

**Report to
Rapport au:**

**Transportation Committee
Comité des transports
7 October 2020 / 7 octobre 2020**

**and Council
et au Conseil
14 October 2020 / 14 octobre 2020**

**Submitted on September 28, 2020
Soumis le 28 septembre 2020**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-PWE-RPS-0001

SUBJECT: Precise Parklink Contract Update

OBJET: Compte rendu sur le contrat de Precise ParkLink

REPORT RECOMMENDATIONS

That the Transportation Committee recommend that Council:

- 1. Receive the information about the status of the City's contract with Precise Parklink Inc., as described in this report and the confidential companion memorandum from the City Solicitor, issued separately as Document 3, and not to be reported out, as it relates to litigation and is covered by solicitor-client privilege;**

2. **Delegate the authority to the General Manager, Public Works and Environmental Services, to finalize and execute a five-year extension of the Parking Operations System Agreement with Precise Parklink Inc., in accordance with the revised contract terms and conditions as described in this Report, including the revised calculation methodology for the revenue guarantee, ending October 31, 2026;**
3. **Delegate the authority to the General Manager, Public Works and Environmental Services, to negotiate, finalize and execute amendments to the contract with Precise Parklink Inc. to better facilitate contract management, as outlined in this Report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des transports recommande au Conseil municipal :

1. **de prendre connaissance de l'information à propos du statut du contrat de la Ville avec Precise ParkLink Inc., selon les modalités exposées dans ce rapport et dans la note de service complémentaire confidentielle signée par l'avocat général et annexée dans la pièce 3, qu'il ne faut pas communiquer, puisqu'elle se rapporte à un litige et qu'elle est soumise au secret professionnel entre l'avocat et son client;**
2. **de déléguer au directeur général de la Direction générale des travaux publics et de l'environnement le pouvoir de finaliser et de signer l'entente de prorogation de cinq ans de l'Accord du système d'exploitation du stationnement conclu avec Precise ParkLink Inc., conformément aux clauses et aux conditions du contrat révisé selon les modalités exposées dans ce rapport, en tenant compte de la méthodologie de calcul révisée pour la garantie de revenus; le contrat serait prorogé jusqu'au 31 octobre 2026;**
3. **de déléguer au directeur général de la Direction générale des travaux publics et de l'environnement le pouvoir de négocier, de finaliser et de signer les modificatifs du contrat avec Precise ParkLink Inc. afin de permettre de mieux gérer le contrat, selon les modalités exposées dans ce rapport.**

EXECUTIVE SUMMARY

The City of Ottawa entered into a 10-year contract with Precise Parklink (Precise) in 2010 resulting in the replacement of all individual space parking meters with Pay and Display machines. The process to arrive at a contract began with an unsolicited proposal from Precise, including a Revenue Guarantee. This assured that on-street parking revenues would be 25 per cent more than they were with parking meters. The actual revenues have not met the full Revenue Guarantee and disagreements related to the calculation of the Revenue Guarantee resulted in a formal contract dispute starting in 2014.

Beginning in 2016, both parties made significant progress towards a resolution. During discussions, staff undertook a thorough analysis of the contract and proposed amendments which formed the basis of a resolution, subject to Council approval in late 2019.

The resolution and five-year extension, which is recommended as part of this report, secures the Revenue Guarantee, results in the City only projecting to pay 15 per cent of the parking equipment costs, resolves all outstanding amounts owed and defers a costly procurement process.

The City also brought in two consulting companies: one to conduct a review of the City's contract management practices and determine if an extension is merited, and the other to review industry trends in technology to help determine if the extension with Precise is strategically in the City's best interest. The findings of each review supported proceeding with an extension with Precise. Rationale for the extension and the other terms of the extension are outlined below.

ASSUMPTION AND ANALYSIS

Update on the Contract with Precise

The City of Ottawa's Parking Services is responsible for the management and maintenance of the City's on and off-street paid parking program. This consists of the management of parking technology, which is contracted out to Precise Parklink Inc. (Precise). With their head office in Toronto, Precise is a Canadian parking organization that provides equipment and parking system solutions to multiple Canadian municipalities. The contract with Precise was originally approved by Council through three legislative reports:

- April 23, 2008 [[ACS2008-PWS-TRF-0007](#)] – Directed staff to proceed with negotiations with Precise under the framework of an Ottawa Option
- April 22, 2009 [[ACS2009-COS-PWS-0008](#)] – Confirmed the City’s requirements for a paid parking system which was to serve as the basis for the next phase of the Ottawa Option procurement process.
- December 9, 2009 [[ACS2009-COS-PWS-0031](#)] – Delegated authority to staff to finalize and execute the Parking Operations System Agreement with Precise

These reports were required as Precise had approached the City with an unsolicited proposal in 2007 and were submitted to Council under the City’s [Ottawa Option Policy](#). The Ottawa Option Policy is a procurement process that provides the City of Ottawa with a method for receiving unsolicited bid proposals that may offer improved services, reduced costs, cost avoidance or other benefits to the City. To qualify under the Ottawa Option Policy, a proposal must be deemed to be innovative and in alignment with the interests of the City of Ottawa. The proposal provided by Precise offered two primary innovative benefits: the inclusion of a Revenue Guarantee; and the payment structure for the equipment.

The Ottawa Option Policy also has the requirement for a procurement process to give other companies the opportunity to bid on the proposal, after which Precise was identified as the “Final Preferred Proponent”. The final contract, called the “Parking Operations System Agreement” (the Agreement), was finalized and executed in April 2010.

As stated above, the Revenue Guarantee was one of the primary benefits of the proposal. It is Precise’s assurance that on-street paid parking revenues would increase by 25 per cent over what they were previously with single-space parking meters (i.e. the ‘base revenue’). The Agreement stipulated that the City and Precise would enter into a 10-year contract, with the option of a five-year extension. If the Revenue Guarantee was not met during years one to five, the difference between the actual revenue and the Revenue Guarantee was to be paid directly to the City by Precise. If it was not realized in years six to 10 of the contract, the difference would be a credit on the City’s liability.

The other primary benefit is the payment structure of the equipment, which was finalized in the Agreement. The City would only start to pay down the liability after the first five years, and these payments are based on the difference between base revenue and the increased revenue that resulted from on-street Pay and Display implementation. As indicated, any shortfall relative to the Revenue Guarantee would result in Precise also

making payments to reduce the City's liability. At the end of the contract term, the City will be given the option of returning the Pay and Display machines back to Precise and procuring a different system or retaining the machines and paying the balance.

Precise began installing their equipment in June 2010. By late 2011, all components were in place and tested. This began the Management Period of the contract, which is set to expire on October 31, 2021.

To date, the City has 720 Pay and Display machines as part of the contract and Precise has installed and manages parking systems at three municipal parking garages, including gates, kiosks and back-office systems.

As per the Agreement, Precise is responsible for:

- Cash Collection – collection and processing of coins and bills (where required) from all parking equipment
- Warranty and Renewal Program – Precise ensures parking payment machines have the appropriate components and are upgraded as required
- Maintenance – Precise provides program and corrective maintenance to all equipment (e.g. cleaning the machines, fixing reported issues, vandalism, etc.)
- Central Management System Support – IT support, payment processing and handling communications.

The City pays for these services on a monthly basis through parking revenues. The average annual service fee costs are approximately \$1.9 million, from an average annual revenue of \$14.5 million that comes from the parking payment machines.

After the installation of the Pay and Display machines, revenues ended up being very similar to what they were with single-space parking meters. Per the Agreement, this has had the following effects:

- Precise has paid the City \$9.7 million in Revenue Guarantee payments to make up for the shortfall in years one to five of the Agreement
- Precise has contributed \$5.9 million in credits to reduce the City's liability up until the end of June 2020, whereas the City has paid \$0.8 million towards the liability over the same period.

Dispute Resolution between the City and Precise

The amounts paid by Precise to the City are due to the Revenue Guarantee not being met. This also resulted in disputes between Precise and the City. A formal dispute process was triggered in July 2014, and since then, the City and Precise held various negotiations and mediated sessions. Through these processes, issues were identified by both parties and payments on both sides largely stopped. Despite this being the case, Precise still continued to provide the required core services outlined in the contract.

In late 2016, negotiations started progressing towards a resolution, which led to payments on both sides being resumed. In September 2019, a resolution was reached by the parties, subject to Council approval. The resolution includes enacting the provisions outlined in the original contract, which allows for a five-year extension, subject to the terms and conditions negotiated by Precise and the City. The settlement also resolves issues of the current contract and the City avoids the potential cost and risk associated with a protracted contract dispute. The key components to the settlement are a revised Revenue Guarantee calculation methodology, requirements related to refurbishing the parking payment machines and the resolution of outstanding payments.

Proposed Revisions to the Contract – New Revenue Guarantee Calculation Methodology

The resolution with Precise maintains the intent of the original terms of Precise's proposal and the basis upon which Council approved proceeding under the Ottawa Option Policy. Revisions to the Revenue Guarantee methodology address the issues around properly accounting for larger and lasting impacts on parking revenues during large construction projects, adjustments for actual revenues on temporary removals and Pay-by-Phone.

- Adjacent streets – Existing calculation only accounts for the parking spaces directly in the construction area, but through observation and data collection, it is now known that parking spaces in the surrounding area are also impacted by the construction. With the revised methodology, Precise will not be accountable for the Revenue Guarantee for streets involved in road reconstruction or the adjacent streets for the duration of the construction.

- Lasting impacts – There may be a period of time before revenues return to the same level as pre-construction. Due to this, Precise will not be accountable for the Revenue Guarantee until parking levels reach close to previous ones.
- Temporary and long-term removals – Areas of local construction, food trucks, bicycle lanes or other reasons for temporary or long-term removal of parking spaces impact the Revenue Guarantee. By revising the sequence of the calculation, it means that adjustments can be made prior to applying the Revenue Guarantee increase and at a more reasonable rate, that is reflective of what the actual increases have been.
- Pay-by-Phone – Originally, it was assumed Pay-by-Phone would account for five per cent of all parking transactions, while they are actually closer to 15 per cent and climbing. The revised methodology now accounts for actual usage.

Revisions to the Revenue Guarantee would apply on a go-forward and retroactive basis, pending Council approval. This would involve \$680,000 being returned to Precise for years one to five (of the \$9.7 million that Precise has paid to the City), and a projected additional \$105,000 to be paid by the City towards reducing their liability in years six to 10 (\$65,000 is required as a payment to Precise for the period up to and including Q2 2020). All payments would be made from parking fee revenues and do not represent an annual budget pressure.

Proposed Revisions to the Contract – Refurbished Parking Equipment

As part of the resolution, Precise committed to refurbish the entire inventory of 720 Pay & Display machines prior to the extension term. If the revised terms are approved by Council, the City will have fully refurbished parking equipment by late 2021.

Proposed Revisions to the Contract – Resolution of Outstanding Payments and Mitigation of Additional Risk

As mentioned, during disputes payments from both parties stopped, until progress was made in 2016 when balances were settled, and payments fully resumed. As part of the resolution, both parties agreed there would be no claim of interest or other penalty provisions on outstanding payments on either side. Interest amounts owed to the City for Revenue Guarantee are off-set by what was owed to Precise. Through the resolution, the City is only accountable for the costs that have been agreed to and there is no additional risk.

Proposed Revisions to the Contract & Third-Party Review Findings – Five-Year Extension & Two New FTEs

The resolution proposes a five-year extension, subject to Council approval, which would bring the contract to October 31, 2026. The proposed extension with Precise has been thoroughly assessed internally by staff and through an independent third-party review.

Prior to the third-party review, Parking Services staff did an internal assessment of the potential to extend with Precise and highlighted multiple benefits including a significantly reduced liability for the City, refurbished equipment, the settlement of payments, and advantages associated with a deferred procurement process.

Parking Services also consulted with Procurement staff to ensure all requirements of the Purchasing By-Law are satisfied. Procurement supports staff's decision to recommend a five-year extension. The City also brought in two consulting companies: Samson & Associates to conduct a review of the City's contract management practices and to assess whether an extension is merited; and also, the BA Group to develop a Technology Road Map for Parking Services.

Samson & Associates' review focused on the recommended five-year extension and whether it represents the best value for the City, and they also reviewed the contract management. In considering the extension, they looked at four potential options available to the City:

1. Pay Precise for the existing infrastructure and operate the parking operations system with City of Ottawa staff
2. Launch a request for proposal process
3. Extend the Agreement for five years
4. Let the contract expire and extend month to month

Samson & Associates concluded that a five-year extension would be the most beneficial approach and additionally provided various recommendations to further improve contract management. Staff have begun reviewing and implementing these recommendations. One that has not yet been actioned is the recommendation for additional staff to assist with extending the contract. The contract is currently managed by two staff, the Area Manager, Transitway and Parking with support from a Parking Systems Engineer. Samson & Associates noted that there are administrative, financial and day-to-day tasks required in the monitoring of the Agreement that require additional resources in order for the contract to be more fully and effectively managed. To that end, staff require two additional FTEs to support the contract extension and develop a

plan going past the extension. These staff positions would be funded from the paid parking program. They will be added as temporary positions in the interim, to be later converted to permanent FTEs.

Additionally, to ensure that the five-year extension would be strategically beneficial to Parking Services and the City, BA Group developed a Technology Roadmap that outlines the current and upcoming trends in technology in the parking industry. This helped to confirm that an extension would be supported strategically and in alignment with the Municipal Parking Management Strategy.

Both internal and external reviews resulted in the same conclusion, therefore staff are recommending a five-year extension of the contract.

Should Council choose to not adopt staff's recommendation, the City would need the contract to be extended on a temporary basis, so that staff would have the necessary time to conduct a proper procurement process for a new system.

FINANCIAL IMPLICATIONS

As part of the resolution of the past contractual disputes, both Precise and the City agree to write-off interest amounts owed, which results in approximately \$11.8 million to be filed under Allowance for Doubtful Accounts. As noted above, this causes no additional budget pressure and the amounts are off-set with respect to Precise's corresponding waiver of claims and interest. If approved, the revised Revenue Guarantee methodology will result in \$680,000 being returned to Precise for years one to five of the contract, from its payment of \$9.7 million to the City, and a projected additional \$105,000 to be paid by the City towards reducing their liability in years six to 10. All payments would be made from parking fee revenues. The required two additional FTEs, also paid through the paid parking program, would cost approximately \$200,000 per year.

SYNTHÈSE ADMINISTRATIVE

En 2010, la Ville d'Ottawa a conclu, avec Precise ParkLink un contrat de 10 ans, qui a donné lieu au remplacement de tous les parcomètres individuels par des distributrices de billets pour stationnement. Le processus qui a donné lieu à l'établissement du contrat s'est amorcé par la proposition spontanée de Precise, qui prévoyait une garantie de recettes. Cette garantie donnait l'assurance que les recettes du stationnement sur rue inscraient une augmentation de 25 % par rapport à ce qu'elles étaient grâce aux parcomètres. Les recettes effectives n'ont pas respecté toute la garantie de recettes, et

les différends liés au calcul de cette garantie ont donné lieu, en 2014, à un litige contractuel formel.

À partir de 2016, les deux parties ont accompli d'énormes progrès pour résoudre ce litige. Pendant les discussions qui ont eu lieu, le personnel de la Ville a procédé à l'analyse rigoureuse du contrat et a proposé d'y apporter des modifications qui ont fait l'objet d'une résolution soumise à l'approbation du conseil à la fin de 2019.

La résolution et la prorogation de cinq ans recommandée dans ce rapport sécurisent la garantie de recettes, font en sorte que la Ville n'a qu'à projeter de payer 15 % des coûts de l'équipement de stationnement, règle tout l'encours exigible et reporte un appel d'offres coûteux.

La Ville a aussi fait appel à deux cabinets d'experts-conseils, l'un pour mener un examen des pratiques de gestion du contrat de la Ville et savoir si une prorogation est justifiée, et l'autre pour examiner les tendances de l'évolution de l'industrie de la technologie afin de savoir si la prorogation du contrat de Precise répond stratégiquement aux intérêts supérieurs de la Ville. Les constatations faites dans le cadre de chaque examen sont venues justifier la prorogation du contrat de Precise. Le lecteur trouvera ci-après un aperçu de la raison d'être de cette prorogation et de ses conditions.

HYPOTHÈSE ET ANALYSE

Le point sur le contrat de Precise

Les Services des routes et du stationnement de la Ville d'Ottawa sont responsables de la gestion et du maintien du programme de stationnement payant sur rue et hors rue de la Ville. Il s'agit notamment de gérer la technologie de l'équipement de stationnement, tâche qui est confiée en sous-traitance à Precise ParkLink Inc. (Precise). Precise est une société canadienne de gestion de parcs de stationnement, dont le siège social est à Toronto et qui offre, à différentes municipalités canadiennes, des solutions pour l'équipement et les systèmes de stationnement. Le contrat de Precise a été approuvé à l'origine par le Conseil municipal par le truchement de trois rapports législatifs :

- rapport du 23 avril 2008 [[ACS2008-PWS-TRF-0007](#)] – la Ville a donné au personnel pour consigne de mener des négociations avec Precise dans le cadre de la politique relative à Option Ottawa;
- rapport du 22 avril 2009 [[ACS2009-COS-PWS-0008](#)] – ce rapport confirmait que la Ville avait besoin d'un système de stationnement payant, qui devait servir de

point de départ pour la phase suivante du processus d'attribution des marchés publics dans le cadre d'Option Ottawa;

- rapport du 9 décembre 2009 [[ACS2009-COS-PWS-0031](#)] – la Ville a délégué au personnel de la Ville le pouvoir de finaliser et de signer, avec Precise, l'Accord du système d'exploitation du stationnement.

S'il a fallu établir ces rapports, c'est parce que Precise avait pressenti la Ville en 2007 en lui soumettant une proposition spontanée; ces rapports ont été soumis au Conseil municipal en vertu de la [Politique relative à Option Ottawa](#) de la Ville. Cette politique institue un processus d'attribution des marchés publics, qui permet de doter la Ville d'Ottawa d'une méthode pour prendre connaissance des propositions spontanées qui permettent d'améliorer les services, de réduire ou d'éviter des coûts ou d'apporter à la Ville d'autres avantages. Pour répondre aux conditions de la Politique relative à Option Ottawa, il faut que les propositions soient jugées innovantes et qu'elles cadrent avec les intérêts de la Ville d'Ottawa. La proposition déposée par Precise comportait deux avantages innovants principaux : l'intégration d'une garantie de recettes et la structure de paiement de l'équipement.

La Politique relative à Option Ottawa prévoit aussi l'obligation de lancer un appel d'offres afin de donner à d'autres entreprises l'occasion de déposer des propositions; par la suite, on a décidé que Precise était le « proposant privilégié sélectionné ». Le contrat définitif, appelé « Accord du système d'exploitation du stationnement » (l'Accord), a été finalisé et signé en avril 2010.

Comme nous l'avons mentionné ci-dessus, la garantie de recettes était l'un des principaux avantages de la proposition de Precise. Dans cette garantie, Precise donnait l'assurance que les recettes de stationnement payant sur rue augmenteraient de 25 % par rapport à ce qu'elles étaient auparavant avec des parcomètres pour les places de stationnement individuelles (les « recettes de base »). L'Accord précisait que la Ville et Precise concluraient un contrat de 10 ans, assorti d'une option permettant de le proroger pour une durée de cinq ans. Si la garantie de recettes n'était pas respectée pendant les cinq premières années, Precise devait verser directement à la Ville la différence entre les recettes réelles et la garantie de recettes. Si la garantie n'était pas respectée dans les cinq dernières années du contrat, la différence serait portée au crédit de la dette de la Ville.

La structure de paiement de l'équipement, finalisée dans l'Accord, est l'autre grand avantage offert. La Ville ne commencerait à payer la dette qu'après les cinq premières années, et la somme à verser est calculée sur la différence entre les recettes de base

et les recettes augmentées grâce à la mise en œuvre des distributrices de billets pour stationnement sur rue. Comme nous l'avons indiqué, tous les déficits par rapport à la garantie de recettes obligeraient aussi Precise à verser des sommes pour réduire la dette de la Ville. À la fin de la durée du contrat, la Ville pourra, à son gré, restituer à Precise les distributrices de billets pour stationnement et acheter un système différent ou conserver ces distributrices et régler le solde.

Precise a commencé à installer son équipement en juin 2010. À la fin de 2011, tous les composants étaient installés et avaient été soumis à des essais. On pouvait ainsi lancer la période de gestion du contrat, qui doit arriver à échéance le 31 octobre 2021.

Jusqu'à maintenant, la Ville a 720 distributrices de billets pour stationnement dans le cadre du contrat, et Precise a installé et gère les systèmes de stationnement dans trois garages de stationnement municipaux, y compris les portails, les kiosques et les systèmes administratifs.

Conformément à l'Accord, Precise est responsable :

- de la perception des pièces de monnaie et des billets – collecte et traitement des pièces de monnaie et des billets (dans les cas nécessaires) dans tout l'équipement de stationnement;
- de la garantie et du programme de renouvellement – Precise s'assure que les distributrices de billets de stationnement sont dotées des composants voulus et sont mises à niveau dans les cas nécessaires;
- de l'entretien – Precise gère le programme et assure l'entretien correctif de tout l'équipement (par exemple le nettoyage des machines, la correction des problèmes signalés et le vandalisme, entre autres);
- du soutien du système central de gestion – soutien des TI, traitement des paiements et gestion de la communication.

La Ville paie chaque mois ces services grâce aux recettes de stationnement. Les coûts moyens des frais annuels de service sont de l'ordre de 1,9 million de dollars, financés grâce à des recettes annuelles moyennes de 14,5 millions de dollars qui proviennent des distributrices de billets de stationnement.

Après l'installation des distributrices de billets de stationnement, les recettes ont finalement été très comparables à ce qu'elles étaient avec les parcomètres pour les

espaces de stationnement individuels, ce qui a donné lieu, conformément à l'Accord, aux effets suivants :

- Precise a versé à la Ville, pour compenser le déficit des cinq premières années de l'Accord, la somme de 9,7 millions de dollars au titre de la garantie de recettes;
- Precise a consenti des crédits de 5,9 millions de dollars pour réduire la dette de la Ville jusqu'à la fin de juin 2020, alors que la Ville a versé 0,8 million de dollars pour régler cette dette durant la même période.

Résolution du différend entre la Ville et Precise

Si Precise a versé cette somme, c'est parce que la garantie de recettes n'a pas été respectée, ce qui a aussi donné lieu à des différends entre Precise et la Ville. En juillet 2014, ces différends ont déclenché un processus formel de règlement des différends, et depuis, la Ville et Precise ont mené différentes négociations et séances de médiation. Dans le cadre de ces processus, les deux parties ont recensé des problèmes et ont essentiellement cessé de payer de part et d'autre. Malgré tout, Precise a quand même continué d'assurer les services essentiels nécessaires exposés dans le contrat.

À la fin de 2016, on a commencé à négocier pour accomplir des progrès dans la recherche d'une solution, ce qui a amené les deux parties à reprendre les paiements. En septembre 2019, les parties se sont entendues sur une solution, qui a été soumise à l'approbation du Conseil municipal. Cette solution consiste à appliquer les dispositions décrites dans le contrat d'origine et permettant de proroger ce contrat de cinq ans, sous réserve des clauses et des conditions négociées par Precise et par la Ville. Ce règlement permet aussi de résoudre les problèmes du contrat actuel, et la Ville évite d'engager les coûts et les risques potentiels liés à un laborieux litige contractuel. Les principaux éléments du règlement sont constitués de la méthodologie révisée du calcul de la garantie de recettes, des exigences relatives à la remise en état des distributrices de billets de stationnement et du règlement de l'encours des sommes exigibles.

Révisions proposées du contrat – nouvelles méthodologies de calcul de la garantie de recettes

Le règlement intervenu avec Precise maintient l'intention des conditions originelles de la proposition de Precise et des modalités selon lesquelles le Conseil a approuvé la décision d'aller de l'avant dans le cadre de la Politique relative à Option Ottawa. Les

révisions apportées à la méthodologie de la garantie de recettes portent sur les problèmes de la comptabilisation appropriée des incidences plus vastes et durables sur les recettes de stationnement pendant les grands projets de construction, ainsi que des redressements à apporter aux recettes effectives lorsqu'on enlève temporairement des distributrices et qu'on utilise le service de paiement par téléphone.

- Rues voisines – La méthodologie de calcul existante ne tient compte que des places de stationnement qui se trouvent directement dans le secteur des travaux de construction; cependant, grâce à l'observation et à la collecte des données, on sait désormais que les places de stationnement des environs sont elles aussi touchées par les travaux de construction. Grâce à la méthodologie révisée, Precise ne sera pas responsable de la garantie de recettes pour les rues en cause dans la réfection des routes, ni pour les rues voisines pendant la durée des travaux de construction.
- Incidences durables – Il se peut qu'une certaine durée s'écoule avant que les recettes se rétablissent au même niveau qu'avant les travaux de construction. Pour cette raison, Precise ne sera pas responsable de la garantie de recettes tant que les niveaux de stationnement ne se rapprocheront pas des niveaux précédents.
- Enlèvement temporaire et à long terme des places de stationnement – Les secteurs où se déroulent des travaux de construction locaux, les camions-restaurants, les bandes cyclables ou d'autres raisons justifiant l'enlèvement temporaire ou à long terme de places de stationnement se répercutent sur la garantie de recettes. En révisant la séquence du calcul, on peut apporter des redressements avant d'appliquer la hausse de la garantie de recettes, moyennant un tarif plus raisonnable, qui tient compte de ce qu'ont été les hausses effectives.
- Service de paiement par téléphone – À l'origine, on avait supposé que le service de paiement par téléphone représenterait 5 % de l'ensemble des transactions de stationnement, alors qu'en fait, ils ne représentaient que 15 % de ces transactions et que sa part dans les transactions de stationnement augmentait. La méthodologie révisée tient désormais compte de l'utilisation effective de ce service.

Les révisions apportées à la garantie de recettes s'appliqueraient prospectivement et rétroactivement, d'ici à ce que le Conseil municipal les approuve. Ainsi, on reverserait

680 000 \$ à Precise pour les cinq premières années du contrat (sur la somme de 9,7 millions de dollars que Precise a versée à la Ville), et la Ville rembourserait un supplément projeté de 105 000 \$ afin de réduire sa dette dans les cinq dernières années du contrat. (Il faut verser à Precise la somme de 65 000 \$ pour la période comprise jusqu'au deuxième trimestre de 2020.) Toutes ces sommes seraient versées à même les recettes de stationnement et ne représentent pas un impératif budgétaire annuel.

Révisions proposées du contrat – équipement de stationnement remis en état

Dans le cadre du règlement des différends, Precise s'est engagée à remettre en état l'ensemble du parc des 720 distributrices de billets pour stationnement avant le début de la prorogation. Si le Conseil municipal approuve les conditions révisées, la Ville pourra compter sur un équipement de stationnement entièrement remis en état d'ici la fin de 2021.

Révisions proposées du contrat – règlement de l'encours des sommes exigibles et maîtrise des risques supplémentaires

Comme nous l'avons mentionné, les deux parties ont cessé de verser les sommes exigibles pendant les différends, jusqu'à ce qu'elles aient accompli des progrès; en 2016, elles ont réglé les soldes exigibles et repris intégralement le paiement des sommes qu'elles se devaient. Dans le cadre du règlement des différends, les deux parties se sont entendues pour ne pas se prévaloir des dispositions relatives aux intérêts ou aux autres pénalités sur les paiements en souffrance de part et d'autre. Les charges d'intérêts à verser à la Ville au titre de la garantie de recettes sont compensées par les sommes à verser à Precise. Grâce au règlement des différends, la Ville n'est responsable que des coûts qui ont fait l'objet d'un accord, et il n'y a pas d'autres risques.

Révisions proposées du contrat et constatations dans le cadre de l'examen indépendant – prorogation de cinq ans et deux nouveaux ETP

Dans le règlement des différends, on propose de proroger le contrat de cinq ans, sous réserve de l'approbation du Conseil municipal, de sorte que le contrat prendrait fin le 31 octobre 2026. La prorogation proposée du contrat de Precise a été attentivement évaluée en interne par le personnel de la Ville et dans le cadre d'un examen indépendant confié à un tiers.

Avant cet examen indépendant, le personnel des Services des routes et du stationnement a effectivement procédé à une évaluation interne de la possibilité de proroger le contrat de Precise et a constaté de nombreux avantages, dont une réduction considérable de la dette de la Ville, la remise en état de l'équipement, le règlement des sommes exigibles et les avantages liés au report de l'appel d'offres.

Les Services des routes et du stationnement ont aussi consulté le personnel des Services de l'approvisionnement pour veiller à ce que toutes les exigences du *Règlement sur les achats* soient respectées. Les Services de l'approvisionnement sont favorables à la décision du personnel de recommander de proroger le contrat de cinq ans. La Ville a aussi fait appel à deux cabinets d'experts-conseils : Samson & Associés, pour procéder à l'examen des pratiques de gestion du contrat de la Ville et pour savoir si une prorogation est justifiée; et le BA Group, pour mettre au point la feuille de route technologique à l'intention des Services des routes et du stationnement.

L'examen de Samson & Associés a essentiellement porté sur la prorogation recommandée de cinq ans du contrat et a consisté à se demander si cette prorogation apporte à la Ville le meilleur rapport qualité-prix; ce cabinet a aussi examiné la gestion du contrat. En se penchant sur la prorogation du contrat, il a étudié quatre options envisageables pour la Ville :

1. payer à Precise l'infrastructure existante et gérer, avec le personnel de la Ville d'Ottawa, le système d'exploitation du stationnement;
2. lancer une demande de propositions;
3. proroger pour cinq ans le contrat de l'Accord du système d'exploitation du stationnement;
4. attendre que le contrat arrive à échéance et le proroger chaque mois par la suite.

Samson & Associés a conclu que la prorogation de cinq ans du contrat constituerait l'approche la plus avantageuse et a aussi fait différentes recommandations afin de continuer d'améliorer la gestion de ce contrat. Le personnel de la Ville a commencé à examiner ces recommandations et à les mettre en œuvre. La recommandation de recourir à d'autres employés pour aider à proroger le contrat est l'une de celles qui n'ont pas encore été appliquées. À l'heure actuelle, le contrat est géré par deux employés, soit le gestionnaire de secteur, Transitway et Stationnement, avec le concours d'un ingénieur des systèmes de stationnement. Samson & Associés a fait observer qu'il faut affecter des ressources supplémentaires aux tâches administratives, financières et journalières à accomplir dans la surveillance de l'Accord, pour que le contrat soit géré plus intégralement et efficacement. Voilà pourquoi le personnel de la Ville demande

l'ajout de deux ETP supplémentaires pour la prorogation du contrat et l'élaboration d'un plan pour la période qui suivra la fin de la prorogation. Ces postes seraient financés grâce au programme de stationnement payant. Ils seront ajoutés pour l'instant comme postes temporaires pour être ultérieurement convertis en ETP permanents.

En outre, pour veiller à ce que la prorogation de cinq ans du contrat soit stratégiquement avantageuse pour les Services des routes et du stationnement et pour la Ville, BA Group a mis au point une feuille de route technologique, qui expose les tendances actuelles et projetées dans l'évolution de la technologie dans l'industrie du stationnement. Cet examen a permis de confirmer qu'une prorogation serait justifiée stratégiquement et cadrerait avec la Stratégie municipale de gestion du stationnement.

Les deux examens, interne et externe, ont donné lieu à la même conclusion; c'est pourquoi le personnel recommande de proroger le contrat pour une durée de cinq ans.

Si le Conseil municipal décide de ne pas adopter la recommandation du personnel, la Ville devrait proroger le contrat pour une durée temporaire, afin de permettre au personnel de disposer du temps qu'il faudra pour mener un appel d'offres en bonne et due forme pour un nouveau système.

RÉPERCUSSIONS FINANCIÈRES

Dans le cadre du règlement des différends contractuels précédents, Precise et la Ville se sont entendues pour radier les charges d'intérêt exigibles, ce qui a eu pour effet de comptabiliser environ 11,8 millions de dollars dans la provision pour créances douteuses. Comme nous l'avons indiqué ci-dessus, cette convention n'entraîne pas d'autres impératifs budgétaires, et les sommes exigibles sont compensées en ce qui a trait à la renonciation correspondante de Precise aux demandes de règlement et aux charges d'intérêt. Si elle est approuvée, la méthodologie révisée de calcul de la garantie de recettes aura pour effet de rembourser 680 000 \$ à Precise pour les cinq premières années du contrat, à même la somme versée de 9,7 millions de dollars, et obligera la Ville à verser la somme supplémentaire projetée de 105 000 \$ afin de réduire sa dette dans les cinq dernières années du contrat. Toutes ces sommes seraient versées à même les recettes de stationnement. Les deux ETP supplémentaires demandés, qui seraient eux aussi financés grâce au programme de stationnement payant, représenteraient des coûts de l'ordre de 200 000 \$ par an.

BACKGROUND

The City of Ottawa's parking technology is essential in the management of parking and contributes to achieving the goal of supplying secure, accessible, convenient and appealing public parking in Ottawa. The implementation of parking payment technology in Ottawa has evolved over time, with the installation of single-space parking meters in 1958 to the next largest shift happening in 2011 when Parking Services replaced all parking meters with Pay and Display machines. The conversion to Pay and Display machines was the result of a contract between the City of Ottawa and Precise Parklink Inc. (Precise), executed in 2010.

UPDATE ON THE CONTRACT WITH PRECISE

Precise is a Canadian parking organization that provides equipment and parking system solutions to multiple Canadian municipalities, including Toronto, Kingston and Winnipeg. Their head office is located in Toronto with 11 supporting offices across Canada, including one in Ottawa. Precise is also involved locally, providing services at the Ottawa International Airport, TD Place, the Montfort Hospital, Queensway Carleton Hospital, the Ottawa Hospital campuses, University of Ottawa, Carleton University, Algonquin College, and more recently with Ottawa Community Housing. Precise has 31 years of experience in the Canadian marketplace, providing parking revenue control systems in the form of approximately 16,000 Pay and Display meters across over 50 municipal clients in Canada.

The current relationship with Precise started with an unsolicited proposal in December 2007, which was reviewed by staff and submitted to Council under the City's [Ottawa Option Policy](#). The Ottawa Option Policy is a procurement process that provides the City of Ottawa with a method for receiving unsolicited bid proposals that may offer improved services, reduced costs, cost avoidance or other benefits to the City. To qualify under the Ottawa Option Policy, a proposal must be deemed to be innovative and in alignment with the interests of the City of Ottawa. The Ottawa Option Policy was originally approved in October 2002, and has since gone through revisions, the latest one being October 2019, but the overall purpose and requirements of the policy have not changed.

The proposal provided by Precise offered two primary innovative benefits: the inclusion of a Revenue Guarantee; and the payment structure for the Pay and Display equipment.

The Revenue Guarantee ensures that the City receives a minimum increase in on-street parking revenue as a result of the installation of Pay and Display machines. Specifically, Precise guaranteed that on-street paid parking revenues would increase by 25 per cent

over what they were with single-space parking meters (i.e. 'base revenue'). The contract included a provision to account for the introduction of Pay-by-Phone technology, implemented by a different vendor in 2012, which adjusts the guaranteed increase to 23.75 per cent. As part of the proposal the City would enter into a 10-year contract with Precise. If the Revenue Guarantee was not met during years one to five, the difference was to be paid directly to the City by Precise. If it was not realized in years six to 10 of the contract, the difference would be a credit towards reducing the City's liability.

The payment structure for the equipment represents another beneficial aspect of the contract. For years one to five of the contract, the City is not responsible for any equipment payments (e.g. towards the purchase price of the Pay and Display machines). Then, for years six to 10 of the contract, interest starts to accrue and the City makes payments to reduce the liability based on the difference between base revenue and the increased revenue that resulted from on-street Pay and Display implementation. This is somewhat unique, as most other contracts would require payments at the front-end of the contract. At the end of the 10-year contract, the City will be given the option of returning the Pay and Display machines back to Precise and procuring a different system or retaining the machines and paying the balance.

The Agreement also provides the option of a five-year extension if agreed upon by the City and Precise. This would continue the Revenue Guarantee and provide the same options and the end of the extension to walk away or purchase the machines from Precise.

A competitive procurement process is still required under the Ottawa Option Policy, and it stipulates that other companies must be given the opportunity to bid on the proposal. Following receipt of the unsolicited proposal by Precise in 2007, there was a fulsome procurement process which was monitored by a Fairness Commissioner. A Request for Proposal was posted on MERX for the purpose of soliciting competing proposals. The City held a bidders meeting, which representatives from six organizations attended. However, the City only received one submission from Vinci Park Services Canada Inc. (Vinci Park). Vinci Park's submission was considered non-compliant as it did not meet the Minimum Response Requirements of the Request for Proposal. As a result, Precise was identified as the "Final Preferred Proponent". Throughout the procurement process, three reports were brought to Council:

- April 23, 2008 [[ACS2008-PWS-TRF-0007](#)] – Directed staff to proceed with negotiations with Precise under the framework of an Ottawa Option

- April 22, 2009 [[ACS2009-COS-PWS-0008](#)] – Confirmed the City’s requirements for a paid parking system which was to serve as the basis for the next phase of the Ottawa Option procurement process.
- December 9, 2009 [[ACS2009-COS-PWS-0031](#)] – Delegated authority to staff to finalize and execute the Parking Operations System Agreement with Precise

The final contract, called the “Parking Operations System Agreement” (the Agreement) was finalized and executed in April 2010, and Precise began replacing equipment in June 2010. The original order was for 690 on-street Pay and Display machines to replace approximately 4,000 single-space parking meters, as well as existing kiosks at some of the parking facilities. They also replaced parking systems at three municipal parking garages, including gates, kiosks and back-office systems. By late 2011, all components were in place and tested. This began the Management Period of the contract, which is set to expire on October 31, 2021. Since then, 30 more Pay and Display machines have been purchased to meet growth and maintenance requirements, for a total inventory of 720, including spares.

As part of the Agreement, the City is responsible for enforcement as well as policy development, and does so in accordance with the Council-approved Municipal Parking Management Strategy. The City is also responsible for the following operational matters:

- Location of paid parking
- Hours and days during which parking must be paid
- Rates of payment for parking
- Content and approval of any public-facing signage on the parking payment machines or at any facilities

FINANCIALS

All the revenues received through the parking equipment are deposited to the City. As mentioned previously, if the Revenue Guarantee was not met during years one to five, Precise would pay the City the difference. As per the Agreement, the City started to make payments towards reducing their liability on a quarterly basis in year six of the 10-year contract, but only for the amount of revenue over the ‘base revenue’. A credited payment from Precise is also made to reduce the City’s liability for the difference if the Revenue Guarantee was not met.

Outside of any equipment payments, the City pays Precise service fee costs on a monthly basis. These costs are calculated on a per machine or equipment basis and adjust annually for inflation (75 per cent of CPI). These services include:

- Cash Collection
- Warranty and Renewal Program
- Maintenance
- Central Management System Support

Cash Collection

Precise is responsible for the collection and processing of coins and bills from all parking equipment and to ensure that all cash is collected before machines become unable to accept payment. Each time cash is collected, a Collection Report is printed by the payment machine, which is used for audit and reconciliation purposes. Precise must also ensure there is sufficient cash in the machines to allow them to make change.

Warranty and Renewal Program

A Warranty and Renewal Program was included in the Agreement in which the City pays a monthly fee to Precise per Pay and Display machine and per customer transaction. In return Precise ensures parking payment machines have the appropriate components and are upgraded as required to address any changes in industry or government standards. As part of this program, Precise is required to develop a preventative maintenance plan to schedule regular maintenance activities to minimize downtime.

Completed work under the warranty and renewal provisions to date has included:

- Refurbishment of 398 P&D machines as of the end of August 2020
- Modem upgrades from 2G to 3G to enable continuing communications with each machine
- Updated credit card readers to conform to Payment Card Industry standards
- Re-programming of coin selectors for new coins
- Provision of all replacement parts and other components (e.g. ticket rolls) that are required to keep the equipment fully operational

Maintenance

Precise also provides program and corrective maintenance for all equipment:

- Program maintenance minimizes downtime and involves cleaning the machines, maintaining signage and hooding units when they are out of service.
- Corrective maintenance involves fixing any reported issues that include but are not limited to paper jams, coin or card jams, vandalism and theft. The Agreement includes the response / resolution times for each corrective maintenance task.

Central Management System Support

The Central Management System represents the services Precise is required to provide beyond the physical components of the equipment. These services include:

- Communications (monitoring and reporting functions)
- Payment Processing (processing of credit card transactions)
- IT Systems (establishment, maintenance and operation)

Additional Costs

Precise is responsible for the above services as well as “cost-plus” activities in the parking garages. Cost-plus services are provided with a 15 per cent administrative fee and apply only in off-street parking facilities. The City clarifies the scope of the services provided on an annual basis. Some examples of the services include but are not limited to:

- Cleaning and maintenance (e.g. power washing, litter and debris, mopping, shovel and salt)
- Signage changes (i.e. rates)
- Provide booth attendants
- Additional staff for client relations or to manage during special events

The City currently uses these services to have Precise operate the City Hall garage and provide some limited staff services at the two ByWard Market garages.

In terms of additional costs for the Pay and Display machines, there are fees for removing, storing and reinstalling the equipment. The City can request these changes at any time for any reason, but it is primarily required when spaces are taken out of service for construction.

Revenue Guarantee

As detailed above, as part of the Revenue Guarantee, if it was not achieved during years one to five, Precise would be required to pay the City the difference. To date, the

Revenue Guarantee has never been fully met, and as a result, Precise has paid over \$9.7 million to the City. This is additional revenue that the City would not have received without the Revenue Guarantee.

In regards to the Revenue Guarantee's stipulations around payments, if it was not met in years six to 10, Precise would credit the difference, thereby reducing the City's liability. At the end of June 2020, Precise's credits have reduced the City's liability by over \$5.94 million. In addition, as per the Agreement, the City has paid down their liability with payments totaling \$848,356, resulting in a total reduction of \$6.79 million on the City's liability. To this point, the City has only been responsible for 12 per cent of the reduction to the liability. Receiving the equipment at such a discounted rate makes the Revenue Guarantee and equipment payment structure very beneficial to the City.

Summary

The value of the equipment from Precise that is in use by the City is \$12.7 million. The balance on the City's liability up to June 2020 is summarized in the table below:

Table 1: Current City Liability Balance

Liability Impacts	Amounts in millions
Starting Liability (value of equipment / upgrades)	(12.71)
Interest	(1.65)
Precise's credits to City's liability / interest	5.94
City's payments to reduce liability / pay interest	0.85
Balance on Liability	(7.57)

To date, the average annual revenues and costs related to Precise's equipment from 2012 to 2019 are as follows:

- Revenues (not including Revenue Guarantee payments): \$14.5 million
- Service fee costs \$1.9 million
- Additional costs \$10,000

Total parking program revenues and costs are provided in the Parking Services 2019 Annual Report [ACS-PWE-RPS-002].

CONTRACT DISPUTE RESOLUTION

Early on in the contract period, issues arose between the City and Precise regarding aspects of the contract. The disputes were largely centered around the Revenue Guarantee not being met. At the beginning of the contract period, the on-street parking revenues failed to reach the guaranteed amount, mainly due to misassumptions related to parking capacity and compliance. The City and Precise also took differing views of how the Revenue Guarantee was to be calculated, specifically relating to how construction zones and out-of-service spaces were to be handled.

As per the contract, the City began invoicing Precise for the difference between the actual revenue and the Revenue Guarantee. In February 2012, ongoing discussions between both parties began, and eventually a formal dispute process was triggered in July 2014. Between 2012 and 2016, the City and Precise held various negotiations and mediated sessions. Through these processes, issues were identified on both sides and payments on the Revenue Guarantee (owed to the City from Precise), as well as service fees and other contractual costs (owed to Precise from the City), largely stopped. Despite this being the case, Precise still continued to provide the required core services outlined in the contract.

As the contract neared its sixth year in late 2016, there started to be sustained progress on a resolution to address all outstanding issues. This was partially due to a citywide organizational restructuring, during which Parking Services received a change in management as well as updates to roles and responsibilities. This allowed both sides to reset their relationship with a collective resolve to settle the outstanding disputes. As discussions and negotiations continued, payments on both sides resumed. There has been a significant amount of work invested in settling amounts owed, addressing disputed items and developing a constructive relationship between the parties. The culmination of these efforts was a resolution reached by both parties, subject to Council approval, in September 2019.

The resolution includes enacting the provisions outlined in the original contract, allowing for a five-year extension, which is contingent on approval from City Council and subject to the terms and conditions negotiated by Precise and the City.

Terms of the extension have been discussed and the parties have also agreed to the updates to the Agreement where there was a requirement to modify it to account for outdated aspects or to better facilitate contract management.

To gain further outlook on whether a five-year extension would be the option that is most beneficial to the City, the City conducted its own internal analysis and also brought in an external firm, Samson & Associates, who reviewed the extension and weighed it against the other options available to the City. Samson & Associates also reviewed the contract management of the Agreement and ultimately concluded that a five-year extension is in the best interest of the City and provided various recommendations to further improve the City's contract management. Staff have begun reviewing and actioning these recommendations. One that has not yet been actioned relates to the recommended addition of full-time resources to support in the execution and monitoring through the remainder of the current contract period and the extension. Staff require two additional FTEs, these will be added as temporary positions in the interim.

Additionally, to ensure the five-year extension would be strategically beneficial to the City, another consultant firm, BA Group, was hired to develop a Technology Road Map. This outlines the current and upcoming trends in technology in the parking industry.

Both the internal and external reviews supported the same conclusion that the five-year extension provides benefits to the City and clearly represents the best of the options that are available to the City. Therefore, staff are recommending a five-year extension of the contract based on collective findings that are fully detailed below in the discussion section of this report.

DISCUSSION

The equipment that is provided and maintained by Precise is critical to the management of parking in the City of Ottawa. Setting and updating parking rates helps to generate turnover and ensures there is available parking in the busier areas of the city. At the outset of the contract, Precise provided and installed equipment to replace single-space meters and existing systems. In addition to the 720 total Pay and Display machines, Precise also provides and maintains gated systems at three parking garages: City Hall, 70 Clarence Street and 141 Clarence Street. This involves Pay-on-Foot kiosks as well as the entry and exit gates.

Since the start of the Agreement with Precise, the City has enhanced service offerings by adding the option to Pay-by-Phone through another vendor, PayByPhone Technologies Inc. While the use of Pay-by-Phone has been increasing, Pay and Display

machines in Ottawa still account for around 85 per cent of the on-street transactions and result in over 2.7 million transactions per year. These numbers indicate that the physical parking kiosks are expected to remain a critical option for parking payment in Ottawa for the foreseeable future.

Precise is also capable of enhancing their operations and customer experience. Recently, upgrades were performed on the payment equipment in the three parking garages. New technology was introduced to accept debit card payments and include “Tap and Go” credit card capabilities, which increase convenience and result in quicker transactions. The new features also allow ticketless entry into the parking facility by using a credit card to enter and leave using the same card.

The City’s current contract with Precise is set to expire on October 31, 2021. The Agreement includes a provision to extend the term by five years if both parties agree.

The resolution between Precise and the City sets out terms that will allow the City to move beyond the existing disputes and provides for both financial and service-related advantages that will benefit Parking Services as well as residents and visitors who use the system. Financially, the settlement resolves money owed on both sides and maintains the beneficial effects of the Revenue Guarantee. The Revenue Guarantee assures the City will pay for the equipment at a reduced rate going forward.

RESOLUTION

As previously discussed, Precise and the City began resolving their disputes late in 2016, which resulted in both parties reaching a resolution, subject to Council approval, in September 2019.

The key components of the resolution are:

- Revised Revenue Guarantee Methodology
- Refurbishment Requirements
- Resolution of Outstanding Payments
- Updates to the Agreement
- Five-year Extension

In order to move forward with the revised Revenue Guarantee methodology and the extension, Council approval is required.

Proposed Revisions to the Contract – Revised Revenue Guarantee Methodology

As outlined in the background, Precise's original proposal qualified under the Ottawa Option Policy, primarily due to the Revenue Guarantee. The key aspect of the Revenue Guarantee was a guaranteed increase of 25 per cent to on-street paid parking revenue compared to what it was with single-space parking meters. The contract also has a provision to account for the introduction of Pay-by-Phone technology, implemented in 2012, which adjusts the guaranteed increase to 23.75 per cent. If the Revenue Guarantee was not met in years one to five, Precise would pay the difference to the City. If it was not met in years six to 10, Precise would account for the difference by way of a credited payment to reduce the City's liability.

As previously detailed, there were issues between the City and Precise when it came to the calculation of the Revenue Guarantee. The disputes lead to a need to assess and properly account for the larger and lasting impacts on parking revenues that would happen with road reconstructions, and also when spaces are otherwise taken out of service.

The City undertook a detailed review of the Revenue Guarantee calculation process in order to identify potential revisions to address the concerns of Precise, while maintaining the intent of the contract. The new processes address Precise's concerns by taking into account specific situations that impact parking usage, while still ensuring value for the City.

The City developed a more appropriate approach to better address:

- Impacts of large-scale road reconstructions on adjacent streets
- Lasting impacts of large-scale road reconstructions once completed
- Revenue Guarantee expectations for removed spaces
- Actual usage of Pay-by-Phone

Impacts of large-scale road reconstructions on adjacent streets

With respect to larger-scale road reconstructions, the existing calculation only removes the spaces that are out of service due to the construction, and it also assumes that parking demand returns to the same levels immediately upon completion of the work. Through observation and data collection, it is now known that there are broader impacts. When a street is reconstructed, the disruptions result in fewer people visiting the area. In turn, there is typically a drop in demand for parking on the adjacent streets

where parking remains. For this reason, it is reasonable to also remove those adjacent streets from the Revenue Guarantee calculation, thereby not holding Precise accountable for an increase in revenues at those spaces while the construction is ongoing.

Lasting impacts of large-scale road reconstructions once completed

Observation and data collection have also shown that, in some cases, there is a lag involved when parking is reinstated following a major road reconstruction. It may take a period of time before revenues return to pre-construction levels. On a case-by-case basis, this will be assessed, and where parking demand does not return, Precise would not be accountable for the Revenue Guarantee until there is a rebound to close to previous levels.

Revenue Guarantee expectations for temporarily removed spaces

For other spaces that are temporarily removed or removed long-term due to local construction, food trucks, bicycle lanes, etc., the existing calculation of the Revenue Guarantee creates a deficit for Precise because the spaces are assumed to be making 25 per cent over the Base Revenue, whereas the adjustment uses recent actual revenues to reduce the expected revenue increase.

A change in the sequence of the calculation means that adjustments can be made prior to applying the Revenue Guarantee increase and at a more reasonable rate. As part of this, the assumption would instead be a 5.6 per cent increase, which is based on a recent average of surveyed areas.

Actual usage of Pay-by-Phone

It has also been negotiated that the Revenue Guarantee will be adjusted to reflect actual Pay-by-Phone use. Originally, it was assumed that five per cent of transactions would be through Pay-by-Phone, but those levels are now much higher (approximately 15 per cent and rising). The revised Revenue Guarantee calculation would tie the Revenue Guarantee requirements to the actual rate of Pay-by-Phone use and would give the City additional flexibility to further leverage the Pay-by-Phone option.

Summary

After recognizing the full impact of the previous Revenue Guarantee, staff are recommending these changes be made moving forward as well as be applied on a retroactive basis. This would involve \$680,000 being returned to Precise for years one

to five, and an additional amount to be paid towards reducing the City's liability in years six to 10 (\$65,000 to the end of Q2 2020 and projected at \$105,000 in total). All such payments would be made from parking fee revenues.

Moving forward, these revisions resolve all outstanding issues related to the Revenue Guarantee calculation, while upholding the intent of the original Agreement with Precise and continuing to provide significant value to the City. Even under the revised methodology, by the end of an extension term, the City is projecting to only pay approximately 15 per cent towards all equipment, with Precise responsible for the remaining amount.

An additional key point is that the Revenue Guarantee incentivizes Precise to provide a high-level of service, as any lost revenue due to machine downtime has a direct impact and causes them to assume a greater share of the equipment costs.

Proposed Revisions to the Contract – Refurbishment Requirements

Over the term of the Agreement with Precise to-date, some Pay & Display machines started to show signs of ageing, notably through rust and issues with the display screens. In 2018, Precise initiated a program to resolve the most significant instances. As of August 2020, 398 machines have been refurbished under the Warranty and Renewal Program, and the resolution with Precise ensures that the entire inventory of 720 machines will be refurbished prior to the extension term, should the extension be approved.

These refurbishments include:

- All components being tested, refreshed and replaced where necessary
- Coating improved (more resistant to graffiti, less susceptible to rust)
- Improved solar panels (increased power and better power management)

This means that by late 2021, the City will have a complete inventory of new or fully refurbished parking equipment, all of which from the last three years. This is another advantage of extending the contract, because if the City otherwise goes to a procurement process, new equipment would have to be purchased at significant cost, and the benefit of the new / updated equipment would be lost.

Proposed Revisions to the Contract – Resolution of Outstanding Payments

During the dispute process, both parties held back payments from the other. Precise did not pay the City for most of the Revenue Guarantee amounts that were invoiced, and

the City did not make payments on service fees owed. Despite this latter point, Precise continued to provide uninterrupted core services to ensure the system remained operational at a high level.

Since that time, invoicing and payments have fully resumed and all costs are being invoiced, vetted and paid on an ongoing basis.

The parties have established the amounts owed by both parties during the dispute period. It also set out that there will be no claim of interest or other penalty provisions against each other.

This is beneficial to both sides, as interest amounts owed to the City for Revenue Guarantee were off-set by what was owed to Precise. For financial purposes, Precise's accrued interest of almost \$11.8 million is off-set against what the City would otherwise have owed and has been written off under the City's Allowance for Doubtful Accounts. This causes no additional budget pressure as it is for interest only, and as indicated, have already been off-set. Therefore, the City and Precise can proceed forward with disputes and debts settled.

Proposed Revisions to the Contract – Updates to the Agreement

It is now more than 10 years since the execution of the Agreement with Precise and when the equipment first started to be installed. Staff have identified a number of amendments necessary to facilitate better contract management, and it is recommended that Council direct the General Manager of Public Works and Environmental Services to negotiate amendments with Precise and implement contractual changes. The majority of the edits are minor housekeeping changes (e.g. spelling, naming, definitions, and correcting references). Additional amendments that staff have identified include:

- Updated timelines for required system changes requirement (e.g. installation / removal of machines, re-programming, signage changes, etc.) in order to allow for type-specific standards, based on the level of effort and timeframe required.
- Updated reporting requirements in order to remove duplication and more closely reflect the current reporting processes.
- Inclusion of additional circumstances / categories for removed machines, in order to provide both Precise and the City with clarity on machine status and service fees due.

- Revised cash deposit requirements which formalize the adopted process of monthly deposits based on the amount that is recorded by all parking payment machines rather than the amount of cash that is collected and processed.

Proposed Revisions to the Contract & Third-Party Review Findings – Five-Year Extension and Two New FTEs

The five-year extension would bring the contract to October 31, 2026. The notion of a five-year extension with Precise is something that has been thoroughly assessed both by staff and through third-party reviews. While the option for a five-year extension is provided for in the original Agreement, it must be evaluated as to whether all requirements of the Purchasing By-Law are satisfied. Per Section 32 of the Purchasing By-Law, where a contract contains an option for renewal, the Director may authorize Supply Services to exercise such option provided that:

- a) the supplier's performance in supplying the goods, services or construction is considered to have met the requirements of the contract, and
- b) the Director and Supply Services agree that the exercise of the option is in the best interest of the City, and
- c) funds are available in appropriate accounts within the Council approved estimates including authorized revisions to meet the proposed expenditure.

In addition, per the Purchasing By-Law, the authorization of the Director shall include a written explanation of why the renewal is in the best interest of the City and shall include comments on the market situation and trends.

Due to the various considerations of the resolution the implications of extending this Agreement, and given the course things have taken since the original Agreement was approved, it was important that the option for a renewal be presented to Council for its information and approval.

In order to assess and ensure that extending the Precise contract conforms to the requirements of the Purchasing By-Law, staff first undertook an internal assessment of all necessary factors.

In terms of Precise meeting the requirements of the contract, they have demonstrated a commitment to the City and the Agreement by continuing to maintain the equipment to a high standard throughout an extended dispute process. Existing and revised provisions

of the Agreement have helped ensure that the contract is properly managed and that Precise is held accountable.

Regarding any payments to Precise, the required funds are available. All payments will come from parking fee revenues from either existing operating budgets or the Parking Reserve Fund.

While staff were assessing if an extension scenario under the terms of the resolution with Precise is in the best interest of the City, a number of benefits were identified, and it was concluded that it would indeed be in the City's best interest to proceed.

The primary benefit of the Agreement and in extending it has to do with the Revenue Guarantee. This has the following impacts:

- Discounted equipment payments – the City is only projecting to pay approximately 15 cents-on-the-dollar for the equipment
- Performance incentive – aside from the commitments within the Agreement, Precise has an additional motivation to keep the equipment operating at a high level to avoid lost revenues and a greater share of the equipment costs.
- Protection against unexpected drops in revenue – Precise is committed to crediting the City's liability for any amount that the actual revenues fall short of the Revenue Guarantee, which means larger contributions if revenues fall.

Aside from the Revenue Guarantee, there are other key advantages to proceeding with this resolution:

- Refurbished / upgraded equipment – Through the Agreement, all equipment will have been renewed within three years of the extension term starting which allows for continued use of updated, warranty-protected equipment.
- Settled terms – Moving away from the resolution may open the City up to significant costs and exposure in the event the parties fall back into dispute.
- Deferred procurement – The process of soliciting a new system in the near future would require a significant draw on both staff and financial resources.
- Avoidance of new equipment costs and disruption – The outcome of procuring a new system would likely require upfront costs at a time of significant financial pressures and would also create disruption in the system and for the general public.

While conducting this review, it became apparent that the management of this contract requires more support from confirmed resources than what is currently allotted, which as stated in the background and clarified later in this report, is supported through recommendations from the external review undertaken by Samson & Associates. Currently, the Agreement is managed by the Area Manager, Transitway and Parking, with contract management support from a Parking Systems Engineer. Considering the outcomes of the dispute resolution and lessons learned while managing this contract to date, there are comprehensive administrative, financial and day-to-day tasks required to monitor the Agreement. To manage the workload, resources are drawn from elsewhere in Parking Services and an external consultant is periodically required on matters related to financial analysis and strategic approach. There is also one funded Parking Operations Inspector position that handles the in-field monitoring and data collection. The required field work and monitoring necessitates an additional funded position in order to ensure that Precise is best being held accountable to the terms of the contract.

From a financial perspective, there are revenue auditing and Revenue Guarantee calculation processes that require a dedicated resource, so as to confirm on an ongoing and consistent basis that the City is receiving the maximum value from this contract. Currently, there is no such resource and these tasks are shared between different groups and different staff levels with support from the external consultant.

To this end, staff require two new FTEs to assist in the coordination, management and monitoring of the Agreement, at a cost of approximately \$200,000 per year, which would be funded through the paid parking program. As indicated, these two new FTEs would represent dedicated support to the contract management to ensure the City remains in the best possible position. They will represent designated resources to manage the Revenue Guarantee, implement data processes to support performance tracking and internally manage all aspects of the financial monitoring and reconciliation. The FTEs would also alleviate the Area Manager, Transitway and Parking, of many day-to-day administrative duties to further focus on the management of Parking Services and the various responsibilities relating to Roads functions.

With staff's thorough assessment, it was concluded that the extension is aligned with the requirements of the Purchasing By-Law, which has been confirmed and reinforced by Procurement.

That being the case, staff still sought independent third-party reviews to test and verify these conclusions. The City brought in two consulting firms to consider different aspects. BA Group was engaged to develop a Technology Road Map for the Municipal

Parking Management Program, and Samson & Associates was asked to assess the five-year extension to determine the relative value and benefits to the City, and also to conduct a general review of the City's contract management practices to-date pertaining to this Agreement.

BA Group – Technology Road Map

BA Group is a Canadian consulting firm based in Toronto that provides transportation planning and engineering services to public and private organizations. They are focused on sustainable urban land development and the legal, functional, social and economic implications of various transportation systems. They also have specific expertise and a significant amount of experience with parking.

The requirement for a Technology Road Map is tied to the strategic planning for the Municipal Parking Management Program and was an outcome of the update to the Municipal Parking Management Strategy, which was approved by Council in October 2019. The Technology Road Map for Parking Services was completed in 2020 and included a focus on the market situation and market trends relating to parking payment systems.

The work that was done as part of Technology Road Map is relevant in determining if extending the relationship with Precise makes sense from a strategic point of view. The full Technology Road Map is attached as Document 1.

For on-street parking, the current trends continue to point towards the use of payment kiosks. The primary current options are Pay and Display (in place in Ottawa), Pay-by-Space and Pay-by-Plate.

While some municipalities have moved to Pay-by-Plate when upgrading their technology, there are identified shortcomings with Pay-by-Space, particularly in winter climates due to the additional infrastructure that is required. While no immediate change in technology is envisioned in Ottawa, per the Technology Road Map, the relative advantages of alternate systems should be further assessed. Moving forward, this will be more fully considered. If supported, Precise has the ability to retrofit the existing Pay and Display kiosks.

Pay-by-Phone is becoming more popular, as it is an option to get away from having to rely on cash. As mentioned previously, Pay-by-Phone has already been put in place in Ottawa and the City has the flexibility under the terms of the Agreement to support and enable this further.

One of the more significant changes in the industry relates to leveraging real-time data for the benefit of setting policy, improving parking management and providing information to the public. However, this information is most likely to come from emerging sensor technology, which the City is invested in exploring through a Smart City pilot project that will shortly be deployed. It is not envisioned that any opportunities related to the availability of data will impact requirements related to this contract.

Ultimately, there is nothing that has been identified that would require avoiding an extension, as there is no near-term technology change anticipated and the City has the flexibilities needed in the contract. From this perspective, there is confidence that an extension makes sense strategically for Parking Services and the City.

Samson & Associates – Review of Extension

Samson & Associates is a Canadian consulting firm based out of Gatineau that operates both locally and internationally. They specialize in proven and innovative management methods by helping clients achieve the best path towards growth and success. They offer support to various services including financial management, information technology and security, risk management, management of assets, procurement services and accounting.

They were hired for their expertise in the management of procurement services to undertake an independent assessment of the five-year extension to determine relative value and benefit to the City of Ottawa and to also conduct a review of the City's contract management practices relative to the contract to-date. The full report can be found in Document 2.

Regarding the extension, Samson & Associates based their review on the Agreement and the resolution terms between the City and Precise to determine if an extension would be the best way forward.

This included consideration of all options available to the City:

- City takeover of the infrastructure and operate the parking operations system with City of Ottawa staff;
- Launch a request for proposal process;
- Let the contract expire and extend month to month; or
- Extend the Agreement for five years.

Under the first option, the City could pay off the remaining liability on the currently installed parking machines at the end of the 10-year term. This would cost a minimum of

\$6.5 million and would require the City to take sole responsibility of the infrastructure and operating system. This would necessitate an increase in staffing levels, proper training for those staff and the development and implementation of IT, communications and financial systems. This option also results in termination of the Revenue Guarantee, reducing the ability for the City to off-set liability costs. Buying out the equipment would be the costliest option out of the four considered.

Launching a request for proposal would initiate a competition for the best solution, but it also has some significant drawbacks. It represents what would be a time-consuming process which requires multi-departmental resources. Deferring this process avoids this and also delays when the entire system would be changed, which would therefore lead to less disruption and change in the near-term, while also allowing the City to proceed with any interim policy changes as they are deemed warranted (e.g. paid parking in new areas). Removing the current equipment would result in the City not taking advantage of the newly upgraded and refurbished machines that would otherwise be provided under the extension with Precise. In addition, the Revenue Guarantee is an unlikely option for any other contracts, especially due to what has been experienced.

Letting the contract expire and extending it month-to-month has similar impacts to launching a request for proposal and would ultimately end up at the same place with the City going to market for a new system. The advantage is that it would provide the City with additional time to explore other options while still having a contract in place. However, this arrangement would be contingent on Precise's agreement, which therefore creates uncertainty around the feasibility and what the terms would be.

Any of the scenarios discussed to this point would nullify key components of the resolution that has been negotiated with Precise. As such, there is the potential for the resumption of a dispute process between the parties. This would represent risk to the City if another settlement could not be reached.

Samson & Associates reviewed the option of extending the Parking Operations System Agreement for five years. This option would lock in the Revenue Guarantee with the revised methodology. Samson & Associates noted that the reduction of the City's liability is very significant. If this approach is taken, Precise will have paid an additional \$11.1 million.

The five-year extension also allows for opportunity to analyze data on new emerging trends and technologies. Samson & Associates also noted that there are no current technologies to require immediate action, but by 2026, there may be opportunities to explore a new system.

After their analysis, Samson & Associates stated that they are “supportive of the current City recommendation and considers it is in the best interest of the City of Ottawa to extend the [Parking Operations System Agreement] contract. The extension will allow the City to benefit from the revenue guarantee, continue to utilize their inventory of P&D equipment and provide an opportunity to analyse data on the changing habits of users towards evolving technologies. Furthermore, the extension will provide enough time to appropriately scope and launch a formal request for proposal for the next generation of parking operations systems.”

Samson & Associates – Review of Contract Management

Samson & Associates’ review of contract management practices found that recent improvements “provide assurance the City is receiving appropriate value from this contract”. Further to that, it was noted that “continued improvement, as already initiated and supported by management, will be beneficial to the City’s capacity to receive maximum benefits. The current culture supports this type of improvement and should be encouraged.” Samson & Associates included seven recommendations to help ensure the City receives that maximum benefit from the contract:

- Recommendation #1: As evidence of review of the invoice requirements, a checklist should be produced and signed by the accounts payable responsible employees and signed by the manager in charge.
- Recommendation #2: The monthly revenue verification and reconciliation should be peer reviewed or reviewed by a supervisor to ensure it is accurate and provide additional strength to this control.
- Recommendation #3: Reported revenue should be subject to a full audit (as permitted by the contract) to assess whether there are any anomalies in the reported revenue.
- Recommendation #4: Resolving all outstanding reconciling items and audit issues (if any) should be a condition for the extension of the contract.
- Recommendation #5: Warranty and renewal provisions should be considered during negotiations of the extension of the Agreement. With the increase of “Pay by Phone” users rapidly growing, the 5-year extension presents an opportunity to gather data on the potential to reduce the number of P&D machines and therefore reduce warranty and renewal costs to include only a fraction of the current inventory.

- Recommendation #6: The City of Ottawa should reassess its need for additional resources in managing and monitoring the [Parking Operations System Agreement] extension.
- Recommendation #7: The risk assessment could be developed further to include Political, Economic, Social, Technological, Environmental and legal perspectives to broaden the risk analysis. The succession planning of key parking management resources is also a risk that could be considered.

Process updates and contract amendments have already been implemented to address Recommendations 1, 2 and 5.

The City has initiated processes to conduct both a full financial audit and an expanded risk assessment (Recommendations 3 and 7). From a financial audit and reconciliation perspective, there will be a requirement for all identified issues to be resolved prior to the extension term (Recommendation 4).

As discussed, staff require two additional staff resources to properly support contract management related to this Agreement / extension (Recommendation 6). These will be added as temporary positions in the interim, to be later converted to permanent FTEs.

CONCLUSION

Based on the conclusions of the external analysis and an internal review, staff recommends extending the Precise contract for five years, as it is the best available option to continue to provide this service along with a number of expected benefits:

- The City is responsible for a very low portion of the payments towards equipment costs, projecting to only pay approximately 15 per cent toward all equipment by the end of 2026.
- When the extension period starts, all parking payment equipment will have been refurbished within the past three years, which will extend the life of the equipment. This, along with the Revenue Guarantee provisions, will ensure reliable parking payment services to residents and visitors.
- As a key component of the resolution between Precise and the City, it enables both parties to move beyond a dispute process, which would have resulted in significant costs and risk to the City.

- Deferring the procurement process for a new system will avoid near-term disruption, costs and staff requirements across multiple departments.

If Council chooses not to extend the contract for five years, it is recommended that the contract be extended on a temporary basis so that the City would have the necessary time to conduct a proper procurement process for a new system. This would mean that the key components of the resolution with Precise would be rendered void, as there would be no five-year extension and no adjustments to the Revenue Guarantee calculation. In the absence of an alternate or new resolution with Precise, it is anticipated that this would result in a resumption of the dispute process, and likely legal proceedings.

RURAL IMPLICATIONS

There are no rural implications to this report.

CONSULTATION

There was no public consultation required for this report. Staff offered virtual meetings to all City Councillors to provide background on approach of this report.

Additionally, staff hired two consultants to provide an external review on a strategic approach forward.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

LEGAL IMPLICATIONS

There are no legal implications, should Council adopt the recommendations contained in the Report.

If approved, City Council will bring to an end all outstanding legal proceedings involving the municipality and Precise. This includes an arbitration proceeding commenced by Precise centred largely on the methodology of calculating the Revenue Guarantee. Should the recommendations be adopted by Council, the resulting amendments to the Agreement and contract extension would be implemented by the City and its contractor. This in turn would formally resolve outstanding differences and disputes and allow the parties to focus on contract management for the next several years. If Council approves the recommendations herein, Precise has agreed to discontinue its legal dispute. Legal Services will work with the General Manager, Public Works and Environmental

Services, with a view to finalizing amendments to the Agreement necessary to give effect to recommendations detailed in this Report and for the five-year extension.

With respect to the recommended extension, as detailed in this Report, the extension meets the provisions of the City's Purchasing By-law and has been subjected to external review.

Should Council reject the recommendations and the proposed dispute resolution framework, including revised provisions to the Agreement, and subject to direction otherwise, Precise will presumably seek to reinitiate its formal dispute and the City in turn will respond accordingly. Legal Services would provide further updates as this matter progresses, in keeping with its standard practice in this regard.

Finally, a more detailed confidential legal opinion was distributed separately to all members of Council on the legal dispute.

RISK MANAGEMENT IMPLICATIONS

All risks and associated mitigation measures have been outlined within the body of the report.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the report, which have no tax or net budget impacts. If the report is approved, the funding for two new temporary positions, at a cost of approximately \$200,000 to be funded by parking revenues, will be included in the 2021 Draft Operating Budget for Parking Services. The conversion of these temporary positions into permanent FTE's will be identified in a future operating budget and/or report to Council.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TERM OF COUNCIL PRIORITIES

Service Excellence through Innovation: Deliver quality services that are innovative and continuously improve to meet the needs of individuals and communities

Sustainable Infrastructure: Ensure sustainable infrastructure investment to meet the future growth and service needs of the city.

SUPPORTING DOCUMENTATION

Document 1 – Parking Technology Roadmap

Document 2 – Precise Parklink Contract and Extension Review

Document 3 – Confidential Companion Memorandum from the City Solicitor (*issued separately*)

DISPOSITION

Upon Council's approval of the Report recommendations, the General Manager of Public Works and Environmental Services, in consultation with the City Solicitor, along with Procurement, will finalize and execute the amendments to the agreement with Precise.

Parking Services will also continue to work through the recommendations as laid out in the Samson and Associates report.