

## Impoundment Services – Evaluation of Options

This document provides more detailed information regarding options for the delivery of impoundment services, including operation of an Impound Lot. Evaluations for two business models are provided below, and include a description of service delivery changes, a summary of the Triple Bottom Line (TBL) assessment, and an estimate of financial impacts on the City of Saskatoon (City), Saskatoon Police Service (SPS), and other impacted stakeholders. Together, the Triple Bottom Line review and financial modeling provide a standardized evaluation to compare the advantages and disadvantages of the following two proposed models:

- Business as Usual
- Third-party Service Delivery

A third option, referenced in the April 2019 report, would see the City take a significantly more active approach in accommodating all vehicles impounded through the City and SPS. Such an approach would involve meeting provisions for ‘garage keeper’ status, including owning and operating tow trucks. While this option is not detailed further in this evaluation, reporting could be provided to outline an option of enhanced impoundment service.

The number of annual impoundments can vary and are sensitive to changes in City enforcement programs, government regulations (such as the SGI Impoundment Program), SPS traffic enforcement procedures and population. The options presented include discussion of mitigating strategies intended to moderate the negative impact of fluctuations in the number of annual impoundments.

For either option proposed, Administration has identified revenue sources to ensure cost recovery of the Impoundment program and minimal mill rate impact on Parking Ticket Payment Enforcement (boot crew) program through revenue-generating initiatives. A three-part approach is proposed to generate the revenue required to fully address the operational expense of both programs:

1. Pursue an increase in the late ticket payment fee which is allocated to fund boot crew operations. A potential increase in late fee penalty is an option to mitigate the mill rate impact. Provincial approval will be required as this fee is prescribed in *The Summary Offences Procedure Act* and *The Summary Offences Procedure Regulations*. This penalty has not been increased since parking provisions came into effect in 2006. Should the Province not be supportive, a mill rate impact from either option is anticipated, which could be offset by identifying enhanced measures to collect on unpaid parking tickets (as outlined in point 2).
2. Pursue additional options to collect on unpaid parking tickets. Currently, more than 52,000 parking tickets are in default, representing a value of \$4.7M. A report on options to collect on these outstanding tickets is currently in progress and will be brought forward for City Council consideration in 2022.
3. Direct the expired unclaimed vehicle auction proceeds to the City Impoundment program as a source of revenue. Currently these funds are directed to General Revenue as per Bylaw No. 8640, Impounding Bylaw, 2007. These proceeds,

which vary significantly from year to year, are generated through the impoundment process and this revenue will offset Impoundment Services operational costs. An estimate of \$11,000 was used as the revenue contribution from this source.

For comparison purposes, modelling involves in-depth review of actual impoundment volumes in recent non-pandemic years, aligns with the expectation of mill rate neutral performance and the 2022 budget, and sets internal and external service levels.

The minimum acceptable financial goals for the Impoundment Services program are to:

- Address land leasing requirement. Council Policy C09-012, Administration of Civic Properties, states that leasing of City-owned property must be done at market rates;
- Achieve a full cost recovery financial status; and
- Provide an acceptable level of client services.

**Option 1: Business As Usual Strategy (BAU) with an increased focus on operational efficiency and full cost accounting**

**Strategy**

The number of annual impoundments at the City Impound Lot can vary and are sensitive to external changes. However, the City Impound Lot has fixed operating costs which need to be covered regardless of the number of impoundments. Reducing fixed costs is one area of focus for this option to maintain viability. The other area of focus is increasing sources of revenue through the diversification of services. To ensure corporate expectations are met, programs operating from the current site must make lease payments to compensate for the use of city-owned land.

**Proposed Changes**

With this option, the City Impound Lot maintains current operations but adjusts services and expenditures with impoundment demands. The City's financial goal is to remain mill rate neutral including lease payments. To do so requires the following proposed changes:

1. Better reflect actual impound operational costs by re-distributing costs associated with the boot crew operations to the appropriate cost centre. This includes costs of contract supervision, use of shared space at the Impound Lot and operating expenses.
2. Increase enforceable late payment ticket fees to offset this increase in operational expenses of the boot crew for vehicle seizures due to unpaid fines.
3. Establish user fees for internal departments using the Impound Lot and facilities:
  - a. Charge SPS the prescribed fees for storage costs of vehicles they have impounded (currently provided at no charge);

- b. Charge monthly rates for storage of City and SPS vehicles (not impoundments) for the City and SPS (currently provided at no charge); and
  - c. Seek opportunities to generate revenue such as a sub-lease or shared site with other internal groups.
4. Establish an Impound Lot Stabilization reserve to transfer excess operating revenue at year-end, which can be used to offset deficits that might arise in future years.
  5. Adjust hours of operation open to the public to focus on high demand periods: Monday to Friday 11am – 7pm (currently 8am – 7pm) and Saturday from 1pm – 4pm (currently 11am – 6pm). Although this results in a reduction of 19 hours per week, records from 2019 indicate 81% of vehicles were retrieved by the public during the proposed open time periods. Should volumes/demand increase, additional hours of operation to the public can be established. The Impound Lot will remain available to Police, other internal user groups, and towing operators (for drop offs) 24 hours a day, 7 days a week.

## **Alignment**

### Triple Bottom Line Assessment

As summarized below, the BAU option outperformed the Third-Party option with higher TBL scores in three of the four principles. Both options rated as “meeting expectations” for the principles of economic prosperity and fiscal responsibility. The largest gap in scores between the two options was for the principle of Good Governance. Some benefits identified in the TBL evaluation for the City operated BAU model are:

1. The City Impound Lot land is not currently used to its full potential; however options for increasing use can be initiated. The City-run Impound Lot option measures up well due to progressive environmental strategies at the City.
2. There are clear and formal expectations for City-run operations and accountability is expected.
3. The BAU option excels in its service to the external and internal communities.
4. Because of the extensive corporate staff resources and their expertise, as well as the City’s focus on excellence, good governance indicators for BAU are higher than for the third-party option.
5. A City-run operation, as a large public service entity with a high standard for customer service and client care, has extensive resources and expertise to provide quality services to the public.

### Financial Assessment

The impoundment operation is expected to achieve mill rate neutral status moving forward by adjusting the current operating hours to bring it into line with demand, aligning expenses and revenues to the appropriate program cost centres, and seeking opportunities to collaborate with other internal groups to provide services.

In 2020, the pandemic significantly impacted the operation, with an annual impoundment volume decrease of 24% compared to the previous year. However, with the new rates effective in 2020, the year end deficit of \$38,000 was approximately half of the deficit in 2019.

For 2021 and beyond, a return to more typical impound volumes with non-pandemic conditions, in conjunction with the 2020 rate changes and appropriate sharing of operational expenses for impoundment services and parking ticket enforcement, is expected to result in the Impound Lot realizing full cost recovery. A stabilization reserve and operating efficiencies will help moderate impoundment sensitivities related to changes in enforcement practices. Budget estimates for this model also incorporate an annual lease payment of \$74,000, as per the Land Department requirements for use of the land.

The BAU option requires increased revenue to make lease payments for use of the Impound Lot land (see Table 1). Operationalizing efficiencies plus cost recovery of expenses related to boot crew operations paid for by Impound Lot operations will allow funds for the required land lease payment of \$74,000 and achieve a balanced budget.

**Table 1: BAU Option - Financial Business Model Summary**

	<b>2022 Budget</b>	<b>BAU</b>	<b>Difference</b>
<b>Impound Ops/ Contract Management Item:</b>			
Revenue	\$(447,200)	\$(465,600)	\$(18,400)
Operating Expenditures	\$ 447,200	\$ 391,600	\$(55,600)
Land Lease	\$0	\$ 74,000	\$74,000
<b>Projected (Surplus)/Deficit</b>	<b>\$0</b>	<b>\$ 0</b>	<b>\$0</b>

**Option 2: Third-Party Delivery of City Impoundment Services (Third-Party)**

**Strategy**

The viability of the current City Impound Lot operations is affected by fluctuating volumes, as sources of impoundment lack diversification and are susceptible to changes in enforcement programs. This option transfers the risks and benefits associated with this variability, along with the responsibility to deliver impoundment operations for the City, to a third-party.

**Proposed Changes**

The City’s financial goal for this option is to remain mill rate neutral, divesting from the majority of the operating expenses and revenues, except for one permanent City staff required to oversee the administration of a contract with a third-party provider, and manage public communications, and customer services. As well, this permanent staff will continue current duties associated with the operations of the boot crew. An expression of interest, to gauge industry interest in providing the service, asked for feedback on covering the administrative cost incurred by the City. Industry suggested recovering costs by charging a release fee to impounded vehicle owners. A \$30

release fee is estimated to fully recover the cost of the Administrative staff for contract management and required support services provided by the City.

Decommissioning the Impound operations will result in displacement of the boot crew operations which will further impact the mill rate. This impact could be reduced if an increase to the 2006 current late ticket penalty fee was approved by the Province.

On the capital side, after decommissioning the City Impound Lot Operations, the net proceeds from the sale of that land would then go to repay the Property Realized Reserve, as per Bylaw 6774.

Communication and engagement are critical in the delivery of City services. Administration recommends City budget and resources remain planned for internal groups to deliver these services, thus mitigating the risk of lower standards in these two areas (included in the financial impact below).

### **Alignment**

#### Triple Bottom Line Assessment

The third-party option in comparison to the BAU option, had lower scores in all but one of the four principles. The option rated the same as BAU in meeting expectations for the “economic prosperity and fiscal responsibility” principle. Key points identified in the evaluation were:

1. Environmental health and integrity measures which are typically standard for all City operated initiatives, may make the delivery of the service cost prohibitive if included as requirements for a third-party contractor.
2. For social equity and cultural wellbeing, it may be difficult to get the same level of accountability by contract which, if not upheld, would diminish the City’s reputation and service to the community.
3. Third-party service delivery excels at supporting the local economy, however, may displace other contractors or suppliers supporting a City-run Impound operation.
4. This option could lead to negative impacts within Good Governance with agility and adaptiveness having undesirable trade-offs. Other indicators expecting negative impacts are effective service delivery and education, communication, and engagement. Contracts are inherently less flexible, adaptiveness is difficult to mandate, and therefore the effectiveness delivered is unknown.

#### Financial Assessment

As summarized in Table 2 below, the budget required for the City to manage the third-party delivery of impoundment services at \$76,800 and associated marketing and communications of \$3,500 can achieve cost recovery status by charging those vehicle owners who retrieve their vehicle a release fee of approximately \$30, thereby generating \$80,300 in revenue.

Correcting the cost centre accounting of the expenses for the boot crew operations will result in an estimated increase in mill rate impact of \$43,000. The current revenues

collected through the enforceable ticket fees (late ticket payment) partially offset this cost. An increase in the late ticket payment fee would minimize the impact; however, that fee is set and approved by the Province, not the City. The City would have to request the Province to change the fee.

**Table 2:** Third-Party Option - Financial Business Model Summary

	<b>2022 Budget</b>	<b>Third-Party</b>	<b>Difference</b>
<b>Impound Ops/ Contract Management Item:</b>			
Revenue	\$(447,200)	\$(80,300)	\$ 366,900
Expenditures	\$ 447,200	\$ 80,300	\$(366,900)
Projected Net (Income)/ Loss by Year	<b>\$0</b>	<b>\$ 0</b>	<b>\$ 0</b>