



April 17, 2003

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

RECOMMENDATION

THAT the Board approve:

- (1) the Park Board Global Budget of \$47,518,000, including \$455,000 for added basic costs and one-time adjustments.**
- (2) the budget initiative of \$85,000 to meet the revenue reduction impacted by the restoration of senior discounts from 25% to 30%**

BACKGROUND

On March 24, 2003, the Board approved the 2003 Operating Budget - Preliminary Estimates (made up of the Basic and Added Basic). This budget was prepared using the normal rules under the Global Budget methodology. The Park Board's 2003 Operating Budget is \$47,518,000, including \$455,000 for added basic costs and a one-time adjustment for Bloedel Conservatory due to a reduction of revenues as a result of the water reservoir construction project.

On April 8, 2003, the City Director of Finance presented the 2003 Operating Budget Interim Report to City Council. City Council approved a property tax increase of 4.67% to reach a balanced budget. City Council also approved the Park Board Global Budget of \$47,518,000, including \$455,000 in added basic costs.

DISCUSSION

The Park Board Global Budget is made up of three components:

- (1) Basic budget
- (2) Added Basic budget
- (3) New and Non-Recurring budget

(1) Basic Budget

The Basic Budget represents the 2002 approved Basic Budget inflated to reflect 2003 dollar equivalents. Salaries, wages and benefits have not been adjusted at this time for 2003 costs. They are pending the conclusion of contract negotiations and at that time the budget will be amended to reflect the settlement. Non labour costs (such as supplies), fees and charges have been adjusted for inflation. The following outlines the adjustments to the Park Board Basic Budget:

2002 Basic Budget	\$46,892,609
Adjustments:	
Inflation -	
Salaries, wages and employee benefits	395,600
Supplies and other costs (1.75%)	465,200
Revenue and recoveries (2.75%)	(831,400)
Other adjustments:	
Equipment	301,688
Natural gas	(443,700)
Insurance adjustment	144,100
Empire Field maintenance	50,000
2002 added basic programs annualized in 2003	89,100
2003 Basic Budget	\$47,063,197
\$ Increase over 2002 Basic Budget	\$170,588
% Increase over 2002 Basic Budget	0.36%

(2) Added Basic Budget

Added Basic items represent new operating costs associated with capital additions to the parks and recreation system. The operating costs associated with new recreation and parks facilities in 2003 amounts to \$299,650. There is also a one time adjustment of \$155,300 for Bloedel Conservatory revenue reduction due to the water reservoir construction project included as an Added Basic. Appendix 1 outlines the annualized amount in 2003 and operating costs of 2003 new facilities.

(3) New and Non Recurring Budget

Funding for the New and Non-Recurring (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 receives a block of funding each year. The Board establishes its own priorities in allocating this funding to individual NNR projects. Staff will report back to the Board the allocation of the NNR budget.

Revenue Reduction

At the March 10, 2003 Board Meeting, a motion was passed that approved restoration of a senior fee discount from 25% to 30% starting April 1, 2003. The forgone revenue as a result of this change is approximately \$85,000.

To address the revenue reduction and to minimize impacts on service, the Finance Committee has recommended that an expenditure reduction of non-labour cost by \$85,000 be put in place to compensate for the reduction in revenue.

The total non-labour budget is \$26,006,779 and comprises supplies, contracted services, utilities, equipment charges and other miscellaneous expenditures. The proposed reduction of \$85,000 represents 0.326% of this budget. Reductions will be focused on reducing supply budgets, where savings can be realized by efficiencies, and be distributed throughout all areas of the organization.

SUMMARY

The Park Board Global Budget for 2003 is \$47,518,000, including \$455,000 for added basic and the other one-time adjustment. This represents a 1.33% increase over the 2002 net operating budget and provides the same level of services as previously approved in 2002. This is an estimate of current operating services and programs and does not include salary adjustments pending the conclusion of contract negotiations.

The proposed budget reduction initiative in non-labour costs to cover the shortfall in revenues from increasing the senior discount rate will not affect services provided directly to the public. For this reason, we have not recommended further public consultation on this budget.

The Park Board 2003 Gross Operating Budget is \$78,820,000. It is funded by two sources. \$47,518,000 (60%) is from City of Vancouver and \$31,302,000 (40%) is from user fees and charges. It is a very tight budget which requires continued monitoring and prompt corrective action. In any year season variations, changing trends and market competition can adversely impact the budget. There is limited flexibility for implementing corrective action as 68% of our total costs are for staff, 45% of our supply costs are in infrastructure operations, and our revenue programs generating net contributions are already maximized.

Staff will continue to closely monitor the budget and will work with the Board through the Finance Committee to ensure that prompt corrective action will be taken if required. We will continue to keep stakeholders updated with current information regarding the budget process and financial position and will provide opportunities for new ideas to increase positive options for the Board's fiscal management.

Prepared by:

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