Parking Management Evaluation

Recommendation:

That Executive Committee recommend to City Council:

1. That replacement of the current parking control equipment used at paid on and off-street locations with pay-by-plate parking technology, be approved.
2. That the Scenario 2 business model for provision of parking management services with a combination of both internal and external services, as outlined in Attachment 5 of the July 2, 2014, Transportation Services report CR_365, be approved.
3. That Capital Profile 14-66-2570, Parking Control Technology, with funding through parking revenue, as outlined in Attachment 9 of the July 2, 2014, Transportation Services report CR_365, be approved.

Report Summary

This report provides an evaluation of both internal and external options for parking management, and associated service models. Included is a recommendation that funding be approved for new parking control technologies.

Previous Council/Committee Action

At the June 24, 2013, Executive Committee meeting, the following motion was passed:

> That Administration provide a report to Executive Committee with an evaluation of both internal and external options for parking management, and develop an appropriate governance model for the recommended options, and that the report be restricted to only areas that currently have paid parking both above and below ground.

Report

In 2012, Executive Committee provided direction to Administration to develop a Parking Management Plan for the City. This Plan was intended to include the consolidation of all of the City's parking operations into a single business unit in conjunction with the implementation of pay-by-plate parking technology for the control of paid parking both on and off-street. This work was carried out by an independent consultant and included a detailed assessment of all of the City's parking operations, costs, and revenues in conjunction with an inventory of the City's parking assets. Analysis was also carried out with respect to parking supply and demand along with an assessment of the parking technology. The review summarized the state of parking services operated by the City and presented recommendations in regards to an optimized parking governance and operating structure.

Following this assessment a detailed revenue model was developed by a separate external financial consultant with the intent of determining revenue opportunities and financial returns based on the implementation of the new technology and governance

structure. The detailed assessment included a financial evaluation and analysis of the following specific factors:

- Selection of Parking Technology (pay-by-plate with multi-space parking)
- Operational Efficiency Gains

The financial model was used to establish revenue opportunities and establish net revenue levels which would be used to support the Downtown Arena project. Following this work, Executive Committee directed Administration in 2013 to carry out a comparison of in-house parking service delivery model versus an out-source model for the provision of City owned parking services. The evaluation of the service delivery models and accompanying governance frameworks are presented in this report.

The City of Edmonton is in need of modernizing its current on-street and off-street parking operations along with the underlying technology. This includes replacement of 3,300 meters and technology supporting five off-street facilities for an existing inventory of approximately 6,000 stalls. New pay-by-plate technology will provide for uniformity of parking management, pricing flexibility, additional customer payment options (e.g. credit card, mobile phone, on-line account) resulting in an improved customer experience. With a digitally based parking system, the resulting new data will improve business planning, parking availability, and stall utilization. Further operational efficiencies in parking enforcement and payment collection will also be achieved.

A review of internal and external parking service delivery models was conducted by a project team comprised of representatives from various civic business areas, an external Fairness Advisor, and an Evaluation Process Advisor.

Four business model delivery scenarios were evaluated and assessed based on alignment with the City of Edmonton's vision *(The Way Ahead)* and their contribution to a series of identifiable corporate outcomes *(The Ways).* Key contributions used to assess each scenario include:

- Sustainable balance between availability and affordability of parking.
- Locating parking alleviates road congestion and reduces green-house gas emissions.
- Parking services align with City growth and business initiatives (i.e., collaboration with Business Revitalization Zones and communities).

A summary of key contributions to *The Ways* are included in Attachment 1.

Scenario Evaluation

Four business model scenarios for parking management were developed, compared, and evaluated.

- Scenario 1 is the current state of parking services being delivered by both internal and external sources. Approximately 60% of the total parking related expense is disbursed to private service providers (Attachment 4).
- Scenario 2 is the recommended model that represents an optimized hybrid mix of internal and external services. This scenario provides opportunities for additional operational efficiencies to be explored (Attachment 5).
- Scenario 3 is an external business model where all parking related services could be provided under a management agreement to a private entity. In Scenario 3, the City of Edmonton retains full authority for developing strategy and mandate (Attachment 6).
- Scenario 4 is the complete privatization of all services related to paid parking for on-street and off-street facilities. Under an expected long term agreement, the City's responsibility would be limited to contract management and administration of legislation, legal limitations and bylaws (Attachment 7).

Based upon industry research, impact analysis, and the resulting comparison scores provided by the External Evaluation Advisor, Scenario 2 (hybrid mix model) was identified as the best business scenario for the City of Edmonton. Under this scenario, service efficiencies will be maximized through optimal use of internal and contract services. This is achieved through the contracting of select parking services where improvements to business delivery and/or net financial benefits can be demonstrated.

Scenario 2 is recommended as it provides the best delivery of the following:

- Improved conveniences through multiple payment options, real-time access to parking availability and customer service.
- Ability to provide an automated and integrated parking control system for residential parking areas and other restricted parking requirements, such as parking bans required for snow and ice control.
- Service flexibility to accommodate changing parking demands for the arena and other venues and special events.
- Provision of new revenue generating opportunities.
- Efficiencies in the delivery of parking enforcement and parking operations.
- Integration with Edmonton Transit and opportunities for service integration with Business Revitalization Zones and local businesses.

While Scenario 3 does have the potential to have higher net revenues than Scenario 2, this would come at the expense of the City giving up all internal expertise in regards to parking operations and management. The City would also lose the ability to respond to changing needs of businesses, special events needs, and service to communities. This could include responding to requests for parking modifications to support initiatives, such as festivals or side-walk cafe programs.

Consultation with stakeholders, including civic unions as part of the Working Relationship Agreement, would be undertaken prior to the implementation of any service changes.

As part of the scenario evaluation process, a set of strategic contributions for parking management were identified and assessed as to their alignment to the City of Edmonton's vision and strategic goals. The contribution statements were systematically evaluated to determine their impact and importance towards achieving the goals of parking management for each of the business scenarios.

Scenarios 1, 2, and 3 maintain alignment with the City's strategic outcomes *(The Ways).* With the City retaining full authority on parking strategy and mandate, the following key benefits are maintained:

- An ongoing commitment to supporting Business Revitalization Zones and other community interests.
- The City maintains control and flexibility of policy, rates, hours of operations and location of parking controls.
- Operational efficiencies are realized through organizational change and technology modernization.
- A higher degree of certainty exists with current net revenue trends.
- Pricing strategies can be developed promoting alternative modes of transportation.

Internal knowledge and expertise is retained in Scenarios 1 and 2 with the continued management and operation of parking remaining a City service. In Scenarios 3 and 4, all parking related services are privatized. However, the responsibility for strategy and mandate are retained by the City in Scenario 3.

Under Scenario 3, parking services are contracted to the private sector with the City of Edmonton retaining full authority for developing strategy, policy, and mandate. This scenario allows the City to maintain direction setting for revenue, business and community integration, and policy setting; however, the City loses the in-house expertise to manage and operate parking operations. This scenario also decreases the City's ability to integrate with other internal business areas and reduces the flexibility that the City currently has to coordinate with specific initiatives. These types of initiatives include the following:

- Joint promotional programs with Business Revitalization Zones
- Program integration with Edmonton Transit and LRT
- Coordination and response to special events and road construction projects

Scenario 4 is the complete privatization of all parking services with responsibility for day-to-day operations; developing strategy and mandate being relinquished to a private entity. Key risks under full privatization include:

- Not maximizing the City's return on investment.
- The City not realizing the full benefit from the increasing value of parking.
- Public interest is secondary (profit is primary).

- Limited corporate strategic alignment and focus on community interests.
- Limited operational transparency.

Scenario 4 brings the possibility of greater short term financial return. This would be at the expense of surrendering various degrees of control, and potentially impacting the public good by placing less importance on general accessibility to parking and promotion of alternative modes of transportation. Higher financial return may come through a variety of private models, for example:

- Outsource all services, with the City receiving annual payments from the operator.
- Selling of the parking operation in its entirety with revenue coming to the City potentially through a one time payment, annual payments, or a combination of the two.

Upon further investigation into privatization, it was found that the rationale for some U.S. municipalities to outsource parking services was as a result of the following causes:

- Failing parking infrastructure
- Low financial returns
- Budget gap and lack of financial ability
- Inability to efficiently run business model (deliver service)

The City of Edmonton's current parking operation is not reflective in the above rationale.

Research conducted by Bunt and Associates found that no Canadian cities have contracted all of their parking services (Attachment 8).

Of the 19 Canadian cities listed, including Edmonton, four municipalities (Kelowna, Ottawa, Thunder Bay, and Toronto) outsourced portions of their parking services for the purpose of revenue collection. Nine cities, including Edmonton, contracted out components of parking enforcement.

Organizational and Technology Transformation

As previously approved by Executive Committee, with one business unit having accountability and authority for management of the City's parking system, operational efficiencies can be realized, policies can be more effectively administered, and dealing with customer needs is better coordinated through a single business area for parking management.

Funding is required for new parking control technologies. Existing technologies used by the City (coin meters, gates, ticket dispensers, card readers, software systems, etc.) no longer meet the expectations of the general public. The equipment is nearing its end of life resulting in increased maintenance and repair costs.

Upon approval of the recommendation, a Request for Proposals will be issued for the delivery of modernized parking control technology for on and off-street parking operations. The new pay-by-plate technology will provide improved customer service by offering the ability to accept a variety of payment options and introduces operational efficiencies through automated enforcement and improved delivery of parking services. The pay-by-plate technology also provides opportunity for better enforcement of parking bans required for snow and ice control operations. In addition, new information on real time parking availability, stall utilization, directional guidance, and location based revenue can be gathered and applied towards improving the delivery of parking services. Benefits and service enhancements of the pay-by-plate technology have been verified through the recent E-Park Pilot Project.

Implementation Strategy

The strategy to transition through the service model scenarios will optimize value and reduce risks. An implementation of Scenario 1 will allow the City to take advantage of service improvements through new technology and will set the foundation to transition into Scenario 2 with the intent of maximizing efficiency and revenue through contracting out opportunities and variations in the use of technology. At a point where efficiencies and revenues are maximized, the City could review any potential opportunities that Scenario 3 may present in regards to net revenue. However, this would need to be evaluated in regards to the risks with losing flexibility for service delivery, as previously identified. Upon the implementation of new technologies and consolidation of the management of the City's parking system, opportunities to achieve new efficiencies can be explored.

As new developments of major projects occur in the downtown area within the next few years, parking availability and affordability will be impacted. Upon completion of Rogers Place Arena, and with future development in the Entertainment District, an increased number of citizens will be drawn to the central area, further revitalizing the downtown core during evenings and on weekends. The full influence of development is not known at this time. It is expected that future demand for parking will increase with the loss of existing surface lots, leading to an increased acceptance of alternate modes of transportation.

Once the above influences in the downtown area are better understood, and with available statistical data gathered from the new technology, consideration of additional benefits and efficiencies that may be gained through external service providers under Scenario 2 and 3 will be undertaken.

The Downtown Business Association is supportive of the initiative to replace the current coin operated parking meters with the new pay-by-plate parking technology. Benefits to citizens and businesses include the conveniences of offering a variety of payment options while optimizing parking availability and usage in the downtown area. It is anticipated that the implementation of a modernized parking solution will further promote downtown as being commerce friendly with improved access to parking in a

growing business community. The Downtown Business Association supports the measures being taken to improve the overall parking experience and encourages the City of Edmonton to move swiftly in implementing technology already widely in use in other major Canadian cities.

The implementation of the new technology will occur only in those areas where parking meters currently exist. Reviews of new paid parking areas will be undertaken in consultation with area stakeholders.

Corporate Outcomes

The following represent the top strategic contributions that a modernized and unified Parking Management business unit can provide.

The Way Ahead:
- Promotion of Edmonton as a world-class City with a modernized suite of parking related services (e.g. mobile and cashless parking payments).
- Sustainable balance between availability and affordability of parking.

The Way We Move:
- People and goods to move efficiently with available and affordable access to parking.
- Opportunities for multi-service integration for promoting alternative modes (i.e. partnering with Transit, local merchants, event organizers etc).
- Provides citizens with parking information for selecting alternative modes of travel.
- Improved utilization of available parking (promoting under-utilized parking spaces).

The Way We Live:
- Ensuring all citizens have reasonable access to parking.

The Way We Grow:
- Alignment of parking services with City growth and business initiatives (i.e. Business Revitalization Zone and community collaboration).
- Parking strategies promote a compact and attractive urban form.

Budget/Financial Implications

Administration is recommending that the funding of the new parking technology be a self funded initiative. Capital costs for modernizing parking technology, service transformation, and integration with existing City services are estimated at $12 million. The current parking model which includes the primary areas of on-street and off-street parking and enforcement currently provides a net annual positive revenue contribution of approximately $15 million. The financial results from the business case demonstrate that the implementation of new parking technology should provide an increase to the current revenues sufficient to pay back the modernization costs within a four year time frame.

All ongoing parking related operating expenditures required for the delivery of parking services will be funded through parking revenues and cost savings resulting from the

implementation of new parking control technologies and the accompanying consolidated governance structure.

Legal Implications

The City Administration Bylaw, Bylaw 12005, provides Administration with delegated authority to prepare and award a Request for Proposal where the projected expenditure is less than $20 million and within an approved budget.

Amendments to the Traffic Bylaw, Bylaw 5590, will be required to align parking enforcement practices with the specific technology selected through the Request for Proposal process.

Justification of Recommendation

1. Approval of new parking technology will deliver a modernized parking control system, provide new revenue generating opportunities, enable alternative methods for parking payment, improve customer conveniences, and support internal service delivery efficiencies.
2. Scenario 2 is the recommended service delivery model that optimizes the mix of internal and external services and aligns closely with the City's strategic vision and goals. This scenario also allows the City to maintain control for policy decisions while allowing the City to maximize efficiencies and corresponding net revenue. This scenario also allows the progression to other service delivery models in the future.
3. Approving the capital funding will enhance the overall value of the parking model through higher parking revenues and greater asset value.

Attachments

1. Key Contributions to *The Ways*
2. Parking Service Model Transition
3. Parking Service Definitions
4. Scenario 1 Business Model
5. Scenario 2 Business Model
6. Scenario 3 Business Model
7. Scenario 4 Business Model
8. Survey of Canadian and U.S. Cities
9. Parking Control Technology Capital Profile

Others Reviewing this Report

- L. Rosen, Chief Financial Officer and Treasurer
- K. Rozmahel, General Manager, Corporate Services
- R. G. Klassen, General Manager, Sustainable Development
- L. Cochrane, General Manager, Community Services