



February 3, 2004

TO: Board Members - Parks and Recreation
FROM: Finance Committee - Parks and Recreation
SUBJECT: Operating Statements for the Year Ended December 31, 2003

RECOMMENDATION

THAT the Board receives this report for information.

BACKGROUND

This report discusses the Board's preliminary 2003 Year End financial position. In the interest of prudent financial management, the Board is reviewing its operations at this time. The attached figures reflect the current financial situation, pending minor adjustments by the City of Vancouver or its external auditors. The City of Vancouver will provide official financial statements for 2003 some time in late spring.

The Park Board had a deficit for the year ending December 31, 2003 of \$260,000. Throughout 2003, the Board was apprized of the fact that the Golf Operations were below the revenue target for 2003, due mostly to a significantly wet spring. Staff projected that by year end the revenues for Golf Operations would be almost \$625,000 below target for the year. However, it was felt that this shortfall could be managed by higher than budgeted Recreation and Business Services revenue. No significant expenditure reduction programs were recommended.

During the 2nd half of 2003 the weather conditions improved. This extended dry weather in the fall helped the Board make up revenue lost during the 1st half of the year in programs other than golf. Specifically, Outdoor Pools and Beaches and Business Services made \$740,000 more than budgeted. However, the Board's expenditures also rose, with supplies ending the year \$871,000 over budget and utilities coming in \$276,000 above budget. These overages were somewhat mitigated by salaries coming in \$334,000 under budget (due to staff vacancies and decreased labour costs in the early wet spring) while NNR expenditures were held back in an effort to mitigate costs and remain under budget by \$160,000 at year end.

Attached are:

- Appendix I - Operating Statement for the year ended December 31, 2003, which provides a breakdown of Revenues and Expenditures by district.
- Appendix II - 2003 Actual Gross Expenditures by Type
- Appendix III - 2003 Actual Net Expenditure by District
- Appendix IV - 2003 Actual Gross Revenue by Source

DISCUSSION

Stanley District

The Stanley District had a surplus for the year ending December 31, 2003 of \$557,000. During the 2nd half of the year the weather conditions improved and lasted longer than expected. This improved weather helped the Stanley District increase revenues in recreation services by keeping the outdoor facilities open longer. The surplus revenues of \$317,000 resulted in a total surplus in recreation services of \$397,000. Business Services, such as concessions, parking, and lease agreements with restaurants, also experienced a successful year, resulting in a surplus of \$206,000.

Queen Elizabeth District

The Queen Elizabeth District had a deficit of \$200,000 for the year ending December 31, 2003. Recreation services ended the year over budget by \$78,000. While additional revenues of \$223,000 were generated, expenditures on supplies, utilities, and bank charges increased beyond budget levels by a total of \$301,000. VanDusen Gardens ended the year \$42,000 over budget, due to utility overages, additional expenses for special events, and garden shop sales being slightly under budget. Operations in Queen Elizabeth Park ended the year \$90,000 under budget, by savings in Wildlife services and horticulture operations which offset reduced revenues at Bloedel. District wide maintenance costs were over budget at year end by \$225,000, mainly due to increases in horticulture supplies costs of about \$57,000, utilities overages of \$22,000 and payroll overages totaling \$146,000.

Vancouver East District

Golf Operations are one of the Board's major revenue operations and are expected to contribute \$1.5 million per year to support other park and recreation services. Four years ago a major renovation of the courses was completed using a \$24 million loan from the City. A sustainability plan was then brought to the Board to outline how Golf Operations would manage the courses and repay the loan to meet the Board's obligation to Council.

Since that time, the Board's Golf Operations have not been able to subsidize other programs at the expected levels. A number of expense reducing and revenue increasing programs have been initiated over the past four years; however, both the loan payments and the industry-wide downturn in golf activities have meant that the Golf operations have not been able to meet their

target. Instead of the expected contribution of \$1.4- \$1.6 million per year, the courses have contributed between \$800,000 to \$1 million to the Board's other operations.

For year end 2003, the Vancouver East District experienced a deficit of \$875,000. This is attributed mostly to the Golf Course operations, which had an overall deficit of \$780,000 due to lower than projected green fees and driving range revenue. Recreation services were \$107,000 over budget, due to a combination of revenue shortfalls in rinks and pools, the fall closure of Renfrew Community Centre, and increases in material and supply costs.

Planning & Operations

Planning & Operations had a deficit of \$153,000 for the year ending December 31, 2003. Revenues were less than budgeted by \$47,000. Payroll costs were over budget by \$57,000, mostly due to increases in overtime of \$100,000 over the previous year to manage weather related problems in October and December. Utilities came in \$58,000 over budget, including \$33,000 in natural gas costs. Fleet and Equipment charges initially looked to be \$110,000 over budget (due mostly to increases in both fuel costs and consumption), but an allocation of \$110,000 from the City's centrally held Fuel contingency budget meant the Fleet and Equipment charges came in on budget.

Corporate Services

Corporate Services had a surplus of \$411,000. This surplus is attributable to \$202,000 in payroll savings due to staff vacancies and reduced use of auxiliary help for vacation and year end relief. Corporate Services also had expenditures savings of \$209,000, which are due to reductions in supplies, equipment and furniture purchases, insurance, consultant services and NNRs. These expenditure reductions were initiated to mitigate the budget shortfalls identified in the spring and reductions continued as the shortfalls were projected for the fall and at year end.

SUMMARY

The \$260,000 deficit represents approximately ½ of 1% of the Board's net operating budget of \$49,813,569. Extensive staff efforts were made to balance the budget by year end, as the significant shortfall in golf revenue was identified early in the year and closely monitored. Staff have looked at the root causes of the deficits and have specific plans in place to address the underlying issues for 2004.

Under the Global Budget Arrangement, the Park Board's net budget of \$49,813,569 is the maximum contribution the City is expected to make to Park and Recreation services. However, where factors beyond the control of the Board affect its accounts, the City can agree to absorb a deficit. Staff have reviewed our current financial position with the City and as the deficit can be attributed mainly to overages in utility charges, the City has agreed that the overages were beyond the Park Board's control. Funding levels for these expenses in 2004 are also being reviewed by the City and may be adjusted as part of the 2004 budget process.

While the Board and City have come to an agreement over the current year's financial position, it is noted that it will be challenging for Golf Operations to make their expected contribution to the Board's other programs in 2004. Continued pressure of increasing loan payments and the downturn in lower mainland-wide golf activities will certainly impact the Golf Operations ability to deal with any unfavourable weather. As part of the 2004 Budget process, the Finance Committee will be reviewing options with staff to address the issues identified and making recommendations to the Board for a solution to the ongoing problems.

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