REPORT FOR ACTION

2023 Capital Review and 2024 Plan

Date: April 11, 2024
To: Audit and Risk Management Committee of the Board of Directors of Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

SUMMARY

The purpose of this report is to provide Toronto Parking Authority (TPA) Board of Directors with a detailed review of the Capital Expenditure (CapEx) performance for the year 2023 and the plan for the 2024 CapEx.

In the fiscal year ending December 31, 2023, the Toronto Parking Authority (TPA) deployed $59.1 million in capital, representing 82 percent of the allocated budget of $71.3 million. The expenditure of TPA-led projects reached $50.9 million, indexing 111 percent to plan. This marks the TPA's most significant capital investment in the past 15 years, underpinning the organization's commitment to delivering against our strategic priorities.

From an executional standpoint, good progress was made from a project management perspective as 91 percent of our projects were completed on-time or ahead of schedule driving a $1.9 million cost favourability

As part of the 2024 budget process, management secured Board approval to invest $76.8 million in its 2024 Capital Plan. However, due to the unresolved income sharing agreement with the City and the need to preserve cash reserves; management elected to reduce TPA's 2024 capital budget by $14.1 million to $71.3 million. The Board approved this change at its March 26, 2024 meeting.

Notwithstanding the aforementioned, Management will deliver its revised capital plan in 2024.

RECOMMENDATIONS

The President, Toronto Parking Authority recommends that:

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

FINANCIAL IMPACT

There are no financial impacts from this report.

DECISION HISTORY

At its meeting on April 21, 2023, TPA Board of Directors (Item PA3.8) received a report for Pay by Plate Equipment Purchase. Additional information on this report can be found at the following link:
https://secure.toronto.ca/council/agenda-item.do?item=2023.PA3.8

At its meeting on November 23, 2023, TPA Board of Directors (Item PA7.5) received a report providing an update on TPA's Annual Operating Plan Additional information on this report can be found at the following link:
https://secure.toronto.ca/council/agenda-item.do?item=2023.PA7.5

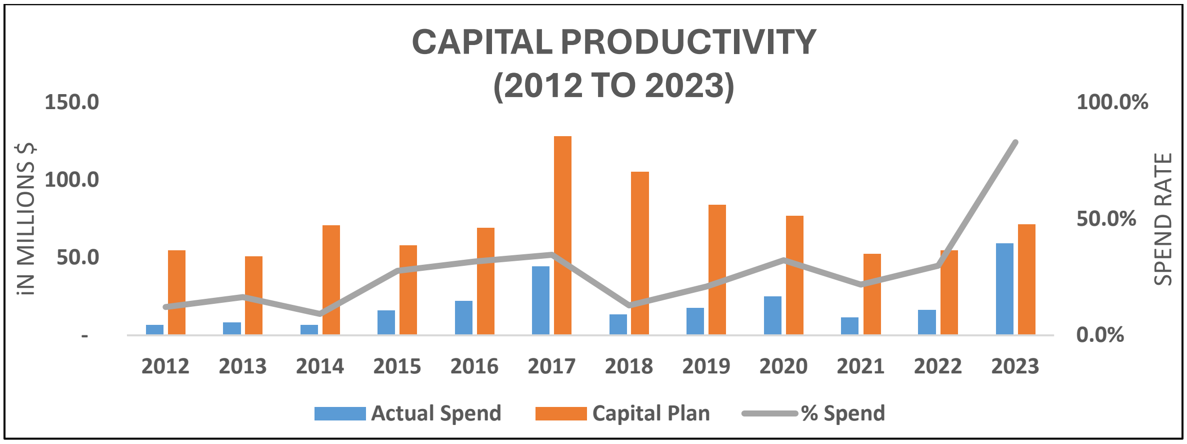
At its meeting on March 26, 2024, TPA Board of Directors (Item PA8.5) received a report providing an update on City of Toronto and TPA's Net Income Share Agreement- Status Update. Additional information on this report can be found at the following link:
https://secure.toronto.ca/council/agenda-item.do?item=2024.PA8.5

COMMENTS

The purpose of this report is to provide Toronto Parking Authority (TPA) Board of Directors with a review of the Capital Expenditure (CapEx) performance in 2023 and 2024 plans.

An analysis spanning the last decade illustrates that TPA's capital performance has been sub-optimal, with annual spend averaging 29 percent of budget (Figure 1). Furthermore, it is important to note that there has been an average annual rollover of 46 percent from the previous year's capex, exacerbating the negative impact of these undelivered projects on business performance.

Figure 1 - Capital Deployment (2012 to 2023)



For context, the benchmark target for State of Good Repair (SOGR) investments is 10 percent of the total value of property and equipment assets. As of December 31, 2023, TPA has assets valued at $225 million Net Book Value. This rule of thumb would drive a recommended annual SOGR investment of $23 million. As illustrated above, the TPA has consistently fallen short on SOGR investments by 67 percent annually with average spend of $7.4 million per year. This performance gap has resulted in a SOGR backlog of $250 million (10-year).

To address this issue in 2022 the TPA implemented several measures designed to bolster its capacity to execute its capital strategy. First, the organization prioritized the recruitment of talent, assembling a dedicated team of Engineers and Financial Planning & Analysis experts to lead this mission critical effort. Secondly, to drive clarity and accountability in project execution, we crafted a detailed framework that specified roles and responsibilities across the organization. This framework was essential in establishing a shared understanding amongst team members and stakeholders regarding the executional requirements of our various programmes and initiatives.

The TPA also streamlined its business planning processes, enhancing decision-making and facilitating smoother project implementation. To gauge the effectiveness of these processes, the TPA introduced key performance indicators (KPIs) and implemented a stringent review process. These mechanisms track progress, evaluate outcomes, and pinpoint opportunities for refinement and continuous improvement..

The new team was tasked with a narrow mandate that centred on two strategic priorities. Priority One was to repair, strengthen, and modernize our core assets in a deliberate and sequential fashion. Priority Two has been the deployment of targeted investments to support our sustainable growth agenda including Parking Equipment and Technology, Bike Share Fleet and Station Infrastructure, and EV expansion across our parking facilties.

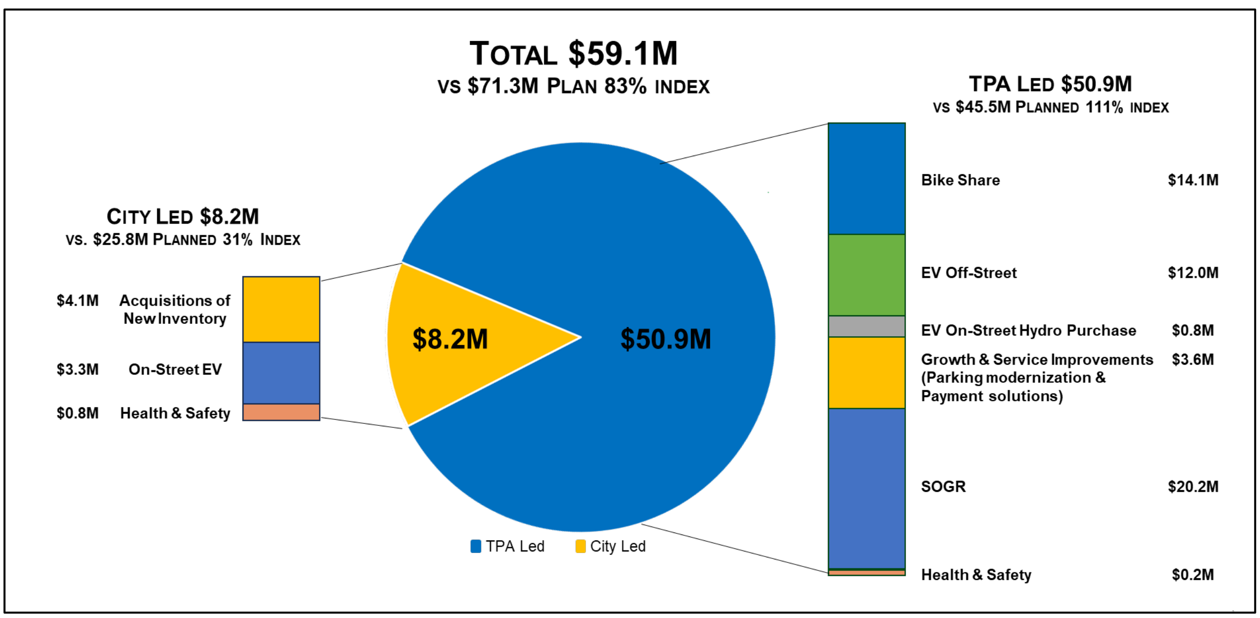
In recognition of the multi-jurisdictional nature of our eco-system, Management also established a CapEx framework to delineate the ownership for capital programmes between the TPA and the City. This framework differentiates projects based on decision making rights- particularly organizational responsibility and authority.

> **TPA-Led Projects:** The TPA spearheads the initiative, developing the business case and manages the project's scope, cost, and schedule. An example is the EV Off-Street Parking project, where the TPA develops the business case and oversees the entire project lifecycle.
>
> **City-Led Projects:** In these instances, the City constructs the business case (if applicable) and controls two or more key project aspects: scope, cost, and schedule. For example, in the City's St. Lawrence Market North Redevelopment project, the City directed TPA's involvement and assumed responsibility of managing the schedule and costs.

2023 Capital Review

In 2023, the Toronto Parking Authority (TPA) invested $59.1 million in capital expenditures, which was less than the planned $71.3 million (Figure 2). This represents a threefold increase compared to average spend over the past decade.

Figure 2 – 2023 Actual Capital Distribution

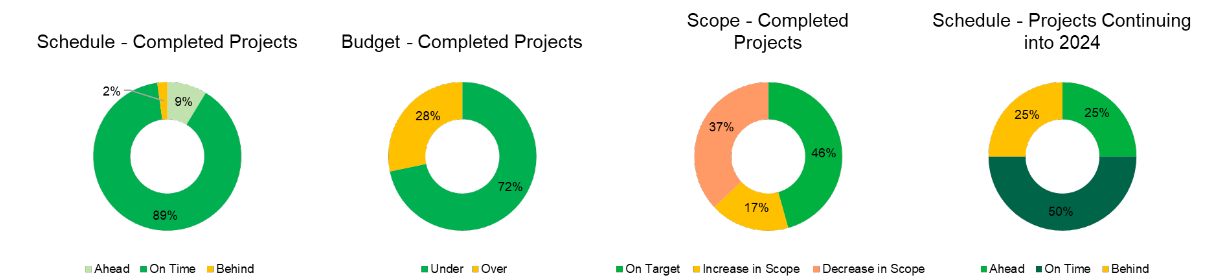


City led initiatives accounted for $8.2 million, indexing at 31 percent versus plan. TPA led spend was $50.9 million indexing at 111 percent versus plan. As a point of reference, management spent $1.3 million in emergency repairs at three parking

facilities. The need for such urgent and extensive concrete repairs is a stark reminder of the importance of maintaining our infrastructure in a state of good repair.

Management focus on driving improved execution was evidenced by delivering 97 percent of TPA led projects on or before scheduled deadlines. Furthermore, 72 percent of projects concluded at or below budgeted amounts, enabling the preservation of $1.9 million in capital. Lastly, only $1.4 million, or 2.6 percent of total spend was allocated to change orders, a decided improvement in performance.

Figure 3 - Project Performance Metrics



Schedule - Completed Projects	Count
Ahead	4
On Time	41
Behind	1
Total	**46**

Budget - Completed Projects	Count
Under	33
Over	13
Total	**46**

Scope - Completed Projects	Count
On Target	21
Increase	8
Decrease	17
Total	**46**

Schedule - Projects Continuing into 2024	
Ahead	5
On Time	10
Behind	5
Total	**20**

As detailed in the 2023 Annual Operating Plan, TPA executed its capital investments in six key areas: key summarized below

Key Programs

1. **New Inventory.** The City lead Ethennonnhawahstihen Community Centre was completed in the fourth quarter at a capital cost of $4.5 million. The completion of the St Lawrence Market North(SLMN) project has been delayed by a further year. It is now expected to be completed sometime 24 at a capital cost of $14.5 million.

2. **EV On-Street.** The 2023 On-street EV Charger program delivered 50 EV new chargers across 28 locations. In addition, the TPA acquired the EV charging infrastructure of Toronto Hydro Electric System Limited (THESL) for $840,000 which included 47 charges. Total 2023 capital expenditures were $3.3 million with a carry-forward expense of $400,000 in 2024.

The cost of installing On-street Level 2 (L2) charging ports in 2023 averaged $34,000 each. These charging stations were mounted on hydro poles, leveraging their proximity to electrical sources to reduce construction costs. The selection criteria for these locations were stringent; prioritizing locations that required limited civil work, having feasible poles for mounting, accessible parking zones (both paid and residential parking), and concurrence from Business Improvement Areas (BIA's), City Councillors and residents.

Future cost projections for On-street L2 charging ports are expected to rise to $100,000+. These prohibitive costs are due to the increased complexity of the civil and electrical infrastructure work in the On-street operating environment as demand for additional charging infrastructure accelerates to support EV adoption..

3. **EV Off-Street.** In 2023, the TPA significantly expanded its electric vehicle (EV) charging network, deploying 193 new EV chargers across 19 locations, boosting total Off-street EV charging inventory to 310 units across 30 locations. Capital spend in 2023 was $12 million.

   This expansion included the installation of 178 Level 2 (L2) EV chargers and 15 Level 3 (DC Fast) EV chargers. Cost per installed L2 charging port averaged $27,000 in parking garages and $76,000 in surface parking lots. Notably, the cost for installing an L2 charging port in a parking garage varied, ranging from $26,000 to $49,000 per port. Similarly, the installation cost for L2 charging ports in parking lots ranged from $66,000 to $105,000 The key cost driver of EV deployments is the civil work to provide electrification. On average the civil and electrical work represents 75 percent EV capital construction costs.

4. **Bike Share Expansion and Electrification.** In 2023, Bike Share Toronto invested total capital of $14.1 million. Highlights include the purchase of 1,392 e-bikes; installation of 350 e-docking points equipped with electric charging capabilities; 110 solar-powered docking stations and 515 Iconic bikes.

5. **SOGR.** In 2023, $20.2 million was invested in SOGR. The key projects included completion of emergency stair repairs at two locations: CP 43 (2 Church Street) and CP 68 (Kensington Market). These measures were followed by extensive structural repair projects at the same sites as well as CP 58 (9 Bedford Road). The scope of work included concrete repairs, replacement of the waterproof membrane and asphalt traffic surface, and other critical structural improvements. It should be noted that CP 43, CP 68, and CP 58 are progressing as planned with completion expected first quarter (Q1) 2025.

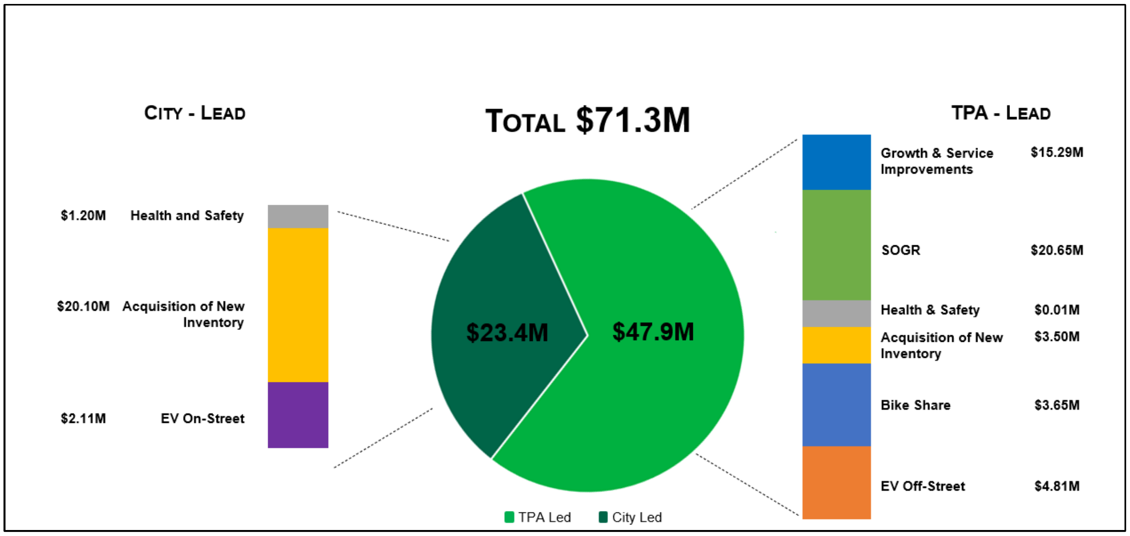
6. **Equipment Modernization.** In 2023, Management executed Phase One of our Parking Equipment Modernization programme. Our legacy pay on street meters are effectively obsolete (See Decision History for PA3.8 - Pay by Plate Equipment Purchase). In Q4 2023, management spent $2.15 million acquiring

and deploying 225 new pay-by-plate parking meters that are fully PCI compliant, provide multiple payment options including and can be leveraged   in both on and off-street applications. Management will bring our Phase Two recomendation to the Board in Q3 for execution in Q4, 2024.

2024 CAPEX Plan

TPA's revised 2024 capital plan is $71.3 million, inclusive of $8.6 million in 2023 carry-forward.. For a detailed breakdown, please see Figure 4 below, illustrating the distribution of the 2024 Adjusted Capital Plan.

Figure 4 - 2024 Capital Plan Distribution



The decision to defer the $14.1 million in capital spending is driven by the need to preserve sufficient working capital through the end of 2024 (see Figure 5 below for detailed revisions 2024 capital plan). Two (2) main factors were considered when prioritizing projects or portions of projects for deferment

1. Lead time required to spend against the project – projects requiring contracts to be tendered and executed early in 2024 were postponed where possible. This included $6 million from TPA's 2024 EV Charging Program because commitments could not have been secured while providing sufficient   complete the installations before the end of the year.

2. Positive impact to the Profit and Loss (P&L) – projects that contributed to net income were prioritized over those projects that would drive an operating loss. For example, Management prioritized the continued electrification of Bike Share stations verus the expansion of solar stations because e-bike usage drives higher trip and is margin accretive.

Figure 5 - Revised 2024 Capital Plan

$000's	2024 Board Approved Budget	2023 CWFD	Proposed Budget Deferrals	2024 Revised Capital Spend
Acquisition	19,506	596		20,102
EV On-Street	1,275	833		2,108
Health and Safety	978	224		1,201
City Lead	**21,759**	**1,653**	**-**	**23,411**
Acquisition	5,950	50	(2,500)	3,500
Bike Share	6,120	27	(2,500)	3,647
EV Off-Street	8,500	2,307	(6,000)	4,807
Service Improvements and Growth	17,445	132	(2,278)	15,299
SOGR	17,044	4,412	(800)	20,656
Health and Safety	-	10	-	10
TPA Lead	**55,059**	**6,938**	**(14,078)**	**47,919**
Grand Total	**76,818**	**8,590**	**(14,078)**	**71,330**

Note: CWFD (Carry Forward)

Specific program-level impacts include:

Acquisition. TPA is descoping $2.5 million from the fit out (signage & equipment) of two new car parks (St. Lawrence Market North and 81 Simcoe Street) that it will be commissioning in 2024.

Bike Share Toronto. 60 solar stations deferred to 2025. TPA will still be investing $5.2 million in 2024, which will include 70 solar stations, 15 new e-stations and 530 iconic bikes.

EV Charging. The installation of 105 EV chargers will be deferred to future years. TPA will instead deliver 38 net new EV chargers increasing the total chargers in operation from 407 to 445.

Service Improvements & Growth. Investments in fleet vehicles and the renovation of a TPA warehouse are being deferred. In addition, Management is reducing its planned expansion of on-street occupancy sensors to a future year.

State-of-Good-Repair (SOGR). $0.8 million in repairs that do not represent a safety risk will be deferred to 2025.

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SIGNATURE

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