

**Subject: RE: The truth behind the subsidy. OSTRICHES LOOSE IN DNV**

**Date:** Tue, 14 May 2002 17:38:22 -0700

**From:** Ernie Crist <CristE@dnv.org>

**To:** "John Hunter" <johnhunter@idmail.com>, "FONVCA (E-mail)" <fonvca@fonvca.org>, Councilor Doug MacKay-Dunn DNV <doug\_mackay-dunn@dnv.org>

**CC:** Councilor Doug MacKay-Dunn DNV <doug\_mackay-dunn@dnv.org>, Jim Cuthbert DNV <JimCuthbert@telus.net>, Dave Sadler <davesadler@telus.net>, Corrie Kost DNV <kost@triumf.ca>, Bill Tracey DNV <bill\_tracey@telus.net>, Allan Orr DNV <allandorr@shaw.ca>, Brian Platts <brian\_platts@telus.net>, "Elizabeth James (CAGE)" <agebc@yahoo.com>, Peter Thompson <bedeconsulting@shaw.ca>

John:

Well said. I think I have stated more or less the same at different times. I see distance has not deterred you from keeping up with events in your home town - good on you.

Thanks for your time and trouble.

Ernie Crist

> -----Original Message-----

> **From:** John Hunter [<mailto:johnhunter@idmail.com>]

> **Sent:** Tuesday, May 14, 2002 4:16 PM

> **To:** Ernie Crist; FONVCA (E-mail); Councilor Doug MacKay-Dunn DNV

> **Cc:** Councilor Doug MacKay-Dunn DNV; Jim Cuthbert DNV; Dave Sadler;

> Corrie Kost DNV; Bill Tracey DNV; Allan Orr DNV; Brian Platts; Elizabeth

> James (CAGE); Peter Thompson

> **Subject:** RE: The truth behind the subsidy. OSTRICHES LOOSE IN DNV

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> **C. Crist:** I think you may be understating the situation regarding  
> recreation subsidies.

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> I have reviewed the two third party reports on the situation and am unable

> to find that, in charging our own residents and those of the city for use

> of DNV facilities, we account for DNV capital facilities used in

> recreation. In other words, there is no APPARENT input to the cost

> equation for the cost of DNV land or construction of buildings used in

> recreation by DNV and CNV citizens (I am not sure about playing fields).

> It appears our capital facilities, as far as their original construction

> and the land for them, are contributed to the "cost sharing pot" for

> nothing. I have asked John McPherson, DNV Finance Director, to confirm

> or refute this; hopefully I am wrong. This approach makes no business

> sense that I can see.

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> Then, as you point out, we apparently contribute the maintenance for DNV

> facilities to the cost sharing pot for nothing insofar as sharing costs

> with the city. If they contributed facilities of equal value or use, that

> would be a wash perhaps, but from your data they do not.

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> So if I am correct about the second paragraph, the subsidy is worse than

> you suggest. And if, unlike DNV, CNV charge for the land and original

> construction, it's even further out-of-whack.

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> *It gets worse. I am told that citizens from, for example, West Van can use DNV recreation facilities. Since the charges to them do for such use do not pay anywhere near full costs, we subsidize them too.*

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> *So in summary, the citizens in general of DNV subsidize DNV users of DNV recreation facilities by (subject to Mr. McPherson's answer) contributing land and buildings for nothing, and then subsidizing heavily operating and maintenance costs. In addition, we subsidize CNV by the same two errors, made worse by the uneven contribution of facilities. Lastly, we subsidize users that are from neither CNV or DNV, and with whom we have no cost sharing agreement.*

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> *The golf course is another example of this unbusinesslike behavior. It is also a financial disaster (although a lovely course), earning a return of about 4% on the investment (you can do better on risk free government bonds), and, when debt service is taken into account, loses \$300,000 to \$500,000 per year. The only reason it is not bankrupt is that we borrowed the money from DNV taxpayers (Heritage Fund), and Council simply stopped paying interest and principal on the debt. Try that with a bank! This seems grossly unfair to DNV taxpayers, especially given the small percentage that golf, and given that a third to a half of the players are not even from the north shore.*

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> *We see such subsidization and strange business practices in many areas of DNV. A VERY FEW examples are below:*

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> *-"free use of land" to entities like the Deep Cove Yacht Club, a private club for a luxury hobby. This saves their members (example - I have personally done the math) \$1000 per year moorage on a 30 foot cruiser, vs. a commercial marina. And most commercial marinas do not give you a private club and bar, and an outstation, for that price, as the DCYC does. This largess courtesy of the DNV taxpayer, approved by Council (use of \$330,000 of land for \$30 per year).*

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> *-we sell services knowingly to the Burrard Band at 90% of cost; from newspaper quotes apparently because they are good neighbors and because they do not use all the services. Try that excuse to pay only 90% of your taxes!*

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> *-sub market rates for leases of commercial lands to businesses. Worst example is a \$5 MM piece of DNV property earning 1.72% return (even staff use a target of 4-5%, a proper target would typically be double or higher for commercial real estate).*

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> *-there are numerous other examples*

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> *Yet we are so desperate financially that Council raids the Heritage Fund and reserve funds to pull a 15% cost increase in 2000 to a 5.5% tax*

> increase (same done previous year too). This action is equivalent to  
> holding your rent increase to 5% by giving the landlord some of your  
> furniture and RRSP money and then claiming to your wife (as three  
> councilors and the Mayor did about this budget), that we did a great deal.  
> Unfortunately, this is not a sustainable approach, leaving aside the  
> "minor point" that you are liquidating assets to pay operating costs.  
>  
> Further evidence of the sad financial situation is C. Denault's proposed  
> billboards in DNV to pay our costs.  
>  
> What's wrong with this picture? The only options open to this council  
> are the following, and this is the true tragedy:  
>  
> -return to forced sales of land to pay our bills, whether citizens want it  
> or not  
> -distasteful initiatives like billboards  
> -DNV goes bankrupt (it happened once before)  
> -pray the incoming Community Charter gives lots of powers to tax  
> everything in sight, and do it  
> -win the lottery  
> -Council pray they get voted out and somebody else has to do what Gordon  
> Campbell is doing - clean up somebody else's mess  
>  
> Keep up the digging, C. Crist  
>  
> As to why Council behave in this fashion, I can only speculate as to your  
> view that Council are unable to understand what is happening. It may be  
> that they do, but lack the political courage to move on this type of  
> thing. I suspect some councilors are in one or the other camp.  
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> Council has been considering a new third party report or an update of the  
> last one. I would suggest that updating either is probably a waste of  
> money because it does not have the scope to root out the key financial  
> issues. If I can help pose the proper questions I would be pleased to do  
> so.  
>  
> This is not a difficult business issue to understand. Utilities do it  
> all the time: in laymen's terms, you have to gather all your costs,  
> classify them, and then allocate them to the different classes of users.  
> Unfortunately, it appears we have not agreed to get to first base, or  
> can't see it. The answers may not be politically popular, but let's at  
> least get the answers and not take the ostrich approach. Then if  
> politically you want to allocate costs in some non-businesslike way, you  
> can still do that. But at least understand your costs.  
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> John Hunter  
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> -----Original Message-----  
> From: Ernie Crist [<mailto:CristE@dnv.org>]  
> Sent: May 11, 2002 9:34 AM  
> To: FONVCA (E-mail)  
> Subject: The truth behind the subsidy.  
>

> *A MESSAGE FROM ERNIE CRIST*

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> *The total operating budget of the Rec Commission for both City and District is roughly \$16 million. The District's portion is 70 % of this amount. Thus the District's portion is \$ 11.2 mill of which \$ 6,3 mill is recovered, mainly from fees. Thus the District's subsidy for the Commission's operations is \$ 4.9 mill or 44 % of the \$ 11.2 mill. The District's subsidy for capital maintenance for facilities located in the District is an additional \$ 600,000 this year ( low compared to other years). This brings the subsidy by the District to \$ 5.5 mill.*

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> *Add to this the cost of maintenance for playing fields and you get an annual subsidy by the District of roughly \$ 6 million for recreation. District fields, via the Shared Services agreement are free including to City residents. City fields in turn are free for District residents as well but the City has only 25 % of the District's number of fields while their population is more than half that of the District.*

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> *Subsequently there is a considerable shortage of playing fields in the City but they need not worry since they can use the District's fields free of charge via the Shared Services agreement, courtesy of the Council of the District. All this constitutes a huge subsidy to the City which does not access its own Heritage Fund nor its infrastructure reserves and has much lower taxes than the District.*

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> *Both the City and the District pay for the capital maintenance of recreations facilities within their own jurisdictions. Thus the City pays for its own and so does the District (\$ 600.000 this year). To maintain the facilities in a proper fashion the District would need \$ 1.2 mill annually but it contributes only half of that amount which means that the facilities are deteriorating to a point where, within a few years they will have to be turned over to the private sector. The District Council has failed to address this issue. I do not believe that they comprehend the situation.*

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> *I do not believe that their training is adequate to understand all this. But I also believe that to the extent that they do understand they do not want to touch it for fear of upsetting the Commission and subsequently the sport users who do not care who pays for what as long as they get what they need. Keep in mind too that the District, while subsidizing the City is short of money to maintain its own facilities. Although the City has only one major facility for every 3 in the District, it contributes more dollars for the capital maintenance of its fewer facilities than does the District for its facilities. This is another I.Q indicator. Thus my recent comments about lack of intelligence.*

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> *As 3 out of 4 major Recreation facilities in North Vancouver are located in the District and since the City does not contribute to those costs while its population is more than 50% of the District, the District is, in effect, subsidizing the City on a grand scale. The Rec. Commission gives the number of visitors from the City as 30% of the total. These figures are based on the annual passes, however, rather than the total number of visitors. Neither does it include visitors from Burnaby and/or*

> *the City of Vancouver.*

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> *On a percentage basis, the number of annual passes is far greater in*  
> *the District since there are more families and more seniors in the*  
> *District. In the City the makeup of the population is younger and mostly*  
> *rental. This means fewer annual passes and more pay as you go fees.*  
> *Single families residential makes for a population more likely to use*  
> *annual passes. This means that the figures of 30 % ( City users ) on*  
> *which the overall contribution towards the Commission's operating expenses*  
> *are based on, are incorrect.*

>

> *Under my plan all subsidies ( i.e. the Parkgate model) can be*  
> *eliminated without raising fees and/or reducing the level of services*  
> *including badly needed capital maintenance. This is because Parkgate*  
> *operates as a non profit society and is subsequently able to access*  
> *funding from other sources. Parkgate last year raised \$ 1.2 million from*  
> *such sources.*

>

> *All my efforts to address any of the above issues failed. This is*  
> *one of the reasons why one of the City Councillors when I recently told*  
> *him that we are subsidizing the City retorted "Ernie, it is not our fault*  
> *that you people are so stupid". All figures used above are rough except*  
> *the total amount of expenditures which in our 2002 budget under Recreation*  
> *Commission expenditures is listed as \$ 11,153.628 while I have listed*  
> *it as \$ 11.2 mill to round up the figures.*

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