



City of Richmond

Report to Committee

To: Finance Committee

Date: November 10, 2020

From: Jerry Chong, CPA, CA
Acting General Manger, Finance & Corporate
Services

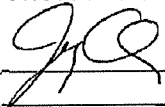

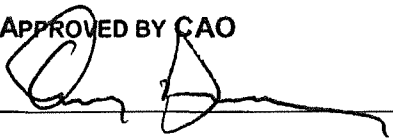
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Vol 01

Re: 2021 Preliminary Operating Budget Assumptions

Staff Recommendation

That the staff report titled "2021 Preliminary Operating Budget Assumptions" dated November 10, 2020 from the Acting General Manager, Finance and Corporate Services be received for information.

Jerry Chong, CPA, CA
Acting General Manager, Finance and Corporate Services
(604-276-4064)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
 For A. Nazareth	
SENIOR MANAGEMENT TEAM REVIEW	INITIALS:
	
APPROVED BY CAO	
	

Staff Report

Origin

On April 14, 2020, in response to the COVID-19 pandemic and resulting economic pressures, Council approved a 2.01% reduction to the 2020 property tax increase that had been approved by Council on December 9, 2019 by eliminating the additional 1% transfer to reserve, deferring the hiring of 12 RCMP officers and 5 municipal employees to support the RCMP Detachment, deferment of City Centre North Community Centre operating budget phase-in, and deferment of the Operating Budget Impact from the 2020 Capital Budget.

The Revised 2020 Budget provided a new framework for the City to work within. Revenue has been significantly impacted by the pandemic including reductions in gaming revenue, facility revenue, investment income and parking revenue, in addition unexpected costs had to be incurred to limit the spread of the virus. The Senior Management Team acted quickly and took proactive measures in response to these challenges. The City was successful with the collection of property taxes in 2020 and hope that this collection trend continues into 2021.

At the time of writing this report, the pandemic is not over, in fact the federal and provincial governments have declared we are currently experiencing the second wave and the current number of daily cases reported is higher than ever before since the start of the pandemic, which was declared a public health emergency on March 17, 2020. Local, national and international economies continue to be impacted by the ongoing COVID-19 pandemic.

Due to the uncertainty of 2020 results, the budget process has not followed traditional timing. In a typical year, the preliminary budget would be finalized and presented to the Finance Committee by the beginning of December. Collection of revenues such as certain payments in lieu of taxes are scheduled to be received in November or December, some of which are much later than a typical year. Operating expenses have and continue to be reduced wherever possible to offset any further revenue shortfalls. The measures taken by the Senior Management Team were taken to avoid a deficit for 2020, and based on current projections for the remainder of the year Richmond is optimistic that these measures have successfully achieved that goal.

On November 2, 2020, the Province notified the City that \$9.3M of Safe Restart funding would be provided. This provides a great deal of assistance and since this announcement was made quite late in the year, subsequent to all the mitigating measures already put into action, this leaves Richmond in a good position to continue navigating the uncertainties that are expected to continue in 2021.

An important aspect to avoiding a deficit in 2020 was the flexibility to work within the Council approved budget to redeploy resources where needed to respond to the pandemic and reallocate existing budgets to areas of need. For example, gaming revenue is allocated to fund external debt, grants, funds four police officers and transfers to reserves. With the significant reduction in this revenue source, operational savings was redirected to fulfill these commitments, thus reducing the risk of running a deficit.

It is acknowledged that certain services included in the same level of service could not be delivered in 2020 and may meet similar restrictions by provincial order in 2021; however, the budget is the framework for typical City operations, which will resume once the pandemic subsidies, hopefully within 2021. As discussed above, staff will work within the approved City budget to respond to the challenges that 2021 brings and may need to redeploy and reallocate these resources accordingly.

This report includes information on preliminary assumptions gathered that will be used to prepare the 2021-2025 5 Year Financial Plan (5YFP), which is being prepared in accordance with Council's policies and procedures relating to budgets.

Under section 165 of the *Community Charter*, the financial plan cannot plan for a deficit. In addition, any deficit that results from a year would need to be included in the financial plan the following year.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

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

5.3 Decision-making focuses on sustainability and considers circular economic principles.

5.4 Work cooperatively and respectfully with all levels of government and stakeholders while advocating for the best interests of Richmond.

Analysis

Preliminary 2021-2025 Operating Budget Assumptions

The following preliminary budget assumptions have been gathered as of October 2020. These assumptions will continue to be monitored and will be updated as additional information is received.

Table 1 summarizes the budget assumptions based on current information contained in contracts, agreements and external economic publications.

Staff are monitoring the key drivers to the budget and will update the following table as additional information is received.

Table 1 - Preliminary 2021-2025 Operating Budget Assumptions

Key Financial Drivers / Indicators	2021	2022	2023	2024	2025
Vancouver Consumer Price Index (CPI) ¹	2.1%	2.3%	2.1%	1.9%	1.9%
Richmond Municipal Price Index (MPI) ²	4.0%	4.0%	3.9%	3.9%	3.7%
User Fees ³	-%	2.3%	2.1%	1.9%	1.9%
Salaries ⁴	2.25%	2.5%	2.5%	TBD	TBD
Electricity ⁵	-%	0.5%	2.2%	3.0%	3.0%
Natural Gas ⁵	-%	2.0%	2.0%	2.0%	2.0%
RCMP Contract Increase ⁶	1.9%	2.5%	2.6%	2.6%	2.6%
IHIT Policing – Provincial Increase ⁷	1.2%	2.3%	3.2%	2.7%	2.6%
Growth (Tax Base) ⁸	1.0%	1.3%	1.4%	1.4%	1.4%

Sources: ¹ The Conference Board of Canada Major City Insights October 20, 2020; 2025 is projected based on 2024 forecasts; ² Finance Department, City of Richmond; ³ User fees are typically increased by forecasted CPI. At the Council meeting on October 13, 2020, Council approved to defer the CPI increase, which would take effect January 1, 2021, to 2021; ⁴ Salaries are based on 2020 to 2023 collective agreements; ⁵ Sustainability Department, City of Richmond; ⁶ RCMP E Division based on the same contract complement as the 2020 year. Note that actual contract increases will be higher due to the approval of additional officers. The above table is prepared to reflect the same level of service cost increases; ⁷ Community Safety Administration Department, City of Richmond; ⁸ Finance Department, City of Richmond

Collective Agreements

The current Collective Agreement for CUPE 718 and 394 presented in Table 2 reflects general wage increases for 2020-2023 and do not include other benefits negotiated. . The collective agreement for IAFF 1286 expired on December 31, 2019 and has yet to be negotiated. For reference, The following table summarizes the ratified rates for the last five years.

Table 2 – Summary of Collective Agreements

Collective Agreements	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CUPE 718 (Inside Workers)	1.5%	1.5%	2.0%	2.0%	2.0%	2.25	2.50	2.50	TBD	TBD
CUPE 394 (Outside Workers)	1.5%	1.5%	2.0%	2.0%	2.0%	2.25	2.50	2.50	TBD	TBD
IAFF 1286 (Fire)	2.5%	2.5%	2.5%	2.5%	TBD	TBD	TBD	TBD	TBD	TBD

Same Level of Service Increase

Policy 3016 requires that a same service level budget, with only non-discretionary increases that can be clearly identified and supported, be put forward to Council. Non-discretionary costs mainly include incremental increases specified in contracts and salary increases associated with collective

agreements. Therefore, the 2020 service levels form the basis of the 2021 base budget. Any enhanced or new levels of service are identified as an additional expenditure request by the respective departments and the operating budget impact (OBI) from capital projects will be separately identified for Council's consideration.

Policy 3707 requires that tax increases will be at or below the estimated Vancouver's Consumer Price Index (CPI) rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0% towards infrastructure replacement needs. The Vancouver CPI for 2021 is estimated at 2.1%

The following table provides a high-level summary of the estimated same level of service increase in 2021. Even with non-discretionary increases that are beyond the City's control, staff estimate that the same level of service budget will be less than projected CPI in adherence with Council's Long Term Financial Management Strategy. As the budget process is ongoing, staff are reviewing the key drivers to the budget; therefore, estimated figures provided may change.

Table 3 – Preliminary Estimated Same Level of Service Increase

Cost Breakdown	Estimated Amount (in 000's)	Estimated Tax Impact %
Salaries	\$4,400	1.84%
Policing Contract	1,045	0.44%
Insurance	800	0.33%
Other	200	0.08%
Tax Growth	(2,394)	(1.00%)
Preliminary Estimated Same Level of Service	\$4,051	1.69%

Budget Scenarios

The following tables summarize preliminary estimated budget increases that could be included in the 2021 proposed operating budget. Three different scenarios of potential tax increase are presented and all options include the same level of service increase, senior government related increases, and 1% transfer towards Investment infrastructure Replacement Needs..

Scenario 1: Fund all Council Approved deferred and planned positions/increases in 2021 including 1% towards Investment in Infrastructure Replacement Needs

- Scenario 1 proposes to fund remaining RCMP officers, municipal employees to support RCMP and 12 firefighters to complete the funding of Council's Safe Community Priority Program, resulting in a tax impact of 2.39%
- Fund deferred OBI from 2020 Capital Budget (Year 1 of 3), and phased-in OBI scheduled in 2021.
- Include the cancelled 2020 Investment Infrastructure Replacement Needs (1% Transfer to Reserves)
- Include the amount deferred from 2020 increases (funding from rate stabilization)
- Investment Infrastructure Replacement Needs (1% Transfer to Reserves)

Table 4 – Budget Scenario 1

Items	Amount (in \$'000s)	2021 Tax Impact ¹
Preliminary Estimated Same Level of Service	\$4,051	1.69%
External Senior Government Related Estimated Increases: Canada Pension Plan enhancements	300	0.12%
Same Level of Service and Senior Government Increases Total	4,351	1.81%
<i>RCMP officers and municipal employees deferred from 2020</i>	<i>1,748</i>	<i>0.73%</i>
RCMP officers and municipal employees planned for 2021	1,748	0.73%
Fire rescue positions phased-in over three years (Year 3 of 3)	2,226	0.93%
Safe Community Priority Program Total	5,722	2.39%
<i>2020 Increases Deferred to 2021 through Utilization of Rate Stabilization</i>	<i>1,609</i>	<i>0.67%</i>
OBI from 2019 Capital Budget - Year 3 of 3	403	0.17%
<i>OBI from 2020 Capital Budget – Year 1 of 3 (deferred from 2020)</i>	<i>215</i>	<i>0.09%</i>
OBI from 2020 Capital Budget – Year 2 of 3	215	0.09%
Estimated OBI from 2021 Capital Budget – Year 1 of 3	400	0.17%
Estimated OBI from 2021 Developer Contributed Assets	806	0.34%
Operating Budget Impact and 2020 Deferred Increases Total	3,648	1.53%
Preliminary Estimated 2021 Operating Budget Increase	\$13,721	5.73%
<i>Investment in Infrastructure Replacement Needs (Transfer to Reserves) - 2020</i>	<i>2,299</i>	<i>0.96%</i>
Investment in Infrastructure Replacement Needs (Transfer to Reserves)	2,394	1.00%
Preliminary Estimated 2021 Operating Budget Increase	\$18,414	7.69%

¹Based on 2020 assessment figures, a 1% tax increase equates to approximately \$17.60 in municipal taxes for the average residential property assessed at \$1,006,296.

Scenario 2: Fund RCMP Positions and Municipal Employees to support the RCMP Detachment in 2021 and 2022 and Firefighters in 2022

- Scenario 2 proposes to fund RCMP positions and municipal employees deferred from 2020 in 2021, and fund what was planned for 2021 in 2022. This would result in a 0.73% tax impact per year to hire 12 officers in 2021 and 4 in 2022, funded equally over the years 2021 and 2022.
- The 12 firefighters intended to be hired in 2021 would be hired in 2022
- Fund deferred OBI from 2020 Capital Budget (Year 1 of 3), and phased-in OBI scheduled in 2021.
- Include the amount deferred from 2020 increases (funding rate stabilization)
- Investment Infrastructure Replacement Needs (1% Transfer to Reserves)

Table 5 – Budget Scenario 2

Items	Amount (in \$'000s)	2021 Tax Impact ¹
Preliminary Estimated Same Level of Service	\$4,051	1.69%
External Senior Government Related Estimated Increases: Canada Pension Plan enhancements	300	0.12%
Same Level of Service and Senior Government Increases Total	4,351	1.81%
<i>RCMP officers and municipal employees deferred from 2020</i>	<i>1,748</i>	<i>0.73%</i>
RCMP officers and municipal employees planned for 2021 (DEFER \$1,748 to 2022)		
Fire rescue positions phased-in over three years - Year 3 of 3 (DEFER \$2,226 to 2022)		
Safe Community Priority Program Total	1,748	0.73%
<i>2020 Increases Deferred to 2021 through Utilization of Rate Stabilization</i>	<i>1,609</i>	<i>0.67%</i>
OBI from 2019 Capital Budget - Year 3 of 3	403	0.17%
<i>OBI from 2020 Capital Budget – Year 1 of 3 (deferred from 2020)</i>	<i>215</i>	<i>0.09%</i>
OBI from 2020 Capital Budget – Year 2 of 3	215	0.09%
Estimated OBI from 2021 Capital Budget – Year 1 of 3	400	0.17%
Estimated OBI from 2021 Developer Contributed Assets	806	0.34%
Operating Budget Impact and 2020 Deferred Increases Total	3,648	1.53%
Preliminary Estimated 2021 Operating Budget Increase	\$9,747	4.07%
Investment in Infrastructure Replacement Needs (Transfer to Reserves)	2,394	1.00%
Preliminary Estimated 2021 Operating Budget Increase	\$12,141	5.07%

¹Based on 2020 assessment figures, a 1% tax increase equates to approximately \$17.60 in municipal taxes for the average residential property assessed at \$1,006,296.

Scenario 3: Defer RCMP Positions and Municipal Employees to Support the RCMP Detachment to 2022-2024, and Firefighters to 2025-2026

- Council's Safe Community Priority Program could be deferred for one more year to allow time for the COVID-19 pandemic to subside and the economy to recover.
- The remaining police officer positions and municipal employees to support the RCMP Detachment that were deferred from 2020, plus those originally planned for 2021 could be hired and funded over three years 2022-2024, with a tax impact of approx. 0.49% per year.
- The final 12 firefighters could be hired in 2026, funded over two years 2025-2026 with a tax impact of approx. 0.47% per year. The funding phased-in one year in advance of hiring the firefighters would be utilized to make a one-time contribution to the Rate Stabilization Account, which funded the one-time capital cost of hiring the 36 firefighters, including a new fire rescue truck and a new fire engine.
- Include the amount deferred from 2020 increases (funding rate stabilization)
- Fund deferred OBI from 2020 Capital Budget (Year 1 of 3), and defer year 2 of 2020 OBI, 2021 OBI and developer contributed assets OBI.
- Investment Infrastructure Replacement Needs (1% Transfer to Reserves)

Table 6 – Budget Scenario 3

Items	Amount (in \$'000s)	2021 Tax Impact ¹
Preliminary Estimated Same Level of Service	\$4,051	1.69%
External Senior Government Related Estimated Increases: Canada Pension Plan enhancements	300	0.12%
Same Level of Service and Senior Government Increases Total	4,351	1.81%
<i>RCMP officers and municipal employees deferred from 2020 (DEFER \$1,748 to 2022 to 2024)</i>	-	-
<i>RCMP officers and municipal employees planned for 2021 (DEFER \$1,748 to 2022 to 2024)</i>	-	-
<i>Fire rescue positions phased-in over three years (Year 3 of 3) (DEFER \$2,226 to 2025 and 2026)</i>	-	-
Safe Community Priority Program Total	-	-
<i>2020 Increases Deferred to 2021 through Utilization of Rate Stabilization</i>	1,609	0.67%
OBI from 2019 Capital Budget - Year 3 of 3	403	0.17%
<i>OBI from 2020 Capital Budget – Year 1 of 3 (deferred from 2020)</i>	215	0.09%
DEFER - OBI from 2020 Capital Budget – Year 2 of 3- (\$215k)		-
DEFER - Estimated OBI from 2021 Capital Budget – Year 1 of 3 - (\$400k)		-
DEFER - Estimated OBI from 2021 Developer Contributed Assets - (\$806k)		-
Operating Budget Impact and 2020 Deferred Increases Total	2,227	0.93%
Preliminary Estimated 2021 Operating Budget Increase	\$6,578	2.74%
Investment in Infrastructure Replacement Needs (Transfer to Reserves)	2,394	1.00%
Preliminary Estimated 2021 Operating Budget Increase	\$8,972	3.74%

¹Based on 2020 assessment figures, a 1% tax increase equates to approximately \$17.60 in municipal taxes for the average residential property assessed at \$1,006,296.

Amounts Deferred from the 2020 Budget**Defer 12 Additional RCMP Officers and 5 Additional Municipal Employees to Support the RCMP Detachment**

At the Council meeting on February 11, 2019, the 2019 Operating Budget was approved including the following:

1(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

1(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.

When Council approved the Safe Community Priority Program in February 2019, the economy was experiencing steady growth and had a strong outlook. For context, the end of Q3 2020 the Canada, BC and Metro Vancouver unemployment rates were 9.0%, 8.4% and 11.1%, respectively. Metro Vancouver saw additional job gains in October and the unemployment rate decreased to 9.7% by the end of the month.

Richmond has a track record of maintaining moderate tax increases and these tax impacts were higher than a typical year, but it recognized the resources needed for a growing community. While additional resources are needed when projected growth is realized, Council opted for an accelerated timeline to bring in these additional resources.

On May 23, 2017, it was announced that ORH Ltd was retained to conduct an Optimal Deployment Review for Richmond Fire-Rescue. Based on the consultant's report, in order to maintain the current levels of service a Rescue Company consisting of 12 firefighters would be required in the Steveston/Seafair area by 2023 and an Engine Company consisting of 24 firefighters in the City Centre/Brighouse area would be required by 2027. The first 12 firefighters were hired in 2019 and the following 12 firefighters were hired in March 2020. The remaining 12 firefighters were previously approved by Council to be hired in 2021.

Table 7 summarizes when all 107-community safety positions were originally approved to be funded along with the current funded status.

Table 7 – Council’s Safe Community Priority Program 2019-2021 – Funding Status

Year	2019 Funded	2020 Funded	2020 Deferred	2021 Planned
Previously approved expenditures that require ongoing funding:				
16 police officers (approved in 2018, but not funded)	0.96%	-%	-%	-%
3 municipal employees to support the RCMP (approved in 2018, but not funded)	0.09%	-%	-%	-%
Total Previously Approved Expenditures (16 RCMP officers and 3 municipal employees to support the RCMP Detachment)	1.05%	-%	-%	-%
Additional Level Expenditures:				
35 police officers (19 designated for 2019; 12 were scheduled to be hired in 2020 and 4 more in 2021, funded equally over two years)	1.38%	-%	0.54%	0.54%
17 municipal employees to support the RCMP, funded equally over three years	0.19%	-%	0.19%	0.19%
Total Additional Expenditures – Policing: 35 RCMP officers and 17 municipal employees to support the RCMP Detachment	1.57%	-%	0.73%	0.73%
Safe Community Priority Program – Policing: 51 RCMP officers and 20 municipal employees to support the RCMP Detachment	2.62%	-%	0.73%	0.73%
36 firefighters, 12 funded per year	0.93%	0.93%	-%	0.93%
Safe Community Priority Program – Fire Rescue: 36 fire rescue positions	0.93%	0.93%	-%	0.93%
107 Positions – Safe Community Priority Program: 51 RCMP officers, 20 municipal employees to support the RCMP Detachment, and 36 fire rescue positions	3.55%	0.93%	0.73%	1.66%

Council’s Safe Community Priority Program was approved pre-COVID-19. Council has already acted to defer part of the 2020 approved amount in direct response to the COVID-19 pandemic. It is worthwhile to consider the timing of implementation of the remainder of this program given the current economic climate.

Defer City Centre North Community Centre OBI Phase-In

On June 22 2020, Council approved to permit the delayed completion of the City Centre North Community Centre to December 31, 2023. Therefore, it is proposed to defer the phase-in of the operating budget to the years 2022-2024. It is estimated that the impact would be approximately 0.20% per year.

Defer Operating Budget Impact from the 2020 Capital Budget

On December 9, 2020, Council approved to phase-in the Operating Budget Impact of the 2020 Capital Budget over three years (2020-2022). It is proposed to phase-in this impact over the years 2021-2023. It is estimated that the impact would be approximately 0.09% per year.

Previously Approved Amounts Impacting 2021-2025

Other previous Council decisions that are being phased-in to the 2021 Budget or that take effect in 2021 include the operating budget impact of the 2019 Capital Budget and developer contributed assets. These decisions are summarized in this section.

Operating Budget Impact of the 2019 Capital Budget

At the Council meeting on February 11, 2019, the 2019 Operating Budget was approved including the following:

(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.

Council previously approved a three-year phase-in plan for the OBI associated with the 2019 Capital Budget. This includes funding for:

- New road infrastructure such as roadways and bike paths, street signs and traffic signals
- New drainage improvements including dike maintenance and upgraded pump stations
- New services levels for an Arts Centre at the Minoru Place Activity Centre.
- New parks or expanded park amenities
- New technology and software licensing costs and maintenance contracts

Operating Budget Impact of the 2020 Capital Budget Amendment

At the Council meeting on July 27, 2020, an increase to the 2020 Capital Budget was approved to include the following:

That the Equipment Renewal and GHG Reduction Project, described as Option 2 on page 4 in the staff report titled "Library Cultural Centre Mechanical Upgrade Project", dated July 20, 2020, from the Director, Sustainability and District Energy, be approved.

This option approved by Council includes a forecasted 60% GHG reduction (or 160 tonnes of GHGs annually compared to the current system) and requires an OBI increase of \$56,875 for utility and maintenance expenses. The option proposed by staff included a GHG emissions reduction of 10% compared to the current system and did not create an operating budget impact.

Developer Contributed Assets Expected to be in Service in 2021

Developer Contributed Assets expected to be in service in 2021 have an estimated impact of \$805,617 including two child care centres (Sprouts Early Childhood Development Hub and Seedlings Early Childhood Development Hub).

Rate Stabilization

The overall 2020 tax increase was deferred by utilization of \$1,609,318 or 0.67% tax impact through the Rate Stabilization Account. As of September 30, 2020, there is a balance of \$13,107,656 in the Rate Stabilization Account; however, there are several priorities that are contemplating the use of these funds that need to be considered in the 2021 budget process.

Gaming Revenue

The closure of the River Rock casino as ordered by the Provincial Health Officer in response to the COVID-19 pandemic has had a significant revenue impact for the City. With the declaration that we are officially in the second wave of the pandemic, staff are unable to determine when the casino will resume operations. It is proposed that the 2021 gaming revenue budget be extremely conservative with no expectation of revenue in 2021 since the opening of the casino is not within the City's control. Accordingly, alternative funding sources are identified for all priority 1 expenses that are funded by gaming revenue. No alternative funding sources are proposed for priority 2 and priority 3 expenses. Should any gaming revenue be received in 2021, staff will propose an allocation model at that time.

Table 8 – 2021 Proposed Gaming Revenue Budget

Casino Funding	Priority	2020 Approved Gaming Allocation	2020 Approved Gaming Budget	2021 Proposed Reduction	2021 One-Time Alternate Funding	2021 One-Time Alternate Funding Source
Debt Servicing	1	Fixed	\$5,000	-	\$5,000	Appropriated Surplus
Grants	1	15%	2,175	-	2,175	Grants provision and Emergency Response Fuel Facility Provision
Operating (RCMP)	2	4 Officers	730	730	-	None
Capital Reserve	3	30%	4,350	4,350	-	None
Capital Building & Infrastructure Reserve	3	Remainder	1,955	1,955	-	None
Council Community Initiatives Account	3	2%	290	290	-	Council Community Initiatives Account Provision
Total		100%	\$14,500	\$7,325	\$7,175	

Priority 1 - External commitments and external contributions

Priority 1 items include funding the external debt and grants program. It will be assumed that the casino will not re-open in 2021. Therefore, one-time alternate funding sources have been identified for 2021. This assumption will be reassessed in the 2022 budget process.

Priority 2 – Operating (RCMP)

Starting with the 2007 Operating Budget, the Finance Committee recommended the addition of four officers funded by casino revenue rather than funding these officers by the tax base. Since the funding source for four officers is dependent upon receiving this casino revenue, the officer complement, which is confirmed annually with the Detachment, could be reduced by four officers resulting in no tax impact. If Council wishes to maintain the current complement, two options could include; one-time funding or adding these four officers to the tax base of approximately 0.31%. When casino revenue resumes and is sufficient to cover Priority 1 items, then Council can revisit the decision of the four officers with gaming revenue once again.

Priority 3 – Transfers to internal reserves and provision

Approximately 43% of the gaming revenue budget was allocated toward bolstering capital reserves balances. While this is a high priority for the City, as there is no external commitment, these transfers can be temporarily halted. This will have an impact on the funding available for future capital projects and will be considered in the budget process.

The Council Community Initiatives Account was allocated 2% of gaming revenue to enable Council to fund one-time initiatives that address social, environmental, recreation and sports, heritage, arts and culture, safety and security, or infrastructure needs. While no additional amount will be added to the account for 2021, as of September 30, 2020 there is \$836,301 available in the Council Community Initiatives Account Provision. It is suggested that the maximum annual distribution from this account should not exceed 50% of the prior year's ending account balance; however, Council has the discretion to waive this limitation.

Additional 1% Transfer to Reserves

On December 9, 2019, Council approved the 2020 Operating Budget, in accordance with Council's Long Term Financial Management Strategy, an additional 1% transfer for infrastructure replacement in the amount of \$2,299,025. This transfer was cancelled on April 14, 2020 with the revised 2020 Operating Budget. The cancellation of the transfer to reserves and the non-receipt of gaming funds in 2020 has created an \$8.6M reduction in the transfer to reserves and the future capital program. The 2021 proposed operating budget will include an additional 1% transfer to reserves, in accordance with Council policy, however this will not restore the compounding impact of the amount that was eliminated. Therefore, the reserves will not be replenished as quickly as originally intended, which could affect future timing of infrastructure replacement.

Major Facilities Replacement - Phase 2

On December 12, 2016, Council approved:

- (1) That the priority list of major facility projects for the period of 2016-2026 as follows:*
- (a) City Centre Community Centre North; (Developer Funded)*
 - (b) Steveston Community Centre and Branch Library;*
 - (c) Lawn Bowling Clubhouse;*
 - (d) Britannia Shipyards National Historic Site and Phoenix Net Loft; and*
 - (e) Richmond Animal Shelter;*
- be approved.*

On February 13, 2018, Council approved:

That a community facility of up to ten thousand square feet which would incorporate a soccer field house be added as a prioritized major facility project for 2016-2026.

The following table summarizes the amounts previously approved by Council for Major Facilities Phase 2 projects and the remaining priority projects that still require funding.

Table 9 – Major Facilities Replacement – Phase 2 (in \$000's)

Year Approved	Project Name	Approved City Funding	External Funding	OBI
2017	Advanced Planning and Design for Major Facilities Phase 2	\$2,000	\$-	\$-
2017	City Centre Community Centre North (Developer Funded)	-	-	1,938
2018	Animal Shelter Replacement	8,000	-	-
2018	Lawn Bowling Club Replacement	4,000	-	-
2019	Lawn Bowling Club Replacement	1,210	90	-
2018	Phoenix Net Loft Building Stabilization	11,500	-	-
2020	Phoenix Net Loft Building Stabilization	7,940	-	-
Total Previously Approved Projects		\$34,650	\$90	\$1,938
Estimated Amounts				
Project Name		City Funding	External Funding	OBI
Steveston Community Centre and Branch Library		\$100,000	\$-	\$1,000
Hugh Boyd Field House		5,300	130	-
Remaining Major Facility Priority Projects for 2016-2026		\$105,300	\$130	\$1,000
Total 2016-2026 Major Facilities Priority Projects		\$139,950	\$220	\$2,938

*The facility is 100% developer funded and will be recognized at fair market value upon transfer of ownership to the City.

At the time these projects were approved as priorities and where budget amounts were approved, it was anticipated that capital reserves would be replenished through transfers from gaming revenue and the annual additional 1% transfer to reserves. Due to the decrease in both of these sources of funding, there could be an impact on timing of future capital investments, which will be considered in the 2021 budget process.

Next Steps

The 2021 budget process is ongoing; the following table summarizes the next steps in the budget process and the tentative timeline of bringing the 2021 budget to the Finance Committee for review.

Table 10 – Next Steps in the 2021 Budget Process


	Month	Responsibility	Task
1	November-December 2020	Review Team	Review and rank 2021-2025 Capital Projects, OBI, and 2021 Additional Levels.
2	January 2021	FP&A / Review Team / SMT and CAO	2021 Capital, Operating, Additional Level Budgets to SMT and CAO for review.
3	February 2021	FP&A / SMT / Finance Committee	Presentation of 2021 Capital, Operating and One-Time Budgets to Finance Committee.
4	February 2021	Staff	Revise budget and prepare 5YFP (2021-2025) based on Finance Committee direction
5	February 2021	FP&A / SMT / Council	Presentation of 5YFP to Council and approval of 5YFP and bylaw (2021 – 2025) 1 st , 2 nd , and 3 rd readings.
6	February-March 2021	FP&A / SMT / Council	5YFP (2021 – 2025) Public Consultation
7	March 2021	FP&A / SMT / Council	Adoption of 5YFP (2021-2025)
8	Fall 2021	FP&A / Finance Committee	5YFP (2021-2025) Amendment Bylaw and Public Consultation

Financial Impact

There is no financial impact of receiving this report for information. As the budget process is ongoing, assumptions and amounts are being further reviewed and may change.

Conclusion

The 2021 proposed operating budget is in the process of being prepared. This report provides the Finance Committee with an update on the preliminary budget assumptions, a summary of the items previously approved by Council that will be included in the 2021 proposed operating budget, including those that were deferred from the 2020 Operating Budget, and summarizes the timeline and next steps of the budget process.


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