



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: April 16, 2007
Author: Doug Louie / Doug Mitchell
Phone No.: 604.871.6655 / 604.871.6960
RTS No.: 06558
VanRIMS No.: 13-5500-40
Meeting Date: May 3, 2007

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Engineering Services and General Manager of Corporate Services

SUBJECT: Parking Corporation of Vancouver (EasyPark) 2006 Year End Review and 2007 Operating and Capital Budgets

RECOMMENDATION

- A. THAT Council receive the summary of the EasyPark 2006 financial results and the summary of the 2007 Operating Budget for information.
- B. THAT Council approve the EasyPark 2007 Capital Budget totalling \$1,879,700; source of funding to be \$1,867,300 from the Parking Site Reserve and \$12,400 from the Property Endowment Fund.

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services and the General Manager of Corporate Services RECOMMEND approval of A and B.

COUNCIL POLICY

On May 29, 1997 Council authorized a new operating agreement with EasyPark that detailed the mission, goals and operating principles of the business unit, 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 manage the parking facilities based on the following priorities:

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 2006 financial performance of EasyPark, to provide information on EasyPark's 2007 Operating Budget and to seek Council's approval for the 2007 EasyPark Capital Budget.

BACKGROUND

As part of the Management Agreement, and consistent with Council direction, EasyPark has independent responsibility for the operations of the City's off-street parking facilities. EasyPark is accountable for developing and approving its operating budget, while it requires Council approval for its Capital budget.

The Management Agreement does require EasyPark to provide the City with its approved operating budget and year-end financial statements on an annual basis. The unaudited 2006 financial statements and the 2007 Operating and Capital Budgets were delivered to the City along with the Business Plan for 2007 (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 managed either partially or entirely on behalf of third parties.

DISCUSSION

1. 2006 Operating Results Compared with the 2006 Budget

In 2006, EasyPark's operating performance was better than budgeted:

- Revenues exceeded budget by 4% as a result of the addition of the new lot at 1095 Waterfront and improved usage at Pacific Centre Mall, Library Square, and 150 West Pender St.
- Expenses were lower than budget by 7.5% due in part to savings on salary expenses for unfilled positions, deferral of some equipment purchases and maintenance projects, savings in landscaping, snow removal, janitorial and other services. In addition, Administration expenses were \$72,100 or 4.5% below budget mainly due to administration recoveries from managing third party parking lots, reduced number of director meetings, savings in legal fees and corporate relation expenses.

The net operating revenue payable to the City, before capital expenditures, was \$11.2M, a favourable variance of \$1.1 million or 10.5%. After allowing for the capital expenditure program, the net revenue returned to the City was \$10.3 million, up from \$8.6 million in 2005. Net margins for 'City Lots' improved from 58.9% in 2005 to 61.4% in 2006.

Additional information on the operating variances is included in Appendix A - Table 1.

2. 2007 Operating Budget Compared with the 2006 Actual Results

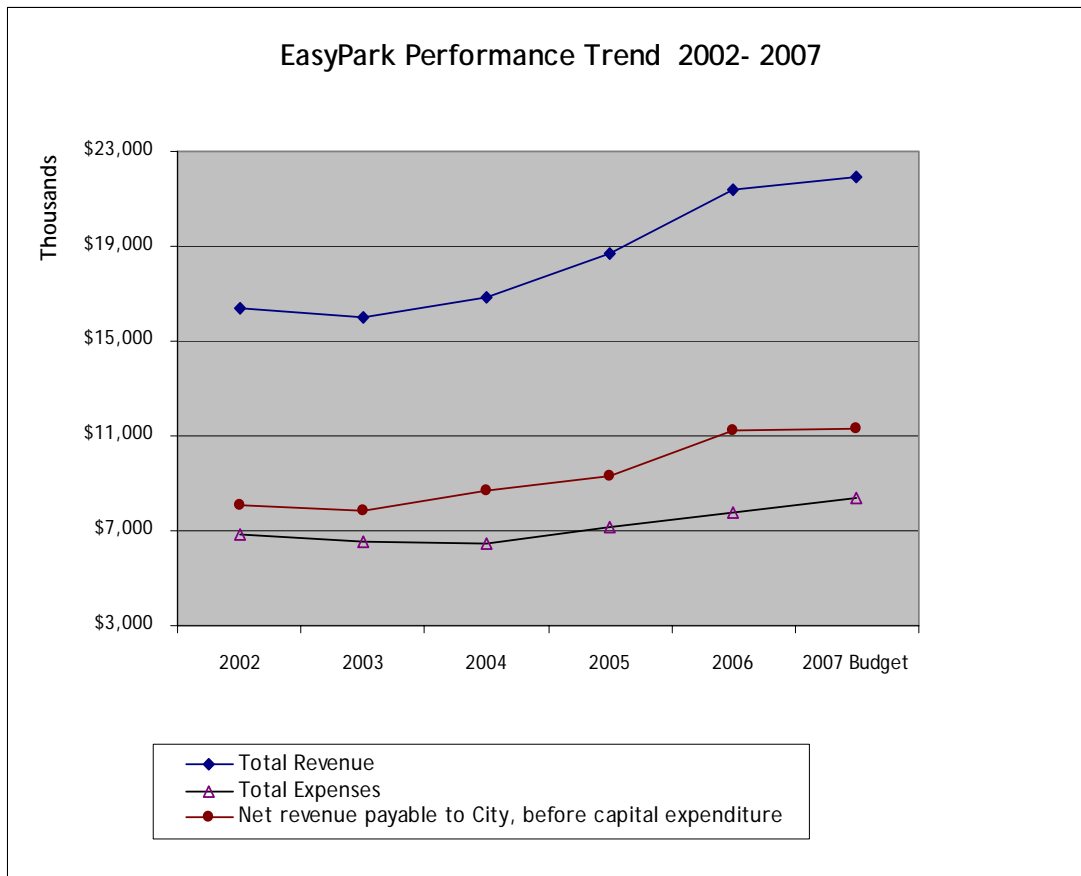
A comparison of the 2007 operating budget with the actual results for 2006 is summarized in Appendix A - Table 2. The major changes are briefly discussed below:

- The revenues in 2007 are projected to reach \$21.9 million, exceeding the 2006 actuals by \$495,000 or 2.3%. The major changes relate to the addition of the new City lot at 902 Hamilton, continued growth following reconstruction of the Gastown Parkade, and growth at the Bentall Parkade, Pacific Centre and modest increases in both transient and monthly parking at all other sites combined.
- Expenses in 2007 are projected to reach \$8.4 million, an increase of \$560,000 or 7.1% over the 2006 actuals. Increased security expenses, building and equipment maintenance expenses, the addition of the new lot at 902 Hamilton Street, and an increase in administration expenses over the 2006 actuals are driving this increase.

The net operating revenue payable to the City, before capital expenditures, is expected to be \$11.3 million, approximately the same amount as the 2006 actual and reflecting a net margin on City Lots of 59.1% compared to 61.4% based on 2006 actuals. After allowing for the capital expenditure program, which is over two times larger than the 2006 levels, the net revenue returned to the City will be approximately \$9.3 million million.

3. EasyPark Operating Performance Trend

The following chart shows the overall performance trend from 2002 to 2007. Additional statistical details are provided in Appendix B.



EasyPark revenues are impacted by three factors: the number of stalls available, the percentage occupancy of those stalls and the transient or monthly rates for those stalls. The year 2003 saw the loss of a significant number of stalls due to the start of the reconstruction of the Gastown parkade and the cancellation of two major third party contracts, and reduced occupancy due to some slowdown in business activity in the downtown core. Since that time there has been an average increase in revenues of approximately 10% per year. This has been the result of improvements in two of the three factors mentioned above. The number of stalls available has increased over the period as the Gastown parkade reopened in stages as the construction was completed and the addition of the Chinatown and Waterfront parkades in 2006. In addition, occupancy rates at the major downtown parkades has improved as business activity has increased over the past three years. The parking rates during this period have been relatively stable, with modest year over year increases.

The increase in revenue in 2007 over the actual revenue in 2006 is estimated at 2% for two main reasons. There is no expectation of a significant increase in the number of stalls for the coming year (with the exception of 150 stalls at 902 Hamilton Street) and there is also little

expectation of significant increases in occupancy rates because many of the lots are now at or near full capacity during their normal business operating hours (with the exception of the Gastown Parkade). Modest increases in rates have been projected for the year.

The increase in operating expenses is driven by the conditions at the facilities and the requirement to increase security services. The average increase in total expenses has been at 4% every year from 2003 to 2006. The anticipated increase in expenses for 2007 is 7%. The details of the increases are presented earlier in this report, but the major increases are for security to attempt to reduce the number of break-ins, deal with negative activities, and allow customers to feel more comfortable in the facilities. Increased maintenance costs result from improved, but more costly, methods of dealing with negative activities in the facilities. As well, improvements in technology are being introduced to improve access controls at the sites.

As a result of the anticipated slower growth in revenues and the expected need for increased operating costs, the total net revenue in 2007 will decrease by \$65,000. Despite this, the projected net revenue payable to the City (after net revenue payments to 3rd party parking lot owners) is expected to grow by 1% to \$11.3M as shown in the Appendix B, down from the average increase of 9% from 2003 to 2006.

4. Capital Budget

i) Capital Projects Carried Over From Prior Years

Several capital projects which were approved in 2006 have not yet been completed. Funding for a total of \$120,253.50 of incomplete projects as of December 31, 2006 will be carried forward into the current year.

Projects that have been completed by the end of 2006 had a value of \$911,637 and were overall \$178,632 (20.9%) over budget. The variance is largely due to a significant over expenditure in the 2005/2006 Painting Program. In 2003, Council approved a 3-year painting program estimated at \$210,000 per year. In 2003 and in 2006, funds were approved in the capital budget for the 1st and 3rd years of the program. The first year's implementation was carried forward to 2004. Funding allocation for the 2nd year of the painting program was inadvertently missed in the 2005 Capital Budget. Due to miscommunications with EasyPark, the program proceeded with the assumption that funding was in place. This resulted in an over expenditure of \$160,297 for both the 2005 and 2006 painting program. Another significant over expenditure occurred at the newly opened parkade at 1095 Waterfront Road (Lot 54). The cost of revenue control equipment, gate, and signage was not accounted for in the construction estimate for the lot. This resulted in an unexpected expenditure of \$27,005.

A detailed status report for all active capital budget items in 2006 is included as Appendix C.

ii) 2007 Capital Budget

EasyPark has submitted new items for the 2007 Capital budget in the amount of \$1,879,700. The 2007 Capital Budget is larger than usual due to several major projects occurring at the same time. This includes the need to replace existing pay and display equipment, the buyout and replacement of handheld enforcement units, replacement of revenue control equipment

in the Chinatown lot, repair of the concrete membrane at Pacific Centre, and upgrade to EasyPark's computer network. Staff is recommending approval of the projects listed below (Recommendation B).

Summary of Proposed 2007 Capital Budget

	Project	Description	Budget
Capital Items			
C1	All Sites with Pay and Display Equipment	Based on a business-case analysis by EasyPark, the purchase of new pay and display equipment is recommended to replace existing leased equipment. The new equipment will provide real-time communication to deter credit card fraud, allow for easy rate changes to reflect special events, and are better hardened to prevent theft and damage.	\$416,000
C2	Truck Purchase	To replace an old 1999 truck that has reached the end of its economic life.	\$39,800
C3	Buy-out of Car Lease		\$8,100
C4	Hand Held Enforcement Unit	Buy-out of old obsolete equipment (\$41,000) and purchase of new replacement equipment (\$99,500)	\$140,500
C5	Carpark 2 - 150 West Pender	Upgrade/overhaul elevator to improve reliability and better accommodate increased usage.	\$74,600
C6	Carpark 4 - 107 East Cordova	Installation of additional security fencing is required for theft prevention.	\$24,900
C7	Carpark 5 - 520 West Georgia	Repair cracked concrete stairs.	\$22,400
C8	Carpark 7 - Chinatown	The revenue control equipment at this lot is very old, unreliable and does not accept credit card payments. Replacement at a cost of about \$273,500 will improve functionality and customer service. New replacement signage throughout parkade at a cost of about \$90,700 is required to improve way-finding, install EasyPark branding, and provide better customer information.	\$364,200
C9	Carpark -Pacific Centre	Regular assessment and repair of the concrete membrane is required to maintain the longevity of the parkade. Further assessment and maintenance is now recommended based on visible wear along the surface of the parkade at about \$397,800. Façade improvements are also recommended to the entrance of stairwell #5 to better highlight and increase the use of this parkade entrance off of Granville Street at a cost of about \$37,000.	\$445,100
C10	Carpark 16 - 1500 Quebec	Install additional lighting to improve safety, security and comfort during the evenings.	\$12,400

	Project	Description	Budget
C11	Carpark 27 - Library Square	Install additional revenue control equipment to allow the creation of an express exit lane when the secondary booth is unattended. This allows the use of the two exit lanes at all times.	\$51,000
C12	Carpark 55 - 902 Hamilton	Installation of stairwell security controls, security fencing, and access control equipment for monthly parking for this new parkade at a cost of about \$24,900. New signage is also required at a cost of about \$8,700.	\$33,600
Administrative Items			
A1.	Computer Network Upgrades	An upgrade to EasyPark's computer network is recommended to address expansion of video and credit card applications, internet and intranet security threats, and to remotely secure, monitor and respond from all workstations, security appliances, servers and sites.	\$170,500
A2.	On-Line Staff Training Module	To provide more efficient and consistent on-line revenue control equipment training.	\$43,000
A3.	Coin Sorter	Purchase new coin sorter to replace the old unit	\$8,800
A4.	Computers and Printers	Replace office equipment purchased in 1998.	\$12,400
A.5	Furniture	Purchase of new and replacement furniture.	\$12,400

The appropriate source of funding for these capital budget items totalling \$1,879,700 is the Parking Site Reserve (\$1,867,300) and the Property Endowment Fund (\$12,400 for Carpark 16).

CONCLUSION

In 2006, EasyPark's performance bettered the corporation's budget with net operating revenues exceeding budget because of greater than anticipated revenues and lower than anticipated expenses. The net margin for City Lots improved from 58.9% in 2005 to 61.4% in 2006. The net income earned by the City after the capital expenditure program was \$10.3 million, up from \$8.6 million in 2005.

For 2007, the projected net revenue payable to the City, before capital expenditures, is expected to increase by 1%, over 2006, to \$11.3 million. The net margin for City Lots is projected to be 59.1%, slightly lower than 2006. The small increase in net revenue payable to the City and the reduced margin are due to slower growth in revenues relative to increasing operating costs, particularly for security and building maintenance services.

EasyPark's 2007 Capital Budget request of \$1,879,700 is recommended for approval.

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APPENDIX A:

Table 1: 2006 Operating Results vs. 2006 Operating 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	\$313,100	1.8 %	\$518,700	19.6%	\$831,800	4.0%
Expenses:						
Operating	\$623,800	9.9%	(\$114,500)	(22.8 %)	\$509,300	7.5%
Administration	\$127,800	8.5%	(\$55,700)	(62.1%)	\$72,100	4.5%
Net Revenue	\$1,064,700	10.5%	\$348,500	16.7%	\$1,413,200	11.6%
Net Revenue (%)						
06 Actual	61.4%		75.9%		63.6%	
06 Budget	56.6%		76.6%		59.3%	

Table 2: 2007 Operating Budget vs. 2006 Operating Results

	City Lots Variance	% of '06 Actual	Other Lots Variance	% of '06 Actual	Total Variance	% of '06 Actual
	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)	Fav/(Unfav)
Revenues	\$846,000	4.6 %	(\$351,000)	(11.1%)	\$495,000	2.3%
Expenses:						
Operating	(\$614,000)	(10.9%)	\$169,000	27.4%	(\$446,000)	(7.1%)
Administration	(\$160,000)	(11.6%)	\$45,000	31%	(\$114,000)	(7.4%)
Net Revenue	\$72,000	0.6%	(\$137,000)	(5.7%)	(\$65,000)	(0.5%)
Net Revenue (%)						
07 Budget	59.1%		80.5%		61.8%	
06 Actual	61.4%		75.9%		63.6%	

APPENDIX B: EasyPark: Trend in Operating Performance, 2002 to 2007

	2002	2003	2004	2005	2006	2007 Budget
Total Revenue	\$16,353,600	\$15,982,800	\$16,854,200	\$18,694,300	\$21,419,000	\$21,913,500
Yr to Yr Change		-2%	5%	11%	15%	2%
Total Expenses	\$6,830,400	\$6,505,400	\$6,430,200	\$7,189,400	\$7,802,700	\$8,362,400
Net Revenue	\$9,523,200	\$9,477,400	\$10,424,000	\$11,504,900	\$13,616,300	\$13,551,100
Net Revenue %	58.20%	59.30%	61.80%	61.54%	63.57%	61.84%
Payable to 3 rd Party Property Owners	\$1,477,400	\$1,669,600	\$1,729,000	\$2,195,000	\$2,405,400	\$2,268,200
Net revenue payable to City, before capital expenditure	\$8,048,800	\$7,807,700	\$8,695,000	\$9,309,900	\$11,210,900	\$11,282,900
Net Margin %, City Lots			59.4%	58.9%	61.4%	59.1%
Yr to Yr \$ Change		(\$241,100)	\$887,300	\$614,900	\$1,901,000	\$72,000
Yr to Yr % Change		-3%	11%	7%	20%	1%
City capital costs	\$353,000	\$295,300	\$869,300	\$727,900	\$911,600*	\$2,000,000**
Net payable to City before leases & taxes	\$7,695,800	\$7,512,400	\$7,825,700	\$8,582,000	\$10,299,300	\$9,282,900
Yr to Yr \$ Change		(\$183,400)	\$313,300	\$756,300	\$1,717,300	(\$1,016,400)
Yr to Yr % Change		-2.4%	4.2%	9.7%	20.0%	-9.9%

* includes expenditures of \$116,200 approved but unspent in 2005

** includes expenditures of \$120,300 approved in 2006 capital budget but unspent in 2006

APPENDIX C: Status of Capital Budget Items

Lot #	Description	Budget	Expended to Dec. 31, 2006	Balance Remaining	Status
	Year 2003				
Various	Communications Devices	\$39,860.02	\$53,817.22	(\$13,957.20)	Completed
	Treasury Renovations	\$20,000.00	\$24,590.80	(\$4,590.80)	Completed
	MP Parking computers	\$9,719.77	\$9,719.77	0	Completed
Total	Total for 2003	\$69,579.79	\$88,127.79	(\$18,548.00)	
	Year 2004				
Various	Security Cameras	\$13,000.00	\$13,000.00	0	Completed
	Computer	\$6,886.28	\$6,886.28	0	Completed
Total	Total for 2004	\$19,886.28	\$19,886.28	0	
	Year 2005				
19	Security Gate	\$22,000.00	\$8,223.60	\$13,776.40	Completed
31	Signage	\$12,591.89	0	\$12,591.89	Completed
Total	Total for 2005	\$34,591.89	\$8,223.60	\$26,368.29	
	Year 2006				
1	Security Gate	\$11,000.00	\$3,845.47	\$7,154.53	Completed
2	Secure Rooftop Parking	\$100,100.00	\$104,751.97	(\$4,651.97)	Completed
19	Revenue Control	\$81,400.00	\$81,400.00	0	Completed
27	Revenue Control / Membranes	\$74,800.00	\$87,175.91	(\$12,375.91)	Completed
31	Graffiti Shield	\$85,800.00	\$75,075.95	\$10,724.05	Completed
31	Staff Washroom	\$82,500.00	0	\$82,500.00	Carry Forward
54	New Lot (gate, signage, and revenue control equipment)	0	\$27,005.91	(\$27,005.91)	Completed
Various	2005 & 2006 Painting Program	\$210,000.00	\$370,297.62	(\$160,297.62)	Completed
	Servers	\$13,200.00	\$13,200.00	0	Completed
	Mail Folder and Stuffer	\$22,000.00	\$22,000.00	0	Completed
	Treasury Coin conveyor	\$16,500.00	0	\$16,500.00	Carry Forward
	Bill Counters	\$15,400.00	\$10,646.50	\$4,753.50	Carry Forward
	Telephone System	\$16,500.00		\$16,500.00	Carry Forward
Total	Total for 2006	\$729,200.00	\$795,399.33	(\$66,199.33)	
	Total 2003-2006	\$853,257.96	\$911,637.00	(\$58,379.04)	
	Carry Forward Related to Ongoing Projects			\$120,253.50	
	Total Variance			(\$178,632.54)	