



# City of Richmond

## Report to Committee

**To:** Finance Committee **Date:** December 1, 2021  
**From:** Ivy Wong, CPA, CMA **File:**  
 Acting Director, Finance  
**Re:** **Financial Information – 3<sup>rd</sup> Quarter September 30, 2021**

### Staff Recommendation

That the staff report titled, “Financial Information – 3<sup>rd</sup> Quarter September 30, 2021”, dated December 1, 2021 from the Acting Director, Finance be received for information.

Ivy Wong, CPA, CMA  
 Acting Director, Finance  
 (604-276-4046)

Att: 5

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	<div style="border-bottom: 1px solid black; padding-bottom: 5px;">            Acting GM, F&amp;CS         </div>
Building Approvals	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Facilities and Project Development	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Information Technology	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Real Estate Services	<input checked="" type="checkbox"/>	
Recreation & Sport Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
<b>SENIOR STAFF REPORT REVIEW</b>	INITIALS: 	<b>APPROVED BY CAO</b> 

## Origin

Pre-audited financial information for the 3<sup>rd</sup> quarter ended September 30, 2021 is provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City of Richmond's (the City) financial results throughout the year and before the annual audited financial statements are presented.

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

*5.1 Maintain a strong and robust financial position.*

*5.2 Clear accountability through transparent budgeting practices and effective public communication.*

*8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.*

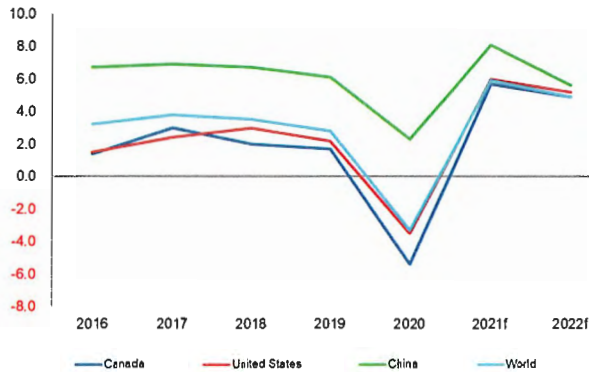
## Analysis

### Macroeconomic Indicators & Forecast

Economies at all levels continue to be impacted to varying degrees by COVID-19. While there has been measurable rebound activity, medium and long term growth prospects remain uncertain due to the unpredictability of virus mutations, inconsistencies in global vaccination rates, and uneven recovery across sectors.

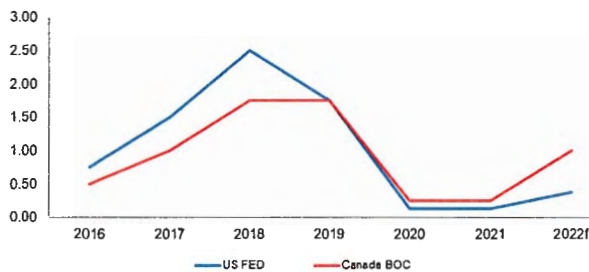
In many countries including Canada, government aid measures have assisted, and in some cases boosted, liquidity and increased purchasing power for consumers whose spending options were limited during pandemic related lockdowns and other restrictions. Many businesses and individuals have demonstrated resiliency by quickly adapting to an online environment, accelerating the e-commerce and remote work trends. Tempering these strong demand fundamentals and constraining growth in some areas are supply chain challenges, labour shortages, and the resulting inflationary pressures that have been higher, more widespread and longer lasting than originally anticipated.

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



- The International Monetary Fund (IMF) projects global Gross Domestic Product (GDP) will increase by 5.9% in 2021 and 4.9% in 2022.
- In 2021 Canadian GDP is forecasted to grow by 5.7%, and the U.S. GDP growth forecast is 6.0%.
- These growth forecasts have all been revised downward since the previous forecast, in part due to supply chain disruptions in advanced economies and worsening pandemic dynamics in developing countries.
- Canada, U.S. and China GDP growth forecasts are 4.9%, 5.2%, and 5.6% respectively, for 2022.

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



- The Bank of Canada (BoC) has maintained the overnight lending rate at 0.25% throughout Q3 2021 to help stimulate economic recovery, but it is monitoring inflation closely.
- It is expected that this rate will be increased gradually beginning in the second half of 2022, ending next year at 0.75%.
- The U.S. Federal Reserve (US FED) rate remained at 0.13% where it is expected to remain through 2021, potentially rising to a forecasted 0.38% by the end of 2022.

<sup>1</sup> International Monetary Fund, World Economic Outlook (October 2021)

<sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (November 2021)

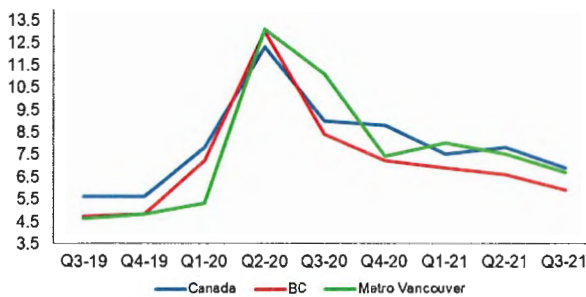
3) Exchange Rates – CAD/USD at Year-End<sup>3</sup>



- The Canadian dollar (CAD) is forecasted to end 2021 at \$1.25 CAD per \$1 USD and remain at around the same valuation through 2022.
- The value of the CAD against the USD will be dependent on the relative economic recovery in the two countries.
- A weaker Canadian dollar may benefit non-commodity export sectors, such as tourism and professional and technical services, as cross-border economic activity picks up.

Regional & Local Economic Activity Indicators

4) Unemployment<sup>4</sup>

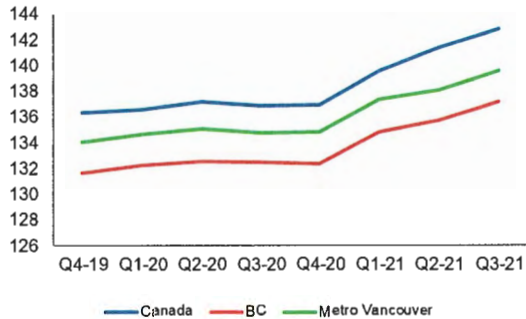


- According to the September 2021 Statistics Canada Labour Market Survey, total national employment has rebounded to pre-pandemic levels. The overall unemployment rate has also improved again this quarter but remains above pre-pandemic levels as new individuals enter the workforce.
- Employment in some sectors has proven to be highly resilient and has surpassed levels seen before the pandemic. Those sectors most affected by public health restrictions, such as hospitality, have seen restrictions eased. However, it is proving challenging finding staff for some segments of the hospitality industry as many found new sectors of employment during the pandemic.
- At the end of Q3 2021 the Canadian, B.C., and Metro Vancouver unemployment rates were 6.9%, 5.9% and 6.2%, respectively.

<sup>3</sup> Royal Bank Economic Research Forecast (November 2021)

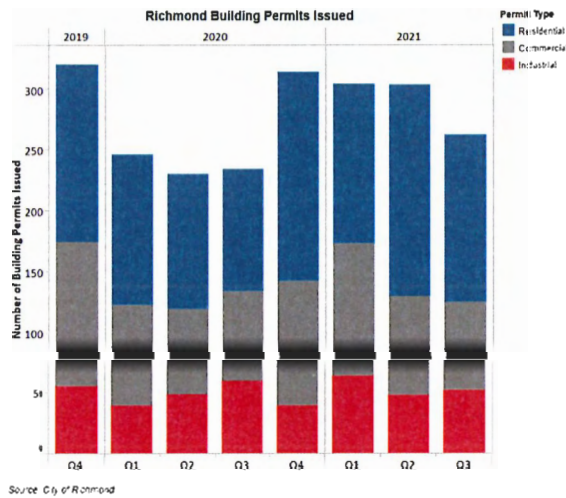
<sup>4</sup> Statistics Canada

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



- At the end of Q3 2021, the Consumer Price Index increased by 4.4% in Canada, 3.5% in British Columbia and 3.6% in Metro Vancouver, compared to the same period last year.
- This high level of inflation is in contrast to the dramatic slowdown in consumer spending experienced in 2020 but also due to ongoing and widespread supply chain disruptions and resulting price pressures on materials, labour, and other production inputs as well as finished goods and services.

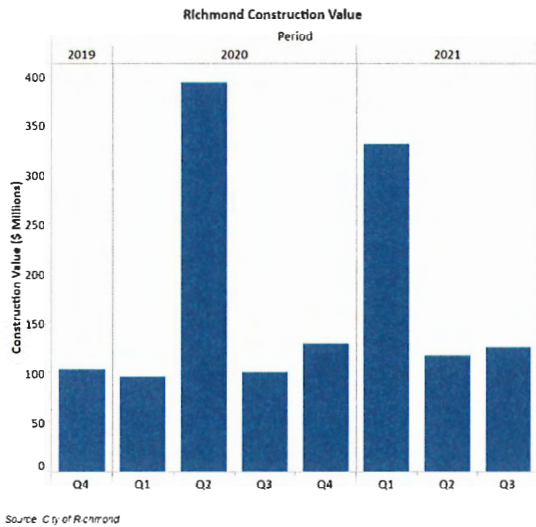
6) Building Permits – Richmond<sup>6</sup>



- During the first 9 months of 2021 there were 441 residential, 264 commercial, and 164 industrial building permits issued in Richmond.
- This represents an overall 22.4% increase in the total number of building permits issued over the same period in 2020.
- 88 new units are being added to the local housing supply through this new residential construction permitted in Q3 2021, and 937 so far in 2021. This represents a 16.5% decrease over the same period in 2020.
- The fluctuation in building permits and housing units can be attributed to the trend of fewer, but larger and more complex multi-family project applications that take significantly longer to process. These applications may result in lower permit issuances in certain periods, but will ultimately result in more housing units and higher construction value.

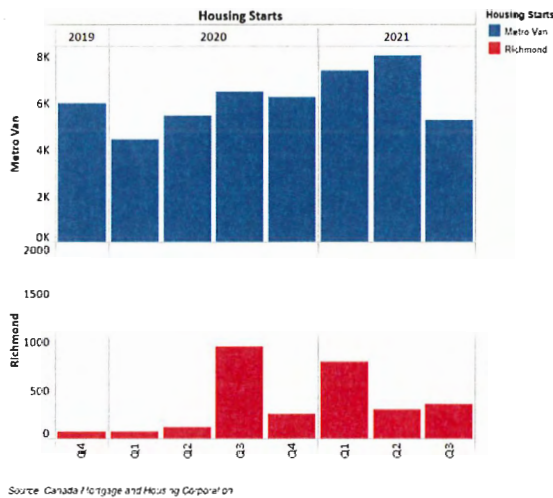
<sup>5</sup> Statistics Canada

<sup>6</sup> City of Richmond Building Permits



- \$126 million in construction value was registered in Q3 2021, an increase of 23.8% over the same period last year.
- Year-to-date, the value of all new construction permitted in Richmond is \$572 million, a decrease of just 2.7% compared to the same nine months in 2020.
- While large multi-family developments, as well as increased construction and labour costs, generally contribute to an increase in construction value experienced, more complex multi-family project applications that take significantly longer to process means the construction value experienced will fluctuate over the course of any given year.

### 7) Housing Starts<sup>7</sup>



- In Q3 2021, there were 355 housing starts in Richmond and 5,192 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on verification that construction work has commenced<sup>8</sup>.
- Year to date housing starts increased in Richmond by 27.3% and in Metro Vancouver by 26.6% over the same nine-month period in 2020.
- The change in CHMC’s housing start data for Richmond in Q3 2021 does not directly compare to the change in residential building permits issued by the City. This is mainly due to the varying timing between issuing a residential building permit and determining a housing start.

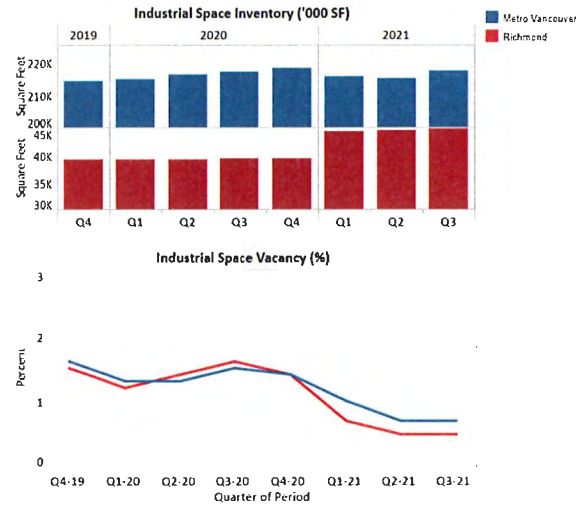
<sup>7</sup> Canada Mortgage and Housing Corporation

<sup>8</sup>Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.



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

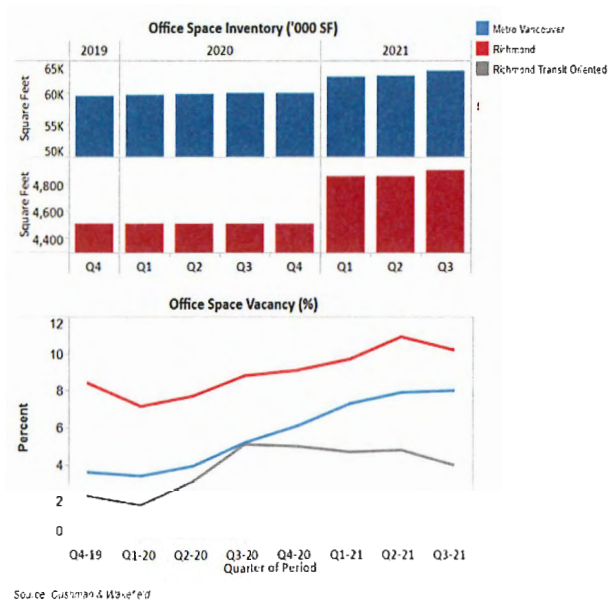
a) Industrial Space



- Industrial sales and leasing activity in Metro Vancouver continued to be strong in Q3 2021, spurred by factors including the acceleration of e-commerce adoption and the resulting need for additional logistics space.
- 308,000 square feet of industrial space was added to Richmond’s inventory during the third quarter of 2021.
- The industrial vacancy rate in Richmond remained steady – but extremely low - at 0.5% in Q3 2021.
- The region continues to face an acute shortage of industrial land and the industrial vacancy rate in Metro Vancouver was 0.7% at the end of Q3 2021. Large warehouses are particularly difficult to come by for businesses looking to expand or locate in the region.

<sup>9</sup> Cushman & Wakefield Office and Industrial Market Beat Reports

b) Office Space

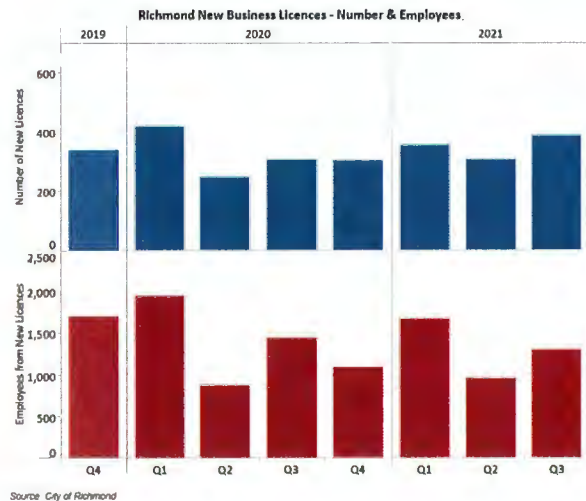


- At the end of Q3 2021 the office vacancy rate was 10.2% in Richmond and 8.0% in Metro Vancouver.
- Leasing activity continues to be strong in some sectors including the professional, scientific and technical industry where employment in B.C. has not only rebounded but increased by 15.8% compared to pre-pandemic levels.
- Compared to Q3 2020, office vacancy rates for Q3 2021 have increased by 15.9% in Richmond and 1.3% in Metro Vancouver where multiple notable new developments are coming online.
- Many office-based businesses continue to reconsider their real estate footprint amidst significant structural shifts in how and where people work. However, as vaccination rates have increased, there has been an increasing return to the office mandate, or a hybrid work-from-home/office mandate, for many businesses.



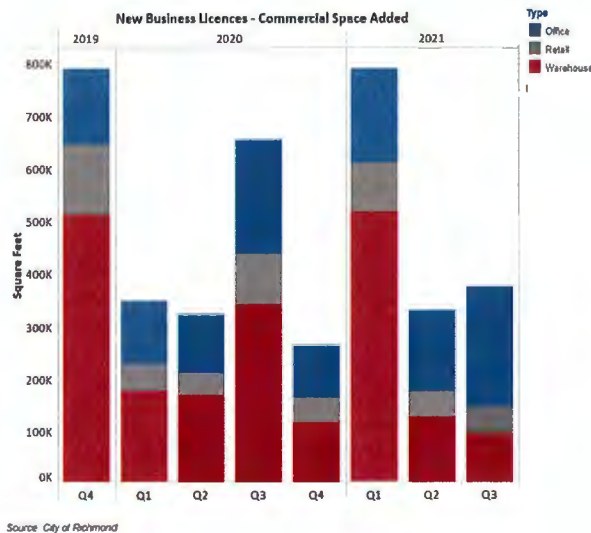
9) Business Growth – Richmond

a) Total Valid Business Licences & New Business Licences Issued



- 385 new business licenses (representing 1,294 jobs) were issued by the City of Richmond in Q3 2021, an increase of 35.6% over the previous quarter.
- The number of new business licenses issued year to date is also up, by 7.6%, over the same period in 2020.
- The number of total valid business licenses at the end of Q3 2021 was 15,108, 11.2% higher than the same period last year.
- This is also the first time that the number of valid business licenses has exceeded pre-COVID levels – by 4.3% compared to Q4 2019, signaling strong economic recovery is underway in Richmond in many sectors

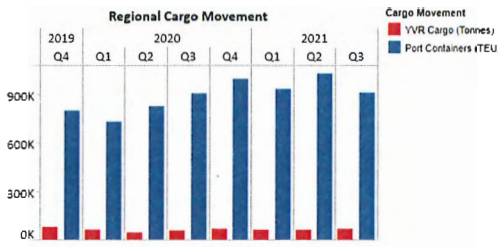
b) New Business Licences – Commercial Space



- 373,280 square feet of commercial space absorption was tied to the new business licenses issued from July through September 2021.
- Office space represented the largest share of absorption, at 233,153 square feet, followed by industrial (90,190 square feet), and retail (49,937 square feet).

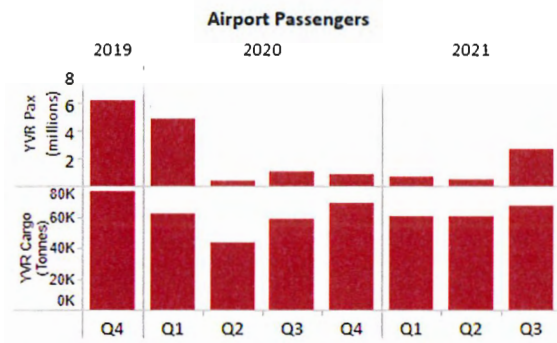
10) Goods and People Movement

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



- Year-to-date, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalent (TEUs), increased by 15.7% over the same period in 2020.
- Existing supply chain disruptions are expected to be exacerbated as a result of the recent severe weather events that caused flooding and mudslides, severing many road and rail connections between Metro Vancouver and the rest of the country.
- At the Vancouver International Airport (YVR), 188,395 tonnes of air cargo was handled through the first nine months of 2021, an increase of 11.4% over the third quarter of 2020.

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

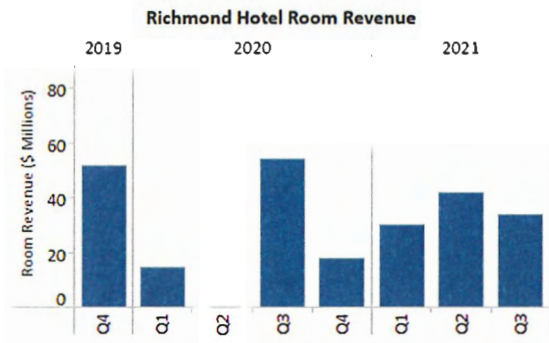


- The COVID-19 pandemic continues to severely impact air travel with many global travel and border restrictions still in place. While these restrictions are being lifted in many places, requirements for travel vary among geographies which is contributing to continued tempered demand.
- Quarter over quarter, air passenger traffic continues a slow rebound, but the volume of passengers year-to-date is still down by 80.1% compared to the same period in the baseline year 2019.

<sup>10</sup> Port of Vancouver Monthly Cargo Statistics

<sup>11</sup> YVR Monthly Statistics – Q3 2021 includes July, August and September data figures

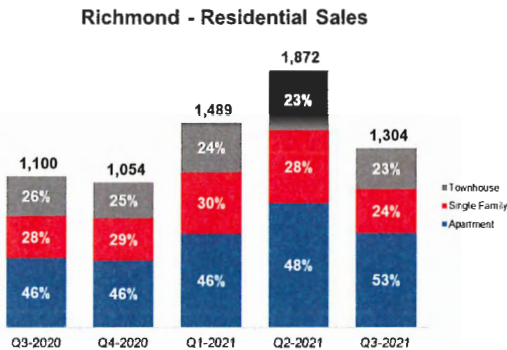
c) Richmond Hotel Room Revenue<sup>12</sup>



- The accommodation sector continues to improve (as measured by hotel room revenue) as travel restrictions such as border closures are lifted.
- During the first eight months of 2021, Hotel Room Revenue as calculated through the receipt of Municipal & Regional District Tax (MRDT), increased by 68.2% over 2020, but was still down by 35.1% over 2019 levels.

Residential Real Estate<sup>13</sup>

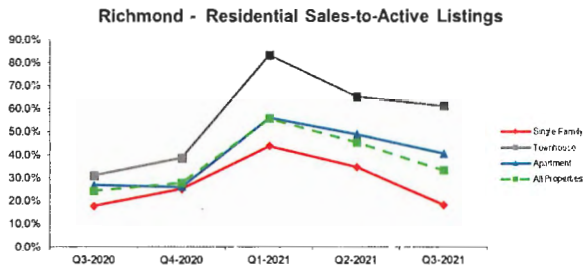
In the third quarter of 2021, home sales activity remained elevated in Richmond’s housing market while the pace of homes being listed remains lower than necessary to meet the market demand. This scarcity limits peoples’ purchasing options and ultimately adds upward pressure on home prices.



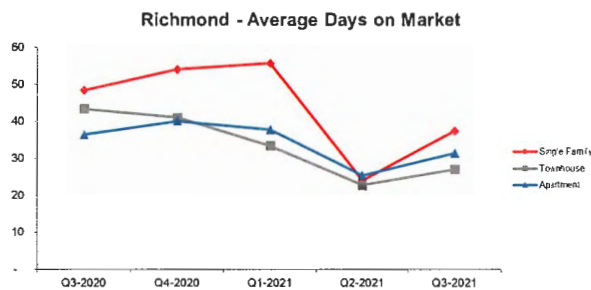
- Single family detached (SFD) home sales increased by 3.9% compared to Q3 2020.
- Townhouse and apartment sales have increased by 3.4% and 36.0%, respectively, compared to Q3 2020.
- Townhouse sales comprise 23% of the residential home sales in Richmond. SFD and apartment sales account for 24% and 53%, respectively, of home sales in Richmond.
- There were 1,304 residential home sales in Richmond in Q3 2021, an 18.5% increase compared to the same period last year.

<sup>12</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC – Richmond Hotel Revenue for Q3 2021 includes July and August data only

<sup>13</sup> Real Estate Board of Greater Vancouver

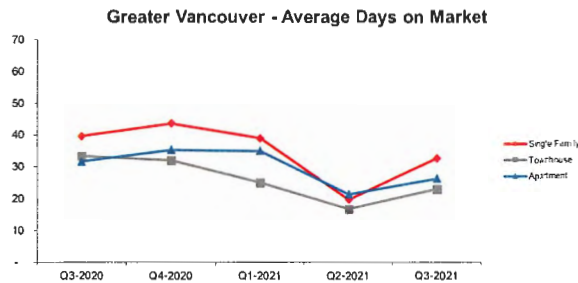


- Richmond residential properties had a sales-to-active listings ratio of 33% as at September 30, 2021 representing a sellers market.

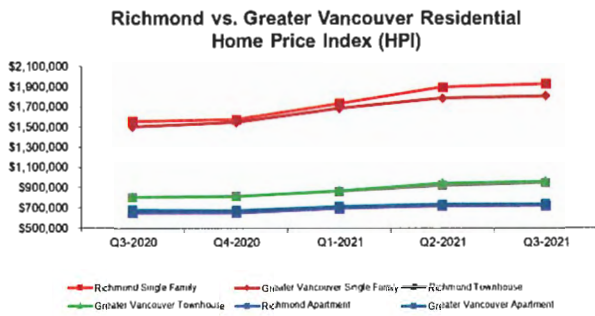


- At Q3 2021, SFD properties in Richmond had an average of 37 days on the market, a 23% decrease compared to Q3 2020.

Townhouses and apartments had an average of 27 and 31 days on the market, respectively, representing a 37% decrease and a 14% decrease respectively over the same period last year.



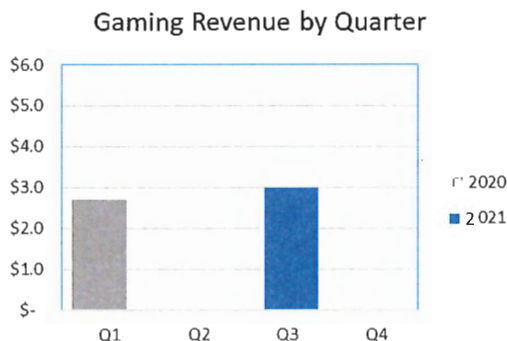
- At Q3 2021, SFD properties in GVRD had an average of 33 days on the market, which represents an 18% decrease compared to Q3 2020.
- Townhouses and apartments in GVRD had an average of 23 and 26 days on the market, which represents a decrease of 30% and 19% respectively, over the same period in 2020.



- The Home Price Index (HPI)<sup>14</sup> for SFD properties in Richmond at Q3 2021 was \$1,950,600, a 25% increase compared to Q3 2020. The GVRD housing market has also increased with SFD properties priced at \$1,828,200, which was a 21% increase compared to the same quarter last year.
- At Q3 2021, the HPI for townhouse properties in Richmond was \$950,900, an increase of 18% compared to Q3 2020. The HPI for townhome properties in GVRD was \$963,800, which represented a 19% increase compared to the same time last year.
- The HPI for apartments in Richmond was \$724,600, an increase of 11% compared to Q3 2020. GVRD’s apartment prices increased to \$738,600, which was an 8.0% increase from Q3 2020.

Gaming Revenue

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



- The River Rock casino reopened July 1, 2021, the City received \$2,999,392 for Q3 2021.
- Gaming revenue for Q3 2020 was \$nil as the casino was closed effective March 16, 2020.
- The City amended the 2021 budget for 2021 Gaming revenues from \$nil to \$7,000,000 due to reopening of the casino for Q3 and Q4.

<sup>14</sup> Home Price Index is a tool to measure home prices trends in Metro Vancouver and other major markets in the country. It is an alternative measure of real estate prices that provides the market trends over traditional tools such as mean or median average prices

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

On June 29, 2021, the provincial government announced that certain businesses can reopen, such as casinos. The Great Canadian Gaming Corporation reopened the River Rock Casino Resort on Thursday, July 1, 2021. The City received a payment for the 3<sup>rd</sup> quarter in October and will continue to monitor the impact of COVID-19 and the allocation of gaming revenue accordingly depending on the revenue received for the last half of 2021.

### **Operating Activity**

Table 1 compares budget to unaudited actual activity up to September 30, 2021. The net figure represents combined revenue and expense amounts. Actuals include estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.



Table 1: *Net Operational Activity for the period January 1, 2021 to September 30, 2021 (in \$000 's)*

Division/Department <sup>1</sup>	Q3 YTD Net Budget <sup>2</sup>	Q3 YTD Actuals and Commitments	Q3 YTD Variance (\$)	Projected Surplus (Deficit) before Appropriation		Projected Surplus (Deficit) after Appropriation
				Estimated Appropriation	Estimated Appropriation	Estimated Appropriation
Community Safety <sup>3</sup>	\$(408)	\$(627)	\$219	157	-	157
Community Services	33,165	29,476	3,689	4,700	-	4,700
Corporate Administration	7,775	6,535	1,240	900	-	900
Engineering and Public Works	34,598	32,293	2,305	4,772	(4,673)	99
Finance and Corporate Services	17,072	15,120	1,952	1,810	-	1,810
Fire Rescue	32,981	30,774	2,207	2,109	-	2,109
Library	7,632	6,620	1,012	965	(965)	-
Planning and Development	5,597	4,370	1,227	1,658	-	1,658
Policing	46,295	42,369	3,926	629	(7,000)	(6,371)
Fiscal	(161,082)	(167,046)	5,964	300	-	300
Law and Legislative Services	2,986	2,840	146	178	-	178
<b>Total</b>	<b>\$26,611</b>	<b>\$2,724</b>	<b>\$23,887</b>	<b>\$18,178</b>	<b>\$(12,638)</b>	<b>\$5,540</b>
Water Utility	3,315	2,990	325	762	(762)	-
Sanitary Sewer Utility	1,565	870	695	937	(937)	-
Sanitation and Recycling Utility	290	(683)	973	1,235	(1,235)	-
<b>Utilities Total</b>	<b>\$5,170</b>	<b>\$3,177</b>	<b>\$1,993</b>	<b>\$2,934</b>	<b>\$(2,934)</b>	<b>\$-</b>

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

<sup>2</sup>The Net Budget is based on the budget approved by Council on March 22, 2021.

<sup>3</sup>Includes Community Safety Administration, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year to date variances in relation to the 2021 Revised Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to timing required to fill vacant positions offset by lower parking revenues due to the COVID-19 pandemic.
- Community Services' favourable variance is due to vacant positions and cost avoidance through reduced auxiliary staffing levels, which is in alignment with the lower revenues as a result of reductions in programs and services offered due to the COVID-19 pandemic.
- Corporate Administration's favourable variance is mainly due to savings due to delayed hiring and vacant positions.
- Engineering and Public Works favorable variance is mainly due to timing of Public Work maintenance expenses. Estimated appropriations at year end include the following:

\$1.761M for Fleet surplus estimated to be transferred to the Equipment Reserve in accordance with Policy 2020, \$981K for service fees related to Lulu Island Energy Company in accordance with the asset transfer agreement, \$900K for Project Development projects expected to be completed in 2022, \$468K for Major Roadwork to be completed in 2022, \$300K for continued repair work for Roads, \$163K for Snow & Ice to be transferred to provision in anticipation of the colder winter in 2022, \$100K for wet materials from ditching for Sidaway projects.

- Finance and Corporate Services' favourable variance is mainly due to cost avoidance through delayed hiring and vacant positions.
- Fire Rescue's favourable variance is due to the timing between the Council approval of the additional 12 Firefighter positions to the actual hiring and vacancies due to retirements.
- The Library's favourable variance is mainly due to vacant positions. Any surplus at year-end will be appropriated for future use within library operations.
- Planning and Development's favourable variance is primarily due to vacant positions. Ongoing recruitment is underway to fill vacant positions within the Planning and Development.
- Policing's variance is mainly due to appropriations at year end including estimated amounts for the RCMP unionization. The variance pre-appropriation is due to the timing between the Council approval of 16 RCMP Officers and 11 Municipal Employees to the actual hiring offset by estimated past financial obligations.
- Fiscal's favourable variance is mainly due to timing of expenditures.
- Law and Legislative Services' favourable variance is due to vacancies and lower than budgeted general operating expenses.
- Water Utility's favorable variance is mainly driven by unbudgeted construction revenue. Any surplus at year end will be transferred to the Water Levy Stabilization Provision.
- Sanitary Sewer Utility's favorable variance is mainly driven by unbudgeted construction revenue. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance is mainly due to higher than budgeted Recycle BC revenue and garbage and recycling processing fees. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

2021 is an extraordinary year as the City continues to be impacted by the pandemic. Community facilities were partially closed during the year and limited programs were offered in the first half of the year. Parking revenue has also decreased as compared to the pre-pandemic level. Since the majority of the City's programs are only partially supported by external revenues, the reduction

in programming yielded cost savings. The CAO and SMT monitored the actual to budget variances to ensure that the City was fiscally prudent. This oversight included managing vacant positions in order to control the spending level while continuing to provide core services and comply with provincial health orders. Additional savings were generated from flexible work arrangements.

Other savings were due to the timing between the approvals and hiring of the additional positions for Firefighters and RCMP officers. All these factors contribute to the surplus projected for 2021, which as part of the 2022 budget is anticipated to be used to offset the tax impact from the RCMP unionization cost in 2022.

The presentation of the figures for the Financial Statement, Unaudited Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Unaudited Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to reserves. The Unaudited Statement of Operations for the Nine Month Period Ended September 30, 2021, with comparative figures for 2020 is included in Attachment 3.

#### Cash and Investment Portfolio

As of September 30, 2021, the City's total cash and investment balance totalled \$1.38 billion with a weighted average annualized yield of 1.37%. The overall cash and investment balance is comprised of \$653.7 million in investments and \$731.2 million in interest bearing cash account (Attachment 4).

The City holds a significant proportion of its cash and investment balance in short-term and cashable products for liquidity and yield enhancement purposes. The City integrates Environmental, Social and Governance (ESG) considerations in its investment approach by using negative screening to exclude any direct investments in environmentally-sensitive or fossil-fuel industries. Through the use of negative screening, the City is able to demonstrate responsible investing while complying with the restrictive nature of the City's permitted investments.

*Table 2: Market Interest Rates (for analytical purposes only)*

	September 30, 2021 (current quarter)	June 30, 2021 (previous quarter)
2 Year Government of Canada Bonds	0.53%	0.45%
5 Year Government of Canada Bonds	1.11%	0.97%
10 Year Government of Canada Bonds	1.51%	1.39%

Source: Bank of Canada

The global economic recovery from the COVID-19 pandemic is progressing. The Bank of Canada (the Bank) forecasts that Canada's economy will grow by 5% this year. Demand is expected to be supported by strong consumption and business investment, and a rebound in exports as the US economy continues to recover. Housing activity is expected to remain elevated.

During the latest interest rate announcement on October 27, 2021, the Bank continued to hold the policy interest rate at the effective lower bound of 0.25%. The monetary policy will continue to be in place until economic slack is absorbed so that the 2% inflation target is sustainably achieved. In the Bank's projection, the next interest rate hike cycles could happen sometime in the middle of 2022. In light of the progress made in the economic recovery, the Bank has also announced to end quantitative easing and keep its overall holdings of Government of Canada bonds roughly constant.

The City's overall credit risk exposure remains low because the City continues to maintain a diversified portfolio of strong credit quality investments. Staff will continue to monitor the interest rate movement and will strategically reposition its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for all municipal investment decisions

### Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than \$75,000. During the third quarter, 23 contracts greater than \$75,000 were awarded totalling over \$13.4 million (Attachment 5).

### **Financial Impact**

None.

### **Conclusion**

At the end of the third quarter, the City continued with the Restoring Richmond Plan while maintaining public health protection protocols to minimize the spread of COVID-19. Staff are closely monitoring the situation and making adjustments where applicable to mitigate the impacts. The forecast operating surplus at the end of the third quarter is \$5.5M and following the year-end audit, the finalized surplus will be transferred to the Rate Stabilization Account for future tax rate stabilization or one time expenditures as authorized by Council.



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

**Economic Indicators****September 30, 2021****Macroeconomic Indicators & Forecast**

	2019	2020	Change	2021f	2022f
<b>1) Real GDP (% at YE)</b>					
Canada	1.9	(5.3)	(378.9%)	5.7	4.9
United States	2.3	(3.4)	(247.8%)	6.0	5.2
China	6.0	2.3	(61.7%)	8.0	5.6
World	2.8	(3.1)	(210.7%)	5.9	4.9
<b>2) Interest Rates (at YE)</b>					
Bank of Canada	1.75	0.25	(85.7%)	0.25	0.75
US FED	1.63	0.13	(92.0%)	0.13	0.38
<b>3) Exchange Rate (at YE)</b>					
CAD per \$1 USD	1.3	1.27	(2.3%)	1.25	1.27

**Regional and Local Market Indicators**

<b>4) Unemployment (% at QE)</b>	<b>Q3-2021</b>	<b>Q2-2021</b>	<b>Change</b>	<b>Q3-2020</b>	<b>Change</b>	
Canada	6.9	7.8	(11.5%)	9.2	(25.0%)	
BC	5.9	6.6	(10.6%)	8.6	(31.4%)	
Metro Vancouver	6.2	7.4	(16.2%)	9.3	(33.3%)	
<b>5) CPI (2002=100) (at QE)</b>	<b>Q3-2021</b>	<b>Q2-2021</b>	<b>Change</b>	<b>Q3-2020</b>	<b>Change</b>	
Canada	142.9	141.4	1.1%	136.9	4.4%	
BC	137.2	135.8	1.0%	132.5	3.5%	
Metro Vancouver	139.6	138.1	1.1%	134.8	3.6%	
<b>6) Richmond Building Permits</b>	<b>Q3-2021</b>	<b>Q3-2020</b>	<b>Change</b>	<b>YTD-2021</b>	<b>YTD-2020</b>	<b>Change</b>
Residential – New Construction <sup>^</sup>	77	40	92.5%	213	135	57.8%
Residential – Alterations	60	60	0.0%	228	199	14.6%
Residential Total	137	100	37.0%	441	334	32.0%
<sup>^</sup> Number of units from new residential construction	88	207	(57.5%)	937	1,122	(16.5%)
Residential	137	100	37.0%	441	334	32.0%
Commercial	73	74	(1.4%)	264	227	16.3%
Industrial	52	60	(13.3%)	164	149	10.1%
Building Permits Total	262	234	12.0%	869	710	22.4%
Construction Value (\$ million)	126.0	100.5	25.4%	572.0	588.0	(2.7%)
<b>7) Housing Starts (Units)</b>	<b>Q3-2021</b>	<b>Q3-2020</b>	<b>Change</b>	<b>YTD-2021</b>	<b>YTD-2020</b>	<b>Change</b>
Starts - Metro Vancouver	5,192	6,415	(19.1%)	20,486	16,179	26.6%
Starts – Richmond	355	939	(62.2%)	1,432	1,125	27.3%
<b>8) Richmond Residential Sales Activity</b>	<b>Q3-2021</b>	<b>Q3-2020</b>	<b>Change</b>	<b>YTD-2021</b>	<b>YTD-2020</b>	<b>Change</b>
Sales – Detached	317	305	3.9%	1,293	658	96.5%
Sales – Townhouse	300	290	3.4%	1,100	632	74.1%
Sales – Apartment	687	505	36.0%	2,272	1,168	94.5%
Sales – Total	1,304	1,100	18.5%	4,665	2,458	89.8%



**Economic Indicators****September 30, 2021****Regional and Local Market Indicators (continued)****9) Richmond Sales to Active Listings**

Ratio (% at QE)	Q3-2021	Q3-2020	Change
Single Family Detached	18.3	17.5	2.8%
Townhouse	61.1	31.1	96.5%
Apartment	40.5	26.9	50.6%
Total	33.2	24.3	36.6%

**10) Average Days on Market**

Property Type	Richmond			Metro Vancouver		
	Q3-2021	Q3-2020	Change	Q3-2021	Q3-2020	Change
Single Family Detached	37	48	(22.9%)	33	40	(17.5%)
Townhouse	27	43	(37.2%)	23	33	(30.3%)
Apartment	31	36	(13.9%)	26	32	(18.8%)

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

Property Type	Richmond			Metro Vancouver		
	Q3-2021	Q3-2020	Change	Q3-2021	Q3-2020	Change
Single Family Detached	1,951	1,565	24.7%	1,828	1,508	21.2%
Townhouse	951	805	18.1%	964	810	19.0%
Apartment	725	655	10.7%	739	684	8.0%

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

	Richmond			Metro Vancouver		
	Q3-2021	Q3-2020	Change	Q3-2021	Q3-2020	Change
Office Vacancy (%)	10.2	8.8	15.9%	8.0	7.9	1.3%
Transit Oriented Office Vacancy (%)	4.0	5.1	(21.6%)	N/A	N/A	N/A
Office Inventory (000 sf)	4,903	4,517	8.5%	63,369	62,658	1.1%
Industrial Vacancy (%)	0.5	1.6	(68.8%)	0.7	0.7	0.0%
Industrial Inventory (000 sf)	44,762	39,389	13.6%	217,231	214,895	1.1%

**13) Richmond Business Growth**

	Q3-2021	Q3-2020	Change	YTD-2021	YTD-2020	Change
Total Valid Business Licences (at QE)	15,108	13,586	11.2%	15,108	13,586	10.5%
New Licences - Number Issued	385	306	25.8%	1,043	969	7.6%
New Licences - Employees	1,294	1,437	(10.0%)	3,922	4,257	(7.9%)
New Licences - Office Added (sf)	233,153	217,458	7.2%	569,934	449,171	26.9%
New Licences - Retail Added (sf)	49,937	96,068	(48.0%)	191,777	189,754	1.1%
New Licences - Industrial Added (sf)	90,190	339,588	(73.4%)	727,959	678,943	7.2%
Total Space Added (sf)/Avg. Change	373,280	653,114	(42.8%)	1,489,670	1,317,868	13.0%



**Economic Indicators****September 30, 2021****Regional and Local Market Indicators (continued)**

14) Goods & People Movement	Q3-2021	Q3-2020	Change	YTD-2021	YTD-2020	Change
YVR Air Cargo (tonnes)**	62,127	62,517	7.4%	188,395	169,075	11.4%
PMV Container Movement (TEUs)	914,143	906,158	0.9%	2,858,235	2,470,635	15.7%
YVR Passengers (million)**	2.69	1.1	144.5%	4.03	6.4	(37.0%)
Richmond Hotel Revenue (\$ million)***	34.0	N/A	N/A	106.0	63.2	68.2%

**Notes:**

- a) QE indicates quarter end; YE indicates year end  
b) f - forecast to year-end  
c) \* - Figures have been updated to reflect changes in source data.  
d) \*\* YVR data for Q3 includes July to September 2021 figures.  
e) \*\*\* Hotel Room Revenue for Q3 includes July and August 2021 data only

**List of Sources:**

- 1) International Monetary Fund, World Economic Outlook (November 2021)  
2) & 3) US Federal Reserve, Bank of Canada and Royal Bank Economic Research Forecast (November 2021)  
4) & 5) Statistics Canada  
6) City of Richmond Building Permits  
7) Canada Mortgage and Housing Corporation  
8) to 11) Real Estate Board of Greater Vancouver  
12) Cushman & Wakefield Office and Industrial Market Beat Reports  
13) City of Richmond Business Licences  
Port of Vancouver Monthly Cargo Statistics  
14) YVR monthly statistics  
City of Richmond Additional Hotel Room Tax Ledger, DestinationBC

**Financial and Key Indicators****September 30, 2021**

(All dollar amounts in \$000's)

	Q3-2021	Q3-2020	Change	YTD-2021	YTD-2020	Change
<b>1) Development Cost Charges Contributions</b>						
Roads, Water, Sewer DCC's Received	\$1,844	\$7,068	(73.9%)	\$7,472	\$20,429	(63.4%)
Parks DCC's Received	\$361	\$3,343	(89.2%)	\$3,875	\$10,944	(64.6%)
<b>Total DCC Fees Received</b>	<b>\$2,205</b>	<b>\$10,410</b>	<b>(78.7%)</b>	<b>\$9,141</b>	<b>\$20,963</b>	<b>(63.8%)</b>
DCC Reserves – Uncommitted balance at QE	\$144,231	\$148,197	(2.7%)	n/a	n/a	n/a
<b>2) Uncommitted Reserves (at QE)</b>						
Capital Funding Reserves	\$118,353	\$166,499	(28.9%)			
Utility Reserves	\$106,598	\$93,774	13.7%			
Affordable Housing Reserves	\$7,174	\$5,115	40.2%			
Other Reserves	\$69,474	\$64,045	8.5%			
<b>Total Uncommitted Reserves</b>	<b>\$301,599</b>	<b>\$329,433</b>	<b>(8.4%)</b>			
<b>3) Taxes to date</b>						
Taxes Collected	\$126,202	\$200,767	(37.1%)	\$460,067	\$394,941	16.5%
City Portion of Taxes Collected	\$61,839	\$98,376	(37.1%)	\$225,432	\$193,521	16.5%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$3,504	\$2,520	39.1%	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,400	6,488	(1.4%)	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$7,963	\$5,548	43.5%	\$21,860	\$22,294	(1.9%)
Interest rate % paid	0.45%	0.45%	0.0%	0.45%	0.45%	0%
<i>Sources: All data is from City of Richmond records</i>						
<b>4) Cash and Investments</b>						
Investments	\$653,653	\$769,542	2.3%			
Cash (includes high interest savings accounts)	\$731,152	\$517,615	2.0%			
<b>Total Cash and Investments</b>	<b>\$1,384,805</b>	<b>\$1,287,157</b>	<b>2.1%</b>			
Average City Rate of Return on Investments %	1.37%	1.92%	(28.6%)			

**Financial and Key Indicators****September 30, 2021**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

	Q3-2021	Q3-2020	Change	YTD-2021	YTD-2020	Change
<b>5) Planning and Development</b>						
Building Permit Fees Collected	\$1,615	\$1,729	(6.6%)	\$6,684	\$7,099	(5.8%)
Development Applications Received	32	29	10.3%	110	112	(1.8%)
Development Applications Fees	\$252	\$183	37.6%	\$714	\$597	19.6%
<b>6) Business Licences</b>						
Revenue Received for Current Year Licences	\$788	\$908	(13.2%)	\$3,761	\$3,888	(3.3%)
Revenue Received for Next Year (Deferred)	\$449	\$407	10.3%	\$786	\$728	8.4%
<b>Total Licence Revenue</b>	<b>\$1,236</b>	<b>\$1,315</b>	<b>(5.9%)</b>	<b>\$4,547</b>	<b>\$4,615</b>	<b>(1.5%)</b>
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
<b>7) Other Revenues</b>						
Parking Program Revenue	\$365	\$269	36.0%	\$952	\$889	7.0%
Gaming Revenue	\$2,999	\$0	100%	\$2,999	\$2,705	10.9%
Traffic Fine Revenue	\$2,606	\$0	100%	\$2,606	\$2,508	3.9%
<b>8) Employees</b>						
Full Time Equivalent (FTE) Employees (at QE) (City and Library)	1,450	1,454	(0.3%)			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
<b>9) Operating Indicators</b>						
RCMP - Calls for Service Handled	14,859	13,456	10.4%	44,136	40,015	10.3%
Community Bylaws	1,208	1,282	(5.8%)	3,311	5,053	(34.5%)
Fire Incidents	2,580	1,298	98.8%	6,766	5,169	30.9%
Public Works calls for Service	3,737	3,862	(3.2%)	10,933	10,376	5.4%

**Financial and Key Indicators****September 30, 2021**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

10) Housing Units Secured Since 2007 (at QE)	Q3-2021	Q3-2020	Change
<u>Affordable Housing</u>			
Non-Market Rental (units)	569	529	7.6%
Affordable Rental (LEMR**) (units)	906	798	13.5%
ARTS Rental (units)	37	37	0.0%
Entry Level Home Ownership (units)	25	25	0.0%
<u>Market Housing</u>			
Market Rental (units)	979	979	0.0%
Secondary Suite / Coach House (units)	303	294	3.1%
<b>Total Housing Units</b>	<b>2,819*</b>	<b>2,662*</b>	<b>5.9%</b>

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

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

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

11) Richmond Population Estimate Year End	2021f	2020
	218,520	216,046

Population figures from BC Stats – 2021 forecasted population not available

**Notes:**

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

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

For the Nine Month Period Ended September 30, 2021, with comparative figures for 2020.

(Expressed in thousands of dollars)

	Budget Sept 30 2021	Actuals Sept 30 2021	Actuals Sept 30 2020
<b>Revenue:</b>			
Taxes and levies	\$192,148	\$192,148	\$180,568
Utility fees	88,425	89,282	88,519
Sales of services	30,288	21,849	18,671
Payments-in-lieu of taxes	9,107	9,107	6,799
Provincial and federal grants	8,141	7,080	4,377
Development cost charges	18,502	9,872	10,901
Other capital funding sources	56,957	24,154	45,009
Other revenue:			
Investment income	9,964	11,249	13,164
Gaming revenue	5,250	2,999	2,705
Licences and permits	8,552	9,979	10,469
Other	12,355	15,748	16,514
Equity income	617	974	1,232
	<b>440,306</b>	<b>394,441</b>	<b>398,928</b>
<b>Expenses:</b>			
Community safety	95,331	84,097	80,162
Utilities: water, sewer and sanitation	82,340	81,262	76,595
Engineering, public works and project development	62,125	49,845	49,799
Community services	55,208	41,612	35,609
General government	51,035	42,743	39,364
Planning and development	18,307	16,635	12,904
Library services	8,320	7,167	6,869
	<b>372,666</b>	<b>323,361</b>	<b>301,302</b>
YTD Surplus (Annual Surplus) <sup>2</sup>	67,640	71,080	97,626
Accumulated surplus, beginning of year	3,303,791	3,303,791	3,239,341
Accumulated surplus, end of September 30 <sup>3</sup>	<b>\$3,371,431</b>	<b>\$3,374,871</b>	<b>\$3,336,967</b>

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

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

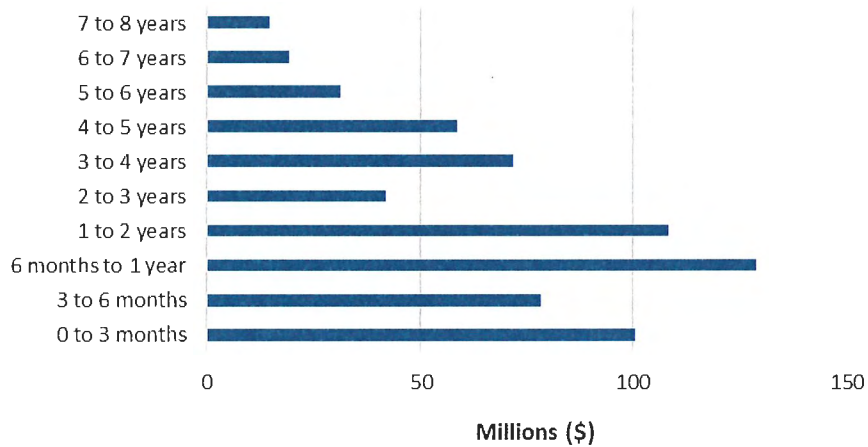
<sup>3</sup> Accumulated surplus is equivalent to the net worth of an organization and is comprised of investment in tangible capital assets, reserves, appropriated surplus, general surplus and other equity.

### Cash and Investment Portfolio

September 30, 2021 (in 000's)

Asset Class	DBRS Long Term Rating	Issuer	Term	Net Book Value	% of Total Portfolio	Investment Limit (% of Portfolio)
<b>Provincial</b>						
	AA (high)	British Columbia	2021-2028	\$ 56,451	8.7%	25%
	AA (low)	Alberta	2022-2023	50,389	7.7%	20%
	AA (low)	Ontario	2022-2026	44,889	6.9%	20%
	AA (low)	Quebec	2022-2025	40,681	6.3%	20%
	AA (low)	Saskatchewan	2025-2028	38,620	5.9%	20%
	A (high)	Manitoba	2021-2023	34,909	5.4%	10%
	A (high)	Nova Scotia	2021-2027	29,475	4.5%	10%
	A (high)	New Brunswick	2021-2027	27,733	4.3%	10%
		<b>Total</b>		<b>\$ 323,147</b>	<b>49.7%</b>	<b>50%</b>
<b>Chartered Banks</b>						
	AA	Bank of Nova Scotia	2021-2026	\$ 69,977	10.7%	15%
	AA (High)	Royal Bank	2022-2025	47,775	7.3%	15%
	AA (High)	TD Bank	2021-2023	40,981	6.3%	15%
	AA	CIBC	2022-2025	34,163	5.2%	15%
	A (low)	Canadian Western Bank	2021	16,904	2.6%	3%
	AA	Bank of Montreal	2022	14,988	2.3%	15%
	AA (low)	National Bank of Canada	2024-2025	11,546	1.5%	5%
	A (high)	HSBC Bank of Canada	2023	9,998	1.5%	10%
		<b>Total</b>		<b>\$ 246,332</b>	<b>37.4%</b>	<b>50%</b>
<b>BC Credit Unions</b>						
	BC	Vancity	2022	\$ 39,208	6.0%	10%
	BC	Gulf and Fraser	2021 - 2022	25,687	3.9%	5%
	Federal	Coast Capital Savings	2021 - 2022	19,278	2.9%	3%
		<b>Total</b>		<b>\$ 84,173</b>	<b>12.8%</b>	<b>30%</b>
<b>Total Investment Portfolio Balance</b>				<b>\$ 653,652</b>	<b>100.00%</b>	
<b>Cash Balance (includes high interest saving products with terms less than 90 days)</b>				<b>\$ 731,152</b>		
<b>Total Cash and Investment Balance</b>				<b>\$ 1,384,804</b>		

### Investment Maturity





**Contract Awards greater than \$75,000**July 1<sup>st</sup> to September 30<sup>th</sup>, 2021

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Steveston Hwy and No. 3 Rd. & Steveston Hwy and Gilbert Rd. Drainage Pump Station Upgrades	GCL Contracting & Engineering Inc.	4,187,000	Engineering & Public Works
2	Supply and Delivery of Self Contained Breathing Apparatus (SCBA)	Guillevin International Inc.	165,066	Community Safety
3	Invasive Species Management Services	Green Admiral Nature Restoration	400,000	Engineering & Public Works
4	Construction Services for South Dike Upgrade - No. 3 Road to 400m West of No. 4 Road	RTR Terra Contracting Ltd.	2,369,628	Engineering & Public Works
5	Consulting Services for 2020 Bus Speed and Reliability Development Study	ISL Engineering & Land Services	134,580	Planning & Development
6	Engineering Consulting Services for South Dike Upgrades from No. 4 Road to No. 5 Road	Kerr Wood Leidal Associates Ltd.	682,962	Engineering & Public Works
7	Steveston Island Preliminary Dike Design Project	Kerr Wood Leidal Associates Ltd.	500,000	Engineering & Public Works
8	Supply and Delivery of Two (2) 3/4 Ton Crew Cab Pickup Trucks	Abbotsford Chrysler Dodge Jeep Ram Ltd.	103,424	Engineering & Public Works
9	RFID Self-Checkout Hardware, Software and Services	Bibliotheca Canada Inc.	160,849	Library
10	Garden City Lands Native Planting	Peel's Nurseries Ltd.	95,943	Community Services
11	Oracle PeopleSoft Financials License Expansion - 2021	Oracle Canada ULC	75,015	Finance & Corporate Services
12	Thompson Community Hall - HVAC Upgrades	Boston Construction Corp.	184,862	Engineering & Public Works
13	Construction Services for City Works Yard Improvements - Phase 1	Boston Construction Corp.	869,292	Engineering & Public Works
14	Seven (7) 2021 Ford Escape Plug In Hybrid	Metro Motors Ltd.	266,140	Engineering & Public Works
15	Community Safety Building Component Replacement - Heat Pump Replacement	Ashton Mechanical Ltd.	683,544	Engineering & Public Works
16	Pre-Construction and Design Services for the Richmond Curling Club Refrigeration System Replacement	Ashton Mechanical Ltd.	120,375	Engineering & Public Works
17	HVAC System Cleaning Services	Reddog Enterprises Ltd. & G.V.A. Power Vac	360,000	Engineering & Public Works

**Contract Awards greater than \$75,000 (continued)**July 1<sup>st</sup> to September 30<sup>th</sup>, 2021

Item	Description	Awarded Vendor	Awarded Amount	Division
18	Supply and Delivery of One (1) 6,500kg CVW Cutaway Van with Dual Rear Wheels	Metro Motors Ltd.	136,530	Engineering & Public Works
19	Civil Engineering Consulting Services for Steveston Highway Multi-Use Pathway Phase 2	R.F. Binnie and Associates Ltd.	346,865	Engineering & Public Works
20	Richmond Curling Club Ice Plant Replacement Construction Services	Ashton Mechanical Ltd.	1,056,524	Engineering & Public Works
21	Fire Hall No. 6 - Heating, Ventilation, and Air Conditioning (HVAC) System Replacement	Davidson Bros Mechanical Contractors Ltd.	215,600	Engineering & Public Works
22	City Hall Annex and City Hall Space Planning	Ashton Mechanical Ltd.	89,753	Engineering & Public Works
23	Consulting Services for the Flood Mitigation Plan Update	Kerr Wood Leidal Associates Limited	149,918	Engineering & Public Works
<b>Total contracts awarded greater than \$75,000</b>			<b>\$13,363,870</b>	