



Date: March 17, 2012

TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: 2012 Operating Budget and 2012 Fees and Charges

RECOMMENDATION

THAT the Board approve the 2012 Operating Budget of \$55,935,900, as approved by Council on March 5, 2012 and comprised of \$103,808,800 expenditures and \$47,872,900 revenues; and

THAT the Board approve the 2012 Fees and Charges as detailed in Appendix I.

POLICY

There is no applicable Board policy relating to the budget or financial review.

The Board's policies on user fees and charges are summarized as follows:

- User fees and charges will be levied to recover all or a portion of overall operating costs.
- All fees and charges will be adjusted to accommodate changes in the marketplace and in operating and maintenance costs.
- The General Manager will have the authority to waive or reduce fees and alter fees for services, promotion purposes and to quickly establish fees for experimental services.
- Fees may be reduced for people with accessibility issues, families, groups, frequent users, low priority times, promotions and marketing strategies.
- Each rink and indoor pool will schedule at least four hours of low-cost public sessions each week.
- A Leisure Access Card (LAC) will allow free access to public swimming and skating and a 50% reduction in other basic Park Board services to people meeting the assistance eligibility criteria. Further reductions will be available to LAC holders for Flexipasses, swim lessons and skate lessons only.
- Unless otherwise specified, fees are defined for age-based and family categories as follows:
 - Pre-school: 2 years of age and under
 - Child: 3 to 12 years inclusive
 - Youth: 13 to 18 years inclusive
 - Adult: 19 to 64 years inclusive
 - Seniors: 65 years and up

- Family: 1-2 adults of the same household and their children. To encourage family participation, each person in the family pays the child rate, subject to a two person minimum.
- An age-based fee structure will be maintained that provides the following general discounts from adult fees for recreation services:
 - youth and seniors: 30% discount
 - children: 50% discount

BACKGROUND

At the Park Board Services and Budgets Committee meeting on September 27, 2011, staff briefed the Committee on the parameters to be considered when setting the 2012 Fees & Charges, including the Council policy that fees and charges for services be established on a cost recovery basis and at market levels in circumstances where they are provided in competition with the private sector.

On February 27, 2012, with the exception of the item pertaining to lifeguards, the Board approved strategic budget initiatives of \$1.366 M and the one-time budget adjustments of \$1.031 M, as outlined in [a staff report](#). Staff were directed to report back with options that allow the Board to meet its 2012 budget requirements.

On February 28, 2012, Council received a report date February 20, 2012 on the 2012 Operating Budget and postponed discussion and decision on the report until after hearing from members of the public at a Special Council Meeting on the 2012 Operating Budget held on February 29, 2012.

On March 5, 2012, as part of its 2012 Operating Budget, Council approved the [Park Board 2012 Operating Budget of \\$55,935,900](#).

DISCUSSION

This report details the proposed 2012 Operating Budget and the proposed 2012 Fees & Charges. It also provides a preliminary overview of the 2011 Financial Operating Statements, so that the financial experience in 2011 can inform the plan for how to provide for services within the 2012 Operating Budget. The report does not provide a comprehensive financial review, which will be done some time in late spring in conjunction with the City's official financial statements for 2011.

The 2012 Operating Budget approved for Park Board by Council on March 5, 2012 was \$55,935,900, comprised of \$103,808,800 expenditures and \$47,872,900 revenues.

Components of the Operating Budget

The 2012 operating budget represents the 2011 approved operating budget inflated to reflect 2012 dollar equivalents, with additional adjustments for incremental costs resulting from new or improved capital construction and transfers for services that are being provided by other City departments or that the Board is providing for other City

departments. It also includes adjustments for any Council approved programs, including reduction initiatives.

The table below summarizes the 2012 adjustments to the Park Board Operating Budget:

	Expense	Revenue	Net
2011 Operating Budget	\$103,041,006	47,444,000	\$55,597,006
Base Adjustments			
Remove 2011 NNR and one-time funding	-	-	-
Add 2012 Added Basic Budget	\$1,027,800	-	\$1,027,800
Add Inflation & Related Adjustments	\$2,453,646	\$255,900	\$2,197,746
Adjust for transfers to/(from) other City Departments: VSR Procure-to-Pay project	(\$489,652)		(\$489,652)
Total Base Adjustments	\$2,991,794	\$255,900	\$2,735,894
Adjustments to minimize tax increases:			
2012 Strategic Budget Initiatives	(\$1,166,000)	(\$70,000)	(\$1,096,000)
2012 One-time Adjustments	(\$788,000)	\$243,000	(\$1,031,000)
2012 Alternative to Beach Guarding	(\$270,000)	-	(\$270,000)
Total adjustments to minimize tax increases	(\$2,224,000)	\$173,000	(\$2,397,000)
2012 Operating Budget	\$103,808,800	\$47,872,900	\$55,935,900
\$ Change from 2011 to 2012	+\$767,794	+\$428,900	\$338,894
% Change from 2011 to 2012	+1%	+1%	+1%

Added Basic Budget

The Added Basic Budget represents the net new operating costs associated with new or expanded capital additions to the parks and recreation system. For 2012 budget totaling \$1,027,800 has been provided for new parks and facilities as noted in the table below.

Description	Added Basic Budget Adjustment
Cost Related to Park Development	
South East False Creek Parks & Hinge Park (26 acres of park no longer under warranty)	\$131,500
Street Trees (3100 Trees)	\$102,400
All Weather Playfields	\$46,500
Hillcrest Complex Grounds (beds, pathways, etc. vs. turf)	\$35,700
Miscellaneous Park Developments (Everett Crowley, conversion of playfields from B to A, etc.)	\$255,300
Costs related to Park Development	\$571,400

Description	Added Basic Budget Adjustment
Costs related to Facility Development	
Hillcrest Community Centre (more area to clean, LEED Gold system requirements)	\$240,100
Trout Lake Community Centre (more glass, more roof area, more complicated mechanical systems)	\$96,200
Other Facility Improvement (Cleaning for Trillium Fieldhouse, HVAC, Plumbing, etc.)	\$120,100
Costs related to Facility Development	\$456,400
Total Added Basic Increase for 2012	\$1,027,800

Inflation Adjustments

The expense budget has been increased by almost \$2,454,000 for cost increases resulting from changes to the staffing profile and anticipated cost adjustments for fringe benefit changes, transfers, insurance, utilities, fuel, and city equipment.

The revenue budget has been increased by \$255,900 or 0.5% based on cost recovery expectations after a review of market pricing.

Transfers to other City Departments

As a result of a Vancouver Services Review project, the process for procuring and paying for goods and services has been centralized across the City. As this work is now being done by a centralized service group, transfers from the Park Board budget totaling \$489,652 are required to support the transfer of work to the centralized service centre.

Adjustments to minimize tax increases

The 2012 Strategic Budget initiatives and one-time adjustment shown in the table below were approved by the Board at its meeting on February 27, 2012 in order to support Council's request to minimize tax increases. As part of that approval process staff were requested to explore options to fund a \$270,000 budget gap arising from the Board's decision to not reduce funding for lifeguarding services at Vancouver beaches. As noted in the table below staff are recommending a \$270,000 one-time transfer from the Board's artificial turf reserve for 2012 while a permanent source of funds is determined.

Adjustments to minimize tax increases	Expense	Revenue	Net
2012 Strategic Budget Initiatives			
Eliminate 3 management positions in Park Services	(\$377,000)		(\$377,000)
Implement consistent park maintenance standards & practices, improve routing & make equipment changes	(\$223,000)		(\$223,000)

Adjustments to minimize tax increases	Expense	Revenue	Net
Eliminate 3 management positions at Community Centres; reorganize administrative work & consolidate fitness & rink programming	(\$396,000)	-	(\$396,000)
Optimize Community Centre programming during low use periods; reduce auxiliary staff in other recreation services & extend the Lord Byng Pool summer maintenance closure	(\$170,000)	(\$70,000)	(\$100,000)
2012 Strategic Budget Initiatives	(\$1,166,000)	(\$70,000)	(\$1,096,000)
2012 One-time Budget Adjustments			
Defer non-essential facility maintenance equivalent to 3% of the budget for 1 year	(\$438,000)	(\$7,000)	(\$431,000)
Shift timing of 2013 fee increases to September 2012 to align with other jurisdictions & school calendar		\$250,000	(\$250,000)
Defer transfer of some artificial turf fees to the replacement reserve	(\$350,000)		(\$350,000)
2012 One-time Budget Adjustments	(\$788,000)	\$243,000	(\$1,031,000)
2012 Alternative to Beach Guarding			
One-time transfer from Artificial Turf Reserve while permanent solutions are being developed.	(\$270,000)	-	(\$270,000)
Total adjustments to minimize tax increases	(\$2,224,000)	\$173,000	(\$2,397,000)

Impact of 2011 Operating Budget experience on 2012 Budget Implementation

While planning for the implementation of the 2012 Operating Budget, it is prudent to review the 2011 experience to ensure that the Board considers all relevant information. Attached in Appendix II is a preliminary financial overview of the 2011 operating budget, pending adjustments by the City of Vancouver or its external auditors. The City of Vancouver will provide official City-wide financial statements for 2011 sometime in late spring.

Per the preliminary financial overview in Appendix II, as of December 31, 2011, the Board had a revenue shortfall of \$1,326,095 and an expense surplus (after transfers and allowances) of \$464,711 for a net over expenditure of \$861,384. This is a significant improvement over the June forecast of a revenue shortfall of \$1.6 million and balanced expenditure budget as reviewed at the most recent Services and Budgets committee meeting in September 2011.

In analyzing the preliminary financial review there are two main areas that require further analysis and solutions in 2012: gross revenues for the Revenue & Corporate Services division and gross expenses for the Parks division.

Gross revenue in the Revenue Services division (Food Service, Parking, Golf, etc.) underperformed by \$2 million (7%) versus the \$30 million budgeted revenue. The 2011 spring was significantly colder and wetter than average and certainly played a role in revenues being lower than prior years. However, when reviewing recent financial history, it is clear that the Park Board's Golf Operations have been impacted by a general reduction in golfing behaviour and will require further analysis on both the revenue and expenditure side in order to bring the operation in line with the budget.

Gross expenditure in the Parks division was more than \$1 million (5%) above budgeted levels. Again, cooler wetter weather than usual played a role by extending the turf growing season and requiring more resources in this area. The new functional organizational structure in Parks (initiated January 2012) has already allowed for a reduction in management staff and with a combination of efficient work practices, standards and equipment, plans is in place to close the expenditure gap in 2012.

The 2012 Operating budget implementation plan must address these issues raised during the preliminary review of the 2011 financial statements. Staff are continuing to analyze the underlying causes and potential solutions for 2012 and will report back to the Board, where required, with the results of their review.

A more in-depth 2011 yearend financial report will be provided to the Board once the City audit process is complete.

2012 Fees & Charges

One of the significant components of the Park Board Operating Budget is the \$47.9 million revenue budget. This revenue results largely from fees and charges which are approved by the Board.

In prior years the Fees & Charges have been approved approximately one month before the start of the new calendar year. In late 2011 a decision was made to delay approval of fee increases for 2012 for two reasons:

- the 2012 Operating Budget approval process, which can impact the fees being recommended, was to be delayed until 2012 due to the 2011 municipal elections, and
- the Services & Budgets Committee had agreed to recommend that most fees not increase for 2012 based on the results of a market review

Due to the delays in the budget process arising from the municipal elections, the 2012 Fees and Charges have not yet been approved by the Board. However, per the Board approved User Fee policy, the General Manager is permitted to make allowances for unusual circumstances and has the authority to waive, reduce or alter fees for services.

Effective January 2012, those fees proposed for increase at the Services & Budgets Committee meeting in September 2011 (as detailed in Appendix I) were increased based on the recommendations from the Committee.

The proposed 2012 Fees & Charges form an integral part of the 2012 Operating Budget implementation plan and need to be reviewed and approved by the Board.

Overview of Recommended Fees & Charges Changes

In preparing the recommended 2012 Fees and Charges, staff reviewed comparative market rates, operating costs and impacts to customers. During the development of the 2012 Operating Budget it was proposed to not increase most Park Board Fees & Charges (based on the market review) and the 2012 budgeted revenue increase was set in accordance with the proposed 2012 fee increases detailed below.

Based on the staff reviews, for 2012 it is recommended that most fees not be increased over the 2011 levels, with exceptions for recreation fees, and fees at Burrard Marina and VanDusen Botanical Gardens.

Fees for which there is no proposed change from 2011 levels for 2012 are not discussed in the body of this report. All other proposed fee changes are discussed below.

Burrard Marina (Page 2 of Appendix I)

It is proposed to increase fees by approximately 2%. There is a long waiting list at Burrard Marina which indicates that the fees charged for the service are in line with public expectations. Burrard Marina is priced in the middle to low end of comparable marinas and while there have been complaints about the condition of the marina in the past, significant maintenance work that was done in 2011 includes replacing the finger float and maintenance to the Main Float.

Stanley Park Miniature Train (page 3 in Appendix I)

In 2011 Children 2 to 12 years of age were charged admission at the Stanley Park Train, reflecting historical practice. To align child age rates to Park Board policy for 2012 it is proposed to exempt children aged 2 from paying fees. This will mean that children 2 & under will be free and children 3 to 12 years of age will pay the discount rate.

VanDusen Botanical Gardens (Page 4 in Appendix I)

Admission rates are proposed to be increased by an average of 5% reflecting the improvements in facilities (the VanDusen Botanical Gardens new Visitor Centre opened October 23, 2011) and the related improved visitor experience. Fees for the existing rental facilities are proposed to increase by approximately 2%. Proposed fees for the new rental facilities have been set based on square footage comparison to the existing facilities with increases of approximately 15% stemming from the improved Visitor Centre.

Recreation fees (Pages 10-18 & 21-22 in Appendix I)

The fees for Recreation are proposed to increase by approximately 2% over 2011 rates, which is consistent with a review of rates for recreation services in the lower mainland. Other recommended adjustments are noted below, along with their rationale.

The admission and visit pass fees for the new rink at Hillcrest are proposed to be set at the same rate as the Hillcrest leisure pool admission, reflecting the difficulty in controlling access to support differential pricing between the rink, the leisure pool and the fitness centre. All other fees (facility rentals, skate rentals, skate sharpening) will remain consistent with other Park Board rinks.

Fees for racquet courts for youth and seniors are decreasing by between 1-6% to align more closely with the Board approved age-related discount structure (youth and seniors fees are set at approximately 70% of the adult fee charged).

A new fee of \$2 for youth field rentals is proposed for 2012. This fee has been set in consultation with field user groups and is being recommended to increase the use of fields by creating an incentive to release field bookings not required by a group for use by other groups.

New special event categories/fees are being recommended in response to requests from users and clients. The new categories include fees for: vendors markets, two new picnic fees, differential rates for small production films, and a non-profit recreation activity permit. These new fees or categories will allow for more appropriate fees for the increasing number of requests relating to these kinds of events and park uses.

All Other Fees

With the exception of the changes detailed above, all other Fees and Charges are proposed to remain at 2011 levels (no increase). Fees have been rounded for ease of application in many cases and so may reflect a slightly higher or lower percentage increase on individual calculations.

SUMMARY

The Park Board 2012 Operating Budget of \$55,935,900 was approved by Council on March 5, 2012. When compared to the 2011 Operating Budget of \$55,597,000 the 2012 budget includes an increase of \$339,000 (or 1%). This net increase in tax support from Council provides \$768,000 more in funding for gross expenditures (for a total expenditure budget of \$103,808,800) and includes an increase in budgeted revenue of \$255,900 (for a total revenue budget of \$47,872,900). Detailed budget adjustments are noted in the body of the report.

The 2012 Operating Budget allocated by Council provides for the Board to operate the new and expanded facilities and allows Council to minimize tax increases. In order to ensure the 2011 over expenditure is not repeated, many changes not impacting services levels have already taken place. Staff are reviewing the structural budget challenges

experienced in 2011 as noted in the preliminary financial overview, and will report back to the Board with plans to address those issues during 2012.

The proposed 2012 Fees and Charges, detailed in Appendix I, balance the need to offset increases in inflationary costs against the need to respond to market conditions and pricing for similar services. The 2012 Fee schedule also forms an integral part of the implementation plan for the 2012 Operating Budget recommended for approval.

It is recommended that the Board approve the 2012 Operating Budget and the supporting 2012 Fees and Charges.

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