



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** May 18, 2011

**From:** George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

**File:**

Andrew Nazareth  
General Manager, Business and Financial Services  
& Chief Financial Officer, Richmond Olympic Oval

**Re:** 1<sup>st</sup> Quarter 2011 - Financial Information for the Richmond Olympic Oval Corporation

### Staff Recommendation

That the report on Financial Information for the Richmond Olympic Oval Corporation for the first quarter ended March 31, 2011 from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

Andrew Nazareth  
General Manager, Business and Financial Services  
& Chief Financial Officer, Richmond Olympic Oval

REVIEWED BY TAG

YES

NO



**DATE:** May 25, 2011

**TO:** George Duncan  
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth  
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills  
General Manager, Richmond Olympic Oval Corporation

**FROM:** Rick Dusanj, CA  
Controller, Richmond Olympic Oval Corporation

**Re:** Richmond Olympic Oval Corporation – 1<sup>st</sup> Quarter 2011 Financial Information

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#### **Origin**

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "Corporation") requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the first quarter business plan and financial results for the 3 months ended March 31, 2011 ("Q1").

#### **Business Plans and Planning**

Highlights of the activities undertaken by Oval staff during Q1 are described below.

#### Community use

A Community Engagement Program was launched in February 2011 in order to develop greater interest and community involvement in the use of the Oval facilities.

Some of the major events that took place during Q1 were Winterfest, the Canadian Fencing Federation National Championships and two indoor track meets, the first in Metro Vancouver in 20 years.

#### High Performance Sport

The programs run by the Center of Excellence include the Volleyball Centre of Excellence and the Table Tennis Centre of Excellence. These continue to grow and attract participants.

### Leasing

LifeMark Sports Medicine officially opened operations in May 2011. Oval staff continues to work with the leasing agent to source other suitable tenants.

### Legacy Partners ("Sponsors")

Sponsorship payments were received during Q1.

### Governance

A meeting of the Corporation's Board of Directors took place on February 8, 2011 at which the 2011 Budget was approved. In addition meetings of the Audit & Finance Committee and the Business & Budget Planning Committee took place during Q1.

### **Comments on the Financial Results for Q1**

**Basis of Accounting** – The unaudited financial statements and budget have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a full accrual basis. The one exception to this is the transfer of \$425,000 to the Capital Reserve which represents one-quarter of the \$1.7M that is required in accordance with the Richmond Oval Agreement between the City and the Oval. The Company will be adopting Public Sector Accounting Board ("PSAB") standards of accounting in 2011. These Q1 financial statements and the budget have not been converted to PSAB. The plan is to have the PSAB compliant statements prepared for Q2. The statements incorporate the following concepts:

- 1) The 2011 approved budget is based on fiscal 2011 having operating revenues and operating expenses at levels for a normal year's uninterrupted operations.
- 2) The contribution received from the City of \$3.0 million in March and the 2010 Annual Distributable Amount from the 2010 Games Operating Trust ("GOT") of \$2.7 million are deferred and amortized to revenue at a rate of 1/12 per month. Cash in excess of current needs has been invested by the City.

### **Analysis of Significant Variances for Q1:**

**Revenues** from memberships and admissions of \$434,000 had a positive variance of \$22,000 when compared to the budget. Registered programs revenue was \$182,000 and had a positive variance of \$18,000 when compared to budget. Event and room rental revenue during Q1 was \$423,000 and a positive variance of \$10,000 to budget. Other Revenue of \$190,000 was recorded during the quarter which mainly included \$91,000 of Sponsorship, \$46,000 of parking and \$44,000 of Space leasing.

3 months **Salaries and Benefits** for Q1 were \$130,000 (9%) under budget. The favorable variance was attributable to the following:

- Membership Sales salaries and benefits were \$53,000 under budget primarily due to the maternity leave of the Program Services Manager (since the beginning of 2010-Q2) and being one full time staff short in the Membership Sales department;

- Sport Services salaries and benefits were \$35,000 under budget primarily due to fewer casual Sports staff being hired in Q1 than expected;
- Salaries and benefits for the Centre of Excellence was under budget by \$17,000 as the manager was hired towards the end of Q1, in March 2011; and
- The salaries and benefits of the Operations department were \$28,000 under budget as a result of fewer casual operation staff being hired in Q1.

Aggregate **Program Services** costs over the first quarter of 2011, excluding marketing, were \$588,000, which is \$144,000 (20%) under budget mainly due to salaries being under budget as previously explained.

**Marketing** costs in Q1 were \$52,000 under budget mainly due to favorable variances in the Membership and Registered Programs marketing budget.

**Facility Operations** expenses were \$59,000 under budget during Q1 mainly due to lower salaries (\$28,000), and lower supplies (\$24,000).

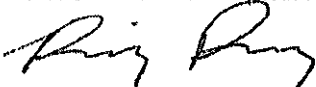
**Utilities** show a positive variance of \$137,000 (41%) for the current fiscal year due to a conservative budget for electricity and natural gas for Q1.

**Administration and Finance** expenses for the first quarter were \$533,000 being \$15,000 (3%) over budget due mainly to the following: \$15,000 over budget for salaries and benefits mainly due to under budgeted amounts for the new Business Development role, \$16,000 over budget for professional/consultant fees mainly due to legal costs for a lease termination, offset by being under budget \$9,000 for training costs and \$8,000 for professional development.

The total expenses in Q1 for controllable costs in the **Program Services, Facility Operations and Administration and Finance Departments**, before utilities and amortization, showed a positive variance of \$240,000.

#### Summary

The 3 months ended March 31, 2011 was budgeted at a net income of \$25,000 and the actual results show a net income before transfers of \$425,000 to the Capital Reserve of \$583,000, a favorable variance of \$558,000. This is mainly due to favorable variances as discussed above. The approved budget for fiscal year 2011 is projected to have net income of \$601,000 before any transfers to the Capital Reserve.



Rick Dusanj, CA  
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner  
Director, Administration & Corporate Services, Richmond Olympic Oval Corporation

**RICHMOND OLYMPIC OVAL CORPORATION**

**Statement of Earnings**

**For the three months ended March 31, 2011**

**Unaudited, prepared by management**

	QTR 1 2011		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Approved Budget 2011
	BUDGET	ACTUALS			
<b>Revenue from operations:</b>					
Membership/admission	\$ 411,998	\$ 434,393	22,395	5%	\$ 2,123,987
Registered program	164,141	181,940	17,799	11%	758,072
Rental of rooms/equipment and events	412,251	422,732	10,481	3%	1,269,495
Funding from GOT	625,000	684,850	59,850	10%	2,500,000
City of Richmond contributions	755,625	755,625	-	0%	3,022,500
Other	199,546	189,869	(9,676)	-5%	881,337
<b>Total revenue</b>	<b>2,568,561</b>	<b>2,669,409</b>	<b>100,848</b>	<b>4%</b>	<b>10,555,391</b>
<b>Expenses:</b>					
<b>Program services:</b>					
Client services	155,645	132,824	22,821	15%	622,575
Event services	38,063	52,790	(14,727)	-39%	152,252
Sport services	289,649	215,666	73,983	26%	1,171,772
Fitness services	147,777	137,901	9,875	7%	583,416
Special events	-	-	-	-	-
General program and membership sales	100,838	49,266	51,572	51%	388,148
Marketing	153,741	101,920	51,820	34%	614,960
<b>Total program expenses</b>	<b>885,712</b>	<b>690,367</b>	<b>195,345</b>	<b>22%</b>	<b>3,533,123</b>
<b>Facility Operations</b>	602,419	543,615	58,805	10%	2,415,081
<b>Utilities</b>	332,325	195,763	136,562	41%	1,107,750
<b>Admin/Finance</b>	518,687	533,293	(14,606)	-3%	2,078,605
<b>Contingencies</b>	80,418	-	80,418	100%	321,674
<b>Amortization</b>	124,549	123,552	996	1%	498,195
<b>Total expenses</b>	<b>2,544,110</b>	<b>2,086,589</b>	<b>457,521</b>	<b>18%</b>	<b>9,954,428</b>
<b>Net earnings (loss) for the period before transfers</b>	<b>\$ 24,451</b>	<b>582,820</b>	<b>558,369</b>		<b>\$ 600,963</b>
Transfer to Capital Reserve **		425,000			
<b>Net earnings (loss) for the period after transfers</b>	<b>\$ 24,451</b>	<b>157,820</b>			

\*\* This represents one-quarter of the \$1.7M transfer to the Capital Reserve in accordance with the Richmond Oval Agreement between the City and the Oval.

**NOTE:**

- 1) Numbers may be off due to rounding.
- 2) See accompanying comments on the results for the first quarter and the fiscal year 2011.