

CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: March 14, 2016

To: The Honorable City Council
c/o City Clerk, Room 395, City Hall
Attention: Honorable Mike Bonin, Chair, Transportation Committee

From: Seleta J. Reynolds, General Manager
Department of Transportation *Seleta Reynolds*

SUBJECT: **SPECIAL PARKING REVENUE FUND (SPRF) LOCAL RETURN (C.F. 15-1450-S4)**

SUMMARY

This report proposes a pilot program to return a portion of local meter revenue to neighborhoods where it was generated.

RECOMMENDATIONS

1. DIRECT the City of Los Angeles Department of Transportation (LADOT) to report back to the Transportation Committee in 90 days with proposed locations and completed rules and procedures for the SPRF local return pilot program; and
2. REQUEST that a new position authority for one Management Analyst II be considered in the Fiscal Year (FY) 2016-17 Adopted Budget to implement and manage the SPRF local return pilot program.

BACKGROUND

In June 2014, Mayor Garcetti engaged a group of stakeholders to discuss opportunities to improve the parking experience throughout the City. This group, called the Los Angeles Parking Reform Working Group (LAPRWG), was subsequently formed with residents, business owners and representatives of different organizations. Over the course of seven months, the LAPRWG reviewed and analyzed a wide variety of potential parking reforms. The LAPRWG released their comprehensive report and recommendations for consideration in 2015. Among these recommendations was the concept of making grants available to local entities to accomplish enhancements to parking, sidewalk, alley, streetscape and related services. Subsequently, on December 9, 2015, CF 15-1450-S4 was introduced to create a pilot program that returns a portion of local meter revenue to the neighborhood locations where it is generated for transportation improvements.

DISCUSSION

Other cities that have some form of a meter revenue sharing program include, but are not limited to: Austin, TX; Boulder, CO; Omaha, NE; Pasadena, CA; Redwood City, CA; San Diego, CA; and Ventura, CA.

These cities have seen a resulting increase in sales tax revenue, improved public safety, and overall aesthetic improvements in these areas. An ancillary benefit of the program is to incentivize the deployment of the parking meters as a tool to manage parking in high demand areas.

LADOT anticipates creating such a pilot program for FY 2017 that would include two or three business districts that would meet criteria outlined in the proposed draft rules and procedures. Characteristics such as adequate number of parking meters, sufficient meter revenue, and established business improvement district will be considered when selecting areas for the pilot program. LADOT is in the process of evaluating this data; therefore, the recommended districts have not yet been identified.

Draft Rules and Procedures

LADOT contacted other cities to learn about their parking meter revenue program models, policies, and experience. Responses varied with stories of success, to lessons learned of sharing too much revenue or not having adequate controls in place. In reviewing several other cities' policies, LADOT discovered the City of San Diego has a comprehensive policy document that can serve as a template for Los Angeles. LADOT has customized San Diego's approach to add additional clarification and controls. Draft rules and procedures are detailed in Attachment 1, and summarized here.

1. Purpose

Net meter revenue generated from municipally owned parking meter spaces within an area is reinvested in that area for the purpose of enhancing the quality of life through parking and/or transportation improvements.

2. Process and Requirements

Establish what entities will be responsible for:

- Solicitation of projects
- Receipt and management of funds
- Project implementation and management

Requirements for demonstrating:

- Legitimacy
- Fiscal responsibility
- Project management capability

City support and oversight in order to protect public interest and funds through the following:

- Adequate administrative program support
- Clear and consistently applied program rules and guidelines
- Auditing resources
- City Attorney review

3. Allocation of Parking Meter Net Revenue

- Amount of net revenue that can be reinvested
- A policy on accumulating allocated funding over more than one fiscal year

4. Use of Allocated Funds

The City establishes criteria for:

- Ensuring money is spent for the benefit of the public
- Project eligibility for expenditure

5. Parking Benefit District Management

A reporting mechanism for:

- The annual plan and budget
- Status of funded projects

LADOT is currently analyzing the following significant issues related to the structure of the pilot program.

1. **A consideration of the fund recipient, and how to identify, prioritize, and choose projects in the community.** Table 1 summarizes recipient options with their descriptions and corresponding pros and cons. Depending on the option selected, the cost of administration will escalate with more restrictive or onerous requirements.

Table 1: Recipient Options with Pros/Cons

Recipient Options	Description with Pros and Cons
Business Improvement Districts (BIDs)	<p>Net revenue is available to any City recognized BID to identify, prioritize and choose projects to be funded.</p> <ul style="list-style-type: none"> • Pros: Already formed entity with boots on the ground. Can identify nexus to parking program. • Cons: Increased administrative burden. Not all areas have active BIDs. Creates equity challenges.
Parking Benefit Districts (PBDs)	<p>Net revenue is available to PBDs (comprised of BIDs and/or non-profits) to identify, prioritize and choose projects to be funded.</p> <ul style="list-style-type: none"> • Pros: Entities are established and focused for this sole purpose. • Cons: These entities do not exist in the City of Los Angeles. Requires time to establish these entities, which would add delay. Adds additional bureaucratic layer with administrative burden. Creates equity challenges.
Citywide Non-Profit	<p>Net revenue is available to a citywide non-profit to identify, prioritize and choose projects to be funded. The advisory board should be diverse and would represent all established PBDs or BIDs.</p> <ul style="list-style-type: none"> • Pros: This would reduce the number of managing entities in the case of multiple PBDs or BIDs. More direct communication between the City and a single managing entity. • Cons: May lack strong community ties that a BID or local non-profit might otherwise have. Ensuring the equitable funding distribution and representation of interests for multiple PBDs or BIDs. City oversight and auditing is an added administrative cost.
LADOT	<p>Net revenue is available to LADOT to identify, prioritize, and choose projects in collaboration with the affected communities.</p> <ul style="list-style-type: none"> • Pros: Greatest accountability and control of funds. Removes need for outside management of parking revenue. • Cons: Creates an additional need for administrative staff. Entities may feel less ownership of projects.

2. **Determining the amount of revenue shared.** Table 2 summarizes the revenue sharing options with descriptions and corresponding pros and cons. The goal will be to create a fair distribution of revenue while addressing the socioeconomic concerns.

Table 2: Revenue Sharing Options with Pros/Cons

Revenue Sharing Options	Description with Pros and Cons
Set Percentage	Set percentage of net meter revenue is shared among all PBDs <ul style="list-style-type: none"> • Pros: Simple and consistent. • Cons: Creates equity challenges among PBDs (over and under distribution of funds).
Percentage with Minimum and Maximum Amounts Allowed (LADOT Preferred Option)	Set percentage of the net meter revenue is shared among all PBDs with a minimum amount guaranteed for any PBD. Minimum amount would be funded with revenue from PBDs higher than an established threshold. <ul style="list-style-type: none"> • Pros: Ensures all PBDs receive at least a minimum amount. • Cons: Limits high performing PBDs; Rewards low performing PBDs.
Flat Rate	Set amount per meter among all PBDs regardless of revenue generated in the PBD <ul style="list-style-type: none"> • Pros: Ensures all PBDs receive an equitable amount. • Cons: Creates equity challenges among PBDs (over and under distribution of funds).

3. **Distributing the money to fund projects and/or services.** Table 3 summarizes the distribution options with their descriptions and corresponding pros and cons. The method of fund distribution or fund expenditure will also determine how restrictive the requirements may be. The goal is to provide greatest flexibility for project implementation, greatest accountability of funds, and minimal City overhead program costs.

Table 3: Distribution Options with Pros/Cons

Distribution Options	Description with Pros and Cons
Funding is retained in City accounts and expended through City services/projects	<ul style="list-style-type: none"> ■ Pros: Greatest accountability and control of funds. Audits are already performed for fund management. Less risk of waste and abuse. Administrative burden is reduced, as function is already in place. ■ Cons: Entities may feel less ownership of projects
Funding is retained in City accounts and distributed on reimbursement basis	<ul style="list-style-type: none"> ■ Pros: Greater accountability and control of funds. ■ Cons: City oversight and auditing is an added administrative cost and burden. Entities unlikely to have sufficient front funding.
Funding is retained in City Council Office accounts and is managed by the City Council Offices	<ul style="list-style-type: none"> ■ Pros: Greater accountability and control of funds. Funds can still be audited and easily tracked. ■ Cons: City Council Offices would have to track eligibility requirements. City Council Offices may not want this responsibility.
Funding is transferred to outside agencies	<ul style="list-style-type: none"> ■ Pros: Entities feel ownership. Through the application process, entities must prove they are in good standing. ■ Cons: City Attorney to review for legality. City oversight and auditing is an added administrative cost and burden.

City Staffing

The complexity and time commitment to manage, promote and maintain proper auditing controls of the pilot program will require additional staff support. LADOT believes that the initial scale of the proposed program can be administered with one new position authority for a Management Analyst II. Existing LADOT accounting staff should be adequate for the first year of the pilot program. Should the pilot

program prove to be successful, made permanent and expand citywide, then additional staffing will be required possibly in the form of another Management Analyst II and Senior Accountant II. The additional Management Analyst II would be used to assist in managing the program, conducting outreach, processing applications, educating new participant organizations, and providing customer service. The Senior Accountant II will be necessary to maintain accounting controls, manage the funding distribution, review invoices, process the payments and reconcile financial discrepancies among several other accountant responsibilities. All requested positions are proposed to be funded through SPRF.

Funding

As part of the LADOT's proposed SPRF budget and 5-Year Operations and Maintenance Plan, \$1 million is identified for Local Return and has been included in Fiscal Year (FY) 2017 for the purpose of funding this pilot program. Assuming the program's success, the plan reflects an incremental increase in funding for succeeding years (FYs 2018 and 2019 at \$1.5 million each, and FYs 2020 and 2021 at \$2.0 million each). Actual budgeted amounts for future FYs will vary depending on several factors including lessons learned, parking meter revenue, size and number of program participants, and other budgetary considerations.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The meter revenue will come from SPRF.

SJR:JK:kh

Attachment

Attachment 1

CITY OF LOS ANGELES DEPARTMENT OF TRANSPORTATION DRAFT RULES AND PROCEDURES FOR PARKING BENEFIT DISTRICTS

As required by Section XXXX of the Los Angeles Municipal Code, the following rules and procedures were submitted to the City Council for approval to implement administration of Section XXXX created by Ordinance No. XXXXXXXX, effective XXXXX, 2016.

A. PURPOSE

A Parking Benefit District (PBD) is a geographically defined area in which a percentage of net meter revenue generated from municipal owned parking meter spaces within the area is reinvested in that area for the purpose of enhancing the quality of life through parking and/or transportation improvements.

B. PROCESS AND REQUIREMENTS

The following procedures will be used in establishing, modifying or eliminating PBDs in the City of Los Angeles (City):

1. Letter of Interest

A City-approved business improvement district (BID) or nonprofit managing a City-assessment district whose boundaries are completely or partially located within the proposed PBD may submit letter of interest on their organization's letterhead to the City of Los Angeles Department of Transportation (LADOT) to form of a PBD within their area. The letter shall include the geographic area of interest and the organization's contact information.

2. Public Meeting

As a prerequisite to proposal consideration by the City, the applicant shall make the proposal publicly available for review, and convene at least one noticed public meeting for affected citizens and groups in the proposed PBD two weeks prior to submitting an application to LADOT. Applicants are required to provide a minimum of 14-day notice and demonstrate evidence of noticing methods used to reach stakeholders in the PBD. LADOT may review and determine if the noticing is insufficient.

3. Application

After a preliminary screening of the letter of interest and discussion, as needed, with the interested organization, LADOT will make available an application for the organization to complete and submit back to LADOT for review, and approval or denial.

a. Requirements

The application to form a PBD shall contain, but not be limited to each of the following:

- i. Proof the organization applying is a City-approved BID or non-profit authorized to manage a City-assessment district;
- ii. Proof that the BID or non-profit has been established for at least two years;
- iii. Most recent financial report and audit of the organization;
- iv. Letter of support from the Councilmember(s) of the Council District(s) in which the organization proposes to establish the PBD;
- v. Proof of noticed public meeting(s) held on the proposal;
- vi. A map or other detailed description of the existing parking meter zone proposed to be included in the proposed PBD;
- vii. The number of City metered spaces to be included in the PBD
- viii. A conceptual plan for how the PBD will be managed, including, but not limited to:
 - The legal entity proposed to be designated as the PBD Advisory Board for the purpose of managing the District. The City Council may designate as the District Advisory Board an existing board of BID, a non-profit managing a City assessment district, or a combination of the existing board with the addition of neighborhood council representatives. A wide representation of community interests within the proposed geographic area shall be sought;
 - How community input will be obtained and incorporated into the management of the District;
 - The sources and estimated amounts of District revenues;
 - Examples of proposed parking or transportation improvements that would address the District's needs.
 - Anticipated financing for these improvements, provided that no existing financing obligations or commitments shall be jeopardized or restricted; and
 - A first and five year budget.

4. Parking Meter Criteria

LADOT shall verify that the parking meters of interest for the PBD meet minimum requirements necessary to participate in a PBD by examining the following:

- a. The existing parking meter zone has been established for a period of no less than one year;
- b. No less than 200 City metered spaces is met as the minimum threshold to form a PBD;
- c. The parking meters identified in the application to be included in the PBD generate as a whole at least an average revenue of \$300 each per year.

5. Recommendation

Based on the findings of the application and other relevant data, LADOT shall recommend, by written report to the Transportation Commission, whether or not to designate the area under consideration as a PBD, specifying the geographic boundary. LADOT's report shall set forth the evidence generated as a result of data gathered and the findings relative to the application; other factors and conclusions reached which justify the recommendation.

6. Public Hearing

If LADOT recommends implementation of a PBD based on the requirements described herein, the City shall give notice and conduct a public hearing at Transportation Commission for the purpose of stating the boundaries of the proposed PBD under consideration, stating the reasons why such area is being proposed for designation, and receiving public comments on the findings and recommendations of LADOT. If the Transportation Commission approves LADOT's recommendation, the report will be moved to City Council for formal establishment of the PBD.

7. Revision of Boundaries

LADOT may recommend that a PBD's boundaries be revised by an amendment to the resolution that established the PBD. A PBD boundary can be revised by request of the BID or non-profit operating an existing PBD, but the request must be presented to the existing board of PBD prior to forwarding the request to the City for action. The requesting organization will be required to follow similar steps to those outlined above to establish the PBD. In the event that an organization submits a request that affects an existing PBD, LADOT shall forward the request to the board of the existing PBD prior to forwarding the request to the City Council or any of its committees for action. To aid in the administration and enforcement of the program, and where the program criteria are found to be generally satisfied, LADOT may periodically review PBD boundaries and recommend consolidation of adjacent PBDs into a larger single PBD where such consolidation would be administered by the same Council-approved BID or non-profit that operated the smaller PBDs..

C. ALLOCATION OF PARKING METER REVENUE

1. The PBD Program shall be administered by LADOT.
2. Annually, the costs of administering the PBD Program shall be subtracted from the total parking meter revenue prior to the calculation of the net parking meter revenue subject to allocation to the PBDs.
3. Net parking meter revenue is defined as the revenue generated from City owned on-street parking meters less any Special Parking Revenue Fund administrative, operation and maintenance, and capital costs. Note that this is not intended to reduce existing City revenue streams derived from various parking management-related fees, citations, permits, etc.
4. A percentage of the net parking meter revenue generated within each PBD shall be allocated to that PBD on an annual basis. The percentage shall be XX%.
5. [Insert logistics of money distribution. Also insert provisions and rules for fund expenditure and fund accumulation over fiscal years.]
6. Allocation of revenue to a PBD is contingent on completion of the following:
 - a. Any City administrative, operation, maintenance and capital costs necessary to sustain the PBD have been remunerated;
 - b. The City assesses that shared revenue is sufficient to implement and manage the proposed use(s);
 - c. The amount allocated is no more than necessary to implement and manage the proposed use(s);
 - d. The City determines through a fiscal impact analysis that the PBD's proposed use(s) is/are in the City's long-term best interest; and

- e. Adoption and approval of an Annual Plan and Budget submitted to LADOT, as provided in sections D and E below.
7. The City will conduct an annual fiscal year-end reconciliation of actual parking management-related revenues. To the extent that actual revenues are less than or greater than the estimate used for the approved Annual Plan and Budget, the difference will be incorporated in the following fiscal year's PBD allocation.

D. USE OF ALLOCATED PBD FUNDS

- 1. Allocated funds shall be spent within the PBD zone, strictly for the benefit of the public.
- 2. Any costs involving the private benefit or promotion of businesses in the PBD shall be funded by other sources.
- 3. Expenditures shall be focused on parking and/or transportation improvements that serve a public purpose. Expenditures may include, but are not limited to, the following:
 - a. Increasing multi-modal parking supply (e.g., purchase, construction of additional on-street or off-street parking accessible to vehicles and/or including bikes). Eligible expenses include the acquisition of land, project design, financing, construction, and/or operation of public parking facilities, but do not include parking structures or special event parking.
 - b. Managing and optimizing existing parking supply through: reconfiguration of existing on-street parking inventory, enforcement, reducing excessive red curb, removal of abandoned driveways and replacement with matching sidewalk, curb, and gutter, and mitigation of any adverse effects resulting from the implementation of such program(s).
 - c. Providing wayfinding signage, which communicates the location, availability, cost, and/or other pertinent information of district-wide parking options.
 - d. Reducing parking demand by the promotion of active transportation and safety through the following proposed enhancements: lighting, electric vehicle charging stations, public transit, sidewalks curb ramps, bicycle and pedestrian amenities. Revenue can be used in alternative ways to encourage the use of transport modes that do not require parking.
 - e. The design, construction and/or maintenance of street improvement projects including, but not limited to: landscaping, median islands, signalization, capacity enhancements, and other street improvements that enhance public spaces and/or supporting the accessibility of safe multi-modal transportation.
- 4. Inclusion of eligible City Capital Improvement Projects which meet one or more of the above purposes shall be encouraged. City staff shall identify such eligible projects and provide a list of those projects to the respective PBD advisory boards which may select none, one or more to be funded as part of the Annual Plan and Budget. Also, City staff shall work collaboratively with PBD advisory board on identifying projects where the City's share of parking meter revenue may be used and provide such recommendations for inclusion in the City's annual budget.
- 5. PBD revenues shall supplement, and not supplant, existing or proposed City or public funding sources and program revenues that are earmarked for existing or proposed improvements or activities within a District.
- 6. The City reserves the right to audit, examine and copy any records and supporting documentation pertaining to the performance of the funds received. The PBD agrees to maintain such records for a possible audit for a minimum of seven years after the funds are received. The PBD agrees to allow auditor access to such records during normal business hours

and to allow interviews of any individuals who might reasonably have information related to such records.

D. Parking Benefit District Management

1. Each PBD Advisory Board shall develop and submit an Annual Plan and Budget that will be reviewed and approved by LADOT or the Transportation Commission. Approval will be in writing or through the annual citywide budgetary approval process.
2. The Annual Plan and Budget shall include the following:
 - a. How community input is obtained and incorporated into the management of the District as well as the Annual Plan and Budget;
 - b. Proposed improvements and activities in compliance with approved expenditures provided in Section D above;
 - c. A one year and five year budget, including PBD funds and other sources of funding. The budget shall follow a standard template provided by LADOT;
 - d. A narrative which indicates:
 - i. Estimated annual costs for the next five fiscal years for each activity and improvement and whether there is an unfunded need;
 - ii. The proposed timing of the use of reserve funds per fiscal year for the five fiscal years;
 - iii. Whether the proposed expenditure is for an activity, non-CIP Improvement, or a Capital Improvement Project;
 - iv. Whether PBD Advisory Board staff or City staff shall be responsible for implementing the proposed activity or improvement;
 - v. How the proposed activity or improvement will address the District's parking or transportation needs and is an eligible use of PBD (as identified in Section D above); and
 - vi. The source and amount of other funds proposed to be leveraged.
 - e. Metrics for tracking performance and outcomes.
3. In addition to proposed improvements, if any, the Annual Plan and Budget may include recommendations regarding the following:
 - a. Hours of meter enforcement, parking meter time limits, and additions or removals of parking meters;
 - b. Establishment or removal of time limited parking areas;
 - c. The acquisition of any private property for a public purpose necessary to implement the plan;
 - d. Activities which promote effective parking management; and
 - e. Any other relevant matters pertaining to the effective management of parking demand within the District.
4. Each PBD Advisory Board, or its designated parking advisory group, shall cause to be prepared annually, a Performance Report to be provided to LADOT by June 30 each year (or at a later date as directed by LADOT). The annual Performance Report shall follow a standard template provided by LADOT and shall include for the most recently completed fiscal year and the first six months of the current fiscal year:
 - a. Sources and uses of PBD funds and other funds previously included in the Annual Plan and Budget for that fiscal year.
 - b. Metrics on performance and outcomes comparing projected and actual results.
5. Each PBD Advisory Board shall comply with all City, State and Federal laws and regulations pertaining to non-profit corporations, including making its annual filing of IRS Form 990 available

to the public, and shall comply with State public records and open meeting laws with regard to the use of PBD funds.