



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: March 15, 2004
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TO: Standing Committee on City Services and Budgets

FROM: General Managers of Engineering Services and Corporate Services

SUBJECT: City of Vancouver Off-Street Parking Facilities - Parking Corporation of Vancouver Budget Review and Capital Budget Approval

RECOMMENDATIONS

- A. THAT Council receive for information the summary of the Parking Corporation of Vancouver (EasyPark) 2003 Operating financial results;
- B. THAT Council receive for information the summary of the EasyPark 2004 Operating Budget;
- C. THAT Council approve the EasyPark Capital Budget items totalling \$748,000 with funding provided from the Parking Site Reserve (\$693,000) and the Property Endowment Fund (\$55,000).

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services and General Manager of Corporate Services recommend that the above recommendations be approved.

COUNCIL POLICY

On May 29, 1997 Council authorized a new operating agreement with the VPC that detailed the mission, goals and operating principles for the VPC, as follows:

a. Mission

The Vancouver Parking Corporation exists to manage and operate safe, customer friendly and cost effective off-street parking on behalf of the City of Vancouver.

b. Goals

- to advise the City on transportation policies and operating strategies for the off-street parking facilities, which are complementary to the needs and economic health of the business community.
- to manage the City's off-street parking in a manner consistent with the City's transportation policies.
- to operate the City's off-street parking facilities in a professional manner.
- to provide a highly cost effective operation that maximizes the City's return on its parking investment within the constraints imposed by the City.
- to be accountable to the City through a regular schedule of operating and financial reporting, reflecting mutually developed performance criteria.

The policy further provides that EasyPark use the parking facilities for providing, in priority:

1. Transient vehicular parking accommodation on a short-term basis;
2. Reserved vehicle parking, either on a permanent basis or contract basis, in keeping with the City policy to provide contract parking only in the event of surplus parking spaces.

Council Policy gives the Vancouver Parking Corporation authority over:

- the conduct of off-street parking rate reviews, leading to the determination of off-street parking rates and enforcement fees to be used on City facilities;
- the determination of operating hours policies, procedures and practices for each municipal facility;

PURPOSE

The purpose of this report is to review the 2003 financial performance of Easypark, to comment on EasyPark's 2004 Operating Budget and seek Council's approval for the 2004 EasyPark Capital Budget.

BACKGROUND

As part of the Management Agreement and consistent with Council direction, EasyPark has greater responsibility for and more independent operation of the City's off- street parking facilities than prior to the agreement. EasyPark is accountable for its operating budget, while it requires Council approval for its Capital budget.

In accordance with the management agreement, EasyPark delivered to the City its year 2004 budget submission and financial statements. This includes unaudited 2003 financial figures for EasyPark, and the 2004 Operating and Capital Budget. In support of this budget EasyPark has also submitted a Business and Management Plan. These documents are available through the offices of the City Clerk.

For the purpose of financial reporting, the parking lots under EasyPark's stewardship are reported as "City Lots", comprising both Parking Site Reserve lots and Property Endowment Fund lots, and "Other Lots", which are lots managed either partially or entirely on behalf of third parties.

DISCUSSION

1. 2003 Operating Results

2003 Operating results, together with 2003 Operating Budget, are presented in the following table:

Table 1

	Budget 2003	Actual 2003	Actual to Budget	% of Budget
Revenue	\$16,588,300	\$15,982,800	(\$605,500)	(3.7%)
Operating Costs	\$5,726,700	\$5,213,600	\$513,100	9.0%
Administration	\$1,475,900	\$1,291,900	\$184,000	12.5%
Total Expenses	\$7,202,600	\$6,505,500	\$697,100	9.7%
Net Operating Margin	\$9,385,700 56.6%	\$9,477,300 59.3%	\$91,600	1.0%
Payable to the City	\$7,263,000	\$7,807,700	\$544,700	7.5%
Payable to Others	\$2,122,700	\$1,669,600	(\$453,100)	(21.3%)

The following sections discuss the source of variances in both revenue and expenses.

a) Revenues

In aggregate, revenues in 2003 were less than originally budgeted by \$605,500 (-3.7%). Revenues for City Lots (City owned lots plus the City share of jointly operated lots) were more

than budget by \$155,200 (+1.2%), while revenues for Other Lots (those owned by third parties plus the third party's share of jointly operated lots) were less than budget by \$760,700 (-23.8%). Within the group of City Lots, revenue from Parking Sites Reserve lots and PEF lots varied from budget by -2.7% and +11.3% respectively.

This was a result of a combination of several material factors as shown in the following table. [Note – a positive variance indicates actual revenues higher than budget.]

Table 2

Source of Revenue Variance (Variances of \$50,000 or more)		Amount of Revenue Variance	% of Budgeted Revenue
City Lots			
Lot 1 – 535 Hornby Street	Revenue above budgeted amount (Only budgeted for 6 months)	\$227,200	1.7%
Lot 31 – Gastown Parkade	Impact of construction impacted revenues significantly. Stall counts at times reduced to 200 from original 1400, as well as total loss of monthly accounts and film crew revenue.	(\$467,400)	(3.5%)
Lot 9 – Pacific Centre	Revenues lower than projected, partly due to reduced retail activity in the mall, reduced tourism affecting the hotel occupancy and a higher vacancy rate in the office towers.	(\$188,100)	(1.4%)
Lot 8 – 65 W Cordova Street	Transfer of monthly parkers from Gastown Parkade during construction	\$88,700	0.7%
Lot 36 – 1150 Seymour – Lot 37 – 1151 Richards – Lot 40 – 900 Denman	Unanticipated revenue – zero budget in each case	\$63,900	0.5%
Lot 19 – 900 W Cordova	Improved security attracting customers plus rate changes	\$111,200	0.8%
Lot 21 – 688 Cambie (Old Bus Depot Site)	Greater than expected usage by film crews.	\$66,200	0.5%
Lot 22 – 1180 Mainland	Additional residential development in area has increased demand	\$59,900	0.4%
Lot 26 – 788 Richards	Benefiting from events in the area	\$51,800	0.4%
Remaining Lots		\$141,800	1.1%
Subtotal Revenue Variance - City Lots		\$155,200	1.2%
Other Lots			
Lot 1 – 535 Hornby Street	Revenue above budgeted amount (Only budgeted for 6 months)	\$297,600	9.3%
City of Richmond	Loss of projected revenue due to revision of contract	(\$374,900)	(11.7%)
Lot 28 – BCIT	Loss of projected revenue due to cancellation of contract	(\$406,300)	(12.7%)
Lot 32 – Pacific Centre North	Monthly rates kept low by landlord	(\$285,500)	(8.9%)
Remaining Lots		\$8,400	0.3%

	Subtotal Revenue Variance - Other Lots	(\$760,700)	(23.8%)
	Total Revenue Variance	(\$605,500)	(3.7%)

b) Expenses and Operating Margin

In aggregate, expenses in 2003 were less than originally budgeted by \$697,100 (9.7%). Expenses for City Lots were less than budget by \$420,600 (6.8%), while expenses for Other Lots were less than budget by \$276,500 (26.5%).

Notes on the significant expense variances are noted in Table 3. [Note, positive variance indicates that actual expenses are less than budget.]

Table 3

Source of Expense Variance		Amount of Expense Variance	% of Budgeted Expenses
City Lots			
Salaries and Fringe Benefits	Savings from closing of second booth at Gastown Parkade during construction, the cancellation of training programs and salary savings at various lots	\$162,500	2.6%
Building and Equipment Maintenance	Reduced cost due to reduced area available in the Gastown Parkade and the deferral of some projects and programs at various lots	\$80,700	1.3%
Bank Charges	Increased credit card fees combined with increased usage of credit cards	\$37,200	0.6%
Security Services	Savings in Gastown Parkade, offset by redeployment of some services to various lots	\$35,100	0.6%
Marketing Expense	General reduction in expenditures for marketing	\$47,500	0.8%
Administration Expenses	Savings in professional fees, insurance, corporate relations and head office expenses	\$84,600	1.4%
	Other Net Variances	(\$27,000)	(0.5%)
	Subtotal Expense Variance - City Lots	\$420,600	6.8%
Other Lots			
Salaries and Fringe Benefits	Savings from introduction of pay and display equipment at Pacific Centre North in April and reduction in services for the City of Richmond in August	\$98,300	9.4%
Enforcement Services	Services ceased in City of Richmond in August	\$39,300	3.8%
Equipment Rental and Lease	Contracts for equipment at Lot 28 – BCIT and City of Richmond taken over by other parties	\$44,800	4.3%
Administration Expenses	Savings in professional fees, insurance, corporate relations and head office expenses	\$99,300	9.5%
	Other Net Variances	(\$5,200)	(0.5%)
	Subtotal Expense Variance - Other Lots	\$276,500	26.5%
	Total Expense Variance	\$697,100	9.7%

The combination of the variances in revenue and variances in expenses resulted in a Net Operating Margin that is \$91,600 (1.0%) favourable to budget. For the City lots, the operating margin was \$575,800 (8.0%) favourable to budget, while the operating margin for the Other lots was (\$484,200) (-22.5%) unfavourable to budget.

The improved Operating Margin for the City lots is a result of both higher revenue and lower expenses than expected. The lower than expected Operating Margin for the Other lots is driven by a loss of revenue resulting from the loss of contracts with some third parties (Richmond and BCIT), offset to some extent by the reduction in expenses related to those contracts.

2. 2004 Operating Budget

EasyPark's 2004 budget and comparison with 2003 is outlined in Table 4. Overall, revenues are projected to decline slightly from 2003 actuals, while costs are projected to increase by 7.7%

Table 4

	Budget 2003	Actual 2003	Budget 2004	2004 Budget to 2003 Actual	% Difference
Revenue	\$16,588,300	\$15,982,800	\$15,880,300	(\$102,500)	(0.6%)
Operating costs	\$5,726,700	\$5,213,500	\$5,561,100	(\$347,600)	(6.7%)
Administration	\$1,475,900	\$1,291,900	\$1,447,100	(\$155,200)	(12.0%)
Total Expenses	\$7,202,600	\$6,505,400	\$7,008,200	(\$502,800)	(7.7%)
Net Operating Margin	\$9,385,700	\$9,477,400	\$8,872,100	(\$605,300)	(6.4%)
Payable to the City	\$7,263,000	\$7,807,700	\$7,438,700	(\$369,000)	(4.7%)
Payable to Others	\$2,122,700	\$1,669,700	\$1,433,400	(\$236,300)	(14.1%)

The budgeted revenues in 2004 reflect the full year loss of revenue from EasyPark's Richmond contract and its contract with BCIT (loss of these revenues totals approximately \$811,000). In addition, the revenue projections reflect the sale of Carpark 26 - 788 Richards, in 2003, resulting in a loss of revenue in 2004 of \$156,000. Revenue increases are projected at several lots, generated by various factors, such as rate increases, expanded capacity and expected business increases resulting from promotional activities and an increased customer service presence in some lots. Notably, the following increases are projected; Pacific Centre (\$229,300 or 4.8%), Gastown (\$242,400 or 41%), Lot 1 535 Hornby (\$150,000 or 10.2%) and Pacific Centre North (210,700 or 28.8%).

The increase in expenses is driven by Salary increases (\$206,400 or 12.7%) resulting in part from a wage settlement from EasyPark's Collective Agreement ended December 2003. The agreement called for a \$1.00 wage increase or about 8.15% on the last day of the contract in exchange for 0% increases over the preceding term of the contract. As a result there is

effectively several years of salary increases loaded into 2004. Additional factors include an anticipated increase in customer service staff and the reopening of a second booth at Gastown once construction is completed. Additional drivers include building and equipment maintenance increases (\$123,200 or 33%) resulting from an expansion of a Quality Assurance program started in 2003 and equipment upgrades to handle new rates and access control; and an increase in administration costs (\$155,200 or 12%) resulting in part from salary and benefit increases, reinstated training programs and additional corporate relations programs.

3. 2004 Capital Budget

EasyPark has submitted proposals totaling \$573,000 for various Capital Improvements in 2004, and these are supported by staff. In addition, staff have identified a further \$175,000 of needed capital improvements at the Gastown Parkade which should be added to EasyPark's budget, for a total capital requirement of \$748,000.

Due to the relatively late approval of the 2003 Capital program, \$1,068,000 of the 2003 Capital program budget of \$1,344,200 remains unexpended and is being carried forward to 2004.

Details of the new items for the 2004 Capital Budget are as follows:

➤ **Carpark 5 (520 W. Georgia) – Guardrails - \$80,000**

Based on the results of a condition assessment undertaken by EasyPark, the replacement of deteriorating guardrails at Carpark 5 is being recommended. The guardrails are of considerable concern, as reported by RJC Engineering Consultants, as they are not capable of saving a vehicle from driving off the edge of the building onto street level.

➤ **Carpark 9 (Pacific-Centre) - \$255,000**

1) Software & Hardware Upgrade

\$240,000 is required to bring parkade software licenses and hardware up to date. Existing software is no longer being supported and the replacement software requires some associated hardware upgrades.

2) Office Air Quality Improvements

Existing ventilation of EasyPark offices in Pacific-Centre is shut off outside of mall business hours. A separate ventilation system is needed to provide a comfortable working environment 24 hours a day, 7 days a week. Cost of this work is \$15,000.

➤ **Carparks 10, 11, 12, 17, 18, 46 – Purchase Pay and Display Equipment - \$77,000**

Buyout options on existing leased pay and display equipment at these Property Endowment Fund lots will be exercised, based on a business-case analysis of owning versus leasing.

➤ **Carpark 19 – 900 W. Cordova and Carpark 27 – Library Square – Revenue Control Equipment - \$60,000**

The revenue control equipment and access controls at both these sites are in excess of 10 years old, and require constant service and repairs due to their unreliability. The budget for replacement equipment at Carpark 19 is \$25,000 and \$35,000 at Carpark 27.

➤ **Carpark 22 – 1180 Mainland - Plaza Upgrade and Landscaping - \$20,000**

\$20,000 is needed to complete required landscaping work at this site.

➤ **Carpark 40 – West End Community Centre - \$38,000**

\$18,000 is being budgeted for replacement of obsolete Pay and Display equipment for which no spare parts are available, and \$20,000 is being provided for installation of a security gate and improved lighting.

➤ **Security Cameras – Various Carparks - \$13,000**

To improve security for carpark attendants, EasyPark proposes to install security cameras in 10 attended kiosks. These cameras will be monitored by EasyPark staff in the Pacific-Centre parkade office. EasyPark management has committed to discussing this proposal with its union prior to implementation. The cost to install these cameras is \$13,000.

➤ **Vehicle - \$20,000**

An existing passenger vehicle has reached the end of its economic life and requires replacement, at a cost of \$20,000.

➤ **Computer – \$10,000**

\$10,000 is required for miscellaneous office equipment.

➤ **Carpark 31 – Gastown - \$175,000**

Two items need to be funded from the Parking Sites Reserve which are in addition to the funds approved by Council for this project:

- 1) An estimated \$100,000 is required for the replacement of light fixtures and associated wiring in the Water Street parkade. An initial review indicated that much of the existing electrical could be salvaged. Unfortunately when the fixtures were removed for rehab it became apparent they needed to be replaced.
- 2) An estimated \$75,000 is required to complete pedestrian improvements in the area near the Development. This work includes pedestrian bulges and realigned curb at Cordova and Cambie, and sidewalk repairs and enhancements adjacent to the site.

4. Comments on EasyPark Performance

The following table shows the overall contribution to the City from EasyPark operations over the past five years.

Table 5

	1999	2000	2001	2002	2003	Budget 2004	% Change 1999 to 2003
Total Revenue	\$14,980,100	\$14,983,100	\$16,621,100	\$16,353,600	\$15,982,800	\$15,880,300	+7%
Operating Expenses	\$4,308,700	\$4,751,800	\$5,506,100	\$5,588,500	\$5,213,600	\$5,561,800	+21%
Admin Expenses	\$1,097,300	\$1,515,000	\$1,189,400	\$1,241,900	\$1,291,900	\$1,447,100	+18%
Total Expenses	\$5,406,000	\$6,266,800	\$6,695,500	\$6,830,400	\$6,505,500	\$7,008,200	+20%
Operating Margin	\$9,574,100	\$8,716,300	\$9,925,600	\$9,523,200	\$9,477,300	\$8,872,100	-1%
Margin %	63.9%	58.2%	59.7%	58.2%	59.3%	55.9%	
Payable to Others	\$1,642,100	\$1,603,100	\$1,620,700	\$1,477,400	\$1,669,600	\$1,433,400	-2%
Operating revenue payable to City	\$7,932,000	\$7,113,200	\$8,304,900	\$8,048,800	\$7,807,700	\$7,438,700	-2%
City capital costs	\$254,000	\$233,000	\$778,000	\$353,000	\$279,600	\$1,816,000*	
Net payable to City before leases & taxes	\$7,678,000	\$6,880,200	\$7,526,900	\$7,695,800	\$7,528,100	\$5,622,700	

* Includes carry-forward of \$1,068,000 from 2003.

The General Managers of Engineering Services and Financial Services had expressed concern in previous reports regarding the performance of EasyPark in both generating revenues and controlling costs. While the 2003 financials show generally positive results compared to budget, the long term trend continues to show growth in expenses at a faster rate than the growth in revenues. Over the period 1999 to 2003, both revenues and expenses have increased in real terms – revenues have increased \$1,002,700 (7%), while expenses have increased \$1,099,500 (20%). Operating margins and amounts payable to the City (before capital expenditures), have decreased \$96,800 (1%) and \$124,300 (2%) respectively. These reduced returns are due in part to the negative impact on tourism as the result of various factors, such as 9/11, SARS and the rising Canadian dollar and reductions in the available capacity primarily due to the construction at the Gastown parkade. Expenses have increased in part due to increased customer service and security programs, rising maintenance and repair costs and utility costs. The trend of decreasing returns continues to be a concern and additional work by City staff and EasyPark has begun to review the overall operations of EasyPark.

The budget figures for 2004 reflect assumptions made in November and December 2003 regarding economic activity (reflected in revenues) which now appear to have been overly conservative. In the first two months of 2004, revenues have been ahead of budget by 11%, while costs have been below budget by 15%. This has resulted in the overall net margin being

38% favourable to budget. While caution must be exercised in assuming that this trend, based on only two months will continue throughout the year, at this time, it appears that EasyPark is on track to generate substantially better returns than projected in its 2004 Operating Budget.

For 2004, City staff intend to continue working together with EasyPark to develop a better understanding of the factors which are driving both revenues and costs. Staff have begun a full process review which will address the following key areas:

Rate Reviews

- Reviewing rate structures in the context of on-street parking rates and rates of competitive lots, clientele demand and City mandate.

Cost Control

- Seeking opportunities to reduce costs through efficiency gains
- Reviewing overhead costs and overhead cost accounting methods
- Evaluating opportunities for EasyPark to achieve savings through increased use of shared services (e.g. fleet management, facilities management, financial services)
- Reviewing the business need for service level decisions such as hiring of customer service staff and security.

Benchmarking & Metrics

- Revenue and cost per stall growth trends
- Enforcement productivity
- Security interventions
- B&E Incidents
- Others

In addition, City staff will continue with an initiative begun in 2003 which involves a review of the EasyPark mandate. This initiative involves dialog between the General Managers of Engineering and Finance and the Planning Committee of the EasyPark Board of Directors, and will include a broad discussion of matters such as Council policy on transportation, sustainability and the support of downtown businesses as well as EasyPark operations. The results of this are expected to give strategic direction to EasyPark management in regards to taking on new business opportunities or additional lots. It is also anticipated that these discussions can form the basis for a definition of EasyPark's mandate which can be incorporated into the Management Agreement. Results of this process will be reported back to Council separately.

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