



Request for City Council Committee Action From the Finance & Public Works Departments

Date: May 17th, 2005
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Referral to: Honorable Barbara Johnson, Chair Ways & Means/Budget Committee
Subject: Annual update on the financial workout plan to improve the
Financial condition of the Parking Fund

Recommendation:

Receive and File the updates to the Parking Fund Workout plan originally approved on June 18th, 2004.

Previous Directives:

City Council study session on February 6, 2004 in which an overview of the Parking System was presented along with the current and projected financial position of the Parking Fund. During that session, Public Works and Finance committed to presenting a financial workout plan in 2004.

City Council approved the recommendations presented in the Parking Fund Workout Plan on June 18, 2004, which included providing Council with annual updates on the performance of the Workout Plan.

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Approved by: _____
Patrick P. Born, City Finance Officer

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John Moir, City Coordinator

Presenters in Committee: Mike Sachi and Susan Hartman

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other
- Not applicable

Background :

NOTE: The information included in this section consists of the original workout plan text in *italics*, plus the 2005 updated text indicated in **boldface type**.

The following short-term and long-term strategies are recommended to resolve the deficits within the Parking Fund (further detail on each recommendation is presented in an attached report):

- 1. Approve the parking initiatives in the workout plan developed by Public Works from their annual business plan. The initiatives result in a combination of decreased expenses and increased revenues within the Parking Fund. The initiatives are detailed in the attached report.*

The actual impact of the business plan initiatives for 2004 exceeded the projected impact by a large margin. This was due in part to:

- On-Street Parking:**
\$180,000 in additional revenue combined with a reduction in expenses of \$110,000 from parking meters, resulting from adjustments made to rates, hours, time limits and days of enforcement.
- Impound Lot:**
Over \$1 million in additional revenue, combined with expense increases of \$183,000 from the impound lot operations, which resulted from increases in the towing and storage fees.
- Off-Street Parking:**
Over \$1 million in expense reductions in the off-street area, combined with a decrease of \$460,000 in revenue from off-street parking compared to estimates, due to continued declines in utilization and occupancy levels, which was offset by reductions in staffing levels.

The specific initiatives that generated the most impact were the parking meter management plan and centralized security monitoring. The remaining initiatives presented in the workout plan are projected to generate cost savings or increased revenue during the 2005 fiscal year.

2. *Commit to setting future Parking Fund budgets that support the initiatives contained in the workout plan.*

- ◆ *No Council action necessary in 2004, although future budgetary changes within the Parking Fund may be necessary in subsequent years to support the workout plan initiatives.*

No additional Council action is anticipated for 2005, since the initiatives are being funded under the existing operating budget.

3. *Increase the amount of variable rate debt to 20% of the fund's total debt. This will take advantage of current market conditions and allow long-term debt structure to fit within estimated cash flows.*

- ◆ *No additional Council action needed in 2004. City Council approved the current restructuring on April 30, 2004*

In March, 2005 bonds in the amount of \$20,650,000 were sold for the Guthrie and the Mill Qtr Ramp in variable rate increasing the parking fund's variable rate debt from 10.6% up to 18.7% of total debt. In addition, the Council previously approved restructuring a portion of the Convention Center ramp bonds to variable rate debt.

4. *Develop a 5-year Major Repair & Replacement capital program for the Parking System Infrastructure.*

- ◆ *Direct the Public Works and Finance Department to prepare a 2006- 2010 Capital Budget Request and financing plan that addresses the Parking Fund's need for a Major Repair and Replacement program.*

This is being submitted as part of the 2006-2010 Capital Budget process in the amount of \$1.7 million per year. Public Works is working to finalize and prioritize the various projects within the Major Repair & Replacement Plan and refine the cost estimates for this Capital Program.

5. *Reduce the planned current and future transfers from the Parking Fund to the General Fund. Any reduction from the current level of transfer (2004 transfer is planned to be \$9.8 million) is temporary until the Parking Fund cash balance returns to positive financial performance. Reductions in the transfer may take the following forms:*

- ◆ *One-time reductions in the transfer if the General Fund's financial performance is positive and there are no adverse credit rating implications in the opinion of the Finance Officer. Note: The City Council has adopted a policy to use General Fund balance in excess of the Council's minimum (10% of General Fund Revenues) to reduce deficits in the Internal Service Funds.*

The estimated reduction in 2004 is \$5-6 million. The Finance Officer will recommend a specific amount when the final 2003 financial results are known.

The Finance Officer approved a one-time \$6.4 million reduction (\$9.8 to \$3.4 million) in the 2004 transfer to the general fund based on the final 2003 financial results.

- ◆ *Planned reductions in the transfer according to the City's adopted 5-year financial direction. The workout plan recommends a planned reduction from 2005 through 2009.*

The 2005 budgeted transfer has been reduced by the planned \$1 million from the 2004 base of \$9.8 million to \$8.8 million for 2005. The 2006 budget will be reduced again by \$1 million from \$8.8 million to \$7.8 million.

6. *Evaluate the possible sale of off-street parking ramps and recommend sale of ramps if the result improves the long-term financial condition of the fund and meets the City's transportation needs.*

There have been general ongoing discussions regarding the sale of a few of the ramps. For example the potential purchase of the Courthouse ramp by the Federal Government. However, the evaluation has indicated that this will not significantly improve the condition of the Parking Fund.

7. *Increase the transfer from the Convention Center Fund to the Parking Fund, subject to the financial condition of the Convention Center Fund. The Convention Center Fund may reimburse the Parking Fund the cost. (Operating, maintenance and debt service) of Convention Center parking ramps.*

Under the original Workout Plan projections, a portion of this transfer is being reimbursed from the savings from refunded fixed rate convention center bonds and the savings from refunded variable rate convention center related parking bonds.

In 2004, this amounted to \$840,750 less than expected, due to a bond premium of \$2.2 million that benefited the Convention Center rather than the Parking Fund due to an interest rate change.

Public Works and Finance will take the necessary steps in 2005 to transfer the appropriate bond premium from the Convention Center to the Parking Fund, since the initial reason for refinancing was to provide additional assistance to the Parking Fund.

8. *Decrease the planned transfers from the Parking Fund to the Target Center if other revenues in the Target Center finance plan exceed estimates.*

A reevaluation of the Target Center debt service fund will be completed in the next three months to determine if excess funds are available for transfer back to the Parking Fund.

9. *Direct Regulatory Services, Public Works and Finance to examine the traffic control needs, revenues and expenses to enhance the General Fund and Parking Fund financial condition and to properly match the related revenues and expenses.*

Finance is working with Regulatory Services and Public Works to match revenues with expenses for the 2006 budget, with the intention of adjusting the general fund transfer from the parking fund, so that there is not a cash balance impact to either fund.

Summary of Overall Impacts:

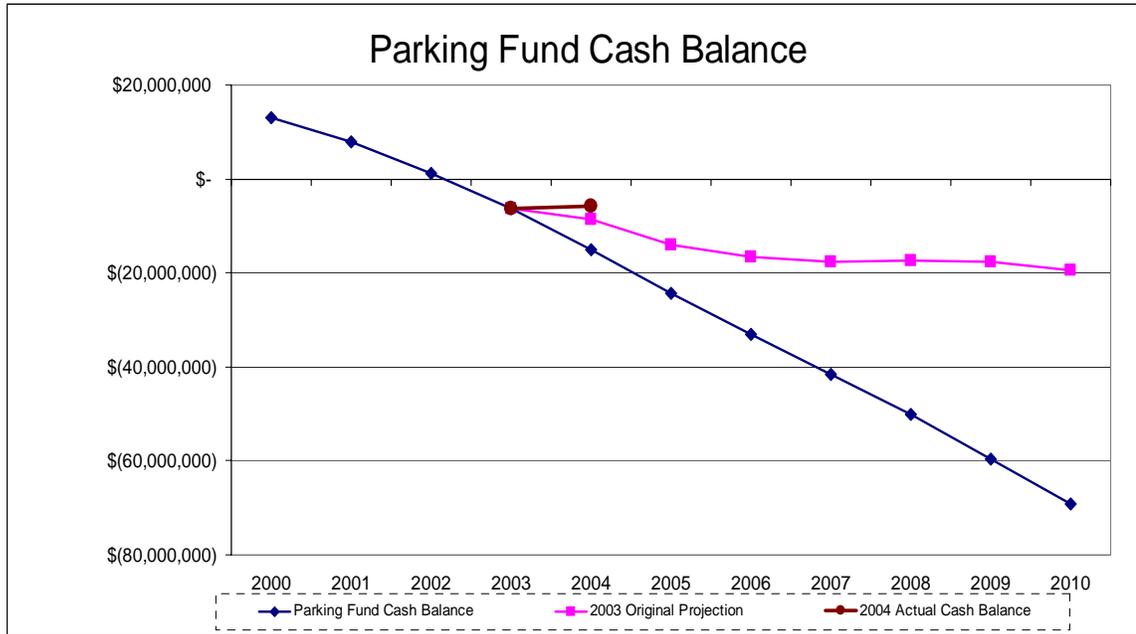
A short summary of the changes in the Parking Fund cash balance from the original projection to the actual realized includes an additional \$291,000 in meter net income, and an additional \$850,000 in impound lot net income compared to projections. However, the off-street system experienced a decrease in net income of approximately \$600,000 compared to projections. A \$1.4 million one-time transfer as part of the closeout of the Federal Courthouse ramp capital project was also included in the 2004 cash balance.

This resulted in a \$3 million improvement in the 2004 projected cash balance compared to the estimated amount. The original projections estimated a negative cash balance amount of \$8.7 million at the end of 2004, but as a result of the adjustments listed above, the actual 2004 ending cash balance amount was negative \$5.7 million.

Table 2 illustrates the original and updated cash balance projections through 2010 based on the revised financial information.

Year	2003	2004	2005	2006	2007	2008	2009	2010
Original Cumulative Total w/out initiatives	(6,381)	(15,085)	(24,355)	(32,986)	(41,671)	(50,021)	(59,585)	(69,263)
Original Cumulative Total w/Initiatives	(6,381)	(8,679)	(13,972)	(16,597)	(17,694)	(17,493)	(17,749)	(19,318)
Actual 2004 Cumulative Total w/ initiatives	(6,381)	(5,743)						

The graph below shows the comparison of the revised actual 2004 cash balance compared to the projected amounts through 2010, including the effect of the Workout Plan initiatives.



Additionally in 2005, the Council authorized Public Works to negotiate an amendment to the Management Agreement with Municipal Parking, Inc. that resulted in reductions in the management fee, bookkeeping fee, Workers Compensation Insurance reimbursement, and other cost savings initiatives resulting in an annual savings of more than \$300,000 to the Parking Fund. This was in lieu of issuing a RFP for management of the Off-street parking system. This RFP will be issued in 2005.

Public Works recently participated in the Project Excellence program, which performed a review of the Parking System and Parking Fund. Several recommendations were identified by the team for improving clarity, performance and accountability with the System and Fund. These recommendations are being reviewed by a cross-Departmental team to identify those with the potential benefit and to develop an implementation plan that will be presented to Council in the upcoming weeks.

It is anticipated that the Parking Fund quarterly financial reports presented to the Council will include updates to the Parking Fund Workout Plan.