

**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT  
Downtown Renewal Division**

<b>Report to:</b> Chair and Members Planning & Economic Development Committee	<b>Submitted by:</b> Lee Ann Coveyduck General Manager Planning and Economic Development Department
<b>Date:</b> March 31, 2006	<b>Prepared by:</b> Marty Hazell (905) 546-2424 Ext. 4588 Pa Buckle (905) 546-2424 Ext. 2597

**SUBJECT: Municipal Parking Operations and Enforcement in the Former Town of Dundas (PED06124) (Ward 13)**

**COMMENDATION:**

- (a) That the existing Parking Facilities Services Agreement between ParkSmart Inc. and the City of Hamilton not be renewed or otherwise extended beyond October 31, 2006.
- (b) That City staff be authorized and directed to take such action as is necessary and/or appropriate to assume and manage the delivery of all municipal parking operations and enforcement in the former Town of Dundas (Ward 13), effective November 1, 2006.
- (c) That the one-time Capital cost associated with delivering the municipal parking operations and enforcement services in the former Town of Dundas, estimated to be no more than \$275,000, be financed as set out as follows:
  - (i) Firstly, from the HMPS 2006 Operating surplus, if any;
  - (ii) Secondly, from the Planning and Economic Development Department's 2006 Departmental Operating surplus, if any; and,
  - (iii) That any shortfall be financed from the Unallocated Capital Levy Reserve (108020) with repayment being made to said reserve from the Hamilton Municipal Parking System (HMPS) Operating Budget, commencing in 2007.

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Lee Ann Coveyduck  
General Manager  
Planning and Economic Development Department

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**EXECUTIVE SUMMARY:**

On October 21, 1998, a Parking Facilities Services Agreement was executed between the Corporation of the Town of Dundas and ParkSmart Inc., which provided that, in exchange for a significant share of parking and enforcement revenues, ParkSmart Inc. would provide a range of parking operations and parking by-law enforcement services to the Town of Dundas. The term of the subject agreement was for eight years, commencing November 1, 1998 and concluding October 31, 2006, with an option to renew for up to two additional terms of two years each. The City of Hamilton, being the successor municipality to the Town of Dundas, pursuant to the City of Hamilton Act 1999, S.O. 1999, Chapter 14, Schedule C, replaces the Town of Dundas as the “Party of the First Part” to the aforesaid agreement.

A review of the terms and conditions of the existing agreement, the financial implications associated with either extending or concluding the agreement, and such other matters as potential staffing requirements and infrastructure improvements, all indicate that the delivery of a comprehensive parking operations and enforcement services program can be provided, effectively and efficiently, to the Dundas community by Hamilton Municipal Parking System (HMPS). Further, the results of two public meetings conducted by Councillor Samson, and a petition received by Councillor Samson’s office<sup>1</sup>, collectively suggest that the delivery of said services by the City is the outcome preferred by a significant number of Ward 13 residents and business operators.

Implementing the proposed program would result in an initial one-time Capital expenditure, of no more than \$275,000, to increase the HMPS fleet by three vehicles, obtain additional two-way communications equipment and purchase, repair, replace, or upgrade all parking meters and pay and display machines currently in operation in Dundas. The subject Capital cost estimate is based upon the assumption that it will be necessary to replace all of the existing parking meters and pay and display machines with new equipment. The actual expenditure could be considerably lower than the submitted estimate should negotiations with ParkSmart Inc. provide for the purchase of existing equipment. As outlined in the Financial Implications section of this report, the implementation of the proposed program would have a favourable impact on HMPS revenues in the order of \$28,000 per annum.

In view of the foregoing, and in consideration of the fact that there are significant operational advantages associated with providing the subject services “in-house”<sup>2</sup>, staff recommends that the existing Parking Facilities Services Agreement with ParkSmart Inc. not be renewed and that all municipal parking operations and enforcement be provided in Ward 13 by the HMPS in a manner consistent with the provision of such services in the other Wards and Business Improvement Areas throughout the City. Councillor Samson, given the strong show of support from the Dundas Community, supports staff’s recommendation.

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<sup>1</sup> 735 signatures “in favour” of terminating the ParkSmart Contract.

<sup>2</sup> See Analysis/Rationale

**BACKGROUND:**

**Operational Terms of the Agreement**

The subject Parking Facilities Services Agreement between the Corporation of the Town of Dundas and ParkSmart Inc., a division of Coinamatic Canada Inc., essentially provided that, in exchange for a share of the parking and enforcement revenues, ParkSmart Inc. would provide the following services to the Town of Dundas:

-  Supply and installation of new electronic meter mechanisms in existing housings.
- Supply and installation or replacement of additional or missing electronic parking meters and housings in locations approved by the Town of Dundas.
- Refurbish existing meter housings.
- Supply, install and maintain a fully automated pay by space system in Lot #1, including signs and equipment.
- Supply, install, replace and/or maintain all signs and equipment in all other off-street parking lots.
- Perform coin collection, counting, rolling and banking of parking fees.
- Implement audit controls and account for all moneys (fees and fines) collected.
- Perform all maintenance and repairs to parking meters and parking equipment from 8:30 a.m. to 5:00 p.m., Monday to Friday, excluding holidays.
- Provide parking by-law enforcement and associated services including:
  - Provide customer service training of front line enforcement, cashiering, maintenance and first attendance personnel.
  - Supply handheld parking ticket issuance computers.
  - Operate and manage Y2K compliant parking ticket processing system.
  - Administrative management of First Attendance Facility, excluding prosecutorial, cashiering, and data entry functions.
  - Conduct parking studies and prepare recommendation reports.
  - Conduct customer market research studies.
  - Assist the Town of Dundas with stakeholder communications.
  - Prepare monthly operational and financial reports.
- Supervise and manage all parking facilities and operations and participate as a partner with the Town of Dundas in all parking related matters.

The agreement further stipulated that the Town of Dundas would be responsible for the following:

- Operation of the First Attendance Facility (Town Hall).
- Prosecution of offences.
- Cashiering and data entry.
- Installation, repair, replacement and maintenance of meter posts.
- Ground maintenance including pavement repair; line painting; repair of entrances, exits and fencing; maintenance of grass, trees, shrubs; weed control; litter removal; snow removal and sanding/salting of surfaces.

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- Routine meter maintenance e.g., clearing coin jams, replacing defective mechanisms, etc.
- Repair and replacement of equipment and facilities damaged by theft, vandalism or accident.
- Enforce parking by-laws such as to ensure 80% compliance within six months.

The Town of Dundas and ParkSmart Inc. further agreed to consider the feasibility of municipal enforcement staff becoming ParkSmart Inc. employees no later than the first anniversary of the contract. At some juncture, ParkSmart Inc. acquired said enforcement staff from the Town of Dundas, consisting of two part time officers, however, as part of that arrangement, some \$60,441 in wages and benefits for said staff were to be paid out of revenues dedicated to the Town of Dundas under the agreement.

At its meeting of November 14, 2000, the Transition Board approved Report No. TB0052, which provided that responsibility for managing the Parking Facilities Services Agreement, would be assumed by the Parking and Enforcement Operations Section of the Finance and Corporate Services Department, (now the Hamilton Municipal Parking System section of the Planning and Economic Development Department). Subsequently, on January 1, 2001, the New City of Hamilton succeeded the Town of Dundas as the “Party of the First Part” to the Agreement, and Hamilton Municipal Parking System continues to manage the subject contract to the present day.

### **Financial Terms of the Agreement**

During the term of the agreement the Town of Dundas was to receive a “guaranteed minimum” share of funds collected in the amount of \$173,201 - payable in monthly instalments of \$14,433.42 (from which amount enforcement costs were to be deducted). Additionally, the Town of Dundas was to receive 20% of all gross annual collections in excess of \$235,000 per year generated as a result of increased usage or customer payments and 80% of all gross annual collections in excess of \$235,000 generated as a result of parking rate increases, excluding the parking rate increases already set out in the agreement.<sup>3</sup>

The Town of Dundas also agreed to pay to ParkSmart Inc. a daily rate of compensation equal to the average daily collections, as reimbursement for any meters removed or bagged, or parking lot stalls not available for use as a result of construction, special events or other activities. Said reimbursement was deemed not to apply during statutory holidays, three days in June for Buskingfest, three days in August for the Cactus Festival and respecting the meters in Lot #3 for one half day during Market Days.

According to ParkSmart Inc. figures, gross revenues for 2002, 2003 and 2004 averaged out to about \$384,000, whereas, the average net share or revenues received by the City were about \$140,000. This suggests that ParkSmart Inc. realized revenues in the order of \$119,200, in addition to their \$61,799 share of the \$235,000 base revenues.

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<sup>3</sup> No additional parking rate increases have been implemented since the contractually required increases to \$0.85 per hour for parking meters and \$0.60 per hour for pay and display, effective January 1, 2002.

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<b>Revenue Sharing (based on 3 year averages reported by ParkSmart Inc., 2002 - 2004)</b>		
<b>Total Average Revenues</b>		<b>\$384,000</b>
City's Guaranteed Minimum Share	\$173,201	
City's Average % of Collections over \$235,000	+ \$29,797	
<b>City's Average Gross</b>	<b>\$202,998</b>	- \$203,000
Minus Enforcement Costs	- \$60,441	
<b>City's Average Net</b>	<b>\$142,557</b>	
Estimated ParkSmart Inc. Gross		<b>\$181,000</b>

**ANALYSIS/RATIONALE:**

It should be noted at the outset of this analysis that ParkSmart Inc. has, without question, fulfilled all requirements of the Agreement and that the recommendation that the contract not be renewed is not, in any way, a result of non-performance.

Having said that, staff would advise that there are numerous advantages associated with providing parking operations and enforcement services "in-house", which are normally the result of a "direct chain of command". These advantages provide for a community oriented enforcement program and include, but are not limited to, the following:

1. Unencumbered control over enforcement policies and procedures, which allows for more flexible and timely responses to the needs of the community.
2. Greater latitude in the assignment of enforcement officers and their duties, which provides for:
  - (a) The development of efficiencies to implement cost reductions;
  - (b) A means to address shifting enforcement priorities;
  - (c) An opportunity to re-organize based on an effective service delivery model;
  - (d) Greater control over public relations and an opportunity to dispel the perception of "profit driven" enforcement; and,
  - (e) Enhanced control respecting policy and procedure development to promote enforcement consistency throughout the City, i.e., enforcement practices that are consistent with the other City Business Improvement Areas.
3. Direct management of parking operations, which provides for:
  - (a) Better control over parking fee rates;

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- (b) Enhanced cost recovery opportunities, e.g., increases in interest on revenues;
- (c) Greater control and accountability respecting accounting practices and outcomes;
- (d) A direct relationship with customers and other stakeholders, improving customer service and reducing client confusion;
- (e) An enhanced ability to implement parking programs and special provisions in partnership with the local business community;
- (f) A more streamlined decision-making process with respect to implementing infrastructure and equipment improvements by rolling the Dundas program into the city-wide comprehensive Parking Asset Management Program; and,
- (g) “Hands on” management of equipment maintenance and customer service staff.

**ALTERNATIVES FOR CONSIDERATION:**

**Renew the existing contract for an additional term pursuant to Section 6(b) of the Agreement which provides for up to two additional terms of two years each.**

Staff advises against this alternative, since it would not address the desires expressed by the constituency, it would continue to limit the City’s control over operations and, most importantly, it would not provide any significant advantage to the City.

 **Tender the Contract.**

While this might be a viable option, worthy of consideration, there are a number of disadvantages associated with out-sourcing parking and enforcement operations.<sup>4</sup>

1. It is our view, based on past experience, that direct management of day-to-day enforcement activities is absolutely vital to the maintenance of an effective and efficient operation. Unfortunately, any agreement similar to the existing “ParkSmart Contract” inhibits or undermines direct control of enforcement activities and enforcement personnel.
2. Enforcement is, inherently, a government function. Enforcement decisions typically executed by private contractors tend to be influenced by “business” considerations and, therefore, cannot reasonably be considered impartial or

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<sup>4</sup> It should be noted that HMPS does maintain a long standing contractual relationship with the Canadian Corps of Commissionaires, for the provision of enforcement services, however there is no sharing of revenue and Corps officers are directly managed by City staff.

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dispassionate, nor are such decisions necessarily always in the best interests of the City.

3. Indirect control over parking operations unavoidably delays the response to shifting priorities.
4. Not having direct control over revenues:
  - (a) Interferes in the cost recovery process since payment delays result in lost interest revenues;
  - (b) Prevents the timely correction of bookkeeping errors; and,
  - (c) Requires unduly labour intensive audit activities, the results of which tend to be less reliable than an in-house audit.
5. There is also some question as to whether or not there is another agency operating in the Province that is in a position to submit a truly competitive bid and this absence of competition undermines the intent behind the bidding process.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial**

<b>Estimated Program Costs (based on 2006 costs)</b>		
<b>Item</b>	<b>Capital</b>	<b>Operating</b>
2 Operations Vehicles (Equipment Maintenance Vans)	\$57,000	\$21,500
1 Enforcement Vehicle	\$32,000	\$19,000
1 Two Way Radio	\$3,500	
Cell Phones		\$1,500
256 Meters (Housings and Mechs)	\$132,500	
5 Pay and Display Machines	\$50,000	
Maintenance Staff (2 FTE - wages and benefits) <sup>5</sup>		\$114,500
Contract Enforcement Staff (1 FTE - wages and benefits) <sup>6</sup>		\$29,500
Staff Uniforms, Equipment and Supplies		\$3,000
<b>Estimated Total Program Costs<sup>7</sup></b>	<b>\$275,000</b>	<b>\$189,000</b>

<sup>5</sup> Account No. 51001-490010

<sup>6</sup> Account No. 55916-462005

<sup>7</sup> Account No. 58101-490405

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<b>Comparison of Current and Proposed Operating Costs</b>		
<b>Description</b>	<b>Current</b>	<b>Proposed</b>
Revenue	\$203,000	\$384,000
Estimated Loss of Enforcement Revenue <sup>8</sup>		(\$24,500)
Subtotal	\$203,000	\$359,500
Enforcement Costs Paid to ParkSmart Inc.	(\$60,441)	
Estimated Total Program Costs (see above table)		(\$189,000)
<b>Net Revenues</b>	<b>\$142,559</b>	<b>\$170,500</b>

As per the above table, staff conservatively estimates that annual net HMPS revenues will be increased by approximately \$28,000 as a result of bringing the parking operations and enforcement programs “in-house” and providing an enforcement program consistent with the other Business Improvement Areas in the City.

Staff recommends that the one-time Capital expenditure be financed as follows:

- (iv) Firstly, from the HMPS 2006 Operating surplus, if any;
- (v) Secondly from the Planning and Economic Development Department 2006 departmental operating surplus, if any; and,

That any shortfall be financed from the Unallocated Capital Levy Reserve (108020) with repayment being made to said reserve from the HMPS Operating Budget, commencing in 2007.

### **Staffing**

The recommendation would require an increase in Parking Operations staff by two FTE, i.e., one Parking Meter Servicer and one Parking System Technician. Enforcement staff would be maintained at one FTE, however the two part-time officers employed by ParkSmart Inc. would be replaced with one full-time Commissionaire under our existing contract with the Corps, resulting in a savings of \$30,500<sup>9</sup>.


### **Legal**

No legal implications apply.

### **POLICIES AFFECTING PROPOSAL:**

The recommendation is consistent with the HMPS mandate to operate as a self-sustaining business unit, financed entirely by its users, which manages the life-cycle of the municipal parking system - from planning, design and construction to operation, maintenance and enforcement - in support of the residential and business communities and the City’s Land Use, Transportation and Economic Development initiatives.

<sup>8</sup> 20% of \$122,500


 The cost of one full-time Commissionaire is approximately \$29,500

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**RELEVANT CONSULTATION:**

Finance Department staff have reviewed the report and concur with the financial implications and the proposals associated thereto. Two public meetings were held at the Dundas Town Hall for the constituents of Ward 13 during which support for the recommendation was strongly indicated.


**CITY STRATEGIC COMMITMENT:**


 Evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.**  **Yes**  **No**  
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

 **Environmental Well-Being is enhanced.**  **Yes**  **No**

**Economic Well-Being is enhanced.**  **Yes**  **No**  
N/A

Does the option  you are recommending create value across all three bottom lines?  
N/A  **Yes**  **No**

Do the options  you are recommending make Hamilton a City of choice for high performance public servants?  
N/A  **Yes**  **No**

PD  BH/kag

