

Calgary Parking Authority 2021 Distribution to The City of Calgary

RECOMMENDATION:

Recommend that Council direct that the Calgary Parking Authority have permission to not meet the Calgary Parking Policies minimum financial returns set out in section 4.1(b) for 2021 due to reduced demand for parking during the pandemic.

RECOMMENDATION OF THE STANDING POLICY COMMITTEE ON TRANSPORTATION AND TRANSIT, 2021 SEPTEMBER 1:

That Council direct that the Calgary Parking Authority have permission to not meet the Calgary Parking Policies minimum financial returns set out in section 4.1(b) for 2021 due to reduced demand for parking during the pandemic.

HIGHLIGHTS

- Section 4.1(b) of the Calgary Parking Policies states that “The CPA shall transfer to The City the greater of 65 per cent, or \$11 million, of net CPA revenues unless otherwise directed by Council.” This report seeks Council’s direction to allow CPA to not meet the return for 2021 due to the impacts of the COVID-19 pandemic. It should be noted that 100% of net enforcement revenues would still be returned to The City as per section 4.1(a).
- What does this mean to Calgarians? All parking service levels remain the same for Calgarians despite the lower financial return to the City.
- Why does it matter? External auditors require this explicit acknowledgement. Not meeting the minimum threshold impacts the City budget. CPA has been keeping the City apprised of forecasted returns for 2021 continuously since fall 2020.
- The pandemic continues to severely impact parking revenues. Parking revenues for 2021 are projected to be only 60% of pre-pandemic levels, which represents an impact of approximately \$25 million.
- The Calgary Parking Committee was aware of the impact of the pandemic and approved a 2021 budget in October 2020 that did not meet this minimum threshold. They were aware that it would require Council’s acknowledgement but recognized that it represented the best possible budget given the circumstances of the pandemic.

DISCUSSION

- Returns from the Calgary Parking Authority to The City are outlined in Calgary Parking Policies (Council Policy TP-017). The Financial Returns section of the Calgary Parking Policies (section 4) states:

The first priority of the Calgary Parking Authority (CPA) should be to implement The City’s parking policies to promote a vibrant and economically healthy city. Recognizing this, the CPA, through its operations, provides an important stream of revenue to The City. This revenue provides a return to taxpayers to fund a variety of City programs. It is also important that the CPA is able to retain sufficient revenue to ensure its solvency and to self-fund existing and future capital and operating requirements. The financial return policies in this section aim to accomplish these objectives.

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Financial Return Policies

1. The CPA shall transfer to The City:

- a) 100 per cent of net revenues from enforcement
- b) **The greater of 65 per cent, or \$11 million, of net CPA revenues unless otherwise directed by Council.**

2. Operating expenses should not exceed 59 per cent of gross revenues. Ongoing efforts should be made to lower the operating expense ratio with due regard for maintaining appropriate service standards and preserving the value of capital assets. The operating expense ratio target should be included as part of the annual budget presentation to Council. The target should be regularly reviewed and compared with industry standards

- Since the financial return policy was implemented in 2011, CPA has met or exceeded the minimum distribution every year. Over the last decade, the excess above minimum has totalled over \$34 million.
- The pandemic has caused an unprecedented reduction in parking demand. During the second and third lockdowns in early 2021, some revenue segments declined to as low as 30% of pre-pandemic levels. As a result, 2021 revenues are forecast to be \$25 million below pre-pandemic levels. Due to this, current forecasts estimate a distribution from enforcement to be approximately \$3.6 million and a distribution from parking operations for 2021 to be approximately \$0.7 million.
- To assist Calgarians throughout the pandemic, CPA has undertaken a number of initiatives at the request of Council, The City and the Province, which have had negative impacts on financial returns. The sum of the impact of these initiatives on the distribution to the City of Calgary as of June 2021 is \$3.4 million. Examples include:
 - Free on street parking for 15 minutes to assist in increased pick-up and delivery
 - Free parking at the Telus Convention Center vaccination clinic
 - Relaxation of rush hour parking enforcement
 - Shifting the start time of evening parking rates to encourage evening downtown usage
 - Patio extensions into on street parking to assist business that couldn't open indoors.
- Every effort is being made to win back returning customers and increase revenues and market share. Demand for parking has shifted considerably during the pandemic and will continue to shift coming out of the pandemic as more workplaces offer work from home flexibility. CPA continues to leverage competitive advantages in technology to provide service offerings to meet this changing demand. Examples include flex passes, Buy One Get One promotions, and partnerships with local businesses.
- In recent years, prior to the pandemic, CPA had made a concerted effort to reduce expenses. Expenses have been reduced from \$63 million in 2016 to \$52 million in 2019 and are forecast to be \$48 million for 2021. Some expenses needed to be increased to meet changes from the pandemic. Increased sanitization at facilities and personal protective equipment purchases added an additional \$0.5 million to expenses. Lower traffic in facilities and an increase in social disorder resulted in an increase to security costs of \$1.5 million. However, CPA offset these increases with even larger savings. Salary and wages are CPA's largest expense item, representing approximately 40% of all expenses, and so they present the biggest opportunity for savings. Consolidation of

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several groups into one unified contact centre resulted in significant savings. Salary freezes for non-union employees were implemented. Position vacancies had to demonstrate a very high need to be refilled. Overtime was curtailed. As a result, salaries for 2021 are projected to be \$2.5 million below budget. Maintenance schedules were updated to reflect a newly implemented Capital Asset Management Plan and further adapted to reflect reduced usage of facilities during the pandemic, resulting in projected costs below budget of \$1.5 million. Office and other business expense savings are projected to be \$0.5 million for 2021. Some usage-based expenses, such as credit card fees and towing expenses, are lower than budget as well due to reduced volumes, resulting in approximately \$0.8 million in expense savings.

- Other options to meet shortfall: CPA has two Capital Reserves, the Capital Reserve Fund and the Long Term Investment Fund. Their purposes are to ensure facilities are maintained at an acceptable level and to ensure the long term stability of CPA's assets under management. Options to address the shortfall in the return include:
 - Cancel annual contribution to Capital Reserve Fund (\$3 million)
 - Cancel reinvestment of 2021 investment income from reserves (est. \$3.6 million)
 - Withdraw from existing reserve balances to meet shortfall

Capital Asset Management Plans indicate these contributions and reinvestments are necessary to meet CPA's capital needs over the long term. According to the Calgary Parking Policies "It is also important that the CPA is able to retain sufficient revenue to ensure its solvency and to self-fund existing and future capital and operating requirements". Using Capital Reserves to fund this shortfall would risk not being able to self-fund existing and future capital and operating requirements. It is therefore CPA's recommendation that the reserves not be used to meet the shortfall.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social

Not applicable

Environmental

Not applicable

Economic

Not applicable

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Service and Financial Implications

Existing operating funding - one-time

Based on the Financial Return Policy, the financial impact to the City based on the latest projection as of 2021 August 13 is as follows:

1. The CPA shall transfer to The City:
 - a) 100 per cent of net revenues from enforcement – This is projected to be \$3.6 million compared to a budget of \$8.1 million
 - b) The greater of 65 per cent, or \$11 million, of net CPA revenues unless otherwise directed by Council. – This is projected to be \$0.7 million compared to a budget of \$11.8 million.

The overall operating impact to The City is projected to be approximately \$15.6 million unfavourable for 2021. Due to the established process of CPA providing regular financial reporting to the City, the projected lower dividend and enforcement revenue from CPA has been incorporated into Corporate Programs 2021 operating projection and managed through savings within the program. CPA will continue to work with the City and will update the City in a timely basis if there are any material changes to the 2021 projection.

RISK

If the recommendation is not accepted, CPA will need to find alternate methods to fund the expected minimum dividend. The risk of using reserves to meet the shortfall is that it increases the chance that CPA will not be able to meet its long term needs according to the Calgary Parking Policies.

ATTACHMENTS

None

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Moe Houssaini	Calgary Parking Authority	Approve