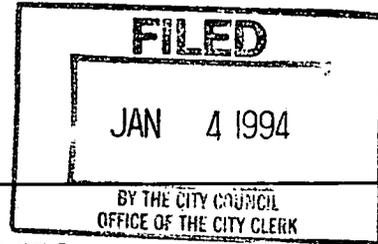




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DEPARTMENT OF
PUBLIC WORKS

TRANSPORTATION DIVISION
PARKING

CITY OF SACRAMENTO
CALIFORNIA

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December 22, 1993

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: REPORT BACK ON OFF-STREET PARKING FUND POLICIES

LOCATION AND COUNCIL DISTRICT: City-wide; All Districts

RECOMMENDATION:

The report is for informational purposes only, no Council action is required.

CONTACT PERSON: J. Mark Morgan, Parking Administrator, 264-7475

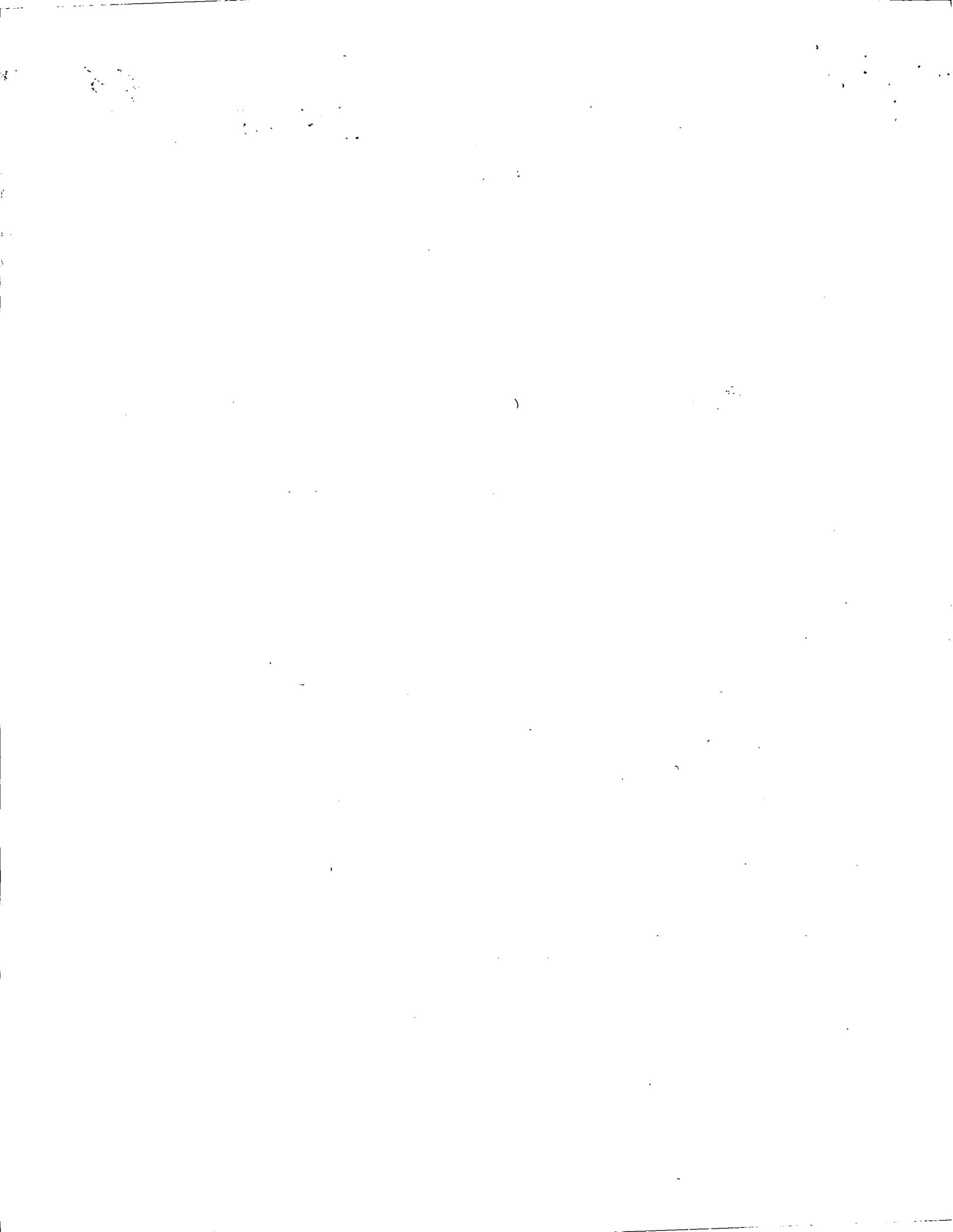
FOR COUNCIL MEETING OF: January 4, 1993

SUMMARY:

At the October 26, 1993 Council meeting, staff presented recommendations for balancing the Parking Fund deficit related to the Off-Street Parking Enterprise. Council requested staff to report back on alternatives that were not introduced, but part of the initial recommendation. These alternatives included:

- advertising in parking lots
- imposing a non-resident parking surcharge
- establishing a parking space tax
- automating additional parking lots
- relocating monthly parkers from Lot E to Lot I

In addition, Council requested an expanded description of the approved flex-rate process for our parking facilities.



Staff recommends that additional fees or taxes not be imposed upon residents or visitors to the City at this time. Instead, staff will work with the City Manager's Office of Economic Development to develop new methods to generate revenue.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

At the October 26, 1993 meeting, staff presented several recommendations to balance the Parking Fund's current \$2.2 million deficit and eliminate the projected annual deficit of \$3.5 million beginning in FY 1994-95. The following short-term measures were approved by Council to address the current \$2.2 million shortage.

RECOMMENDATION	FY 93/94	FY 94/95
Parking Meter Rate Increase	\$270,000	\$500,000
Parking Citation Penalty	\$276,000	\$276,000
Defund Plaza Garage (VA66)	\$435,000	n/a
Flex-rates: Off-Street Parking	unknown	unknown
Operating Budget Adjustments	\$ 19,000	\$519,000
TOTAL	\$1,000,000	\$1,295,000

Supplemental to approving the above recommendations, Council requested staff to revisit and report back on several other alternatives. A descriptive review of each alternative is presented in the appendix as follows:

Attachment A: Advertising in Parking Lots
Staff Comments: Hold for further consideration

Attachment B: Non-resident Surcharge
Staff Comments: Hold for future consideration

Attachment C: Relocation of Monthly Parkers
Staff Comments: Awaiting completion of Convention Center Expansion

Attachment D: Parking Space Tax
Staff Comments: Hold for future consideration

Attachment E: Parking Lot Automation
Staff Comments: Not recommended

Attachment F: Flex-rate, Expanded Description
Staff Comments: Approved, January 1, 1994 implementation date

In addition to the short-term measures, two long-term measures were recommended to address the on-going, projected annual deficit of \$3.5 million. These included: Privatization of Lots G, K, and U, and the Sale of Lot H (10th & L). Council approved the privatization of Lots G, K, and U, but requested a report back regarding the feasibility of the City loaning the Parking Enterprise money in place of the Lot H sale alternative. This issue will be presented in a separate report to Council.

FINANCIAL CONSIDERATIONS:

None. Although no recommendations are made for program implementation at this time, staff is working with the City Manager's Office of Economic Development to develop new methods of generating revenue for the City's parking garages. These ideas may include:

- advertising in parking garages
- selling space for weekend and evening community functions such as: private-party car sales, car shows, craft fairs, etc.

POLICY CONSIDERATIONS:

Staff believes that implementation of a non-resident surcharge, parking space tax, or conversion to fully automated off-street parking program at this time will have a negative impact on the individual consumer and the downtown business community. During this transition period in which the City is striving to build stronger ties with the community and respond to individual needs, the addition of new fees, taxes, and assessments could be damaging to the confidence and support of those efforts. Staff recommends working with the City Manager's Office of Economic Development to encourage revenue generating programs which provide additional services to the community.

CITY COUNCIL
REPORT BACK ON OFF-STREET PARKING FUND POLICIES
REF: 93-11-94
December 22, 1993

MBE/WBE:

None. No goods or services are being purchased.

Respectfully submitted,



MICHAEL KASHIWAGI
Deputy Director of Public Works

RECOMMENDATION APPROVED:

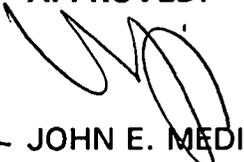


WILLIAM H. EDGAR
City Manager

JG:ow

- Attachment A: Advertising in Parking Lots
- Attachment B: Non-resident Surcharge
- Attachment C: Relocation of Monthly Parkers
- Attachment D: Parking Space Tax
- Attachment E: Parking Lot Automation
- Attachment F: Flex-rate, Expanded Description

APPROVED:



FOR JOHN E. MEDINA
Director of Public Works

ADVERTISING IN PARKING LOTS

The idea of advertising in parking lots in order to generate additional revenue was initiated by an employee through the New Directions process. At the October 26, 1993 meeting, Council directed staff to investigate and report back on the potential revenue that could be generated.

Staff explored several advertising options as a source of potential revenue. Listed below are the options considered.

- A. **Billboards:** Staff met with three firms specializing in billboard advertisements. While all three firms were receptive to the idea of advertising in parking garages, greater interest was expressed in establishing open-air billboards in our surface lots. Zoning restrictions preclude construction of billboards in the majority of our lots.
- B. **Promotional Leaflets:** The City's competitiveness and potential revenue for distributing promotional leaflets to parking customers is limited. Business and retail associations often provide this type of advertising to their membership at no additional cost.
- C. **Tickets:** The feasibility of a successful revenue producing program by preprinting parking garage tickets with advertisements is hampered by several obstacles:
 - 1. Tickets must be turned-in upon exit in order to calculate costs and for accounting/auditing purposes.
 - 2. The presentation of advertisements cannot obstruct the readability of the imprinted bar-coding.
 - 3. Conversion to a longer 2" x 12" ticket stub would allow for tear-off advertising or coupons and yet retain the actual parking ticket for exit purposes. According to the ticket dispenser manufacturer, the longer tickets have a propensity for jamming the machine, thereby shutting down entry operations and increasing maintenance costs.
 - 4. Conversion to a longer ticket stub would cost roughly \$500,000 and since the tickets are three times as long, increase the purchase cost of tickets by three times.
- D. **Receipts:** The receipt roll can be preprinted with advertising or merchant coupons and given to parkers as they pay their exit toll. Revenue potential is unknown at this time.

Conclusion

Staff has tentatively explored the above options and come to the conclusion that additional research will be required to determine the actual cost/benefit ratio of providing advertising services. However, based on the results of the initial investigation, the cost/benefit and revenue enhancement potential to the General Fund does not appear substantial enough to warrant additional staff resources at this critical time. Once the Parking Enterprise Program stabilizes from the numerous enhancements that have recently been embarked on (privatization, relocation of displaced workers, citation collection, expanded on-street programs...), staff will continue to investigate the possibility of providing advertising services.

1234
5678

**NON-RESIDENT PARKING SURCHARGE
FOR MONTHLY PARKING PERMITS**

The establishment of a non-resident surcharge was introduced by City Council at the April 6, 1993 budget hearings. At the October 26, 1993 Council meeting, staff recommended consideration for the establishment of a non-resident parking surcharge be delayed until the economic climate improves. Council asked staff to revisit the possibility of instituting a surcharge, keeping in mind the following objectives.

- Generate sufficient revenue to contribute toward offsetting the Parking Fund deficit.
- Assure that long-term commuters, who live outside of the city limits, contribute "fairshare" to the development, construction, and maintenance of parking and/or transportation facilities which are heavily impacted by commuters.

In evaluating the potential revenue generation of the program, staff directed the surcharge at single occupant vehicle (SOV) permit holders. Carpoolers would be exempt since they are voluntarily participating in a transportation management program. Short-term parkers would also be exempt since, from an operational standpoint, it would not be feasible to apply this type of fee. Utilizing monthly permit parkers for Lot B (10th & I Streets) as a sample population, approximately 55% are non-residents and could be assessed a parking surcharge.

Currently, there is strong competition for long-term parking in the downtown market, with parking supply exceeding demand. Several privately owned facilities offer daily specials and/or monthly rates comparable to the City's monthly rates. Consequently, permit holders often opt to park in city garages only because of convenience to their work location; any increase in parking costs would result in cancellations and a proportionate loss in revenue. For example, a 10% surcharge with a 5% cancellation rate would result in a gross revenue increase of \$68,600. This estimate does not include costs for administering and maintaining a surcharge program.

Conclusion

At the present time, staff does not believe the market conditions nor the cost/benefit ratio are sufficient to impose additional costs on the majority of City parking permit holders. However, as the downtown economy continues to improve with new office developments, the opening of Downtown Plaza, and the Convention Center, demand for downtown parking is expected to increase. Anticipated future increase in parking demand would create market conditions conducive for a surcharge on non-city residents monthly parking without risking the stability of parking revenue. Therefore, staff recommends that this item be revisited at a later date.

RELOCATION OF MONTHLY PARKERS

At the October 26, 1993 meeting, Council expressed concern about the vacancy rate of Lot I (10th & I Sts.) and the possibility of transferring monthly parkers from Lot E (13th & I Sts.) which has higher short-term utilization.

As standard practice, the City evaluates short-term usage of all lots and adjusts the availability and assignment of monthly parking permits accordingly. Currently, there are 254 monthly parkers assigned to Lot E who could potentially be relocated to Lot I. It is anticipated that a small number may elect to discontinue their monthly parking permit if reassigned to a lot less convenient to their work location.

Conclusion

Since Lot E only fills to capacity on rare occasions, staff has not yet recommended transferring monthly parkers. Once the Convention Center expansion is completed, staff anticipates that short-term parkers will utilize Lot E to its full capacity. At that time, the relocation of monthly parkers to Lot I will be imposed. The reassignment of monthly parkers will be accomplished in two phases:

1. Monthly parkers will be solicited for voluntary relocation. There will be no financial impact to patrons since the monthly rates are the same at Lot E and Lot I.
2. If needed, additional monthly parkers will be reassigned on a "seniority" basis as needed to ensure adequate parking is available for short-term parkers at Lot E.

Staff will continuously monitor the parking situation at Lot E and adjust monthly parking permit assignments as activity at the Convention Center increases.

PARKING SPACE TAX

As a way to offset the Parking Fund deficit, staff studied the possibility of imposing a parking space tax on commercial parking facilities. At the October 26, 1993 meeting, Council requested staff to report back on the viability and authority of imposing a parking space tax at this time.

An 'excise' or general tax may be imposed by a governing board, provided that the tax is a general purpose levy and not a special purpose tax. A special purpose tax "earmarking" the funds to a specific fund would require a two-thirds vote of the people to enact. Therefore, City Council has the authority to impose the tax, but the money must go into the General Fund and the Parking Enterprise would need to compete with all other interests for that money.

Three basic methods were considered for collecting a parking space tax from commercial parking facilities. All involved collecting the tax from the owner of the parking facility. However, the charge could be passed on to the parking patrons, directly or indirectly. The three collection methods reviewed were:

- Per Space
- Percentage of Gross Receipts
- Per Car, Per Park

The table on the following page provides an example of the potential revenue associated with each method.

Conclusion

All three methods have the potential for generating significant revenue, however, staff believes imposing a parking space tax at this time could have a negative effect on the competitive position of downtown Sacramento in the metropolitan region. It is unlikely that parking fee increases alone could make downtown less competitive, but in combination with the current economic climate and the availability of business districts outside of the immediate downtown area, this funding mechanism could put the City at a disadvantage to attract development and business. Staff recommends delaying further consideration of this option until a more conducive economic climate exists.

PER SPACE			
Number of Parking Spaces	\$10 P/space Monthly	\$20 P/space Monthly	\$25 P/space Monthly
13,700			
ANNUAL TOTAL	\$1,644,000	\$3,288,000	\$4,110,000
PERCENTAGE OF GROSS RECEIPTS			
Number of Parking Spaces P/Zone	10% P/space Monthly	15% P/space Monthly	20% P/space Monthly
a. 2,495	\$ 275,448	\$ 413,172	\$ 550,896
b. 2,895	\$ 277,920	\$ 416,880	\$ 555,840
c. 8,130	\$ 398,880	\$ 598,320	\$ 797,760
ANNUAL TOTAL	\$ 952,248	\$1,428,372	\$1,904,496
*ZONE: PREMIUM RATES ARE CHARGED WITHIN THE CAPITOL MALL AREA AND GENERALLY ARE LOWER THE FARTHER A FACILITY IS LOCATED FROM THE CAPITOL MALL. AVERAGES OF \$92(A), \$80(B), AND \$40(C) WERE USED FOR THIS ESTIMATE			
PER CAR, PER DAY			
Number of Short-term Parkers*	\$.05 P/car	\$.15 P/car	\$.25 P/car
4,965,000	\$ 248,250	\$ 744,750	\$1,241,250
Number of Monthly Parkers*	\$1 P/car P/Month	\$3 P/car P/Month	\$5 P/car P/Month
2,740,000	\$ 32,880	\$ 98,640	\$ 164,400
ANNUAL TOTAL	\$ 281,130	\$ 843,390	\$1,405,650
* NUMBER OF SHORT-TERM V. MONTHLY PARKERS: IT IS ASSUMED THAT 80 PERCENT OF THE TOTAL NUMBER OF PARKING SPACES WILL BE OCCUPIED BY SHORT-TERM PARKERS AND 20 PERCENT WILL BE OCCUPIED BY MONTHLY PARKERS. THIS IS THE SAME APPROXIMATE SPLIT AS THE CITY FACILITIES. THE NUMBER OF SHORT-TERM PARKERS IS ESTIMATED ON THE BASIS OF AN AVERAGE OF 453 CARS ANNUALLY PER PARKING SPACE.			

PARKING LOT AUTOMATION

At the October 26, 1993, meeting Council directed staff to report back regarding the feasibility of automating all of the 17 City parking facilities as a cost reduction measure.

The majority of the City's parking facilities are either automated or restricted to permit parking. Those lots that are not automated, are the larger parking garages which have a greater number of short-term parkers resulting in a higher degree of customer service requirements. Automating these remaining five facilities (Lots E, H, I, P, and R) would cost approximately \$225,000 and result in an estimated annual operational savings of \$300,000.

While automation of all lots would result in some savings, staff believes the loss of customer service would negatively impact utilization of City parking facilities. Currently, Parking Lot Attendants staff the exit booths, provide directions, make change, assist motorists with disabled vehicles, serve as a visual deterrent to vandalism or thefts, and ensures the lot projects the desired public image of the City. Loss of these personal services could negatively impact the willingness of short-term customers to bring their business downtown.

Conclusion

The limited financial gain of automating parking facilities is outweighed by the loss of customer service provided by the City. Staff sustains the recommendation that automation of the remaining parking facilities be continued for future evaluation.

**FLEXIBLE RATES
FOR
OFF-STREET PARKING FACILITIES**

In an effort to increase the competitiveness of City parking facilities in the downtown market, Council adopted a flexible range of rates for off-street parking at the October 26, 1993 meeting. Council also requested a report back explaining the process of imposing flexible rates and the potential revenue that could be generated.

In the past, rates were analyzed and revised once a year during the budget process. Typically, rate change proposals would involve all parking facilities, resulting in a long and laborious process, which required negotiations with downtown business associations and council approval. This process took between three to six months to complete.

Under the new Flexible Rate Program, the process is less formal, in that the rate changes can be implemented administratively without going before City Council. This new process will take between one to three weeks, contingent upon business associations' agreement with the proposed changes. The flexible rate process will continue to provide:

- analysis of short and long term parking usage and comparison of parking rates charged by private parking facilities
- notification and opportunity for business associations and merchants to provide input
- advance notification to parking patrons of impending rate changes

Although the City's hourly short-term rates are competitive private parking facilities, private facilities offer lower all-day ("early-bird") rates, which tend to take away parking from the City. In order to compete, the City's short-term and all-day rates could be adjusted, individually or in combination, to entice patrons back to City parking facilities. Once parkers return, there is a tendency to develop parking routines which result in continued patronage. For example, if the marketing approach to Lot I were modified, an estimated \$16,000 to \$28,000 monthly in additional revenue could be generated. Each parking facility will be addressed individually based on the competition and parking needs of the area.

Experience with flexible rates will provide more information with which to project revenue impacts. Staff anticipates more substantive projections can be provided during the FY 1994/95 budget hearings.