



City of Richmond

Report to Committee

To: Finance Committee **Date:** October 29, 2009
From: Andrew Nazareth **File:**
General Manager, Business & Financial Services
Re: 2009 2nd Quarter Financial Information for Richmond Olympic Oval Corporation

Staff Recommendation

That the report on Financial Information for the second quarter ended June 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>JK</i>	NO <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/> <i>GD</i>	NO <input type="checkbox"/>

Staff Report

Origin

At the Regular Council Meeting held on October 26, 2009, the following resolution was carried during the discussion on the Richmond Olympic Oval Corporation Board Interim Review:

That staff be directed to:

- a) *consider better and more timely reporting methods as envisioned in section 7.3 of the Oval Operating Agreement and otherwise.*

Section 7.3 of the Operating Agreement between the City of Richmond and the Richmond Olympic Oval Corporation discusses 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 year to date ("YTD") results for the 6 months ended June 30, 2009 along with projected results for fiscal 2009.

Analysis

Please see attachment for the Statement of Earnings for the 6 months ending June 30, 2009.

The second quarter ending June 30, 2009 shows YTD net income of \$286k versus a budgeted net loss of \$610k, a favourable variance of \$896k. This is a combination of both revenues and expenses having favourable variances. YTD Revenues were \$3,816k versus budgeted revenues of \$3,543k, representing a favourable variance of \$273k (or 8%). YTD Expenses were \$3,530k versus budgeted expenditures of \$4,153k, a favourable variance of \$623k (or 15%). More detailed explanations of these variances are provided below.

Basis of accounting

The quarterly budget is 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 June 30, 2009 and projected results for the balance of the year based on a review of all revenues, expenses, assumptions and trends for the 6 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 6 months of revenue has been recognized as of June 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

- Q2 revenue from operations from the Zones was lower primarily due to the "ice-out" period during April and May. The budget did not take into account the ice-out period;

- Projected Camps revenues and expenses have been decreased to reflect current expected enrolment;
- 6 months actual salaries and benefits were 11% under budget primarily due to 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;
- In order to establish the Oval brand in the market place and to build memberships, marketing costs are higher than expected due to greater use of consultants and the costs of development of marketing and sales materials;
- Facility Operations continue to realize substantial savings over budget. Q2 and six months YTD expenses were \$158k (or 31%) and \$284k (or 28%) under budget respectively. This is due to lower salaries, security, garbage and recycling and various maintenance contract costs;
- Administration and Finance expenses for Q2 and six months YTD were \$134k (or 21%) and \$255k (or 20%) under budget respectively due to lower projected IT contract and consultants’ costs; and
- Utilities show a large positive variance of \$469k (or 52%) for 6 months. 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 \$974k due mainly to reductions in the summer camps revenues of \$774k and to the effect of discounting various program and membership fees in order to build membership. The Projected Camps revenues and expenses have been decreased to reflect current expected enrolment. GOT funding shows a \$731k positive variance due to the recognition of half 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 \$802k (19%) before amortization of \$180k.

Financial Impact

None.

Conclusion

The June 30, 2009 YTD financial results show an overall favourable variance of \$896k to net income. This is mainly due to favourable variances in the GOT revenues and the expenses pertaining to Facility Operations, Administration and Finance and Utilities.

October 29, 2009

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A handwritten signature in black ink, appearing to read "Rick Dusanj". The signature is fluid and cursive, with the first name "Rick" and last name "Dusanj" clearly distinguishable.

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

RICHLAND OLYMPIC OVAL CORPORATION

Statement of Earnings

For The 6 Months Ending June 30, 2009

Unaudited



	QTR 2		QTR 2		6 MONTHS		6 MONTHS		Approved Budget		Projected results	
	2009	ACTUALS	2009	ACTUALS	2009	ACTUALS	2009	ACTUALS	2009	2009	for 2009	for 2009
			\$ Variance	% Variance	\$ Variance	% Variance	\$ Variance	% Variance	\$ Variance	% Variance	\$ Variance	% Variance
			Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)
Revenue from operations:												
Zones	215,500	156,688	(58,812)	-27%	384,418	(46,582)	-11%	852,000	779,433	(82,567)	-10%	
Camps	-	-	-	-	-	-	-	900,000	126,012	(773,988)	-86%	
Other operations:	81,750	53,018	(28,732)	-35%	120,763	(42,737)	-26%	327,000	224,613	(102,387)	-31%	
Funding from GOT	1,201,500	1,365,260	163,760	14%	2,768,255	365,255	15%	4,806,000	5,536,524	730,524	15%	
Grant from City	262,500	262,500	-	0%	525,000	-	0%	1,050,000	1,050,000	-	0%	
Other	10,000	17,034	7,034	70%	17,531	(2,469)	-12%	40,000	24,531	(15,469)	-39%	
Total revenue	1,771,250	1,854,500	83,250	5%	3,815,966	273,466	8%	7,985,000	7,741,112	(243,888)	-3%	
Expenses:												
Program services:												
Client services	134,000	115,197	18,803	14%	231,171	36,829	14%	536,000	433,279	102,721	19%	
Event Services	36,000	47,342	(11,342)	-32%	68,271	3,729	5%	144,000	175,046	(31,046)	-22%	
Sport Services	121,000	154,877	(33,877)	-28%	260,518	(18,518)	-8%	484,000	691,529	(207,529)	-43%	
Fitness Services	85,250	84,388	862	1%	149,083	21,417	13%	341,000	307,701	33,299	10%	
Special Events	3,750	127,256	(123,506)	-3293%	176,400	(168,900)	-2252%	15,000	191,900	(176,900)	-1179%	
Other Program Expenses	-	1,462	(1,462)	-	8,084	(8,084)	-	-	35,190	(35,190)	-	
Marketing	89,250	114,282	(25,032)	-28%	250,593	(72,093)	-40%	357,000	412,600	(55,600)	-16%	
Total program expense	469,250	644,803	(175,553)	-37%	1,144,121	(205,621)	-22%	1,877,000	2,247,246	(370,246)	-20%	
Facility Operations	511,750	353,342	158,408	31%	739,331	284,169	28%	2,047,000	1,598,736	448,264	22%	
Admin/Finance	643,000	508,859	134,141	21%	1,031,295	254,705	20%	2,572,000	2,281,498	290,502	11%	
Utilities	452,500	207,706	244,794	54%	435,842	469,158	52%	1,810,000	1,035,842	774,158	43%	
Amortization	-	96,370	(96,370)	-	179,552	(179,552)	-	-	360,000	(360,000)	-	
Total expenses	2,076,500	1,811,080	265,420	13%	3,530,140	622,860	15%	8,306,000	7,523,321	782,679	9%	
Net income (loss) for the period	(305,250)	43,420	348,670	114%	(610,500)	896,326	147%	(321,000)	217,791	538,791	168%	

NOTE: Numbers may be off due to rounding.