



Date: Oct 10, 2002

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation

SUBJECT: 2002 Financial Statements - Operating Accounts

RECOMMENDATION

THAT the Board adopt the plan recommended by staff to balance 2002 Operating Budget.

PURPOSE

Periodical financial statements are submitted to ensure the Board is kept fully informed of the current expenditures and revenues in relation to the approved budget appropriation. Currently the Board will run a deficit for 2002 unless steps are taken to offset a projected shortfall. The following report gives the Board's financial position as of August 31st, explains the causes for the projected deficit, and provides a plan for meeting our 2002 budget.

DISCUSSION

2002 Operating Budget

In July staff reported that it appeared the Board would be in a deficit position of \$660,000 at year end. An action plan was proposed to rectify the problem so that the budget would be balanced by year end. These steps appear to be working as the projected year end deficit as of August 31st is now reduced to \$319,000.

As of August 31, 2002, 66.8% of the net budget has been expended (see Appendix 1 for detail). This translates to a current over expenditure of \$95,200. However, in 2001 at the end of August expenditures were 1.1% lower than our current result. Our year end position for 2001 was a deficit of \$189,000. Considering the previous year's trend and the current over expenditure, to ensure that we reach a balanced budget, further steps are required to meet our target.

Staff have reviewed the operating budget and the results of this review are summarized as follows:

Revenues

Revenues are currently \$150,000 lower than the same time last year when inflation is taken into account. Detailed analysis reveals that:

- Golf course revenues are currently estimated at a \$785,000 shortfall at year end. Our experience is comparable to other golf courses throughout the lower mainland, and is mostly due to closures during extremely wet weather in the early spring. The three main courses realized only 61,000 rounds to the end of spring, down from their budgeted 74,000 rounds to that point in the year.
- Revenues from income & recreation operations are \$100,000 lower than budgeted for at:
 - Marinas,
 - VanDusen and Bloedel, and
 - indoor pools, rinks and other recreation operations.
- Pitch & putt revenues are up, although seasonal receipt of revenue makes it difficult to estimate an accurate amount and the overall projection is to meet budget.
- Outdoor pools revenue are up by approximately \$100,000.
- Concession and Pay Parking revenues are up by approximately \$110,000.

Although the year to date picture looks good, most income has already been received by the Board. Even with the significant improvement in weather over the summer, the Board is unlikely to realize budgeted revenues, although there have been improvements in the revenue projection since July.

Expenditures

Gross expenditures are currently \$465,200 higher than the same time last year when inflation is taken into account. Detailed analysis reveals that:

- Salary and wages costs are currently \$887,100 or 2.3% above budget. There have been extra costs for retiring staff and retroactive reclassifications and some savings due to gapping while vacancies are being filled. Also, because our labour costs are seasonal, the current over expenditure does not translate to a significant overage at year end.
- Utilities are \$281,100 or 5.4% below budget.
- All other supplies and services are currently \$608,600 or 4.6% above budget.

If current trends continue, the net result is that the Board is projecting to be \$319,000 over budget at year end unless further corrective action is taken.

Staff are committed to balancing the budget by the end of the fiscal year and steps have taken place as per the July Board report. The following approach is proposed to offset the year end financial position we are currently expecting:

Continue with the previous cost containment measures proposed to the Board in July. Given the good summer and expected fall weather, there are additional projected revenues of \$164,000 in the Stanley District. The balance of the shortfall will be mitigated by further savings of:

- \$60,000 in the Vancouver East District (in park maintenance and delayed equipment purchases),

- \$6000 in the Queen Elizabeth District (delayed equipment and furniture purchases offset by poor revenue projections for marinas and Bloedel),
- \$100,000 in Planning and Operations (in contract services, stores and vacancies), and
- \$40,000 in Corporate Services (delayed equipment and furniture purchases).

These additional projected fall revenues and cost containment measures total \$370,000, which should compensate for the current projected deficit. If the above plan is put in place, the projection to year end is to have a balanced budget, based on the most current information available.

Prepared by:
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