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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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# Parking Meter Utilization Improvement Plan

## OVERVIEW

Following the receipt of recommendations from the City Manager's Parking Meter Task Force in 2004, staff has worked with parking meter communities to develop a plan for better parking management. A Parking Meter Utilization Improvement Plan (Parking Meter Plan) is now proposed to utilize community input to optimize the use of on-street parking in metered areas. A secondary benefit of the proposed Parking Meter Plan may be to nominally enhance the City's ability to recover traffic/parking related expenses in parking meter zones.

The City Council is being asked to adopt an ordinance to implement the Parking Meter Plan. The ordinance would amend the Municipal Code to establish an on-street target utilization rate of 85% for parking meters and ensure payment compliance by users of multi-space pay stations. In order to achieve the target utilization rate, the ordinance would authorize performance-based parking meter pricing (variable rates) and flexible meter operating hours as recommended by community based organizations.

Additionally, the City Council is being asked to adopt a resolution to amend Council Policy 100-18 to 1) cover all administrative and parking meter related costs before meter revenues are allocated between the City and the Community Parking Districts (CPDs), 2) allow CPDs to use allocated funds for pedestrian comfort and convenience, or vehicular convenience, and 3) to specify that CPD Boards or designated advisory groups will monitor meter activity and provide recommendations to the City in order to achieve greater utilization rates.

This report provides background information related to the development of the Parking Meter Plan, identifies the goals/key elements of the Plan, and discusses certain fiscal considerations associated with the proposed implementation of the Plan.

# FISCAL/POLICY DISCUSSION

## Background Information for Development of the Parking Meter Plan

In June 2003, the City Council asked the City Manager to form a Parking Task Force to make recommendations on parking related issues. The Parking Task Force presented recommendations to the City Council in September 2004. One of the recommendations was to create a Downtown Parking Management Group (DPMG) which subsequently recommended the implementation of a pilot program. The Downtown Parking Pilot Program was authorized in November 2004 with a goal of providing information and sample techniques that would optimize the use of on-street parking in the downtown area that could later be applied citywide.

The Downtown Parking Pilot Program was developed after a review of parking meter utilization rates, relevant parking research/literature and parking strategies in other comparable cities. The DPMG found that one of the most effective tools for managing on-street parking was to adjust pricing to meet a target occupancy/utilization rate of 85%. The results of Pilot Program suggested that a combination of flexible parking management strategies (primarily involving meter rates and time limits) and the installation of new meter technology can optimize on-street parking and increase meter utilization.

Utilizing results from the Pilot Program, City staff worked with the DPMG and CPD Boards to develop the proposed Parking Meter Plan. The Parking Meter Plan was presented to the Land Use and Housing Committee on March 11, 2009 and to City Council on March 30, 2009. The City Council requested that staff conduct more public outreach and asked the City Attorney to research the proper use of parking meter revenues. Staff conducted the requested outreach and initiated an evaluation of eligible expenses for parking meter revenues before returning to the Budget and Finance Committee on October 7, 2009. The Committee requested additional information on eligible parking related expenses and recommended the Parking Meter Plan be forwarded to the City Council for consideration.

## The Parking Meter Plan

As noted in the staff report, the goals of the Parking Meter Plan are to:

- Provide tools for better parking management including flexibility in setting rates, time limits, and hours of operation;
- Set a parking meter utilization target rate of 85% (based on parking research suggesting that this is the optimal utilization rate to balance the supply and demand of parking); and
- Facilitate a community driven process to address neighborhood specific issues.

It is important to note that the primary goal of the Parking Meter Plan is to better manage the supply and demand of parking in metered areas. It is believed that a secondary benefit/outcome of the Parking Meter Plan will be increased meter revenue attributable to predominantly lower meter rates and significantly higher meter utilization. After recent discussions with staff, the IBA would emphasize that 1) additional meter revenue is a

possible secondary benefit/outcome in that may help the City recover eligible traffic and parking expenditures and 2) accurately projecting additional net meter revenue is challenging given that Plan variables are difficult to accurately predict at this time (actual meter utilization, the timing of Plan implementation, subsequent meter modifications, other associated plan costs, etc.).

In December 2009, as part of an 18 month plan to address \$179 million deficit, \$2.6 million was included as an ongoing resource. In developing the FY 2011 Budget, staff included \$2.6 million they estimated would result from implementation of the Parking Meter Plan in FY 2011; however, the Plan has yet to be implemented or receive the Council authorization that is now being requested. The City Council was recently asked to approve a FY 2011 mid-year budget adjustment that removed the \$2.6 million. The staff report now estimates "a net increase in Parking Meter Revenue of up to \$0.95 million (General Fund) on an annual basis with changes being phased in over Fiscal Year 2012". While additional parking meter revenue could be prospectively included in the Proposed Budget for FY 2012, the IBA recommends that the program first be implemented and evaluated with a goal of including additional meter revenue into the budget process once its receipt is more certain.

The proposed ordinance would amend the Municipal Code to provide for the following key elements of the Parking Meter Plan:

- Establishes a target utilization rate of 85% for all City parking meters.
- Existing hourly parking meter rates remain in effect unless otherwise set or adjusted by the Mayor; provided, however, that the Council may change meter rates at any time by resolution or ordinance.
- Establishes a range of allowable hourly parking meter rates from \$.25 to \$2.50 (the current rate is \$1.25 for all City parking meters except for certain meters in the Pilot area).
- Provides that parking meters shall be operated in parking meter zones every day between the hours of 8:00 a.m. and 6:00 p.m., except Sundays and holidays unless otherwise determined by the Mayor; provided, however, that the Council may change hours at any time by resolution or ordinance.
- Allows for hours of operation from 7:00 a.m. to 11:00 p.m. including Sundays and holidays.
- Defines and explains the use of multi-space parking meters.

The ordinance specifies that changes to existing parking meter rates or hours of operation must be consistent with achieving the target utilization rate of 85% based upon parking utilization data and community input as set forth in Council Policy 100-18. It should also be noted that Municipal Code Section 86.04 currently authorizes the Mayor to determine the parking time limit on any designated street (including metered streets) when appropriate signs giving notice thereof are erected.

### Proposed Change to Council Policy 100-18

The resolution associated with this action would amend City Council Policy 100-18 as described in the Overview section of this report. A key proposed change to this Policy is to recover all administrative and operating costs associated with the CPD Program before the City shares 45% of meter revenue with the CPDs. The current practice is to take 5% of meter revenue to recover City administrative costs prior to sharing; however, this does not result in full recovery of all program related costs. Staff indicates the Policy change would result in the City additionally deducting the costs of parking meter operations (approximately \$1.4 million) prior to allocating the residual parking meter funds, which should positively impact the General Fund. The current 5% deduction (approximately \$160,000) covers CPD Program administrative support but does not cover parking meter operations.

### Staffing Associated with Implementation of the Parking Meter Plan

Depending on the timing and the implementation of the Parking Meter Plan, the staff report indicates that 5.00 additional FTEs (1.00 Senior Traffic Engineer, 3.00 Parking Meter Technicians and 1.00 Parking Meter Supervisor) may be required at a cost of approximately \$565,000. If these positions are required, staff believes there will be sufficient additional parking meter revenue to cover all of the costs associated with these positions. Three of the positions would only be required if a decision is made to extend parking meter hours. The staff report indicates an additional Parking Meter Technician (\$100,000) is required for every 15% increase in projected parking meter revenue. A Senior Traffic Engineer (\$165,000) may be the only position immediately needed to help the CPDs and City staff evaluate parking utilization data and optimally implement the Parking Meter Plan.

### Eligible Traffic and Parking Related Expenses

As noted in the staff report, there are limitations on the use of parking meter revenues and these revenues are not available for general use. The Office of the City Attorney provided staff with memoranda in April and May of 2009 regarding the appropriate use of parking meter funds for parking and traffic related expenses. Much of the delay in bringing the Parking Meter Plan back to the City Council for approval is attributable to the time staff required to research and analyze traffic/parking related data in and around defined Parking Meter Impact Zones. In summary, staff concluded:

*“it is estimated that total General Fund expenditures for expenses which are consistent with the use limitations for parking meter revenue currently meet or exceed the total parking meter revenue projected. As such, the additional parking meter revenue would replace general purpose monies being expended on eligible parking meter and traffic management and control expenses and thereby making these general purpose monies available for other uses.”*

Based on their expenditure analysis to date, staff has informed the IBA that they do not believe eligible parking and traffic related expenses significantly exceed projected parking meter revenues in the parking meter zones. If the Parking Meter Plan is

implemented, then staff will need to annually analyze and monitor eligible revenue and expense data to ensure meter revenue is exclusively used for traffic and parking related expenses. To the extent that eligible expenses continue to exceed meter revenues, any increase in parking meter revenues will benefit the General Fund.

New Technology Parking Meter Costs

New technology parking meters offer several useful features such as wireless/real-time data transmission, alternative payment methods (i.e., credit cards) and may reduce certain operating costs. Staff believes annual savings associated with new meters will offset the annual costs (merchant banking, meter operation and warranty expenses). The estimated cost to replace existing meters with new technology meters is approximately \$3.3 million. Although no funding for new technology meters has been identified, the CPDs may have available and eligible funds for this expense.

## CONCLUSION

On January 26, 2011, staff presented the proposed Parking Meter Plan to the Budget and Finance Committee. The Committee directed staff to return to City Council with the necessary actions to implement the Plan.

Based on its potential to enhance on-street parking conditions in the City’s metered districts and, secondarily, the possibility of ensuring better recovery of eligible traffic and parking expenses, the IBA recommends the City Council adopt the proposed ordinance and resolution.

Staff estimates a net increase in parking meter revenue of up to \$.95 million annually if the Parking Meter Plan is phased in over FY 2012. Based on our discussions with City staff, the IBA believes it is difficult for staff to accurately project additional parking meter revenue at this time. While additional parking meter revenue could be prospectively included in the Proposed Budget for FY 2012, the IBA recommends that the program first be implemented and evaluated with a goal of including additional meter revenue into the budget process once its receipt is more certain.

**[SIGNED]**

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