

## IMPACT STATEMENT

**Legislation title:** Amend contract with Central Parking System of Washington, Inc. to extend contract term through March 31, 2019 and replace the contract incentive fee with a management fee (Ordinance; amend Contract No. 30001972)

**Contact name:** Michael Jacobs

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**Presenter name:** Michael Jacobs

**Purpose of proposed legislation and background information:**

Contract #30001972 provides Parking Garage Management Services for the City's six SmartPark Garages. The purpose of this legislation is to extend contract term through March 31, 2019 and replace the contract incentive fee with a management fee.

In ORS 223.835, the Portland City Council has the legislative authority to set parking rates and regulate the uses of the Garage system. The Portland Bureau of Transportation (PBOT) is responsible for managing and maintaining all official business, operations and records for the City's six SmartPark Parking Garages, which total almost 3,800 parking spaces. PBOT is charged with managing and maintaining the City of Portland's SmartPark parking garages in a manner that is financially sound while supporting the economic vitality of the City, maximizing revenues, and prudently managing cost.

PBOT is responsible for maintaining Parking Garage Management Services for the City's six (6) owned parking garages, which total almost 3,800 spaces within the SmartPark parking portfolio.

This contract's Parking Garage Management Services includes garage operations, merchant validation program, janitorial services, equipment maintenance services, network services and PCI Compliance responsibilities.

On January 12, 2011, City Council authorized Ordinance No. 184360 awarding a Contract to Central Parking System of Washington, Inc. for Parking Garage Management Services for the SmartPark Garages.

Contract No. 30001972 Section 2, Effective Date and Duration, set the initial term of the Contract for three years, effective April 1, 2011 and expiring on March 31, 2014. The Contract provided for an extension, by mutual consent, for an additional two-year period for a total contractual period of not more than five (5) years. Section 2 of the Contract also provides that,

"following Council approval, the Contract may be extended an additional five (5) years, taken individually or in multiple years, however, the total term of the Contract shall not exceed ten (10) years."

The Contract has been amended six (6) times as follows:

- Amendment (1) One dated February 1, 2012 to provide automated pay station equipment purchase, installation, and support, and increase the not-to-exceed value of the contract to \$1,250,000.
- Amendment (2) Two dated March 5, 2013 to extend the term of the Contract by mutual consent of the Parties for an additional two (2) years beginning April 1, 2014 through and including March 31, 2016, allow Contractor to reimburse the City for one-half of the expenses above the fixed budget expenses agreed upon for the fiscal year 2011-2012, and define the agreed upon amount for the FY 2009-2010 Operating Surplus.
- Amendment (3) Three dated September 1, 2013, to add equipment and software maintenance to the Contract scope of work, and increase the not-to-exceed value of the Contract to \$1,300,000;
- Amendment (4) Four dated September 28, 2015, pursuant to Ordinance 187298, to upgrade the garage parking equipment and migrate the PARCS System to a dedicated private Network, acquire an additional credit card pay-on-foot station for the O'Bryant Square Garage, and to increase the not-to-exceed value of the Contract to \$1,448,320.
- Amendment Five (5) dated December 30, 2015, pursuant to Ordinance 187532 to extend the term of the contract through March 31, 2017 and with an option for an additional one year period, with mutual consent of the Parties, for a total contractual period of not more than seven (7) years.
- Amendment Six (6) dated February 1, 2017, pursuant to Ordinance 187532 to extend the term of the Contract through March 31, 2018 for a total contract period of not more than seven (7) years.

Contract 30001972 Attachment A Statement of Work Section One (1) Operational and Management Requirements, subsection (h) Collection and Management Fees provides that,

"Contractor will receive the following compensation from the City, payable out of Gross Revenues: For each month commencing with the date of this Contract a minimum monthly fee ("Base Fee") in the amount of Seven Hundred Fifty Dollars (\$750.00) per parking garage managed by Contractor for City (\$4,500/month for all six garages), plus an amount ("Incentive Fee") equal to Three and one-half percent (3.5%) of monthly Operating Surplus in excess of the Operating Surplus for the 2009-2010 Fiscal Year at the Parking Facility (Operating Surplus for the 2009-2010 Fiscal Year excludes internal City operational or City-based administrative costs, including but not limited to equipment costs and fees, paid by City to any entity other than the previous parking operator and/or management company during such 2009-2010 Fiscal Year). During the term of this Contract, the Base Fee shall be increased annually on each anniversary date of this Contract by two percent (2%)."

The 10<sup>th</sup> & Yamhill SmartPark Garage is currently scheduled for a renovation project with construction anticipated to begin in January 2018. The renovation will be paid for through parking garage receipts and tax-exempt funds. Current bond rules prohibit utilizing tax exempt financing when management contracts include an incentive fee.

**Financial and budgetary impacts:**

This contract is funded by receipts from the six SmartPark parking garages. Net operational revenue for FY 2017-2018 is budgeted to be \$13.2 million, which is an increase of approximately 20% over actual revenues recognized in the first fiscal year of this contract (FY 11-12). Operational expenses for FY 2017-2018 are budgeted to be \$2.8 million with an anticipated net revenue to the City of \$10.4 million.

This contract currently provides for a monthly management fee of \$844.62 per garage. The management fee increases 2% annually on each anniversary date of the agreement. This contract also provides for an incentive fee, which is equal to 3.5% of the monthly operating surplus in excess of the operating surplus for fiscal year 2009-2010. The budgeted incentive fee to be paid in FY 2017-2018 is \$77,823. The total budgeted management fee plus incentive fee for FY 2017-2018 is anticipated to be \$138,940.

The newly structured management fee for FY 2017-2018 will be \$1,925 per month per garage for a total of \$138,600. The base monthly garage management fee will continue to increase by 2% per year.

<b>Contract Year</b>	<b>Original Base Management Fee</b>	<b>Additional Management Fee</b>	<b>Total Management Fee</b>
April 2017 - March 2018	\$844.62	\$1,080.38	\$1,925.00
April 2018 - March 2019	\$861.51	\$1,080.38	\$1,941.89

There are no budget impacts with regard to this contract amendment.

**Community impacts and community involvement:**

The SmartPark mission is to support the economic viability of the Central City by providing an affordable system of parking garages which primarily meets the short-term needs of shoppers, visitors and business clients and by investing in other Central City transportation improvements.

In the SmartPark Program, we value high-quality customer service and affordable rates, which are hallmarks of the City's SmartPark system. We value all our customers and business partners and will work with them to meet their needs. Customers reported, in our 2016 customer survey, 84% satisfaction rate for customer service in the garages and a 82% satisfaction rate with the automated payment system. Merchants reported, in our 2016 merchant survey, an 87% overall satisfaction rate with the SmartPark Validation Program.

There is no known opposition to this legislation.

**100% Renewable Goal:**

Not applicable

**Budgetary Impact Worksheet****Does this action change appropriations?**

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

KK 11-3-17