

Date: January 4, 2009



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: 2010 Operating Budget

RECOMMENDATION

THAT the Board approve the proposed 2010 Park Board Global Budget of \$57,109,628 including the \$58,474,235 Basic Budget, \$1,819,300 for 2010 Added Basic costs, and the nominal allocation of \$3,183,907 in Shared Services savings.

POLICY

There is no applicable policy

BACKGROUND

On November 25, 2009, the Board approved a number of service reductions totaling \$2,791,600 as part of the 2010 operating budget with the exception of the item pertaining to Sunset Nursery and instructed staff to evaluate alternative options to allow the Board to meet the overall 2010 budget requirements.

On December 1, 2009, the proposed 2010 Operating Budget report was presented to City Council (see <http://vancouver.ca/ctyclerk/cclerk/20091201/documents/rr1.pdf>). At that meeting, Council received the report for information and approved it in principle, postponing their final decision until December 18, 2009, pending public input. The report recommended approval of a Global Budget of \$60,293,500 for the Park Board, including additional funding of \$1,819,300 for Added Basic and service reductions totaling \$2,791,600.

On December 18, 2009 Council approved the Park Board 2010 Global Operating Budget (<http://vancouver.ca/ctyclerk/cclerk/20091218/documents/spec20091218min.pdf>). As noted in the approved Global Budget, adjustments to the budget for the implementation of the VSR will be made. The budget outlined in the Council report did not specify the nominal Vancouver Service review target savings of \$3,183,900 which has been allocated to the Park Board. Council also approved a change to the planned increase in salaries for exempt staff from 4% effective January 1 to 2% effective January 1 and a further 2% increase as of July 1. The Council approved Global Budget will also be adjusted to reflect this change.

DISCUSSION

The Park Board Global Operating Budget normally has three components: Basic Budget, Added Basic Budget and New and Non-Recurring (NNR) Budget.

For 2010, a fourth component, a nominal allocation of a savings target of \$3,183, 900 for Shared Services, has also been allocated to the Park Board. At this point this savings target is nominal – budgets will be adjusted during 2010 based on actual experience from implementation of the Shared Services initiatives.

Components of the Global Budget

The 2010 operating budget represents the 2009 approved operating budgets (less NNR and one-time funding) inflated to reflect 2010 dollar equivalents. Per the Global Budget Agreement, it also includes adjustments for any Council approved programs, including reduction initiatives.

The following table outlines the adjustments to the Park Board Global Budget for 2010:

2009 Net Operating Budget	\$61,386,914
Less: 2009 NNRs and one-time funding	(\$20,850)
Increase for Added Basic Budget:	
Increase for new or expanded facilities which opened in 2009 or are opening in 2010: new community centre and parks at South East False Creek (\$800,000), the net increase in cost to operate the new Vancouver Olympic Centre at Riley Park (\$964,500) and \$54,800 for the full year operating cost for facilities that were completed part way through 2009 (\$54,800)	\$1,819,300
Inflation Adjustments:	
Salaries, wages and employee benefits (for RFT staff only – no adjustment was made for TFT or Auxiliary staff budgets in keeping with the approach for all other City departments)	\$2,386,900
Supplies, Utilities, City Equipment and other adjustments	(\$320,229)
Revenue and recoveries	(\$1,619,800)
Transfers to other City Departments:	
311 Transfers (half year only – full year impact is \$714,245)	(\$357,100)
Mt Pleasant Maintenance transfer to Facilities	(\$190,000)
Corporate adjustments to minimize tax increases:	
Service reductions	(\$2,791,600)
Shared Services nominal reductions:	
IT (\$7,988) Attendance Management (\$391,966), Sanitation Services centralization (\$650,000), Supply Chain Savings (\$2,133,953)	(\$3,183,907)
2010 Net Operating Budget	\$57,109,628
\$ Decrease from 2009 Net Operating Budget	(\$4,277,286)
% Decrease from 2009 Net Operating Budget	-7.0%

New and Non Recurring Budget (NNR)

Funding for new and non-recurring items, such as replacement of equipment or minor building maintenance or modification, is provided separately from the ongoing operating budget due to their “one-time” nature.

Under the Global Budget arrangement, the Park Board receives 37% of the City-wide NNR budget each year. Traditionally, the city-wide NNR budget has been \$2 million. For the last several years this has been reduced to \$800,000 as part of the corporate adjustments used to minimize the tax increases needed balance the budget. For 2010 the total city-wide NNR budget has been reduced to zero, resulting in no NNR funding for the Park Board.

Added Basic Budget

The Added Basic Budget represents the net new operating costs associated with new or expanded capital additions to the parks and recreation system and other adjustments. For 2010 this budget totals \$1,819,300.

In 2010 this funding includes \$800,000 for the new community centre and parks in South East False Creek, \$964,500 for the increased costs associated with the operation of the new Vancouver Olympic Centre and \$54,800 to reflect the full year cost of facilities that were completed part way through 2009.

Inflation Adjustments

The budget has been increased by almost \$2.4 million for inflationary adjustments for regular fulltime salary costs. No increase was allocated for temporary fulltime or auxiliary staff budgets, in keeping with the approach used for all other City departments. However, the approved collective agreements still require staff to be paid the 4% increase. As the total Park Board budget for temporary and auxiliary staff is \$14.5 million, not providing the 4% budget increase will require that the Board find savings of \$580,000 to balance the budget. The \$2.4 million for inflationary adjustment will be further adjusted for exempt staff adjustment for the planned 4% increase effective January 1 to 2% effective January 1 and a further 2% increase as of July 1 approved by Council on December 18, 2009.

The inflation increase in the regular fulltime payroll budget has been offset by reductions in supply costs, utilities, and city equipment of over \$320,000 and an increase expectation of revenue from fees and charges of \$1.6 million (4%).

Transfers to other City Departments

As part of this budget process \$357,100 has been transferred to the Project 311 office for the continuation of some services which began in 2009 and those starting in 2010. Project 311 was approved by the Board at its meeting on January 15, 2007 and is being implemented over a three year period beginning in 2010.

As well, with the opening of the #1 Kingsway building, maintenance costs for Mt Pleasant Community Centre have been transferred to the City's Facility Maintenance department, as they will now be responsible for the cleaning and major maintenance at this facility. As part of this transfer of responsibility to Facility Maintenance, two positions are impacted: one vacant regular full time position is being converted to auxiliary funding with 40% of the funds transferred and one filled regular full time position is being transferred.

Adjustments to minimize tax increases

The temporary reduction of \$1,179,000 in salary budgets put in place in 2009 has been carried over to 2010. This is not shown in the above table, since it is not a new reduction, but it may impact services to the public, due to other staff budget reductions.

The Park Board's share of core program review adjustments stemming from the Vancouver Services Review total \$2,791,600. Details of the specific service adjustments were approved by the Board at their meeting of November 25, 2009, with the exception of the item pertaining to Sunset Nursery, along with a request to staff to explore other options to meet the 2010 budget target.

Nominal Shared Services and Process Improvement Savings Target

Included in the City's 2010 operating budget is a target of \$10.2 million in savings for shared services and process improvement initiatives. This savings target was set as part of the recommendations stemming from the Vancouver Services Review that was undertaken in 2009. The savings target which has been nominally allocated to the Park Board is \$3,183,900. At this point the savings target is nominal only – operating budgets in all City departments and Boards will be adjusted based on actual experience from implementation of the Shared Services and Process Improvement initiatives.

Adjustments Within the Operating Budget

Changes related to the retirement of the golf course redevelopment loan

For the past 10 years, the Board has been making loan payments to repay funds provided by the City's capital financing fund (CFF) for the redevelopment of the golf courses. This loan was repaid in full during 2009. As part of the 2009 operating budget process, the golf revenue budget was reduced by \$1,709,100 (the difference between the budgeted loan payment and the actual payment owing) to reduce the golf revenue shortfall. The funds currently in the Park Board's budget for this repayment total \$2,547,300.

As previously approved by the Board, this budget is to be allocated to repay a new loan for the escalation in costs for the construction of Olympic legacy facilities and to the upkeep of the golf courses.

During the construction of the Olympic legacy facilities, construction costs escalated and funds were obtained from the City's CFF to complete the projects. Repayment of the \$8,460,000 million loan will commence in 2010. It is proposed to make a budget transfer of \$1,095,609 million to the City's CFF fund based on a repayment time frame of 10

years with interest at 5%. (This transfer is not reflected in the totals noted above, as it is not included in the December 1, 2009 Council report.)

This transfer would leave approximately \$1.4 million remaining of the golf loan budget. As originally approved by the Board in 2001 (<http://vancouver.ca/parks/board/2001/010528/golf.pdf>) and updated and approved again in 2007 (http://vancouver.ca/parks/board/2007/070917/Golf_Marketing_Plan_Report.pdf), \$550,000 is to be allocated to establish a Golf Course Capital Reserve Fund to provide for the ongoing upkeep of the golf courses and avoid major capital costs in the future. The remaining budget would be used to set up a reserve to fund drainage improvements at Langara Golf Course (as recommended by the consultant in the 2007 report approved by the Board) and to further reduce the golf course revenue budgets to targets which are more realistic or close to actual levels.

SUMMARY

The Park Board 2010 Global Operating Budget approved by Council on December 18, 2009 is \$60,293,500. It does not include the nominal allocation of \$3,183,907 in shared services savings or the adjustment for exempt staff salaries resulting from the deferral their increase.

Compared to the 2009 Operating Budget of \$61,386,914 this represents a decrease of \$4,277,290 (or 7.0%). If the budget transfer to the City's CFF fund for the loan payment is included, the net budget will be reduced by a further \$1.09 million.

The 2010 Global Operating Budget provides for the Board to operate the new and expanded facilities and allows Council to minimize tax increases. It includes a service reduction plan which maintains core services to help achieve this target.

This budget will be challenging to achieve during a period of economic uncertainty and with potentially significant revenue impacts from the introduction of the taxes by the provincial government and significant increase in parking tax rate (from 7 to 21%). Revenues may be lower than budgeted due to tax changes beyond the Board's control.

To achieve a balanced budget at year end, continual close monitoring of the budget and taking timely corrections will be required.

Prepared by:
Corporate Services
Vancouver Board of Parks and Recreation
Vancouver, BC