

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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2008 OPERATING BUDGET**Executive Summary**

The Parking Tag Enforcement & Operations Program is delivered by the following service areas:

- *Police – Parking Enforcement Unit* is comprised of parking enforcement officers who are responsible for administering and enforcing the City's transportation / parking by-laws across the City. Responsibilities include issuing parking tickets to illegally parked vehicles and towing of illegally parked vehicles where necessary.
- *Office of the City Treasurer – Revenue Services Division* is responsible for the processing and collection of fines for all parking infraction notices (i.e. parking tickets) issued in the City of Toronto.
- *Court Services - Judicial Processing of Parking Tickets* is responsible for the scheduling and supporting of approximately 120,000 Provincial Offence Act part II (parking tickets) trials per year. Responsibilities include the receipt and file maintenance of all parking cases delivered to the court for adjudication purposes; and managing over 700,000 default convictions including approximately 112,000 cases that are appeals, re-openings or extensions of time to pay fines.
- *Non-Program Revenues – Parking Tag Revenues* includes the budgeted revenue generated by the parking tickets issued. Approximately 2.8 million parking tickets were issued each year for the last few years. The issuance, however, is projected to remain at the same level of 2007 at 2.8 million in 2008.

The operating budget for the above mentioned service areas are consolidated in this 2008 Recommended Operating Budget to form the Parking Tag Enforcement & Operations Program Budget.

- The 2007 projected year-end net revenues of \$37.296 million for Parking Tag Enforcement & Operations (consolidated) are \$0.900 million over the 2007 Approved Budget of \$36.396 million. The projected favourable variance is mainly attributable to higher than anticipated levels of staff attrition in 2007 and savings in the annualization of some costs from the delay in the implementation of the hand held parking devices as well as an increase of administration fee revenues for using the WEB payment channels.
 - These savings have been reflected in the Parking Tag Revenue and Parking Enforcement Unit's 2008 Recommended Operating Budget.
- The Parking Tag Enforcement and Operations' 3-Year Operating Budget is guided by the Toronto Police Services (TPS) strategic priorities for increased enforcement of traffic offences and safety education campaigns and programs to the public. The Parking Tag Enforcement Unit provides operational support to the TPS and as such assists with the safe and orderly flow of traffic by responding to parking concerns and enforcing applicable municipal by-laws.

- The implementation of the handheld ticketing devices has resulted in many financial and operational benefits to the City.
 - Reduction of data entry staff manually inputting ticket information in the Parking Tag Management System (PTMS).
 - Expedient transfer of data from TPS to the City's Parking Tag Management System and the quick transfer of information for court processing.
 - Increased processability of parking tickets.
 - Increase in the number of stolen vehicles recovered.
- The 2008 Recommended Operating Budget for Parking Tag Enforcement & Operations is 0.1% (\$0.042 million) over the Program's 2007 Approved Operating Budget resulting in additional net revenue for 2008.

Table 1: 2008 Recommended Budget

Parking Tag Enforcement & Operations - Consolidated									
	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget	\$	%	2009	2010
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
Parking Enforcement Unit	34,237.1	33,737.1	34,526.1	0.0	34,526.1	289.0	0.8	142.0	135.0
Revenue Services	5,611.0	5,611.0	5,773.7	0.0	5,773.7	162.7	2.9	0.0	0.0
Judicial Processing of Parking Tickets	1,028.5	1,028.5	1,076.7	0.0	1,076.7	48.2	4.7	0.0	0.0
Parking Tag Revenue	3,342.3	3,342.3	4,000.0	0.0	4,000.0	657.7	19.7	42.5	57.0
TOTAL GROSS EXP.	44,218.9	43,718.9	45,376.5	0.0	45,376.5	1,157.6	2.6	184.5	192.0
Parking Enforcement Unit	615.0	615.0	615.0	0.0	615.0	0.0	0.0	0.0	0.0
Revenue Services	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.0	0.0
Judicial Processing of Parking Tickets	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.0	0.0
Parking Tag Revenue	80,000.0	80,400.0	81,200.0	0.0	81,200.0	1,200.0	1.5	0.0	0.0
TOTAL REVENUE	80,615.0	81,015.0	81,815.0	0.0	81,815.0	1,200.0	1.5	0.0	0.0
Parking Enforcement Unit	33,622.1	33,122.1	33,911.1	0.0	33,911.1	289.0	0.9	0.0	0.0
Revenue Services	5,611.0	5,611.0	5,773.7	0.0	5,773.7	162.7	2.9	0.0	0.0
Judicial Processing of Parking Tickets	1,028.5	1,028.5	1,076.7	0.0	1,076.7	48.2	4.7	0.0	0.0
Parking Tag Revenue	(76,657.7)	(77,057.7)	(77,200.0)	0.0	(77,200.0)	(542.3)	0.7	0.0	0.0
NET EXP.	(36,396.1)	(37,296.1)	(36,438.5)	0.0	(36,438.5)	(42.4)	0.1	184.5	192.0
Approved Positions	395.0	395.0	395.0	0.0	395.0	0.0	0.0		
TARGET			(36,396.1)		(36,396.1)				
\$ Over / (Under) Program Target			(42.4)		(42.4)				
% Over / (Under) Program Target			(0.1)		(0.1)				

- The 2008 Recommended Operating Budget for Parking Tag Enforcement & Operations is \$36.439 million net revenue. This is comprised of base funding of \$45.377 million gross and revenue of \$81.815 million for a total of \$36.439 million net revenue. The increase in gross expenditures is mainly attributable to salary settlement impacts, merit and step increases, staff reclassification costs as well as increased payments to the Province for their share of the

parking ticket revenues. The increase in revenue is due to an increase in user fee revenues with respect to on-line and telephone payments. More people are opting to pay on-line and over the phone at \$1.50 per transaction as well as a scheduled increase in the set fine for the Disabled Parking Fire Route offences.

- The 2009 Outlook increase of \$0.185 million includes merit and step increases and one less working day. The 2010 Outlook net increase of \$0.192 million includes merit and step increases only.
- The 2008 Recommended Base Budget for Parking Tag Enforcement & Operations is \$0.042 million or 0.1% favourable compared to the 2008 target mainly due to salaries and benefits and other inflationary increases offset by increased fines and other revenues. Variances by service areas are:
 - *Parking Enforcement Unit* - \$0.289 million or 0.9% over target.
 - *Revenue Services* – \$0.163 million or 2.9% over target.
 - *Judicial Processing of Parking Tickets* – \$0.048 million or 4.7% over target.
 - *Parking Tag Revenue* – (\$0.542 million) or (0.7%) over the target.
- There are no recommended New/Enhanced Service Priorities for 2008.
- The strategic priorities of the Parking Tag Enforcement & Operations Program over the next three years are to continue with the free flow of traffic. This will be achieved through various strategies including enforcement of parking by-laws, visibility, public awareness through traffic safety campaigns and education programs managed by Traffic Services.
- The 2008 Recommended Base Budget was developed to provide funding to maintain the same level of service as in 2007. The Parking Tag Enforcement & Operations Program reallocated within existing funding levels wherever possible to accommodate additional pressures, budgeted for only known plans, including staffing requirements and deferred service enhancements with no major impact on service levels. The Program will continue to provide overall traffic safety and security to the residents of the City by focusing on the Toronto Police Service traffic safety priorities.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for the Parking Tag Enforcement & Operations of \$45.377 million gross and \$36.439 million net revenue, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Parking Enforcement Unit	34,526.1	33,911.1
Revenue Services	5,773.7	5,773.7
Judicial Processing of Parking Tickets	1,076.7	1,076.7
Parking Tag Revenue	4,000.0	(77,200.0)
	<hr/>	<hr/>
Total Program Budget	45,376.5	(36,438.5)
	<hr/>	<hr/>

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	42,306.1	44,218.9	43,718.9	(500.0)	(1.1)
REVENUES	81,964.7	80,615.0	81,015.0	400.0	0.5
NET EXP.	(39,658.6)	(36,396.1)	(37,296.1)	(900.0)	2.5
Approved Positions	395.0	395.0	395.0	0.0	0.0

* Projected actual expenditures and revenues to year-end are based on the September 30, 2007 Variance Report

2007 Experience

Parking Tag Enforcement & Operations (consolidated) projection to year-end is net revenue of \$37.296 million based on the 3rd quarter variance report. This represents a favourable (\$0.900 million) net position of the Operations' 2007 Approved Operating Budget of \$36.396 million.

The net favourable variance is attributed to:

- Expenditures are projected to be under budget due mainly to the Police Parking Enforcement Unit experiencing higher than anticipated attrition in 2007 and savings in annualized costs from the delay in the implementation of the handheld parking devices.
- Increased use of the Integrated Voice Response (IVR) and WEB payment channels to pay parking infraction notices are projected to increase revenues by \$0.400 million by year-end.

2007 Cost Containment Savings

No cost containment savings were identified in 2007.

Impact of 2007 Operating Variance on 2008 Recommended Budget

The 2008 Recommended Base Budget provides funding to maintain the same level of service as in 2007. Consolidated efforts of the various operations within the Parking Tag Enforcement & Operations identified opportunities for reductions and have incorporated those in this budget with minimal service level impacts. The increased revenue from the IVR and WEB payment channels are not expected to continue in 2008 as the Budget has been adjusted to include additional revenues.

Section B: 2008 Operating Budget Overview**3-Year Operating Budget Overview**

- The strategic direction of the Parking Tag Enforcement & Operations Program over the next three years is to continue with the overall safety and security of the residents of the City by focusing on the Toronto Police Service traffic safety priorities. This will be achieved through various strategies including enforcement of parking by-laws, visibility, public awareness through traffic safety campaigns and education programs managed by Traffic Services.
- Revenue Services and Court Services are working together to explore a new non-court based system that supports compliance with City parking bylaws while simplifying and streamlining the dispute process for parking tickets.
- The 2008 Recommended Operating Budget for the Parking Tag Enforcement & Operations Program is \$36.439 million net revenue. This is \$0.042 million (0.1%) over the Program's net revenue target of \$36.396 million. This recommended budget incorporates certain base expenditures and attempts to minimize their effects by recommending additional revenues.
- The Program will face additional base pressures during the 3-Year Operating Budget for rising salary settlements and other costs. This budget does not include any cost of living increases (COLA) as negotiations have not been completed. To mitigate the rising costs, additional revenues will have to be investigated for 2009 and beyond.

Challenges and Issues

Some of the significant challenges and opportunities facing the Parking Tag Enforcement & Operations over the 3-year period include:

- The implementation of the new handheld parking devices now referred to as the Wireless Parking System (WiPS) has proven to be financially and operationally beneficial:
 - Reduced the City's reliance on manual data entry resources. 93% of the tickets issued are now sent electronically to the City's Parking Tag Management System (PTMS) and plans are in place to update the WiPS and PTMS to accommodate the new administrative penalty bylaw and system.
 - With the elimination of the manual process, the electronic data transfer system provides updates to the data on an hourly basis as opposed to the three to five day delay with the manual process. This provides the City with an opportunity to respond to customer inquiries in a timely manner.
 - The WiPS system has enhanced the ability of the parking enforcement officers to locate stolen and wanted vehicles; contributing to public safety. The system checks every vehicle licence plate that is entered for tag issuance against a stolen vehicles list. This allows stolen vehicles to be found more quickly and assisting to generate arrests because the stolen vehicles are being identified before they can be disposed or abandoned.
 - The handheld system interfaces with the City's PTMS to transmit and receive data, the

transfer of ticket data, the return of updates to the parking ticket status and the transfer of copies of the Certificate of Parking Infraction (CPI) for court processing purposes. Over 2.2 million tickets have been issued since WIP inception.

- The 2008 Recommended Operating Budget continues to project revenues based on the same level of 2.8 million parking tickets included in the 2007 Approved Budget, resulting in a gross revenue increase of \$1.200 million from the 2007 Adjusted Operating Budget. This increase reflects the migration from the use of banks (deleted as a payment option) to use of City's own IVR and Web payment channels.

Since the elimination of the voluntary payment amount, consumers no longer have an incentive to pay their parking fines early (within 7 days from the date of issue). One payment pattern that was discovered that has continued in 2007 is that more customers are opting to pay their fines at the Notice of Fine and Due Date (NFDD) stage, where the average ticket value jumps from \$31.18 to nearly \$46 per tag. In 2008, Police Services once again have estimated that they will issue 2.8 million tags with the projected revenues slightly increased to \$79.800 million since it cannot be assumed that consumer behavior will again have customers paying their parking tickets at the higher NFDD stage.

- The WiPS has greatly improved the exchange of data between the Toronto Police Services and the City's Parking tag Management System, resulting in a higher level of processability for all parking infraction notices as well as achieving the additional goal of providing enhanced service to customers.

Strategic Priorities

The Parking Tag Enforcement & Operations priorities are to:

- Assist with the safe and orderly flow of traffic.
- Respond to public and private parking concerns of the community.
- Regulate parking through the equitable and discretionary application of the City's by-laws.
- Provide operational support to the Toronto Police Service in language interpretation, stolen vehicle recovery, corporate and local policing initiatives, emergency support and crime management.
- Assist at special events, ensuring the safe and unobstructed movement of vehicular and pedestrian traffic.
- Fostering crime prevention by providing a radio equipped highly visible, uniformed presence in our communities.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In \$000s)	2007 Appvd. Budget \$	2008 Recommended Base \$	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
			\$	%	2009 \$	2010 \$
GROSS EXP.	44,218.9	45,376.5	1,157.6	2.6	184.5	192.0
REVENUE	80,615.0	81,815.0	1,200.0	1.5	0.0	0.0
NET EXP.	(36,396.1)	(36,438.5)	(42.4)	0.1	184.5	192.0
Approved Positions	395.0	395.0	0.0	0.0	0.0	0.0
NET TARGET						
		(36,396.1)				
\$ Over / (Under) Program Target		(42.4)				
% Over / (Under) Program Target		0.1				

2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$45.377 million gross and revenue of \$81.815 million for a total of \$36.439 million net revenue which represents a 0.1% favourable variance on the Parking Tag Enforcement & Operations' 2007 Approved Operating Base Budget of \$36.396 million.

- Increased costs are attributable to increased salary settlements, merit and step increases and staff reclassification costs. An additional expenditure of \$0.657 million in payments to the Province for their share of parking ticket revenues has also been identified. These increases are offset by an increase of \$1.200 million in parking tag revenues due to fines being paid on time with the implementation of the handheld ticket issuance device and additional revenues generated from the increased usage of the City's payment channels to settle parking tickets.

2008 Key Cost Drivers and Reduction Strategies

The 2008 key cost drivers for each service areas are outlined below:

- Parking Enforcement Unit - \$0.289 million or 0.9% over target. Of this increase \$0.217 million is due to salary increments and benefit cost increases and the remainder for inflationary increases in gasoline and rental facilities.
- Revenue Services – \$0.163 million or 2.9% over target due to pressures resulting from COLA and merit and step for 2008.
- Court Services Division for Judicial Processing of Parking Tickets – \$0.048 million or 4.7%

over target for cost of living increases, merit and other non-salary inflationary increases.

- Non-Program Parking Tag - \$0.657 million or 19.7% over 2007 payments made to the province for their share of the parking ticket revenues.
- Parking Tag Revenue – revenues of \$1.200 million or 1.5% over the target due to increased parking tag revenue and administration fees.

2009 and 2010 Outlook: Net Incremental Impact

The initial Outlook for 2009 reflects a pressure of \$0.185 million net to provide for merit and step increases and inflationary increases to maintain current service levels.

The outlook for 2010 includes operating budget pressures of \$0.192 million net for merit/step increases.

Appendix 1

**Table 4: Summary of Recommended Base Budget Changes
from 2007 Approved Budget**

Parking Tag Enforcement & Operations - Consolidated						
(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	395.0	44,218.9	80,615.0	(36,396.1)	0.0	0.0
In-year approvals and technical adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Corporate adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2007 Approved Operating Budget	395.0	44,218.9	80,615.0	(36,396.1)	0.0	0.0
Prior year impacts	0.0	0.0	0.0	0.0	0.0	0.0
Zero base items	0.0	0.0	0.0	0.0	0.0	0.0
Economic factors	0.0	499.9	0.0	499.9	184.5	192.0
Adjusted Base Budget	395.0	44,718.8	80,615.0	(35,896.2)	184.5	192.0
Other base changes	0.0	657.7	0.0	657.7	0.0	0.0
Base revenue changes	0.0	0.0	1,200.0	(1,200.0)	0.0	0.0
Recommended Base Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	657.7	1,200.0	(542.3)	0.0	0.0
2008 Recommended Base Budget	395.0	45,376.5	81,815.0	(36,438.5)	184.5	192.0
2008 Program Operating Target	N/A	N/A	N/A	(36,396.1)	0.0	0.0
% Over (Under) Program Target				0.1%		
% Over (Under) 2007 Appvd. Budget				0.1%		