

Date: March 1, 2005



TO: Board Members - Parks and Recreation
FROM: General Manager – Parks and Recreation
SUBJECT: 2005 Operating Budget Priorities

RECOMMENDATION

- A. *THAT the Board approve the following plan to address the Parking Revenue shortfall:***
- Increase the summer all day parking rate in Stanley Park by \$1.*
 - Increase annual and season pass parking rates in Stanley Park by \$12 in 2005 and by \$13 in 2006.*
 - Increase the winter hourly parking rate in Stanley Park by \$1.*
 - Increase the parking rates at Sunset Beach and Beach Avenue Loops by \$1 and introduce a \$10 daily rate.*
- B. *THAT the Board approve the use of \$45,000 from the Parking Revenue increases noted above and \$50,000 restaurant net revenues to fund the operation of 9 washrooms that have been closed and not available for public use.***
- C. *THAT the Board receive an update on the Rink Rental Fees for information.***

BACKGROUND

The 2005 Operating Budget preparation process is well underway. The budget has been prepared in consultation with City Budget staff using the normal rules under the Global Budget methodology.

On March 15, 2005, the City's Director of Finance will present the 2005 Interim Operating Budget report to City Council. Council will hear delegations, review the Park Board Global Budget and City Department budgets, and will make decisions on options for balancing the budget. Depending on the options chosen, there may be further changes to the Park Board's 2005 Operating Budget, which will be addressed at a later date. Staff will report to the Board on the 2005 Operating Budget at the beginning of April 2005.

DISCUSSION

As noted at the February 14, 2005 meeting in the report to the Board on the 2004 Operating Budget year end position, staff reported a \$200,000 revenue shortfall in Pay Parking.

Since the October 28, 2004 Budget Open House, which solicited public input on the Park Board operating budget, the Finance Committee has worked with staff to examine the underlying issues and has determined a plan to address the revenue shortfalls from 2004. At the same time, the Finance Committee assessed the programs offered in 2004, evaluated 2005 budget priorities and how the budget priorities could be funded.

The Finance Committee reviewed and recommended the following plan to address the 2004 revenue shortfall and 2005 budget priorities. The specific details related to the various issues are grouped into three main areas as follows.

(1) Projected 2005 Parking Revenue Shortfall of \$200,000

As part of the 2004 budgeting process, the Board increased parking fees to fund a number of budget initiatives, including golf revenue relief, additional park rangers and expanded support to Planning, Art and Culture programs and District Offices. The subsequent budget target for parking revenues proved to be higher than achievable in 2004. The actual increase was \$300,000 of the \$500,000 budgeted. Given the emerging revenue shortfall in Pay Parking, we were not able to provide funding for all washroom operations.

An analysis of the timing and number of parking purchases was conducted to provide various options to address the projected revenue gap of \$200,000 for 2005. These options were evaluated and the following have been put forward by the staff and the Finance Committee as the best options to address the Parking Revenue shortfall:

- Increase the summer all day parking rate in Stanley Park by \$1.
- Increase annual and season pass parking rates in Stanley Park by \$12 in 2005 and by \$13 in 2006.
- Increase the winter hourly parking rate in Stanley Park by \$1.
- Increased the parking rates at Sunset Beach and Beach Avenue Loops by \$1 and introduce a \$10 daily rate.

Impacts of the above options for Pay Parking increases have been carefully evaluated and found to be minimal. They are recommended to the Board for approval.

Details of the rate increases and expected budget contribution are shown in Appendix I.

(2) Washroom Cleaning Service Gap of \$95,000

The Board receives revenue of almost \$1.5 million from leases/licenses, which includes revenues from Stanley Park Dining Pavilion and Kitsilano Beach Restaurant/Concession. Due to renovations at both facilities, the Board will not realize all budgeted revenues from leases/licenses in 2005. The Stanley Park Pavilion will not be fully open until 2006 and the Kitsilano Beach Restaurant will open in late 2005 and is expected to generate approximately \$50,000 in revenues. Despite the closure of these facilities, the Board has managed to balance its budget in 2004 by managing expenditures throughout the organization. However, in assessing the services provided in 2004, it was determined that there is a need to re-open and provide washroom operations in 9 locations. This demand stems in part from the increased population in Vancouver and the intensified use of Park Board facilities. In view of its impact to customer service and programs, the re-opening of 9 closed washrooms is regarded as a priority program. An additional \$95,000 is required to address the issue. Staff and the Finance Committee recommend using the funds from the newly opened Kitsilano Beach restaurant, which also includes washroom facilities, to provide part of the funds to support the required increases for washroom maintenance. The remainder will come from the parking fee increases detailed above.

(3) Rink Rental Fee Update

In March 2004 the Park Board approved changes to the ice rink fees and charges schedule as recommended by the Ice Allocation Task Force. The Minor Sport Rates were increased by 15 % over a two year period – a 10% plus inflationary increase for 2004/2005 and a 5 % plus inflationary increase for 2005-2006. When these fees were approved, the Park Board requested that staff report back at the end of the season on the impact of the increased fees on the minor sport groups.

Staff met with various minor sport groups on February 8, 2005 to discuss the “new” Minor Sport Rates. The impact of the fee increases varied depending on the user group: some groups raised participant registration fees; others absorbed the higher costs for ice through additional fundraising efforts; and some groups reprogrammed some of their sessions to become more cost effective. A few representatives indicated support for the increased Minor Sport Rates because they have been brought closer to the Lower Mainland minor sport rates. Although no one wants to pay more for ice time, they are reasonable and competitive rates. In one specific case, the ice costs for one group decreased as the group used to have to buy ice outside of Vancouver to meet their program needs. Through the Ice Allocation Policy, this minor sport group was provided its overall ice entitlement in Vancouver and as a result their ice costs were less.

While most representatives expressed that they understand the rationale for raising the Minor Sport Rates, there was concern regarding whether this would be a one time correction of rates or the start of an ongoing process of raising additional revenue through fee increases. Most groups have managed to accommodate the fee increases and maintain participation levels. However, if the fees were to continue to significantly increase, they believe that participation levels will be affected.

The fee raises for minor sport groups were supported as part of the Ice Rink Sustainability Plan, which also encompasses the new youth rate for sport camps, ice time beyond a sports entitlement, tiered pricing for rentals, the roll back of the prime time fee designation and the implementation of a marketing program. All groups were hopeful that the Ice Rink Sustainability Plan will result in a sustainable fee structure and rink operations in Vancouver.

Staff provide the above information as previously requested by the Board.

SUMMARY

In order to maximize the parks and recreation programs offered to the public, the Board raises almost \$33 million from user fees and charges in addition to the funds provided by the City of Vancouver. At the same time, the Board endeavors to ensure these fees and charges bear minimal impact to resident access to programs.

Unlike the funds provided by the City, which are stable and secure, the funds raised by the Board are subject to a variety of influences outside the Board's control such as market competition, tourism, weather, and the local economy. If these revenues fall short of their budget by only 1%, a \$330,000 revenue deficit is created.

Given the Global Budget arrangement, the funding provided by the City is the maximum contribution to the Board. Any revenue shortfall must be made up by reducing operating expenditures or programs. If the Board has a deficit at year end which is considered to be under its control, the deficit can impact the subsequent year funds provided to the Board by the City. To sustain the high level of programming to the public and to minimize impacts to park and recreation users, the Board must address any budget issues in a timely manner. The recommended increases to Pay Parking rates are prudent steps to achieve a financial breakeven year end position.

Prepared by:

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