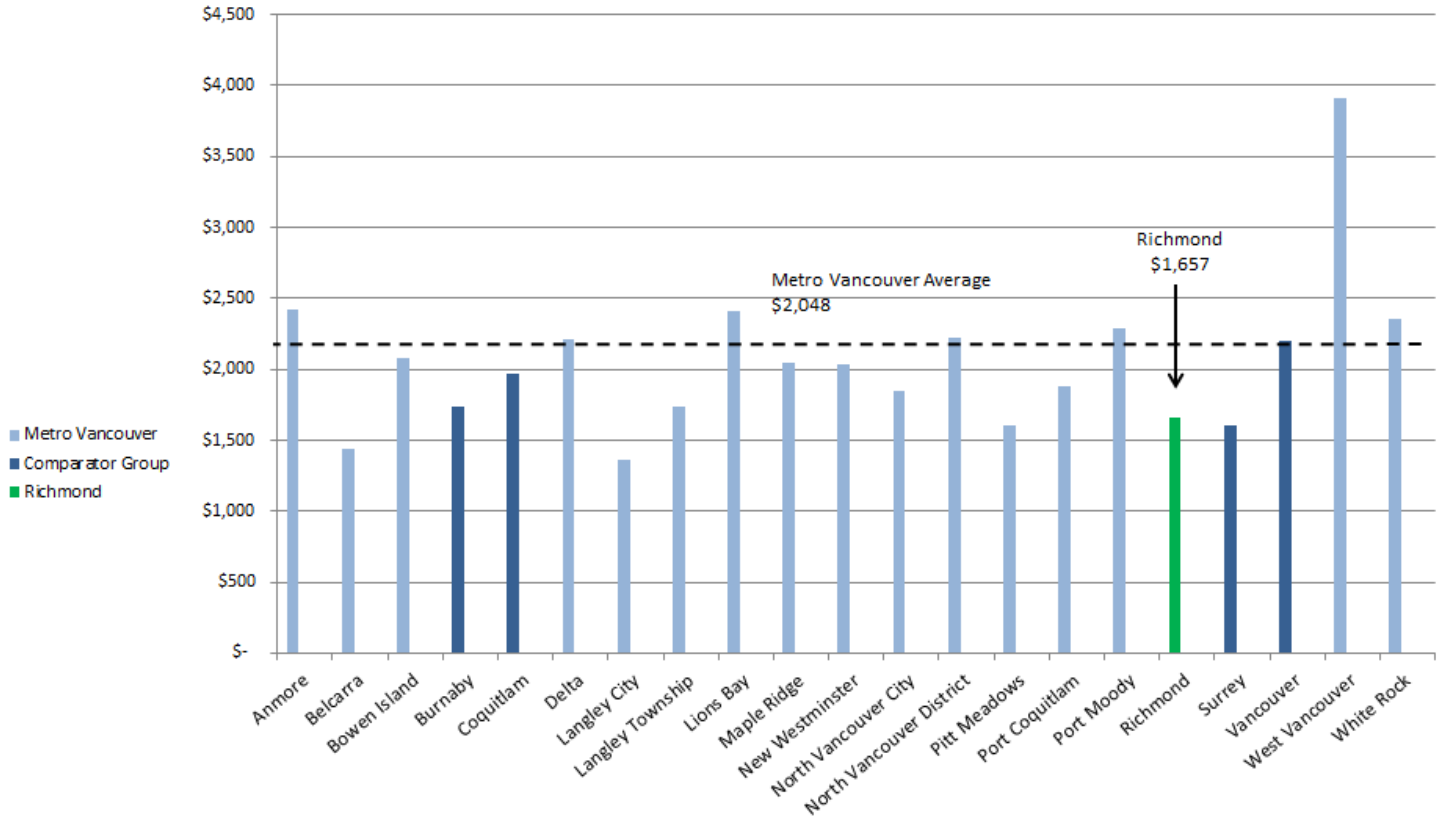
6. Tourism



A low Canadian dollar and global tourism growth of outpacing the global economy at 4.6% have created a fertile ground for tourism in Canada, BC and the region. Tourism has been the fastest growing sector of the Richmond economy as well, registering a 10% average annual growth, as measured by local hotel revenues. A 7% average annual growth in YVR passengers over the last five years is another indicator suggesting sustained and significant growth in travellers to the region. Both the Richmond hotel room revenue and the YVR passenger indicators are on a continued growth trajectory for 2018, with year to date values as of Q3 2018 up by 7% and 8%, respectively, compared to the same period last year.

5. 2018 Average Property Tax per Dwelling

2018 Average Property Tax per Dwelling

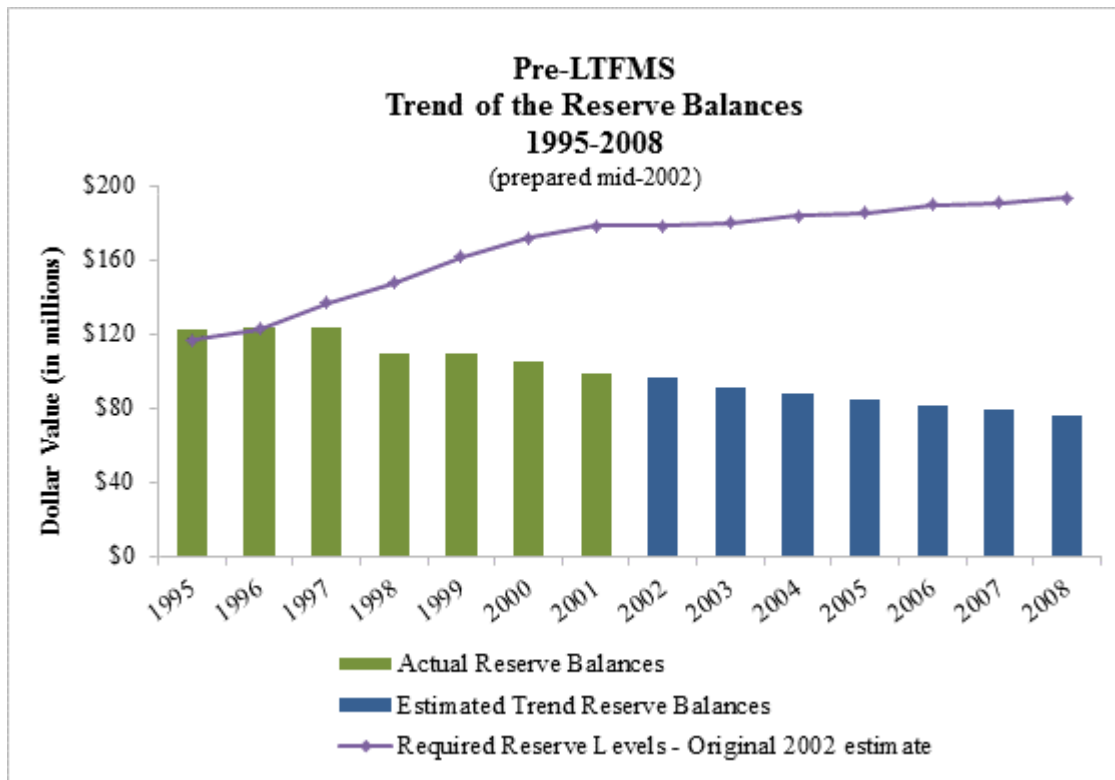


6. Long Term Financial Management Strategy Update

History - Where we have come from:









In mid-2002, after a review of the trend of the City's reserves (blue bars in *Figure 1*), the CAO directed staff to prepare a plan to address the long term financial sustainability of the City. Up to that point in time, the City's long term financial direction was driven by the annual budget decisions which in turn were driven by Council's desire to keep the tax impacts artificially low. In the mid to late 1990's for instance, the City absorbed approximately \$5.7 million in loss of grants from the Province, incurred debt, and absorbed growth, while keeping tax increases in the range of zero to 1.8%. The consequence was the gradual deterioration of the City's reserves (green bars in *Figure 1*). This path was clearly not sustainable and a more comprehensive financial strategy was required.

Figure 1 Original Reserve Trend Pre-LTFMS



To develop the vision, Council held a number of workshops to gain an understanding of the environmental factors that were impacting the City’s financial position as well as ‘gaps’ reflected in the operating budgets, capital plans, aging infrastructure funding plans and reserve balances. The end result being that Council decided to focus on ‘*enhancing the City’s economic well-being for present and future generations as part of the well managed component of the vision without sacrificing the overall liveability of the community*’ and in September 2003, Council approved the Long Term Financial Management Strategy (LTFMS) with the following targets:

Figure 2 – 2003 LTFMS Targets

Tax Increase		CPI + 1.0% per year in the future to be transferred to the reserves.
Economic Development		1.5% per year
New Alternative Revenue		\$1 Mil per year by the 5 th year
Total Casino Revenue		\$10 Mil per year by the 2 nd year
Fire and Police Efficiencies		-0.2% per year starting in 3 rd year
Operating Efficiencies		-0.2% per year starting in 3 rd year
Service Level Reduction		No reduction
Capital Program Reduction		No reduction

Council went a step further in order to guide and protect the sustainability of the City’s long term financial position and approved 10 supporting policies. From the time that LTFMS was adopted, Council has approved updates to the supporting policies. The ten supporting policies as currently adopted are as follows:

- 1. Tax Revenue** - Tax increases will be at Vancouver’s CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.
- 2. Gaming Revenue** - Gaming revenues are designated for the capital reserves, the major capital community facility replacement program, the grants program, the Council initiatives account, and towards the cost of policing relating to gaming activities.
- 3. Alternative Revenues & Economic Development** - Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.
- 4. Changes to Senior Government Service Delivery** - Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified

and added to that particular year's taxes above and beyond the CPI and infrastructure percentage contribution.

5. **Capital Plan** - Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads etc.) is in place in order to maintain community liveability and generate economic development.
6. **Cost Containment** - Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given, and that a continuous review be undertaken of the relevancy of the existing operating and capital costs to ensure that the services, programs and projects delivered continue to be the most effective means of achieving the desired outcomes of the City's vision.
7. **Efficiencies & Service Level Reductions** - Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.
8. **Land Management** – Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City's land inventory. Any funds in excess of such proceeds may be used as directed by Council.
9. **Administrative** - As part of the annual budget process the following shall be undertaken:
 - all user fees will be automatically increased by CPI;
 - the financial model will be used and updated with current information, and
 - the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceed them.
10. **Debt Management** - Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.

These policies are integral to the financial decision making of the City in ensuring a long-term focus and financial sustainability.

Present state - Where we are now:

As a result of the LTFMS and other factors, the City is on the right path and in a stronger financial position as shown by the change in the City's financial position comparing December 31, 2002 to December 31, 2017.

Figure 3 – Financial Position Comparison

All dollar figures are expressed in \$000's

	2017	2002 ¹	Change \$	Change %
Financial Assets				
Cash and investments	\$1,020,650	\$229,549	\$791,101	345%
DCC receivable	22,376	7,042	15,334	218%
Other assets	71,460	40,435	31,025	77%
Total Assets	1,114,486	277,026	837,460	302%
Liabilities				
Accounts payable and accrued liabilities	99,036	42,740	56,296	132%
DCC levies	130,684	37,290	93,394	250%
Deposits and holdbacks	82,786	7,048	75,738	1,075%
Deferred revenue	66,287	11,313	54,974	486%
Long-term debt	37,603	42,709	(5,106)	(12%)
Total Liabilities	416,396	141,100	275,296	195%
Net financial assets	698,090	135,926	562,164	414%
Non-financial assets ²	2,258,039	922,940	1,335,099	145%
Accumulated Surplus	\$2,956,129	\$1,058,866	\$1,897,263	179%
Accumulated Surplus³				
Reserves	484,883	103,087	381,796	370%
Surplus/appropriated surplus/other ⁴	259,475	78,148	181,327	232%
Investment in tangible capital assets ⁵	2,211,771	877,631	1,334,140	152%
Total Accumulated Surplus	\$2,956,129	\$1,058,866	\$1,897,263	179%

¹ 2002 is used as the base year as the LTFMS was implemented during 2003.

² Non-financial assets includes tangible capital assets, inventory of material and supplies and prepaid expenses.

³ Accumulated Surplus includes committed amounts that are unspent at the reporting date.

⁴ Appropriated Surplus is amounts set aside for specific purposes, future commitments or potential obligations.

⁵ Investment in tangible capital assets represents the equity the City has in its assets. This is the depreciated value of assets less any outstanding obligations such as long term debt, capital lease or concession liability.

Highlights of changes in Financial Position December 31, 2002 to December 31, 2017:

- Cash and investments have increased by \$791.1 million (345%) to \$1.0 billion. The majority of this increase is attributable to:
 - Increase in reserves \$381.8 million (370%)
 - Increase in liabilities \$275.3 million (195%)
 - Increase in surplus/appropriated surplus \$181.3 million (232%)
- DCC receivable has increased by \$15.3 million (218%) which is also reflected in the increase in the DCC Levies of \$93.4 million (250%) due to increased development activity.
- Deposits and Holdbacks have increased by \$75.7 million (1,075%) mainly due to security deposits relating to development activity.
- Deferred revenue increased by \$55.0 million (486%) mainly due to tax and utility pre-payments and deferred permit fees.
- Long-term debt has decreased by \$5.1 million (12%) to \$37.6 million, previous debt for Terra Nova land acquisition, No. 2 Road bridge construction and sewer capital works was retired and new debt for the Minoru Centre for Active Living construction was obtained in 2014 due to the low interest rate environment.
- Net financial assets increased by \$562.2 million (414%) due to the net changes in assets and liabilities.
- Non-financial assets increased by \$1.3B (145%) mainly due to increases in tangible capital assets. Note that the accounting standard for reporting tangible capital assets changed in 2009.

The financial position is one measure of the impact of the LTFMS, however there are additional measures that align to the specific points of the strategy. A simple report card was developed to track the actual results of the LTFMS in a clear and concise manner, particularly, as they relate to the ten Council established policies and Council approved targets in 2003.

Performance Measurement

Figure 4 – LTFMS Performance Measurement Scorecard

Policy		Analysis				
1. Tax Revenue						
		Base		Additional		Total
Year	CPI ¹	Increase	OBI	Levels	Reserves	Increase
2003	2.4%	2.49%	0.41%	0.45%	1.00%	4.35%
2004	2.2%	2.25%	0.26%	0.76%	0.47%	3.74%
2005	2.0%	1.03%	0.22%	0.73%	0.00%	1.98%
2006	2.0%	1.75%	0.26%	0.97%	1.00%	3.98%
2007	2.0%	1.39%	0.26%	1.18%	0.82%	3.65%
2008	2.1%	1.67%	0.39%	1.86%	0.00%	3.92%
2009	2.3%	2.19%	0.32%	0.46%	0.00%	2.97%
2010	1.5%	3.34%	0.11%	0.00%	0.00%	3.45%
2011	1.5%	2.63%	0.32%	0.00%	0.00%	2.95%
2012	1.7%	1.70%	0.16%	0.12%	1.00%	2.98%
2013	2.0%	1.39%	0.36%	0.23%	1.00%	2.98%
2014	2.0%	1.53%	0.34%	0.09%	1.00%	2.96%
2015	1.0%	1.45%	0.38%	0.06%	0.00%	1.89%
2016	2.3%	0.57%	0.47%	1.07%	1.00%	3.11%
2017	2.1%	0.69%	0.70%	0.56%	1.00%	2.95%
2018	2.3%	1.88%	0.30%	0.12%	1.00%	3.30%

Target:

CPI + 1.0%
per year in the
future to be
transferred to
the reserves.

¹ CPI estimate used in the annual budget preparation.

- Since the implementation of the LTFMS in 2003, the tax increases (net of the transfer to reserves) have approximated the budgeted CPI increase.
- The increase to reserves was fully met or had a partial increase in over half of the years since the implementation of the LTFMS.
- In 2008 - 2011, the 1% increase for transfer to reserves was replaced by the interest earned on the Community Legacy & Land Replacement Reserve Fund as approved by Council on July 23, 2007.
- In 2015, the 1% increase for transfer to reserves was replaced by a one-time infusion from surplus gaming revenue in lieu of the tax increase.
- In 2016, 12 additional RCMP officers were funded through a reduction in the base budget across all divisions.
- In 2017, 11 additional RCMP officers and 3 municipal employees to support the RCMP were funded through an additional level increase of 0.48% in 2017 and 0.51% in 2018. At the December 12, 2016 Council meeting, \$1.0M (0.50% reduction) from the rate stabilization was applied to the base level budget.
- In 2018, 16 additional RCMP officers and 3 municipal employees to support the RCMP were funded through an additional level increase of 1.10%. At the December 11, 2017 Council meeting, \$2.3M from the rate stabilization was applied to the base level budget.

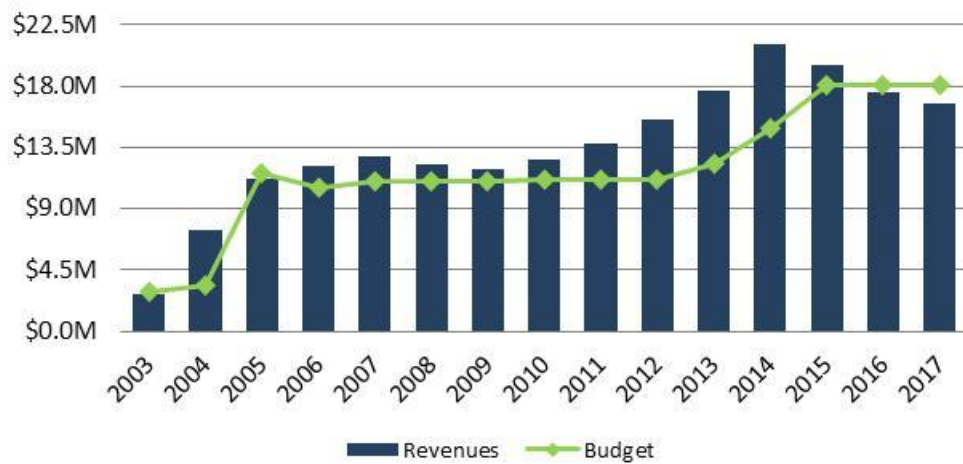
Policy Analysis

2. Gaming Revenue

Target:
Total Casino Revenue - **\$10M** per year by the 2nd year

- Gaming revenue met and has surpassed the \$10 million target since 2005, and in 2017 \$16.8 million was received, 526% greater than the 2003 figure.
- Gaming Revenue is currently used to fund capital reserves, the major capital community facility replacement program, grants, the Council Community Initiatives Account and towards the cost of policing relating to gaming activities.
- At the March 23, 2015 Council Meeting, Council approved an updated allocation model of gaming revenues effective for the 2016 budget year which included the creation of the Council Community Initiatives Account.

City of Richmond Gaming Revenues 2003-2017



Policy Analysis

3. Alternative Revenues & Economic Development

Target:
Economic Development - **1.5%** per year

Year	Tax Growth	Tax %
2003	1,628,493	1.63%
2004	2,648,500	2.51%
2005	1,657,392	1.50%
2006	2,296,582	2.95%
2007	3,346,530	3.04%
2008	3,750,000	2.91%
2009	3,200,000	2.28%
2010	1,800,000	1.22%
2011	2,000,000	1.29%
2012	2,364,594	1.47%
2013	1,600,000	0.95%
2014	2,300,000	1.32%
2015	2,500,000	1.36%
2016	2,276,000	1.20%
2017	2,700,000	1.36%
2018	3,400,000	1.65%

- The tax base has shown growth each year since the inception of the LTFMS averaging approximately 1.8% each year over the period of 2003 – 2018.

Policy	Analysis
<p>3. Alternative Revenues & Economic Development (continued)</p> <p>Target:</p> <p>Alternative revenue - \$1M per year by the 5th year</p>	<ul style="list-style-type: none"> - There have been a number of expanded alternative revenues such as the following: <ul style="list-style-type: none"> - District energy utility revenue - Sports Field User Fees - Filming revenues - Expanded Pay Parking program to include street meters - RCMP service fees - Tax information fees - Developer fees for planning services - Sale of drawings/GIS data - Meeting room rental revenue - Rental/Lease revenue from bus shelters - New rental properties revenue - Microfilm revenue - Media Lab Program Fees - Sponsorship Revenue for major events

Policy	Analysis
<p>4. Changes to Senior Government Service Delivery</p>	<ul style="list-style-type: none"> - The RCMP contract has increased at rates greater than the LTFMS policy of CPI, and are highlighted within the annual budget presentations. - Example, the 2018 RCMP contract increased at 2.80% (before the additional 16 officers and 3 municipal support staff) compared to the City's tax increase before reserves of 2.30%.

Policy	Analysis																																			
<p>5. Capital Plan</p> <p>Target:</p> <p>No reduction</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Capital Budget¹</th> </tr> </thead> <tbody> <tr><td>2003</td><td>39,438,000</td></tr> <tr><td>2004</td><td>45,380,000</td></tr> <tr><td>2005</td><td>115,558,000</td></tr> <tr><td>2006</td><td>113,021,000</td></tr> <tr><td>2007</td><td>172,203,000</td></tr> <tr><td>2008</td><td>166,188,000</td></tr> <tr><td>2009</td><td>72,798,000</td></tr> <tr><td>2010</td><td>160,526,000</td></tr> <tr><td>2011</td><td>93,372,000</td></tr> <tr><td>2012</td><td>88,964,000</td></tr> <tr><td>2013</td><td>139,681,000</td></tr> <tr><td>2014</td><td>204,259,000</td></tr> <tr><td>2015</td><td>167,217,000</td></tr> <tr><td>2016</td><td>146,349,000</td></tr> <tr><td>2017</td><td>122,659,000</td></tr> <tr><td>2018</td><td>160,064,000</td></tr> </tbody> </table>	Year	Capital Budget ¹	2003	39,438,000	2004	45,380,000	2005	115,558,000	2006	113,021,000	2007	172,203,000	2008	166,188,000	2009	72,798,000	2010	160,526,000	2011	93,372,000	2012	88,964,000	2013	139,681,000	2014	204,259,000	2015	167,217,000	2016	146,349,000	2017	122,659,000	2018	160,064,000	<p>\$125.5 million</p> <p>Average Capital Budget 2003 – 2018</p> <p>\$47.5 million</p> <p>Average Capital Budget 1992 – 2002</p>
Year	Capital Budget ¹																																			
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2018	160,064,000																																			

¹ Capital Budget represents the amended budget amount where applicable

- The capital budgets have fluctuated over this period due to major facility construction and significant land acquisition.

Policy	Analysis
<p>6. Cost Containment</p>	<ul style="list-style-type: none"> - The following are some examples of cost containment or cost recovery programs that have been implemented: <ul style="list-style-type: none"> - Energy retrofit projects to reduce electricity and natural gas usage - Attendance manager and attendance management system - Tree permit revenue to offset Tree Bylaw costs - Accessing Grants (Joint Emergency Preparedness Program, Stimulus funds, etc.) - RCMP Auxiliary Program - Fuel management system - Patroller First Responder program - Garbage/Recycling contract - Development of Sidaway disposal site - Road Cut Program to include private utility companies - Use of Trenchless technology for construction purposes - Fire Protection & Life Safety Bylaw with associated fees, fines and avenues for cost recovery - Delayed replacements / hirings - Operating expense reduction (i.e. Supplies, Contract, telephone etc.) - Service Level reviews

Policy	Analysis
<p>7. Efficiencies & Service Level Reductions</p> <div data-bbox="181 1213 446 1591" style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e6f2ff; margin-top: 10px;"> <p>Target:</p> <p>-0.2% per year starting in 3rd year for operating, police & fire efficiencies.</p> <p>No reductions to level of service</p> </div>	<ul style="list-style-type: none"> - This area is addressed annually during the budget review process. The efficiencies and service level reductions have not been isolated and identified separately. - The following are some examples of efficiencies: <ul style="list-style-type: none"> - Retro-commissioning of existing buildings to optimize the energy use - Upgrade of direct digital control systems - Pump station power efficiencies - Traffic signal conversion to LED - Systems enhancements, AMANDA, PeopleSoft, HCM, etc. - Virtualizing computer servers - Use of real time hand held ticketing computers - Bylaw Adjudication System - LEED Fire halls - Scanning equipment in stores - Online event management system

Policy	Analysis
8. Land Management	<ul style="list-style-type: none"> - The proceeds from land sales are returned to land related accounts to fund future land acquisitions. The City has been actively acquiring land over the past 10 years. - Since 2013, the City has been involved in over \$150 million in land transactions involving approximately 55 acres of land.

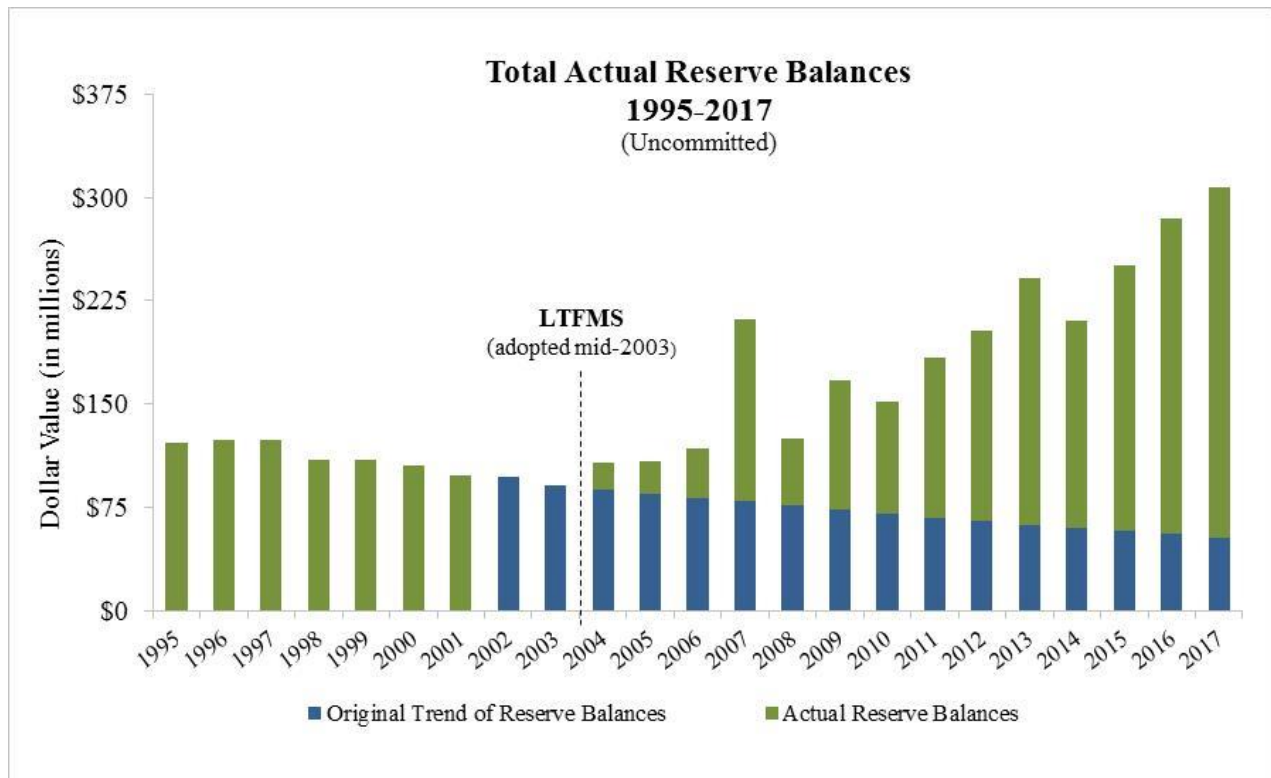
Policy	Analysis
9. Administrative	<ul style="list-style-type: none"> - Currently where possible user fees are automatically increased by CPI on January 1st of each year by Council through the Consolidated Fees Bylaw. - Every year, the 5YFP is prepared and addresses the tax increase, distribution of Gaming Revenue, isolation of additional levels of service and the capital plan funding sources.

Policy	Analysis
10. Debt Management	<ul style="list-style-type: none"> - During 2014, debt in the amounts of \$50.8M was strategically obtained for the construction of the Minoru Centre for Active Living to take advantage of the low interest rate environment. - The debt servicing costs for the new \$50.8M debt did not increase taxes as \$5M of annual gaming revenue (formerly used to repay for the construction of the Oval) and the portion of funding that had been used to pay for the now extinguished Terra Nova debt were used to finance these costs.

Overall, the City has met the requirements of the policies with the exception of alternative revenues and tax increase targets which have intermittently met the targets. Meeting the requirement of limiting tax increases to CPI (under policy 1) is beginning to place a burden on the organization as it is difficult without a corresponding reduction in services or service levels. This is particularly evident in current times with low inflation and continued escalation for community safety, infrastructure costs and committed labour agreements.

The progress that has been made to date due to the LTFMS can be measured by the increase to the reserves. The growing of the reserves was one of the initial drivers behind the creation of the LTFMS. Prior to the implementation of the LTFMS, the reserves were steadily declining as depicted by the green bars and the future reserve projections represented by the blue bars continued the decline. After the adoption of the LTFMS, the reserve balances have shown a steady increase.

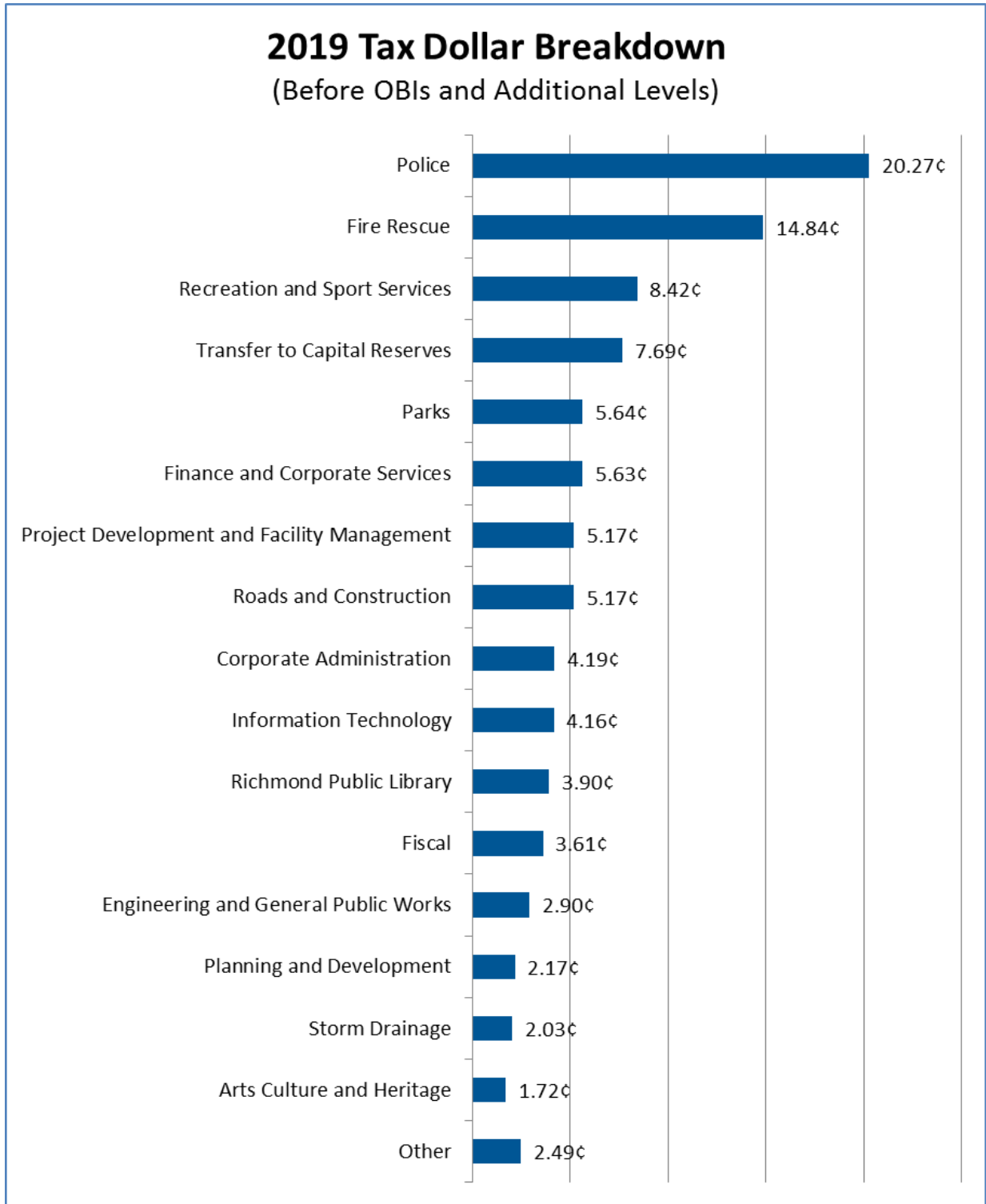
Figure 5 – Actual Trend of the Reserves



The above chart shows an indication of the overall reserve balances and the increases since the adoption of the LTFMS. Though the overall reserves balances are growing, the Capital Building and Infrastructure Reserve (CBI) which is used to fund major capital facility replacement requires further review. The CBI reserve is the recipient of the 1% annual increase in transfer to reserves and has been utilized recently for partial funding towards Phase 1 of the Corporate Facilities Implementation Plan. The uncommitted balance in the Capital Building and Infrastructure Reserve (excluding the special sports sub-fund) at December 31, 2017 was \$58.1 million.

The reserves alone do not show the complete story; they must be reviewed in conjunction with asset condition ratings, aging infrastructure reports and long-term capital requirements. Staff is currently working on the facilities replacement plan which will be a key component to the required reserve analysis.

7. 2019 Municipal Tax Dollar



8. 2019 Same Level of Service Base Budget Details

All Divisions

Community Safety, Community Services (including Library), Engineering and Public Works (excluding Utilities), Finance and Corporate Services, Corporate Administration, Planning and Development, and Fiscal.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(312,126,000)	(315,340,000)	(3,214,000)	1.03%
Expenditures				
Labour	147,739,500	150,616,200	2,876,700	1.95%
Contract Services	71,233,000	73,345,600	2,112,600	2.97%
Operating Expenses	40,855,400	43,259,800	2,404,400	5.89%
Total Expenditures	259,827,900	267,221,600	7,393,700	2.85%
Fiscal Expenses	58,848,900	59,791,100	942,200	1.60%
Transfers	(6,550,800)	(5,922,600)	628,200	(9.59%)
Grand Total¹	\$-	\$5,750,100	\$5,750,100	

¹ 2019 Proposed Base Budget increase represents the same level of service before tax growth.

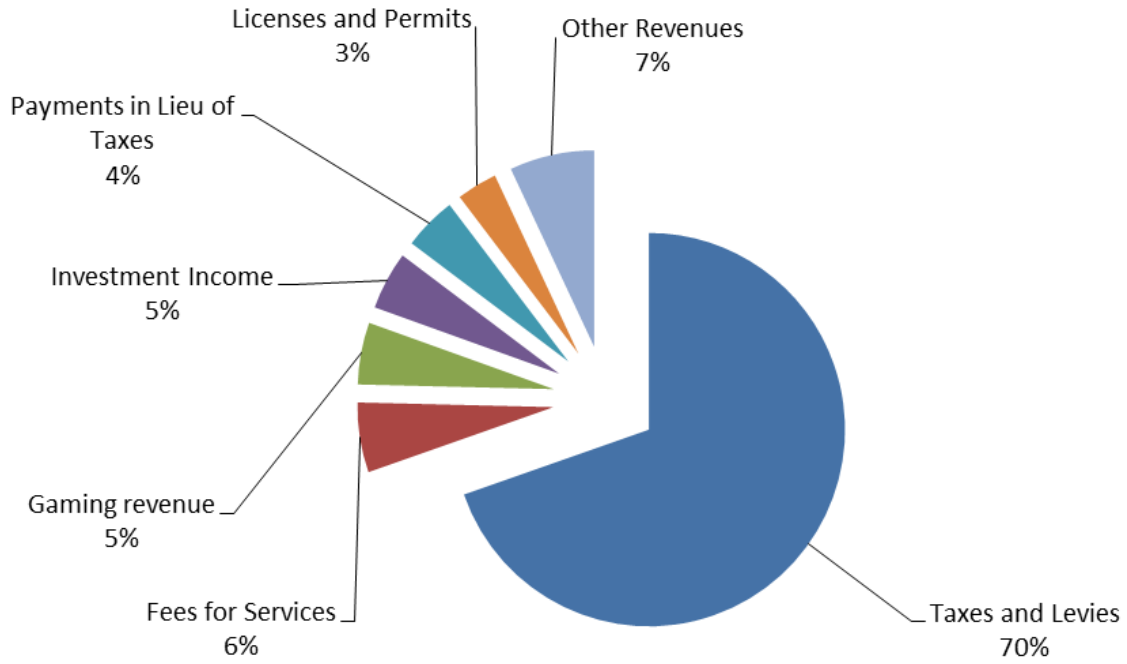
FTE Change

	2018 FTE²	2019 FTE	Change 2019	Change 2019 %
Total	1,332.1	1,332.1	-	-%

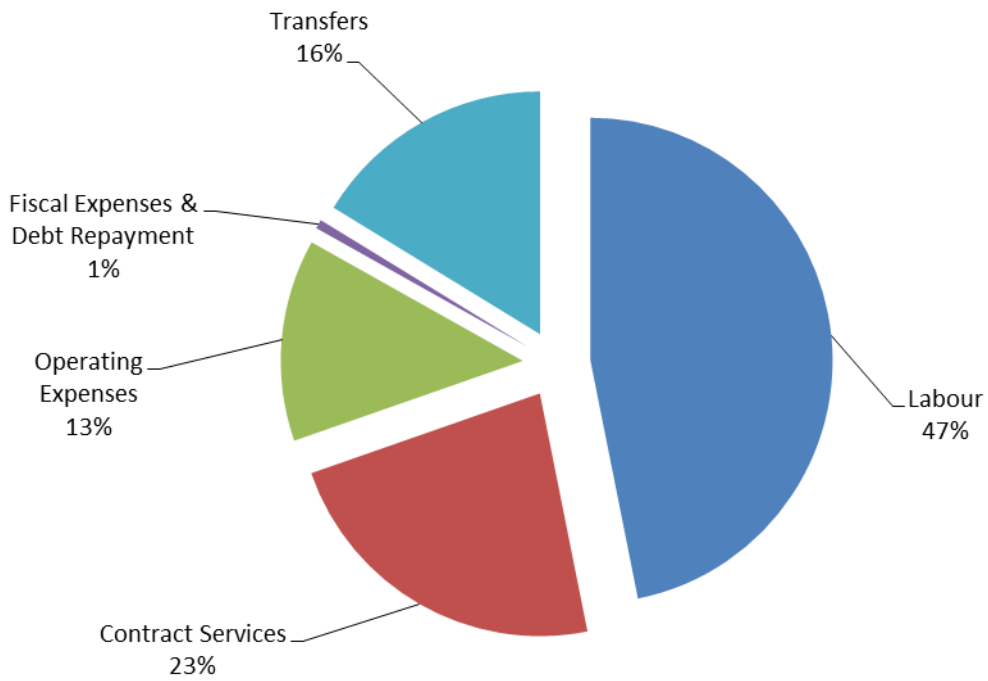
² 2018 FTE for the same level of service base budget includes additional levels approved in 2018 and the operating budget impact (OBI) relating to previously approved capital submissions.

FTE Change - Library

	2018 FTE	2019 FTE	Change 2019	Change 2019 %
Total	91.2	90.5	(0.7)	0.77%



2019 Proposed Revenues

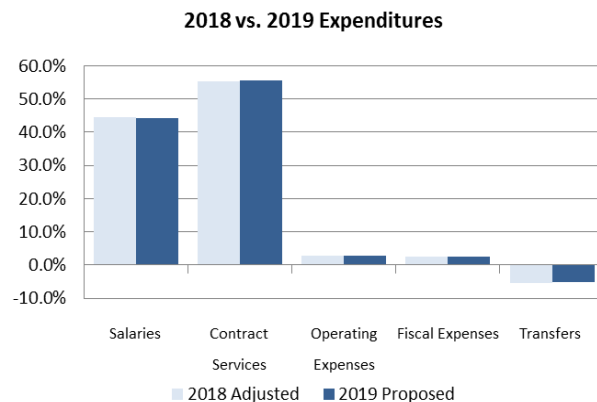
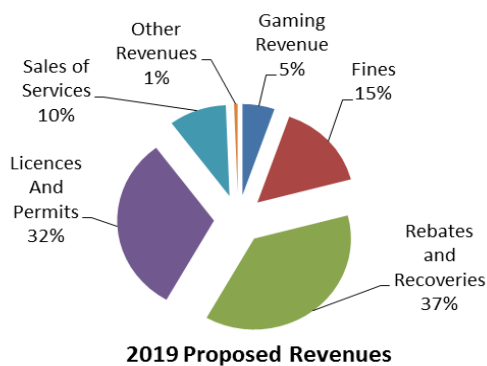


2019 Proposed Base Operating Budget Expenditures

Community Safety

The City's primary community safety providers are Police (RCMP), Fire-Rescue, Emergency Programs, Business Licences, and Community Bylaws. The role of the Community Bylaws Department is to lead, assist or partner with others to ensure that the City's various bylaws are complied with for the overall benefit of the community.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(12,854,600)	(13,209,100)	(354,500)	2.76%
Expenditures				
Labour	42,440,800	43,743,400	1,302,600	3.07%
Contract Services	52,734,900	55,123,000	2,388,100	4.53%
Operating Expenses	2,707,300	2,731,700	24,400	0.90%
Total Expenditures	97,883,000	101,598,100	3,715,100	3.80%
Fiscal Expenses	2,533,400	2,607,400	74,000	2.92%
Transfers	(5,031,000)	(5,100,000)	(69,000)	1.37%
Grand Total	\$82,530,800	\$85,896,400	\$3,365,600	4.08%



FTE Change

	2018 FTE	2019 FTE	Change 2019
Total	361.7	361.7	-

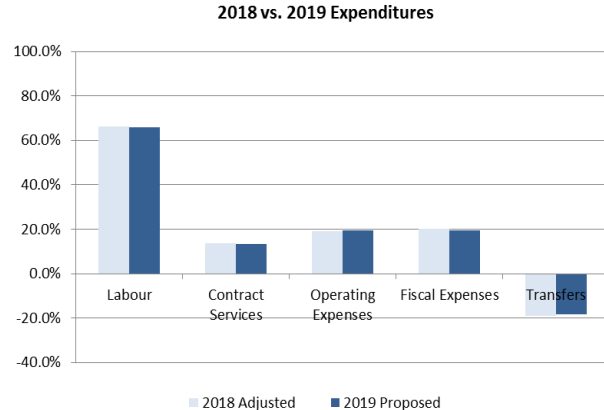
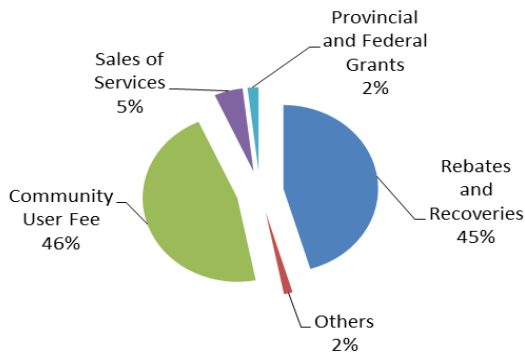
RCMP Contract Complement (Funded)

	2018 FTE	2019 FTE	Change 2019
Officers	239.0	239.0	-
Civilian Members	2.0	2.0	-
Less: Non-Budgeted	(11.0)	(11.0)	-
Municipal Policing	230.0	230.0	-
Integrated Teams including RTIC	17.7	17.7	-
Total	247.7	247.7	-

Community Services

Coordinates, supports and develops Richmond’s community services including recreation, library, arts, heritage, sports, social planning, affordable housing, diversity, youth, childcare and older adult services. Oversees City owned public facilities and the design, construction and maintenance of City parks, trails and green spaces. Works with community partners and coordinates events and filming in the City.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(11,378,300)	(11,539,400)	(161,100)	1.42%
Expenditures				
Labour	41,123,400	41,838,900	715,500	1.74%
Contract Services	8,441,500	8,542,100	100,600	1.19%
Operating Expenses	11,896,900	12,394,200	497,300	4.18%
Total Expenditures	61,461,800	62,775,200	1,313,400	2.14%
Fiscal Expenses	12,457,900	12,458,000	100	0.00%
Transfers	(11,754,400)	(11,723,400)	31,000	(0.26%)
Grand Total	\$50,787,000	\$51,970,400	\$1,183,400	2.33%



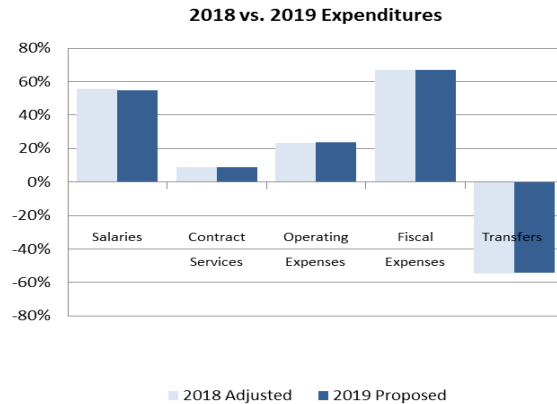
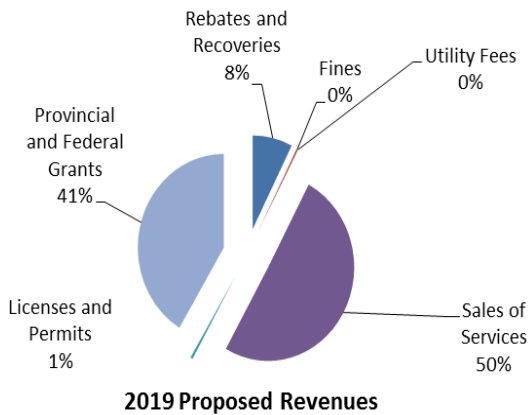
FTE Change

	2018 FTE	2019 FTE	Change 2019
Community Services	414.0	414.0	-
Library	91.2	90.5	(0.7)
Total	505.2	504.5	(0.7)

Engineering and Public Works (excluding Utilities)

Comprises engineering planning, design, construction and maintenance services for all utility and City building infrastructure. Responsible for dikes and irrigation system, roads and construction services, street lighting, corporate sustainability, corporate and community energy programs.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(6,738,300)	(6,827,900)	(89,600)	1.33%
Expenditures				
Labour	24,418,100	24,498,400	80,300	0.33%
Contract Services	3,846,200	3,883,800	37,600	0.98%
Operating Expenses	10,146,000	10,512,600	366,600	3.61%
Total Expenditures	38,410,300	38,894,800	484,500	1.26%
Fiscal Expenses	29,389,100	29,961,500	572,400	1.95%
Transfers	(23,956,600)	(24,261,500)	(304,900)	1.27%
Grand Total	\$37,104,500	\$37,766,900	\$662,400	1.79%



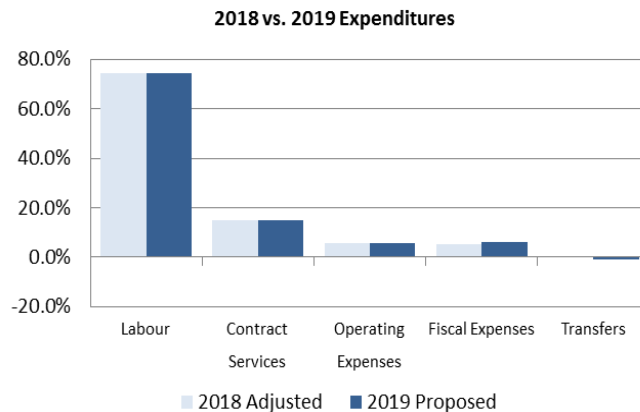
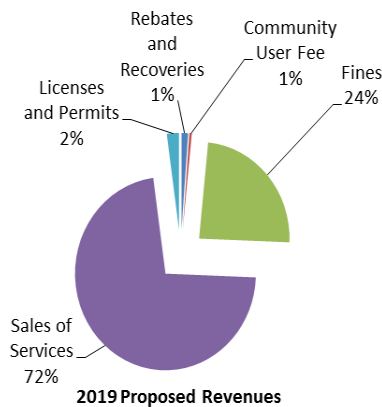
FTE Change

	2018 FTE	2019 FTE	Change 2019
Total	229.1	229.1	-

Finance and Corporate Services

Responsible for the financial well-being of the City, through the provision of financial advice, services and information to Council, staff and the public, as well as through the support and fostering of a viable business community. This division includes customer service, information technology, finance, economic development, real estate services, City Clerk, corporate business service solutions and law. The Law Department is responsible for providing advice to City Council and staff regarding the City's legal rights and obligations.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(688,600)	(712,400)	(23,800)	3.46%
Expenditures				
Labour	18,011,100	18,386,800	375,700	2.09%
Contract Services	3,630,200	3,681,800	51,600	1.42%
Operating Expenses	1,639,900	1,644,400	4,500	0.27%
Total Expenditures	23,281,200	23,713,000	431,800	1.85%
Fiscal Expenses	1,215,400	1,448,000	232,600	19.14%
Transfers	7,300	(225,300)	(232,600)	(3186.30%)
Grand Total	\$23,815,300	\$24,223,300	\$408,000	1.71%



FTE Change

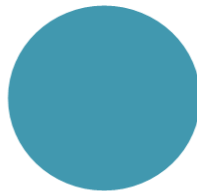
	2018 FTE	2019 FTE	Change 2019
Total	163.1	163.1	-

Corporate Administration

The CAO’s Office oversees the overall administration of the corporate body (business units/operations) of the City and employees. It is also home to the Corporate Planning and Programs Management Group (CPMG). CPMG and Intergovernmental Relations are responsible for research and development of corporate policy, strategic and corporate planning, intergovernmental relations, human resources, corporate communications, protocol, business advisory services, special projects and coordination of interdivisional projects and initiatives. This is also where the budget for Mayor and Councillors resides.

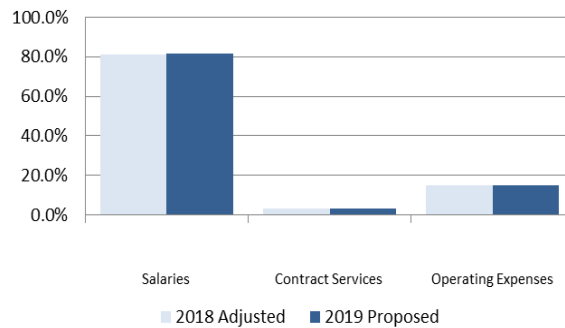
	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(5,000)	(5,000)	-	-%
Expenditures				
Labour	8,274,200	8,474,400	200,200	2.42%
Contract Services	345,100	345,100	-	-%
Operating Expenses	1,551,700	1,551,700	-	-%
Total Expenditures	10,171,000	10,371,200	200,200	1.97%
Transfers	-	-	-	-%
Grand Total	\$10,166,000	\$10,366,200	\$200,200	1.97%

Sales of
Services
100%



2019 Proposed Revenues

2018 vs. 2019 Expenditures



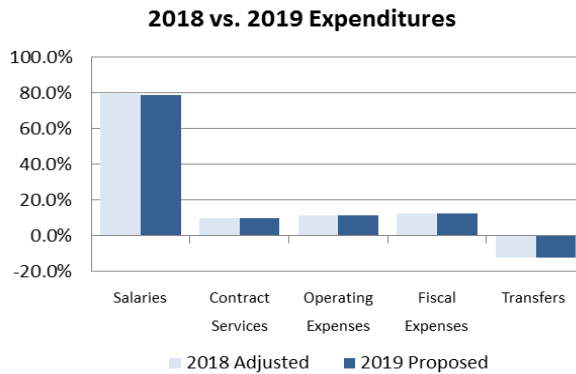
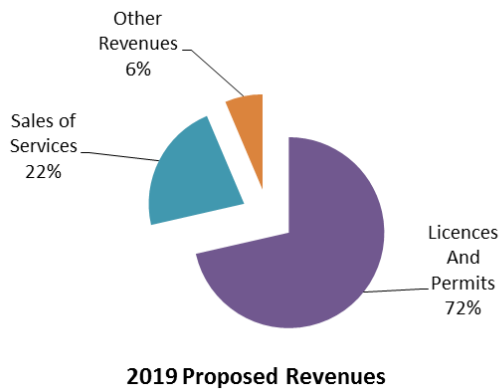
FTE Change

	2018 FTE	2019 FTE	Change 2019
Total	66.4	66.4	-

Planning and Development

Incorporates the policy planning, transportation planning, development applications and the building approvals departments. This division provides policy directions that guide growth and change in Richmond with emphasis on land use planning, development regulations, environmental protection, heritage and livability. These planning functions play a vital part in the City's life cycle and involve the development of community plans and policies, zoning bylaws, as well as development related approvals and permits.

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(9,091,800)	(9,313,500)	(221,700)	2.44%
Expenditures				
Labour	11,574,100	11,615,600	41,500	0.36%
Contract Services	1,388,800	1,413,500	24,700	1.78%
Operating Expenses	1,654,500	1,649,500	(5,000)	(0.30%)
Total Expenditures	14,617,400	14,678,600	61,200	0.42%
Fiscal Expenses	1,798,300	1,798,300	-	-%
Transfers	(1,798,300)	(1,798,300)	-	-%
Grand Total	\$5,525,600	\$5,365,100	(\$160,500)	(2.90%)

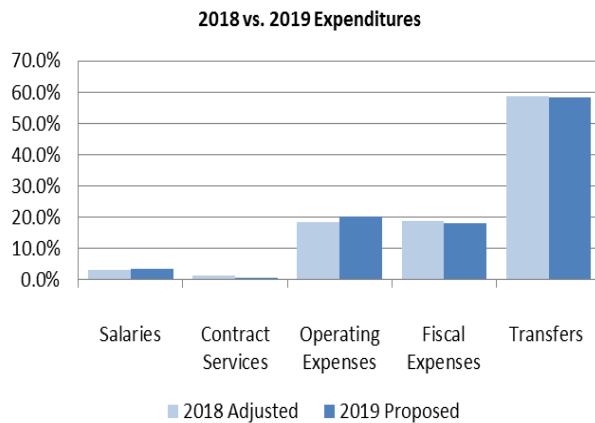
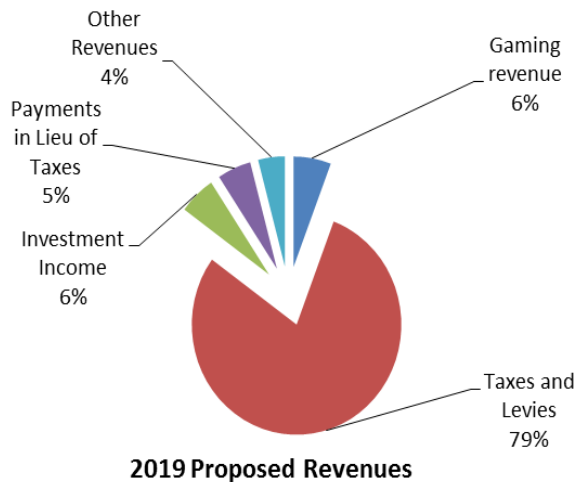


FTE Change

	2018 FTE	2019 FTE	Change 2019
Total	97.8	97.8	-

Fiscal

	2018 Adjusted Base Budget (Restated for Comparison)	2019 Proposed Base Budget	Change 2019 \$	Change 2019 %
Revenues	(\$271,369,400)	(\$273,732,700)	(\$2,363,300)	0.87%
Expenditures				
Labour	\$1,897,800	\$2,058,700	\$160,900	8.48%
Contract Services	\$846,300	\$356,300	(\$490,000)	(57.90%)
Operating Expenses	\$11,259,100	\$12,775,700	\$1,516,600	13.47%
Total Expenditures	\$14,003,200	\$15,190,700	\$1,187,500	8.48%
Fiscal Expenses	\$11,454,800	\$11,517,900	\$63,100	0.55%
Transfers	\$35,982,200	\$37,185,900	\$1,203,700	3.35%
Grand Total	(\$209,929,200)	(\$209,838,200)	\$91,000	(0.04%)



9. OBI Developer Contributed Assets

The following developer contributed assets that were previously approved by Council as part of rezoning approvals will be placed in service in 2019 and will require funding for ongoing operation and maintenance.

- Yuanheng Seaview Development Ltd. And Yuanheng Seaside Developments Ltd. (No. 3 Road, Capstan Way, River Road) OBI: \$55,497

As a result of the proposed development (RZ 12-603040), the City will take ownership of developer contributed infrastructure assets such as road works, waterworks, storm sewers, sanitary sewers, street lights, street trees and traffic signals.

- Capstan Village Park OBI: \$37,200

A new park, currently referred to as Capstan Village Park, will be completed in the fall of 2019. The park will be constructed for the City by a developer (Pinnacle) as per Park Servicing Agreement SA 14-671777. This park is the first phase of a multi-phase park which will be completed once the future Canada Line station has been built. Permanent park features include pedestrian level lighting, asphalt and concrete walkways, a water play element, a playground, a plaza with seating, lighting and trees, extensive tree and shrub plantings and open lawn areas.

This park (located at 3311 Carscallen Road) will ultimately be 0.84 acres and includes a fully completed portion on approximately half of the site; the remaining portion will be built to a temporary condition as it will be the future construction staging area during the Canada Line station's construction. Once complete, the park will become the central feature to this development and the open space network surrounding the future Canada Line Station.

- Bridgeport Child Care Facility OBI: \$35,454

Ongoing funds are required for capital maintenance costs for the future City-owned child care facility to be located at 10311 River Drive as approved in DP 16-721500. The facility will include up to 6,500 square feet of indoor area, an outdoor play area for the exclusive use of the child care, 7 dedicated child care parking spaces, access to 18 shared visitor/child care facility parking, shared loading space and shared bicycle parking. Projected completion and transfer to the City will be in mid- 2019.

- As a result of the following proposed developments, the City will take ownership of developer contributed infrastructure assets such as road works, waterworks, storm sewers, sanitary sewers, street lights, street trees and traffic signals. Ongoing funds are required for capital maintenance costs.

Developer	Address	Rezoning Number	OBI
Pinnacle International (Richmond) Plaza Inc.	No. 3 and Sexsmith Road	RZ 12-610011	\$22,859
Yamamoto Architecture Inc.	Bridge Street and No. 4 Road	RZ 12-605038	\$14,750
Concord Pacific	Capstan Way, No. 3 and Sexsmith Road	RZ 12-603040	\$11,536
0731649 BC Ltd.	Alexandra Road	RZ 16-734204	\$10,199
Oris Developments (Hamilton) Corp.	Westminster Highway and Gilley Road	RZ 14-660662/660663	\$9,225
Westmark Developments Ltd.	5400 Granville Avenue	RZ 13-644678	\$5,541

- Kingsley Estates Public Plaza OBI: \$5,120

Ongoing funds are required for the maintenance of a public plaza located near the Kingsley Estates residential development and City-acquired child care facility along No. 2 Road between Williams Road and Steveston Highway. The plaza provides a small informal seating node comprised of concrete paving and stone-block seats surrounded by lawn and shade trees. It is being constructed through a servicing agreement with the developer of the adjacent development. In 2019, the plaza will begin to be maintained by the City.

Transfer of this parcel (Parcel 2) for a child care/entry plaza was approved as part of the Rezoning Considerations (RZ 13-649524) and a Servicing Agreement (SA 15-695335) was entered into for the detailed design and construction of the plaza.

- Zylmans Way and Blundell Road (special crosswalk) OBI: \$2,334

The scope of work involves traffic-signal related improvements completed or anticipated to be completed in 2019 by the developer per DP 11-566011 Blundell Road

The total OBI related to these developer contributed assets is \$209,715.

10. 2019 Additional Level Expenditure Requests – RECOMMENDED

Ref	Requested By	Description	Net Requested Amount	Tax Impact
1	Community Safety	<p>RCMP City Centre CPO increase to OBI Council has approved a 10,000 sq. ft. City-owned building at 6931 Granville Avenue for expanded police services (24 hour) in the City Centre, improving police response times, increasing police presence, enhancing public engagement and offering better customer service in this growing area.</p>	\$89,828	0.04%
2	Community Safety	<p>Sister City Program (SCP) In accordance with the SCP Objectives, the primary focus of the SCP activities is to foster activities with the Richmond community and its sister cities (Pierrefonds, Quebec, Wakayama, Japan, Xiamen, China) / friendship city (Qingdao, China) through projects and youth exchanges that promote cultural awareness and joint learning opportunities.</p>	\$60,000	0.03%
3	Community Services	<p>Increase to operations at Arts Centre with zero tax impact Demands and need for Arts Centre programs continue to increase with growing waitlists. As the only purpose built arts centre in the community with limited space, staff continue to maximize the use of space and provide new programs.</p>	-	-%
4	Engineering and Public Works	<p>IPS Coordinator - RFT A dedicated IPS Coordinator is required to direct the change management, training, administration, configuration, reporting, and support of the new IPS Mobility application, which expands the capabilities of the Asset and Work Management system outside of the office environment.</p>	-	-%

Ref	Requested By	Description	Net Requested Amount	Tax Impact
5	Finance and Corporate Services	Conversion of Auxiliary to Accounts Payable Clerk – RFT Conversion of one auxiliary staff position to regular full-time based on review of historical utilization. Reallocation of resources will be used to offset the additional expenses.	-	-%
6	Planning and Development	2 Development Applications - Planner 1 - RFT City continues to experience high application volumes. Reoccurring temporary appointments have addressed workload pressures for past 2 years. Application volume is expected to remain high and review complexity intensifying due to new Council bylaws/policies, public consultation and referrals.	-	-%
7	Planning and Development	Policy Planning Coordinator - RFT Policy Planning is working at capacity. Council requested work includes: 702 Lot Size Policy review, Agricultural Viability Strategy, Infill / Laneway Housing in Burkeville, Heritage Updates in Steveston, Bridgeport Corridor Study. Without additional staff resources, the workplan cannot be delivered.	-	-%
2019 Ongoing Expenditures Total - RECOMMENDED			\$149,828	0.07%

11. 2019 Additional Level Expenditure Requests – NOT RECOMMENDED

Ref	Requested By	Description	Net Requested Amount	Tax Impact
1	Community Services	Affordable Housing - Planner 1 - RFT A RFT Planner 1 is required to support the current implementation of the Affordable Housing Strategy; including securing contributions, policy development, project coordination (i.e., emergency shelter), homelessness, working with stakeholders and public education regarding poverty.	\$109,447	0.05%
2	Community Services	Child Care Program - Planner 1 - RFT A Planner 1 position is required to support the current City's Child Care Program and to implement the 32 actions noted in the recently adopted 2017-2022 Richmond Child Care Needs Assessment and Strategy.	\$86,496	0.04%
3	Community Services	Curatorial Assistant Position - RFT The City has over 20,000 objects in its artefact collection and a growing demand to source and manage artefacts for both acquisition and loan. This work has been funded annually and conducted by auxiliary staff for five years and warrants the creation of a permanent full-time position.	\$80,874	0.04%
4	Community Services	Public Art Planner Base Budget Funding The Public Art Planner position is currently funded from developer contributions to the public art provision. This request is to have the position funded as part of the base operating budget.	\$103,712	0.05%
5	Community Services	City Centre Landscape Maintenance OBI In recent years, the City Centre area has grown causing an increase in park area use requiring raised maintenance levels. In addition, climate change conditions (summer drought/colder winters) are requiring increased staffing for water maintenance tasks and the replacement of dead plant materials.	\$98,749	0.05%

Ref	Requested By	Description	Net Requested Amount	Tax Impact
6	Community Safety	Richmond Fire Rescue Community Outreach and Program Development Coordinator - RFT Council endorsed Fire's Community Outreach and Public education Plan (COPEP). This position will provide capacity and expertise in outreach, program development, implementation and evaluation to ensure COPEP initiatives are achieved.	\$116,205	0.05%
7	Community Safety	Richmond Fire Rescue Fire and Life Safety Educator - RFT Fire's Community Outreach and Public Education Plan (COPEP) has been endorsed by Council. It outlines strategies and goals to dramatically increase RFR's public education delivery. This position is necessary to undertake those strategies and fulfill the goals.	\$97,361	0.04%
8	Community Safety	Richmond Fire Rescue Recruiting and Testing Costs Recruitment Costs including testing and outfitting that are required to fulfill staffing requirements. Portions of the testing is paid by applicants however, RFR still incurs costs during the hiring process.	\$35,000	0.02%
9	Corporate Administration	Applicant Tracking System Replacement Human Resources (HR) needs to select and implement a new Applicant Tracking System (ATS) to replace HireDesk, for which our current contract is set to expire January 2019.	\$45,000	0.02%
10	Finance and Corporate Services	Tax Clerk - RFT Since 2000, the number of properties in Richmond have increased by over 38% or almost 23,000 properties while staffing levels in the Tax Section have remained constant. A new Tax Clerk (PB 7) is needed to improve the current level of customer service to the growing number of taxpayers.	\$70,000	0.03%
11	Finance and Corporate Services	Tempest Mobile App * Initiative for Bylaw Officers to have access to Tempest while on the road performing their general duties. This would increase revenue and improve services to residents as more time can be given to proactive enforcement. Officer's safety is also increased with access to historical records.	\$12,000	0.01%

* In addition to the requested amount, there is an initial capital cost of \$77,000.

Ref	Requested By	Description	Net Requested Amount	Tax Impact
12	Finance and Corporate Services	IT Security Staff - RFT Increased public awareness and highly publicized data breaches of large companies and banks have increased the need for IT Security programs/dedicated staff. IT is working to improve corporate IT security hence additional expertise is required.	\$125,405	0.06%
13	Library	Expanded Children and Family Library Services 2 staff to expand services for vulnerable youth, and increase collaboration with city staff, schools and community service agencies. Request originates from the Referral Report on Borrowing Limits, Municipal Library Services and Impact of Increased Per Capita Funding (Finance Committee, Oct. 28/16)	\$168,518	0.08%
2019 Ongoing Expenditures Total - NOT RECOMMENDED			\$1,148,767	0.54%

12. Richmond RCMP Detachment Additional Level Request

	Number of Positions	RCMP Officers	Capital and One-Time Costs	Ongoing Amount
2018	16	Regular Members	\$-	\$2,084,950
2019	14	General Duty Officers	270,170	2,226,593
	2	Crime Reduction - Property Crime	22,224	287,656
	2	Organized Crime Unit	22,222	287,656
	1	Crime Prevention - Youth Section	11,111	167,309
2020	12	Regular Members	200,672	1,757,201
2021	4	Regular Members	78,931	596,419
Total – 51 RCMP Officers			\$605,330	\$7,407,784
Total Tax Impact				3.42%

	Number of Positions	Municipal Employee to Support the RCMP Detachment	Capital and One-Time Costs	Ongoing Amount
2018	3	Various roles	\$-	\$191,533
2019	2	Disclosure Clerk	22,222	146,512
	1	Prime Systems Clerk	11,111	78,898
	2	Crime Analyst	22,222	185,668
	1	Admin Support	11,111	61,843
	1	Stenographer	11,111	61,843
	1	Translator	11,111	71,815
	1	Court Liaison	11,111	73,256
	1	Court Liaison Clerk	11,111	73,256
2020	1	Fleet Coordinator	16,723	74,883
	1	General Duty Watch Clerk	16,723	63,721
	1	Translator	16,723	71,032
	1	Police Records Clerk	16,722	63,721
	1	PRIME Systems Clerk	16,722	73,991
2021	1	Hamilton Community Police Station Coordinator	19,733	79,599
	1	Police Records Clerk	19,733	64,995
Total – 20 Municipal Employees to support the RCMP			\$234,189	\$1,436,566
Total Tax Impact				0.66%

2018 – 19 positions	\$-	\$2,276,483
2019-2021 – 52 positions	\$839,519	\$6,567,867
Total – 71 positions	\$839,519	\$8,844,350

13. Richmond Fire Rescue Additional Level Request

Location	Firefighters	Capital and One-Time Costs	Ongoing Amount
Steveston/Seafair ¹	12	\$780,149	\$1,950,503
City Centre/Brighthouse ²	24	\$1,761,127	\$4,073,395
Total Firefighters	36	\$2,541,276	\$6,023,898

1. An additional Rescue vehicle and staffing to service Steveston/Seafair is required by 2023.

Capital and one-time costs include:

- Minor capital upgrades to Steveston Fire Hall
- Purchase of vehicle including equipment
- Personal protective equipment

2. An additional Fire Engine vehicle and staffing to service City Centre/Brighthouse is required by 2027.

Capital and one-time costs include:

- Purchase of vehicle including equipment
- Personal protective equipment