MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: Dwight Bassett, Economic Development Officer
Kenneth C. Pennoyer, Business Management Director
Brenda Jones, Parking Superintendent

SUBJECT: Follow-up on Parking Study Recommendations

DATE: September 14, 2009

PURPOSE

The purpose of this memorandum is to follow up on the parking study recommendations which were deferred pending further review.

BACKGROUND

On February 23, 2009, the Council adopted a resolution to accept various recommendations made by the Parking Committee appointed by the Board of the Downtown Partnership as a result of the Parking Study completed last fall. Some of those recommendations were deferred pending further research by the staff. The deferred items are as follows:

1. Provide additional information on alternatives for unified payment system options and present options regarding parking meters and on-street multi-space pay stations.
2. Analyze the impact of ceasing operations at Lots 2, 3 and 5 after 7:00 pm.
3. Investigate and report on the impact of increasing parking meter rates from $1.00 to $1.25 per hour.

DISCUSSION

1. Options for Unified Payment System

There are a number of options available for providing alternative payment methods for both on-street and off-street applications. We offer the following three options for consideration. We believe that the options described below are the most feasible given the cost, logistics and system integration issues with existing equipment. These three options are not mutually exclusive; they could be used independently or together to provide multiple payment options.

Option A – Conversion to On-Street Pay Stations: The Town has operated pay-stations in off-street lots since 2004. Due to advances in technology, the new generation of pay-stations is more reliable and easier to use than those currently in service in Town parking lots. Newer pay-stations support an expanded range of applications and allow integration with third party technologies such as smart cards, enforcement systems and communications protocols.

In many cities, single space meters are being phased out in favor of pay stations that control multiple on-street spaces. Several municipalities including Charlotte and Raleigh are moving toward on-street pay stations, which offer more payment options, more efficient revenue generation, and improved aesthetics.

The initial cost estimate for complete replacement of our existing meters with on-street pay stations is approximately $185,000 (20 units). We understand that these systems have a relatively short pay-back period due to additional revenues gained from not having time spill-over to the next parker. Improved revenue generation by as much as 20% is claimed by the manufacturers. With additional revenue generation of 20%, replacing all parking meters with pay stations would pay for itself in approximately 4 years.

The advantages of on-street pay station systems include:

- The ability to accept alternative forms of payment such as credit and debit cards as well as coins and currency
- Improved cash management
- Lower labor costs and operational expenses
- Access to a printed receipt that customers will be able to take with them to another space and use remaining minutes.
- More pedestrian-friendly environment, since removing meter posts will free up sidewalk space for pedestrians

Disadvantages of the on-street pay station systems include:

- The ratio of parking spaces to a pay station is 8 to 1. With parking meters, the ratio is 1 to 1. This will require parkers to walk farther to pay.
- The per space cost of a pay station is approximately $1,125, whereas a conventional meter costs about $430 per space.
- Customers may experience difficulty locating machines, walking farther to pay or opting not to pay.
- On-street applications can be either “pay-and-display”, which requires customers to return to their vehicles to display their receipt, or “pay by space”, which requires customers to remember and punch in their space number when paying. For pay-and-display, improper display of receipt may result in citation issuance.
- Cost of monthly monitoring would be higher. It will cost $50 per month per pay station or approximately $12,000 annually.

On street pay stations are the most expensive alternative to conventional parking meters, but they offer the greatest flexibility in payment options, as well as providing real-time monitoring and management of parking data.

Option B – Conversion to Single-Space Credit Card Capable Meters: Single Space Parking Meter (**SSPM**) Systems provide a solution that accepts credit and debit cards while retaining many of the characteristics of the conventional one-per-space meters. With single-space credit card capable meters, existing infrastructure can be used and the similarity with conventional meters eliminates some user problems.

Single space parking credit card capable meters are engineered to be a direct replacement upgrade that would fit into the Town's existing single space poles and housings. These meters could be operational within minutes, thereby minimizing conversion time and cost. The units that we have investigated are solar powered and have a rechargeable battery pack. No external power is required. These meters also communicate wirelessly with a centralized meter management system. This allows for real-time credit card authorizations and meter status reporting.

Advantages of SSPM:

- Accepts credit cards, debit cards, smart cards and coins
- Wirelessly networked and connected to a web-based management system
- Uses existing meter housings and poles, equipment, collection carts
- Solar powered with rechargeable battery pack (3 yr guarantee)
- Payment Card Industry (PCI) security standards compliant for real-time credit/debit card authorization
- Highly visible expiration indicator

Disadvantages of SSPM:

- It will cost approximately $990 per SSPM duplex meter compared to $430 for a conventional meter.
- Complete replacement of meter system with SSPM would cost approximately $107,000.
- It will cost approximately $13,500 annually for maintenance, management and estimated transaction fees.

Option C – Pay-By-Phone Technology

Pay by Phone provides citizens and visitors an alternative payment option accessible by telephone. This technology allows parking patrons to call a central number posted on the meter or pay station and charge their parking time to their credit cards remotely. This system can notify drivers by cell phone text message before their meter expires, letting them extend their time to the maximum if they underestimated their time away. The patron does not have to revisit the meter physically to add time.

This technology can be used with our existing system and with minimum cost beyond initial set up and marketing. Adding this technology will provide an additional payment option that does not require patrons to physically attend to the meter.

Advantages of Pay-By-Phone:

- Offers patrons ability to pay at the meter with a credit card.
- Patrons are able to add time without having to return to the meter.
- Patrons are able to receive notification when their time is about to expire, avoiding violations.
- System can be used at parking meters and pay stations.
- Lines at pay stations are reduced.

Disadvantages of Pay-By-Phone:

- Users of the system need to sign-up and establish an account in order to use this service, making this option most appropriate for frequent patrons. In addition, there may be a one-time set-up cost to the patron depending on the vendor.
- Processing fees can be costly. For example, one provider charges $.35 per transaction to the customer while another would charge $.20 for every dollar used and per month licensing fee which can range from $1.00 to $1.50 per month.

Due to its low start-up costs and ability to work with existing meters and pay stations, pay-by-phone applications offer the best short-term solution to providing an alternative payment option.

Although technically, pay-by-phone is hardware independent, some hardware configurations are designed to work with specific pay-by-phone applications and for that reason we recommend using a joint competitive process to select both a hardware and pay-by-phone solution.

2. Recommendation to Cease Evening Lot Operations:

PARTNERHSIP PRESENTED GOAL: *Work to add consistency and simplicity to parking in downtown Chapel Hill to further encourage support of downtown businesses and economic development.*

PRESENTED RECOMMENDATION: *Institute free parking at all locations after 6:00pm with the exception of the Parking Deck.*

Parking Lot 2: The recommendation of the Parking Committee to cease evening operations at Lot 2, 3 and 5 should be considered in the context of the different operating methods of each location. The Wallace Deck and Lot 2 are staffed facilities whereas Lots 3 and 5 operate using pay stations. Lot 2 remains a busy and vital part of downtown business and typically operates at 90 to 100% occupancy from 6:00pm to closing. Based on customer comments, the presence of staff creates a sense of security and safety for lot patrons.

Analysis of collection data indicates that we take-in on average $515 per evening between the hours of 6:00 pm and closing Monday through Thursday and $700 on Friday and Saturday. This equates to approximately $3,400 per week in lost revenues should Lot 2 cease operations after 7:00pm.
Total estimated annual loss - $163,200.

Parking Lot 3 and 5: Analysis of data collections from Lots 3 and 5 indicate that we collect an average of $135.00 per evening between the hours of 6:00pm and closing Monday through Thursday and $195.00 on Friday and Saturday. Total weekly lost revenues from ceasing operations at Lots 3 and 5 would be approximately $930 per week in lost revenues.
Total estimated annual loss - $48,360.

Changes in the revenue structure of the Parking Fund should take into consideration future financial obligations of the fund. The development agreement for the Lot 5 Project requires the Town to fund $7.2 million upon the completion of the project for underground parking facilities. The Town is planning on debt funding this obligation with the Parking Fund paying the debt

service costs. Based on analysis by the Town's Financial Advisor, using the current rate structure, the fund would fully deplete its reserves before the debt obligation has been satisfied. For this reason, we urge caution in making changes to the rate structure that could result in a reduction in Parking Fund revenues. As described above, ceasing evening operations would reduce parking fund revenue by more than $200,000.

3. Recommendation to Increase on-street parking fees:

PARTNERHSIP PRESENTED GOAL: *Develop a pricing system that encourages downtown patrons to utilize off-street parking when possible. Price on-street parking higher that off-street/deck to encourage utilization of off-street spaces. UNC prices their public parking at $1.25 and the committee felt this would help with simplicity if the Town's parking was priced the same.*

PRESENTED RECOMMENDATION: *Institute $1.25 cents per 60 minutes for on-street parking in downtown.*

The staff was directed by the Town Manager to report on the impact of increasing parking meter rates from $1.00 to $1.25 per hour. Assuming implementation of the proposed changes beginning July 1st we project that annual meter revenue would increase by $65,000. A change in rates would require a one-time expenditure of about $3,000 for new parking stickers and promotion. There is no additional projected change in on-street expenditures.

Rate Structure: With respect to the Parking Fund's ability to meet future obligations, we feel that an increase in on-street parking meter fees to $1.25 per hour will help prolong the fund's reserves. This will also have the additional benefit of encouraging the use of off-street parking options and promoting on-street parking turnover. We concur with the recommendation to increase on-street parking fees, however we feel that the rate increase should be coordinated with the availability of additional payment options.

RECOMMENDATION

We recommend that the Council take the following actions:

- Authorize the Town Manager to solicit proposals for a pay by phone and on street pay-station solution.
- Leave the Wallace Deck and Parking Lot 2 rate structure and operations as they are for security and parking management reasons.
- Authorize the Town Manager to develop a plan to increase on-street parking rates and adjust hours of operations of lots 3 and 5 concurrent with the implementation of the new pay station systems.
- Authorize the Town Manager to develop a financial plan and recommended pay station solution to present to Council with the financial consequences for implementation.