



ADMINISTRATIVE REPORT

Report Date: June 23, 2009  
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Meeting Date: July 9, 2009

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Engineering Services and General Manager of Financial Services/Director of Finance

SUBJECT: Parking Corporation of Vancouver (EasyPark) 2008 Year End Review and 2009 Operating and Capital Budgets

RECOMMENDATION

- A. THAT Council receive for information the summary of EasyPark's 2008 financial and operating results.
- B. THAT Council receive for information the summary of EasyPark's 2009 operating budget.
- C. THAT Council approve EasyPark's 2009 capital budget totalling \$1,959,000; sources of funding to be \$1,950,600 from the Parking Site Reserve and \$8,400 from Public Works Canada for Lot 27 at Library Square.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

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:

- Transient vehicular parking accommodation on a short-term basis; and
- 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; and
- 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 to fund Parking Site Carpark and other major Parking projects in the City. Net revenues from parking lots within the Property Endowment Fund go to the Property Endowment Fund - General.

## PURPOSE

The purpose of this report is to present to Council for information EasyPark's 2008 financial and operational results and 2009 operating budget, and to seek Council's approval for EasyPark's 2009 capital budget.

## BACKGROUND

As part of the Management Agreement, and consistent with Council direction, EasyPark has responsibility and independence in the operation 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 2009 Operating and Capital Budget, 2008 audited financial statements, and other detailed financial and operating information. EasyPark's 2009 Business and Management Plan, Security Plan, and Maintenance Plan are also available through the offices of the City Clerk.

In this report, the City-owned parking lots under EasyPark's stewardship, comprising of both Parking Site Reserve and Property Endowment Fund lots, are referred to as "City Lots". Lots which are managed either partially or entirely on behalf of third parties are referred to as "Other Lots".

EasyPark charges pre-determined management fees, either fixed rate or fixed amount, to third party lot owners. All net operating revenues from third party lots go back to the owners. The management fees collected by EasyPark from operating third-party lots are used to offset EasyPark's operating expenses, which in turn contributing to the net operating margin.

## DISCUSSION

### 1. 2008 Operating Results

In 2008, EasyPark's net operating results were better than budgeted.

- Gross Revenues for City-owned lots had a positive variance of \$1.4 million (6.5%) due mainly to: higher than expected parking revenues at Pacific Centre (\$0.5 million) and Gastown (due to construction activities) (\$0.3 million), increase in event parking revenues (\$0.2 million), increase in film bookings and enforcement revenues (\$0.2 million), and increase in monthly parking revenues at several Downtown locations (\$0.3 million). This was partially offset by revenue shortfall due to site closure at 1180 Mainland and lower than expected parking activities at 535 Hornby (\$0.2 million).
- Operating Expenses for City-owned lots had a negative variance of \$75,000 (1.1%) due mainly to: unbudgeted repairs at the Gastown Parkade (\$94,000) and increases in credit card fees, snow clearing and enforcement costs (\$134,000). This was offset by savings from Quality Assurance Programs, equipment repair, turnover and deferral of fees related to union negotiations (\$164,000).
- Administration Expenses had a positive variance of \$75,000 (4.4%) due mainly to: savings in meeting expenses (\$20,000) and legal and professional fees (\$29,000), and increase in management fees charged out to film crews and the Chinatown Mall (\$25,000).

It is important to note that savings from the Quality Assurance Programs and equipment repairs are one-time in nature and budgets for these programs will resume in 2009.

The 2008 net operating revenues from City-owned lots was \$14.45 million, representing a \$1.4 million (10%) favourable variance over the 2008 budget and a \$1.85 million (15%) increase over 2007. The net operating margin for 2008 was 63%, compared to 62.3% in 2007. Additional information on the 2008 Operating results is presented below in Exhibit 1

## Exhibit 1: EasyPark 2008 Operating Results vs. Budget

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### Notes:

- I. Other revenues include revenue from advertising, film crew bookings, and enforcement and other contracts; other expenses include utilities, credit card charges, marketing, insurance, and others.
- II. As EasyPark provides limited services to Other Lots and full services to City Lots, the net margin for Other Lots is higher than that for City Lots.

## 2. 2009 Operating Budget

The 2009 Operating Budget projects an increase of \$0.78 million (5.4%) in net operating revenues when compared to the 2008 results (see Exhibit 2). The notable changes are as follows:

- Gross Revenues from City-owned lots are expected to increase by \$1.2 million (5.2%) due mainly to: continued growth in demand at Pacific Centre, Gastown and Library Square plus rate increases at various locations (\$1.17 million), and increase in enforcement revenues and higher fines (\$76,000). This is offset by a reduction in parking revenues due to less film activities (\$56,000) as well as a reduction in net revenue from Lot 36 due to site redevelopment (\$53,000).
- Operating Expenses at City-owned lots are expected to increase by \$383,000 (5.6%) due mainly to: salary and benefit increase (\$169,000), building and equipment maintenance (\$110,000), marketing expenses (\$60,000), security expenses (\$30,000) and deferral from 2008 of professional fees related to union negotiations (\$50,000).
- Administrative Expenses are expected to increase by \$38,000 (2.4%) due mainly to: increase in office lease (\$22,000) and salary and wages (\$19,000), offset by saving from other miscellaneous items (\$3K).

The projected 2009 net operating revenues from City-owned lots is \$15.23 million, The projected net operating margin for 2009 is 63.1%, compared to 63% in 2008.

To achieve the projected net operating revenues, City staff has worked closely with EasyPark to finalize a budget that is in line with Council's overall direction to minimize cost increases in order to reflect the economic conditions. While EasyPark does not require Council approval for their operating budget, staff is satisfied that EasyPark has responded appropriately to the economic pressures facing the City.

## Exhibit 2: EasyPark 2009 Operating Budget vs. Prior Year Actual

EasyPark 2009 Budget vs. 2008 Actual								
	2009 Budget			2008 Actual			City Lots	
	City Lots (000's)	Other Lots (000's)	Total (000's)	City Lots (000's)	Other Lots (000's)	Total (000's)	Change (000's)	%
<b>Revenues</b>								
Transient	\$ 14,583	\$ 1,278	\$ 15,861	\$ 14,136	\$ 1,149	\$ 15,285	\$ 448	3.2%
Monthly Contract	8,832	2,202	11,033	8,105	2,129	10,234	727	9.0%
Other	726	12	739	702	11	713	25	3.5%
	<u>24,141</u>	<u>3,492</u>	<u>27,633</u>	<u>22,942</u>	<u>3,289</u>	<u>26,231</u>	<u>1,199</u>	<u>5.2%</u>
<b>Expenses:</b>								
Carpark Operations								
Salaries & Wages	\$ 2,652	\$ 188	2,841	2,470	171	2,642	182	7.4%
Maintenance	1,563	146	1,708	1,453	106	1,559	110	7.5%
Security	1,110	87	1,197	1,079	65	1,144	31	2.8%
Other	1,936	147	2,082	1,875	176	2,052	60	3.2%
	<u>7,260</u>	<u>568</u>	<u>7,828</u>	<u>6,877</u>	<u>518</u>	<u>7,395</u>	<u>383</u>	<u>5.6%</u>
Administration	1,650	125	1,774	1,612	119	1,731	38	2.3%
	<u>8,910</u>	<u>693</u>	<u>9,602</u>	<u>8,489</u>	<u>638</u>	<u>9,127</u>	<u>420</u>	<u>5.0%</u>
<b>Net Revenues</b>	<u>\$ 15,231</u>	<u>\$ 2,799</u>	<u>\$ 18,031</u>	<u>\$ 14,452</u>	<u>\$ 2,652</u>	<u>\$ 17,104</u>	<u>\$ 779</u>	<u>5.4%</u>
<b>Net Margin %</b>	63.1%	80.2%	65.3%	63.0%	80.6%	65.2%	0.1%	0.2%

Note: Other revenues include revenue from advertising, film crew bookings, and enforcement and other contracts; other expenses include utilities, credit card charges, marketing, insurance, and others.

### 3. Outlook

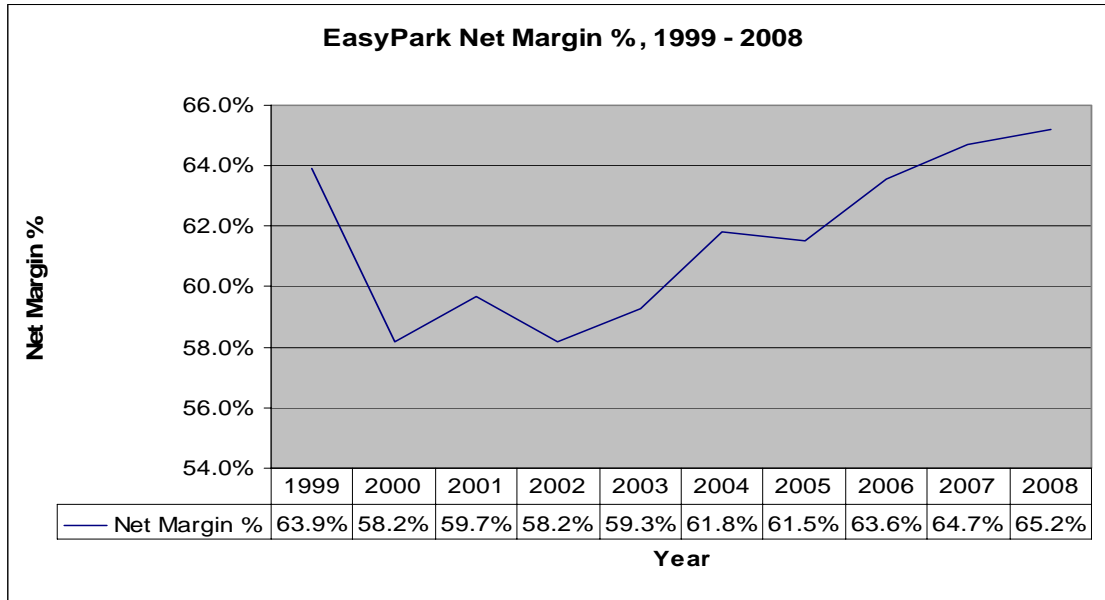
Exhibit 3 shows the trend information for EasyPark's Net Margin. Further detail on trends and inflation adjusted performance indicators, is listed in Appendix B.

EasyPark revenues are impacted by 3 factors: the number of stalls available, the percentage occupancy of those stalls and the transient or monthly rates for those stalls. While EasyPark has the majority of control over occupancy and rates, the number of stalls available is often driven by City initiatives related to parking or development. City decisions to build new parkades or re-develop old ones can have a significant impact on EasyPark operations. These decisions are often made in order to reflect the City's transportation or land use policies.

EasyPark revenues are also affected by City initiatives such as providing discounted parking for scooter and smart cars, providing charging points for electric vehicles and providing discounted parking for some of the City's non-profit tenants. In the future, City staff will be working with EasyPark to provide resources for bike parking. Having EasyPark as an operator of City owned lots has provided a mechanism for the City to realize many of our policy objectives related to parking without impacting the operation of streets and curb-side parking.

While there has been a general increase in net profit margin since 2002, EasyPark is evaluating the possibility of expanding third party business as a further mechanism to increase profitably. City staff is working closely with EasyPark to understand how this would impact City revenues and will be reporting back to Council once the details are worked out.

Exhibit 3: EasyPark Net Margin Trend 1999 to 2008



#### 4. Capital Budget

EasyPark spent \$975,600 on their capital program in 2008. These funds were spent on a variety of projects from the 2006, 2007 and 2008 budget years. In order to complete the capital programs from the prior years, EasyPark has requested to carry over \$1,125,600 in order to complete the outstanding capital projects by end of this year. This carry forward will be in addition to the Capital program approved for 2009.

EasyPark has proposed a capital program totalling \$1,959,000 for 2009. While this represents more than a \$700,000 increase over 2008, it is within the range of budgets that have been approved in recent years. One of the reasons for the increase this year is due to a large project to be undertaken in partnership with Cadillac Fairview with target completion before end of 2009. Other major projects proposed for this year include replacement of revenue equipment at Lot 19-900 West Cordova, replacement of glass awnings at Gastown, plus the purchase of noise makers at several locations which have proven successful in deterring vagrants.

Exhibit 4: EasyPark 2009 Capital Budget

Project		Description	Budget
C1	Lot 2 - 150 W Pender	Replace rusted fire doors and hardware (\$13,000). Pave entrance to remove potholes (\$8,000). Consultant services to identify delamination for preventative maintenance (\$6,000).	\$ 27,000
C2	Lot 3 - 535 Richards	Replace obsolete monthly parking access system (\$15,000). Install two overhead gates and fencing to secure site (\$46,000).	61,000
C3	Lot 4 - 107 E Cordova	Consultant services to identify delamination for preventative maintenance (\$6,000).	6,000
C4	Lot 9 - Pacific Centre	Upgrade elevator lobby in collaboration with Cadillac Fairview (City's share is \$366,000). Replace rusted steps in stairwells and brighten stairwell exteriors (\$732,000).	1,098,000
C5	Lot 9 - Pacific Centre	Install gated parking for Four Seasons guests and other corporate users on Level P2 (\$50,000). Purchase two DVRs to facilitate archiving of security video (\$13,000). Replace signage at all three entrances (\$61,000).	124,000
C6	Lot 19 - 900 W Cordova	Replace revenue control equipment to accept credit card in and out.	127,000
C7	Lot 22 - 1180 Mainland	Install overhead gate to secure lower levels (\$31,000). Install security cameras (\$15,000).	46,000
C8	Lot 27 - Library Square	Paint walls and flooring in stairwells to improve brightness and safety. (Cost sharing with Public Works Canada).	22,000
C9	Lot 31 - Gastown	Replace cracked glass awnings and review preventative measures (\$74,000). Purchase of two DVRs to facilitate archiving of security video (\$13,000).	87,000
C10	Various Lots	Noise maker to deter vagrants from congregating in stairwells.	147,000
C11	Various Lots	Spare parts for WPS revenue control equipment and programming of Ultimate Gift Card at all sites with WPS equipment (\$41,000). Replace obsolete moneyboxes (\$36,000).	77,000
C12	Vehicle Purchase	Van for meter collections.	37,000
C13	Head Office	Replace coin sorter (\$26,000). Replace computers (\$13,000). Develop new website (\$61,000).	100,000
<b>Total Capital Program</b>			<b>\$ 1,959,000</b>

Adding the carry-forward from previous years, EasyPark will have \$3,084,600 to spend on its approved capital projects in 2009. Staff is recommending approval of the 2009 EasyPark Capital Budget as summarized in Exhibit 4.

EasyPark tracks capital expenditures on City lots and reports to City's accounting department on a monthly basis. At year end, all capital expenditures will be reviewed and capitalized to the City's Fixed Assets account as appropriate. Though capital expenditures reduce the net remittance to the City, they increase the value of the underlying assets.

## FINANCIAL IMPLICATIONS

Considering both the net operating revenues and the capital expenditure program, the net returned to the City in 2008 was \$13.48 million (see Exhibit 5). Due to a larger Capital program proposed for 2009, the net returned to the City could decrease by \$1.33 million (9.9%) to \$12.15 million. However, the full extent of the capital expenditures are usually not completely realized in the year they are budgeted and staff will monitor the progress of the Capital budgets in the context of the overall net returnable to the City. Actual capital expenditures on City lots will be capitalized as appropriate to the City's Fixed Assets Accounts. The funding sources for the 2009 portion of the capital program will be \$1,950,640 from the Parking Site Reserve and \$8,400 from other sources (Public Works Canada for Lot # 27 at Library Square).

Exhibit 5: Comparison of EasyPark Net Payable to City 2007 to 2009

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## CONCLUSION

The Parking Corporation of Vancouver, or EasyPark, manages parking facilities on behalf of the City of Vancouver providing net revenues to the Parking Sites Reserve and the Property Endowment Fund. In 2008, EasyPark returned net operating revenues to the City of \$14.45 million and spent \$0.98 million on capital projects. Operating revenues from EasyPark are budgeted to increase by 5.4% or \$0.78 million in 2009 as described in this report. EasyPark is also proposing a \$1,959,000 Capital program in order to provide upgrades to the City's parking lots. It is recommended that Council approve the proposed Capital program while receiving the operating results for information.

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**APPENDIX A: EasyPark Capital Budget Status 2006 - 2008**

Lot #	Description	Budget	Prior Years Actual	Budget Carried Forward	2008 Actual	Balance	Status
<b>Year 2006</b>							
31	Staff Washroom	82,500	8,744	73,756	71,519	2,237	DONE
HO	Treasury Coin Conveyor	16,500	-	16,500	10,950	5,550	CFWD
		<u>99,000</u>	<u>8,744</u>	<u>90,256</u>	<u>82,469</u>	<u>7,787</u>	
<b>Year 2007</b>							
All lots	Pay & Display Equipment	416,000	90,034	325,966	-	325,966	CFWD
All lots	Hand Held Enforcement Units (Replacement)	99,500	44,686	54,814	4,759	50,056	CFWD
2	Elevator Upgrade	74,600	-	74,600	20,191	54,409	CFWD
5	Stair Repairs	22,400	15,350	7,050	4,850	2,200	DONE
7	Revenue Control Equipment	273,500	222,969	50,531	33,039	17,492	CFWD
7	Signage	90,700	-	90,700	71,804	18,896	CFWD
9	Concrete Membrane	397,800	367,757	30,043	7,240	22,803	CFWD
9	Stairwell Façade Improvements	37,000	23,595	13,405	7,111	6,294	CFWD
HO	Computer Network Upgrade	170,500	71,578	98,922	59,486	39,436	CFWD
HO	On-line Staff Training Module	43,000	34,600	8,400	-	8,400	CFWD
		<u>1,625,000</u>	<u>870,569</u>	<u>754,431</u>	<u>208,479</u>	<u>545,952</u>	
<b>Year 2008</b>							
1	Concrete Membrane, Repair Cracks	162,000	-	162,000	698	161,302	CFWD
1	Repair Concrete Walls	86,500	-	86,500	16,013	70,487	CFWD
2	Metal Mesh Fencing	32,500	-	32,500	30,000	2,500	DONE
2	Replace Exit Door and Frame	5,500	-	5,500	4,700	800	DONE
3	Install Angled Iron Strips on Stairs	15,500	-	15,500	14,250	1,250	DONE
3	Replace Door Hardware	8,500	-	8,500	6,806	1,694	DONE
4	Replace Rusted Metal Stairs	65,000	-	65,000	61,100	3,900	DONE
4	Replace Overhead Gate	6,000	-	6,000	4,969	1,031	DONE
4	Install New Metal Fence	5,000	-	5,000	4,750	250	DONE
4	Install New Cameras & Intercoms	43,000	-	43,000	-	43,000	CFWD
5	Concrete Sealer for Stairwells	5,000	-	5,000	-	5,000	CFWD
7	Concrete Membrane	173,000	-	173,000	133,195	39,805	CFWD
9	Upgrade Barrier Gate Control	8,000	-	8,000	7,479	521	DONE
9	Upgrade Fire Panel	65,000	-	65,000	54,810	10,190	CFWD
9	Repair Structural Damage to Ramp	65,000	-	65,000	-	65,000	CFWD
12	Paint Interior Area & Stairwells	54,000	-	54,000	48,224	5,776	DONE
12	Reinforce Main Door & Fence	16,000	-	16,000	13,600	2,400	DONE
19	Paint Metal Railings & Fixtures	22,000	-	22,000	20,616	1,384	DONE
27	Concrete Membrane	162,000	-	162,000	180,107	(18,107)	DONE
27	Lighting Upgrade	162,000	-	162,000	-	162,000	CFWD
31	Thermal Printers, HASP Key Change	23,000	-	23,000	20,450	2,550	DONE
HO	Truck	48,500	-	48,500	47,139	1,362	DONE
HO	Replace Worn Carpeting	23,500	-	23,500	3,850	19,650	CFWD
		<u>1,256,500</u>	<u>-</u>	<u>1,256,500</u>	<u>672,755</u>	<u>583,745</u>	
<b>Unbudgeted Items</b>							
1	Revenue Control Equipment	-	-	-	6,020	(6,020)	
4	New Access Control System	-	-	-	5,849	(5,849)	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>11,869</u>	<u>(11,869)</u>	
<b>Total 2006 - 2008</b>		<b>2,980,500</b>	<b>879,313</b>	<b>2,101,187</b>	<b>975,572</b>	<b>1,125,616</b>	
<b>Remove Completed Projects</b>						<b>(121)</b>	
<b>Carry Forward to 2009</b>						<b>1,125,737</b>	
<b>HO=Head Office CFWD=Carry Forward DONE=Complete</b>							

## APPENDIX B: EasyPark Trends in Key Indicators 2004 - 2009

For comparative purposes all dollar values in the following trend tables are adjusted for inflation to reflect real growth or decline. Average annual Consumer Price Index (CPI) for Vancouver, base 2002 dollars, is used to adjust dollar values from 2003 to 2008. Dollar values in 2009 are adjusted using CPI for Vancouver for the month of March.<sup>1</sup>

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Table 1: EasyPark Net Payable to City Before Leases and Taxes, 2004-2009

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Table 2: EasyPark Capital Expenditures, 2004-2009

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Table 3: EasyPark Number of Stalls, 2004-2009

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<sup>1</sup> Source: Statistics Canada  
<http://www40.statcan.gc.ca/l01/cst01/econ45a-eng.htm>  
<http://www40.statcan.gc.ca/l01/cst01/cpis02a-eng.htm>

Table 4: EasyPark Net Revenue per Stall, 2004-2009

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Table 5: EasyPark Revenue Mix, 2004-2009

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Table 6: EasyPark Credit Card Fraud Statistics, 2005-2008

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Credit Card fraud was decreased in 2008 and is expected to be eliminated in 2009 due to a technological upgrade of the pay and display machines that will no longer accept fraudulent cards.

Table 7: EasyPark Security Statistics, 2006-2008

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Table 8: EasyPark Energy Efficient Car Discounts, 2005-2008

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