City of Richmond

Agenda

Finance Committee
Electronic Meeting

Council Chambers, City Hall
6911 No. 3 Road

Monday, January 9, 2023
Immediately Following the General Purpose Committee meeting

Pg. # ITEM

MINUTES

FIN-4 ***Motion to adopt the minutes of the meeting of the Finance Committee held on December 5, 2022.***

DELEGATIONS

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

FINANCE AND CORPORATE SERVICES DIVISION

2. **ACTIVE CAPITAL PROJECTS INFORMATION - 3RD QUARTER SEPTEMBER 30, 2022**
(File Ref. No. 03-0975-01) (REDMS No. 7003331)

FIN-41 See Page **FIN-41** for full report

Designated Speaker: Melissa Shiau

Pg. # ITEM

STAFF RECOMMENDATION

That the staff report titled, "Active Capital Projects Information – 3rd Quarter September 30, 2022", dated December 1, 2022 from the Director, Finance, be received for information.

3. **FINANCIAL INFORMATION – 3RD QUARTER SEPTEMBER 30, 2022**
(File Ref. No. 03-0905-01) (REDMS No. 7015191)

FIN-72 See Page **FIN-72** for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

That the staff report titled, "Financial Information – 3rd Quarter September 30, 2022", dated December 2, 2022 from the Director, Finance be received for information.

LULU ISLAND ENERGY COMPANY

4. **2022 Q3 FINANCIAL INFORMATION FOR LULU ISLAND ENERGY COMPANY**
(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7079049)

FIN-100 See Page **FIN-100** for full report

Designated Speaker: Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2022 Q3 Financial Information for Lulu Island Energy Company", dated December 8, 2022 from the Chief Executive Officer and Chief Financial Officer, be received for information.

Pg. # ITEM

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION - 3RD QUARTER 2022 FINANCIAL INFORMATION**
(File Ref. No. 03-1200-09) (REDMS No. 7086177)

FIN-111

See Page **FIN-111** 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 ending September 30, 2022 from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

ADJOURNMENT

City of Richmond

Minutes

Finance Committee

Date:	Monday, December 5, 2022
Place:	Council Chambers Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Chak Au (by teleconference) (left the meeting at 6:20 p.m.) Councillor Carol Day Councillor Laura Gillanders Councillor Kash Heed Councillor Andy Hobbs Councillor Alexa Loo Councillor Bill McNulty Councillor Michael Wolfe
Call to Order:	The Chair called the meeting to order at 4:32 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on November 8, 2022, be adopted as circulated.

CARRIED

The Chief Administrative Officer provided a brief introduction to the four reports for consideration, noting the diligent and challenging budget decisions made by the senior management team, in what has been a very difficult year, to ensure the recommendations in the reports are responsible budgets which address the reality of a CPI that was close to 7% last year and projected to be almost 4% this year.

RICHMOND PUBLIC LIBARY

1. **2023 OPERATING AND CAPITAL BUDGETS FOR RICHMOND PUBLIC LIBRARY**
(File Ref. No. 97-RPLGENERAL) (REDMS No. 7022582)

It was moved and seconded
That the 2023 Richmond Public Library budget of $10,845,600 as presented in Attachment 1 from the Chief Librarian and the Secretary to the Board, be approved.

Before the motion was called, discussion ensued with respect to (i) community needs focus in materials purchased, (ii) increased diversity in language collections, (iii) per capita budget comparison to other libraries in the region, (iv) fund development to generate revenue within the limitations under the *BC Library Act*, and efforts also underway through the BC Public Library Partners working to develop a plan for increased funding for libraries in BC to achieve secure and stable funding with the provincial government, and (v) budget rationale for eBooks and digital collections vs. print collections.

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

FINANCE AND CORPORATE SERVICES DIVISION

2. **2023 PROPOSED CAPITAL BUDGET**
(File Ref. No. 03-0970-03-01) (REDMS No. 6991972)

Discussion ensued with respect to (i) challenges in addressing parks aging infrastructure needs within the current funding recommendations, (ii) bus stop shelters and accessibility, (iii) flood protection acceleration, (iv) top 20 collision prone intersection improvement funding, (v) road resurfacing concerns, and (vi) funding for multi-use bike path routes.

In response to queries from the Committee, staff noted:

- light installation is not typical for neighbourhood parks;
- the increased expense for the building envelope at South Arm Community Hall is due to the age of the hall and the extent of work required as a result, including different cladding needs;
- staff are in the process of undergoing a parks aging infrastructure review for the implementation of a life cycle maintenance strategy replacement program, to include a complete inventory and project schedule which will reinforce the need for aging infrastructure replacement, anticipated to be brought forward to Council later in 2023;

- there are a number of programs to enhance bus stops throughout the city, including a sponsored program where funding is received through bus shelter advertising, a program for building bus shelters, and a program for implementing accessible bus stops (currently 88%, working towards 100% accessible);
- flood protection priority areas include ongoing projects on the south dike at No. 9 Rd. and future work between No. 4 Road and No. 5 Road on the south dike;
- design and implementation of the Britannia Shipyards project will begin immediately following Council approval;
- the Operating Budget Impact (OBI) related to IT hardware and software expressed in the budget is an indication of a trend of vendors moving to software subscription and providing the service through the cloud vs. purchasing licenses as done previously;
- debt noted for 2021 in the Funding Capital (2018 to 2027) graph shown on page FIN 23, is in relation to the expense for the Steveston Community Centre Capital project; and
- in general, funding sources in the Capital Budget comes from City reserves, grants and development cost charges (DCCs).

It was moved and seconded

(1) ***That the 2023 Proposed Capital Budget as presented in Appendix 3 totaling $131,516,181 be approved; and***

(2) ***That the 2023 Proposed Capital Budget as approved be included in the Consolidated 5 Year Financial Plan (2023-2027).***

CARRIED

3. **2023 ONE-TIME EXPENDITURES**
(File Ref. No. 03-0970-01) (REDMS No. 6999306)

Discussion ensued with respect to (i) the rationale for City Centre tree replacement and associated costs, and (ii) the recreation fee subsidy program and eligibility.

In response to queries from the Committee, staff noted that funding for the rate stabilization account is generated from previous years' annual operating surplus, and primarily used within the Operating Budget to directly reduce taxes the public pays, for one time expenditures and to fund items that may not have dedicated funding.

It was moved and seconded
That the one-time expenditures totaling $1,121,025 as outlined in Attachment 1 of the 2023 One-Time Expenditures staff report, be approved with funding from the Rate Stabilization Account and included in the Consolidated 5 Year Financial Plan (2023-2027).

The question on the motion was not called as discussion ensued with respect to one-time expenditure requests not recommended. As a result of the discussion the following amendment motion was introduced:

It was moved and seconded
That items 4 (Dog License E-billings) and 5 (Parking Permit Customer Portal), outlined on page FIN 174, be added.

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

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

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

4. **2023 PROPOSED OPERATING BUDGET**
(File Ref. No. 03-0970-01) (REDMS No. 7001464)

Staff noted some of the challenges in preparing the budget given the economic impacts while providing a same level of service budget increase of 3.22%.

Discussion ensued with respect to (i) the three proposed budget options, (ii) the recommended preliminary 2023 Operating Budget increase of 5.88% and proposed 5 year Financial Plan (2023-2027), (iii) Consumer Price Index (CPI) rate of 3.22% vs. the Municipal Index CPI at 4.75%, (iv) budget for the 4 proposed RCMP officers, the vacancy rate (actual and budgetary), and cost implications resulting from member vacancies within the Richmond RCMP (confidential memo regarding the exact number was requested), and (v) increased E-COMM rates to deliver a sustainable service.

In response to queries from the Committee, staff noted:

- as a result of the challenging budget considerations, the recommendation for an increase in the operating hours for the Steveston Outdoor Pool was not ranked as high as the other recommendations for consideration;
- insurance rates are derived from a controlled insurance market reflected by global disasters resulting in increased premium rates, and as the City's building inventory increases, so do the insurance premiums; and
- the projected tax revenue for the next five years are very conservative estimates.

Councillor Au expressed opposition to the recommended Budget Option 2, noting his preference of Budget Option 1.

Councillor Au left the meeting at 6:20 p.m.

Further discussion ensued with respect to the requested additional organizational staffing levels. Staff noted:

- the positions identified in the budget to move forward are ones that Council had recognized the need for support through the Poverty Reduction Plan, noting an increase with vulnerable populations and poverty, an area that is growing significantly that needs extra assistance; and
- social equity is another area that is really seeing the need to be focussed on in terms of how we are helping other departments really understand the impacts of social equity within our community and how we are planning for the social equity principles within our strategies and plans and our policies as we are moving forward to ensure that what we are planning is equitable for the community.

In response to further queries from the Committee, staff noted:

- the City has been very successful to date accessing grant funding from senior levels of government, and believe there could be a lot more and will continue pressing them in that regard; and
- the Province is currently conducting a strategization exercise that has been accelerated in response to the atmospheric river event last year, which is indicative of the feedback the City has been giving, which includes a lot of requests for additional dedicated funding over the long term.

As a result of the discussion the recommendation was amended to include an additional .01% in Budget Option 2, for a total of 5.89%, for including the emerging organizational additional level of $26,919 for increasing operating hours for the Steveston Outdoor Pool.

It was then moved and seconded
That:

(1) The 2023 Proposed Operating Budget as presented in Budget Option 2 for a total of 5.89% be approved as outlined below:

(a) A same level of service budget increase of $8,623,971 after tax growth with a tax increase of 3.22% be approved; and

(b) ***Emerging organizational additional levels in the amount of $761,929 as presented in Attachments 8 and 9 of the staff report titled 2023 Proposed Operating Budget with a tax increase of 0.28% be approved, including the emerging organizational additional level of $26,919 for increasing operating hours for Steveston Outdoor Pool with a tax increase of 0.01%; and***

(c) ***Transfer to reserves for Investment in Community Facilities as per Council's Long Term Financial Management Strategy in the amount of $2,680,441 with a tax increase of 1.00% be approved; and***

(d) ***Senior level government and other government agency increase of $4,058,476 with a tax increase of 1.51% be approved; and***

(e) ***Council previously approved commitments in the amount of $240,340 with a tax increase of 0.09% be approved; and***

(f) ***Operating budget impacts totalling $1,168,557 with a tax increase of 0.44% be approved; and***

(g) ***The Rate Stabilization Account be used to reduce the overall impact of additional operating costs for a total of $1,742,287 resulting in a tax decrease of 0.65% be approved; and***

(2) ***The 2023 Operating Budget as approved be included in the Consolidated 5 Year Financial Plan (2023-2027).***

An amendment motion was then introduced to remove the .01% increase made to item (1)(b) of the main motion, which was not seconded.

Further discussion ensued with respect to additional funding for the Community Social Development Planner 1 – RFT position, currently not recommended for funding in 2023, and the financial impact to the 1.0% transfer to reserves. As a result of the discussion, the following amendment motion was introduced:

It was moved
That additional funding for the Community Social Development Planner 1 – RFT position, at $150,350, be added to the recommended motion.

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

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

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (6:56 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, December 5, 2022.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate

KPMG

City of Richmond

Audit Planning Report
for the year ending December 31, 2022

KPMG LLP

December 9, 2022 for presentation on January 9, 2023

KPMG contacts

Key contacts in connection with this engagement

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Digital use information

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

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

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

This report to the Finance Committee (the "Committee") is intended solely for the information and use of management, the Committee, and Council, and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Highlights

Scope of the audit

We are pleased to provide for your review the following information relating to the planned scope and timing of our audit of the financial statements of the City of Richmond ("the City") as at and for the year ending December 31, 2022. Our audit will be performed in accordance with Canadian generally accepted auditing standards (CASs).

Significant risks

We have not identified significant risks of material misstatement for the audit, except for the presumed risk of fraud resulting from management override of controls, which is required by professional standards.

Areas of focus for financial reporting

In planning our audit, we have identified the following areas of focus:

- Tangible capital assets
- Revenue, deferred revenue, and development cost charges
- Valuation of post-employment benefits
- Expenses, including payroll

Required communications

We are committed to transparent and thorough reporting of issues to management and the Finance Committee (the "Committee"). Please refer to Appendix 1: *Other required communications*

Materiality

Materiality has been determined based on current year forecasted total expenses. We have determined materiality to be $9,500,000.

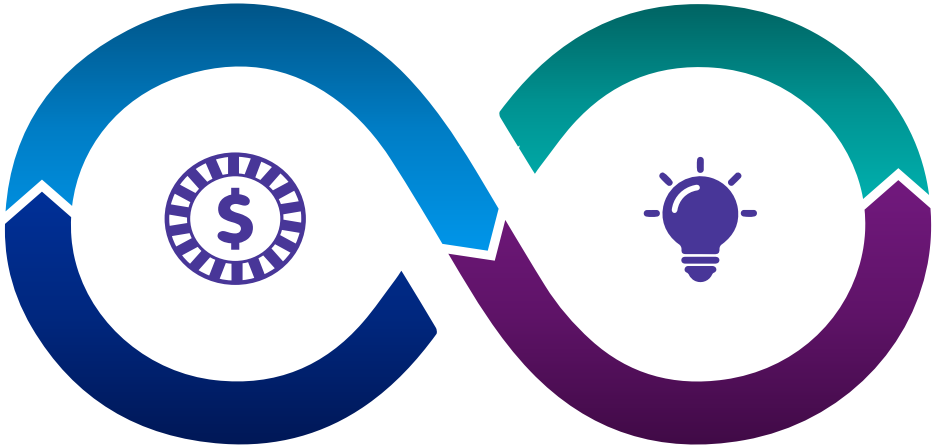
Quality control and independence

We are independent of the City and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow the City approved protocols.

Current developments

Please refer to Appendices 2 to 6 for newly effective auditing standards, newly effective accounting standards, changes to accounting standards, auditing and assurance insights, and thought leadership and insights .

Materiality



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

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

Plan and perform the audit

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

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

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

Evaluate the effect of misstatements

We also use materiality to evaluate the effect of:

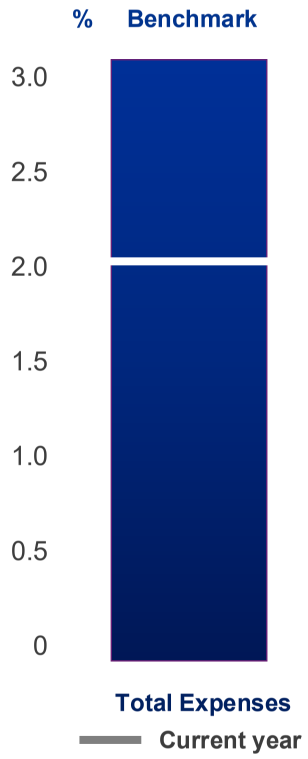
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Materiality

Materiality

$9,500,000

(2021 - $8,500,000)



Benchmark: Forecasted expenses for the year ending December 31, 2022

$480,000,000

(2021 - $436,624,000)

Relevant metrics for a public sector organization includes total expenses, total revenues, and total assets

% of Benchmark

2.0%

(2021 - 2%)

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

Audit Misstatement Posting Threshold

$475,000

(2021 - $425,000)

Threshold used to accumulate misstatements identified during the audit.

Group audit - Scoping

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

Components	Our audit approach
Individually financially significant	
- City of Richmond	Full-scope audit
Not financially significant component	
- Richmond Public Library	Audit, as a standalone audit is being performed due to statutory requirements.
- Richmond Olympic Oval Corporation	Audit, as a standalone audit is being performed due to statutory requirements
- Lulu Island Energy Company	Audit, as a standalone audit is being performed due to statutory requirements

Significant risks

Management Override of Controls

RISK OF FRAUD

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

Why is it significant?	Audit approach
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include: • testing of journal entries and other adjustments, • performing a retrospective review of estimates • evaluating the business rationale of significant unusual transactions.

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Significant risks

Management Override of Controls (continued)

RISK OF FRAUD

Fraud Inquiries of those charged with governance

Inquiries required by professional standards

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

- How do you oversee fraud risk assessments and the establishment of controls to address fraud risks?
- What are your views about fraud risks at the City?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the City's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- What is the Committee's understanding of the City's relationships and transactions with related parties that are significant to the City?
- Does any member of the Committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the City entered into any significant unusual transactions?

Areas of focus for financial reporting

Areas	Why are we focusing here?	Audit approach
Tangible Capital Assets ("TCA")	Tangible capital assets represent a significant portion of assets of the City. The assets owned by the City include land, buildings, machinery, furniture and equipment, vehicles, sewer and water system infrastructure, and may require estimation.	▪ Update our understanding of the process activities and controls over TCA. ▪ Perform detailed testing of asset additions, including developer contributions, and inspection of supporting documentation to ensure it is appropriate to capitalize the costs. ▪ Test dispositions including inspection of supporting documentation and assessing if the gain or loss on disposition has been recorded appropriately. ▪ Review the reasonableness of estimated useful lives and amortization recognized. Review management's assessment of impairment, if any, to tangible capital assets. ▪ Assess whether the facts related to any impairment issues identified support a write down to the asset. ▪ Review agreements for contractual commitments and related disclosure requirements.

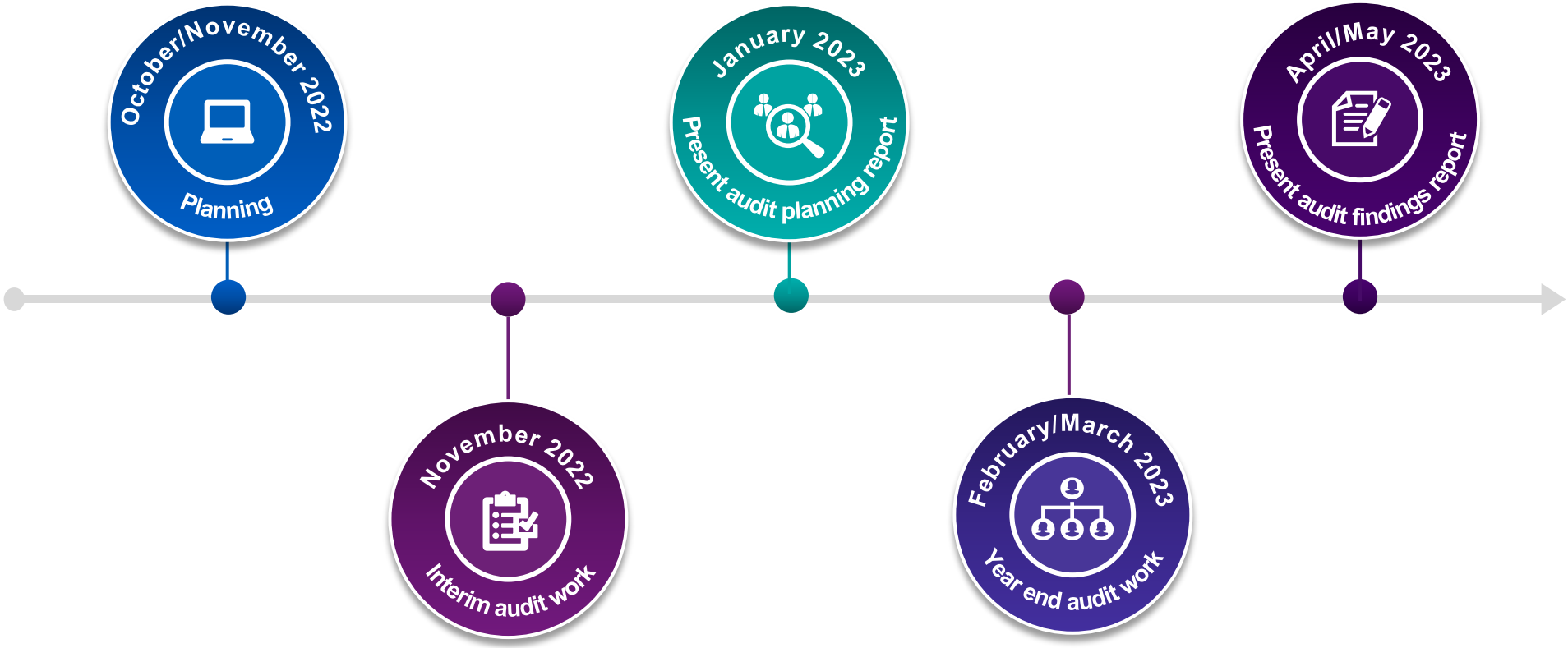
Areas of focus for financial reporting

Areas	Why are we focusing here?	Audit approach
Revenue, deferred revenue, and development cost charges	Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including property taxes, development cost charges ("DCCs"), government grants, contributions for future capital works, and amounts collected for building permits, and facility upgrades, are reported as deferred revenue and recognized when earned. As contributions are received for specified purposes and sometimes contain restrictions, there is a need to determine whether the amounts should be deferred or recognized as revenue.	▪ Update our understanding of the process activities over revenues and contributions received, amounts spent as well as deferral of unspent amounts. ▪ Evaluate the design and implementation of controls over contributions received and expenditures incurred, as well as management's review of related balances. ▪ Test the operating effectiveness of relevant controls over contributions and expenditures. ▪ Review the accounting for significant new agreements to determine whether stipulations or restrictions exist and how the funds should be recognized and/or deferred. ▪ Perform substantive procedures, including vouching and review of supporting documentation related to contributions received, to ensure that revenues are appropriately recognized, and deferred contributions are appropriately recorded. ▪ Reconcile permits to new development cost charges during the year and inspect appropriate bylaws noting the appropriation for its specified purpose. ▪ Select a sample of DCC charges, recalculate the total amount, agree each factor in the calculation to supporting documentation (e.g. approved rates) and agree the amount recorded to cash receipts. ▪ Select a sample of DCC expenditures, ensure the expenditures bylaws were approved by Council and agree the amount recorded to supporting documentation.

Areas of focus for financial reporting

Areas	Why are we focusing here?	Audit approach
Valuation of post-employment benefits	The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.	▪ Obtain the valuation report as prepared by the City's actuarial expert, George & Bell Consulting Inc., and reviewing select assumptions used for reasonableness. ▪ Perform an analytical review over these amounts. ▪ Review note disclosure in the financial statements to determine if required disclosures under the accounting standards are appropriately included.
Expenses, including payroll	The City's expenses are closely monitored against Council approved budgets	▪ Update our understanding of the process activities and controls for expenses, including payroll. ▪ Test the operating effectiveness of relevant controls over expenses, including payroll. ▪ Analyze the change in expenses relative to the prior year based on changes in operations. ▪ Perform substantive procedures, including vouching and review of supporting documentation related to expenses incurred, to ensure expenses are appropriately recognized. ▪ Perform substantive analytical testing over payroll expense relative to the prior year based on changes in head count and pay rates. ▪ Perform a search for unrecorded liabilities to ensure expenses are recorded in the appropriate fiscal year.

Key milestones and deliverables



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Audit Quality: How do we deliver audit quality?

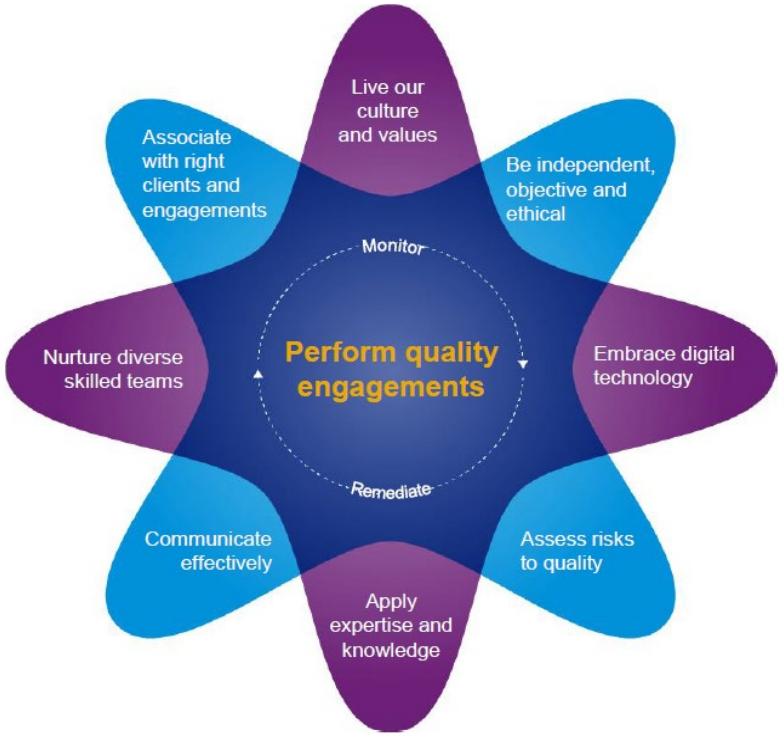
Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contribute to its delivery.

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

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

We define '**audit quality**' as being the outcome when:

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



Doing the right thing. Always.

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Appendices

1. Other required communications
2. Newly effective auditing standards
3. Newly effective accounting standards
4. Changes to accounting standards
5. Audit and assurance insights
6. Thought leadership and insights

Appendix 1: Required communications

Auditors' report

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

Engagement contract

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement contract, a copy of which is available upon request from management.

Audit findings report

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

Management representation letter

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

Independence

At the completion of our audit, we will re-confirm our independence to the Committee.

Internal control deficiencies

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

Appendix 2: Newly effective auditing standards

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.

A **risk of material misstatement** exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur

Affects both preparers of financial statements and auditors

Applies to audits of financial statements for periods beginning on or after 15 December 2021

See here for more information from CPA Canada

We design and perform risk assessment procedures to obtain an understanding of the:

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

The audit evidence obtained from this understanding provides a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.

Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including: • New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement • New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement • New requirement to separately assess inherent risk and control risk for each risk of material misstatement • Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk	When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement. We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement. If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.	If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk. We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.

Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement	When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.	In certain circumstances, we may perform additional risk assessment procedures, which may include further inquires of management, analytical procedures, inspection and/or observation.
Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process	We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.	In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.

Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Modernized to recognize the evolving environment, including in relation to IT	New requirement to understand the extent to which the business model integrates the use of IT. When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit. Based on the identified controls we plan to evaluate, we are required to identify the: • IT applications and other aspects of the IT environment relevant to those controls • related risks arising from the use of IT and the entity's general IT controls that address them. Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.	We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals. Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response. Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.
Enhanced requirements relating to exercising professional skepticism	New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.	We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquires of management, the activities we observe or the accounting records we inspect.

Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control	We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows: • Controls that address a significant risk. • Controls over journal entries, including non-standard journal entries. • Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures	We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them. We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.

Appendix 3: Newly effective accounting standards

PS 3280 Asset Retirement Obligations ("PS 3280") is a new accounting standard effective for the City's fiscal year ending December 31, 2023. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

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

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

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

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

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

Asset management implications

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

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

Funding implications

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

Budget implications

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

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

Capital planning implications

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

Appendix 3: Newly effective accounting standards (continued)

PS 3280 Asset Retirement Obligations ("PS 3280") is a new accounting standard effective for the City's fiscal year ending December 31, 2023. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. The following checklist is intended to provide you with reminders for key activities in each phase of your PS 3280 implementation project. The items noted are not a complete list of factors influencing the successful adoption of PS 3280, nor is it intended to provide any type of assurance.

Project planning

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

Scoping

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

Measurement

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

Financial reporting

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

Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

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

Appendix 5: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Board of Directors and Management.

KPMG Audit & Assurance Insights

Curated research and insights for Audit Committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

Audit Committee Guide – Canadian Edition

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

KPMG Learning Academy

Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.

Other Insights

KPMG Climate Change Financial Reporting Resource Centre

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

Momentum

A quarterly newsletter providing curated insights for management, boards and Audit Committees.

Uncertain Times Financial Reporting Resource Centre

Uncertain times resource centre provides insights to support clients facing challenges relating to COVID-19, natural disasters and geopolitical events.

Environmental, social and governance (ESG)

Building a sustainable, resilient and purpose-led organization

Appendix 6: Thought leadership and insights

Thought leadership – Public sector

Voices on 2030: Digitalizing Government

What will the world look like in 2030? How will citizen and customer expectations evolve? And what can public sector organizations be doing today to help ensure they can meet these expectations? We spoke with leaders and disruptors from around the world, across the public and private sector to explore answers to these questions.

Click here to access KPMG's portal.

Why Audit Committees Should Know About Asset Retirement Obligations

Many public sector entities are currently working through the various aspects of the implementation of the Asset Retirement Obligation standard. In this publication we have provided some key insights to make this complex topic easy to understand by senior level management and those charged with governance at these organizations.

Click here to access KPMG's portal.

Perspectives on PS 3280 Asset Retirement Obligations

This guide provides KPMG's perspective on key implementation issues and technical interpretations of the guidance in PS 3280.

Contact your KPMG team for your copy of the guide.

Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance ("ESG")

Unleashing the Positive in Net Zero

CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.

Click here to access KPMG's portal.

You Can't Go Green Without Blue – The Blue Economy is Critical to all Companies' ESG Ambitions

In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

Click here to access KPMG's portal.

ESG, Strategy and the Long View

This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.

Click here to access KPMG's portal.

KPMG's Climate Change Financial Reporting Resource Centre

KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

Click here to access KPMG's portal.

Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance ("ESG") (continued)

The Numbers that are Changing the World: Revealing the Growing Appetite for Responsible Investing

We are seeing a global trend towards responsible investing. Increasingly, institutional investors are recognizing the potential for ESG factors to affect the valuation and financial performance of the companies they invest in. At the same time, consumer demand for responsible investments is surging, especially from the younger generation.

This booklet presents the proof to address the issues around responsible investment implementation: statistics from across investment markets that show how significant this shift is.

Click here to access the report.

Gender Lens Investing

Gender Lens Investing is an impact investment strategy which deliberately integrates gender analysis into investment analysis and decision-making. It has garnered increased global attention in recent years, as investors seek to bring new dimensions to the nature of their investments.

Click here to access KPMG's portal.

Climate Change, Human Rights and Institutional Investors

Disruptive and destructive weather events over the past few years have demonstrated the severity of climate change impacts. As climate impacts and public pressure to take action increase, institutional investors have begun integrating climate risks into their asset allocation models and investment decisions. Climate change impacts are also profoundly human in nature. Beyond the personal challenges and tragedies people face due to climate change, the impacts on people will result in socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

Click here to access KPMG's portal.

Inclusion and Diversity Practices

In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity ("I&D") practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.

Click here to access KPMG's portal.

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KPMG member firms around the world have 227,000 professionals, in 145 countries.

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	December 1, 2022
From:	Mike Ching, CPA, CMA Director, Finance	**File:**	03-0975-01/2022-Vol 01
Re:	**Active Capital Projects Information - 3rd Quarter September 30, 2022**		

Staff Recommendation

That the staff report titled, "Active Capital Projects Information – 3rd Quarter September 30, 2022", dated December 1, 2022 from the Director, Finance, be received for information.

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

Att. 2

REPORT CONCURRENCE			
ROUTED TO:	**CONCURRENCE**		**CONCURRENCE**
Information Technology	☑	Sustainability & District Energy	☑
Real Estate Services	☑	Fire Rescue	☑
Arts, Culture & Heritage	☑	Community Bylaws	☑
Community Social Development	☑	Community Safety Administration	☑
Parks Services	☑	Transportation	☑
Recreation and Sport Services	☑		
Engineering	☑	**CONCURRENCE OF GENERAL MANAGER**	
Facilities and Project Development	☑		
Fleet & Environmental Programs	☑		
Roads & Construction	☑		
Sewerage & Drainage	☑		
SENIOR STAFF REPORT REVIEW	**INITIALS:**	**APPROVED BY CAO**	

7003331

Staff Report

Origin

Active Capital Project Information for the 3rd Quarter (ended September 30, 2022) is provided to the Finance Committee for information purposes. This report includes the approved 2022 Capital Budget and amendments, and other previously approved capital projects.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

> *Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*
>
> *5.2 Clear accountability through transparent budgeting practices and effective public communication.*

Analysis

SUMMARY OF ACTIVE CAPITAL PROJECTS

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

- Planning and Design – includes projects that were previously approved and are undergoing design specifications, design approvals, or public consultation.
- Contract Award – this includes preparing and issuing a request for proposal, evaluating proposals received, and finalizing contract award agreements.
- Construction – includes build out of the approved design either by City workforce or under 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, assets that may still require minor deficiencies to be addressed, as-built drawings to be received, collection of external funding and fulfillment of audit requirements, where applicable.

Capital 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. Council approval is required for each specific land acquisition transaction. The current balance committed to active capital projects is $474.5M, and the capital financial information are summarized in Table 1.

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

Program	Plan Year	Number of Active Projects	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Infrastructure Program	2022	49	$48,526	$3,235	$45,291
	2021	48	48,054	18,913	28,893
	2020	48	64,310	33,783	29,698
	2019	23	26,295	17,258	8,702
	2018 & older	18	101,461	81,788	10,042
Infrastructure Program Total		**186**	**$288,646**	**$154,977**	**$122,626**
Building Program	2022	9	21,519	491	20,933
	2021	12	106,986	5,889	100,957
	2020	8	17,411	7,341	9,970
	2019	10	13,432	4,427	7,747
	2018 & older	12	150,740	112,488	36,508
Building Program Total		**51**	**$310,088**	**$130,636**	**$176,115**
Parks Program	2022	10	8,483	133	8,350
	2021	10	12,050	1,681	10,369
	2020	7	10,325	4,463	5,862
	2019	11	12,297	6,453	5,844
	2018 & older	25	35,892	24,405	11,480
Parks Program Total		**63**	**$79,047**	**$37,135**	**$41,905**
Construction Related Programs		**300**	**$677,781**	**$322,748**	**$340,646**

Table 1: Active Capital Projects by Program (in $'000s) - continued

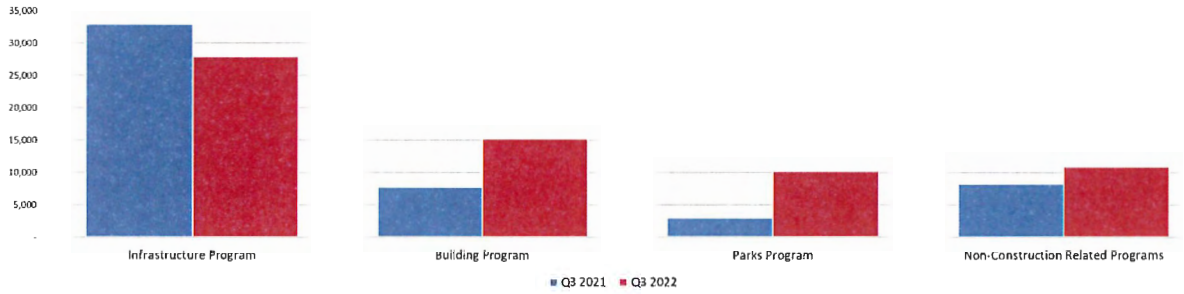
Program	Plan Year	Number of Active Projects	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Equipment Program	2022	6	7,404	41	7,363
	2021	4	4,926	805	4,121
	2020	5	4,481	2,621	1,860
	2019	6	10,430	7,482	2,948
	2018 & older	5	6,477	5,064	1,413
Equipment Program Total		**26**	**$33,718**	**$16,013**	**$17,705**
Information Technology Program	2022	10	3,282	623	2,659
	2021	7	3,533	2,218	1,315
	2020	2	855	491	363
	2019	4	3,030	631	2,399
	2018 & older	7	6,114	3,400	2,714
Equipment Program Total		**30**	**$16,814**	**$7,363**	**$9,450**
Land Program	2022	1	5,000	-	5,000
	2021	2	30,000	-	30,000
	2020	1	10,000	1,759	8,241
	2019	1	10,000	-	10,000
	2018 & older	4	52,044	15,520	36,524
Land Program Total		**9**	**$107,044**	**$17,279**	**$89,765**
Contingent External Contribution	2022	1	8,235	-	8,235
Contingent External Contribution Total		**1**	**$8,235**	**$-**	**$8,235**
Affordable Housing/Child Care/Public Art Programs	2022	3	810	80	730
	2021	5	4,296	1,256	3,040
	2020	2	1,145	529	616
	2019	3	988	144	844
	2018 & older	6	8,534	5,051	3,483
Affordable Housing/Child Care/Public Art Programs Total		**19**	**$15,773**	**$7,060**	**$8,713**
Non-construction Related Programs		**85**	**$181,584**	**$47,715**	**$133,868**
Grand Total		**385**	**$859,365**	**$370,463**	**$474,514**

An estimate of $10M for contingent external contribution was included in the 2022 Capital Budget for external grants or contributions that may be approved throughout the year but were not included in the original capital submissions. Funding is transferred to the approved applicable projects only when the external grants or contributions are confirmed. As of September 30, 2022, $1,764,790 was transferred to the approved applicable projects.

YEAR TO DATE CAPITAL EXPENDITURES

The following is an overview of the actual capital expenditures on a cash-basis for the 9 months ending September 30.

Figure 1 – Capital Expenditures for the 9 Months Ending September 30



Infrastructure Program:

The year-over-year decrease in capital expenditure is largely comprised of $4.7M in Roads program, which includes $3.0M for the Canada Line Capstan Station and $0.9M for Active Transportation Improvement projects.

Building Program:

The year-over-year increase is mainly driven by $1.9M for Richmond Ice Centre, $1.2M for Richmond Curling Club Ice Plant Replacement and Other Systems, and $1.0M for Building Advanced Design.

Parks Program:

The year-over-year increase is mainly driven by $3.7M for Minoru Lakes Renewal, $2.6M of parkland acquisition at 8528 Ash Street and $1M for Aberdeen Park - Phase 3.

Non-Construction Related Programs:

The year-over-year increase is mainly driven by $2.4M for Strategic Land Acquisition, $2.3M for fire vehicle purchases offset against $1.1M decrease for Closed Circuit Television for Signalized Intersections and $1.1M decrease for Energy Management Projects spent in 2021, due to capital expenditures for completion of the Library & Cultural Centre Low Carbon Mechanical System Upgrade in 2021.

The following are capital projects with the highest current year-to-date capital expenditures (actuals on a cash-basis) as at September 30, 2022.

Table 2: Capital Projects with the Highest Current Year-to-Date Capital Expenditures (in $'000s)

Project Name (Plan Year)	Current Year-to-Date Actuals
Minoru Lakes Renewal (2020)	$3,142
Richmond Ice Centre Infrastructure Renewals - Phase 1 (2020)	2,660
Parkland Acquisition (2017)	2,586
Watermain Replacement Upgrades Program (2021)	2,584
Disaster Mitigation and Adaptation Fund Infrastructure Upgrades (2020)	2,582
Disaster Mitigation and Adaptation Fund Infrastructure Upgrades (2021)	2,481
Strategic Land Acquisition (2016)	2,395
Animal Shelter Replacement (2018)	2,181
Annual Asphalt Re-Paving Program - Non-MRN (2021)	1,563
Fire Vehicle Replacement Reserve Purchases (2019)	1,510

GRANT APPLICATIONS

Below are the highlights of the external contributions received during the third quarter:

- $1,008,254 from Government of Canada Disaster Mitigation and Adaptation Fund (DMAF) for the City's Flood Protection Program
- $387,057 from the Investing in Canada Infrastructure Program – COVID – 19 Resilience Infrastructure Stream for the Thompson Community Centre & Hall Infrastructure Renewals
- $200,000 from South Arm Community Association for contributions to South Arm Community Park Playground upgrades
- $110,000 from Natural Resource Canada Canada's Zero Emission Vehicle Infrastructure Program for the installation of multiple electric vehicle charging ports
- $167,000 from Insurance Corporation British Columbia (ICBC) for various road improvement programs

The City is currently awaiting results for the following grant applications:

- Investing in Canada Infrastructure Program (ICIP) - Green Infrastructure - Adaptation, Resilience, & Disaster Mitigation (ARDM) sub-stream for No. 3 Road South Pump Station and Dike Upgrade for a funding of $9,532,900
- Active Transportation Fund – Public Transit Program for the City Centre Cycling Network Expansion project for a funding of $4,110,000
- Investing in Canada Infrastructure Program – British Columbia - Green Infrastructure - Environmental Quality Sub Stream Fund for the Minoru Park Stormwater Detention Pond and Sustainability Improvements project for a funding of $2,309,895
- Community Emergency Preparedness Fund (CEPF) - Disaster Risk Reduction - Climate Adaptation for Flood Protection Projects for a maximum funding of $2,300,000
- 2022/2023 British Columbia Active Transportation Infrastructure Grants Program for Steveston Hwy MUP - Phase 2 (Mortfield Gate to No. 2 Road) for a funding $500,000
- National Disaster Mitigation Program (NDMP) - Intake 6 Fund for the Steveston Island Preliminary Dike Design project for a funding of $500,000

- Canada Community Revitalization Fund (CCRF) for the London Heritage Farm Revitalization project for a funding of $459,000
- Municipal Asset Management Program for the Sanitary Pump Station Condition Assessments project for a funding of $50,000

HIGHLIGHTS OF KEY CAPITAL PROJECTS

Information on key capital projects include the adjusted project budgets including transfers from other projects and budget amendments, actuals on a cash-basis, and remaining commitments as at September 30, 2022.

INFRASTRUCTURE

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

There are continued upgrades for drainage and sanitary pump stations, flood protection infrastructure, dikes and roads throughout the City along with infrastructure improvements in the Burkeville area, Steveston area and various other locations. Table 3 provides the highlights for the key infrastructure capital projects.

Table 3: Key Infrastructure Capital Projects (in $'000s)

Program	Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Flood Protection	Disaster Mitigation and Adaptation Fund Infrastructure Grant - Drainage Pump Station and Diking Upgrades (2020, 2021, 2022)	$12,216	$6,802	$5,414
Flood Protection	Burkeville Utility Improvements (2021, 2022)	3,266	1,529	1,737
Road	Bridge Rehabilitation Program (2019, 2022)	800	23	777
Road	Annual Asphalt Re-Paving Program (2022)	5,032	337	4,695
Sanitary	Steveston Gravity Sewer Replacement and Rehabilitation (2020, 2021, 2022)	7,400	900	6,500
Water	Watermain Replacement Upgrades Program (2021)	6,196	3,570	2,626
Total Key Infrastructure Capital Projects		**$34,910**	**$13,161**	**$21,749**

BUILDING

The Building Program includes major building construction and renovation projects as well as minor facility upgrades. Table 4 provides the highlights for the key building capital projects.

Table 4: Key Building Capital Projects (in $'000s)

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Animal Shelter Replacement (2018)	$8,000	$6,041	$746
Richmond Curling Club - Priority 1 Repairs (2022)	650	-	650
Richmond Ice Centre (2020-2022)	13,700	3,956	9,744
Community Safety Building (2020-2021)	2,310	700	1,540
Richmond Courthouse (2019-2020)	1,932	182	1,750
South Arm Community Centre Infrastructure Renewals (2022)	1,900	-	1,900
Britannia Shipyards Envelope & Mechanical System Renewals (2022)	2,125	71	2,054
Watermania Mechanical and Pool Equipment Renewals (2019, 2022)	3,636	538	3,003
Cultural Centre Annex (formerly Minoru Place Activity Centre) Program - Implementation (2019)	3,326	210	3,090
Minoru Arenas (2019, 2021)	4,580	2,741	1,459
City Hall Infrastructure Replacement (2019-2021)	5,250	978	4,122
Works Yard Improvements (2018-2020, 2022)	6,624	2,247	3,132
Steveston Community Centre and Library (2021)	95,000	355	94,645
Total Key Building Capital Projects	**$149,033**	**$18,019**	**$127,835**

Attachment 1 includes the Q3 2022 Construction Update on Engineering and Public Works Capital Projects as well as the project budget and the scheduled construction completion.

PARKS

The Parks program includes the development and replacement of parks, trails, community garden and natural areas in Richmond. Key Parks capital projects are summarized in Table 5 below with the project highlights outlined in Attachment 2.

Table 5: Key Parks Capital Projects (in $'000s)

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Alexandra Neighbourhood Park (formerly West Cambie Park) (2019)	$1,770	$1,379	$391
Aberdeen Neighbourhood Park – Phase 2 (2018-2019)	2,050	2,034	16
Garden City Lands Phase 2 and 3 (2016-2018)	6,170	3,506	2,664
City-wide Community Gardens (2021)	200	198	2
Minoru Lakes Renewal (2019-2021)	9,810	4,072	5,738
King George Artificial Turf Field Replacement (2021)	850	707	143

Table 5: Key Parks Capital Projects (in $'000s) - continued

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Lang Park Completion (2020)	275	145	130
London Heritage Farm Master Plan Phase 1 (2022)	612	129	483
Dog Park Upgrades (2021)	200	79	121
London/Steveston Neighbourhood Park (2017, 2019-2020)	950	669	281
Hollybridge Pier/Middle Arm (2010, 2012, 2015)	2,350	2,054	296
The Gardens Agricultural Park (2015)	1,100	598	502
South Arm Park Renewal (2021)	300	4	296
Playground Improvement & Replacement (2018, 2020, 2022)	1,650	566	1,084
Parks Ageing Infrastructure (2018-2022)	2,720	2,012	708
Parks General Development (2019-2022)	1,725	857	868
Parks Identity Signage Program (2021-2022)	200	41	159
Total Key Parks Capital Projects	**$32,932**	**$19,050**	**$13,882**

TRANSPORTATION

The Transportation department implements a range of capital projects each year throughout Richmond, including new or widening of existing arterial roads, traffic signals, sidewalks, walkways, bicycle lanes, upgrades to transit-related road infrastructures and traffic safety and traffic calming projects. Table 6 provides the highlights for the key Transportation capital projects.

Garden City Road Pedestrian and Cyclist Enhancements, Westminster Highway to Lansdowne Road

This project adds separated cycling and pedestrian facilities along a popular cycling route to improve public safety and contribute to the City's long-term objective of providing physical separation between cyclists and motor vehicles along arterial roads. The addition of an extruded curb and paving of a 1.8m wide cycling path have been completed. This adds an additional 350m of separated cycling path to the City network, while maintaining the existing number of vehicle travel lanes. Works have been fully completed in Q3 2022.

Active Transportation Improvement Program

Through the City's Active Transportation Program, delineators were installed along on-street cycling lanes along Granville Avenue. This feature creates a physical barrier separating cyclists and vehicles, which is proven to improve cyclist safety and reduce collisions. Works were substantially completed in Q2, installing 3.4km of delineators along Granville Avenue from Garden City Road to Railway Avenue.

Arterial Road Improvement Program

Through the Arterial Road Improvement Program, Transportation has been making improvements to reduce collisions and improve pedestrian and cycling safety at intersections, such as the removal of channelized right-turn islands. At the northwest intersection of Garden City Road and Lansdowne Road, the channelized right-turn lane and corresponding island were

removed and replaced with a standard curb return and pedestrian facilities. A 40m section of the southbound on-street bike lane was also upgraded to an off-street bike path including an additional 25m of boulevard. This project connects to the work on the west side of Garden City Road between Lansdowne Road and Westminster Highway where the paved shoulder was upgraded to a protected multi-use pathway. Two other channelized island removals within this project are slated to be completed in Q1 2023.

Table 6: Key Transportation Capital Projects (in $'000s)

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Garden City Road Pedestrian and Cyclist Enhancements, Westminster Highway to Lansdowne Road (2019)	$1,000	$793	$207
Active Transportation Improvement Program (2020)	900	448	452
Arterial Roadway Improvement Program (2020)	800	255	545
Total Key Transportation Capital Projects	**$2,700**	**$1,496**	**$1,204**

EQUIPMENT

The equipment program includes machinery and vehicles for Public Works (PW), Richmond Fire Rescue and other miscellaneous equipment. Table 7 provides the highlights for the key equipment capital projects.

Energy Management Projects - Gas Equipment Replacement and Upgrade Phase 1
This project involves an upgrade to the heating and cooling control system equipment at the Steveston Tennis Shed, two buildings within the City's Operation Works Yard, and one building in the Britannia Shipyard. This capital project budget also covers the heating replacement at Thompson Community Centre, which is at the early design stage.

Vehicle and Equipment Reserve Purchases (Public Works and Corporate Fleet)
The Vehicle and Equipment Reserve Purchases projects in Plan Year 2019 to 2022 are currently in replacement progress. These projects have combined outstanding acquisitions that involve over 70 vehicles and pieces of equipment that have been identified for replacement. As of Q3 2022, 18 of these outstanding units have been completed and 36 units are on order.

Public Electric Vehicle Charging Expansion
This project involves the installation of 20 charging stations at eight different locations throughout the city. The charging stations are now operational and the project is complete. According to the grant agreement, a final report has been submitted to Natural Resources Canada (NRCan) and the City is awaiting the final tranche of the grant funding from NRCan.

Fire Vehicle Replacement Reserve Purchases
The Fire Vehicle and Equipment Reserve Purchases projects in Plan Year 2019 to 2022 have a combined outstanding acquisition of four front line vehicles and five support vehicles. The projects are currently in development stage of the required specifications.

Closed Circuit Television for Signalized Intersections
This project is being done in coordination with the Traffic Department. The closed circuit television cameras operate on the fibre optic network. Additional cameras will be implemented based on the timing of the fibre optic network and new traffic signals upgrades in the City. Phase 3 of the project is planned in 2023.

Bylaws License Plate Recognition (LPR) System
The License Plate Recognition project under the Parking Department is near completion. The project is in its final stage and should be fully operational by the end of 2022.

Vehicles for RCMP Detachment Team
The operational requirements for the RCMP detachment include support vehicles to be used by the municipal staff for work related duties only. The acquisition of these vehicles was deferred due to global supply chain issues. The vehicles are currently being sourced with the expectation that they will be electric or hybrid vehicles in line with the Sustainable Green Fleet Policy 2020.

Table 7: Key Equipment Capital Projects (in $'000s)

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Energy Management Projects - Gas Equipment Replacement and Upgrade Phase 1 (2019)	$675	$7	$668
Vehicle and Equipment Reserve Purchases (Public Works and Corporate Fleet) (2019-2022)	14,382	5,706	8,676
Public Electric Vehicle Charging Expansion (2019)	700	649	51
Fire Vehicle Replacement Reserve Purchases (2019-2022)	8,297	3,818	4,479
Closed Circuit Television for Signalized Intersections (2018)	2,185	1,281	904
Bylaws License Plate Recognition (LPR) System (2016)	208	172	36
Vehicles for RCMP Detachment Team (2014)	105	-	105
Total Key Equipment Capital Projects	**$26,552**	**$11,633**	**$14,919**

INFORMATION TECHNOLOGY

The Information Technology (IT) program includes City Hall computer hardware, software and other miscellaneous IT equipment. Table 8 provides the highlight for the key IT capital projects.

Master Customer Data
There is an increasing expectation from Richmond residents and businesses to access City online services at any time and from any location, and the City's Digital Strategy has provided a wide range of benefits to users including increased availability and access to streamlined processes. The latest initiative to support this objective is the MyRichmond module, MyBusiness, which was launched on July 11, 2022. MyBusiness offers business owners a comprehensive dashboard of information and available services at a glance, allowing them to apply, obtain approvals and pay for business licenses without leaving the comfort of their home or office.

Business Continuity Transition to Laptops
This project invests in the technical infrastructure required to support staff with hybrid work and ensures that the City has the capacity to operate business services during emergency events and planned site interruptions. This project was significant to continuing business operations during the recent COVID-19 pandemic and has mostly completed its deployment, with estimated completion in Q4 2022.

Field Devices
This initiative supports equipping City field workers with devices to securely interface with Public Works asset management systems, allowing remote access and the ability to update service status while working offsite. Completion is expected by Q4 2022.

Oracle RAC Enterprise and Solaris SPARC Server Upgrades
Oracle Real Application Clusters (RAC) are mission-critical database component services used in the City's financial, payroll, taxation, Public Works asset management, identity access management and Geographic Information Systems (GIS). This project will implement a cost-effective, highly available and modernized Oracle Database RAC infrastructure. Equipment has been installed and production database migration is estimated to complete by Q4 2022.

Annual Hardware Refresh
This is a planned annual replacement program for end-of-service City computer hardware, which includes desktops, laptops, printers, monitors, cellular phones and iPads. This approach maintains business productivity, reduces maintenance costs and ensures computer hardware is technically appropriate for the software applications used in City business services and practices. Equipment is scheduled for ongoing replacement during the year.

Table 8: Key Information Technology Capital Projects (in $'000s)

Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Expected Commitments / Work In Progress
Master Customer Data (2015)	$900	$321	$579
Business Continuity Transition to Laptops (2021)	365	283	82
Field devices (2021)	281	204	77
Oracle RAC Enterprise and Solaris SPARC Server Upgrades (2021)	850	782	68
Annual Hardware Refresh (2021-2022)	1,041	393	648
Total Key IT Capital Projects	**$3,437**	**$1,983**	**$1,454**

CAPITAL PROJECTS EXPECTED TO BE COMPLETED IN NEXT QUARTER

The following active capital projects are expected to be completed in Q4 2022.

Table 9: Capital Projects Expected to be completed in Next Quarter

Program	Project Name **(Plan Year)**
Infrastructure Program	Active Transportation Improvement Program (2018)
	Active Transportation Improvement Program (2019)
	Annual Asphalt Re-Paving Program - MRN (2021)
	Annual Asphalt Re-Paving Program - Non-MRN (2021)
	Arterial Roadway Improvement Program (2018)
	Boundary Road Drainage Pump Station Upgrade Fronting Costs (2022)
	Cambie Overpass Rehabilitation Project (2020)
	Canal Stabilization and Drainage & Irrigation Upgrades (2021)
	City Centre Cycling Network Plan (2018)
	Drainage Network Ecological Enhancement (2020)
	Fire Hydrant Upgrades (2022)
	Invasive Species Management (2019)
	Neighbourhood Walkway Program (2018)
	Neighbourhood Walkway Program (2019)
	Neighbourhood Walkway Program (2020)
	Pilot Sewer Grease and Heat Recovery Facility (2018)
	Public Works Infrastructure Advanced Design (2019)
	Public Works Minor Capital - Sanitary (2021)
	Public Works Minor Capital - Water (2019)
	Pump Station Resiliency - Pilot Project (2018)
	Railway Crossings and Environmental Works (2018)
	Road Weather Information System (2019)
	South Dike Repair - Gilbert Road Area (2021)
	Steveston Highway & No. 3 Road Pump Station Upgrade (2019)
	Top 20 Collision Prone Intersections- Short-term Improvements (2020)
	Traffic Video and Communication Program (2019)
	Traffic Video and Communication Program (2020)
	Transit-Related Amenity Improvement Program (2019)
	Transit-Related Amenity Improvement Program (2020)
	Transit-Related Roadway Improvement Program (2019)
	Water Metering Program (2020)
	Watermain Tie-in and Restoration (2020)
Building Program	Capital Buildings Project Development Advanced Design (2020)
	City Hall Council Chamber Roof Replacement (2021)
	Thompson Community Centre & Hall Infrastructure Renewals (2021)
	Hamilton Community Centre - HVAC Replacement (2021)
	Library and Cultural Centre Chiller Replacement (2017)
	Minor Building Capital Improvement (2019)
Parks Program	City-Wide Community Gardens (2021)
	Dog Park Upgrades (2021)

Table 9: Capital Projects Expected to be completed in Next Quarter - continued

Program	Project Name **(Plan Year)**
Parks Program	Parks Strategic Ageing Infrastructure Replacement Program (2018)
	Playground Improvement Program (2020)
	Terra Nova Park - Waterfront Development (2013)
Equipment Program	2018 Digital Strategy Implementation (2018)
	Annual Hardware Refresh (2021)
	Annual Hardware Refresh (2022)
	Business Continuity Transition to Laptops (2021)
	Business Process Management Suite (BPMS) (2016)
	Bylaws License Plate Recognition (LPR) System (2016)
	Corporate Website Increased Functionalities (2022)
	Customer Response Management System (CRM) (2016)
	Data Centre Server Refresh / Update (Phase 1 of 2) (2020)
	Data Centre Server Refresh / Update (Phase 2 of 2) (2022)
	Digital Communication Enhancement / Public Participation at Cityhall (2022)
	Field devices (2021)
	Fire Equipment Replacement from Reserve (2020)
	Fire Equipment Replacement from Reserve (2021)
	Public Electric Vehicle Charging Expansion (2019)
Information Technology	Master Customer Data (2015)
	MS SQL Server Refresh (2022)
	Network Refresh for City Facilities (Phase 2 of 3) (2021)
	Network Refresh for City Facilities (Phase 3 of 3) (2022)
	Oracle RAC Enterprise and Solaris SPARC Server Upgrades (2021)
	Program Registration & Facility Booking Solution (2017)
	Snow and Ice Response Tracking (2022)
Child Care/Public Art Program	Child Care - Administration (2021)
	Child Care Projects - City Wide (Projects) (2018)
	Public Art Program (2016)
	West Cambie Neighbourhood Park Public Art Project (2018)
	Public Art Program (2019)
	Richmond Oval Public Art (2005-2008)

CAPITAL PROJECTS CLOSED IN THE QUARTER

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

Table 10: Projects Closed in the Quarter Ended September 30, 2022 (in $'000s)

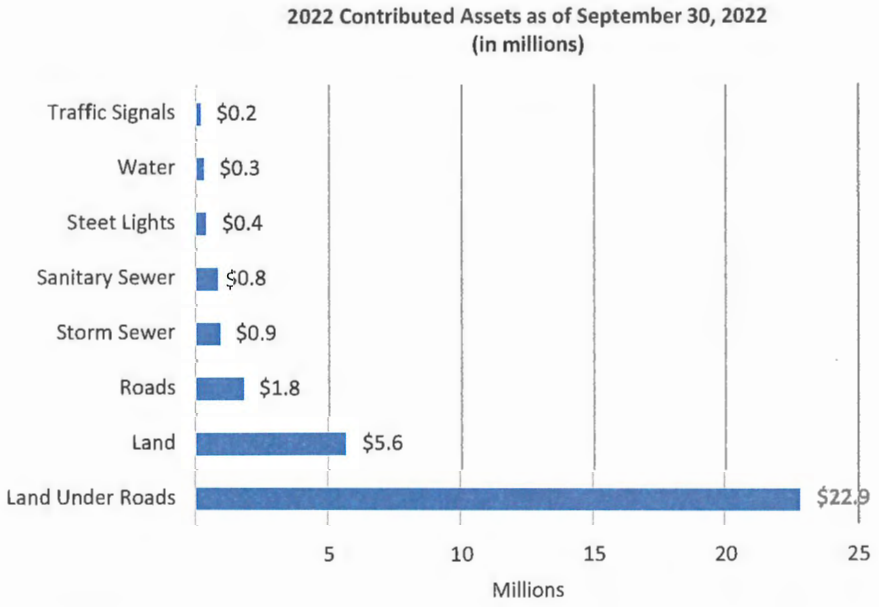
Project Name (Plan Year)	Budget	Actuals as at September 30, 2022	Remaining Budget
Gateway Theatre Infrastructure (2017, 2018)*	$4,395	$4,305	$90
Gateway Theatre Infrastructure Replacements Phase 2 (2019)	3,700	3,223	477
Minoru Aquatics Centre Demolition (2021)	2,700	1,668	1,032
Library Cultural Centre Conveyence Replacements (2019)	709	496	213
2019 Capital Buildings Project Development Advanced Design (2019)	602	503	99
Citywide Sidewalk and Street Light Replacement Program (2021)	500	500	-
Citywide Sidewalk and Street Light Replacement Program (2020)	500	499	1
Network Infrastructure Core Refresh (2019)	481	479	2
Playground Improvement Program (2021)	400	400	-
Street Light LED Upgrade Program (2020)	400	398	2
Public Works Minor Capital - Roads (2020)	400	398	2
Brazilian Elodea Management (2018)	223	223	-
Riverport and Cook Community Gardens (2020)	180	180	-
Total	**$15,190**	**$13,272**	**$1,918**

* Gateway Theatre Infrastructure includes Gateway Theatre Main Stage Lighting Replacement (2017) with an approved budget of $385,000, Gateway Theatre Infrastructure Replacements - First Stage (2018) with an approved budget of $3,337,000 and Gateway Theatre Lighting Infrastructure and Systems Renewal (2018) with an approved budget of $673,400.

CONTRIBUTED ASSETS

Included in the Consolidated 5 Year Financial Plan (2022-2026) Bylaw was an estimated $54.8M for assets that are transferred to the City by developers and third parties. 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 $32.9M have been recorded as of September 30, 2022:

Figure 2 – Current Year – To – Date Contributed Assets as at September 30, 2022



Land Under Roads are roads dedicated to the City as part of rezoning applications and consist of the following significant asset contributions:

- A strip of land along the south side of Lansdowne Road and the east side of Minoru Boulevard through the rezoning application for the property at 5740 Minoru Boulevard. The fair market value is recorded at $9.5M.
- The lane on the east side of Minoru Boulevard is part of the rezoning application for the property at 6533 Park Road and is recorded at the fair market value of $8.1M.
- Two strips of land along the north and south sides of the property at 8091 Capstan Way are recorded at the fair market value of $4.3M.

Included in Land are:

- The linear parkland along the north side of the property at 5740 Minoru Boulevard recorded at the fair market value of $4.1M.
- The linear parkland along the east side of the property at 23400 - 23500 Gates Avenue recorded at the fair market value of $1.5M.

Financial Impact

None.

Conclusion

This report provides information on active capital projects that were previously approved by Council. All active capital projects are currently within budget.

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JH :sx

Att. 1: Q3 2022 Construction Update on Engineering and Public Works Capital Projects
2: Q3 2022 Construction Update on Parks Capital Projects

Q3 2022 Construction Update on Engineering and Public Works Capital Projects

Flood Protection

Disaster Mitigation and Adaptation Fund Infrastructure Grant - Drainage Pump Station and Diking Upgrades

The City secured $13.8 million from the Federal Government though the Disaster Mitigation and Adaptation Fund Grant to contribute towards the Flood Protection Program. This project includes the upgrades of various drainage pump stations and diking upgrades. The construction of the South Dike Upgrades from No. 3 Road to west of No. 4 Road was substantially completed in July 2022 and the Steveston Highway and Gilbert Road drainage pump station was substantially completed in August 2022. Construction for the South Dike Upgrade at No. 9 Road is on schedule with completion anticipated for the end of 2022. The design of the South Dike Upgrade at No. 4 Road to No. 5 Road is currently underway and construction is planned to commence in 2024.

Burkeville Utility Improvements

This project consists of upgrades to the City's storm sewer capacity. Ageing watermain and sanitary sewers will also be upgraded at the same time to minimize ongoing disruption to residents and overall construction costs. This project is being constructed in phases and is scheduled to be completed in approximately five years. Phase 3 was completed in Q3 2022, Phase 4 construction is currently underway and is located in the north eastern section of the neighbourhood. Completion is estimated for Q2 2023.

Roads

Bridge Rehabilitation Program

As part of the bridge replacement program, the wooden bridge crossing the canal on the West Dyke Trail at Springhill Crescent has been identified for renewal. The structure was reaching its end of service life, and was showing signs of wear. The construction of both east and west abutments, secured with piles, and adjacent retaining walls, have been completed. The new steel bridge is anticipated to be installed before the end of this year. The finished structure will include a ramp, a feature not present in the existing structure, to improve accessibility on the trail.

Annual Asphalt Re-Paving Program

The annual Paving Program works have commenced and enabling concrete works are ongoing. Upcoming locations include: Finlayson Drive from Gagnon Place to McLennan Avenue, Great Canadian Way from Sea Island Way to Bridgeport Road, No.6 Road from Highway 91 to Maycrest Way, Fraserwood Place from Westminster Highway to Gordon Way, and No. 3 Road from Granville Avenue to Blundell Road. The paving program is scheduled to be complete in Q2 2023.

Sanitary Sewers

Steveston Gravity Sewer Replacement and Rehabilitation

This project includes rehabilitation and upgrades to the City's sanitary sewer in the Steveston Area. This project will be performed in phases over a 5 to 10 year period. This project will utilize various trenchless technologies as well as limited open cut methods of installation, which will reduce disruption to nearby residents and businesses during construction. The 2022 phase of rehabilitation includes sanitary works in the several back laneways where trenchless installation techniques can be utilized, and is scheduled to commence in Q1 2023.

Water

Watermain Replacement Upgrades Program

This project replaces and upsizes ageing watermains at the end of their service life with PVC pipes, in line with the City's Ageing Infrastructure Replacement Strategy. This will minimize unplanned maintenance and improve fire protection. City crews have commenced work in the Nevis and Petts neighborhood, including replacement of the watermain on Williams Road between Gilbert Road and No. 3 Road. Construction will be completed by Q2 2023. Construction of new watermain under this program will continue in early 2023.

Buildings

Richmond Animal Shelter

The existing 4,580 sq. ft. facility was updated and a new 1,600 sq. ft. addition was completed in Q1 2022. Animals were transitioned to their new spaces in Q2 2022 and the grand opening ceremony was held on July 22, 2022.

Richmond Curling Club

The Richmond Curling Club requires significant repairs to the building envelope to stop current water ingress and prevent future water damage. The repair work will include roofing works and the replacement of various building envelope components including drains, window sills, and doors. Additionally, several critical pieces of mechanical equipment will be replaced with new higher efficiency units to ensure the health and safety of all occupants and visitors. Construction is anticipated to complete by Q2 2023.

Richmond Ice Centre

Richmond Ice Centre is a 155,000 sq. ft. facility that includes six ice rinks, change rooms, restaurant and concession, as well as retail spaces. Existing ageing equipment and infrastructure will be replaced with new and more efficient alternatives. This includes the roof, ice rink floors and various mechanical equipment. The equipment and infrastructure replacements will

minimize unplanned maintenance and improve life and safety for the users and operators. The construction started in Q1 2022 and is anticipated for completion in Q4 2023. To enhance the public experience, this project is multi-phased to minimize impact on programming, operations and service levels.

Community Safety Building

The last phase of the heat pump replacement works was completed in Q2 2022. This work will prevent service disruption and potential closure for this building.

The design for the emergency power upgrades project started in Q4 2022 with construction anticipated to complete in Q2 2023. Fuel tanks and electrical panels will be connected to the emergency power supply to prevent service disruption in case of an emergency.

Richmond Courthouse

The two-storey, 64,000 sq. ft. Courthouse and Annex buildings were originally built in 1975 and include spaces for the Attorney General Office, Richmond Community Corrections and Richmond Family Justice Centre. Ageing rooftop mechanical equipment and the electrical panel will be replaced with new and more efficient alternatives. Structural seismic upgrades will be done to enhance life and safety for the users and operators. Perimeter drainage system improvements, floor slab repairs and releveling and minor building envelope repairs will also be completed. Design was completed in Q1 2022 and construction is underway, with completion estimated for Q3 2023.

Community Amenity Contributions

Design and construction for the following facilities are the responsibility of the developers:

- Hummingbird Child Care - Aspac Development Ltd.
  (Construction completed).
- Capstan Community Centre - Yuanheng Holdings Ltd.
  (Construction anticipated to begin in Q1 2023).

South Arm Community Centre

South Arm Community Centre is located on Williams Road between Garden City and No. 3 Road. Multiple building components within the facility will be replaced with new energy efficient equipment and components. The renewals will include but are not limited to fire alarm system replacement, flooring replacement, and HVAC upgrades. Construction is scheduled to begin in Q1 2023, with construction completion anticipated in Q4 2023.

Britannia Shipyards

Within the Britannia Shipyard National Historical Site, there are many buildings that require exterior maintenance, roofing and cladding repairs. Additionally, a new dust extraction system

will be installed in the Richmond Boat Builders Building, restoring the building's use as a functional workshop. Construction will begin in Q1 2023 with anticipated completion in Q4 2023.

Watermania

Watermania is part of the Riverport Sports and Entertainment Complex, and offers a complete aquatic and fitness experience. Multiple building components in this facility will be replaced with new energy efficient equipment and components. Improvements will include upgrades to heat exchangers, pool equipment, building envelope, and all washrooms and change rooms. Construction completion is anticipated in Q4 2023.

Richmond Cultural Centre Annex

Richmond Cultural Centre Annex will be repurposed to serve as a Community Arts Programming and Education space. The project includes the renovation of interior spaces to accommodate programming for two dance studios (with ancillary spaces), a pottery studio, a media arts studio, three multipurpose program rooms (one with a workshop), flex lobby space, reception and administration offices. This project is partially funded by the Provincial and Federal Government through the Investing in Canada Infrastructure Program – Community, Culture and Recreation Program. Construction has commenced, following decommissioning of the space, previously occupied by BC Housing as an Emergency Response Centre. The new Richmond Cultural Centre Annex is estimated to complete by Q2 2023.

Minoru Arenas

Building infrastructure renewals and replacements including mechanical and electrical upgrades, life and safety equipment upgrades, and architectural improvements of the mezzanine viewing area and change rooms are complete.

City Hall

The green roof membrane above Council Chambers and the fifth floor terrace roof failed and was leaking. Roof replacement work is complete.

In addition, the electrical room cooling units, Council Chambers fan coil and hot water control valves at City Hall will be replaced with modern energy efficient systems. Most of the work will occur within unoccupied spaces such as the main mechanical and electrical rooms and will have minimal disruption to normal City operations. Other work includes replacement of the sewage ejector pump, renewal of the underground parking lines and replacement of various life-safety devices. Construction completion is anticipated by Q1 2023.

Works Yard

Buildings in general at the Works Yard have aged beyond their expected lifespan. In advance of a broader rebuilding program being finalised and funded, there are many building components within each of the active Works Yard facilities that require replacement in order to maintain

operability. Design is complete and construction is in progress. Construction is estimated to complete by the end of 2022.

Design has commenced for electrical upgrades and installation of new Electric Vehicle (EV) infrastructure with anticipated construction completion in Q4 2023.

Steveston Community Centre and Library

Following approval of the Form and Character, design development is progressing for this priority Major Facility Phase 2 project. The design will be innovative, sustainable, inclusive and a model of wellness, and be based on the guiding principles established for the project, including Richmond's Enhanced Accessibility Design Guidelines, Leadership in Energy and Environmental Design (LEED) Gold Certification, and the City's Circular Economy Principles.

Enabling works for site preparation of the new, three-storey, 60,350 sq. ft. facility has commenced. Construction of the new facility is anticipated to be complete by Q1 2026.

	Project Name	Scope of Work	Capital Funding (x1000)	Scheduled Construction Completion
INFRASTRUCTURE - ENGINEERING				
ROADS				
1	No. 4 Road Reconstruction from Blundell Road to Granville Ave (2018) Box Culvert Repair (2020)	Granville Avenue to Blundell Road	$2,786	Complete
2	Alderbridge Way Multi-Use Pathway, No. 4 Road to Shell Road (2018)	Alderbridge Way Multi-Use Pathway (MUP) - Shell Road to No. 4 Road	$1,200	Complete
3	Arterial Roadway Improvement Program (2019)	Railway Greenway - Intersection Improvements for Pedestrians and Cyclists at Blundell, Francis, and Williams	$506	Complete
4	Active Transportation Improvement Program (2018) Active Transportation Improvement Program (2019)	Charles Street MUP - Sexsmith to Bridgeport Canada Line Station, Browngate Road, Garden City Road (Francis Rd-Williams Rd): rebuild MUP on west side	$2,000	Complete
5	Annual Asphalt Re-Paving Program - MRN (2021)	Annual asphalt re-paving	$1,589	Q4 2022
6	Annual Asphalt Re-Paving Program - Non-MRN (2021)	Annual asphalt re-paving	$3,344	Q4 2022
7	Steveston Highway Multi-Use Pathway, Shell Road to Mortfield Gate (2019)	Steveston Highway Multi-Use Pathway – Shell Road to Mortfield Gate	$2,410	Q4 2023
8	Arterial Roadway Improvement Program (2018) Arterial Roadway Improvement Program (2019)	River Road Sidewalk - No. 6 Road to Burdette Street, Sidewalk Upgrades - Lucas at No. 3 Road	$856	Q2 2023
9	Cambie Road / No. 5 Road – Intersection Improvements (2020)	Intersection safety improvement at Cambie Road and No. 5 Road, including Left Turn (LT) lanes on all 4 legs and MUPs	$2,760	Q3 2024
10	Bridge Rehabilitation Program (2019)	Various locations Citywide including West Dike Trail Bridge and Bird Road Bridge	$300	Q1 2023
11	Annual Asphalt Re-Paving Program - MRN (2022)	Annual asphalt re-paving	$1,621	Q2 2023

	Project Name	Scope of Work	Capital Funding (x1000)	Scheduled Construction Completion
12	Annual Asphalt Re-Paving Program - Non-MRN (2022)	Annual asphalt re-paving	$3,411	Q2 2023
13	Steveston Highway Multi-Use Pathway, Mortfield Gate to No. 2 Road (2020)	Steveston Highway Multi-Use Pathway - Mortfield Gate to No. 2 Road	$6,600	Q4 2023
14	Street Light LED Upgrade Program (2022)	City-wide Light Emitting Diode (LED) street light replacement program	$490	Q3 2023
		DRAINAGE		
15	Steveston Highway & No. 3 Road Pump Station Upgrade (2019)	Upgrades to the existing drainage pump station at Steveston Highway and No. 3 Road	$2,439	Complete
16	Burkeville Utility Improvements Drainage (2021)	Burkeville Drainage Upgrades (Third phase of construction)	$2,026	Complete
17	Laneway Drainage Upgrade (2021)	Laneway drainage upgrade at Railway Avenue East Lane	$800	Complete
18	Disaster Mitigation and Adaptation Fund Infrastructure Upgrades (2020)	First phase of drainage pump station upgrades and perimeter dike raising design including pump stations at Steveston Highway and Gilbert Road, and south dike upgrades from No. 3 Road to Finn Slough	$4,516	Complete
19	Storm Main Drainage Upgrade (2021)	Drainage improvements at the intersection of Gilbert Road and Steveston Highway	$950	Q4 2023
20	Laneway Drainage Upgrade (2022)	Ashwood Drive/Francis Road Lane and Seaton Road North Lane	$1,183	Q1 2023
21	Disaster Mitigation and Adaptation Fund Infrastructure Upgrades (2021)	Second phase of drainage pump station upgrades and perimeter dike raising design including dike upgrades from No. 3 Road to Finn Slough, and dike upgrades from No. 9 Road to Dyke Road	$5,000	Q4 2023
22	Disaster Mitigation and Adaptation Fund Infrastructure Upgrades (2022)	Third phase of drainage pump station upgrades and perimeter dike raising design including dike upgrades from No. 4 Road to No. 5 Road	$2,700	Q4 2024
		SANITARY		
23	Hamilton Area Sanitary Sewer and Pump Station (2020)	Sanitary pump station located in Hamilton VLA Park	$2,800	Complete
24	Sanitary Sewer Tie-in and Restoration (2021)	Sanitary sewer tie-in and restoration	$150	Q2 2023

	Project Name	Scope of Work	Capital Funding (x1000)	Scheduled Construction Completion
25	Steveston Gravity Sewer Replacement and Rehabilitation (2020) Gravity Sewer Rehabilitation and Upgrades (2021) Steveston Sanitary Sewer and Hammersmith Forcemain Rehabilitation (2022)	Multi-year sanitary rehabilitation and upgrade program in the Steveston area	$7,400	Q4 2024
		WATER		
26	Watermain Replacement Upgrades Program (2020)	Watermain Replacement Program - Monteith Area	$5,793	Complete
27	Thompson Gate Pressure Reducing Valve Station (2020)	Water pressure reducing valve station to reduce Metro Vancouver's distribution pressure to local pressure to provide additional water service to the East Richmond area	$1,500	Q1 2023
28	Watermain Tie-in and Restoration (2021)	Watermain tie-in and restoration	$200	Q2 2023
29	Watermain Replacement Upgrades Program (2021)	Watermain Replacement Program - Nevis/Petts Area, Danube/Minler Area, Springfield Area, No. 3 Road, Terra Nova Park and Granville Avenue	$6,196	Q4 2023
30	Watermain Replacement Upgrades Program (2022)	Watermain Replacement Program - Sealord Neighbourhood 2, No. 7 Road, and Montego/Aztec	$5,566	Q4 2024
		BUILDINGS - PROJECT DEVELOPMENT		
31	Minoru Arenas System Renewals (2019) Minoru Arenas - Mechanical & Life Safety System Renewals (2021)	Mechanical and Life Safety Renewals	$4,580	Q4 2023
32	City Hall Council Chamber Roof Replacement (2021)	Council Chamber Roof Replacement	$1,640	Complete
33	Community Safety Building - Mechanical Component Replacements and Associated Works (2020)	Components Replacement	$1,420	Complete

	Project Name	Scope of Work	Capital Funding (x1000)	Scheduled Construction Completion
34	Hamilton Community Centre - HVAC Replacement (2021)	Heating, Ventilation, and Air Conditioning (HVAC) Replacements	$500	Complete
35	Works Yard Mechanical Replacements (2019)	Mechanical Systems Replacement	$1,707	Q4 2022
36	Works Yard Ageing Mechanical and Building Envelope Infrastructure Replacement (2018) Works Yard Infrastructure Renewals - Phase 1 - Design (2022)	Site wide infrastructure replacements	$2,935	Q4 2022
37	Minor Capital Buildings Project Development	36 projects (roof replacement, flooring, mechanical equipment, etc.)	$4,613	Q4 2022
38	City Hall Upgrades and Repairs (2019) City Hall - Replacement of Mechanical, Life/Safety, and Envelope Components and Associated Works (2020)	Replacement Components and upgrades	$3,610	Q1 2023
39	Community Safety Building Emergency Power and Interior Upgrades (2021)	Emergency Power Upgrades	$890	Q2 2023
40	Richmond Curling Club - Priority 1 Repairs (2022)	Infrastructure Repairs and Replacements	$650	Q2 2023
41	Cultural Centre Annex (previously known as Minoru Place Activity Centre) Program - Implementation (2019)	Repurposing	$3,326	Q2 2023
42	Richmond Courthouse - Mechanical Components Replacements, Envelope Renewals, Electrical Replacements, Structural Renewals and Associated Works (2020) Richmond Courthouse - Mechanical Components Replacements, Envelope Renewals, Electrical Replacements, Structural Renewals and Associated	Infrastructure Replacements	$1,932	Q3 2023

	Works (2019)			
	Project Name	**Scope of Work**	**Capital Funding (x1000)**	**Scheduled Construction Completion**
43	Britannia Shipyards Envelope & Mechanical System Renewals (2022)	Infrastructure and Envelope Upgrades	$2,125	Q4 2023
44	Works Yard Electrical Service Upgrade and EV Infrastructure (2020)	Electrical Upgrade and Electric Vehicle (EV) Infrastructure	$1,982	Q4 2023
45	South Arm Community Centre Infrastructure Renewals (2022)	Infrastructure Renewals	$1,900	Q4 2023
46	Richmond Ice Centre Infrastructure Renewals - Phase 1 (2020) Richmond Ice Centre Renewals - Phase 2 Design and associated works (2021) Richmond Ice Centre Renewals - Phase 2 Construction and associated works (2022)	Infrastructure Renewals	$13,700	Q4 2023
47	Watermania Ageing Mechanical and Building Envelope Infrastructure Replacement Phase 2 (2019)	Mechanical and Envelope Replacement	$1,341	Q4 2023
48	Watermania Mechanical and Pool Equipment Renewals (2022)	Infrastructure Renewals	$2,295	Q4 2023
49	West Richmond Community Centre - HVAC and Mechanical renewals (2021)	HVAC Renewals	$1,330	Q4 2023
50	Richmond Nature Park Infrastructure Renewals (2022)	Infrastructure Renewals	$4,775	Q1 2024
51	Steveston Community Centre and Library (2021) Steveston Community Centre and Library Contingency (2021)	Replacement of Existing Facility	$95,000	Q1 2026

Q3 2022 Construction Update on Parks Capital Projects

Alexandra Neighbourhood Park

Alexandra Neighbourhood Park is located in the newly established Alexandra neighbourhood, at the intersection of Odlin Road and May Drive. Construction was completed in **Q2 2022** and the official park opening event was held on Wednesday, June 8, 2022. The one-year maintenance period is underway, and the project team will be working with the contractor to monitor and address outstanding deficiencies during this time. In response to feedback received from local residents, staff have directed the contractor to replace crushed gravel surfaces adjacent to the playground and table tennis areas with poured-in-place safety rubber surfaces and add timber bench tops to all gabion walls. The contractor has completed the rubber surfacing work and the gabion bench retrofits are expected to be completed in **Q4 2022**.

Aberdeen Neighbourhood Park – Phase 2

Aberdeen Neighbourhood Park is located at the intersection of Cambie Road and Hazelbridge Way. Construction was completed in **Q3 2022** and the official park opening event was held on Wednesday, July 27, 2022. The one-year maintenance period is underway and the project team will be working with the contractor to monitor and address outstanding deficiencies during this time. The public washroom is currently closed, awaiting occupancy to be granted by Building Approvals. All required documentation has now been submitted and the building is anticipated to be open to the public in **Q4 2022**.

Garden City Lands (GCL)

An extensive contaminated sites testing program commenced in **Q4 2021** with a Qualified Environmental Professional (QEP) engaged. The QEP took soil samples for testing and further analysis. Staff have installed benches along the Perimeter Recreational Trail, and installation of additional native tree and shrub plantings was finished in **Q2 2022** along the same trail, in the vicinity of No. 4 Road and a portion of Alderbridge Way. Planting along Westminster Highway and Garden City Road is expected to proceed in **Q4 2022.** Soil importation from the Polygon Talisman site for the KPU farm commenced in **Q2 2022** and will continue into **Q4 2022**. Soil screening was completed in **Q3 2022** to ensure the highest quality of soil is placed on site. The Perimeter Recreational Trail will remain open to residents to enjoy the site during this time.

City-wide Community Gardens

An expansion of the Cook Community Gardens was completed in **Q2 2022** with 40 new community garden plots, including two wheelchair accessible plots. Three new community gardens along the Railway Greenway were substantially completed in **Q3 2022** with 96 new community garden plots, including two wheelchair accessible plots. Amenities such as picnic tables, chairs and bike racks are anticipated to be installed by the end of **Q4 2022**.

Minoru Lakes Renewal

Construction started in late **Q1 2022**. The lakes were dewatered in compliance with environmental regulations. In **Q2** and **Q3 2022**, demolition and earthworks were completed with construction prioritizing lakes infrastructure upgrades and new embankments. Civil infrastructure upgrades are approaching completion, with remaining waterworks scheduled for

mid **Q4 2022**. Finish surfaces including boardwalks, stonework, and pathways are underway and will proceed through **Q4 2022**. New mechanical components, furnishings, and remaining finish surfaces are on target for **Q1 2023** including plazas, benches, picnic tables, light poles, and planting.

King George Park – Artificial Turf Field Replacement

Synthetic sports fields generally last eight to 12 years depending on the usage and the maintenance of the fields. Originally constructed in 2008, the King George field has now been replaced with a new synthetic sports surface and a shock attenuation base-pad for extended durability and performance playability. The new sports surfacing system also includes a thermoplastic elastomer (TPE) infill with enhanced environmental and playability benefits that replaced the old crumb rubber infill. The project was completed in **Q3 2022** with use of the renewed field starting on Saturday August 13, 2022.

Lang Park Redevelopment Plan – Phase 3 Completion

The current construction phase of the Lang Park Redevelopment Plan includes an overhead shelter, table tennis tables and a community book exchange kiosk as part of the approved park program to address the needs of the community. Materials for the shelter's roof assembly were purchased in late **Q2 2022** for work to proceed in **Q3 2022**. The project is planned for completion in **Q4 2022**.

London Heritage Farm – Master Plan Phase 1

Council approved a Heritage Alteration Permit (HAP) in **Q1 2022.** Components of the project were completed in **Q2 2022** including an apiary expansion, chicken run renovations and heritage garden planting. Remaining site improvements include pathway upgrades, new furnishings, updated signage, renewed heritage displays and a new boardwalk. To minimize impact to gardeners and site programming, construction started in late **Q3 2022**. Earthworks and pathway improvements are underway and will be completed in **Q4 2022**. The boardwalk and a site arrival kiosk, which were not included in the previous HAP, will be presented to Council for consideration as part of an upcoming HAP.

Dog Park Upgrades

The existing Steveston Community Park Dogs Off-leash Area upgrades will include improved drainage, surfacing, play features, tree planting, site furnishings and a drinking fountain. Detailed design started in **Q1 2022**. Public consultation and engagement by staff within the Steveston Community took place in **Q2 2022**. Construction started in late **Q3 2022** and is anticipated to be completed in **Q4 2022**. A temporary off-leash area west of Fentiman Place was installed and is open for the duration of the closure.

London/Steveston Neighbourhood Park

London/Steveston Neighbourhood Park enhancements are being implemented in phases. The first phase was completed in 2018 and included greenway connections to No. 2 Road. The second phase, completed in 2019, included a pathway loop, trees, landforms and stormwater detention ponds. The third phase of the project included a playground, half-court basketball plaza and park shelter. Construction of the playground and the half-court basketball plaza were completed in 2020. The park shelter was installed in 2021. The fourth and final phase of enhancements includes an off-leash dog park. The off-leash area will include a variety of surface treatments, fencing, play elements, tree planting and site furnishings. Preliminary planning and design work is expected to commence in **Q4 2022**.

Hollybridge Pier/Middle Arm

This project is the 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. The project has been halted as the City has received a final decision letter from the Ministry of Forest, Lands, Natural Resources Operations and Rural Development (FLNRORD), stating that the City's application to construct a public pier has been rejected. **Further consultation is required for the potential next steps to move the project forward.**

The Gardens Agricultural Park

Rehabilitation of the existing park features has been completed, including pathways, a bridge, planting and site furnishings. The northern section of the park was previously closed off to the public for safety reasons, and has now been reopened following completion of pathway and landscape improvements. As the Province has recently announced the approval of the George Massey Crossing Project, staff will study its impact to the implementation of the approved park concept.

South Arm Community Park Renewal

South Arm Community Park Renewal includes a new playground, enhanced trail connections, a new plaza, expanded picnic areas, updated furnishings and shade trees. Detailed design for these elements and the new playground are complete. Construction is anticipated to start in **Q4 2022** and be complete by **Q2 2023**, depending on weather.

Playground Improvement and Replacement

- South Arm Community Park Playground – Construction is expected to start in **Q4 2022**.
- Steveston Community Park Playground Renewal (detailed design) – A staff report on the Steveston Community Park Playground Next Steps received Council support in **Q1 2021**. The RFP was issued to market in **Q1 2022** and the contract was awarded in **Q2 2022**. Detailed design is underway.
- Playground Replacement – Great Cannery West site survey was completed in **Q2 2022**. Site surveys scheduled for Odlinwood and Heather/Dolphin for **Q4 2022**. Planning and design will proceed into **Q1/Q2 2023** with construction intended from **Q3/Q4 2023** for the playground replacement program.

Parks Ageing Infrastructure

- No. 3 Road Pier – A conditional assessment of the pier was completed in 2021. Minor repairs to the piled foundation was completed in **Q4 2021**; however, more damage has been identified due to storms experienced this past fall and winter season. Further repairs to the sheer boom and piled dolphins is now anticipated for **Q4 2022**.
- No. 2 Road Pier – A structural conditional assessment was completed in August 2018. Phase 1 repairs for the pile foundation were completed in **Q3 2020**. Replacement of the perimeter rail fence was completed in **Q4 2020**. Planning for Phase 2 of the pile foundation replacement is anticipated for 2023 when funding is available through the 5 Year Capital Planning process.
- King George Park caretaker's house and public washrooms drainage upgrades have been substantially completed in **Q1 2022**. Repairs to the pathways and sidewalks for the new drainage are anticipated for completion in **Q4 2022**.

Parks General Development

- Terra Nova Park – Phase 1 of the new fencing around the community gardens was completed in **Q2 2022**. Planning for Phase 2 is underway.

Parks Identity Signage Program

This project consists of the design and fabrication of various Park and Open Space signage including wayfinding and identity signs. Completed sites for the signage include various neighbourhood park locations in the Thompson area, e.g., Brighouse, Dover, Gibbons, Thompson, McCallan, Terra Nova School, Terra Nova South and Quilchena.

Fabrication and installation of new bases and signs are currently underway for Birch, Blundell, General Currie, Gilmore, Grauer, Katsura, McKay, Morris, Palmer and Paulik parks. An additional 12 new park identification locations are being reviewed and site plans are being developed for parks west of No. 2 Road between Francis Road and Williams Road. Additional works are also in progress for Garden City Park Arboretum interpretation signage upgrade.

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	December 2, 2022
From:	Mike Ching Director, Finance	**File:**	03-0905-01/2022-Vol 01
Re:	**Financial Information – 3rd Quarter September 30, 2022**		

Staff Recommendation

That the staff report titled, "Financial Information – 3rd Quarter September 30, 2022", dated December 2, 2022 from the Director, Finance be received for information.

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

Att: 4

REPORT CONCURRENCE			
ROUTED TO:	**CONCURRENCE**		**CONCURRENCE**
Arts, Culture & Heritage Services	☑	Information Technology	☑
Building Approvals	☑	Parks Services	☑
Community Bylaws	☑	Public Works	☑
Community Safety Administration	☑	RCMP	☑
Community Social Development	☑	Real Estate Services	☑
Development Applications	☑	Recreation & Sport Services	☑
Economic Development	☑	Sustainability & District Energy	☑
Engineering	☑	Transportation	☑
Facilities and Project Development	☑	Library Services	☑
Fire Rescue	☑		
		CONCURRENCE OF GENERAL MANAGER	
SENIOR STAFF REPORT REVIEW	**INITIALS:**	**APPROVED BY CAO**	

7015191

Origin

Pre-audited financial information for the 3rd quarter ended on September 30, 2022 is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City of Richmond's (the City) financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2018-2022 Strategic Focus Area #5 Sound Financial Management and #8 An Engaged and Informed Community:

> *5.1 Maintain a strong and robust financial position.*
>
> *5.2 Clear accountability through transparent budgeting practices and effective public communication.*
>
> *8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.*

Economic Overview

Economies across the world are currently facing serious challenges. Positive, early rebound activity from the COVID-19 pandemic has been tempered by multiple shocks to the global economy and senior government policy decisions that are shaping current and future growth trajectories. The International Monetary Fund notes that the current cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine and the still lingering COVID-19 pandemic all weigh heavily on the global economic outlook. It now seems clear that the global economy will be unable to avoid a recession, though national and provincial forecasts differ in expected severity of impact.

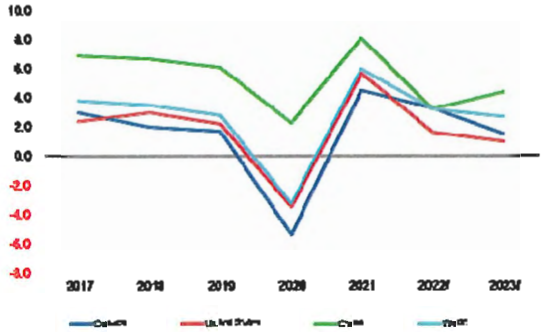
In Canada and in B.C., the period of slower growth is starting from a strong foundation. One of the most pressing challenges that businesses face is a labour shortage, which illustrates continued strong consumer demand for goods and services. While inflation reached a record high of 8.1% in June, by the end of the third quarter, there were signs of inflation starting to stabilize and slowly decrease as the Bank of Canada continued to aggressively raise interest rates to cool demand. It is now expected that growth in Canada will slow to 3.3% in 2022, with further slowing in 2023 due to lower commodity prices (as Canada is a net exporter), increased uncertainty, lower equity values, and a weaker U.S. (Canada's top trading partner).

In Richmond, the pandemic demonstrated the importance of a resilient and diversified local economy, which continues to be key to the city's ability to weather current challenges and future economic uncertainty. In the face of high inflation and slow growth, the impacts across Richmond's sectors differ: job growth in the technology sector is stalling, a low Canadian dollar continues to bolster the film industry and attract tourists, and retail may slow as consumer spending cools. Building permit and business licencing activity continue to be positive, as does construction value. Industrial vacancy rates also continue at historic lows, though there is some easing in office space vacancy rates. The city's economy is continuing to grow, albeit more

slowly in line with global conditions and with an awareness of current risks and continuing uncertainty.

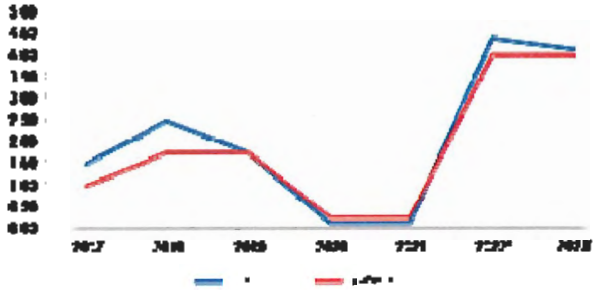
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change[1]



- The International Monetary Fund (IMF) projects global Gross Domestic Product (GDP) will decrease from 6.0% in 2021 to an estimated 3.2% in 2022 and 2.7% in 2023.
- In 2022, Canadian GDP is forecasted to grow by 3.3%, with U.S. and China GDP growth forecasts of 1.6% and 3.2%, respectively.
- This global growth profile is the weakest since 2001, with the exception of the global financial crisis and the early most severe phase of the COVID-19 pandemic in 2020. The 2022 forecast for Canada is the same as reported in Q2, though the U.S. forecast has now been revised downward.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year End[2]

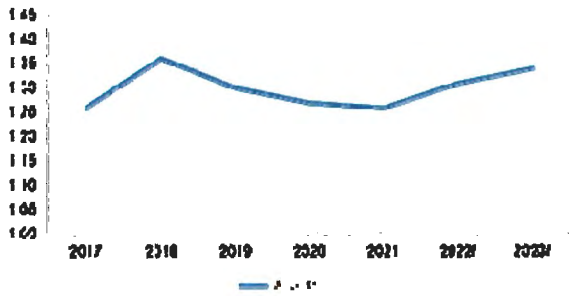


- For the sixth time this year, the Bank of Canada (BoC) increased rates (October 26, 2022), bringing its overnight lending rate to 3.75%. The BoC has signalled that it expects to raise rates further.
- The U.S. Federal Reserve (U.S. FED) rate increased to 4.0% (November 2, 2022), as inflation remains high (8.2% in September) and unemployment is near pre-pandemic lows at 3.7%.
- As both the BoC and U.S. FED respond to growing inflation, the BoC rate is expected to reach 4.0% by the end of 2022, with the U.S. FED ending the year even higher, around 4.38%. Both forecasted rates are higher than predicted in Q2.

[1] *International Monetary Fund, World Economic Outlook (October 2022)*

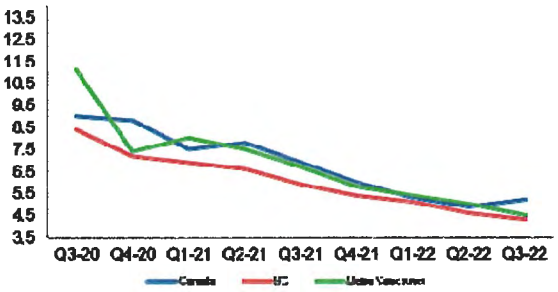
[2] *US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (October 2022); RBC Financial Markets Monthly, (October 2022)*

3) Exchange Rates – CAD/USD at Year End[3]



- The Canadian dollar (CAD) is continuing to weaken against the US Dollar, with a Q3 2022 exchange rate of $1.38 CAD / $1 USD, up from $1.29 CAD / $1 USD the previous quarter. The exchange rate is expected remain the same through year end.
- A weaker currency supports exports and increases import prices and inflation. Currently, the exchange rate may be working against the Bank of Canada's efforts to slow growth and inflation, especially as the U.S. is Canada's top trading partners.

4) Unemployment[4]

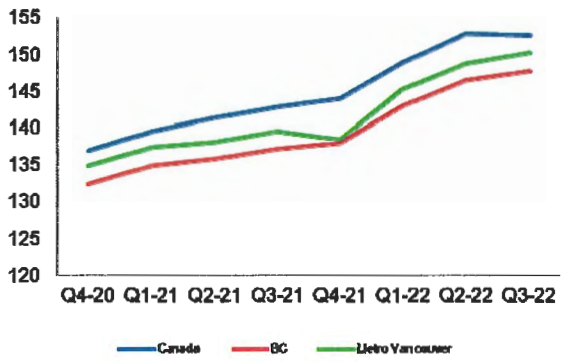


- According to Statistics Canada's October 2022 Labour Market Survey, employment increased, while the unemployment rate remained steady at 5.2%. All employment gains were in full-time work, and labour force participation also increased.
- The number of private sector employees rose for the first time since March 2022, with few changes in other categories.
- At the end of Q3 2022, the Canadian, B.C., and Metro Vancouver unemployment rates were 5.2%, 4.3%, and 4.5%, respectively. This reflects an increased unemployment rate across Canada, but decreases – and even tighter labour markets – in both B.C. and Metro Vancouver compared to Q2.

[3] *Bloomberg; RBC Economics (RBC Financial Markets Monthly October 2022)*

[4] *Statistics Canada Labour Force Survey (October 2022); Labour Force Statistics Highlights Issue #22-09*

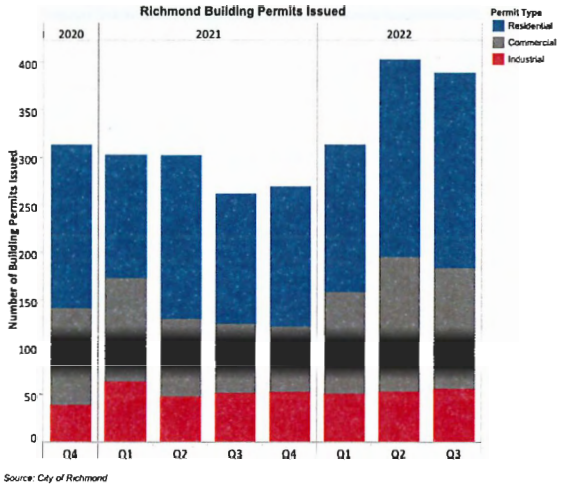
5) Consumer Price Index (CPI – 2002=100)[5]



- By the end of Q3 2022, inflation in Canada was showing early signs of slowing. Down from a high of 8.1% in June, it dropped to 6.9% year-over-year in September.
- However, in B.C. and Metro Vancouver, inflation remained higher at 7.7%, similar to Q2 rates.
- Compared with other provinces, B.C. had the fourth largest year-over-year increase in inflation, following Prince Edward Island (8.4%), Manitoba (8.1%), and Nova Scotia (7.8%).

Regional & Local Economic Activity Indicators

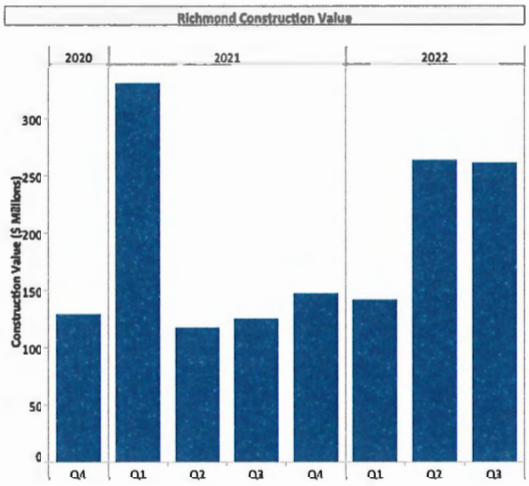
6) Building Permits – Richmond[6]



- During the third quarter of 2022, there were 206 residential, 128 commercial, and 56 industrial building permits issued in Richmond.
- This represents a 48.9% increase in total building permits issued over the same period in 2021, including increases in each type of building permit issued (residential: 50.4%; commercial: 75.3%; industrial: 7.7%).
- 607 new units were added to the local housing supply in Q3 2022, which represents a 589.8% increase as compared to the same period in 2021. This is due to a predominance of multi-family units being added this quarter. This category of dwelling has longer development cycles, which results in substantial quarter-over-quarter fluctuations in the number of new units. Year to date, the increase in new units is 15.1% in 2022 compared to 2021.

[5] *Statistics Canada, Consumer Price Index; also Consumer Price Index, September 2022; also BC Stats, Consumer Price Index, September 2022*
[6] *City of Richmond Building Permits*

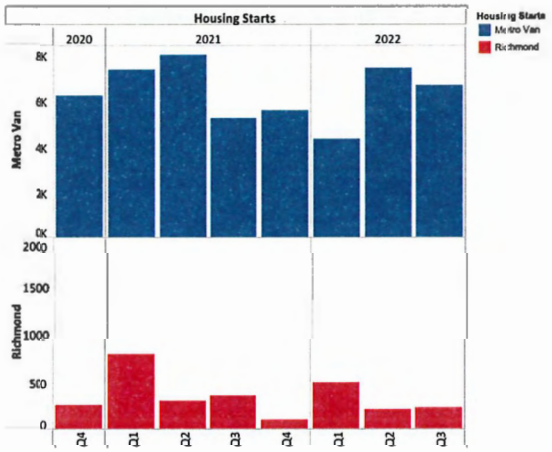
7) Construction value



Source: City of Richmond

- Over $261 million in construction value was registered in Q3 2022, an increase of 108.8% over the same period last year.
- There are anticipated supply constraints in construction, including high cost materials and labour shortages, and anticipated slowing of demand due to inflation, but value remains strong.

8) Housing Starts[7]



Source: Canada Mortgage and Housing Corporation

- In Q3 2022, there were 225 housing starts in Richmond and 6,647 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced[8].
- Year to date housing starts decreased in Richmond by 36.1% and in Metro Vancouver by 10.4% over the same period in 2021. There has been a fair amount of fluctuation over the past year and quarter by quarter.
- CMHC estimates that labour shortages are, and will continue to be, a key barrier to addressing significant housing supply gaps, primarily in British Columbia and Ontario.

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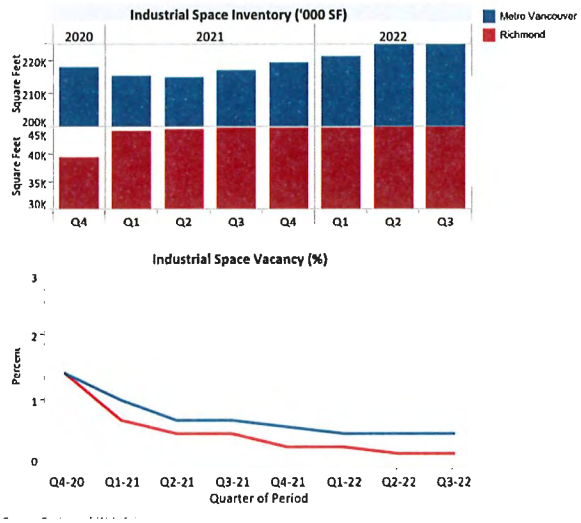
[7] *Canada Mortgage and Housing Corporation, Housing Market Insight, October 2022*

[8] *Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure. Housing Starts data responds to many market and industry factors that do not directly correlate with approved numbers of units approved for construction by the City. There will be fluctuations in this data quarter by quarter to reflect the time delay between construction and issuance of permits.*

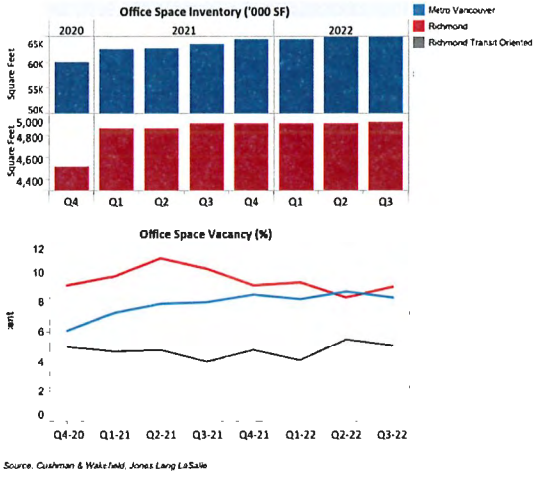
9) Commercial Space[9]

a) Industrial Space



- Industrial sales and leasing activity in Metro Vancouver continued to be strong in Q3, with industrial vacancy rates remaining at the same historic low of 0.5% as the last two quarters.
- In Richmond, the industrial vacancy rate is even lower than Metro Vancouver and remains at 0.2%, the same as last quarter.
- While some slowdown of industrial leasing is anticipated, aligned with slowing of the broader economy, prices are not expected to decline, given continued lack of supply.
- On the sales side, demand has slowed since the spring, and investors are expected to be more selective and to request more attractive terms from sellers. That said, even as construction reaches historic highs, it is still insufficient to satisfy demand.

b) Office Space

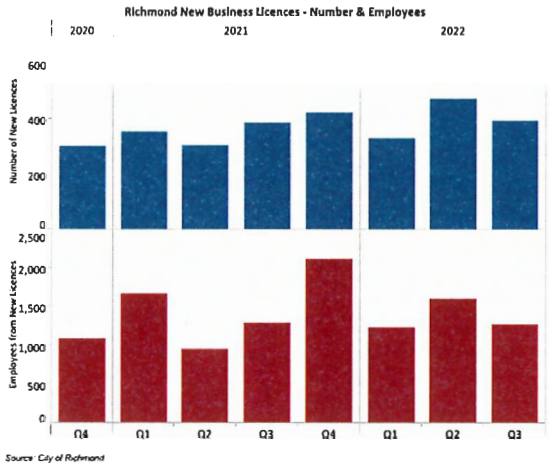


- At the end of Q3 2022, the office vacancy rate had increased to 9.0% in Richmond and declined to 8.3% in Metro Vancouver.
- There is 8.4 million square feet (msf) of office construction underway in Metro Vancouver, representing half of all new office product throughout Canada. Approximately 2.6 msf will be delivered by year end or early next year.
- Sub-leasing has increased in downtown Vancouver, as tenants are re-evaluating and reducing their footprints to accommodate the hybrid work environment.
- Demand for Class A and AAA space continues to be strong, and the price differential is increasing between downtown and suburban locations, with tenants willing to a pay a premium for high class space downtown.

[9] *Cushman & Wakefield Office and Industrial Market Beat Reports*

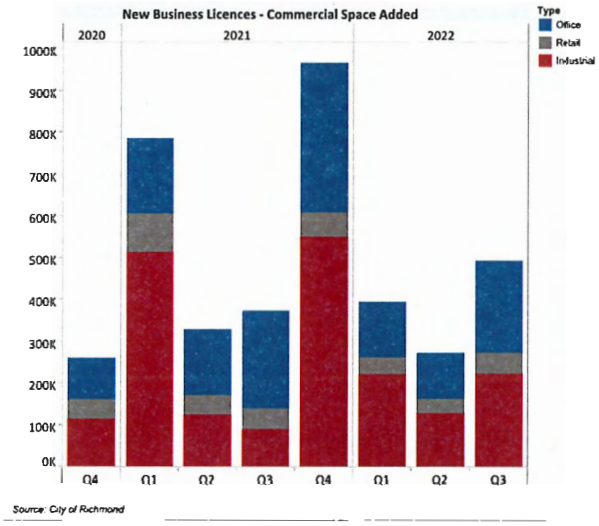
10) Business Growth – Richmond

a) Total Valid Business Licences & New Business Licences Issued



- 395 new business licenses (representing 1,276 jobs) were issued by the City of Richmond in Q3 2022, a 2.6% increase from the same period last year and a 14.9% increase, year-to-date, compared with 2021.
- The number of total valid business licenses at the end of Q3 2022 was 13,340, 1.6% lower than a year ago.

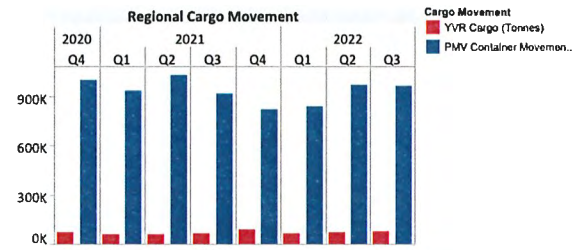
b) New Business Licences – Commercial Space



- 493,908 square feet of commercial space absorption was tied to the new business licenses issued during Q3 2022.
- This is an increase of over 30% compared to Q3 last year, but a decrease of just over 20% year to date (compared to 2021), given substantial quarter-over-quarter fluctuations. Similar to last quarter, the greatest amount of space was required by industrial (223,096 sq ft) and office (221,505 sq ft) businesses, followed by retail (49,307 sq ft).

11) Goods and People Movement

a) Regional Cargo Movement[10]



Source: Port of Vancouver, YVR

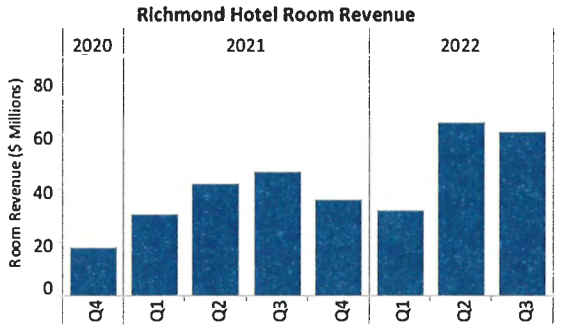
- In Q3 2022, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalents (TEUs), increased slightly by 5.3% from the same time period last year, though decreased slightly 3.2% year-to-date as compared to 2021.
- During Q3 2022, 77,048 tonnes of air cargo passed through the Vancouver International Airport (YVR), which is an increase of approximately 14.8% compared to both Q3 2021 and year-to-date compared to last year.

b) Airport Passengers[11]

- The number of travelers moving through YVR continues to increase, with 127.1% more travelers in Q3 2022 (6.1M) as compared to the same period last year (2.7M), and 242.7% more, year-to-date, as compared to 2021.
- Demand for air travel remains strong, though airfares are likely to remain high, as key input costs for airlines, such as jet fuel, have increased due to inflation.

[10] *Port of Vancouver Monthly Cargo Statistics*
[11] *YVR Monthly Statistics*

c) Richmond Hotel Room Revenue[12]

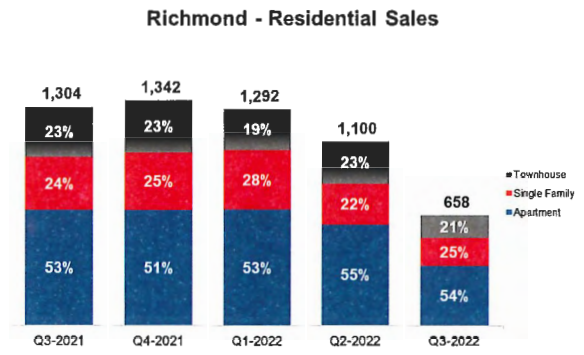


- Continuing the recovery trend seen last quarter, hotel room revenues in Richmond for July and August 2022 were $61.3M, which is 80.3% higher than the same period last year.
- Revenue increases have been driven primarily by higher average daily rates, while occupancy rates still have room to grow. As hotels' costs have increased due to inflation, they are not seeing the corresponding increase in profitability that might usually be expected with higher revenues.

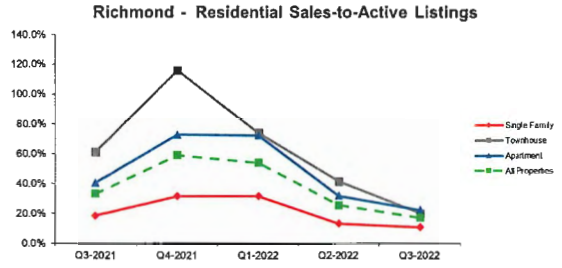
[12] *City of Richmond Additional Hotel Room Tax Ledger; Destination BC – Richmond Hotel Revenue for Q3 2022 includes July and August data only. B.C. Regional Tourism Secretariat, Monthly Visitor Highlights 2022*

Residential Real Estate[13]

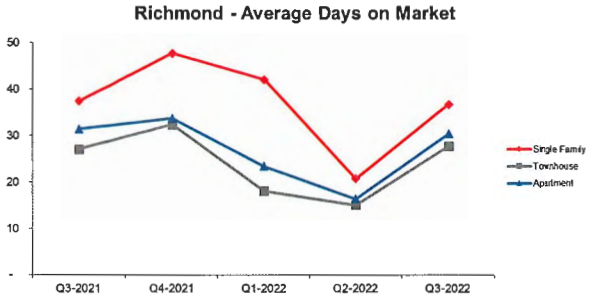
To combat inflation, the Bank of Canada has been raising interest rates at the fastest and most substantial pace since the late 1990's. This has made it more difficult for borrowers trying to purchase a home and home sales have dropped accordingly. Inventory is beginning to accumulate and buyers now have more selection than they have had in previous years.



- Single family detached (SFD) home sales decreased by 48.6% compared to Q3 2021.
- Townhouse and apartment sales have decreased 54.3% and 47.9%, respectively, compared to Q3 2021.
- Townhouse sales comprise 20.8% of the residential home sales in Richmond. SFD and apartment sales account for 24.8% and 54.4%, respectively, of home sales in Richmond.
- There were 658 residential home sales in Richmond in Q3 2022, a 49.5% decrease compared to the same period last year.

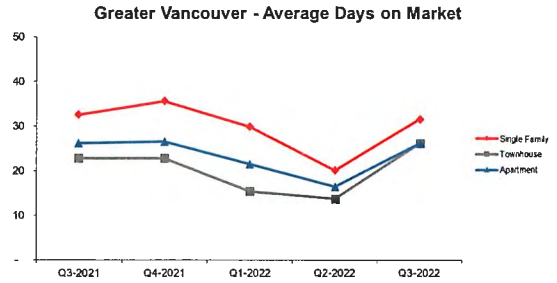


- Richmond residential properties had a sales-to-active listings ratio of 17.1% as of September 30, 2022 representing a sellers market.



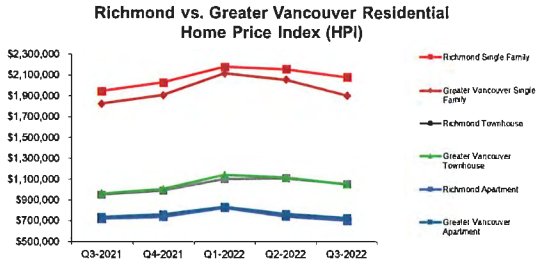
- At Q3 2022, SFD properties in Richmond had an average of 37 days on the market, no change compared to Q3 2021.
- Townhouses and apartments had an average of 28 and 30 days on the market, respectively, representing a 3.7% increase and a 3.2% decrease respectively over the same period last year.

[13] *Real Estate Board of Greater Vancouver*



- At Q3 2022, SFD properties in GVRD had an average of 32 days on the market, which represents a 3.1% decrease compared to Q3 2021.

  Townhouses and apartments in GVRD had an average of 26 days on the market, which represents a increase of 11.5% for townhouses and remains the same for apartments, compared to Q3 2021.

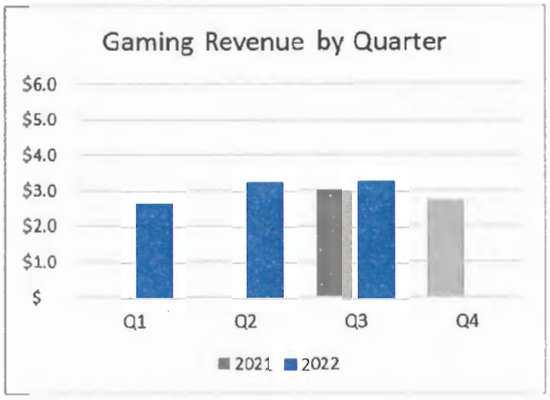


- The Home Price Index (HPI)[14] for SFD properties in Richmond at Q3 2022 was $2,081,500, a 6.7% increase compared to Q3 2021. The GVRD housing market has also increased with SFD properties priced at $1,906,400, which was a 4.1% increase compared to the same quarter last year.
- At Q3 2022, the HPI for townhouse properties in Richmond was $1,051,500, an increase of 10.6% compared to Q3 2021. The HPI for townhome properties in GVRD was $1,048,900, which represented a 8.1% increase compared to the same time last year.
- The HPI for apartments in Richmond was $703,900, a decrease of 2.9% compared to Q3 2021. GVRD's apartment prices also decreased to $728,500, which was a 1.4% decrease from Q3 2021.

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.

[14] 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.



- The River Rock casino reopened July 1, 2021, after being closed since March 16, 2020.
- Gaming revenue for Q3 2022 was $3,289,802; it was $2,999,392 for Q3 2021, the first payment after the casino reopened.
- The 2022 budget for Gaming revenues is $14,500,000 based on amounts received pre-Covid.

On March 16, 2020, the Attorney General ordered the temporary closure of all gambling facilities in British Columbia in consultation with and on the advice of the Provincial Health Officer. This action was taken in order to protect British Columbians and ensure that the province was in the best position to effectively respond to the COVID-19 pandemic. The closure of gambling facilities has directly impacted casino revenue since March 2020.

On June 29, 2021, the provincial government announced that certain businesses can reopen, such as casinos. The Great Canadian Gaming Corporation reopened the River Rock Casino Resort on Thursday, July 1, 2021. The City received a total of $5,700,108 through payments for the third and fourth quarters in 2021. For 2022, total payments for three quarters is $9,198,543, a 206.7% increase from 2021.

At the January 24, 2022 Council meeting, the 2022 Budget was approved which included the gaming revenue allocation for 2022. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be adjusted from the Capital Building and Infrastructure Reserve.

Table 1: Distribution of the 2022 gaming revenue allocation

	Distribution	2022 Budget
Capital Reserves	30%	$4.4M
Grants	15%	2.1M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.8M
Capital Building and Infrastructure Reserve	Remainder	1.9M
Total		**$14.5M**

Operating Activity

Table 2 compares budget to unaudited actual activity up to September 30, 2022. 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, 2022 to September 30, 2022 (in $000's)*

Division/Department[1]	Q3 YTD Net Budget[2]	Q3 YTD Actuals and Commitments	Q3 YTD Variance ($)	Projected Surplus (Deficit) before Appropriation	Estimated Appropriation	Projected Surplus (Deficit) after Appropriation
Community Safety[3]	$(286)	$(678)	$392	331	-	331
Community Services	33,867	31,670	2,197	2,949	-	2,949
Corporate Administration	7,901	6,872	1,029	1,497	(322)	1,175
Engineering and Public Works	35,779	33,777	2,002	2,497	(2,497)	-
Finance and Corporate Services	17,685	15,404	2,281	2,674	(1,006)	1,668
Fire Rescue	33,900	33,831	69	237	-	237
Law and Legislative Services	3,153	3,145	8	99	-	99
Library	7,754	7,457	297	457	(457)	-
Planning and Development	6,917	5,259	1,658	2,128	-	2,128
Policing	49,213	48,427	786	1,507	-	1,507
Fiscal	(177,413)	(179,547)	2,134	1,501	(7,309)	(5,808)
Total	**$18,470**	**$5,617**	**$12,853**	**$15,877**	**$(11,591)**	**$4,286**
Sanitary Sewer Utility	1,039	654	385	553	(553)	-
Sanitation and Recycling Utility	2	(805)	807	1,076	(1,076)	-
Water Utility	4,377	2,512	1,865	2,160	(2,160)	-
Utilities Total	**$5,418**	**$2,361**	**$3,057**	**$3,789**	**$(3,789)**	**$-**

[1]Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc. It does not represent Generally Accepted Accounting Principles, but is presented on a modified cash basis.
[2]The Net Budget is based on the amended operating budget approved by Council on July 25, 2022.
[3]Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.
[4]Includes Community Safety Administration, Animal Protection Services, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2022 Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to timing of operating spending and timing required to fill vacant positions.

- Community Services' favourable variance is mainly driven by vacant positions and lower operating expenditures as programs and services gradually return to pre-pandemic levels.

- Corporate Administration's favourable variance is mainly driven by vacant positions and lower operating expenses. An appropriation of $322K is projected for supporting continuation of corporate programs.

- Engineering and Public Works has a favourable variance due to timing of work completed on capital projects compared to Public Works maintenance projects. Estimated appropriations at year end include the following: $1.15M for Fleet surplus estimated to be transferred to the Equipment Reserve in accordance with Policy 2020, $981K related to Lulu Island Energy Company in accordance with the asset transfer agreement and $363K for Major Roads Network projects to be completed in 2022.

- Finance and Corporate Services' favourable variance is mainly due to vacant positions and savings in operating expenses. An appropriation of $1.0M is required in order to fund recommended 2023 City wide information technology capital projects.

- Fire Rescue is on budget.

- Law and Legislative Services is on budget.

- Library's favourable variance is mainly due to vacant positions. Any surplus at year end will be appropriated for future use within Library operations.

- Planning and Development's favourable variance is primarily due to higher than budgeted building permit revenue related to multi residential buildings and vacant positions.

- Policing's favourable variance is driven by municipal employee vacancies, lower than budgeted policing contract costs and higher than budgeted revenue.

- Fiscal's favourable variance is mainly due to timing of expenditures. Estimated appropriations at year end include $7.3M to fund the payments with respect to the borrowing for Steveston Community Centre and Library as presented in the 2023 Operating Budget report.

- Sanitary Sewer Utility's favourable variance is mainly driven by additional revenue received from developers that was not budgeted for sanitary sewer user fees during construction of new residential developments, offset by more work done on Public Works maintenance projects. Any surplus at year end will be transferred to the Sewer Stabilization Provision.

- Sanitation and Recycling Utility's favourable variance driven by higher than budgeted Recycle BC revenue, more recycling commission revenue and vacancies in Public Works labour. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

- Water Utility's favorable variance is mainly driven by additional revenue received from developers that was not budgeted for water consumption charges during construction of new residential developments. Any surplus at year end will be transferred to the Water Levy Provision.

The presentation of the figures for the Financial Statement, Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Statement of Operations for the Nine Month Period Ended September 30, 2022, with comparative figures for 2021 is included in Attachment 3.

Cash and Investment Portfolio

The City's cash and investment balance of $1.58 billion as of September 30, 2022 was comprised of $721.6 million in investments and $862.3 million in high interest savings cash accounts. This represents both the City's working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses.

The average yield to maturity of the City's cash and investment portfolio has increased to 3.25% as of September 30, 2022. The interest yield is anticipated to continue to improve over the remainder of the year as the City continues to reinvest available funds at a higher rate as investments mature in the rising interest rate environment.

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

	September 30, 2022 (current quarter)	June 30, 2022 (previous quarter)
2 Year Government of Canada Bonds	3.75%	3.14%
5 Year Government of Canada Bonds	3.24%	3.17%
10 Year Government of Canada Bonds	3.08%	3.28%

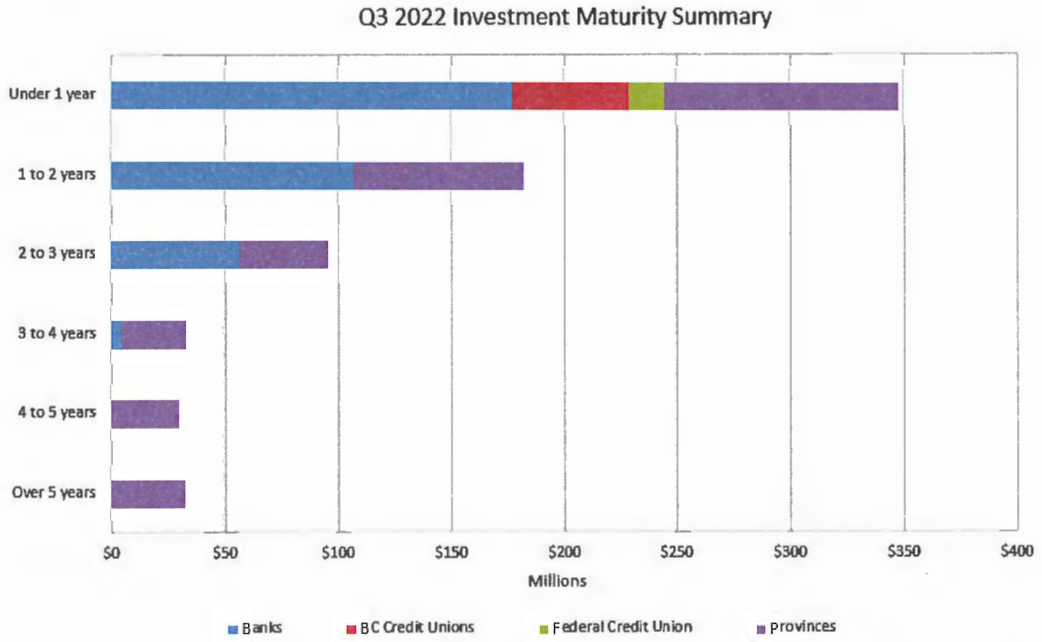
Source: Bank of Canada

The BoC, in controlling inflation, has raised its overnight interest rate six times since March 2, 2022, to the current level of 3.75% at the most recent October 26, 2022 interest rate announcement. Inflation in Canada peaked at 8.1% in June and has declined to 6.9% in the past quarter.

Looking ahead, the BoC recognizes that it will take time for past interest rate increases to have their full effect on the economy and inflation. However, with labour markets remaining tight, the economy still in excess demand, and with still-elevated near-term inflation expectations, further interest rate increases are still anticipated.

The City's overall credit risk exposure remains low because the City continues to maintain a diversified and high credit quality investment portfolio comprising of 43% in provincial government bonds, 48% in chartered banks, 2% in the federal credit union and 7% in B.C. credit unions. As shown in the investment maturity summary in the chart below, the City has been

strategically positioned with heavier weighting on short-term interest bearing products in order to allow for more flexible reinvestment opportunities in a rising interest rate environment.



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

All investment activities have been conducted in compliance with the City's Investment Policy 3703. Based on independent ESG rating of the City's fixed income portfolio, the City continues to receive high ESG Rating of "AA" as of Q3 2022.

Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than $75,000. During the third quarter, 43 contracts greater than $75,000 were awarded totalling over $21.2 million (Attachment 4).

Financial Impact

None.

Conclusion

The September 30, 2022 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for review.

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

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

Economic Indicators

September 30, 2022

Macroeconomic Indicators & Forecast

1)	Real GDP (% at YE)	2020	2021	Change	2022f	2023f
	Canada	(5.4)	4.5	183.3%	3.3	1.5
	United States	(3.5)	5.7	262.9%	1.6	1.0
	China	2.3	8.1	252.2%	3.2	4.4
	World	(3.3)	6.0	281.8%	3.2	2.7

2)	Interest Rates (at YE)	2020	2021	Change	2022f	2023f
	Bank of Canada	0.25	0.25	0.0%	4.00	4.00
	US FED	0.13	0.13	0.0%	4.38	4.13

3)	Exchange Rate (at YE)	2020	2021	Change	2022f	2023f
	CAD per $1 USD	1.27	1.26	(0.8%)	1.31	1.34

4)	Unemployment (% at QE)	Q3-2022	Q2-2022	Change	Q3-2021	Change
	Canada	5.2	4.9	6.1%	6.9	(24.6%)
	BC	4.3	4.6	(6.5%)	5.9	(27.1%)
	Metro Vancouver	4.5	5.0	(10.0%)	6.7	(32.8%)

5)	CPI (2002=100) (at QE)	Q3-2022	Q2-2022	Change	Q3-2021	Change
	Canada	152.7	152.9	(0.1%)	142.9	6.9%
	BC	147.8	146.5	0.9%	137.2	7.7%
	Metro Vancouver	150.3	148.8	1.0%	139.6	7.7%

Regional and Local Market Indicators

6)	Richmond Building Permits	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
	Residential – New Construction^	99	77	28.6%	270	213	26.8%
	Residential – Alterations	107	60	78.3%	301	228	32.0%
	Residential Total	206	137	50.4%	571	441	29.5%
	Number of units from new residential construction	607	88	589.8%	1,074	933	15.1%
	Residential	206	137	50.4%	571	441	29.5%
	Commercial	128	73	75.3%	376	264	42.4%
	Industrial	56	52	7.7%	161	164	(1.8%)
	Building Permits Total	390	262	48.9%	1,108	869	27.5%
	Construction Value ($ million)	261.0	125.0	108.8%	665.0	572.0	16.3%

7)	Housing Starts (Units)	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
	Starts - Metro Vancouver	6,647	5,192	28.0%	18,357	20,486	(10.4%)
	Starts - Richmond	225	355	(36.6%)	915	1,432	(36.1%)

8)	Richmond Residential Sales Activity	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
	Sales - Detached	163	317	(48.6%)	765	1,293	(40.8%)
	Sales - Townhouse	137	300	(54.3%)	633	1,100	(42.5%)
	Sales - Apartment	358	687	(47.9%)	1,652	2,272	(27.3%)
	Sales - Total	658	1,304	(49.5%)	3,050	4,665	(34.6%)

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Economic Indicators

September 30, 2022

Regional and Local Market Indicators (continued)

9) Richmond Sales to Active Listings Ratio (% at QE)

	Q3-2022	Q3-2021	Change
Single Family Detached	10.6%	18.3%	(42.1)
Townhouse	20.0%	61.1%	(67.3)
Apartment	22.2%	40.5%	(45.2)
Total	17.1%	33.2%	(48.5)

10) Average Days on Market

	Richmond			Metro Vancouver		
Property Type	**Q3-2022**	**Q3-2021**	**Change**	**Q3-2022**	**Q3-2021**	**Change**
Single Family Detached	37	37	0.0%	32	33	(3.1%)
Townhouse	28	27	3.7%	26	23	11.5%
Apartment	30	31	(3.2%)	26	26	0.0%

11) Home Price Index ($000 at QE)

	Richmond			Metro Vancouver		
Property Type	**Q3-2022**	**Q3-2021**	**Change**	**Q3-2022**	**Q3-2021**	**Change**
Single Family Detached	2,082	1,951	6.7%	1,906	1,828	4.1%
Townhouse	1,052	951	10.6%	1,049	964	8.1%
Apartment	704	725	(2.9%)	729	739	(1.4%)

12) Commercial Space (at QE)

	Richmond			Metro Vancouver		
	Q3-2022	**Q3-2021**	**Change**	**Q3-2022**	**Q3-2021**	**Change**
Office Vacancy (%)	9.0	10.2	(11.8%)	8.3	8.0	3.8%
Transit Oriented Office Vacancy (%)	5.1	4.0	27.5	N/A	N/A	N/A
Office Inventory (000 sf)	4,920	4,903	0.3%	65,435	63,369	3.3%
Industrial Vacancy (%)	0.2	0.5	(60.0%)	0.5	0.7	(28.6%)
Industrial Inventory (000 sf)	45,730	44,762	2.2%	225,884	217,231	4.0%

13) Richmond Business Growth

	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Total Valid Business Licences (at QE)	13,340	13,558	(1.6%)	13,340	13,558	(1.6%)
New Licences - Number Issued	395	385	2.6%	1,198	1,043	14.9%
New Licences - Employees	1,276	1,294	(1.4%)	4,117	3,922	5.0%
New Licences - Office Added (sf)	221,505	233,153	(5.0%)	465,602	569,934	(18.3%)
New Licences - Retail Added (sf)	49,307	49,937	(1.3%)	124,481	191,777	(35.1%)
New Licences - Industrial Added (sf)	223,096	90,190	147.4%	573,669	727,959	(21.2%)
Total Space Added (sf)/Avg. Change	493,908	373,280	32.3%	1,163,752	1,489,670	(21.9%)

Economic Indicators

September 30, 2022

Regional and Local Market Indicators (continued)

14) Goods & People Movement	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
YVR Air Cargo (tonnes)	77,048	67,127	14.8%	216,122	188,395	14.7%
PMV Container Movement (TEUs)	962,661	914,143	5.3%	2,766,140	2,858,235	(3.2%)
YVR Passengers (million)	6.11	2.69	127.1%	13.81	4.03	242.7%
Richmond Hotel Revenue ($ million)**	61.3	34.0	80.3%	160.2	106.0	51.1%

Notes:

a) *QE indicates quarter end; YE indicates year end*
b) *f - forecast to year end*
c) ** - Figures have been updated to reflect changes in source data.*
d) ***Hotel Room Revenue for Q3 includes July and August 2022 data only*

List of Sources:

1) *International Monetary Fund, World Economic Outlook (October 2022)*
2) *US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; B of C Monetary Policy Report (October 2022), RBC Financial Markets Monthly, October 2022*
3) *Bloomberg; RBC Economics RBC Financial Markets Monthly, October 2022*
4) & 5) *Statistics Canada, BC Stats*
6) *City of Richmond Building Permits*
7) *Canada Mortgage and Housing Corporation*
8) 9) 10) & 11) *Real Estate Board of Greater Vancouver*
12) *Cushman & Wakefield Office and Industrial Market Beat Reports*
13) *City of Richmond Business Licences*
14) *Port of Vancouver Monthly Cargo Statistics*
YVR monthly statistics
City of Richmond Additional Hotel Room Tax Ledger, BC Regional Tourism Secretariat, Monthly Visitor Highlights 2022

Financial and Key Indicators — September 30, 2022

(All dollar amounts in $000's)

1) Development Cost Charges Contributions	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Roads, Water, Sewer DCC's Received	$3,831	$1,844	107.8%	$13,073	$7,505	74.2%
Parks DCC's Received	$1,065	$361	195.0%	$4,973	$3,875	28.3%
Total DCC Fees Received	$4,896	$2,205	122.0%	$18,045	$11,380	58.6%
DCC Reserves – Uncommitted balance at QE	$139,650	$144,231	(3.2%)	n/a	n/a	n/a

2) Uncommitted Reserves (at QE)	Q3-2022	Q3-2021	Change
Capital Funding Reserves	$213,434	$118,353	80.3%
Utility Reserves	$107,272	$106,598	0.6%
Affordable Housing Reserves	$8,405	$7,174	17.2%
Other Reserves	$76,542	$69,474	10.2%
Total Uncommitted Reserves	$405,653	$301,599	34.5%

3) Taxes to date	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Taxes Collected	$139,995	$126,202	10.9%	$476,680	$460,067	3.6%
City Portion of Taxes Collected	$71,398	$61,839	15.5%	$243,107	$225,433	7.8%
Unpaid Taxes - Delinquent & Arrears (at QE)	$4,294	$3,504	22.5%	$4,294	$3,504	22.5%
No. of Participants on Pre-authorized withdrawal (at QE)	6,364	6,400	(0.6%)	6,364	6,400	(0.6%)
Pre-authorized withdrawals payments	$8,229	$7,963	3.3%	$27,885	$21,860	27.6%
Interest rate % paid	1.70%	0.45%	277.8%	1.70%	0.45%	277.8%

Sources: All data is from City of Richmond records

4) Cash and Investments	Q3-2022	Q3-2021	Change
Investments	$721,632	$653,653	10.4%
Cash (includes high interest savings accounts)	$862,253	$731,152	17.9%
Total Cash and Investments	$1,583,885	$1,384,805	14.4%
Average City Rate of Return on Investments %	3.25%	1.37%	137.2%

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Financial and Key Indicators — September 30, 2022

(All dollar amounts in $000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Building Permit Fees Collected	$3,043	$1,614	88.5%	$7,829	$6,683	17.1%
Development Applications Received	39	50	(22.0%)	106	128	(17.2%)
Development Applications Fees	$211	$252	(16.3%)	$473	$715	(33.8%)

6) Business Licences	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Revenue Received for Current Year Licences	$770	$788	(2.3%)	$3,800	$3,761	1.1%
Revenue Received for Next Year (Deferred)	$478	$449	6.5%	$846	$786	7.6%
Total Licence Revenue	$1,248	$1,237	0.9%	$4,646	$4,547	2.2%

Year to date valid licences and revenue include current year licences issued in the prior year.

7) Other Revenues	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
Parking Program Revenue	$504	$366	37.7%	$1,269	$952	33.3%
Gaming Revenue	$3,290	$2,999	9.7%	$9,199	$2,999	206.7%
Traffic Fine Revenue	$0	$2,606	0.0%	$2,435	$2,606	(6.6)%

8) Employees	Q3-2022	Q3-2021	Change
Full Time Equivalent (FTE) Employees (at QE)	1,570	1,450	8.3%

(City and Library)

FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.

9) Operating Indicators	Q3-2022	Q3-2021	Change	YTD-2022	YTD-2021	Change
RCMP - Calls for Service Handled	14,595	14,859	(1.8%)	41,343	44,136	(6.3%)
Community Bylaws	1,476	1,208	22.2%	3,844	3,311	16.1%
Fire Incidents	3,036	2,580	17.7%	8,110	6,766	19.9%
Public Works calls for Service	4,161	3,737	11.3%	11,299	10,933	3.3%

Financial and Key Indicators

September 30, 2022

(All dollar amounts in $000's)

Financial and Key Indicators (continued)

10) Housing Units Secured Since 2007 (at QE)	Q3-2022	Q3-2021	Change
Affordable Housing			
Non-Market Rental (units)	569	569	0.0%
Affordable Rental (LEMR**) (units)	963	906	6.3%
ARTS Rental (units)	37	37	0.0%
Entry Level Home Ownership (units)	25	25	0.0%
Market Housing			
Market Rental (units)	1,592	979	62.6%
Secondary Suite / Coach House (units)	343	303	13.2%
Total Housing Units	3,529	2,819*	25.2%

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

11) Richmond Population Estimate Year End	2022f	2021
	222,099	216,280

Population figures from BC Stats

Notes:

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

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Unaudited Statement of Operations[1]

For the Nine Month Period Ended September 30, 2022, with comparative figures for 2021.
(Expressed in thousands of dollars)

	Budget Sept 30 2022	Actuals Sept 30 2022	Actuals Sept 30 2021
Revenue:			
Taxes and levies	$202,318	202,318	$192,148
Utility fees	94,538	95,850	89,282
Sales of services	29,357	27,122	21,849
Payments-in-lieu of taxes	10,988	9,992	9,107
Provincial and federal grants	6,958	7,083	7,080
Development cost charges	13,311	11,037	9,872
Other capital funding sources	51,196	32,878	24,154
Other revenue:			
Investment income	9,871	13,736	11,249
Gaming revenue	10,875	9,199	2,999
Licences and permits	8,468	10,473	9,979
Other	7,960	23,539	15,748
Equity income	634	1,467	974
	446,474	**444,694**	**394,441**
Expenses:			
Community safety	102,015	97,523	84,097
Utilities: water, sewer and sanitation	86,093	83,468	81,262
Engineering, public works and project development	60,578	56,982	49,845
Community services	52,715	46,271	41,612
General government	47,423	49,781	42,743
Planning and development	19,405	16,012	16,635
Library services	8,213	8,120	7,167
	376,442	**358,157**	**323,361**
YTD Surplus (Annual Surplus)[2]	70,032	86,537	71,080
Accumulated surplus, beginning of year	3,374,871	3,374,871	3,303,791
Accumulated surplus, end of September 30[3]	$3,444,903	$3,461,408	$3,374,871

[1] Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company but excludes Oval results.
[2] 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.
[3] 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.

Contract Awards greater than $75,000

July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
1	South Arm Community Centre Infrastructure Renewals	Hajdo Forbes Architect	97,750	Engineering & Public Works
2	Britannia Envelope and Mechanical Renewals - Consulting Services	Elemental Architecture and Interiors Inc.	236,371	Engineering & Public Works
3	Energy Poverty Reduction Toolkit Program	Social Capital Strategies Inc.	95,189	Engineering & Public Works
4	South Arm Community Hall Mechanical Replacements	Entity Mechanical Ltd.	99,870	Engineering & Public Works
5	Flood Protection Devices	MegaSecur Securite Environmentale Inc.	360,406	Engineering & Public Works
6	Richmond Ice Centre Zamboni Parking and Flooring Upgrades	PCL Constructors Westcoast Inc.	224,398	Engineering & Public Works
7	Property Acquisition Improvements 20500 Westminster Highway	Blue Pine Enterprises	146,200	Engineering & Public Works
8	Works Yard Administration Building Boiler Replacement	Entity Mechanical Ltd.	82,009	Engineering & Public Works
9	Replacement of Underground Electrical Conduit and New Dispensers with Pump Covers	Western Oil Services Ltd.	107,426	Engineering & Public Works
10	Operation of Restorative Justice Program - 2023 - 2025	Touchstone Family Association	300,000	Community Safety
11	Construction Management - Construction Services for City Hall Infrastructure and Life Safety Systems Upgrades - Phase 2	Heatherbrae Builders Co. Ltd.	625,612	Engineering & Public Works
12	West Dyke Trail Bridge Replacement	Seismic 2000 Construction Ltd.	248,039	Engineering & Public Works
13	Provision of Community Wayfinding Strategy for the City of Richmond	Entro Communications	213,340	Finance and Corporate Services
14	Transportation Improvement Programs 2020	R F Binnie and Associates Ltd.	580,080	Engineering & Public Works
15	Asphaltic Concrete Paving - 2022	Jack Cewe Construction Ltd.	5,280,339	Engineering & Public Works
16	Provision of Engineering Inspection Services	Applus Velosi Canada Ltd.	200,000	Engineering & Public Works
17	Data Storage Solution and Services	Turning Point Technology Services Inc.	245,130	Finance and Corporate Services
18	PeopleSoft FSCM 2022 Technical Upgrade	Attain Solutions Inc.	213,215	Finance and Corporate Services

Contract Awards greater than $75,000 (continued)

July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
19	Consulting Services for Habitat Bank Application	Hemmera Envirochem Inc.	127,012	Engineering & Public Works
20	Engineering Services for Minoru Park Ditch Improvement Project	ISL Engineering and Land Services Ltd.	156,075	Engineering & Public Works
21	Design Review Services for Steveston Community Centre and Branch Library Replacement	FaulknerBrowns Architecture Inc.	134,890	Engineering & Public Works
22	Provision of Engineering Consulting Services for Sanitary Pump Station Condition Assessment - Phase 2	WSP Canada Inc.	177,815	Engineering & Public Works
23	Additional Pavement Rehabilitation with Fibre Reinforcement of Westminster Highway	Brighouse Civil Contracting Ltd.	103,348	Engineering & Public Works
24	Provision of Civil Engineering Consulting Services for Transportation Improvement Programs - 2022	Aplin & Martin Consultants Ltd.	614,850	Engineering & Public Works
25	House Demolition - 8528 Ash Street	Renov8t.com Construction Inc.	125,000	Engineering & Public Works
26	Design and Construction Services for the North Dike Upgrades between Lynas Lane and the No. 2 Road North Drainage Pump Station	WSP Canada Inc.	299,885	Engineering & Public Works
27	Bosch and Extron Council Chambers Conference Equipment	PJS Systems	206,747	Finance and Corporate Services
28	City Hall Annex Electric Vehicle (EV) Charging Stations	Smith Bros & Wilson (BC) Ltd.	235,016	Engineering & Public Works
29	Roll-Off and In-Ground Container Recycling/Disposal Services	GFL Environmental Inc.	2,635,961	Engineering & Public Works
30	Richmond Nature Park Infrastructure Renewals	Mackin Architects Ltd.	220,510	Engineering & Public Works
31	Professional Quality Surveyor Consulting Services for Steveston Community Centre and Branch Library Replacement	Turner & Townsend Canada Inc.	77,083	Engineering & Public Works
32	On Call Repair and Service Generator Contractor	Custom Power Generation	214,090	Engineering & Public Works
33	City Website Design Specifications Plan	Upanup	85,750	Corporate Administration
34	Shell Road Multi-Use Pathway	R F Binnie and Associates Ltd.	388,088	Engineering and Public Works

Contract Awards greater than $75,000 (continued)

July 1st to September 30th, 2022

Item	Description	Awarded Vendor	Awarded Amount	Division
35	Asphalt Paving for Francis/Ashwood and Seaton North Laneway Upgrade Projects	Winvan Paving Ltd.	207,848	Engineering & Public Works
36	On Call Glazing Contractor	Extreme Glass Ltd.	195,000	Engineering & Public Works
37	Construction Management - Steveston Tree Removal and Relocations	Scott Construction Group	233,764	Engineering & Public Works
38	Richmond Courthouse Infrastructure Replacements	Ashton Service Group Ltd.	1,712,867	Engineering & Public Works
39	Multi-Facility Infrastructure Renewals - Consulting Services	Thinkspace Architecture Planning Interior Design	270,700	Engineering & Public Works
40	Provision of Civil Engineering Services for 2022 Canal Stabilization Works	McElhanney Consulting Services Ltd.	437,962	Engineering & Public Works
41	Design Services for Multi-Family Water Meter Installations	Parsons Inc.	360,000	Engineering & Public Works
42	Design Services for Community Safety Building Emergency Power and Interior Upgrades	Mallen Gowing Berzins Architecture	77,650	Engineering & Public Works
43	Construction Services for Richmond Cultural Centre Annex Tenant Improvements	Holaco Construction Ltd.	2,497,548	Engineering & Public Works
Total contracts awarded greater than $75,000			**$21,150,833**	

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	December 8, 2022
From:	John Irving, P.Eng., MPA General Manager, Engineering and Public Works Chief Executive Officer, Lulu Island Energy Company Jerry Chong, CPA, CA General Manager, Finance Chief Financial Officer, Lulu Island Energy Company	**File:**	01-0060-20-LIEC1/2022-Vol 01
Re:	**2022 Q3 Financial Information for Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2022 Q3 Financial Information for Lulu Island Energy Company", dated December 8, 2022 from the Chief Executive Officer and Chief Financial Officer, be received for information.

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

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

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

7079049

LuluIsland
ENERGY COMPANY

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

To: Board of Directors **Date:** November 22, 2022

From: Jerry Chong, CPA, CA,
Chief Financial Officer

Re: **Lulu Island Energy Company – 2022 3rd Quarter Financial Information**

Staff Recommendation

That the 3rd Quarter Financial Information as presented in the report titled "Lulu Island Energy Company – 2022 3rd Quarter Financial Information", dated November 22, 2022, be approved.

Background

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce greenhouse gas (GHG) emissions 50 percent below 2007 levels by 2020 and 100 percent by 2050. The City identified district energy utilities (DEUs) as a leading strategy to achieve the City's GHG reduction goals and incorporated Lulu Island Energy Company Ltd. (LIEC) in 2013 for the purposes of carrying out the City's district energy initiatives on the basis of the following guiding principles:

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

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

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

	Buildings To-Date	Residential Units To-Date	Floor Area To-Date	Floor Area Build-out
Alexandra District Energy Utility	13	2,200	2.4M ft^2	4.4M ft^2
Oval Village District Energy Utility	12	2,541	2.9M ft^2	6.4M ft^2
City Centre District Energy Utility	2	727	1.2M ft^2	48.0M ft^2
Total	**27**	**5,468**	**6.5M ft^2**	**58.8M ft^2**

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

The OVDEU services 12 buildings, containing 2,541 residential units. Energy is currently supplied from the two interim energy centres with natural gas boilers which provide 11 MW of heating capacity. LIEC received a $6.2 million grant from the CleanBC Communities Fund for the design and construction of the sewer heat recovery technology and a permanent energy centre for the area. Once completed (estimated 2025/2026), the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary force main sewer.

LIEC executed agreements with Corix Utilities Inc. and the Canada Infrastructure Bank to design, build, finance, operate, and maintain CCDEU infrastructure providing heating and cooling services to over 170 new residential and mixed-use commercial developments by 2050. The first development in the CCDEU service area comprising of approximately 630,000 square feet and over 550 residential units was connected in January 2022. The project is expected to reduce GHG emissions by one million tonnes by 2050.

LIEC owns and operates DEU infrastructure within the service areas. All capital and operating costs are recovered through revenues from user fees, ensuring that the business is financially sustainable. City Council is the regulator and thus sets customer rates as noted in the principles above.

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

Analysis

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). LIEC's pre-audited Q3 financial information consists of the interim statement of financial position as of September 30, 2022 (Attachment 1) and the interim income statement for the period ended September 30, 2022 (Attachment 2).

Financial Position

The interim statement of financial position provides a summary of assets, liabilities, and shareholder's equity. Total assets are comprised of current assets (cash, investments, and receivables) of $18,086,038 and non-current assets (plant and equipment) of $43,731,793. The total assets are $61,817,831. The total liabilities of $26,703,133 include outstanding invoices, deferred contributions, and the concession liability. Included in the accrued liabilities is an amount totalling $419,942, which pertains to the unplanned environmental remediation work related to pipe construction defect, that resulted in a leak and subsequent clean up of the released heat transfer fluid in the Alexandra District Energy Utility (DEU) service area. The prompt response and excellent spill management procedures resulted in a quick leak repair and expedient remediation of the spill. The expenses were accrued in the prior year and there are no additional accruals in the third quarter. The investigation is ongoing and LIEC staff are assessing cost recovery options.

The shareholder's equity represents the net worth of the company. It is equal to the total assets minus the total liabilities and measures the company's financial health. As of September 30, 2022, LIEC's shareholder equity is $35,114,698, showing good financial health of the company. Attachment 3 shows the year-to-date budget to actual numbers.

Revenues

The metered billing revenue is the total energy sales of Alexandra District Energy Utility (ADEU), Oval Village District Energy Utility (OVDEU) and City Center District Energy Utility (CCDEU) service areas. The year-to-date metered billings revenue is $2,144,707 from the ADEU, $2,156,735 from the OVDEU and $472,289 from the CCDEU. Overall, the first nine months of metered billing revenue of $4,773,731 increased by 21% over 2021. This reflects the addition of three new building connections, increased energy use from customers due to increased occupancy, and the approved 2022 customer rates.

Cost of Sales

The cost of sales is the accumulated total of all expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The contract expense increased by 40% over 2021 due to the additional operations and maintenance work as a result of more buildings being serviced; the actual is 29% below the budget. The growth in energy demand, due to the addition of more buildings, and operation of the first on-site low carbon energy plant (LCEP), resulted in higher use of electricity and natural gas to run distribution pumps, geo-exchange heat pumps, on-site LCEP air source heat pump, auxiliary equipment, and boilers, which are used to deliver energy to customers' buildings. This

increased demand paired with electricity and gas rate increases caused the utility expense to increase by 78% compared to 2021, and by 5% higher compared to the budget. The amortization expense increased due to capital asset additions. The year-over-year cost of sales has increased by 42%. The gross margin as a percentage of revenue is 42% for 2022 compared to 52% in the first nine months of 2021 due to higher non-controllable expenses.

General and Administration Expenses

General and administration (G&A) expenses are expenditures that LIEC incurs with respect to supporting operations which include salaries and benefits, administration expenses, professional fees, etc.. Salaries and benefits are in line with last year, but below budget due to two vacant positions, that are in the process of being filled. The administration expense includes the overhead allocation paid to the City of Richmond for the day-to-day support that LIEC receives from City staff. Insurance expenses increased due to the general insurance rate increase and additional DEU assets being insured. Professional fees increased in comparison to 2021 due to the additional audit work required due to the increase in LIEC's financial position. Overall, the G&A expenses, as a percentage of revenues are at 15% compared to 17% in 2021.

Contributions and Financing Expenses

The contributions and financing expenses section represents other sources of income and costs for the business. The developer contributions are higher than in 2021 due to additional assets placed in service. The developers' contributions are below budget due to the difference between the estimated and actual value of the equipment contributed by the developers.

Other income is made up of energy model review fees. The energy modeling review fee revenues are higher than 2021's due to additional building permit submissions. Other expenses are lower in 2022 as the company incurred costs in 2021 to address the unplanned environmental remediation. The net financing cost is the result of year-to-date finance costs on concession liabilities, offset by interest income on investments. The overall net financing costs are lower than in 2021, due to higher interest rates on investments.

LIEC's EBITA (earnings before interest, tax, and amortization), used as a proxy to measure the company's financial performance, increased by 25% compared to the first nine months of 2021. EBITA as a percentage of revenue is 56% for 2022 compared to 53% in 2021.

The year-to-date net income of $1,467,158 has exceeded Q3 2021 ($973,814) and the budget ($633,582). Consistent with the company's financial plan objectives, any net income will be maintained in LIEC's equity in order to fund future capital projects and infrastructure replacements.

Financial Impact

None.

Conclusion

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

Johana Vuletin
Senior Financial Accountant
(604-204-8699)

Att. 1: Interim Statement of Financial Position as of September 30, 2022 (unaudited)
2: Interim Income Statement for the period ending September 30, 2022 (unaudited)
3: Year-To-Date Budget vs. Actual Comparison (unaudited)
4: LIEC Third Quarter Income Statement (unaudited)

Interim Statement of Financial Position (Unaudited)

	As of September 30 2022	As of December 31 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 9,630,343	$11,707,794
Accounts receivable	2,393,277	1,676,423
Investments	6,062,418	4,047,518
	18,086,038	17,431,735
Non-current assets:		
Plant and equipment	43,731,793	38,905,146
	$ 61,817,831	$ 56,336,881
Liabilities and Shareholder's Equity		
Current and non-current liabilities:		
Accounts payable and accrued liabilities	$ 943,440	$ 2,671,416
Deferred developer contributions	11,894,602	7,753,538
Concession liability	13,865,091	12,264,387
	26,703,133	22,689,341
Shareholder's equity:		
Share capital and contributed surplus	27,397,115	27,397,115
Retained earnings	7,717,583	6,250,425
	35,114,698	33,647,540
	$ 61,817,831	$ 56,336,881

Interim Income Statement (Unaudited)

	September 30 2022	September 30 2021	$ Changes	% Change
Revenues				
Metered Billings (Quarterly)	$ 4,773,731	$ 3,950,550	$ 823,181	21%
Service fee	736,125	735,750	375	0%
	5,509,856	4,686,300	823,556	18%
Cost of Sales				
Contracts	747,552	532,575	214,977	40%
Utilities	1,229,949	692,803	537,146	78%
Amortization	1,208,347	1,025,745	182,602	18%
	3,185,848	2,251,123	934,725	42%
Gross margin	**2,324,008**	**2,435,177**	**(111,169)**	**(5%)**
General and Administration Expenses				
Salaries and benefits	645,243	634,740	10,503	2%
Administration expenses	63,722	60,197	3,525	6%
Insurance	71,440	88,007	(16,567)	(19%)
Professional Fees	33,750	28,718	5,032	18%
	814,155	811,662	2,493	0%
Net income before other items	1,509,853	1,623,515	(113,662)	(7%)
Contributions and Financing expense				
Developer contributions	282,571	177,139	105,432	60%
Other income	75,825	23,852	51,973	218%
Other expense	-	(388,431)	388,431	(100%)
Net financing cost	(401,091)	(462,261)	61,170	(13%)
	(42,695)	(649,701)	607,006	(93%)
Net Income	**$1,467,158**	**$973,814**	**493,344**	**51%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$1,467,158	$ 973,814	$493,344	51%
Net Financing cost	401,091	462,261	(61,170)	(13%)
Amortization expense	1,208,347	1,025,745	182,602	18%
EBITA	$3,076,596	$2,461,820	$614,776	25%

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Notes:

	Ending September 30 2022	Ending September 30 2021
Percentage of Revenue		
Gross margin percentage	42%	52%
General and administration percentage	15%	17%
Net income percentage	27%	21%
EBITA percentage	56%	53%

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

	2022 Q3 Budget	2022 Q3 Actual	$ Variance	%Variance
Revenues				
Metered Billings (Quarterly)	$ 4,810,426	$ 4,773,731	(36,695)	(1%)
Service fee	736,114	736,125	11	0%
	5,546,540	5,509,856	(36,684)	(1%)
Cost of Sales				
Contracts	1,050,412	747,552	(302,860)	(29%)
Utilities	1,173,045	1,229,949	56,904	5%
Amortization	1,343,286	1,208,347	(134,939)	(10%)
	3,566,743	3,185,848	(380,895)	(11%)
Gross margin	**1,979,797**	**2,324,008**	**344,211**	**17%**
General and Administration Expenses				
Salaries and benefits	722,347	645,243	(77,104)	(11%)
Administration expenses	112,213	63,722	(48,491)	(43%)
Insurance	90,000	71,440	(18,560)	(21%)
Professional Fees	53,351	33,750	(19,601)	(37%)
	977,911	814,155	(163,756)	(17%)
Net income before other items	1,001,886	1,509,853	507,967	51%
Contributions and Financing expense				
Developer contributions	409,173	282,571	(126,602)	(31%)
Other income	36,000	75,825	39,825	111%
Other expenses	(313,500)	-	313,500	(100%)
Net financing cost	(499,977)	(401,091)	98,886	(20%)
	(368,304)	(42,695)	325,609	(88%)
Net Income	**$633,582**	**$1,467,158**	**$833,576**	**132%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$633,582	$1,467,158	$833,576	132%
Net Financing cost	499,977	401,091	(98,886)	(20%)
Amortization expense	1,343,286	1,208,347	(134,939)	(10%)
EBITA	$2,476,845	$3,076,596	$599,751	24%

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LIEC Third Quarter Income Statement

	2022 Q3 Actual	2021 Q3 Actual	$ Variance	%Variance
Revenues				
Metered Billings (Quarterly)	$ 1,584,108	$ 1,292,969	291,139	23%
Service fee	245,375	245,250	125	0%
	1,829,483	1,538,219	291,264	19%
Cost of Sales				
Contracts	283,157	153,483	129,674	84%
Utilities	417,873	170,387	247,486	145%
Amortization	406,923	341,915	65,008	19%
	1,107,953	665,785	442,168	66%
Gross margin	**721,530**	**872,434**	**(150,904)**	**(17%)**
General and Administration Expenses				
Salaries and benefits	213,788	213,610	178	0%
Administration expenses	21,004	20,935	69	0%
Insurance	23,813	44,004	(20,191)	(46%)
Professional Fees	-	-	-	0%
	258,605	278,549	(19,944)	(7%)
Net income before other items	462,925	593,885	(130,960)	(22%)
Contributions and Financing expense				
Developer contributions	98,517	69,707	28,810	41%
Other income	29,964	39	29,925	(76731%)
Other expense	-	(388,431)	388,431	(100%)
Net financing cost	(80,539)	(153,197)	72,658	(47%)
	47,942	(471,882)	519,824	(110%)
Net Income	**$510,867**	**$122,003**	**$388,864**	**319%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$510,867	$122,003	$388,864	319%
Net Financing cost	80,539	153,197	(72,658)	(47%)
Amortization expense	406,923	341,915	65,008	19%
EBITA	$998,329	$617,115	$381,214	62%

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City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	December 16, 2022
From:	Jerry Chong GM, Finance & Corporate Services	**File:**	03-1200-09/2022-Vol 01
Re:	**Richmond Olympic Oval Corporation – 3rd Quarter 2022 Financial Information**		

Staff Recommendation

That the report on Financial Information for the Richmond Olympic Oval Corporation for the third quarter ending September 30, 2022 from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

Jerry Chong
GM, Finance & Corporate Services
(604-276-4064)

REPORT CONCURRENCE
APPROVED BY CAO

7086177

RICHMOND OLYMPIC OVAL

Report

DATE: December 16, 2022

TO: Serena Lusk
Chief Administrative Officer, City of Richmond

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

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

Re: **Richmond Olympic Oval Corporation – 3rd Quarter 2022 Financial information**

Origin

This staff report addresses the third quarter financial results for the 3 months ended September 30, 2022 ("Q3") which was endorsed by the Corporation's Board of Directors. Below are some of the highlights of the activities undertaken during Q3.

Q3 Highlights

Community Use

The Oval continued to offer developmental programs and sport camps, with ice programs continuing to be particularly popular in Q3. Summer Learn to Skate registrations totaled just under 600, which was the highest for any single season of the Learn to Skate program. Over the course of the summer, 36 different camps were offered resulting in summer sport camps registration of 2,500, a 7% increase compared to 2021.

In Q3, numerous community groups utilized the Oval to operate their programs and services for ages ranging from tots to seniors. These programs and services include the following sports: aikido, basketball, figure skating, gymnastics, hockey, karate, soccer, and speed skating.

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

Sport Development and Events

Events that took place in this quarter included: Cars and Hoops Charity Fundraiser, Canadian Wheelchair Floorball Championships, CN Sports Youth Competition, Toms Warehouse Sale, Beat The Heat Hockey Tournament, Forever Young 8K, Hoop-Law 2022 Charity Basketball Tournament and the Women's National Team High School Volleyball Tournament. Some of the future new events secured in Q3 by Events and Sport Hosting included: Clear One Badminton Exhibition Match, Climbing Escalade Canada Senior Lead Climbing Provincials, 2022 Volleyball Canada Women's National Team High School Tournament, 2022 Taekwondo Korean Consul Cup, 2022 Speed Skating BC Provincial Championships, 2023 Wrestling BC Western Canadian Championships and 2023 Wheelchair Rugby Vancouver Invitational and National Team Training Camp.

National and Provincial Team training that occurred in Q3 included: BC Wheelchair Sports Association, Field Hockey Canada Next Gen and TAP Athlete Program, Volleyball Canada Women's National Team and Next Gen Team.

Governance

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

Financial

Although the Oval's programming revenues are trending in a positive direction as we continue our pandemic recovery, an expected outcome of operating in this new environment are the additional expenses required to provide services to the public. Overall for Q3, the Corporation continued to exceed cautious budget targets. The results for the 3 months ended September 30, 2022 show income of $375,000 after amortization compared to a budgeted loss of $523,000, indicating a favorable variance of $898,000 (please see page 4 for the Corporation's balance sheet as of September 30, 2022 and page 5 for the statement of operations). In Q3, $823,000 was allocated to the reserves/equity.

Comments on the Financial Results for Q3

Revenues

In Q3, 1,175,000 of revenue was recognized pertaining to the 2022 Games Operating Trust Fund ("GOT") distribution. Memberships, admissions and programs revenue was $2,266,000 in Q3 and other revenue of $387,000 primarily pertained to space leasing, parking, and interest revenue. Overall, revenue was $1,044,000 favorable to budget.

Expenses

Memberships, admissions and program services costs for Q3 2022 were $1,814,000, facility operations costs were $1,151,000, marketing expenses were $142,000, and administration and finance expenses were $828,000. Overall, expenditures were $145,000 unfavorable to budget which is more than offset by the favorable variance in corresponding revenues.

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

RICHMOND OLYMPIC OVAL CORPORATION

Balance sheet
As at Sept 30, 2022
Unaudited, prepared by management

		Sept 30, 2022
ASSETS		
Financial Assets		
Cash	$	1,520,561
Investments		16,767,053
Inventory		177,664
Accounts receivable		519,329
		18,984,607
Financial Liabilities		
Accounts payable and accrued liabilities		2,159,340
Deferred revenue		10,293,755
Rental deposits		7,373
		12,460,467
Net financial assets		6,524,140
Non-Financial Assets		
Tangible capital assets		12,448,715
Prepaid expenses and other deposits		242,286
		12,691,001
Accumulated Surplus (Note 1)	$	19,215,141

Note 1 - Breakdown of accumulated surplus account is as follows:	
Investment in capital assets	8,115,741
Reserves/Provisions	10,231,444
Common Shares	1
Surplus	867,955
	19,215,141

The Accumulated Surplus shown above represents the Corporation's Shareholder's Equity. The investment in capital assets represents funding that has already been spent on existing capital assets currently being depreciated. The reserves/provisions balance primarily includes committed funding for approved capital projects as well as funding required for future minor capital expenditures. In addition, at the end of each year, the majority of the surplus balance is transferred to the capital reserves to primarily fund the Oval's future minor capital program, which has averaged $2.00M annually over the past 5 years. The amount transferred each quarter varies and the final amount is determined by the Capital Works Committee in accordance with the operating agreement.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations
For the quarter ended September 30, 2022
Unaudited, prepared by management

	QTR 3 2022 BUDGET	QTR 3 2022 ACTUAL	$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	YTD ended September 30, 2022 BUDGET	YTD ended September 30, 2022 ACTUAL	$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	2022 BUDGET
REVENUES									
2010 Games Operating Trust Fund	931,250	1,174,785	243,535	26%	2,793,750	3,037,286	243,536	9%	3,725,000
Contribution from City of Richmond	938,573	938,573	-	0%	2,815,719	2,815,719	-	0%	3,754,292
Memberships, admissions and programs	1,572,547	2,266,328	693,781	44%	4,252,582	5,814,432	1,561,850	37%	5,854,079
Other	279,975	386,507	106,532	38%	877,628	1,088,887	211,259	24%	1,174,859
	3,722,345	4,766,194	1,043,848	28%	10,739,679	12,756,324	2,016,645	19%	14,508,230
EXPENSES									
Memberships, admissions and program services	1,509,144	1,813,626	(304,482)	-20%	4,171,609	4,813,222	(641,613)	-15%	5,544,075
Facility Operations	1,154,049	1,151,478	2,571	0%	3,389,802	3,429,192	(39,390)	-1%	4,608,583
Marketing	124,288	142,317	(18,029)	-15%	424,774	422,365	2,409	1%	545,155
Admin/Finance	880,288	828,408	51,880	6%	2,475,213	2,305,730	169,483	7%	3,391,864
Amortization	577,878	455,093	122,785	21%	1,600,128	1,338,298	261,830	16%	2,200,000
	4,245,647	4,390,923	(145,276)	-3%	12,061,526	12,308,808	(247,282)	-2%	16,289,677
Net Income/(Loss) (Note 1)	(523,302)	375,270	898,572	172%	(1,321,847)	447,516	1,769,363	134%	(1,781,447)

Note 1 - In Q3, $0.82M was transferred into reserves/equity mainly for future minor capital programs. The total transfers vary from quarter to quarter and will be finalized by the Capital Works Committee in accordance with the operating agreement. The Oval Corporation's minor capital program, which is primarily funded from the Capital Reserves, has averaged $2.00M annually over the past 5 years.

Numbers may be off due to rounding.