



March 14, 2003

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: 2003 Operating Budget - Preliminary Estimates

RECOMMENDATION

THAT the Board receive the City Preliminary 2003 Operating Budget and the proposed Park Board budget for information and refer to the Finance Committee to report back to the Board on budget initiatives to hold the increase in property taxes to 3.9%.

BACKGROUND

The Park Board 2003 Preliminary Operating Budget (made up of the Basic and Added Basic) has been completed by staff using the normal rules under the Global Budget methodology. Working in conjunction with City Finance, staff finalized the Park Board 2003 Preliminary Operating Budget in December 2002.

On March 11, 2003, the City Director of Finance brought the preliminary estimates of the City 2003 Operating Budget to Council for information. The report indicated a shortfall that would require a property tax increase of 5.5%. The Director of Finance was seeking advice from Council on its tolerance for a property tax increase.

Council approved "in principle" a property tax increase consistent with local inflation plus an allowance to offset the increased costs imposed on the budget by outside agencies and instruct the Director of Finance, in consultation with the Corporate Management Team, to identify adjustments to the revenue and expenditures estimate sufficient to hold the increase in property taxes to that level, currently 3.9%. Approval of this recommendation requires the Corporate Management Team to identify adjustments to the revenue and expenditure estimates of departments and Boards to approximately \$7.0 million.

The Director of Finance, in consultation with the Corporate Management Team, reports the interim estimates for Council consideration on April 8, 2003.

Staff have worked with the Corporate Management Team and identified that the Park Board's share of the \$7.0 million is \$835,300. Staff recommend that the Board refer this to the Finance Committee to develop budget initiatives to respond to the allocation adjustment as required by Council. The Finance Committee will report back to the Board for approval of these initiatives.

Working in conjunction with other City departments and boards, the budget initiatives will be reported to City Council on April 8, 2003 . It is expected that the 2003 Operating Budget will be finalized in April 2003.

DISCUSSION

Basic Budget

It is under the methodology of the Global Budget arrangement with City Council that the 2003 Basic Budget was prepared. It represents the 2002 approved Basic Budget inflated to reflect 2003 dollar equivalents. The labour adjustments are pending the conclusion of contract negotiations and at that time the budget will be amended to reflect the settlement

The 2003 Basic Budget has been adjusted for inflation. The inflation rates used are those set by the City for all departments including boards. The inflation adjustments are :

- 1.75% for supplies and other costs
- 2.75% for fees and charges.

The Board's 2003 preliminary budget has been adjusted for the 1.75% supplies and other costs. Fees and charges have been increased by 2.75% as passed at the October 21, 2002 Park Board meeting. The Board on March 11, 2003 maintained fees for seniors at a 30% discount of the adult rate which would result in a reduction of \$85,000 in revenue. The shortfall in revenue will be incorporated into this coming budget process.

The increase to the 2003 Park Board Basic Budget over the 2002 Park Board Basic Budget amounts to \$236,788. The increase is primarily attributable to the additional funding provided by the City to recognize:

- Salaries (due to classification changes) and fringe benefit increases
- The general inflation increases (1.75 % for supplies offset by 2.75% increase in fees and charges and a 17% decrease in natural gas)
- Equipment and insurance charges
- Hastings Park Empire Field maintenance costs
- Bloedel Conservatory revenue reduction due to construction

Appendix 1 outlines the above adjustments and the 2003 Basic Budget.

Added Basic Budget

Added Basic items represent new operating costs associated with capital additions to the parks and recreation system. The annualized impact of the 2002 added basic programs (programs/services implemented during 2002) in 2003 is \$89,100. The operating costs associated with new recreation and parks facilities in 2003 amounts to \$299,650. These requests have been reviewed with the City Finance and are recommended for addition to the Park Board

Basic Budget. Appendix 2 outlines the annualized amount in 2003 and operating costs of 2003 new facilities.

New and Non Recurring Budget

The New and Non-Recurring (“NNR”) Budget should be finalized in April 2003. Funding for NNR Budget such as replacement of equipment or building maintenance is requested separately from the Basic Budget. This is due to the fact that these expenditures are “one-time” costs and therefore, should not be included in the ongoing Basic Budget. Under the Global Budget arrangement, the Park Board will receive a block of funding each year. The Board will then establish its own priorities in allocating this funding to individual NNR projects. Staff will report back to the Board the allocation of NNR budget as part of the 2003 operating budget.

SUMMARY

The 2003 Preliminary Operating Budget of the Park Board (made up of the Basic and Added Basic) is \$47,518,147 which is \$625,538 more than 2002 Operating Budget. The increase represents 1.2% of the Board net operating budget. It is an estimate of operating costs based on current services and programs and it does not include salaries adjustments and NNRs. Through the Finance Committee, staff will report back to the Board in more detail before City Council finalizes the 2003 Operating Budget.

Prepared by:

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Appendix 1	
Board of Parks and Recreation	
Summary of 2003 Basic Budget	
	2003
2002 Basic Budget	\$ 46,892,609
<u>Adjustments</u>	
<u>Inflation</u>	
Salaries, wages and employee benefits	395,600
Supplies and other costs (1.75%)	465,200
Revenue and recoveries (2.75%)	(831,400)
<u>Other Adjustments</u>	
Equipment	301,688
Natural gas	(443,700)
Insurance adjustment	144,100
Empire Fields	50,000
Bloedel Conservatory	155,300
2003 Basic Budget	\$ 47,129,397
Increase over 2002 Basic Budget	\$ 236,788