



To: Finance Committee **Date:** December 2, 2022
From: Mike Ching **File:** 03-0905-01/2022-Vol
 Director, Finance 01
Re: Financial Information – 3rd Quarter September 30, 2022

Staff Recommendation

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2022”, dated December 2, 2022 from the Director, Finance be received for information.

Mike Ching, CPA, CMA
 Director, Finance
 (604-276-4137)

Att: 4

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE
Arts, Culture & Heritage Services	<input checked="" type="checkbox"/>	Information Technology <input checked="" type="checkbox"/>
Building Approvals	<input checked="" type="checkbox"/>	Parks Services <input checked="" type="checkbox"/>
Community Bylaws	<input checked="" type="checkbox"/>	Public Works <input checked="" type="checkbox"/>
Community Safety Administration	<input checked="" type="checkbox"/>	RCMP <input checked="" type="checkbox"/>
Community Social Development	<input checked="" type="checkbox"/>	Real Estate Services <input checked="" type="checkbox"/>
Development Applications	<input checked="" type="checkbox"/>	Recreation & Sport Services <input checked="" type="checkbox"/>
Economic Development	<input checked="" type="checkbox"/>	Sustainability & District Energy <input checked="" type="checkbox"/>
Engineering	<input checked="" type="checkbox"/>	Transportation <input checked="" type="checkbox"/>
Facilities and Project Development	<input checked="" type="checkbox"/>	Library Services <input checked="" type="checkbox"/>
Fire Rescue	<input checked="" type="checkbox"/>	
		CONCURRENCE OF GENERAL MANAGER <hr/>
SENIOR STAFF REPORT REVIEW	INITIALS: <hr/>	APPROVED BY CAO <hr/>

Origin

Pre-audited financial information for the 3rd quarter ended on September 30, 2022 is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City of Richmond's (the City) financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2018-2022 Strategic Focus Area #5 Sound Financial Management and #8 An Engaged and Informed Community:

5.1 Maintain a strong and robust financial position.

5.2 Clear accountability through transparent budgeting practices and effective public communication.

8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.

Economic Overview

Economies across the world are currently facing serious challenges. Positive, early rebound activity from the COVID-19 pandemic has been tempered by multiple shocks to the global economy and senior government policy decisions that are shaping current and future growth trajectories. The International Monetary Fund notes that the current cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine and the still lingering COVID-19 pandemic all weigh heavily on the global economic outlook. It now seems clear that the global economy will be unable to avoid a recession, though national and provincial forecasts differ in expected severity of impact.

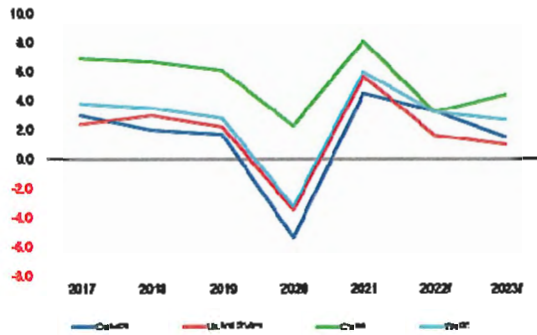
In Canada and in B.C., the period of slower growth is starting from a strong foundation. One of the most pressing challenges that businesses face is a labour shortage, which illustrates continued strong consumer demand for goods and services. While inflation reached a record high of 8.1% in June, by the end of the third quarter, there were signs of inflation starting to stabilize and slowly decrease as the Bank of Canada continued to aggressively raise interest rates to cool demand. It is now expected that growth in Canada will slow to 3.3% in 2022, with further slowing in 2023 due to lower commodity prices (as Canada is a net exporter), increased uncertainty, lower equity values, and a weaker U.S. (Canada's top trading partner).

In Richmond, the pandemic demonstrated the importance of a resilient and diversified local economy, which continues to be key to the city's ability to weather current challenges and future economic uncertainty. In the face of high inflation and slow growth, the impacts across Richmond's sectors differ: job growth in the technology sector is stalling, a low Canadian dollar continues to bolster the film industry and attract tourists, and retail may slow as consumer spending cools. Building permit and business licencing activity continue to be positive, as does construction value. Industrial vacancy rates also continue at historic lows, though there is some easing in office space vacancy rates. The city's economy is continuing to grow, albeit more

slowly in line with global conditions and with an awareness of current risks and continuing uncertainty.

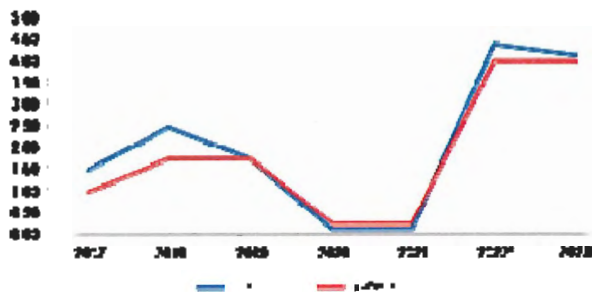
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change¹



- The International Monetary Fund (IMF) projects global Gross Domestic Product (GDP) will decrease from 6.0% in 2021 to an estimated 3.2% in 2022 and 2.7% in 2023.
- In 2022, Canadian GDP is forecasted to grow by 3.3%, with U.S. and China GDP growth forecasts of 1.6% and 3.2%, respectively.
- This global growth profile is the weakest since 2001, with the exception of the global financial crisis and the early most severe phase of the COVID-19 pandemic in 2020. The 2022 forecast for Canada is the same as reported in Q2, though the U.S. forecast has now been revised downward.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year End²

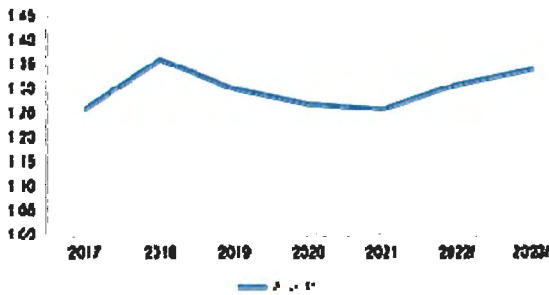


- For the sixth time this year, the Bank of Canada (BoC) increased rates (October 26, 2022), bringing its overnight lending rate to 3.75%. The BoC has signalled that it expects to raise rates further.
- The U.S. Federal Reserve (U.S. FED) rate increased to 4.0% (November 2, 2022), as inflation remains high (8.2% in September) and unemployment is near pre-pandemic lows at 3.7%.
- As both the BoC and U.S. FED respond to growing inflation, the BoC rate is expected to reach 4.0% by the end of 2022, with the U.S. FED ending the year even higher, around 4.38%. Both forecasted rates are higher than predicted in Q2.

¹ International Monetary Fund, World Economic Outlook (October 2022)

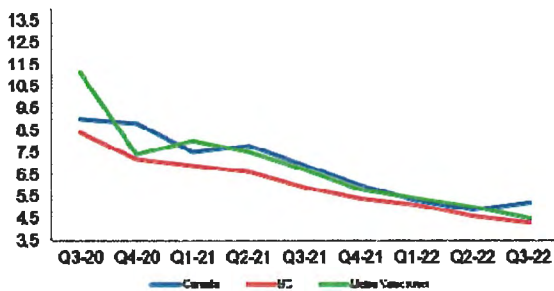
² US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (October 2022); RBC Financial Markets Monthly, (October 2022)

3) Exchange Rates – CAD/USD at Year End³



- The Canadian dollar (CAD) is continuing to weaken against the US Dollar, with a Q3 2022 exchange rate of \$1.38 CAD / \$1 USD, up from \$1.29 CAD / \$1 USD the previous quarter. The exchange rate is expected remain the same through year end.
- A weaker currency supports exports and increases import prices and inflation. Currently, the exchange rate may be working against the Bank of Canada’s efforts to slow growth and inflation, especially as the U.S. is Canada’s top trading partners.

4) Unemployment⁴

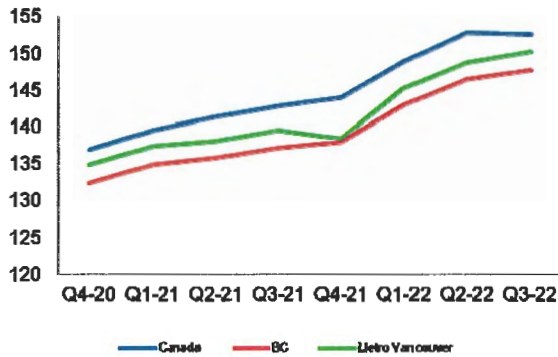


- According to Statistics Canada’s October 2022 Labour Market Survey, employment increased, while the unemployment rate remained steady at 5.2%. All employment gains were in full-time work, and labour force participation also increased.
- The number of private sector employees rose for the first time since March 2022, with few changes in other categories.
- At the end of Q3 2022, the Canadian, B.C., and Metro Vancouver unemployment rates were 5.2%, 4.3%, and 4.5%, respectively. This reflects an increased unemployment rate across Canada, but decreases – and even tighter labour markets – in both B.C. and Metro Vancouver compared to Q2.

³ Bloomberg; RBC Economics (RBC Financial Markets Monthly October 2022)

⁴ Statistics Canada Labour Force Survey (October 2022); Labour Force Statistics Highlights Issue #22-09

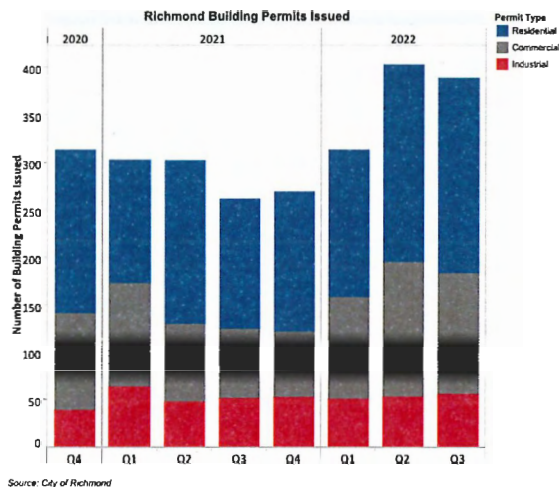
5) Consumer Price Index (CPI – 2002=100)⁵



- By the end of Q3 2022, inflation in Canada was showing early signs of slowing. Down from a high of 8.1% in June, it dropped to 6.9% year-over-year in September.
- However, in B.C. and Metro Vancouver, inflation remained higher at 7.7%, similar to Q2 rates.
- Compared with other provinces, B.C. had the fourth largest year-over-year increase in inflation, following Prince Edward Island (8.4%), Manitoba (8.1%), and Nova Scotia (7.8%).

Regional & Local Economic Activity Indicators

6) Building Permits – Richmond⁶

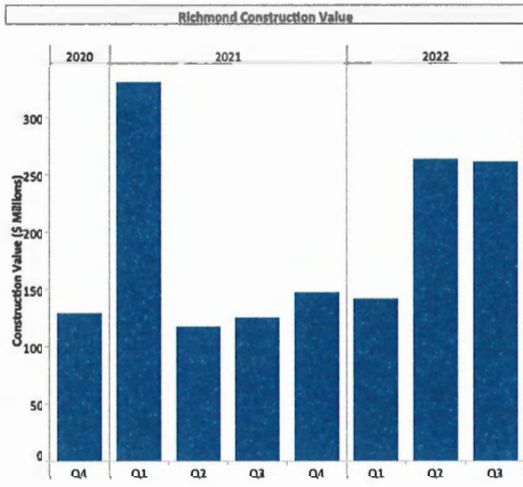


- During the third quarter of 2022, there were 206 residential, 128 commercial, and 56 industrial building permits issued in Richmond.
- This represents a 48.9% increase in total building permits issued over the same period in 2021, including increases in each type of building permit issued (residential: 50.4%; commercial: 75.3%; industrial: 7.7%).
- 607 new units were added to the local housing supply in Q3 2022, which represents a 589.8% increase as compared to the same period in 2021. This is due to a predominance of multi-family units being added this quarter. This category of dwelling has longer development cycles, which results in substantial quarter-over-quarter fluctuations in the number of new units. Year to date, the increase in new units is 15.1% in 2022 compared to 2021.

⁵ Statistics Canada, Consumer Price Index; also Consumer Price Index, September 2022; also BC Stats, Consumer Price Index, September 2022

⁶ City of Richmond Building Permits

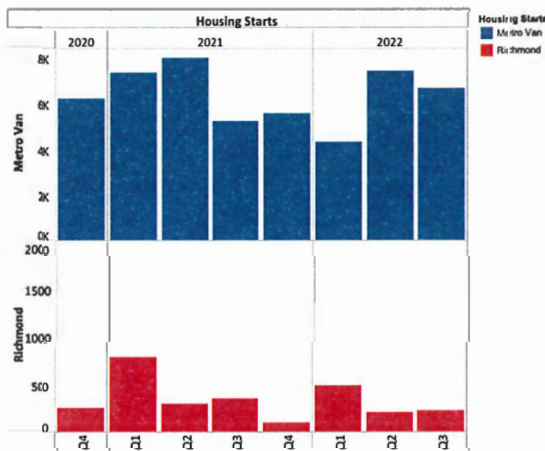
7) Construction value



Source: City of Richmond

- Over \$261 million in construction value was registered in Q3 2022, an increase of 108.8% over the same period last year.
- There are anticipated supply constraints in construction, including high cost materials and labour shortages, and anticipated slowing of demand due to inflation, but value remains strong.

8) Housing Starts⁷



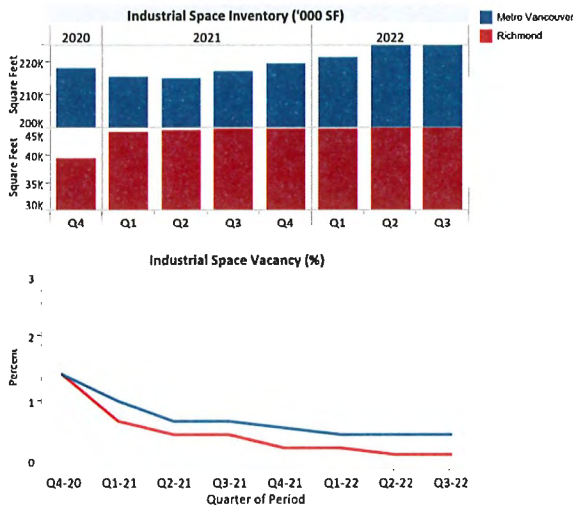
Source: Canada Mortgage and Housing Corporation

- In Q3 2022, there were 225 housing starts in Richmond and 6,647 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced⁸.
- Year to date housing starts decreased in Richmond by 36.1% and in Metro Vancouver by 10.4% over the same period in 2021. There has been a fair amount of fluctuation over the past year and quarter by quarter.
- CMHC estimates that labour shortages are, and will continue to be, a key barrier to addressing significant housing supply gaps, primarily in British Columbia and Ontario.

⁷ Canada Mortgage and Housing Corporation, Housing Market Insight, October 2022

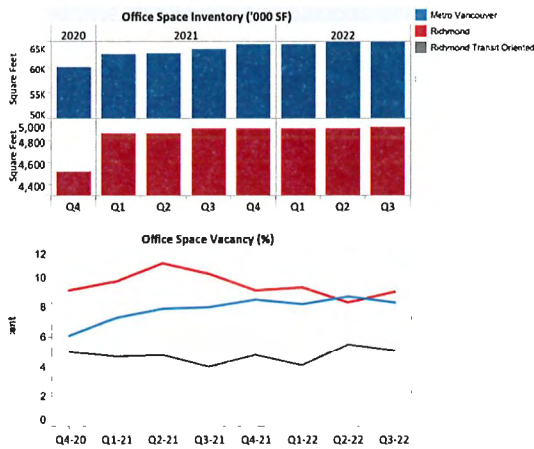
⁸ Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure. Housing Starts data responds to many market and industry factors that do not directly correlate with approved numbers of units approved for construction by the City. There will be fluctuations in this data quarter by quarter to reflect the time delay between construction and issuance of permits.

9) Commercial Space⁹
 a) Industrial Space



- Industrial sales and leasing activity in Metro Vancouver continued to be strong in Q3, with industrial vacancy rates remaining at the same historic low of 0.5% as the last two quarters.
- In Richmond, the industrial vacancy rate is even lower than Metro Vancouver and remains at 0.2%, the same as last quarter.
- While some slowdown of industrial leasing is anticipated, aligned with slowing of the broader economy, prices are not expected to decline, given continued lack of supply.
- On the sales side, demand has slowed since the spring, and investors are expected to be more selective and to request more attractive terms from sellers. That said, even as construction reaches historic highs, it is still insufficient to satisfy demand.

b) Office Space



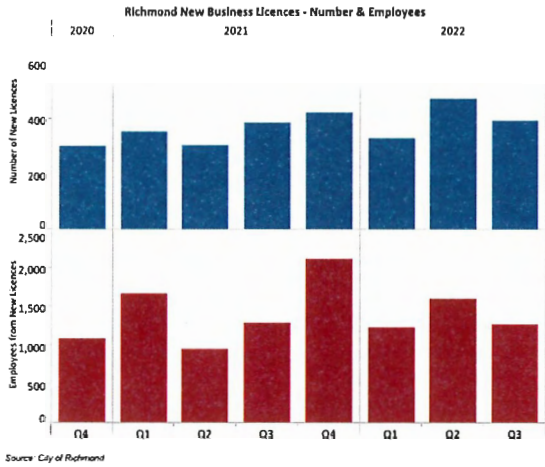
Source: Cushman & Wakefield, Jones Lang LaSalle

- At the end of Q3 2022, the office vacancy rate had increased to 9.0% in Richmond and declined to 8.3% in Metro Vancouver.
- There is 8.4 million square feet (msf) of office construction underway in Metro Vancouver, representing half of all new office product throughout Canada. Approximately 2.6 msf will be delivered by year end or early next year.
- Sub-leasing has increased in downtown Vancouver, as tenants are re-evaluating and reducing their footprints to accommodate the hybrid work environment.
- Demand for Class A and AAA space continues to be strong, and the price differential is increasing between downtown and suburban locations, with tenants willing to pay a premium for high class space downtown.

⁹ Cushman & Wakefield Office and Industrial Market Beat Reports

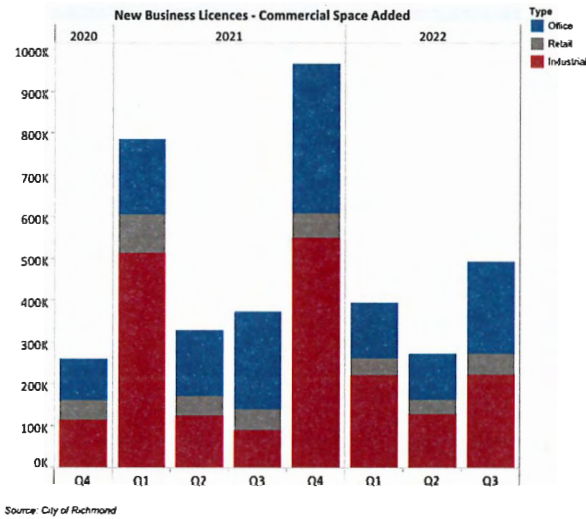
10) Business Growth – Richmond

a) Total Valid Business Licences & New Business Licences Issued



- 395 new business licenses (representing 1,276 jobs) were issued by the City of Richmond in Q3 2022, a 2.6% increase from the same period last year and a 14.9% increase, year-to-date, compared with 2021.
- The number of total valid business licenses at the end of Q3 2022 was 13,340, 1.6% lower than a year ago.

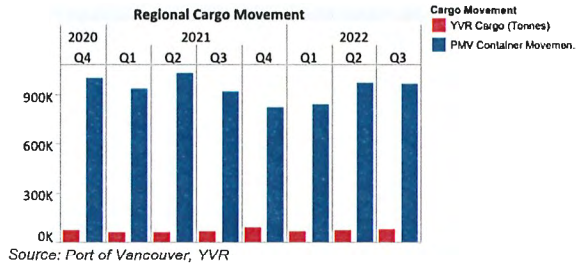
b) New Business Licences – Commercial Space



- 493,908 square feet of commercial space absorption was tied to the new business licenses issued during Q3 2022.
- This is an increase of over 30% compared to Q3 last year, but a decrease of just over 20% year to date (compared to 2021), given substantial quarter-over-quarter fluctuations. Similar to last quarter, the greatest amount of space was required by industrial (223,096 sq ft) and office (221,505 sq ft) businesses, followed by retail (49,307 sq ft).

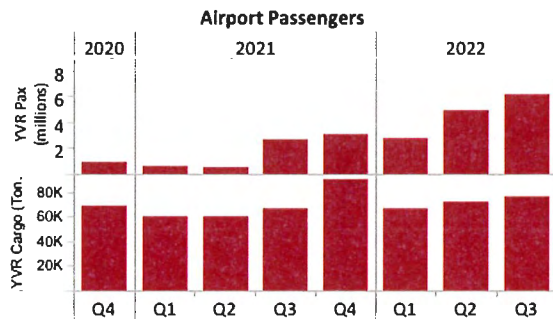
11) Goods and People Movement

a) Regional Cargo Movement¹⁰



- In Q3 2022, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalent (TEUs), increased slightly by 5.3% from the same time period last year, though decreased slightly 3.2% year-to-date as compared to 2021.
- During Q3 2022, 77,048 tonnes of air cargo passed through the Vancouver International Airport (YVR), which is an increase of approximately 14.8% compared to both Q3 2021 and year-to-date compared to last year.

b) Airport Passengers¹¹

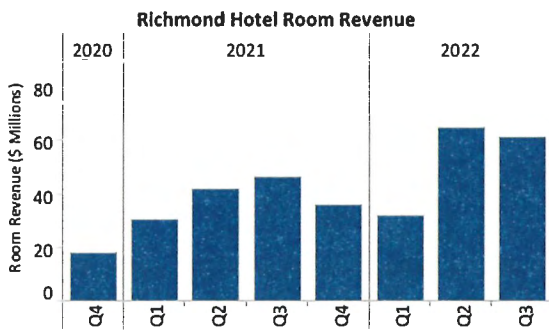


- The number of travelers moving through YVR continues to increase, with 127.1% more travelers in Q3 2022 (6.1M) as compared to the same period last year (2.7M), and 242.7% more, year-to-date, as compared to 2021.
- Demand for air travel remains strong, though airfares are likely to remain high, as key input costs for airlines, such as jet fuel, have increased due to inflation.

¹⁰ Port of Vancouver Monthly Cargo Statistics

¹¹ YVR Monthly Statistics

c) Richmond Hotel Room Revenue¹²



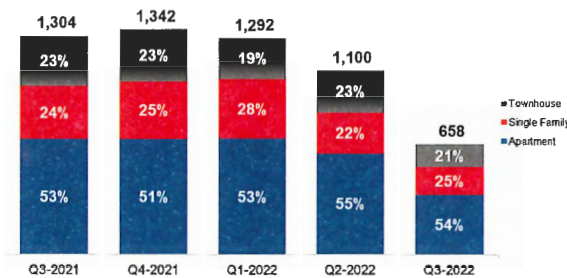
- Continuing the recovery trend seen last quarter, hotel room revenues in Richmond for July and August 2022 were \$61.3M, which is 80.3% higher than the same period last year.
- Revenue increases have been driven primarily by higher average daily rates, while occupancy rates still have room to grow. As hotels' costs have increased due to inflation, they are not seeing the corresponding increase in profitability that might usually be expected with higher revenues.

¹² City of Richmond Additional Hotel Room Tax Ledger; Destination BC – Richmond Hotel Revenue for Q3 2022 includes July and August data only. B.C. Regional Tourism Secretariat, Monthly Visitor Highlights 2022

Residential Real Estate¹³

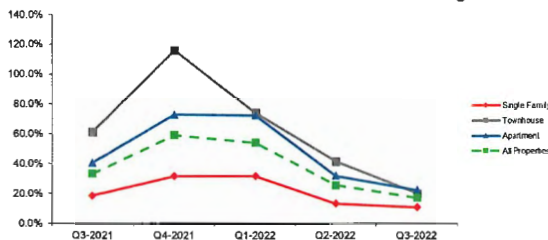
To combat inflation, the Bank of Canada has been raising interest rates at the fastest and most substantial pace since the late 1990's. This has made it more difficult for borrowers trying to purchase a home and home sales have dropped accordingly. Inventory is beginning to accumulate and buyers now have more selection than they have had in previous years.

Richmond - Residential Sales



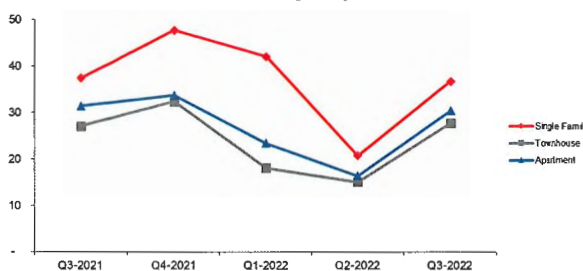
- Single family detached (SFD) home sales decreased by 48.6% compared to Q3 2021.
- Townhouse and apartment sales have decreased 54.3% and 47.9%, respectively, compared to Q3 2021.
- Townhouse sales comprise 20.8% of the residential home sales in Richmond. SFD and apartment sales account for 24.8% and 54.4%, respectively, of home sales in Richmond.
- There were 658 residential home sales in Richmond in Q3 2022, a 49.5% decrease compared to the same period last year.

Richmond - Residential Sales-to-Active Listings



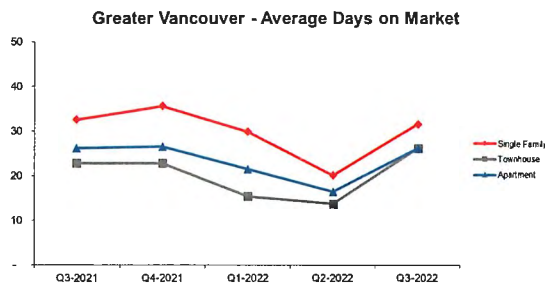
- Richmond residential properties had a sales-to-active listings ratio of 17.1% as of September 30, 2022 representing a sellers market.

Richmond - Average Days on Market



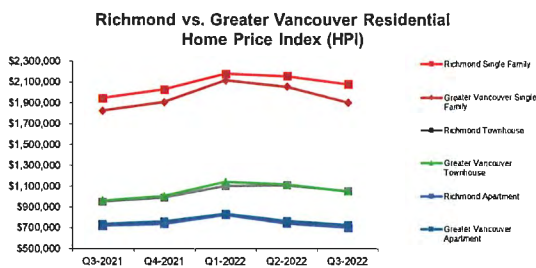
- At Q3 2022, SFD properties in Richmond had an average of 37 days on the market, no change compared to Q3 2021.
- Townhouses and apartments had an average of 28 and 30 days on the market, respectively, representing a 3.7% increase and a 3.2% decrease respectively over the same period last year.

¹³ Real Estate Board of Greater Vancouver



- At Q3 2022, SFD properties in GVRD had an average of 32 days on the market, which represents a 3.1% decrease compared to Q3 2021.

Townhouses and apartments in GVRD had an average of 26 days on the market, which represents an increase of 11.5% for townhouses and remains the same for apartments, compared to Q3 2021.

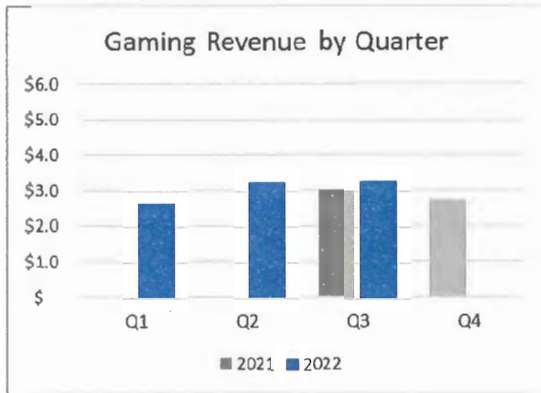


- The Home Price Index (HPI)¹⁴ for SFD properties in Richmond at Q3 2022 was \$2,081,500, a 6.7% increase compared to Q3 2021. The GVRD housing market has also increased with SFD properties priced at \$1,906,400, which was a 4.1% increase compared to the same quarter last year.
- At Q3 2022, the HPI for townhouse properties in Richmond was \$1,051,500, an increase of 10.6% compared to Q3 2021. The HPI for townhome properties in GVRD was \$1,048,900, which represented an 8.1% increase compared to the same time last year.
- The HPI for apartments in Richmond was \$703,900, a decrease of 2.9% compared to Q3 2021. GVRD's apartment prices also decreased to \$728,500, which was a 1.4% decrease from Q3 2021.

Gaming Revenue

In accordance with the Host Financial Assistance Agreement with the Province of BC, the Province pays 10% of net gaming income to the City. Net gaming revenue is calculated as net win from casino games less (i) fees payable by BC Lottery Corporation (BCLC) to the service provider and (ii) BCLC's administrative and operating costs. Distributions are subject to volatility due to fluctuations in net win from casino games, operating costs and accounting adjustments.

¹⁴ Home Price Index is a tool to measure home prices trends in Metro Vancouver and other major markets in the country. It is an alternative measure of real estate prices that provides the market trends over traditional tools such as mean or median average prices.



- The River Rock casino reopened July 1, 2021, after being closed since March 16, 2020.
- Gaming revenue for Q3 2022 was \$3,289,802; it was \$2,999,392 for Q3 2021, the first payment after the casino reopened.
- The 2022 budget for Gaming revenues is \$14,500,000 based on amounts received pre-Covid.

On March 16, 2020, the Attorney General ordered the temporary closure of all gambling facilities in British Columbia in consultation with and on the advice of the Provincial Health Officer. This action was taken in order to protect British Columbians and ensure that the province was in the best position to effectively respond to the COVID-19 pandemic. The closure of gambling facilities has directly impacted casino revenue since March 2020.

On June 29, 2021, the provincial government announced that certain businesses can reopen, such as casinos. The Great Canadian Gaming Corporation reopened the River Rock Casino Resort on Thursday, July 1, 2021. The City received a total of \$5,700,108 through payments for the third and fourth quarters in 2021. For 2022, total payments for three quarters is \$9,198,543, a 206.7% increase from 2021.

At the January 24, 2022 Council meeting, the 2022 Budget was approved which included the gaming revenue allocation for 2022. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be adjusted from the Capital Building and Infrastructure Reserve.

Table 1: Distribution of the 2022 gaming revenue allocation

	Distribution	2022 Budget
Capital Reserves	30%	\$4.4M
Grants	15%	2.1M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.8M
Capital Building and Infrastructure Reserve	Remainder	1.9M
Total		\$14.5M

Operating Activity

Table 2 compares budget to unaudited actual activity up to September 30, 2022. The net figure represents combined revenue and expense amounts. Actuals includes estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: *Net Operational Activity for the period January 1, 2022 to September 30, 2022 (in \$000's)*

Division/Department ¹	Q3 YTD Net Budget ²	Q3 YTD Actuals and Commitments	Q3 YTD Variance (\$)	Projected Surplus (Deficit) before Appropriation	Estimated Appropriation	Projected Surplus (Deficit) after Appropriation
Community Safety ³	\$(286)	\$(678)	\$392	331	-	331
Community Services	33,867	31,670	2,197	2,949	-	2,949
Corporate Administration	7,901	6,872	1,029	1,497	(322)	1,175
Engineering and Public Works	35,779	33,777	2,002	2,497	(2,497)	-
Finance and Corporate Services	17,685	15,404	2,281	2,674	(1,006)	1,668
Fire Rescue	33,900	33,831	69	237	-	237
Law and Legislative Services	3,153	3,145	8	99	-	99
Library	7,754	7,457	297	457	(457)	-
Planning and Development	6,917	5,259	1,658	2,128	-	2,128
Policing	49,213	48,427	786	1,507	-	1,507
Fiscal	(177,413)	(179,547)	2,134	1,501	(7,309)	(5,808)
Total	\$18,470	\$5,617	\$12,853	\$15,877	\$(11,591)	\$4,286
Sanitary Sewer Utility	1,039	654	385	553	(553)	-
Sanitation and Recycling Utility	2	(805)	807	1,076	(1,076)	-
Water Utility	4,377	2,512	1,865	2,160	(2,160)	-
Utilities Total	\$5,418	\$2,361	\$3,057	\$3,789	\$(3,789)	\$-

¹Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc. It does not represent Generally Accepted Accounting Principles, but is presented on a modified cash basis.

²The Net Budget is based on the amended operating budget approved by Council on July 25, 2022.

³Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.

⁴Includes Community Safety Administration, Animal Protection Services, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2022 Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to timing of operating spending and timing required to fill vacant positions.
- Community Services' favourable variance is mainly driven by vacant positions and lower operating expenditures as programs and services gradually return to pre-pandemic levels.

- Corporate Administration's favourable variance is mainly driven by vacant positions and lower operating expenses. An appropriation of \$322K is projected for supporting continuation of corporate programs.
- Engineering and Public Works has a favourable variance due to timing of work completed on capital projects compared to Public Works maintenance projects. Estimated appropriations at year end include the following: \$1.15M for Fleet surplus estimated to be transferred to the Equipment Reserve in accordance with Policy 2020, \$981K related to Lulu Island Energy Company in accordance with the asset transfer agreement and \$363K for Major Roads Network projects to be completed in 2022.
- Finance and Corporate Services' favourable variance is mainly due to vacant positions and savings in operating expenses. An appropriation of \$1.0M is required in order to fund recommended 2023 City wide information technology capital projects.
- Fire Rescue is on budget.
- Law and Legislative Services is on budget.
- Library's favourable variance is mainly due to vacant positions. Any surplus at year end will be appropriated for future use within Library operations.
- Planning and Development's favourable variance is primarily due to higher than budgeted building permit revenue related to multi residential buildings and vacant positions.
- Policing's favourable variance is driven by municipal employee vacancies, lower than budgeted policing contract costs and higher than budgeted revenue.
- Fiscal's favourable variance is mainly due to timing of expenditures. Estimated appropriations at year end include \$7.3M to fund the payments with respect to the borrowing for Steveston Community Centre and Library as presented in the 2023 Operating Budget report.
- Sanitary Sewer Utility's favourable variance is mainly driven by additional revenue received from developers that was not budgeted for sanitary sewer user fees during construction of new residential developments, offset by more work done on Public Works maintenance projects. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance driven by higher than budgeted Recycle BC revenue, more recycling commission revenue and vacancies in Public Works labour. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

- Water Utility's favorable variance is mainly driven by additional revenue received from developers that was not budgeted for water consumption charges during construction of new residential developments. Any surplus at year end will be transferred to the Water Levy Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Statement of Operations for the Nine Month Period Ended September 30, 2022, with comparative figures for 2021 is included in Attachment 3.

Cash and Investment Portfolio

The City's cash and investment balance of \$1.58 billion as of September 30, 2022 was comprised of \$721.6 million in investments and \$862.3 million in high interest savings cash accounts. This represents both the City's working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses.

The average yield to maturity of the City's cash and investment portfolio has increased to 3.25% as of September 30, 2022. The interest yield is anticipated to continue to improve over the remainder of the year as the City continues to reinvest available funds at a higher rate as investments mature in the rising interest rate environment.

Table 3: Market Interest Rates (for analytical purposes only)

	September 30, 2022 (current quarter)	June 30, 2022 (previous quarter)
2 Year Government of Canada Bonds	3.75%	3.14%
5 Year Government of Canada Bonds	3.24%	3.17%
10 Year Government of Canada Bonds	3.08%	3.28%

Source: Bank of Canada

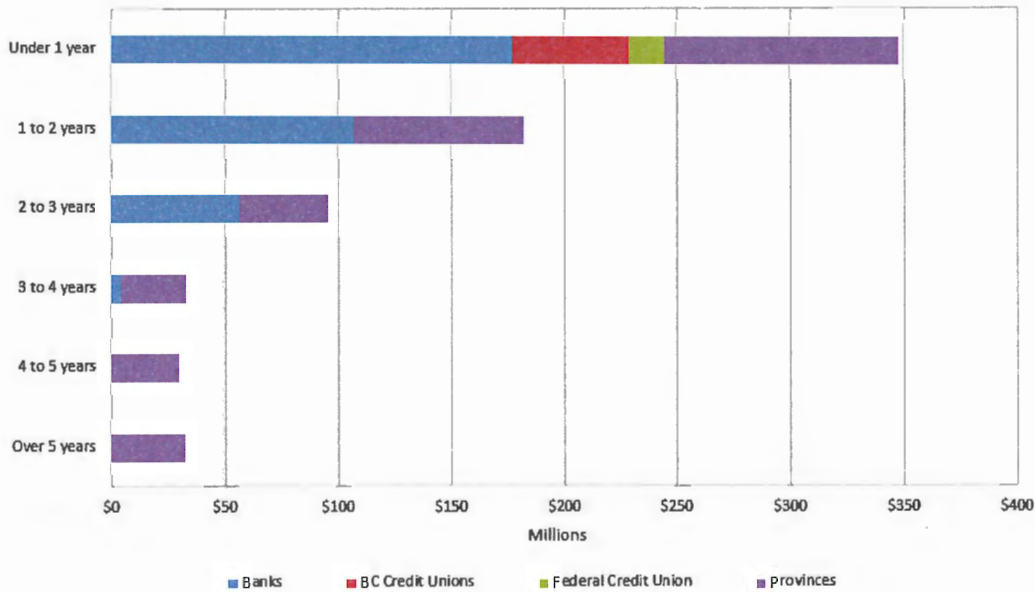
The BoC, in controlling inflation, has raised its overnight interest rate six times since March 2, 2022, to the current level of 3.75% at the most recent October 26, 2022 interest rate announcement. Inflation in Canada peaked at 8.1% in June and has declined to 6.9% in the past quarter.

Looking ahead, the BoC recognizes that it will take time for past interest rate increases to have their full effect on the economy and inflation. However, with labour markets remaining tight, the economy still in excess demand, and with still-elevated near-term inflation expectations, further interest rate increases are still anticipated.

The City's overall credit risk exposure remains low because the City continues to maintain a diversified and high credit quality investment portfolio comprising of 43% in provincial government bonds, 48% in chartered banks, 2% in the federal credit union and 7% in B.C. credit unions. As shown in the investment maturity summary in the chart below, the City has been

strategically positioned with heavier weighting on short-term interest bearing products in order to allow for more flexible reinvestment opportunities in a rising interest rate environment.

Q3 2022 Investment Maturity Summary



Staff will continue to monitor the interest rate movement and will strategically reposition its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for all municipal investment decisions.

All investment activities have been conducted in compliance with the City’s Investment Policy 3703. Based on independent ESG rating of the City’s fixed income portfolio, the City continues to receive high ESG Rating of “AA” as of Q3 2022.

Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than \$75,000. During the third quarter, 43 contracts greater than \$75,000 were awarded totalling over \$21.2 million (Attachment 4).

Financial Impact

None.

Conclusion

The September 30, 2022 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for review.



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- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Unaudited Statement of Operations
- Att. 4: Contract Awards greater than \$75,000

Economic Indicators**September 30, 2022****Macroeconomic Indicators & Forecast**

1) Real GDP (% at YE)	2020	2021	Change	2022f	2023f
Canada	(5.4)	4.5	183.3%	3.3	1.5
United States	(3.5)	5.7	262.9%	1.6	1.0
China	2.3	8.1	252.2%	3.2	4.4
World	(3.3)	6.0	281.8%	3.2	2.7
2) Interest Rates (at YE)	2020	2021	Change	2022f	2023f
Bank of Canada	0.25	0.25	0.0%	4.00	4.00
US FED	0.13	0.13	0.0%	4.38	4.13
3) Exchange Rate (at YE)	2020	2021	Change	2022f	2023f
CAD per \$1 USD	1.27	1.26	(0.8%)	1.31	1.34
4) Unemployment (% at QE)	Q3-2022	Q2-2022	Change	Q3-2021	Change
Canada	5.2	4.9	6.1%	6.9	(24.6%)
BC	4.3	4.6	(6.5%)	5.9	(27.1%)
Metro Vancouver	4.5	5.0	(10.0%)	6.7	(32.8%)
5) CPI (2002=100) (at QE)	Q3-2022	Q2-2022	Change	Q3-2021	Change
Canada	152.7	152.9	(0.1%)	142.9	6.9%
BC	147.8	146.5	0.9%	137.2	7.7%
Metro Vancouver	150.3	148.8	1.0%	139.6	7.7%

Regional and Local Market Indicators

6) Richmond Building Permits	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Residential – New Construction [^]	99	77	28.6%	270	213	26.8%
Residential – Alterations	107	60	78.3%	301	228	32.0%
Residential Total	206	137	50.4%	571	441	29.5%
Number of units from new residential construction	607	88	589.8%	1,074	933	15.1%
Residential	206	137	50.4%	571	441	29.5%
Commercial	128	73	75.3%	376	264	42.4%
Industrial	56	52	7.7%	161	164	(1.8%)
Building Permits Total	390	262	48.9%	1,108	869	27.5%
Construction Value (\$ million)	261.0	125.0	108.8%	665.0	572.0	16.3%
7) Housing Starts (Units)	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Starts - Metro Vancouver	6,647	5,192	28.0%	18,357	20,486	(10.4%)
Starts - Richmond	225	355	(36.6%)	915	1,432	(36.1%)
8) Richmond Residential Sales Activity	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Sales - Detached	163	317	(48.6%)	765	1,293	(40.8%)
Sales - Townhouse	137	300	(54.3%)	633	1,100	(42.5%)
Sales - Apartment	358	687	(47.9%)	1,652	2,272	(27.3%)
Sales - Total	658	1,304	(49.5%)	3,050	4,665	(34.6%)

Economic Indicators**September 30, 2022****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings**

Ratio (% at QE)	Q3-2022	Q3-2021	Change
Single Family Detached	10.6%	18.3%	(42.1)
Townhouse	20.0%	61.1%	(67.3)
Apartment	22.2%	40.5%	(45.2)
Total	17.1%	33.2%	(48.5)

10) Average Days on Market

Property Type	Richmond			Metro Vancouver		
	Q3-2022	Q3-2021	Change	Q3-2022	Q3-2021	Change
Single Family Detached	37	37	0.0%	32	33	(3.1%)
Townhouse	28	27	3.7%	26	23	11.5%
Apartment	30	31	(3.2%)	26	26	0.0%

11) Home Price Index (\$000 at QE)

Property Type	Richmond			Metro Vancouver		
	Q3-2022	Q3-2021	Change	Q3-2022	Q3-2021	Change
Single Family Detached	2,082	1,951	6.7%	1,906	1,828	4.1%
Townhouse	1,052	951	10.6%	1,049	964	8.1%
Apartment	704	725	(2.9%)	729	739	(1.4%)

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q3-2022	Q3-2021	Change	Q3-2022	Q3-2021	Change
Office Vacancy (%)	9.0	10.2	(11.8%)	8.3	8.0	3.8%
Transit Oriented Office Vacancy (%)	5.1	4.0	27.5	N/A	N/A	N/A
Office Inventory (000 sf)	4,920	4,903	0.3%	65,435	63,369	3.3%
Industrial Vacancy (%)	0.2	0.5	(60.0%)	0.5	0.7	(28.6%)
Industrial Inventory (000 sf)	45,730	44,762	2.2%	225,884	217,231	4.0%

13) Richmond Business Growth

	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Total Valid Business Licences (at QE)	13,340	13,558	(1.6%)	13,340	13,558	(1.6%)
New Licences - Number Issued	395	385	2.6%	1,198	1,043	14.9%
New Licences - Employees	1,276	1,294	(1.4%)	4,117	3,922	5.0%
New Licences - Office Added (sf)	221,505	233,153	(5.0%)	465,602	569,934	(18.3%)
New Licences - Retail Added (sf)	49,307	49,937	(1.3%)	124,481	191,777	(35.1%)
New Licences - Industrial Added (sf)	223,096	90,190	147.4%	573,669	727,959	(21.2%)
Total Space Added (sf)/Avg. Change	493,908	373,280	32.3%	1,163,752	1,489,670	(21.9%)

Economic Indicators**September 30, 2022****Regional and Local Market Indicators (continued)**

14) Goods & People Movement	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
YVR Air Cargo (tonnes)	77,048	67,127	14.8%	216,122	188,395	14.7%
PMV Container Movement (TEUs)	962,661	914,143	5.3%	2,766,140	2,858,235	(3.2%)
YVR Passengers (million)	6.11	2.69	127.1%	13.81	4.03	242.7%
Richmond Hotel Revenue (\$ million)**	61.3	34.0	80.3%	160.2	106.0	51.1%

Notes:

- a) QE indicates quarter end; YE indicates year end
b) f - forecast to year end
c) * - Figures have been updated to reflect changes in source data.
d) **Hotel Room Revenue for Q3 includes July and August 2022 data only

List of Sources:

- 1) International Monetary Fund, World Economic Outlook (October 2022)
2) US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; B of C Monetary Policy Report (October 2022), RBC Financial Markets Monthly, October 2022
3) Bloomberg; RBC Economics RBC Financial Markets Monthly, October 2022
4) & 5) Statistics Canada, BC Stats
6) City of Richmond Building Permits
7) Canada Mortgage and Housing Corporation
8) 9) 10) & 11) Real Estate Board of Greater Vancouver
12) Cushman & Wakefield Office and Industrial Market Beat Reports
13) City of Richmond Business Licences
14) Port of Vancouver Monthly Cargo Statistics
YVR monthly statistics
City of Richmond Additional Hotel Room Tax Ledger, BC Regional Tourism Secretariat, Monthly Visitor Highlights 2022

Financial and Key Indicators**September 30, 2022**

(All dollar amounts in \$000's)

	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
1) Development Cost Charges Contributions						
Roads, Water, Sewer DCC's Received	\$3,831	\$1,844	107.8%	\$13,073	\$7,505	74.2%
Parks DCC's Received	\$1,065	\$361	195.0%	\$4,973	\$3,875	28.3%
Total DCC Fees Received	\$4,896	\$2,205	122.0%	\$18,045	\$11,380	58.6%
DCC Reserves – Uncommitted balance at QE	\$139,650	\$144,231	(3.2%)	n/a	n/a	n/a
2) Uncommitted Reserves (at QE)						
Capital Funding Reserves	\$213,434	\$118,353	80.3%			
Utility Reserves	\$107,272	\$106,598	0.6%			
Affordable Housing Reserves	\$8,405	\$7,174	17.2%			
Other Reserves	\$76,542	\$69,474	10.2%			
Total Uncommitted Reserves	\$405,653	\$301,599	34.5%			
3) Taxes to date						
Taxes Collected	\$139,995	\$126,202	10.9%	\$476,680	\$460,067	3.6%
City Portion of Taxes Collected	\$71,398	\$61,839	15.5%	\$243,107	\$225,433	7.8%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$4,294	\$3,504	22.5%	\$4,294	\$3,504	22.5%
No. of Participants on Pre-authorized withdrawal (at QE)	6,364	6,400	(0.6%)	6,364	6,400	(0.6%)
Pre-authorized withdrawals payments	\$8,229	\$7,963	3.3%	\$27,885	\$21,860	27.6%
Interest rate % paid	1.70%	0.45%	277.8%	1.70%	0.45%	277.8%
<i>Sources: All data is from City of Richmond records</i>						
4) Cash and Investments						
Investments	\$721,632	\$653,653	10.4%			
Cash (includes high interest savings accounts)	\$862,253	\$731,152	17.9%			
Total Cash and Investments	\$1,583,885	\$1,384,805	14.4%			
Average City Rate of Return on Investments %	3.25%	1.37%	137.2%			

Financial and Key Indicators**September 30, 2022**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Building Permit Fees Collected	\$3,043	\$1,614	88.5%	\$7,829	\$6,683	17.1%
Development Applications Received	39	50	(22.0%)	106	128	(17.2%)
Development Applications Fees	\$211	\$252	(16.3%)	\$473	\$715	(33.8%)
6) Business Licences	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Revenue Received for Current Year Licences	\$770	\$788	(2.3%)	\$3,800	\$3,761	1.1%
Revenue Received for Next Year (Deferred)	\$478	\$449	6.5%	\$846	\$786	7.6%
Total Licence Revenue	\$1,248	\$1,237	0.9%	\$4,646	\$4,547	2.2%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Parking Program Revenue	\$504	\$366	37.7%	\$1,269	\$952	33.3%
Gaming Revenue	\$3,290	\$2,999	9.7%	\$9,199	\$2,999	206.7%
Traffic Fine Revenue	\$0	\$2,606	0.0%	\$2,435	\$2,606	(6.6%)
8) Employees	Q3-2022	Q3-2021	Change			
Full Time Equivalent (FTE) Employees (at QE) <i>(City and Library)</i>	1,570	1,450	8.3%			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
RCMP - Calls for Service Handled	14,595	14,859	(1.8%)	41,343	44,136	(6.3%)
Community Bylaws	1,476	1,208	22.2%	3,844	3,311	16.1%
Fire Incidents	3,036	2,580	17.7%	8,110	6,766	19.9%
Public Works calls for Service	4,161	3,737	11.3%	11,299	10,933	3.3%

Financial and Key Indicators**September 30, 2022**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

10) Housing Units Secured Since 2007 (at QE)	Q3-2022	Q3-2021	Change
<u>Affordable Housing</u>			
Non-Market Rental (units)	569	569	0.0%
Affordable Rental (LEMR**) (units)	963	906	6.3%
ARTS Rental (units)	37	37	0.0%
Entry Level Home Ownership (units)	25	25	0.0%
<u>Market Housing</u>			
Market Rental (units)	1,592	979	62.6%
Secondary Suite / Coach House (units)	343	303	13.2%
Total Housing Units	3,529	2,819*	25.2%

* Figures have been updated to reflect changes in source data and methodology.

** LEMR units refer to Low End Market Rental units.

*** The floor space secured refers to square footage negotiated through phased developments. The number remains unchanged, as the development applications for subsequent phases have not come forward at this time with the unit breakdown and mix. LEMR units are still consistently secured through standard rezoning and development applications.

11) Richmond Population Estimate Year End	2022f	2021
	222,099	216,280

Population figures from BC Stats

Notes:

- a) All figures presented above are unaudited
- b) f - forecast to year end

Unaudited Statement of Operations¹

For the Nine Month Period Ended September 30, 2022, with comparative figures for 2021.

(Expressed in thousands of dollars)

	Budget Sept 30 2022	Actuals Sept 30 2022	Actuals Sept 30 2021
Revenue:			
Taxes and levies	\$202,318	202,318	\$192,148
Utility fees	94,538	95,850	89,282
Sales of services	29,357	27,122	21,849
Payments-in-lieu of taxes	10,988	9,992	9,107
Provincial and federal grants	6,958	7,083	7,080
Development cost charges	13,311	11,037	9,872
Other capital funding sources	51,196	32,878	24,154
Other revenue:			
Investment income	9,871	13,736	11,249
Gaming revenue	10,875	9,199	2,999
Licences and permits	8,468	10,473	9,979
Other	7,960	23,539	15,748
Equity income	634	1,467	974
	446,474	444,694	394,441
Expenses:			
Community safety	102,015	97,523	84,097
Utilities: water, sewer and sanitation	86,093	83,468	81,262
Engineering, public works and project development	60,578	56,982	49,845
Community services	52,715	46,271	41,612
General government	47,423	49,781	42,743
Planning and development	19,405	16,012	16,635
Library services	8,213	8,120	7,167
	376,442	358,157	323,361
YTD Surplus (Annual Surplus) ²	70,032	86,537	71,080
Accumulated surplus, beginning of year	3,374,871	3,374,871	3,303,791
Accumulated surplus, end of September 30 ³	\$3,444,903	\$3,461,408	\$3,374,871

¹ Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company but excludes Oval results.

² Annual Surplus is the difference between revenues and expenses and reflects the change in the accumulated surplus on the Statement of Financial Position. Annual Surplus is prior to transfer to reserves and surplus appropriations. The revenues include capital contributions, development cost charges and other items that impact the investment in tangible capital assets within the accumulated surplus. The expenses include amortization which impacts the investment in tangible capital assets in accumulated surplus.

³ Accumulated surplus is equivalent to the net worth of an organization and is comprised of investment in tangible capital assets, reserves, appropriated surplus, general surplus and other equity.

Contract Awards greater than \$75,000

July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
1	South Arm Community Centre Infrastructure Renewals	Hajdo Forbes Architect	97,750	Engineering & Public Works
2	Britannia Envelope and Mechanical Renewals - Consulting Services	Elemental Architecture and Interiors Inc.	236,371	Engineering & Public Works
3	Energy Poverty Reduction Toolkit Program	Social Capital Strategies Inc.	95,189	Engineering & Public Works
4	South Arm Community Hall Mechanical Replacements	Entity Mechanical Ltd.	99,870	Engineering & Public Works
5	Flood Protection Devices	MegaSecur Securite Environmentale Inc.	360,406	Engineering & Public Works
6	Richmond Ice Centre Zamboni Parking and Flooring Upgrades	PCL Constructors Westcoast Inc.	224,398	Engineering & Public Works
7	Property Acquisition Improvements 20500 Westminster Highway	Blue Pine Enterprises	146,200	Engineering & Public Works
8	Works Yard Administration Building Boiler Replacement	Entity Mechanical Ltd.	82,009	Engineering & Public Works
9	Replacement of Underground Electrical Conduit and New Dispensers with Pump Covers	Western Oil Services Ltd.	107,426	Engineering & Public Works
10	Operation of Restorative Justice Program - 2023 - 2025	Touchstone Family Association	300,000	Community Safety
11	Construction Management - Construction Services for City Hall Infrastructure and Life Safety Systems Upgrades - Phase 2	Heatherbrae Builders Co. Ltd.	625,612	Engineering & Public Works
12	West Dyke Trail Bridge Replacement	Seismic 2000 Construction Ltd.	248,039	Engineering & Public Works
13	Provision of Community Wayfinding Strategy for the City of Richmond	Entro Communications	213,340	Finance and Corporate Services
14	Transportation Improvement Programs 2020	R F Binnie and Associates Ltd.	580,080	Engineering & Public Works
15	Asphaltic Concrete Paving - 2022	Jack Cewe Construction Ltd.	5,280,339	Engineering & Public Works
16	Provision of Engineering Inspection Services	Applus Velosi Canada Ltd.	200,000	Engineering & Public Works
17	Data Storage Solution and Services	Turning Point Technology Services Inc.	245,130	Finance and Corporate Services
18	PeopleSoft FSCM 2022 Technical Upgrade	Attain Solutions Inc.	213,215	Finance and Corporate Services

Contract Awards greater than \$75,000 (continued)July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
19	Consulting Services for Habitat Bank Application	Hemmera Envirochem Inc.	127,012	Engineering & Public Works
20	Engineering Services for Minoru Park Ditch Improvement Project	ISL Engineering and Land Services Ltd.	156,075	Engineering & Public Works
21	Design Review Services for Steveston Community Centre and Branch Library Replacement	FaulknerBrowns Architecture Inc.	134,890	Engineering & Public Works
22	Provision of Engineering Consulting Services for Sanitary Pump Station Condition Assessment - Phase 2	WSP Canada Inc.	177,815	Engineering & Public Works
23	Additional Pavement Rehabilitation with Fibre Reinforcement of Westminster Highway	Brighthouse Civil Contracting Ltd.	103,348	Engineering & Public Works
24	Provision of Civil Engineering Consulting Services for Transportation Improvement Programs - 2022	Aplin & Martin Consultants Ltd.	614,850	Engineering & Public Works
25	House Demolition - 8528 Ash Street	Renov8t.com Construction Inc.	125,000	Engineering & Public Works
26	Design and Construction Services for the North Dike Upgrades between Lynas Lane and the No. 2 Road North Drainage Pump Station	WSP Canada Inc.	299,885	Engineering & Public Works
27	Bosch and Extron Council Chambers Conference Equipment	PJS Systems	206,747	Finance and Corporate Services
28	City Hall Annex Electric Vehicle (EV) Charging Stations	Smith Bros & Wilson (BC) Ltd.	235,016	Engineering & Public Works
29	Roll-Off and In-Ground Container Recycling/Disposal Services	GFL Environmental Inc.	2,635,961	Engineering & Public Works
30	Richmond Nature Park Infrastructure Renewals	Mackin Architects Ltd.	220,510	Engineering & Public Works
31	Professional Quality Surveyor Consulting Services for Steveston Community Centre and Branch Library Replacement	Turner & Townsend Canada Inc.	77,083	Engineering & Public Works
32	On Call Repair and Service Generator Contractor	Custom Power Generation	214,090	Engineering & Public Works
33	City Website Design Specifications Plan	Upanup	85,750	Corporate Administration
34	Shell Road Multi-Use Pathway	R F Binnie and Associates Ltd.	388,088	Engineering and Public Works

Contract Awards greater than \$75,000 (continued)July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
35	Asphalt Paving for Francis/Ashwood and Seaton North Laneway Upgrade Projects	Winvan Paving Ltd.	207,848	Engineering & Public Works
36	On Call Glazing Contractor	Extreme Glass Ltd.	195,000	Engineering & Public Works
37	Construction Management - Steveston Tree Removal and Relocations	Scott Construction Group	233,764	Engineering & Public Works
38	Richmond Courthouse Infrastructure Replacements	Ashton Service Group Ltd.	1,712,867	Engineering & Public Works
39	Multi-Facility Infrastructure Renewals - Consulting Services	Thinkspace Architecture Planning Interior Design	270,700	Engineering & Public Works
40	Provision of Civil Engineering Services for 2022 Canal Stabilization Works	McElhanney Consulting Services Ltd.	437,962	Engineering & Public Works
41	Design Services for Multi-Family Water Meter Installations	Parsons Inc.	360,000	Engineering & Public Works
42	Design Services for Community Safety Building Emergency Power and Interior Upgrades	Mallen Gowing Berzins Architecture	77,650	Engineering & Public Works
43	Construction Services for Richmond Cultural Centre Annex Tenant Improvements	Holaco Construction Ltd.	2,497,548	Engineering & Public Works
Total contracts awarded greater than \$75,000			\$21,150,833	