



To: Finance Committee **Date:** November 23, 2017
From: Jerry Chong, CPA, CA **File:** 03-0985-01/2017-Vol
Director, Finance 01
Re: **2018 Proposed Operating Budget**

Staff Recommendation

That:



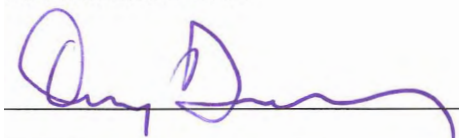
1. The 2018 Operating Budget as presented in Option 2 of the staff report titled 2018 Proposed Operating Budget be approved as follows:
 - a. A same level of service budget increase of \$3,881,300 with a tax increase of 1.88%, before additional levels of service be approved; and
 - b. Operating budget impact of the 2018 capital projects totalling \$618,580 with a tax increase of 0.30% be approved; and
 - c. City-wide additional levels as presented in Attachment 9 of the staff report titled 2018 Proposed Operating Budget in the amount of \$247,661 with a tax increase of 0.12% be approved; and
 - d. Ongoing additional levels for the operating costs of 16 additional RCMP officers and 3 municipal employees to support the RCMP detachment in the amount of \$2,276,483 with a tax increase of 1.10% be approved; and
 - e. The Rate Stabilization Account be used to pay for the operating costs of the 16 additional RCMP officers and 3 municipal employees to support the RCMP detachment for a total of \$2,276,483, resulting in a tax decrease of 1.10% be approved; and
 - f. The capital and one-time costs for the additional 16 RCMP officers and 3 municipal employees to support the RCMP detachment for a total of \$290,675 be approved; and
 - g. The Rate Stabilization Account be used to pay for the capital and one-time costs for the additional 16 RCMP officers and 3 municipal employees to support the RCMP detachment for a total of \$290,675 be approved; and
 - h. 1.00% transfer to reserves for community facilities infrastructure needs as per Council's Long Term Financial Management Strategy in the amount of \$2,064,900 with a tax increase of 1.00% be approved; and

- 2. The overall tax increase of 2.30% and the additional 1.00% transfer to reserves, which is in accordance with Council's Long Term Financial Management Strategy policy to limit tax increase to CPI plus 1% transfer to reserves be approved; and
- 3. The Operating Budget as detailed above be included in the 5 Year Financial Plan (2018-2022).



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

Att: 11

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

Executive Summary

The most recent Vancouver CPI forecast from the Conference Board of Canada is 2.30% for 2018. The Municipal Price Index (MPI) is estimated at 3.20%, which is higher as CPI does not include items which are unique to local government such as wages for a unionized public sector workforce, and Fire Rescue personnel, policing costs and materials.

The City's operations are predominantly focused on delivery of programs and services, therefore expenditures are primarily labour (47%) and contracts (22%, which is largely due to the RCMP contract). The Operating Budget is primarily funded by property tax (69%). Community User Fees were increased by 2.1% where possible, as approved by Council on November 14, 2017 through the Consolidated Fees Bylaw which will come into effect on January 1, 2018.

Same Level of Service

This 2018 Operating Budget report presents the same level of service base budget and after new tax growth at \$3.4M, resulting in a 1.88% tax impact.

Budget Component	\$000's	Tax Impact (%)
Net Budget Increase	\$4,726	2.29%
Less: Estimated 2018 New Tax Growth	(3,400)	(1.65%)
Same Level of Service Increase (Base)	\$1,326	0.64%
2017 Additional Level - RCMP (11 Officers and 3 MEs)	1,955	0.95%
Major Facilities - Year 5 of 7	600	0.29%
Same Level of Service Increase (LTFMS target: 2.30%)	\$3,881	1.88%
2018 Capital Program OBI - Year 1 of 2	495	0.24%
2018 Developer Contributed Assets OBI	89	0.04%
OBI of Previously Approved 2017 One-Time Expenditures	35	0.02%
Subtotal	\$4,500	2.18%
Additional Level Expenditures - City-Wide	248	0.12%
Additional Levels - RCMP (16 Officers and 3 MEs)	2,277	1.10%
One-time capital costs - RCMP (16 Officers and 3 MEs)	291	0.14%
Less: Rate Stabilization of RCMP one-time capital costs	(291)	(0.14%)
Less: Rate Stabilization of RCMP (16 Officers and 3 MEs)	(2,277)	(1.10%)
Proposed 2018 Operating Budget Increase	\$4,748	2.30%
Additional Transfer to Reserves at 1.0%	\$2,065	1.00%

Previously Approved Additional Levels of Services

Previously Approved RCMP Additional Level Requests

During the 2017 budget, 11 additional RCMP officers and 3 municipal employee support staff requested by RCMP were approved. Due to the time required to hire and train new officers, the tax was deferred to align with the timing of when the officers were expected to be deployed and rate stabilization funding was applied to the remaining balance. Therefore, the 2017 costs were effectively not included in the base budget.

Previously Approved Capital Operating Budget Impacts (OBI) for Major Facilities Phase 1

Previously approved OBI includes the Major Facilities Phase 1 implementation that was approved as part of the 2014 budget and amended on November 14, 2016 through the Minoru Centre for Active Living service levels. In 2014 and based on the 2014 tax base, a phase-in plan was approved with a tax impact of approximately 0.34% each year until 2020 when it is completely funded.

Capital Operating Budget Impacts

OBI Associated with the 2018 Capital Program

The 2018 Capital Plan includes new and expanded infrastructure and equipment which also requires operating funds to maintain. These impacts are typically phased in over two years as the asset is not typically completed in the year the capital budget is approved.

OBI Associated with Developer Contributed Assets

Another component of the capital OBI is through approval of rezonings that results in the transfer of assets to the City. 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.

OBI of Previously Approved 2017 One-Time Expenditures

This OBI request is related to Council's previously approved one-time expenditure for the London Heritage Farm Outbuildings & Grounds.

Additional Levels of Service

City-Wide (excluding RCMP)

The recommended additional level expenditures include funding for the costs associated with the Richmond Animal Shelter Operations and Animal Control Services Agreement and for additional City staff which will be fully funded by additional revenues or reallocation of existing budget resources.

RCMP

Council's emphasis on a safe community will be strengthened with the addition of 16 RCMP officers and 3 municipal employees to support the RCMP detachment. According to the most recent Municipal Police Statistics (2015), compared to its peer group, Richmond has the lowest RCMP cost per capita and has fewer police officers based on population.

Long Term Financial Management Strategy

At the City Council meeting held on June 26, 2017, staff was directed to utilize "Ageing Facility Infrastructure – Update" report dated May 24, 2017, as input in the annual capital and operating budget preparation process. The City's building infrastructure is currently in good condition, however, as the buildings age, they are anticipated to deteriorate at an accelerated rate. In order to maintain the current facility condition and service levels and to respond to public input, additional funding is required through the City's annual budget process.

The Capital Building and Infrastructure Reserve and Leisure Facilities Reserve have been established to fund facility capital repair and replacement. The uncommitted reserve funding available for Building Reserves, as at September 30, 2017, is \$60.3M. Phase 1 of the major facilities replacement plan was \$124.1M. The additional 1.0% increase in transfer to reserves would be transferred into the Capital Building and Infrastructure Reserve to ensure adequate funding for phase 2 community facilities and repairs and enhancements to ageing building infrastructure.

Summary

The 2018 proposed operating budget is in compliance with Council policies as the same level of service increase (which includes accommodating the 2017 RCMP requests) of 1.88% is lower than forecasted CPI target of 2.3%. It also ensures operating costs for increased levels of service associated with new capital projects are captured in order to maintain community livability bringing the tax increase to 2.18%. In addition, the recommended option includes 16 RCMP officers and 3 municipal employees and the operating cost associated with the Richmond Animal Shelter Operations and Animal Control Services. It is also recommended that the Rate Stabilization Account (RSA) be utilized to offset the RCMP ongoing additional level which will result in an overall tax increase of 2.30%. Staff recommend this approach in order to try to match the costs to the delivery of services as the RCMP estimate that the time to provide an officer from the approval date generally takes twelve to eighteen months. RSA is a temporary funding solution to stabilize the 2018 tax increase and therefore, defers the tax increase to future years. In addition, the 1% of transfer to reserve will be maintained in accordance with the Long Term Financial Management Strategy (LTFMS) for building infrastructure replacement.

Should Council approve the requested 16 RCMP officers for 2018, a total of 40 additional RCMP officers and 6 municipal employees to support the RCMP detachment would be added to the budget during the current Council term (2014-2018).

The recommended Budget Option 2 summarized above is in accordance with Council's LTFMS policy 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% towards infrastructure replacement needs".

Staff Report

Origin

Subsection 165(1) of the *Community Charter* requires the City to adopt a 5 Year Financial Plan (5YFP) Bylaw. The 2018 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 2018 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.*

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

At the Council meeting held on June 12, 2017, the following recommendation was approved:

That the services as presented in Attachment 2 of the staff report titled "2018-2022 Budget Process" dated May 4, 2017 from the Director, Finance be approved as the base for the 2018 budget.

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 2018 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. Please refer to Attachment 3 for the 2018 Budget Cycle.

The 2018 Budget process included pre-budget planning consultation with the public, which was held from October 3-22, 2017. Comments received included concerns that not enough funds were being spent on dykes and infrastructure, improvement of community facilities, enhancement of community services to support the growing community, community safety, affordable housing and Oval expenditures. Comments were forwarded to the relevant departments so they could review and address in the budget planning process.

Environmental Scan

Economic Outlook

Housing starts have grown substantially across the region over the last five years. Richmond's share of housing starts represents an average of 10.8% of the regional total, while its share of the regional population has remained at approximately 9%, indicating that the local market has outpaced the regional market.

The construction value of Richmond's total building permits issued reached an extraordinary \$800M in 2010, as multiple major projects were approved during the year. Subsequent years registered steady levels of between \$400M and \$600M in Richmond, with 2015 registering a new record of \$998M in construction projects. In 2016, construction activity reached a healthy \$719M and 2017 is on track to achieve an approximate \$600M to \$700M in construction value of projects.

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

Taxation

When compared to the 21 municipalities in Metro Vancouver, the 2017 average residential home in Richmond ranks as the 9th highest in average assessment value of \$1.023M while having the 5th lowest average municipal taxes of \$1,609. 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 2017 are generally higher than the prior year. Richmond's business to residential tax ratio increased from 3.24 in 2016 to 3.57 in 2017. However, even with the higher ratios, Richmond's ranking improved by dropping from the 7th highest position in 2016 to the 10th highest in 2017. Richmond is the 2nd 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 2017 allocation.

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

Casino Funding	Allocation	2018 Budget	2017 Budget
Capital Reserve	30%	\$4,950	\$5,426
Grants	15%	2,475	2,713
Council Community Initiatives Account	2%	330	362
Debt Servicing	Fixed	5,000	5,000
Operating (RCMP)	4 Officers	687	676
Capital Building Infrastructure Reserve	Remainder	3,058	3,911
Total		\$16,500	\$18,088

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). Due to ongoing reviews by the Province, the 2018 budgeted casino revenues were reduced which will affect the funding of City's reserves by \$1.329M.

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 2016, Senior Government level transfers amount to 5.5% 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 2016, 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 ageing infrastructure; however, this could result in repair/refurbishment costs that exceed the life cycle cost of replacing the ageing assets.

Flexibility – Table 2 shows the 2016 Net Book Value of Capital Assets to Cost is 68.7% (57.2% excluding land) which indicates that the City’s assets are ageing and future replacement or increased repairs and maintenance will be required.

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

2016 Tangible Capital Assets	NBV	Cost	Ratio
Land	\$846	\$846	100.0%
Tangible Capital Assets (Excluding Land)	1,322	2,314	57.2%
Total Tangible Capital Assets	\$2,168	\$3,160	68.7%

Uncommitted Reserve Balances

As at September 30 2017, the City has \$280.3M 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 September 30, 2017 (in millions)
Building Reserves	\$60.3
General Reserve	59.2
Utility Reserves	102.7
Other specific purpose reserves	58.1
Total Uncommitted Reserve Balance	\$280.3

The uncommitted funding available in Building Reserves (Capital Building and Infrastructure Reserve and Leisure Facilities Reserve) is \$60.3M. Phase 1 of the Major Facilities Replacement Plan was \$124.1M and the funding from the building reserves has been fully allocated for it. The balance of \$60.3M is after the allocation and will largely be used toward Phase 2 which is estimated at approximately \$75M to \$90M.

The General Reserve (i.e. Revolving Fund) is utilized to fund 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. 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 and community centres, Richmond has additional complexities with the dyking system that is unique to our island city.

Funding is required for maintaining ageing facilities and construction of major facilities as well as the tax impact from the associated OBI.

There is also a significant demand from the RCMP for additional officers and municipal staff.

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

Table 4 presents the same level of service budget before OBI and ongoing 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)

Division	2017 Adjusted Net Budget (Restated for Comparison)	2018 Proposed Net Budget	Change 2018 \$	Change 2018 %	Tax Impact
Community Safety	79,076	82,535	3,459	4.37%	1.68%
Community Services	48,332	50,130	1,798	3.72%	0.87%
Engineering and Public Works	35,936	36,848	912	2.54%	0.44%
Finance and Corporate Services	23,117	23,565	448	1.94%	0.22%
Corporate Administration	9,734	9,945	211	2.16%	0.10%
Planning and Development	5,369	5,451	82	1.53%	0.04%
Fiscal	(201,564)	(201,193)	371	(0.18%)	0.18%
Net Increase	\$-	\$7,281	\$7,281		3.53%
Less: Estimated New Tax Growth		(3,400)	(3,400)		(1.65%)
Net Increase after New Tax Growth		\$3,881	\$3,881		1.88%

As shown in the All Divisions summary included in Attachment 8, the City's operating expenses are mainly comprised of labour related to delivering programs and services (47%) and contracts (22%), which is largely due to the RCMP contract.

The operating budget is primarily funded by property tax (69%). Community User Fees were increased by 2.1%, where possible through the Consolidated Fees Bylaw, effective January 1, 2018.

Key Financial Drivers

Preliminary Vancouver CPI forecasts from the Conference Board of Canada was estimated at 2.3% for 2018. In comparison, the Municipal Price Index is estimated at 3.2%.

Table 5 – 2018 Key Financial Drivers

Cost Breakdown	Amount (in 000's)	Increase Proportion
Salaries and Benefits Increase – City-Wide ¹	\$3,405	46.8%
RCMP - 2017 Deferred Funding and Contract Increase ²	2,847	39.1%
Salaries and Benefits – Fire Rescue ³	588	8.1%
2017 OBI Year 2 of 2	275	3.8%
Other Increases	166	2.2%
Net Budget Increase	\$7,281	100.0%

Sources:

¹ CUPE 718 and 394 collective agreements and staff increase for MCAL

² RCMP E Division

³ RFFA, Local 1286

Salaries are the largest non-discretionary increase to the City. CUPE 718 and 394 collective agreements were ratified in 2017 and settled at 2.0% for 2018 and 2019. The change in salaries is also largely attributed to the increase in staffing required at the new Minoru Centre for Active Living facility's enhanced programs and services to meet the needs of the community. The Richmond Firefighters Association collective agreement is settled at 2.5% per year until 2019. RCMP included the 2017 approved additional level and the contract increase. The combined costs for RCMP and Fire Rescue are the largest cost drivers (47.2%).

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 2018 is estimated at \$3.4M.

Additional Levels of Services

2018 OBI Related to 2018 Capital Budget

The 2018 Capital Budget total is \$160,064,190. The OBI associated with the 2018 Capital program is \$1,244,236. Table 6 presents the 2018 OBI by Capital program. Of this amount \$252,893 is associated with utility projects and will be included in future utility budgets. The operating budget impact is \$991,342 and this will be phased in over two years.

Table 6 – Recommended 2018 Funding and OBI by Program (in \$ '000s)

Program	Amount	OBI	Tax Impact
Infrastructure	\$71,645	\$750	0.36%
Land	10,000	-	-
Parks	11,455	196	0.09%
Internal Transfers/Debt Payment	4,489	-	
Equipment	10,542	164	0.08%
Building	40,745	128	0.06%
Public Art	348	6	0.01%
Affordable Housing	620	-	-
Child Care	220	-	-
Contingent External Contribution	10,000	-	-
Total 2018 Capital Funding & OBI	\$160,064	\$1,244	0.60%
Less: Utility Budget Impact		(253)	(0.12%)
2018 OBI - to be phased in over two years		\$991	0.48%

OBI of Previously Approved 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 2018 and will require funding for ongoing operation and maintenance.

- Lansdowne Linear Park OBI: \$26,783

Ongoing funds are required for the maintenance of the first block of the Lansdowne Linear Park between Alderbridge and Cedarbridge Way. The section of the Linear Park contains a plaza for informal gathering and events, open lawn, raingardens, cycleways, and native and ornamental planting. The park has been constructed through a servicing agreement with the developer of the adjacent development. In 2018, the Linear Park will

begin to be maintained by the City. Lansdowne Linear Park will connect the Fraser River Waterfront (at the Oval) to the Garden City Lands along Lansdowne Road. The Linear Park will extend across 14 blocks.

- Traffic-Signal Related Improvements (by developers) OBI: \$61,856

Ongoing funds are required effective 2018 for traffic-signal related improvements completed or anticipated to be completed in 2017 by developers as part of the development application process. The associated OBI is based on current estimates necessary for ongoing maintenance. The types of improvement includes providing new/enhancing exiting traffic-signal related infrastructure such as new traffic signals, pedestrian signals and special crosswalks.

The total OBI related to these developer contributed assets is \$88,639.

OBI of Previously Approved 2017 One-Time Expenditures

- London Heritage Farm (LHF) Outbuildings & Grounds OBI: \$34,520

Ongoing funds are required for annual maintenance of the London Heritage Farm Outbuildings and Grounds in order to support programs, meet safety standards and community expectations. The outbuildings (barn, toolsheds, chicken coop and bee house) and grounds at London Farm are owned by the City and operated by the London Heritage Farm Society (LHFS). LHF, designated a Heritage Site in 1979, encompasses 4.06 acres of land including gardens, a heritage building, a caretaker's residence, public washrooms and various outbuildings. Over 15,000 visitors come to LHF each year and rentals for weddings, picnics and other private functions have increased.

Table 7 summarizes the Capital OBI for 2018.

Table 7 – 2018 Capital OBI (in \$000s)

Capital Operating Budget Impacts	Amount	Tax Impact
2018 Capital Program OBI Year 1 of 2	\$495	0.24%
2018 Developer Contributed Assets OBI	89	0.04%
London Heritage Farm	35	0.02%
Total	\$619	0.30%

Additional Levels of Service

City-wide (excluding RCMP)

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 2018, twenty-eight additional level submissions (excluding RCMP) have been received totaling \$1.8M. After reviews and discussions, ten are recommended by SMT and the CAO with only one submission having a tax impact of \$247,611, which has previously been

approved by Council for the provision of animal shelter operations and animal control services. Please refer to Attachment 9 for the list of recommended additional levels and Attachment 11 for the list of not recommended additional levels.

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.

From 2014 to 2017, Council has approved a total of 24 RCMP officers and 3 municipal employees. Based on the recent RCMP 3 Year Resource Plan (2018-2020), RCMP has requested an additional 43 officers and 8 municipal employees to directly support the RCMP detachment (Table 8). Ongoing additional levels requested by RCMP are summarized in Attachment 10.

Table 8 – Summary of Additional Level Requests from RCMP:

	2014 (Approved)	2016 (Approved)	2017 (Approved)	2018 (Requested)	2019 (Requested)	2020 (Requested)	Total (with request)
# of RCMP Officers	1	12	11	16	19	8	67
# of Municipal Employees ¹	-	-	3	3	3	2	11
Cost - RCMP	\$0.16M	\$1.83M	\$1.72M	\$2.08M	\$2.48M	\$1.04M	\$9.31M
Cost - Municipal Employees	-	-	\$0.24M	\$0.19M	\$0.19M	\$0.13M	\$0.75M
Cost - Total	\$0.16M	\$1.83M	\$1.96M	\$2.27M	\$2.67M	\$1.17M	\$10.06M

Note 1: RCMP initially requested 8 municipal employees (MEs) to support the RCMP detachment for 2018. The request was reduced to 3 MEs and the remaining 5 MEs are requested as additional level without tax impact by reallocating RCMP resources (auxiliary staff).

The requested 16 additional RCMP officers and 3 municipal employees to support the detachment for 2018 have an ongoing operating cost of \$2.27M and a tax impact of 1.10%. Should Council approve the requested officers for 2018, a total of 40 RCMP officers and 6 municipal employees to support the RCMP detachment would be added to the base budget during the current Council term (2014-2018).

Table 9 summarizes the additional level requests including RCMP.

Table 9 –Summary of Additional Level Expenditure Requests (in \$000s)

Additional Level Expenditure Requests				Tax Impact (%)
Recommended City-Wide (Attachment 9)			248	0.12%
16 Additional RCMP Officers	2,085	1.01%		
3 Additional Municipal Employees to support RCMP	192	0.09%		
One-time Initial Cost 16 RCMP and 3 MEs	291	0.14%		
Less: Rate Stabilization - one time initial costs	(291)	(0.14%)	2,277	1.10%
Total Additional Level Expenditures			\$2,525	1.22%

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

Options to Mitigate Tax Impact

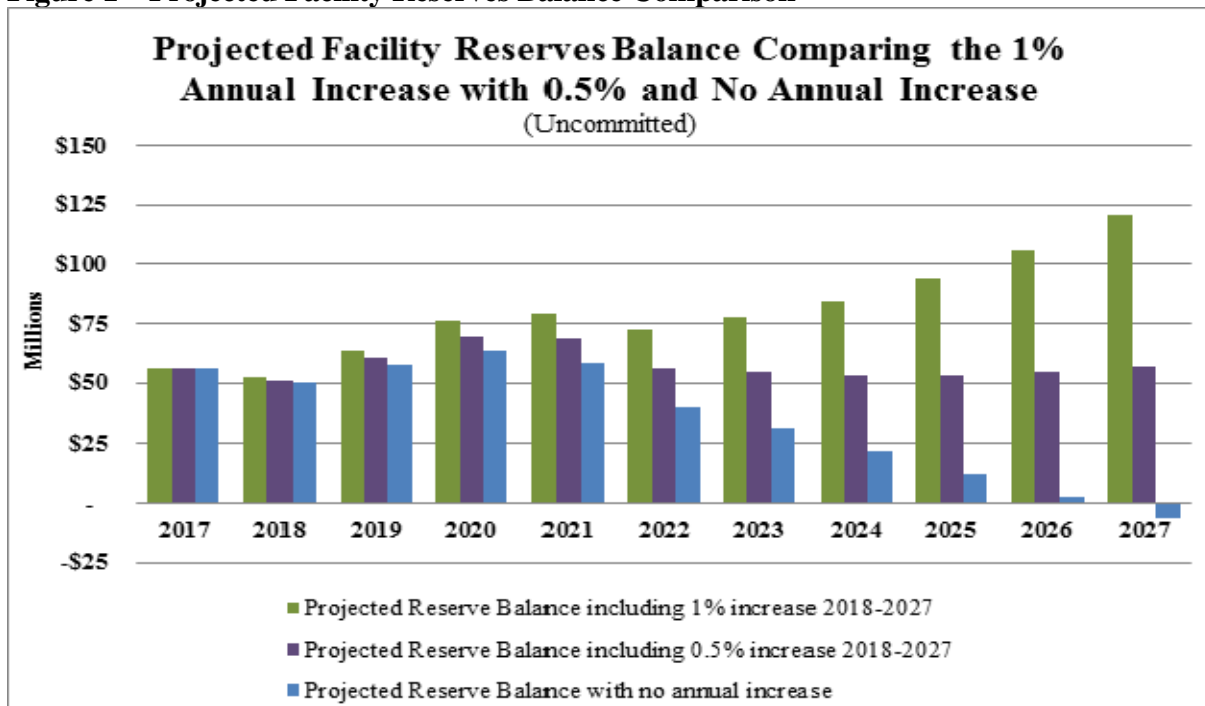
SMT and the CAO have done considerable work including conducting significant number of reviews to achieve a same level of service budget of 1.88% which is below the CPI target of 2.3% while also funding the 2017 RCMP request of 11 officers and 3 municipal employees and previously approved OBI from Major Facilities Phase 1. When the 2018 Capital OBI, all additional level requests including RCMP, and 1% transfer to reserves are included, the tax impact is expected to be at 4.40% (Option 1 of Table 10). The combination of the following options can assist in mitigating the tax impact:

1. Reduce RCMP Request

Reduce the number of RCMP officers (16) and municipal employees (3) requested in 2018. The remaining additional level request could be considered in future years. This is done in Option 3.

2. Reduce Transfer to Reserves

The cost of adding 8 officers is a tax impact of 0.5% which could be accommodated by reducing the transfer to reserves by an equivalent amount. This is done in Option 4. The impact of reducing the 2018 transfer to reserves from 1%, 0.5% and none is shown in Figure 1.

Figure 1 – Projected Facility Reserves Balance Comparison

3. Rate Stabilization

Rate Stabilization has a balance of approximately \$20.3M as of September 30, 2017. However, after capital and one-time funding requests, this amount will be reduced. Council established a Rate Stabilization Account (RSA) to provide funding for such requests without a tax impact. RSA is a temporary funding solution and defers the tax increase to future years. This is done materially in Options 2, 3 and 4.

The budget options proposed below takes into consideration different ways that the City could utilize to mitigate the tax increase.

Budget Options

This report presents four options for including additional levels expenditures for RCMP in the budget as summarized in Table 10:

1. Include additional 16 RCMP officers/3 municipal employees and 1% transfer to reserves.
2. Include additional 16 RCMP officers/3 municipal employees, add 1% transfer to reserves and utilize rate stabilization funding to offset the additional RCMP cost for 2018 (recommended).
3. Include additional 8 RCMP officers/3 municipal employees, add 1% transfer to reserves and utilize rate stabilization funding to offset all additional level requests (City-wide and RCMP) for 2018.

4. Include additional 16 RCMP officers/3 municipal employees, add 0.50% transfer to reserves (exception to the Long Term Financial Management Strategy) and use \$1.9M in rate stabilization funding for 2018 to align the tax increase in the 2017-2021 5 Year Financial Plan projection (before additional levels).

Table 10 – 2018 Budget Options

	Option 1	Option 2 (recommended)	Option 3	Option 4
Same Level of Service Increase	1.88%	1.88%	1.88%	1.88%
Previously Approved Operating Budget Impacts	0.30%	0.30%	0.30%	0.30%
Subtotal Before Additional Levels	2.18%	2.18%	2.18%	2.18%
Additional Level Expenditures – recommended	0.12%	0.12%	0.12%	0.12%
Additional Level Expenditures – 16 officers and 3 support staff	1.10%	1.10%		1.10%
Additional Level Expenditures – 8 officers and 3 support staff			0.60%	
Additional Level Expenditures – RCMP initial cost	0.14%	0.14%	0.08%	0.14%
Less: Rate Stabilization – RCMP initial cost	(0.14%)	(0.14%)	(0.08%)	(0.14%)
Less: Rate Stabilization – 100% RCMP additional level		(1.10%)		
Less: Rate Stabilization – 100% all additional level			(0.72%)	
Less: Rate Stabilization – \$1.9M				(0.92%)
Total Additional Levels	1.22%	0.12%	-%	0.30%
2018 Budget Increase	3.40%	2.30%	2.18%	2.48%
Additional Transfer to Reserves	1.00%	1.00%	1.00%	0.50%
Overall 2018 Tax Increase	4.40%	3.30%	3.18%	2.98%

Budget Option 1 – Full RCMP request and 1% transfer to reserves (not recommended)

This budget option results in a tax increase of 3.40% plus 1% transfer to reserves for a total of 4.40%. The 16 officers and 3 municipal employee support staff requested by RCMP are included in this option with funding secured in the base budget.

Budget Option 2 – Full RCMP request, 1% transfer to reserves and 100% rate stabilizing all RCMP additional level expenditures (recommended)

This budget option results in a tax increase of 2.30% plus 1% transfer to reserves for a total of 3.30%. The 16 RCMP officers and 3 municipal employee support staff requested by RCMP are included in this option and utilize rate stabilization funding to offset the additional RCMP costs aligning with the timing of when the officers are expected to be deployed. This follows Council's Policy to limit the tax increase to CPI plus 1% transfer to reserves.

Budget Option 3 – Partial RCMP request, 1% transfer to reserves and 100% rate stabilizing all additional level expenditures (not recommended)

This budget option results in a tax increase of 2.18% plus 1% transfer to reserves for a total of 3.18%. This option reduces the RCMP request from 16 to 8 officers but maintains 3 municipal employee support staff with Rate Stabilization fully funding all additional level requests.

Budget Option 4 – Full RCMP request, 0.5% transfer to reserves and \$1.9M rate stabilization (not recommended)

This budget option results in a tax increase of 2.48% plus 0.5% transfer to reserves for a total of 2.98%, which was the projected increase (without additional levels) in the 2017 – 2021 5 Year Financial Plan. The 16 RCMP officers and 3 municipal employee support staff requested by RCMP are included in this option with funding partly secured in the base budget and largely funded by Rate Stabilization.

All above options, except Option 4, include the 1% transfer to reserves per Council's Long Term Financial Management Strategy. Budget options 2, 3 and 4 utilize rate stabilization funding to reduce the tax impact. Rate Stabilization is a temporary funding solution to stabilize the 2018 tax increase and therefore, defers the tax increase to future years.

Financial Impact

Staff recommend the proposed 2018 Operating Budget with a tax increase of 3.30% as summarized in Table 12.

Table 12 – 2018 Proposed Tax Increase (in \$000s)

Budget Component	Amount	Running Total	Tax Impact	Cumulative Tax Impact
Same Level of Service Increase		\$3,881		1.88%
Capital Operating Budget Impacts	619		0.30%	
Subtotal		\$4,500		2.18%
Additional Level Expenditures less rate stabilization	248		0.12%	
Same Level of Service Increase, After Growth, with Capital OBI, and Additional Level Expenditures		\$4,748		2.30%
Additional 1.0% Transfer to Reserves	2,065		1.00%	
Same Level of Service Increase, After Growth, with Capital OBI, Additional Level Expenditures, and Additional Transfer to Reserves		\$6,813		3.30%

Conclusion

Staff will prepare the 5 Year Financial Plan (2018-2022) utilizing the Council approved 2018 Operating Budget as the base.

A handwritten signature in purple ink, appearing to read 'Mike Ching', is positioned above the typed name.

Mike Ching, CPA, CMA
Manager, Financial Planning and Analysis
(604-276-4137)
MC:jg

2018 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 		√	
	<ul style="list-style-type: none"> Production Centre 			√
	<ul style="list-style-type: none"> Corporate Planning 		√	
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 (20)	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"> Britannia 			√
	<ul style="list-style-type: none"> Parks Planning & Design 		√	√
	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 Services			
	<ul style="list-style-type: none"> Arts Services (includes Art Gallery, Art Centre, Cultural Centre) 			√
	<ul style="list-style-type: none"> Heritage Services 			√
	<ul style="list-style-type: none"> Richmond Museum 			√
	<ul style="list-style-type: none"> Gateway Theatre (liaison) 			√
	<ul style="list-style-type: none"> Richmond Public Library (liaison) 		√	√
	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 Service 			√
	<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 (10)	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 (includes district energy, corporate energy, environmental sustainability) 			√
	Public Works			
	<ul style="list-style-type: none"> Public Works Administration 		√	√
	<ul style="list-style-type: none"> Fleet Operations & 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 	√	√	

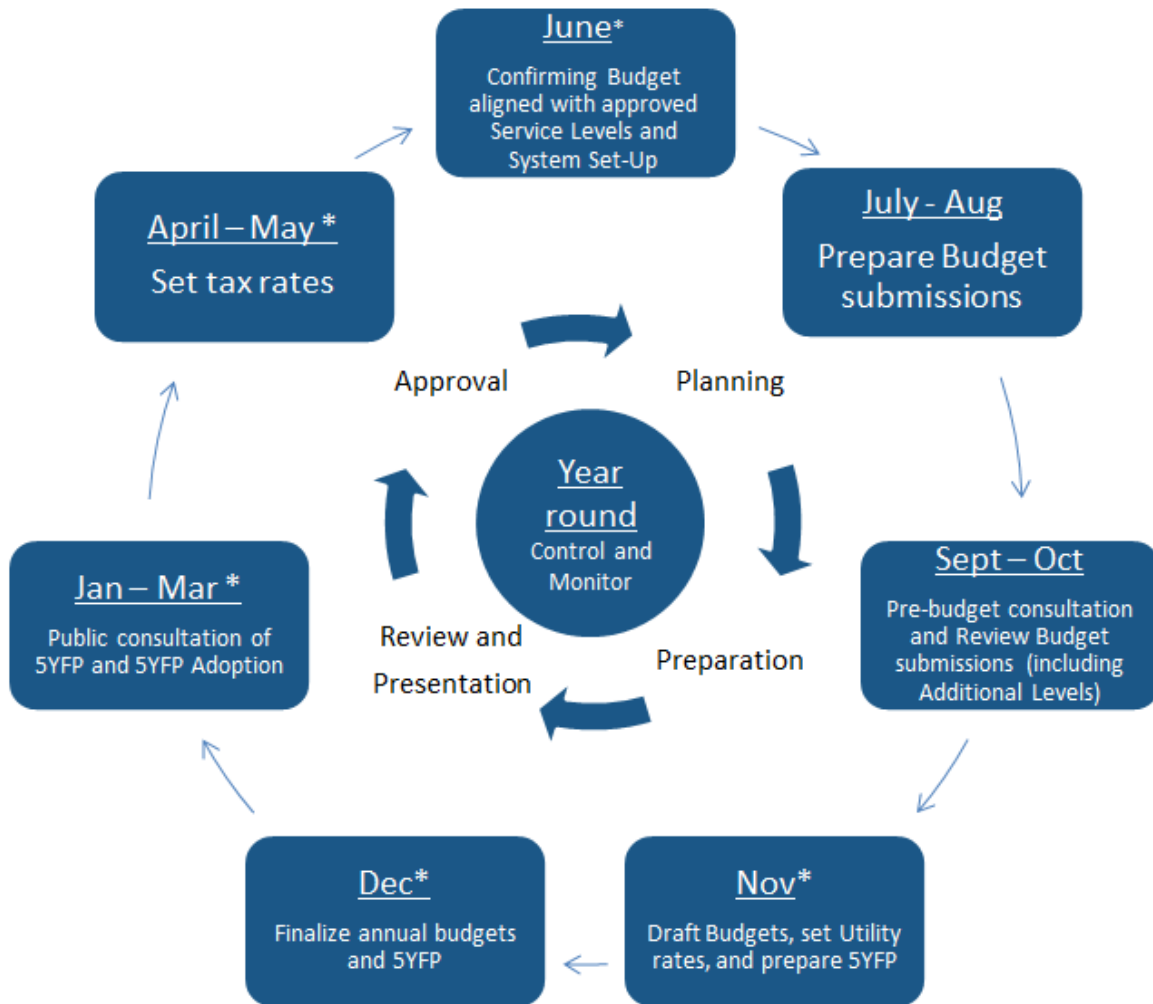
Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Finance & Corporate Services (26)	Finance			
	• Finance Administration		√	√
	• Finance Systems		√	√
	• Financial Reporting	√	√	√
	• Financial Planning & Analysis	√	√	√
	• Revenue/Taxation	√	√	√
	• Purchasing and Stores		√	√
	• Treasury & Financial Services	√	√	√
	• Payroll		√	√
	Information Technology			
	• IT Administration		√	√
	• Business & Enterprise Systems		√	√
	• Innovation			√
	• Infrastructure Services		√	√
	• GIS & Database Services		√	√
	• Customer Service Delivery		√	√
	City Clerk's Office			
	• Operations/Legislative Services	√	√	
	• Records & Information	√	√	
	• Richmond Archives		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	Administration & Compliance			
	• Business Advisory Services		√	√
	• Risk Management			√
	• Economic Development			√
	• Corporate Partnerships			√
	• Customer Service		√	√
	• Corporate Compliance			√
	• Performance			√
	Real Estate Services			√
	Law		√	√
Community Safety (9)	RCMP			
	• Administration (includes Telecommunications, Records, Crime Prevention, Information Technology, Victim Assistance, Finance, Risk Management, Court Liaison)	√	√	√
	Fire-Rescue			
	• Administration	√	√	√
	• Operations	√	√	√
	• Fire Prevention	√	√	√
	• Training & Education	√	√	√
	Community Bylaws		√	√
	Business Licenses		√	√
	Emergency Programs	√	√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	Community Safety Administration		√	√
Planning & Development (10)				
	Planning and Development – Admin	√	√	
	Transportation			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	Building Approvals			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	Development Applications			
	• Developments	√	√	√
	• Major Projects			√
	Policy Planning	√	√	
Total = 86		27	60	63

3. 2018 Budget Cycle

2018 Budget Cycle



4. Economic Outlook

Businesses contribute nearly half 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.

(Note: unless explicitly referenced in the footnotes, the data source used in the commentary below is the Conference Board of Canada report titled "Metropolitan Outlook Autumn 2017" and providing forecasts to 2021.)

Macroeconomic Trends

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.

In October, global growth was projected to strengthen further to 3.6% in 2017 and 3.7% in 2018. The forecast, revised upwards by 0.1% for 2017 and 2018 since April, reflected a broad-based upswing in growth projections for advanced economies, Japan, China, emerging Europe and Russia¹. Despite a projected short-term recovery, mid-term risks to global growth remain on the downside, due to lack of real wage adjustments compared to previous recoveries and an unequal recovery across countries.

After disappointing growth levels in 2015 (1.0%) and 2016 (1.5%), the Canadian economy shifted in high gear and is on track to expand by a solid 2.6% in 2017. This economic strength will be reflected in the creation of 260,000 jobs this year, a 10-year high. An ageing population and low levels of productivity, however, will result in deceleration of Canada's GDP growth to 1.9% in 2018 and 1.8% per year, on average, to 2021. Due to capacity pressures as a result of economic growth over the last few quarters, the Bank of Canada has moved to a rate tightening cycle, increasing the overnight rate by 25 basis points twice in 2017. Further and more gradual rate hikes are expected in 2018 to allow households to adjust to the increase in debt costs.

Household and government spending remain the main drivers of Canadian growth. Retail sales are forecast to register a healthy 5.8% growth and housing starts to hit a five-year high in 2017. These trends are expected to slow down in 2018, due to weak wage gains, slowing of employment growth and rising household debt. After years of restraint since the public stimulus spending in 2009 and 2010, government spending has made a notable contribution to growth since 2015 and is expected to continue to do so in the next few years. Public investment is projected to grow an average of 4.6% per year over the next two years, driven by increase in federal spending and capacity for growth in provincial spending as a result of balanced budgets.

Stagnant business investment and trade continue to introduce vulnerability to the economic growth. Business investment, excluding residential, is expected to decline for the third consecutive year in 2017. The trade sector has also been underperforming, with exports outside of energy also falling over the last year, despite a favourable exchange rate. Exports are

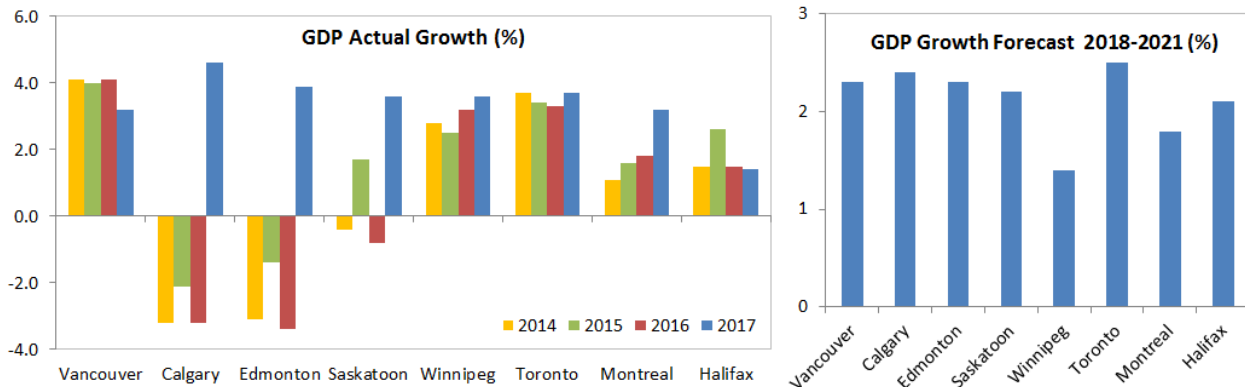
¹ World Economic Outlook, IMF (October,2017)

expected to improve in 2018 but the risk of protectionism south of the border threatens the growth forecast.

Regional Trends

After three consecutive years of GDP growth over 3%, the BC economy is expected to expand by 2.7% in 2017 and 2.4% in 2018, and grow on average by 2.1% per year to 2021. Employers are expected to add nearly 84,000 jobs in 2017 but a significant slowdown to 31,600 net jobs added is expected for 2018. The projected slowdown in the BC economy will be due to anticipated challenges in three key sectors – housing, forestry and energy. Housing starts increased by 33% in 2016, largely prior to introduction of the 15% foreign buyer tax, and are forecast to decline by 2.6% in 2017 and an even greater 11.2% in 2018. US trade tariffs on Canadian softwood lumber, cancellation of LNG projects in the north and uncertainty around mineral fuels pipeline infrastructure have significantly impacted BC’s major resource industries.

Following several years of strong growth, Metro Vancouver’s economy is slowing down. Real GDP is expected to grow at 3.2% in 2017 and 2.5% in 2018, after 4% average annual growth over the last five years. A cooling housing market is the largest contributor to slowing growth, with increased US protectionism, a slightly higher dollar hampering exports and tourism, and poor housing affordability also playing part in the slowdown. While the unemployment rate will reach a 9-year low at 5.1% in 2017 and a further low of 5.0% in 2018, slowing job gains are expected in the years ahead. After a 4.7% advancement in 2016, employment is projected to grow at the rate of 2.4% in 2017 and 1.5% in 2018.



Manufacturing contributes only 7% to the provincial GDP (compared to 10.5% Canada-wide) yet the industry has been an important contributor to growth, expanding by 22% between 2011 and 2016, with a gain of 5.4% in 2016 alone and a forecast for further growth of 2.4% in 2017 and 3.1% in 2018.

The construction sector is on track to post a 1.5% and 1.9% increase in 2017 and 2018, respectively, down from a 5.5% expansion in 2016. Behind this trend is a projected annual drop in housing starts of 9% to just 25,400 units in 2017 and 23,600 units in 2018. These figures are still well above the 10-year average of 18,700 and ongoing non-residential investment activity will help offset easing housing starts.

After a 4% annual average growth over the last five years, aggregate output in the services sector will cool to 3.7% in 2017 and further to 2.6% in 2018. Output growth in the finance, insurance and real estate services sectors will be trimmed, as will retail sales, which will further

impact businesses further back in the supply chain in the transportation and warehousing industries. Tourism will remain strong, due to a relatively strong Canadian dollar and ongoing gains in passenger movement at YVR.

Local Trends²

As in all of Metro Vancouver, a large share of Richmond's jobs (40%) are community-oriented, representing jobs dependent on population growth. The remaining 60% of jobs 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 – 23.1%, 18.5%, 14.5% and 11.5% of the economic base³. Richmond has a regional advantage in the above industries, due to the presence of the port and airport. While a relatively low Canadian dollar will continue to support output, tightening of global trade policies and rising interest rates will lead to downward pressures in these sectors.

Richmond businesses in core economic sectors have performed well in the last few years, as demonstrated by growth in key performance indicators, such as: volume of cargo movement through the Port of Vancouver and YVR, up by 9% and 23%, respectively, since 2012; passenger movement through YVR, up by 27% since 2012; and local hotel room revenue, up by 49% since 2012. Commercial vacancy rates are at historic lows, with a 6.5% office vacancy rate on par with the regional average and a critically low 2.1% industrial vacancy rate below the regional average of 2.5%. Commercial product should be coming online in the very near future to accommodate business growth (particularly along the Canada Line where the office vacancy rate is virtually non-existent at 2.3%).

Housing starts have grown substantially across the region over the last five years. Richmond's share of housing starts represents an average of 10.8% of the regional total, while its share of the regional population has remained at approximately 9%, indicating that the local market has outpaced the regional market.

Housing Starts	2012	2013	2014	2015	2016	2017*
Richmond	1,708	1,427	3,036	2,657	2,215	1,220
Metro Vancouver (MV)	19,027	18,710	19,212	20,863	27,914	18,025
Richmond as % of MV	9%	8%	16%	13%	8%	7%

*2017 data available to September

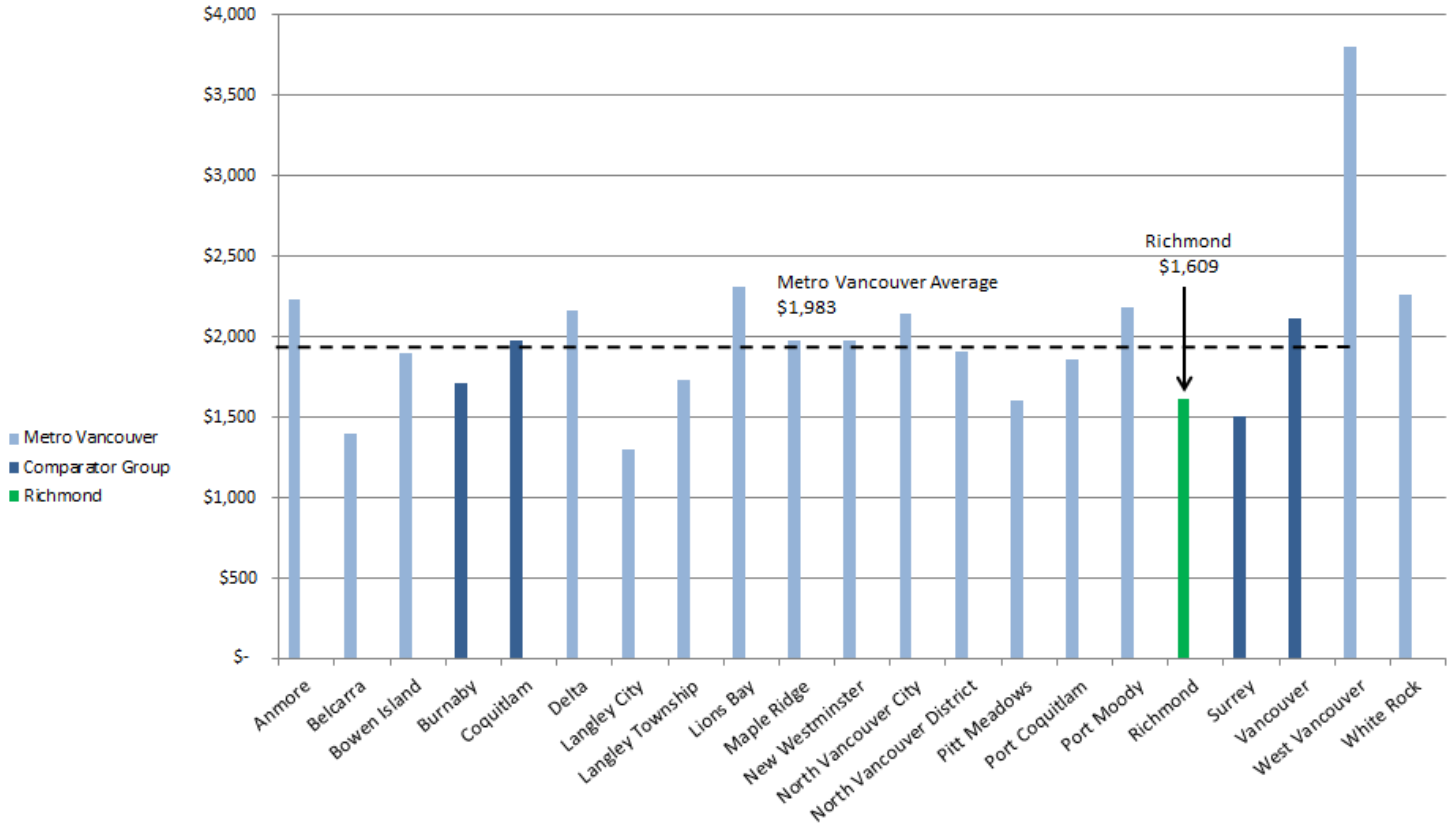
The construction value of Richmond's total building permits issued reached an extraordinary \$800 million in 2010, as multiple major projects were approved during the year. Subsequent years registered steady levels of between \$400 and \$600 million in Richmond, with 2015 registering a new record of \$998 million in construction projects. In 2016, construction activity reached a healthy \$719 million and 2017 is on track to achieve an approximate \$600 to \$700 million in construction value of projects.

² Source: Interactive Data, <http://www.businessinrichmond.ca/data-centre/> (unless stated otherwise)

³ Source: City of Richmond – Resilient Economy Strategy (based on Census 2011 data; Census 2016 data on labour and jobs for Richmond is scheduled to be released in December 2017)

5. 2017 Average Property Tax per Dwelling

2017 Average Property Tax per Dwelling

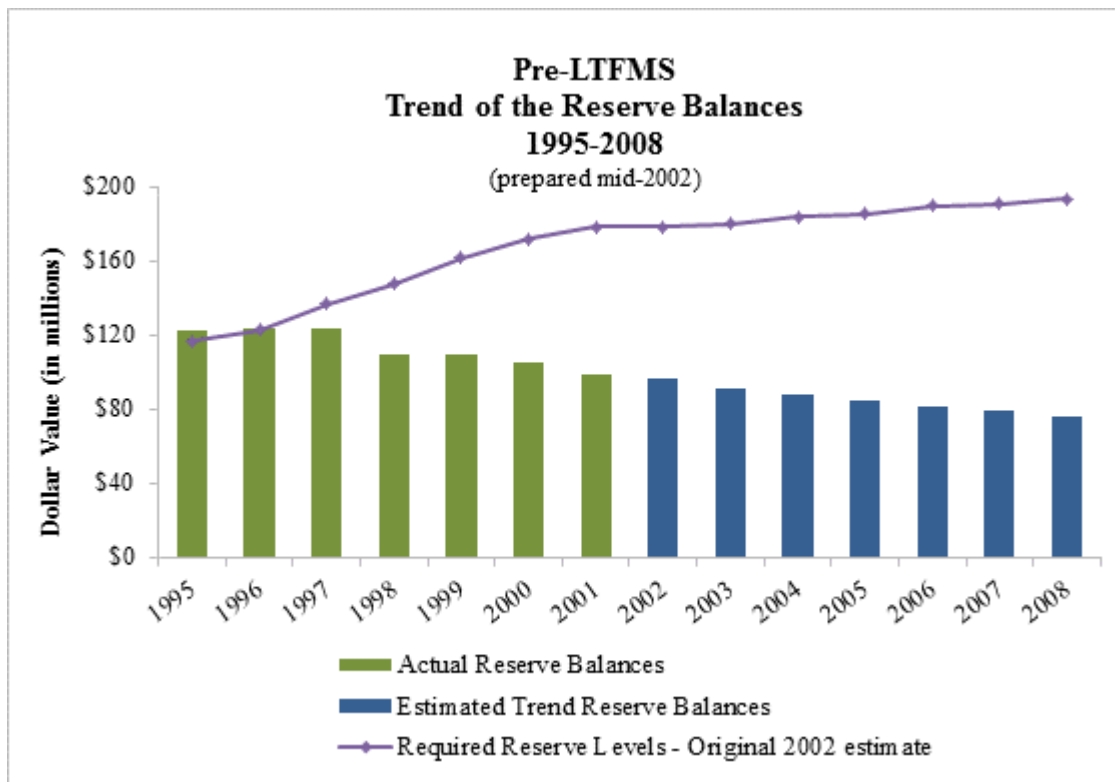


6. Long Term Financial Management Strategy Update

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, ageing 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, 2016.

Figure 3 –Financial Position Comparison

All dollar figures are expressed in \$000's

	2016	2002 ¹	Change \$	Change %
Financial Assets				
Cash and investments	\$996,973	\$229,549	\$767,424	334%
DCC receivable	16,712	7,042	9,670	137%
Other assets	44,668	40,435	4,233	10%
Total Assets	1,058,353	277,026	781,327	282%
Liabilities				
Accounts payable and accrued liabilities	96,720	42,740	53,980	126%
DCC levies	117,597	37,290	80,307	215%
Deposits and holdbacks	72,796	7,048	65,748	933%
Deferred revenue	66,320	11,313	55,007	486%
Long-term debt	42,181	42,709	(528)	(1%)
Total Liabilities	395,614	141,100	254,514	180%
Net financial assets	662,739	135,926	526,813	388%
Non-financial assets ²	2,173,922	922,940	1,250,982	136%
Accumulated Surplus	\$2,836,661	\$1,058,866	\$1,777,795	168%
Accumulated Surplus³				
Reserves	471,846	103,087	368,759	358%
Surplus/appropriated surplus/other ⁴	221,991	78,148	143,843	184%
Investment in tangible capital assets ⁵	2,142,824	877,631	1,265,193	144%
Total Accumulated Surplus	\$2,836,661	\$1,058,866	\$1,777,795	168%

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, 2016:

- Cash and investments have increased by \$767.4 million (334%) to \$997.0 million. The majority of this increase is attributable to:
 - Increase in reserves \$368.8 million (358%)
 - Increase in liabilities \$254.5 million (180%)
 - Increase in surplus/appropriated surplus \$143.8 million (184%)
- DCC receivable has increased by \$9.7 million (137%) which is also reflected in the increase in the DCC Levies of \$80.3 million (215%) due to increased development activity.
- Deposits and Holdbacks have increased by \$65.7 million (933%) 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 \$0.5 million (1%) to \$42.2 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 \$526.8 million (388%) due to the net changes in assets and liabilities.
- Non-financial assets increased by \$1.3B (136%) 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								
		Year	CPI ¹	Base Increase	OBI	Additional Levels	Reserves	Total 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%

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 to 2011, the 1% increase for transfer to reserves was replaced by additional interest earned on the Community Legacy & Land Replacement Reserve Fund as approved by Council on July 23, 2007 in lieu of the tax increase.
- 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.

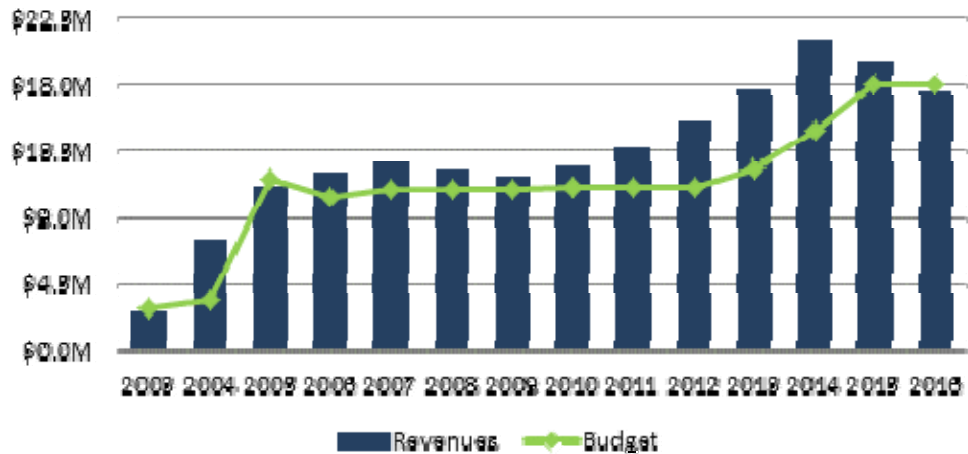
Policy Analysis

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 2016 \$17.6 million was received, 556% 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 2003-2016



Policy Analysis

3. Alternative Revenues & Economic Development

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

Year	Tax Growth	Growth %
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%

- 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 – 2016

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 2017 RCMP contract increased at 2.9% (before the additional 11 officers and 3 municipal support staff) compared to the City's base level increase of 1.19% (before the \$1M reduction from rate stabilization).

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> </tbody> </table> <div style="text-align: right; margin-top: 10px;"> <p>\$123.2 million Average Capital Budget 2003 – 2017</p> <p>\$47.5 million Average Capital Budget 1992 – 2002</p> </div>	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
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¹ Capital Budget represents the amended capital amount from 2010 forward

- The 5 Year Capital Plan is updated annually and includes capital program costs and funding availability. 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.) - Finance and Cost Control subcommittee created - Service Level reviews

Policy	Analysis
<p>7. Efficiencies & Service Level Reductions</p> <div data-bbox="181 1207 446 1585" 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
<p>8. Land Management</p>	<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 \$130 million in land transactions involving approximately 50 acres of land.

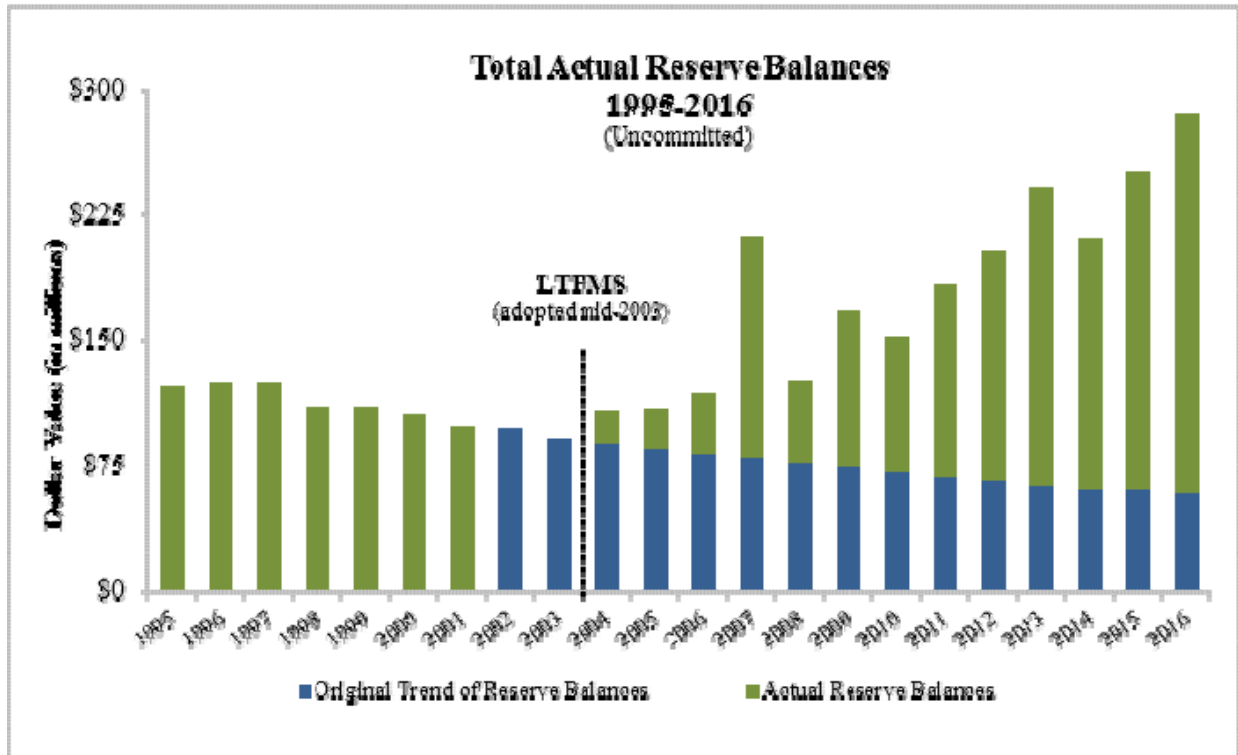
Policy	Analysis
<p>9. Administrative</p>	<ul style="list-style-type: none"> - Currently where possible user fees are automatically increased by CPI on January 1st of each year by Council through the Consolidated Fees Bylaw. - Every year, the 5YFP is prepared and addresses the tax increase, distribution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

Policy	Analysis
<p>10. Debt Management</p>	<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.

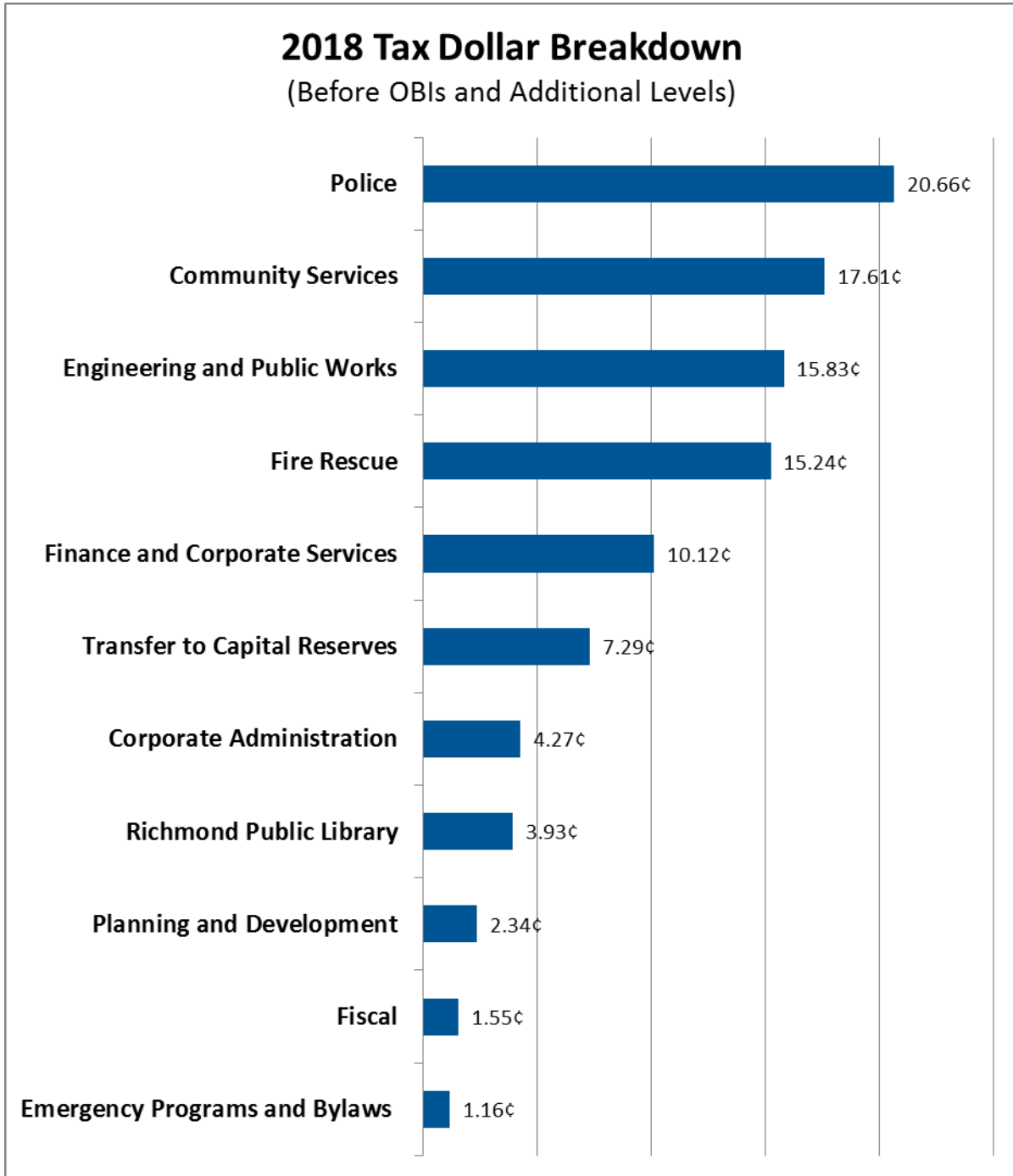
Figure 5 – Actual Trend of the Reserves



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, 2016 was \$44.1 million.

The reserves alone do not show the complete story; they must be reviewed in conjunction with asset condition ratings, ageing 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. 2018 Municipal Tax Dollar



8. 2018 Same Level of Service 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.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	\$(297,766,600)	(299,939,000)	(2,172,400)	0.73%
Expenditures				
Labour	\$141,104,700	145,097,700	3,993,000	2.83%
Contract Services	\$65,476,700	68,382,100	2,905,400	4.44%
Operating Expenses	\$37,459,600	40,054,300	2,594,700	6.93%
Total Expenditures	\$244,041,000	253,534,100	9,493,100	3.89%
Fiscal Expenses	\$48,377,700	52,780,700	4,403,000	9.10%
Transfers	\$5,347,900	905,500	(4,442,400)	(83.07%)
Grand Total	-	\$7,281,300	\$7,281,300	-

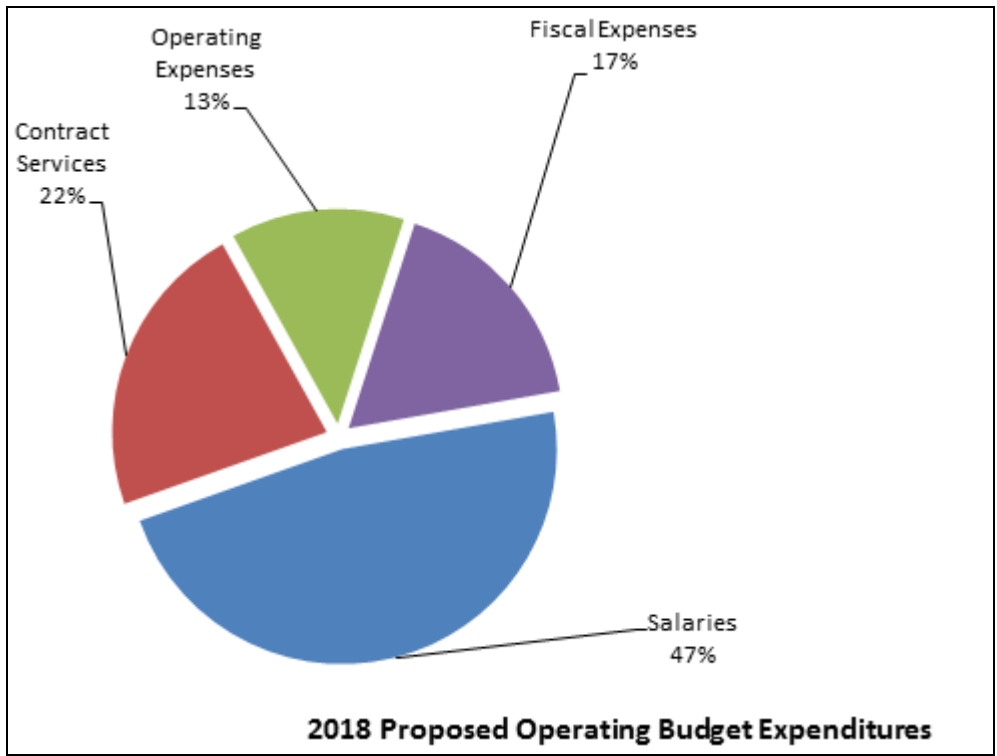
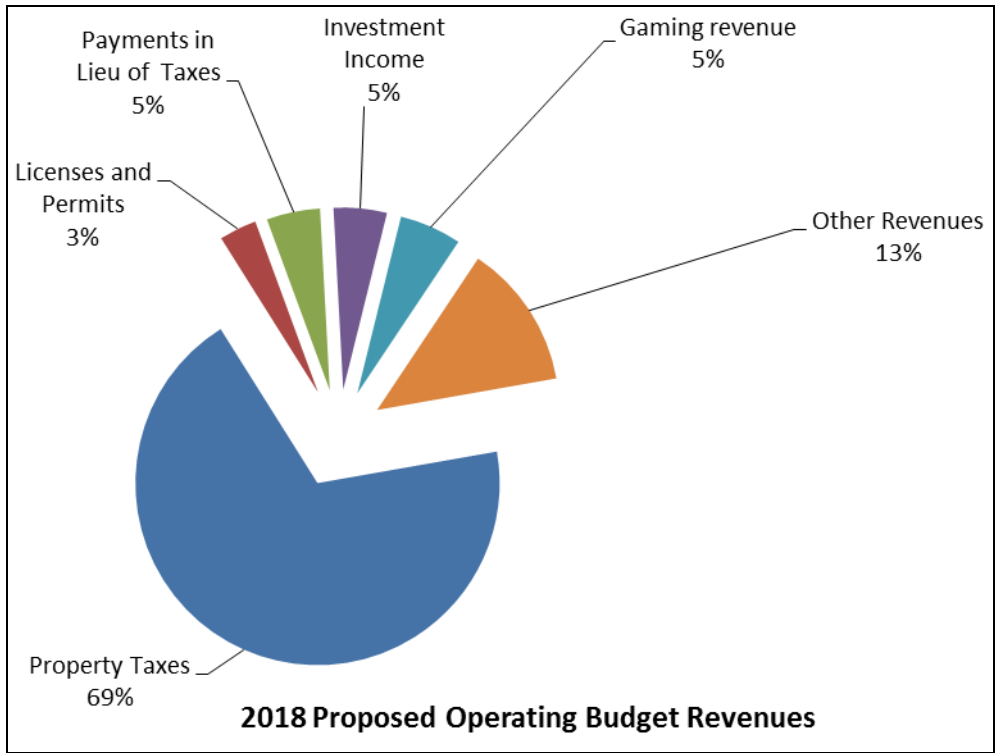
FTE Change

	2017 FTE	2018 FTE	Change 2018 ¹	Change 2018 %
Total	1,293.5	1,325.9	32.4	2.50%

Note 1: Increase in FTE is mainly due to the increase staffing for the new Minoru Centre for Active Living

FTE Change - Library

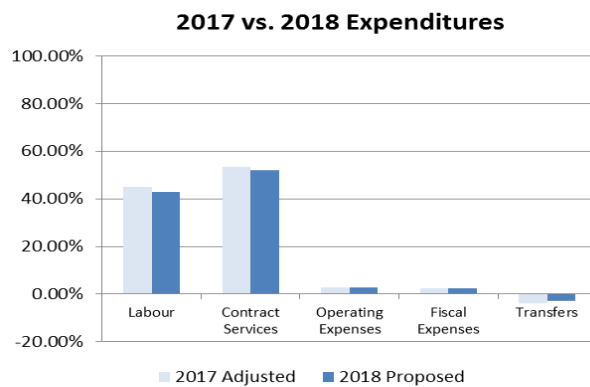
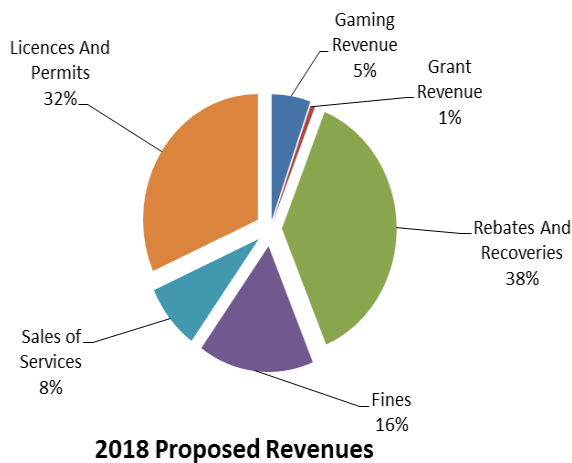
	2017 FTE	2018 FTE	Change 2018	Change 2018 %
Total	91.2	91.2	-	-%



Community Safety

On May 1, 2017, the CAO announced a reorganization of the Law & Community Safety (LCS) Division and the Finance & Corporate Services (FCS) Division. The Law section was moved from the LCS Division to the FCS Division and the Business Licences section was moved from the FCS Division to the LCS Division. The LCS Division was subsequently renamed as the Community Safety Division. 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 compiled with regard for the overall benefit of the community.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(12,112,100)	(12,615,000)	(502,900)	4.15%
Expenditures				
Labour	41,067,000	41,805,700	738,700	1.80%
Contract Services	48,612,300	50,791,400	2,179,100	4.48%
Operating Expenses	2,635,000	2,678,800	43,800	1.66%
Total Expenditures	92,314,300	95,275,900	2,961,600	3.21%
Fiscal Expenses	2,270,700	2,533,400	262,700	11.57%
Transfers	(3,396,700)	(2,659,400)	737,300	(21.71%)
Grand Total	\$79,076,200	\$82,534,900	\$3,458,700	4.37%



FTE Change

	2017 FTE	2018 FTE	Change 2018
Total	359.2	359.2	-

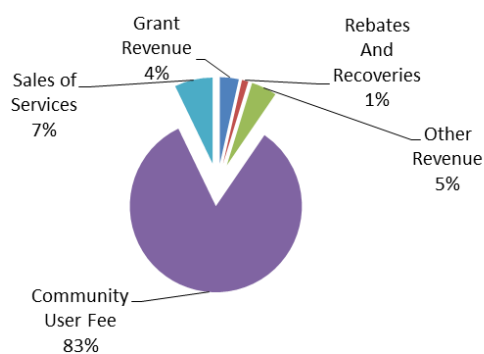
RCMP Contract Complement (Funded)

	2017 FTE	2018 FTE	Change 2018
Officers - Contract Strength	223.0	223.0	-
Civilian Members	2.0	2.0	-
Less: Non-Budgeted	(11.0)	(11.0)	-
Municipal Policing	214.0	214.0	-
Integrated Teams including RTIC	17.7	17.7	-
Total	231.7	231.7	-

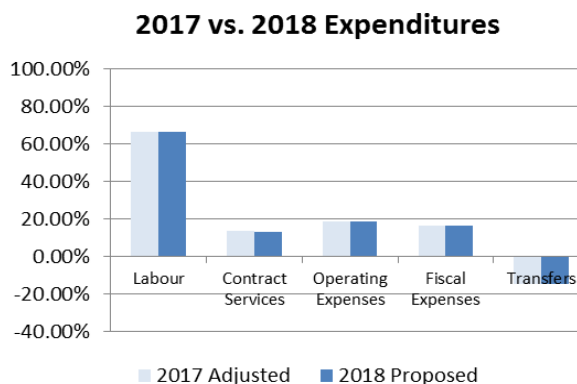
Community Services

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.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(9,744,200)	(11,330,600)	(1,586,400)	16.28%
Expenditures				
Labour	38,590,800	40,698,200	2,107,400	5.46%
Contract Services	7,832,500	8,215,000	382,500	4.88%
Operating Expenses	10,797,700	11,652,100	854,400	7.91%
Total Expenditures	57,221,000	60,565,300	3,344,300	5.84%
Fiscal Expenses	9,453,200	10,014,400	561,200	5.94%
Transfers	(8,598,100)	(9,119,400)	(521,300)	6.06%
Grand Total	\$48,331,900	\$50,129,700	\$1,797,800	3.72%



2018 Proposed Revenues



FTE Change

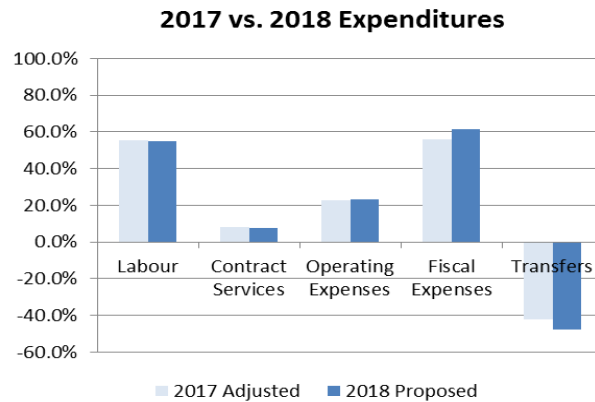
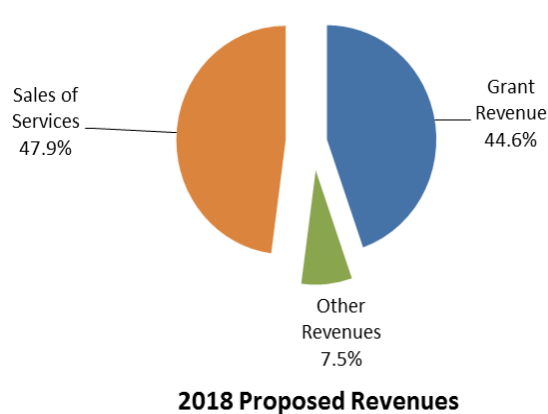
	2017 FTE	2018 FTE	Change 2018 ¹
Community Services	382.6	414.0	31.4
Library	91.2	91.2	-
Total	473.8	505.2	31.4

Note 1: Increase in FTE is due to the increase staffing of the new Minoru Centre for Active Living

Engineering and Public Works (excluding Utilities)

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

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(6,136,200)	(6,065,900)	70,300	(1.15%)
Expenditures				
Labour	23,252,100	23,670,300	418,200	1.80%
Contract Services	3,377,600	3,326,500	(51,100)	(1.51%)
Operating Expenses	9,558,800	10,017,700	458,900	4.80%
Total Expenditures	36,188,500	37,014,500	826,000	2.28%
Fiscal Expenses	23,557,500	26,389,100	2,831,600	12.02%
Transfers	(17,674,300)	(20,489,600)	(2,815,300)	15.93%
Grand Total	\$35,935,500	\$36,848,100	\$912,600	2.54%



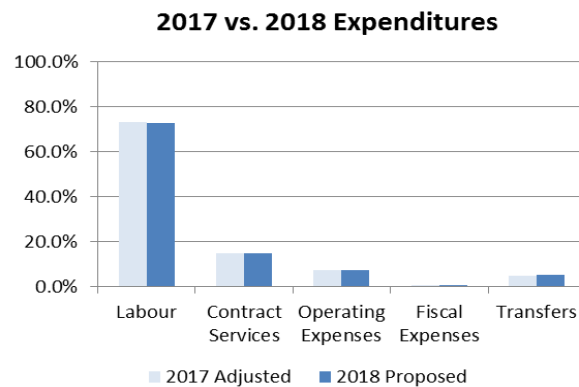
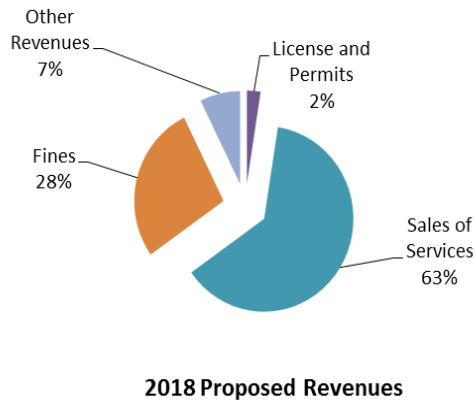
FTE Change

	2017 FTE	2018 FTE	Change 2018
Total	233.5	233.5	-

Finance and Corporate Services

Responsible for the financial well-being of the City, through the provision of effective and reliable 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, administration and compliance and law. The Law Department is responsible for providing advice to City Council and staff regarding the City's legal rights and obligations.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(616,400)	(606,700)	9,700	(1.57%)
Expenditures				
Labour	17,303,400	17,595,000	291,600	1.69%
Contract Services	3,481,500	3,588,100	106,600	3.06%
Operating Expenses	1,725,900	1,766,100	40,200	2.33%
Total Expenditures	22,510,800	22,949,200	438,400	1.95%
Fiscal Expenses	1,178,800	1,215,400	36,600	3.10%
Transfers	43,900	7,300	(36,600)	(83.37%)
Grand Total	\$23,117,100	\$23,565,200	\$448,100	1.94%



FTE Change

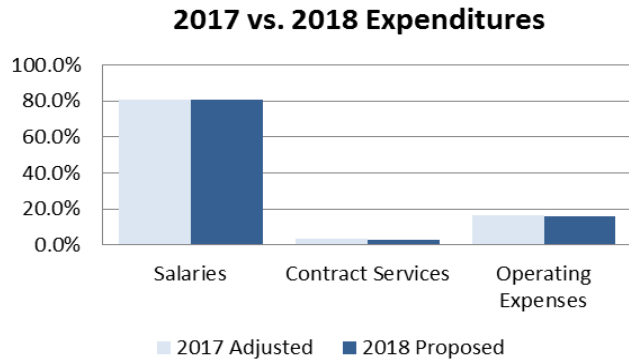
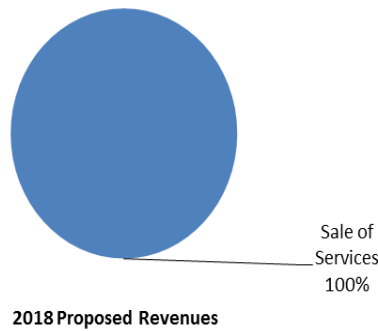
	2017 FTE	2018 FTE	Change 2018 ¹
Total	159.3	160.3	1.0

Note 1: New Staff Solicitor hired using existing vacant PCC and budget

Corporate Administration

The CAO’s Office oversees the overall administration of the corporate body (business units/operations) of the City, its officers 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, special projects and coordination of interdivisional projects and initiatives. This is also where the budget for Mayor and Councillors resides.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(5,000)	(5,000)	-	-%
Expenditures				
Labour	7,841,300	8,053,200	211,900	2.70%
Contract Services	298,100	298,100	-	-%
Operating Expenses	1,599,900	1,598,700	(1,200)	(0.08%)
Total Expenditures	9,739,300	9,950,000	210,700	2.16%
Transfers	-	-	-	-%
Grand Total	\$9,734,300	\$9,945,000	\$210,700	2.16%



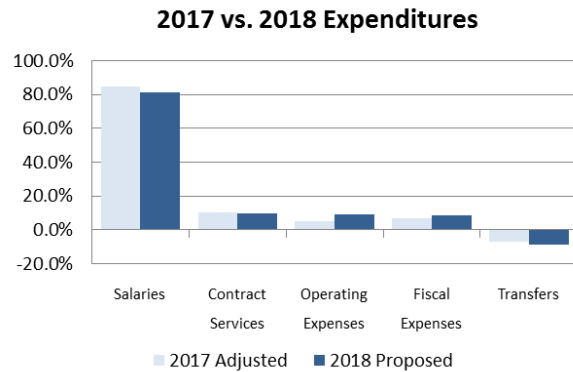
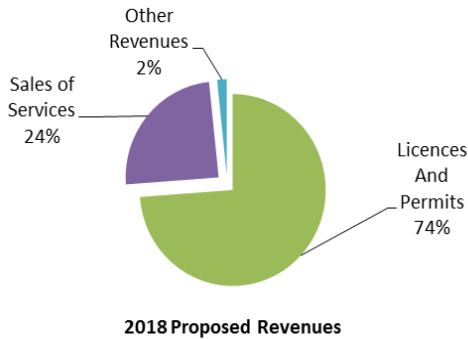
FTE Change

	2017 FTE	2018 FTE	Change 2018
Total	65.3	65.3	-

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.

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(7,310,600)	(8,059,400)	(748,800)	10.24%
Expenditures				
Labour	10,763,700	10,941,700	178,000	1.65%
Contract Services	1,270,000	1,316,700	46,700	3.68%
Operating Expenses	646,300	1,252,470	606,170	93.79%
Total Expenditures	12,680,000	13,510,870	830,870	6.55%
Fiscal Expenses	873,500	1,173,700	300,200	34.37%
Transfers	(873,500)	(1,173,700)	(300,200)	34.37%
Grand Total	\$5,369,400	\$5,451,470	\$82,070	1.53%

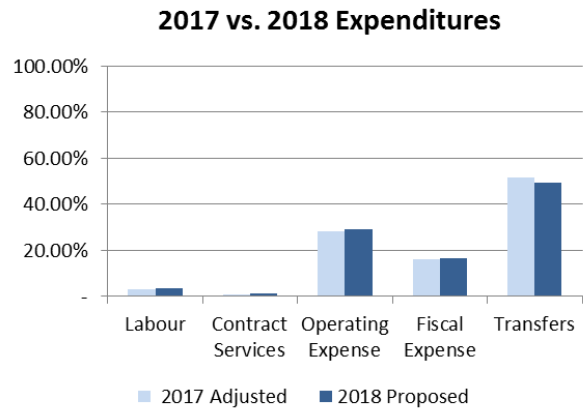
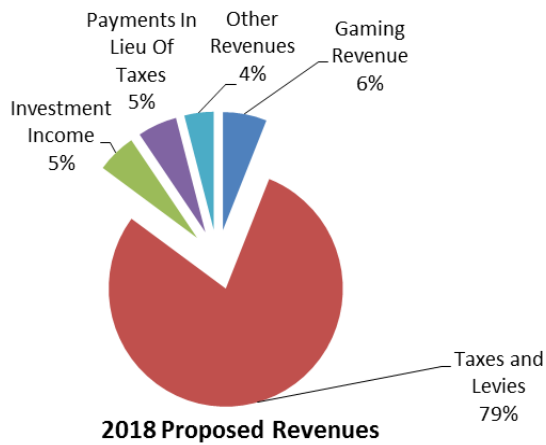


FTE Change

	2017 FTE	2018 FTE	Change 2018
Total	93.6	93.6	-

Fiscal

	2017 Adjusted Base Budget (Restated for Comparison)	2018 Proposed Base Budget	Change 2018 \$	Change 2018 %
Revenues	(261,842,100)	(261,256,400)	585,700	(0.22%)
Expenditures				
Labour	2,286,400	2,333,600	47,200	2.06%
Contract Services	604,700	846,300	241,600	39.95%
Operating Expenses	10,496,000	11,088,430	592,430	5.64%
Total Expenditures	13,387,100	14,268,330	881,230	6.58%
Fiscal Expenses	11,044,000	11,454,700	410,700	3.72%
Transfers	35,846,600	34,340,300	(1,506,300)	(4.2%)
Grand Total	\$(201,564,400)	\$(201,193,070)	\$371,330	(0.18%)



9. 2018 Additional Level Expenditure Requests – RECOMMENDED

Ref	Requested By	Description	Amount	Tax Impact
1	COMMUNITY SERVICES	<p>Richmond Animal Shelter Operations and Animal Control Services Agreement</p> <p>On July 24, 2017, Council approved an ongoing Additional Level increase of \$247,661 to coincide with the terms of a new agreement with RAPS for the provision of animal shelter operations and animal control services.</p>	\$247,661	0.12%
2	COMMUNITY SAFETY	<p>Sign Inspector - Business Licences</p> <p>In 2017 the City adopted a new Sign Bylaw and approved a motion that a Full Time Sign Inspector be considered during the 2018 budget process following the 2015 Pilot Project and 2016 TFT Sign Inspector projects were deemed a success. Report to Council endorsed by Council June 12, 2017. Salary for this position will be funded from sign permit fees.</p>	\$-	0.00%
3	PLANNING AND DEVELOPMENT	<p>Engineer-in-Training - Transportation Planning</p> <p>The City has long been participating in the Engineer-in-Training (EIT) program to provide junior engineers hands-on skills and work experience. Transportation Engineering is an emerging field which has not had the mechanism put in place in the City. This position would expand the current EIT program. Salary for this position will be recovered from various capital projects.</p>	\$-	0.00%
4	PLANNING AND DEVELOPMENT	<p>Project Lead - Transportation Planning</p> <p>Increasing growth and developments now necessitate a designated staff in Transportation to manage, coordinate and administer the planning, design and delivery of various capital projects to ensure timely implementation of improvements to meet increasing travel demand of road users and ensure safety. Salary for this position will be recovered from various capital projects.</p>	\$-	0.00%

Ref	Requested By	Description	Amount	Tax Impact
5	ENGINEERING AND PUBLIC WORKS	<p>2 Project Managers - Project Development</p> <p>The size and complexity of the \$200M+ utility and building capital program is expected to continue growing, and exceeds staff's capacity to successfully deliver. External resources provide limited benefit and are more costly than internal staff. Salary for this position will be recovered from various capital projects.</p>	\$-	0.00%
6	ENGINEERING AND PUBLIC WORKS	<p>2 Project Managers - Engineering Design and Construction</p> <p>The size and complexity of the \$200M+ utility and building capital program is expected to continue growing, and exceeds staff's capacity to successfully deliver. External resources provide limited benefit and are more costly than internal staff. Salary for this position will be recovered from various capital projects.</p>	\$-	0.00%
7	FINANCE AND CORPORATE SERVICES	<p>Staff Solicitor - Law Department</p> <p>Request for 1 RFT Staff Solicitor. Service Level Review recommended regularizing the TFT position to reduce external legal fees, improve response time and create efficiencies. This position will be funded by the reduction in external legal fees, internal chargebacks to capital related work and existing budget.</p>	\$-	0.00%
8	PLANNING AND DEVELOPMENT	<p>Permit Processing Clerk - Building Approval</p> <p>Building Approvals continues to experience high volumes of building permit applications with increasingly more complex buildings to process. Construction value of issued permits in 2016 reached \$716 million, surpassing the overall average and is expected to continue in 2018. Salary will be offset by revenues from building permits.</p>	\$-	0.00%

Ref	Requested By	Description	Amount	Tax Impact
9	PLANNING AND DEVELOPMENT	<p>Departmental Associate 4 - Building Approval Building Approvals continues to experience high volumes of building permit applications and inspections. This increases the number of construction activities in the community thus creating more inquiries, meetings and consultation with developers, builders, the public and Mayor and Councillors. Salary will be offset by revenues from building permits.</p>	\$-	0.00%
10	FINANCE AND CORPORATE SERVICES	<p>Departmental Associate 3 - Finance Request for Departmental Associate 3 to assist in administrative work relating to the preparation of the Operating Budget, Capital Budget, 5 Year Financial Plan, Year End documentation and public consultations. Over the past few years, the use of an auxiliary staff for the administrative duties has increased to a level equivalent to a RFT position as reviewed by HR. The position will provide vital backup and support to Financial Planning & Analysis and Financial Reporting sections. Reallocation of resources will be used to offset the salary expense.</p>	\$-	0.00%
2018 Additional Level Grand Totals - RECOMMENDED			\$247,661	0.12%

10. 2018 Additional Level Expenditure Requests – RCMP

Ref	Requested By	Description	Amount	Tax Impact
11	COMMUNITY SAFETY	RCMP Members - General Duty (16) The RCMP requests 16 RCMP officers for 2018. This recommendation was based on an external operational review and in the RCMP 3-Year Resourcing Plan as a result of community priorities, population growth and increases in the complexity of files and disclosure.	\$2,084,950	1.01%
12	COMMUNITY SAFETY	RCMP Municipal Employee Support Staff - 3 Positions The RCMP requests three municipal employees in various roles. This was recommended in the RCMP 3-Year Resourcing Plan as a result of an increase in calls for service, population, police officer case load and increasing investigational complexities also greatly affect municipal employee resources.	\$191,533	0.09%
13	COMMUNITY SAFETY	RCMP Civilian Members - 2 Positions (Transfer) As a result of bill C-42, RCMP members not appointed to a rank would be deemed as Public Service Employees (PSE). Richmond Detachment currently has two Crime Analysts that are Civilian Members. As they are not assigned a rank, they would be deemed as PSE by this Act, effective April 26, 2018. Funding will be from the reduction in the RCMP contract.	\$-	0.00%
14	COMMUNITY SAFETY	RCMP Conversion of Auxiliary Municipal Staff to RFT – 5 Positions Conversion of five auxiliary staff positions to regular full-time based on review of historical utilization. Positions include General Duty Watch Clerk, User/Operations Support Assistant, Transcription Clerk, Cadet Training Facilitator, and Security Clearance Specialist. Reallocation of resources will be used to offset the additional expenses.	\$-	0.00%
2018 Additional Level Grand Totals - RCMP			\$2,276,483	1.10%

11. 2018 Additional Level Expenditure Requests – NOT RECOMMENDED

Ref	Requested By	Description	Amount	Tax Impact
15	COMMUNITY SAFETY	<p>Emergency Program Neighbourhood Preparedness Program Assistant</p> <p>The Program Assistant's primary duty is to deliver an engaging, informative and holistic workshop to the public to instill basic preparedness knowledge, survival skills and ability to respond in order to become more self-reliant for an emergency/disaster.</p>	\$100,125	0.05%
16	COMMUNITY SAFETY	<p>Richmond Fire Rescue Vehicle and Equipment Repair and Replacement</p> <p>Richmond Fire Rescue keeps vehicles and equipment in optimal condition and has a shortfall in the operational budget for replacement of the Personal Protective Equipment (due to inflation and exchange rates). In order to continue the current level of service RFR requires a budget increase.</p>	\$45,500	0.02%
17	COMMUNITY SAFETY	<p>Richmond Fire Rescue Recruiting Costs</p> <p>Recruitment costs including testing and outfitting are not identified within the current budget. Portions of the testing is paid by applicants however, RFR still incurs costs during the hiring process.</p>	\$35,000	0.02%
18	COMMUNITY SERVICES	<p>Marketing Manager</p> <p>A key recommendation of the Community Services 3-year Marketing Plan is the addition of a Marketing Manager to provide leadership, direction and strategic oversight, ensuring the efficient allocation of resources and implementation of effective marketing tools across the Division.</p>	\$132,509	0.06%
19	COMMUNITY SERVICES	<p>Gateway Theatre Operating Grant Increase</p> <p>Salaries at Gateway have fallen behind industry standards and comparable City positions. Union increases are consistently higher than CPI increases of City grant compromising their ability to attract and retain qualified staff.</p>	\$120,000	0.06%

Ref	Requested By	Description	Amount	Tax Impact
20	COMMUNITY SERVICES	Public Art Planner The Public Art Planner position is currently funded from developer contributions to public art. This request is to have the position funded as part of the base operating budget.	\$119,266	0.06%
21	COMMUNITY SERVICES	Child Care Program - Planner 1 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.	\$104,160	0.05%
22	COMMUNITY SERVICES	Planner 1 - Affordable Housing An RFT Planner 1 is required to support the current program and implementation of the updated Affordable Housing Strategy and policy actions adopted by Council July 24, 2017; including securing housing contributions, policy work, homelessness, project coordination and working with key stakeholders.	\$99,304	0.05%
23	COMMUNITY SERVICES	Curatorial Assistance To manage the growing artefacts collection, programs & exhibits & sourcing of artefacts. The City's exhibits across its museums, heritage site and civic buildings are accessed by over 200,000 visitors annually. Each year there are increased expectations for new and more exhibits.	\$90,740	0.04%
24	COMMUNITY SERVICES	Mapping Technician 1 The Service Level Review of the Community Services Division identified the need to capture parks data into GIS to improve resource management. A Mapping Technician 1 will be required in 2018 in order to properly maintain the data.	\$84,750	0.04%
25	COMMUNITY SERVICES	Departmental Associate 2 - Affordable Housing An RFT Affordable Housing Assistant (DA2) is required to support the current work program and implementation of the updated Affordable Housing Strategy. Monitoring of the 21 Affordable Housing policy actions, adopted by Council July 24, 2017, will require significant administrative oversight.	\$68,500	0.03%

Ref	Requested By	Description	Amount	Tax Impact
26	COMMUNITY SERVICES	Art Collection Funding to maintain, conserve and store the current Art Collection plus a base acquisitions budget to purchase new works.	\$53,133	0.03%
27	COMMUNITY SERVICES	School Art Program Coordinator Transition the School Art Program Coordinator position from a Richmond Art Gallery Association employee to City of Richmond TFT employee with a contribution (approx. \$44,000) from the Association.	\$37,811	0.02%
28	ENGINEERING AND PUBLIC WORKS	Asphalt Crack Sealing Most pavement damages are related to water intrusion. Crack sealing delays or prevents asphalt deterioration from occurring. Best practice recommends resealing all roads within an 8 years cycle. Lack of funding currently precludes it.	\$102,000	0.05%
29	ENGINEERING AND PUBLIC WORKS	Dyke Brushing Increase International standards recommend a program of systematic and continual control of vegetation. Our current budget does not allow for more than one seventh of the dyke structure to be maintained annually.	\$77,000	0.04%
30	FINANCE AND CORPORATE SERVICES	Election Reserve - Increase Annual Transfer In order to adequately fund civic elections, an increase of \$45,000 for the annual transfer to the Election Reserve is required (an increase from \$117,000 to \$162,000 annually). The amount will be accumulated through the election reserve and will better correspond to the cost of future elections.	\$45,000	0.02%
31	FINANCE AND CORPORATE SERVICES	eNewsletter Identified in the Marketing Strategy, Community Services can enhance its digital communication through the implementation of email newsletters (eNewsletters). Direct and targeted marketing efforts via eNewsletters have proven an effective and efficient method of communicating with residents.	\$30,000	0.01%

Ref	Requested By	Description	Amount	Tax Impact
32	LIBRARY	Richmond Public Library - Expand Senior Services Seniors depend on collections and programs both in the library and in their homes, and seek meaningful volunteer opportunities. Two specialized multilingual library positions are required to ensure seniors' wellbeing and to develop volunteers.	\$203,004	0.10%
2018 Additional Level Grand Totals – NOT RECOMMENDED			\$1,547,802	0.75%