

**THIS PRINT COVERS CALENDAR ITEM NO. : 10.9**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Sustainable Streets

**BRIEF DESCRIPTION:**

Approving the City of San Francisco Japan Center Garage Corporation's Fiscal Years 2014-2015 and 2015-2016 Operating Budget for the Japan Center Garage.

**SUMMARY:**

- Under an agreement executed in February 2013, the City of San Francisco Japan Center Garage Corporation (Corporation) leases the Japan Center Garage from the City and County of San Francisco. Through a prior lease agreement, the Corporation has managed this facility since 2002.
- The SFMTA provides general oversight and policy direction while the Corporation manages the day-to-day operation of the garage.
- Pursuant to the lease, the Corporation is required to submit an annual operating budget for review and approval by the SFMTA.
- Parking unit staff formulated a uniform, two-year budget submittal package that uses industry best practices. The budget development process included line-item review, historical-trend analysis, data-driven forecasting, discussions with the Corporation's Manager and approval by the Corporation Board of Directors.
- The two-year Operating Budget submitted by the Corporation is consistent with the requirements of Charter Section 8A.106 for the even-numbered year and the Corporation will be provided an opportunity to submit amendments to the two-year Operating Budget in the odd-numbered year.
- The SFMTA's proposed Operating Budget for Fiscal Years 2014-2015 and 2015-2016 includes net revenues generated by this garage.

**ENCLOSURES:**

1. SFMTAB Resolution
2. Attachment A: Fiscal Years 2014-2015 and 2015-2016 Operating Budget for the Japan Center Garage

**APPROVALS:**

**DATE**

DIRECTOR \_\_\_\_\_

4/28/14

SECRETARY \_\_\_\_\_

4/28/14

**ASSIGNED SFMTAB CALENDAR DATE:** May 6, 2014

**PURPOSE**

The purpose of this report is to seek the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors approval of the City of San Francisco Japan Center Garage Corporation's Fiscal Years 2014-2015 and 2015-2016 Operating Budget for the Japan Center Garage.

**GOAL**

This action is consistent with the SFMTA 2013-2018 Strategic Plan.

- Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the preferred means of travel
- Objective 2.3: Increase use of all non-private auto modes
- Objective 2.4: Improve parking utilization and manage parking demand

**DESCRIPTION**

The Japan Center Garage is located at 1610 Geary Boulevard and provides 920 parking spaces. Through an agreement executed in February 2013, the City of San Francisco Japan Center Garage Corporation (Corporation) leases the garage from the City and County of San Francisco. The Corporation contracts with a professional parking operator for the day-to-day operation and management of the garage, while the SFMTA provides general oversight and policy direction.

Pursuant to the lease, the Corporation is required to submit an annual operating budget for the review and approval by the SFMTA. The SFMTA's Parking unit staff formulated a uniform, two-year budget submittal package for use by all garages, establishing a consistent and effective budget development, review and approval process.

The two-year Operating Budget submitted by the Corporation is consistent with the requirements of Charter Section 8A.106 for the even-numbered year and the Corporation will be provided an opportunity to submit amendments to the two-year Operating Budget in the odd-numbered year.

The Corporation's fiscal year ends April 30 to provide adequate time to complete a year-end audit and to transfer all net income to the City before the close of the City's fiscal year.

Over the last two months, the SFMTA and Corporation staffs have worked together in developing the proposed Operating Budget. The budget development included a careful review of all revenue and expenses for the current year. The proposed budgets for the next two fiscal years considered current economic conditions, seasonality of parking demand, known upcoming events, scheduled salary increases, and associated payroll expenses. The two-year Operating Budget has been reviewed and approved by the Corporation Board.

**FISCAL YEARS 2014-2015 AND 2015-2016**

Attachment A shows details of the proposed Operating Budget for Fiscal Years 2014-2015 and 2015-2016. A high-level summary is provided in the following table:

	<b>FY2013-2014 Adopted Budget</b>	<b>FY2014-2015 Proposed Budget</b>	<b>Variance to FY2013-2014 Adopted Budget</b>	<b>FY2015-2016 Proposed Budget</b>	<b>Variance to FY2014-2015 Proposed Budget</b>
Gross Revenue	\$4,250,415	\$4,789,477	+12.7%	\$5,028,363	+5.0%
Parking Tax	\$843,239	\$952,037	+12.9%	\$1,001,775	+5.2%
Expenses	\$1,931,230	\$2,084,250	+7.9%	\$2,156,007	+3.4%
Overhead Expenses *		\$342,074		\$438,390	
Net Income to SFMTA	\$1,106,960	\$1,411,026	+27.5%**	\$1,432,192	+1.5%

\*Includes expenses such as SFMTA allocated costs, debt service, and capital needs.

With a stronger economy and a reduction in unemployment, staff anticipates a slight increase in parking demand during FY 2014-2015. The anticipated gross revenue is \$4,789,477, which is 12.7 percent above the amount adopted for FY 2013-2014. This increase results primarily from recent rate increases at the garage, which, when coupled with steady demand, has resulted in higher revenues. These anticipated amounts are based on the current parking rates at this facility. Any future rate changes may have a significant impact on garage occupancies and revenues.

Expenditures for FY 2014-2015 are proposed at \$2,084,250, which is 7.9 percent over the adopted amount for FY 2013-2014. All SFMTA garages project higher expenses due largely to projected union wage increases and a determination in 2012 by the City’s Office of Labor Standards Enforcement that mandated janitorial wages and benefits to be increased to equivalency with the wages and benefits of unionized parking attendants.

Additionally, the SFMTA allocated expenses to each garage include overhead, debt service and capital projects. This amount is projected to be \$342,074 for FY 2015 and \$438,390 for FY 2016.

For FY 2014-2015, it is anticipated that the Corporation will generate \$1,411,026 in net income for the SFMTA. This amount is 27.5 percent above the amount adopted for FY 2013-2014.

For FY 2015-2016, the staff anticipates garage performance to be in line with FY 2014-2015, generating \$1,432,192 in net income for the SFMTA. Staff will continue to monitor the garage performance and revise these projections if necessary.

The City Attorney has reviewed this report.

**ALTERNATIVES CONSIDERED**

No alternative was considered. The garage must have an approved operating budget in order to continue daily operations, which provides parking to the residents and businesses in the area, and generates significant income to support SFMTA programs.

**PAGE 4.**

**FUNDING IMPACT**

Approval of this Operating Budget will result in a net income of \$2,843,217 to the SFMTA during the next two fiscal years. Appropriate net revenues are included in the SFMTA's proposed Operating Budget for Fiscal Years 2014-2015 and 2015-2016.

**OTHER APPROVALS RECEIVED OR STILL REQUIRED**

The Corporation Board of Directors has approved this two-year Operating Budget.

**RECOMMENDATION**

Staff recommends that the SFMTA Board of Directors approve the City of San Francisco Japan Center Garage Corporation's Fiscal Years 2014-2015 and 2015-2016 Operating Budget for the Japan Center Garage.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, The City of San Francisco Japan Center Garage Corporation (Corporation) operates the Japan Center Garage on behalf of the City and County of San Francisco under a lease agreement with the City; and,

WHEREAS, Under the terms of the lease, the Corporation is required to submit an annual operating budget to the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors; and,

WHEREAS, The Corporation has submitted its Fiscal Years 2014-2015 and 2015-2016 Operating Budget to the SFMTA Board of Directors for review; and,

WHEREAS, The two-year Operating Budget submitted by the Corporation is consistent with the requirements of Charter Section 8A.106 for this even-numbered year; and,

WHEREAS, The Corporation will be provided an opportunity to submit amendments to the two-year Operating Budget in the odd-numbered year; and,

WHEREAS, The SFMTA's proposed Operating Budget for Fiscal Years 2014-2015 and 2015-2016 includes net revenues generated by this garage; and,

WHEREAS, The SFMTA Board of Directors has reviewed the Corporation's Fiscal Years 2014-2015 and 2015-2016 Operating Budget; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors approves the City of San Francisco Japan Center Garage Corporation's Fiscal Years 2014-2015 and 2015-2016 Operating Budget for the Japan Center Garage.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of May 6, 2014.

\_\_\_\_\_  
Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency

**Attachment A**

**JAPAN CENTER GARAGE CORPORATION – JAPAN CENTER GARAGE  
PROPOSED BUDGET FOR FY 2014-2015 AND FY 2015-2016**

	FY 2013-2014 Adopted Budget	FY 2014-2015 Proposed Budget	Variance to FY 2013-2014 Adopted Budget	FY 2015-2016 Proposed Budget	Variance to FY 2014-2015 Proposed Budget
<b>REVENUE*</b>					
Taxable Transient Revenue	\$ 2,690,484	\$ 3,048,904	13.3%	\$ 3,201,349	5.0%
Taxable Monthly Parking	\$ 1,525,709	\$ 1,711,284	12.2%	\$ 1,796,848	5.0%
Non-Taxable Monthly Parking	\$ -	\$ 10,368	-	\$ 10,679	3.0%
<b>Gross Parking Revenue</b>	<b>\$ 4,216,193</b>	<b>\$ 4,770,556</b>	13.1%	<b>\$ 5,008,876</b>	5.0%
Non-Parking Revenue	\$ 34,222	\$ 18,921	-44.7%	\$ 19,487	3.0%
<b>Gross Revenue</b>	<b>\$ 4,250,415</b>	<b>\$ 4,789,477</b>	12.7%	<b>\$ 5,028,363</b>	5.0%
Parking Tax	\$ (843,239)	\$ (952,037)	12.9%	\$ (1,001,775)	5.2%
<b>Net Revenue</b>	<b>\$ 3,407,176</b>	<b>\$ 3,837,440</b>	12.6%	<b>\$ 4,026,588</b>	4.9%
<b>EXPENSES</b>					
Personnel Cost	\$ 799,888	\$ 815,820	2.0%	\$ 840,294	3.0%
Payroll Expense	\$ 401,484	\$ 374,162	-6.8%	\$ 385,386	3.0%
Utilities	\$ 117,100	\$ 123,410	5.4%	\$ 127,112	3.0%
Services	\$ 321,274	\$ 358,241	11.5%	\$ 368,538	2.9%
Supplies	\$ 94,112	\$ 97,147	3.2%	\$ 100,061	3.0%
Other Costs	\$ 29,888	\$ 51,671	72.9%	\$ 51,949	0.5%
Garage Management	\$ 146,184	\$ 236,681	61.9%	\$ 255,240	7.8%
<b>Total Expenses</b>	<b>\$ 1,909,930</b>	<b>\$ 2,057,130</b>	7.7%	<b>\$ 2,128,581</b>	3.5%
<b>NET OPERATING INCOME</b>	<b>\$ 1,497,246</b>	<b>\$ 1,780,310</b>	18.9%	<b>\$ 1,898,007</b>	6.6%
Total Corporate Expenses	\$ 21,300	\$ 27,210	27.7%	\$ 27,426	0.8%
<b>Net Income (Operating &amp; Corporate)</b>	<b>\$ 1,475,946</b>	<b>\$ 1,753,100</b>	18.8%	<b>\$ 1,870,581</b>	6.7%
25% Surplus Revenue to Corporation	\$ 368,987	\$ -	-100.0%	\$ -	0.0%
<b>Contingency</b>		<b>\$ 342,074</b>		<b>\$ 438,390</b>	
<b>Income to CCSF/MTA</b>	<b>\$ 1,106,960</b>	<b>\$ 1,411,026</b>	<b>27.5%</b>	<b>\$ 1,432,191</b>	<b>1.5%</b>

\*See following page for Glossary of Terms.

**Attachment A (continued)**

**GLOSSARY OF TERMS**

<b>Term</b>	<b>Description</b>
<b>REVENUE</b>	
Taxable Transient Revenue	Revenue generated from short-term parking ranging from a few minutes to a few days.
Non-Taxable Transient Revenue	Revenue generated from hotel parkers who are taxed by their hotel for parking at the garage.
Taxable Monthly Parking	Revenue generated from monthly parking patrons.
Taxable Miscellaneous Parking Revenue	Fees and penalties paid for account activations, late payments, and garage re-openings.
Non-Parking Revenue	Revenue generated from retail leases, ATM and vending machine agreements and advertising.
Corporate Income	Income from corporate investing activities.
Gross Revenue	Revenue from ALL sources.
Parking Tax	25% tax is added to all parking garage rates.
Net Revenue	Gross revenue minus parking tax.
<b>EXPENSES</b>	
Personnel Cost	All gross payroll expenses inclusive of vacation, holiday and sick pays.
Payroll Expense	All payroll related taxes, employee insurance premiums and retirement payments.
Utilities	Expenses for gas, electric, water, sewer, telephone, internet, refuse disposal, etc.
Services	Fees paid for contractual security and janitorial, armored transport, uniform cleaning, liability insurance, garage audit services, credit card fees, legal services, etc.
Supplies	Expenses for repairs and maintenance, parking supplies, such as tickets and office supplies.
Other Costs	This includes taxes and licenses, marketing, dues and subscriptions, memberships and community benefit programs.
Garage Management	Expenses for the management and incentive fees paid to the facility operators as outlined in their board approved operating agreements.
Total Operating Expenses	Includes ALL operating expenses.
Corporate Expenses	Expenses for the management and repayment of bonds used to fund the construction of the garage, as well as legal fees related to the management of garage retail lease agreements.
Surplus Revenue to Corporation	A portion of the total net income dedicated to facility improvement and major repairs as outlined in the facility specific lease agreements. Each agreement specifies the percent of net income dedicated to this reserve and the cap after which all revenues flow to the SFMTA or the RPD.
Net Income to SFMTA / RPD	Total income to the SFMTA or the RPD after capital reserve requirements has been satisfied.