

**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE STAFF REPORT**

May 7, 2012

**TO:** HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

**FROM:** Finance Department  
Tracy McCraner, Finance Director  
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**SUBJECT: AMENDMENT OF THE AGREEMENT FOR PARKING METER SERVICES BETWEEN THE CITY OF NEWPORT BEACH (“CITY”) AND CENTRAL PARKING SYSTEM, INC. (“CPS”), DATED MARCH 31, 2011 (“ORIGINAL AGREEMENT”)**

**ABSTRACT:**

City staff and CPS find it mutually beneficial to refine and amend the Original Agreement to eliminate finance costs incurred by the City and to adjust the payment structure based on a full year of financial information and the final revenue collections for 2011. This proposed amendment simplifies and provides an annual operating guaranteed payment to CPS at a fair return and it allows the City to eliminate costly financing charges for purchase of equipment and infrastructure.

**BACKGROUND**

The City entered into the Original Agreement with CPS on March 31, 2011. The four key goals identified for CPS were:

- Maximize parking meter revenue
- Increase the quality of services to the public
- Modernize parking meter equipment and infrastructure; and
- Streamline and improve parking enforcement service

CPS met all four goals within its first full year of operations.

**PARKING METER REVENUE**

CPS has increased parking meter revenues by almost 25% in their first full year of operation. We expect this percentage to continue to grow. A table comparing the parking meter revenues collected from May 2011 through April 2012 to the previous year is provided here.

<b>Parking Meter Revenue Year Ended April 2011 vs. April 2012</b>	
<b>**May - April 2012</b>	<u>\$ 3,605,381</u>
<b>May - April 2011</b>	<u>2,898,059</u>
<b>Variance</b>	<u>\$ 707,323</u>
<b>\$ Increase</b>	<b>\$ 707,323</b>
<b>% Increase</b>	<b>24.41%</b>

\*\* denotes that amounts are net of credit card fees (\$86,583)

**QUALITY OF SERVICES**

CPS provides the city enhanced meter services that ensure frequent revenue collection and rapid repair of broken meters resulting in decreased revenue downtime. CPS also is delivering excellent customer service as evidenced in their 24 hour response to customer complaints and concerns. We find that they are committed to continually enhancing customer service operations.

**PARKING METER EQUIPMENT & INFRASTRUCTURE**

CPS installed 1,325 state-of-the-art credit card single-space and 7 multi-space meters within the agreed upon deadline. The credit card option facilitates payment for parking, and allows more options for customer payment which increases customer satisfaction. CPS reports show that customers are using credit cards at the meters 43% of the time.

**PARKING ENFORCEMENT**

Comparison of Parking Citations Issued Year Ended April 2011 vs. April 2012		
Dates	# of Citations	Amount \$
May - April 2011	17,846	959,911
May - April 2012	22,609	1,301,638
\$ Increase	4,763	341,727
% Increase	26.69%	35.60%

CPS' enforcement ambassadors increased collectible parking meter citation revenues by 36%, or \$341,727, while continuing to encourage customers to pay the meter before issuing the citation. The proposed amendment will not change the provision that the City receive 100% of citation revenues.

It is in the City's and CPS' interest for customers to pay the meters rather than receive citations. In the

future, staff expects the parking citation revenue to level out as compliance with meter payments increase.

**ORIGINAL CPS AGREEMENT PAYMENT STRUCTURE**

In the Original Agreement, parking revenues were to be distributed as follows, so long as the revenues were available:

1. \$3,010,351 to the City;
2. \$1,186,617 to CPS (\$804,855 for operating expenses and profit; \$381,762 for reimbursement for the amortized portion of the new parking meters and supporting equipment); then
3. 11.5% remaining revenues to CPS (until March 31, 2013); 16.5% remaining revenues to CPS (from April 1, 2013 to March 31, 2015); and 21.5% remaining revenues to CPS (from April 1, 2015 until expiration/termination of the Agreement).

## **AMENDMENT OF AGREEMENT**

In reviewing with CPS this year's performance and revenue collection process, we agreed that it would be mutually beneficial to simplify the complicated payment structure in the original agreement and replace it with a \$700,000 annual payment for operating expenses and CPS agreed to a lower annual operational reimbursement.

Part of the reasons to restructure the agreement is also based on an analysis we conducted that reviewed the foundational data used as a basis for the payment structure adopted by Council. The City's revenue estimates, provided to all the vendors during the Request for Proposal process and that were used by CPS to estimate their revenue flow for seven years of operation, were optimistic. We found that unseasonably cold summer and spring weather experienced during FY 2010-11 produced an unanticipated revenue shortfall during their first operating year. The Original Agreement inadvertently penalizes CPS for the poor economic conditions of FY 2010-11, but the proposed amendment would assure that CPS is adequately reimbursed for their operating costs.

The bonus payments from the Original Agreement shall remain the same to incentivize CPS, and so CPS can share in the proceeds of excess revenue of which they are a significant contributor.

For the reasons mentioned above, this structure does not reimburse CPS adequately to cover their day-to-day operations. The City and CPS want this partnership to thrive, but it cannot do so if CPS cannot cover their basic operational expenses in this or any year of the Original Agreement.

In the proposed amendment, CPS will be paid \$700,000 annually (on a monthly basis) for their services, and the City will retain all parking meter revenues regardless of amount. CPS will be paid a bonus only if parking meter revenues exceed \$3,400,000, then any excess above the \$3,400,000 would be shared as follows:

- 11.5% of revenues > \$3.4 million to CPS (until April 30, 2013);
- 16.5% of revenues > \$3.4 million to CPS (from May 1, 2013 to April 30, 2015);
- 21.5% of revenues > \$3.4 million to CPS (from May 1, 2015 until expiration/termination of the Agreement).

The City projects parking meter revenues for FY 2011-12 to be \$3,700,000, an increase of \$700,000 compared to FY 2010-11. Collectible parking citation revenues for FY 2011-12 are estimated to be \$1,300,000, an increase of \$340,000 over the previous year. The City typically experiences a collection rate of 70%, this would result in actual increased citation revenue to the City of \$238,000. If the payment structure is amended, CPS will be assured their payment of \$700,000 plus \$34,500 of bonus revenue, and City will receive additional revenue of \$938,000, all contemplated with the Original Agreement but executed in a different manner. The net increased revenue to the City would be \$203,500 in FY 2011-12.

## EQUIPMENT PURCHASE

CPS had entered into various purchase or lease agreements in order to obtain parking meters and other related equipment for the City. Pursuant to the Original Agreement, the City was to pay \$381,762/year to CPS for the amortized portion of those leases. After working with CPS, and reviewing their leasing arrangements, the City has determined it could save approximately \$240,000 by paying off the leases as of May 31, 2012. The payoff amount is anticipated to be \$618,000 (see Exhibit "A" attached for list of equipment and amounts). The City would also like to pay cash, or self finance, all future purchases of parking meter equipment and this amendment would allow the City to do just that.

## CONCLUSION

The partnership between the City and CPS is a success, for both the City and for its community. This amendment to the Original Agreement would ensure fair compensation to CPS and cost savings to the City by purchasing the parking meter infrastructure and equipment outright. The City and CPS look forward to working together to continue to enhance, improve and streamline the parking meter program for Newport Beach's community and visitors.

Prepared by:

/s/Tracy McCraner  
Finance Director

Attachments: Exhibit A – List of Equipment and Prices

# Newport Beach CapEx Log

** Projected city Payout	\$	1,031,899.28
City Remittals to CPS	\$	(413,575.50)
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** Net Due to CPS	\$	<u>618,323.78</u>

Item	Vendor	Payment	Direct Purchases	Previous Lease	Lease	Total
				Payments Through 5/31/12	Buy-Outs Through 5/31/12	
IPS Meters & Replacements	IPS	Leased		\$ 192,814	\$ 626,309	\$ 819,123
3 Ford Vehicles	New Concepts Leasing	Leased		\$ 15,534	\$ 69,123	\$ 84,657
Copier/ Scanner	California Office System	Leased		\$ 2,799	\$ 8,334	\$ 11,134
7 Luke Machines	Digital Payment Tech	Purchased	\$ 52,647			\$ 52,647
Handhelds / Setup and Programming	Duncan Parking Tech	Purchased	\$ 49,466			\$ 49,466
5 Bikes	Jax Bikes	Purchased	\$ 2,795			\$ 2,795
Start Up Costs	Various	Purchased	\$ 12,077			\$ 12,077
<b>Totals</b>			<b>\$ 116,985</b>	<b>\$ 211,148</b>	<b>\$ 703,766</b>	<b>\$ 1,031,899</b>
<b>Less City Capital Avances To Central Through 5/31/12</b>						<b>\$ (413,576)</b>
<b>Net Due to CPS</b>						<b>\$ <u>618,324</u></b>

IPS LEASE	
Meter Lease Term Total	\$ 922,627
Meter Lease Residual	\$ 132,380
5 Year w/residual	\$ 1,055,007
Payments through 5/31	\$ 192,814
Buy Out Quote	\$ 626,309
<b>** Meter Lease Buyout Savings</b>	<b>\$ 235,884</b>

Vehicle Leases	
Vehicle Lease Term Total	\$ 71,697
Vehicles Lease Residual	\$ 17,000
5 Year w/residual	\$ 88,697
Payments through 5/31	\$ 15,534
Buy Out Quote	\$ 69,123
<b>** Vehicle Lease Buyout Savings</b>	<b>\$ 4,040</b>

Copier Lease	
Copier Lease Term Total	\$ 7,752
Copier Lease Residual	\$ 2,800
3 Year w/residual	\$ 10,552
Payments through 5/31	\$ 2,799
Buy Out Quote	\$ 8,334
<b>** Copier Lease Buyout Savings</b>	<b>\$ (581)</b>

<b>** Total Gross Savings From Buyout</b>	<b>\$ 239,343</b>
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<b>** Total NPV Savings From Buyout</b>	<b>\$ 204,518</b>
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\*\* Pending verification of direct expenditures and lease amounts.