



## Finance Committee

Anderson Room, City Hall  
6911 No. 3 Road

Monday, July 6, 2015

Immediately Following the Open General Purposes Committee meeting

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### MINUTES

FIN-4      *Motion to adopt the **minutes** of the meeting of the Finance Committee held on Monday, June 1, 2015.*



### FINANCE AND CORPORATE SERVICES DIVISION

1. **RICHMOND PUBLIC LIBRARY STRATEGIES TO REDUCE EXPENSES AND INCREASE REVENUE**

(File Ref. No. 03-0970-01) (REDMS No. 4616881)

FIN-7

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

*Designated Speaker: Greg Buss*

### STAFF RECOMMENDATION

*That the staff report titled “Richmond Public Library Strategies to Reduce Expenses and Increase Revenue,” dated June 18, 2015, from the Director, Finance, be received for information and considered as part of the 2016 budget process.*



## Finance Committee Agenda – Monday, July 6, 2015

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ITEM

2. **REFERRAL COUNCIL COMMUNITY INITIATIVES ACCOUNT**  
(File Ref. No.) (REDMS No. 4599132)

FIN-29

See Page **FIN-29** for full report

*Designated Speaker: Jerry Chong*

### STAFF RECOMMENDATION

*That the Terms of Reference for the Council Community Initiatives Account as presented in the staff report titled “Referral Council Community Initiatives Account,” dated June 9, 2015, from the Director, Finance, be approved.*



3. **2016-2020 BUDGET PROCESS**  
(File Ref. No. 03-0970-01) (REDMS No. 4571733 v.6)

FIN-32

See Page **FIN-32** for full report

*Designated Speaker: Jerry Chong*

### STAFF RECOMMENDATION

- (1) *That the staff report titled “2016-2020 Budget Process,” dated June 15, 2015, from the Director, Finance, be received for information;*
- (2) *That the service levels as presented in Attachment 2 of the staff report titled “2016-2020 Budget Process,” dated June 15, 2015, from the Director, Finance, be approved as the base for the 2016 budget; and*
- (3) *That the capital ranking form as presented in Attachment 3 of the staff report titled “2016-2020 Budget Process,” dated June 15, 2015, from the Director, Finance, be approved for the 2016 budget.*



4. **CONTAMINATED SITES ACCOUNTING STANDARD CHANGE UPDATE**

(File Ref. No. 03-0905-01) (REDMS No. 4615971)

FIN-63

See Page **FIN-63** for full report

*Designated Speaker: Cindy Gilfillan*

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ITEM

STAFF RECOMMENDATION

*That the staff report titled, “Contaminated Sites Accounting Standard Change Update”, dated June 17, 2015, from the Director, Finance, be received for information.*

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5. **ASSESSMENT AND PROPERTY TAXATION**

(File Ref. No. 03-1240-01) (REDMS No. 4632821)

**FIN-68**

**See Page FIN-68 for full report**

*Designated Speaker: Ivy Wong*

STAFF RECOMMENDATION

*That the staff report titled “Assessment and Property Taxation,” dated July 2, 2015, from the Director, Finance, be received for information.*

☐

**ADJOURNMENT**

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## Finance Committee

Date: Monday, June 1, 2015

Place: Anderson Room  
Richmond City Hall

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

Absent: Councillor Chak Au  
Councillor Linda McPhail

Call to Order: The Chair called the meeting to order at 4:19 p.m.

### MINUTES

It was moved and seconded  
*That the minutes of the meeting of the Finance Committee held on Monday, May 4, 2015, be adopted as circulated.*

**CARRIED**

The Chair advised that "BC Assessment's Role in Property Taxes" would be added to the Agenda as Item No. 5.

### FINANCE AND CORPORATE SERVICES DIVISION

1. **2014 ANNUAL REPORT AND 2014 ANNUAL REPORT – HIGHLIGHTS**  
(File Ref. No.) (REDMS No. 4578102)

It was moved and seconded  
*That the City of Richmond 2014 Annual Report and the 2014 Annual Report – Highlights be approved.*

**CARRIED**

**Finance Committee**  
**Monday, June 1, 2015**

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**2. 2014 ANNUAL DEVELOPMENT COST CHARGES**

(File Ref. No. 03-0905-05-01) (REDMS No. 4574870)

It was moved and seconded

*That the staff report titled, "2014 Annual Development Cost Charges," dated May 8, 2015, from the Director, Finance, be received for information.*

**CARRIED**

**3. FINANCIAL INFORMATION – 1<sup>ST</sup> QUARTER MARCH 31, 2015**

(File Ref. No.) (REDMS No. 4572106 v. 2)

It was moved and seconded

*That the staff report titled, "Financial Information – 1<sup>st</sup> Quarter March 31, 2015," dated May 8, 2015, from the Director, Finance, be received for information.*

**CARRIED**

**RICHMOND OLYMPIC OVAL CORPORATION**

**4. 1<sup>ST</sup> QUARTER 2015 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.) (REDMS No. 4583862)

In reply to a query from Committee, Rick Dusanj, Controller, Richmond Olympic Oval Corporation (ROOC), advised that staff estimate that approximately \$2.3 million from the 2010 Games Operating Trust Fund will be forthcoming.

It was moved and seconded

*That the report on Financial Information for the Richmond Olympic Oval Corporation for the first quarter ended March 31, 2015 from the Controller of the Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

**5. BC ASSESSMENT'S ROLE IN PROPERTY TAXES**

(File Ref. No.)

Councillor Day spoke to confusion amongst residents in relation to their property taxes and the role of BC Assessment with regard to increased property taxes. She was of the opinion that homeowners should be better educated on how they may challenge their property assessment in an effort to reduce their property taxes.

## Finance Committee

### Monday, June 1, 2015

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Discussion took place and Ivy Wong, Manager, Revenue, advised that BC Assessment utilizes a central calling system in which callers are routed to the appropriate area assessor based on their property's location. Also, Andrew Nazareth, General Manager, Finance and Corporate Services, spoke on ways in which the City informs residents regarding how property taxes are calculated, noting that such information is sent as part of the property tax bill and is available on the City's website.

Discussion further ensued regarding information about the assessment appeal process on the BC Assessment mail out. Ms. Wong advised that should Council wish to provide residents with supplemental information in relation to BC Assessment's appeal process, the City would incur costs of approximately \$30,000 to \$40,000 for postage.

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

It was moved and seconded

- (1) *That staff prepare an information package that clearly explains the roles of BC Assessment and the City, and how changes in assessment valuations impact individual property taxes; and*
- (2) *That staff report back with a plan on how this information will be disseminated to property owners.*

**CARRIED**

## ADJOURNMENT

It was moved and seconded

*That the meeting adjourn (4:40 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, June 1, 2015.

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Mayor Malcolm D. Brodie  
Chair

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Hanieh Berg  
Committee Clerk



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** June 18, 2015

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

**File:** 03-0970-01/2015-Vol  
01

**Re:** Richmond Public Library Strategies to Reduce Expenses and Increase Revenue

### Staff Recommendation

That the staff report titled "Richmond Public Library Strategies to Reduce Expenses and Increase Revenue" dated June 18, 2015 from the Director, Finance be received for information and considered as part of the 2016 budget process.

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

Att. 1

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Staff Report

### Origin

At the Richmond City Council meeting held on February 10, 2015 the 2015 Operating and Capital Budgets for the Richmond Public Library were presented. The municipal contribution to the Library increased by 3.51% over the 2014 year. The increase was largely due to other Library revenue sources declining while expenses continue to increase.

This report is in response to the following Council referral:

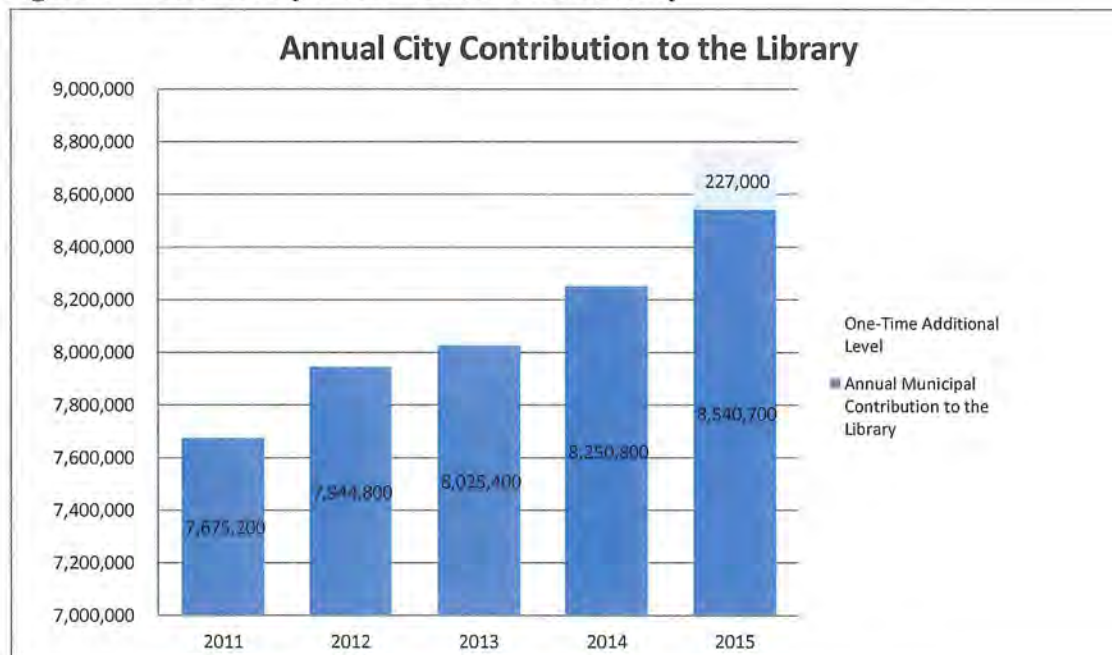
*That staff work with Richmond Public Library staff on possible strategies to reduce expenses and increase revenue, and report back.*

### Analysis

#### Trend of Municipal Contributions to the Library

The following chart shows that the municipal contribution to the Library has increased each year, at an average of 2.95% between 2011 and 2015. In 2015, a one-time additional contribution was made from Rate Stabilization Account, which is not included in the average calculation.

**Figure 1 – Annual City Contribution to the Library**



Library expenses increase each year due to non-discretionary factors such as salaries, benefit rates and contracts. The percentage of the Library's operations funded by the Municipal



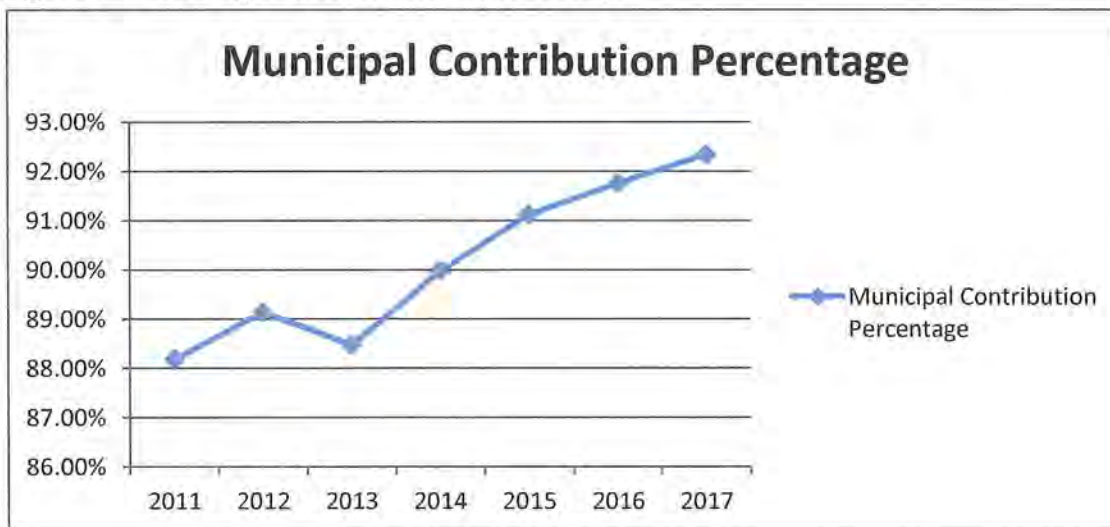
Contribution should remain constant or decrease from year to year to maintain the same level of service provided by the City; otherwise the City's service commitment is effectively changed. The following table looks at the percentage of the Municipal Contribution compared to total budgeted revenues. From 2011 to 2013, the Municipal Contribution percentage is 88-89% and in 2014 this increased to 90%. This percentage increase means that as costs are rising, that additional burden is shouldered by the City rather than reducing expenses or finding alternative funding sources. In 2015, the percentage rose further to 91%. Based on forecasts provided by the Library, which are included in Attachment 1, this is expected to increase further in 2016 and 2017 to 92%.

**Table 1 – Municipal Contribution Analysis**

Year	Budgeted Municipal Contribution	Other Budgeted Revenue	Total Budgeted Revenue	Municipal Contribution %
2011	\$ 7,675,200	\$ 1,027,700	\$ 8,702,900	88.2%
2012	7,944,800	967,900	8,912,700	89.1%
2013	8,025,400	1,045,500	9,070,900	88.5%
2014	8,250,800	919,500	9,170,300	90.0%
2015	8,540,700	832,200	9,372,900	91.1%
*2016	8,779,600	788,800	9,568,400	91.8%
*2017	9,007,300	748,000	9,755,300	92.3%

\*Forecast

**Figure 2 – Municipal Contribution Percentage**



It is important to note that actual results vary from budget; however, if other revenue sources do not meet budget targets in a given year, the Library has responded by reducing expenses accordingly.

In 2013, an assessment of cost per capita of 11 lower mainland Library systems was conducted. The cost per capita ranged from \$32.39 per capita (Surrey) to \$99.31 per capita (West Vancouver). Richmond ranked the third lowest cost per capita at \$40.61 per capita. Burnaby was \$51.70 per capita and Vancouver was \$60.26 per capita. This could be interpreted that Richmond offers good value to its citizens for its library services.

For the 2016 and future budgets, the City is faced with the decision of accepting the additional percentage of Library operating costs, or reducing service levels or revenues increased until the desired contribution percentage is reached. The Library Board has completed a comprehensive review of the possible strategies to increase revenues and reduce expenses, the results of which are included in Attachment 1. The Library report also addresses changes in circulation policies that will maximize the service potential of existing resources.

**Financial Impact**

None at this time.

**Conclusion**

This report analyzes the trend of municipal contributions to the Library which has seen an increase in the total percentage of Library operations funded each year. As costs continue to rise, this trend is expected to continue. The attached report is the Library's response to the strategies for increasing revenues and reducing expenses as well as revised circulation policies.

A handwritten signature in dark ink, appearing to read 'MS' followed by a stylized flourish, and the word 'for' written in a cursive script to the right.

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

MS:ms

Att. 1: Richmond Public Library Report on Library Expenses and Revenues



**Richmond**  
**Public Library**

**REPORT TO COMMITTEE**

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**To:** Finance Committee  
**From:** Greg Buss,  
Chief Librarian & Secretary to the Board  
Richmond Public Library  
**Re:** Report on Library Expenses and Revenues

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**Date:** June 18, 2015

**Staff Recommendation**

That the Report on Library Expenses and Revenues be received for information.

Greg Buss,  
Chief Librarian & Secretary to the Board  
Richmond Public Library  
604-231-6418

- Att. 1: List of Actions Committed to by Library Board  
2: Revised Fines and Charges  
3: Collection Development Strategies  
4: Revised Circulation Policies

## Staff Report

### ORIGIN

In the course of the library's 2015 budget presentation Council noted that library revenues are declining while expenses are increasing. Underlying the discussion was the question of how the library can grow and expand its services while maintaining a balance between its revenues and expenses—thus ensuring that the city's municipal contribution to the library keeps pace with overall city budget goals.

This report addresses the following referral made at the City Council Finance Committee meeting of February 2, 2015:

**That staff work with Richmond Public Library staff on possible strategies to reduce expenses and increase revenue, and report back.**

In addition to revenues and expenses, Council had many questions and comments relating to circulation loan policies and collections. In order to address these concerns the Library Board conducted a comprehensive review of circulation loan policies and collection development policies. As a result of this review changes aimed at improving the utilization of existing collection resources will be implemented as soon as possible with full implementation coming into effect for 2016. Information on these changes is also included in this report.

### SUMMARY OF FINDINGS

1. Fine revenues will continue to decline over the long term but improved fine collection methods can increase revenues in the short term.  
Current fine revenues are largely derived from the circulation of physical items. As the shift towards digital takes place these revenues will decline; however, in the short term it is possible to improve the collection of fine revenues through more stringent fine collection procedures. It is estimated an additional \$64,000 can be collected in 2016 and approximately \$32,000 in following years.
2. Opportunities for new revenues exist.  
There are opportunities to develop other revenues to replace declining fine revenue. These include donations, corporate sponsorship and grants. The nature of these funds is to be unpredictable and usually carry restrictions preventing them from being applied to regular operating expenses. These funds are best suited for one time programs as it is difficult to ensure sustained funding for ongoing programs. It will take time to develop these revenues and will require an investment in library time and resources.
3. Fee for service has possibilities but will require expanded library spaces.  
A fundamental core value of public libraries is free and equal access to materials and services and *The Library Act* places restrictions on what fees a public library can charge. However, there are areas where fees can be charged. Examples from other libraries include: renting out meeting rooms and computer labs, coffee shops, vending machines and special services to business. Adoption of these types of fees would be dependent upon expanded library space that is designed to accommodate these types of services.
4. Annual budget and service reviews by library staff must continue.  
There are always areas where current budget lines can be reviewed and modest cuts made. This process has been ongoing each year as budgets are prepared and the savings reallocated to budget

lines where costs are increasing. Equally important is the ongoing review of public service levels and methods of operations including adopting improved technologies, contracting out, and renegotiating vendor contracts.

5. Consortium buying should continue along with increased co-operation with the city.  
Co-operative buying and consortium purchasing brings more buying power and lower costs to the library. The library should continue to be an active participant in these programs through Public Library InterLINK and the BC Libraries Co-operative. There are also a number of areas where co-operation with the city can reduce costs—especially in the area of IT—and these should be pursued.
6. Service level reductions can result in savings but come at a high cost in terms of public satisfaction.  
The vast majority of the library's budget consists of non-discretionary items. There is little opportunity to substantially decrease current expenses without affecting service levels and accompanying staff reductions. It can be anticipated that any savings achieved through service level reductions will result in public dissatisfaction. Service level reductions are not recommended.
7. Human capital drawn from the community is an important resource for future growth.  
Equally important to ensuring revenues match expenses is the need to ensure the library continues to provide high value for the residents of Richmond. This can only be done by providing the full range of library services that the community desires and to do so both efficiently and cost effectively. Providing value added services will require an increased focus on human capital drawn from the community at large rather than just additional financial resources. A comprehensive volunteer program will be implemented to take advantage of this opportunity as well as expansion of collaborative programming with community groups.
8. Collection development policy and collection management policy improvements will be made.  
The current collection management approach has put top priority on customer service by meeting public demand for a wide variety of material with as short a wait time as possible. The current financial challenges and the need to meet the continuing demand for both print and digital resources makes it necessary to re-examine this approach. Improved collection development and loan policies that provide for tighter control of number of items allowed at a time and shorter loan periods will be implemented resulting in better utilization of collection resources. These changes will come into full force in 2016.

## ANALYSIS

### CURRENT AND PROJECTED REVENUES AND EXPENSES

The trend for decreasing revenues and increasing expenses make it imperative that the Library Board adopt a range of strategies in order to enable the library to grow and prosper within the current level of support provided by the city. Described in this report are the strategies the Library Board will undertake to increase revenues while controlling expenses and the specific actions the Library Board is committed to taking in order to accomplish this. A complete list of actions can be found in Attachment 1.

The chart below shows Current and Projected Revenues and Expenses for 2015 to 2017 if the Library Board adopts these strategies. It shows that as we move into the 2016 and 2017 budget years the projected increase in municipal contribution declines from 3.51% in 2015 to 2.8% in 2016 to 2.59% in 2017. This is achieved through a combination of increasing revenues while controlling expenses. It is recognized by the Library Board that these targets may still exceed the city target of increases at or below CPI.

Richmond Public Library									
Operating Budget Projection 2015 to 2017									
	2015			2016			2017		
SUMMARY:	Budget	% Increase / Decrease	Increase from 2014	Forecast	% Increase	Increase from 2015	Forecast	% Increase / Decrease	Increase from 2016
REVENUES									
Municipal Contribution	\$8,540,700	3.51%	289,900	\$8,779,600	2.80%	238,900	\$9,007,300	2.59%	227,700
Provincial Grants	409,700	-0.68%		409,700	0.00%		409,700	0.00%	
Book Fines & Charges	202,500	-24.89%		219,400	8.35%		187,400	-14.59%	
Interlink reimbursement	146,000	-17.37%		84,600	-42.05%		76,100	-10.05%	
In House Book sales	28,900	51.31%		30,300	4.84%		30,300	0.00%	
Photocopiers	25,100	14.61%		24,600	-1.99%		24,100	-2.03%	
Printing	9,500	3.26%		9,700	2.11%		9,900	2.06%	
Miscellaneous	10,500	0.00%		10,500	0.00%		10,500	0.00%	
TOTAL REVENUES	\$9,372,900	2.21%		\$9,568,400	2.09%		\$9,755,300	1.95%	
EXPENDITURES									
Salaries and Benefits	\$6,914,000	2.45%		\$7,052,300	2.00%		\$7,193,300	2.00%	
Collections	1,161,500	0.00%		1,184,700	2.00%		1,208,400	2.00%	
Contracts	400,200	4.25%		425,200	6.25%		438,000	3.01%	
General & Admin.	324,600	-2.21%		324,600	0.00%		324,600	0.00%	
Leases	239,900	17.60%		239,900	0.00%		239,900	0.00%	
Utilities	140,400	0.00%		144,600	2.99%		148,900	2.97%	
Supplies	111,400	-5.11%		112,500	0.99%		113,600	0.98%	
Equipment Purchases	36,500	0.00%		40,200	10.14%		44,200	9.95%	
Insurance	14,100	0.00%		14,100	0.00%		14,100	0.00%	
Cataloguing	14,000	0.00%		14,000	0.00%		14,000	0.00%	
Memberships	9,800	-15.52%		9,800	0.00%		9,800	0.00%	
Professional Fees - Audit	6,500	0.00%		6,500	0.00%		6,500	0.00%	
TOTAL EXPENDITURES	\$9,372,900	2.21%		\$9,568,400	2.09%		\$9,755,300	1.95%	

## STRATEGIES TO INCREASE/MAINTAIN REVENUES

### Provincial Grants

Provincial support to libraries has remained constant over many years. There is little likelihood that we will see an increase in grants and as pressure mounts on the provincial budget grants could conceivably decline. It is important for the Library Board to continue to lobby the province to maintain grants and to demonstrate the value received for money spent.

#### **Action**

1. **Library Board to continue advocacy efforts, largely through the British Columbia Library Trustees Association, to maintain provincial grants.**

### Book Fines and Charges

The intent of fines and charges is to provide negative incentives for users to bring back material as quickly as possible so it can become available for others to borrow. The decline in fine revenue is due to both the decline in print circulation and the introduction of convenient library online services to renew material prior to being overdue and therefore not incurring a fine. These two trends will continue so there can be no expectation that fine revenues will bounce back to previous highs. However, there are steps that can be taken to increase fine revenue in the short term through improved fine collection procedures including the use of a collection agency for long outstanding items.

The Library Board has conducted a comprehensive review of policies and procedures around fines and charges and will make changes to tighten up fine collections. Attachment 2 outlines the changes. It is estimated that approximately \$64,000 in additional fine and charges revenue can be collected in 2016 and \$32,000 per year thereafter if a more stringent fine collection policy is adopted. Below is a chart describing actual and projected fine revenue:

	2010	2011	2012	2013	2014	2015	2016	2017
<b>Fines</b>	\$215,832	\$212,452	\$193,804	\$165,369	\$159,267	\$155,358	\$219,400	\$187,400
<b>Assumptions:</b>								
- For 2015, The YTD actual number to Apr. 30th has been extrapolated for the balance of the year.								
- 2016 increases by \$64K over 2015								
- 2017 increases by \$32K over 2015								

In adopting a more stringent fine collection policy it will be important to recognize genuine hardship cases and to exercise flexibility. The library's circulation computer system is currently being upgraded and implementation of the changes will be timed with the completion of this upgrade—late 2015 and early 2016.

A further increase in fine collection could be achieved if the self-checkout units are upgraded to allow immediate payment of fines at the time of taking out books. Upgraded technology would include the adoption of RFID technology which requires substantial initial investment but could also lead to reduced staffing costs. Library staff are investigating the cost/benefits of this technology and, if favourable, will develop a business case for a capital budget submission.

#### **Action**

2. **Adopt a more stringent policy towards the collection of fines while recognizing hardship cases require flexibility.**
3. **Implement changes to fines and charges as outlined in Attachment 2.**
4. **Investigate using a collection agency for material not returned after repeated requests.**

**5. Investigate adopting upgraded self-checkout units with RFID technology and develop business case if appropriate.**

InterLINK Net Reimbursement

InterLINK is a federation of 18 lower mainland libraries supporting the provision of co-operative services and the sharing of resources. All residents from the 18 libraries can borrow freely from all the other libraries. While the service is free to the end user, libraries are paid \$.50 for each net loan at the end of the year. As a net lender Richmond receives significant revenue from this source (\$113,112 in 2014), but the revenue has been declining steadily since 2009. The reduction is directly related to the decline in print circulation across all libraries as well as improved collections in other libraries, especially in the area of Chinese language materials. This source of revenue can be expected to continue to decline as shown below:

	2010	2011	2012	2013	2014	2015	2016	2017
<b>InterLINK Revenue</b>	\$238,617	\$215,646	\$176,628	\$142,886	\$113,112	\$96,145	\$84,608	\$76,147
% decrease		-9.63%	-18.09%	-19.10%	-20.84%	-15.00%	-12.00%	-10.00%

Miscellaneous Revenues

a. In-house Book Sales

A great deal of material is donated by the public, very little of which is suitable for adding to the collection, and the library is continuously weeding the collection of out-dated and worn material. Most of this material is sent to the Friends of the Library for their book sales. Some, however, is sold in-house and is a source of modest revenue. There is a potential to increase these sales, but any effort to do so must not negatively impact on the Friends of the Library sales.

b. Photocopier and Printing

With the advance of scanning and PDF technology the use of photocopiers is declining and will continue to do so; however, a modest increase in photocopier charges may help maintain the revenue from this source. Printing is on the increase and a modest increase in charges may further increase the revenues. A separate fee schedule for 3D printing will be implemented to not only recover cost of supplies but also provide for maintaining and replacing the printers.

**Action**

- 6. Expand in-house book sales while ensuring Friends of the Library sales do not suffer.**
- 7. Implement modest increase in photocopy and printing charges and develop increased charges for 3D printing.**

Sources of Revenue Not Included in Operational Budget

There are other sources of revenue that are not included in the operational budget because they are unpredictable and cannot be used to cover general operating expenses. These funds are best suited for one time programs as it is difficult to ensure sustained funding for ongoing programs. Examples of 2014 revenue from these sources are:

- Friends of the Library donations from book sale proceeds (\$20,000)
- Donations from individuals (\$24,400)
- Corporate donations and sponsorships (\$16,700)
- One-time special grants (\$10,000)
- Endowment fund disbursements (\$12,500)



These revenues have the potential to increase, particularly individual donations and corporate donations and sponsorships. The Library Board is committed to developing a strong fund development program and has set it as a priority for 2016; however, it will take time and internal resources to fully develop.

#### **Action**

- 8. Develop a strong fund development program.**
- 9. Continue to pursue grants and special funding opportunities.**
- 10. Continue to support the Friends of the Richmond Public Library.**

#### Fee for Service

A fundamental core value of public libraries is free and equal access to materials and services and *The Library Act* places restrictions on what charges a public library can charge. Section (46) of the Act states:

##### Free basic library service

- (1) *A library board must not charge for*
  - a. *Admission to any part of a building used for public library purposes, or*
  - b. *Using library materials on library premises.*
- (2) *A library board must allow residents and electors of any area served by the library board to do the following free of charge:*
  - a. *Borrow library materials that are normally lent by the library and that belong to prescribed categories of library materials;*
  - b. *Use reference and information services as the library board considers practicable.*
- (3) *A library board may charge fees for services not required to be provided free of charge under this section, including for the use of services described in subsection (2) by anyone who is not a resident or elector of an area served by the library board.*

The Library Board discussed the possibility of developing fee-based services that may lie outside the restrictions imposed by the *Library Act* but felt that to do so would weaken one of the foundation values upon which the public library system rests—free and equal access to all. The Library Board is not prepared to pursue fee-for-service at this time. However, there are situations where the Library Board can see fees being charged. Examples from other libraries include: renting out meeting rooms and computer labs, coffee shops, vending machines and special services to business. Adoption of these types of fees would be dependent upon expanded library space that is designed to accommodate these types of services.

## **STRATEGIES TO REDUCE AND CONTROL EXPENDITURES**

### Budget Line Reductions and Re-allocations

The vast majority of the library's budget consists of non-discretionary items. There is very little opportunity to decrease current expenses substantially without service level reductions. However, there are always areas where current budget lines can be reviewed and savings made. This process has been ongoing for many years as each year's budget is prepared and the savings reallocated to other budget lines where costs are increasing. To date \$9,480 of savings has been identified that can be reallocated to other budget lines for the 2016 budget as shown below:

Savings from Review of Budget Lines		
Action	Amount	Impact
Telephone	\$2,900	Discontinue phone book listing
Postage & Courier	\$3,500	Limit overdue & holds notices sent by mail
Contracts - Janitorial Brighthouse	\$1,100	Eliminate chair cleaning by Contractor
Telephone Ironwood	\$660	Eliminate fax line for public use
Telephone Cambie	\$660	Eliminate fax line for public use
Telephone Steveston	\$660	Eliminate fax line for public use
<b>Total</b>	<b>\$9,480</b>	

This process will continue every budget cycle.

#### Action

- 11. Library staff to review budget lines and reduce and re-allocate wherever possible.**

#### Controlling Expenses

Library staff make every effort to control expenditures and are achieving success. A number of current examples are:

- Contracting out janitorial services (\$42,900 annual savings over if in-house staff used)
- Renegotiating vendor agreements for better terms (\$2,500 annual savings on maintenance contract for sorting machine)
- Reviewing methods of operations (\$38,000 saved by simplifying the processing of materials)

Controlling Expenses		
Action	Amount	Impact
Collection Processing	\$37,924	Reduce processing by \$2.00 per book for Library Bound
Lyngsoe - sorting machine	\$2,489	Service visits reduced to one per year from two
Janitorial Expense	\$42,884	Using outside contractor for branches instead of BSWs
<b>TOTAL</b>	<b>\$83,297</b>	

The current migration of our circulation computer system onto a new platform is the best example of controlling costs. In this case we have negotiated with our vendor an eight year agreement with fixed costs, in Canadian dollars, for a product that has more features and functionality than our current system. In year 2017 of this agreement we will be paying \$2,400 less than what we paid in 2014. This was accomplished within operating budget and required no additional capital funding from the city.

#### Action

- 12. Library staff to continue to investigate and implement expense controlling measures.**

#### Co-operative Services and Purchasing

Co-operative buying and consortium purchasing brings more buying power and lower costs to the library. For library specific products and services we are active participants in Public Library InterLINK and the BC Libraries Co-operative and achieve significant saving on products such as library cards, barcodes and licencing agreements.

There are also a number of areas where co-operation with the city have reduced costs. Current examples include using the city's PeopleSoft financial software and piggy-backing onto the city's telephone system. These areas of co-operation with the city yield high savings for the library at very little additional cost to the city. There may be other such areas that could be taken advantage of especially in the area of IT. In

order not to shift the costs to the city the library's budget should include the incremental costs the city incurs for providing the service as an expense item in the library's budget.

**Action**

- 13. Continue group purchasing and consortium buying initiatives with Public Libraries InterLINK and BC Libraries Co-operative.**
- 14. Investigate areas of possible further co-operation with city.**

Service Level Reductions

There is very little opportunity to decrease current expenses substantially without service level reductions. Council has never suggested this option and the Library Board does not see it as a tenable one but information is provided here in the interests of being comprehensive. Some examples of possible service level reductions and the resulting annual savings are:

- Eliminate Hamilton Outreach Service (\$15,000)
- Shorter hours at some or all branches (\$100,000 to \$500,000)
- Close branches one day of the week (\$240,000)
- Close a branch entirely (\$438,000)

These options are extreme in terms of negative impact on the public and it is not recommended to pursue them.

**STRATEGIES FOR PROVIDING ADDED VALUE THROUGH HUMAN CAPITAL**

Equally important to ensuring revenues match expenses will be the need to ensure that the library continues to provide high value for the residents of Richmond. This will only be accomplished if the library is providing the full range of services that the community will most benefit from and that it is doing so both efficiently and cost effectively. Providing these value added services will require an increased focus on human capital rather than just financial resources.

More than ever this means working closely with other community organizations and groups and expanding collaborative programming. Some current examples of success in this area are working with the city on the Children's Festival and the Writer-in-Residence program and community organizations such as Literacy Richmond and Richmond Children First.

The Library Board has also set as a high priority the development a comprehensive library community volunteer program and has enlisted the assistance of Volunteer Richmond to help guide the library through this process. The degree to which the library is able to grow and expand services will to a large extent depend upon its success in this area.

The library's strategic plan calls for the expansion of opportunities for community engagement. By providing even more opportunities for community members and organizations to take full advantage of library resources to realize their own goals and ambitions, the library will be able to provide substantial added value without a correspondingly large increase in expenditure.

**Action**

- 15. Begin implementation of Library Community Volunteer Program.**
- 16. Expand collaborative programs and services with community organizations and groups that fully utilize library resources.**

## **COLLECTION DEVELOPMENT AND COLLECTION MANAGEMENT POLICIES**

In addition to revenues and expenses, Council had many questions and comments relating to circulation loan policies and the collections. In order to address these concerns the Library Board conducted a comprehensive review of collection development policies and collection management policies. Collection development determines what materials we have in the library and collection management, through circulation loan policies, determines how these materials are made accessible to users.

### **Collection Development Policies**

Over the years the library has been highly successful in developing a good collection in a variety of languages and formats that meets community needs. Proof of this is the consistently high circulation per capita that Richmond achieves. While we continue to have a very high circulation per capita, it is in decline and will continue to do so as a variety of forces come into play. The Strategic Plan identified the need to rethink our collection development approach and to move toward the “Refocused Traditional Library” and the “Digital Library”.

There are a number of equations the library has to consider and we must determine where on the continuum of possibilities Richmond is best positioned:

- Print versus Digital
- Popular demand versus Diversity of collections
- Main branch collections versus Branch collections
- Richmond owned resources versus InterLINK resources
- Book stack space versus Programming space

Determining the optimum mix of resources is a major challenge for the library and one that will prove to be a moving target. Library staff will have to closely monitor our evolving collections and public expectations and be prepared to respond quickly as needs evolve. Changes in these equations will no doubt result in an increase in satisfaction with library services for some users and a decrease in satisfaction for other users.

Attachment 3 describes the short term action required to refocus our print collections and to develop our digital resources as outlined in our strategic plan.

#### **Action**

- 17. Implement Refocused Traditional Library Collections Strategy as outlined in Attachment 3.**
- 18. Implement Digital Library Collections Strategy as outlined in Attachment 3.**
- 19. Allocate the \$200,000 one-time additional collection funds as outlined in Attachment 3.**

### **Collection Management Policies**

Collection management, through circulation loan policies, determines how materials are made accessible to users. This is done through a variety of policies:

- Loan periods
- Renewals
- Holds
- Borrowing limits

The current collection management approach has been to put top priority on customer service and to do our best to meet public demand for a wide variety of material with as short a wait time as possible. In

light of the current financial challenges and the need to meet the continuing demand for both print and digital resources changes to circulation loan policies are required.

The Library Board conducted a comprehensive review of these policies and changes will be implemented to provide for tighter control of number of items allowed at a time and shorter loan periods to ensure better utilization of the existing collection. Attachment 4 describes these changes. Implementation will be tied to the completion date of the circulation computer system upgrade and take full force in 2016.

**Action**

- 20. Implement changes to circulation loan policies as outlined in Attachment 4 to be timed with completion of circulation system upgrade.**

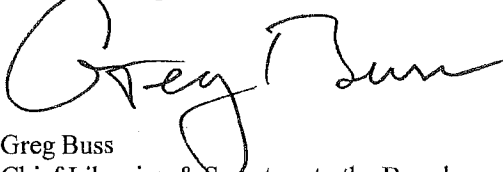
**FINANCIAL IMPACT**

None

**CONCLUSION**

Given the significant decline in revenue related to the decline in circulation of physical items the Library Board is adopting a number of strategies to increase revenue from other sources while making every effort to control expenses. In addition, the Library Board has conducted a comprehensive review of circulation loan policies in order to maximize the utilization of existing collections and has also revised collection development policies in order to provide balanced collections in both print and digital resources.

This report has identified 20 specific actions the Library Board is committed to carrying out in order to achieve these goals.



Greg Buss  
Chief Librarian & Secretary to the Board  
Richmond Public Library  
(604-231-6418)

- Att. 1: List of Actions Committed to by Library Board  
2: Revised Fines and Charges  
3: Collection Development Strategies  
4: Revised Circulation Policies

## **ATTACHMENT 1**

### **LIST OF ACTIONS COMMITTED TO BY LIBRARY BOARD**

1. Library Board to continue advocacy efforts, largely through the British Columbia Library Trustees Association, to maintain provincial grants.
2. Adopt a more stringent policy towards the collection of fines while recognizing hardship situations require flexibility.
3. Implement changes to fines and charges as outlined in Attachment 2.
4. Investigate using a collection agency for material not returned after repeated requests.
5. Investigate adopting upgraded self-checkout units with RFID technology and develop business case if appropriate.
6. Expand in-house book sales while ensuring Friends of the Library sales do not suffer.
7. Implement modest increase in photocopy and printing charges and develop increased charges for 3D printing.
8. Develop a strong fund development program.
9. Continue to pursue grants and special funding opportunities.
10. Continue to support the Friends of the Richmond Public Library.
11. Library staff to review budget lines and reduce and re-allocate wherever possible.
12. Library staff to continue to investigate and implement expense controlling measures.
13. Continue group purchasing and consortium buying initiatives with Public Libraries InterLINK and BC Libraries Co-operative.
14. Investigate areas of possible further co-operation with city.
15. Begin implementation of a Library Community Volunteer Program.
16. Expand collaborative programs and services with community organizations and groups that fully utilize library resources.
17. Implement Refocused Traditional Library Collections Strategy as outlined in Attachment 3.
18. Implement Digital Library Collections Strategy as outlined in Attachment 3.
19. Allocate the \$200,000 one-time additional collection funds as outlined in Attachment 3.
20. Implement changes to loan policies outlined in Attachment 4 to be timed with completion of circulation system computer upgrade.

**ATTACHMENT 2****REVISED FINES AND CHARGES**

Type of Material	Holds Charges Not Picked Up		Fines Per Day		Maximum Fines		Replacement Cost	
	Current	NEW	Current	NEW	Current	NEW	Current	NEW
<b>Adult Material</b>								
Adult Books	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	<b>\$15.00</b>	retail cost	retail cost
Adult Rapid Read Books	n/a	n/a	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
Adult Magazines	n/a	n/a	\$0.30	<b>\$0.50</b>	\$5.50	<b>\$10.00</b>	\$5.50	<b>\$10.00</b>
Inter Library Loans	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	<b>\$15.00</b>	cost + fee	cost + fee
<b>Young Adult material</b>								
Young Adult Books	\$1.00	<b>\$2.00</b>	\$0.10	<b>\$0.25</b>	\$2.50	<b>\$10.00</b>	retail cost	retail cost
Young Adult Rapid Read Books	n/a	n/a	\$0.30	<b>\$0.50</b>	\$2.50	<b>\$10.00</b>	retail cost	retail cost
Young Adult Magazines	n/a	n/a	\$0.10	<b>\$0.25</b>	\$2.50	<b>\$10.00</b>	\$5.50	<b>\$10.00</b>
<b>Junior material</b>								
Junior Books	\$1.00	<b>\$2.00</b>	\$0.10	\$0.10	\$2.50	<b>\$5.00</b>	retail cost	retail cost
Picture Books	\$1.00	<b>\$2.00</b>	\$0.10	\$0.10	\$2.50	<b>\$5.00</b>	retail cost	retail cost
Junior Rapid Read Books	n/a	n/a	\$0.30	<b>\$0.50</b>	\$2.50	<b>\$5.00</b>	retail cost	retail cost
Junior Magazines	n/a	n/a	\$0.10	\$0.10	\$2.50	<b>\$5.00</b>	\$5.50	<b>\$10.00</b>
<b>Media</b>								
DVD Dispenser - Movies & TV Series	n/a	n/a	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
DVD Dispenser - Video Games	n/a	n/a	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
DVD 3 Day Loan - New releases no holds	n/a	n/a	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
DVDs - Adult fiction and non-fiction	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
DVDs - Junior fiction and non-fiction	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
DVDs - ESL	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
CD Books (Adult, Junior, Young Adult)	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	<b>\$15.00</b>	retail cost	retail cost
Music CDs	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$10.00	<b>\$15.00</b>	retail cost	retail cost
<b>Kits</b>								
Adult Book Club Sets	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	<b>\$15.00</b>	retail cost	retail cost
Junior Book Club Sets	\$1.00	<b>\$2.00</b>	\$0.10	<b>\$0.25</b>	\$2.50	<b>\$5.00</b>	retail cost	retail cost
Health Department Bins - Grades 1 to 6	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	\$10.00	retail cost	retail cost
Nostalgia Kits	\$1.00	<b>\$2.00</b>	\$0.30	<b>\$0.50</b>	\$10.00	\$10.00	\$150.00	\$150.00
Theme Bags	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$2.50	<b>\$10.00</b>	\$80.00	\$80.00
Theme Boxes	\$1.00	<b>\$2.00</b>	\$1.00	\$1.00	\$2.50	<b>\$10.00</b>	\$150.00	\$150.00
<b>Kobo Readers (Adult, Junior, Young Adult)</b>	\$1.00	<b>\$2.00</b>	\$5.00	\$5.00	\$150.00	\$150.00	\$150.00	\$150.00

Fines threshold at Self-Checkout

CURRENT \$10.00, any amount collected

NEW

\$5.00, full amount collected

**ATTACHMENT 3****COLLECTION DEVELOPMENT STRATEGIES**

The Strategic Plan identified the need to move toward the “Refocused Traditional Library” and to develop the “Digital Library”. Below are specific actions staff have identified in order to carry out these goals.

**COLLECTION AREAS WHERE BUDGET ALLOCATION WILL INCREASE****Kids**

- Multiple copies of core collection picture books for families to read together, easy readers and chapter books for emergent readers, and popular and award-winning fiction
- French immersion material to support beginners
- Multiple copies of study guides for pre-kindergarten to Grade 7
- Books and publisher series to supplement K-7 curriculum (English, Math, Science, Reading and other elementary curriculum subjects)

**Teens**

- More copies of core classics, popular and award-winning fiction
- Collections of manga and graphic novels for reluctant readers and pleasure reading
- Multiple copies of study guides and exam preparation for Grades 8 to 12
- Books and publisher series to supplement high school curriculum (English, Math, Science and Social Studies)

**Adults**

- Broader range of fiction authors to ensure a more diverse collection
- More copies of modern classics/book club favourites which are always in demand
- Novels by local and Canadian authors to enhance existing collections
- Refreshed and enhanced collection of a wide range of popular non-fiction subjects to address varied lifelong learning interests

**Older Adults**

- Substantial improvements to existing large print collection that will appeal to a variety of reading interests
- Core collection of MP3 audiobooks across a range of fiction genres and non-fiction
- Collections that are of interest to older adults – series that focus on lifestyle changes

**Chinese Language Collection**

- Increased collection of simplified Chinese material to support growing community
- Material to support Chinese language learning, both for multigenerational families and members interested in learning Mandarin

**DVD's**

- Top box office movies, best films and popular character TV shows for kids, TV series that are not easily accessible online or require subscription services to view, documentaries and educational films covering a wide range of topics, and British mystery series (BBC and PBS) for older adult audience



**Video Games**

- Popular games for all ages, including activity-based games for adults and older adults that encourage group activity

**eBooks and eAudiobooks**

- Budget increased for kids, teens and adults due to demand for digital formats and some authors/genres shifting to eBook format only
- Selectable font size and audio format make these materials ideal for older adults and English language learners

**Streaming Movies, TV series, Documentaries, Music and Audiobooks**

- Budget reallocated from physical CDs and DVDs to ensure all ages have access to always available material

**COLLECTION AREAS WHERE BUDGET ALLOCATION WILL DECREASE****Kids**

- Fewer copies of popular series in order to develop a broader range of fiction and award-winning books

**Adults**

- Fewer copies of popular bestsellers—waiting times will be longer
- Language learning resources due to the availability of free language learning apps and resources
- Fewer copies of fiction genres
- Intermediate and advanced computer books – accessible through Safari eBooks and via video tutorials on Lynda.com, focus will be on beginner books and trending technology
- Travel guides will focus on most popular locales as travel information widely available online
- Advanced ESL material not needed as regular collection supports learning needs beyond beginner and intermediate
- No car repair manuals as much more current info accessible via EBSCO auto repair database

**Chinese Language Books in Simplified and Traditional Chinese**

- Fewer books as 15 years ago RPL was one of few libraries offering Chinese language material. Most Lower Mainland libraries now have good collections
- Less fiction and non-fiction due to significant collection growth from Dr. Lee donation
- Reallocate budget from traditional to simplified Chinese material given changes in demographics

**All Ages**

- Smaller budget for customer purchase suggestions as refocused collection should meet majority needs and interlibrary loan is available for what we do not buy

**Music CD's**

- Budgets for music CDs reallocated due to demand for digital music available online via Hoopla
- Focus on core soundtracks and artists to support early music literacy (Raffi, etc.) and popular top billboard titles
- Eliminate music CD collections in other languages due to low circulation and many other options including free apps

**DVDs**

- TV series that are free online, have high cost to maintain, or available online via Hoopla

**COLLECTION AREAS WHERE BUDGET ALLOCATION WILL BE MAINTAINED**

**Print Magazine and Newspaper subscriptions**

- Access to range of magazines and newspapers (English and Chinese) to meet general interests of community

**Digital resources**

- Zinio - eMagazines for all ages
- PressReader - Online access to global newspapers
- Safari eBooks - Online access to intermediate and advanced computer and business eBooks
- Lynda.com - Online access to instructional videos on a wide range of subjects suitable for various ages
- CELA – National collection of 85,000+ digital resources aimed at those users with accessibility challenges such as learning, physical or visual disability

**CITY ADDITIONAL LEVELS \$200,000**

**\$75,000 for physical collections**

\$35,000 for kids and teens

- Picture books to complement existing collection - support early literacy (toddlers, preschool and storytime audiences)
- Books to supplement high school studies (curriculum subjects in the genres of English, Math, Science and Social)

\$40,000 for small branch proof-of-concept

- Refocused adult and children's fiction and non-fiction for a proof-of-concept small branch model, to develop branch prototype based on community needs - young families, kids, adults and older adults. Increase above collection areas significantly and shift existing diverse single copy material back to the main library

**\$125,000 for digital collections**

\$50,000 (all ages)

- Hoopla - streaming movies, TV series, documentaries, music and audiobooks for all age groups

\$75,000 (all ages)

- OverDrive - eBooks and eAudiobooks for all audiences. Increase easy readers and chapter books for kids and for teens and adults more fiction and non-fiction titles to complement existing popular material collection

**ATTACHMENT 4****REVISED CIRCULATION LOAN POLICIES  
PHYSICAL ITEMS**

<b>Type of Material</b>	<b>Loan Periods</b>		<b>Renewals if no holds</b>		<b>Renewal Periods</b>		<b>Holds Allowed?</b>		<b>Borrowing Limits</b>	
	<b>Current</b>	<b>NEW</b>	<b>Current</b>	<b>NEW</b>	<b>Current</b>	<b>NEW</b>	<b>Current</b>	<b>NEW</b>	<b>Current</b>	<b>NEW</b>
<b>Adult Material</b>										
Adult Books	28	21	2	2	28	7	yes	yes	25	10
Adult Rapid Read Books	7	7	0	0	7	7	no	no	25	2
Adult Magazines	7	7	1	1	7	7	no	no	25	5
Inter Library Loans	28	21	0	0	0	7	yes	yes	25	5
<b>Young Adult material</b>										
Young Adult Books	28	21	2	2	28	7	yes	yes	25	10
Young Adult Rapid Read Books	7	7	0	0	7	7	no	no	25	2
Young Adult Magazines	7	7	1	1	7	7	no	no	25	5
<b>Junior material</b>										
Junior Books	28	21	2	2	28	7	yes	yes	25	10
Picture Books	28	21	2	2	28	7	yes	yes	25	15
Junior Rapid Read Books	7	7	0	0	7	7	no	no	25	2
Junior Magazines	7	7	1	1	7	7	no	no	25	5
<b>Media</b>										
DVD Dispenser - Movies & TV Series	3	3	0	0	0	0	yes	yes	4	4
DVD Dispenser - Video Games	7	7	0	0	0	0	yes	yes	4	4
DVD 3 Day Loan - New releases no holds	3	3	0	0	0	0	no	no	25	2
DVDs - Adult fiction and non-fiction	7	7	2	1	7	7	yes	yes	25	5
DVDs - Junior fiction and non-fiction	7	7	2	1	7	7	yes	yes	25	5
DVDs - ESL	28	21	2	1	28	7	yes	yes	25	5
CD Books (Adult, Junior, Young Adult)	28	21	2	2	28	7	yes	yes	25	5
<b>Kits</b>										
Adult Book Club Sets	42	28	0	1	0	7	yes	yes	2	2
Junior Book Club Sets	28	28	1	1	28	7	yes	yes	2	2
Health Department Bins - Grades 1 to 6	28	21	0	1	28	7	yes	yes	2	2
Nostalgia Kits	28	21	1	1	28	7	yes	yes	2	2
Theme Bags	28	21	2	1	28	7	yes	yes	4	2
Theme Boxes	28	21	0	0	0	7	yes	yes	2	2
<b>Kobo Readers (Adult, Junior, Young Adult)</b>	28	21	0	0	28	7	yes	yes	1	1
							<b>Maximum 15 at a time</b>		<b>Combined total 25 items per customer</b>	

**REVISED CIRCULATION LOAN POLICIES  
DIGITAL ITEMS**

Type of Material	Loan Periods		Renewals	Holds Allowed		Borrowing Limits	
	Current	NEW		Current	NEW	Current	NEW
<b>Overdrive</b>							
• eBooks	21	21	Automatic Returns	10	5	10	5
• eAudiobooks	21	21		10	5	10	5
<b>Hoopla</b>							
• eAudiobooks	21	21	Automatic Returns	Always Available		8	5
• eMusic	7	7					
• eVideo	3	3					
<b>OneClick</b>							
• eAudiobooks	21	21	Automatic Returns	10	5	10	5



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** June 9, 2015

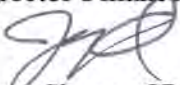
**From:** Jerry Chong, CPA, CA  
Director, Finance

**File:**

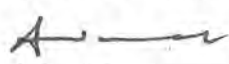
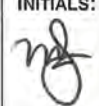

**Re:** Referral Council Community Initiatives Account

### Staff Recommendation

That the Terms of Reference for the Council Community Initiatives Account as presented in the staff report titled "Referral Council Community Initiatives Account" dated June 9, 2015 from the Director Finance be approved.

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

Att. 1

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Community Social Development	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Staff Report

### Origin

This report responds to the following referral from the March 23, 2015 Council meeting:

*"That staff consider terms of reference for the Council Community Initiatives account."*

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

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

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

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

*7.4. Strategic financial opportunities are optimized.*

### Analysis

At the March 16, 2015, General Purposes Committee meeting, the staff report titled, '*Gaming Revenue Update*' dated February 12, 2015 was presented and discussed. The Gaming Revenue Update report to Committee included recommendations on the future allocation of gaming revenues. The recommendations, which were approved by Council, included the recommendation that a Council Community Initiatives Account be established with an initial \$3.0M transferred from the Gaming Provision. Pursuant to Council's request, staff have drafted the following terms of reference for the Council Community Initiatives Account (Attachment 1)

### Financial Impact

None

### Conclusion

The Council Community Initiatives Account allows Council to utilize gaming revenues to fund City or community-initiated projects that support initiatives geared to enhancing overall quality of life in Richmond.



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

JC:jc

Att. 1: Terms of Reference

## ATTACHMENT 1

### ***Council Community Initiatives Account TERMS OF REFERENCE***

***Purpose:*** The purpose of the Council Community Initiatives Account (CCIA) is to support initiatives geared to enhancing overall quality of life in Richmond. The account has been established to enable Council to utilize gaming revenues towards one-time initiatives that address social, environmental, recreation and sports, heritage, arts and culture, safety and security, or infrastructure needs.

***Funding Source:*** The CCIA has been established with an initial transfer of \$3.0M from the City's Gaming Provision. The account will be augmented by an annual allocation of 2% of City gaming revenues, with any unspent amounts being placed in the CCIA for future distribution.

***Annual distribution:*** The maximum annual distribution will not exceed 50% of the prior year's ending account balance; however Council has the discretion to waive this limitation.

***Eligibility Criteria:*** CCIA expenditures may be directed to City or community-initiated projects. To be eligible, the projects must be:

- One time (as opposed to those requiring ongoing funding)
- Focused on social, environmental, recreation and sports, heritage, arts and culture, safety and security, or infrastructure needs.

Priority will be given to projects that meet Council's Term Goals and the majority of the following objectives:

- Inclusive – reaching out to, involving, and positively affecting a diversity of residents
- Collaborative – relying on partnerships in planning and implementation
- Leveraged – capitalize on projects that already have substantial funding from other sources
- Impactful – will benefit the broader Richmond community rather than specific interests
- Effective – community benefit will be demonstrable
- Responsive – based on demonstrated community need
- Capacity-building – will build community capacity to enhance residents' quality of life
- Innovative – demonstrate new ways of benefitting the community
- Sustainable – financially sustainable, not reliant on further City funding to be viable
- Credible – realistic proposals based on sound business plans

***Process:*** All decisions regarding allocation of the CCIA rest with Council. Similar to the process for Council Contingency and Council Provision Accounts, expenditures from the CCIA may be proposed to Council by individual Council members, or through deliberations of Council at large. Proposals may also be received from senior staff or through staff reports, primarily in response to Council referrals and in cases in which alternate funding sources are unavailable. Funding requests and decisions should occur concurrently with the City's budget process in order to ensure information is captured in the City's five year financial plan bylaw.



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Jerry Chong, CPA, CA  
Director, Finance  
**Re:** **2016-2020 Budget Process**

**Date:** June 15, 2015  
**File:** 03-0970-01/2015-Vol  
01

### Staff Recommendation

That

1. The staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be received for information.
2. The service levels as presented in Attachment 2 of the staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be approved as the base for the 2016 budget; and
3. That the capital ranking form as presented in Attachment 3 of the staff report titled "2016-2020 Budget Process" dated June 15, 2015 from the Director, Finance be approved for the 2016 budget.

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

Att. 5

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	



## Staff Report

### Origin

The purpose of this report is to provide Council with the framework that will be utilized for the preparation of the City's 5 Year Financial Plan (2016-2020) (5YFP).

The 2016-2020 budgets will be prepared in accordance with Council's policies and procedures relating to budgets.

### Council Policies

Policy 3016 requires that a same service level budget, with only non-discretionary increases that can be clearly identified and supported, be put forward to Council. Non-discretionary costs mainly include incremental increases specified in contracts and salary increases associated with collective agreements. Therefore, the 2015 service levels form the basis of the 2016 base budget. Any enhanced or new levels of service are identified as an additional expenditure request by the respective departments and the operating budget impact (OBI) from capital projects will be separately identified for Council's consideration.

Policy 3707 requires that tax increases will be at or below the estimated Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

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

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

- 7.1. *Relevant and effective budget processes and policies.*
- 7.2. *Well-informed and sustainable financial decision making.*
- 7.3. *Transparent financial decisions that are appropriately communicated to the public.*

### Analysis

#### Revised Budget Cycle Process

During the presentation of the 2015 Budget discussions ensued with respect to having additional Council involvement at an earlier stage in the budget process.

The revised budget cycle is summarized in Attachment 1. The following table outlines the process and the key dates for the preparation of the 2016-2020 Financial Plan.

**Table 1 – Five Year Financial Plan Schedule**

#	Month	Responsibility	Task
1	May	Staff	Research financial indicators for 2016-2020 budget assumptions
2	June-July	Council	Establishes Service Levels for 2016-2020 Budget Preparation
3	July-August	Staff	Prepare Department's 2016-2020 budget submissions
4	September	Staff	Review Division's 2016-2020 budget submissions
5	September-October	SMT/CAO	Review City 2016-2020 budget submissions
6	October	Staff	Prepare 2016-2020 budget package for Finance Committee review
7	October	SMT/CAO	Review and finalize all budget recommendations to Finance Committee
8	November	Council	Set 2016 Utility Budget and Rates
9	November	Council	Consider 2016-2020 Capital Budget submissions with associated Operating Budget Impacts
10	November	Council	Consider 2016 same level of service Operating Budgets
11	November	Council	Consider 2016 ongoing additional levels of service requests
12	November	Council	Consider 2016 one-time additional levels of services requests
13	December-January	Staff	Revise budget based on Council direction and prepare 5YFP (2016-2020)
14	January-February	Council	Review Final budget and 5YFP (2016-2020)
15	February-March	Staff	Public Consultation on 5YFP (2016-2020)
16	February-March	Council	Adoption of 5YFP (2016-2020)

This report will further discuss some of the keys steps in this process.

#### Item #1 – Preliminary 2016-2020 Operating Budget Assumptions

The following table summarizes the budget assumptions based on current information contained in contracts, agreements and external economic publications.

Financial Planning & Analysis (FP&A) will continue to monitor these financial indicators and will provide updated indicators at the time the budget is presented, if there are significant changes to the forecasts.

**Table 2 - Preliminary 2016-2020 Operating Budget Assumptions**

Key Financial Drivers / Indicators	2016	2017	2018	2019	2020
Vancouver Consumer Price Index (CPI) <sup>1</sup>	2.2%	2.0%	2.0%	2.1%	2.1%
Richmond Municipal Price Index (MPI) <sup>2</sup>	2.7%	2.5%	2.5%	2.6%	2.6%
User Fees	2.2%	2.0%	2.0%	2.1%	2.1%
Salaries <sup>3</sup>	TBD	TBD	TBD	TBD	TBD
Electricity <sup>4</sup>	4.9%	3.7%	3.2%	2.6%	2.6%
Natural Gas <sup>4</sup>	2.5%	2.5%	3.0%	3.0%	3.0%
RCMP Contract Increase <sup>5</sup>	2.7%	2.6%	2.8%	2.5%	2.4%
Growth (Tax Base) <sup>6</sup>	1.2%	1.0%	1.0%	0.8%	0.8%

Sources: <sup>1</sup> The Conference Board of Canada Metropolitan Outlook 1 Spring 2015; 2020 is projected based on 2019 forecasts;

<sup>2</sup> Finance Department, City of Richmond; <sup>3</sup> Salaries are based on collective agreements, which are to be negotiated; <sup>4</sup> Energy Manager, City of Richmond; <sup>5</sup> RCMP E Division; <sup>6</sup> BC Assessment Authority/Revenue Manager, City of Richmond

### *Municipal Price Index (MPI)*

Council policy 3707 requires that tax increases will be at or below the estimated Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

CPI is a widely accepted measure of consumer goods inflation. Inflation is generally thought of as a rise in the prices of consumer goods and services over a period of time. This is based on an individual consumer basket of goods including food, shelter, transportation, clothing, recreation and household operations.

Municipal governments do not incur the same costs as consumers, rather it is more relevant to include items such as: Salaries and benefits (covered by a collective agreement), policing services, materials and supplies to build and maintain City infrastructure, energy for community centres and recreation facilities and transferring funds to reserves to maintain ageing infrastructure.

MPI is calculated based on a combination of known contract increases as well as estimates for expected increases, including the settlement of collective agreements. As shown in Table 1 above, MPI is forecasted to be consistently higher than CPI.

The inflation of the above key financial drivers provides an estimate of the amount operating expenses will need to increase in order to maintain the same level of service.

The tax impact of this increase is approximately 3.5%; however revenues will also be increased where possible by increasing user fees by CPI and reviewing trends. It is anticipated that the projected tax increase within the current financial plan can be achieved, which for 2016 is estimated at 2.98%, including 1% transfer to reserves.

### Establish Services Levels

Policy 3016 requires that a same service level budget be prepared. The types of services delivered by each division have been categorized as Core, Traditional or Discretionary as presented in Attachment 2.

There has been previous discussion around the service levels knowing that the City invests heavily in delivering these to the public. In keeping with the policy, staff recommends that a same level of service budget be prepared for 2016, as we are confident that the existing levels provide the ability to deliver on Council's Term Goals and are a reasonable basis for preparation of the budget. Consequently, staff is seeking Council's approval to use the 2015 service levels presented in Attachment 2 as the base for preparing the 2016 budget.

The service levels for the new City Centre Community Centre will enter its first full year of operations in 2016. Council previously approved, with the 2014 Budget, an Operating Budget Impact for the City Centre Community Centre as well as expanded operations for the Minoru Complex. This is gradually being phased in to the budget with a tax impact of approximately 0.34% each year until it is completely tax funded in 2020. This means that the funds required for annual operations are included in the budget; however the taxes collected in 2016 will not fully fund the operations. The difference is bridged with the use of surplus funding. This tax impact has already been included in the current financial plan, and therefore is incorporated into the projected 2.98% increase for 2016.

### Capital Ranking

All Proponents will self- rank each their respective Capital Submissions through the Capital Ranking Form (Attachment 3) after completing the Capital Project Business Case, Capital Project Submission and the Operating Budget Impact Form.

The ranking is divided into 5 categories, each comprised of 2-3 criteria and each category is worth 20% of the total score.

The categories are:

- Alignment with City Vision
- Risk Management
- Social
- Environmental
- Economic



The Pre-ranked submissions will then be reviewed and scored by a Review Committee with the final results being forwarded to SMT and the CAO for further review.

### *Environmental Scan*

As service levels are established, it is prudent to review the economic environment and key City statistics (Table 3).

**Table 3 – City of Richmond Statistics**

Description	2011	2012	2013	2014	2015
Population	199,141	201,471	205,133	209,338	213,891
# Residential Dwellings	62,460	64,751	65,585	67,186	68,192
# Businesses	12,988	13,336	13,371	13,322	13,118
# Farm	706	696	680	679	678

Source: BC Stats, Ministry of Labour and Citizens Services, BC Assessment

The population and demand for services continues to rise in Richmond as indicated in Table 4. The population in Richmond is expected to continue to climb to almost 236,000 in 2020.

**Table 4 – Demand for City of Richmond Services**

Demand for City Services	2011	2012	2013	2014	2015 *
Population Growth (per annum)	1.16%	1.17%	1.82%	2.05%	2.17%
Budgeted Capital Construction Costs (\$mil) <sup>1</sup>	75.5	80.3	76.7	193.2	93.0
Registration <sup>2</sup>	122,784	129,526	129,526	141,175	140,841
Fire Rescue Responses <sup>3</sup>	9,141	9,164	9,710	9,643	10,030
Public Works Calls for Services <sup>4</sup>	13,332	13,800	11,342	12,225	12,241

Source: 1 Capital model, 2 Registration Summary Report 3 Fire Rescue, 4 Hansen

\* Estimates for population growth, registration, fire rescue responses and public works calls for service

Additional statistics on the macroeconomic environment are included in Attachment 4.

### Items #3-13 – Budget Preparation

Council input received throughout the year is incorporated into the 2016 budget which will form the base for the 2016-2020 5YFP.

During July and August, staff will be working on preparing budget submissions (capital and additional levels) and reviewing operating budgets to ensure the most efficient allocation of resources. Details of the key budget processes are summarized in Attachment 5.

The final proposed budget that has been presented to Finance Committee, typically in the month of December, goes through a rigorous review process by SMT and the CAO to ensure City wide priorities are met and that projects competing for the same funding sources are prioritized with recommendations made accordingly. Important budget decisions are made in the month of November to determine which projects to recommend for funding and what to do with the projects that are not recommended for funding. This is particularly an issue where financial resources are limited, such as projects seeking funding from the Revolving Fund and one-time initiatives funded by Rate Stabilization Account.

Options for projects not recommended for funding include:

- Reducing the scope of the project to an amount that can be funded
- Deferring the submission to a future year
- Pursuing alternate funding sources, such as the Rate Stabilization Account
- Withdrawing the submission
- Confirming the project cannot proceed due to limited funding resources

For the 2016 budget, Council will be included earlier in the process by bringing these issues to the November Finance Committee meeting for decision. In addition, Council will approve the projects that have dedicated funding sources.

Staff will then prepare the final budget and five-year plan based on the direction received from Council.

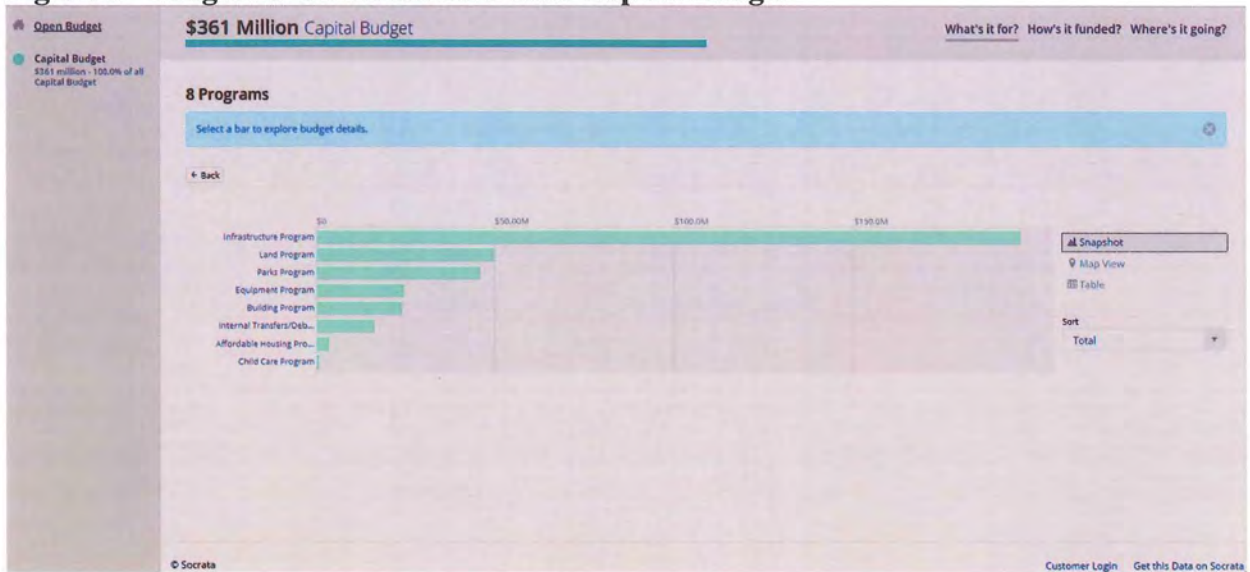
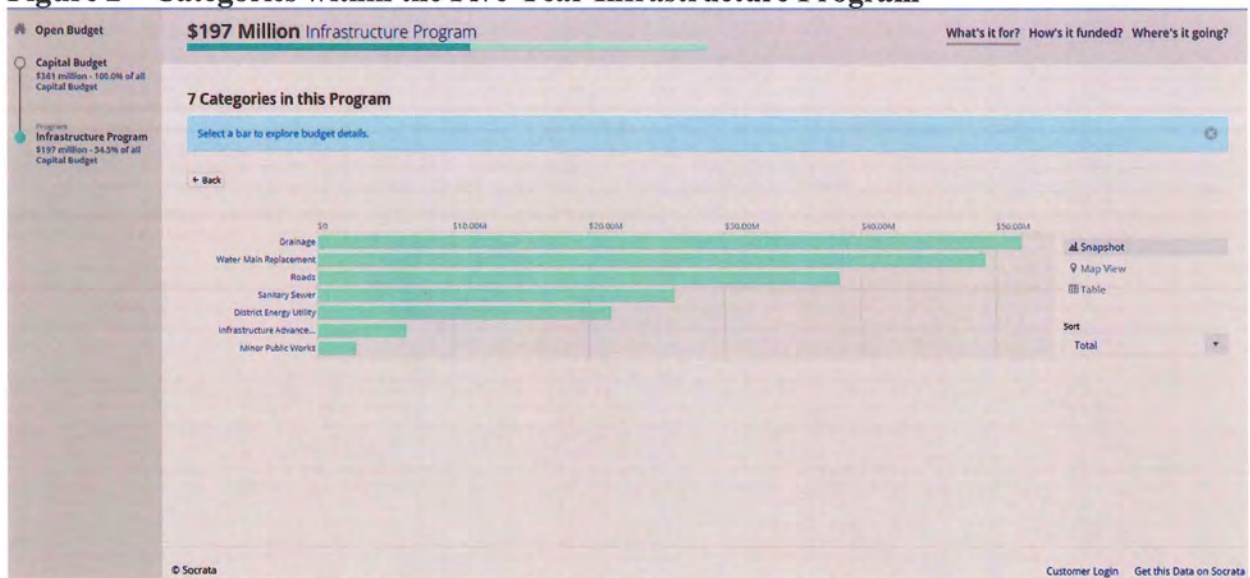
#### Items #14-15 – Public Consultation and Bylaw Adoption

Once the 2016-2020 5YFP receives preliminary approval from Council, typically in February, the public consultation process will be initiated as required under the Community Charter, prior to adoption of the financial plan.

Staff are reviewing various methods of communication in order to provide additional information to the public. Let's Talk Richmond, a news release, and newspaper advertisements will continue to be used. In addition, staff are planning to utilize an interactive Open Budget App offered by Socrata that would make the budget accessible online and on mobile devices to drill into the Capital and Operating budgets.

This tool will advance Council's term goal of improving transparency and keeping citizens well-informed.

The following figures demonstrate the Open Budget App using the Capital Budget as an example. The details can be explored by drilling into the City's various Capital programs (Figure 1), the categories within those programs (Figure 2), the list of projects within each category (Figure 3) and finally the details of individual capital projects (Figure 4).

**Figure 1 – Programs within the Five-Year Capital Budget****Figure 2 – Categories within the Five-Year Infrastructure Program**

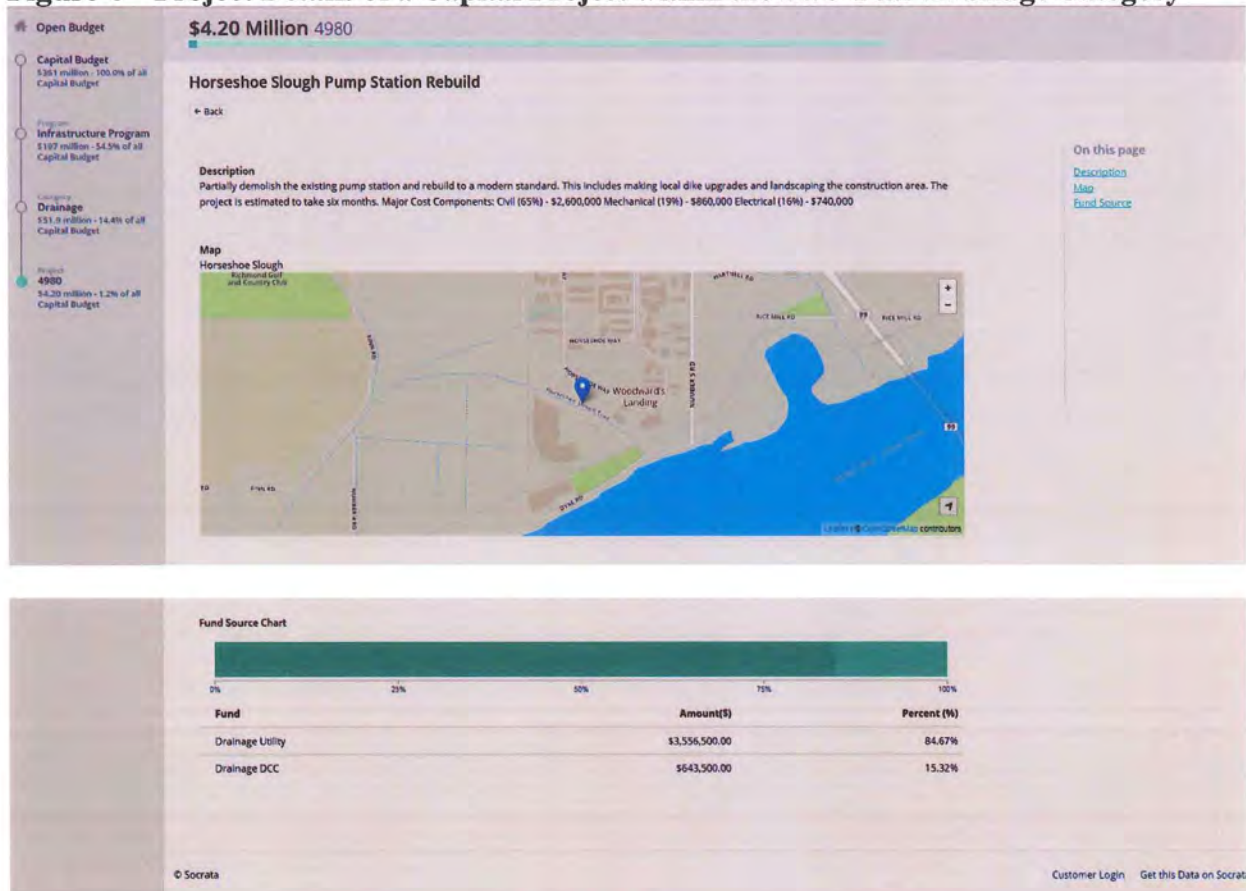


**Figure 3 – Projects within the Five-Year Drainage Category**

Information on how the projects are funded can also be viewed by selecting the “How’s it funded?” link in the top-right corner.





**Figure 4 – Project Details of a Capital Project within the Five-Year Drainage Category**

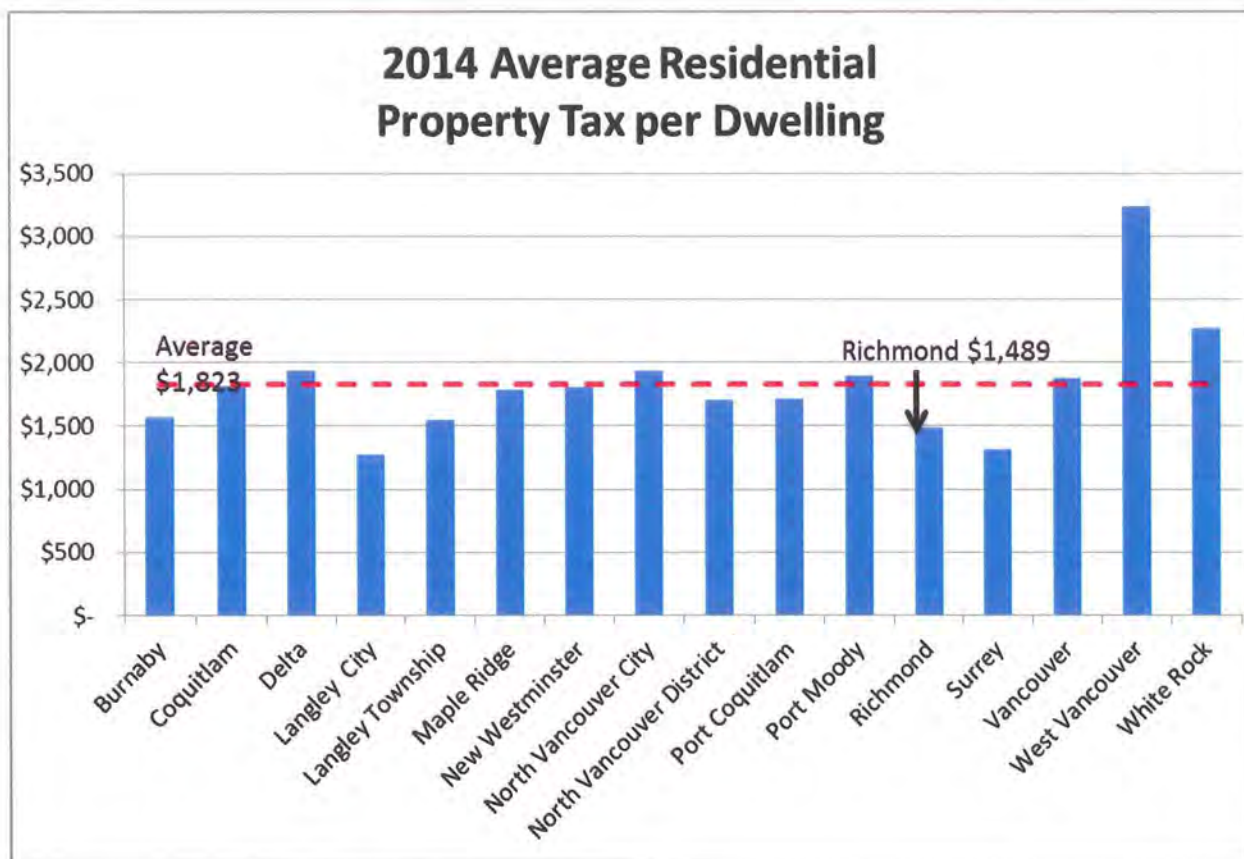
The above project details include the scope of the project, the location of the project is provided on the map and the details of this project's funding sources.

This tool would be populated with approved budgets and made available after Council approves the budgets, and therefore is expected to be launched during the public consultation period in February or March 2016.

### *Tax Rates*

Once the financial plan bylaw is adopted, the tax rates will be set accordingly. In 2014, the average property tax per dwelling in Richmond was \$1,489 which is below the average of \$1,823. 2015 averages for all Cities are not yet available, but will be provided with the 2016 Budget report.

**Figure 5 – 2014 Average Residential Property Tax per Dwelling**



### **Financial Impact**

None.

## Conclusion

The revised budget process provides Council with additional opportunities to provide input into the 5 Year Financial Plan. The service levels from 2015 will establish the base for the 2016 budget. The planned public consultation process will improve transparency by making additional information more accessible.

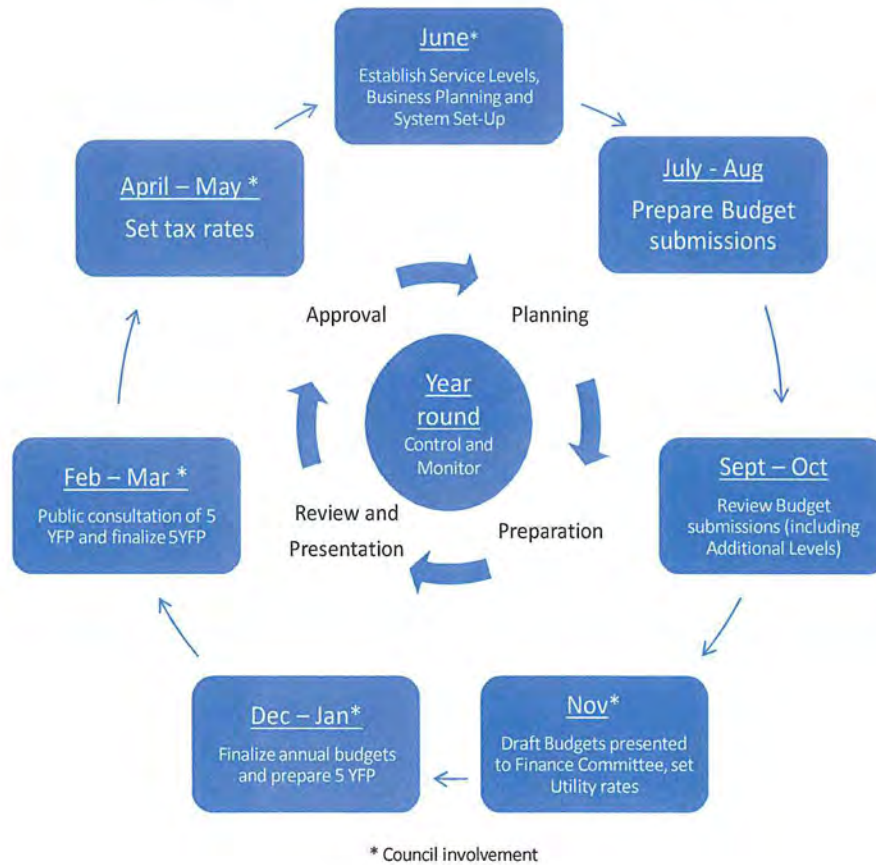
 for

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

MS:ms

- Att. 1: Revised Budget Cycle
- Att. 2: Types of Services
- Att. 3: Capital Ranking Form
- Att. 4: Macroeconomic Indicators & Forecast
- Att. 5: Budget Process Summary

## Revised Budget Cycle



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REDMS 4571710

4571733

**City of Richmond**  
**Types of Service - Departments/Sections/Work Units by Division**

**Core:** *Services required by legislation from the federal or provincial governments.*

**Traditional:** *Time-honoured services that are commonly considered essential or foundational.*

**Discretionary:** *Services that may have value but if the fiscal situation requires it, these services could be reduced, eliminated, or contracted out.*

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
CAO's Office (11)	CAO's Office			
	• Corporate Administration	√	√	
	• Administrative Support Services (including the Mayor's Office & Councillors' Office)		√	√
	• Intergovernmental Relations & Protocol Unit			√
	• Corporate Programs Management Group			√
	• Corporate Communications		√	
	• Corporate Planning		√	
	Deputy CAO Administration		√	√
	Human Resources			
	• Training & Development		√	
	• Employee & Labour Relations; Compensation, Job Evaluation & Recognition; Workplace Health, Safety & Wellness	√	√	



Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Community Services (20)	<b>Parks</b>			
	• Parks Operations (includes Asset Management, Construction & Maintenance, Turf Management, Horticulture, Urban Forestry)		✓	✓
	• Parks Programs (includes Nature Park)		✓	
	• Britannia			✓
	• Parks Planning & Design		✓	✓
	<b>Recreation &amp; Sport</b>			
	• Community Services Admin.		✓	✓
	• Community Recreation Services (includes community centres)		✓	✓
	• Aquatic, Arena & Fitness Services		✓	✓
	• Sport & Event Services (includes volunteer management)			✓
	• Planning & Project Services			✓
	<b>Arts, Culture &amp; Heritage Services</b>			
	• Arts Services (includes Art Gallery, Art Centre, Cultural Centre)			✓
	• Heritage Services			✓
	• Richmond Museum			✓
	• Gateway Theatre (liaison)			✓
	• Richmond Public Library (liaison)		✓	✓
	<b>Community Social Development</b>			
	• Social Planning			✓
	• Affordable Housing			✓

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
	• Diversity & Cultural Service			√
	• Child Care Services			√
	• Youth Services			√
	• Senior Services			√
Engineering & Public Works (12)	<b>Engineering</b>			
	• Engineering – Admin	√	√	
	• Engineering – Planning	√	√	
	• Engineering – Design & Construction	√	√	
	• Facility Services		√	
	• Capital Building Project Development			√
	• Sustainability (includes district energy, corporate energy, environmental sustainability)			√
	<b>Public Works</b>			
	• Public Works Administration		√	√
	• Fleet Operations & Environmental Programs		√	√
	• Roads & Construction Services	√	√	
	• Drainage	√	√	
	• Sewerage	√	√	
	• Water Services	√	√	
Finance & Corporate Services (26)	<b>Finance</b>			
	• Finance – Admin	√	√	

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



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

Division	Department/Sections/Work Units	Types of Service		
		Core	Traditional	Discretionary
Planning & Development (12)				
	Planning and Development – Admin	√	√	
	Transportation			
	• Transportation Planning	√	√	
	• Traffic Operations		√	
	• Traffic Signal Systems		√	
	Building Approvals			
	• Plan Review	√	√	
	• Building, Plumbing & Gas Inspections	√	√	
	• Tree Preservation		√	√
	Development Applications			
	• Production Centre			√
	• Developments	√	√	√
	• Major Projects			√
	Policy Planning	√	√	
<b>Total = 90</b>		<b>30</b>	<b>64</b>	<b>64</b>

## Capital Ranking Form Criteria

<b>Instructions:</b>	In the "SCORE" column, enter the rank between 1-4, according to the criteria outlined in the "Scoring Range" Cells, and the <i>Capital Project Ranking Users Guide</i> (REDMS# 4249980). In the Capital Planning Model, provide a brief 1-3 sentence score justification.				<b>Submission ID:</b>	
					<b>Project Name:</b>	
<b>Objectives:</b>	1. Rank the proposed projects as objectively as possible 2. Weight the ranking categories to guide project priorities 3. Enable the review of each project using a consistent set of criteria				<b>Status:</b>	
					<b>Budget:</b>	
				<b>SCORING RANGE</b>		
<b>#</b>	<b>CATEGORY</b>	<b>WEIGHTING</b>	<b>SCORE</b>	<b>HIGH</b>		<b>LOW</b>
				4	3	2
						1
<b>Alignment with City</b>						
<b>1. Vision 20.0%</b>						
	<b>Council Term Goal</b>			Specifically addresses one or more Council Term Goals	Needed to reach a Council Term Goal	Does not relate to a Council Term Goal
	<b>OCP and other Plans &amp; Strategies</b>			Integral part of OCP, or other Council approved plans/strategies/frameworks	Supports the successful attainment of the OCP, or other Council approved plans/strategies/frameworks	Not part of the OCP, or other Council approved plans/strategies/frameworks
			0			
			8			
		<b>0.0%</b>				
<b>Risk</b>						
<b>2. Management 20.0%</b>						
	<b>Legal or Regulatory Compliance</b>			Necessary for immediate compliance with a legal or statutory requirement	Necessary for compliance with a legal or statutory requirement, but not immediately	No effect on compliance with a legal or statutory requirement
	<b>Life Safety and Property Protection</b>			Needed to eliminate a critical health, life safety, or property protection issue	Will reduce or mitigate a current health, life safety, or property protection issue	No impact on health, life safety, or property protection
	<b>Infrastructure Inventory Need</b>			Immediately needed to replace asset (including system software) at end of life, according to infrastructure inventory	Needed to replace asset (including system software) nearing end of life, according to infrastructure inventory	Asset replacement (including system software) not needed, according to infrastructure inventory
			0			
			12			
		<b>0.0%</b>				

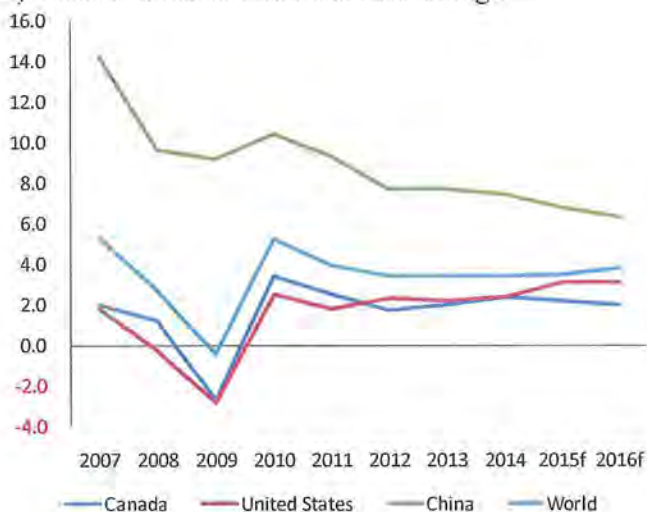


3. Social 20.0%						
Social Equity			Will strongly enhance social equity.	Will somewhat enhance social equity.	Will not affect social inequity.	Will clearly exacerbate social inequity.
Health & Wellness			Will strongly enhance the health and wellbeing of Richmond's community.	Will somewhat enhance the health and wellbeing of Richmond's community.	Will not affect the health and wellbeing of Richmond's community.	Will clearly degrade the health and wellbeing of Richmond's community.
Vibrancy			Will strongly enhance the vibrancy of Richmond's community.	Will somewhat enhance the vibrancy of Richmond's community.	Will not affect the vibrancy of Richmond's community.	Will clearly degrade the vibrancy of Richmond's community.
		0				
		12				
	0.0%					
4. Environmental 20.0%						
Greenhouse Gas Emissions (GHG)			Will result in significant absolute reductions in GHG emissions and energy per dollar invested (>1 tonne CO <sub>2</sub> e / \$100)	Will result in absolute reductions in GHG emissions and energy per dollar invested (<1 tonne CO <sub>2</sub> e / \$100)	Will have no impact on absolute GHG emissions & energy	Will result in increase of absolute GHG emissions & energy
Habitat Value			Will significantly enhance habitat value of effected sites.	Will enhance habitat value of effected sites.	Will have no impact on habitat value of effected sites.	Will somewhat degrade habitat value of effected sites.
Zero Waste			Will result in significant absolute reductions in volume of waste disposed [per dollar invested] (>1 tonne waste / \$XX capital cost)	Will result in absolute reductions in volume of waste disposed [per dollar invested] (<1 tonne waste / \$XX capital cost)	Will have no impact on absolute volume of waste disposed	Will result in increase of absolute volume of waste disposed
		0				
		12				
	0.0%					
5. Economic 20.0%						
Profitability Index (Payback of capital costs)			PI > 50% Will increase revenues or decrease costs to the extent that project will payback 50% within 5 years	PI > 25% Will increase revenues or decrease costs to the extent that project will payback 25% within 5 years	PI = 0% No project payback within 5 years	PI < 0% Project payback will be negative over future 5 years
Impact on Long-Term Direct and/or Indirect Jobs			Will result in tangible increase in Direct Jobs	Will result in Indirect Job creation, and likely increase Direct Job creation	Will not affect Direct Job creation or Indirect Job creation	Will decrease Direct Jobs and/or Indirect Jobs
		0				
		8				
	0.0%					
TOTAL WEIGHTED						

### Macroeconomic Indicators & Forecast

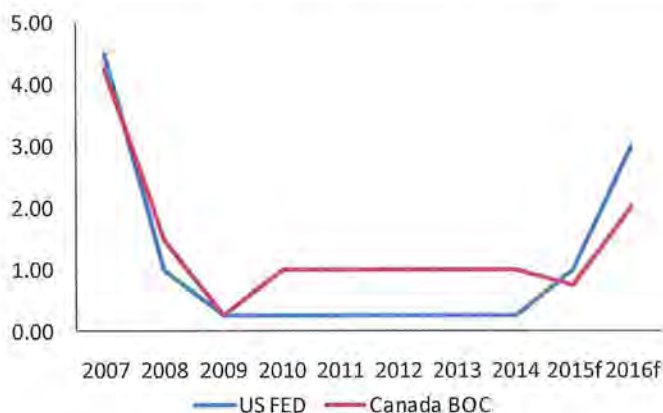
(From Financial Information - 1<sup>st</sup> Quarter Report dated May 8, 2015)

#### 1) Global Growth – Real GDP % Change<sup>1</sup>



- The global growth forecast for the next two years remained largely unchanged in Q1 2015, at 3.5% in 2015 and 3.8% in 2016, as the outlook for advanced economies has improved while growth in emerging and oil-exporting economies has weakened.
- Advanced economies are generally benefiting from low oil prices, with US growth projected to be above 3% through the next 2 years.
- Canadian growth projections were revised slightly down as the effects of slowing down oil exports are absorbed through the national economy.

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

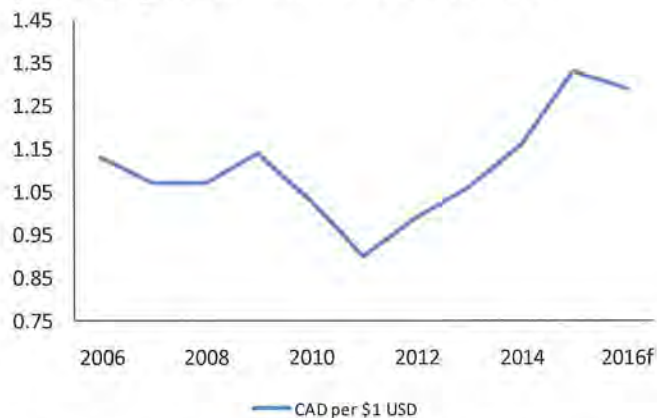
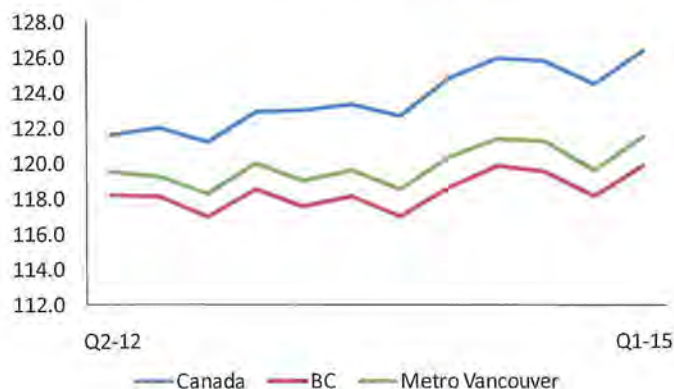


- In a surprise move in January 2015, the Bank of Canada dropped the overnight rate by 0.25 points and the forecast is for the rate to potentially drop further in 2015 prior to gradually adjusting to 1.75% in 2016.
- As the US economy accelerates through 2015, the US overnight rate is also expected to climb in 2015.
- Both rates are projected to climb faster in 2016 than previously estimated to curb inflationary and currency pressures.

<sup>1</sup> International Monetary Fund, World Economic Outlook (April 2015)

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



3) Exchange Rates – CAD/USD at Year-End<sup>3</sup>Regional & Local Economic Activity Indicators4) Unemployment<sup>4</sup>5) Consumer Price Index (CPI – 2002=100)<sup>4</sup>

- The sharp drop in oil prices, the Bank of Canada's interest rate adjustment in January and increased investor preference for US dollars have resulted in and will continue to depress the Canadian dollar against the US dollar through 2015.
- The Canadian currency is expected to recover in 2016 due to the market expectation of interest rate hikes in Canada and an assumption of oil prices settling at approximately \$77 a barrel.

- After falling to 6.6% at the end of 2014, its lowest level since 2008, Canadian unemployment edged up to 6.8% in Q1 2015, largely due to job losses in Alberta.
- 16,500 full-time job losses in the resource sector in February resulted in an increase of the unemployment rates in BC and Metro Vancouver, to 5.8% and 6.1%, respectively, in Q1 2015.

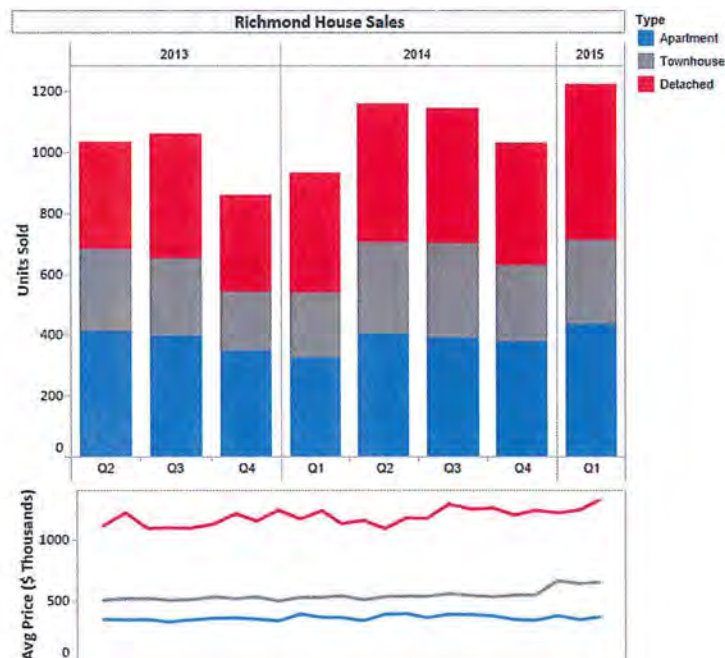
- After falling in Q4 2014, all of the Canadian, BC and Metro Vancouver consumer price indices (CPI) increased further in Q1 2015, due to an upward trend in world oil prices.
- The Bank of Canada's lowering of the overnight interest rate in January as a result of deflationary concern also contributed to an increase in the CPI indices across the board.

<sup>3</sup> Bank of Canada<sup>4</sup> Statistics Canada

6) Housing Starts<sup>5</sup>

Source: CMHC

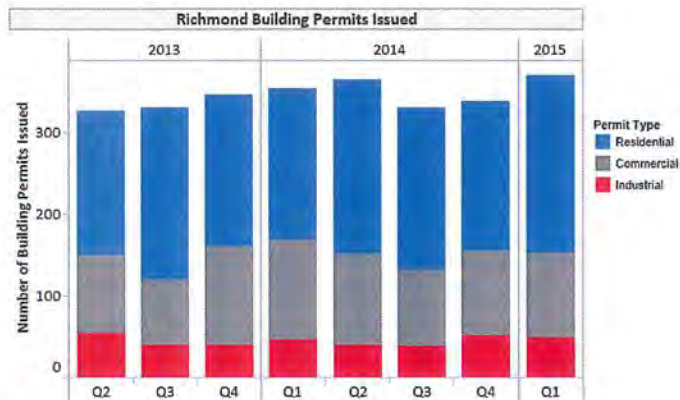
- After doubling in the second half of 2014, compared to the same period in 2013, Richmond's housing starts were nearly 29.7% down in Q1 2015, compared to the same quarter last year. The decline signals depletion of construction projects started throughout 2014 as a result of the large number of development applications approved in 2012.
- In Metro Vancouver, housing starts fell a moderate 6.3%, contributable to the typical decline in this indicator during the winter.

7) House Sales & Prices – Richmond<sup>6</sup>

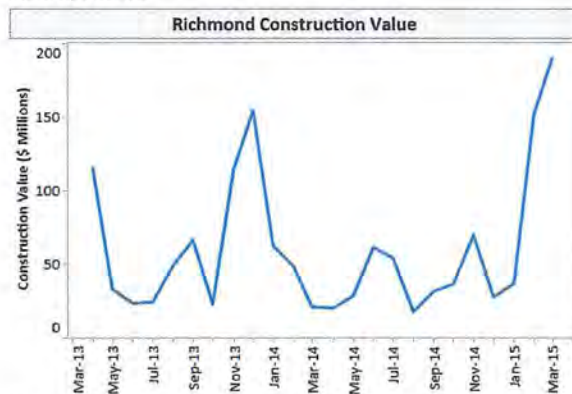
Source: CMHC &amp; REBGV

- House sales in Q1 2015 marked the highest quarterly activity in the last two years. Driven by a falling Canadian dollar, sales in all residential categories were approximately 30% up from the same quarter last year and 20% up from Q4 in 2014.
- Prices of detached homes have reached \$1.32 million, up 17% from the same quarter last year. Townhouses were also priced substantially higher, at 20% up in Q1 2015 compared to Q1 2014. Apartments registered the smallest relative price increase, at 1.4% in Q1 2015, compared to the same quarter last year.

<sup>5</sup> CMHC<sup>6</sup> Real Estate Board of Greater Vancouver

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

Source: City of Richmond



Source: City of Richmond

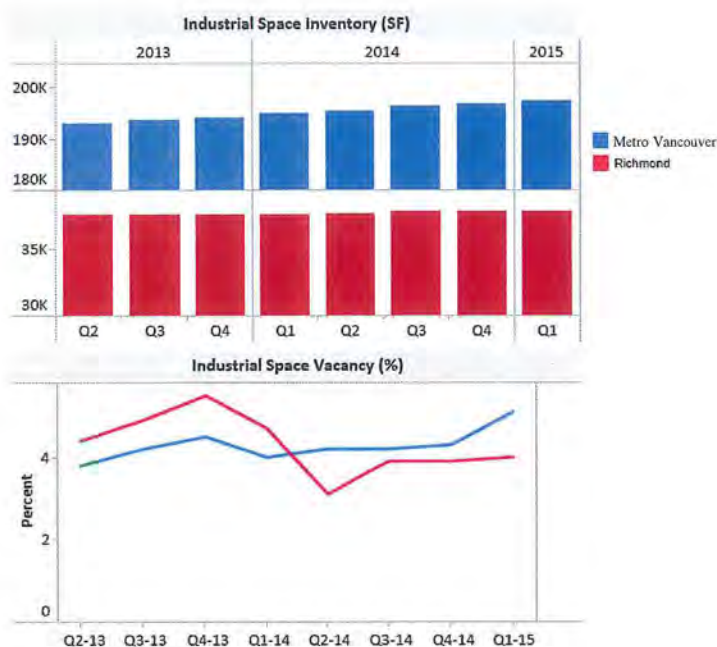
- Total building permits issued in Q1 2015 increased by 2.8% compared to the same period in 2014, with residential permits leading the trend with 16.7% more permits issued than in Q1 2014.
- The number of commercial permits was down 14.8% and the number of industrial permits was up by 6.5% in Q1 2015 compared to the same quarter in 2014.
- Of note is the substantial increase of construction value associated with building permits issued in Q1 2015, with total construction value growing 185% to \$379 million in Q1 2015, compared to the same quarter last year.
- Building permits issued for large residential projects in the Oval Village and West Cambie are behind the construction value trend.

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



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

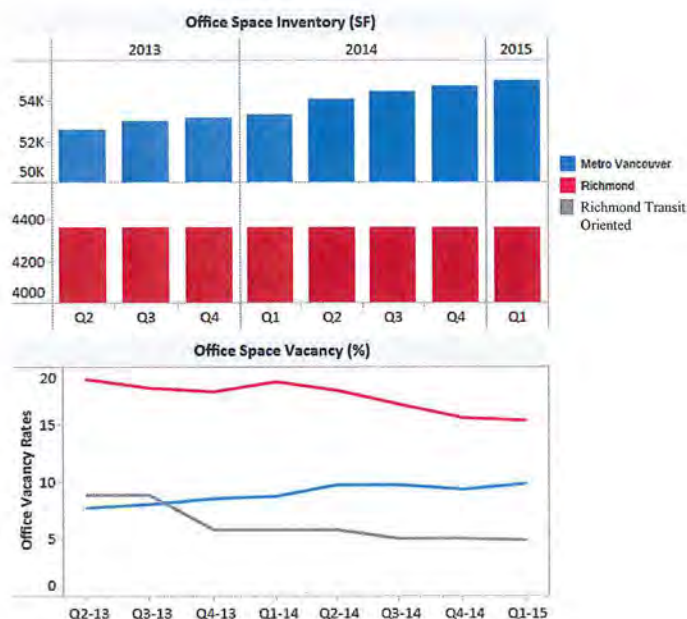
## a) Industrial Space



Source: Cushman &amp; Wakefield

- Industrial space continues to be scarce in Richmond, with no new inventory added since the same quarter last year.
- Ongoing demand and absorption of industrial space resulted in a decrease in the vacancy rate from 4.7% in Q1 2014 down to 4.0% in Q1 2015.
- Industrial space continues to be in high demand and rental rates continue to be at a premium both in Richmond and in the region.

## b) Office Space



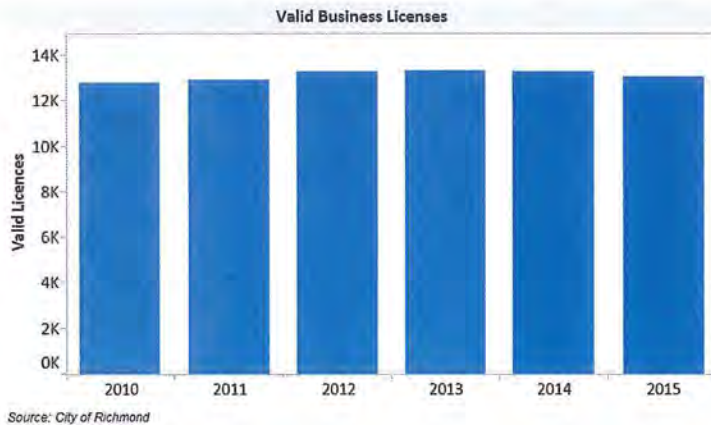
Source: Cushman &amp; Wakefield

- Richmond's office vacancies continued to be absorbed, as the overall office vacancy rate ended the quarter at 14.1%, down 18% from the same quarter the previous year.
- At 4.5%, transit-oriented office space vacancy continued to decline, 15% down from the same period last year and well below the overall Metro Vancouver rate which is at 11.2%.
- No new square footage of office space was added to the Richmond inventory, with the inventory remaining at 4.4 million square feet since the end of 2011.

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

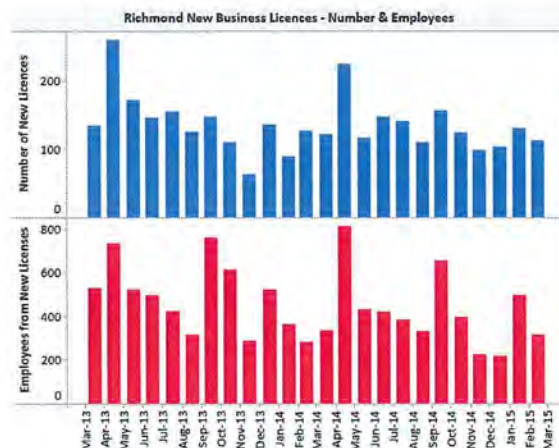
10) Business Growth – Richmond<sup>9</sup>

## a) Total Valid Business Licenses

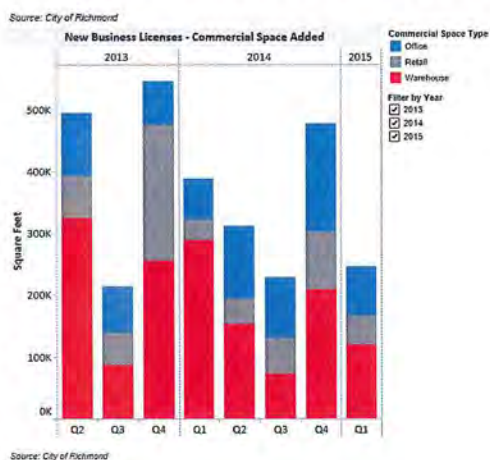


- Valid business licenses in 2015 are on track with 2014 levels, down only 1.5% compared to last year.
- Continued implementation of the Inter-municipal Mobile Business License program is partially responsible for the recent reduction in valid licenses, with revenues registering an increase due to growing compliance by resident businesses.

## b) New Business Licenses Issued



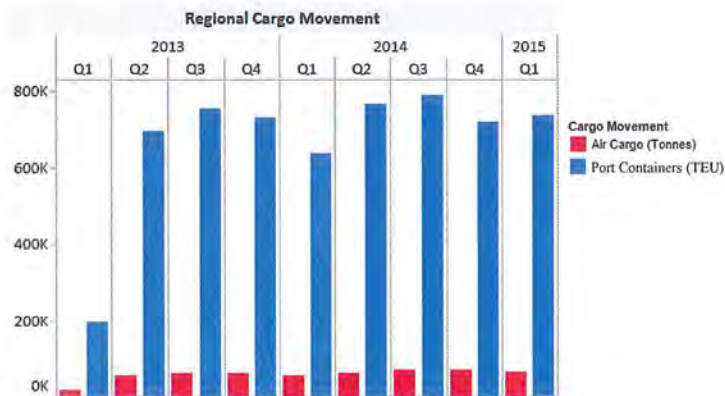
- There were 348 new licenses issued in Q1 2015, on par with the previous quarter and the same quarter last year.
- New licenses registered 1,026 employees in Q1 2015, down 11% from the same quarter last year.



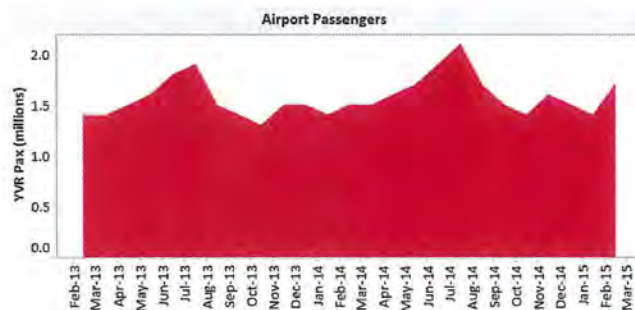
- There were fewer employees and less square feet of commercial space occupied due from new business licenses in Q1 2015 compared to Q1 2014.
- Office and retail space use from new licenses grew by 23% and 37% respectively in Q1 2015 compared the same quarter last year. Industrial space added through new licenses was half the amount of industrial space added in Q1 2014.

<sup>9</sup> City of Richmond Business Licenses

## 11) Goods and People Movement

a) Regional Cargo Movement<sup>10</sup>

- Increased export activity resulted in substantial growth of both airport and port cargo movement in Q1 2015 compared to the same quarter last year.
- Port Metro Vancouver (PMV) twenty-foot equivalent unit (TEU) movement grew 15.2% in Q1 2015 compared to Q1 2014.
- YVR cargo grew 11.7% in Q1 2015, compared to Q1 2014

b) Airport Passengers<sup>11</sup>

- Airport passenger volume registered a 4.5% growth in Q1 2015 compared to the same quarter last year.
- An accelerating tourism sector and implementation of new routes to Asia and Europe are behind the continued growth of YVR passengers

<sup>10</sup> YVR & PMV Monthly Cargo Statistics

<sup>11</sup> YVR Monthly Statistics



c) Richmond Hotel Room Revenue<sup>12</sup>

Source: City of Richmond

- After a strong 2014 with hotel room revenues climbing by 5% for the year compared to 2013, Richmond's tourism sector is on track for an even stronger 2015. Hotel room revenues to date are 5.9% up in 2015 compared to the same period last year and occupancy is at 80% - the highest in Canada.
- (Note: hotel room tax revenues are the basis for calculating hotel revenues; an overpayment of hotel room tax in July 2013 was compensated for in August 2013)

<sup>12</sup> City of Richmond Additional Hotel Room Tax Ledger; revenue reverse calculated based on AHRT receipts representing 2% of total hotel room revenue; AHRT remittances and payments to Richmond have a 2-month lag

**Budget Process Summary:**

The key budget processes are summarized below.

**i. Capital Project Ranking and Review**

- Each capital submission includes a business case, unless an exception has been granted. An exception can be granted by Council or the CAO at the Capital Budget submission stage. The provision of a mechanism for an exception is important because the nature of some projects is such that the community benefit far outweighs the business case factors.
- Each submission is first self-ranked using a common ranking criteria across all projects and the final ranking is decided upon by a Review Committee comprised of staff from each respective division to provide an objective review of all capital projects and the associated OBI.
- After the capital projects are reviewed and ranked by the Review Committee, the list of capital projects and OBI will be forwarded to SMT for further review and CAO approval prior to submission of the recommended projects for Council decision.

**ii. Operating Budget Impact (OBI)**

- Capital projects will require a business case, with exceptions; therefore any OBI, operating or utility, should be analyzed and substantiated in the business case.
- OBI can only be included on current capital projects. Any other OBI requests will be included as additional level requests.
- OBI information will be broken down between labour and other expenditures and standard costs will be provided.
- FP&A will provide the initial review of the OBI submissions; however, comprehensive review will be conducted by the Review Committee in conjunction with the capital review, with final review by SMT and CAO prior to forwarding recommendations for Council decision.

**iii. Operating Budget Process**

- In order to ensure consistent application of budget assumptions, FP&A will input the budgets into the systems and departments will review and sign-off.
- Departments will highlight any non-discretionary increases and provide supporting documentation to FP&A.
- Salary and fringe benefits will be input by FP&A with instructions from Payroll and Human Resources Department (HR).
- Only non-discretionary increases with sufficient documentation to support the increases will be allowed.
- Each department's budget submission will be compiled and reviewed in conjunction with any Service Level Review Reports produced as a result of operational and service level reviews conducted in that area of the organization.
- Each department's budget is to be signed-off by the respective GM in accordance with Council Policy 3016.

**iv. Capital Budget Submissions and Close-outs**

- The list of outstanding active projects will be reviewed by each GM, and all projects that should be closed are to be identified in a memo. All 2010 and prior projects should be closed and if required to be kept open, rationale should be provided to the GM, Finance and Corporate Services and copied to FP&A.

- All capital project submissions are required to clearly identify timing of cash flow requirements, in order for the Treasury and Financial Services section to plan investment strategies to maximize the City's portfolio investments, while ensuring cash flow requirements are met.
- Capital submissions, including any associated Operating Budget Impact (OBI), are to be approved by each respective GM prior to submission.

**v. Additional Levels of Service (ALOS) Requests**

- Additional levels of service requests are not to be included in the current year operating budget and the proposed 5YFP, in accordance with Policy 3016, rather they are identified separately.
- There are two types of ALOS: (a) Ongoing, to be included in the tax base and funded by a tax increase and (b) One-time, to be funded by sources other than taxation.
  - a) Ongoing ALOS requests are proposals to add new services, programs, program enhancements, or to increase expenditures as a result of growth. Ongoing ALOS are proposed to recur each year and form the new base level of service. Examples include: increasing maintenance from once to twice per year, increasing hours of operation and additions to the staff complement.
  - b) One-time ALOS requests apply to the current budget year only and could be funded by the City's rate stabilization account and/or other non-tax sources, subject to Council approval. Examples include: funding for consultants, purchase of minor capital equipment, and one-time services or programs, which may include temporary staff requirements for a specific period of time.
- All ALOS requests are to be signed off by the GM of the respective department, ranked by the Review Committee, reviewed by SMT and approved by the CAO prior to presentation to Committee/Council for a decision.



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** June 17, 2015

**From:** Jerry Chong  
Director, Finance

**File:** 03-0905-01/2015-Vol  
01

**Re:** Contaminated Sites Accounting Standard Change Update

### Staff Recommendation

That the staff report titled, "Contaminated Sites Accounting Standard Change Update", dated June 17, 2015 from the Director, Finance be received for information.

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

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

## **Staff Report**

### **Origin**

The Public Sector Accounting Board has issued a new accounting standard on Liability for Contaminated Sites (PS3260) that will require all three levels of government, as well as Crown corporations and various public entities reporting under the Public Sector Accounting Standards to comply with the financial reporting requirements of PS3260 for fiscal years beginning on or after April 1, 2014.

Subsection 167(2) of the Community Charter requires that financial statements be prepared in accordance with generally accepted accounting principles for local government. The Public Sector Accounting Board is the body that establishes accounting standards for local government.

The purpose of this report is to provide information on the new accounting standard on Liability for Contaminated Sites.

### **Analysis**

#### Overview of PS3260

Under PS3260, a liability for remediation of contaminated sites is recognized when, as at the financial reporting date, all of the following criteria are met for a site or a portion of a site which is not in active use:

- (a) An environmental standard exists;

Environmental standards are generally set out in the form of a statute, regulation, by-law, order, permit, contract or agreement. They are legally enforceable and binding, and compliance is mandatory.

- (b) Contamination exceeds the environmental standard;

When determining if contamination exceeds the environmental standard all available historical and current information pertaining to the site or group of sites would need to be reviewed. Some examples of factors to consider include:

- The nature of past activities at the site or adjacent properties;
- Site location, hydrology and geology;
- Results from testing and field investigations;
- Similarities to and experience at other known contaminated sites;
- Significance of the site; and
- Cost versus benefit of conducting detailed site assessments.



- (c) The government is directly responsible or accepts responsibility;

Direct Responsibility

A government may be directly responsible for remediation due to its own past activities that have caused contamination.

**Example:** The government operated a works yards.

A government may also be directly responsible when activities occurred on government-owned land or land the government has since acquired, and a responsible party either cannot be identified or lacks the means for remediation.

**Example:** The government “inherited” responsibility for abandoned mines on Crown land through bankruptcy proceedings and court decisions.

Accepted Responsibility

A government may also voluntarily accept responsibility for the remediation of a contaminated site by its own actions or promises. While most liabilities for remediation arise from legal obligations, the settlement of which can be enforced by a court of law, some may result from constructive or equitable (moral or ethical) obligations. An essential characteristic of a liability is that there is a present obligation resulting from a past event that leaves an entity little, if any, discretion to avoid it.

Uncertain Responsibility

A situation may occur where an environmental standard exists, contamination exceeds this standard, the government is not directly responsible and it does not accept responsibility, however, there is uncertainty as to whether the government may be responsible. In this situation, the government may have a contingent liability. A future confirming event may be required to determine whether the government is responsible. If it is likely that a future event will confirm the government’s responsibility, a liability will be recognized if it can be reasonably estimated. It is important to remember that uncertainty about whether or not contamination exists (for example, due to a site assessment not yet being completed) is not the same type of uncertainty that characterizes a contingent liability, because in this case the future event that will resolve the uncertainty is within the government’s control. Instead this would be a measurement issue.

- (d) It is expected that future economic benefits will be given up (i.e. the government expects to expend their own resources to clean up the contaminated site);

Whether or not a government chooses to perform remediation, the existence of contamination that exceeds an environmental standard may create a liability since a government may have a present obligation to remediate the contamination now or at some point in the future. The timing of the settlement would be reflected in the measurement of the liability, it would not relieve the government of its present obligation or recognition of the associated liability.

- (e) A reasonable estimate of the amount can be made.

If the above four criteria have been met for a contaminated site it would be very unusual that the government could not determine a reasonable estimate of the amount required to remediate the contaminated site.

The City must apply this standard in the financial statements for the year-ended December 31, 2015 and restate December 31, 2014 figures.

#### Remediation Liability, Expense Measurement and Disclosure

Once contaminated sites have been identified and assessed to have violated environment standards, governments are required under PS3260 to accrue for the estimated remediation expenses required to bring the site up to the current minimum environment standard. The estimated costs reported at each financial statement date should include costs directly attributable to the remediation work such as payroll, equipment, fixed assets, materials, legal, other professional costs as well as post remediation costs such as treatment of effluent from the contaminated site etc.

In addition to the recording of the liability and expense, the government is also required to include the disclosure in its financial statements to inform readers on the nature and source of the liability, the basis and the calculation of the estimated liability, and other disclosure requirements as specified in PS3260.

#### Action Plan for the Implementation of PS3260

Implementation of the standard is inherently complex and the potential financial implications could be significant. The City's plan to assess, design and apply PS3260 is as follows:

1. Establishment of a Steering Committee with specific representation from areas including: Finance, Environmental Services, Real Estate Services, Risk Management, Procurement, Legal, and various operational stakeholders from Parks, and Engineering and Public Works. Complete

- |   |         |
|---|---------|
| 2. Development of formal internal procedures and guidelines setting out the framework to classify and account for risks which may drive the estimates and assumptions for remediation. Such internal procedures will also ensure that the implementation and ongoing monitoring of PS3260 are consistently applied from site to site. | Ongoing |
| 3. Preparation of a full inventory of the City's sites including titled properties, land under road, and leases.  | Ongoing |
| 4. Determination of productive and non-productive sites based on analysis of current use.   | Future  |
| 5. Analysis of historic use for those properties that are considered non-productive use. This will include interviews with staff, review of historical records and other investigative techniques.  | Future  |
| 6. Engagement of external environmental specialists and independent professional engineers to conduct assessments and prepare cost estimates of potentially contaminated sites.   | Future  |
| 7. Engagement of external auditors in reviewing and consulting on the City's implementation plan and self-assessment findings prior to the adoption of PS3260.  | Ongoing |
| 8. Preparation of regular updates to Senior Management Team.  | Ongoing |

### Financial Impact

None at this time.

### Conclusion

The required adoption of the Public Sector Accounting Board's PS3260 (Liability for Contaminated Sites) is approaching. The City has significant work to complete its assessment on how this standard may impact its financial reporting. Staff will update Council on any significant issues that may arise during the implementation of PS3260.



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

CG:cg



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** July 2, 2015

**From:** Jerry Chong  
Director, Finance

**File:** 03-1240-01/2015-Vol  
01




**Re:** **Assessment and Property Taxation**

### Staff Recommendation

That the report on Assessment and Property Taxation be received for information.

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

Att. 1

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

## Staff Report

### Origin

At the June 8, 2015 Finance Committee, the following referral was assigned to staff:

- (1) That staff prepare an information package that clearly explains the roles of BC Assessment and the City, and how changes in assessment valuations impact individual property taxes; and*  
*(2) That staff report back with a plan on how this information will be disseminated to property owners.*

The following report addresses this referral.

### Analysis

#### BC Assessment

In 1974, BC Assessment was created by the BC government in response to the need for a fair, independent organization that valued property in the province. The organization standardized BC's assessment process and created roll values for all properties in BC in accordance with the Assessment Act.

BC Assessment's role is to provide accurate property and value information to:

- taxing authorities
- property owners
- municipal, provincial and federal government agencies
- realtors, appraisers, lawyers, bankers, title search companies
- other private and public agencies.

Appendix 1 provides some of the key dates in the annual property assessment cycle. Important dates for average property owners are:

Date	Event
Jan 31	Deadline to request an independent review of a property's assessment by the Property Assessment Review Panel (PARP)
Feb 1 – Mar 15	PARP reviews all applications received by January 31
Mar 15	Section 19(8) deadline for an assessment relief for residential properties where assessment value increased due to changes in zoning or use.
Apr 7	PARP decision notices are sent to all property owners who have requested an assessment review.
Apr 30	Owners not satisfied with PARP's decision must submit an appeal to the Property Assessment Appeal Board (PAAB) by this date and prepare for a Board hearing. During this period, both property owners and assessors at BC Assessment will be required to submit supporting documents



	supporting their claims.
Jul 1	Market value of properties is determined for the purpose of assessment rolls.
Dec 31	Assessment notices are sent to all property owners in BC.

These dates are important if property owners feel assessment values are incorrectly reported and would like the values corrected for the current year.

The following link is a clip produced by BC Assessment to provide an overview of assessment and taxes: <https://www.youtube.com/watch?v=ySzIjb4I-gY>

### **Municipalities**

Almost all municipalities in BC operate under the Local Government Act and are required to set tax rates based on assessment values provided by BC Assessment. For municipalities, the following are important dates in the annual property assessment cycle that impacts the City's revenue.

Date	Event
Mar 31	The Revised Roll, which incorporates all changes made through PARP decisions and corrections made by assessors, is provided to all municipalities. The Revised Roll provides total assessment figures for all properties within a municipality. This Roll is used in tax rate calculations.
April	Grant Rolls are provided to all municipalities to facilitate payment in-lieu of tax (PILT) calculations. This Roll provides assessment values for all Federal, Provincial and Crown owned properties.
May 15	Deadline for imposing property taxes by bylaw. This follows the adoption of the 5-Year Plan
Late May	City must send property tax notice to each owner on title. Included is an application for the Home Owner Grant as per the Home Owner Grant Act
Before Oct 31	A preview of projected roll totals (Preview Roll) is provided to municipalities for budgeting purposes.
Oct 31	Deadline for municipalities to pass bylaws granting permissive tax exemptions.
Dec 31	Completed Rolls and non-market change reports provided to municipalities. Completed Roll provides assessment totals before PARP decisions.

### **Assessment and Tax Rates**

The City of Richmond generally begins the budget process for the upcoming year in July. The Preview Roll and estimated non-market change figures provide a very rough estimate of the tax increase required to balance the new budget. Non-market change figures provide estimated new revenue from new developments since last year's roll and as a result, reduces the level of tax increase needed. Both these reports are working documents and are subject to change until BC Assessment's input cut-off date in mid-December.

The Completed Roll and non-market change reports that are provided on December 31 are audited figures and are generally considered 95% accurate. Figures in these reports may change as a result of PARP decisions and corrections by BC Assessment. Municipalities generally use these figures to calculate the final tax increase necessary to balance the budget.

All municipalities use the Revised Roll figures provided on March 31 to calculate tax rates for each assessment class. When calculating tax rates, all municipalities use the total assessment value in each assessment class to derive the tax rate and tax burden for that class. Taxes for individual properties are calculated using the derived tax rate times the assessment value (assessment value/1000 x tax rate). A tax increase or a tax decrease for a specific property will depend on whether that property's assessment value changed greater or less than the average for that assessment class.

The following table provides a simplified example of how tax rates are calculated and how assessment changes affect property taxes:

Year 1	Property 1	Property 2	Property 3	Property 4	Property 5	Total	Average
Assessment	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000	\$100,000
Tax rate	0.2500	0.2500	0.2500	0.2500	0.2500	N/A	N/A
Property tax	\$25	\$25	\$25	\$25	\$25	\$125	\$25
Year 2	Property 1	Property 2	Property 3	Property 4	Property 5	Total	Average
Assessment	\$150,000	\$115,000	\$105,000	\$100,000	\$90,000	\$560,000	\$112,000
% increase in assessment	50%	15%	5%	0%	-10%	N/A	12%
Tax rate	0.2232	0.2232	0.2232	0.2232	0.2232	N/A	N/A
Property Tax	\$33.48	\$25.67	\$23.44	\$22.32	\$20.09	\$125	\$25
Net tax change by property	+\$8.48 or +33.92%	+\$0.67 or +2.68%	-\$1.56 or -6.24%	-\$2.68 or -10.72%	-\$4.91 or -19.64%	0%	\$0

Assuming in year 1, the City has 5 properties and requires total tax revenue of \$125 in order to balance the budget. If all properties were valued equally at \$100,000, the tax rate will have to be set at 0.25 to collect \$25 from each household. In year 1, average assessed value for all City properties would be \$100,000 and average taxes would be \$25.

Assuming in year 2, the City adopts a budget with a 0% tax increase and BC Assessment has provided the City with a new assessment roll where assessment changes were +50%, +15%, +5%, 0% and -10%. With this scenario, the total assessment value used to calculate the tax rate is \$560,000 and the average assessment value is \$112,000. The resulting average assessment increase is 12% in year 2.

In order to balance the budget and bring in a total of \$125, the tax rate must be adjusted to 0.2232 for every \$1000 of assessment. With this rate, the City brings in exactly \$125 or a 0% increase in taxes. However, due to the changes in assessment value, each property owner will not pay the same amount in taxes. The owner of Property 1 will need to pay an additional \$8.48 in taxes or a net tax increase of 33.92% because the property's assessment increase of 50% is significantly greater than the average increase of 12%. Conversely, the owner of Property 5, has a tax savings of \$4.91 or a 19.64% reduction in taxes because the property's assessment change is significantly less than the

average. According to the Community Charter, the City must calculate one tax rate for the entire class and how a property's assessment changes in relation to the average significantly impacts the resulting taxes.

**Dissemination of Information**

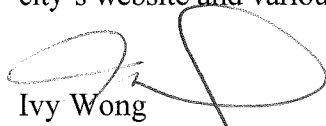
Staff will summarize the information on the City's website and will continue to include a tax insert with each invoice sent to property owners. In addition, staff will coordinate newspaper advertisements and multimedia messages with assessment notice mail out in January to advise property owners of the relationship between assessment and property taxation.

**Financial Impact**

None

**Conclusion**

Staff will continue to find ways of improving communication regarding taxation by utilizing the city's website and various multimedia channels.



Ivy Wong  
Manager, Revenue  
(604-276-4046)

IW:iw

Att. 1



**Some of the key dates in the annual property assessment cycle for BC Assessment are as follows:**

**January 31 — Property Assessment Review Panel (PARP) Deadline**

All persons wishing to request an independent review before a PARP must file their written notice of complaint with the assessor by this date.

**February 1 - March 15 — Property Assessment Review Panels (PARPs)**

PARPs sit at various times throughout this period to review assessments and to hear and decide upon requests for reviews brought before them.

**March 15 — Section 19(8) Application for Assessment Relief**

Residential properties that have been owned and occupied continuously for 10 years by the present owner can be valued on the basis of their present residential use, although they may have a higher alternative use. Examples would be single-family dwellings on land that is subdividable or zoned for apartment or commercial use. Eligible owners must apply annually. All applications must be received by this date.

**March 31 — Revised Roll Production**

The revised roll, which incorporates the changes made through PARP decisions and assessor changes made by consent, is produced by this date.

**April — Grant Rolls**

Grant rolls are produced and forwarded to collectors to enable them to prepare billings to certain Crown organizations that pay a payment or grant-in-lieu of taxes.

**April 7 — PARP Decision Notices**

PARP decision notices must be sent out before this date.

**Mid-April — Revised Roll**

The revised roll (including PARP decisions, roll totals, and indices) is provided to collectors.

**April 30 — Property Assessment Appeal Board (PAAB) Deadline**

A person must file an appeal to PAAB by this date. PAAB must promptly notify the assessor, affected municipalities and other parties about all appeals.

**July 1 — Valuation Date**

The date actual (market) value of properties is determined for the purpose of assessment rolls.

**October 31 - Permissive Exemptions**

Deadline for municipalities and regional districts to pass bylaws granting permissive tax exemptions for certain properties. The bylaws authorizing exemption are considered by the council or boards annually.

**October 31 — Farms**

Deadline for owners of farmed property to provide the assessor with farm applications and farm leases. Owners are encouraged to apply by mid-year to give BC Assessment staff time to conduct a field inspection or request additional information. Property already classed as farm land must continue to meet the regulated requirements in order to qualify for farm classification in the following year.

July 2, 2015

**October 31 — Physical Condition and Permitted Use**

The roll reflects the physical condition and permitted use (zoning) of property as of this date, except where substantial damage or destruction of the buildings occurs between October 31 and December 31.

**Mid-December — Input Cutoff Date**

All data collected by the area office must be processed by this date to ensure it is included in the assessment roll.

**December 31 — Assessment Rolls and Notices**

Completed assessment rolls and totals produced. Assessment notices mailed to property owners/agents. Assessment rolls and value totals are delivered to tax authority collectors as soon as possible after this date.

**Throughout the year — PAAB Hearings**

PAAB hearings can take place at any time during the year. Assessed owners have 21 days from receipt of a PAAB decision to appeal that decision to the Supreme Court of British Columbia. Appeals to the Supreme Court are permissible on a point of law only.

**Throughout the year — Supplementary Rolls and Notices**

Supplementary assessments are processed several times throughout the year. Notices are mailed each time to owners and rolls and adjusted totals are provided to affected collectors.

**Note:** The supplementary process provides the assessor with the means of correcting errors and omissions in the roll. The same appeal provisions that apply to the completed roll also apply to the supplementary roll (except that appeals are made through the following year's appeal process).