



City of Richmond

Report to Committee

To: Finance Committee **Date:** February 7, 2019
From: Jerry Chong, CPA, CA **File:** 03-0970-01/2019-Vol
01
 Director, Finance
Re: **2019 Proposed Operating Budget – Same Level of Service Referral Response**



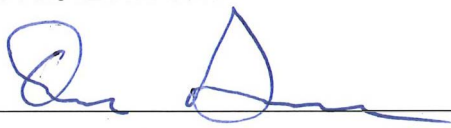
Staff Recommendation

That:

1. A same level of service budget increase, after tax growth, of \$2,167,033 with a tax increase of 1.00% before additional levels of service be approved; and
2. The 2019 Operating Budget overall tax increase of 4.82% as presented in Table 2 of the staff report titled 2019 Proposed Operating Budget – Same Level of Service Referral Response be approved; and
3. The 2019 Operating Budget of 4.82% be included in the Consolidated 5 Year Financial Plan (2019-2023).



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

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

Staff Report**Origin**

At the Finance Committee meeting on February 4, 2019, the 2019 Proposed Operating Budget – Referral Response from the Director, Finance dated January 28, 2019 was presented with a tax increase of 6.82%. The following items were approved from Part 1:

- (b) Non-discretionary external senior government related increases of \$2,987,000 with a tax increase of 1.38% be approved; and*
- (c) Ongoing funding for expenditures previously approved by Council totaling \$1,112,825 for the following items: an Emergency Program Neighbourhood Preparedness Program Assistant, Richmond Public Library Expanded Senior Services, Minoru Centre for Active Living operating budget impact phase-in, and operating budget impact of developer contributed assets with a tax increase of 0.51% be approved; and*
- (d) Pursuant to Council's Safe Community Priority program, provide funding for 36 additional firefighters in the amount of \$6,023,898 with a three-year phase in plan, resulting in a tax increase of 0.93% in 2019, 0.93% in 2020 and 0.93% in 2021 be approved; and*
- (e) Pursuant to Council's Safe Community Priority program, the capital and one-time costs for the additional 36 firefighters in the amount of \$2,541,276 be approved with funding from the Rate Stabilization Account; and*
- (f) Pursuant to Council's Safe Community Priority program, provide funding for 51 RCMP officers and 20 municipal employees to support the RCMP Detachment in the amount of \$8,844,350 with a three-year phase-in plan, resulting in a tax increase of 2.62% in 2019, 0.73% in 2020 and 0.73% in 2021 be approved; and*
- (g) Pursuant to Council's Safe Community Priority program, the capital and one-time costs for the additional 35 RCMP officers and 17 municipal employees to support the RCMP Detachment in the amount of \$839,519 be approved with funding from the Rate Stabilization Account; and*
- (h) Operating budget impact of the 2019 Capital Budget totaling \$1,208,320 with a three-year phase-in plan, resulting in a tax increase of 0.18% in 2019, 0.18% in 2020 and 0.18% in 2021 be approved; and*
- (j) City-wide additional levels in the amount of \$149,828 as presented in Attachment 1, with a tax increase of 0.07% be approved;*

Following discussions, the Committee made the following motions to amend the proposed budget:

(j) That a transfer to reserves for community facilities infrastructure needs as per Council's Long Term Financial Management Strategy in the amount of \$1,083,517 with a tax increase of 0.5% be approved.

(k) That the Rate Stabilization Account be used to reduce the overall impact of additional operating costs for a total of \$5,135,868 resulting in a tax decrease of 2.37 %.

The Finance Committee also referred the following to staff:

(1) That Part (1) (a) – “A same level of service budget increase, after tax growth, of \$3,249,703 with a tax increase of 1.50% before additional levels of service” be referred back to staff to reduce the overall tax increase by 0.5% and examine special events, and report back at a Special Finance Committee meeting scheduled for February 11, 2019;

(2) That Parts (2) and (3) of the main motion be referred back to staff.

This report responds to the referral by providing details of the overall tax reduction of 0.5% and additional information for the special events.

Analysis

2019 Same Level of Service Operating Budget

The following table summarizes changes to the 2019 Proposed Operating Budget so as to achieve a same level of service budget increase, after tax growth, of \$2,167,033 with a tax increase of 1.00% before additional levels of service. This is achieved through reducing the budget for policing through efficiencies gained as a result of the additional RCMP officers being approved and increasing the budget for revenues from various departments within Community Safety.

- \$700,000 reduction in the overall policing budget due to operational efficiencies, mainly resulting from an anticipated decrease in overtime costs as a result of the additional officers and municipal employees to support the RCMP Detachment
- \$233,000 increase in business licenses revenue
- \$150,000 increase in criminal record check, false alarm and other bylaw fines revenue

If any of the increased revenues or the overall decrease in the policing budget are not realized, the Community Safety Division may need to reallocate resources within the Division to avoid incurring a deficit.

The revised same level of service budget for 2019 is summarized in Table 1.

Table 1 – Revised 2019 Same Level of Service Budget Increases

Budget Component	Amount (in \$'000s)	2019 Tax Impact
Original Proposed 2019 Operating Budget Same Level of Service Budget Increases	3,250	1.50%
Operational Efficiencies within the Policing budget	(700)	(0.32%)
Increased budgeted revenue from Business Licenses	(233)	(0.11%)
Increased budgeted revenue from criminal record check and false alarm and other bylaw fines	(150)	(0.07%)
Proposed 2019 Operating Budget Same Level of Service Increases	\$2,167	1.00%

The proposed 2019 Operating Budget with an overall tax increase of 4.82% is detailed in Table 2 under the Financial Impact section.

Status Update on Special Events

At the Council Meeting held March 12, 2018, Council approved the proposed plan for major events and programs in 2018 and 2019:

- (1) That \$28,000 be approved for the 2018 Garden City Lands Farmer's Market to be funded from the Rate Stabilization Account;*
- (2) That \$1,158,000 be approved to support the following events and programs for 2019: Children's Arts Festival, Cherry Blossom Festival, Doors Open, Richmond Canada Day in Steveston, Richmond Maritime Festival, Garden City Lands Farmer's Market, Richmond World Festival, City-wide event marketing program and City branded assets, funded by the Rate Stabilization Account;*
- (3) That \$100,000 be approved to support the expansion of the Richmond Maritime Festival to include Imperial Landing, contingent on staff securing large Navy vessels for the event, funded by the Rate Stabilization Account;*
- (4) That \$75,000 be approved for a 2019 Neighbourhood Celebration Grant Program funded by the Rate Stabilization Account;*
- (5) That \$200,000 be approved for the 2019 Video Series: History of Richmond project, funded by the Rate Stabilization Account and shown in the Museum budget in the future; and*
- (6) That the 5 Year Financial Plan (2018-2022) be amended accordingly.*

The following presents an update on the progress of the approved major events and programs in 2019. Program planning is well underway with commitments made for boat appearances at the Maritime Festival (i.e., Lady Washington and Hawaiian Chieftain) and service contracts issued for event producers. Offers have been issued to headline talent for the World Festival, the Neighbourhood Celebration Grant program is currently being administered, partnerships with Salmon Festival have been approved, and the Children's Arts Festival is fully planned.

Sponsorship commitments amounting to \$250,000 have been secured based on the full program scope with more deals pending.

With respect to the 2020 major events and programs, the Major Events Advisory Group met on January 22, 2019 and recommended that the 2020 program includes the same schedule of events, funding levels and funding source as the 2019 program. A report requesting Council endorsement for the 2020 plan and funding is planned for the spring of 2019.

Financial Impact

Based on direction from the Finance Committee, staff have prepared the 2019 Proposed Operating Budget as summarized in Table 2.

Table 2 – 2019 Proposed Operating Budget (in \$000s)

Budget Component	Amount (in \$'000s)	Tax Impact
Same Level of Service Increase	\$2,167	1.00%
External Senior Government Related Increases	2,987	1.38%
Previously Approved Expenditures	1,113	0.51%
Safe Community Program – 36 fire rescue positions phased-in over three years	2,008	0.93%
Safe Community Program – 51 RCMP officers and 20 municipal employees to support the RCMP Detachment phased-in over three years	5,661	2.62%
Operating Budget Impact from 2019 Capital Budget	402	0.18%
Investment in Community Facilities Infrastructure (Transfer to Reserves)	1,084	0.50%
City-Wide Additional Levels	150	0.07%
Less: Rate stabilization	(5,136)	(2.37%)
2019 Proposed Operating Budget Increase	\$10,436	4.82%

Conclusion

The 5 Year Financial Plan (2019-2023) is proposed to be built based on the summary in Table 3.

Table 3 – Proposed 2019 Budget and 5 Year Financial Plan

Budget Component	2019	2020	2021	2022	2023
Same Level of Service Increase	1.00%	1.50%	0.96%	1.49%	1.91%
External Senior Government Related Increases	1.38%	0.16%	0.16%	0.18%	0.18%
Previously Approved Expenditures	0.51%	2.26%	0.75%	0.38%	0.09%
Safe Community Program – 36 fire rescue positions	0.93%	0.93%	0.93%	-%	-%
Safe Community Program – 51 RCMP officers and 20 municipal employees to support the RCMP Detachment	2.62%	0.73%	0.73%	-%	-%
Operating Budget Impact from Capital Budget	0.18%	0.58%	0.74%	0.63%	0.56%
Investment in Community Infrastructure	0.50%	1.00%	1.00%	1.00%	1.00%
City-Wide Additional Levels	0.07%	0.23%	0.23%	0.23%	1.62%
Less: Rate stabilization	(2.37%)	(0.70)%	(0.30)%	-%	-%
Proposed Tax Increase – including 107 positions – Safe Community Program 51 RCMP officers, 20 municipal employees to support the RCMP Detachment, and 36 fire rescue positions	4.82%	6.69%	5.20%	3.91%	5.36%



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MS:jh