Staff Response to Council Directive (T&PW, April 19, 2005) to Evaluate Project Excellence Parking Review Recommendations

Background:

Project Excellence was established as a program designed to draw on private sector expertise as a means of helping address City operational challenges. Project Excellence's first initiative, a review of the Parking System and Parking Fund, began on February 15, 2005 and was completed on April 12, 2005. The review yielded many recommendations (summarized below – See Appendix A for full text of recommendations) for improving performance, financial clarity and accountability for both the System and the Fund:

- Recommendation #1 - Making the most of current assets
- Recommendation #2 - Improving the quality of performance information used to manage our Parking assets
- Recommendation #3 - More closely aligning the Parking Fund with the Parking System
- Recommendation #4 - Improving decision-making processes as we consider adding additional capacity

Directed by the Transportation and Public Works Committee on April 19, 2005, a cross-Departmental team has reviewed the recommendations and is forwarding its assessment of the recommendations, identifying those with the most potential benefit and suggestions for implementation.

Implementation Path for Recommendations Offered by Project Excellence Review Team

The following table summarizes the recommendation, identifies current situation, suggested approach, and timeframes for implementation of the entire recommendation or those parts more relevant to helping achieve envisioned goals for the Parking System.

Recommendation made by Project Excellence Team	Current Situation	Planned Actions/Responsibilities	Next Steps	Planned Timeframes
#1A – Develop ramp business plans	• Parking System's business plan identifies some asset specific optimization efforts • Would require significant staff resources to complete unique business plans for each asset • Such planning could help clarify performance expectations and accountabilities • Likely to result in increased revenue if business planning focused on optimizing asset specific strengths and opportunities	• PW will require prospective operating vendors to provide 2-4 sample business plans for specific ramps as part of upcoming RFP process • PW will apply performance based compensation to next System operating vendor contract – develop and implement business plans for % share of increased revenues – to extent allowable by current policy	• PW works with City Attorney and Finance to craft solicitation for Parking System Operator	• Now – 8/05

#1B – Streamline operating and overhead costs	• Would require significant staff investment • Simplified performance information could free up more time from PW and Finance staff to conduct operational reviews • Forthcoming RFP process could also be structured in manner that encourages awarded operator to recommend and implement cost saving ideas • 5% operating expense reductions would save approximately $1,700,000 annually (based on $34 million annual operating expense)	• PW will determine specific expectations for streamlining expenses into contract with System operating vendor • Savings possibly split between City and System operating vendor as incentive to reduce operating costs – policy research required • Finance will also proactively identify and conduct at least one operational review per year, based on internal controls risk assessment	• System operator RFP and resulting contract will reflect expectations for revenue generation and expense reduction targets	• RFP completed by 8/05 • Contract completed by 1/06
#1C – Re-brand ramps and other parking assets	• PW staff availability is limited, as is staff expertise in branding and marketing efforts • PW leadership would need to identify necessary investments, based on performance targets • Use of internal resources from Communications Department could help reduce investment costs and ensure better quality	• PW will establish a re-branding initiative as it updates its Parking Business Plan • Identify goals for re-branding – involve stakeholders as needed, including Business Community • Estimate costs and benefits • Work with Communications Department to implement plan • Track results	• Comprehensive marking plan imbedded as new initiative in Parking Business Plan for 2006-2010	• Business plan updated by 9/05 • Implementation through 2007
#1D – Apply performance based concepts to the upcoming RFP process for a System operating vendor	• Staff availability is limited • May be legal and policy issues related to performance based contracting in the City • May unsettle vendor community – significant departure from conduct of business today	• City Attorney and Finance/Procurement staff work with PW on identifying parameters for performance based contracting (given existing parameters, including constraints associated with tax exempt bonds) • Review incentives and rewards for vendor • Review reporting and monitoring regimen • Assess vendors' capability and receptivity • Develop and conduct RFP process	• Performance based management principles reflected in RFP • Contract reflects final agreements and performance based compensation, if allowable	• RFP completed by 8/05 • Contract completed by 1/06
#1E – Find ways to generate more revenue from the System	• Staff availability is limited • Workout Plan for System addresses some revenue generation activity (ie: selling off poor performers) • Re-branding/Marketing, operational reviews and performance based contracting are likely to address revenue generation opportunities	• No further action needed if re-branding, performance based operating contract and other efforts identify and pursue revenue generation opportunities	• N/A	• N/A

#2 – Improving quality of performance information used to manage parking assets	• Staff already spend significant time assembling financial performance data • Plans exist for Finance to work with PW on documenting and obtaining financial information needed for routine decision making • Policy direction would need to clarify consistent treatment of both expenses any related revenues for the Fund	• Finance will develop proposed policy regarding Fund revenue and expense treatment for Council consideration. • At a minimum, policy will address Traffic Control personnel, ticket fees, and development related debt (land acquisition vs. infrastructure costs) for the Parking Fund	• Policy will inform 2006 budgeting if completed by June 2005	• Budget guidance by 6/05
#3: More closely aligning the Parking Fund with the Parking System	• Accountability for System rests with PW – no performance targets established though • Finance has nominal responsibility for Fund • Political processes and other funding priorities influence Fund activity	• PW and Finance staff develop a formula for making surplus Fund monies available for transfer to the General Fund • Formula would consider operational improvement investments needed to reduce expenses and/or generate additional revenues • Debate formula and imbed in policy	• Policy will inform 2006 budgeting if completed by June 2005	• Budget guidance by 6/05
#4: Improve decision-making if System assets are added	• New process and/or structure would require already limited staff time • CPED-Planning work plan already calls for a comprehensive analysis and recommended revisions to the parking standards in zoning code (Minneapolis Code of Ordinances, Chapter 541). This will be done in 2006 if resources allow • Some criteria exists for adding capacity (development incentive, e.g.)	• PW, along with CPED and Finance develop criteria and a documented process for deliberations about adding parking assets • Criteria for approval of additional assets should include financial risk sharing, cost per staff guidelines, and economic self-sufficiency • A process should bring together economic development, financial management and operating stakeholders and use clear criteria in decision-making	• PW convenes group representing Finance and CPED • Goals and timeframe determined	• Policy developed in 2006 • Policy implemented in early 2007

Appendix A: Full Recommendations

Recommendation #1: Optimize existing System assets.

A. Create an individual business plan for each ramp. This could be something required as part of the Request for Proposal (RFP) process for a parking system operator/vendor. Each facility business plan should consider the following:

- Analysis of facility specific Strengths, Weaknesses, Opportunities and Challenges
- Definition of targeted users
- Operational review, including analysis of hourly, contract, event and car pool fees and utilization rates
- Discussion of opportunities to attract new users
- Discussion of ways to foster stronger relationships with the real estate broker and property manager community
- Financial and operational goals and objectives, including modernization, standardization, customer centric service delivery and improved security
- Discussion of ways to more aggressively approach any new developments to provide parking – new building tenants, new buildings/facilities
- Discussion of space leases to coffee stands, sundries, dry-cleaning and similar services, and recreational vehicles (boats, snow mobiles, ATVs and other non-automobile vehicles)

B. Streamline operational and overhead costs at each facility, including the Impound Lot.

- Audit each operation on a regular basis – ensure effective cash and reporting protocols and controls
- Work to generate greater pride of ownership by clarifying performance expectations for each facility/asset – reference goals and objectives in individualized business plans for each asset
- Look for ways to specifically decrease the operating costs associated with the Impound Lot
- Consistently measure and monitor the level of service provided, per goals and objectives in each asset's business plan
- Reexamine the need for more permanent professional analysts – ensure that desired skill set matches business need
- Ensure maintenance plan is in place, funded and implemented for each asset
- Be customer focused (for example, move City owned cars to upper levels in the Haaf Ramp, facilitate electronic and other payment methods).

C. Re-brand City Ramps and other parking assets, and strengthen marketing capabilities

- Set clear objectives for marketing dollars and other resources as part of comprehensive marketing and public relations planning (something the City might ask bidding System operation vendors to include in their proposals)
- Invest in a re-branding campaign that improves recognition and utilization of City facilities based on key messaging
- Use ramps and other assets as marketing vehicles
- Develop specific marketing plans, based on clear objectives, for parking cards and other products

D. Use the RFP for parking system operators to drive operational improvements

- Consider breaking up the facilities by type or geography and contracting with multiple operational vendors – offer incentives for excellent performance. Consider the impact of competition in structuring operational awards over the longer term

- Consider adding ramp specific business planning into the RFP for a System operator – what ideas do prospective operators have for improving utilization and/or optimizing asset use? What will these ideas cost to implement? How will any investments pay off, and how will returns on investment be shared?

E. Continue to identify and pursue additional revenue generation opportunities

- Parking cards present an opportunity for businesses to market/advertise. Could these be converted to ramp use as well? Offer business logo imprint on large quantities.
- Advertising spaces in existing facilities could include bill boards and interior walls
- Ramps that use a stamp ticket system might have ads and/or maps on the reverse side
- Continue looking for ways to improve signage/way finding
- Continue studying parking meter use patterns and fee tolerance – take advantage of use patterns to optimize fees
- Continue exploring alternative uses for underutilized assets in regular revisions to facility-specific business plans

Recommendation 2: Assemble and use clear financial performance information about System assets to drive operational improvements.

- Determine business information and analysis needed to assess health of each asset, and the portfolio of assets – base information needs on total cost of ownership
- Obtain true market value of assets – off-street ramps, at a minimum
- Reconstruct a 5-8 year history enabling comparative analysis of performance over time
- Determine which assets are truly profitable
- Develop specific "work out" plans for ramps that are not profitable – including divestiture/sale if financial conditions permit
- Coordinate any "work out" planning with business planning for specific ramps

Recommendation #3: Realign System and the Fund goals, and improve accountability for performance of both the System and the Fund.

- Re-align Parking Fund to better reflect financial management activities/transactions of the System
- Ensure that proposed development of new assets strike a better balance between all three objectives for the System. Decisions appear to have become too heavily weighted towards development objectives in last 3-5 years.
- Formulize transfers out of the Fund – ensuring that there is sufficient Fund balance to cover economic downturns and make operational improvement investments. Tie transfers to the General Fund to a specific formula based on Fund surpluses.
- Explore and assess a range of development tools before determining that a parking facility is the most appropriate development incentive offered by the City
- Set clear accountabilities for performance of the System and the Fund
- Develop processes needed to keep System and Parking Fund management accountabilities coordinated

Recommendation #4: Improve decision-making if System assets are added.

- Refrain from adding City funded parking until there is a new investment decision-making process that balances all three system goals
- Rethink prescribed ratios of parking stalls for developments – change plans and zoning as needed (Minneapolis Code of Ordinances, Chapter 541 last amended in 1999) to help manage parking demand
- Analyze both the current and future parking supply/demand conditions for proposed facilities, as well as the broader city-wide needs every time a proposal is considered.
- Develop a work schedule to create consistency between zoning ordinances with comprehensive land use plans
- Proposed developments should consider public transportation, car pooling, fringe parking, shuttle options, etc.

- Refine and communicate a clear process for making decisions about parking facilities as a development tool, given their impact on overall debt and the expectations for meeting revenue generation goals. Develop parking program guiding principles to serve as a strategic framework for parking planning.
- Decision making about city owned parking facilities should involve affected parties from the beginning, guided by all three system goals
- Develop and apply clear, consistent decision-making criteria for City investments in parking facilities – criteria should include financial self-sufficiency for each added asset
- Provide better information about the performance of existing assets as a basis for improved management decision-making about short and long term operations. Performance information should be clear, timely, accessible, and complete.