



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** August 10, 2018

**From:** Jerry Chong  
Director, Finance

**File:** 03-0970-09-01/2018-  
Vol 01

**Re:** Financial Information – 2<sup>nd</sup> Quarter June 30, 2018

### Staff Recommendation

That the staff report titled, “Financial Information – 2<sup>nd</sup> Quarter June 30, 2018”, dated August 10, 2018 from the Director, Finance be received for information.

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

Att: 5

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	A _____
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"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b>  CJ	<b>APPROVED BY CAO</b> <i>for</i>  <i>for [signature]</i>

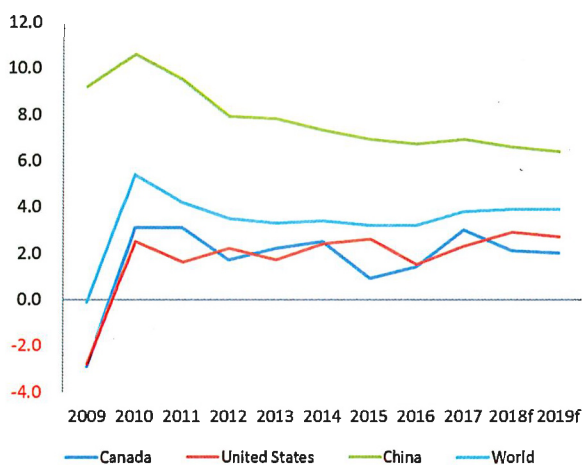
**Origin**

Pre-audited financial information for the 2<sup>nd</sup> quarter ended June 30, 2018 is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information. The financial information provides Council with an overview of the City’s financial results throughout the year and before the annual audited financial statements are presented.

**Analysis**

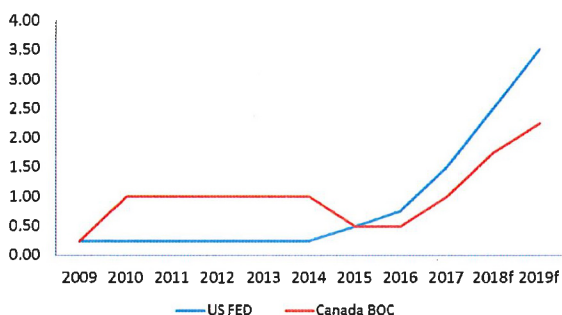
Macroeconomic Indicators & Forecast

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



- Global growth in GDP is projected to reach 3.9% in both 2018 and 2019, unchanged from the International Monetary Fund’s World Economic Outlook from April 2018.
- The GDP growth forecast for the U.S. and Canada also remains unchanged, though downside risks are increasing amid escalating trade and geopolitical tensions.
- In Canada, GDP growth is forecasted at 2.1% in 2018 and 2.0% in 2019. The U.S. economy is expected to expand by 2.9% and 2.7%, and China is forecasted at 6.6% and 6.4% in 2018 and 2019 respectively.

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

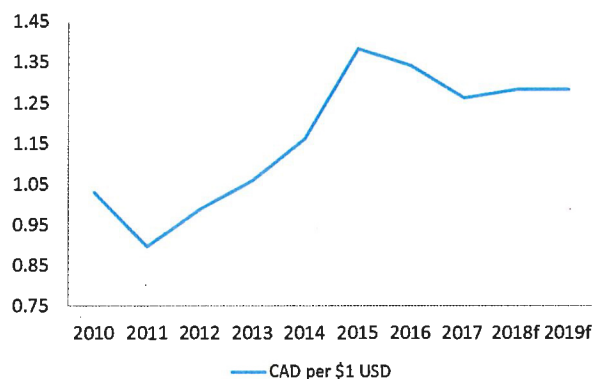


- Throughout the first half of the year, Canadian economic conditions were balanced by accelerating business investment offset by the drop in housing market activity. The Bank of Canada (BoC) overnight lending rate is expected to increase to 2.25% by the end of 2019.
- The U.S. Federal Reserve raised the overnight rate in Q2 2018 to 2.0%, the highest level since 2008. Citing strong economic conditions including job creation, wage growth and consumer spending, the rate is forecasted to increase to 3.5% by the end of 2019.

<sup>1</sup> International Monetary Fund, World Economic Outlook (July 2018)

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

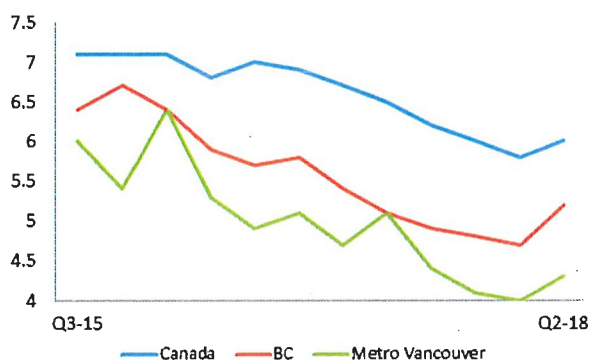
### 3) Exchange Rates – CAD/USD at Year-End<sup>3</sup>



- A national economy performing at capacity caused the U.S. currency to continue to strengthen in Q2 2018.
- Strong data out of Canada influenced the position of the Canadian dollar (CAD). It was the best performing currency against the U.S. dollar (USD) falling only 2.6%.
- The CAD/USD exchange rate ended Q2 2018 at \$1.31 CAD per \$1 USD. It is expected to end 2019 at \$1.28 CAD per \$1 USD in anticipation of continued oil price stabilization, economic growth and resulting federal policy rate hikes.
- Downside risks to the CAD include uncertainty over NAFTA negotiations and broader trade tensions sparked by the U.S.

### Regional & Local Economic Activity Indicators

#### 4) Unemployment<sup>4</sup>

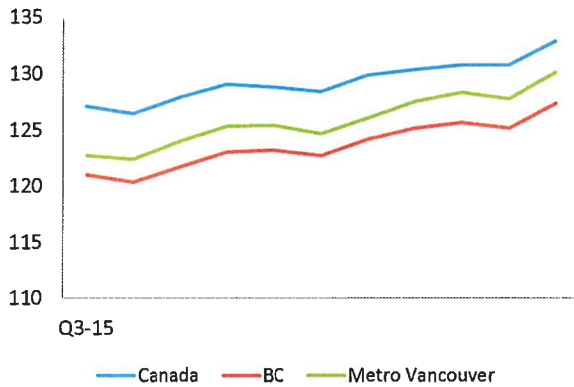


- National and regional economies continue to operate at close to full employment levels throughout the first half of 2018. The unemployment rate in Canada increased in Q2 2018, mainly due to growth in the overall labour force by nearly 76,000 workers.
- Unemployment rates ended the quarter at a low 6.0%, 5.2%, and 4.3% for Canada, B.C. and Metro Vancouver respectively. This represents a decrease of 7.7% and 15.7% for Canada and Metro Vancouver compared to the same quarter in 2017.
- Over the same period, B.C.’s unemployment rate increased by 2.0% but remains the lowest in the country.
- This employment growth is expected to put upward pressure on wages due to competition for skilled employees.

<sup>3</sup> Bank of Canada, Monetary Policy Report (July 2018)

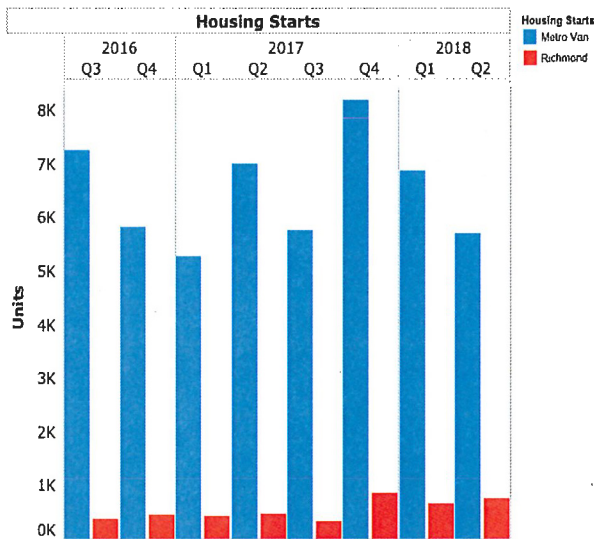
<sup>4</sup> Statistics Canada

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



- Inflation, as measured by the consumer price index (CPI), increased in Metro Vancouver, B.C. and Canada in Q2 2018, with energy prices, interest rates and minimum wages contributing to the rise.
- The country’s annual inflation rate rose by 2.5% in June as consumer prices grew at their fastest pace in more than six years.
- At the end of Q2 2018, the CPI increased by 3.0% in Metro Vancouver and 2.7% in B.C., compared to the previous year.
- The BoC continues to monitor inflation closely, and increases to its policy interest rate are intended to maintain the CPI rate of increase at the midpoint between 1 and 3 percent.

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

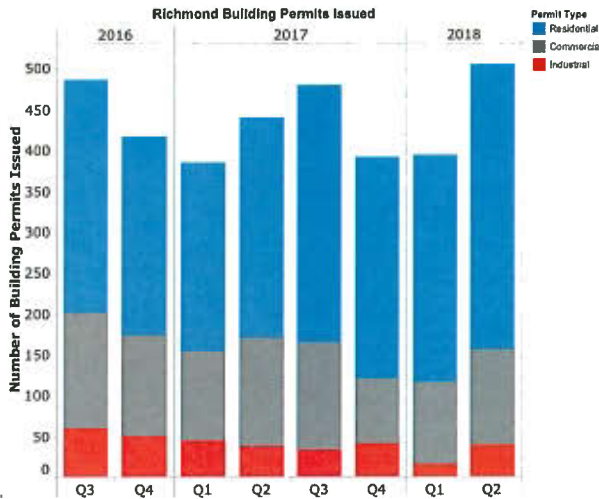


- Construction of new homes in Richmond, particularly condos and townhouses, continued to surge in Q2 2018.
- Housing starts in Richmond increased by 60% in the first half of 2018, compared to the same period in 2017.
- This contrasts regional totals, where housing starts slowed in Q2 over Q1. Overall, 2018 year-to-date housing starts in Metro Vancouver increased by 2.4% over the same period last year.
- There were 12,562 housing starts in Metro Vancouver throughout the first six months of 2018, and 1,413 in Richmond during the same period.

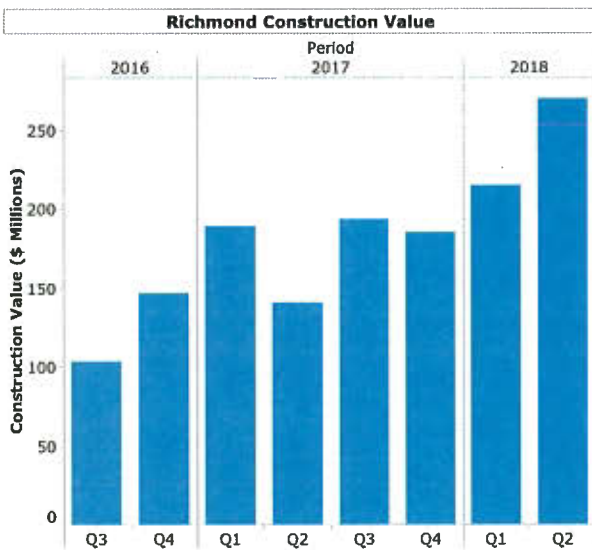
<sup>5</sup> Statistics Canada

<sup>6</sup> Canada Mortgage and Housing Corporation

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



- The total number of building permits issued in Richmond throughout the first half of 2018 increased by 9.0% over the same period in 2017.
- Residential construction was the only category that contributed to this increase, where year-to-date new home construction increased 25% over the same period last year.
- Commercial and industrial building permit activity declined in the same period, by 10% and 33% respectively.
- In total there were 628 residential, 217 commercial, and 54 industrial building permits issued in the first half of 2018.

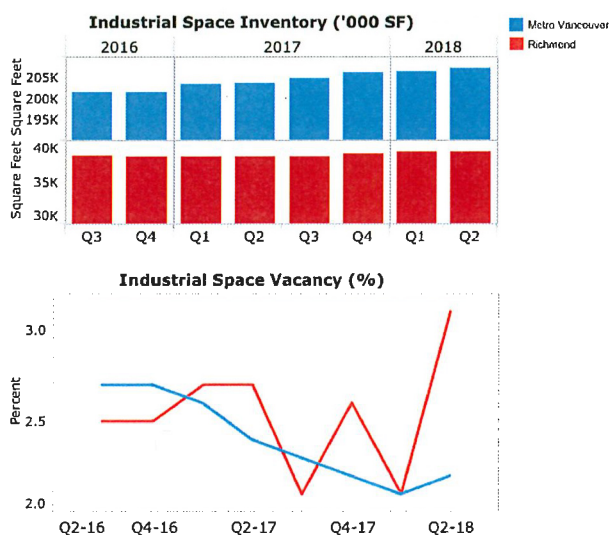


- The total value of construction activity throughout Richmond in the first half of 2018 totaled \$485 million.
- In the second quarter of 2018 alone, the value of construction activity in Richmond increased by a significant 92% over the same period last year.
- This was mainly attributed to a surge in multi-family residential construction activity that occurred prior to a planned average 2.2% increase in development cost charges in May 2018.

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

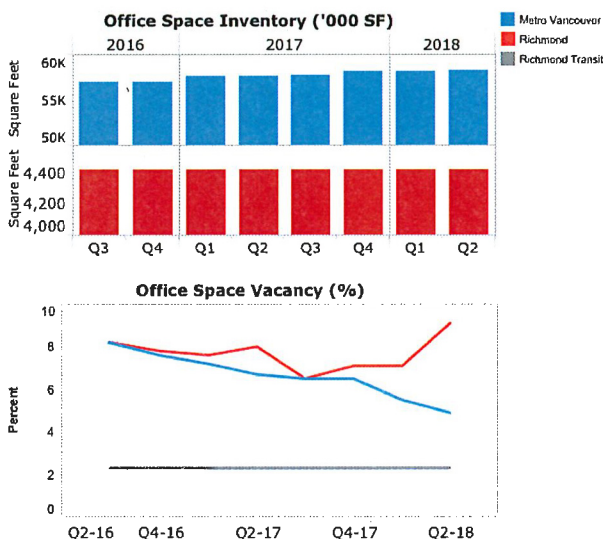
8) Commercial Space<sup>8</sup>

a) Industrial Space



- Despite a net addition of 545,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has kept the industrial vacancy rate low. It ended Q2 2018 at 3.1%.
- Meanwhile, the vacancy rate in Metro Vancouver decreased again year over year, by 8.3%, and ended Q2 2018 at 2.2%.
- With this acute shortage of industrial space, Richmond and Metro Vancouver are experiencing difficulty accommodating new large users as well as the expansion of existing businesses.
- At 38.5 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (35 million), Burnaby (30 million), Delta (24 million), and Vancouver (24 million).

b) Office Space

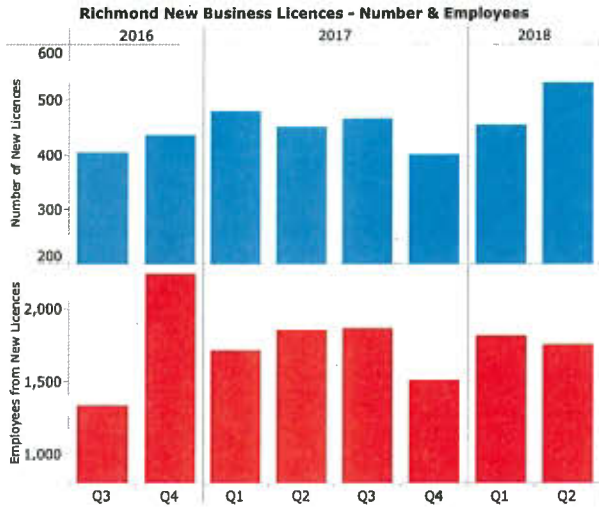


- The overall office vacancy rate in Richmond increased by 13% over the same period last year. It is now 9% city-wide and close to nil in the City Center.
- Demand for office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market. The uptick in the Richmond office vacancy rate is likely due to companies relocating to this type of space in other communities.
- High demand throughout Metro Vancouver caused the office vacancy rate to decline by 27% year-over-year and ended Q2 2018 at a low 4.9%.

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

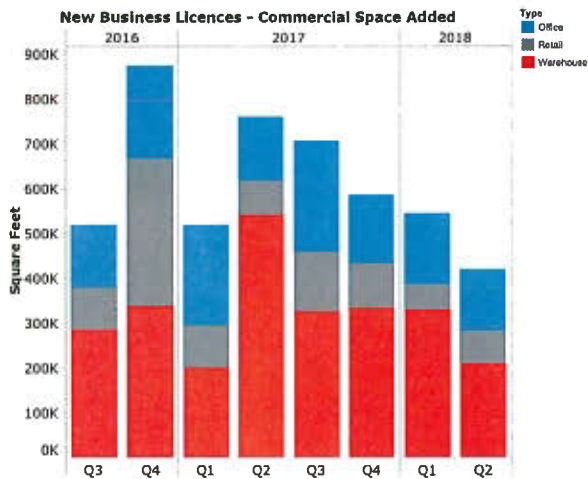
9) Business Growth – Richmond

a) New Business Licences



- There were 982 new business licences issued in Richmond during the first half of 2018, an increase of 6% over the same period in 2017.
- The addition of 3,556 jobs was attributed to these new businesses.

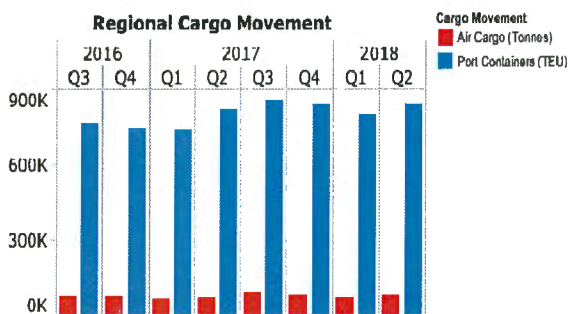
b) New Business Licences – Commercial Space



- Almost 1 million square feet of commercial space absorption was tied to the new business licences issued throughout the first half of 2018.
- As industrial users typically require more space, it is not surprising that 56% of total commercial space absorption was warehouse-type industrial space.
- One third of commercial absorption in the first half of 2018 was tied to office-based businesses. Only 13% of commercial space absorption throughout this period was from retail businesses

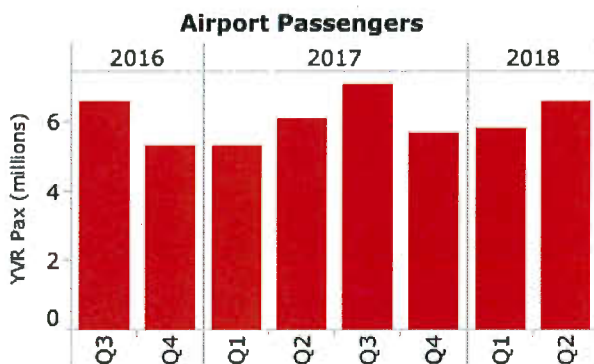
10) Goods and People Movement

a) Regional Cargo Movement<sup>9</sup>



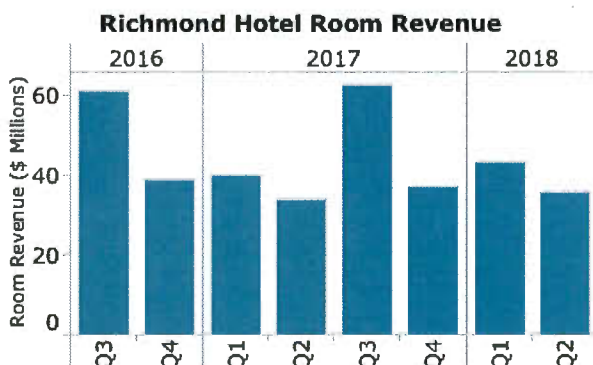
- Regional cargo data indicators of regional trade activity continued to demonstrate solid year over year growth in Q2 2018.
- The Port of Vancouver hit a record shipping container volume. In the first half of 2018, container movements measured by Twenty-Foot Equivalent Units increased by 5% over the previous year.
- 156,967 tonnes of air cargo moved through the Vancouver International Airport (YVR) in the first 6 months of 2018, an 11% increase over the same period last year.

b) Airport Passengers<sup>10</sup>



- 2017 was a record-breaking year of growth for YVR. The airport saw 24.2 million passengers throughout the year, an 8.4% increase over 2016.
- 2018 is on track to be another record breaking year. Passenger traffic throughout the first half of the year increased by 8.8% to 12.4 million passengers, over the same period in 2017.

c) Richmond Hotel Room Revenue<sup>11</sup>



- \$78.5 million was collected in hotel room revenue throughout the first five months of 2018 in Richmond, an increase of 6.2% over the same period last year.

\* Q2 data for both 2017 and 2018 include figures from April and May. June figures not yet available.

<sup>9</sup> Port of Vancouver Monthly Cargo Statistics

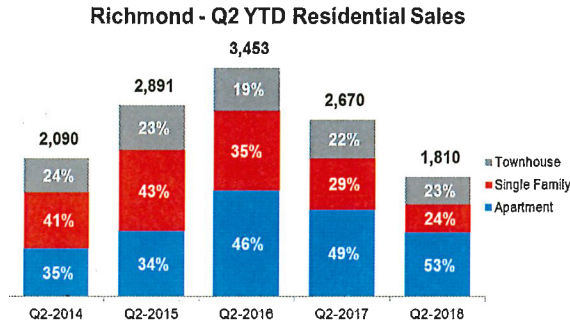
<sup>10</sup> YVR Monthly Statistics

<sup>11</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC



Residential Real Estate

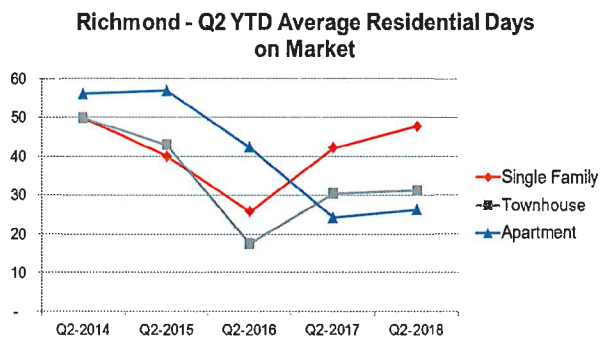
In the first half of 2018, home buyer activity has decreased with increasing interest rates, more restrictive mortgage requirements, increases to the property transfer tax and foreign buyer’s tax, introduction of the speculation tax, and the upcoming school tax increase.



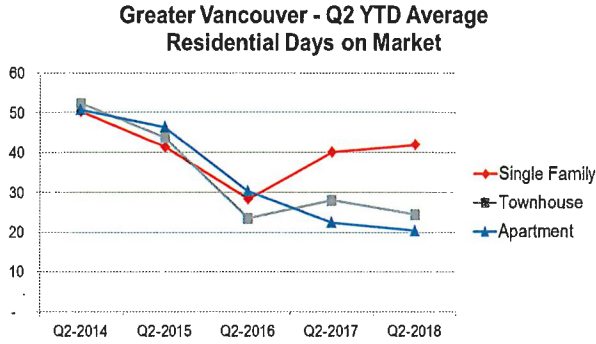
- Single family detached (SFD) home sales have continued to decline with a 44% year-over-year decrease.
- Apartment and townhome sales have declined 27% and 29% respectively year-over-year.
- Apartment sales currently comprise more than half of the residential home sales in the city. Townhome sales remain relatively constant and are approximately 23% of current home sales in the city.
- There were 1,810 residential home sales in Richmond at the end of Q2 2018, a 32% decrease compared to the same period last year.



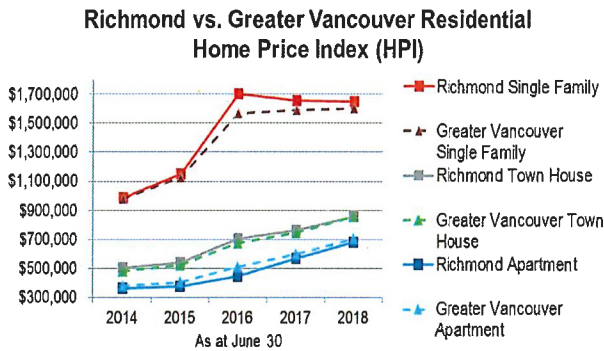
- Richmond residential properties had a sales-to-active listings ratio of 20% as at June 30, 2018 which indicates that 20% of the homes listed are sold in the first half of 2018. This is an approximate 15% year-over-year decrease.



- At Q2 2018, SFD properties in Richmond and the Greater Vancouver Regional District (GVRD) had an average of 48 and 42 days on the market, respectively. Comparing to the average of 42 and 40 days in Q2 2017, both Richmond and GVRD SFD markets are slowing.



- The Richmond townhome and apartment average days on market exceed the GVRD average. In Q2 2018, Richmond showed an average of 31 and 26 days for townhomes and apartments, respectively, while GVRD indicated an average of 25 and 21 days.

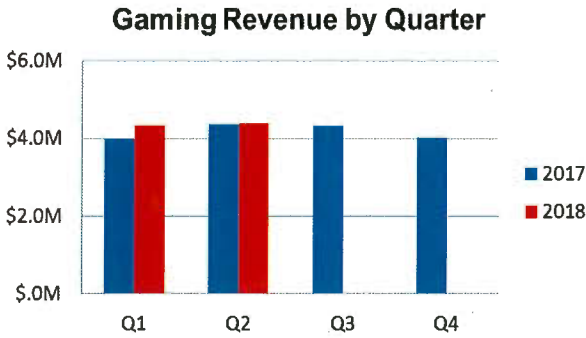


- The Home Price Index (HPI)<sup>12</sup> for SFD properties in Richmond at Q2 2018 is \$1,648,600 and decreased 0.1% compared to the same time last year.
- The HPI for townhouse properties in Richmond is \$854,800 and increased 12% compared to the same time last year.
- The HPI for apartments is \$683,800 and increased 19% compared to the same time last year. Based on the recent HPI increases, Richmond apartment prices are approaching the average GVRD price of \$704,200.

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.

<sup>12</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.



- Gaming revenue for Q2 2018 increased by 0.2% to \$4.39 million compared to \$4.38 million in Q2 2017.
- Q2 2018 increased by 1.1% compared to the previous quarter from \$4.34 million to \$4.39 million.
- At the end of Q2 2018, the City received \$8.73 million or 52.9% of the annual budgeted amount.

River Rock continues to see a decrease in Tables Drop<sup>13</sup> revenue as a result of the new procedures enacted earlier in the year. The decline continues to be offset by increased Slot Coin-In<sup>14</sup> revenue, attributable to the renovations completed in the first quarter.

Effective June 3, 2018, Great Canadian Gaming Corporation (GCGC) signed new Operational Services Agreements (OSA) which replaced the existing casino operating and services agreements with BCLC for all gaming facilities in BC. The new OSAs will increase GCGC’s accountability to BCLC through annual business planning requirements, compliance, and standards, while also creating strategic opportunities for greater alignment between BCLC and the GCGC.

On June 27, 2018, the BC provincial government released a report on the review of anti-money laundering (AML) policies and practices in Lower Mainland casinos. GCGC has stated that they are continuing to work in collaboration with regulators and Crown corporations to enhance the AML system and that the report’s recommendations are not expected to have a material impact on GCLC’s business.

At the December 11, 2017 Council meeting, the 2018 Budget was approved which included the gaming revenue allocation for 2018. The distribution of these funds is detailed in Table 1 with any surplus revenue transferred to the major capital community facility program (Capital Building Infrastructure Reserve). The distribution is consistent with the 2017 gaming revenue allocation.

Table 1: *Distribution of the 2018 gaming revenue allocation*

	Distribution	2018 Budget
Capital Reserves	30%	\$5.0M
Grants	15%	2.5M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	5.0M
Operating (RCMP)	Four Officers	0.7M
Capital Building Infrastructure Reserve	Remainder	3.0M
<b>Total</b>		<b>\$16.5M</b>

<sup>13</sup> Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games.

<sup>14</sup> Coin in/coin out refer to the number of credits or units both played and paid out. Coin in are the number of units played and coin out are the number of units won.

Operating Activity

Table 2 compares budget to unaudited actual activity up to June 30, 2018. The net figure represents combined revenue and expense amounts. Actuals includes estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: *Net Operational Activity for the period January 1, 2018 to June 30, 2018 (in \$000's)*

Net operational activity <sup>1</sup>	Unaudited 2018 results			
	2018 YTD Net Budget	2018 YTD Actuals and Commitments <sup>3</sup>	Variance YTD (\$)	Variance YTD(%)
Division/Department <sup>2</sup>				
Community Safety (including business licences)	(\$1,195)	(\$1,917)	\$722	60%
Community Services	21,355	20,356	999	5%
Corporate Administration	5,454	4,911	543	10%
Engineering and Public Works	20,316	19,700	616	3%
Finance and Corporate Services	13,179	12,372	807	6%
Fire Rescue	18,565	18,527	38	0%
Library	4,688	4,674	14	0%
Planning and Development	2,719	985	1,734	64%
Policing	23,694	22,925	769	3%
Fiscal	(87,543)	(88,079)	536	1%
<b>Total Operating</b>	<b>\$21,232</b>	<b>\$14,454</b>	<b>\$6,778</b>	
Water utility	(864)	(1,174)	310	36%
Sanitary sewer utility	(154)	(291)	137	89%
Sanitation and recycling utility	(267)	(1,138)	871	326%
<b>Total Utilities</b>	<b>(\$1,285)</b>	<b>(\$2,603)</b>	<b>\$1,318</b>	

<sup>1</sup>Net Operational Activity does not include amounts related to capital such as: contributed assets, developer contributions, amortization, etc.

<sup>2</sup>Based on the organizational structure in place as of June 30, 2018.

<sup>3</sup>Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.

The following section provides an explanation on a Division/Departmental basis of year to date variances in relation to the 2018 Financial Plan:

- Community Safety's favourable variance is mainly due to higher than expected revenues from Business Licences and vacant positions which are in the recruitment process.
- Community Services' favourable variance is primarily due to Parks expenditures being lower than budget to date but is expected to be more active throughout the summer months. Recreation also has a favourable variance due to vacant positions that are in the process of being filled.
- Corporate Administration's favourable variance is due to vacant positions in Corporate Programs.

- Engineering and Public Works' favourable variance is mainly due to lower consulting in Engineering and lower contract expenses in Roads.
- Finance and Corporate Services' favourable variance is mainly due to vacant positions which are in the recruitment process and timing of IT maintenance contracts.
- Fire Rescue is on budget.
- Library is on budget.
- Planning and Development's favourable variance is primarily due to higher than expected building permit fees for multi residential buildings and lower than budgeted salary expense due to vacancies in the process of being filled.
- Policing's favourable variance is mainly due to lower than budgeted RCMP contract costs incurred year-to-date, as well as savings from multiple vacant municipal positions.
- Fiscal is on budget.
- The Water Utility's surplus is mainly driven by lower year-to-date Water Purchases as a result of lower water consumption relative to budget, offset by higher material and equipment expenses.
- Sanitary Sewer Utility's favourable variance is due to unbudgeted revenues received from developers for sanitary sewer user fees during construction of residential developments.
- Sanitation and Recycling's favourable variance due to higher than budgeted Garbage Utility and Multi-Material BC revenues, offset by increasing costs to address illegal dumping.

The presentation of the figures for the Financial Statement, Statement of Operations is different than the Net Budget presentation above. The above presentation combines revenues and expenses and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any surplus appropriations and transfer to reserves. The Statement of Operations for the Six Month Period Ended June 30, 2018, with comparative figures for 2017 is included in Attachment 3.

### Investment Portfolio

The City's investment portfolio at June 30, 2018 was \$943.8 million, with an average yield on investment of 2.31%. The interest rate environment and the City's cash flow projections have influenced the terms and types of investments that the City holds (Attachment 4).

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

	June 30, 2018
2 Year Government of Canada Bonds	1.77%
5 Year Government of Canada Bonds	1.93%
10 Year Government of Canada Bonds	2.06%

Source: Bank of Canada

Despite the ongoing trade war and trade tensions and the impact of steel and aluminum tariffs from the NAFTA negotiation, the Bank of Canada's recent assessment of the economy was constructive. At the last interest rate announcement on July 11, 2018, the Bank of Canada increased for the third time this year its key policy interest rate by 0.25%. The target overnight interest rate is at 1.50%, the highest level since 2009.

Housing markets are beginning to stabilize as rising interest rates and tighter mortgage lending resulted in a soft start to 2018. Canadian exports have been seeing a boost due to strong global demand and rising commodity prices, which drives growth and business investments. The Bank of Canada believes that higher interest rates will be warranted to keep inflation near target and it will continue to take a gradual approach to future policy adjustments, as guided by incoming data.

The improved interest rate conditions allow the City to reinvest funds at more attractive market rates, thereby boosting the City's average yield to 2.31%. This increasing trend is expected to continue as maturities take place throughout the year which will allow the City to reinvest funds in higher yielding products.

The current yield enhancement strategies continue to play a key role in the City's investment portfolio. The duration of the City's holding continues to remain in the short to mid-term range to achieve liquidity (for capital requirements) and to allow flexibility for reinvestment due to the rising interest rate environment.

The City continues to comply with its Investment Policy (3703) by carrying a diversified investment portfolio with strong credit quality, meeting the objectives of managing investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

### Contract Awards

This report provides information on the formal contracts awarded by the City during the 2<sup>nd</sup> quarter. In accordance with Policy 3104, 30 contracts greater than \$75,000 were awarded totalling over \$8.2 million (Attachment 5).

**Financial Impact**

None.

**Conclusion**

The City of Richmond is maintaining its strong financial position through the second quarter of 2018. Building construction and development activity are showing signs of moderating from the extreme levels of the past few years due to the constraints on new construction. It is expected that these trends will continue throughout 2018.



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

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

**Economic Indicators****June 30, 2018****Macroeconomic Indicators & Forecast**

	2016	2017	Change	2018f*	2019f*
<b>1) Real GDP - % Change</b>					
Canada	1.4	3.0	114.3%	2.1	2.0
United States	1.5	2.3	53.3%	2.9	2.7
China	6.7	6.9	3.0%	6.6	6.4
World	3.2	3.8	18.8%	3.9	3.9
<b>2) Interest Rates (at YE)</b>					
Bank of Canada	0.50	1.00	100.0%	1.75	2.25
US FED	0.75	1.50	100.0%	2.50	3.50
<b>3) Exchange Rate</b>					
CAD per \$1 USD	1.34	1.26	(6.0%)	1.28	1.28

**Regional and Local Market Indicators**

<b>4) Unemployment (%)</b>	<b>Q2-2018</b>	<b>Q1-2018</b>	<b>Change</b>	<b>Q2-2017</b>	<b>Change</b>	
Canada	6.0	5.8	3.4%	6.5	(7.7%)	
BC	5.2	4.7	10.6%	5.1	2.0%	
Metro Vancouver	4.3	4.0	7.5%	5.1	(15.7%)	
<b>5) CPI (2002=100)</b>	<b>Q2-2018</b>	<b>Q1-2018</b>	<b>Change</b>	<b>Q2-2017</b>	<b>Change</b>	
Canada	133.6	132.9	0.5%	130.4	2.5%	
BC	128.6	127.4	0.9%	125.2	2.7%	
Metro Vancouver	131.3	130.1	0.9%	127.5	3.0%	
<b>6) Housing Starts (Units)</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Starts - Metro Vancouver	5,698	7,004	(18.6%)	12,562	12,273	2.4%
Starts - Richmond	753	462	63.0%	1,413	884	59.8%
<b>Richmond Residential Sales Activity</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Sales - Detached	234	470	(50.2%)	429	768	(44.1%)
Sales - Townhouse	222	362	(38.7%)	416	587	(29.1%)
Sales - Apartment	516	740	(30.3%)	965	1,315	(26.6%)
Sales Total/Average Change	972	1,572	(38.2%)	1,810	2,670	(32.2%)
<b>8) Average Days on Market</b>						
		<b>Richmond</b>		<b>Greater Vancouver</b>		
<b>Property Type</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>
Single Family Detached	48	42	14.3%	42	40	5.0%
Townhouse	31	31	0.0%	25	28	(10.7%)
Apartment	26	24	8.3%	21	23	(8.7%)



**Economic Indicators****June 30, 2018****Regional and Local Market Indicators (continued)****9) Home Price Index (\$000 at QE)**

Property Type	Richmond			Metro Vancouver		
	Q2-2018	Q2-2017	Change	Q2-2018	Q2-2017	Change
Single Family Detached	1,649	1,650	(0.1%)	1,598	1,588	0.1%
Townhouse	855	766	11.6%	860	746	15.3%
Apartment	684	573	19.4%	704	601	17.1%

**10) Richmond Building Permits**

	Q2-2018	Q2-2017	Change	YTD-2018	YTD-2017	Change
Building Permits - Residential	350	270	29.6%	628	502	25.1%
Building Permits - Commercial	116	133	(12.8%)	217	242	(10.3%)
Building Permits - Industrial	39	37	5.4%	54	81	(33.3%)
Building Permits Total	505	440	14.8%	899	825	9.0%
Construction Value (\$ million)	269.8	140.4	92.2%	484.7	329.7	47.0%

**11) Commercial Space (at QE)**

	Richmond			Metro Vancouver		
	Q2-2018	Q2-2017	Change	Q2-2018	Q2-2017	Change
Office Vacancy (%)	9.0	8.0	12.5%	4.9	6.7	(26.9%)
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,419	4,419	0.0%	58,243	57,599	1.1%
Industrial Vacancy (%)	3.1	2.7	14.8%	2.2	2.4	(8.3%)
Industrial Inventory (000 sf)	38,539	37,994	1.4%	207,097	203,535	1.8%

**12) Richmond Business Growth**

	Q2-2018	Q2-2017	Change	YTD-2018	YTD-2017	Change
Total Valid Business Licences (at QE)	n/a	n/a	n/a	14,368	13,912	3.3%
New Licences - Number Issued	529	449	17.8%	982	927	5.9%
New Licences - Employees	1,747	1,845	(5.3%)	3,556	3,551	0.1%
New Licences - Office Added (sf)	137,396	143,711	(4.4%)	296,656	370,485	(19.9%)
New Licences - Retail Added (sf)	73,035	76,517	(4.6%)	129,665	169,241	(23.4%)
New Licences - Industrial Added (sf)	208,990	540,735	(61.4%)	538,743	741,446	(27.3%)
Total Space Added (sf)/Avg. Change	419,421	760,963	(44.9%)	965,064	1,281,172	(24.7%)

**Economic Indicators****June 30, 2018****Regional and Local Market Indicators (continued)**

<b>13) Goods &amp; People Movement</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
YVR Air Cargo (tonnes)	84,908	73,425	15.6%	156,967	141,488	10.9%
PMV Container Movement (TEUs)	836,224	818,294	2.2%	1,637,441	1,558,534	5.1%
YVR Passengers (million)	6.5	6.1	6.6%	12.4	11.4	8.8%
Richmond Hotel Revenue (\$ million)*	35.5	34.0	4.4%	78.5	73.9	6.2%

\* Hotel room revenue data for Q2 excludes June figures.

**Notes:**

- a) QE indicates quarter end  
b) YTD indicates year to date including adjustments  
c) f\*-forecast to year-end

**List of Sources:**

- 1) International Monetary Fund, World Economic Outlook (July 2018)
- 2) US Federal Reserve, Bank of Canada and Royal Bank Research
- 3) Bank of Canada, Monetary Policy Report (July 2018)
- 4) & 5) Statistics Canada
- 6) Canada Mortgage and Housing Corporation
- 7), 8) & 9) Real Estate Board of Greater Vancouver
- 10) City of Richmond Building Permits
- 11) Cushman & Wakefield Office and Industrial Market Beat Reports
- 12) City of Richmond Business Licences
- 13) Port of Vancouver Monthly Cargo Statistics  
YVR monthly statistics  
City of Richmond Additional Hotel Room Tax Ledger, Destination BC

**Financial and Key Indicators****June 30, 2018**

(All dollar amounts in \$000's)

	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
<b>1) Development Cost Charges Contributions</b>						
Roads, Water, Sewer DCC's Received	\$6,820	\$3,817	78.7%	\$11,337	\$7,342	54.4%
Parks DCC's Received	\$7,035	\$376	1771.0%	\$12,632	\$2,055	514.6%
<b>Total DCC Fees Received</b>	<b>\$13,855</b>	<b>\$4,193</b>	<b>230.4%</b>	<b>\$23,969</b>	<b>\$9,397</b>	<b>155.1%</b>
DCC Reserves – Uncommitted balance at QE	87,340	71,735	21.8%	n/a	n/a	n/a
<b>2) Uncommitted Reserves (at QE)</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>			
Capital Funding Reserves	\$120,336	\$118,639	1.4%			
Utility Reserves	\$93,133	\$103,775	(10.3%)			
Affordable Housing Reserves	\$2,249	\$1,519	48.1%			
Other Reserves	\$65,170	\$57,189	14.0%			
<b>Total Uncommitted Reserves</b>	<b>\$280,888</b>	<b>\$281,122</b>	<b>(0.1%)</b>			
<b>3) Taxes to date</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Taxes Collected	\$253,195	\$248,696	1.8%	\$263,517	\$258,390	2.0%
City Portion of Taxes Collected	\$124,065	\$121,861	1.8%	\$129,123	\$126,611	2.0%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$5,148	\$5,515	(6.7%)	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,248	6,302	(0.9%)	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$5,838	\$5,619	3.9%	\$14,542	\$13,931	4.4%
Interest rate % paid	1.20%	0.70%	71.4%	1.20%	0.70%	71.4%
<i>Sources: All data is from City of Richmond records</i>						
<b>4) Investments</b>	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>			
Total Investments	\$943,806	\$1,004,077	(6.0%)			
Average City Rate of Return on Investments %	2.31%	1.90%	21.6%			

**Financial and Key Indicators****June 30, 2018**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
<b>5) Planning and Development</b>						
Building Permit Fees Collected	\$2,568	\$2,509	2.4%	\$5,169	\$4,463	15.8%
Development Applications Received	62	60	3.3%	111	100	11.0%
Development Applications Fees	\$335	\$312	7.4%	\$568	\$479	18.6%
<b>6) Business Licences</b>						
Revenue Received for Current Year Licences	\$1,159	\$1,257	(7.8%)	\$3,009	\$2,888	4.2%
Revenue Received for Next Year (Deferred)	\$262	\$232	12.9%	\$352	\$322	9.3%
<b>Total Licence Revenue</b>	<b>\$1,421</b>	<b>\$1,489</b>	<b>(4.6%)</b>	<b>\$3,361</b>	<b>\$3,210</b>	<b>4.7%</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	\$524	\$485	8.0%	\$974	\$917	6.2%
Gaming Revenue	\$4,389	\$4,378	0.3%	\$8,730	\$8,386	4.1%
Traffic Fine Revenue	\$1,985	\$1,948	1.9%	\$1,985	\$1,948	1.9%
<b>8) Employees</b>						
Full Time Equivalent (FTE) Employees (at QE) <i>(City and Library)</i>	1,583	1,495	5.9%			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
<b>9) Operating Indicators</b>						
Fire Rescue Responses	2,433	2,676	(9.1%)	5,093	5,494	(7.3%)
RCMP - Calls for Service Handled	16,910	16,598	1.9%	32,191	32,596	(1.2%)
Public Works calls for Service	3,847	4,199	(8.4%)	7,054	8,202	(14.0%)

**Financial and Key Indicators****June 30, 2018**

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

10) Affordable Housing (at QE)	Q2-2018	Q2-2017	Change
Subsidized Rental (units)	477	477	0.0%
Affordable Rental (LEMR*) (units)	499	429	16.3%
Market Rental (units)	411	411	0.0%
Entry Level Home ownership (units)	19	19	0.0%
Secondary Suite / Coach House (units)	262	229	14.4%
<b>Total Affordable Housing</b>	<b>1,668</b>	<b>1,565</b>	<b>6.6%</b>
	<b>Q2-2018</b>	<b>Q2-2017</b>	<b>Change</b>
Floor Space secured, unit mix & other (sq feet) at QE **	172,345	119,069	44.7%

\* 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	2018f*	2017
	222,945	218,307

Population figures provided by City of Richmond – Policy Planning

**Notes:**

- a) All figures presented above are unaudited
- b) YTD indicates year to date including adjustments
- c) f\*-forecast to year-end

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

For the Six Month Period Ended June 30, 2018, with comparative figures for 2017.

(Expressed in thousands of dollars)

	<b>Budget June 30 2018</b>	<b>Actuals June 30 2018</b>	<b>Actuals<sup>4</sup> June 30 2017</b>
<b>Revenues:</b>			
Taxes and levies	\$108,352	\$108,439	\$103,411
User fees	50,393	51,121	48,759
Sales of services	16,354	16,085	15,192
Payments-in-lieu of taxes	7,122	7,324	7,385
Provincial and federal grants	3,142	4,073	3,982
Development cost charges	15,819	8,048	8,973
Other capital funding sources	29,343	12,508	14,373
Investment in Lulu Island Energy Company	-	414	-
Other revenues:			
Investment income	7,347	9,789	9,383
Gaming revenue	9,895	8,730	8,386
Licences and permits	5,946	7,853	6,546
Other	8,638	17,329	10,801
	<b>262,351</b>	<b>251,713</b>	<b>237,191</b>
<b>Expenses:</b>			
Community safety	51,017	48,596	44,395
Engineering, public works and project development	37,735	30,702	29,576
General government	33,559	27,206	26,064
Parks, recreation and community services	32,846	28,315	27,469
Utilities:			
Water supply and distribution	20,199	19,891	18,414
Sewerage collection and disposal	15,811	15,328	14,662
Sanitation and recycling services	7,918	7,683	6,971
Planning and development	7,833	6,856	6,676
Library services	5,379	5,010	4,789
	<b>212,297</b>	<b>189,587</b>	<b>179,016</b>
YTD Surplus (Annual Surplus) <sup>2</sup>	50,054	62,126	58,175
Accumulated surplus, beginning of year	2,907,697	2,907,697	2,805,390
Accumulated surplus, end of June 30 <sup>3</sup>	<b>\$2,957,751</b>	<b>\$2,969,823</b>	<b>\$2,863,565</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.

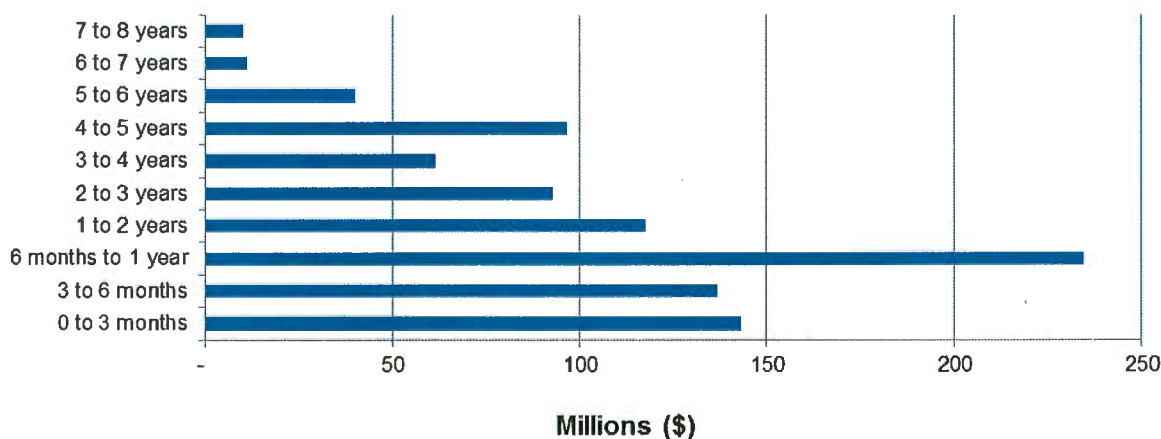
<sup>4</sup> Statement of Operation figures for 2017 were adjusted for comparative purposes.

### Investment Portfolio

June 30, 2018 (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)	Alberta	2019-2022	\$ 68,574	7.27%	
	AA (high)	British Columbia	2019	65,127	6.90%	
	A (high)	Quebec	2022-2023	22,213	2.35%	
	A (high)	Manitoba	2018	12,000	1.27%	
	AA (low)	Ontario	2024	11,199	1.19%	
		Total		\$ 179,114	18.98%	50%
<b>Chartered Banks</b>						
	AA	Bank of Nova Scotia	2018-2022	\$ 134,852	14.29%	
	AA	TD Bank	2018-2023	81,324	8.62%	
	AA	Royal Bank	2018-2023	68,069	7.21%	
	AA (low)	National Bank of Canada	2018-2021	55,527	5.88%	
	A (high)	HSBC Bank of Canada	2021-2023	32,215	3.41%	
	AA	Bank of Montreal	2018-2025	29,941	3.17%	
	A (low)	Canadian Western Bank	2018	15,000	1.59%	
	A (low)	B2B/Laurentian Bank	2018	10,000	1.06%	
	AA	CIBC	2018-2022	10,010	1.06%	
		Total		\$ 436,937	46.29%	50%
<b>BC Credit Unions</b>						
		Coast Capital Savings	2018-2019	\$ 86,909	9.21%	
		Vancity	2018	62,000	6.57%	
		Gulf and Fraser	2018-2019	49,913	5.29%	
		Blue Shore Financial	2018-2019	47,716	5.06%	
		Westminster Savings	2018	35,642	3.78%	
		Total		\$ 282,180	29.90%	30%
<b>Pooled Investments</b>						
		MFA Pooled Investment Fund		\$ 45,575	4.83%	20%
<b>Total Investment Portfolio Balance</b>				<b>\$ 943,806</b>	<b>100.00%</b>	

### Investment Maturity



**Contract Awards greater than \$75,000**April 1<sup>st</sup> to June 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Storm Sewer Construction Works - 9131 Steveston Highway	Stoddard Contracting Ltd.	105,670	Engineering & Public Works
2	City Hall Annex Waterproofing Membrane Replacement	Atlas-Apex Roofing (BC) Inc.	77,500	Engineering & Public Works
3	Minoru Arenas Building Improvements 2018 - Construction Services	Solid General Contractors Inc.	110,250	Engineering & Public Works
4	Architectural Design Services for City Centre Community Police Office Relocation	Michael Mammon Office 4 Architecture	156,295	Engineering & Public Works
5	Phase 1 - No. 2 Road MUP London Road to Andrews Road	BC Hydro & Power Authority	197,041	Engineering & Public Works
6	Richmond Ice Centre Forum Boards Replacement 2018	CascadiaSport Systems Inc.	105,150	Engineering & Public Works
7	Replacement of City Hall Boilers	Davidson Brothers Mechanical	308,933	Engineering & Public Works
8	Steveston Island Sea Gates Investigation	KWL	343,161	Engineering & Public Works
9	City Hall Annex Phase 2 - Design Services for Level 2 and portion of Level 1 Renovations	Assembly Architecture	182,500	Engineering & Public Works
10	Infor Public Sector (HANSEN) 2017 Annual Support Contract Renewal July 1, 2018 to June 30, 2019	Infor Canada Ltd.	102,733	Finance & Corporate Services
11	Supply and delivery of auto extraction equipment	Rescue Tools Canada	113,400	Community Safety
12	Peterbilt Cab and Chassis Model number 567 to replace unit 1251 (Vactor truck)	Peterbilt Pacific Inc.	167,476	Engineering & Public Works
13	South Arm Pool Skimmer and Wading Pool Repairs	Belzona Molecular (BC) Ltd.	172,080	Engineering & Public Works
14	Motor Control Center for Horseshoe Slough Drainage Pump Station Upgrade	Guillevin Automation	77,405	Engineering & Public Works



**Contract Awards greater than \$75,000 (continued)**April 1<sup>st</sup> to June 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
15	Installation and upgrade of CCTV systems for City Hall and City Hall Annex	Safe and Sound	128,104	Engineering & Public Works
16	Consulting services for Watermania Infrastructure Replacement Project 2018	Kasian	91,573	Engineering & Public Works
17	Sidaway Pavement Improvements	BA Blacktop Ltd.	105,303	Engineering & Public Works
18	Sidaway Operations Trailer	Britco BOXX Limited Partnership	153,622	Engineering & Public Works
19	Supply and Delivery of Extreme Networks Equipment	X10 Networks, Inc.	93,837	Engineering & Public Works
20	Software upgrades, technical consulting services and training.	Avolve Software	141,000	Finance & Corporate Services
21	2018 Oracle (PeopleSoft) Software License & Support	Oracle Canada ULC	299,102	Finance & Corporate Services
22	Production Services for the Richmond Maritime Festival	Anigraph Productions Ltd.	150,000	Community Services
23	Street and Sidewalk Vegetation Control (2018 - 2021)	Western Weed Control (1980) Ltd.	115,000	Community Services
24	Consulting Services to Develop a Richmond Middle Arm Waterfront Brownfield Action Plan	Hemmera Envirochem Inc.	134,905	Community Services
25	Supply and Delivery of Self-Contained Breathing Apparatus Systems for Richmond Fire Rescue	Guillevin International Inc.	115,110	Community Safety
26	Supply and Delivery of 1 (one) Tier 4 (four) Compliant Backhoe	Finning (Canada)	254,918	Engineering & Public Works
27	Supply and Install Fitness Equipment for the Minoru Centre for Active Living	Technogym USA, National Fitness Products of Canada Inc., Tower Fitness Equipment Services Inc., Fitness Town Commercial, Stak Fitness International Inc.	401,271	Community Services

**Contract Awards greater than \$75,000 (continued)**  
 April 1<sup>st</sup> to June 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
28	2018 Paving Program	BA Blacktop Ltd.	3,139,337	Engineering & Public Works
29	Supply and Delivery of 1 (one) Excavator	Finning Canada	414,341	Engineering & Public Works
30	Supply and Delivery of Multiple Types of Hybrid and Electric Vehicles	Dueck Richmond GM	263,249	Engineering & Public Works