



City of Richmond

Report to Committee

To: Finance Committee

Date: December 7, 2009

From: Andrew Nazareth
General Manager, Business & Financial Services

File:

Re: 2010 Richmond Olympic Oval Corporation Budget

Staff Recommendation

That the 2010 Richmond Olympic Oval Corporation Budget be received for information.

Andrew Nazareth
General Manager, Business & Financial Services
(604-276-4095)

FOR ORIGINATING DEPARTMENT USE ONLY		
CONCURRENCE OF GENERAL MANAGER		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO <i>DEPUTY</i>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

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 Richmond Olympic Oval Corporation's 2010 budget.

Analysis

Please see attachment for the Corporation's 2010 budget.

The 2010 budget for the Corporation shows a net loss of \$1,197k. The main reason for this estimated loss is due to the fact that the Oval will be closed down for public use until April 1, 2010. During this Exclusive Use Period ("EUP"), VANOC has control of the Oval building to prepare and host the Olympic and Paralympic Winter Games. As such, the Corporation will not be able to generate any operating revenues during this time period.

Assumptions

There are a few significant assumptions that should be highlighted in order to better understand the Corporation's 2010 budget. One of the main assumptions, as mentioned above, is the EUP where VANOC has control over the Oval and the Corporation will not be generating any operating revenue to March 31, 2010. Subsequent to March 31, 2010, the Oval Retrofit will be taking place and the Corporation will open for business as soon as it becomes feasible to do so. The retrofit will likely be completed by the end of the second quarter in 2010. It is expected that the retrofitted Oval will be fully operational for the second half of 2010. There is a projected cash surplus that will exist at the end of 2009 of approximately \$873k which will be applied towards the 2010 projected operating loss.

2010 budget explanations

Overall there is a net loss of \$1,197k projected in the 2010 budget. Total revenues are projected at \$5,466k, with total expenses projected at \$6,663k. Of the total expenses \$450k pertains to the amortization of capital assets.

Some of the highlights and assumptions included in the 2010 budget are as follows:

Revenues

- Memberships & admission - \$375k – This is estimated to be approximately 1,300 members at \$50 per month for 6 months;
- Registered programs - \$248k – Of this amount \$160k is expected in sport camps revenue and \$88k in personal training;

- Rentals and events - \$496k – This would include ice and skate rentals, special events, revenue earned from the courts, etc.;
- Parking - \$113k – This figure represents approximately \$15k of parking revenue per month for 7.5 months in 2010;
- Leasing - \$165k – Estimated leasing revenue for 4 months of 2010 as the lease revenue would likely start in September 2010;
- Sponsorship - \$200k – The sponsorships activate on July 1, 2010, therefore, this represents the revenue expected from sponsors for six months;
- Games Operating Trust - \$2,300k – This represents the estimated GOT funding that is expected in 2010 and is based on past amounts received;
- City of Richmond - \$1,500k – This represents the funding to be provided from the City in accordance with the operating agreement;

Expenses

- Full time salaries - \$2,400k – This represents the salaries for the approximately 25 full time employees in 2010;
- Base part time employees - \$922k – This expense is related to all of the part time staff that will be required for the post-games 2010. This includes front desk staff, fitness mezzanine staff, court attendants, facility attendants, custodial, etc.;
- Memberships, program, rental part time - \$260k – This expense relates directly to part time staff related to program and rental revenue, camp staff, personal trainers, skating instructors, operation of leagues, support for ice, court, facility rentals and for summer camps;
- Facility operations - \$638k – This expense relates to insurance costs, contracts, supplies, security, etc.;
- Utilities - \$1,000k – This relates to the cost of utilities – electricity, gas, water;
- Finance and administration - \$624k – These are expenses pertaining to audit, legal, IT, supplies, BOD fees, etc.
- Marketing - \$245k – These are costs associated with regular marketing activities to promote the Oval as well as some costs associated with Ozone materials, general print materials, advertising, web site costs, etc.

Summary

The 2010 budgeted revenue from operations for the Corporation is expected to be \$1,666k before funding from GOT and from the City. This figure does not represent the Corporation's true potential given the EUP and retrofit periods. We expect 2011 operating revenue to be

significantly higher as the Corporation will be fully operational for 12 full months. The total budgeted expenses before amortization for 2010 is \$6,213k. With respect to these expenses, a majority of the Corporation's costs are fixed meaning that they will remain constant with changes in business volume. The Corporation has done its best in the 2010 budget to minimize the variable costs given the EUP. A prime example of this is the reduction of part time staff to only those required to fulfill operational needs.

Financial Impact

None.

Conclusion

The 2010 budget shows an overall net loss of \$1,197k. This is mainly the result of the EUP and the retrofit which will take place after VANOC returns control over the operation of Oval building back to the Corporation. The Corporation will be able to utilize the cash surplus that is expected at the end of 2009 to fund the net loss expected in 2010.



Rick Dusanj, CA
Manager, Business Advisory Services
(604-276-4103)

RD:rd

RICHMOND OLYMPIC OVAL CORPORATION
2010 Operating Budget

	2009 Projected Results	2010 Budget
REVENUES		
Operating:		
Membership & admissions	\$ 603,859	\$ 375,000
Registered programs	354,643	248,000
Rentals and events	174,086	496,000
Tours	26,673	58,000
Merchandise sales (net)	15,109	11,000
Parking	-	113,000
Leasing	-	165,000
Sponsorship	-	200,000
Other	39,099	-
	1,213,469	1,666,000
Other:		
Games Operating Trust	5,536,511	2,300,000
City of Richmond Grant	1,050,000	1,500,000
	6,586,511	3,800,000
Total revenue	\$ 7,799,980	\$ 5,466,000
EXPENSES		
Salaries and benefits:		
Full time employees	\$ 2,200,000	\$ 2,400,000
Base part time employees	1,334,217	922,000
Membership, program, rental part time	107,000	260,000
	3,641,217	3,582,000
Other operating expenses:		
Facility operations	681,181	638,000
Utilities	1,012,669	1,000,000
Finance and administration	868,809	624,000
Supplies to earn operating revenue	179,014	124,000
Marketing	328,219	245,000
Oval/special Events	178,584	-
	3,248,476	2,631,000
Total expenses	\$ 6,889,693	\$ 6,213,000
Profit (loss) before depreciation	\$ 910,287	\$ (747,000)
Depreciation	\$ 393,354	\$ 450,000
Net profit (loss) for the year	\$ 516,933	\$ (1,197,000)
Cash flow:		
Cash, beginning of the period		\$ 873,000
Cash inflow from revenue		5,466,000
Cash outflow for expense		(6,213,000)
Cash outflow for capital expenditure		(120,000)
Cash, end of period	\$ 873,000	\$ 6,000