



Date: September 19, 2005

TO: Board Members – Parks and Recreation

FROM: General Manager – Parks and Recreation

SUBJECT: Operating Statements as at August 31, 2005

RECOMMENDATION:

THAT the Board receive this report for information.

BACKGROUND

Periodic financial statements are submitted to ensure that the Board is kept fully informed of the current expenditures and revenues in relation to the approved budget appropriation.

DISCUSSION

As of August 31, 2005, the Park Board has spent \$35,573,790 of a total budget of \$53,443,216. Revenues are at \$23,112,304 (or 69.6% of budget), while gross expenses are at \$58,686,095 (or 67.7% of budget), for a net position at \$35,573,790 (or 66.6% of budget). See Appendix 1 for details.

Revenues

After eight months of operation, it is estimated that by year end, revenues will be below budget for leases, parking and golf. Recreation revenues are expected to be slightly above budget, as are marina and pitch and putt revenues. The relatively poor early summer weather has contributed to the revenue shortfall, impacting the more weather sensitive areas.

At this point, it is difficult to determine what effect the adoption of the Board's ethical purchasing policies may have had on concession revenues. Once final inventories and operator costs are determined, this analysis can be completed. Unpredictable weather over the next four months has the potential to either increase or decrease the projected shortfall. Overall, it is anticipated that the Board will experience a shortfall in revenue in the range of \$100,000 to \$200,000 by year end.

Gross Expenses

As of the end of August, gross expenditures are currently up in most areas.

In comparing expenses to last year's levels, all types are up (payroll \$208,000, equipment \$70,000, utilities \$60,000, and supplies \$500,000). The expenditure increases are also spread

throughout the Board's activities, with the exceptions being parking, administration, major parks (Stanley, VanDusen, Queen Elizabeth), community centres and rinks, all of which are below last year's level of expenditures.

Given the current revenue situation detailed above, the Board must continue to curtail expenses not affecting service levels in order to balance its budget by year end. Cost-saving measures are already underway to ensure that the predicted shortfall in revenues will be covered by cost savings at year end.

Below are details, by district, of the current financial position and expected expenditures at year-end.

The Stanley District is currently at budget and is anticipating a shortfall of up to \$75,000. This is due to a shortfall in leases and parking revenues of approximately \$125,000, which will be partially offset by recreation revenues (\$25,000) and park expense savings (\$25,000). The Stanley District holds some special events in the latter part of the year (Ghost Train, Christmas train), which may be able to make up the remaining \$75,000, depending on the weather and public participation.

| Stanley District | Position at August 31, 2005 | Annual Budget | Projected Position at Year End | Savings / (Shortfall) |
|---------------------------------------|-----------------------------|---------------|--------------------------------|-----------------------|
| Issues: | | | | |
| Parking and lease revenue shortfall | | | | (\$125,000) |
| Recreation revenues surplus | | | | \$25,000 |
| Park Maintenance expenditures savings | | | | \$25,000 |
| | \$6,084,874 | \$9,123,400 | \$9,198,400 | (\$75,000) |

The Queen Elizabeth District looks to be on track overall and is expected to break even by year end. While park operation costs currently look high, cost containment measures have been implemented in order to ensure that expenditures are balanced by year end. Bloedel revenues are down due to the delay in completing the Park Plaza redevelopment, and Queen Elizabeth pitch and putt revenues and recreation revenue surpluses are expected to make up the difference.

| Queen Elizabeth District | Position at August 31, 2005 | Annual Budget | Projected Position at Year End | Savings / (Shortfall) |
|--|-----------------------------|---------------|--------------------------------|-----------------------|
| Issues: | | | | |
| Net Bloedel shortfall | | | | (\$100,000) |
| Queen Elizabeth Pitch & Putt revenue surplus | | | | \$40,000 |
| Net Recreation revenue surplus | | | | \$60,000 |
| Park Maintenance expenditures (high now, balanced at year-end) | | | | \$0 |
| | \$7,961,773 | \$11,894,300 | \$11,894,300 | \$0 |

The Vancouver East District is currently slightly underspent and expects to break even by year end. The revenue shortfall of \$115,000 from golf is expected to be offset by the savings from the delay in opening Killarney Pool.

| Vancouver East District | Position at August 31, 2005 | Annual Budget | Projected Position at Year End | Savings / (Shortfall) |
|--|-----------------------------|---------------|--------------------------------|-----------------------|
| Issues: | | | | |
| Net Golf shortfall, including golf expense savings | | | | (\$115,000) |
| Killarney Pool expenditures savings | | | | \$115,000 |
| | \$7,239,729 | \$10,947,500 | \$10,947,500 | \$0 |

Planning and Operations is currently above budget. While efforts are made to plan maintenance activities, emerging situations at facilities dictate what work must be given priority and in any given year the mix of spending will vary. To the end of August, spending on building maintenance and irrigation are up, but partially offset by lower spending on mechanical systems, site lighting and the seawall. In order to meet budget by year end, seasonal workers have not been extended, purchases are being delayed until next year (where appropriate), and close examination of costs is ensuring that all capital costs are transferred to the capital budget.

| Planning & Operations | Position at August 31, 2005 | Annual Budget | Projected Position at Year End | Savings / (Shortfall) |
|--|-----------------------------|---------------|--------------------------------|-----------------------|
| Issues: | | | | |
| Building Maintenance and Irrigation expenditures | | | | (\$325,000) |
| Mechanical, site lighting, seawall and other savings | | | | \$325,000 |
| | \$11,786,700 | \$17,156,116 | \$17,156,116 | \$0 |

Corporate Services is currently under budget. Once the contingency for the introduction of ethical purchasing is allocated and the year-end administrative costs are accounted for, it is expected to break even at year end.

| Corporate Services | Position at August 31, 2005 | Annual Budget | Projected Position at Year End | Savings / (Shortfall) |
|--|-----------------------------|---------------|--------------------------------|-----------------------|
| Issues: | | | | |
| Ethical purchasing contingency (budget of \$185,000) | | | | \$185,000 |
| Currently no expenses; must be returned to City if not needed | | | | (\$185,000) |
| Year-end Administrative expenses: (Fringe benefits, insurance, inventory write-offs, contingency, etc.) | | | | \$0 |
| | \$2,500,715 | \$4,321,900 | \$4,321,900 | \$0 |

Staff are closely monitoring both revenues and expenditures and concerted efforts are being made on an organization-wide basis to alleviate the projected revenue shortfall. The current expectation, barring unforeseen events, is to balance the budget by year end.

SUMMARY

Overall, net expenditures are at budget to the end of August and staff are committed to balancing the budget by the end of the fiscal year. Reviews have taken place and close monitoring is ongoing. Cost containment initiatives not affecting service levels have been and will continue to be implemented to deal with the projected shortfall. Staff will report back to the Board with the result of the September operating statement, including recommendations on further measures if necessary. Currently, the Board is projecting to meet its budget at year end. The Finance Committee has reviewed the financial operating statement as at August 31, 2005 and recommends that the results of this review be reported to the Board.

This projection is based on the most current information available and represents a best estimate of the Park Board's financial position to December 31, 2005.

Prepared by:
Corporate Services
Board of Parks & Recreation
Vancouver, B.C.
AH/me