



COUNCIL REPORT
Finance, Administrative & Protective Services
For the August 13, 2019 Council Meeting

DATE: August 2, 2019
TO: Paul Gipps, CAO
FROM: Lisa Siavashi, Revenue, Reporting and Risk Manager
Warren Everton, Chief Financial Officer
RE: Active Living Entreprises Ltd. And Johnson Bentley Memorial 2018 Surplus

RECOMMENDED MOTION:

THAT Council approve sharing 30% (\$5,267.40) of the 2018 surplus of Johnson Bentley Memorial Aquatic Centre with Active Living Entreprises Ltd.

RATIONALE:

Active Living Entreprises had a surplus in the operating financial statements of Johnson Bentley Aquatic Centre in 2018. While the agreement between Active Living Entreprises and the City of West Kelowna has a clause that allows Council to consider sharing 50% of the surplus, the accumulated deficit that has been funded by the City has grown over the years. However, in the spirit of encouraging annual fiscal responsibility, staff has recommended a reduced amount to share with Active Living Entreprises.

BACKGROUND:

Active Living Entreprises (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 2018, JMBAC's financial statements show an operating surplus of \$17,558. 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 is paid to the City and then clause 16 applies. 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.

Based on reviews by the Parks, Recreation and Culture Manager, the level of service from ALE continues to be very good. ALE indicated in their letter requesting to share in the surplus indicates that the surplus in 2018 is due to a reduction in staff expense in 2018 (i.e. not providing them with any cost of living increases) plus an unexpected increase in revenues due to the fires and smoke in the Okanagan in 2018.

Staff met with ALE who indicated that they felt “the spirit and intent of the clause was to insert a vehicle into the contract that would provide a legitimate incentive to the contractor, to do their best to both enhance services and exceed budget expectations by producing an annual operating surplus, and further that the incentive be confined to the current fiscal period as indicated in clause 16.2 of the contract”. However, this is not indicated in the contract.

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 eleven 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	17,558.00
Accumulated Deficit	(84,183.00)

This accumulated deficit includes the offset from the 2018 surplus. According to ALE, losses in 2012 and 2013 are due to opening of H2O in Kelowna in 2011; the opening of 8 new fitness facilities in West Kelowna over this time frame; and the re-furbishing of the Parkinson Recreation Centre in Kelowna. 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 2018 surplus from JBMAC with ALE;
- THAT Council agree to share 50% of the 2018 surplus from JBMAC with ALE; or
- THAT Council share another determined amount of the 2018 JBMAC surplus with ALE.

REVIEWED AND APPROVED BY:

Bob Kusch, Parks, Recreation and Culture Manager
Warren Everton, CFO
Shelley Schnitzler, Legislative Services Manager
Paul Gipps, CAO

Powerpoint: Yes No

Attachments: Letter from ALE including 2018 Financial Statements for Johnson Bentley Aquatic Centre
Agreement between Activie Living Entreprises and the City of West Kelowna pgs 5 and 8-10