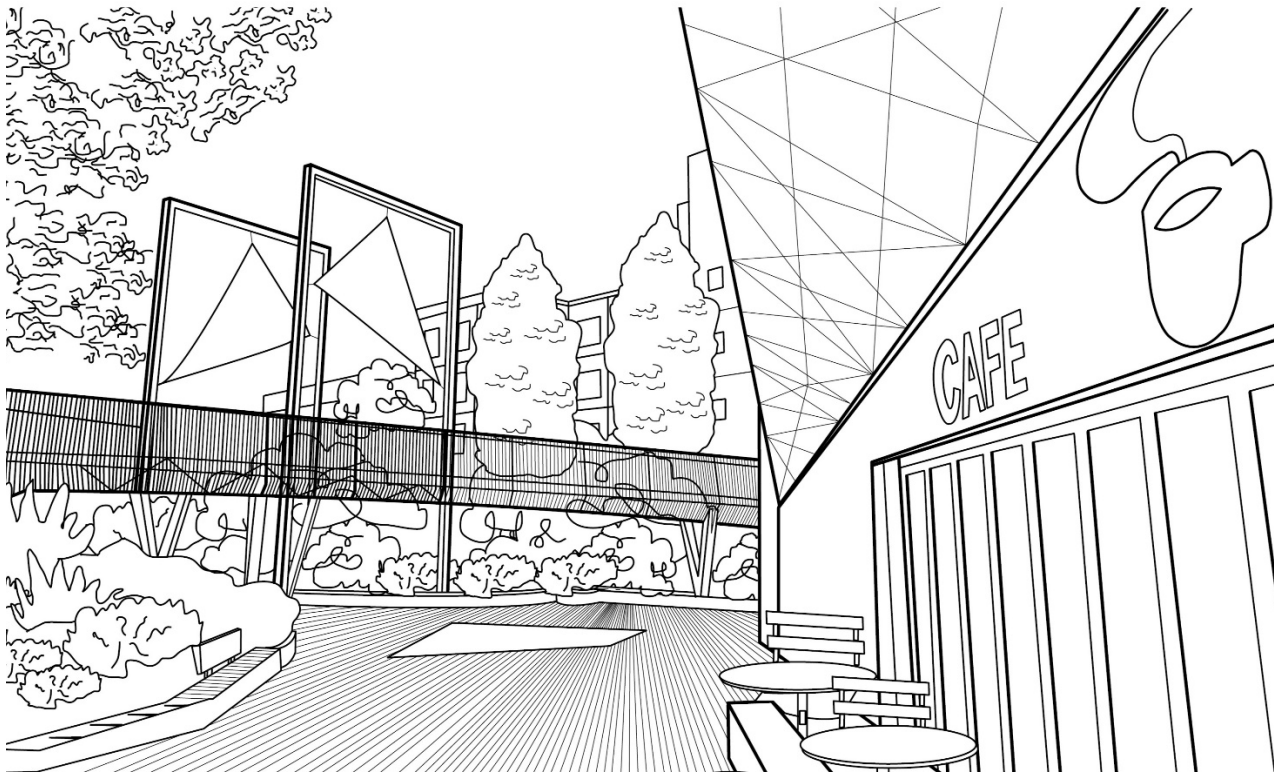


**Audit of**

# **Park Board Revenue Management**



An independent auditor's report prepared in accordance with the Canadian Standard on Assurance Engagements 3001 published by the Chartered Professional Accountants of Canada

November 2023

## Performance Audits

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A performance audit is an independent, objective and systematic assessment of how well government is managing its activities, responsibilities and resources. We select audit topics on the basis of their significance. While the Office of the Auditor General (OAG) may comment on policy implementation in a performance audit, we do not comment on the merits of a policy.

Performance audits are planned, performed and reported in accordance with professional auditing standards and OAG policies. They are conducted by qualified auditors who:

- Establish audit objectives and criteria for the assessment of performance;
- Gather the evidence necessary to assess performance against the criteria;
- Report both positive and negative findings;
- Conclude against the established audit objectives; and,
- Make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective and a civic administration that is accountable to taxpayers and its elected officials.

## Message from the Auditor General

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To the Mayor and Council of the City of Vancouver,

I am pleased to present this report on my office's performance audit of revenue management at the Vancouver Board of Parks and Recreation (Park Board). This was my first audit of the Park Board, and I express my gratitude to Park Board Commissioners for their invitation to conduct this work.

The Park Board provides a variety of facilities and services that enhance the lives of Vancouver residents. In some cases, facilities and services are provided at no or low cost, whereas for others the Park Board seeks to recover costs either fully or in part. However, setting the fees necessary to achieve cost recovery objectives requires the Park Board to have a comprehensive understanding of both the intended levels of service and the full costs to deliver those services. We found this understanding was incomplete.

The governance structure of the Park Board is unique among Canadian cities. Overseen by elected and independent Commissioners with powers defined in the Vancouver Charter, the Park Board sets policy and direction independent of the City, including the setting of fees. However, because it cannot make any expenditures without City Council's approval, ultimately the Park Board is dependent upon the City for funding. While the elected Park Board is not accountable to City Council, nonetheless it cannot achieve its objectives without City Council's support.

This makes it essential that the Park Board proactively engage City Council in its strategic planning in order to secure the funding necessary to bring its long-range plans to life. Other than its annual budget and four-year capital plan submissions, we found this engagement lacking.

The report contains six recommendations to improve engagement with Council, understanding of service delivery objectives and costs, fee-setting and performance management. I express my thanks to Park Board management for their positive response to these recommendations and for their assistance and full cooperation throughout the audit.



Mike Macdonell, FCPA, FCA  
Auditor General  
Vancouver, B.C.

20 November 2023

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# Executive Summary

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## Summary

1. Our audit objective was to determine if the Vancouver Board of Parks and Recreation (Park Board) operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue.
2. While some processes were used to inform fee-setting, we concluded that the Park Board did not operate an effective framework for achieving revenue-related objectives for its revenue-generating assets and services during the audit period. We found that the Park Board followed a consistent annual fee update process that was made available to the public. In addition, the Park Board defined four categories of revenue objectives and used different factors to inform fee-setting such as the rate of inflation, marketplace comparisons to similar services, user engagement analysis, accessibility and affordability.
3. However, the Park Board did not consistently define service delivery objectives for all revenue-generating services and did not have a method for determining where user fees should and should not be charged or to what extent. The fee-setting process was not supported by evaluations of the full costs of service delivery, and performance metrics were defined for only some revenue-generating service areas. In addition, the Park Board did not include a comparison of actual revenues versus expenditures by service area in its *Fees and Charges Report*. Implementing a comprehensive fee-setting framework would provide the Park Board with a documented and strong rationale for fee-setting. This includes rationalizing a range of services from those where minimal fees are set because the services broadly benefit the community, to services that tend to provide more individualized benefits where fees are intended to generate surplus revenues to support other services.
4. Underpinning revenue management is the Park Board's overall funding structure. According to the *Vancouver Charter*, the Park Board is not authorized to make any expenditures except those approved by City Council in the Park Board's budget estimates. City Council approves the Park Board's expenditures based on factors such as associating strategies to budgets through performance management. However, the amount of approved expenditures is not directly connected to the amount of revenues the Park Board generates. This funding structure requires the Park Board to obtain City Council approval for all its expenditures, including the expenditure of funds generated from Park Board revenue-generating activities. Consequently, the Park Board should make efforts to ensure that strategies and initiatives that have funding or investment requirements, such as projects from its "Think Big" initiative, have the support of City Council.

5. We believe implementing the six recommendations identified in this report will assist the Park Board with achieving revenue objectives to support the equity and financial sustainability goals in *VanPlay*, its Parks and Recreation Services Master Plan.

## **Background**

6. The Park Board manages 250 public parks and beaches, the VanDusen Botanical Garden, the Bloedel Conservatory, and a large public recreation system of community centres, pools, rinks, fitness centres, golf courses, street trees, marinas, sports fields and playgrounds.
7. The Park Board also provides a variety of different services. These range from those where it collects fees or charges (fees) to recover costs, to those where it collects fees with the intention of generating surplus revenues to fund other services. Examples of fees collected include golf green fees, moorage fees at the Burrard Civic Marina and recreation admission passes at community centres. Between 2018 and 2022, the Park Board collected an average of \$56.3 million annually from fees and charges.

## **What We Examined**

8. The audit covered the period between January 2018 and June 2023 and focused on fees under the jurisdiction of the Park Board. To understand revenue management in the context of the Park Board's overall funding structure, we examined whether the Park Board had funding or revenue-related objectives to support its strategies for revenue-generating services and whether there was an effective framework in place to support the achievement of those objectives. In addition, we examined whether the Park Board defined performance metrics in alignment with its objectives for revenue-generating services.
9. This audit did not include fees for services and programs jointly managed by the Park Board and external associations as defined by joint operating agreements, or lease arrangements. In addition, this audit did not include a financial audit of the completeness and accuracy of revenue and cost information provided by the Park Board.

## **What We Found**

### ***Revenue-related objectives and framework***

10. The Park Board has a strategic master plan and other strategies to guide parks and recreation service delivery. To implement these strategies, the Park Board requires the allocation of funds by City Council. In addition, while the Park Board has introduced initiatives such as "Think Big" to increase its revenue-generating activities, it will need to

engage with City Council to ensure that funding is available for both the expenditure of funds to generate new revenues and the use of new revenues generated.

11. For revenue-generating services, while the Park Board had some components of a fee-setting framework, a comprehensive framework was not in place. The Park Board followed a consistent annual fee update process that was made available to the public. In addition, the Park Board defined four categories of revenue objectives. The Park Board also used different factors to inform fee-setting such as rate of inflation, cost escalations, marketplace comparisons to similar services, user engagement analysis, accessibility and affordability. However, we identified the following opportunities for the Park Board to improve its fee-setting processes:
- The Park Board defined service delivery objectives for some, but not all revenue-generating services to guide service delivery and achievement of revenue objectives. Clearly defined service delivery objectives provide management and staff direction on decision-making in areas such as cost management, resource allocation and future investments.
  - While the Park Board defined four categories of revenue objectives for cost-recovery services, it did not define the intended cost-recovery ratios or percentage of intended surplus revenues that user fees would generate. In addition, the Park Board did not make clear whether cost-recovery services were to recover costs fully or partially.
  - The Park Board carried forward revenue objective categorizations from previous years but did not have documented criteria describing how it categorized services.
  - The Park Board set fees annually using an inflationary percentage added to a base fee. However, the original method used to determine each base fee was not documented, and it is not known the extent to which base fees reflect current costs. In addition, the Park Board did not define the types of operating costs it intended to recover through fees, whether they be direct operating costs, full costs or other indirect costs necessary to support the delivery of services or maintenance of assets.
  - The Park Board's fee-setting process was not supported by evaluations of the full costs of service delivery. Understanding full costs, regardless of whether the intention is to recover full costs, is important for informing fee-setting and determining the cost of reinvestments essential to ensuring the longevity and sustainability of parks and recreation assets.

### *Revenue performance management*

12. The Park Board defined performance metrics with set performance targets for only some of its revenue-generating services. The Park Board defined metrics for recreation services and golf. However, metrics with set performance targets were not defined for other service

areas. Performance metrics are an important tool used to monitor the achievement of service delivery objectives, including the achievement of targeted cost-recovery ratios and reporting on actual financial performance.

13. Where performance metrics were defined, the Park Board generally calculated them consistently to enable meaningful comparisons over time. The Park Board changed its approach for calculating one metric due to adjustments in Park Board operations related to pandemic response measures. However, of the remaining four metrics where the approach did not change, exceptions were noted with the accuracy of one metric reported in 2020 and 2021 due to a limitation of the Park Board's system configuration. It is important to ensure that performance metrics are calculated consistently and accurately, as they are an integral part of tracking achievement of objectives and informing decision-making.
14. In addition, the Park Board did not include a comparison of actual revenues versus expenditures by service area in its *Fees and Charges Report*. Having a perspective on the net surplus or loss for individual service areas is important for understanding the achievement of revenue objectives. Without this information, the Board's ability to understand the extent of cost-recovery and to determine appropriate fees could be compromised.

## Recommendations

15. The recommendations listed in Exhibit 1 are intended to assist the Park Board with its revenue management processes that include fee-setting and the overall funding structure within which the Park Board operates. The Park Board has developed action plans (see Appendix A: Responses from the Vancouver Board of Parks and Recreation) in response to these recommendations.

**Exhibit 1: Summary of Recommendations**

Themes	Recommendations
<b>Revenue-related objectives and framework</b>	1. To help ensure that funding is made available for implementation of its strategic priorities, the Park Board should proactively engage with City Council as it develops current and future strategies.
	2. For revenue-generating service areas, the Park Board should define and document service delivery objectives to guide operational decision-making and future investment. Plans should provide short to medium-term outlooks for service areas and be regularly reviewed and updated.



	<p>3. The Park Board should strengthen its fee-setting processes by implementing a comprehensive fee-setting framework that includes:</p> <ul style="list-style-type: none"> <li>• Principles for determining revenue categories where user fees should and should not be charged;</li> <li>• Criteria to categorize services based on various factors such as the types of services, users and uses, affordability and accessibility;</li> <li>• Methods for determining service cost-recovery ratios to enable metrics for target setting and tracking of operational and financial performance;</li> <li>• Rationale and conditions for fee reductions or waivers; and,</li> <li>• A periodic process to reassess service categorizations and revenue objectives for existing services.</li> </ul> <p>The revised framework should account for differences in the types of services provided between the Recreation Services and Business Services departments. The Park Board should also update its <i>Fees and Charges Policy</i> to reflect adjustments to the fee-setting processes outlined above.</p> <p>4. The Park Board should incorporate in its updated fee-setting framework an evaluation of full costs for each service area to strengthen the correlation between fees charged and the underlying costs, and define the types of costs it intends to recover through its fees.</p>
<p><b>Revenue performance management</b></p>	<p>5. The Park Board should define performance metrics for all revenue-generating service areas to enable monitoring and tracking of progress toward service delivery, revenue objectives and overall strategies. Performance metrics should:</p> <ul style="list-style-type: none"> <li>• Be meaningfully designed to align with the performance and strategic objectives of the service area;</li> <li>• Have defined targets with timeframes for completion;</li> <li>• Have defined intervals and audiences for reporting;</li> <li>• Include up-to-date documented procedures for calculation; and,</li> <li>• Include a process to ensure that performance metrics are accurately calculated.</li> </ul> <p>6. The Park Board should report on actual revenues versus expenditures including all relevant costs to track the achievement of revenue objectives by service areas.</p>

# Main Report

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## 1. Introduction

### 1.1 Background & Context

#### *The Vancouver Board of Parks and Recreation*

16. The Vancouver Board of Parks and Recreation (Park Board) manages 250 public parks and beaches, the VanDusen Botanical Garden, the Bloedel Conservatory and a large public recreation system of community centres, pools, rinks, fitness centres, golf courses, street trees, marinas, sports fields and playgrounds. Its mission is to provide, preserve and advocate for parks and recreation services to benefit all people, communities and the environment. The Park Board includes elected commissioners (the Board) and staff within the department.
17. The *Vancouver Charter* outlines the Park Board's authorities and responsibilities over City parks. The Board includes seven commissioners elected by Vancouver residents to four-year terms. The Board is separate and independent from Vancouver City Council (City Council). Board commissioners are responsible for setting the vision and policy that guides the City's parks and recreation services and programs. The current Board was elected in November 2022. Vancouver is the only municipality in Canada to have an elected board for its parks and recreation program.

#### *Recreation Services and Business Services departments*

18. The Park Board provides various parks and recreation services including those delivered through its Recreation Services and Business Services departments. The services provided range from those where fees are collected to recover costs, to those where fees are collected with the intention of generating surplus revenues to fund other services. Exhibit 2 shows a summary of service areas where the Park Board sets and approves fees and charges (fees). Appendix C provides a description of service areas, revenue objectives and 2023 budgeted revenue and expenditure amounts.

#### **Exhibit 2: Summary of services where fees are set and approved by the Park Board**

<b>Recreation Services</b>	Admission fees and passes for access, and facility and equipment rentals for: <ul style="list-style-type: none"> <li>• Community centres</li> <li>• Pools</li> <li>• Arenas</li> <li>• Outdoor sport</li> <li>• Fitness</li> </ul>
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<b>Business Services</b>	<ul style="list-style-type: none"> <li>• Golf</li> <li>• Pitch and Putt</li> <li>• Parking</li> <li>• VanDusen Botanical Garden</li> <li>• Bloedel Conservatory &amp; Celebration Pavilion</li> </ul>	<ul style="list-style-type: none"> <li>• Leases</li> <li>• Burrard Civic Marina</li> <li>• Food and beverage concessions</li> <li>• Stanley Park Train</li> <li>• Business development</li> </ul>
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### *Park Board fees and charges*

19. Park Board staff annually propose an updated fee schedule for Board review and approval. The most recent *Fees and Charges Report* was approved in February 2023. In it, the Park Board described its policy for fees and outlined the following four fee categories:
- **Paid services** where user fees are charged above the costs of the services being provided in order to generate a net surplus. Net surpluses are intended to support other service lines.
  - **Services operated on a full cost-recovery basis** where user fees are set at a level intended to cover direct costs attributable to the services.
  - **Partially subsidized paid services** where user fees are set to cover a portion of the full costs. Often, this goal is associated with services that are viewed as critical to provide at accessible prices.
  - **Fully subsidized** where direct user fees are not charged. Services offered are considered critical and are fully reliant on tax-based funding.

### *Park Board funding and budgeting*

20. Under sections 488, 489 and 490 of the *Vancouver Charter*, the Park Board has jurisdiction over areas designated as public parks, including setting fees, within Vancouver. Under sections 492 and 493, City Council is responsible for authorizing all expenditures of the Park Board. Accordingly, the Park Board sets priorities for parks and recreation programs and submits budget requests for consideration and approval of City Council. The Park Board submits budgets annually and a capital plan every four years.
21. Annually, City Council approves the Park Board's budget including both revenues and expenditures, as well as the capital budget. The Park Board generates revenues from fees that offset a portion of its expenditures. The remainder of the Park Board's expenditures are provided by the City through tax-based funds. These two sources fund the Park Board's overall operational expenditures. While City Council approves the Park Board's

expenditures, the Park Board sets and approves fees for parks and recreation services for its revenues.

22. Each year, depending on the amount of actual revenues the Park Board generates to offset its expenditures, the City adjusts the tax-based funding it provides. Between 2018 and 2022, the budgeted amount of revenues the Park Board collected through fees was approximately equal to the budgeted tax-based funding from the City. The net effect from a City funded tax-based perspective is that:
  - In years when actual Park Board revenues exceeded budgeted revenues, the proportion of tax-based funding provided by the City was less than originally budgeted, as more Park Board revenues were available to offset expenditures for the year.
  - In years when actual Park Board revenues were less than budgeted, the proportion of tax-based funding provided by the City was higher than originally budgeted, as less Park Board revenues were available to offset expenditures for the year.
23. Every four years, City Council approves the Park Board's capital plan. The capital budget is allocated for the renewal, replacement or development of assets and infrastructure for parks and open spaces, community and civic facilities. In 2022, City Council approved the most recent capital plan for 2023 to 2026.

### *Think Big Initiative*

24. In January 2023, the Board approved the "Think Big" initiative, which directed staff to explore new opportunities for revenue generation to address growing maintenance and renewal needs of parks and recreation assets and to sustain service delivery while reducing the burden on taxpayers. This motion marked a shift from recent years where the focus was on pandemic recovery initiatives and maintenance of existing service offerings.
25. In July 2023, the Park Board presented the first phase of findings and recommendations from its efforts to explore net new revenue-generating opportunities. This report outlined the initial analysis of proposed revenue-generating opportunities and the need for investment of human and financial resources to implement them. New opportunities proposed included fully utilizing existing facilities and assets as event venues, rental spaces and advertising; as well as working with external stakeholders to activate seasonal, temporary park attractions.

## 1.2 About the Audit

26. The objective of this audit was to determine if the Vancouver Board of Parks and Recreation operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue.
27. A performance audit of the Park Board was included in the Office of the Auditor General's (OAG) 2023 three-year audit plan. The *2023 Audit Plan* proposed an audit of "City and Park Business Coordination" that would "examine the coordination of maintenance and other services". However, during initial audit planning, the audit team determined that an audit on Park Board revenue management would be more appropriate at this time. This was due to work underway on updating operating level agreements for maintenance services between the Park Board and the City. The OAG will revisit the topic of "City and Park Business Coordination" as a future audit topic.
28. The audit focused on the period between January 1, 2018 and June 30, 2023 and included policies, practices and administrative processes the Park Board produced prior to 2018 that were still in use during the audit period. We conducted our examination work between July and October 2023 and completed the audit on October 31, 2023.
29. The scope of this audit did not include:
  - A financial audit of the completeness and accuracy of revenue and cost information provided by the Park Board to the OAG;
  - Assessing internal controls over revenue collection processes at Park Board facilities, which were covered in part by the City's Internal Audit department's "*Cash Handling and Management Oversight*" audits;
  - Recreation services related to Community Center Association (CCA) managed programs. However, the audit scope included recreation fees set and retained by the Park Board;
  - Service offerings at the VanDusen Botanical Garden and the Bloedel Conservatory related to joint operations between the Park Board and the Vancouver Botanical Gardens Association (VBGA). However, the audit scope included fees set and retained by the Park Board;
  - Revenue generated from by-law fines in parks and recreation spaces; and,
  - Lease management processes relating to Park Board properties.
30. We used several methods to obtain sufficient and appropriate evidence. We examined available documentation, interviewed internal stakeholders and undertook analytical procedures using data provided by the Park Board. For more on this audit, please refer to [Appendix B: About the Audit](#).

## 2. Conclusion, Findings and Recommendations

### Conclusion

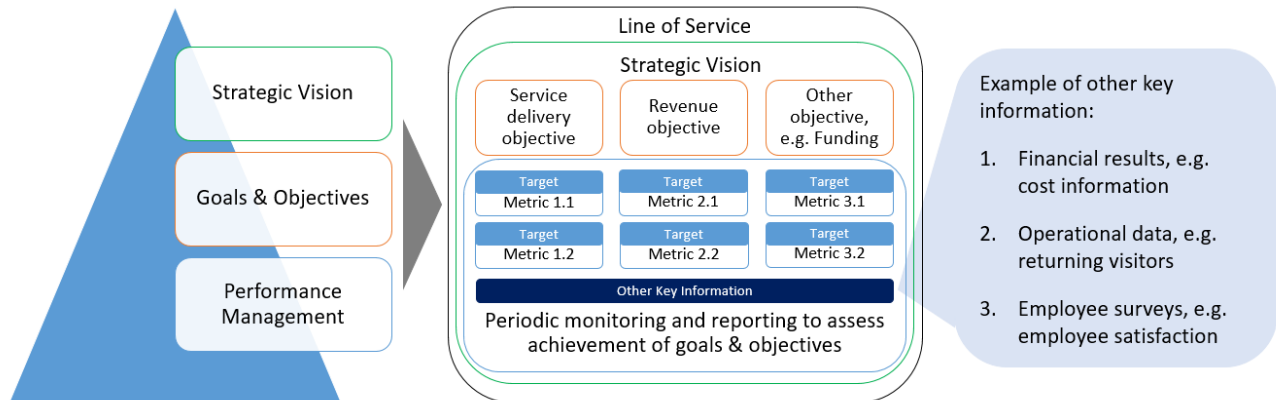
31. Our audit objective was to determine if the Park Board operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue. While some processes were used to inform fee-setting, we concluded that the Park Board did not operate an effective framework for achieving revenue-related objectives for its revenue-generating assets and services during the audit period. The following sections detail the audit findings supporting our conclusion and recommendations.

### 2.1 Revenue objectives and framework

32. Revenue management is part of the overall funding structure in which an organization operates. The Park Board's underlying funding structure is established by the *Vancouver Charter*, which empowers the Park Board to set direction including fees and charges for parks and recreation services and gives City Council the sole authority to commit funds for expenditures. Revenue management plays a part in the overall funding structure since the Park Board generates fee revenues to offset a portion of its expenditures.
33. The Park Board sets direction for parks and recreation services through various strategies and initiatives. Strategies provide the vision and goals that serve as a roadmap for directing resources and efforts toward defined priorities and initiatives. The successful creation and implementation of a strategy depends on several factors<sup>1</sup> including:
- Involvement and commitment of leadership;
  - Allocation of funding and resources; and
  - Alignment of service level plans including supporting financial processes.
34. For an organization to achieve its strategic vision and goals, there needs to be alignment with service level operational processes and plans. Service level plans act like building blocks for achieving larger overall strategic goals as depicted in Exhibit 3.

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<sup>1</sup> Sources: VNG International Municipal Development Strategy Process - *A toolkit for practitioners*, Boston Consulting Group - *Four Steps to High-Impact Strategic Planning in Government*

**Exhibit 3: Relationship between strategic vision, goals and performance management**

35. Effective revenue management as it relates to fee-setting includes having various elements in place to ensure that appropriate fees are set to contribute as intended to an overall financial plan. Elements include<sup>2</sup>:
- Clearly defined service delivery objectives that state the rationale for providing the service, and how objectives are aligned with the overall strategic vision and goals;
  - A comprehensive fee-setting framework for determining when to charge user fees based on defined principles that include:
    - The criteria and conditions for categorizing services and revenue objectives, including considerations for affordability and accessibility of services;
    - The calculation of the full costs of service delivery including direct, indirect and capital costs in order to inform fee-setting and decision-making, regardless of whether full costs are to be recovered;
    - A process to determine the amount of reinvestment into assets and services to ensure longevity and sustainability of facilities and assets for meeting ongoing demand and maintaining service delivery at required levels; and,
  - A transparent process for fee-setting and regular fee updates that are publicly available.

### ***What we looked for***

36. To understand revenue management in the context of the Park Board's overall funding structure, we examined whether the Park Board had funding and revenue objectives to support its strategies. In addition, we examined whether there was an effective framework in place to support the achievement of its revenue-related objectives. Within the

<sup>2</sup> Sources: Government Finance Officers Association - *Establishing Government Charges and Fees*, Watson & Associates Economists Ltd. - *Recreation & Parks Rates and Fees Strategy*

framework, we examined the Park Board's approach for defining its revenue objectives for revenue-generating services, its approach and inputs to inform fee-setting, and processes to determine the amount of investments into Park Board assets and services that generate revenue.

## ***What we found***

### ***2.1.1 The Park Board has strategies to guide the overall delivery of parks and recreation services but had not proactively engaged with City Council to align its priorities with funding commitments***

37. Strategies are an important organizational tool to set overarching vision and to describe the rationale and need for transitioning from the current state to a desired future state. Implementation and achievement of a strategic vision and goals requires alignment of financial resources and supporting plans that serve as a roadmap to getting there.
38. The Park Board has 16 strategies in place covering a range of areas including parks, community centres and recreation assets (*VanPlay*), pools (*VanSplash*) and skateboard amenities (*Vancouver CitySkate*). We assessed Park Board strategies to determine whether they included funding and revenue objectives. We found that Park Board strategies established the long-term direction for parks and recreation services and indicated the need for funding to achieve strategic goals. However, beyond the existing capital planning and budgeting processes, the Park Board had not proactively engaged with City Council to align its priorities with funding commitments.
39. Under the *Vancouver Charter*, the Park Board has exclusive jurisdiction and control of all areas designated as permanent public parks of the City. However, the *Vancouver Charter* only authorizes the Park Board to make expenditures that have been approved by City Council in the Park Board's budget estimates. Consequently, there is a dual responsibility in enabling the achievement of Park Board strategic goals between the Board, which sets direction for parks and recreation services, and City Council, which has sole authority to commit funds. Given this governance structure, the Park Board needs to proactively engage City Council as a key stakeholder to secure funding for its strategic priorities.



*2.1.2 While the Park Board initiated projects to increase revenue generation, both the expenditure of funds to generate new revenues and the use of new revenues require City Council approval*

40. In January 2023, the Board approved the “Think Big” initiative, which directed staff to explore new opportunities for net new revenue generation to address growing maintenance and asset renewal needs in the parks and recreation system. The Park Board's July 2023 update report noted that in order to generate these net new revenues, additional expenditures will be required to achieve estimated revenue targets. These expenditures include increased material and staffing costs.
41. However, the Park Board is required to obtain City Council approval for all expenditures, including both the expenditure of funds to generate new revenue and funds earned through revenue-generating activities. This means that Park Board expenditures are not directly related to the amount of revenues it generates. Accordingly, the Park Board will require City Council's approval to enable additional investments into the parks and recreation system.

**Recommendation 1:**

To help ensure that funding is made available for implementation of its strategic priorities, the Park Board should proactively engage with City Council as it develops current and future strategies.

*2.1.3 The Park Board defined service delivery objectives for some, but not all, revenue-generating services to guide service delivery and the achievement of revenue objectives*

42. Clearly defined objectives at the service delivery level provide management and staff direction on decision-making in areas such as cost management, resource allocation and future investments.
43. During the audit period, the Park Board had not defined, either in strategies or in other Park Board documents, service delivery objectives for all of its revenue-generating service areas. The Park Board had service delivery objectives for the VanDusen Botanical Garden, Bloedel Conservatory, various recreation services, and food and beverage.

44. However, the Park Board did not have documented service delivery objectives for the Burrard Civic Marina, parking, golf, pitch and putt and the Stanley Park train. For these revenue-generating services, the Park Board did not consistently have:
- Clearly defined service delivery objectives, including the rationale for providing the services;
  - Short, medium or longer-term plans for the service areas, nor the timelines and resources to achieve those plans;
  - The planned or expected service levels to be provided;
  - Identified funding requirements for resources and assets needed to operate and maintain operations;
  - Asset renewal or development plans with anticipated benefits or returns on investment;
  - An assessment of risk, impacts of market trends and competitor analysis; and,
  - Defined performance metrics to track achievement of objectives for service areas.
45. The elements described above could be outlined in business or service plans to provide direction and guide decision-making for the various Park Board service areas.

### **Recommendation 2:**

For revenue-generating service areas, the Park Board should define and document service delivery objectives to guide operational decision-making and future investment. Plans should provide short to medium-term outlooks for service areas and be regularly reviewed and updated.

### *2.1.4 The Park Board had revenue objectives for revenue-generating services and used a number of different factors to inform fee-setting, however a comprehensive fee-setting framework was not in place*

46. The Park Board's strategic master plan, *VanPlay*, outlines goals to deliver parks and recreation services equitably while being financially sustainable. A comprehensive fee-setting framework based on an allocation philosophy that is proportional to the level of community benefits provided would enable the achievement of and alignment with strategic goals from a user fee perspective. A comprehensive fee-setting framework would assist with:
- Categorizing service areas and determining where user fees should and should not be charged;

- For areas where user fees are charged, determining revenue objectives based on the level of community versus individual benefits of the services provided;
- Incorporating criteria based on the type of service, user and uses, price sensitivity of services, the desired level of service utilization, competition with comparable services provided by private operators and/or other local governments, and other economic development initiatives that are associated with the service area;
- Reductions or waivers of fees, and considerations for the allocation of space and resources to ensure accessibility and affordability for various user groups; and,
- Determining the cost-recovery ratio for target setting and financial performance monitoring.

#### **Benefits-based framework for fee-setting**

The principle behind a benefits-based framework to fee-setting for parks and recreation services is that those who benefit from parks and recreation services pay for those services.

For services that benefit the community overall, the framework would tend toward categorizing them as fully subsidized (zero fees) or only charging user fees that partially recover costs.

For services that provide direct benefits to individual users, the framework would tend toward categorizing them as fully cost-recoverable or generating surpluses.

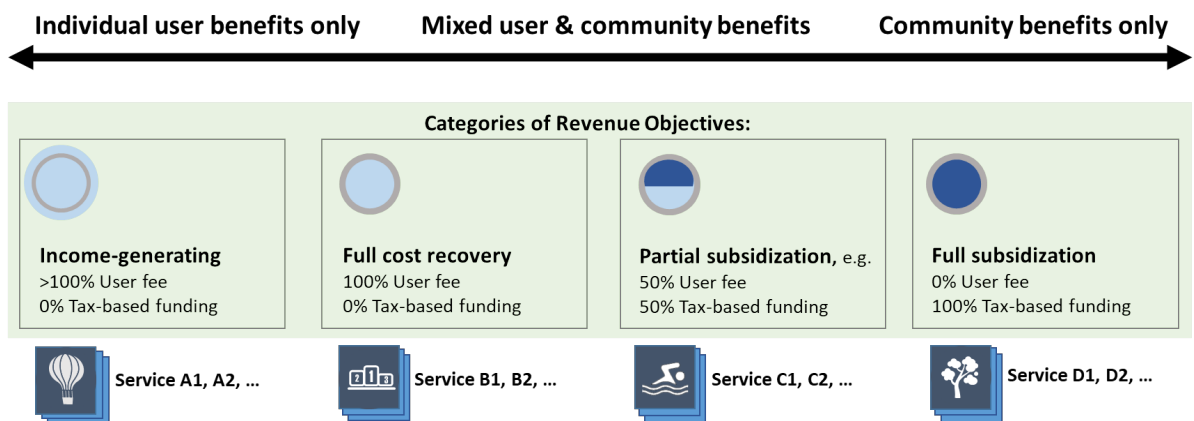
Revenues collected in service areas that exceed the cost of service delivery could be allocated to other service areas that do not generate surpluses.

Source: Adapted from Watson & Associates Economists Ltd - [Recreation & Parks Rates and Fees Strategy](#)

47. However, we found that while the Park Board had components of a fee-setting framework that were guided by policies such as a *User Fees and Charges Policy* and an *Economic Access Policy*, a comprehensive fee-setting framework was not in place. The Park Board defined four categories of revenue objectives in its 2023 *Fees and Charges Report*: 1) paid services that generate income, 2) full cost-recovery, 3) partially subsidized paid services (partial cost-recovery) and 4) fully subsidized services. However, the Park Board was not clear on whether services designated as cost-recovery were to have costs fully or partially recovered. In addition, it did not define cost-recovery ratios or the percentage of targeted surplus revenues that user fees were intended to generate for each service.
48. We also found that the Park Board did not have documentation describing the rationale and criteria for how it categorized services. The Park Board carried forward the categorizations for each service from previous years and re-confirmed the categorizations annually through the fee approval process. However, the Park Board should also define the criteria it uses to categorize new and existing services and periodically reassess past categorizations. The following are examples of criteria that could be used for determining how services are categorized:
- Type of service (such as educational, community-based, entertainment);

- Type of user (such as individual users by age, individual users by ability to pay, user groups ranging from non-profit to commercial for-profit organizations);
  - Type of uses (such as school use, fundraising, commercial);
  - Price sensitivity of a service (such as users' capacity and willingness to pay); and,
  - Degree of market competition with private operators or other public sector offerings.
49. To illustrate, Exhibit 4 shows an example of revenue categories and their associated cost-recovery ratios using a benefits-based framework with service areas under each category.
- Services A1 and A2 are categorized as income-generating as it was determined that they provide little benefit to the wider community and are geared toward individualized benefits, such as for entertainment or commercial uses. Fees collected would generate surplus revenues with no tax-based funding;
  - Services B1 and B2 are categorized as full cost-recovery, where all direct and indirect costs are included, as it was determined that they provide some benefits to the wider community but are mainly geared toward individualized benefits;
  - Services C1 and C2 are categorized as partial subsidization as it was determined that they provide an equal amount of community and individualized benefits so user fees collected would recover half of costs with the other half recovered through tax-based funding; and,
  - Services D1 and D2 are categorized as full subsidization as it was determined that they provide benefits to the overall community and foster broader health and wellness of the public, so they are fully subsidized through tax-based funding.

**Exhibit 4: Example of how fee categories can be determined based on the level of benefits<sup>3</sup>**



Source: Adapted by the OAG

<sup>3</sup> Exhibit 4 was adapted by the OAG from Watson & Associates Economists Ltd - *Recreation & Parks Rates and Fees Strategy*

50. This is a high-level illustration. Service areas may be further divided into additional sub-services depending on the type of uses or types of users. There could also be more categories of revenue objectives defined with varying percentages of user fee and tax-based funding mixes.
51. In summary, it is important that the Park Board's limited resources are allocated in alignment with its values and goals. A comprehensive fee-setting framework that incorporates the principle of community benefit would provide the Park Board with a documented and strong rationale for fee-setting.

### **Recommendation 3:**

The Park Board should strengthen its fee-setting processes by implementing a comprehensive fee-setting framework that includes:

- Principles for determining revenue categories where user fees should and should not be charged;
- Criteria to categorize services based on various factors such as the types of services, users and uses, affordability and accessibility;
- Methods for determining service cost-recovery ratios to enable metrics for target setting and tracking of operational and financial performance;
- Rationale and conditions for fee reductions or waivers; and,
- A periodic process to reassess service categorizations and revenue objectives for existing services.

The revised framework should account for differences in the types of services provided between the Recreation Services and Business Services departments. The Park Board should also update its *Fees and Charges Policy* to reflect adjustments to the fee-setting processes outlined above.

### ***2.1.5 The Park Board followed an annual process to set its fees that was made available to the public and presented to Park Board Commissioners for review and approval***

52. The *Vancouver Charter* gives the Park Board jurisdiction over setting fees at City parks and recreation service locations. We found that, during the audit period, the Park Board followed a process to update its fees for parks and recreation services annually. Park Board management presented proposed fee updates to the Board for review and

approval. The Board reviewed fee proposals and provided decisions to either approve or request revision of proposed fees.

53. We have no recommendation in this area as the audit criterion was met.

### *2.1.6 The Park Board's fee-setting process was not supported by evaluations of the full costs of service delivery*

54. The Park Board's *User Fees and Charges Policy* described the purpose of fees to recover all or a portion of overall operating costs, however it is important to understand the full cost of delivering services to have a comprehensive view of financial performance and cost-recovery levels. In addition, understanding full costs is important for informing fee-setting and understanding opportunities for cost efficiencies to achieve cost-recovery and revenue objectives.

55. The Park Board annually set fees in each service area using an inflationary percentage change to a base fee. It performed comparative marketplace analysis against other service providers with comparable services, including other Lower Mainland local governments. The Park Board also conducted user engagement surveys and considered affordability and accessibility in its fee increase proposals.

56. However, we found that the Park Board did not have documentation supporting the method originally used to determine each base fee to which annual percentage increases were applied. The pricing approach of using base fees relies on an assumption that they still reflect current service delivery costs. For services where fees were intended to recover full costs or generate surplus revenues, not recovering full cost could result in unintended subsidization of some services, a higher reliance on tax-based funding or reduced surplus revenues available for services that were intended to be subsidized.

57. In addition, for financial performance reporting of revenue-generating services, the Park Board focused on service delivery costs that were controllable by Park Board managers to

#### **Types of Costs**

**Direct costs** include the expenses that can be directly tied to the delivery of a service or production of a good. These include costs such as salaries, benefits, materials, supplies and utilities.

**Indirect costs** include the shared administrative expenses in one or more support functions that relate to the delivery of a service or production of a good.

**Full costs** of a service encompass all direct and indirect costs (both operating and capital).

Source: Government Finance Officers Association - [\*Measuring the Full Cost of Government Service\*](#)

promote accountability for operational service delivery management. However, financial performance reporting did not include full costs. Understanding full costs is especially important for revenue-generating services that provide direct benefits to individual users where services are not intended to be supported by tax-based funding or surplus revenues generated from other areas. The following are examples of costs not reported on by service area:

- Allocations for the lifecycle replacement costs of capital assets that generate revenue. These costs can be calculated annually and attributed back to lines of service to ensure assets are maintained or replaced for continued service delivery at expected service levels. For instance, the asset inventory for the Burrard Civic Marina did not include complete information on current asset conditions and replacement values.
- Administrative costs such as insurance and salaries of Park Board systems support resources that indirectly support revenue-generating services. For instance, in 2023, the Park Board budgeted \$2.19 million for insurance and \$400,000 for systems support for the Park Board overall. A portion of these costs could be attributed to revenue-generating service areas.
- A portion of shared services costs provided by the City for IT, financial services, human resources, 311 service centre and facilities maintenance that are allocated to the Park Board as a whole. In 2023, the Park Board budgeted \$11 million for these shared services. A method has not been defined for attributing such costs to lines of services that generate revenue for evaluating financial performance.

58. An understanding of full costs also better enables determining the cost of reinvestments essential for ensuring the longevity and sustainability of the Park Board's assets and services. These reinvestments encompass expenditures such as the lifecycle replacement costs of capital assets that are critical for meeting ongoing demand and maintaining service delivery. As noted in 2.1.2, reinvestments represent expenditures that require City Council approval.
59. In addition, while the Park Board indicated in its policy that fees were to recover operating costs, it did not define the types of operating costs it intended to recover. For instance, full cost-recovery would include replacement costs of capital infrastructure and buildings that support service delivery, while recovering only direct operating costs would not include those costs. The cost-recovery level selected affects the amount of tax-based funding required to meet service delivery objectives and the longer-term sustainability of the service area and related assets.

**Recommendation 4:**

The Park Board should incorporate in its updated fee-setting framework an evaluation of full costs for each service area to strengthen the correlation between fees charged and the underlying costs, and define the types of costs it intends to recover through its fees.

## 2.2 Revenue performance management

60. Effective performance monitoring and reporting is an important mechanism to ensure management accountability and provides useful information to help inform planning and decision-making. This requires having performance metrics that align with overall strategies and plans to track progress toward achieving strategic goals and objectives.
61. Performance metrics can be defined for qualitative factors such as service satisfaction or level of engagement, as well as quantitative factors such as number of visits, revenue margins or activity volumes. Performance metrics should be defined with targets for achievement that are aligned with overall service objectives.

### *What we looked for*

62. We examined whether the Park Board defined performance metrics to track the achievement of goals and objectives for assets and services that generated revenue in alignment with overall strategic direction. In addition, we examined whether the Park Board reported metrics consistently and accurately.

### **Performance Metrics**

Performance metrics provide information about operational activities, achievement of goals, financial performance or other factors for making informed decisions. Well-designed performance metrics should be:

- useful and include relevant information helpful for decision-making;
- reliable with data collection methods and metric definitions understood by users;
- consistent so that measures can be regularly tracked over time; and,
- practical in terms of data collection and do not involve excessive time or effort to collect.

When communicating performance metrics internally, organizations should define the purpose and use of the metrics including the expected results or targets.

When communicating performance metrics externally, organizations should ensure that the audience is identified, the presentation of the metric is appropriate for the intended audience and the frequency of how often metrics will be communicated is defined.

Source: Adapted from the Government Finance Officers Association - [Best Practices - Performance Measures](#)



## ***What we found***

### ***2.2.1 The Park Board defined and reported on metrics for recreation services and golf but did not have performance metrics defined for all revenue-generating services***

63. The Park Board defined performance metrics with set performance targets for some, but not all revenue-generating services. As noted in 2.1.3, not all revenue-generating service areas had documented strategies or plans with defined service objectives and performance metrics.
64. The revenue-generating services where the Park Board defined metrics with set performance targets included various recreation services and golf. The Park Board reported on five metrics annually through the City's *Service Plan*. In addition, individual revenue-generating service areas had internal metrics such as sales volumes, activity volumes, attendance numbers and financial performance to understand trends and changes. For instance, golf operations monitored various aspects that affect operations such as market and competitor trends, weather, customer demographics and user feedback. While these were not defined performance metrics with set performance targets, this information could be used as the basis for developing performance metrics.
65. For all other revenue-generating services, the Park Board did not have performance metrics with set performance targets defined. Qualitative and quantitative performance metrics that reflect delivery objectives for a service area can be used to inform and guide decisions such as changes to operations or decisions to end a service line that is no longer providing the benefits or value it was intended to. Also, quantitative metrics can include those that monitor how fee adjustments may affect the usage of a service. For instance, higher fees may reduce the usage of a service to an undesirable level that could prompt the review of fee adjustments.

### ***2.2.2 Where metrics were defined, the Park Board generally calculated its performance metrics consistently, however one exception was noted with the accuracy of one metric reported in 2020 and 2021***

66. There were two revenue-generating service areas where the Park Board reported on performance metrics. Exhibit 5 shows the metrics identified in the City's *Service Plan* relating to recreation services and championship golf.

**Exhibit 5: List of recreation services and golf performance metrics from the City's Service Plan**

Recreation Services	<ul style="list-style-type: none"> <li>• Utilization of registered aquatic and ice arena programs</li> <li>• Hours of outdoor sport facility permitted</li> <li>• Low-income residents enrolled in rec passes</li> <li>• Participant visits to aquatic, arena and fitness drop-ins</li> </ul>
Golf	<ul style="list-style-type: none"> <li>• Championship golf rounds</li> </ul>

67. Of the five performance metrics defined by the Park Board, four were consistently calculated in 2020 and 2021. However, for the “participant visits to aquatic, arena and fitness drop-ins” metric, the Park Board changed its approach to calculating the metric between 2020 and 2021 due to adjustments in Park Board operations related to pandemic response measures. We determined that this change in approach was reasonable as it reflected changes to operational circumstances. However, we were not able to confirm the accuracy of the metric as Park Board documentation did not include details of the changes to the metric calculation.
68. From the four metrics where the approach did not change, we noted differences in our recalculation of the metric for “hours of outdoor sport facility permitted”. The value in 2020 was overstated by at least 52,652 hours or 44%, and the value in 2021 was overstated by at least 12,685 hours or 12%. Management indicated that the differences were due to a system reporting limitation, and this was noted in the City's 2023 *Service Plan*.
69. It is important to ensure that performance metrics are calculated consistently and accurately as they are an integral part of tracking achievement of objectives and informing decision-making. Inaccurate or inconsistent calculation of performance metrics can reduce the effectiveness of decision-making and resource allocation. It may also reduce confidence in the value of information reported.

**Recommendation 5:**

The Park Board should define performance metrics for all revenue-generating service areas to enable monitoring and tracking of progress toward service delivery, revenue objectives and overall strategies. Performance metrics should:

- Be meaningfully designed to align with the performance and strategic objectives of the service area;
- Have defined targets with timeframes for completion;
- Have defined intervals and audiences for reporting;

- Include up-to-date documented procedures for calculation; and,
- Include a process to ensure that performance metrics are accurately calculated.

### *2.2.3 The Park Board did not include a comparison of actual revenues versus expenditures by service area in its Fees and Charges Report*

70. It is important to provide reporting on actual revenues versus expenditures as this provides a perspective on the net surplus or loss for individual service areas. In addition, it can assist in determining the achievement of revenue objectives and informing future fee-setting. However, the Park Board did not include an analysis of its actual financial results by service area in its annual *Fees and Charges Report*.
71. As outlined in finding 2.1.6, it is important to understand the full costs of service delivery. Including full costs for comparisons of actual revenues versus expenditures would provide a more holistic view of performance that would assist with decision-making on various aspects such as changes to operations, impacts to tax funding required, fee-setting and modifications to service levels.

#### **Recommendation 6:**

The Park Board should report on actual revenues versus expenditures including all relevant costs to track the achievement of revenue objectives by service areas.

# Appendix A: Responses from the Vancouver Board of Parks and Recreation

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## Overall Comments

I would like to express my appreciation to the City of Vancouver's Office of the Auditor General (OAG) for performing a comprehensive and objective review of Park Board's Revenue Management Process. The OAG staff conducted the performance audit with professionalism and their approach was structured and analytical. They were able to synthesize a large amount of evidence from many different sources and provided thoughtful recommendations for areas of improvement.

I would also like to recognize the efforts of the Park Board Leadership Team and all the Park Board staff that were receptive to the opportunity to take part in this performance audit. The Park Board staff team understood the importance of this audit and its potential benefits and prioritized this work to ensure its success.

Revenue management within Park Board is a recognized area of improvement by Park Board leadership. Recognizing the complexity of the governance structure for Park Board and its unique relationship with the City of Vancouver, Park Board staff continue to look for opportunities to improve in this area. I am thankful that the audit process was inclusive and transparent, allowing staff a fulsome understanding of Park Board's revenue process, opportunities for data and metrics to inform revenue management and overall ability to optimize revenue generation.

The Park Board Leadership Team values the importance of the performance audit, the detailed findings of the report and is supportive of the recommendations put forward regarding the changes and modifications to the revenue management process. We look forward to implementing these recommendations to optimize the Park Board revenue management process.

**Steve Jackson**

General Manager

Vancouver Board of Parks & Recreation

City of Vancouver

## Auditee's Action Plan

### Exhibit 6: Auditee Action Plan

Recommendation	Management Response and Next Steps	Responsibility	Target Date
<p><b>Recommendation 1</b></p> <p>To help ensure that funding is made available for implementation of its strategic priorities, the Park Board should proactively engage with City Council as it develops current and future strategies.</p>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Action: Management will work with City of Vancouver City Manager's Office to map out a process to best engage City Council while adhering to the current governance structure.</p>	<p>GM, Parks &amp; Recreation</p>	<p>Q4 2024</p>
<p><b>Recommendation 2</b></p> <p>For revenue-generating service areas, the Park Board should define and document service delivery objectives to guide operational decision-making and future investment. Plans should provide short to medium-term outlooks for service areas and be regularly reviewed and updated.</p>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Actions:</p> <p>1) Management will develop a business plan template that will address the items in the recommendation.</p> <p>2) Management will roll this out in phases with one revenue generating service area to be completed by end of 2024.</p> <p>3) This work will be ongoing, however, management will prioritize the profit-oriented service lines for completion end of 2027.</p>	<p>Director, Park Board Business Services</p> <p>Director, Park Board Recreation Services</p> <p>Director, Park Board Financial Planning &amp; Analysis</p>	<p>1) Q4 2024</p> <p>2) Q4 2024</p> <p>3) Q4 2027</p>

<p><b>Recommendation 3</b></p> <p>The Park Board should strengthen its fee-setting processes by implementing a comprehensive fee-setting framework that includes:</p> <ul style="list-style-type: none"> <li>• Principles for determining revenue categories where user fees should and should not be charged;</li> <li>• Criteria to categorize services based on various factors such as the types of services, users and uses, affordability and accessibility;</li> <li>• Methods for determining service cost-recovery ratios to enable metrics for target setting and tracking of operational and financial performance;</li> <li>• Rationale and conditions for fee reductions or waivers; and,</li> <li>• A periodic process to reassess service categorizations and revenue objectives for existing services.</li> </ul> <p>The revised framework should account for differences in the types of services provided between the Recreation Services and Business Services departments. The Park Board should also update its <i>Fees and Charges Policy</i> to reflect adjustments to the fee-setting processes outlined above.</p>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Action: As part of the annual Fees &amp; Charges process, management will implement these recommendations and update the Fees &amp; Charges Policy accordingly.</p>	<p>Director, Park Board Financial Planning &amp; Analysis</p>	<p>Q4 2024</p>
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<p><b>Recommendation 4</b></p> <p>The Park Board should incorporate in its updated fee-setting framework an evaluation of full costs for each service area to strengthen the correlation between fees charged and the underlying costs, and define the types of costs it intends to recover through its fees.</p>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Actions:</p> <ol style="list-style-type: none"> <li>1) Develop a model for full cost recovery for our profit-oriented service areas that is in line with other services across the City.</li> <li>2) Management will roll this out in phases starting with one revenue generating service area to review and analyze full costing.</li> <li>3) Management to fully implement the fee-setting framework and evaluation of full costs for profit oriented service areas by end of 2026.</li> </ol>	<p>Director, Park Board Financial Planning &amp; Analysis</p> <p>Director, City Wide Financial Planning &amp; Analysis</p>	<ol style="list-style-type: none"> <li>1) 2024 Q4</li> <li>2) Q2 2025</li> <li>3) Full implementation in Q4 2026</li> </ol>
<p><b>Recommendation 5</b></p> <p>The Park Board should define performance metrics for all revenue-generating service areas to enable monitoring and tracking of progress toward service delivery, revenue objectives and overall strategies. Performance metrics should:</p> <ul style="list-style-type: none"> <li>• Be meaningfully designed to align with the performance and strategic objectives of the service area;</li> <li>• Have defined targets with timeframes for completion;</li> <li>• Have defined intervals and audiences for reporting;</li> <li>• Include up-to-date documented procedures for calculation; and,</li> </ul>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Actions:</p> <ol style="list-style-type: none"> <li>1) As part of recommendation #2, management will appropriately define performance metrics as part of the business plan template and will roll this out in phases starting with one revenue generating service area.</li> <li>2) Management to define metrics for remaining profit-oriented service lines by end of 2026.</li> </ol>	<p>Director, Park Board Strategic Operations and Board Relations</p> <p>Director, Park Board Financial Planning &amp; Analysis</p>	<ol style="list-style-type: none"> <li>1) Q4 2024</li> <li>2) Full implementation in Q4 2026</li> </ol>

<ul style="list-style-type: none"> <li>• Include a process to ensure that performance metrics are accurately calculated.</li> </ul>			
<p><b>Recommendation 6</b></p> <p>The Park Board should report on actual revenues versus expenditures including all relevant costs to track the achievement of revenue objectives by service areas.</p>	<p>Park Board Leadership Team agrees with this recommendation.</p> <p>Action: As part of the annual Fees &amp; Charges Process, management will report on actual revenues and expenditures by service area against budget in order to track achievement of revenue objectives.</p>	<p>Director, Park Board Financial Planning &amp; Analysis</p>	<p>Q4 2024</p>



## Appendix B: About the Audit

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This report presents the results of a performance audit conducted by the Office of the Auditor General for the City of Vancouver (OAG) under the authority of the *Auditor General By-Law No 12816*. All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements, set out in the CPA Canada Handbook – Assurance.

The Office of the Auditor General applies Canadian Standards on Quality Management, CSQMs 1 and 2 which require it to maintain a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The OAG complies with the independence, other ethical requirements and rules of professional conduct of Chartered Professional Accountants of British Columbia (CPABC) applicable to the practice of public accounting and related to assurance engagements and the standards of conduct of the City of Vancouver.

### Objective

The objective of this audit was to determine if the Vancouver Board of Parks and Recreation operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue.

### Period Covered by the Audit

The audit covered the period between January 1, 2018 and June 30, 2023. The audit included materials produced prior to January 2018 that were used as policies, guidance or administrative processes during the audit period. We conducted our examination work between July and October 2023, and completed the audit on October 31, 2023.

### Audit Scope and Approach

The scope of this audit included Park Board revenue-generating assets and services within its Business Services and Recreation Services departments. The scope also included Park Board and City policies, guidelines or programs that were linked to financial or revenue management that impact the Park Board. The scope of this audit did not include:

- A financial audit of the completeness and accuracy of revenue and cost information provided by the Park Board to the OAG;

- Assessing internal controls over revenue collection processes at Park Board facilities, which were covered in part by the City’s Internal Audit department’s “*Cash Handling and Management Oversight*” audits;
- Recreation services related to Community Center Association (CCA) managed programs. However, the audit scope included recreation fees set and retained by the Park Board;
- Service offerings at the VanDusen Botanical Garden and the Bloedel Conservatory related to joint operations between the Park Board and the Vancouver Botanical Gardens Association (VBGA). However, the audit scope included fees set and retained by the Park Board;
- Revenue generated from by-law fines in parks and recreation spaces; and,
- Lease management processes relating to Park Board properties.

We used several methods to obtain sufficient and appropriate evidence. We reviewed available documentation, interviewed internal stakeholders and undertook analytical procedures using data provided by the Park Board. This included:

- Review of Park Board strategies and policies;
- Review of the process and available documentation related to the Park Board’s fee-setting processes;
- Analysis of cost components included in the Park Board financial performance reporting for revenue-generating services;
- Analysis of the overall funding components of the Park Board’s operating budgets including the portions from Park Board revenues and tax-based funds; and,
- Recalculation of performance metrics reported by the Park Board.

### **Audit Criteria**

A performance audit uses specific criteria that are determined in advance to assess how the department or program is performing in the area being examined. Criteria are intended to be reasonable expectations of how a program, operation, system or practice is managed to achieve intended results. We used the following criteria in this audit:

**Exhibit 7: Audit Criteria**

Lines of Enquiry	Criteria
<b>Revenue-related objectives and framework</b>	The Park Board had funding and revenue-related objectives that supported its strategies.

	The Park Board had an effective framework in place to support the achievement of revenue-related objectives.
<b>Revenue performance management</b>	The Park Board tracked performance metrics that were linked to approved objectives, priorities and/or budgets for assets and services that generate revenue.

The Park Board acknowledged their responsibility for the subject matter of this report and agreed with the suitability of the criteria we applied.

### ***Follow Up***

The recommendations within this report will be included as part of the OAG's semi-annual follow-up process agreed to by Council.

## Appendix C: Park Board Service Areas

The table below outlines the services provided by the Recreation Services and Business Services departments based on financial information provided by the Park Board.

Expenditures include service delivery costs that were controllable by Park Board managers. Costs such as lifecycle replacement, insurance and shared costs provided by the City (including IT, financial services, human resources and facilities maintenance) were not included in “Budgeted Expenditures”.

The figures are presented by department in descending order of \$ Budgeted Revenue.

Service Departments and Areas	Revenue Objectives	2023 \$ Budgeted Revenue	2023 \$ Budgeted Expenditures	2023 \$ Budgeted Net
<b>Recreation Services department</b>				
<b>Recreation Services</b> <sup>1</sup> - Admission fees and passes for access to the City’s community centres, pools, arenas, and outdoor sports and fitness. It also includes facility and equipment rentals.	Cost-recovery	13,011,100	(36,686,994)	(23,675,894)
<b>Business Services department</b>				
<b>Golf</b> - The Park Board maintains three championship golf courses: Fraserview, Langara, McCleery and their associated clubhouses. Revenues generated include green fees, golf equipment rentals and clubhouse leases.	Income-generating	11,888,900	(6,933,100)	4,955,800
<b>Parking</b> - Parking lots at some Vancouver parks charge parking fees.	Income-generating	10,889,300	(2,967,200)	7,922,100
<b>VanDusen Botanical Garden (destination attraction)</b> - A 55-acre botanical garden featuring over 7,500 plant species and varieties. Revenues generated include admission fees, facility rentals and special events.	Income-generating / Full cost-recovery	4,632,100	(4,376,100)	256,000
<b>Leases</b> <sup>2</sup> - The Park Board manages various properties and facilities leased to tenants. Revenues generated include lease payments and other revenues negotiated through the lease agreement such as revenue sharing with commercial operations.	Income-generating	4,313,800	(397,100)	3,916,700

<b>Marinas</b> - The largest marina in False Creek that provides water moorage for boats and land storage spaces for other watercraft. Revenues generated include moorage and storage fees.	Income-generating	3,605,400	(1,998,500)	1,606,900
<b>Concessions</b> - The Park Board manages food and beverage concession stands at various park locations. Revenues generated include food and beverage sales.	Income-generating	3,598,600	(2,683,300)	915,300
<b>Business Development</b> - Includes management of revenues generated from corporate sponsorships, donations, special events permitting and film permitting.	Income-generating	3,002,400	(1,760,300)	1,242,100
<b>Pitch &amp; Putt</b> - The Park Board maintains three pitch and putt facilities at Stanley Park, Queen Elizabeth Park and Rupert Park. Revenues generated include green fees and rentals.	Income-generating	1,373,000	(791,600)	581,400
<b>Stanley Park Train</b> - A miniature train offering rides within Stanley Park. Revenues generated include train ticket sales and special events.	Income-generating	1,885,400	(1,424,800)	460,600
<b>Bloedel Conservatory &amp; Celebration Pavilion in Queen Elizabeth Park (destination attraction)</b> - A 52-hectare park located at the highest point in Vancouver. Revenues generated include admission fees for the Bloedel Conservatory and rental fees for the Celebration Pavilion.	Income-generating/ Full cost-recovery	1,286,400	(1,241,100)	45,300
<b>Total</b>		<b>59,486,400</b>	<b>(61,260,094)</b>	<b>(1,773,694)</b>

<sup>1</sup> The reported amounts in Recreation Services exclude any revenues and expenditures related to programs and activities managed by Community Centre Associations.

<sup>2</sup> Leases overseen by the Park Board are excluded from the audit scope.