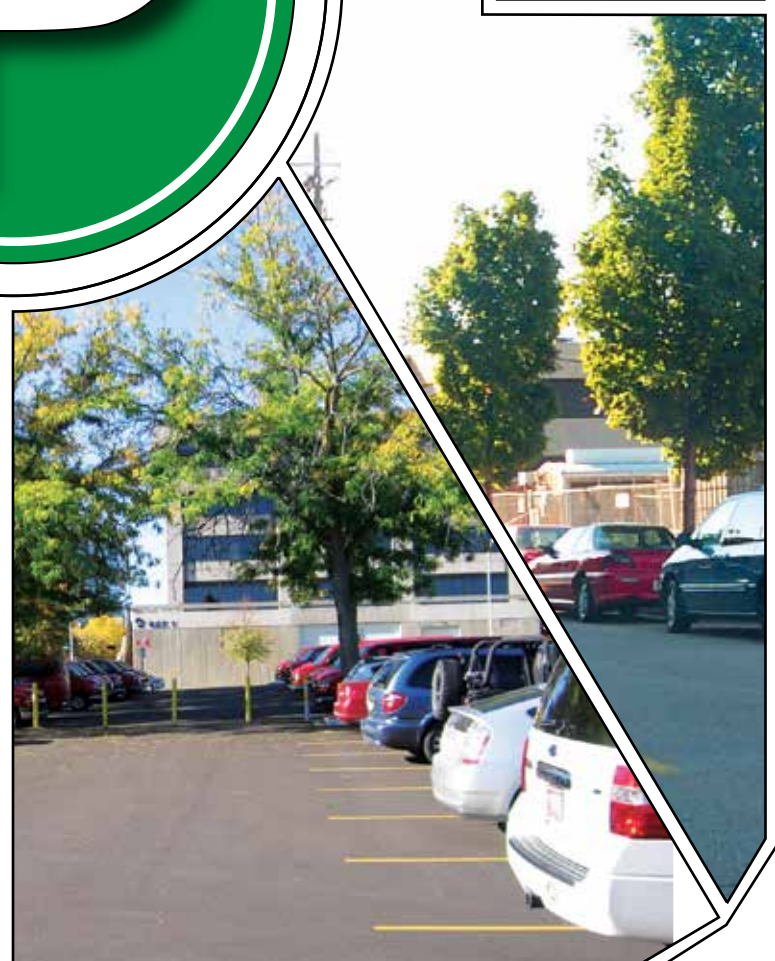




STAFF REPORT AND EXECUTIVE SUMMARY OF THE PARKING UTILITY FINANCIAL SUSTAINABILITY REPORT



Staff Report and Executive Summary of the Parking Utility Financial Sustainability Report

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Staff Conclusions

1. Current financial conditions will allow reconstruction of the two most urgent priority projects, the replacement of the Government East and State Street Campus-Lake Garages, if they are built above-grade. Replacement using below-grade parking is not feasible as the cost would drop unrestricted reserves below the minimum threshold.
2. Additional structured parking outside of the current core downtown area will be required to support the development potential of areas like the Capitol East District in accordance with adopted plans. Without additional revenues and/or increased efficiencies, the Parking Utility cannot fund these investments.
3. The City has an opportunity to improve customer service and solidify the financial position of the Parking Utility through better deployment of technology and staff.
 - Through the modernization of equipment and new technologies, consider staff reductions through attrition, and study position descriptions to align job duties with current and future requirements.
 - Recognizing the importance of staff interactions with customers and the general public, tailor job duties to increase focus on delivering exceptional customer service. The modernization of equipment allows enhanced flexibility and mobility to staff.

Background

In May 2006, a Transit and Parking Commission retreat was held to discuss parking related issues. Subsequently, an Ad-Hoc subcommittee was created to develop a Parking strategic plan.

The five (5) most critical issues identified, and their current statuses are:

- Improved utilization of the current parking supply - **ongoing**
- Government East Garage replacement - **ongoing**
- Proposed State Street Parking Structure on the Buckeye Lot site - **tabled**
- Marketing, branding, and way finding for parking facilities - **ongoing**
- Brayton Lot expansion through purchase of adjacent State property - **done**

A specific strategic plan was not developed, however, ongoing concerns related to the issue of a possible long-term funding shortfall culminated in the hiring of Walker Parking Consultants to complete a financial sustainability study.

The scope of the study was to objectively uncover the strengths and weaknesses of existing economic and operational functions, and to make recommendations for how the Madison Parking Utility may continue to operate efficiently for the next twenty years.

Purpose

The purpose of this document is to assist in the development of a strategic plan to ensure the financial stability of the Parking Utility for the next twenty years. A summary of the Financial Sustainability Report and an historical perspective of the Parking Utility provide a framework for identifying near and long-term issues, options, and alternatives to meet this goal.

Strategies to Ensure the Parking Utility's Long-Term Financial Position

Strategies Implemented and/or Budgeted

1. Increase payment options available to our customers:
 - Install multi-space machines to provide for additional options of payment via credit card (meters currently accept Visa and MasterCard).
 - Test and implement pay-by-cell technology to provide increased convenience of payment options. The current MobileNOW! pilot accepts Visa, MasterCard, and American Express.
 - Convert the remainder of single space meters which only accept coins to either multi-space machines or smart meters (which accept payments via credit card and/or pay-by-cell).
2. Implement variable pricing strategies:
 - Staff has compiled survey and payment data to identify occupancy information for on-street meters, which can be used to implement variable pricing strategies. (Option #8 in the Sustainability Report)

Strategies for Consideration as Suggested within the Sustainability Report

Consider:

1. Staff reductions through attrition that can be absorbed due to work place efficiencies, and study position descriptions to align job duties with current and future requirements. (Options #4, #5 & #6)
2. Implementing market-rate event pricing. (Option #10)
3. Responding to business and Alder requests for adding meters on currently non-metered block faces. (Option #12)
4. Extending hours of on-street payment and enforcement beyond the current hours of 8 AM - 6 PM. (Option #13)
5. Implementing a Pricing Strategy to achieve desired revenue growth while continuing to maintain downtown vitality. (Options #24, #25 & #26)

Strategies for Consideration Related to the Replacement of the Government East Garage and Future Facilities, as Suggested within the Sustainability Report

For the future replacement of garages, consider:

1. Pursuing Tax Increment Financing options. (Option #19)
2. Selling air-rights above each public parking structure to reduce the amount of capital financed by the City and/or Parking Utility. (Option #20)
3. Building above-grade to reduce potential debt amount. (Option #22)
4. Building only what can be paid for by the Utility without risking a deficit. (Option #23)

History of the Parking Utility

Organizational History

The Madison Parking Utility, created on March 1, 1947, was the first municipally-operated parking system in the United States. The Parking Utility is an auxiliary enterprise agency of the City of Madison. As an auxiliary enterprise, the Parking Utility generates a revenue stream sufficient to cover ongoing operating expenses and outstanding debt service, and is capable of issuing revenue bonds with Common Council approval. The Parking Utility currently provides the City of Madison General Fund with revenue exceeding \$1.5M per year, which in 2013 was comprised of \$1.3M in Payment in Lieu of Taxes (PILOT) fees for facilities (garages and lots) and \$238K in a meter occupancy fee (applicable to on-street parking meters).

The Madison Transit and Parking Commission is responsible for overseeing Parking Utility operations and making recommendations on parking issues and items to the Common Council. All decisions of the Commission can be appealed to the Common Council.

Operational History

On-street parking meters were installed in March 1941 and the first attended off-street parking facility opened in August 1945. A second attended lot opened in September 1948. To provide a more economical operation, the lots, which were opened in 1952 and 1953, were metered. Subsequently, all parking operations were metered by 1958.

In 1980, as part of a federally-funded experiment to charge higher parking fees for long-term parking (dollar surcharge, which was discontinued at the completion of the experiment), the Utility converted its four existing parking ramps and one parking lot to attended operations.

Off-street parking lots remained metered for economic reasons. However, in 1982, the Utility converted a major portion of the Brayton lot, which had been attendant-operated, to an electronic multi-space collection system. Madison was the first to offer a dollar bill acceptor on such a system.

Paid Parking Operated by the City of Madison Parking Utility, 1947-2014

The total number of spaces in the system is currently 5,471, and has remained relatively flat since the completion of Capitol Square North Garage in the early 1970's. Total supply peaked at 5,563 spaces in 1998 after the addition to the State Street Capitol garage. The past 15 years have seen a small decrease of 92 spaces (1.7%, with an average yearly decrease of 6 stalls, or .1%).

Prior to the completion of the first garage (Government East) in 1958, the system was comprised of ~3,500 spaces (2,000 in lots and 1,500 on street). The six (6) garages built since created ~3,600 spaces, 1,500 of which were used to remove and replace surface lot spaces for the more dense and land efficient spaces in parking garages.

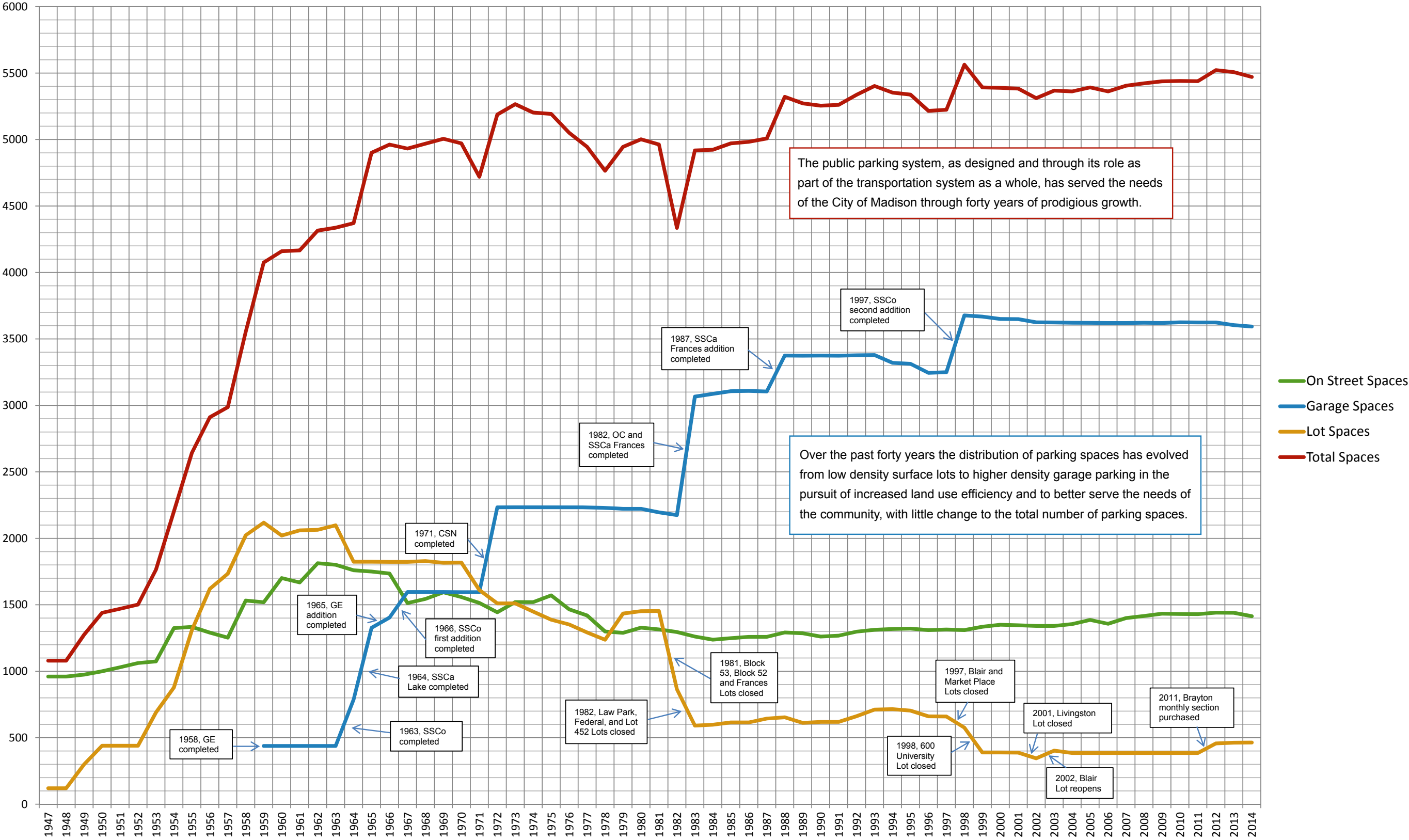
While the parking supply has remained relatively constant for the last forty years, the population of the City of Madison has increased from 173,258 in 1970 to 236,901 in 2014, an increase of 37%. The population of Dane County increased from 290,272 in 1970 to 509,939 in 2013, an increase of 76%.

See *Graph 1* for an historical and current perspective of the composition of paid parking spaces which have served the City of Madison since its inception.

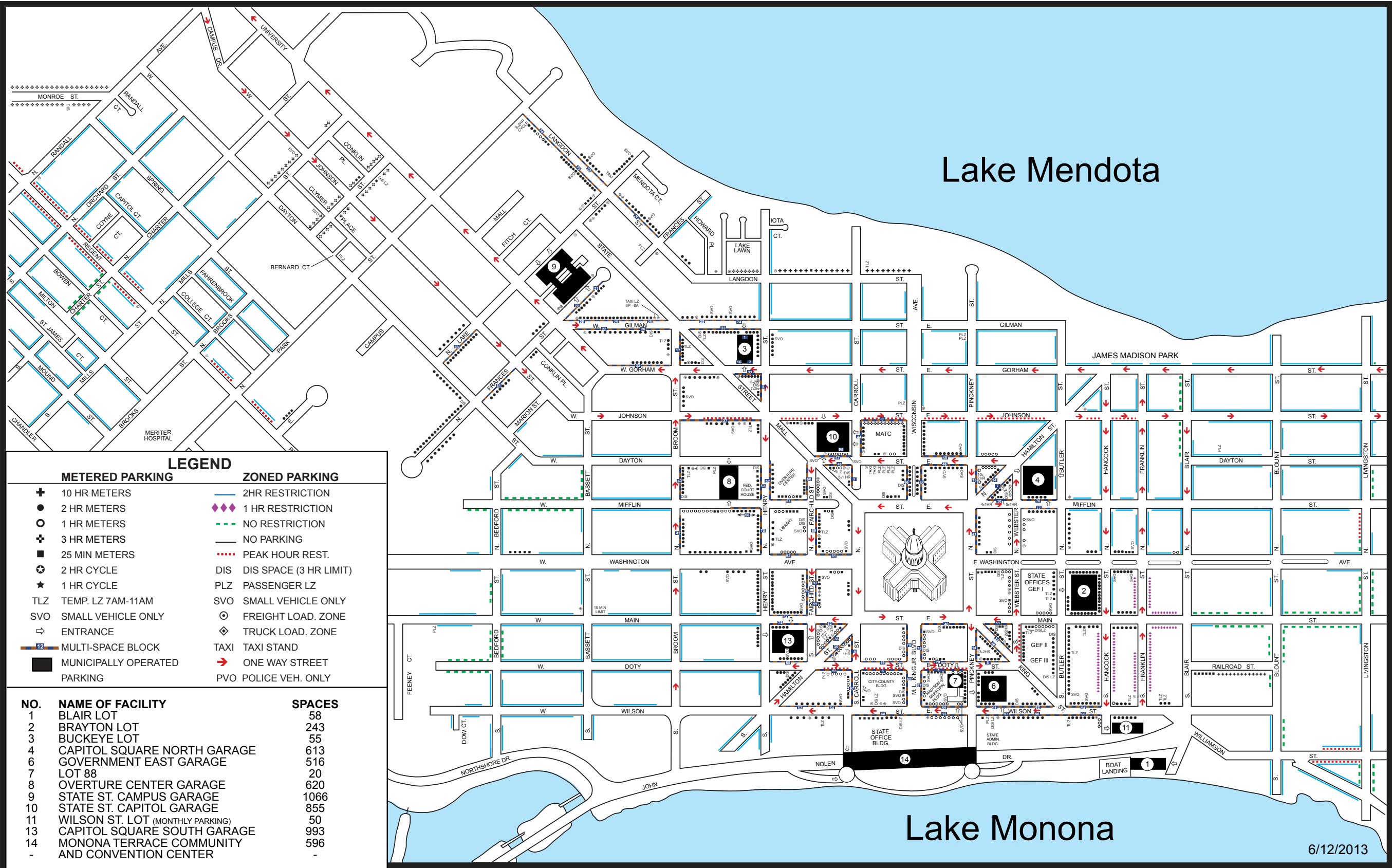
See *Map 1* for a detailed map of current on-street and off-street parking facilities operated by the Parking Utility.

Graph 1

Paid Parking Operated by the City of Madison Parking Utility, 1947-2014



Map 1



Current Operations

On-Street Metered Parking

The Parking Utility operates more than 1,400 on-street metered parking spaces, which comprise over 25% of the system's total spaces. These spaces generated over \$2.3M, about 19% of total gross revenue in 2012, and accounted for almost 30% of the net operating income.

The Parking Utility began modernizing its on-street meters in 2010, and to date, one hundred multi-space meters have been installed. The multi-space meters allow payment with either credit card or coin. This added convenience has resulted in fewer unpaid parking sessions, reduced parking citations, and added revenue to the Parking Utility. Currently, just under half of the on-street spaces are served by the multi-space meters. Ten additional multi-space meters will be purchased in 2014.

There is currently a trial program at the Buckeye Lot to allow payment by cell phone. This will provide additional convenience for our customers, and we expect to expand this to all on-street metered spaces in the future.

In addition to the multi-space meters, we plan to convert the remaining single-space meters to single-space meters that accept credit cards.

Off-Street Lots

The Parking Utility operates seven parking lots which together comprise 473 spaces. These lots generated \$933K (8%) of gross revenue in 2012, which accounted for 10% of the gross revenue for all off-street parking facilities (garages and lots).

The Brayton lot (recently resurfaced, concrete curbing replaced, and rain gardens installed) accounts for more than half of the off-street lot spaces with 243, and the Buckeye lot (resurfaced in 2009), with 55 spaces, provides very convenient State Street area parking. Together, these two lots generated over \$725K in gross revenue in 2012.

Overview of Garages

The Parking Utility operates six (State Street Campus is two garages connected via bridge) parking garages, which comprise two-thirds (66%) of the system's total spaces. These garages generated over \$8.6M (72%) of gross revenue in 2012, which accounted for over 52% of the net operating income.

The industry standard expected service life of parking garages is thirty to fifty years. Three of the Parking Utility's garages are fifty years or older, one is forty-three years old, and the remaining two are over thirty years of age. Estimated age at the expected time of replacement for the garages varies between fifty-five years for State Street Campus Lake Garage and seventy-three years for State Street Capitol Garage.

The Parking Utility has been able to extend the life of its garages by implementing an aggressive annual maintenance and repair program, however, there is a point at which it is advisable to replace rather than repair facilities. In part, this is due to changing needs and priorities in the community, where there is a desire for ground level retail, or other potential shared-use options, such as incorporating a bus terminal for out-of-town buses. New garages can be designed to best utilize current technology, including energy efficient LED lighting and Parking Access & Revenue Control Systems (PARCS).

Most of the garages that the Parking Utility maintains were built before PARCS were common, and were designed with single space meters controlling each individual space. Although booths and gates have been retrofitted to these facilities, these installations could not be done as well as would have been the case, had they been planned with PARCS as part of the original design.

Garages: Operations & Remediation

Government East Garage was the first garage that the Parking Utility built, with its construction beginning in 1958. There are 516 spaces in this garage, which generated \$1.7M of gross revenue in 2012. Recent remediation work has averaged \$236K/year for the past two years (\$224K in 2012 and \$248K in 2013), which has been considered the minimum necessary to keep the facility operating. Replacement is recommended as soon as possible, as the annual cost of remediation is likely to exceed \$250K. An estimated \$8M in repairs (actual year's dollars) would be needed in order to keep the garage operational for an additional twenty years. Government East Garage will be fifty-eight years old at the expected time of replacement in 2015-2016.

State Street Campus Lake Garage was built in 1964. There are 527 spaces in this garage, which generated \$2.3M of gross revenue in 2012. Due to its age and location, it is the next priority for replacement after the Government East Garage, and replacement is planned for 2019. An estimated \$7M in repairs (actual year's dollars) would be needed in order to keep the garage operational for an additional twenty years.

Capitol Square North Garage was built in 1971, and replacement is planned for 2029. There are 613 spaces in this garage, which generated \$1.1M of gross revenue in 2012. An estimated \$3.8M in repairs (actual year's dollars) would be needed to maintain this garage for an additional twenty years.

State Street Capitol Garage was built in 1961, with the most recent vertical expansion in 1995. There are 855 spaces in this garage, which generated \$1.7M of gross revenue in 2012. The thirty-four year gap between the original construction and vertical expansion results in a situation where more costly repairs are justified in the original construction to extend the life of the garage than would otherwise be considered. Hence, there is \$300K/year budgeted in repairs and maintenance from 2017-2021 to extend the life of the original construction. This will put the estimated year for replacement of the entire garage to 2034. An estimated \$6M in repairs (actual year's dollars) would be needed to maintain this garage for an additional twenty years.

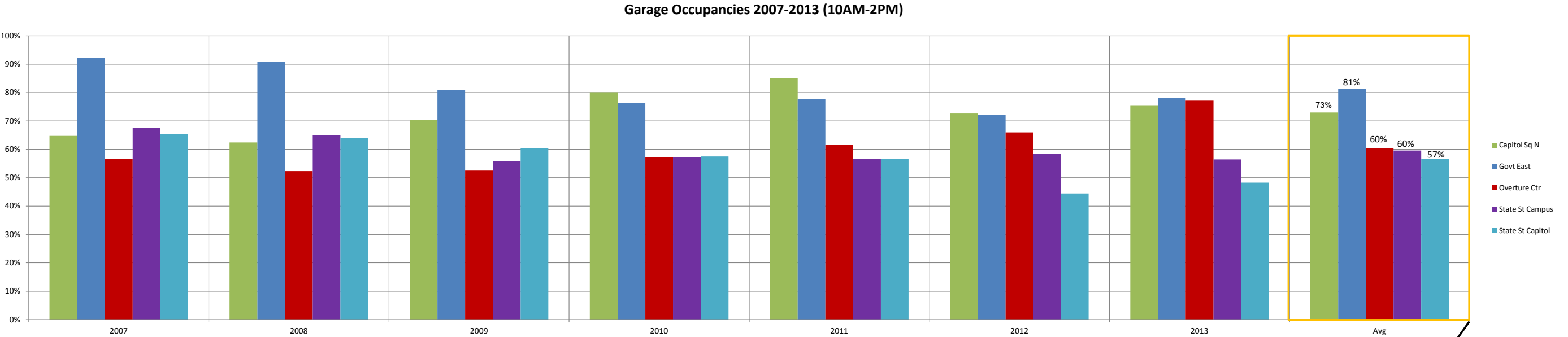
Overture Center Garage was built in 1982. There are 625 spaces in this garage, which generated \$1.2M of gross revenue in 2012. Replacement is planned for the year 2039. An estimated \$2.6M in repairs (actual year's dollars) would be needed to maintain this garage for an additional twenty years.

State Street Campus Frances Garage was built in 1981, with a vertical expansion in 1986. There are 538 spaces in this garage, which generated \$672K of gross revenue in 2012. Replacement is planned for the year 2044. An estimated \$3M in repairs (actual year's dollars) would be needed to maintain this garage for an additional twenty years.

See *Graph 2* for a graphical perspective of average garage occupancies and revenues for the period of 2007 to 2013.

Graph 3 provides a graphical perspective of 2013 average hourly occupancies to highlight occupancy trends and use-pattern differences between weekdays, weekends, and time of day.

Graph 2



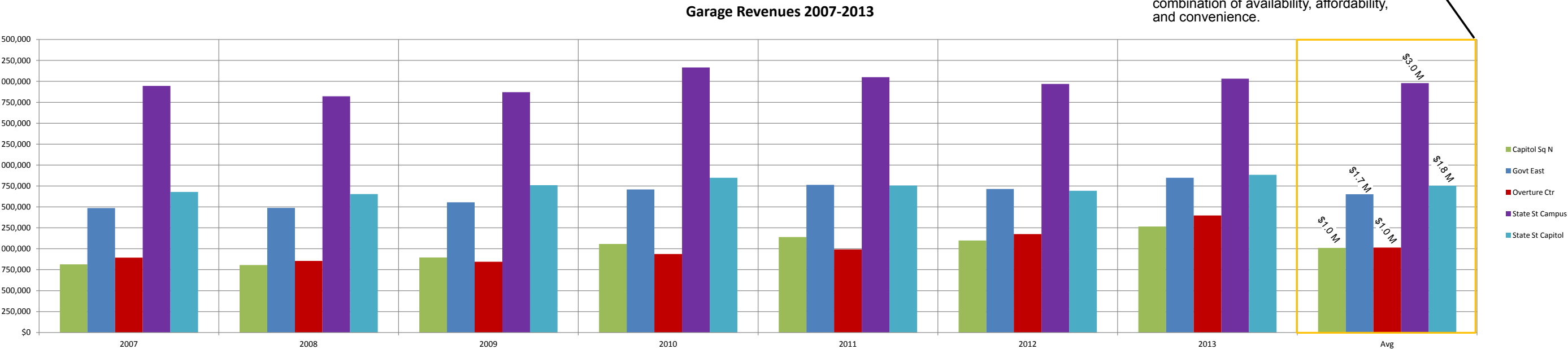
The primary objective for determining rates is to equalize system-wide occupancies, while still balancing the need for financial sustainability.

When correlating occupancy levels and revenue, it is critical to consider the capacity of each facility as a significant factor of revenue potential. For example, State Street Campus and State Street Capitol Garages have the two lowest average occupancies, yet generate the highest annual revenues.

Location is also a significant factor in the demand for parking. Government East has the highest occupancy because of its convenient location within the Central Business District.

The Parking Utility has served the City's parking needs by striving to equalize parking demand in each of our garages, while limiting the maximum occupancy at any facility to 90% or less to maintain desired parking availability.

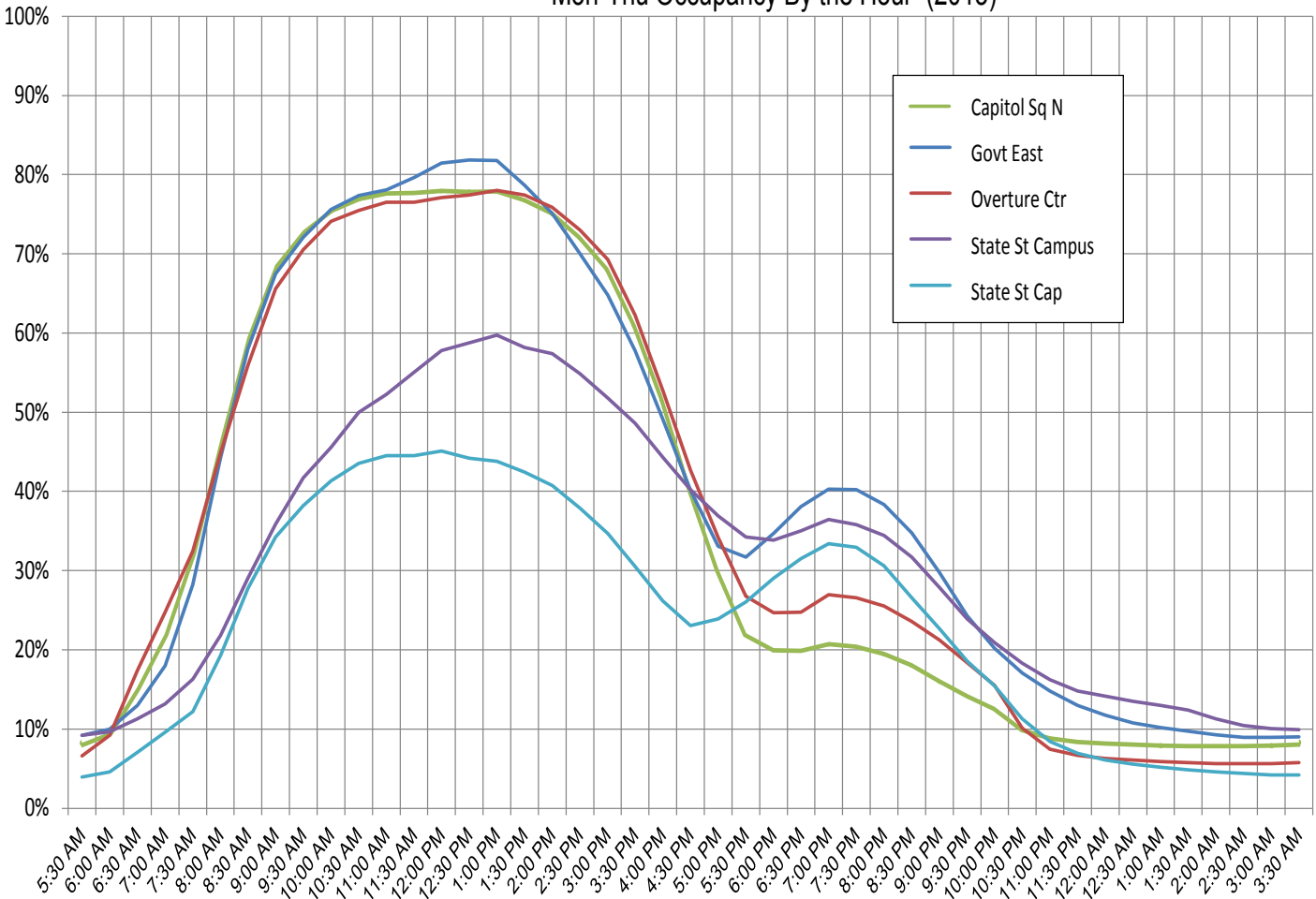
Garage revenues, which comprise over 70% of total system revenues, vary significantly due to a variety of factors. The three paramount factors are a combination of availability, affordability, and convenience.



Graph 3

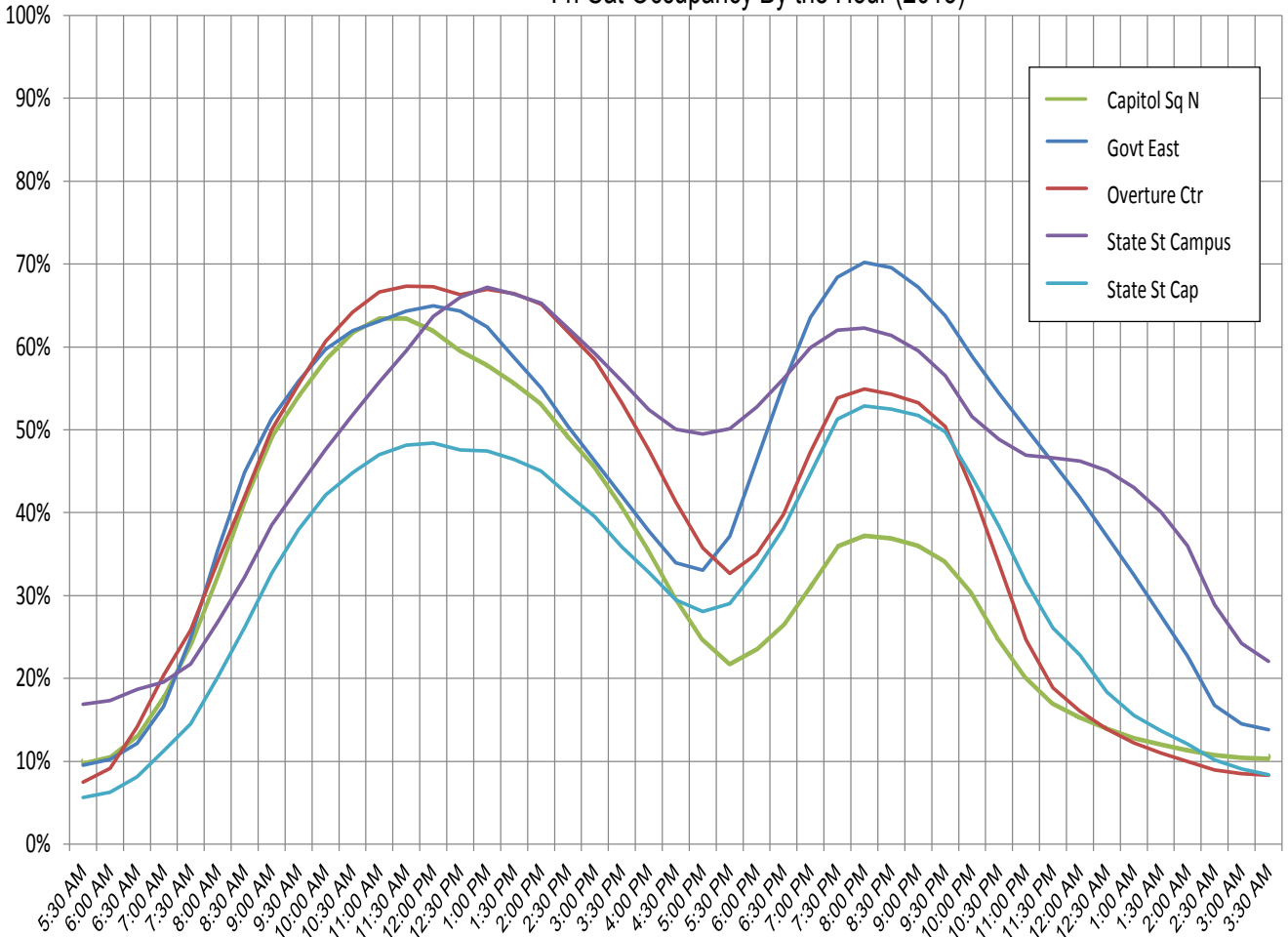
Average hourly occupancies from 2013, which show typical use patterns, are separated into two graphs to highlight the occupancy trends that serve the differing uses between weekday and weekend parking of a robust central business district.

Mon-Thu Occupancy By the Hour (2013)



Weekday demand is driven primarily by workday commuters, meeting the needs of a dense employment district. These elements are critical to the vitality of a city, and to attain the realization of Madison's vision to be a safe and healthy place to live, work, learn, and play.

Fri-Sat Occupancy By the Hour (2013)



The majority of use on weekends is driven by visitors to the downtown area, meeting the needs of a thriving retail/entertainment district.

Mission and Value of the Parking Utility

Madison Measures is a compilation of key benchmarks that provide City of Madison residents, laypersons and decision-makers with a framework and context for policy discussions and budget deliberations. The framework of Madison Measures for the Parking Utility is:

Mission

It is the mission of the Parking Utility, through the efforts of well-trained conscientious employees, to provide safe, convenient and affordable parking to the City's citizens and visitors, consistent with City Transportation policies.

Objectives

1. To constantly pursue exceptional customer service.
2. To maintain downtown vitality.
3. To provide safe, clean, and easy-to-use parking facilities.
4. To sustain a self-financing operation which maintains accurate, timely financial records to meet the agency's long-term financial goals, which includes the proper maintenance of current facilities and the financing of new parking infrastructure.
5. To improve parking opportunities by encouraging greater use of underutilized facilities.

Strategies

1. Market parking to diminish the perception of a lack of parking availability.
2. Establish pricing and other strategies to better employ underutilized facilities.
3. Modify parking garage operations and physical layout to promote efficient use during special events.
4. Update signage in parking garages to provide customers better guidance.
5. Modify street operations to encourage the use of structures for long-term parking.
6. Implement technological advancements to provide customers with timely parking availability information and convenient payment options.

Parking Utility Programs

1. The Residential Permit Parking Program establishes a mechanism whereby area residents will be afforded an opportunity for the limited storing of vehicles on public streets to the partial exclusion of commuter vehicles. It is intended that this will reduce automobile commuting and its accompanying energy waste and air pollution. The Parking Utility serves thousands of Madison residents each year, with the issuance of approximately 7,500 permits per year.
2. The Parking Utility serves commercial business areas and their parking needs by implementing on-street parking restrictions, providing metered spaces, and through the availability of surface lots. On-street parking restrictions and metered spaces create turnover, which increases the availability of short-term, convenient parking for access to area establishments. Likewise, the Utility's surface lots service the business community by providing short to medium-term parking with convenient access and ease of use, similar to the on-street parking experience.
3. Through the issuance of meter hoods and 'no parking' signs, the Parking Utility serves the community's needs for reserving specific on-street spaces, which include special event, construction, and moving-related parking.
4. Construction and repair-related parking needs are served by the Parking Utility through the issuance of hangtags and contractor permits, which allow contractors to park beyond restricted time limits.

Value to the City of Madison

1. The Parking Utility provides over \$1.5 million per year to the City's General Fund in PILOT and meter occupancy fees. The Parking Utility also provides funds to the Police Department to support their enforcement efforts.
2. The Parking Utility is publicly owned and locally controlled, answering directly to the Transit and Parking Commission and Common Council. The Parking Utility exists solely to serve the public via the direction of the City. This allows the City to balance transportation modes - mass transit, bicycles, pedestrians, and private automobiles, and to enact policies that address transportation in a comprehensive manner.
3. In communities where parking is primarily a private service, typically, the objective is to maximize revenue. This favors parking rates for all-day parkers. This works contrary to objectives and policies which seek to maximize use of mass transit and encourage turnover of parking spaces to serve businesses. By having parking publicly owned, revenue needs are balanced with other community needs and goals.
4. The Parking Utility helps to ensure access to businesses, services, facilities, and special events, which drive the economy and define the character of the city.
5. All funds that the Parking Utility receives stay in the community, profits are not taken by a private entity.

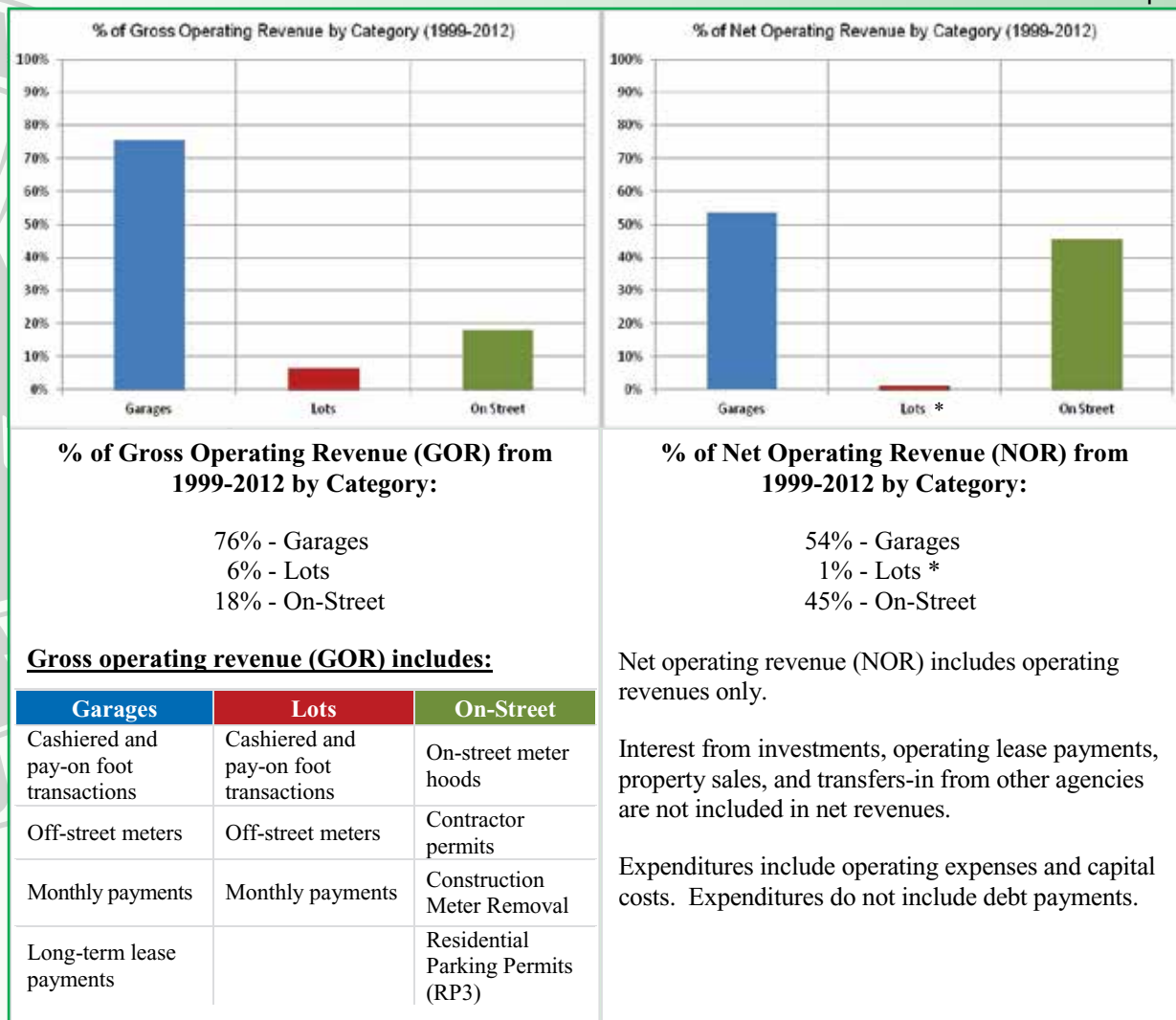
Financial Position

Revenues and Expenses

The Parking Utility's six garages comprise the largest revenue source for the Utility, generating 76% of system-wide gross operating revenues (GOR) and 54% of net operating revenues (NOR) between 1999 and 2012. The percentage of NOR generated by on-street parking is higher than the percentage of GOR, due to significantly lower operating and capital expenses than off-street facilities. Although on-street parking revenues can generate a higher rate of return, the supply is relatively fixed and is impacted by city-wide planning and policy. See *Graph 4* and *Table 1* below for system-wide revenue and expenses by category.

System-Wide Revenue by Category (%)

Graph 4



System-Wide Revenue & Expenses by Category (\$)

Table 1

Category	Gross Operating Revenue (GOR) (1999-2012)	Operating & Capital Expenses (1999-2012)
Garages	\$ 95,369,196	\$ 86,120,439
Lots	\$ 8,042,240	\$ 7,858,050 *
On Street	\$ 22,880,673	\$ 15,032,768
TOTAL	\$ 126,292,109	\$ 109,011,258

* In the Lots category of Operating & Capital Expenses (1999-2012), shown in *Table 1*, and the % of Net Operating Revenue, displayed in *Graph 4*, the \$1.38 million purchase of the (previously) state-owned portion of the Brayton Lot is included.

Estimated Unrestricted Reserves Analysis

The Financial Operating Scenarios section of the report, which begins on page 61, provides six scenarios for consideration.

The Parking Utility has created an alternative scenario, for budgeting purposes, as part of the Capital Improvement Program. The projections of this scenario are based on the Parking Utility System's historical financial data between 2000 to present. These assumptions are shown in *Table 2* below and reflect the data used to generate *Graph 5*.

Table 2

Parking Utility Scenario (Based on Historical Data from 2000 – Present)	
Labor	Projections based on current and historical labor structure
Operating Expenses	2.9% growth/year
Operating Revenues	2.8% growth/year
Rates	See page 33 of Sustainability Report for historical parking rate adjustments.

Parking Utility Alternative Scenario for *Graph 5* reference.

See *Graph 5* for a graphical perspective of the Estimated Unrestricted Reserves Analysis. The two most urgent projects, which are the replacement of the Government East and State Street Campus-Lake Garages, will be included as part of the 2015 Capital Budget submission. The impacts on our unrestricted reserves, based upon the differences in cost between above-grade and below-grade parking, are also shown.

Estimated Unrestricted Reserves Analysis

Graph 5

