

Date: June 11, 2004

Subject: Revised Parking Fund Workout Plan Recommendations

Recommendations:

- 1) Public Works Parking Initiatives –
 - a) Approve the parking initiatives in the workout plan developed by Public Works from their annual business plan. The initiatives are detailed in the attached report.
 - b) Direct the Public Works and Finance Department to prepare a 2005--2009 Capital Budget Request and financing plan that addresses the Parking Fund's need for a Major Repair and Replacement program.
 - c) Add a new Workout Plan parking initiative regarding the Sale of Parking Ramps. Public Works, Finance and CPED have begun and will continue to evaluate the possible sale of off-street parking ramp(s) and recommend sale of ramps if the result improves the long-term financial condition of fund and meets the City's transportation needs.
 - d) Add a new Workout Plan parking initiative regarding Traffic Control Revenue and Expenses. Public Works, Finance and Regulatory Services will develop recommendations on the Traffic Control revenue and expenses impacting the Parking Fund.

- 2) Parking Fund Debt –
 - a) Increase the amount of variable rate debt to 20% of the Parking fund's total debt. (This will take advantage of current market conditions and allow long-term debt structure to fit within estimated cash flows. City Council approved the current restructuring on April 30, 2004. No additional Council action needed in 2004.)

- 3) General Fund Transfer –
 - a) Reduce the planned current and future transfers from the Parking Fund to the General Fund. Any reduction from the current level of transfer (2004 transfer is planned to be \$9.8 million) is temporary until the Parking Fund cash balance returns to positive financial performance. Reductions in the transfer may take the following forms:
 - ◆ One-time reductions in the transfer if the General Fund's financial performance is positive and there are no adverse credit rating implications in the opinion of the Finance Officer.
Note: The City Council has adopted a policy to use General Fund balance in excess of the Council's minimum (10% of General Fund Revenues) to reduce deficits in the Internal Service Funds. The estimated reduction in 2004 is \$5-6 million. The Finance Officer will recommend a specific amount when the final 2003 financial results are known.

 - ◆ Planned reductions in the transfer according to the City's adopted 5-year financial direction. The workout plan recommends a planned reduction from 2005 to 2009.

4) Monitoring and Benchmarking – The above items do not completely resolve the problem. Public Works and Finance believe a turnaround in the economy and subsequent increase in employment, office occupancy and higher use in the City's parking facilities can fill the gap in the workout plan. Therefore, Public Works and Finance will regularly monitor the financial performance of the Parking Fund and meet with other city departments about taking further steps to improve the financial condition of the fund. Regular updates and further recommendations to the workout plan will be presented to the City Council when appropriate. Those potential future steps, in order of priority, are listed below:

- a) Convention Center Sales Tax Transfers
- b) Target Center Entertainment Tax Transfers
- c) Further General Fund Transfer Reductions

POTENTIAL FUTURE STEPS (information only, no Council Action)

- a) Convention Center Sales Tax Transfers -- Increase the transfer from the Convention Center Fund to the Parking Fund, subject to the financial condition of the Convention Center Fund. The Convention Center Fund may reimburse the Parking Fund the cost (operating, maintenance and debt service) of Convention Center parking ramps.
- b) Target Center Entertainment Tax Transfers -- Decrease the planned transfers from the Parking Fund to the Target Center if other entertainment tax revenues in the Target Center finance plan exceed estimates.
- c) Further General Fund Transfer Reductions -- If it is determined that all of the recommendations listed in the workout plan do not bring the Parking Fund to its desired financial state; additional reductions to the transfer may be necessary. This option will be considered only as a last resort. Finance will review the changes in General Fund reserves on an annual basis to determine if reserves are available to transfer to the Parking Fund with recommendations made by the Finance Officer to the City Council.