



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: May 30, 2006
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Meeting Date: June 13, 2006

TO: Standing Committee on Transportation & Traffic

FROM: General Managers of Engineering Services and Corporate Services

SUBJECT: Parking Corporation of Vancouver (EasyPark) 2005 Year-end Review and 2006 Operating and Capital Budgets

RECOMMENDATIONS

- A. THAT Council receive for information the summary of the EasyPark 2005 financial results.
- B. THAT Council receive for information the summary of the EasyPark 2006 Operating Budget.
- C. THAT Council approve the EasyPark 2006 Capital Budget items totalling \$729,200 with funding provided from the Parking Site Reserve.

GENERAL MANAGERS' COMMENTS

The net operating revenue payable to the City (before capital expenditures) in 2005 was \$9,309,900, which is higher than in 2004 by \$614,900 or 7%, and greater than budget by \$458,000, or 5%. The net revenue payable to the City in 2005, after capital expenditures of \$727,900, was \$8,582,000, which is \$756,300 or 9.7% higher than in 2004. The net margin in 2005 was 62%, which remained the same as that in 2004.

For 2006, the net operating revenue payable to the city (before capital expenditures) is projected at \$10,152,400, which is higher than the actuals in 2005 by \$843,000 or 9%. The net revenues payable to the City in 2006, after capital expenditures of \$909,588, is projected at \$9,242,812, which is \$660,812 or 7.7% higher than the actuals in 2005. The net margin in 2006 is projected at 60%, which is 2% below that in 2005.

Revenue and expense increases in the 2006 budget are mainly the result of addition of the Chinatown Parkade, operation of full capacity at the Gastown Parkade, and the return of a full season of NHL games. Both the Gastown and Chinatown facilities are of significant size and operate at margins which are considerable less than other lots managed by EasyPark during their start-up period.

As noted in Table 3 in the Discussion Section, 83% of the revenue increase was generated from the operations of three major sites, Chinatown parkade, Gastown Parkade, and Pacific Centre. These three sites combined contribute a total of \$716,600 increase in net revenue. All other lots combined will contribute a total of \$315,300 increase in revenue and \$19,600 decrease in net revenue, as the expenses at all other lots combined will increase by \$334,900.

In addition to the total building and equipment maintenance costs for City lots of \$1,269,700 in the 2006 budget, requested capital projects for 2006 total \$729,200. The focus of these projects is security, safety and signage, such as the installation of security gates, replacement of access doors and signage to improve customer way-finding. In addition, there are several capital projects approved in 2003, 2004, and 2005 totalling approximately \$180,388 that are in progress and have been carried forward to 2006.

COUNCIL POLICY

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

a. Mission

EasyPark 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 EasyPark 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;

Net revenues from the core parking operations go to the Parking Site Reserve for reinvestment in the community, and from Real Estate holdings to the Property Endowment Fund - General.

PURPOSE

The purpose of this report is to review the 2005 financial performance of EasyPark, to comment on EasyPark's 2006 Operating Budget and seek Council's approval for the 2006 EasyPark Capital Budget.

BACKGROUND

As part of the Management Agreement and consistent with Council direction, EasyPark has greater responsibility and more independent operations of the City's off-street parking facilities. 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 2006 budget submission and financial statements. This includes unaudited 2005 financial figures for EasyPark, and the 2006 Operating and Capital Budgets. EasyPark has also submitted the Business Plan for 2006, which is available from the City Clerk's office.

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. 2005 Operating Results Compared to the 2005 Budget

The following table shows the variances from the budget for the year ended December 31, 2005.

Table 1: 2005 Operating Results -Variance to the Budget

	City Lots Variance	% of Budget	Other Lots Variance	% of Budget	Total Variance	% of Budget
	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)
Revenues	(\$318,200)	(2.0 %)	\$157,500	5.8%	(\$160,700)	(0.9 %)
Expenses:						
Operating	\$719,500	12.3%	(\$104,100)	(21.9 %)	\$615,400	9.7%
Administration	\$56,600	4.1%	(\$29,400)	(31.5 %)	\$27,200	1.8%
Net Revenue	\$457,800	5.2%	\$24,100	1.1%	\$481,900	4.4%

i) Revenue Variances to 2005 Budget

There is an unfavourable revenue variance of \$160,700 or 0.9%. Excluding the unbudgeted lease and maintenance revenue of \$171,000 received from the Chinatown Parkade, the total unfavourable revenue variance would be \$331,700, or 1.8%.

- Carpark # 31 - Gastown parkade
Revenue shortfall: (\$611,000)
Reason: delay in full operation of the facility and other closures due to special events
- Carpark # 2 - 150 West Pender St.
Revenue shortfall: (\$137,000)
Reason: delay in opening of the Edgewater Casino and subsequent cancellation of monthly parking agreement.
- Carpark # 9 - Pacific Centre
Revenue increase: \$213,000
Reason: improvements in the retail situation in the mall, improved occupancy in the towers, and the impact of some rate adjustments
- Carpark # 7 - Chinatown Parkade
Revenue increase: \$171,000
Reason: unbudgeted lease and maintenance revenue
- All other lots combined

Revenue increase: \$203,000
Reason: general occupancy increases and some rate increases.

ii) Expense Variances to 2005 Budget

The savings in expenses of \$615,400 (9.7%) are due in part to:

- Reduced staffing level in Customer Services
- Deferral of some costs, such as purchase and cleaning of new uniforms, and training.
- The delays in returning to full operation for the Gastown parkade also resulted in savings of wages, maintenance and utilities, and marketing costs at this site of approximately \$140,000.

iii) Administration Expenses to 2005 Budget

Administration expenses were \$27,000 or 1.8% below budget, mainly as a result of savings in:

- Postage and office supplies
- Computer software and equipment maintenance
- Legal fees and deferred training programs for staff training

iv) Net Revenue to 2005 Budget

The savings in expenses for 2005 more than offset the unfavourable revenue variances, resulting in a favourable variance of \$481,900 or 4.37% in the net revenue.

2. 2006 Operating Budget Compared to the 2005 Budget and Actual Results

The 2006 operating budget is compared to the 2005 budget and the actual results for 2005 in the table below.

Table 2: Budget 2006 vs. Budget 2005 vs. Actual 2005

	Budget 2005	Actual 2005	Budget 2006	% Inc / (Dec) - Budget 06 to Budget 05	% Inc / (Dec) - Budget 06 to Actual 05
	(000's)	(000's)	(000's)		
Revenues	\$18,855	\$18,694	\$20,587	9.2%	10.1%
Expenses:					
Operating	\$6,344	\$5,729	\$6,788	7.0%	18.5%
<i>As a % of Revenue</i>	<i>33.7%</i>	<i>30.7%</i>	<i>33.07%</i>	<i>(0.7 %)</i>	<i>2.3%</i>
Administration	\$1,488	\$1,460	\$1,597	7.3%	9.4%
Total Expenses	\$7,832	\$7,189	\$8,385	7.1%	16.6%
Net Revenue	\$11,023	\$11,505	\$12,202	10.7%	6.1%
<i>Net Margin %</i>	<i>58.5%</i>	<i>61.5%</i>	<i>59.3%</i>	<i>0.8%</i>	<i>(2.2%)</i>

For 2006, revenues from City facilities are projected to increase over 2005 by \$2,139,000 or 14%, while expenses are projected to increase by \$1,296,000 or 20%. The main increase in expenses is the result of addition of the Chinatown parkade and the return to full operation at Gastown parkade. Detailed breakdowns are discussed below.

i) **Summary of Drivers of Changes in the Budget for 2006**

There are four major drivers of the changes projected and they are summarized in the table below.

Note: these comparisons have been made to the actual amounts for 2005 for City Lots and Other Lots combined.

Table 3: Major changes at key sites by Revenue/Expenses/Net Revenue

	Revenue	% of total change	Expenses	% of total change	Net Revenue	% of total change
Addition of the Chinatown Parkade	\$700,000	37%	\$595,100	50%	\$104,900	15%
Full operation of the Gastown Parkade	\$450,800	24%	\$167,400	14%	\$283,400	41%
Significant volume growth at the Pacific Centre	\$426,900	23%	\$98,600	8%	\$328,300	47%
Changes at all other lots (rate increase and others)	\$315,300	17%	\$334,900	28%	\$(19,600)	-3%
Total Change	\$1,893,000	100%	\$1,196,000	100%	\$697,000	100%

ii) **Projected Changes in Revenue**

It is important to note that significant changes between the 2005 actual operations and the 2006 budget that will affect projected revenues relate mostly to the addition of the Chinatown Parkade operation, full operation of the Gastown Parkade, and the increase in retail activity in the Pacific Centre resulting from upgrades to the mall by Cadillac Fairview.

Chinatown Parkade operation was added as a City Lot in 2006. The stall count at this lot is 1,000, which represents approximately 9.4% of the total number of stalls managed by EasyPark. Projected revenue increase at this lot in 2006 is \$700,000, or 37% of the total increase.

The Gastown facility was not at full operation until the end of the year 2005 with implementation of the second secured section of 150 stalls to be completed in April 2006. The budget reflects full operation of the parkade with some concerns about business activities and street closures for special events in the area. The second secured section of 150 stalls was also factored into the budget for contract revenue. The total projected revenue increase at this lot is \$450,800 (54% increase from year 2005), or 24% of the total increase.

EasyPark is projecting a revenue increase of \$426,900 at Pacific Centre due to the strong retail activities at the mall resulting from upgrades to the mall by Cadillac Fairview, and improvement from Four Seasons Hotel valet parking billing. A rate increase from February will also contribute to the increase in projected revenue.

There are also anticipated revenue increases resulting from an increased customer base and some rate changes at other lots of \$315,300 (17% of the total increase).

iii) Projected Changes in Expenses

The increase in expenses is due to several changes, including the addition of the Chinatown Parkade operation (\$595,100, or 50% of the total increase), the return to full 24/7 operation of the Gastown parkade (\$167,400, or 14% of the total), and other changes in various lots with a combined increase of \$433,500, or 36% of the total increase.

The following breaks down the major changes in the Budget 2006 by expense categories:

Salaries and Wages Expenses

Salaries, wages, and benefits in operations increased by \$606,000 (or 27%) compared to 2005.

➤ Wage increases in the Chinatown operation:	\$173,000
➤ Wages for the addition of staff in customer services and delayed hiring in 2005:	\$168,000
➤ Wage increase due to full operation of Gastown:	\$61,000
➤ Fringe benefits related to the wage increases:	\$65,000
➤ General salary increase:	\$39,000
➤ Salary continuance for a Manager:	\$75,000
➤ Recoveries of operations salaries from capital projects which has not been projected for 2006:	\$25,000

Building and Equipment Maintenance Expenses

The increase in building and equipment maintenance is projected to be \$207,600 (or 18%) over 2005.

➤ The addition of the Chinatown operation:	\$57,000
➤ Full operation of the Gastown parkade:	\$58,700
➤ Extra janitorial services for a quality assurance program at Carpark #2 - 150 West Pender St.:	\$23,400
➤ Purchase of monthly access transponders, pay stations, computer ticket spitter at Carpark # 1 - 535 Hornby St.:	\$28,800
➤ Extra janitorial services and a quality assurance initiative to add anti-skateboarding hardware at Carpark # 22 - 1180 Mainland St.:	\$10,800

Administration Expenses

The increases in administration costs of \$137,000 (or 9.3%) over 2005 are the combination of the following line items.

➤ Increased office lease costs:	\$75,300
➤ Increase in salary and step increments:	\$19,000

- Increase in provision for legal costs: \$13,400
- Increase in director fees: \$10,300
- Increase in head office expenses: \$14,500

Uniforms and Cleaning Services Expenses

There is also a significant increase in the purchase and cleaning of new uniforms in 2006 budget. This is a deferred item from 2005 and the total projected increase is \$54,000.

Utilities and Hydro Expenses

The increase in utilities/hydro expenses also contributed \$55,600 to the total increase in expenses.

- Addition of Chinatown operations: \$22,000
- Other sites combined: \$33,600

Security Service Expenses

Security services expenses are projected to increase by \$62,200 (or 9%) in 2006.

- Addition of Chinatown operations: \$34,000
- Increased security presence to deal with high number of vagrants at Carpark # 9 - Pacific Centre: \$17,700
- Increased security presence at Carpark # 19 - 900 West Cordova St.: \$8,500

Projected Changes in the Net Margin

The 2006 revenue is projected to increase by 10.1%. However, expenses will increase by 16.6%. This will result in an erosion of the net margin for 2006 of 2.2% to 59.3% from 61.5% in 2005 and 2.5% from 61.8% in 2004. This is due to the impact of some of the increases in expenses related to the addition of new sites. The return to full operation of the Gastown parkade will also impact the margin because the return to the 24/7 operation of the lot generates a lower net margin percentage (projected at 2% for 2006) during start-up than other facilities, as will the addition of the Chinatown Parkade (projected at 10% for 2006).

3. EasyPark Performance Trend

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

Table 4: Performance Trend

	2001	2002	2003	2004	2005	Budget 2006
Total Revenue	\$16,621,100	\$16,353,600	\$15,982,800	\$16,854,200	\$18,694,300	\$20,587,200
% Change		-2%	-2%	5%	11%	10%

Operating Expenses	\$5,506,100	\$5,588,500	\$5,213,500	\$5,106,700	\$5,728,800	\$6,787,500
% of Revenue	33.1%	34.2%	32.6%	30.3%	30.6%	33.0%
Admin Expenses	\$1,189,400	\$1,241,900	\$1,291,900	\$1,323,500	\$1,460,600	\$1,596,500
% of Revenue	7.2%	7.6%	8.1%	7.9%	7.8%	7.8%
Total Expenses	\$6,695,500	\$6,830,400	\$6,505,400	\$6,430,200	\$7,189,400	\$8,384,000
Net Revenue	\$9,925,600	\$9,523,200	\$9,477,400	\$10,424,000	\$11,504,900	\$12,203,200
Net Revenue %	59.7%	58.2%	59.3%	61.8%	61.5%	59.3%
Payable to Others	\$1,620,700	\$1,477,400	\$1,669,600	\$1,729,000	\$2,195,000	\$2,050,800
Net revenue payable to City	\$8,304,900	\$8,048,800	\$7,807,700	\$8,695,000	\$9,309,900	\$10,152,400
Yr to Yr \$ Change		(\$256,100)	(\$241,100)	\$887,300	\$614,900	\$842,500
Yr to Yr % Change		-3%	-3%	11%	7%	9%
City capital costs	\$778,000	\$353,000	\$295,300	\$869,300	\$727,900 *	\$909,588**
Net payable to City before leases & taxes	\$7,526,900	\$7,695,800	\$7,512,400	\$7,825,700	\$8,582,000	\$9,242,812
Yr to Yr \$ Change		\$168,900	(\$183,400)	\$313,300	\$756,300	\$660,812
Yr to Yr % Change		2.2%	-2.4%	4.2%	9.7%	7.7%

* includes expenditures of \$382,263 approved but unspent in 2004

** includes expenditures of \$180,388 approved in 2003, 2004, and 2005 but unspent in 2005

The net operating revenue payable to the City increased by \$614,900 in 2005 over 2004. The net payable to the City after taking into account the capital projects undertaken on behalf of the City has also increased by \$756,300 in 2005. For 2006, the net payable to the City is projected to increase by \$842,500. The capital project spending in 2006 including carry-forwards from prior years is projected to be \$909,588 for 2006. The net payable to the City in 2006 budget is projected to be \$9,242,812, which is a \$660,812 (7.7 %) increase from 2005.

4. Capital Projects Carried Over From Prior Years

Several projects which were approved in 2003, 2004 and 2005 have not yet been completed. Funding for a total of \$180,388 of incomplete projects as of December 31, 2005 will be carried forward into the current year. The following table provides details of the status of all projects which were funded for 2005, including carried-forward projects.

Projects that have been completed in 2005 had a value of \$552,007 and were overall \$32,877 (5.6%) under budget,

A detailed status report for capital budget items from year 2003 to year 2005 is included as Appendix 1 to this report.

5. 2006 Capital Budget

EasyPark has submitted new items for the 2006 Capital Budget in the amount of \$729,200. Staff are recommending approval of these projects (Recommendation C).

- | | |
|---|------------------|
| ➤ Carpark 1 - 535 Hornby | \$11,000 |
| To replace the main street level security gate due to continued vandalism, unreliability and increasing expense of repair. | |
| ➤ Carpark 2 - 150 West Pender | \$100,100 |
| Secure roof top parking including fencing, elevator controls, access system, and canopies for vehicle cover, lighting, painting, and signage. | |
| ➤ Carpark 19 - 900 West Cordova | \$81,400 |
| Replace the monthly access system which is old, unreliable and expensive to repair. | |
| ➤ Carpark 27 - Library Square | \$74,800 |
| Replace fee computers, spitters, barrier gates which are old, unreliable and expensive to repair. Spot repair the vehicle membrane within parkade in high-use areas such as entry/exit ramps, vehicle lanes and corners. Apply epoxy membrane to pedestrian stairwells and lobbies to properly seal concrete and avert staining/trapping of odour. Membrane application will also aid in cleaning and improve overall appearance. | |
| ➤ Carpark 31 - Gastown | \$85,800 |
| Apply an anti-graffiti shield for exposed surfaces at street levels on both Cordova and Water Streets, internal elevators and lobbies. | |
| ➤ Carpark 31 - Gastown | \$82,500 |
| Install a staff washroom on Water Street side to replace the portable unit which is currently at entrance. | |
| ➤ Painting Program - Various Locations | \$210,000 |
| This is the last year of a three-year program which was reported to Council in 2003. | |
| ➤ Administrative Items | |
| A1. Treasury Coin Conveyor System | \$16,500 |

Install a coin handling conveyor to reduce weight load for treasury staff and automate movement of coin.

A2. Bill Counters **\$15,400**

Replace 1998 unit which is costly to repair. In addition, purchase 2 support bill counters to use in conjunction with main sorter for attended facilities currency counting.

A3. Telephone System **\$16,500**

Replace existing telephone system (keeping existing phone lines). Replacement of 25 handsets including front desk, allowing more functionality in voicemail, capability of accessing more than 6 lines at one time, ability to have multiple access to reception calls.

A4. Servers **\$13,200**

Replace one obsolete server and add one additional server to facilitate increased data storage requirements. Existing server is at the end of its useful life.

A5. Folder/Stuffer **\$22,000**

Replace existing envelope stuffing machine used for monthly invoicing, cheques, mail outs etc. Existing unit is 6 years old, showing continued wear and tear, and reduced efficiency.

The appropriate source of funding for all of these Capital Budget items is the Parking Site Reserve.

CONCLUSION

The net revenue to the City went up by \$614,900 in 2005. The capital spending in 2005 went down by \$141,400 in 2005 compared to 2004, resulting in a net increase of \$756,300 in net revenue payable to the City after capital spending. In the 2006 Budget, the net revenue payable to the City, after capital expenditures, is expected to increase by \$660,812 from 2005.

The total capital expenditures in 2006 are \$909,588. This is comprised of the capital projects requested in 2006, \$729,200, which relates primarily to operation and security requirements, and ongoing projects approved by Council in 2003, 2004, and 2005, but carried over to 2006, amounting to \$180,388 in total.

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APPENDIX A: Status of Capital Budget Items

Lot #	Description	Budget	Expended to Dec. 31, 2005	Balance Remaining	Status
	Year 2003				
3	Surface Repairs	\$7,881.00	\$960.00	\$6,921.00	Completed
10	Landscaping	\$50,000.00	\$0	\$50,000.00	Cancel
15	Landscaping	\$27,622.87	0	\$27,622.87	Cancel
19	Membrane Repairs	\$4,825.00	0	\$4,825.00	Completed
Various	Communications Devices	\$60,000.00	\$19,795.00	\$40,205.00	Carry Forward
45	Landscaping	\$33,000.00	0	\$33,000.00	Completed
46	Landscaping	\$11,017.27	0	\$11,017.27	Completed
47	Landscaping	\$10,238.23	0	\$10,238.23	Completed
Various	Painting	\$46,818.00	\$46,818.00	0	Completed
	Treasury Renovations	\$20,000.00	0	\$20,000.00	Completed
	MP Parking computers	\$11,387.90	\$1,668.13	\$9,719.77	Carry Forward
Total	Total for 2003	\$282,790.27	\$69,241.13	\$213,549.14	
	Year 2004				
5	Guardrails	\$250,000.00	\$250,000.00	0	Completed
19	Revenue Control Equip	\$35,000.00	\$21,208.98	\$13,791.02	Completed
22	Landscaping	\$20,000.00	0	\$20,000.00	Cancel
27	Revenue Control Upgrade	\$35,000.00	\$35,000.00	0	Completed
40	Lighting	\$14,585.00	\$6,813.38	\$7,771.62	Completed
Various	Security Cameras	\$13,000.00	0	\$13,000.00	Carry Forward
	Computer	\$6,886.28	0	\$6,886.28	Carry Forward
Total	Total for 2004	\$374,471.28	\$313,022.36	\$61,448.92	
	Year 2005				
3	Security Gate	\$16,500.00	\$0.00	\$16,500.00	Cancel
4	Elevator Repair/Upgrade	\$20,000.00	\$19,786.60	\$213.40	Completed
5	Doors/hardware repl.	\$19,800.00	\$23,647.00	\$(3,847.00)	Completed
9	Signage - ext. vehicle	\$38,500.00	\$0.00	\$38,500.00	Cancel
	Signage - int. pedestrian	\$25,300.00	\$23,240.40	\$2,059.60	Completed
	Signage -ext. pedestrian/glazing	\$33,000.00	\$0.00	\$33,000.00	Cancel
17	Re-Paving	\$15,400.00	\$15,400.00	\$0.00	Completed
18	Doors/Hardware Replacement	\$32,500.00	\$27,188.70	\$5,311.30	Completed
19	Security Gate	\$22,000.00	\$0.00	\$22,000.00	Carry Forward
31	Signage	\$33,000.00	\$20,408.11	\$12,591.89	Carry Forward
Various	Painting	\$210,000.00	\$134,014.55	\$75,985.45	Carry Forward
	Vehicles	\$50,000.00	\$49,363.76	\$636.24	Completed
	BCIT Access Study	\$32,600.00	\$32,580.00	\$20.00	Completed
Total	Total for 2005	\$548,600.00	\$345,629.12	\$202,970.88	
	Total 2003-2005	\$1,205,861.55	\$727,892.61	\$477,968.94	
	Remove Completed Projects			\$111,957.68	
	Remove Cancelled Projects			\$185,622.87	
	Carry forward related to ongoing projects			\$180,388.39	