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**Finance Committee**

**Anderson Room, City Hall  
6911 No. 3 Road**

**Wednesday, January 9, 2019**

**Immediately following the open General Purposes Committee meeting**

Pg. #      ITEM

MINUTES

**FIN-4**      *Motion to adopt the **minutes** of the meeting of the Finance Committee held on October 1, 2018.*



FINANCE AND CORPORATE SERVICES DIVISION

1. **FINANCIAL INFORMATION – 3<sup>RD</sup> QUARTER SEPTEMBER 30, 2018**  
(File Ref. No. 03-0970-09-01) (REDMS No. 5999628 v. 5)

**FIN-7**

**See Page FIN-7 for full report**

*Designated Speaker: Cindy Gilfillan*

STAFF RECOMMENDATION

*That the staff report titled, “Financial Information – 3<sup>rd</sup> Quarter September 30, 2018”, dated November 30, 2018 from the Director, Finance be received for information.*



2.    **ACTIVE CAPITAL PROJECTS INFORMATION – 3<sup>RD</sup> QUARTER SEPTEMBER 30, 2018**

(File Ref. No. 03-1200-05) (REDMS No. 6011060 v. 6)

**FIN-34**

[See Page FIN-34 for full report](#)

*Designated Speaker: Melissa Shiau*

**STAFF RECOMMENDATION**

*That the staff report titled, “Active Capital Projects Information – 3<sup>rd</sup> Quarter September 30, 2018”, dated December 10, 2018 from the Director, Finance be received for information.*



**RICHMOND OLYMPIC OVAL CORPORATION**

3.    **RICHMOND OLYMPIC OVAL – 3<sup>RD</sup> QUARTER FINANCIAL INFORMATION**

(File Ref. No.) (REDMS No. 6034579)

**FIN-52**

[See Page FIN-52 for full report](#)

*Designated Speaker: Rick Dusanj*

**STAFF RECOMMENDATION**

*That the report on Financial Information for the Richmond Olympic Oval Corporation for the third quarter ended September 30, 2018 from the Controller of the Richmond Olympic Oval Corporation be received for information.*



**LULU ISLAND ENERGY COMPANY**

4.    **LULU ISLAND ENERGY COMPANY – 3<sup>RD</sup> QUARTER FINANCIAL INFORMATION**

(File Ref. No. 10-6600-10-01) (REDMS No. 6040158 v. 4)

**FIN-58**

[See Page FIN-58 for full report](#)

*Designated Speakers: Jerry Chong and John Irving*

STAFF RECOMMENDATION

*That the Lulu Island Energy Company report titled “Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information” dated November 28, 2018 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.*

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5.      **2019 OPERATING BUDGET FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 10-6600-10-01) (REDMS No. 6011863 v. 10)

**FIN-67**

See Page **FIN-67** for full report

*Designated Speakers: Jerry Chong and John Irving*

STAFF RECOMMENDATION

*That the Lulu Island Energy Company report titled “2019 Operating Budget for the Lulu Island Energy Company” dated October 26, 2018 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.*

☐

ADJOURNMENT

☐



## Finance Committee

Date: Monday, October 1, 2018

Place: Anderson Room  
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair  
Councillor Chak Au  
Councillor Derek Dang  
Councillor Carol Day  
Councillor Ken Johnston  
Councillor Alexa Loo  
Councillor Bill McNulty  
Councillor Linda McPhail  
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 4:03 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on September 4, 2018, be adopted as circulated.*

**CARRIED**

### FINANCE AND CORPORATE SERVICES DIVISION

1. **AMENDMENTS TO THE CONSOLIDATED 5 YEAR FINANCIAL PLAN (2018-2022) BYLAW NO. 9800**  
(File Ref. No. 03-0985-01) (REDMS No. 59725333 v. 10; 5972984)

It was moved and seconded

*That the Consolidated 5 Year Financial Plan (2018-2022) Bylaw No. 9800, Amendment Bylaw No. 9904, which incorporates and puts into effect the changes as outlined in the staff report titled "Amendments to the Consolidated 5 Year Financial Plan (2018-2022) Bylaw No. 9800" dated September 25, 2018 from the GM, Finance and Corporate Services, be introduced and given first, second and third readings.*

**CARRIED**



**Finance Committee**  
**Monday, October 1, 2018**

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2. **PERMISSIVE EXEMPTION (2019) BYLAW NO. 9893 RTC**

(File Ref. No. 03-0925-02-01) (REDMS No. 5869998 v. 3; 5870025)

It was moved and seconded

*That Permissive Exemption (2019) Bylaw No. 9893 be introduced and given first, second and third readings.*

**CARRIED**

3. **CONSOLIDATED FEES BYLAW NO. 8636, AMENDMENT BYLAW NO. 9897**

(File Ref. No. 03-1240-01) (REDMS No. 5950136; 5929485)

It was moved and seconded

*That Consolidated Fees Bylaw No. 8636, Amendment Bylaw No. 9897 be introduced and given first, second and third readings.*

**CARRIED**

## ENGINEERING AND PUBLIC WORKS DIVISION

4. **2019 UTILITY BUDGETS AND RATES**

(File Ref. No. 03-0970-01) (REDMS No. 5920625 v. 7)

Committee reviewed each of the options for water utility, sewer utility, and drainage and diking utility outlined in the staff report. In response to queries from Committee regarding those options, Lloyd Bie, Manager, Engineering Planning, noted that option 2 for flood protection would increase rates by 8% for medium and larger commercial and institutional (ICI) properties, 2% for single-family and smaller ICI and farms, and 0% for multi-family properties to create a more equitable distribution of rates.

It was moved and seconded

*That the 2019 Utility Budgets, as outlined under Option 1 for Water, Option 1 for Sewer, Option 2 for Drainage and Diking, and Option 3 for Solid Waste and Recycling, as contained in the staff report dated September 11, 2018 from the General Manager of Finance & Corporate Services and the Deputy CAO and General Manager of Engineering & Public Works, be approved as the basis for establishing the 2019 Utility Rates and preparing the 5 Year Financial Plan (2019-2023) Bylaw.*

The question on the motion was not called as, in response to further questions from Committee, Jatinder Johal, Manager, Public Works Administration, noted that (i) Option 3 for solid waste and recycling includes an expansion of the materials accepted at the Recycling Depot which would include propane tanks, butane cylinders, electronics, and upholstered furniture, and (ii) staff expect higher rates of volume from extending the Recycling Depot hours to be open 6 days a week.

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

2.

**Finance Committee**  
**Monday, October 1, 2018**

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**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (4:10 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, October 1,  
2018.

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Mayor Malcolm D. Brodie  
Chair

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Amanda Welby  
Legislative Services Coordinator



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** November 30, 2018

**From:** Jerry Chong  
Director, Finance

**File:** 03-0970-09-01/2018-  
Vol 01

**Re:** Financial Information – 3<sup>rd</sup> Quarter September 30, 2018

### Staff Recommendation

That the staff report titled, “Financial Information – 3<sup>rd</sup> Quarter September 30, 2018”, dated November 30, 2018 from the Director, Finance be received for information.

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

Att: 5

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Building Approvals	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Origin

Pre-audited financial information for the 3<sup>rd</sup> quarter ended September 30, 2018 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's financial results throughout the year and before the annual audited financial statements are presented.

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

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

7.1. *Relevant and effective budget processes and policies.*

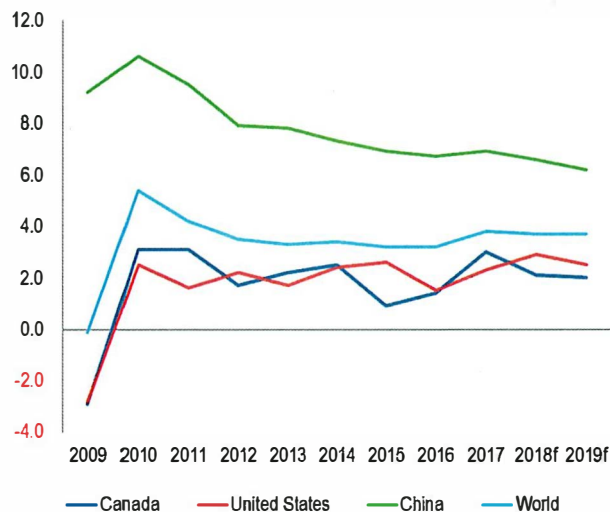
7.2. *Well-informed and sustainable financial decision-making.*

7.3. *Transparent financial decisions that are appropriately communicated to the public.*

## Analysis

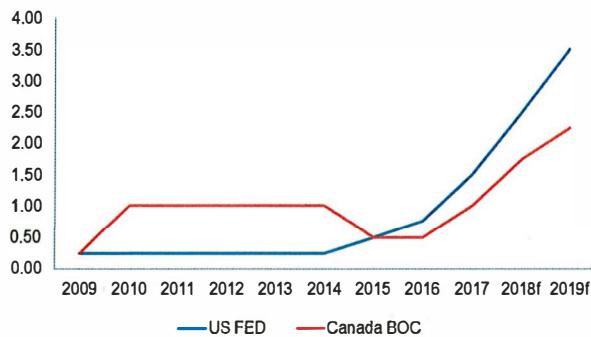
### Macroeconomic Indicators & Forecast

#### 1) Global Growth – Real Gross Domestic Product (GDP) % Change<sup>1</sup>

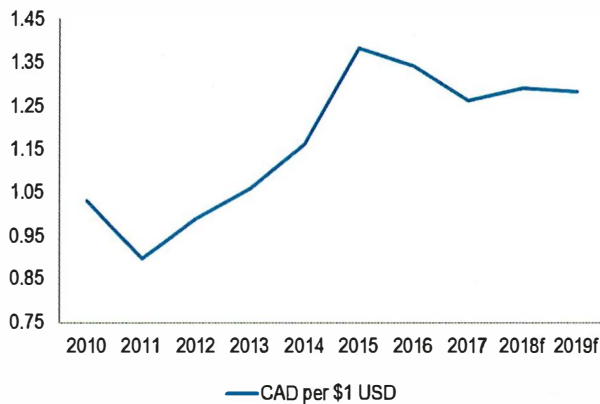


- Global growth for 2018–19 is projected to remain steady at its 2017 level of 3.7%.
- Canada's GDP growth projections held steady at 2.1% in 2018 and 2.0% in 2019, credited to the United States-Mexico-Canada Agreement (USMCA) agreed to on September 30, 2018.
- The growth forecast for the U.S. has been revised down to 2.9% in 2018 and 2.5% in 2019 due to recently announced trade measures including tariffs imposed on imports from China. China's economy is expected to grow by 6.6% in 2018 and 6.2% in 2019.

<sup>1</sup> International Monetary Fund, World Economic Outlook (October 2018)

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End<sup>2</sup>

- The U.S. Federal Reserve continues to retract policy support via interest rate increases. The rate is expected to climb to 3.5% by the end of 2019 from 2.25% at the end of Q3 2018.
- Consumer and business confidence remains high in Canada, and as a result the Bank of Canada (BoC) policy rate is expected to continue to climb, to 2.25% by the end of 2019. Although the new USMCA removed a key risk for the economy, challenges such as high household debt remain.

3) Exchange Rates – CAD/USD at Year-End<sup>3</sup>

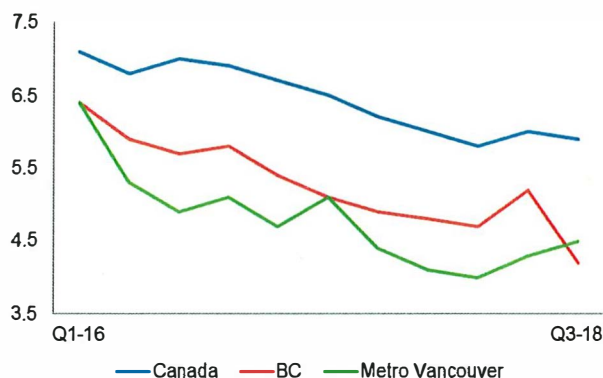
- Strong gains in real GDP and policy stimulus in the US caused the country's currency to continue to strengthen in Q3 2018.
- The Canadian dollar held steady against the US currency throughout the third quarter and ended Q3 2018 at \$1.29 CAD per \$1 USD.
- Good economic conditions in Canada, a new USMCA, and ongoing tightening by the BoC, balanced declines in oil prices leaving the USD/CAD exchange rate forecast for 2019 at \$1.28 CAD per \$1 USD.
- Downside risks to the CAD include threats to global trade, lowered commodity prices and risk aversion from foreign investors.

<sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Research

<sup>3</sup> Bank of Canada, Monetary Policy Report (October 2018)

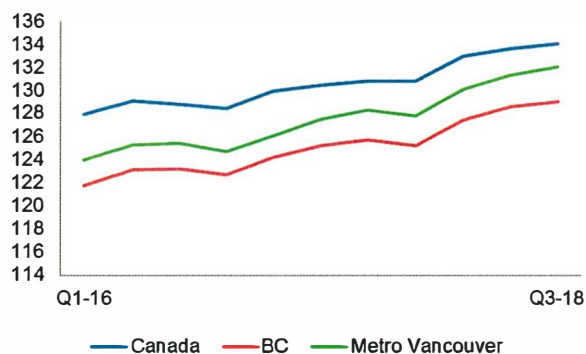
## Regional & Local Economic Activity Indicators

### 4) Unemployment<sup>4</sup>



- National and regional economies continue to operate at close to full employment levels throughout the first three quarters of 2018. The unemployment rate in Canada decreased by 4.8% in Q3 2018 over Q3 2017.
- Unemployment rates ended the quarter at a low 5.9%, 4.2%, and 4.5% for Canada, B.C. and Metro Vancouver respectively.
- The unemployment rate in B.C. dropped by 14% over the same period last year and remains the lowest in the country.
- This prolonged period of strong employment growth is expected to put upward pressure on wages as companies compete for skilled employees.

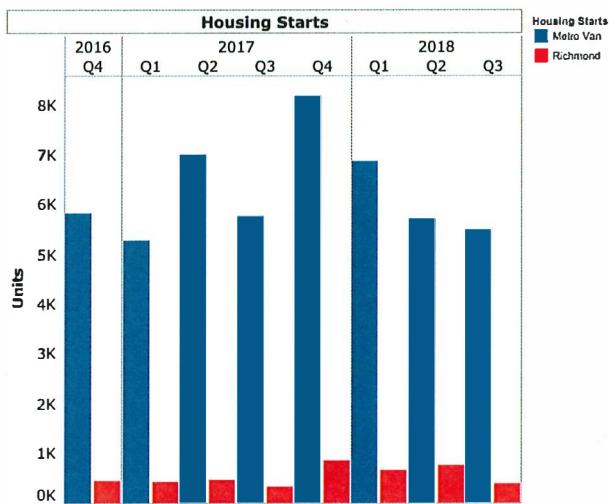
### 5) Consumer Price Index (CPI – 2002=100)<sup>5</sup>



- The country's annual pace of inflation, as measured by consumer price index (CPI) slowed in September as increases in the price of gasoline continued to ease.
- At the end of Q3 2018, the CPI climbed by 2.2% in Canada, 2.5% in British Columbia and 2.7% in Metro Vancouver compared to the same period last year.
- The BoC continues to monitor inflation closely, and increases to its policy interest rate are intended to maintain the CPI rate of increase at the midpoint between 1 and 3 percent.

<sup>4</sup> Statistics Canada

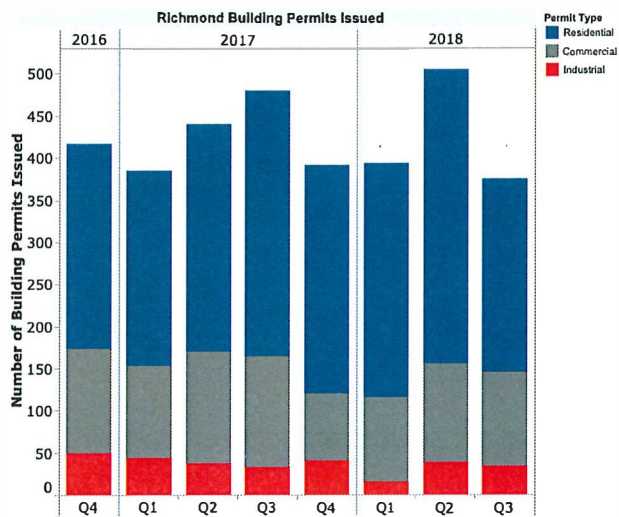
<sup>5</sup> Statistics Canada

6) Housing Starts<sup>6</sup>

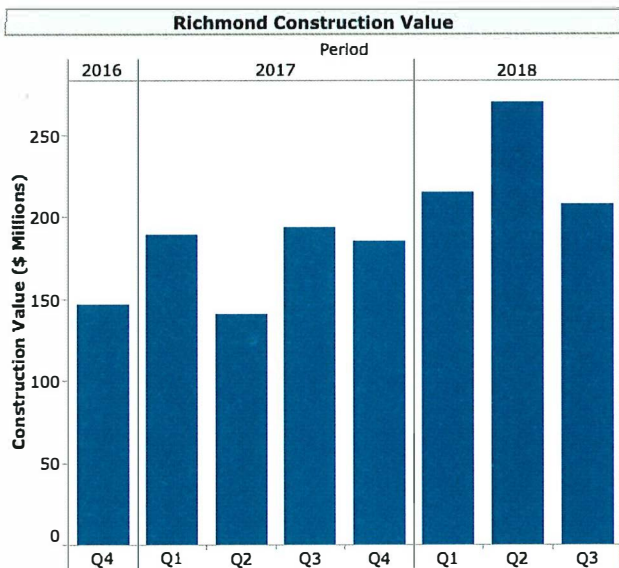
- Bucking the regional and provincial trend, construction of new homes in Richmond, particularly condos, continued to surge in the third quarter of 2018.
- Year-to-date housing starts in Richmond nearly doubled over 2017 levels, increasing by 48%. Q3 2018 saw a 16% increase over Q3 2017.
- This contrasts regional totals, where housing starts declined by 4.5% over Q3 2017. Overall, 2018 year-to-date housing starts in Metro Vancouver increased by 0.2% over the same period last year.
- There were 18,055 housing starts in Metro Vancouver throughout the first nine months of 2018, and 1,801 in Richmond during the same period.

<sup>6</sup> Canada Mortgage and Housing Corporation



7) Building Permits – Richmond<sup>7</sup>

- Year to date building permits issued in Richmond decreased by 2.4% over the same period in 2017.
- Residential construction was the only category that saw an increase of 4.8%.
- Commercial and industrial building permit activity declined in the same period compared to last year, by 12% and 23% respectively.
- In total there were 857 residential building permits, 329 commercial building permits, and 88 industrial building permits issued in the first three quarters of 2018.



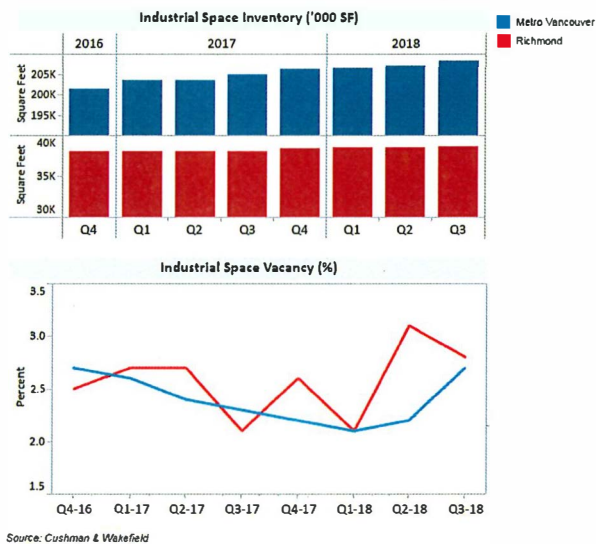
- The total value of construction projects from January to September 2018 was \$693 million, a 32% increase over the same period in 2017.
- This is mainly attributed to ongoing development projects in the City Center as projected in the City Center Area Plan.

<sup>7</sup> City of Richmond Building Permits



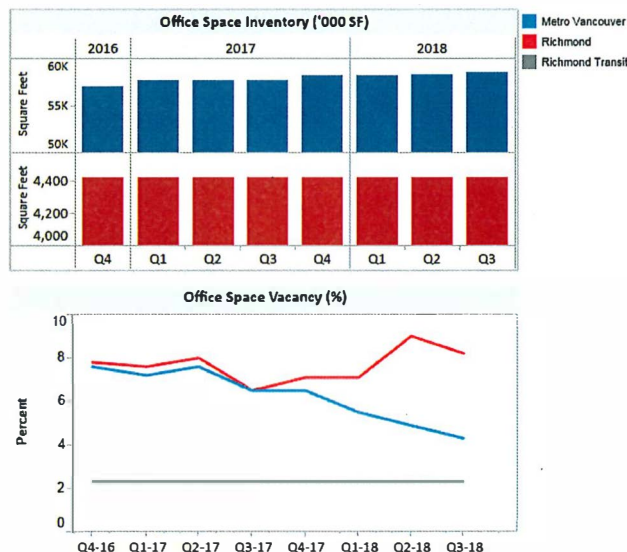
8) Commercial Space<sup>8</sup>

## a) Industrial Space



- Despite a net addition of 575,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has kept the industrial vacancy rate low. It ended Q3 2018 at 2.8%.
- Meanwhile the vacancy rate in Metro Vancouver increased year over year by 17% as more than 3.5 million square feet of new stock is absorbed. The overall vacancy rate in the region is still at a low 2.7%.
- With this acute shortage of industrial space, Richmond and Metro Vancouver are experiencing difficulty accommodating new large users as well as the expansion of existing businesses.
- At 38.6 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (35 million), Burnaby (30 million), Delta (24 million), and Vancouver (24 million).

## b) Office Space

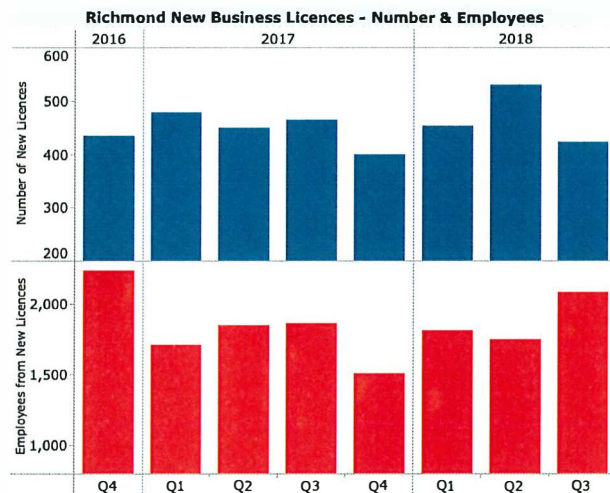


- Despite an increase over the same period last year when it was 6.5%, the office vacancy rate continues its downward trend over the medium term. The office vacancy rate in Richmond was 8.2% at the end of the Q3 2018.
- Demand for high quality office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market.
- The uptick in the Richmond office vacancy rate may be in part due to companies relocating to this type of space in other communities as the office vacancy rate in Metro Vancouver declined by 34% and ended the quarter at a low 4.3%.

<sup>8</sup> Cushman & Wakefield Office and Industrial Market Beat Reports

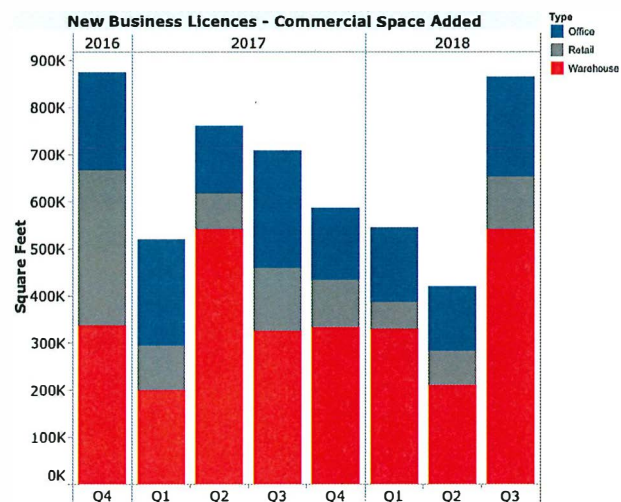
## 9) Business Growth – Richmond

## a) New Business Licences



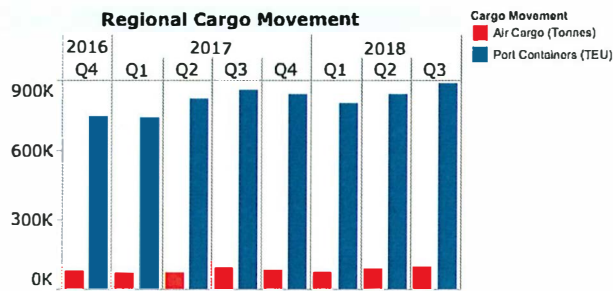
- There were 1,404 new business licences issued in Richmond during the first nine months of 2018, an increase of 1% over the same period in 2017.
- The addition of 5,637 jobs was attributed to these new businesses.

## b) New Business Licences – Commercial Space

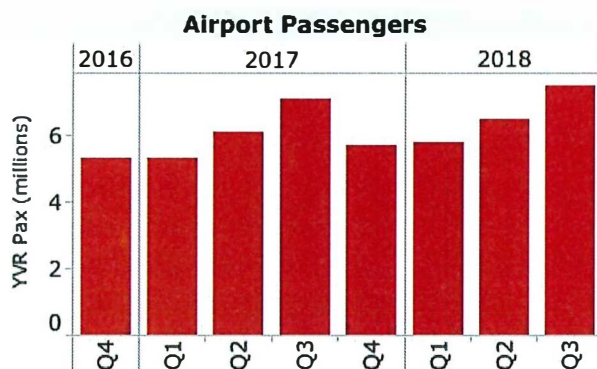


- Over 1.8 million square feet of commercial space absorption was tied to the new business licences issued throughout the first three quarters of 2018.
- As industrial users typically require more space, it is not surprising that 59% of total commercial space absorption was warehouse-type industrial space.
- 28% of commercial space absorption was tied to office-based businesses year-to-date in 2018. Only 13% of commercial space absorption throughout this period was from retail businesses.

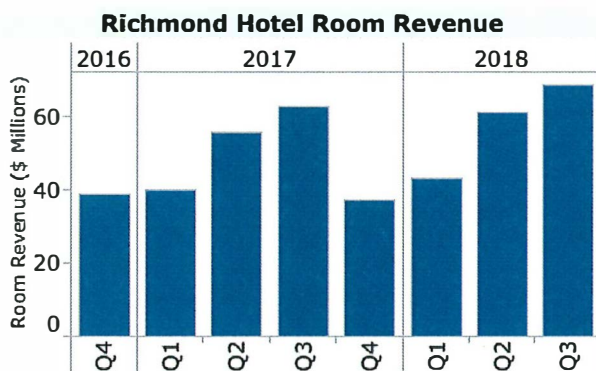
## 10) Goods and People Movement

a) Regional Cargo Movement<sup>9</sup>

- After posting a year of strong growth in 2017, regional cargo data indicators of regional trade activity continued to demonstrate solid year over year growth in Q3 2018.
- Port of Vancouver container movements as measured by Twenty-Foot Equivalent Units (TEUs) increased by 4.5% over the same period last year.
- 252,822 tonnes of air cargo moved through the Vancouver International Airport (YVR) in the first nine months of 2018, a 9.8% increase over the same period last year.

b) Airport Passengers<sup>10</sup>

- 2017 was a record-breaking year of growth for YVR. The airport saw 24.2 million passengers throughout the year, an 8.4% increase over 2016.
- 2018 is on track to be another record breaking year. Passenger traffic throughout the first nine months of the year increased by 7.0% to 19.8 million passengers, over the same period in 2017.

c) Richmond Hotel Room Revenue<sup>11</sup>

- \$172.6 million was collected in hotel room revenue throughout the first nine months of 2018 in Richmond, an increase of 9.3% over the same period last year.

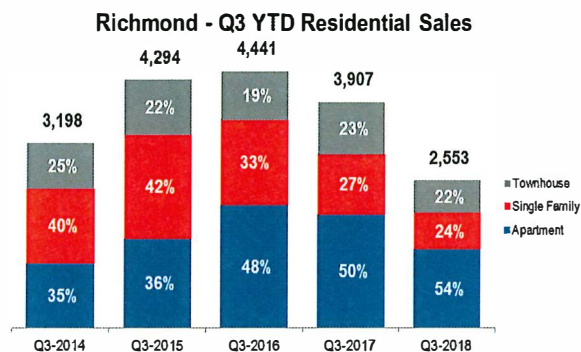
<sup>9</sup> Port of Vancouver Monthly Cargo Statistics

<sup>10</sup> YVR Monthly Statistics

<sup>11</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC

## Residential Real Estate

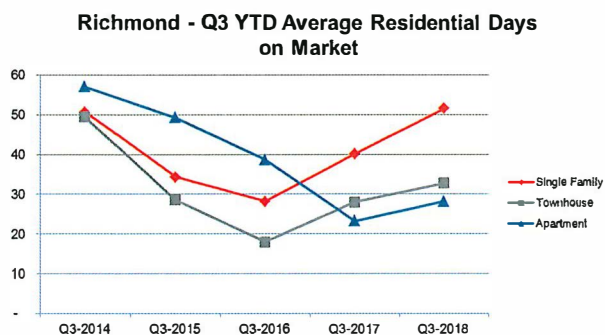
In the first nine months of 2018, home buyer activity decreased with increasing interest rates, more restrictive mortgage requirements, increases to the property transfer tax and foreign buyer's tax, introduction of the speculation tax, and the upcoming school tax increase.



- Single family detached (SFD) home sales have continued to decline with a 41% year-over-year decrease.
- Year to date apartment and townhome sales have declined 30% and 37% respectively year-over-year.
- Apartment sales currently comprise more than half of the residential home sales in the city. Townhome sales remain relatively constant and are approximately 22% of current home sales in the city.
- There were 2,553 residential home sales in Richmond at the end of Q3 2018, a 35% decrease compared to the same period last year.

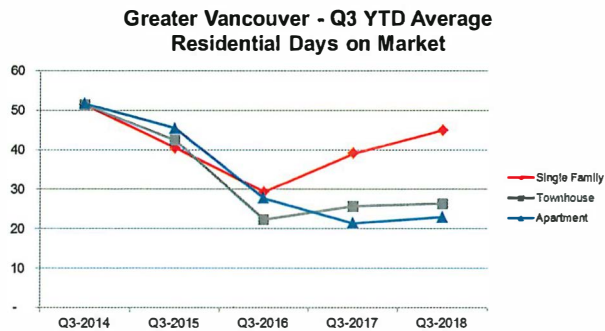


- Richmond residential properties had a sales-to-active listings ratio of 18% as at September 30, 2018 which indicates that 18% of the homes listed are sold in the first nine months of 2018 and represents a balanced market. This is an approximate 46% year-over-year decrease where it was considered a seller's market.

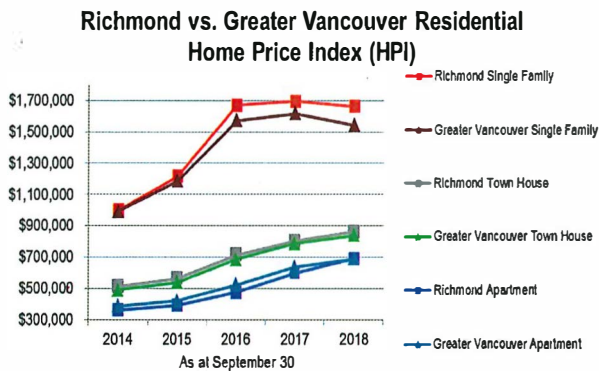


- At Q3 2018, SFD properties in Richmond had an average of 52 days on the market and the Greater Vancouver Regional District (GVRD) had an average of 45 days on the market. Comparing to the average of 40 and 39 days in Q3 2017 respectively, both Richmond and GVRD SFD markets are slowing.





- The Richmond townhome and apartment average days on market exceed the GVRD average. In Q3 2018, Richmond showed an average of 33 and 28 days for townhomes and apartments, respectively, while GVRD indicated an average of 26 and 23 days.

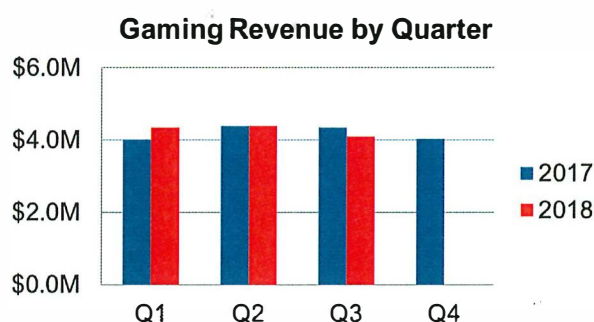


- The Home Price Index (HPI)<sup>12</sup> for SFD properties in Richmond at Q3 2018 is \$1,662,600 and decreased 2% compared to the same time last year.
- The HPI for townhouse properties in Richmond is \$862,400 and increased 8% compared to the same time last year.
- The HPI for apartments is \$690,600 and increased 15% compared to the same time last year. Based on the recent HPI increases, Richmond apartment prices exceed the average GVRD price of \$687,300.

### 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.

<sup>12</sup> Home 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 for Q3 2018 decreased by 5.6% to \$4.10M compared to \$4.34M in Q3 2017.
- Q3 2018 decreased by 6.7% compared to the previous quarter from \$4.39M to \$4.10M.

River Rock continues to see a decrease in Tables Drop<sup>13</sup> revenue as a result of the new BCLC source of funds procedures<sup>14</sup> enacted earlier in the year. The decline continues to be offset by increased Slot Coin-In<sup>15</sup> revenue, attributable to the renovations completed in the first quarter.

Effective June 3, 2018, Great Canadian Gaming Corporation (GCGC) signed new Operational Services Agreements (OSA) which replaced the existing casino operating and services agreements with BCLC for all gaming facilities in BC. The new OSAs will increase GCGC's accountability to BCLC through annual business planning requirements, compliance, and standards, while also creating strategic opportunities for greater alignment between BCLC and the GCGC.

On June 27, 2018, the BC provincial government released a report on the review of anti-money laundering (AML) policies and practices in Lower Mainland casinos. GCGC has stated that they are continuing to work in collaboration with regulators and Crown corporations to enhance the AML system and that the report's recommendations are not expected to have a material impact on GCLC's business.

At the December 11, 2017 Council meeting, the 2018 Budget was approved which included the gaming revenue allocation for 2018. The distribution of these funds is detailed in Table 1 with any surplus revenue transferred to the major capital community facility program (Capital Building Infrastructure Reserve). The distribution is consistent with the 2017 gaming revenue allocation.

Table 1: *Distribution of the 2018 gaming revenue allocation*

	Distribution	2018 Budget
Capital Reserves	30%	\$5.0M
Grants	15%	2.5M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.7M
Capital Building Infrastructure Reserve	Remainder	3.0M
<b>Total</b>		<b>\$16.5M</b>

<sup>13</sup> Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games.

<sup>14</sup> Source of funds procedures requires all BC casinos to obtain a bank receipt for any buy-ins of \$10,000 or more over a 24-hour period. The original receipt must be from the same day of the transaction and it must display the financial institution, branch, and account number.

<sup>15</sup> Coin in/ coin out refer to the number of credits or units both played and paid out. Coin in are the number of units played and coin out are the number of units won.

At end of Q3 2018, the City received \$12.83M or 77.7% of the annual budgeted amount.

### Operating Activity

Table 2 compares budget to unaudited actual activity up to September 30, 2018. The net figure represents combined revenue and expense amounts. Actuals includes 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, 2018 to September 30, 2018 (in \$000's)*

Net Operational activity <sup>1</sup>	For the period January 1 – September 30, 2018			Projected 2018 results		
Division/Department <sup>2</sup>	Q3 YTD Net Budget	Q3 YTD Actuals	Q3 YTD Variance (\$)	Q4 Projected Net Results <sup>3</sup>	2018 Appropriations	2018 Projected Surplus
Community Safety	(\$1,194)	(\$2,187)	\$993	\$1,293	(\$160)	\$1,133
Community Services	31,439	30,713	726	991	(185)	806
Corporate Administration	7,761	6,868	893	1,277	(994)	283
Engineering and Public Works	28,549	26,508	2,041	2,666	(2,467)	199
Finance and Corporate Services	18,433	17,579	854	638	-	638
Fire Rescue	26,991	26,895	96	84	-	84
Library	6,937	6,512	425	154	(154)	-
Planning and Development	4,052	1,637	2,415	2,944	(44)	2,900
Policing	35,565	35,333	232	392	-	392
Fiscal	(136,330)	(136,682)	352	384	-	384
<b>Total Operating</b>	<b>\$22,203</b>	<b>\$13,175</b>	<b>\$9,027</b>	<b>\$10,823</b>	<b>(\$4,004)</b>	<b>\$6,819</b>
Water Utility	1,346	46	1,300	1,630	(1,630)	-
Sanitary Utility	-	(1,328)	1,328	1,943	(1,943)	-
Sanitation and Recycling Utility	-	(1,344)	1,344	1,129	(1,129)	-
<b>Total Utilities</b>	<b>\$1,346</b>	<b>(\$2,626)</b>	<b>\$3,972</b>	<b>\$4,702</b>	<b>(\$4,702)</b>	<b>\$-</b>

<sup>1</sup>Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc.

<sup>2</sup>Based on organizational structure in place as of September 30, 2018

<sup>3</sup>Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.

The following section provides an explanation on a Division/Departmental basis of year to date variances in relation to the 2018 Financial Plan:

- Community Safety's favourable variance in Q3 is driven by business licenses revenue, bylaws revenue and the timing required to fill staff vacancies.

An appropriation of \$160K is projected due to emergency program notification work that is expected to be completed in 2019.

- Community Services' favorable Q3 variance is mainly due to lower parks operations costs and recreation services. Parks has a number of vacant positions in the process of being filled and has experienced lower than expected public works materials and equipment costs. Recreation revenue exceeds estimates for aquatics and arenas, which is offset by higher labour costs. Recreation also has a projected surplus due to the Minoru Centre for Active Living Operating Budget Impact being phased in whereas the facility is not yet in operation. This budget has been committed to purchase equipment for the new facility and the remaining projected year end surplus of \$125K is appropriated for the facility grand opening program and marketing in 2019. In Addition, \$60K is appropriated to complete spending of the Community Action Initiative and Dementia Friendly grants.
- Corporate Administration's favourable variance is due to vacant positions in the process of being filled and corporate programs which are in the planning stage.

An appropriation of \$994K is projected to continue these corporate initiatives and training programs in 2019.

- Engineering and Public Works' favourable net operating variance in Q3 is mainly due to lower consulting and contract expenses in Engineering, lower ditch canal maintenance costs and timing related to snow and ice control spending.

Appropriations at year end include the following: The fleet surplus estimated to be \$165,000 and will be transferred to the Equipment Reserve in accordance with Policy 2020; \$150,000 for wet materials from ditching for Sidaway projects, \$1.2M for project development projects expected to be completed in 2019 and; \$952,000 for service fees relating to Lulu Island Energy Company.

- Finance and Corporate Services surplus is mainly due to vacancies in various departments filled throughout the year and timing of IT maintenance contracts.
- Fire Rescue's favourable variance is from higher revenue from bylaw fines, false alarms and inspection fees.
- The Library's Q3 favourable variance is due to timing required to fill vacant positions during the year and lower IT operating costs incurred to date. The projected surplus is mainly from vacant positions throughout the year and will be appropriated for future use within library operations.
- Planning and Development favourable revenue variance is primarily from building permit revenue from building permit fees received mostly for multi residential buildings.

Appropriation at year end includes \$44K to purchase traffic operational products such as data traffic collection devices and speed radar boards.



- Policing's favourable variance is due to the time required to staff municipal vacancies and an increase in criminal record check revenues. The officer vacancies in the RCMP contract result in savings that reduce the required funding from the Rate Stabilization Account and the actuals include an accrual in relation to the anticipated settlement of the officers' retroactive salary adjustment.
- Fiscal is on budget.
- The Water Utility's favorable variance is mainly due to unbudgeted revenue received from developers for water consumption charges during construction of new residential developments, offset by higher water purchases year to date and material and equipment expenses related to water residential meters. Any surplus at year end will be transferred to the Water Levy Stabilization Provision.
- Sanitary Sewer Utility's favourable variance is mainly due to unbudgeted revenues received from developers for sanitary sewer user fees during construction of residential developments. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling has a favourable variance due to higher than budgeted revenue from Multi-Material BC and Garbage Utility revenues, and lower garbage and recycling processing fees. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different than 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 surplus appropriations and transfer to reserves. The Statement of Operations for the Nine Month Period Ended September 30, 2018, with comparative figures for 2017 is included in Attachment 3.

### Investment Portfolio

The City's investment portfolio at September 30, 2018 was \$959.2 million, with an average yield on investment of 2.34%. The interest rate environment and the City's cash flow projections have influenced the terms and types of investments that the City holds (Attachment 4).

Table 3: *Market Interest Rates (for analytical purposes only)*

	September 30, 2018
2 Year Government of Canada Bonds	2.19%
5 Year Government of Canada Bonds	2.32%
10 Year Government of Canada Bonds	2.42%

Source: Bank of Canada

The Bank of Canada raised its key monetary policy interest rate three times this year, which went from 1.00% at the start of the year to the current level of 1.75%. The pace of interest rate

increase is in line with market and economists' expectations attributed to the solid economic data and also relief in the trade uncertainty facing Canadian businesses.

The global economic outlook remains steady and the US economy is expected to moderate over the projection horizon. The new USMCA will reduce trade policy uncertainty in North America, which has been an important curb on business confidence and investment. However, trade conflict, particularly between the United States and China, is weighing on global growth and commodity prices. Financial market volatility has resurfaced and some emerging markets are under stress. Overall, global financial conditions remain accommodative.

Household spending is expected to continue to grow at a healthy pace, supported by solid employment income growth. Households are adjusting their spending as expected in response to higher interest rates and housing market policies. In this context, household credit growth continues to moderate and housing activity across Canada is stabilizing.

The improved interest rate conditions allow the City to reinvest funds at the more attractive market rates, thereby boosting the City's average yield to 2.34%. If this trend continues as maturities take place throughout the year, the City may reinvest its funds in the higher yielding products.

The current yield enhancement strategies continue to play a key role in the City's investment portfolio. Duration of the City's holding continues to remain in the short to mid-term range to achieve liquidity (for capital requirements) and to allow flexibility for reinvestment as we enter into a rising interest rate environment.

The City continues to comply with its Investment Policy (3703) by carrying a diversified investment portfolio with strong credit quality, meeting the objectives of managing its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

### Contract Awards

This report provides information on the formal contracts awarded by the City during the third quarter. In accordance with Policy 3104, 34 contracts greater than \$75,000 were awarded totalling over \$21.0 million (Attachment 5).

### **Financial Impact**

None.

**Conclusion**

The City of Richmond has maintained its strong financial position through the third quarter of 2018. Building construction and development activity is exceeding budget and revenue collection and business activity remains steady. It is expected that these positive trends will continue through the last three months of the year. The forecast surplus at the end of the third quarter is \$6.8M and following the year-end audit, the finalized surplus will be placed in the Rate Stabilization Account for future tax rate stabilization or one time expenditures as authorised by Council.



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- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Unaudited Statement of Operations
- Att. 4: Investment Portfolio
- Att. 5: Contract Awards greater than \$75,000

**Economic Indicators****September 30, 2018****Macroeconomic Indicators & Forecast**

	2016	2017	Change	2018f**	2019f**
<b>1) Real GDP - % Change</b>					
Canada	1.4	3.0	114.3%	2.1	2.0
United States	1.5	2.3	53.3%	2.9	2.5
China	6.7	6.9	3.0%	6.6	6.2
World	3.2	3.8	18.8%	3.7	3.7
<b>2) Interest Rates (at YE)</b>					
Bank of Canada	0.50	1.00	100.0%	1.75	2.25
US FED	0.75	1.50	100.0%	2.50	3.50
<b>3) Exchange Rate</b>					
CAD per \$1 USD	1.34	1.26	(6.0%)	1.29	1.28

**Regional and Local Market Indicators**

4)	Unemployment (%)	Q3-2018	Q2-2018	Change	Q3-2017	Change	
	Canada	5.9	6.0	(1.7%)	6.2	(4.8%)	
	BC	4.2	5.2	(19.2%)	4.9	(14.3%)	
	Metro Vancouver	4.5	4.3	4.7%	4.4*	2.3%	
5)	CPI (2002=100)	Q3-2018	Q2-2018	Change	Q3-2017	Change	
	Canada	133.7	133.6	0.1%	130.8	2.2%	
	BC	128.9	128.6	0.2%	125.7	2.5%	
	Metro Vancouver	131.7	131.3	0.3%	128.3	2.7%	
6)	Housing Starts (Units)	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
	Starts - Metro Vancouver	5,493	5,752	(4.5%)	18,055	18,025	0.2%
	Starts - Richmond	388	336	15.5%	1,801	1,220	47.6%
7)	Richmond Residential Sales Activity	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
	Sales - Detached	194	280	(30.7%)	623	1,048	(40.6%)
	Sales - Townhouse	150	316	(52.5%)	566	903	(37.3%)
	Sales - Apartment	399	641	(37.8%)	1,364	1,956	(30.3%)
	Sales Total/Average Change	743	1,237	(39.9%)	2,553	3,907	(34.7%)
8)	Richmond Sales to Active Listings Ratio (%)	Q3-2018	Q3-2017	Change			
	Single Family Detached	8.3	15.4	(46.1%)			
	Townhouse	22.8	42.7	(46.6%)			
	Apartment	30.4	63.4	(52.1%)			
	All Properties	17.6	32.6	(46.0%)			
9)	Average Days on Market						
			Richmond			Greater Vancouver	
	Property Type	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
	Single Family Detached	52	40	30.0%	45	39	15.4%
	Townhouse	33	28	17.9%	26	26	0.0%
	Apartment	28	23	21.7%	23	21	9.5%

**Economic Indicators****September 30, 2018****Regional and Local Market Indicators (continued)****10) Home Price Index (\$000 at QE)**

Property Type	Richmond			Metro Vancouver		
	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
Single Family Detached	1,663	1,695	(1.9%)	1,541	1,617	(4.7%)
Townhouse	862	802	7.5%	838	787	6.5%
Apartment	691	599	15.4%	687	636	8.0%

**11) Richmond Building Permits**

	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
Building Permits - Residential	229	316	(27.5%)	857	818	4.8%
Building Permits - Commercial	112	131	(14.5%)	329	373	(11.8%)
Building Permits - Industrial	34	33	3.0%	88	114	(22.8%)
Building Permits Total	375	480	(21.9%)	1,274	1,305	(2.4%)
Construction Value (\$ million)	208.0	193.9	7.3%	692.7	523.6	32.3%

**12) Commercial Space (at QE)**

	Richmond			Metro Vancouver		
	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
Office Vacancy (%)	8.2	6.5	26.2%	4.3	6.5	(33.8%)
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,419	4,419	0.0%	58,466	57,678	1.4%
Industrial Vacancy (%)	2.8	2.1	33.3%	2.7	2.3	17.4%
Industrial Inventory (000 sf)	38,569	37,994	1.5%	208,486	204,807	1.8%

**13) Richmond Business Growth**

	Q3-2018	Q3-2017*	Change	YTD-2018	YTD-2017*	Change
Total Valid Business Licences (at QE)	n/a	n/a	n/a	14,285	14,062	1.6%
New Licences - Number Issued	422	465	(9.2%)	1,404	1,392	0.9%
New Licences - Employees	2,081	1,857	12.1%	5,637	5,408	4.2%
New Licences - Office Added (sf)	210,163	249,606	(15.8%)	506,819	620,091	(18.3%)
New Licences - Retail Added (sf)	112,918	132,679	(14.9%)	242,583	301,920	(19.7%)
New Licences - Industrial Added (sf)	541,338	325,773	66.2%	1,080,081	1,067,219	1.2%
Total Space Added (sf)/Avg. Change	864,419	708,058	22.1%	1,829,483	1,989,230	(8.0%)

**Economic Indicators****September 30, 2018****Regional and Local Market Indicators (continued)**

<b>14) Goods &amp; People Movement</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
YVR Air Cargo (tonnes)	95,702	88,765*	7.8%	252,822*	230,253*	9.8%
PMV Container Movement (TEUs)	885,963	856,370	3.5%	2,523,404	2,414,904	4.5%
YVR Passengers (million)	7.5	7.1	5.6%	19.8	18.5*	7.0%
Richmond Hotel Revenue (\$ million)*	68.6	62.5	9.8%	172.6	157.9	9.3%

**Notes:**

- a) QE indicates quarter end
- b) YTD indicates year to date including adjustments
- c) \* - figures have been updated to reflect changes in source data
- d) f\*\* - forecast to year-end

**List of Sources:**

- 1) International Monetary Fund, World Economic Outlook (October 2018)
- 2) US Federal Reserve, Bank of Canada and Royal Bank Research
- 3) Bank of Canada, Monetary Policy Report (October 2018)
- 4) & 5) Statistics Canada
- 6) Canada Mortgage and Housing Corporation
- 7), 8) 9) & 10) Real Estate Board of Greater Vancouver
- 11) City of Richmond Building Permits
- 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, Destination BC



**Financial and Key Indicators****September 30, 2018**

(All dollar amounts in \$000's)

1) <b>Development Cost Charges Contributions</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Roads, Water, Sewer DCC's Received	\$3,346	\$1,844	81.4%	\$14,683	\$9,187	59.8%
Parks DCC's Received	\$586	\$2,666	(78.0%)	\$13,218	\$4,721	179.9%
Total DCC Fees Received	\$3,932	\$4,510	(12.8%)	\$27,901	\$13,908	100.6%
DCC Reserves – Uncommitted balance at QE	91,354	76,546	19.3%	n/a	n/a	n/a
2) <b>Uncommitted Reserves (at QE)</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>			
Capital Funding Reserves	\$115,331	\$113,934	1.2%			
Utility Reserves	\$94,449	\$102,728	(8.1%)			
Affordable Housing Reserves	\$2,026	\$1,632	24.2%			
Other Reserves	\$73,575	\$62,013	18.6%			
Total Uncommitted Reserves	\$285,381	\$280,307	1.8%			
3) <b>Taxes to date</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Taxes Collected	\$166,956	\$152,461	9.5%	\$430,473	\$410,850	4.8%
City Portion of Taxes Collected	\$81,809	\$74,706	9.5%	\$210,932	\$201,317	4.8%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$1,986	\$2,116	(6.1%)	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,353	6,358	(0.1%)	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$5,934	\$5,797	2.4%	\$20,476	\$19,728	3.8%
Interest rate % paid	1.45%	0.70%	107.1%	1.45%	0.70%	107.1%
<i>Sources: All data is from City of Richmond records</i>						
4) <b>Investments</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>			
Total Investments	\$959,220	\$989,621	(3.1%)			
Average City Rate of Return on Investments %	2.34%	1.99%	17.6%			

**Financial and Key Indicators****September 30, 2018**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

<b>5) Planning and Development</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Building Permit Fees Collected	\$2,508	\$2,587	(3.1%)	\$7,677	\$7,051	8.9%
Development Applications Received	51	52	(1.9%)	162	152	6.6%
Development Applications Fees	\$376	\$363	3.4%	\$944	\$842	12.1%
<b>6) Business Licences</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Revenue Received for Current Year Licences	\$731	\$841	(13.1%)	\$3,740	\$3,729	0.3%
Revenue Received for Next Year (Deferred)	\$446	\$405	10.0%	\$798	\$727	9.8%
Total Licence Revenue	\$1,177	\$1,246	(5.6%)	\$4,538	\$4,457	1.8%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
<b>7) Other Revenues</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Parking Program Revenue	\$540	\$471	14.5%	\$1,514	\$1,389	9.0%
Gaming Revenue	\$4,097	\$4,341	(5.6%)	\$12,827	\$12,727	0.8%
Traffic Fine Revenue	\$0	\$0	0.0%	\$1,985	\$1,948	1.9%
<b>8) Employees</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>			
Full Time Equivalent (FTE) Employees (at QE)	1,563	1,495	4.5%			
<i>(City and Library)</i>						
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
<b>9) Operating Indicators</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Fire Rescue Responses	2,348	2,902	(19.1%)	7,441	8,396	(11.4%)
RCMP - Calls for Service Handled	19,630	18,319	7.2%	51,821	50,915	1.8%
Public Works calls for Service	3,835	4,272	(10.2%)	10,889	12,474	(12.7%)



**Financial and Key Indicators****September 30, 2018**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

<b>10) Affordable Housing (at QE)</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>
Subsidized Rental (units)	477	477	0.0%
Affordable Rental (LEMR**) (units)	541	452*	19.7%
Market Rental (units)	411	411	0.0%
Entry Level Home ownership (units)	19	19	0.0%
Secondary Suite / Coach House (units)	263	236	11.4%
<b>Total Affordable Housing</b>	<b>1,711</b>	<b>1,595</b>	<b>7.3%</b>
	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>
Floor Space secured, unit mix & other (sq feet) at QE ***	172,345	132,533	30.0%

\* Figures have been updated to reflect changes in source data.

\*\* LEMR units refer to Low End Market Rental units.

\*\*\* The floor space secured refers to square footage negotiated through phased developments. The number remains unchanged, as the development applications for subsequent phases have not come forward at this time with the unit breakdown and mix. LEMR units are still consistently secured through standard rezoning and development applications.

<b>11) Richmond Population Estimate Year End</b>	<b>2018<sup>f</sup>*</b>	<b>2017</b>
	222,945	218,307

Population figures provided by City of Richmond – Policy Planning

**Notes:**

- a) All figures presented above are unaudited
- b) YTD indicates year to date including adjustments
- c) <sup>f</sup>-forecast to year-end

## Unaudited Statement of Operations<sup>1</sup>

For the Six Month Period Ended September 30, 2018, with comparative figures for 2017.

(Expressed in thousands of dollars)

	<b>Budget September 30 2018</b>	<b>Actuals September 30 2018</b>	<b>Actuals<sup>4</sup> September 30 2017</b>
<b>Revenues:</b>			
Taxes and levies	\$162,527	\$162,216	\$155,136
User fees	75,589	78,884	74,968
Sales of services	24,237	24,300	22,918
Payments-in-lieu of taxes	10,684	10,986	11,078
Provincial and federal grants	3,594	5,261	4,986
Development cost charges	23,728	14,116	12,225
Other capital funding sources	79,163	24,364	39,542
Investment in Lulu Island Energy Company	-	677	-
Other revenues:			
Investment income	11,021	15,257	14,308
Gaming revenue	12,375	12,828	12,727
Licences and permits	7,788	10,556	10,976
Other	6,764	31,019	19,216
	<b>417,470</b>	<b>390,464</b>	<b>378,080</b>
<b>Expenses:</b>			
Community safety	76,337	72,475	66,198
Engineering, public works and project development	57,057	42,878	44,042
General government	50,155	38,900	45,533
Parks, recreation and community services	49,619	43,921	42,601
Utilities:			
Water supply and distribution	31,621	33,246	31,579
Sewerage collection and disposal	23,948	25,343	21,909
Sanitation and recycling services	12,277	11,755	10,960
Planning and development	12,090	10,170	9,995
Library services	8,068	7,281	7,087
	<b>321,172</b>	<b>285,969</b>	<b>279,904</b>
YTD Surplus (Annual Surplus) <sup>2</sup>	96,298	104,495	98,176
Accumulated surplus, beginning of year	2,907,697	2,907,697	2,805,390
Accumulated surplus, end of September 30 <sup>3</sup>	<b>\$3,003,995</b>	<b>\$3,012,186</b>	<b>\$2,903,566</b>

<sup>1</sup> Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company effective January 1, 2018, but excludes Oval results.

<sup>2</sup> Annual 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.

<sup>3</sup> Accumulated 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.

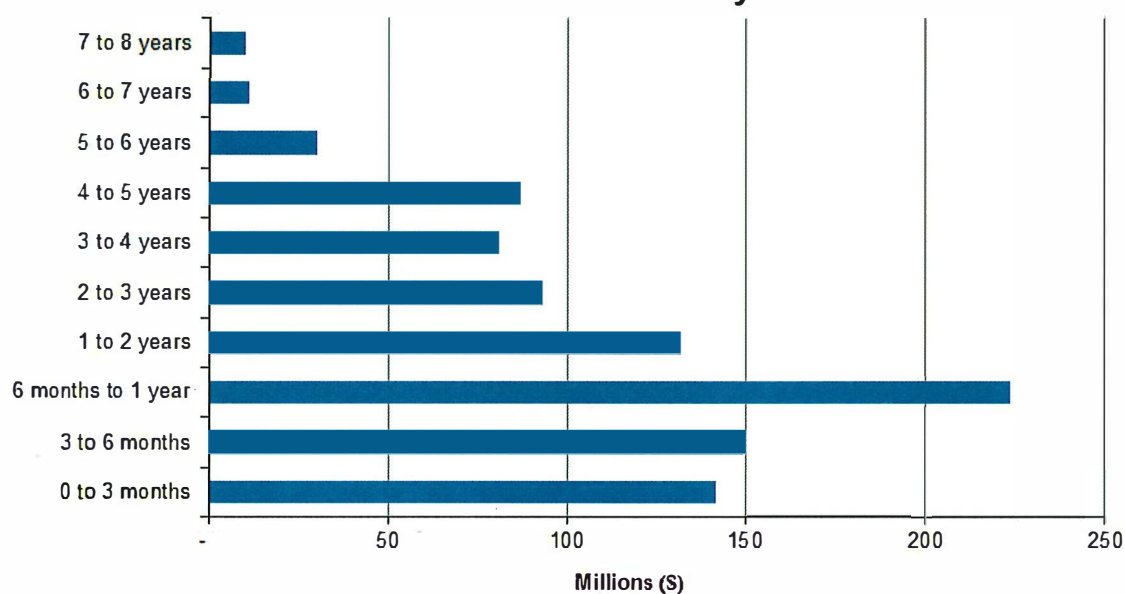
<sup>4</sup> Statement of Operation figures for 2017 were adjusted for comparative purposes.

## Investment Portfolio

September 30, 2018 (in 000's)

Asset Class	DBRS Long Term Rating	Issuer	Term	Net Book Value	% of Total Portfolio	Investment Limit (% of Portfolio)
<b>Provincial</b>						
	AA (high)	Alberta	2019-2022	\$ 68,464	7.14%	
	AA (high)	British Columbia	2019	65,085	6.79%	
	AA (low)	Ontario	2024	11,199	1.17%	
	A (high)	Quebec	2022-2023	22,198	2.31%	
		Total		\$ 166,947	17.40%	50%
<b>Chartered Banks</b>						
	AA	Bank of Nova Scotia	2018-2022	\$ 134,861	14.06%	
	AA	TD Bank	2018-2023	81,553	8.50%	
	AA	Royal Bank	2018-2023	68,038	7.09%	
	AA	Bank of Montreal	2018-2025	54,944	5.73%	
	AA (low)	National Bank of Canada	2018-2021	43,505	4.54%	
	A (high)	HSBC Bank of Canada	2021-2023	32,194	3.36%	
	AA	CIBC	2018-2022	24,805	2.59%	
	A (low)	Canadian Western Bank	2018	24,000	2.50%	
		Total		\$ 463,900	48.36%	50%
<b>BC Credit Unions</b>						
		Coast Capital Savings	2018-2019	\$ 87,038	9.07%	
		Vancity	2018	62,000	6.46%	
		Gulf and Fraser	2018-2019	49,939	5.21%	
		Blue Shore Financial	2018-2019	47,819	4.99%	
		Westminster Savings	2018	35,734	3.73%	
		Total		\$ 282,531	29.45%	30%
<b>Pooled Investments</b>						
		MFA Pooled Investment Fund		\$ 45,843	4.78%	20%
<b>Total Investment Portfolio Balance</b>				<b>\$ 959,220</b>	<b>100.00%</b>	

## Investment Maturity



**Contract Awards greater than \$75,000**July 1<sup>st</sup> to September 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Pilot of "Sewer Slick" at Edgemere Lift Station	Muddy River Technology Inc.	\$92,500	Engineering & Public Works
2	Fire Hall 3 Construction Management Fees	Stuart Olson Construction Ltd.	427,157	Engineering & Public Works
3	MyRichmond's MyCommunity with PerfectMind	Radical I/O	249,000	Finance and Corporate Services
4	Minoru Centre for Active Living (MCAL) - TP8 Supply & Install Signage	Stuart Olson Construction Ltd.	249,464	Engineering & Public Works
5	DVD Dispenser Modernization	ITRE SLR	75,855	Community Services
6	Residential Solid Waste Collection and Recycling Services	Sierra Waste Services Ltd.	8,165,955	Engineering & Public Works
7	Supply and Delivery of one (1) Dump Body Unit and Outfitting on a City Provided Single Axle Cab and Chassis	Del Equipment	169,194	Engineering & Public Works
8	3 (Three) 2" Steel Gas Fortis	FortisBC - Natural Gas	338,515	Engineering & Public Works
9	Supply and delivery of chainlink fence mesh at Minoru Park	Hansen & Gannelli Inc.	184,993	Community Services
10	Recreation Lighting Upgrade Materials	Commercial Lighting Products Ltd.	111,430	Engineering & Public Works
11	Drainage Improvements and Frontage Works between 10231 Ruskin Road and Ryan Road	Anderson Creek Site Developing Ltd.	83,537	Engineering & Public Works
12	Multi-Family Water Meter Installations at 8191 Francis Rd, 8651 Ackroyd Rd, 7435, 7437 and 7439 Moffatt Rd	Ashton Service Group	112,736	Engineering & Public Works
13	Direct Digital Control Upgrades - Thompson Community Centre	ESC Automation Inc.	106,028	Engineering & Public Works
14	Concrete Pipe Materials - River Drive Multi-Use Pathway	Ocean Pipe	85,424	Engineering & Public Works
15	Design and Construction Services to Horseshoe Slough Pump Station	Telus	187,500	Engineering & Public Works
16	Paving - Broadmoor Blvd North Laneway Drainage and Asphalt Upgrades	WinVan Paving Ltd.	89,240	Engineering & Public Works
17	Cambie Fire Hall #3 Post Occupancy Work	Ashton Service Group	75,086	Engineering & Public Works
18	Consulting Services for the Gateway Theatre Upgrades	Morrison Hershfield Ltd.	228,100	Engineering & Public Works



**Contract Awards greater than \$75,000 (continued)**July 1<sup>st</sup> to September 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
19	Smart Cities Challenge: Project Management for Business Case Development	KPMG	155,220	Corporate Administration
20	Emergency Wood Stave Culvert Replacement - Intersection at No. 8 Road and Westminster Hwy	Merletti Construction Ltd.	145,000	Engineering & Public Works
21	Supply and Install Audiovisual Equipment	Stuart Olson Construction Ltd.	146,500	Community Services
22	RCMP CSB - Heat Pump Replacement Project - Phase 2	All-Pro Services Ltd.	361,400	Engineering & Public Works
23	City Hall Annex L1 & L2 Abatement & Demolition	Ashton Service Group	192,200	Engineering & Public Works
24	Construction of Interim River Parkway	M2K Construction Ltd.	6,999,605	Engineering & Public Works
25	Engineering Services for ICCDEU Servicing Strategy	Kerr Wood Leidal Associates Ltd.	89,800	Engineering & Public Works
26	Consulting Services to Design, Tender, and Oversee Construction of Aberdeen Park - Phase 2	van der Zalm + associates Inc.	182,501	Community Services
27	Construction Services for Watermania Infrastructure Upgrades	Kindred Construction Ltd.	535,795	Engineering & Public Works
28	Heritage Inventory Review and Update	Donald Luxton and Associates	114,000	Community Services
29	Supply and Delivery of 2 (Two) Full Size High Roof Extended 1 (One Tone Dual Rear Wheel Cargo Vans	Dams Ford Lincoln Sales Ltd.	100,622	Engineering & Public Works
30	On Call Roofing Contractor	Marine Roofing Repair and Maintenance Service (2003) Ltd.	120,000	Engineering & Public Works
31	Provision of Engineering Inspection Services	Maven Consulting Ltd. And RAM Engineering Ltd.	200,000	Engineering & Public Works
32	Supply and Delivery of 3 (Three) One Ton Crew Cab Dump Trucks	Work Truck West	345,040	Engineering & Public Works
33	Supply and Delivery of 4 (Four) 3/4 Ton Crewcab Trucks	Dams Ford Lincoln Sales Ltd	153,156	Engineering & Public Works
34	Supply and Delivery of 1 (One) Dump Body Unit and Outfitting on a City Provided Cab and Chassis	Del Equipment	145,562	Engineering & Public Works



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** December 10, 2018

**From:** Jerry Chong, CPA, CA  
Director, Finance

**File:** 03-1200-05/2018-Vol  
01




**Re:** Active Capital Projects Information - 3<sup>rd</sup> Quarter September 30, 2018

### Staff Recommendation

That the staff report titled, "Active Capital Projects Information – 3<sup>rd</sup> Quarter September 30, 2018", dated December 10, 2018 from the Director, Finance be received for information.

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

Att. 2

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Project Development	<input checked="" type="checkbox"/>	
Roads & Construction	<input checked="" type="checkbox"/>	
Sustainability	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Staff Report

### Origin

Active Capital Project Information for the 3<sup>rd</sup> quarter (ended September 30, 2018) is being provided to the Finance Committee for information.

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

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

7.1. *Relevant and effective budget processes and policies.*

7.2. *Well-informed and sustainable financial decision-making.*

7.3. *Transparent financial decisions that are appropriately communicated to the public.*

### Analysis

#### Active Capital Projects Summary

Active Capital projects represent capital projects previously approved by Council. Projects include construction projects that are in various stages of completion, which may include:

*Planning and Design* – includes projects that were approved in the 2018 budget and other previously approved projects that are undergoing design specifications, design approvals, or public consultation.

*Contract Award* – this includes preparing to issue a request for proposal, evaluating the proposals received, and finalizing contract award agreements.

*Construction* – includes build out of the approved design either by City forces or under the executed agreements.

*Functional Completion* – certain projects are completed in phases that allow for portions of the project to be functionally complete while the next phase is initiated.

*Project Completion* – may include fully functional assets that are in their final inspection and acceptance stage, which may still require minor deficiencies to be addressed, as-built drawings to be received, collection of grant funding and fulfillment of audit requirements, where applicable.

*Final Completion* – All aspects of the project are complete including the one year deficiency period which leads to the project removal from the active capital project list and return of any unspent funds to its original funding sources.

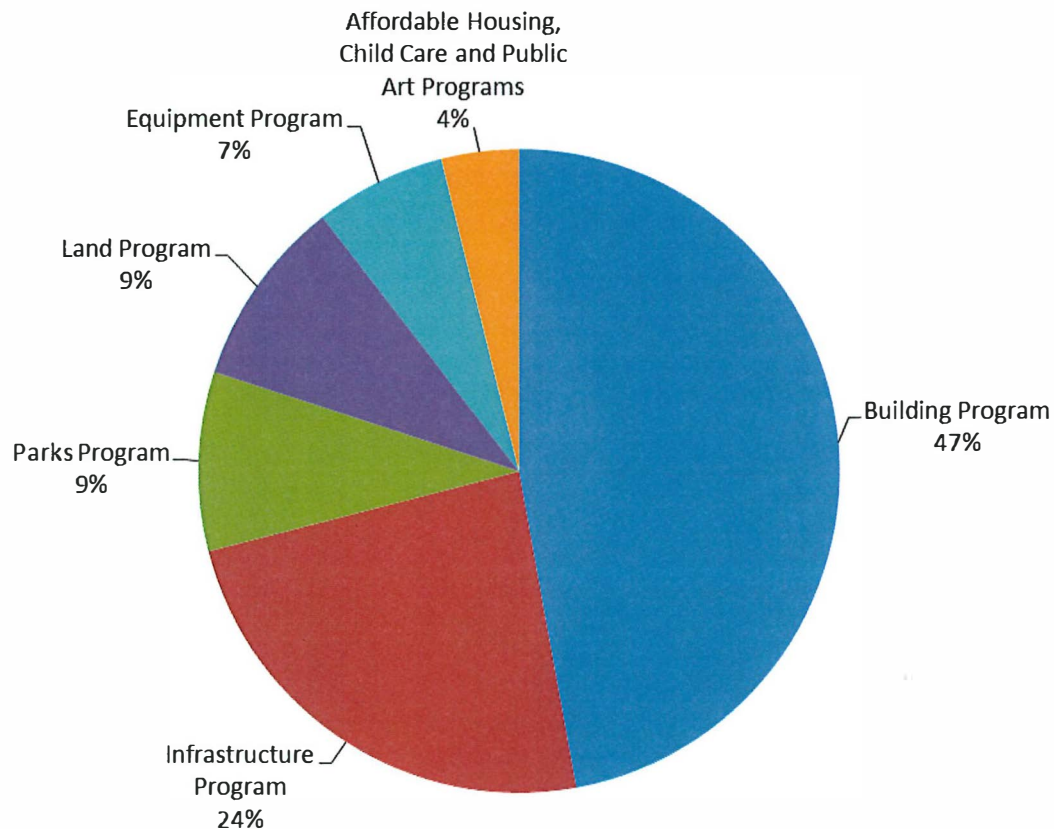
A Capital Project is considered active for the purposes of this report if the project is in any of the above stages (except Final Completion). Generally, projects are completed within three years; however due to complexities at each stage it is not unusual for a project to take longer than three years to see through to Final Completion.

Projects also include amounts set aside for Land acquisition, Public Art, Child Care and Affordable Housing which are dependent upon external factors such as market conditions, availability and external partners. Therefore, these projects are presented to Council prior to final project approval.

The approved 2018 Capital Budget of \$155.6M (excluding internal transfers and debt repayments) is included in the figures below as are the amounts relating to capital projects from previous years' Capital Budgets which remain active. The current balance committed to active capital projects is \$323.4M.

The tables in this report are presented on a cash-basis, that is, actual progress payments that have been made up to September 30, 2018. The following diagram provides a breakdown of the capital projects spending at September 30, 2018 by program type:

#### **Actual Active Capital Expenditures as of September 30, 2018**





**Table 1: Active Capital Projects by Program (in \$'000s)**

Program	Plan Year	Adjusted Budget	Actuals as at September 30, 2018	Expected Commitments / Work In Progress
Infrastructure Program	2018	\$71,869	\$11,362	\$60,507
	2017	40,074	17,986	22,088
	2016	59,218	21,502	37,716
	2015	8,783	5,314	3,469
	2014 & older	14,592	11,194	3,398
<b>Infrastructure Program Total</b>		<b>\$194,536</b>	<b>\$67,358</b>	<b>\$127,178</b>
Building Program	2018	43,717	2,843	40,874
	2017	10,385	5,335	5,050
	2016	1,129	629	500
	2015	1,320	1,260	60
	2014 & older	143,101	122,919	20,182
<b>Building Program Total</b>		<b>\$199,652</b>	<b>\$132,986</b>	<b>\$66,666</b>
Parks Program	2018	11,390	631	10,759
	2017	8,624	2,177	6,447
	2016	14,031	9,992	4,039
	2015	4,500	2,911	1,589
	2014 & older	12,961	9,623	3,338
<b>Parks Program Total</b>		<b>\$51,506</b>	<b>\$25,334</b>	<b>\$26,172</b>
<b>Construction Related Programs</b>		<b>\$445,694</b>	<b>\$225,678</b>	<b>\$220,016</b>
Affordable Housing Program	2018	620	-	620
	2017	11,285	6,305	4,980
	2016	1,090	271	819
	2015	125	-	125
<b>Affordable Housing Program Total</b>		<b>\$13,120</b>	<b>\$6,576</b>	<b>\$6,544</b>
Child Care Program	2018	220	110	110
	2014 & older	279	177	102
<b>Child Care Program Total</b>		<b>\$499</b>	<b>\$287</b>	<b>\$212</b>
Equipment Program	2018	10,326	1,415	8,911
	2017	11,768	7,749	4,019
	2016	6,120	3,047	3,073
	2015	5,867	4,336	1,531
	2014 & older	2,773	2,094	679
<b>Equipment Program Total</b>		<b>\$36,854</b>	<b>\$18,641</b>	<b>\$18,213</b>
Land Program	2018	10,000	-	10,000
	2017	16,020	26	15,994
	2016	26,200	4,184	22,016
	2015	42,100	22,535	19,565
<b>Land Program Total</b>		<b>\$94,320</b>	<b>\$26,745</b>	<b>\$67,575</b>
Public Art Program	2018	400	101	299
	2017	911	367	544
	2016	1,068	423	645
	2014 & older	3,638	3,270	368
<b>Public Art Program Total</b>		<b>\$6,017</b>	<b>\$4,161</b>	<b>\$1,856</b>
Contingent External Contribution	2018	8,948	-	8,948
<b>Contingent External Contribution Total</b>		<b>\$8,948</b>	<b>\$-</b>	<b>\$8,948</b>
<b>Non-Construction Related Programs Total</b>		<b>\$159,758</b>	<b>\$56,410</b>	<b>\$103,348</b>
<b>Grand Total</b>		<b>\$605,452</b>	<b>\$282,088</b>	<b>\$323,364</b>

Included in the 2018 Capital Plan (2018-2022 Financial Plan Bylaw) is an estimate of \$10M for external grants or contributions that may be received throughout the year. As external funding is confirmed, funding is transferred to the approved applicable projects.

### Highlights of Key Construction Related Capital Projects

Information on key capital projects includes the project budget, inclusive of transfers from other projects and budget amendments, actuals on a cash-basis, and the remaining commitments as at September 30, 2018.

## **INFRASTRUCTURE**

The City's Infrastructure program includes construction for road, lane, street system, public walkways and paths, street lighting, water distribution network, sanitary sewer system, and drainage and flood protection systems. Many of the active infrastructure projects are in the design and permitting stage. With the current Provincial and Federal regulatory framework, the design and approval process for many drainage projects (including pump stations and dike upgrades) can take one to two years.

There is a continued upgrade for pump stations, dikes and roads city wide along with infrastructure improvements at Broadmoor Boulevard, No. 2 Road and various areas.

**Table 2: Key Infrastructure Capital Projects (in \$'000s)**

Program	Project Name	Adjusted Budget	Actuals as at September 30, 2018	Expected Commitments / Work In Progress
Roads	2018 Paving Program - Various Locations - City-Wide (2018)	\$4,531	\$1,376	\$3,155
Roads	No. 2 Rd Multi-Use Pathway and Intersection Improvements - Steveston Hwy to Dyke Road (2016)	11,000	4,186	6,814
Roads & Water	River Parkway Extension (2018)	14,245	15	14,230
Drainage	Laneway Drainage Upgrade - Broadmoor Boulevard North (2018)	1,183	779	404
Drainage	Drainage Pump Station & Diking Upgrades incl. Provincial Grant* (2016)	28,186	3,338	24,848
Water	Spires Area Sanitary, Water, and Drainage Upgrades (2016)	4,500	2,657	1,843
Water	Mowbray, Pigott, and Saunders Area Watermain Replacement (2018)	3,411	1,058	2,353
<b>Total Key Infrastructure Capital Projects</b>		<b>\$67,056</b>	<b>\$13,409</b>	<b>\$53,647</b>

\*Adjusted budget for Drainage Pump Station & Diking Upgrades incl. Provincial Grant includes: i) \$28M of provincial Flood Protection Program Contribution and ii) a budget transfer of \$ 0.18M from Public Works Infrastructure Advanced Design (2013 and 2016) for the completed works relating to the Flood Protection Program.



Please see Attachment 1 for Q3 2018 Construction Update Memo. This attachment includes the project budget, the scheduled contract start, and the scheduled construction completion. A scheduled contract start is considered “complete” when the construction contract is awarded; the actual construction work is still in progress. Therefore, it is possible for a contract start to be “complete”, while the scheduled construction will be completed in the future.

## BUILDING

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

The City has been focused on completing the Major Facilities Phase 1 capital projects:

- Minoru Centre for Active Living (MCAL) is targeted to be open to the public in Q1 2019, and
- Fire Hall No. 1 commenced operations out of the new building on July 16, 2018

The City has also moved forward with the advanced design of Major Facilities Capital Plan Phase 2 which includes the Animal Shelter, Minoru Lawn Bowling Clubhouse, and Steveston Community Centre and Branch Library.

**Table 3: Key Building Capital Projects (in \$'000s)**

Project Name	Adjusted Budget	Actuals as at September 30, 2018	Expected Commitments / Work In Progress
Minoru Centre for Active Living (2014)	\$83,138	\$72,838	\$10,300
Fire Hall No. 1 (2014)	24,381	22,250	2,131
Phoenix Net Loft (2018)	11,500	-	11,500
Animal Shelter Replacement (2018)	8,000	-	8,000
Gateway Infrastructure Replacement* (2017, 2018)	4,395	16	4,379
Minoru Lawn Bowling Clubhouse (2018)	4,000	-	4,000
Canada Line Capstan Station (2018)	3,500	1,098	2,402
<b>Total Key Building Capital Projects</b>	<b>\$138,914</b>	<b>\$96,202</b>	<b>\$42,712</b>

\*Adjusted budget for Gateway Infrastructure Replacement includes the inclusion of \$4,010K Infrastructure Replacements (phase I) and \$385K Gateway Theatre Main Stage Lighting Replacement approved as a 2017 One-Time Expenditure.

The Gardens and Seasong Childcare Centres are completed by the developer and received as amenities. Please see Attachment 1 for Q3 2018 Construction Update Memo. This attachment includes the project budget, the scheduled contract start, and the scheduled construction completion. A scheduled contract start is considered “complete” when the construction contract is awarded; the actual construction work is still in progress. Therefore, it is possible for a contract start to be “complete”, while the scheduled construction will be completed in the future.

## PARKS

The Parks Program includes parkland acquisition program, high quality parks, trails and recreation facilities.

The key parks capital projects are summarized below and the project highlights are included in Attachment 2. Note that the percentage of completion in Attachment 2 takes into account the status of contract awards and may not be reflective of actual spending to date.

**Table 4: Key Parks Capital Projects (in \$'000s)**

Project Name	Adjusted Budget	Actuals as at September 30, 2018	Expected Commitments / Work In Progress
Garden City Lands Phase 1, 2 and 3 (2015-2018)	\$8,025	\$4,607	\$3,418
Aberdeen Park (2014, 2016-2018)	5,260	3,918	1,342
The Gardens Agricultural Park (2012, 2014, 2015)	2,267	599	1,668
Hollybridge Pier/Middle Arm* (2010, 2012, 2015)	2,350	1,380	970
Parks Aging Infrastructure (2018)	900	165	735
London / Steveston Park Enhancements (2017, 2018)	730	3	727
Playground Improvement & Replacement (2018)	500	-	500
Playground Improvement & Replacement (2016-2017)	481	273	208
Parks Identity Signage Program (2018)	200	74	126
<b>Total Key Land &amp; Parks Capital Projects</b>	<b>\$20,713</b>	<b>\$11,019</b>	<b>\$9,694</b>

\* Adjusted budget for Hollybridge Pier/Middle Arm includes a \$100K allocated from Oval West Waterfront Park - Phase 1 2012 approved budget.

### Capital Budget Reallocations

Council Policy 3001 requires changes to the Capital Budget be reported to the Finance Committee. The following reallocations, summarized by program, were recorded in the third quarter ended September 30, 2018:

**Table 5: Budget Reallocations (in \$'000s)**

Program	Original Budget	2018 Q3 Budget Transfers	Adjusted Budget
Infrastructure Program	\$647	\$348	\$995
Parks Program	410	25	435
Contingent External Contribution	9,321	(373)	8,948
<b>Transfer 1 Total</b>	<b>\$10,378</b>	<b>\$-</b>	<b>\$10,378</b>
Infrastructure Program	-	2,094	2,094
Transfer from 2018 Operating Budget*	-	(2,094)	(2,094)
<b>Transfer 2 Total</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

\* This transfer was included in the Amendments to the Consolidated 5 Year Financial Plan (2018-2022) presented to Council on October 1, 2018.



### Capital Projects Completed in the Quarter

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

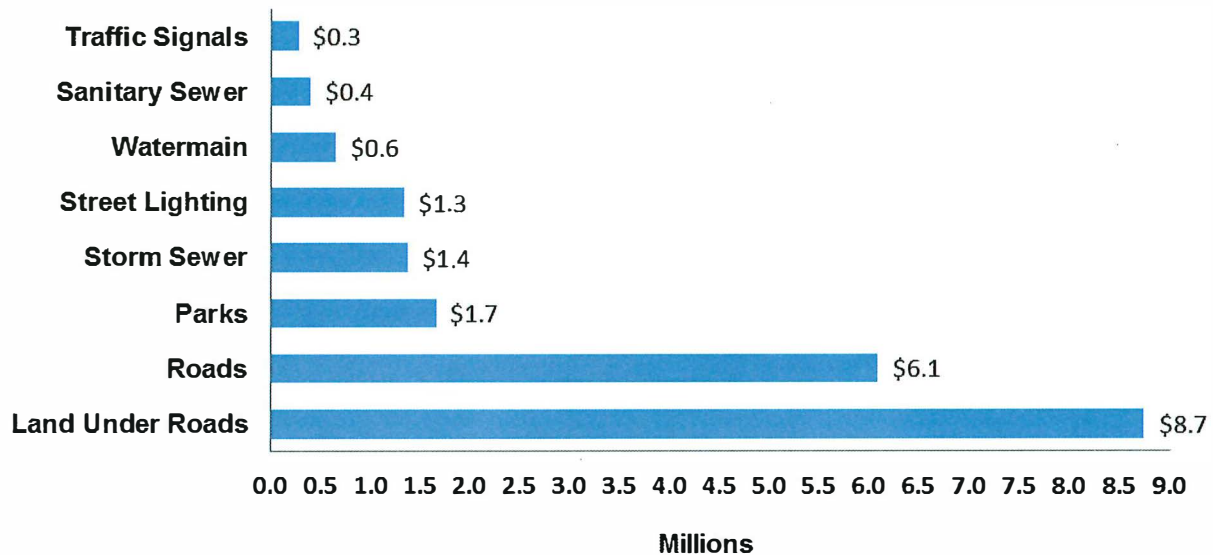
**Table 6: Projects Closed in the Quarter Ending September 30, 2018 (in \$'000s)**

Project Name	Adjusted Budget	Actuals as at September 30, 2018	Remaining Budget
Public Art (2013)	\$257	\$135	\$122
Automated Irrigation Gate Installation and Local Ditch Upgrades (2015)	300	296	4
Dike Upgrades (2015)	750	729	21
Nelson Road South Pump Station Generator (2015)	120	87	33
Queens Road North Pump Station Generator (2015)	120	106	14
Dike Upgrades (2016)	750	698	52
Drainage Pump Station Generator Upgrade (2017)	130	73	57
Drainage Pump Station Upgrade - No 2 Road North (2014)	4,400	4,363	37
Rideau Playground (2017)	240	240	-
Neighbourhood Walkway Program (2015)	475	475	-
Bridge Rehabilitation - No. 4 Road Bridge and Fraserside Gate Bridge (2015)	110	86	24
Street Light Pole Replacement - Seafair & Richmond Gardens - Phase 2 of 5 (2016)	120	120	-
Dyke Road Fraserwood Road Widening and Trail Connection (2016)	1,000	994	6
Arterial Roadway Improvement Program (2016)	307	307	-
Sidaway Road Street Lighting (2016)	250	153	97
Interim Lansdowne Road Extension - Alderbridge Way to Minoru Boulevard (2012)	3,000	2,090	910
Miscellaneous SCADA System Improvements (2016)	250	247	3
Buswell Street Gravity Sewer Installation (2014)	2,190	2,112	78
Developing Asset Models for Engineering and Public Works (2016)	150	-	150
<b>Total</b>	<b>\$14,919</b>	<b>\$13,311</b>	<b>\$1,608</b>

### Contributed Assets

Included in the 2018-2022 Financial Plan Bylaw is an estimate of \$47.4M for assets that are transferred to the City by developers. Under the Public Sector Accounting Standards, these are recorded as revenue at the fair market value at the time of contribution. The following assets totalling \$20.5M have been recorded as of September 30, 2018:

**2018 Contributed Assets as of September 30, 2018  
(in millions)**



**Financial Impact**

None.

**Conclusion**

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

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

MS:sx





## City of Richmond

### Memorandum Engineering and Public Works

**To:** Mayor and Councillors  
**From:** John Irving, P.Eng. MPA  
Director, Engineering  
**Re:** Q3 2018 - Construction Update

**Date:** October 26, 2018  
**File:** 10-6000-01/2016-Vol 01

The purpose of this memo is to provide an overview of the Capital Construction Program.

#### Flood Protection

##### Drainage Pump Station and Diking Upgrades – Provincial Grant

The City secured \$16.6 million from the Provincial Government under the Flood Protection Program. This project includes the upgrades of four drainage pump stations and diking upgrades between 2016 and 2019. The Horseshoe Slough drainage pump station construction is ongoing. Detailed designs are ongoing for the North Dike and South Dike upgrades and the drainage pump stations at No. 7 Road South, Shell Road North and No. 2 Road South.

##### Laneway Drainage Upgrade – Broadmoor Boulevard North

This project consists of installing new drainage infrastructure and surface restorations to address drainage issues in the laneway north of Broadmoor Boulevard. Construction is ongoing.

#### Roads

##### No. 2 Road Multi-Use Pathway and Intersection Improvements – Steveston Highway to Dyke Road

This project includes a multi-use shared pathway for pedestrians and cyclists on No. 2 Road between Steveston Highway and Dyke Road along with intersection improvements. Design is complete. Enabling works consisting of watermain relocation and upgrades on No. 2 Road between Moncton Road and London Road by City forces have been completed, and the main construction contract is ongoing. This project is part of the Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund which the City has secured cost share funding of \$4.95 million from the Federal government.

##### *Sustainable Practice Highlight*

*The No. 2 Road project utilizes LED roadway lighting which consumes less energy, lasts longer, and has lower maintenance costs.*

### River Parkway Extension

The scope of this project includes the construction of a two-lane road along the former railway corridor, from 200m northeast of Gilbert Road to Cambie Road. The new road will have pedestrian walkways, cycling lanes, and traffic control devices at intersections. The new road will connect to the existing Leslie Road, Gilbert Road, Cambie Road and future Minoru Boulevard as well as access to the future Middle Arm Waterfront Park. When completed this new road would replace the existing River Road between Gilbert Road and Cambie Road and provide a continuous alternate route to No. 3 Road and existing River Road. The design is completed. Construction is at the contract award stage and anticipated to start by year end.

### 2018 Paving Program – Various Locations – City-Wide

The 2018 Paving Contract construction is ongoing. Recently completed locations include 9000-11000 blocks Westminster Highway, and 9000 block Blundell Road. Upcoming locations include Cook Road (Garden City Road to Blundell Road), No. 5 Road and Daniels Road intersection, and various bike lane spot repairs.

#### *Sustainable Practice Highlight*

*The asphalt mix can contain up to 10% recycled asphalt products, which reduces the carbon footprint from construction activity.*

### Sanitary Sewers

#### Spires Area Sanitary, Water, and Drainage Upgrades

This project consists of replacing/upgrading ageing sanitary sewers and watermains and installing new storm sewers, and in the Cook & Spires neighbourhood. Construction of the perimeter watermain on Cook Road and Cooney Road has been completed. The internal subdivision sanitary, drainage and waterworks construction is ongoing.

### Water

#### Mowbray, Pigott, and Saunders Area Watermain Replacement

This project replaces and upsizes ageing watermains at the end of their service life with PVC pipe, in line with the City's Ageing Infrastructure Replacement Strategy. This will minimize unplanned maintenance and improve fire protection. Construction has commenced.

### Buildings

#### Minoru Centre for Active Living

The Minoru Centre for Active Living project remains on budget. Building envelope is complete, while mechanical, electrical, interior finishes, and civil/landscape works are ongoing.

#### *Sustainable Practice Highlight*

*The Minoru Centre for Active Living is designed to meet the LEED Gold Standard and incorporate sustainability features such as low flow fixtures and wastewater heat recovery.*

Fire Hall No. 1

This project was completed on budget. Richmond Fire Rescue moved into the facility in July. The Grand Opening Ceremony was held on September 15, 2018.

*Sustainable Practice Highlights*

*Fire Hall No. 1 construction will include installation of solar photovoltaic roof panels, substantially offsetting power needs.*

*Fire Hall No. 1 has been designed to meet the LEED Gold Standard and will have the ability to meet Net Zero energy in the future.*

Minoru Lawn Bowling Clubhouse

Based on Council feedback, staff are preparing a revised report which includes the building program, site location and budget development. The report for Council is scheduled for presentation in Q4 2018. Public engagement is ongoing and concept design is being coordinated with the Minoru Park Vision Plan.

City Centre Community Police Relocation

Program development has been coordinated and confirmed with the RCMP and design is underway. A contractor shortlist has been completed through an Expression of Interest process and it is anticipated that construction will commence in early 2019.

Childcare Centres

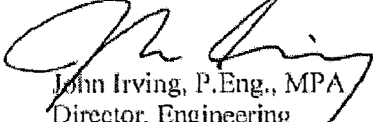
The construction of the Gardens Childcare is complete and the Grand Opening Ceremony was held on June 29, 2018. The construction of the Seasing Childcare is also complete and the Grand Opening Ceremony was held on September 14, 2018.

Gateway Theatre

Council approved funding as part of the 2018 Capital Program to complete Phase I which includes structural, electrical, lighting and building envelope upgrades. Phase II funding is part of the 2019 Capital Program for Council consideration. Design is anticipated to be complete by the 1<sup>st</sup> quarter 2019. Construction is anticipated to commence by the 2<sup>nd</sup> quarter 2019 and is being coordinated with theatre programming.

Phoenix Net Loft

Geotechnical and structural investigations are complete. Design-Build performance construction criteria is complete and design/permitting is in progress. It is anticipated design will be sufficiently advanced to request pricing by the 2<sup>nd</sup> quarter 2019 at which time a report for Council consideration will be prepared.



John Irving, P.Eng., MPA  
Director, Engineering  
604-276-4140

pc: SMT

## 2018 Capital Construction Program Update

Project Name	Scope of Work	Capital Funding (x1000)	Scheduled Contract Start	Scheduled Construction Completion
<b>INFRASTRUCTURE - ENGINEERING</b>				
<b>ROADS</b>				
1 Arterial Roadway Improvement Program - Bridgeport / Garden City / No.2 Rd	Bridgeport Rd walkway, Garden City/Odlin turn lane; No. 2 Rd walkway (Granville to Westminster)	\$304	Complete	Complete
2 Arterial Roadway Improvement Program - Oval Walkway	River Road Walkway (Oval Way to Brighthouse Way)	\$339	City Forces	Complete
3 Dyke Road/Fraserwood Way	Road widening and trail connection	\$1,000	City Forces	Complete
4 Active Transportation Improvement Program	Garden City Park/Anderson School Multi-use Pathway, Off-Gilbert Bikeway, McCutcheon Place Multi-use Pathway	\$320	City Forces	Complete
5 LED Street light Replacement Plan	Year 2- continuation of LED replacement program	\$421	City Forces	Q4 2018
6 TRANSPORTATION - Active Transportation	Westminster Hwy MUP (No. 8 Rd. to Nelson Rd.)	\$1,000	City Forces	Q4 2018
7 Neighbourhood Walkway Program	Various locations Citywide including Horseshoe Way area	\$500	City Forces	Q4 2018
8 Transit-Related Roadway Improvement Program	Various locations Citywide - Bus Pads / Bus Bays	\$350	City Forces	Q4 2018
9 River Drive - Multi-Use-Pathway	River Drive - No 4 Rd to Van Horne Way multi-use path c/w storm sewer Infill	\$1,344	City Forces	Q4 2018
10 Annual Paving Program - MRN	Annual asphalt re-paving	\$1,549	Complete	Q4 2018
11 Annual Paving Program - Non-MRN	Annual asphalt re-paving	\$2,982	Complete	Q4 2018
12 Nelson Road Improvements	Road widening from Blundell Rd to Westminster Hwy	\$4,110	Complete	Q1 2019
13 Westminster Highway Widening	Road widening from Nelson Rd to McMillan Way	\$10,351	Complete	Q1 2019
14 No. 2 Road Multi-Use Pathway and Intersection Improvements	No 2 Road from Steveston Highway to Dyke Road/London Road	\$11,000	Complete	Q2 2019
15 Sexsmith Road Multi-use-pathway	MUP-Sexsmith Road from Beckwith Road to River Road	\$495	City Forces	Q2 2019
16 Active Transportation Improvement Program	Railway Greenway intersections, Great Canadian Way walkway	\$320	City Forces	Q3 2019
17 River Parkway Road Extension - Gilbert Road to Cambie Road	River Parkway Road Extension - Gilbert Road to Cambie Road	\$14,245	Complete	Q2 2020

DRAINAGE					
18	No. 2 Road North Pump Station	Upgrade existing drainage pump station and associated dike sections	\$6,150	Complete	Complete
19	Britannia	Flood protection	\$750	Complete	Complete
20	Canal Stabilization	Various locations Citywide including No. 8 Rd	\$600	Complete	Q4 2018
21	Laneway Drainage Upgrade - Broadmoor Boulevard (North)	Laneway Drainage Upgrade - Broadmoor Boulevard (North)	\$1,183	City Forces	Q4 2018
22	Headwall Replacement and Ditch Infills	Headwall Replacement and Ditch Infills - No 9 Rd and Citywide	\$500	City Forces	Q2 2019
23	ALR Drainage Upgrades (Phases 1 and 2)	Watercourse and culvert realignment; automatic irrigation gate installation	\$1,050	City Forces	Q3 2019
24	Box culvert Repair - No 2 Rd	Citywide and at No. 2 Rd south Drainage Pump Station	\$1,500	Complete	Q4 2019
25	Gilley Road & Westminster Highway Culvert	Replacement of existing culvert at intersection	\$1,250	Q1 2019	Q4 2019
26	Horseshoe Slough Pump Station	Upgrade existing drainage pump station and associated dike sections	\$4,642	Complete	Q4 2019
27	Shell Road North Drainage Pump Station	Upgrade existing drainage pump station and associated dike sections	\$5,000	Q1 2019	Q4 2019
28	No 2 Road South Drainage Pump Station	Upgrade existing drainage pump station and associated dike sections	\$7,743	Q1 2019	Q4 2019
29	No. 7 Road South Drainage Pump Station	Replace existing drainage pump station and associated dike upgrades	\$4,800	Q1 2019	Q4 2019
30	Dike Upgrades - South Dike	South dike - No. 3 Road to Gilbert Road	\$9,000	Q1 2019	Q4 2019
31	Dike Upgrades - North and South Dikes	Dike Upgrades - Various location including North dike (at McCallan) and South dike (at No 9 Rd, No 3 Rd, Garden City Rd)	\$5,850	Q2 2019	Q4 2019
32	East Rmd- Drainage & Irrigation upgrades and studies - Steveston Hwy/Sidaway Rd/Palmberg Rd/Westminster Hwy/Gilley Rd	Various locations Citywide including Steveston Hwy, Sidaway Rd, Palmberg Rd, Westminster Hwy, and Gilley Rd	\$1,285	City Forces	Q4 2019
33	Box Culvert Repair - No 4 Rd	Box Culvert Repair - No 4 Rd and Citywide	\$1,500	Q1 2019	Q4 2019
34	East Richmond Drainage & Irrigation Upgrades - Irrigation gates and culverts	Various locations Citywide, including Blundell, Burrows, Woodward's Slough	\$466	City Forces	Q4 2019
SANITARY					
35	Buswell Street Gravity Sewer Installation	Install 480 m of sanitary gravity sewer from Granville Ave to the Buswell pump station	\$2,190	Complete	Complete
36	Gravity Sewer Replacement - South of Richmond Street between No. 1 Road and 2nd Avenue	Gravity Sewer Replacement - South of Richmond Street between No. 1 Road and 2nd Avenue	\$825	City Forces	Complete
37	Vulcan Way Sanitary Forcemain	Replacement of existing forcemain from No. 6 Road to Bridgeport Road	\$3,056	City Forces	Complete
38	City Centre(Minoru Park) and Steveston Area Sanitary Sewer	Point repairs of existing sanitary sewer/ Minoru Park sanitary-storm reconnection	\$1,529	Complete	Q4 2018
39	Sanitary Sewer Tie-in and Restoration	Sanitary Sewer Tie-in and Restoration	\$500	Complete	Q4 2018
40	Gravity Sewer Assessment Program	Citywide CCTV inspections	\$450	City Forces	Q4 2019
41	Steveston Gravity Sewer Assessment, Replacement and Rehabilitation	Steveston Gravity Sewer Assessment, Replacement and Rehabilitation	\$1,839	City Forces	Q2 2019
42	Eckersley B Sanitary Pump Station	Eckersley B Sanitary Pump Station	\$2,650	Q2 2019	Q4 2019
43	Hamilton Sanitary Pump Station/sewer/FM	Sanitary Pump station located in Hamilton VLA Park	\$1,700	Q1 2019	Q4 2019

WATER					
44	Lulu N. Watermain - Leslie & Brown area	Ph1 Leslie Rd; Ph2 Leslie Brown neighbourhood	\$2,865	City Forces	Complete
45	Watermain Replacement Program-Sealord area	Watermain Replacement Program-Sealord area	\$1,738	City Forces	Complete
46	Watermain Tie-In and Restoration	Watermain Tie-in and Restoration (18)	\$250	Complete	Q4 2018
47	Spire Area Utility Upgrades (w/o City Forces watermain construction)	Water, sanitary and drainage upgrades	\$4,500	Complete	Q4 2018
48	Watermain Replacement Program-Mowbray Pigott Saunders area	Watermain Replacement Program-Mowbray Pigott Saunders area	\$3,411	City Forces	Q1 2019
49	Thompson Gate PRV station	Water PRV in development property	\$600	Q4 2018	Q3 2019
50	Water Metering Program	Fixed base network implementation	\$2,120	Complete	Q3 2019
51	Water Metering Program	Upgrade touch pad meters to radio meters and volunteer multi-family dwelling meters	\$6,506	Complete	Q4 2019
52	Watermain Replacement River Parkway	Watermain Replacement River Parkway	\$1,015	Complete	Q2 2020

DISTRICT ENERGY					
53	Alexandra District Energy Utility (Phase 3)	DEU building and distribution pipe system expansion	\$12,100	Complete	Complete

BUILDING					
54	Fire Hall No. 1	New 25,000 sq. ft. Fire Hall on existing site	* \$24,400	Complete	Complete
55	Minoru Centre for Active Living	New Construction of an Aquatics Centre and Older Adults Centre	* \$83,100	Complete	Q4 2018
56	Watermanla	Infrastructure replacements	\$ 1,000	Complete	Q4 2018
57	Steveston Community Centre	Concept Design of replacement facility	\$ 500	Complete	Q2 2019
58	Thompson Community Centre	Infrastructure replacements	\$ 520	Complete	Q2 2019
59	City Centre Community CPO	Construction of tenant improvement for support relocation of CPO to City Hall West	\$ 5,100	Q1 2019	Q3 2019
60	Works Yard	Design of site wide infrastructure replacements	\$ 2,515	Q1 2019	Q4 2019
61	Gateway Theatre	Infrastructure Replacements (phase I)	\$ 4,010	Q2 2019	2020
62	Minoru Lawn Bowling Club	Design of upgraded facility	\$ 4,000	Q1 2019	2020
63	Phoenix Net Loft	Building stabilization	\$ 11,500	Q2 2019	2020
64	Animal Shelter	New Construction of an Animal Shelter	\$ 8,000	Q1 2019	2021
65	City Centre Community Centre North	Developer Amenity Contribution Design	\$ 25,000	Q4 2018	2022
66	Minor Capital Buildings Project Development	64 projects (roof replacement, flooring, mechanical equipment, etc.)	\$ 3,715	60%	

\*Includes multi-project contingency



**Capital Highlights****Community Services/Parks***Garden City Lands Phase 1, 2 and 3:*

Approved Budget: \$8,025,000 (2015, 2016, 2017 &amp; 2018 ) 60% Complete

- The Garden City Lands - Legacy Landscape Plan was endorsed by Council in June 2014. An in-depth study of the site's hydrological and ecological conditions was completed as guidance for the refinement of the Legacy Landscape Plan including detailed design of water management infrastructure and perimeter trails.
- Preparation of the farm area licensed to Kwantlen Polytechnic University has been completed and farming began in June 2018.
- Tree and shrub planting for the agricultural buffer around the site perimeter has been completed; watering of new planting areas to occur throughout Summer 2018.
- Perimeter Path construction has been completed and portions of the perimeter path opened to the public in June 2018.

*Aberdeen Park:*

Approved Budget: \$5,260,000 (2014, 2016, 2017 &amp; 2018) 75% Complete

- Council approved the naming of this new park at Cambie Road and Hazelbridge Way in July of 2017 from Cambie City Centre to Aberdeen Park.
- The tender for Phase 1 park construction was awarded in June 2017 and construction was completed in June 2018.
- The official park opening was held on July 19, 2018.
- Phase 2 design is underway and will be constructed in 2019.

*The Gardens Agricultural Park:*

Approved Budget: \$317,000 (2012) &amp; \$1,950,000 (2014, 2015) 55% Complete

- City construction for Phase 1 has been partially completed along with Servicing Agreement works completed by Townline Homes in Fall 2014.
- Rehabilitation of the existing park features such as pathways, landscaping and planting will be completed by Fall 2018 with the park anticipated to be open to the public in 2018.
- Full implementation of the approved park concept is currently on hold due to the potential impacts of the George Massey Tunnel project.

*Parks Aging Infrastructure 2018:*

Approved Budget: \$900,000 (2018) 30% Complete

- King George Spray Park Resurfacing was completed on June 22, 2018.
- No. 2 Road Pier – Structural Conditional Assessment was completed in August 2018. Planning and preparation for the construction repairs scheduled for April 2019.
- Nature Park Boardwalk Replacement - Planning & Design completed. Construction underway and anticipated to be completed by April 2019. New construction will include 300 meters of 8 feet wide accessible boardwalk along the Nature Park pond trail.

*Parks Identity Signage Program:*

Approved Budget: \$200,000 (2018)	65% Complete
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- Terra Nova Wayfinding for the Rural Park and Natural Area fabricated and installed over 25 locations throughout the 100 acres park site.
- Terra Nova Identity signage in-progress with multiple entrances and signs being fabricated and installed Fall 2018.
- Community Garden ID and regulatory signage installed across ALL community gardens in the system.
- Garden City Lands identity signage and perimeter trail markers installed.
- City Centre urban ID signage installed at Lang Park, Aberdeen. Additional signs for Capstan area, Concorde Gardens, Richmond Oval, etc. are in-progress with installation to be done thru this Winter.

*Playground Improvement & Replacement:*

Approved Budget: \$481,000 (2016 & 2017)	65% Complete
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*Palmer Garden City Neighbourhood School Park Playground:*

- An RFP for design-build services has been issued and the contract is to be awarded by the end of 2019.
- Playground construction to start early Summer 2019 and be completed by the start of the school year.

*Richmond Nature Park Playground Expansion*

- The playground expansion was completed July 2018 and is open to the public.
- Some minor surrounding site works and tree planting to take place after the boardwalk replacement is completed.

*Playground Improvement & Replacement:*

Approved Budget: \$500,000 (2018)	15% Complete
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*Talmey Neighbourhood School Park Playground*

- Concept plan and scope of work to be completed Winter 2018.
- An RFP for design-build services to be issued early 2019.
- Anticipated playground construction completion is Summer 2019 before the start of the school year.

*South Arm Community Park Playground*

- Awaiting notification whether or not the City will be awarded a Jumpstart grant for this playground.

## London/Steveston Park Enhancements:

Approved Budget: \$730,000 (2017 &amp; 2018)

30% Complete

- Detailed design for site grading, trails and tree planting is complete
- Construction to start Spring 2019

## Hollybridge Pier/Middle Arm:

Approved Budget: \$2,350,000 (2012 &amp; 2015)

30% Complete

- Continuation of the Oval West waterfront development as part of the Middle Arm waterfront with a new public pier at the end of Hollybridge Way.
- Contract for design services for the pier has been awarded to Amec Foster Wheeler.
- Contract for construction services for the pier has been awarded to Fraser River Pile & Dredge
- **Project delayed.** Awaiting permitting/construction approval from the Ministry of Forest, Lands and Resources Operations. **Anticipated construction to start in August 2019.**



# City of Richmond

## Report to Committee

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**To:** Finance Committee

**Date:** December 5, 2018

**From:** George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

**File:**

Andrew Nazareth  
General Manager, Finance and Corporate Services  
& Chief Financial Officer, Richmond Olympic Oval

**Re:** Richmond Olympic Oval - 3<sup>rd</sup> Quarter Financial Information

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### Staff Recommendation

That the report on Financial Information for the Richmond Olympic Oval Corporation for the third quarter ended September 30, 2018 from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

Andrew Nazareth  
General Manager, Finance and Corporate Services  
& Chief Financial Officer,  
Richmond Olympic Oval

**DATE:** November 30, 2018

**TO:** George Duncan  
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth  
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills  
Chief Operating Officer, Richmond Olympic Oval Corporation

**FROM:** Rick Dusanj, CPA, CA  
Controller, Richmond Olympic Oval Corporation

**Re:** **Richmond Olympic Oval Corporation – 3<sup>rd</sup> Quarter 2018 Financial information**

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**Origin**

This staff report deals with the third quarter financial results for the 3-month period from July 1<sup>st</sup>, 2018 to September 30<sup>th</sup>, 2018 ("Q3") which was endorsed by the Corporation's Board of Directors.

**Highlights**

The first nine months of operations in 2018 for the Corporation reflect a positive performance with overall metrics and financial performance tracking strongly. The following are some of the highlights of the activities undertaken by the Corporation during Q3.

Community Use

As of October 31<sup>st</sup>, the Oval has maintained an active base of over 6,100 pass holders for nine consecutive months. At the end of Q3 2018, a total of 81% of Oval members were from the Richmond community. Members typically use the facility for a variety of activities including fitness, drop-in sports, group fitness classes, etc.

Oval Canada Day activities included activations at both SalmonFest and McArthurGlen Outlet malls. The SalmonFest activities included a large booth set up, a portable climbing wall and sport demo stations. McArthurGlen included three Yoga and three cycling classes in the main square which were filled to capacity.

Summer camps were very successful this year with the highest registration to date for Community Sport summer camps. One of the camp offerings this year included a basketball camp delivered by Canadian NBA player Jamal Murray which had 180 participants.



As in previous quarters, community group use continued to constitute the majority of Oval usage in Q3. Some of the community groups from Richmond or groups with strong Richmond based participation include, but are not limited to, Richmond Minor Hockey, Vancouver Ki Society, Richmond Ravens, Connaught Figure Skating, Brazilian Soccer School, Volleyball BC, DRIVE Basketball, Metro Basketball League, Dynamo Fencing, Greater Vancouver Canadians, the John MS Lecky Boathouse, Urban Rec, Zone Golf Academy, Aura Rhythmic Gymnastics, the Non-Contact Hockey League and Panther Cheer.

#### Sport Development and Events

Some of the highlights from Sport Hosting and Events held at the Oval during Q3 included the BC Sport Rep Association Trade Show, World Cup Field Painting, NECAC Summer Family Day, John Dumont Basketball 3x3 Classic, Hooplaw Basketball Tournament, International Taekwondo Canada Cup, Linus Tech Expo, Katana Jiu Jitsu Tournament, Noah Yelazaroff Memorial 3x3 Hockey Tournament, Heroes Challenge (Make a Wish Foundation) and the Rehab Expo. The Corporation planned and delivered the 4th annual Forever Young 8K Run in September.

Future events secured in Q3 included the 55+ BC Games, Vancouver International Swordplay Symposium, Free Style Canada Judges Clinic, special olympics powerlifting camp, Battle of the Badges International basketball tournament, Vancouver Dragon's basketball home games, Linus Tech Expo 2019, Richmond Home Show, Fire Flight Cultural Performance, Dawn Wall film presentation and the RYU Warehouse Sale.

Q3 was an exciting quarter for the Oval's High Performance (HP) department. Events and training camps occurring during Q3 including the 2018 Volleyball Canada Cup, Ultimate Scouting Hockey Camp, Volleyball BC Baden Cup, Volleyball BC Training Camp, Vancouver FC preseason training camp, Canada Games squash training camp, BC Para-Nordic camp and two Learn to speed skate clinics in partnership with the Richmond Rockets.

National Team athletes training at the Oval during Q3 as part of formal training groups included athletes from Volleyball Canada, Field Hockey Canada, Canadian Wheelchair Sports, BMX Canada and Softball Canada.

Notable athlete successes during Q3 included:

- Ian Ryder won the U18 gold and U21 gold at the Canada Cup and Caleigh Kuramoto won U18 bronze. Ian went on to win U18 Gold and U21 Bronze at the Pan American Championships
- Volleyball Canada Women's National Team swept their Pan Am Group and secured a spot at the 2019 Pan Am Games.
- Field Hockey Canada junior national team member Alexis De Armond was named the best female player at the 6-Nations Tournament in Europe.

- Peter Isherwood won his first international match at the U.S Para Table Tennis Open. Peter also played for the provincial Wheelchair Rugby Team and competed in athletics during the 2017/18 seasons.
- Citius women's table tennis team was 1st place and Citius men's team placed 2nd at the 2018 Canada Cup. Cindy Wang won 1st in women's singles and Gu Meng won 3rd.

#### Governance

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

#### Financial

The first 9 months of 2018 has been successful for the Corporation. The YTD results for the 9 months ended September 30, 2018 were budgeted at an income before transfers to reserves/provisions of \$432,000 and the actual results show income of \$1,184,000 indicating a favorable variance of \$752,000 (please see page 4 for the Corporation's balance sheet as of September 30, 2018 and page 5 for the statement of operations). In Q3, \$335,000 was allocated to the reserves/provisions.

#### **Comments on the Financial Results for Q3**

##### Revenues

The Q3 portion of the estimated 2018 Games Operating Trust Fund ("GOT") distribution of \$721,000 was recognized as revenue. Memberships, admissions and programs revenue was \$2,239,000 in Q3 and other revenue of \$511,000 primarily pertained to sponsorship, space leasing, parking, and interest revenue. Overall, revenue was \$69,000 favorable to budget

##### Expenses

Memberships, admissions and program services costs for Q3 2018 were \$1,541,000, facility operations costs were \$1,179,000, marketing expenses were \$123,000, and administration and finance expenses were \$696,000. Overall, expenditures were \$135,000 favorable to budget.



Rick Dusanj, CPA, CA  
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner  
Director, Administration & Corporate Services, Richmond Olympic Oval Corporation

**RICHMOND OLYMPIC OVAL CORPORATION****Balance sheet****As at September 30, 2018****Unaudited, prepared by management**

		<b>Sept 30, 2018</b>
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	\$	1,016,817
Investments		13,001,205
Inventory		157,902
GOT receivable		-
Accounts receivable		692,296
		<u>14,868,220</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities		1,308,526
Deferred revenue		8,166,817
Rental deposits		9,263
		<u>9,484,606</u>
Net financial assets		5,383,614
<b>Non-Financial Assets</b>		
Tangible capital assets		11,893,709
Deferred lease costs		57,176
Prepaid expenses and other deposits		152,017
		<u>12,102,901</u>
Accumulated Surplus (Note 1)	\$	17,486,515
<b>Note 1 - Breakdown of accumulated surplus account is as follows:</b>		
Investment in capital assets		9,490,266
Reserves/Provisions		5,898,833
Common Shares		1
Surplus		2,097,416
		<u>17,486,515</u>

# **RICMOND OLYMPIC OVAL CORPORATION**

## **Statement of Operations**

**For the quarter ended September 30, 2018**

**Unaudited, prepared by management**

	QTR 3 2018			\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	QTR 3 2017			YTD ended September 30, 2018			YTD ended September 30, 2017			2018 BUDGET
	BUDGET	ACTUAL				ACTUAL		BUDGET	ACTUAL	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	ACTUAL			
REVENUES															
2010 Games Operating Trust Fund	725,000	720,681	(4,319)	-1%	688,336		2,175,000	2,178,773	3,773	0%	2,116,336		2,900,000		
Contribution from City of Richmond	862,861	862,861	-	0%	844,287		2,588,584	2,588,584	-	0%	2,532,858		3,451,446		
Memberships, admissions and programs	2,177,351	2,238,507	61,156	3%	2,074,286		6,318,161	6,292,314	(25,847)	0%	6,027,750		8,347,591		
Other	499,336	511,002	11,666	2%	465,316		1,611,008	1,631,309	20,301	1%	1,448,077		2,110,345		
	4,264,548	4,333,051	68,503	2%	4,072,224		12,692,753	12,690,980	(1,772)	0%	12,125,022		16,809,382		
EXPENSES															
Memberships, admissions, and program services	1,572,142	1,541,157	30,985	2%	1,506,634		4,488,032	4,321,484	166,549	4%	4,277,590		5,924,776		
Facility Operations	1,142,197	1,179,322	(37,125)	-3%	1,173,283		3,470,209	3,413,232	56,977	2%	3,277,686		4,604,527		
Marketing	162,797	122,642	40,155	25%	162,612		470,728	308,509	162,219	34%	409,049		608,575		
Admin/Finance	799,194	696,464	102,730	13%	681,089		2,481,781	2,136,281	345,500	14%	2,311,550		3,288,065		
Amortization	449,997	452,098	(2,101)	0%	371,082		1,349,993	1,327,624	22,369	2%	1,118,328		1,800,000		
	4,126,327	3,991,683	134,644	3%	3,894,700		12,260,743	11,507,129	753,614	6%	11,394,204		16,225,943		
FIN															
Net Income (Note 1)	138,221	341,368	203,147	147%	177,524		432,010	1,183,851	751,841	174%	730,818		583,439		

Note 1 - In Q3, \$335,000 was transferred into reserves/provisions. The total transfers to capital reserves vary from quarter to quarter and will be finalized by the Capital Works Committee in accordance with the operating agreement.

Numbers may be off due to rounding.



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** November 28 2018

**From:** John Irving, P.Eng., MPA  
Director, Engineering  
Chief Executive Officer, Lulu Island Energy  
Company

**File:** 10-6600-10-01/2018-Vol 01

Jerry Chong, CPA, CA  
Director, Finance  
Chief Financial Officer, Lulu Island Energy  
Company

**Re:** Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information

### Staff Recommendation

That the Lulu Island Energy Company report titled “Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information” dated November 28, 2018 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

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

Jerry Chong, CPA, CA  
Director, Finance and  
Chief Financial Officer,  
Lulu Island Energy Company  
(604-276-4064)

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY 1A / 5B	INITIALS: 
APPROVED BY CAO 	



## Staff Report

### Origin

Since 2009, City staff have been implementing district energy projects and providing Richmond's residents with heating and cooling energy services from sustainable district energy systems. Council adopted the program with the objectives that:

- the district energy utility (DEU) will provide end users with energy costs that are competitive with conventional system energy costs based on the same level of service, and
- Council retains the authority of setting customer rates, fees and charges for DEU services.

In 2013 the Lulu Island Energy Company (LIEC) was established as a wholly owned corporation of the City of Richmond for the purpose of managing district energy utilities on the City's behalf. As approved by Council in April 2014, Council authorized City staff to execute a District Energy Utilities Agreement between the City and LIEC, assigning LIEC the function of providing district energy services on behalf of the City, including partnering with third parties to deliver such services.

This supports Council's 2014-2018 Term Goal #4 Leadership in Sustainability:

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

*4.1. Continued implementation of the sustainability framework.*

*4.2. Innovative projects and initiatives to advance sustainability.*

This supports Council's 2014-2018 Term Goal #6 Quality Infrastructure Networks:

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

*6.1. Safe and sustainable infrastructure.*

*6.2. Infrastructure is reflective of and keeping pace with community need.*

### Background

#### District Energy Utilities as Part of a Sustainable Community

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce community greenhouse gas (GHG) emissions 33 per cent below 2007 levels by 2020 and 80 per cent by 2050. The OCP also includes a target to reduce energy use 10 per cent below 2007 levels by

2020. Richmond's Community Energy & Emissions Plan (CEEP) identifies that buildings account for about 64 per cent of energy consumption in Richmond, and 43 per cent of GHG emissions; residential developments especially are prime energy consumers in the community. Richmond is growing, with today's population expected to increase by 35 per cent by 2041, and employment by 22 per cent. This growth will be accompanied by new building development, the majority of which will occur in Richmond's City Centre.

In this context, shifting to more sustainable energy systems for buildings will support the City's climate and energy targets. Sustainable energy systems have the following characteristics:

- Use energy wisely – e.g. they are efficient, minimize consumption, minimize waste energy, and use low carbon sources of energy.
- Increase energy security by being reliant and resilient – e.g. they minimize price volatility, incorporate localized systems to avoid being completely dependent on external systems, and are adaptable to future technologies and energy sources.
- Have low-carbon intensity – e.g. they emit zero to low GHG emissions.
- Are cost-effective and do not result in unacceptable impacts (social, environmental or economic).

Based on the above criteria, the City has identified district energy utilities (DEUs) as a key component of sustainable energy systems that can be implemented in neighbourhoods undergoing redevelopment. Some of the key benefits of a DEU are as follows:

- Reduced building capital and operations costs – DEUs replace the need for individual buildings to have their own boilers or furnaces, chillers or air conditioners, resulting in capital cost and maintenance cost savings.
- Efficiency – DEUs can operate more efficiently than typical stand-alone building mechanical systems, thereby reducing emissions and costs.
- Reduced emissions through using renewable energy and waste energy sources – DEUs can use renewable sources such as sewer heat recovery, geothermal, biomass, combined heat and power generation, and other technologies with the potential for very low emissions. Moreover, DEUs can capture and use waste heat from industrial, commercial and institutional use (i.e. ice surfaces and wastewater treatment plants).
- Reliability – DEUs use proven technology; most DEU's operate with a high reliability rate.
- Resiliency – District energy systems' ability to make use of multiple different fuel sources allow DEUs to incorporate new energy source opportunities in the future, providing financial and environmental resiliency and mitigating the potential for volatility in thermal energy prices.

### District Energy in Richmond

LIEC currently owns and operates the Oval Village District Energy Utility (OVDEU), Alexandra District Energy Utility (ADEU), and City Center District Energy Utility (CCDEU), as well as advances new district energy opportunities. Attachment 1 indicates the current and planned future DEU areas throughout Richmond. LIEC has been recognized for excellence, leadership, innovation and sustainability through receiving thirteen awards since the company's inception, ranging from the provincial to international scale.

LIEC currently services eight buildings in the OVDEU service area, containing over 1,700 residential units. Energy is currently supplied from the two interim energy centres with natural gas boilers which combined provide 11 MW of heating capacity. When enough buildings are connected to the system, a permanent energy centre will be built which will produce low carbon energy. Currently the OVDEU is planned to harness energy from the Gilbert Trunk sanitary force main sewer through the implementation of the permanent energy centre in 2024. Over the next 30 years, the OVDEU system is anticipated to reduce GHG emissions by more than 52,000 tonnes of CO<sub>2</sub> as compared to business as usual<sup>1</sup>. OVDEU is developed under a concession agreement with Corix Utilities Inc (Corix). During the concession period (30 years), Corix will design, build, finance and operate the OVDEU and will supply energy services to LIEC; LIEC owns the assets and Council sets customer rates.

LIEC provides heating and cooling services to five residential buildings, the large commercial development at "Central at Garden City", the Richmond Jamatkhana temple and Fire Hall #3, in total connecting over 1450 residential units and over 1.6 million square feet of floor area in the ADEU service area,. While some electricity is consumed for pumping and equipment operations, almost 100% 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 backup and peaking natural gas boilers and cooling towers in the energy centre have operated for only a few days throughout the system's operation to date. LIEC staff estimate that this has eliminated 2,340 tonnes of GHG emissions in the community.

### **Financial Impact**

None.

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<sup>1</sup> Assumed that all energy was provided for heating. The business-as-usual (BAU) assumed that 40% of the building heating load would be provided from electricity and the remaining 60% would be from gas make-up air units.

## **Conclusion**

The LIEC 3<sup>rd</sup> Quarter Financial Information approved by LIEC Board is presented to Council for information.



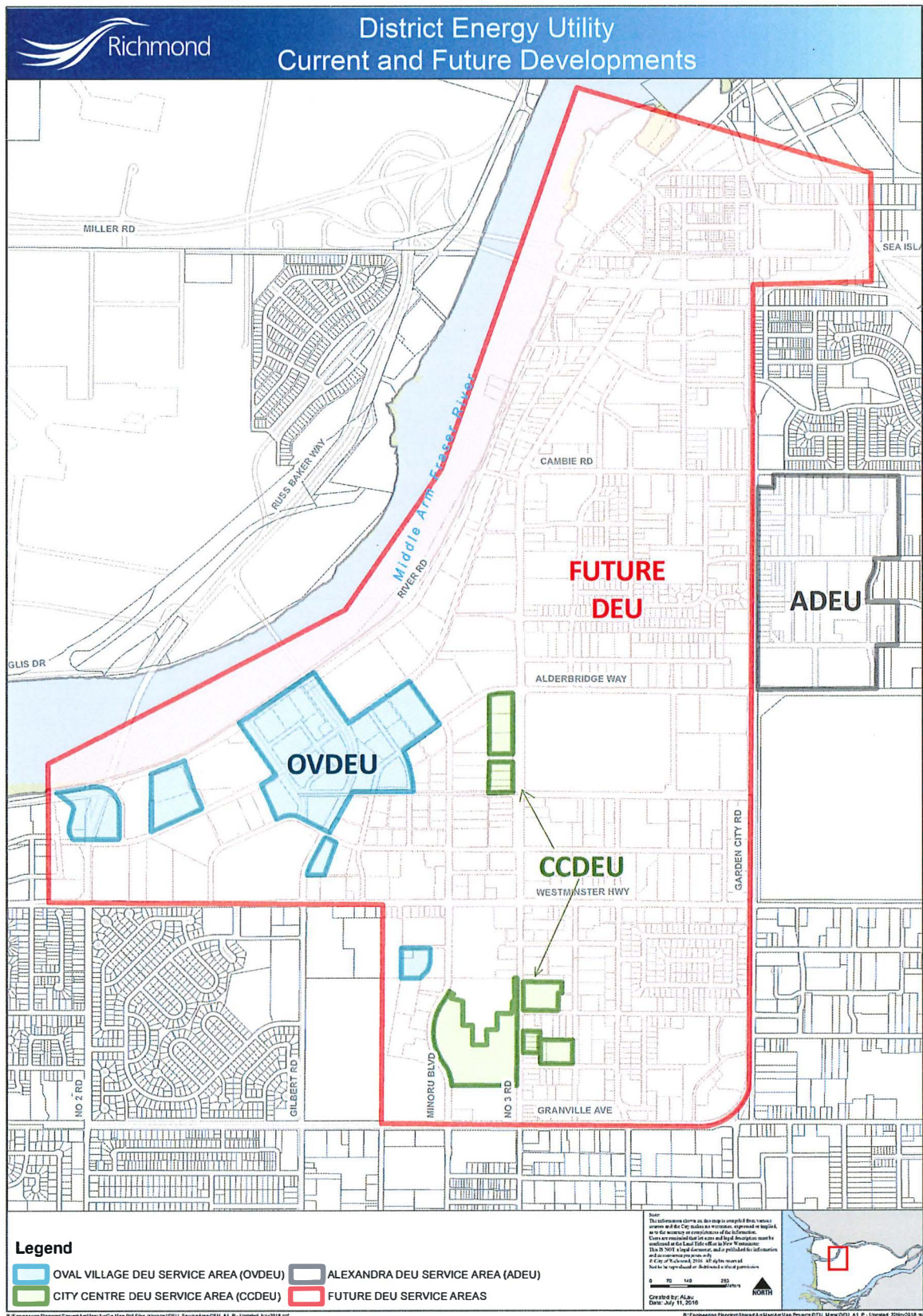
Peter Russell, MCIP RPP  
Senior Manager, Sustainability and District Energy  
(604-276-4130)

AP

Att. 1: Map of Current and Future District Energy Utility Areas in Richmond

Att. 2: Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information

# Attachment 1 – Map of Current and Future District Energy Utility Areas in Richmond



## Attachment 2 – Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information



6911 NO. 3 ROAD  
RICHMOND, BC V6Y 2C1

### Report

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**DATE:** November 8, 2018

**TO:** Board of Directors

**FROM:** Helen Zhao, Controller

**Re:** Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information

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#### Staff Recommendation

That the 3<sup>rd</sup> Quarter Financial Information as presented in the report titled “Lulu Island Energy Company – 3<sup>rd</sup> Quarter Financial Information” dated November 8, 2018 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company, 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. This report was prepared with the objective to provide pre-audited financial information to the Board and LIEC’s shareholder, represented by Richmond City Council.

#### Analysis

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The LIEC’s pre-audited Q3 financial information consists of a Statement of Comprehensive Income, which includes a summary of revenues, expenses, other activities and net income for the quarter (included in Attachment 1).

#### Revenues

The metered billing revenue reflects energy sales. The total metered billing revenue of \$2,540,723 has slightly exceeded budget, with \$1,192,292 earned from the Oval Village District Energy Utility (OVDEU) and \$1,348,432 earned from the Alexandra District Energy Utility (ADEU).



### Cost of Sales

The cost of sales is the accumulated total of expenses attributable to the metered billing revenue, which includes utilities (electricity and natural gas), contract services and amortization expenses. Overall, the cost of sales of \$1,798,373 is in line with the budget. The contract expense is above budget by 2% mainly due to unscheduled repairs and maintenance. The utility expenses are slightly higher than the budget because of higher energy use by customers, which is in line with the revenue increase.

### General and Administration Expenses

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expenses, professional fees, etc. The administration expenses include the overhead allocation paid by LIEC to the City of Richmond for the support provided by the City. Overall, the general and administration expenses have a favorable variance of 6%.

### Contributions and Financing Expense

The contributions and financing expense section represents other sources of revenue and financing expense for the business. The finance income refers to interest earned on term deposits. The income is higher than the budget due to increased interest rates during the year. The financing expense is lower than the budget mainly due to timing of additional capital required in construction. Overall, there is a favorable variance.

LIEC's EBITA (earnings before interest, tax, and amortization), used as a proxy to measure LIEC's financial performance, at the end of the third quarter is 6% higher than the budget. The net income at the end of the third quarter is \$676,863. Consistent with strategic objectives, the net income is being set aside in LIEC's equity to build a reserve fund for future capital replacement.

### **Financial Impact**

None.

### **Conclusion**

The pre-audited financial information shows that LIEC's financial position is positive.



Helen Zhao, CPA, CA  
Controller

Attachment 1: Summary of Q3 Financial Information (unaudited)

# Attachment 1 – Summary of Q3 Financial Information (unaudited)

	2018 Q3 Actual	2018 Q3 Budget	\$ Changes	% Change
<b>Revenues</b>				
Metered Billings (Quarterly)	\$ 2,540,723	\$2,534,343	6,380	0%
Service fee	700,661	700,661	-	-
	3,241,385	3,235,004	6,380	0%
<b>Cost of Sales</b>				
Contracts	499,404	491,677	7,727	2%
Utilities	442,779	439,388	3,391	1%
Amortization	856,190	848,538	7,652	1%
	1,798,373	1,779,603	18,770	1%
<b>Gross margin</b>	<b>1,443,011</b>	<b>1,445,401</b>	<b>(12,390)</b>	<b>(1%)</b>
<b>General and Administration Expenses</b>				
Salaries and benefits	453,448	461,545	(8,096)	(2%)
Administration expenses	82,091	100,137	(18,046)	(18%)
Insurance	65,761	65,000	761	1%
Professional Fees	31,128	48,750	(17,622)	(36%)
	632,429	675,432	(43,003)	(6%)
<b>Net income before other items</b>	<b>810,582</b>	<b>779,970</b>	<b>30,613</b>	<b>4%</b>
<b>Contributions and Financing expense</b>				
Developer contributions	80,070	64,744	15,326	24%
Energy modeling review fee	21,540	20,000	1,540	8%
Finance income	74,129	30,000	44,129	147%
Financing expense	(309,458)	(314,639)	5,181	(2%)
	(133,720)	(199,896)	66,176	(33%)
<b>Net Income</b>	<b>\$676,863</b>	<b>\$580,074</b>	<b>\$96,789</b>	<b>17%</b>
<b>Earnings before interest, taxes and amortization (EBITA)</b>				
Net income per above	676,863	580,074	96,789	17%
Financing expense	309,458	314,639	(5,181)	(2%)
Amortization expense	856,190	848,538	7,652	1%
<b>EBITA</b>	<b>1,842,511</b>	<b>1,743,251</b>	<b>99,260</b>	<b>6%</b>



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** October 26, 2018

**From:** John Irving, P.Eng., MPA  
Director, Engineering  
Chief Executive Officer, Lulu Island Energy  
Company

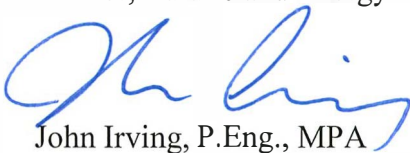
**File:** 10-6600-10-01/2018-Vol 01

Jerry Chong, CPA, CA  
Director, Finance  
Chief Financial Officer, Lulu Island Energy  
Company

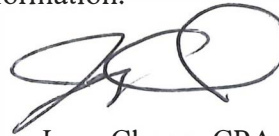
**Re:** 2019 Operating Budget for the Lulu Island Energy Company

### Staff Recommendation

That the Lulu Island Energy Company report titled "2019 Operating Budget for the Lulu Island Energy Company" dated October 26, 2018 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.







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



Jerry Chong, CPA, CA  
Director, Finance and  
Chief Financial Officer,  
Lulu Island Energy Company  
(604-276-4064)

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY 1A / 5B 	INITIALS: 
APPROVED BY CAO 	

## Staff Report

### Origin

Since 2009, City staff have been implementing district energy projects and providing Richmond's residents with heating and cooling energy services from sustainable district energy systems. Council adopted the program with the objectives that:

- the district energy utility (DEU) will provide end users with energy costs that are competitive with conventional system energy costs based on the same level of service, and
- Council retains the authority of setting customer rates, fees and charges for DEU services.

In 2013 the Lulu Island Energy Company (LIEC) was established as a wholly owned corporation of the City of Richmond for the purpose of managing district energy utilities on the City's behalf. As approved by Council in April 2014, Council authorized City staff to execute a District Energy Utilities Agreement between the City and LIEC, assigning LIEC the function of providing district energy services on behalf of the City, including partnering with third parties to deliver such services.

This supports Council's 2014-2018 Term Goal #4 Leadership in Sustainability:

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

4.1. *Continued implementation of the sustainability framework.*

4.2. *Innovative projects and initiatives to advance sustainability.*

This supports Council's 2014-2018 Term Goal #6 Quality Infrastructure Networks:

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

6.1. *Safe and sustainable infrastructure.*

6.2. *Infrastructure is reflective of and keeping pace with community need.*

### Background

#### District Energy Utilities as Part of a Sustainable Community

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce community greenhouse gas (GHG) emissions 33 per cent below 2007 levels by 2020 and 80 per cent by 2050. The OCP also includes a target to reduce energy use 10 per cent below 2007 levels by

2020. Richmond's Community Energy & Emissions Plan (CEEP) identifies that buildings account for about 64 per cent of energy consumption in Richmond, and 43 per cent of GHG emissions; residential developments especially are prime energy consumers in the community. Richmond is growing, with today's population expected to increase by 35 per cent by 2041, and employment by 22 per cent. This growth will be accompanied by new building development, the majority of which will occur in Richmond's City Centre.

In this context, shifting to more sustainable energy systems for buildings will support the City's climate and energy targets. Sustainable energy systems have the following characteristics:

- Use energy wisely – e.g. they are efficient, minimize consumption, minimize waste energy, and use low carbon sources of energy.
- Increase energy security by being reliant and resilient – e.g. they minimize price volatility, incorporate localized systems to avoid being completely dependent on external systems, and are adaptable to future technologies and energy sources.
- Have low-carbon intensity – e.g. they emit zero to low GHG emissions.
- Are cost-effective and do not result in unacceptable impacts (social, environmental or economic).

Based on the above criteria, the City has identified district energy utilities (DEUs) as a key component of sustainable energy systems that can be implemented in neighbourhoods undergoing redevelopment. Some of the key benefits of a DEU are as follows:

- Reduced building capital and operations costs – DEUs replace the need for individual buildings to have their own boilers or furnaces, chillers or air conditioners, resulting in capital cost and maintenance cost savings.
- Efficiency – DEUs can operate more efficiently than typical stand-alone building mechanical systems, thereby reducing emissions and costs.
- Reduced emissions through using renewable energy and waste energy sources – DEUs can use renewable sources such as sewer heat recovery, geothermal, biomass, combined heat and power generation, and other technologies with the potential for very low emissions. Moreover, DEUs can capture and use waste heat from industrial, commercial and institutional use (i.e. ice surfaces and wastewater treatment plants).
- Reliability – DEUs use proven technology; most DEU's operate with a high reliability rate.
- Resiliency – District energy systems' ability to make use of multiple different fuel sources allow DEUs to incorporate new energy source opportunities in the future, providing financial and environmental resiliency and mitigating the potential for volatility in thermal energy prices.

### District Energy in Richmond

LIEC currently owns and operates the Oval Village District Energy Utility (OVDEU), Alexandra District Energy Utility (ADEU), and City Center District Energy Utility (CCDEU), as well as advances new district energy opportunities. Attachment 1 indicates the current and planned future DEU areas throughout Richmond. LIEC has been recognized for excellence, leadership, innovation and sustainability through receiving thirteen awards since the company's inception, ranging from the provincial to international scale.

LIEC currently services eight buildings in the OVDEU service area, containing over 1,700 residential units. Energy is currently supplied from the two interim energy centres with natural gas boilers which combined provide 11 MW of heating capacity. When enough buildings are connected to the system, a permanent energy centre will be built which will produce low carbon energy. Currently the OVDEU is planned to harness energy from the Gilbert Trunk sanitary force main sewer through the implementation of the permanent energy centre in 2024. Over the next 30 years, the OVDEU system is anticipated to reduce GHG emissions by more than 52,000 tonnes of CO<sub>2</sub> as compared to business as usual<sup>1</sup>. OVDEU is developed under a concession agreement with Corix Utilities Inc (Corix). During the concession period (30 years), Corix will design, build, finance and operate the OVDEU and will supply energy services to LIEC; LIEC owns the assets and Council sets customer rates.

LIEC provides heating and cooling services to five residential buildings, the large commercial development at "Central at Garden City", the Richmond Jamatkhana temple and Fire Hall #3, in total connecting over 1450 residential units and over 1.6 million square feet of floor area in the ADEU service area,. While some electricity is consumed for pumping and equipment operations, almost 100% 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 backup and peaking natural gas boilers and cooling towers in the energy centre have operated for only a few days throughout the system's operation to date. LIEC staff estimate that this has eliminated 2,340 tonnes of GHG emissions in the community.

### **Financial Impact**

None.

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<sup>1</sup> Assumed that all energy was provided for heating. The business-as-usual (BAU) assumed that 40% of the building heating load would be provided from electricity and the remaining 60% would be from gas make-up air units.



## **Conclusion**

The LIEC 2019 Operating Budget approved by LIEC Board is presented to Council for information.



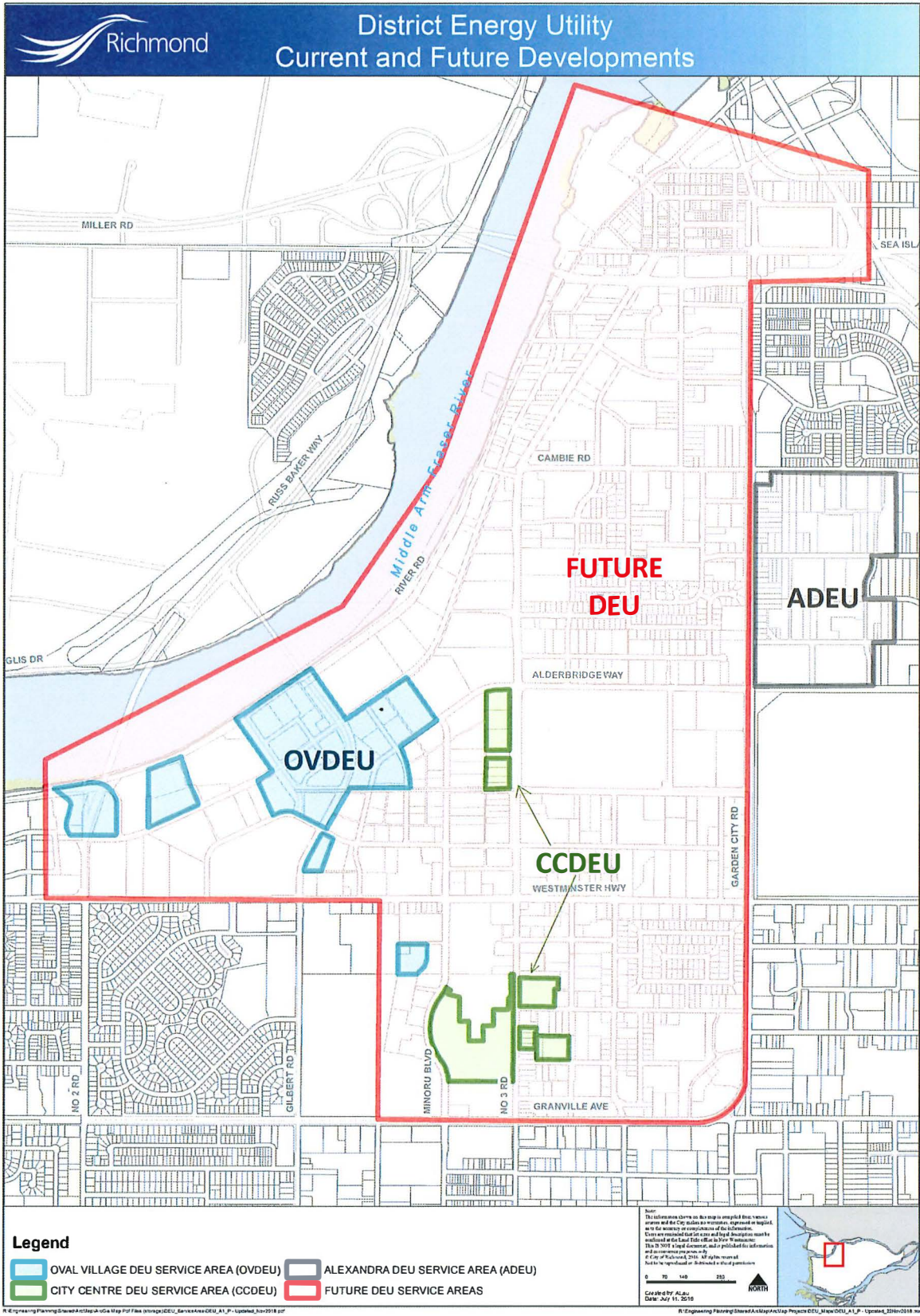
Peter Russell, MCIP RPP  
Senior Manager, Sustainability and District Energy  
(604-276-4130)

AP

Att. 1: Map of Current and Future District Energy Utility Areas in Richmond

Att. 2: 2019 Operating Budgets for the Lulu Island Energy Company

Attachment 1 – Map of Current and Future District Energy Utility Areas in Richmond



## Attachment 2 – 2019 Operating Budget for the Lulu Island Energy Company



6911 NO. 3 ROAD  
RICHMOND, BC V6Y 2C1

### Report

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**DATE:** October 16, 2018

**TO:** John Irving  
Chief Executive Officer, Lulu Island Energy Company

Jerry Chong  
Chief Financial Officer, Lulu Island Energy Company

**FROM:** Alen Postolka, District Energy Manager

Helen Zhao, Controller

**Re:** 2019 Operating Budget for the Lulu Island Energy Company

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### Staff Recommendation

That the 2019 Operating Budget for the Lulu Island Energy Company as presented in the staff report titled, “2019 Operating Budget for the Lulu Island Energy Company” dated October 16, 2018 from the Manager and Controller, Lulu Island Energy Company be approved.

### Background

Lulu Island Energy Company (LIEC), a wholly-owned corporation of the City of Richmond, was established in 2013 to provide district energy services on behalf of the City. In 2014, the City and LIEC executed a District Energy Utilities Agreement, assigning LIEC the function of establishing and operating district energy systems as well as providing thermal energy services on behalf of the City.

LIEC currently owns and operates the Oval Village District Energy (OVDEU) and Alexandra District Energy (ADEU) Utilities, as well as advances new district energy opportunities. Both the West Cambie and the Oval Village neighbourhoods are experiencing rapid redevelopment. LIEC has been growing to meet this increased energy demand, while maintaining exceptional reliability and quality of service.

The ADEU system currently provides energy to five residential buildings, the “Central at Garden City” commercial development, the Richmond Jamatkhana temple and Fire Hall #3. Over 1450

residential units and over 1.6 million square feet of floor area are currently connected (See Attachment 1).

The following table represents anticipated development connection timelines for the next three years:

Table 1: Development Timing in ADEU Service Area

	<b>Anticipated Occupancy</b>
Polygon East (Trafalgar)	2019
Spark	2019
Westmark	2019
Polygon West (Berkley House)	2021
Ex-Jingon	2021
Alexandra Gate (Mandarin)	2022

In 2014, LIEC and Corix Utilities (Corix) entered into a 30 year concession agreement, with LIEC maintaining the ownership of the utility. There are eight residential buildings connected to the OVDEU system with over 1,675 residential units and over 1.8 million square feet of floor area receiving energy from the OVDEU. (See Attachment 2)

The following table represents anticipated development connection timelines for the next three years:

Table 2: Development Timing in OVDEU Service Area

	<b>Anticipated Occupancy</b>
Intracorp (River Park Place 2)	2020
ASPAC Lot 12	2020
Landa – 7100 Elmbridge Way	2021
Onni Riva Ph3 Bldg 4	2021
Park Residence - 6333 Mah Bing	2021
Onni Alderbridge	2021

The ADEU and OVDEU service areas and the associated operations, assets and liabilities are administered by LIEC. All capital and operating costs are recovered through revenues from user fees, ensuring that the business is financially sustainable.

The purpose of this report is to present the 2019 Operating Budget to the Board for their approval. If approved by the Board, staff will present LIEC's 2019 Operating Budget to Council for information in order to follow the City's reporting process.

## **Analysis**

Both OVDEU and ADEU are still new utilities in the early stages of operation, and even though some of the actual utility (electricity and natural gas), operation and maintenance costs have been used to plan the budget, the majority of these costs are still largely based on projections from the models.

Customers' energy use (building performance) is estimated based on the actual metered energy consumption, average building performance in the region and energy modeling reports prepared by the buildings' designers. The 2019 Operating Budget incorporates estimated revenues and expenses from the ADEU and OVDEU based on the current projections and development activity.

LIEC is currently classified as a Government Business Enterprise (GBE). As a GBE, LIEC is required to apply International Financial Reporting Standards (IFRS) in the preparation of its financial statements.

Staff have prepared the 2019 Operating Budget below under IFRS:

2019 Operating Budget under IFRS

	<b>2019 Budget</b>	<b>2018 Budget</b>	<b>\$ Changes</b>	<b>% Change</b>
<b>Revenues</b>				
Metered Billings (Quarterly)	\$ 3,805,116	\$3,379,124	425,992	12%
Service fee	962,241	934,215	28,026	3%
	4,767,357	4,313,339	454,018	11%
<b>Cost of Sales</b>				
Contracts	751,809	655,569	96,240	15%
Utilities	896,938	732,314	164,625	22%
Amortization	1,163,066	1,131,384	31,682	3%
	2,811,813	2,519,266	292,547	10%
<b>Gross margin</b>	<b>1,955,544</b>	<b>1,794,073</b>	<b>161,471</b>	<b>9%</b>
<b>General and Administration Expenses</b>				
Salaries and benefits	669,053	615,393	53,660	9%
Administration expenses	136,121	133,516	2,605	2%
Insurance	70,000	65,000	5,000	8%
Professional Fees	65,000	65,000	-	0%
	940,174	878,909	61,265	7%
<b>Net income before other items</b>	<b>1,015,370</b>	<b>915,164</b>	<b>100,206</b>	<b>11%</b>
<b>Contributions and Financing expense</b>				
Developer contributions	106,760	86,324	20,436	24%
Energy modeling review fee	16,000	20,000	(4,000)	(20%)
Finance income	30,000	30,000	-	0%
Financing expense	(459,339)	(419,519)	(39,820)	9%
	(306,579)	(283,195)	(23,384)	8%
<b>Net Income</b>	<b>708,791</b>	<b>631,969</b>	<b>76,822</b>	<b>12%</b>
<b>Earnings before interest, taxes and amortization (EBITA)</b>				
Net income per above	708,791	631,969	76,822	12%
Financing expense	459,339	419,519	39,820	9%
Amortization expense	1,163,066	1,131,384	31,682	3%
<b>EBITA</b>	<b>2,331,196</b>	<b>2,182,872</b>	<b>148,325</b>	<b>7%</b>



### *Revenues*

The metered billings (user fee) revenues are expected to increase in 2019 by \$425,992 to \$3,805,116 (2018 – 3,379,124). This reflects a full year of energy sales for a number of buildings that were connected in 2018 and partial year of energy sales for four new buildings connected in 2019. Three new connections in the ADEU service area and one new connection in the OVDEU area are projected for 2019. The overall budgeted revenue is expected to increase by \$454,018 to \$4,767,357 (2018 – \$4,313,339).

The Service Fee is subject to Council approval of the City's 5-Year Financial Planning Bylaw. It is based on the numerous benefits LIEC brings to the City and the local community. Staff and specialty consultants working on low carbon district energy initiatives are covered by the Service Fee. With or without LIEC, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling some of the environmental challenges our world faces. The proposed service fee amount for 2019 has been increased by 3% (blend of the Consumer Price Index and Municipal Price Index) to \$962,241.

### *Cost of sales*

The cost of sales includes contracts services, utilities (electricity and natural gas) and amortization expense. The total contracts expense is increased by \$96,240 to \$751,809 (2018 - \$655,569). The general increase of this expense is due to additional operation and maintenance activities needed to service additional buildings. In addition, the contracts expense is projected to be higher this year also due to the addition of one full time operator in the OVDEU service area as required by Technical Safety BC after the 4MW Interim Energy Center expansion in 2019. Staff are still reviewing this projection and requirement with Corix to identify solution how to eliminate this expense.

The increases of utilities expenses are due to more energy sales to customers. The main driver for the increase in 2019 is higher projected use of natural gas in the ADEU service area required to service additional customers due to reaching the maximum capacity of the geo-exchange fields. The utility expense will be increased by \$164,625 to \$896,938 (2018 - \$732,314).

The amortization expense is increased due to capital assets additions. Overall, the cost of sales is expected to increase by \$292,547 to \$2,883,459 (2018 - \$2,519,266)

### *General and administration expenses*

The general and administration expenses are expenditures that LIEC incurs to support business activities, such as salaries and benefits, administration expense, professional fees, insurance expense, etc. The budgeted general and administration expenses are projected to increase by \$61,265 to \$940,174 (2018 – \$878,909):

- Salaries and benefits - The increase of \$53,660 is due to one additional staff, CPI indexed increase of existing salaries, and adjustments of fringe benefits as a result of new

Employee Health Tax. 20% of the new staff salary will be covered by the operating budget and the rest from the capital projects.

- Insurance – The premium is expected to be higher due to the additional capital assets being insured.
- Administration expense – the administration expense is increased by \$2,605. This increase is mainly due to the CPI indexed increase in overhead allocation paid to the City of Richmond for the day-to-day support that LIEC receives from the City staff.

### *Contributions and financing costs*

The Contributions and financing costs section represents other sources of revenue and financing costs for the business.

- Developers contributions (ETS fee) – This revenue refers to all the distribution piping system, energy transfer station and construction costs inside the property line. These costs are paid by developers. LIEC owns these capital assets, and recognizes a contribution from developers for the amount reimbursed. Under IFRS, the revenue from the asset contributions (ETS fee) is recognized over the useful life of the equipment from the date this equipment is available for use.
- Financing expense – The financing expense represents the financing costs incurred by LIEC on the concession agreement. The funding through concession agreement is used to finance the construction of the capital assets which will result in an increase in the total amount of fixed assets appearing on the LIEC balance sheet. The financing cost is expected to increase by \$39,820 to \$459,339 (2018 – \$419,519). The increase is due to the increase in LIEC acquired assets through concession agreement and concession obligations on funding used to build those assets - a new interim energy center in the OVDEU service area.

### *Net Income and Earnings before interest, taxes and amortization (EBITA)*

EBITA is expected to increase by \$148,325 to \$2,331,196 for the budgeted year. EBITA is used to evaluate LIEC's financial performance. The net income is expected to be \$708,791 in 2019. This is an increase of 12% compared to 2018 net income.

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITA and net income. LIEC's success is dependent upon developing in house expertise and securing funds for the future capital replacement as the existing infrastructure components reach end of life. Other important factors are the planning of future projects, which includes research and development, and exploratory reviews on future technology and opportunities. The net income will be set aside in LIEC's equity to build a reserve fund for future capital replacement and in order to ensure long term rate stability for rate payers.

### **Financial Impact**

None.

### **Conclusion**

The 2019 Operating Budget is presented based on staff's best estimates and assumptions available at the time of writing.



Alen Postolka, P.Eng.  
District Energy Manager



Helen Zhao, CPA, CA  
Controller

Att. 1: Oval Village DEU Service Area map

Att. 2: Alexandra DEU Service Area map

**Richmond**

# Oval Village District Energy Utility (May 2018)

**Legend**

- 2018/19 Piping
- 2019/20 Piping
- 2020/21 Piping

**Summary:**

- Number of connected developments: 8
- Number of connected residential units: 1,734
- Area of all connected buildings: 1,900,000<sup>sq</sup> ft
- Heating Capacity: 110MW
- Total length of piping: 5,000 ft
- Capacity Charge 130.17¢ / \$10.0488 per 1<sup>st</sup> floor area
- Volume Charge 130.17¢ / \$30.561 per MWh



## Attachment 2 – Alexandra DEU Service Area map (as of May 2018)

