Analyst Briefing Notes

Budget Committee

(March 26, 2007)

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March 23, 2007

2007 OPERATING BUDGET

Executive Summary

- The Toronto Parking Authority does not have a direct impact on the municipal property tax levy. The 2007 Recommended Operating Budget is financed from gross parking revenues earned.

- The 2006 preliminary year-end actual net revenue for the Toronto Parking Authority is $3.263 million or 8.1% above the 2006 Approved Operating Budget of $40.383 million. The increase in net revenue is due to higher than budgeted gross revenues.
  - The 2006 Toronto Parking Authority's preliminary year-end actual gross expenditures are projected to be $55.755 million at year-end, which is $0.954 million or 1.7% over the 2006 Approved Operating Budget of $54.801 million. The increase is primarily due to higher than anticipated rental charges for numerous carparks throughout the City which are reflective of higher gross revenue. In addition, credit card processing; ticket; wireless communication; and, service contract costs are all anticipated to increase from higher than forecasted gross revenue. Excluding the foregoing expenses which are impacted by gross revenue change all other expenses are under budget by approximately $0.500 million.
  - The preliminary year-end actual gross revenue for the Authority is $99.401 million. This represents an increase of approximately $4.217 million or 4.4% in gross revenue compared to the 2006 Approved Operating Budget of $95.185 million. The increase primarily results from the improvement in off-street parking facilities along Bloor Street from Yonge to Avenue Road and at major facilities near the Lakeshore from Bay to Jarvis Streets.
  - The City's share of the 2006 year-end net revenue is projected to increase to ($32.591 million). This represents an increase of $2.546 million or 8.5% compared to the 2006 Approved Operating Budget share of ($30.045 million). The City's share of net income does not include property taxes from Authority properties.

- The Toronto Parking Authority's strategic direction over the next 3 years will focus on:
  - Continued focus on satisfying short-term parking shortfalls while increasing net profits.
  - Continued expansion and promotion of the corporate convenience card.
  - Examination of additional automation opportunities.
  - Continued conversion of on-street meters to pay-and-display technology in areas where a reasonable payback is obtainable.
  - Continued focus on opportunities to satisfy urgent parking needs in areas that have identified parking shortfalls. Particular attention has been placed on St. Clair Avenue between Yonge Street and Gunn Road for additional off-street spaces to replace spaces that will be lost on-street due to the Toronto Transit Commission street car right-of-way.

- The 2007 Recommended Operating Budget of ($44.429 million) net revenue is comprised of base expenditure funding of $57.495 million and new/enhanced service priorities of $0.310 million and revenues of $102.234 million. This represents a $4.046 million or 10% increase over the 2006 Approved Operating Budget net revenue of ($40.383 million).

Table 1: 2007 Recommended Budget

	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New/ Enhanced	2007 Operating Budget			2008	2009
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	54,801.3	55,755.3	57,494.7	310.0	57,804.7	3,003.4	5.5	1,002.0	0.0
REVENUE	95,184.6	99,401.1	102,234.1	0.0	102,234.1	7,049.5	7.4	0.0	0.0
NET EXP.	(40,383.3)	(43,645.8)	(44,739.4)	310.0	(44,429.4)	(4,046.1)	10.0	1,002.0	0.0
Approved Positions	298.2	294.4	294.8	3.0	297.8	(0.4)	(0.1)	0.0	0.0

- The 2007 Recommended Operating Budget will enable the Toronto Parking Authority to increase 2006 service levels and gain operational efficiencies through the adoption of parking technology. The adoption of new and emerging technology will allow the Authority to provide better service to customers and control operating costs more effectively, thereby increasing their net revenue contributions to the City's general revenue.

- The 2007 Recommended Operating Budget provides funding for key cost drivers which include the following:
  - Salary and benefits increase by 3.4% or $0.570 million in response to wage increases for union and non-union staff associated with off-street and on-street parking operations. Fringe benefit costs account for $0.165 million of the growth and are fueled by projected increases in dental and drug costs.
  - Equipment depreciation is forecasted to increase by 9.8% or $0.646 million. The depreciation is higher as more locations/lots are opened and pay-and-display machines are expanded on-street.
  - Material and supplies are forecasted to increase by 11.4% or $0.542 million. The increase is a combination of 3 major costs which are all impacted by gross revenue changes:
    - Credit card processing costs increased in response to higher gross revenue and a higher proportion coming from credit sales compared to cash. This is due in part to the conversion of many locations to "credit in/out" technology.
    - Ticket costs increase in relation to higher revenue/usage.
    - Service costs on automated equipment increase in response to the addition of more units.
  - Services and rents are forecasted to increase by 7.4% or $0.907 million. This is attributed primarily to increased rents from higher revenues. A portion of profits is paid to property owners for rent.

- The 2007 Recommended Operating Budget includes funding for the following priorities outlined in the Mayor's Mandate:
  - $0.050 million to strengthen the Authority's support for local Business Improvement Areas.
  - $0.050 million in funding to advance the Tree Advocacy Planting Program throughout various neighbourhoods of the City. The program seeks to leave a legacy of trees for future generations by initiating tree planting along city streets; arterial roads; neighbourhood parks; and, in ravines.

- The 2007 Recommended Operating Budget includes new/enhanced service priorities of $0.310 million. The priorities address service level gaps to accommodate increased workloads from the forecasted gross revenue growth and security concerns for off-street parking facilities.

- The 2008 and 2009 Outlook maintains the 2007 level of service while managing the cost-of living-allowance (COLA) and merit/step increments for union and non-union staff. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for the Toronto Parking Authority of $57.805 million gross and ($44.429 million) net, comprised of the following services, be approved:

Service:	Gross ($000s)	Net ($000s)
On-Street Parking	11,723.1	(26,276.9)
Off-Street Parking	46,081.6	(18,152.5)
Total Program Budget	57,804.7	(44,429.4)

2. authority be given to City staff to extend the current Revenue Sharing Agreement between the City of Toronto and the Toronto Parking Authority for a three-year period effective January 1, 2007 and ending December 31, 2009 on the same terms and conditions which currently exist.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In $000s)	2005 Actuals $	2006 Approved Budget $	2006 Projected Actuals* $	2006 Appvd. Budget vs Projected Actuals Variance $	%
GROSS EXP.	53,515.8	54,801.3	55,755.3	954.0	1.7
REVENUES	94,552.3	95,184.6	99,401.1	4,216.5	4.4
NET EXP.	(41,036.5)	(40,383.3)	(43,645.8)	(3,262.5)	8.1
Approved Positions	300.3	298.2	294.4	(3.8)	(1.3)

Source: *Projected Actuals Based on the Preliminary Year-End Operating Variance Report.

2006 Experience

The 2006 Toronto Parking Authority's preliminary year-end actual gross expenditures are projected to be $55.755 million at year-end, which is $0.954 million or 1.7% over the 2006 Approved Operating Budget of $54.801 million. The increase is primarily due to higher than anticipated rental charges for numerous carparks throughout the City which are reflective of higher gross revenue. In addition, credit card processing; ticket; wireless communication; and, service contract costs are all anticipated to increase from higher than forecasted gross revenue. Excluding the foregoing expenses which are impacted by gross revenue change all other expenses are under budget by approximately $0.500 million.

The preliminary year-end actual gross revenue for the Authority is $99.401 million. This represents an increase of approximately $4.217 million or 4.4% in gross revenue compared to the 2006 Approved Operating Budget of $95.185 million. The increase primarily results from the improvement in off-street parking facilities along Bloor Street from Yonge to Avenue Road and at major facilities near the Lakeshore from Bay to Jarvis Streets.

The 2006 preliminary year-end actual net revenue of ($43.646 million) is $3.263 million or 8.1% above the 2006 Approved Operating Budget of ($40.383 million). This increase in net revenue is due to increased revenue, as noted above.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The City's share of net income from the 2006 Approved Operating Budget and the Authority's preliminary year-end actuals are provided in the table below:

(In $ Millions)	2006 Approved Budget	2006 Year-End Projection
Net Income	40.383	43.646
TPA Share 25%	10.075	10.914
City Share	30.045	32.591
To "Rented Properties Fund"	0.263	0.140

The City's share of the 2006 year-end net revenue is projected to increase to ($32.591 million). This represents an increase of $2.546 million or 8.5% compared to the 2006 Approved Operating Budget share of ($30.045 million). The City's share of net income does not include property taxes from Authority properties.

In 2006, the Authority also paid the City and related agencies approximately $1.370 million in rent for carparks operated on their behalf plus $14.200 million in property taxes. Combined with the share of net income, the Authority will contribute $48.161 million to the City's general revenues. For 2007, the budgeted contribution to the City's general revenues is estimated at approximately $48.700 million.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

The Toronto Parking Authority is a self-sustaining public corporation owned by the City of Toronto. It contributes significant net income to the City's general revenues while successfully meeting its mandate of providing safe, attractive, self sustaining, conveniently located and competitively priced off-street and on-street public parking as an integral component of Toronto's transportation system. Considered as a leader in the use of parking technology, the Authority has been successful in ensuring that businesses in areas served throughout the City continue to grow and their neighbourhoods remain vibrant.

The Toronto Parking Authority operates approximately 20,000 street spaces in 180 facilities including 22 parking garages, as well as 18,000 on-street spaces controlled by pay-and-display technology or single spaced meters. In addition, the Authority manages on behalf of the Toronto Transit Commission, 14,000 spaces at their park-and-ride facilities and parking areas on behalf of the Parks, Forestry and Recreation Program serving the waterfront parks during the summer season. The Toronto Parking Authority is the largest municipal parking operator in North America.

Over the next 3 years, funding for the operating budget will advance the strategic direction of the Authority which includes:

- Continued focus on satisfying short-term parking shortfalls while increasing net profits.
- Continued expansion and promotion of the corporate convenience card.
- Examination of additional automation opportunities.
- Continued conversion of on-street meters to pay-and-display technology in areas where a reasonable payback is obtainable.
- Continued focus on opportunities to satisfy urgent parking needs in areas that have identified parking shortfalls. Particular attention has been placed on St. Clair Avenue between Yonge Street and Gunns Road for additional off-street spaces to replace spaces that will be lost on-street due to the Toronto Transit Commission street car right-of-way.

The 2008 and 2009 Outlook forecast continued growth in the Authority's net revenue. The 2008 Outlook net revenue of $45.747 million reflects a projected increase of 3.0% or $1.318 million compared to the 2007 Recommended Operating Budget net revenues of $44.429 million. The 2009 Outlook is forecasting a 2.6% or $1.185 million increase in net revenues, as compared to the 2008 Outlook. The projected growth in net revenue will be generated from the continued implementation of solar powered pay-and-display machines; adoption of the corporate convenience card; increased automation opportunities; and, new off-street parking facilities. The adoption of new and emerging technologies has allowed the Authority to provide better service to customers and to control costs more effectively, thereby increasing profitability.

Service Delivery - Challenges and Issues

Service level issues are addressed in the recommended new/enhanced service priorities. The service level gaps in the provision of security at off-street parking facilities and the management of projected increased gross revenues are addressed by 2 new priorities recommended for 2007.

Mayor's Mandate

The 2007 Recommended Operating Budget directly addresses the following priorities outlined in the Mayor's Mandate:

- ***Work with Business Improvement Associations (BIAs) to Create Teams to Improve the Look and Feel of Our Retail Strips by Strengthening Enforcement of the City's Property Standards.***

  The Authority works very closely with the local Business Improvement Areas and their umbrella organization, the Association of Business Improvement Areas, through funding; attendance at meetings; participation in event planning; and, consultation on proposed operational changes to parking facilities and rates. The Authority's 2007 Recommended Operating Budget includes funding of $0.050 million to strengthen their affiliation with the local Business Improvement Areas.

- ***Make Toronto Greener by Improving the Tree Management and Care Program to Feed, Care for, Save or Replace Existing Street Trees in Our City. The City will Experiment with New Ways to Plant and Water the Trees that Line Our Neighbourhoods.***

  In response to continuing urbanization, Council approved the Tree Advocacy Planting Program for Toronto in 2000. The program seeks to leave a legacy of trees for future generations by initiating tree planting along city streets; arterial roads; neighbourhood parks; and, in ravines. For the last 6 years, the Authority has supported this program with $0.300 million in total funding. The Toronto Parking Authority's 2007 Recommended Operating Budget includes $0.050 million in funding to advance the Tree Advocacy Planting Program.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In $000s)	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
					2008	2009
	$	$	$	%	$	$
GROSS EXP.	54,801.3	57,494.7	2,693.4	4.9	1,002.0	0.0
REVENUE	95,184.6	102,234.1	7,049.5	7.4	0.0	0.0
NET EXP.	(40,383.3)	(44,739.4)	(4,356.1)	10.8	1,002.0	0.0
Approved Positions	298.2	294.8	(3.4)	(1.1)	0.0	0.0

2007 Recommended Base Budget

The Toronto Parking Authority is self-sustaining and does not impact the municipal tax levy. The City does not set a guideline for the Toronto Parking Authority since the Authority funds its capital and operating budgets from retained earnings; reserves; and/or, selling air rights.

The 2007 Recommended Base Budget gross expenditures, not including new/enhanced service priorities, represents an increase of $2.693 million or 4.9% compared to the 2006 Approved Operating Budget of $54.801 million. A large proportion of the increase is directly related to activities associated with the projected growth in gross revenues.

The 2007 Recommended Base Budget gross revenue increase by approximately $7.050 million or 7.4% over the 2006 Approved Operating Budget of $95.185 million. The factors contributing to the projected growth in revenue includes the following:

- Off-Street revenues are forecasted to increase by approximately $4.605 million resulting from a rebound in revenues for most areas of the City and an allowance for rate increases.
- On-Street revenues are projected to increase by $2.000 million. This reflects the conversion of single spaced meters to pay-and-display technology and expansion of spaces. The conversion of spaces to pay-and-display technology will be largely completed in 2007. Revenue increases will be modest in future years resulting from the completion of the 8-year upgrade/conversion program.
- Sundry revenues are forecasted to increase by $0.445 million resulting from rent for leasing operations and investment income.

The 2007 Base Budget net revenue is projected to grow from $40.383 million in 2006 to $44.739 million in 2007, reflecting an increase of $4.356 million or 10.8%. As noted above, the increase in net revenues will be primarily attributed to gross revenue growth from off-street and on-street parking facilities throughout the City.

2007 Key Cost Drivers

The 2007 Recommended Base Budget gross expenditures, not including new/enhanced service priorities, represent an increase of $2.693 million or 4.9% compared to the 2006 Approved Operating Budget of $54.801 million. The 2007 Recommended Base Budget key cost drivers include the following:

- Salary and benefits increase by 3.4% or $0.570 million in response to wage increases for union and non-union staff associated with off-street and on-street parking operations. Fringe benefit costs account for $0.165 million of the growth and are fueled by projected increases in dental and drug costs.
- Equipment depreciation is forecasted to increase by 9.8% or $0.646 million. The depreciation is higher as more locations/lots are opened and pay-and-display machines are expanded on-street.
- Material and supplies are forecasted to increase by 11.4% or $0.542 million. The increase is a combination of 3 major costs which are all impacted by gross revenue changes:
  - Credit card processing costs increased in response to higher gross revenue and a higher proportion coming from credit sales compared to cash. This is due in part to the conversion of many locations to “credit in/out” technology.
  - Ticket costs increase in relation to higher revenue/usage.
  - Service costs on automated equipment increase in response to the addition of more units in addition to pricing increases.
- Services and rents are forecasted to increase by 7.4% or $0.907 million. This is attributed primarily to increased rents from higher revenues. A portion of profits is paid to property owners for rent. A new location was also added during 2006 which was not budgeted.

The approved complement is anticipated to decrease by 3.4 positions or 1.1% compared to the 2006 Approved Operating Budget of 298.2 staff. The decline of 3.4 positions stems from increased automation for both on-street and off-street parking facilities.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 and 2009 Outlook maintains the 2007 level of service while managing the cost of living allowance (COLA) and merit/step increments for union and non-union staff. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In $000s)

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		$	$	#	$	$
	(a) Enhanced Service Priorities - Council Approved					
	(b) Enhanced Service Priorities - Program Initiated					
1	Additional Staff For Off-Street Parking Facilities	150.0	150.0	3.0	0.0	0.0
	Sub-Total Enhanced Services	150.0	150.0	3.0	0.0	0.0
	(a) New Service Priorities - Council Approved					
	(b) New Service Priorities - Program Initiated					
1	Off-Street Security Initiative	160.0	160.0	0.0	0.0	0.0
	Sub-Total New Service Priorities	160.0	160.0	0.0	0.0	0.0
	Total Recommended New / Enhanced Service Priorities	**310.0**	**310.0**	**3.0**	**0.0**	**0.0**

2007 Recommended Service Priorities

Enhanced Service Priorities- Program Initiated:

Additional Staff for Off-Street Parking Operations

Recommended funding of $0.150 million for 3 positions to be added to the permanent complement. The costs of $0.150 million will be fully annualized in 2007, with no incremental impacts in 2008 and 2009. All 3 positions are required to accommodate increased workloads from the forecasted growth in gross revenue.

The first additional position is a monthly permit clerk position required to manage increased sales of monthly permits.

The second additional position manages the increased workload from customer calls related to credit card processing and increased automation which has shifted work in-house. The cost of the position is offset by savings in student wages from automation.

The third position is for 1 additional tagging staff due to the increase in the number of spaces, most notably in the Distillery District. It is anticipated that the cost associated with this position will be offset by increased revenue generated from heightened enforcement activity.

The recommended increase of 3 positions is offset by the reduction of 3.4 positions included in the 2007 Recommended Base Budget. The net impact will be the reduction 0.4 positions to the Authority, representing a decrease to the 2006 Approved Operating Budget staff complement of 0.1%.

New Service Priorities - Program Initiated:

Off-Street Security Initiative

This new service priority provides funding to implement security measures for off-street parking facilities and patrons. The costs associated with this new service of $0.160 million and will be fully annualized in 2007, with no incremental impacts in 2008 and 2009.

Issues for Discussion

Toronto Parking Authority Revenue Sharing Agreement

In 2003, the City and the Toronto Parking Authority renewed its Income Sharing Agreement for an additional 3 years. The Agreement requires the Authority to pay annual rent to the City equal to 75% of its net income for the year or $18.000 million; whichever is greater. In addition, from time to time, the Authority will pay an amount to the City that is in excess of capital asset funding requirements over the ensuring 5 year period. This is in addition to the share of annual operating income paid under the current Agreement. The Income Sharing Agreement between the Toronto Parking Authority and the City was set for review in December of 2006. Given that there is no Income Sharing Agreement between the Authority and the City in effect since December of 2006, it is therefore recommended that, authority be given to City staff to extend the current Revenue Sharing Agreement between the City of Toronto and the Toronto Parking Authority for a three-year period effective January 1, 2007 and ending December 31, 2009 on the same terms and conditions which currently exist.

Appendix 1

Summary of Recommended Base Budget Changes From 2006 Approved Budget

(In $000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		$	$	$	$	$
2006 Council Approved Operating Budget	**298.2**	**54,801.3**	**95,184.6**	**(40,383.3)**	**0.0**	**0.0**
In-year approvals and technical adjustments						
Corporate adjustments						
2006 Approved Operating Budget	**298.2**	**54,801.3**	**95,184.6**	**(40,383.3)**	**0.0**	**0.0**
Prior year impacts						
Zero base items						
Economic factors		477.0		477.0	1,002.0	
Adjusted Base Budget	**298.2**	**55,278.3**	**95,184.6**	**(39,906.3)**	**1,002.0**	**0.0**
Other base changes	(3.4)	2,216.4		2,216.4		
Base revenue changes			7,049.5	(7,049.5)		
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	**(3.4)**	**2,216.4**	**7,049.5**	**(4,833.1)**	**0.0**	**0.0**
2007 Recommended Base Budget	**294.8**	**57,494.7**	**102,234.1**	**(44,739.4)**	**1,002.0**	**0.0**
2007 Program Operating Target	**N/A**	**N/A**	**N/A**	**NA**	**NA**	**NA**
% Over (Under) Program Target				**NA**	**NA**	**NA**
% Over (Under) 2006 Appvd. Budget				**10.8%**	**NA**	**NA**

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities