



City of Richmond

Report to Committee

To: Finance Committee

Date: May 5, 2023

From: Mike Ching
Director, Finance

File: 03-0905-01/2022-Vol
01

Re: Financial Information – 1st Quarter March 31, 2023

Staff Recommendation

That the staff report titled, “Financial Information – 1st Quarter March 31, 2023”, dated May 5, 2023 from the Director, Finance be received for information.

Mike Ching, CPA, CMA
Director, Finance
(604-276-4137)

Att: 4

| REPORT CONCURRENCE | | | |
|------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| ROUTED TO: | CONCURRENCE | | CONCURRENCE |
| Arts, Culture & Heritage Services | <input checked="" type="checkbox"/> | Information Technology | <input checked="" type="checkbox"/> |
| Building Approvals | <input checked="" type="checkbox"/> | Parks Services | <input checked="" type="checkbox"/> |
| Community Bylaws | <input checked="" type="checkbox"/> | Public Works | <input checked="" type="checkbox"/> |
| Community Safety Administration | <input checked="" type="checkbox"/> | RCMP | <input checked="" type="checkbox"/> |
| Community Social Development | <input checked="" type="checkbox"/> | Real Estate Services | <input checked="" type="checkbox"/> |
| Development Applications | <input checked="" type="checkbox"/> | Recreation & Sport Services | <input checked="" type="checkbox"/> |
| Economic Development | <input checked="" type="checkbox"/> | Sustainability & District Energy | <input checked="" type="checkbox"/> |
| Engineering | <input checked="" type="checkbox"/> | Transportation | <input checked="" type="checkbox"/> |
| Facilities and Project Development | <input checked="" type="checkbox"/> | Library Services | <input checked="" type="checkbox"/> |
| Fire Rescue | <input checked="" type="checkbox"/> | | |
| | | CONCURRENCE OF GENERAL MANAGER | |
| | | | |
| SENIOR STAFF REPORT REVIEW | INITIALS: | APPROVED BY CAO | |
| | | | |

Origin

Pre-audited financial information for the 1st quarter ended on March 31, 2023 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 of Richmond's (the City) financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Economic Overview

While there were some indications in early 2023 that a soft landing for the global economy could be possible, the turbulence continues. Inflation in many countries is easing, with lower energy prices, recovering supply chains, and tighter monetary policy - but remains elevated. Growth is low though relatively steady, but recent turmoil in the financial sector has caused new uncertainty. The International Monetary Fund also notes that major factors affecting the global economy last year are continuing, albeit with differing impacts. For example, increased commodity prices related to Russia's invasion of Ukraine have moderated but both the war and geopolitical tensions remain, and while China's economy seems to be recovering from COVID-19 restrictions, the most recent 2023 data shows a contraction in China's manufacturing output.

In Canada, strong consumer demand for goods and services continues, and the labour market remains tight. While inflation is slowing, with a 4.3% increase in March as compared to a year ago, inflation has been elevated for an extended period. This means that if the March inflation data is compared to 18 months ago, inflation has increased 8.7%. First quarter economic growth was stronger than previously projected, though it may weaken as U.S. growth is expected to slow in the months ahead, especially in sectors important for Canadian exports.

Economic activity in Richmond continues to be relatively healthy, likely due in large part to the diversified local economy. While many businesses continue to face the ongoing challenges of labour shortages and high input costs for both goods and services, a gradual easing of supply chain constraints should be beneficial, especially for the manufacturing sector. Business licencing activity continues to be positive, as does absorption of commercial space by new businesses in the city. While office vacancy rates are gradually trending higher, industrial vacancy rates continue to be very low. Lower growth should be expected in 2023, aligned with global conditions, though the city's economy is well-placed to weather economic risks and the continuing uncertainty.

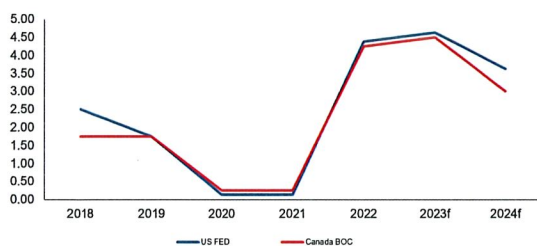
Macroeconomic Indicators & Forecast

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



- The International Monetary Fund (IMF) projects global Gross Domestic Product (GDP) will decrease from 3.4% in 2022 to an estimated 2.8% in 2023, increasing slightly to a forecasted 3.0% in 2024.
- In 2023, Canadian GDP is forecasted to grow by 1.5%, with U.S. and China GDP growth forecasts of 1.6% and 5.2%, respectively.
- This global growth profile assumes the recent financial sector stresses are limited. Advanced economies are expected to see the greatest growth slowdown, with a low medium-term growth forecast.

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

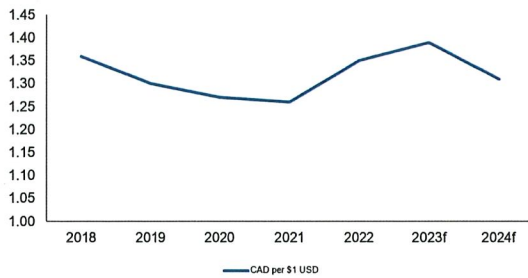


- The Bank of Canada (BoC) increased interest rates in January 2023, bringing its overnight lending rate to 4.50%. It held rates steady in March and again in April.
- The U.S. Federal Reserve (U.S. FED) has taken a different approach, increasing rates to 4.88% (4.75% – 5.00%) in March 2023, and then again to 5.13% (5.00-5.25%) in May 2023.
- Recent stress in the banking sector is likely to weigh on the economy, though the extent of the impact remains uncertain. This turmoil may have a similar, slowing impact on the economy as would an interest rate increase.

¹ International Monetary Fund, World Economic Outlook (April 2023): A Rocky Recovery

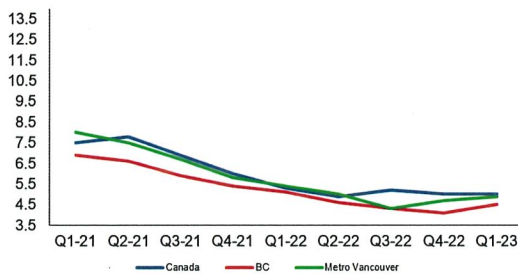
² US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (April 2023); RBC Financial Markets Monthly, (April 2023)

3) Exchange Rates – CAD/USD at Year End³



- The Canadian dollar (CAD) continues to be weak against the U.S. Dollar (USD), though it ended Q1 2023 at the same rate as Q4 2022, \$1.35 CAD / \$1 USD. Further weakening is expected in 2023 before a gradual recovery in 2024.
- Turbulence in the banking sector has led to a stronger U.S. Dollar in the past, though an expected future pause in U.S. interest rate increases may be tempering investment and the currency differential. Weaker global oil prices are also a limiting factor in the CAD gaining strength.

4) Unemployment⁴

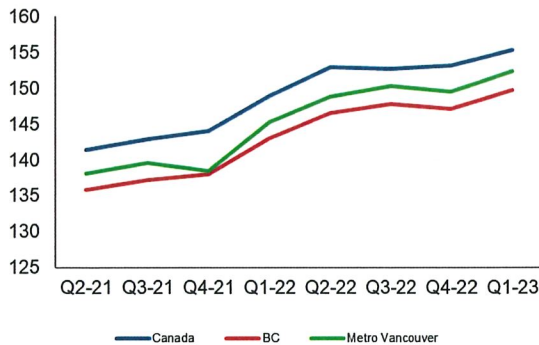


- According to Statistics Canada’s March 2023 Labour Market Survey, employment increased, while the unemployment rate remained steady at 5.0% for the fourth consecutive month.
- The strongest employment gains were in transportation and warehousing, followed by business support services.
- At the end of Q1 2023, the Canadian, B.C., and Metro Vancouver unemployment rates were 5.0%, 4.5%, and 4.9%, respectively. While there were slight increases in both the B.C. and Metro Vancouver rates, both remain below the Canadian average, reflecting very tight local labour markets.

³ Bloomberg; RBC Economics (RBC Financial Markets Monthly April 2023)

⁴ Statistics Canada Labour Force Survey (March 2023); Labour Force Statistics Highlights Issue #23-03

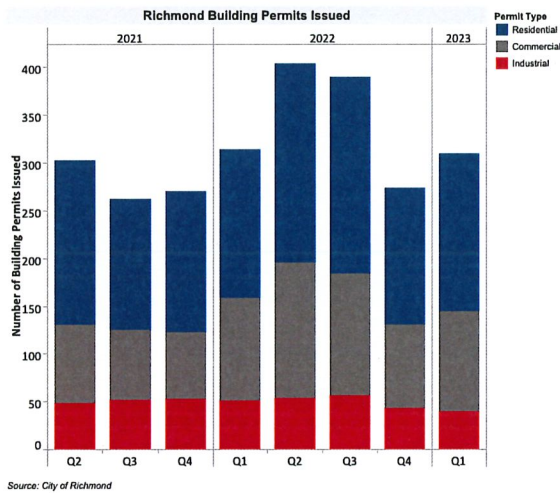
5) Consumer Price Index (CPI – 2002=100)⁵



- Inflation in Canada is slowing, with a 4.3% increase in March (year-over-year), compared with 5.2% in February (year-over-year). However, prices remain elevated, and if compared to 18 months ago, inflation has increased 8.7%.
- In B.C. and Metro Vancouver, inflation remained slightly higher, at 4.7% and 4.8%, respectively.
- Compared with other provinces, B.C. had the third largest year-over-year increase in inflation, following Manitoba (5.2%) and Saskatchewan (4.9%).

Regional & Local Economic Activity Indicators

6) Building Permits – Richmond⁶



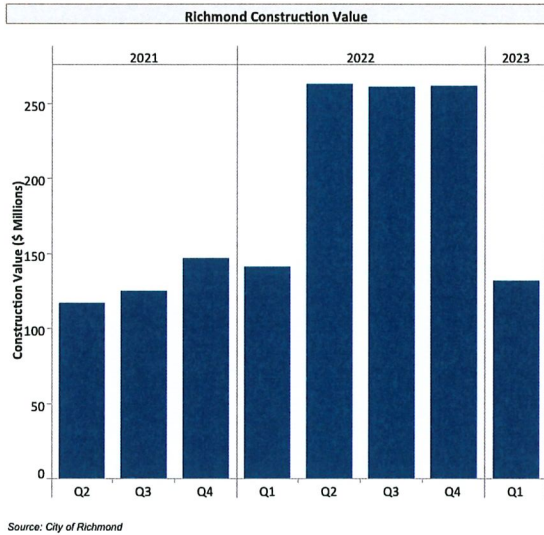
Source: City of Richmond

- During the first quarter of 2023, there were 166 residential, 104 commercial, and 40 industrial building permits issued in Richmond.
- This represents a slight (-1.3%) decline in total building permits issued over the same period in 2022, including an increase in residential permits (6.4%) but a decrease in commercial (-2.8%) and industrial (-21.6%).
- 155 new units were added to the local housing supply in Q1 2023, which represents a 17.4% increase as compared to the same period in 2022. There are substantial quarter-over-quarter fluctuations in the number of new units due to the longer development cycles for multi-family units.

⁵ Statistics Canada, Consumer Price Index; also Consumer Price Index, March 2023; also BC Stats, Consumer Price Index, March 2023, Issue 23-03

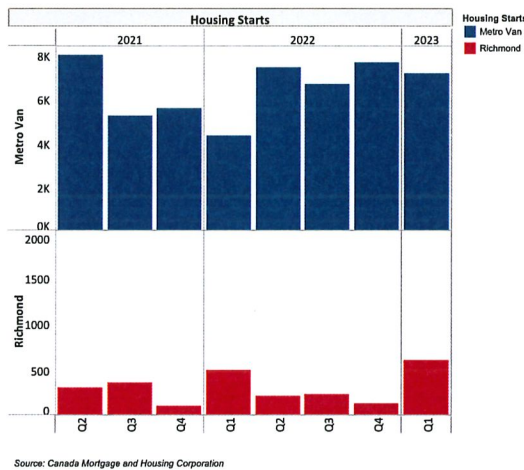
⁶ City of Richmond Building Permits

7) Construction value



- Over \$132 million in construction value was registered in Q1 2023, a decrease of 6.4% from the same period last year.
- Employment in construction declined in B.C. (and Canada) during Q1 2023, and the sector faces ongoing challenges due to inflation and high materials costs. There are also substantial quarter-over-quarter fluctuations to be expected in construction value, depending on the projects permitted that quarter.

8) Housing Starts⁷

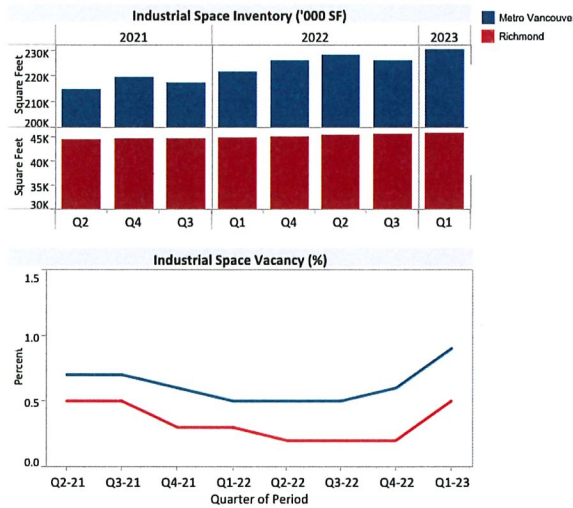


- In Q1 2023, there were 599 housing starts in Richmond and 7,118 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced⁸.
- Year to date housing starts increased by 24.3% in Richmond and by 65.2% in Metro Vancouver, as compared to the same period in 2022. There is a fair amount of fluctuation quarter by quarter, as is to be expected depending on project timelines.
- Elevated construction and financing costs for construction persist due to inflation, but demand will likely continue to be strong, especially with population expansion through immigration.

⁷ Canada Mortgage and Housing Corporation, Housing Market Outlook, Spring 2023

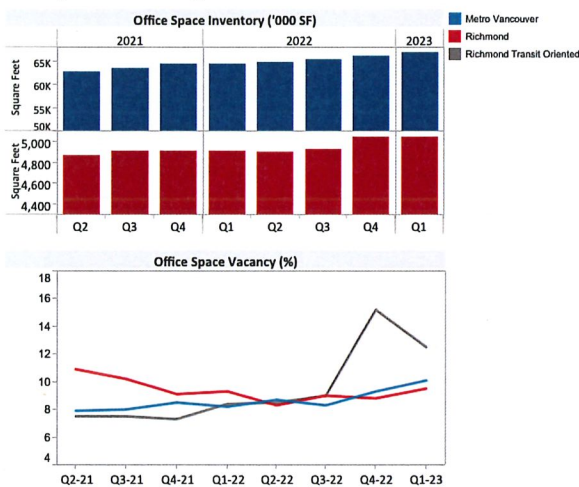
⁸Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure. Housing Starts data responds to many market and industry factors that do not directly correlate with approved numbers of units approved for construction by the City. There will be fluctuations in this data quarter by quarter to reflect the time delay between construction and issuance of permits.

9) Commercial Space⁹
 a) Industrial Space



- Record new supply of over 2.3M sq. ft. was added to Metro Vancouver’s industrial space inventory this quarter, with an additional 7.3M sq. ft. expected to be completed by year-end. Vacancy rates increased slightly to 0.9%, but 94% of the new supply was pre-leased/pre-sold, as is 83% of supply expected by year-end.
- In Richmond, the industrial vacancy rate remains lower than Metro Vancouver, though it has increased slightly to 0.5%.
- Asking rents have increased in Metro Vancouver but are expected to stabilize. Industrial sales activity remains slow due to high interest rates and stress in the banking sector that is making lending more difficult.

b) Office Space



Source: Cushman & Wakefield

Note that the increased transit-oriented vacancy rate in Q4 2022 was due to the Paramount development (6388 No. 3 Road) coming to market. Short-term fluctuations are expected as new supply is added.

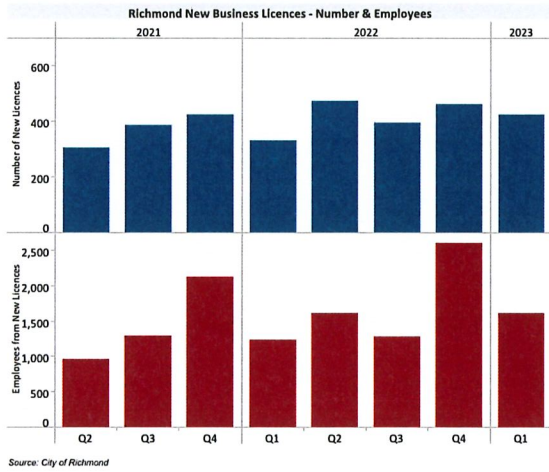
- At the end of Q1 2023, the office vacancy rate had increased to 9.5% in Richmond and 10.1% in Metro Vancouver. Transit-oriented office vacancy in Richmond is 12.5%.
- New development project completions are adding supply to a market with cooling demand, as many tech firms reduce their footprints. Downtown Vancouver office vacancy rates reached a new 30-year high of 13.7% in Q1, though the impact is less severe in suburban markets.
- Sub-leasing activity continues to be high, and it is expected that more sub-lease space will become available from the tech sector.
- There is a fair amount of uncertainty in the office market, as high asking rates persist alongside higher vacancy. This is expected to hold for Class AAA space but asking rates for Class A will likely decline.

⁹ Cushman & Wakefield Office and Industrial Market Beat Reports Q1 2023

Note that as of Q1 2023, transit-oriented office data is now sourced from Cushman and Wakefield for greater consistency across commercial vacancy rates presented in this report. The definition of “transit-oriented office” is office space within 600 meters of a Skytrain station. As this definition includes a limited number of developments in the City Centre, any change (whether related to new inventory or absorption) may have a seemingly disproportionate impact on the data.

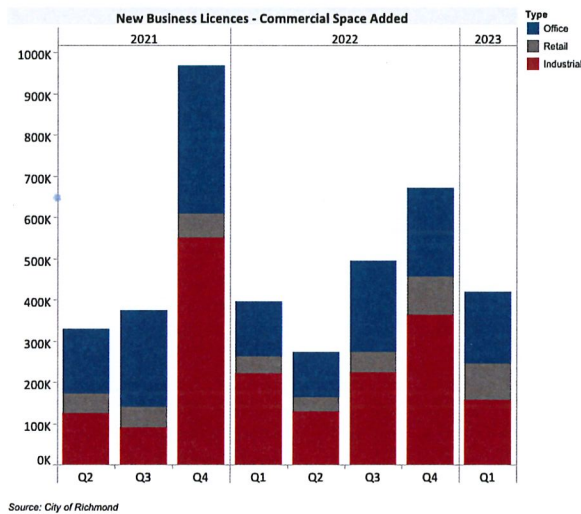
10) Business Growth – Richmond

a) Total Valid Business Licences & New Business Licences Issued



- 423 new business licences (representing 1,604 jobs) were issued by the City of Richmond in Q1 2023, a 28.2% increase from the same period last year.
- The number of total valid business licences at the end of Q1 2023 was 13,164, or about 3.6% lower than a year ago.

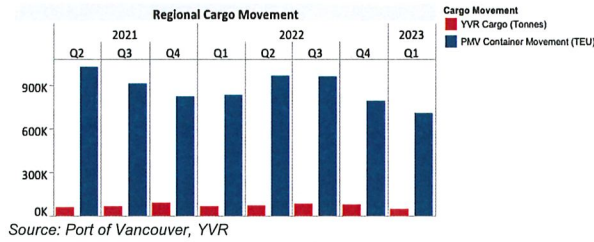
b) New Business Licences – Commercial Space



- 420,348 sq. ft. of commercial space absorption was tied to the new business licenses issued during Q1 2023.
- This is an increase of 5.9% compared to the same time period last year. The greatest amount of space was required by office (174,274 sq. ft.) and industrial (157,036 sq. ft.) businesses, followed by retail (89,038 sq. ft.).

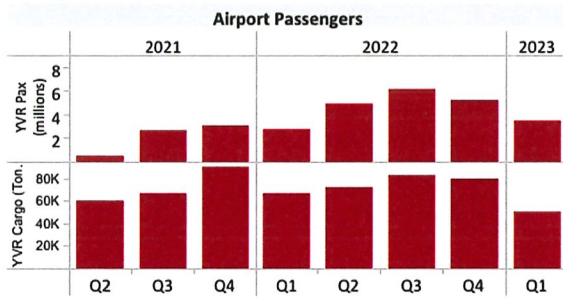
11) Goods and People Movement

a) Regional Cargo Movement¹⁰



- During Q1 2023, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalent (TEUs), decreased by 15.3% as compared to the same period last year. The decrease was observed approximately equally between containers imported and exported.
- During the first two months of 2023, 50,760 tonnes of air cargo passed through the Vancouver International Airport (YVR), which is an increase of 15.8% compared to the same period last year.

b) Airport Passengers¹¹

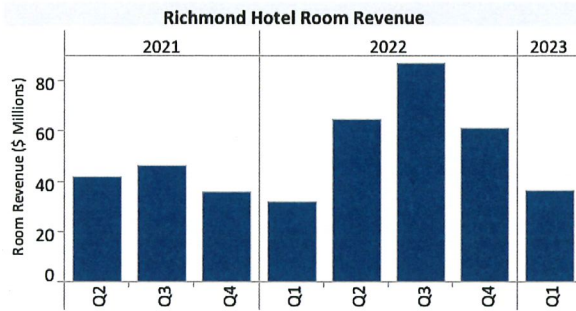


- The number of travelers moving through YVR continues to grow, with an increase of 118.9% during the first two months of 2023 (3.48M) as compared to the same period last year (1.59M).
- Global aviation demand has rebounded much more quickly than expected from the COVID-19 pandemic. While a positive sign of growth and recovery, this is leading to operational challenges for airports and airlines as they continue to face labour shortages.

¹⁰ Port of Vancouver Monthly Cargo Statistics (data for Q1 2023); YVR Monthly Statistics (data for January and February 2023)

¹¹ YVR Monthly Statistics (data for January and February 2023)

c) Richmond Hotel Room Revenue¹²



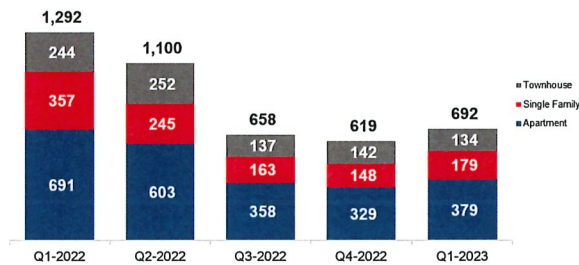
- Continuing the recovery trend, hotel room revenues in Richmond for January and February 2023 were \$36.3M, which is 89.1% higher as compared to last year.
- These strong results reflect both high average daily rates as well as recovering occupancy levels. In Richmond, it is expected that 2023 revenues will meet or exceed those in 2019. Attraction of sporting events, among other types of tourism, continues to be a strength for the city.

¹² City of Richmond Additional Hotel Room Tax Ledger; Destination BC – Richmond Hotel Revenue for Q1 2023 includes January and February data only.

Residential Real Estate¹³

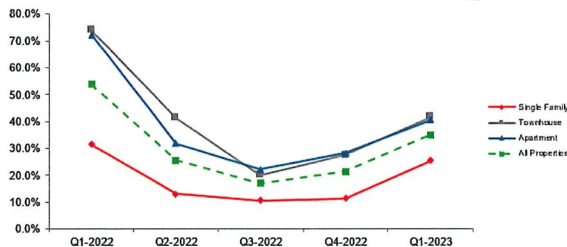
First quarter data indicates that potential home sellers are still hesitant to participate in the housing market, resulting in lower than average sales activity. Consequently, sales figures continue to fall short of historical levels due to elevated borrowing costs but leading indicators suggest there might be modest price increases this spring indicating that sellers are awaiting more favorable market conditions.

Richmond - Residential Sales



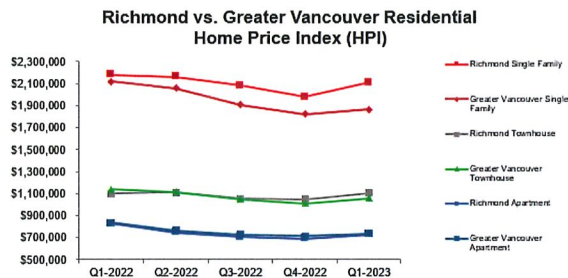
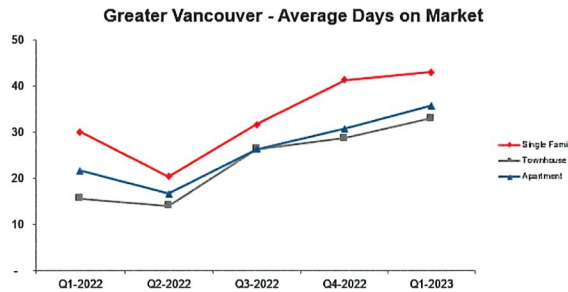
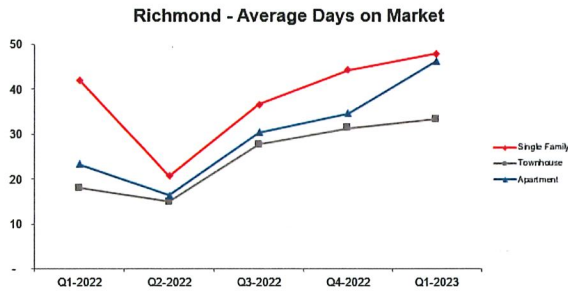
- Single family detached (SFD) home sales decreased by 49.9% compared to Q1 2022.
- Townhouse and apartment sales have decreased 45.1% compared to Q1 2022.
- Townhouse sales comprise 19.4% of the residential home sales in Richmond. SFD and apartment sales account for 25.9% and 54.7%, respectively, of home sales in Richmond.
- There were 692 residential home sales in Richmond in Q1 2023, a 46.4% decrease compared to the same period last year.

Richmond - Residential Sales-to-Active Listings



- Richmond residential properties had a sales-to-active listings ratio of 35.1% as of March 31, 2023.
- Analysis of historical data suggests downward pressure on home prices occurs when the ratio dips below 12 per cent for a sustained period, while home prices often experience upward pressure when it surpasses 20 per cent over several months.

¹³ Real Estate Board of Greater Vancouver

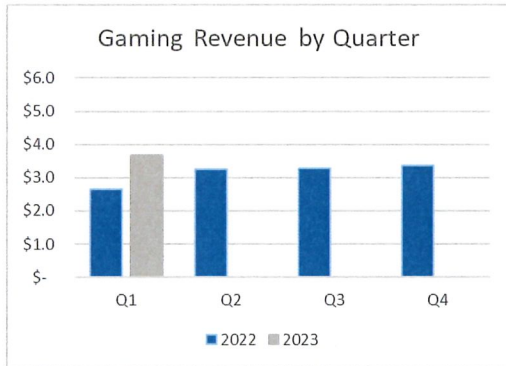


- At Q1 2023, SFD properties in Richmond had an average of 48 days on the market, a 14.3% increase compared to Q1 2022.
- Townhouses and apartments had an average of 33 and 46 days on the market, respectively, representing an 83.3% and a 100% increase over the same period last year.
- At Q1 2023, SFD properties in GVRD had an average of 43 days on the market, which represents a 43.3% increase compared to Q1 2022.
- Townhouses and apartments in GVRD had an average of 33 and 36 days on the market, respectively, which represents an increase of 106.3% for townhouses and 63.6% for apartments, compared to Q1 2022.
- The Home Price Index (HPI)¹⁴ for SFD properties in Richmond at Q1 2023 was \$2,108,100, a 3.4% decrease compared to Q1 2022. The GVRD housing market has also decreased with SFD properties priced at \$1,861,800, which represents a 12.1% decrease compared to the same quarter last year.
- At Q1 2023, the HPI for townhouse properties in Richmond was \$1,103,200, an increase of 0.2% compared to Q1 2022. The HPI for townhouse properties in GVRD was \$1,056,400, which represented a 7.2% decrease compared to the same time last year.
- The HPI for apartments in Richmond was \$726,300, a decrease of 12.3% compared to Q1 2022. GVRD's apartment prices also decreased to \$737,400, which was a 11.8% decrease from Q1 2022.

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.

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 win from casino games, operating costs and accounting adjustments.



- The gaming revenue for Q1 2023 was \$3,690,296, an increase of 39% compared to the same quarter last year when \$2,651,401 was received.
- The 2023 budget for gaming revenue is \$14,500,000.

Gaming revenue received in Q1 2023 is in line with amounts received pre-pandemic, where in Q1 2019 \$3,699,425 was received, a 0.2% difference. As gaming revenue is dependent on the operations of the River Rock casino, these amounts may vary due to consumer behaviours, changes in regulations and competition.

At the January 30, 2023 Council meeting, the 2023 Budget was approved which included the gaming revenue allocation for 2023. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be reallocated toward debt servicing and the grants program.

Table 1: Distribution of the 2023 gaming revenue allocation

| | Distribution | 2023 Budget |
|---------------------------------------|---------------|----------------|
| Capital Reserves | 30% | \$4.0M |
| Grants | 20% | 2.9M |
| Council Community Initiatives Account | 2% | 0.3M |
| Debt Servicing | Fixed | 6.4M |
| Operating (RCMP) | Four Officers | 0.9M |
| Total | | \$14.5M |

Operating Activity

Table 2 compares budget to unaudited actual activity up to March 31, 2023. 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, 2023 to March 31, 2023 (in \$000's)*

| Division/Department¹ | Q1 YTD Net Budget² | Q1 YTD Actuals and Commitments³ | Q1 YTD Variance (\$) | Q1 YTD Variance (%) |
|--|--------------------------------------|---|-----------------------------|----------------------------|
| Community Safety ⁴ | \$(842) | \$(1,089) | \$247 | 29% |
| Community Services | 13,357 | 12,924 | 433 | 3% |
| Corporate Administration | 2,433 | 2,205 | 228 | 9% |
| Engineering and Public Works | 18,377 | 18,366 | 11 | 0% |
| Finance and Corporate Services | 7,005 | 6,662 | 343 | 5% |
| Fire Rescue | 12,882 | 12,651 | 231 | 2% |
| Law and Legislative Services | 1,197 | 1,184 | 13 | 1% |
| Library | 3,268 | 3,013 | 255 | 8% |
| Planning and Development | 2,501 | 1,985 | 516 | 21% |
| Policing | 17,640 | 16,819 | 821 | 5% |
| Fiscal | (25,907) | (25,273) | (634) | (2%) |
| Total | \$51,911 | \$49,447 | \$2,464 | 5% |
| Flood Protection Utility ⁵ | 10,530 | 10,344 | 186 | 2% |
| Sanitary Sewer Utility | 5,565 | 5,515 | 50 | 1% |
| Sanitation and Recycling Utility | 105 | (90) | 195 | 186% |
| Water Utility | 7,590 | 7,184 | 406 | 5% |
| Utilities Total | \$23,790 | \$22,953 | \$837 | 4% |

¹Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc. It does not represent Generally Accepted Accounting Principles, but is presented on a modified cash basis.

²The Net Budget is based on the amended operating budget approved by Council on January 30, 2023.

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

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

⁵Effective January 1, 2023 Council established the Flood Protection Utility (formerly the Drainage and Diking Utility) which includes drainage and diking capital, operations and maintenance. Previously, drainage operations and maintenance was included within Engineering and Public Works. A multi-year transition plan is in progress to move all drainage and diking operations into the new Flood Protection Utility. For 2023, \$1.6M of drainage operations remains within Engineering and Public Works

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2023 Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to favourable business licence revenue and timing on operational spending.
- Community Services' favourable variance is mainly due to vacant positions in Recreation Services.
- Corporate Administration's favourable variance is due to vacant positions.

- Engineering and Public Works is on budget.
- Finance and Corporate Services' favourable variance is mainly due to vacant positions.
- Fire Rescue's favourable variance is driven by timing of operational spending and firefighter retirements.
- Law and Legislative Services is on budget.
- Library's favourable variance is mainly due to vacant positions and timing of expenditures. Any surplus at year end will be appropriated for future use within Library operations.
- Planning and Development's favourable variance is mainly due to vacant positions and favourable building permit revenue.
- Policing's favourable variance is driven by lower than budgeted policing contract costs due to RCMP Officer complement vacancies.
- Fiscal's unfavourable variance is mainly due to timing of expenditures.
- Flood Protection Utility is on budget.
- Sanitary Sewer Utility is on budget.
- Sanitation and Recycling Utility's favourable variance is driven by higher than budgeted Recycle BC revenue.
- Water Utility's favorable variance is mainly driven by lower water consumption charges than budgeted for the first quarter and other operational savings.

The largest operating expenditures for the City are salaries and contracts and are the primary drivers of the operating activity variance. Staff are actively recruiting to fill vacancies, however, the tight local labour market presents a challenge. The Q1 2023 unemployment rate for Metro Vancouver is 4.9%, down by 9.3% from Q1 2022 highlighting the competition across the region.

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 Three Month Period Ended March 31, 2023, with comparative figures for 2022 is included in Attachment 3.

Cash and Investment Portfolio

As of March 31, 2023, the City's total cash and investment balance was \$1.54 billion, which represents the City's working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses.

The City's total cash and investment balance was comprised of \$1.04 billion in investments and \$492 million in high interest savings cash account, with a weighted average annualized yield of 4.10% for the first quarter of 2023.

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

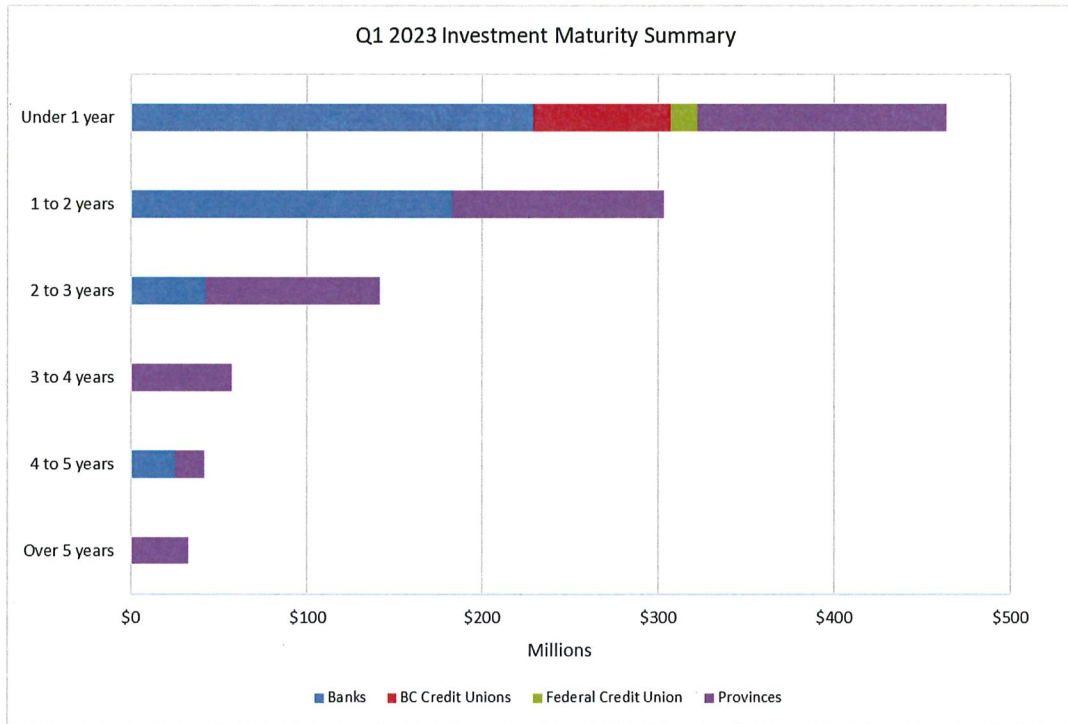
| | March 31, 2023 (Current Quarter) | December 31, 2022 (Previous Quarter) |
|------------------------------------|-------------------------------------|---|
| 2 Year Government of Canada Bonds | 3.75% | 4.02% |
| 5 Year Government of Canada Bonds | 3.05% | 3.37% |
| 10 Year Government of Canada Bonds | 2.93% | 3.29% |

Source: Bank of Canada

The Bank of Canada (BoC) last raised its policy interest rate by 0.25% to 4.50% on January 25, 2023 and has since been on conditional pause at the subsequent interest rate announcement dates. Consumer Price Index (CPI) was reported at 4.3% in March 2023, which shows significant cooling of inflation in Canada from its high of 8.1% in June 2022.

The BoC expects CPI inflation to fall to around 3% in the middle of this year and then decline more gradually to the 2% target by the end of 2024. In light of its outlook for growth and inflation, the overnight interest rate remained unchanged at 4.50% at the latest April 12, 2023 interest rate announcement meeting. The BoC will continue to assess whether monetary policy is sufficiently restrictive to relieve price pressures and remains prepared to raise the policy rate further if needed in order to return inflation to the 2% target.

The City's overall credit risk exposure remains low because the City continues to maintain a diversified and high credit quality investment portfolio comprised of 45% in provincial government bonds, 46% in chartered banks, 2% in federal credit union and 7% in B.C. credit unions. As shown in the investment maturity summary in the chart below, the City has strategically positioned investments with heavier weighting on short-term interest bearing products in order to allow for more flexible reinvestment opportunities.



Staff will continue to monitor the interest rate environment and will reposition its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for the municipal investment decisions.

All investment activities have been conducted in compliance with the City’s Investment Policy 3703. Based on independent ESG rating of the City’s fixed income portfolio, the City continues to receive high ESG Rating of “AA” as of Q1 2023.

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 first quarter, 21 contracts greater than \$75,000 were awarded totalling over \$9.7 million (Attachment 4).

Financial Impact

None.

May 5, 2023

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Conclusion

The March 31, 2023 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for information.



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

Economic Indicators**March 31, 2023****Macroeconomic Indicators & Forecast**

| | | | | | |
|----------------------------------|----------------|----------------|---------------|----------------|---------------|
| 1) Real GDP (% at YE) | 2023f | 2024f | | | |
| Canada | 1.5 | 1.5 | | | |
| United States | 1.6 | 1.1 | | | |
| China | 5.2 | 4.5 | | | |
| World | 2.8 | 3.0 | | | |
| 2) Interest Rates (at YE) | 2023f | 2024f | | | |
| Bank of Canada | 4.50 | 3.00 | | | |
| US FED | 4.63 | 3.63 | | | |
| 3) Exchange Rate (at YE) | 2023f | 2024f | | | |
| CAD per \$1 USD | 1.39 | 1.31 | | | |
| 4) Unemployment (% at QE) | Q1-2023 | Q4-2022 | Change | Q1-2022 | Change |
| Canada | 5.0 | 5.0 | 0.0% | 5.3 | (5.7%) |
| BC | 4.5 | 4.1 | 9.8% | 5.1 | (11.8%) |
| Metro Vancouver | 4.9 | 4.7 | 4.3% | 5.4 | (9.3%) |
| 5) CPI (2002=100) (at QE) | Q1-2023 | Q4-2022 | Change | Q1-2022 | Change |
| Canada | 155.3 | 153.1 | 1.4% | 148.9 | 4.3% |
| BC | 149.7 | 147.1 | 1.8% | 143.0 | 4.7% |
| Metro Vancouver | 152.3 | 149.5 | 1.9% | 145.3 | 4.8% |

Regional and Local Market Indicators

| | | | | | | |
|---|----------------|----------------|---------------|-----------------|-----------------|---------------|
| 6) Richmond Building Permits | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
| Residential – New Construction [^] | 63 | 75 | (16.0%) | 63 | 75 | (16.0%) |
| Residential – Alterations | 103 | 81 | 27.2% | 103 | 81 | 27.2% |
| Residential Total | 166 | 156 | 6.4% | 166 | 156 | 6.4% |
| Number of units from new residential construction | 155 | 132 | 17.4% | 155 | 132 | 17.4% |
| Residential | 166 | 156 | 6.4% | 166 | 156 | 6.4% |
| Commercial | 104 | 107 | (2.8%) | 104 | 107 | (2.8%) |
| Industrial | 40 | 51 | (21.6%) | 40 | 51 | (21.6%) |
| Building Permits Total | 310 | 314 | (1.3%) | 310 | 314 | (1.3%) |
| Construction Value (\$ million) | 132.0 | 141.0 | (6.4%) | 132.0 | 141.0 | (6.4%) |
| 7) Housing Starts CMHC (Units) | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
| Starts - Richmond | 599 | 482 | 24.3% | 599 | 482 | 24.3% |
| Starts - Metro Vancouver | 7,118 | 4,308 | 65.2% | 7,118 | 4,308 | 65.2% |
| 8) Richmond Residential Sales Activity | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
| Sales - Detached | 179 | 357 | (49.9%) | 179 | 357 | (49.9%) |
| Sales - Townhouse | 134 | 244 | (45.1%) | 134 | 244 | (45.1%) |
| Sales - Apartment | 379 | 691 | (45.2%) | 379 | 691 | (45.2%) |
| Sales - Total | 692 | 1,292 | (46.4%) | 692 | 1,292 | (46.4%) |

Economic Indicators**March 31, 2023****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings Ratio (% at QE)**

| | Q1-2023 | Q1-2022 | Change |
|------------------------|----------------|----------------|---------------|
| Single Family Detached | 25.4% | 31.4% | (42.1) |
| Townhouse | 41.7% | 73.9% | (67.3) |
| Apartment | 40.6% | 72.2% | (45.2) |
| Total | 35.1% | 53.8% | (48.5) |

10) Average Days on Market

| Property Type | Richmond | | | Metro Vancouver | | |
|------------------------|-----------------|----------------|---------------|------------------------|----------------|---------------|
| | Q1-2023 | Q1-2022 | Change | Q3-2022 | Q3-2021 | Change |
| Single Family Detached | 48 | 42 | 14.3% | 43 | 30 | 43.3% |
| Townhouse | 33 | 18 | 83.3% | 33 | 16 | 106.3% |
| Apartment | 46 | 23 | 100.0% | 36 | 22 | 63.6% |

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

| Property Type | Richmond | | | Metro Vancouver | | |
|------------------------|-----------------|----------------|---------------|------------------------|----------------|---------------|
| | Q1-2023 | Q1-2022 | Change | Q1-2023 | Q1-2022 | Change |
| Single Family Detached | 2,108 | 2,182 | (3.4%) | 1,862 | 2,119 | (12.1%) |
| Townhouse | 1,103 | 1,101 | 0.2% | 1,056 | 1,138 | (7.2%) |
| Apartment | 726 | 828 | (12.3%) | 737 | 836 | (11.8%) |

12) Commercial Space (at QE)

| | Richmond | | | Metro Vancouver | | |
|-------------------------------------|-----------------|----------------|---------------|------------------------|----------------|---------------|
| | Q1-2023 | Q1-2022 | Change | Q1-2023 | Q1-2022 | Change |
| Office Vacancy (%) | 9.5 | 9.3 | 2.2% | 10.1 | 8.2 | 23.2% |
| Transit Oriented Office Vacancy (%) | 12.5 | 8.4 | 48.8% | N/A | N/A | N/A |
| Office Inventory (000 sf) | 5,043 | 4,903 | 2.9% | 66,815 | 64,314 | 3.9% |
| Industrial Vacancy (%) | 0.5 | 0.3 | 66.7% | 0.9 | 0.5 | 80.0% |
| Industrial Inventory (000 sf) | 45,868 | 44,797 | 2.4% | 230,197 | 221,419 | 4.0% |

13) Richmond Business Growth

| | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
|---------------------------------------|----------------|----------------|---------------|-----------------|-----------------|---------------|
| Total Valid Business Licences (at QE) | 13,164 | 13,662 | (3.6%) | 13,164 | 13,662 | (3.6%) |
| New Licences - Number Issued | 423 | 330 | 28.2% | 423 | 330 | 28.2% |
| New Licences - Employees | 1,604 | 1,234 | 30.0% | 1,604 | 1,234 | 30.0% |
| New Licences - Office Added (sf) | 174,274 | 134,987 | 29.0% | 174,274 | 134,987 | 29.0% |
| New Licences - Retail Added (sf) | 89,038 | 41,294 | 116.0% | 89,038 | 41,294 | 116.0% |
| New Licences - Industrial Added (sf) | 157,036 | 220,571 | (29.0%) | 157,036 | 220,571 | (29.0%) |
| Total Space Added (sf)/Avg. Change | 420,348 | 396,852 | 5.9% | 420,348 | 396,852 | 5.9% |

Economic Indicators**March 31, 2023****Regional and Local Market Indicators (continued)**

| 14) Goods & People Movement | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
|--|----------------|----------------|---------------|-----------------|-----------------|---------------|
| YVR Air Cargo (tonnes)** | 50,760 | 43,187 | 15.8% | 50,760 | 43,187 | 15.8% |
| PMV Container Movement (TEUs) | 707,767 | 835,841 | (15.3%) | 707,767 | 835,841 | (15.3%) |
| YVR Passengers (million)** | 3.48 | 1.59 | 118.9% | 3.48 | 1.59 | 118.9% |
| Richmond Hotel Revenue (\$ million)** | 36.3 | 19.2 | 89.1% | 36.3 | 19.2 | 89.1% |

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) **Data for Q1 includes January and February data only for 2022 and 2023.

List of Sources:

- 1) International Monetary Fund, World Economic Outlook (April 2023): A Rocky Recovery
2) US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; B of C Monetary Policy Report (April 2023), RBC Financial Markets Monthly, April 2023
3) Bloomberg; RBC Economics RBC Financial Markets Monthly, April 2023
4) & 5) Statistics Canada, BC Stats
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 – data is for Q1 2023
YVR monthly statistics – data for Q1 includes January and February only
City of Richmond Additional Hotel Room Tax Ledger - data for Q1 includes January and February only

Financial and Key Indicators**March 31, 2023**

(All dollar amounts in \$000's)

| 1) Development Cost Charges Contributions | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
|---|--------------------|--------------------|----------------|-----------------|-----------------|----------------|
| Roads, Water, Sewer DCC's Received | \$1,062 | \$2,076 | (48.9%) | \$1,062 | \$2,076 | (48.9%) |
| Parks DCC's Received | \$566 | \$1,412 | (59.9%) | \$566 | \$1,412 | (59.9%) |
| Total DCC Fees Received | \$1,628 | \$3,488 | (53.3%) | \$1,628 | \$3,488 | (53.3%) |
| DCC Reserves – Uncommitted balance at QE | \$141,851 | \$141,231 | 0.3% | n/a | n/a | n/a |
| 2) Uncommitted Reserves (at QE) | Q1-2023 | Q1-2022 | Change | | | |
| Capital Funding Reserves* | \$240,803 | \$122,919 | 95.9% | | | |
| Utility Reserves | \$107,846 | \$108,091 | (0.2%) | | | |
| Affordable Housing Reserves | \$11,428 | \$9,157 | 24.8% | | | |
| Other Reserves | \$83,807 | \$81,382 | 3.0% | | | |
| Total Uncommitted Reserves | \$443,884 | \$321,549 | 38.0% | | | |
| <i>*During 2023, \$96m of debt was obtained for the Steveston Community Centre and Library capital project and the original funding returned to its source.</i> | | | | | | |
| 3) Taxes to date | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
| Taxes Collected | \$15,489 | \$14,134 | 9.6% | \$15,489 | \$14,134 | 9.6% |
| City Portion of Taxes Collected | \$7,899 | \$7,208 | 9.6% | \$7,899 | \$7,208 | 9.6% |
| Unpaid Taxes - Delinquent & Arrears (at QE) | \$12,515 | \$11,504 | 8.8% | \$12,515 | \$11,504 | 8.8% |
| No. of Participants on Pre-authorized withdrawal (at QE) | 6,312 | 6,271 | 0.7% | 6,312 | 6,271 | 0.7% |
| Pre-authorized withdrawals payments | \$12,324 | \$11,761 | 4.8% | \$12,324 | \$11,761 | 4.8% |
| Interest rate % paid | 4.45% | 0.45% | 888.9% | 4.45% | 0.45% | 888.9% |
| <i>Sources: All data is from City of Richmond records</i> | | | | | | |
| 4) Cash and Investments | Q1-2023 | Q1-2022 | Change | | | |
| Investments | \$1,046,545 | \$700,219 | 49.5% | | | |
| Cash (includes high interest savings accounts) | \$491,822 | \$622,129 | (20.9%) | | | |
| Total Cash and Investments | \$1,538,367 | \$1,322,348 | 16.3% | | | |
| Average City Rate of Return on Investments % | 4.10% | 1.55% | 164.5% | | | |

Financial and Key Indicators**March 31, 2023**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

| | Q1-2023 | Q1-2022 | Change | YTD-2023 | YTD-2022 | Change |
|--|----------------|----------------|---------------|-----------------|-----------------|---------------|
| 5) Planning and Development | | | | | | |
| Building Permit Fees Collected | \$1,709 | \$1,670 | 2.3% | \$1,709 | \$1,670 | 2.3% |
| Development Applications Received | 36 | 27 | 33.3% | 36 | 27 | 33.3% |
| Development Applications Fees | \$214 | \$72 | 198.4% | \$214 | \$72 | 198.4% |
| 6) Business Licences | | | | | | |
| Revenue Received for Current Year Licences | \$1,957 | \$1,809 | 8.1% | \$1,957 | \$1,809 | 8.1% |
| Revenue Received for Next Year (Deferred) | \$104 | \$100 | 3.8% | \$104 | \$100 | 3.8% |
| Total Licence Revenue | \$2,061 | \$1,910 | 7.9% | \$2,061 | \$2,014 | 7.9% |
| <i>Year to date valid licences and revenue include current year licences issued in the prior year.</i> | | | | | | |
| 7) Other Revenues | | | | | | |
| Parking Program Revenue | \$500 | \$338 | 47.8% | \$500 | \$338 | 47.8% |
| Gaming Revenue | \$3,690 | \$2,651 | 39.2% | \$3,690 | \$2,651 | 39.2% |
| Traffic Fine Revenue | \$0 | \$0 | 0% | \$0 | \$0 | 0% |
| 8) Employees | | | | | | |
| Full Time Equivalent (FTE) Employees (at QE) | 1,607 | 1,520 | 5.7% | | | |
| <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 | | | | | | |
| RCMP - Calls for Service Handled | 10,436 | 12,612 | (17.3%) | 10,436 | 12,612 | (17.3%) |
| Community Bylaws | 1,639 | 1,081 | 51.6% | 1,639 | 1,081 | 51.6% |
| Fire Incidents | 2,908 | 2,381 | 22.1% | 2,908 | 2,381 | 22.1% |
| Public Works calls for Service | 3,081 | 3,314 | (7.0%) | 3,081 | 3,314 | (7.0%) |

Financial and Key Indicators**March 31, 2023**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

| 10) Housing Units Secured Since 2007 (at QE) | Q1-2023 | Q1-2022 | Change |
|---|----------------|----------------|---------------|
| <u>Affordable Housing</u> | | | |
| Non-Market Rental (units) | 569 | 569 | 0.0% |
| Affordable Rental (LEMR*) (units) | 1,119 | 963 | 16.2% |
| ARTS Rental (units) | 37 | 37 | 0.0% |
| Entry Level Home Ownership (units) | 25 | 25 | 0.0% |
| <u>Market Housing</u> | | | |
| Market Rental (units) | 1,592 | 1,150 | 38.4% |
| Secondary Suite / Coach House (units) | 358 | 322 | 11.2% |
| Total Housing Units | 3,700 | 3,066 | 20.7% |

* LEMR units refer to Low End Market Rental units.

| 11) Richmond Population Estimate Year End | 2023f | 2022 |
|--|--------------|-------------|
| | 224,470 | 222,954 |

Population figures from BC Stats

Notes:

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

Unaudited Statement of Operations¹

For the Three Month Period Ended March 31, 2023, with comparative figures for 2022.

(Expressed in thousands of dollars)

| | Budget March 31 2023 | Actuals March 31 2023 | Actuals March 31 2022 |
|---|----------------------------|-----------------------------|-----------------------------|
| Revenue: | | | |
| Taxes and levies | \$71,687 | \$71,687 | \$64,203 |
| Utility fees | 33,402 | 31,050 | 28,757 |
| Sales of services | 9,692 | 9,228 | 7,538 |
| Payments-in-lieu of taxes | 3,663 | 3,331 | 3,335 |
| Provincial and federal grants | 1,430 | 1,236 | 1,151 |
| Development cost charges | 5,081 | 1,337 | 4,702 |
| Other capital funding sources | 16,425 | 3,276 | 8,084 |
| Other revenue: | | | |
| Investment income | 5,577 | 9,207 | 3,406 |
| Gaming revenue | 3,625 | 3,690 | 2,651 |
| Licences and permits | 3,201 | 4,555 | 4,023 |
| Other | 3,015 | 3,149 | 10,578 |
| Equity income | 69 | 699 | 520 |
| | 156,867 | 142,445 | 138,948 |
| Expenses: | | | |
| Community safety | 35,384 | 32,545 | 31,237 |
| Utilities: water, sewer and sanitation | 29,720 | 25,261 | 24,395 |
| Engineering, public works and project development | 21,449 | 18,416 | 20,170 |
| Community services | 19,051 | 15,456 | 13,594 |
| General government | 22,898 | 20,622 | 18,714 |
| Planning and development | 8,270 | 5,697 | 5,292 |
| Library services | 2,856 | 2,656 | 2,738 |
| | 139,628 | 120,653 | 116,140 |
| YTD Surplus (Annual Surplus) ² | 17,239 | 21,792 | 22,808 |
| Accumulated surplus, beginning of year | 3,510,695 | 3,510,695 | 3,487,887 |
| Accumulated surplus, end of March 31 ³ | \$3,527,934 | \$3,532,487 | \$3,510,695 |

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.

Contract Awards greater than \$75,000January 1st to March 31st, 2023

| Item | Description | Awarded Vendor | Awarded Amount | Division |
|------|---|---|----------------|--------------------------------|
| 1 | Supply and Delivery of One (1) Mini-Sweeper | Vimar Equipment Ltd. | 208,885 | Engineering & Public Works |
| 2 | Subscription and Service Agreement | Procore Technologies Canada Inc. | 84,875 | Engineering & Public Works |
| 3 | Emergency Supply of Temporary Dehumidification Unit for Richmond Ice Centre | PCL Constructors Westcoast Inc. | 154,450 | Engineering & Public Works |
| 4 | Tempest Annual Support Contract Renewal | Central Square Canada Software Inc. | 210,003 | Finance & Corporate Services |
| 5 | Supply, Implementation and Consulting Services for an Emergency Notification System | Everbridge Inc. | 116,100 | Community Safety |
| 6 | On-Call Key, Lock and Door Services | A-Z Lockmasters Canada Inc. | 85,000 | Engineering & Public Works |
| 7 | Rental of Coveralls and Related Services | Cintas Canada Ltd | 468,435 | Engineering & Public Works |
| 8 | Social Development Strategy | Modus Planning Design & Engagement Inc. | 99,820 | Planning and Development |
| 9 | Moncton Street Frontage Detailed Design | HDR Architecture Associates, Inc. | 129,066 | Engineering & Public Works |
| 10 | Communication and Education Consulting Services | Mickelson Consulting Inc. | 490,920 | Engineering & Public Works |
| 11 | Auditing Services for City of Richmond and Affiliates | KPMG LLP | 744,750 | Finance and Corporate Services |
| 12 | Provision of Aggregate Crushing Services | BC Earth Exchange Inc. | 492,052 | Engineering & Public Works |
| 13 | Provision of Cycling Skills Education Courses | HUB Cycling | 103,550 | Planning and Development |
| 14 | Consulting Services for Green Fleet Action Plan 2030 | Dillon Consulting | 92,950 | Engineering & Public Works |
| 15 | Asphaltic Concrete Paving - 2023 | BA Blacktop Ltd. | 4,449,149 | Engineering & Public Works |
| 16 | Consulting Services for Employer Branding and Recruitment Strategy | Kimbo Design Inc. | 126,650 | Deputy CAO's Office |
| 17 | Steveston Community Centre and Branch Library Road and Utility Relocates (Civil) | Scott Construction Ltd. | 1,002,234 | Engineering & Public Works |
| 18 | Production Services for City of Richmond Maritime Festival | Anigraph Productions Limited | 155,000 | Community Services |

Contract Awards greater than \$75,000 (continued)

January 1st to March 31st, 2023

| Item | Description | Awarded Vendor | Awarded Amount | Division |
|------|--|-------------------------------------|----------------|----------------------------|
| 19 | GHG Reduction Masterplan Study - Consulting Services | First Light Energy Solutions Ltd. | 83,740 | Engineering & Public Works |
| 20 | Collaborative Discharge and Transition Planning Project | Coeruaj Canada | 119,850 | Planning and Development |
| 21 | Provision of Engineering Consulting Services for Conceptual Design of Dike Upgrades at Various Locations | Kerr Wood Leidal Associates Limited | 202,316 | Engineering & Public Works |
| | | McElhanney Consulting Services Ltd. | <u>90,118</u> | |
| | | Total | 292,434 | |