



Date April 18, 2002

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

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## RECOMMENDATION

*THAT the Board approve the budget initiative outlined in this report to meet a budget reduction target allocated by City Council in response to its approval of the Park Board Global Budget of \$46,952,800, including \$466,000 for added basic costs and a \$100,000 reduction target to be achieved without significant impact on services and staff.*

## BACKGROUND

City Council, when reviewing the 2002 budget requirements, was advised that due to the following cost increases, Council's target of a tax increase in the range of local inflation cannot be achieved without reductions. The cost increases are:

- the salary and benefit costs flowing from current collective agreements
- "added basic" costs for new programs and services
- increased capital expenditure program costs
- costs imposed on the City from the Province and outside organizations, and
- the approval of additional staffing in the Police department.

In response to Council's request, staff conducted reviews of revenue and expenditures and proposed reducing departmental budgets by \$2.4 million with no direct impact on City services. The Park Board's share of the \$2.4 million reduction is \$100,000, to be achieved through initiatives with no impact to services and staff.

## DISCUSSION

To confine tax increases within acceptable limits, Council has approved a general tax increase of 4.35% and has approved the Park Board Global Budget of \$46,952,800 including \$466,000 for added basic costs. This amount includes a \$100,000 reduction to be achieved through initiatives with minimal impact to services and staff.

Three components make up the Park Board Global Budget:

- (1) Basic budget
- (2) Added Basic Budget
- (3) New and Non-Recurring Budget.

At this time, City Council has approved the Basic Budget and Added Basic Budget of \$46,952,800. The New and Non-Recurring Budget will be finalized within the next 2 weeks.

(1) Basic Budget

The Park Board Basic Budget represents the 2001 approved Basic Budget inflated to reflect 2002 dollar equivalent. Salaries, wages and benefit costs have been adjusted as a result of contract settlements. Non labour costs (such as supplies), fees and charges have been adjusted for inflation. The following outlines the adjustments to the Park Board Basic Budget:

2001 Budget Expenditures:	\$72,546,900
2001 Budget Revenues:	<u>(27,407,100)</u>
2001 Basic Budget	\$45,139,800
Adjustments:	
Inflation	
- Salaries, wages and employee benefits	1,914,803
- Supplies and other costs (1.75%)	325,500
- Revenue and recoveries (2.25%)	( 640,700)
Other adjustments	
- sewage & water	123,500
- equipment	151,397
- natural gas	<u>( 427,500)</u>
	\$46,586,800
Budget reduction allocation	<u>( 100,000)</u>
2002 Basic Budget	<u>\$46,486,800</u>
Increase over 2001 Basic Budget	<u>\$ 1,347,000</u>

(2) 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 and

services implemented during 2001) in 2002 is \$69,800. The operating costs associated with new recreation and park facilities in 2002 amounts \$396,200. The total added basic budget approved in 2002 is \$466,000. Appendix 1 outlines the annualized amount in 2002 and operating costs of 2002 new facilities.

Appendix 2 outlines a comparison of revenue budget between 2001 and 2002. The 2002 revenue budget has been increased by 5.0% overall, with Park Board generated revenues increasing by 6.6% and funding from the City of Vancouver increasing by 4%.

Appendix 3 outlines expenditure budget allocation for 2001 and 2002. Overall, the expenditure budget has been increased by \$3.6 million. The increases are mainly for salaries, wages and benefits (\$1.6 million) and supplies and others, including loan payments for the golf courses (\$1.6 million). There is also a slight decrease for utilities (\$300,000) reflecting new, lower contracts for natural gas.

Appendix 4 outlines net expenditures budget allocation by District/Services within the Park Board organization structure. The net budget has increased by 4.0% or \$1,813,000 overall. The range of increases for District/Service area budgets is between 2.6% and 7.3%, depending on the mix of staff costs, utilities and additional operating costs from new capital projects.

To meet the reduction target of \$100,000 and to minimize impacts on services and staff, the following initiatives are recommended:

(A) Reduction of non-labour costs - \$70,000

The non-labour budget is \$24,195,800 and comprises supplies, contracted services, utilities, equipment charges and other miscellaneous expenditures. The proposed reduction of \$70,000 represents 0.29% of this budget. Reductions will be focused on reducing supply budgets, where savings can be realized by efficiencies.

(B) Reduction in use of rental vehicles - \$30,000

The Park Board operates a fleet of 343 vehicles and pieces of large equipment that are owned by the City. The Board pays for the operation, maintenance and replacement of this fleet through its operating budget. In addition, the Board also rents and leases a number of other vehicles. These provide services when the City-owned fleet is inadequate as well as for a short term or seasonal operations. While a leased or rental vehicle can be justified for short term and seasonal operations, it is more cost effective to increase the size of the City owned fleet to accommodate ongoing needs. Staff have identified a number of situations where conversion from leased to City owned fleet is justified and will result in a saving.

## **SUMMARY**

The global budget of \$46,952,800 including \$466,000 for added basic costs and a \$100,000 reduction target represents a 4% increase over the 2001 budget. The proposed reduction initiatives will not affect services provided directly to the public. For this reason we have not recommended further public consultation on this budget.

However, this is a very tight budget, which requires close monitoring and prompt corrective action if we have overspent in some areas. In any year season variables, changing trends, and market competition can adversely impact the budget. There is limited flexibility for corrective action as 68% of our total costs are for staff. 45% of our supply costs are in infrastructure operations, and our revenue programs generating net contributions are limited and already maximized.

We will continue to have discussions and meetings between the Park Board and its partners, stakeholders, special interest groups and the general public to exchange information regarding the budget process and to provide opportunities for ideas in order to increase positive options for the Board's fiscal management.

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