



City of Richmond

Report to Committee

To: Finance Select Committee
From: Andrew Nazareth
Director of Finance
Re: 2004 Operating Budget-Emerging Issues

Date: March 2, 2004

File:

Staff Recommendation

1. That the attached report on the 2004 Operating Budget changes be received for information, and
2. That the 2004 Operating Budget before additional levels be approved as the basis for preparing the 5 Year Financial Plan (2004-2008)

Andrew Nazareth
Director of Finance
(4365)

FOR ORIGINATING DIVISION USE ONLY

CONCURRENCE OF GENERAL MANAGER

Staff Report

Origin

The 2004 Operating Budget was last discussed at General Purposes Committee on December 10, 2003. During that meeting staff identified cost savings in the Community Safety division and additional funding from casino revenues for grants programs totalling \$947,786 (-.90% tax impact). Therefore the revised 2004 Operating Budget shortfall was \$3,751,612 (3.55% tax impact). During the time since the December 10th meeting there have been various emerging issues that have affected the 2004 Operating Budget

Analysis

EMERGING ISSUES

The following is an explanation of all emerging issues since December 2003 and listed in Attachment A.

RCMP over estimate of salaries

The RCMP were advised by the Federal Treasury Board that the approved salary increase for 2004 was 2.5% and not 3.5% as originally estimated and budgeted. The resulting change is a \$125,000 decrease (-.12% tax reduction).

Additional taxes

We were advised by BC Assessment that the Riverport property, that we lease for Watermania and Richmond Ice Center, would no longer be exempt from tax. We have filed an appeal. However in order to be conservative we advise to include the estimated additional taxes due to other agencies of approximately \$366,000 (.35% tax increase).

Appeals on properties

BC Assessment informed us that certain property owners including Workers Compensation Board and Fairmont Hotels were appealing their assessed values and that the likelihood of success was quite high. The total amount of appeals in question is approximately \$631,709 (.61% tax increase).

Tax Growth shortfall

In addition to the two prior items, BC Assessment indicated to us that the rate of growth for 2004 was 1.45% (\$1,540,067) versus our previous estimate of 1.5% (\$1,583,802). The reduction is \$43,735 (.04% tax increase).

BC Hydro rate increase

On February 4, 2004 we were informed that the BC Utilities Commission approved a 7.23% rate increase in hydro rates as requested by BC Hydro. The resulting impact is an additional \$99,495 (.09% tax increase).

Summary

The total emerging issues since December 10, 2003 total \$1,015,939 (.96% tax increase), therefore at this time the 2004 Operating Budget has a shortfall of \$4,767,551 (4.52% tax increase) before any additional levels. In addition, at this time we would also like to bring up the fact that due to the financial conditions at ECOMM and our responsibilities as a class A shareholder we may have a one time funding requirement in the event that ECOMM becomes insolvent. The amount of funding that may be required is estimated to be \$876,798 (.83% tax increase).

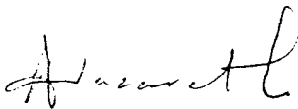
As well, operating costs to support RAV are currently absorbed in the existing budget but with each year they are continually increasing. Consequently, there will be a point whereby they will start to have an adverse impact on the tax rate.

Financial Impact

The emerging issues total \$1,015,939, therefore the 2004 Operating Budget has a shortfall of \$4,767,551 (4.52% tax increase) before any additional levels.

Conclusion

Staff recommend that the 2004 Operating Budget before additional levels be approved as the basis for the preparation of the 5YFP (2004-2008).



for
Jerry Chong
Manager of Budgets and Accounting
(4064)

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2004 Operating Budget - Changes to date (before additional levels)

	\$	Tax Impact	Cumulative Tax Impact
2004 Operating Budget Shortfall	6,283,200	5.95%	5.95%
2004 Tax Growth estimate	(1,583,802)	(1.50%)	4.45%
DRAFT 1 - OCTOBER 29, 2003.....	4,699,398	4.45%	4.45%
1 Revenue Initiatives/Cost savings:			
Community Safety Division restructuring	(275,000)	(0.26%)	4.19%
Officer recovery YVR RCMP	(336,286)	(0.32%)	3.87%
RCMP Overtime reduction	(20,000)	(0.02%)	3.85%
Funding grants from casino revenue	(316,500)	(0.30%)	3.55%
DRAFT 2 - DECEMBER 10, 2003.....	3,751,612	(0.90%)	3.55%
2 RCMP over estimate of salary expense (Cost Reduction)	(125,000)	(0.12%)	3.43%
3 Additional taxes to other parties for Richmond Ice Ctr. & Watermainia	366,000	0.35%	3.78%
4 Appeals on property taxes			
WCB	302,108	0.29%	4.07%
Fairmont Hotels	100,576	0.10%	4.17%
Other	229,025	0.22%	4.39%
5 Tax growth shortfall (Estimated 1,583,802 less Actual 1,540,067)	43,735	0.04%	4.43%
6 Hydro rate increase of 7.23%	99,495	0.09%	4.52%
* RECOMMENDED * DRAFT 3 - MARCH 2, 2004.....	4,767,551	0.96%	4.52%
7 .5% reductions as per Committee Referral (w/service level impact)	(554,083)	(0.52%)	4.00%
NOT RECOMMENDED DRAFT 4.....	4,213,468	0.44%	4.00%

Note:

One time funding requirement

9 ECOMM contingent liability (one time funding)			
Fire Rescue	368,255	0.35%	
RCMP	508,543	0.48%	
	876,798	0.83%	