



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** September 20, 2011

**From:** George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

**File:**

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

**Re:** **2nd Quarter 2011 - 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, 2011 from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

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

REVIEWED BY TAG

YES

NO

*file*





**DATE:** September 28, 2011

**TO:** George Duncan  
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth  
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills  
General Manager, Richmond Olympic Oval Corporation

**FROM:** Rick Dusanj, CA  
Controller, Richmond Olympic Oval Corporation

**Re:** Richmond Olympic Oval Corporation – 2<sup>nd</sup> Quarter 2011 Financial information

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#### **Origin**

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "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 plan and financial results for the 3 months ended June 30, 2011 ("Q2").

#### **Business Plans and Planning**

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

#### Community use

A Community Engagement Program was launched in February 2011 in order to develop greater interest and community involvement in the use of the Oval facilities. Oval open houses and tours were attended by 51 people from 28 groups representing local sports, arts and culture, community associations, social services agencies, Richmond School District and Vancouver Coastal Health. The Oval team hosted targeted consultations with representatives from the Richmond Arenas Community Association Board and their associate member ice user groups, presidents from the Richmond Community Associations, Tourism Richmond's Executive Director and senior staff, Richmond School District Athletic Director, and the Richmond Sports Council President.

The Oval continues to provide access of its facility to the Richmond community. Approximately 83% of the Oval members are Richmond residents. In addition, for those rentals that have already been confirmed for the fourth quarter of 2011, Richmond organizations and residents represent a majority of the usage of the ice, track and court areas during prime time. The percentage of prime

time usage by Richmond organizations and residents already confirmed for the fourth quarter is 73% of ice usage, 58% of track usage, and 81% of court usage.

The Oval continues its efforts to host local and national events. Some of the major events that took place during Q2 included Volleyball BC 18 and under Provincial Championships, the Canadian Fencing Federation Western Championships, Canadian Junior National Badminton Championships, British Columbia Recreation & Parks Association Symposium, Handball National Championships, and Wushu CAN-AM Championships. Some of the upcoming events include the TSN Glen Sutor Football Camp, the 2012 National Karate Championships, 2012 Canadian Short Track Championship, 2012 Canadian Sport Tourism Alliance Sport Events Congress, 2012 National Wheelchair Basketball Championship, and 2012 Yonex Canada Open.

#### High Performance Sport

The programs run by the Center of Excellence include the Volleyball Centre of Excellence and the Table Tennis Centre of Excellence. These programs continue to grow and attract participants.

#### Leasing

LifeMark Sports Medicine officially opened operations in May 2011.

#### Legacy Partners ("Sponsors")

Sponsorship revenue was earned during Q2.

#### Governance

A meeting of the Corporation's Board of Directors took place on April 27, 2011. In addition meetings of the Audit & Finance Committee and the Business & Budget Planning Committee took place during Q2.

#### **Comments on the Financial Results for Q2**

**Basis of Accounting** – The unaudited financial statements and budget have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a full accrual basis. The one exception to this is the transfer of \$850,000 to the Capital Reserve which represents one-half of the \$1.7M that is required in accordance with the Richmond Oval Agreement between the City and the Oval. The Company will be adopting Public Sector Accounting Board ("PSAB") standards of accounting in 2011. The Q2 financial statements and the budget have not been converted to PSAB. The statements incorporate the following concepts:

- 1) The 2011 approved budget is based on fiscal 2011 having operating revenues and operating expenses at levels for a normal year's uninterrupted operations.
- 2) The contribution received from the City of \$3.0 million in March and the 2010 Annual Distributable Amount from the 2010 Games Operating Trust ("GOT") of \$2.7 million are deferred and amortized to revenue at a rate of 1/12 per month. Cash in excess of current needs has been invested by the City.

### **Analysis of Significant Variances for Q2:**

**Revenues** from memberships and admissions of \$508,000 had a positive variance of \$17,000 when compared to the budget. Registered programs revenue was \$132,000 and had a negative variance of \$9,000 when compared to budget. Event and room rental revenue during Q2 was \$268,000 and had a positive variance of \$27,000 to budget. Other Revenue of \$245,000 was recorded during the quarter, which mainly included \$99,000 of Sponsorship, \$67,000 of parking and \$44,000 of Space leasing.

3 months **Salaries and Benefits** for Q2 were \$181,000 (13%) under budget. The favorable variance was attributable to the following:

- Membership Sales salaries and benefits were \$59,000 under budget primarily due to temporarily vacant positions in the Program Services and Membership Sales department;
- The salaries and benefits of the Operations department were \$36,000 under budget as a result of fewer casual operation staff hired in Q2; and
- Finance and Administration salaries and benefits were \$32,000 under budget primarily due a temporary vacant staff position.

Aggregate **Program Services** costs over the second quarter of 2011, excluding marketing, were \$584,000, which is \$111,000 (16%) under budget mainly due to salaries being under budget as previously explained.

**Marketing** costs in Q2 were \$48,000 under budget mainly due to favorable variances in the membership and the general marketing budget.

**Facility Operations** expenses were \$101,000 under budget during Q2 mainly due to lower salaries (\$36,000), lower repairs and maintenance (\$27,000) and lower supplies (\$14,000).

**Utilities** show a positive variance of \$17,000 (8%) which is fairly consistent with the budget for Q2.

**Administration and Finance** expenses for the second quarter were \$497,000 being \$48,000 (9%) under budget mainly due to salary and benefits being \$32,000 under budget primarily due to the departure of the previous Controller.

The total expenses in Q2 for controllable costs in the **Program Services, Facility Operations and Administration and Finance Departments**, before utilities and amortization, showed a positive variance of \$308,000.

## Summary

The 3 months ended June 30, 2011 was budgeted at a net income of \$48,000 and the actual results show a net income, before transfers of \$425,000 to the Capital Reserve, of \$574,000; a favorable variance of \$526,000. This is mainly due to favorable variances as discussed above. The approved budget for fiscal year 2011 is projected to have net income of \$601,000 before any transfers to the Capital Reserve and has not been revised based on the favorable variances in Q1 and Q2. If the trend continues, the Oval will perform substantially better than the budget.



Rick Dusanj, CA  
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner  
Director, Administration & Corporate Services, Richmond Olympic Oval Corporation



**RICHLAND OLYMPIC OVAL CORPORATION**

Statement of Earnings  
For the six months ended June 30, 2011  
Unaudited, prepared by management

	QTR 2 2011		6 months: 2011		Approved Budget 2011	
	BUDGET	ACTUALS	BUDGET	ACTUALS	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)
<b>Revenue from operations:</b>						
Membership/admission	\$ 491,200	\$ 507,974	\$ 903,198	\$ 942,367	\$ 39,169	4%
Registered program	140,348	131,749	304,489	313,689	9,200	3%
Rental of rooms/equipment and events	240,356	267,653	552,607	690,385	37,778	6%
Funding from Games Operating Trust	625,000	684,850	1,250,000	1,369,699	119,699	10%
City of Richmond contributions	755,625	755,625	1,511,250	1,511,250	-	0%
Other	219,634	245,444	419,179	435,313	16,134	4%
<b>Total revenue</b>	<b>2,472,163</b>	<b>2,593,295</b>	<b>5,040,723</b>	<b>5,262,703</b>	<b>221,980</b>	<b>4%</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Client services	155,644	122,789	311,289	255,613	55,676	18%
Event services	38,063	26,470	76,126	79,260	(3,134)	-4%
Sport services	258,233	257,909	547,882	473,575	74,307	14%
Fitness services	147,776	137,361	295,552	275,262	20,290	7%
General program and membership sales	95,136	39,534	195,974	88,800	107,174	55%
Marketing	153,741	105,728	307,461	207,648	99,813	32%
<b>Total program expenses</b>	<b>848,592</b>	<b>689,791</b>	<b>1,734,304</b>	<b>1,380,158</b>	<b>354,146</b>	<b>20%</b>
<b>Facility Operations</b>	603,529	502,083	1,205,949	1,045,698	160,251	13%
<b>Utilities</b>	221,550	204,418	553,875	400,180	153,695	28%
<b>Admin/Finance</b>	545,270	497,249	1,063,957	1,030,542	33,415	3%
<b>Contingencies</b>	80,418	-	160,836	-	160,836	100%
<b>Amortization</b>	124,549	125,330	249,098	248,882	215	0%
<b>Total expenses</b>	<b>2,423,908</b>	<b>2,018,870</b>	<b>4,968,017</b>	<b>4,105,459</b>	<b>862,558</b>	<b>17%</b>
<b>Net earnings for the period before transfers</b>	<b>\$ 48,255</b>	<b>\$ 574,424</b>	<b>\$ 72,706</b>	<b>\$ 1,157,244</b>	<b>1,084,538</b>	
Transfer to Capital Reserve		425,000		850,000	**	
<b>Net earnings for the period after transfers</b>	<b>\$ 48,255</b>	<b>149,424</b>	<b>\$ 72,706</b>	<b>307,244</b>		

\*\* This represents one-half of the \$1.7M transfer to the Capital Reserve in accordance with the Richmond Oval Agreement between the City and the Oval.

**NOTE:**

- 1) Numbers may be off due to rounding.
- 2) See accompanying report on the results for the second quarter and the fiscal year 2011.