



City of Richmond

Report to Committee

To: Finance Committee

Date: December 1, 2023

From: Mike Ching
Director, Finance

File: 03-0905-01/2023-Vol
01

Re: Financial Information – 3rd Quarter September 30, 2023

Staff Recommendation

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2023”, dated December 1, 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"/>	Library Services	<input checked="" type="checkbox"/>
Community Bylaws	<input checked="" type="checkbox"/>	Parks Services	<input checked="" type="checkbox"/>
Community Safety Administration	<input checked="" type="checkbox"/>	Policy Planning	<input checked="" type="checkbox"/>
Community Social Development	<input checked="" type="checkbox"/>	Public Works	<input checked="" type="checkbox"/>
Development Applications	<input checked="" type="checkbox"/>	RCMP	<input checked="" type="checkbox"/>
Economic Development	<input checked="" type="checkbox"/>	Real Estate Services	<input checked="" type="checkbox"/>
Engineering	<input checked="" type="checkbox"/>	Recreation & Sport Services	<input checked="" type="checkbox"/>
Facilities and Project Development	<input checked="" type="checkbox"/>	Sustainability & District Energy	<input checked="" type="checkbox"/>
Fire Rescue	<input checked="" type="checkbox"/>	Transportation	<input checked="" type="checkbox"/>
		CONCURRENCE OF GENERAL MANAGER	
SENIOR STAFF REPORT REVIEW	INITIALS 	APPROVED BY CAO	

Origin

Pre-audited financial information for the third quarter (ended September 30, 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's) 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

The global economy is continuing to slow. Low growth is expected in the short and medium-term, though no sharp downturn is anticipated. There is also increasing divergence between lower, constrained growth in advanced economies and emerging markets that are proving stronger and more resilient at higher levels of growth. Exceptions include the U.S., which has experienced unexpected resiliency in consumption and investment, and China, which continues to face significant challenges in its real estate sector. The Russia-Ukraine war continues to weigh on the outlook, and the potential global economic impact of the Israel-Hamas war is not yet clear. Other factors impacting global forecasts include increasing geo-economic fragmentation after decades of global integration, effects of monetary policy tightening required to reduce inflation, withdrawal of fiscal supports, and extreme weather events.

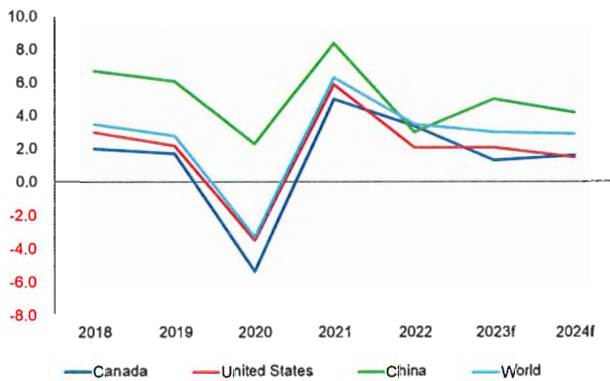
In Canada, the Bank of Canada (BoC) maintained the policy rate most recently in September and October, after raising interest rates three times earlier in the year. The BoC notes that higher interest rates are working as intended – price pressures are easing, and inflation has come down from its peak in June 2022.¹ However, core inflation has been harder to rein in than anticipated and progress toward the 2% inflation goal has been slow and uneven. Population growth continues to drive demand, though consumer spending as well as hiring are slowing.

Economic activity in Richmond continues to be relatively healthy. Businesses continue to face the ongoing challenges of the current economic climate, including high input costs for both goods and services. However, risks posed by disruptions at the Port of Vancouver in Q3 have been resolved and supply chain pressures have eased, even as costs remain high. Business licencing continues to show strong activity, reflecting new businesses starting operations and others altering their operations in response to current conditions and/or to take advantage of new opportunities. While industrial and office vacancy rates have increased in Richmond, industrial vacancy rates remain near record lows. Lower growth should continue to be expected in 2023 and into 2024, aligned with global conditions.

¹Bank of Canada. Monetary Policy Report, October 2023.

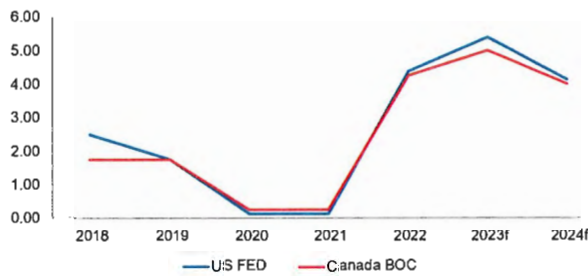
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change²



- The International Monetary Fund projects global Gross Domestic Product (GDP) will decrease from 3.5% in 2022 to 3.0% in 2023, contracting to 2.9% in 2024.
- In 2023, Canadian GDP is forecasted to grow by 1.3%, with U.S. and China GDP growth forecasts of 2.1% and 5.0%, respectively.
- This global growth profile for 2023 is slightly weaker for Canada and China and slightly stronger for the U.S. than predicted last quarter, reflecting an increasing divergence across markets and a greater than expected resiliency of the U.S. economy.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year End³



- After increasing rates in July 2023, the BoC has held its overnight lending rate steady at 5.0%.
- The U.S. Federal Reserve paused its pattern of raising rates at all previous 2023 meetings, holding rates at 5.38% (5.25% - 5.50%) on November 1, 2023.
- Inflation in services prices and core inflation are proving more persistent than anticipated. That said, higher interest rates and tighter financial conditions are slowing economic growth.

²International Monetary Fund, World Economic Outlook (October 2023): Navigating Global Divergences.

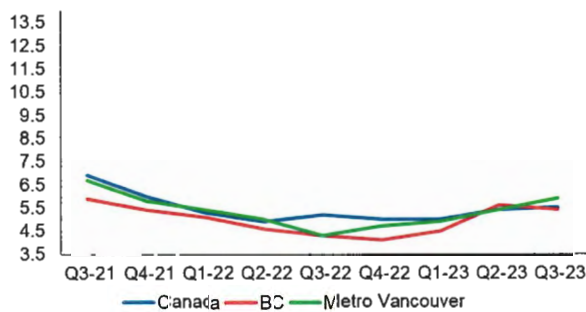
³US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (October 2023); RBC Financial Markets Monthly, (November 2023).

3) Exchange Rates – CAD/USD at Year End⁴



- The Canadian dollar (CAD) continues to be weak against the U.S. Dollar (USD), despite short term fluctuations. It ended Q3 2023 slightly weaker than the previous quarter though aligned with Q1, at \$1.35 CAD / \$1 USD. Weakening is expected to continue, with some recovery at the end of 2024.
- The short term fluctuations in the exchange rate are related to market sentiment, with a Q3 decline coinciding with data released on the slowing Canadian economy. The CAD regained some strength more recently, with slower than expected U.S. inflation in October.

4) Unemployment⁵

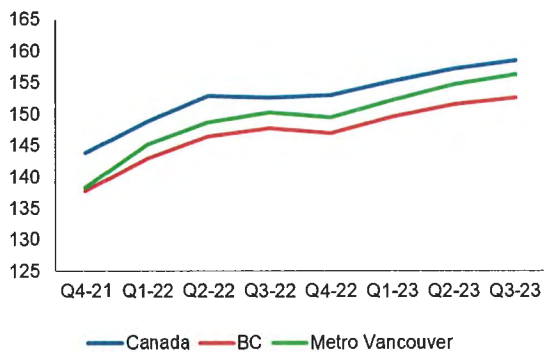


- According to Statistics Canada’s September 2023 Labour Market Survey, the employment rate increased, while unemployment was unchanged at 5.5% for the third consecutive month.
- Given record high population growth, employment gains of approximately 50,000 per month are required for the employment rate to remain constant. Employment grew by only 40,000 people in August, though by 64,000 in September.
- At the end of Q3 2023, the Canadian, B.C., and Metro Vancouver unemployment rates were 5.5%, 5.4%, and 5.9%, respectively.

⁴RBC Economics (RBC Financial Markets Monthly, November 2023); Interchange Financial (Canadian Dollar Gains on Weaker Than Expected US Inflation Numbers, November 14, 2023).

⁵Statistics Canada Labour Force Survey (September 2023); Labour Force Statistics Highlights Issue #23-10.

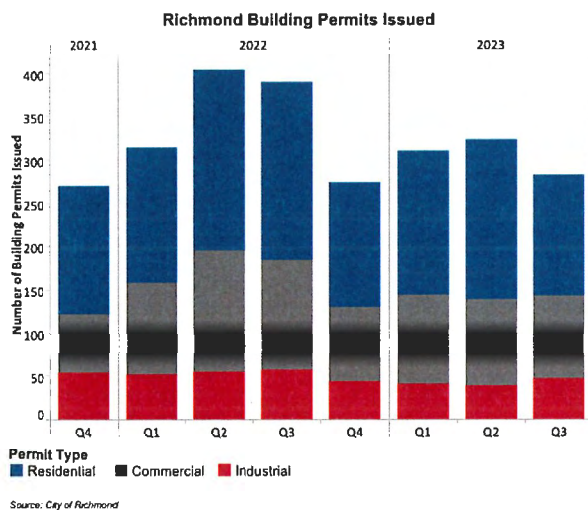
5) Consumer Price Index (CPI – 2002=100)⁶



- Inflation in Canada is slowing, though the pattern has not been linear, with an increase of 3.3% in July, 4.0% in August, and 3.8% in September. Compared with other provinces, B.C. had the third lowest rate of inflation in September.
- Prices for durable goods are decelerating, and consumers are paying less for airfares, though grocery prices remain elevated.
- On average over the past 12 months, inflation has been higher in B.C. (5.0%) and Metro Vancouver (5.1%) than nationally (4.7%).

Regional & Local Economic Activity Indicators

6) Building Permits – Richmond⁷

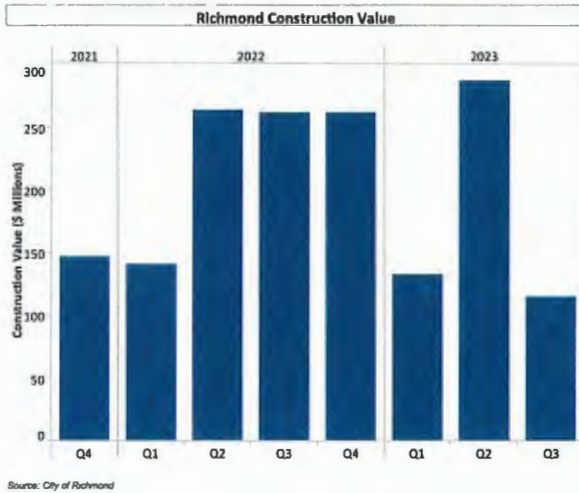


- During the third quarter of 2023, there were 149 residential, 97 commercial, and 46 industrial building permits issued in Richmond.
- This represents a 25.1% decline in total building permits issued over the same period in 2022, with less of a decrease in industrial (17.9%) as compared to commercial (24.2%) and residential (27.7%).
- 172 new units were added to the local housing supply in Q3 2023, which represents a 71.7% decrease as compared to the same period in 2022. Due to the large number of units typically involved in multi-family projects, substantial quarter-over-quarter fluctuations are expected, as permit issuances reflect not quarterly activity specifically, but that of the development cycle for multi-family units.

⁶Statistics Canada, Consumer Price Index; also Consumer Price Index, September 2023; also BC Stats, Consumer Price Index, September 2023, Issue 23-10.

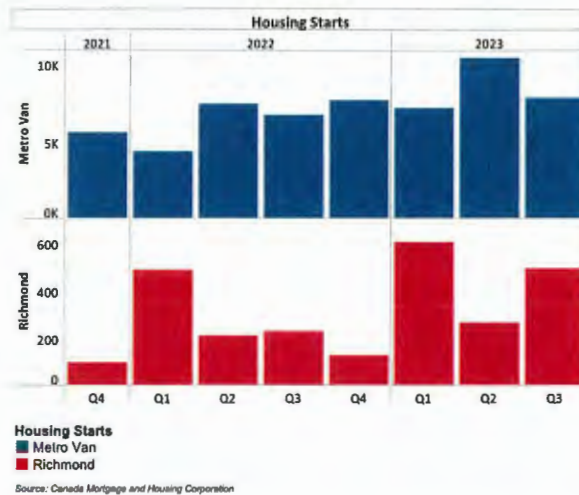
⁷City of Richmond Building Permits.

7) Construction Value⁸



- Approximately \$114.5 million in construction value was registered in Q3 2023, a decrease of 56.2% from the same period last year.
- Substantial quarter-over-quarter fluctuations in construction value can be expected, depending on the projects registered that quarter.

8) Housing Starts⁹



- In Q3 2023, there were 490 housing starts in Richmond and 7,759 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced¹⁰.
- Year-to-date housing starts increased by 47.5% in Richmond and by 37.4% 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.
- While construction costs remain high, demand will likely continue to be strong, especially with population expansion through immigration.

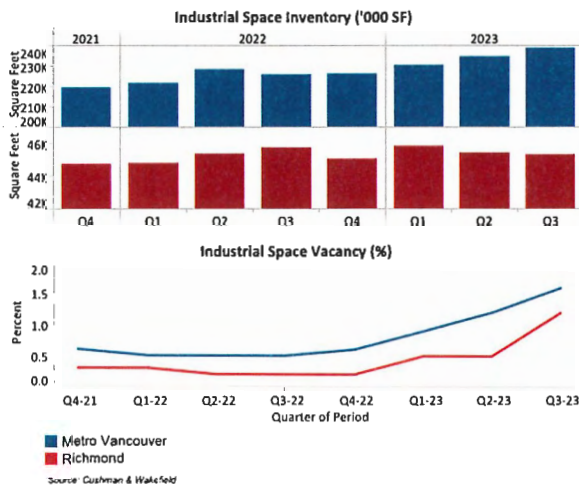
⁸ City of Richmond Building Permits.

⁹Canada Mortgage and Housing Corporation; Housing Market Outlook, Spring 2023; Housing starts trend upward in September (CMHC).

¹⁰Housing 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.

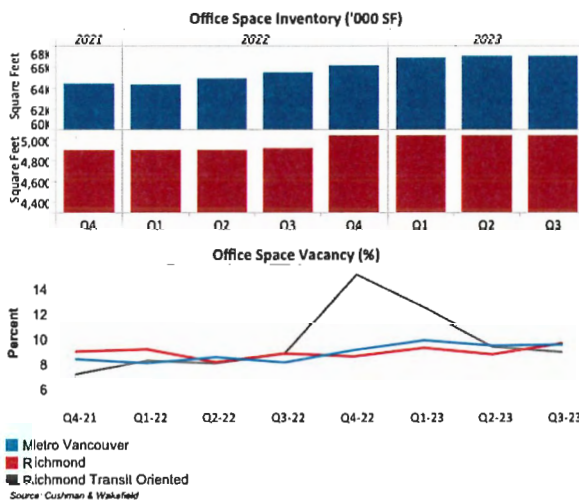
9) Commercial Space¹¹

a) Industrial Space



- The Metro Vancouver industrial vacancy rate has increased to 1.6%. While still low, it has not been this high since Q4 2019. The increase was driven by new construction completions and an influx of vacant space for sublease.
- In Richmond, the industrial vacancy rate remains lower than Metro Vancouver though has increased to 1.2%, its highest rate since Q4 2020.
- While there is some softening of tenant demand in the industrial market given current economic conditions, vacancy rates are still well below that of a healthy market. Average asking net rents are high though remained stable in Q3.

b) Office Space



- At the end of Q3 2023, the office vacancy rate had increased to 9.9% in Richmond, with transit-oriented vacancy edging downwards to 9.2%¹².
- The office vacancy rate remained relatively steady at 9.8% in Metro Vancouver, despite differing trajectories across municipalities.
- Downtown Vancouver office vacancy rates remained near a 30-year high at 13.6% in Q3 despite significant new leasing activity, reflecting new construction completions and an interest in high quality Class A and AAA office space. Year-over-year vacancy rates decreased in many suburban markets.
- Average asking rents in Richmond are the lowest in the Metro Vancouver region.

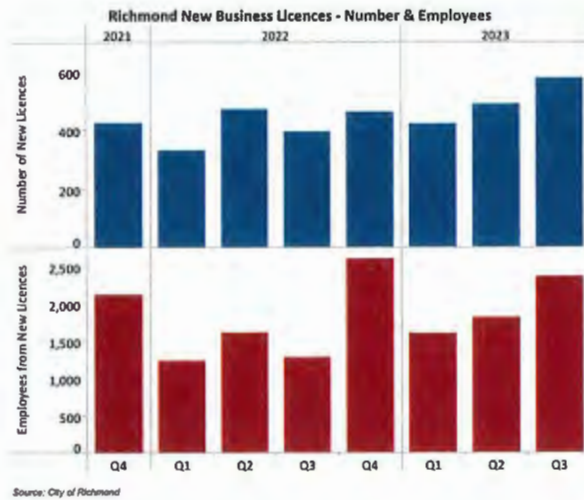
Note that the increased transit-oriented vacancy rate in Q4 2022 was due to the Paramount development (6388 No. 3 Road) coming to market. Short-term fluctuations are expected as new supply is added.

¹¹Cushman & Wakefield Office and Industrial Market Beat Reports Q3 2023.

¹²Note 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.

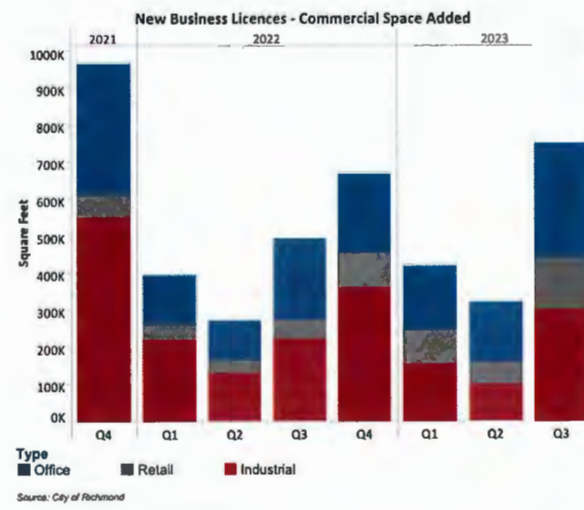
10) Business Growth – Richmond¹³

a) Total Valid Business Licences & New Business Licences Issued



- 578 new business licences (representing 2,360 jobs) were issued by the City of Richmond in Q3 2023, a 46.3% increase in new licences (and an 85.0% increase in corresponding jobs) as compared to the same period last year.
- These new business licences are part of the City’s total of 13,607 total valid business licences at the end of Q3 2023. Fluctuations are expected in the number of total valid business licences, as businesses update their information and renew their licences annually.

b) New Business Licences – Commercial Space

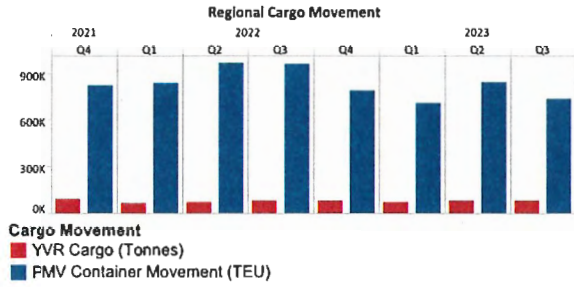


- 752,251 square feet of commercial space absorption was tied to the new business licences issued during Q3 2023.
- This is an increase of 52.3% compared to the same time period last year. The greatest amount of space was required by office (312,261 square feet), followed by industrial (299,500 square feet), and then retail (140,490 square feet).

¹³ City of Richmond Business Licensing data

11) Goods and People Movement

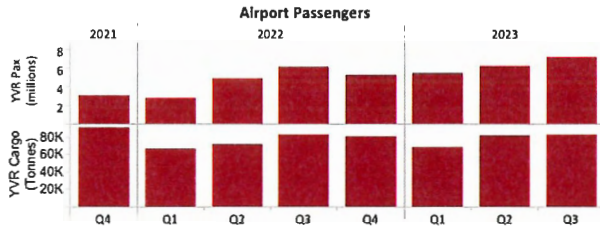
a) Regional Cargo Movement¹⁴



Source: Port of Vancouver, YVR

- In Q3 2023, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalent (TEUs), decreased by 23.4%, as compared to the same period last year. While fluctuations are expected, some slowing may have been related to the Port strike action in Q3 2023.
- In Q3 2023, 82,805 tonnes of air cargo passed through the Vancouver International Airport (YVR), which is a slight decrease of 0.5% as compared to the same period last year.

b) Airport Passengers¹⁵



- Passenger travel through YVR continues to grow, with an increase of 17.0% in Q3 2023 (7.15M) as compared to the same period last year (6.11M).
- Globally, aviation passenger volumes are now expected to reach 9.4 billion in 2024, surpassing 2019 volumes (9.2 billion). The airline industry has also more than doubled its profit forecast for 2023.

c) Richmond Hotel Room Revenue¹⁶



- Hotel room revenues in Richmond for Q3 were \$105M, which is 20.7% higher than the same period last year. Year-to-date revenues are even stronger, with 2023 tracking 31.0% above 2022 revenues.

¹⁴Port of Vancouver Monthly Cargo Statistics; YVR Monthly Statistics.

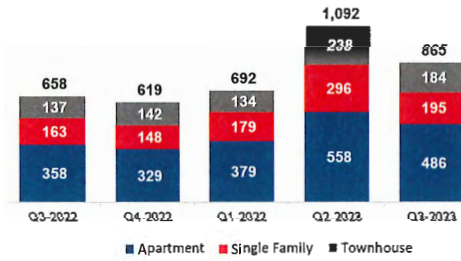
¹⁵YVR Monthly Statistics; Airports Council International, Global passenger traffic expected to recover by 2024 and reach 9.4 billion passengers (September 27, 2023); Financial Times, Global airline industry more than doubles its profit forecast (June 5, 2023).

¹⁶City of Richmond Additional Hotel Room Tax Ledger.

Residential Real Estate¹⁷

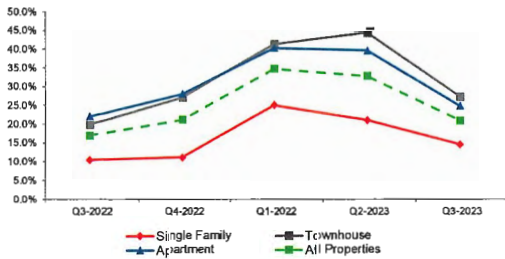
With mortgage rates at a 10-year high, a central element of the market this year has been the hesitancy of homeowners to list their homes. This lack of supply combined with expensive debt has had major impacts both on new buyers and potential move up purchasers resulting in a return to more historical average levels of pricing and sales.

Richmond - Residential Sales



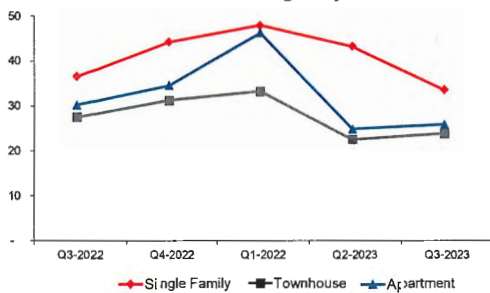
- Single family detached (SFD) home sales increased by 19.6% compared to Q3 2022.
- Townhouse and apartment sales have increased by 34.3% and 35.8%, respectively, compared to Q3 2022.
- Townhouse sales comprise 21.3% of the residential home sales in Richmond. SFD and apartment sales account for 22.5% and 56.2%, respectively, of home sales in Richmond.
- There were 865 residential home sales in Richmond in Q3 2023, a 31.5% increase compared to the same period last year.

Richmond - Residential Sales-to-Active Listings



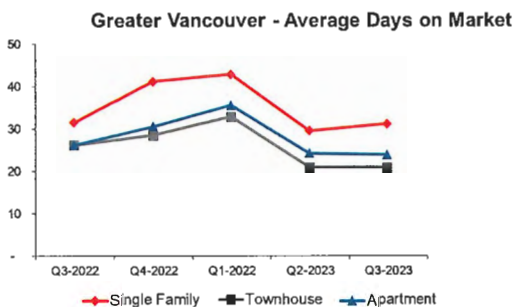
- Richmond residential properties had a sales-to-active listings ratio of 21.5% as at September 30, 2023, representing a seller's market.
- Analysis of historical data suggests downward pressure on home prices occurs when the ratio dips below 12% for a sustained period, while home prices often experience upward pressure when it surpasses 20% over several months.

Richmond - Average Days on Market

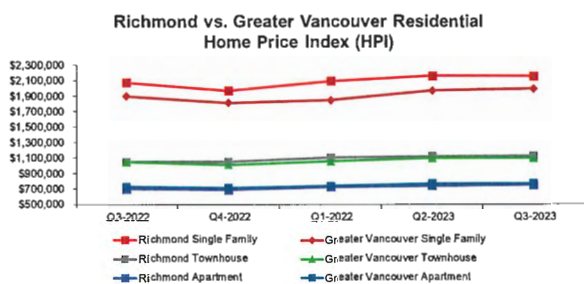


- At Q3 2023, SFD properties in Richmond had an average of 34 days on the market, an 8.1% decrease compared to Q3 2022.
- Townhouses and apartments in Richmond had an average of 24 and 26 days on the market, respectively, representing a 14.3% and a 13.3% decrease over the same period last year.

¹⁷Real Estate Board of Greater Vancouver.



- At Q3 2023, SFD properties in GVRD had an average of 31 days on the market, which represents a 3.1% decrease compared to Q3 2022.
- Townhouses and apartments in GVRD had an average of 21 and 24 days on the market, respectively, which represents a decrease of 19.2% for townhouses and 7.7% for apartments, compared to Q3 2022.

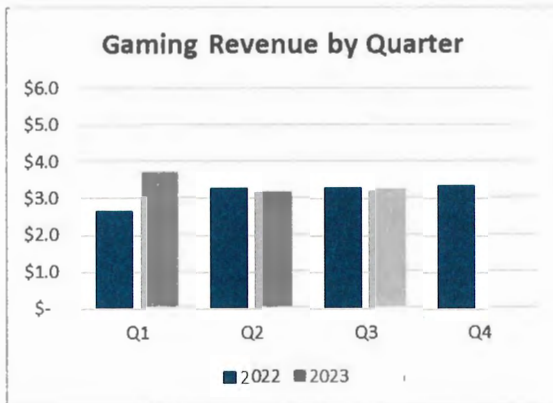


- The Home Price Index (HPI)¹⁸ for SFD properties in Richmond at Q3 2023 was \$2,179,100, a 4.7% increase compared to Q3 2022. The GVRD housing market has increased with SFD properties priced at \$2,017,100, which represents a 5.8% increase compared to the same quarter last year.
- At Q3 2023, the HPI for townhouse properties in Richmond was \$1,126,200, an increase of 7.1% compared to Q3 2022. The HPI for townhouse properties in GVRD was \$1,098,400, which represents a 4.7% increase compared to the same time last year.
- The HPI for apartments in Richmond was \$750,200, an increase of 6.6% compared to Q3 2022. The HPI for apartments in GVRD was \$768,500, which represents a 5.5% increase compared to the same time last year.

¹⁸Home 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 Q3 2023 was \$3,222,507, a decrease of 2% compared to the same quarter last year when \$3,289,802 was received.
- Year to date revenue for 2023 is \$10,073,275, which is 9.5% higher than for same period for 2022, which was \$9,198,543.
- The 2023 budget for gaming revenue is \$14,500,000.

Gaming revenue continues to rebound from the pandemic period, however, the amount received to the end of September for 2023 is 10.4% less than the same period in 2019. 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 transferred to the capital reserve.

Table 1: Distribution of the 2023 gaming revenue allocation

	Distribution	2023 Budget
Capital Reserves	Remainder	\$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 September 30, 2023. The net figure represents combined revenue and expense amounts. Actuals include 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 September 30, 2023 (in \$000's)

Division/Department ¹	Q3 YTD Net Budget ²	Q3 YTD Actuals and Commitments ³	Q3 YTD Variance (\$)	Projected Surplus (Deficit) before Appropriation	Estimated Appropriation	Projected Surplus (Deficit) after Appropriation
Community Safety ⁴	(\$173)	(\$555)	\$382	371	-	371
Community Services	36,526	34,598	1,928	2,226	-	2,226
Corporate Administration	7,561	7,189	372	460	-	460
Engineering and Public Works	33,718	33,589	129	184	(184)	-
Finance and Corporate Services	18,569	17,518	1,051	1,240	(400)	840
Fire Rescue	35,611	35,681	(70)	(702)	-	(702)
Law and Legislative Services	3,405	3,396	9	7	-	7
Library	8,131	7,809	322	251	(251)	-
Planning and Development	6,819	4,076	2,743	3,092	(673)	2,419
Policing	53,746	50,340	3,406	3,534	-	3,534
Fiscal	(181,303)	(185,531)	4,228	5,130	(8,306)	(3,176)
Total	\$22,610	\$8,110	\$14,500	\$15,793	(\$9,814)	\$5,979
Flood Protection Utility	3,801	3,449	352	128	(128)	-
Sanitary Sewer Utility	1,134	1,108	26	10	(10)	-
Sanitation and Recycling Utility	(68)	(1,157)	1,089	1,489	(1,489)	-
Water Utility	5,046	4,656	390	539	(539)	-
Utilities Total	\$9,913	\$8,056	\$1,857	\$2,166	(\$2,166)	\$-

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 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.

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 business licence revenue and timing on operational spending.
- Community Services' favourable variance is mainly due to a combination of vacant positions and higher revenue due to increased programs and services.
- Corporate Administration's favourable variance is mainly driven by vacant positions.
- Engineering and Public Works is on budget. Estimated appropriations at year-end include the following: \$119K for Major Roads Network projects to be completed in 2024, and \$65K for Fleet surplus estimated to be transferred to the Equipment Reserve in accordance with Council's Sustainable Green Fleet Policy 2020.

- Finance and Corporate Services' favourable variance is mainly due to vacant positions from earlier the year that have subsequently been filled. Estimated appropriations at year-end included \$400K for the business continuity planning and incidence response project currently in progress and anticipated to be completed in 2024.
- Fire Rescue's third quarter's unfavourable variance is mainly due to staff overtime which is expected to continue into the fourth quarter. In September 2023, 13 firefighters were recruited which is expected to reduce overtime in the new year.
- Law and Legislative Services is on budget.
- Library's favourable variance is mainly due to vacant positions. Any surplus at year-end will be appropriated for future use within Library operations.
- Planning and Development's favourable variance is primarily due to building permit revenue that was recognized year to date and unfilled vacancies. Estimated appropriations at year end include \$673K for ongoing initiatives that are in progress and expected to carry over into 2024.
- Policing's favourable variance is driven by lower than budgeted policing contract costs due to RCMP Officer complement vacancies.
- Fiscal's surplus is due to favourable investment income and operational savings. Estimated appropriations at year-end include \$7.3M to fund debt payments relating to the borrowing for Steveston Community Centre and Library, and \$982K for service fees for Lulu Island Energy Company in accordance with the asset transfer agreement as presented in the 2024 Proposed Operating Budget report.
- Flood Protection Utility's favorable variance is mainly due to operational savings. Any surplus at year-end will be transferred to the Flood Protection Provision.
- Sanitary Sewer Utility is on budget. 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 Recycle BC revenue than budgeted and vacant positions. Any surplus at year-end will be transferred to the General Solid Waste and Recycling Provision.
- Water Utility's favourable variance is mainly driven by operational savings and discounts for early payment not taken by customers. Any surplus at year-end will be transferred to the Water Levy 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, 2023, with comparative figures for 2022, is included in Attachment 3.

Cash and Investment Portfolio

As of September 30, 2023, the City’s total cash and investment balance was \$1.69 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.

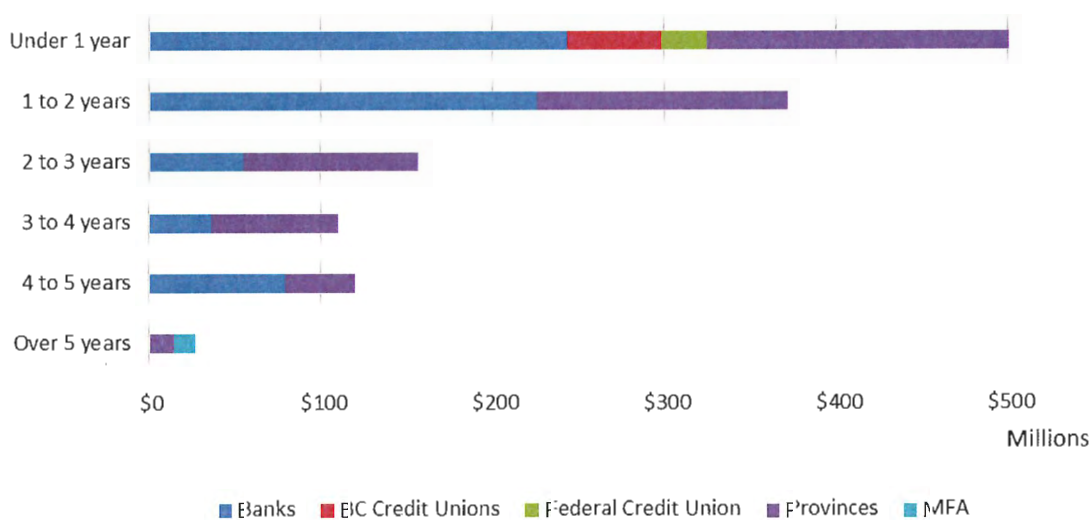
The City’s total cash and investment balance was comprised of \$1.29 billion in investments and \$407 million in a high interest savings cash account, with a weighted average annualized yield of 4.50% for the third quarter of 2023.

Consumer Price Index (CPI) inflation has been volatile during the quarter, where CPI went from 2.8% in June, 3.3% in July, 4.0% in August, 3.8% in September, and cooled to 3.1% in October.

With clearer signs that monetary policy is moderating spending and relieving price pressures, the BoC held its target for overnight interest rate at 5% at its last two interest rate decision meetings while indicating that further policy rate increases will be considered if needed.

The City’s overall credit risk exposure remains low through maintaining a diversified and high credit quality investment portfolio comprised of 49% in chartered banks, 44% in provincial government, 5% in B.C. credit unions, 1% in federal credit union and 1% in MFA long-term bonds. As shown in the investment maturity summary in the chart below, the City’s cash and investment portfolio has been strategically positioned in order to allow for more flexible reinvestment opportunities to lock into higher rate investment products in the current interest rate environment.

Q3 2023 Investment Maturity Summary



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

All investment activities have been conducted in compliance with the City's Investment Policy 3703. Based on independent Environmental, Social, and Governance (ESG) rating of the City's fixed income portfolio, the City continues to receive high ESG Rating of "AA" as of Q3 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 third quarter, 36 contracts greater than \$75,000 were awarded totalling over \$23.3 million (Attachment 4).

Financial Impact

None.

Conclusion

The September 30, 2023 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for information.



Cindy Gilfillan, CPA, CMA
Manager, Financial Reporting
604-276-4077

- 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**September 30, 2023****Macroeconomic Indicators & Forecast**

1) Real GDP (% at YE)	2023f	2024f			
Canada	1.3	1.6			
United States	2.1	1.5			
China	5.0	4.2			
World	3.0	2.9			
2) Interest Rates (at YE)	2023f	2024f			
Bank of Canada	5.00	4.00			
US FED	5.38	4.13			
3) Exchange Rate (at YE)	2023f	2024f			
CAD per \$1 USD	1.38	1.31			
4) Unemployment (% at QE)	Q3-2023	Q2-2023	Change	Q3-2022	Change
Canada	5.5	5.4	1.9%	5.2	5.8%
BC	5.4	5.6	(3.6%)	4.3	25.6%
Metro Vancouver	5.9	5.4	9.3%	4.3	37.2%
5) CPI (2002=100) (at QE)	Q3-2023	Q2-2023	Change	Q3-2022	Change
Canada	158.5	157.2	0.8%	152.7	3.8%
BC	152.7	151.6	0.7%	147.8	3.3%
Metro Vancouver	156.3	154.7	1.0%	150.3	4.0%

Regional and Local Market Indicators

6) Richmond Building Permits	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Residential – New Construction [^]	37	99	(62.6%)	153	270	(43.3%)
Residential – Alterations	112	107	4.7%	346	301	15.0%
Residential Total	149	206	(27.7%)	499	571	(12.6%)
Number of units from new residential construction	172	607	(71.7%)	1,075	1,074	0.1%
Residential	149	206	(27.7%)	499	571	(12.6%)
Commercial	97	128	(24.2%)	302	376	(19.7%)
Industrial	46	56	(17.9%)	124	161	(23.0%)
Building Permits Total	292	390	(25.1%)	925	1,108	(16.5%)
Construction Value (\$ million)	114.5	261.1	(56.2%)	533.8	665.1	(19.7%)
7) Housing Starts CMHC (Units)	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Starts - Richmond	490	225	117.8%	1,350	915	47.5%
Starts - Metro Vancouver	7,759	6,647	16.7%	25,217	18,357	37.4%
8) Richmond Residential Sales Activity	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Sales - Detached	195	163	19.6%	670	765	(12.4%)
Sales - Townhouse	184	137	34.3%	556	633	(12.2%)
Sales - Apartment	486	358	35.8%	1,423	1,652	(13.9%)
Sales - Total	865	658	31.5%	2,649	3,050	(13.1%)

Economic Indicators**September 30, 2023****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings**

Ratio (% at QE)	Q3-2023	Q2-2022	Change
Single Family Detached	15.1%	10.6%	42.5%
Townhouse	27.9%	20.0%	39.5%
Apartment	25.4%	22.2%	14.4%
Total	21.5%	17.1%	25.7%

10) Average Days on Market

Property Type	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Single Family Detached	34	37	(8.1%)	31	32	(3.1%)
Townhouse	24	28	(14.3%)	21	26	(19.2%)
Apartment	26	30	(13.3%)	24	26	(7.7%)

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

Property Type	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Single Family Detached	2,179	2,082	4.7%	2,017	1,906	5.8%
Townhouse	1,126	1,052	7.1%	1,098	1,049	4.7%
Apartment	750	704	6.6%	769	729	5.5%

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Office Vacancy (%)	9.9	9.0	10.0%	9.8	8.3	18.1%
Transit Oriented Office Vacancy (%)	9.2	9.0	2.2%	N/A	N/A	N/A
Office Inventory (000 sf)	5,043	4,920	2.5%	67,048	65,435	2.5%
Industrial Vacancy (%)	1.2	0.2	500.0%	1.6	0.5	220.0%
Industrial Inventory (000 sf)	45,314	45,730	(0.9%)	238,606	225,884	5.6%

13) Richmond Business Growth

	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Total Valid Business Licences (at QE)	13,607	13,340	2.0%	13,607	13,340	2.0%
New Licences - Number Issued	578	395	46.3%	1,490	1,198	24.4%
New Licences - Employees	2,360	1,276	85.0%	5,765	4,117	40.0%
New Licences - Office Added (sf)	312,261	221,505	41.0%	649,566	465,602	39.5%
New Licences - Retail Added (sf)	140,490	49,307	184.9%	288,020	124,481	131.4%
New Licences - Industrial Added (sf)	299,500	223,096	34.2%	556,479	573,669	(3.0%)
Total Space Added (sf)/Avg. Change	752,251	493,908	52.3%	1,494,065	1,163,752	(28.4%)

Economic Indicators	September 30, 2023
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Regional and Local Market Indicators (continued)

14) Goods & People Movement	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
YVR Air Cargo (tonnes)	82,805	83,237	(0.5%)	229,467	222,311	3.2%
PMV Container Movement (TEUs)	737,730	962,661	(23.4%)	2,292,634	2,766,140	(17.1%)
YVR Passengers (million)	7.15	6.11	17.0%	18.85	13.81	36.5%
Richmond Hotel Revenue (\$ million)	105.0	87.0	20.7%	240.3	183.4	31.0%

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.*

List of Sources:

- 1) *International Monetary Fund, World Economic Outlook (October 2023): Navigating Global Divergences.*
2) *US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report, October 2023; RBC Financial Markets Monthly, November 2023.*
3) *RBC Economics RBC Financial Markets Monthly, November 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.*
YVR Monthly Statistics; .
City of Richmond Additional Hotel Room Tax Ledger.

Financial and Key Indicators**September 30, 2023**

(All dollar amounts in \$000's)

	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
1) Development Cost Charges Contributions						
Roads, Water, Sewer DCCs Received	\$1,303	\$3,831	(66.0%)	\$2,490	\$13,073	(81.0%)
Parks DCCs Received	\$49	\$1,065	(95.4%)	\$658	\$4,480	(85.3%)
Total DCC Fees Received	\$1,352	\$4,896	(72.4%)	\$3,148	\$17,553	(82.1%)
DCC Reserves – Uncommitted Balance at QE	\$143,534	\$139,650	2.8%	N/A	N/A	N/A
2) Uncommitted Reserves (at QE)						
Capital Funding Reserves	\$223,225	\$213,434	4.6%			
Utility Reserves	\$96,287	\$107,272	(10.2%)			
Affordable Housing Reserves	\$9,866	\$8,405	17.4%			
Other Reserves	\$105,776	\$76,542	38.2%			
Total Uncommitted Reserves	\$435,154	\$405,653	7.3%			
3) Taxes to date						
Taxes Collected	\$142,406	\$139,995	1.7%	\$516,455	\$476,680	8.3%
City Portion of Taxes Collected	\$72,627	\$71,398	1.7%	\$263,392	\$243,107	8.3%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$5,037	\$4,294	17.3%	\$5,307	\$4,294	17.3%
No. of Participants on Pre-authorized withdrawal (at QE)	6,403	6,364	0.6%	6,403	6,364	0.6%
Pre-authorized withdrawals payments	\$8,595	\$8,229	4.4%	\$29,149	\$27,885	4.5%
Interest rate % paid	4.95%	1.70%	191.2%	4.95%	1.70%	191.2%
<i>Sources: All data is from City of Richmond records</i>						
4) Cash and Investments						
Investments	\$1,286,904	\$721,632	78.3%			
Cash (includes high interest savings accounts)	\$407,153	\$862,253	(52.8%)			
Total Cash and Investments	\$1,694,057	\$1,583,885	7.0%			
Average City Rate of Return on Investments %	4.50%	3.25%	38.5%			

Financial and Key Indicators**September 30, 2023**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Building Permit Fees Collected	\$2,400	\$3,043	(21.1%)	\$5,989	\$7,829	(23.5%)
Development Applications Received	49	39	25.6%	116	106	9.4%
Development Applications Fees	\$228	\$211	7.9%	\$612	\$473	29.4%
6) Business Licences	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Revenue Received for Current Year Licences	\$834	\$767	8.7%	\$3,982	\$3,684	8.1%
Revenue Received for Next Year (Deferred)	\$507	\$478	6.0%	\$905	\$846	7.0%
Total Licence Revenue	\$1,341	\$1,245	7.7%	\$4,887	\$4,530	7.9%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Parking Program Revenue	\$551	\$504	9.4%	\$1,612	\$1,269	27.0%
Gaming Revenue	\$3,223	\$3,290	(2.0%)	\$10,073	\$9,199	9.5%
Traffic Fine Revenue	\$0	\$0	0%	\$2,475	\$2,435	1.6%
8) Employees	Q3-2023	Q3-2022	Change			
Full Time Equivalent (FTE) Employees (at QE) <i>(City and Library)</i>	1,651	1,570	5.2%			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
RCMP - Calls for Service Handled	17,453	14,595	19.6%	50,507	41,343	22.2%
Community Bylaws	2,439	1,476	65.2%	6,229	3,844	62.0%
Fire Incidents	3,206	3,036	5.6%	9,096	8,110	12.2%
Public Works Calls for Service	3,752	4,161	(9.8%)	10,338	11,299	(8.5%)
10) 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 Nine Month Period Ended September 30, 2023, with comparative figures for 2022.

(in \$000's)

	Budget Sept 30, 2023	Actuals Sept 30, 2023	Actuals Sept 30, 2022
Revenue:			
Taxes and levies	\$ 215,289	\$ 216,674	\$ 202,318
Utility fees	100,207	101,140	95,850
Sales of services	36,905	31,533	27,122
Payments-in-lieu of taxes	10,988	10,200	9,992
Provincial and federal grants	8,742	28,973	7,083
Development cost charges	15,243	8,547	11,037
Other capital funding sources	49,274	19,865	32,878
Other revenue:			
Investment income	10,739	29,234	22,674
Gaming revenue	10,875	10,073	9,199
Licences and permits	9,146	11,421	10,473
Other	13,703	18,651	23,539
Equity income	314	1,571	1,467
	481,425	487,882	453,632
Expenses:			
Community safety	106,153	99,696	97,523
Utilities: water, sewer and sanitation	89,159	86,925	83,468
Engineering, public works and project development	64,346	57,954	56,982
Community services	57,152	51,060	46,271
General government	57,252	53,180	49,781
Planning and development	24,810	17,777	16,012
Library services	8,465	8,379	8,120
	407,337	374,971	358,157
YTD Surplus (Annual Surplus) ²	74,088	112,911	95,475
Accumulated surplus, beginning of year	3,574,424	3,583,362	3,487,887
Accumulated surplus, end of September 30 ³	\$3,648,512	\$3,696,273	\$3,583,362

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

²Annual 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.

³Accumulated 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 \$75,000

July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
1	IPS Software Maintenance and Support Contract Renewal	Infor Canada Ltd.	\$148,113	Finance and Corporate Services
2	West Richmond Community Centre – Infrastructure Replacement and Building upgrades	Heatherbrae Builders Co. Ltd.	849,524	Engineering & Public Works
3	Ford 2023 F150 Lightning Fully Electric Crew Cab Pickup Truck	Metro Motors Ltd.	79,700	Engineering & Public Works
4	Supply and Delivery of One (1) Single Axle Cab and Chassis Truck Model #535	Peterbilt Pacific Inc.	182,584	Engineering & Public Works
5	Design-Build Services - Bowling Green Community Activity Centre Replacement	Scott DB Services Ltd.	4,815,597	Engineering & Public Works
6	Consulting Services for Materials Flow Analysis	Stichting Circle Economy	222,540	Engineering & Public Works
7	Supply and Delivery of One (1) Forestry Aerial Lift Chipper Body with Boom and Smart PTO System on a City Provided Cab and Chassis	Versalift Canada Industries	354,340	Engineering & Public Works
8	Richmond Media Lab - Equipment	Apple Canada Inc.	155,298	Community Services
9	Brighthouse Library Front Entrance Improvements	Holaco Construction (1997) Ltd.	244,860	Engineering & Public Works
10	Supply and Delivery of Uniform Clothing for Richmond Fire-Rescue	Brogan Fire & Safety	378,009	Community Safety
11	Richmond Cultural Centre Annex Envelope Repairs	Holaco Construction (1997) Ltd.	312,815	Engineering & Public Works
12	Provision of Generators for Pump Station Generator Installation 2023	Frontier Power Products ULC Finning Canada	367,425	Engineering & Public Works
13	Richmond Animal Shelter - Additional Heating & Cooling	Edifice Construction Inc.	565,893	Engineering & Public Works
14	Support of the implementation of the Building Safer Communities Fund strategy.	POTUS Consulting Inc.	440,000	Community Safety
15	Richmond Curling Club Repairs	Holaco Construction (1997) Ltd.	145,384	Engineering & Public Works

Contract Awards Greater than \$75,000 (continued)July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
16	2 Year Lease for Colour Printers	Konica Minolta Business Solutions	80,580	Corporate Administration
17	City Hall Chiller Replacement, Domestic Waterline and Elevator Renewals	Omicron Canada Inc.	321,475	Engineering & Public Works
18	City Centre Community Annex - Building Upgrades	Holaco Construction (1997) Ltd.	110,757	Engineering & Public Works
19	Provision of Traffic Control Services	Lanesafe Traffic Control Ltd.; The Universal Group; ATS Traffic	1,912,958	Engineering & Public Works
20	ProjectDox On-Premise to SaaS Migration Enabling Single Sign-On	Avolve Software Corporation	269,992	Finance and Corporate Services
21	VMWare Carbon Black Subscription	Optive Canada Inc.	96,924	Finance and Corporate Services
22	CyberArk Cloud Privilege Access Management (PAM) Subscription Licencing	Optive Canada Inc.	161,575	Finance and Corporate Services
23	IBM Qradar 1500 Events Per Second (EPS) Log Capacity Licencing	Glasshouse Systems Inc.	84,459	Finance and Corporate Services
24	Design Services for Caretaker Suites Infrastructure Renewals	Mallen Gowing Berzins Architecture	168,598	Engineering & Public Works
25	On Call Overhead Doors Contractor	Door Ace Your Garage Door & Gates Co.Ltd.	458,850	Engineering & Public Works
26	Provision of Engineering Consulting Services for the No. 9 and No. 6 Road South Drainage Pump Stations	McElhanney Consulting Services Ltd.	771,785	Engineering & Public Works
27	Britannia Shipyards - Seine Net Loft and Shipyard Building Envelope and Structural Renewals Consulting	Iredale Architecture	578,340	Engineering & Public Works
28	Supply and Delivery of 1/2 Ton Extended Cab with rear-hinged Doors and Six (6) Foot Box Pick Up Trucks	Mainland Ford Ltd.	161,028	Engineering & Public Works
29	Supply and Delivery of Three (3) One Ton Quad Cabs with Eight Foot Box Pick Up Trucks	Barnes Wheaton Chevrolet Buick GMC Ltd.	187,776	Engineering & Public Works

Contract Awards Greater than \$75,000 (continued)July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
30	Supply and Delivery of Three (3) One Ton Crew Cabs with Eight Foot Box Pick Up Trucks	Barnes Wheaton Chevrolet Buick GMC Ltd.	195,159	Engineering & Public Works
31	Steveston Community Centre and Library - Site Preparation Works	Scott Construction (2005) Ltd.	5,396,139	Engineering & Public Works
32	Oracle Enterprise Performance Management (EPM) Subscription Contract	Oracle Canada ULC	993,031	Finance and Corporate Services
33	Supply and Delivery of One (1) Tier 4 Diesel Tractor with Front Bucket	Rollins Machinery Ltd.	145,710	Engineering & Public Works
34	Steveston Highway & Gilbert Road Drainage Upgrade	PW Trenchless Construction Inc.	229,668	Engineering & Public Works
35	Bath Slough Canal Bank & Pedestrian Path Repair	Merletti Construction (1999) Ltd.	590,758	Engineering & Public Works
36	Watermania Mechanical and Infrastructure Replacement	Heatherbrae Builders Co. Ltd.	1,134,412	Engineering & Public Works