



To: Finance Committee

Date: January 27, 2015

From: Jerry Chong, CA
Director, Finance

File: 03-0970-25-2015-
01/2014-Vol 01

Re: 2015 Operating Budget

Staff Recommendation


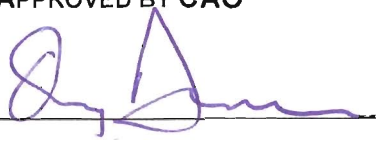
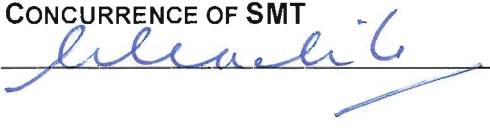
That:

1. The 2015 Operating Budget presented under Option 1 in the staff report dated January 27, 2015 from the Manager, Financial Planning and Analysis that includes a same level of service increase of 0.26%, Capital operating budget impact of 0.38%, additional level expenditures of 0.06%, external senior government related increases of 1.19%, major capital community facility replacement program (Capital Building Infrastructure Reserve) of 1.00% for a combined total tax increase of 2.89% be approved.
2. The 5-Year Financial Plan (2015-2019) be prepared for presentation to Council incorporating the 2015 Operating Budget.



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

Att. 4

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	APPROVED BY CAO 
CONCURRENCE OF SMT 	

Staff Report

Origin

Subsection 165(1) of the Community Charter requires the City to adopt a 5-Year Financial Plan (5YFP) Bylaw on or before May 15th of each year. The 2015 Operating Budget as presented in this report forms the basis of the City's 5YFP. Under the Community Charter, the City is prohibited from incurring any expenditure unless the expenditures have been included for that year in its financial plan, and the City is required to provide a balanced budget, with no projection of a deficit.

The proposed 2015 Operating Budget ("Budget") applies the principles of Council's Long Term Financial Management Strategy (LTFMS) (Policy 3707) (Attachment 1), which was originally adopted in 2003, *"Tax increases will be at Vancouver CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1% towards infrastructure replacement needs."*

Since the implementation of Council's LTFMS, the City has made significant strides in improving its financial health. The City's reserve balances have increased as there have been additional transfers to reserves post-LTFMS implementation to meet future needs for infrastructure replacement and capital repairs.

The proposed Budget also follows Council's Budget & 5-Year Financial Plan Preparation Policy (Policy 3016) which requires that a same level of service budget be brought forward, with only non-discretionary increases that can be clearly identified and supported. Therefore, the 2014 service levels form the basis of the 2015 base budget. Any enhanced or new levels of service will be identified as an ongoing additional expenditure request by the respective divisions for Council's consideration.

Council's policies have allowed the City to weather several years of global economic instability, including fluctuations in the City's development-related revenues, with minimal service level impacts to the community. Council's LTFMS has ensured that Richmond residents receive an enviable level of service and public amenities that also provide taxpayers sound value for their investment in the City.

Analysis

The LTFMS sets guidelines for tax increases to ensure that municipal spending growth is carefully regulated and that resulting municipal property tax increases are modest and closely reflect regional increases in the Consumer Price Index (CPI). The rigour that has been applied in limiting tax increases has ensured that Richmond property taxes remain comparable within the Metro Vancouver region. While the LTFMS has served the City well to this point in time, the City is continuing its major capital facility community replacement program ("major facility program"); our current practices may not be appropriate for dealing with this. Staff will revisit the LTFMS policy to ensure it continues to meet current City priorities.

In recent weeks, CPI forecasts for 2015 have been decreasing to reflect the drop in oil prices seen in the last six months. On January 21, 2015 the Bank of Canada made an unexpected move of decreasing the interest rate from 1.00% to 0.75%. Bank of Canada forecasts that inflation would return to the 2.00% level in late 2016. Until staff are able to obtain additional information, for 2015, CPI is forecasted to be 1.00%. CPI is not a good indicator of municipal costs and a more appropriate measure should be considered in the future.

The Operating Budget includes funding for:

- ongoing levels of service,
- operating and maintaining new assets, which for 2015 includes the new City Centre Community Centre,
- capital reserves to ensure infrastructure can be well maintained, as well as to fund new infrastructure needs of the growing community, and
- additional levels of service to enhance existing programs.

Each of these budget components are discussed in this report explaining the process, the challenges faced, and the recommendations for the proposed 2015 Operating Budget. Staff have provided two options for Council to consider for the 2015 Operating Budget. The recommendations of each budget component are consolidated to determine the proposed tax increase for 2015, which is 2.89% under proposed budget Option 1. This proposed rate is lower than the Five-Year Financial Plan (2014-2018) which originally estimated the 2015 rate to be 2.96%.

Budget Challenges

There are a number of challenges in meeting the objectives outlined in the LTFMS for tax increases.

Cost of the Increasing Demand for Services

As the City and community grow and the demographics change, there is an increasing demand for the City to provide services that are relevant to a broad range of citizens. As new facilities and services are activated additional resources and funding is required, this is partially offset by redirecting existing resources wherever possible.

Costs Rising Beyond CPI Forecasts

The costs of providing programs while maintaining the same level of service has increased at a rate that exceeds CPI due to a number of non-discretionary items such as collective agreement settlements, Municipal Pension Plan contribution rates, Medical Services premiums, WorkSafe BC premiums, policing contract costs, and electricity rates.

➤ Salary

Cumulatively, salaries and benefits account for 48% of the 2015 base operating budget.

Salaries alone account for 37% of the total 2015 base operating budget (same percentage as 2014). Increases are stipulated in the collective agreements. For 2015, an increase of 2.00% plus step increases has been allocated to the divisions for CUPE 718 and CUPE 394. Negotiations are ongoing for International Association of Fire Fighters (IAFF) 1286.

Salary costs increased by \$2.6M or 3% over prior year as a result of these rate and step increases.

➤ Fringe Benefits

Fringe benefits account for 11% of the total 2015 base operating budget (up from 10% in 2014). Fringe benefits have increased due to:

- increased pension contribution rates announced by the Municipal Pension Plan;
- increased Medical Services Plan premiums announced by the Province of BC; and
- increased base rates and experience rates on WorkSafe BC premiums.

Fringe benefit costs increased by \$1.5M or 6% over prior year as a result of these announced rate increases.

➤ RCMP Contract

RCMP policing costs (excluding YVR which are fully recovered) make up 13% of the 2015 base operating budget (same percentage as 2014). Contracts costs increased by \$936,000 or 2.75% due to salary and benefits increases. The increase in benefits is mainly due to an increased pension rate from 20.23% to 22.70%. As well, the Real Time Intelligence Centre will be fully operational and the costs are part of the RCMP Integrated Teams.

➤ Electricity Costs

Electricity costs (excluding Alexandra District Energy Utility which are fully recovered from operations) increased by 6.70% based on rates announced by BC Hydro. This cost is contained by investing in energy efficient initiatives to reduce consumption.

The items discussed above are the most significant increases the City faces on an annual basis. As each of these items increases at a rate higher than CPI, the target increase at CPI for 2015 is a difficult challenge to achieve. The City calculates its own Municipal Price Index (MPI) for comparative purposes only. For 2015, MPI is forecasted to be 2.76%

Limited Non-Tax Revenue Sources

Non-tax revenue sources include user fees and charges, investment income, payments in lieu of taxes, gaming revenue and grants. Non-tax revenue sources make up 33% (up from 31% in 2014) of the 2015 base operating budget. Where possible, user fee rates have been increased by forecasted CPI in accordance with the LTFMS, which requires all user fees to be automatically increased by CPI. Alternative revenue sources, such as increased parking revenue have also been

included. A significant portion of City services cannot be directly linked to a revenue source, such as the cost of providing police and fire services and as such, there is limited opportunity to offset rising costs with non-tax revenue sources. The majority of the increase in revenue is from gaming revenue, which per Council's LTFMS is used to fund one-time initiatives and reserves and therefore does not fund general operations.

Complex Infrastructure Network

The City manages a vast array of infrastructure which includes dykes, fire halls, roads, watermains, pump stations, storm and sanitary sewers, traffic lights, parks, arenas, pools, libraries, community centres, child care facilities, parks, etc. Each of these areas have unique requirements to maintain and operate in order to ensure community needs are met to support a vibrant community.

Leveraging Efficiencies

To address some of these challenges, the City undergoes a continuous review of its programs and services in order to identify further service improvements and cost reductions. Staff continually look for efficiencies and innovative ways to deliver services that would streamline business processes, contain costs and leverage the increased use of technology.

2015 Budget Process

Each division prepares a same level of service budget, with only non-discretionary increases that can be supported by contracts or other verifiable support. Existing resources are redirected as required to ensure the most efficient use, and revenues are increased where possible. To ensure consistency in applying budget assumptions the budget is reviewed and entered into the Budget Model by Financial Planning and Analysis. Each General Manager reviews their Division's budget prior to reviewing with SMT and the CAO. Attachment 2 illustrates the 2015 budget cycle.

Preliminary budget assumptions are researched and were communicated to Council in August 2014. These assumptions are monitored for significant changes throughout the budget cycle and are updated in the Budget Model. The preliminary CPI forecast for 2015 was communicated to be 1.90%. This was adjusted to 1.80% in October when the Consolidated Fees Bylaw was amended. In early January, the CPI forecast was adjusted to 1.0% based on the average recent forecasts for BC issued by BMO, Central 1, TD and RBC. Table 1 summarizes the key financial indicators used based on information contained in contracts, agreements and external economic publications. This is offset by expected increases in revenue from growth and various user fees.

Table 1 – 2015 Key Financial Drivers

Key Financial Drivers	Amount (in 000's)	Rate Increase
Total Salary Increase ¹	\$2,608	Various collective agreements
RCMP Contract Increase ²	936	2.75%
Municipal Pension Plan Contribution ³	800	10.6% (non-fire staff); 14.4% (fire)
WorkSafe BC Premiums ⁴	420	24.50%
Electricity ⁵	248	6.70%
Previously Approved Operating Budget Impact	180	n/a
Medical Services Premiums ⁶	160	4.00%
Other Fringe Benefits	148	various
Total Key Financial Drivers	5,500	
Other Increases	78	various
Net Budget Increase, Before Rate Stabilization	\$5,578	

Sources:

¹ CUPE 718 and 394 collective agreements.² RCMP E Division³ Municipal Pension Plan⁴ WorkSafe BC⁵ City of Richmond, Energy Management Department⁶ Province of BC, Ministry of Health**Same Level of Service Budget**

The City's same level of service budget is summarized in Table 2 with each item explained in this section. Based on the key financial indicators shown in Table 1 \$5.6M is required to fund the increasing costs of maintaining current programs and services.

Other non-discretionary increases include items specified in contracts including Ironwood Library Branch lease, Richmond Ice Centre lease, and contract fees for E-Comm services.

Previously approved Operating Budget Impact (OBI) included in Table 1 represents operating costs approved as part of the 2014 Capital Budget to provide funding to operate and maintain new assets.

Table 2 – Same Level of Service Increase Before Growth

Budget Impacts	\$000's
Net Budget Increase, Before Rate Stabilization	\$5,578
Rate Stabilization (See Page 7 for explanation)	(420)
Net Budget Increase, After Rate Stabilization	\$5,158
Less: Mandatory Senior Government Increases (See Pages 7-8 for explanation)	(2,185)
Same Level of Service Increase, Before Growth	\$2,973

Rate Stabilization

As shown in Table 2, the proposed 2015 budget recommends utilizing \$420K funding from the Rate Stabilization Account (RSA) that was established by Council on December 10, 2012 to provide funding for one-time initiatives or to minimize tax increases. The current balance in the RSA is approximately \$6.9M.

At the time the budget is being presented rental income for 2015 is decreased by \$420K due to recent annual notices of termination given by current tenants. When the vacant units are leased, revenue is expected to return to existing levels; therefore, since this impact is expected to be temporary in nature, it is recommended to stabilize this impact with funding from the RSA.

Mandatory Senior Government Related Increases

Council Policy 3707 item 2 states:

“Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year’s taxes above and beyond the CPI and infrastructure percentage contribution.”

Table 3 summarizes the items included in the 2015 budget increase that are mandated by the following senior government legislation:

- *Public Sector Pensions Plan Act (Provincial)*
- *Workers Compensation Act (Provincial)*
- *Police Act (Federal)*
- *Utilities Commission Act (Provincial)*
- *Medicare Protection Act (Provincial)*
- *Emergency Communications Corporations Act (Provincial)*
- *Employment Insurance Act (Federal)*
- *Canada Pension Plan Act (Federal)*

In accordance with Council policy, these items are identified and included in the tax increase above and beyond the CPI and infrastructure percentage contribution. These items are removed from the same level of service budget and will be added back as the final budget component.

Table 3 – Mandatory Senior Government Related Increases

Mandatory Senior Government Increases	\$000's
Municipal Pension Plan Contribution Rate	\$800
WorkSafe BC Premiums Rate	420
Integrated Teams	295
BC Hydro Rate Increase	248
Medical Services Premium Increase	160
E-Comm 9-1-1	111
Employment Insurance Premiums	100
Canada Pension Plan Premiums	51
Total	\$2,185

Tax Growth

New tax growth is based on “non-market change” figures provided by BC Assessment Authority. Non-market change is the term BC Assessment uses for changes to the municipal roll value that is not a result of market conditions. Non-market change could include: changes in assessment class, exempt properties that become taxable in the following year or taxable properties that become exempt in the following year and developments under construction. With respect to developments under construction, assessors at BC Assessment Authority determine the value of all new developments under construction by the percentage of completion as of November 30th each calendar year. Increases in a property’s market value are not included in the non-market change figure. Therefore the development applications received during the year should have no impact on new growth for the coming year as actual construction on the property would not have taken place. The reported project value of the development may take up to three years to be fully reflected in the municipality’s assessment roll.

Table 4 summarizes the same level of service increase after estimated growth of \$2.5M is \$0.5M.

Table 4 – Same Level of Service, After Growth

Budget Impacts	\$000's
Same Level of Service Increase, Before Growth (From Table 2)	\$2,973
Estimated 2015 Growth	(2,500)
Same Level of Service, After Growth	\$473

For a breakdown of the same level of service after growth by Division, refer to Attachment 3.

Operating Budget Impact (OBI) from Capital and Development

Council Policy 3707 item 1 states:

Tax increases will be at Vancouver’s CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

This section discusses the cost of operating and maintaining existing infrastructure and OBI of the 2015 recommended Capital program.

Previously Approved OBI for Major Facilities

The total OBI from the 2014 Capital program was estimated at \$3.95 million, which included funding for major facilities including the City Centre Community Centre and the new Minoru Complex. This OBI is being phased in with increments of \$600,000 to align with the timing of services provided. \$180,000 has been included in Table 1 to fund various operating costs of previously approved capital. The remaining \$420,000 will be brought into the 2015 budget to provide funding for the new City Centre Community Centre scheduled to open in the summer of 2015.

The service levels for the City Centre Community Centre were approved by Council on July 28, 2014 with a total OBI of \$1.4M. This includes the addition of six Regular Full-Time positions including two Community Facility Coordinators, a Recreation Leader, a Recreation Facility Clerk and two Building Service Workers. The phase in plan started in 2014; therefore, the funding required for this first partial year of operations is included in the budget. The third phase of funding will be brought into the 2016 budget and will provide the full annual funding for the new facility.

An operating plan to establish the service levels for the Minoru Complex will be the subject of a future Council report.

2015 OBI Related to 2015 Capital Budget

The total OBI from the 2015 recommended Capital program is \$637k. Table 5 presents the 2015 OBI by Capital program. Of this amount \$126k is associated with utility projects and will be included in future utility budgets. The operating budget impact is \$511k. 2015 OBI will be phased in over two years.

Table 5 – Recommended 2015 Funding and OBI by Program (in millions)

Program (in '000s)	Amount	OBI
Infrastructure	\$49,583	\$302
Parks	12,285	\$110
Land	10,000	\$0
Internal Transfers/Debt Payment	7,659	\$0
Equipment	7,870	\$214
Building	3,492	\$11
Affordable Housing	1,159	\$0
Child Care	410	\$0
Total 2015 Capital Funding & OBI	\$92,458	\$637
Less: Utility Budget Impact		(126)
2015 OBI - to be phased in over two years		\$511

OBI of Previously Approved Developer Contributed Assets

The following developer contributed assets that were previously approved by Council as part of rezoning approvals will be placed in service in 2015 and will require funding for ongoing operation and maintenance.

- The Gardens Child Care Facility: \$14,905

The Child Care Facility located in the development of The Gardens at 10620 No 5 Road was negotiated as part of the rezoning agreement with Townline Gardens Inc. The projected occupancy date is July 2015. The facility will be operated by the Society of Richmond Children’s Centres. Annual maintenance costs of this City-owned facility will be \$14,905.

- Tait Waterfront – West Park: \$10,400

As part of the new Oris Development (River Drive) mixed use project located in the Tait subdivision, land will be transferred to the City for park purposes. This includes 1.4 acres for the West Park, which will be completed by the developer as part of Phase A in Parcel A. The park will be used by residents and visitors for passive recreation and relaxation. The annual maintenance costs for Tait Waterfront – West Park will be \$10,400.

The total OBI related to these developer contributed assets is \$25k.

Table 6 summarizes the total Capital OBI for 2015 which is \$701K.

Table 6 – Capital OBI Summary

Capital OBI	\$000's
Previously Approved OBI Major Facilities Year 2 of 7 (See Page 9 for explanation)	\$420
2015 OBI Year 1 of 2 (50% of \$511k) (See Page 9 for explanation)	256
2015 OBI of Previously Approved Developer Contributed Assets	25
Total	\$701

Table 7 summarizes the same level of service, after growth with Capital OBI is \$1.2M.

Table 7 – Same Level of Service with Capital Operating Budget Impact (OBI)

Budget Impacts	\$000's
Same Level of Service, After Growth (From Table 4)	\$473
Capital OBI (From Table 6)	701
Same Level of Service Increase, After Growth, with Capital OBI	\$1,174

Additional 1% Transfer to Reserves for Infrastructure Replacement

An important part of the City's delivery of programs and services is the extent and quality of its capital assets. The City is updating its major facility program plan while facing a growing backlog of needed maintenance, repair and replacement of capital and infrastructure assets that will require funding.

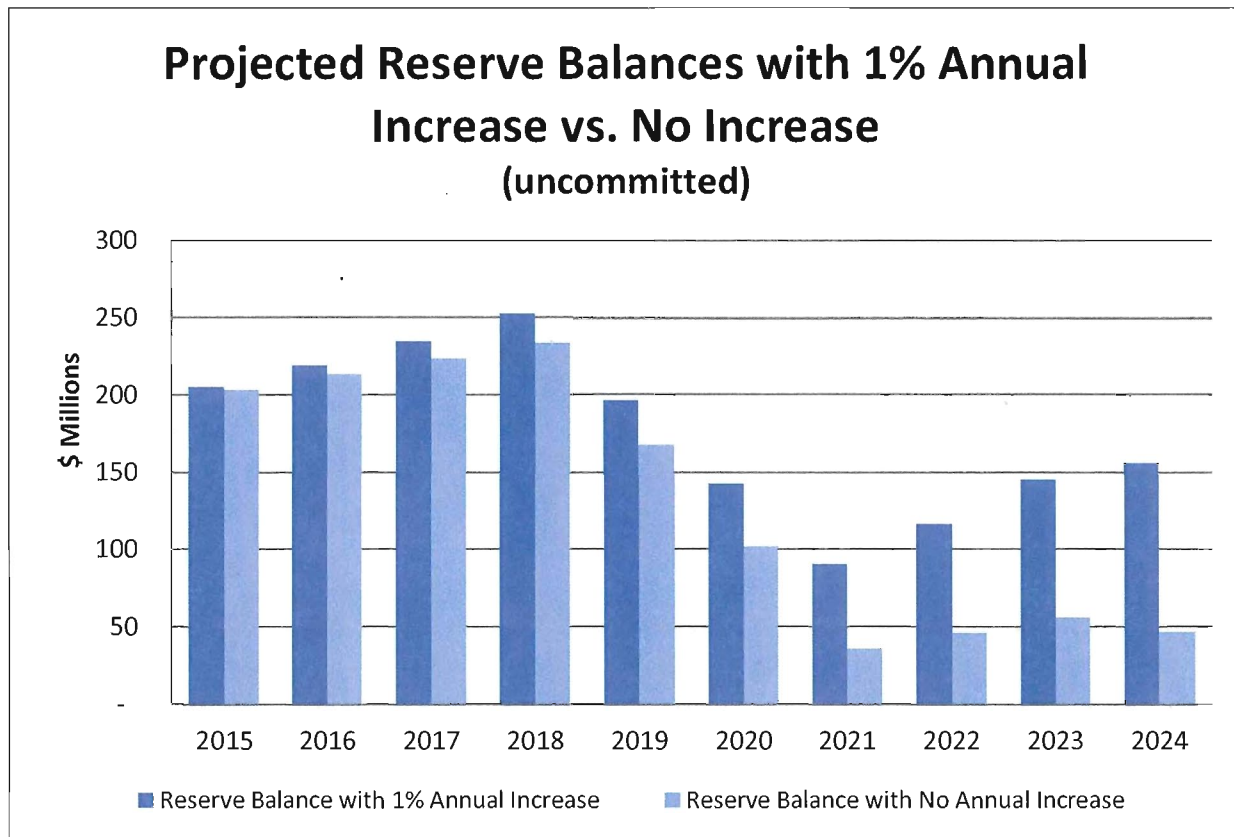
In 2003 Council adopted a strategic approach to the City's finances and the LTFMS was approved. This resulted in a number of prudent measures to safeguard the City's Finances, which has led to the ability for Richmond to continue to experience modest tax increases, and continued growth at or above comparative cities despite the economic downturn.

One of those key measures adopted in Council's LTFMS was a 1% transfer to reserves for major capital community facility replacement program (Capital Building Infrastructure Reserve). The additional 1% represents savings today that will be used for funding future infrastructure capital repairs and facilities such as pools, community centres, libraries and public safety buildings.

The City has been able to fund the Phase 1 facilities; however fiscal planning is required in order to build Phase 2 for the community. Figure 1 has been provided to illustrate what the City's uncommitted reserve balance will be in the future if the existing Corporate Facilities Phase 2 plan is followed, with and without a 1% annual transfer (approximately \$109M shortfall).

This chart includes all reserves; however the Capital Building Infrastructure Reserve is the reserve that is established to fund the major facility program. The current balance in this reserve is insufficient to fund the major facility program. If adequate funding is not in place to address current new capital and infrastructure replacement, the City will be in an unenviable position of trying to catch-up.

Figure 1 – Projected Capital Building Infrastructure Reserve Comparison



This Council policy is met as 1.00% towards infrastructure replacement is included in the increase as shown in Table 8. The total same level of service increase, after growth including OBI and additional transfer to reserves for major capital community facility replacement program is \$3.0M.

Table 8 – Same Level of Service, After Growth with Capital OBI, and Additional Transfer to Reserve

Budget Impacts	\$000's
Same Level of Service Increase, After Growth, with Capital OBI (From Table 7)	1,174
Additional 1% Transfer to Reserves (See Page 11 for explanation)	1,838
Same Level of Service Increase, After Growth, with Capital OBI and Additional Transfer to Reserves	\$3,012

Additional Expenditure Requests

The additional expenditure requests represent a permanent increase to programs or levels of service and are usually funded through increases to the tax rate. Attachment 4 shows the list of recommended additional expenditure requests submitted by staff and Attachment 5 shows the list that is not recommended. For 2015, a total of \$115,000 is recommended by SMT.

The recommendation includes funding for the City Centre Community Police Station as approved by Council on October 27, 2014. It also includes an increase in auxiliary staffing which is projected to be recovered through additional revenues. If the projected revenues are not realized, the corresponding auxiliary hours will be cut.

Table 9 summarizes the expenditure increase with Capital OBI, additional transfer to reserves, after growth is \$3.1M.

Table 9 – Same Level of Service, After Growth with Capital OBI, Additional Transfer to Reserve, and Additional Expenditures

Budget Impacts	\$000's
Same Level of Service Increase, After Growth, with Capital OBI and Additional Transfer to Reserves (From Table 8)	\$3,012
Additional Level Expenditures	115
Same Level of Service Increase, After Growth, with Capital OBI, Additional Transfer to Reserves, and Additional Level Expenditures	\$3,127

Compliance with Council Policies for Budgets

The proposed 2015 tax increase as shown in Table 10 is 2.89%. This meets Council’s policy of a same level of service budget at the CPI Target of 1%, as the same level of service after growth is 0.26%. It also meets Council’s policy of transferring an additional 1% to reserves.

The operating costs from capital projects, with a tax impact of 0.38% have been identified and excluded from the same level of service budget but included in the overall increase. Additional expenditures with a tax impact of 0.06% are included in this recommendation.

Finally, in accordance with Council Policy 3707 mandatory senior government related increases are added above and beyond the CPI and contribution to reserves for an additional tax impact of 1.19%.

Table 10 – 2015 Proposed Operating Budget Option 1 (Recommended)

Budget Impacts	Table #	\$000's	Impact
Net Budget Increase, Before Rate Stabilization	1, 2	\$5,578	3.04%
Rate Stabilization	2	(420)	(0.23%)
Net Budget Increase, After Rate Stabilization	2	\$5,158	2.81%
Less: Mandatory Senior Government Increases	2	(2,185)	(1.19%)
Same Level of Service Increase, Before Growth	2	\$2,973	1.62%
Estimated 2015 Growth	4	(2,500)	(1.36%)
Same Level of Service, After Growth	4	\$473	0.26%
Capital OBI	6	701	0.38%
Same Level of Service Increase, After Growth, with Capital OBI	7	\$1,174	0.64%
Additional 1% Transfer to Reserves	8	1,838	1.00%
Same Level of Service Increase, After Growth, with Capital OBI and Additional Transfer to Reserves	8	\$3,012	1.64%
Additional Level Expenditures	9	115	0.06%
Same Level of Service Increase, After Growth, with Capital OBI, Additional Transfer to Reserves, and Additional Level Expenditures	9	\$3,127	1.70%
Mandatory Senior Government Increases	3	2,185	1.19%
Same Level of Service Increase, After Growth, Capital OBI, Additional Transfer to Reserves, Additional Level Expenditures, and Mandatory Senior Government Increases		\$5,312	2.89%

2015 Proposed Operating Budget Option 2 (Not Recommended):

As an alternative budget option, Council may consider an exception to the LTFMS policy as presented in Table 10 to exclude the additional 1% transfer to reserves for major capital community facility replacement program. Staff do not recommend this option as funding would be insufficient for the major facility program without this annual increase. Refer to Figure 1 presented on page 12 which illustrates the impact on reserves with and without this annual transfer.

Comparison to Tax Increases in Other Metro Vancouver Cities

Richmond's average tax increase over the past five years has been 3.1% and remains comparable with other cities in Metro Vancouver as shown in Figures 2 to 4. The 2015 Operating Budget is expected to maintain this record.

The chart shows that despite budget challenges due to increasing demand for services, costs increasing at rates beyond CPI and other challenges, the City has been able to keep rates low and consistent.

Figure 2 – 5-Year Average Residential Tax Increase in Metro Vancouver (2010-2014)

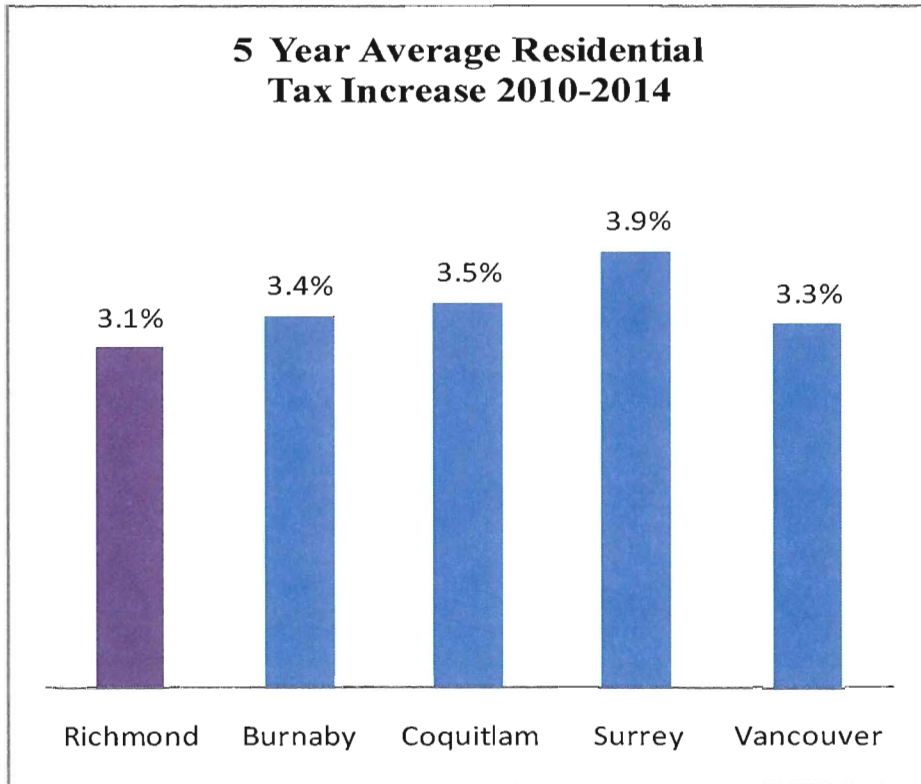


Figure 3 - Annual Residential Tax Increase in Metro Vancouver (2010-2014)

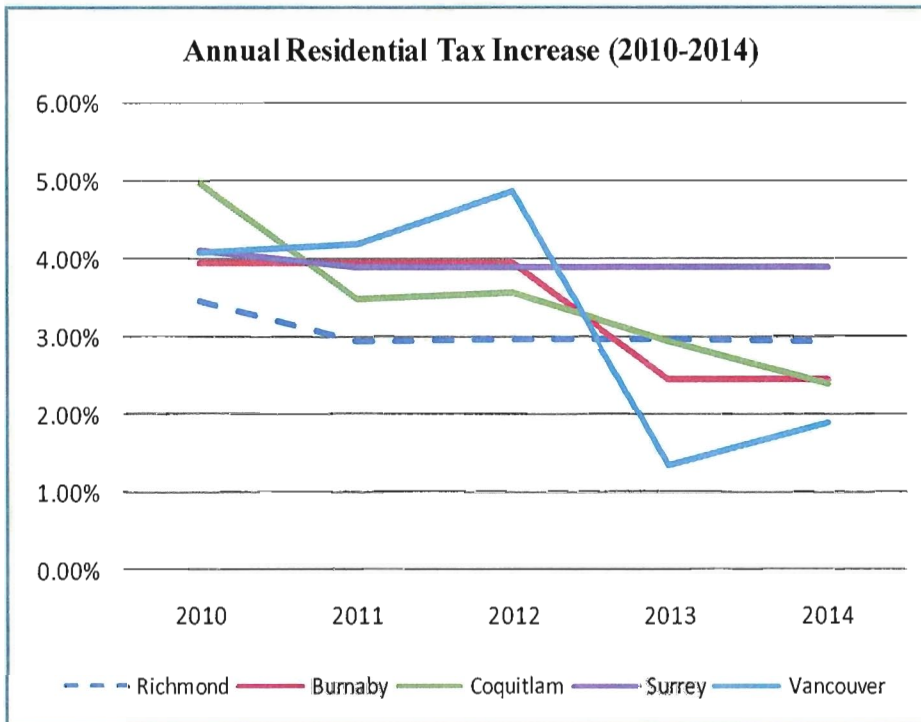
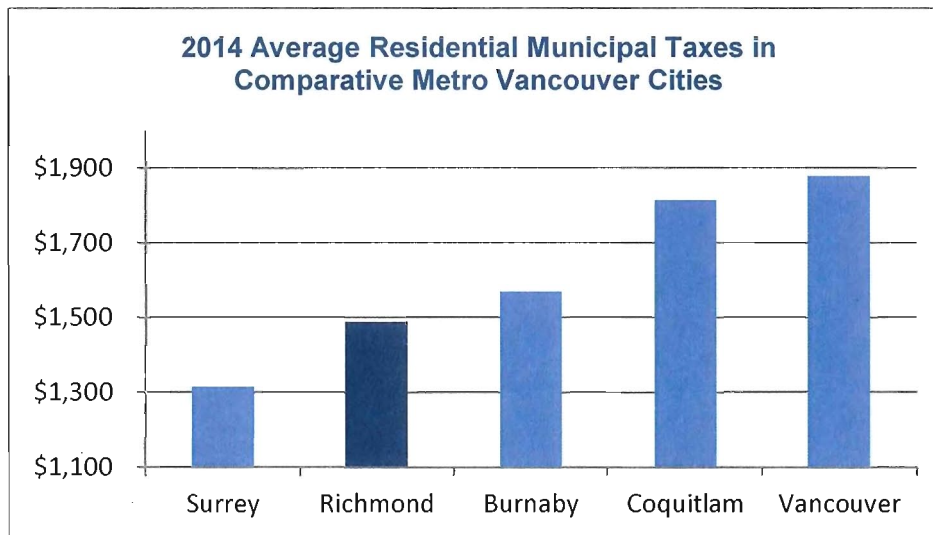


Figure 4 –2014 Average Residential Municipal Taxes in Comparative Metro Vancouver Cities



2015 Proposed Budget Highlights

While the 2015 Operating Budget primarily focuses on maintaining existing service levels, in order to meet Council’s financial objectives, it also supports continued service enhancement in a number of areas highlighted by City priorities, including Community Safety, Community Social Services, Sustainability, Arts and Culture and Community Wellness. The 2015 Budget accommodates new programs and services which are delivered through new capital projects and by leveraging efficiencies within the organization.

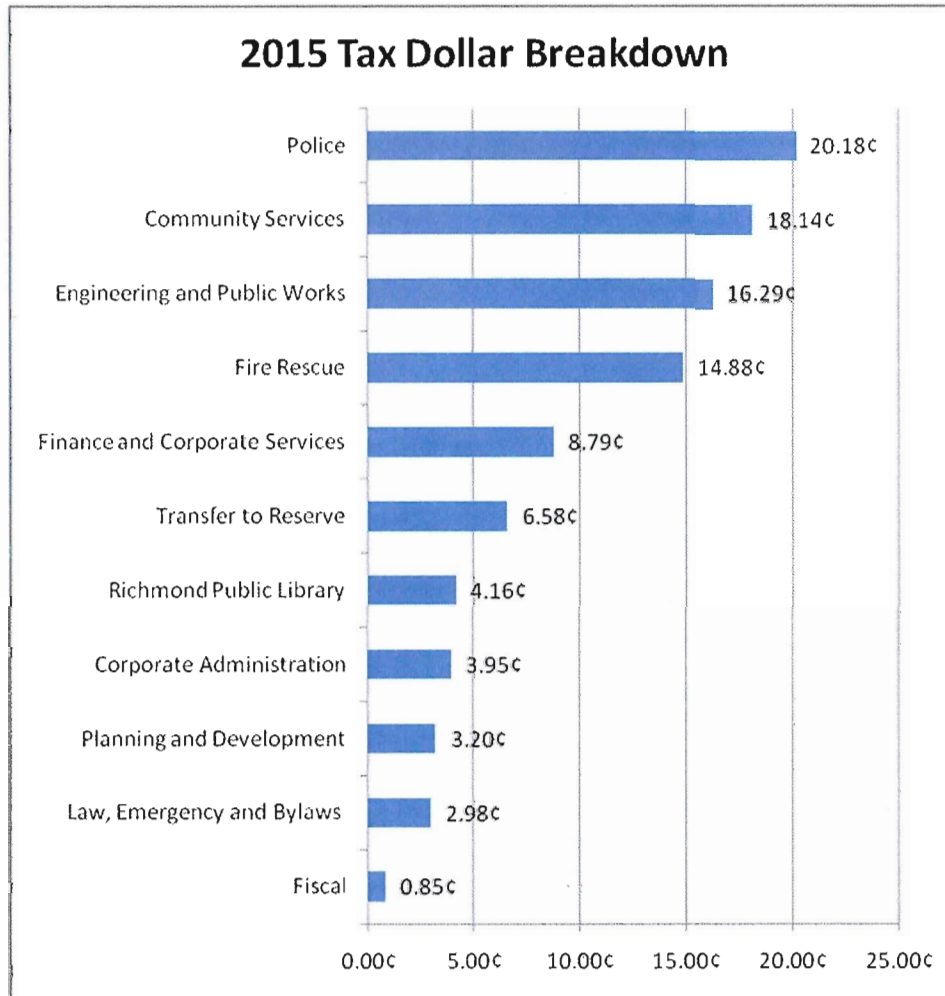
Council continues its investment in Community Safety, with over 38 cents of every tax dollar going to fund police, fire, bylaw, law and emergency services, as shown in Figure 5. For 2015, this Budget will continue to ensure Richmond remains a safe community with outstanding public safety services and a strong focus on community outreach through community policing, public safety awareness initiatives, crime and fire prevention programs, bylaw education and enforcement and emergency planning and preparedness programs.

Community Services, which includes Parks and Recreation and Community Social Services, is another core budget area. The Budget will continue the City’s expanded focus on social services, particularly in the areas of affordable housing, child care, seniors and youth services and diversity services. The Budget will also fund operation of new parks and recreation amenities and services including the new City Centre Community Centre.

The Library Act requires the Library Board to prepare and submit to Council its annual budget for providing library services to the municipality. The Richmond Public Library’s proposed 2015 budget is being presented to Council in a separate report.

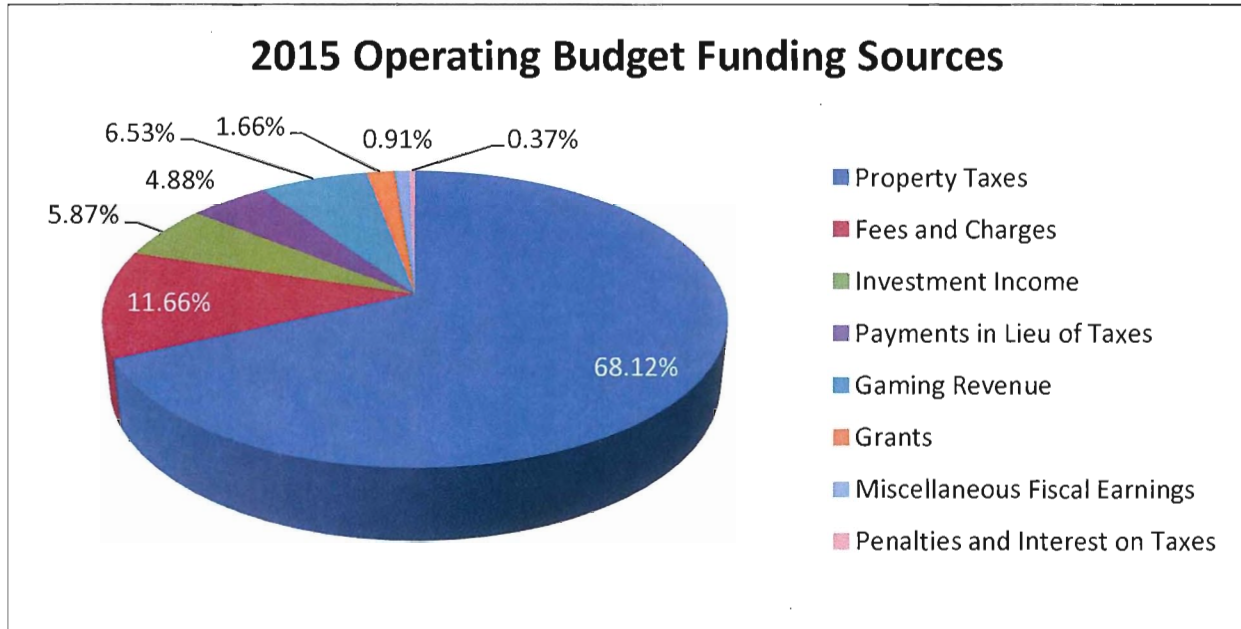
Sustainability is another key City priority. The Budget will support Richmond’s continued implementation of its Sustainability Framework with a focus on combating climate change, reducing our environmental footprint and engaging our citizens and businesses in supporting sustainability initiatives.

Figure 5 –2015 Tax Dollar Breakdown



As indicated in Figure 6, property tax, which represents the largest share of the revenue, amounts to 68% or \$188 million of the City’s operating budget. Fees and charges, investment income, payments in lieu of taxes, gaming revenue, and grants account for the remaining 32%.

Figure 6 - 2015 Operating Budget Funding Sources



Casino Funding

Council Policy 3707 item 2 states:

Gaming Revenue

Gaming revenues will go directly to the capital reserves, the grants program and a community legacy project reserve.

In addition, Council made an exception to the policy on February 27, 2007 and funded 4 RCMP officers with gaming revenue. On June 24, 2013 Council also approved to allocate \$5M from gaming revenue to offset the debt servicing costs as the final internal repayment to surplus for construction costs including the Richmond Olympic Oval was made in 2014. Table 11 summarizes the allocation of gaming revenue.

Table 11 – Casino Funding Assumptions

Casino Funding Assumptions (in '000s):	2015 Budget	2014 Budget	Change \$
Debt Servicing	\$5,000	-	\$5,000
Oval Construction	-	5,000	(5,000)
Capital Reserve	8,439	5,339	3,100
Capital Building Infrastructure Reserve	3,177	3,177	-
Grants	771	763	8
Operating (RCMP)	642	628	14
Total	\$18,029	\$14,907	\$3,122

Financial Impact

The net budget increase, after rate stabilization is \$5.16M as shown in Attachment 3, a 1.92% increase over the 2014 base expenditure budget. After factoring in growth, the net budget increase is 0.99%. Furthermore, after removing mandatory senior government related increases, the same level of service increase is only 0.18%.

Table 12 summarizes the recommended Budget Option 1 with a tax impact of 2.89% as proposed in the 2015 Operating Budget. Budget Option 1 is detailed in Table 10 on page 14, followed by Budget Option 2.

Table 12 – Summary of Components of the Proposed 2015 Operating Budget (Option 1 - Recommended)

Budget Impacts	\$000's	Tax Impact (%)
Same Level of Service, After Growth	\$473	0.26%
Capital OBI	701	0.38%
Additional 1% Transfer to Reserves	1,838	1.00%
Additional Level Expenditures	115	0.06%
Mandatory Senior Government Increases	2,185	1.19%
Proposed 2015 Operating Budget Increase	\$5,312	2.89%

Based on the proposed 2015 Operating Budget and the Completed Roll from BC Assessment Authority, the average residential tax increase would be \$47.42 on an average property assessment value of \$695,837.

Conclusion

The 2015 Operating Budget will maintain Richmond's record of providing an excellent level of service to the community, supporting fulfilment of City priorities that enhance overall quality of life.

Staff recommend that Council approve the proposed 2015 Operating Budget Option 1 with a tax impact of 0.26% for the same level of service, plus 0.38% for Capital OBI, plus 1% major capital community facility replacement program (Capital Building Infrastructure Reserve), plus 0.06% for additional expenditures, plus 1.19% for mandatory senior government related increases for a total tax impact of 2.89% and direct staff to prepare the 5-Year Financial Plan (2015-2019).



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MS:ms

- Att. 1: Long Term Financial Management Strategy
- 2: 2015 Budget Cycle Process
- 3: 2015 Ongoing Base Level of Service Budget Comparative Summary
- 4. 2015 Ongoing Additional Level Expenditure Requests – RECOMMENDED
- 5. 2015 Ongoing Additional Level Expenditure Requests – NOT RECOMMENDED



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Adopted by Council: September 22nd, 2003
 Amended by Council: July 8, 2013

Policy 3707

File Ref: 0970-03-01

Long Term Financial Management Strategy**Policy 3707:****It is Council Policy that:**1. **Tax Revenue**

Tax increases will be at Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

2. **Gaming Revenue**

Gaming revenues will go directly to the capital reserves, the grants program and a community legacy project reserve.

3. **Alternative Revenues & Economic Development**

Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.

4. **Changes to Senior Government Service Delivery**

Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year's taxes above and beyond the CPI and infrastructure percentage contribution.

5. **Capital Plan**

Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads etc.) is in place in order to maintain community liveability and generate economic development.

6. **Cost Containment**

Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given, and that a continuous review be undertaken of the relevancy of the existing operating and capital costs to ensure that the services, programs and projects



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Adopted by Council: September 22nd, 2003
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Long Term Financial Management Strategy

delivered continue to be the most effective means of achieving the desired outcomes of the City’s vision.

7. **Efficiencies & Service Level Reductions**

Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.

8. **Land Management**

Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City’s land inventory. Any funds in excess of such proceeds may be used as directed by Council.

9. **Administrative**

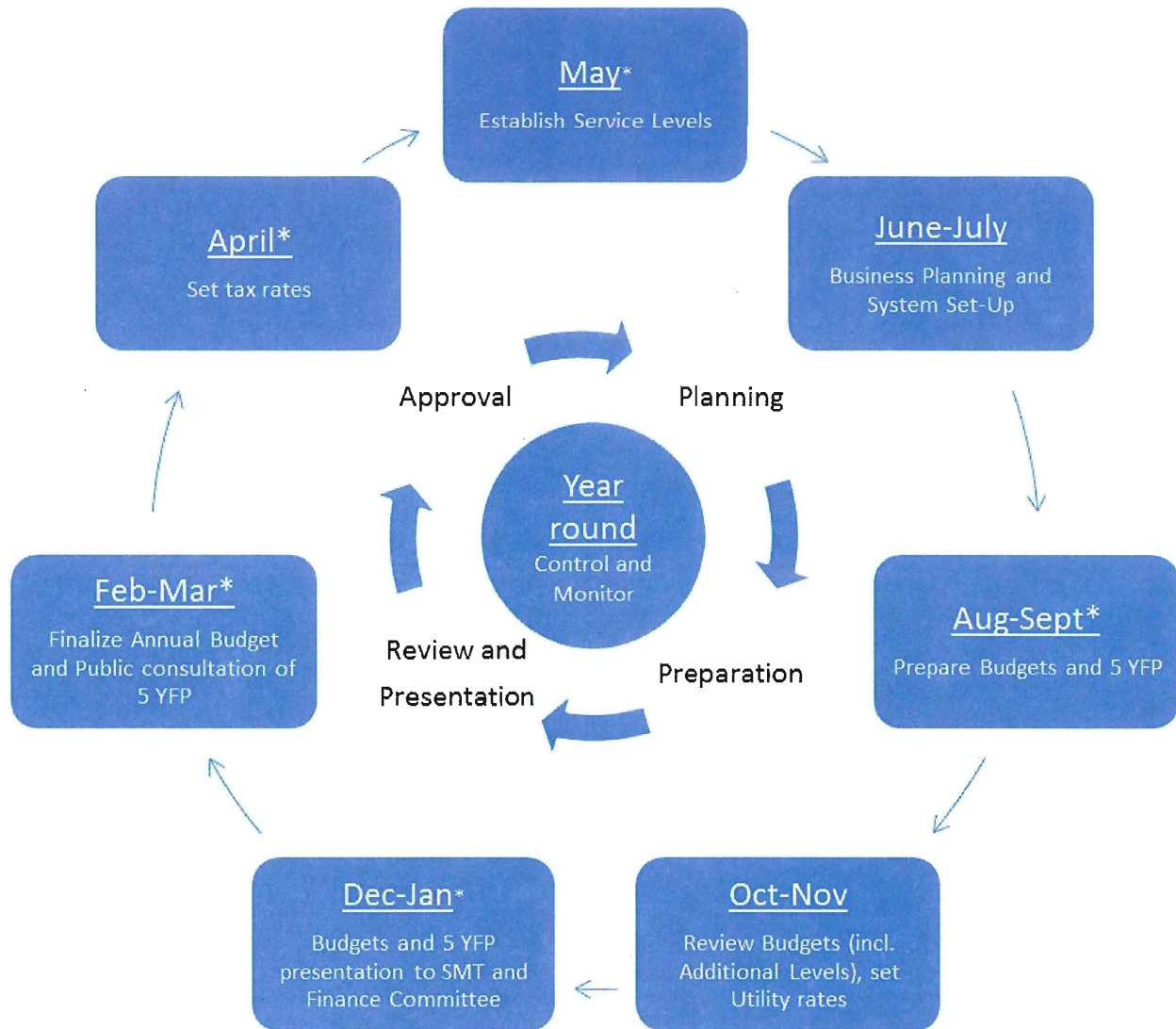
As part of the annual budget process the following shall be undertaken:

- all user fees will be automatically increased by CPI;
- the financial model will be used and updated with current information, and
- the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceed them.

10. **Debt Management**

Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.

2015 Budget Cycle Process



* Council involvement

2015 Ongoing Base Level of Service Budget Comparative Summary

Division (in '000s)	2015 Base Budget	2014 Adjusted Base Budget	Change \$	Change %	Tax Impact %
<u>Law and Community Safety</u>					
Revenue/Transfers	\$9,166	\$8,764	\$402	4.59%	0.22%
Expenses	87,255	84,616	2,639	3.12%	1.44%
	(78,089)	(75,852)	(2,237)	2.95%	(1.22%)
<u>Community Services</u>					
Revenue/Transfers	8,926	8,855	71	0.80%	0.04%
Expenses	45,670	44,516	1,154	2.59%	0.63%
	(36,744)	(35,661)	(1,083)	3.04%	(0.59%)
<u>Library</u>					
Revenue/Transfers	832	920	(88)	(9.57%)	(0.05%)
Expenses	9,373	9,170	203	2.21%	0.11%
	(8,541)	(8,250)	(291)	3.53%	(0.16%)
<u>Engineering and Public Works</u>					
Revenue/Transfers	5,192	4,952	240	4.85%	0.13%
Expenses	38,521	37,557	964	2.57%	0.52%
	(33,329)	(32,605)	(724)	2.22%	(0.39%)
<u>Finance and Corporate Services</u>					
Revenue/Transfers	4,320	4,226	94	2.22%	0.05%
Expenses	22,182	21,717	465	2.14%	0.25%
	(17,862)	(17,491)	(371)	2.12%	(0.20%)
<u>Corporate Administration</u>					
Revenue/Transfers	-	-	-	0.00%	0.00%
Expenses	8,110	7,924	186	2.35%	0.10%
	(8,110)	(7,924)	(186)	2.35%	(0.10%)
<u>Planning and Development Services</u>					
Revenue/Transfers	5,755	5,665	90	1.59%	0.05%
Expenses	12,270	11,903	367	3.08%	0.20%
	(6,515)	(6,238)	(277)	4.44%	(0.15%)
<u>Fiscal</u>					
Revenue/Transfers	215,046	215,035	11	0.01%	0.01%
Expenses	19,326	19,326	-	0.00%	0.00%
	195,720	195,709	11	0.01%	0.01%
<u>Transfers to Reserve</u>					
Revenue/Transfers	22,867	19,767	3,100	15.68%	1.69%
Expenses	34,555	31,455	3,100	9.86%	1.69%
	(11,688)	(11,688)	-	0.00%	0.00%
<u>Total</u>					
Revenue/Transfers	272,104	268,184	3,920	1.46%	2.13%
Expenses	277,262	268,184	9,078	3.38%	4.94%
Net Budget Increase					
	\$5,158	-	\$5,158	1.92%	2.81%
Estimated 2015 Growth					
	(2,500)	-	(2,500)	-	(1.36%)
Net Budget Increase, After Rate Stabilization and Growth					
	\$2,658	-	\$2,658	0.99%	1.45%
Less: Mandatory Senior Government Increases					
	(2,185)	-	(2,185)	-	(1.19%)
Same Level of Service Increase					
	\$473	-	\$473	0.18%	0.26%

2015 Ongoing Additional Level Expenditure Requests – RECOMMENDED

Ref	Requested By	Description	Amount (in 000's)	Tax Impact (%)
1	Law and Community Safety	<p>Operating Costs for the City Centre Community Police Station (CPO) The coordinator's role is to recruit, train, motivate and organize 80 active volunteers. The CPO delivers a variety of programs to meet the needs of the local neighbourhoods they serve, including information on home security, business crime prevention, auto crime prevention, and personal safety. With the continuation of the City Centre Community Police Station at its current location, and managed by a CPO Coordinator, it would achieve greater success with the ongoing programs, visibility, crime prevention, and community engagement. This item was forwarded for consideration in the 2015 budget process from the Council meeting dated October 27, 2014.</p>	\$148	0.08%
2	Law and Community Safety	<p>Community Bylaws Auxiliary Hours Auxiliary hours at a cost of \$57,000 to back fill revenue generating positions in Community Bylaws related to vacation relief, long term illnesses, and the dog license canvassing program. As a direct result of these additional auxiliary hours, a further \$90,000 in parking revenue is expected to be generated, resulting in a net gain of \$33,000.</p>	(\$33)	(0.02%)
3	Community Services	<p>Arts Centre Program Community need and demand for Arts Centre programs continue to increase and some programs have long waitlists. Staff continue to respond to growing community participation in the arts by developing new arts programs and effectively managing the use of the Centre's purpose built arts spaces. In order to address this growth, the Auxiliary Arts Programmer position will be increased 329 hours (\$15,000) to bring it to full-time hours; supplies will be increased by \$1,100; advertising will be increased by \$800; and contracts other (instructors) will be increased by \$8,100; for a total increase in expenditures of \$25,000. This increase will be completely covered by a</p>	\$-	0.00%

2015 Ongoing Additional Level Expenditure Requests – RECOMMENDED (CONT'D)

Ref	Requested By	Description	Amount (in 000's)	Tax Impact (%)
		corresponding increase in revenue from increased programming.		
4	Community Services	<p>Britannia Staffing For Rentals Outside Regular Business Hours (Aux) In 2015, there will be an increase of two rentals per month from May to September resulting in an increase of \$12,500 rental revenue. An additional 400 hours of auxiliary staffing hours will be require to staff the rentals which occur outside business hours. The additional expenditures are fully offset by the additional revenues.</p>	(\$0)	(0.00%)
		Recommended Total	\$115	0.06%

Ongoing Additional Level Expenditure Requests – NOT RECOMMENDED

Ref	Requested By	Description	Amount (in 000's)	Tax Impact (%)
1	Law and Community Safety	<p>Quick Response Team (4 Officers) The Quick Response Team's capability to monitor and confront chronic and high risk offenders will be empowered by the addition of four officers. Furthermore, the QRT will be in a position to cast wider focus on the offender population, as well as devote a greater quality of attention on specific offenders. Ultimately, as these initiatives are part of the Detachment's Strategic Plan, the additional officers would enhance the success of the Plan.</p>	\$684	0.37%
2	Law and Community Safety	<p>Unsolved Homicide Unit (3 Officers) The establishment of an Unsolved Homicide Unit (UHU) will allow the unit's three officers to thoroughly review unsolved homicide investigative files and pursue avenues of investigation with the end goal of identifying and bring before the courts those believed responsible, as well as providing justice to the victims and aggrieved families. Ultimately, an attempt to solve the unsolved homicide, suspicious missing persons, and suspicious death cases in Richmond can be achieved.</p>	\$513	0.28%
3	Law and Community Safety	<p>Road Safety Unit (1 Officer) The Road Safety Unit (RSU) is a major component of the Detachment's Strategic Plan, encompassing one of the five strategic and core priorities. The RSU's primary mandate is to provide intelligence-led, targeted enforcement. Complimentary to this mandate is the continued education of new drivers; school aged children and youth, pedestrians, and the motoring and cycling public through visible enforcement and non-enforcement operations.</p>	\$171	0.09%
4	Community Services	<p>Media Arts Specialist (RFT) Since the Media Lab opened in 2011, the Media Arts Specialist position has been mainly funded through sponsorship and grant money with some Department gap funding to maintain the number of staff hours. Long-term staffing requires a more sustainable approach to facilitate the success of future media arts programming, production and support.</p>	\$82	0.04%

Ongoing Additional Level Expenditure Requests – NOT RECOMMENDED (CONT'D)

Ref	Requested By	Description	Amount (in 000's)	Tax Impact (%)
		The Media Arts Specialist is responsible for facilitating media arts programming programs with a particular focus on using media arts as a tool for creating positive opportunities for "low asset" youth. This item was forwarded for consideration in the 2015 budget process from the Council meeting dated September 8, 2014.		
5	Library	Library Collection Material The Library collections budget has remained constant for many years and is not at a level to support the demands for both print and digital collections. The growth of eBooks and other digital collections has been at the expense of print books. Money is being taken from the print budget to buy digital collections causing a steep decline in the print collection, even though over 70% of users come to take out print books. Redirecting money from print books to eBooks is not sufficient to build up an adequate digital collection. The digital circulation has increased enormously by 1,220% and the library cannot keep up. An additional \$200,000 will provide for the digital demand.	\$200	0.11%
		Not Recommended Total	\$1,650	0.89%