



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** November 30, 2018

**From:** Jerry Chong  
Director, Finance

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

**Re:** Financial Information – 3<sup>rd</sup> Quarter September 30, 2018

### Staff Recommendation

That the staff report titled, “Financial Information – 3<sup>rd</sup> Quarter September 30, 2018”, dated November 30, 2018 from the Director, Finance be received for information.

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"/>	
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"/>	
Transportation	<input checked="" type="checkbox"/>	
Library Services	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Origin

Pre-audited financial information for the 3<sup>rd</sup> quarter ended September 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.

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

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

7.1. *Relevant and effective budget processes and policies.*

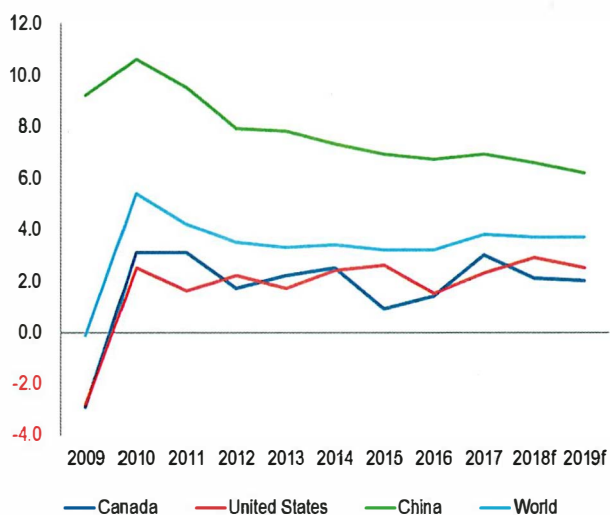
7.2. *Well-informed and sustainable financial decision-making.*

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

## Analysis

### Macroeconomic Indicators & Forecast

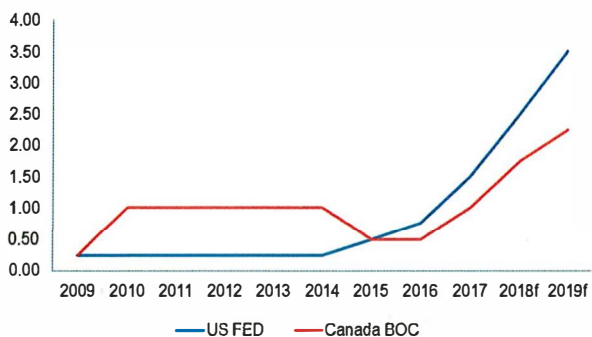
#### 1) Global Growth – Real Gross Domestic Product (GDP) % Change<sup>1</sup>



- Global growth for 2018–19 is projected to remain steady at its 2017 level of 3.7%.
- Canada’s GDP growth projections held steady at 2.1% in 2018 and 2.0% in 2019, credited to the United States-Mexico-Canada Agreement (USMCA) agreed to on September 30, 2018.
- The growth forecast for the U.S. has been revised down to 2.9% in 2018 and 2.5% in 2019 due to recently announced trade measures including tariffs imposed on imports from China. China’s economy is expected to grow by 6.6% in 2018 and 6.2% in 2019.

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

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



- The U.S. Federal Reserve continues to retract policy support via interest rate increases. The rate is expected to climb to 3.5% by the end of 2019 from 2.25% at the end of Q3 2018.
- Consumer and business confidence remains high in Canada, and as a result the Bank of Canada (BoC) policy rate is expected to continue to climb, to 2.25% by the end of 2019. Although the new USMCA removed a key risk for the economy, challenges such as high household debt remain.

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



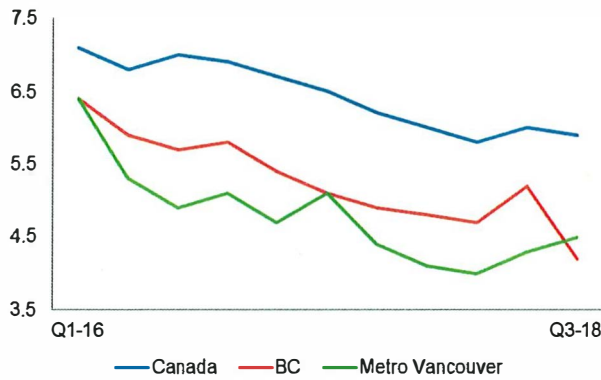
- Strong gains in real GDP and policy stimulus in the US caused the country’s currency to continue to strengthen in Q3 2018.
- The Canadian dollar held steady against the US currency throughout the third quarter and ended Q3 2018 at \$1.29 CAD per \$1 USD.
- Good economic conditions in Canada, a new USMCA, and ongoing tightening by the BoC, balanced declines in oil prices leaving the USD/CAD exchange rate forecast for 2019 at \$1.28 CAD per \$1 USD.
- Downside risks to the CAD include threats to global trade, lowered commodity prices and risk aversion from foreign investors.

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

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

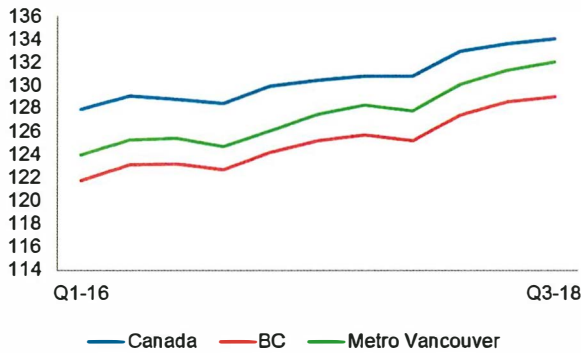
Regional & Local Economic Activity Indicators

4) Unemployment<sup>4</sup>



- National and regional economies continue to operate at close to full employment levels throughout the first three quarters of 2018. The unemployment rate in Canada decreased by 4.8% in Q3 2018 over Q3 2017.
- Unemployment rates ended the quarter at a low 5.9%, 4.2%, and 4.5% for Canada, B.C. and Metro Vancouver respectively.
- The unemployment rate in B.C. dropped by 14% over the same period last year and remains the lowest in the country.
- This prolonged period of strong employment growth is expected to put upward pressure on wages as companies compete for skilled employees.

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

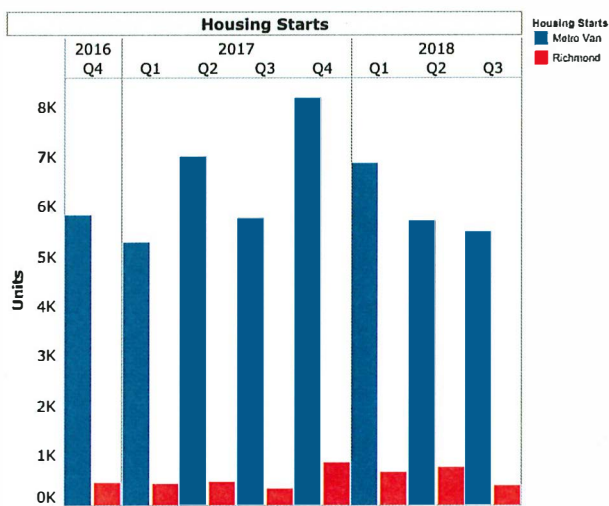


- The country’s annual pace of inflation, as measured by consumer price index (CPI) slowed in September as increases in the price of gasoline continued to ease.
- At the end of Q3 2018, the CPI climbed by 2.2% in Canada, 2.5% in British Columbia and 2.7% in Metro Vancouver compared to the same period last 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.

<sup>4</sup> Statistics Canada

<sup>5</sup> Statistics Canada

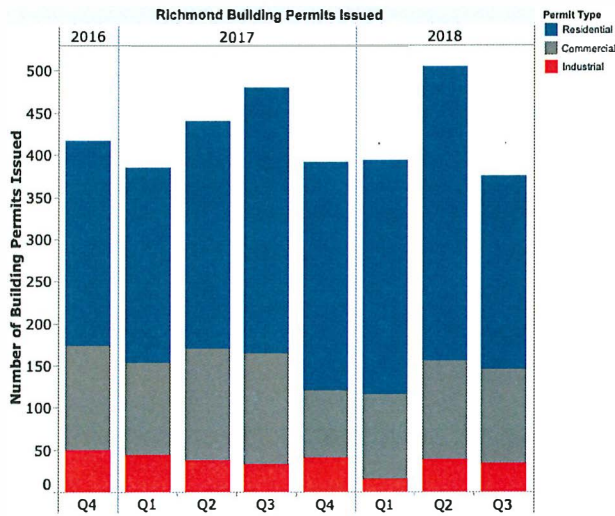
6) Housing Starts<sup>6</sup>



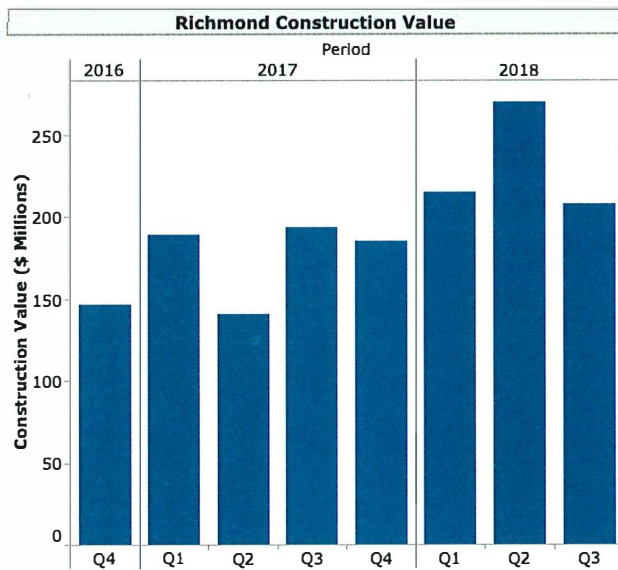
- Bucking the regional and provincial trend, construction of new homes in Richmond, particularly condos, continued to surge in the third quarter of 2018.
- Year-to-date housing starts in Richmond nearly doubled over 2017 levels, increasing by 48%. Q3 2018 saw a 16% increase over Q3 2017.
- This contrasts regional totals, where housing starts declined by 4.5% over Q3 2017. Overall, 2018 year-to-date housing starts in Metro Vancouver increased by 0.2% over the same period last year.
- There were 18,055 housing starts in Metro Vancouver throughout the first nine months of 2018, and 1,801 in Richmond during the same period.

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

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



- Year to date building permits issued in Richmond decreased by 2.4% over the same period in 2017.
- Residential construction was the only category that saw an increase of 4.8%.
- Commercial and industrial building permit activity declined in the same period compared to last year, by 12% and 23% respectively.
- In total there were 857 residential building permits, 329 commercial building permits, and 88 industrial building permits issued in the first three quarters of 2018.



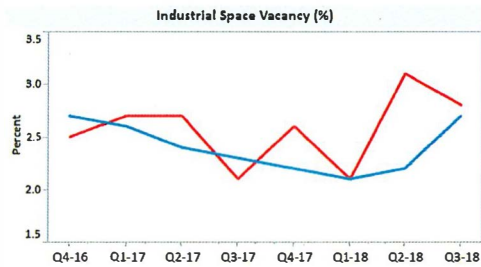
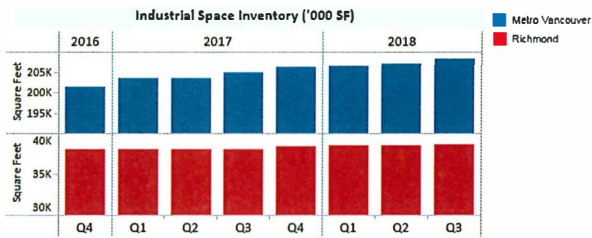
- The total value of construction projects from January to September 2018 was \$693 million, a 32% increase over the same period in 2017.
- This is mainly attributed to ongoing development projects in the City Center as projected in the City Center Area Plan.

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



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

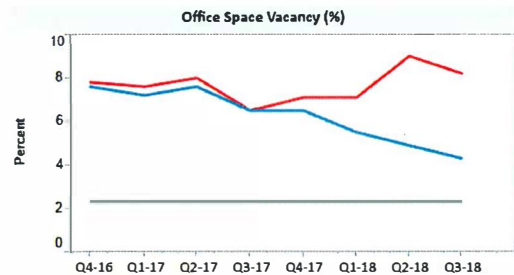
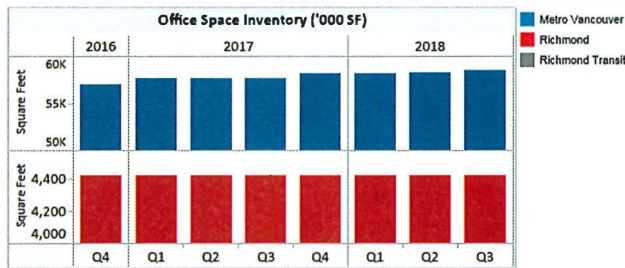
a) Industrial Space



Source: Cushman & Wakefield

- Despite a net addition of 575,000 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 Q3 2018 at 2.8%.
- Meanwhile the vacancy rate in Metro Vancouver increased year over year by 17% as more than 3.5 million square feet of new stock is absorbed. The overall vacancy rate in the region is still at a low 2.7%.
- 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 38.6 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

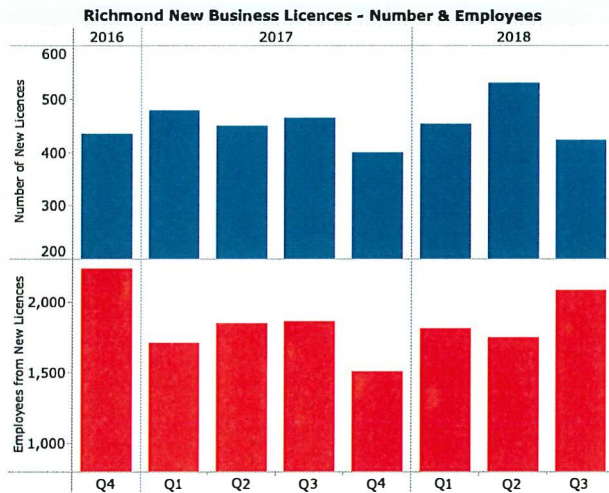


- Despite an increase over the same period last year when it was 6.5%, the office vacancy rate continues its downward trend over the medium term. The office vacancy rate in Richmond was 8.2% at the end of the Q3 2018.
- Demand for high quality office space around rapid transit stations is increasing 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 may be in part due to companies relocating to this type of space in other communities as the office vacancy rate in Metro Vancouver declined by 34% and ended the quarter at a low 4.3%.

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

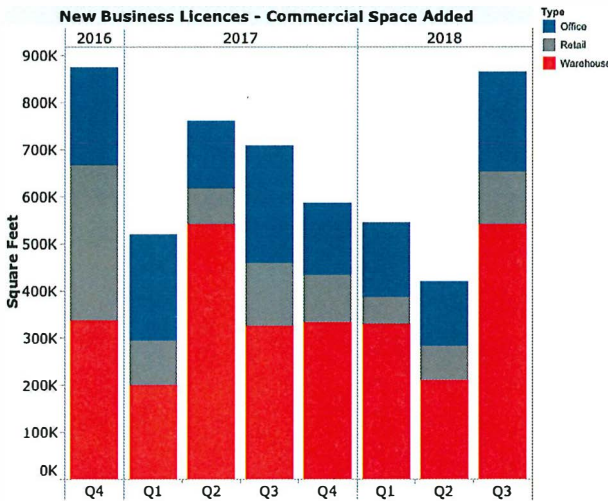
9) Business Growth – Richmond

a) New Business Licences



- There were 1,404 new business licences issued in Richmond during the first nine months of 2018, an increase of 1% over the same period in 2017.
- The addition of 5,637 jobs was attributed to these new businesses.

b) New Business Licences – Commercial Space

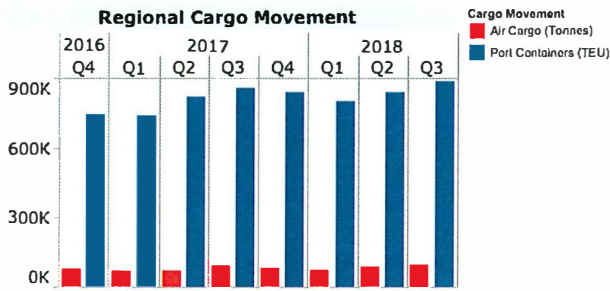


- Over 1.8 million square feet of commercial space absorption was tied to the new business licences issued throughout the first three quarters of 2018.
- As industrial users typically require more space, it is not surprising that 59% of total commercial space absorption was warehouse-type industrial space.
- 28% of commercial space absorption was tied to office-based businesses year-to-date in 2018. Only 13% of commercial space absorption throughout this period was from retail businesses.



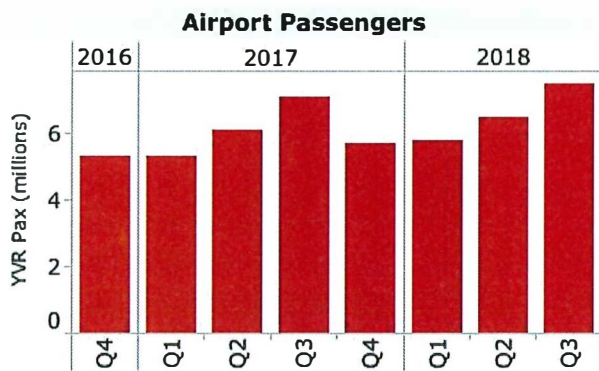
10) Goods and People Movement

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



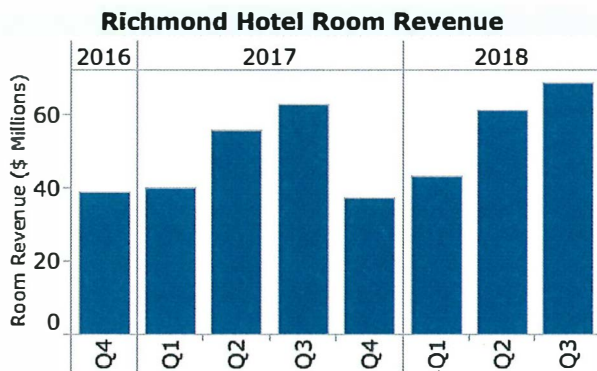
- After posting a year of strong growth in 2017, regional cargo data indicators of regional trade activity continued to demonstrate solid year over year growth in Q3 2018.
- Port of Vancouver container movements as measured by Twenty-Foot Equivalent Units (TEUs) increased by 4.5% over the same period last year.
- 252,822 tonnes of air cargo moved through the Vancouver International Airport (YVR) in the first nine months of 2018, a 9.8% 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 nine months of the year increased by 7.0% to 19.8 million passengers, over the same period in 2017.

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



- \$172.6 million was collected in hotel room revenue throughout the first nine months of 2018 in Richmond, an increase of 9.3% over the same period last year.

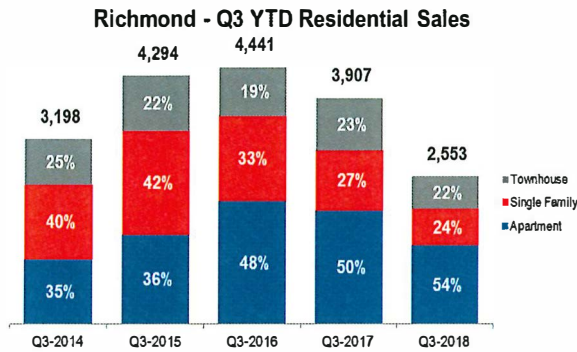
<sup>9</sup> Port of Vancouver Monthly Cargo Statistics

<sup>10</sup> YVR Monthly Statistics

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

Residential Real Estate

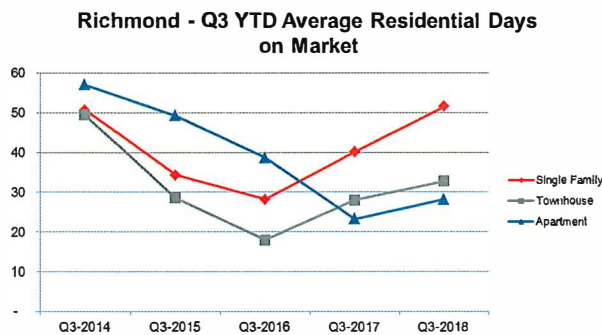
In the first nine months of 2018, home buyer activity decreased with increasing interest rates, more restrictive mortgage requirements, increases to the property transfer tax and foreign buyer’s tax, introduction of the speculation tax, and the upcoming school tax increase.



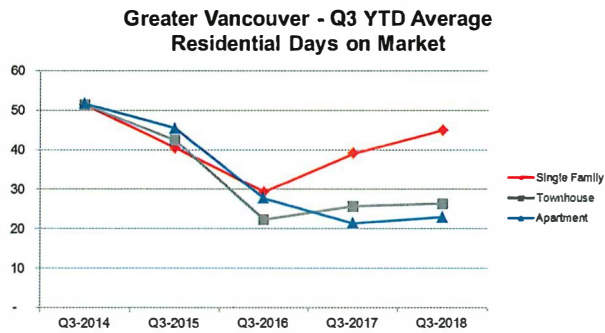
- Single family detached (SFD) home sales have continued to decline with a 41% year-over-year decrease.
- Year to date apartment and townhome sales have declined 30% and 37% respectively year-over-year.
- Apartment sales currently comprise more than half of the residential home sales in the city. Townhome sales remain relatively constant and are approximately 22% of current home sales in the city.
- There were 2,553 residential home sales in Richmond at the end of Q3 2018, a 35% decrease compared to the same period last year.



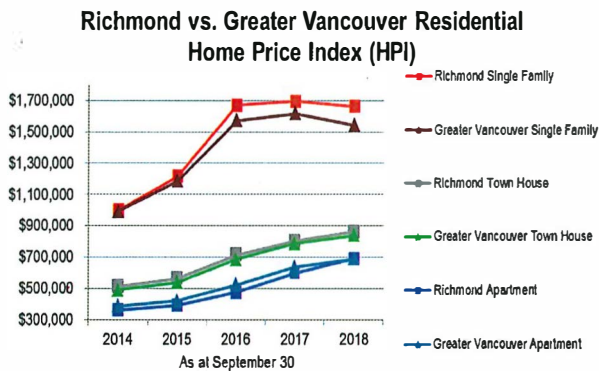
- Richmond residential properties had a sales-to-active listings ratio of 18% as at September 30, 2018 which indicates that 18% of the homes listed are sold in the first nine months of 2018 and represents a balanced market. This is an approximate 46% year-over-year decrease where it was considered a seller’s market.



- At Q3 2018, SFD properties in Richmond had an average of 52 days on the market and the Greater Vancouver Regional District (GVRD) had an average of 45 days on the market. Comparing to the average of 40 and 39 days in Q3 2017 respectively, both Richmond and GVRD SFD markets are slowing.



- The Richmond townhome and apartment average days on market exceed the GVRD average. In Q3 2018, Richmond showed an average of 33 and 28 days for townhomes and apartments, respectively, while GVRD indicated an average of 26 and 23 days.

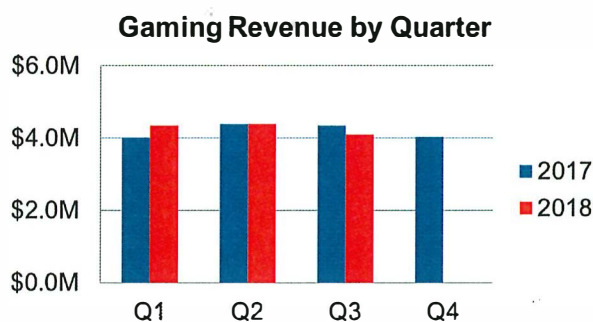


- The Home Price Index (HPI)<sup>12</sup> for SFD properties in Richmond at Q3 2018 is \$1,662,600 and decreased 2% compared to the same time last year.
- The HPI for townhouse properties in Richmond is \$862,400 and increased 8% compared to the same time last year.
- The HPI for apartments is \$690,600 and increased 15% compared to the same time last year. Based on the recent HPI increases, Richmond apartment prices exceed the average GVRD price of \$687,300.

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 Q3 2018 decreased by 5.6% to \$4.10M compared to \$4.34M in Q3 2017.
- Q3 2018 decreased by 6.7% compared to the previous quarter from \$4.39M to \$4.10M.

River Rock continues to see a decrease in Tables Drop<sup>13</sup> revenue as a result of the new BCLC source of funds procedures<sup>14</sup> enacted earlier in the year. The decline continues to be offset by increased Slot Coin-In<sup>15</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> Source of funds procedures requires all BC casinos to obtain a bank receipt for any buy-ins of \$10,000 or more over a 24-hour period. The original receipt must be from the same day of the transaction and it must display the financial institution, branch, and account number.

<sup>15</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.



At end of Q3 2018, the City received \$12.83M or 77.7% of the annual budgeted amount.

### Operating Activity

Table 2 compares budget to unaudited actual activity up to September 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 September 30, 2018 (in \$000's)*

Net Operational activity <sup>1</sup>	For the period January 1 – September 30, 2018			Projected 2018 results		
	Q3 YTD Net Budget	Q3 YTD Actuals	Q3 YTD Variance (\$)	Q4 Projected Net Results <sup>3</sup>	2018 Appropriations	2018 Projected Surplus
Community Safety	(\$1,194)	(\$2,187)	\$993	\$1,293	(\$160)	\$1,133
Community Services	31,439	30,713	726	991	(185)	806
Corporate Administration	7,761	6,868	893	1,277	(994)	283
Engineering and Public Works	28,549	26,508	2,041	2,666	(2,467)	199
Finance and Corporate Services	18,433	17,579	854	638	-	638
Fire Rescue	26,991	26,895	96	84	-	84
Library	6,937	6,512	425	154	(154)	-
Planning and Development	4,052	1,637	2,415	2,944	(44)	2,900
Policing	35,565	35,333	232	392	-	392
Fiscal	(136,330)	(136,682)	352	384	-	384
<b>Total Operating</b>	<b>\$22,203</b>	<b>\$13,175</b>	<b>\$9,027</b>	<b>\$10,823</b>	<b>(\$4,004)</b>	<b>\$6,819</b>
Water Utility	1,346	46	1,300	1,630	(1,630)	-
Sanitary Utility	-	(1,328)	1,328	1,943	(1,943)	-
Sanitation and Recycling Utility	-	(1,344)	1,344	1,129	(1,129)	-
<b>Total Utilities</b>	<b>\$1,346</b>	<b>(\$2,626)</b>	<b>\$3,972</b>	<b>\$4,702</b>	<b>(\$4,702)</b>	<b>\$-</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 organizational structure in place as of September 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 in Q3 is driven by business licenses revenue, bylaws revenue and the timing required to fill staff vacancies.

An appropriation of \$160K is projected due to emergency program notification work that is expected to be completed in 2019.



- Community Services' favorable Q3 variance is mainly due to lower parks operations costs and recreation services. Parks has a number of vacant positions in the process of being filled and has experienced lower than expected public works materials and equipment costs. Recreation revenue exceeds estimates for aquatics and arenas, which is offset by higher labour costs. Recreation also has a projected surplus due to the Minoru Centre for Active Living Operating Budget Impact being phased in whereas the facility is not yet in operation. This budget has been committed to purchase equipment for the new facility and the remaining projected year end surplus of \$125K is appropriated for the facility grand opening program and marketing in 2019. In Addition, \$60K is appropriated to complete spending of the Community Action Initiative and Dementia Friendly grants.
- Corporate Administration's favourable variance is due to vacant positions in the process of being filled and corporate programs which are in the planning stage.

An appropriation of \$994K is projected to continue these corporate initiatives and training programs in 2019.

- Engineering and Public Works' favourable net operating variance in Q3 is mainly due to lower consulting and contract expenses in Engineering, lower ditch canal maintenance costs and timing related to snow and ice control spending.

Appropriations at year end include the following: The fleet surplus estimated to be \$165,000 and will be transferred to the Equipment Reserve in accordance with Policy 2020; \$150,000 for wet materials from ditching for Sidaway projects, \$1.2M for project development projects expected to be completed in 2019 and; \$952,000 for service fees relating to Lulu Island Energy Company.

- Finance and Corporate Services surplus is mainly due to vacancies in various departments filled throughout the year and timing of IT maintenance contracts.
- Fire Rescue's favourable variance is from higher revenue from bylaw fines, false alarms and inspection fees.
- The Library's Q3 favourable variance is due to timing required to fill vacant positions during the year and lower IT operating costs incurred to date. The projected surplus is mainly from vacant positions throughout the year and will be appropriated for future use within library operations.
- Planning and Development favourable revenue variance is primarily from building permit revenue from building permit fees received mostly for multi residential buildings.

Appropriation at year end includes \$44K to purchase traffic operational products such as data traffic collection devices and speed radar boards.

- Policing's favourable variance is due to the time required to staff municipal vacancies and an increase in criminal record check revenues. The officer vacancies in the RCMP contract result in savings that reduce the required funding from the Rate Stabilization Account and the actuals include an accrual in relation to the anticipated settlement of the officers' retroactive salary adjustment.
- Fiscal is on budget.
- The Water Utility's favorable variance is mainly due to unbudgeted revenue received from developers for water consumption charges during construction of new residential developments, offset by higher water purchases year to date and material and equipment expenses related to water residential meters. Any surplus at year end will be transferred to the Water Levy Stabilization Provision.
- Sanitary Sewer Utility's favourable variance is mainly due to unbudgeted revenues received from developers for sanitary sewer user fees during construction of residential developments. Any surplus at year end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling has a favourable variance due to higher than budgeted revenue from Multi-Material BC and Garbage Utility revenues, and lower garbage and recycling processing fees. Any surplus at year end will be transferred to the General Solid Waste and Recycling Provision.

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 Nine Month Period Ended September 30, 2018, with comparative figures for 2017 is included in Attachment 3.

### Investment Portfolio

The City's investment portfolio at September 30, 2018 was \$959.2 million, with an average yield on investment of 2.34%. 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)*

	September 30, 2018
2 Year Government of Canada Bonds	2.19%
5 Year Government of Canada Bonds	2.32%
10 Year Government of Canada Bonds	2.42%

Source: Bank of Canada

The Bank of Canada raised its key monetary policy interest rate three times this year, which went from 1.00% at the start of the year to the current level of 1.75%. The pace of interest rate

increase is in line with market and economists' expectations attributed to the solid economic data and also relief in the trade uncertainty facing Canadian businesses.

The global economic outlook remains steady and the US economy is expected to moderate over the projection horizon. The new USMCA will reduce trade policy uncertainty in North America, which has been an important curb on business confidence and investment. However, trade conflict, particularly between the United States and China, is weighing on global growth and commodity prices. Financial market volatility has resurfaced and some emerging markets are under stress. Overall, global financial conditions remain accommodative.

Household spending is expected to continue to grow at a healthy pace, supported by solid employment income growth. Households are adjusting their spending as expected in response to higher interest rates and housing market policies. In this context, household credit growth continues to moderate and housing activity across Canada is stabilizing.

The improved interest rate conditions allow the City to reinvest funds at the more attractive market rates, thereby boosting the City's average yield to 2.34%. If this trend continues as maturities take place throughout the year, the City may reinvest its funds in the higher yielding products.

The current yield enhancement strategies continue to play a key role in the City's investment portfolio. 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 as we enter into a 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 its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

### Contract Awards

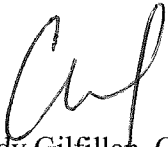
This report provides information on the formal contracts awarded by the City during the third quarter. In accordance with Policy 3104, 34 contracts greater than \$75,000 were awarded totalling over \$21.0 million (Attachment 5).

### **Financial Impact**

None.

## Conclusion

The City of Richmond has maintained its strong financial position through the third quarter of 2018. Building construction and development activity is exceeding budget and revenue collection and business activity remains steady. It is expected that these positive trends will continue through the last three months of the year. The forecast surplus at the end of the third quarter is \$6.8M and following the year-end audit, the finalized surplus will be placed in the Rate Stabilization Account for future tax rate stabilization or one time expenditures as authorised by Council.



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- 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****September 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	2.5
China	6.7	6.9	3.0%	6.6	6.2
World	3.2	3.8	18.8%	3.7	3.7
<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%)	1.29	1.28

**Regional and Local Market Indicators**

<b>4) Unemployment (%)</b>	<b>Q3-2018</b>	<b>Q2-2018</b>	<b>Change</b>	<b>Q3-2017</b>	<b>Change</b>	
Canada	5.9	6.0	(1.7%)	6.2	(4.8%)	
BC	4.2	5.2	(19.2%)	4.9	(14.3%)	
Metro Vancouver	4.5	4.3	4.7%	4.4*	2.3%	
<b>5) CPI (2002=100)</b>	<b>Q3-2018</b>	<b>Q2-2018</b>	<b>Change</b>	<b>Q3-2017</b>	<b>Change</b>	
Canada	133.7	133.6	0.1%	130.8	2.2%	
BC	128.9	128.6	0.2%	125.7	2.5%	
Metro Vancouver	131.7	131.3	0.3%	128.3	2.7%	
<b>6) Housing Starts (Units)</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Starts - Metro Vancouver	5,493	5,752	(4.5%)	18,055	18,025	0.2%
Starts - Richmond	388	336	15.5%	1,801	1,220	47.6%
<b>7) Richmond Residential Sales Activity</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Sales - Detached	194	280	(30.7%)	623	1,048	(40.6%)
Sales - Townhouse	150	316	(52.5%)	566	903	(37.3%)
Sales - Apartment	399	641	(37.8%)	1,364	1,956	(30.3%)
Sales Total/Average Change	743	1,237	(39.9%)	2,553	3,907	(34.7%)
<b>8) Richmond Sales to Active Listings Ratio (%)</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>			
Single Family Detached	8.3	15.4	(46.1%)			
Townhouse	22.8	42.7	(46.6%)			
Apartment	30.4	63.4	(52.1%)			
All Properties	17.6	32.6	(46.0%)			
<b>9) Average Days on Market</b>						
		<b>Richmond</b>		<b>Greater Vancouver</b>		
<b>Property Type</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>
Single Family Detached	52	40	30.0%	45	39	15.4%
Townhouse	33	28	17.9%	26	26	0.0%
Apartment	28	23	21.7%	23	21	9.5%



**Economic Indicators****September 30, 2018****Regional and Local Market Indicators (continued)****10) Home Price Index (\$000 at QE)**

Property Type	Richmond			Metro Vancouver		
	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
Single Family Detached	1,663	1,695	(1.9%)	1,541	1,617	(4.7%)
Townhouse	862	802	7.5%	838	787	6.5%
Apartment	691	599	15.4%	687	636	8.0%

**11) Richmond Building Permits**

	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
Building Permits - Residential	229	316	(27.5%)	857	818	4.8%
Building Permits - Commercial	112	131	(14.5%)	329	373	(11.8%)
Building Permits - Industrial	34	33	3.0%	88	114	(22.8%)
Building Permits Total	375	480	(21.9%)	1,274	1,305	(2.4%)
Construction Value (\$ million)	208.0	193.9	7.3%	692.7	523.6	32.3%

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

	Richmond			Metro Vancouver		
	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
Office Vacancy (%)	8.2	6.5	26.2%	4.3	6.5	(33.8%)
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%	58,466	57,678	1.4%
Industrial Vacancy (%)	2.8	2.1	33.3%	2.7	2.3	17.4%
Industrial Inventory (000 sf)	38,569	37,994	1.5%	208,486	204,807	1.8%

**13) Richmond Business Growth**

	Q3-2018	Q3-2017*	Change	YTD-2018	YTD-2017*	Change
Total Valid Business Licences (at QE)	n/a	n/a	n/a	14,285	14,062	1.6%
New Licences - Number Issued	422	465	(9.2%)	1,404	1,392	0.9%
New Licences - Employees	2,081	1,857	12.1%	5,637	5,408	4.2%
New Licences - Office Added (sf)	210,163	249,606	(15.8%)	506,819	620,091	(18.3%)
New Licences - Retail Added (sf)	112,918	132,679	(14.9%)	242,583	301,920	(19.7%)
New Licences - Industrial Added (sf)	541,338	325,773	66.2%	1,080,081	1,067,219	1.2%
Total Space Added (sf)/Avg. Change	864,419	708,058	22.1%	1,829,483	1,989,230	(8.0%)

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

<b>14) Goods &amp; People Movement</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
YVR Air Cargo (tonnes)	95,702	88,765*	7.8%	252,822*	230,253*	9.8%
PMV Container Movement (TEUs)	885,963	856,370	3.5%	2,523,404	2,414,904	4.5%
YVR Passengers (million)	7.5	7.1	5.6%	19.8	18.5*	7.0%
Richmond Hotel Revenue (\$ million)*	68.6	62.5	9.8%	172.6	157.9	9.3%

**Notes:**

- a) *QE indicates quarter end*  
b) *YTD indicates year to date including adjustments*  
c) *\* - figures have been updated to reflect changes in source data*  
d) *f\*\* - forecast to year-end*

**List of Sources:**

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

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

(All dollar amounts in \$000's)

	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
<b>1) Development Cost Charges Contributions</b>						
Roads, Water, Sewer DCC's Received	\$3,346	\$1,844	81.4%	\$14,683	\$9,187	59.8%
Parks DCC's Received	\$586	\$2,666	(78.0%)	\$13,218	\$4,721	179.9%
Total DCC Fees Received	\$3,932	\$4,510	(12.8%)	\$27,901	\$13,908	100.6%
DCC Reserves – Uncommitted balance at QE	91,354	76,546	19.3%	n/a	n/a	n/a
<b>2) Uncommitted Reserves (at QE)</b>						
Capital Funding Reserves	\$115,331	\$113,934	1.2%			
Utility Reserves	\$94,449	\$102,728	(8.1%)			
Affordable Housing Reserves	\$2,026	\$1,632	24.2%			
Other Reserves	\$73,575	\$62,013	18.6%			
Total Uncommitted Reserves	\$285,381	\$280,307	1.8%			
<b>3) Taxes to date</b>						
Taxes Collected	\$166,956	\$152,461	9.5%	\$430,473	\$410,850	4.8%
City Portion of Taxes Collected	\$81,809	\$74,706	9.5%	\$210,932	\$201,317	4.8%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$1,986	\$2,116	(6.1%)	n/a	n/a	n/a
No. of Participants on Pre-authorized withdrawal (at QE)	6,353	6,358	(0.1%)	n/a	n/a	n/a
Pre-authorized withdrawals payments	\$5,934	\$5,797	2.4%	\$20,476	\$19,728	3.8%
Interest rate % paid	1.45%	0.70%	107.1%	1.45%	0.70%	107.1%
<i>Sources: All data is from City of Richmond records</i>						
<b>4) Investments</b>						
Total Investments	\$959,220	\$989,621	(3.1%)			
Average City Rate of Return on Investments %	2.34%	1.99%	17.6%			

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

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
<b>5) Planning and Development</b>						
Building Permit Fees Collected	\$2,508	\$2,587	(3.1%)	\$7,677	\$7,051	8.9%
Development Applications Received	51	52	(1.9%)	162	152	6.6%
Development Applications Fees	\$376	\$363	3.4%	\$944	\$842	12.1%
<b>6) Business Licences</b>						
Revenue Received for Current Year Licences	\$731	\$841	(13.1%)	\$3,740	\$3,729	0.3%
Revenue Received for Next Year (Deferred)	\$446	\$405	10.0%	\$798	\$727	9.8%
<b>Total Licence Revenue</b>	<b>\$1,177</b>	<b>\$1,246</b>	<b>(5.6%)</b>	<b>\$4,538</b>	<b>\$4,457</b>	<b>1.8%</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	\$540	\$471	14.5%	\$1,514	\$1,389	9.0%
Gaming Revenue	\$4,097	\$4,341	(5.6%)	\$12,827	\$12,727	0.8%
Traffic Fine Revenue	\$0	\$0	0.0%	\$1,985	\$1,948	1.9%
<b>8) Employees</b>						
Full Time Equivalent (FTE) Employees (at QE)	1,563	1,495	4.5%			
<i>(City and Library)</i>						
<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	2,348	2,902	(19.1%)	7,441	8,396	(11.4%)
RCMP - Calls for Service Handled	19,630	18,319	7.2%	51,821	50,915	1.8%
Public Works calls for Service	3,835	4,272	(10.2%)	10,889	12,474	(12.7%)

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

(All dollar amounts in \$000's)

**Financial and Key Indicators (continued)**

<b>10) Affordable Housing (at QE)</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>
Subsidized Rental (units)	477	477	0.0%
Affordable Rental (LEMR**) (units)	541	452*	19.7%
Market Rental (units)	411	411	0.0%
Entry Level Home ownership (units)	19	19	0.0%
Secondary Suite / Coach House (units)	263	236	11.4%
<b>Total Affordable Housing</b>	<b>1,711</b>	<b>1,595</b>	<b>7.3%</b>
	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>Change</b>
Floor Space secured, unit mix & other (sq feet) at QE ***	172,345	132,533	30.0%

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

\*\* 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.

<b>11) Richmond Population Estimate Year End</b>	<b>2018<sup>f</sup>*</b>	<b>2017</b>
	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) <sup>f</sup>-forecast to year-end



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

For the Nine Month Period Ended September 30, 2018, with comparative figures for 2017.

(Expressed in thousands of dollars)

	Budget September 30 2018	Actuals September 30 2018	Actuals <sup>4</sup> September 30 2017
<b>Revenues:</b>			
Taxes and levies	\$162,527	\$162,216	\$155,136
User fees	75,589	78,884	74,968
Sales of services	24,237	24,300	22,918
Payments-in-lieu of taxes	10,684	10,986	11,078
Provincial and federal grants	3,594	5,261	4,986
Development cost charges	23,728	14,116	12,225
Other capital funding sources	79,163	24,364	39,542
Investment in Lulu Island Energy Company	-	677	-
Other revenues:			
Investment income	11,021	15,257	14,308
Gaming revenue	12,375	12,828	12,727
Licences and permits	7,788	10,556	10,976
Other	6,764	31,019	19,216
	<b>417,470</b>	<b>390,464</b>	<b>378,080</b>
<b>Expenses:</b>			
Community safety	76,337	72,475	66,198
Engineering, public works and project development	57,057	42,878	44,042
General government	50,155	38,900	45,533
Parks, recreation and community services	49,619	43,921	42,601
Utilities:			
Water supply and distribution	31,621	33,246	31,579
Sewerage collection and disposal	23,948	25,343	21,909
Sanitation and recycling services	12,277	11,755	10,960
Planning and development	12,090	10,170	9,995
Library services	8,068	7,281	7,087
	<b>321,172</b>	<b>285,969</b>	<b>279,904</b>
YTD Surplus (Annual Surplus) <sup>2</sup>	96,298	104,495	98,176
Accumulated surplus, beginning of year	2,907,697	2,907,697	2,805,390
Accumulated surplus, end of September 30 <sup>3</sup>	<b>\$3,003,995</b>	<b>\$3,012,186</b>	<b>\$2,903,566</b>

<sup>1</sup> Statement of Operations for City and Library after intercompany eliminations, includes investment in Lulu Island Energy Company effective January 1, 2018, 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.

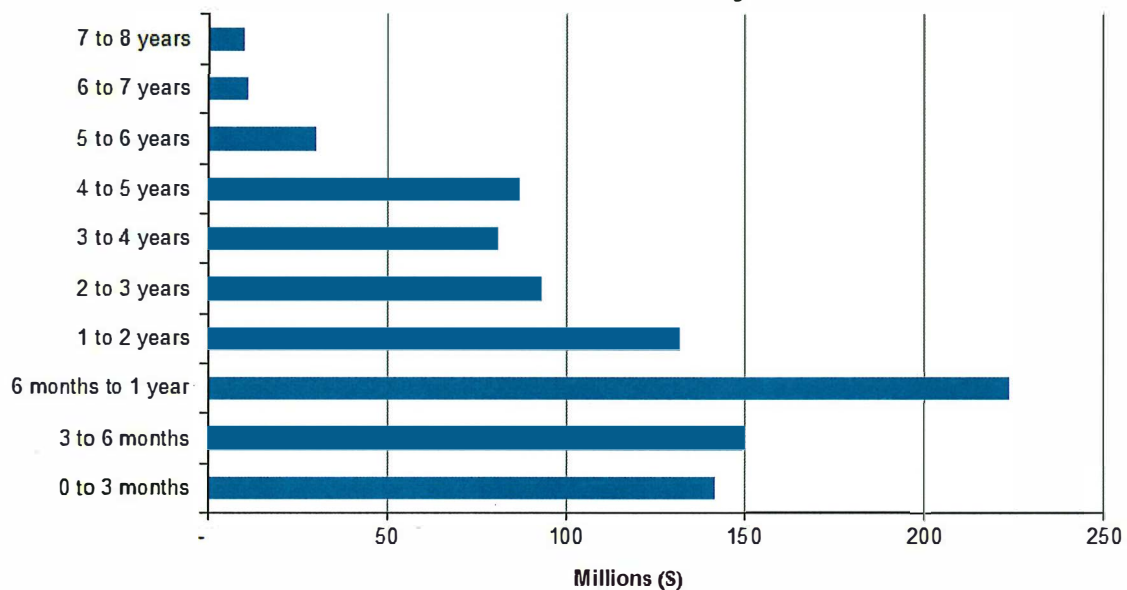
<sup>4</sup> Statement of Operation figures for 2017 were adjusted for comparative purposes.

### Investment Portfolio

September 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	\$ 68,464	7.14%	
	AA (high)	British Columbia	2019	65,085	6.79%	
	AA (low)	Ontario	2024	11,199	1.17%	
	A (high)	Quebec	2022-2023	22,198	2.31%	
			Total	\$ 166,947	17.40%	50%
<b>Chartered Banks</b>						
	AA	Bank of Nova Scotia	2018-2022	\$ 134,861	14.06%	
	AA	TD Bank	2018-2023	81,553	8.50%	
	AA	Royal Bank	2018-2023	68,038	7.09%	
	AA	Bank of Montreal	2018-2025	54,944	5.73%	
	AA (low)	National Bank of Canada	2018-2021	43,505	4.54%	
	A (high)	HSBC Bank of Canada	2021-2023	32,194	3.36%	
	AA	CIBC	2018-2022	24,805	2.59%	
	A (low)	Canadian Western Bank	2018	24,000	2.50%	
			Total	\$ 463,900	48.36%	50%
<b>BC Credit Unions</b>						
		Coast Capital Savings	2018-2019	\$ 87,038	9.07%	
		Vancity	2018	62,000	6.46%	
		Gulf and Fraser	2018-2019	49,939	5.21%	
		Blue Shore Financial	2018-2019	47,819	4.99%	
		Westminster Savings	2018	35,734	3.73%	
			Total	\$ 282,531	29.45%	30%
<b>Pooled Investments</b>						
		MFA Pooled Investment Fund		\$ 45,843	4.78%	20%
<b>Total Investment Portfolio Balance</b>				<b>\$ 959,220</b>	<b>100.00%</b>	

### Investment Maturity



## Contract Awards greater than \$75,000

July 1<sup>st</sup> to September 30<sup>th</sup>, 2018

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Pilot of "Sewer Slick" at Edgemere Lift Station	Muddy River Technology Inc.	\$92,500	Engineering & Public Works
2	Fire Hall 3 Construction Management Fees	Stuart Olson Construction Ltd.	427,157	Engineering & Public Works
3	MyRichmond's MyCommunity with PerfectMind	Radical I/O	249,000	Finance and Corporate Services
4	Minoru Centre for Active Living (MCAL) - TP8 Supply & Install Signage	Stuart Olson Construction Ltd.	249,464	Engineering & Public Works
5	DVD Dispenser Modernization	ITRE SLR	75,855	Community Services
6	Residential Solid Waste Collection and Recycling Services	Sierra Waste Services Ltd.	8,165,955	Engineering & Public Works
7	Supply and Delivery of one (1) Dump Body Unit and Outfitting on a City Provided Single Axle Cab and Chassis	Del Equipment	169,194	Engineering & Public Works
8	3 (Three) 2" Steel Gas Fortis	FortisBC - Natural Gas	338,515	Engineering & Public Works
9	Supply and delivery of chainlink fence mesh at Minoru Park	Hansen & Gannelli Inc.	184,993	Community Services
10	Recreation Lighting Upgrade Materials	Commercial Lighting Products Ltd.	111,430	Engineering & Public Works
11	Drainage Improvements and Frontage Works between 10231 Ruskin Road and Ryan Road	Anderson Creek Site Developing Ltd.	83,537	Engineering & Public Works
12	Multi-Family Water Meter Installations at 8191 Francis Rd, 8651 Ackroyd Rd, 7435, 7437 and 7439 Moffatt Rd	Ashton Service Group	112,736	Engineering & Public Works
13	Direct Digital Control Upgrades - Thompson Community Centre	ESC Automation Inc.	106,028	Engineering & Public Works
14	Concrete Pipe Materials - River Drive Multi-Use Pathway	Ocean Pipe	85,424	Engineering & Public Works
15	Design and Construction Services to Horseshoe Slough Pump Station	Telus	187,500	Engineering & Public Works
16	Paving - Broadmoor Blvd North Laneway Drainage and Asphalt Upgrades	WinVan Paving Ltd.	89,240	Engineering & Public Works
17	Cambie Fire Hall #3 Post Occupancy Work	Ashton Service Group	75,086	Engineering & Public Works
18	Consulting Services for the Gateway Theatre Upgrades	Morrison Hershfield Ltd.	228,100	Engineering & Public Works



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

Item	Description	Awarded Vendor	Awarded Amount	Division
19	Smart Cities Challenge: Project Management for Business Case Development	KPMG	155,220	Corporate Administration
20	Emergency Wood Stave Culvert Replacement - Intersection at No. 8 Road and Westminster Hwy	Merletti Construction Ltd.	145,000	Engineering & Public Works
21	Supply and Install Audiovisual Equipment	Stuart Olson Construction Ltd.	146,500	Community Services
22	RCMP CSB - Heat Pump Replacement Project - Phase 2	All-Pro Services Ltd.	361,400	Engineering & Public Works
23	City Hall Annex L1 & L2 Abatement & Demolition	Ashton Service Group	192,200	Engineering & Public Works
24	Construction of Interim River Parkway	M2K Construction Ltd.	6,999,605	Engineering & Public Works
25	Engineering Services for ICCDEU Servicing Strategy	Kerr Wood Leidal Associates Ltd.	89,800	Engineering & Public Works
26	Consulting Services to Design, Tender, and Oversee Construction of Aberdeen Park - Phase 2	van der Zalm + associates Inc.	182,501	Community Services
27	Construction Services for Watermania Infrastructure Upgrades	Kindred Construction Ltd.	535,795	Engineering & Public Works
28	Heritage Inventory Review and Update	Donald Luxton and Associates	114,000	Community Services
29	Supply and Delivery of 2 (Two) Full Size High Roof Extended 1 (One Tone Dual Rear Wheel Cargo Vans	Dams Ford Lincoln Sales Ltd.	100,622	Engineering & Public Works
30	On Call Roofing Contractor	Marine Roofing Repair and Maintenance Service (2003) Ltd.	120,000	Engineering & Public Works
31	Provision of Engineering Inspection Services	Maven Consulting Ltd. And RAM Engineering Ltd.	200,000	Engineering & Public Works
32	Supply and Delivery of 3 (Three) One Ton Crew Cab Dump Trucks	Work Truck West	345,040	Engineering & Public Works
33	Supply and Delivery of 4 (Four) 3/4 Ton Crewcab Trucks	Dams Ford Lincoln Sales Ltd	153,156	Engineering & Public Works
34	Supply and Delivery of 1 (One) Dump Body Unit and Outfitting on a City Provided Cab and Chassis	Del Equipment	145,562	Engineering & Public Works