



City of Richmond

Report to Committee

To: Finance Committee

Date: March 4, 2011

From: Andrew Nazareth
General Manager, Business and Financial Services
& Chief Financial Officer, Richmond Olympic Oval

File:

Re: 4th 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 fourth quarter ended December 31, 2010 from the General Manager of the Richmond Olympic Oval Corporation be received for information.

Andrew Nazareth
General Manager, Business and Financial Services
& Chief Financial Officer, Richmond Olympic Oval
(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: March 4, 2011

TO: Mayor and Councillors

FROM: John Mills
General Manager
Richmond Olympic Oval Corporation

RE: *Richmond Olympic Oval Corporation Financial Information
– 4th Quarter ended December 31, 2010*

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 fourth quarter financial results for the year ended December 31, 2010 ("Q4").

Business Plans and Planning

The Richmond Olympic Oval Corporation (Oval) is pleased to report a balanced budget over the 45-month start-up period that included three extraordinary business interruptions. The legacy conversion phase continues throughout 2011 and the Oval expects that 2012 to be the first full year of steady state operations.

Over the course of the start-up that has extended from March, 2007 and continues to date, funds were set aside to offset the expected business impacts due to the Exclusive Use Period (EUP) for testing of the ice and facility in September of 2008, the EUP for the 2009 World Championships and of course, for Vanoc's EUP for the Olympics that extended to March 31, 2010. The business plan and resulting budget for start-up also included an amount set aside from retained earnings to allow for the planned Legacy Phase construction period that interrupted normal business operations. The \$1,256,000 in retained earnings at year ended 2009 netted against the anticipated loss of \$1,061,500 in 2010 results in retained earnings of \$194,500 over the 45-month start-up period, despite the significant business interruptions.

Careful planning over this start-up period and the fact that membership sales have significantly outpaced initial estimates, has resulted in a more favourable position for the Richmond Olympic Oval than previously predicted for the start-up period.

Highlights of the activities undertaken by Oval staff during Q4 are described below.

Legacy conversion

Following the opening of the new sport surfaces in late Q3, the City of Richmond with assistance from the Oval, submitted a report to Council adjusting the project priorities and funding of the conversion project, recommending a schedule of items including a climbing wall, dedicated play space for children, the Richmond Olympic Story, improved seating, additional scoring and display equipment and others.

Community use

The event season began in earnest during Q4, including a number of corporate events leading up to the Christmas holidays. The Scotiabank Holiday Traditions Skate attracted the public and private functions. In November, the Canadian Taekwondo Championship was the first of several martial arts events to be held at the Oval. Panther Cheer hosted the HSBC Cheer Competition, the largest of its kind in the province which drew several hundred spectators and participants.

The Richmond Olympic Oval officially opened its Track Zone, the world's largest high tech sport floor of its kind, on December 6, 2010. A wide variety of sports demos showcased the Track Zone's extreme versatility.

On December 14, 2010 over 100 members of the public showed up for free fitness classes all day at the Oval. Classes offered included Cardio Kickboxing, Socasize, Step and Strength, and Yoga Flow.

The Annual Richmond AAA Midget hockey tournament was held for the first time at the Oval Dec 26-30, 2010, featuring elite 15-17 year-old players from the Pacific Northwest. All events were very well received.

The Oval finished the year with approx 3,000 memberships, double its projection. Additionally member usage is high with 600-700 member visits per day. With ASHL, Urban Rec and other rental users over 1,000 people visit the Oval per day. This growth has been steady since September.

A priority has been placed on building community engagement. The Oval began working with the City on a strategy which will be completed in 2011.

Sport activities and Leagues

Winter holiday camps were well attended. Leagues which began in Q3 continued to run through Q4.

High performance sport

The Volleyball Centre of Excellence and the Table Tennis Centre of Excellence continue to grow with over 200+ athletes enrolled. The Oval is working with Tourism Richmond and the City's Sport Hosting office to attract the events and training camps of Canada's national sport organizations.

Leasing

LifeMark began its tenant improvements with the expectation of opening in late March.

Oval staff continues to work with the leasing agent to source other prospective tenants. Membership and attendance figures continue to grow, providing our leasing agent with firm objective data for prospective tenants.

Legacy Partners ("Sponsors")

Agreements with Scotiabank, Telus and Aspac were finalized during December 2010. Scotiabank and Telus were announced during Q4.

Governance

Regular meetings of the Corporation's Board of Directors took place on October 7, November 9, and December 8, 2010. The December 8, 2010 board meeting was the first of the new Board appointed by the City. The Audit Committee and Business Planning Committee members were appointed. Regular meetings of the Audit and Business Planning Committees also took place during the quarter.

Comments on the Unaudited Financial Results for Q4 and the Year Ended December 31, 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** was based on the following:
 - Q1 projected 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 projected no operating revenue and some programming costs as the Oval was going through the Legacy conversion and "softly opened" to the members and the public in April;
 - Q3 and Q4 had operating revenues and operating expenses at the normal projected level.
- 2) The funding of \$1.5 million received in March 2010 from the City and the 2009 Annual Distributable Amount received in May 2010 from the 2010 Games Operating Trust ("GOT") of \$2.3 million were deferred and amortized to revenue at a rate of 1/12 per month.

Analysis of Significant Variances for Q4 and the Fiscal Year 2010:

The Oval's significant **revenue** earning programs became operational in the second week of September 2010.

- Single admission and membership revenues of \$349,400 were recognized in Q4, a favorable variance of \$158,200.
- Registered programs revenue in Q4 was \$134,100.
- Event and room rental revenue was \$345,900.
- Overall, Q4 total revenue was \$1,913,200, \$125,800 above budget, primarily due to favorable membership/admission, programs and rental revenue, partially offset by the unfavorable variance from leasing and sponsorship revenue, caused by delays in contract signing.

Salaries and benefits expense for the fiscal year 2010 was \$37,500 or 1% over budget. The unfavorable variance was primarily due to: increased auxiliary staffing level to serve higher-than-expected number of members and that the salaries and benefits of head coaches and program instructors were not included in the budget. These increases in salaries and benefits costs were partially offset by the delay in hiring/replacement of certain full time positions and the deferral of salaries directly associated with the space leasing contracts.

Marketing costs in 2010 were over budget by \$110,000 which included rebranding and design costs and sponsor services.

Facility Operations expenses were \$49,500 or 11% over budget during Q4. Twelve months facility operating costs were \$36,100 or 2% over budget as a result of an unfavorable variance of \$82,600 in security, repair and maintenance, garbage, recycling and water, offset by the favorable variance of \$46,500 from salaries and benefits and janitorial and other supplies.

Utilities show favorable variances of \$28,400 (12%) and \$119,700 (13%) for Q4 and 2010 respectively. Monthly utility expense has returned to the normal level of "ice-in"

during Q4 as compared to a higher utility expense in Q3 as the Oval "made ice" in the two rinks at the end of August.

Administration and Finance expenses in Q4 and 2010 were \$416,600 (a favorable variance of \$58,300 or 12%) and \$1,610,800 (a favorable variance of \$308,600 or 16%), respectively. The 2010 favorable variance was due mainly to the salaries and benefits coming in lower than projected 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

Fiscal 2010 revenue from Operations before GOT funding and City contributions was \$32,300 under budget due mainly to delays in contract signing and hence revenue recognition of sponsorships and leasing (unfavorable variance of \$360,400), largely offset by the favorable variance from membership/admission, programs and rental revenue. Twelve months operating expenses before amortization were \$198,500 below budget primarily due to savings in utilities and administration expenses, partially offset by the rebranding costs.

The 2010 fiscal year was budgeted for a net loss of \$1,197,200 and the actual (unaudited) results show a net loss of \$1,061,500, a favorable variance of \$135,700. It is important to consider the entire 45 month fiscal period of the start-up as the retained earnings at December 2009 were intended to cover the budgeted loss in 2010 resulting from Vanoc's EUP and the planned legacy phase construction. It was understood that the four month EUP interruption and the subsequent legacy conversion construction project would limit the ability of the Oval to generate revenue in 2010. The Corporation had retained earnings of \$1,256,000 at the beginning of the year which had been planned to offset the absence of revenue during the EUP and the conversion project resulting in an unaudited retained earnings position of \$194,500 for the year ended December 31, 2010.

The Corporation started the fiscal year with a cash balance of \$1,020,000 and ended with cash and cash equivalents of \$390,900. The cash balance at the end of the year is mainly due to annual membership prepayment from members and 2011 sponsorship payment received in 2010.



John Mills

General Manager

Richmond Olympic Oval Corporation

cc: Andrew Nazareth, Chief Financial Officer
Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Earnings

For the year ended December 31, 2010

Unaudited, prepared by management

	OTR 4 - 2010			Fiscal Year 2010		
	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)
Revenue from operations:						
Membership/admission	\$ 191,200	\$ 349,448	158,248	\$ 382,400	\$ 559,348	176,948
Registered program	49,150	134,139	84,989	245,800	296,708	50,908
Rental of rooms/equipment and events	301,300	345,940	44,640	480,600	580,868	100,268
Funding from GOT	575,000	576,199	1,199	2,300,000	2,304,796	4,796
City of Richmond contributions	375,000	375,000	-	1,500,000	1,500,000	-
Other	295,800	132,495	(163,305)	545,500	185,103	(360,397)
Total revenue	1,787,450	1,913,221	125,771	5,454,300	5,426,822	(27,478)
Expenses:						
Program services:						
Client services	114,393	132,555	(18,161)	371,506	387,986	(16,480)
Event services	49,437	38,551	10,886	190,395	149,224	41,171
Sport services	122,241	130,452	(8,211)	398,244	377,417	20,828
Fitness services	103,858	125,980	(22,122)	286,436	318,049	(31,613)
Special events	2,500	-	2,500	5,000	3,907	1,093
General program and membership sales	37,902	62,707	(24,804)	138,598	157,417	(18,819)
High performance sports	-	70,349	(70,349)	-	79,975	(79,975)
Marketing	82,445	132,815	(50,371)	332,124	442,072	(109,947)
Total program expenses	512,776	693,408	(180,632)	1,722,303	1,916,046	(193,743)
Facility Operations	431,335	480,858	(49,523)	1,620,183	1,656,333	(36,150)
Utilities	234,900	206,521	28,379	939,600	819,859	119,741
Admin/Finance	474,889	416,639	58,250	1,919,445	1,610,812	308,633
Amortization	112,500	121,478	(8,978)	450,000	485,284	(35,284)
Total expenses	1,766,400	1,918,905	(152,504)	6,651,531	6,488,335	163,197
Net Income (loss) for the period	\$ 21,049	\$ (5,684)	(26,733)	\$ (1,197,231)	\$ (1,061,512)	135,719

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 fourth quarter and the fiscal year 2010.