

Supplementary Information: Long-Term Financial Plan

Date: September 5, 2023

To: City Council

From: City Manager and Interim Chief Financial Officer and Treasurer

Wards: All

SUMMARY

At its meeting on August 24, 2023, Executive Committee requested additional information be reported directly to City Council relating to the Updated Long-Term Financial Plan. The request included:

- Information on the consultation process for any new on-street parking rates;
- The current status of the storm water surcharge consultations and an estimate of the revenues from such a storm water charge; and
- Anticipated revenues if residential on street parking permits were to be extended to additional areas of the City and what steps would be taken to enable its introduction.

This report provides requested updates and information available for the September 6 City Council meeting. Additional information will be provided at the earliest opportunity as required.

FINANCIAL IMPACT

There are no additional financial implications associated with the information outlined in this report.

Available financial analysis and details are provided below in the Comments section with additional information to be provided in the appropriate report backs.

DECISION HISTORY

At its meeting on August 24, 2023, the Executive Committee directed the City Manager to report directly to City Council on the following:

- a. consultation with the General Manager, Economic Development and Culture and the Toronto Association of Business Improvement Areas to ensure that proposed new parking rates will take into account the parking requirements of

main street retail and provide the process for the consultation with the local Councillor in applying the new Toronto Parking Authority on-street parking rates and locations;

b. the current status of the City Council mandated consultations on the introduction of a storm water surcharge based on a property's impervious (hard surface) area and an estimate of the revenues from such a storm water charge; and

c. anticipated revenues if residential on street parking was to be extended to those areas of the City where there is considerable overnight parking on City streets with no permit and what steps would be taken to enable its introduction.

Item EX7.1: <https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

COMMENTS

1. Toronto Parking Authority: On-Street Parking Rate Review and Consultations

Executive Committee directed the City Manager to report on the consultation with the General Manager, Economic Development and Culture and the Toronto Association of Business Improvement Areas to ensure that proposed new parking rates will take into account the parking requirements of main street retail and provide the process for the consultation with the local Councillor in applying the new Toronto Parking Authority on-street parking rates and locations.

While the existing staff report does not include any recommendations to raise specific on-street parking rates at this time ([Item EX7.1](#)), information is outlined below regarding Toronto Parking Authority's (TPA) current on-street review and the consultation and implementation process.

TPA's Comprehensive On-Street Paid Parking Rate Review:

TPA has historically carried out a comprehensive review of its on-street paid parking rates once every three years. Due to the ongoing impacts of the pandemic, TPA has not adjusted on-street paid parking rates since 2017. With parking activity nearing a return to pre-pandemic levels, City staff are recommending changes to Chapter 179 to remove the existing on-street parking rate cap of \$5 per hour, which will support accelerated timelines for implementation of any proposed new rates as part of the comprehensive review currently underway.

On-street parking rates currently range from \$1/hour to a maximum of \$5/hour with the highest rates in high-demand areas within the City's core. An initial jurisdictional scan notes that on-street parking hourly rates in Toronto are considerably lower than other comparable cities in North America with the City of Vancouver charging up to \$11, the City of Chicago charging up to \$7 USD, New York City charging up to \$7.50 USD, and San Francisco charging up to \$10.25 USD. In addition, there is an existing disparity

between the rates charged for TPA's on-street parking and off-street parking facilities, with some Green P lots or garages charging up to \$10/hour.

Currently, the City's busiest parking locations have rates that are set at the cap value of \$5 per hour. To increase rates at those locations, the TPA would first require Council approval to increase the cap before having the ability to bring forward recommendations to consider rates above that level. Proactive removal of the cap would eliminate a procedural step to enable TPA to bring forward a rate increase recommendation to its Board and thus save critical time following TPA's rate review. Removal of the existing on-street parking rate cap will result in a similar level of authority currently provided to the TPA to establish rates for off-street parking facilities.

The on-street rate review evaluates the performance of the on-street paid parking program, specifically parking utilization, existing hourly rates, and the hours of operation. This analysis ensures that recommended rates are set to encourage short-term parking and market competitiveness.

Following extensive analysis and additional consultation, TPA's rate review recommendation is expected to be tabled at TPA's November 23, 2023 Board meeting as part of their 2024 budget discussions. There are three main phases when undertaking a comprehensive review of the on-street paid parking rates, as follows:

Phase 1: Analysis of Existing On-Street Business Performance

TPA carries out a review of the existing business performance, including an analysis that correlates transaction costs against the volume and duration of parking. This data is then examined for each of the 990 zones across the city to ensure that there is an understanding of parking behaviour at a local scale. The analysis then isolates locations where there is a heightened demand for long-stay parking and a need to use rate increases to encourage a greater turnover in on-street parking and/or encourage parking activity at off-street Green P parking facilities.

Phase 2: Consultation

Once recommended changes to paid parking rates are developed, TPA will consult with City Divisions, including Transportation Services about any operational impacts associated with the changes, and Economic Development and Culture about potential impacts to main street retail and other businesses. In addition, TPA will consult with TABIA and individual Business Improvement Areas, as well as local Ward Councillors to solicit feedback on proposed changes before seeking approvals by the TPA Board of Directors.

Consultation with local Councillors and other stakeholders is important in understanding localized impacts that may result from increased parking rates. However, parking rates are developed to not only consider local conditions but to also maximize the revenue potential of parking in parity across the City's high demand parking areas. Any staff report to TPA's Board with respect to recommended rate increases will also make clear the outcomes of the consultation process in order to maintain transparency around any reasons for disparity in parking rates among high demand parking areas and

consequently undesirable parking behaviour and potentially lost revenue.

Phase 3: Implementation

To implement any changes to on-street rates TPA works with its vendor to reprogram the Pay-and-Display and Pay-By-Plate machines and schedule installations. There are 2,728 on-street parking payment machines across the City of Toronto, and these machines require manual updates to effect new rates, which takes approximately 3 months. Once the machine installations are completed, the Green P mobile app and website are updated to simultaneously reflect the new rates. TPA also coordinates updates to on-street signage with Transportation Services Division, which oversees the installation of regulatory signage in the public right-of-way. Removing the cap will streamline the process to adjust on-street paid parking rates, enabling TPA to maximize immediate and future revenue opportunities.

2. Toronto Water: Stormwater Charge and Water Service Charge Consultation Status Update

As requested by Executive Committee at its meeting on August 24, 2023, this is a status update for City Council regarding the consultation with water customers and stakeholders on potential changes to water rates, fees and charges (namely a water service charge and a stormwater charge based on a property's impervious area) and an estimate of the revenues from these changes.

Council Direction:

In July 2021, City Council adopted recommendations in [Item IE23.6](#) which authorized the General Manager of Toronto Water and the Chief Financial Officer and Treasurer to consult with water customers and stakeholders on changes to water rates, fees and charges. Changes could include the implementation of an administrative water charge (or water service charge), a stormwater charge for all property classes, and a stormwater charge credits program for large properties to incentivize improved stormwater practices on large properties. Consultation is based on a review of the stormwater charge implementation plan considered by City Council in 2017 and a stormwater charge credits program ([Item EX25.6](#)).

The current direction from Council to consult with water customers and stakeholders on a possible water service charge and stormwater charge will include presenting and gathering feedback on the two charges being considered, how they would be structured and applied, and their cost impacts, e.g., change in funding share for different types of water customers. The proposed charges would not create net-new revenue but would reapportion the funding share amongst different types of water customers.

Council had requested a report back on the outcomes of the current consultation in Q2 2023.

Current Status of Consultation:

Consultation was planned to be undertaken in two rounds. A first round of consultation with water stakeholders took place in November and December 2022. This included virtual consultation sessions with stakeholders representing the industrial, commercial, and institutional sector, non-government organizations, City agencies, and other external agencies. Additionally, three focus groups, conducted by Ipsos, were held with residential property owners and tenants in December 2022. Ipsos also facilitated 10 in-depth interviews with Toronto business owners who rent or own their business property. These focus groups and interviews informed the planning for the second round of broader public consultation.

A second round of stakeholder and broader public consultation, which would include consultation sessions with the public including residential and business customers, and water stakeholders, was planned for Spring 2023 but was paused to align with the Long-Term Financial Plan's broader review of revenue tool options, so the consultations could be better informed by any considerations or decisions made by Council.

Toronto Water, in consultation with the Office of the Chief Financial Officer and Treasurer, is preparing a new work plan to determine a feasible time frame for completing consultation, analysis of feedback and reporting back to Executive Committee, considering the LTFP and any related direction that may be provided by Council.

Estimate of Revenues:

The current Toronto Water financial model approved by City Council is based on the objective that the Toronto Water capital and operating programs are entirely self-funded, financially stable, and premised on full cost recovery. Any proposed stormwater or water service charge will not result in any net-new revenue above current future year revenue projections but would reapportion charges amongst different types of water customers.

Administrative Water Charge (Water Service Charge)

The administrative water charge was first presented during [consultations on water fees, charges and programs in 2020 and 2021](#) as an option to support the economic competitiveness of commercial and industrial businesses.

During the current consultations, the administrative water charge was renamed to the water service charge to better reflect the types of costs it would recover. The water service charge would recover fixed costs related to the administration of certain water and sewer services (e.g., water meter servicing, billing, insurance, real estate costs, etc.), which are currently included in the water rate but do not vary directly based on a customer's water consumption. It is proposed that the water service charge would be applied based on the size of a customer's water meter.

Based on Toronto Water's 2023 budget estimates, eligible expenditures that meet the definition of the water service charge amount to approximately \$61 million annually. If the water service charge were to be implemented, this amount would be removed from

the water rate (thereby reducing it) and would result in a shift in cost apportionment/impacts among different water customers. These cost impacts will be presented as part of the next round of consultation.

Stormwater Charge and Stormwater Charge Credits Program

The introduction of a dedicated stormwater charge would require separating funding for the stormwater management operating and capital programs from the current water rate structure. Stormwater management programs would be funded by the stormwater charge and would be based on the hard surface (impervious) area on a property instead of water consumption.

As per the principle of revenue neutrality identified in the [stormwater charge implementation plan considered by City Council in 2017](#), no additional revenue would be generated from the implementation of a stormwater charge than is already provided for in Toronto Water's 10-year operating and capital forecast. Revenue from a stormwater charge is estimated at \$342 million in its first year of implementation, which would be removed from the water rate. This amount represents the estimated cost of the stormwater management program based on the Toronto Water's 2023 capital and operating budgets. If the stormwater charge were to be implemented, this amount would be removed from the water rate (thereby reducing it) and would result in a shift in cost apportionment/impacts among different property types. The cost impacts will be presented as part of the next round of consultation.

In conjunction with a stormwater charge, a stormwater charge credits program is being considered to incentivize improved stormwater practices on large properties. This program would provide a discount on a stormwater charge to eligible property owners that implement improved stormwater management practices on their property.

3. Transportation Services: Extension of Residential On-Street Parking

Executive Committee requested information on anticipated revenues if residential on street parking was to be extended to those areas of the City where there is considerable overnight parking on City streets with no permit and what steps would be taken to enable its introduction.

In May 2022, Transportation Services reported to the Toronto and East York Community Council on a review of Toronto Parking Authority's Residential Overnight Parking Policy Resolution ([Item TE33.36](#)) which provided information and analysis specific to Toronto and East York.

Based on Transportation Services' criteria for the on-street residential parking permit program, staff estimate that there are approximately 15,000 parking spots remaining in Toronto and East York which could be included in an expansion of TPA's residential parking program.

Transportation Services will be undertaking an analysis of City-wide parking availability, including potential revenue to be generated from the 15,000 spaces noted above and will include this analysis as part of the upcoming report on a City-wide Parking Strategy

for Toronto expected in Q1 2024.

Beyond Toronto and East York, there are limited areas in the City that leverage on street parking permits. Based on 2022 results, \$7.0 million or 95% of City-wide residential parking permit revenue is generated in Toronto and East York, with the remaining \$0.3 million or 5% collected across certain areas within North York and Scarborough.

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SIGNATURE

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