

# Analyst Briefing Notes

## Budget Advisory Committee

(January 13, 2006)

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**PART I: 2006 Operating Budget Overview**

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	54,281.7	53,723.4	54,801.3	0.0	54,801.3	519.6	1.0	0.0	0.0
<b>REVENUE</b>	97,169.1	94,845.4	95,134.6	0.0	95,134.6	(2,034.5)	(2.1)	0.0	0.0
<b>NET EXP.</b>	(42,887.4)	(41,122.0)	(40,333.3)	0.0	(40,333.3)	2,554.1	(6.0)	0.0	0.0
<b>Approved Positions</b>	315.1	305.1	298.2	0.0	298.2	(16.9)	(5.4)		
<b>TARGET</b>			NA						
<b>\$ Over / (Under) Program Target</b>			NA						
<b>% Over / (Under) Program Target</b>			NA						

**Executive Summary**

- The Toronto Parking Authority does not have a direct impact on the municipal tax levy. The 2006 Proposed Operating Budget is financed from gross parking revenues earned.
- The projected year-end net revenue for the Toronto Parking Authority is (\$41.122 million), as at September 30, 2005. This represents a decrease of approximately \$1.765 million or 4.1% compared to the 2005 Approved Operating Budget of (\$42.887 million).
  - The 2005 Toronto Parking Authority’s gross expenditures are projected to be \$53.723 million at year-end, which is \$0.558 million or approximately 1% below the 2005 Approved Operating Budget gross expenditures of \$54.282 million primarily due to lower rental expense, credit card processing fees and administration salaries and benefits.
  - The projected year-end revenue for the Toronto Parking Authority is \$94.845 million, as at September 30, 2005. This represents a decrease of approximately \$2.324 million or 2.4% in revenue compared to the 2005 Approved Operating Budget of \$97.169 million and is primarily due to the decline in parking revenue along the Yonge Street corridor and net revenue additions to the 2005 Council Approved Budget of \$0.681 million that the Authority had no opportunity to earn.
- The 2006 Proposed Operating Budget of (\$40.333 million) net revenue is comprised entirely of Base funding with no New/Enhanced Service Requests and is \$2.554 million or 6% less than the 2005 Approved Operating Budget of (\$42.887 million).

- The 2006 Proposed Operating Budget of \$54.801 million gross is \$0.520 million or 1% over the 2005 Approved Operating Budget of \$54.282 million.
- The 2006 Proposed Operating Budget will reduce the approved complement by 16.9 positions to 298.2 through increased automation of parking facilities. This represents a decrease of 5.4% compared to the 2005 Approved complement of 315.1.
- The 2006 key cost drivers include the following:
  - Prior year impacts increase by \$1.002 million due to:
    - Operating impact from property tax for new parking lots budgeted to open in 2006 total \$0.368 million.
    - Increases for fringe benefits and merit and step total \$0.262 million.
    - Annualizations from 2005 Council approvals, which include cost increases for advancing to the next pay grade under union contract; reduction in gapping and other changes total \$0.372 million.
  - Inflation increases for salaries and benefits (\$0.434 million), materials and supplies (\$0.079 million), services and rents (\$0.160 million) and other miscellaneous expenditures (\$0.267 million) total \$0.940 million.
- Key cost drivers have been partially offset by a number of cost saving measures, such as:
  - Coin processing costs are down \$0.037 million from the 2005 budgeted level due to a new contract that commenced in August 2005.
  - Banking fees are \$0.077 million lower after a change in banks and a new fee agreement in early 2005.
- The 2006 Proposed Operating Budget does not include any parking fee increases for 2006. The Toronto Parking Authority determines rate changes on actual supply/demand and other conditions at each location. Therefore, a “general” rate increase across all facilities has not been proposed for 2006.
- Currently, City Manager and Deputy City Manager and Chief Financial Officer staff are working with the Toronto Parking Authority and the Toronto Police Service to assess the financial and service benefits associated with the potential transfer of parking enforcement for on-street meter/pay-and-display areas. It is anticipated that the results of the study will be presented to the Budget Advisory Committee during the 2006 operating budget review process.
- It is recommended that the Toronto Parking Authority try to achieve a 2006 net revenue that is at least the same level as the 2005 Approved Operating Budget net revenue of (\$42.887 million) by the addition of \$2.544 million in net revenue growth. This change for 2006 net revenue may be achieved by way of additional revenue and/or expenditure reductions.

**Recommendations**

It is recommended that:

- (1) the Toronto Parking Authority 2006 Proposed Operating Budget of \$54.801 million gross and (\$40.333 million) net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
On-Street Parking	10,934.9	(25,065.1)
Off-Street Parking	<u>43,866.4</u>	<u>(15,268.2)</u>
Total Program Budget	<u>54,801.3</u>	<u>(40,333.3)</u>

- (2) the President of the Toronto Parking Authority report back to the Budget Advisory Committee at its meeting in January 2006 with potential strategies to achieve an increase of \$2.554 million in 2006 net revenue that include additional revenue growth measures and/or gross expenditure reductions.

## PART II: BASE BUDGET

### Section A: 2005 Budget Variance Analysis

**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	52,119.2	54,281.7	53,723.4	558.3	1.0
<b>REVENUES</b>	98,106.8	97,169.1	94,845.4	2,323.7	2.4
<b>NET EXP.</b>	(45,987.6)	(42,887.4)	(41,122.0)	(1,765.4)	4.1
<b>Approved Positions</b>	308.0	315.1	305.1	10.0	3.2

\*Projected Actual expenditures to year-end based on 3<sup>rd</sup> Quarter Variance Report.

### 2005 Experience

The 2005 Toronto Parking Authority's gross expenditures are projected to be \$53.723 million at year-end, which is \$0.558 million or approximately 1% below the 2005 Approved Gross Operating Budget of \$54.282 million. This projected year-end under-expenditure has occurred as a result of a combination of factors that include the following:

- Rent expenses are lower for off-street parking facilities (\$0.214 million). Most of the rent for off-street parking facilities is based on profit sharing with the property owner.
- Credit card processing fees are under budget due to a 3 year fee agreement with a new processor at lower rates (\$0.270 million).
- Administration salaries and benefits are lower due to gapping, reduction of 1 budgeted position and lower health/dental costs (\$0.170 million).

The projected year-end revenue for the Toronto Parking Authority is \$94.845 million as at September 30, 2005. This represents a decrease of approximately \$2.324 million or 2.4% in revenue compared to the 2005 Approved Operating Budget of \$97.169 million.

Two areas in the City, specifically Bloor and Yonge and Yonge and St. Clair are performing below expectations for both on-street and off-street parking facilities. When preparing the 2005 revenue budget, the Toronto Parking Authority had expected that improvements in the local economy would have resulted in increases to the 2005 revenue over 2004 for parking facilities located in these areas. The static revenue results are consistent with statistics that indicate that the office vacancy rate in the City has not changed over the past year.

In addition, as part of the 2005 budget process, Council recommended that the Toronto Parking Authority's net revenue be increased from (\$42.066 million) to (\$42.887 million). The Authority had no opportunity to achieve \$0.681 million of the total \$0.821 million recommended net increase.

As a result of the above, the projection to year-end for Toronto Parking Authority net revenues is (\$41.122 million), as at September 30, 2005. This projection is \$1.765 million or 4.1% below the 2005 Approved Operating Budget net revenue of (\$42.887 million).

**Impact of 2005 Operating Variance on 2006 Proposed Budget**

The projected year-end reduction in net revenue will result in a \$1.376 million decline in Non-Program Revenue compared to the 2005 Approved Operating Budget. Reduction in the contribution of net revenue from the Toronto Parking Authority to the City will put added pressure on both the City's year-end financial position in 2005 as well as the 2006 City's tax-supported Operating Budget.

**Section B: 2006 Proposed Base Budget**

**Table 3: 2006 Proposed Base Budget**

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change		FY Incremental Outlook	
				2006 Proposed Base v. 2005 Approved Budget		2007	2008
	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	54,281.7	54,801.3	54,801.3	519.6	1.0	0.0	0.0
<b>REVENUE</b>	97,169.1	95,134.6	95,134.6	(2,034.5)	(2.1)	0.0	0.0
<b>NET EXP.</b>	(42,887.4)	(40,333.3)	(40,333.3)	2,554.1	(6.0)	0.0	0.0
<b>Approved Positions</b>	315.1	298.2	298.2	(16.9)	(5.4)	0.0	0.0
<b>NET TARGET</b>			NA				
<b>\$ Over / (Under) Program Target</b>			NA				
<b>% Over / (Under) Program Target</b>			NA				

**2006 Proposed Base Budget**

The 2006 Proposed Base Budget of \$54.801 million gross is \$0.520 million or 1% over the 2005 Approved Operating Budget of \$54.282 million, mainly due to inflationary, salary and property tax expense increases.

The 2006 Proposed Base Budget’s revenue of \$95.135 million compared to the 2005 Approved Revenue Budget of \$97.169 million reflects a \$2.035 million or 2.1% revenue decline. The revenue of \$95.135 million does not include any additional revenue growth to bring the 2006 Proposed Base Budget revenue of \$95.135 million to the 2005 Approved Budget level of (\$42.887 million) net revenue.

The gross revenue decline is attributed to several factors, as noted below.

- Revenue additions to the 2005 Council Approved Budget that the Authority had no opportunity to earn amounted to \$0.681 million net.
- Temporary closing of the Yorkville surface carpark for redevelopment. It is anticipated that during 2007, a new underground garage will open at this location and the revenue shortfall will be restored.
- Continuing decline in parking revenue along the Yonge Street corridor that has been experienced during 2005.

The 2006 Proposed Operating Budget does not include any parking fee increases for 2006. The Toronto Parking Authority determines rate changes on actual supply/demand and other conditions at each location. Therefore, a “general” rate increase across all facilities has not been proposed for 2006.

The 2006 Proposed Base Budget of (\$40.333 million) net revenue is \$2.554 million or 6% below the 2005 Approved Operating Budget of (\$42.887 million). The decline, as noted above, is primarily due to the shortfall in gross revenue. The projected shortfall in net revenue for 2006 compared to the 2005 level will put added pressure on the municipal tax levy.

The 2006 Proposed Operating Budget will reduce the approved complement by 16.9 positions to 298.2 through increased automation of parking facilities. This represents a decrease of 5.4% compared to the 2005 Approved Operating Budget complement of 315.1.

### 2006 Key Cost Drivers

The key cost drivers include the following:

- Prior year impacts increase by \$1.002 million due to:
  - Operating impact from property tax for new parking lots budgeted to open in 2006 total \$0.368 million.
  - Increases for fringe benefits and merit and step total \$0.262 million.
  - Annualizations from 2005 Council approvals, which include cost increases for advancing to the next pay grade under union contract; reduction in gapping and other changes total \$0.372 million.
- Inflation increases for salaries and benefits (\$0.434 million), materials and supplies (\$0.079 million), services and rents (\$0.160 million) and other miscellaneous expenditures (\$0.267 million) total \$0.940 million.

Key cost drivers have been partially offset by a number of cost saving measures, such as:

- Coin processing costs are down \$0.037 million from the 2005 budgeted level due to a new contract that commenced in August 2005.
- Banking fees are \$0.077 million lower after a change in banks and a new fee agreement in early 2005.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>315.1</b>	<b>54,281.7</b>	<b>97,169.1</b>	<b>(42,887.4)</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments						
<b>2005 Approved Operating Budget</b>	<b>315.1</b>	<b>54,281.7</b>	<b>97,169.1</b>	<b>(42,887.4)</b>	<b>0.0</b>	<b>0.0</b>
Annualizations		1,002.0		1,002.0		
Economic factors		940.0		940.0		
<b>Adjusted Base Budget</b>	<b>315.1</b>	<b>56,223.7</b>	<b>97,169.1</b>	<b>(40,945.4)</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	(16.9)	(1,422.4)		(1,422.4)		
Base revenue changes			(2,034.5)	2,034.5		
<b>2006 Base Budget Request</b>	<b>298.2</b>	<b>54,801.3</b>	<b>95,134.6</b>	<b>(40,333.3)</b>	<b>0.0</b>	<b>0.0</b>
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>298.2</b>	<b>54,801.3</b>	<b>95,134.6</b>	<b>(40,333.3)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>NA</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>NA</b>		
<b>% Over (Under) 2005 Approved Budget</b>	<b>(5.4)</b>	<b>1.0</b>	<b>(2.1)</b>	<b>(6.0)</b>		

**Section C: 2006 Base Budget Issues****Key Issues / Recommendations****Options to Achieve Target**

The 2006 Proposed Base Budget of (\$40.333 million) net revenue is \$2.554 million or 6% below the 2005 Approved Operating Budget of (\$42.887 million). The projected shortfall in net revenue for 2006 compared to the 2005 level will put added pressure on the tax-supported Operating Budget. Given the City's significant financial challenges for 2006, it is therefore recommended that the Toronto Parking Authority achieve a 2006 net revenue that is at least the same level as the 2005 Approved Operating Budget net income of (\$42.887 million) by the addition of \$2.544 million in net revenue growth. This change for 2006 net revenue may be achieved by way of additional revenue and/or expenditure reductions.

It is further recommended that the President of the Toronto Parking Authority provide the Budget Advisory Committee at its meeting in January 2006 with potential strategies to achieve the \$2.544 million in additional net revenue through additional revenue growth and/or gross expenditure reductions.

**3 Year Operating Budget Overview**

The City did not set a Program Operating Target for the Toronto Parking Authority. The Authority is self-sustaining and does not have a direct impact on the municipal tax levy. The 2006 Proposed Operating Budget is financed by gross parking revenue earned.

The 2006 Proposed Base Budget of \$54.801 million gross is \$0.520 million or 1% over the 2005 Approved Operating Budget of \$54.282 million, mainly due to economic, salary and property tax expense increases.

The net revenue forecast, including the 2005 Approved Operating Budget, for the Toronto Parking Authority varies over the next 3 years. The projected net revenue declines from (\$42.887 million) for the 2005 Approved Operating Budget to (\$40.185 million) in 2008. This represents a decrease of \$2.702 million or 6.3% over the 3 year period. The decline in net revenue is partially the result of additions to the 2005 Council Approved Budget. The Authority had no opportunity to achieve \$0.681 million of the total \$0.821 million recommended net increase.

**Strategic Direction:**

The Toronto Parking Authority satisfies the parking needs of many business areas and communities in Toronto. The Authority also works in conjunction with Transportation Services to ensure parking and public transportation work in unison. The 2006 and beyond strategic direction of the Authority includes the following:

- Short-Term Parking:
  - Satisfying the short-term parking needs identified within the various business areas of Toronto
  
- Supporting Local Business:
  - Satisfying short-term parking needs
  - Providing alternative payment options for customers
  - Constantly enhancing customer service
  - Innovative solutions to specific parking problems
  
- Innovative and Economic Expansion of Services:
  - Examine/utilized new technology to enhance services and reduce operating costs via joint partnerships with the private sector which lowers capital costs
  
- Self-Funding:
  - Constantly seeking ways to enhance revenue and provide services at lower costs through technology and automation

**Service Levels, Delivery, or Gaps Issues:****Parking Enforcement Transfer**

During the consideration of the 2005 Operating Budget, City Council approved, in principle, the transfer of parking enforcement on street meter/pay-and-display areas from the Toronto Police Service – Parking Enforcement Unit to the Toronto Parking Authority, and requested the Chief Administrative Officer and the Chief Financial Officer and Treasurer to work with the Toronto Parking Authority and the Toronto Police Service to facilitate the transfer with the objective of improving service and achieving savings to take effect in the 2006 fiscal year or earlier.

Currently, City Manager and Deputy City Manager and Chief Financial Officer staff are working with the Toronto Parking Authority and the Toronto Police Service to assess the financial and service benefits associated with the potential transfer of services. It is anticipated that the results of the study will be presented to the Budget Advisory Committee during the 2006 operating budget review process.

**Issues Referred to 2006 Operating Budget Process**

There are no issues referred to the 2006 Operating Budget Process.

**Outstanding Issues from 2005 and Prior Years**

There are no outstanding issues from 2005 and Prior Years.