REVISED

Date: March 27, 2007

TO: **Board Members – Vancouver Park Board**

FROM: **General Manager – Parks and Recreation**

SUBJECT: **Operating Statement for the Year Ended December 31, 2006**

RECOMMENDATION

> ***THAT the Board receive this report for information.***

POLICY

There is no applicable policy.

BACKGROUND

This report discusses the Board's preliminary 2006 Year End financial position. The attached figures reflect the current financial situation, pending minor adjustments by the City of Vancouver or its external auditors. The City of Vancouver will provide official financial statements for 2006 some time in late spring.

DISCUSSION

The Park Board has a deficit of $247,492 or 0.5% of budget for the year ending December 31, 2006. This deficit can be attributed to the additional costs from snow and windstorms in November and December. While these storms resulted in direct clean-up costs, they also reduced revenues from Bright Nights in Stanly Park, which had to close on four nights in December.

Details of the Board's year end position and a comparison with 2005 results are attached as follows:

- Appendix I – Operating Statement for the year ended December 31, 2006, which provides a breakdown of Revenues and Expenditures by District
- Appendix II – 2006 Revenues by Program
- Appendix III – 2006 Gross Expenses by Program
- Appendix IV – 2006 & 2005 Revenues and Expenditures by Program

Revenues

As noted in Appendix I, the Park Board total revenues for 2006 were $1,076,000 or 3.1% above budget. Variations from budget are explained below.

Revenues were at or above budget for the Stanley and Queen Elizabeth districts, as well as Planning and Operations and Corporate Services; the Vancouver East District was the exception, with a revenue shortfall of $825,000. In Vancouver East, golf revenues accounted for the majority of the shortfall, coming in $653,000 under budget despite internal reallocations which reduced the golf revenue budget by $400,000. Throughout the year marketing incentives, such as discounts and specials were offered to the public in an effort to increase golf revenues, but none of the three courses were able to achieve budgeted revenue. Shortfalls at the three courses ranged from $254,000 at Fraserview to $158,000 at Langara.

The only other area which fell short of budgeted revenue was indoor pools. This was Killarney Pool's first full year of operations and while the pool fell short of its revenue budget by $338,000, other pools were able to make up $279,000, leaving a $59,000 shortfall in pool revenues. The pools are undergoing a transition while our customers adjust their usage patterns to take advantage of the Board's first leisure pool; it is expected that indoor pool revenues will stabilize over the next year.

Appendix II provides a breakdown of gross revenue by program. As shown, 38% of revenues are raised through fees and charges. Recreation is the largest generator of revenues, accounting for 12% or $11 million of the Board's 2006 revenues. Golf revenues (including Pitch & Putts) contribute the next largest amount, at 11%. Other sources such as parking, concessions, major park programs and marinas generate between 2 and 4% each. Funding from the City of Vancouver makes up the remaining 62%.

Aside from golf and indoor pools, revenues for all other programs were at budget or greater than budget. Recreation revenues accounted for the largest surplus, coming in at $630,000 above budget. Virtually all recreation areas came in above budget, with the largest surpluses in rinks ($256,000) and outdoor pools ($168,000).

While revenues from the Board's two main winter events, the Festival of Lights at VanDusen Gardens and Bright Nights in Stanley Park were higher than budgeted, the events had costs that were not fully recovered.

Gross Expenditures

As noted in Appendix I, the Park Board total gross expenditures were $1,324,000 or 1.5% above budget.

With the exception of Corporate Services, which came in $58,000 under budget, all areas had expenditures above budget at year end. The smallest over expenditure was in the Vancouver East District ($73,000), followed by Planning and Operations ($183,000), Stanley District ($457,000) and finally Queen Elizabeth District ($669,000). With the exception of Vancouver East, all over expenditures were balanced by increased revenues as noted previously.

As shown in Appendix III, recreation expenses for community centres, rinks, pools and other recreation programs are the largest single program, with 35% of 2006 expenses. Spending on neighbourhood parks and street trees accounted for 15% of expenses, with maintenance of structures & facilities (including janitorial and sanitation services) accounting for a total of 14% of expenses.

Expenses were above budget for all programs, with the exception of leases, rinks and community centres. There were a number of reasons for spending more than budgeted. In many cases the over expenditures were directly related to surplus revenues. For example, expenses were above budget for parking management fees (which are a percentage of parking revenue), products sold at concessions, fitness centre spending on equipment, outdoor pool staffing costs, as well as film, special event, building repair full tree maintenance costs that were done on a cost recovery basis.

In addition to these reasons, there were also snow and windstorm clean-up costs from November and December (which accounted for $160,000 in overtime costs in December alone) and additional un-recovered event costs for Bright Nights in Stanley Park.

Comparisons to 2005

Appendix IV compares 2006 actual expenses and revenues to the 2005 actual results. A number of changes are worth noting.

For revenues, the overall increase in 2006 was $2,837,000 or 8.5% more than 2005. In general, there should be an increase in revenues from year to year, reflecting the inflationary increase in fees that the Board is required to generate (for 2006, this increase was 2.75%).

The sources of the increases in revenues are broken out as follows:

- $1,187,000 in income generating operations. All areas were up from 2005, with the largest increases in leases ($420,000), concessions ($325,000) and pay parking ($276,000). These operations tend to be dependant on weather, the general economy and tourism. Increased revenues reflect increased activity during the warm summer of 2006.
- $222,000 from park operations. At VanDusen, admission and rental revenues were up. At Queen Elizabeth Park, despite the Celebration Pavilion’s late opening, event rental revenues were up. In Stanley Park, however, revenues were down due to the Miniature Train closures during Bright Nights.
- $1,429,000 in recreation services. All areas were up over last year, with the majority of additional revenues generated from indoor pools (up $874,000 due to the re-opening of Killarney) and community centres (up $221,000).

On the expense side, spending was up $5.1 million or 5.9% more than 2005. The increases result from increases in inflation (supplies and collective agreement increases), and increases in operating costs for new or expanded facilities (Added Basic).

These increases were for the following activities:

- $1,241,000 in income generating operations. Spending was up in all areas, and most was related to increased revenues. Escalated golf course loan payments accounted for over $332,000 of the increase.
- $1,254,000 in park operations. All areas were up reflecting both increased inflation and storm clean-up costs, with the largest increases for neighbourhood park maintenance in all three districts ($429,000), in street trees ($369,000) and buildings and structures maintenance ($273,000).
- $2,567,000 in recreation services. Spending for all activities was up. $1,523,000 of the additional costs was for indoor pools and approximately $700,000 of that was due to the re-opening of Killarney Pool. Other large increases were for rinks ($173,000) and community centres ($469,000).

SUMMARY

Some 2006 challenges included the opening of the Board's first leisure pool at Killarney and managing new and redeveloped parks (Aberdeen Park, Celebration Pavilion in Queen Elizabeth Park). As well, there was a need to generate additional revenues throughout the Board's operations to alleviate additional costs from the Fraserview golf course storm culvert failure and golf revenue shortfalls.

Weather also proved a challenge in 2006, with significant snow and wind storms in November and December. These storms resulted in the temporary closure of both VanDusen and Stanley Parks, and damage to many of our street trees. The full effects of these storms are still being felt, as clean-up, planning and restoration work continues for Vancouver street trees and in VanDusen and Stanley Parks.

For 2006, revenues met or exceeded budget in all areas except golf and indoor pools; this is an improvement over 2005 when there were shortfalls in golf, concessions, parking, leases, and Bloedel Conservatory. Despite significant efforts, golf revenues increased by only $110,000 over 2005. However, the Board was able to manage its revenue challenges and exceed the revenue budget by increasing the revenue contribution from other programs. On the expenditure side, the Board spent more than its budget, with the net effect being a $247,500 deficit.

The Board's deficit (0.5% of budget) is attributed to costs stemming from the snow and wind storms in November and December. These storms resulted in direct clean-up costs and also reduced revenues from Bright Nights in Stanley Park, which had to close on four nights in December. While staff were able to minimize the deficit, the Board has a tight operating budget and there is little room to absorb unforeseeable costs, especially late in the year.

Under the global budget arrangement, the net operating budget approved by Council each year represents the maximum funding for the Board of Park and Recreation for that year. While the arrangement requires the Board to manage its operations within the funds approved by Council, in view of the unforeseeable clean-up costs and revenue losses resulting from the snow and wind storms, the City has agreed to absorb the additional operating costs.

Prepared by:

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