



Finance Committee

Date: Monday, February 2, 2015

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Derek Dang
Councillor Carol Day
Councillor Ken Johnston
Councillor Alexa Loo
Councillor Bill McNulty
Councillor Linda McPhail
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 5:26 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on Tuesday, December 2, 2014, be adopted as circulated.

CARRIED

The Chair advised that the order of the agenda would be varied to consider the 2015 Capital Budget prior to the 2015 Operating Budget.

RICHMOND PUBLIC LIBRARY

1. **2015 OPERATING AND CAPITAL BUDGETS FOR RICHMOND PUBLIC LIBRARY**

(File Ref. No. 4493749) (REDMS No. 03-0970-25)

In reply to queries from Committee, Greg Buss, Chief Librarian and Secretary to the Board, provided the following information:

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- a decrease in the circulation of print material has resulted in a decline in revenue from late charges and reimbursement from other public libraries whose members borrow materials;
- there are no fines associated with the circulation of digital services;
- the quality of the print collection is declining as a result of reallocating an increasing proportion of the book budget to digital services;
- 92% of the library's circulation is for print material; however, the decline in the circulation of print materials is a result the deterioration of the quality of said collection;
- a \$200,000 ongoing increase to the collections budget is requested to support the growth of the digital collection as currently, this amount is taken annually from the print budget;
- the increase of \$200,000 would ensure that the print collection can be maintained at an adequate level while simultaneously providing sufficient funds to build a strong digital collection;
- the library is on a course of transformation as it makes the shift from providing primarily print based information to a blend of traditional library services and digital services; and
- staffing adjustments have been implemented in an effort to address the budget deficit; also, changes to programming are being examined in an effort to increase revenue.

Discussion took place and a member of Committee remarked that additional information was needed prior to the consideration of the proposed 2015 operating and capital budgets for the Richmond Public Library.

In response to comments made by Committee, Mr. Buss provided a hypothetical example to demonstrate the cost of building up the digital collection: the cost of a hardcopy book is \$20 for both a consumer and a public library; the cost of a digital book is \$15 for a consumer while costing a public library \$110. Mr. Buss remarked that like a hardcopy book, when a digital book is out on loan, the book is not accessible; therefore, multiple digital books are needed.

Mr. Buss stated that the average library sees a book circulation of 15 per capita; since 2009, Richmond's book circulation has decreased from 24 per capita to 20 per capita.

As part of the Library's Strategic and Long Range Plan for 2014-2018, Mr. Buss stated that a number of low cost, low initial investment opportunities will be explored in an effort to increase revenue. Also, he stated that there is still a large demand for hardcopy newspapers and magazines and that the price of digital books will be addressed in concert with other public libraries.

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In reply to further queries from Committee, Mr. Buss advised that Richmond Public Library members may loan up to 10 digital books and 25 print books at once.

Discussion ensued regarding the number of both digital books and print books permitted to be loaned at one time and it was suggested that these numbers be reviewed in an effort to better utilize resources. Also, discussion took place on potential revenue generation opportunities such as implementing a nominal fee for the use of digital materials or increasing the cost of utilizing the 3D printer.

It was moved and seconded

That the 2015 Operating and Capital budgets for Richmond Public Library as presented in the report dated January 19, 2015 from the Chief Librarian and Secretary to the Board be approved with a same level of service municipal contribution of \$8,540,700.

The question on the motion was not called as discussion took place and a member of Committee suggested referring the matter back to staff to examine potential revenue generation options.

In reply to a query from Committee, Andrew Nazareth, General Manager, Finance and Corporate Services, advised that the proposed increases to the 2015 Operating and Capital budgets for the Richmond Public Library are non-discretionary as a result of contractual obligations in the collective agreement and leases.

The question on the motion was then called and it was **CARRIED** with Cllr. Day opposed.

Discussion took place regarding potential revenue generation options, and as a result, the following **referral** was introduced:

It was moved and seconded

That staff work with Richmond Public Library staff on possible strategies to reduce expenses and increase revenue, and report back.

The question on the referral was not called as discussion took place and Committee directed staff to examine the number of books permitted to be loaned at one time as part of the referral. The question on the referral was then called and it was **CARRIED**.

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3. **2015 CAPITAL BUDGET**

(File Ref. No. 03-0970-25) (REDMS No. 4468934 v. 12)

Andrew Nazareth, General Manager, Finance and Corporate Services, accompanied by Jerry Chong, Director, Finance, provided background information, noting that the Long Term Financial Management Strategy (LTFMS), created by Council, guides the financial planning process. Mr. Nazareth remarked that a key component of the LTFMS is to ensure that sufficient long term capital funding for infrastructure replacement and renewal is in place in order to maintain community viability and generate economic development. He spoke on the extensive budget review process, noting that the Capital Review Committee reviewed and ranked each project submission for alignment with strategic and master plans, policies and Council priorities; the submissions were then presented to the Senior Management Team and the Chief Administrative Officer.

In reply to queries from Committee, staff provided the following information:

- Figure 1 of the staff report titled “2015 Capital Budget” provides a simplified rendering of the criteria utilized to rank capital submissions;
- the 2014 Capital budget was significantly higher than the proposed 2015 Capital budget as a result of funds allocated towards the Minoru Complex and City Centre Community Centre;
- the proposed 5-Year Finance Plan could be amended to accommodate a future land acquisition opportunity; also, staff are examining the potential to leverage existing properties to increase revenue;
- the replacement of one fire apparatus is anticipated annually up to 2027;
- the 2015 Capital program as it relates to affordable housing includes building up the West Cambie reserve, offsetting costs related to updating the affordable housing strategy, and offsetting the difference in the Kiwanis project disbursement;
- the Utility Reserve has approximately \$50 million of uncommitted funds;
- in consultation with the Richmond Animal Protection Society, the size of the proposed trailer is anticipated to meet the needs of the Richmond Animal Shelter;
- due to contractual obligations, the City is not permitted to advertise in bus shelters; however, should Council wish to do so once the City’s contractual obligations have expired, the proposed non-advertising bus shelters can easily be modified to incorporate advertising infrastructure;
- the Public Works Yard is included in Phase II of the Corporate Facilities Plan;

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- there is no indication that BC Hydro would not provide 1/3 of funding for their portion of work required for undergrounding their infrastructure on Lansdowne Road from Cedarbrige Way to Minoru Boulevard;
- the Richmond Animal Shelter accommodates animals ranging from farm animals to gerbils;
- funds from Development Cost Charges (DCC) are earmarked for specific projects related to sewer, water, drainage and parks;
- a number of projects require internal funding when adequate funding is not available in the respective DCC account; the proposed internal transfers and debt repayments reflect such instances;
- the expenditure of the \$1.87 million surplus from 2014 is subject to Item No. 4 on the agenda;
- approximately 15 existing signalized intersections have been identified for works as part of the Accessible Pedestrian Signal Program; should Council wish to identify a specific location not currently identified, the Director of Transportation is to be contacted;
- the Active Transportation Improvement Program is subsidized with a grant of \$350,000 from the Province and TransLink;
- TransLink contributes annually toward the repaving of the City's Major Road Network;
- the repaving of the City's Non-Major Road Network is funded by the City's Capital budget and contributions from TransLink;
- works on the Gardens Agricultural Park will include the development of walking trails, and community gardens; and
- site specific repairs with regard to uneven sidewalks and wheel chair ramps as a result of service requests by residents are incorporated as part of the City's annual paving program.

It was moved and seconded

- (1) *That the 2015 Capital Budget totalling \$92.5M be approved and staff authorized to commence the 2015 Capital Projects; and*
- (2) *That the Five-Year Financial Plan (2015-2019) be prepared for presentation to Council incorporating the 2015 Capital Budget.*

CARRIED
Opposed: Cllr. Day

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FINANCE AND CORPORATE SERVICES DIVISION

2. **2015 OPERATING BUDGET**
(File Ref. No. 03-0970-25) (REDMS No. 4469200 v. 6)

Mr. Nazareth advised that the proposed 2015 Operating budget meets the principles of Policy 3016 – Budget and 5-Year Financial Plan Preparation, highlighting that only non-discretionary increases are proposed in addition to the transfer of an additional one per cent to reserves. Mr. Nazareth commented on previously approved Operating Budget Impact (OBI) such as the City Centre Community Centre and the Minoru Complex, and spoke on funding for the City Centre Community Police Station.

In reply to queries from the Chair, Mr. Nazareth stated that the OBI of the City Centre Community Centre was considered as a same level of service and thus was recommended; he noted that other recommendations such as an increase in community bylaws auxiliary staff hours are anticipated to generate revenue, thus resulting in a net gain for the City. Mr. Nazareth advised that if the projected revenues are not realized, the corresponding auxiliary staff hours would be cut.

Discussion took place regarding the annual budget cycle and it was noted that, prior to the presentation of the annual Operating budget before the Finance Committee, an opportunity for Council to obtain additional information and to participate would be constructive. Discussion further ensued and concern was expressed with regard to maintaining current programs at the same level of service as such an approach does not allow for the potential to re-examine service levels to determine value for money.

In response to the discussion, George Duncan, Chief Administrative Officer, spoke of varying levels of service level reviews, noting that a review of the City's services would be a major undertaking and costly.

Cllr. Steves left the meeting (6:45 p.m.)

In reply to queries from Committee, Mr. Chong advised that the proposed 2015 Operating budget is an estimated \$277 million, including amortization expenses. Staff was requested to provide Council with a reconciliation of the proposed 2015 Operating budget.

Discussion further took place regarding the annual budget cycle and an opportunity for Council to participate in the process prior to its presentation before the Finance Committee.

Cllr. Steves returned to the meeting (6:55 p.m.)

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Mr. Chong provided the following information regarding the proposed 2015 Operating budget: (i) non-discretionary items such as salaries and benefits account for 48% of the budget, (ii) RCMP policing costs make up 13% of the budget, (iii) 16% of the budget is transferred to reserves, (iv) 2% of the budget accounts for debt repayment, (v) 8% of the budget accounts for other contracts, and (vi) 5% of the budget accounts for Public Works maintenance.

In reply to queries from Committee, Mr. Nazareth advised that the Media Arts Specialist position is regular full-time, and therefore it requires a sustainable long term funding source. Discussion took place and Committee commented on the importance of the Media Lab for the community and particularly as it relates to the City's Arts Strategy and Council's Term Goals. Jane Fernyhough, Director, Arts, Culture and Heritage Services advised that staff are currently seeking grant funding and examining sponsorship opportunities in an effort to fund the Media Arts Specialist position.

Discussion took place and Cathryn Volkering Carlile, General Manager, Community Services advised that the proposed additional expenditures for increased auxiliary staff hours are offset by additional revenues generated as a result of additional programming, and facility rentals. Also, it was noted that if the projected revenues are not realized, the corresponding auxiliary staff hours would be reduced.

In response to comments regarding the breadth of information contained in the staff reports and the opportunity for Council to participate in the budget process prior to its presentation before the Finance Committee, Mr. Nazareth invited new Councillors to meet with staff to receive a comprehensive review of the annual budget cycle.

Discussion ensued regarding property taxes between newly constructed single-family dwellings and that of older single-family dwellings, and it was noted that the latter likely pay less property taxes as a result of the increased number of newly constructed single-family dwellings.

The Chair referenced Figure 1 of the staff report titled 2015 Operating Budget dated January 27, 2015 from the Director, Finance, noting that the City's reserves would be perilously low in five years without the annual 1% transfer to the account.

It was moved and seconded

- (1) That the 2015 Operating Budget presented under Option 1 in the staff report titled 2015 Operating Budget dated January 27, 2015 from the Director, Finance, 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; and***

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- (2) *That the 5-Year Financial Plan (2015-2019) be prepared for presentation to Council incorporating the 2015 Operating Budget.*

CARRIED

Opposed: Cllrs. Au
Day
Johnston

As a result of the discussion, the following **referral** was introduced:

It was moved and seconded

That:

- (1) *staff investigate the potential for an operational service level review prior to the 2016 budget process; and*
- (2) *that staff examine the potential for an independent external service level review;*

and report back.

The question on the referral was not called as discussion ensued and the following information was noted:

- an operational service level review would provide Council with details of costs associated with providing the City's services;
- an operational service level review is anticipated to (i) target inefficiencies by reducing work that does not add value, (ii) address duplication and "silo" working, and (iii) increase accountability;
- an operational service level review may determine that resources from one area be shifted to another;
- an external review may be of value as it would allow for an independent review process; and
- the proposed operational service level review should include a review of the City's departments.

In reply to a query from Committee, Mr. Duncan stated that the proposed operational service level review can be achieved within the proposed timeframe. Committee clarified that the proposed timeframe is to serve as a goal; however, a phased review is agreeable.

Discussion further took place regarding the scope of the proposed operational service level review and the Chair directed staff to provide Council with a comparison of property taxes between newly constructed single-family dwellings and that of older single-family dwellings.

The question on the referral was then called and it was **CARRIED**.

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3. **2015 CAPITAL BUDGET**
(File Ref. No. 03-0970-25) (REDMS No. 4468934 v. 12)

Please see Page 4 for action on this matter.

4. **2015 ONE-TIME EXPENDITURES**
(File Ref. No.) (REDMS No. 4468788 v. 3)

In reply to queries from the Chair, Mr. Nazareth stated that one-time expenditure requests are typically non-recurring items for consideration above the base annual budget; Council established the Rate Stabilization Account to provide funding for such requests without impacting taxes; therefore to fund such requests, any surplus from the previous year's budget is transferred into the Rate Stabilization Account annually. Also, Mr. Nazareth spoke on the criteria used to rank the proposed one-time expenditure requests, noting that by and large the same criteria were used as that applied for the Capital budget process.

It was moved and seconded

- (1) *That the recommended one-time expenditures in the amount of \$1.87M, as outlined in the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance, be approved; and*
- (2) *That the One-Time Expenditures be included in the City's 5-Year Financial Plan (2015-2019) Bylaw.*

The question on the motion was not called as discussion took place and in reply to queries from Committee, staff provided the following information:

- the creation of a development plan for the Richmond Museum would address details such as its mission statement, its size and location, and its governance and administrative structure (Item No. 1 – Richmond Museum Development Plan as listed in Attachment 2 of the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance); and
- the Gateway Theatre Computer Upgrade as listed in Attachment 2 of the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance was not recommended for a one-time expenditure request due to its rank in comparison to other submissions.

As a result of the discussion, the following **amendment** motion was introduced:

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It was moved and seconded

That Item No. 8 – Gateway Theatre Computer Upgrade as listed in Attachment 2 of the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance, be approved as a one-time expenditure in the amount of \$43,000.

CARRIED

Opposed: Cllrs. Loo
McNulty

Discussion further ensued regarding the need for funding for the Parish of St. Alban's Extreme Weather Shelter. As a result, the following **amendment** motion was introduced:

It was moved and seconded

That \$10,000 be transferred from the Rate Stabilization Account towards the 2015 Health, Social, and Safety Grants to be disbursed to the Parish of St. Alban's in support of the Extreme Weather Shelter.

The question on the amendment motion was not called as in reply to queries from Committee, Ms. Carlile stated that she would update Council on the timeframe for reporting back on the emergency weather shelter referral made at the November 25, 2014 Parks, Recreation and Cultural Services Committee. Also, Ms. Carlile stated that additional information regarding the Parish of St. Alban's Extreme Weather Shelter would be provided to Council immediately.

Discussion ensued and it was noted that it may be timely to await staff's report on the referral to review the City's policy for casino funds expenditures made at the October 6, 2014 General Purposes Committee; the results of the referral may allow for the allocation of additional funding for not only the Parish of St. Alban's Extreme Weather Shelter, but for the Richmond Women's Resource Centre too.

The question on the amendment motion was then called and it was **DEFEATED** with Mayor Brodie, Cllrs. Dang, Johnston, Loo, McNulty, McPhail, and Stéves opposed.

In reply to queries regarding the Steveston Community Amenities Master Plan, Serena Lusk, Senior Manager, Recreation and Sport Services advised that funding for the proposed project would go towards evaluating options and opportunities related to the development / redevelopment of amenities, including supporting the public consultation aspect of the project and the hiring of experts required to complete the project. Ms. Lusk advised that the use of funds for the Facilities Plan mimics that of the Steveston Community Amenities Master Plan with the exception that the Facilities Plan does not include a public consultation piece.

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Discussion then took place regarding the Richmond Public Library's request to increase their capital budget by \$200,000 to support growth of the digital collections, while simultaneously maintaining the quality of the print collection.

As a result of the discussion, the following **amendment** motion was introduced:

It was moved and seconded

That \$200,000 for Item No. 5 – Library Collection Material as listed in Attachment 5 of the staff report titled 2015 Operating Budget dated January 27, 2015, from the Director, Finance, be approved as a one-time expenditure from the Rate Stabilization Account.

CARRIED

The question on the main motion as amended, which now reads:

- (1) *That the recommended one-time expenditures in the amount of \$1.87M, as outlined in the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance, be approved;*
- (2) *That the One-Time Expenditures be included in the City's 5-Year Financial Plan (2015-2019) Bylaw;*
- (3) *That Item No. 8 – Gateway Theatre Computer Upgrade as listed in Attachment 2 of the staff report titled 2015 One-Time Expenditures dated January 30, 2015, from the Director, Finance, be approved as a one-time expenditure in the amount of \$43,000; and*
- (4) *That \$200,000 for Item No. 5 – Library Collection Material as listed in Attachment 5 of the staff report titled 2015 Operating Budget dated January 27, 2015, from the Director, Finance, be approved as a one-time expenditure from the Rate Stabilization Account.*

was then called and it was **CARRIED**.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (7:55 p.m.).

CARRIED

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Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, February 2, 2015.

Mayor Malcolm D. Brodie
Chair

Hanieh Berg
Committee Clerk