



## CITY COUNCIL AGENDA REPORT

**Subject: Servus Credit Union Place – 2008 Amended Budget**

### **Recommendation(s):**

That the 2008 Servus Credit Union Place budget amendments be approved as follows:

1. Operating revenues of \$4,883,500 and operating expenditures of \$7,171,800 for a net cost of \$2,288,300.
2. Adjustments to the 2008 amended budget resulting from the following Servus Credit Union Place report recommendations:
  - a. Reciprocal use policy – additional revenue of \$16,400
  - b. Arena user fee – additional revenue of \$41,000
  - c. Fee structure increase – additional revenue of \$70,000
  - d. Marketing strategy – additional revenue of \$19,900
  - e. City wide access fee – decreased expenditure of \$82,600
  - f. Marketing strategy – increased expenditure of \$10,000
  - g. Technology improvements – increased expenditure of \$10,000
  - h. Customer service strategy – increased expenditure of \$66,200
3. Adjustment to the 2008 amended budget to include additional revenues from the utilization of the Municipal Sustainability Initiative operating grant program in the amount of \$900,000.
4. Adjustment to the 2008 amended budget to include additional revenues from the utilization of the Major Recreational Lands & Facilities reserve in the amount of \$215,200.
5. Adjustment to the 2008 amended budget to recognize the previously budgeted surplus of \$55,800.

### **Report Summary:**

In the late fall of 2006, Council received and approved the Servus Credit Union Place budgets for 2007 and 2008. Subsequent to the budget approval, administration reported financial challenges regarding Servus Credit Union Place operations and the City Manager was directed by Council to undertake a comprehensive financial and operational review of the facility. A number of review committees were formed to provide inputs on administrative issues, marketing, and finance and also arranged to gather the perspective of the executives of other Municipalities with similar facilities. A Citizens' Task Force was struck to review all of the output from these groups and provide a set of solutions and recommendations to Council which was presented to Council at its April 7, 2008 meeting of Council.

Administration has prepared an amendment to the 2008 approved budget primarily for two reasons:

1. To better reflect financial activities as a result of having one full year of operations as a guideline (2007 actual results) and;
2. To provide Council with a sense of the financial impacts of the Citizens' Task Force recommendations on the 2008 operating budget.

Administration is recommending that the draft amended budget be approved thereby providing the ability to complete the 2008 property tax bylaw anticipated for Council's review on April 28, 2008.



## **Legislative History:**

At the December 3, 2007 regular meeting of City Council, the following motion was passed:

### (C654-2007)

That a revised 2008 Servus Credit Union Place Budget be presented to City Council in April 2008, based upon the recommendations of the operational review and any other cost savings and revenue generating alternatives that staff can develop.

On April 7, 2008 Council received a revised budget for Servus Credit Union Place for information and postponed its further consideration until the April 21, 2008 Council meeting.

## **Report:**

### ***Background***

Administration is presenting an amended 2008 Servus Credit Union Place operating budget that better reflects anticipated revenues and expenditures for 2008, validated through the 2007 actuals. The draft budget also reflects the financial impacts of certain recommendations contained within the consultant's report as presented by the Citizens' Task Force.

### ***Budget philosophy***

Servus Place management, in close consultation with the Administrative Review Committee, prepared the draft 2008 amended budget. The budget was prepared through careful evaluation of 2007 actuals which provided a much more accurate point of reference than the 2008 budget which was prepared and presented in 2006.

The amended budget was also prepared on the basis of continued provision of existing programs and services.

### ***Base budget 2008***

#### ***Variance from 2007 actuals***

Overall, the 2008 amended budget sees a favorable revenue increase from the 2007 actuals of \$230,133. Increased activity at Servus Place coupled with a rate increase that was implemented in the fall of 2007 sees membership and admission revenues increasing by \$255,000. Servus place management is also anticipating a favorable variance in facility rentals of 10% or \$107,000. The advertising/sponsorship revenues are down from 2007 but are based upon proper accounting treatment as outlined within the sponsorship agreements.

Overall, the 2008 amended budget sees an unfavorable expense increase from the 2007 actuals of \$348,053. Increased personnel costs from merit and cola increases and a switch to in-house janitorial services sees a net increase between personnel costs and contracted and general services of \$220,000. Utility expenditures are anticipated to increase in 2008 by \$21,000 as well as an increase in internal debt payment of \$120,000 reflecting the completion of capital projects funded by the corporation.

The base amended budget for 2008 prior to Citizen Task Force recommendations and other budgetary considerations sees a net cost of \$2,288,300 or a 32% excess of expenditures over revenues (68% recovery of expenditures). Based on an estimated assessment for 2008 taxation purposes of \$10,078,494,240, the net cost of \$2,288,300 translates into \$22.70/100,000 of assessment (does not include the capital debenture repayment amount).

### ***Report recommendations***

The consultant's report on Servus Credit Union Place as conducted by Sierra Systems and endorsed by the Citizens' Task Force contains a number of recommendations of which some have been quantified and have impact on the amended 2008 budget and beyond.

Administration has reviewed the recommendations and has prepared an impact analysis based upon an assumption of approval. It is noted that the budget will need to be amended accordingly as Council deliberates through the various recommendations contained within the report.

The impacts of the recommendations on the 2008 operating budget sees an overall favorable impact of \$143,700. The favorable impact includes recommendations that increase revenues by \$147,300 such as reciprocal use policy revisions (\$16,400), arena user fee increases (\$41,000), membership and admission fee policy increases (\$70,000), and increased revenues from a new marketing strategy (\$19,900). These revenues are offset by a net increase in expenditures of \$3,600, which include increases to marketing expenses (\$10,000), technology improvements (\$10,000), improvements to customer services (\$66,200) and a decrease or elimination of the city wide access transfer (-\$82,600). These recommendations see the net cost decrease from \$2,288,300 to \$2,144,600 or a 30% excess of expenditures over revenues (70% recovery of expenditures). It should be noted that the impact of these report recommendations are more significant in years 2009 and 2010. For example, 2009 will see a favorable impact of \$625,386 and \$719,174 in 2010. Of course, these impacts do not consider any negative impacts on the operating budgets for 2009 and 2010 due to economic conditions or changes in operations.

#### *Additional Budget Considerations*

As part of the 2008 amended budget process, administration has prepared for Council's consideration additional funding alternatives to aid in reducing the overall net cost of Servus Credit Union Place. The Municipal Sustainability Initiative grant program is a provincial program to aid Alberta municipalities with funding pressures (primarily capital funds). This 10-year grant will see the City of St. Albert receive \$163M over the tenure of the program. As part of the annual grant program, the City has available an amount to be allocated towards operating pressures. This amounts to approximately \$900,000 per year over the tenure of the program. Council may choose to allocate the full (or a portion) of this grant to the operations of Servus Credit Union Place.

The operating budget for Servus Credit Union Place sees an annual repayment of internally borrowed funds that were utilized to fund capital items outside of the construction of the facility. The City does have reserves that could be dedicated towards the repayment of the additional capital items thus reducing pressure on the operations to provide the repayment. This approach is consistent with a similar facility within the region. The amount of this annual payment is \$215,200.

These two funding alternatives, offset by the original 2008 budgeted Servus Place operating surplus of \$55,800, sees a further reduction in the net cost of the facility for 2008 of \$1,059,400. The final adjusted net cost of the facility would be \$1,085,200 or \$10.77/100,000 of assessment.

#### **Financial Implications:**

Once the 2008 amended budget is approved by City Council, administration can proceed with the preparation of the 2008 property tax bylaw anticipated for presentation on April 28, 2008.

#### **Legal Implications:**

The Municipal Government Act section 242(1) requires a Council to adopt an operating budget for each calendar year. In addition to this requirement, Council must approve any amendments to previously approved budgets.

#### **Attachments:**

1. 2008 Amended Budget
2. Administration Presentation (PowerPoint)
3. Servus Credit Union Place – Tax levy scenarios

Report Date	April 9, 2008
Author	Dean Screpnek
Originating Department	Corporate Services
General Manager Review	Dean Screpnek
Legal Review	Gene Klenke
Chief Legislative Officer Review	Sylvia Laarhuis
City Manager Review	Bill Holtby

**City of St. Albert  
Servus Credit Union Place  
2008 Amended Budget  
as at April 21, 2008**

**Attachment #1**

	2007 Actuals	2008 Amended Budget	Variance	2008 Approved Budget	2008 Amended Budget	Variance
Memberships	\$ 1,780,945	\$ 1,941,000	\$ 160,055	\$ 4,486,300	\$ 1,941,000	\$ (2,545,300)
Admission Fees	520,383	615,400	\$ 95,017	470,700	\$ 615,400	\$ 144,700
Lesson Fees	486,009	495,300	\$ 9,291	498,700	\$ 495,300	\$ (3,400)
Rentals - Facility	1,053,287	1,160,900	\$ 107,613	1,395,300	\$ 1,160,900	\$ (234,400)
Advertising/Sponsorship	678,814	561,000	\$ (117,814)	541,300	\$ 561,000	\$ 19,700
Sale of Goods (Commission & Vending)	72,656	90,500	\$ 17,844	159,500	\$ 90,500	\$ (69,000)
Miscellaneous Revenue	61,273	19,400	\$ (41,873)	50,200	\$ 19,400	\$ (30,800)
<b>Total Revenue</b>	<b>\$ 4,653,367</b>	<b>\$ 4,883,500</b>	<b>\$ 230,133</b>	<b>\$ 7,602,000</b>	<b>\$ 4,883,500</b>	<b>\$ (2,718,500)</b>
Personnel Costs	\$ 2,700,017	\$ 3,188,300	\$ 488,283	\$ 2,989,500	\$ 3,188,300	\$ 198,800
Contracted & General Services	1,031,924	764,900	\$ (267,024)	1,065,800	\$ 764,900	\$ (300,900)
Utilities	945,845	967,000	\$ 21,155	827,300	\$ 967,000	\$ 139,700
Materials, Goods & Supplies	436,495	401,600	\$ (34,895)	416,300	\$ 401,600	\$ (14,700)
Internal Debt Payments	96,082	215,200	\$ 119,118	226,500	\$ 215,200	\$ (11,300)
Transfer to Operations - Aquatics	775,710	726,300	\$ (49,410)	1,002,300	\$ 726,300	\$ (276,000)
Transfer to Operations - Public Works	640,055	681,500	\$ 41,445	812,500	\$ 681,500	\$ (131,000)
Transfer to Operations - Corporate Services	197,619	227,000	\$ 29,381	206,000	\$ 227,000	\$ 21,000
<b>Total Expenses</b>	<b>\$ 6,823,747</b>	<b>\$ 7,171,800</b>	<b>\$ 348,053</b>	<b>\$ 7,546,200</b>	<b>\$ 7,171,800</b>	<b>\$ (374,400)</b>
<b>Operating Surplus (Deficit)</b>	<b>\$ (2,170,380)</b>	<b>\$ (2,288,300)</b>	<b>\$ (117,920)</b>	<b>\$ 55,800</b>	<b>\$ (2,288,300)</b>	<b>\$ (2,344,100)</b>
Recovery Rate	68%	68%		101%	68%	

**\$22.70/100,000 of assessment**

**Report Recommendations**

Reciprocal use policy	(16,400)
Arena user fees	(41,000)
Fee structure increase	(70,000)
Marketing strategy revenues	(19,900)
City wide access	(82,600)
Marketing strategy expenditures	10,000
Technology improvements	10,000
Customer service strategy	66,200
<b>Net Surplus (Deficit)</b>	<b>\$ (2,144,600)</b>
Recovery Rate	70%

**\$21.28/100,000 of assessment**

**Additional considerations**

MSI Grant	900,000
City Wide Reserve	215,200
2008 operating contribution	(55,800)
<b>Net Surplus (Deficit)</b>	<b>(1,085,200)</b>

**\$10.77/100,000 of assessment**



# **Servus Credit Union Place 2008 Amended Budget**

*Presented to Council*

---

April 21, 2008

# Amended budget philosophy

---

- Prepared by Servus Place management team
- Based on 2007 trends and actual results from the first 2 months of 2008
- Assumes continuance of existing programs & services
- Not adjusted for new fees or rate increases
- Personnel costs tied to City corporate policy

## 2008 Amended Budget

---

	2007	2008	Variance
<b>Revenues</b>	<b>Actuals</b>	<b>Amended</b>	
Memberships	1,780,945	1,941,000	160,055
Admission fees	520,383	615,400	95,017
Lesson fees	486,009	495,300	9,291
Rentals-Facilities	1,053,287	1,160,900	107,613
Advertising/sponsorship	678,814	561,000	(117,814)
Sale of Goods	72,656	90,500	17,844
Miscellaneous	<u>61,273</u>	<u>19,400</u>	<u>(41,873)</u>
<b>Total Revenue</b>	<b>\$4,653,367</b>	<b>\$4,883,500</b>	<b>\$230,133</b>

## 2008 Amended Budget

	2007	2008	Variance
<b>Expenditures</b>	<b>Actuals</b>	<b>Amended</b>	
Personnel costs	2,700,017	3,188,300	488,283
Contracted & gen. services	1,031,924	764,900	(267,024)
Utilities	945,845	967,000	21,155
Materials, goods & supplies	436,495	401,600	(34,895)
Internal debt payment	96,082	215,200	119,118
Transfer – Aquatics	775,710	726,300	(49,410)
Transfer – Public works	640,055	681,500	41,445
Transfer – Corp. Services	<u>197,619</u>	<u>227,000</u>	<u>29,381</u>
<b>Total Expenditures</b>	<b><u>\$6,823,747</u></b>	<b><u>\$7,171,800</u></b>	<b><u>\$348,053</u></b>
<b>Operating Deficit</b>	<b>\$(2,170,380)</b>	<b>\$(2,288,300)</b>	<b>\$(117,920)</b>
<b>Recovery Rate</b>	<b>68%</b>	<b>68%</b>	
<b>\$/100,000 of assessment (Based on 2008 live)</b>		<b>\$22.70/100,000</b>	<b>4</b>



# Report Recommendations

---

	2008 Amended Budget	
<b>Operating Deficit (As amended)</b>		<b>\$(2,288,300)</b>
Reciprocal Use policy	16,400	
Arena user fees	41,000	
Fee structure increase	70,000	
Marketing strategy	<u>19,900</u>	
Total additional revenues	\$147,300	<b>\$(2,141,000)</b>
City wide access	(82,600)	
Marketing strategy	10,000	
Technology improvement	10,000	
Customer service strategy	<u>66,200</u>	
Total additional expenditures	\$3,600	<b>\$(2,144,600)</b>
<b>Recovery Rate</b>		<b>70%</b>
<b>\$/100,000 of assessment</b>		<b>\$21.28/100,000</b>
<b>(Based on 2008 live)</b>		

# Additional Budget Considerations

---

## 2008 Amended Budget

**Operating Deficit (As amended & as per report recommendations)**

**\$(2,144,600)**

2008 operating contribution (55,800)

MSI operating grant 900,000

Cap rec reserve (debt pmt) 215,200

Total additional adjustments \$1,059,400 **\$(1,085,200)**

**\$/100,000 of assessment \$10.77/100,000**

**(Based on 2008 live)**

## Additional items for discussion

---

- Administration concurs with the report recommendation to implement not charging the facility for corporate services until 2009
- The favorable impact of the report recommendations on the 2009 & 2010 budgets is \$625,386 and \$719,174 respectively
- The 2009-2011 budget presentation in the fall of 2008 will highlight any inflationary pressures or additional revenue opportunities not identified within the report
- The Servus Credit Union Place capital debt payment for 2008 is estimated at \$3,337,900 or \$33.12/100,000 of assessment over and above any amounts for operating deficits

# Servus Credit Union Place – Amended budget

---

- **Next Steps**

- ◆ Council approves amended 2008 budget
- ◆ Administration brings forward the 2008 property tax bylaw on April 28

## 2008 Amended Budget

### Servus Credit Union Place - Tax Levy Scenarios

Property Type	2007 Assessed Value	Capital Levy Rate: \$33.12 / \$100,000	Option 1 Operating Levy Rate: \$22.70 / \$100,000	Option 2 Operating Levy Rate: \$21.28 / \$100,000	Option 3 Operating Levy Rate: \$10.77 / \$100,000
Condo	\$300,000	\$99.36	\$68.10	\$63.84	\$32.31
Home	\$450,000	\$149.04	\$102.15	\$95.76	\$48.47
Home	\$600,000	\$198.72	\$136.20	\$127.68	\$64.62



Property Type	2007 Assessed Value	Capital Levy Rate: \$33.12 / \$100,000	Option 1 Operating Levy Rate: \$22.70 / \$100,000	Option 2 Operating Levy Rate: \$21.28 / \$100,000	Option 3 Operating Levy Rate: \$10.77 / \$100,000
Industrial Condo	\$350,000	\$115.92	\$79.45	\$74.48	\$37.70
Warehouse	\$785,000	\$259.99	\$178.20	\$167.05	\$84.54
Restaurant	\$1,725,000	\$571.32	\$391.58	\$367.08	\$185.78

