

DATE: September 14, 2018

FILE: 1700-02/2018/645

TO: Chair and Members
Comox Valley Sports Centre Commission

FROM: Marc Rutten
Acting Chief Administrative Officer

Supported by Marc Rutten
A/Chief Administrative
Officer
M. Rutten

RE: Comox Valley Recreation Complex Service – Function #645 Financial Update

Purpose

To provide a financial update to the Comox Valley Sports Centre Commission (Commission) on the Comox Valley Recreation Complex Service, function #645.

Recommendation from the Chief Administrative Officer:

THAT this report be received as information.

Executive Summary

During the 2017 season the Sports and Aquatics Centres experienced significant legislative and regulatory requirement changes as well as asset management challenges that increased staffing levels and operational costs: to ensure compliancy with Technical Safety BC, in part following fatalities at a BC recreation complex in 2017; to ensure public safety at pool facilities to comply with Lifesaving Society and to maintain aging infrastructure and extend facilities' lifespan.

These changes precipitated a budgetary issue during the planning for the 2018-2022 budget cycle. Options were considered that would mitigate the impacts of the increased operational costs for the remainder of 2017 and 2018. As a result of a year-end surplus, the costs were met without significant changes to staffing, programming, fees and charges and operations. This report presents a mid-year update/reflection of the 2018 financial year for the Comox Valley Recreation Complexes, function #645.

Update includes:

- The 2018 personnel budget increases has ensured the recreation facilities could meet the Lifesaving Society aquatic safety audit/review and new ammonia plant regulations;
- Pool staff levels have been increased to ensure the Lifesaving Society's patron head count per pool regulation change would be met immediately;
- Operations staff levels have been increased to ensure 24/7 monitoring and safety checks of the ammonia refrigeration plants to ensure public/staff safety at all times;
- Currently all new regulatory compliance requirements are completed. Final risk assessment with Technical safety scheduled for September 12, 2018;
- Staff continue working closely with regulatory branches to ensure further regulatory changes are addressed immediately as announced;
- Potential further/future impacts to costs as a direct result from scheduled inspections and follow up from Technical Safety;
- Public and staff safety is the Comox Valley Regional District's (CVRD) priority and staff will continue to be proactive to remain compliant with safety standards;

- Mid-year total revenues are well ahead at 87.8 per cent. Remaining 12.2 per cent budgeted effective June 2018 to meet the 2018 budget requirements;
- Mid-year operating/personnel expenses required to ensure safety, cleanliness and operational equipment on target; 42.87 per cent of total budgeted expenditures have been utilized, with 57.13 per cent of budget remaining for the 2018 year;
- Mid-year capital project total expenses are at 52.59 per cent of the total budgeted amount. Leaving a remainder of 47.41 per cent of the total budgeted amount. Staff are forecasting a slight surplus from these projects;

Prepared by:

Concurrence:

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Background/Current Situation

The Commission considered the Comox Valley Recreation Complexes service budget impacts, issues and operational challenges at meetings on November 21, 2017 and February 6, 2018. The Commission discussed a combination of service level reductions, fees and charges and tax requisition changes. After finalizing the 2017 fiscal year-end, an end of year surplus was identified. A report was presented to the Commission to use the surplus to maintain service levels, initiate asset management planning and contribute additional funds to the capital works reserve for 2018. It was identified that 2018 pool staffing levels were going to have to be modified to meet safety regulations and ensure patron/staff safety. Staff committed to bring forward recommendations for fees and charges bylaw amendments which was done in May 2018.

With the 2018 increase in staffing levels to meet the Lifesaving Society aquatic safety audit/review and new ammonia plant regulations, staff committed to provide a mid-year update of the current financial year to the Commission.

The financial information provided in this report is to June 30, 2018 representing the first six months of the 2018 budget year.

- 1) The 2018 budget shows an increase in staffing costs to meet the Lifesaving Society aquatic safety audit/review and new ammonia plant regulations of \$477,010. This provided an immediate ability for pool staff levels to increase to ensure the Lifesaving Society's patron head count per pool regulation change would be met.
- 2) The increase to the personnel budget has also provided an immediate ability for operational staffing levels to increase to provide coverage from 2:00 -6:00 am (to ensure 24/7 monitoring and safety checks of the ammonia refrigeration plants to ensure public/staff safety at all times). Currently all regulatory compliance requirements are completed. Arena one has received its passed and completed certificate of risk assessment status. The Arena two is tentatively scheduled for a risk assessment September 12, 2018. Once arena two receives it's passed and completed certificate of risk assessment status staffing levels will return to regular schedule and the arena plants will be changed to monitoring by an alarming company status.

- 3) 2018 capital costs of \$40,000 were budgeted to meet the ammonia refrigeration plant regulation changes. The Arena 1 vestibule is completed and hosts all emergency shut off controls for the ammonia refrigeration plants and meets the emergency WorkSafeBC requirements of the safety equipment storage (masks, gloves, boots, aprons and a shower and eye wash station).

Staff still continue to work closely with the regulatory branches (Lifesaving Society and Technical Safety BC) to ensure any further regulatory changes are addressed immediately as they are announced by these governing agencies. There could be further regulatory changes in 2019 regarding ammonia plant operations that may impact staffing levels and capital costs.

- 4) As well the additional staffing is providing the facilities the ability to work on aging infrastructure issues/upkeep to extend the facilities lifespan.
- 5) A contractor/facilitator was retained to work with the recreation staff to review existing operational processes to ensure effectiveness and efficiency in the delivery of recreation services. The work also focused on ensuring staff have the capacity to anticipate and plan for changing conditions and expectations. It is important that staff are able to meet the challenge of operating within the service’s budget capacity and to be able to present viable strategic business plans if there is a need to pursue a change in the tax requisition or service levels.

It was also viewed that this was an opportunity to involve all of the staff in the CVRD recreation facilities to ensure a culture of collaboration, innovation and problem solving. To date the recreation review report have been completed and staff are presently working on an implementation timeline/plan.

Policy Analysis

Bylaw No. 2410, being the “Bylaw to Establish the Comox Valley Recreation Complexes Service” was adopted to establish a service for the purpose of constructing, equipping, enlarging, operating and maintaining ice arena-swimming pool complexes and to contribute towards the cost of existing community use facilities and structures in the service area. Participants in the service include the City of Courtenay, Town of Comox, Village of Cumberland and the residents of the Baynes Sound portion of Electoral Area A, and Areas B and C.

Options

This report is presented for information only

Financial Factors

Revenue Sources 2018

Revenues	Budget	Jan-June 2018 Actual	Variance Over/Under	Percentage Variance
Grants in Lieu	\$ 133,500	\$ 504	\$(132,996)	(99.6)%
Other Revenue/Recoveries	67,255	30,759	(36,496)	(54.3)%
Prior Year Surplus	488,226	488,226	0	0.0%
Requisition	4,520,251	4,520,250	(1)	0.0%
Sale of Services User Fees	1,767,700	1,086,690	(681,010)	(38.5)%
Total Revenues	\$6,976,932	\$6,126,429	\$(850,503)	(12.2)%

- The resulting 2017 surplus carry forward of approximately \$488,000 derived mainly from higher than anticipated program revenues versus budget as well as lesser than expected debt servicing costs and retirement;
- Requisition remained unchanged from 2017.
- Drop in and Program revenues have increased. Staff continually strive to find new programs and ways to increase the participation at the facilities.
- On recommendation by the Commission, CVRD staff continue to look for ways to increase revenues to help offset costs. Staff brought forth a report in April on increases to user fees effective September 1, 2018.
- Total actual revenues to date are at 87.8 per cent. Remaining 12.2 per cent effective June 2018 to meet the 2018 budget requirements.

Operating Expenses 2018

Expenses	Budget	Jan-June 2018 Actual	Variance Over/Under	Percentage Variance
Contribution to reserve	\$ 674,869	\$ 0	\$ (674,869)	(100.00)%
Debt charges	186,710	19,559	(167,151)	(89.52)%
Operating	2,168,883	1,172,557	(996,326)	(45.94)%
Personnel costs	3,946,470	1,798,926	(2,147,544)	(54.42)%
Total Expenses	\$6,976,932	\$2,991,043	\$(3,985,889)	(57.13)%

- The retirement of a debt issue in 2017 has enabled increased contributions to the two existing reserve funds across the 2018-2022 financial plan to support the capital works plan and potential asset management items
- Budgeted debt charges decreased by \$1,039,311 in 2018 to reflect that in 2017, one of the original debt issues relating to the sports centre was retired and a surplus of \$184,739 was received from the Municipal Finance Authority
- Maintained existing service levels
- Reflects regulatory changes implemented in 2017/2018
- Provision for the annual maintenance
- Personnel budget for 2018 increased \$477,010 from the 2017
- Adopt and implement further regulatory changes in order to remain compliant with safety standards while maintaining service levels
- Further impacts to personnel costs and other budget line items as a direct result of scheduled facility inspections and follow ups from Technical Safety BC throughout 2018 and beyond regarding ammonia plant operations items
- 42.87 per cent of the total expenditures have been incurred by mid-year. 57.13 per cent remainder for the 2018 year

Capital 2018

As per Bylaw No. 510 being the “Comox Valley Regional District Delegation of Purchasing Authority Bylaw No. 510, 2018.” The board hereby delegates to the CVRD’s officers and employees the powers, duties and function of the Board to enter into transactions relating to the CVRD’s activities, works or services, subject to the approved financial plan and the limitations on that delegated authority set out in this bylaw and the Procurement Policy adopted by the Board.

The capital equipment, building improvements and IT Infrastructure budgeted and completed:

Project	Budget	Jan-Jun 2018 Actual	Variance Over/Under	Percentage Variance
Registration/facility booking software	106,033	\$22,753	\$(83,280)	(78.54)%
Arena 2 Chiller/Arena 1 Brine Pump	182,500	137,922	(44,578)	(24.43)%
Arena 1 Vestibule	40,000	12,109	(27,891)	(69.77)%
Total Expenses	\$328,533	\$172,784	\$(155,749)	(47.41)%

- Registration/facility booking software has been launched and is active effective June 27, 2018. Project is forecasted to come in under budget.
- Arena 2 Chiller/Arena 1 Brine Pump 80 per cent completed. Project forecasted to complete on budget.
- Arena 1 Vestibule project completed. Project is forecasted to come in under budget.

Currently the capital equipment, building improvements and IT Infrastructure total expenses are at 52.59 per cent of the total budgeted amount. Leaving a remainder of 47.41 per cent of the total budgeted amount. Staff are forecasting a slight surplus from these projects.

Legal Factors

In November 2017, staff presented a report to the Commission regarding the aquatics safety review, British Columbia facility ammonia plant tragedy and new regulations that are being placed upon recreation facilities. CVRD staff were proactive in partnership with the province to implement these changes immediately in order for the CVRD to remain compliant with safety standards.

Regional Growth Strategy Implications

N/A

Intergovernmental Factors

1. The Lifesaving Society is recognized as a leader in developing standards for activities in, on and around water. Through its Safety Standards Commission, the Society sets national aquatic environment standards and clarifies existing provincial/territorial regulations.

Lifesaving Society Canada’s National Safety Standards do not replace or supersede local, provincial/territorial or federal legislation or regulations, but they are considered the standard to which aquatic facility operators should work towards in order to enhance safety within their operations and to prevent drowning and aquatic-related injury.

2. Technical Safety BC is an independent, self-funded organization mandated to oversee the safe installation and operation of technical systems and equipment. In addition to issuing permits, licenses and certificates, Technical Safety BC works with industry to reduce safety risks through assessment, education and outreach, enforcement, and research.
3. WorkSafeBC administers the *Workers Compensation Act* for the British Columbia Ministry of Labour. WorkSafeBC has the legal authority to set and enforce occupational health and safety standards, assist injured or disabled workers, and assess employers and collect funds to operate WorkSafeBC

Interdepartmental Involvement

The Community Services Branch, through Recreation Services, will work with Corporate Services to ensure effective distribution of information with regard to impacts or changes to users and the public about the state of the facilities and regulatory/procedural changes.

Citizen/Public Relations

If required further communications will be provided to better inform and update staff, users and the public about the state of the facilities and regulatory/procedural changes.

The public will also be notified of any impacts to program/service levels, fees and charges and tax requisition changes.