



## King County

# Metropolitan King County Council Budget and Fiscal Management Committee

### STAFF REPORT

<b>Agenda Item:</b>	15	<b>Name:</b>	Andrew Kim
<b>Proposed No.:</b>	2016-0493	<b>Date:</b>	October 25-27, 2016

### SUBJECT

A proposed ordinance to revise King County Code to increase County employee parking rates at County parking facilities located in downtown Seattle, and add King Street Center parking facility to the County's downtown parking facilities portfolio, in accordance with the 2017-2018 Executive Proposed Biennium budget. The changes will generate approximately \$3.1 million in additional estimated revenues for the 2017-2018 biennium for the General Fund.

### SUMMARY

Proposed Ordinance 2016-0493 proposes to revise King County Code to reflect County employee parking fee increases to the Goat Hill Parking Garage, the King County Correctional Facility, the Chinook Building, and beginning in June 1, 2017, the King Street Center. This proposal is in accordance with the Executive's Proposed 2017-2018 Biennium budget. The last time employee parking rates were changed for these facilities were in 2011 and the Executive has proposed the rate increases to have parking rates be commensurate with market levels in the downtown area. The Executive also hopes that this will decrease the number of county employees parking at the garage to free up space for the public who may need to use the parking facilities for county services.

The proposed fee increases and the addition of the King Street Center to the County parking facilities portfolio will generate an additional \$3.1 million in parking fee revenues for the 2017-2018 biennium. This includes an additional \$70,000 allocation to the Children and Family Services Fund and an additional \$1.4 million allocation to the General Fund. However, the proposed increases will also increase costs for County employees that rely on driving to work and increase costs to County agencies that reimburse for County employee parking and/or use the downtown parking facilities for County fleet.

### BACKGROUND

The County currently has five parking garages: (1) Goat Hill Parking Garage, (2) Chinook Building, (3) King County Correctional Facility, (4) Maleng Regional Justice

Center, and (5) Youth Services Center open surface lot. However, on June 1, 2017, the Facilities Management Division (FMD) is proposing to take over the King Street Center parking garage and increasing its parking facilities portfolio to six<sup>1</sup>.

A Parking Facilities Fund was established as a subfund of the General Fund in the 2015-2016 adopted budget to increase transparency of the parking facility revenues and expenditures under FMD management<sup>2</sup>. County Employee Parking Fees at County parking facilities and allocation of the parking fee revenues are governed by KCC Chapter 3.32. In accordance with KCC 3.32.090, the parking fee revenues are allocated in the following order:

1. State and local taxes,
2. Debt service and rent payments,
3. Contribution to the Major Maintenance Reserve Fund (MMRF),
4. FMD operating expenses for the parking facilities,
5. Contribution to the Children and Family Services Fund, and
6. General Fund

According to KCC 3.32.010, public parking rates for County parking facilities are set by the contractor that operates the County parking facilities with oversight and periodic review by the Director of the Department of Executive Services. FMD has stated that public parking rates were last changed in January 2016.

Proposed Ordinance 2016-0493 proposes to revise King County Code to reflect County employee parking fee increases to the Goat Hill Parking Garage, the King County Correctional Facility, the Chinook Building, and beginning in June 2017, the King Street Center. In addition to individual employees, the employee parking rate change impacts those agencies that pay or reimburse for privately-operated vehicles and for agency-assigned fleet vehicles that park in County parking facilities. The Executive's rationale for increasing the employee parking fees for the downtown parking facilities are (1) to have parking rates be commensurate with market levels in the downtown area, and (2) to decrease the number of county employees parking at the garage to free up space for the public who may need to use the parking facilities for county services. The last time employee parking rates were changed for these facilities were in 2011<sup>3</sup>.

Table 1 below summarizes the current and proposed employee parking fee rates for County parking facilities:

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<sup>1</sup> Ordinance 12614 (1/15/1997) allowed the King Street Center as the first lease-to-own facility developed for the County pursuant to U.S. Department of Treasury Revenue Procedure ruling 63-20. This decision was a direct result of the King County and Metro merger. This ruling was a development/financing tool for public entities to construct new properties in partnership with private developers. The National Development Council, the nonprofit intermediary required by the 63-20 ruling, financed the project via tax-exempt revenue bonds, and Wright Runstad & Company was the private developer. The building was completed and occupied in 1998 and King County will assume ownership as of June 1, 2017. Additional details can be found in the 2016 RAMP Section II.B.5.

<sup>2</sup> Administration may establish subfunds without Council approval (KCC 4A.200.02).

<sup>3</sup> Ordinance 16981 (11/15/2010).

**Table 1: Employee Parking Rates (Current vs. 2017-2018 Proposed)**

<b>RATE TYPE</b>	<b>CURRENT (since 2011)</b>	<b>2017-2018 PROPOSED</b>	<b>% CHANGE</b>
Daily – Motorcycles	\$5 / day	\$5 / day	0.0%
Hourly	\$15 max / day	\$20 max / day	33.3%
After-Hours / Weekend	\$7 / day	\$7 / day	0.0%
Monthly – Reserved	\$300 / month	\$385 / month	28.3%
Monthly – Unreserved	\$260 / month	\$300 / month	15.4%
Electric Cars – Unreserved	\$182 / month	\$210 / month	15.4%
Certified Car Pool – Unreserved	\$182 / month	\$210 / month	15.4%
Employee ADA – Unreserved	\$130 / month	\$150 / month	15.4%

**ANALYSIS**

***Parking Rate Survey***

In accordance with KCC 3.32.020<sup>4</sup>, FMD surveyed 28 parking facilities in the downtown area during October 2015 to determine the proposed employee parking rates for the new biennium. The survey grouped the parking facilities into three categories (Downtown, Civic Campus, and Pioneer Square) based on location. Table 2 below provides a summary of the survey, and Table 3 provides FMD’s methodology to determine the proposed employee parking rates.

**Table 2: FMD Parking Survey Summary (October 2015)**

<b>Location Group</b>	<b>Average Rate (1.5 – 2 hours)</b>	<b>Average Rate (8-9 hours)</b>	<b>Average (Monthly – Unreserved)</b>	<b>Average (Monthly – Reserved)</b>	<b>Average (Evening)</b>
Civic Campus	\$13.91	\$24.21	\$276.10	\$383.33	\$6.67
Downtown	\$14.13	\$27.50	\$318.75	\$425.00	\$10.29
Pioneer Square	\$8.49	\$19.01	\$213.51	n/a	\$6.88

<sup>4</sup> KCC 3.32.020.D states, “In order to evaluate the appropriateness of any potential adjustments to established employee parking rates, the department of executive services, facilities management division may conduct a survey of the monthly parking rates charged for public parking in comparable lots. The survey and any employee parking fee recommendations shall be forwarded to the council for consideration during the budget process.”

**Table 3: FMD Methodology to Determine Proposed Employee Parking Rates**

<b>RATE TYPE</b>	<b>2017-2018 PROPOSED</b>	<b>METHODOLOGY</b>
Daily (Max)	\$20 max / day	Prorated on proposed Monthly – Reserved rate
Monthly – Reserved	\$385 / month	Average of Monthly – Reserved for Civic Campus
Monthly – Unreserved	\$300 / month	Weighted Average of Monthly – Unreserved for Civic Campus and Downtown
Electric Cars / Car Pool – Unreserved	\$210 / month	70% of proposed Monthly – Unreserved rate
Employee ADA – Unreserved	\$150 / month	50% of proposed Monthly – Unreserved rate

***Parking Fee Revenue Allocations***

Overall, compared to 2015-2016 year-end forecasts, the overall estimated revenues for all County parking facilities are proposed to increase by approximately \$3.1 million (45%) for the 2017-2018 biennium. This includes approximately \$1 million (15%) increase due to the employee parking rate increases and approximately \$2.1 million (30%) increase due to the addition of the King Street Center parking garage to the County’s parking facilities portfolio, which would also apply the proposed employee parking fee rates.

Table 4 below provides a summary of the parking fee revenue allocations as governed by KCC 3.32.090 by comparing the 2015-2016 year-end forecasts to the 2017-2018 proposed. Approximately 64% of the revenues were allocated to the payment of debt service, contribution to the Major Maintenance Reserve Fund (MMRF), and operating expenses for the parking facilities. The remaining \$3.6 million was allocated to the Children and Family Services Fund and the General Fund.

**Table 4: County Parking Facilities Revenue Allocation (2015-2016 vs. 2017-2018)**

<b>No.</b>	<b>ALLOCATION</b>	<b>2015-2016 ESTIMATED</b>	<b>2017-2018 PROPOSED</b>	<b>% CHANGE</b>
1	FMD O&M incl. State & local taxes <sup>5</sup>	\$588,876	\$813,528	38.1%
2	Parking Facility Operator Expenses	\$1,359,478	\$2,569,000	89.0%
3	Debt Service	\$2,440,624	\$2,365,164 <sup>6</sup>	(3.1%)
4	Major Maintenance Reserve Fund	\$362,144	\$594,852	64.3%
5	Children and Family Services Fund	\$1,330,136	\$1,400,000	5.3%
6	General Fund	\$801,983	\$2,263,456	182.2%

<sup>5</sup> This includes the City of Seattle commercial parking tax rate of 12.5%. According to the Seattle Municipal Code, the commercial parking tax is added to the fee drivers pay to park in Seattle's commercial parking lots. Drivers pay the tax when they park, but it is the business's responsibility to charge and collect the tax. Then, the business must pay the collected amount when taxes are filed. The business is liable for the tax whether or not it is collected.

<sup>6</sup> \$1,264,093 of the total 2017-2018 debt service payment for the Goat Hill Properties will be for interest payments.

### ***Impacts to County Agencies and Employees***

As mentioned in the Background, the employee parking rate increases will not only impact individual employees but will also increase costs for agencies that use County's downtown parking facilities for their fleet and/or reimburse parking costs to their employees. There may also be Equity and Social Justice (ESJ) impacts for those employees that rely on driving to work due to lack of access to public transportation, to frequently attend medical appointments, and/or to attend to childcare responsibilities. Lastly, there may be collective bargaining implications since almost every county bargaining unit has at least one member parking at a downtown garage. Department of Adult and Juvenile Detention (DAJD) employees that benefit from employer paid parking will also be impacted since the fee increase will exceed the threshold of any IRS Tax Benefits and likely result in an increase in income taxes for these employees.

Executive staff have stated the proposed rate increase was communicated to all employees (represented and non-represented) in the summer of 2016, and employee feedback was submitted either through labor negotiations or directly to the Executive Office. They also mentioned that employee concerns were largely related to the size of the rate increases and the parking rate survey data were made available to requestors. Lastly, Executive has stated that the parking fee increases were negotiated between the County and the Coalition of Unions as part of the Total Compensation agreement.

### **AMENDMENTS**

Striking Amendment 1 specifies granting fee-setting authority as per K.C.C.299.030, formats fee-table to more closely match Code, and corrects the effective date of hourly rates for King Street Center.

Title Amendment 1 amends the title to reflect Striking Amendment 1.

### **FOLLOW UP FROM WEEK 1 PANEL QUESTIONS**

#### ***Councilmembers asked for a breakdown of parking revenues paid by employees:***

In 2015-2016, approximately \$3.7 million (53% of total estimated revenues) was revenue attributed to non-county agencies or individual parking fees. Approximately \$894,000 of the \$3.7 million was directly from employee payroll deduction, and \$2.3m was privately-paid monthly and transient parking. Standard Parking (the County's parking facility operator) estimated that approximately 64% of 2016 transient revenues are from those paying the employee parking rate. With that assumption, a total of \$2.4 million (35% of total estimated revenues) comes from individuals that pay the employee parking rate. It should be noted that County employees who do not provide their employee identification when parking in County parking facilities would pay the public parking rate and therefore would not be included in the \$2.4 million calculation.

#### ***Councilmembers asked for clarification on the allocation of the parking fee revenues as guided by King County Code and review any options, if any, to modify the allocations:***

The Background section above provides a summary of the allocation guidelines as outlined by KCC 3.32.090 and the excerpt of the code is provided below:

3.32.090 *Parking fee revenues - disposition. All revenues derived from parking fees shall be distributed as follows:*

- A. *Applicable local and state taxes;*
- B. *An allocation to cover rent payments or debt service payments for the Goat Hill parking garage and pro-rated rent for the parking portion of the Chinook Building;*
- C. *It is the intent of the council to biennially, during the budget process, identify a portion of the revenue going to the current expense fund to be transferred to the major maintenance reserve fund to support major maintenance projects at the garage and other parking facilities, taking into account the major maintenance model and financial plan;*
- D. *An allocation to the facilities management division of the department of executive services's internal service fund to reimburse the fund for expenses associated with the operation of the parking program;*
- E. *An allocation to the children and family set-aside fund for support of health and human services activities sufficient to increase the allocation from 2004 levels at the local consumer price index; and*
- F. *The residual revenues distributed to the current expense fund.*

Table 5 below provides a summary of the Executive staff analysis regarding possible modifications to the allocation model.

**Table 5: Executive Analysis on Parking Fee Revenue Allocation Modifications**

No.	ALLOCATION	EXECUTIVE ANALYSIS
1	FMD O&M	Altering this amount would result in a revenue shortfall to the ISF and affect FMD's ability to service and administer the County's parking facility portfolio
2	Debt Service	Altering the amount of debt-service backed by parking fee revenues would shift the burden to another source (presumably the County's General Fund)
3	Major Maintenance Reserve Fund	Reducing this amount would lower revenue to support Major Maintenance projects and affect the FMD's ability to address infrastructural needs in County facilities
4	Children and Family Services Fund	Altering would presumably require an adjustment to the direction given in code
5	General Fund	Altering this approach would affect the General Fund's budgeted revenue for 2017-2018

Council staff agree that there is little flexibility to modify FMD O&M and Debt Service contributions since these allocations impact current levels of operations and long-term

debt obligations. However, allocation level to the MMRF is a policy decision that may be modified by the Council. Council staff also agree with Executive staff that allocations to the Children and Family Services Fund and General Fund may be modified with amendments to County Code. With Council's direction, legal analysis can be conducted to confirm Council staff analysis.

***Councilmembers asked for details on the market survey:***

Details of the market survey is provided in the Analysis section above.

***Councilmembers asked for the interest payment amount on the 2017-2018 debt service payment:***

For 2017-2018, \$1,264,093 of the \$2,365,164 debt service amount shown in the Parking Facilities financial plan is for interest payments on the Goat Hill Properties.

**ATTACHMENTS**

1. Proposed Ordinance 2016-0493
2. Striking Amendment 1
3. Title Amendment 1
4. Transmittal Letter
5. Fiscal Note

**INVITED**

1. Dwight Dively, Director, Office of Performance, Strategy and Budget
2. Anthony Wright, Director, Facilities Management Division