



Date March 28, 2002

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: 2002 Budget

RECOMMENDATION

THAT the Board receive the City Council 2002 Operating Budget - Interim Report and request staff to report back with budget initiatives and a consultation process to balance the 2002 Operating Budget as approved by Council.

BACKGROUND

The 2002 Preliminary Operating Budget (made up of the Basic and Added Basic) has been completed by staff using the normal rules under the Global Budget methodology.

On December 11, 2001, the Director of Finance brought the preliminary estimates of the City 2002 Operating Budget to Council for information. That report indicated a shortfall that would require a property tax increase of 6.8% to eliminate. City Council reviewed the 2002 preliminary budget report and requested that the Corporate Management Team report back with budget initiatives that confined property tax increases to inflationary levels.

In response to Council's request, staff conducted reviews of revenue and expenditures to bring the budget within limits acceptable to Council. The Corporate Management Team proposed reducing departmental budgets by \$2.4 million without direct impact on City services. These include elimination of vacant positions, deferred implementation of certain programs, increasing fees and operational efficiencies. The Park Board's share of the \$2.4 million is \$100,000, to be achieved through operational efficiencies.

With the above strategies, the budget shortfall would limit the necessary tax increase to 4.35%.

The Corporate Management Team developed a series of proposals to further reduce tax increases below 4.35%. Targets were developed for each Board/department on a pro-rata basis and staff used these as a guide to identify areas of the budget where adjustments might be made in order to reduce the tax increase to as little as 3.9%.

One of the challenges faced in the exercise was to identify reductions in the Police Department budget at a time when staffing is increasing and when requests for additional sworn and civilian staffing are before Council. Moreover, the public continue to identify public safety in general and police services specifically as high priority service in the City and the last services that Council should consider reducing. As a result, CMT is not putting forward reduction proposals for the Police Department budget. Recommendations relating to public safety and security will be made to Council separately.

In putting these proposals forward, the Corporate Management Team notes that it is increasingly difficult to make changes in the budget without impacting on service, both internally or to the public. The Park Board share to further reduce the tax increases to 3.9% is \$200,000

DISCUSSION

Basic Budget

It is under the methodology of the Global Budget arrangement with Council that the 2002 Basic Budget was prepared. It represents the 2001 approved Basic Budget inflated to reflect 2002 dollar equivalents. Salaries, wages and benefit costs (including additional Medical Service Plan premium increases) have been adjusted as a result of contract settlements.

The 2001 Basic Budget has also been adjusted for inflation in other areas. The inflation rates used are those set by the City for all departments, and are 1.75% for supplies and other costs and 2.25% for fees and charges.

The increase to the 2002 Park Board Basic Budget over the 2001 Park Board approved Basic Budget amounts to \$1,347,000. This increase is primarily attributable to the additional funding provided by the City to recognize:

- the added costs as a result of contract settlements and increases in fringe benefits;
- the general inflation increases (1.75% for supplies offset by 2.25% increase in fees and charges and 10% reduction in natural gas cost);
- the sewage and equipment charges from the City;

As indicated earlier, to achieve the overall budget, the Corporate Management Team developed proposals limiting a tax increase to 4.35% without direct impact on services. The Park Board share is \$100,000, to be achieved from general efficiency savings in operations.

Appendix 1 outlines the above adjustments and the 2002 Basic Budget.

Added Basic Budget

Added Basic items represent new operating costs associated with capital additions to the Parks and Recreation system. The annualized impact of the 2001 added basic programs (programs/services implemented during 2001) in 2002 is \$69,800. The operating costs associated with new recreation and parks facilities in 2002 amounts to \$396,200. These requests have been reviewed with City finance officials and are recommended for addition to the Park Board's Basic Budget. Appendix 2 outlines the annualized amount in 2002 and operating costs of 2002 new facilities.

CONCLUSION

The Park Board preliminary budget reported by City staff to Council on the Interim Report has been prepared in accordance with the global budget arrangement with the City. It includes \$100,000 in savings to be achieved from operational efficiencies without direct impact to services provided. It represents a 4% increase from the 2001 final budget. The City's proposed budget requires a 4.35% tax increase to property tax.

Should Council decide to reduce the tax increase to 3.9%, the Park Board reduction portion recommended by the Corporate Management Team to Park Board is an additional \$200,000 (0.4% of 2001 net budget).

The reductions assigned to Park Board under both scenarios are achievable through operational efficiencies and minor impacts in services to the public. It is recommended that the Board endorse the City Council 2002 Operating Budget - Interim Report and request staff to report back with budget initiatives and a consultation process to balance the 2002 Operating Budget as approved by Council.

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