



City of Richmond

Report to Committee

To: Finance Committee

Date: December 5, 2019

From: Jerry Chong
Director, Finance

File: 03-0970-09-01/2019-
Vol 01

Re: Financial Information – 3rd Quarter September 30, 2019

Staff Recommendation

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2019”, dated December 5, 2019 from the Director, Finance be received for information.

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

Att: 5

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Building Approvals	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Facility Services	<input checked="" type="checkbox"/>	
Information Technology	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input type="checkbox"/>	
Transportation	<input type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Origin

Pre-audited financial information for the 3rd quarter ended September 30, 2019 is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City's financial results throughout the year and before the annual audited financial statements are presented.

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

5.1 Maintain a strong and robust financial position.

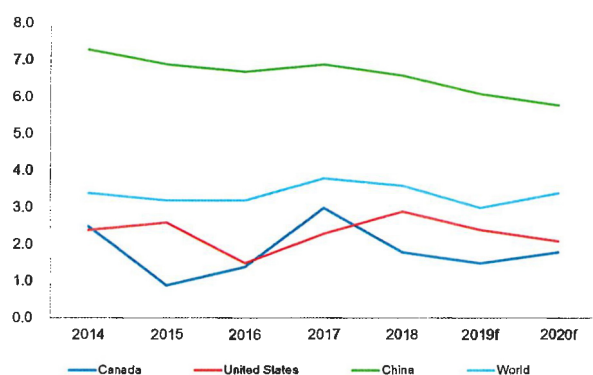
5.2 Clear accountability through transparent budgeting practices and effective public communication.

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

Analysis

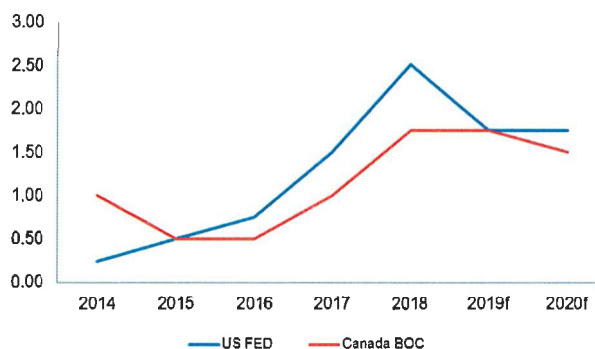
Macroeconomic Indicators & Forecast

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

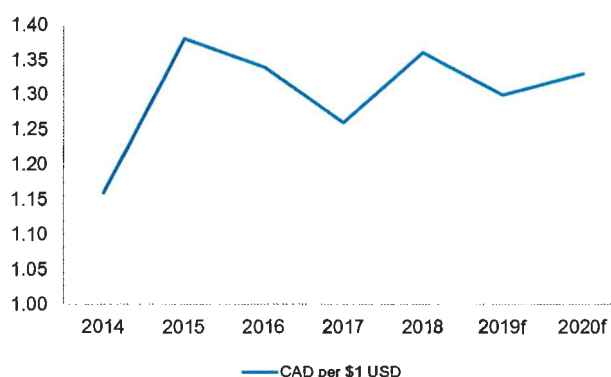


- The International Monetary Fund (IMF) projects the global GDP growth for 2019 to be 3.0%, its slowest pace since the global financial crisis in 2008 and down from 3.8% in 2017.
- In Canada, the GDP growth forecast is 1.5% for 2019 and 1.8% for 2020. The U.S. economy is forecast to grow by 2.4% in 2019 and 2.1% in 2020.
- GDP growth for China is forecast at 6.1% and 5.8% in 2019 and 2020, respectively.

¹ International Monetary Fund, World Economic Outlook (October 2019)

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

- After experiencing three upward adjustments totaling 0.75 percentage points in 2018, the Bank of Canada's (BoC) overnight rate remained at 1.75% in Q3 2019. It is forecast to decline to 1.5% by the end of 2020.
- The U.S. Federal Reserve (US FED) lowered its interest rates to 2.00% in Q3 2019. On Oct 30, 2019, the US FED announced an interest rate cut of 0.25% to 1.75%. It is forecast to remain at 1.75% by the end of the year and through to 2020.

3) Exchange Rates – CAD/USD at Year-End³

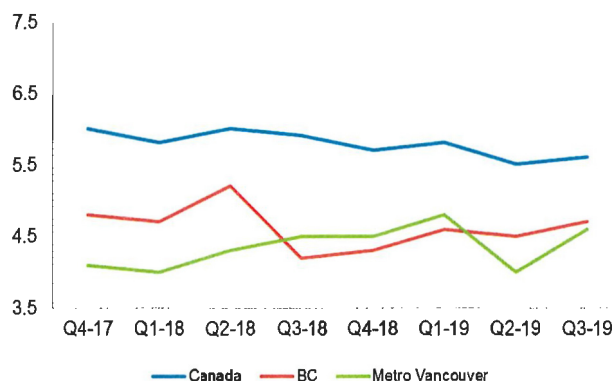
- The Canadian dollar ended Q3 2019 at \$1.32 CAD per \$1 USD.
- The forecast USD/CAD exchange rates for 2019 and 2020 are \$1.30 CAD per \$1 USD and \$1.33 CAD per \$1 USD, respectively.

² US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (September 2019)

³ Royal Bank Economic Research Forecast (September 2019)

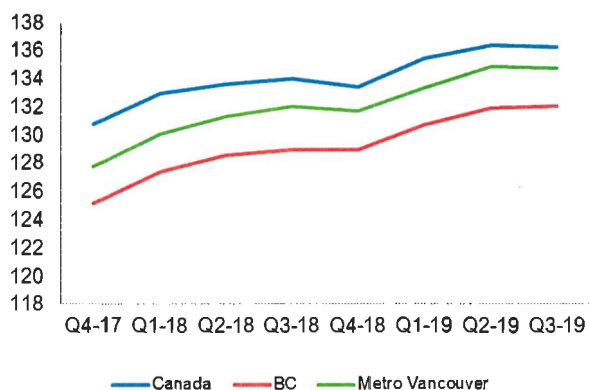
Regional & Local Economic Activity Indicators

4) Unemployment⁴



- Canada and British Columbia (BC) continue to experience very tight labour markets with near full employment. Despite modest increases in unemployment rates compared to the last quarter, unemployment rates remain low at 5.6%, and 4.7% for Canada and BC, respectively.
- Metro Vancouver experienced a 15% increase in unemployment rate since the Q2, ending Q3 2019 at 4.6%.
- British Columbia continues to have the lowest unemployment rate of all Canadian provinces, despite a 12% increase compared to the same quarter last year.

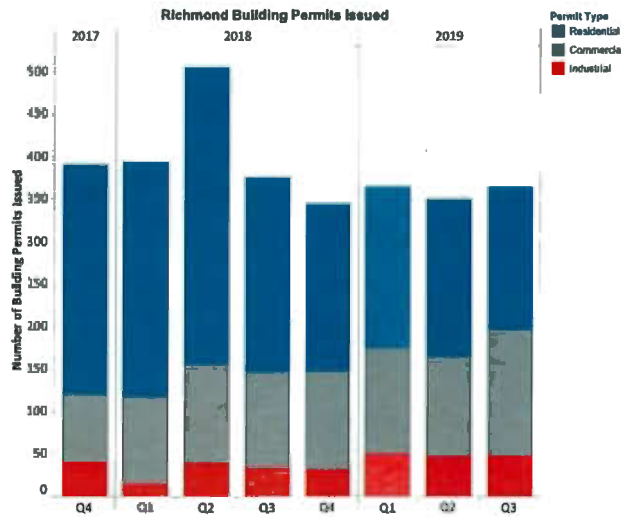
5) Consumer Price Index (CPI – 2002=100)⁵



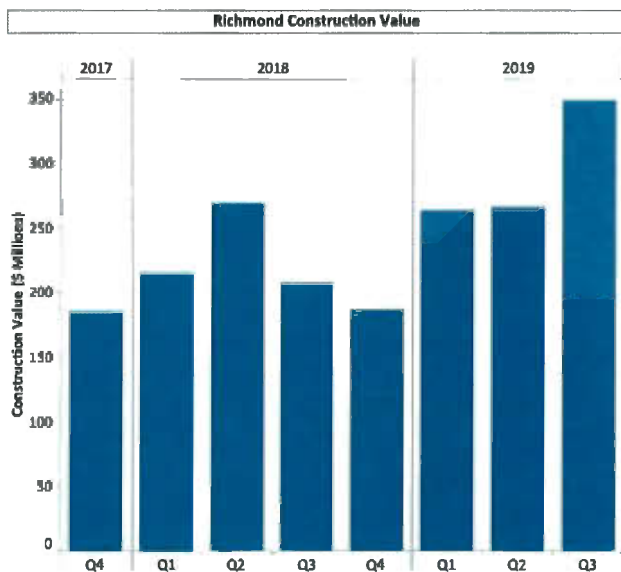
- At the end of Q3 2019, the CPI climbed by 1.9% in Canada, 2.4% in British Columbia and 2.3% in Metro Vancouver, compared to the same period last year.
- The increase in CPI compared to last year is attributed to higher mortgage and transportation costs, slightly offset by lower gasoline prices.
- The BoC continues to monitor inflation closely. Changes to its policy interest rate are intended to maintain the CPI rate of increase at the midpoint between 1 and 3 percent.

⁴ Statistics Canada

⁵ Statistics Canada

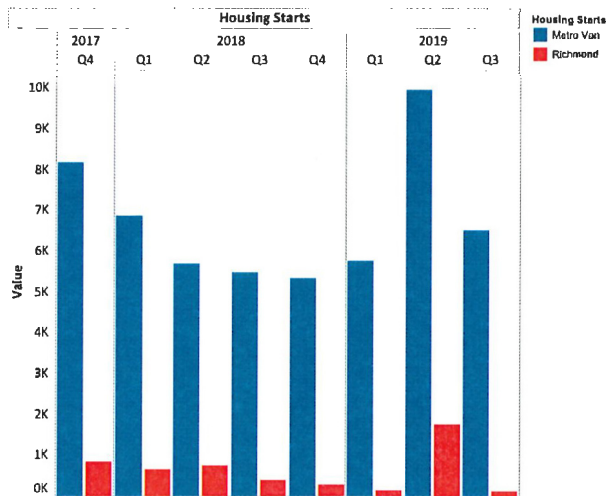
6) Building Permits – Richmond⁶

- In Q3 2019, there were 170 residential, 147 commercial, and 48 industrial building permits issued in Richmond.
- Of the 170 residential building permits issued, 42 permits were for new construction and 128 were for alterations.
- While the total number of residential building permits issued throughout the first nine months of 2019 decreased by 36% compared to the same period in 2018, the total number of units increased by 71% which indicates a larger proportion of multi-family developments.
- During the first nine months of 2019, building permits were issued to construct 2,255 residential units compared to 1,320 units in the same period of 2018.
- Year-to-date commercial building permits increased by 18% and industrial permits increased by 66% over the same period last year.



- The total value of construction activity in Richmond for the first nine months of 2019 totaled \$878 million.
- This is expected to surpass the annual construction values of \$709 million realized in 2017 and \$880 million in 2018.
- During the first nine months of 2019, the value of construction activity in Richmond increased by 27% over the same period last year. Though fewer permits were issued, the average value of the permits was higher relative to prior years. This is mainly attributed to the development of multi-family units in the City Center Area. Increased labour and construction costs also contributed to the higher construction value in 2019.

⁶ City of Richmond Building Permits

7) Housing Starts⁷

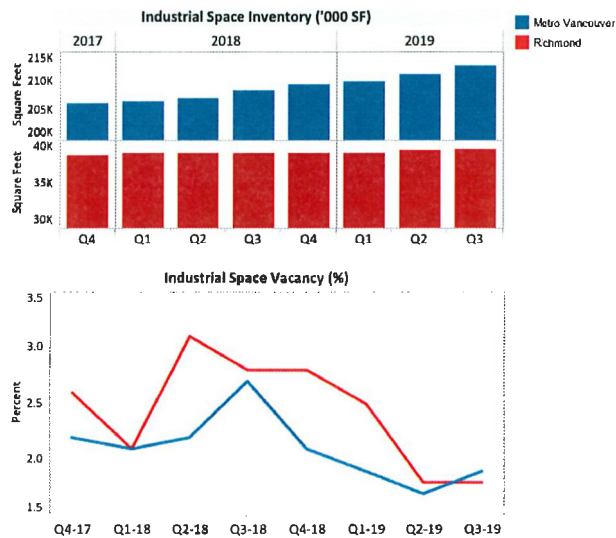
- In Q3 2019, there were 110 housing starts in Richmond and 6,506 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on their verification that construction work has commenced⁸.
- New home construction in Richmond has steadily declined since 2016 with a spike experienced in Q2 2019 from projects pre-sold in previous years. This added to the year to date housing starts, resulting in a 12% increase compared to the same period last year.
- The number of housing starts increased by 23% in Metro Vancouver during the first nine months of 2019 over the same period last year.
- The change from Q2 2019 in CHMC's housing start data for Richmond in Q3 2019 does not directly compare to the change in residential building permits issued by the City. This is mainly due to the varying timing between issuing a residential building permit and determining a housing start.

⁷ Canada Mortgage and Housing Corporation

⁸ Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.

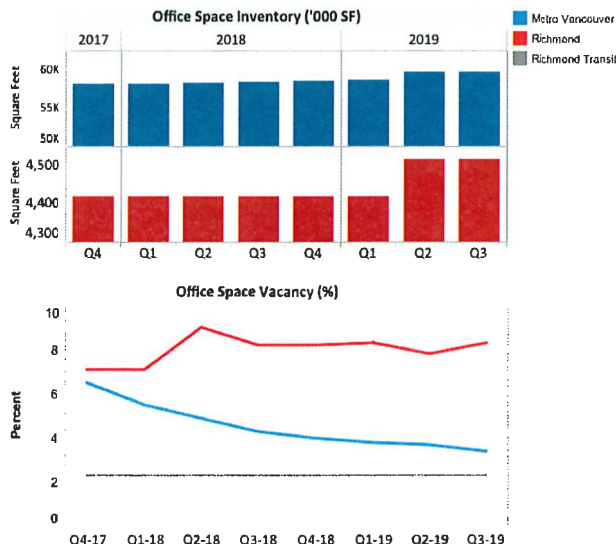
8) Commercial Space⁹

a) Industrial Space



- Despite a net addition of 381,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has kept the industrial vacancy rate low. It ended Q3 2019 at 1.8%, down from 2.8% in Q3 2018.
- The industrial vacancy rate in Richmond and Metro Vancouver declined year over year by 36% and 30%, respectively.
- With this acute shortage of industrial space, Richmond and Metro Vancouver are experiencing difficulty accommodating new large users as well as the expansion of existing businesses.
- At 39 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (37 million), Burnaby (31 million), Delta (26 million), and Vancouver (24 million).

b) Office Space

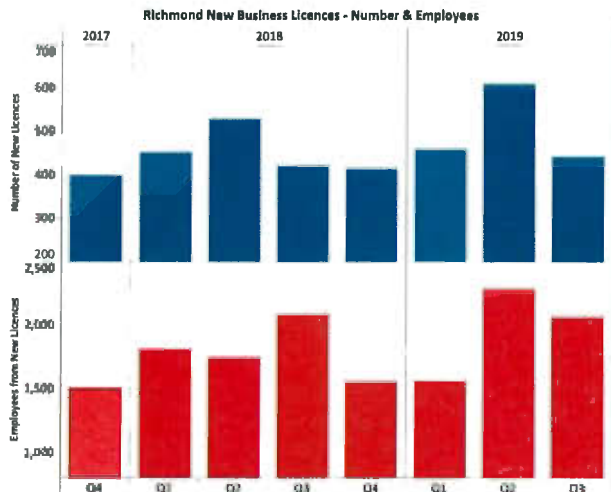


- The office vacancy rate for Richmond increased by 6.4% in Q3 2019 over the previous quarter as nearly 100,000 square feet was added since the beginning of the year and is in the process of being absorbed.
- At the end of Q3 2019 the office vacancy rate was 8.3% in Richmond compared to 3.5% throughout Metro Vancouver.
- Demand for high quality office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market.

⁹ Cushman & Wakefield Office and Industrial Market Beat Reports

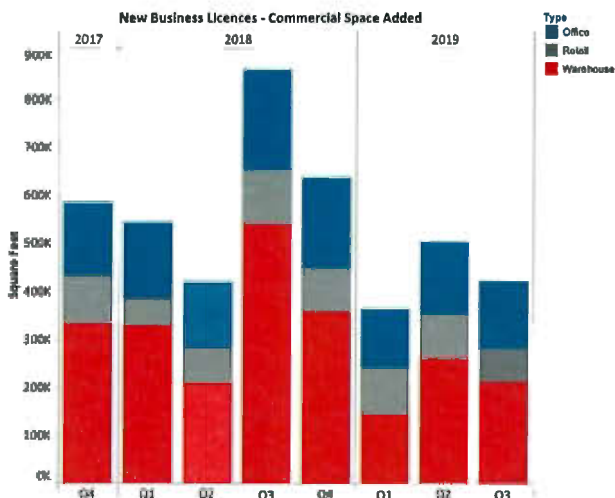
9) Business Growth – Richmond

a) New Business Licences



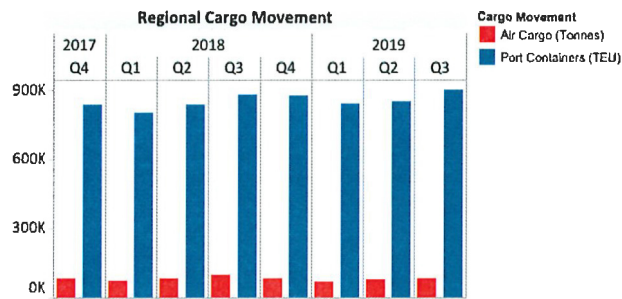
- There were 1,513 new business licences issued in Richmond during the first nine months of 2019, an increase of 7.8% over the same period in 2018.
- The addition of 5,906 jobs was attributed to these new businesses.
- As of Q3 2019, there were 14,802 active business licences, an increase of 3.6% compared to Q3 2018.

b) New Business Licences – Commercial Space

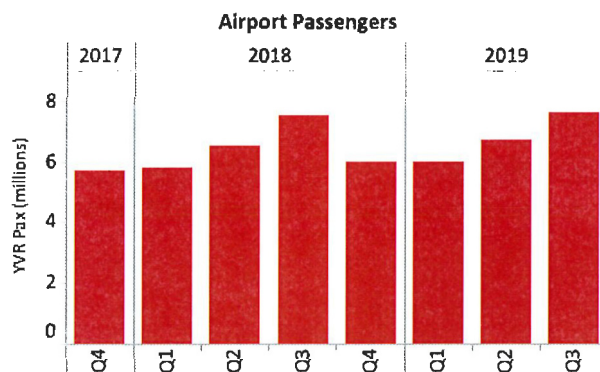


- 1.3 million square feet of commercial space absorption was tied to the new business licences issued throughout the first three quarters of 2019.
- As industrial users typically require more space, almost half of total commercial space absorption was warehouse-type industrial space.
- 32% of commercial absorption in the first nine months of 2019 was related to office-based businesses, while 20% of commercial space absorption throughout this period was from retail businesses.

10) Goods and People Movement

a) Regional Cargo Movement¹⁰

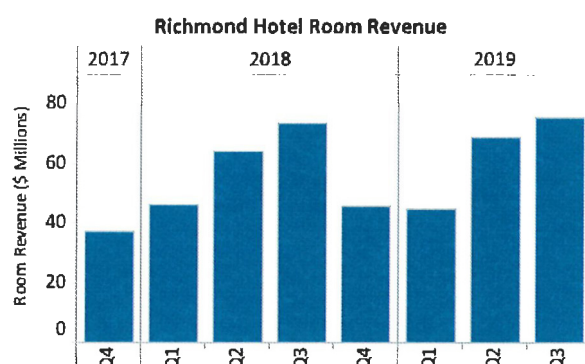
- While there was an increase in container movements at the Port of Vancouver in the first three quarters of 2019, the Vancouver International Airport (YVR) experienced a decline in the volume of air cargo.
- For the first nine months of 2019, there were 2.6 million Twenty Foot Equivalent Units (TEUs) of container movements at the Port of Vancouver, an increase of 3.0% over the same period in 2018.
- At YVR, 228,000 tonnes of air cargo was handled throughout the first nine months of 2019, a decrease of 11% over the same period last year.

b) Airport Passengers¹¹

- YVR continued to experience passenger growth as 7.6 million passengers travelled through the airport in Q3 2019, an increase of 1.3% over Q3 2018. The year-to-date passenger traffic also increased by 2.5%.

¹⁰ Port of Vancouver Monthly Cargo Statistics

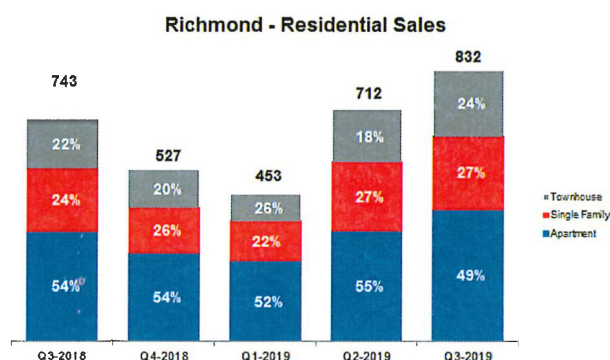
¹¹ YVR Monthly Statistics

c) Richmond Hotel Room Revenue¹²

- \$188.8 million was collected in hotel room revenue throughout the first nine months of 2019 in Richmond, an increase of 2.8% over the same period last year.

Residential Real Estate¹³

For the first six months of the year, residential sales have been lower in 2019 when compared to 2018. The third quarter of 2019 is the first quarter where residential sales have exceeded 2018 sales for the same quarter. Lower mortgage rates, reduced home prices and rising demand have created an upward sales momentum in the housing market during the third quarter of 2019.

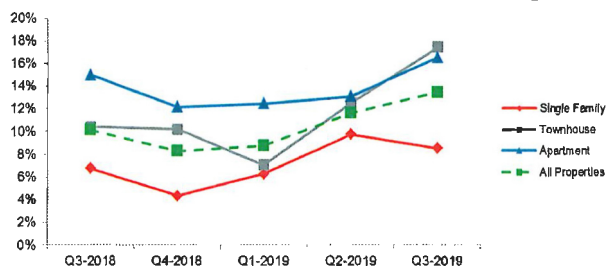


- Single family detached (SFD) home sales increased by 16% compared to Q3 2018. Home sales in the first nine months of 2019 showed a decline of 11% over the same period last year.
- Apartment and townhouse sales in Q3 2019 increased by 2.3% and 33%, respectively, compared to the same period in 2018. The year-to-date apartment and townhouse home sales declined by 27% and 22%, respectively, over the same period last year.
- Apartment sales represented almost half of the residential home sales in Richmond. SFD and townhouse sales account for 27% and 24%, respectively, of home sales in Richmond.
- There were 1,997 residential home sales in Richmond by the end of Q3 2019, a 22% decrease compared to the same period last year.

¹² City of Richmond Additional Hotel Room Tax Ledger; Destination BC

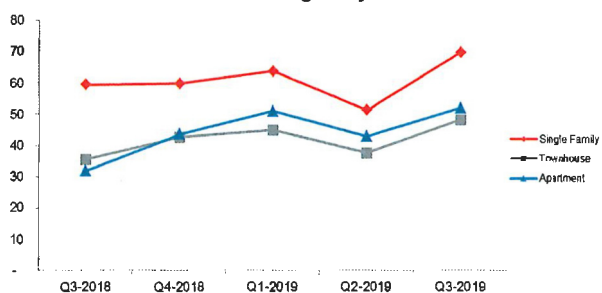
¹³ Real Estate Board of Greater Vancouver

Richmond - Residential Sales-to-Active Listings



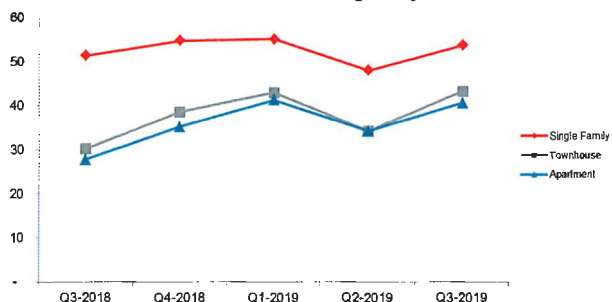
- Richmond residential properties had a sales-to-active listing ratios of 14% as at September 30, 2019. This represents a buyer's market, particularly for SFD.

Richmond - Average Days on Market



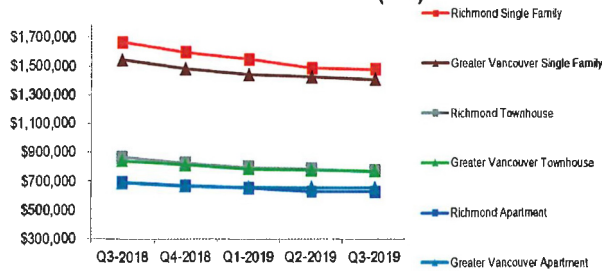
- At Q3 2019, SFD properties in Richmond had an average of 70 days on the market, a 19% increase compared to Q3 2018.
- Townhouses and apartments had an average of 48 and 52 days on the market, respectively, representing a 33% and 63% increase compared to the same period last year.

Greater Vancouver - Average Days on Market



- At Q3 2019, SFD properties in GVRD had an average of 54 days on the market, which increased by 5.9% compared to Q3 2018.
- Townhouses and apartments had an average of 43 and 41 days on the market, respectively, which represents an increase of 43% and 46% over the same period in 2018.

Richmond vs. Greater Vancouver Residential Home Price Index (HPI)

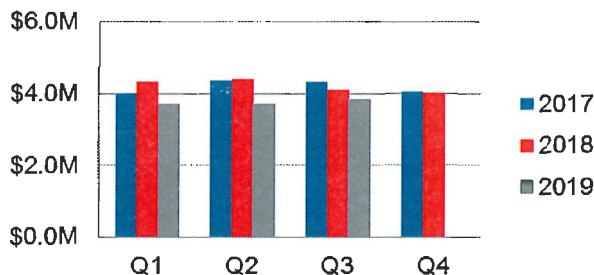


- The Home Price Index (HPI)¹⁴ for SFD properties in Richmond at Q3 2019 was \$1,476,800, a decrease of 11% compared to Q3 2018. The GVRD housing market has also slowed down with SFD properties priced at \$1,406,200, an 8.8% decrease compared to the same quarter last year.
- At Q3 2019, the HPI for townhouse properties in Richmond was \$767,300, a decrease of 11% compared to Q3 2018. The HPI for townhome properties in GVRD was \$767,500, which represented an 8.4% decrease compared to the same quarter last year.
- The HPI for apartments was \$627,100, a decrease of 9.3% compared to Q3 2018. GVRD's apartment prices decreased to \$651,500, which was a 5.1% decrease from Q3 2018.

Gaming Revenue

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

Gaming Revenue by Quarter



- Gaming revenue for Q3 2019 decreased by 6.4% to \$3.84M compared to \$4.10M in Q3 2018.
- Q3 2019 increased by 3.6% compared to the previous quarter.
- At the end of Q3 2019, the City received \$11.2M or 68% of the 2019 annual budgeted of \$16.5M for gaming revenue.

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

River Rock continues to refer to the Table Drop¹⁵ revenue as the main driver behind changes in overall gaming revenue levels. The impact of BCLC source of funds procedures¹⁶ was seen beginning from Q2 2018 with slight recovery in this quarter.

Year over year comparison of gaming revenue received for the first nine months of the year shows a 12% decrease compared to the same nine months in 2018.

At the February 11, 2019 Council meeting, the 2019 Budget was approved which included the gaming revenue allocation for 2019. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be adjusted from the Capital Building and Infrastructure Reserve. The distribution is consistent with the 2018 gaming revenue allocation.

Table 1: *Distribution of the 2019 gaming revenue allocation*

	Distribution	2019 Budget
Capital Reserves	30%	\$5.0M
Grants	15%	2.5M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.7M
Capital Building and Infrastructure Reserve	Remainder	3.0M
Total		\$16.5M

¹⁵ Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games.

¹⁶ Source of funds procedures requires all BC casinos to obtain a bank receipt for any buy-ins of \$10,000 or more over a 24-hour period. The original receipt must be from the same day of the transaction and it must display the financial institution, branch and account number.

Operating Activity

Table 2 compares budget to unaudited actual activity up to September 30, 2019. The net figure represents combined revenue and expense amounts. Actuals includes estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: *Net Operational Activity for the period January 1, 2019 to September 30, 2019 (in \$000's)*

Net Operational activity ¹	For the period January 1 – September 30, 2019			Projected 2019 results		
Division/Department ²	Q3 YTD Net Budget	Q3 YTD Actuals	Q3 YTD Variance (\$)	Q4 Projected Net Results ³	2019 Appropriations	2019 Projected Surplus
Community Safety ⁴	(\$1,298)	(\$2,219)	\$921	\$1,027	(\$40)	\$987
Community Services	33,499	33,177	322	497	(175)	322
Corporate Administration	8,110	7,058	1,052	1,504	(1,235)	269
Engineering and Public Works	31,492	29,065	2,427	3,766	(3,627)	139
Finance and Corporate Services	18,697	17,406	1,291	1,461	(807)	654
Fire Rescue	29,798	28,282	1,516	1,062	(200)	862
Library	7,356	7,314	42	46	(46)	-
Planning and Development	3,536	856	2,680	2,779	(250)	2,529
Policing	41,228	38,126	3,102	3,461	(1,000)	2,461
Fiscal	(152,117)	(152,317)	200	205	-	205
Total Operating	\$20,301	\$6,748	\$13,553	\$15,808	(\$7,380)	\$8,428
Water Utility	2,972	1,306	1,666	1,997	(1,997)	-
Sanitary Utility	1,093	(370)	1,463	1,324	(1,324)	-
Sanitation and Recycling Utility	2	(1,554)	1,556	1,228	(1,228)	-
Total Utilities	\$4,067	(\$618)	\$4,685	\$4,549	(\$4,549)	\$-

¹Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc.

²Based on organizational structure in place as of September 30, 2019

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

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

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2019 Financial Plan:

- Community Safety's (excluding fire and policing) favourable variance is driven by business licences revenue, community bylaw revenue, timing required to fill staff vacancies and timing of operating expenses.
- Community Services' favourable variance is driven by Parks' timing of material, contract and utility expenses. An appropriation of \$175K is projected to fund ongoing major initiatives.

- Corporate Administration's favourable variance is due to vacant positions. An appropriation of \$1.235M is projected to support continuation of corporate initiatives and training programs in 2020.
- Engineering and Public Works' favourable net operating variance is mainly due to underpinning and permit fee revenue, and timing of contract expenses.

Appropriations at year end include the following: The fleet surplus estimated to be \$690K will be transferred to the Equipment Reserve in accordance with Policy 2020; \$981K for service fees related to Lulu Island Energy Company in accordance with the asset transfer agreement; \$923K for project development projects expected to be completed in 2020; \$364K for facility services repairs expected to be completed in 2020; \$340K for continued work on dike maintenance; \$174K for roadwork expected to be completed in 2020; and \$155K for wet ditching materials for Sidaway projects.

- Finance and Corporate Services' favourable variance is mainly due to vacant positions within Corporate Business Services Solutions, Information Technology and Finance. An appropriation of \$807K is projected to fund various upgrades for the Financial System and PerfectMind post-implementation costs.
- Fire Rescue's favourable variance is mainly due to timing required to fill the additional 12 firefighter positions, which were approved on March 11, 2019 in the 2019 Operating Budget. The recruitment process is completed and all of the positions were filled in October 2019. An appropriation of \$200K is projected to fund equipment replacement.
- The Library is on budget. The projected surplus will be appropriated for future use within library operations.
- Planning and Development's favourable variance is primarily due to building permit revenue related to multi-residential buildings and vacant positions. An appropriation of \$250K is projected to fund traffic projects that are expected to complete in 2020.
- Policing's favourable variance is mainly due to timing required to fill the additional 19 officer positions, which were approved on March 11, 2019 in the 2019 Operating Budget. As of the third quarter, 13 of the 19 additional officer positions have been deployed and the remaining six are anticipated to be filled by March 2020. An appropriation of \$1.0M is projected to fund the future one-time expenditures.
- Fiscal is on budget incorporating adjustments for future and potential liabilities.
- Water Utility's favourable variance is mainly driven by unbudgeted revenue received from developers for water consumption charges during construction of new residential developments. Any surplus at year end will be transferred to the Water Levy Stabilization Provision.

- Sanitary Sewer Utility's favourable variance is mainly due to unbudgeted revenues received from developers for sanitary sewer user fees during construction of residential developments. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance is mainly due to higher than budgeted revenue from Recycle BC, Garbage Utility revenue, and lower garbage and recycling processing fees. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Statement of Operations for the Nine Month Period Ended September 30, 2019, with comparative figures for 2018 is included in Attachment 3.

Cash and Investment Portfolio

As of September 30, 2019, the City's total cash and investment balance totalled \$1.27 billion with a weighted average yield of 2.43%.

The overall cash and investment balance is comprised of \$828.7 million in investments (Attachment 4) and \$438.3 million in high interest cash savings accounts. The high cash balance is mainly due to the more favorable yield being realized on shorter term saving accounts.

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

	September 30, 2019	June 30, 2019
2 Year Government of Canada Bonds	1.58%	1.46%
5 Year Government of Canada Bonds	1.42%	1.40%
10 Year Government of Canada Bonds	1.39%	1.50%

Source: Bank of Canada

Ongoing trade conflicts and global economic uncertainty continued to restrain business investment, trade and global growth. The concerns over the economic outlook resulted in the U.S. Federal Reserve cutting its interest rate three times this year. Despite the interest rate cuts south of the border, the Bank of Canada has held its overnight target interest rate at 1.75% during the latest interest rate announcement on December 4, 2019. This was the ninth-straight policy meeting where the Bank of Canada kept its overnight interest rate at the same level since the last interest rate increase in October 2018.

The Bank of Canada is mindful that the resilience of Canada's economy will be increasingly tested as trade conflicts and uncertainty persists. In considering the appropriate path for monetary policy, the Bank of Canada will be paying close attention to indicators of consumer spending and housing activity for signs that show weakness is spreading to the broader economy.

With incoming data releases, the Bank of Canada would be ready to lower interest rates in the coming months should the need arise.

The City continues to comply with its Investment Policy (3703) by carrying a cash and investment portfolio with strong credit quality, meeting the objectives of managing its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than \$75,000. During the third quarter, 30 contracts greater than \$75,000 were awarded totalling over \$22.9 million (Attachment 5).

Financial Impact

None.

Conclusion

The City of Richmond has maintained its strong financial position through the third quarter of 2019. Building construction and development activity is exceeding budget and revenue collection and business activity remains steady. It is expected that these positive trends will continue through the last three months of the year. The forecast surplus at the end of the third quarter is \$8.4M and following the year-end audit, the finalized surplus will be placed in the Rate Stabilization Account for future tax rate stabilization or one time expenditures as authorised by Council.



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- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Unaudited Statement of Operations
- Att. 4: Cash and Investment Portfolio
- Att. 5: Contract Awards greater than \$75,000

Economic Indicators**September 30, 2019****Macroeconomic Indicators & Forecast**

	2017	2018	Change	2019f	2020f
1) Real GDP (% at YE)					
Canada	3.0	1.9*	(36.7%)	1.5	1.8
United States	2.4*	2.9	20.8%	2.4	2.1
China	6.8*	6.6	(2.9%)	6.1	5.8
World	3.8	3.6	(5.3%)	3.0	3.4
2) Interest Rates (at YE)					
Bank of Canada	1.00	1.75	75.0%	1.75	1.50
US FED	1.50	2.50	66.7%	1.75	1.75
3) Exchange Rate (at YE)					
CAD per \$1 USD	1.26	1.36	7.9%	1.30	1.33

Regional and Local Market Indicators

4)	Unemployment (% at QE)	Q3-2019	Q2-2019	Change	Q3-2018	Change	
	Canada	5.6	5.5	1.8%	5.9	(5.1%)	
	BC	4.7	4.5	4.4%	4.2	11.9%	
	Metro Vancouver	4.6	4.0	15.0%	4.5	2.2%	
5)	CPI (2002=100) (at QE)	Q3-2019	Q2-2019	Change	Q3-2018	Change	
	Canada	136.2	136.3	(0.1%)	133.7	1.9%	
	BC	132.0	131.9	0.1%	128.9	2.4%	
	Metro Vancouver	134.7	134.8	(0.1%)	131.7	2.3%	
6)	Richmond Building Permits	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
	Residential – New Construction^	42	79	(46.8%)	164	383	(57.2%)
	Residential – Alterations	128	150	(14.7%)	383	474	(19.2%)
	Residential Total	170	229	(25.8%)	547	857	(36.2%)
	^ Number of units from new residential construction	797	431	84.9%	2,255	1,320	70.8%
	Residential	170	229	(25.8%)	547	857	(36.2%)
	Commercial	147	112	31.3%	387	329	17.6%
	Industrial	48	34	41.2%	146	88	65.9%
	Building Permits Total	365	375	(2.7%)	1,080	1,274	(15.2%)
	Construction Value (\$ million)	348.5	208.0	67.5%	877.9	692.7	26.7%
7)	Housing Starts (Units)	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
	Starts - Metro Vancouver	6,506	5,493	18.4%	22,229	18,055	23.1%
	Starts - Richmond	110	388	(71.6%)	2,012	1,801	11.7%
8)	Richmond Residential Sales Activity	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
	Sales - Detached	224	194	15.5%	557	623	(10.6%)
	Sales - Townhouse	200	150	33.3%	443	566	(21.7%)
	Sales - Apartment	408	399	2.3%	997	1,364	(26.9%)
	Sales - Total	832	743	12.0%	1,997	2,553	(21.8%)

Economic Indicators**September 30, 2019****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings Ratio (% at QE)**

	Q3-2019	Q3-2018**	Change
Single Family Detached	8.5	6.8	25.0%
Townhouse	17.5	10.4	68.3%
Apartment	16.5	15.0	10.0%
Total	13.5	10.2	32.4%

10) Average Days on Market

Property Type	Richmond			Metro Vancouver		
	Q3-2019	Q3-2018**	Change	Q3-2019	Q3-2018**	Change
Single Family Detached	70	59	18.6%	54	51	5.9%
Townhouse	48	36	33.3%	43	30	43.3%
Apartment	52	32	62.5%	41	28	46.4%

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

Property Type	Richmond			Metro Vancouver		
	Q3-2019	Q3-2018	Change	Q3-2019	Q3-2018	Change
Single Family Detached	1,477	1,663	(11.2%)	1,406	1,541	(8.8%)
Townhouse	767	862	(11.0%)	768	838	(8.4%)
Apartment	627	691	(9.3%)	652	687	(5.1%)

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q3-2019	Q3-2018	Change	Q3-2019	Q3-2018	Change
Office Vacancy (%)	8.3	8.2	1.2%	3.5	4.3	(18.6%)
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,517	4,419	2.2%	59,678	58,466	2.1%
Industrial Vacancy (%)	1.8	2.8	(35.7%)	1.9	2.7	(29.6%)
Industrial Inventory (000 sf)	38,950	38,569	1.0%	212,719	208,486	2.0%

13) Richmond Business Growth

	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Total Valid Business Licences (at QE)	n/a	n/a	n/a	14,802	14,285	3.6%
New Licences - Number Issued	443	422	5.0%	1,513	1,404	7.8%
New Licences - Employees	2,060	2,081	(1.0%)	5,906	5,637	4.8%
New Licences - Office Added (sf)	142,363	210,163	(32.3%)	416,074	506,819	(17.9%)
New Licences - Retail Added (sf)	69,353	112,918	(38.6%)	259,035*	242,583	6.8%
New Licences - Industrial Added (sf)	210,612	541,338	(61.1%)	615,913	1,080,081	(43.0%)
Total Space Added (sf)/Avg. Change	422,328	864,419	(51.1%)	1,291,022*	1,829,483	(29.4%)

Economic Indicators**September 30, 2019****Regional and Local Market Indicators (continued)**

14) Goods & People Movement	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
YVR Air Cargo (tonnes)	80,486	97,088*	(17.1%)	227,616*	254,208*	(10.5%)
PMV Container Movement (TEUs)	900,774	882,713*	2.0%	2,596,149*	2,520,154*	3.0%
YVR Passengers (million)	7.6	7.5	1.3%	20.3	19.8	2.5%
Richmond Hotel Revenue (\$ million)	75.3	73.5**	2.4%	188.8	183.6**	2.8%

Notes:

- a) QE indicates quarter end; YE indicates year end
b) f - forecast to year-end
c) * - Figures have been updated to reflect changes in source data.
d) ** - Figures have been updated for comparability.

List of Sources:

- 1) International Monetary Fund, *World Economic Outlook* (October 2019)
2) & 3) US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (September 2019)
4) & 5) Statistics Canada
6) City of Richmond Building Permits
7) Canada Mortgage and Housing Corporation
8), 9) 10) & 11) Real Estate Board of Greater Vancouver
12) Cushman & Wakefield Office and Industrial Market Beat Reports
13) City of Richmond Business Licences
14) Port of Vancouver Monthly Cargo Statistics
YVR monthly statistics
City of Richmond Additional Hotel Room Tax Ledger, Destination BC

Financial and Key Indicators**September 30, 2019**

(All dollar amounts in \$000's)

1) Development Cost Charges Contributions	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Roads, Water, Sewer DCC's Received	\$4,362	\$3,346	30.4%	\$21,710	\$14,683	47.9%
Parks DCC's Received	\$1,184	\$586	102.0%	\$11,181	\$13,218	(15.4%)
Total DCC Fees Received	\$5,546	\$3,932	41.0%	\$32,891	\$27,901	17.9%
DCC Reserves – Uncommitted balance at QE	\$122,264	\$91,354	33.8%	n/a	n/a	n/a
2) Uncommitted Reserves (at QE)	Q3-2019	Q3-2018	Change			
Capital Funding Reserves	\$153,089	\$115,331	32.7%			
Utility Reserves	\$104,117	\$94,449	10.2%			
Affordable Housing Reserves	\$3,726	\$2,026	83.9%			
Other Reserves	\$87,013	\$73,575	18.3%			
Total Uncommitted Reserves	\$347,945	\$285,381	21.9%			
3) Taxes to date	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Taxes Collected	\$172,718	\$166,956	3.5%	\$459,923	\$430,473	6.8%
City Portion of Taxes Collected	\$84,632	\$81,809	3.5%	\$225,363	\$210,932	6.8%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$3,133	\$1,986	57.8%	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,521	6,353	2.6%	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$6,636	\$5,934	11.8%	\$21,462	\$20,476	4.8%
Interest rate % paid	1.95%	1.45%	34.5%	1.95%	1.45%	34.5%
Sources: All data is from City of Richmond records						
4) Cash and Investments	Q3-2019	Q3-2018	Change			
Investments	\$828,650	\$959,220	(13.6%)			
Cash (includes high interest savings accounts)	\$438,343	\$155,867	181.2%			
Total Cash and Investments	\$1,266,993	\$1,115,087	13.6%			
Average City Rate of Return on Investments %	2.43%	2.34%	3.8%			

Financial and Key Indicators**September 30, 2019**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Building Permit Fees Collected	\$4,879	\$2,508	94.5%	\$9,611	\$7,677	25.2%
Development Applications Received	37	51	(27.5%)	119	162	(26.5%)
Development Applications Fees	\$330	\$376	(12.2%)	\$674	\$944	(28.6%)
6) Business Licences	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Revenue Received for Current Year Licences	\$736	\$731	0.7%	\$3,864	\$3,740	3.3%
Revenue Received for Next Year (Deferred)	\$430	\$446	(3.6%)	\$797	\$798	(0.1%)
Total Licence Revenue	\$1,165	\$1,177	(1.0%)	\$4,661	\$4,538	2.7%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Parking Program Revenue	\$556	\$540	3.0%	\$1,632	\$1,514	7.8%
Gaming Revenue	\$3,836	\$4,097	(6.4%)	\$11,238	\$12,827	(12.4%)
Traffic Fine Revenue	\$0	\$0	0.0%	\$1,926	\$1,985	(3.0%)
8) Employees	Q3-2019	Q3-2018	Change			
Full Time Equivalent (FTE) Employees (at QE)	1,585	1,563	1.4%			
<i>(City and Library)</i>						
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Fire Rescue Responses	2,468	2,348	5.1%	7,080	7,441	(4.9%)
RCMP - Calls for Service Handled	19,328	19,630	(1.5%)	57,360	51,821	10.7%
Public Works calls for Service	3,865	3,835	0.8%	11,046	10,889	1.4%

Financial and Key Indicators**September 30, 2019**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

10) Housing Units Secured Since 2007 (at QE)	Q3-2019	Q3-2018	Change
<u>Affordable Housing</u>			
Non-Market Rental (units)	529	449*	17.8%
Affordable Rental (LEMR**) (units)	798	540*	47.8%
ARTS Rental (units)	37	37	0.0%
Entry Level Home Ownership (units)	25	25*	0.0%
<u>Market Housing</u>			
Market Rental (units)	726	411	76.6%
Secondary Suite / Coach House (units)	289	270*	7.0%
Total Housing Units	2,404	1,732*	38.8%

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

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

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

11) Richmond Population Estimate Year End	2019f	2018
	227,407	222,945

Population figures provided by City of Richmond – Policy Planning

Notes:

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

Unaudited Statement of Operations¹

For the Nine Month Period Ended September 30, 2019, with comparative figures for 2018.

(Expressed in thousands of dollars)

	Budget September 30 2019	Actuals September 30 2019	Actuals ⁴ September 30 2018
Revenue:			
Taxes and levies	\$172,427	\$172,885	\$162,216
Utility fees	77,304	82,850	78,884
Sales of services	25,383	24,738	24,300
Payments-in-lieu of taxes	12,650	13,321	10,986
Provincial and federal grants	4,723	6,258	5,261
Development cost charges	17,610	11,909	14,116
Other capital funding sources	47,398	17,221	24,364
Other revenue:			
Investment income	12,047	16,271	15,257
Gaming revenue	12,375	11,238	12,828
Licences and permits	9,334	12,255	10,556
Other	7,308	44,804	31,019
Equity income	-	955	677
	398,559	414,705	390,464
Expenses:			
Community safety	84,327	76,135	72,475
Utilities: water, sewer and sanitation	71,302	71,204	70,344
Engineering, public works and project development	56,719	49,261	42,878
Community services	53,547	47,536	43,921
General government	47,206	42,441	38,900
Planning and development	12,781	11,444	10,170
Library services	8,472	7,864	7,281
	334,354	305,885	285,969
YTD Surplus (Annual Surplus) ²	64,205	108,820	104,495
Accumulated surplus, beginning of year	3,119,119	3,119,119	2,935,988
Accumulated surplus, end of September 30 ³	\$3,183,324	\$3,227,939	\$3,040,483

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

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

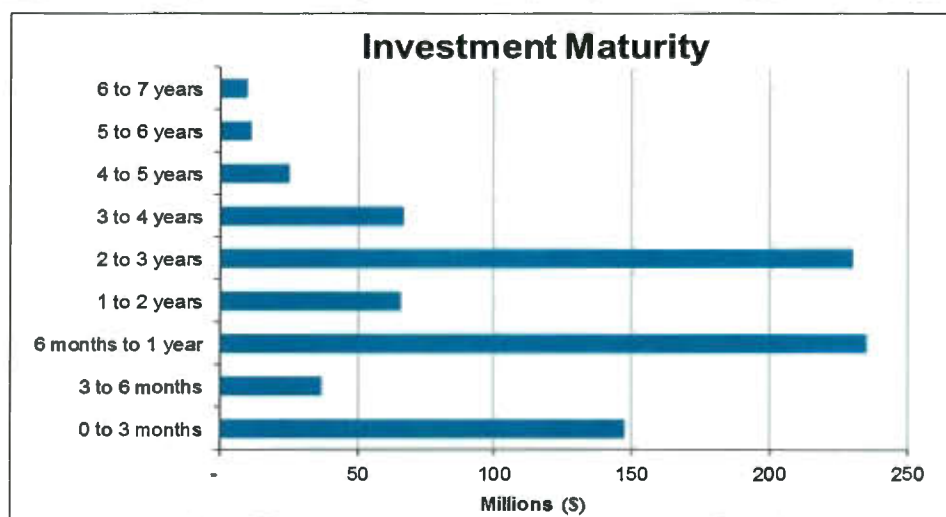
³ Accumulated surplus is equivalent to the net worth of an organization and is comprised of investment in tangible capital assets, reserves, appropriated surplus, general surplus and other equity.

⁴ Statement of Operation figures for 2018 were adjusted for comparative purposes.

Cash and Investment Portfolio

September 30, 2019 (in 000's)

Asset Class	DBRS Long Term Rating	Issuer	Term	Net Book Value	% of Total Portfolio	Investment Limit (% of Portfolio)
Provincial						
	AA (high)	Alberta	2019-2022	\$ 77,997	9.41%	
	A (high)	Manitoba	2020-2021	22,379	2.70%	
	A (high)	Quebec	2022-2023	22,140	2.67%	
	A (high)	Nova Scotia	2021	20,998	2.54%	
	A (high)	New Brunswick	2021	15,520	1.87%	
	AA (high)	British Columbia	2021	14,988	1.81%	
	AA (low)	Ontario	2024	11,199	1.35%	
	A (high)	Saskatchewan	2020	10,177	1.23%	
		Total		\$ 195,398	23.58%	50%
Chartered Banks						
	AA	Bank of Nova Scotia	2019-2022	\$ 114,900	13.87%	
	AA	Royal Bank	2019-2023	69,915	8.44%	
	AA	Bank of Montreal	2020-2025	49,959	6.03%	
	AA (low)	National Bank of Canada	2019-2021	43,506	5.25%	
	AA	TD Bank	2019-2023	41,193	4.97%	
	A (high)	HSBC Bank of Canada	2021-2023	32,109	3.87%	
	A (low)	Canadian Western Bank	2020	24,143	2.91%	
	AA	CIBC	2020-2022	19,914	2.40%	
		Total		\$ 395,639	47.74%	50%
BC Credit Unions						
	BC Credit Unions	Vancity	2019-2020	\$ 73,096	8.82%	
	BC Credit Unions	Gulf and Fraser	2019-2020	42,262	5.10%	
	Federal Credit Union	Coast Capital Savings	2020-2021	24,547	2.96%	
	BC Credit Unions	Coast Capital Savings	2019	21,380	2.58%	
	BC Credit Unions	Westminster Savings	2019-2020	18,396	2.22%	
	BC Credit Unions	Blue Shore Financial	2020	10,898	1.32%	
		Total		\$ 190,579	23.00%	30%
Pooled Investments						
		MFA Pooled Investment Fund		\$ 47,034	5.68%	20%
Total Investment Portfolio Balance				\$ 828,650	100.00%	
Cash Balance (includes high interest saving products with terms less than 90 days)				\$ 438,343		
Total Cash and Investment Balance				\$ 1,266,993		



Contract Awards greater than \$75,000July 1st to September 30th, 2019

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Supply and Delivery of Auto Extrication Rescue Tools	Rescue Tools Canada	151,091	Community Safety
2	Motor Control Center for No. 2 Road South Drainage Pump Station Upgrade	Wesco Distribution Canada LP	80,713	Engineering & Public Works
3	Paving, Drainage and Asphalt Upgrades - Afton Drive North and Herbert East Laneway	BA Blacktop Ltd.	224,558	Engineering & Public Works
4	Supply and Delivery of Turnout Gear	Associated Fire Safety Group Inc.	165,600	Community Safety
5	Watermania Heat Recovery Piping Replacement	Ashton Mechanical Ltd.	98,939	Engineering & Public Works
6	Thompson Community Centre Fitness Area Re-Roofing	Atlas-Apex Roofing (BC) Inc.	78,417	Engineering & Public Works
7	Supply and Delivery of 1440 LED Luminaires for LED Replacement Program	Westburne West Rexcel Group	343,705	Engineering & Public Works
8	Library Cultural Centre Conveyance Systems Upgrade	Boston Construction Corp.	367,422	Engineering & Public Works
9	VFA Software Licence Renewal 2019-2022	VFA Canada Corporation	212,900	Engineering & Public Works
10	2019 Oracle PeopleSoft Financials licence Expansion	Oracle Canada ULC	75,015	Finance & Corporate Services
11	East Richmond Community Hall Mechanical and Roofing Replacement	Boston Construction Corp.	348,678	Engineering & Public Works
12	Minoru Center for Active Living - Consulting Services	Omicron Canada Inc.	80,000	Engineering & Public Works
13	City Hall Annex Level 2 Renovations	Ashton Mechanical Ltd.	1,627,259	Engineering & Public Works
14	Thompson Community Centre HVAC Upgrades	Entity Mechanical Ltd.	762,000	Engineering & Public Works
15	London/Steveston Park Playground Design-Build Services	Habitat Systems Inc.	173,357	Community Services
16	Supply and Delivery of Self-Contained Breathing Apparatus (SCBA) Equipment	Guillevin International Inc.	120,456	Community Safety
17	Supply and Delivery of Three (3) Hybrid SUVs for Richmond Fire Rescue	West Coast Import Vehicles Ltd.	118,125	Community Safety

Contract Awards greater than \$75,000 (continued)July 1st to September 30th, 2019

Item	Description	Awarded Vendor	Awarded Amount	Division
18	Supply and Delivery of Uniform Stationwear Shirts and Pants for Richmond Fire Rescue	Guillevin International Inc.	108,462	Community Safety
19	Annual and Quarterly Billing, Property Tax Notice and General Information Mail Outs	IDRS	122,784	Finance & Corporate Services
20	Reflective Sheeting, Vinyls and Overlaminates	3M Canada Company	401,250	Engineering & Public Works
21	No. 7 Road South Drainage Pump Station Upgrade	GCL Contracting & Engineering Inc.	8,416,000	Engineering & Public Works
22	7000 Block No. 4 Rd Reconstruction / Box Culvert Repair	R.F. Binnie and Associates Ltd.	425,490	Engineering & Public Works
23	Supply & Delivery of One (1) Tier Four (4) Compliant Backhoe	Finning (Canada)	187,059	Engineering & Public Works
24	LED Traffic Signal Displays	Interprovincial Traffic Service Ltd.	128,425	Engineering & Public Works
25	Westminster Highway Culvert Replacement	JJM Construction Ltd.	2,325,600	Engineering & Public Works
26	On-Call Plumbing Contractor	Ashton Service Group PJB Mechanical Entity Mechanical	900,000	Engineering & Public Works
27	Design and Contract Administration Services for the Replacement of Minoru Lawn Bowling Clubhouse	O4 Architecture Ltd.	275,400	Engineering & Public Works
28	Professional Services to Supply, Implement and Maintain Customer Relationship Management (CRM) System	Oracle Canada ULC Amberleaf Partners Inc.	498,782	Finance & Corporate Services
29	Asbestos Surveying and Testing Services of Various City Properties	Pinchin Ltd.	99,150	Engineering & Public Works
30	Shell Road North Drainage Pump Station Upgrade	Merletti Construction Ltd.	3,939,815	Engineering & Public Works
Total contracts awarded greater than \$75,000			\$22,856,452	