



COUNCIL REPORT
Financial Services
For the March 10, 2020 Council Meeting

DATE: March 2, 2020
TO: Paul Gipps, CAO
FROM: Lisa Siavashi, Financial Services Manager
RE: Active Living Enterprises and Johnson Bentley Memorial 2019 Surplus

RECOMMENDED MOTION:

THAT Council approve sharing 40% (\$10,997.60) of the 2019 surplus of Johnson Bentley Memorial Aquatic Centre with Active Living Enterprises Ltd.

RATIONALE:

Active Living Enterprises had a surplus in the operating financial statements of Johnson Bentley Aquatic Centre in 2019. The agreement between Active Living Enterprises and the City of West Kelowna has a clause that allows Council to consider sharing 50% of the surplus, and this is the second year in a row that there has been a surplus. Staff feel that by sharing 30% of the surplus from 2018 it encouraged annual fiscal responsibility, and by providing an increase to 40% of the 2019 surplus, it would encourage this further.

BACKGROUND:

Active Living Enterprises (ALE) first took over the operation of Johnson Bentley Memorial Aquatic Centre (JMBAC) in January 1997. ALE provides management of the daily operations of the pool and recreation centre at JMBAC. The City of West Kelowna took over this agreement from the Regional District of Central Okanagan in 2008, and the last agreement was signed in 2016 and expires in 2021. ALE has successfully managed JMBAC over the years and have saved the organization substantial operating expenses when compared to the cost of running the facility under the municipality's cost structure.

In 2019, JMBAC's financial statements show an operating surplus of \$27,493. Clause 9 of the agreement (attached) discusses surpluses and shortfalls. In the event of a shortfall (deficit), the City is responsible for funding the shortfall. In the event of a surplus, the surplus would be paid to the City and then clause 16 would apply. Clause 16 stipulates the process for ALE to request sharing in the annual surplus. The clause allows the City to conduct a review of the service provided during the fiscal period to which the surplus relates to ensure that the level and quality of the service has not diminished or decreased from previous years. Staff recommendations are then made for council to deliberate on.

The Recreation and Culture Manager continues to feel that ALE has maintained a very good level of service. ALE was concerned in the early fall of 2019 that there was a possibility of a deficit for

2019 – which they reported to CWK staff. However, they managed to turn this situation around in the last quarter of the year by managing their budget.

FINANCIAL IMPLICATIONS:

The annual budget for Johnson Bentley is set each year. While a surplus is not budgeted for, neither were the deficits that have occurred. The table below details the year's surplus or deficit over the last twelve years:

		Surplus (Deficit)
	2008	12,269.00
	2009	(21,346.00)
	2010	(3,484.00)
	2011	(4,637.00)
	2012	(38,056.00)
	2013	(38,339.00)
	2014	(1,774.00)
	2015	457.00
	2016	(6,252.00)
	2017	(579.00)
	2018	12,290.60
	2019	16,496.40
	Accumulated Deficit	(72,954.00)

This accumulated deficit includes the decrease of the \$5,267.40 from the 2018 surplus that was shared with ALE. The 2019 surplus also includes a decrease of \$10,997.60 that represents the recommended 40% share of the total surplus with ALE. Even with decreasing the total surplus forwarded to the City, these two years have decreased the accumulated surplus by 28%. This positive movement is what encourages staff to make the recommendation to continue to share the surplus, in an amount greater than last year's at 30% but still less than the maximum amount.

The annual surplus or deficit from JBMAC becomes part of the annual surplus or deficit of the City's. These amounts do not include the operating costs of the facility (building maintenance, utilities, facility operator wages, contract expenses) that are funded by annual property taxes.

ALTERNATE MOTIONS(S):

- THAT Council not share the 2019 surplus from JBMAC with ALE;
- THAT Council agree to share 50% of the 2019 surplus from JBMAC with ALE; or
- THAT Council share another determined amount of the 2019 JBMAC surplus with ALE.

REVIEWED AND APPROVED BY:

Bob Kusch, Parks and Recreation Manager
Warren Everton, Director of Finance/CFO
Tracey Batten, Deputy CAO/Corporate Officer
Paul Gipps, CAO

Powerpoint: Yes ☐ No ☒

Attachments: 1. Letter from ALE including 2019 Financial Statements for Johnson Bentley Aquatic Centre
2. Agreement between Active Living Enterprises and the City of West Kelowna pgs 5 and 8-10