



To: Finance Committee

Date: March 3, 2008

From: Jerry Chong
Director, Finance

File: 03-0970-01/2008-Vol 01

Re: Five Year Financial Plan (2008-2012)

Staff Recommendation

1. That the proposed 5 Year Financial Plan (2008 – 2012) be approved; and
2. That staff undertake a process of public consultation regarding this Plan before it is adopted by Council as per the requirement of 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, for Richmond residents and to generate the required revenues to cover these costs through property taxation, utility rates, 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 10, 2008.

Analysis

Financial Planning Process

The capital, operating departmental and utility plans are amalgamated to form the Financial Plan. The planning process began with a review of the 2007 – 2011 Financial Plan. The plan was reviewed and known changes identified. The preliminary budget was rolled out to the departments to finalize their respective components and to submit to Finance for review.

The financial planning process allows departments the opportunity to examine issues, reassess their objectives and re-direct resources as required to accomplish their 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 2008 – 2012 financial plan:

July 2007

- 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 2007

- Ranking of capital projects;
- Preparation of 2008 additional level requests, and
- Preparation of 2008 operating departmental and utility plans.

September 2007

- Review of 2008 operating departmental and utility plans.

October/November 2007

- Presentation and approval of 2008 utility plans;
- Preparation of preliminary 2008 financial plan, and
- Presentation of 2008 financial plan to TAG and Finance Committee for further direction.

December 2007

- Approval of 2008 additional level requests;
- The 2008 financial plan presented to Council for approval, and
- Obtain Council authorization to commence construction of 2008 projects effective January 1, 2008.

April 2008

- Preparation of approved Financial Plan and Bylaws, and
- 2008 – 2012 Financial Plan adopted by Council.

May 2008

Deadline for approval of the Annual Financial Plan is May 15th, 2008 (including the Capital Plan) 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 2009-2012 maintain existing service levels and incorporate operating costs resulting from capital growth. The figures also include any additional positions, levels of service and programs already approved by Council.

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, (please refer to Schedule 3). All expenditures in excess of non-tax revenues result in the required tax levy.

The 2008 tax levy is comprised of the projected increases in the base budget, the additional levels 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 levels 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 2008 are detailed below:

2008 Budget Details	\$ Amount (in 000s)	Tax Impact Each Item	Overall
Base budget net of estimated growth excluding increased plant (capital)	2,148	1.67%	1.67%
Additional Level Requests as approved by Council	2,419	1.86%	3.53%
Operating cost impact of capital projects	511	0.39%	3.92%

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.

Based on the proposed 5YFP (2008-2012), the average tax (\$) increase and the corresponding average tax rate (%) increases are as follows:

(in \$000's)	2008	2009	2010	2011	2012
Total Funding Increase Required	8,828	8,602	9,761	9,670	9,912
Growth from New Construction	3,750	4,075	4,324	3,813	3,876
Proposed Property Tax Increase (in \$000's)	5,078	4,527	5,437	5,857	6,036
Proposed Property Tax Increase %	3.92%	3.22%	3.65%	3.69%	3.58%

There is no tax impact in 2008 – 2011 for the 1% increase in transfer to reserves as laid out in the LTFMS. 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% from 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 2008 tax increase between these Community Safety cost centres and the City as approved by Council on December 10, 2007 is below:

(in 000's)	2008 Change	2008 Tax Impact
City (net of growth)	\$1,546	1.19%
RCMP	1,641	1.27%
Fire	1,891	1.46%
	<u>\$5,078</u>	<u>3.92%</u>

The RCMP increase in 2008 includes approved additional levels for three additional officers and two risk management staff.

Fire Rescue Services also received additional funding for an increase to the staff complement and for technical support in 2008.

The details of all additional levels can be found in Schedule 2.

Major Funding Sources

The main funding received by the city is outlined by source in Schedule 3. 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.

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 2008-2012 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 2008-2012 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 Team incorporated sustainability as a separate section for each project submission in 2008 and will work on adding it as a ranking criteria for future capital plans.

The proposed 2008 Capital Plan is intended as a detailed plan for construction, while years 2009-2012 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)	2008	2009	2010	2011	2012
Infrastructure	53,253	27,380	16,330	30,231	29,972
Building	50,385	6,525	6,400	6,750	6,860
Land	44,000	-	-	-	-
Parks	14,368	7,275	7,375	6,350	6,150
Equipment	4,182	1,566	2,739	2,450	2,450
Total	166,188	42,746	32,844	45,781	45,432

The 2008 Capital Plan includes sizeable projects for Fire Hall replacements and upgrades, strategic land acquisition and Oval Advanced Legacy.

2008 Capital Plan

On December 10, 2007, Council approved the 2008 Provisional Capital Plan in the amount of \$164,375,000. The following are changes to the provisional Plan:

Provisional plan December 10, 2007	(in \$000's)	164,375
Amendments:		
No. 3 Rd Canada Line Restoration	1,400	
No. 3 Rd Canada Line Restoration - Translink	2,583	
No. 3 Rd Raised Bike Lane & Plaza/Sidewalk	368	
Gilbert Rd Widening	(2,895)	
Blundell Rd West Trunk Emergency Replacement	425	
Aztec Drainage Project Telus	300	
West Cambie Sanitary Study Area and Rehabilitation	(1,000)	
Van Horne Sanitary Pump Station	1,000	
Future Grant/Donation Contributions	(368)	
Total Amendments		1,813
Total Budget		166,188

Amendments:

- All the No. 3 Rd projects have been added as a result of cost sharing initiatives approved by Council on February 25, 2008.
- The Gilbert Rd widening was deferred to 2013 after Translink approved funding for No. 3 Rd Canada Line Restoration project.
- The \$425,000 for the Blundell Rd West Trunk Emergency Replacement was approved by Council December 19, 2007.
- The \$300,000 for the Aztec Drainage Project was approved by Council on December 19, 2007.
- The West Cambie Sanitary Study Area Rehabilitation and the Van Horne Sanitary Pump Station were originally merged as one project but have been subsequently split with no overall dollar impact.
- An adjustment to the level of anticipated grants of \$368,000.

The total amendments of \$1,813,000 result in the revised Capital Plan of \$166,188,000.

Financial Impact

The following are the proposed property tax increases for 2008 – 2012:

	\$ (in 000's)	%
2008	5,078	3.92%
2009	4,487	3.22%
2010	5,399	3.65%
2011	5,820	3.69%
2012	5,989	3.58%

Conclusion

The 5YFP outlines the current year's budget and provides projections for future years. It should be emphasized that the 5YFP beyond 2008 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.



Hari Suvarna
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HS:cg

5 YEAR FINANCIAL PLAN (2008 - 2012)
ASSUMPTIONS
(in \$000's)

	2008	2009	2010	2011	2012
Consumer Price Index	2.10%	2.00%	2.00%	2.00%	2.00%
U.S. Exchange Rates	1.01	0.97	0.97	0.97	0.97%
Gasoline and natural gas*	5.00%	5.00%	5.00%	5.00%	5.00%
Hydro	8.00%	7.00%	5.00%	5.00%	5.00%
Contracts (photocopy & office equipment)	3.00%	3.00%	3.00%	3.00%	3.00%
Casino Funding					
Oval	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Revolving Fund	1,239	1,239	1,239	1,239	1,239
Capital	617	617	617	617	617
Capital Building Infrastructure	1,761	1,761	1,761	1,761	1,761
Grants	500	500	500	500	500
Physical Plant	1,400	1,400	1,400	1,400	1,400
Operating (RCMP)	500	500	500	500	500
	\$ 11,017	\$ 11,017	\$ 11,017	\$ 11,017	\$ 11,017
Operating cost impact due to capital growth	\$511	\$363	\$198	\$658	\$178
Insurance	3.00%	3.00%	3.00%	3.00%	3.00%
Growth	2.89%	2.90%	2.90%	2.40%	2.30%
RCMP contract increases**	5.45%	4.24%	4.18%	3.80%	3.61%
Business Licences	2.00%	2.00%	2.00%	2.00%	2.00%

* Provisions have been incorporated into the Financial Plan for the Carbon Tax introduced by the Provincial government on February 19, 2008.

** The 2008 RCMP contract increase includes approved additional levels.

**CITY OF RICHMOND
2008 BUDGET INCREASES
(in 000's)**

Approved 2008 Additional Levels

Law & Community Safety	RCMP Officers - 3 members	\$375
Engineering & Public Works	Building Infrastructure Maintenance	225
Engineering & Public Works	Vehicle replacement reserve	225
Law & Community Safety	Fire vehicle replacement reserve	225
Corporate Administration	Oval operating rate stabilization	200
Engineering & Public Works	Asphalt Capping	200
Law & Community Safety	GIS Technical Support	108
Law & Community Safety	RCMP Risk Management - 2 Positions	106
Business & Financial Services	Affordable Housing Coordinator - 1 Position	102
Planning & Development	Major Events Manager - 1 Position	100
Law & Community Safety	Restorative Justice Program	95
Business & Financial Services	Capital Analyst - 1 Position	78
Parks, Recreation & Culture	Gateway Theatre Administration - Salaries	75
Corporate Services	Duty to Accommodate - 1 Position	59
Law & Community Safety	Integrated Teams	59
Corporate Administration	Sister City Committee	51
Parks, Recreation & Culture	Senior Centre Extended Hours - Auxiliary Hrs	45
Parks, Recreation & Culture	Steveston Heritage Sites (Museum)	38
Corporate Services	Election Budget	27
Parks, Recreation & Culture	Diversity Services Programs	26
Total Approved 2008 Additional Levels		<u>\$2,419</u>

Operating Cost Impact due to Capital Growth

(in 000's)

Increased Plant (Capital)	\$481
Artificial Turf Operating Budget Impact	<u>30</u>
	<u><u>\$511</u></u>

**CITY OF RICHMOND
5 YEAR FINANCIAL PLAN (2008-2012)
(in 000's)**

EXPENDITURES	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
Municipal Debt:					
Debt Interest	3,085	3,085	3,085	3,085	3,030
Debt Principal	2,806	2,946	3,093	3,248	3,410
Departmental Expenditures:					
Law & Community Safety	69,353	71,780	75,253	78,764	81,341
Parks, Recreation & Cultural Services	40,651	41,871	43,602	45,351	47,182
Engineering & Public Works	40,481	42,448	44,449	46,507	48,811
Utilities (Water, Sewer & Sanitation)	72,018	74,589	77,840	80,705	85,113
Business & Financial Services	6,427	6,696	6,948	7,207	7,484
Planning & Development	10,067	10,373	10,801	11,220	11,664
Corporate Administration	2,146	2,286	2,399	2,517	2,646
Richmond Olympic Business Office & Major Projects	5,273	9,984	9,794	11,009	11,691
Corporate Services	13,621	13,859	14,270	14,800	15,408
Fiscal	14,590	15,239	15,694	16,307	16,906
Transfers To Funds:					
Statutory Reserves	24,511	24,511	24,511	24,511	26,161
Capital Plan	166,188	42,746	32,844	45,781	45,432
TOTAL EXPENDITURES	471,217	362,413	364,583	391,014	406,279
REVENUES	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
Property Taxes	140,508	149,110	158,871	168,541	178,454
Grants in Lieu of Taxes	10,320	10,560	10,590	10,680	10,680
Utilities (Water, Sewer & Sanitation)	72,018	74,589	77,840	80,705	85,113
Fees & Charges	40,973	46,149	46,075	48,624	49,708
Other Revenues:					
Provincial Revenue Sharing	4,356	4,356	4,356	4,356	4,356
Gaming Revenue	11,017	11,017	11,017	11,017	11,017
Fiscal Revenues	13,664	11,483	10,412	8,561	8,590
Investment Income	11,163	11,373	11,548	11,719	11,899
Penalties and Interest on Taxes	1,010	1,030	1,030	1,030	1,030
Capital Plan:					
Transfer from DCC Reserve	17,953	10,700	12,316	16,653	13,531
Transfer From Other Funds and Reserves	148,235	32,046	20,528	29,128	31,901
TOTAL REVENUES	471,217	362,413	364,583	391,014	406,279
Proposed Property Tax Increase %*	3.92%	3.22%	3.65%	3.69%	3.58%

* Does not include any unapproved additional positions, levels of service or programs.

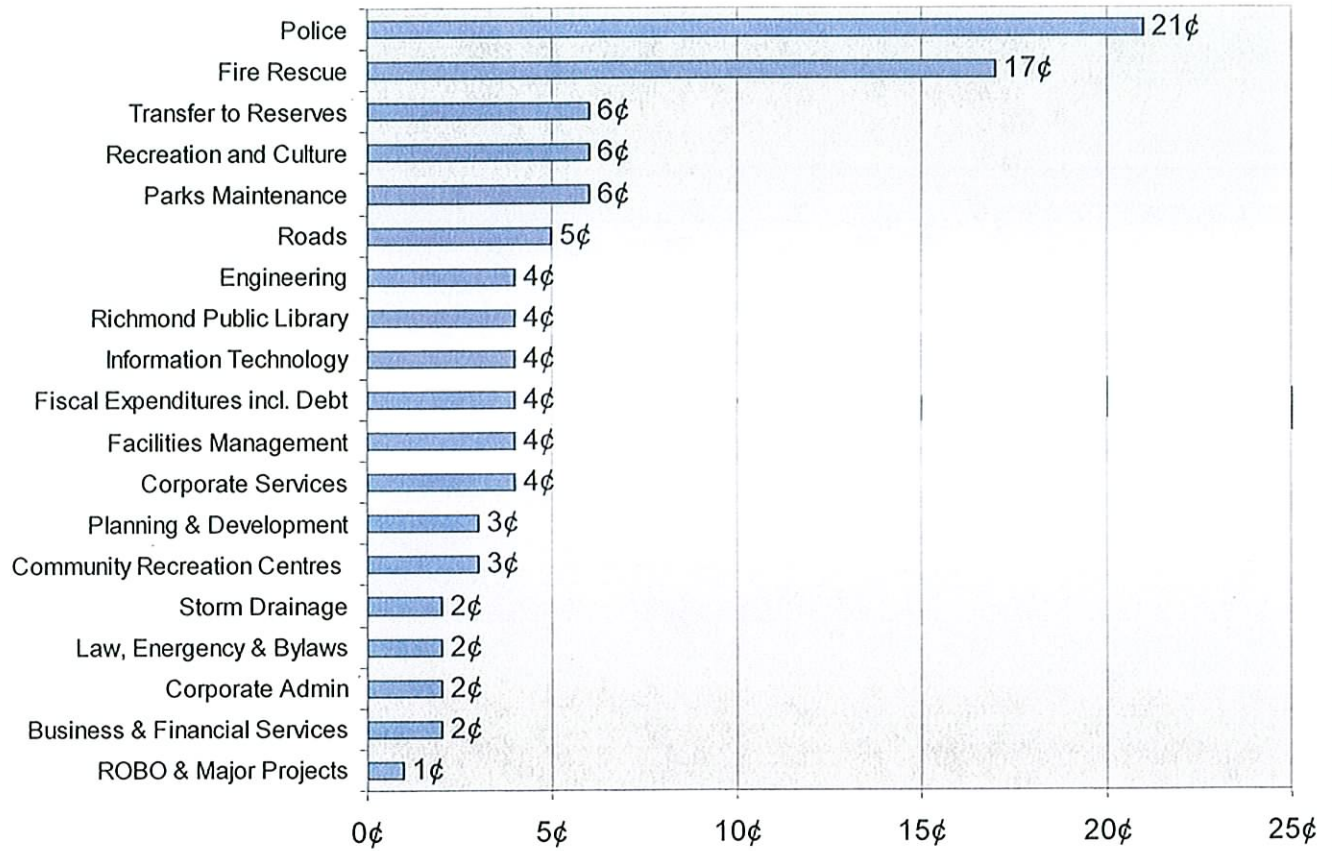
**CITY OF RICHMOND
5 YEAR CAPITAL PROGRAM
2008 - 2012
(in \$000's)**

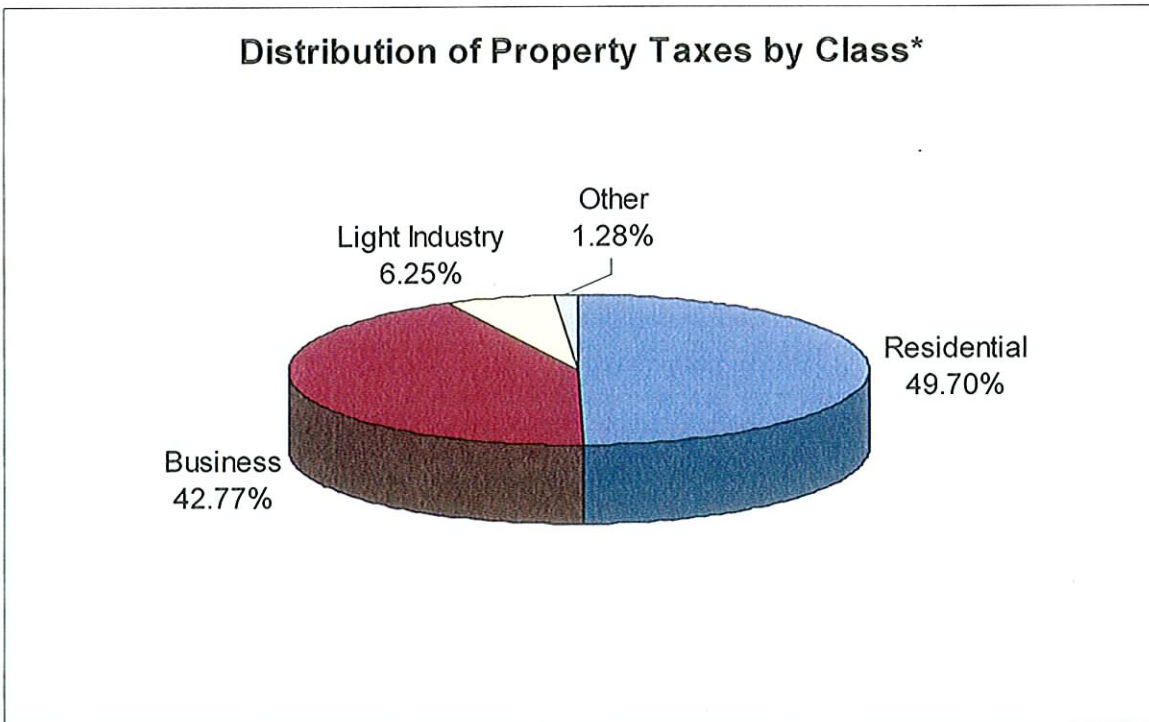
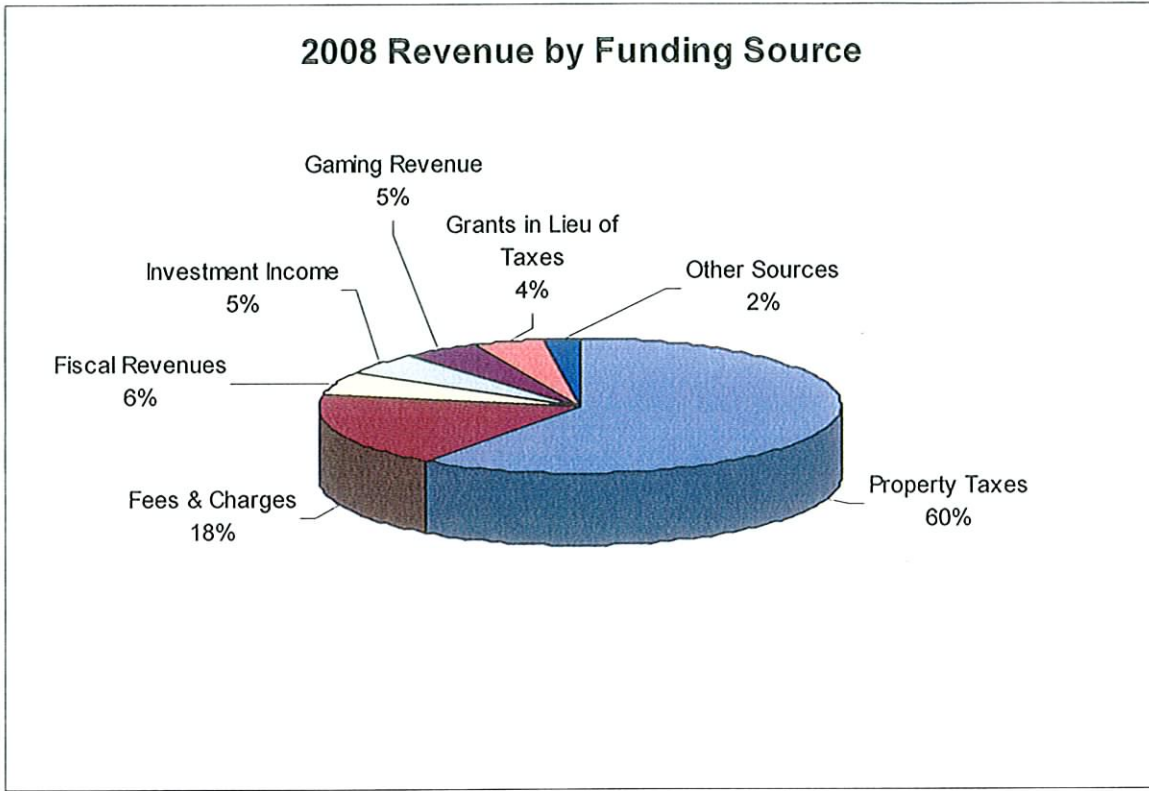
	2008	2009	2010	2011	2012
INFRASTRUCTURE PROGRAM					
Drainage/Storm Sewer	14,188	4,255	3,609	10,490	5,111
Local & Neighbourhood Improvements	830	750	750	750	750
Minor Public Works	725	600	600	600	1,150
Roads	17,862	10,230	5,970	7,552	14,661
Sanitary Sewer	9,954	2,066	2,534	2,354	2,614
Water	9,694	9,479	2,867	8,485	5,686
Total	53,253	27,380	16,330	30,231	29,972
BUILDING PROGRAM					
Community Safety Building	10,038	-	-	-	-
Major Buildings	15,227	5,400	5,400	5,500	5,610
Minor Buildings	1,360	1,125	1,000	1,250	1,250
Oval Legacy	16,000	-	-	-	-
Oval	7,760	-	-	-	-
Total	50,385	6,525	6,400	6,750	6,860
LAND PROGRAM					
Affordable Housing	4,000	-	-	-	-
Land Acquisition	40,000	-	-	-	-
Total	44,000	-	-	-	-
PARKS PROGRAM					
Child Care Program	316	-	-	-	-
Major Parks	9,677	3,950	3,275	2,650	3,050
Minor Parks	975	425	500	700	600
Parkland Acquisition	3,400	2,900	3,600	3,000	2,500
Total	14,368	7,275	7,375	6,350	6,150
EQUIPMENT PROGRAM					
Annual Fleet Replacement	1,545	1,566	1,600	1,600	1,600
Computer Capital/Software	700	-	-	850	850
Fire Department Vehicles	194	-	1,139	-	-
Communication Equipment	350	-	-	-	-
Vehicle Equipment	1,393	-	-	-	-
Total	4,182	1,566	2,739	2,450	2,450
Total Capital Programs	166,188	42,746	32,844	45,781	45,432

**CITY OF RICHMOND
5 YEAR CAPITAL PLAN FUNDING SOURCES
2008 - 2012
(in 000's)**

	2008	2009	2010	2011	2012
DCC Reserve					
Drainage	1,491	165	483	5,259	566
Parks Acquisition	5,076	2,726	3,384	2,820	2,450
Parks Development	3,836	1,763	2,421	2,021	2,313
Roads	5,995	5,308	5,775	5,622	6,441
Sanitary Sewer	931	100	188	185	1,737
Water	624	638	65	746	24
TOTAL	17,953	10,700	12,316	16,653	13,531
Reserves and Other Sources					
Statutory Reserves					
Affordable Housing Reserve Fund	4,000	-	-	-	-
Capital Building and Infrastructure Reserve Fund	11,504	-	400	-	-
Capital Reserve Fund	18,931	12,541	7,861	10,766	9,872
Child Care Development Reserve Fund	316	-	-	-	-
Drainage Improvement Reserve Fund	3,389	3,999	3,151	5,294	4,705
Equipment Replacement Reserve Fund	2,972	1,566	2,739	1,600	1,600
Community Legacy & Land Rep'l Reserve Fund	61,300	-	-	-	-
Leisure Facilities	282	-	-	-	-
Local Improvements Reserve Fund	500	500	500	500	500
Neighbourhood Improvement Reserve Fund	80	-	-	-	-
Public Art Program Reserve Fund	100	-	-	-	-
Sanitary Sewer Reserve Fund	2,301	1,959	2,333	2,157	1,267
Waterfront Improvement Reserve Fund	500	500	500	500	500
Watermain Replacement Reserve Fund	7,106	6,801	2,799	7,692	5,661
Subtotal Statutory Reserves	113,281	27,866	20,283	28,509	24,105
Other Sources					
Appropriated Surplus/Surplus	2,145	-	-	-	-
Grant, Developer and Community Contributions	30,809	2,180	245	619	7,796
Water Metering Provision	2,000	2,000	-	-	-
Subtotal Other Sources	34,954	4,180	245	619	7,796
TOTAL OTHER FUNDS & RESERVES	148,235	32,046	20,528	29,128	31,901
TOTAL CAPITAL PLAN CONTRIBUTIONS	166,188	42,746	32,844	45,781	45,432

Breakdown of \$1 of Municipal Taxes 2008





* The 2008 Distribution of Property Taxes by Class is prepared using the Completed Roll provided by BC Assessment. The final Revised Roll will be available after March 31, 2008.