

Phasing Out User Fees for Parking Ticket Payments

Date:	June 4, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\rev\gm10020rev (AFS 11944)

SUMMARY

This report provides information on Council's request to review all charges related to the payment of parking fines with a view to phasing out fees for parking ticket payments over a three-year period. User fees are currently charged for parking ticket payments that are made through the City's website (\$1.50 per transaction) or via telephone through the City's Interactive Voice Response (IVR) system (\$2.00 per transaction).

Phasing out user fees for parking ticket payments will require the identification of alternate revenue sources to make up the loss in fee revenue of approximately \$1.6 million annually.

Financial Impact

User fees for parking ticket payments currently generate approximately \$1.6 million in user fee revenue annually. Although this report carries no immediate financial implications for the approved operating budget for 2010, the phasing out of fees for parking ticket payments over a three-year period, as directed by Council, will result in a loss of fee revenue in 2011 and/or 2012 and beyond, depending on how and when these fees are phased out, unless alternate revenue sources or operational savings are identified to make up for these losses.

Currently, revenue from fees for parking ticket payments is used to offset a portion of Revenue Services' total operating costs for parking ticket operations which is recovered from the Non-Program revenue budget (parking ticket revenues). Any net decrease in user fee revenue, therefore, will result in an operating budget pressure for that year.

Alternate revenue sources may be identified to offset the loss in fee revenue (e.g., higher parking ticket fines, or user fees for other services). These would have to be phased in at the same time as fees for parking ticket payments are being phased out. However, unless the combined total revenue from such alternate sources matches or exceeds the total revenue currently derived from user fees, there will be a net reduction in total Non-Program revenues from parking tickets.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of November 30, December 1, 2, 4 and 7, 2009, Council, in its consideration of Item GM26.3: *User Fees for Property Tax, Utility and Parking Ticket Accounts*, adopted the following pertaining to user fees for parking ticket payments:

6. City Council direct that the fee for payment of parking tickets on-line or by telephone be phased-out over a three-year period;
8. City Council request the City Manager to review all charges related to the payment of parking fines with a view to phasing them out and report to the Government Management Committee no later than June 2010.

The links below provide the full Council Decision and the original staff report:

<http://www.toronto.ca/legdocs/mmis/2009/gm/reports/2009-11-09-gm26-cr.htm#GM26.3>
<http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-24974.pdf>

ISSUE BACKGROUND

The City issues approximately 3.0 million parking tickets each year, and collects fines on approximately 80 per cent of all tickets issued, representing annual revenues of approximately \$80 million. Customers may pay tickets using various options, including mailed-in payments, in-person at First Appearance Facilities, by telephone through the City's interactive voice response (IVR) system and through the internet. Both internet and IVR methods require payments to be made by credit card.

In December 2005, Council approved the implementation of a service fee of \$1.50 per payment through the City's internet-based Parking Ticket Payment module, and increased the service fee for Interactive Voice Response (IVR) telephone payments for parking tickets from \$1.00 to \$1.50. More recently, in December 2009, user fees for IVR payments were increased from \$1.50 to \$2.00 per transaction, beginning in January 2010, while the fee for internet-based payments remained at \$1.50 per transaction. The fees recover costs associated with the programming and development of these payment options, and serve to offset a portion of the continuing operating and maintenance requirements.

The availability of the telephone and on-line payment options have become increasingly popular with customers, given the convenience of being able to make a credit card payment on a 24-hour basis from any location. It is also expected that the volume of internet-based payments will increase in future years, given past trends that have seen an average increase in internet payments of approximately 5 per cent per year over 2008 and 2009.

COMMENTS

For 2010, it is projected that approximately 950,000 parking ticket payments will be made via the City's internet site or by telephone through the City's Interactive Voice Response (IVR) system, for projected revenues of \$1,575,000. Combined, internet and IVR payments account for roughly 45 per cent of all payments for parking tickets received. The remainder of parking ticket payments are received by mail (21% of all payments), or paid in person at parking ticket payment counters (34%), based on 2009 data. There are no fees charged for parking ticket payments that are mailed or paid in person.

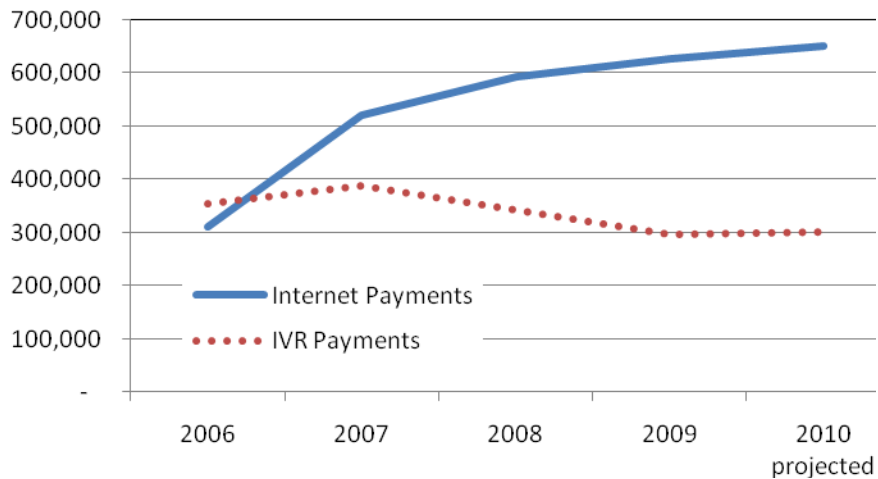
Table 1 provides a summary of the number of parking ticket payments made via the internet or IVR, and the associated user fee revenue generated for 2006 through 2010.

Table 1
Number of Transactions and User Fee Revenue from Parking Ticket Payments, 2006-2010

Payment type	2006	2007	2008	2009	2010 projected
Number of Payments					
Internet Payments	310,587	519,518	591,376	625,134	650,000
IVR Payments	353,396	387,948	342,543	297,055	300,000
Total Payments (#)	665,989	909,473	935,927	924,198	950,000
Revenue from User Fees for Payments					
Internet Payments	\$465,881	\$779,277	\$887,064	\$937,701	\$975,000
IVR Payments	\$530,094	\$581,922	\$513,815	\$445,583	\$600,000
Total Fee Revenue (\$)	\$995,975	\$1,361,199	\$1,400,879	\$1,383,284	\$1,575,000

Chart 2 below uses data from Table 1 to illustrate the change in payment methods over this same period. Chart 2 shows that while internet payments have increased steadily since the City's web portal was first introduced in 2006, the level of IVR payments has declined or remained steady over this period. This pattern is likely due to an overall increase in the number of internet users, and a related increase in the segment of the general population that now regularly use the internet for bill payments and financial transactions.

**Chart 2
Change in Parking Ticket Payment Methods, 2006 – 2010**



As identified in the financial implications section of this report, phasing out user fees for parking ticket payments will result in a loss of fee revenue in 2011 and/or 2012 and beyond of up to \$1,575,000 in each year, depending on how and when these fees are phased out, unless alternate revenue sources or operational savings are identified to make up for these losses.

The implications of a reduction in user fee revenue will be a net reduction in the City's total revenues from the issuance of parking tickets, which are currently identified within the City's Non-Program budget revenues. As fee revenue from parking ticket payments is used to offset a portion of the total cost of Revenue Services' parking ticket operations, with the balance recovered from Non-Program revenues, any reduction in user fee revenues will create a budget pressure in that year.

Decreased revenues from user fees may be offset by introducing new fees or increases to existing fees for other services related to parking tickets. It is proposed however, that any strategy to identify and introduce new fees, or increase existing fees for services, be developed in conjunction with a forthcoming corporate strategy for user fees. Financial Planning Division is in the process of developing a corporate strategy which is intended to be presented in the new term of Council in early to mid-2011. As such, a plan to phase out user fees for parking ticket payments, and the introduction of any new user fees, or increases to existing fees, will be developed to ensure that this plan is consistent with the City's overall objectives and complies with the corporate strategy for user fees. The timing of the approval of the user fee strategy will also affect the planned phase out of user fees for parking ticket payments.

In summary, it is proposed that the phasing out of user fees for parking ticket payments be developed and implemented so as to avoid revenue shortfalls either within the parking ticket operations budget or within Non-Program revenues. This will require that

sustainable funding or alternate revenue sources in the amount of approximately \$1.6 million annually be identified prior to proceeding with the planned phase out of user fees.

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SIGNATURE

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