

# Corporate Report

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<b>REPORT NUMBER</b> 309-2023-Corporate Services-Licensing & Enforcement		
<b>DATE PREPARED</b>	November 21, 2023	<b>FILE</b>
<b>MEETING DATE</b> December 11, 2023		
<b>SUBJECT</b> Parking Authority Financial Plan		

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## **RECOMMENDATION**

WITH RESPECT to Report 309-2023-Corporate Services-Licensing & Enforcement, we recommend that that the City of Thunder Bay Parking Authority Financial Plan (Attachment A) be endorsed;

AND THAT rates and fees levied by the Parking Authority as proposed in the Financial Plan be included in the 2024 budget for Council consideration;

AND THAT such rates and fees be presented with inflationary increases in subsequent years for Council consideration;

AND THAT Administration be directed to close the five identified underutilized lots, namely Camelot, Crooks, Machar, Viscount and Nesco, on or before June 1, 2024;

AND THAT new paid parking be established in the identified marina parking areas including Market Square, as of June 1, 2024;

AND THAT Administration be directed to develop a no free parking policy and present to Council for consideration on or before March 25, 2024;

AND THAT Administration review the recommendation to dissolve the Parking Authority Board and By-law 101-2007, being a by-law to recognize and continue the Municipal Service Board known as "The Thunder Bay Parking Authority;" and report back on implications on or before March 25, 2024;

AND THAT Administration monitor actual financial performance to the plan and Report back to Council Q2 2026 with an update and recommendations, if required;

AND THAT the item "Parking Authority Financial Plan – Financial Performance Update" be added to the Outstanding List with a report back date of on or before June 22, 2026;

AND THAT any necessary by-laws be presented to City Council for ratification.

### ***LINK TO STRATEGIC PLAN***

This report aligns with the **Sustainability** pillar identified in “Maamawe, Growing Together: City of Thunder Bay Strategic Plan 2023-2027.”

The recommendations presented in this report support the goal to deliver cost-effective services to the community while improving long-term sustainability of the Parking Authority.

The contents of this report also directly support the purpose of the Asset Management Policy (11-02-08) “to facilitate logical and evidence-based decision-making for the management of Municipal Infrastructure Assets” by supporting the delivery of sustainable community services now and in the future.

### ***EXECUTIVE SUMMARY***

The purpose of this Report is to obtain City Council endorsement of the proposed City of Thunder Bay Parking Authority Financial Plan.

As a result of the pandemic, the past three years have been difficult for the Parking Authority. Except for access to the Safe Restart funds, followed by Stabilization Reserve Fund, the Parking Reserve Fund would have been fully spent.

To address sustainability of the operations and to inform our 2024 budget decisions, an external financial review was conducted. A historic and comparable city review was undertaken, and revenue generating opportunities were considered to ensure that the Parking Authority will be better positioned to cover its ongoing operating costs, plan for future capital requirements and continually reduce the historic internal-debt financing needed from the municipality.

A Financial Plan was completed, developing a plan for the Parking Authority to achieve financial stability through the identification of opportunities to recover operating costs, reducing reliance on the tax base and balancing the need for internal financing for the Parking Authority’s capital requirements. This plan includes:

1. An increase in parking fees to support improved cost recovery and alignment with market rates in comparable communities;
2. Propose inflationary increases to parking rates in future years;
3. Close five underutilized parking lots;
4. Recover parking costs in key areas, such as the marina and Market Square;
5. Extend most parking operations to Monday-Saturday (7am-9pm) and enforce parking accordingly; and

6. Develop a no free parking policy.

The parking infrastructure operated and maintained by the Parking Authority currently includes 10 monthly parking lots, five metered lots and two parkades; a total of 3,339 spaces are currently supported. Ten-year financial projections, from calendar years 2024 to 2033 were prepared to support Parking Authority's operations, demonstrating that implementation of the proposed changes would support the operation's transition to a user-supported system. Other than the provision of internal loans to support capital, this plan aims to minimize the use of municipal tax dollars to support the Parking Authority.

The Parking Authority Board has received and reviewed the proposed Financial Plan as prepared by Bain Smith Business Valuation + Consulting Inc. and may provide additional thoughts or comments on the materials and recommendations contained herein.

### ***DISCUSSION***

The Parking Authority has significant cash expenditures, including operating expenses, debt repayment, interest charges, and capital costs. The Parking Authority continues to seek out opportunities to ensure that revenues generated will be greater than the annual average operating expenditures in the future but the required capital maintenance needs are not fully supported by revenues.

With the implementation of opportunities identified in the Financial Plan, it is projected that the City will be able to reduce contributions towards parking operations. Through the process of developing this Financial Plan, the Parking Authority set out to achieve the following:

1. Financial viability;
2. Limit overall parking costs and remain affordable;
3. Enable the long-term plan for capital renewal to be realized; and
4. Work towards becoming a self sustainable operation and limit the future requirement for internal loans;

### **Historic Financial Performance Highlights**

Historically, the Parking Authority has generated sufficient revenue to cover operating expenses but not enough to address obligations related to parking infrastructure capital maintenance and upgrades. Key performance highlights of note include:

- Operating revenues declined from \$2.4 million in 2019 to \$1.4 million in 2021 during the pandemic and \$1.9 million in 2022;
- Annual operating expenses including interest and debt repayments increased from \$2.1 million in 2017 to \$2.5 million in 2022;

- Parking Authority received contributions from the City between 2020 and 2022 totalling \$2.7 million. These monies were derived from the Safe Restart Funding in 2020, and the City's Stabilization Reserve Fund for the years 2021 and 2022;
- During this same period, parking rates have not kept pace with the rate of inflation;
- Most parking lots and parkades continue to be underutilized; and
- Current parking fees/fines charged by the Parking Authority are generally less than the average rates charged by similar municipalities including Kingston, Guelph, Sudbury and Sault Ste. Marie.

### **Financial Plan Highlights**

#### Opportunities for Change

In the financial plan, the following changes are recommended to generate revenues and improve sustainability of parking operations. These changes are in line with the operations of other municipal parking services in Ontario and in proximity to the City of Thunder Bay:

- Develop parking rates and operating times of lots and on-street parking based on market supply and demand;
- Increase parking fees to be in line with market rates, covering the full cost of operations;
- Increase utilization of parking facilities;
- Recover costs in key parking areas, such as the marina, including Market Square;
- Close underutilized lots such as Camelot, Crooks, Machar, Viscount and Nesco;
- Make most lots and on-street spaces available for rent Monday through Saturday from 7am-9pm;
- Develop a no free parking policy to address free parking requests; and
- Ensure fair equitable parking for all.

#### Operating Plan

The operating plan includes: day-to-day operations; capital investments to renew, retire and/or replace existing capital infrastructure; and debt management. Key highlights of the plan include:

- Operating costs are projected to increase by the anticipated rate of inflation of 3% annually from 2025 onwards;
- Total capital infrastructure investment needs for the Parking Authority, including parkade maintenance, is expected to be \$14.5 million up to 2033 and it is recognized there will be significant capital investment required beyond 2033;
- Internal debt will continue to be secured to finance a portion of the capital requirements until at least 2033; and
- Total projected annual cash expenditures, including operating expenses, capital costs and debt repayment and interest charges will be \$4.4 million in 2024, increasing to \$5.1 million in 2033.

Funding Plan

The funding plan was developed to determine the most appropriate blend of operating revenues and new internal debt financing, using a balanced approach. The funding plan aims to achieve the following:

- Operating revenues will increase over the life of this plan to cover operating, capital, debt and interest costs;
- Additional debt of \$5.5 million will be required over the long term, internal loans representing approximately 90% of total capital investments in 2024 and 2025 and 25.0% in each year going forward to 2033; and
- Balancing the use of both operating revenues and new debt, it is projected the Parking Authority will achieve sufficient cash receipts to cover its average annual cash expenditures; and
- Proposed rate increases in 2024 bring the rates up to comparable market rates with inflationary increases are projected in outer years.

**Table 1: Comparable, Current, and Proposed Parking Rates**

<b>User Fee (including HST)</b>	<b>Average Comparable Rate</b>	<b>2023</b>	<b>2024*</b>	<b>2025 onwards**</b>
Monthly Rental: Parkades	\$140.19	\$61.88	\$90.00	3% annual increase
Monthly Rental: Lots	\$60.45	\$50.42	\$70.00	3% annual increase
Parkade Collections	\$2.00 per hour and \$15.00 per day	\$1.25 per hour	\$5 per day	\$0.25 every two years
Meter Receipts: Lots	\$2.00 per hour	\$1.50 per hour	\$2.00 per hour	\$0.25 every two years
Marina	n/a	Free	\$3 per hour	\$0.25 every two years
Marina: Market Square	n/a	Free	\$3 per hour  Overnight parking: \$20 per night	3% increase every year
Street Meters	\$1.96 per hour	\$1.50 per hour	\$2.00	\$0.25 every two years
Average Fines***	\$21.7 to \$316.6	\$25.56 per fine	\$32.00 per fine (Avg.)	\$2.00 increase in average fine rate every year

\*Proposed rates which would come into effect as of June 1, 2024.

\*\*Proposed changes would come into effect as of April 1 of following years to align with the User Fee By-law.

### **Monitoring & Reporting**

To ensure effective monitoring of the proposed recommendations, an update report will be prepared for Council's information in 2026. This approach will ensure that actual expenditure and revenue are measured against the plan to provide full transparency into the operations. Any recommended adjustments will be brought forward for consideration.

### **Governance Structure**

The Parking Authority is governed by a Municipal Services Board, as outlined in By-law 101-2007. By-law 101-2007 delegates powers to the Parking Authority with respect to the "construction, maintenance, operation, and management of the parking facilities." The by-law further states that the "Corporation retains the right to enact, abolish, and alter any bylaws that deal with the supervision, control, and regulation of parking, charging of fees, the punishment of infractions, and other related issues."

Upon consideration of the governance structure of similar cities, it is understood that parking operations make most of the decisions regarding the rates and regulations with the final approval by City Council. Presently, the City of Thunder Bay's Parking Authority Board is vested with minimal powers around parking operations and Council already is making the key final decisions.

It is recommended in the Financial Plan that the Board be dissolved, and governance fully rest with City Council. This would provide clear accountability as parking operations works toward becoming self-sustainable.

Parking is a section of the Licensing & Enforcement Division within the Corporate Services Department. As with other City operations, service level changes would be presented to City Council for consideration along with policies, the annual budget, and user fee changes. Administration proposes that the recommendation and By-law 101-2007 be reviewed for implications such as policies that may be required to guide the Parking section.

### ***CONSULTATION***

The Parking Authority Board has received and reviewed the proposed Financial Plan as prepared by Bain Smith Business Valuation + Consulting Inc. and may provide additional thoughts or comments on the materials and recommendations contained herein.

Throughout the development of the Parking Authority Financial Plan, stakeholder consultation was conducted with current and past Board members, Administration, and members of the City's business community, particularly in the Waterfront area.

Administration intends on making the Financial Plan available for public review on the City's Get Involved platform and presenting feedback to Council for consideration with the debate of recommendations outlined in the Financial Plan.

### ***FINANCIAL IMPLICATION***

Based on the cash flow projections developed in this Financial Plan, the Parking Authority will be better positioned to generate sufficient revenues to cover operating expenditures and debt service obligations, while reducing the need for future municipal contributions.

Implementation of proposed recommendations identified in the Financial Plan, it is projected that total Parking Authority revenues are anticipated to increase by 41% in 2024 and 23% in 2025, to \$3.4M and \$4.1M respectively.

Projections in the proposed Financial Plan indicate total outstanding debt for the Parking Authority will increase to \$4.6M by 2025 with steady decline in the outer years to \$2.4M by 2033. The debt service ratio is projected to decline to 18% and 12%, in 2025 and 2033 respectively, from 40% in 2022. This represents a significant decrease in the debt service ratio, despite an increase in internal loans in 2024 and 2025.

The balance of the Parking Reserve Fund is estimated to be \$693,272 as of December 31, 2023. Projections in the proposed Financial Plan indicate surplus contributions will increase the balance to \$2.3M by 2025 with a projected balance of \$9.6M by 2033.

Capital reinvestments will be made in accordance with capital asset management plans and are subject to annual budget approvals.

### ***CONCLUSION***

It is concluded that City Council should endorse the City of Thunder Bay Parking Authority Financial Plan as appended and that proposed parking fee rates are included in the 2024 budget for Council's consideration.

Further, it is concluded that Council direct Administration to close underutilized lots, including Camelot, Crooks, Machar, Viscount and Nesco.

It is also concluded that Council establishes paid parking in the identified marina parking area and Market Square as of June 1, 2024.

It is also concluded that Council direct Administration to report back on the development of a no free parking policy and the dissolution of the Parking Authority Board, as

recommended in the Financial Plan, with recommendations for Council consideration on or before March 25, 2024.

Finally, it is recommended that administration monitor the Financial Plan performance and Report back to Council, on or before June 22, 2026, with an update and additional recommendations if required.

### ***BACKGROUND***

At the February 28, 2021, Committee of the Whole Meeting, a resolution was passed directing Administration to look into the feasibility of divesting its ownership into the two parkades it owns as they contributed an average combined net operating and capital deficit of \$197,450 annually.

At the July 26, 2021, Committee of the Whole meeting, Report R 94/2021 – Parking Structures was presented, providing information relative to the feasibility to sell the VictoriaVille and Waterfront Parking Structures.

At the October 18, 2021, Committee of the Whole meeting, a memorandum from Councillor Ruberto was received pertaining to the divestment of parking structures and report R 140/2021 - Parking Structures Information Requested and Recommendations was presented related to the aforementioned memorandum. Resolutions to divest the parking structures did not carry and Council decided to continue to operate the structures, recognizing the public benefit of municipal ownership of the parkades.

On June 26, 2023, Committee of the Whole received Report R 196-2023 Report Back – 2024 Budget Amendments which identified the Parking Review and Financial Plan as an additional opportunity under review for potential savings. This departmental initiative was undertaken in March 2023 after additional support from the Stabilization Reserve Fund was required in 2022 due to support increasing expenses that declining parking revenues could not sustainably maintain.

### ***REFERENCE MATERIAL ATTACHED***

Attachment A – City of Thunder Bay Parking Authority Financial Plan

### ***REPORT PREPARED BY***

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***REPORT SIGNED AND VERIFIED BY***

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12/04/2023