



City of Palo Alto

City Council Staff Report

(ID # 9465)

Report Type: Consent Calendar

Meeting Date: 6/24/2019

Summary Title: P&S Recommendation to Accept Status Updates of Parking Funds Audit & FY 2019 Budget Amendment

Title: Policy and Services Committee Recommends the City Council Accept the Status Update of the Parking Funds Audit and Approve Consolidation of Residential Preferential Parking Program Funds; and Approve FY 2019 Budget Amendments in the Residential Parking Fund and the General Fund

From: City Manager

Lead Department: Planning and Community Environment

Recommended Motion

Staff recommends that City Council:

- 1) Accept the recommendation of the Policy and Services Committee from June 2018 to accept the status update of the Audit of Parking Funds; and
- 2) Approve the consolidation of individual Residential Preferential Parking (RPP) neighborhood funds into one RPP program fund; and
- 3) Amend the Fiscal Year 2019 Budget Appropriation Ordinance for
 - a) The Residential Parking Permit Fund (College Terrace) by:
 - i) Increasing the transfer expense appropriation to the General Fund in the amount of \$80,000; and
 - ii) Decreasing the Ending Fund Balance in the amount of \$80,000;
 - b) The General Fund by:
 - i) Increasing the estimated transfer from the Residential Parking Permit Fund (College Terrace) in the amount of \$80,000; and
 - ii) Increasing the Budget Stabilization Reserve in the amount of \$80,000.

Background

At its meeting on June 21, 2018, the Policy and Services Committee unanimously approved and recommended that the City Council accept the report providing an update on the status of implementation of the City Auditor's recommendations in the 2015 Audit of Parking Funds (Audit) and the recommended consolidation of financial accounting of the RPP program into one fund. The Policy and Services Committee report, status update, and minutes are available in the links that follow:

- Report (Staff Report 9325): <https://www.cityofpaloalto.org/civicax/filebank/documents/65421>
- Minutes: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=45893.76&BlobID=65704>

The Audit found that when the College Terrace RPP program was established, the City Council had designated that the parking permit fees for College Terrace be set so that the program would be cost neutral, including initial seed funding from Stanford's 2000 General Use Permit (GUP), but the program was not administratively established in that manner. Staff traced and analyzed the actual expenses related to implementing the program, for which significant support from General Fund resources were used, calculated appropriate interest for the amount of General Fund subsidization for past years, and concluded that funds should be transferred from the RPP Fund to the General Fund to more closely align the program with Council's prior direction and reflect that Stanford monies were properly spent consistent with the Conditions of Approval in the Stanford GUP.

Discussion

In 2018, the Policy and Services Committee made its recommendations to accept the above-mentioned status report. Since then, staff has continued to implement the remaining Auditor recommendation – establishing an administrative protocol for updating parking in-lieu fees – and anticipates providing an additional update to the Policy and Services Committee later this calendar year.

The Policy and Services Committee also recommended consolidation of parking funds to combine RPP accounts in a manner that still allows Council to track program data for each individual district while reducing administrative challenges associated with the financials. The first RPP program neighborhood was established in 2009 for the College Terrace neighborhood with \$100,000 in dedicated funding from Stanford as a condition of Stanford's 2000 General Use Permit issued by Santa Clara County. At that time, Council directed that the program recover costs through permit fees and not rely on General Fund subsidies. In order to track the expenses and revenues of the program, a special revenue fund was established, however, all expenses associated with this new program were not allocated, accounted for, or tracked in this new fund. The 2015 Parking Funds Audit found that the General Fund consistently absorbed a portion of the Planning and Community Environment Department's (PCE) administration costs, the Police Department's enforcement costs and the Administrative Services Department's (ASD) permitting costs for the College Terrace RPP program even though a separate special revenue fund had been established with the initial \$100,000 in funding deposited there.

Staff has done an analysis back to 2008 to determine the costs incurred to initiate and implement the College Terrace neighborhood RPP program, all of which were absorbed in the General Fund. Since these costs were not budgeted to or spent from the special revenue fund established for this College Terrace neighborhood RPP program, the initial funding from the 2000 Stanford General Use Permit funds remained and the initiation activities were subsidized by the General Fund. It is estimated that the General Fund absorbed costs of over \$280,000 for these services (including interest). Staff now requests that Council authorize a budget amendment to transfer the funds from the RPP Fund equal to the 2000 Stanford General Use Permit funds to partially repay the General Fund for the subsidization.

When the Crescent Park RPP program (focused on an overnight parking restriction) was established in August 2013, the Council did not direct that the program fully recover costs. Financial accounting for this new neighborhood RPP program was accounted for in the RPP special revenue fund that was established at the impetus of the College Terrace program discussed above.

Since the revenue and expenses of the two then-existing RPP programs were not being tracked separately, it became difficult to ascertain whether the College Terrace RPP program was recovering its costs. The Parking Funds Audit thus recommended that separate accounts be implemented for each RPP program with the goal of improving the ability to track cost and revenue data. As additional RPP neighborhood programs were adopted (Downtown, Evergreen-Mayfield, and Southgate), staff implemented the recommendation through separate cost centers within the special revenue RPP fund that was originally started at the founding of the College Terrace RPP program. Even with this approach, since each program was adopted at separate times, adding on to existing services, expenses and revenues could not be accurately split within the City's financial system to achieve the intended objective of the Audit of precise tracking by neighborhood. This is partially because staff works to find efficiencies in program administration through scaling the marginal additional work of new neighborhoods.

Although there is some variation between neighborhood programs, the RPP program overall has common features, costs and expenses, and administrative needs. The recommended direction from the Policy and Services Committee is to consolidate the funds and bring greater uniformity to the programs to ease the administrative burdens that have been a feature of program implementation. This consolidated fund will provide Council with the flexibility to adjust parking permit rates based on City policy and the fiscal health of the fund as a whole, consistent with applicable laws and policies. Staff anticipates that with implementation of a new permitting and citation processing system – to be considered by Council this year – transactional data associated with each RPP neighborhood program can be tracked even within one consolidated fund.

Resource Impact

The recommended budget amendment action will reduce the RPP Fund by \$80,000 and increase the General Fund Budget Stabilization Reserve equally. This essentially repays the General Fund for a portion of its support of the College Terrace RPP from inception and appropriately spends the Stanford GUP funding in full for those funds that were dedicated to this new program at the time. The Policy and Services Recommendation to consolidate all RPP programs into one fund will have no impact on resources.

Overall, staff projects that the Residential Parking Permit Fund may end FY 2019 with a zero or negative fund balance in Fiscal Year 2019. Staff will monitor FY 2019 activity closely, though FY 2019 may require assistance in the form of a General Fund subsidy as well. The FY 2020 Proposed Budget recommends an operating subsidy from the General Fund to ensure the fund remains solvent in FY 2020.

Environmental Impact

The proposed action is administrative only and not a project under the California Environmental Quality Act. Therefore, an environmental review is not required.