



To: Finance Committee

Date: February 18, 2009

From: Jerry Chong
Director, Finance

File: 03-0970-01/2009-Vol 01

Re: 2009 Operating Budget – Report back on referrals

Staff Recommendation

- (1) That the attached report from the Manager of Budgets & Accounting on the 2009 Operating Budget referrals be received for information, and
- (2) That the 2009 Operating Budget report dated January 22, 2009 with an average tax increase impact of 2.94% be approved as the basis for preparing the 5 Year Financial Plan (2009-2013).

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

| | | |
|--|--|--------------------------------|
| FOR ORIGINATING DEPARTMENT USE ONLY | | |
| CONCURRENCE OF GENERAL MANAGER | | |
| | | |
| REVIEWED BY TAG | YES <input checked="" type="checkbox"/> <i>JK</i> | NO <input type="checkbox"/> |
| REVIEWED BY CAO | YES <input checked="" type="checkbox"/> <i>JK</i> | NO <input type="checkbox"/> |

Staff Report

Origin

At the January 26, 2009 Finance Committee meeting staff presented the 2009 Capital Budget and Operating Budget. Following the discussion of the reports a motion was carried requiring staff to provide additional information and report on the items discussed in the section below.

That the 2009 Operating Budget be referred back to staff to address the following:

- (1) *to discuss the potential reductions with the Unions; and*
- (2) *to provide more information on the impact resulting from the proposed reductions and changes in the budget related to:*
 - (a) *the artificial turf fields reserve;*
 - (b) *the reduction for youth workers; and*
 - (c) *the RCMP Gap funding and source of funding.*

Analysis

- (1) As directed by the Finance Committee on January 26, 2009, staff had discussions with representatives of CUPE 394 and 718 on January 30th, 2009.**

Staff have reviewed the Union's concerns and propose the following in order to achieve the same tax increase of 2.94%.

- a) Due to a departure of an exempt staff within the Business & Financial Services (B&FS) Department, work functions, additional duties and responsibilities have been re-assigned to other exempt staff and one exempt staff position will be eliminated in the B&FS Department. (net savings \$95,000),
- b) The proposed elimination of the (union level) regular full-time Planning Assistant be withdrawn and that the incumbent be redeployed to an identified area of need within the Planning Department. (Cost \$65,000),
- c) The proposed elimination of the (union level) regular part-time position for the Steveston Museum be withdrawn and the remaining funds from the above exempt position be utilized. (Cost \$30,000),
- d) The proposed elimination of the (union level) temporary full-time Building Inspector position be accepted due to the decline in development in the City.

For a detailed response please refer to Attachment 1.

- (2) (a) Impact of eliminating the contribution to reserves from fees for Artificial Turf Fields (\$152,000 annually)**

In the Field User Agreement between the City and local sport groups, it is identified that 60% of user fees for artificial turf fields (40% at Richmond High) will be directed to a reserve fund to help fund the replacement of the artificial turf as it becomes worn out. This

contribution is in addition to the amount transferred from Parks development cost charges to the special sports reserve. In 2008 there was \$118,765 in artificial turf user fees that was transferred to the reserve and at December 31, 2008 there is a balance of \$794,611. In arriving at the \$240,000 reduction staff have reduced the transfer (\$152,000) and other costs (\$88,000) in order to ensure that the program costs are not borne by non-users. By not transferring a percentage of revenue to this fund annually, replacement of the artificial turf may be delayed due to available funding. It is not a standard practice for the City to transfer a portion of specific revenues to replacement reserves. Although this is a good idea, the proposal to eliminate the transfer to a special reserve may be the best alternative in these challenging financial times. The City can address replacement through other funding sources as outlined in the chart below.

| Budget Year | Description | Opening | City's Contribution | Other Contributions | Turf Revenues* | Expense | Closing |
|-------------|---------------------------------|---------|---------------------|---------------------|------------------|----------------------|------------------|
| | Special Sports Reserve | | | | | | |
| 2000 | | \$- | \$256,897 | \$- | \$- | \$- | \$256,897 |
| 2001 | | 256,897 | 420,241 | - | - | - | 677,138 |
| 2002 | Minoru Park Turf Project | 677,138 | 17,072 | - | - | (635,451) | 58,759 |
| 2003 | | 58,759 | 257,111 | - | 20,016 | - | 335,886 |
| 2004 | | 335,886 | 265,707 | - | 21,613 | - | 623,206 |
| 2005 | | 623,206 | 276,304 | - | 24,058 | - | 923,568 |
| 2006 | Hugh Boyd(HB)/Richmond High | 923,568 | 1,444,927 | 195,000 | 77,843 | (2,250,000) | 391,338 |
| 2007 | Hugh Boyd | 391,338 | 273,132 | - | 150,884 | (195,000) | 620,354 |
| 2008 | King George/Minoru (KG/M) | 620,354 | 1,465,500 | - | 174,257 | (1,465,500) | 794,611 |
| | Total | | \$4,676,891 | \$195,000 | \$468,671 | \$(4,545,951) | \$794,611 |
| | Other Funding | | | | | | |
| 2002 | Parks Dev't DCC (Minoru) | | \$150,000 | \$- | \$- | \$(150,000) | \$- |
| 2006 | Prov'n/Revol/Sports Groups(HB) | | 750,000 | 254,747 | - | (1,004,747) | - |
| 2008 | Community Legacy & LR (KG/M) | | 1,300,000 | - | - | (1,300,000) | - |
| 2008 | Revolving (KG/M) | | 734,500 | - | - | (734,500) | - |
| 2009 | Allocation from Parks Dev't DCC | | 100,000 | - | - | - | 100,000 |
| | | | \$7,711,391 | \$449,747 | \$468,671 | \$(7,735,198) | 894,611 |

*includes artificial and natural turf revenues

(2) (b) Impact of reduction of \$40,000 for youth services to five community centres

Currently \$85,700 is transferred annually to the Associations to subsidize the salaries of Youth Coordinators in the Centres. Each of the Community Centre Associations receives \$7,200 with the exception of City Centre which receives \$35,000. The Associations hire youth workers and the City funding subsidizes these salaries. The annual amount forwarded to support this program will now be \$45,700.

This subsidy for youth services to Community Associations has been in the City's budget since 1995, When the program was introduced the intention was that the Community Associations would eventually absorb all the costs relating to this service.

The Associations recorded surpluses in 2008 and this reduction to the Associations could be offset by 2008 or 2009 surpluses until the Associations address the change through increasing revenues or other means.

(2) (c) Impact of RCMP gap funding and source of funding

Six RCMP members were gap funded in the 2007 budget cycle by making use of the surpluses created by the detachment's historical pattern of vacancies which have been very high. In addition, the 2007 budget also included two RCMP members for the Electrical Safety Inspections (ESI) Team who were to be funded from the Enterprise Fund, but, due to continued vacancy pattern and the readily available surpluses these two members were also gap funded with no tax impact.

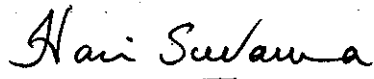
For the 2009 budget, two members have been requested to address service demands linked to the opening of the Canada Line. These two additional members will facilitate a comprehensive crime prevention program to deter criminal activity in the areas around the stations. As the vacancy pattern and the resulting surpluses are projected to continue in 2009, these two members will also be gap funded bringing the total number of gap funded members to 10. If the members are not gap funded then an additional level request of \$252,682 would be required with a tax impact of 0.18%.

Financial Impact

None

Conclusion

That the attached report on the 2009 Operating Budget referrals be received for information.



Hari Suvarna
Manager, Budgets & Accounting
(604-276-4365)



City of Richmond
Human Resources Division

Memorandum

To: Jerry Chong
Director, Finance
Andrew Nazareth
General Manager, Business & Financial
Services

Date: February 18, 2009

From: Mike Kirk
General Manager, Corporate Services

File:

Re: Operating Budget Report

As directed by the Finance Committee on January 26, 2009, staff had discussions with representatives of CUPE 394 and 718 on January 30th, 2009. Staff outlined the rationale for the proposed reductions and invited the Unions to provide feedback.

Union Response

CUPE 394

CUPE 394 responded via email to the proposed budget. The key component that specifically identified the budget was:

“it has been suggested that the most acceptable solution would be to amortize the impact across all the TFT employees so that there is no layoff, rather a later start date and an earlier lay-off date. This could offer the required savings without anyone actually losing their livelihood resulting in a slightly shorter season.”

Staff Response

A significant component of the Works Yard work force is made up of temporary full time employees.

The operational needs of Public Works and Parks staff are largely driven by the weather and the seasonal demands. Public Works often need temporary staff for Capital works (done when the weather is good) and for holiday replacement in the summer months. The Parks Department also need additional temporary staff when the weather is good and the grass is growing. For both Public Works and Parks the need for temporary staff is dictated by operational needs subject to weather conditions and seasonal demand. Staff will continue to have discussions with CUPE 394 on operational issues identified by the union.

CUPE 718

CUPE 718 responded by letter to the proposed budget (Attachment 2). The union identified four issues:

1. Long term financial management strategies
2. Increased planning scheduling for filling vacant positions
3. Comparison to other cities in the region
4. Staffing levels

The Union also made the following recommendation:

“That the regulations in the Long Term Financial Management Strategies that ties a proposed tax increase to the amount of the Consumer Price Index, be temporarily suspended to allow Council to implement a tax increase of more than 2.94% to eliminate the need for reduction of staffing levels and maintain current service levels.”

Staff Response

As was the case with CUPE 394, great efforts were made to determine what impacts the proposed budget would have on CUPE 718 staff and to have the least effect on regular full time positions. Many of the positions identified for reduction, either vacant or occupied, are the result of less development occurring in the City. Some of these positions were introduced as development increased and there is no longer the demand for these services.

1. Long Term Financial Management Strategies

The Union has identified the provincial and federal governments deciding to run deficit budgets due to the current chaotic times. The City, according to the Community Charter, cannot run a deficit. Staff are also obligated to follow Council policy, unless directed otherwise, and that is why a 2.94% tax increase is being recommended.

2. Increased Planning and Scheduling for Filling Vacant positions

A significant amount of study goes into workforce planning. There are a large number of employees who are eligible to retire in the next five years. That does not necessarily mean they will retire and staff have seen retirement-eligible employees continue to work. Staff cannot budget according to assumptions on when a staff person may retire. Staff will continue to have discussions with the Union about how to implement an employee succession plan.

3. Comparison to Other Cities in the Region

The property tax increases attributed to by CUPE 718 are proposals at this time and may not reflect the actual budgets that will be approved. The 2.94% increase proposed for Richmond follows the mandate of Council's Long Range Financial Plan.

4. Staffing Levels

The numbers reflected in CUPE 718's letter are reasonably accurate but do require some explanation. Much of the increase in the exempt staff complement can be attributed to the staffing of the Richmond Olympic Business Office. Some of these positions were previously

in the Union and were seconded to ROBO, and will be returning in the near future to their former positions.

In looking at exempt positions it should be noted that not all exempt staff are charged with the responsibility of managing/leading staff. Some are in a support role (Executive Assistants, Corporate Assistants, Human Resources Associates, etc.) and some are in professional/technical roles (Project Engineers, Program Managers, etc.).

The number of exempt staff who are in leadership/supervisory positions is approximately 80. To put that into context, there are 1800 employees with the City of Richmond which provides a manager to employee ratio of 1 manager to 22 employees. Given that Fire Rescue Services has fewer managers compared to employees, if you were to reduce the Fire Services from the equation you would have a ratio of 1 manager to 21 employees. These ratios, as an average, are extremely high. Efforts have been made by Corporate Administration over the last twelve years to bring the ratio more in line with industry standards. The proposed reductions, did not, nor do not reflect any unfair consideration towards the Unions.

In light of the feedback from both unions staff have re-examined how to find the necessary reductions in order to achieve the result of a 2.94%. A vacancy has occurred in the Business and Finance Department. As a result of reorganizing the work functions and reassigning work one exempt staff position will be eliminated. With the savings from this reduction staff are also recommending that the previously proposed elimination of the regular full-time Union Planning Assistant not occur and that this person be redeployed to a function within Planning where there is demand but there has not been resources available. The elimination of the Planning Assistant position had been proposed due to the decline in development in the City. Staff are also proposing that with the remaining funds available from the elimination of the exempt position that the Union Regular Part-time position for the Steveston Museum be filled. As a result there will be no layoffs of any City regular full time personnel.

The above changes meet the mandate of meeting the Long Range Financial Plan of tax increases and reduces the elimination of regular positions in the bargaining unit.



Mike Kirk
General Manager, Corporate Services

SMK:smk

February 9, 2009

Mr. Mike Kirk
General Manager, Corporate Services
City of Richmond
6911 No. 3 Road
Richmond, BC V6Y 2C1

Dear Mr. Kirk:
Re: 2009 Operating Budget report

The Union was advised on Friday January 23 at 4:00 p.m. that this report was being presented to the Finance Committee the following Monday. The report was not made public on the City website until later on the Friday evening and we were left with no reasonable time to make presentation to Council as is called for in our Collective Agreement. I am writing to offer our comments subsequent to our initial review of the 2009 Operating Budget document.

Long Term Financial Management Strategies: These strategies tie any proposed property tax increase to the Consumer Price Index. Recently, both the Federal government and the BC Provincial government have temporarily suspended legislation requiring them to produce balanced budgets, to allow them to run deficit budgets during these current chaotic economic times.

Increased Planning and Scheduling For Filling Vacant Positions: At the beginning of 2007 the Union was advised by the Director of Human Resources that 179 of our members would be eligible to retire over the course of the next 5 years. As these positions become vacant they should be filled by qualified internal applicants who are interested in pushing their career forward with the City. The Union would be interested in pursuing discussions with you as to how this could be accomplished. In the interim if lay offs were to be considered then they could "bump" into those positions.

Comparison to Other Cities in the Region: Currently the 2009 Operating Budget calls for a proposed tax increase of 2.94%, in other similar jurisdictions throughout the region the following are the proposed increases, Burnaby 4.5%, Surrey 3.9% +1% increase in road levy, Coquitlam 7.1%, Delta and New Westminster have not made this information available at this time.

Staffing Levels: Over the last seven years the Average Monthly staffing levels of Local 718 members has remained relatively constant as shown in the table below.

| | RFT /TFT | RPT /Aux | | RFT/TFT | RPT/Aux | | RFT/TFT | RPT/ Aux |
|--|-------------|-------------|--|-------------|---------|--|-------------|-------------|
| | <u>2008</u> | | | <u>2007</u> | | | <u>2006</u> | |
| | 495 | 345 | | 480 | 332 | | 495 | 343 |
| | | | | | | | | |
| | <u>2005</u> | | | <u>2004</u> | | | <u>2003</u> | |
| | 485 | 337 | | 476 | 326 | | 472 | 329 |
| | | | | | | | | |
| | <u>2002</u> | | | | | | | |
| | 490 | 336 | | | | | | |

Based on Information received from the Employer Exempt Staffing levels have been as follows;

June 2007 there were 119 regular full time exempt positions;

December 2008 there were 141 regular full time, 11 temporary full time and 2 Engineer in Training exempt positions;

This represents an increase of 18.5% of Regular Full Time Exempt positions in the last 18 months.

We were disappointed to discover that apparently no reductions to exempt staffing levels were considered particularly in the area of the Temporary Full Time and Engineer in Training positions.

Union Recommendation:

That the regulations in the Long Term Financial Management Strategies that ties a proposed tax increase to the amount of the Consumer Price Index, be temporarily suspended to allow Council to implement a tax increase of more than 2.94% to eliminate the need for reduction of staffing levels and maintain current service levels.

Once we have more information we will share it with you. I will be in contact with you later this week prior to attending the next committee meeting.

Sincerely,

Robert Gilchrist
President CUPE Local 718

/2009
Operating
Budget



City of Richmond

Report to Committee

To: Finance Committee
From: Jerry Chong
Director, Finance
Re: 2009 Operating Budget

Date: January 22, 2009

File:

Staff Recommendation

1. That the 2009 Operating Budget with a combined net expenditure increase of \$4.1 million, including a corresponding property tax increase of 2.94% be approved and form the basis of the City's 5 Year Financial Plan (2009 – 2013), on the following basis:
 - a) a net expenditure increase before additional expenditures of \$3.0 million resulting in a property tax increase of 2.16%;
 - b) the inclusion of additional expenditure requests of \$1.1 million having a resulting property tax impact of a 0.78% increase.

Jerry Chong
Director, Finance
(4064)

| | | |
|-----------------------------------|---|-----------------------------|
| FOR ORIGINATING DIVISION USE ONLY | | |
| CONCURRENCE OF GENERAL MANAGER | | |
| | | |
| REVIEWED BY TAG | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> |
| REVIEWED BY CAO | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> |

Staff Report

Origin

Subsection 165(1) of the Community Charter requires the City to adopt a Five Year Financial Plan (5YFP) Bylaw on or before May 15th of each year. The 2009 Operating Budget (the "Budget") as presented in this report forms the basis of the City's 5YFP.

Background

The 2009 Operating Budget has been prepared with a particular awareness of the ongoing slowdown in economic growth. During these current economic turbulent times, it is not only prudent but also the responsibility of the City of Richmond to show restraint and leadership by exercising responsible cost cutting measures in order to minimize the tax impact on our citizens. The proposed budget must also take into account Council's priorities as stated in the principles of the City's Long Term Financial Management Strategies (LTFMS) which calls for the City to limit property tax impacts to the value of the increase in the Consumer Price Index (CPI).

All City departments received instructions from the CAO to revise their 2009 Operating Budget submissions to meet the CPI limit mandate including allowing for additional expenditure requests. The only exception to this formula would be to acknowledge and allow for expected significant plant increases such as the Richmond Olympic Oval coming on stream. The process was guided by a number of criteria which were established for the purposes of assessing potential cost reductions and revenue adjustments. These criteria include, for example:

- elimination of redundancy
 - identify and address any program support and services that can be eliminated without negatively impacting the customer or effectively diminishing the essence of the program
- identifying efficiencies
 - more cost effective approaches
- adjusting resources to offset anticipated revenue
 - reductions: reduce resources in areas where additional resources had been added to help the City to cope during the boom period
- reduce levels of service where there are no visible impacts on the customer
- increase revenues through increased fees where feasible
- tighten up typically conservative revenue projections
 - understanding that less surplus will be generated in future

- increased planning and scheduling for the filling of vacant positions

As a result Senior Staff have recommended further reductions in costs and increases in revenues where necessary, totalling \$2.4 million or a corresponding property tax reduction of 1.73%. (Please refer to Appendix 1 for details). Where the reductions will result in the elimination of positions in the staff complement, the impacts will be managed partially through attrition and reductions in auxiliary and temporary staff hours. However, Senior Staff recognise that a balance must be maintained to offset the loss of expertise due to future retirements.

Analysis

The City's annual Operating Budget cycle begins in May when service levels are established by each department and budget guidelines are set by the Budgets Division. On July 16, 2008 the Budgets Division rolled out the budget manual that outlined parameters for budget preparation and subsequently the budget system was opened to all departments for their budget input. All input was completed by September 5, 2008 by the departments and the budget system was locked for reviews. In the next 4 weeks, the Budgets Division conducted a thorough review of the budgets with the respective Managers and Directors in relation to the proposed service levels, the corresponding costs of delivering those services and historical cost trends. Reductions were made to the budgets where necessary. The adjusted draft budget was then reviewed by TAG and there were further substantial reductions made.

In preparing the 2009 Operating Budget, staff have ensured that wherever possible, the City's LTFMS is used as a guide.

Within the Operating Budget two common budgeting terms are used as follows:

- **Base Budget** represents the cost of maintaining existing levels of programs and services to the community. Please note that for 2009 and onwards the base budget will be not be at the same level as in prior years due to the \$2.4 million in reductions. Expenditures relating to development and capital projects are not included in the base budget as these additional expenditures are necessary to provide service to the expanded inventory of assets. The base budget is directly affected by the market and projected cost increases to labour, materials, equipment, contracts and utility costs such as fuel, gas and electricity and are offset by expected increases in revenue from growth and various user fees.
- **Additional Expenditure Budget** represents the cost of providing the following:
 - New programs or program enhancements from the previous year
 - Increase in the level of services over the preceding years
 - Operating Budget Impact of Development and Capital Projects
 - Generating additional revenues

Each department is asked to submit its additional expenditure requests (Appendix 2) based on the above criteria. These requests are reviewed and the top ten items were prioritised by TAG.

The highlights of recommended cost reductions and revenue increase of \$2.4 million are as follows:

- Recommended cost reductions that will have an impact on staff amount to \$0.9 million or approximately 14.3 full time equivalents (FTEs) An FTE is defined as the number of total hours worked divided by the maximum number of compensable hours in a work year (1,820). For example, if two employees work for 910 hours each then this would be considered one FTE between the two of them. Affected departments are:
 - Parks Recreation and Cultural Services 4.2 FTEs
 - Planning and Development 4.6 FTEs
 - Engineering and Public Works 3.0 FTEs
 - Business and Financial Services 1.5 FTEs
 - Corporate Services 1.0 FTE
- Recommended non staff related cost reductions amount to \$1.2 million. Some of the programs that will be affected are day time security at the City Hall, street sweeping, library administration, parks programs etc. It is also recommended that transfers to artificial turf reserves be reduced and some staff costs be moved from the operating budget to capital projects which may affect future funding and capital costs.
- Recommended increase in Parks Recreation and Cultural Services revenues amounts to \$0.25 million by user fee increase.
- In addition, budgets for fuel costs and asphalt costs have been frozen at 2008 levels. Increases beyond the 2008 rates may affect service levels in fleet operations and roads services. Non-discretionary market increases beyond the 2008 levels will result in a reduction in the paving and rehabilitation programs.

As a result, Staff are recommending a 2009 Operating Base Budget with a property tax increase of 2.16% plus an increase of 0.78% for additional expenditures, totalling 2.94% for 2009. The highlights of significant changes are provided in the following pages.

Assumptions

The following assumptions have been used in preparation of the Budget and are based upon the information available at the time.

| | |
|------------------------------|---------------------|
| Consumer Price Index (2008)* | 2.3% |
| Return on Investment | 3.0% |
| Tax Growth (net)** | 2.28% |
| Hydro | 7.0% rate increase |
| Natural Gas | 25.0% rate increase |
| Fuel | \$1 per litre |

Salary increases for all employee groups are provided for in accordance with all collective agreements, policies and practices.

* Stats Canada

** Information obtained from BC Assessment

| 2009 Operating Budget Corporate Summary (In 000's) | | | | | | | |
|---|-------------------------|----------------------------|---------------------------|---|--------------------------------|-------------------------------------|-------------------------------------|
| Department | 2008 Budget Bylaw | 2009 Proposed Budget | Recommended reductions | 2009 Proposed Budget after reductions | Year over Year Change | Year over Year Change % | Year over Year Change % |
| Law & Community Safety | \$ 60,659 | \$ 62,861 | \$0 | \$ 62,861 | \$ 2,202 | 3.63% | 1.57% |
| Parks Recreation & Culture | 32,470 | 34,787 | (868) | 33,919 | 1,449 | 4.46% | 1.03% |
| Engineering & Public Works | 24,397 | 25,951 | (850) | 25,101 | 704 | 2.89% | 0.50% |
| Corporate Services | 13,417 | 14,349 | (166) | 14,183 | 767 | 5.71% | 0.55% |
| Planning & Development | 4,073 | 5,522 | (404) | 5,118 | 1,045 | 25.66% | 0.74% |
| Business & Financial Services | 2,579 | 2,803 | (130) | 2,673 | 94 | 3.66% | 0.07% |
| Corporate Administration | 2,267 | 2,635 | 0 | 2,635 | 368 | 16.25% | 0.26% |
| ROBO & Major Projects | 1,011 | 1,242 | 0 | 1,242 | 231 | 22.86% | 0.16% |
| Fiscal | (150,516) | (151,138) | 0 | (151,138) | (622) | 0.41% | (0.44%) |
| Transfer to Reserves | 9,644 | 9,644 | 0 | 9,644 | - | 0.00% | 0.00% |
| 2009 Net Expenditures/Tax Impact (Before Tax Growth and Additional Expenditures) | 0 | 8,656 | (2,418) | 6,238 | 6,238 | | 4.44% |
| 2009 Tax Growth | | | | | (3,200) | | (2.28%) |
| 2009 Net Expenditures/Tax Impact (Before Additional Expenditures) | | | | | 3,038 | | 2.16% |
| Recommended Additional Expenditures | | | | | | | |
| Oval Grant | | | | | 650 | | 0.46% |
| 2 RCMP Officers for Canada Line* | | | | | - | | 0.00% |
| Operating Budget Impact of Capital Expenditures | | | | | 439 | | 0.32% |
| 2009 Net Expenditures/Tax Impact | | | | | 4,127 | | 2.94% |

*The cost of 2 RCMP Officers for Canada Line can be gap-funded. Due to historic pattern in vacancies in the complement at the RCMP, the city will budget at less than full complement. The total amount of RCMP officers that the city has gap-funded is 6 exclusive of the 2 above. Overall there are 199 authorized RCMP officers, with funding for 193 officers (not including 10 officers budgeted under Integrated Services).

Highlights

- The proposed overall increase in net expenditures in the 2009 operating budget is \$6.2 million over 2008 or a tax impact of 4.44%, before tax growth and additional expenditures. Major components are as follows:
 - Substantial reductions have been made in revenue projections for building permits and development application fees in the amount of \$0.9 million due to the economic

downturn. Staffing and other expenditure reductions have been made in both areas to reflect reduced activity. The Building Inspection division is expected to show a small surplus, however significant annual surpluses that have occurred in recent years due to abnormally high activity are not anticipated.

- Increases of approximately \$2.0 million are projected in other areas such as grants in lieu, parking revenues, community facility revenues etc.
 - Salary and fringe benefit expenditures increased by \$5.2 million due to collective agreement increases.
 - Operating expenditures increased by \$2.1 million largely due to increases in contractual obligations such as RCMP, maintenance contracts, energy costs, material costs etc.
- The tax growth is estimated at \$3.2 million or 2.28% which reduces the increase in net expenditures to \$3.0 million or a tax impact of 2.16%.

The following table shows a break down of net expenditures between the City, RCMP, Fire Rescue and Increased Plant.

| | Change \$ | Tax Impact % |
|--|----------------|-----------------|
| City (Before Tag Adjustments) | \$6,583 | 4.68% |
| Tag Adjustments | (2,418) | (1.72%) |
| Net City Increase (After Tag Adjustments) | \$4,165 | 2.96% |
| RCMP | 924 | 0.66% |
| Fire Rescue | 956 | 0.68% |
| Net Expenditures before Plant Increase | 6,045 | 4.30% |
| Increased Plant (Development)* | | |
| Labour | 34 | 0.03% |
| Other | 159 | 0.11% |
| Net Expenditures after Plant increase | 6,238 | 4.44% |
| Estimated Tax Growth | (3,200) | (2.28%) |
| Net Expenditures | 3,038 | 2.16% |
| Additional expenditures | 650 | 0.46% |
| Increased Plant (Capital)** | | |
| Labour | 345 | 0.25% |
| Other | 94 | 0.07% |
| Combined Net Expenditures | 4,127 | 2.94% |

*Increased Plant (development) represents inventory of new assets created as a result of development that has an operating budget impact. These assets are in operation when the development is complete and the City must extend its level of service to accommodate these.

**Increased Plant (capital) represents new capital projects in the proposed 2009 Capital Plan also that has an operating budget impact (OBI). The City will require these additional expenditures in order to provide the current level of services to the new assets. The extent of the OBI may be dependent on the magnitude of the projects approved by Council.

- Base budget before tax growth for the City increased by 2.96%. Expenditures that are related to increased plant with respect to both new capital and development-initiated projects are shown separately.
- The above tax impact does not include a 1% tax increase towards transfer to reserves for infrastructure replacement needs. Council had previously directed that the 1% tax increase would not be levied until 2012 as the interest earned on the Community Legacy Reserve would be utilized in lieu.

Additional Expenditure Requests (Appendix 2 and 3)

A total of \$3.8 million in additional expenditures was requested and from this amount, TAG recommended \$0.65 million be allocated towards the grant to Oval Corporation as agreed upon under the Operating Agreement between the City and the Oval Corporation. The request for 2 RCMP officers for Canada Line can be accommodated through gap-funding.

Financial Impact

The 2009 Operating Base Budget shows an increase of \$6.2 million in net expenditures with a resulting tax increase of 4.44%. Tax growth of \$3.2 million or 2.28% tax impact and TAG recommended additional expenditure requests of \$1.1 million or a tax increase of 0.78% brings the combined net expenditure increase to \$4.1 million with a resulting tax increase of 2.94%.

Conclusion

Staff recommend that Council adopt the 2009 Operating Budget with a net expenditure increase of \$4.1 million or a tax impact of 2.94%. This amounts to an average tax increase of \$27.90 for average residential home assessed at \$510,635.



Hari Suvarna
Manager, Budgets and Accounting
(4365)

HS:hs

Attch: 3

**2009 Budget
Recommended Cost Reductions/Revenue Increases**

| Department | Savings | Amount(\$) | Tax % | Cumulative % | Service Level Impact |
|---|--|--------------------|---------------|---------------|--|
| REVENUE INCREASES | | | | | |
| PRCS | Arena Revenue | 100,000 | 0.07% | -0.07% | Increase Arena users revenue from fees by CPI. |
| PRCS | Aquatic Revenue | 50,000 | 0.04% | -0.11% | Increase Aquatic users revenue from fees by CPI. |
| PRCS | Tree Revenue | 80,000 | 0.06% | -0.16% | Revenue from development. |
| PRCS | Artificial Turf Revenue | 8,800 | 0.01% | -0.17% | Increased fees for artificial turf fields by CPI |
| PRCS | Pitch & Putt Revenue | 5,000 | 0.00% | -0.17% | Increased fees for pitch and putt by CPI. |
| | Sub-total | 243,800 | 0.17% | -0.17% | |
| COST REDUCTIONS (Non-Staff Impact) | | | | | |
| E & PW | Eliminate day time security(contract) | (50,000) | -0.04% | -0.21% | City Hall daytime security will be eliminated from 7 am to 3 pm |
| PL | Photocopy-Production Ctr. | (30,000) | -0.02% | -0.23% | Reduction of lease options in selecting equipment for the production of "professional" graphics for all departments. |
| CS | Criminal Records | (10,000) | -0.01% | -0.24% | Efficiency |
| CORP SVC | Photocopy | (25,000) | -0.02% | -0.26% | Reduced hard copies for all corporate services |
| CORP SVC | Stat Advertising | (9,000) | -0.01% | -0.26% | Fewer ads for statutory ads (reduced public hearings) |
| PRCS | Library Admin | (56,000) | -0.04% | -0.30% | Reduction in administration of Library, materials and programs |
| PRCS | Gateway Admin | (6,000) | 0.00% | -0.31% | Reduction in Gateway Administration costs. |
| PRCS | Security | (12,000) | -0.01% | -0.32% | Reduce security in response to issues on parks. |
| PRCS | Change Transfer Artificial Turf Revenue | (240,000) | -0.17% | -0.49% | No revenue for fees directed to reserve, all directed to general revenue. |
| CORP SVC | IT support for HP/Peoplesoft /Wang | (60,000) | -0.04% | -0.53% | Less customizations for PeopleSoft System. Information required from Wang System will have to be retrieved manually |
| E & PW | Charge capital staffing to capital | (250,000) | -0.18% | -0.71% | Transfer project focussed staff to Capital rather than Operating. Higher costs for Capital Projects |
| PL | Traffic light maintenance | (45,000) | -0.03% | -0.74% | Reduction of existing maintenance contract. No safety impact. |
| E & PW | Reduce street sweeping (contractor) | (100,000) | -0.07% | -0.81% | Reduced service level. Sweep main roads 1/2 weeks instead of 1/week during Summer/Fall peaks |
| PRCS | Reduce funding of youth workers | (40,000) | -0.03% | -0.84% | Reduce City grant to some community centres (Thompson, South Arm, Steveston, West Richmond, Cambie/East Richmond) |
| PRCS | Marketing budget | (10,000) | -0.01% | -0.85% | Efficiency. |
| E & PW | Charge cost of survey crew (718) to Capital Projects | (300,000) | -0.21% | -1.94% | Transfer Survey crews to Capital Projects as required, rather than Operating. |
| | Sub-total | (1,243,000) | -0.89% | -1.06% | |

| COST REDUCTIONS (staffing impact) | | | | | |
|-----------------------------------|---------------------------------------|-------------|--------|--------|--|
| PL | Planning Assistant (718) occupied | (65,000) | -0.05% | -1.11% | Reduced activity - will require lay off of union person. |
| PL | Building Inspector TFT (718) occupied | (76,000) | -0.05% | -1.16% | Reduced activity - will require lay off of union person. |
| CORP SVC | Permit Centre Clerk (718) vacant | (62,000) | -0.04% | -1.21% | Reduced activity - will not fill. |
| PL | PCG Inspector (718) vacant | (91,000) | -0.06% | -1.27% | Reduced activity - will not fill. |
| PL | Permit Clerk (718) vacant | (55,000) | -0.04% | -1.31% | Reduced activity - will not fill. |
| PRCS | RPT Staff Museum (718) Vacant | (30,000) | -0.02% | -1.33% | Eliminate new ½ time position for Steveston museum 1040 hours / .57 FTE. |
| BFS | Tax Clerk Aux (718) | (30,000) | -0.02% | -1.35% | Reduction in summer student hire |
| PRCS | Community Centre Svs Aux (718) | (50,000) | -0.04% | -1.39% | Reduce aux hours of service to community centres 2500 hours / 1.37 FTE . |
| PRCS | Parks 4 TFTs (394) | (100,000) | -0.07% | -1.46% | Eliminate parks services and boulevard plantings. Overall reduction in maintenance in parks and boulevards (2700 hours) |
| PRCS | Jr. Lifeguards Aux (718) | (25,000) | -0.02% | -1.48% | Efficiency |
| PL | TFT (718) | (17,000) | -0.01% | -1.49% | Reduced ability in Transportation & Development Applications Division to conduct research, data gathering, etc. |
| PL | Auxiliary (718) | (16,000) | -0.01% | -1.50% | Reduced ability in Development Applications to deal with unexpected leave and workload. |
| PL | Overtime (718) | (9,000) | -0.01% | -1.51% | Reduced ability in Policy Planning to meet with Advisory Committees. |
| E & PW | Summer employees (394) | (150,000) | -0.11% | -1.62% | Reduced service level of temp staff for Summer coverage of Capital Projects. |
| PRCS | Reduce TFT Hirings in Parks (394) | (55,000) | -0.04% | -1.66% | Reduce start dates for temporary full time staff for parks maintenance and lay off TFT staff earlier (1,500 hours). Will reduce parks, sidewalk and blvd. maintenance. |
| BFS | Stores Restructuring (394) vacant | (100,000) | -0.07% | -1.73% | Efficiency. |
| Sub-total | | (931,000) | -0.66% | -1.73% | |
| Total recommended reductions | | (2,417,800) | -1.73% | -1.73% | |

2009 Additional Expenditure Requests

| | | Amount | Tax Impact Each Item | Overall |
|---------------------------------------|--|-----------------|----------------------|--------------|
| Olympic Business Office | Grant not less than \$1.5 million as per Operating Agreement between the City and Oval Corporation of which \$200K was funded in 2008 Operating Budget. See Appendix 3 for comparatives. | \$ 650,000 | 0.46% | 0.46% |
| RCMP | *Two Full time Canada Line (Start) Officers * (\$252,682) | 0 | 0.00% | 0.46% |
| | *Gap-Funded* | | | |
| | Recommended by TAG | 650,000 | 0.46% | 0.46% |
| | | | | |
| | Prioritised but not recommended by TAG | | | |
| Bylaws | Expansion of pay parking program in Oval neighbourhood. (Off set by parking revenue generation) | (313,134) | -0.22% | 0.24% |
| Bylaws | Full time Departmental Associate 1 position (Off set by parking revenue generation). Due to increase in enforcement and expected increase in pay parking around the Oval. | (41,029) | -0.03% | 0.21% |
| Bylaws | Extend part time Bylaw Officer to full time, to enforce Soil Bylaw. (Off set by soil bylaw revenue generation). Improved cooperation and enforcement activity by the ALC staff has resulted in increased activity. | (10,072) | -0.01% | 0.20% |
| RCMP | Full time Records Quality Reviewer position due to increase in police officers and the implementation of the records management system. | 65,526 | 0.05% | 0.25% |
| Comm Rec Services Admin | Auxiliary Building Service Worker for West Cambie, Art Gallery, Art Centre, Museum, Seniors Centre and other areas. | 50,680 | 0.04% | 0.29% |
| Heritage Sites | Full time Heritage Conservation Coordinator position to develop an enhanced heritage management framework. | 81,289 | 0.06% | 0.34% |
| Parks | Maintenance service to the Nature Park trails and bog forest, Nature House signage and furniture throughout the park. | 34,500 | 0.02% | 0.37% |
| Recreation Admin | Full time position to implement and maintain CLASS project. (Currently POS) | 102,640 | 0.07% | 0.44% |
| | Prioritised but not recommended by TAG | (29,600) | -0.02% | 0.44% |
| | | | | |
| Corporate Services | Not prioritised by TAG | | | |
| Corporate Communications | Full time position to provide administrative support and perform general communication functions for the Corporate Communications office. | 64,183 | 0.05% | 0.49% |
| Corporate Communications | FP Informant Media Monitoring Service provides real time media monitoring of all major print, web and TV English language media sources in Canada. | 24,000 | 0.02% | 0.50% |
| Corporate Communications | Communication materials and supplies | 24,000 | 0.02% | 0.52% |
| Human Resources | Expansion of auxiliary staff hours to cover the increase in workload and vacation hours for HR staff engaged in recruiting/benefits/training/LR/OH&S transactional support. | 38,600 | 0.03% | 0.55% |
| Human Resources | Full time Human Resource Assistant to assist with annual recruitment (outside hires plus internal postings) | 66,846 | 0.05% | 0.60% |
| Information Technology | Increase in the base level info tech for orthophotos and satellite imagery | 80,000 | 0.06% | 0.66% |
| Information Technology | Full time Telecommunication Coordinator to help assist with City's cell phones and aircards. | 94,908 | 0.07% | 0.73% |
| | Total Corporate Services | 392,537 | 0.28% | 0.73% |
| | | | | |
| Engineering & Public Works | | | | |
| Facility Management | Janitorial services (ROBO Office) | 14,700 | 0.01% | 0.74% |
| Facility Management | Fleet Vehicle (Smart Car) for Facility Management staff to visit building sites, meetings, etc. | 10,000 | 0.01% | 0.75% |
| Facility Management | Maintenance on building infrastructure. | 250,000 | 0.18% | 0.93% |
| Facility Management | Full time Public Works Clerk position due to additional duties being added, i.e. managing security access system, as built drawing library, O&M manual and technical library as well as administration duties. | 59,650 | 0.04% | 0.97% |
| Facility Management | Full time position for additional Janitorial services for ROBO, City Hall West and Works yard. | 104,222 | 0.07% | 1.04% |
| Fleet | Increase vehicle replacement reserve. | 238,300 | 0.17% | 1.21% |

| | | Amount | Tax Impact Each Item | Overall |
|---------------------------------------|--|--------------------|----------------------|--------------|
| Other Public Works | Full time Electronic Technologist position relating to the installation, maintenance and repair of electronic equipment, such as monitoring and responding to electronic and communication system failures and malfunctions of the SCADA system and radio communication. | 69,300 | 0.05% | 1.26% |
| | Total Engineering & Public Works | 746,172 | 0.53% | 1.26% |
| Law & Community Safety | | | | |
| Bylaws | Full time position to monitor animal shelter and animal control services. Pending expiration of animal shelter management contract Jan 31/09, city will require in depth RFP process to identify the successful contract. City may have to take all or portion | 97,256 | 0.07% | 1.33% |
| Fire | Full time emergency vehicle technician position. Long term plan to deal with impending retirements combined with long term training process to bring mechanic up to North American Standards. | 106,130 | 0.08% | 1.41% |
| Fire | Additional Fire Prevention Officer position. | 146,272 | 0.10% | 1.51% |
| Fire | Increase fire vehicle replacement reserve. | 400,000 | 0.28% | 1.79% |
| Fire | Live Fire Training in order to have annual training. | 50,000 | 0.04% | 1.83% |
| Fire | Full time Administrative Clerk position. | 63,048 | 0.04% | 1.87% |
| Law | External Legal Fees for additional external resources. | 250,000 | 0.18% | 2.05% |
| Law & Commtly Safety Admin | Full time Law & Community Safety Administration Staff. | 58,280 | 0.04% | 2.09% |
| RCMP | Full time Building & Equipment Clerk. | 61,258 | 0.04% | 2.13% |
| RCMP | Two Full time general duty support positions to provide administrative support. | 118,442 | 0.08% | 2.21% |
| RCMP | Auxiliary Records Quality Reviewer. | 41,270 | 0.03% | 2.24% |
| | Total Law & Community Safety | 1,391,956 | 0.99% | 2.24% |
| Parks Recreation & Culture | | | | |
| Comm Rec-Services Admin | Funding to initiate and sustain program development for Youth Outreach Programs. | 30,000 | 0.02% | 2.26% |
| Gateway Theatre | 2002 box office database system version upgrade to stabilize web sales components and ticket sales. | 6,000 | 0.00% | 2.26% |
| Heritage & Culture Admin | Full time Research Planner II position to support Heritage and Culture Manager, Public ART Planner and PRCS Research Planner. | 84,482 | 0.06% | 2.32% |
| Library | Increase current adult non-fiction books and adult non fiction DVDs. | 100,000 | 0.07% | 2.39% |
| Parks | Increase maintenance Kingsbridge at No 5 Road Shrub Boarder for weeding and mowing at least twice a year. | 6,000 | 0.00% | 2.39% |
| Parks | Increase maintenance of landscape, pond and art feature at Oval grounds. | 110,000 | 0.08% | 2.47% |
| Parks | Increase maintenance of Steveston Area Parks and Boulevards. Program includes Steveston Park, Imperial Landing's suggested banner program, Britannia, Kuno Garden, parking lot and washroom supplies and service at the Tin Shed Site. | 136,700 | 0.10% | 2.57% |
| Parks | External Environmental Awareness groups require increased City facilitation to ensure projects are beneficial to both the group and the City beautification program. | 32,000 | 0.02% | 2.59% |
| Parks | Temporary position for Terra Nova Barn Maintenance and Programs | 33,260 | 0.02% | 2.61% |
| Watermania | Purchase of aquatics maintenance van. | 77,100 | 0.05% | 2.66% |
| West Richmond Comm Centre | Auxiliary support staff for West Richmond Community centre extended hours. | 33,864 | 0.02% | 2.68% |
| | Total Parks, Recreation & Culture | 649,406 | 0.46% | 2.68% |
| | Total Additional Expenditure Requests | \$3,800,471 | 2.68% | 2.68% |

Recreation Cultural Services
Net City Subsidies to Recreation Facilities

| Facility | Description of Services | 2009 Net City Operating Budget | 2008 Net City Operating Budget | Sq. Foot Area | 2009 Subsidy per Sq. Foot |
|--|---|--------------------------------|--------------------------------|----------------|---------------------------|
| Minoru Aquatic Centre | Swimming Lessons, Open Swimming, Fitness, Physiotherapy | 968,600 | 724,200 | 37,812 | \$25.62 |
| Watermania (Note: includes lease costs) | Swimming Lessons, Open Swimming, Swim Meets, Fitness Centre, Physiotherapy, Meeting space | 3,318,200 | 2,878,100 | 61,874 | \$53.63 |
| Arenas - includes lease costs for Richmond Ice Centre | Skating Lessons, Public Skates, Adult Recreational Hockey, Arena Related Minor Sports | 2,072,900 | 2,000,700 | 235,000 | \$8.82 |
| Thompson Community Centre & Hall | Fitness, Weight Room, Community Programs, Pre-School, Youth & Senior Programs | 665,000 | 592,500 | 31,929 | \$20.83 |
| Cambie Community Centre & Hall | Fitness, Weight Room, Community Programs, OSC, Kindercare, Pre-School, Youth & Seniors Programs | 659,100 | 612,700 | 42,300 | \$15.58 |
| South Arm Community Centre | Fitness, Weight Room, Community Programs, Youth & Senior Programs, Pre-School, OSC | 727,300 | 664,000 | 52,000 | \$13.99 |
| Steveston Community Centre & Japanese Cultural Centre, Martial Arts Centre, Net Shed (Tennis) | Fitness, Weight Room, Community Programs, Youth & Senior Programs, Tennis, Pre-School | 842,000 | 746,000 | 75,532 | \$11.15 |
| West Richmond Community Centre | OSC, Kindercare, Weight Room, Fitness, Youth Programs | 505,800 | 443,800 | 20,822 | \$24.29 |
| Sea Island Community Centre | Community Programs, Youth Programs, Pre-School | 83,900 | 72,400 | 3,954 | \$21.22 |
| Hamilton Community Centre | OSC, Pre-School, Community Programs | 196,400 | 158,700 | 2,799 | \$70.17 |
| City Centre (Lang) Community Centre | Pre-School, Community Programs, Youth Programs | 299,200 | 208,900 | 3,200 | \$93.50 |
| Minoru Seniors Centre | Older Adult Programs | 822,200 | 736,900 | 16,738 | \$49.12 |
| Cultural Centre (Note: This includes the Richmond Art Gallery, Richmond Museum, Art Centre and Cultural Centre Administrative Services) | Museum & Art Gallery, Art & Craft Programs, Musical & Dance Programs | 1,190,000 | 1,084,800 | 48,000 | \$24.79 |
| Gateway Theatre | Performing Arts Programming and Rentals | 1,128,900 | 1,076,000 | 42,884 | \$26.32 |
| Facility Management | Maintenance costs of above facilities | 545,052 | 524,088 | | |
| Totals | | 14,024,552 | 12,523,788 | 674,844 | \$20.78 |
| <i>Richmond Oval</i> | Additional expenditure request | 1,500,000 | | 390,000 | \$3.85 |