



Date: June 13, 2005

TO: Board Members – Parks and Recreation

FROM: General Manager – Parks and Recreation

SUBJECT: Operating Statements as at May 31, 2005

RECOMMENDATION:

THAT the Board receive this report for information.

BACKGROUND

Periodic financial statements are submitted to ensure that the Board is kept fully informed of the current expenditures and revenues in relation to the approved budget appropriation.

DISCUSSION

As of May 31, 2005, the Park Board has spent \$23,020,025 of a total budget of \$53,443,216. To date, 41.4% of the year has expired and 43.1% of the net budget has been spent. To provide a comparison, at the end of May 2004 and May 2003, net expenditures were 41.7% and 45.6% of budget respectively. Weather in the spring of 2004 was exceptionally nice, whereas 2003 and 2005 were relatively wet. Staff have reviewed the Board's finances and the result of the review is summarized below.

Revenues:

Gross revenues are currently \$10,264,776 or 30.9% of budget. In comparison, revenues are below the May 2004 level of 32.2% and the May 2003 level of 31.5%. While it is expected that revenues will be below budgeted levels at this time of year since the majority of revenues are collected over the summer, an estimated revenue shortfall of \$400,000 needs to be managed if the Board is to balance its budget by year end.

The relatively poor spring weather has led to lower than anticipated revenues in all income-oriented programs, with the majority in concessions (down \$150,000 from 2004), golf courses (down \$300,000), and leases (down \$60,000). Overall, the Board's income-oriented programs have earned \$550,000 less than in the same period last year.

Concession revenues are expected to recover and expenses are being contained, so that at year end the net effect should be negligible. Golf revenues are currently at 26.5% of budget. Rounds to the end of May are behind 2004 by 8.3% and behind our 4 year average by 8%. This is

consistent with overall participation trends across the country and in the U.S. Strategies to mitigate the revenue shortfall are in effect and include: customer service initiatives such as the new web based booking system, maximizing available tee times by ensuring clubs finish within allotted time periods, promoting tournaments and special events, taking advantage of alternative course and facility uses such as a recent film shoot, and cost containment to reduce expenses. The financial results to the end of May are similar to our experience in 2002 which also had a poor spring. The steps currently being undertaken should balance the budget, provided the poor weather does not continue much longer. Staff will continue with current approaches, monitor the situation, and inform the Board of any changes.

Revenues from recreation are at 42.4%, which is up from 40.0% in 2004. The overall increase is attributed to gains in pool and fitness revenues, and partially offset by slight decreases in revenues from rinks and specialty programs. Revenues from operations in parks are up slightly.

Overall, it is anticipated that the Board will experience a shortfall in revenue of \$400,000. At this time it is difficult to accurately predict the extent of the shortfall as it is dependant on activities and weather in the summer months. Steps are being taken to address the issues and contain related costs.

Expenditures:

Gross expenditures are currently \$33,284,803, which is below budget at 38.4%. In comparison, this is higher than the May 2004 level of 38.0%, but below the May 2003 level of 40.1%. Expenditures on payroll, utilities and city equipment are at or below last year's percentage spent levels for the same period. Expenditures on supplies are 1% above last year's levels.

Expenditures on recreation programs are comparable to last year's levels, with increases in supplies and city equipment costs offset by savings in payroll and utilities. Spending on park maintenance is up over \$1,000,000 from last year (at 40.7% compared to 39.1% in May 2004). The majority of the increase is in payroll costs (\$730,000) and is spread throughout the park system. The exception is in the 3 destination parks (Stanley, VanDusen and Queen Elizabeth) where expenditures are down \$100,000 from last year. The increase in expenditures is mainly a result of more spring maintenance, and will be balanced by year end. The impact of increased fuel prices is expected to be approximately \$50,000 at year end and should be manageable within the Board's budget.

Expenditures on income-oriented programs are below budget at 35.4% and are down compared to 35.8% in May 2004. However, given the decrease in revenues in this area, continued cost containment measures need to be maintained to achieve a balanced budget (as detailed above). Golf loan payments have increased, but otherwise expenditures on these programs are down from last year, with the majority of the savings in payroll costs (as expected given the lower revenues). At this point, it is too early to assess what effect the implementation of the ethical purchasing policy has had on either expenses or revenues; a more realistic assessment should be possible at summer's end.

SUMMARY

Overall, net expenditures to the end of May are 43.1% of budget (or 1.7% above budget), compared to 41.7% of budget for May 2004 and 45.6% of budget for May 2003. Staff are committed to balancing the budget by the end of the fiscal year and are closely monitoring both revenues and expenditures. Concerted efforts are being made on an organization wide basis to alleviate the current revenue shortfall.

The Board anticipates a shortfall in revenues and an offsetting savings in gross expenditures, with the net result at year end being a balanced budget. Extensive reviews have taken place and close monitoring is ongoing. Cost containment initiatives not affecting service levels have been and will continue to be implemented to deal with the projected revenue shortfall. Staff will report back to the Board with the result of the June operating statement, including recommendations on further measures if necessary.

This projection is based on the most current information available and represents a best estimate of the Park Board's financial position to December 31, 2005.

Prepared by:

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