



City of Richmond

Report to Committee

To: Finance Committee
From: Jerry Chong, CPA, CA
 Director, Finance
Re: 2016-2020 Budget Process

Date: June 15, 2015
File: 03-0970-01/2015-Vol
 01

Staff Recommendation

That

1. The staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be received for information.
2. 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; and
3. That the capital ranking form as presented in Attachment 3 of the staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be approved for the 2016 budget.

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

Att. 5

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS:
APPROVED BY CAO 	

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 5 Year Financial Plan (2016-2020) (5YFP).

The 2016-2020 budgets will be prepared in accordance with Council's policies and procedures relating to budgets.

Council Policies

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 2015 service levels form the basis of the 2016 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 CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

This report supports Council's 2014-2018 Term Goal #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.

- 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.*

Analysis

Revised Budget Cycle Process

During the presentation of the 2015 Budget discussions ensued with respect to having additional Council involvement at an earlier stage in the budget process.

The revised budget cycle is summarized in Attachment 1. The following table outlines the process and the key dates for the preparation of the 2016-2020 Financial Plan.

Table 1 – Five Year Financial Plan Schedule

#	Month	Responsibility	Task
1	May	Staff	Research financial indicators for 2016-2020 budget assumptions
2	June-July	Council	Establishes Service Levels for 2016-2020 Budget Preparation
3	July-August	Staff	Prepare Department's 2016-2020 budget submissions
4	September	Staff	Review Division's 2016-2020 budget submissions
5	September-October	SMT/CAO	Review City 2016-2020 budget submissions
6	October	Staff	Prepare 2016-2020 budget package for Finance Committee review
7	October	SMT/CAO	Review and finalize all budget recommendations to Finance Committee
8	November	Council	Set 2016 Utility Budget and Rates
9	November	Council	Consider 2016-2020 Capital Budget submissions with associated Operating Budget Impacts
10	November	Council	Consider 2016 same level of service Operating Budgets
11	November	Council	Consider 2016 ongoing additional levels of service requests
12	November	Council	Consider 2016 one-time additional levels of services requests
13	December-January	Staff	Revise budget based on Council direction and prepare 5YFP (2016-2020)
14	January-February	Council	Review Final budget and 5YFP (2016-2020)
15	February-March	Staff	Public Consultation on 5YFP (2016-2020)
16	February-March	Council	Adoption of 5YFP (2016-2020)

This report will further discuss some of the keys steps in this process.

Item #1 – Preliminary 2016-2020 Operating Budget Assumptions

The following table summarizes the budget assumptions based on current information contained in contracts, agreements and external economic publications.

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 2016-2020 Operating Budget Assumptions

Key Financial Drivers / Indicators	2016	2017	2018	2019	2020
Vancouver Consumer Price Index (CPI) ¹	2.2%	2.0%	2.0%	2.1%	2.1%
Richmond Municipal Price Index (MPI) ²	2.7%	2.5%	2.5%	2.6%	2.6%
User Fees	2.2%	2.0%	2.0%	2.1%	2.1%
Salaries ³	TBD	TBD	TBD	TBD	TBD
Electricity ⁴	4.9%	3.7%	3.2%	2.6%	2.6%
Natural Gas ⁴	2.5%	2.5%	3.0%	3.0%	3.0%
RCMP Contract Increase ⁵	2.7%	2.6%	2.8%	2.5%	2.4%
Growth (Tax Base) ⁶	1.2%	1.0%	1.0%	0.8%	0.8%

Sources: ¹ The Conference Board of Canada Metropolitan Outlook 1 Spring 2015; 2020 is projected based on 2019 forecasts; ² Finance Department, City of Richmond; ³ Salaries are based on collective agreements, which are to be negotiated; ⁴ Energy Manager, City of Richmond; ⁵ RCMP E Division; ⁶ BC Assessment Authority/Revenue Manager, City of Richmond

Municipal Price Index (MPI)

Council policy 3707 requires that tax increases will be at or below the estimated 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.

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 it is more relevant to include items such as: Salaries and benefits (covered by a collective agreement), policing services, materials and supplies to build and maintain City infrastructure, energy for community centres and recreation facilities and transferring funds to reserves to maintain ageing infrastructure.

MPI is calculated based on a combination of known contract increases as well as estimates for expected increases, including the settlement of collective agreements. As shown in Table 1 above, MPI is forecasted to be consistently higher than CPI.

The inflation of the above key financial drivers provides an estimate of the amount operating expenses will need to increase in order to maintain the same level of service.

The tax impact of this increase is approximately 3.5%; however revenues will also be increased where possible by increasing user fees by CPI and reviewing trends. It is anticipated that the projected tax increase within the current financial plan can be achieved, which for 2016 is estimated at 2.98%, including 1% transfer to reserves.

Establish Services 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.

There has been previous discussion around the service levels knowing that the City invests heavily in delivering these to the public. In keeping with the policy, staff recommends that a same level of service budget be prepared for 2016, as we are confident that the existing levels provide the ability to deliver on Council's Term Goals and are a reasonable basis for preparation of the budget. Consequently, staff is seeking Council's approval to use the 2015 service levels presented in Attachment 2 as the base for preparing the 2016 budget.

The service levels for the new City Centre Community Centre will enter its first full year of operations in 2016. Council previously approved, with the 2014 Budget, an Operating Budget Impact for the City Centre Community Centre as well as expanded operations for the Minoru Complex. This is gradually being phased in to the budget with a tax impact of approximately 0.34% each year until it is completely tax funded in 2020. This means that the funds required for annual operations are included in the budget; however the taxes collected in 2016 will not fully fund the operations. The difference is bridged with the use of surplus funding. This tax impact has already been included in the current financial plan, and therefore is incorporated into the projected 2.98% increase for 2016.

Capital Ranking

All Proponents will self-rank each their respective Capital Submissions through the Capital Ranking Form (Attachment 3) after completing the Capital Project Business Case, Capital Project Submission and the Operating Budget Impact Form.

The ranking is divided into 5 categories, each comprised of 2-3 criteria and each category is worth 20% of the total score.

The categories are:

- Alignment with City Vision
- Risk Management
- Social
- Environmental
- Economic

The Pre-ranked submissions will then be reviewed and scored by a Review Committee with the final results being forwarded to SMT and the CAO for further review.

Environmental Scan

As service levels are established, it is prudent to review the economic environment and key City statistics (Table 3).

Table 3 – City of Richmond Statistics

Description	2011	2012	2013	2014	2015
Population	199,141	201,471	205,133	209,338	213,891
# Residential Dwellings	62,460	64,751	65,585	67,186	68,192
# Businesses	12,988	13,336	13,371	13,322	13,118
# Farm	706	696	680	679	678

Source: BC Stats, Ministry of Labour and Citizens Services, BC Assessment

The population and demand for services continues to rise in Richmond as indicated in Table 4. The population in Richmond is expected to continue to climb to almost 236,000 in 2020.

Table 4 – Demand for City of Richmond Services

Demand for City Services	2011	2012	2013	2014	2015 *
Population Growth (per annum)	1.16%	1.17%	1.82%	2.05%	2.17%
Budgeted Capital Construction Costs (\$mil) ¹	75.5	80.3	76.7	193.2	93.0
Registration ²	122,784	129,526	129,526	141,175	140,841
Fire Rescue Responses ³	9,141	9,164	9,710	9,643	10,030
Public Works Calls for Services ⁴	13,332	13,800	11,342	12,225	12,241

Source: 1 Capital model, 2 Registration Summary Report 3 Fire Rescue, 4 Hansen

* Estimates for population growth, registration, fire rescue responses and public works calls for service

Additional statistics on the macroeconomic environment are included in Attachment 4.

Items #3-13 – Budget Preparation

Council input received throughout the year is incorporated into the 2016 budget which will form the base for the 2016-2020 5YFP.

During July and August, staff will be working on preparing budget submissions (capital and additional levels) and reviewing operating budgets to ensure the most efficient allocation of resources. Details of the key budget processes are summarized in Attachment 5.

The final proposed budget that has been presented to Finance Committee, typically in the month of December, goes through a rigorous review process by SMT and the CAO to ensure City wide priorities are met and that projects competing for the same funding sources are prioritized with recommendations made accordingly. Important budget decisions are made in the month of November to determine which projects to recommend for funding and what to do with the projects that are not recommended for funding. This is particularly an issue where financial resources are limited, such as projects seeking funding from the Revolving Fund and one-time initiatives funded by Rate Stabilization Account.

Options for projects not recommended for funding include:

- Reducing the scope of the project to an amount that can be funded
- Deferring the submission to a future year
- Pursuing alternate funding sources, such as the Rate Stabilization Account
- Withdrawing the submission
- Confirming the project cannot proceed due to limited funding resources

For the 2016 budget, Council will be included earlier in the process by bringing these issues to the November Finance Committee meeting for decision. In addition, Council will approve the projects that have dedicated funding sources.

Staff will then prepare the final budget and five-year plan based on the direction received from Council.

Items #14-15 – Public Consultation and Bylaw Adoption

Once the 2016-2020 5YFP receives preliminary approval from Council, typically in February, the public consultation process will be initiated as required under the Community Charter, prior to adoption of the financial plan.

Staff are reviewing various methods of communication in order to provide additional information to the public. Let's Talk Richmond, a news release, and newspaper advertisements will continue to be used. In addition, staff are planning to utilize an interactive Open Budget App offered by Socrata that would make the budget accessible online and on mobile devices to drill into the Capital and Operating budgets.

This tool will advance Council's term goal of improving transparency and keeping citizens well-informed.

The following figures demonstrate the Open Budget App using the Capital Budget as an example. The details can be explored by drilling into the City's various Capital programs (Figure 1), the categories within those programs (Figure 2), the list of projects within each category (Figure 3) and finally the details of individual capital projects (Figure 4).

Figure 1 – Programs within the Five-Year Capital Budget

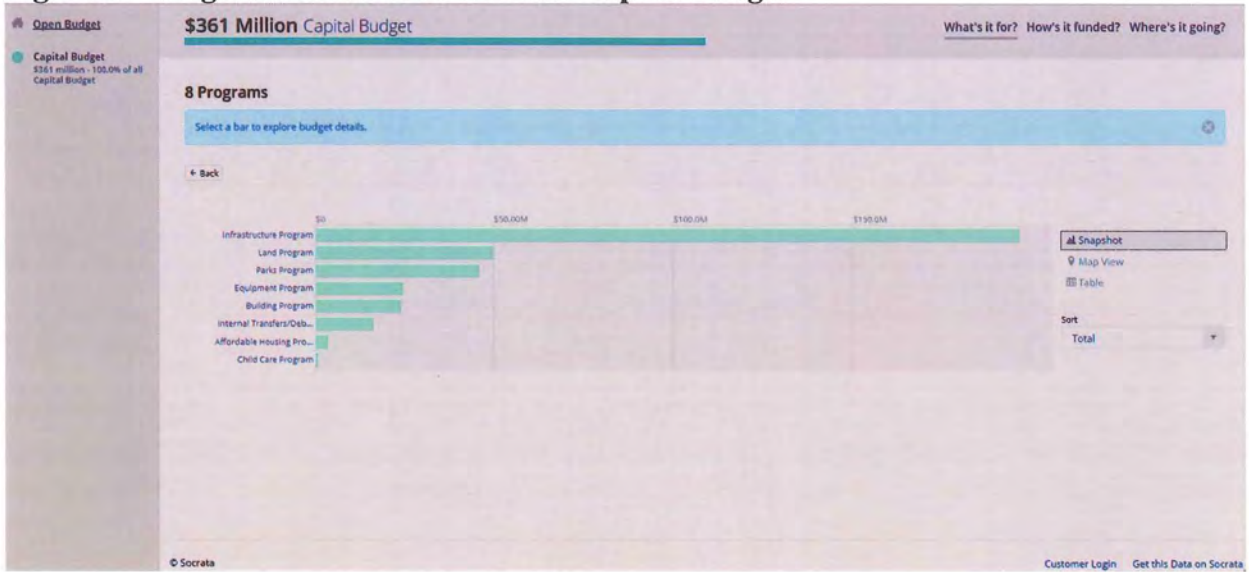


Figure 2 – Categories within the Five-Year Infrastructure Program

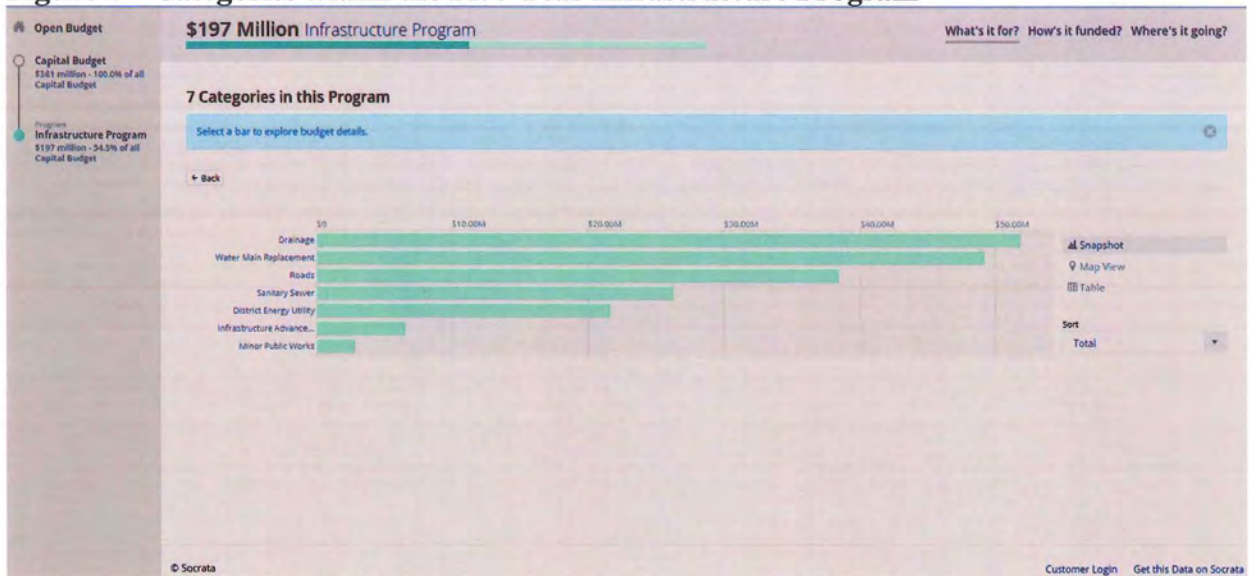
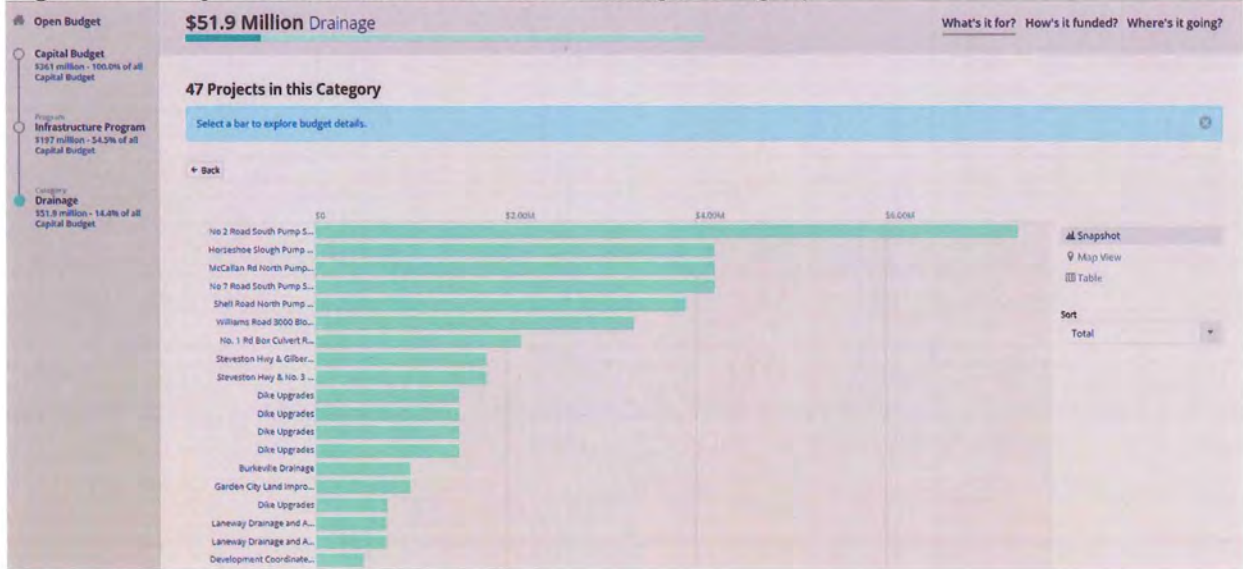


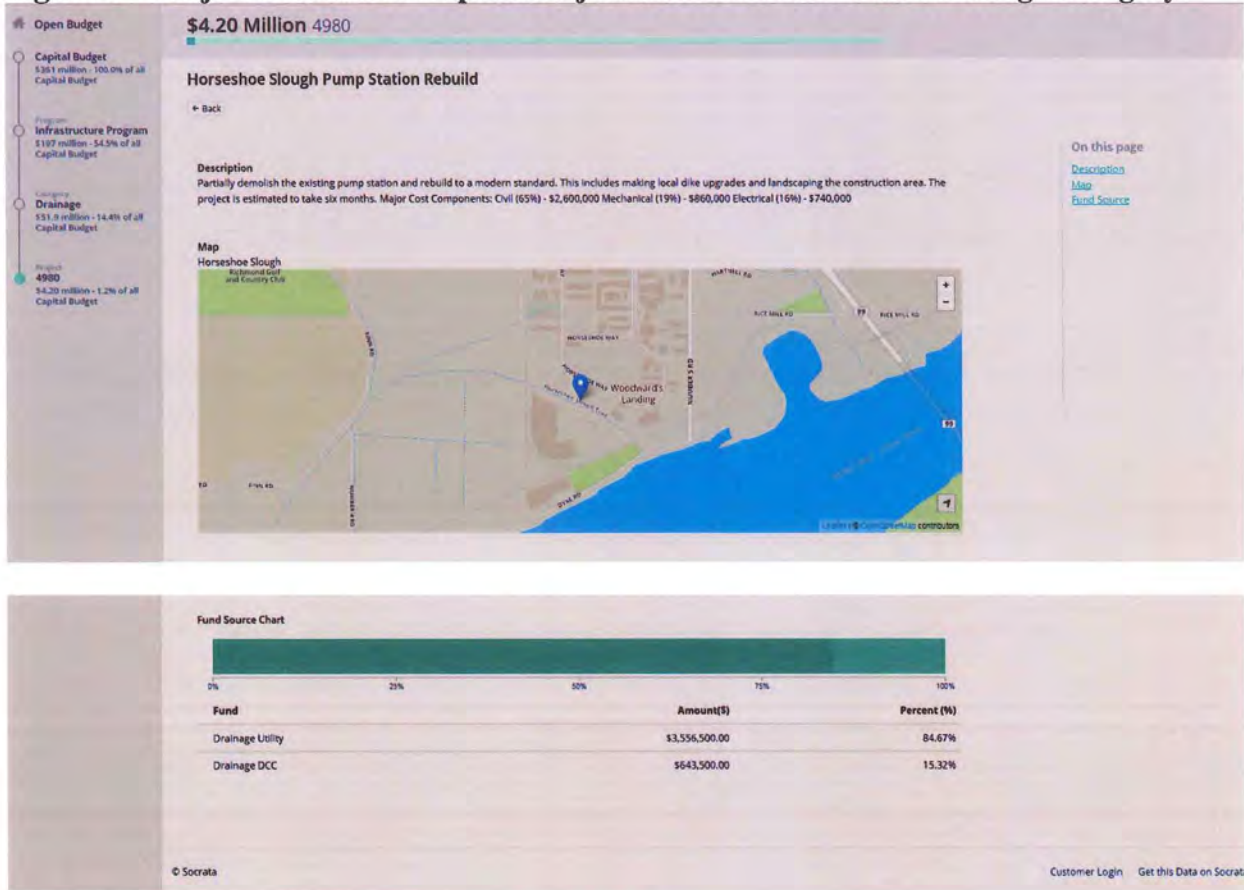
Figure 3 – Projects within the Five-Year Drainage Category



Information on how the projects are funded can also be viewed by selecting the “How’s it funded?” link in the top-right corner.



Figure 4 – Project Details of a Capital Project within the Five-Year Drainage Category



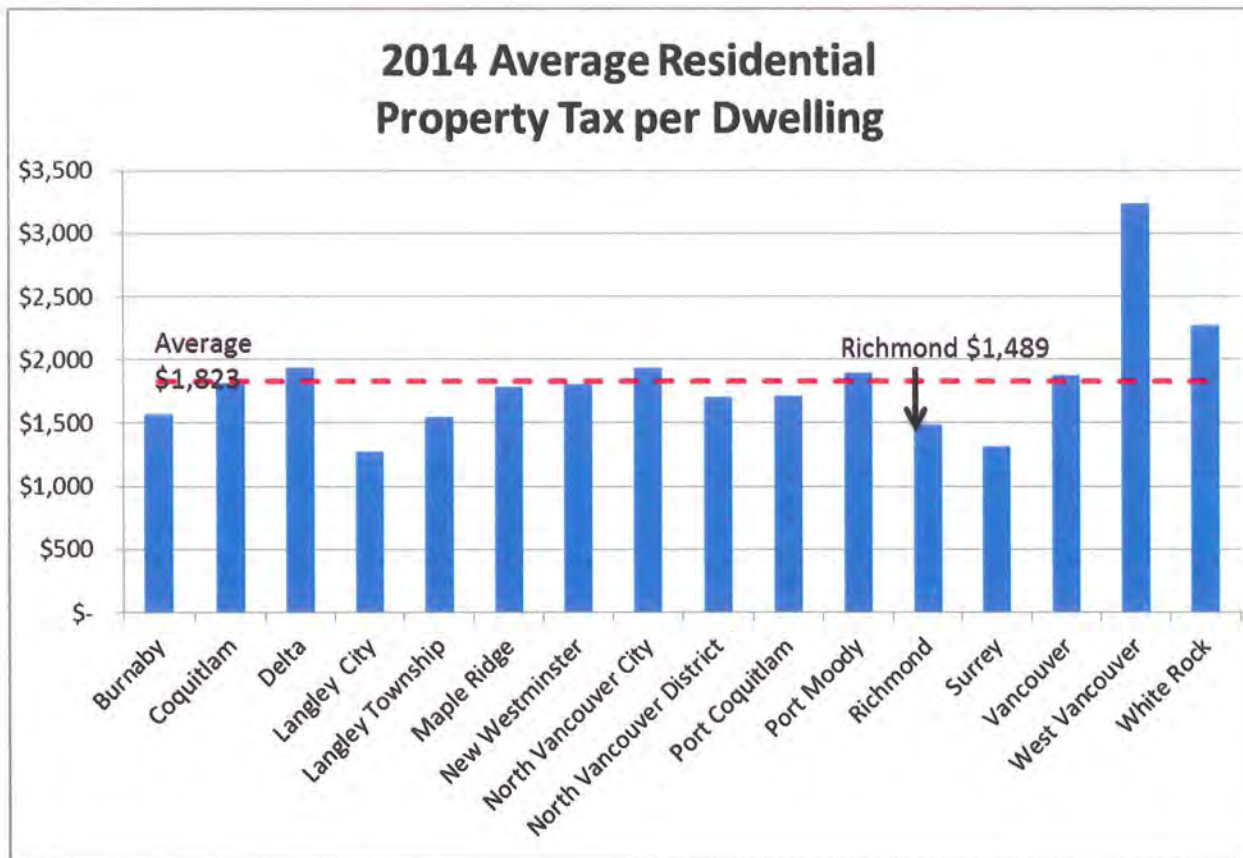
The above project details include the scope of the project, the location of the project is provided on the map and the details of this project’s funding sources.

This tool would be populated with approved budgets and made available after Council approves the budgets, and therefore is expected to be launched during the public consultation period in February or March 2016.

Tax Rates

Once the financial plan bylaw is adopted, the tax rates will be set accordingly. In 2014, the average property tax per dwelling in Richmond was \$1,489 which is below the average of \$1,823. 2015 averages for all Cities are not yet available, but will be provided with the 2016 Budget report.

Figure 5 – 2014 Average Residential Property Tax per Dwelling

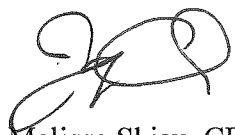


Financial Impact

None.

Conclusion

The revised budget process provides Council with additional opportunities to provide input into the 5 Year Financial Plan. The service levels from 2015 will establish the base for the 2016 budget. The planned public consultation process will improve transparency by making additional information more accessible.

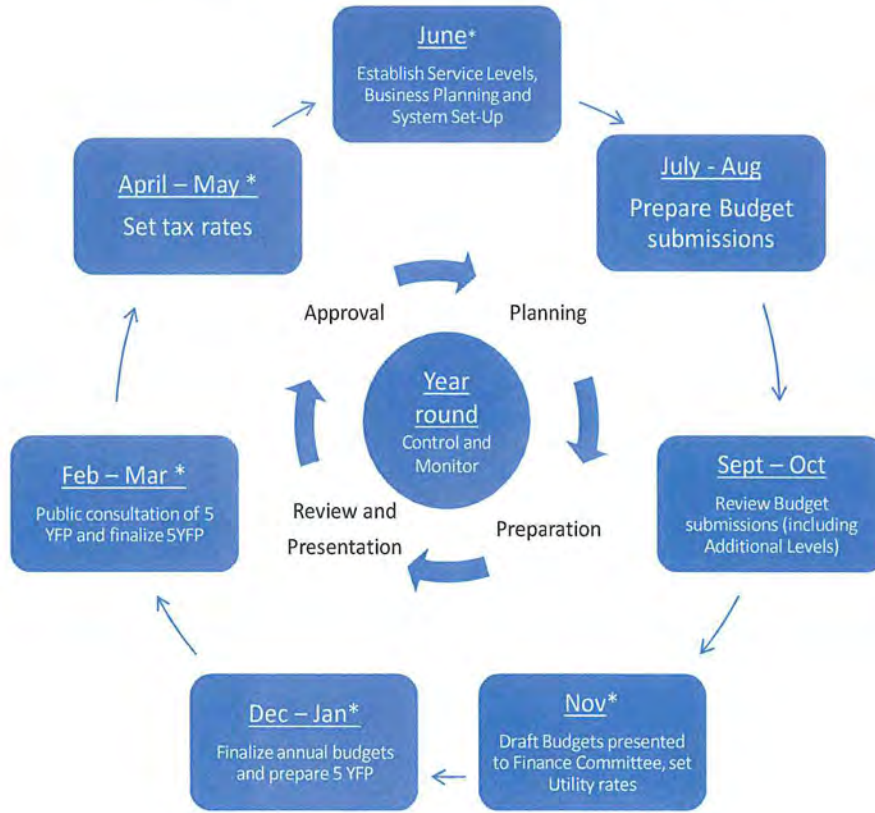
 for

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

MS:ms

- Att. 1: Revised Budget Cycle
- Att. 2: Types of Services
- Att. 3: Capital Ranking Form
- Att. 4: Macroeconomic Indicators & Forecast
- Att. 5: Budget Process Summary

Revised Budget Cycle



3547861

* Council involvement

REDMS 4571710

4571733

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 (11)	CAO's Office			
	• Corporate Administration	√	√	
	• Administrative Support Services (including the Mayor's Office & Councillors' Office)		√	√
	• Intergovernmental Relations & Protocol Unit			√
	• Corporate Programs Management Group			√
	• Corporate Communications		√	
	• Corporate Planning		√	
	Deputy CAO Administration		√	√
	Human Resources			
	• 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 (20)	Parks			
	<ul style="list-style-type: none"> Parks Operations (includes Asset Management, Construction & Maintenance, Turf Management, Horticulture, Urban Forestry) 		√	√
	<ul style="list-style-type: none"> Parks Programs (includes Nature Park) 		√	
	<ul style="list-style-type: none"> Britannia 			√
	<ul style="list-style-type: none"> Parks Planning & Design 		√	√
	Recreation & Sport			
	<ul style="list-style-type: none"> Community Services Admin. 		√	√
	<ul style="list-style-type: none"> Community Recreation Services (includes community centres) 		√	√
	<ul style="list-style-type: none"> Aquatic, Arena & Fitness Services 		√	√
	<ul style="list-style-type: none"> Sport & Event Services (includes volunteer management) 			√
	<ul style="list-style-type: none"> Planning & Project Services 			√
	Arts, Culture & Heritage Services			
	<ul style="list-style-type: none"> Arts Services (includes Art Gallery, Art Centre, Cultural Centre) 			√
	<ul style="list-style-type: none"> Heritage Services 			√
	<ul style="list-style-type: none"> Richmond Museum 			√
	<ul style="list-style-type: none"> Gateway Theatre (liaison) 			√
	<ul style="list-style-type: none"> Richmond Public Library (liaison) 		√	√
	Community Social Development			
	<ul style="list-style-type: none"> Social Planning 			√
	<ul style="list-style-type: none"> Affordable Housing 			√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> Diversity & Cultural Service 			√
	<ul style="list-style-type: none"> Child Care Services 			√
	<ul style="list-style-type: none"> Youth Services 			√
	<ul style="list-style-type: none"> Senior Services 			√
Engineering & Public Works (12)	Engineering			
	<ul style="list-style-type: none"> Engineering – Admin 	√	√	
	<ul style="list-style-type: none"> Engineering – Planning 	√	√	
	<ul style="list-style-type: none"> Engineering – Design & Construction 	√	√	
	<ul style="list-style-type: none"> Facility Services 		√	
	<ul style="list-style-type: none"> Capital Building Project Development 			√
	<ul style="list-style-type: none"> Sustainability (includes district energy, corporate energy, environmental sustainability) 			√
	Public Works			
	<ul style="list-style-type: none"> Public Works Administration 		√	√
	<ul style="list-style-type: none"> Fleet Operations & Environmental Programs 		√	√
	<ul style="list-style-type: none"> Roads & Construction Services 	√	√	
	<ul style="list-style-type: none"> Drainage 	√	√	
	<ul style="list-style-type: none"> Sewerage 	√	√	
	<ul style="list-style-type: none"> Water Services 	√	√	
Finance & Corporate Services (26)	Finance			
	<ul style="list-style-type: none"> Finance – Admin 	√	√	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> Finance Systems 		√	√
	<ul style="list-style-type: none"> Financial Reporting 	√	√	√
	<ul style="list-style-type: none"> Financial Planning & Analysis 	√	√	√
	<ul style="list-style-type: none"> Revenue/Taxation 	√	√	√
	<ul style="list-style-type: none"> Purchasing and Stores 		√	√
	<ul style="list-style-type: none"> Treasury & Financial Services 	√	√	√
	<ul style="list-style-type: none"> Payroll 		√	√
	Information Technology			
	<ul style="list-style-type: none"> IT Administration 		√	√
	<ul style="list-style-type: none"> Business & Enterprise Systems 		√	√
	<ul style="list-style-type: none"> Innovation 			√
	<ul style="list-style-type: none"> Infrastructure Services 		√	√
	<ul style="list-style-type: none"> GIS & Database Services 		√	√
	<ul style="list-style-type: none"> Customer Service Delivery 		√	√
	City Clerk's Office			
	<ul style="list-style-type: none"> Operations/Legislative Services 	√	√	
	<ul style="list-style-type: none"> Records & Information 	√	√	
	<ul style="list-style-type: none"> Richmond Archives 		√	√
	Administration & Compliance			
	<ul style="list-style-type: none"> Business Advisory Services 		√	√
	<ul style="list-style-type: none"> Business Licenses 		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	<ul style="list-style-type: none"> Risk Management 			√
	<ul style="list-style-type: none"> Economic Development 			√
	<ul style="list-style-type: none"> Corporate Partnerships 			√
	<ul style="list-style-type: none"> Customer Service 		√	√
	<ul style="list-style-type: none"> Corporate Compliance 			√
	<ul style="list-style-type: none"> Performance 			√
	Real Estate Services			√
Law & Community Safety (9)	RCMP			
	<ul style="list-style-type: none"> Administration (includes Telecommunications, Records, Crime Prevention, Information Technology, Victim Assistance, Finance, Risk Management, Court Liaison) 	√	√	√
	Fire-Rescue			
	<ul style="list-style-type: none"> Administration 	√	√	√
	<ul style="list-style-type: none"> Operations 	√	√	√
	<ul style="list-style-type: none"> Fire Prevention 	√	√	√
	<ul style="list-style-type: none"> Training & Education 	√	√	√
	Community Bylaws		√	√
	Emergency Programs	√	√	√
	Legal Services		√	√
	Law & Community Safety Administration		√	√

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Planning & Development (12)				
	Planning and Development – Admin	√	√	
	Transportation			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	Building Approvals			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	Development Applications			
	• Production Centre			√
	• Developments	√	√	√
	• Major Projects			√
	Policy Planning	√	√	
Total = 90		30	64	64

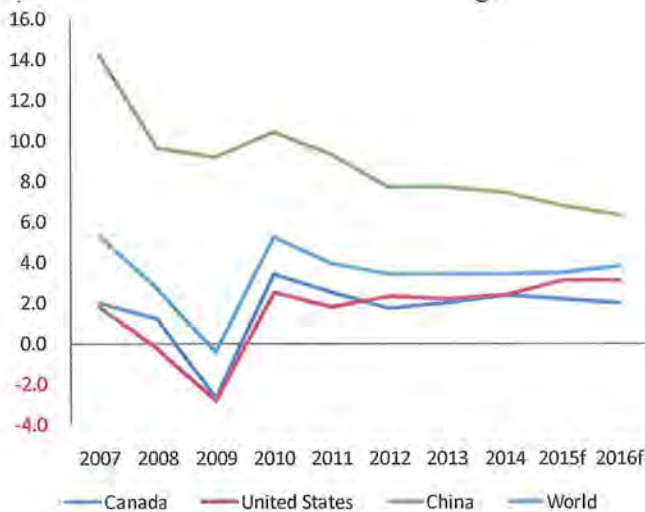
Capital Ranking Form Criteria

Instructions:	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.			Submission ID:	
				Project Name:	
Objectives:	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			Status:	
				Budget:	
				SCORING RANGE	
#	CATEGORY	WEIGHTING	SCORE	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
	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
			0		
			8		
		0.0%			
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
	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
	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
			0		
			12		
		0.0%			

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					
		0.0%					
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 ₂ e / \$100)	Will result in absolute reductions in GHG emissions and energy per dollar invested (<1 tonne CO ₂ 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					
		0.0%					
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					
		0.0%					
TOTAL WEIGHTED							

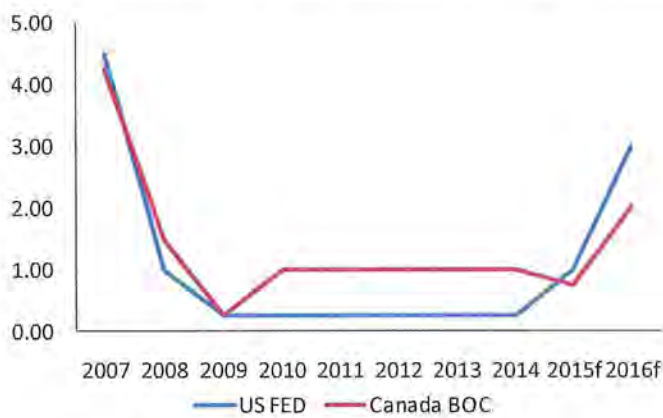
Macroeconomic Indicators & Forecast
(From Financial Information - 1st Quarter Report dated May 8, 2015)

1) Global Growth – Real GDP % Change¹



- The global growth forecast for the next two years remained largely unchanged in Q1 2015, at 3.5% in 2015 and 3.8% in 2016, as the outlook for advanced economies has improved while growth in emerging and oil-exporting economies has weakened.
- Advanced economies are generally benefiting from low oil prices, with US growth projected to be above 3% through the next 2 years.
- Canadian growth projections were revised slightly down as the effects of slowing down oil exports are absorbed through the national economy.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End²

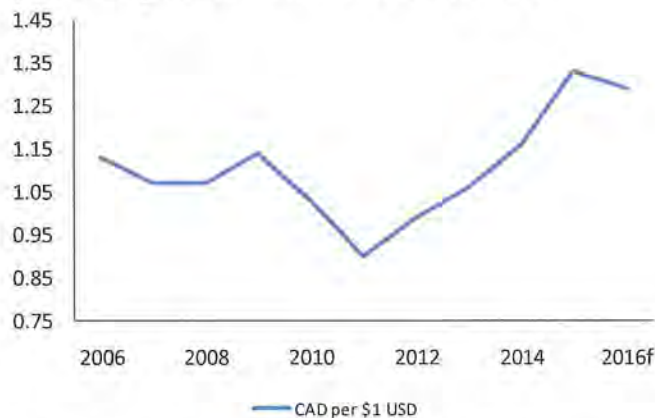


- In a surprise move in January 2015, the Bank of Canada dropped the overnight rate by 0.25 points and the forecast is for the rate to potentially drop further in 2015 prior to gradually adjusting to 1.75% in 2016.
- As the US economy accelerates through 2015, the US overnight rate is also expected to climb in 2015.
- Both rates are projected to climb faster in 2016 than previously estimated to curb inflationary and currency pressures.

¹ International Monetary Fund, World Economic Outlook (April 2015)

² US Federal Reserve, Bank of Canada and Royal Bank Research

3) Exchange Rates – CAD/USD at Year-End³



- The sharp drop in oil prices, the Bank of Canada’s interest rate adjustment in January and increased investor preference for US dollars have resulted in and will continue to depress the Canadian dollar against the US dollar through 2015.
- The Canadian currency is expected to recover in 2016 due to the market expectation of interest rate hikes in Canada and an assumption of oil prices settling at approximately \$77 a barrel.

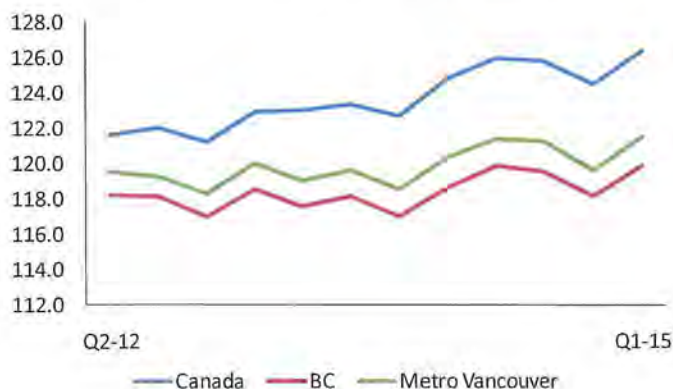
Regional & Local Economic Activity Indicators

4) Unemployment⁴



- After falling to 6.6% at the end of 2014, its lowest level since 2008, Canadian unemployment edged up to 6.8% in Q1 2015, largely due to job losses in Alberta.
- 16,500 full-time job losses in the resource sector in February resulted in an increase of the unemployment rates in BC and Metro Vancouver, to 5.8% and 6.1%, respectively, in Q1 2015.

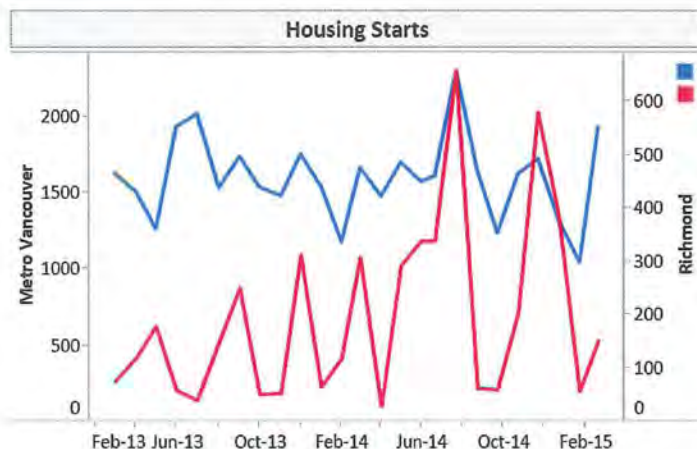
5) Consumer Price Index (CPI – 2002=100)⁴



- After falling in Q4 2014, all of the Canadian, BC and Metro Vancouver consumer price indices (CPI) increased further in Q1 2015, due to an upward trend in world oil prices.
- The Bank of Canada’s lowering of the overnight interest rate in January as a result of deflationary concern also contributed to an increase in the CPI indices across the board.

³ Bank of Canada
⁴ Statistics Canada

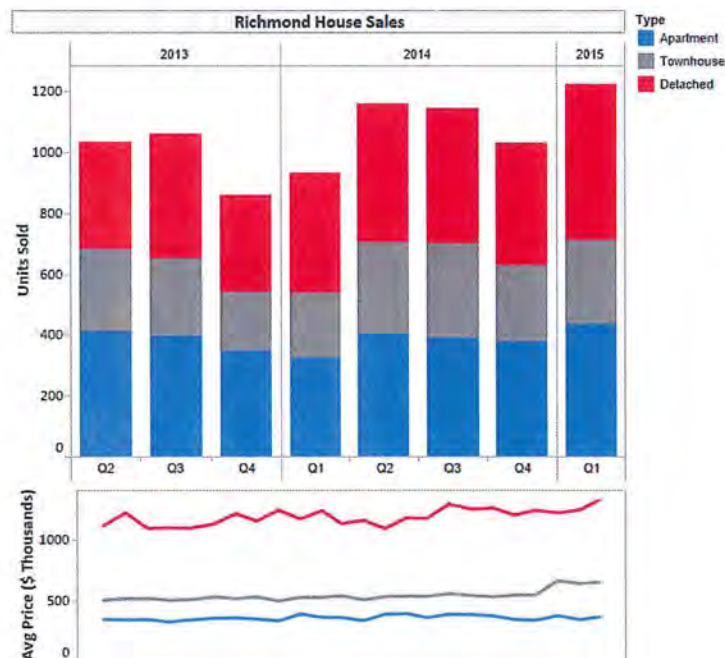
6) Housing Starts⁵



Source: CMHC

- After doubling in the second half of 2014, compared to the same period in 2013, Richmond’s housing starts were nearly 29.7% down in Q1 2015, compared to the same quarter last year. The decline signals depletion of construction projects started throughout 2014 as a result of the large number of development applications approved in 2012.
- In Metro Vancouver, housing starts fell a moderate 6.3%, contributable to the typical decline in this indicator during the winter.

7) House Sales & Prices – Richmond⁶



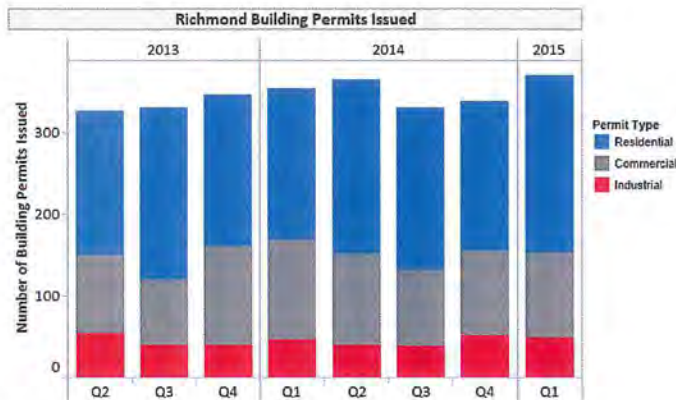
Source: CMHC & REBGV

- House sales in Q1 2015 marked the highest quarterly activity in the last two years. Driven by a falling Canadian dollar, sales in all residential categories were approximately 30% up from the same quarter last year and 20% up from Q4 in 2014.
- Prices of detached homes have reached \$1.32 million, up 17% from the same quarter last year. Townhouses were also priced substantially higher, at 20% up in Q1 2015 compared to Q1 2014. Apartments registered the smallest relative price increase, at 1.4% in Q1 2015, compared to the same quarter last year.

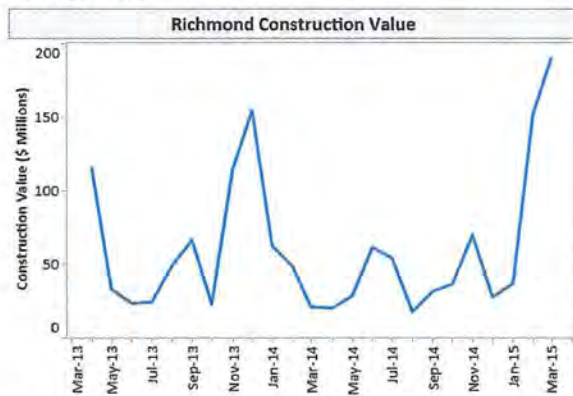
⁵ CMHC

⁶ Real Estate Board of Greater Vancouver

8) Building Permits – Richmond⁷



Source: City of Richmond



Source: City of Richmond

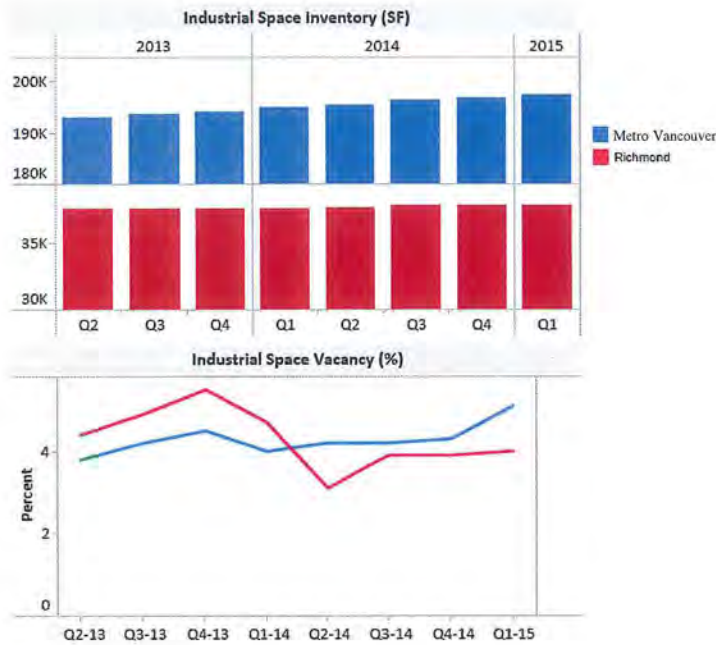
- Total building permits issued in Q1 2015 increased by 2.8% compared to the same period in 2014, with residential permits leading the trend with 16.7% more permits issued than in Q1 2014.
- The number of commercial permits was down 14.8% and the number of industrial permits was up by 6.5% in Q1 2015 compared to the same quarter in 2014.

- Of note is the substantial increase of construction value associated with building permits issued in Q1 2015, with total construction value growing 185% to \$379 million in Q1 2015, compared to the same quarter last year.
- Building permits issued for large residential projects in the Oval Village and West Cambie are behind the construction value trend.

⁷ City of Richmond Building Permits

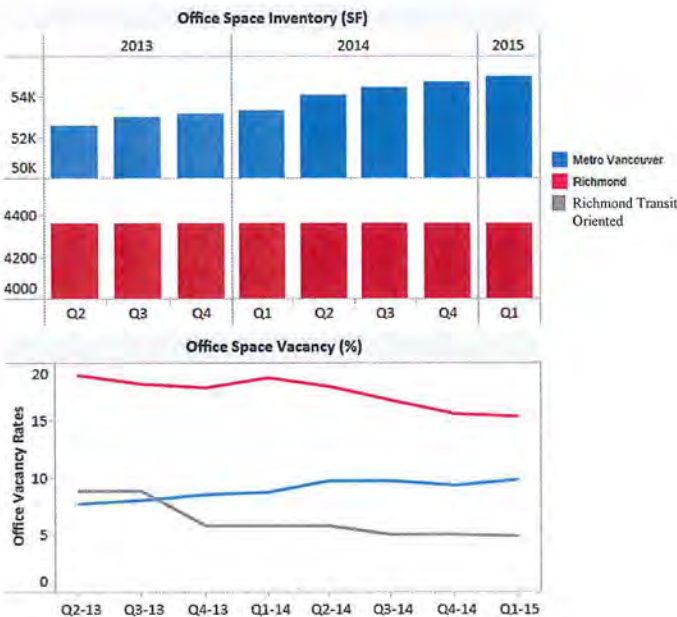
9) Commercial Space⁸

a) Industrial Space



Source: Cushman & Wakefield

b) Office Space



Source: Cushman & Wakefield

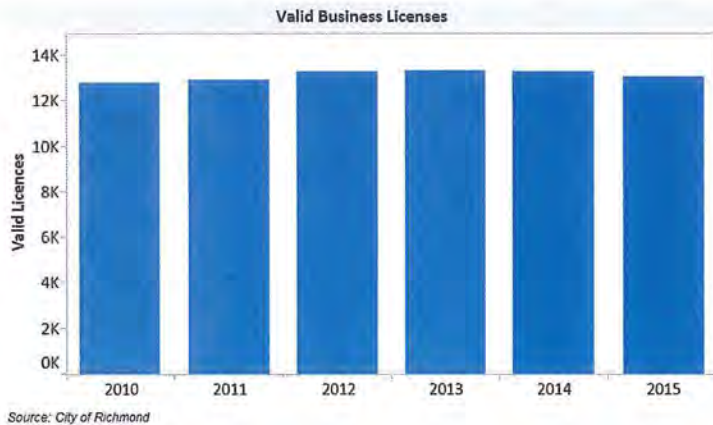
- Industrial space continues to be scarce in Richmond, with no new inventory added since the same quarter last year.
- Ongoing demand and absorption of industrial space resulted in a decrease in the vacancy rate from 4.7% in Q1 2014 down to 4.0% in Q1 2015.
- Industrial space continues to be in high demand and rental rates continue to be at a premium both in Richmond and in the region.

- Richmond's office vacancies continued to be absorbed, as the overall office vacancy rate ended the quarter at 14.1%, down 18% from the same quarter the previous year.
- At 4.5%, transit-oriented office space vacancy continued to decline, 15% down from the same period last year and well below the overall Metro Vancouver rate which is at 11.2%.
- No new square footage of office space was added to the Richmond inventory, with the inventory remaining at 4.4 million square feet since the end of 2011.

⁸ Cushman & Wakefield Office and Industrial Market Beat Reports

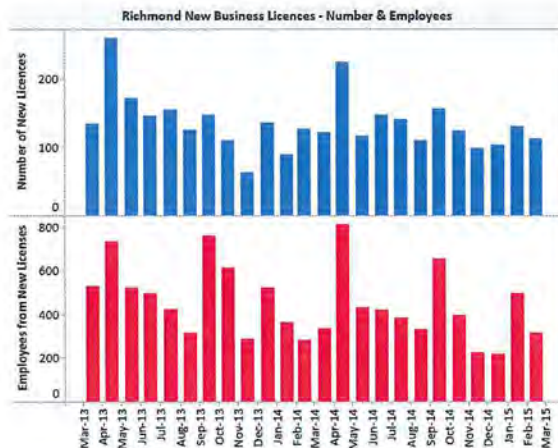
10) Business Growth – Richmond⁹

a) Total Valid Business Licenses

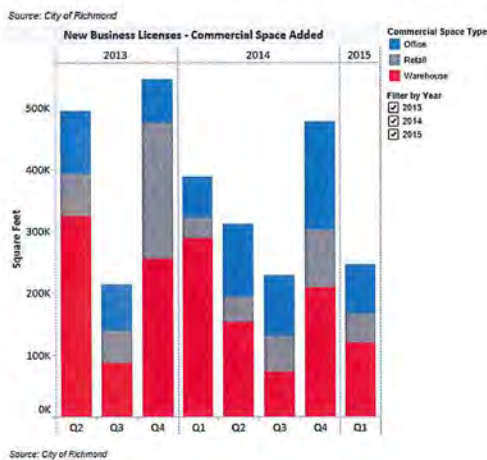


- Valid business licenses in 2015 are on track with 2014 levels, down only 1.5% compared to last year.
- Continued implementation of the Inter-municipal Mobile Business License program is partially responsible for the recent reduction in valid licenses, with revenues registering an increase due to growing compliance by resident businesses.

b) New Business Licenses Issued



- There were 348 new licenses issued in Q1 2015, on par with the previous quarter and the same quarter last year.
- New licenses registered 1,026 employees in Q1 2015, down 11% from the same quarter last year.

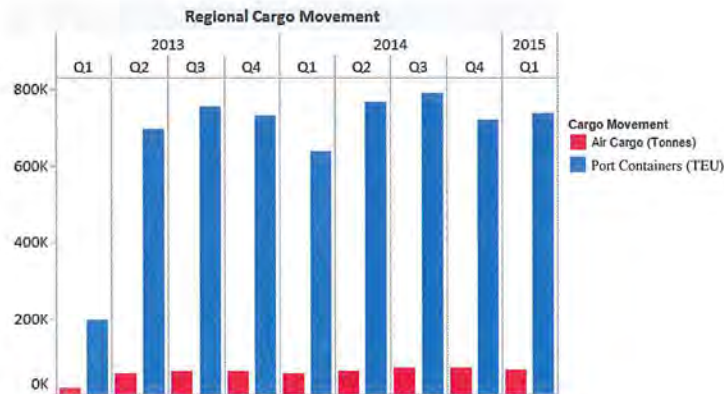


- There were fewer employees and less square feet of commercial space occupied due from new business licenses in Q1 2015 compared to Q1 2014.
- Office and retail space use from new licenses grew by 23% and 37% respectively in Q1 2015 compared the same quarter last year. Industrial space added through new licenses was half the amount of industrial space added in Q1 2014.

⁹ City of Richmond Business Licenses

11) Goods and People Movement

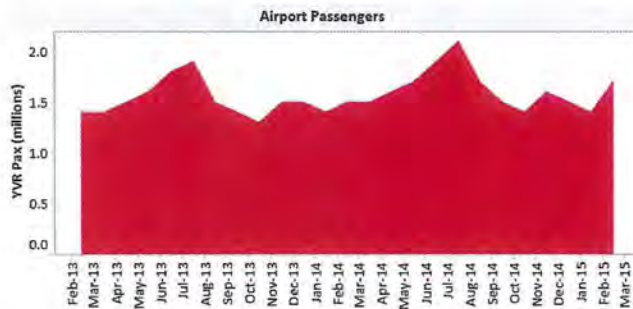
a) Regional Cargo Movement¹⁰



Source: Vancouver Airport Authority, Port Metro Vancouver

- Increased export activity resulted in substantial growth of both airport and port cargo movement in Q1 2015 compared to the same quarter last year.
- Port Metro Vancouver (PMV) twenty-foot equivalent unit (TEU) movement grew 15.2% in Q1 2015 compared to Q1 2014.
- YVR cargo grew 11.7% in Q1 2015, compared to Q1 2014

b) Airport Passengers¹¹



Source: Vancouver Airport Authority

- Airport passenger volume registered a 4.5% growth in Q1 2015 compared to the same quarter last year.
- An accelerating tourism sector and implementation of new routes to Asia and Europe are behind the continued growth of YVR passengers

¹⁰ YVR & PMV Monthly Cargo Statistics

¹¹ YVR Monthly Statistics

c) Richmond Hotel Room Revenue¹²



Source: City of Richmond

- After a strong 2014 with hotel room revenues climbing by 5% for the year compared to 2013, Richmond’s tourism sector is on track for an even stronger 2015. Hotel room revenues to date are 5.9% up in 2015 compared to the same period last year and occupancy is at 80% - the highest in Canada.
- (Note: hotel room tax revenues are the basis for calculating hotel revenues; an overpayment of hotel room tax in July 2013 was compensated for in August 2013)

¹² City of Richmond Additional Hotel Room Tax Ledger; revenue reverse calculated based on AHRT receipts representing 2% of total hotel room revenue; AHRT remittances and payments to Richmond have a 2-month lag

Budget Process Summary:

The key budget processes are summarized below.

i. Capital Project Ranking and Review

- Each capital submission includes a business case, unless an exception has been granted. An exception can be granted by Council or the CAO at the Capital Budget submission stage. The provision of a mechanism for an exception is important because the nature of some projects is such that the community benefit far outweighs the business case factors.
- Each submission is first self-ranked using a common ranking criteria across all projects and the final ranking is decided upon by a Review Committee comprised of staff from each respective division to provide an objective review of all capital projects and the associated OBI.
- After the capital projects are reviewed and ranked by the Review Committee, the list of capital projects and OBI will be forwarded to SMT for further review and CAO approval prior to submission of the recommended projects for Council decision.

ii. Operating Budget Impact (OBI)

- Capital projects will require a business case, with exceptions; therefore any OBI, operating or utility, should be analyzed and substantiated in the business case.
- OBI can only be included on current capital projects. Any other OBI requests will be included as additional level requests.
- OBI information will be broken down between labour and other expenditures and standard costs will be provided.
- FP&A will provide the initial review of the OBI submissions; however, comprehensive review will be conducted by the Review Committee in conjunction with the capital review, with final review by SMT and CAO prior to forwarding recommendations for Council decision.

iii. Operating Budget Process

- In order to ensure consistent application of budget assumptions, FP&A will input the budgets into the systems and departments will review and sign-off.
- Departments will highlight any non-discretionary increases and provide supporting documentation to FP&A.
- Salary and fringe benefits will be input by FP&A with instructions from Payroll and Human Resources Department (HR).
- Only non-discretionary increases with sufficient documentation to support the increases will be allowed.
- Each department's budget submission will be compiled and reviewed in conjunction with any Service Level Review Reports produced as a result of operational and service level reviews conducted in that area of the organization.
- Each department's budget is to be signed-off by the respective GM in accordance with Council Policy 3016.

iv. Capital Budget Submissions and Close-outs

- The list of outstanding active projects will be reviewed by each GM, and all projects that should be closed are to be identified in a memo. All 2010 and prior projects should be closed and if required to be kept open, rationale should be provided to the GM, Finance and Corporate Services and copied to FP&A.

- All capital project submissions are required to clearly identify timing of cash flow requirements, in order for the Treasury and Financial Services section to plan investment strategies to maximize the City's portfolio investments, while ensuring cash flow requirements are met.
- Capital submissions, including any associated Operating Budget Impact (OBI), are to be approved by each respective GM prior to submission.

v. Additional Levels of Service (ALOS) Requests

- Additional levels of service requests are not to be included in the current year operating budget and the proposed 5YFP, in accordance with Policy 3016, rather they are identified separately.
- There are two types of ALOS: (a) Ongoing, to be included in the tax base and funded by a tax increase and (b) One-time, to be funded by sources other than taxation.
 - a) Ongoing ALOS requests are proposals to add new services, programs, program enhancements, or to increase expenditures as a result of growth. Ongoing ALOS are proposed to recur each year and form the new base level of service. Examples include: increasing maintenance from once to twice per year, increasing hours of operation and additions to the staff complement.
 - b) One-time ALOS requests apply to the current budget year only and could be funded by the City's rate stabilization account and/or other non-tax sources, subject to Council approval. Examples include: funding for consultants, purchase of minor capital equipment, and one-time services or programs, which may include temporary staff requirements for a specific period of time.
- All ALOS requests are to be signed off by the GM of the respective department, ranked by the Review Committee, reviewed by SMT and approved by the CAO prior to presentation to Committee/Council for a decision.