

Report from: Financial Management Services

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Subject: Parking Reserve History and Usage

Recommendation

That up to \$100,000 from the Parking Reserve be approved to engage an external consultant to complete a review of parking service operations at the City in 2022.

Summary

This report provides the history and usage of the Parking Meter Reserve Fund. It also discusses the financial impact of Beach Strategy on the Parking Meter Reserve Fund and the current and future challenges faced with parking service operations at the City.

Background

At its meeting on March 21, 2022, Budget Standing Committee (BSC) requested staff to provide information on the history and usage of the City's Parking Meter Reserve Fund ("Parking Reserve").

At its meeting on April 11, 2022, Council requested staff to provide information on the allocation of fees from the seasonal boat launch parking pass and if they could be allocated to Sunset Beach or green initiatives.

Report

The goal of St. Catharines' Parking Services is to achieve a self-sufficient and sustainable parking operation that meets the parking needs of a rapidly growing municipality, while promoting alternative modes of transportation.

A self-sufficient and sustainable parking system is defined as an operation where revenues are sufficient to fund all parking related operations, maintenance and capital costs, and meet the City's reserve fund goals. The operational goal is not to maximize revenue but rather to price parking rates at a point that manages parking demand and meets the parking needs of all users.

Parking Operations are intended to be a user based self-sustaining system in which revenues generated are used to offset costs.

In order to keep funds distinct and show that the Parking Operations are self-sustaining, the Parking Reserve was created to ensure that year-end surpluses stay within the Parking program and similarly that any annual deficits or capital expenditures are funded from within the parking program, keeping those funds distinct from the tax levy.

Historical Parking Reserve Balance

The Parking Reserve has been utilized by the City for several decades to set aside annual parking surpluses to cover deficits or to fund future parking related financial obligations. Although, this analysis is focused on the most recent years; it is important to note that in the years between 2004 to 2012, approximately \$2.84 million was transferred from the parking reserve to the tax levy.

Outlined below in Table 1 is the Parking Reserve balance summary from 2017-2021.

The Parking reserve balance as of December 31, 2021, was \$0.98 million due to the financial support from the upper-level governments and subsidization for the City's Tax Levy Operating Budget in 2022. The City's Parking Operations were impacted significantly during the COVID-19 pandemic. Without the funding from upper-level governments and tax levy subsidization, the Parking Reserve would have ended the year of 2021 with a negative balance.

Parking operations have a total of \$0.85 million deficit projected / budgeted in 2022 and the 2022 year-end Parking Reserve balance is anticipated to be \$0.13 million.

Table 1 – Parking Reserve Balance 2017-2022

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Budget
Reserve Opening Balance	1,741,231	1,119,228	1,292,782	1,252,990	1,048,577	981,782
Parking Operation Surplus / (Deficit)	(622,003)	213,554	(39,792)	(1,160,214)	(1,404,944)	(626,221)
Contribution to Capital Projects	0	(40,000)	0	(17,409)	(21,256)	(41,335)**
Transfer (To) / From Tax Levy	0	0	0	0	750,000	(180,000)
Safe Restart Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>973,210</u>	<u>609,404</u>	<u>0</u>
Total Annual Surplus / (Deficit)	(622,003)*	173,554	(39,792)	(204,413)	(66,796)	(847,556)
Reserve Closing Balance	1,119,228	1,292,782	1,252,990	1,048,577	981,781	134,226

*Notes: *In 2017, City purchased the Raymond Street Parking lot from the Niagara Region, which is the cause for the annual deficit.*

***including remaining commitments to fund capital project P20-164 Carlisle St Parking Garage waterproofing.*

Usage of Reserve Funds

The Parking Reserve is used to fund year-end operating deficits and Capital parking projects.

The operating costs and expenses that are paid by the Parking Reserve include annual wages and benefits of City staff and contracted by-law enforcement staff, service contracts, ticket supplies, equipment and other supplies, snow removal, vehicle supplies, cash processing fees, postage, printing costs, court costs, utilities for parking machines, repairs, insurance and debt (principal and interests) on garages and equipment.

Projects included in the Capital Budget are to service, maintain and upgrade various parking facilities. To ensure the Parking Reserve balances are adequate to backstop annual operational deficits, in recent years staff have funded parking capital projects from additional debt and tax supported reserves (i.e., using Building Improvement Reserve rather than the Parking Reserve).

Beach Strategy Financial Impact

At the Public Meeting of Council on April 26, 2021, staff presented the 2021 City Beaches Strategy through [Report CAO-058-2021](#) City of St. Catharines Beaches Strategy and Amendments to Parking By-Law Associated Administrative Monetary Penalty and Rates and Fees. At this meeting, Council approved the Special Provision Area at Sunset Beach and Lakeside Park applicable only during May to September of each year at maximum three hours.

An update was provided on January 17, 2022, to Council through [Report CAO-004-2022](#) on the observations and financial results of the 2021 Beach Strategy in comparison with initial estimates. The 2021 Beach Strategy generated a year-end surplus of \$0.48 million. The surplus helped reduce the Parking Operations deficit in 2021.

At the April 11, 2022, Public Meeting of Council, staff presented the 2022 Beaches Strategy through [Report CAO-044-2022](#). At this meeting, Council approved the rates of residential parking permit and boat launch parking pass for 2022 beach season, permitting system and additional parking staff resource in 2022.

In order to keep funds distinct and show that the Parking Operations are self-sustaining, the Parking Reserve was created to ensure that year-end surpluses stay within the Parking program and similarly that any annual deficits or capital expenditures are funded from within the parking program, keeping those funds distinct from the tax levy. As identified in Table 1, four of the past five years have had operating deficits, with another significant deficit forecasted for parking services in 2022. Expenditures to repair

the existing boat launch are funded through the tax levy; the reallocation of revenues generated by parking operations will further strain the ending parking reserve balance, ultimately requiring tax levy support for parking services based on the current model.

Additional matters related to 2022 Beach Strategy will be discussed at future Council meetings. Based on Council Report CAO-044-2022, the financial impact on the Parking Reserve from the 2022 Beach Strategy was estimated to have a positive impact; however, that is largely dependent on the number of residential parking permits purchased. During 2022 staff will continue to monitor the results of the beach strategy and report the results as part of the regular quarterly updates to BSC.

Environmental Considerations

There are no specific environmental implications as a result of the recommendations in this report. More generally, parking does have a number of implications related to the Environmental Stewardship Goals of Council's Strategic Plan and the Climate Adaptation Plan.

The pricing and availability of parking can affect residents driving habits. Having financially sustainable parking prices could help influence and promote local alternative modes of transportation towards those with lower greenhouse gas emissions. Transportation is the largest sector of emissions in St. Catharines. Reducing single occupancy vehicular traffic will reduce overall local transportation emissions. This could include increased use of carpooling, greater uptake of public transit or active transportation options.

There is a current trend for municipalities to install charging stations to support increased uptake of electric vehicles (EV). The City has installed 20 EV charging stations across the City including at Market Square, Lakeside Park, the Ontario Street Parking Garage and the Carlisle Street Parking Garage. Increased adoption of electric vehicles may present increased demand for additional EV charging stations and the related capital costs in the future.

Rethinking how parking services are provided also has the potential to move the City towards its climate adaptation goals. Parking lots can contribute to climate impacts including urban heat island effects and increased stormwater runoff. In some cases, these impacts can be mitigated by environmentally sustainable design and management options. There may be future resource implications in terms of increased capital and maintenance costs such as the capital pilot program to replace exterior parking lot lighting fixtures with LEDs.

Current and Future Financial Challenges

The COVID-19 pandemic has negatively impacted the Parking reserve due to a decline in revenue generation. In 2020 and 2021, revenue generated from parking permits and paid street parking declined as the province implemented stay at home orders for employees to work from home, downtown events cancellation, Council approving a temporary limitation of parking enforcement for on-street parking and municipal parking

lots. Looking ahead the uncertainty of downtown workforce remains as a challenge for the City to generate parking revenues.

The Parking Operations yearly financial result has been a deficit position (operating expense exceeds revenue generated) from 2019 to 2021, which has been backstopped by the Parking Reserve. Therefore, the Parking Reserve balance has been declining over the recent years.

It is staff's opinion that in order to have a sustainable Parking Reserve, the City needs to assess and determine whether Parking Operations should continue to be a "User-Pay System", or whether instead it should be tax supported / subsidized. If remaining as User-Pay, the City needs to review the current parking assets and rationalize them. In addition, the City needs to revisit the parking service fees based on the forecasted operating and long-term capital costs to ensure cost recovery. If based on the review the service fees are too high for users to afford, the City should consider exiting from providing the service.

Staff recommend that now is the ideal time for an external consultant to be engaged to review the City's parking services and operations. The consultant would review parking service operations and provide options for parking operations to City Council and once a preferred model that aligns with the City's Strategic Plan is approved, the consultant would assist in the preparation, development and evaluation for a service provider to implement the preferred model.

Financial Implications

Staff recommend that the City engages an external consultant to complete a review of parking service operations at the City in 2022 up to \$100,000 from the Parking Reserve. There are adequate funds in the parking reserve to engage an external consultant up to \$100,000 to assist with this review and the Request For Proposal (RFP) process for the implementation in 2022.

Conclusion

This report provides information on the history and usage of the City's Parking Reserve. It is anticipated that the Parking Operations will continue to be impacted by the long-term effects of the global pandemic. It is the City staff's opinion that the funding strategy of the Parking Operations needs to be reviewed and a more sustainable business model should be developed and implemented in order to maintain the City's fiscal health. This is best achieved with the engagement of an external consultant.

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