

**Schedule 1 to the Minutes of the
Regular meeting of Richmond City
Council held on Monday, June 26, 2023.**

6740 Dunsany Pl
Richmond, BC
V7C 4N8

June 26, 2023

City of Richmond
6911 No. 3 Road
Richmond, BC
V6Y 2C1

Mayor Brodie and Councillors Au, Day, Gillanders, Heed, Hobbs, Loo, McNulty and Wolfe

Subject: City of Richmond 2022 Annual Report - Public Review Concerns

Once again, I find it necessary to appear before you with repeated concerns and a quest for improved financial performance reporting transparency by City staff and KPMG enabling a more thorough understanding of the City's financial affairs by you and Richmond taxpayers.

Of the thirty candidates who ran for mayor and council in the last election, five said "yes" to the question, "Do you think Richmond City Council is sufficiently open and transparent in how they make decisions?" Elected councillors Au, Day, Gillanders, Heed, Wolfe and 16 unsuccessful candidates said "no".

This is a request of city staff to provide you and members of the public with greater detail and respect in the City's financial performance disclosure details. This affects your ability to conduct informed due diligence assessments and impacts the ability of City residents to trust government. The importance of financial reporting clarity is noted in the KPMG LLP Independent Auditor's Report included in the City's 2022 Annual Report stating - "Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements." Keep in mind, the statement of Mr. George Duncan in his March 2, 2017 Report to Committee, "Critics of the Oval contend that it is a financial burden for Richmond taxpayers. This incorrect observation is not borne out, however by the Oval's stellar financial performance and fails to recognize that ROOC board directors are respected members of the community who would potentially put their professional and/or personal reputations at risk if they were to fail to ensure that the ROOC is operated in a responsible and effective manner." Why is it an incorrect observation? What qualifications are necessary for use of the term "stellar financial performance"? What embellishments do financially, - independent of government welfare, fitness and sports organizations qualify for?

Neither the City's Annual Reports nor Richmond Olympic Oval Corporation's (ROOC) Annual Reports disclose the cost to taxpayers for the City's gift of relief from annual property tax and

relief from fair market rent obligations to ROOC for use of the Richmond Olympic Oval facility. The City used taxpayer resources to provide this benefit to ROOC at taxpayer expense. No record of this taxpayer expense has been located. No record of the value of tax and rent relief provided by the City to ROOC appears in the Revenue - Contribution from City of Richmond declaration, despite taxpayers providing it.

The Oval facility located at 6111 River Rd and adjoining Fields at 6091 has a combined assessed value of \$350,044,000 worthy of a \$2,731,828 benefit to the City and taxpayers in 2023. The City did not and never has benefitted from ROOC generated property tax revenue. On May 23, 2013, BCBusiness reported, "Olympic Oval Reports Record Profits in 2012", and "With a steady increase in visitor numbers and ability to turn an increasingly good profit, the Richmond Olympic Oval is costing Richmond taxpayers little and becoming an asset for the city." ROOC Annual Reports have continued to report either a profit or surplus. Who released these claims to BCBusiness?

Consider the combined 2023 assessed value (\$295,077,000) for Costco, Superstore and Walmart tax purposes as evidence of a benefit for the City and taxpayers. The cost of affording tax relief to ROOC by the City resulted in higher tax obligations for all remaining taxable Class 6 Business/Other members to recover the tax relief cost afforded to ROOC. The loss of fair market rent revenues to the City from ROOC are an unreported expense for taxpayers. The transfer of Oval parking, lease and investment income to ROOC from the City are lost to City taxpayers as a benefit for non-Oval projects and no credit for this taxpayer expense is apparent.

The City posted estimates of Richmond Oval property tax relief intended for 2021, 22 and 23 in the Richmond News October 15, 2020 edition. The last reported tax relief (Municipal portion only) afforded to ROOC for the Oval was in the City's 2020 Annual Report. The Richmond Oval tax relief amount was not disclosed since. Transparency? Property tax was not reported in the ROOC Annual Reports as an expense. Tax was never paid. Note the relief amounts declared for the Oval were for the Municipal tax portion only. See Attachment 1 for detail. The total 2017 tax relief afforded to ROOC by the City, including the non-Municipal portion totalled \$2,924,125. This did not appear in the Annual Report.

What amount of the GOT federal portion (\$2,106,035) afforded to the City for ROOC was recovered, from the reported \$10,396,266 ROOC salaries and benefits expense by the federal government in 2022/GST related revenues for the same period?

The Richmond Public Library Board reported four lines of six in Revenue for amounts less than \$100,000. ROOC reported zero lines of Revenue below \$1,500,000 each with ample room to provide greater specific financial performance reporting clarity. The value of tax and rent relief did not appear in the ROOC Report. What prevents greater clarity? Transparency?

Evidence of the City's ability to establish and disclose fair market rent and tax obligation benefits from City owned property is in the Attachment. ROOC includes lease revenue in the Revenue - Other category. The City or ROOC determined the terms. The City has never

disclosed the annual cost to taxpayers of providing rent relief to ROOC for the Oval. Transparency? The City agreed to lease 6380 No. 3 Rd to the Richmond Society For Community Living and provide rent relief for each of ten years. The value of relief is \$808,500 per year for the property valued at \$16,654,000 (BC Assessment). Using this property as a base of comparison, ROOC is receiving relief of annual rent obligations for the Oval and Fields totalling \$16,993,549 at taxpayer expense. This revenue is not available to offset all Oval costs plus a contribution to the City for other purposes. ROOC has never declared rent as an expense.

My second concern involves the transition of current City owned properties, which generate significant rent and property tax benefits for the City into the Lulu Island Park. Beginning in 2024, all rent and tax revenues will vanish in perpetuity. Those responsible for acquiring these properties deserve medals for their past wisdom. In 2024, demolition of all improvements will commence at unknown cost and Lulu Island Park will rise at unknown cost. I am unaware of any disclosure defining the costs of this transition and the impact the loss of rent and tax revenues will have on remaining taxpayers.

The existing Garden City Lands Project continues to attract development costs with no expectations of future revenues following the \$59 m acquisition cost. Likewise, the Phoenix Seine Net Loft project has attracted a \$19.2 m reconstruction tab and additional \$16 m re-purposing budget with no likelihood of generating sufficient revenues to fund future staffing and maintenance.

These represent expensive legacy burdens for all residents of Richmond today and well into the future.

In the case of financial performance transparency improvements by staff to benefit Council and residents going forward, I urge Councillor Heed with his extensive background of experience and knowledge and with the support of Council to undertake liaison duties with ROOC. Disinformation and misinformation are undermining public trust in our democratic system. Do we need a forensic audit of ROOC's financial performance disclosure record? I hope Council with the necessary support of staff will consider my worrying concerns and undertake needed effort to manage the City's finances more carefully and with needed transparency. Please remember the election issue concerns.

Thank you.

Sincerely and respectfully,

A handwritten signature in black ink, appearing to be 'Ken McLennan', with a long horizontal line extending to the right.

Ken McLennan
Richmond resident

215 - \$12,887 + tax + all other costs for 3 years*

234 - \$ 8,439 + tax + all other costs for 2 years

237 - \$ 21,105 year 1 + tax + all other costs for each year

\$ 22,110 year 2

\$ 23,115 year 3

2022

#7080 River Rc 237 - \$22,110 + tax + all other costs for 2 years and 7 months

Note: # represents Lulu Island Park Development Property

* represents year 2 rent + tax + all other costs

Annual Rent Relief Provided by the City at Taxpayer Expense Record

(Published in the Richmond News)

2008 -- 2023

6111 River Rd (Richmond Olympic Oval) facility provided to City owned Richmond Olympic Oval Corporation (ROOC) for \$1 per year with no disclosure of rent relief cost to taxpayers by the City or ROOC compared to the above and following records.

2018

7300 Elmbridge Way - \$ 42,000 for each of 5 years

7300 Elmbridge Way - \$250,000 for each of 5 years

2020

10277 River Dr - \$172,200 for each of 10 years

2021

3368 Carscallen Rd - \$447,900 for each of 10 years

2022

8660 Ash St - \$ 51,840 for each of 10 years

6380 No. 3 Rd - \$808,500 for each of 10 years

2023

6899 Pearson Way - \$250,000 for each of 10 years

Property Tax Relief Provided To ROOC for the Oval (6111 River Rd) 2017 - 2023 Records

2017 – Estimated tax exemption \$1,595,053 (estimated Oct 21, 2016 - RN)

2017 - \$2,924,125 (\$1,398,430 constituted Municipal portion) Actual “This reduction does not impact residents as the Oval is classified under the business property tax class. Therefore, the reduction is shared by all the businesses within that class.” (Email Nov 15, 2017 5:24 PM)

“The property tax relief figures included in the City of Richmond’s annual reports reflect the Municipal portion only.” (Email February 26, 2018 3:51 PM)

“The Oval earned over \$400,000 of space leasing revenue in 2016 for space leased out to a food service provider, sports medicine providers, as well to CSI.” (Email February 26, 2018 3:51 PM)

“The City, being the beneficial owner of the Oval, is responsible for all property taxes resulting from the land and improvement at the Oval. Property taxes include municipal tax, school tax, and levies for other taxing agencies. If the City is required to pay taxes for the Oval, the municipal portion of the tax will offset and taxpayers will not be affected. The school tax and levies for other taxing agencies will, however, need to be paid to those agencies and the City would require to increase municipal taxes in order to meet those external obligations.” (C of R Letter March 9, 2018 File 03-0985-01/2018-Vol 01)

“Property tax exemptions impact the City’s finances by reducing the total assessed value of properties subject to taxation. This results in the City recovering the shortfall through tax increases to general taxpayers.” (Report to Committee Sept 10, 2018, File 03-0925-02-01/CL Vol. 02)

“This report supports Council’s Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

5.4 Work cooperatively and respectfully with all levels of government and stakeholders while advocating for the best interests of Richmond.” (Staff Report April 1, 2022, -2-/FIN-6)

“In accordance with the Richmond Oval Agreement between the City of Richmond (“City”) and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and

the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere.” (Richmond Olympic Oval Corporation – 1st Quarter 2023 Financial Information Report May 25, 2023 File 03-1200-09/2023-Vol 01)