



**CITY OF SALINAS
FINANCE COMMITTEE
STAFF REPORT**

DATE: January 6, 2020
DEPARTMENT: PUBLIC WORKS DEPARTMENT
FROM: DAVID JACOBS, PUBLIC WORKS DIRECTOR
BY: JAMES SERRANO, TRANSPORTATION MANAGER
TITLE: PARKING PROGRAMS UPDATE

RECOMMENDATION:

The Council Finance subcommittee is requested to receive an update on the City's Parking Programs.

EXECUTIVE SUMMARY:

In order to improve the management of City parking assets, the Public Works Department consolidated the parking enterprise currently comprised of the Downtown Parking District (5446) Preferential Parking Program (5447), and Parking Enforcement (5448). The parking programs as a whole support the City's economic development and quality of life goals. Management of the program is currently focused on making these programs self-sufficient and less dependent on the General Fund as well as improving these programs' value to customers. The report is a mid-year update of the City's parking programs.

BACKGROUND

The Downtown Parking District - Program Update

The Downtown Parking District includes the operations and management of parking supply in the downtown area including two public parking garages and parking lots. Management of downtown parking is a key element of the Salinas Vibrancy Plan recognizing the importance of parking management in supporting downtown economics. Providing parking amenities has costs for administration, capital, operations and maintenance as with any public service endeavor. In the Downtown Parking District, revenues have not covered the costs of the district and the General Fund had subsidized the district costs for over a decade.

In the past year, a significant activity was the much-needed parking rates adjustment which brought current rates to estimated market level. The Council adopted a rate adjustment phasing plan in February 2019 with much discussion with representatives of downtown property owners and businesses. The new parking rates were effective on July 1, 2019. Subsequent approved

adjustments will be made in the next 2 fiscal years that are estimated to remove the General Fund subsidy.

The table below summarizes the current financial status of the Downtown Parking District through November 2019. At mid-year, Council's approved rate increase promises to show modest revenue increases in the fiscal year that places the district's income in line with costs. The results indicate a healthy demand for City's parking services, and that the previous rates held for the past decade may have devalued city parking services.

| Parking District Fund Operating Revenue and Expense 2015-16 through 2017-18 | | | | Actual | Through 11/26/2019 | Projection 6/30/2019 |
|--|-------------------|-------------------|-------------------|-------------------|-----------------------|-------------------------|
| Account Description | 2015-16 | 2016-17 | 2017-18* | 2018-19 | 2019-20 | 2019-20 |
| Off Street Revenue | | | | | | |
| Parking Lot Permits | \$37,855 | \$53,888 | \$60,020 | \$50,270 | \$1,088 | \$2,610 |
| Salinas Street Garage | \$35,309 | \$24,902 | \$27,464 | \$24,146 | \$62,862 | \$150,868 |
| Montrey Street Garage | \$127,618 | \$134,544 | \$322,717 | \$242,014 | \$164,142 | \$393,940 |
| Total Revenue | \$200,782 | \$213,334 | \$410,201 | \$316,430 | \$228,091 | \$547,418 |
| Off Street Expenses | | | | | | |
| Personnel | | | | | | |
| Parking Supervisor | \$125,547 | \$123,499 | \$151,580 | \$129,720 | \$21,439 | \$50,690 |
| Administrative Overhead | \$69,065 | \$78,100 | \$101,725 | \$79,506 | \$0 | \$95,780 |
| Supplies and Materials | \$8,494 | \$17,296 | \$21,660 | \$11,878 | \$6,673 | \$16,014 |
| Outside Services | | | | | | |
| Utilities | \$36,161 | \$26,914 | \$33,984 | \$31,839 | \$11,986 | \$28,767 |
| Maintenance & Repairs | \$17,510 | \$17,573 | \$24,532 | \$23,018 | \$15,076 | \$36,182 |
| Monterey St Garage Ops | \$162,518 | \$281,460 | \$385,635 | \$351,447 | \$76,003 | \$280,039 |
| Outside Services Other | \$126,418 | \$21,365 | \$47,997 | \$0 | | |
| Outside Services Total | \$342,607 | \$347,312 | \$492,148 | \$406,303 | \$103,065 | \$344,989 |
| Taxes & Memberships | \$3,601 | \$4,008 | \$3,609 | \$3,611 | \$3,624 | \$8,697 |
| Capital Outlay | \$46,021 | \$92,043 | \$6,414 | \$562 | \$0 | \$0 |
| Parking Debt Service | \$19,585 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$614,920 | \$662,258 | \$777,136 | \$631,579 | \$134,800 | \$88,759 |
| Profit/Loss | -\$414,138 | -\$448,924 | -\$366,935 | -\$315,149 | \$93,290 | \$458,659 |
| * Projection shared with Council - March 2019. | | | | | | |

The rate adjustments also demonstrate how pricing can create desired parking behavior change that allows the City to manage demand. Coupled with parking enforcement, pricing the garage parking to less than that for parking lots pricing showed the desired shift to use of the parking garages for monthly parking. This is clearer with the increase use of the Salinas Street Garage, leaving premium parking areas nearer stores and businesses available for those that need to park closer to downtown. The decline in revenue at lots is more than offset by the increase in parking revenue at the garages. In terms of product offerings for customers, the shift of use into the garages allows the City to highlight services and benefits provided by the parking garages.

At mid-year, district revenue is already at 72% of the entire revenue in the past fiscal year (2018-19). Largest revenue changes are from both rate increase and increase usage of garages. At the current rate, staff projects revenue to be \$547,000 at the end of the fiscal year.

On the cost controls side, cost saving measures discussed with Council include redistribution of staff salaries to reflect actual time dedicated to the parking district. Personnel cost show decrease from \$130,000 to an estimated \$50,000. In addition, the City hired a new operator for the Monterey Street Garage and the effort can keep costs stable for the next two years. Operations costs will be held at \$280,039 annually from an estimated annual cost of \$350,000. This operation cost does not include maintenance costs. Staff anticipates contract costs to increase after the initial two-year period. Laz Parking began operating the Monterey Street Garage in January 2019. The report attached shows the Monterey Street garage net operation costs since Laz Parking began managing the garage. Note that the rate increase took effect on July 1, 2019.

While the fiscal projection looks good for the Downtown Parking District, this should be viewed with caution because there is considerable deferred maintenance. Maintenance costs have been kept down to reduce the significant subsidies from the General Fund. Example of deferred maintenance include repainting of parking stalls, re-surfacing of parking lots, and equipment replacement. The General Fund may still be needed to cover costs of the downtown parking district should costs surpass anticipated revenue.

Other activities

There were other changes that affected downtown parking district operations in 2019. The renovation of the Salinas Intermodal Center at the City's train station has resulted in the temporary displacement of parking during the construction period, including parking for the courts. At the same time, the City is working with Monterey County towards the goal of building a future parking structure at the County Campus. The Council approved an amendment to an existing agreement with the County and the Courts for the Courts' continued use of Lot 6. The City agreement for the lots was modified to provide Lot 17 for use by the Courts. While the agreement amendment intended to satisfy the courts' parking demand, Lot 17 will no longer generate revenue for the parking district. Lot 17 is the parking lot across from the permit center. This is a minor reduction since only a handful of parking spaces were available for public parking in Lot 17.

Michael Garner, Public Works Administrative Supervisor, handled parking operations for many years in downtown retired in November. Public Works staff is working with Human Resources to fill the vacant position, which is critical to parking operations. Mr. Garner not only oversaw the downtown parking operations but also was an ambassador for the parking program often working with downtown merchants and business owners seeking city services.

Coming up in 2020

Public Works staff is anticipating major activities in the downtown parking district that will affect parking operations.

Validation Program. Public Works will launch the expansion of the downtown parking validation program, currently available only to a few downtown customers. The program is another tool for encouraging the use of the Monterey Street parking garage. Staff anticipates the demand for validation to be initially light, but it is another value-added service for merchants who want to offer convenient and secure parking for their customers.

Main Street Streetscape Project. The validation program will also be useful during construction for the Main Street Streetscape Project that is anticipated to break ground this coming Spring. Staff has been working with Laz Parking, the Monterey Street Garage contractor to be ready to offer validations early in 2020 in the anticipation of the downtown construction. During the construction period, 90-minute free validation will be offered at the parking garage to replace temporary parking losses during construction. Businesses will be required to participate in the validation program to be able to offer 90-minute parking at the garage for their customers. The City will provide validations to participating businesses in advance.

Public Works staff will continue to manage downtown parking operations as an enterprise that is self-sufficient, able to cover costs and make investments in service improvements. As the Downtown Parking District develops a reliable revenue stream, staff will be able to attend to deferred maintenance as well as providing value added services downtown.

Preferential Parking- Program Update

The City Preferential Parking program includes operations of City-approved residential permit parking programs. Residential permit programs can provide quality of life improvements in residential areas when non-residential parking demand impacts Salinas residents. District 3A, located near Salinas Valley Memorial Hospital is currently the only residential permit parking program in Salinas and was established in 2009 in response to residents' concern with medical office parking intruding into the neighborhood. In order to preserve desired quality of life conditions, residents purchase residential parking permits to fund the prohibition of non-residential parking in the neighborhood.

All revenues are from permit sales. Every Spring, the City reminds residents of District 3A to renew parking permits on-line. Residents purchase permits for resident owned vehicles, guest vehicles, and temporary daily permits for special events.

Sixty-five percent of costs are services provided by a permit fulfillment contractor so that residents may conveniently purchase permits online. This program is self-sufficient and provides a City service for which the General Fund does not need to subsidize. For the current fiscal year, the City expects to collect \$1,700 from the program to recover costs for administrative overhead.

| Preferential Parking Program 5447 | Actual | through 11/30/2019 | Projection 6/30/2019 | |
|--|-----------------|---------------------------|-----------------------------|--|
| Account Description | 2018-19 | 2019-20 | 2019-20 | |
| Revenue | | | | |
| Permits Sales | \$18,634 | \$10,088 | \$19,000 | |
| Total Revenue | \$18,634 | \$10,088 | \$19,000 | |
| Personnel | | | | |
| Staff | \$0 | \$0 | \$0 | |
| Administrative Overhead | \$1,771 | \$0 | \$1,771 | |
| Supplies and Materials | \$1,940 | \$0 | \$1,940 | |
| Outside Services | | | | |
| Postage | \$585 | | \$600 | |
| Maintenance - Web Software | \$4,000 | | \$4,000 | |
| Permit Procurement Contractor | \$4,643 | \$1,464 | \$4,600 | |
| Bank Charges | \$193 | \$80 | \$200 | |
| Outside Services Total | \$9,421 | \$1,544 | \$9,400 | |
| Total Expenses | \$13,133 | \$1,544 | \$13,111 | |
| Net Revenue/Loss | \$5,501 | \$8,544 | \$5,889 | |

Parking Enforcement – Program Update

The Public Works Department manages the bulk of the City parking enforcement through its parking enforcement contractor, SERCO. With SERCO, the Public Works Department began managing the City's parking enforcement program in November 2016.

In 2012 the Public Works Department worked with the Salinas PD leadership to move the parking enforcement program to the Public Works Department. The move would not remove the authority for the Police Department to conduct parking enforcement. Instead the move was intended for the City to better manage its parking programs. The recent demise of the Redevelopment Agencies in California left downtown parking programs unmanaged, without a vision and financial plan. A parking study conducted by Kimley-Horn, identified parking enforcement as the critical piece of a parking program because the program helps drive parking demand in support of city parking policies. Since then, the management of parking has been identified as a goal in both the Downtown Vibrancy Plan and the Alisal Vibrancy Plan.

Since then, the following has been accomplished:

Update to Council March 2017.

Parking Fines Updated in December 2017. Updated fines took effect in January 1, 2018.

June 16, 2017 – Approved Special Signing for Street Sweeping parking enforcement Programs.

May 2018 – Monte Bella Street Sweeping Parking Enforcement Pilot Initiated.

September 4, 2018 – Parking Fines Update for Oversized Vehicles.

November 5, 2018 – Finance Committee Report.

December 18, 2018 – Expand/ Extend Parking Enforcement Contract to cover weekends/evenings.

April 30, 2019 – Report to Council. Revenue review and Supplemental Appropriation funding contract cost.

January 2020 – Parking Programs Update-Mid Year report

The Parking Enforcement Enterprise is a critical piece needed in order to better manage parking programs.

1. The Parking enforcement program helps create the behavior change desired by Salinas residents.
2. The Parking enforcement program supports economic centers by freeing up parking for customers.
3. Parking enforcement program supports City parking programs (street sweeping, special parking restrictions)
4. Support of School Safety
5. Support of PD Traffic Enforcement.

The Parking Enforcement Program is now shown to be self-sufficient and generates revenue to cover service costs. Staff is managing the program to provide responsive parking enforcement to the community. In December 2018, Council approved an amendment to the parking enforcement contract to expand services to evenings and weekends. Staff is finding that the demand for parking enforcement continues to be significant.

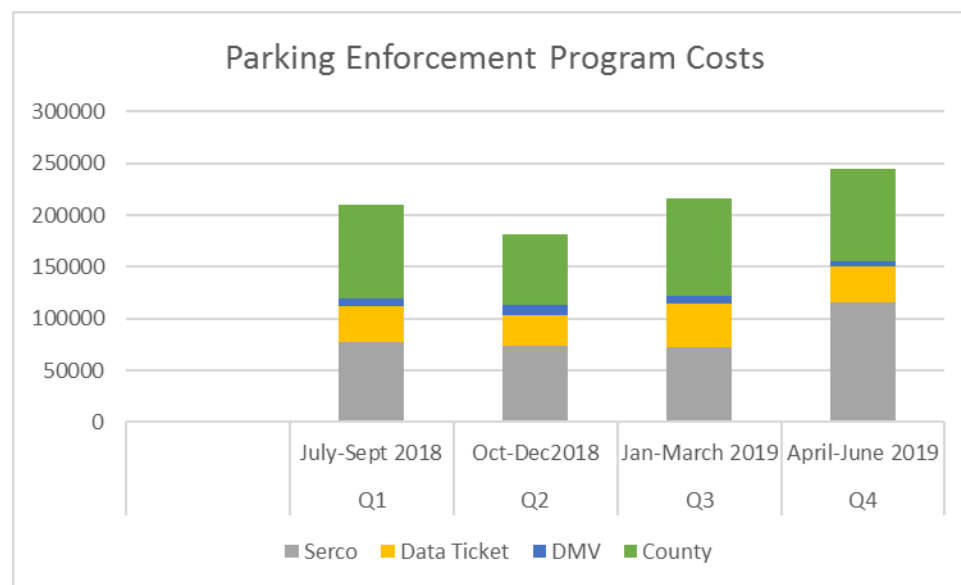
With anticipated net revenue, staff is preparing a proposal to further expand parking enforcement services to meet the Salinas community demand. The proposal will add another 2 officers to help cover residential areas, schools, the SUBA Business area and further support weekend and evening parking enforcement. Additional services are estimated to cost \$177,000 and the proposal will be taken to Council early in 2020.

| Parking Enforcement Program 5448 | Actual | through 12/31/2019 | Projection 6/30/2019 |
|--|--------------------|-------------------------------|---------------------------------|
| Account Description | 2018-19 | 2019-20 | 2019-20 |
| | | | |
| Revenue | | | |
| Parking Fines | \$1,350,971 | \$497,366 | \$994,731 |
| | | | |
| Total Revenue | \$1,350,971 | \$497,366 | \$994,731 |
| | | | |
| | | | |
| Personnel | | | |
| Staff | \$14,540 | \$19,866 | \$39,732 |
| | | | |
| Administrative Overhead | \$137,122 | | \$137,122 |
| | | | |
| Outside Services | | | |
| Outside Services (Citation Processing, DMV, County, Serco) | \$886,086 | \$312,492 | \$624,985 |
| | | | |
| Outside Services Total | \$886,086 | \$312,492 | \$624,985 |
| | | | |
| Total Expenses | \$1,037,749 | \$332,359 | \$801,840 |
| | | | |
| Net Revenue/Loss | \$313,222 | \$165,007 | \$192,892 |

For the previous fiscal year (July 1, 2018-June 30, 2019), the Total Outside Services Cost was equal to \$886,086. Included in these costs are the cost of the Parking Enforcement Contractor (SERCO), the Citation Processing Contractor (Data Ticket), DMV and County (court) Costs. A breakdown of each cost for the previous fiscal year is provided in the following table.

| | | | | | | |
|-------------------------------|-------------|-----------------------|---------------------|-----------------------|------------------------|----------------------|
| Parking Enforcement | | | | | | |
| Fund: 6803.50.5548 | | | | | | |
| Quarterly Report | | | | | | |
| | | Q1 | Q2 | Q3 | Q4 | |
| | | July-Sept 2018 | Oct-Dec2018 | Jan-March 2019 | April-June 2019 | |
| Outside Services | | | | | | |
| | Serco | \$ 54,944.28 | \$ - | \$49,461.05 | \$234,870.25 | |
| | Data Ticket | \$ 42,246.49 | \$ 18,682.39 | \$45,252.03 | \$38,745.02 | |
| | DMV | \$ 7,944.00 | \$ 6,188.00 | \$12,288.00 | \$6,360.00 | |
| | County | \$ 107,926.84 | \$ 56,275.21 | \$79,047.34 | \$125,855.47 | |
| Total Outside Services | | \$ 213,061.61 | \$ 81,145.60 | \$186,048.42 | \$405,830.74 | \$ 886,086.37 |

The following represents FY 18-19 Outside services when adjusted for time costs were incurred.



Outside Services is distributed as follows:

Parking Enforcement Contract (14%)
Citation Processing Contract (4%)
DMV (1 %)
County/Courts Fees (10%)

Anticipated Activities in 2020

1. Improved Coordination with Police Parking Enforcement and with other Departments. – Public works staff has been asked to coordinate better with the Salinas Police Department

particularly in the area of Abandoned Vehicles. Staff is working with PD, GIS and the City Clerk's Office to provide better coordination using Salinas Connect and regular meetings.

2. Expanding Parking enforcement services. As mentioned above, the demand for parking enforcement is still firm. Parking enforcement services may still be expanded to meet this demand.
3. Request for Proposal (RFP) for Citation Processing Services. The City has had Data Ticket providing citation processing services for several years at approximately \$35,000 to \$40,000 each year. The RFP will provide a check on the service costs as well as a chance to see if there are performance improvements that can be realized.

Public Works provides this mid-year report to the Finance Committee for the City's Parking Enterprise and the associated programs. In addition to the tasks enumerated under each program, Public Works staff will also be finalizing recommendations for the City-wide Parking strategy that includes further recommendations for managing parking supply and the management of the Parking Programs.

ATTACHMENTS:

Attachment 1 – Resolution 21565 Downtown Parking rates
Monterey Street Parking Garage Summary