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## City of Saskatoon Impound Lot Business Model

### Recommendation

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

1. That rate changes for the City-owned Impound Lot be brought forward as part of the 2020/2021 Multi-Year Business Plan and Budget Process; and
2. That the changes to Impound Lot Business Model, as outlined in this report, be approved.

### Topic and Purpose

The purpose of this report is to provide recommendations to Committee on the City of Saskatoon's current Impound Lot Business Model, based on recent changes to Provincial Legislation, as well as the Impound Lots recent financial performance.

### Report Highlights

1. The City of Saskatoon's (City) impound lot has posted operating deficits in each of the past four years and relied on property tax funding to balance its budget. The impound lot is intended to be self-sustaining, and if this is to be achieved, changes to the current business model are required.
2. There have been significant legislative changes to the SGI Impoundment program since 2014.
3. In addition to the option of maintaining the status quo, which would not address current operating deficits and reliance on the property tax, a number of other business model options could be utilized including:
  - implement rate changes;
  - have vehicles impounded by Saskatoon Police Service (Police Service) under the SGI Impoundment Program directed to the City Impound lot; or
  - outsource the operations of an impound facility to a private enterprise with consideration for a royalty fee to offset the City's administration and traffic safety costs.
4. The Administration is recommending both the adjustment of current fees and expansion of the City's impound lot business to include SGI Impoundment vehicles.

### Strategic Goal

This report supports the strategic goal of Asset and Financial Sustainability by considering and evaluating new non-property tax revenue sources to help pay for City projects, programs and services.

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### Background

The City continues to deal with mature and declining non-tax revenue sources. City Council and the Administration have undergone several initiatives aimed at reducing the reliance on the property tax including the Hemson Report, the 30-Day Challenge and internal audit engagements amongst other efforts.

### Report

#### Impound Lot Current Business Model

The City's Impound Lot is intended to be fully self-sufficient whereby enough revenues are generated so that there is no reliance on the property tax. Unfortunately, over the past several years, the Impound Lot has experienced deficits of \$30,000, \$83,000, \$54,000 and \$25,000 in 2015, 2016, 2017 and 2018 respectively, primarily due to lower volumes of vehicles as shown in Table 1.

**Table 1 – Vehicle Volumes – Saskatoon Impound Lot**

<b>Impounding Authority</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Parking Enforcement	2100	2175	2079	1958
Saskatoon Police	659	603	591	453
<b>TOTAL</b>	<b>2759</b>	<b>2778</b>	<b>2670</b>	<b>2411</b>

In addition to the current operating deficits, there are two other unaccounted financial considerations in the long term operation of the impound lot:

- a) The impound lot is situated on a site owned by Saskatoon Land. This property is valued at approximately \$2.2 million and should be purchased by the City from Saskatoon Land as outlined in Policy No. C09-019, Properties (City-Owned) Required for Major Projects Policy, if the intent is to continue the impound operations at that location over the long term. The property could be purchased over the next 20 years via an internal loan which would add an additional \$157,000 in costs per year, pushing the program into further deficit and reliance on the property tax under the current model; and
- b) There is currently no capital or improvement reserve for the Impound Lot which will be required as assets begin to age (systems, fencing, gate, facility) and require replacement.

#### SGI Impoundment Program Changes

There have been changes to the Impound Lot Provincial Legislation and SGI Vehicle Impoundment Program (SGI Program) over the past several years that require consideration as part of the Business Model. An overview of the changes to provincial legislation which has affected vehicle impoundment since 2014 is provided below.

1. Prior to 2014, all vehicles impounded by the Police Service or Parking Enforcement were sent to the City Impound Lot. Typically, owners charged with impaired driving and other high risk offences had their vehicles impounded for 24 hours.

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2. In 2014, new SGI laws introduced stricter and longer impoundment rules for offences related to driving under the influence of alcohol or drugs, unauthorized drivers, and high risk driving behaviours. SGI also established a requirement that an impound lot operator be a Registered Garage Keeper to impound vehicles under the SGI Program. At that time, Always Towing had the contract for the City's towing services and, as a registered Garage Keeper, assumed impoundment responsibilities for the SGI Program.
3. In 2016, the towing contract was awarded to Astro Towing who continued the practice of storing vehicles impounded under the SGI Program at their impound facility.
4. In 2018, further significant changes were made to the SGI Impoundment Program including stricter and longer impoundment rules in comparison to the 2014 version of the plan, as well as fee increases. Vehicles may be impounded for up to 60 days for certain offences, and incur, among other charges, a storage fee of \$17.00 per day, and \$55.00 administration fee, payable to the Impound Lot Operator before the vehicle is released.
5. The current towing service contract is set to expire on June 30, 2019, and this provides an opportunity to revisit the Impound Lot Program Business Model in consideration of the significant legislative changes since 2014.

Since 2014, vehicles impounded under the SGI Program have been stored at the impound facility of the successful proponent to the Towing Contract, as they were a registered Garage Keeper. While the City is not currently a registered Garage Keeper, the approval process and operational requirements to do so can be readily implemented. The current Impound Lot meets all requirements for this designation.

The Request for Quotations and subsequent contracts to provide towing services for the City, to date have not specified that the successful towing contractor was entitled to these impoundments.

The volume of vehicles impounded under this program has increased significantly since 2014 as stricter legislation has been introduced as shown in in Table 2.

**Table 2 - SGI Program Impoundment Volumes – 2016 – 2018**

Type of Impoundment	Number of Vehicles Impounded*		
	2016	2017	2018
3 Day	10	10	216
7 Day	26	15	257
30 Day	230	257	741
60 Day	197	224	423
<b>TOTAL</b>	<b>463</b>	<b>506</b>	<b>1637</b>

NOTE: Vehicles may be released within an earlier timeframe than indicated, based on outcome of appeal.

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### Options for future Impound Lot Business Model

The current impound lot business model has been under review by the Administration and a number of options are provided for Committee's consideration to establish a business model that is sustainable and balances the costs placed onto the property tax.

Options include:

- maintain the status quo;
- increase Impound Lot Rates;
- expand the Impound Lot Operations to include the SGI Impoundment Program; or
- discontinue City Impound Lot Operations.

Details of these options are included in Attachment 1.

### Recommendation

The Administration is recommending the following options be implemented to ensure a more sustainable business model:

1. Implement a rate change to current impound lot operations, to be brought forward as part of 2020 Business Plan and Budget Deliberations (Option 2), and;
2. Expand the Impound Lot program to intake vehicles under the SGI Impoundment Program (Option 3).

These proposed changes will result in benefits to the City as follows:

1. Ensure that the current City Impound Lot operations are self-sufficient;
2. Facilitate the ability to make full use of existing available vehicle storage capacity at the current City Impound Lot;
3. Make progress on City Council's Strategic Action to, "consider and evaluate new non-property tax revenues sources to help pay for City projects, programs and services"; and
4. Create the potential to shift funding of traffic safety initiatives and Police Service programs to violators and those creating an unsafe traffic environment, as opposed to funding from the property tax.

### **Options to the Recommendation**

The options to this recommendation are outlined above and further detailed in Attachment 1 of this report.

### **Public and/or Stakeholder Involvement**

The Administration has consulted with the Police Service regarding their requirements and ability to implement the recommendations. The Police Service does not have any significant concerns with their ability to implement the recommended change to direct vehicles to a specified Impound lot.

### **Communication Plan**

Should changes to the impound process be enacted, communications will be provided to the public and stakeholders to advise of any changes.

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### Policy Implications

Revisions to Bylaw No. 8640, The Impounding Bylaw, 2007, may be required depending on the selected option.

### Financial Implications

For the past four years the City's Impound Lot has been operating at a deficit, and a change to the business model to ensure this program is self-sustaining is proposed. The recommended options of increasing fees, and making better use of available capacity by directing SGI Program impoundments to this lot, will provide the revenues needed to cover costs. Any surplus funds could be directed to offset costs associated with traffic safety and other related police or enforcement programs.

As a portion of the overall budgets, the City currently receives very little non-property tax revenue sources to fund items such as traffic safety, Vision Zero and overall Police Service programs. This requires the majority of these programs be either funded by property taxes or remain unfunded. Implementation of a program that directs vehicles under the SGI Impoundment Program to the City Impound Lot would also create an opportunity that would lessen the burden on the property tax while providing a closer linkage between those exhibiting unsafe traffic behaviour and those who pay for these programs.

This approach would be similar to the implementation of Automated Speed Enforcement and Red Light Camera programs, whereby program surpluses are directed to the Traffic Safety Reserve.

### Other Considerations/Implications

There are no environmental, privacy, or CPTED implications or considerations.

### Due Date for Follow-up and/or Project Completion

The current towing contract had been extended to June 30, 2019. The Community Standards Division will issue a request for quotations for towing services pending the direction on the future business model of the City's Impound Lot, with the successful proponent to be in place by July 1, 2019.

### Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

### Attachment

1. Impound Lot Business Model Options

### Report Approval

Written by:	Clae Hack, Director of Finance Jo-Anne Richter, Acting Director of Community Standards
Reviewed by:	Kerry Tarasoff, Chief Financial Officer, Corporate Financial Services
Approved by:	Lynne Lacroix, General Manager, Community Services Department

## **Impound Lot Business Model Options**

### **Options for Future Impound Lot Business Model**

The current impound lot business model has been under review by the Administration and a number of options are provided for the Transportation Committee's (Committee), consideration to establish a business model that is sustainable and balances the costs covered through property tax. Options include:

#### **1. Option 1: Maintain the Status Quo**

The current approach to the impound lot operations could be continued as is, with impoundments of vehicles for traffic and parking offences, and those seized as Proceeds of Crime (Federal and Provincial Forfeiture) delivered to the City Impound Lot at the current rates. Impoundments under the SGI Impoundment program, motor vehicle accidents and vehicles involved in criminal offenses would continue to be delivered to private impound lots at the discretion of the successful towing contract proponent.

The City's Impound Lot would likely continue to deliver a program that is not self-sufficient as revenues and volumes have not been adequate to cover operating costs, or future capital needs including the required purchase of land from Saskatoon Land, or a reserve to fund future replacement of assets.

This approach would require the property tax to fund approximately \$200,000 of the Impound Lot operations (\$50,000 operating deficit and \$150,000 for the land purchase) per year over the next 20 years, and would provide no reserve for asset replacement.

#### **2. Option 2: Increase Impound Lot Rates**

This option would continue the current allocation of impounded vehicles between the City and private impound lots as outlined in the status quo option, however would include rate changes to the fees payable to retrieve vehicles from the Saskatoon Impound Lot.

The rates at the Saskatoon Impound Lot have not changed since 2011, while the number of impoundments have been steadily declining since 2015. Further, current fees are lower in comparison to other jurisdictions.

It is estimated that an increase in rates from \$15 to \$17 per day for the daily storage fee and from \$55 to \$65 for the entrance fee would increase annual revenues by approximately \$35,000. This would be sufficient to address the current operating deficit but not sufficient to cover the cost of land or implementation of a capital reserve, both of which would require property tax funding.

An overview of current comparable fees in other jurisdictions, as well as future proposed fees is provided in Table 3.

**Table 3 – Impound Lot Fee Comparison**

<b>Impound Lot Operator</b>	<b>Daily Storage Fee</b>	<b>One Time Entrance /Administration Fee</b>	<b>Example - Total Fees Based on Three Day Impoundment</b>
City of Saskatoon (current)	\$15/day	\$50	\$95
City of Prince Albert	\$17/day	\$80	\$131
City of Calgary	\$40/day	\$32	\$152
SGL Impoundment Program: Prescribed Rates	\$17/day	\$55	\$106
City of Saskatoon (proposed)	\$17/day	\$65	\$116

### 3. Option 3: Expand the Impound Lot Operations to Include the SGL Impoundment Program

Committee has the option to expand the Impound Lot Operations by registering to become a Garage Keeper, and having Saskatoon Police Service (Police Service), direct vehicles impounded under the SGL Program to the City's Impound Lot. The SGL Impoundment Program has changed significantly over the past several years resulting in higher fees due to longer impoundment periods for vehicles and higher rates. Based on figures provided by the Police Service for 2018 impoundments, and SGL's impoundment fee schedule, it is estimated that impoundments under this program could generate up to \$800,000 in annual revenue.

If this option were to be chosen, it would adequately fund the current Impound Lot deficit, land purchase, capital reserve and any additional contract staff costs required to administer enhanced impound operations. The impound lot currently has sufficient capacity to store the additional volume of vehicles.

In addition, it is estimated there would be approximately \$300,000 to \$400,000 in annual surplus after the Impound Lot is funded that could be utilized to fund other traffic safety related initiatives, including the traffic safety program/projects, Vision Zero or lessen the property tax contribution to Police Service enforcement costs. This opportunity would create a fundamental shift whereby costs associated with enforcement related to high risk traffic offences would be funded through impound fees charged to violators, rather than subsidized by property tax payers.

As the SGL Program meets its objectives in reducing high risk driver behaviour, we anticipate impoundment volumes could decline over time, however even a 50% drop in impoundments under this program would provide sufficient revenues to ensure the Impound Lot is fully self-sustaining.

There is also a risk that if this option is selected that prices in the City's future Request for Quotations for towing services could come back higher than in previous versions as proponents have potentially used the revenue opportunity with the SGI Impoundment Program in order to offer lower towing services prices. The financial risk regarding this is significantly mitigated as the majority of towing services utilized by the City are charged directly back to the violator and owner of the vehicle. This includes towing services for the Street Sweeping Program as well as vehicles impounded under the current parking offenses.

It is important to note this option would not include the impoundment of vehicles involved in Motor Vehicle Collisions or Criminal Offenses as those would still be delivered to a private impoundment facility that can provide the necessary garage to accommodate inspections and investigations.

#### 4. Option 4: Discontinue City Impound Lot Operations

Committee has the option to not continue to operate a City owned Impound Lot and outsource all impoundment operations to a private company, including vehicles impounded for outstanding parking offences, traffic offences and proceeds of crime.

This option would eliminate the current operating deficit within the program as well as remove the requirement to fund a land purchase or capital reserve, however, it would require a staffing component to act as a liaison between the City and private contractor to ensure system, policy, process alignment, issues, changes to the program and general monthly reconciliation work between the City's Parking Program and Impound Lot records. Without the Impound Lot program this position would be funded via the property tax at an estimated cost of \$90,000 per year. Consideration for inclusion of a royalty fee, to help offset this administrative costs as well as the City's enforcement, education and patrol programs, could be incorporated within the procurement documentation for Towing and Impoundment services.

While this option could provide the towing and impoundment services to serve the City's enforcement programs, there is a measure of uncertainty with respect to customer service, integration with the city's processes, and program continuity (eg. the location of the impound facility may change with each contract). The City would also incur costs in decommissioning the current impound lot. Further this option would not be aligned with the strategic action of considering new non-property tax revenues to help pay for programs, as it would require traffic safety programs continue to be funded by property taxes as opposed to violators:

A Request for Information is recommended to gain an understanding of what the private sector would be able to provide and to identify any concerns prior to proceeding with such an option.