



City of Richmond

Report to Committee

To: Finance Committee

Date: December 3, 2009

From: Andrew Nazareth
General Manager, Business & Financial Services

File:

Re: 2009 3rd Quarter Financial Information for the Richmond Olympic Oval Corporation

Staff Recommendation

That the report on Financial Information for the third quarter ended September 30, 2009 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"/> <i>AK</i>	NO <input type="checkbox"/>
REVIEWED BY CAO DEPUTY	YES <input checked="" type="checkbox"/> <i>AK</i>	NO <input type="checkbox"/>

Staff Report

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 year to date ("YTD") results for the 9 months ended September 30, 2009 along with projected results for fiscal 2009.

Analysis

Please see attachment for the Statement of Earnings for the 9 months ending September 30, 2009.

The third quarter ending September 30, 2009 shows YTD net income of \$540k versus a budgeted net loss of \$16k, a favourable variance of \$556k. This is the result of revenues having an unfavourable variance offset by expenses having a larger favourable variance. YTD Revenues were \$5,981k versus budgeted revenues of \$6,214k, representing an unfavourable variance of \$233k (or -4%). YTD Expenses were \$5,441k versus budgeted expenditures of \$6,230k, a favourable variance of \$789k (or 13%). More detailed explanations of these variances are provided below.

Basis of accounting

The quarterly budget represents one quarter of the approved budget for the year (not including the Summer Camps revenue). The approved budget is the full 12 month budget. The projected results for 2009 include actual results to September 30, 2009 and projected results for the balance of the year based on a review of all revenues, expenses, assumptions and trends for the 3 months to December 31, 2009. The total of the actual funding received from the Games Operating Trust ("GOT") in June and July 2009 of \$4,731k, the deferred GOT revenue as at December 31, 2008 of \$806k and the Grant received from the City of \$1,050k are recognized as revenue evenly over the year, of which 9 months of revenue has been recognized as of September 30, 2009. Amortization of the costs of Oval equipment and capitalized leases has been included and was not in the budget being a non-cash item.

Analysis of significant variances

- Q3 revenue from operations from the Zones was \$312k of which \$96k out performed budget revealing an upward trend. For the nine months this revenue source is \$50k above budget;
- All of the Camps revenues and expenses have been shown in Q3 and reflect actual enrolment. The expenses pertaining to the Camps are shown under the Sport Services line item;

- 9 months actual salaries and benefits were under budget primarily due to the following: hiring employees later than planned, restricting the hiring of full time staff to fewer than planned, reducing part time staff to match the demand for classes and the “ice-out” period during April and May 2009;
- The Special Events expenses mainly include costs associated with the Canadian and World Speed Skating Championships and Racket Rally and have been segregated from the various departments because they are not recurring;
- Marketing efforts continue to focus on Oval branding in order to build membership, the cornerstone to future revenue growth. YTD marketing costs are higher by \$78k than budgeted due to greater use of consultants and to the start-up costs of developing marketing and sales materials, programs and events;
- Facility Operations continue to realize substantial savings over budget. Q3 and nine months YTD expenses were \$84k (or 16%) and \$368k (or 24%) under budget respectively. This is due to lower salaries, security, garbage and recycling and various maintenance contract costs;
- Administration and Finance expenses for Q3 and nine months YTD were \$254k (or 40%) and \$509k (or 26%) under budget respectively due to lower projected IT contract and consultants’ costs; and
- Utilities show a large positive variance of \$645k (or 48%) for the 9 months YTD. We continue to analyze the actual electricity and gas bills and monitor the consumption for the remainder of the year.

Summary

The year 2009 revenues from operations before GOT and City funding are lower by \$916k due mainly to reductions in the summer camps revenues of \$770k and to the effect of discounting various program and membership fees in order to build membership. The Camps revenues and expenses have been shown in Q3 and reflect actual enrolment. GOT funding shows a \$731k positive variance due to the recognition of the \$806k deferred in 2008, partially offset by the \$75k less than expected actual amount received from GOT in 2009 for the Annual Distributable Amounts for 2007 and 2008. YTD expenses are lower than budget by an aggregate of \$1,074k (17%) before amortization of \$285k.

Financial Impact

None.

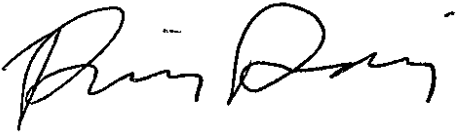
Conclusion

The September 30, 2009 YTD financial results show an overall favourable variance of \$556k to net income. This is mainly due to favourable variances in the GOT revenues and the expenses

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pertaining to Facility Operations, Administration and Finance and Utilities partially offset by the unfavourable variances primarily with respect to the Camps revenues and expenses.

A handwritten signature in black ink, appearing to read "Rick Dusanj". The signature is fluid and cursive, with a large initial "R" and "D".

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

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RICHMOND OLYMPIC OVAL CORPORATION

Statement of Earnings

For The 9 Months Ending September 30, 2009

Unaudited

	QTR. 3 2009		QTR. 3 2009		9 months 2009		9 months 2009		Approved Budget 2009		Projected results for 2009		Variance Fav/(Unfav)	
	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Budget 2009		for 2009		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)
Revenue from operations:														
Zones	\$ 215,500	\$ 311,858	\$ 96,358	45%	\$ 646,500	\$ 696,276	\$ 49,776	8%	\$ 862,000	\$ 828,644	\$ (33,356)	-4%		
Camps	900,000	129,858	(770,142)	-86%	900,000	129,858	(770,142)	-86%	900,000	129,858	(770,142)	-86%		
Other operations	81,750	68,955	(12,795)	-16%	245,250	189,718	(55,532)	-23%	327,000	225,018	(101,982)	-31%		
Funding from GOT	1,201,500	1,384,128	182,628	15%	3,604,500	4,152,383	547,883	15%	4,806,000	5,536,511	730,511	15%		
Grant from City	262,500	262,500	-	0%	787,500	787,500	-	0%	1,050,000	1,050,000	-	0%		
Other	10,000	7,418	(2,582)	-26%	30,000	24,949	(5,051)	-17%	40,000	29,949	(10,051)	-25%		
Total revenue	2,671,250	2,164,718	(506,532)	-19%	6,213,750	5,980,684	(233,066)	-4%	7,985,000	7,799,980	(185,020)	-2%		
Expenses:														
Program services:														
Client services	134,000	126,304	7,696	6%	402,000	357,476	44,524	11%	536,000	449,438	86,562	16%		
Event Services	36,000	50,040	(14,040)	-39%	108,000	118,312	(10,312)	-10%	144,000	168,871	(24,871)	-17%		
Sport Services	121,000	350,661	(229,661)	-190%	363,000	611,180	(248,180)	-68%	484,000	731,092	(247,092)	-51%		
Fitness Services	85,250	79,866	5,384	6%	255,750	224,715	31,035	12%	341,000	292,459	48,541	14%		
Special Events	3,750	2,183	1,567	42%	11,250	178,584	(167,334)	-1487%	15,000	178,584	(163,584)	-1091%		
Other Program Expenses	-	6,866	(6,866)	-	-	19,184	(19,184)	-	-	31,808	(31,808)	-		
Marketing	89,250	95,095	(5,845)	-7%	267,750	345,688	(77,938)	-29%	357,000	406,247	(49,247)	-14%		
Total program expenses	469,250	711,016	(241,766)	-52%	1,407,750	1,855,137	(447,387)	-32%	1,877,000	2,258,498	(381,498)	-20%		
Facility Operations	511,750	428,089	83,661	16%	1,535,250	1,167,420	367,830	24%	2,047,000	1,597,120	449,880	22%		
Admin/Finance	643,000	388,972	254,028	40%	1,929,000	1,420,267	508,733	26%	2,572,000	2,021,407	550,593	21%		
Utilities	452,500	276,827	175,673	39%	1,357,500	712,669	644,831	48%	1,810,000	1,012,669	797,331	44%		
Amortization	-	105,803	(105,803)	-	-	285,354	(285,354)	-	-	393,354	(393,354)	-		
Total expenses	2,076,500	1,910,708	165,792	8%	6,229,500	5,440,848	788,652	13%	8,306,000	7,283,048	1,022,952	12%		
Net income (loss) for the period	\$ 594,750	\$ 254,010	\$ (340,740)	-57%	\$ (15,750)	\$ 539,836	\$ 555,586	3528%	\$ (321,000)	\$ 516,931	\$ 837,931	261%		

NOTE: Numbers may be off due to rounding.