



**Finance Committee
Electronic Meeting**

**Council Chambers, City Hall
6911 No. 3 Road**

**Monday, January 8, 2024
Immediately following the General Purposes
Committee Meeting**

Pg. # ITEM

MINUTES

FIN-4 *Motion to adopt the **minutes** of the meeting of the Finance Committee held on December 4, 2023.*



DELEGATIONS

FIN-11 1. C.J. James, Partner, KPMG & Aanu Adeleye, Senior Manager, KPMG Enterprise to present the **audit plan**.

FINANCE AND CORPORATE SERVICES DIVISION

2. **FINANCIAL INFORMATION – 3RD QUARTER SEPTEMBER 30, 2023**
(File Ref. No. 03-0905-01) (REDMS No. 7414952)

FIN-67

See Page FIN-67 for full report

Designated Speaker: Cindy Gilfillan and Mike Ching

Pg. # ITEM

STAFF RECOMMENDATION

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2023”, dated December 1, 2023 from the Director, Finance, be received for information.



3. **ACTIVE CAPITAL PROJECTS FINANCIAL UPDATE – 3RD QUARTER SEPTEMBER 30, 2023**

(File Ref. No. 03-0975-01) (REDMS No. 7421932)

FIN-92

[See Page FIN-92 for full report](#)

Designated Speaker: Jenny Ho and Mike Ching

STAFF RECOMMENDATION

That the staff report titled, “Active Capital Projects Financial Update – 3rd Quarter September 30, 2023”, dated November 30, 2023 from the Director, Finance, be received for information.



LULU ISLAND ENERGY COMPANY

4. **2023 Q3 FINANCIAL INFORMATION FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7499943)

FIN-105

[See Page FIN-105 for full report](#)

Designated Speaker: Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled “2023 Q3 Financial Information for the Lulu Island Energy Company”, dated December 15, 2023, from the Chief Executive Officer and Chief Financial Officer, be received for information.



Pg. # ITEM

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION – 3RD QUARTER 2023 FINANCIAL INFORMATION**
(File Ref. No. 03-1200-09) (REDMS No. 7487963)

FIN-115

See Page FIN-115 for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the Richmond Olympic Oval Corporation – 3rd Quarter 2023 Financial Information report from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

ADJOURNMENT



Finance Committee

Date: Monday, December 4, 2023

Place: Council Chambers
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Carol Day
Councillor Laura Gillanders
Councillor Kash Heed
Councillor Andy Hobbs
Councillor Alexa Loo
Councillor Bill McNulty
Councillor Michael Wolfe

Call to Order: The Chair called the meeting to order at 4:12 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on November 6, 2023, be adopted as circulated.

CARRIED

RICHMOND PUBLIC LIBRARY

1. **2024 OPERATING AND CAPITAL BUDGETS FOR RICHMOND PUBLIC LIBRARY**

(File Ref. No. 03-0970-03-01) (REDMS No. 7434262)

It was moved and seconded
That the 2024 proposed Richmond Public Library budget with a municipal contribution of \$11,285,400 as presented in Attachment 1 from the Chief Librarian and the Secretary of the Board, be approved.

The question on the motion was not called as discussion ensued.

1.

Finance Committee
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In response to queries from Council, staff noted (i) the Library Board designated the surplus funding for rebranding of the Public Library, including a long overdue update to the logo; public consultation is scheduled to take place at the end of January 2024 through February 2024, and (ii) an increase to the municipal contribution is requested on an annual basis to cover the increasing operating costs.

It was requested that a memorandum outlining the municipal contributions on a per capita basis for the past 20 years, including available comparatives to other municipal libraries, be provided to Council.

The question on the motion was then called and it was **CARRIED**.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2024 PROPOSED OPERATING BUDGET**

(File Ref. No. 03-0970-03-01) (REDMS No. 7374856)

Staff noted the proposed budget is one of the lowest in the region in terms of percentage increases and of actual dollar amounts.

In response to queries from Council, staff noted (i) the current balance of the Capital Building Infrastructure Reserve is \$77 million, (ii) the intent of the 1.0% transfer to reserves is specifically to fund community facilities endorsed by Council, it is not a general account, (iii) 39% of the proposed budget for Police and Fire includes the required \$1.2 million E-comm cost, (iv) with growth as an estimate, the overall budget for 2024 is very conservative, (v) with respect to job security for any new City employment positions, if position is revenue funded and serving the City well, provisions may be made for the continuance of the position subject to a review and the efficiencies of the position, (vi) staff are currently developing the job profile for the two recommended outreach workers based on the need of the community and demands of the role, (vii) any operating surplus is transferred to the rate stabilization account, conservatively used as a funding source, and (viii) the tax growth noted as \$3.5 million is a conservative estimate based on information received from BC Assessment for the previous year.

A brief explanation of the rate stabilization funding to reduce the tax base was provided.

It was moved and seconded

That:

(1) ***The 2024 Proposed Operating Budget as presented in Budget Option 2 for a total of 5.62% be approved as outlined below:***

(a) ***A same level of service budget increase of \$8,900,427 after tax growth with a tax increase of 3.10% be approved; and***

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- (b) *Emerging organizational additional levels in the amount of \$1,501,828 as presented in Attachments 8, 9 and 10 of the staff report titled 2024 Proposed Operating Budget with a tax increase of 0.52% be approved; and*
 - (c) *Transfer to reserves for Investment in Community Facilities as per Council's Long Term Financial Management Strategy in the amount of \$2,870,523 with a tax increase of 1.00% be approved; and*
 - (d) *Senior level government and other government agency increase of \$3,491,599 with a tax increase of 1.22% be approved; and*
 - (e) *Use of reserves for program expenditures for Affordable Housing, Child Care and Public Art programs of \$1,581,197 as presented in Attachment 7 be approved; and*
 - (f) *Operating budget impacts totalling \$971,855 with a tax increase of 0.34% be approved; and*
 - (g) *The Rate Stabilization Account be used to reduce the overall impact of additional operating costs for a total of \$1,612,500 resulting in a tax decrease of 0.56% be approved; and*
- (2) *The 2024 Operating Budget as approved be included in the Consolidated 5 Year Financial Plan (2024-2028).*

The question on the motion was not called as discussion ensued with respect to the positions of Community Social Development – Planner 1 (2 RFTs) and Social Development Leader (RFT), as noted under Item 11, Ref 2 and 3, of the “Emerging Organizational Additional Levels – Not Recommended for Funding in 2024” table. Staff noted that these positions are currently auxiliary positions, not new positions, and proposed to change to regular full time positions.

As a result of the discussion, the following **amendment motion** was introduced:

It was moved and seconded

That the position of Social Development Leader (RFT) be added to the 2024 Proposed Operating Budget, impacting the budget by 0.03% to an overall increase to 5.65%.

The question on the amendment motion was not called as further discussion ensued.

The question on the **amendment motion** was then called and it was **DEFEATED** with Mayor Brodie and Cllrs. Au, Heed, Hobbs, Loo and McNulty opposed.

The question on the main motion was then called and it was **CARRIED**.

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3. **2024 ONE-TIME EXPENDITURES**

(File Ref. No. 03-0970-01) (REDMS No. 7402021)

It was noted that the one-time expenditures come from the rate stabilization (previous surpluses that provide funding on a one-time basis).

Discussion ensued with respect to the need for a Public Safety Mobile Command and Communication Centre Vehicle (“Command Vehicle”). Staff noted that any expenditure from the RCMP that is over \$100,000 will require Council approval first, understanding that the Command Vehicle is not for the exclusive use of the RCMP and will also be utilized by different agencies including Richmond Fire Rescue, BC Ambulance Services and any other emergency operations, as well as many community events. Having all the components necessary for disaster or emergency operation needs, the Command Vehicle can be used for any natural disasters or other emergencies or acts of violence, as well as larger community functions such as the Festival of Lights and the Salmon Festival. Further discussion ensued with respect to the rigorous evaluation process, cost determination and options available that address all the benefits sought in the selection of the Command Vehicle. Staff noted that an update to Council will be provided following the procurement process for the Command Vehicle.

It was moved and seconded

That the one-time expenditures totaling \$2,977,311 as outlined in Attachment 1 of the 2024 One-Time Expenditures staff report, be approved with funding from the Rate Stabilization Account and included in the Consolidated 5 Year Financial Plan (2024-2028).

The question on the motion was not called as discussion ensued with respect to Capital Budget items that were not recommended at this time.

As a result of the discussion, the following **amendment motion** was introduced:

It was moved and seconded

That the Brighthouse Park Baseball Diamond Infield Upgrade (noted on page FIN 233), at a cost of \$520,000, be added to the 2024 One-Time Expenditures.

The question on the amendment motion was not called as further discussion ensued, noting that the park upgrade was one of the top recommended items at the recent Parks, Recreation and Cultural Services Committee meeting, and is an item identified for 2025. Completing the proposed upgrades sooner would be beneficial for younger users as well as some soccer, softball and men’s fastpitch, with the park activated all year round.

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As the proposed park upgrade is not on the 2024 One-Time Expenditures list, it was suggested that staff provide further information/description of the proposed park upgrades for consideration.

The question on the amendment motion was not called as there was agreement to consider the Brighthouse Park Baseball Diamond Infield Upgrade at the upcoming Council meeting.

Further to the earlier discussion related to the Command Vehicle, the following **amendment motion** was introduced:

It was moved and seconded

That Item 4 of the 2024 One-Time Expenditure Requests – RECOMMENDED, Ref 4, “Public Safety Mobile Command and Communication Centre Vehicle, be deleted.

The question on the amendment motion was then called and it was **DEFEATED** with Mayor Brodie and Cllrs. Day, Gillanders, Heed, Hobbs, Loo and McNulty opposed.

The question on the main motion was then called and it was **CARRIED** with Cllr. Wolfe opposed.

4. **2024 PROPOSED CAPITAL BUDGET**

(File Ref. No. 03-0985-01) (REDMS No. 7375551)

Staff provided an overview of the parameters/criteria that Council follow and the Council policy on the Capital approval process, noting there is also a ranking process undertaken based on Council priorities and Council term goals. Among other things, staff also consider the funding availability, noting that some projects submitted do not have a dedicated funding source which then limits the amount of funding that is available and the program is scaled back to that availability. However, only so many items can be funded of which staff strive to balance with priorities, while also making sure that the project can be delivered within a sufficient timeline.

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In response to queries from Council, staff noted (i) the contingency is for external grants that may be received and put in a place holder until the funding is received. Once the grants are received the project can be set up so that funding for any of these projects will reduce the amount from the reserve and the amount will go back to the reserves if grants are received, (ii) the Hamilton Area Plan requires rezoning applications to provide cash in lieu and the OCP had indicated that the priorities were for the funds to be used for public library, indoor recreation and the community police office, for which the amount in that reserve is currently \$3.6 million, with the current priority to obtain enough funds for those three initiatives, (iii) the Shell Road Multi-Use Pathway will be brought forward in 2024 as a large grant has been awarded, and the Steveston Overpass project is anticipated to be completed in 2025, (iv) the parkland acquisition is always dependent on not only the property in question but also the amount of development costs charges available in reserve; and (v) the Sports Facility Needs Assessment was presented to the Parks, Recreation and Cultural Services Committee on November 28th, and will go forward to Council for further consideration on December 11th, where there were a number of priority projects identified within that, three of which are recommended but on the insufficient funding list.

Staff provided a brief overview of the Playground Replacement Program and associated funding.

It was moved and seconded

- (1) *That the 2024 Proposed Capital Budget as presented in Appendix 3 totaling \$208,564,335 be approved; and*
- (2) *That the 2024 Proposed Capital Budget as approved be included in the Consolidated 5 Year Financial Plan (2024-2028).*

CARRIED

LULU ISLAND ENERGY COMPANY

5. **LULU ISLAND ENERGY COMPANY – 2024 OPERATING AND CAPITAL BUDGETS**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7459792)

It was moved and seconded

That the Lulu Island Energy Company report titled "Lulu Island Energy Company – 2024 Operating and Capital Budgets", dated November 20, 2023 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

The question on the motion was not called as a brief discussion ensued regarding surplus generated by Lulu Island Energy Company. Staff noted that the surplus is directed to future capital until funded.

The question on the motion was then called and it was **CARRIED**.

6.

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ADJOURNMENT

It was moved and seconded
That the meeting adjourn (5:59 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, December 4, 2023.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate

Pages FIN 11 – FIN 33

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City of Richmond

Audit Planning Report
for the year ending December 31, 2023

KPMG LLP

Prepared on December 20, 2023 for presentation on January 8, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Digital use information

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This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

The purpose of this report is to assist you, as a member of the Finance Committee (the “Committee”), in your review of the plan for our audit of the financial statements of the City of Richmond as at and for the year ending December 31, 2023. This report is intended solely for the information and use of Management, Council, and the Committee and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights

No matters to report Matters to report – see link for details

Scope

Our audit of the consolidated financial statements of the City of Richmond (“the City”) as at and for the year ending December 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards (CASs).

Audit strategy

Materiality – \$10,200,000



Involvement of others



Updates to our prior year audit plan



Risk assessment



Risk of management override of controls



Other risks of material misstatement

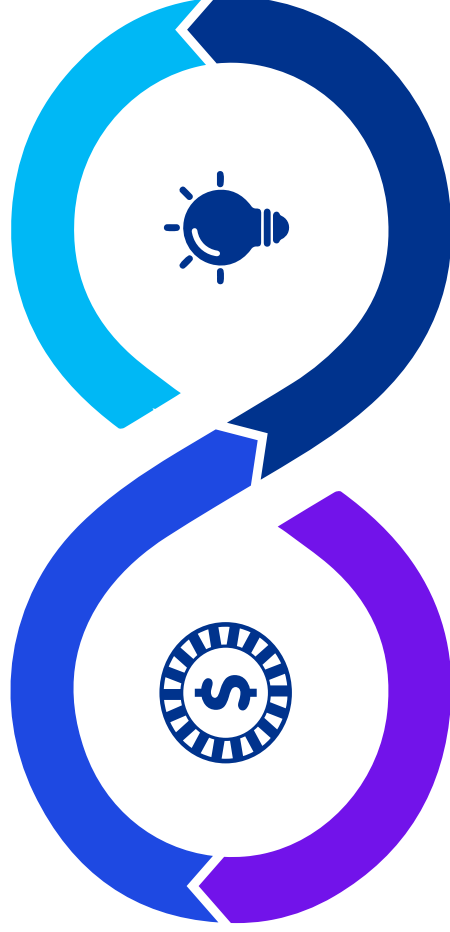


Other significant risks



- Asset retirement obligations
- Revenue, deferred revenues, and development cost charges
- Expenses, including salaries and benefits expense
- Tangible capital assets
- Valuation of post-employment benefits

Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

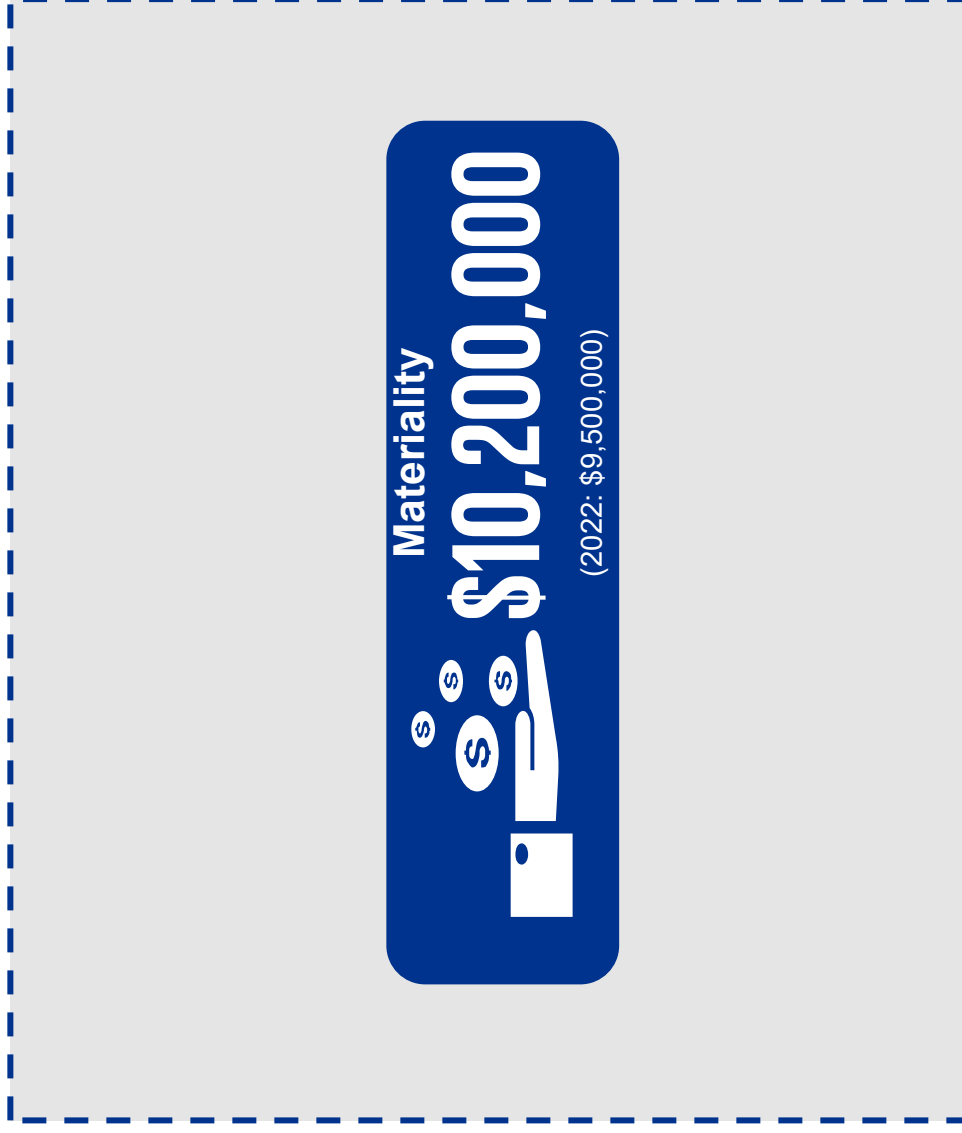
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Initial materiality



Forecasted total expenses as at
December 31, 2023

\$512,000,000
(2022: \$480,000,000)

No change in benchmark compared to prior year

% of Benchmark

2.0%
(2022: 2.0%)

The prescribed range is between 0.5% and 3.0% of the benchmark



Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party

Nature and extent of planned involvement

Management's specialists: actuary

The actuary, George & Bell Consulting Inc. will perform an actuarial valuation of employee benefits on termination and retirement.

See page 15 for further details.



Updates to our prior year audit plan

New significant risks and focus areas



Significant risks



There were no new significant risks identified for the year.

Other significant changes



Newly effective accounting standards



New accounting standards effective for the year ending December 31, 2023 include:

- PS 3280 Asset Retirement Obligations
- PS 3450 Financial Instruments
- PS 3041 Portfolio Investments
- PS 2601 Foreign Currency Translation
- PS 1201 Financial Statement Presentation

Newly effective accounting standards



Newly effective auditing standards



There are 3 new auditing standards effective for year ending December 31, 2023 related to quality management.

Newly effective auditing standards

Group audit – Scoping



Nature of the planned involvement in the work of component auditors of significant components:

Professional standards require that we obtain an understanding of the City’s organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit of the consolidated entity. The components included in the City’s consolidated entity (“the Group”) over which we plan to perform our audit procedures are as follows:

Individually financially significant components	Not financially significant component		
City of Richmond	Richmond Public Library	Richmond Olympic Oval Corporation	Lulu Island Energy Company

Full-scope audit

✓

Audit, as a standalone audit is being performed due to statutory requirements

✓

✓

✓

Analytical procedures performed as part of the City’s group audit

✓

✓

✓

✓

✓ PY Involvement ✓ CY Planned Involvement

Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in the financial statements.

We draw upon our understanding of the City and its environment (e.g. the sector, the wider economic environment in which the City operates, etc.), our understanding of the City's systems of internal control, including our business process understanding.

	Risk of fraud	Risk of error	Risk rating
● Management override of controls	✓		Significant
● Asset retirement obligations		✓	Elevated
● Revenue, deferred revenues, and development cost charges		✓	Base
● Expenses including salaries and benefits expense		✓	Base
● Tangible capital assets		✓	Base
● Valuation of Post-employment benefits		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISSTATEMENT



Significant risks

Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF
 FRAUD

Presumption of the risk of fraud resulting from management override of controls

Our planned response

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Inquiries required by professional standards

Professional standards require that we obtain your view on the risk of fraud. We make similar inquiries to management as part of our planning process:

- Are you aware of, or have you identified any instances of actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the City?
- How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the City and internal controls that management has established to mitigate these fraud risks?
- What is the Committee's understanding of the City's relationships and transactions with related parties that are significant to the City?
- Does any member of the Committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the City entered into any significant unusual transactions?

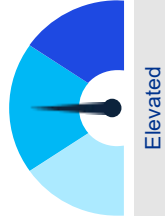
Other risks of material misstatement



Asset Retirement Obligations (“ARO”)

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s 2023 fiscal year.

The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain controlled tangible capital assets (“TCA”). The standard requires the City to record a liability related to future costs of any legal obligations incurred upon retirement of controlled TCA. The amount of the initial liability will be added to the historical cost of any in-service TCA and amortized over the asset’s useful life.



- Obtain an understanding of management’s process for implementing PS 3280, including how in-scope TCA were identified, sources of information used, and significant measurement data, assumptions and decisions.
- Ensure the retirement obligations accounting policy set by management is in accordance with PS 3280.
- Obtain a list of TCA that reconciles to the general ledger and review the listing to ensure management’s identification of TCA with potential in-scope retirement obligations is accurate and complete.
- Review relevant legal contracts, non-financial information and other relevant documentation (e.g. lease agreements, health and safety asbestos inventories, etc.) to ensure management’s identification of in-scope assets is complete.
- Review reports and related supporting documentation for the retirement obligations associated with buildings. Assess whether reliance can be placed on any external consultants reports or other support as audit evidence.
- Select a sample of assets with in-scope retirement obligations. Agree inputs into the calculation of the liability to supporting documentation and assess whether assumptions made by management are reasonable.
- Review the financial statement presentation and note disclosures to ensure it is consistent with PS 3280.

Other risks of material misstatement-(continued)



Revenue, deferred revenue, and development cost charges

Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including property taxes, development cost charges (“DCCs”), government grants, contributions for future capital works, and amounts collected for building permits, and facility upgrades, are reported as deferred revenue and recognized when earned.

As contributions are received for specified purposes and sometimes contain restrictions, there is a need to determine whether the amounts should be deferred or recognized as revenue.



- Update our understanding of the process activities over revenues and contributions received, amounts spent as well as deferral of unspent amounts.
- Perform a walkthrough and/or test of design and implementation of key controls over contributions received and expenditures incurred, as well as management’s review of related balances.
- Review the accounting for significant new agreements to determine whether stipulations or restrictions exist and how the funds should be recognized and/or deferred.
- Perform substantive procedures, including vouching and review of supporting documentation related to contributions received, to ensure that revenues are appropriately recognized, and deferred revenues are appropriately recorded.
- Reconcile permits to new development cost charges during the year and inspect appropriate bylaws noting the appropriation for its specified purpose.
- Select a sample of DCC charges, recalculate the total amount, agree each factor in the calculation to supporting documentation (e.g. approved rates) and agree the amount recorded to cash receipts.
- Select a sample of DCC expenditures, ensure the expenditures bylaws were approved by Council and agree the amount recorded to supporting documentation.

Other risks of material misstatement - (continued)

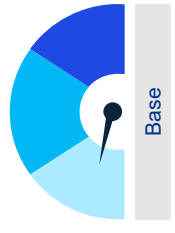
Areas

Level of risk due to error

Our planned response

Expenses including salaries and benefits expense

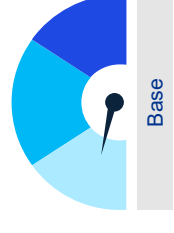
Expenses are closely monitored against approved budgets. Salaries and expenses represent a significant portion of the City's expenses. There is a need to ensure that the expenses recognized are appropriate.



- Update our understanding of the process activities and controls for expenses, including salaries and benefits expense.
- Analyze the change in expenses relative to the prior year based on changes in operations.
- Perform substantive procedures, including vouching and review of supporting documentation related to expenses incurred, to ensure expenses are appropriately recognized.
- Perform substantive analytical testing over payroll expense relative to the prior year based on changes in head count and pay rates.
- Perform a search for unrecorded liabilities to ensure expenses are recorded in the appropriate fiscal year.

Tangible Capital Assets ("TCA")

Tangible capital assets represent a significant portion of assets of the City. The assets owned by the City include land, buildings, furniture and equipment, vehicles, water and waste system infrastructure, road infrastructure, library collection and may require estimation.



- Update our understanding of the process activities and controls over TCA, including the year-end process around identifying assets for impairment.
- Perform a walkthrough and/or test of design and implementation of key controls over recording tangible capital assets.
- Perform detailed testing of asset additions, including developer contributions, and inspection of supporting documentation to ensure it is appropriate to capitalize the costs.
- Test dispositions including inspection of supporting documentation and assessing if the gain or loss on disposition has been recorded appropriately.
- Review the reasonableness of estimated useful lives and amortization recognized.
- Review management's assessment of impairment, if any, to tangible capital asset. Assess whether the facts related to any impairment issues identified support a write down to the asset.
- Review agreements for contractual commitments and related disclosure requirements.

Other risks of material misstatement - (continued)



Valuation of post-employment benefits

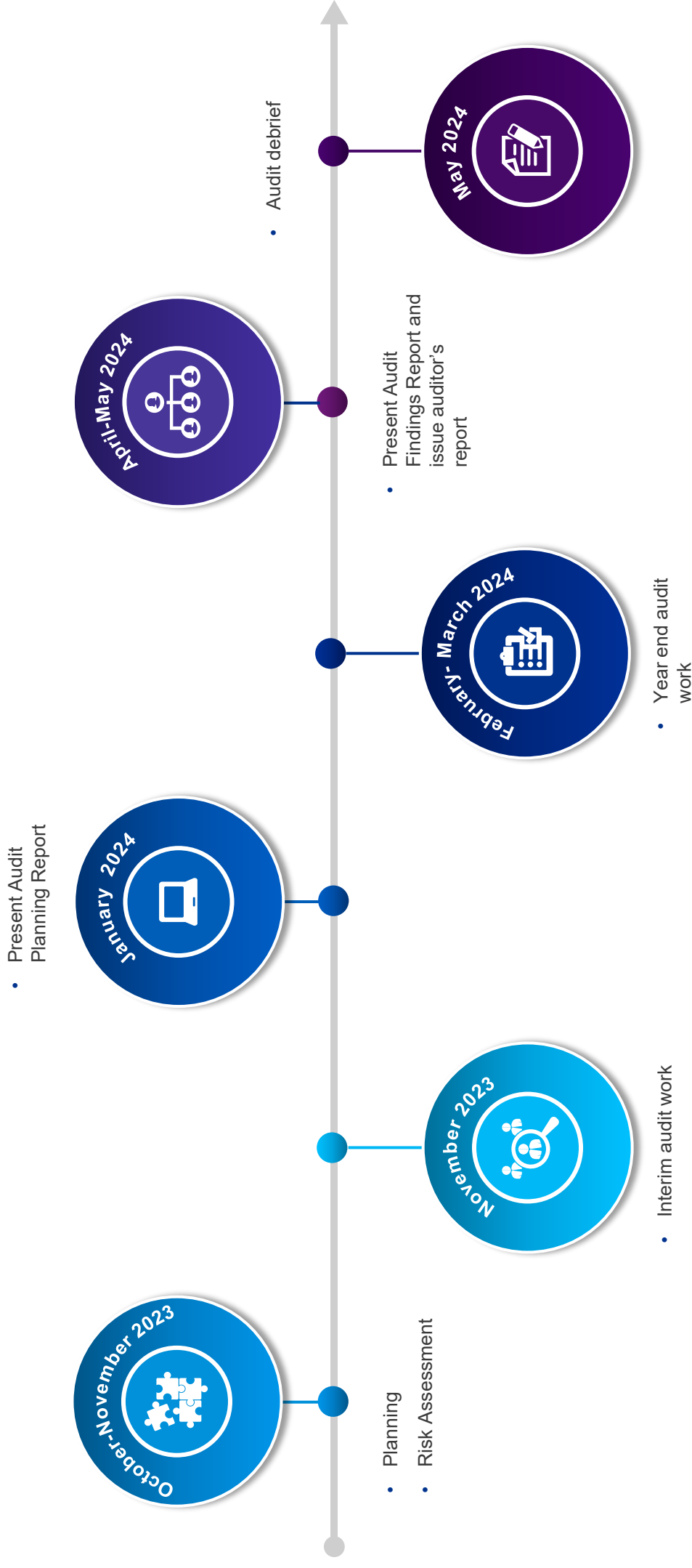
The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.



- Update our understanding of the process activities and controls over post-employment benefits.
- Obtain the valuation report prepared by the City's actuarial expert, George & Bell Consulting Inc. and review significant assumptions used for reasonableness.
- Assess the competence, expertise, and qualifications of the City's actuarial expert, and the reasonableness of the valuation methodology.
- Obtain data inputs provided by the City to the actuary for use in determining the estimate and testing select items to determine completeness and accuracy of the data provided.
- Review note disclosure in the financial statements to determine if required disclosures under the accounting standards are appropriately included.



Key milestones and deliverables



Appendices

1

Required communications

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Audit Quality

3

New accounting standards

4

New auditing standards

5

Thought Leadership and Insights

6

Audit and Assurance Insights

Appendix 1: Other required communications



Auditor's report

A copy of our draft auditor's report setting out the conclusion of our audit will be provided at the completion of the audit.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Audit findings report

At the completion of the audit, we will provide our findings report to the Committee.

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter will be provided to the Committee.



Independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Committee's approved protocols. At the completion of our audit, we will re-confirm our independence to the Committee.

Internal control deficiencies

Control deficiencies identified during the audit will be communicated to management and the Committee.

Appendix 2: Audit quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

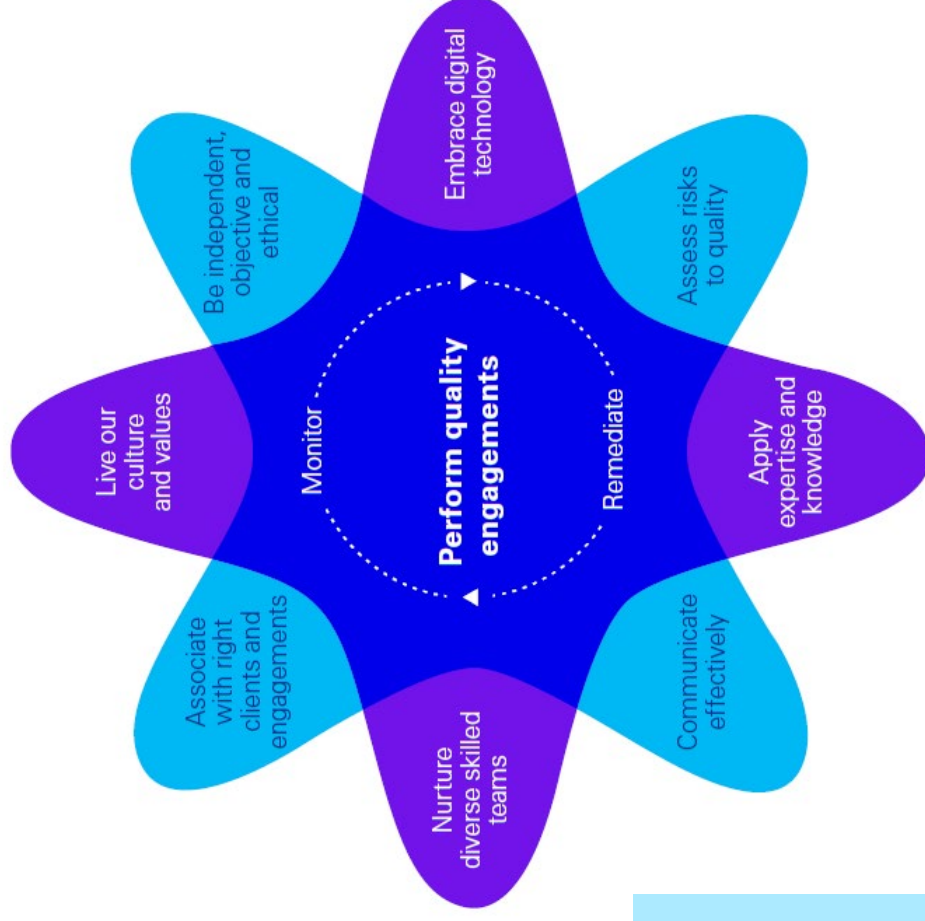
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

 [KPMG 2022 Audit Quality and Transparency Report](#)

We define ‘audit quality’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Appendix 3: Changes in accounting standards

PS 3280 Asset Retirement Obligations (“PS 3280”) is effective for the fiscal years beginning on or after April 1, 2022. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease (increase) to the net financial assets (net debt) reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset’s life. There is no change to the total cost recorded over an asset’s life.

A rigorous process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset’s life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to obtain guidance from the provincial government or governance bodies to determine the impact of PS 3280 on current requirements.

Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed, or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.

Appendix 3: Changes in accounting standards (continued)

PS 3280 Asset Retirement Obligations (“PS 3280”) is effective for the fiscal years beginning on or after April 1, 2022. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. The following checklist is intended to provide you with reminders for key activities in each phase of your PS 3280 implementation project. The items noted are not a complete list of factors influencing the successful adoption of PS 3280, nor is it intended to provide any type of assurance.

Project planning

- Project team is cross-functional and includes Finance and non-Finance personnel.
- Sufficient personnel resources are available for the implementation project.
- Where required, external experts have been engaged.
- The project plan identifies who is responsible for each project task.
- Project timelines are reasonable.
- Auditor involvement has been scheduled at each significant project milestone.
- Asset retirement obligations policy has been drafted.
- Funding is available for PS 3280 implementation costs.
- Recurring project updates are provided to the Committee or other governance body to engage them in the implementation process.

Scoping

- The tangible capital assets listing reconciles to the audited financial statements.
- Agreements (e.g. leases, statutory rights of way, etc.) have been reviewed for potential legal obligations.
- Productive and non-productive assets have been included in the scoping analysis.
- Assets with similar characteristics and risks have been grouped together in the scoping analysis.
- All relevant legal acts, regulations, guidelines, etc. have been identified.
- Relevant internal stakeholders have been interviewed to obtain information about potential retirement obligations.

Measurement

- Cost information is relevant and reliable.
- Only costs directly attributable to legally required retirement activities have been included in the liability.
- If applicable, the discount rate is consistent with the risks and timelines inherent in the cash flows.
- If discounting is applied, it is based on reliable information to inform the timing of future cash flows.
- Asset retirement obligations have been linked to specific tangible capital assets.
- The useful life of the tangible capital asset remain appropriate and are consistent with estimated asset retirement date.
- The transition method selected is appropriate based on the measurement information available.
- Calculations are mathematically accurate.

Financial reporting

- Financial statements have been mocked up to include asset retirement obligations.
- Note disclosures, including significant accounting policies, have been drafted.
- Documentation prepared during the project has been reviewed to ensure it is accurate and complete.
- Plans have been implemented for the annual post-implementation review and update of the asset retirement obligation liability.

Appendix 3: Changes in accounting standards (continued)

Standard

Summary and implications

- Financial instruments and Foreign Currency Translation**
 - New accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022.
 - Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.
 - Hedge accounting is not permitted.
 - A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.

Revenue

- The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023.
- The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Appendix 3: Changes in accounting standards (continued)

Standard

Summary and implications

Public Private Partnerships (“P3”)

- The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023.
- The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.
- The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.
- The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.
- The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
- The standard can be applied retroactively or prospectively.

Purchased Intangibles

- The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.
- The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.
- Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized.
- The guideline can be applied retroactively or prospectively.

Appendix 3: Changes in accounting standards (continued)

Standard

Summary and implications

- Employee Future benefits**
- The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
 - The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard.
 - Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.
 - The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.
 - This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.
 - The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.
- Concepts Underlying Financial Performance**
- The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.
 - The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.
 - The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Appendix 3: Changes in accounting standards (continued)

Standard

Summary and implications

- Financial Statement Presentation**

 - The section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
 - The proposed section includes the following:
 - Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
 - Separating liabilities into financial liabilities and non-financial liabilities.
 - Restructuring the statement of financial position to present total assets followed by total liabilities.
 - Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
 - Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
 - A new provision whereby an entity can use an amended budget in certain circumstances.
 - Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.



Appendix 4: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220
.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1
.....
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2
.....
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600
.....
Revised special considerations – Audits of group financial statements

Appendix 5: Thought leadership and insights

Thought leadership – Environmental, social and governance (“ESG”)

First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by the City, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for the City.**

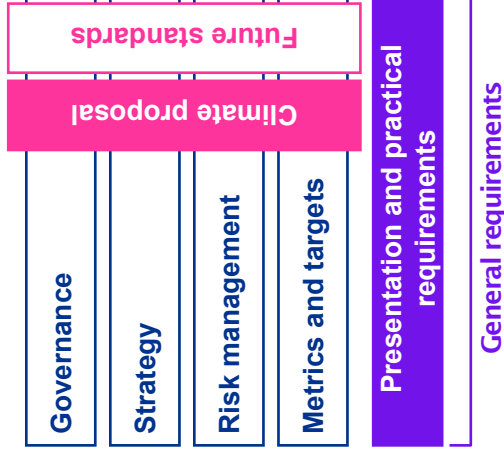
Summary of the recently released standards

The standards build on the four-pillar structure of the Task Force on Climate-related Financial Disclosures.

The **general requirements standard (IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard (IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG’s Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG’s insights and illustrative examples for the new standards.

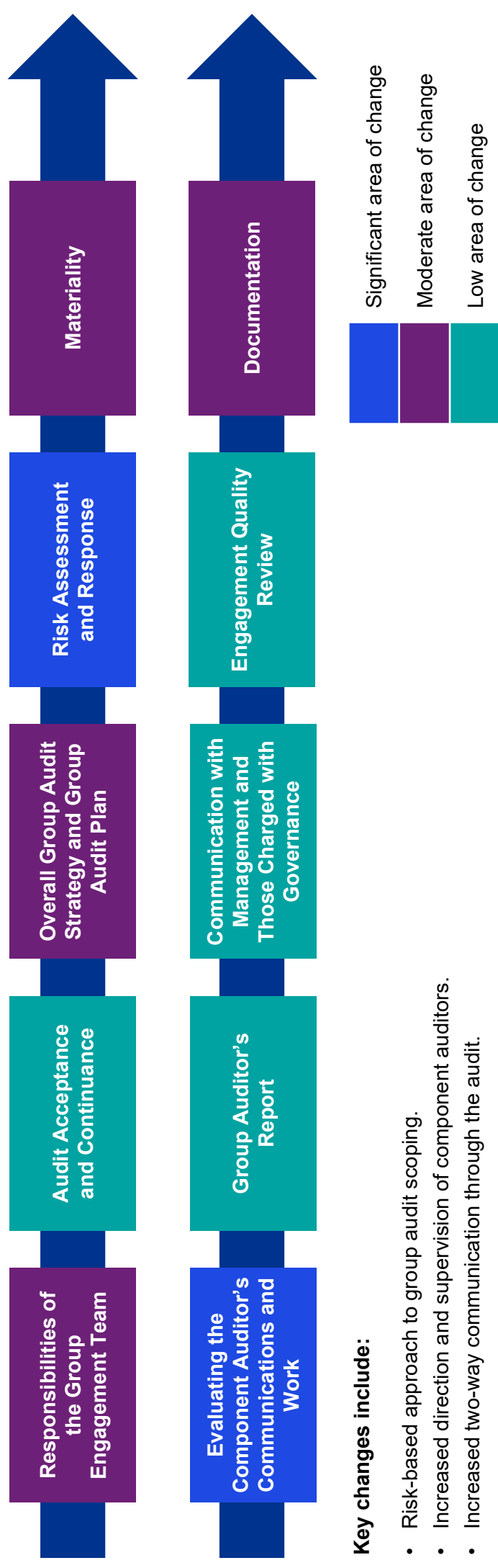
[Click here](#) to access KPMG’s portal

Appendix 3: Current developments (continued)

Changes to auditing standards (continued)

CAS 600 *Special Considerations – Audits of Group Financial Statements (including the work of component auditors)* (“CAS 600”) is an auditing standard that is currently applied by KPMG for the audit of the City’s consolidated financial statements. Effective for the City’s 2024 fiscal year, CAS 600 has been revised to include new and enhanced requirements that KPMG will be required to implement in the audit. A summary of the key changes in CAS 600 is as follows:

[Click here](#) for information about the revised CAS 600 from CPA Canada



Key changes include:

- Risk-based approach to group audit scoping.
- Increased direction and supervision of component auditors.
- Increased two-way communication through the audit.

KPMG is in the process of evaluating the impact of the revised CAS 600 for the City’s audit and will communicate with management and the General Manager, Finance and Corporate Services as more information is available.



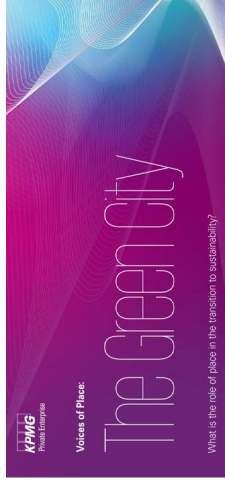
Appendix 4: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”)

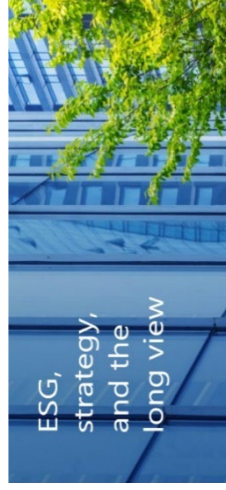
Note: Click on images to visit document link.



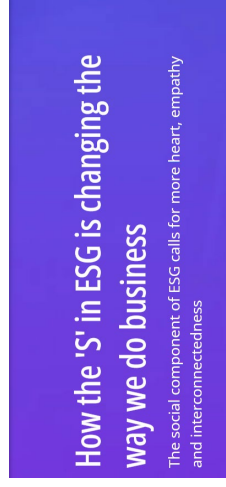
CoP26 made progress towards tackling climate change, but there is much more to do. At KPMG, we’re committed to accelerating the changes required to fight climate change.



The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness. The link provides guidance on what that looks like and the first steps to meeting those objectives.



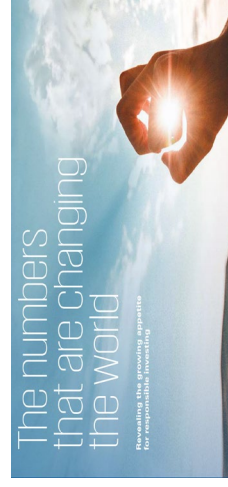
This highlights a five-part framework to help organizations shape the total impact of strategy and operations on performance both externally, and internally.



This article touches on the social movements driving business change.



This article breaks down the impact on institutional investors.



This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

KPMG’s Climate Change Financial Reporting Resource

Centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG’s portal.



Appendix 4: Thought leadership and insights (continued)

General

Global Economic Outlook

We may be only part-way through 2023, but the phrase that has overwhelmingly dominated conversations – from board rooms to political chambers and Main Streets – has been the cost-of-living crisis. In recent years, the world has faced waves of challenges, from the pandemic to the invasion of Ukraine, to the unfolding bank liquidity challenges amidst skittish depositors. The impact of such a lengthy period of uncertainty is being felt by everyone and that's reflected in KPMG's latest Global Economic Outlook.

[Click here](#) to access KPMG's portal.

2023 CEO Outlook

While CEOs maintain confidence in the future of the global economy, their views on what constitutes a risk to their business have shifted significantly. The persistent flux in global politics, trade dynamics and international relations has required a new level of resilience from CEOs. They are reassessing their strategic priorities, focusing on the rise of generative AI, talent management and high stakeholder expectations in addressing environmental, social and government (ESG) issues.

[Click here](#) to access KPMG's portal.

Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

[Click here](#) to access KPMG's portal.

Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[Click here](#) to access KPMG's portal.

Accelerate

Our annual article series, developed by KPMG subject matter experts, which tackles the most pressing risks and opportunities that face audit committees, boards and management teams across the country. The focus areas for 2024 include economic uncertainty, cyber risk, digital transformation, talent retention and mandatory ESG reporting.

[Click here](#) to access KPMG's portal.

Appendix 4: Thought leadership and insights (continued)

Information technology and digital transformation

Digital Transformation and Technology

Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.

[Click here](#) to access KPMG's portal.

Asset management

Asset Management in the Age of Uncertainty

Most asset managers seem to recognize that their business is in the midst of a significant disruption. The fundamentals of the asset management industry are changing and there is need for new ideas and new models.

[Click here](#) to access KPMG's portal.



Five Questions Boards Should Ask About Digital Transformation Projects

Boards and management committees alike have increasingly expressed interest in technology investments that improve operations, enable customer relationships, and support virtual workforces. Based on our experience working with organizations across many industries, five questions have been identified to help a Board understand and 'sponsor' a project successfully.

[Click here](#) to access KPMG's portal.

KPMG Global Tech Report 2023

Be determined, not deterred. Despite the headwinds of global economic uncertainty, digital transformation leaders that are committed to their innovation priorities continue to realize value at pace. In our latest survey – the KPMG global tech report 2023 – digital leaders are bullish in their belief that embracing technology across all facets of their business is bringing productivity gains.

[Click here](#) to access KPMG's portal.

Maintaining Cyber Vigilance and Staying Resilient

Cyber resilience is vital to maintain business operational capabilities, safeguard customer trust, and reduce the impact of future attacks. Regulators worldwide are also increasingly focused on cyber resilience, obligating organizations to be more transparent about their ability to respond to breaches before, during and after an incident. KPMG's eBook shares hard-won lessons which are intended to help organizations confidently and proactively address cyber threats, recover from cyber incidents and emerge stronger.

[Click here](#) to access KPMG's portal.

Converging Trends 2033: The Long View

We asked KPMG's global infrastructure leaders to use their experience and insight to put themselves in the year 2033. We had them tell us what they saw, pick some winners and losers, and provide insights and ideas to help readers in the mid-2020s prepare for the world of 2033. To make this report practical, we focused on three key yet interdependent themes – cities, sustainable development and innovation.

[Click here](#) to access KPMG's portal.

Appendix 6: Audit and assurance insights

Our latest thinking on the issues that matter most to Finance and Audit Committees, board of directors and management.

[KPMG Audit & Assurance Insights](#)

Curated research and insights for Finance and Audit Committees and boards.

[Board Leadership Centre](#)

Leading insights to help board members maximize boardroom opportunities

[Current Developments](#)

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

[Finance and Audit Committee Guide – Canadian Edition](#)

A practical guide providing insight into current challenges and leading practices shaping Finance and Audit Committee effectiveness in Canada.

[Accelerate 2023](#)

The key issues driving the Finance and Audit Committee agenda in 2023.

[Momentum](#)

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[KPMG Climate Change Financial Reporting Resource Centre](#)

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

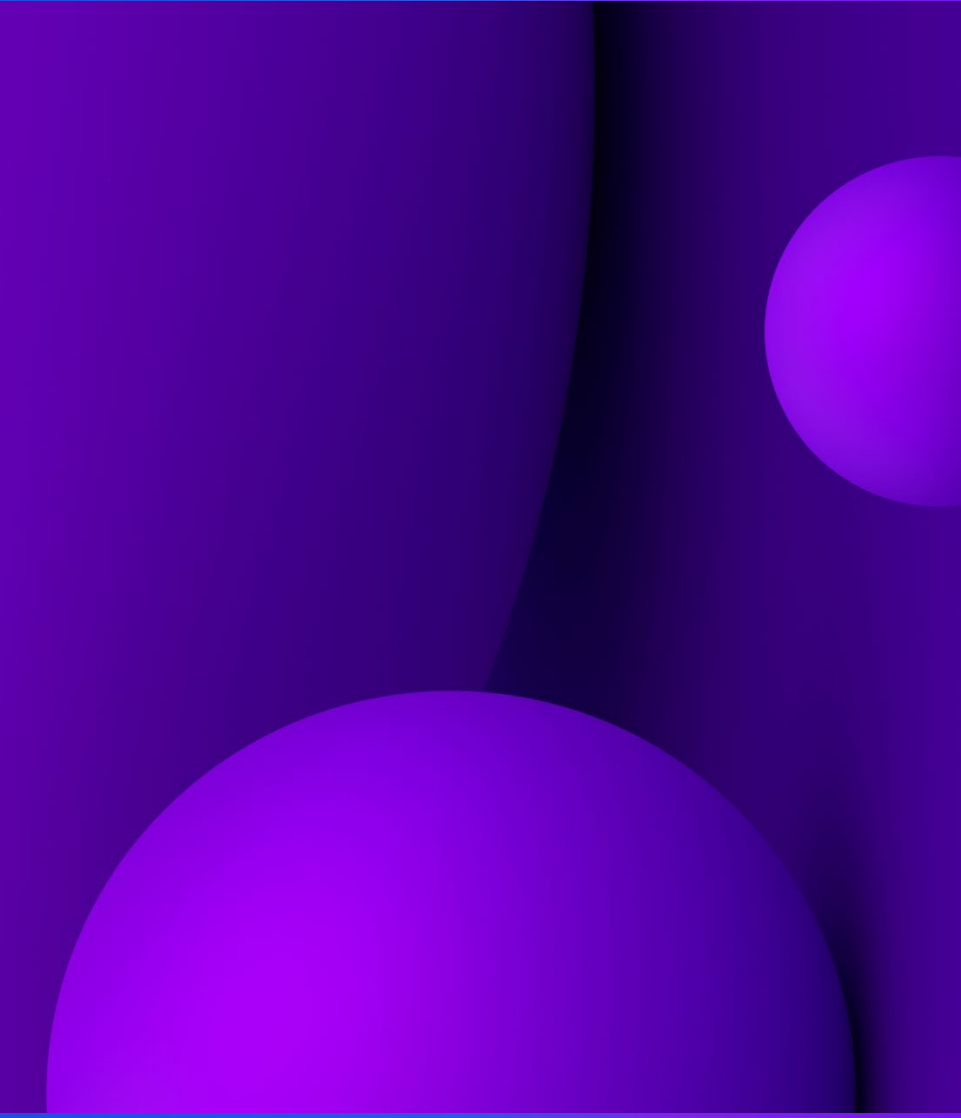
[IFRS Breaking News](#)

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.



[kpmg.ca](https://www.kpmg.ca)

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City of Richmond

Report to Committee

To: Finance Committee

Date: December 1, 2023

From: Mike Ching
Director, Finance

File: 03-0905-01/2023-Vol
01




Re: Financial Information – 3rd Quarter September 30, 2023

Staff Recommendation

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2023”, dated December 1, 2023 from the Director, Finance, be received for information.

Mike Ching, CPA, CMA
Director, Finance
604-276-4137

Att: 4

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE
Arts, Culture & Heritage Services	<input checked="" type="checkbox"/>	Information Technology <input checked="" type="checkbox"/>
Building Approvals	<input checked="" type="checkbox"/>	Library Services <input checked="" type="checkbox"/>
Community Bylaws	<input checked="" type="checkbox"/>	Parks Services <input checked="" type="checkbox"/>
Community Safety Administration	<input checked="" type="checkbox"/>	Policy Planning <input checked="" type="checkbox"/>
Community Social Development	<input checked="" type="checkbox"/>	Public Works <input checked="" type="checkbox"/>
Development Applications	<input checked="" type="checkbox"/>	RCMP <input checked="" type="checkbox"/>
Economic Development	<input checked="" type="checkbox"/>	Real Estate Services <input checked="" type="checkbox"/>
Engineering	<input checked="" type="checkbox"/>	Recreation & Sport Services <input checked="" type="checkbox"/>
Facilities and Project Development	<input checked="" type="checkbox"/>	Sustainability & District Energy <input checked="" type="checkbox"/>
Fire Rescue	<input checked="" type="checkbox"/>	Transportation <input checked="" type="checkbox"/>
		CONCURRENCE OF GENERAL MANAGER  <hr/>
SENIOR STAFF REPORT REVIEW	<small>INITIALS</small>  <hr/>	APPROVED BY CAO  <hr/>

Origin

Pre-audited financial information for the third quarter (ended September 30, 2023) is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City of Richmond's (the City's) financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Economic Overview

The global economy is continuing to slow. Low growth is expected in the short and medium-term, though no sharp downturn is anticipated. There is also increasing divergence between lower, constrained growth in advanced economies and emerging markets that are proving stronger and more resilient at higher levels of growth. Exceptions include the U.S., which has experienced unexpected resiliency in consumption and investment, and China, which continues to face significant challenges in its real estate sector. The Russia-Ukraine war continues to weigh on the outlook, and the potential global economic impact of the Israel-Hamas war is not yet clear. Other factors impacting global forecasts include increasing geo-economic fragmentation after decades of global integration, effects of monetary policy tightening required to reduce inflation, withdrawal of fiscal supports, and extreme weather events.

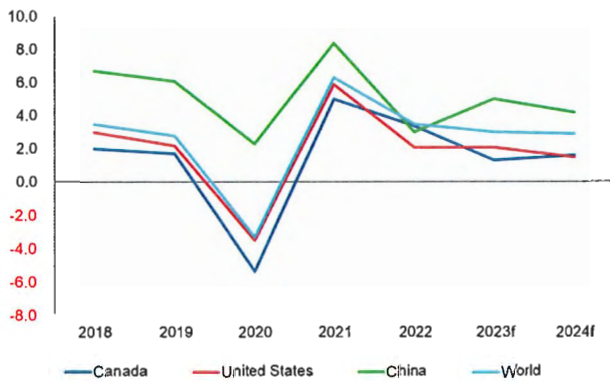
In Canada, the Bank of Canada (BoC) maintained the policy rate most recently in September and October, after raising interest rates three times earlier in the year. The BoC notes that higher interest rates are working as intended – price pressures are easing, and inflation has come down from its peak in June 2022.¹ However, core inflation has been harder to rein in than anticipated and progress toward the 2% inflation goal has been slow and uneven. Population growth continues to drive demand, though consumer spending as well as hiring are slowing.

Economic activity in Richmond continues to be relatively healthy. Businesses continue to face the ongoing challenges of the current economic climate, including high input costs for both goods and services. However, risks posed by disruptions at the Port of Vancouver in Q3 have been resolved and supply chain pressures have eased, even as costs remain high. Business licencing continues to show strong activity, reflecting new businesses starting operations and others altering their operations in response to current conditions and/or to take advantage of new opportunities. While industrial and office vacancy rates have increased in Richmond, industrial vacancy rates remain near record lows. Lower growth should continue to be expected in 2023 and into 2024, aligned with global conditions.

¹Bank of Canada. Monetary Policy Report, October 2023.

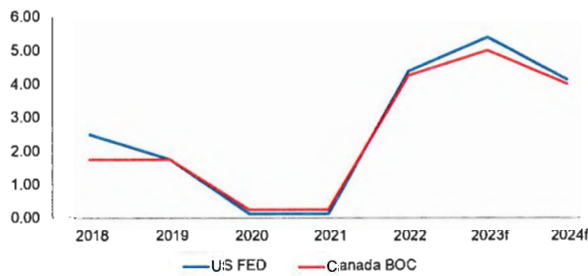
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change²



- The International Monetary Fund projects global Gross Domestic Product (GDP) will decrease from 3.5% in 2022 to 3.0% in 2023, contracting to 2.9% in 2024.
- In 2023, Canadian GDP is forecasted to grow by 1.3%, with U.S. and China GDP growth forecasts of 2.1% and 5.0%, respectively.
- This global growth profile for 2023 is slightly weaker for Canada and China and slightly stronger for the U.S. than predicted last quarter, reflecting an increasing divergence across markets and a greater than expected resiliency of the U.S. economy.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year End³

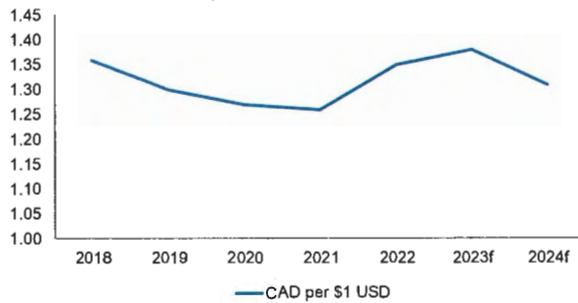


- After increasing rates in July 2023, the BoC has held its overnight lending rate steady at 5.0%.
- The U.S. Federal Reserve paused its pattern of raising rates at all previous 2023 meetings, holding rates at 5.38% (5.25% - 5.50%) on November 1, 2023.
- Inflation in services prices and core inflation are proving more persistent than anticipated. That said, higher interest rates and tighter financial conditions are slowing economic growth.

²International Monetary Fund, World Economic Outlook (October 2023): Navigating Global Divergences.

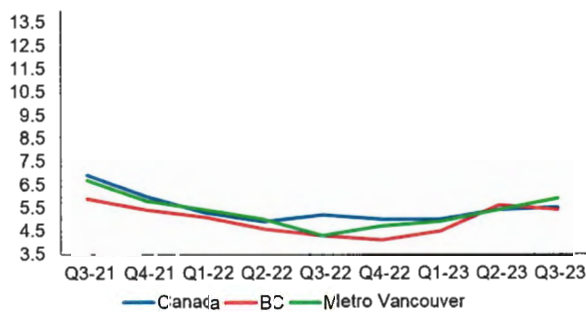
³US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (October 2023); RBC Financial Markets Monthly, (November 2023).

3) Exchange Rates – CAD/USD at Year End⁴



- The Canadian dollar (CAD) continues to be weak against the U.S. Dollar (USD), despite short term fluctuations. It ended Q3 2023 slightly weaker than the previous quarter though aligned with Q1, at \$1.35 CAD / \$1 USD. Weakening is expected to continue, with some recovery at the end of 2024.
- The short term fluctuations in the exchange rate are related to market sentiment, with a Q3 decline coinciding with data released on the slowing Canadian economy. The CAD regained some strength more recently, with slower than expected U.S. inflation in October.

4) Unemployment⁵

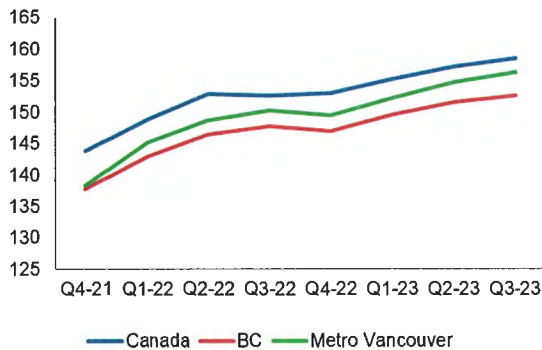


- According to Statistics Canada’s September 2023 Labour Market Survey, the employment rate increased, while unemployment was unchanged at 5.5% for the third consecutive month.
- Given record high population growth, employment gains of approximately 50,000 per month are required for the employment rate to remain constant. Employment grew by only 40,000 people in August, though by 64,000 in September.
- At the end of Q3 2023, the Canadian, B.C., and Metro Vancouver unemployment rates were 5.5%, 5.4%, and 5.9%, respectively.

⁴RBC Economics (RBC Financial Markets Monthly, November 2023); Interchange Financial (Canadian Dollar Gains on Weaker Than Expected US Inflation Numbers, November 14, 2023).

⁵Statistics Canada Labour Force Survey (September 2023); Labour Force Statistics Highlights Issue #23-10.

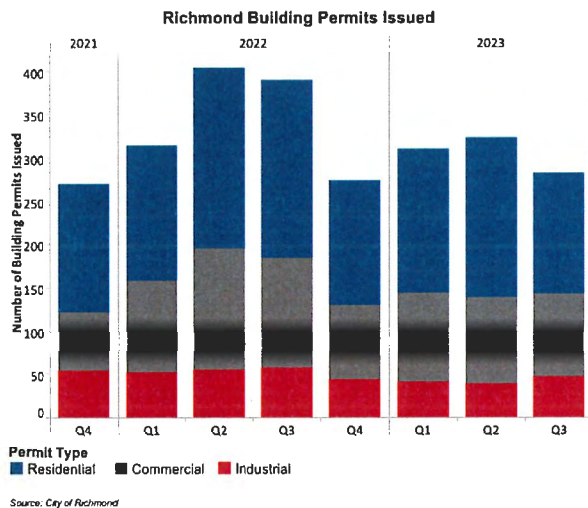
5) Consumer Price Index (CPI – 2002=100)⁶



- Inflation in Canada is slowing, though the pattern has not been linear, with an increase of 3.3% in July, 4.0% in August, and 3.8% in September. Compared with other provinces, B.C. had the third lowest rate of inflation in September.
- Prices for durable goods are decelerating, and consumers are paying less for airfares, though grocery prices remain elevated.
- On average over the past 12 months, inflation has been higher in B.C. (5.0%) and Metro Vancouver (5.1%) than nationally (4.7%).

Regional & Local Economic Activity Indicators

6) Building Permits – Richmond⁷

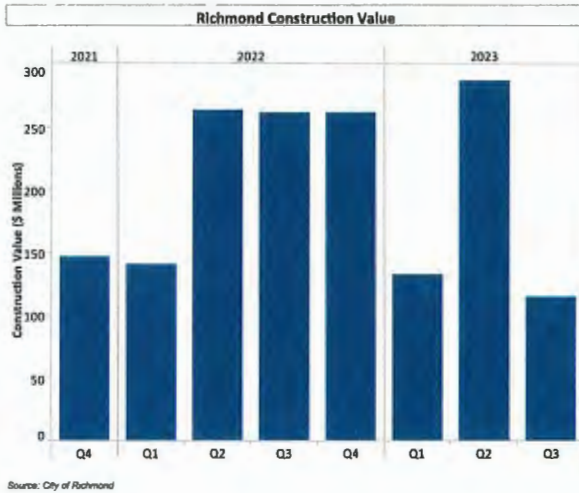


- During the third quarter of 2023, there were 149 residential, 97 commercial, and 46 industrial building permits issued in Richmond.
- This represents a 25.1% decline in total building permits issued over the same period in 2022, with less of a decrease in industrial (17.9%) as compared to commercial (24.2%) and residential (27.7%).
- 172 new units were added to the local housing supply in Q3 2023, which represents a 71.7% decrease as compared to the same period in 2022. Due to the large number of units typically involved in multi-family projects, substantial quarter-over-quarter fluctuations are expected, as permit issuances reflect not quarterly activity specifically, but that of the development cycle for multi-family units.

⁶Statistics Canada, Consumer Price Index; also Consumer Price Index, September 2023; also BC Stats, Consumer Price Index, September 2023, Issue 23-10.

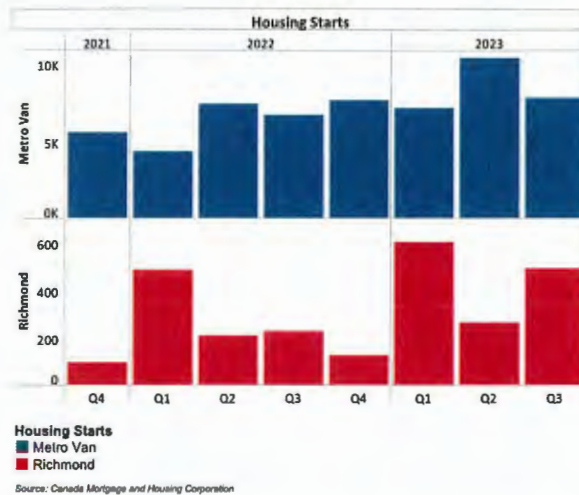
⁷City of Richmond Building Permits.

7) Construction Value⁸



- Approximately \$114.5 million in construction value was registered in Q3 2023, a decrease of 56.2% from the same period last year.
- Substantial quarter-over-quarter fluctuations in construction value can be expected, depending on the projects registered that quarter.

8) Housing Starts⁹



- In Q3 2023, there were 490 housing starts in Richmond and 7,759 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced¹⁰.
- Year-to-date housing starts increased by 47.5% in Richmond and by 37.4% in Metro Vancouver, as compared to the same period in 2022. There is a fair amount of fluctuation quarter by quarter, as is to be expected depending on project timelines.
- While construction costs remain high, demand will likely continue to be strong, especially with population expansion through immigration.

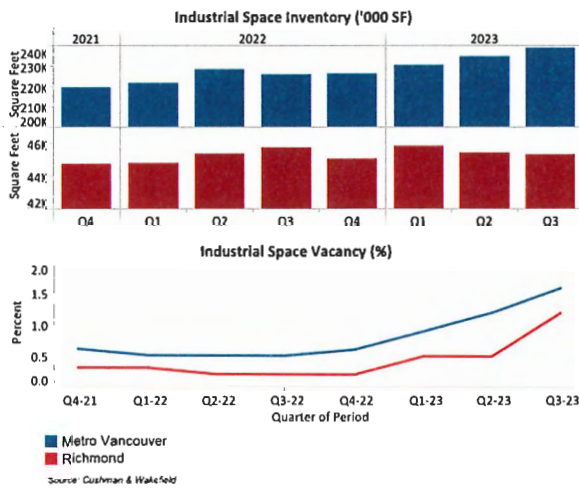
⁸ City of Richmond Building Permits.

⁹Canada Mortgage and Housing Corporation; Housing Market Outlook, Spring 2023; Housing starts trend upward in September (CMHC).

¹⁰Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.

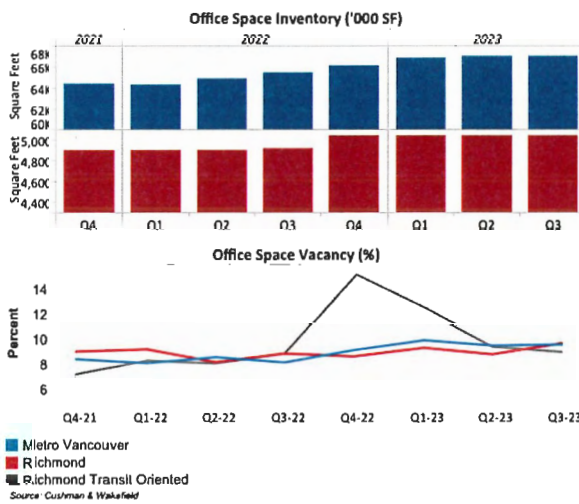
9) Commercial Space¹¹

a) Industrial Space



- The Metro Vancouver industrial vacancy rate has increased to 1.6%. While still low, it has not been this high since Q4 2019. The increase was driven by new construction completions and an influx of vacant space for sublease.
- In Richmond, the industrial vacancy rate remains lower than Metro Vancouver though has increased to 1.2%, its highest rate since Q4 2020.
- While there is some softening of tenant demand in the industrial market given current economic conditions, vacancy rates are still well below that of a healthy market. Average asking net rents are high though remained stable in Q3.

b) Office Space



- At the end of Q3 2023, the office vacancy rate had increased to 9.9% in Richmond, with transit-oriented vacancy edging downwards to 9.2%¹².
- The office vacancy rate remained relatively steady at 9.8% in Metro Vancouver, despite differing trajectories across municipalities.
- Downtown Vancouver office vacancy rates remained near a 30-year high at 13.6% in Q3 despite significant new leasing activity, reflecting new construction completions and an interest in high quality Class A and AAA office space. Year-over-year vacancy rates decreased in many suburban markets.
- Average asking rents in Richmond are the lowest in the Metro Vancouver region.

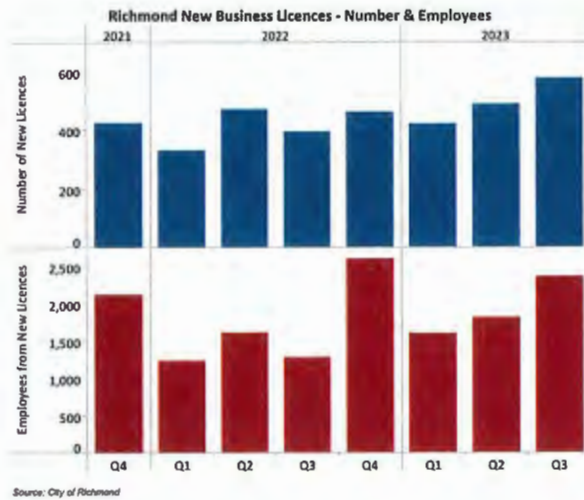
Note that the increased transit-oriented vacancy rate in Q4 2022 was due to the Paramount development (6388 No. 3 Road) coming to market. Short-term fluctuations are expected as new supply is added.

¹¹Cushman & Wakefield Office and Industrial Market Beat Reports Q3 2023.

¹²Note that as of Q1 2023, transit-oriented office data is now sourced from Cushman and Wakefield for greater consistency across commercial vacancy rates presented in this report. The definition of "transit-oriented office" is office space within 600 meters of a Skytrain station. As this definition includes a limited number of developments in the City Centre, any change (whether related to new inventory or absorption) may have a seemingly disproportionate impact on the data.

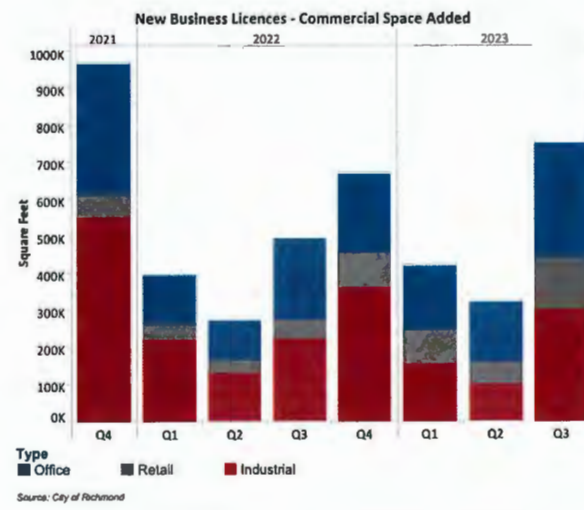
10) Business Growth – Richmond¹³

a) Total Valid Business Licences & New Business Licences Issued



- 578 new business licences (representing 2,360 jobs) were issued by the City of Richmond in Q3 2023, a 46.3% increase in new licences (and an 85.0% increase in corresponding jobs) as compared to the same period last year.
- These new business licences are part of the City’s total of 13,607 total valid business licences at the end of Q3 2023. Fluctuations are expected in the number of total valid business licences, as businesses update their information and renew their licences annually.

b) New Business Licences – Commercial Space

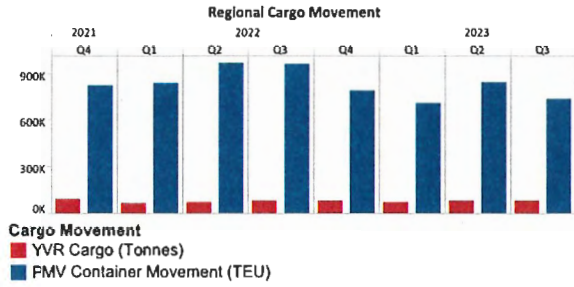


- 752,251 square feet of commercial space absorption was tied to the new business licences issued during Q3 2023.
- This is an increase of 52.3% compared to the same time period last year. The greatest amount of space was required by office (312,261 square feet), followed by industrial (299,500 square feet), and then retail (140,490 square feet).

¹³ City of Richmond Business Licensing data

11) Goods and People Movement

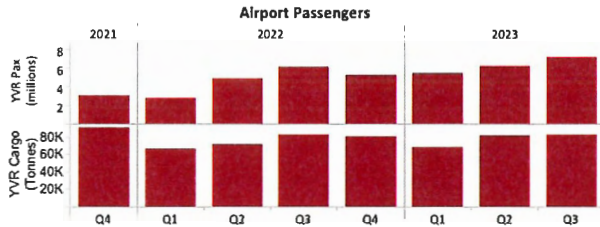
a) Regional Cargo Movement¹⁴



Source: Port of Vancouver, YVR

- In Q3 2023, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalent (TEUs), decreased by 23.4%, as compared to the same period last year. While fluctuations are expected, some slowing may have been related to the Port strike action in Q3 2023.
- In Q3 2023, 82,805 tonnes of air cargo passed through the Vancouver International Airport (YVR), which is a slight decrease of 0.5% as compared to the same period last year.

b) Airport Passengers¹⁵



- Passenger travel through YVR continues to grow, with an increase of 17.0% in Q3 2023 (7.15M) as compared to the same period last year (6.11M).
- Globally, aviation passenger volumes are now expected to reach 9.4 billion in 2024, surpassing 2019 volumes (9.2 billion). The airline industry has also more than doubled its profit forecast for 2023.

c) Richmond Hotel Room Revenue¹⁶



- Hotel room revenues in Richmond for Q3 were \$105M, which is 20.7% higher than the same period last year. Year-to-date revenues are even stronger, with 2023 tracking 31.0% above 2022 revenues.

¹⁴Port of Vancouver Monthly Cargo Statistics; YVR Monthly Statistics.

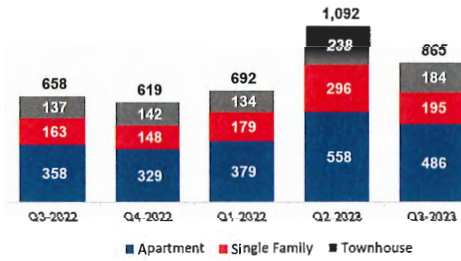
¹⁵YVR Monthly Statistics; Airports Council International, Global passenger traffic expected to recover by 2024 and reach 9.4 billion passengers (September 27, 2023); Financial Times, Global airline industry more than doubles its profit forecast (June 5, 2023).

¹⁶City of Richmond Additional Hotel Room Tax Ledger.

Residential Real Estate¹⁷

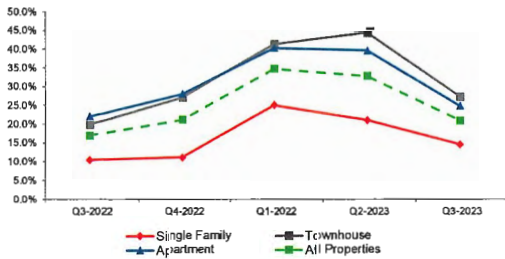
With mortgage rates at a 10-year high, a central element of the market this year has been the hesitancy of homeowners to list their homes. This lack of supply combined with expensive debt has had major impacts both on new buyers and potential move up purchasers resulting in a return to more historical average levels of pricing and sales.

Richmond - Residential Sales



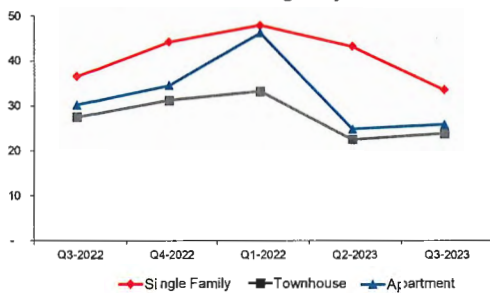
- Single family detached (SFD) home sales increased by 19.6% compared to Q3 2022.
- Townhouse and apartment sales have increased by 34.3% and 35.8%, respectively, compared to Q3 2022.
- Townhouse sales comprise 21.3% of the residential home sales in Richmond. SFD and apartment sales account for 22.5% and 56.2%, respectively, of home sales in Richmond.
- There were 865 residential home sales in Richmond in Q3 2023, a 31.5% increase compared to the same period last year.

Richmond - Residential Sales-to-Active Listings

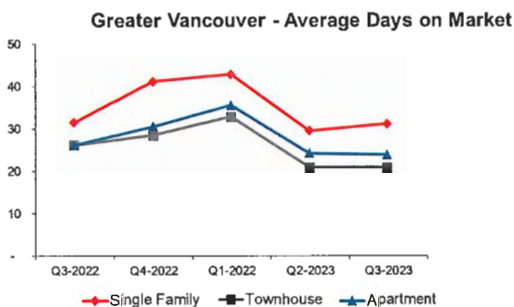


- Richmond residential properties had a sales-to-active listings ratio of 21.5% as at September 30, 2023, representing a seller's market.
- Analysis of historical data suggests downward pressure on home prices occurs when the ratio dips below 12% for a sustained period, while home prices often experience upward pressure when it surpasses 20% over several months.
- At Q3 2023, SFD properties in Richmond had an average of 34 days on the market, an 8.1% decrease compared to Q3 2022.
- Townhouses and apartments in Richmond had an average of 24 and 26 days on the market, respectively, representing a 14.3% and a 13.3% decrease over the same period last year.

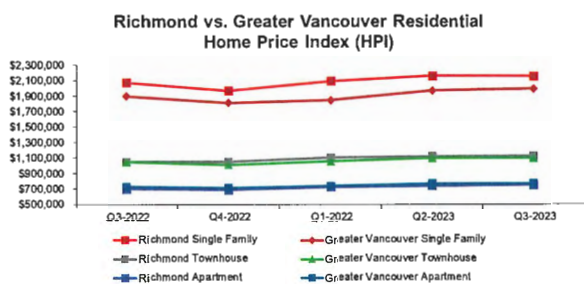
Richmond - Average Days on Market



¹⁷Real Estate Board of Greater Vancouver.



- At Q3 2023, SFD properties in GVRD had an average of 31 days on the market, which represents a 3.1% decrease compared to Q3 2022.
- Townhouses and apartments in GVRD had an average of 21 and 24 days on the market, respectively, which represents a decrease of 19.2% for townhouses and 7.7% for apartments, compared to Q3 2022.

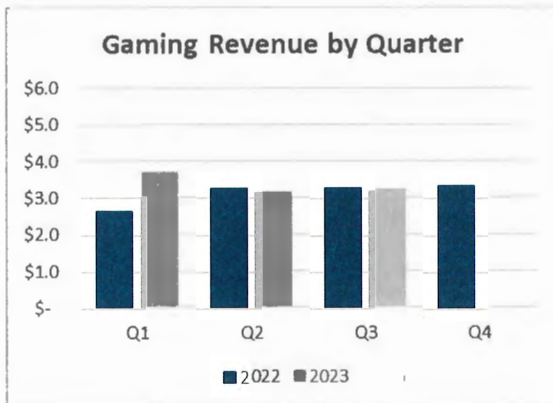


- The Home Price Index (HPI)¹⁸ for SFD properties in Richmond at Q3 2023 was \$2,179,100, a 4.7% increase compared to Q3 2022. The GVRD housing market has increased with SFD properties priced at \$2,017,100, which represents a 5.8% increase compared to the same quarter last year.
- At Q3 2023, the HPI for townhouse properties in Richmond was \$1,126,200, an increase of 7.1% compared to Q3 2022. The HPI for townhouse properties in GVRD was \$1,098,400, which represents a 4.7% increase compared to the same time last year.
- The HPI for apartments in Richmond was \$750,200, an increase of 6.6% compared to Q3 2022. The HPI for apartments in GVRD was \$768,500, which represents a 5.5% increase compared to the same time last year.

¹⁸Home Price Index is a tool to measure home prices trends in Metro Vancouver and other major markets in the country. It is an alternative measure of real estate prices that provides the market trends over traditional tools such as mean or median average prices.

Gaming Revenue

In accordance with the Host Financial Assistance Agreement with the Province of BC, the Province pays 10% of net gaming income to the City. Net gaming revenue is calculated as net win from casino games less (i) fees payable by BC Lottery Corporation (BCLC) to the service provider, and (ii) BCLC’s administrative and operating costs. Distributions are subject to volatility due to fluctuations in net win from casino games, operating costs and accounting adjustments.



- The gaming revenue for Q3 2023 was \$3,222,507, a decrease of 2% compared to the same quarter last year when \$3,289,802 was received.
- Year to date revenue for 2023 is \$10,073,275, which is 9.5% higher than for same period for 2022, which was \$9,198,543.
- The 2023 budget for gaming revenue is \$14,500,000.

Gaming revenue continues to rebound from the pandemic period, however, the amount received to the end of September for 2023 is 10.4% less than the same period in 2019. As gaming revenue is dependent on the operations of the River Rock Casino, these amounts may vary due to consumer behaviours, changes in regulations and competition.

At the January 30, 2023 Council meeting, the 2023 Budget was approved which included the gaming revenue allocation for 2023. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be transferred to the capital reserve.

Table 1: Distribution of the 2023 gaming revenue allocation

	Distribution	2023 Budget
Capital Reserves	Remainder	\$4.0M
Grants	20%	2.9M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	6.4M
Operating (RCMP)	Four Officers	0.9M
Total		\$14.5M

Operating Activity

Table 2 compares budget to unaudited actual activity up to September 30, 2023. The net figure represents combined revenue and expense amounts. Actuals include estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: Net Operational Activity for the period January 1, 2023 to September 30, 2023 (in \$000's)

Division/Department ¹	Q3 YTD Net Budget ²	Q3 YTD Actuals and Commitments ³	Q3 YTD Variance (\$)	Projected Surplus (Deficit) before Appropriation	Estimated Appropriation	Projected Surplus (Deficit) after Appropriation
Community Safety ⁴	(\$173)	(\$555)	\$382	371	-	371
Community Services	36,526	34,598	1,928	2,226	-	2,226
Corporate Administration	7,561	7,189	372	460	-	460
Engineering and Public Works	33,718	33,589	129	184	(184)	-
Finance and Corporate Services	18,569	17,518	1,051	1,240	(400)	840
Fire Rescue	35,611	35,681	(70)	(702)	-	(702)
Law and Legislative Services	3,405	3,396	9	7	-	7
Library	8,131	7,809	322	251	(251)	-
Planning and Development	6,819	4,076	2,743	3,092	(673)	2,419
Policing	53,746	50,340	3,406	3,534	-	3,534
Fiscal	(181,303)	(185,531)	4,228	5,130	(8,306)	(3,176)
Total	\$22,610	\$8,110	\$14,500	\$15,793	(\$9,814)	\$5,979
Flood Protection Utility	3,801	3,449	352	128	(128)	-
Sanitary Sewer Utility	1,134	1,108	26	10	(10)	-
Sanitation and Recycling Utility	(68)	(1,157)	1,089	1,489	(1,489)	-
Water Utility	5,046	4,656	390	539	(539)	-
Utilities Total	\$9,913	\$8,056	\$1,857	\$2,166	(\$2,166)	\$-

¹Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc. It does not represent Generally Accepted Accounting Principles, but is presented on a modified cash basis.

²The Net Budget is based on the operating budget approved by Council on January 30, 2023.

³Includes budgeted equity transactions such as transfer to reserves, transfer to provision, etc.

⁴Includes Community Safety Administration, Animal Protection Services, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year-to-date variances in relation to the 2023 Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to business licence revenue and timing on operational spending.
- Community Services' favourable variance is mainly due to a combination of vacant positions and higher revenue due to increased programs and services.
- Corporate Administration's favourable variance is mainly driven by vacant positions.
- Engineering and Public Works is on budget. Estimated appropriations at year-end include the following: \$119K for Major Roads Network projects to be completed in 2024, and \$65K for Fleet surplus estimated to be transferred to the Equipment Reserve in accordance with Council's Sustainable Green Fleet Policy 2020.

- Finance and Corporate Services' favourable variance is mainly due to vacant positions from earlier the year that have subsequently been filled. Estimated appropriations at year-end included \$400K for the business continuity planning and incidence response project currently in progress and anticipated to be completed in 2024.
- Fire Rescue's third quarter's unfavourable variance is mainly due to staff overtime which is expected to continue into the fourth quarter. In September 2023, 13 firefighters were recruited which is expected to reduce overtime in the new year.
- Law and Legislative Services is on budget.
- Library's favourable variance is mainly due to vacant positions. Any surplus at year-end will be appropriated for future use within Library operations.
- Planning and Development's favourable variance is primarily due to building permit revenue that was recognized year to date and unfilled vacancies. Estimated appropriations at year end include \$673K for ongoing initiatives that are in progress and expected to carry over into 2024.
- Policing's favourable variance is driven by lower than budgeted policing contract costs due to RCMP Officer complement vacancies.
- Fiscal's surplus is due to favourable investment income and operational savings. Estimated appropriations at year-end include \$7.3M to fund debt payments relating to the borrowing for Steveston Community Centre and Library, and \$982K for service fees for Lulu Island Energy Company in accordance with the asset transfer agreement as presented in the 2024 Proposed Operating Budget report.
- Flood Protection Utility's favorable variance is mainly due to operational savings. Any surplus at year-end will be transferred to the Flood Protection Provision.
- Sanitary Sewer Utility is on budget. Any surplus at year-end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance is mainly due to higher Recycle BC revenue than budgeted and vacant positions. Any surplus at year-end will be transferred to the General Solid Waste and Recycling Provision.
- Water Utility's favourable variance is mainly driven by operational savings and discounts for early payment not taken by customers. Any surplus at year-end will be transferred to the Water Levy Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses, and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Statement of Operations for the Nine Month Period Ended September 30, 2023, with comparative figures for 2022, is included in Attachment 3.

Cash and Investment Portfolio

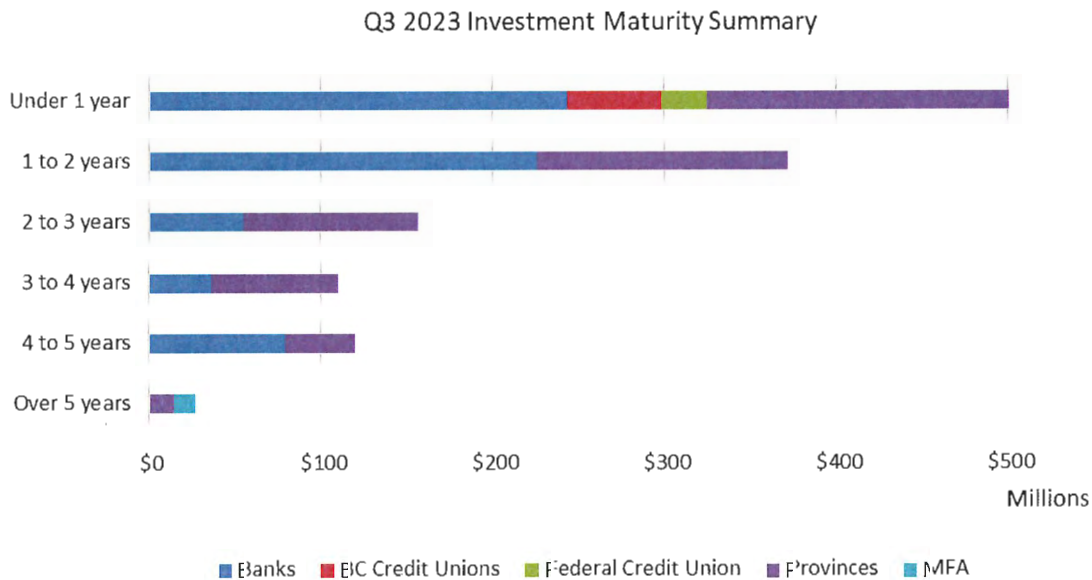
As of September 30, 2023, the City’s total cash and investment balance was \$1.69 billion, which represents the City’s working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses.

The City’s total cash and investment balance was comprised of \$1.29 billion in investments and \$407 million in a high interest savings cash account, with a weighted average annualized yield of 4.50% for the third quarter of 2023.

Consumer Price Index (CPI) inflation has been volatile during the quarter, where CPI went from 2.8% in June, 3.3% in July, 4.0% in August, 3.8% in September, and cooled to 3.1% in October.

With clearer signs that monetary policy is moderating spending and relieving price pressures, the BoC held its target for overnight interest rate at 5% at its last two interest rate decision meetings while indicating that further policy rate increases will be considered if needed.

The City’s overall credit risk exposure remains low through maintaining a diversified and high credit quality investment portfolio comprised of 49% in chartered banks, 44% in provincial government, 5% in B.C. credit unions, 1% in federal credit union and 1% in MFA long-term bonds. As shown in the investment maturity summary in the chart below, the City’s cash and investment portfolio has been strategically positioned in order to allow for more flexible reinvestment opportunities to lock into higher rate investment products in the current interest rate environment.



Staff will continue to monitor the interest rate movement and will position its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for all municipal investment decisions.

All investment activities have been conducted in compliance with the City's Investment Policy 3703. Based on independent Environmental, Social, and Governance (ESG) rating of the City's fixed income portfolio, the City continues to receive high ESG Rating of "AA" as of Q3 2023.

Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than \$75,000. During the third quarter, 36 contracts greater than \$75,000 were awarded totalling over \$23.3 million (Attachment 4).

Financial Impact

None.

Conclusion

The September 30, 2023 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for information.



Cindy Gilfillan, CPA, CMA
Manager, Financial Reporting
604-276-4077

- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Unaudited Statement of Operations
- Att. 4: Contract Awards Greater than \$75,000

Economic Indicators**September 30, 2023****Macroeconomic Indicators & Forecast**

1) Real GDP (% at YE)	2023f	2024f			
Canada	1.3	1.6			
United States	2.1	1.5			
China	5.0	4.2			
World	3.0	2.9			
2) Interest Rates (at YE)	2023f	2024f			
Bank of Canada	5.00	4.00			
US FED	5.38	4.13			
3) Exchange Rate (at YE)	2023f	2024f			
CAD per \$1 USD	1.38	1.31			
4) Unemployment (% at QE)	Q3-2023	Q2-2023	Change	Q3-2022	Change
Canada	5.5	5.4	1.9%	5.2	5.8%
BC	5.4	5.6	(3.6%)	4.3	25.6%
Metro Vancouver	5.9	5.4	9.3%	4.3	37.2%
5) CPI (2002=100) (at QE)	Q3-2023	Q2-2023	Change	Q3-2022	Change
Canada	158.5	157.2	0.8%	152.7	3.8%
BC	152.7	151.6	0.7%	147.8	3.3%
Metro Vancouver	156.3	154.7	1.0%	150.3	4.0%

Regional and Local Market Indicators

6) Richmond Building Permits	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Residential – New Construction [^]	37	99	(62.6%)	153	270	(43.3%)
Residential – Alterations	112	107	4.7%	346	301	15.0%
Residential Total	149	206	(27.7%)	499	571	(12.6%)
Number of units from new residential construction	172	607	(71.7%)	1,075	1,074	0.1%
Residential	149	206	(27.7%)	499	571	(12.6%)
Commercial	97	128	(24.2%)	302	376	(19.7%)
Industrial	46	56	(17.9%)	124	161	(23.0%)
Building Permits Total	292	390	(25.1%)	925	1,108	(16.5%)
Construction Value (\$ million)	114.5	261.1	(56.2%)	533.8	665.1	(19.7%)
7) Housing Starts CMHC (Units)	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Starts - Richmond	490	225	117.8%	1,350	915	47.5%
Starts - Metro Vancouver	7,759	6,647	16.7%	25,217	18,357	37.4%
8) Richmond Residential Sales Activity	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Sales - Detached	195	163	19.6%	670	765	(12.4%)
Sales - Townhouse	184	137	34.3%	556	633	(12.2%)
Sales - Apartment	486	358	35.8%	1,423	1,652	(13.9%)
Sales - Total	865	658	31.5%	2,649	3,050	(13.1%)

Economic Indicators**September 30, 2023****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings**

Ratio (% at QE)	Q3-2023	Q2-2022	Change
Single Family Detached	15.1%	10.6%	42.5%
Townhouse	27.9%	20.0%	39.5%
Apartment	25.4%	22.2%	14.4%
Total	21.5%	17.1%	25.7%

10) Average Days on Market

Property Type	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Single Family Detached	34	37	(8.1%)	31	32	(3.1%)
Townhouse	24	28	(14.3%)	21	26	(19.2%)
Apartment	26	30	(13.3%)	24	26	(7.7%)

11) Home Price Index (\$000 at QE)

Property Type	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Single Family Detached	2,179	2,082	4.7%	2,017	1,906	5.8%
Townhouse	1,126	1,052	7.1%	1,098	1,049	4.7%
Apartment	750	704	6.6%	769	729	5.5%

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q3-2023	Q3-2022	Change	Q3-2023	Q3-2022	Change
Office Vacancy (%)	9.9	9.0	10.0%	9.8	8.3	18.1%
Transit Oriented Office Vacancy (%)	9.2	9.0	2.2%	N/A	N/A	N/A
Office Inventory (000 sf)	5,043	4,920	2.5%	67,048	65,435	2.5%
Industrial Vacancy (%)	1.2	0.2	500.0%	1.6	0.5	220.0%
Industrial Inventory (000 sf)	45,314	45,730	(0.9%)	238,606	225,884	5.6%

13) Richmond Business Growth

	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Total Valid Business Licences (at QE)	13,607	13,340	2.0%	13,607	13,340	2.0%
New Licences - Number Issued	578	395	46.3%	1,490	1,198	24.4%
New Licences - Employees	2,360	1,276	85.0%	5,765	4,117	40.0%
New Licences - Office Added (sf)	312,261	221,505	41.0%	649,566	465,602	39.5%
New Licences - Retail Added (sf)	140,490	49,307	184.9%	288,020	124,481	131.4%
New Licences - Industrial Added (sf)	299,500	223,096	34.2%	556,479	573,669	(3.0%)
Total Space Added (sf)/Avg. Change	752,251	493,908	52.3%	1,494,065	1,163,752	(28.4%)

Economic Indicators**September 30, 2023****Regional and Local Market Indicators (continued)**

14)	Goods & People Movement	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
	YVR Air Cargo (tonnes)	82,805	83,237	(0.5%)	229,467	222,311	3.2%
	PMV Container Movement (TEUs)	737,730	962,661	(23.4%)	2,292,634	2,766,140	(17.1%)
	YVR Passengers (million)	7.15	6.11	17.0%	18.85	13.81	36.5%
	Richmond Hotel Revenue (\$ million)	105.0	87.0	20.7%	240.3	183.4	31.0%

Notes:

- a) *QE indicates quarter-end; YE indicates year-end.*
b) *f - forecast to year-end.*
c) *Figures have been updated to reflect changes in source data.*

List of Sources:

- 1) *International Monetary Fund, World Economic Outlook (October 2023): Navigating Global Divergences.*
2) *US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report, October 2023; RBC Financial Markets Monthly, November 2023.*
3) *RBC Economics RBC Financial Markets Monthly, November 2023;*
4) & 5) *Statistics Canada, BC Stats.*
6) *City of Richmond Building Permits.*
7) *Canada Mortgage and Housing Corporation.*
8) 9) 10) & 11) *Real Estate Board of Greater Vancouver.*
12) *Cushman & Wakefield Office and Industrial Market Beat Reports.*
13) *City of Richmond Business Licences.*
14) *Port of Vancouver Monthly Cargo Statistics.*
YVR Monthly Statistics; .
City of Richmond Additional Hotel Room Tax Ledger.

Financial and Key Indicators**September 30, 2023**

(All dollar amounts in \$000's)

	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
1) Development Cost Charges Contributions						
Roads, Water, Sewer DCCs Received	\$1,303	\$3,831	(66.0%)	\$2,490	\$13,073	(81.0%)
Parks DCCs Received	\$49	\$1,065	(95.4%)	\$658	\$4,480	(85.3%)
Total DCC Fees Received	\$1,352	\$4,896	(72.4%)	\$3,148	\$17,553	(82.1%)
DCC Reserves – Uncommitted Balance at QE	\$143,534	\$139,650	2.8%	N/A	N/A	N/A
2) Uncommitted Reserves (at QE)						
Capital Funding Reserves	\$223,225	\$213,434	4.6%			
Utility Reserves	\$96,287	\$107,272	(10.2%)			
Affordable Housing Reserves	\$9,866	\$8,405	17.4%			
Other Reserves	\$105,776	\$76,542	38.2%			
Total Uncommitted Reserves	\$435,154	\$405,653	7.3%			
3) Taxes to date						
Taxes Collected	\$142,406	\$139,995	1.7%	\$516,455	\$476,680	8.3%
City Portion of Taxes Collected	\$72,627	\$71,398	1.7%	\$263,392	\$243,107	8.3%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$5,037	\$4,294	17.3%	\$5,307	\$4,294	17.3%
No. of Participants on Pre-authorized withdrawal (at QE)	6,403	6,364	0.6%	6,403	6,364	0.6%
Pre-authorized withdrawals payments	\$8,595	\$8,229	4.4%	\$29,149	\$27,885	4.5%
Interest rate % paid	4.95%	1.70%	191.2%	4.95%	1.70%	191.2%
<i>Sources: All data is from City of Richmond records</i>						
4) Cash and Investments						
Investments	\$1,286,904	\$721,632	78.3%			
Cash (includes high interest savings accounts)	\$407,153	\$862,253	(52.8%)			
Total Cash and Investments	\$1,694,057	\$1,583,885	7.0%			
Average City Rate of Return on Investments %	4.50%	3.25%	38.5%			

Financial and Key Indicators**September 30, 2023**

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Building Permit Fees Collected	\$2,400	\$3,043	(21.1%)	\$5,989	\$7,829	(23.5%)
Development Applications Received	49	39	25.6%	116	106	9.4%
Development Applications Fees	\$228	\$211	7.9%	\$612	\$473	29.4%
6) Business Licences	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Revenue Received for Current Year Licences	\$834	\$767	8.7%	\$3,982	\$3,684	8.1%
Revenue Received for Next Year (Deferred)	\$507	\$478	6.0%	\$905	\$846	7.0%
Total Licence Revenue	\$1,341	\$1,245	7.7%	\$4,887	\$4,530	7.9%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Parking Program Revenue	\$551	\$504	9.4%	\$1,612	\$1,269	27.0%
Gaming Revenue	\$3,223	\$3,290	(2.0%)	\$10,073	\$9,199	9.5%
Traffic Fine Revenue	\$0	\$0	0%	\$2,475	\$2,435	1.6%
8) Employees	Q3-2023	Q3-2022	Change			
Full Time Equivalent (FTE) Employees (at QE) <i>(City and Library)</i>	1,651	1,570	5.2%			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
RCMP - Calls for Service Handled	17,453	14,595	19.6%	50,507	41,343	22.2%
Community Bylaws	2,439	1,476	65.2%	6,229	3,844	62.0%
Fire Incidents	3,206	3,036	5.6%	9,096	8,110	12.2%
Public Works Calls for Service	3,752	4,161	(9.8%)	10,338	11,299	(8.5%)
10) Richmond Population Estimate Year End	2023f	2022				
	224,470	222,954				

Population figures from BC Stats

Notes:

- a) All figures presented above are unaudited
b) f - forecast to year-end

Unaudited Statement of Operations¹

For the Nine Month Period Ended September 30, 2023, with comparative figures for 2022.

(in \$000's)

	Budget Sept 30, 2023	Actuals Sept 30, 2023	Actuals Sept 30, 2022
Revenue:			
Taxes and levies	\$ 215,289	\$ 216,674	\$ 202,318
Utility fees	100,207	101,140	95,850
Sales of services	36,905	31,533	27,122
Payments-in-lieu of taxes	10,988	10,200	9,992
Provincial and federal grants	8,742	28,973	7,083
Development cost charges	15,243	8,547	11,037
Other capital funding sources	49,274	19,865	32,878
Other revenue:			
Investment income	10,739	29,234	22,674
Gaming revenue	10,875	10,073	9,199
Licences and permits	9,146	11,421	10,473
Other	13,703	18,651	23,539
Equity income	314	1,571	1,467
	481,425	487,882	453,632
Expenses:			
Community safety	106,153	99,696	97,523
Utilities: water, sewer and sanitation	89,159	86,925	83,468
Engineering, public works and project development	64,346	57,954	56,982
Community services	57,152	51,060	46,271
General government	57,252	53,180	49,781
Planning and development	24,810	17,777	16,012
Library services	8,465	8,379	8,120
	407,337	374,971	358,157
YTD Surplus (Annual Surplus) ²	74,088	112,911	95,475
Accumulated surplus, beginning of year	3,574,424	3,583,362	3,487,887
Accumulated surplus, end of September 30 ³	\$3,648,512	\$3,696,273	\$3,583,362

¹Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company but excludes Oval results.

²Annual Surplus is the difference between revenues and expenses and reflects the change in the accumulated surplus on the Statement of Financial Position. Annual Surplus is prior to transfer to reserves and surplus appropriations. The revenues include capital contributions, development cost charges and other items that impact the investment in tangible capital assets within the accumulated surplus. The expenses include amortization which impacts the investment in tangible capital assets in accumulated surplus.

³Accumulated surplus is equivalent to the net worth of an organization and is comprised of investment in tangible capital assets, reserves, appropriated surplus, general surplus and other equity.

Contract Awards Greater than \$75,000

July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
1	IPS Software Maintenance and Support Contract Renewal	Infor Canada Ltd.	\$148,113	Finance and Corporate Services
2	West Richmond Community Centre – Infrastructure Replacement and Building upgrades	Heatherbrae Builders Co. Ltd.	849,524	Engineering & Public Works
3	Ford 2023 F150 Lightning Fully Electric Crew Cab Pickup Truck	Metro Motors Ltd.	79,700	Engineering & Public Works
4	Supply and Delivery of One (1) Single Axle Cab and Chassis Truck Model #535	Peterbilt Pacific Inc.	182,584	Engineering & Public Works
5	Design-Build Services - Bowling Green Community Activity Centre Replacement	Scott DB Services Ltd.	4,815,597	Engineering & Public Works
6	Consulting Services for Materials Flow Analysis	Stichting Circle Economy	222,540	Engineering & Public Works
7	Supply and Delivery of One (1) Forestry Aerial Lift Chipper Body with Boom and Smart PTO System on a City Provided Cab and Chassis	Versalift Canada Industries	354,340	Engineering & Public Works
8	Richmond Media Lab - Equipment	Apple Canada Inc.	155,298	Community Services
9	Brighthouse Library Front Entrance Improvements	Holaco Construction (1997) Ltd.	244,860	Engineering & Public Works
10	Supply and Delivery of Uniform Clothing for Richmond Fire-Rescue	Brogan Fire & Safety	378,009	Community Safety
11	Richmond Cultural Centre Annex Envelope Repairs	Holaco Construction (1997) Ltd.	312,815	Engineering & Public Works
12	Provision of Generators for Pump Station Generator Installation 2023	Frontier Power Products ULC Finning Canada	367,425	Engineering & Public Works
13	Richmond Animal Shelter - Additional Heating & Cooling	Edifice Construction Inc.	565,893	Engineering & Public Works
14	Support of the implementation of the Building Safer Communities Fund strategy.	POTUS Consulting Inc.	440,000	Community Safety
15	Richmond Curling Club Repairs	Holaco Construction (1997) Ltd.	145,384	Engineering & Public Works

Contract Awards Greater than \$75,000 (continued)July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
16	2 Year Lease for Colour Printers	Konica Minolta Business Solutions	80,580	Corporate Administration
17	City Hall Chiller Replacement, Domestic Waterline and Elevator Renewals	Omicron Canada Inc.	321,475	Engineering & Public Works
18	City Centre Community Annex - Building Upgrades	Holaco Construction (1997) Ltd.	110,757	Engineering & Public Works
19	Provision of Traffic Control Services	Lanesafe Traffic Control Ltd.; The Universal Group; ATS Traffic	1,912,958	Engineering & Public Works
20	ProjectDox On-Premise to SaaS Migration Enabling Single Sign-On	Avolve Software Corporation	269,992	Finance and Corporate Services
21	VMWare Carbon Black Subscription	Optive Canada Inc.	96,924	Finance and Corporate Services
22	CyberArk Cloud Privilege Access Management (PAM) Subscription Licencing	Optive Canada Inc.	161,575	Finance and Corporate Services
23	IBM Qradar 1500 Events Per Second (EPS) Log Capacity Licencing	Glasshouse Systems Inc.	84,459	Finance and Corporate Services
24	Design Services for Caretaker Suites Infrastructure Renewals	Mallen Gowing Berzins Architecture	168,598	Engineering & Public Works
25	On Call Overhead Doors Contractor	Door Ace Your Garage Door & Gates Co.Ltd.	458,850	Engineering & Public Works
26	Provision of Engineering Consulting Services for the No. 9 and No. 6 Road South Drainage Pump Stations	McElhanney Consulting Services Ltd.	771,785	Engineering & Public Works
27	Britannia Shipyards - Seine Net Loft and Shipyard Building Envelope and Structural Renewals Consulting	Iredale Architecture	578,340	Engineering & Public Works
28	Supply and Delivery of 1/2 Ton Extended Cab with rear-hinged Doors and Six (6) Foot Box Pick Up Trucks	Mainland Ford Ltd.	161,028	Engineering & Public Works
29	Supply and Delivery of Three (3) One Ton Quad Cabs with Eight Foot Box Pick Up Trucks	Barnes Wheaton Chevrolet Buick GMC Ltd.	187,776	Engineering & Public Works

Contract Awards Greater than \$75,000 (continued)July 1st to September 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
30	Supply and Delivery of Three (3) One Ton Crew Cabs with Eight Foot Box Pick Up Trucks	Barnes Wheaton Chevrolet Buick GMC Ltd.	195,159	Engineering & Public Works
31	Steveston Community Centre and Library - Site Preparation Works	Scott Construction (2005) Ltd.	5,396,139	Engineering & Public Works
32	Oracle Enterprise Performance Management (EPM) Subscription Contract	Oracle Canada ULC	993,031	Finance and Corporate Services
33	Supply and Delivery of One (1) Tier 4 Diesel Tractor with Front Bucket	Rollins Machinery Ltd.	145,710	Engineering & Public Works
34	Steveston Highway & Gilbert Road Drainage Upgrade	PW Trenchless Construction Inc.	229,668	Engineering & Public Works
35	Bath Slough Canal Bank & Pedestrian Path Repair	Merletti Construction (1999) Ltd.	590,758	Engineering & Public Works
36	Watermania Mechanical and Infrastructure Replacement	Heatherbrae Builders Co. Ltd.	1,134,412	Engineering & Public Works



City of Richmond

Report to Council

To: Finance Committee **Date:** November 30, 2023
From: Mike Ching, CPA, CMA **File:** 03-0975-01/2023-Vol 01
 Director, Finance
Re: **Active Capital Projects Financial Update – 3rd Quarter September 30, 2023**

Staff Recommendation

That the staff report titled, “Active Capital Projects Financial Update – 3rd Quarter September 30, 2023”, dated November 30, 2023 from the Director, Finance, be received for information.

Mike Ching, CPA, CMA
 Director, Finance
 (604-276-4137)

Att. 1

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	Real Estate Services <input checked="" type="checkbox"/>
Community Bylaws	<input checked="" type="checkbox"/>	Recreation and Sport Services <input checked="" type="checkbox"/>
Engineering	<input checked="" type="checkbox"/>	Sustainability & District Energy <input checked="" type="checkbox"/>
Facility Services & Project Development	<input checked="" type="checkbox"/>	Transportation <input checked="" type="checkbox"/>
Fire Rescue	<input checked="" type="checkbox"/>	CONCURRENCE OF GENERAL MANAGER
Information Technology	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The Active Capital Projects Financial Update for the 3rd Quarter ended September 30, 2023 is provided to the Finance Committee for information purposes.

This report supports Council’s Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

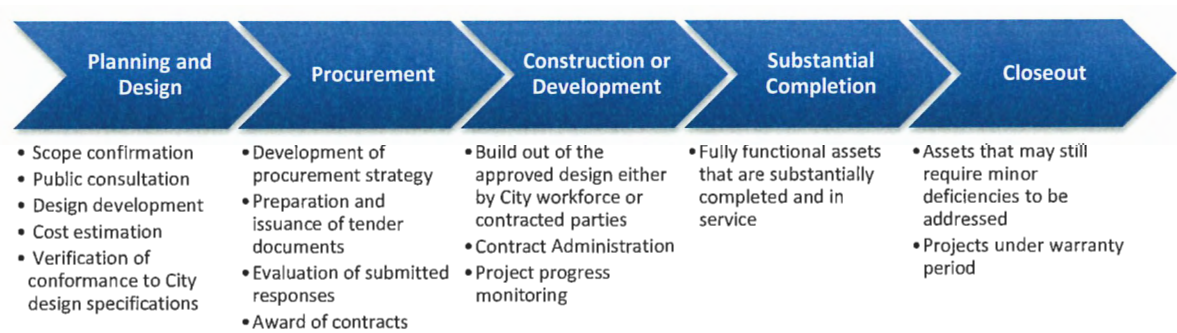
4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Analysis

ACTIVE CAPITAL PROJECT DEFINITION

Active capital projects represent construction, non-construction and acquisition (e.g. equipment and land) capital projects previously approved by Council. A capital project is considered active for the purpose of this report if the project falls within one of the following stages as illustrated in Figure 1.

Figure 1 – Capital Project Completion Stages



Capital projects include amounts set aside for land acquisition where Council approval is required for each specific land acquisition transaction.

CAPITAL PROGRAM FINANCIALS HIGHLIGHT

The unaudited actual capital expenditures are reported on a cash basis, as such there could be a timing difference between the actual costs incurred and the actual costs reported.

As at September 30, 2023, the approved budget of all active capital projects excluding contingent external contribution project was \$847.7M, of which \$377.7M or 44.6 per cent was already spent. Any unspent budget of active capital projects will remain committed until project closure.

Table 1 summarizes the capital financial information by capital program, and Attachment 1 provides highlights of key active capital projects.

Table 1: Capital Financial Information by Capital Program (in \$'000s)

Capital Program	Budget	Total-To-Date Actuals	Current Year Year-To-Date Actuals	Expected Commitment	% of Total-To-Date Actuals
Infrastructure					
Roads	\$128,441	\$71,117	\$11,453	\$57,324	55.37%
Flood Protection	68,195	26,507	8,734	41,688	38.87%
Water	27,605	11,532	4,885	16,073	41.78%
Sanitary Sewer	38,742	12,106	2,775	26,636	31.25%
Infrastructure	262,983	121,262	27,847	141,721	46.11%
Building	331,262	152,057	15,417	177,705	45.90%
Parks	84,247	44,630	6,251	39,617	52.98%
Land	117,044	38,230	12,492	78,814	32.66%
Vehicle and Equipment					
Vehicle	24,380	10,224	2,475	14,156	41.94%
Equipment	9,509	1,725	55	7,784	18.14%
Vehicle and Equipment	33,889	11,949	2,530	21,940	35.26%
Information Technology	18,284	9,551	2,283	8,733	52.24%
Grand Total	\$847,709	\$377,679	\$66,820	\$468,530	44.55%

CURRENT YEAR CAPITAL EXPENDITURES

Infrastructure Program

Roads

Current year-to-date actual expenditures for Roads were \$11.5M, of which \$6.7M was spent on the Annual Asphalt Re-paving program. Other major actual expenditures in the current year include \$635K for the Neighbourhood Walkway Program, \$355K for the Special Crosswalk Program, and \$349K for the Citywide Sidewalk and Street Light Replacement Program. Approximately \$21.7M of the expected commitment is related to various multi-use pathway and pedestrian and cyclist facility enhancement projects.

Flood Protection

Current year-to-date actual expenditures for Flood Protection were \$8.7M, of which \$2.5M was spent on the Burkeville Utility Improvement projects, \$1.5M was spent on the Canal Stabilization and Drainage and Irrigation Upgrades projects, and \$1.2M was spent on the Laneway Drainage Upgrade projects. Approximately \$9.2M of the expected commitment is related to the Flood Protection and Dike Improvement projects, and \$7.6M is related to the Disaster Mitigation and Adaptation Fund Infrastructure Grant - Drainage Pump Station and Diking Upgrades projects.

Water

Current year-to-date actual expenditures for Water were \$4.9M, of which \$3.1M was spent on the Watermain Replacement Upgrades projects and \$1.2M spent on the Water Metering projects. Of the \$3.1M spent on the Watermain Replacement Upgrades Program, \$2.5M was spent on the Danube/Minler neighbourhood.

Sanitary Sewer

Current year-to-date actual expenditures for Sanitary Sewer were \$2.8M.

Building Program

Current year-to-date actual expenditures for Building were \$15.4M, of which \$4.7M was spent on the Richmond Ice Centre Renewals, \$1.8M on the Richmond Cultural Centre Annex, and \$1.3M on the Steveston Community Centre and Library.

Parks Program

Current year-to-date actual expenditures for Parks were \$6.3M, of which \$2.0M was spent on the Minoru Lakes Renewal projects, \$787K on the Playground Replacement Program, \$721K on the Parks General Development projects, and \$698K on the Garden City Lands projects.

Land Program

Current year-to-date actual expenditures for Land were \$12.5M. Capital projects include amounts set aside for potential land acquisition as per the Council Approved Strategic Real Estate Investment Plan. Any specific land acquisition transaction will require Council approval.

Vehicle and Equipment Program

Current year-to-date actual expenditures for Vehicle and Equipment were \$2.5M, of which \$2.0M was spent on the Vehicle and Equipment Reserve Purchases (Public Works and Corporate Fleet) projects. These projects also have \$8.4M of expected commitment to support the City's Green Fleet Action Plan.

Information Technology Program

Current year-to-date actual expenditures for Information Technology were \$2.3M, of which \$571K was spent on the Annual Hardware Replacement projects, \$435K on the Implementation of Digital Strategy projects, and \$251K on the Data Centre Server projects.

CAPITAL BUDGET REALLOCATION

An estimate of \$10.0M was approved as part of the 2023 Capital Budget for external grants and contributions that are approved or received throughout the year for various projects. Spending will only incur if funding is confirmed. In Q3 2023, \$300,000 was reallocated from Contingent External Contribution to Public Works Infrastructure Advanced Design (2023) for the Union of British Columbia Municipalities (UBCM) Community Emergency Preparedness Fund: 2022/23 Disaster Risk Reduction - Climate Adaptation Grant. Council Policy 3001 requires changes to the Capital Budget be reported to the Finance Committee.

CAPITAL PROJECTS CLOSED IN THE QUARTER

The following capital projects were closed in the third quarter. Any unspent funding will be returned to the original source (e.g. Reserve Fund) for funding towards future projects.

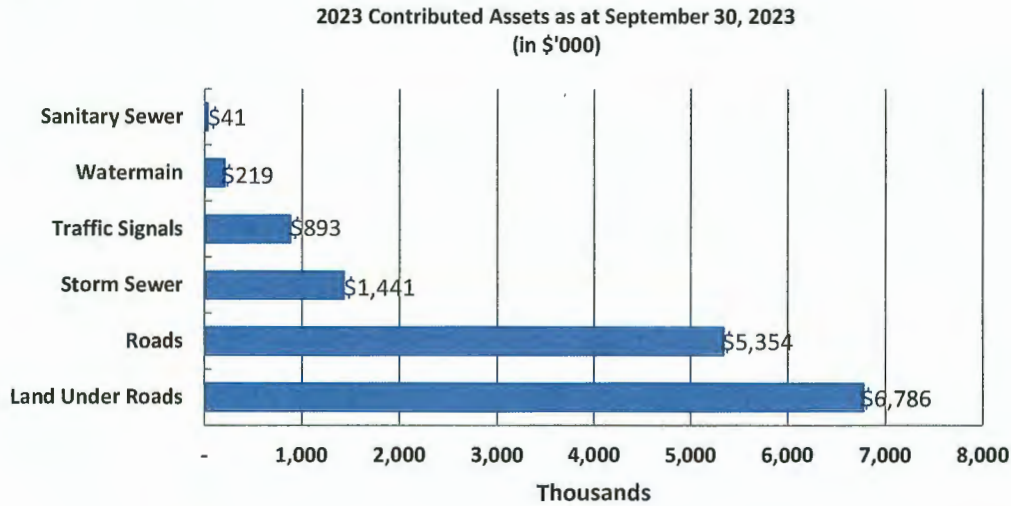
Table 2: Projects Closed in the Quarter Ended September 30, 2023 (in \$'000s)

Project Name	Plan Year	Budget	Actuals	Remaining Budget
Thompson Community Centre and Hall Infrastructure Renewals	2021	\$900	\$891	\$9
Capital Buildings Project Development Advanced Design	2020	500	500	-
Public Works Minor Capital - Drainage	2022	400	400	-
Traffic Video and Communication Program	2022	400	389	11
Watermain Tie-in and Restoration	2021	200	200	-
Total		\$2,400	\$2,380	\$20

CONTRIBUTED ASSETS

Throughout the year, developers and third parties contribute assets to the City. Under the Public Sector Accounting Standards, these are recorded as revenue at fair market value at the time of contribution and is reflected in the financial statements in the annual surplus, and a corresponding increase to investment in tangible capital assets in accumulated surplus. These contributed assets are non-cash contributions and have no impact on the net operating surplus. As of September 30, 2023, \$14.7M of contributed assets were recorded as shown in Figure 2 and Table 3:

Figure 2 – Current Year-To-Date Contributed Assets as at September 30, 2023



These contributed assets were attributed from the following development applications:

Table 3: Contributed Assets by Application (in \$'000s)

Application #	Project Location	Total
DP17-797127	8131 Westminster Highway	\$5,884
RZ17-773703	6340 No. 3 Road	3,890
DP13-645286	6833 Buswell Road (previously 8151 Anderson Road)	831
RZ17-766525	8820-8900 & 8911-8931 Spires Road	674
RZ18-835532	9900 No. 3 Road & 8031 Williams Road	443
RZ10-552879	9851, 9891 / 9911 Steveston Highway & 10931 Southgate Road	442
DV16-733949	9580 Williams Road (Formerly 9580 & 9600 Williams Road and 10140 Gower Street) and 10060 Gower Street	369
ZT18-835424	13171 and a portion of 13251 Smallwood Place	364
RZ16-743741	7000-7020 Williams Road & 10060 Gilbert Road	347
RZ17-771592	10671, 10691, and 10751 Bridgeport Road	332
Not applicable	13751 and 13760 Steveston Highway	257
DP17-771214	3311 Sweden Way (formerly 12580 Vickers Way)	241
RZ17-785742	9391, 9393, and 9411 No.2 Road	184
RZ16-733904	5631, 5635, 5651, 5691, 5711, 5731 and 5751 Steveston Highway	163
RZ12-603040	3399 Corvette Way and 3311 and 3331 No. 3 Road	106
	Combined contributed assets by application less than \$100,000	207
		\$14,734

November 30, 2023

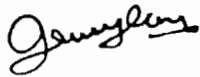
- 7 -

Financial Impact

None.

Conclusion

This report provides financial information on active capital projects that were previously approved by Council.



Jenny Ho, CPA, CGA
Manager, Tangible Capital Assets
(604-276-4223)

JH:sx

Att. 1: Highlights of Key Active Capital Projects

Highlights of Key Active Capital Projects

Infrastructure Program

Roads

Active Transportation Improvement Program (2022)

Budget: \$750K

Expected Completion Date: Q1 2025

As part of the City's Active Transportation Program, delineators were installed along the existing bike lanes on Garden City Road between Granville Avenue and Sea Island Way in July 2023. Upcoming upgrades include the installation of a special crosswalk and widening of the existing sidewalk along Francis Road between McCutcheon Place and Schaeffer Gate to improve the Midtown Neighbourhood Bike Route.

Annual Asphalt Re-Paving Program (2023)

Budget: \$5.4M

Expected Completion Date: Q4 2023

This program upgrades the City's Major Road Network and Non-Major Road Network as part of the City's Infrastructure Replacement Strategy and Pavement Management System, which comprises of road base repairs, paving, and associated concrete works. 2023 work has included the use of over 700 tonnes of reclaimed asphalt pavement (RAP), while upcoming locations will include the 2000 block of Viking Way, from Bridgeport Rd to Vulcan Way, and the 3000 block of Jacobs Road, from Cambie Road to Bathgate Way.

Steveston Highway Multi-Use Pathway from No.2 Road to Shell Road

Budget: \$9.0M*

Expected Completion Date: Q4 2024

This project will provide a new paved multi-use pathway along the south side of Steveston Highway, from Shell Road to No. 2 Road and will include the installation of new curbing and boulevard space to provide physical separation between traffic and path users. Phased construction is underway, starting at Shell Road and working west.

Flood Protection

Burkeville Utility Improvements (2023)

Budget: \$4.1M

Expected Completion Date: Q3 2024

The first four phases are complete, and construction for phase five, in the northwest section of the neighbourhood, is underway.

* The budget amount is increased by \$2.5 million to \$11.5 million due to the adoption of the Amendments to the Consolidated 5-Year Financial Plan (2023-2027) Bylaw No.10429 on Oct 23, 2023.

Disaster Mitigation and Adaptation Fund Infrastructure Upgrades

Budget: \$15.2M

Expected Completion Date: Q4 2026

The City secured \$13.8M from the Federal Government through the Disaster Mitigation and Adaptation Fund Grant to contribute towards the Flood Protection Management Strategy. Design of the North Dike Upgrades between No. 2 Road and Lynas Lane, as well as the No. 6 Road South and No. 9 Road Drainage Pump Stations upgrades, are currently underway including planning for habitat offsetting and compensation to support future permitting.

Laneway Drainage Upgrades Program (2023)

Budget: \$1.7M

Expected Completion Date: Q4 2023

In order to resolve laneway drainage issues, the City has implemented a program to install drainage systems and upgrade road structures to laneways each year. This year's locations include the Shell Road and Seacote Road laneways.

Invasive Species management (2022)

Budget: \$300K

Expected Completion Date: Q2 2025

To reduce the spread of invasive species and mitigate impacts on the City's flood protection system, the City has implemented an integrated management approach to minimize the impacts that aggressive invasive species, such as parrot's feather, Chafer beetle and knotweed species have on the City infrastructure and local biodiversity.

WaterWatermain Replacement Upgrades Program

Budget: \$11.8M

Expected Completion Date: Q4 2024

This program replaces and upsizes ageing watermains at the end of their service life in line with the City's Ageing Infrastructure Renewal Strategy. Construction by City crews within the Danube and Minler neighbourhoods is complete, and construction in the Sealord area neighbourhood is underway.

Building Program

The Building program includes major building construction and renovation projects, as well as minor facility upgrades.

Britannia Shipyards National Historic Site

Budget: \$7.1M

Expected Completion Date: Q4 2025

Within the site are over-water and landside buildings that require exterior maintenance, structural, roofing, and cladding repairs. This project is multi-phased to minimize impact on programming, operations, and service levels and proposes additional mitigations to improve habitat for species at risk in the area.

Richmond Cultural Centre Annex

Budget: \$3.3M

Expected Completion Date: Q4 2023

The Richmond Cultural Centre Annex (RCCA) project achieved occupancy on Friday, September 15, 2023. Staff are working through construction deficiencies and preparing the facility for public use, including moving in furniture, finalization of safety procedures, and training staff.

Richmond Curling Club

Budget: \$2.0M

Expected Completion Date: Q4 2025

The Richmond Curling Club requires significant repairs to the building envelope to stop current water ingress and prevent future water damage. Additionally, several critical pieces of mechanical equipment were replaced with higher efficiency units to ensure the health and safety of all occupants and visitors.

Richmond Ice Centre

Budget: \$13.7M

Expected Completion Date: Q4 2024

This project is multi-phased to minimize impact on programming, operations and service levels. The Gardens and Forum ice rink floors were renewed, and ageing mechanical equipment will be replaced with more efficient alternatives to minimize unplanned maintenance and improve the visitor experience.

Steveston Community Centre and Library

Budget: \$95.0M

Expected Completion Date: Q1 2026

Following approval of the building's form and character, design development is progressing for this priority Major Facility Phase 2 project. Enabling works for site preparation of the new three-storey, 60,350 sq. ft. facility has commenced.

Parks Program

The Parks program includes the development and replacement of parks, trails, community gardens and natural areas in Richmond.

City-wide Community Gardens

Budget: \$200K

Expected Completion Date: Q4 2024

Construction for Hamilton Community Garden is underway and anticipated to be completed in Q4 2023. Based on feedback received from the local community, further studies are underway to determine the final location in the West Cambie neighbourhood.

Garden City Lands (GCL)

Budget: \$6.2M

Expected Completion Date: Ongoing

Removal of contaminated soils at specific locations was completed in Q3 2023, while additional soil testing continues site-wide. Staff are in the process of planning the implementation of the remaining park features identified in the park development plan.

London/Steveston Neighbourhood Park

Budget: \$400K

Expected Completion Date: Q2 2024

Construction of an off-leash dog park commenced in Q2 2023 and is temporarily on hold while the City conducts further public engagement and analysis, per direction received by Council. Staff will report back to Council with the results and a recommendation in Q1 2024.

Playground Improvement and Replacement Program*Playground Replacement*

Budget: \$1.5M

Expected Completion Date: Ongoing

Site surveys, public engagement and procurement for Great Cannery West, Odlinwood, and Heather-Dolphin Parks were completed. Construction is on schedule for completion between Q4 2023 and Q2 2024, pending on weather condition.

Steveston Community Park Playground Renewal

Budget: \$2.2M

Expected Completion Date: Q4 2025

Detailed design is underway, with construction tender and award process expected to take place in Q1 2024, and construction is expected to start in Q3 2024.

Land Program**Strategic Land Acquisition**

Budget: \$117.0M

Expected Completion Date: Ongoing

Capital projects include amounts set aside for potential land acquisition as per Council Approved Strategic Real Estate Investment Plan. Any specific land acquisition transaction will require Council approval.

Equipment Program

The Equipment program includes machinery and vehicles for Richmond Fire Rescue, Public Works (PW) and other miscellaneous equipment.

Bylaws License Plate Recognition (LPR) System

Budget: \$208K

Expected Completion Date: Q4 2023

The License Plate Recognition project under the Parking Department is near completion. The project is in its final stage and is expected to be fully operational by Q4 2023.

Fire Vehicle Replacement Reserve Purchases

Budget: \$9.6M

Expected Completion Date: Ongoing

The Fire Vehicle and Equipment Reserve Purchases projects in Plan Year 2019 to 2023 have a combined outstanding acquisition of five front-line vehicles and five support vehicles. Staff are currently finalizing the required specifications for the fire trucks before the procurement process begins.

Vehicle and Equipment Reserve Purchases (Public Works and Corporate Fleet)

Budget: \$14.0M

Expected Completion Date: Ongoing

The 2020 to 2023 fleet vehicle and equipment replacement project involves the estimated acquisition of over 181 vehicles and equipment that have been identified for replacement. As of Q3 2023, 79 units have been completed, 33 units are on order, and 69 units are in the evaluation process.

Information Technology**Budget Planning & Monitoring Software Solution**

Budget: \$1.8M

Expected Completion Date: Q2 2024

A modern solution is being implemented that is directly integrated to our Finance and Payroll systems that enables budget scenario planning and modelling to support creation, submission,

and approvals of capital, operating and five-year budget requirements. This new system replaces a legacy, outdated system that has been in operation for over 25 years.

Permit Optimization Project (MyPermit)

Budget: \$740K

Expected Completion Date: Q4 2023

MyPermit is a multi-phased initiative that will fully digitize and enable customer self-service for development and building permits. Phase 1 of the MyPermit project will streamline the permitting process for simple permit types, such as plumbing and gas trades permits and is scheduled to launch on November 20, 2023, through an online self-service portal option.

Workforce Management System

Budget: \$790K

Expected Completion Date: Q2 2024

The City is implementing a fully digital solution to enable the scheduling, attendance management and timekeeping functions for payroll. This will eliminate all manual and paper-based processes and greatly enhance the accuracy of data and data analytics capabilities for labour management.



City of Richmond

Report to Committee

To: Finance Committee

From: John Irving, P.Eng., MPA
General Manager, Engineering and Public Works
Chief Executive Officer, Lulu Island Energy Company

Date: December 15, 2023

File: 01-0060-20-LIEC1/2023-Vol 01

Jerry Chong, CPA, CA
Acting General Manager, Finance and Corporate Services
Chief Financial Officer, Lulu Island Energy Company

Re: 2023 Q3 Financial Information for the Lulu Island Energy Company

Staff Recommendation

That the Lulu Island Energy Company report titled “2023 Q3 Financial Information for the Lulu Island Energy Company”, dated December 15, 2023, from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
General Manager, Engineering and Public Works
Chief Executive Officer,
Lulu Island Energy Company
(604-276-4140)

Jerry Chong, CPA, CA
Acting General Manager, Finance and Corporate Services
Chief Financial Officer,
Lulu Island Energy Company
(604-276-4064)

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





6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

To: Board of Directors **Date:** November 20, 2023
From: Jerry Chong, CPA, CA,
Chief Financial Officer
Re: Lulu Island Energy Company – 2023 3rd Quarter Financial Information

Staff Recommendation

That the 3rd Quarter Financial Information as presented in the report titled “Lulu Island Energy Company – 2023 3rd Quarter Financial Information”, dated November 20, 2023, be approved.

Background

Lulu Island Energy Company (LIEC), a corporation wholly-owned by the City of Richmond, was established to provide district energy services on behalf of the City. Information regarding LIEC’s district energy utility (DEU) operations can be found in Attachment 1. All capital and operating costs are recovered through revenues from user fees, ensuring that the business is financially sustainable. City Council is the regulator and thus sets customer rates.

This report provides pre-audited financial information to the Board of Directors and LIEC’s shareholder, represented by Richmond City Council.

Analysis

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). LIEC’s pre-audited Q3 financial information consists of the interim statement of financial position as of September 30, 2023 (Attachment 2) and the interim income statement for the period ended September 30, 2023 (Attachment 3). Year-to-date budget to actual numbers are shown in Attachment 4.

On September 22, 2022, LIEC entered into the City Centre District Energy Utility (CCDEU) Project Agreement with City Centre Energy Limited Partnership, a wholly owned subsidiary of Corix Utilities Inc.(Corix). The agreement replaces the previous concession agreement with Corix, the Oval Village District Energy Utility (OVDEU) concession agreement. The CCDEU agreement was approved by the LIEC Board and LIEC’s shareholder, Richmond City Council, and includes a defined delivery model structure, initial setup costs and lower financing costs

which is necessary for the ongoing project infrastructure expansion and operations. Due to the new agreement being in place, year over year results may not be comparable.

Financial Position

The interim statement of financial position provides a summary of assets, liabilities and shareholder's equity. Total assets are comprised of current assets (cash, investments and receivables) \$16,379,800 and non-current assets (plant and equipment) \$48,325,773. The total assets are \$64,705,573. The total liabilities of \$28,106,228 include outstanding invoices, deferred contributions and Project Agreement liabilities. The shareholder's equity represents the net worth of the company. It is equal to the total assets minus its total liabilities and measures the company's financial health. As of September 30, 2023, LIEC's shareholder equity is \$36,599,345, showing good financial health of the company.

Revenues

The metered billing revenue is the total energy sales of ADEU, and City Center District Energy Utility (CCDEU) service areas (OVDEU is now combined under the CCDEU service area). The year to date metered billings revenue is \$2,170,586 from the ADEU and \$3,441,487 from the CCDEU. Overall, the cumulative nine months of metered billing revenue of \$5,612,073 increased by 18% over 2022. This reflects the addition of one new building connection, increased energy use from customers due to increased occupancy, and the approved 2023 rates.

Cost of Sales

The cost of sales is the accumulated total expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The contract expense increased by 78% over 2022 due to the additional operations and maintenance work as a result of more buildings being serviced, including two on-site low carbon energy plants (LCEP); compared to budget, the contract expense actual is 3% below the budget. The increased energy demand due to the addition of more buildings and operation of the first two on-site LCEP's, paired with electricity and gas rate increases caused the utility expense to increase 7% compared to 2022, but 7% below the budget. The amortization expense decreased due to a change in the accounting estimate, where LIEC is matching the amortization life of the assets to be the same as in the CCDEU Project Agreement and the financial model. The year-over-year cost of sales has increased by 15%, but 14% below the budget. The gross margin as a percentage of revenue is 43% for 2023 compared to 42% in the first nine months of 2022.

General and Administration Expenses

General and administration (G&A) expenses are expenditures that LIEC incurs with respect to supporting operations which includes salaries and benefits, administration expenses, professional fees, etc. Salaries and benefits are 22% higher than last year and 4% higher than the budget due to the filling of one new position earlier this year and benefits associated with an approved leave of absence and extra support during the year-end audit from City staff. The administration expense increased compared to the prior year mainly due to an increase in the CCDEU Project Agreement related administration expenses which include: overhead costs to administer Corix's

special purpose entity, LIEC reporting, and CIB reporting and financial administration requirements. This increase was expected; compared to the budget, the administration expense is 15% below budget. The administration expense also includes the overhead allocation paid to the City of Richmond for the day-to-day support that LIEC receives from City staff. Insurance expenses increased compared to the prior year, but is below the budget, due to: the general insurance rate increase; additional assets being insured; additional comprehensive environmental liability insurance coverage; and deductions required under the CCDEU Project Agreement. Professional fees have increased compared to the prior year, but are below budget, mainly due to the cost for updating technical guidelines, as well as due to the audit, bank account, collateral agent and insurance trustee fees for the special purpose entity necessary to deliver the CCDEU Project Agreement. LIEC audit fees also increased due to additional audit work surrounding the CCDEU project and increase in the financial position.

Overall, the G&A expenses as a percentage of revenues is 22% compared to 15% in 2022. This is due to the first year of implementation of the CCDEU. As with the ADEU and OVDEU projects, the CCDEU initial years' general and administration expenses are projected to increase in relation to the revenue received from customers. This is due to the initial project operation and administration setup costs necessary for the infrastructure expansion and operation for a project of this scale, as well as the costs required to administer low-interest financing from CIB. As more customers are connected to the utility, the general and administration expenses in relation to the revenue will decrease.

Contributions and Financing Expenses

The contributions and financing expense section represents other sources of income and costs for the business. The developer contributions are lower compared to Q3 2022 and below budget due to a change in the amortization rate and adjustment for values in 2023 to match it with the CCDEU Project Agreement, as well as the adjustment between estimated and actual value of the equipment. Developer contributions are recognized as revenue over a longer period as the rate matches the amortization rate and adjustments are required to recognize the actual value of the equipment contributed by developers.

Other income is made up of energy model review fees. The energy modeling review fee revenues are lower than 2022 due to lower than projected building permit reviews. The net finance cost is the result of year-to-date finance costs on project agreement liabilities, offset by interest income. Interest income has exceeded the full year budget for 2023, because LIEC has taken advantage of the higher interest rates by investing in short-term term deposits which have yielded much higher returns compared to 2022 and budget. This has resulted in a variance in the net financing costs in both year-over-year and actuals to budget comparison, which is positive for LIEC.

LIEC's earnings before interest, tax, and amortization (EBITA), used as a proxy to measure the company's financial performance, as a percentage of revenue decreased to 41% compared to 56% in Q3 2022. This is due to the initial operation and administration setup costs necessary for the CCDEU project infrastructure expansion and operation. This is expected and has been encountered in the past with the existing OVDEU and ADEU projects. As more customers are connected to the system, revenues and EBITA will increase. EBITA has exceeded the budget by 3%.

The year-to-date net income of \$1,571,188 has exceeded the prior year (Q3 2022 - \$1,467,148) and the budget. Consistent with the company's financial plan objectives, any net income will be maintained in LIEC's equity in order to fund future capital projects and infrastructure replacements.

Financial Impact


None.

Conclusion

The pre-audited financial information shows that LIEC's financial position is positive. This report will be presented to Council for information.



Helen Zhao
Controller
(604-204-8699)



Cody Lan
Assistant Controller
(604-247-4698)

- Att. 1: District Energy in Richmond
- 2: Interim Statement of Financial Position as of September 30, 2023 (unaudited)
- 3: Interim Income Statement for the period ending September 30, 2023 (unaudited)
- 4: Year-To-Date Budget vs. Actual Comparison (unaudited)

District Energy in Richmond

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce greenhouse gas (GHG) emissions 50 per cent below 2007 levels by 2030 and 100 per cent by 2050. The City identified district energy utilities (DEUs) as a leading strategy to achieve the City's GHG reduction goals and incorporated Lulu Island Energy Company Ltd. (LIEC) in 2013 for the purposes of carrying out the City's district energy initiatives on the basis of the following guiding principles:

1. The DEU will provide end users with energy costs that are competitive with conventional energy costs, based on the same level of service; and
2. Council will retain the authority of setting customer rates, fees and charges for DEU services.

The City established three DEU service areas: ADEU, OVDEU, and CCDEU. Table 1 below provides a summary of the developments connected under the DEU service areas to-date.

Table 1 – DEU Service Areas - Current and Projected Connected Space

	Buildings To-Date	Residential Units To-Date	Floor Area	
			To-Date	Build-out
Alexandra DEU	13	2,200	2.4M ft ²	4.4M ft ²
Oval Village DEU	14	3,174	3.7M ft ²	6.4M ft ²
City Centre DEU	3	1,082	1.2M ft ²	48.0M ft ²
Total	30	6,456	7.3M ft²	58.8M ft²

The ADEU provides heating and cooling services to ten residential buildings, the large commercial development at “Central at Garden City”, the Richmond Jamatkhana temple and Fire Hall No. 3, comprising of 2,200 residential units and over 2.4 million square feet of floor area. While some electricity is consumed for pumping and equipment operations, most of this energy is currently produced locally from the geo-exchange fields in the greenway corridor and West Cambie Park, and highly efficient air source heat pumps.

The OVDEU services 14 buildings, containing 3,174 residential units. Energy is currently supplied from the three interim energy centres with natural gas boilers which provide 16 MW of heating capacity. LIEC received a \$6.2 million grant from the CleanBC Communities Fund for the design and construction of the sewer heat recovery technology and a permanent energy centre for the area. This project is in the preliminary design stage and is expected to be completed in 2028. Once completed, the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary force main sewer.

The CCDEU currently services three buildings, comprised of 1,082 residential units and approximately 1.2M ft² of floor area. To-date, developments in the City Centre service area have already committed 5.5M ft² of building floor area for future connection. While permanent energy centre progress through development, CCDEU utilizes on-site low carbon energy plants as a source of energy production. At full build-out, 176 developments, 28,000 residential units and approximately 48M ft² of floor space will be serviced by 5 permanent energy centres with over 130 MW of heating and 115 MW of cooling capacity. The built out system is estimated to reduce over one million tonnes of GHG emissions compared to conventional service.

Interim Statement of Financial Position (Unaudited)

	As of September 30 2023	As of December 31 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 968,448	\$ 3,191,380
Accounts receivable	2,574,762	2,240,807
Investments	12,836,590	12,324,233
	16,379,800	17,756,420
Non-current assets:		
Plant and equipment	48,325,773	45,745,053
	\$ 64,705,573	\$ 63,501,473
Liabilities and Shareholder's Equity		
Current and non-current liabilities:		
Accounts payable and accrued liabilities	\$ 1,623,879	\$ 3,852,889
Deferred developer contributions	12,719,403	13,017,815
Government grants	264,742	241,051
Project Agreement liability	13,498,204	11,361,558
	28,106,228	28,473,313
Shareholder's equity:		
Share capital and contributed surplus	27,397,115	27,397,115
Retained earnings	9,202,230	7,631,045
	36,599,345	35,028,160
	\$ 64,705,573	\$ 63,501,473

Interim Income Statement (Unaudited)

	September 30 2023	September 30 2022	\$ Changes	% Change
Revenues				
Metered Billings (Quarterly)	\$ 5,612,073	\$ 4,773,731	\$ 838,342	18%
Service fee	736,115	736,115	-	0%
	6,348,188	5,509,846	838,342	15%
Cost of Sales				
Contracts	1,327,029	747,552	579,477	78%
Utilities	1,315,099	1,229,949	85,150	7%
Amortization	1,006,602	1,208,347	(201,745)	(17%)
	3,648,730	3,185,848	462,882	15%
Gross Margin	2,699,458	2,323,998	375,460	16%
General and Administration Expenses				
Salaries and benefits	788,628	645,243	143,385	22%
Administration expenses	256,246	63,722	192,524	302%
Insurance	172,953	71,440	101,513	142%
Professional Fees	148,265	33,750	114,515	339%
	1,366,092	814,155	551,937	68%
Net Income Before Other Items	1,333,366	1,509,843	(176,477)	(12%)
Contributions and Financing expense				
Developer contributions	276,272	282,571	(6,299)	(2%)
Other income	4,232	75,825	(71,593)	(94%)
Net financing cost	(42,682)	(401,091)	358,409	(89%)
	237,822	(42,695)	280,517	
Net Income	\$1,571,188	\$1,467,148	\$104,040	7%
Earnings Before Interest, Taxes and Amortization (EBITA)				
Net income per above	\$ 1,571,188	\$ 1,467,148	\$104,040	7%
Net Financing cost	42,682	401,091	(358,409)	(89%)
Amortization expense	1,006,602	1,208,347	(201,745)	(17%)
EBITA	\$ 2,620,472	\$ 3,076,586	(\$456,114)	(15%)

Notes:

	Ending September 30 2023	Ending September 30 2022
Percentage of Revenue		
Gross margin percentage	43%	42%
General and administration percentage	22%	15%
Net income percentage	25%	27%
EBITA percentage	41%	56%

Year-To-Date Budget vs. Actual Comparison (Unaudited)

	2023 Q3 Budget	2023 Q3 Actual	\$ Variance	%Variance
Revenues				
Metered Billings (Quarterly)	\$5,670,861	\$ 5,612,073	(58,788)	(1%)
Service fee	736,115	736,115	-	-%
	6,406,976	6,348,188	(58,788)	(1%)
Cost of Sales				
Contracts	1,372,783	1,327,029	(45,754)	(3%)
Utilities	1,419,106	1,315,099	(104,007)	(7%)
Amortization	1,463,575	1,006,602	(456,973)	(31%)
	4,255,464	3,648,730	(606,734)	(14%)
Gross Margin	2,151,512	2,699,458	547,946	25%
General and Administration Expenses				
Salaries and benefits	756,412	788,628	32,216	4%
Administration expenses	301,891	256,246	(45,645)	(15%)
Insurance	251,042	172,953	(78,089)	(31%)
Professional Fees	149,250	148,265	(985)	(1%)
	1,458,595	1,366,092	(92,503)	(6%)
Net Income Before Other Items	692,917	1,333,366	640,449	92%
Contributions and Financing expense				
Developer contributions	378,813	276,272	(102,541)	(27%)
Other income	20,250	4,232	(16,018)	(79%)
Net financing cost	(778,189)	(42,682)	735,507	(95%)
	(379,126)	237,822	616,948	(163%)
Net Income	\$313,791	\$1,571,188	\$1,257,397	401%
Earnings Before Interest, Taxes and Amortization(EBITA)				
Net income per above	\$313,791	\$1,571,188	\$1,257,397	401%
Net Financing cost	778,189	42,682	(735,507)	(95%)
Amortization expense	1,463,575	1,006,602	(456,973)	(31%)
EBITA	\$2,555,555	\$2,620,472	\$64,917	3%



City of Richmond

Report to Committee

To: Finance Committee **Date:** December 7, 2023
From: Jerry Chong, CPA, CA **File:** 03-1200-09/2023-Vol 01
General Manager, Finance & Corporate Services
Re: **Richmond Olympic Oval Corporation – 3rd Quarter 2023 Financial Information**

Staff Recommendation

That the Richmond Olympic Oval Corporation – 3rd Quarter 2023 Financial Information report from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

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

REPORT CONCURRENCE
APPROVED BY CAO 

DATE: November 23, 2023

TO: Serena Lusk
Chief Administrative Officer, City of Richmond

Jerry Chong
General Manager, Finance & Corporate Services, City of Richmond

FROM: Rick Dusanj, CPA, CA
Director of Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation – 3rd Quarter 2023 Financial information**

Origin

This staff report addresses the third quarter financial results for the 3 months ended September 30, 2023 (“Q3”) which was endorsed by the Corporation’s Board of Directors. Below are some of the highlights of the activities undertaken during Q3.

Q3 Highlights

Community Use

Q3 2023 saw the official grand opening of the Fields. Already utilized by several user groups, The Fields Open House invited the community to take part in activities on the turf, basketball courts, and plaza while celebrating the official opening of the community asset. Over 3,000 community members attended the official grand opening event. Additional sport program offerings by the Oval in Q3 included, but were not limited to: climbing, soccer, speed skating, volleyball, and basketball.

The Oval continues to offer developmental programs and sport camps, with the newest offering for ice programming, *Learn to Skate+*, realizing significant uptake in Q3. With the new program, Learn to Skate registration continued to see growth with a 7% increase over Q3 of 2022. Over the course of the summer, 42 camps were offered featuring 24 different sports, with over 2,200 registrations.

In accordance with the Richmond Oval Agreement between the City of Richmond (“City”) and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere.

Sport Development and Events

Events that took place this quarter included: Cars and Hoops Charity Festival, Boccia Provincials, Fairchild TV Sports Day, Wheelchair Floorball Championships, Canadian Alliance of Chinese Associations Multicultural Festival, Made Hoops Basketball Camp, Philippine Volleyball Tournament, Wheelchair Basketball Canada U25 Training Camp and Friendly Games vs U25 Japanese team, Wheelchair Basketball Canada Next Gen National Camp, Super Hero 5K run, ADCC Jiu Jitsu Tournament, Beat the Heat Hockey Tournament, World Cup Field Painting Competition, Nintendo Movie Nights, The Fields Grand Opening, Climbing Escalade Canada North American Cup Series, Hooplaw Basketball Tournament, Forever Young 8K and the Functional Fitness World Masters and Junior Championships.

New events secured in Q3 by Events and Sport Hosting included: 2024 Ray Sawada Memorial Hockey Tournament, 2024 Shasta Trampoline Provincials, 2024 Muay Thai BC Provincials, 2024 BC Soccer Futsal Provincials, 2024 Vancouver Gay Volleyball Association Tournament, 2024 International Shotokan Karate Federation National Championships, 2024 Dodgeball Canada National Championships, 2024 Wheelchair Rugby National Team Training Camp, 2024 BC Wheelchair Sports Association Wheelchair Rugby Canada Cup, 2025 World Health Qigong Tournament, and the 2026 Wheelchair Basketball Canada Women's National Championships.

Athletes representing various provincial and national sport organizations utilized the Oval for training and competition in Q3. These groups included but were not limited to the following: Alpine Ski Canada, Athletics Canada Basketball BC, BC Wheelchair Sports Association, BC Wheelchair Basketball, BC Wheelchair Rugby, Beach Volleyball Canada, Climbing Canada, Softball Canada, Volleyball Canada, Weightlifting Canada, Wheelchair Basketball Canada, and Wheelchair Rugby Canada.

Governance

Meetings of the Corporation's Audit & Finance Committee, Business Planning Committee and the Board of Directors took place during Q3.

Financial

The results for the 3 months ended September 30, 2023 show income of \$261,000 after amortization compared to a budgeted loss of \$143,000, indicating a favorable variance of \$404,000 (please see page 4 for the Corporation's balance sheet as of September 30, 2023 and page 5 for the statement of operations). In Q3, \$792,000 was allocated to the reserves/equity.

Comments on the Financial Results

Revenues

In Q3, \$1,096,000 of revenue was recognized pertaining to the 2023 Games Operating Trust Fund ("GOT") distribution. Memberships, admissions and programs revenue was \$2,682,000 in Q3 and other revenue of \$578,000 primarily pertained to space leasing, parking, and interest revenue. Overall, YTD revenues were 13% favorable to budget.

Expenses

Memberships, admissions and program services costs for Q3 2023 were \$2,169,000, facility operations costs were \$1,333,000, marketing expenses were \$161,000, and administration and finance expenses were \$986,000. Overall, YTD expenditures were within 2% of budget.



Rick Dusanj, CPA, CA
Director of Finance, Innovation & Technology, Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL CORPORATION

Balance sheet

As at Sep 30, 2023

Unaudited, prepared by management

		Sep 30 2023
ASSETS		
Financial Assets		
Cash	\$	1,334,121
Investments		16,136,680
Inventory		212,400
Accounts receivable		839,066
		18,522,268
Financial Liabilities		
Accounts payable and accrued liabilities		2,369,186
Deferred revenue		10,892,434
Rental deposits		7,373
		13,268,992
Net financial assets		5,253,276
Non-Financial Assets		
Tangible capital assets		14,746,327
Prepaid expenses and other deposits		342,026
		15,088,353
Accumulated Surplus (Note 1)	\$	20,341,629

Note 1 - Breakdown of accumulated surplus account is as follows:

Investment in capital assets	7,804,822
Reserves/Provisions	11,757,381
Common Shares	1
Surplus	779,424
20,341,629	

The Accumulated Surplus shown above represents the Corporation's Shareholder's Equity. The investment in capital assets represents funding that has already been spent on existing capital assets currently being depreciated. The reserves/provisions balance primarily includes committed funding for approved capital projects as well as funding required for future minor capital expenditures. In addition, at the end of each year, the majority of the surplus balance is transferred to the capital reserves to primarily fund the Oval's future minor capital program, which has averaged \$2.14M annually over the past 5 years. The amount transferred each quarter varies and the final amount is determined by the Capital Works Committee in accordance with the operating agreement.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

For the quarter ended September 30, 2023

Unaudited, prepared by management

	QTR 3 2023			YTD ended September 30, 2023			2023 BUDGET		
	BUDGET	ACTUAL	% Variance Fav/(Unfav)	BUDGET	ACTUAL	% Variance Fav/(Unfav)	BUDGET	ACTUAL	% Variance Fav/(Unfav)
			\$ Variance Fav/(Unfav)			\$ Variance Fav/(Unfav)			\$ Variance Fav/(Unfav)
REVENUES									
2010 Games Operating Trust Fund	931,250	1,095,776	164,526	18%	2,793,751	2,958,276	164,525	6%	3,725,000
Contribution from City of Richmond	975,926	975,926	-	0%	2,927,780	2,927,780	-	0%	3,903,713
Memberships, admissions and programs	2,300,526	2,681,970	381,444	17%	6,293,640	7,474,938	1,181,298	19%	8,379,796
Other	438,531	578,380	139,849	32%	1,226,574	1,575,676	349,102	28%	2,405,931
	4,646,233	5,332,052	685,819	15%	13,241,745	14,936,670	1,694,925	13%	18,414,440
EXPENSES									
Memberships, admissions and program services	1,795,569	2,168,934	(373,365)	-21%	5,049,168	5,701,479	(652,311)	-13%	6,787,937
Facility Operations	1,232,488	1,333,104	(100,616)	-8%	3,687,646	3,829,029	(141,383)	-4%	5,020,164
Marketing	149,390	160,935	(11,545)	-8%	439,718	441,187	(1,469)	0%	582,571
Admin/Finance	939,231	985,577	(46,346)	-5%	2,811,710	2,857,584	(45,874)	-2%	3,750,592
Amortization	672,093	422,503	249,590	37%	1,797,276	1,260,578	536,698	30%	2,500,000
	4,788,771	5,071,053	(282,282)	-6%	13,785,518	14,089,857	(304,339)	-2%	18,641,264
Net Income/(Loss) (Note 1)	(142,538)	260,999	403,537	283%	(543,773)	846,813	1,390,586	256%	(226,824)

Note 1 - In Q3, \$0.79M was transferred into reserves/equity mainly for future minor capital programs. The total transfers vary from quarter to quarter and will be finalized by the Capital Works Committee in accordance with the operating agreement. The Oval Corporation's minor capital program, which is primarily funded from the Capital Reserves, has averaged \$2.14M annually over the past 5 years.

Numbers may be off due to rounding.