



To:	Richmond City Council	Date:	April 6, 2006
From:	Councillor Evelina Halsey-Brandt Chair, Finance Committee	File:	03-0970-01/2006-Vol 01
Re:	5 Year Financial Plan 2006-2010		

The Finance Committee, at its meeting held on Wednesday, April 5th, 2006, considered the attached report, and recommends as follows:

Committee Recommendation

- (1) That the amended 5 Year Financial Plan (2006 – 2010) be approved; and*
- (2) That staff undertake a process of public consultation regarding this Plan before it is adopted, as per the requirement of Section 165 of the Community Charter.*
- (3) That the Seniors Wellness Coordinator position be approved as a regular fulltime position, effective June 1st, 2006.*

Councillor Evelina Halsey-Brandt, Chair
Finance Committee

Attach.

VARIANCE

Please note that Committee added Part (3) above, and that in Part (1), the word 'proposed' was replaced with the word 'amended'.

PROPOSED 5 YEAR FINANCIAL PLAN (2006-2010) OVERVIEW

INTRODUCTION:

A 5 Year Financial Plan (5YFP) provides City staff with the authority to pay for services for Richmond residents and to generate required revenues to cover the costs for the services through property taxation, user fees and other types of revenue. It also provides City staff with clear direction on spending levels and ensures that City staff are accountable to Council and the residents. The 5YFP is prepared in accordance with Section 165 of the Community Charter and must be adopted annually by bylaw before the annual property tax bylaw deadline of May 15th.

Proposed 5 Year Financial Plan (2006-2010) Assumptions

The assumptions listed on schedule 1 have been used in preparation of the Budget based upon the information available at the time of preparation.

It is important to note that the projections from 2006-2010 maintain existing service levels and build in operating costs resulting from capital growth. They do not include any additional level requests with the exception of 2006 as these have been approved by Council.

Salaries

2006 Salary increases have been budgeted based on the ratified agreements with the City Unions at 2.25% (annualized) and a reasonable estimate has been established for 2007-2010. For Fire Rescue a reasonable estimate for potential salary increases along with related benefits has been included as there has been no settlement to date.

Gaming Revenue

Gaming revenue for 2006-2010 is budgeted at \$10,500,000 and has been allocated as follows:

	2006	2007	2008	2009	2010
Oval	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Revolving Fund	1,239,000	1,239,000	1,239,000	1,239,000	1,239,000
Capital Program	600,000	600,000	600,000	600,000	600,000
Capital Building and Infrastructure Reserve	1,761,000	1,761,000	1,761,000	1,761,000	1,761,000
Grants Program	500,000	500,000	500,000	500,000	500,000
Physical Plant	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Total	\$10,500,000	\$10,500,000	\$10,500,000	\$10,500,000	\$10,500,000

City User Fees

All City user fees have been increased in line with the Consumer Price Index for Vancouver, which we have budgeted at 2.0% for years 2006-2010.

FINANCIAL IMPACT:

Proposed 5YFP Average Property Tax Increases

The 5YFP projected increases in expenditures is offset against all projected non-tax revenues, (please refer to Schedule 2). In order to balance the budgets, we take the total expenditures less the total non-tax revenues, which results in the required tax levy. The average tax increase is calculated by taking the year over year change in the required tax levy less any projected growth in the tax base due to new construction. The average tax rate increase is then determined by dividing this resulting increase by the prior year's tax base.

Based on the proposed 5YFP (2006-2010), the average tax increase (\$) and the corresponding average tax rate (%) increases are as follows:

Year	Same Level of Service	Tax Increase	1% to Reserves	Same Level of Service + 1% to Reserves	Tax Increase + 1% to Reserves	Additional Levels	Tax Impact
2006	\$2,312,618	2.01%	\$1,148,291	\$3,460,909	3.01%	\$1,105,437	0.97%
2007	\$2,537,635	2.09%	\$1,216,920	\$3,754,555	3.09%	-	-
2008	\$2,551,542	2.02%	\$1,262,297	\$3,813,839	3.02%	-	-
2009	\$2,702,442	2.07%	\$1,307,812	\$4,010,254	3.07%	-	-
2010	\$3,088,743	2.28%	\$1,354,836	\$4,443,579	3.28%	-	-

Pursuant to item 1 of Policy 3707, Long Term Financial Management Strategy, the proposed tax increases are within 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.

Breakdown of 2006 tax increase between Community Safety and City as approved by Council on January 24, 2006.

	Change	%
City	\$ 3,578,887	3.12%
RCMP	1,595,050	1.39%
Fire/Rescue	540,700	0.47%
Transfer to Reserves	1,148,291	1.00%
	<u>\$ 6,862,928</u>	<u>5.98%</u>
Net Growth	<u>(2,296,582)</u>	<u>(2.00%)</u>
	<u>\$4,566,346</u>	<u>3.98%</u>

2006 Additional Levels:

The following additional levels were approved at the Council meeting of January 24, 2006 and are included as part of the 3.98% tax increase:

		Amount \$	Tax Impact	
			Each Item	Overall
	Estimated Shortfall net of estimated growth	\$ 2,312,618	2.01%	2.01%
	Additional 1% to reserves	1,148,291	1.00%	1.00%
		\$ 3,460,909	3.01%	3.01%
Additional Level Requests approved by Council				
1	Emergency Response Team (ERT)	241,491	0.21%	3.22%
2	Tree Protection Bylaw - 2 Arborists & Clerk	250,000	0.22%	3.44%
3	Spirit of BC Richmond Community Committee	5,000	0.00%	3.44%
4	Sister City Committee	8,500	0.01%	3.45%
5	Building Code Engineer (no net cost)	0	0.00%	3.45%
6	Plumbing Inspector II (no net cost)	0	0.00%	3.45%
7	2 RCMP Officers	263,250	0.23%	3.68%
8	Asphalt Rehabilitation Program	200,000	0.18%	3.86%
9	Powder Post Beetle/Pile Structure Maintenance Program	50,000	0.04%	3.90%
10	Richmond Therapeutic Equestrian Society	\$23,400	0.02%	3.92%
11	Richmond Committee on Disability	\$30,896	0.03%	3.95%
12	Seniors Wellness Coordinator	\$32,900	0.03%	3.98%
Total Shortfall with Additional Level Requests		\$ 4,566,346	0.97%	3.98%

Proposed 5YFP (2006-2010) Capital Program

The proposed 5 Year Capital Program for 2006-2010 has been incorporated into the 5YFP.

The balance of the funding for the capital program comes from statutory reserve accounts and other funding sources such as grants and development cost charges. The proposed 5YFP Capital Program for 2006-2010 was prepared by the Land & Capital Team, which has representation from all City Divisions. As in previous years, the Team utilized a ranking system in conjunction with comments and recommendations from all stakeholders.

The ranking criteria includes:

- the level of need for a project
- consistency with Council approved plans or priorities
- financial costs and benefits
- financial risk associated with a project
- social/environmental/liveability benefits
- funding sources and availability

The proposed 2006 Capital Program is intended as a detailed plan for construction, while years 2007-2010 are intended to be a planning tool that will be reviewed and refined annually based on financial and other trends. The total expenditure amount of each year of the recommended Capital Plan by program is:

Programs	2006	2007	2008	2009	2010
Infrastructure	\$35,144,700	\$27,291,744	\$22,430,221	\$23,008,248	\$23,391,247
Building	61,610,036	56,460,000	38,009,900	7,942,651	4,110,000
Land	2,000,000	2,000,000	-	-	-
Parks	11,894,924	6,775,250	10,550,000	6,575,000	7,460,343
Equipment	2,371,000	3,092,700	1,545,000	2,462,240	2,255,000
Total	\$113,020,660	\$95,619,694	\$72,535,121	\$39,988,139	\$37,216,590

2006 Capital Budget Trends and Highlights

On January 9, 2006, Council approved of the 2006 Provisional Capital Budget in the amount of \$109.6M. The following are changes to the provisional budget:

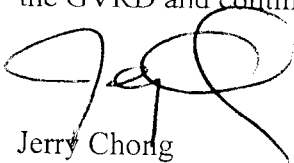
Provisional Capital Budget January 9, 2006		\$ 109,650
River Rd/North Loop (2005) Repayment	1,770	
No 1 Rd Lane Construction : NIC	410	
Public Art (developer contribution)	174	
Special Sports Reserve Fund	1,417	
Terra Nova 2005 Project Repayment	500	
Waterfront Improvement Reserve Fund	500	
		4,771
Physical Plant Sustaining to Operating		(1,400)
Total		\$ 113,021

- The plan has a total value of approximately \$113.0 M.
- “Olympic Oval” project amounts to \$53.9 M
- \$1.725 M for Westminster Highway Widening Project from McMillan Road to Hamilton interchange, \$3.0 M for phase 2 of the River Road Re-alignment.
- \$2.0 M for post games legacy opportunities.
- Consistent with Council’s endorsement, \$1.5 M has been allocated towards the volunteer residential water-metering program.
- In conjunction with Translink, \$2.6 M has been allocated for work on No. 3 Road corridor for improvements in association with the RAV line.

- Watermain upgrade in the amount of \$2.2 M has been identified for Westminster Highway from No. 3 Road to Garden City and from No. 4 Road to Shell Road.
- Watermain replacement projects totalling \$3.9 M including the following areas, Aztec, Broadmoor, Comstock, River Road, Maddocks and No. 2 Road from Steveston Highway to Monteith Road.
- \$3.5 M for the seismic upgrades of Fire Hall No. 2 (\$1.7 M) located on No. 2 Road and Steveston Hwy and Fire Hall No. 6 (\$1.8 M) located on No. 4 Road, and \$0.5 M for additional work received through grants on Fire Hall No. 5 (Hamilton).
- \$1.0 M and \$0.6 M respectively for upgrades and/or replacement of the Ackroyd and Elmbridge sanitary pump stations, and \$0.4 M and \$0.55 M respectively for Bridgeport and City Centre & Fraser areas sanitary sewers.
- Drainage projects totalling \$1.7 M for upgrades at the following areas, Aztec, Horseshoe Slough and Lucas Road.
- Parks program includes the following:
 - Artificial Turf Sports Field \$2.7 M
 - McLennan North Park \$0.7 M
 - Steveston Park Water Play completion \$0.6 M
 - Automatic lighting and irrigation control \$0.25 M

CONCLUSION

The 5YFP outlines the current year's budget and provides projections for future years. It should be emphasized that the 5YFP beyond 2006 will change as more accurate and current information is obtained to update each successive year accordingly. The proposed 5YFP is consistent with Council's initiative to ensure that tax increases are within the rate of inflation (Vancouver CPI). Richmond is competitive in its municipal tax levy when compared with other municipalities in the GVRD and continues to be a leader in providing quality services to its residents.



Jerry Chong
Acting Director, Finance
(4064)

Schedule 1

**PROPOSED 5 YEAR FINANCIAL PLAN (2006 - 2010)
ASSUMPTIONS
(\$ in 000's)**

	2006	2007	2008	2009	2010
Salary Increases-All LG's*	2.25%	n/a	n/a	n/a	n/a
Fire Rescue Salaries*	1.95%	n/a	n/a	n/a	n/a
Consumer Price Index**	2.00%	2.00%	2.00%	2.00%	2.00%
U.S. Exchange Rates**	1.15	1.15	1.15	1.15	1.15
Gas	8.00%	5.00%	5.00%	5.00%	5.00%
Hydro	3.00%	2.00%	2.00%	2.00%	2.00%
Contracts (photocopy & office equipment)	10.00%	5.00%	5.00%	n/a	n/a
Casino Funding					
Oval	\$ 5,000	5,000	5,000	5,000	5,000
Revolving Fund	1,239	1,239	1,239	1,239	1,239
Capital	600	600	600	600	600
Capital Building Infrastructure	1,761	1,761	1,761	1,761	1,761
Grants	500	500	500	500	500
Physical Plant Sustaining	1,400	1,400	1,400	1,400	1,400
	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500
Insurance	6.00%	3.50%	3.50%	3.50%	3.50%
Growth	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
RCMP Contract increases (including YVR)	4.25%	4.90%	4.50%	4.50%	4.50%
Business License Revenue	2.00%	2.00%	2.00%	2.00%	2.00%
Community Facility Revenue	2.75%	1.81%	1.81%	1.81%	1.81%
* Salary increases for 2006 for the City take effect on April 1 at 3% , salary increases for Fire Rescue are at 2.6% effective April 1, there are no contracts in place for future years for either the City or Fire					
** Consumer Price Index and US Exchange Rates are based on Province of BC Estimates					

CITY OF RICHMOND
5 YEAR FINANCIAL PLAN (2006-2010)
(\$ in 000's)

	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$
EXPENDITURES					
Municipal Debt:					
Debt Interest	4,006	4,006	4,006	4,006	4,006
Debt Principal	3,186	3,345	3,512	3,688	3,872
Divisional Expenditures:					
Community Safety	56,934	59,224	61,681	64,252	66,943
Parks, Recreation & Cultural Services	37,591	38,472	39,453	40,455	41,388
Engineering & Public Works	31,159	32,475	34,075	35,628	37,084
Utilities (Water, Sewer & Sanitation)	56,390	60,442	63,280	67,405	71,647
Finance & Corporate Services	14,060	14,410	14,785	15,165	15,556
Planning & Development	10,071	10,292	10,524	10,761	11,003
Corporate Administration	3,870	3,964	4,060	4,157	4,256
Human Resources	2,221	2,251	2,283	2,315	2,348
Fiscal	17,289	17,747	18,306	18,681	18,885
Transfer to Statutory Reserves	20,153	21,370	22,632	23,940	25,295
Capital Plan	113,021	95,620	72,535	39,988	37,217
TOTAL EXPENDITURES	369,951	363,618	351,132	330,441	339,500
REVENUES					
Property Taxes	121,692	127,447	133,259	139,271	145,711
Grants in Lieu of Taxes	10,094	10,209	10,409	10,489	10,589
Utilities (Water, Sewer & Sanitation)	56,390	60,442	63,280	67,405	71,647
Fees & Charges	37,111	37,972	39,585	41,165	42,763
Other Revenues:					
Provincial Revenue Sharing	4,089	4,089	4,089	4,089	4,089
Gaming Revenue	10,500	10,500	10,500	10,500	10,500
Fiscal Revenues	7,810	7,972	8,024	8,084	7,534
Investment Income	8,285	8,408	8,490	8,490	8,490
Penalties and Interest on Taxes	960	960	960	960	960
Capital Plan:					
Transfer from DCC Reserve	21,981	14,531	14,576	11,297	11,400
Transfer from Reserves	31,574	30,939	26,491	27,632	22,208
Transfer From Other Sources	59,465	50,149	31,469	1,059	3,609
TOTAL REVENUES	369,951	363,618	351,132	330,441	339,500
Proposed Property Tax Increase %	3.98%	3.09%	3.02%	3.07%	3.28%
BASE LEVY	114,829	121,692	127,447	133,259	139,271
GROWTH	2,297	2,000	2,000	2,000	2,000
PROPERTY TAX INCREASE	4,566	3,755	3,812	4,012	4,440
CURRENT YEAR PROPERTY TAX	121,692	127,447	133,259	139,271	145,711

Schedule 3

**CITY OF RICHMOND
5 YEAR CAPITAL PROGRAM
2006 – 2010
(in \$000's)**

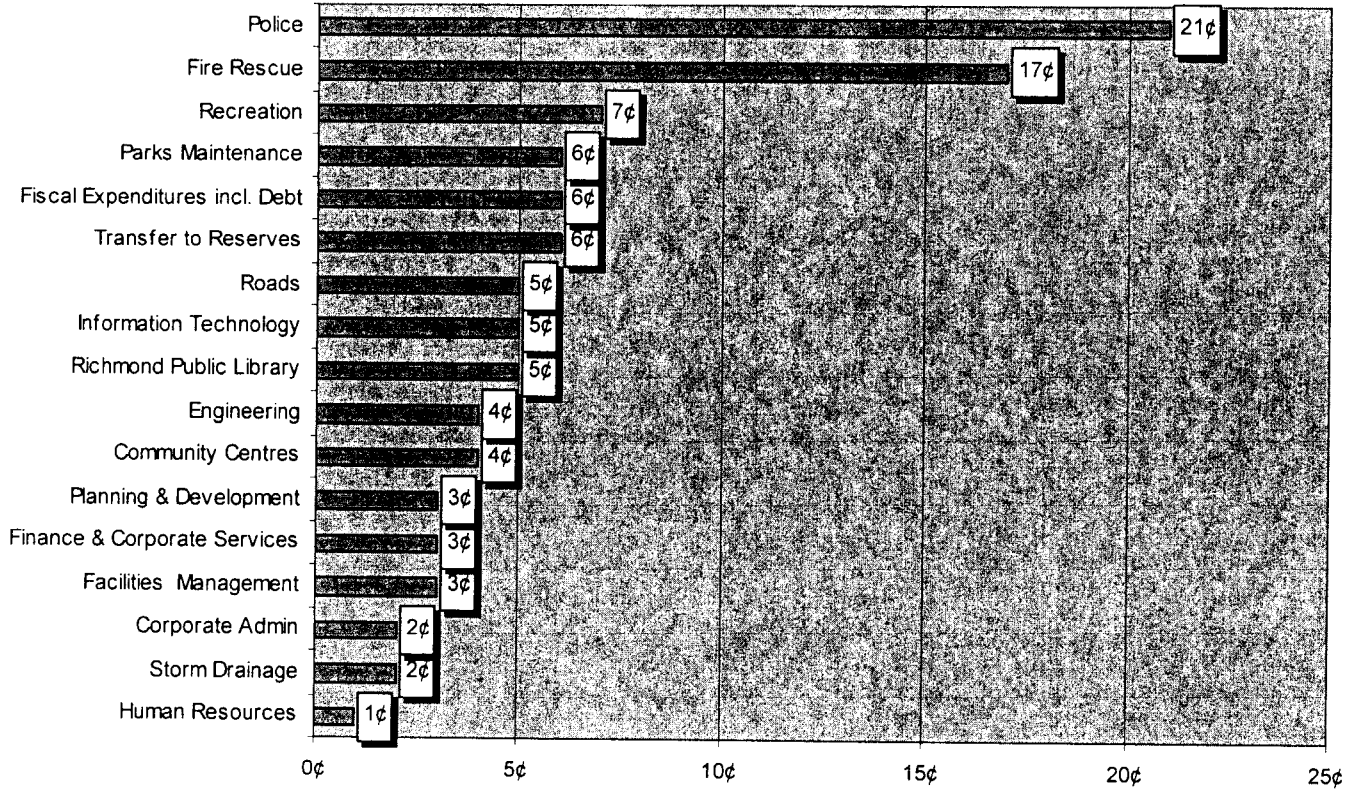
	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$
INFRASTRUCTURE PROGRAM					
Drainage/Storm Sewer	2,440	6,314	3,619	5,142	4,150
Local & Neighbourhood Improvements	1,198	750	750	750	750
Minor Public Works	500	1,100	500	500	500
Roads	20,015	9,035	8,080	5,285	6,880
Sanitary Sewer	2,736	1,550	1,700	1,850	1,000
Water	8,257	8,543	7,781	9,481	10,111
Total	35,145	27,292	22,430	23,008	23,391
BUILDING PROGRAM					
Community Safety Building	4,063	-	-	4,463	-
Major Buildings	3,207	2,710	2,400	2,650	3,110
Minor Buildings	400	1,000	1,000	830	1,000
Olympic Oval	53,940	52,750	34,610	-	-
Total	61,610	56,460	38,010	7,943	4,110
LAND PROGRAM					
Affordable Housing	1,000	1,000	-	-	-
Land Acquisition	1,000	1,000	-	-	-
Total	2,000	2,000	-	-	-
PARKS PROGRAM					
Child Care Program	50	45	-	-	-
Major Parks	8,820	3,230	4,200	3,625	4,610
Minor Parks	375	500	550	450	350
Parkland Acquisition	2,650	3,000	5,800	2,500	2,500
Total	11,895	6,775	10,550	6,575	7,460
EQUIPMENT PROGRAM					
Annual Fleet Replacement	1,466	1,495	1,545	1,835	2,255
Computer Capital/Software	350	500	-	350	-
Fire Department Vehicles	-	1,098	-	277	-
Technological Innovations	555	-	-	-	-
Total	2,371	3,093	1,545	2,462	2,255
Total Capital Programs	113,021	95,620	72,535	39,988	37,217

Schedule 4

CITY OF RICHMOND
5 YEAR CAPITAL PLAN FUNDING SOURCES
2006 – 2010
(\$ in 000's)

	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$
<u>DCC Reserve</u>					
Drainage	902	149	277	1,674	913
Parks Acquisition	7,497	7,840	7,644	2,450	2,450
Parks Development	3,327	2,774	2,891	3,406	4,273
Roads	8,367	3,768	3,764	3,768	3,764
Sanitary Sewer	618	-	-	-	-
Water	1,270	-	-	-	-
TOTAL	21,981	14,531	14,576	11,297	11,400
<u>Reserves and Other Sources</u>					
<u>Statutory Reserves</u>					
Affordable Housing Reserve Fund	1,000	1,000	-	-	-
Capital Building and Infrastructure Reserve Fund	5,842	-	1,100	4,463	-
Capital Reserve fund	11,706	11,726	10,271	5,679	4,986
Child Care Development Reserve Fund	50	45	-	-	-
Drainage Improvement Reserve Fund	1,690	3,733	3,244	3,296	3,106
Equipment Replacement Reserve Fund	1,466	3,093	1,545	2,112	2,255
Local Improvements Reserve Fund	788	750	750	750	750
Neighbourhood Improvement Reserve Fund	410	-	-	-	-
Public Art Program Reserve Fund	100	100	100	-	-
Sanitary Sewer Reserve Fund	2,086	1,750	1,700	1,850	1,000
Steveston Road Ends Reserve Fund	650	-	-	-	-
Waterfront Improvement Reserve Fund	800	-	-	-	-
Watermain Replacement Reserve Fund	4,987	8,743	7,781	9,481	10,111
Subtotal Statutory Reserves	31,574	30,939	26,491	27,632	22,208
<u>Other Sources</u>					
Appropriated Surplus/Surplus	46,519	46,138	29,510	500	3,500
Grant, Developer and Community Contributions	11,456	4,011	1,959	559	109
Water Metering Provision	1,491	-	-	-	-
Subtotal Other Sources	59,465	50,149	31,469	1,059	3,609
TOTAL OTHER FUNDS & RESERVES	91,040	81,089	57,959	28,691	25,817
TOTAL CAPITAL PLAN CONTRIBUTIONS	113,021	95,620	72,535	39,988	37,217

Breakdown of \$1 of Municipal Taxes 2006



Breakdown of Budget - 2006

