



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** December 9, 2015

**From:** Jerry Chong, CPA, CA  
Director, Finance

**File:** 03-0970-01/2015-Vol  
01

**Re:** 2016 Operating Budget Options

### Staff Recommendation

That:

1. The 2016 Operating Budget presented in the staff report titled 2016 Operating Budget Options dated December 9, 2015 from the Director, Finance with a tax increase of 2.00%, after utilizing rate stabilization funding of up to 0.06% (\$113,880) be approved.
2. Ongoing additional levels in the amount of \$209,653 with a tax impact of 0.11% as presented in Appendix 3 of the staff report titled 2016 Operating Budget Options from the Director, Finance be approved.
3. Ongoing additional levels in the amount of \$1,827,331 for 12 additional police officers be approved with no 2016 tax impact by utilizing a corporate reset as detailed in the staff report titled 2016 Operating Budget Options dated December 9, 2015 from the Director, Finance be approved.
4. Staff be authorized to make budget transfers between divisions to ensure that the corporate reset does not impact the division's service levels.
5. The Rate Stabilization Account be used to pay for the capital costs associated with the additional 12 police officers for a total of \$192,910.
6. A tax increase of 1.00% for infrastructure replacement needs as per Council's Long Term Financial Management Strategy be approved.

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

App. 7

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
CONCURRENCE OF SMT	INITIALS: 
APPROVED BY CAO 	

### Executive Summary

The 2016 Operating Budget before additional levels as presented to the Finance Committee on December 7, 2015 is as follows:

Budget Component	\$000's	Tax Impact (%)
Net Budget Increase	\$5,284	2.79%
Less: External Senior Government Increases	(803)	(0.42%)
Less: Estimated 2016 New Tax Growth	(2,276)	(1.20%)
<b>Same Level of Service Increase</b>	<b>\$2,205</b>	<b>1.17%</b>
External Senior Government Increases	803	0.42%
Capital OBI (Current year and phase-in of Major Facilities - year 3 of 7)	891	0.47%
<b>Subtotal Before Additional Level Expenditures</b>	<b>\$3,899</b>	<b>2.06%</b>

As requested by the Finance Committee, this report presents options to reduce the above tax impact to 2.00% and to increase the recommended additional levels of service to include funding for additional police officers.

The City has managed its operations in an efficient and effective manner and operating surpluses has averaged 1.27% over the past 5 years.

The annual operating surplus has enabled Council to fund additional initiatives as one-time expenditures to generate significant community benefits each year without incurring any further increase to property taxes. However, due to budget pressures this year, staff recommend a one-time corporate reset as discussed in this report to achieve adding 12 additional police officers with no 2016 tax impact.

Budget Component	\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures (see above)	\$3,899	2.06%
Rate Stabilization to reduce to 2.00%	(114)	(0.06%)
<b>Proposed 2016 Operating Budget Increase Before Additional Levels</b>	<b>\$3,785</b>	<b>2.00%</b>
<b>Additional Level Expenditures – originally proposed</b>	<b>210</b>	<b>0.11%</b>
Additional Level Expenditures – 12 Police Officers	2,020	1.06%
Corporate Reset	(1,827)	(0.96%)
Rate Stabilization – Initial Costs for 12 Police Officers	(193)	(0.10%)
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$3,995</b>	<b>2.11%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>

The proposed 2016 budget is in compliance with Council policies as the same level of service increase of 1.17% is lower than forecasted CPI target of 2.3%. It is also in compliance with the Long Term Financial Management Strategy (LTFMS) as it proposes a 1% increase for infrastructure replacement.

## Staff Report

### Origin

At the Finance Committee meeting held on December 7, 2015, the following was referred to staff:

- (1) *the rationale as to why the items listed in "Attachment 11 - Ongoing Expenditures Request (Not Recommended)," were not recommended by staff;*
- (2) *a breakdown of the Law and Community Safety budget to show the Richmond RCMP budget separately;*
- (3) *a description of the "Corporate Reset" as discussed by staff;*
- (4) *details pertaining to personnel vacancies and the impact of vacancies; and*
- (5) *strategies for reducing the proposed tax increase to 2% and the impacts to the proposed budget.*

This report responds to items 1, 2, 3 and 5 of the referral. Item 4 is the subject of a separate, closed report as it contains personnel details.

### Analysis

- 1) The rationale as to why the items listed in "Attachment 11 - Ongoing Expenditures Request (Not Recommended)," were not recommended by staff

The Capital Review Committee is tasked with reviewing and ranking Additional Level Expenditure Requests (both One-Time Expenditures and Ongoing). Given the Committee has defined criteria to rank Capital submissions, it was decided to apply the same ranking model for evaluating ongoing additional level expenditures. Although it is not a perfect model for evaluating additional level expenditures, as it was originally designed for evaluating Capital submissions, it provides a consistent model to be applied across all submissions for the 2016 budget year. The scores would still provide an objective ranking scale for prioritization purposes.

The criteria used include:

- Alignment with City vision
- Risk management
- Social Equity, Health and Wellness and Vibrancy
- Environmental
- Economic

Refer to Appendix 1 for the detailed Capital Ranking Criteria.

The results of the ranked submissions are forwarded to SMT and the CAO for further review. The listing is adjusted in accordance with emerging priorities. Refer to Appendix 2 for the final Summary of Ongoing Additional Level Expenditures ranking. The Agrologist Contractor was ranked with a score of 51.67 which placed it between items "R" and "S" on the list. SMT prioritized this higher due to the importance of protecting the Agricultural Land Reserve; therefore it is listed as item "K".

Although item “D” Ongoing Major Events ranked high, it was not recommended as an Ongoing Additional Level Expenditure request because it was recommended to be funded as a One-Time Expenditure and further funding was also approved from the Council Community Initiatives Account for the 2017 program. Therefore, in order to alleviate tax pressure, it was decided to defer the request for ongoing funding to a future budget year.

The Review Committee ranked the request for all 17 police officers at the same score. Given the policing model consultation, the funding decision was originally deferred pending the outcome. At the Finance Committee’s request, funding for some level of additional police officers needs to be addressed as part of the 2016 Budget.

The request for 17 additional police officers would result in a tax increase of 1.52% if all were approved to be added immediately to the budget. Research has shown that Richmond is falling behind in the number of police officers to population ratio and in order to catch up to some of the other Metro Vancouver municipalities, staff recommend funding 12 additional police officers. The request includes funding for various police officer positions (General Duty, Property Crime Unit, etc.); staff are not making any specific recommendations as to which type of police officer should be prioritized.

The recommendation for ongoing additional levels is made after taking into consideration all other aspects of the Budget. Only the high priority requests are funded and the lower priority requests are not recommended in order to contain costs and keep the tax increase at a reasonable rate.

Generally, items that appear lower on the list would not get funded ahead of higher priority requests, unless as discussed above there is a compelling reason to make an exception. The Sustainable Media Lab Staffing received the same score as the request for additional police officers. Therefore, staff recommended funding items “A” through “K”, except “D” which already received One-Time funding.

Appendix 3 includes the revised recommendation for Additional Level Expenditures, which now includes the addition of 12 police officers. Appendix 4 includes the revised list of Additional Level Expenditures that are not recommended.

The Finance Committee has the discretion to change the recommendation for funding any of the additional level requests with resulting tax impacts.

- 2) Breakdown of the Law and Community Safety Budget to show the Richmond RCMP budget separately.

The same level of service Policing budget is shown in Appendix 5 including the number of contracted officers.

Appendix 6 has the Revised Same Level of Service Budget with the addition of the RCMP complement information.

3) A description of the “Corporate Reset” as discussed by staff.

Historically, the City has managed its operations in an efficient and effective manner. This has resulted in annual surpluses averaging 1.27% of the Operating Budget. This also ensures the City meets statutory requirements which prohibit deficit budgeting. The City’s Operating Budget surplus has been mainly attributable to the following:

- RCMP contract vacant positions
- Fire Rescue vacant positions
- Vacant positions (All Divisions)
- Planning and Development permit revenues

The City’s operating surplus has enabled Council to fund additional initiatives as one-time expenditures to generate significant community benefits each year without incurring any further increase to property taxes. This approach provides Council additional flexibility to choose priority initiatives that would not otherwise be supported through the annual operating budget and re-invests taxpayer’s funds.

One-time expenditure requests are typically non-recurring, not eligible to be funded by the City’s reserves and should not be funded through the Operating Budget to avoid fluctuations from year to year.

Some of the approved one-time funding in the past includes the following:

- Seniors Games Support
- Planning for Tall Ships
- Sister City
- Construction of the Sharing Barn
- Funding for the City’s annual Major Events
- Gateway Theatre – Computer Upgrade, Seats and Equipment
- Library Collection Material and Equipment, Chinese Language and Junior Collection
- Steveston Community Amenities Master Plan
- Watermania – HVAC, Air Handling Units, Filter System, Retrofits
- Mobile Community Safety Education Unit

In order to prepare for significant increases in costs for policing, the CAO directed staff to explore the option of hitting the “Corporate reset button”.

There are changes to current budgeting approaches which Council could make to provide additional Operating Budget capacity for additional police officers. However, it is important to understand that the suggested changes would only provide initial, one-time budget relief. Over the long-term, these new approaches could also increase the risk of requiring higher property tax increases in order to achieve balanced budgets and may impact Council’s flexibility to fund selected one-time projects through use of surplus allocations.

Staff must make numerous assumptions in developing the annual Operating Budget based on the best information available during the budget preparation cycle. In order to ensure a deficit is not incurred, staff use conservative estimates – lower revenue projections and conventional expenditures. While this conservative approach ensures the City is protected against incurring a

deficit, this usually results in an annual operating surplus. This also means that Council is not put in a position to reduce levels of service or incur large property tax increases from year to year.

There is an option to use a less conservative approach to budgeting for revenue and expenses to acknowledge in advance that a surplus is likely to be realized; however it is not possible to predict exactly where that surplus will arise from as the City's budget includes revenues, programs and services which are subject to external conditions including economic, weather and senior government downloading.

#### *Potential Solutions to Mitigate Operating Budget Increases*

##### a) Offset Using Previous Year's Operating Surplus/Rate Stabilization Accounts

At various times, the City has utilized previous year's operating surplus/rate stabilization accounts to help balance the Operating Budget and reduce the property tax impact:

In 2010, due to the recession and forecasted decline in development and building activities, the City reduced the 2010 budgeted amount of building permit revenue by \$1.2M, which was offset by utilizing 2009 surplus of \$1.2M. In 2010, despite the recessionary conditions and declines in activity in many other municipalities, the building permit revenues did not decline, therefore surplus was not required.

In 2011, Council approved two permanent reductions. There was a reduction of \$1.2M in the RCMP budget, due to the historical vacancy and surplus pattern, Council approved that the RCMP budget be funded by surplus and the RCMP budget reduced by the same amount. During the same budget year, Council approved a reduction of \$0.5M to the City's salary budget, due to the time to recruit and fill current vacant positions.

The Water, Sewer and Sanitation Utility budgets have also been stabilized in certain years with surplus through utility rate stabilization accounts.

This option will maintain all levels of service but could provide a one-time tax relief through a reduction in the tax collected by utilizing the rate stabilization account. This option would need to be reviewed annually.

##### b) Budgeting for Anticipated Higher Revenue

Property taxes are calculated based on the Council approved budgeted property tax revenues required to balance the budget and assessment information provided by BC Assessment. In order to minimize property tax increases, the City also relies on numerous non-property tax revenue streams. The City has traditionally followed a conservative revenue budgeting approach for non-property taxation revenues as these types of revenues are subject to external market conditions and may fluctuate from year to year. Development fees and gaming revenue are examples that can significantly fluctuate from year to year.



The City could provide additional capacity within the Operating Budget by increasing its revenue projections for non-property tax revenues. However, once increased revenue projections are included within the Operating Budget any subsequent shortfalls in these revenues would need to be made up through higher property taxes or by service cuts to reduce spending. In addition, if budgeted revenue assumptions are increased it would be expected that surplus would be reduced, which would reduce the flexibility to fund the types of initiatives which have been previously approved by Council through allocation of surplus funds.

Taking a riskier approach to budgeting revenues means that it is possible the revenue targets will not be met. In the past this has reflected on the performance of the department even though it may be due to factors beyond their control.

c) Budget Expenses Less Conservatively

Similar to any other employer, the City experiences staff turnover and availability of vacant positions due to termination, resignation, and retirement. The 5 year average turnover is currently 4% and the average time to fill a vacant position is approximately 120 days, depending on the type of position. In 2011, \$0.5M was reduced from the City's base budget; therefore this previous reduction must be taken into consideration, should Council choose to pursue this option.

There are risks in reducing budgeted salaries since most of the City's programs and services are dependent upon labour. By estimating the anticipated savings that will be realized as a result of staff turnover, the amount of taxes collected could be reduced for one year only. If actual expenditures are projected to exceed the budget estimate, a budget amendment would be brought forward funded by rate stabilization. This option would need to be reviewed annually.

The three options offered above are only temporary solutions to offset rising costs as they would result in a one-time reduction only. For long term solutions, Council would be required to consider options that would impact the service level or eliminate discretionary services and programs.

However, staff believe that the margin of safety available within the operating budget may be compromised due to the unpredictable nature of external market forces. Smaller future surpluses would also diminish the availability and opportunity to fund one-time Council initiatives.

4) Details pertaining to personnel vacancies and the impact of vacancies.

Item 4 is the subject of a separate, closed report as it contains personnel details.

The City will always have a certain number of vacancies at any given time. No organization (public or private) can maintain a static employee population and every progressive organization is continually managing service level demands and operational challenges. Staff are committed to effectively managing vacancy levels in a prioritized manner ensuring that critical services are

not impacted and service level standards are maintained. Hiring new employees consumes a significant amount of time based on due diligence required in recruiting and selecting candidates for roles within the City. Positions may also remain vacant for other reasons, such as evaluating whether to make an operational change due to restructuring in an area. Prior to filling a vacancy, the position is evaluated by the Employment Review Committee to ensure that the job description is aligned with operational objectives and to ensure that resources are allocated efficiently and effectively. Delays in hiring are minimized whenever possible to minimize overtime and any undue pressures upon the existing staff.

d) Strategies for reducing the proposed tax increase to 2% and the impacts to the proposed budget.

At the Finance Committee meeting on December 7, 2015 staff proposed the following (refer to Appendix 7 for the full staff report with attachments):

**Table 1 – 2016 Proposed Tax Increase as presented on December 7, 2015 (in \$000s)**

Budget Component	\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures	\$3,899	2.06%
Additional Level Expenditures	210	0.11%
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$4,109</b>	<b>2.17%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>

Staff were asked to look at strategies to reduce the 2.06% tax impact to 2.00%. This can be achieved through the utilization of rate stabilization funding for 2016. This revised tax impact is the foundation of all budget options presented in this report.

The proposed budget included a 2.96% increase in the municipal contribution toward the Library. This has been referred back to staff and is the subject of a separate report. The amount of rate stabilization funding will be reduced depending on the approved budget for the Library.

Staff were also directed to present options for funding additional police officers in the 2016 budget.

The remainder of this report presents five budget options of funding 12 additional police officers. There are one-time capital costs associated with adding new police officers. Under all options, this initial amount of \$192,910 for 12 police officers is recommended to be funded from Rate Stabilization.

The remaining increase of \$1,827,331 is the amount required to maintain the additional level of service. Options for this increase are briefly described below and summarized in Table 2:

1. Additional Tax Option – Fund through property taxes in 2016 (0.96% 2016 tax impact)
2. Phase-in Option – Use rate stabilization funding to spread the impact over two years (0.48% 2016 tax impact and 0.48% 2017 tax impact)



3. Offset with 1% Transfer to Reserves – Fund through property taxes in 2016 (0.96% 2016 tax impact) and waive the 1% transfer to reserves
4. Deferred Funding Option – Authorize now and include in the 2017 budget, closer to the timing of when police officers are expected to be deployed. (0.00% 2016 tax impact and 0.96% 2017 tax impact)
5. Corporate Reset (0.00% 2016 tax impact) – *Recommended option*

**Table 2 – Summary of 2016 Budget Options**

<b>Budget Component</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>	<b>Option 5*</b>
Impact Before Additional Level Expenditures	2.06%	2.06%	2.06%	2.06%	2.06%
Rate Stabilization to reduce to 2.00%	(0.06%)	(0.06%)	(0.06%)	(0.06%)	(0.06%)
<b>Subtotal</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>Additional Level Expenditures - originally proposed</b>	<b>0.11%</b>	<b>0.11%</b>	<b>0.11%</b>	<b>0.11%</b>	<b>0.11%</b>
Additional Level Expenditures - 12 Police Officers	1.06%	1.06%	1.06%	-	1.06%
Rate Stabilization - Initial Capital Costs for 12 Police Officers	(0.10%)	(0.10%)	(0.10%)	-	(0.10%)
Rate Stabilization - Phase-in over 2 years	-	(0.48%)	-	-	-
Corporate Reset	-	-	-	-	(0.96%)
<b>Subtotal for 12 Additional Police Officers</b>	<b>0.96%</b>	<b>0.48%</b>	<b>0.96%</b>	<b>-</b>	<b>-</b>
<b>2016 Budget Increase</b>	<b>3.07%</b>	<b>2.59%</b>	<b>3.07%</b>	<b>2.11%</b>	<b>2.11%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>1.00%</b>	<b>1.00%</b>	<b>-</b>	<b>1.00%</b>	<b>1.00%</b>

\* Recommended option

**Budget Option 1: Additional Tax – Not Recommended**

This option would fund 12 additional police officers through an additional tax increase in 2016, an impact of 0.96%.

**Table 3 – Budget Option 1: Additional Tax**

<b>Budget Component</b>			<b>Tax Impact (%)</b>
	<b>\$000's</b>		
Subtotal Before Additional Level Expenditures	\$3,899	2.06%	
Rate Stabilization to reduce to 2.00%	(114)	(0.06%)	
<b>Subtotal</b>	<b>\$3,785</b>	<b>2.00%</b>	
<b>Additional Level Expenditures – originally proposed</b>	<b>210</b>	<b>0.11%</b>	
Additional Level Expenditures – 12 Police Officers	2,020	1.06%	
Rate Stabilization – Initial Costs for 12 Police Officers	(193)	(0.10%)	
<b>Subtotal</b>	<b>\$1,827</b>	<b>0.96%</b>	
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$5,822</b>	<b>3.07%</b>	
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>	

**Advantages**

- Maintains the same level of service budget for all divisions, and includes 12 out of the 17 requested police officers as an addition to the service level.
- Costs and tax increases are aligned with the year the additional services are approved.
- In compliance with the Long Term Financial Management Strategy to increase the transfer to reserves for infrastructure replacement.

**Disadvantages**

- Results in a significant tax increase that citizens were not expecting as it significantly differs from the previous 5 Year Financial Plan projection of 2.98%.
- The timing of the request and arrival of the additional police officers may not coincide, which could result in taxpayers pre-paying for services.

**Budget Option 2: Phase-in – Not Recommended**

This option would fund 12 additional police officers through an additional tax increase in 2016 and 2017. Rather than absorbing the full impact in one year, the impact is phased-in over two years with half the funding collected through a tax increase in 2016, an impact of 0.48% and the remaining half collected through a tax increase in 2017, a further 0.48% impact. Rate stabilization funding is used to reduce the tax impact in 2016.

**Table 4 – Budget Option 2: Phase-in**

<b>Budget Component</b>	<b>\$000's</b>	<b>Tax Impact (%)</b>
Subtotal Before Additional Level Expenditures	\$3,899 2.06%	
Rate Stabilization to reduce to 2.00%	(114) (0.06%)	
<b>Subtotal</b>	<b>\$3,785</b>	<b>2.00%</b>
<b>Additional Level Expenditures – originally proposed</b>	<b>210</b>	<b>0.11%</b>
Additional Level Expenditures – 12 Police Officers	2,020 1.06%	
Rate Stabilization – Initial Costs for 12 Police Officers	(193) (0.10%)	
Rate Stabilization – Phase-in over 2 years	(914) (0.48%)	
<b>Subtotal</b>	<b>\$913</b>	<b>0.48%</b>
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$4,908</b>	<b>2.59%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>

**Advantages**

- Includes 12 out of the 17 requested police officers as an addition to the service level.
- Phases-in costs to approximate delivery of police officers therefore costs matches the timing of services received.
- In compliance with the Long Term Financial Management Strategy to increase the transfer to reserves for infrastructure replacement.
- Re-invests taxpayer funds that were previously collected for policing and re-invests them into an additional level of service.

**Disadvantages**

- Results in a tax increase that citizens were not expecting as it differs from the 5 Year Financial Plan projection of 2.98%.
- Reduces rate stabilization account.
- A portion of the impact is shifted to 2017.



### Budget Option 3: Offset with 1% Transfer to Reserves – Not Recommended

This option would fund 12 additional police officers through an additional tax increase in 2016, an impact of 0.96%. This option shows that the increase could be offset by waiving the 1% transfer to reserves.

**Table 5 – Budget Option 3: Offset with 1% Transfer to Reserves**

Budget Component		\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures	\$3,899	2.06%	
Rate Stabilization to reduce to 2.00%	(114)	(0.06%)	
<b>Subtotal</b>		<b>\$3,785</b>	<b>2.00%</b>
<b>Additional Level Expenditures – originally proposed</b>		<b>210</b>	<b>0.11%</b>
Additional Level Expenditures – 12 Police Officers	2,020	1.06%	
Rate Stabilization – Initial Costs for 12 Police Officers	(193)	(0.10%)	
<b>Subtotal</b>		<b>\$1,827</b>	<b>0.96%</b>
<b>Proposed 2016 Operating Budget Increase</b>		<b>\$5,822</b>	<b>3.07%</b>

#### Advantages

- Maintains the same level of service budget for all divisions, and includes 12 out of the 17 requested police officers as an addition to the service level.
- Costs and tax increases are aligned with the year the additional services are approved.
- Decreases the tax impact to a rate closer to the 5 Year Financial Plan projection of 2.98%.

#### Disadvantages

- Does not comply with the Long Term Financial Management Strategy to increase the transfer to reserves for infrastructure replacement, which will delay plans for future infrastructure replacement and may result in higher maintenance costs for ageing infrastructure in the future.
- This would be the second consecutive year that the policy has been waived.
- May have to increase borrowing, which could result in higher annual costs.
- Passes on infrastructure costs to future generations.
- Reduces tangible features associated with the City which may impact future growth and liveability.
- Will not help improve the City's flexibility ratios, as recent financial information indicates that Richmond's assets are slightly older in comparison to other comparator cities.

**Budget Option 4: Deferred Funding – Not Recommended**

This option allows the decision to approve 12 additional police officers now, but defers the tax impact to 2017.

**Table 6 – Budget Option 4: Deferred Funding**

Budget Component	\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures	\$3,899 2.06%	
Rate Stabilization to reduce to 2.00%	(114) (0.06%)	
<b>Subtotal</b>	<b>\$3,785</b>	<b>2.00%</b>
<b>Additional Level Expenditures – originally proposed</b>	<b>210</b>	<b>0.11%</b>
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$3,995</b>	<b>2.11%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>

**Advantages**

- Maintains the same level of service budget for all divisions.
- Allows for the City to authorize new police officers, which may take up to one year to be deployed. Should the police officers be delivered in the 2016 year and additional funding is required, an amendment would be brought forward to fund the amount from Rate Stabilization on a one-time basis. The tax impact would be added to the 2017 budget.
- In compliance with the Long Term Financial Management Strategy to increase the transfer to reserves for infrastructure replacement.

**Disadvantages**

- Shifts the funding issue and tax increase to the 2017 budget with additional costs for policing, this will delay pressure to future years which would have budget challenges of its own as a result of any other changes to service levels or increased downloading from senior levels of government.
- Not transparent.



**Budget Option 5: Corporate Reset – Recommended Option**

This option would fund 12 additional police officers with no additional tax increase in 2016. This would be achieved through a corporate reset by reducing tax funding required through a combination of budgeting higher revenues and lower expenses in other City Divisions to fund the additional police officers.

If the higher revenue targets and/or lower expenses do not materialize, staff require the flexibility to update the allocation of the corporate reset amounts as the year progresses in order to ensure that no division is over budget as a result of implementing the corporate reset.

**Table 7 – Budget Option 5: Corporate Reset**

Budget Component		\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures	\$3,899	2.06%	
Rate Stabilization to reduce to 2.00%	(114)	(0.06%)	
<b>Subtotal</b>		<b>\$3,785</b>	<b>2.00%</b>
<b>Additional Level Expenditures – originally proposed</b>		<b>210</b>	<b>0.11%</b>
Additional Level Expenditures – 12 Police Officers	2,020	1.06%	
Corporate Reset	(1,827)	(0.96%)	
Rate Stabilization – Initial Costs for 12 Police Officers	(193)	(0.10%)	
<b>Subtotal</b>		<b>\$-</b>	<b>-%</b>
<b>Proposed 2016 Operating Budget Increase</b>		<b>\$3,995</b>	<b>2.11%</b>
<b>Additional 1% Transfer to Reserves</b>		<b>\$1,898</b>	<b>1.00%</b>

The Corporate Reset of 0.96% would be applied across all Divisions/Departments achieved through delayed replacements and budgeting higher revenues. Based on an analysis of the past 5 years the following allocations are proposed:

Delayed Replacements

Policing delayed replacements	\$453,231	
Fire Rescue delayed replacements	274,100	
Law and Community Safety	61,000	
Community Services	126,000	
Engineering and Public Works	216,000	
Finance and Corporate Services	101,000	
Corporate Administration	46,000	
		\$1,277,331
Planning and Development revenues		550,000
		<u>\$1,827,331</u>

Advantages

- Decreases the tax impact to a rate closer to the 5 Year Financial Plan projection of 2.98%.

- Includes 12 out of the 17 requested police officers as an addition to the service level.
- In compliance with the Long Term Financial Management Strategy to increase the transfer to reserves for infrastructure replacement.

## Disadvantages

- Increased revenue budgets may result in unrealistic targets.
- Will reduce the amount of surplus available to fund future one-time initiatives.
- Reset budgets may not be sustainable in the long term, this will delay pressure to future years which would have budget challenges of its own as a result of any other changes to service levels or increased downloading from senior levels of government.
- Not balancing demands - reducing other City services at the expense of policing

Table 8 presents the revised 2016 same level of service budget increase for each Division after the corporate reset. This is before Capital Operating Budget Impacts and additional levels of service.

**Table 8 – Same Level of Service Base Budget With Corporate Reset (in \$000s)**

Division	Same Level of Service				Corporate Reset		
	2015 Adjusted Net Budget	2016 Proposed Net Budget	Amount Change	Percent Change	2016 Budget Reduction	Revised Amount Change	Revised Percent Change
<b>Law and Community Safety</b>	\$78,366	\$80,340	\$1,974	2.52%	(\$788)	\$1,186	1.51%
<b>Community Services</b>	37,462	38,052	590	1.57%	(126)	464	1.24%
Library	8,541	8,794	253	2.96%	-	253	2.96%
<b>Total Community Services</b>	<b>46,003</b>	<b>46,846</b>	<b>843</b>	<b>1.83%</b>	<b>(126)</b>	<b>717</b>	<b>1.56%</b>
<b>Engineering and Public Works</b>	33,717	34,672	955	2.83%	(216)	739	2.19%
<b>Finance and Corporate Services</b>	18,445	18,812	367	1.99%	(101)	266	1.44%
<b>Corporate Administration</b>	8,120	8,312	192	2.38%	(46)	146	1.80%
<b>Planning and Development</b>	6,572	6,589	17	0.25%	(550)	(533)	(8.10%)
<b>Fiscal</b>	(\$191,223)	(\$190,287)	\$936	(0.49%)	-	936	(0.49%)
<b>Net Increase</b>	<b>-</b>	<b>\$5,284</b>	<b>\$5,284</b>		<b>(\$1,827)</b>	<b>\$3,457</b>	



## Financial Impact

Staff recommend 2016 Budget Option 5 with a tax impact of 2.11%. This includes a reduction in the amount of \$1,827,331 through a corporate reset to the City's 2016 base budget and \$306,790 of funding from the Rate Stabilization Account in 2016 as detailed in Table 9 below.

**Table 9 – 2016 Proposed Tax Increase (Recommended Option)**

Budget Component		\$000's	Tax Impact (%)
Subtotal Before Additional Level Expenditures	\$3,899	2.06%	
Rate Stabilization to reduce to 2.00%	(114)	(0.06%)	
<b>Subtotal</b>	<b>\$3,785</b>	<b>2.00%</b>	
<b>Additional Level Expenditures – originally proposed</b>	<b>210</b>	<b>0.11%</b>	
Additional Level Expenditures – 12 Police Officers	2,020	1.06%	
Corporate Reset	(1,827)	(0.96%)	
Rate Stabilization – Initial Costs for 12 Police Officers	(193)	(0.10%)	
<b>Subtotal</b>	<b>\$-</b>	<b>-%</b>	
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$3,995</b>	<b>2.11%</b>	
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>	

This recommendation includes an additional 1% increase for major capital community facility replacement.

## Conclusion

Staff will prepare the 5-Year Financial Plan (2016-2020) in accordance with Council's approval of the 2016 Operating Budget.



Melissa Shiao, CPA, CA  
 Manager, Financial Planning and Analysis  
 (604-276-4231)

MS:gjn

### App.1: Capital Ranking Criteria

- 2: Summary of Additional Level Expenditures
- 3: Revised Ongoing Expenditure Requests – RECOMMENDED
- 4: Revised Ongoing Expenditure Requests – NOT RECOMMENDED
- 5: Same Level of Service Policing Budget
- 6: Revised Same Level of Service Budget (All Divisions)
- 7: 2016 Proposed Operating Budget (Copy of Original Report with Attachments)

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# 1. Capital Ranking Criteria





<b>Instructions:</b>	In the "SCORE" column, enter the rank between 1-4, according to the criteria outlined in the "Scoring Range" Cells, and the <i>Capital Project Ranking Users Guide</i> (REDMS# 4249980). In the Capital Planning Model, provide a brief 1-3 sentence score justification.	<b>Submission ID:</b>	
		<b>Project Name:</b>	
<b>Objectives:</b>	1. Rank the proposed projects as objectively as possible 2. Weight the ranking categories to guide project priorities 3. Enable the review of each project using a consistent set of criteria	<b>Status:</b>	
		<b>Budget:</b>	

#	CATEGORY	WEIGHTING	SCORE	SCORING RANGE			
				HIGH			LOW
				4	3	2	1

Alignment with City						
1. Vision		20.0%				
Council Term Goal			Specifically addresses one or more Council Term Goals	Needed to reach a Council Term Goal	Does not relate to a Council Term Goal	Is contrary to a Council Term Goal
OCP and other Plans & Strategies			Integral part of OCP, or other Council approved plans/strategies/frameworks	Supports the successful attainment of the OCP, or other Council approved plans/strategies/frameworks	Not part of the OCP, or other Council approved plans/strategies/frameworks	Is contrary to the OCP, or other Council approved plans/strategies/frameworks
			0			
			8			
		<b>0.0%</b>				

Risk						
2. Management		20.0%				
Legal or Regulatory Compliance			Necessary for immediate compliance with a legal or statutory requirement	Necessary for compliance with a legal or statutory requirement, but not immediately	No effect on compliance with a legal or statutory requirement	City will not comply with legal or statutory requirement as a result of the project
Life Safety and Property Protection			Needed to eliminate a critical health, life safety, or property protection issue	Will reduce or mitigate a current health, life safety, or property protection issue	No impact on health, life safety, or property protection	Will worsen the City's health, life safety, or property protection environment
Infrastructure Inventory Need			Immediately needed to replace asset (including system software) at end of life, according to infrastructure inventory	Needed to replace asset (including system software) nearing end of life, according to infrastructure inventory	Asset replacement (including system software) not needed, according to infrastructure inventory	Asset (including system software) should not be replaced
			0			
			12			
		<b>0.0%</b>				

3. Social		20.0%				
Social Equity			Will strongly enhance social equity.	Will somewhat enhance social equity.	Will not affect social inequity.	Will clearly exacerbate social inequity.
Health & Wellness			Will strongly enhance the health and wellbeing of Richmond's community.	Will somewhat enhance the health and wellbeing of Richmond's community.	Will not affect the health and wellbeing of Richmond's community.	Will clearly degrade the health and wellbeing of Richmond's community.
Vibrancy			Will strongly enhance the vibrancy of Richmond's community.	Will somewhat enhance the vibrancy of Richmond's community.	Will not affect the vibrancy of Richmond's community.	Will clearly degrade the vibrancy of Richmond's community.
		0				
		12				
						<b>0.0%</b>
4. Environmental		20.0%				
Greenhouse Gas Emissions (GHG)			Will result in significant absolute reductions in GHG emissions and energy per dollar invested (>1 tonne CO <sub>2</sub> e / \$100)	Will result in absolute reductions in GHG emissions and energy per dollar invested (<1 tonne CO <sub>2</sub> e / \$100)	Will have no impact on absolute GHG emissions & energy	Will result in increase of absolute GHG emissions & energy
Habitat Value			Will significantly enhance habitat value of effected sites.	Will enhance habitat value of effected sites.	Will have no impact on habitat value of effected sites.	Will somewhat degrade habitat value of effected sites.
Zero Waste			Will result in significant absolute reductions in volume of waste disposed [per dollar invested] (>1 tonne waste / \$XX capital cost)	Will result in absolute reductions in volume of waste disposed [per dollar invested] (<1 tonne waste / \$XX capital cost)	Will have no impact on absolute volume of waste disposed	Will result in increase of absolute volume of waste disposed
		0				
		12				
						<b>0.0%</b>
5. Economic		20.0%				
Profitability Index (Payback of capital costs)			PI > 50% Will increase revenues or decrease costs to the extent that project will payback 50% within 5 years	PI > 25% Will increase revenues or decrease costs to the extent that project will payback 25% within 5 years	PI = 0% No project payback within 5 years	PI < 0% Project payback will be negative over future 5 years
Impact on Long-Term Direct and/or Indirect Jobs			Will result in tangible increase in Direct Jobs	Will result in Indirect Job creation, and likely increase Direct Job creation	Will not affect Direct Job creation or Indirect Job creation	Will decrease Direct Jobs and/or Indirect Jobs
		0				
		8				
						<b>0.0%</b>
<b>TOTAL WEIGHTED SCORE</b>						<b>0.0%</b>



## 2. Summary of Additional Level Expenditures (in \$000s)

Ref	Submission Title	Amt	SMT Rec. Amt	SMT Not Rec. Amt	Review Comm. Score
A	Arts Centre: Increase to operations	\$7	\$7	-	67.50
B	Terra Nova Cultural Precinct OBI	\$38	\$38	-	60.00
C	Ongoing Fleet Cost for Arts Outreach Van	\$15	\$15	-	60.00
D	Ongoing Major Events Funding	\$800	-	\$800	60.00
E	12 RCMP General Duty Investigators	\$2,020	\$2,020*	-	55.83
F	1 RCMP General Investigation Section Investigator	\$173	-	\$173	55.83
G	2 RCMP Property Crime Unit	\$316	-	\$316	55.83
H	1 RCMP Road Safety Investigator	\$158	-	\$158	55.83
I	1 RCMP Serious Crime Unit Investigator	\$208	-	\$208	55.83
J	Sustainable Media Lab Staffing	\$100	\$100	-	55.83
K	Agrologist Contractor	\$50	\$50	-	51.67
L	1 RCMP IT Support	\$96	-	\$96	54.17
M	2 RCMP General Duty Support Clerks	\$161	-	\$161	54.17
N	1 RCMP Records Reviewer	\$86	-	\$86	54.17
O	Increased Operating Hours - Tram Building	\$67	-	\$67	54.17
P	Richmond Public Library Collections	\$200	-	\$200	53.33
Q	Arts Centre Recreation Leader Auxiliary Hours	\$84	-	\$84	53.33
R	Transfer to Fire Equipment Reserve	\$150	-	\$150	52.50
S	Increased BSW Hours for Steveston Museum/Tram	\$28	-	\$28	49.17
T	Outside Legal Costs	\$100	-	\$100	47.50
U	Fire Anitviral-Bacterial Supplies	\$41	-	\$41	45.83
		<b>\$4,899</b>	<b>\$2,230</b>	<b>\$2,668</b>	

\* \$2,020,241 is to be funded by a corporate reset with no tax impact

### 3. Revised Ongoing Expenditure Requests – RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
A	Community Services	<p><b>Arts Centre: Increase to Operations</b>                      Demands and need for Arts Centre programs continue to increase with growing waitlists. As the only purpose-built arts centre in the community with limited space, staff continue to maximize the use of space and provide new programs. In order to do this, supplies and contracts other (instructors) will be increased by \$35K. The majority of this increase will be covered by a corresponding increase in revenue of \$28K from the increased programs.</p>	\$7	0.00%
B	Community Services	<p><b>Terra Nova Cultural Precinct OBI</b>                      The Terra Nova North Cultural Precinct is comprised of four heritage farm and cannery buildings situated along River Road: the Edwardian Cottage, the Cannery Store, the Parson House and the Cold Comfort Farm Operation. OBI funding is for the Maintenance and operations of the Edwardian Cottage, Cannery Store and ongoing security monitoring for the Parson House.</p>	\$38	0.02%
D	Community Services	<p><b>Ongoing Fleet Cost for Arts Outreach Van</b>                      Currently the Arts Centre has a van, used as an Art Truck, that is not in the corporate replacement program. The Art Truck delivers outreach arts programming in the community free of charge, making the arts accessible, particularly to low-income neighbourhoods. The Art Truck also attends many community events which help expose event participants to the arts. This request is for the van to be replaced on a cyclical basis as part of the City's fleet.</p>	\$15	0.01%
J	Community Services	<p><b>Sustainable Media Lab Staffing</b>                      The Media Lab's Media Arts Specialist is responsible for programs and events that meet the needs of Richmond's diverse community and address trends in media arts, with particular focus on serving 'low asset' youth through the Richmond Youth Media Program. Since 2011, the position has been mainly funded through sponsorship and grant money with some Department gap funding to maintain the number of staff hours. The Media Lab requires a sustainable approach ensure future media arts programming, production and support.</p>	\$100	0.05%

## Revised Ongoing Expenditure Requests – RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
K	Community Services	<b>Agrologist Contractor</b> Contract services to respond to increased soil issues and illegal dumping within the Agricultural Land Reserve. This additional level will increase capacity to process, review and administration of all "non farm use" soil removal and deposit applications.	\$50	0.03%
<b>2016 Ongoing Grand Total – RECOMMENDED</b>			<b>\$210</b>	<b>0.11%</b>

## Subsequent Recommendation

Ref	Requested By	Description	Amount	Tax Impact (%)
E	Law and Community Safety	<b>12 RCMP General Duty Investigators</b> The RCMP requests four corporal ranked positions in 2016 and eight constable ranked positions in 2016. The RCMP supervisory ratio would be maintained at 1:5. This recommendation was based on an external operational review. This was also recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.	\$2,020*	0.00%

\* \$2,020,241 is to be funded by a corporate reset with no tax impact



## 4. Revised Ongoing Expenditure Requests – NOT RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
C	Community Services	<p><b>Ongoing Major Events Funding</b>                      The City's annual events are funded from the Major Events Provision Fund where approval is received on a year to year basis. This funding model places limitations on the ability to properly plan events, strategize for future growth, and develop multi-year agreements with our suppliers and sponsors. To address these challenges, it is recommended that funding for major events and festivals be included in the on-going operating budget and not annually from the Major Event Provision account.</p>	\$800	0.42%
F	Law and Community Safety	<p><b>1 RCMP General Investigation Section Investigator</b>                      The RCMP request for one constable to enhance the capability to investigate exploitation of children on the Internet and social media. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$173	0.09%
G	Law and Community Safety	<p><b>2 RCMP Property Crime Unit</b>                      The RCMP conducted an internal review and concluded that the City needs two additional property crime unit members. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$316	0.17%
H	Law and Community Safety	<p><b>1 RCMP Road Safety Investigator</b>                      The RCMP request one Road Safety Investigator to support traffic collision investigations and enforcement. This was recommended in the RCMP 3-Year Resourcing Plan as a result of increase traffic and to maintain road safety.</p>	\$158	0.08%
I	Law and Community Safety	<p><b>1 RCMP Serious Crime Unit Investigator</b>                      The RCMP request one Serious Crime Investigator to support existing teams due to on-going investigations. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$208	0.11%
L	Law and Community Safety	<p><b>1 RCMP IT Support</b>                      The RCMP request one municipal employees to support expected increase in administration of RCMP Systems and Infrastructure. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.</p>	\$96	0.05%

## Revised Ongoing Expenditure Requests – NOT RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
M	Law and Community Safety	<b>2 RCMP General Duty Support Clerks</b> The RCMP request two municipal administrative support staff for the General Duty Watch Teams and Road Safety Unit. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.	\$161	0.08%
N	Law and Community Safety	<b>1 RCMP Records Reviewer</b> The RCMP request one municipal employee to maintain and review operational/administrative files. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.	\$86	0.05%
O	Community Services	<b>Increased Operating Hours - Tram Building</b> In order to open the Interurban Tram Building in alignment with the other heritage sites in Steveston, additional staffing is required.	\$67	0.04%
P	Library	<b>Richmond Public Library Collections</b> The decrease in the value of the Canadian dollar is expected to have a significant impact on the library's purchasing power for collections, both physical and digital, in 2016. An ongoing additional level increase of \$200,000 will maintain collections.	\$200	0.11%
Q	Community Services	<b>Arts Centre Recreation Leader Auxiliary Hours</b> Since 2010, the Richmond Arts Centre has significantly increased community services and programs, with a 45% increase in program registrations as well as increasing waitlists. A high level of service and program quality has been developed and is now expected by Arts Centre patrons; however, this is increasingly difficult to maintain due to the current staff to program/participant ratio. This request is for staffing support.	\$84	0.04%
R	Law and Community Safety	<b>Transfer to Fire Equipment Reserve</b> Additional transfer to fire equipment reserve to meet planned vehicle replacement needs.	\$150	0.08%

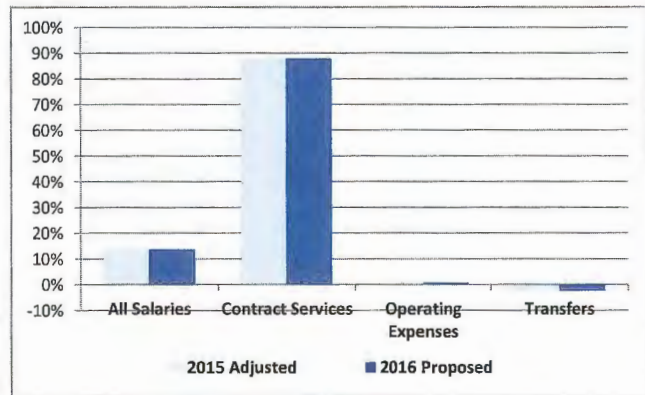
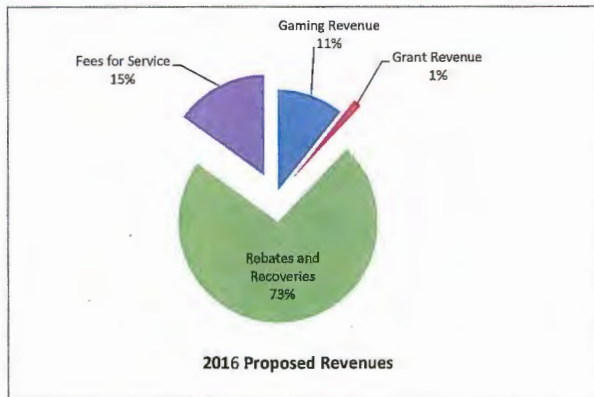


## Revised Ongoing Expenditure Requests – NOT RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
S	Community Services	<p><b>Increased BSW Hours for Steveston Museum/Tram</b> Increased use of Tram building washroom and two new public washrooms in the Steveston Museum, not originally planned, were constructed during the Japanese Fishermen's Benevolent Society building rehabilitation as per Building Committee direction. These facilities have created the need for additional Building Service Worker hours to provide adequate cleaning for these heavily used washrooms to ensure safety and a hygienic environment for patrons.</p>	\$28	0.01%
T	Law and Community Safety	<p><b>Outside Legal Costs</b> To provide specialized advice for complex legal matters in order to meet development matters. The City's legal department budget is comprised of in-house legal costs (salaries being the greatest component of such costs) and the cost of external counsel.</p>	\$100	0.05%
U	Law and Community Safety	<p><b>Fire Antiviral-Bacterial Supplies</b> RFR provides pre-hospital medical care to the community. This service requires staff to be exposed to communicable diseases on a regular basis. This exposure can lead to contamination of personal equipment and fire apparatus. Antiviral/Bacterial Supplies and services can reduce the risk of illness and cross contamination through sound cleaning and disinfecting procedures.</p>	\$41	0.02%
<b>2016 Ongoing Grand Totals - NOT RECOMMENDED</b>			<b>\$2,668</b>	<b>1.41%</b>

## 5. Same Level of Service Policing Budget

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$41,523,100</b>	<b>\$42,680,200</b>	<b>\$1,157,100</b>	<b>2.79%</b>
Revenues	(5,977,100)	(6,157,700)	(180,600)	3.02%
<b>Expenditures</b>				
All Salaries	6,514,800	6,670,800	156,000	2.39%
Contract Services	41,745,800	42,920,200	1,174,400	2.81%
Operating Expenses	439,600	431,400	(8,200)	(1.87%)
<b>Total Expenditures</b>	<b>48,700,200</b>	<b>50,022,400</b>	<b>1,322,200</b>	<b>2.71%</b>
Fiscal Expenses	-	-	-	-
Transfers	(1,200,000)	(1,184,500)	15,500	(1.29%)
<b>Grand Total</b>	<b>\$41,523,100</b>	<b>\$42,680,200</b>	<b>\$1,157,100</b>	<b>2.79%</b>



### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	3.0	3.0	-	-%
718 - Regular Full Time	62.2	62.2	-	-%
718 - Temporary Full Time	1.0	1.0	-	-%
718 - Auxilliary	17.7	17.7	-	-%
394 - Labour	0.1	0.1	-	-%
<b>Total</b>	<b>84.0</b>	<b>84.0</b>	<b>-</b>	<b>-%</b>

### RCMP Contract Complement

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Officers	200.0	200.0	-	-%
Civilian Members	2.0	2.0	-	-%
Less: Non-Budgeted	(10.0)	(10.0)	-	-%
<b>Total</b>	<b>192.0</b>	<b>192.0</b>	<b>-</b>	<b>-%</b>

## 6. Revised Same Level of Service Budget Details

### All Divisions

Law and Community Safety, Community Services Library, Engineering and Public Works (excluding Utilities), Finance and Corporate Services, Corporate Administration, Planning and Development, and Fiscal.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>Revenues</b>	<b>(277,327,300)</b>	<b>(277,111,300)</b>	<b>216,000</b>	<b>(0.08%)</b>
<b>Expenditures</b>				
All Salaries	132,816,800	136,351,300	3,534,500	2.66%
Contract Services	58,599,900	60,426,900	1,827,000	3.12%
Operating Expenses	33,821,400	35,111,800	1,290,400	3.82%
<b>Total Expenditures</b>	<b>225,238,100</b>	<b>231,890,000</b>	<b>6,651,900</b>	<b>2.95%</b>
<b>Fiscal Expenses</b>	<b>2,786,400</b>	<b>2,786,400</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>49,302,800</b>	<b>47,719,300</b>	<b>(1,583,500)</b>	<b>(3.21%)</b>
<b>Grand Total</b>	<b>\$-</b>	<b>\$5,284,400</b>	<b>\$5,284,400</b>	<b>-</b>

### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Council and Mayor	9.0	9.0	-	-%
Exempt	161.9	161.9	-	-%
718 - Regular Full Time	516.6	518.6	2.0	0.39%
718 - Regular Part Time	19.6	19.6	-	-%
718 - Temporary Full Time	13.3	12.3	(1.0)	(7.54%)
718 - Auxiliary	130.7	131.7	1.0	0.76%
394 - Labour	220.7	220.7	-	-%
FIRE	219.7	219.7	-	-%
<b>Total</b>	<b>1,291.5</b>	<b>1,293.5</b>	<b>2.0</b>	<b>0.15%</b>

2016 Increased by 2 FTEs in Planning and Development due to 1 new Building Inspector for the Council-approved Management of Waste and Recyclable Materials from Demolition Activities; 1 Plan Reviewer and 1 Building Inspector funded by additional revenue to maintain same level of service due to increased workload from issuance of additional permits.

### FTE Change - Library

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	4.0	4.0	-	-%
3966 - Regular Full Time	68.3	68.3	-	-%
3966 - Regular Part Time	19.0	16.3	(2.7)	(14.21%)
3966 - Auxiliary	3.3	2.6	(0.7)	(20.00%)
<b>Total</b>	<b>94.6</b>	<b>91.2</b>	<b>(3.4)</b>	<b>(3.54%)</b>

### RCMP Contract Complement

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Officers	200.0	200.0	-	-%
Civilian Members	2.0	2.0	-	-%
Less: Non-Budgeted	(10.0)	(10.0)	-	-%
<b>Total</b>	<b>192.0</b>	<b>192.0</b>	<b>-</b>	<b>-%</b>



# 7. 2016 Proposed Operating Budget (Copy of Original Report with Attachments)

Appendix 7



City of  
Richmond

Report to Committee

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**To:** Finance Committee **Date:** November 26, 2015  
**From:** Jerry Chong, CPA, CA **File:** 03-0970-01/2015-Vol-01  
Director, Finance  
**Re:** 2016 Proposed Operating Budget

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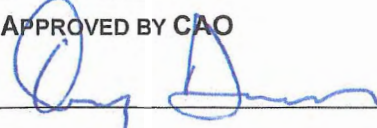
## Staff Recommendation

That:

1. The 2016 Operating Budget presented in the staff report dated November 26, 2015 from the Director, Finance with a total tax increase of 2.06% be approved.
2. Ongoing additional levels in the amount of \$209,653 with a tax impact of 0.11% as presented in Attachment 9 of the report titled 2016 Proposed Operating Budget from the Director, Finance be approved.
3. A tax increase of 1.00% for infrastructure replacement needs as per Council's Long Term Financial Management Strategy, be approved.

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

Att. 11

<b>REPORT CONCURRENCE</b>	
CONCURRENCE OF GENERAL MANAGER 	
CONCURRENCE OF SMT	INITIALS: 
APPROVED BY CAO 	

### Executive Summary

The most recent Vancouver CPI forecasts from the Conference Board of Canada are 2.3% for 2016. The Municipal Price Index (MPI) is estimated at 2.7%, which is higher as CPI forecasts do not include factors such as wages for a unionized public sector workforce and contract policing costs.

This 2016 Operating Budget report presents the same level of service base budget after new tax growth at \$2.2M, resulting in a 1.17% tax impact. It also includes external senior government increases that have been downloaded to the City such as DNA Analysis costs as a result of the recently announced change in an agreement between the Province and the Government of Canada. Operating Budget Impacts (OBI) include funding for new major facilities; 2016 is the first full year of operations for the City Centre Community Centre. It also includes OBI for the 2016 recommended Capital Program.

The recommended additional level expenditures includes sustainable funding for Media Lab staffing, Agrologist contractor funding to respond to increased soil issues and illegal dumping within the Agricultural Land Reserve, and increased funding for Community programs.

Budget Component	\$000's	Tax Impact (%)
Net Budget Increase	\$5,284	2.79%
Less: External Senior Government Increases	(803)	(0.42%)
Less: Estimated 2016 New Tax Growth	(2,276)	(1.20%)
<b>Same Level of Service Increase</b>	<b>\$2,205</b>	<b>1.17%</b>
External Senior Government Increases	803	0.42%
Capital OBI (Current year and phase-in of Major Facilities - year 3 of 7)	891	0.47%
<b>Subtotal</b>	<b>\$3,899</b>	<b>2.06%</b>
Additional Level Expenditures	210	0.11%
<b>Proposed 2016 Operating Budget Increase</b>	<b>\$4,109</b>	<b>2.17%</b>

The City's operations are predominantly focused on programs and services, therefore expenditures are primarily labour intensive (48%) and contracts (21%), which is largely due to the RCMP contract. The Operating Budget is primarily funded by property tax (69%). Community User Fees were increased by 2.2% where possible, in October 2015 through the Consolidated Fees Bylaw which comes into effect in 2016.

The uncommitted reserve funding available for Building Reserves, as at September 30, 2015, is \$31.4M. Phase 1 of the major facilities replacement plan was \$124.1M. Phase 2 estimates are expected to be finalized in the Spring of 2016. The additional 1% increase in transfer to reserves would be deposited into the Capital Building and Infrastructure reserve.

<b>Additional 1% Transfer to Reserves</b>	<b>\$1,898</b>	<b>1.00%</b>
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The proposed 2016 budget is in compliance with Council policies as the same level of service increase of 1.17% is lower than forecasted CPI target of 2.3%. It is also in compliance with the Long Term Financial Management Strategy (LTFMS) as it proposes a 1% increase for infrastructure replacement.

## Staff Report

### Origin

Subsection 165(1) of the Community Charter requires the City to adopt a 5-Year Financial Plan (5YFP) Bylaw on or before May 15th of each year. The 2016 Operating Budget forms the basis of the City's 5YFP. Under the Community Charter, the City is prohibited from incurring any expenditure unless the expenditures have been included for that year in its financial plan, and the City is required to provide a balanced budget, with no projection of a deficit.

The proposed 2016 Operating Budget ("Budget") applies the principles of Council's Long Term Financial Management Strategy (LTFMS) (Policy 3707) (Attachment 1), which was originally adopted in 2003, "*Tax increases will be at Vancouver CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1% towards infrastructure replacement needs.*"

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

- 7.1. *Relevant and effective budget processes and policies.*
- 7.2. *Well-informed and sustainable financial decision making.*
- 7.3. *Transparent financial decisions that are appropriately communicated to the public.*

Council's 2014-2018 Term Goals are summarized in Attachment 1.

At the Finance Committee meeting held on July 6, 2015, the following recommendation was approved:

*That the service levels as presented in Attachment 2 of the staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be approved as the base for the 2016 budget.*

The types of programs and services delivered by each division have been categorized as Core, Traditional or Discretionary as presented in Attachment 2.

### Analysis

#### Budget Process

The proposed 2016 budget presents a same level of service budget, with only non-discretionary increases that can be clearly identified and supported. Enhanced or new levels of service are identified separately as ongoing additional expenditure requests by the respective divisions for Council's consideration. Refer to Attachment 3 for the 2016 Budget Cycle.

Staff will revise the proposed 2016 budget as directed by Council and prepare the 5YFP for presentation in February 2016. A public consultation will follow and will include the roll-out of a new online interactive tool.



## Environmental Scan

### *Economic Outlook*

Richmond housing starts have maintained a steady 11% proportion of Metro Vancouver starts since 2009, with this indicator growing to 12% in the last three years. The construction value of Richmond's total building permits issued year to date is \$877 million, which has broken the all-time record set in 2010 of \$812 million.

Refer to Attachment 4 for further information on the Economic Outlook.

### *Taxation*

Richmond has the 5<sup>th</sup> lowest property taxes out of 21 municipalities in Metro Vancouver at \$1,520 for an average residential property assessed at \$695,132. This is based on the municipal portion only that City Council has control over, which is approximately half of the property tax billing. The rest pertains to Translink, School Board, Metro Vancouver and Municipal Finance Authority. Within the comparator group (i.e. top five municipalities based on population), Richmond continues to have the 2<sup>nd</sup> lowest municipal tax for the average residential assessment. Refer to Attachment 5 for a comparison of all Metro Vancouver municipalities.

Richmond is ranked 8th out of the 21 Metro Vancouver municipalities with regards to the business to residential tax ratio position of 3.17 amongst the Metro Vancouver municipalities. In other words, if a property was assessed at \$1000, the business property owner paid \$3.17 while the residential owner paid \$1.00. Richmond remains 2<sup>nd</sup> lowest in business to residential tax ratio when compared to its comparator group.

Overall, Richmond residential properties are highly sought after. When comparing with our comparator group, a single family detached home in Richmond has an average 2015 assessed value of \$1.01M, second to Vancouver with an average assessed value of \$1.53M. Richmond property values are consistently high and property taxes low; therefore, Richmond residential properties are better investments.

### *Long Term Financial Management Strategy (LTFMS)*

On March 23, 2015 Council approved a new Casino funding allocation model which takes effect starting with the 2016 budget. Policy 3707 item 2 was amended as follows:

*Gaming revenues are designated for the capital reserves, the major capital community facility replacement program, the grants program, the Council initiatives account, and towards the cost of policing relating to gaming activities.*

Table 1 summarizes the allocation of gaming revenue in comparison to the 2015 allocation.

**Table 1 – Casino Funding Allocation**

Casino Funding	2016 % Allocation	2016 Budget (in \$000s)	2015 Budget (comparative in \$000s)
Capital Reserve (Revolving and Industrial Use)	30%	\$5,430	\$8,439
Grants	15%	2,715	771
Council Community Initiatives Account	2%	362	-
Debt Servicing (\$50M to be repaid over 10 years)	28%*	5,000	5,000
Operating (4 RCMP Officers)	4%**	657	642
Capital Building Infrastructure Reserve (remainder)	21%***	3,936	3,177
<b>Total</b>	<b>100%</b>	<b>\$18,100</b>	<b>\$18,029</b>

\* Percentage allocation may vary as the dollar amount is fixed.

\*\* Percentage allocation may vary as it is based on contract increases.

\*\*\*Percentage allocation may vary from as this is the remaining balance after all other allocations.

Debt servicing relates to the \$50M debt to fund the Major Facilities Phase 1 which will be repaid over a 10 year term (2015 through 2024).

Grants funded by gaming revenue include:

- Gateway Theatre contribution
- Health, Social and Safety grants
- Arts, Culture and Heritage grants
- Parks and Recreation grants
- Richmond Centre for Disability contribution
- Richmond Therapeutic Equestrian Society contribution
- Various Youth Grants

The Council Community Initiatives Account provides funding for one-time expenditures that address social, environmental, recreation and sports, heritage, arts and culture, safety and security, or infrastructure needs.

Refer to Attachment 6 for a full analysis of the LTFMS.

#### *Financial Position*

**Vulnerability** – In 2014, Senior Government level transfers amount to only 5.9% of total revenue. Gaming revenue is the predominant source as the City receives 10% of River Rock's net gaming revenues from the Province. Only a small portion of gaming revenue is used in the operating budget for policing and grants, therefore the City's vulnerability to potential fluctuations in this amount is minimized.

**Sustainability** – In 2014, Richmond's Financial assets (cash, investments, receivables, etc.) to liabilities ratio is 2.8 to 1.0 which indicates ability to cover existing liabilities. While this is a strong current position, long term planning is required in order to fund future infrastructure replacement costs. Options are to build up reserve balances, or to fund with external borrowing

should interest rates remain low. There is also the option to delay replacement of ageing infrastructure; however, this could result in repair/refurbishment costs that exceed the life cycle cost of replacing the ageing assets.

Flexibility – Table 2 shows the 2014 Net Book Value of Capital Assets to Cost is 68.5% (57.7% excluding land) which indicates that the City’s assets are ageing and there is a need to plan for future replacement or higher maintenance costs.

**Table 2 – Net Book Value to Cost (in \$millions)**

2014 Tangible Capital Assets	NBV	Cost	Ratio
Land	\$724	\$724	100.0%
Tangible Capital Assets (Excluding Land)	1,223	2,120	57.7%
<b>Total Tangible Capital Assets</b>	<b>\$1,947</b>	<b>\$2,844</b>	<b>68.5%</b>

*Uncommitted Reserve Balances*

As at September 2015, the City has \$226.1M in uncommitted reserves as shown in Table 3; however, many of these balances are designated for specific purposes.

**Table 3 – Uncommitted Reserve Balances (in \$millions)**

Statutory Reserve Funds	Balance at September 30, 2015 (in millions)
Building Reserves	\$31.4
General Reserve	43.0
Utility Reserves	81.5
Other specific purpose reserves	70.2
<b>Total Uncommitted Reserve Balance</b>	<b>\$226.1</b>

The uncommitted funding available in Building Reserves (Capital Building and Infrastructure and Leisure Facilities Reserves) is \$31.4M. Phase 1 of the Major Facilities Replacement Plan was \$124.1M. Phase 2 estimates are expected to be finalized in the Spring of 2016.

The General Reserve (i.e. Revolving Fund) is used to fund various programs across the City including street lights, playgrounds, minor building projects and it is also the funding source for the required City Assist Factor for Roads and Parks Development and Acquisition projects funded by Development Cost Charges.

Development Cost Charges provide funding for Roads, Parks and Utility Infrastructure; however, this funding is prohibited for community facilities, fire halls and other civic buildings, which are the most visible assets provided to citizens. Therefore the City must plan to invest in building infrastructure to provide for the needs of the growing community.

In 2003, after years in which tax rates and transfer to reserves were not increased, Council recognized the need to maintain predictable and consistent tax increases while also addressing

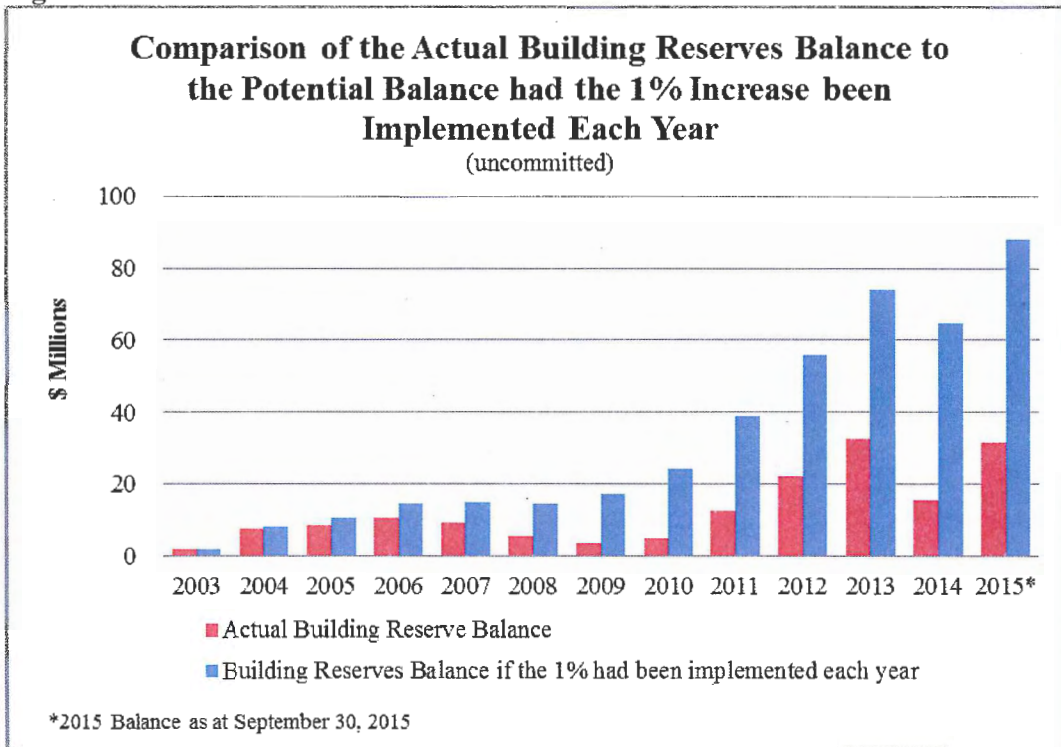


the declining reserve balances by adopting the LTFMS. The 1% transfer to reserve coincided with Council's decision to replace the City's ageing Community Safety facilities. Attachment 6 shows that in the 13 years since the policy was adopted, the policy has not been consistently applied as no increase to transfers was made in 6 of the 13 years. In 2008-2011 the policy was waived due to interest earned on the Community Legacy and Land Replacement Reserve Fund.

Figure 1 illustrates what the balance in the Building Reserves would be if the policy were adhered to since inception. The Building Reserves balance would be \$88.0M compared to the \$31.4M uncommitted balance shown in Table 3, a difference of \$56.6M.

From an annual perspective, in 2015 \$8.7M from the 1% contributions was deposited into the Building Reserves. If the policy were followed since inception, a total of \$18.1M would have been deposited in 2015 and the City could be reaching a sustainable level of funding that could permit the discontinuance of the 1% increases.

**Figure 1**



### Budget Challenges

In addition to the already complex nature of municipal operations, which includes operation of fire halls, maintenance of roads, watermains, pump stations, storm and sanitary sewers, traffic lights, parks, arenas, pools, libraries and community centres, Richmond has additional complexities with the dyking system that is unique to our island city.

Funding is required for construction of the Phase 2 Major Facilities plan as well as the tax impact from the associated OBI.

Based on recent information received, there is a need for increased officers for Richmond, regardless of the policing model that is chosen going forward (RCMP or Independent Municipal Police Force).

In addition, downloading of services previously provided by senior levels of government such as affordable housing and child care has left the municipality to meet the needs of the community.

To address some of these challenges, the City undergoes a continuous review of its programs and services in order to identify further service improvements and cost reductions. Staff continually look for efficiencies and innovative ways to deliver services that would streamline business processes, contain costs and leverage the increased use of technology.

### Organization Profile

The City's six corporate divisions include:

- Law and Community Safety
- Community Services
- Engineering and Public Works
- Finance and Corporate Services
- Corporate Administration
- Planning and Development

Refer to Attachment 7 for the Municipal Breakdown of \$1.

### Operating Budget

Table 4 presents the same level of service budget before OBI and ongoing additional levels of service, before new tax growth. Attachment 8 includes further details on each Division's same level of service budget.

**Table 4 – Same Level of Service Base Budget (in \$000s)**

<b>Division</b>	<b>2015 Adjusted Net Budget</b>	<b>2016 Proposed Net Budget</b>	<b>Amount Change</b>	<b>Percent Change</b>
<b>Law and Community Safety</b>	\$78,366	\$80,340	\$1,974	2.52%
Community Services	37,462	38,052	590	1.57%
Library	8,541	8,794	253	2.96%
<b>Total Community Services</b>	<b>46,003</b>	<b>46,846</b>	<b>843</b>	<b>1.83%</b>
<b>Engineering and Public Works</b>	33,717	34,672	955	2.83%
<b>Finance and Corporate Services</b>	18,445	18,812	367	1.99%
<b>Corporate Administration</b>	8,120	8,312	192	2.38%
<b>Planning and Development</b>	6,572	6,589	17	0.25%
<b>Fiscal</b>	(\$191,223)	(\$190,287)	\$936	(0.49%)
<b>Net Increase</b>	<b>-</b>	<b>\$5,284</b>	<b>\$5,284</b>	

As shown in the All Divisions summary in Attachment 8, the City's operating expenses are mainly comprised of labour related to delivering programs and services (48%) and contracts (21%), which is largely due to the RCMP contract.

The operating budget is primarily funded by property tax (69%). Community User Fees were increased by forecasted CPI of 2.2%, where possible through the Consolidated Fees Bylaw in October 2015.

#### Key Financial Drivers

Preliminary Vancouver CPI forecasts from the Conference Board of Canada were estimated at 2.2% for 2016. Based on most recently issued forecasts, this has increased to 2.3%. In comparison, the Municipal Price Index is estimated at 2.7%.



**Table 5 – 2016 Key Financial Drivers**

Key Financial Drivers	Amount (in 000's)	Increase Proportion
Total Salary Increase <sup>1</sup>	\$3,469	65.6%
RCMP Contract Increase <sup>2</sup>	914	17.3%
External Senior Government Related Increases	803	15.2%
2015 OBI Year 2 of 2	256	4.8%
Other Increases	520	9.9%
Increased revenue	(1,286)	(24.3%)
Decrease in investment income	388	7.3%
Decrease in Rate Stabilization	220	4.2%
<b>Net Budget Increase</b>	<b>\$5,284</b>	<b>100.0%</b>

Sources:

<sup>1</sup> CUPE 718 and 394 collective agreements; RFFA, Local 1286 agreement

<sup>2</sup> RCMP E Division

Based on the key financial indicators shown in Table 5 \$5.3M is required to fund the increasing costs of maintaining current programs and services.

Salaries are the largest non-discretionary increase to the City. CUPE 718 and 394 collective agreements are currently under negotiation. The Richmond Firefighters Association collective agreement is also under negotiation. The 2016 Base budget includes a preliminary estimate for salaries; however this may need to be adjusted depending on the outcome of the negotiations.

#### External Senior Government Related Increases

Council Policy 3707 item 2 states:

*“Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year’s taxes above and beyond the CPI and infrastructure percentage contribution.”*

Table 6 summarizes the items included in the 2016 budget increase that are mandated by the following senior government legislation:

- *Police Act (Federal)*
- *Utilities Commission Act (Provincial)*
- *Medicare Protection Act (Provincial)*
- *Emergency Communications Corporations Act (Provincial)*
- *Employment Insurance Act (Federal)*
- *Canada Pension Plan Act (Federal)*

In accordance with Council policy, these items are identified and included in the tax increase above and beyond the CPI target.

**Table 6 – External Senior Government Related Increases (in \$000s)**

<b>External Senior Government Increases</b>	<b>Amount</b>
BC Hydro Rate Increase	\$201
E-Comm 9-1-1	144
Integrated Teams and Real Time Intelligence Centre	132
DNA Analysis Services	116
Employment Insurance Premiums	100
Medical Services Premium Increase	60
Canada Pension Plan Premiums	50
<b>Total</b>	<b>\$803</b>

**Tax Growth**

New tax growth is based on “non-market change” figures provided by BC Assessment Authority. Non-market change is the term BC Assessment uses for changes to the municipal roll value that is not a result of market conditions. Non-market change could include: changes in assessment class, exempt properties that become taxable in the following year or taxable properties that become exempt in the following year and developments under construction. With respect to developments under construction, assessors at BC Assessment Authority determine the value of all new developments under construction by the percentage of completion as of November 30th each calendar year. Increases in a property’s market value are not included in the non-market change figure. Therefore the development applications received during the year should have no impact on new growth for the coming year as actual construction on the property would not have taken place. The reported project value of the development may take up to three years to be fully reflected in the municipality’s assessment roll.

New tax growth for 2016 is estimated at \$2.28M.

**Additional Levels of Services***2016 OBI Related to 2016 Capital Budget*

The total OBI from the 2016 recommended Capital program is \$544,647. Table 7 presents the 2016 OBI by Capital program. Of this amount \$137,425 is associated with utility projects and will be included in future utility budgets. The operating budget impact is \$407,222. 2016 OBI will be phased in over two years.

**Table 7 – Recommended 2016 Funding and OBI by Program (in \$ '000s)**

Program	Amount	OBI
Infrastructure	\$43,751	\$359
Land	21,200	0
Parks	15,140	108
Internal Transfers/Debt Payment	11,740	0
Equipment	8,122	65
Building	2,079	0
Public Art	1,120	13
Affordable Housing	930	0
Child Care	50	0
<b>Total 2016 Capital Funding &amp; OBI</b>	<b>\$104,132</b>	<b>\$545</b>
Less: Utility Budget Impact		137
<b>2016 OBI - to be phased in over two years</b>		<b>\$407</b>

*Previously Approved OBI for Major Facilities*

The total OBI from the 2014 Capital program was estimated at \$3.95 million, which included funding for major facilities including the City Centre Community Centre and the new Minoru Complex (Aquatics and Older Adults Centre). This OBI is being phased in with increments of \$600,000 to align with the timing of services provided. \$600,000 has been included in Table 8 to fund various operating costs of previously approved capital.

2016 is the first full year of operations for the City Centre Community Centre. The service levels were approved by Council on July 28, 2014 which includes the addition of six Regular Full-Time positions including two Community Facility Coordinators, a Recreation Leader, a Recreation Facility Clerk and two Building Service Workers.

Fire Hall 3 is currently under construction and based on changes in scope from the time the original project was planned in 2009, the estimated operating cost has been finalized. The additional OBI required is \$108,404, which will be phased in over two years (\$54,202 per year) to align with the timing of expected completion.

Total OBI related to previously approved major facility projects is \$654,202.

*OBI of Previously Approved Developer Contributed Assets*

The following developer contributed assets that were previously approved by Council as part of rezoning approvals will be placed in service in 2016 and will require funding for ongoing operation and maintenance.



➤ Kawaki Park OBI - South Dyke: \$32,750

To cover the ongoing operation costs for the developer constructed new waterfront park. The park is being constructed by ORIS development. In 2012, Oris Development (Kawaki) Corp. (the Applicant) applied to the City for an OCP Amendment to the London/Princess sub-Area Plan.

The total OBI related to these developer contributed assets is \$32,750.

Table 8 summarizes the total Capital OBI for 2016 which is \$890,563.

**Table 8 – Capital OBI Summary (in \$000s)**

Capital OBI	Amount
Previously Approved OBI Major Facilities Year 3 of 7 (See Page 12 for explanation)	\$654
2016 OBI Year 1 of 2 (50% of \$407k) (See Pages 11-12 for explanation)	204
2016 OBI of Previously Approved Developer Contributed Assets	33
<b>Total</b>	<b>\$891</b>

*Additional Level Expenditure Requests*

The additional expenditure requests represent an increase to programs or levels of service and are usually funded through increases to the tax rate. Attachment 9 shows the list of recommended additional expenditure requests submitted by staff. For 2016, a total of \$209,653 is recommended by SMT.

The recommendation includes sustainable funding for Media Lab staffing, Agrologist contractor funding to respond to increased soil issues and illegal dumping within the Agricultural Land Reserve, and increased funding for Community arts, culture and heritage programs.

Ongoing additional levels with pending status (Attachment 10) relates to policing costs. Regardless of the policing model chosen, based on recent information, additional officers are required. The RCMP has requested 17 new officers which would be deployed within one year of formalizing a request. In addition, the RCMP has requested 4 additional Municipal Employees to support the detachment.

On average, the cost of an additional officer is \$170,000 or a 0.09% tax impact. Table 9 presents the RCMP request in multiple lines for illustration purposes that the City has discretion over the number of new officers to approve. For example, if 9 new officers are approved, an additional \$1.5M of funding would be required, which would result in a tax impact of 0.80%.

Should the Committee choose to approve additional officers, there is an option to include the resulting expenditure in the 2016 Budget; alternatively, since it may take up to one year to deploy new officers, the Committee may approve the request now to be included as an increase to the level of service in the 2017 Budget with resulting tax impacts.

**Table 9 – Summary of Additional Level Expenditure Requests (in \$000s)**

Additional Level Expenditure Requests			\$000's	Tax Impact (%)
Recommended (Attachment 9)			210	0.11%
9 RCMP Officers	1,515	0.80%		
8 RCMP Officers	1,361	0.72%		
4 Municipal Employees to support RCMP	344	0.18%		
Pending (Attachment 10)			3,220	1.70%
Not Recommended (Attachment 11)			1,470	0.77%
<b>Total Additional Level Expenditures</b>			<b>\$4,900</b>	<b>2.58%</b>

Additional level requests that are not recommended are included in Attachment 11.

The Finance Committee has the discretion to change the recommendation for funding any of the additional level requests with resulting tax impacts.

#### Financial Impact

Staff recommend the proposed 2016 Operating Budget with a tax impact of 2.17% as summarized in Table 10.

**Table 10 – 2016 Proposed Tax Increase (in \$000s)**

Budget Component	Amount	Running Total	Tax Impact	Cumulative Tax Impact
Net Budget Increase		\$5,284		2.79%
Less: External Senior Government Increases	(803)		(0.42%)	
Less: Estimated 2016 New Tax Growth	(2,276)		(1.20%)	
<b>Same Level of Service Increase, after Growth</b>		<b>\$2,205</b>		<b>1.17%</b>
External Senior Government Increases	803		0.42%	
Capital Operating Budget Impacts	891		0.47%	
<b>Subtotal</b>		<b>\$3,899</b>		<b>2.06%</b>
Additional Level Expenditures	210		0.11%	
<b>Proposed 2016 Operating Budget Increase</b>		<b>\$4,109</b>		<b>2.17%</b>
<b>Additional 1% Increase Transfer to Reserve</b>		<b>\$1,898</b>		<b>1.00%</b>

An additional 1% increase for major capital community facility replacement is also recommended.

**Conclusion**

Staff will prepare the 5-Year Financial Plan (2016-2020) in accordance with Council's approval of the 2016 Operating Budget.



Melissa Shiao, CPA, CA  
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(604-276-4231)

MS:gjn

- Att. 1: Council Term Goals (2014-2018)
- 2: Types of Programs and Services
- 3: 2016 Budget Cycle
- 4: Economic Outlook
- 5: 2015 Average Property Tax per Dwelling
- 6: Long-Term Financial Management Strategy
- 7: Municipal Tax Dollar
- 8: Same Level of Service Budget Details
- 9: Ongoing Expenditure Requests – RECOMMENDED
- 10: Ongoing Expenditure Requests – PENDING
- 11: Ongoing Expenditure Requests – NOT RECOMMENDED



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# 1. Council Term Goals (2014 – 2018)

## 1. A Safe Community

Maintain emphasis on community safety to ensure Richmond continues to be a safe community.

## 2. A Vibrant, Active, and Connected City

Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.

## 3. A Well-Planned Community

Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.

## 4. Leadership in Sustainability

Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.

## 5. Partnerships and Collaboration

Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.

## 6. Quality Infrastructure Networks

Continue diligence towards the development of infrastructure networks that are safe, sustainable, and address the challenges associated with aging systems, population growth, and environmental impact.

## 7. Strong Financial Stewardship

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

## 8. Supportive Economic Development Environment

Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.

## 9. Well-Informed Citizenry

Continue to develop and provide programs and services that ensure the Richmond community is well-informed and engaged on City business and decision making.

## 2. Types of Programs and Services

Division	Department/Sections/Work Units			
		Core	Traditional	Discretionary
CAO's Office (9)	<b>CAO's Office</b>			
	• Corporate Administration	√	√	
	• Administrative Support Services (including the Mayor's Office & Councillors' Office)		√	√
	• Intergovernmental Relations & Protocol Unit			√
	• Corporate Programs Management Group			√
	• Corporate Communications		√	
	• Corporate Planning		√	
	<b>Deputy CAO Administration</b>		√	√
	Human Resources			
	• Training & Development		√	
	• Employee & Labour Relations; Compensation, Job Evaluation & Recognition; Workplace Health, Safety & Wellness	√	√	
Community Services (20)	<b>Parks</b>			
	• Parks Operations (includes Asset Management, Construction & Maintenance, Turf Management, Horticulture, Urban Forestry)		√	√
	• Parks Programs (includes Nature Park)		√	
	• Britannia			√
	• Parks Planning & Design		√	√
	<b>Recreation &amp; Sport</b>			
	• Community Services Admin.		√	√
	• Community Recreation Services (includes community centres)		√	√
	• Aquatic, Arena & Fitness Services		√	√
	• Sport & Event Services (includes volunteer management)			√



Division	Department/Sections/Work Units			
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> <li>• Planning &amp; Project Services</li> </ul>			√
	<b>Arts, Culture &amp; Heritage Services</b>			
	<ul style="list-style-type: none"> <li>• Arts Services (includes Art Gallery, Art Centre, Cultural Centre)</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Heritage Services</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Richmond Museum</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Gateway Theatre (liaison)</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Richmond Public Library (liaison)</li> </ul>		√	√
	<b>Community Social Development</b>			
	<ul style="list-style-type: none"> <li>• Social Planning</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Affordable Housing</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Diversity &amp; Cultural Service</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Child Care Services</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Youth Services</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Senior Services</li> </ul>			√
Engineering & Public Works (12)	<b>Engineering</b>			
	<ul style="list-style-type: none"> <li>• Engineering – Admin</li> </ul>	√	√	
	<ul style="list-style-type: none"> <li>• Engineering – Planning</li> </ul>	√	√	
	<ul style="list-style-type: none"> <li>• Engineering – Design &amp; Construction</li> </ul>	√	√	
	<ul style="list-style-type: none"> <li>• Facility Services</li> </ul>		√	
	<ul style="list-style-type: none"> <li>• Capital Building Project Development</li> </ul>			√
	<ul style="list-style-type: none"> <li>• Sustainability (includes district energy, corporate energy, environmental sustainability)</li> </ul>			√
	<b>Public Works</b>			
	<ul style="list-style-type: none"> <li>• Public Works Administration</li> </ul>		√	√

Division	Department/Sections/Work Units			
		Core	Traditional	Discretionary
	• Fleet Operations & Environmental Programs		√	√
	• Roads & Construction Services	√	√	
	• Drainage	√	√	
	• Sewerage	√	√	
	• Water Services	√	√	
Finance & Corporate Services (26)	<b>Finance</b>			
	• Finance – Admin	√	√	
	• Finance Systems		√	√
	• Financial Reporting	√	√	√
	• Financial Planning & Analysis	√	√	√
	• Revenue/Taxation	√	√	√
	• Purchasing and Stores		√	√
	• Treasury & Financial Services	√	√	√
	• Payroll		√	√
	<b>Information Technology</b>			
	• IT Administration		√	√
	• Business & Enterprise Systems		√	√
	• Innovation			√
	• Infrastructure Services		√	√
	• GIS & Database Services		√	√
	• Customer Service Delivery		√	√
	<b>City Clerk's Office</b>			
	• Operations/Legislative Services	√	√	

Division	Department/Sections/Work Units			
		Core	Traditional	Discretionary
	• Records & Information	√	√	
	• Richmond Archives		√	√
	<b>Administration &amp; Compliance</b>			
	• Business Advisory Services		√	√
	• Business Licenses		√	√
	• Risk Management			√
	• Economic Development			√
	• Corporate Partnerships			√
	• Customer Service		√	√
	• Corporate Compliance			√
	• Performance			√
	<b>Real Estate Services</b>			√
Law & Community Safety (9)	<b>RCMP</b>			
	• Administration (includes Telecommunications, Records, Crime Prevention, Information Technology, Victim Assistance, Finance, Risk Management, Court Liaison)	√	√	√
	<b>Fire-Rescue</b>			
	• Administration	√	√	√
	• Operations	√	√	√
	• Fire Prevention	√	√	√
	• Training & Education	√	√	√
	<b>Community Bylaws</b>		√	√
	<b>Emergency Programs</b>	√	√	√
	<b>Legal Services</b>		√	√



Division	Department/Sections/Work Units			
		Core	Traditional	Discretionary
	<b>Law &amp; Community Safety Administration</b>		√	√
Planning & Development (11)				
	<b>Planning and Development – Admin</b>	√	√	
	<b>Transportation</b>			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	<b>Building Approvals</b>			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	<b>Development Applications</b>			
	• Production Centre			√
	• Developments	√	√	√
	• Major Projects			√
	<b>Policy Planning</b>	√	√	
<b>Total = 87</b>		<b>28</b>	<b>61</b>	<b>63</b>

### 3. 2016 Budget Cycle

# 2016 Budget Cycle



\* Council involvement

## 4. Economic Outlook

Businesses contribute nearly half of the City's property tax revenues and a healthy local economy can afford families and individuals exceptional levels of municipal services. Richmond is an open economy, subject to constantly changing global, regional and local economic trends. As part of its budget planning process, the City examines the current economic context and available forecasts to reduce exposure to short-term risks and advance long-term financial sustainability.

*(Note: unless explicitly referenced in the footnotes, the data source used in the commentary below is the Conference Board of Canada report titled "Metropolitan Outlook Spring 2015" and providing forecasts to 2019.)*

### Macroeconomic Trends

With Richmond's advantageous location for global trade, market conditions in the world's major economies have a vast impact on the local economy. Downside risks continue to dominate the world economic outlook. Global GDP growth will slow down from 3.4% in 2014 to 3.1% in 2015<sup>1</sup>, and grow by an average of 3.3% to 2019<sup>2</sup>. The growth of world trade volumes has remained stagnant at around 3%<sup>3</sup>, with the negative trade impact of slowing Chinese growth outweighing the positive trade impact of the current US economic revival. Strong job growth, rising income and pent-up consumer demand are sustaining the signs of upward momentum in the US economy. Also, in an attempt to boost its slowing national economy, the Chinese Central Bank devalued the renminbi by 1.9% in August – its biggest one-day drop in 20 years. Yet, the forecast remains on the downside, with increasing concerns related to ongoing weakness in global commodity prices, a strong US dollar and pending normalization of short-term and long-term interest rates.

Canada has been vastly impacted by three key economic changes over the last 12 months and these changes will continue to influence the economic forecasts for the next two years. The price of crude oil has dropped in half and will remain low for the forecasting period. The US dollar has appreciated against all major currencies, with the Canadian dollar currently at 0.77 US dollars and expected to remain low in the next two years. In 2015, the Bank of Canada halved its overnight rate for the first time in over three years, with the rate currently at 0.5% and expected to hold at that level through 2016<sup>3</sup>.

The Canadian economy continues to contract as a result of depressed commodity prices and the national growth forecast has been further downgraded to 1% in 2015 and 1.7% in 2016<sup>1</sup>. The national economy is expected to stabilize at 2.1% growth in the longer term to 2019. Nationwide housing activity is expected to cool off and low wage growth and high levels of household debt will hold back consumer spending. Business investment will remain weak with further reductions in capital investment and job losses in the oil sector. The \$1.9 billion federal surplus posted in fiscal 2015 is likely to be erased due to softening revenues anticipated for fiscal 2016. Furthermore, previously committed federal funding for infrastructure projects (such as the Build Canada Fund) could have become uncertain under a new Federal government. Under the new

<sup>1</sup> International Monetary Fund World Economic Outlook Update (October 2015)

<sup>2</sup> Conference Board of Canada Global Economic Outlook (February 2015)

<sup>3</sup> Scotiabank Global Forecast Update (September 30, 2015)



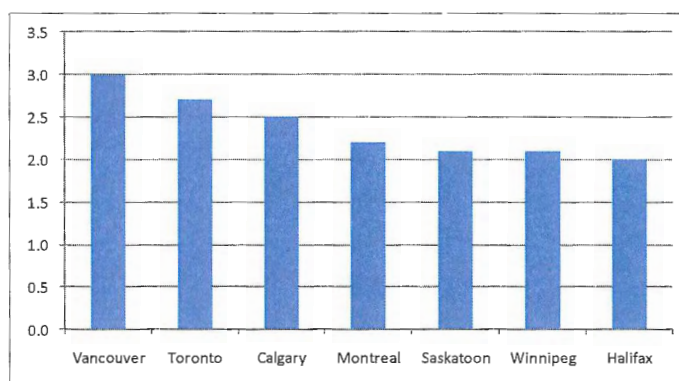
Liberal government, new infrastructure spending may become available to municipalities across Canada, in place of or in addition to prior infrastructure programs.

With a weaker Canadian dollar, trade is the only sector of the Canadian economy that is expected to register growth, continuing redistribution of economic activity across provinces. As long as the US economy maintains its current expansionary momentum, total exports are expected to rise 3.1% in 2015 and 3.6% in 2016 (this is still down from the 5.4% export growth registered in 2014)<sup>3</sup>.

### Regional Trends

Propelled by the US economic expansion, British Columbia's economy will lead the nation, growing by 3% in 2015, by 2.7% in 2016 and by 2.7% on average between 2017 and 2019. Moderate employment growth of 0.7% is expected for 2015 and 1.7% average employment growth from 2016 to 2019 will lead to further reductions in the province-wide unemployment rate to under 5% in the longer term through to 2019. Stable employment growth, inflation rates and wage gains will support both housing activity and consumer spending in the province over the next few years. While British Columbia currently maintains a balanced budget, risks to the provincial growth forecast are generated by further delays in the development of the liquefied natural gas sector. As a result, fiscal restraint and continued downloading of services are expected over the next few years.

Due to its reliance on exports and trade, the Metro Vancouver region is expected to lead Canadian metropolitan regions in economic growth, particularly amidst forecasts for sustained weakness in the Canadian dollar. Real GDP will reach 3.4% in 2015, advance to 3.5% in 2016 and 2017, and decelerate to an average of 2.8% through to 2019. Unemployment has dropped from 6.8% in 2012 to 5.9% in 2014 and is projected to steadily drop in the next few years, to 4.7% in 2019. Manufacturing, wholesale and retail will register the highest growth in output and employment, with continued strength in both the residential and non-residential construction sectors.



### GDP Growth Forecast 2016-2019 (%) – Select Canadian Metropolitan Cities

Housing starts in Metro Vancouver rose from a record low 8,300 in 2009 to top 19,000 units in 2014. Another 8.1% growth in housing starts to 20,800 is expected for 2015. Strength in the regional economy and continued foreign investment will drive demand and starts are expected to hold over the 20,000 per year through to 2019.

## Local Trends

As in all of Metro Vancouver, a large share of Richmond's jobs (40%) are community-oriented, representing jobs dependent on population growth. The remaining 60% of jobs are in sectors that comprise Richmond's economic base – sectors that drive the Richmond economy. Nearly 70% of Richmond's economic base jobs are in sectors linked to the City's role as a people and goods movement gateway, including transportation, warehousing and logistics, manufacturing, wholesale and tourism – 23.1%, 18.5%, 14.5% and 11.5% of the economic base<sup>4</sup>.

Not only does Richmond have a regional advantage in those industries, due to the presence of the port and airport, but also senior government policies focus on development of the Asia Pacific Gateway to support growth in those sectors. Furthermore, the macroeconomic environment of low oil prices, Canadian dollar and interest rates defines these sectors as major areas of expansion in the next few years.

Richmond businesses in core economic sectors have performed well in the last few years, as demonstrated by growth in key performance indicators, such as volume of cargo movement through Port Metro Vancouver and YVR, passenger movement through YVR, and local hotel room nights. Meanwhile, a robust housing market has continued to drive residential development in Richmond, rendering commercial lands not lucrative for development and exerting pressure on Richmond's employment lands inventory.

Richmond housing starts have maintained a steady 11% proportion of Metro Vancouver starts since 2009, with this indicator growing to 12% in the last three years. At 1,551 for 2015 to date, housing starts are on par with the 1,694 housing starts realized in 2014<sup>5</sup>. Population growth will continue to drive housing demand and exert pressure on affordability.

The construction value of Richmond's total building permits issued peaked at an extraordinary \$812 million in 2010, as multiple major projects were approved during the year. Subsequent years registered healthy levels of between \$400 and \$500 million in Richmond, with 2015 at \$876.9 million to date and on course to break the all time record of 2010.<sup>6</sup>

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<sup>4</sup> City of Richmond – Resilient Economy Strategy

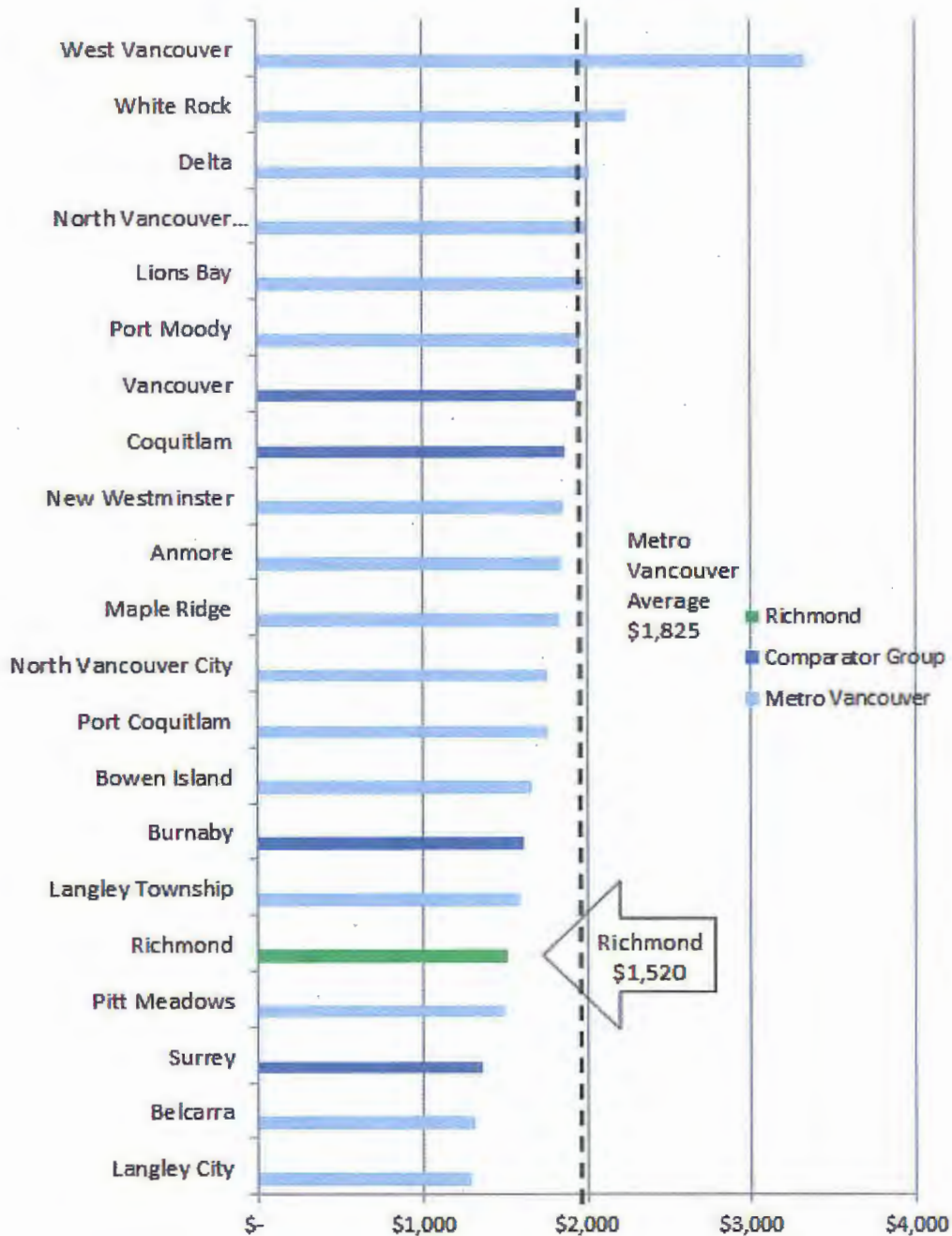
<sup>5</sup> Canadian Mortgage and Housing Corporation – Monthly Statistics Report

<sup>6</sup> City of Richmond – Building Permits Statistics

## 5. 2015 Average Property Tax per Dwelling (Municipal Portion Only)

Richmond has the second lowest average property tax per dwelling within the comparative group (top 5 municipalities in Metro Vancouver, based on population).

### 2015 Average Property Tax per Dwelling



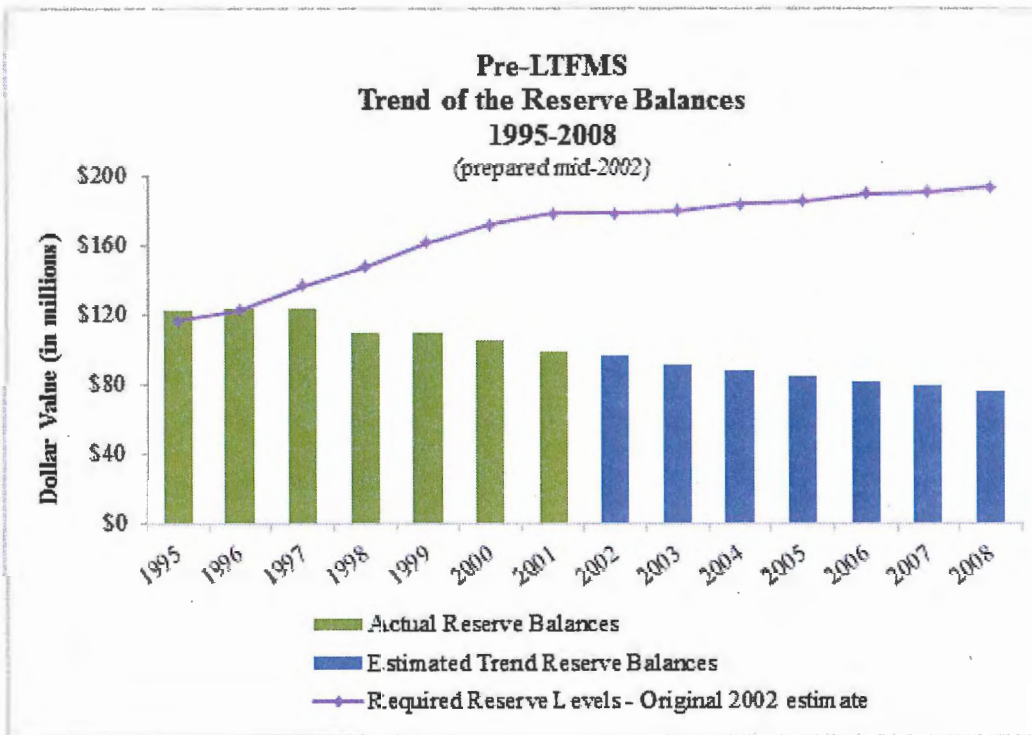


## 6. Long Term Financial Management Strategy

### History – Where We Have Come From









In mid-2002, after a review of the trend of the City’s reserves (blue bars in *Figure 1*), the CAO directed staff to prepare a plan to address the long term financial sustainability of the City. Up to that point in time, the City’s long term financial direction was driven by the annual budget decisions which in turn were driven by Council’s desire to keep the tax impacts artificially low. In the mid to late 1990’s for instance, the City absorbed approximately \$5.7 million in loss of grants from the Province, incurred debt, and absorbed growth, while keeping tax increases in the range of zero to 1.8%. The consequence was the gradual deterioration of the City’s reserves (green bars in *Figure 1*). This path was clearly not sustainable and a more comprehensive financial strategy was required.

*Figure 1 Original Reserve Trend Pre-LTFMS*



To develop the vision, Council held a number of workshops to gain an understanding of the environmental factors that were impacting the City’s financial position as well as ‘gaps’ reflected in the operating budgets, capital plans, ageing infrastructure funding plans and reserve balances. The end result being that Council decided to focus on ‘*enhancing the City’s economic well-being for present and future generations as part of the well managed component of the vision without sacrificing the overall liveability of the community*’ and in September 2003, Council approved the Long Term Financial Management Strategy (LTFMS) with the following targets:

Figure 2 – 2003 LTFMS Targets

Tax Increase		CPI + 1.0% per year in the future to be transferred to the reserves.
Economic Development		1.5% per year
New Alternative Revenue		\$1 Mil per year by the 5 <sup>th</sup> year
Total Casino Revenue		\$10 Mil per year by the 2 <sup>nd</sup> year
Fire and Police Efficiencies		-0.2% per year starting in 3 <sup>rd</sup> year
Operating Efficiencies		-0.2% per year starting in 3 <sup>rd</sup> year
Service Level Reduction		No reduction
Capital Program Reduction		No reduction

Council went a step further in order to guide and protect the sustainability of the City’s long term financial position and approved 10 supporting policies. From the time that LTFMS was adopted, Council has approved updates to the supporting policies. The ten supporting policies as currently adopted are as follows:

- 1. Tax Revenue** -- Tax increases will be at Vancouver’s CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.
- 2. Gaming Revenue** -- Gaming revenues are designated for the capital reserves, the major capital community facility replacement program, the grants program, the Council initiatives account, and towards the cost of policing relating to gaming activities.
- 3. Alternative Revenues & Economic Development** -- Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.
- 4. Changes to Senior Government Service Delivery** -- Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year’s taxes above and beyond the CPI and infrastructure percentage contribution.

5. **Capital Plan** – Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads etc.) is in place in order to maintain community liveability and generate economic development.
6. **Cost Containment** – Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given, and that a continuous review be undertaken of the relevancy of the existing operating and capital costs to ensure that the services, programs and projects delivered continue to be the most effective means of achieving the desired outcomes of the City’s vision.
7. **Efficiencies & Service Level Reductions** -- Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.
8. **Land Management** -- Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City’s land inventory. Any funds in excess of such proceeds may be used as directed by Council.
9. **Administrative** -- As part of the annual budget process the following shall be undertaken:
  - all user fees will be automatically increased by CPI;
  - the financial model will be used and updated with current information, and
  - the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceed them.
10. **Debt Management** -- Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.

These policies are integral to the financial decision making of the City in ensuring a long-term focus and financial sustainability.



### Present State – Where we are now?

As a result of the LTFMS and other factors, the City is on the right path and in a stronger financial position as shown by the change in the City’s financial position comparing December 31, 2002 to December 31, 2014.

Figure 3 –Financial Position Comparison

All dollar figures are expressed in \$000's

	2014	2002 <sup>1</sup>	Change \$	Change %
<b>Financial Assets</b>				
Cash and Investments	\$864,695	\$229,549	\$635,146	277%
DCC receivable	25,360	7,042	18,318	260%
Other Assets	41,623	40,435	\$1,188	3%
<b>Total Assets</b>	<b>931,678</b>	<b>277,026</b>	<b>654,652</b>	<b>236%</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	88,331	42,740	45,591	107%
DCC Levies	82,965	37,290	45,675	122%
Deposits and Holdbacks	65,103	7,048	58,055	824%
Deferred Revenue	41,823	11,313	30,510	270%
Long-Term Debt	50,815	42,709	8,106	19%
<b>Total Liabilities</b>	<b>329,037</b>	<b>141,100</b>	<b>187,937</b>	<b>133%</b>
Net Financial Assets	602,641	135,926	466,715	343%
Non-Financial Assets <sup>2</sup>	1,951,467	922,940	1,028,527	111%
<b>Accumulated Surplus</b>	<b>\$2,554,108</b>	<b>\$1,058,866</b>	<b>\$1,495,242</b>	<b>141%</b>
<b>Accumulated Surplus<sup>3</sup></b>				
Reserves	374,922	107,709	267,213	248%
Surplus/Appropriated Surplus/Other <sup>4</sup>	232,387	73,526	158,861	216%
Investment in Tangible Capital Assets <sup>5</sup>	1,946,799	877,631	1,069,168	122%
<b>Total Accumulated Surplus</b>	<b>\$2,554,108</b>	<b>\$1,058,866</b>	<b>\$1,495,242</b>	<b>141%</b>

<sup>1</sup> 2002 is used as the base year as the LTFMS was implemented during 2003.

<sup>2</sup> Non-financial assets includes tangible capital assets, inventory of material and supplies and prepaid expenses.

<sup>3</sup> Accumulated Surplus includes committed amounts that are unspent at the reporting date.

<sup>4</sup> Appropriated Surplus is amounts set aside for specific purposes, future commitments or potential obligations..

<sup>5</sup> Investment in tangible capital assets represents the equity the City has in its assets.

**Highlights of changes in Financial Position December 31, 2002 to December 31, 2014:**

- Cash and investments have increased by \$635.1 million (277%) to \$864.7 million. The majority of this increase is attributable to:
  - Increase in reserves \$267.2 million (248%)
  - Increase in liabilities \$187.9 million (133%)
  - Increase in surplus/appropriated surplus \$158.9 million (216%)
- DCC receivable has increased by 18.3 million (260%) which is also reflected in the increase in the DCC Levies of \$45.7 million (122%) due to increased development activity.
- Deposits and Holdbacks have increased by \$58.1 million (824%) mainly due to security deposits relating to development activity.
- Deferred revenue increased by \$30.5 million (270%) mainly due to tax and utility pre-payments and deferred permit fees.
- Long-term debt has increased by \$8.1 million (19%) to \$50.8 million, previous debt for Terra Nova land acquisition, No. 2 Road bridge construction and sewer capital works was retired and new debt for the Minoru aquatic and older adults centre construction was obtained.
- Net financial assets increased by \$466.7 million (343%) due to the net changes in assets and liabilities.
- Non-financial assets increased by \$1.0B (111%) mainly due to increases in tangible capital assets. Note that the accounting standard for reporting tangible capital assets changed in 2009.

The financial position is one measure of the impact of the LTFMS, however there are additional measures that align to the specific points of the strategy. A simple report card was developed to track the actual results of the LTFMS in a clear and concise manner, particularly, as they relate to the ten Council established policies and Council approved targets in 2003.

## Performance Measurement

Figure 4 – LTFMS Performance Measurement Scorecard

Policy	Analysis						
<p><b>1. Tax Revenue</b></p> <p><b>Target:</b></p> <p><b>CPI + 1.0%</b> per year in the future to be transferred to the reserves.</p>	Year	CPI <sup>1</sup>	Base Increase	OBI	Additional Levels	Reserves	Total Increase
	2003	2.4%	2.49%	0.41%	0.45%	1.00%	<b>4.35%</b>
	2004	2.2%	2.25%	0.26%	0.76%	0.47%	<b>3.74%</b>
	2005	2.0%	1.03%	0.22%	0.73%	0.00%	<b>1.98%</b>
	2006	2.0%	1.75%	0.26%	0.97%	1.00%	<b>3.98%</b>
	2007	2.0%	1.39%	0.26%	1.18%	0.82%	<b>3.65%</b>
	2008	2.1%	1.67%	0.39%	1.86%	0.00%	<b>3.92%</b>
	2009	2.3%	2.19%	0.32%	0.46%	0.00%	<b>2.97%</b>
	2010	1.5%	3.34%	0.11%	0.00%	0.00%	<b>3.45%</b>
	2011	1.5%	2.63%	0.32%	0.00%	0.00%	<b>2.95%</b>
	2012	1.7%	1.70%	0.16%	0.12%	1.00%	<b>2.98%</b>
	2013	2.0%	1.39%	0.36%	0.23%	1.00%	<b>2.98%</b>
	2014	2.0%	1.53%	0.34%	0.09%	1.00%	<b>2.96%</b>
	2015	1.0%	1.45%	0.38%	0.06%	0.00%	<b>1.89%</b>

<sup>1</sup> CPI estimated used in the annual budget preparation.

- Since the implementation of the LTFMS in 2003, the tax increases (net of the transfer to reserves) have approximated the budgeted CPI increase.
- The increase to reserves was fully met or had a partial increase in over half of the years since the implementation of the LTFMS.
- In 2008 to 2011, the 1% increase for transfer to reserves was replaced by additional interest earned on the Community Legacy & Land Replacement Reserve Fund as approved by Council on July 23, 2007 in lieu of the tax increase.
- In 2015, the 1% increase for transfer to reserves was replaced by a one-time infusion from surplus gaming revenue in lieu of the tax increase.



Policy	Analysis
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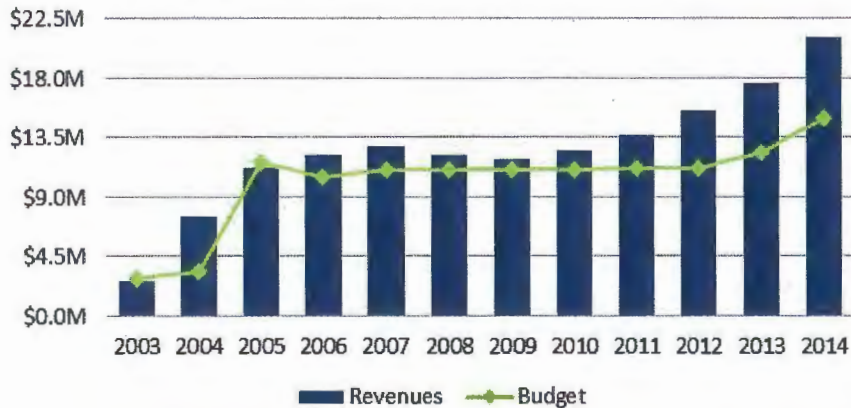
**2. Gaming Revenue**

**Target:**

Total Casino Revenue - **\$10M** per year by the 2nd year

- Gaming revenue met and has surpassed the \$10 million target since 2005, and in 2014 \$21.0 million was received, 686% greater than the 2003 figure.
- Gaming Revenue is currently used to fund capital reserves, the major capital community facility replacement program, the grants program, and towards the cost of policing relating to gaming activities.
- At the March 23, 2015 Council Meeting, Council approved an updated allocation model of gaming revenues effective for the 2016 budget year which included the creation of the Council Community Initiatives Account.

**City of Richmond Gaming Revenues 2003-2014**



Policy	Analysis
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**3. Alternative Revenues & Economic Development**

**Target:**

Economic Development - **1.5%** per year

Year	Tax Growth	Growth %
2003	1,628,493	1.63%
2004	2,648,500	2.51%
2005	1,657,392	1.50%
2006	2,296,582	2.95%
2007	3,346,530	3.04%
2008	3,750,000	2.91%
2009	3,200,000	2.28%
2010	1,800,000	1.22%
2011	2,000,000	1.29%
2012	2,364,594	1.47%
2013	1,600,000	0.95%
2014	2,300,000	1.32%
2015	2,500,000	1.36%

- The tax base has shown growth each year since the inception of the LTFMS averaging approximately 1.9% each year over the period of 2003 – 2015.

Policy	Analysis
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**3. Alternative Revenues & Economic Development (continued)**

**Target:**

Alternative revenue  
- \$1M per year by  
the 5<sup>th</sup> year

- There have been a number of expanded alternative revenues such as the following:
  - District energy utility revenue
  - Sports Field User Fees
  - Filming revenues
  - Expanded Pay Parking program to include street meters
  - RCMP service fees
  - Tax information fees
  - Developer fees for planning services
  - Sale of drawings/GIS data
  - Meeting room rental revenue
  - Rental/Lease revenue from bus shelters
  - New rental properties revenue
  - Microfilm revenue
  - Media Lab Program Fees
  - Sponsorship Revenue for major events

Policy	Analysis
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**4. Changes to Senior Government Service Delivery**

- The RCMP contracts have increased at rates greater than the LTFMS policy of CPI, and these RCMP increases are highlighted within the annual budget presentations.
- Example, the 2015 RCMP contract increased at 2.75% compared to the City's overall tax increase of 1.89%.

Policy	Analysis
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**5. Capital Plan**

**Target:**

No reduction

Year	Capital Budget <sup>1</sup>
2003	39,438,000
2004	45,380,000
2005	115,558,000
2006	113,021,000
2007	172,203,000
2008	166,188,000
2009	72,798,000
2010	160,526,000
2011	93,372,000
2012	88,964,000
2013	139,681,000
2014	204,259,000
2015	167,217,000

**\$121.4 million**

Average Capital Budget  
2003 – 2015

**\$47.5 million**

Average Capital Budget  
1992 – 2002

<sup>1</sup> Capital Budget represents the amended capital amount from 2010 forward

- The 5 Year Capital Plan is updated annually and projects the anticipated capital program costs and funding availability. The capital budgets have fluctuated over this period due to major facility construction and significant land acquisition.
- The capital budgets since the implementation of the LTFMS have averaged \$121.4M compared to \$47.5M prior to the strategy.

Policy	Analysis
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**6. Cost Containment**

- The following are some examples of cost containment or cost recovery programs that have been implemented:
  - Energy retrofit projects to reduce electricity and natural gas usage
  - Attendance manager and attendance management system
  - Tree permit revenue to offset Tree Bylaw costs
  - Accessing Grants ( Joint Emergency Preparedness Program, Stimulus funds, etc.)
  - RCMP Auxiliary Program
  - New Fuel management system
  - Patroller First Responder program
  - Garbage/Recycling contract
  - Development of Sidaway disposal site
  - Road Cut Program to include private utility companies
  - Use of Trenchless technology for construction purposes
  - Fire Protection & Life Safety Bylaw with associated fees, fines and avenues for cost recovery
  - Delayed replacements / hirings
  - Operating expense reduction (i.e. Supplies, Contract, telephone etc.)
  - Finance and Cost Control subcommittee created
  - Service Level reviews

Policy	Analysis
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**7. Efficiencies & Service Level Reductions**

**Target:**

-0.2% per year starting in 3<sup>rd</sup> year for operating, police & fire efficiencies.

No reductions to level of service

- This area is addressed annually during the budget review process. The efficiencies and service level reductions have not been isolated and identified separately.
- The following are some examples of efficiencies:
  - Retro-commissioning of existing buildings to optimize the energy use
  - Upgrade of direct digital control systems
  - Pump station power efficiencies
  - Traffic signal conversion to LED
  - Systems enhancements, AMANDA, PeopleSoft, HCM, etc.
  - Virtualizing computer servers
  - Use of real time hand held ticketing computers
  - Bylaw Adjudication System
  - LEED Fire halls
  - Scanning equipment in stores
  - Online event management system



Policy	Analysis
<b>8. Land Management</b>	<ul style="list-style-type: none"> <li>• The proceeds from land sales are returned to land related accounts to fund future land acquisitions. The City has been actively acquiring land over the past 10 years.</li> <li>• Since 2009, the City has acquired over 400 acres of land for \$200+ million. During the same period, approximately 20 acres were divested for approximately \$50 million.</li> </ul>

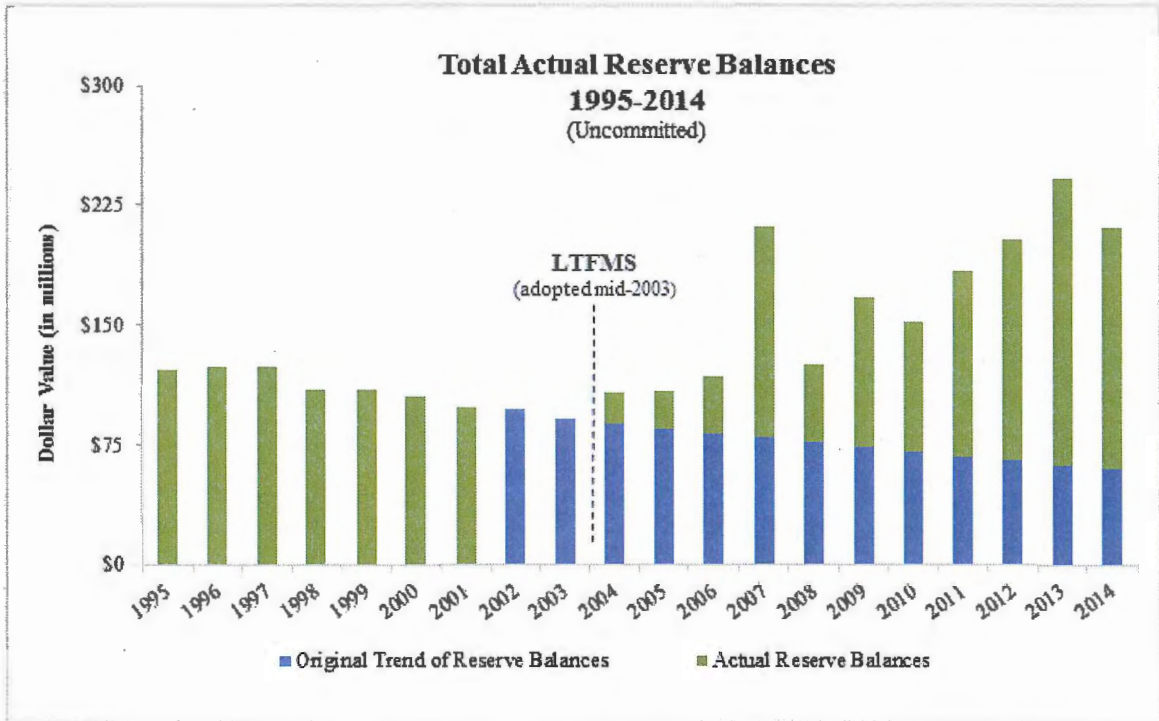
Policy	Analysis
<b>9. Administrative</b>	<ul style="list-style-type: none"> <li>• Currently where possible user fees are automatically increased by CPI on January 1st of each year by Council through the Consolidated Fees Bylaw.</li> <li>• Every year, the 5YFP is prepared and addresses the tax increase, distribution of Gaming Revenue, isolation of additional levels of service and the capital plan funding sources.</li> </ul>

Policy	Analysis
<b>10. Debt Management</b>	<ul style="list-style-type: none"> <li>• During 2014, debt in the amounts of \$50.8M was strategically obtained for the construction of the Minoru aquatic and older adults centre to take advantage of the low interest rate environment.</li> <li>• The debt servicing costs for the new \$50.8M debt did not increase taxes as \$5M of annual gaming revenue (formerly used to repay for the construction of the Oval) and the portion of funding that had been used to pay for the now extinguished Terra Nova debt were used to finance these costs.</li> </ul>

Overall, the City has met the requirements of the policies with the exception of alternative revenues and tax increase targets which have intermittently met the targets. Meeting the requirement of limiting tax increases to CPI (under policy 1) is beginning to place a burden on the organization as it is difficult without a corresponding reduction in services or service levels. This is particularly evident in current times with low inflation and continued escalation for community safety, infrastructure costs and committed labour agreements.

The progress that has been made to date due to the LTFMS can be measured by the increase to the reserves. The growing of the reserves was one of the initial drivers behind the creation of the LTFMS. Prior to the implementation of the LTFMS, the reserves were steadily declining as depicted by the green bars and the future reserve projections represented by the blue bars continued the decline. After the adoption of the LTFMS, the reserve balances have shown a steady increase.

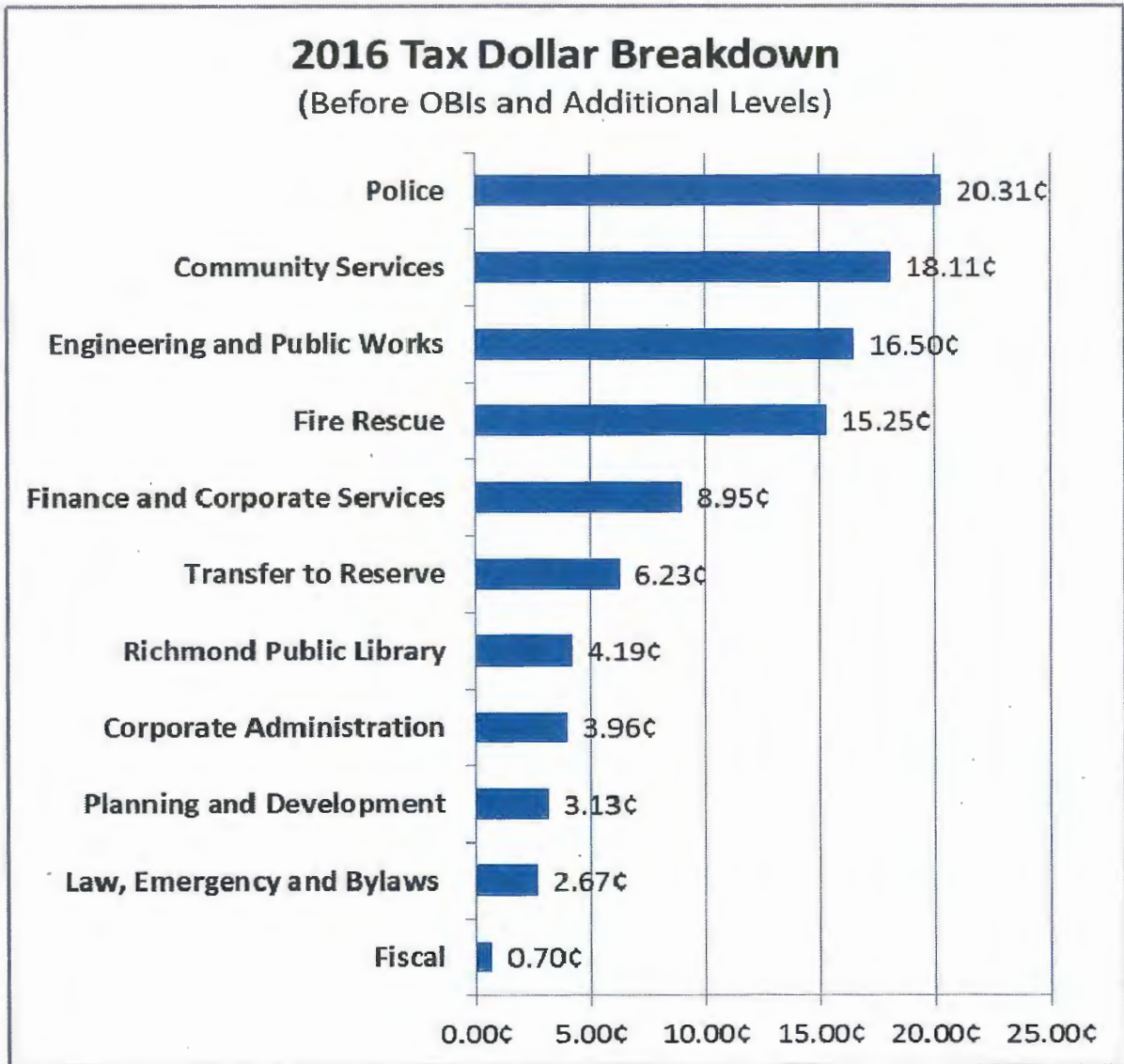
Figure 5 – Actual Trend of the Reserves



The above chart shows an indication of the overall reserve balances and the increases since the adoption of the LTFMS. Though the overall reserves balances are growing, the Capital Building and Infrastructure Reserve (CBI) which is used to fund major capital facility replacement requires further review. The CBI reserve is the recipient of the 1% annual increase in transfer to reserves and has been utilized recently for partial funding towards Phase 1 of the Corporate Facilities Implementation Plan. The uncommitted balance in the Capital Building and Infrastructure Reserve at December 31, 2014 was \$12.4 million.

The reserves alone do not show the complete story; they must be reviewed in conjunction with asset condition ratings, ageing infrastructure reports and long-term capital requirements. Staff is currently working on the facilities replacement plan which will be a key component to the required reserve analysis.

## 7. Municipal Tax Dollar





## 8. Same Level of Service Budget Details

### All Divisions

Law and Community Safety, Community Services Library, Engineering and Public Works (excluding Utilities), Finance and Corporate Services, Corporate Administration, Planning and Development, and Fiscal.

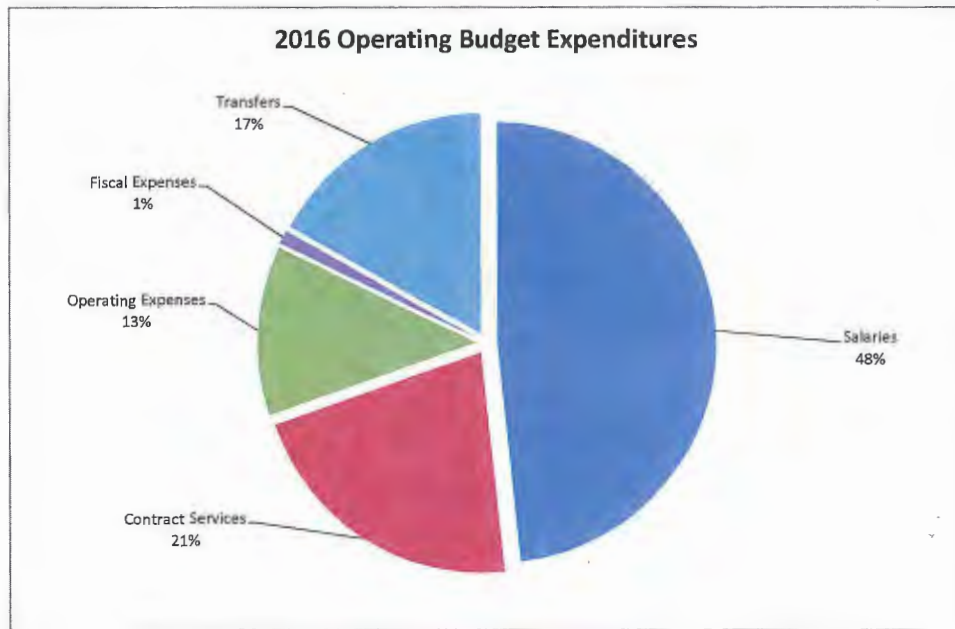
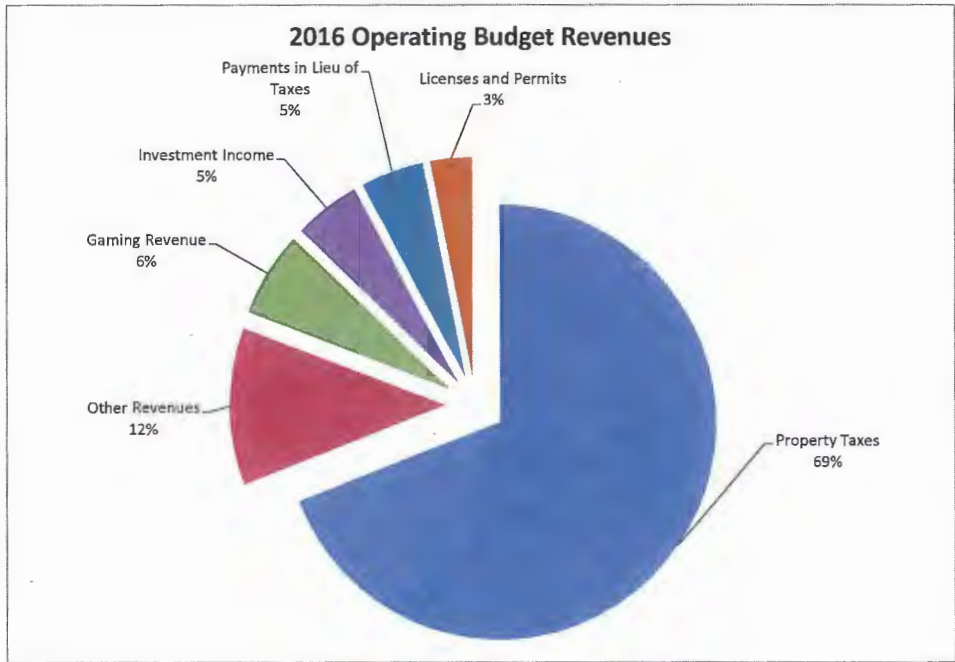
	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>Revenues</b>	<b>(277,327,300)</b>	<b>(277,111,300)</b>	<b>216,000</b>	<b>(0.08%)</b>
<b>Expenditures</b>				
All Salaries	132,816,800	136,351,300	3,534,500	2.66%
Contract Services	58,599,900	60,426,900	1,827,000	3.12%
Operating Expenses	33,821,400	35,111,800	1,290,400	3.82%
<b>Total Expenditures</b>	<b>225,238,100</b>	<b>231,890,000</b>	<b>6,651,900</b>	<b>2.95%</b>
<b>Fiscal Expenses</b>	<b>2,786,400</b>	<b>2,786,400</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>49,302,800</b>	<b>47,719,300</b>	<b>(1,583,500)</b>	<b>(3.21%)</b>
<b>Grand Total</b>	<b>\$-</b>	<b>\$5,284,400</b>	<b>\$5,284,400</b>	<b>-</b>

### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Council and Mayor	9.0	9.0	-	-%
Exempt	161.9	161.9	-	-%
718 - Regular Full Time	516.6	516.6	-	-%
718 - Regular Part Time	19.6	19.6	-	-%
718 - Temporary Full Time	13.3	12.3	(1.0)	(7.54%)
718 - Auxiliary	130.7	131.7	1.0	0.76%
394 - Labour	220.7	220.7	-	-%
FIRE	219.7	219.7	-	-%
<b>Total</b>	<b>1,291.5</b>	<b>1,291.5</b>	<b>-</b>	<b>-%</b>

### FTE Change - Library

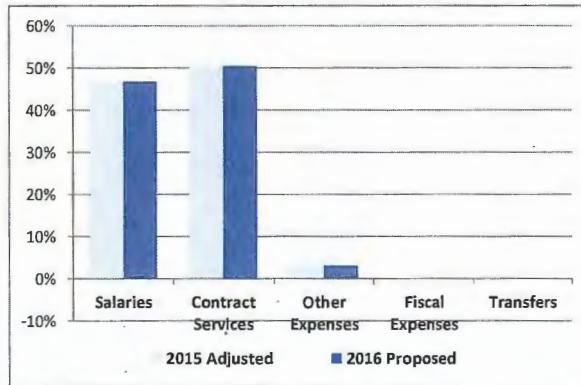
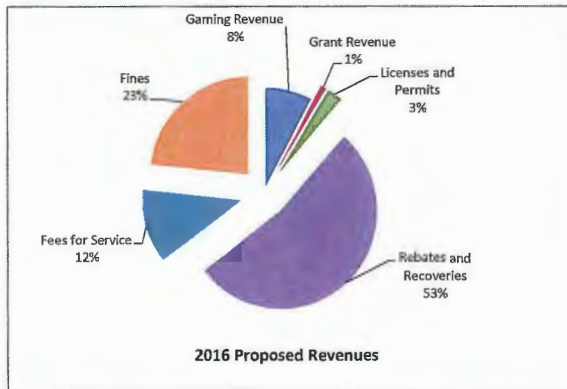
	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	4.0	4.0	-	-%
3966 - Regular Full Time	68.3	68.3	-	-%
3966 - Regular Part Time	19.0	16.3	(2.7)	(14.21%)
3966 - Auxiliary	3.3	2.6	(0.7)	(20.00%)
<b>Total</b>	<b>94.6</b>	<b>91.2</b>	<b>(3.4)</b>	<b>(3.54%)</b>



## Law and Community Safety

Brings together the City's public safety providers, along with sections responsible for legal and regulatory matters. The City's primary community safety providers are Police (RCMP), Fire-Rescue, Emergency Programs and Community Bylaws. The role of the Community Bylaws Department is to either lead, assist or partner with others to ensure that the City's various bylaws are compiled with regard for the overall benefit of the community. The Law Section is responsible for providing advice to City Council and staff regarding the City's legal rights and obligations.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$78,366,200</b>	<b>\$80,339,700</b>	<b>\$1,973,500</b>	<b>2.52%</b>
Revenues	(8,055,700)	(8,399,000)	(343,300)	4.26%
<b>Expenditures</b>				
All Salaries	40,443,100	41,517,300	1,074,200	2.66%
Contract Services	43,479,800	44,695,600	1,215,800	2.80%
Operating Expenses	2,611,000	2,622,300	11,300	0.43%
<b>Total Expenditures</b>	<b>86,533,900</b>	<b>88,835,200</b>	<b>2,301,300</b>	<b>2.66%</b>
Fiscal Expenses	30,000	30,000	-	-
Transfers	(142,000)	(126,500)	15,500	(10.92%)
<b>Grand Total</b>	<b>\$78,366,200</b>	<b>\$80,339,700</b>	<b>\$1,973,500</b>	<b>2.52%</b>



### FTE Change

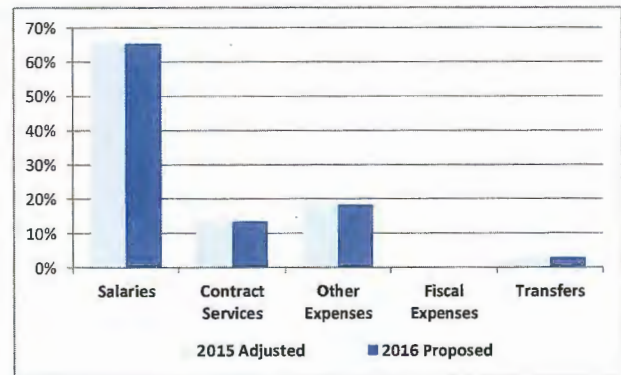
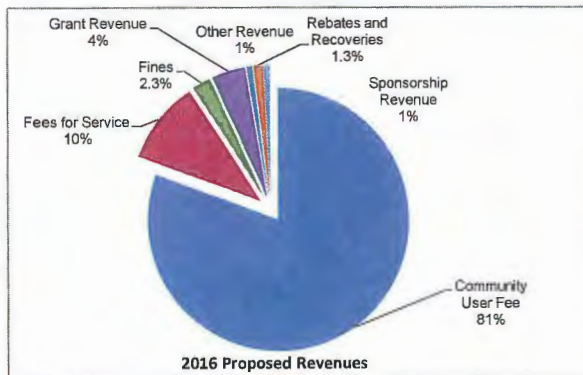
	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	21.0	21.0	-	-%
718 - Regular Full Time	93.4	93.4	-	-%
718 - Temporary Full Time	1.5	1.5	-	-%
718 - Auxiliary	19.4	19.4	-	-%
394 - Labour	0.6	0.6	-	-%
FIRE	219.7	219.7	-	-%
<b>Total</b>	<b>355.6</b>	<b>355.6</b>	<b>-</b>	<b>-%</b>



## Community Services

Coordinates, supports and develops Richmond's community services including recreation, arts, heritage, sports, social planning, affordable housing, diversity, youth, childcare and older adult services. Oversees City owned public facilities and the design, construction and maintenance of City parks, trails and green spaces. Works with community partners and coordinates special events and filming in the City.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$46,003,400</b>	<b>\$46,846,300</b>	<b>\$842,900</b>	<b>1.83%</b>
<b>Revenues</b>				
Revenues	(9,561,700)	(9,649,200)	(87,500)	0.92%
<b>Total Revenues</b>	<b>(9,561,700)</b>	<b>(9,649,200)</b>	<b>(87,500)</b>	<b>0.92%</b>
<b>Expenditures</b>				
All Salaries	36,436,500	36,923,600	487,100	1.34%
Contract Services	7,512,200	7,603,700	91,500	1.22%
Operating Expenses	10,151,900	10,319,400	167,500	1.65%
<b>Total Expenditures</b>	<b>54,100,600</b>	<b>54,846,700</b>	<b>746,100</b>	<b>1.38%</b>
Fiscal Expenses	4,500	4,500	-	-
Transfers	1,460,000	1,644,300	184,300	12.62%
<b>Grand Total</b>	<b>\$46,003,400</b>	<b>\$46,846,300</b>	<b>\$842,900</b>	<b>1.83%</b>



### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	22.0	22.0	-	-%
718 - Regular Full Time	149.5	148.5	(1.0)	(0.67%)
718 - Regular Part Time	19.2	19.2	-	-%
718 - Auxiliary	103.3	104.3	1.0	0.97%
394 Labour	88.5	88.5	-	-%
<b>Total</b>	<b>382.5</b>	<b>382.5</b>	<b>-</b>	<b>-%</b>

### FTE Change - Library

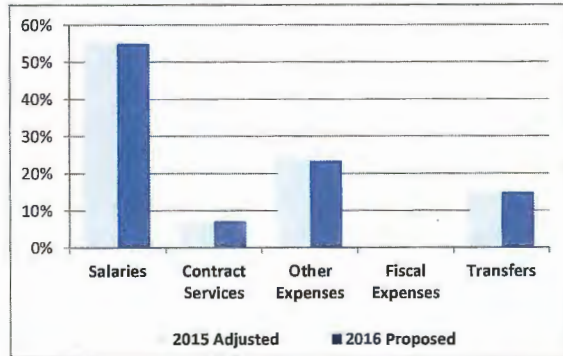
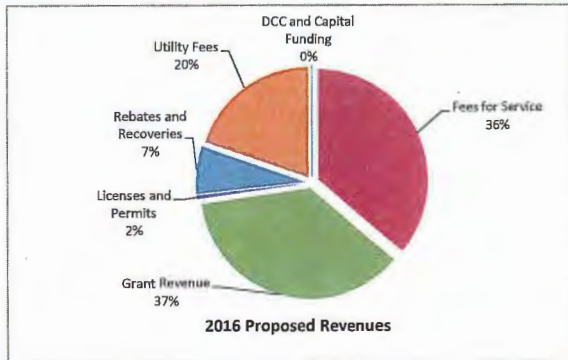
	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	4.0	4.0	-	-%
3966 - Regular Full Time	68.3	68.3	-	-%
3966 - Regular Part Time	19.0	16.3	(2.7)	(14.21%)
3966 - Auxiliary	3.3	2.6	(0.7)	(20.00%)
<b>Total</b>	<b>94.6</b>	<b>91.2</b>	<b>(3.4)</b>	<b>(3.54%)</b>



### Engineering and Public Works (excluding Utilities)

Comprises engineering planning, design, construction and maintenance services for all utility and City building infrastructure. Responsible for dikes and irrigation system, roads and construction services, street lighting, corporate sustainability and district, corporate and community energy programs.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$33,717,100</b>	<b>\$34,671,800</b>	<b>\$954,700</b>	<b>2.83%</b>
<b>Revenues</b>	<b>(6,372,300)</b>	<b>(6,944,500)</b>	<b>(572,200)</b>	<b>8.98%</b>
<b>Expenditures</b>				
All Salaries	22,110,900	22,828,200	717,300	3.24%
Contract Services	2,582,500	2,917,300	334,800	12.96%
Operating Expenses	9,533,900	9,686,400	152,500	1.60%
<b>Total Expenditures</b>	<b>34,227,300</b>	<b>35,431,900</b>	<b>1,204,600</b>	<b>3.52%</b>
<b>Fiscal Expenses</b>	-	-	-	-
<b>Transfers</b>	<b>5,862,100</b>	<b>6,184,400</b>	<b>322,300</b>	<b>5.50%</b>
<b>Grand Total</b>	<b>\$33,717,100</b>	<b>\$34,671,800</b>	<b>\$954,700</b>	<b>2.83%</b>



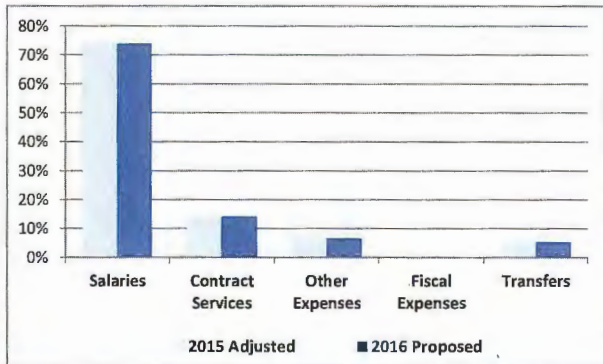
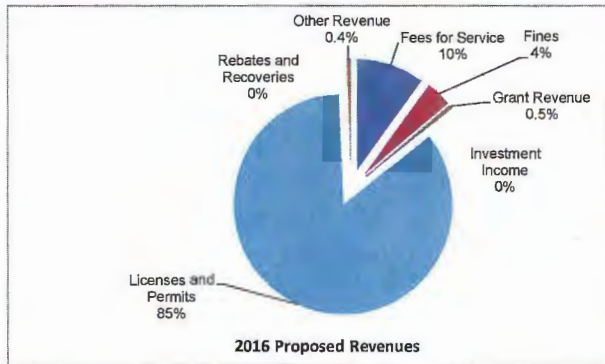
#### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	23.2	23.2	-	-%
718 - Regular Full Time	88.3	88.3	-	-%
718 - Temporary Full Time	5.2	4.2	(1.0)	(19.23%)
718 - Auxiliary	2.9	2.9	-	-%
394 - Labour	122.6	122.6	-	-%
<b>Total</b>	<b>242.2</b>	<b>241.2</b>	<b>(1.0)</b>	<b>(0.41%)</b>

### Finance and Corporate Services

Responsible for the financial well-being of the City, through the provision of effective and reliable financial advice, services and information to Council, staff and the public, as well as through the support and fostering of a viable business community. Includes customer service, information technology, finance, economic development, real estate services, City Clerk, enterprise services, business licences, administration and compliance.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$18,444,400</b>	<b>\$18,811,800</b>	<b>\$367,400</b>	<b>1.99%</b>
<b>Revenues</b>				
Revenues	(3,842,300)	(3,948,300)	(106,000)	2.76%
<b>Total Revenues</b>	<b>(3,842,300)</b>	<b>(3,948,300)</b>	<b>(106,000)</b>	<b>2.76%</b>
<b>Expenditures</b>				
All Salaries	16,471,200	16,821,300	350,100	2.13%
Contract Services	3,055,200	3,213,500	158,300	5.18%
Operating Expenses	1,537,600	1,502,600	(35,000)	(2.28%)
<b>Total Expenditures</b>	<b>21,064,000</b>	<b>21,537,400</b>	<b>473,400</b>	<b>2.25%</b>
<b>Fiscal Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>1,222,700</b>	<b>1,222,700</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>\$18,444,400</b>	<b>\$18,811,800</b>	<b>\$367,400</b>	<b>1.99%</b>



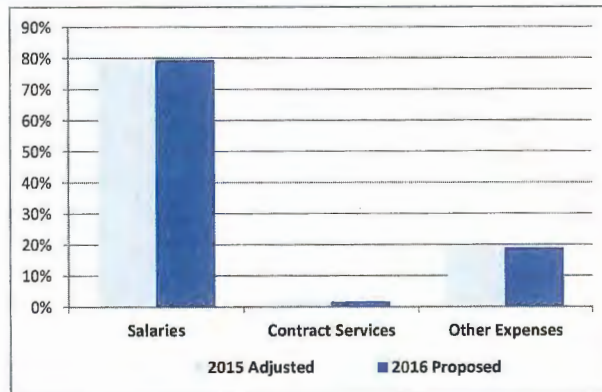
#### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	39.0	39.0	-	-%
718 - Regular Full Time	104.2	104.2	-	-%
718 - Temporary Full Time	6.5	6.5	-	-%
718 - Auxiliary	4.5	4.5	-	-%
394 - Labour	9.0	9.0	-	-%
<b>Total</b>	<b>163.2</b>	<b>163.2</b>	<b>-</b>	<b>-%</b>

### Corporate Administration

The CAO's Office oversees the overall administration of the corporate body (business units/operations) of the City, its officers and employees. It is also home to the Corporate Planning and Programs Management Group (CPMG). CPMG and Intergovernmental Relations are responsible for research and development of corporate policy, strategic and corporate planning, intergovernmental relations, human resources, corporate communications, protocol, business advisory, special projects and coordination of interdivisional projects and initiatives.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$8,119,500</b>	<b>\$8,312,700</b>	<b>\$193,200</b>	<b>2.38%</b>
<b>Expenditures</b>				
All Salaries	6,404,900	6,600,600	195,700	3.06%
Contract Services	138,000	138,000	-	-
Operating Expenses	1,576,600	1,574,100	(2,500)	(0.16%)
<b>Total Expenditures</b>	<b>8,119,500</b>	<b>8,312,700</b>	<b>193,200</b>	<b>2.38%</b>
<b>Transfers</b>	-	-	-	-
<b>Grand Total</b>	<b>\$8,119,500</b>	<b>\$8,312,700</b>	<b>\$193,200</b>	<b>2.38%</b>



#### FTE Change

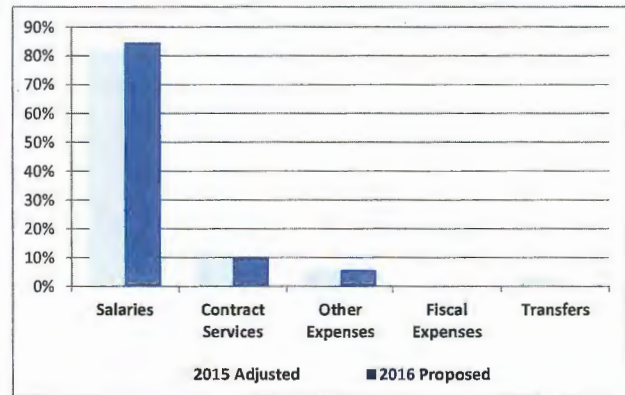
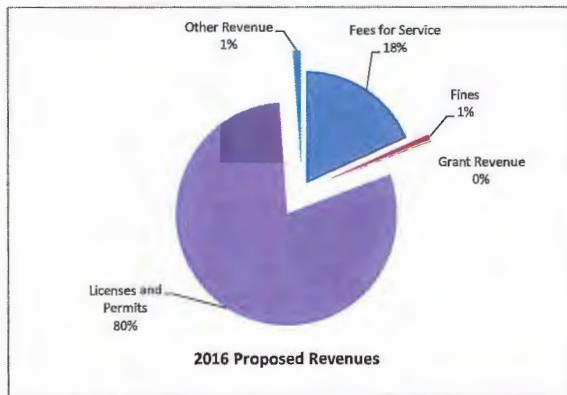
	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Council and Mayor	9.0	9.0	-	-%
Exempt	39.3	39.3	-	-%
718 - Regular Full Time	4.0	4.0	-	-%
718 - Regular Part Time	0.4	0.4	-	-%
718 - Auxiliary	0.6	0.6	-	-%
<b>Total</b>	<b>53.3</b>	<b>53.3</b>	<b>-</b>	<b>-%</b>



## Planning and Development

Incorporates the policy planning, transportation planning, development applications and the building approvals departments. This division provides policy directions that guide growth and change in Richmond with emphasis on land use planning, development regulations, environmental protection, heritage and livability. These planning functions play a vital part in the City's life cycle and involve the development of community plans and policies, zoning bylaws, as well as development related approvals and permits.

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$6,572,400</b>	<b>\$6,588,700</b>	<b>\$16,300</b>	<b>0.25%</b>
<b>Revenues</b>				
Revenues	(5,855,000)	(6,306,400)	(451,400)	7.71%
<b>Total Revenues</b>	<b>(5,855,000)</b>	<b>(6,306,400)</b>	<b>(451,400)</b>	<b>7.71%</b>
<b>Expenditures</b>				
All Salaries	10,206,000	10,909,000	703,000	6.89%
Contract Services	1,227,500	1,254,100	26,600	2.17%
Operating Expenses	693,900	732,000	38,100	5.49%
<b>Total Expenditures</b>	<b>12,127,400</b>	<b>12,895,100</b>	<b>767,700</b>	<b>6.33%</b>
<b>Fiscal Expenses</b>	-	-	-	<b>0.00%</b>
<b>Transfers</b>	<b>300,000</b>	-	<b>(300,000)</b>	<b>(100.00%)</b>
<b>Grand Total</b>	<b>\$6,572,400</b>	<b>\$6,588,700</b>	<b>\$16,300</b>	<b>0.25%</b>

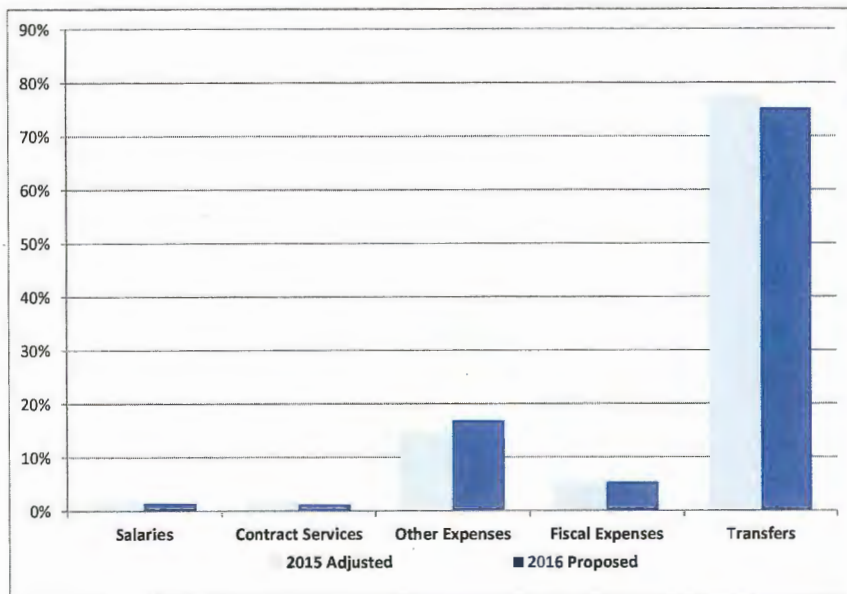
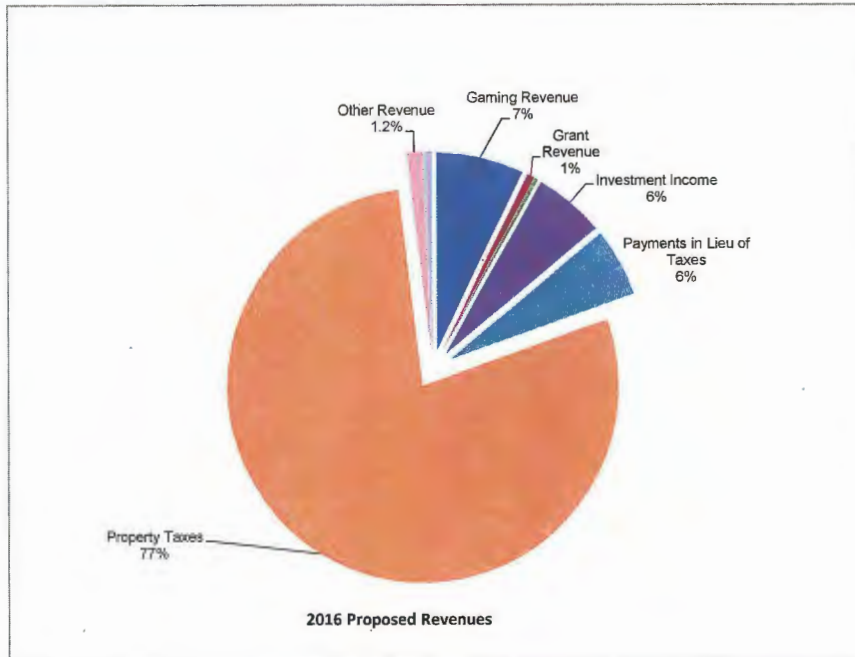


### FTE Change

	2015 FTE	2016 FTE	Change 2016	Change 2016 %
Exempt	17.4	17.4	-	-%
718 - Regular Full Time	77.2	78.2	1.0	1.29%
718 - Temporary Full Time	0.1	0.1	-	-%
<b>Total</b>	<b>94.7</b>	<b>95.7</b>	<b>1.0</b>	<b>1.06%</b>

**Fiscal**

	2015 Adjusted Base Budget	2016 Proposed Base Budget	Change 2016 \$	Change 2016 %
<b>OPERATING BUDGET</b>	<b>\$(191,223,000)</b>	<b>\$(190,286,600)</b>	<b>\$936,400</b>	<b>(0.49%)</b>
<b>Revenues</b>	<b>(243,640,300)</b>	<b>(241,863,900)</b>	<b>1,776,400</b>	<b>(0.73%)</b>
<b>Expenditures</b>				
All Salaries	744,200	751,300	7,100	0.95%
Contract Services	604,700	604,700	-	-
Operating Expenses	7,716,500	8,675,000	958,500	12.42%
<b>Total Expenditures</b>	<b>9,065,400</b>	<b>10,031,000</b>	<b>965,600</b>	<b>10.65%</b>
<b>Fiscal Expenses</b>	<b>2,751,900</b>	<b>2,751,900</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>40,600,000</b>	<b>38,794,400</b>	<b>(1,805,600)</b>	<b>(4.45%)</b>
<b>Grand Total</b>	<b>\$(191,223,000)</b>	<b>\$(190,286,600)</b>	<b>\$936,400</b>	<b>(0.49%)</b>



## 9. Ongoing Expenditure Requests – RECOMMENDED (in \$000s)

Ref	Description	Amount	Tax Impact (%)
<b>Community Services</b>			
1	<p><b>Arts Centre: Increase to Operations</b> Demands and need for Arts Centre programs continue to increase with growing waitlists. As the only purpose-built arts centre in the community with limited space, staff continue to maximize the use of space and provide new programs. In order to do this, supplies and contracts other (instructors) will be increased by \$35K. The majority of this increase will be covered by a corresponding increase in revenue of \$28K from the increased programs.</p>	\$7	0.00%
2	<p><b>Terra Nova Cultural Precinct OBI</b> The Terra Nova North Cultural Precinct is comprised of four heritage farm and cannery buildings situated along River Road: the Edwardian Cottage, the Cannery Store, the Parson House and the Cold Comfort Farm Operation. OBI funding is for the Maintenance and operations of the Edwardian Cottage, Cannery Store and ongoing security monitoring for the Parson House.</p>	\$38	0.02%
3	<p><b>Ongoing Fleet Cost for Arts Outreach Van</b> Currently the Arts Centre has a van, used as an Art Truck, that is not in the corporate replacement program. The Art Truck delivers outreach arts programming in the community free of charge, making the arts accessible, particularly to low-income neighbourhoods. The Art Truck also attends many community events which help expose event participants to the arts. This request is for the van to be replaced on a cyclical basis as part of the City's fleet.</p>	\$15	0.01%
4	<p><b>Sustainable Media Lab Staffing</b> The Media Lab's Media Arts Specialist is responsible for programs and events that meet the needs of Richmond's diverse community and address trends in media arts, with particular focus on serving 'low asset' youth through the Richmond Youth Media Program. Since 2011, the position has been mainly funded through sponsorship and grant money with some Department gap funding to maintain the number of staff hours. The Media Lab requires a sustainable approach ensure future media arts programming, production and support.</p>	\$100	0.05%
5	<p><b>Agrologist Contractor</b> Contract services to respond to increased soil issues and illegal dumping within the Agricultural Land Reserve. This additional level will increase capacity to process, review and administration of all "non farm use" soil removal and deposit applications.</p>	\$50	0.03%
<b>2016 Ongoing Grand Total – RECOMMENDED</b>		<b>\$210</b>	<b>0.11%</b>



## 10. Ongoing Expenditure Requests – PENDING (in \$000s)

Ref	Description	Amount	Tax Impact (%)
<b>Law and Community Safety</b>			
6	<p><b>12 RCMP General Duty Investigators</b> The RCMP requests four corporal ranked positions in 2016 and eight constable ranked positions in 2016. The RCMP supervisory ratio would be maintained at 1:5. This recommendation was based on an external operational review. This was also recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$2,020	1.06%
7	<p><b>1 RCMP General Investigation Section Investigator</b> The RCMP request for one constable to enhance the capability to investigate exploitation of children on the Internet and social media. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$173	0.09%
8	<p><b>2 RCMP Property Crime Unit</b> The RCMP conducted an internal review and concluded that the City needs two additional property crime unit members. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$316	0.17%
9	<p><b>1 RCMP Road Safety Investigator</b> The RCMP request one Road Safety Investigator to support traffic collision investigations and enforcement. This was recommended in the RCMP 3-Year Resourcing Plan as a result of increase traffic and to maintain road safety.</p>	\$158	0.08%
10	<p><b>1 RCMP Serious Crime Unit Investigator</b> The RCMP request one Serious Crime Investigator to support existing teams due to on-going investigations. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.</p>	\$208	0.11%
11	<p><b>1 RCMP IT Support</b> The RCMP request one municipal employees to support expected increase in administration of RCMP Systems and Infrastructure. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.</p>	\$96	0.05%
12	<p><b>2 RCMP General Duty Support Clerks</b> The RCMP request two municipal administrative support staff for the General Duty Watch Teams and Road Safety Unit. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.</p>	\$161	0.08%

## Ongoing Expenditure Requests – PENDING (in \$000s)

Ref	Description	Amount	Tax Impact (%)
13	<b>1 RCMP Records Reviewer</b> The RCMP request one municipal employee to maintain and review operational/administrative files. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase service demands.	\$86	0.05%
<b>2016 Ongoing Grand Totals - PENDING</b>		<b>\$3,220</b>	<b>1.70%</b>

## 11. Ongoing Expenditure Requests – NOT RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
14	Community Services	<p><b>Ongoing Major Events Funding</b> The City's annual events are funded from the Major Events Provision Fund where approval is received on a year to year basis. This funding model places limitations on the ability to properly plan events, strategize for future growth, and develop multi-year agreements with our suppliers and sponsors. To address these challenges, it is recommended that funding for major events and festivals be included in the on-going operating budget and not annually from the Major Event Provision account.</p>	\$800	0.42%
15	Community Services	<p><b>Increased Operating Hours - Tram Building</b> In order to open the Interurban Tram Building in alignment with the other heritage sites in Steveston, additional staffing is required.</p>	\$67	0.04%
16	Library	<p><b>Richmond Public Library Collections</b> The decrease in the value of the Canadian dollar is expected to have a significant impact on the library's purchasing power for collections, both physical and digital, in 2016. An ongoing additional level increase of \$200,000 will maintain collections.</p>	\$200	0.11%
17	Community Services	<p><b>Arts Centre Recreation Leader Auxiliary Hours</b> Since 2010, the Richmond Arts Centre has significantly increased community services and programs, with a 45% increase in program registrations as well as increasing waitlists. A high level of service and program quality has been developed and is now expected by Arts Centre patrons; however, this is increasingly difficult to maintain due to the current staff to program/participant ratio. This request is for staffing support.</p>	\$84	0.04%
18	Law and Community Safety	<p><b>Transfer to Fire Equipment Reserve</b> Additional transfer to fire equipment reserve to meet planned vehicle replacement needs.</p>	\$150	0.08%
19	Community Services	<p><b>Increased BSW Hours for Steveston Museum/Tram</b> Increased use of Tram building washroom and two new public washrooms in the Steveston Museum, not originally planned, were constructed during the Japanese Fishermen's Benevolent Society building rehabilitation as per Building Committee direction. These facilities have created the need for additional Building Service Worker hours to provide adequate cleaning for these heavily used washrooms to ensure safety and a hygienic environment for patrons.</p>	\$28	0.01%



## Ongoing Expenditure Requests – NOT RECOMMENDED (in \$000s)

Ref	Requested By	Description	Amount	Tax Impact (%)
20	Law and Community Safety	<b>Outside Legal Costs</b> To provide specialized advice for complex legal matters in order to meet development matters. The City's legal department budget is comprised of in-house legal costs (salaries being the greatest component of such costs) and the cost of external counsel.	\$100	0.05%
21	Law and Community Safety	<b>Fire Antiviral-Bacterial Supplies</b> RFR provides pre-hospital medical care to the community. This service requires staff to be exposed to communicable diseases on a regular basis. This exposure can lead to contamination of personal equipment and fire apparatus. Antiviral/Bacterial Supplies and services can reduce the risk of illness and cross contamination through sound cleaning and disinfecting procedures.	\$41	0.02%
<b>2016 Ongoing Grand Totals - NOT RECOMMENDED</b>			<b>\$1,470</b>	<b>0.77%</b>