

City of Saskatoon Impound Lot Business Model

ISSUE

The current Impound Lot Business Model is set for the program to be full cost recovery, whereby revenues are anticipated to cover the cost of the operation without reliance on property taxes. Annual impoundments have dropped at the City of Saskatoon (City Municipal Impound Lot (City Impound Lot). What will ensure the sustainability of this necessary program, to support core enforcement programs, while maintaining a sustainable financial business model?

BACKGROUND

The first Impound Lot Business Model Report was presented on April 1, 2019, at the Standing Policy Committee on Transportation, at the request of City Council to consider and evaluate new non-property tax revenue sources to help fund the City Impound Lot projects, programs and services (see Appendix 1). Four options were presented to committee for consideration:

- 1) Maintain status quo;
- 2) Increase impound lot rates;
- 3) Expand operations to include the SGI Impoundment Program; and
- 4) Discontinue City Impound Lot operations.

In 2019, Administration recommended approval of Options 2 and 3, rate changes and expanding the Impound Lot program.

City Council, at its Regular Business Meeting held on April 29, 2019 resolved that the rate changes for the City-owned Impound Lot be brought forward as part of the 2020/2021 Multi-Year Business Plan and Budget Process. These rate changes were approved and implemented at the start of 2020.

City Council, at this same meeting, further resolved:

“that the Administration report back on the possibility of discontinuing City impound lot operations”.

This report is provided in response to that resolution.

HISTORY

The City has operated the Impound Lot at 150 Jonathon Avenue since 2008, successfully operating as a revenue generating program from 2012 to 2014. During the three operating surplus years starting in 2012, an excess of \$98,000 was returned to general revenue. Since 2015, the City Impound Lot has been unable to achieve the mill rate neutral budget, resulting in annual deficits.

City of Saskatoon Impound Lot Business Model

Most impoundments coming into the City Impound Lot arise through Parking Services and Saskatoon Police Service (SPS) enforcement operations, with factors outside the control of the City continuing to influence impound volumes. Annual impoundments have decreased since 2014 for several reasons, most notably the following:

1. Changes to the SGI Impoundment Program: Mid-2014, SGI began to require vehicles impounded under their Vehicle Impoundment Programs be stored at a facility having the designation of 'Garage Keeper'. As the City did not have that designation, this resulted in a significant decrease in impoundments at the City Impound Lot.
2. Changes in parking restrictions: Bylaw amendments, such as provisions for vehicles to remain parked on the street for up to 72 hours (previously 36 hours), has resulted in fewer vehicles in contravention of the Traffic Bylaw. Yearly impoundments for this infraction have dropped by approximately 20% since this amendment was implemented in 2019.

Ongoing changes to City enforcement programs, government regulations, and population growth will continue to influence the number of vehicles impounded by the City and Saskatoon Police Services (SPS). Table 1 indicates annual City Enforcement and SPS impoundments and identifies changes affecting annual volumes between 2014 to 2020.

Table 1: City Impound Lot – Number of Impoundments per Year by Source

Impounding Authority:	2014₍₁₎	2015	2016	2017₍₂₎	2018	2019₍₃₎	2020₍₄₎
Parking Enforcement/ City Bylaw	2,285	2,096	2,175	2,077	1,959	1,631	1,149
Saskatoon Police	1,020	659	603	591	452	407	406
Total Impounds:	3,305	2,759	2,778	2,670	2,411	2,038	1,555
Net Operating (Surplus)/Deficit	\$(39,000)	\$30,000	\$83,000	\$55,000	\$25,000	\$75,000	\$38,000

Notes on changes affecting impoundments and year-end balances:

- 1) 2014 - SGI laws introduced stricter and longer impoundment rules; SGI required a 'Garage Keeper' designation for participating impound lot operators. Prior to 2014, all impoundments were sent to the City Impound Lot;
- 2) 2017 - 10-year Productivity Improvement Loan paid off (annual repayment was \$52,400);
- 3) 2019 - Mid-year - time on the street limit for parking increased from 36 to 72 hours; and
- 4) 2020 - operational and impoundment impacts due to COVID-19.

City of Saskatoon Impound Lot Business Model

Parking Ticket Enforcement operations (boot crew) also operate out of the Impound Lot location. This cost centre is not currently assessed a share of expenditures related to the operational costs of this facility and office consumables, and Administration is looking to move these expenses to the appropriate cost centre. The boot crew enforces outstanding parking tickets in default, through vehicle seizure and impoundment. Some funding for the boot crew is provided from the provincially set \$40 late fee penalty, which is added to the fine when the ticket has been heard in court and found to be valid. This fee has remained unchanged since 2006.

CURRENT STATUS

The current City Impound Lot is located in the Southwest Industrial Area adjacent to Circle Drive South, near an active transportation network and within a three-minute walk of a bus route or a 13-minute drive from downtown. The 24/7 staffed facility has a security system and capacity to safely store 250 vehicles within a perimeter fence and employs one permanent City staff position.

Several external service providers support the Impound Lot Operations, including the Corp of Commissionaires (which provides seven contract workers), winter and summer lot maintenance and the provision of impound lot software as a service. Combined, the costs for these external service providers is over \$334,000 per year.

The City has a Memorandum of Understanding with SPS, which formalizes the impoundment services provided by the City to SPS.

While vehicle impoundments remain below the peak volumes seen in 2013, and the lot has recorded an operating deficit over the past six years, two recent changes can help make the goal of a mill rate-neutral operation achievable:

- 1) A ten-year productivity improvement loan paid off in 2017 resulted in a reduction of annual expenses by \$52,400 per year, and
- 2) An adjustment to operations, along with an increase in impoundment fees implemented in 2020 has had a positive effect. Revenues are expected to exceed expenditures by approximately \$80,000 in 2021.

These factors suggest the Impound Lot can operate at full cost recovery, as we emerge from the pandemic, and continue to find operating efficiencies and reduce costs.

Although not tracked in the Impound Lot operating budget, auction proceeds, from the sale of vehicles that remain unclaimed after one year, are transferred to general revenue as opposed to being accounted for within the Impound Lot cost centre. In the past 13 years, over \$100,000 has been contributed to general revenue.

STAKEHOLDER ENGAGEMENT

As part of the review of the option to outsource impound operations to a third-party provider, an Expression of Interest (EOI) was released in May 2021. The intent was to assess market interest and capacity to fulfill a contract to deliver Impoundment Operations and client services on behalf of the City and SPS.

City of Saskatoon Impound Lot Business Model

The EOI indicated potential to incorporate contract towing services and provision of secure bays for SPS as part of an Impoundment Operator contract. One submission was received indicating interest in responding should a Request for Proposals for such a contract be issued.

The issuance of the EOI also prompted a letter from industry expressing concerns about a proposed revenue-sharing approach to ensure cost recovery of the City's administrative costs in managing this contract and other work related to the impoundment service. A follow-up meeting between representatives of the Roadside Responders of Saskatchewan and City administrative staff was valuable in identifying an alternative means of funding this expense. They recommended the implementation of a Release Fee paid to the City by the registered owner in addition to the impound fees payable to the third-party provider. This approach is similar to the model used by SGI Impoundment Program, which addresses traffic safety violations such as impaired driving.

Internal Stakeholder meetings occurred with SPS and internal support groups, including Revenue, Finance, Solicitors, and IT to discuss options along with impacts and opportunities for consideration in this report.

CURRENT APPROACH

With the implementation of increased fees in 2020, the ability to achieve full cost recovery is improving. Under pandemic conditions, City enforcement processes were affected, and impoundments dropped significantly. Even with the significant drop in impoundments, the resulting deficit for 2020 was half that in 2019; however, 2021 is projected to result in a surplus.

In 2020, reduced impoundments and the need to address health and safety considerations for COVID-19 exposure control allowed for trial of changes in approaches to customer service. Changes included the establishment of appointment-based pickups and reduced hours of operation to the public which, in turn, allowed for reduced staffing. Service level standards were maintained, and operational cost savings realized.

APPROACHES IN OTHER JURISDICTIONS

Parking services in Winnipeg and Calgary (until recently) are run by Parking Authorities. Impoundment services in Winnipeg are contracted to a third party.

The mandate for Calgary Parking Authority (CPA) includes the operation of an impound lot which they took over in 1994, in a move to improve customer service at the facility. CPA recently indicated they will be fully joining the City of Calgary, with an embedded service model expected to deliver coordinated, streamlined processes which provide better value to customers.

City of Saskatoon Impound Lot Business Model

The City of Edmonton Impound Lot was operated by the City, then contracted out for a short period of time before the City again resumed this operation. Their Impound Lot is currently operated by the Police Department and includes a bike impound.

The review of Impound Lot business model components in the four largest Saskatchewan cities (summarized in Table 2 below) reveals of the three cities employing impoundment services for bylaw enforcement, none are operated by a third party or Parking Authority, nor have plans to do so.

Table 2: Impound Lot Business Model review of the largest Saskatchewan Cities

Impound Provisions	Saskatoon	Regina	Prince Albert	Moose Jaw
Parking Enforcement includes Impoundment	yes	yes	yes	no
Land Ownership	Saskatoon Land	City	SPCA (City leases ¼ spots, subleases to towing company)	n/a
Impound Lot Operator	City	Police	City	n/a
Garage Keeper Designation (receives SGI Program impoundments)	no	no	yes	n/a
Maintains Towing Contract(s)	yes	yes	yes	n/a
Other Services	Manages impoundment process for all agencies; free storage for SPS fleet vehicles; some storage write-offs for SPS and other government enforcement groups	Facility includes bike impound; each impounding unit within agencies manages the impoundment process		n/a
Plan to Outsource Impound Lot Operations	under review	none	none	n/a

OPTIONS

The findings of the EOI suggest limited interest in a potential opportunity to submit a proposal for the provision of impoundment services. As a result, consideration was given to alternative approaches as well. In addition to the option to outsource the impound lot operations, there is merit to continue to consider having the Impound Lot operated by the City with effort focused on further efficiencies and opportunities which might be put in place.

A third option could see the City take a significantly more active approach in accommodating all vehicles impounded through the City and SPS, similar to Option 3 presented in the 2019 report, in Appendix 1. Such an approach would involve the City meeting provisions for 'Garage Keeper' status, including owning and operating tow

City of Saskatoon Impound Lot Business Model

trucks. This option was not approved by City Council in 2019, and therefore is not detailed further in this report. However, if directed, future reporting could be provided to outline this model of enhanced impoundment service.

Two viable options are set out and provide a context for understanding the impact of decommissioning or maintaining the City Impoundment operations. These include:
 Option #1 - Business As Usual (BAU) with an increased focus on operational efficiency, and accurate full cost accounting for this cost centre; and
 Option #2 - Decommission City Operations and Transfer to a Third-Party Provider (Third Party).

Each option is intended to ensure the continued delivery of impoundment operations necessary to support core enforcement programs, while maintaining a sustainable financial business model. These two options are fundamentally the same business models as those proposed in the 2019 report but include further detail on estimates of the financial impact as well as a Triple Bottom Line (TBL) Assessment.

The financial analysis provides estimates of the financial impact on the City, SPS and other impacted stakeholders based on set assumptions. Details of the plan for each option and its financial evaluation are included (see Appendix 2).

The two proposed options underwent a TBL assessment which is an integrated approach that balances Environmental Health and Integrity, Social Equity and Cultural Wellbeing, Economic Prosperity and Fiscal Responsibility, and Good Governance and provides a decision-making tool to assess options. The evaluation team included 13 participants representing 5 divisions, as well as SPS. Together, the TBL process and financial modeling provide a standardized evaluation to compare the impact of the two proposed options. Table 3 below provides a summary of the results.

Table 3: Financial Impact and Triple Bottom Line Assessment by Option

Business Model Option:	BAU	Third Party
Meets Revenue Neutral Status:		
Impound Lot Operations Budget	yes	yes
Client Impact (increase from current rates):		
per released vehicle	\$0	\$30
per enforceable ticket	0 up to \$25	0 up to \$25
Addresses Payment for Land Use	yes	yes
TBL Assessment by Principle		
Environmental Health & Integrity	Meeting expectations	On track
Social Equity & Cultural Wellbeing	Meeting expectations	On track
Economic Prosperity & Fiscal Responsibility	Meeting expectations	Meeting expectations
Good Governance	Leading the way	Needs improvement
Overall TBL Ranking	1	2

City of Saskatoon Impound Lot Business Model

The following advantages and disadvantages were identified in the review of the two options.

Option #1 - Business As Usual

This option would see the City continue to provide impoundment service under the same staffing model currently in place (primarily duties performed by contract workers plus one permanent City staff member coordinating the program along with oversight provided by the Parking Services Manager). The Impound Lot would continue to receive vehicles impounded for municipal bylaw infractions, with the private sector continuing to provide impoundment services for vehicles impounded under the SGI Impound Program, motor vehicle accidents and vehicles involved in criminal offences.

Advantages:

1. No incremental costs (e.g., release fee) for owners of impounded vehicles.
2. Cost Recovery goal achievable for Impound Operations.
3. Revised operational budget incorporates site lease payments to Saskatoon Land.
4. Client service meets an already established acceptable standard.
5. Towing contract will continue to be procured as a separate item providing opportunity for local industry.
6. Consistent location of facility and uninterrupted service delivery model minimizes misunderstanding and confusion for the public.
7. Redistribution of expenses between the Parking Ticket Enforcement and Impound Lot operating programs follows true cost accounting principles, better reflects actual consumption of services and products, and provides enhanced financial accountability and transparency.
8. Transfer of auction proceeds from the sale of unclaimed vehicles, to the Impound Lot Program redirects these revenues to the appropriate operating program and contributes to cost recovery objectives.

Disadvantages:

1. Reduced public hours and or other measures put in place to gain operating efficiencies may impact some clients.
2. The transfer of expenses for the boot crew, from the Impound cost centre to the Parking Enforcement cost centre, while it does reduce expenses for the Impound Lot operations, it is still a cost incurred in the overall Parking Services budget.

Option #2 - Third Party

Under this business model, a contract with a third-party provider would be procured and the current City Impound Lot decommissioned. Existing contract worker positions at the City Impound Lot, as well as other contracted services, would be released. One permanent City staff position would be continued to administer this contract, as well as fulfil other current duties, such as overseeing operations of the boot crew.

City of Saskatoon Impound Lot Business Model

Advantages:

1. The property used for the current impound lot facility would be returned to Saskatoon Land and available to be sold. If sold, annual property taxes would subsequently be realized.
2. Streamlined towing/impoundment process with potential for one contractor to provide both towing and impound services.
3. The City mitigates the risk of operational budget deficits in the operation of an impound lot.

Disadvantages:

1. Increased fees for owners of vehicles impounded for City bylaw infractions. A release fee of approximately \$30 will be charged to cover costs incurred by the City to support the Impoundment Program (contract management, communications/marketing and customer service) to ensure full cost recovery for this program.
2. Anticipate a limited number of submissions in response to RFP for operation of Impound Lot, based on industry response to EOI. Limited competition within the market may result in higher pricing for this service, in turn impacting fees to vehicle owners.
3. Reduced ability to ensure a standard of customer service equivalent to what is currently provided.
4. Location of the facility may be less convenient and accessible to the public.
5. EOI response identified no interest in leasing the City site.
6. Challenges posed in potential need to transition from one contract service provider to another when contract expires, including provision of ongoing communications to the public and stakeholders.
7. A potential risk if the third-party provider discontinues the contract for services, and the City needs to re-establish the Impound Lot operations.

RECOMMENDATION

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

1. That Option #1 – Business as Usual (that the current Impound Lot operates business as usual with an increased focus on identifying operational efficiencies), be approved with further reporting to be provided after two full years of operation, post-pandemic; and
2. That the Mayor write a letter to the Minister of Justice seeking an amendment to The Summary Offences Procedure Regulations to permit Cities to adopt by bylaw a late payment charge that may exceed the amount provided by section 14(2) of the regulations.

RATIONALE

Option 1 allows time to confirm the validity of the recommended business model and take steps to optimize the impoundment service, achieve full cost recovery status and enhance the use of existing real estate. The end goal is to ensure a solid plan which

City of Saskatoon Impound Lot Business Model

provides fair and equitable direction for long-term sustainability of City Impoundment services which aligns with the strategic vision for Saskatoon.

FINANCIAL IMPLICATIONS

The following table summarizes key information on the financial impact for each of the two options reviewed in this report, compared to the current proposed 2022 Budget.

Table 4: Financial Impact by Business Model for Revenue Neutral Budget Objective

	2022 Budget	BAU	Third Party
Impound Operations:			
Revenue	\$(447,200)	\$(465,600)	\$(80,300)
Expenditures	\$ 447,200	\$ 465,600	\$ 80,300
Projected (surplus)/deficit	\$0	\$ 0	\$0

Both options incorporate provision to shift expenditures, an estimated \$40,000, from the Impound Lot operating budget to the Parking Ticket Enforcement program budget to reflect actual expenditures by Impoundment and boot crew operations. This has the result of increasing expenditures for the Parking Ticket Enforcement program. The program is partially supported by the revenues from late fee penalty payments, the balance would require additional mill rate support to fully offset expenses. Alternatively, a potential increase in the late fee penalty, which is set by the Province and has not been increased since 2006, is an option to mitigate the resulting mill rate impact.

The creation of an Impoundment Program Stabilization Reserve has been requested through a report, going to the Standing Policy Committee on Finance at their December 7, 2021 meeting, which would allow excess net revenues within the Impoundment Program operations to accumulate, to be available to offset revenue shortfalls in future years and fund one-time costs for non-cyclical program needs.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Revisions to Bylaw No. 8640, Impounding Bylaw, 2007, may be required depending on the selected option. There are no environmental, privacy, or CPTED implications or considerations.

COMMUNICATION ACTIVITIES

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

APPENDICES

1. City of Saskatoon Impound Lot Business Model Report from April 1, 2019
2. Impoundment Services - Evaluation of Options

REPORT APPROVAL

City of Saskatoon Impound Lot Business Model

Written by: Luanne Sirota, Project Manager
Reviewed by: Jo-Anne Richter, Director of Community Standards
Approved by: Lynne Lacroix, General Manager, Community Services

SP/2021/CS/TRANS/City of Saskatoon Impound Lot Business Model/pg