



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Jerry Chong, CPA, CA  
Director, Finance  
**Re:** 2017 Proposed Operating Budget

**Date:** November 30, 2016  
**File:** 03-0985-01/2016-Vol  
01

### Staff Recommendation

That:

1. The 2017 Operating Budget presented in the staff report titled 2017 Proposed Operating Budget dated November 30, 2016 from the Director, Finance with a total tax increase of 1.89% before additional levels of service, be approved.
2. Ongoing additional levels in the amount of \$162,682 with a tax impact of 0.08% as presented in Attachment 9 of the staff report titled 2017 Proposed Operating Budget from the Director, Finance be approved.
3. Ongoing additional levels for policing in the amount of \$2,285,685 for 11 additional police officers and 3 municipal employees to support the RCMP detachment with a tax impact of 0.48% in 2017 and 0.51% in 2018 as presented in Budget Option 3 of the staff report titled 2017 Proposed Operating Budget from the Director, Finance be approved.
4. The Rate Stabilization Account be used to pay for the capital and other one time costs associated with the additional 11 police officers and 3 municipal employees to support the RCMP detachment for a total of \$272,000.
5. A tax increase of 1.00% for community facilities infrastructure replacement needs as per Council's Long Term Financial Management Strategy, be approved.
6. That the 2017 Proposed Operating Budget as described above and the 2018-2021 same level of service base budget be included in the 5 Year Financial Plan (2017-2021).

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

Att: 12

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

### Executive Summary

The most recent Vancouver CPI forecasts from the Conference Board of Canada are 2.1% for 2017. The Municipal Price Index (MPI) is estimated at 2.7%, which is higher as CPI forecasts do not include factors such as wages for a unionized public sector workforce, such as Fire Rescue personnel and contract policing costs.

The City's operations are predominantly focused on programs and services, therefore expenditures are primarily labour intensive (47%) and contracts (22%), which is largely due to the RCMP contract. The Operating Budget is primarily funded by property tax (69%). Community User Fees were increased by 2.1% where possible, in October 2016 through the Consolidated Fees Bylaw which comes into effect on January 1, 2017.

### *Same Level of Service*

This 2017 Operating Budget report presents the same level of service base budget, including external senior government increases, and after new tax growth at \$2.7M, resulting in a 1.19% tax impact.

### *Restoring Library Branch Hours*

The same level of service budget includes reallocating \$66,400 of funding from City contingency accounts to the Library to assist in restoring Library Branch hours. Staff worked closely with the Library to identify \$133,600 within existing library budgets for a total of \$200,000 required to restore hours to pre-2016 levels.

Budget Component	\$000's	Tax Impact (%)
Net Budget Increase	\$4,426	2.24%
External Senior Government Increases	612	0.31%
Less: Estimated 2017 New Tax Growth	(2,700)	(1.36%)
<b>Same Level of Service Increase (LTFMS target: 2.1%)</b>	<b>\$2,338</b>	<b>1.19%</b>
Major Facilities-Year 4 of 7	654	0.32%
2017 Developer Contributed Assets OBI	110	0.06%
2017 Capital Program OBI - Year 1 of 2	275	0.14%
City Centre Community Centre North Year 1 of 4	355	0.18%
<b>Subtotal</b>	<b>\$3,732</b>	<b>1.89%</b>
Additional Level Expenditures – City-Wide	163	0.08%
Additional Levels - Policing	1,224	0.62%
Less: Rate Stabilization of one-time capital costs	(272)	(0.14%)
<b>Proposed 2017 Operating Budget Increase</b>	<b>\$4,847</b>	<b>2.45%</b>
<b>Additional 1% Transfer to Reserves</b>	<b>\$1,980</b>	<b>1.00%</b>

*Capital Operating Budget Impacts (OBI)*

Operating Budget Impacts (OBI) include funding for new major facilities; it also includes OBI for the 2017 recommended Capital Program.

*Additional Levels of Service*

The recommended additional level expenditures includes funding for Let's Talk Richmond, managing storm events, and increased funding for Community programs. In terms of recommended additional level expenditures for policing, they include 11 police officers and 3 municipal employees to support the RCMP detachment.

*Long Term Financial Management Strategy*

The uncommitted reserve funding available for Building Reserves, as at September 30, 2016, is \$38.1M. Phase 1 of the major facilities replacement plan was \$124.1M. The additional 1.0% increase in transfer to reserves would be transferred into the Capital Building and Infrastructure reserve to ensure adequate funding for phase 2 community facilities and ageing building infrastructure.

*Summary*

The proposed 2017 budget is in compliance with Council policies as the same level of service increase of 1.19% is lower than forecasted CPI target of 2.1%. It also ensures costs for increased levels of service associated with the new facilities are captured in order to maintain community livability bringing the tax increase to 1.89%. Council's emphasis on a safe community is also strengthened with the addition of 11 police officers and 3 municipal employees to support the RCMP detachment. Finally, it is in full compliance with the Long Term Financial Management Strategy (LTFMS) as it proposes a 1% increase for infrastructure replacement, specifically for community facilities.

## **Staff Report**

### **Origin**

Subsection 165(1) of the Community Charter requires the City to adopt a 5-Year Financial Plan (5YFP) Bylaw. The 2017 Operating Budget forms the basis of the City's 5YFP. Under the Community Charter, the City is prohibited from incurring any expenditure unless the expenditures have been included for that year in its financial plan, and the City is required to provide a balanced budget, with no projection of a deficit.

The proposed 2017 Operating Budget ("Budget") applies the principles of Council's Long Term Financial Management Strategy (LTFMS) (Policy 3707) (Attachment 6), which was originally adopted in 2003, *"Tax increases will be at Vancouver CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1% towards infrastructure replacement needs."*

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

*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.*
- 7.4. Strategic financial opportunities are optimized.*

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

At the Finance Committee meeting held on July 4, 2016, the following recommendation was approved:

*That the services as presented in Attachment 2 of the staff report titled "2017-2021 Budget Process" dated June 13, 2016 from the Director, Finance be approved as the base for the 2017 budget.*

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

### **Analysis**

#### **Budget Process**

The proposed 2017 budget presents a same level of service budget, with only non-discretionary increases that can be clearly identified and supported. Enhanced or new levels of service are

identified separately as ongoing additional expenditure requests by the respective divisions for Council's consideration. Refer to Attachment 3 for the 2017 Budget Cycle.

### Environmental Scan

#### *Economic Outlook*

Richmond housing starts have maintained a steady 11% proportion of Metro Vancouver starts since 2009, with this indicator growing to 12% in the last three years. The construction value of Richmond's total building permits issued is \$569 million as of September 30, 2016.

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

#### *Taxation*

Richmond has the 5<sup>th</sup> lowest property taxes out of 21 municipalities in Metro Vancouver at \$1,568 for an average residential property assessed at \$763,269. This is based on the municipal portion only that City Council has control over, which is approximately half of the property tax billing. The rest pertains to Translink, School Board, Metro Vancouver and Municipal Finance Authority. Within the comparator group (i.e. top five municipalities based on population), Richmond continues to have the 2<sup>nd</sup> lowest municipal tax for the average residential assessment. Refer to Attachment 5 for a comparison of all Metro Vancouver municipalities.

Richmond is ranked 7<sup>th</sup> out of the 21 Metro Vancouver municipalities with regards to the business to residential tax ratio position of 3.24 amongst the Metro Vancouver municipalities. In other words, if a property was assessed at \$1,000, the business property owner paid \$3.24 while the residential owner paid \$1.00. Richmond is the 3<sup>rd</sup> lowest in business to residential tax ratio when compared to its comparator group.

Overall, Richmond residential properties are highly sought after. When comparing with our comparator group, a single family detached home in Richmond has the third highest average 2016 assessed value of \$1.16M, just behind Burnaby at \$1.22M and Vancouver at \$1.85M. Richmond property values are consistently high and property taxes reasonable relative to the services provided.

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

On March 23, 2015 Council approved a new Casino funding allocation model which took effect starting with the 2016 budget.

Table 1 summarizes the allocation of gaming revenue in comparison to the 2016 allocation.



**Table 1 – Casino Funding Allocation (in \$000s)**

Casino Funding	Allocation	2017 Budget	2016 Budget
Capital Reserve	30%	\$5,426	\$5,430
Grants	15%	2,713	2,715
Council Community Initiatives Account	2%	362	362
Debt Servicing	Fixed	5,000	5,000
Operating (RCMP)	4 Officers	676	657
Capital Building Infrastructure Reserve	Remainder	3,911	3,936
<b>Total</b>		<b>\$18,088</b>	<b>\$18,100</b>

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

Grants funded by gaming revenue include:

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

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

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

#### *Financial Position*

**Vulnerability** – In 2015, Senior Government level transfers amount to 5.4% of total revenue. Gaming revenue is the predominant source as the City receives 10% of River Rock's net gaming revenues from the Province. Only a small portion of gaming revenue is used in the operating budget for policing and grants, therefore the City's vulnerability to potential fluctuations in this external source of funding is minimized.

**Sustainability** – In 2015, Richmond's Financial assets (cash, investments, receivables, etc.) to liabilities ratio is 2.9 to 1.0 which indicates ability to cover existing liabilities. While this is a strong current position, long term planning is required in order to fund future infrastructure replacement costs. Options are to build up reserve balances, or to fund with external borrowing should interest rates remain low. There is also the option to delay replacement of ageing infrastructure; however, this could result in repair/refurbishment costs that exceed the life cycle cost of replacing the ageing assets.

Flexibility – Table 2 shows the 2015 Net Book Value of Capital Assets to Cost is 68.7% (57.2% excluding land) which indicates that the City's assets are ageing and future replacement or increased repairs and maintenance will be required.

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

2015 Tangible Capital Assets	NBV	Cost	Ratio
Land	\$804	\$804	100.0%
Tangible Capital Assets (Excluding Land)	1,259	2,201	57.2%
<b>Total Tangible Capital Assets</b>	<b>\$2,063</b>	<b>\$3,005</b>	<b>68.7%</b>

*Uncommitted Reserve Balances*

As at September 2016, the City has \$157.9M in uncommitted reserves as shown in Table 3; however, many of these balances are designated for specific purposes.

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

Statutory Reserve Funds	Balance at September 30, 2016 (in millions)
Building Reserves	\$38.1
General Reserve	42.5
Utility Reserves	72.6
Other specific purpose reserves	4.7
<b>Total Uncommitted Reserve Balance</b>	<b>\$157.9</b>

The uncommitted funding available in Building Reserves (Capital Building and Infrastructure and Leisure Facilities Reserves) is \$38.1M. Phase 1 of the Major Facilities Replacement Plan was \$124.1M and the funding was predominantly from the Building Reserves.

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

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

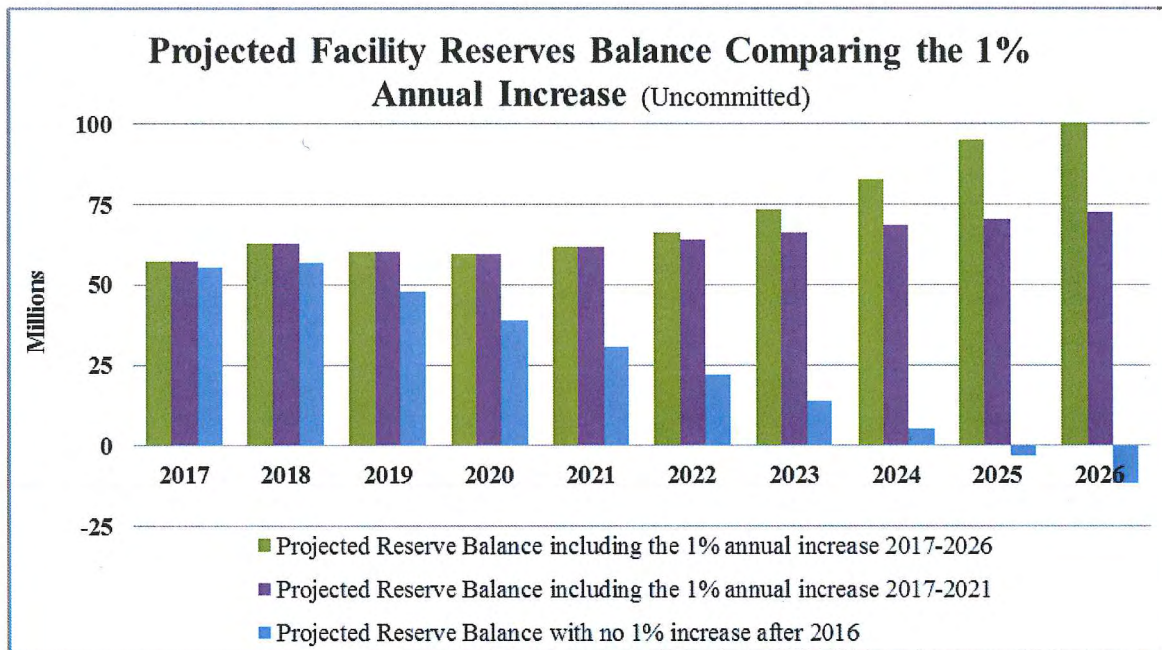
In 2003, after years in which tax rates and transfer to reserves were not increased, Council recognized the need to maintain predictable and consistent tax increases while also addressing the declining reserve balances by adopting the LTFMS. The 1% transfer to reserve coincided with Council's decision to replace the City's ageing Community Safety facilities. Attachment 6 shows that in the 13 years since the policy was adopted, the policy has not been consistently



applied as no increase to transfers was made in 6 of the 13 years. In 2008-2011 the policy was waived due to interest earned on the Community Legacy and Land Replacement Reserve Fund.

It is important to continue to follow the Long Term Financial Management policy and it is estimated that the reserve fund may reach the optimal level of annual funding in 2021, if the 1% transfer to reserve is followed each year as shown in the purple (middle bar) in Figure 1.

**Figure 1**



### Budget Challenges

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

Funding is required for construction of the Phase 2 Major Facilities plan as well as the tax impact from the associated OBI. The 2017 Capital Budget includes \$2M for Advanced Design Planning.

Based on recent information received, there is a request for increased policing for Richmond.

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

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



Organization Profile

The City's six corporate divisions include:

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

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

Operating Budget

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

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

Division	2016 Adjusted Net Budget	2017 Proposed Net Budget	Amount Change	Percent Change
Law and Community Safety	81,417	82,924	1,507	1.85%
Community Services	38,807	39,383	576	1.48%
Library	8,744	8,928	184	2.10%
<b>Total Community Services</b>	<b>47,551</b>	<b>48,311</b>	<b>760</b>	<b>1.60%</b>
Engineering and Public Works	34,519	35,086	567	1.64%
Finance and Corporate Services	18,803	19,016	213	1.13%
Corporate Administration	9,287	9,496	209	2.25%
Planning and Development	5,324	5,323	(1)	(0.01%)
Fiscal	(196,900)	(195,118)	1,782	(0.90%)
<b>Net Increase</b>	<b>(\$0)</b>	<b>\$5,038</b>	<b>\$5,038</b>	
Less: Estimated 2017 New Tax Growth		<b>(2,700)</b>	<b>(2,700)</b>	
<b>Net Increase after New Tax Growth</b>		<b>\$2,338</b>	<b>\$2,338</b>	<b>1.19%</b>

### *Restoring Library Hours*

The same level of service budget includes reallocating \$66,400 of funding from City contingency accounts to the Library to assist in restoring Library Branch hours. Staff worked closely with the Library to identify \$133,600 within existing library budgets for a total of \$200,000 required to restore hours to pre-2016 levels.

As shown in the All Divisions summary included in Attachment 8, the City's operating expenses are mainly comprised of labour related to delivering programs and services (47%) and contracts (22%), which is largely due to the RCMP contract.

The operating budget is primarily funded by property tax (69%). Community User Fees were increased by forecasted CPI of 2.1%, where possible through the Consolidated Fees Bylaw, effective January 1, 2017.

### Key Financial Drivers

Preliminary Vancouver CPI forecasts from the Conference Board of Canada were estimated at 2.1% for 2016. In comparison, the Municipal Price Index is estimated at 2.7%.

**Table 5 – 2017 Key Financial Drivers**

Key Financial Drivers	Amount (in 000's)	Increase Proportion
Total Salary Increase <sup>1</sup>	\$3,597	71.4%
RCMP Contract Increase <sup>2</sup>	1,226	24.3%
External Senior Government Related Increases	612	12.1%
2016 OBI Year 2 of 2	293	5.8%
Other Increases	665	13.2%
Increased revenue	(1,419)	(28.1%)
Decrease in Rate Stabilization	64	1.3%
<b>Net Budget Increase</b>	<b>\$5,038</b>	<b>100.0%</b>

Sources:

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

<sup>2</sup> RCMP E Division

Based on the key financial indicators shown in Table 5 \$5.0M is required to fund the increasing costs of maintaining current programs and services.

Salaries are the largest non-discretionary increase to the City. CUPE 718 and 394 collective agreements are currently under negotiation. The Richmond Firefighters Association collective agreement is settled at 2.5% per year until 2019. The 2017 Base budget includes a preliminary estimate for salaries; however this may need to be adjusted depending on the outcome of current negotiations.

**External Senior Government Related Increases**

Council Policy 3707 item 2 states:

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

Table 6 summarizes the items included in the 2017 budget increase that are mandated by the following senior government legislation:

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

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

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

<b>External Senior Government Related Increases</b>	<b>Amount</b>
Canada Pension Plan Premiums	\$300
BC Hydro Rate Increase	229
E-Comm 9-1-1	68
DNA Analysis Services	15
<b>Total</b>	<b>\$612</b>

**Tax Growth**

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

New tax growth for 2017 is estimated at \$2.7M.



Additional Levels of Services*2017 OBI Related to 2017 Capital Budget*

The total OBI from the 2017 recommended Capital program is \$1,130,426. Table 7 presents the 2017 OBI by Capital program. Of this amount \$581,503 is associated with utility projects and will be included in future utility budgets. The operating budget impact is \$548,923. 2017 OBI will be phased in over two years.

**Table 7 – Recommended 2017 Funding and OBI by Program (in \$ '000s)**

<b>Program</b>	<b>Amount</b>	<b>OBI</b>
Infrastructure	\$41,059	\$910
Land	16,000	-
Parks	9,143	101
Internal Transfers/Debt Payment	4,889	-
Equipment	11,103	113
Building	6,265	(25)
Public Art	611	31
Affordable Housing	3,735	-
Child Care	120	-
Contingent External Contribution	10,000	-
<b>Total 2017 Capital Funding &amp; OBI</b>	<b>\$102,925</b>	<b>\$1,130</b>
Less: Utility Budget Impact		\$582
<b>2017 OBI - to be phased in over two years</b>		<b>\$548</b>

*Previously Approved OBI for Major Facilities*

The total OBI from the 2014 Capital program was estimated at \$3.95 million, which included funding for major facilities including the City Centre Community Centre and the new Minoru Complex (Aquatics and Older Adults Centre). This OBI is being phased in with increments of \$600,000 to align with the timing of services provided. The phase-in plan will be completed in year 2020.

Fire Hall 3 is currently under construction and based on changes in scope from the time the original project was planned in 2009, the estimated operating cost has been finalized. The additional OBI required is \$108,404, which will be phased in over two years 2016 and 2017 (\$54,202 per year) to align with the timing of expected completion.

Total OBI related to previously approved major facility projects is \$654,202 and is summarized in Table 8.



*OBI of Previously Approved Developer Contributed Assets*

The following developer contributed assets that were previously approved by Council as part of rezoning approvals will be placed in service in 2017 and will require funding for ongoing operation and maintenance. In addition, external grant funding received for advancing the Flood Protection Program has resulted in additional OBI.

➤ Flood Protection Program OBI: \$31,250

The City received \$16.63M of grant funding from the Province of British Columbia to rebuild four drainage pump stations and upgrade various sections of the dike. These projects now form a part of the 2016 Capital Program and was adopted by Council at the June 27, 2016 Council Meeting. An operating budget increase was not included and this project reflects the operating budget increase that will occur as a result of the grant funding.

➤ River Green Village – Oval East Waterfront Park OBI: \$25,169

Ongoing funds are required to cover the cost of operating Phase 1 of the Oval East Waterfront Park which is being constructed by the developer of the adjacent property per RZ 2009-460962 and which is scheduled for completion in fall 2017. After the park has been constructed and maintained for one year the park will be transferred to the City's Park Operations. This will cover the ongoing maintenance of various items including planting beds, grass cutting, weed control, waste management and tree maintenance.

➤ Kingsley Estates Child Care Facility (Polygon) OBI: \$38,833

Polygon is providing, at their cost, a turnkey child care facility with 5,500 sq. ft. of indoor area and 5,000 sq. ft. of outdoor play area. The community amenity is being provided as a voluntary contribution related to RZ 13-649524. The estimated cost is not to exceed \$3.3M, which is Polygon's amenity contribution. Polygon will hold and manage all of the funds for the project. The building will be completed in 2017 and the OBI has been based on current estimates for ongoing maintenance. The building will be leased to a non-profit child care operator who will share some of the maintenance responsibilities, particularly those involving operating expenses (e.g. utilities, janitorial and staff costs, etc.).

➤ Gardens Children's Centre (Second Floor) OBI: \$14,794

Ongoing funds are required to maintain the second floor of the Gardens Children's Centre and exterior landscaping. Funds for the maintenance of the first floor and a surface parking lot have been approved. Townline (the external partner) is renovating a sales centre and the first floor of the Coevorden Castle to create a new BC Building Code compliant child care facility on City-owned land. The facility upon completion will be turned over to the City. The second floor (2,300 sq. ft.) was not part of Townline's CAC

obligation related to RZ 08-450659 & RZ 10 - 546755. Renovation of the building is anticipated to be completed by 2017.

The total OBI related to these developer contributed assets is \$110,045.

Table 8a and 8b summarizes the total Capital OBI for 2017 which is \$1,393,702.

**Table 8a – Previously Approved Capital OBI (in \$000s)**

<b>Previously Approved Capital Operating Budget Impacts</b>	<b>Amount</b>
Major Facilities Year 4 of 7	\$654
2017 Developer Contributed Assets	110
<b>Total</b>	<b>\$764</b>

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

<b>Capital Operating Budget Impacts</b>	<b>Amount</b>
2017 Capital Program OBI Year 1 of 2	\$275
City Centre Community Centre North Year 1 of 4	355
<b>Total</b>	<b>\$630</b>

#### *Additional Level Expenditure Requests*

The additional expenditure requests represent an increase to programs or levels of service and are usually funded through increases to the tax rate. Attachment 9 shows the list of recommended additional expenditure requests submitted by staff. For 2017, a total of \$162,682 is recommended by SMT.

The recommendation includes sustainable funding for Let's Talk Richmond Contract, Regular Full Time Planner 3, Departmental Associate 3 – Building Department, Increased Building Service Worker (BSW) Hours at the Steveston Museum and the Tram Building, Plan Processing Clerk – Building Department, Additional Hours for Building Service Worker (BSW) and Kiln/Ceramics Contractor, Community Leisure Transportation (CLT) – Relocation of Service, Arts Centre: Increase to Operations, Increase Transfer to Fleet Reserve, and funding to respond to Storm Events.

#### *Additional Level Expenditure Requests - Policing*

Ongoing additional levels requested by RCMP are summarized in Attachment 10. Based on recent information, additional officers are required. For 2017, the RCMP has requested 22 new officers which would be deployed within one year of formalizing a request. In addition, the RCMP has requested 6 additional Municipal Employees to support the detachment.

On average, the cost of an additional officer is \$152,000 or a 0.08% tax impact plus approximately \$13,000 in initial capital costs. Attachment 10 presents the RCMP request in multiple lines for illustration purposes that the City has discretion over the number of new

officers to approve. Table 9 presents the option of approving 11 officers and 3 municipal employees.

As part of the 2016 budget, 12 additional officers were approved with no tax impact, due to \$1.8M in reductions across the City. At the time of writing this report, 7 of the 12 officers have been deployed and the remaining 5 are expected by March 2017.

The total number of approved officers (including two civilian members) is 214, of which 11 are Gap funded (including one civilian member). In addition, the budget includes 17 IHIT officers.

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

Additional Level Expenditure Requests				Tax Impact (%)
Recommended (Attachment 9)			163	0.08%
11 Additional RCMP Officers	1,959	0.99%		
3 Additional Municipal Employees to support RCMP	268	0.14%		
Less: 2018 Phase-in Amount	(1,003)	(0.51%)		
Less: Rate Stabilization - one time initial costs	(272)	(0.14%)	952	0.48%
<b>Total Additional Level Expenditures</b>			<b>\$1,115</b>	<b>0.56%</b>

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

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

### **Budget Options**

This report presents three options for including additional levels expenditures for RCMP in the budget as summarized in Table 10:

1. No additional levels for policing.
2. Full tax impact of 22 officers and 6 Municipal Employee support staff.
3. 11 officers and 3 Municipal Employee support staff phased-in over two years

**Table 10 – 2017 Budget Options**

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Same Level of Service Increase	1.19%	1.19%	1.19%
Previously Approved Operating Budget Impacts	0.38%	0.38%	0.38%
2017 Operating Budget Impacts	0.32%	0.32%	0.32%
<b>Subtotal Before Additional Levels</b>	<b>1.89%</b>	<b>1.89%</b>	<b>1.89%</b>
Additional Level Expenditures - recommended	0.08%	0.08%	0.08%
Additional Level Expenditures - no additional officers	-%		
Additional Level Expenditures - 22 officers and 6 support staff		1.94%	
Additional Level Expenditures - 11 officers and 3 support staff			0.48%
<b>Total Additional Levels</b>	<b>0.08%</b>	<b>2.02%</b>	<b>0.56%</b>
<b>2017 Budget Increase</b>	<b>1.97%</b>	<b>3.91%</b>	<b>2.45%</b>
<b>Additional Transfer to Reserves</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>
<b>Overall 2017 Tax Increase</b>	<b>2.97%</b>	<b>4.91%</b>	<b>3.45%</b>

*Budget Option 1 – No additional policing (not recommended)*

This budget option is a tax impact of 1.97% plus 1% transfer to reserve for a total of 2.97%. No additional policing officers are added. 12 additional officers were already added to the 2016 budget and the City has not yet received all new officers.

*Budget Option 2 – Full policing request (not recommended)*

This budget option is a tax impact of 3.91% plus 1% transfer to reserve for a total of 4.91%. The 22 officers and 6 Municipal Employee support staff requested by RCMP are included in this option with funding secured in the base budget.

*Budget Option 3 – Priority policing request with funding option (recommended)*

This budget option is a tax impact of 2.45% plus 1% transfer to reserve for a total of 3.45%. The 11 officers and 3 Municipal Employee support staff requested by RCMP are included in this option. Due to the time required to hire and train new officers, this option proposes the 11 additional officers subject to Council approval, but phase-in the tax impact over two years to align with the timing of when the officers are expected to be deployed.

All options include the 1% Transfer to Reserve per Council's Long Term Financial Management Strategy.

**Financial Impact**

Staff recommend the proposed 2017 Operating Budget with a tax impact of 2.45% as summarized in Table 11.



**Table 11 – 2017 Proposed Tax Increase (in \$000s)**

Budget Component	Amount	Running Total	Tax Impact	Cumulative Tax Impact
Same Level of Service Increase		\$2,338		1.19%
Capital Operating Budget Impacts	1,394		0.70%	
Subtotal		\$3,732		1.89%
Additional Level Expenditures	1,115		0.56%	
Same Level of Service Increase, After Growth, with Capital OBI, and Additional Level Expenditures		\$4,847		2.45%
Additional 1% Transfer to Reserves	1,980		1.00%	
Same Level of Service Increase, After Growth, with Capital OBI, Additional Level Expenditures, and Additional Transfer to Reserves		\$6,827		3.45%

**Conclusion**

Staff have prepared the 5-Year Financial Plan (2017-2021) utilizing the 2017 Operating Budget as the base.



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MS:jy

## 2017 Proposed Operating Budgets

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**1. Council Term Goals (2014-2018)****1. A Safe Community**

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

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

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

**3. A Well-Planned Community**

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

**4. Leadership in Sustainability**

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

**5. Partnerships and Collaboration**

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

**6. Quality Infrastructure Networks**

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

**7. Strong Financial Stewardship**

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

**8. Supportive Economic Development Environment**

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

**9. Well-Informed Citizenry**

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

## 2. Approved Types of Programs and Services

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
CAO's Office (7)	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		✓	
	• Production Centre			✓
	• Corporate Planning		✓	
Deputy CAO (4)	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)	<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>Britannia</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Parks Planning &amp; Design</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)</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Heritage Services</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Richmond Museum</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Gateway Theatre (liaison)</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Richmond Public Library (liaison)</li> </ul>		✓	✓
	<b>Community Social Development</b>			
	<ul style="list-style-type: none"> <li>Social Planning</li> </ul>			✓
	<ul style="list-style-type: none"> <li>Affordable Housing</li> </ul>			✓

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	• Diversity & Cultural Service			√
	• Child Care Services			√
	• Youth Services			√
	• Senior Services			√
Engineering & Public Works (10)	<b>Engineering</b>			
	• Engineering – Planning	√	√	
	• Engineering – Design & Construction	√	√	
	• Facility Services		√	
	• Capital Building Project Development			√
	• Sustainability (includes district energy, corporate energy, environmental sustainability)			√
	<b>Public Works</b>			
	• Public Works Administration		√	√
	• Fleet Operations & Environmental Programs		√	√
	• Roads & Construction Services	√	√	
	• Sewerage & Drainage	√	√	
	• Water Services	√	√	

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Finance & Corporate Services (26)	<b>Finance</b>			
	• Finance Administration		√	√
	• Finance Systems		√	√
	• Financial Reporting	√	√	√
	• Financial Planning & Analysis	√	√	√
	• Revenue/Taxation	√	√	√
	• Purchasing and Stores		√	√
	• Treasury & Financial Services	√	√	√
	• Payroll		√	√
	<b>Information Technology</b>			
	• IT Administration		√	√
	• Business & Enterprise Systems		√	√
	• Innovation			√
	• Infrastructure Services		√	√
	• GIS & Database Services		√	√
	• Customer Service Delivery		√	√
	<b>City Clerk's Office</b>			
	• Operations/Legislative Services	√	√	
	• Records & Information	√	√	
	• Richmond Archives		√	√

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



Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	Legal Services		√	√
	Law & Community Safety Administration		√	√
Planning & Development (10)				
	Planning and Development – Admin	√	√	
	Transportation			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	Building Approvals			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	Development Applications			
	• Developments	√	√	√
	• Major Projects			√
	Policy Planning	√	√	
Total = 86		27	60	63

**3. 2017 Budget Cycle**

# 2017 Budget Cycle



\* Council involvement

#### 4. Economic Outlook

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

*(Note: unless explicitly referenced in the footnotes, the data source used in the commentary below is the Conference Board of Canada report titled "Metropolitan Outlook Autumn 2016" and providing forecasts to 2020 – note that all forecasts below precede the outcome of the U.S. presidential election on November 8, 2016.)*

#### Macroeconomic Trends

With Richmond's advantageous location for global trade, market conditions in the world's major economies and the overall global trade climate have a significant impact on the local economy.

In October, global growth was projected to further slow to 3.1% in 2016 before recovering to 3.4% in 2017. The forecast, revised down by 0.1% for 2016 and 2017 since April, reflected a more subdued outlook for advanced economies following Brexit and weaker-than-expected growth in the U.S. in 2017<sup>1</sup>.

Since the conclusion of the U.S. election, this forecast has been further challenged, as there is a large amount of uncertainty surrounding the fiscal and trade policies of the United States under a new president-elect. Indications for potential loosening of the U.S. fiscal policy through a substantial tax stimulus are pointing towards GDP, inflation and interest rates rising under a Trump presidency. The slowdown of trade growth since 2012, due to ongoing weakness in investment and decline in the growth of supply chains, is expected to continue, as economic uncertainty under a new U.S. presidency is likely to delay both consumer and business capital investment plans through the first quarter of 2017. A potential protectionist trade policy from the U.S. would further dampen global trade prospects and economists cite "trade wars" as the biggest risk to the global economy.

After a marginal 1.1% growth in 2015 and a great start to 2016, Canada's economy contracted as a result of oil production loss due to Alberta's wildfires in May and ongoing weakness in business investment. Rebuilding in Alberta and a fall 2016 federal stimulus measures in personal income tax and infrastructure spending resulted in a rebound in the last quarter of 2016. With Canadian interest rates expected to remain at 0.5% throughout 2017 and into 2018, improved opportunities for the KeystoneXL pipeline and the oil sector, and preventing radical changes in the trade policy between Canada and the U.S., it is forecast that Canada would benefit from economic growth South of the border in the short and medium term. The Canadian GDP growth rate for 2017 is set at 2.0% and average Canadian GDP growth for the 2017-2020 period is forecast at 1.8%.

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<sup>1</sup> World Economic Outlook, IMF (October, 2016)

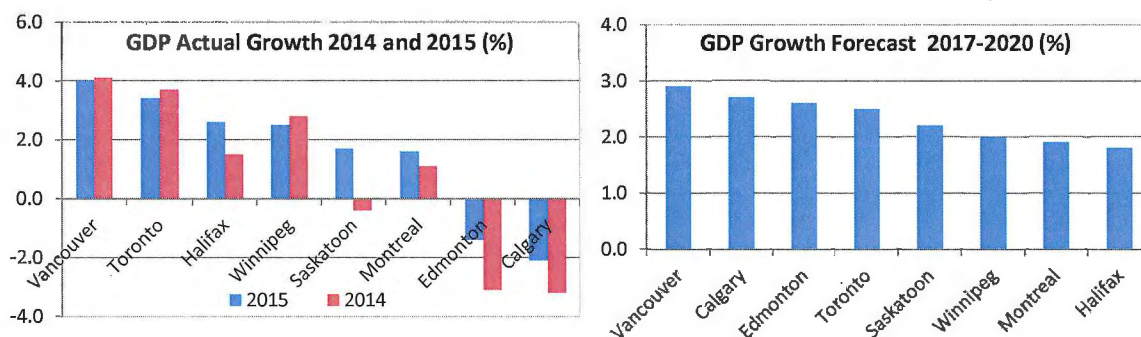
With declining global trade, business investment outside of the oil sector is expected to remain weak, dampening export growth prospects for Canadian firms that are reaching full capacity. Nationwide, exports are projected to expand by a mere 0.6% in 2016 and improve to a moderate 2.3% growth in 2017 (note that this forecast assumes the loonie to average \$0.76 U.S. – the rate may change significantly based on changes in the fiscal and trade policies throughout the period South of the border).

High personal debt levels are expected to limit consumer spending in Canada, with average annual retail sales expected to be at 2.3% over the next four years, a full percentage point less than the 3.3% average annual growth over the previous four years. Modest job growth is expected to bring the average unemployment rate to 6.6% over the 2017-2020 period, an insignificant 0.4% decrease from the 7.0% average unemployment rate registered over the 2013-2016 period.

### Regional Trends

A booming housing sector has positioned B.C. as the nation's growth leader in 2016. However, poor affordability and government measures introduced to temper housing demand (the 15% tax on foreign home buyers that came into effect in August and the tax on vacant Vancouver properties to come into effect in 2017) are likely to lead to weaker housing demand and tempering of B.C. growth prospects in 2017. After a 3.0% and 3.8% growth in 2015 and 2016, respectively, B.C. average annual growth is estimated at 2.6% over the next four years. The average annual unemployment rate is expected to incrementally decrease from 6.2% over the last four years to 5.7% over the next four years.

For the second straight year, Metro Vancouver's economy is on course to outpace all major Canadian metropolitan areas by growing at 4.0% in 2016. Metro Vancouver's GDP is expected to grow at a slower 2.8% rate in 2017 and register an average growth rate of 2.9% over the next four years.



As a result of governments' new housing market cooling measures, housing starts are expected to fall from 28,000 in 2016 to 23,000 in 2017, and remain at that level over the next four years. Non-residential construction, including commercial, industrial and infrastructure related projects are expected to remain active well into 2020, with total construction output expected to grow by



7.4% in 2016 and 3.4% in 2017. Local firms in both the manufacturing and services sectors will continue to benefit from a low Canadian dollar and associated growth across related industries, such as transportation and warehousing, tourism and professional services. A downward adjustment in the output of construction, finance, insurance and real estate by \$290 million is expected in 2017, as a result of the new housing market demand cooling measures. Over the next four years, Metro Vancouver's employment growth will continue at half the average pace from the previous four years, with the average unemployment rate expected to be at 5.2% over the next four years.

### Local Trends<sup>2</sup>

As in all of Metro Vancouver, a large share of Richmond's jobs (40%) are community-oriented, representing jobs dependent on population growth. The remaining 60% of jobs are in sectors that comprise Richmond's economic base – sectors that drive the Richmond economy. Nearly 70% of Richmond's economic base jobs are in sectors linked to the City's role as a people and goods movement gateway, including transportation, warehousing and logistics, manufacturing, wholesale and tourism – 23.1%, 18.5%, 14.5% and 11.5% of the economic base<sup>3</sup>.

Not only does Richmond have a regional advantage in those industries, due to the presence of the port and airport, but also senior government policies focus on development of the Asia Pacific Gateway to support growth in those sectors. Furthermore, the macroeconomic environment of low Canadian dollar and interest rates defines these sectors as continued areas of expansion in the next few years. At the same time, these growth potential sectors are susceptible to downside pressures due to potential tightening of global trade policies.

Richmond businesses in core economic sectors have performed well in the last few years, as demonstrated by growth in key performance indicators, such as: volume of cargo movement through the Port of Vancouver and YVR, up by 12.6% and 17.7%, respectively, since 2012; passenger movement through YVR, up by 15% since 2012; and local hotel room revenue, up by 34% since 2012. Commercial vacancy rates are at historic lows, with office on par with the regional 8.2% vacancy rate and industrial at a below regional average of 2.5%, commercial product is expected to be coming online in the near future to accommodate business growth (particularly along the Canada Line where the office vacancy rate is virtually non-existent at 2.3%). Meanwhile, a robust housing market has continued to drive land costs up, rendering commercial lands not lucrative for development and exerting pressure on Richmond's employment lands inventory.

Housing starts have grown substantially across the region over the last five years. Richmond's share of housing starts represents an average of 10.5% of the regional total, while its share of the regional population has remained at approximately 9%, indicating that the local housing market has been outperforming the regional market.

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<sup>2</sup> Source: Interactive Data, <http://www.businessinrichmond.ca/data-centre/> (unless explicitly stated otherwise)

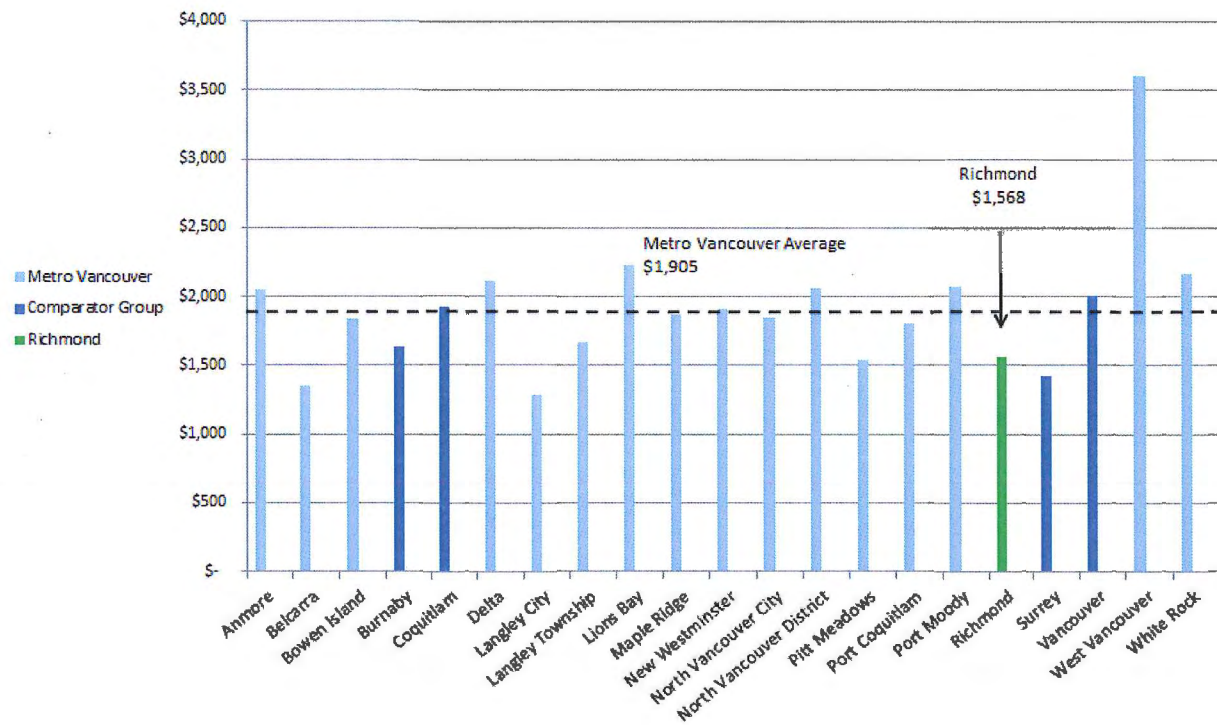
<sup>3</sup> Source: City of Richmond – Resilient Economy Strategy

<b>Housing Starts</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015 (to Sep)</b>	<b>2016 (to Sep)</b>
Richmond	1708	1427	3036	2657	1551	1765
Metro Vancouver (MV)	19027	18710	19212	20863	15236	22198
Richmond as % of MV	9%	8%	16%	13%	10%	8%

The construction value of Richmond's total building permits issued reached an extraordinary \$800 million in 2010, as multiple major projects were approved during the year. Subsequent years registered healthy levels of between \$400 and \$600 million in Richmond, with 2015 registering a new record of \$998 million in construction projects. 2016 is on track to reach a healthy level of \$600 to \$700 million in construction value of projects.

## 5. 2016 Average Property Tax per Dwelling

2016 Average Property Tax per Dwelling

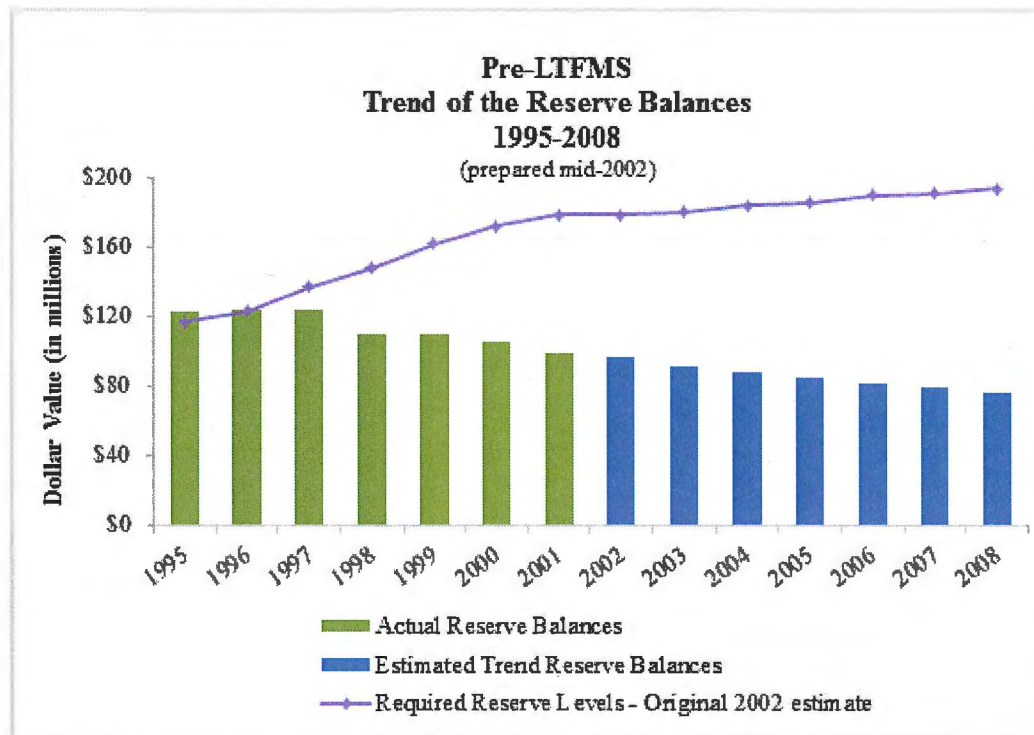


## 6. Long Term Financial Management Strategy

### History – Where We Have Come From

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









*Figure 1 Original Reserve Trend Pre-LTFMS*





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

Figure 2 – 2003 LTFMS Targets

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

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

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

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

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

## Present state - Where we are now:

As a result of the LTFMS and other factors, the City is on the right path and in a stronger financial position as shown by the change in the City's financial position comparing December 31, 2002 to December 31, 2016.

Figure 3 –Financial Position Comparison

All dollar figures are expressed in \$000's

	2015	2002 <sup>1</sup>	Change \$	Change %
<b>Financial Assets</b>				
Cash and Investments	\$951,390	\$229,549	\$721,841	314%
DCC receivable	21,135	7,042	14,093	200%
Other Assets	44,967	40,435	\$4,532	11%
<b>Total Assets</b>	<b>1,017,492</b>	<b>277,026</b>	<b>740,466</b>	<b>267%</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	87,701	42,740	44,961	105%
DCC Levies	111,591	37,290	74,301	199%
Deposits and Holdbacks	58,896	7,048	51,848	736%
Deferred Revenue	48,711	11,313	37,398	331%
Long-Term Debt	46,583	42,709	3,874	9%
<b>Total Liabilities</b>	<b>353,482</b>	<b>141,100</b>	<b>212,382</b>	<b>151%</b>
Net Financial Assets	664,010	135,926	528,084	389%
Non-Financial Assets <sup>2</sup>	2,067,184	922,940	1,144,244	124%
<b>Accumulated Surplus</b>	<b>\$2,731,194</b>	<b>\$1,058,866</b>	<b>\$1,672,328</b>	<b>158%</b>
<b>Accumulated Surplus<sup>3</sup></b>				
Reserves	461,178	107,709	353,469	328%
Surplus/Appropriated Surplus/Other <sup>4</sup>	214,537	73,526	141,011	192%
Investment in Tangible Capital Assets <sup>5</sup>	2,055,479	877,631	1,177,848	134%
<b>Total Accumulated Surplus</b>	<b>\$2,731,194</b>	<b>\$1,058,866</b>	<b>\$1,672,328</b>	<b>158%</b>

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

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

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

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

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

Highlights of changes in Financial Position December 31, 2002 to December 31, 2015:

- Cash and investments have increased by \$721.8 million (314%) to \$951.4 million. The majority of this increase is attributable to:
  - Increase in reserves \$353.5 million (328%)
  - Increase in liabilities \$212.4 million (151%)
  - Increase in surplus/appropriated surplus \$141.0 million (192%)
- DCC receivable has increased by \$14.1 million (200%) which is also reflected in the increase in the DCC Levies of \$74.3 million (199%) due to increased development activity.
- Deposits and Holdbacks have increased by \$51.8 million (736%) mainly due to security deposits relating to development activity.
- Deferred revenue increased by \$37.4 million (331%) mainly due to tax and utility pre-payments and deferred permit fees.
- Long-term debt has increased by \$3.9 million (9%) to \$46.6 million, previous debt for Terra Nova land acquisition, No. 2 Road bridge construction and sewer capital works was retired and new debt for the Minoru aquatic and older adults centre construction was obtained.
- Net financial assets increased by \$528.1 million (389%) due to the net changes in assets and liabilities.
- Non-financial assets increased by \$1.1B (124%) mainly due to increases in tangible capital assets. Note that the accounting standard for reporting tangible capital assets changed in 2009.

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



## Performance Measurement

Figure 4 – LTFMS Performance Measurement Scorecard

Policy

Analysis

1. Tax Revenue

Target:

CPI + 1.0% per year in the future to be transferred to the reserves.

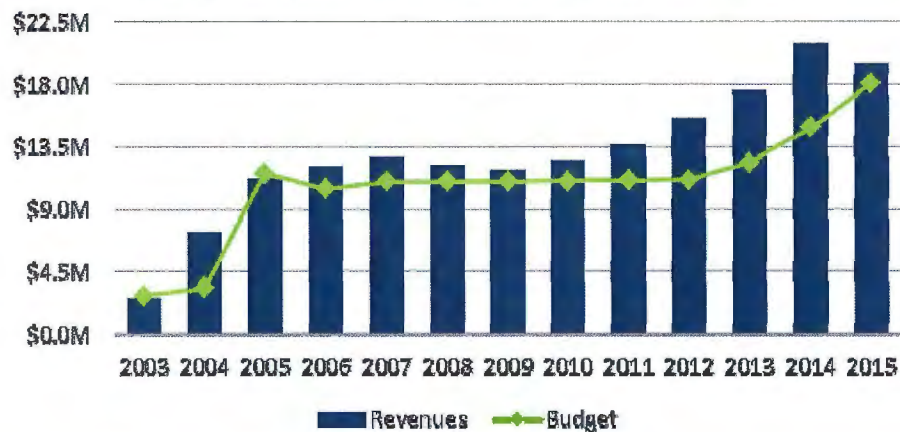
Year	CPI <sup>1</sup>	Base Increase	OBI	Additional Levels	Reserves	Total Increase
2003	2.4%	2.49%	0.41%	0.45%	1.00%	4.35%
2004	2.2%	2.25%	0.26%	0.76%	0.47%	3.74%
2005	2.0%	1.03%	0.22%	0.73%	0.00%	1.98%
2006	2.0%	1.75%	0.26%	0.97%	1.00%	3.98%
2007	2.0%	1.39%	0.26%	1.18%	0.82%	3.65%
2008	2.1%	1.67%	0.39%	1.86%	0.00%	3.92%
2009	2.3%	2.19%	0.32%	0.46%	0.00%	2.97%
2010	1.5%	3.34%	0.11%	0.00%	0.00%	3.45%
2011	1.5%	2.63%	0.32%	0.00%	0.00%	2.95%
2012	1.7%	1.70%	0.16%	0.12%	1.00%	2.98%
2013	2.0%	1.39%	0.36%	0.23%	1.00%	2.98%
2014	2.0%	1.53%	0.34%	0.09%	1.00%	2.96%
2015	1.0%	1.45%	0.38%	0.06%	0.00%	1.89%
2016	2.3%	0.57%	0.47%	1.07%	1.00%	3.11%

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

- Since the implementation of the LTFMS in 2003, the tax increases (net of the transfer to reserves) have approximated the budgeted CPI increase.
- The increase to reserves was fully met or had a partial increase in over half of the years since the implementation of the LTFMS.
- In 2008 to 2011, the 1% increase for transfer to reserves was replaced by additional interest earned on the Community Legacy & Land Replacement Reserve Fund as approved by Council on July 23, 2007 in lieu of the tax increase.
- In 2015, the 1% increase for transfer to reserves was replaced by a one-time infusion from surplus gaming revenue in lieu of the tax increase.
- In 2016, 12 additional RCMP officers were funded through a reduction in the base budget across all divisions.

Policy	Analysis
<b>2. Gaming Revenue</b>  <b>Target:</b> Total Casino Revenue - \$10M per year by the 2nd year	<ul style="list-style-type: none"> <li>- Gaming revenue met and has surpassed the \$10 million target since 2005, and in 2015 \$19.6 million was received, 630% greater than the 2003 figure.</li> <li>- Gaming Revenue is currently used to fund capital reserves, the major capital community facility replacement program, the grants program, and towards the cost of policing relating to gaming activities.</li> <li>- At the March 23, 2015 Council Meeting, Council approved an updated allocation model of gaming revenues effective for the 2016 budget year which included the creation of the Council Community Initiatives Account.</li> </ul>

**City of Richmond Gaming Revenues 2003-2015**



Policy	Analysis		
<b>3. Alternative Revenues &amp; Economic Development</b>  <b>Target:</b>  Economic Development - 1.5% per year	Year	Tax Growth	Growth %
	2003	1,628,493	1.63%
	2004	2,648,500	2.51%
	2005	1,657,392	1.50%
	2006	2,296,582	2.95%
	2007	3,346,530	3.04%
	2008	3,750,000	2.91%
	2009	3,200,000	2.28%
	2010	1,800,000	1.22%
	2011	2,000,000	1.29%
	2012	2,364,594	1.47%
	2013	1,600,000	0.95%
	2014	2,300,000	1.32%
	2015	2,500,000	1.36%
	2016	2,276,000	1.20%

- The tax base has shown growth each year since the inception of the LTFMS averaging approximately 1.8% each year over the period of 2003 – 2016

Policy	Analysis
<b>3. Alternative Revenues &amp; Economic Development (continued)</b>  <b>Target:</b> Alternative revenue - \$1M per year by the 5 <sup>th</sup> year	<ul style="list-style-type: none"> <li>- There have been a number of expanded alternative revenues such as the following:               <ul style="list-style-type: none"> <li>- District energy utility revenue</li> <li>- Sports Field User Fees</li> <li>- Filming revenues</li> <li>- Expanded Pay Parking program to include street meters</li> <li>- RCMP service fees</li> <li>- Tax information fees</li> <li>- Developer fees for planning services</li> <li>- Sale of drawings/GIS data</li> <li>- Meeting room rental revenue</li> <li>- Rental/Lease revenue from bus shelters</li> <li>- New rental properties revenue</li> <li>- Microfilm revenue</li> <li>- Media Lab Program Fees</li> <li>- Sponsorship Revenue for major events</li> </ul> </li> </ul>

Policy	Analysis
<b>4. Changes to Senior Government Service Delivery</b>	<ul style="list-style-type: none"> <li>- The RCMP contracts have increased at rates greater than the LTFMS policy of CPI, and these RCMP increases are highlighted within the annual budget presentations.</li> <li>- Example, the 2016 RCMP contract increased at 2.70% compared to the City's tax increase before reserves of 2.11%.</li> </ul>

Policy	Analysis																														
<b>5. Capital Plan</b>  <b>Target:</b> No reduction	<table> <tr> <th>Year</th><th>Capital Budget<sup>1</sup></th></tr> <tr><td>2003</td><td>39,438,000</td></tr> <tr><td>2004</td><td>45,380,000</td></tr> <tr><td>2005</td><td>115,558,000</td></tr> <tr><td>2006</td><td>113,021,000</td></tr> <tr><td>2007</td><td>172,203,000</td></tr> <tr><td>2008</td><td>166,188,000</td></tr> <tr><td>2009</td><td>72,798,000</td></tr> <tr><td>2010</td><td>160,526,000</td></tr> <tr><td>2011</td><td>93,372,000</td></tr> <tr><td>2012</td><td>88,964,000</td></tr> <tr><td>2013</td><td>139,681,000</td></tr> <tr><td>2014</td><td>204,259,000</td></tr> <tr><td>2015</td><td>167,217,000</td></tr> <tr><td>2016</td><td>146,349,000</td></tr> </table> <div> <b>\$123.2 million</b>            Average Capital Budget            2003 – 2016         </div> <div> <b>\$47.5 million</b>            Average Capital Budget            1992 – 2002         </div>	Year	Capital Budget <sup>1</sup>	2003	39,438,000	2004	45,380,000	2005	115,558,000	2006	113,021,000	2007	172,203,000	2008	166,188,000	2009	72,798,000	2010	160,526,000	2011	93,372,000	2012	88,964,000	2013	139,681,000	2014	204,259,000	2015	167,217,000	2016	146,349,000
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<sup>1</sup> Capital Budget represents the amended capital amount from 2010 forward

- The 5 Year Capital Plan is updated annually and projects the anticipated capital program costs and funding availability. The capital budgets have fluctuated over this period due to major facility construction and significant land acquisition.
- The capital budgets since the implementation of the LTFMS have averaged \$123.2M compared to \$47.5M prior to the strategy.



Policy	Analysis
<b>6. Cost Containment</b>	<ul style="list-style-type: none"> <li>- The following are some examples of cost containment or cost recovery programs that have been implemented: <ul style="list-style-type: none"> <li>- Energy retrofit projects to reduce electricity and natural gas usage</li> <li>- Attendance manager and attendance management system</li> <li>- Tree permit revenue to offset Tree Bylaw costs</li> <li>- Accessing Grants ( Joint Emergency Preparedness Program, Stimulus funds, etc.)</li> <li>- RCMP Auxiliary Program</li> <li>- New Fuel management system</li> <li>- Patroller First Responder program</li> <li>- Garbage/Recycling contract</li> <li>- Development of Sidaway disposal site</li> <li>- Road Cut Program to include private utility companies</li> <li>- Use of Trenchless technology for construction purposes</li> <li>- Fire Protection &amp; Life Safety Bylaw with associated fees, fines and avenues for cost recovery</li> <li>- Delayed replacements / hirings</li> <li>- Operating expense reduction (i.e. Supplies, Contract, telephone etc.)</li> <li>- Finance and Cost Control subcommittee created</li> <li>- Service Level reviews</li> </ul> </li> </ul>

Policy	Analysis
<b>7. Efficiencies &amp; Service Level Reductions</b>  <b>Target:</b> -0.2% per year starting in 3 <sup>rd</sup> year for operating, police & fire efficiencies.  No reductions to level of service	<ul style="list-style-type: none"> <li>- This area is addressed annually during the budget review process. The efficiencies and service level reductions have not been isolated and identified separately.</li> <li>- The following are some examples of efficiencies: <ul style="list-style-type: none"> <li>- Retro-commissioning of existing buildings to optimize the energy use</li> <li>- Upgrade of direct digital control systems</li> <li>- Pump station power efficiencies</li> <li>- Traffic signal conversion to LED</li> <li>- Systems enhancements, AMANDA, PeopleSoft, HCM, etc.</li> <li>- Virtualizing computer servers</li> <li>- Use of real time hand held ticketing computers</li> <li>- Bylaw Adjudication System</li> <li>- LEED Fire halls</li> <li>- Scanning equipment in stores</li> <li>- Online event management system</li> </ul> </li> </ul>



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

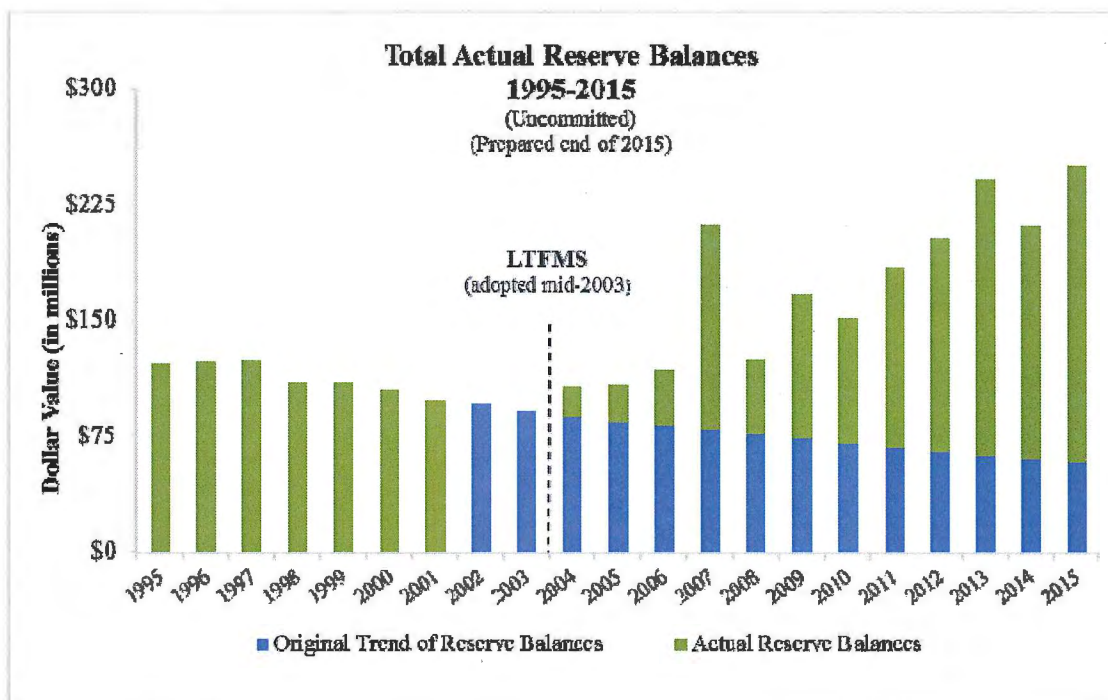
Policy	Analysis
<b>9. Administrative</b>	<ul style="list-style-type: none"> <li>- Currently where possible user fees are automatically increased by CPI on January 1st of each year by Council through the Consolidated Fees Bylaw.</li> <li>- Every year, the 5YFP is prepared and addresses the tax increase,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

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

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

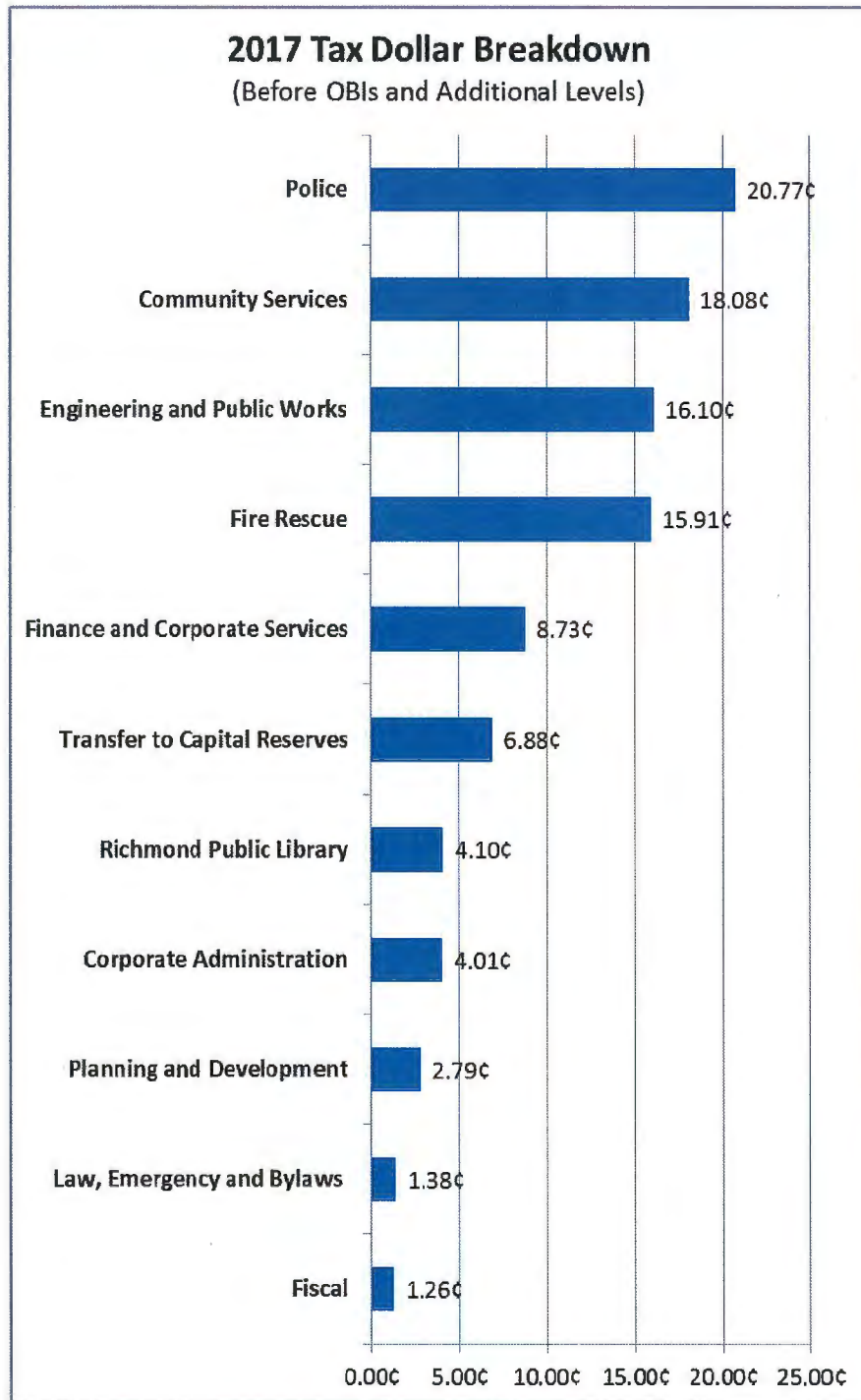
The progress that has been made to date due to the LTFMS can be measured by the increase to the reserves. The growing of the reserves was one of the initial drivers behind the creation of the LTFMS. Prior to the implementation of the LTFMS, the reserves were steadily declining as depicted by the green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

Figure 5 – Actual Trend of the Reserves



The above chart shows an indication of the overall reserve balances and the increases since the adoption of the LTFMS. Though the overall reserves balances are growing, the Capital Building and Infrastructure Reserve (CBI) which is used to fund major capital facility replacement requires further review. The CBI reserve is the recipient of the 1% annual increase in transfer to reserves and has been utilized recently for partial funding towards Phase 1 of the Corporate Facilities Implementation Plan. The uncommitted balance in the Capital Building and Infrastructure Reserve (excluding the special sports sub-fund) at December 31, 2015 was \$27.5 million.

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

**7. 2017 Municipal Tax Dollar**

## 8. 2017 Same Level of Service Budget Details

### All Divisions

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	-	\$5,037,400	\$5,037,400	-
Revenues	\$(286,377,100)	(289,386,200)	(3,009,100)	1.05%
Expenditures				
Labour	\$135,766,100	139,422,200	3,656,100	2.69%
Contract Services	\$62,996,100	64,800,200	1,804,100	2.86%
Operating Expenses	\$36,496,700	37,175,300	678,600	1.86%
<b>Total Expenditures</b>	<b>\$235,258,900</b>	<b>241,397,700</b>	<b>6,138,800</b>	<b>2.61%</b>
Fiscal Expenses	\$48,777,800	48,777,800	-	-
Transfers	\$2,340,400	4,248,100	1,907,700	81.51%
<b>Grand Total</b>	<b>-</b>	<b>\$5,037,400</b>	<b>\$5,037,400</b>	<b>-</b>

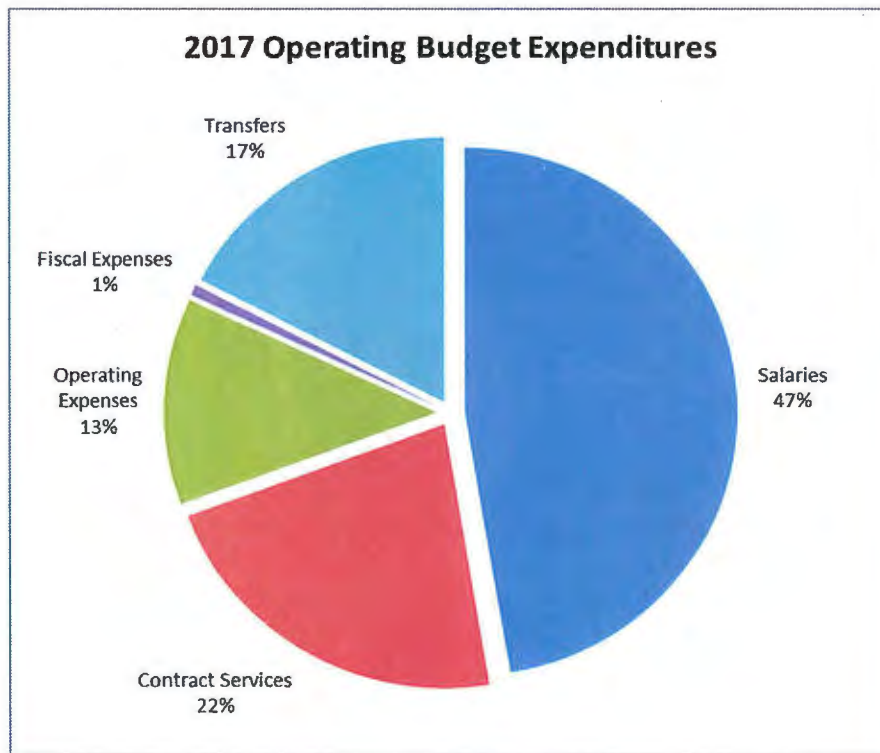
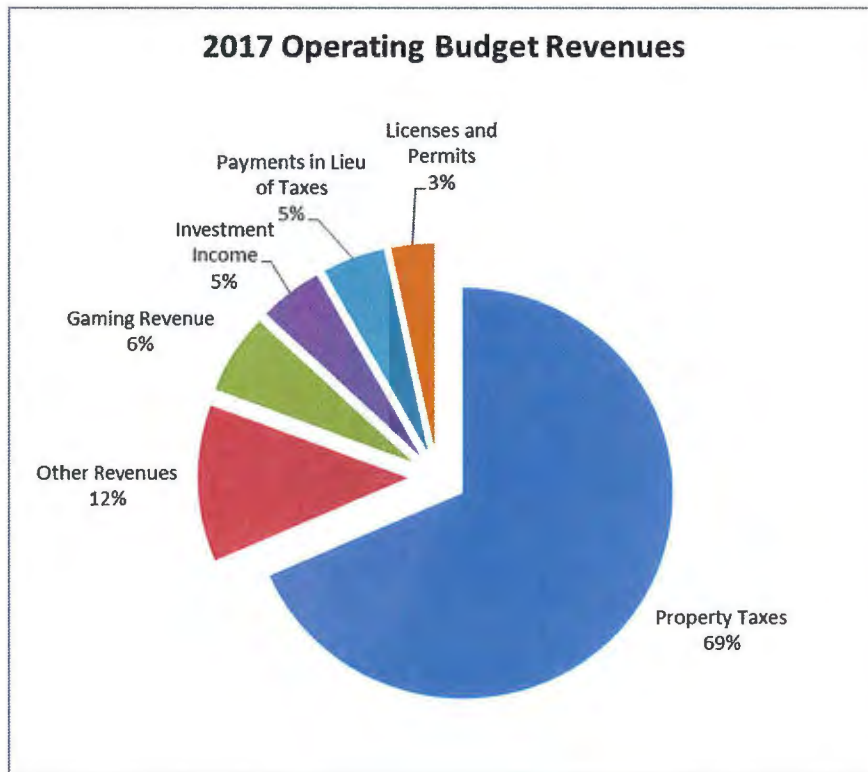
### FTE Change

	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>1,273.3</b>	<b>1,273.5</b>	<b>0.1</b>	<b>0.01%</b>

### FTE Change - Library

	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>91.2</b>	<b>91.2</b>	<b>-</b>	<b>-%</b>

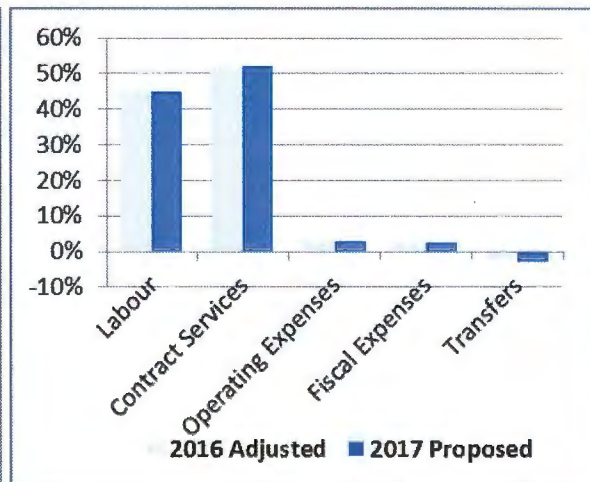
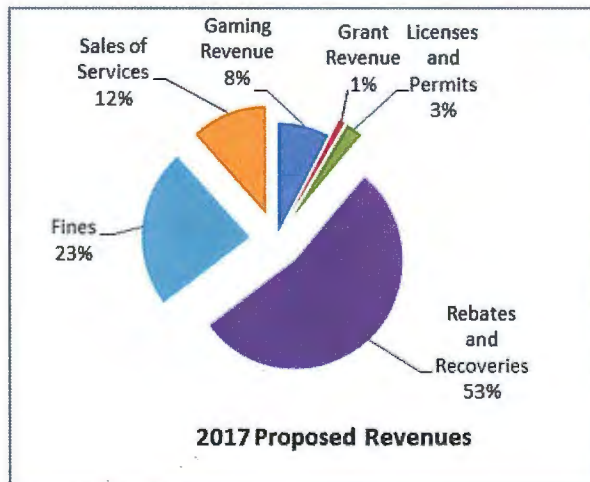




## Law and Community Safety

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$81,417,000</b>	<b>\$82,923,600</b>	<b>\$1,506,600</b>	<b>1.85%</b>
Revenues	(8,554,500)	(8,760,100)	(205,600)	2.40%
Expenditures				
Labour	40,778,900	41,140,900	362,000	0.89%
Contract Services	46,584,600	47,961,100	1,376,500	2.95%
Operating Expenses	2,701,700	2,763,700	62,000	2.29%
<b>Total Expenditures</b>	<b>90,065,200</b>	<b>91,865,700</b>	<b>1,800,500</b>	<b>2.00%</b>
Fiscal Expenses	2,270,700	2,270,700	-	-%
Transfers	(2,364,400)	(2,452,700)	(88,300)	3.73%
<b>Grand Total</b>	<b>\$81,417,000</b>	<b>\$82,923,600</b>	<b>\$1,506,600</b>	<b>1.85%</b>



**FTE Change**

	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>355.6</b>	<b>356.2</b>	<b>0.6</b>	<b>0.15%</b>

*0.6 FTE added for Major Facilities*

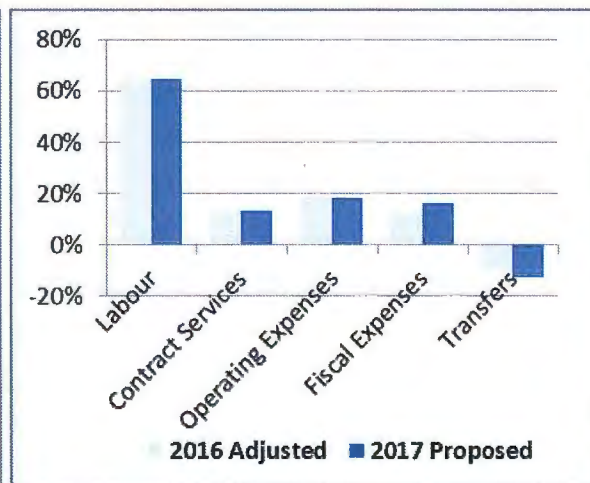
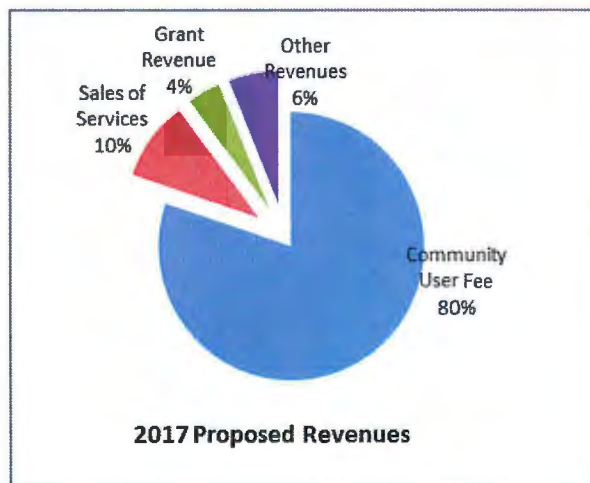
**RCMP Contract Complement**

	2016 FTE	2017 FTE	Change 2017	Change 2017 %
Officers	212.0	212.0	-	-%
Civilian Members	2.0	2.0	-	-%
Less: Non-Budgeted	(11.0)	(11.0)	-	-%
<b>Municipal Policing</b>	<b>203.0</b>	<b>203.0</b>	<b>-</b>	<b>-%</b>
Integrated teams (including RTIC)	17.7	17.7	-	-%
<b>Total</b>	<b>220.7</b>	<b>220.7</b>	<b>-</b>	<b>-%</b>

## Community Services

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$47,550,400</b>	<b>\$48,310,400</b>	<b>\$760,000</b>	<b>1.60%</b>
Revenues	(9,636,000)	(9,643,100)	(7,100)	0.07%
<b>Expenditures</b>				
Labour	37,095,800	37,718,100	622,300	1.68%
Contract Services	7,733,900	7,783,100	49,200	0.64%
Operating Expenses	10,516,900	10,593,700	76,800	0.73%
<b>Total Expenditures</b>	<b>55,346,600</b>	<b>56,094,900</b>	<b>748,300</b>	<b>1.35%</b>
Fiscal Expenses	7,453,300	7,453,300	-	-
Transfers	(5,613,500)	(5,594,700)	18,800	(0.33%)
<b>Grand Total</b>	<b>\$47,550,400</b>	<b>\$48,310,400</b>	<b>\$760,000</b>	<b>1.60%</b>



### FTE Change

	2016 FTE	2017 FTE	Change 2017	Change 2017 %
Community Services	383.5	380.5	(3.0)	1.0%
Library	91.2	91.2	-	-%
<b>Total</b>	<b>474.7</b>	<b>471.7</b>	<b>(3.0)</b>	<b>(6.3%)</b>

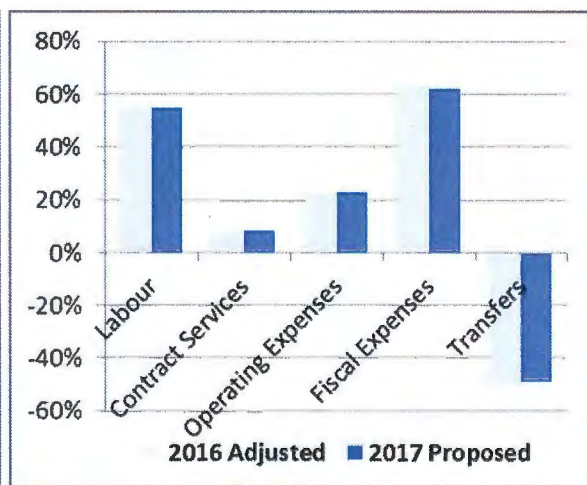
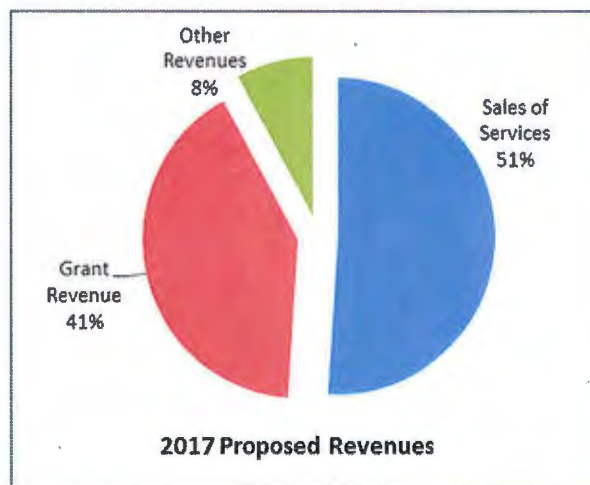
3 RFT transferred to Corporate Administration (Coordinator, Marketing & Communications, Marketing Assistant and Fitness & Wellness Coordinator) offset by 1 new RFT Supervisor, Mapping & Drafting reallocated from seasonal 394 Labour budget



## Engineering and Public Works (excluding Utilities)

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$34,518,900</b>	<b>\$35,086,500</b>	<b>\$567,600</b>	<b>1.64%</b>
Revenues	(6,269,200)	(6,626,200)	(357,000)	5.69%
Expenditures				
Labour	22,571,900	22,953,500	381,600	1.69%
Contract Services	3,367,700	3,553,600	185,900	5.52%
Operating Expenses	9,393,600	9,572,400	178,800	1.90%
<b>Total Expenditures</b>	<b>35,333,200</b>	<b>36,079,500</b>	<b>746,300</b>	<b>2.11%</b>
Fiscal Expenses	25,957,500	25,957,500	-	-%
Transfers	(20,502,600)	(20,324,300)	178,300	(0.87)%
<b>Grand Total</b>	<b>\$34,518,900</b>	<b>\$35,086,500</b>	<b>\$567,600</b>	<b>1.64%</b>



### FTE Change

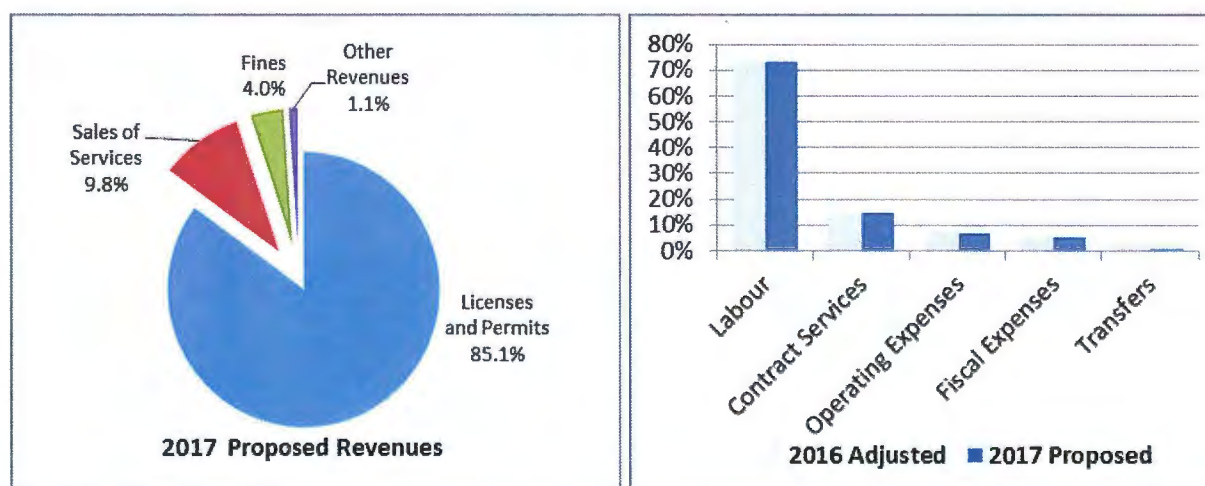
	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>233.9</b>	<b>233.5</b>	<b>(0.4)</b>	<b>(0.17%)</b>

*Transfer District Energy Utility FTE to Lulu Island Energy Company*

## Finance and Corporate Services

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$18,802,700</b>	<b>\$19,015,900</b>	<b>\$213,200</b>	<b>1.13%</b>
<b>Revenues</b>				
Revenues	(3,948,300)	(4,068,400)	(120,100)	3.04%
<b>Total Revenues</b>	<b>(3,948,300)</b>	<b>(4,068,400)</b>	<b>(120,100)</b>	<b>3.04%</b>
<b>Expenditures</b>				
Labour	16,689,200	16,873,000	183,800	1.10%
Contract Services	3,240,200	3,401,200	161,000	4.97%
Operating Expenses	1,598,900	1,587,400	(11,500)	(0.72%)
<b>Total Expenditures</b>	<b>21,528,300</b>	<b>21,861,600</b>	<b>333,300</b>	<b>1.55%</b>
<b>Fiscal Expenses</b>	<b>1,178,800</b>	<b>1,178,800</b>	<b>-</b>	<b>-%</b>
<b>Transfers</b>	<b>43,900</b>	<b>43,900</b>	<b>-</b>	<b>-%</b>
<b>Grand Total</b>	<b>\$18,802,700</b>	<b>\$19,015,900</b>	<b>\$213,200</b>	<b>1.13%</b>



### FTE Change

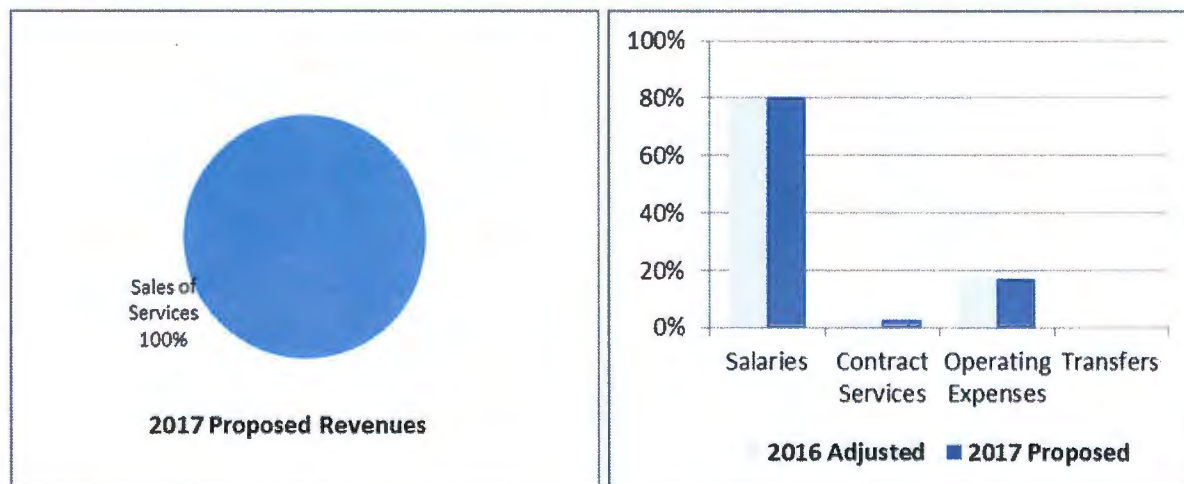
	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>158.3</b>	<b>158.3</b>	<b>-</b>	<b>-%</b>



## Corporate Administration

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$9,287,000</b>	<b>\$9,496,000</b>	<b>\$209,000</b>	<b>2.25%</b>
Revenues	(30,000)	(5,000)	25,000	(83.33%)
Expenditures				
Labour	7,419,300	7,628,000	208,700	2.81%
Contract Services	273,100	273,100	-	-
Operating Expenses	1,624,600	1,599,900	(24,700)	(1.52%)
<b>Total Expenditures</b>	<b>9,317,000</b>	<b>9,501,000</b>	<b>184,000</b>	<b>1.97%</b>
Transfers	-	-	-	-
<b>Grand Total</b>	<b>\$9,287,000</b>	<b>\$9,496,000</b>	<b>\$209,000</b>	<b>2.25%</b>



## FTE Change

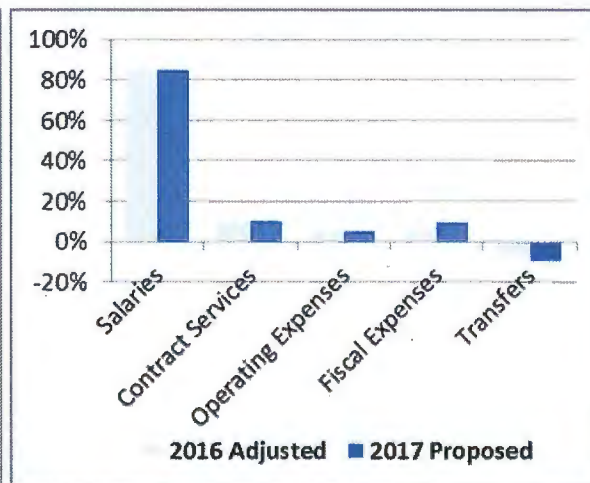
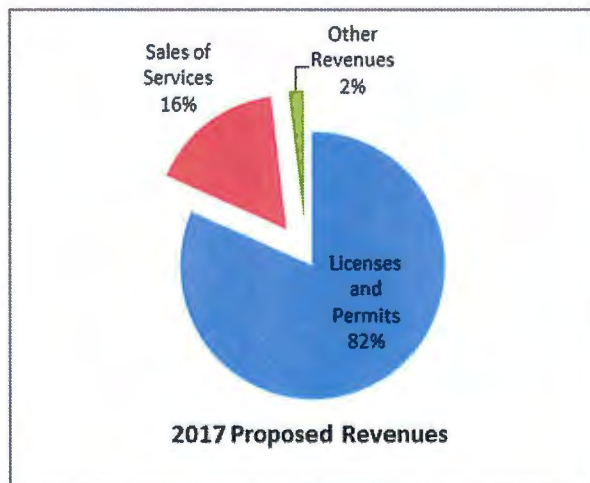
	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>44.3</b>	<b>54.3</b>	<b>10.0</b>	<b>22.57%</b>

10 staff transferred to Corporate Administration, 7 from Planning and Development Production Centre, 3 from Community Services, Coordinator, Marketing & Communication, Marketing Assistant and Fitness & Wellness Coordinator.

## Planning and Development

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

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$5,323,700</b>	<b>\$5,323,300</b>	<b>\$(400)</b>	<b>(0.01%)</b>
<b>Revenues</b>	<b>(6,826,400)</b>	<b>(6,966,900)</b>	<b>(140,500)</b>	<b>2.06%</b>
<b>Expenditures</b>				
Labour	10,308,200	10,420,300	112,100	1.09%
Contract Services	1,191,900	1,223,400	31,500	2.64%
Operating Expenses	650,000	646,500	(3,500)	(0.54%)
<b>Total Expenditures</b>	<b>12,150,100</b>	<b>12,290,200</b>	<b>140,100</b>	<b>1.15%</b>
<b>Fiscal Expenses</b>	<b>873,500</b>	<b>873,500</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>(873,500)</b>	<b>(873,500)</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>\$5,323,700</b>	<b>\$5,323,300</b>	<b>\$(400)</b>	<b>(0.01%)</b>



## FTE Change

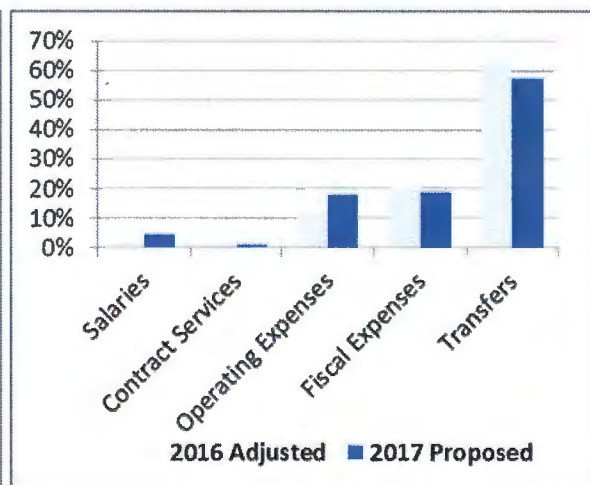
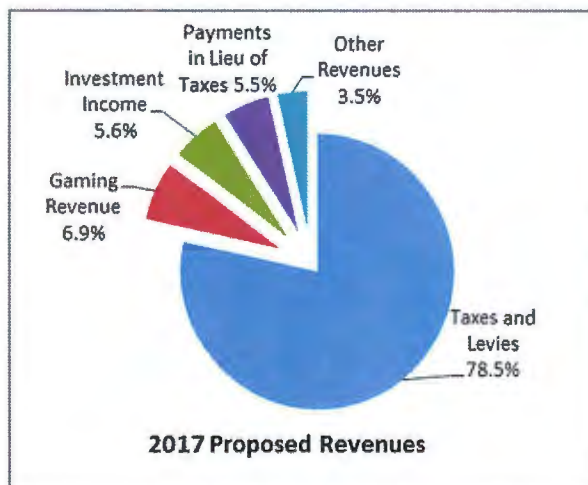
	2016 FTE	2017 FTE	Change 2017	Change 2017 %
<b>Total</b>	<b>97.7</b>	<b>90.7</b>	<b>(7.0)</b>	<b>(7.16%)</b>

7 RFTs transferred to Corporate Administration from Planning and Development Production Centre



## Fiscal

	2016 Adjusted Base Budget	2017 Proposed Base Budget	Change 2017 \$	Change 2017 %
<b>OPERATING BUDGET</b>	<b>\$(196,899,700)</b>	<b>\$(195,118,300)</b>	<b>\$1,781,400</b>	<b>(0.90%)</b>
Revenues	(251,112,700)	(253,316,500)	(2,203,800)	0.88%
Expenditures				
Labour	902,800	2,688,400	1,785,600	197.78%
Contract Services	604,700	604,700	-	-
Operating Expenses	10,011,000	10,411,700	400,700	4.00%
<b>Total Expenditures</b>	<b>11,518,500</b>	<b>13,704,800</b>	<b>2,186,300</b>	<b>18.98%</b>
Fiscal Expenses	11,044,000	11,044,000	-	-
Transfers	31,650,500	33,449,400	1,798,900	5.68%
<b>Grand Total</b>	<b>\$(196,899,700)</b>	<b>\$(195,118,300)</b>	<b>\$1,781,400</b>	<b>(0.90%)</b>



**9. 2017 Additional Level Expenditure Requests – RECOMMENDED (in \$000s)**

Ref	Requested By	Description	Amount	Tax Impact (%)
1	Corporate Administration	<b>Let's Talk Richmond Contract</b> The City has used the Let's Talk Richmond platform since 2010 to support its online public consultation and engagement activities. A three-year contract for the service was funded in 2013 through a one-time allocation, Base budget funding is now being sought to secure ongoing access to this service.	\$25	0.01%
2	Planning and Development	<b>Regular Full Time Planner 3</b> Development Applications continues to experience high application volumes with an increasing trend towards large scale more complex multiple family and mixed-use development projects in the City Centre. This trend is expected to continue in 2017 and will generate increased revenue and workload.	\$-	0.00%
3	Planning and Development	<b>Departmental Associate 3 - Building Department</b> Building Approvals continues to experience high volumes of building permit applications and inspections. This increases the number of construction activities in the community thus creates more inquiries, meetings and consultation with developers, builders, public and Mayor and Councillors.	\$-	0.00%
4	Community Services	<b>Increased Building Service Worker (BSW) Hours at the Steveston Museum and the Tram Building</b> Increased BSW hours at the Steveston Museum and the Tram Building (current opening hours) are needed due to the addition of two new public washrooms during the Japanese Building restoration and due to heavy usage at the Tram Building.	\$33	0.02%
5	Planning and Development	<b>Plan Processing Clerk - Building Department</b> Building Approvals continues to experience high volumes of building permit applications with increasing more complex buildings to process. Construction value of issued permits in 2015 reached an all-time high of \$1.0 Billion. 2016 has surpassed the overall average and is expected to continue in 2017.	\$-	0.00%
6	Community Services	<b>Additional Hours for Building Service Worker (BSW) and Kiln/Ceramics Contractor</b> Due to increased usage of the building, the Cultural Centre requires additional janitorial services. For the same reason of increased usage, and in consultation with the City's Risk Manager, the Kiln/Ceramics contractor technician has been identified as essential.	\$35	0.02%
7	Community Services	<b>Community Leisure Transportation (CLT) - Relocation of Service</b> Shifting the operation of the City's CLT program from the Minoru Seniors Society would allow the City to have better oversight of the program, develop administrative efficiencies and increase program revenue to help offset expenses.	(\$5)	0.00%

Ref	Requested By	Description	Amount	Tax Impact (%)
8	Community Services	<b>Arts Centre: Increase to Operations</b> Demands and need for Arts Centre programs continue to increase with growing waitlists. As the only purpose built arts centre in the community with limited space, staff continue to maximize the use of space and provide new programs.	\$-	0.00%
9	Engineering & Public Works	<b>Increase Transfer to Fleet Reserve</b> The fleet vehicle reserve is underfunded. Per Sustainable Green Fleet Policy 2020, the reserve needs to be increased to \$2.175M annually. This request is to gradually increase the amount of the reserve contribution to the required annual amount. The request is a net-zero budget impact.	\$-	0.00%
10	Engineering & Public Works	<b>Storm Events</b> Increased intensity of storm events has resulted in increased demand on manpower and equipment requirements for response to these events.	\$75	0.03%
<b>2016 Additional Level Grand Totals - RECOMMENDED</b>			<b>\$163</b>	<b>0.08%</b>



**10. 2017 Additional Level Expenditure Requests – RCMP (in \$000s)**

Ref	Requested By	Description	Amount	Tax Impact (%)
11	Law and Community Safety	<b>RCMP Members - General Duty Members 12 Regular Members</b> The RCMP requests four corporal ranked and eight constable ranked positions in 2017. This recommendation was based on an external operational review and in the RCMP 3-Year Resourcing Plan as a result of community priorities, population growth and increases in the complexity of files and disclosure.	\$2,137	0.96%
12	Law and Community Safety	<b>RCMP Members - Property Crime 4 Regular Members</b> The RCMP conducted an internal review and concluded that the City needs four additional property crime unit members. This was recommended in the RCMP 3-Year Resourcing Plan as a result of community priorities, population growth and increased complexity of files and disclosure.	\$648	0.31%
13	Law and Community Safety	<b>RCMP Members - Serious Crime 2 Regular Members</b> The RCMP requests two Serious Crime Investigators to support existing teams due to on going investigations. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increased complexity of files and disclosure.	\$324	0.15%
14	Law and Community Safety	<b>RCMP Members - Watch Investigators 2 Regular Members</b> The RCMP request for two constables to enhance the capability to provide immediate triage response and initial investigation of all major crimes. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increase complexity of files and disclosure.	\$324	0.15%
15	Law and Community Safety	<b>RCMP Municipal Employee - Disclosure Clerk - 2 Positions</b> The RCMP requests two municipal employee to assist the Plainclothes units and Road Safety unit with the disclosure of investigative material to the Courts. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increased service demands.	\$158	0.07%
16	Law and Community Safety	<b>RCMP Municipal Employee - General Duty Clerk - 2 Positions</b> The RCMP request two municipal administrative support staff for the General Duty Watch Teams and Road Safety Unit. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increased service demands.	\$164	0.07%
17	Law and Community Safety	<b>RCMP Municipal Employee - IT Support</b> The RCMP request one municipal employee to support expected increase in administration of RCMP Systems and Infrastructure. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increased service demands.	\$98	0.04%



Ref	Requested By	Description	Amount	Tax Impact (%)
18	Law and Community Safety	<b>RCMP Municipal Employee - Records Quality Reviewer</b> The RCMP request one municipal employee to maintain and review operational/administrative files. This was recommended in the RCMP 3-Year Resourcing Plan as a result of population growth and increased service demands.	\$88	0.04%
19	Law and Community Safety	<b>RCMP Members - Road Safety 2 Regular Members</b> The RCMP request two Road Safety Investigators to support traffic collision investigations and enforcement. This was recommended in the RCMP 3-Year Resourcing Plan as a result of increased traffic and to maintain road safety.	\$324	0.15%
<b>2017 Additional Level Grand Totals - RCMP</b>			<b>\$4,265</b>	<b>1.94%</b>

**11. 2017 Additional Level Expenditure Requests – NOT RECOMMENDED (in \$000s)**

Ref	Requested By	Description	Amount	Tax Impact (%)
20	Law and Community Safety	<b>Staff Solicitor</b> Full time Staff Solicitor required due to the City's legal requirements increasing dramatically. In 2015 the Law Division opened 322 files. Having already opened 216 files by mid-May 2016, the Law Division is on track to exceed 2015 file openings substantially in excess of 500 files.	\$179	0.09%
21	Community Services	<b>Transition to School Art Program Coordinator Position</b> The School Art Program Coordinator is critical to Richmond Art Gallery's ability to provide quality educational programming to the community. Currently paid by Richmond Art Gallery Association, the position is equivalent to the City position of Education and Program Coordinator in Museum & Heritage Sites.	\$38	0.02%
22	Richmond Public Library	<b>Richmond Public Library - Expand Services for Children and Families</b> Pilot afterschool programs at the Brighthouse (Main) branch aimed at middle years children that strengthen existing core services with the opportunity to develop academic, social, emotional maturity and communication skills using library resources and targeted volunteer opportunities for teens and adults. Develop children's outreach services strategy for implementation and expand the library's community volunteer program. Significantly expanded services and programs for children to branches and deliver programs and services for children in schools, preschools, daycares, community centres, housing complexes/residences, shelters, food banks and other centres in the community, increasing awareness and use of library resources.	\$200	0.10%
23	Richmond Public Library	<b>Richmond Public Library - Expand Services for Seniors</b> Pilot at the Brighthouse (Main) branch series of programs for seniors that focus on technology and digital library resources, intergenerational programming featuring Nostalgia Kits, and provide meaningful volunteer opportunities that strengthen existing core services with library facilities. Develop seniors' outreach services strategy for implementation; refocus home delivery services; and expand the library's community volunteer program. Significantly expanded services and series of programs for seniors extended to branches and seniors in community centres, the new Minoru Older Adult Centre, residences, care homes, shelters, food banks and other community hubs; home delivery service expanded; programs delivered by both staff and volunteers.	\$200	0.10%
24	Law and Community Safety	<b>Law Department Paralegal Staff</b> The City's Law Department requires additional support staff due to increased workload. Law has opened 216 files by May 2016 and is on track to exceed 2015 file openings. Paralegal support for drafting legal documents, carrying-out legal research and administrative duties as required.	\$111	0.06%

Ref	Requested By	Description	Amount	Tax Impact (%)
25	Community Services	<b>Food Security Coordinator</b> There are a number of Council-endorsed actions related to food security in the Official Community Plan as well as other plans, strategies and opportunities to advance new actions in the Metro Vancouver Regional Food System Action Plan.	\$138	0.07%
26	Community Services	<b>Parks Additional Inventory acquired due to New Development</b> This submission is for the recurring operating budget impact for the maintenance of Parks infrastructure acquired in 2015 & 2016 from a variety of sources including development funded projects.	\$75	0.04%
<b>2017 Additional Level Grand Totals - NOT RECOMMENDED</b>			<b>\$941</b>	<b>0.48%</b>



**12. 2017-2021 Same Level of Service Budget (in \$000s)**

	<b>2017 Proposed Base Budget</b>	<b>2018 Plan</b>	<b>2019 Plan</b>	<b>2020 Plan</b>	<b>2021 Plan</b>
<b>Revenue:</b>					
Property Taxes	203,002	211,405	220,081	228,085	236,634
User Fees	97,856	101,143	104,728	108,355	112,203
Sales of Services	28,624	28,920	29,281	29,591	29,906
Gaming Revenue	18,088	18,088	18,088	18,088	18,088
Investment Income	14,694	14,694	14,694	14,694	14,694
Payments In Lieu Of Taxes	13,860	13,860	13,860	13,860	13,860
Other Revenue	8,179	8,407	8,673	8,937	9,209
Licenses And Permits	9,405	9,598	9,832	10,033	10,238
Grant Revenue	4,736	4,788	4,847	4,871	4,897
	<b>398,444</b>	<b>410,903</b>	<b>424,084</b>	<b>436,514</b>	<b>449,729</b>
<b>Expenses:</b>					
Law and Community Safety	94,136	96,775	99,414	101,896	104,401
Engineering and Public Works	62,037	63,707	64,395	65,315	66,292
Community Services	53,632	55,355	56,937	58,400	59,897
Finance and Corporate Services	23,040	23,675	24,333	24,920	25,493
Fiscal	23,072	23,520	21,499	21,455	21,508
Debt Interest	1,677	1,677	1,677	1,677	1,677
Corporate Administration	9,501	9,714	9,968	10,193	10,424
Planning and Development Services	13,164	13,544	13,946	14,337	14,761
Utility Budget					
Water Utility	40,552	42,459	43,975	45,540	47,175
Sanitary Sewer Utility	30,248	32,272	34,031	35,826	37,761
Sanitation and Recycling	14,945	15,254	15,630	15,955	16,292
Library	9,916	10,107	10,343	10,553	10,768
	<b>375,920</b>	<b>388,059</b>	<b>396,148</b>	<b>406,067</b>	<b>416,449</b>
<b>Annual Surplus</b>	<b>22,524</b>	<b>22,844</b>	<b>27,936</b>	<b>30,447</b>	<b>33,280</b>
<b>Transfers/Amortization offset:</b>	<b>22,524</b>	<b>22,844</b>	<b>27,936</b>	<b>30,447</b>	<b>33,280</b>
<b>Balanced Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>