



Date: October 31, 2003

**TO: Board Members - Parks and Recreation**  
**FROM: General Manager - Parks and Recreation**  
**SUBJECT: 2004 Preliminary Operating Budget**

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## RECOMMENDATION

*THAT the Board approve the preliminary 2004 Basic Budget of \$48,456,505 as per Appendix I and the Added Basic Budget of \$709,232 as per Appendix II.*

## BACKGROUND

The 2004 Preliminary Basic and Added Basic Budget has been completed by staff using the normal rules under the Global Budget methodology as outlined below.

On March 24, 1992, Council adopted the principles of a global budget for the Park Board and approved a funding base for 1992. The 1992 base took into consideration the basic operating revenues and expenditures that supported the current levels of programming and services offered by the Board. Having established this first global base budget for 1992, the intent was that in subsequent years the Park Board would receive inflationary adjustments consistent with those made available to other departments. For example, the City will continue to provide for the cost of salaries associated with established positions and will adjust the base for the cost of negotiated salary, wage and fringe benefit increases. In addition the Board is entitled to the same inflation rates on other operating costs that are generally provided in the budgeting process. The above process establishes the Basic Budget each year.

In addition under the Global Budget arrangement, the remainder of the budget is established as follows:

- a. **Added Basic:** These are primarily new costs associated with new parks and facilities which have been added under the Capital Construction program. These new operating costs are normally identified as part of the Capital Budget submission and are approved by Council along with the capital programs. Once the project is complete, these will become part of the Basic Budget.

- b. **New and Non-Recurring Budget (“NNR”):** Funding for new or replacement furniture and equipment 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. The block funding is established after Council has reviewed the preliminary budget and determined the level of total NNR funding for all departments that can be afforded for the year.

The Board has been fully authorized by Council in both these areas. Council has delegated unlimited authority to the Board to transfer funds within the global operating budget. Also, Council has agreed that the Board will have the option of generating new revenues in order to enhance its service levels. This arrangement includes the sharing of these revenues with 1/3 to City and 2/3 to the Board.

## **DISCUSSION**

### **1. Basic Budget**

It is under the methodology outlined above that the 2004 Basic Budget was prepared. It represents the 2003 approved Basic Budget inflated to reflect 2004 dollar equivalents. At this time, the collective agreements between the unions and the City are pending. Salaries/wages will be adjusted subsequent to contract settlements.

The inflation rates used are those set by the City for all departments. They are 2% for supplies and 2.75% for revenue.

The increase to the 2004 Basic Budget over the 2004 approved budget amounts to \$1,093,738. This increase is primarily attributable to the additional funding provided by the City to recognize:

- i. the general inflationary increases (2% for supplies and 2.75% for revenue);
- ii. specific expenditure increases beyond inflation level such as fuel, insurance, equipment charges and employee benefits;
- iii. annualized impact of 2003 added basic programs; and

Appendix I outlines the above adjustments and the 2004 Basic Budget.

**2. Added Basic Budget**

As indicated previously, the Added Basic items represent new operating costs associated with the Capital additions to the Parks and Recreation system. In 2004, this amounts to \$709,232 for items described in Appendix II. These requests will be reviewed with City finance officials after they are submitted to the City as 2004 budget submission.

**3. New and Non-Recurring Budget (“NNR”)**

The block of funding for New and Non-Recurring Budget has not been established at this time. A preliminary report will be tabled to Council on November 18, 2003 in which Council will review 2004 budget requests and determine the level of NNR funding for all departments. A separate report will be submitted for consideration and approval by the Board

A report outlining all City departments and boards 2004 preliminary budget request will be presented to Council on November 18, 2004. The report will review the budget impact and begin the process of bringing the estimates into balance. The 2004 budget estimates show a funding shortfall of \$21.9 million, equivalent to a property tax increase of 5.3%. This increase is based on providing adequate funding to maintain base program levels, to accommodate new/expanded programs approved by Council in 2003, to pass through increases other agencies impose on the City budget that do not have direct Council control, and certain known 2004 Council priority initiatives.

Staff will report back to the Board as soon as Council’s direction is provided to bring the budget into balance.

**JUSTIFICATION**

The Preliminary 2004 Basic Operating Budget reflects the current programs provided by the Park Board in 2004 dollars. The Added Basic Budget represent new operating costs associated with the capital additions to the Park Board. All capital additions have been approved by both the Park Board and City Council. The Preliminary 2004 Budget submission has been prepared in accordance with established City budget guidelines and is recommended for the Board approval.

Prepared by:

Corporate Services  
Board of Parks and Recreation  
City of Vancouver

**APPENDIX I**

**Board of Parks and Recreation  
Summary of 2004 Preliminary Base Operating Budget**

2003 Basic Budget \$ 47,362,767

Adjustments:

Inflation:

- supplies at 2% \$ 265,000
- revenue and recoveries at 2.75% (808,500) (543,500)

Annualization of Programs in 2003 22,300

Cost Increases in excess of Inflation at 2%:

- Insurance 116,400
- Equipment Charges 411,100
- Steam, Heat, Hydro, Water, Sewer 123,200
- Natural Gas 251,000
- Employee Benefits 607,200 1,508,900

Other Adjustments (e.g. anti-graffiti program) 106,038

**Preliminary 2004 Basic Budget** **\$ 48,456,505**

Increases \$ 1,093,738