



**City of Santa Barbara**  
Downtown Parking Committee

**Staff Report**

**DATE:** February 10, 2022  
**TO:** Downtown Parking Committee  
**FROM:** Sarah Clark, Acting Downtown Plaza and Parking Manager  
**SUBJECT:** Fiscal Year 2023 Preliminary Budget Proposal

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**RECOMMENDATION:**

That the Committee:

- A. Receive an update on year-end projections for FY 2022 and the proposed budget for FY 2023, including changes to parking fees; and
- B. Recommend strategies for restoring Downtown Parking Fund reserves.

**DISCUSSION:**

Since March of 2020, the COVID-19 pandemic has decreased demand for parking, caused business and office closures, and made it more difficult to recruit and retain hourly staff to collect revenue in the parking lots, whereby significantly reducing parking revenues. While hourly parking demand has largely recovered to pre-pandemic levels on weekends, demand for permits and weekday parking remains well below 2019 levels. For the past two years, Downtown Parking has had to rely on reserves to fund operating expenses, and has deferred any major capital spending. This trend is expected to continue for the remainder of Fiscal Year 2022 and into Fiscal Year 2023.

Fiscal Year 2022 Mid-Year Projections

For FY 2022, revenues and expenditures to date indicate that while DTP is projected to spend approximate 6% less than budgeted, revenues are expected to fall 15% below budget, resulting in a net shortfall of approximately \$1.5M.

	<b>Pre-COVID Reference FY19 Actual</b>	<b>FY22 Budget</b>	<b>FY22 Projected</b>	<b>Change from Pre-COVID</b>	<b>Variance from Budget</b>
Revenues	\$9,706,581	\$7,521,906	\$6,385,896	-\$3,320,685	-\$1,136,010
Expenditures	\$8,877,119	\$8,156,010	\$7,640,930	-\$1,236,189	-\$515,080
<b>Operating Net</b>	<b>\$829,462</b>	<b>-\$705,812</b>	<b>-\$1,255,035</b>	<b>-\$2,084,496</b>	<b>-\$620,931</b>
Capital	\$424,965	\$221,750	\$221,750	-\$203,215	\$0
<b>Fund Net</b>	<b>+\$404,496</b>	<b>-\$855,854</b>	<b>-\$1,476,785</b>	<b>-\$1,881,281</b>	<b>-\$620,931</b>

As a result of the projected deficit, reserves are expected to fall \$1.4M below the level required by Council-adopted policy at the end of FY 2022.

### Fiscal Year 2023 Budget

In FY 2023, expenditures are expected to exceed revenues by \$2.8M, absent any changes to parking fees. This estimate is based on the following assumptions:

- DTP will restore the hours of fee collection in the lots to the pre-pandemic schedule through a combination of automation and increased hourly staffing.
- Parking demand will remain largely unchanged from FY 2022.
- Demand for monthly and commuter permits will remain significantly below pre-pandemic levels, as Downtown employees continue to work from home.

Using these assumptions, revenues are expected to increase from \$6.4M in FY 2022 to \$7.5M in FY 2023, due to the increased hours of fee collection. Operating expenditures are budgeted to increase from a projected \$7.6M in FY 2022 to \$9.6M in FY 2023. This increase is due to the following:

- A 33% increase in Plaza Support costs to fund additional power washing and janitorial services for the State Street Promenade, in response to community need.
- A 20% increase in permanent salaries and benefits. In FY 2022, DTP is projected to realize \$383K in savings on permanent salaries and benefits due to vacancies in the Transportation Planning & Parking Manager, Downtown Plaza and Parking Manager, Facilities Maintenance Supervisor, and Maintenance Coordinator positions. These critical positions will likely be fully staffed in FY 2023, resulting in an additional \$512K in spending.
- A 20% increase in allocated costs. These are costs that Downtown Parking is required to pay to other City funds for overhead services and insurance. For FY 2023, there will be a large increase in DTP's contribution to the City's self-insurance fund, in addition to increases in overhead allocations and IT support services.
- A 55% increase in hourly staffing costs as DTP expands the hours of fee collection in the parking lots and implements "lot monitor" staffing for automated operations. However, these costs will be offset by additional revenues generated through this increased fee collection.

- Restoration of Ambassador and Crossing Guard services to pre-COVID “normal” levels. These costs are offset by transfers from the City’s General Fund.

In addition, DTP is proposing to increase capital spending to \$718,750 to fund three critical repair projects:

- Repair and replacement of deteriorating pavement in the Victoria Lot.
- Repair of damaged cable barriers in the Canon Perdido Garage and the Ortega Garage.
- Repair of cracked membrane on the Lobero Garage roof deck.

A detailed programmatic breakdown of Downtown Parking’s FY 2022 projections and preliminary FY 2023 budget proposal is Attachment 1 of this staff report.

Reserves and Recovery

The Downtown Parking Fund will begin FY 2023 \$1,430,711 below the required reserves balance. The projected \$2.8M deficit in FY 2023 would cause the Fund to exhaust all reserves and end the year with a projected \$4.1M negative fund balance requiring the City’s General Fund to contribute financial resources to sustain operations. In addition, if current trends continue into future years, the \$2.8M deficit is projected to grow to \$4.6M in FY 2027.

The General Fund does not have the capacity to backfill this deficit, and, having fallen below the required reserves balance, Council policy requires DTP to implement a plan to restore reserves to required levels.

Unfortunately, DTP is unable to make significant cuts to expenditures without seriously impairing service delivery and risking deterioration and damage to capital assets. As such, DTP must increase revenues to support the ongoing operation. Staff have analyzed several options for increasing revenue, and recommend the following changes to restore reserves and fund needed capital improvements:

<b>FY</b>	<b>Change</b>	<b>Additional Annual Revenue</b>
<b>2023</b>	Increase hourly rate to \$2.50	\$2.71M
<b>2024</b>	Increase hourly rate to \$3.00	\$1.35M
<b>2025</b>	Reduce complimentary period to 60 minutes	\$1.78M
	<b>Total New Annual Revenue</b>	<b>\$5.84M</b>

Over the past several years, DTP’s responsibilities have expanded well beyond the provision of hourly and permit parking services, and expenses have grown accordingly. Most notably, DTP is now responsible for day-to-day maintenance of the State Street Promenade. Despite taking on these new responsibilities, in addition to rising prices for

supplies and services and a minimum wage that has more than doubled, the hourly parking rate has remained unchanged since January of 2006. Unfortunately, a rate increase can no longer be avoided.

DTP recommends the following budget for FY 2023, including an hourly parking rate increase from \$1.50 to \$2.50 an hour:

	<b>FY22 Projected</b>	<b>FY23 Proposed</b>
Revenues	\$6,385,896	\$10,259,597
Expenditures	\$7,640,930	\$9,593,115
<b>Operating Net</b>	<b>-\$1,255,035</b>	<b>\$666,482</b>
Capital	\$221,750	\$718,750
<b>Fund Net</b>	<b>-\$1,476,785</b>	<b>-\$52,268</b>

For details on the proposed FY 2023 budget, see Attachment 1. For details on the estimated five-year outlook, including rate changes and reserves balances, refer to Attachment 2.

**ATTACHMENTS:** Attachment 1: FY 2022 Projections and Proposed FY 2023 Budget  
Attachment 2: Downtown Parking Fund Estimated 5-Year Outlook