REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Toronto Parking Authority - 2021 Q2 Financial Update

Date: July 5, 2021
To: Board of Directors, Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report involves the security of property belonging to the City or one of its agencies or corporations.

SUMMARY

Toronto Parking Authority's (TPA) operating loss for the first half of 2021 is $(8.1) million: $(4.6) million worse than plan. Operating revenues missed plan by $(11.3) million driven by parking transactions which were down -23 percent versus 2020 (Table One). Bike Share operating losses for the first half of the year narrowed to $(1.2) million, +$0.7 million favourable versus plan driven by membership growth of +50 percent during the first half of the year.

Due to the unexpected duration of Covid-19 restrictions during the first half, TPA's full year operating loss is forecasted to be $(9.5) million or $(7.3) million versus plan. Second half year performance will miss plan by $(1.4) million as revenue is forecasted to slowly return to plan during the summer as pandemic restrictions lift.

Focus remains on cash preservation including aggressive controllable cost management and deferment of planned capital investments. $26.8 million of planned capital investments will be postponed which will offset the cash losses anticipated by the increased forecasted financial operating loss of $(9.5) million. Notwithstanding these deferments, Management continues to focus its capital investments in safety, infrastructure improvements, enterprise operating systems and customer centred technologies, including Electric Vehicle (EV) infrastructure, designed to maximize revenue and future proof parking operations.

In the second half of 2021, Management will be partnering with our colleagues across the City as we develop and negotiate an updated Relationship Framework including new revenue and net income sharing agreements that will form the basis of the financial model for TPA going forward. Management will update the Board on its progress throughout the balance of 2021.

RECOMMENDATIONS

The President, Toronto Parking Authority recommends that:

1. The Board of Directors of Toronto Parking Authority receive this report for information;

2. The Board of Directors of Toronto Parking Authority direct that the confidential information contained in Confidential Attachment 1 remains confidential in its entirety, as it pertains to the security of property belonging to the City or one of its agencies or corporations.

FINANCIAL IMPACT

There are no financial impacts from this report.

DECISION HISTORY

N/A

COMMENTS

Note: Certain comparative figures have been reclassified to conform to 2020's financial statement presentation.

Table 1: 2021 Q2 Year to Date Results

For the Six Months Ending June 30, 2021	Forecast	Budget	Change	
Revenue	**$ 31,423**	**$ 42,766**	**$ (11,343)**	**-26.5%**
Direct expenses - operating	(20,203)	(24,378)	4,175	17.1%
Administration	(6,773)	(7,757)	984	12.7%
Municipal property tax	(10,539)	(11,094)	555	5.0%
Amortization of property and equipment	(4,247)	(4,195)	(52)	-1.2%
Other income	1,886	887	999	112.6%
Operating income	**(8,453)**	**(3,771)**	**(4,682)**	**-124.2%**
Finance income	507	426	81	19.0%
Finance cost	(168)	(206)	38	18.4%
Finance income	**339**	**220**	**119**	**54.1%**
Net income and comprehensive income	**$ (8,114)**	**$ (3,551)**	**$ (4,563)**	**128.5%**

2021 Forecast Update

Table 2: City of Toronto Revenue Share

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Net (loss) income from operations	$ (9,504)	$ (2,238)	$ 14,032	$ (7,266)	324.7%	$ (23,536)	-167.7%
Income share from operations	-	-	-	-	n/a	-	n/a
Distribution on the sale of assets	-	-	344	-	n/a	(344)	-100.0%
City of Toronto distribution	-	-	344	-	n/a	(344)	-100.0%
One time payment requested	12,000	-	-	12,000	n/a	12,000	n/a
Adjusted City of Toronto distribution	**$ 12,000**	**$ -**	**$ 344**	**$ 12,000**	**n/a**	**$ 11,656**	**3388.4%**

TPA’s unplanned 2021 income share distribution is $12.0 million, tracing to Council's request for a $12.0 million special dividend. This dividend will be sourced directly via cash reserves and places additional pressure on future reinvestments in the business.

2021 Operating Forecast

Table 3: 2021 Parking Operations Forecast

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Parking revenue	**$ 70,927**	**$ 83,452**	**$ 84,202**	**$ (12,525)**	**-15.0%**	**$ (13,275)**	**-15.8%**
Operating expenses	66,511	70,225	62,723	3,714	5.3%	(3,788)	-6.0%
Contribution from operations	**4,416**	**13,227**	**21,479**	**(8,811)**	**-66.6%**	**(17,063)**	**-79.4%**
Administrative expenses	14,872	15,448	13,984	577	3.7%	(887)	-6.3%
Income from operations	**(10,456)**	**(2,222)**	**7,494**	**(8,234)**	**370.7%**	**(17,950)**	**-239.5%**
Other income	2,157	2,221	8,222	(63)	-2.8%	(6,065)	-73.8%
Net income before one-time gains	**(8,299)**	**(1)**	**15,717**	**(8,298)**	**n/a**	**(24,015)**	**-152.8%**
Gain on the sale of assets	1,031	-	70	1,031	n/a	961	1367.4%
Net income	**$ (7,267)**	**$ (1)**	**$ 15,787**	**$ (7,266)**	**n/a**	**$ (23,054)**	**-146.0%**

Parking operation losses of $(7.2) million is anticipated in 2021 due to a longer than expected lockdown response to the pandemic. Revenue shortfalls will be partially offset through reduced direct variable expenses and maintaining reduced staffing levels in order to mitigate cash flow losses. Management is focused on those actions designed to ensure a strong top line recovery across our parking portfolio:

- Launch of Upgraded Green P App Version Two
- On-Line Mobile Monthly Permit system
- Omni-Channel Customer service technology to engage consumers
  Refreshed Wayfinding and Digital Platforms, and
- EV Charging Deployment for B2B and B2C channels

Table 4: Bike Share Operations Forecast

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Bike Share revenue	**$ 7,635**	**$ 7,410**	**$ 5,704**	**$ 226**	**3.0%**	**$ 1,931**	**33.9%**
Salaries and benefits	438	292	317	(146)	-50.1%	(122)	-38.5%
Operating expenses	9,434	9,355	7,143	(80)	-0.9%	(2,292)	-32.1%
Loss from operations	**$ (2,237)**	**$ (2,237)**	**$ (1,755)**	**$ (0)**	**0.0%**	**$ (482)**	**-27.5%**

Bike Share's first half ridership is exceeding budget expectations, with ridership and membership growing 51 and 50 percent respectively versus 2020. Full year revenue is expected to increase 34 percent versus 2020 due to the strong spring start and continuing adoption of the expanded cycling system. Overall, Bike Share's operating loss is expected to remain on budget as incremental revenue offsets expanded labour and depreciation expense.

Table 5: 2021 Revenue Forecast

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Off Street	$ 44,884	$ 52,620	$ 49,940	$ (7,736)	-14.7%	$ (5,056)	-10.1%
On Street	26,043	30,832	34,262	(4,789)	-15.5%	(8,219)	-24.0%
Parking Revenue	**70,927**	**83,452**	**84,202**	**(12,525)**	**-15.0%**	**(13,275)**	**-15.8%**
Annual Ridership	1,659	1,319	1,177	340	25.8%	482	40.9%
Causual Ridership	5,864	5,276	4,333	589	11.2%	1,531	35.3%
Other income	112	815	194	(703)	-86.2%	(82)	-42.1%
Bike Share Revenue	**7,635**	**7,410**	**5,704**	**226**	**3.0%**	**1,931**	**33.9%**
Total Operating Revenue	**$ 78,562**	**$ 90,862**	**$ 89,906**	**$ (12,299)**	**-13.5%**	**$ (11,344)**	**-12.6%**

Parking transaction volume remains below budget expectations, currently running at 77 percent of prior year. However, recent reopening are expected to improve parking transaction volumes throughout the summer months and return to planned levels by Q4.

Table 6: Off-Street Parking Expenses

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Salaries, wages and benefits	$ 20,666	$ 22,846	$ 20,367	$ 2,180	9.5%	$ (299)	-1.5%
Municipal taxes	22,656	23,314	20,154	658	2.8%	(2,502)	-12.4%
Maintenance	1,900	1,893	2,237	(7)	-0.4%	337	15.1%
Utilities	2,665	2,965	2,236	300	10.1%	(429)	-19.2%
Rent	3,820	4,530	3,772	710	15.7%	(48)	-1.3%
Depreciation	7,092	6,649	6,959	(442)	-6.7%	(133)	-1.9%
Payment processing & system fees	1,637	1,930	1,739	293	15.2%	102	5.9%
Software licensing	1,575	1,575	1,346	(0)	0.0%	(229)	-17.0%
Security	2,665	2,111	1,774	(554)	-26.3%	(891)	-50.2%
Insurance	747	787	803	39	5.0%	56	6.9%
Legal and audit	1,125	915	940	(210)	-23.0%	(185)	-19.6%
Other general and administration	5,549	5,617	5,277	68	1.2%	(272)	-5.2%
Total operating expenses	**$ 72,097**	**$ 75,130**	**$ 67,605**	**$ 3,033**	**4.0%**	**$ (4,492)**	**-6.6%**

Combined off-street operating expenses are expected be $3.1 million better plan primarily due to headcount management, lower municipal taxes tracing to successful appeals, and processing fee reductions. Negative cost pressures include depreciation, safety and legal.

Table 7: On-Street Parking Expenses

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Salaries, wages and benefits	$ 2,466	$ 3,161	$ 2,317	$ 695	22.0%	$ (149)	-6.5%
Maintenance	1,298	2,191	944	894	40.8%	(354)	-37.5%
Depreciation	1,227	1,517	1,199	291	19.1%	(28)	-2.4%
Payment processing & system fees	4,181	3,562	4,625	(619)	-17.4%	444	9.6%
All other operating expenses	114	112	118	(2)	-1.5%	4	3.8%
Total operating expenses	**$ 9,286**	**$ 10,544**	**$ 9,203**	**$ 1,258**	**11.9%**	**$ (83)**	**-0.9%**

On-street operating expenses are expected to decrease $1.3 million or 11.9 percent. Vacancies remain near 2020 levels. Maintenance expenses were expected to increase more significantly over the prior year due to the required changes to by-laws for new on-street parking and pay & display machine relocations, however these activities have been further delayed due to pandemic restrictions. Payment processing decreases have not yet been realized as machine rationalization initiatives have also been delayed.

Table 8: Salaries, Wages and Benefits

$000's	2021 Forecast	2021 Budget	2020 Actual	2021 Forecast vs Budget		2021 Forecast vs 2020 Actual	
Off-Street	$ 20,666	$22,846	$20,367	$ 2,180	9.5%	$ (299)	-1.5%
On-Street	2,466	3,161	2,317	695	22.0%	(149)	-6.5%
Bike Share	438	292	317	(146)	-50.1%	(122)	-38.5%
Total salaries, wages and benefits	**$ 23,571**	**$26,299**	**$23,000**	**$ 2,728**	**10.4%**	**$ (570)**	**-2.5%**

TPA's staffing complement remains unchanged at 326.5 positions. 2021's off-street and on-street payroll expense is favourable compared to budget as a number of positions, including several management roles, have remained vacant. Currently, 22 full-time employees remain on emergency leave and 81 part-time students are not being scheduled due to low parking demand. The Bike Share program has received further staffing support to ensure an effective operation of the expanded system infrastructure.

Table 9: 2021 Capital Expenditure Forecast

$000's	2021 Budget	Deferred	2021 Forecast
Acquisition - 11 Wellesley St W	$ 7,292	$ -	$ 7,292
Provision - EV Charging	5,000	1,500	3,500
Acquisition - Bessarion Community Centre	4,000	-	4,000
Online parking mangement solution	3,750	1,750	2,000
SAP Phase 2	1,500	777	723
Gated facilities - Revenue Control Upgade	1,169	1,169	-
Surface lot construction - CP 673	1,000	700	300
Other projects under $1 million	12,258	6,620	5,638
Growth and Service Improvements	35,969	12,516	23,453
Various state of good repair projects	16,507	14,288	2,220
Total Capital Projects	**$ 52,476**	**$ 26,803**	**$ 25,673**

2021 key strategic and health and safety projects continue to be prioritized as the pandemic continues to impact free cash flow. Projects totalling $26.8 million have been deferred as the City reviews its city-wide real estate portfolio strategy and its relationship framework with the TPA.

TPA's forecasted December 2021 cash position has been increased from the first quarter review by $26.9 million to $51.5 million due to capital expenditure deferrals. Cash management remains a primary focus for TPA reflecting the current top line environment coupled with uncertainties surrounding our revenue sharing agreement with the City.

Table 10: Second Quarter 2021 Financial Position Forecast
(in thousands)

Cash and cash equivalents, May 2021	**$ 77,600**
Working capital adjustments forecast	(318)
2021 operating cash flow forecast	(104)
2021 capital expenditures forecast	(25,673)
Cash and cash equivalents, December 2021	**$ 51,505**

CONTACT

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SIGNATURE

W. Scott Collier, President
Toronto Parking Authority

ATTACHMENTS

Confidential Attachment 1: Additional Information Regarding Administration and Payroll Expenses