

Agenda Report

April 12, 2021

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Transportation

SUBJECT: PARKING PROGRAM FINANCIAL UPDATE

RECOMMENDATION:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b) (3);
2. Reinstate collection of citation late fees to be effective July 1, 2021; and
3. Reinstate collection of zoning parking credits to be effective July 1, 2021 and authorize Department of Transportation to work with the Finance Department to develop repayment plans for past owed fees.

EXECUTIVE SUMMARY:

Since the onset of the COVID-19 pandemic, operations of the Transportation Department have been adjusted to maintain service for the public and relief has been provided to residents and businesses to assist with the prolonged financial impacts from COVID-19.

Parking enforcement activities were modified on March 17, 2020, and resumed June 16, 2020 for enforcement of parking meters and time limits in residential neighborhoods. Enforcement for overnight parking resumed on October 1, 2020. The Parking Division returned to full enforcement activities on November 1, 2020. Additionally, the Parking Office re-opened to the public on August 10, 2020 offering appointments for residents and businesses to pay and appeal citations, and obtain parking permits.

Due to the pandemic, parking fund revenues are down significantly. Parking garage revenue for FY21 is projected to be down \$7.5 million from budgeted amounts, and parking citation, permit and boot revenue is projected to be down \$6.2 million from budgeted amounts. A portion of the impact to garage revenues involve the City's zoning parking credit program. The lower projections in enforcement revenue is mainly due to enforcement activity being partially suspended during the pandemic, and also due to the suspension of late fees and collections activities.

As the public health orders are amended to allow more businesses and public facilities to re-open with higher occupancies, parking demand is expected to increase. That in turn will help with our current budget shortfalls. As the Department returns to our regular collections efforts, staff will work with staff from the Department of Finance to develop repayment plans for past due Zoning Parking Credit fees. Additionally, the Department of Transportation will continue to offer repayment plans for eligible citations per state law.

BACKGROUND:

DOT has regularly been included in financial updates presented by the Finance Director. DOT has also provided an update to the Municipal Services Committee on a Parking Strategic Plan that is underway.

To summarize the current financial status of the City's various parking funds, all parking revenues have been negatively impacted with cuts made to expenses not offsetting the significant revenue losses

- The City's General Fund will receive \$6 million less from parking permits and citations in FY21.
- The fund for parking garages is expected to deplete reserves of nearly \$4 million and end FY21 with a negative fund balance of nearly \$700,000.
- All but one parking meter district can utilize reserves and maintain a fund balance while the Shopper's Lane parking lots will deplete reserves and end FY21 with a negative fund balance of nearly \$80,000.
- Expenses for the Parking Division are expected to be \$4.9 million under budget due to cuts primarily for contract services and parking management fees.

Adjustments to Parking Operations

City Council took action on temporary modifications to the City's parking policies on March 17, 2020. At that time, modifications suspended overnight parking enforcement, time limits in residential neighborhoods, street sweeping restrictions, and payment at curbside parking spaces, and suspended late fees. City Council approved the resumption of parking enforcement at meters on June 1, 2020 to coincide with changes to the health order allowing specific business activities to reopen and encourage curbside pickup. On August 17, 2020, City Council approved the resumption of parking enforcement for daytime street sweeping and overnight parking while also allowing staff to implement a COVID-19 overnight parking program and low income fee waiver.

Parking enforcement activities with City staff and contract staff resumed June 16, 2020 for enforcement of parking meters and time limits in residential neighborhoods. Enforcement for overnight parking resumed on October 1, 2020. The Parking Division returned to full enforcement activities on November 1, 2020. Additionally, the Parking Office re-opened to the public on August 10, 2020 offering appointments for residents and businesses to pay and appeal citations, and obtain parking permits.

The citywide demand for parking has fluctuated with the Safer At Home orders and re-openings. While economic activity is improving, revenues are forecast for FY21 to be \$15.8 million under budget across all funds.

Parking Division – FY21 Revenues

Parking funds have seen significant reductions in revenue during the course of the COVID-19 pandemic. Parking garage revenue for FY21 is projected to be down \$7.5 million from budgeted amounts, and parking citation, permit and boot revenue is projected to be down \$6.2 million from budgeted amounts.

FY21	Parking Garages Off-Street Parking Funds	Meters and Lots On-Street Parking Funds	Citations, Permits, Boot General Fund
Budgeted Revenue	\$15.3 million	\$3.7 million	\$8.6 million
Actuals Through Jan 2021	\$3.1 million	\$1.1 million	\$1.4 million
Estimated Revenue	\$7.5 million	\$1.8 million	\$2.4 million

Parking Garages – Fund 407 (Off-Street Parking Fund)

A primary reason revenues will miss budgeted amounts is attributed to transient parking in the City’s nine parking garages and two surface lots. Transient parking dropped on average 75-80% during summer, gradually improved from July through November but lost momentum during the most recent COVID surge. Using January 2021 as a reference, we have experienced a 78% drop in transient revenue when compared to January 2020. The largest drop in revenue from transient parking is estimated at \$1.6 million at the Paseo subterranean garage. Revenues from monthly parking permits are down nearly 45%, but have remained steady across the various parking garages. The largest impact from monthly parking permits was at the Marengo Garage with revenues estimated under budget by \$450,000 and is mostly attributed to a drop in office workers.

In addition to decreased revenue for garage parking, revenue is also down for zoning parking credits. Businesses who do not have the minimum required parking spaces to meet code requirements annually pay fees for zoning parking credits for use of parking spaces in nearby garages. Fund 407 has \$81,085.72 in past due zoning parking credits owed during the pandemic with \$3,245.34 in late/collection fees not being applied per City Council direction.

Revenue for the parking garages is closely tied to business activities in the immediate areas surrounding each garage. To support the on-street dining program, \$150,000 was appropriated from Fund 407. Staff will pursue reimbursement through the American Rescue Plan Act if these expenses are eligible.

While budgeted to generate about \$15.3 million in revenue in FY21, the parking garages are forecast to generate revenues of only \$7.5 million. Part of the loss in revenue will be offset with cuts to expenses. For FY21, the operating expenses for the parking garages are budgeted at \$16.6 million. Expenses are forecast to be under \$13 million due to negotiated cuts with the various garage managers/operators and continued deferred maintenance of the garages.

Due to the prolonged drop in revenues, Fund 407 is expected to deplete all available reserves of nearly \$4 million and end FY21 with a negative fund balance of nearly

\$700,000 (Attachment A). The most optimistic projections do not expect revenues to return to pre-COVID levels until FY23.

Parking Meters and Shoppers Lane – Funds 102, 213, 214, 217, 225, 229, and 232

The Safer At Home orders and re-openings have also impacted revenues in FY21 for parking meters and the Shopper's Lane parking lots. Revenue is forecast to be under budget for Old Pasadena by over \$940,000, Civic Center at over \$445,000, Shopper's Lane at over \$325,000, and South Lake at over \$155,000. While individual funds support a specific location, district, or lot, taken as a whole the various on-street parking funds are forecast to be down 50% and come in \$1.9 million under budget. The drop in revenue is less severe when compared to the parking garages as customers take advantage of curbside pickup from businesses with a nearby location.

The City's meter districts and the Shopper's Lane lots also have far less expenses when compared to the parking garages. In recent years, most of the meter districts generated enough revenue to add to their reserves and plan for meter replacement costs. All meter districts will dip into reserves in FY21 and only Shopper's Lane is expected to end FY21 with a negative fund balance of nearly \$80,000 (Attachment B). This further highlights the urgency of the City's pending property tax appeal case that is currently with the County Assessor's office.

To support the on-street dining program, \$200,000 was appropriated from Fund 213 (Old Pasadena Meter Fund). Staff will pursue reimbursement through the American Rescue Plan Act if these expenses are eligible.

Parking Citations and Permits – Fund 101

Lastly, General Fund revenues from parking citations, overnight parking permits, and impound fees dropped by 70% and are forecast to be \$6.2 million under budget. The loss in revenue is led by parking citations, as enforcement activity was not done for the months of July, August, and September. Citations are due for payment 21 days after issuance with an estimated 31,366 parking citations issued since October. Additionally, citation late fees are currently suspended and collections efforts for past due citations are on hold, further impacting revenues. There is \$414,805 in outstanding citations owed on citations issued since October of 2020, and \$6,590,000 in outstanding citations owed on citations that are less than 5 years old where collections efforts have been suspended. Overnight parking permits are also down nearly 60%.

In an effort to offset the loss in revenue, use of the City's contract parking enforcement company, Inter-Con, has been limited. This is expected to save approximately \$600,000 through the end of FY21. Furthermore, a new parking permit and citation management software was implemented in FY21 and is expected to reduce back office operational costs and facilitate improved revenue controls.

As the public health orders are amended to allow more businesses and public facilities to re-open with higher occupancies, we expect parking demand to increase and improve the financial outlook for all parking operations over time. For fund 407, in particular, even if usage returns to pre-pandemic levels, revenues are not sufficient to meet the capital needs of the garages as identified in previous analysis and re-enforced in the garage assessment that is currently being finalized. While state of good repair costs have continued to grow, the revenues needed to meet the demand of the capital improvements

have not. Of note, parking garage rates have not been increased since 2001 in the Old Pasadena garages, since 2004 in the Holly garage, since 2008 at the Del Mar garage, and since 2009 in the Paseo garage system. Modifications to the parking business model will need to be considered in the near future.

Lastly, a consultant will complete a Parking Strategic Plan, which will evaluate new parking business models for parking operations and management which may positively impact revenues and allow for efficiencies in managing the City's parking program. Separately, as noted above, work has been completed on a physical assessment of the City owned parking garages, which estimates over \$12 million in deferred maintenance items. It is important that future revenues be preserved to address garage maintenance items.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15061 (b) (3). The project is covered by the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment.

FISCAL IMPACT:

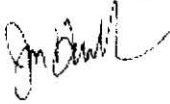
Resumption of these late fees and collections activities will result in increased revenues for both Fund 407 and the General Fund. While exact figures cannot be calculated, we anticipate revenues in FY22 of approximately \$60,000 to Fund 407 and approximately \$2 million to the General Fund due to citation revenues.

Respectfully submitted,



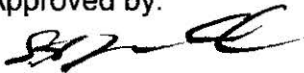
LAURA RUBIO-CORNEJO
Director
Department of Transportation

Prepared by:



JON HAMBLLEN
Parking Manager

Approved by:



STEVE MERMELL
City Manager

Attachments (2):

Attachment A – Fund 407
Attachment B – Fund 217