

THIS PRINT COVERS CALENDAR ITEM NO. : 10.9

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Sustainable Streets

BRIEF DESCRIPTION:

Approving the City of San Francisco Portsmouth Plaza Parking Corporation's Fiscal Years 2012-2013 and 2013-2014 Operating Budget for the Portsmouth Square Garage and authorizing the San Francisco Municipal Transportation Agency (SFMTA) Director of Transportation, or his designee, to forward the Operating Budget to the Office of the Controller for final approval.

SUMMARY:

- Under an agreement dated April 1, 2011, the City of San Francisco Portsmouth Plaza Parking Corporation (Corporation) leases the Portsmouth Square Garage from the City and County of San Francisco.
- The San Francisco Recreation and Park Department (RPD) receives 85 percent of the net income and the Corporation retains 15 percent in the Corporation's capital improvement fund. The SFMTA provides general oversight and policy direction on behalf of the RPD 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 Board of Directors and by the Office of the Controller.
- The Off-Street Parking 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 Facility Manager and approval by the Corporation Board of Directors.
- The two-year Operating Budget submitted by the Corporation is consistent with the requirements of Proposition A (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.

ENCLOSURES:

1. SFMTAB Resolution
2. Attachment A: Fiscal Years 2012-2013 and 2013-2014 Operating Budget for the Portsmouth Square Garage

APPROVALS:

DATE

DIRECTOR _____ 4/9/12

SECRETARY _____ 4/9/12

ASSIGNED SFMTAB CALENDAR DATE: April 17, 2012

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 Portsmouth Plaza Parking Corporation's Fiscal Years 2012-2013 and 2013-2014 Operating Budget for the Portsmouth Square Garage and to authorize the SFMTA Director of Transportation, or his designee, to forward the Operating Budget to the Office of the Controller for final approval.

GOAL

This action is consistent with the SFMTA 2008-2012 Strategic Plan.

- Goal 2: System Performance – To get customers where they want to go, when they want to be there
Objective 2.5: Manage parking supply to align with SFMTA and community goals

- Goal 3: External Affairs/Community Relations – To improve the customer experience, community value, and enhance the image of the SFMTA, as well as ensure SFMTA is the leader in the industry
Objective 3.1: Improve economic vitality by growing relationships with businesses, community, and stakeholder groups

- Goal 4: Financial Capacity – To ensure financial stability and effective resource utilization
Objective 4.1: Increase revenue by 20% or more by 2012 by improving collections and identifying new sources
Objective 4.2: Ensure efficient and effective use of resources

DESCRIPTION

The Portsmouth Plaza Garage is located at 733 Kearny Street. It provides 500 parking spaces.

Through an agreement dated April 1, 2011, the City of San Francisco Portsmouth Plaza Parking Corporation (Corporation) leases the garage from the City and County of San Francisco. For the day-to-day operation and management of the garage, the Corporation hires its own staff instead of contracting with a professional parking operator. The SFMTA provides general oversight and policy direction.

Under the lease agreement, the San Francisco Recreation and Park Department (RPD) receives 85 percent of the net income and the Corporation retains 15 percent in the Corporation's capital improvement fund.

Pursuant to the lease, the Corporation is required to submit an annual operating budget for the review and approval by the SFMTA Board of Directors and by the Office of the Controller. The SFMTA's Off-Street Parking 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 Proposition A (specifically, 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 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 2012-2013 AND 2013-2014

Attachment A shows details of the proposed Operating Budget for Fiscal Years 2012-2013 and 2013-2014. A high-level summary is provided in the following table:

| | FY2011-2012 Adopted Budget | FY2012-2013 Proposed Budget | Variance to FY2011-2012 Adopted Budget | FY2013-2014 Proposed Budget | Variance to FY2012-2013 Proposed Budget |
|-------------------|---|--|---|--|--|
| Gross Revenue | \$4,623,449 | \$4,690,302 | +2.0% | \$4,784,076 | +2.0% |
| Parking Tax | \$919,670 | \$938,060 | +2.0% | \$956,815 | +2.0% |
| Expenses | \$2,148,305 | \$2,218,803 | +3.33%* | \$2,335,890 | +5.3% |
| Net Income to RPD | \$1,311,741 | \$1,314,418 | +0.2%* | \$1,278,694 | -2.7% |

*Note: Expenses appear lower and net income to the RPD appears higher partially because the Corporation’s new lease does not require payment to RPD of \$120,000 per year for maintenance of the plaza that sits on top of the garage. RPD may choose to allocate net income from the garage to cover plaza maintenance, but it no longer is included as part of the garage budget. Moreover, expenses appear higher and net income to the RPD appears lower partially because of a new cost-recovery policy instituted by the SFMTA under which the SFMTA is reimbursed on a monthly basis for oversight expenses. Were these monthly cost-recovery payments not made, the monies would flow to the RPD as net income at the close of each month.

With a slowly improving economy and high unemployment, the staff does not anticipate any significant increase in parking demand during FY 2012-2013. The anticipated gross revenue is \$4,690,302, which is 2 percent over the amount adopted for FY 2011-2012. 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 2012-2013 are proposed at \$2,218,803, which is 3.3 percent over the adopted amount for FY 2011-2012. All SFMTA garages project higher expenses due largely to projected union wage increases and significant new bonding expenditures related to an increased Parking Tax Bond requirement enacted by the City that took effect in January 2011. In the case of Portsmouth Square Garage, these increased expenses are mostly counteracted by reduced expenses related to new lease terms. The Corporation signed a new lease with the City dated April 1, 2011. As noted above, this lease removed a former requirement that the Corporation pay about \$120,000 per year to RPD to cover expenses related to maintain the plaza that sits on top of the garage.

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Furthermore, as noted above, the Corporation proposes higher expenses and lower net income to the RPD for FY 2012-2013 in part due to a new cost-recovery policy requiring non-profit corporation garages to reimburse the SFMTA on a monthly basis for the SFMTA's oversight expenses. Were these monthly cost-recovery payments not made to SFMTA, the monies would flow to the RPD as net income at the close of each month. Therefore, this change results in additional revenue to SFMTA. The cost-recovery payment amount will be adjusted each year according to SFMTA's actual costs. For the FY2012-13 and FY2013-2014 budget, cost-recovery payments to SFMTA are projected to be about \$77,000 per year.

For FY 2012-2013, it is anticipated that the Corporation will generate \$1,314,418 in net income for the RPD. This amount is 0.2 percent over the amount adopted for FY 2011-2012. For FY 2013-2014, staff anticipates garage performance to be in line with that of FY 2012-2013, generating \$1,278,694 in net income for the RPD. 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 RPD programs.

FUNDING IMPACT

Approval of this Operating Budget will result in a net income of \$2,593,112 to the RPD during the next two fiscal years, and cost-recovery payments of \$154,000 to the SFMTA.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The Portsmouth Plaza Parking Corporation Board of Directors has approved this two-year Operating Budget. Final approval by the Office of the Controller is required.

RECOMMENDATION

Staff recommends that the SFMTA Board of Directors approve the City of San Francisco Portsmouth Plaza Parking Corporation's Fiscal Years 2012-2013 and 2013-2014 Operating Budget for the Portsmouth Square Garage and authorize the SFMTA Director of Transportation, or his designee, to forward the Operating Budget to the Office of the Controller for final approval.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The City of San Francisco Portsmouth Plaza Parking Corporation (Corporation) operates the Portsmouth Square 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 San Francisco Recreation and Park Department receives 85% of the net income from the Garage after all expenses are paid, with 15 percent of such revenue retained in the Corporation's Capital Improvement Fund; 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 to the Office of the Controller for review and final approval; and,

WHEREAS, The Corporation has submitted its Fiscal Years 2012-2013 and 2013-2014 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 Board of Directors has reviewed the Corporation's Fiscal Years 2012-2013 and 2013-2014 Operating Budget; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors approves the City of San Francisco Portsmouth Plaza Parking Corporation's Fiscal Years 2012-2013 and 2013-2014 Operating Budget for the Portsmouth Square Garage; and, be it further

RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation, or his designee, to forward the Operating Budget to the Office of the Controller for final approval.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of April 17, 2012.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

Attachment A

**PORTSMOUTH PLAZA PARKING CORPORATION – PORTSMOUTH SQUARE GARAGE
PROPOSED BUDGET FOR FY 2012-2013 AND FY 2013-2014**

| | FY 2011-2012 Adopted Budget | FY 2012-2013 Proposed Budget | Variance to FY 2011-2012 Adopted Budget | FY 2013-2014 Proposed Budget | Variance to FY 2012-2013 Proposed Budget |
|---|--|---|--|---|---|
| REVENUE* | | | | | |
| Taxable Transient Revenue | \$ 3,421,262 | \$ 3,489,687 | 2.0% | \$ 3,559,481 | 2.0% |
| Taxable Monthly Parking | \$ 976,556 | \$ 996,096 | 2.0% | \$ 1,016,018 | 2.0% |
| Taxable Miscellaneous Parking Revenue | \$ 200,531 | \$ 204,519 | 2.0% | \$ 208,577 | 2.0% |
| Gross Parking Revenue | \$ 4,598,349 | \$ 4,690,302 | 2.0% | \$ 4,784,076 | 2.0% |
| Non-Parking Revenue | \$ 25,100 | \$ 25,548 | 1.8% | \$ 25,969 | 1.6% |
| Gross Revenue (includes other income) | \$ 4,623,449 | \$ 4,715,850 | 2.0% | \$ 4,810,045 | 2.0% |
| Parking Tax | \$ 919,670 | \$ 938,060 | 2.0% | \$ 956,815 | 2.0% |
| Net Revenue | \$ 3,703,779 | \$ 3,777,790 | 2.0% | \$ 3,853,230 | 2.0% |
| EXPENSES | | | | | |
| Personnel Cost | \$ 995,206 | \$ 1,054,064 | 5.9% | \$ 1,106,767 | 5.0% |
| Payroll Expense | \$ 479,761 | \$ 503,905 | 5.0% | \$ 529,102 | 5.0% |
| Utilities | \$ 120,108 | \$ 124,030 | 3.3% | \$ 130,231 | 5.0% |
| Services | \$ 378,403 | \$ 283,923 | -25.0% | \$ 307,193 | 8.2% |
| Supplies | \$ 102,816 | \$ 107,957 | 5.0% | \$ 113,355 | 5.0% |
| Other Costs | \$ 72,012 | \$ 68,924 | -4.3% | \$ 71,242 | 3.4% |
| Garage Management** | \$ 0 | \$ 76,000 | n/a | \$ 78,000 | n/a |
| Total Operating Expenses | \$ 2,148,305 | \$ 2,218,803 | +3.3% | \$ 2,335,890 | 5.3% |
| Net Operating Income | \$ 1,555,474 | \$ 1,558,987 | 0.2% | \$ 1,517,340 | -2.7% |
| Total Corporate Expenses | \$ 12,250 | \$ 12,613 | 3.0% | \$ 12,994 | 3.0% |
| Net Income (Operating & Corporate) | \$ 1,543,224 | \$ 1,546,374 | 0.2% | \$ 1,504,346 | -2.7% |
| 15% Surplus Revenue to Corporation | \$ 231,484 | \$ 231,956 | 0.2% | \$ 225,652 | -2.7% |
| Income to RPD | \$ 1,311,741 | \$ 1,314,408 | 0.2% | \$ 1,278,694 | -2.7% |

*See following page for Glossary of Terms.

** Increase due to newly instituted SFMTA administrative cost recovery.

Attachment A (Cont.)

GLOSSARY OF TERMS

| Term | Description |
|---------------------------------------|--|
| REVENUE | |
| 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. |
| EXPENSES | |
| 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. |