City of Raleigh

Budget Note 8

INTEROFFICE MEMORANDUM

June 6, 2011

MEMO TO: J. Russell Allen
City Manager

FROM: Mike Kennon, PE, Transportation Operations Manager

SUBJECT: Budget Note 8 – Enterprise Parking Fund Models – Operations and Debt Service

The Finance and Public Works Departments have maintained an ongoing work group to evaluate the current status of the city's enterprise Parking Funds (442 and 444). This work was based on the premise that the Parking Fund is intended to be self-sufficient beginning in FY06, with revenues coming from the parking fees and fines generated within the on and off-street parking programs. The challenging economic times have made this goal difficult in FY12.

Key Highlights

- The on-street parking revenues for FY11 are projected to fall short of budget by approximately $1.5 million due to delays in rolling out the new pay stations, variations in demand in the six parking zones, and an overestimate on the percentage occupancy with the pay stations. The off-street parking revenues are projected to fall short of budget by $324,000 due to the economic downturn resulting in the cancellation of approximately 450 monthly accounts since July 1, 2009, and lower than expected transient revenues from the Convention Center, Performing Arts, and Blount Street Decks. The overall operating revenue fund balance for FY11 is projected to be $2.27 million.
- The previously recommended market increases to the city parking rates will not be implemented in FY12 in an effort to minimize the loss of monthly accounts.
- Expenditure increases in FY12 are primarily from the operation costs for the on-going deck and elevator maintenance, credit card fees and property taxes owed to Progress Energy. The FY12 direct expenditure forecast matches the budget request.
- The model is impacted by the issuance of taxable bonds for the Charter Square Deck and Blount Street Deck facilities. Both of these decks are anticipated to have multiple private use agreements associated with them. To date, the Charter Square development has been delayed and no formal plans have been submitted for the sites adjacent to the Blount Street Deck.
- In FY11, there is a surplus of $1.48 million from the RCC Underground Deck which will be used for debt service.
- In FY11, $522,629 in revenue was reassigned from the RCC Fund to the Parking Fund for collections from the two auditorium lots and from the State of North Carolina Department of Health and Human Services lease agreement in FY09 and FY10.
- In FY12, there is a surplus of $550,000 from the Charter Square Underground Deck.

- In FY14, the sale of the Blount Street Deck for $12.95 million plus estimated operational losses of $4.78 million from FY09 through FY14 has been removed from parking model because it is unclear when adjacent development will proceed.
- In years FY12 through FY15, the line item inserted last year called Revenue Options under Development has been removed. A proposal of options to increase revenue was submitted to Council and referred to BED committee for review in April 2011 and incorporated into the current model as directed.
- In FY12, the current parking model dips to a fund balance of -$1.29 million and continues to decrease each year through FY15 to -$3.97 million. The decrease in fund balance is primarily caused by two factors. The first is the increased debt service costs related to recent parking investments (the Blount Street and Convention Center Decks acquired in FY09 and the Charter Square Deck in FY10) which, due to the current economy, exceeded projected parking revenues in early years of their operation by the City. The second is the downturn in the economy which has resulted in the loss of off-street parking accounts and transient revenue.
- While most parking debt is fixed rate debt, the Blount Street, Charter Square and Performing Arts Deck debt service payments are on variable rate terms. Though the model utilizes moderate assumptions for revenues and projected debt service payments, should there be a shortfall in revenue from parking fees and fines or an unfavorable change in interest rates, the model could be impacted if alternatives are not identified to navigate those scenarios.

The attached Parking Model reflects actual and projected debt service for all facilities owned and managed by the City. The amount being expended for debt service in FY12 is now approximately 61.36% of the operating budget. The debt level is also impacted by operational costs netted from revenues (Performing Arts and Convention Center Deck). The funding of this level of debt service will require ongoing discipline of the parking fee increases modeled over the debt periods.

The working group will semi-annually update this business model to monitor the Parking Funds balance. Future new investments in parking facilities will likely be difficult in the short run. However, as new parking facilities achieve strong utilization, the Parking Fund's fund balance will increase and should free capacity to support new capital parking investments.

City of Raleigh Parking Funds

		FY11 Budget	FY 11 Projected	FY12 Budget	FY13 Budget	FY14 Budget	FY15 Budget
	FUND 442 PARKING FACILITIES OPERATIONS						
	Revenues						
1	Parking Violations - (Citations)	$ 3,146,676	$ 1,832,750	$ 2,037,273	$ 2,078,018	$ 2,119,579	$ 2,161,970
2	Meter Revenue	1,375,391	1,091,834	1,100,000	1,122,000	1,144,440	1,167,329
3	Residential, LT, Media, & Valet Permits	20,000	20,000	20,000	20,000	20,000	25,000
4	Misc Revenues & Fees	2,800	95,661	121,397	130,200	130,200	130,200
5	Total On-Street Revenues	$ 4,544,867	$ 3,040,245	$ 3,278,670	$ 3,350,218	$ 3,414,219	$ 3,484,499
6	Interest Income	$ 25,384	$ 39,379	$ 26,146	$ 26,930	$ 27,738	$ 28,570
7	Cabarrus Deck	819,904	760,829	800,000	933,516	961,522	990,368
8	City Market Lot	69,517	62,459	66,000	88,425	86,752	91,089
9	CP&L	3,603	3,603	3,603	3,822	3,937	4,055
10	301 Hillsborough Lot Revenue Accounts	31,680	32,340	33,000	33,610	Lease Expires	Lease Expires
11	305 Hillsborough Lot Revenue Accounts	68,634	79,429	69,000	81,814	86,459	88,783
12	Dillon Lot Monthly	72,848	77,132	73,000	84,285	92,423	94,986
13	Municipal Deck	465,987	385,317	410,000	527,579	543,406	559,709
14	Dillon Lot Daily	54,475	48,545	55,000	71,907	79,097	83,051
15	Moore Square Deck	848,527	684,843	713,000	1,010,903	1,040,450	1,070,884
16	City Center Deck	2,127,324	2,154,513	2,128,000	2,538,735	2,613,727	2,690,968
17	White Oak Palladium (City Ctr)	39,571	39,571	39,571	39,571	39,571	39,571
18	Wilmington Street Deck	980,444	938,413	981,000	1,136,804	1,170,908	1,206,036
19	Chamberlain Daily Lot	28,428	27,600	28,000	30,159	31,064	31,996
20	Blount/Highwoods Deck	523,161	438,925	438,000	460,640	474,459	488,693
21	Underground Deck Ph I & II (70% Net)	726,134	646,102	614,000	725,571	781,610	841,572
22	Performing Arts Deck (70% net)	437,812	255,968	367,001	480,065	497,181	511,812
23	Parking Office Rent from DRA	12,842	12,730	13,177	13,623	13,847	14,293
24	Mariott Ground Rent		75,000	75,000	75,000	75,000	75,000
25	Revenue from RCCC Surface Lots		250,000	220,000	220,000	220,000	220,000
26	Transfer from 100 - Progress Energy Tax Reimbursement			139,567			
27	Total Off-Street Revenues, Interest and Transfers	$ 7,336,275	$ 7,012,698	$ 7,292,065	$ 8,582,959	$ 8,839,151	$ 9,131,436
28	**Total Revenues**	**$ 11,881,142**	**$ 10,052,943**	**$ 10,570,735**	**$ 11,933,177**	**$ 12,253,369**	**$ 12,615,935**
	Expenses						
30	Personnel - On Street	$ 1,037,655	$ 1,031,655	$ 993,604	$ 1,053,221	$ 1,116,414	$ 1,183,399
31	Personnel - Decks, Ops, Conv. Deck	616,749	616,749	664,598	704,474	746,742	791,547
32	Operating Expenses - On Street	1,786,933	1,119,333	1,246,133	1,295,979	1,347,818	1,401,731
33	Operating Expenses - Decks	2,725,061	2,725,061	3,037,742	3,159,251	3,285,622	3,417,046
34	Operating Expenses - Ops, Conv. Deck	281,979	281,979	342,092	355,775	370,006	384,807
35	Progress Energy Deck Taxes	-	367,600	315,258	317,622	162,393	164,829
36	Transfer to 444 (Debt Service)	8,433,031	4,675,510	5,709,202	7,900,000	8,000,000	8,000,000
38	Transfer to 446 (Capital)	615,000	615,000	275,000	582,000	582,000	759,000
39	Transfer to 642 (RCCC Security Guards)	70,875	70,875	74,419	78,884	83,617	88,634
40	Transfer to 501 (ERP)	450,000	450,000		450,000	450,000	450,000
41	**Total Expenses**	**$ 16,017,283**	**$ 11,953,762**	**$ 12,658,048**	**$ 15,897,206**	**$ 16,144,612**	**$ 16,640,992**
42	**Fund 442 Balance**	**$ (4,136,141)**	**$ (1,900,819)**	**$ (2,087,313)**	**$ (3,964,029)**	**$ (3,891,242)**	**$ (4,025,057)**
	(Negative denotes future fund balance appropriation)						

City of Raleigh Parking Funds

		FY11 Budget	FY 11 Projected	FY12 Budget	FY13 Budget	FY14 Budget	FY15 Budget
	FUND 444 DEBT SERVICE						
	Revenues						
43	Interest Income	$ 24,230	$ 65,000	$ 23,400	$ 25,000	$ 25,000	$ 25,000
44	Transfer from 442	8,433,031	4,675,510	5,709,202	7,900,000	8,000,000	8,000,000
45	Sale of Blount Street Deck						
46	**Total Revenues**	**$ 8,457,261**	**$ 4,740,510**	**$ 5,732,602**	**$ 7,925,000**	**$ 8,025,000**	**$ 8,025,000**
47	**Expenditures**						
48	Debt Service & Related Expenditures	3,781,708	3,702,030	3,661,134	2,964,041	2,916,521	2,860,452
49	Debt Service Ph I 958 spaces ($14.9M)	1,035,588	1,035,588	1,034,013	1,032,813	1,031,013	1,033,613
50	Debt Service Ph I 958 spaces ($28.5M)	1,823,998	1,823,998	1,825,398	1,827,998	1,826,398	1,828,798
51	Debt Service - Blount/Highwoods ($14.0M, less 1.065)	933,250	338,198	624,125	631,250	696,600	701,250
52	Subtotal lines 67 - 70 (From Debt Svc Schd)	7,574,544	6,899,814	7,144,670	6,456,102	6,470,532	6,424,113
53	Blount Principal Payment						
54	Debt Service Ph II 553 spaces ($24.9M)	882,717	76,314	621,875	1,256,875	1,392,200	1,402,250
56	Loan Repayment Meter Upgrades ($840,000)				140,000	140,000	140,000
57	**Total Expenses**	**$ 8,457,261**	**$ 6,976,128**	**$ 7,766,545**	**$ 7,852,977**	**$ 8,002,732**	**$ 7,966,363**
58	**Fund 444 Balance**	**$ (0)**	**$ (2,235,618)**	**$ (2,033,943)**	**$ 72,023**	**$ 22,268**	**$ 58,637**
	(Negative denotes future fund balance appropriation)						
	FUND BALANCE						
	Beginning Fund Balance						
59	From Fund 100 - Subsidy from Prior Year				$ 1,297,974	$ 3,892,006	$ 3,868,974
60	Fund 442 Parking Operating	2,129,569	2,129,569	751,379	(1,335,934)	(3,964,029)	(3,891,242)
61	Fund 444 Parking Debt Svc	2,275,398	2,275,398	1,521,903	37,960	72,023	22,268
62	**Total Beginning Fund Balance**	**$ 4,404,967**	**$ 4,404,967**	**$ 2,273,282**	**$ 0**	**$ 0**	**$ 0**
63							
64	**Change in Fund Balance**						
65	Transfer from 446 to 444 - Site One		1,482,123	550,000			
66	FY09, FY10 Parking Revenues from RCCC		522,629				
67	Net Impact of 442	(4,136,141)	(1,900,819)	(2,087,313)	(3,964,029)	(3,891,242)	(4,025,057)
68	Net Impact of 444	(0)	(2,235,618)	(2,033,943)	72,023	22,268	58,637
69	**Change in Fund Balance**	**$ (4,136,141)**	**$ (2,131,685)**	**$ (3,571,256)**	**$ (3,892,006)**	**$ (3,868,974)**	**$ (3,966,420)**
70	**Combined Ending Fund Balance**	**$ 268,826**	**$ 2,273,282**	**$ (1,297,974)**	**$ (3,892,006)**	**$ (3,868,974)**	**$ (3,966,420)**