

Date: October 17, 1995

SUBJECT: Financial Statements - Operating and Capital Accounts

PURPOSE:

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

DISCUSSION

Attached are financial statements for the Operating and Capital Accounts as at August 31, 1995.

1. Operating

As of August 31, 1995, 66.6% of the fiscal year has expired and 69.4% of the Basic Budget has been expended.

This exceeds our normal level of net expenditures at this time of the year. Staff have analyzed this variance and determined that it is primarily attributable to net revenue shortfalls combined with some non controllable expenditure increases. In order to determine what impact these shortfalls would have on the Board's final year end financial position, staff have further projected revenues and expenditures of all programs to December 31, 1995. These projections were based on the most current information available and represent a best estimate of where we will be at December 31, 1995. A previous year end projection based on actual results to July 6, 1995, was forwarded to the Board in early September, 1995. At that time a year end deficit of \$582,400 was being projected. This has now increased to a projected year end deficit of \$932,600 based on actual operating results to September 14, 1995. A summary of both of these projections is as follows:

Division	1995 Budget	1995 Projected Actual	Projected Per Sept 15/95	Projected Deficit Per July Review
Administration	\$ 2,493,700	\$ 2,471,800	\$ 21,900	\$ 8,900
Environment & Operations	20,286,000	20,348,400	<68,400>	<25,500>
Income Operations	<4,754,100>	<4,296,800>	<457,300>	<325,400>
Recreation	16,172,800	16,609,600	<434,800>	<240,400>
TOTAL	34,098,400	34,940,000	<932,600>	<582,400>

Details of the main program deficiencies which make up the projected deficit of \$932,600 are as follows:

(a) Concessions and Clubhouse - Net projected deficit \$150,100
This deficit is primarily attributable to the continuing decline in net revenues at the Duck Pond (\$54,000) and Children's Farm Yard (\$25,600) concessions. The general pedestrian traffic in both of these areas has declined considerably due to the removal of lower zoo exhibits and miniature train animal exhibits. The Lost Lagoon concession (\$20,700) is also experiencing a shortfall in sales due to the extension of the bus route into the park. The new Langara clubhouse (\$35,100) has experienced reduced revenues due to a delayed opening. Also, some unbudgeted start up costs were incurred. A new marketing plan is being developed that will focus on neighbourhood and local non-golfer business.

(b) Golf Courses - Net projected deficit \$288,200
A significant reduction in the expected number of rounds played occurred due to the following factors:

i) Increased competition from new courses continued to impact golf revenues. From 1992 to 1995, fourteen new courses have opened within one hours drive of the Vancouver courses.

ii) There was a very wet spring which resulted in a prolonged switch over to temporary greens at Fraserview Golf Course. This reduced revenues as a reduced rate is charged for play on temporary greens.

iii) In the case of Langara, the use of hand carts was not allowed during the wet spring as the new grass was still at risk to serious damage. This resulted in a significant loss of revenue from persons who were unable to carry their clubs.

iv) The budget included a significant increase in senior's green fees as annual passes were discontinued in 1994. However, this did not occur as there was still a large number of rounds played on seniors passes sold in previous years. The pre 1994 passes did not have an expiry date.

(c) Pay Parking - Net revenue shortfall \$40,700

Continued vandalism of meters has reduced

revenues. Even though meters are emptied in the evening, revenue is lost during the time it takes to repair or replace the damaged meters.

In addition, with the changeover of parking companies, the resulting removal and re-installation of meters resulted in lost revenues. In the past two months revenues have exceeded projections and it is hoped that this deficit will be further reduced by year end.

(d) Recreation Program - net revenue shortfalls \$308,900

Indoor Pools - Net Deficit \$117,100
Vancouver Aquatic Centre <36,100>

Staff are anticipating a shortfall of about \$43,000 in admission revenues offset by a surplus of about \$5,000 in sales of goods revenues.

It appears that the shortfall in admission revenues is due primarily to two factors. The Leisure Access Policy is having a significant impact and it also appears that attendance at the VAC fitness Centre is declining. This is likely a result of the success of the West End Fitness Centre coupled with the fact the fitness equipment at the VAC is dated.

Templeton Pool <55,300>
The deficit is made up of an overexpenditure of approximately \$25,000 coupled with a shortfall in revenue of roughly \$27,500. The overexpenditure results in part from replacement of a salaried staff while on light duties due to injury and staff secondment to beaches. Additional staff were also assigned to an expanded summer program.

The shortfall in revenue occurs in the area of admissions. This has been attributed to the growth of the Leisure Access Program as well as the continued impact of the renovation at Britannia Pool.

Percy Norman Pool <25,600>
The major part of the deficit is made up of approximately a \$40,000 shortfall in revenue offset by

significant under expenditures in staffing. There appears to be a general decline in business at the facility as the program areas experiencing a loss in revenue include admissions, programs and rentals. The decline in admission revenues is likely due in large part to the growth of the Leisure Access Program.

Outdoor Pool and Beaches Net \$53,500
Deficit

The deficit is made up of overexpenditures of about \$19,000 for staffing and a shortfall in admission revenue of about \$34,000. The overexpenditure is a small variation in a staffing budget which totals more than \$1 million. Reasons cited include the cost of ice patrol early in 1995, unexpectedly high staffing levels required at 2nd Beach Pool and unusually hot weather in the first half of the summer. This budget is established on a three year average so fluctuations are not uncommon.

The revenue shortfall appears to be related to lower than anticipated revenues at Kitsilano Pool. It is likely that the new 2nd Beach Pool, attracted patrons who previously had used Kitsilano.

Ice Rinks - Net Deficit \$35,300

Most Ice Rinks are performing well financially and may produce more revenue than anticipated. The most significant difficulty is a projected reduction of approximately \$35,000 in rental income at Sunset Rink which results from its closure this summer for renovations.

An second issue which has been identified is a projected decline in revenue of approximately \$8,500 at the West End Ice Rink. The shortfall is identified in admission and skate shop revenues and is attributed to the growth of the Leisure Access Program and good weather.

Fitness Centre - Net Deficit \$74,000

The major issues in Fitness Centres are related to revenue shortfalls.

Racquet Court revenues continue to decline and the total shortfall in these accounts for 1995 is anticipated to be about \$27,000. Racquet Courts projecting the largest reductions include Dunbar [\$10,000], West End [\$9,000] and Trout Lake [\$8,200]. The major reason for the decline is the continued decline in the popularity of the activity. The Leisure Access Program is

cited as a contributing factor in a couple of facilities. The closure of one court at Trout Lake also contributed to the decline in revenue.

Fitness admission revenues are also running behind expectations in several facilities. These include West End [\$10,000], Mount Pleasant [\$27,700] and Trout Lake [\$5,500]. Reasons cited by staff for the projected shortfall include aging facilities and equipment, a downward trend in the popularity of these activities in some communities, an increase in the use of lower cost flexipasses and the growth of the Leisure Access Program. At Mount Pleasant Fitness Centre, it is suggested that a portion of the shortfall in admissions may be attributed to overly optimistic budgeting during the Budget Management Program. - 6 -

Sports and Fitness Program \$29,000
Increased costs are projected as a result of unfunded expenditures for the maintenance of Jericho Hill play field [\$3,900] as well as for the set up costs associated with Kitsilano Pay Tennis [\$3,000].

In addition, there are expected to be revenue shortfalls in Pay Tennis revenue [\$8,500] and Softball permit fees [\$17,000].

- (e) Recreation Salary Overexpenditures \$136,900
Several recreation salaried positions were double filled as the normal incumbents were away on extended sick leave with pay. These positions had to be filled with temporary replacements resulting in additional unbudgeted salary costs. Also there were additional costs attributable to the retirement of a long service employee, where accumulated vacation and gratuity benefits were paid out.
- (g) Miniature Train - Net projected deficit \$45,000
The removal of the animal displays from the railway compound has caused a significant drop in demand for the railway ride. Also there has been a significant decline in the volume of pedestrian traffic in the area. This is partially attributable to the phasing out of displays in the lower zoo area.
- (h) Reclassification Retro - Active Pay 71,000

The unbudgeted retro-active payment including fringe benefit was made to two trade staff whose

positions have been reclassified upward to Foreman I positions.

The above projections are partially offset by a projected revenue surplus of \$42,000 at the Bloedel Conservatory. This is mainly due to additional gift shop sales resulting from the new gift cart as well as improved stock assortments.

Over the past several years the Board has incurred significant deficits, almost all of which are attributable to declines in revenues. Staff are currently undertaking an in depth review of these revenue programs to determine if there is an inherent deficiency in the global budget base which will continue to produce deficits in future years. If it is determined that there is a structural problem in the global base and that an adjustment can be justified, a Council report will be formulated for Board approval.

2. The statement of Capital Expenditures reflect the approved appropriations and expenditures for all of the active capital projects. When the projects are completed and their final costs reported, the appropriate account are formally closed and they are deleted from this statement. The 1995 approved portion of 1994-1996 Capital Plan funding has been added to the accounts.

FOR A COPY OF THE ATTACHMENTS
CONTACT BARB/JULIE
AT
257-8448

Prepared by:
Finance Department
Board of Parks and Recreation
City of Vancouver
WL/lw
Attachments.
H:\FINANCE\DATA\PBR\1247.WK4

•