



City of Richmond

Report to Committee

To: Finance Committee

Date: April 1, 2009

From: Jerry Chong
Director, Finance

File:

Re: Five Year Financial Plan (2009-2013)

Staff Recommendation

1. That the proposed 5 Year Financial Plan (2009 – 2013) be approved; and
2. That staff undertake a process of public consultation prior to adoption by Council as required in Section 165 of the Community Charter.

Jerry Chong
Director, Finance
(4064)

FOR ORIGINATING DEPARTMENT 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

A 5 Year Financial Plan (5YFP) provides City staff with the authority to pay for all types of services including operating, utilities and capital, and to generate the required revenues to cover these costs through property taxation, user fees and other types of revenue. It also provides City staff with clear direction on spending levels and ensures that City staff are accountable to Council and the residents. The 5YFP is prepared in accordance with Section 165 of the Community Charter and must be adopted annually by bylaw before the annual property tax bylaw deadline of May 15th. The Community Charter requires a Public Consultation meeting, which has been scheduled for April 16, 2009.

Analysis

Financial Planning Process

The capital, operating and utility plans are consolidated to form the Financial Plan. The financial planning process allows departments the opportunity to examine issues, reassess objectives and re-direct resources as required to accomplish Council's goals. Even though the Financial Plan may be presented to the Finance Committee at the end of a year or early in the new year and adopted by Council as required under the Community Charter on or before May 15th, the planning process actually begins many months before Finance Committee approval.

Financial Plan Timelines:

The following timetable illustrates the process for the 2009 – 2013 financial plan:

July 2008

- Publication of guidelines for the preparation of departmental submissions;
- Identification and review of the impact of the prior year financial plan on the current year, and
- Preparation of capital submissions.

August 2008

- Ranking of capital projects;
- Preparation of 2009 additional expenditure requests, and
- Preparation of 2009 operating and utility budgets.

September 2008

- Departmental review of 2009 operating and utility budgets.

October/November 2008

- Presentation and TAG review of 2009 utility budget.

December 2008

- TAG review of 2009 operating and capital budgets.
- TAG review of 2009 additional expenditure requests.

January 2009

- Presentation of 2009 capital and operating budgets to Finance Committee.
- Council Authorization to commence construction of 2009 capital projects.

February-April 2009

- Preparation and review of Financial Plan and Bylaws.
- TAG review of 2009-2013 Financial Plan.
- Presentation of 2009-2013 Financial Plan to Finance Committee.

May 2009

- 2009-2013 Financial Plan adopted by Council
- Deadline for approval of the Financial Plan is May 15th, 2009 as set out by the Community Charter, Section 165.

Operating Plan

Assumptions

The assumptions listed in Schedule 1 have been used in preparation of the Operating Plan (based upon the information available at the time of preparation.)

Note that the projections from 2010-2013 maintain existing service levels and incorporate operating costs resulting from capital growth.

Salaries

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

Consolidated Financial Summary

The 5YFP is a consolidation of the operating, utility and capital plans. The projected increases in expenditures are offset against all projected non-tax revenues (refer to Schedule 3). All expenditures in excess of non-tax revenues result in the required tax levy. The average tax increase is calculated by taking the year over year change in the required tax levy less any projected growth in the tax base due to new construction. The average tax rate increase is then determined by dividing this resulting increase by the prior year's tax base.

The 2009 tax levy is comprised of the projected increases in the base budget, the additional expenditures and operating cost impact of capital projects. The base budget is the total cost of maintaining current service levels provided by the City, and the additional expenditures and

operating budget impact are increases to the base level of service as a result of new or increased programs or assets. The values for 2009 are summarized below:

2009 Budget Details	\$ Amount (in 000s)	Tax Impact	
		Each Item	cumulative
Base budget net of estimated growth	3,083	2.19%	2.19%
Additional Level Requests as approved by Council	650	0.46%	2.65%
Operating cost impact of capital projects	439	0.32%	2.97%
Total	4,172	2.97%	

The 2009 Operating and Capital Budgets have 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 while creating economic stimulus through investments in capital projects.

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.

Based on the proposed 5YFP (2009-2013), the average tax (\$) increase and the corresponding average tax rate (%) increases are as follows:

(in \$000's)	2009	2010	2011	2012	2013
Total Funding Increase Required	7,372	6,672	6,660	9,133	7,865
Growth from New Construction	3,200	2,000	2,000	2,500	2,500
Proposed Property Tax Increase (in \$000's)	4,172	4,672	4,660	6,633	5,365
Proposed Property Tax Increase %	2.97%	3.16%	3.02%	4.11%	3.15%

There is no tax impact in 2009 – 2011 for the 1% increase in transfer to reserves as laid out in the Long Term Financial Management Strategy. The reserves are being funded over these years from interest earned on the Community Legacy & Land Replacement Reserve Fund as approved by Council on July 23, 2007. The 1% increase in taxes will resume in 2012 and is built into the 5YFP.

Major Expenditures

The two largest cost centres for the City are Police and Fire Rescue Services. The breakdown of the 2009 tax increase between these Community Safety cost centres and the City as approved by Council on February 23, 2009 is below:

(in 000's)	2009 Change	2009 Tax Impact
City (net of growth)	\$2,292	1.63%
RCMP	924	0.66%
Fire	956	0.68%
	<u>\$4,172</u>	<u>2.97%</u>

The cost of 2 additional RCMP officers for Canada Line has been gap-funded, therefore there is no budget impact.

The details of approved additional expenditures can be found in Schedule 2.

Major Funding Sources

The main funding received by the city is outlined by source in Schedule 3. In addition, schedule 7 shows the distribution of the revenues for the general fund (the Utility revenue and Capital Funding have been removed from this analysis as these amounts do not affect the tax revenue.) As shown, the largest funding source for the City is property taxes. The next largest portion of funding is received from user fees and charges.

Revenue from property tax is collected from multiple classes of properties. The largest two contributors to property tax are the residential and business classes. Schedule 7 also charts the distribution of tax among the various classes. Council has approved the distribution of the property tax among multiple classes of properties based on the services provided to these classes of properties.

Permissive Exemption

Each year, Council passes a permissive exemption bylaw exempting certain properties from property tax. The property tax exemptions policy 3561 sets out the guidelines for permissive exemptions to churches, private schools, hospitals and charities as stated in Sections 220 and 224 of the Community Charter.

Capital Plan

The proposed 5 Year Capital Plan for 2009-2013 has been incorporated into the 5YFP.

The majority of the funding for the capital program comes from statutory reserve accounts and other funding sources such as grants and development cost charges. The proposed 5 Year

Capital Plan for 2009-2013 was prepared by the Land & Capital Team, which has representation from all City Departments. As in previous years, the Team utilized a ranking system in conjunction with comments and recommendations from all stakeholders.

The ranking criteria includes:

- the level of need for a project
- consistency with Council approved plans or priorities
- financial costs and benefits
- financial risk associated with a project
- social/environmental/liveability benefits
- funding sources and availability

The proposed 2009 Capital Plan is intended as a detailed plan for construction, while years 2010-2013 are intended to be a planning tool that will be reviewed and refined annually based on financial and other trends. The total expenditure amount of each year of the recommended Capital Plan by program is:

Programs (in \$000's)	2009	2010	2011	2012	2013
Infrastructure	34,931	22,389	22,614	19,664	17,974
Building	13,988	4,150	15,929	31,760	24,350
Land	2,295	-	-	-	-
Parks	10,596	10,177	5,800	4,675	4,800
Equipment	2,091	2,556	3,307	1,600	2,115
Transfers/debt Payment	8,897	8,568	8,807	8,807	8,807
Total	72,798	47,840	56,457	66,506	58,046

The 2009 Capital Budget attempts to create economic stimulus through greater investment in capital expenditures. The City is taking advantage of the funding set aside by the Federal and Provincial governments as part of their economic stimulus package. The budget includes approximately \$2 million in roads upgrades and the City has received two thirds of the funding from the Federal and Provincial governments. Other sizable projects include No. 3 Road Restoration, Fire Hall replacements and upgrades and Parkland acquisition.

In 2009, the City is also planning to expedite the completion of previously approved capital projects, which approximate \$193 million at the beginning of 2009. Staff have included \$105 million from the \$193 million uncompleted projects in the 2009 budget and have made an allowance for future carry-forwards.

2009 Capital Budget

On January 26, 2009, Council approved the 2009 Provisional Capital Plan in the amount of \$70,360,071. The following are changes to the provisional Plan:

Provisional plan January 26, 2009	(in \$000's)	\$ 70,360
Amendments;		
Future Grant/Donation contributions to Oval Project	438	
Lansdowne Road Extension – Hollybridge to Gilbert Road	2,000	
Total Amendments		\$ 2,438
Total Budget		\$ 72,798

Amendments:

- Adjustments to the anticipated grants/donations for Oval project.
- Lansdowne Road Extension – Hollybridge to Gilbert Road \$2,000,000: Shovel Ready Project approved by Council on February 9, 2009. The City has received two thirds of the funding from the Federal and Provincial governments and the City portion of \$666,667 will be funded by the Watermain Replacement Reserve Fund with future repayments including interest from the Roads DCC reserve.

The total amendments of \$2,437,486 result in the revised Capital Plan of \$72,797,557.

Financial Impact

The following are the proposed property tax increases for 2009 – 2013:

	\$ (in 000's)	%
2009	4,172	2.97%
2010	4,672	3.16%
2011	4,660	3.02%
2012	6,633	4.11%
2013	5,365	3.15%

Conclusion

The 5YFP outlines the current year’s budget and provides projections for future years. It should be emphasized that the 5YFP beyond 2009 will change as more accurate and current information is obtained to update each successive year accordingly. Richmond is competitive in its municipal tax levy when compared with other municipalities in Metro Vancouver and continues to be a leader in providing quality services to its residents.



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 HS:rs

CITY OF RICHMOND
5 YEAR FINANCIAL PLAN (2009 - 2013)
ASSUMPTIONS
(in \$000's)

	2009	2010	2011	2012	2013
Consumer Price Index	2.00%	1.00%	1.50%	2.00%	2.00%
U.S. Exchange Rates	1.28	1.19	1.15	1.15	1.15
Natural gas expense	25.00%	15.00%	5.00%	1.50%	1.00%
Electricity expense	7.00%	6.00%	6.00%	6.00%	6.00%
Contracts (photocopy & office equipment)	-5.00%	3.00%	3.00%	3.00%	3.00%
Fuel cost	0.00%	7.50%	7.50%	7.50%	7.50%
Casino Funding					
Oval	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Revolving Fund	1,241	218	198	208	189
Capital	617	617	617	617	617
Capital Building Infra	1,761	1,761	1,761	1,761	1,761
Grants	510	520	530	540	550
Physical Plant	1,400	1,400	1,400	1,400	1,400
Operating (RCMP)	505	526	546	536	555
	\$ 11,034	\$ 10,042	\$ 10,052	\$ 10,062	\$ 10,072
Operating budget impact of capital budget (OBI)	\$439	\$91	\$135	\$501	\$1,371
Insurance expense	10.00%	5.00%	2.00%	2.00%	2.00%
Growth (tax base)	2.28%	1.35%	1.29%	1.55%	1.47%
RCMP contract increases	1.27%	3.05%	2.98%	4.20%	3.89%
Business Licences revenue	3.00%	2.00%	2.00%	2.00%	2.00%

**CITY OF RICHMOND
2009 BUDGET INCREASES
(in 000's)**

Approved 2009 Additional Expenditures

Oval Corp. - Grant	\$650
Canada Line Start Officers*	<u>0</u>
Total Approved 2009 Additional Expenditures	<u>\$650</u>

***2 full time Canada Line Officers gap funded. (\$252,682)**

Operating Cost Impact due to Capital Growth

Increased Plant (Capital)	<u>\$439</u>
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CITY OF RICHMOND
5 YEAR FINANCIAL PLAN (2009-2013)
(in 000's)

EXPENDITURES	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
Municipal Debt:					
Debt Interest	3,085	3,085	3,085	3,030	2,087
Debt Principal	2,946	3,093	3,248	3,411	3,437
Departmental Expenditures:					
Law & Community Safety	70,023	72,201	74,426	76,736	78,676
Parks, Recreation & Cultural Services	43,572	45,207	46,797	48,108	49,140
Engineering & Public Works	41,797	43,051	44,343	45,866	47,438
Utilities (Water, Sewer & Sanitation)	77,759	80,569	82,029	84,337	86,870
Business & Financial Services	6,617	6,855	7,103	7,300	7,439
Planning & Development	10,177	10,545	10,928	11,234	11,451
Corporate Administration	2,635	2,736	2,840	2,923	2,981
Corporate Services	14,351	14,769	15,202	15,557	15,820
Richmond Olympic Business Office and Major Projects	10,727	2,736	1,915	1,978	2,021
Fiscal	16,904	18,679	19,022	20,150	21,652
Transfers To Funds:					
Statutory Reserves	26,205	25,233	25,258	26,932	28,605
Capital Plan					
Current Year Capital Expenditures	72,798	47,840	56,457	66,506	58,046
Carryforward Prior Years	104,530	59,866	45,703	44,087	40,128
TOTAL EXPENDITURES	504,126	436,466	438,355	458,154	455,790
REVENUES	\$	\$	\$	\$	\$
Property Taxes	147,875	154,547	161,207	170,340	178,205
Grants in Lieu of Taxes	10,551	10,837	11,012	11,171	11,221
Utilities (Water, Sewer & Sanitation)	77,759	80,569	82,029	84,337	86,870
Fees & Charges	36,431	37,093	37,746	38,406	39,088
Other Revenues:					
Provincial Revenue Sharing	4,522	4,642	4,642	4,642	4,642
Gaming Revenue	11,034	10,042	10,052	10,062	10,072
Fiscal Revenues	26,310	19,309	18,386	17,874	17,489
Investment Income	11,192	10,692	10,092	9,700	9,000
Penalties and Interest on Taxes	1,125	1,030	1,030	1,030	1,030
Capital Plan:					
Transfer from DCC Reserve	13,646	12,091	12,254	9,194	9,450
Transfer From Other Funds and Reserves	59,152	35,749	44,203	57,312	48,596
Carryforward Prior Years	104,530	59,866	45,703	44,087	40,128
TOTAL REVENUES	504,126	436,466	438,355	458,154	455,790
Proposed Property Tax Increase %	2.97%	3.16%	3.02%	4.11%	3.15%

*2009 Tax increase of 2.97% was approved by council.

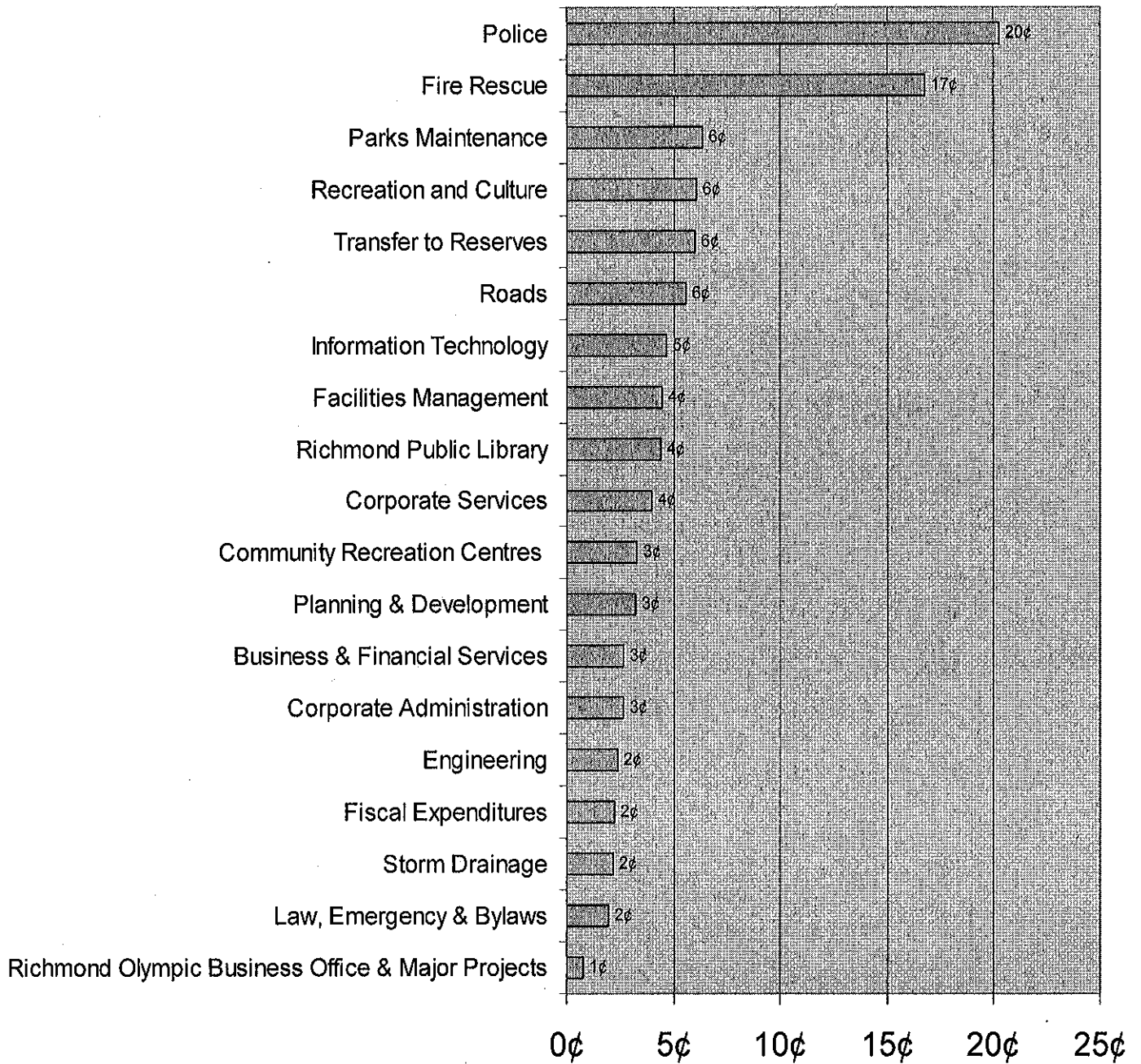
**CITY OF RICHMOND
5 YEAR CAPITAL PROGRAM
2009 - 2013
(In \$000's)**

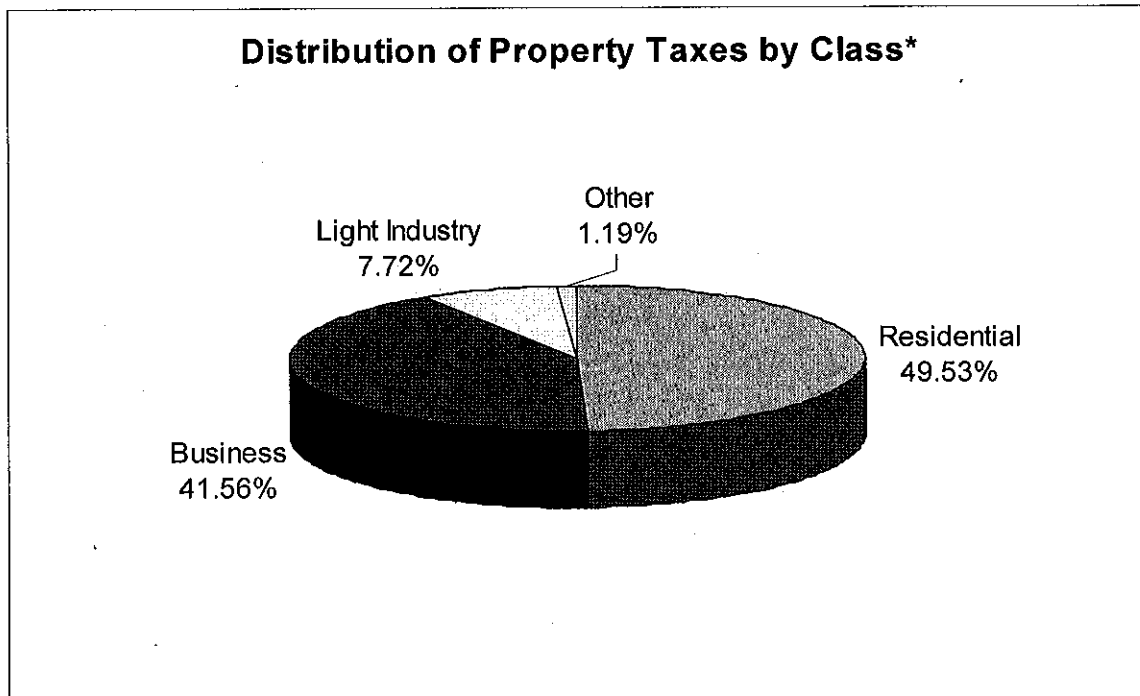
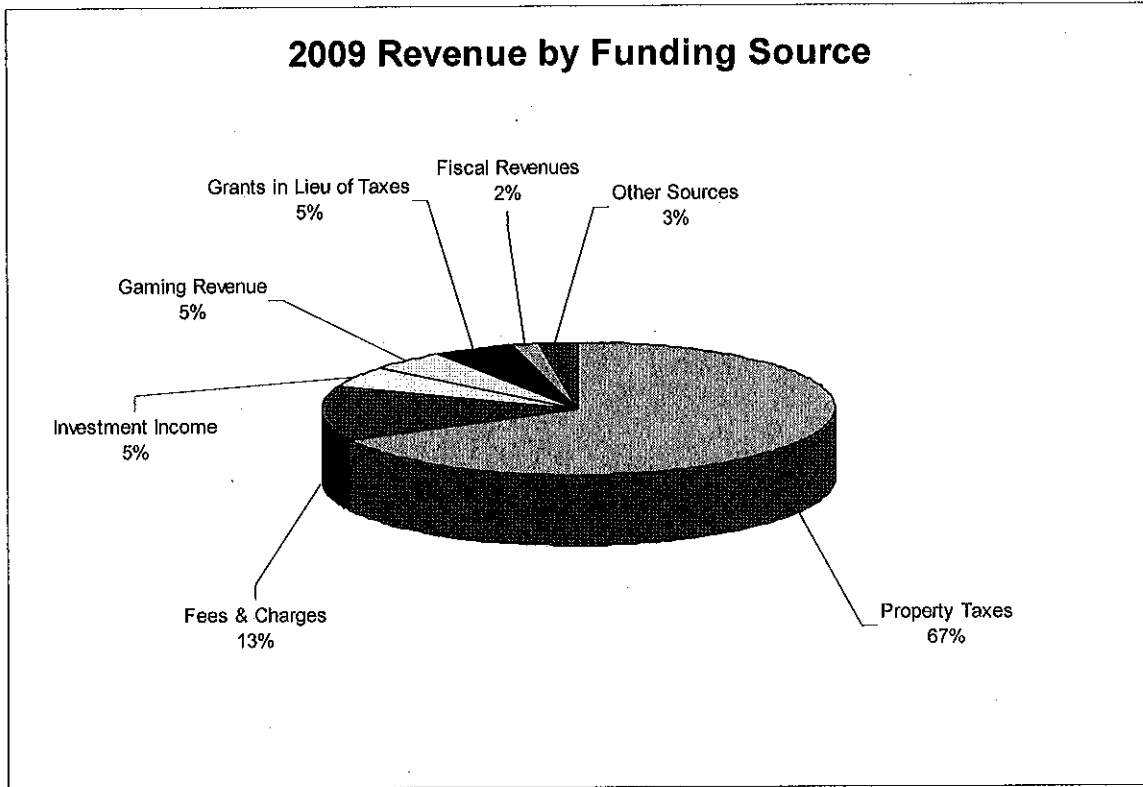
	2009	2010	2011	2012	2013
INFRASTRUCTURE PROGRAM					
Drainage	5,362	5,318	5,606	5,644	6,057
Local & Neighbourhood Improvements	1,311	1,149	1,096	1,859	750
Minor Public Works	700	600	600	600	600
Roads	11,806	3,842	3,229	1,314	790
Sanitary Sewer	2,406	3,411	4,107	2,407	2,470
Water	13,346	8,069	7,976	7,840	7,307
Total	34,931	22,389	22,614	19,664	17,974
BUILDING PROGRAM					
Community Safety Building Replacement	7,967	2,000	13,779	10,000	-
Major Buildings	4,267	400	500	20,110	22,700
Minor Buildings	1,754	1,750	1,650	1,650	1,650
Total	13,988	4,150	15,929	31,760	24,350
LAND PROGRAM					
Land Acquisition	2,295	-	-	-	-
Total	2,295	-	-	-	-
PARKS PROGRAM					
Child Care Program	57	1,352	-	-	-
Major Parks/Streetscapes	3,104	4,725	2,350	1,675	1,850
Minor Parks	2,035	500	450	500	450
Parkland Acquisition	5,400	3,600	3,000	2,500	2,500
Total	10,596	10,177	5,800	4,675	4,800
EQUIPMENT PROGRAM					
Annual Fleet Replacement	725	1,600	1,600	1,600	1,600
Communication Equipment	-	-	-	-	515
Computer Capital	175	-	-	-	-
Fire Dept Vehicles	-	106	1,360	-	-
Miscellaneous Equipment	912	850	347	-	-
Technological Innovations	250	-	-	-	-
Vehicle Equipment	29	-	-	-	-
Total	2,091	2,556	3,307	1,600	2,115
Internal Transfers/Debt Payment					
Internal Transfers/Debt Payment	8,897	8,568	8,807	8,807	8,807
Total	8,897	8,568	8,807	8,807	8,807
Total Capital Programs	72,798	47,840	56,457	66,506	58,046

CITY OF RICHMOND
5 YEAR CAPITAL PLAN FUNDING SOURCES
2009 - 2013
(in 000's)

	2009	2010	2011	2012	2013
DCC Reserve					
Drainage	287	787	1,106	1,294	1,566
Parks Acquisition	5,076	3,384	2,820	2,450	2,450
Parks Development	1,809	2,186	1,974	1,397	1,504
Roads	4,834	4,062	4,155	3,519	3,508
Sanitary Sewer	1,037	916	1,524	-	-
Water	603	756	675	534	422
TOTAL	13,646	12,091	12,254	9,194	9,450
Reserves and Other Sources					
Statutory Reserves					
Affordable Housing Reserve Fund	195	-	-	-	-
Capital Building and Infrastructure Reserve Fund	8,016	400	3,700	4,900	6,100
Capital Reserve Fund	13,427	12,018	14,681	14,644	12,461
Child Care Development Reserve Fund	57	180	-	-	-
Community Legacy & Land Rep'l Reserve Fund	-	-	-	13,200	10,000
Drainage Improvement Reserve Fund	6,135	4,488	4,489	4,359	4,483
Equipment Replacement Reserve Fund	900	1,706	2,960	1,600	1,600
Leisure Facilities	150	-	-	-	-
Local Improvements Reserve Fund	-	-	-	500	500
Neighbourhood Improvement Reserve Fund	1,311	1,149	1,096	1,109	-
Public Art Program Reserve Fund	300	100	-	-	-
Sanitary Sewer Reserve Fund	1,848	2,400	2,396	2,322	2,397
Waterfront Improvement Reserve Fund	500	500	500	500	500
Watermain Replacement Reserve Fund	9,019	7,437	12,552	13,339	10,216
Subtotal Statutory Reserves	41,858	30,378	42,374	56,473	48,257
Other Sources					
Appropriate Surplus	468	-	-	-	-
Enterprise	727	1,310	347	-	-
Grant, Developer and Community Contributions	13,349	4,061	1,482	839	339
Library Provision	250	-	-	-	-
Utility Levy	500	-	-	-	-
Water Metering Provision	2,000	-	-	-	-
Subtotal Other Sources	17,294	5,371	1,829	839	339
TOTAL RESERVES & OTHER SOURCES	59,152	35,749	44,203	57,312	48,596
TOTAL CAPITAL PLAN CONTRIBUTIONS	72,798	47,840	56,457	66,506	58,046

Breakdown of \$1 of Municipal Taxes 2009





*Based on 2008 allocation.