



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** April 30, 2024

**TO:** Finance Committee

**FROM:** Downtown Team Division, Public Works Department

**SUBJECT:** Fiscal Year 2025 Downtown Parking City Administrator's Recommended Budget Proposal

**RECOMMENDATION:** That Finance Committee:

- A. Receive a report from staff with proposed changes to Downtown Parking's funding model and the City Administrator's recommended budget for Fiscal Year 2025; and
- B. Recommend that Council approve the proposed changes, including changes to parking rates in City garages, surface lots, and on City streets within specified areas.

### **DISCUSSION:**

Changes in Downtown business operations and customer parking patterns and use have substantially lowered Downtown Parking (DTP) lot occupancy as compared to past years. Hourly fee increases in Fiscal Year (FY) 2023 and FY 2024 brought in revenue increases, but expenses have negated those increases as the costs to operate DTP continue to outpace revenues. The Downtown Parking Fund has operated at a deficit since FY 2020. This has depleted reserves to below Council Policy levels, leaving only \$2,972,911 total in Fund reserves, at the end of FY 2023.

The Downtown Parking Fund is projected to end FY 2024 with a \$1,489,660 deficit, depleting total reserves to \$1.5M. While the adopted FY 2024 budget did anticipate a \$473K deficit, FY 2024 saw a small decrease in parking occupancy, resulting in a \$700K revenue shortfall. Absent any changes, FY 2025 expenditures are expected to exceed revenues by \$3.8M. This deficit would exhaust Downtown Parking Fund reserves and require a substantial General Fund subsidy to sustain facilities and operations.

In the adopted financial plan for FY 2024 and FY 2025, the revenue projections assume the elimination of the period of subsidized parking in the DTP lots and garages in FY 2025. While this change was not discussed in detail at the time, the budget presentation and submittal noted that FY 2025 would require a re-evaluation of the role of the subsidized parking period in DTP's funding model. Accordingly, staff have evaluated the

established parking rate structure and have determined that significant changes are necessary to allow for continued operation.

The period of subsidized parking offered in DTP lots and garages has always been very popular with the public. Historically, around 60% of transactions in the lots and garages have been free, meaning only around 40% of customers actually pay for parking. This subsidized parking period is a major driver of customer behavior, as customers hurry back to their vehicles to avoid paying for parking, shortening their time visiting downtown businesses. At the other end of the spectrum, the high daily maximum charge of \$33 also discourages customers from spending long periods of time visiting.

Compounding this imbalance, the off-street paid parking lots must directly compete with free on-street parking, which is often located closer to destinations, making these spaces more desirable to customers. The availability and cost of parking on the streets impact customer usage of the off-street lots. This also impacts Downtown residents, whose neighborhoods are impacted by Downtown employees and visitors trying to avoid paying parking fees. Drivers circle blocks searching for free parking spaces, creating traffic, pollution, and noise.

Moreover, the City expends significant money on maintaining on-street parking, through cleaning and maintenance. The City can no longer sustain the parking system and the services it funds, such as State Street cleaning and maintenance, with a funding model that relies on revenue collected from fewer than 40% of the vehicles that use the system. A new model is needed to ensure the financial sustainability of the Downtown Parking Program, improve parking turnover and availability for customers, decrease the cost of employee parking, and encourage visitors to stay longer.

Staff's FY 2025 budget proposal seeks to implement a new model of funding and managing the Downtown parking system. This new model will generate adequate revenue to fund parking operations and maintain capital, distributes the cost of parking more evenly, and creates a parking system that serves all users and facilitates easy access to Downtown businesses and attractions.

A summary of the proposed FY 2025 budget is included as Attachment 1. Major changes to the status quo budget are as follows:

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	Proposal	Change	Purpose
<b>Revenues</b>			
Garages	60 Minutes Subsidized \$2.00/hour \$10 Daily Max	\$109,204	<ul style="list-style-type: none"> <li>• Encourage longer stays</li> <li>• Move longer-term parkers into lots with highest capacities</li> <li>• Reduce the cost of longer stays</li> </ul>
Surface Lots	15 Minutes Subsidized \$1.50/30 minutes No Daily Max	\$1,390,913	<ul style="list-style-type: none"> <li>• Free up capacity in high-demand surface lots</li> <li>• Create turnover</li> <li>• Discourage long-term parking</li> <li>• Allow payment in smaller increments to reduce cost of shorter stays</li> </ul>
Street	15 Minutes Subsidized \$0.75/15 minutes No Daily Max	\$2,522,265	<ul style="list-style-type: none"> <li>• Improve availability of highest-value parking spaces for customers</li> <li>• Make it easier for customers to access businesses</li> <li>• Create turnover</li> <li>• Discourage long-term parking</li> </ul>
Employee Permits	\$70/month in garages	(\$742,260)	<ul style="list-style-type: none"> <li>• Reduce the cost of employee parking</li> <li>• Reduce employee demand for street parking</li> </ul>
<b>Change in Revenue</b>		<b>\$3,280,122</b>	
<b>Expenditures</b>			
Capital	<b>Defer</b> <ul style="list-style-type: none"> <li>• Amtrak Building Repair</li> <li>• Revenue Control System</li> <li>• Garage Floor Joint Repair</li> <li>• Rey Road Improvements</li> </ul>	(\$2,100,000)	Create savings
Capital & Ops	Implement Priced Street Parking	\$1,052,048	Facilitate implementation of revenue strategy
<b>Change in Expenditures</b>		<b>(\$1,047,952)</b>	
<b>Surplus/Deficit</b>		<b>\$429,930</b>	

Implementation

*Priced On-Street Parking*

This effort will represent the City's first implementation of priced on-street parking. Fees will be collected on a "pay-by-plate" basis, wherein a customer enters their license plate number into a mobile payment app, mobile website, or self-serve kiosk, selects the duration of their intended stay, and pays fees due. Customers who choose to use mobile payment options will be notified when their time is due to expire and will have an opportunity to extend their stay without having to return to their vehicle. Fee collection will

be enforced by DTP staff who will use License Plate Recognition (LPR) technology to identify vehicles that have not paid and issue fee-due notices.

Street parking fees will be in effect from 8:00 AM to 8:00 PM, seven days a week, with possible seasonal adjustments for daylight. A map of the proposed priced parking areas is included as Attachment 2.

### *Implementation Plan*

Downtown Parking staff are developing a robust implementation plan, which will be discussed and vetted through the Downtown Parking Committee, Ordinance Committee, and Council. Components will include:

- **Ordinance:** California Vehicle Code section 22508(a) requires cities to establish parking meter zones and fees by ordinance. Parking meter fees may be variable based upon criteria identified in the ordinance. Therefore, an ordinance mapping out the geographic area and fees is required.
- **Outreach:** DTP began the process of updating our funding and operational models based on community needs and feedback in the fall of 2023, when an online parking preferences survey was distributed to the community, and when staff conducted an intercept survey to better understand our customer base and customer behavior. Through the first three months of 2024, staff have conducted targeted outreach to downtown stakeholders, giving presentations, conducting small group workshops, meeting one-on-one with stakeholders, and working with internal stakeholders to develop and refine the recommended budget strategy for FY 2025.

Outreach will continue up until and beyond the rollout of priced street parking, with communications through media, signage, mail, social media, public meetings, and door-to-door discussions. Outreach will be targeted and tailored to key stakeholders, Downtown residents, employers, and Downtown visitors.

- **Procurement** will consist of pay stations, signage, payment apps and mobile web services, LPR enforcement equipment and enforcement vehicles, handhelds for fee notice issuance, and safety equipment.
- **Developing Policies and Standard Operating Procedures**, to include changes to the Municipal Code, an updated policy for the usage of LPR data, and the development of standard operating procedures (SOPs). Staff will research peer cities to identify best practices.
- **Staffing and training:** DTP will begin by using existing, permanent staff to collect fees and issue fee-due notices for paid street parking. This will enable staff to develop and refine SOPs, determine ongoing staffing needs, and train more junior staff. Staff will also develop safety strategies, protocols, and hazard assessments.

- **Phasing** of rollout, including location and installation of equipment, outreach, and initiation of fee collection.
- **Mitigation:** This proposal represents a major change to longstanding prices and practices that may cause significant shifts in the behavior of parkers. While some of these changes are desirable, others may have negative impacts. Staff will take steps to mitigate these impacts. Staff are planning a program of incentives for locals, similar to the recent Film Festival Pass, to give City residents opportunities to park Downtown at discounted rates for special events and uses. Because reducing the subsidized parking period and charging for on-street parking may cause some parkers to seek parking further out in residential neighborhoods, staff are developing an expedited request process for adding Resident Permit Parking restrictions to new blocks, and will waive permit fees for two years for residents of blocks who require new restrictions.
- **Evaluation:** Staff are planning for a flexible, adaptable deployment that will be monitored, evaluated, and adjusted on an ongoing basis. Revenues will be monitored daily and reported out monthly. Street parking occupancy will be carefully monitored to enable fine-tuning of the priced street parking strategy.

New rates in garages and surface lots will go into effect on July 1, 2024. Rollout of priced street parking is expected to begin in October of 2024.

#### **BUDGET/FINANCIAL INFORMATION:**

Budget impacts, including projected reserves balances and a summary of the proposed FY 2025 budget, are shown in Attachment 1. The parking system and its related services, such as State Street cleaning and maintenance, are not sustainable with the current funding model that relies on revenue collected from fewer than 40% of the vehicles that use the system, so staff propose a new model for FY 2025, as discussed above, that generates adequate revenue to fund parking operations and maintain capital, distributes the cost of parking more evenly, and creates a parking system that serves all users and facilitates easy access to Downtown businesses and attractions.

If the proposed rate structure is not implemented and rates stay the same, the Downtown Parking Fund is projected to deplete all reserves in the fund and require General Fund subsidy in FY 2025 and beyond. That subsidy requires the General Fund to transfer funds into the Downtown Parking Fund, limiting General Fund revenues for other services, such as Police, Fire, Parks and Recreation, Library, General Government and many other services.

The proposed rate structure is projected to increase revenue in the fund; however, the fund is still projected to have reserves in FY 2025 and beyond, below the City Council approved reserve policy level. The reserve policy states that anytime reserve levels fall below the policy, an assessment of the fiscal condition and outlook is to be performed, a

balancing strategy is to be implemented. along with a plan to replenish reserves back to the policy target levels. Staff will work with the Council to confirm additional actions that may be necessary in order to meet reserve levels.

Due to the uncertainty of implementing the proposed rate structure and projection of revenue collection, the City Administrator's recommended budget for FY 2025 includes a \$500,000 transfer of General Fund revenues into the Downtown Parking fund. Staff will evaluate revenues and expenditures on a quarterly basis throughout FY 2025. If revenues are adequate to cover expenditures and make progress meeting reserve target levels, a General Fund transfer will likely not be required. If a revenue shortfall occurs, then the transfer will be processed in order to ensure the Downtown Parking Fund has adequate reserves to continue to operate.

Maintaining adequate reserves in all City funds is critical to ensure the City continues to receive a high rating from credit agencies, particularly when considering issuing debt for large capital improvement projects. Reserves are also communicated to the public on the City's financial statements.

**ENVIRONMENTAL REVIEW:**

The proposed changes to the Fiscal Year 2025 Downtown Parking Budget falls outside of the definition of a "Project" under California Environmental Quality Act (CEQA) Guidelines section 15378 (b)(5) as administrative activities of governments that will not result in direct physical changes in the environment are not subject to CEQA environmental review. All future projects as a result of the Implementation Plan will be subject to CEQA environmental review.

**ATTACHMENTS:**            1. FY 2025 Budget Summary  
   2. Map of Priced Parking Area

**PREPARED BY:**            Sarah Clark, Downtown Team Manager/EF/MS/nv

**SUBMITTED BY:**        Clifford M. Maurer, P.E., Public Works Director

**APPROVED BY:**        City Administrator's Office