



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim Ortbal

**SUBJECT: MASTER PARKING RATE
SCHEDULE AND DOWNTOWN
PARKING BOARD MEMBERSHIP**

DATE: May 21, 2018

Approved

D. D. Syl

Date

5/31/18

COUNCIL DISTRICT: 3

RECOMMENDATION

It is recommended that City Council:

- a) Adopt a resolution to repeal Resolution No. 78157 and set forth the Master Parking Rate Schedule to establish a citywide \$2 per hour rate in parking meter districts where Smart Meters have been installed, effective July 1, 2018.
- b) Establish the Parking Meter District Area Reserve.
- c) Approve an ordinance amending San Jose Municipal Code (SJMC) Part 36 of Section 2.08 to alter membership criteria for the Downtown Parking Board.

OUTCOME

The proposed actions will establish a consistent citywide parking meter rate of \$2 per hour, establish the Parking Meter District Area Reserve, and alter criteria for membership representation on the Downtown Parking Board (DPB).

BACKGROUND

In February 2014, the City Council approved the purchase and installation of approximately 1,200 Smart Parking Meters in the central core of Downtown, replacing almost half of the over 2,500 standard coin-operated meters in the City. The installation allowed for the modernization of the parking meter system by providing meters that accept credit cards and pay-by-phone or mobile payment options, improved informational displays, run on solar power, and provide meaningful payment, occupancy, and maintenance data.

As part of the FY 2014-15 Adopted Operating Budget, City Council approved a rate adjustment from \$1 to up to \$2 per hour at Smart Meters located in the Downtown core. The increased revenues paid for the initial purchase and installation of the Smart Meters (\$1.1M) and on-going annual operating costs (\$235K), with net revenues split between two reserves (SAP Center Area Parking Reserve and Downtown Parking Investment Reserve). To date, net meter revenues realized from the prior rate increase have provided for investments in multi-modal facilities in the Downtown core and acquisition of land in the vicinity of the SAP Center for parking and transportation purposes.

In June 2017, during the Apple Worldwide Developer Conference, a new meter payment technology, Apple Pay, was piloted at 164 Smart Meters located in and around Cesar Chavez Park, at no cost to the City via an upgrade provided by IPS, the City's Smart Meter vendor. The Apple Pay, or Near Field Contact (NFC) payment pilot, was successful and received positive feedback. Smart phone payment options like Apple Pay, Android Pay, Google Wallet, and others are common within the retail sector and have seen increased adoption by consumers. Since the NFC option has been available in the Cesar Chavez Park area it has been used more often than the mobile payment option provided with the initial smart meter installation.

Currently, approximately 60% of payment activity at the Downtown core Smart Meters occurs via non-coin payment options. Since the installation of Smart Meters, parking customers and stakeholders in some areas outside of the Downtown core have expressed interest in expanding Smart Meter technology to other metered areas. The City's current agreement with IPS provides for the purchase of additional meters through June 2019.

ANALYSIS

Costs and Projected Revenues Associated with Smart Meter Expansion

The cost to upgrade the remaining 1,326 coin-only meters to Smart Meter technology is approximately \$700,000. This cost reflects an approximate \$100,000 negotiated price discount from IPS for the upgraded Smart Meters with the NFC payment option. Meter districts that would receive the upgraded Smart Meter technology benefits include Japantown, SoFA, East Santa Clara, Downtown perimeter, Old Civic Center and the Arena/Diridon area (see Attachment A).

Ongoing fees associated with the wireless communications necessary to transmit the data for credit card and smart phone payments, the management system that enables staff to remotely monitor system activity, revenue, reporting and parking occupancy, and batteries/spare parts are approximately \$261,000 annually. The projected additional revenue associated with the proposed meter rate adjustment to \$2 per hour is \$687,000 annually. Cost recovery of the initial investment would occur the year after the upgrade, with an approximate \$150,000 in net revenues realized in the second year, and approximately \$426,000 net revenues annually thereafter.

As part of the system-wide Smart Meter expansion project, staff also negotiated an upgrade of all existing Smart Meters within the Downtown core to accept NFC payments at no cost to the City, providing an additional \$100,000 in savings. The combined negotiated deal with IPS represents an approximate savings of \$200,000.

Parking Meter District Area Reserve

The proposed new Parking Meter District Area Reserve would receive net revenues from the meter districts receiving the upgraded Smart Meters, after cost recovery of the installation costs and ongoing operating and maintenance costs. Staff also recommends that the net revenues previously accruing to the Downtown Parking Investment Reserve from the prior meter rate increase with the 2014 Smart Meter upgrade in the Downtown core accrue to the new Parking Meter District Area Reserve. Funds from this combined reserve could be used for a variety of parking, transportation and multi-modal investments in the greater Downtown, Japantown, SoFA, and other meter district areas. Allocation of funds for various projects and investments would generally occur during the City's annual budget process and be reviewed with the DPB.

SJMC Section 2.08 Part 36 Downtown Parking Board Amendments

The Downtown Parking Board (DPB) was established to serve as a forum for the discussion of parking issues and to make recommendations to City Council regarding the City's downtown parking program. The DPB was originally structured to ensure key downtown stakeholder groups are represented on the Board and has, since inception, consisted of seven (7) members representing the following agencies/entities: Downtown Business Association, San Jose State University, Downtown Resident, Downtown Arts and/or Special Events, Downtown Private Off-Street Parking Facility Owner/Representative, and two At-large members.

At this time, all seats on the DPB are filled, with the exception of the Parking Facility Owner/Representative. Despite on-going recruitment efforts to find an interested and qualified candidate, this seat has remained vacant for nearly three (3) years. There is a desire to balance representation on the board to include meter district areas outside the downtown core, as these areas are impacted by policy and program recommendations made by the board. To accomplish this, the proposed amendments to membership representation are as follows:

1. Convert the existing Private Off-street Parking Facility Owner/Representative seat to a business association representative within a designated meter district outside the downtown core.
2. Expand the eligibility requirements for the two (2) At-large seats beyond expertise in business and/or finance to also include an owner/representative of a private off-street parking facility located within the downtown core, with a maximum of one At-large seat filled by an owner/representative of a private off-street parking facility.

EVALUATION AND FOLLOW-UP

DOT will provide an update in August 2018 to the DPB on the status of the Smart Meter expansion and upgrade project. Additional updates on the revenues generated by meter district area will be provided annually to the DPB.

POLICY ALTERNATIVES

Alternative #1: The City Council may choose to retain the current \$1 per hour rate at the approximate 1,300 meters that will be upgraded to Smart Meters outside of the Downtown core.

Pros: The meter rate would not increase for customers parking at the newly upgraded meters.

Cons: Maintaining existing rates would not provide for cost recovery of the approximate \$700,000 initial investment and would result in an on-going negative impact to the General Purpose Parking Fund of approximately \$261,000 annually associated with increased Smart Meter operating costs. Additionally, net revenues of approximately \$426,000 annually would not be realized, reducing opportunities to invest in parking, transportation and multi-modal investments in the Downtown and other meter district areas.

Alternative #2: The City Council may choose to implement a lesser increase, such as \$1.5 per hour in the identified meter districts.

Pros: A meter rate increase to \$1.5 per hour would result in a savings of \$0.50 per hour for customers parking at the approximate 1,300 meters upgraded to Smart Meters.

Cons: Recovery of the approximate \$700,000 initial investment, factoring in the ongoing costs, would not occur until the ninth year after the smart meter upgrade. While approximately \$83,000 in annual net revenues would be realized subsequently, this would not provide a significant source of funds for investments in the Downtown or other meter district areas.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 12, 2018 City Council meeting. Stakeholder outreach was conducted with Santa Clara County, SoFA, Japantown Business Association, Japantown Community Congress, and the E. Santa Clara Business Association.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

HONORABLE MAYOR AND CITY COUNCIL

May 21, 2018

Subject: Master Parking Rate Schedule and Downtown Parking Board Membership

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COMMISSION RECOMMENDATION/INPUT

The DPB unanimously approved the recommendations associated with the expansion of the Smart Meters and the \$2 per hour meter rate adjustment at their meeting on February 7, 2018. Balancing the membership representation on the DPB was discussed and approved by the Board at their meeting on May 2, 2018.

COST SUMMARY/IMPLICATIONS

The Smart Meter upgrade of the 1,326 coin-operated meters and upgrade of existing Smart Meters for NCF payment will be funded from the General Purpose Parking Capital Fund within the existing appropriation for the Revenue Control and Meter Upgrades project in 2017-2018. Ongoing operating and maintenance costs of approximately \$261,000 and the anticipated \$687,000 in additional revenue, subject to Council approval, is included in the 2018-2019 Proposed Operating Budget for the General Purpose Parking Fund. With a \$2 per hour Smart Meter rate, cost recovery of the initial investment is expected to occur the year after the upgrade, with net revenues of approximately \$150,000 during the second year. Subsequently, net revenues are estimated to be \$426,000 annually. As discussed above, net revenues after expenses, will accrue to the newly established Parking Meter District Area Reserve to fund investments in parking, transportation and multi-modal investments in the greater Downtown, Japantown, SoFA, and other meter district areas.

CEQA

Statutorily Exempt, File No. PP10-068 (a), CEQA Guidelines Section 15273, Rates, Tolls, Fares and Charges.

/s/

JIM ORTBAL

Director of Transportation

For questions please contact Heather Hoshii, DOT Division Manager at 408-793-4131.

Attachment

ATTACHMENT A

