

## **CALGARY PARKING AUTHORITY**

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### **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS, YEAR ENDED DECEMBER 31, 2018**

#### **Revenue**

Due to the economic downturn and its impact on office vacancies in the downtown core, the Authority experienced a downward trend in overall parking demand. Total sales were below budget by \$3.8 million and down \$0.6 million from 2017. Sales of goods and services consisted of parking revenues of \$49.2 million received from parkades, surface lots and on-street parking, and \$11.4 million from Impound Lot services.

Revenues from fines and penalties exceeded 2017 levels by \$0.9 million but were below budgeted amounts by \$0.6 million, which was due to a Canada post strike delaying the mailing out of violation notices in late 2018.

Despite lower overall yield rates due to declining bond prices, due to shifting \$46 million in cash reserves into a flexible longer term fund, investment income exceeded 2017 levels by \$0.3 million and exceeded budgeted amounts by \$1.3 million.

#### **Expenses**

Expenses reported in the financial statements totalled \$52.4 million, which was significantly below both budget (\$60.9 million) and prior year (\$59.4 million). This was a result of many factors, both internal and external.

Reductions in assessed values of downtown properties resulted in property taxes of \$5.2 million compared to 2017 amounts of \$7.0 million and budgeted amounts of \$7.5 million.

A wage freeze enacted in late 2017 as well as position vacancies remaining unfilled in 2018 resulted in salaries and wages of \$20.5 million, which was \$1.3 million lower than 2017 and \$2.4 million below budget.

Due to delays in capital expenditure, amortization expenses were lower than originally anticipated at \$6.1 million compared to 2017's expenses of \$7.1 million and budgeted amounts of \$8.6 million.

Additionally, not included in the expense total is an impairment loss of \$2.1 million relating to obsolete enforcement equipment, contract management software and vehicles.

#### **Distributions**

The Calgary Parking Authority distributed \$23.7 million to the City of Calgary in 2018. This exceeded budget by \$2.9 million and was \$3.9 million higher than 2017. There are 3 components that make up the distribution. Firstly, 65% of net revenues from parking operations are distributed (\$15.6 million in 2018 vs \$12.0 million in 2017). The increased distribution was a result of lower expenses in 2018, as discussed previously. Secondly, 100% of net revenues from parking control activities are distributed (\$5.2 million in 2018 vs \$4.6 million in 2017). The increased distribution was a result of increased deployment of new technologies in 2018 as well as wage savings from unfilled position vacancies. Thirdly, CPA distributes all net income pertaining to lots owned by the City of Calgary and affiliated entities. The income from these lots decreased slightly in 2018 (\$2.9 million in 2018 vs \$3.2 million in 2017).

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### **Liquidity**

The Calgary Parking Authority finished 2018 with cash and cash equivalents of \$17.2 million, which is a decrease of \$41.1 million from 2017. This decrease was due to shifting \$46 million into a longer term fund to increase overall yields.

The Authority's long term reserves increased to \$152.3 million from \$110.4 million in 2017. This change was largely a result of the shift of \$46 million from cash. In addition, investment income of \$4.3 million was reinvested and there was a drawdown of \$8.2 million relating to financing construction of the new 9<sup>th</sup> Avenue parkade.

The long term reserves consist of three separate funds. The Cash-In-Lieu fund is dedicated to new parking structure construction. This fund was drawn down by \$8.2 million for construction during the year and had a balance of \$7.8 million at December 31, 2018. The Parking Structure Replacement Fund, which is dedicated to future replacement of existing structures, had a balance of \$98.2 million at year end. The new Long Term Investment Fund had a balance of \$46.1 million at year end. All funds are held for investment through the City of Calgary.

The Calgary Parking Authority primarily relies on cash flows from operations to finance capital activity. A 15 year 4.9% debenture was issued in 2006 and currently has an outstanding principal balance of \$1.8 million, annual principal payments of approximately \$500,000 and annual interest costs of approximately \$80,000.

The Parking Authority began construction of a new parkade in December 2018 with an estimated capital cost of \$62.5 million over the next three years. This project is already fully funded with \$12 million coming from the Cash-In-Lieu reserve (\$8.2 million already drawn at December 31, 2018) and the remaining amount funded through the new Long Term Investment Fund.

### **Outlook**

The downturn in the Calgary economy has resulted in office vacancies above 20% in the downtown core and with fewer people travelling to the core on a daily basis there has been a downward trend in parking demand over the last 3 years. Economic activity in Calgary is estimated to have improved by 2.9% in 2018 and is expected to grow by 2.3% in 2019. During peak energy prices, Calgary's downtown experienced overbuilding of office space and apartments and condos. The majority of these new buildings also carry an inventory of parking so, despite the expected positive economic activity, it may take several years for this oversupply of available parking to balance with demand for the locations in our inventory.