



Date: September 22, 2011

TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Financial Statements to June 30, 2011

RECOMMENDATION

THAT the Board receive this report for information

POLICY

There is no applicable policy.

DISCUSSION

This report provides an analysis of the Board's finances for the Operating Budget and the Donation Program to the end of June 2011.

2011 Operating Budget

As of June 30, 2011, the Board had spent \$31.7 million or 57.1% of its net operating budget, with total revenues of \$18.7 million and gross expenditures of \$50.5 million.

Details of the Board's financial position are attached as follows:

- Appendix I – Operating Statement to the end of June 30, 2011
- Appendix II – 2010 & 2011 June Revenues & Expenses by Program

Revenues

The Park Board total revenues to the end of June 2011 are \$18.7 million or 42.0% of budget, down from 46.4% of budget for the same period in 2010. As noted in Appendix I, revenues are down across the Park Board districts and services areas, with the exception of the Queen Elizabeth District. The growth the revenues for the Queen Elizabeth district reflects the opening of the Hillcrest Aquatic Centre, while the general downward trend in all other areas is attributable to the cool, wet weather this spring.

Appendix II provides a breakdown of gross revenue by program, with comparisons to 2010. Revenue from income operations is down from 41.8% of budget in June 2010 to 34.4% of budget for 2011. This decline in revenue is across all service areas with the exception of the Marinas, which are not as strongly affected by the generally cooler and

wetter weather. The overall revenue is down by \$1.3 million compared to the same period for 2010, with almost \$0.9 million of that decline in golf course revenues.

Revenues from Park Operations are down from 29.9% of budget in 2010 to 25.1 % in 2011. Again, weather plays a significant role with revenue down in the three destination parks of Stanley Park, Queen Elizabeth Park and VanDusen. Total recreation revenues are up from 60.2% to 62.0% of budgeted revenues, reflecting that facilities which were closed in 2010 for either the Olympics or for renovation (Trout Lake & Killarney Rinks and the Hillcrest Aquatic Centre) are now open..

Revenues in the first half of 2011 have been impacted by poor weather and are at 42.0% of budget, compared with 46.4% of budget for the same period in 2010. This significant decline, particularly in the weather dependant, net revenue programs indicates the need for careful monitoring of revenues and expenses to ensure corrective action is taken as quickly as possible to offset any potential budget shortfall that may result.

Gross Expenditures

To the end of June 2011 gross expenditures total 50.3% of budget (or \$50.5 million) while for the same period in 2010 expenditures were at 47.1% of budget (or \$47.1 million). In looking at the types of expenditures over the first six months, payroll costs are up by \$3.1 million, utility costs are unchanged, city equipment costs are down by \$0.6 million, transfers are up \$1.3 million and supplies & services expenses are down \$0.4 million.

As noted in Appendix I, gross expenses have remained the same or are up in all areas except Planning & Operations, which has seen a decline in spending of 3.3%. There has been a significant increase in Corporate Services expenses to the end of June compared to the previous year, reflecting the more timely payment of loans and transfers; this is not expected to impact year end expenses.

Appendix II provides a breakdown of expenditures by the major programs. Comparing June 2011 gross expenses for the same period in 2010, expenses have increased by 3.2%. Spending is up 9.2% in income operations (due mostly to loan payments and transfers being done earlier in the year as noted above) and 3.9% in recreation (due to more facilities being open in 2011 as noted above under revenue). For park operations, spending is down overall by 0.8% and while it appears that costs have increased across most park & operations areas, the increases reflects the more timely internal allocation of equipment costs from "other operations"; overall park operations expenditures are down, reflecting the reduced expenses due to cooler weather.

Net Expenditures

To the end of June the Board has incurred net costs of \$31.7 million, compared to \$27.6 million for the same period in 2010, an increase of \$4.1 million or 9.4% of budget.

This increase in net expenditures is attributable to a combination of lower revenues and higher expenditures.

The revenue decline is significant: if revenues were being received at the same rate as 2010 (46.4% of budget in 2011 vs. 42.0% in 2010), the Board would have almost \$2.0 million more is currently reflected. Close monitoring of both revenues and expense will be required to ensure that the impact of the potential revenue shortfall doesn't impact the Board's ability to meet its budget.

Some of the increase in expenditures can be attributed to timing issues for loan payments and transfers. The other factor impacting the timing of expenses is the cost savings expected from the Vancouver Services Review (VSR) projects. These VSR savings will come later in 2011 as the projects are implemented, while the budgeted savings have reduced the annual budget, making it appear that we have increased expenditures. An ongoing shift in expenditure pattern for the remainder of 2011 should be seen over the remainder of the year with higher expenses at the beginning of the year early and greater savings later in the year.

Forecast to Year End

While it is difficult to forecast precisely due to the changes in expenditure patterns, it would appear that the Board is at risk of not achieving its revenue target for 2011. Assuming a similar experience as 2010, if actions are not taken to compensate for the revenue shortfall, the Board will be unlikely to meet its budget target. Based on additional analysis since the June statement, it would appear that the Board may be short as much as \$2.7 million in revenue at year end. However, the Board's revenue stabilization fund does have \$0.9 million set aside from years with good weather, which can be used to offset the revenue shortfall if specific conditions are met. Related discussions with the City's Finance department are ongoing and the results will be conveyed at the Board's next Services and Budgets committee meeting.

Expenditures also appear high compared to 2010. After analyzing the expenditure increases the timing of expenses compared to prior years is affecting the expenditures. Transfers & loan payments have been made earlier than in 2010 and expenditure savings from VSR projects are expected to be realized toward the end of 2011 as projects are implemented. Once the third quarter financial statements are prepared, the timing issues should be more clearly isolated and a truer financial picture should be known. Careful monitoring is being done and reductions not impacting service have been proposed. At this point the expenditure forecast to year end is expected to be on budget, but it should be noted that due to the unknown impacts and timing of the VSR projects there is some risk associated with this forecast. As noted above, discussions with the City's Finance department are continuing.

2011 Donation Program

As of June 30, 2011, \$407,000 in donation revenue has been received. A detailed breakdown of donations received as of June 30, 2011 is attached in Appendix III. Activities during this period were as follows:

Park Amenities - \$93,000 has been raised and \$64,000 spent on bench installation and maintenance.

Park Monuments - \$25,000 has been raised, with the majority of that for the Komagata Maru Monument, and \$27,000 was spent for work on that monument.

Park Conservation - \$17,000 has been raised, mostly via in memory funds, while \$18,000 was spend for Stanley Park conservation work.

Recreation Programming – Almost \$1,000 was raised the Granville Lawn Bowling program and over \$7,000 was spent with almost \$5,000 for the Active Communities Project and the remainder for the Granville Lawn Bowling program.

Special Projects – A total of \$270,000 has been raised for three projects: the accessible playground at Kits Beach, after school programs and a sport court project and \$20,000 was spent on after school programs..

No funds have been raised or expenses spent for the endowments program in the first six months of 2011.

Overall the Donation Program raised \$407,000 and had expenses totaling \$236,000 in the first six months of 2011. After all program expenses were deducted, the net increase of almost \$171,000 brings the total donation balance as of June 30, 2011 to \$3,453,262.

SUMMARY

Overall the Board has spent \$31.7 million or 57.1% of its budget to the end of June 30, 2011. This is approximately \$4.1 million more than the net expenditure during the same period for 2010 and is a combination of increased expenditures and lower revenues. It appears that the Board is at some risk of not being able to meet its budget due to revenue shortfalls of approximately \$2.0 million attributable to the cool, wet spring weather. Careful monitoring is being done and reductions not impacting service have been proposed. Discussions with the City's Finance department are ongoing and the results will be conveyed at the Board's next Services and Budgets committee meeting.

The Donation program raised over \$407,000 to the end of June 30, 2011. After all program expenses were deducted, the net increase of \$171,000 brings the total donation balance as of June 30, 2011 to \$3,453,262.

Prepared by:
Corporate Services
Vancouver Board of Parks and Recreation
Vancouver, BC
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