



Date: May 5, 2012

TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Financial Statements to December 31, 2011

RECOMMENDATION

THAT the Board receive this report for information

POLICY

There is no applicable policy.

DISCUSSION

This report provides an analysis of the Board's finances for the Operating Budget, the Donation Program and the Stanley Park Restoration Project to the end of December 2011.

2011 Operating Budget

The net Park Board operating budget for 2011 is \$55,597,006. This net budget has two components: the gross expense budget, which is the full cost of providing parks and recreation services, and the revenue budget, which is the target for revenues generated through fees and charges and which offsets over 40% of the gross expense budget.

As of December 31, 2011, the Board had spent \$56.5 million or 101.5% of its net operating budget, with total revenues of \$46.1 million and gross expenditures of \$102.6 million.

Details of the Board's financial position are attached as follows:

- Appendix I – Operating Statement to the end of December 2011
- Appendix II – 2011 Year-end Revenues & Expenses by Program

Revenues

The Park Board total revenues for 2011 were \$1.3 million or 2.8% below budget. As noted in Appendix I, the revenue shortfall was primarily in Revenue and Corporate Services, which fell short of budgeted revenue levels by \$2.1 million or 7.1%. Planning & Facility maintenance also fell short of budgeted revenue, while Park revenue was basically on budget. Recreation revenues were above budget at year-end by almost \$0.9 million.

Appendix II provides a breakdown of gross revenue by program. Revenues from income oriented operations fell short of budget by \$2.6 million, with all programs save marinas experiencing shortfalls. The general downward trend in most income operations & admin areas is attributable to the cool, wet weather during the spring 2011 and was noted during the second and third quarterly budget reports to the Board.

Parks & Operations ended the year with revenues almost 8% above budget thanks to a strong showing in the 3rd quarter in event revenues at destination parks.

Total recreation revenues are up by almost \$1 million, reflecting that facilities which were closed in 2010 for either the Olympics or for renovation (Trout Lake & Killarney Rinks and the Hillcrest Aquatic Centre) are now open.

Overall, 2011 revenues were impacted by poor spring weather and ended the year at 97.2% of budget. As noted in the quarterly financial reviews, this significant decline, particularly in the weather-dependent revenue programs required staff to carefully monitor and reduce expenditures to minimize the impacts of this revenue shortfall.

Gross Expenditures

The Park Board gross expenses for 2011 were \$0.5 million or 0.5% below budgeted levels. As noted in Appendix I, the majority of the savings (\$1.3 million) were generated in the Revenue and Corporate Service division due largely to 3 separate one-time transfers or expense adjustments:

- as discussed with the Board's Services and Budgets committee, planned contributions of \$554,400 to the Langara Drainage Reserve were deferred for 2011 to help offset the impact of golf revenue shortfall
- conditions were met to transfer funding from the Board's revenue stabilization fund and \$900,000 was transferred to help offset the impacts of poor spring weather on the Board's revenue budget; and
- \$923,000 in payroll expenses for employees no longer at work prior to retirement were funded from a separate city account

The Planning & Facility Maintenance division also ended the year below budget by \$856,000. By comparison, the Parks division ended the year \$1.1 million above the budgeted expenditure level and the Recreation division spent almost \$700,000 more than budgeted. More detailed breakdowns of the savings and over expenditures are detailed in Appendix II and noted below.

As per Appendix II, spending on income operations and admin was 10% below budget at \$21.6 million, with most programs ending the year with expenditures below budget.

For Park & Operations, year-end spending was above budget by 2.7% with expenses above budget in all areas except Building and Facility maintenance (which was on budget) and Other Operations which generated savings of over \$600,000 from reduced

City Equipment costs. Costs increased across most other park & operations areas due to the longer mowing season associated with the cooler weather in August, although this was somewhat mitigated by end seasonal work assignments earlier than usual.

Costs for recreation services were also above budgeted levels at year-end by \$900,000 with increases in costs for rinks, indoor pools and specialty recreation services partially offset by utility savings of almost \$450,000 in community centres. As noted under revenue above, the opening of facilities which were closed in 2010 for either the Olympics or for renovation (Trout Lake & Killarney Rinks and the Hillcrest Aquatic Centre) increased expenses as well as revenues, with the net impact for recreation being on budget at year-end.

Net Expenditures

As per Appendix I, at year-end 2011 the Board incurred net costs of \$56.5 million, resulting in a net over expenditure of \$861,000 or 1.5% of budget. This net over expenditure results from the combined impact of the revenue shortfall of \$1.3 million and expenditure savings of \$465,000. As noted above and reported in the June 2011 statement to Council, the revenue shortfall experienced throughout the spring and early summer was significant and the net budget impact was expected to be a \$1.6 million net over expenditure at the end of 2011.

Reductions in gross expenditures during the third quarter of 2011 were achieved through a combination of one-time measures and cost reductions not impacting service levels (early end of assignment for some park maintenance staff, additional scrutiny and deferral of non-essential staff, supply and services). Staff efforts did reduce the expected shortfall from \$1.6 million to \$861,000 and many of the changes made have been carried over into 2012 to assist in ensuring the 2012 operating budget targets are met.

2011 Donation Program Financial Review

During 2011 the donation program raised \$1,042,874. Of this, \$458,859 was designated to areas of interest as per the below, and \$376,197 was added to the donation reserve bringing the total to reserve balance to \$3,658,894 as of December 31, 2011. The administrative costs for the fundraising program for 2011 were \$207,818 or 20% of funds raised. This compares well and is on the low cost end of Canada's generally accepted fundraising standard of 20-35% as reported by the Canada Revenue Agency (CRA, January 2012). A detailed breakdown of donation revenues and expenses by program is attached in Appendix III. Program highlights follow below.

Park Amenities - \$309,358 was raised and \$285,461 spent on amenity installation and maintenance.

Park Monuments - \$27,697 was raised and \$30,763 was spent for work on monuments.

Park Conservation - \$86,094 was raised, mostly via in memory and Stanley Park Conservation funds, and \$91,141 was spent on various projects with the majority for Stanley Park conservation work.

Recreation Programming – \$1,200 was raised and \$13,534 was spent on recreation programming, with over \$10,000 of that for the Active Communities Project

Special Projects – A total of \$271,179 was raised mostly for three large projects: the accessible playground at Kits Beach, after school programs and a sport court project. \$198,422 was spent with the majority for the sport court and on after school program.

Stanley Park Restoration Project Financial Review

As noted in the 2010 year-end financial report, the Stanley Park Restoration project is now in the sustainment phase and is tasked with carrying out the work approved by the Board in 2009 via the Forest Management Plan. Fund revenues and expenditures are reported annually at year end.

As detailed in Appendix IV, the Stanley Park Restoration Reserve received interest payments totaling \$17,362 during 2011 and expenditures totaling \$34,747 were incurred, with \$23,050 spent on work for the Forestry Management Program and the remaining \$11,697 spent on benches at Prospect Point.

After all 2011 revenues and expenditures, a balance of \$716,651 remains in the fund for Forest Management Program as of December 31, 2011.

SUMMARY

Overall the Board spent \$102.6 million or 99.5% of its gross expenditure operating budget, but fell short of budgeted operating revenues by \$1.3 million. This resulted in a net over expenditure of \$861,000 or 1.5%, which was down from the expected net over expenditure of \$1.6 million reported in September 2011.

The donation program raised \$1,042,874 in donations during 2011, with \$458,859 directed to specific projects, \$376,197 was added to the donation reserve fund and \$207,818 (20%) was used to administer the program. The total donation reserve balance to \$3,658,894 as of December 31, 2011.

The Stanley Park Restoration Project generated \$17,362 in interest revenue and incurred \$34,747 in expenditures during 2011. A balance of \$716,651 remains in the fund for the Forest Management Program as of December 31, 2011.

Prepared by:
Corporate Services
Vancouver Board of Parks and Recreation