

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-254

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:
JUNE 15, 1998

SYNOPSIS —

SUBJECT:
MUNICIPAL
PARKING
FACILITIES
MANAGEMENT
CONTRACT

The current contract with Central Parking System of Iowa, Inc. for management of the Municipal Parking Facilities was approved by Council Roll Call No. 96-2328 on June 24, 1996, for a period of two years, with an option to extend the contract for three additional one-year periods. The initial two-year contract expires on June 30, 1998, and it is necessary to continue the contract management of the parking system for Fiscal Year (FY) 1998/99.

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT –

SUBMITTED BY:
HAROLD SMITH
CITY ENGINEER

The current management contract provides for a management fee of \$10,500 per month (\$126,000 per year) for FY 1997-98, with a 6.4 percent increase in the fee to \$11,167 per month (\$134,004 per year) for the option year FY 1998/99. Total parking system revenue for FY 1998/99 is estimated to be \$4,653,000 while total operating expenses are estimated to be \$1,835,000 for an estimated net income of \$2,818,000.

RECOMMENDATION –

Approval of the one-year contract extension with Central Parking System of Iowa, Inc., for the management of the Municipal Parking Facilities for FY 1998/99.

BACKGROUND –

In 1996, the City solicited proposals from companies interested in providing management services for the operation of the Municipal Parking Facilities. A subcommittee of the City Council and representatives of the downtown business community evaluated the proposals received and recommended the firm of Central Parking System of Iowa, Inc. as the

preferred management company.

On June 24, 1996, by Roll Call No. 96-2328, the City Council approved a contract with Central Parking System of Iowa, Inc., for management of the Municipal Parking Facilities for a period of two years, with an option to extend the contract for three additional one-year periods. The initial two-year contract expires on June 30, 1998.

During their two years of operating the parking system, Central Parking has performed adequately and has gained valuable experience in making the operation of each individual garage efficient and effective. Parking system revenue, expenses, net revenue and management fees for the two years prior to Central Parking's operation, the past two years (96/97 and 97/98) under Central Parking, and the estimated figures for 98/99 are shown in the following table:

YEAR	GROSS REVENUE	EXPENSES	NET REVENUE	FEE/MO.
94/95	\$4,210,041	\$1,536,049	\$2,673,992	\$10,011
95/96	\$4,277,728	\$1,561,510	\$2,716,218	\$10,311
96/97 (C.P.)	\$4,128,012	\$1,684,402	\$2,443,610	\$10,000
97/98 (Est.)	\$4,461,000	\$1,814,000	\$2,647,000	\$10,500
98/99 (Est.)	\$4,653,000	\$1,835,000	\$2,818,000	\$11,167

The drop in net revenue for the first year of Central Parking's operation was caused by a combination of several factors. The major structural rehabilitation of the 7th & Grand Garage significantly reduced the number of available parking spaces, which led to a reduction in revenue of approximately \$175,000 compared to the previous three-year average. This work continued into 97/98, resulting in approximately \$50,000 in reduced revenue. In addition, the move of a major employer from Capital Square caused a loss of revenue in the 4th & Grand Garage and the 5th & Keo Garage, primarily during 96/97. Expenses were also higher in 96/97 due to significant repair and maintenance expenditures, increased Skywalk operation and maintenance costs for the parking system, and

slightly higher labor costs. Annual costs, especially for personnel and utility related items, continue to increase.

Based on the expected full utilization of the parking system and operating and revenue efficiencies identified during the first two years of managing the facilities, Central Parking estimates increased revenue of approximately \$192,000 for FY 98/99, with increased expenses of \$21,000, resulting in an increase of \$171,000 in net revenue.