

Appendix 25

Parking System Financial Plan Template

This document provides a template for creating parking system financial plan.

***MUNICIPAL PARKING PROGRAM
PARKING GARAGE SYSTEM FINANCIAL PLAN TEMPLATE***

Overview:

For large municipal parking programs, having a detailed and well-defined financial plan is considered an industry best practice. The program financial plan would ideally address the following major elements:

- Program Overview
- Program Background
- Planning and Policy Framework
- Key Operational Objectives
- Fund Balance and Reserve Policy
- Uses of Parking Revenues Policy
- Debt Policy
- Rates Policy
- Annual Updates

The following document is a template for developing a recommended parking system financial plan (with sample text for illustrative purposes only).

PARKING STRATEGIC PLAN

MUNICIPAL PARKING PROGRAM PARKING GARAGE SYSTEM FINANCIAL PLAN TEMPLATE

Date: _____

Introduction

Brief description of the parking programs origins, history and purpose.

Example text:

The City owned parking garage system was established in the 19__'s to meet a number of City objectives including downtown economic vitality, providing a balanced transportation system, and financial stability. The garages have been very successful in meeting these objectives, as noted elsewhere in this Plan. However, the City, and the parking garages, find themselves in a very dynamic environment. Careful planning is essential if the system is to continue to fulfill its mission, and do so in a financially sound manner. This Financial Plan establishes the financial policies and procedures that will ensure the operational and financial success of the system.

Background

The City of _____ owns five parking garages in downtown _____. They are:

Garage A	550 spaces
Garage B	700 spaces
Garage C	350 spaces
Garage D	541 spaces
Garage E	723 spaces
Total	2,864 spaces

PARKING STRATEGIC PLAN

Example text:

All of these facilities are in the Parking Facilities Fund. Planning is underway for a sixth garage.

The City has contracted with _Company X_ since (date) to provide day-to-day management of the garages. Company X in turn has a number of subcontracts to provide operations, security, janitorial, sweeping, and marketing services for the garages. Company X also manages the City's parking validation program.

The garages are known as the _ (Parking System Brand Name) _ garage system, and have a logo with that name and symbol.

Usage at the garages has grown rapidly in recent years, especially since we began the _ (Parking System Brand Name)_ marketing program X years ago. The garages are full frequently during the peak weekday hours from 10:00 a.m. to 4:00 p.m. Usage has also grown dramatically in the evening and weekend periods. As a result, the financial condition of the garages is strong, and getting even stronger. We have been able to catch up with all deferred maintenance, and are now on a regular capital maintenance schedule.

The garages also include some commercial retail space at (insert locations). This is managed by the (insert department or agency). Rates and policies are set by (insert department or agency) in accordance with standard industry practices in downtown _____.

If parking revenues are used to fund other community initiatives or programs, note here. Also include financial contributions or debt obligations if applicable.

Another element that could be addressed here are policies regarding the use of Parking Facilities Fund. See example language below:

"Annual debt service expenditures will be paid from parking system revenues. Short-term parking rates were recently increased by \$___/hour to assist in paying this increased cost. The rate increase generates an additional \$___ million per year. The remainder of the debt service obligation will be paid from existing net revenues of the parking system.

Additional policy statements or guidelines related to Parking Facilities Fund financial policies could be inserted here. Also, noted below are examples of "qualifying statements" related to use of parking fund policy decisions. See example language below:

1. Resources of the Parking Facilities Fund will be sufficient to fully meet system expenditures and the debt service requirements associated with approved parking fund contributions. However, adding a new garage may require an additional increase in short-term parking rates depending upon the terms of the new facility.
2. The reserve for future construction will decrease over the forecast period. It will not reach its desired maximum of \$___ million until after bonds on _____ garage and _____ garage is paid off in _year

PARKING STRATEGIC PLAN

x - year y_ and year x - year y _ time frames. However, reserves for major maintenance and operations will remain fully funded throughout the forecast period.

3. Council's decision to use the Parking Facilities Fund's net revenues for the _note special project name_ results in the probability that the fund, at current rates, will not be able to finance other transportation projects in the Central City for at least the next ten years. Neither will it be able to subsidize or otherwise assist Central City projects such as housing or a project in the _____ District.

4. The possibility still exists that an economic downturn could affect usage at the garage. Also, the financial performance of any new garage is uncertain. While the Fund Projection and this Financial Plan use relatively conservative assumptions, a worst-case scenario could have serious consequences, since there would not be as much financial flexibility in the Fund.

Planning and Policy Framework

This section of the Financial Plan describes the planning and policy framework that the financial plan is designed to support. It should address the mission for the system and identify specific tasks that need to be accomplished to ensure the continued success of the system. One of those tasks could be the completion of a Financial Plan as this document. Following is more example language and key recommended section elements such as a strategic mission statement, alignment with larger plans, preparation of an annual capital plan, preparation of a long-range major maintenance plan, development of an annual fund projection, etc.

Example text:

The Parking System Strategic Plan Mission Statement is:

Our mission is to support the economic vitality of the Central City by providing an affordable system of parking garages which primarily meets the short-term needs of shoppers, visitors and business clients and by investing in other Central City transportation improvements.

In _(year)_, the _____ Plan was completed. This Plan established a number of strategies needed to ensure that the _ (Parking System Brand Name)_ system continues to meet the demand for parking in the Central City. These strategies include construction of new facilities, restriping, rate adjustment, provision of bicycle and carpool parking, and other demand management techniques. This Financial Plan helps the City to ensure that we can afford all necessary strategies without undue risk.

In _(year)_, the _ (larger parking or downtown strategic plan or master plan) _ was completed. The XXX Plan is a part of a continuous planning process intended to promote economic vitality, livability, and environmental quality for Central City residents, workers and visitors. According to the XXX Plan, parking structures are the preferred method of providing parking in the Downtown to promote a compact and walkable urban environment. New parking structures will be built to promote the use of

PARKING STRATEGIC PLAN

alternative transportation, such as transit and carpool, to support existing and new economic development and to enhance the urban form of the Central City. Implementation of this Financial Plan would be consistent with policies of the XXX Plan.

All City divisions with capital assets are required to prepare an annual Capital Improvement Plan. The _ (parking department) _ has prepared such a plan for the garage system each year. The focus of this plan has been primarily the scheduling of major maintenance projects, so that they are completed in a timely manner, but in a way, that minimizes the financial impact in any one year.

In _(year)_, the _ (parking department) _ completed a detailed Long-Range Major Maintenance Plan for the garages. This plan identifies each of the major subsystems of the garages (elevators, electrical, structural, etc.). It notes the maintenance history of each and forecasts the maintenance needs of each for the next twenty years. It estimates the cost of each, and totals the costs by year so that we know how much we must plan to spend to ensure that each will continue to perform its function reliably.

For a number of years, the _ (parking department) _ has prepared a Fund Projection that forecasts revenues and expenditures for the system for the coming five years. This financial planning document helps us to ensure that the system's financial health is maintained. This Financial Plan incorporates the Fund Projection and will provide the basis for its future updates.

The current Fund Projection incorporates the following assumptions:

a. Parking revenue grows at __%, without a rate increase. This is due to increased demand, especially increased demand during off-peak (evening and weekend) periods.

Commercial rent revenue grows at less than __%.

Operations and maintenance expenses grow at __%. This is approximately the long-term _____ area CPI for this type of expense

d. Debt service is the established payment schedule for each of the debt issues.

e. CIP's are the annual average expenditure required for each garage and was determined by the _(year)_ major maintenance study.

Overall, parking revenues have grown in recent years by about __% per year. The reasons for this substantial growth include:

a. the growth in downtown retail

b. the very effective _(Parking System Brand Name)_ marketing program

c. effective management

PARKING STRATEGIC PLAN

- d. the high level of customer service the system provides
- e. reasonable rates
- f. reliable availability of short term parking
- g. the _(Date)_ rate increase from \$__ to \$__ per hour

Expenditures have grown about __-__%. This expenditure growth is due to:

- a. inflation
- b. increasing maintenance needs of an aging system
- c. increased staffing to serve the growing number of customers

The difference between the revenue growth and expenditure growth is reflected in the increase in the size of the Fund Balance. This Fund Balance has in the past constituted the system's operating and maintenance reserves, and has been the resource for system expansion, in particular, the two-story addition to the _____ garage.

Operational Objectives

This section of the Financial Plan describes the system's operation objections. The program's basic objective is to accomplish the _ (Parking System Brand Name) _ Mission. See example language below:

Example text:

The following strategies applied to achieve the program vision and mission:

- a. High quality customer service. Specifically, this means such things as ensuring an adequate number of well-trained attendants to provide courteous, efficient service when a customer leaves. We want to minimize the length of time they must wait, and to make their interaction with the program as pleasant as possible. In addition, we want them to feel safe and secure in the garage, and want them to have as clean and well maintained a facility as possible. This level of service gives us satisfied customers who will return to the garages and recommend us to their friends.
- b. High quality maintenance. This means keeping the elevators operating virtually non-stop, replacing burned out lights promptly, repairing damaged sections of the garage quickly and completely, removing graffiti promptly, etc. It also means ensuring that the major and very expensive subsystems of the garages (lighting systems, structural systems, revenue control equipment, etc.) are repaired and/or replaced on a regular basis. Again, customers will feel more comfortable knowing that their garage can be relied on to function safely and effectively. We also keep our maintenance costs as low as possible by staying current and not having to fund inherently costly deferred maintenance projects.

- c. Effective marketing. _ (Parking System Brand Name) _ operates in a very competitive environment. As part of downtown, we compete with the suburban malls for shoppers. For those motorists who do come downtown, we compete with privately owned garages and on-street meters, especially on evenings and weekends. We also face the challenge of the relatively widespread but incorrect perception that downtown parking is unavailable, inconvenient, expensive, and generally a hassle. We must sell the convenience and attractive price of _ (Parking System Brand Name) _ if we are to meet our mission. Thus, an aggressive marketing program is essential.
- d. Effective management. The _ (Parking System Brand Name) _ provides a consistent, high quality level of management service. Through careful planning and attention to detail, we have ensured that customers have received the service they expect and the City demands. _ (Parking System Brand Name) _ has also provided careful and effective coordination with the downtown business community, which depends heavily on the success of the garages to promote their own business objectives.
- e. Planning and Development. The _ (Parking System Brand Name) _ and related agencies and partners assesses parking demand and develops funding and development strategies on an on-going basis to ensure critical parking needs are met.

Fund Balance/Reserve Policy

This section of the Financial Plan describes the system's policies related to "fund balance and financial reserve policies". See example language below:

Example text:

The Fund will maintain three reserves:

1. An operating reserve of 10% of one year's total budget, not counting debt service.
2. A major maintenance reserve of one percent of the replacement value of the garages.
3. A capital construction reserve. Its size will be determined as described in the Annual Update.

Operating Reserve

The operating reserve standard is the level recommended by the Government Finance Officers Association. They recommend 5-10% depending on the level of risk. The appropriate point on that range depends on our assessment of the nature and degree of financial risk for the system. The risks to the City in the parking business are relatively high. They are:

PARKING STRATEGIC PLAN

Example text:

a. _ (Parking System Brand Name) _ operates in a competitive environment, which is rare if not unique in government. The competition comes from privately owned garages, parking meters, and especially suburban malls where parking is free. An economic downturn or other financial distress suffered by downtown business would be directly reflected in parking garage usage and revenues.

b. The City is in the parking business because we are expected to take on a level of risk that the private sector is not willing to assume. Parking in general is not inherently profitable if the rate is to remain affordable. In fact, the City's experience in all of our garages shows that we must expect losses in the early years if not the life of the garage debt. Affordable parking is critical to the success of downtown. Our rates must always be below market so that this important public objective can be achieved.

Given this inherently risky financial environment, a relatively high reserve is warranted. It will ensure that the system continues to remain financially healthy almost regardless of the social or economic environment.

The operating reserve will be used for the following purposes:

1. To maintain service levels when economic, social, or other conditions cause usage and revenues to decrease.
2. To fund investment opportunities that will allow the City to take advantage of business opportunities that will increase service and/or reduce costs.

Major Maintenance Reserve

The major maintenance standard is similar to one used in State statutes that sets reserve requirements for non-general fund facilities. Facilities such as parking garages that are exposed to the elements are especially prone to maintenance problems. Industry standards suggest that parking facility maintenance reserves should be in the range of \$75/space/year. If we are to maintain a high level of reliability and customer service, we must be able to respond to any maintenance problem quickly. This reserve assures our ability to do so. Note that this reserve is in addition to the ongoing maintenance budget for the garages.

Example text:

The maintenance reserve will be used for the following purposes:

1. To fund one time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance or operating budget.

PARKING STRATEGIC PLAN

2. To maintain major maintenance project funding levels in the event of unanticipated revenue reductions.
3. To provide adequate cash flow when major maintenance projects exceed the annual average for them established in the CIP and major maintenance plan.

The Fund will not maintain a replacement reserve. By completing major maintenance projects each year replacement of the facilities can be deferred for a substantial period of time.

If the operating and maintenance reserves are lower than these amounts the Fund will use higher than budgeted revenues and/or lower than budgeted expenditures to replenish the reserve. If within one year the reserves are not replenished to the levels required by this Plan, the City will raise rates in an amount sufficient to bring them up to those levels within two years.

Capital Construction Reserve

The purpose of the Capital Construction Reserve is to fund, in part, the construction of new parking facilities. The City's experience shows that a new facility cannot be built and operated at a break-even basis for a long period of time, if at all, given the rate policy that we have adopted. Accordingly, a reserve is needed to provide the subsidy needed to allow a new facility to break even. If the capital construction reserve is not fully funded, _ (Parking System Brand Name) _ will evaluate the Fund Projection as part of the Annual Update to determine if forecast net revenues of the system will be sufficient to provide the cash financing needed for new facilities, by the time those facilities are forecast to be needed. If the Update shows that the Reserve will not be fully funded, the City will consider raising rates to fund it. This increase may occur prior to the expected construction of the new facilities. However, if an early rate increase would have a negative impact on the achievement of the Mission and Goals of the system, the increase may be deferred until needed to pay debt service and operating expenses of the new garage.

Example text:

▲ Policies Regarding Uses of Parking Revenues

This section of the Financial Plan describes the system's policies related to "policies regarding the approved uses of parking system revenues". See example language below:

▲ Expenditure Policies

1. The City will continue its policy of spending sufficient funds on basic services such as attendants, security, janitorial, minor maintenance, and marketing to ensure that customers consistently receive a very high quality level of service.

PARKING STRATEGIC PLAN

2. The City will continue its policy of carefully planning and funding major rehabilitation and maintenance of the garages so that they will continue to provide a high quality, consistent, efficient, and reliable service for the indefinite future. The City will update and implement those plans each year.
3. All expenditures will be consistent with the System's values established by the Strategic Plan, and will support the Mission and Goals set by the Strategic Plan.
4. The priority for the use of parking system revenues is as follows, and as reviewed in the Annual Update.
 - a. Operations and maintenance of all garages.
 - b. Debt service on the garages.
 - c. Funding the garage Operating Reserve and Major Maintenance Reserve.
 - d. Debt service on the bonds to which parking revenues have been committed to (if applicable).
 - e. Continuation of the ongoing transfers to other funds (if applicable) adjusted for inflation. However, if future City financial plans show that these transfers are no longer necessary, or are no longer the most efficient way to meet City expenditure requirements, this priority may be changed.
 - f. Funding the Capital Construction Reserve.
 - g. Funding other parking and traffic improvement projects, and assisting other Central City improvement projects such as high density, affordable housing, as allowed by state law.

▲ Policy Regarding Determining the Amount of a Fair Return

The City Attorney has advised the City that state statutes allows payment to the City of a fair return on its investment in a facility for the purpose of making additional parking and traffic improvements. The Attorney also advised that the determination of what a fair return means in dollars is an administrative decision.

There are two approaches to determining the amount of a fair return.

1. A conservative approach would be to use the Comprehensive Annual Financial Report (CAFR) values to determine the amount of the investment, and use the Public Utility Commission (PUC) formula for rate of return for regulated utilities (9.6%) as the rate of return.
2. Another approach would be to use replacement, or market value, and the PUC rate of return.

Use of CAFR values seems excessively conservative, because they do not reflect the true market value of the property. If the City were to sell the garages the net proceeds would be construction cost of an equivalent facility, plus land value, less depreciation and outstanding debt. This suggests that the

market value approach is more realistic. Accordingly, the policy is that the amount that is made available for these improvements is limited to the rate of return allowed by the PUC for regulated utilities, applied to the market value of the garages. The City may raise rates to fund these projects, consistent with the other goals and policies in this Plan and other Plans. The policy by which specific parking and traffic improvements will be funded will be established in the Annual Update.

Debt Policy

This section of the Financial Plan describes the system's policies related to "debt policy" related to the parking system". See example language below:

The City of _____'s Debt Policy will govern the debt policies and practices of the Parking Facilities Fund. An important feature of parking system debt is that the revenues of each of the garages in the Fund are cross pledged to the bondholders of the other garages debt. Another feature is that the coverage ratio for parking garage debt is enhanced by the pledge of net parking meter revenues.

The City has consistently used the net revenues of the downtown core garages to cover the financial shortfalls of the _____ garage(s), and will continue to do so. However, the City has never needed to use net meter revenues to support the garage debt or operations. It is the City's policy that the garages will be managed in such a way that whenever possible net meter revenues will not be used in that way in the future.

The coverage ratio required by the bond covenants varies, but is averages approximately 1.5. It is the City's policy that the Fund will achieve the ratio on its own, without use of net meter revenues, whenever possible.

Rates Policies

This section of the Financial Plan describes the system's policies related to "rate setting" related to the parking system". See example language below:

Rates will be set to achieve the following objectives:

1. To meet the system's objectives.
2. To ensure the financial health of the system.
3. To ensure that parking is affordable for downtown visitors and businesses.
4. To implement the City Council's parking and transportation objectives.

PARKING STRATEGIC PLAN

The most important rate is the basic rate for short-term (less than four hours) daytime parking. This rate will be as low as possible to maximize objectives #1 and #3 above. It will be raised as little as possible, and only when needed to meet objectives #2 and #4. Short-term rates will be below market. Only City Council Resolution or Ordinance will adjust short-term rates. (This last statement should reflect local policies. Many programs have an internal board that are authorized to make rate setting decision without council or ordinance approval requirements.)

The City will consider the need for an additional increase in the parking rates as part of the analysis of specific projects to site and build or acquire a new downtown garage. The City will account for the cost of land, cost of construction, financing costs and related issues in determining the need for such an increase.

The rate for long-term parking (greater than four hours) and the all-day maximum will be as high as necessary to ensure the availability of employee parking. Generally, long-term rates will be set at the market rate for the area.

The rate for evening parking will be set to achieve all four objectives. Market rates will be a consideration. This means that we will try to be consistent with the market to maximize revenues, but not if it discourages potential customers from coming downtown for events.

Carpool rates for each garage will be set at 75% of the monthly rate for that garage.

▲ Annual Updates

This section of the Financial Plan describes the system's policies related to "annual updates". See example language below:

Each year the _ (Parking System Brand Name) _ will complete an update of this Plan. This update will:

1. Determine whether or not the system is meeting the Operational Objectives described in this Plan. If not, the update will include a plan to achieve that objective.
2. Determine whether or not the system's coverage ratio meets or exceeds 1.5. If it does not, the update will include a plan to achieve that objective.
3. Determine whether or not the Ending Fund Balance is sufficient to fund the system's operating and maintenance reserves. If it is not, the update will include a plan to achieve that objective.
4. Determine if the Balance is sufficient to pay other debt commitments. If it is not, the update will include a plan to achieve that objective.
5. The Annual Update will assess the need to build additional parking facilities. These could include any project consistent with the Strategic or Facilities Development Plans. If there is such a need, the update will include an estimate of when they will be needed, how much they will cost, and will establish a funding strategy. The strategy will calculate the amount per year that will need to be set aside to fund

PARKING STRATEGIC PLAN

the new facilities. For example, if \$5,000,000 is needed 5 years from now, \$1,000,000 of the remaining net revenues will be placed in the Capital Construction Reserve. This Reserve will be set aside to offset the cost of the new facilities.

7. The update will also assess the need for other parking and traffic improvements that may be funded by the Parking Facilities Fund, as allowed by state law. Any funds in excess of the amount needed for the Capital Construction Reserve will be available for other parking and traffic improvements, as allowed by state law. If the Parking Group determines that these improvements have a priority over the funding of the Capital Construction Reserve, it may make findings to Council to that effect in the Annual Update.

RESOLUTION No.

Approve a Strategic Plan and a Financial Plan for the City owned _ (Parking System Brand Name)_ parking garages.

WHEREAS, the City owned _ (Parking System Brand Name) _ parking garage system has been very successful in recent years in meeting the growing demand for short term parking while at the same time strengthening its financial condition.

WHEREAS, continued demands to increase the supply of parking and to assist with the financing of other transportation objectives strengthen the need for careful financial planning to ensure that the system will continue to successfully meet its objectives.

WHEREAS, the _ (Parking System Brand Name) _ has carefully drafted these Plans to ensure that all system and City objectives are met.

NOW THEREFORE BE IT RESOLVED, that the City Council adopts the attached Strategic Plan and Financial Plan effective immediately, directs that they be used to guide decisions regarding the _ (Parking System Brand Name) _ system, and calls for the Annual Updates to be completed as detailed in the Financial Plan.