

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 7, 2005

To: Board of Supervisors

From: Department of General Services

Subject: Report Back: Increase In Public Parking Fees In Countyowned Parking Facilities

Contact: Kathleen Perez, Deputy Director 876-6238
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Overview

The Parking Enterprise provides parking services to the public, County employees and a variety of governmental agencies located in the Downtown and Branch Center complexes through the operation of several employee parking lots and two parking structures. The enterprise also enforces parking regulations on countyowned property and reviews and processes citations and administrative reviews for the Sheriff's Department, General Services, Regional Parks, Recreation and Open Space, and the Highway Patrol through a contract with the City of Sacramento. The Parking Enterprise is designed to operate as a self-sufficient business, but has not increased public parking rates substantially since 1998.

On May 23, 2005, the Board of Supervisors approved the Parking Enterprise's request to increase the public parking rate at the downtown County Public Parking Lot, directing the Agency Administrator and the Department of General Services Parking Enterprise to report back to the Board with its findings regarding the following issues:

Report back on:

1. Whether or not the actual revenues generated by the 1998 increase in fees met the proposed estimated revenues of the 1998 fee increase request.
2. The subsidy of employee parking fees for employees parking in the overflow, Union Pacific (UP) Lot and the Employee Transit Program.
3. The issue of inequity between downtown employees paying for parking, while outlying employees park for free.
4. Permissible uses of Enterprise funds in regard to subsidizing public transportation for employees.

Recommendations

Rather than continuing the current measure using the enterprise fund's revenue generated from both the public and employee parkers for the subsidy, the County Executive is recommending within the Fiscal year 2005-06 final Budget to move the subsidy for both the employees in the UP Lot and the Transit Program out of the Parking Enterprise. For budget purposes, a central allocation is recommended for the General Fund representing the anticipated net cost of the subsidy to the General Fund departments. Following approval of

the budget, the actual cost will be computed on a department basis and both cost and appropriation will be transferred to departments, including but not limited to General Fund departments.

Measures/Evaluation

The Sacramento County Parking Enterprise recovers total costs of operation, makes annual debt service payments, keeps parking facilities safe and functional, and maintains necessary reserves for operations and capital improvements on an annual basis and sets aside sufficient funds for future construction.

Fiscal Impact

Allocating the cost of the UP Parking Lot subsidy to the individual employee's department will shift \$134,800 in annual expenditures from the Parking Division to the affected departments, with an estimated net impact to the General fund of approximately \$92,400 per year. This estimate fluctuates and is based on the number of parking spaces used by the various County department employees throughout the year.

Moving the subsidy for the Employee Transit Program out of the Parking Enterprise will reduce the Parking Enterprises expenditures by and have a net impact to the departments and the General Fund of approximately \$50,000 per year.

1998 INCREASE REVENUE PROJECTION VS. 2005 INCREASE REVENUE PROJECTION

Background

In August 1998, your Board approved a transfer of the cost of providing free parking spaces to jurors in the St. Joseph's lot from the General Fund to the Parking Enterprise, resulting in an annual reduction in revenues of \$275,000 with no decrease in associated costs for enforcement and/or maintenance. To help offset this revenue loss, your Board also approved an increase in hourly parking rates in the downtown area from \$1.00 per hour to \$0.75 per half-hour, a \$0.50 per hour increase. The increase in the parking rate fee was estimated to increase annual revenue by \$339,000.

In May of 2005, your board approved an increase in the public parking rate from \$0.75 per half-hour to \$1.25 per half hour, a \$1.00 per hour increase. The increase in the parking rate fee was estimated to increase annual revenue by \$330,000.

During the May presentation, your Board questioned the similarity of the 1998 and 2005 estimates of increased annual revenue given that the 2005 rate increase was twice that of 1998. Your Board questioned, "Did we meet the \$339,000 increase proposed in 1998?"

Discussion

According to the financial reports for year-end Fiscal Year 1998-99, revenues from the public lot totaled \$1,131,968, an increase of \$212,185 over the previous fiscal year. With the increase of \$0.50 per hour taking effect in October 1998, the \$212,185 increase extrapolates to a per annum increase of \$282,913. The projected \$339,000 annual increase was overstated by approximately \$56,000.

As indicated in Attachment 1, revenues for the public parking lots reached their peak in Fiscal Year 1998-99. Since then, there has been a steady decline in public parking revenues due to several factors:

- The movement of several Court divisions to the Carol Miller Justice Center.
- Improvement of the public transit program, providing public transit to Jurors at a discounted rate.
- Diluted use of downtown activities. The average length of parking time per user has declined by approximately 5%.
- The UP Lot offers a lower daily rate, special juror rate, and advertises as “Jury Parking” overflow.
- The number of daily users has steadily decreased since 1998. Please see Attachment 2. The number of users for Fiscal Year 2004-05 is approximately 27% less than Fiscal Year 1998-99.

In the May 2005 Board letter, the projected increase in annual revenue generated by the increase in parking fees was \$330,000 per year. The \$330,000 increase was a conservative estimate based on moderate year-end projections, a considerable decline in usage, and therefore, understated. Based on the year-end actuals for Fiscal Year 2004/05 and application of a more moderate percentage of decrease in usage, the revised estimated increase is approximately \$368,000 per year, an increase of \$38,000.

Subsidy of Overflow, Union Pacific Lot and Employee Transit Program

Background

From approximately 1978 to 1998 (20 years), the County leased on a month-to-month basis the gravel lot located adjacent to the rail yard on the west side of 7th Street for County employee parking. On October 1, 1998, the Union Pacific Railroad informed the County that it would assume management of the parking lot. An agreement was reached with the parking management group of the Union Pacific Railroad for a reduced rate and first priority for monthly parking. In 1998, your Board approved the concept of having the Parking Enterprise issue a monthly payment for County employees in the UP Parking Lot as a temporary measure to subsidize the difference between the county’s \$65.00 monthly employee rate and the Union Pacific’s management group rate.

The UP Lot parking management rate is currently \$100.00 per month per space. At your Board’s direction, the Parking Enterprise continues to subsidize the \$35 difference for each of 320 County employees pending openings in countyowned lots. This benefit cost the Parking Enterprise \$115,200 in Fiscal Year 2004-05 and in excess of \$431,000 since the measure was

initiated. Each price increase for the UP Lot results in an increased and on-going drain on Parking Enterprise finances.

Due to a decrease in demand for UP Lot spaces, the Parking Enterprise has reduced the number of County parking spaces from 320 to 300 effective September 1, 2005. At the present rate, the annual subsidy cost will be \$126,000.

The Employee Transportation Program promotes alternative means of transportation for County employees and is partially funded by the Parking Enterprise. As adopted by your Board, the County's 2005 transit subsidy is a contribution of \$35 toward the employee's purchase of a monthly transit pass. The transit subsidy (\$11,000) plus the applicable portion of the program's administration (\$39,000) cost the Parking Enterprise approximately \$50,000 per year.

Discussion

The current measure uses the enterprise fund's revenue generated from both the public and employee parkers to fund the subsidies. It is feasible to allocate the cost of the subsidy to the departments where the employee is assigned, thus spreading the cost to the operating budgets of departments.

The Parking Enterprise's July 2005 UP Lot Users Report indicates:

- Users represent approximately 130 cost centers, of which approximately 59% are General Fund.
- 95% of the users pay for parking via payroll deduction. The remaining 5% - contractors, interpreters, Law Library employees - do not have payroll deduction and pay monthly by personal check.
- At the existing rate, the estimated General Fund portion of the subsidy is approximately \$92,400 per year.

INEQUITY BETWEEN DOWNTOWN WORKERS AND OUTLYING WORKERS.

Background

Employees who work downtown must pay to park their vehicles, while employees working in outlying areas are provided free parking. The inequity results in a reduction in take-home pay for the majority of classifications accepting a downtown job position, creating difficulties in recruiting new or reassigning existing staff to downtown locations.

Discussion

The Internal Services Agency Administrator will work with the Director of Labor Relations to consider addressing the issues of employee parking subsidies and transit allowances with the applicable recognized employee organizations in the 2006 labor negotiations.

PERMISSIBLE USE OF ENTERPRISE FUNDS

Background

During the 2005 presentation to the Board, the Parking Division was directed to ascertain the permissible uses of Enterprise funds in regards to subsidizing public transportation for County employees.

Discussion

In response to the question of whether or not it is permissible to use Parking Enterprise funds to defray the public transit costs of employees, County Counsel advises, "Although the County, for accounting purposes, has characterized it as an enterprise fund, from a legal perspective there are no legal limitations imposed on the use of the Parking Enterprise Fund since it is not funded through ratepayers, etc. Accordingly, the County is legally permitted to use those funds to offset parking/public transit costs for employees."

Financial Analysis

Revenue Improvement

The increases in public parking fees will result in revenue improvements of approximately \$358,000 per year for the Parking Enterprise, effective July 1, 2005. The projected increase takes into account a reduction in hourly customer use common to any fee increase.

Cost Reduction

Moving the UP Parking Lot and the Employee Transit Program subsidies out of the Parking Enterprise will decrease the Parking Enterprise expenditures by approximately \$184,800 per year (\$134,800 for the UP Lot and \$50,000 for the Employee Transit Program).

Impact on General Fund

The total net impact to the General Fund is projected to be approximately \$92,400 per year for the annual cost of the UP Lot subsidy. This figure is dependant on the number of General Fund County employees using the UP Lot.

The total net impact to the General Fund for the annual cost of the Employee Transit Program is unknown at this time.

Parking Enterprise Reserves

The Parking Enterprise has been forced to dip into reserve funds to cover operational shortfalls for the past several years. The remaining reserve funds consist of:

- \$1,257,797 required for the underlying debt of the parking structure
- \$443,352 for ongoing capital maintenance and operational working reserve
- \$5,573,392 for planning, design and initial work required for a replacement/new parking structure

The recently completed Structural Integrity Study recommends a number of base repairs to the Public Parking Garage to halt the deterioration of the structure and prolong its life another 8 to

10 years at a cost of approximately \$840,000 in hard costs. An estimated 30% in additional soft costs will increase the project to \$1,092,000. This project will be funded from reserves.

Although the future of the Public Parking Garage may be short-lived depending on the new Downtown Area Plan, the Parking Enterprise is moving forward with the project to address only the areas of immediate concern until the plan is completed. Anticipating the need for a new parking structure and hesitating to dedicate millions in the near future for repairs and upgrades to a failing structure, the Parking Enterprise is in the process of hiring a parking consultant to create a demand study and determine the feasibility of constructing a new downtown public parking facility.

CONCLUSION:

Increasing operating and capital improvement costs must be supported by an increase in the public parking fee structure. The recommended fee increases and decrease in expenditures will enable the Parking Enterprise to:

- Continue to offer parking services to County employees and the public
- Make necessary ongoing structural maintenance and repairs, and
- Plan for a future new parking structure to meet ongoing parking needs.

Respectfully submitted,

APPROVED:

John W. Newton, Director
Department of General Services

Terry Schutten
County Executive

By: _____
Mark Norris, Administrator
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Attachments