



General Purposes Committee

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

**Monday, February 18, 2013
4:00 p.m.**

Pg. # ITEM

MINUTES

GP-3 *Motion to adopt the minutes of the special meeting of the General Purposes Committee held on Tuesday, February 12, 2013.*



FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **BIZLINK – RICHMOND'S BUSINESS DEVELOPMENT INITIATIVE**
(File Ref. No.) (REDMS No. 3785458 v4)

GP-9

See Page **GP-9** for full report

Designated Speaker: Neonila Lilova

STAFF RECOMMENDATION

That the staff report titled BizLink – Richmond's Business Development Initiative, dated February 6, 2013, and presenting BizLink, Richmond's proactive business retention, expansion, attraction, partnership development and promotional initiative, be received for information.



ENGINEERING & PUBLIC WORKS DEPARTMENT

2. **PROVINCIAL SALES TAX LEGISLATION IMPACTS TO ALEXANDRA DISTRICT ENERGY UTILITY COMPETITIVENESS**

(File Ref. No. 10-6600-10-01/2012) (REDMS No. 3792821 v5)

GP-23

See Page **GP-23** for full report

Designated Speaker: Alan Postolka

STAFF RECOMMENDATION

- (1) *That a letter be sent to the Premier of the province of British Columbia; the Minister of Finance; with copies to the Minister of Environment, three Richmond MLA's, Expert Panel on BC's Business Tax Competitiveness, UBCM and municipalities operating district energy systems, conveying that:*
 - (a) *the City of Richmond requests that the Provincial Sales Tax (PST) be implemented in a way that will ensure that all energy providers are treated equitably so that they may compete on the basis of their respective system efficiencies, technical merit and carbon emissions;*
 - (b) *this goal be achieved by including provisions in the future PST that will:*
 - (i) *provide for the exemption or the reimbursement of PST charges on energy (gas, electricity) purchased for the purpose of generating energy for resale;*
 - (ii) *make available the former exemption on Production Machinery and Equipment to equipment purchased by district energy systems;*
 - (iii) *maintain, as per the former PST regulation, the PST exemption on the sale of heat to residential district energy customers; and*
- (2) *That staff continue to work with other district energy providers and provincial government officials on measures that will mitigate negative PST impacts to the competitiveness of district energy systems.*



ADJOURNMENT





Special General Purposes Committee

Date: Tuesday, February 12, 2013

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Linda Barnes
Councillor Derek Dang
Councillor Evelina Halsey-Brandt
Councillor Ken Johnston
Councillor Bill McNulty
Councillor Harold Steves

Absent: Councillor Linda McPhail

Call to Order: The Chair called the meeting to order at 4:04 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the General Purposes Committee held on Monday, January 21, 2013, be adopted as circulated.

CARRIED

COMMUNITY SERVICES DEPARTMENT

1. 2013 HEALTH, SOCIAL AND SAFETY GRANTS (File Ref. No.) (REDMS No. 3732793)

Lesley Sherlock, Social Planner thanked members of the Health, Social and Safety Grant Review Committee for their contributions to this year's grant process.

Special General Purposes Committee
Tuesday, February 12, 2013

A brief discussion ensued about City staff working with the ALS Society of BC, to assist with the organization in other capacities as well as with the future grant applications.

During the discussion, concerns were expressed about the City of Richmond allocating grant funds to support an organization that is based out of another municipality, as well as overlap and duplication of services. Ms. Sherlock responded by advising that a Social Services Inventory indicates that each organization's programs target specific audiences.

It was moved and seconded

That, as per the staff report titled 2013 Health, Social and Safety Grants from the General Manager, Community Services, dated January 4, 2013:

- (1) Health, Social and Safety Services Grants be awarded for the recommended amounts, and cheques disbursed for a total of \$546,054;*
- (2) the following applicants be recommended for the first year of a three-year funding cycle, based on Council approval of each year of funding:*
 - (a) Chinese Mental Wellness Association of Canada;*
 - (b) Heart of Richmond AIDS Society;*
 - (c) Richmond Mental Health Consumer & Friends Society;*
 - (d) Richmond Society for Community Living;*
 - (e) Richmond Women's Resource Centre Association; and*
- (3) the following applicants be recommended for the second year of a three-year funding cycle, based on Council approval of each year of funding:*
 - (a) Big Sisters of the Lower Mainland;*
 - (b) Canadian Mental Health Association – Richmond Branch;*
 - (c) CHIMO Crisis Services;*
 - (d) Family Services of Greater Vancouver;*
 - (e) Richmond Addiction Services;*
 - (f) Richmond Family Place;*
 - (g) Richmond Multicultural Community Services;*
 - (h) Richmond Youth Service Agency;*
 - (i) Volunteer Richmond Information Services Society.*

CARRIED

Special General Purposes Committee
Tuesday, February 12, 2013

2. **2013 PARKS, RECREATION AND COMMUNITY EVENTS GRANTS**

(File Ref. No. 03-1085-01/2012) (REDMS No. 3736323 v2)

A discussion ensued about the allocation of the balance remaining in the Parks, Recreation and Community Events fund. Suggestions were made to allocate the funds to Kidsport Richmond and the Richmond City Centre Community Association, as well as the option of reconsidering the use of the funds at a later date. It was noted that the Richmond City Centre Community Association provides programming for early dismissal from school and on professional development days.

It was moved and seconded

That:

- (1) *Parks, Recreation and Community Events Grants be allocated and cheques disbursed for a total of \$97,100 as identified in Attachment 2 of the staff report titled Parks, Recreation and Community Events City Grants dated January 14, 2013, from the Senior Manager, Parks and the Senior Manager, Recreation;*
- (2) *Richmond Summer Programs be recommended for the second year of a three-year funding cycle, based on Council approval of each subsequent year of funding; and*

The question on the motion was not called, as the following **amendment** was introduced:

It was moved and seconded

That the following be added as part (3):

That the balance remaining in the Parks, Recreation and Community Events fund be equally divided between Kidsport Richmond (\$700) and the Richmond City Centre Community Association (\$700).

The question on the motion was not called as a brief discussion ensued during which members of Committee made comments in support of the amendment as well about the idea of determining the usage of the remaining funds at a later date.

The question on the **amendment** motion was then called, and it was **CARRIED** with Cllr. Au opposed.

Special General Purposes Committee
Tuesday, February 12, 2013

There was agreement to deal with part (1) of the main motion separately.

The question on Part (1) of the main motion as amended, which now reads as follows:

That:

- (1) Parks, Recreation and Community Events Grants be allocated and cheques disbursed for a total of \$97,100 as identified in Attachment 2 of the staff report titled Parks, Recreation and Community Events City Grants dated January 14, 2013, from the Senior Manager, Parks and the Senior Manager, Recreation;*
- (2) Richmond Summer Programs be recommended for the second year of a three-year funding cycle, based on Council approval of each subsequent year of funding; and*
- (3) the balance remaining in the Parks, Recreation and Community Events fund be equally divided between Kidsport Richmond (\$700) and the Richmond City Centre Community Association (\$700).*

was then called, and it was **CARRIED**.

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

3. 2013 ARTS AND CULTURE GRANT PROGRAM

(File Ref. No.) (REDMS No. 3742966)

It was moved and seconded

That the 2013 Arts and Culture Grants be awarded for the recommended amounts and cheques disbursed for a total of \$94,300 as per the staff report from the Director, Arts, Culture and Heritage Services, dated January 8, 2013.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:18 p.m.).

CARRIED

Special General Purposes Committee
Tuesday, February 12, 2013

Certified a true and correct copy of the Minutes of the meeting of the General Purposes Committee of the Council of the City of Richmond held on Tuesday, February 12, 2013.

Mayor Malcolm D. Brodie
Chair

Shanan Sarbjit Dhaliwal
Executive Assistant
City Clerk's Office



City of Richmond

Report to Committee

To: General Purposes Committee
From: Cecilia Achiam, MCIP, BCSLA
Director, Administration and Compliance
Re: BizLink – Richmond's Business Development Initiative

Date: February 6, 2013




File:

Staff Recommendation

That the attached staff report, titled "BizLink – Richmond's Business Development Initiative", dated January 21, 2013, and presenting **BizLink**, Richmond's proactive business retention, expansion, attraction, partnership development and promotional initiative, be received for information.

Cecilia Achiam, MCIP, BCSLA
Director, Administration and Compliance
(604-276-4122)

Att. 2

REPORT CONCURRENCE			
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER	
Corporate Communications	<input checked="" type="checkbox"/>		
Sponsorship Development	<input checked="" type="checkbox"/>		
REVIEWED BY DIRECTORS	INITIALS: 	REVIEWED BY CAO	INITIALS: 

Staff Report

Origin

BizLink is Richmond's comprehensive business development program, designed to facilitate and enhance the planning, implementation and monitoring of Richmond's ongoing business retention, expansion, attraction, partnership development and promotional efforts. The program will establish a structured platform for the City of Richmond to effectively and efficiently engage, service and support existing Richmond businesses, attract new ones and develop partnership prospects.

Strategically, implementation of **BizLink** directly supports multiple priorities under Council's term goals, as follows:

- Council Term Goal 3.1: *"Increase the economic development activities in the City."*
- Council Term Goal 3.2: *"Foster a collaborative economic development culture within the City where the City and businesses are working together to build on and seize opportunities in a faster, more efficient manner, with critical mass."*
- Council Term Goal 3.11: *"Increase the focus on business retention."*

Operationally, **BizLink** will enable Richmond businesses to seamlessly access City Hall information and services, specifically developed to meet the needs of business clients and prospects. This initiative will also supply the analytical framework for measuring the progress of the City's Economic Development Strategy (to be updated in 2013). In addition, the program will enhance the reach and efficiency of a range of day-to-date economic development activities, such as promotion of Richmond as a business destination, response to information requests and management of client accounts.

The **BizLink** initiative was presented to and endorsed by the Richmond Economic Advisory Committee in late 2012.

Analysis

Overview

Along with policy development, business development is a major vehicle through which Richmond continues to maintain a strong local economy and a healthy business tax base (businesses are accountable for 44% of Richmond's tax revenues). While the City has a solid track record in servicing business clients, business inquiries are handled ad-hoc and in reaction to incoming requests. A reactive business development model has resulted in the economic development office being called upon to address issues rather than generate business for the City. In contrast, **BizLink** will enable the City to:

- Engage – proactively reach out to the entire Richmond business community.
- Communicate – establish a consistent messaging platform for the City to reach its business audience, combining multiple communication channels (e.g. "Business in

Richmond” e-newsletter, social media channels and web presence) through a single-click information access and data update portal.

- Target – concentrate business development efforts on sectors of strategic significance to Richmond’s long-term economic prosperity.
- Capitalize – generate business partnership opportunities and raise private funding for City events, facilities and other community opportunities.
- Streamline – continue to address incoming business requests for liaison and facilitation with other City departments while collecting business intelligence for future areas of potential policy development and internal process improvements.
- Measure – systematically measure local business and sector performance to assess the state of Richmond’s local economy, providing for more agile business policy development amidst times of rapid change and volatility.

Program Components

The **BizLink** initiative is comprised of four distinct elements, with the rationale, benefits and elements of each program component detailed below.

1. Annual Business Development Campaign

Richmond’s proactive business development efforts in the past have been driven either by specific opportunities, such as the various 2010 business programs (the Richmond Revealed initiative, the regional Olympic Business program and the O-Zone hosting program) and community events (the 2012 economic outlook event at the Richmond Olympic Oval or the Maritime and Tall Ships festivals), or through sporadic referrals by Council, staff members, business organizations and other businesses. Furthermore, the introduction of a Sponsorship Development function created an impetus for the City to systematically nurture and develop partnerships with local businesses to raise funding and value-in-kind contributions towards City initiatives.

In 2011, the economic development office launched a small-scale pilot to test the uptake for a potential ongoing outreach program in the business community. An initial business survey targeted over 50 Richmond businesses. At a response rate of 52%, 26 surveys were completed and a number of initial meetings with businesses took place in 2012. Through the information gathered during the pilot, the business survey was refined into its final form (**Attachment 1**), a set of communications, account management and data analysis tools were developed and an annual business outreach campaign process was established. In the last quarter of 2012, 11 business retention and expansion opportunities were proactively generated from the completed surveys and subsequent business meetings.

The pilot achieved a substantial response rate (number of surveys as percent of total businesses targeted, at 52%) and a significant conversion rate (number of opportunities created as a percent of total businesses targeted, at 22%). The success of the pilot demonstrated uptake in the business community and established the case for an ongoing annual proactive business development program.

The 2013 campaign is planned to be launched under the **BizLink** label. Between 100 and 150 businesses in Richmond's strategic sectors, such as transportation and logistics, manufacturing and technology, will be targeted during the 2013 campaign. Businesses will be invited to complete the outreach survey which will provide the basis for identification of expansion, retention or partnership development opportunities for staff to pursue. It is envisioned that, to be able to accurately track and reflect business movement, **BizLink** needs to reach out to the same set of businesses every three years.

2. Business Account Management & Performance Measurement System

A cloud-based application has been customized to meet Richmond's needs and implemented to record **BizLink** activities and results. It has been developed based on the requirements of multiple City functions – Economic Development, Business Liaison and Sponsorship Development – and allows for simultaneous, real-time management of multiple aspects of the City's combined business development functions including: business outreach campaigns, company surveying, account management, and opportunities tracking. A powerful reporting function allows for ongoing reporting and performance measurement of the City's business development activities. The status and results from economic development and sponsorship initiatives are visible in real time, as demonstrated by the dashboards included in **Attachment 2**.

3. Richmond Business Information and Access Portal

In conjunction with the annual **BizLink** campaign, the City has developed a business outreach information portal, specifically developed for a business audience. The portal will be hosted at the www.businessinrichmond.ca domain and will provide instant access to:

- Information on the advantages of doing business in Richmond
- Detailed printable profiles of Richmond's strategic industries
- A comprehensive, interactive data section, providing current statistics specific to Richmond's economic performance
- Economic development and business liaison services for businesses that are based in or are looking to locate to Richmond, including participation in the **BizLink** program
- A central broadcast and access point for current local economic development content, including social media (@RichmondEDO Twitter account and Richmond Economic Development Facebook page) and the "Richmond in Business" e-newsletter

The portal will be linked from the City of Richmond website and will link back to other City of Richmond services for businesses, such as obtaining a business license or accessing City tenders. The businessinrichmond.ca platform will become the main vehicle through which all economic development content and communication will be managed and updated, thus generating efficiencies in the delivery of economic development services to businesses. Through on the ground promotion online positioning, businessinrichmond.ca will become a significant point of access through which Richmond businesses reach City of Richmond services and business-related information. The business information and access portal is scheduled to be launched at its permanent businessinrichmond.ca domain on March 1, 2013.

4. Reporting, Analysis & Process/Policy Recommendations

Over time, **BizLink** will become a turnkey platform for tracking performance of the City's business development programs and the health of the overall Richmond economy. The program will generate consistent data that will become the basis for future analysis related to identifying gaps in business service levels, areas for improvement in City processes related to serving the business customer and opportunities for policy development towards a healthy Richmond business climate and a sustainable local economy.

Return on Investment

Comparing **BizLink** costs to its potential benefits, the initiative delivers a high return on investment in terms of both dollar value and economic impact. The upfront cost of implementing **BizLink**, including customization of the account management system and development of businessinrichmond.ca, is \$30,000, which was incurred from the 2012 economic development budget. Annual costs for the program are estimated at \$7,000, including annual license fees and businessinrichmond.ca hosting, to be covered from the existing economic development budget. In comparison, to date **BizLink** has been a contributing factor in the retention and creation of 1000 jobs and 500,000 square feet of commercial space and the generation of \$500,000-worth of sponsorship.

Financial Impact

BizLink has been developed at an upfront cost of \$30,000 from the 2012 economic development budget and is estimated to incur \$7,000 in annual maintenance costs from the existing economic development budget.

Conclusion

BizLink is a business development initiative implemented by the City's economic development and sponsorship development functions. The program's objective is to facilitate and enhance the planning, implementation and monitoring of Richmond's ongoing business retention, expansion, attraction, partnership development and promotional efforts. There are 4 inter-related and integrated components to the program: an annual business outreach campaign, an account management and performance measurement system, a business information and services portal and an ongoing reporting and process/policy improvement process. Comparing the minimal program investment required, at no additional costs to the City, to the combined tangible and intangible benefits generated to date, **BizLink** presents a remarkable future return on investment opportunity for both the City and the Richmond business community.



Neonila Lilova, MBA
Manager, Economic Development
(604-247-4934)

**City of Richmond Business Outreach Survey**

Thank you for agreeing to participate in the Richmond Business Outreach Program. This survey has been developed to help the City of Richmond understand the needs of the business community and core industries. Results are used to help connect companies with available resources, and to aid in program and policy development.

The survey should take 10 minutes to complete, and all answers are kept in strict confidence.

1 Name: (required)

2 Title: (required)

3 Company: (required)

4 Email address: (required)

5 Telephone Number: (required)

6 In what year was your business established in Richmond?

7 What is the company ownership type?

- ☐ Sole proprietorship
- ☐ Partnership
- ☐ Private corporation
- ☐ Public (listed) corporation
- ☐ Non-profit
- ☐ Social enterprise

8 What is your current annual revenue (in dollars)?

9 In the last 2 years, your sales:

- ☐ Increased
☐ Decreased
☐ Stayed the Same
☐ Not sure

10 Where are your current markets (please select all that apply):

- ☐ Local (within 800 mile radius)
☐ Canada
☐ United States
☐ Asia
☐ Europe
☐ Latin America
☐ India
☐ Other

11 Are you interested in growing your exports?

- ☐ Yes
☐ No
☐ Not applicable

12 Into which markets are you interested in growing your exports? (please select all that apply)

- ☐ Local (within 800 mile radius)
☐ Canada
☐ United States
☐ China
☐ India
☐ Latin America
☐ Europe
☐ Other (please specify)

13 If you selected other in the previous question, please specify:

14 Where are your current suppliers from (please select all that apply):

- ☐ Local (within 800 mile radius)
☐ Canada
☐ United States
☐ Asia
☐ Europe
-

- ☐ Latin America
☐ Other

16 Are you interested in growing your supplier base from:

- ☐ Local region (within 800 miles)
☐ Canada
☐ United States
☐ Asia
☐ Europe
☐ Latin America
☐ Other
☐ Not Applicable

16 Your company facility in Richmond is a:

- ☐ Headquarters
☐ Regional Head Office
☐ Satellite Office
☐ Subsidiary to Another Company
☐ Other

17 Your current Richmond premises are:

- ☐ Leased
☐ Owned
☐ Home-based

18 How much time (in months) is left in your lease?

19 The current size of your Richmond facilities is (in square feet):

20 Your current facilities in Richmond are:

- ☐ Too small
☐ Too large
☐ The right size

21 How many employees do you currently have?

22 How did the number of staff change in the last 2 years?

- ☐ Increase
 - ☐ Decreased
 - ☐ Stayed the same
 - ☐ Not sure
-

23 How do you expect your workforce to change in the next 2 years?

- ☐ Increase
 - ☐ Decrease
 - ☐ Stay the same
-

24 Are you experiencing difficulties finding and recruiting suitable talent?

- ☐ Yes
 - ☐ No
 - ☐ Not applicable
-

25 Overall, what are critical issues for your employees?

- ☐ Housing availability
 - ☐ Cost of living
 - ☐ Commute/transportation
 - ☐ Child care availability
 - ☐ Health & wellness options
 - ☐ Amenities & attractions
 - ☐ Volunteerism & community engagement
 - ☐ Environmentalism & green living choices
 - ☐ Other
-

26 Approximately what percentage of your employees live in Richmond?

- ☐ 0-25%
 - ☐ 25-50%
 - ☐ 50-75%
 - ☐ 75-100%
 - ☐ Not sure
-

27 What are some of the environmentally responsible measures taken to date to "green" your business?

- ☐ Water use reduction
 - ☐ Energy use reduction
 - ☐ Packaging reduction
 - ☐ Alternative transportation for employees
 - ☐ Waste reduction & recycling
 - ☐ Greener sourcing & supply chain
-

- ☐ Green buildings
- ☐ Other
- ☐ Not Applicable

28 What are some of the measures taken to date to make your business more socially responsible?

- ☐ Competitive wages
- ☐ Community volunteerism & engagement
- ☐ Sponsorship
- ☐ Charities
- ☐ Corporate social responsibility (CSR) reporting
- ☐ Other
- ☐ Not Applicable

29 Over the next 2 years, do you plan to take any of the following environmentally responsible measures to "green" your business?

- ☐ Water use reduction
- ☐ Energy use reduction
- ☐ Packaging reduction
- ☐ Alternative transportation for employees
- ☐ Waste reduction & recycling
- ☐ Greener sourcing & supply chain
- ☐ Green buildings
- ☐ Other
- ☐ Not Applicable

30 Over the next 2 years, do you plan to take any of the following measures to make your business more socially responsible?

- ☐ Competitive wages
- ☐ Community volunteerism & engagement
- ☐ Sponsorship
- ☐ Charities
- ☐ Corporate social responsibility (CSR) reporting
- ☐ Other
- ☐ Not Applicable

31 Are you currently considering changing the location of your business?

- ☐ Yes
- ☐ No

32 If yes, where are you considering moving your business to?

- ☐ Elsewhere in Richmond
☐ Outside of Richmond
-

33 Within the next 2 years, do you expect your business to expand?

- ☒ Yes
☐ No
-

34 If yes, what is the nature of the planned expansion? (please select all that apply):

- ☐ Lease more space
☐ Renovate current space to generate efficiencies
☐ Add products or services
☐ Invest in equipment & technology
☐ Hire employees
☐ Other
-

35 Do you anticipate any of the following constraints to your planned expansion? (please select all that apply):

- ☐ Financing
☐ Lack of skilled workers
☐ Lack and/or affordability of space & facilities
☐ Local regulations i.e. permitting, zoning, etc.
☐ Timing
☐ Other
☐ Not Applicable
-

36 Within the next 2 years, do you expect your business to downsize?

- ☐ Yes
☒ No
-

37 If yes, what is (are) the most likely downsizing strategy (ies)?

- ☐ Move into a smaller space
☐ Sublease part of premises
☐ Divest from business units portfolio
☐ Divest from equipment/technology
☐ Reduce workforce
☐ Other
☐ Not Applicable
-

38 What is the greatest opportunity your business may be presented with in the next few years?



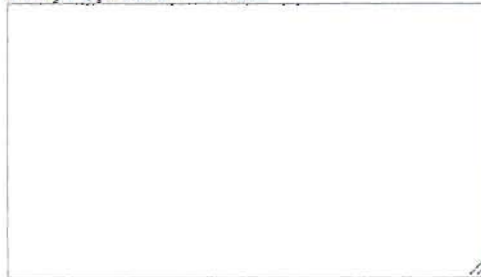
39 What is the greatest challenge or threat your business may be faced with in the next few years?



40 Is your business facing any urgent issues in Richmond that require immediate attention?

- ☐ Yes
☐ No

41 If yes, please describe

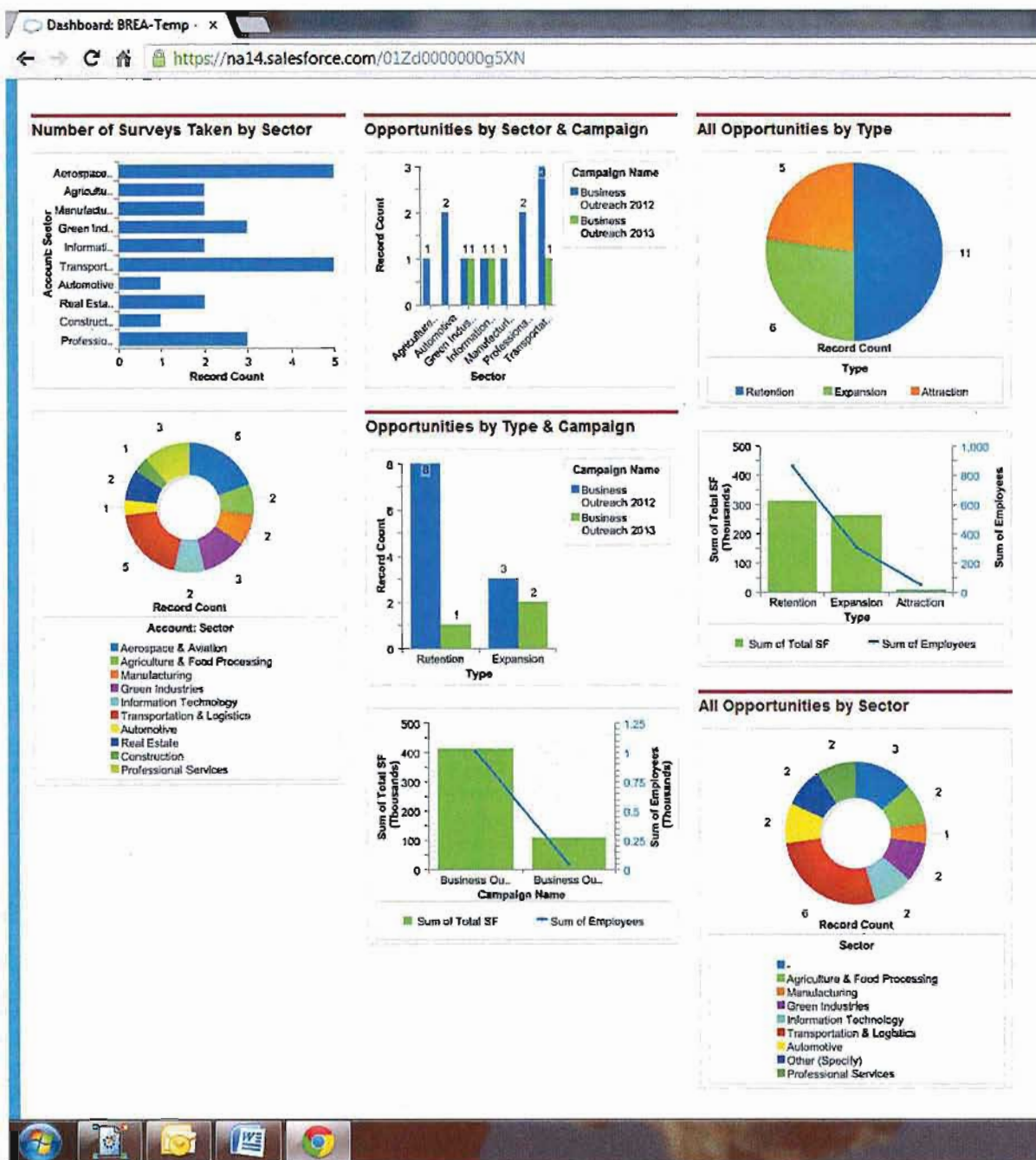


42 Do you wish to receive updates from the City of Richmond Economic Development Office?

- ☐ Yes – subscribe me to "Richmond in Business" – a monthly e-newsletter from the City of Richmond Economic Development Office highlighting business success stories, business-focused government news, new businesses and statistics
☐ No

43 Please enter any additional comments you may have:

Figure 1: Business Retention, Expansion and Attraction Dashboard



The economic development dashboard above indicates that BizLink outreach to date has generated 26 surveys and 14 economic development opportunities in various sectors. There were also 8 additional opportunities generated as incoming inquiries to the economic development office, from local business expansion and permitting inquiries, to relocation and facility search requests. Businesses occupying over 500,000 square feet of commercial space and employing more than 1,000 people have been assisted by the City's economic development function since launch of the pilot.

Figure 2: Sponsorship Dashboard



The sponsorship dashboard above indicates that the **BizLink** initiative has been a factor in the generation over \$500,000 in cash and in-kind contributions towards various types of City initiatives. It also reports on the dollar equivalents raised for each major City initiative (e.g. Maritime Festival 2012) and which sectors are most active in the community.

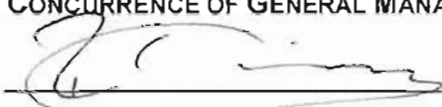




To:	General Purposes Committee	Date:	January 30, 2013
From:	John Irving, P.Eng. MPA Director, Engineering	File:	10-6600-10-01/2012- Vol 01
Re:	Provincial Sales Tax Legislation Impacts to Alexandra District Energy Utility Competitiveness		

Staff Recommendation

1. That a letter be sent to the Premier of the province of British Columbia; the Minister of Finance; with copies to the Minister of Environment, three Richmond MLA's, Expert Panel on BC's Business Tax Competitiveness, UBCM and municipalities operating district energy systems, conveying that:
 - a. The City of Richmond requests that the Provincial Sales Tax (PST) be implemented in a way that will ensure that all energy providers are treated equitably so that they may compete on the basis of their respective system efficiencies, technical merit and carbon emissions;
 - b. This goal be achieved by including provisions in the future PST that will:
 - i. Provide for the exemption or the reimbursement of PST charges on energy (gas, electricity) purchased for the purpose of generating energy for resale;
 - ii. Make available the former exemption on Production Machinery and Equipment to equipment purchased by district energy systems; and
 - iii. Maintain, as per the former PST regulation, the PST exemption on the sale of heat to residential district energy customers;
2. That staff continue to work with other district energy providers and provincial government officials on measures that will mitigate negative PST impacts to the competitiveness of district energy systems.

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

REPORT CONCURRENCE			
ROUTED TO:		CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Intergovernmental Relations & Protocol Unit Finance Division		<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
REVIEWED BY DIRECTORS		INITIALS: 	REVIEWED BY CAO INITIALS: 

Staff Report

Origin

BC government has introduced legislation that will return the Provincial Sales Tax (PST) on April 1, 2013.

In 2010, Council adopted the Alexandra District Energy Utility Bylaw No. 8641 establishing the charges that constitute the rate for the service of delivering the energy for space heating and cooling and domestic hot water within the Alexandra District Energy Utility (ADEU) service area.

The purpose of this report is to outline the effects that the PST re-introduction will have on ADEU rates and competitiveness and to present recommendations for further action.

Background

The Province of BC has adopted a Greenhouse Gas reduction target of 33% from 2007 emissions by 2020 and 80% by 2050. Council adopted the provincial greenhouse gas reduction target and endorsed an energy reduction target of 10% from 2007 level by 2020. While most of the necessary action to meet these reduction targets is dependent upon Provincial action (e.g., Building Code changes, transit upgrades, etc.), development of district energy utility systems has been identified as one of the most effective initiatives that the City can implement to achieve these goals.

In summer 2012, phase 1 and 2 of the Alexandra District Energy Utility (ADEU) were completed. ADEU currently provides renewable geothermal energy for space heating and cooling and domestic hot water to over 400 units, with another 450 to be connected by the end of 2013. At full build out, ADEU will service 3.9M sq. ft. of residential (3,100 units) and commercial uses resulting in the reduction of 2,000 to 6,000 tonnes of GHG annually.

The ADEU service rate was established based on the Council's objective to provide end users with annual energy costs that are less than or equal to conventional system energy costs based on the same level of service.

The BC government introduced legislation on May 14, 2012, to meet the government's commitment to return to the Provincial Sales Tax on April 1, 2013. As the PST legislation is proposed, the PST will be re-implemented with all its former permanent exemptions and may impact the competitiveness of the ADEU when compared to the conventional in-building energy systems.

Analysis

Residential customers who acquire energy directly from Fortis BC or BC Hydro and create their own heat in building will not have to pay PST on the energy purchased. While the ADEU is based on a geo-exchange system, some electricity and gas are used for running equipment and provided back-up and peaking capacity. The City, as an energy provider, will have to provide a PST credit to ADEU residential customers, but will have to pay PST on the gas and electrical energy acquired to operate the ADEU. This will effectively increase the ADEU operational cost that may have to be transferred onto ADEU customers.

In a case of future commercial customers, the City will not only have to pay PST on the ADEU energy purchases, but will have to charge PST on the heating and cooling purchased by commercial users, resulting in a double taxation of commercial users.

In addition, under the PST legislation, the City will not receive exemption on the purchase of ADEU energy production machinery or equipment, while BC Hydro, Fortis BC and several other privately owned energy providers will. Without an exemption, PST applies to the purchase of boilers, distribution pipes, heat exchangers, etc., which will be required for future expansion of the ADEU.

Based on the ADEU financial model, after 2014, staff estimate that natural gas and electricity purchases will account between 30% and 35% of total costs invoiced to ADEU customers. A 7% tax on natural gas and electricity purchases implies that customers will be impacted by an amount of over 2% on their invoices. Depending on energy technologies used in the future ADEU phases, this impact may become even higher.

Application of the PST on the energy production machinery or equipment will also impact the future ADEU expansion cost which will reflect on the ADEU customers cost.

Staff have had initial meetings with the representatives of other district energy (DE) owners/operators in Lower Mainland (Lonsdale Energy Corp., City of Vancouver, City of Surrey, University of British Columbia, Central Heat Distribution Ltd. and River District Energy) to discuss their concerns on the re-introduction of the PST. These organizations are also taking action on this issue to bring their concerns to the Province.

Financial Impact

None at this time. However, if the PST legislation is implemented as proposed, the ADEU operating cost will increase by at least 2%.

Conclusion

Alexandra DEU and other sustainable district energy systems are contributing to the economic, social and environmental sustainability of British Columbia. Therefore, it is very important that all energy providers be compared on the basis of energy efficiency rather than the incentives or tax treatment that they receive. Failure to do so is detrimental to the long-term viability of alternative sustainable energy providers such as the ADEU. In addition, it will frustrate federal

and provincial green house gas reduction objectives, national and provincial energy efficiency objectives, and the development of a district energy industry in the Province of BC.

It is recommended that the City of Richmond requests from the Province that the PST be implemented in a way that will ensure that all energy providers are treated equitably so that they may compete on the basis of their respective system efficiencies, technical merit and carbon emissions.

A handwritten signature in blue ink, appearing to read 'Alen Postolka', with a stylized flourish at the end.

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