

Office of the Auditor General (OAG)

Performance Audit of Park Board Revenue Management

November 27, 2023 Board Committee Meeting



CITY OF
VANCOUVER

Office of the
Auditor General

- An audit of the Park Board was identified in the OAG's 2023 Audit Plan
- Six recommendations to enhance the Park Board's ability to achieve revenue objectives
- We received cooperation throughout the audit
- Park Board management accepted and provided action plans on all recommendations

- The Park Board provides various services that:
 - Partially or fully recover costs
 - Generate surplus revenues to fund other services
- Examples of fees collected include golf green fees, moorage fees at the Burrard Civic Marina and recreation admission passes at community centres
- Between 2018 and 2022, the Park Board collected an average of \$56.3 million annually from fees and charges

Audit Objective

- To determine if the Vancouver Board of Parks and Recreation (Park Board) operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue

Audit Scope and Period

- January 1, 2018 to June 30, 2023
- Included relevant Park Board policies, guidance, and administrative processes the Park Board produced prior to 2018 in use during the audit period

We Examined Whether

- The Park Board had funding and revenue-related objectives that supported its strategies
- The Park Board had an effective framework in place to support the achievement of revenue-related objectives
- The Park Board tracked performance metrics that were linked to approved objectives, priorities and budgets for assets and services that generate revenue

Not In Scope

- A financial audit of the completeness and accuracy of revenue and cost information provided by the Park Board to the OAG
- Assessing internal controls over revenue collection
- Service offerings related to joint operations between the Park Board and other external associations on fee revenues not retained by the Park Board
- Revenue generated from by-law fines in parks and recreation spaces
- Lease management processes relating to Park Board properties

While some processes were used to inform fee-setting, the Park Board did not operate an effective framework for achieving revenue-related objectives for its revenue-generating assets and services during the audit period

Park Board Strategies and Revenue Objectives

- Underpinning revenue management is the *Vancouver Charter* which:
 - Empowers the Park Board to set direction including fees and charges for parks and recreation services
 - Gives City Council the sole authority to commit funds
- Park Board strategies establish the longer-term direction for services and indicated the need for funding
- However, beyond existing budgeting processes, City Council was not proactively engaged to ensure that funding would be made available for Park Board strategies to be implemented

Park Board Strategies and Revenue Objectives (continued)

- New initiatives such as “Think Big” directed staff to explore new revenue-generating opportunities to address growing maintenance and asset renewal needs
- However, both the expenditure of funds to generate new revenues and the use of new revenues will require City Council approval

To help ensure that funding is made available for implementation of its strategic priorities, the Park Board should proactively engage with City Council as it develops current and future strategies.

Service Delivery Objectives

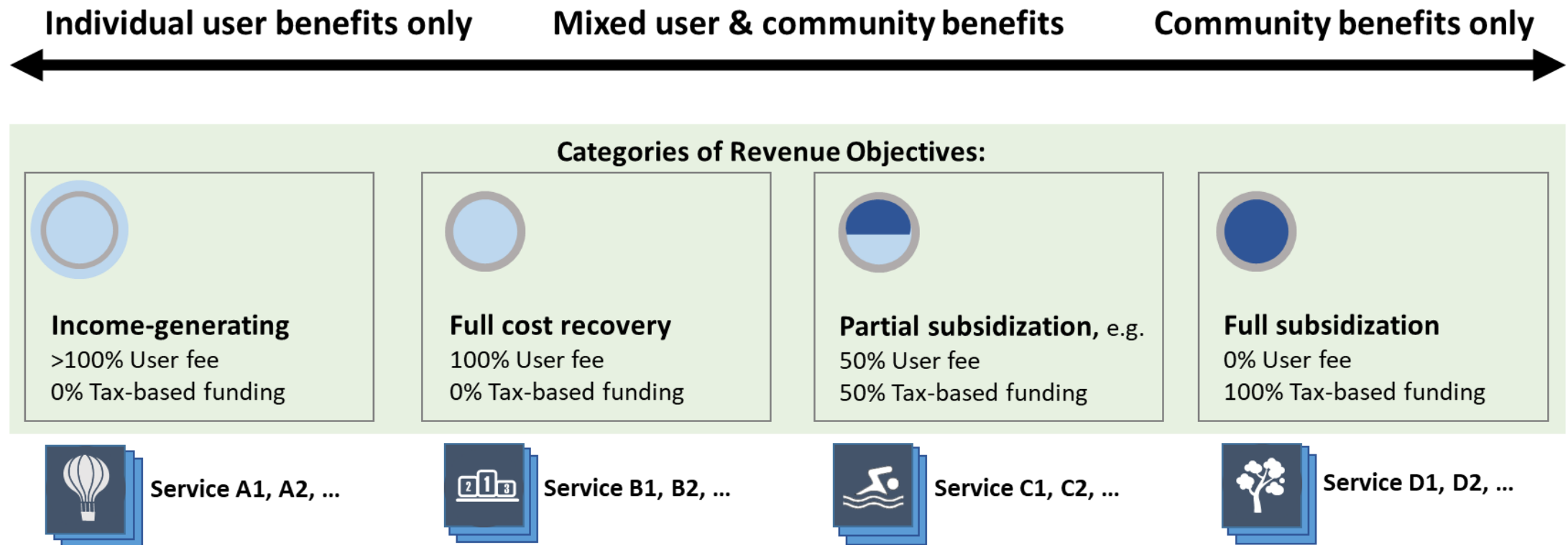
- The Park Board defined service delivery objectives for some, but not all, revenue-generating services to guide service delivery and the achievement of revenue objectives
- The Park Board did not consistently have:
 - Clearly defined service delivery objectives
 - Identified funding requirements for resources and assets needed to operate and maintain operations
 - Asset renewal or development plans with anticipated benefits or return on investments

For revenue-generating service areas, the Park Board should define and document service delivery objectives to guide operational decision-making and future investment. Plans should provide short to medium-term outlooks for service areas and be regularly reviewed and updated.

Fee-Setting Framework

- The Park Board had revenue objectives for revenue-generating services and used various factors to inform fee-setting such as marketplace comparison and the rate of inflation
- However, a comprehensive fee-setting framework was not in place
- Elements of a comprehensive fee-setting framework include:
 - A method and criteria for determining where fees should and should not be charged, and to what extent
 - The intended cost-recovery ratios
 - The types of costs intended to be recovered

Illustration:



The Park Board should strengthen its fee-setting processes by implementing a comprehensive fee-setting framework.

The revised framework should account for differences in the types of services provided between the Recreation Services and Business Services departments. The Park Board should also update its *Fees and Charges Policy* to reflect adjustments to the fee-setting processes outlined above.

A comprehensive fee-setting framework should include:

- Principles for determining revenue categories where user fees should and should not be charged;
- Criteria to categorize services based on various factors such as the types of services, users and uses, affordability and accessibility;
- Methods for determining service cost-recovery ratios to enable metrics for target setting and tracking of operational and financial performance;
- Rationale and conditions for fee reductions or waivers; and,
- A periodic process to reassess service categorizations and revenue objectives for existing services.

Transparency in Fee-Setting

- The Park Board followed an annual process to set its fees that was made available to the public and presented to Park Board Commissioners for review and approval in its *Fees and Charges Report*
- We have no recommendation in this area as the audit criterion was met

Evaluations of Full Costs

- Financial performance reporting focused on costs controllable by Park Board managers to promote accountability for operational service delivery
- However, the fee-setting process was not supported by evaluations of the full costs of service delivery, regardless of whether the intention is to recover full costs

Evaluations of Full Costs (continued)

- Examples of costs allocated to the Park Board overall but not reported by service area included:
 - asset lifecycle replacement costs
 - administrative costs such as insurance
 - shared costs of services provided by the City such as IT, financial services, human resources and facilities maintenance

The Park Board should incorporate in its updated fee-setting framework an evaluation of full costs for each service area to strengthen the correlation between fees charged and the underlying costs, and define the types of costs it intends to recover through its fees.

Revenue performance management

- The Park Board defined and reported on metrics for recreation services and golf but did not have performance metrics defined for all revenue-generating services
- Where metrics were defined, the Park Board generally calculated its performance metrics consistently
- One exception was noted with the accuracy of the metric reported in 2020 and 2021 that was noted by the Park Board in the *2023 Service Plan* report

The Park Board should define performance metrics for all revenue-generating service areas to enable monitoring and tracking of progress toward service delivery, revenue objectives and overall strategies.

Performance metrics should:

- Be meaningfully designed to align with the performance and strategic objectives of the service area;
- Have defined targets with timeframes for completion;
- Have defined intervals and audiences for reporting;
- Include up-to-date documented procedures for calculation; and,
- Include a process to ensure that performance metrics are accurately calculated.

Comparison of actual revenues vs. expenditures

- In its *Fees and Charges Report*, the Park Board did not include a comparison of actual revenues versus expenditures by service area

The Park Board should report on actual revenues versus expenditures including all relevant costs to track the achievement of revenue objectives for service areas.

Questions

- A. THAT the Vancouver Board of Parks and Recreation receive the Auditor General's report "Park Board Revenue Management", dated November 20, 2023
- B. FURTHER THAT the report's six recommendations be endorsed
- C. THAT the Board of Parks and Recreation invite the Auditor General to commence a performance audit effective January 2024.