


CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: July 31, 2018

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

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

Subject: **SPECIAL PARKING REVENUE FUND FIVE-YEAR OPERATIONS AND MAINTENANCE PLAN (C.F. 15-1450)**

SUMMARY

This is an update on the Special Parking Revenue Fund (SPRF) Five-Year Operations and Maintenance Plan for the metered parking and parking facilities programs, beginning Fiscal Year (FY) 2017-18 through FY 2021-22.

RECOMMENDATION

RECEIVE and FILE this report.

BACKGROUND

The City established the SPRF as a special fund to be the depository account of all revenue collected from parking meters and public off-street parking facilities administered by the Los Angeles Department of Transportation (LADOT). SPRF funds the operation and maintenance, capital expenses, and technological investments in the Bureau of Parking Management.

DISCUSSION

The Five-Year Plan presented in this report addresses the funding for:

1. Planning, maintenance, and operations of the City's parking assets, including 34,110 on-street metered spaces in 73 Parking Meter Zones (PMZs), and the 11,292 off-street parking spaces in 116 parking facilities
2. Required debt service payments
3. Capital improvement parking projects
4. Special projects (i.e. SPRF Local Return, Code the Curb, LA Express Park, etc.)

The City developed the SPRF Five-Year Plan to:

1. Establish and implement operational and maintenance standards for all programs

2. Maintain full professional program staffing to ensure effective and efficient programs and consistently deliver excellent customer service
3. Implement a coordinated parking management strategy among all programs for rates, hours, restrictions, and business and residential needs
4. Expand metered and off-street parking where appropriate
5. Make strategic capital investments to improve convenience and operational efficiency
6. Consider "smart funding alternatives" prior to building additional parking supply.

Five-Year Plan Financial Summary

This financial summary is based on the funded operations and estimated needs of the Parking Facilities and Meters Divisions, and Meter Security Section for FY 2017-18 through 2021-22.

Revenue

The following table summarizes the projected annual SPRF revenue and expenditures as the Five-Year Plan.

	Adopted FY18	Projected Year End Actuals FY18	Adopted FY19	Projected FY19	Projected FY20	Projected FY21	Projected FY22
Prior Year Available Balance	10.04 M	10.04 M	4.46 M	6.88 M	0.40 M	--	--
SPRF REVENUE							
Parking Lots ¹	22.25 M	21.96 M	22.00 M	22.20 M	22.40 M	22.63 M	22.86 M
Parking Meters	59.50 M	56.98 M	59.50 M	56.13 M	55.29 M	54.46 M	53.64 M
Other Misc ²	9.46 M	3.95 M	2.93 M	3.00 M	3.00 M	3.00 M	3.00 M
Total SPRF REVENUE	91.21 M	82.89 M	84.43 M	81.33 M	80.69 M	80.09 M	79.50 M
Total SPRF Revenue with Prior Year Available Balance	101.25 M	92.93 M	88.89 M	88.21 M	81.09 M	80.09 M	79.50 M
SPRF Revenue Transfer to General Fund	(38.63 M)	(31.00 M)	(32.12 M)	(32.12 M)	(1.44 M)	--	--
TOTAL SPRF AVAILABLE REVENUE	62.62 M	61.93 M	56.77 M	56.09 M	79.65 M	80.09 M	79.50 M

¹ Parking Lot Revenue includes Hollywood Highland Lot 745

² In the FY18 Adopted Budget, Miscellaneous Revenues included the sale of the Mangrove parking property (\$7.63M). However, this revenue will not be received in FY18, and is anticipated for FY19.

	Adopted FY18	Projected Year End Actuals FY18	Adopted FY19	Projected FY19	Projected FY20	Projected FY21	Projected FY22
SPRF EXPENDITURES							
City Staff Salaries (Direct and Indirect)	10.92 M	8.58 M	11.72 M	10.65 M	11.43 M	12.30 M	12.66 M
Expenses and Services	42.56 M	38.23 M	36.15 M	36.15 M	41.68 M	42.73 M	43.80 M
Debt Service	6.46 M	6.46 M	6.45 M	6.44 M	6.44 M	6.44 M	6.44 M
Capital Expenditures	0.65 M	0.65 M	0.65 M	0.65 M	0.65 M	0.65 M	0.65 M
Code the Curb	1.13 M	1.13 M	--	--	--	--	--
SPRF Local Return Program	0.60 M	--	1.50 M	1.50 M	2.00 M	2.50 M	3.00 M
Reserve for Contingencies ³	0.30 M	--	0.30 M	0.30 M	3.80 M	4.19 M	4.12 M
<i>New: LA Express Park Matching Funds</i>					0.35 M	1.20 M	1.25 M
<i>New: Parking Facility Construction/Develop ment</i>					3.00 M	8.50 M	8.50 M
<i>New: Modernization and Sustainability Improvements</i>					6.80 M	7.04 M	3.50 M
<i>New: Parking Technology Improvements</i>					1.50 M	0.50 M	0.50 M
<i>New: Increased Parking Studies</i>					2.00 M	2.00 M	2.00 M
TOTAL SPRF EXPENDITURES	62.62 M	55.05 M	56.77 M	55.69 M	79.65 M	88.05 M	86.42 M
NET Revenue Surplus/(Deficit)	--	6.88 M	--	0.40 M	--	(7.96 M)	(6.92 M)

³ The increase in the Reserve for Contingencies starting in FY20 reflects a proposed change in policy from an annual \$300,000 allocation to an amount equal to five percent of projected fund expenditures for that fiscal year. LADOT will request this change in policy in the 2019-20 Proposed Budget process.

Revenue Impacts

Parking meter revenue will not meet the 2017-18 Adopted Budget revenue target of \$59.5 million. The projected final revenue is approximately \$57 million. The primary reasons for this revenue shortfall and future revenue reductions are described below.

After Hours Parking Meter Policy

In August 2012, LADOT initiated a policy to program parking meters in the LA Express Park areas to charge customers for time periods that fell within the parking meters' posted hours of operation. By the end of 2015, staff completed the modification of all of the meters' program policies in LA Express Park. LADOT staff then expanded the modification to meters citywide to reflect this policy. This aligns with Council direction in CF 17-0397. LADOT staff accelerated and completed the reprogramming of meters in April 2018.

Estimated annual parking meter revenue impact: \$900,000.

Fewer Metered Spaces

The competing demands for curb space has led to the decline in the number of metered spaces in the City. On July 2, 2012, LADOT had 39,739 on- and off-street metered spaces. As of July 2, 2018, LADOT has 36,421 metered spaces, a reduction of 3,318 spaces. In FY 2013, LADOT removed over 1,100 underused meters for cost effectiveness. City programs and projects, outside capital projects, and temporary construction comprise the reasons for the reduction in meters.

- LADOT removed approximately 200 spaces for bicycle, pedestrian, electric vehicle, and shared mobility improvements. *Estimated annual parking meter revenue impact: \$480,000*
- LADOT removed over 540 spaces permanently for capital improvement projects such as the Metro Crenshaw/LAX Transit Project (183), MyFigueroa Streetscape Project (120), and USC Health Sciences Campus Sidewalk Improvements Project (239). Of the projects listed, the USC project paid SPRF for the permanent removal of the parking meters. In the near future, USC is planning on permanently removing on-street parking around its main campus for bicycle and pedestrian improvements. *Estimated annual parking meter revenue impact: \$233,000*
- With the upswing in the economy, LADOT removed between 300-400 spaces temporarily for construction of private development or public infrastructure projects mostly in Downtown and Hollywood. Temporary removal can range from days to years. Examples of these types of projects are the Metro Purple Line Extension along Wilshire Boulevard (111), and USC Village construction (101). *Estimated annual parking meter revenue impact: \$370,000*

Total estimated annual parking meter revenue impact: \$1,083,000

Policy Options:

- Consider requesting reimbursement of meter revenue from private development projects that remove meters from public use for more than 30 days. Currently, development projects may remove the meter for years without reimbursement. Most development projects do not require the parking meters to be removed for more than 30 days.

- In coordination with council offices, review neighborhoods where parking demand has grown over the last 5-10 years for potential meter installation and inclusion in the local meter revenue return project.

Fewer Parking Facilities

To help address the City's homelessness crisis, LADOT parking lots are slated for development of affordable housing, or conversion to temporary housing shelters. To date, there has been one facility transferred to the Housing and Community Investment Department (HCID) from SPRF, 19 with signed agreements or agreements in the process, and others under evaluation by the Office of the City Administrative Officer.

The developers of the affordable housing projects are non-profits that need to minimize costs to build the projects. The project funds are typically unable to compensate SPRF for the land value and replace the cost of parking. If LADOT were to be financially responsible to replace all the parking spaces in those lots (1,699 spaces), the estimated cost would exceed \$70 million.

Estimated annual parking lot revenue impact (not including land value or cost to replace parking)

- *In the process of conversion to affordable housing: Approximately \$2 million*
- *Under consideration by CAO for affordable or bridge housing: Additional \$600,000*

Policy Options:

- Establish a process for exemption from the SPRF ordinance to clarify the City's policy direction
- Retain the revenue-generating, and medium and high demand parking facilities for public use during the day and safe parking in the evening.
- Sell the property at fair market value to reimburse SPRF for expenses incurred and fund affordable housing projects with the profit.

Disabled Placards

Based on data collected from LA Express Park, in many urban areas, including Downtown Los Angeles, Hollywood and Westwood Village, nearly 40 percent of spaces are occupied by vehicles displaying disabled placards. The State of California exempts vehicles with placards from time restrictions and paying for parking. The benefits intended to accommodate the specific challenges for people with mobility impairments, have unintentionally resulted in abuse and misuse, a frequent shortage of parking spaces for people with disabilities, reduced parking turnover, and increased congestion from drivers looking for parking.

Estimated annual parking meter revenue opportunity cost: Over \$8 million.

Policy Option: The Los Angeles Parking Policy Advisory Committee comprised of disability rights advocates, transportation experts, and other stakeholders proposed 10 recommendations to address the accessibility problems, including creating a two tier system with dedicated meter revenue to accessibility improvements, that were adopted by the Mayor and City Council (CF 17-0934). Currently, the City is working with the state to help curtail abuse and misuse.

Illegal Valet Operations

The Los Angeles Police Commission is responsible for issuing and enforcing the valet ordinance. LADOT works cooperatively with the Police Commission Permits Division to review and approve/deny valet operational plans. If an approved valet operation takes a metered space out of public service for their business use, the operator reimburses the City for lost meter revenue. It is estimated that there are hundreds of illegal valet operations across the City avoiding paying meter usage fees. LAPD has limited resources to enforce this ordinance and curb the illegal operations in a timely manner.

Estimated annual parking meter revenue opportunity cost: Between \$1-2 million.

Policy Option: Authorize LADOT Transportation Investigators (sworn officers) to enforce the valet ordinance to assist LAPD in reducing the number of illegal valet operations. LADOT investigators are in the field nearly every day and witness illegal operations taking place. However, LADOT investigators are limited to enforcing transportation regulations and meter security.

Expenditures

The Five-Year Plan includes, but is not limited to the following expenditures: capital improvement parking projects, current maintenance and operation needs, debt service, special projects, and contingency.

1. Capital improvement projects include, but are not limited to: off-street facility LED upgrades, signage, guidance equipment, installation of single space meters in new areas, replacement of single space meters, replacement of revenue capital equipment with a state-of-the-art PARCS on off-street parking structures and lots, and the use of innovative technology and management systems.
2. Operation and maintenance expenditures include, but are not limited to: the contract agreement for coin counting and collection services, various contractual services (e.g. communication charges for meters, sensors and enforcement handhelds), credit card charges and processing fees, professional services, and equipment.
3. Debt Service costs are the amortization payments on MICLA funding for the construction of the Vine Street Garage in Hollywood and Aiso Street Garage in Downtown LA, and the refinancing of the parking revenue bond issued for the Hollywood and Highland Garage in Hollywood.
4. Local Return (CF 15-1450-S4) - LADOT is currently developing a pilot program for FY 2019 to return a portion of local meter revenue to the locations where it was generated for local community improvements and enhancements.
5. Code the Curb (CF 15-1450-S2) - This project is an effort to electronically inventory all of the City's parking assets in the public right-of-way. Presently, \$1.125 million is appropriated for this project.
6. Accelerated Expansion of LA Express Park (CF 15-1450-S5) – City Council and the Mayor directed LADOT to accelerate the expansion of demand based parking pricing across the City. The future locations with cost estimates and schedule are as follows:

- Venice- \$1.1 million in FY 2019
- Exposition Park/USC - \$1.15 million beginning in FY 2020 and completion in FY 2021
- La Brea/Miracle Mile - \$1.2 million beginning in FY 2021 and completion in FY 2022
- North Hollywood - \$1.25 million beginning in FY 2022 and completion in FY 2023

7. Venice Automated Parking Garage (CF 15-1138-S9) - LADOT is in the process of converting Lot 731 located at 200 N. Venice Boulevard to an affordable housing site. Council District 11 requested LADOT to replace the parking and increase the number of spaces with an automated parking garage at an estimated cost of \$15-20 million. This public automated parking garage will be the first in the City. If approved, the design of the garage could commence in 2020 with construction completion in 2023.

8. Parking Technology Improvements - Funding is required for necessary renovation of the Parking Management Center at Piper Tech, and to equip engineers, meter security, and technicians with mobile devices integrated with an asset management and parking management systems. Estimated one-time cost is \$2 million.

9. Website Maintenance and App Development - LADOT plans to develop applications for improved efficiency of parking operations and to maintain and continue to add/revise content on the LADOT parking and LA Express Park websites. Estimated cost is \$500,000 per year.

10. Parking Studies - LADOT receives multiple requests from council offices throughout the year to perform parking studies. The Department requests funds to hire consultants to prepare studies related to parking demand, design, planning, program development and review, occupancy, facility feasibility, innovation, technology, solar, parking meter zone, curbside management, and equity. Estimated cost for the various studies is \$2 million per year.

11. Increase staffing - To meet the growing demands of property management, joint development, affordable housing transfers, parking management, data analytics, meter security, collection contract administration, and expansion of SPRF Local Return, LADOT anticipates the following staffing needs:

- Property management, development and transfers: Real Estate Officer II, and Senior Management Analyst I
- Parking management - Two Transportation Engineering Associate IIs, and Transportation Planning Associate II
- Data analytics - Geographic Information Systems (GIS) Supervisor, and GIS Specialist
- Meter security and contract administration - Transportation Investigator, and Management Analyst
- SPRF Local Return Program - Management Analyst and Senior Accountant II

12. Contingency – As a safeguard to account for unforeseen circumstances, LADOT recommends that the City re-establish a reserve fund of approximately five percent of the overall estimated annual fund costs.

Surplus Transfer to General Fund

An ordinance to amend the Administrative Code in 2008-09 allowed the Council to determine a surplus amount to be transferred to the Reserve Fund for unrestricted use. Council amended the ordinance in 2010-11 and 2011-12 to eliminate a sunset date for the amendment and to stipulate that any future transfer must be repaid within two years, unless the City declared a fiscal emergency in that year. The ordinance also required that the City set aside funds for a five-year maintenance and operations plan for the Special Parking Revenue Fund's programs prior to declaring a surplus. A subsequent ordinance in 2012-13 eliminated the loan repayment provision.

Below are the surplus amounts transferred to the Reserve Fund for unrestricted use over the last five fiscal years. Also shown is the proposed surplus amount for 2018-19, based on the estimated revenue and estimated expenditures for the Special Parking Revenue Fund's programs for 2018-19.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Proposed
Surplus Transfer to the General Fund	\$35.142 M	\$30.635 M	\$56.072 M	\$28.342 M	\$32.848 M	\$32.116 M

Any modification to the current practice of transferring surplus funds to the Reserve Fund requires a change to the Special Parking Revenue Fund ordinance. The estimated financial impact of that potential burden requires analysis.

FISCAL IMPACT STATEMENT

The actions described in this report have no negative impact on the General Fund because the costs are borne by the SPRF.