



City of Richmond

Report to Committee

To: Finance Committee

Date: November 25, 2010

From: Andrew Nazareth
General Manager, Business and Financial Services

File:

Re: 3rd 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 third quarter ended September 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	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

DATE: November 26, 2010

TO: Mayor and Councilors

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

Re: **Richmond Olympic Oval Corporation – 3rd Quarter ended September 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 third quarter business plans and financial results for the 9 months ended September 30, 2010 (“Q3”).

Business Plans and Planning

Highlights of the activities undertaken by Oval staff during Q3 are described below.

Legacy conversion

The four month VANOC Exclusive Use Period expired on March 31, 2010 which permitted the Legacy Conversion construction to commence. By early September construction was substantially complete and all sport surfaces including the ice, were ready for leagues and the Fall programs.

The marketing focus was on showcasing the emerging Legacy Conversion. Components of the conversion were opened as completed during July, August and September attracting increasing interest from the public. Weekly announcements were made of special events, new programs, membership offers etc.

Business plan

The Oval Business Plan jointly developed by KPMG and Oval Management for the period 2011 to 2015 was issued for implementation in Q3. The two significant outcomes of the plan are that responsibilities and accountabilities for meeting goals have been established for the departments and a 5 year financial projection has been developed. The plan and financial model are cornerstones for developing the business and future budgets.

Community Use

During Q3, Oval Management agreements with private and community users resulted in programs being implemented.

RACA began allocating its Oval ice inventory to the community ice users. A baseball training program began; table tennis was launched with ten tables. Events like the West Coast Classic Basketball Tournament and the Canadian Taiwan Basketball Tournament engaged hundreds of participants. The Philippine Summer Festival took place on the plaza. CBC hosted its nationally televised Sports Day from the Oval.

The Oval Corporation, through consultation and the support of the Richmond-based Canadian Chinese Table Tennis Federation, have established a Table Tennis Centre of Excellence at the Oval. The Table Tennis Centre of Excellence employs 2 high performance coaches who provide skill assessment and skill development to athletes and Richmond-based community members.

Community track and field associations and the Oval Corporation have established a framework to provide track access. This in addition to the framework provided previously to the Richmond Sport Council ("RSC"). September marked the beginning of ice time allocation under this framework and currently RACA allocates approximately 30.25 hours per week to its member associations. Furthermore, the Oval has allocated additional hours to accommodate a Richmond midget hockey tournament Dec 26-30, 2010.

The City and Oval Corporation are currently collaborating on a comprehensive community engagement strategy that will reach out to the Oval's community stakeholders, including community sport groups, civic organizations, local businesses and the community at large.

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). A secondary brand has been developed which the Community Legacy Program sponsors will be able to use. The brands and branding program have the approval of the Canadian Olympic Committee.

Sport activities and Leagues

The Oval enrolled 770 children in the Summer Camp programs during July and August.

The Adult Safe Hockey League (ASHL), Victory Sports and Urban Rec commenced operations in September.

High performance sport

The Hockey Canada, Volleyball Centre of Excellence and Table Tennis Centre of Excellence programs began at the beginning of September. The Yonex Canada Cup Badminton event was a great success in July. Canadian national men's and women's basketball teams practiced and played in the Oval along with the national men's team of China. The World Wheelchair Rugby Championships attracted thousands of fans in September.

Leasing

LifeMark and Bread Garden continued to design and plan for their respective lease spaces. Oval staff continues to work with the leasing agent to source other prospective tenants.

Legacy Partners (“Sponsors”)

The City and Oval continued to negotiate with sponsors and expect to achieve revenue targets by year end.

Governance

Regular meetings of the Corporation’s Board of Directors took place on July 13, October 7, and November 9. In addition, meetings of the Governance, Audit and Business Planning Committees took place in the quarter.

Comments on the Financial Results for Q3 and the Nine Months Ended September 30, 2010 and updated projection to year end

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 open to the members and the public; as conversion elements are completed.
 - 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 Q3 and First Nine Months:

Revenue earning programs became operational in the second week of September.

- Single admission and membership revenues of \$197,800 were recognized in the third quarter, a positive variance of \$6,600.
- Registered programs revenue in Q3 was \$152,400. Summer Camp revenue was included in the registered program revenue and was below budgeted revenue but earned a 10% gross profit (\$12,000), an improvement over last year.
- Event and room rental revenue was \$204,200.
- \$35,300 of Other Revenue during the quarter included \$11,500 of tour revenue, \$19,900 of parking revenue, together with nominal interest income and net retail sales.
- Q3 total revenue was \$1,540,900, \$203,500 below budget, primarily due to delayed completion of sponsorships and leasing contracts.

Salaries and benefits expense for Q3 and Year to Date (“YTD”) were both 6% under budget. The YTD positive variance was primarily due to: vacation taken by full time staff and minimal part time staff during the Vanoc EUP, efficient utilization of part time staff, particularly Sport staff during Q2 due to Legacy conversion, and the deferral of salaries directly associated with the space leasing contracts. These reductions in costs were offset by additional fitness staff required for the soft opening in April and head coaches’ salaries for high performance sports (volleyball and table tennis) which were not included in the budget.

Marketing costs in Q3 were over budget by \$70,000 of which \$55,000 was for the Oval rebranding and logo design which was not included in the budget and is a one-time cost.

Facility Operations expenses were \$19,300 (4%) over budget during Q3. YTD facility operating costs were \$13,400 (1%) under budget as a result of a positive variance of \$72,500 from salaries and benefits and janitorial and other supplies, offset by a negative variance of \$59,100 in security, repairs and maintenance, garbage, recycling and water during the nine months.

Utilities show positive variances of \$12,100 (5%) and \$91,400 (13%) for Q3 and YTD respectively. Monthly utility expenses increased in late Q3 as the Oval put the ice in the two rinks at the end of August.

Administration and Finance expenses in Q3 and YTD were \$410,600 (a positive variance of \$64,300 or 14%) and \$1,194,200 (a positive variance of \$250,400 or 17%) respectively. The nine months positive variance was due mainly to the positive variance of salaries and benefits and the deferral of legal fees directly associated with the space leasing contracts which will be amortized over the 10 year terms of the respective leases.

Summary

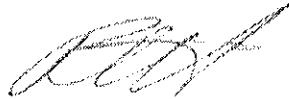
YTD revenue from Operations before GOT funding and City contributions was \$153,200 under budget due mainly to delays in contract signing of sponsorships and leasing. YTD operating expenses before amortization were \$342,000 below budget primarily due to savings in salaries and benefits, utilities and administration expenses, partially offset by the rebranding costs.

The 9 months were budgeted for a net loss of \$1,218,000 and the actual results show a net loss of \$1,056,000, a favorable variance of \$162,000.

An updated projection for the fourth quarter projects a net loss of \$54,000, compared to the Q4 budgeted net income of \$21,000 which is an unfavorable variance of \$75,000.

The approved budget for fiscal year 2010 forecast a loss of \$1,197,000 including amortization of \$450,000. Adding the actual results of the first 9 months to the projected result for the last 3 months, it is expected that the budgeted net loss for 2010 will be reduced by \$88,000 to \$1,110,000. The Corporation had retained earnings of \$1,256,000 at the beginning of the year

which will absorb the loss. The Corporation began recording revenue and expenses in 2008. After nearly three years of Oval startup, assuming the projected results for 2010 are reasonably accurate the Corporation will have retained earnings of approximately \$150,000 at December 31, 2010. 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 nine months ended September 30, 2010

Unaudited, prepared by management

	QTR 3 - 2010		9 months 2010		QTR 4 - 2010		Approved Budget 2010		9m Actual + Q4 Forecast 2010		\$ Variance Fav/(Unfav)
	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	BUDGET	FORECAST	\$ Variance Fav/(Unfav)	Budget 2010	
Revenue from operations:											
Membership/admission	\$ 191,200	\$ 197,789	6,589 (44,274)	\$ 209,900	\$ 209,900	18,700 (34,081)	\$ 191,200	\$ 321,450	\$ 382,400	\$ 531,350	148,950
Registered program	196,650	152,376	(44,274)	162,969	162,969	(34,081)	49,150	101,050	245,800	263,619	17,819
Rental of rooms/equipment and events	179,300	204,163	24,863	234,928	234,928	55,628	301,300	369,000	480,600	603,928	123,328
Funding from GOT	575,000	576,199	1,199	1,728,597	1,728,597	3,597	575,000	576,199	2,300,000	2,304,796	4,796
City of Richmond contributions	375,000	375,000	-	1,125,000	1,125,000	-	375,000	375,000	1,500,000	1,500,000	-
Other	227,200	35,330	(191,870)	52,607	52,607	(197,093)	295,800	87,100	545,500	139,707	(405,793)
Total revenue	1,744,350	1,540,857	(203,493)	3,666,850	3,513,601	(153,249)	1,787,450	1,829,799	5,454,300	5,343,400	(110,900)
Expenses:											
Program services:											
Client services	101,564	119,563	(17,998)	257,112	255,432	1,681	114,393	115,558	371,506	370,990	516
Event services	49,890	40,158	9,732	140,958	110,673	30,285	49,437	45,703	190,395	156,376	34,019
Sport services	181,561	178,051	3,510	276,003	246,965	29,039	122,241	96,000	398,244	342,965	55,280
Fitness services	93,034	91,232	1,802	182,578	192,069	(9,491)	103,858	115,900	286,436	307,969	(21,533)
Special events	2,500	(884)	(3,384)	2,500	3,907	(1,407)	2,500	1,000	5,000	4,907	93
General program and membership sales	37,548	34,294	3,254	100,696	94,710	5,986	37,902	50,213	138,598	144,923	(6,325)
High performance sports	-	9,287	(9,287)	-	9,626	(9,626)	-	-	-	69,484	(69,484)
Marketing	83,227	153,171	(69,945)	249,680	309,256	(59,577)	82,445	182,000	332,124	491,256	(159,132)
Total program expenses	549,324	629,139	(79,816)	1,209,527	1,222,638	(13,111)	512,776	666,231	1,722,303	1,888,869	(166,566)
Facility Operations	433,957	453,265	(19,308)	1,188,848	1,175,475	13,373	431,335	444,100	1,620,183	1,619,575	608
Utilities	234,900	222,775	12,125	704,700	613,338	91,362	234,900	234,900	939,600	848,238	91,362
Admin/Finance	474,872	410,556	64,316	1,444,556	1,194,173	250,383	474,889	413,328	1,919,445	1,607,501	311,944
Amortization	112,500	119,858	(7,358)	337,500	363,806	(26,306)	112,500	125,000	450,000	488,806	(38,806)
Total expenses	1,805,552	1,835,593	(30,040)	4,885,131	4,569,430	315,701	1,766,400	1,883,559	6,651,531	6,452,989	198,543
Net loss for the period	\$ (61,202)	\$ (294,735)	(233,533)	\$ (1,218,281)	\$ (1,055,829)	162,452	\$ 21,049	\$ (53,760)	\$ (1,197,231)	\$ (1,109,589)	87,643

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 third quarter and nine months of fiscal year 2010.