



City of Richmond

Report to Committee

To: Finance Committee

Date: January 11, 2019

From: Andrew Nazareth
General Manager, Finance and Corporate
Services

File: 03-0985-01/2018-Vol
01

Re: **Consolidated 5 Year Financial Plan (2019-2023) Bylaw No. 9979**

Staff Recommendation

1. That the Consolidated 5 Year Financial Plan (2019-2023) Bylaw No. 9979 be introduced and given first, second, and third readings.
2. That staff undertake a process of public consultation as required in Section 166 of the Community Charter.

Andrew Nazareth
General Manager, Finance and Corporate Services
(604-276-4095)

Att. 4

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	
CONCURRENCE BY SMT	INITIALS:	APPROVED BY CAO

Staff Report

Origin

Subsection 165(l) of the *Community Charter* requires the City to adopt a 5 Year Financial Plan (5YFP) Bylaw. The 5YFP Bylaw provides the City with the authority to proceed with spending to the limits as outlined in the bylaw. The City is required under section 166 of the *Community Charter* to undertake a process of public consultation prior to adoption of the 5YFP.

The 5YFP Bylaw No. 9979 consolidates the budgets for Utility, Operating, Capital budgets and One-Time Expenditures. The key components of 5YFP Bylaw No. 9979 are as follows:

- 2019 Utility Budget
- 2019 One-Time Expenditures
- 2019 Capital Budget
- 2019 Operating Budget

The 2019 Utility rates were approved by Council on October 9, 2018 and the following bylaws were adopted as follows:

- Drainage, Dike and Sanitary Sewer System Bylaw No. 7551, Amendment Bylaw No. 9943 adopted on October 22, 2018.
- Solid Waste and Recycling Regulation Bylaw No. 6803, Amendment Bylaw No. 9941 adopted on October 22, 2018.
- Waterworks and Water Rates Bylaw No. 5637, Amendment Bylaw No. 9942 adopted on October 22, 2018.

The 2019 budget for Richmond Public Library is included in the Consolidated 5YFP as presented in the 2019 Operating and Capital Budgets for Richmond Public Library report dated January 10, 2019.

The Consolidated 5YFP includes a draft budget for the City's wholly owned subsidiary Richmond Olympic Oval Corporation. The 2019 budget is scheduled to be reviewed by the Oval's Board of Directors on January 17, 2019.

Effective January 1, 2018, the Consolidated 5YFP does not include the budget for Lulu Island Energy Company (LIEC) since LIEC has been classified as a Government Business Enterprise and is required to apply International Financial Reporting Standards while the City is required to report under Public Sector Accounting Standards. Instead, LIEC is reflected as a financial asset on the City's Statement of Financial Position.

The Consolidated 5YFP Bylaw includes estimates for 2020-2023 based on information currently available and will be revised with the financial plan for each respective year. Inclusion in the financial plan for 2020 and beyond does not represent final approval for spending.

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.

Analysis

This report combines the 2019 budgets into a consolidated financial plan to provide expenditure authorization, allowing the City to formally proceed with delivering services to the community. In addition, the 5YFP includes operating and capital carryforward amounts that have been approved in prior years, however, projects and programs are expected to be completed in 2019 and future years.

Adjustments with No Impact on Rates

Prior Year Capital Carryforwards

The Capital Budget as presented in the 5YFP includes carryforward amounts for previously approved and funded projects that are still in progress as capital projects usually take several years to complete after Council approval. There is no tax impact as a result of including these amounts.

Prior Year Operating Carryforwards

The 2019 Carryforwards are comprised of unspent amounts from 2018 and previously approved one-time expenditures that are required for programs and projects that were not completed in 2018 and hence carried into 2019. There is no tax impact as a result of including these amounts.

Developer Contributed Assets

The 5YFP also includes an estimate for the value of negotiated developer contributed assets that the City will take ownership of as a result of rezoning approvals. This includes dedicated land under new road and infrastructure contributed by developers. There is no cost to the City for building the initial infrastructure; however, it becomes part of the City's inventory of assets to maintain and eventually replace.

2020 Operating Budget Impacts (OBI) for Utility Projects

The approved Capital Budget includes Utility projects with OBI for water and sanitary sewer infrastructure. Since the approval of these Capital projects occurred subsequent to the setting of the utility rates, these additional operating costs are not factored into the 2019 utility rates. These additional costs will be incorporated into the 2020 rates, and for 2019 the OBI will be funded by utility rate stabilization accounts.

2019 One-Time Expenditures

One-Time expenditures totaling \$1,315,909 funded by the Rate Stabilization Account have been incorporated in the 5YFP as presented in the 2019 One-Time Expenditures report dated January 2, 2019.

Council Community Initiatives Account

Under the current gaming allocation model, 2% of budgeted gaming revenue is transferred to the Council Community Initiatives Account (CCIA). As of November 30, 2018 the CCIA balance is \$852,196. Any unallocated amount will remain in the CCIA for distribution in future years.

There are no submissions to be funded by CCIA in 2019. Any arising one-time expenditures funded by CCIA and approved by Council may be included as an amendment to the 5YFP at a later date.

Capital Budget

The 2019 Capital Budget totaling \$116,524,202 is included in the Consolidated 5YFP as presented in the 2019 Capital Budget report dated January 11, 2019.

Operating Budget

The 2019 Operating Budget is included in the 5YFP as presented in the Proposed 2019 Operating Budget dated January 3, 2019. The proposed 2019 Municipal Tax Dollar Breakdown is presented in Attachment 3.

Public Consultation

Section 166 of the *Community Charter* requires a process of public consultation prior to adoption of the 5YFP. In order to comply with this requirement, staff are working on a number of communication initiatives, which include:

- preparing a news release on the City website scheduled for Tuesday, January 29, 2019 with a link to the 5YFP.
- engaging a public forum on Let's Talk Richmond scheduled to launch on Tuesday, January 29, 2019.
- utilizing social media to raise awareness of the public consultation period through Facebook and Twitter accounts.

- having copies of the 2019-2023 Consolidated Financial Plan and the budget reports approved by Council available for pick-up by the public or available electronically.
- advertising in the Richmond News as reminder of the ongoing public consultation.

Upon review of the legislation and discussions with Province, the format of the public consultation process is at the discretion of the municipality to determine the communication channel that best suits its local community. Last year, staff effectively conducted consultation via Let's Talk Richmond that was advertised online, through newspaper ads and social media for last year's budget.

In 2018, over 430 engagements and 30 comments were received from the public via Let's Talk Richmond. In order to ensure that the 5YFP consultation is beneficial, effective and efficient, staff will conduct the process through Let's Talk Richmond and social media once again.

The public consultation period will end on Tuesday, February 12, 2019 and staff will report the results to Council in advance of the meeting scheduled to give final reading to the 5YFP bylaw.

Financial Impact

Table 5 summarizes the proposed 2019 tax increase of 5.33%, and estimates for 2020 through 2023. The estimated tax increase for the 5YFP includes a 1% increase for investment in community infrastructure in accordance with Council's Long Term Financial Management Strategy (LTFMS).

Table 5 – Proposed 5YFP 2019-2023 Summary

Proposed 5YFP	2019 Budget	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Same Level of Service Increase	1.50%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Enhanced Community Safety	2.06%	1.41%	1.41%	0.40%	0.40%
City Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Previously Approved Items	0.51%	1.26%	0.75%	0.38%	0.09%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Facilities Infrastructure (Transfer to Reserves)	1.00%	1.00%	1.00%	1.00%	1.00%
Less: Rate stabilization	(1.37%)	(0.70%)	(0.30%)	-%	-%
Proposed 2019 Operating Budget Increase	5.33%	5.44%	4.95%	4.31%	5.76%

Conclusion

The 5YFP 2019-2023 has been prepared utilizing the 2019 Utility budget approved by Council and the proposed 2019 Capital, Operating and One-Time expenditures budgets to form the base of the financial plan. Estimates for 2020 to 2023 are based on information currently available and will be revised in the next 5YFP (2020-2024). Staff recommend that the bylaw be given first through third readings and undertake the public consultation process.



Melissa Shiao, CPA, CA
Manager, Financial Planning and Analysis
(604-276-4231)

MS;jh

- Att. 1: 5 Year Capital Plan by Program (2019-2023)
- 2: 5 Year Capital Plan by Funding Sources (2019-2023)
- 3: 2019 Proposed Municipal Tax Dollar
- 4: Consolidated 5 Year Financial Plan (2019-2023) Bylaw No. 9979

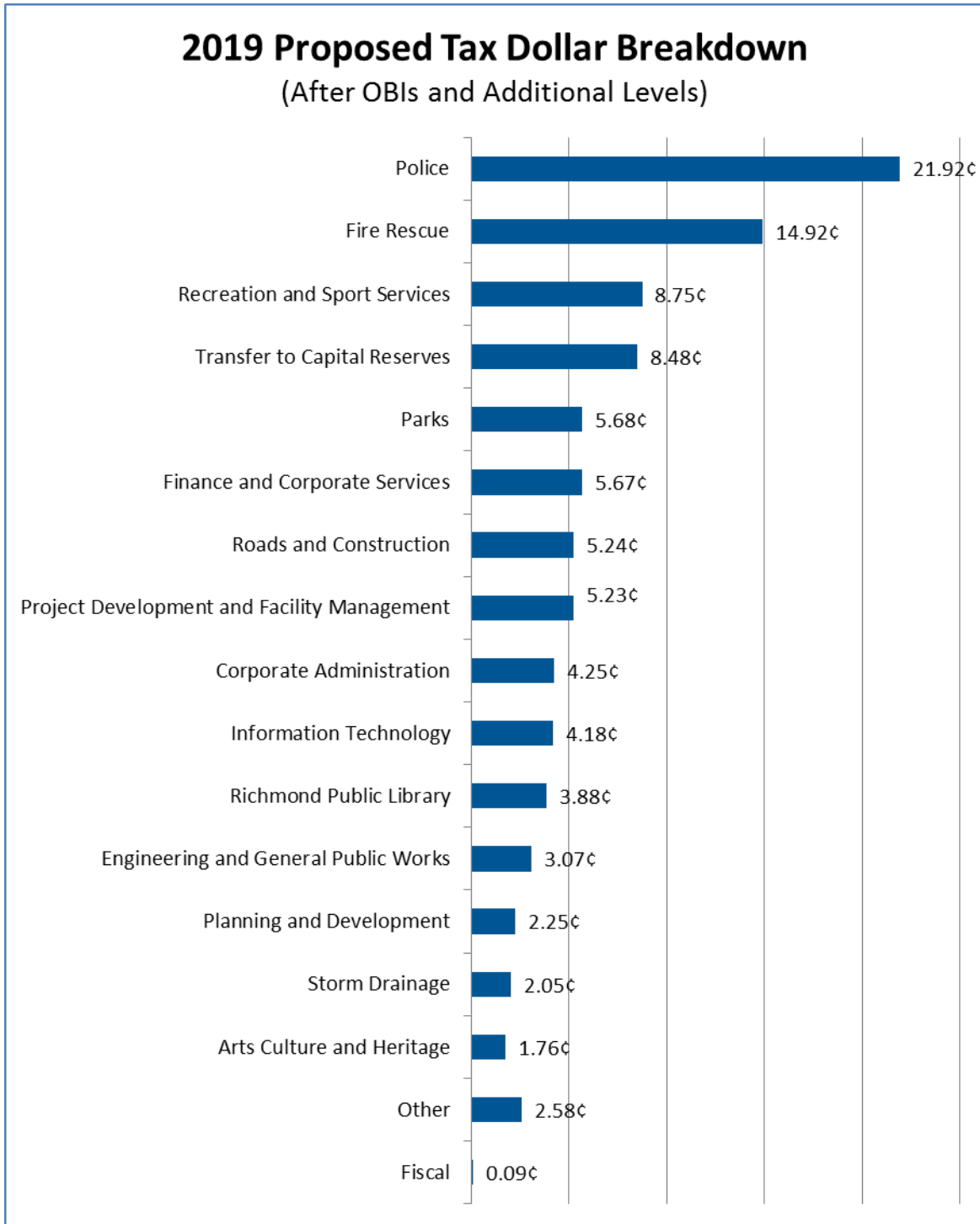
**CITY OF RICHMOND
5 YEAR CAPITAL PLAN SUMMARY (2019 - 2023)
(in \$000s)**

	2019	2020	2021	2022	2023
Infrastructure Program					
Roads	14,975	10,299	11,591	9,936	9,595
Drainage	11,242	14,454	14,578	16,755	23,408
Water	6,194	7,318	9,000	8,665	8,445
Sanitary Sewer	1,433	10,353	7,250	6,390	6,250
Minor Capital	3,955	3,880	3,780	3,780	3,780
Total Infrastructure Program	\$ 37,799	\$ 46,304	\$ 46,199	\$ 45,526	\$ 51,478
Building Program					
Building	20,917	109,370	13,100	21,231	15,000
Total Building Program	\$ 20,917	\$109,370	\$ 13,100	\$ 21,231	\$ 15,000
Parks Program					
Parks	7,820	4,750	6,380	3,850	3,900
Parkland	4,000	4,000	4,000	2,000	2,000
Total Parks Program	\$ 11,820	\$ 8,750	\$ 10,380	\$ 5,850	\$ 5,900
Public Art Program	\$ 563	\$ 150	\$ 150	\$ 150	\$ 150
Land Program	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,000	\$ 5,000
Affordable Housing	\$ 775	\$ 625	\$ 625	\$ 625	\$ 625
Equipment Program					
Vehicle	4,262	2,637	2,528	2,334	3,995
Fire Vehicle	2,521	716	1,185	1,221	1,257
Information Technology	4,474	860	455	460	516
Equipment	1,019	578	2,099	580	581
Total Equipment Program	\$ 12,276	\$ 4,791	\$ 6,267	\$ 4,595	\$ 6,349
Child Care Program	\$ 160	\$ 60	\$ 60	\$ 60	\$ 60
Internal Transfers/Debt Payment	\$ 12,214	\$ 4,586	\$ 4,587	\$ 4,201	\$ 4,201
Contingent External Contributions	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Total Capital Program	\$ 116,524	\$194,636	\$101,368	\$97,238	\$98,763

**CITY OF RICHMOND
CONSOLIDATED 5 YEAR FINANCIAL PLAN
CAPITAL FUNDING SOURCES (2019-2023)
(In \$000's)**

	2019	2020	2021	2022	2023
DCC Reserves					
Drainage DCC	466	464	-	-	1,057
Park Development DCC	4,092	2,869	1,740	2,822	2,774
Park Development DCC – West Cambie	724	-	969	-	188
Park Land Acquisition DCC	8,064	5,964	5,964	4,083	4,083
Roads DCC	8,898	6,405	8,052	5,788	5,791
Sanitary DCC	-	1,175	1,428	149	-
Water DCC	708	138	1,798	812	-
Total DCC	\$22,952	\$17,015	\$19,951	\$13,654	\$13,893
Statutory Reserves					
Affordable Housing	1,300	1,150	1,150	1,150	1,150
Capital Building and Infrastructure	13,845	44,520	10,450	20,131	11,600
Capital Reserve	15,395	73,800	16,399	9,312	7,778
Child Care	160	60	60	60	60
Drainage Improvement	11,428	13,904	14,383	17,314	22,380
Equipment Replacement	6,404	2,832	3,392	3,310	4,833
Leisure Facilities	7,611	5,400	2,000	-	3,400
Neighbourhood Improvement	184	-	-	-	-
Public Art Program	563	150	150	150	150
Sanitary Sewer	1,650	10,477	7,022	6,791	7,500
Watermain Replacement	7,388	7,556	7,689	8,234	8,655
Total Statutory Reserves	\$65,928	\$159,849	\$62,695	\$66,452	\$67,506
Other Sources					
Enterprise Fund	180	550	550	550	550
Grant and Developer Contribution	12,847	10,125	10,125	10,125	10,125
Other Sources	7,624	4,957	4,587	4,592	4,649
Rate Stabilization	5,743	-	1,320	-	-
Sewer Levy	300	50	100	-	50
Solid Waste and Recycling	300	300	300	300	300
Water Levy	650	1,790	1,740	1,565	1,690
Total Other Sources	\$27,644	\$17,772	\$18,722	\$17,132	\$17,364
Total Capital Program	\$116,524	\$194,636	\$101,368	\$97,238	\$98,763

2019 PROPOSED MUNICIPAL TAX DOLLAR





Consolidated 5 Year Financial Plan (2019-2023) Bylaw No. 9979

The Council of the City of Richmond enacts as follows:

1. Schedule "A", Schedule "B" and Schedule "C" which are attached and form part of this bylaw, are adopted as the Consolidated 5 Year Financial Plan (2019-2023).
2. 5 Year Consolidated Financial Plan (2018-2022) Bylaw 9663 and all associated amendments are repealed.
3. This Bylaw is cited as "**Consolidated 5 Year Financial Plan (2019-2023) Bylaw No. 9979**".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept. <i>sc</i>
APPROVED for legality by Solicitor <i>AC</i>

MAYOR

CORPORATE OFFICER

SCHEDULE A:

CITY OF RICHMOND

CONSOLIDATED 5 YEAR FINANCIAL PLAN (2019-2023)

REVENUE AND EXPENSES

(In \$000's)

	2019 Budget *	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Revenue:					
Taxation and Levies	231,033	247,058	262,987	276,948	295,675
User Fees	105,805	109,809	115,048	120,448	126,549
Sales of Services	41,858	42,131	42,822	43,376	43,938
Gaming Revenue	16,500	16,500	16,500	16,500	16,500
Investment Income	16,062	16,634	17,148	17,923	18,622
Payments In Lieu Of Taxes	14,200	14,626	15,065	15,532	16,013
Other Revenue	11,214	11,547	11,941	12,350	12,774
Licenses And Permits	10,875	11,086	11,301	11,532	11,768
Provincial and Federal Grant	8,362	8,387	8,449	8,514	8,579
Developer Contributed Assets	50,350	50,350	50,350	50,350	50,350
Development Cost Charges	22,952	17,015	19,951	13,654	13,893
Other Capital Funding Sources	12,847	10,125	10,125	10,125	10,125
	542,058	555,268	581,687	597,252	624,786
Expenses:					
Community Safety	111,476	113,765	119,764	123,714	127,763
Engineering and Public Works	74,458	71,392	72,738	74,212	75,582
Community Services	72,127	67,127	69,395	71,847	73,814
Finance and Corporate Services	28,998	26,192	26,842	27,466	28,104
Fiscal	22,728	21,446	22,436	23,511	27,552
Debt Interest	1,677	1,677	1,677	1,677	1,677
Corporate Administration	11,209	10,866	11,114	11,380	11,651
Planning and Development Services	17,336	17,523	17,994	18,510	19,058
Utility Budget					
Water Utility	44,049	46,047	48,476	51,125	53,964
Sanitary Sewer Utility	33,258	34,730	37,254	39,705	42,659
Sanitation and Recycling	17,610	17,971	18,330	18,715	19,109
Richmond Public Library	11,037	11,244	11,455	11,681	11,911
Richmond Olympic Oval Corporation	16,595	16,905	17,223	17,562	17,909
	462,558	456,885	474,698	491,105	510,753
Annual Surplus	79,500	98,383	106,989	106,147	114,033

SCHEDULE A (CONT'D):

**CITY OF RICHMOND
CONSOLIDATED 5 YEAR FINANCIAL PLAN (2019-2023)
TRANSFERS
(In \$000's)**

	2019 Budget *	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Transfers:					
Debt Principal	4,951	5,150	5,355	5,570	5,793
Transfer To (From) Reserves	70,955	73,289	75,793	78,438	81,207
Transfer To (From) Surplus	(28,445)	(1,737)	2,286	5,698	10,052
Capital Expenditures - Current Year	116,524	194,636	101,368	97,238	98,763
Capital Expenditures - Prior Years	320,444	206,228	167,783	106,903	83,000
Capital Expenditures - Developer Contributed Assets	50,350	50,350	50,350	50,350	50,350
Capital Expenditures - Richmond Public Library	1,274	1,274	1,274	1,274	1,274
Capital Expenditures - Richmond Olympic Oval Corporation	2,587	2,294	1,602	1,055	1,124
Capital Funding	(459,140)	(433,101)	(298,822)	(240,379)	(217,530)
Transfers/Amortization offset:	79,500	98,383	106,989	106,147	114,033
Balanced Budget	\$-	\$-	\$-	\$-	\$-
Tax Increase	5.33%	5.44%	4.95%	4.31%	5.76%

* 2019 Budget includes recommended one-time expenditures and carryforwards funded by rate stabilization accounts. The projections for 2020 through 2023 are base budgets to deliver the same level of service and do not include estimates of carryforwards or one-time expenditures that may be approved in future years.

SCHEDULE B:
CITY OF RICHMOND
5 YEAR FINANCIAL PLAN
CAPITAL FUNDING SOURCES (2019-2023)
(In \$000's)

	2019	2020	2021	2022	2023
DCC Reserves					
Drainage DCC	466	464	-	-	1,057
Park Development DCC	4,092	2,869	1,740	2,822	2,774
Park Development DCC – West Cambie	724	-	969	-	188
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Roads DCC	8,898	6,405	8,052	5,788	5,791
Sanitary DCC	-	1,175	1,428	149	-
Water DCC	708	138	1,798	812	-
Total DCC	\$22,952	\$17,015	\$19,951	\$13,654	\$13,893
Statutory Reserves					
Affordable Housing	1,300	1,150	1,150	1,150	1,150
Capital Building and Infrastructure	13,845	44,520	10,450	20,131	11,600
Capital Reserve	15,395	73,800	16,399	9,312	7,778
Child Care	160	60	60	60	60
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Equipment Replacement	6,404	2,832	3,392	3,310	4,833
Leisure Facilities	7,611	5,400	2,000	-	3,400
Neighbourhood Improvement	184	-	-	-	-
Public Art Program	563	150	150	150	150
Sanitary Sewer	1,650	10,477	7,022	6,791	7,500
Watermain Replacement	7,388	7,556	7,689	8,234	8,655
Total Statutory Reserves	\$65,928	\$159,849	\$62,695	\$66,452	\$67,506
Other Sources					
Enterprise Fund	180	550	550	550	550
Grant and Developer Contribution	12,847	10,125	10,125	10,125	10,125
Other Sources	7,624	4,957	4,587	4,592	4,649
Rate Stabilization	5,743	-	1,320	-	-
Sewer Levy	300	50	100	-	50
Solid Waste and Recycling	300	300	300	300	300
Water Levy	650	1,790	1,740	1,565	1,690
Total Other Sources	\$27,644	\$17,772	\$18,722	\$17,132	\$17,364
Total Capital Program	\$116,524	\$194,636	\$101,368	\$97,238	\$98,763

SCHEDULE C:

**CITY OF RICHMOND
CONSOLIDATED 5 YEAR FINANCIAL PLAN (2019-2023)
STATEMENT OF POLICIES AND OBJECTIVES**

Revenue Proportions By Funding Source

Property taxes are the largest portion of revenue for any municipality. Taxes provide a stable and consistent source of revenue for many services that are difficult or undesirable to fund on a user-pay basis. These include services such as community safety, general government, libraries and park maintenance.

Objective:

- Maintain revenue proportion from property taxes at current level or lower

Policies:

- Tax increases will be at CPI + 1% for transfers to reserves
- Annually, review and increase user fee levels by consumer price index (CPI).
- Any increase in alternative revenues and economic development beyond all financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.

Table 1 shows the proportion of total revenue proposed to be raised from each funding source in 2019.

Table 1:

Funding Source	% of Total Revenue
Property Taxes	50.7%
User Fees	23.2%
Sales of Services	9.2%
Gaming Revenue	3.6%
Investment Income	3.5%
Payments in Lieu of Taxes	3.1%
Licenses and Permits	2.4%
Provincial and Federal Grants	1.8%
Other	2.5%
Total Operating and Utility Funding Sources	100.0%

SCHEDULE C (CONT'D):

**CITY OF RICHMOND
CONSOLIDATED 5 YEAR FINANCIAL PLAN (2019-2023)
STATEMENT OF POLICIES AND OBJECTIVES**

Distribution of Property Taxes

Table 2 provides the 2018 distribution of property tax revenue among the property classes. 2019 estimated roll figures will be received in March 2019.

Objective:

- Maintain the City’s business to residential tax ratio in the middle in comparison to other municipalities. This will ensure that the City will remain competitive with other municipalities in attracting and retaining businesses.

Policies:

- Regularly review and compare the City’s tax ratio between residential property owners and business property owners relative to other municipalities in Metro Vancouver.

Table 2: (Based on the 2018 Revised Roll figures)

Property Class	% of Tax Burden
Residential (1)	56.19%
Business (6)	35.14%
Light Industry (5)	6.82%
Others (2,4,8 & 9)	1.85%
Total	100.00%

Permissive Tax Exemptions

Objective:

- Council passes the annual permissive exemption bylaw to exempt certain properties from property tax in accordance with guidelines set out by Council Policy and the Community Charter. There is no legal obligation to grant exemptions.
- Permissive exemptions are evaluated with consideration to minimizing the tax burden to be shifted to the general taxpayer.

Policy:

- Exemptions are reviewed on an annual basis and are granted to those organizations meeting the requirements as set out under Council Policy 3561 and Sections 220 and 224 of the *Community Charter*.