



Budget Engagement Commission

City of Arts & Innovation

TO: BUDGET ENGAGEMENT COMMISSION **DATE: OCTOBER 13, 2022**

FROM: PUBLIC WORKS DEPARTMENT **WARD: 1**

SUBJECT: UPDATE ON PUBLIC PARKING FIVE-YEAR FINANCIAL PLAN AND IMPACT OF RESCINDED PARKING RATES AND HOUR SCHEDULE.

ISSUE:

Receive an update on the Public Parking Five-Year Financial Plan and impact of the rescinded parking rates and hour schedule.

RECOMMENDATION:

That the Budget Engagement Commission receive and file an update on the Public Parking Five-Year Financial Plan.

BACKGROUND:

The Public Parking Program has been fiscally challenged over a number of years due to internal and external factors. In 2016, Dixon Resources Unlimited conducted a parking study for the Public Works Department and made recommendations to address the fiscal challenges in hopes of developing a fiscally sustainable Public Parking Program. The Parking Services Division has continued to work to implement the recommendations of the 2016 parking study.

On February 15, 2022, the City Council adopted a Resolution to revise the Parking Rate and Hour Schedule to include changes to the program's rates and hours of operation to be effective July 1, 2022.

The Public Parking Fund Five-Year Financial Plan presented to the City Council during its FY 2022-2024 biennial budget deliberations (Attachment 1) and summarized in Table 1 below, reflected the opportunities created by the Parking Ecosystem Sustainability Plan (PESP) to: (i) finance critical parking infrastructure and maintenance needs; (ii) adopt strategies to improve customer service; (iii) support future development; (iv) enhance safety; and, (v) improve the financial sustainability of the Public Parking Fund. Revenue projections included increases resulting from the PESP in addition to increases in parking garage utilization up to 60% of capacity at each facility. The forecast for FY 2022/23 through FY 2026/27 also incorporated Consumer Price Index (CPI) increases in accordance with appropriate agreements and increased hours of operation in parking garages due to the

deployment of the Parking Access and Revenue Control Systems (PARCS) automated equipment. Projected revenue for Garages 1 and 2 was eliminated beginning FY 2024/25 due to the anticipated closures for development purposes.

Expenditure assumptions included known contractual obligations for the management of parking properties and parking citation processing and collections. Overall Non-Personnel Costs were projected to rise due to standard facility maintenance, traditional economic factors, increased professional services associated with extended hours of operation in downtown parking garages, and other costs associated with the implementation of the PESP. Planned capital expenditures include the following:

- FY 2022/23: \$950,000 for the purchase of PARCS equipment for Garages 3, 6, and 7 and \$300,000 for Garage 3 structural maintenance (priority level 1 items).
- FY 2023/24: \$190,000 for Garage LED lighting upgrades.

The PARCS equipment is vital and necessary to operate the garages effectively and efficiently as existing equipment is past its useful service life. Without the PARCS equipment, the Public Parking Fund will continue to face increases in labor costs and experience inefficiencies due to manual data processing. The deferred structural maintenance for Garage 3 has been delayed for years and must be addressed at this time.

Table 1 – Five-Year Financial Plan (Adopted)

ADOPTED PUBLIC PARKING FUND FIVE-YEAR FINANCIAL PLAN					
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Beginning Working Capital	1,407,000	1,638,000	3,075,000	4,585,000	6,264,000
Revenues	9,037,000	9,566,000	9,002,000	9,417,000	9,920,000
Expenditures	8,806,000	8,129,000	7,492,000	7,738,000	7,984,000
Surplus/(Deficit)	231,000	1,437,000	1,510,000	1,679,000	1,936,000
Ending Working Capital	1,638,000	3,075,000	4,585,000	6,264,000	8,200,000

On July 14, 2022, Commissioner Hart requested a parking fee update be brought to the Budget Engagement Commission.

On July 19, 2022, the City Council engaged staff in a discussion of the impacts of the PESP on the Public Parking program and, in response to community feedback, ultimately directed staff through a motion to reinstate the parking program rates and hours of operation in place prior to July 1, 2022.

On September 6, 2022, following discussion, the City Council directed staff to bring back the amended parking rates and hours schedule to the City Council meeting at the end of March 2023.

DISCUSSION:

Immediately following the City Council meeting on July 19, 2022, staff began addressing everything tied to the rescinded parking rates and hour schedule such as garage and street

signage, mobile apps, meter and garage rates, monthly permit fees, parking website, and updating the Five-Year Financial Plan.

Five-Year Financial Plan Update

At this time, to support staff's analysis of the condition of the Public Parking Fund's Working Capital, the projection for FY 2021/22 was revised with up-to-date estimates of revenues and expenditures. This analysis resulted in revenues and expenditures that are anticipated to be less than those previously presented to Council in June 2022 by \$21,000 and \$323,000, respectively, thereby resulting in a favorable \$302,000 increase in ending working capital to a total of \$1.7 million. FY 2021/22 results are not yet available as fiscal year end processes and the City's financial audit are ongoing.

Scenario 1 (Attachment 2)

The Five-Year Financial Plan for FY 2022/23 through FY 2026/27 was revised to reflect reinstatement of the parking program rates and hours of operation in place prior to July 1, 2022, by removing the rescinded parking rates and hour schedule from projections of revenues and expenditures. Revenue projections still include: (i) increases in parking garage utilization up to 60% of capacity at each facility, (ii) CPI increases in accordance with the appropriate agreements, and (iii) elimination of revenue for Garages 1 and 2 beginning FY 2024/25 due to the anticipated closures for development purposes. The only impact on the expenditure side is a revision of the Non-Personnel Costs to reflect elimination of additional staffing costs associated with the parking operator.

Table 2 summarizes the impact of these changes to the Public Parking Fund Five-Year Financial Plan, resulting in fiscal deficits with a complete depletion of Working Capital within FY 2022/23.

Table 2 – Five-Year Financial Plan (Scenario 1)

SCENARIO 1: REVISED PUBLIC PARKING FUND FIVE-YEAR FINANCIAL PLAN					
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Beginning Working Capital	1,709,000	(435,000)	(1,377,000)	(2,537,000)	(3,456,000)
Revenues	5,872,000	6,320,000	6,328,000	6,815,000	7,348,000
Expenditures	8,016,000	7,262,000	7,488,000	7,734,000	7,980,000
Surplus/(Deficit)	(2,144,000)	(942,000)	(1,160,000)	(919,000)	(632,000)
Ending Working Capital	(435,000)	(1,377,000)	(2,537,000)	(3,456,000)	(4,088,000)

During the discussion with the City Council in July, staff suggested that working capital of \$1.4 million could sustain Public Parking operations for seven months. The analysis supporting Scenario 1 now exhibits that if rate increases are not adopted or savings measures are not implemented, such as deferring maintenance of Garage 3 or holding positions vacant, the projected working capital of \$1.7 million may sustain operations for approximately ten months of the current fiscal year. Without these balancing measures, the Public Parking Fund will operate in a fiscal deficit, thereby requiring the General Fund to provide a subsidy in the amount of \$435,000 in FY 2022/23. Under Scenario 1, General Fund subsidies will be required annually beginning in FY 2023/24 equal to the deficits shown in Table 2 until a sound financial plan is implemented.

Scenario 2 (Attachment 3)

Scenario 2 of the five-year financial plan reflects staff's recommended operating and capital outlay for the effective long-term management of the Parking program.

Public Works has received additional feedback regarding safety and has further revised Non-Personnel Costs for each year of the revised plan to reflect the addition of Riverside Police Department (RPD) foot patrols (Sunday-Thursday from 10:00 p.m. – 3:00 a.m.), which average \$315,000 per year. Including the following capital outlay and maintenance expenses in the revised Five-Year Plan, strategically programmed based on need, would keep the overall expenditures relatively flat across the five-year period with average annual expenditure of \$8.4 million:

- \$525,000 in FY 2022/23 for Garage 3 Deferred Maintenance (priority level 2 & 3 items);
- \$375,000 and \$550,000 in FY 2023/24 for Garage 6 Deferred Maintenance and Garage 6 Elevator Rebuild, respectively;
- \$300,000 in FY 2024/25 for Painting of Garages; and,
- \$250,000 in FY 2025/26 for Digital Wayfinding.

Table 3 summarizes the impact of these additional changes to the Public Parking Fund Five-Year Financial Plan, resulting in greater fiscal deficits for each year.

Table 3 – Five-Year Financial Plan (Scenario 2)

SCENARIO 2: PUBLIC PARKING FUND FIVE-YEAR FINANCIAL PLAN					
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Beginning Working Capital	1,709,000	(1,248,000)	(3,416,000)	(5,191,000)	(6,689,000)
Revenues	5,872,000	6,320,000	6,328,000	6,815,000	7,348,000
Expenditures	8,829,000	8,488,000	8,103,000	8,313,000	8,323,000
Surplus/(Deficit)	(2,957,000)	(2,168,000)	(1,775,000)	(1,498,000)	(975,000)
Ending Working Capital	(1,248,000)	(3,416,000)	(5,191,000)	(6,689,000)	(7,664,000)

Absent any rate increases effective in FY 2022/23, which are necessary to fund the opportunities created by the PESP, and adding the implementation of additional security measures and strategic programming of capital outlay and maintenance as reflected in Scenario 2, the Public Parking Fund is expected to end in a fiscal deficit of \$2.96 million in FY 2022/23 with an ending Working Capital deficit of \$1.25 million.

In FY 2023/24, the Public Parking Fund is expected to operate with a fiscal deficit of \$2.17 million with an ending Working Capital deficit of \$3.42 million.

In FY 2024/25 through FY 2026/27, the Public Parking Fund is expected to operate with smaller annual fiscal deficits as annual Non-Personnel Cost increases of included RPD Patrol Services and PARCS annual maintenance are slightly offset by increasing parking revenues resulting from demand and utilization and less capital outlay is needed as compared to that of the current biennium.

It is important to note that new maintenance and project needs will develop over the years so it is unlikely that by FY 2026/27 there will be no capital needs related to the Public Parking Fund. Additionally, the growth in revenues shown in the five-year financial plan is tied to a gradual return to pre-COVID utilization numbers downtown. Following FY 2026/27, any growth in

utilization is anticipated to slow. Furthermore, unanticipated changes in the revenue model could cause the deficit to increase.

Under Scenario 2, if rate increases are not adopted and operating and capital expenditures occur as described, the General Fund will be required to subsidize the Parking Fund in the amount of \$1,248,000 in FY 2022/23 and annually thereafter equal to the deficit shown in Table 3 for each fiscal year until a sound financial plan is implemented.

STRATEGIC PLAN ALIGNMENT:

This item aligns with **Strategic Priority 5 - High Performing Government** and **Goal 5.4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – This item maintains transparency regarding the state of the Public Parking Fund.
2. **Equity** – The Public Parking Fund is an enterprise fund and is generally supported by the users of the services it provides; the Public Works team strives to minimize potential impacts from the Parking Fund to the General Fund.
3. **Fiscal Responsibility** – This report provides transparency to Public Parking Fund finances, providing a comparison of the adopted budget with the previously approved rate increases, the impact of rescinding the rate increases (Scenario 1), and the recommended operating and capital expenditures for effective long-term management of the City's Parking program (Scenario 2).
4. **Innovation** - The Balancing Act software, combined with a project webpage, will be an innovative means to solicit community feedback.
5. **Sustainability and Resiliency** - The proposed program revisions are neutral towards this cross-cutting thread.

FISCAL IMPACT:

During the discussion with the City Council in July, staff suggested that working capital of \$1.4 million could sustain Public Parking operations for seven months. The analysis supporting the Public Parking Fund Five-Year Financial Plan (Scenario 1) presented in this report exhibits that if rate increases are not adopted or savings measures are not implemented, such as deferring maintenance of Garage 3 or holding positions vacant, the projected working capital of \$1.7 million may sustain operations for approximately 10 months of the current fiscal year. If balancing measures are not implemented, the Public Parking Fund will operate in a fiscal deficit, thereby requiring the General Fund to provide a FY 2022/23 subsidy in the estimated amount of \$435,000 and an annual subsidy thereafter to cover any operating deficits until a sound financial plan is implemented, which could include increasing rates and hours of operation, and/or reducing expenditures.

Staff will present to the City Council an amended parking rates and hours schedule before the end of March 2023 anticipating action will be taken that results in implementation no later than July 1, 2023.

If the operating status of the Parking Fund is not corrected, annual subsidies from the General Fund will be required, diverting general tax revenues from critical programs including public safety, homeless, economic development, and library and parks programs and further delaying funding for critical unfunded needs such as deferred maintenance of City facilities.

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Attachments:

1. Public Parking Fund Five-Year Financial Plan (FY 2022-2024 Adopted Biennial Budget)
2. Public Parking Fund Five-Year Financial Plan (Scenario 1)
3. Public Parking Fund Five-Year Financial Plan (Scenario 2)
4. Presentation