



Date: November 16, 2011

TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Financial Statements to September 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 September 2011.

2011 Operating Budget

The net Park Board operating budget for 2011 is \$55,597,006. This net budget has two components: the gross expense budget, which is the full cost of providing parks and recreation services, and the revenue budget, which is the target for revenues raised through fees and charges and which offsets over 40% of the gross expense budget.

Between June 2011 & September 2011, the entire Park Board operating budget was reviewed in detail. The review process focused on actual revenues and expenses over the last three years, with particular attention paid to the historical revenue performance and the historical costs required to support the current service level. When comparing the actual financial performance with the gross revenue and expense budgets, it was noted that actual revenues and costs had increased over the years, but the gross revenue and gross expense budgets had not been properly adjusted to reflect the actual revenues and expenses being incurred to provide those services. As a result of this review, the gross revenue and gross expense budgets were increased to more correctly reflect the historical pattern of actual expenditures & revenues over the last three years. The net budget remains unchanged at \$55,597,006 and represents the tax support Council allocates to the Park Board to provide park and recreation services in Vancouver.

The new revenue and gross expense budgets more accurately reflect the expenses and revenues expected, but this change makes comparison to previous year's financial statements more difficult for the remainder of this year. Starting in 2012 these changes

should result in more accurate and more easily comparable financial reporting. As a result, changes between years are not necessarily indicative of a problem or solution.

As of September 30, 2011, the Board had spent \$44.0 million or 79% of its net operating budget, with total revenues of \$35.4 million and gross expenditures of \$79.5 million.

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

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

Revenues

The Park Board total revenues to the end of September 2011 are \$35.4 million or 75% of budget, down from 86% 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 of 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 during the past spring and was noted during the June operating statement.

Appendix II provides a breakdown of gross revenue by program, with comparisons to 2010. Revenue from income operations is down from 85% of budget in September 2010 to 75% 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 \$1.4 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 53% of budget in 2010 to 51% in 2011. Again, weather plays role with revenue down in the three destination parks of Stanley Park, Queen Elizabeth Park and VanDusen; the other area of revenue decline is in building and facility maintenance, although this is not a concern since most revenue generated from this source is cost recovery from insurance or outside agencies for additional costs for repair work resulting from damage – less revenue means fewer additional costs.

Total recreation revenues are up by almost \$0.9 million, 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.

Overall, revenues through the third quarter of 2011 have been impacted by poor spring weather and are at 75% of budget, compared with 86% of budget for the same period in 2010. As noted in the June statements, this significant decline, particularly in the weather dependant, net revenue programs indicates the need for continued 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 September 2011 gross expenditures total 77% of budget (or \$79.5 million) while for the same period in 2010 expenditures were at 76% of budget (or \$76.3 million).

As noted in Appendix I, gross expenses are up in all areas except Planning & Operations and the Stanley District, which have seen decreases of 2% and 3% respectively. There has been a significant increase in Corporate Services expenses to the end of September 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 September 2011 gross expenses for the same period in 2010, expenses have increased by 1%. Spending is down 1% in income operations, reflecting the lower cost of providing less services due to weather impacts as noted above under revenue.

For park operations, spending is up overall by 1%. While it appears that costs have increased across most park & operations areas, the increases reflect the more timely internal allocation of equipment costs from “other operations”.

Costs for recreation services have also increased compared to 2010, from 75% to 76%, again reflecting the opening of facilities which were closed in 2010 for either the Olympics or for renovation (Trout Lake & Killarney Rinks and the Hillcrest Aquatic Centre) as noted above under revenue.

Net Expenditures

As per Appendix I, to the end of September the Board has incurred net costs of \$44.0 million, compared to \$40.1 million for the same period in 2010, an increase of \$3.9 million or 10% of budget. This increase in net expenditures is attributable to a combination of lower revenues and higher expenditures.

The revenue decline is significant, with current revenues down 11% over the same period as 2010. Close monitoring of both revenues and expense will be required to ensure that the impact of the potential revenue shortfall doesn't further 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 expenditures have increased. 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 and greater savings later in the year.

Forecast to Year End

As noted in the June operating statement, revenues are anticipated to be lower than budget at year-end due primarily to Park Board revenue being impacted by inclement weather in the spring and early summer. As of the end of September, it appears that the Board may be short by approximately \$2.4 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. Discussions with the City's Finance department have continued and it is anticipated that the Board will use funds in the revenue stabilization fund to help offset a portion of the anticipated shortfall, which was reported to Council as part of the City's Operating and Capital Budget 2nd Quarter review report.

Expenditures are higher compared to the same period in 2010. After analyzing the expenditure increases, the timing of expenses compared to prior years accounts for a portion of this apparent increase in 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. In addition to the timing issues, costs appear to be higher than at the same point in 2010. Staff have taken a number of steps to curb costs, including early end of assignment for some park maintenance staff and additional scrutiny and deferral of non essential supply and service costs. Careful monitoring continues. 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 September 30, 2011, almost \$619,000 in donation revenue has been received. A detailed breakdown of donations is attached in Appendix III. Program highlights follow below.

Park Amenities - \$179,000 has been raised and \$109,000 spent on bench installation and maintenance.

Park Monuments - \$26,000 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 - \$43,000 has been raised, mostly via in memory funds, and \$31,000 has been spent on various projects with the majority for Stanley Park conservation work.

Recreation Programming – Almost \$1,000 was raised for the Granville Lawn Bowling program and over \$8,000 was spent with almost \$6,000 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 almost \$24,000 was spent on after school programs and other projects.

\$100,000 has been contributed to the Park Board endowment program, which provides long term, sustainable funding for park conservation and recreation.

Overall, the Donation Program raised \$619,000 and had expenses totaling \$351,000 to the end of the third quarter of 2011. After all program expenses were deducted, the net increase of over \$267,000 brings the total donation balance as of September 30, 2011 to \$3,550,161.

SUMMARY

Overall the Board has spent \$44.0 million or 79% of its budget to the end of September 30, 2011. This is approximately \$3.9 million more than the net expenditure during the same period for 2010 and results from a combination of increased expenditures and lower revenues as detailed in the body of this report. An anticipated revenue shortfall of \$1.6 million was reported to Council as part of the City's Operating and Capital Budget 2nd Quarter review report and is attributable to the cool, wet spring weather. After reviewing the September financial statements and updating the forecast revenues and expenses to year end, at this time there is no expected change to the year end forecast: revenue is expected to have a \$1.6 million shortfall and expense are expected to meet budget. In order to minimize any further impact to the Board's year end budget position careful monitoring continues and reductions not impacting service have been implemented to contain costs.

The Donation program raised over \$619,000 to the end of September 30, 2011. After all program expenses were deducted, the net increase of \$267,000 brings the total donation balance as of September 30, 2011 to \$3,550,161.

Prepared by:
Corporate Services
Vancouver Board of Parks and Recreation