

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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DATE: August 8, 2019

TO: **STANDING COMMITTEE ON FINANCE AND AUDIT**

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: 2020-2023 Off-Street Parking Levy and User Fees

ATTACHMENT(S): None

RECOMMENDATION(S):

That the Committee:

1. ENDORSE increasing the Off-Street Parking levy from \$1,200,000 to \$1,700,000 effective January 1, 2020;
2. RECOMMEND to Council approval of a 2% increase for each year inclusive of 2020 through 2023 Off-Street Parking user fees to be effective on January 1st of each year; and
3. RECOMMEND to Council approval of amendments to the appropriate schedules of the "Comprehensive Fees and Charges Bylaw No. 7557, 2004"

as outlined in the report dated August 1, 2019 from the Director of Finance titled "2020-2023 Off-Street Parking Levy and User Fees".

PURPOSE:

The Standing Committee on Finance and Audit is requested to review the financial information described in this report and approve the proposed approach with respect to Off-Street Parking user fees for 2020 through 2023.

STRATEGIC PRIORITIES:

Providing rate structures that maintain the City's self-sustaining fully funded utilities supports Council's priorities of Sustainable Finance, Sustainable Infrastructure and Organizational Excellence.

POLICY/REGULATORY ANALYSIS:

The Off-Street Parking Service provides long and short term off-street parking in the downtown. It achieves this by managing the operation of surface lots, parkades and the agreement with the Westel Parkade that provides additional parking in the downtown.

The Off-Street Parking service is to be self-funded through the Off-Street Parking levy and the Off-Street Parking user fees as per Sustainable Finance Guideline 3. The levy and user rates are developed to provide revenues to fund operating and maintenance costs, debt payments, new and renewal of capital infrastructure needs as well as maintain a contingency fund. Sustainable Finance

Guideline 7.0 requires that a contingency of between 5% and 10% of current year's expenditures is to be achieved. Contingency funds are used to fund unexpected expenses and emergency costs.

FINANCIAL CONSIDERATIONS:

Finance staff has completed a review of the revenue, expenditures and capital needs of the Off-Street Parking service. That review included a projection for the years 2020 to 2024. Off-Street parking expenses are to be recovered through a combination of the user fee rates and the Downtown Off-Street Parking Levy.

User fees are designed to recover the costs required to operate the facilities that the City owns. Off-Street Parking operating expenses are quite stable and do not substantially fluctuate from year to year. Expenses include the labour required to operate the Off-Street Parking Service, snow removal for the parking facilities and the utilities (hydro, natural gas) required to operate the facilities. Estimates have been prepared using the following inflators:

- Labour – 2.0%
- Electricity – 2.0%
- Natural Gas – 1.0%
- All other operating expenses – 2.0% (CPI - 2018 was 1.9%; June 2018 to June 2019 is 2.0%)
- Capital construction costs – 5.0%

Projections for the operating costs of the Off-Street Parking Service would require a 2% increase each year in Off-Street parking user fees to offset the estimated expenses.

The Downtown Off-Street Parking Levy, which is paid by property owners in the specified C-1 downtown area, is to provide for the capital costs of providing off-street parking facilities. Parking structures are generally concrete construction and are subject to corrosion over time; more so in winter climates due to the effects of moisture, road salt, and freeze/thaw cycles. The 2019 annual average reinvestment for the infrastructure needs of these off-street parking facilities is estimated at \$1,083,668/year.

The Westel Lease agreement, which expires in 2026, is another capital needs component and has an annual lease payment of \$584,702/year, property taxes of approximately \$100,000/year; insurance of approximately \$5,000/year and the City is also responsible to pay for any repairs that the building may have.

The 2019 Downtown Off-Street Parking Levy is \$1,200,000. In order for the Downtown Off-Street Parking Levy to fully recover the capital costs of the Off-Street parking fund, the levy should be increased to \$1.7 million (\$1,083,668 plus approximately \$700,000 for Westel, less \$105,000 for grant-in-lieu revenue that should be considered as levy revenue). The 2021 levy will be reviewed during the regular budget process for all other levies in the fall of 2020.

George Street Parkade

The projections for this report included some minor revenue projections for the new George Street Parkade assuming a late spring/early summer 2020 opening of the parkade. It does not include annual average reinvestment costs for the new facility or any operating expenses as this data has not been fully gathered yet. The financials of the Off-Street Parking fund will be reviewed once this data has been collected and, if necessary, further adjustments to the levy or user fees may need to be considered.

SUMMARY AND CONCLUSION:

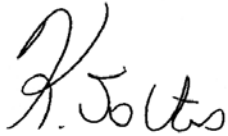
Council has a strategic priority for continuing progressive and responsible fiscal management. The Off-Street Parking Service and its infrastructure should be funded through fees paid by the users of the service. The committee is asked to provide endorsement of the proposed levy and user fee increases that provide for meeting the operational, capital and asset renewal expenses of the Off-Street Parking service.

RESPECTFULLY SUBMITTED:



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting date: August 19, 2019