



To: Finance Committee

Date: October 15, 2010

From: Andrew Nazareth
General Manager, Business and Financial Services

File:

Re: 2nd Quarter 2010 - Financial Information for the Richmond Olympic Oval Corporation

Staff Recommendation

That the report on Financial Information for the Richmond Olympic Oval Corporation for the second quarter ended June 30, 2010 from the Manager, Finance and Administration of the Richmond Olympic Oval Corporation be received for information.

Andrew Nazareth
General Manager, Business and 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 DEPUTY	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

DATE: October 20, 2010

TO: Mayor and Councillors

FROM: Roy McIntosh, FCA
Manager, Finance and Administration
Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation – 2nd Quarter ended June 30, 2010 - Business Planning and Financial Information**

Origin

Section 7.3 of the Operating Agreement between the City of Richmond and the Richmond Olympic Oval 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 second quarter business plans and financial results for the 6 months ended June 30, 2010 ("Q2").

Business Plans and Planning

Highlights of the activities undertaken by Oval staff during Q2 are described below.

Legacy planning and conversion

The four month VANOC Exclusive Use Period expired on March 31, 2010 which permitted the Legacy Conversion construction to commence. In the first week of April, prior to construction the Oval held the very successful Encore Skate on the 400 meter track for the public with about 12, 000 skaters. The ice was taken out and conversion began in earnest about April 12. This project was administered by the City's Director, Project Development who let the contracts and monitored progress.

In April, a Temporary Fitness Centre opened on the ground level and certain programs were made available to our members and the public.

Staff continued to plan programs for Summer Camps, tours and events.

The marketing focus was on membership sales with a robust program to attract new members lead by marketing and customer service staff.

Business plan

In late March Management commissioned KPMG to assist in developing a business plan for the period 2011 to 2015. All management staff was involved in development of departmental strategies, goals and plans for the 4 departments and for the business as a whole. The plan was substantively completed on June 30. The 2 significant outcomes of the plan are that responsibilities and accountabilities have been established for the departments and a financial projection has been developed. The plan and financial model are cornerstones for developing the business and future budgets.

Community use

During Q2, Oval Management, with the support and assistance of the City of Richmond's Parks and Recreation staff, continued to liaise with Richmond Sport Council ("RSC") and the Richmond Arenas Community Association ("RACA"). A framework for community use has been established through discussion with these organizations. At present, RACA allocates approximately 30 hours per week to its member associations. Members of the RSC and other sport organizations are taking advantage of the framework for community access.

Oval brand

In order to capitalize on the world wide attention the Oval received as a result of the 2010 Olympic and Paralympic Winter Games, the Oval engaged a firm to help develop a distinct Oval brand (logo). The brand would be featured on all brochures, the website, letterhead, plasma screens, clothing, etc.

High performance sport

During the Quarter, the legacy agreements with Hockey Canada, Volleyball and the Canadian Chinese Table Tennis Federation were enacted. Commencement of programming and the entry of athletes will begin soon after the related facilities are in place in September.

Leagues

The agreements with The Adult Safe Hockey League (ASHL), Victory Sports and Urban Rec were concluded.

Leasing

LifeMark and Bread Garden began the design and planning for their respective lease spaces. Negotiations continue with other prospective tenants which in total would occupy approximately 6,800 sq ft of space.

Legacy Partners ("Sponsors")

The City continued to negotiate with sponsors and expects to meet its quota by year end.

Governance

Regular meetings of the Corporation's Board of Directors took place on June 8 and July 13. In addition, meetings of the Governance, Audit and Business Planning Committees took place in the quarter

Comments on the Financial Results for Q2 and the Six Months Ended June 30, 2010

Basis of Accounting – The unaudited financial statements and budget have been prepared in accordance with Canadian General Accepted Accounting Principle (GAAP) on a full accrual basis and incorporate the following concepts:

- 1) The **2010 approved budget** is based on the following:
 - Q1 has no operating revenue and minimal Program Services expense due to the Vanoc Exclusive-Use Period ("EUP") from December 1, 2009 to March 31, 2010;
 - Q2 also has no operating revenue and some programming costs as the Oval is going through the Legacy conversion and will be "softly opened" to the members and the public;
 - Q3 and Q4 have operating revenues and operating expenses at the normal projected level
- 2) The contribution received from the City of \$1.5 million in March and the 2009 Annual Distributable Amount received in May 2010 from the 2010 Games Operating Trust ("GOT") of \$2.3 million are deferred and amortized to revenue at a rate of 1/12 per month.

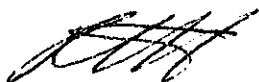
Analysis of Significant Variances for Q2 and First six months:

- 1) The Oval had a soft opening in April 2010. Single admission and month to month membership revenues of \$12,000 were recognized throughout the second quarter. Registered programs were offered in May 2010 and \$10,000 revenue was recorded during the three month period ended June 30, 2010. Events and room rental revenue during Q2 was \$31,000. \$11,500 of other revenue was received during the quarter which included \$6,000 of tour revenue, interest income and GOT admin service revenue.
- 2) Aggregate **Program Services** costs over the first six months excluding marketing were \$56,000 (11%) under budget due to part-time staff and expenditures being carefully managed during the EUP and the soft opening.

- 3) **Marketing** efforts during Q1 and Q2 were focused on building the Legacy awareness, connecting with current and past members, and creating potential membership contacts. Q2 marketing costs were on budget (one-quarter of the annual budget) but higher marketing costs are anticipated in the second six months of the year when the Oval reopens in the Fall and more programs activities are offered.
- 4) **Facility Operations** continue to show efficiencies and consequent cost reductions in all aspects of building/facility operations and maintenance. 6 months facility operating costs were \$33,000 (4%) under budget.
- 5) **Utilities** show a positive variance of \$79,000 (17%) for the first two quarters due to hydro costs being overestimated for the four-month EUP (Q1), implementation of various energy efficient measures, and "no ice" was maintained during Q2. Monthly utility expense is expected to increase in late Q3 as the Oval will "make ice" in the two rinks at the end of August and "have ice" through to the end of the year.
- 6) **Administration and Finance** expenses for the first six months of 2010 were \$784,000 being \$186,000 (19%) under budget due mainly to
 - \$54,000 under budget for salaries and benefits, and
 - In accordance with GAAP, \$88,000 of legal fees directly associated with the space leasing contracts being deferred (in Q1) to be amortized over the 10 year terms of the respective leases.
- 7) The total expenses for controllable costs in the **Program Services, Facility Operations and Administration and Finance Departments**, before utilities and amortization, were lower than the six month budget by \$285,000 (a positive variance of 12%).

Summary

The 6 months were budgeted for a net loss of \$622,000 and the actual results show a net loss of \$430,000, a favorable variance of \$191,000. This is mainly due to favorable variances in the expenses as discussed above. The approved budget for 2010 projected a loss of \$1,197,000 including amortization of \$450,000. If the final 6 months meet budget, that loss will be reduced by the \$192,000 to \$1,005,000. The Corporation had retained earnings of \$1,256,000 at the beginning of the year which will absorb the loss. Similarly, largely because of a cash balance of \$1,020,000 at the beginning of the year and the City and GOT funding, it is projected that there will be a modest positive cash balance at year end.



Roy McIntosh, FCA
Manager, Finance and Administration
Richmond Olympic Oval Corporation
(778 296 1430)

RM:rm

Cc: John Mills, General Manager
Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Earnings

For The six months ended June 30, 2010

Unaudited, prepared by management

	QTR 2 2010			6 months 2010			Approved Budget 2010
	BUDGET	ACTUALS	\$ Variance	BUDGET	ACTUALS	\$ Variance	
			Fav/(Unfav)			Fav/(Unfav)	
Revenue from operations:							
Membership/admission	\$ -	12,111	12,111	-	12,111	12,111	382,400
Registered program	-	10,192	10,192	-	10,192	10,192	245,800
Rental of rooms/equipment and events	-	30,765	30,765	-	30,765	30,765	480,600
Funding from GOT	575,000	576,199	1,199	1,150,000	1,152,398	2,398	2,300,000
Contribution from City of Richmond	375,000	375,000	-	750,000	750,000	-	1,500,000
Other	22,500	11,530	(10,970)	22,500	17,278	(5,222)	545,500
Total revenue	972,500	1,015,797	43,297	1,922,500	1,972,743	50,243	5,454,300
Expenses:							
Program services:							
Client services	99,269	88,740	10,529	155,548	135,869	19,679	371,506
Event services	46,260	32,010	14,250	91,068	70,515	20,553	190,395
Sport services	52,023	33,318	18,705	94,442	68,914	25,528	398,244
Fitness services	67,602	76,948	(9,346)	89,544	100,837	(11,293)	286,436
Special events	-	-	-	-	524	(524)	5,000
General program and membership sales	32,862	28,310	4,551	63,148	60,417	2,732	138,598
High performance sports	-	339	(339)	-	339	(339)	-
Marketing	83,227	83,331	(104)	166,453	156,085	10,368	332,124
Total program expenses	381,242	342,996	38,247	660,203	593,499	66,705	1,722,303
Facility Operations	382,339	378,298	4,041	754,891	722,210	32,681	1,620,183
Utilities	234,900	176,809	58,092	469,800	390,563	79,237	939,600
Admin/ Finance	483,067	426,336	56,731	969,684	783,617	186,067	1,919,445
Amortization	112,500	121,756	(9,256)	225,000	243,948	(18,948)	450,000
Total expenses	1,594,048	1,446,194	147,854	3,079,578	2,733,837	345,741	6,651,531
Net loss for the period	\$ (621,548)	(430,397)	191,151	(1,157,078)	(761,093)	395,985	(1,197,231)

NOTE:

- 1) Certain figures in the Approved Budget 2010 have been reclassified to conform with the current year's presentation.
- 2) Numbers may be off due to rounding.
- 3) See accompanying comments on the results for the second quarter and six months of fiscal year 2010.