

Agenda Report

TO: City Council
THROUGH: Finance Committee

DATE: December 8, 2003

FROM: City Manager

SUBJECT: APPROVAL OF THE FINAL AGREEMENT WITH THE OLD PASADENA MANAGEMENT DISTRICT FOR THE MANAGEMENT OF THE SCHOOLHOUSE, DELACEY AND MARRIOTT PARKING GARAGES

RECOMMENDATION

It is recommended that the City Council:

1. Approve the final agreement (Attachment 1) between the City and the Old Pasadena Management District (OPMD) authorizing the OPMD to manage the Schoolhouse, Delacey and Marriott parking garages (Old Pasadena Garages);
2. Authorize the City Manager to amend and assign contract #17,320-2 between the City and Ampco System Parking for management and operation of the Old Pasadena Garages to the OPMD;
3. Authorize the City Manager to amend and assign that portion of contract #17,310-1 between the City and Inter-Con Security Systems, Inc. with respect to security services for the Old Pasadena Garages to the OPMD. The total amount of the assignment to the OPMD under this contract will be \$380,300;
4. Authorize the City Manager to amend contract #17,680 between the City and Morlin Management Corporation with respect to the management and operation of the trash compactor area in the Schoolhouse parking garage, for which responsibility will be transferred to the OPMD under the agreement, and decrease the not to exceed amount by \$21,700;
5. Authorize the City Manager to amend contract #18,093 between the City and Western Elevator, Inc. with respect to the maintenance of the elevators in the Old Pasadena Garages, for which responsibility will be transferred to the OPMD under the agreement, and decrease the not to exceed amount by \$7,920 for year two and by \$8,640 for each subsequent year; and
6. Prepare a journal voucher amending the FY 2004 Adopted Operating Budget for the Old Pasadena Parking Structure Fund (407), decreasing it by \$286,803 along various line items in accord with year one of the proforma included as Exhibit C in Attachment 1.

OLD PASADENA PARKING METER ZONE ADVISORY COMMISSION

This initial proposal was reviewed by the Old Pasadena Parking Meter Zone Advisory Commission (Commission) and unanimously approved on November 21, 2002 along with the stipulation that the final agreement be presented to the Commission.

Following approval of the final agreement (Attachment 1) by the OPMD Board on November 24, 2003, the Commission reviewed the final agreement at a special meeting on December 4, 2003 and voted unanimously in support of it.

BACKGROUND

On June 27, 2002, the City received a proposal from the OPMD to operate the Old Pasadena Garages. The initial proposal outlined four major points, including the sharing in any net income between the City and OPMD; with OPMD's share being used for new customer services and other Old Pasadena related programs. However, after several meetings with representatives from OPMD and discussion with the City's bond counsel, because of the outstanding tax-exempt bonds on the garages, the ultimate structure had to be a management arrangement and not ownership or any form of profit sharing.

On December 9, 2002, City Council authorized the City Manager to enter into an agreement with the OPMD to manage the Old Pasadena Garages, stipulating that the final language of the agreement, with all performance measurements and proforma information return to the Finance Committee and City Council for approval. At that time thirteen deal points were outlined as a framework to be included in the final agreement. Based on discussion at that meeting and discussions since that time with OPMD representatives, the following changes, mutually agreed upon by both parties, have been incorporated as part of the agreement.

1. The initial term of the agreement will be for two and a half years from January 1, 2004 through June 30, 2006. Originally, an initial three-year term was envisioned, but negotiations took longer than anticipated, and there was a desire to have the term of this agreement coincide with the City's fiscal year, which closes at the end of June annually. (See Attachment 1, Paragraph 12.1)
2. Instead of a 60 day written notice to terminate with or without cause, either party may do so with a 30 day written notice. (See Attachment 1, Paragraph 14.19)
3. The management fee to the OPMD of \$9,167 per month will be adjusted each year by 3%. The original deal point set the fee at \$10,000 per month, and did not include an increase for this fee. This was reduced to offset some of the additional insurance costs required by OPMD to manage the Old Pasadena Garages. (See Attachment 1, Paragraph 4.1)
4. Due to existing federal and state tax laws with regard to the status of the bond covenants financing the garages, no performance-based bonus or profit sharing will be considered as part of the agreement. (See Attachment 1, Paragraph 2.3)
5. The City Council will reserve the right to adopt any proposed changes to the parking rates, which may originate from City staff or the OPMD. The City will notify the OPMD of any proposed rate changes. The original deal point specifying that no rate changes could occur during the term of the agreement unless recommended by the OPMD has been eliminated. (See Attachment 1, Paragraph 6.0)
6. The City will assign that portion of the current contract for security in the Old Pasadena Garages to the OPMD. The original deal point was not definitive as to how this contract would be handled. (See Attachment 1, Paragraph 2.2)
7. As a new deal point, the OPMD will develop a three-year pro-forma to be incorporated as an exhibit in the agreement and used as a guideline for subsequent budgets. (See Attachment 1, Exhibit C)

Other particulars of the agreement including assignment and/or amendment of existing contracts related to the operation of the Old Pasadena Garages, performance measurements, development of a budget for the initial three-year term of the agreement, and transition of duties are detailed further below.

In addition to approval to enter into an agreement with OPMD, City Council also directed the City Attorney to modify Title II of the Municipal Code to reflect that so long as the management agreement is in place, the Commission will not have oversight responsibilities of the Old Pasadena Garages. In a separate agenda report, staff is recommending that this action be rescinded since it is not necessary to enact this change. Furthermore, on that same agenda report, staff is recommending that the role of the Commission be revised to reflect the delegation of responsibilities for the Old Pasadena Garages to the OPMD.

ASSIGNMENT AND/OR AMENDMENT OF EXISTING CONTRACTS

There are four major contracts governing the operation of the Old Pasadena Garages. The contract with Ampco System Parking for parking management and operation will be assigned in total to the OPMD. Since the contract with Inter-Con Security Systems, Inc. is a citywide contract, only that amount dedicated towards security in the Old Pasadena Garages will be assigned to the OPMD. Under contract, Morlin Management Corporation provides both property management for the six City business tenants in the Schoolhouse and Delacey parking garages, and management and operation of the trash compactor located in the Schoolhouse parking garage. It is the desire of the OPMD to assume responsibility for the trash compactor operations in-house, but not engage in management of the City tenants. Thus, the contract with Morlin is being amended to reduce their scope of services and compensation accordingly. Finally, the contract with Western Elevator, Inc. is being amended in the same manner as that of Morlin, because the OPMD will assume responsibility for maintenance of the four elevators in the Old Pasadena Garages.

PERFORMANCE MEASURES

Included in Attachment 1 as Exhibit D of the agreement, are mutually agreed upon performance measures that the City will use to track and evaluate how well OPMD is operating the Old Pasadena Garages under the agreement. The seven major evaluation criteria categories are: appearance, condition of buildings, fiscal management, parking management services, security services, management of the trash compactor, and management reporting. These performance measures will be enforced and the results discussed by both parties no less than on a quarterly basis.

BUDGET AND THREE-YEAR PROFORMA

Included in Attachment 1 as Exhibit C of the agreement is a three-year proforma prepared jointly by the City and OPMD, which covers the initial term of the agreement ending on June 30, 2006. In comparing the combined budget for FY 2004 (year one) to the actual revenue and expenses for FY 2003, the net loss will decrease by \$99,745 going from a net loss of \$135,676 to a projected net loss of \$35,931. In years two and three, net income is projected at \$145,909 and \$209,338 respectively. In year one, \$222,000 has been appropriated to existing capital improvement projects to provide for elevator repair, improved signage, painting of ceiling and beams, and upgrade of lighting to a more energy efficient system in the Schoolhouse Garage. These capital improvements are also scheduled for the Delacey and Marriott Garages in FY 2005 and FY 2006 respectively. However, if contract savings can be realized by performing any

one of these improvements concurrently in all three garages, then this schedule will be modified.

TRANSITION OF DUTIES

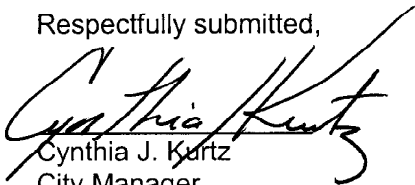
The target date for full transition of the management of the Old Pasadena Garages to the OPMD is Thursday, January 1, 2004, which will provide for a phased transition period over the latter part of December. In order for this to happen, the following key events have already occurred, are in progress, or are scheduled to occur. The goal is to have as seamless a transition as possible with no interruption in services to the community.

1. Meetings between the City, the OPMD, and all assigned contractors;
2. Creation of a City bank account for deposits of daily revenue;
3. Relocation and/or setup of all equipment necessary for the OPMD to monitor and manage monthly and transient access to the garages;
4. Evaluation and procurement of operational needs for the trash compactor operation; and
5. Physical inspection of the garages with a report on conditions either before transition or within a reasonable time shortly thereafter.

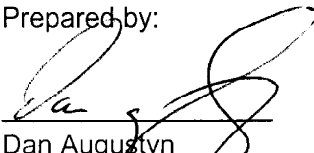
FISCAL IMPACT

With the approval of the agreement, the FY 2004 Adopted Operating Budget for the Old Pasadena Parking Structure Fund (407) will have to be amended along various line items, resulting in a net reduction of \$286,803 in accord with the year one budget outlined in the proforma as Exhibit C in Attachment 1. Based on estimates obtained by the OPMD, it is their belief that cost savings in contract services (\$290,157) will be realized, namely for the security and parking management contracts. Greater savings is projected for years two and three when the OPMD will be in management for the full term. This amendment is necessary because during the FY 2004 budget process, negotiations with OPMD were ongoing and an initial draft budget was not available until late May, and not finalized until July. There have been additional changes since, particularly with regard to insurance costs incurred by OPMD. Appropriations of \$222,000 to the capital improvement projects were included as part of the FY 2004 Capital Improvement Program Budget, which was approved by City Council on July 28, 2003.

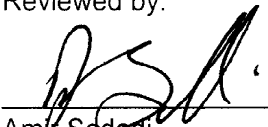
Respectfully submitted,


Cynthia J. Kurtz
City Manager

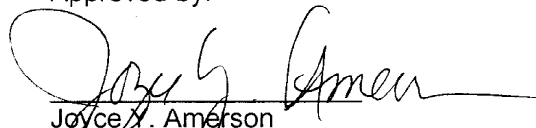
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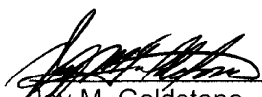
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