



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Ivy Wong, CPA, CMA  
Acting Director, Finance  
**Re:** 2022-2026 Budget Process



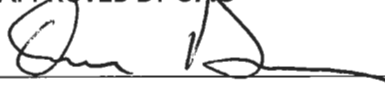
**Date:** May 17, 2021  
**File:** 03-0970-25-2021-  
01/2020-Vol 01

### Staff Recommendation

That the staff report titled "2022-2026 Budget Process" dated May 17, 2021 from the Director, Finance be received for information.

Ivy Wong, CPA, CMA  
Acting Director, Finance  
(604-276-4046)

Att. 2

REPORT CONCURRENCE	
<b>CONCURRENCE OF GENERAL MANAGER</b>  Acting GM, F&CS	
<b>SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b> 
<b>APPROVED BY CAO</b> 	

## Staff Report

### Origin

The purpose of this report is to provide Council with the framework that will be utilized for the preparation of the City's Consolidated 5 Year Financial Plan (2022-2026) (5YFP). Section 165 of the *Community Charter* requires a five-year financial plan to be adopted annually.

### *Council Policies*

Policy 3016 requires that a same service level budget, with only non-discretionary increases that can be clearly identified and supported through a previous authorized agreement or contract, be put forward to Council. Non-discretionary costs mainly include incremental increases specified in contracts and salary increases associated with collective agreements. Therefore, the 2021 service levels form the basis of the 2022 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 3016 requires the annual operating, capital budget and 5 Year Financial Plan to be presented to Council by the first Council meeting in January of the year in which the annual budget is being prepared.

External review agencies recommend that Council adopts the 5 Year Financial Plan in advance of the year that the budget takes effect in order to provide staff with direction on spending from the beginning of the year.

Policy 3707 states:

“Tax increases will be at 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 5YFP will be prepared in accordance with Council's policies and procedures.

This report supports Council's 2018-2022 Strategic Plan #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.*

This report also supports Council's 2018-2022 Strategic Plan #1 A Safe and Resilient City:

*Enhance and protect the safety and well-being of Richmond.*

- 1.1. *Enhance safety services and strategies to meet community needs.*
- 1.2. *Future-proof and maintain city infrastructure to keep the community safe.*
- 1.3. *Ensure Richmond is prepared for emergencies, both human-made and natural disasters*
- 1.4. *Foster a safe, caring and resilient environment.*

## **Analysis**

### **Budget Process and Preliminary Financial Indicators**

Staff follows the budget cycle as described in Attachment 1. Table 1 outlines the process and the key dates for the preparation of the Consolidated 5 Year Financial plan (2022-2026).

**Table 1 – 5 Year Financial Plan (5YFP) Schedule**

	<b>Month</b>	<b>Responsibility</b>	<b>Task</b>
1	April-May	Staff	Research financial indicators for 2022-2026 budget assumptions. Prepare budget system for 2022-2026.
2	June-July	Staff	Provide Council with an update on the budget process, preliminary budget assumptions, established services levels and previously approved budget items.
3	June-September	Staff	Prepare Department's 2022-2026 budget submissions
4	September-October	Staff	Review Division's 2022-2026 budget submissions and Council referrals
5	September-October	SMT/CAO	Review City's 2022-2026 budget submissions
6	September-November	Staff	Prepare 2022-2026 budget package for Finance Committee review
7	September-November	SMT/CAO	Review and finalize all 2022-2026 budget recommendations to Finance Committee
8	October	Council	Review and approve 2022 Utility Budget and Rates
9	November	Council	Review and approve 2022-2026 capital budget submissions with associated Operating Budget Impacts
10	November	Council	Review and approve 2022 same level of service Operating Budgets
11	November	Council	Review and approve 2022 ongoing additional levels of service requests

	Month	Responsibility	Task
12	November	Council	Review and approve 2022 one-time expenditure requests
13	December	Council	Review and approve 5YFP (2022-2026)
14	December	Staff	Public Consultation on 5YFP (2022-2026)
15	January 2022	Council	Adoption of 5YFP (2022-2026)

At the time of writing, the Province remains in a public health emergency state due to COVID-19 and its impact is an ongoing economic consideration.

#### *Preliminary 2022 – 2026 Operating Budget Assumptions*

Council Policy 3707 states that tax increases will be at or below the estimated Vancouver's CPI rate (to maintain current programs and existing infrastructure at the same level of service) plus 1.0% towards infrastructure replacement needs.

CPI is a widely accepted measure of consumer goods inflation. Inflation is generally thought of as a rise in the prices of consumer goods and services over a period of time. This is based on an individual consumer basket of goods including food, shelter, transportation, clothing, recreation and household operations.

Municipal governments do not incur the same costs as consumers. Rather, they incur costs such as: unionized salaries and benefits (covered by collective agreements), policing services, materials and supplies to build and maintain City infrastructure, energy for community centres and recreation facilities.

Municipal Price Index (MPI) is calculated based on a combination of known contract increases as well as estimates for expected increases, including the settlement of collective agreements.

Table 2 summarizes the budget assumptions based on current information contained in contracts, agreements and external economic publications. MPI is forecasted to be consistently higher than CPI and is presented merely as a benchmark. Financial Planning & Analysis (FP&A) will continue to monitor these financial indicators and will provide updated indicators at the time the budget is presented, if there are significant changes to the forecasts.

**Table 2 - Preliminary 2022-2026 Operating Budget Assumptions**

Key Financial Drivers / Indicators	2022	2023	2024	2025	2026
Vancouver Consumer Price Index (CPI) <sup>1</sup>	2.5%	2.1%	2.0%	2.0%	2.0%
Richmond Municipal Price Index (MPI) <sup>2</sup>	4.1%	4.1%	4.0%	3.9%	3.8%
User Fees <sup>2</sup>	2.5%	2.1%	2.0%	2.0%	2.0%
Salaries <sup>3</sup>	2.5%	2.5%	TBD	TBD	TBD
Electricity <sup>4</sup>	2.5%	3.0%	3.0%	3.0%	3.0%
Natural Gas <sup>4</sup>	2.0%	2.0%	2.0%	2.1%	2.2%
RCMP Contract Increase <sup>5</sup>	2.5%	2.6%	2.6%	2.6%	2.6%
IHIT Policing – Provincial Increase <sup>6</sup>	2.3%	3.2%	2.7%	2.6%	2.6%
Growth (Tax Base) <sup>7</sup>	1.3%	1.4%	1.4%	1.4%	1.4%

Sources: <sup>1</sup> The Conference Board of Canada Major City Insights March 3, 2021; 2026 is projected based on 2025 forecasts; <sup>2</sup> Finance Department, City of Richmond; <sup>3</sup> User fees are typically increased by forecasted CPI; <sup>3</sup> Salaries are based on 2020 to 2023 collective agreements; <sup>4</sup> Sustainability Department, City of Richmond; <sup>5</sup> Preliminary estimates from RCMP E Division based on the same contract complement as the 2020 year before the approval of additional officers due to differences in fiscal year. Note that actual contract increases will be higher due to the approval of additional officers in 2021. The above table is prepared to reflect the same level of service cost increases. Actual rates to be provided by the RCMP and the Province at a later time; <sup>6</sup> Community Safety Administration Department, City of Richmond; <sup>7</sup> Finance Department, City of Richmond

On Oct 13, 2020, Council approved the deferral of annual CPI increase to the Consolidated Fees Bylaw for 2021. Staff will present a report to Council in Fall 2021 to seek Council direction as to whether to increase rates for both 2021 and 2022 or to forego the 2021 rate increase entirely.

### *Collective Agreements*

The City's current collective agreements with Canadian Union of Public Employees, Local 394 and Richmond Civic Employees' Union, Local 718 have been ratified through 2023. The City's current collective agreements with International Association of Firefighters/ The Richmond Firefighters' Association, Local 1286 agreement has been rolled-over for 2020 and 2021. In addition, the Richmond Public Library and the Canadian Union of Public Employees, Local 3966 have agreed to a general wage increase of 2.00% and 2.25% for 2020 and 2021 respectively. The rates do not include any enhancements for benefits, which would also increase annual unionized salaries. For reference, Table 3 summarizes the ratified rates for the last five years.

**Table 3 – Summary of Collective Agreements**

Bargaining Unit	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
IAFF Local 1286	2.50%	2.50%	2.50%	2.50%	2.50%	TBD	TBD	TBD	TBD	TBD
CUPE Local 394	1.50%	2.00%	2.00%	2.00%	2.25%	2.50%	2.50%	TBD	TBD	TBD
CUPE Local 718	1.50%	2.00%	2.00%	2.00%	2.25%	2.50%	2.50%	TBD	TBD	TBD
CUPE Local 3966	1.50%	2.00%	2.00%	2.00%	2.25%	TBD	TBD	TBD	TBD	TBD

### Service Levels

Policy 3016 requires that a same service level budget be prepared. The types of services delivered by each division have been categorized as Core, Traditional or Discretionary as presented in Attachment 2.

### *Environmental Scan*

The population and demand for services continues to rise in Richmond as indicated in Tables 4 and 5.

**Table 4 – City of Richmond Statistics**

Description	2017	2018	2019	2020	2021*
Population	208,498	210,808	213,678	216,046	218,440
# Residential Dwellings	71,743	73,633	74,941	76,172	77,172
# Business Licences	13,870	14,985	14,487	13,481	14,330
# Farms	665	645	613	590	612

Source: <sup>1</sup> BC Stats, Ministry of Labour and Citizens Services; <sup>2</sup> BC Assessment; <sup>3</sup> Business Licences; <sup>4</sup> BC Assessment  
 \*2019 figures are estimates as of May 2019.

**Table 5 – Demand for City of Richmond Services**

Demand for City Services	2017	2018	2019	2020	2021*
Population Growth (per annum)	0.4%	1.1%	1.4%	1.1%	1.1%
Budgeted Capital Costs (\$M) <sup>1</sup>	112.8	160.1	115.1	166.5	104.9
Registration in Rec. Programs <sup>2</sup>	146,000	145,800	143,800	28,700	30,700
Membership Visits <sup>3</sup>	1,018,000	1,078,000	1,531,900	461,200	700,000
Fire Rescue Responses <sup>4</sup>	11,216	9,805	9,494	6,412	6,604
Public Works Calls for Services <sup>5</sup>	16,120	14,690	14,327	13,909	13,950

Source: <sup>1</sup> Consolidated 5 Year Financial Plan (2021-2025) Bylaw No. 10239; <sup>2</sup> Registration Summary Report; <sup>3</sup> Membership Pass Scanned Report; <sup>4</sup> Fire Recue; <sup>5</sup> Infor Public Sector 2021 figures are estimates as of April 2021.

There is a significant decrease in the registration in recreation programs and membership visits since 2020 but the demand is expected to rebound once the provincial restrictions are lifted.

### Previously Approved Items

Other previous Council decisions that are being phased-in to the 2022 Budget or that take effect in 2022 include the operating budget impacts (OBI) of the previously approved Capital Budgets and the developer contributed assets expected to be received in 2022. These decisions are summarized as follows.

#### *City Centre North Community Centre OBI Phase-In*

On June 22 2020, Council approved the delayed completion of the City Centre North Community Centre to December 31, 2023. Therefore, the phase-in of the operating budget impact will occur over the years 2022-2024. The preliminary estimate for the OBI is \$1.6M phased-in over three years with approximately 0.20% per year based on 2021 tax base.



### *2022 Operating Budget Impact from the 2020 and 2021 Capital Budget*

Council previously approved a three-year phase-in plan for the OBI associated with the 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 parks or expanded park amenities
- New technology and software licensing costs and maintenance contracts

Table 6 summarizes the tax impact of the Council previously approved phase-in of Capital Budget OBI.

**Table 6 – Operating Budget Impact**

OBI	OBI Amount (in '000s)	Tax Impact
2020 Capital Budget - Years 3 of 3	215	0.09%
2021 Capital Budget – Year 2 of 3	196	0.08%
<b>Total Operating Budget Impacts</b>	<b>\$411</b>	<b>0.17%</b>

#### *Developer Contributed Assets*

It is anticipated that the Hummingbird Child Care Facility on 6899 Pearson Way will be operational in 2022 with a preliminary OBI estimate of \$0.1M. The estimated tax impact of this developer contributed asset is 0.03%. Other OBI from developer contributed assets will be determined at a later stage of the budget process once the projects are closer to completion.

#### 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.”*

Since 2019, the Canada Pension Plan (CPP) has been gradually enhanced. This means the employee will receive higher benefits in exchange for making higher contributions.

Employers will pay the same increase in CPP contributions as their employees. The estimated budget impact in 2022 is \$0.4M or a 0.16% tax impact.



**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 remaining Major Facilities Phase 2 projects that still require funding.

**Table 7 – Remaining Major Facilities Replacement Phase 2 Projects to be funded**

Project Name	Estimated Amounts (in \$000's)		
	City Funding	External Funding	OBI
Steveston Community Centre and Branch Library	\$93,500	\$-	\$1,100
Hugh Boyd Field House	13,800	-	194
<b>Remaining Major Facilities Priority Projects to be funded</b>	<b>\$107,300</b>	<b>\$-</b>	<b>\$1,294</b>

The Major Facilities Projects, which was endorsed by Council included priority projects and a funding plan, based on the City's capital reserves. It was anticipated that annual funding to the capital reserves would be include transfers from gaming revenue and an annual 1% transfer to reserves (in accordance with Policy 3707). Additional facility projects that were not part of the original list that Council endorsed have also been approved. Due to the temporary closure of the River Rock Casino Resort, the inconsistent application of the 1% transfers to reserves, and the additional projects, there will be an impact on the timing and funding of future facility projects.

**Budget Preparation and Review**

Over the next few months, staff will be working on preparing budget submissions (capital and additional levels) and reviewing operating budgets to ensure the most efficient allocation of resources.

The final proposed budget that is presented to the Finance Committee goes through a rigorous review process by the CAO, SMT and the Capital Review Team. This ensures that Council's priorities are met and that projects competing for the same funding sources are prioritized with recommendations made accordingly. It is anticipated that all budget recommendations and the draft Consolidated 5 Year Financial Plan (2022-2026) will be presented to the Finance Committee in November for approval.

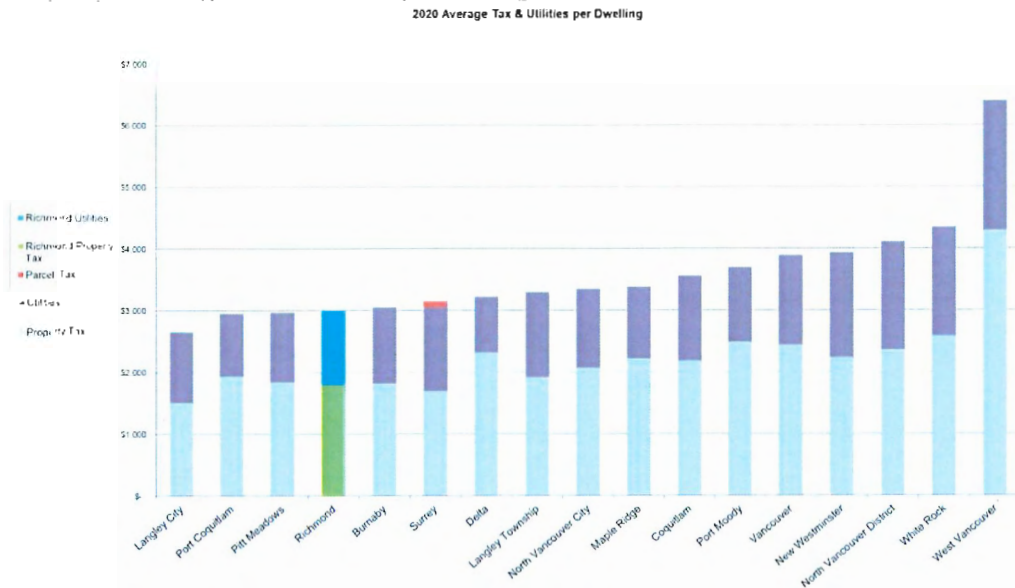
#### Public Consultation and Bylaw Adoption

Once the Consolidated 5YFP (2022-2026) receives preliminary approval from Council, the public consultation process will be initiated as required under the *Community Charter* prior to adoption of the financial plan.

#### *Tax Rates*

Once the financial plan bylaw is adopted, the tax rates will be set accordingly. When compared to the 17 municipalities in Metro Vancouver, the 2020 average tax and utilities per dwelling in Richmond ranks as the 4<sup>th</sup> lowest with a combined amount of \$3,001 annually. Within the comparator group of Vancouver, Coquitlam, Burnaby and Surrey, Richmond has the lowest average tax and utilities per dwelling. Figure 1 shows the comparison of all Metro Vancouver municipalities.

2021 averages for all Cities are not yet available, but will be provided with the 2022 Budget report.

**Figure 1 – 2020 Average Property Taxes in Comparative Metro Vancouver Cities****Financial Impact**

None.

**Conclusion**

The 2022-2026 Budget Process outlined in this report complies with Council policies and requirements of the *Community Charter*.

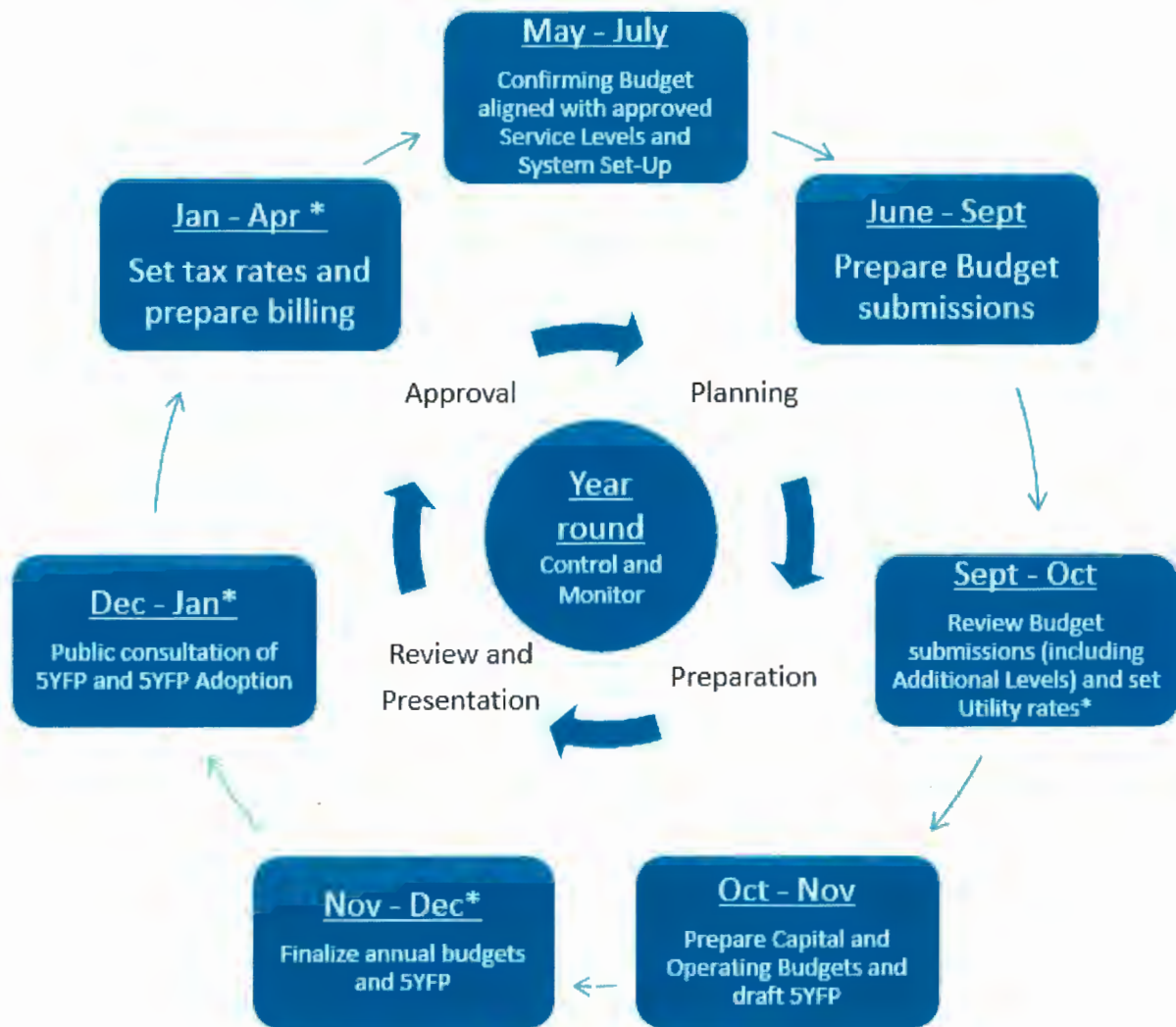
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Att. 1: 2022 Budget Cycle  
2: Types of Service

# 2022 Budget Cycle



\* Council Involvement

**City of Richmond**  
**Types of Service - Departments/Sections/Work Units by Division**

**Core:** *Services required by legislation from the federal or provincial governments.*

**Traditional:** *Time-honoured services that are commonly considered essential or foundational.*

**Discretionary:** *Services that may have value but if the fiscal situation requires it, these services could be reduced, eliminated, or contracted out.*

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
CAO's Office (7)	<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 & Marketing		✓	
	• Production			✓
	• Corporate Planning & Programs		✓	
Deputy CAO (4)	<b>Human Resources</b>			
	• Training & Development		✓	
	• Employee & Labour Relations	✓	✓	
	• Compensation, Job Evaluation & Recognition	✓	✓	
	• Workplace Health, Safety & Wellness	✓	✓	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Community Services (12)	<b>Parks</b>			
	<ul style="list-style-type: none"> <li>Parks Operations (includes Asset Management, Construction &amp; Maintenance, Turf Management, Horticulture, Urban Forestry)</li> </ul>		✓	✓
	<ul style="list-style-type: none"> <li>Parks Programs (includes Nature Park)</li> </ul>		✓	
	<ul style="list-style-type: none"> <li>Parks Planning, Design &amp; Construction</li> </ul>		✓	✓
	<b>Recreation &amp; Sport</b>			
	<ul style="list-style-type: none"> <li>Community Services Admin.</li> </ul>		✓	✓
	<ul style="list-style-type: none"> <li>Community Recreation Services (includes community centres)</li> </ul>		✓	✓
	<ul style="list-style-type: none"> <li>Aquatic, Arena &amp; Fitness Services</li> </ul>		✓	✓
	<ul style="list-style-type: none"> <li>Sport &amp; Event Services (includes volunteer management)</li> </ul>			✓
	<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, Major Events and Film)</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Heritage Services</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Major Events and Film</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Britannia</li> </ul>			✓
Engineering & Public Works (13)	<b>Engineering</b>			
	<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>		✓	



Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	• Capital Building Project Development			√
	• Sustainability - Corporate Energy			√
	• Sustainability - Environmental			√
	<b>Public Works</b>			
	• Public Works Administration		√	√
	• Health and Safety Program	√		
	• Fleet Operations		√	√
	• Environmental Programs		√	√
	• Roads & Construction Services	√	√	
	• Sewerage & Drainage	√	√	
	• Water Services	√	√	
Finance & Corporate Services (22)	<b>Finance</b>			
	• Finance Administration		√	√
	• Financial System and Support		√	√
	• Financial Reporting and Accounts Payable	√	√	√
	• Financial Planning & Analysis	√	√	√
	• Revenue/Taxation	√	√	√
	• Purchasing and Stores		√	√
	• Treasury & Financial Services (includes Accounts Receivable)	√	√	√
	• Payroll		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<b>Information Technology</b>			
	• IT Administration		√	√
	• Business & Enterprise Systems		√	√
	• Innovation			√
	• Infrastructure Services		√	√
	• GIS & Database Services		√	√
	• Customer Service Delivery		√	√
	<b>Corporate Business Service Solutions</b>			
	• Business Advisory Services		√	√
	• Risk Management			√
	• Economic Development			√
	• Corporate Partnerships			√
	• Customer Service		√	√
	• Continuous Improvement			√
	• Corporate Performance			√
	<b>Real Estate Services</b>			√
Law & Legislative Services (4)				
	<b>City Clerk's Office</b>			
	• Operations/Legislative Services	√	√	
	• Records & Information	√	√	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> <li>Richmond Archives</li> </ul>		✓	✓
	<b>Law</b>		✓	✓
Community Safety (9)	<b>RCMP</b>			
	<ul style="list-style-type: none"> <li>Administration (includes Telecommunications, Records, Crime Prevention, Information Technology, Victim Assistance, Finance, Risk Management, Court Liaison)</li> </ul>	✓	✓	✓
	<b>Fire-Rescue</b>			
	<ul style="list-style-type: none"> <li>Administration</li> </ul>	✓	✓	✓
	<ul style="list-style-type: none"> <li>Operations</li> </ul>	✓	✓	✓
	<ul style="list-style-type: none"> <li>Fire Prevention</li> </ul>	✓	✓	✓
	<ul style="list-style-type: none"> <li>Training and Education</li> </ul>	✓	✓	✓
	<b>Community Bylaws</b>		✓	✓
	<b>Emergency Programs</b>	✓	✓	✓
	<b>Community Safety Administration</b>		✓	✓
	<b>Business Licences</b>		✓	✓
Planning & Development (14)				
	<b>Transportation</b>			
	<ul style="list-style-type: none"> <li>Transportation Planning</li> </ul>	✓	✓	
	<ul style="list-style-type: none"> <li>Traffic Operations</li> </ul>		✓	
	<ul style="list-style-type: none"> <li>Traffic Signal Systems</li> </ul>		✓	
	<b>Building Approvals</b>			
	<ul style="list-style-type: none"> <li>Plan Review</li> </ul>	✓	✓	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	<b>Development Applications</b>			
	• Developments	√	√	√
	<b>Policy Planning</b>	√	√	
	<b>Community Social Development</b>			
	• Social Planning			√
	• Affordable Housing			√
	• Diversity & Cultural Services			√
	• Child Care Services			√
	• Youth Services			√
	• Senior Services			√
<b>Total = 85</b>		<b>27</b>	<b>59</b>	<b>62</b>