



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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Date:

TO: Standing Committee on City Services and Budgets

FROM: General Managers of Engineering Services and Corporate Services

SUBJECT: Parking Corporation of Vancouver (EasyPark) 2004 Year-end Review and 2005 Operating and Capital Budgets

RECOMMENDATIONS

- A. THAT Council receive for information the summary of the EasyPark 2004 Operating and Capital financial results;
- B. THAT Council receive for information the summary of the EasyPark 2005 Operating Budget;
- C. THAT Council approve the EasyPark Capital Budget items totalling \$306,000 with funding provided from the Parking Site Reserve.

General Managers' Comments

The net operating revenue payable to the City (before capital expenditures) in 2004 was \$8,695,000, which is higher than in 2003 by \$887,000 or 11.4%, and greater than budget by 16.9%. The net revenue payable to the City in 2004 was \$7,825,700 (after capital expenditures of \$869,300), which is \$313,300 or 4.2% higher than in 2003.

For 2005, revenues from City facilities are projected to increase over those received in 2004 by \$1,467,000 or 10%, while expenses are projected to increase by \$1,300,000 or 22%. This will result in an increase in the net payable to the City (before capital expenditures) of \$157,000 or 1.8%, compared to the \$887,300 increase in 2004. Revenues for 2005 are

impacted by the loss of the NHL season and the sale and redevelopment of two City properties.

A significant portion of both the increased revenue (\$1,068,000) and expenses (\$432,000) relates to the return to full 24/7 operation of the Gastown Parkade. In addition, increased marketing costs (from \$30,000 to \$150,000), increased administration costs (increasing by \$164,200 or 12%), additional building and equipment maintenance costs (increasing by \$217,200 or 24%), increased security in False Creek (\$22,000 or 4%), additional on-site customer service (\$79,000 or 0.4%) and the purchase of new uniforms for all sites (\$34,000 or 420%) are impacting the net return to the City. The effectiveness of the new marketing initiatives and the impacts of the increased administration and maintenance costs will have to be monitored during the year to ensure that anticipated returns and cost efficiencies are achieved.

In addition to the total building and equipment maintenance costs for City lots of \$1,219,000 in the 2005 budget, requested capital projects for 2005 total \$306,000. 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 wayfinding. In addition, there are several capital projects approved in 2003 and 2004 totalling approximately \$646,900 that are in progress or have been carried forward to 2005. This will result in an increase to the net revenue payable to the City, after capital expenditures, of \$73,400, compared to an increase of \$313,300 in 2004.

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 2004 financial performance of EasyPark, to comment on EasyPark's 2005 Operating Budget and seek Council's approval for the 2005 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 year 2005 budget submission and financial statements. This includes unaudited 2004 financial figures for EasyPark, and the 2005 Operating and Capital Budgets. EasyPark has also submitted the Business Plan for 2005, 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. 2004 Operating Results Compared to the 2004 Budget

The following table shows the variances of the actual results from the budgeted amounts for the year ended December 31, 2004. (Note: in the table below a positive number for expenses indicates that actual expenses are less than the budgeted expenses - a favourable variance)

	City Lots Variance	Variance % of Budget	Other Lots Variance	Variance % of Budget	Total Variance	Variance %
Revenues	\$676,200	4.84%	\$297,700	15.60%	\$973,900	6.13%
Expenses:						
Operating	\$432,400	8.42%	\$21,900	5.15%	\$454,300	8.17%
Administration	\$147,600	10.56%	(\$23,900)	(48.73)%	\$123,700	8.54%
Net Revenue	\$1,256,200	16.89%	\$295,700	20.63%	\$1,551,900	17.49%

Revenue Variances to 2004 Budget

In terms of the total revenue, there is a favourable variance of approximately \$973,900 or 6.13%.

There were only a small number of lots that had unfavourable variances for the year and most of those were minor (with the exception of Gastown discussed below). However, it is important to note that a significant portion of the favourable revenue variance was the result of the improvements seen at the operations of Pacific Centre. This one lot, which represents approximately 17% of the stalls managed by EasyPark, contributed \$541,000 (56%) of the favourable variance. This represents a favourable variance of almost 11% over the revenue originally budgeted for this facility. This increase is attributed to improvements in the retail situation in the mall, the opening of Future Shop and Winners in the immediate area, improved occupancy in the towers and the impact of some rate adjustments. Favourable variances at other lots can be attributed to general occupancy increases and some rate increases.

The Gastown parkade was the one significant negative aspect of the 2004 results. The parkade was under construction for the whole year and due to construction delays and the resulting operating challenges, the actual revenue for the year was only 44% of the budgeted revenue, representing a negative revenue variance of \$464,000.

Expense Variances to 2004 Budget

The savings in expenses of approximately \$454,000 (8.2%) are due in part to the deferral of some costs, such as training, timing differences related to the implementation of some maintenance programs and lack of snow clearing needed for the year. Also, the delays in returning to full operation for the Gastown parkade resulted in savings of wages, security and maintenance costs at this site of approximately \$172,000.

Administration Expenses to 2004 Budget

Administration expenses were \$124,000 or 8.54% below budget, mainly as a result of reduced legal fees, professional development, office supplies and a realty tax refund.

Net Revenue to 2004 Budget

The overall favourable variances in revenues and expenses have combined to result in a favourable variance of \$1,551,900 or 17.5% in the net revenue.

It is noted that the net revenue variance for the non-City lots is higher than for the City lots. This is because there were three new non-City surface lots added that required less in additional services (such as security, janitorial, equipment maintenance and landscaping) and therefore result in greater net margin percentages.

2. 2005 Operating Budget Compared to the 2004 Budget and Actual Results

The 2005 operating budget is compared to the 2004 budget and the actual results for 2004 in the table below.

	Table 2				
	Budget 2004 (000's)	Actual Results 2004 (000's)	Budget 2005 (000's)	% Inc / (Dec) - Budget 05 to Budget 04	% Inc / (Dec) - Budget 05 to Actual 04
Revenues	\$15,880	\$16,854	\$18,855	18.7%	11.9%
Expenses:					
Operating	\$5,561	\$5,107	\$6,344	14.1%	24.2%
As a % of Revenue	35.0%	30.3%	33.6%		
Administration	\$1,447	\$1,323	\$1,488	2.8%	12.5%
Total Expenses	\$7,008	\$6,430	\$7,832	11.8%	21.8%
Net Revenue	\$8,872	\$10,424	\$11,023	24.2%	5.7%
Net Margin %	55.9%	61.8%	58.5%		

For 2005, revenues from City facilities are projected to increase over those received in 2004 by \$1,467,000 or 10%, while expenses are projected to increase by \$1,300,000 or 22%.

There are significant increases in 2005 in all three aspects of the operations, as compared to both the budget and actual amounts for 2004.

Summary of Drivers of Changes in the Budget for 2005

There are three 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 2004.

	Revenue	Expenses	Net Margin
Changes in lots operated and stall count	+\$1,193,000	+\$773,000	+\$420,000
Changes in specific lot operations (E.g. new contracts)	+\$314,000	+\$185,000	+\$129,000
Changes not related to individual lots (e.g. rate increases, marketing)	+\$494,000	+\$444,000	+\$50,000
Total	+\$2,001,000	+\$1,402,000	+\$599,000

Projected Changes in Revenue

The most significant change between the 2004 actual operations and the 2005 budget that will affect projected revenues relates to the operation of the Gastown Parkade. The facility was under construction for all of 2004 and operated at significantly reduced levels. Stall counts were as low as 200 stalls during 2004 and monthly parking was not available. The 2005 budget is based on an anticipation of the Gastown Parkade providing transient and monthly parking using 1,000 stalls in January and February, with full operation of 1,400 stalls from March onward. This is expected to generate an additional \$1,068,000 in revenue in 2005.

EasyPark was projecting a revenue increase resulting from two new contracts (Edgewater Casino and Canada Post) in the amount of \$314,000. However, subsequent to the yearend and the preparation of the budget, the contract with Edgewater Casino was cancelled by the casino (with appropriate notice), which will result in the loss of approximately \$150,000 of budgeted contract revenue.

There are also anticipated revenue increases resulting from an increased customer base and some rate changes proposed for the second quarter (\$494,000).

Projected Changes in Expenses

The increase in expenses is due to several changes, including the return to full 24/7 operation of the Gastown parkade (\$432,000 or 106%), the introduction of customer service staff at selected unattended lots during events (\$79,000 or 0.4%), increased marketing programs (\$120,000 or 400%), increases in administration costs (\$164,000 or 12%), increased building and equipment maintenance costs (\$217,000 or 24%), uniforms at all sites (\$34,000 or 420%), security at False Creek (\$22,000 or 4%) and general inflationary increases in a variety of line items.

The increase in the maintenance costs is due in part to the reopening of the complete Gastown parkade (\$66,000), the replacement of monthly parking access equipment (\$80,000),

a spot paving program (\$24,000), specific equipment maintenance projects at specified lots (\$25,000) and a general increase in the janitorial contracts (\$10,000).

The marketing programs will include website development (\$35,000), publications (\$30,000), joint advertising with event sponsors (\$30,000) and banners and posters to advertise rates (\$25,000). The goal is to facilitate higher usage of the lots. The increases in administration costs are the result of increased office lease costs resulting from a realty tax refund in 2004, not available in 2005 (\$26,700 or 27.7%), salary and step increments (\$35,000 or 6%), provision for legal costs (\$20,000 or 55%), office supplies (\$11,000 or 31%) and software upgrades and training (\$15,000 or 150%).

Projected Changes in the Net Margin

The 2005 revenue is projected to increase by 11.9%. However, expenses will increase by 21.8%. This will result in the net margin for 2005 (projected at 58.5%) being less than in 2004 (61.8%) and 2003 (59.3%). This is due to the impact of some of the increases in expenses mentioned above. The return to full operation of the Gastown parkade will impact the margin because the return to the 24/7 operation of the lot generates a lower net margin percentage during start-up than other facilities, as will the increased marketing programs and administration costs.

3. EasyPark Performance Trend

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

Table 4

	2000	2001	2002	2003	2004	Budget 2005
Total Revenue	\$14,983,100	\$16,621,100	\$16,353,600	\$15,982,800	\$16,854,200	\$18,855,000
Yr to Yr Change		11%	(2%)	(2%)	5%	12%
Operating Expenses	\$4,751,800	\$5,506,100	\$5,588,500	\$5,213,500	\$5,106,700	\$6,344,200
% of Revenue	31.7%	33.1%	34.2%	32.6%	30.3%	33.6%
Admin Expenses	\$1,515,000	\$1,189,400	\$1,241,900	\$1,291,900	\$1,323,500	\$1,487,700
% of Revenue	10.1%	7.2%	7.6%	8.1%	7.9%	7.9%
Total Expenses	\$6,266,800	\$6,695,500	\$6,830,400	\$6,505,400	\$6,430,200	\$7,831,900
Net Revenue	\$8,716,300	\$9,925,600	\$9,523,200	\$9,477,400	\$10,424,000	\$11,023,100
Net Revenue %	58.2%	59.7%	58.2%	59.3%	61.8%	58.5%
Payable to Others	\$1,603,100	\$1,620,700	\$1,477,400	\$1,669,600	\$1,729,000	\$2,171,100
Net revenue payable to City	\$7,113,200	\$8,304,900	\$8,048,800	\$7,807,700	\$8,695,000	\$8,852,000
Yr to Yr \$ Change		\$1,191,700	(\$256,100)	(\$241,100)	\$887,300	\$157,000
Yr to Yr % Change		17%	(3%)	(3%)	11%	2%
City capital costs	\$233,000	\$778,000	\$353,000	\$295,300	\$869,300*	\$952,900**
Net payable to	\$6,880,200	\$7,526,900	\$7,695,800	\$7,512,400	\$7,825,700	\$7,899,100

City before leases & taxes						
Yr to Yr \$ Change		\$646,700	\$168,900	(\$183,400)	\$313,300	\$73,400
Yr to Yr % Change		9.4%	2.2%	(2.4%)	4.2%	0.9%

* Includes expenditures of \$508,900 approved but unspent in 2003.

** Includes expenditures of \$646,900 approved in 2003 and 2004 but unspent

It is often difficult to make a simple comparison between years because of the changes in the number and types of lots that occur over time. These include the addition or closure of lots and in a smaller way, changes to stall count resulting from reconfiguration of the lots.

The year 2003 saw the operation of the BCIT Parkade for a portion of the year (\$140,000 revenue in 2003) and revenues of \$681,000 from the Richmond operations, neither of which continued into 2004. 2004 saw the addition of three lots, 150 West Cordova, 4180 Lougheed Highway and 130 W. Broadway, which jointly contributed \$211,000 in revenue, and the loss of some minor lots.

Given the loss of two important operations between 2003 and 2004 as noted above, the increase in net revenue of \$946,600 is significant. A large part of this increase can be attributed to the improvement in operations at Pacific Centre.

Return to the City Compared to Previous Years

The operating revenue payable to the City increased in 2004 over 2003, compared to decreases in both 2002 and 2003 over the prior years.

The net payable to the City after taking into account the capital projects undertaken on our behalf has remained relatively constant in the range of \$7.5 million to \$7.8 million since 2001. The net revenue payable to the City is projected to increase by \$157,000 in the 2005 budget, compared to the \$887,300 increase in 2004. The 2005 increase will be offset by a \$83,300 increase in capital spending payable from the City's Parking Sites Reserve. This is due to the carryover of capital projects approved in 2003 and 2004 that will be completed in 2005, and the need to support some older facilities. The evaluation of capital projects is now focussed on those items needed to maintain the safe operation of the facilities and those projects where there is an expected positive impact on revenues or reduction of expenses.

The projected return to the City after the capital costs is projecting an increase of \$73,400.

4. Capital Projects Carried over from 2003 and 2004

Several projects approved in 2003 and 2004 have not yet been completed and the funding is being carried forward to 2005. The following table provides details of the status of the projects and the funding carried forward.

The remaining funding related to projects that are in progress or that have been carried forward totals approximately \$646,900. Projects that have been completed have been in total roughly \$38,600 (5%) under budget.

Table 5

Lot #	Description	Budget	Expended to Dec. 31, 2004	Balance Remaining	Status
	Year 2003				
2	Doors/ Glazing for Security	\$65,000	\$15,132	\$49,868	Complete
3	Surface Repairs	\$300,000	\$292,119	\$7,881	In Progress
9	Lighting Upgrade	\$202,750	\$239,592	(\$36,842)	Complete
10	Landscape Improvements	\$50,000		\$50,000	Carry forward
15	Landscape Improvements	\$35,000	\$7,377	\$27,623	In Progress
18	Security Gate	\$24,200	\$9,685	\$14,515	Complete
19	Membrane Repairs	\$10,000	\$5,175	\$4,825	In Progress
22	Security Gate	\$25,000	\$32,174	(\$7,174)	Complete
45	Landscape Improvements	\$33,000		\$33,000	Carry forward
46	Landscape Improvements	\$20,000	\$8,983	\$11,017	In Progress
47	Landscape Improvements	\$20,000	\$9,762	\$10,238	In Progress
Various	Painting Program	\$210,000	\$163,182	\$46,818	In Progress
Various	Communication Devices	\$60,000	\$345	\$59,655	Carry forward
Treasury	Renovations	\$20,000		\$20,000	Carry forward
Various	Monthly Parker Computer Upgrades	\$14,200	\$2,812	\$11,388	In Progress
Various	Miscellaneous Equipment Purchases	\$18,000	\$17,824	\$176	Complete
Total	Total for 2003	\$1,107,150	\$804,162	\$302,988	
	Year 2004				
5	Guardrail replacement	\$250,000		\$250,000	Carry forward
9	Software & Hardware Upgrades	\$240,000	\$247,173	(\$7,173)	Complete
9	Office Air Quality Improvements	\$15,000	\$5,486	\$9,514	Complete
19 & 27	Revenue Control Equipment	\$60,000		\$60,000	Carry forward
22	Landscaping Improvements	\$20,000		\$20,000	Carry forward
40	West End Community Centre	\$20,000	\$5,415	\$14,585	In Progress
Various	Pay & Display Equipment	\$95,000	\$79,280	\$15,720	Complete
Various	Security Cameras	\$13,000		\$13,000	Carry forward
	Vehicle	\$20,000	\$20,000	\$0	Complete
	Computer	\$10,000	\$3,114	\$6,886	In Progress
Total	Total for 2004	\$743,000	\$360,468	\$382,532	
	Totals for 2003 and 2004	\$1,850,150	\$1,164,630	\$685,520	
	Remove Completed Projects			\$38,604	
	Carry forward related to ongoing projects			\$646,916	

5. 2005 Capital Budget

EasyPark has submitted proposals totaling \$306,000 for various Capital Improvements in 2005.

Details of the 2005 Capital Budget are as follows:

➤ **Carpark 3 (535 Richards) – Security Gate**

Increased security is required to address the high incidence of theft from automobiles, graffiti, etc. resulting from easy access during the night. Installation of a security gate at street level will allow for complete parkade closure during non-active hours. 24-hour operation will be maintained through provision of access cards to monthly contract customers. Cost of the gate is estimated at \$16,500.

➤ **Carpark 4 (107 E. Cordova) – Repair/upgrade elevator mechanical control and lighting**

To bring the elevator to current safety standards, as well as to reduce down-time and ongoing service costs, it is proposed to upgrade the elevator mechanical controls, emergency lighting and other equipment at an estimated cost of \$22,000.

➤ **Carpark 5 (520 W. Georgia) – Replacement of pedestrian doors/hardware**

Existing doors have been damaged by repeated acts of vandalism and regular wear and tear. Doors in this facility are used extensively as the facility has no elevator. This budget request will provide for the replacement of 9 doors, at a cost of \$19,800.

➤ **Carpark 9 (Pacific Centre) – Signage**

EasyPark has negotiated a proposed cost-sharing plan for the re-vamping of exterior vehicle ramp signage at Pacific Centre. Costs will be split 50% - 50% between EasyPark and Cadillac Fairview. The improved signage will enhance the visibility of entrances for improved vehicle ingress/egress as well as better promote the features of the facility. EasyPark's share would be \$38,500.

In addition, EasyPark has negotiated a similar proposed cost-sharing plan for interior pedestrian signage for all stairwells and elevator lobbies. Benefits of this project will be improved wayfinding for pedestrians and enhanced visibility of ingress/egress points. Cost of EasyPark's share would be \$25,300.

It is also proposed to add exterior pedestrian signage for the Granville & Howe parkade access stairwells, as well as perform modifications to glazing at the Howe street pedestrian entrance, in order to enhance the visibility of parkade entrances for pedestrians. This will improve pedestrian wayfinding and customer security. Cost of this work would be \$33,000

➤ **Carpark 17 (Main & 7th) – Re-paving**

The surface at the south side of this lot is uneven and experienced significant damage due to frost heaving earlier this year. Re-paving will make the lot more serviceable for customers. Cost is \$15,400.

➤ **Carpark 18 (1067 Seymour) – Replacement of pedestrian doors/hardware**

Existing doors have been damaged by frequent and severe vandalism and it is proposed to harden the facility against vandalism by replacing glass-panel doors with steel doors. In addition, to facilitate maintenance and improve stairwell cleanliness and safety, the installation of an epoxy membrane in pedestrian areas is planned. Cost of this work is \$33,000.

➤ **Carpark 19 (900 W. Cordova) – Installation of security gate**

Increased security is required to address high incidence of theft from automobiles, graffiti, etc. resulting from easy access during the night. Installation of a security gate at street level will allow for complete parkade closure during non-active hours. 24-hour operation will be maintained through provision of access cards to monthly contract customers. Cost of the gate is estimated at \$22,000.

➤ **Carpark 31 (Gastown Parkade) - Signage**

Signage is proposed to enhance visibility of entrances for improved vehicle access/egress, promotion of the facility (rates, local venues, etc.) as well as supplemental wayfinding and monthly parking identification. Cost of this work is \$33,000.

➤ **Vehicle**

Two existing maintenance pickup trucks have reached the end of their economic life and require replacement, at a cost of \$50,000.

CONCLUSION

The net revenue to the City went up by \$887,000 in 2004, as compared to a reduction of \$241,000 in 2003. The capital spending in 2004 went up by \$574,000 compared to 2003, resulting in a net increase of \$313,000. In 2005, the increase in the net revenue payable to the City, after capital expenditures, is expected to be \$73,400 compared to \$313,000 in 2004.

The Capital projects requested in 2005 total \$306,000 relate to security and operation requirements. The total capital expenditures in 2005 total \$952,900 including \$646,900 approved by Council in 2003 and 2004, but carried over to 2005.

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