



City of Richmond

Report to Committee

To: Finance Committee

Date: August 4, 2023

From: Mike Ching
Director, Finance

File: 03-0905-01/2023-Vol
01

Re: Financial Information – 2nd Quarter June 30, 2023

Staff Recommendation

That the staff report titled, “Financial Information – 2nd Quarter June 30, 2023”, dated August 4, 2023 from the Director, Finance, be received for information.

Mike Ching, CPA, CMA
Director, Finance
(604-276-4137)

Att: 4

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE
Arts, Culture & Heritage Services	<input checked="" type="checkbox"/>	Information Technology <input checked="" type="checkbox"/>
Building Approvals	<input checked="" type="checkbox"/>	Parks Services <input checked="" type="checkbox"/>
Community Bylaws	<input checked="" type="checkbox"/>	Public Works <input checked="" type="checkbox"/>
Community Safety Administration	<input checked="" type="checkbox"/>	RCMP <input checked="" type="checkbox"/>
Community Social Development	<input checked="" type="checkbox"/>	Real Estate Services <input checked="" type="checkbox"/>
Development Applications	<input checked="" type="checkbox"/>	Recreation & Sport Services <input checked="" type="checkbox"/>
Economic Development	<input checked="" type="checkbox"/>	Sustainability & District Energy <input checked="" type="checkbox"/>
Engineering	<input checked="" type="checkbox"/>	Transportation <input checked="" type="checkbox"/>
Facilities and Project Development	<input checked="" type="checkbox"/>	Library Services <input checked="" type="checkbox"/>
Fire Rescue	<input checked="" type="checkbox"/>	
		CONCURRENCE OF GENERAL MANAGER
SENIOR STAFF REPORT REVIEW	INITIALS:	APPROVED BY CAO

Origin

Pre-audited financial information for the 2nd quarter (ended June 30, 2023) 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 of Richmond's (the City) financial results throughout the year and before the annual audited financial statements are presented.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Economic Overview

At the mid-year mark in 2023, global growth continues, albeit slowly. An anticipated recession has not yet materialized either in Canada or globally, and growth forecasts for 2023 are slightly stronger than was predicted last quarter. Many central banks are continuing to raise rates in an effort to curb inflation. Recent actions taken to resolve the US debt ceiling stand-off and to limit turbulence in US and Swiss banking have done much to lower near-term risks of turmoil in the global financial sector. There are risks of further shocks, however, that could cause inflation to remain high or increase, including those related to extreme weather as well as the ongoing war in Ukraine. China's economic growth is also slowing, with a noted weakness in property and real estate markets. Globally, priorities remain focused on reducing inflation and ensuring financial stability.

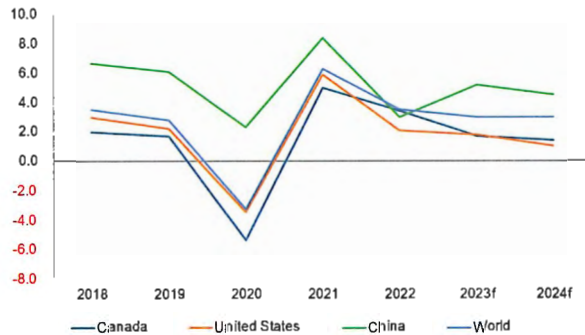
In Canada, the Bank of Canada's (BoC) decision to raise interest rates three times already this year reflects still-strong consumer demand for goods and services and a still-tight labour market. These dynamics are due in part to record population growth, as Canada's population grew by 2.7% in 2022, reaching 40 million people as of June 16, 2023. Despite continued demand, inflation is slowing, with a 2.8% increase in June, though inflation remains higher in British Columbia and in Metro Vancouver. Economic growth in Canada is slow though relatively steady – it remains below the global average, though estimates for 2023 are now slightly higher than forecast earlier this year.

Similar to last quarter, economic activity in Richmond continues to be relatively healthy. Businesses continue to face the ongoing challenges of labour shortages and high input costs for both goods and services. There are some risks posed by disruptions at the Port of Vancouver, and a near-term resolution will provide important certainty for Richmond businesses, as well as those across BC and Canada. While industrial and office vacancy rates are trending higher in some regions of Metro Vancouver, industrial vacancy in Richmond remains near record lows, and

office vacancy has dipped slightly lower in Q2. Lower growth should continue to be expected in 2023, aligned with global conditions.

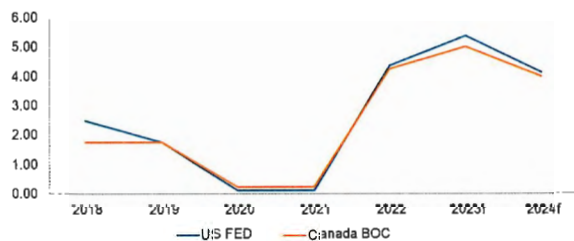
Macroeconomic Indicators & Forecast

1) Global Growth – Real Gross Domestic Product (GDP) % Change¹



- The International Monetary Fund (IMF) projects global Gross Domestic Product (GDP) will decrease from 3.5% in 2022 to an estimated 3.0% in both 2023 and 2024.
- In 2023, Canadian GDP is forecasted to grow by 1.7%, with US and China GDP growth forecasts of 1.8% and 5.2%, respectively.
- This global growth profile for 2023 is slightly stronger than predicted last quarter due in part to actions taken to limit turbulence in US and Swiss banking, which reduced risks of turmoil in the financial sector.

2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year End²

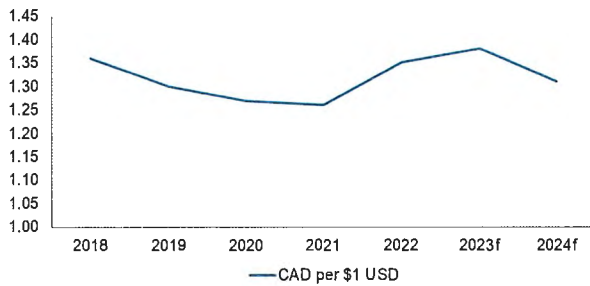


- After holding rates steady in March and April, the Bank of Canada increased interest rates in June and again in July 2023, bringing its overnight lending rate to 5.00%.
- The US Federal Reserve (US FED) has continued to raise rates at all of its 2023 meetings, most recently increasing rates to 5.38% on July 26, 2023.
- Inflation is gradually decreasing and consumer spending is slowing, though strong Canadian population growth has kept consumer demand strong. Interest rates may remain higher for longer than originally anticipated.

¹ International Monetary Fund, World Economic Outlook (July 2023): Near-Term Resilience, Persistent Challenges

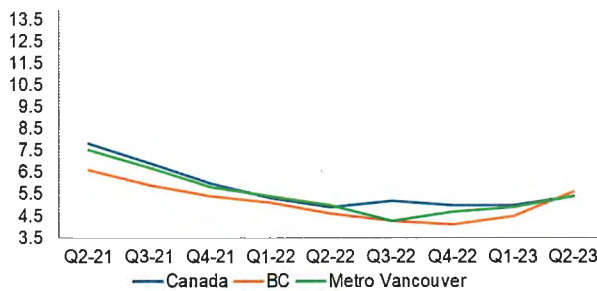
² US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; Bank of Canada Monetary Policy Report (July 2023); RBC Financial Markets Monthly, (July 2023)

3) Exchange Rates – CAD/USD at Year End³



- The Canadian dollar (CAD) continues to be weak against the US Dollar, though it ended Q2 2023 slightly stronger than the previous two quarters at \$1.32 CAD / \$1 USD. A weakening trend is expected in 2023, with some recovery at the end of 2024.
- A weaker CAD often leads to concerns regarding higher import prices, but the OECD estimates that 80% of the total value of goods and services consumed in Canada is produced domestically. Demand, rather than currency, is a better indicator of inflationary trend.

4) Unemployment⁴

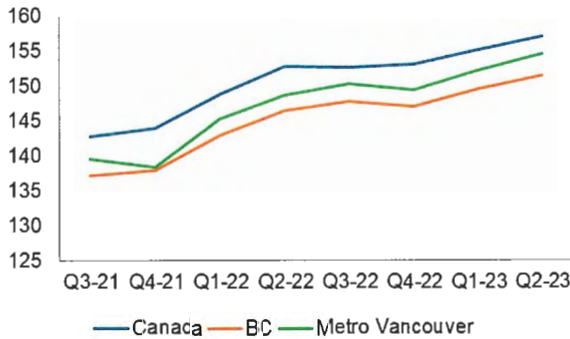


- According to Statistics Canada’s March 2023 Labour Market Survey, both employment and unemployment rates increased, meaning that the labour force expanded. Unemployment reached 5.4%, the highest in over a year, and wage growth slowed for the first time since May 2022.
- Employment increased in full-time work, primarily in wholesale and retail trade, health care and social assistance, and manufacturing.
- At the end of Q2 2023, the Canadian, BC, and Metro Vancouver unemployment rates were 5.4%, 5.6%, and 5.4%, respectively. All of these rates reflect increases as compared to last quarter, though BC’s unemployment rate was the fourth lowest in Canada.

³ RBC Economics (RBC Financial Markets Monthly June 2023); ProofPoint: Will a weak Canadian dollar fire up inflation (April 2023)

⁴ Statistics Canada Labour Force Survey (June 2023); Labour Force Statistics Highlights Issue #23-06

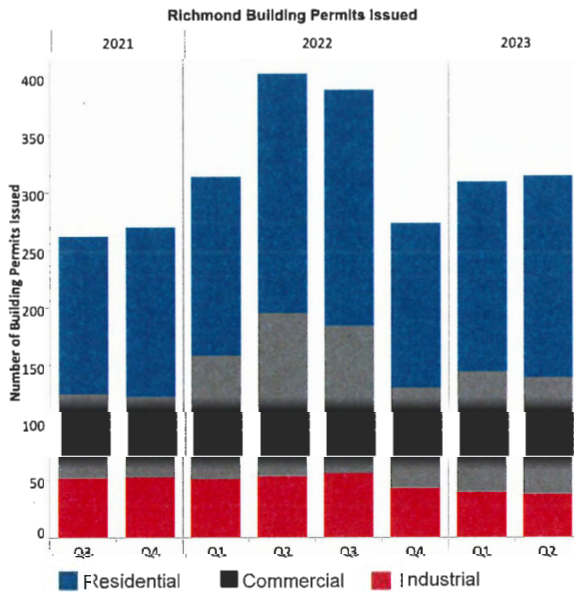
5) Consumer Price Index (CPI – 2002=100)⁵



- Inflation in Canada is slowing, with a 2.8% increase in June (year-over-year). However, elevated grocery prices and high mortgage interest costs continue, with these indexes primarily contributing to the increase.
- In BC and Metro Vancouver, inflation is higher, at 3.5% and 4.0%, respectively.
- Compared with other provinces, BC had the second highest rate of inflation, following Quebec (3.6%).

Regional & Local Economic Activity Indicators

6) Building Permits – Richmond⁶

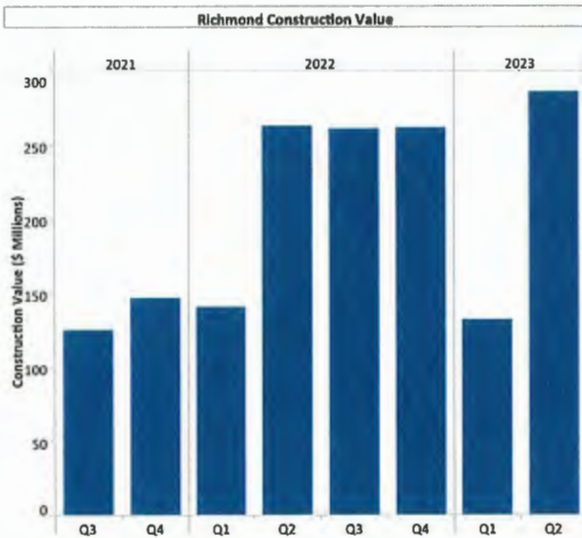


- During the second quarter of 2023, there were 184 residential, 101 commercial, and 38 industrial building permits issued in Richmond.
- This represents a 20.0% decline in total building permits issued over the same period in 2022, with less of a decrease in residential (-12.0%) as compared to commercial (-28.4%) and industrial (-29.6%). That said, total permits issued were higher in Q2 compared to the previous two quarters.
- 748 new units were added to the local housing supply in Q2 2023, which represents a 123.3% increase as compared to the same period in 2022. There are substantial quarter-over-quarter fluctuations in the number of new units due to the longer development cycles for multi-family units.

⁵ Statistics Canada, Consumer Price Index; also Consumer Price Index, June 2023; also BC Stats, Consumer Price Index, June 2023, Issue 23-06

⁶ City of Richmond Building Permits

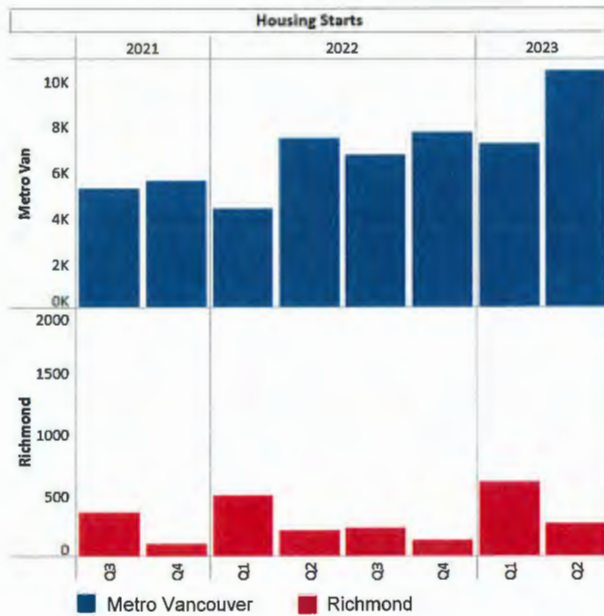
7) Construction Value



Source: City of Richmond

- Approximately \$286 million in construction value was registered in Q2 2023, an increase of 8.9% from the same period last year.
- Substantial quarter-over-quarter fluctuations in construction value can be expected, depending on the projects registered that quarter. While there have been some declines in construction employment, the outlook for the sector remains strong.

8) Housing Starts⁷

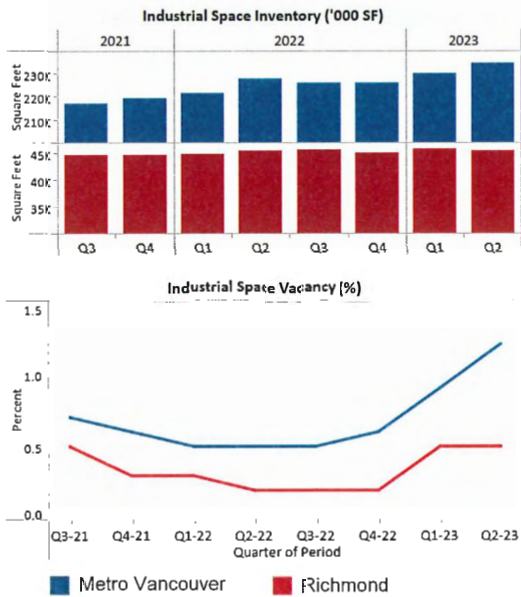


- In Q2 2023, there were 261 housing starts in Richmond and 10,340 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC), and based on verification that construction work has commenced⁸.
- Year-to-date housing starts increased by 25.5% in Richmond and by 39.7% in Metro Vancouver, as compared to the same period in 2022. There is a fair amount of fluctuation quarter-by-quarter, as is to be expected depending on project timelines.
- While construction costs remain high, demand will likely continue to be strong, especially with population expansion through immigration.

⁷ Canada Mortgage and Housing Corporation, *Housing Market Outlook, Spring 2023*

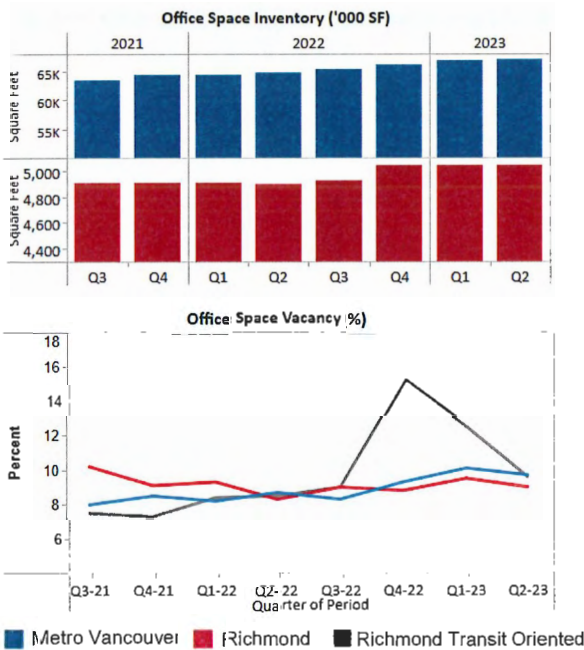
⁸ Housing Start is defined as the beginning of construction work on a building, generally when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.

9) Commercial Space⁹
 a) Industrial Space



- The Metro Vancouver vacancy rate has increased to 1.2%, which is the highest it has been in two years. Absorption remained positive in Q2 but was the lowest it has been in two years.
- In Richmond, the industrial vacancy rate remains lower than Metro Vancouver and has held steady at 0.5% for the past two quarters.
- Despite increased vacancy rates in Metro Vancouver, net asking rent prices reached a near historic high, indicating that the market continues to be very tight. Average net asking rent prices for industrial space in Richmond (\$21.31) are slightly above the Metro Vancouver average (\$21.08).

b) Office Space



Note that the increased transit-oriented vacancy rate in Q4 2022 was due to the Paramount development (6388 No. 3 Road) coming to market. Short-term fluctuations are expected as new supply is added.

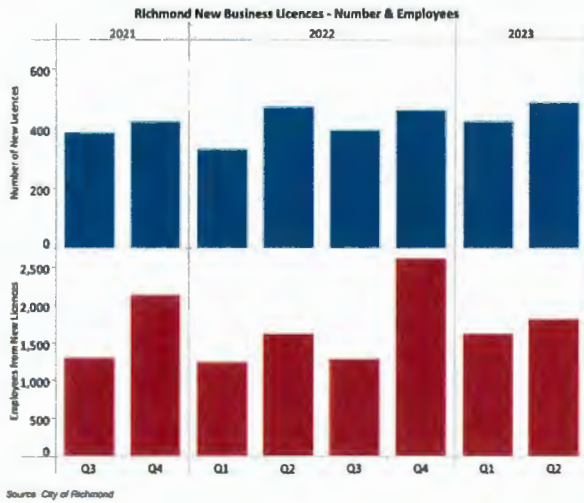
- At the end of Q2 2023, office vacancy rate had decreased to 9.0% in Richmond and 9.7% in Metro Vancouver. Transit-oriented office vacancy in Richmond is 9.6%¹⁰. All three of these vacancy rates are lower than last quarter, though higher than the same period last year.
- Downtown Vancouver office vacancy rates remained at a 30-year high of 13.7% in Q2, with the majority of vacancy in Class AAA space, including new builds. Suburban markets, including Richmond, continue to have much lower vacancy rates.
- The office market continues to be affected by a reduction in demand from the tech industry, with high sub-leasing activity continuing and driven by this sector.
- Asking rental rates across Metro Vancouver remain relatively stable.

⁹ Cushman & Wakefield Office and Industrial Market Beat Reports Q2 2023

¹⁰ Note that as of Q1 2023, transit-oriented office data is now sourced from Cushman and Wakefield for greater consistency across commercial vacancy rates presented in this report. The definition of "transit-oriented office" is office space within 600 meters of a Skytrain station. As this definition includes a limited number of developments in the City Centre, any change (whether related to new inventory or absorption) may have a seemingly disproportionate impact on the data.

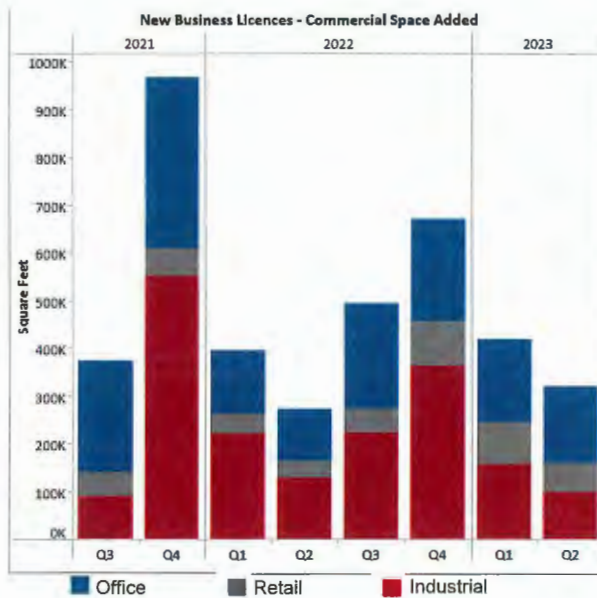
10) Business Growth – Richmond

a) Total Valid Business Licences & New Business Licences Issued



- 489 new business licences (representing 1,801 jobs) were issued by the City of Richmond in Q2 2023, a 3.4% increase in new licences (and a 12.1% increase in corresponding jobs) as compared to the same period last year.
- These new business licences are part of the City’s total of 13,212 total valid business licences at the end of Q2 2023. Fluctuations are expected in the number of total valid business licences, as businesses update their information as needed and renew their licences annually.

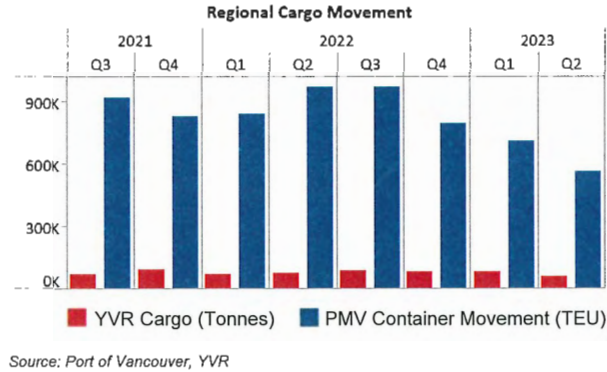
b) New Business Licences – Commercial Space



- 321,466 sq. ft. of commercial space absorption was tied to the new business licences issued during Q2 2023.
- This is an increase of 17.8% compared to the same time period last year. The greatest amount of space was required by industrial (163,031 sq. ft.) and office (99,943 sq. ft.) businesses, followed by retail (58,492 sq. ft.).

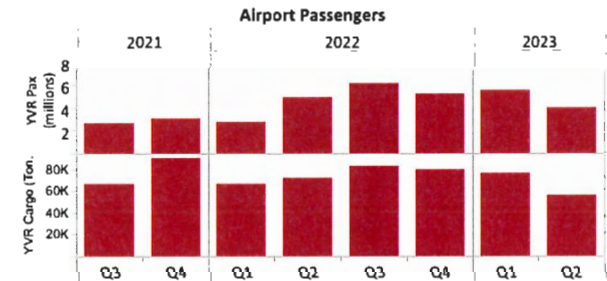
11) Goods and People Movement

a) Regional Cargo Movement¹¹



- During the first two months of Q2 2023, cargo volumes handled by the Port of Vancouver, as measured by Twenty Foot Equivalents (TEUs), decreased by 13.3% as compared to the same period last year.
- During the first two months of Q2 2023, 56,439 tonnes of air cargo passed through the Vancouver International Airport (YVR), an increase of 24.7% compared to the same period last year.

b) Airport Passengers¹²



- The number of travelers moving through YVR continues to grow, with an increase of 33.1% during the first two months of Q2 2023 (3.98M) as compared to the same period last year (2.99M).
- Globally, the aviation industry is expected to return to profitability in 2023. Strong demand for travel is continuing, and airports and airlines continue to grapple with operational challenges as they work to modernize their systems and hire sufficient employees to meet current need.

¹¹ Port of Vancouver Monthly Cargo Statistics (data for Q2 2023 for April and May only); YVR Monthly Statistics (data for April and May 2023)
¹² YVR Monthly Statistics (data for April and May 2023)

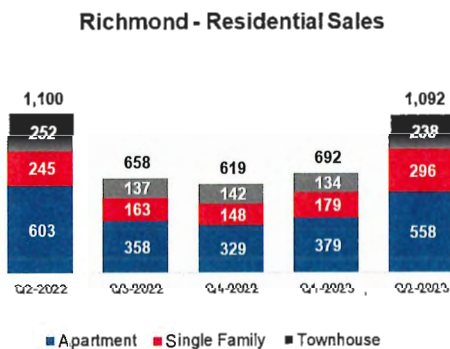
c) Richmond Hotel Room Revenue¹³



- Hotel room revenues in Richmond for April 2023 were \$18.2M, which is 9.0% lower than the same month last year. However, when year-to-date data is considered, 2023 revenues are 51.2% higher than 2022.

Residential Real Estate¹⁴

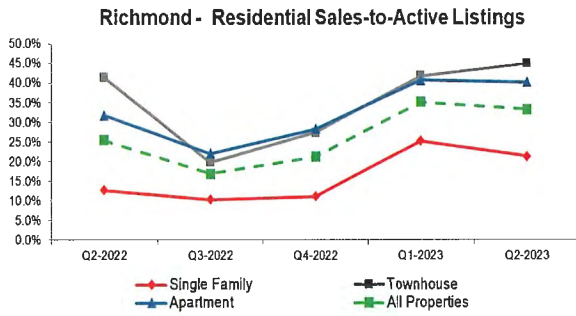
Although 2023 started off slower than usual, and despite rising interest rates in the second quarter of 2023, prices and sales seem to be returning to historical averages. The main issue being that there are more buyers relative to the number of willing sellers in the market.



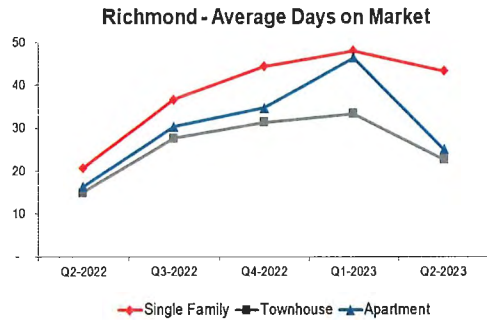
- Single family detached (SFD) home sales increased by 20.8% compared to Q2 2022.
- Townhouse and apartment sales have decreased by 5.6% and 7.5%, respectively, compared to Q2 2022.
- Townhouse sales comprise 21.8% of the residential home sales in Richmond. SFD and apartment sales account for 27.1% and 51.1%, respectively, of home sales in Richmond.
- There were 1,092 residential home sales in Richmond in Q2 2023, a 0.7% decrease compared to the same period last year.

¹³ City of Richmond Additional Hotel Room Tax Ledger; Destination BC – Richmond Hotel Revenue for Q2 2023 includes April only.

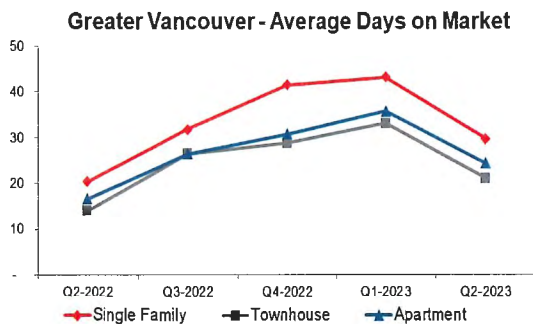
¹⁴ Real Estate Board of Greater Vancouver



- Richmond residential properties had a sales-to-active listings ratio of 33.2% as at June 30, 2023, representing a seller's market.
- Analysis of historical data suggests downward pressure on home prices occurs when the ratio dips below 12% for a sustained period, while home prices often experience upward pressure when it surpasses 20% over several months.

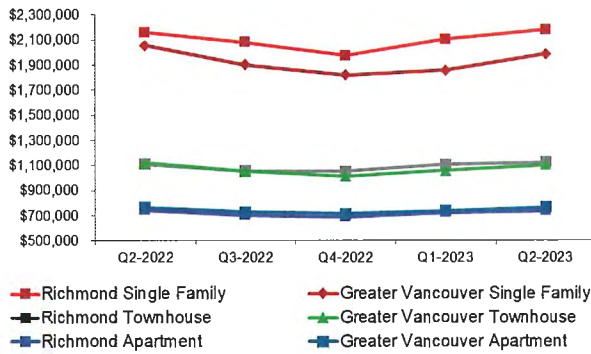


- At Q2 2023, SFD properties in Richmond had an average of 43 days on the market, a 104.8% increase compared to Q2 2022.
- Townhouses and apartments in Richmond had an average of 23 and 25 days on the market, respectively, representing a 53.3% and a 56.3% increase over the same period last year.



- At Q2 2023, SFD properties in GVRD had an average of 30 days on the market, which represents a 50.0% increase compared to Q2 2022.
- Townhouses and apartments in GVRD had an average of 21 and 24 days on the market, respectively, which represents an increase of 50.0% for townhouses and 41.2% for apartments, compared to Q2 2022.

Richmond vs. Greater Vancouver Residential Home Price Index (HPI)

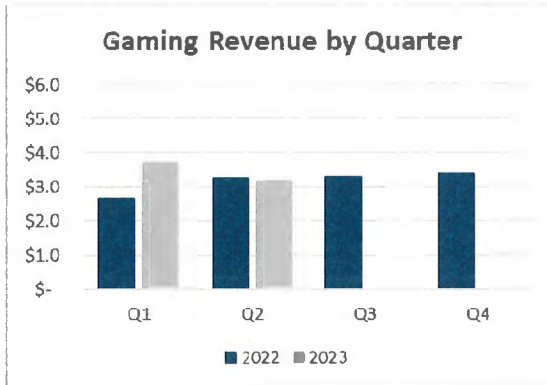


- The Home Price Index (HPI)¹⁵ for SFD properties in Richmond at Q2 2023 was \$2,182,000, a 1.0% increase compared to Q2 2022. The GVRD housing market has decreased with SFD properties priced at \$1,991,300, which represents a 3.3% decrease compared to the same quarter last year.
- At Q2 2023, the HPI for townhouse properties in Richmond was \$1,121,500, an increase of 1.3% compared to Q2 2022. The HPI for townhouse properties in GVRD was \$1,098,900, which represents a 1.5% decrease compared to the same time last year.
- The HPI for apartments in Richmond was \$739,300, a decrease of 0.9% compared to Q2 2022. GVRD’s apartment prices were comparable to Q2 2022 at \$767,000.

¹⁵ 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

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



- The gaming revenue for Q2 2023 was \$3,160,472, a decrease of 3% compared to the same quarter last year when \$3,257,340 was received.
- Year to date revenue for 2023 is \$6,850,768 which is 15.9% higher than for same period for 2022 which was \$5,908,741.
- The 2023 budget for gaming revenue is \$14,500,000.

Gaming revenue continues to rebound from the pandemic period and the amount received for the first half of 2023 approximates the amounts received pre-pandemic. The year to date amount in 2019 was \$7,401,789, a 7.4% difference to the same period in 2023. As gaming revenue is dependent on the operations of the River Rock Casino, these amounts may vary due to consumer behaviours, changes in regulations and competition.

At the January 30, 2023 Council meeting, the 2023 Budget was approved which included the gaming revenue allocation for 2023. The distribution of these funds is detailed in Table 1 with any surplus revenue or shortfall to be reallocated toward debt servicing and the grants program.

Table 1: Distribution of the 2023 gaming revenue allocation

	Distribution	2023 Budget
Capital Reserves	30%	\$4.0M
Grants	20%	2.9M
Council Community Initiatives Account	2%	0.3M
Debt Servicing	Fixed	6.4M
Operating (RCMP)	Four Officers	0.9M
Total		\$14.5M

Operating Activity

Table 2 compares budget to unaudited actual activity up to June 30, 2023. The net figure represents combined revenue and expense amounts. Actuals include estimates for revenues earned and expenses incurred to date where invoices may not yet be issued or received.

Table 2: Net Operational Activity for the period January 1, 2023 to June 30, 2023 (in \$000's)

Division/Department ¹	Q2 YTD Net Budget ²	Q2 YTD Actuals and Commitments ³	Q2 YTD Variance (\$)	Q2 YTD Variance (%)
Community Safety ⁴	\$(667)	\$(963)	\$296	44%
Community Services	24,863	23,851	1,012	4%
Corporate Administration	4,987	4,722	265	5%
Engineering and Public Works	26,262	26,262	0	0%
Finance and Corporate Services	12,941	12,077	864	7%
Fire Rescue	24,257	24,023	234	1%
Law and Legislative Services	2,279	2,273	6	0%
Library	5,524	5,256	268	5%
Planning and Development	4,571	3,357	1,214	27%
Policing	35,262	32,844	2,418	7%
Fiscal	(103,124)	(103,895)	771	1%
Total	\$37,155	\$29,807	\$7,348	20%
Flood Protection Utility	7,154	7,021	133	2%
Sanitary Sewer Utility	3,327	3,199	128	4%
Sanitation and Recycling Utility	(136)	(949)	813	596%
Water Utility	4,174	3,406	768	18%
Utilities Total	\$14,519	\$12,677	\$1,842	13%

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

²The Net Budget is based on the operating budget approved by Council on January 30, 2023.

³Includes budgeted equity transactions such as transfer to reserves, transfer to provision etc.

⁴Includes Community Safety Administration, Animal Protection Services, Business Licences, Community Bylaws and Emergency Programs.

The following section provides an explanation on a Divisional/Departmental basis of year-to-date variances in relation to the 2023 Financial Plan:

- Community Safety (excluding fire rescue and policing) has a favourable variance due to favourable business licence revenue and timing on operational spending.
- Community Services' favourable variance is mainly due to vacant positions, stronger revenue from recreation programs and services, and the timing of operating expenditures that are anticipated to be completed in the 3rd and 4th quarters.
- Corporate Administration's favourable variance is mainly driven by vacant positions and timing of operational programs.

- Engineering and Public Works is on budget.
- Finance and Corporate Services' favourable variance is mainly due to vacant positions and initiatives in progress that are expected to complete later in the year.
- Fire Rescue's favourable variance is driven by firefighter retirements and timing of operational spending.
- Law and Legislative Services is on budget.
- Library's favourable variance is mainly due to vacant positions and timing of expenditures. Any surplus at year end will be appropriated for future use within Library operations.
- Planning and Development's favourable variance is primarily due to stronger building permit revenue.
- Policing's favourable variance is driven by lower than budgeted policing contract costs due to RCMP Officer complement vacancies.
- Fiscal's surplus is due to favourable investment income.
- Flood Protection Utility is on budget. Any surplus at year-end will be transferred to the Flood Protection Provision.
- Sanitary Sewer Utility is on budget. Any surplus at year-end will be transferred to the Sewer Stabilization Provision.
- Sanitation and Recycling Utility's favourable variance is mainly due more to Recycle BC revenue than budgeted and vacant positions. Any surplus at year-end will be transferred to the General Solid Waste and Recycling Provision.
- Water Utility's favourable variance is mainly driven by less water consumption charges than budgeted for the six month period and other operational savings. Any surplus at year-end will be transferred to the Water Levy Provision.

The largest operating expenditures for the City are salaries and contracts and are the primary drivers of the operating activity variance. Staff are actively recruiting to fill vacancies, however, the tight local labour market presents a challenge. The Q2 2023 unemployment rate for Metro Vancouver is 5.4% highlighting continued competition across the region.

The presentation of the figures for the Financial Statement, Statement of Operations is different from the Net Budget presentation above. The above presentation combines revenues and expenses, and presents the net amount inclusive of transfers. The Statement of Operations presents the revenues and expenses separately and prior to any appropriations and transfer to

reserves. The Statement of Operations for the Six Month Period Ended June 30, 2023, with comparative figures for 2022, is included in Attachment 3.

Cash and Investment Portfolio

As of June 30, 2023, the City's total cash and investment balance was \$1.88 billion, which represents the City's working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses.

The higher than usual cash and investment balance is mainly due to the timing of property tax collection for the July 4, 2023 due date. The City has subsequently remitted over \$270 million to various external agencies for taxes that were collected on their behalf.

The City's total cash and investment balance was comprised of \$1.19 billion in investments and \$697 million in high interest savings cash account, with a weighted average annualized yield of 4.50% for the second quarter of 2023.

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

	June 30, 2023 (Current Quarter)	March 31, 2023 (Previous Quarter)
2 Year Government of Canada Bonds	4.52%	3.75%
5 Year Government of Canada Bonds	3.61%	3.05%
10 Year Government of Canada Bonds	3.22%	2.93%

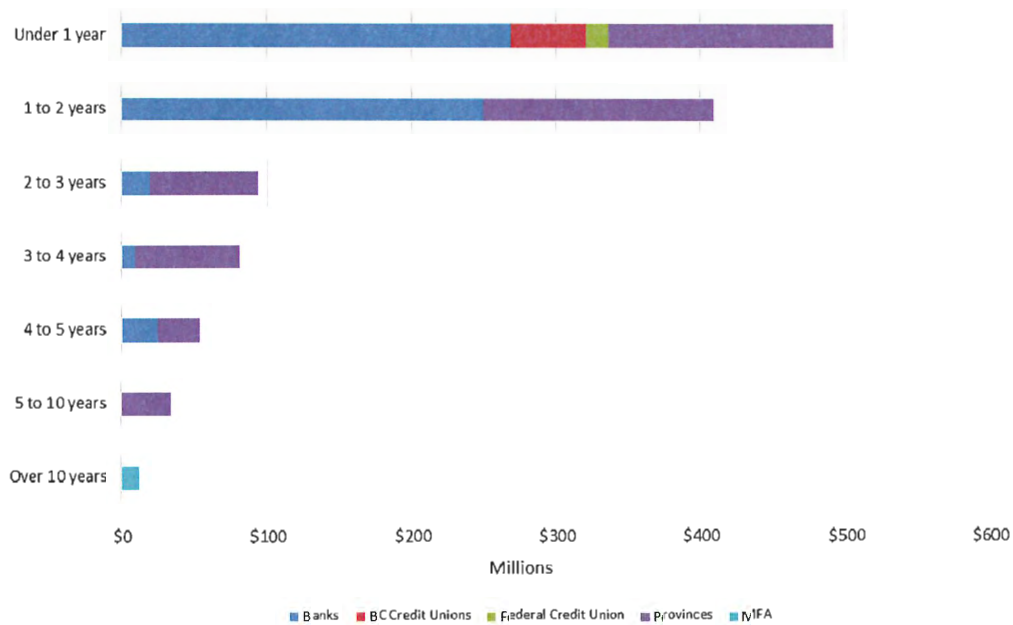
Source: Bank of Canada

At the latest interest rate announcement on July 12, 2023, the BoC increased its target for overnight interest rate to 5%. The BoC noted the resurgence in economic momentum for its decision to execute back-to-back rate hikes in June and July. The BoC stated that the cooling in consumer spending will take longer than previously anticipated given the stronger-than-expected momentum in consumption in the second quarter, and the combination of a still-tight labour market and accumulated savings by households.

Although the CPI has moved to 2.8% in June 2023, showing a significant cooling of inflation in Canada from its high of 8.1% in June 2022, the BoC will continue to assess the dynamics of core inflation and the outlook for CPI in order to achieve the 2% inflation target.

The City's overall credit risk exposure remains low because the City continues to maintain a diversified and high credit quality investment portfolio comprised of 48% in chartered banks, 45% in provincial government, 5% in BC credit unions, 1% in federal credit union, and 1% in MFA long-term bonds. Illustrated in the investment maturity summary in the chart below, the City's cash and investment portfolio has been strategically positioned to allow for flexibility for higher rate investment products.

Q2 2023 Investment Maturity Summary



Staff will continue to monitor the interest rate movement and will position its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for all municipal investment decisions.

All investment activities have been conducted in compliance with the City’s Investment Policy 3703. Based on independent Environmental, Social, and Governance (ESG) rating of the City’s fixed income portfolio, the City continues to receive high ESG Rating of “AA” as of Q2 2023.

Contract Awards

In accordance with Policy 3104, this report provides information on new contract awards and aggregate contract extensions greater than \$75,000. During the second quarter, 36 contracts greater than \$75,000 were awarded totalling over \$19.3 million (Attachment 4).

Financial Impact

None.

Conclusion

The June 30, 2023 financial information report provides details on the economic environment, financial results and other key indicator information to the Finance Committee for information.



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: Contract Awards greater than \$75,000

Economic Indicators

June 30, 2023

Macroeconomic Indicators & Forecast

1) Real GDP (% at YE)	2023f	2024f			
Canada	1.7	1.4			
United States	1.8	1.0			
China	5.2	4.5			
World	3.0	3.0			
2) Interest Rates (at YE)	2023f	2024f			
Bank of Canada	5.00	4.00			
US FED	5.38	4.13			
3) Exchange Rate (at YE)	2023f	2024f			
CAD per \$1 USD	1.38	1.31			
4) Unemployment (% at QE)	Q2-2023	Q1-2023	Change	Q2-2022	Change
Canada	5.4	5.0	8.0%	4.9	10.2%
BC	5.6	4.5	24.4%	4.6	21.7%
Metro Vancouver	5.4	4.9	10.2%	5.0	8.0%
5) CPI (2002=100) (at QE)	Q2-2023	Q1-2023	Change	Q2-2022	Change
Canada	157.2	155.3	1.2%	152.9	2.8%
BC	151.6	149.7	1.3%	146.5	3.5%
Metro Vancouver	154.7	152.3	1.6%	148.8	4.0%

Regional and Local Market Indicators

6) Richmond Building Permits	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Residential – New Construction [^]	53	96	(44.8%)	116	171	(32.2%)
Residential – Alterations	131	113	15.9%	234	194	20.6%
Residential Total	184	209	(12.0%)	350	365	(4.1%)
Number of units from new residential construction	748	335	123.3%	903	467	93.4%
Residential	184	209	(12.0%)	350	365	(4.1%)
Commercial	101	141	(28.4%)	205	248	(17.3%)
Industrial	38	54	(29.6%)	78	105	(25.7%)
Building Permits Total	323	404	(20.0%)	633	718	(11.8%)
Construction Value (\$ million)	286.6	263.3	8.9%	419.3	403.9	3.8%
7) Housing Starts CMHC (Units)	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Starts - Richmond	261	208	25.5%	860	690	24.6%
Starts - Metro Vancouver	10,340	7,402	39.7%	17,458	11,710	49.1%
8) Richmond Residential Sales Activity	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Sales - Detached	296	245	20.8%	475	602	(21.1%)
Sales - Townhouse	238	252	(5.6%)	372	496	(25.0%)
Sales - Apartment	558	603	(7.5%)	937	1,249	(27.6%)
Sales - Total	1,092	1,100	(0.7%)	1,784	2,392	(25.4%)

Economic Indicators

June 30, 2023

Regional and Local Market Indicators (continued)

9) **Richmond Sales to Active Listings**

Ratio (% at QE)	Q2-2023	Q2-2022	Change
Single Family Detached	21.5%	13.0%	65.4
Townhouse	44.8%	41.4%	8.2
Apartment	40.1%	31.8%	26.1
Total	33.2%	25.5%	30.2

10) **Average Days on Market**

Property Type	Richmond			Metro Vancouver		
	Q2-2023	Q2-2022	Change	Q2-2023	Q2-2022	Change
Single Family Detached	43	21	104.8%	30	20	50.0%
Townhouse	23	15	53.3%	21	14	50.0%
Apartment	25	16	56.3%	24	17	41.2%

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

Property Type	Richmond			Metro Vancouver		
	Q2-2023	Q2-2022	Change	Q2-2023	Q2-2022	Change
Single Family Detached	2,182	2,161	1.0%	1,991	2,059	(3.3%)
Townhouse	1,122	1,108	1.3%	1,099	1,116	(1.5%)
Apartment	739	746	(0.9%)	767	766	0.1%

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

	Richmond			Metro Vancouver		
	Q2-2023	Q2-2022	Change	Q2-2023	Q2-2022	Change
Office Vacancy (%)	9.0	8.3	8.4%	9.7	8.7	11.5%
Transit Oriented Office Vacancy (%)	9.6	8.5	12.9%	N/A	N/A	N/A
Office Inventory (000 sf)	5,043	4,901	2.9%	66,989	64,833	3.3%
Industrial Vacancy (%)	0.5	0.2	150.0%	1.2	0.5	140.0%
Industrial Inventory (000 sf)	45,432	45,389	0.1%	234,392	228,060	2.8%

13) **Richmond Business Growth**

	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Total Valid Business Licences (at QE)	13,212	14,086	(6.2%)	13,212	14,086	(6.2%)
New Licences - Number Issued	489	473	3.4%	912	803	13.6%
New Licences - Employees	1,801	1,607	12.1%	3,405	2,841	19.9%
New Licences - Office Added (sf)	163,031	109,110	49.4%	337,305	244,097	38.2%
New Licences - Retail Added (sf)	58,492	33,880	72.6%	147,530	75,174	96.3%
New Licences - Industrial Added (sf)	99,943	130,002	(23.1%)	256,979	350,573	(26.7%)
Total Space Added (sf)/Avg. Change	321,466	272,992	17.8%	741,814	669,844	10.7%

Economic Indicators**June 30, 2023****Regional and Local Market Indicators (continued)**

14) Goods & People Movement	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
YVR Air Cargo (tonnes)*	56,439	45,260	24.7%	132,924	111,960	18.7%
PMV Container Movement (TEUs)**	561,467	647,744	(13.3%)	1,269,234	1,483,585	(14.4%)
YVR Passengers (million)*	3.98	2.99	33.1%	9.47	5.79	63.6%
Richmond Hotel Revenue (\$ million)***	18.2	20.0	(9.0%)	78.3	51.8	51.2%

Notes:

- a) QE indicates quarter end; YE indicates year end
b) f - forecast to year end
c) Figures have been updated to reflect changes in source data.
d) * YVR Air Cargo and YVR Passengers for Q2 includes April and May data only
** PMV Container Movement for Q2 includes April and May data only
*** Richmond Hotel Room Revenue for Q2 includes April data only.

List of Sources:

- 1) International Monetary Fund, World Economic Outlook (July 2023): Near-Term Resilience, Persistent Challenges
2) US Federal Reserve, Bank of Canada and Royal Bank of Canada Research; B of C Monetary Policy Report (July 2023), RBC Financial Markets Monthly, July 2023
3) RBC Economics RBC Financial Markets Monthly, July 2023; Proof Point: Will a weak Canadian dollar fire up inflation; April 2023)
4) & 5) Statistics Canada, BC Stats
6) City of Richmond Building Permits
7) Canada Mortgage and Housing Corporation
8) 9) 10) & 11) Real Estate Board of Greater Vancouver
12) Cushman & Wakefield Office and Industrial Market Beat Reports
13) City of Richmond Business Licences
14) Port of Vancouver Monthly Cargo Statistics – data is for Q2 2023 includes April and May only
YVR monthly statistics; International Air Transport Association, Global Outlook for Air Transport (June 2023).– data for Q2 includes April and May only
City of Richmond Additional Hotel Room Tax Ledger - data for Q2 includes April only

Financial and Key Indicators**June 30, 2023**

(All dollar amounts in \$000's)

1) Development Cost Charges Contributions	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Roads, Water, Sewer DCC's Received	\$125	\$7,165	(98.3%)	\$1,186	\$9,241	(87.2%)
Parks DCC's Received	\$43	\$2,496	(98.3%)	\$610	\$3,907	(84.4%)
Total DCC Fees Received	\$168	\$9,661	(98.3%)	\$1,796	\$13,149	(86.3%)
DCC Reserves – Uncommitted balance at QE	\$142,042	\$134,753	5.4%	n/a	n/a	n/a
2) Uncommitted Reserves (at QE)	Q2-2023	Q2-2022	Change			
Capital Funding Reserves*	\$240,622	\$123,153	95.4%			
Utility Reserves	\$105,864	\$108,093	(2.1%)			
Affordable Housing Reserves	\$9,436	\$9,392	0.5%			
Other Reserves	\$105,416	\$75,469	39.7%			
Total Uncommitted Reserves	\$461,338	\$316,107	45.9%			
<i>*During 2023, \$96m of debt was obtained for the Steveston Community Centre and Library capital project and the original funding returned to its source.</i>						
3) Taxes to date	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Taxes Collected	\$358,561	\$322,551	11.2%	\$374,050	\$336,685	11.1%
City Portion of Taxes Collected	\$182,866	\$164,501	11.2%	\$190,765	\$171,709	11.1%
Unpaid Taxes - Delinquent & Arrears (at QE)	\$9,268	\$8,114	14.2%	\$9,268	\$8,114	14.2%
No. of Participants on Pre-authorized withdrawal (at QE)	6,281	6,236	0.7%	6,281	6,236	0.7%
Pre-authorized withdrawals payments	\$8,231	\$7,896	4.2%	\$20,555	\$19,656	4.6%
Interest rate % paid	4.70%	0.70%	571.4%	4.70%	0.70%	571.4%
<i>Sources: All data is from City of Richmond records</i>						
4) Cash and Investments	Q2-2023	Q2-2022	Change			
Investments	\$1,186,081	\$934,756	26.9%			
Cash (includes high interest savings accounts)	\$697,313	\$707,478	(1.4%)			
Total Cash and Investments	\$1,883,394	\$1,642,234	14.7%			
Average City Rate of Return on Investments %	4.50%	2.25%	100.0%			

Financial and Key Indicators

June 30, 2023

(All dollar amounts in \$000's)

Financial and Key Indicators (continued)

5) Planning and Development	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Building Permit Fees Collected	\$1,880	\$3,116	(39.7%)	\$3,589	\$4,787	(25.0%)
Development Applications Received	31	40	(22.5)%	67	67	0%
Development Applications Fees	\$170	\$190	(10.4%)	\$384	\$261	46.8%
6) Business Licences	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Revenue Received for Current Year Licences	\$1,191	\$1,107	7.5%	\$3,148	\$2,917	7.9%
Revenue Received for Next Year (Deferred)	\$294	\$268	9.8%	\$398	\$368	8.2%
Total Licence Revenue	\$1,485	\$1,375	8.0%	\$3,546	\$3,285	7.9%
<i>Year to date valid licences and revenue include current year licences issued in the prior year.</i>						
7) Other Revenues	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
Parking Program Revenue	\$561	\$427	31.2%	\$1,060	\$765	38.5%
Gaming Revenue	\$3,160	\$3,257	(3.0%)	\$6,851	\$5,909	15.9%
Traffic Fine Revenue	\$2,475	\$2,435	1.6%	\$2,475	\$2,435	1.6%
8) Employees	Q2-2023	Q2-2022	Change			
Full Time Equivalent (FTE) Employees (at QE) <i>(City and Library)</i>	1,636	1,546	5.8%			
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results.</i>						
9) Operating Indicators	Q2-2023	Q2-2022	Change	YTD-2023	YTD-2022	Change
RCMP - Calls for Service Handled	17,221	14,136	21.8%	33,054	26,748	23.6%
Community Bylaws	2,151	1,287	67.1%	3,790	2,368	60.1%
Fire Incidents	2,982	2,693	10.7%	5,890	5,074	16.1%
Public Works calls for Service	3,505	3,824	(8.3%)	6,586	7,138	(7.7%)
10) Richmond Population Estimate Year End	2023f	2022				
	224,470	222,954				
<i>Population figures from BC Stats</i>						

Notes:

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

Unaudited Statement of Operations¹

For the Six Month Period Ended June 30, 2023, with comparative figures for 2022.

(Expressed in thousands of dollars)

	Budget June 30 2023	Actuals June 30 2023	Actuals June 30 2022
Revenue:			
Taxes and levies	\$144,538	\$144,538	\$134,869
Utility fees	65,728	65,041	62,550
Sales of services	20,394	19,336	16,893
Payments-in-lieu of taxes	7,325	6,824	6,903
Provincial and federal grants	5,425	26,573	4,699
Development cost charges	10,829	9,087	8,537
Other capital funding sources	32,849	11,890	30,140
Other revenue:			
Investment income	9,189	17,482	9,026
Gaming revenue	5,650	6,851	5,909
Licences and permits	7,274	8,556	7,996
Other	6,518	10,211	15,130
Equity income	165	1,194	956
	315,884	327,583	303,608
Expenses:			
Community safety	70,464	65,786	64,340
Utilities: water, sewer and sanitation	56,807	53,006	52,056
Engineering, public works and project development	43,095	37,480	38,389
Community services	37,304	33,095	29,582
General government	37,110	37,516	32,098
Planning and development	13,577	11,699	10,976
Library services	5,669	5,612	5,418
	264,026	244,194	232,859
YTD Surplus (Annual Surplus) ²	51,858	83,389	70,749
Accumulated surplus, beginning of year	3,558,636	3,558,636	3,487,887
Accumulated surplus, end of June 30 ³	\$3,610,494	\$3,642,025	\$3,558,636

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

² 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.

³ 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.

Contract Awards greater than \$75,000

April 1st to June 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
1	Supply and Delivery of Two (2) Conventional Zero Clearance/Zero Tail Swing Excavators	Avenue Machinery Corporation	415,390	Engineering & Public Works
2	Oracle Database Software and Solaris Hardware Purchase	Eclipsys Solutions Inc.	88,085	Finance and Corporate Services
3	PeopleSoft Annual Maintenance and Support (License Renewal for HCM and FSCM)	Oracle Canada ULC	336,449	Finance and Corporate Services
4	Pre-Construction Services - Replacement of the Bowling Green Community Activity Centre	Scott DB Services Ltd.	134,062	Engineering & Public Works
5	Amanda (Municipal Property Management System) 2023 Software Support and Maintenance	Granicus Canada Holdings ULC	118,341	Finance and Corporate Services
6	Steveston Salmon Festival Programming and Production Team	Anigraph Productions Limited	324,500*	Community Services
7	Provision of Project Management and Business Analysis Services for Oracle EPM Implementation	Alithya Canada Inc.	292,500	Finance and Corporate Services
8	Janitorial Services – Fire Hall 1, 2 and 3	Cleantech Service Group Limited	92,880	Community Safety
9	ArcGIS Software Support and Maintenance Renewal	ESRI Canada Ltd.	205,000	Finance and Corporate Services
10	Microsoft Licensing Software	Compugen Inc.	208,964	Finance and Corporate Services
11	Engineering Consulting Services for South Dike Upgrades from 6080 Dyke Road to Gilbert Road Drainage Pump Station	WSP Canada Inc.	375,814	Engineering & Public Works
12	Workforce Management Solution and Services	Kronos Canadian Systems Inc.	691,633	Finance and Corporate Services
13	MyRichmond My Permit Implementation on Mobile (iOS & Android)	Radical I/O Technology Inc.	95,200	Finance and Corporate Services
14	Short Term Rental Vehicles	The Driving Force Inc. Zeemac Vehicle Lease Ltd."	462,480	Engineering & Public Works

*Awarded amount reflects the estimated maximum value of a 2 year contract.

Contract Awards greater than \$75,000 (continued)

April 1st to June 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
15	Supply and Install Furniture - Richmond Cultural Centre Annex	Contemporary Office Interiors	129,755	Community Services
16	Supply and Installation of Structural CIPP for the Lancaster Crescent Sanitary Repair Project	Special T Cleaning (2012) Ltd.	161,050	Engineering & Public Works
17	One (1) 2023 Peterbilt Cab and Chassis One Tandem Axle Truck	Peterbilt Pacific Inc.	254,140	Engineering & Public Works
18	McDonald Beach Hydrological and Sediment Analysis Study	ISL Engineering and Land Services Ltd.	84,941	Community Services
19	Cisco Enterprise License and Support Services	Compugen Inc. TELUS Long View Systems"	472,211	Finance and Corporate Services
20	Intersection Cameras Real Time Video Analytics	Advanced Mobility Analytics Group PTY	116,884	Planning & Development
21	Consulting Services for Oracle EPM Implementation	Vigilant Consulting Services Inc.	452,200	Finance and Corporate Services
22	Park Playground Supply and Installation Services	Habitat Systems Inc. Parkworks Solutions Corp. Suttle Recreation Inc.	428,362	Community Services
23	Terra Nova Rural Park Septic Field Supply and Installation	Torak Services Ltd.	104,800	Community Services
24	Supply and Delivery of One (1) Dump Body Unit and Outfitting on a City Provided Tandem Axle Cab and Chassis	Falcon Equipment Ltd.	254,996	Engineering & Public Works
25	Hosted Aerial Photographic Imagery and Building Footprint	Nearmap US, Inc	115,000	Finance and Corporate Services
26	Britannia Shipyards Envelope, Mechanical and Structural Renewals	Scott Special Projects Ltd.	1,879,002	Engineering & Public Works
27	Plumbing Package - Cambie Community Centre Building Improvements	Heatherbrae Builders Co. Ltd.	96,024	Engineering & Public Works
28	Asphalt Paving for the Shell Road Laneway Upgrade Project	Winvan Paving Ltd.	154,000	Engineering & Public Works
29	Technical Support for Data Analytics Platform	Cloud Software Group Inc.	225,120	Finance and Corporate Services
30	South Arm Community Hall Roof Remediation	PCL Constructors Westcoast Inc.	615,516	Engineering & Public Works
31	Supply and Delivery of One (1) Tier 4 Backhoe	Finning (Canada)	284,918	Engineering & Public Works

Contract Awards greater than \$75,000 (continued)

April 1st to June 30th, 2023

Item	Description	Awarded Vendor	Awarded Amount	Division
32	Supply and Delivery of Multiple Commercial Sound Attenuated Dry Prime Pumps and Pump Trailer(s)	Canadian Dewatering LP	96,863	Engineering & Public Works
33	Multi-Use Pathways Construction and Misc. Roadworks - South Side Steveston Highway from No. 2 Road to Shell Road	Hexcel Construction Ltd.	8,916,070	Engineering & Public Works
34	Security Services for Access Control, Monitoring and Intrusion Alarms	Safe & Sound Security Systems Ltd.	394,629	Engineering & Public Works
35	Supply and Delivery of One (1) Tier 4 Skid Steer Loader with Tracks	Avenue Machinery Corp.	112,251	Engineering & Public Works
36	City Hall Space Planning	Heritage Office Furnishings Ltd	122,226	Engineering & Public Works