



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	October 13, 2015
SUBJECT/REPORT NO:	Parking and By-law Services Division Budget Variance Reduction Strategy (PED15121) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

On July 8, 2015 the Audit, Finance and Administration Committee approved Report FCS15052 (Tax and Rate Operating Budget Variance Report as of April 30, 2015 - Budget Control Policy Transfers) where it was reported, among other things, that the Parking and By-law Services Division of the Planning and Economic Development Department is forecasting a negative variance of \$768,000.

Information:

The Parking and By-law Services Division (P&BS) is forecasting a negative variance of -\$768,000 which is largely attributed to a \$1.7M shortfall in revenues for: Business Licensing (\$250K), Animal Tags (\$260K), Sign Fees (\$90K), Lottery (Bingo \$110K and Nevada \$145K), Inspection Fees (\$285K), Fines (\$620K) and non-budgeted overtime costs (\$85K). This unfavourable variance is offset by increased Parking Revenue of \$210k, and net gapping of \$741K.

The purpose of this Report is to inform Committee that attention is being focused on minimizing negative variances in 2015 and beyond. However, it is important to note that continued heavy reliance on revenues derived from enforcement activities (fees and fines) is a concern. The objective of a By-law Enforcement Program is to gain compliance with municipal by-laws, and as reported through the Ontario Municipal Benchmarking Initiative (OMBI), compliance with Hamilton's Noise, Zoning, Property

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Standards and Yard Maintenance By-laws has increased from 59% in 2008 to 95% in 2013, and continues to improve. Therefore, while the Division has demonstrated effectiveness in terms of achieving compliance with municipal by-laws, the current revenue targets will be difficult to sustain.

The focus on minimizing negative variances in 2015 and beyond will include:

1. Focused Efforts – Staff has shifted to more proactive monitoring of variances through monthly reports and comprehensive review and discussion of the quarterly budget exception reports at P&BS Management Team meetings. This proactive focus will allow for comprehensive discussions and more timely implementation of solutions and operational adjustments.
2. Revenues – Some budget revenue lines have been overstated historically (e.g. Signs) and/or are such that revenue targets will no longer be achieved (e.g. Lottery Licensing). Although discussions at the staff level take place during the annual budget process, these lines will be formally identified and corrective plans of action will be developed in preparation for the 2016 budget process. In some cases, it will be necessary to recommend lowering revenue expectations.
3. Dog License Revenues – Dog license revenues have historically been overstated. However, staff is committed to increasing the number of licences sold, and the following two initiatives are underway:
 - Two students were hired for the past Summer to proactively knock on doors to look for unlicensed dogs. This initiative resulted in 1,000 new dog licences being issued which equates to approximately \$40,000 in additional revenues annually. The program also had a residual effect as public awareness is driving additional dog license sales throughout the City.
 - Once the new on-line animal licensing service is up and running, staff intends to run a marketing campaign to promote dog licensing.
4. Legal Support – The Parking and By-law Services Division will be returning to a base level of legal service for 2016, resulting in a savings of \$130,000 which is currently being used to fund enhanced legal support for the Division.
5. Timely Filling of Revenue Generating Positions – Officers frequently move into new positions across the Division and create a “*domino effect*” of vacancies in enforcement positions. In order to backfill revenue generating positions in the most timely manner, “*periodic postings*” will be undertaken in order to have qualified Officers ready and waiting to backfill as soon as positions become available.

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6. Management Development – The Senior Director has been expending effort to mentor and ensure that Divisional Managers/Supervisors understand and are providing adequate attention to the financial aspect of their jobs. As an example, Financial Services staff recently held a short training session on budget exception reporting for the Licensing Division. Such formal and informal efforts will continue.
7. Fine Levels – Management from Licensing and Municipal Law Enforcement continue to meet regularly with Legal Services to ensure that when matters are proceeding to Court, Prosecutors are seeking adequate and appropriate fines levied through the Courts.
8. Fine Collections – One of the 2015 P&BS work plan commitments is to conduct a review of *Provincial Offences Act* fine collections, and to investigate opportunities for more efficient and effective collection of fines levied by the Courts and owed to the City.
9. IMPARK - Staff reported to the Planning Committee on August 9, 2010 (PED10184 (Imperial Parking (IMPARK) Private Parking Lots)) that there would be a negative impact on parking fine revenues in the order of \$300,000 annually as 14 private parking lot operators in the Downtown had decided to utilize private security services rather than continue to use City staff to enforce their private property.

Staff was directed by the Committee to investigate licensing these private parking enforcement companies in an effort to control the negative customer service aspects and to mitigate the negative budget impacts to the City.

Discussions with Legal Services concluded that there is no authority to license these businesses. While other measures to increase parking enforcement revenues have been put in place, this significant variance continues to be carried forward and reported regularly. The resulting revenue loss is now estimated to be in the order of \$385,000 annually. Staff will be recommending that this be corrected in the 2016 budget.

10. Business License Fee Review – Approval of the 2012 budget included \$545,000 in new revenue associated with increased fees reflecting full cost recovery for all business license categories. However, Council approved full cost recovery for some license categories, but only the first two years of a five-year phase-in strategy for others (reducing the \$545,000 annual variance to \$250,000). Staff was directed to provide a comprehensive report to justify the license fee increases. Council approved delaying the fee justification report pending additional work related to the City's Licensing Program identified in a 2013 internal audit being completed.

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Staff will be reporting to the Planning Committee in October 2015 recommending approval of the 3rd phase of the five-year phase-in strategy which would reduce the variance from \$250,000 to \$170,000 annually. Staff will also be recommending that the 4th and 5th year phase-in be held pending the comprehensive Licensing By-law and Fee review being conducted in 2015/2016. This comprehensive review will include full public consultation and an analysis of the actual cost to license, administer and enforce each specific schedule of the Business Licensing By-law to keep in line with Council's direction of full cost recovery.

Implementation of the above actions will, hopefully, reduce the on-going unfavourable variance to a more manageable situation for 2016.

MH/dt