

## Updated Parking Revenue Distribution Formula

### ISSUE

The existing parking revenue distribution formula is somewhat complicated, was established more than 12 years ago and does not address current needs. An updated and simplified formula to meet current funding requirements is proposed.

### RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

- 1) That the revised parking revenue distribution formula as outlined in Table 1 of this report, be approved to come into effect January 1, 2022, and that the Administration prepare the 2022/23 operating budget based on the impact of this approved formula change; and
- 2) That the City Solicitor's Office be requested to bring forward amendments to relevant policies and bylaws, including Bylaw No. 6774, Capital Reserve Bylaw, 1993

### BACKGROUND

At its June 23, 2014 meeting, City Council awarded the contract for the new flex parking system to Cale Systems Inc. and approved the financing plan for repayment of parking equipment. Funding for repayment of parking equipment was from the incremental parking meter revenue and has now been paid off. With payment of the parking pay stations now complete, Administration committed to review and recommend updates to the parking meter revenue allocation formula in advance of preparation of the 2022/2023 budget.

The parking revenue distribution formula has evolved to address a number of individual funding needs. This has contributed to the formula becoming more and more complex and difficult to interpret over time.

Parking fees are set at a rate of \$2.00 per hour. The current parking revenue distribution formula for each paid hour of parking is as follows:

- 1) \$0.50 – up to 100% to the Streetscape BID Reserve (See Note\*);
- 2) \$0.25 – 100% to mill rate, 2009 rate guaranteed;
- 3) \$1.25 distributed as follows, 2009 rate guaranteed:
  - a) \$30,000 per year to the Downtown Housing Reserve;
  - b) 3% to the Business Improvement Districts (1% each);
  - c) 44.33% to the Streetscaping Reserve;
  - d) 4.12% to the Parking Capital Reserve; and
  - e) the balance is allocated to general revenues and to operate the program.

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\*Note: The \$0.50 allocation to the Streetscape BID Reserve was limited by the recommendation included in the Monday, December 5, 2011 report to City Council stating:

“that starting in 2013, \$.50 of parking meter revenues be allocated 100% to the Business Improvement District Streetscape Reserve with the proviso that the amount distributed to general revenues and the cost of operating the program be equal or better than the amount provided in 2009”.

As well, program funding needs have changed. These include changes to:

**Parking Capital:** Council approved an amendment to the Capital Reserve Bylaw in 2020 to allow for the contribution to the Parking Capital Reserve to be as approved through the budget process, rather than a specified annual percentage.

**Operating Costs:** Operating expenses to maintain the new and more complex parking system, and to provide a higher level of service have increased. Parking costs to support the pay parking system are now centralized into a single operational budget which provides a more accurate accounting of the expenses to deliver parking operations.

**Business Improvement District Grant:** The 3% grant amount to the BIDs was frozen at the 2009 levels as part of the flex parking repayment calculations. With the flex parking system repaid, the BIDs have identified a need for additional funding.

**The Downtown Housing Incentive Program (Program):** This Program was established in August 2002 and has not been utilized nor had the desired impact.

### **DISCUSSION/ANALYSIS**

The goal of the review was to develop a formula that was simplified, transparent, addressed current program funding needs and provided a level of support to the mill rate and the Streetscape BID Reserve, similar to the amounts received under the current formula. To help achieve this goal, Administration engaged with DTNYXE, Riversdale, Broadway and Sutherland Business Improvement Districts to consider and identify scenarios for a new parking revenue allocation formula.

Administration met three times with Executive Directors of these four BIDs to discuss the formula and identify options to accommodate needs of the various programs and groups partially funded through parking revenues. These meetings occurred: December 10, 2020, January 6, 2021 and March 11, 2021.

The following considerations were discussed during the review of the parking revenue distribution formula:

- 1) **Fixed Allocation for Some Uses**  
Parking revenue can fluctuate annually based on parking usage, creating uncertainty for budgets with percentage-based revenue. During discussions, it

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was identified that fixed allocations for certain programs would be beneficial and help provide funding certainty. These programs included:

- a) Parking Operations;
- b) Contributions to the Parking Capital Reserve; and
- c) Grant to BIDs.

At its November 25, 2019 meeting the Parking Capital Reserve contribution was approved by Council to be a fixed amount allocation.

2) Downtown Housing Incentive Program

The Downtown Housing Incentive Program was identified as not meeting expectations and consideration was given to its elimination. The Program was established in August 2002, and its funding source is a \$30,000 annual payment from parking revenue. The funding was intended to cover rebates for development charges and property tax abatements for residential developments; however, most of the incentives originally provided by the Downtown Housing Initiatives Program were shifted to the Vacant Lot and Adaptive Reuse Incentive Program (Policy No. C09-035, Vacant Lot and Adaptive Reuse Incentive Program), in order to consolidate all incentive programs related to infill development. The remaining incentives were related to renovation grants, which are difficult to secure and have not been utilized to the level envisioned when the program was created. As of January 1, 2021, there is \$322,093.76 remaining in this reserve. Administration will bring forward a report to provide options for use of the funds in this reserve.

3) Grant to Business Improvement Districts

Under the current formula, the three core BIDs receive 3% of the parking revenue, while the Sutherland BID does not currently receive a grant. As part of the financing plan for the Parking Meter Upgrade Project, the grant was held at \$107,700 (\$35,900 to each of the three BIDs). This amount was increased starting in 2020 and was budgeted at \$124,900 in 2021. The BIDs have advised the current level of funding is not sufficient to maintain services to their business clients without increasing their levy and collectively requested a fixed grant amount of \$325,000 annually to be divided amongst the four BIDs. Administration is supportive of this request.

It is Administration's understanding that the BIDS propose to divide the grant amount as follows: \$150,000 - DTN YXE; \$75,000 - Riversdale; \$75,000 - Broadway; and \$25,000 - Sutherland. This grant amount is proposed to increase annually by the Consumer Price Index to account for inflation. A letter from the BIDs outlining some of the work they carry out, and the resulting benefits to the community is attached in Appendix 1. The grant funding they receive through parking meter revenues helps to support this work.

4) Community Support Program

The Community Support Program provides highly visible uniformed officers on foot patrol throughout the three core BIDs. The goal of the Community Support Program is to ensure a safe and enjoyable street experience for everyone in the community. The Community Support Officers are part outreach specialist and part bylaw enforcement officer. Funding for the permanent Community Support

Program is currently streamed through the Streetscape BID Reserve. To be fully transparent, Administration proposes this program be funded directly from parking revenue as a fixed program. Contributions to the Streetscape BID Reserve will then be reduced by an equivalent amount so there is no net affect on either Program.

5) Streetscape Reserve

The Streetscape BID Reserve funds both the Operating and Capital budgets of the Urban Design Program. The Operating Budget is used for such expenditures as salaries, the seasonal flowerpot program, banners, façade improvement grants and maintenance and repair of existing urban design assets. The Capital budget is dedicated to small and large-scale construction of streetscape improvement projects. The Streetscape BID Reserve only funds Urban Design work in the three core BID areas; the Sutherland BID currently does not have access to this funding.

Under the proposed new parking revenue distribution formula, the Streetscape Reserve is funded as a percentage of the remaining funds after the fixed costs have been allocated. Administration recommends the remaining funds be split evenly between the Streetscape BID Reserve and the mill rate, to minimize the risk to the mill rate during years when parking revenue may be below budgeted amounts or expenditures fluctuate. As a result, funding to the Streetscape BID Reserve will be slightly lower than current levels, and this trend may continue if parking revenues do not substantially increase. Furthermore, inflationary increases to construction costs will also impact the ability of the Urban Design Program to fund large-scale construction projects. A report identifying potential changes to the Urban Design Program will be presented prior to the 2022/2023 Business Plan and Budget deliberations. The report will address the reduced funding arising as a result of changes to the parking meter revenue formula as well as the opportunity to bring the Sutherland Business Improvement District into the Urban Design Program.

### **Recommended New Parking Revenue Distribution Formula**

During the review process, several scenarios to distribute the parking revenue were discussed. Administration recommends adopting the scenario shown below in Table 1. The scenario allocates funding for specific programs, based on approved budget amounts, with the remaining parking revenue split evenly between the Streetscape BID Reserve and general mill rate support.

The recommended parking revenue distribution formula meets current funding requirements, enhances the transparency by funding programs identified as fixed allocations and then distributes the balance of funds equally between the Streetscape BID Reserve and mill rate support. This 50/50 split is intended to provide for a near mill rate neutral outcome and provides a similar level of funding to the Streetscape BID Reserve. Rounding the funding amounts is recommended as it is aligned with the goal of simplifying the formula and ensuring it can be readily explained and duplicated in the future.

**Table 1 Recommended Parking Revenue Distribution Formula**

<b>Components funded under Parking Revenue Formula</b>	<b>Funding Amount</b> (\$ amount shown is based on 2021 budget estimates)
Estimated Total Parking Revenue - 2021	\$6,433,300
<b>Fixed Allocations:</b> 2022/23 allocations will be confirmed at the time of budget deliberations	
• Parking - Operating Budget*	\$1,342,200
• Contribution to Parking Capital	\$375,000
• BID Grant (4 BIDs)	\$325,000
• Community Support Program	\$481,900
<b>Balance to be Allocated:</b> remainder of parking revenue after funding the Fixed Allocations	
• Streetscape Reserve - 50%	\$1,954,600
• Mill Rate Support – 50%	\$1,954,600

\*Parking – Operating Budget amount will reflect actual expenditures when the final year end allocation is determined.

Appendix 2 illustrates the six scenarios discussed with the BIDs. The projected 2021 parking revenues are used in each scenario, for comparative purposes and help to illustrate the differences between each scenario. The recommended formula shown in Table 1 above reflects Scenario 3 in Appendix 2.

### **FINANCIAL IMPLICATIONS**

The proposed parking revenue distribution formula funds fixed expenses first and the balance is split equally between the Streetscape BID Reserve and mill rate support. The 50/50 split is proposed as it results in approximately a mill rate neutral scenario compared to the previous formula (based on the 2021 Budgeted Parking Revenue) and provides improved transparency and ease in calculation and administration over time, achieving the goal of a simplified formula. The more accurate but complex mill rate neutral split would be 48.6% going to the Streetscape BID Reserve and 51.4% going to mill rate support. This 1.6% difference results in an estimated increase to the mill rate of \$54,700.

For Scenarios 1 to 5, the allocation to the Streetscape BID Reserve and to mill rate support would be adjusted annually based upon actual revenues and parking operating expenditures. With Scenario 6, the risk and benefit of variances from actual revenue and expenditures falls to the mill rate.

**OTHER IMPLICATIONS**

This formula is proposed for review in two years, as part of the corporate budget cycle, or when significant changes occur to revenues or funding requirements.

**NEXT STEPS**

If the new proposed parking revenue formula is approved, Administration will prepare the 2022/23 Business Plan and Budget using the new formula and the City Solicitor's Office would prepare amendments to relevant policies and bylaws.

**APPENDICES**

1. Letter from BIDs
2. Overview of Scenarios Discussed

**REPORT APPROVAL**

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