



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

## Finance Office Department

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## MEMO

**To:** Mayor Sam Kooiker & City Council

**From:** Pauline Sumption *PS*

**Date:** February 1, 2013

**RE:** Increased Rates for Parking Leases

I have attached for your information, the calculation used for FY2011 in which it shows that the City's coverage calculation equaled 124.92% - we are required to show net income (not including interest expense or depreciation expense) of at least 125% of the current year's bond payment (principal and interest) and we were, thankfully, allowed to "round up". There is a secondary coverage requirement as well, that requires the City to show net income plus cash on hand is at least 140% of the following year's bond payment. The City was at 349.56% for FY2011. We were able to meet both of these coverage requirements.

In 2008, when we began working on the Parking Revenue Bond issue, it was evident that the current income from the system would not be sufficient to meet the above noted requirements. It was noted in the Official Statement (top of page 6) for the Bond Offering that the City was in the process of amending its rates and charges for parking to provide sufficient revenues to meet the requirements of the rate covenant in Ordinance 5387 that the council had passed in May 2008. I have found additional documentation looking at the parking system in downtown Rapid City in both 2008 and again in 2011 that dealt mainly with parking meters. Former Finance Officer Jim Preston and I also spoke with former Mayor Hanks about the need to increase the lease rates.

When I began to look at increasing rates for our leased parking in October 2012, I called the City of Deadwood to see what their rates were. Rates there range from \$50/month to \$125/month depending on location. I have since looked at the City of Sioux Falls website and their rates range from \$32/month to \$90/month. In addition, I have also contacted the City of Fort Collins and am waiting for their reply.

Prior to bringing the proposed resolution forward, my office sent 142 letters to the current leaseholders. Of the 142 letters, 53 went to businesses/individuals with multiple spots (totaling 713 spots) and 89 went to those with just one lease spot for a total of 766 leased spots. I received four phone calls from those letters, two of which were from the Alex Johnson and one of which we already addressed their concern.

I'd like to lay out some options for the rate increases:

1. Keep the rates the same.



EQUAL OPPORTUNITY EMPLOYER

2. Approve the resolution as proposed with a \$10/month per space increase. This would generate approximately an additional \$91,920 annually.
3. Approve a resolution with a \$5/month per space increase. This would generate approximately an additional \$45,960 annually.
4. Approve a resolution with a \$10/month per space increase for all leaseholders with less than 30 spaces; \$7.50/month per space increase for all leaseholders with 30-49 spaces; \$5.00/month per space increase for all leaseholders with 50+ spaces. This would generate approximately an additional \$74,370 annually.
5. Approve a resolution with a \$4/month per space increase for each the next three years. This would be an additional \$36,768 in the first year, \$73,536 in the second year and \$110,304 in subsequent years.

With any of these options, you could also give me an opportunity to request for proposals to complete a rate study for our parking system. If this is the direction you would like to take, I would prefer that the consultant look at the whole system, including the parking meters, to ensure that all of our rates are sufficient. In addition, I would like the consultant to speak with Public works to review all of the repair and maintenance projects, associated with parking, that need to be completed in the next few years.

In addition, I reviewed the interdepartmental charges that the Parking Lot & Area Fund pays out. When we restructure interdepartmental charges for 2014, I will be recommending reducing the charges by \$83,196 (Mayor & Council - \$1,860; Snow Removal - \$28,908; Street Cleaning - \$52,428). I've spoken with PW Director Terry Wolterstorff and the street division no longer provides snow removal or cleaning services for the parking lots and ramp. I believe these charges were missed when we shifted to hiring a contractor to provide the services.

In summary, I believe an increase is necessary to continue to meet our bond rate covenants and to allow for the necessary repairs and maintenance projects that have been ignored. As I reviewed the various options above, my preference at this time would be number 4 with additional direction to go out for RFP's on a rate study.

Please let me know if you have any further questions or concerns.

CITY OF RAPID CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2011

	<b>Parking Lot Enterprise Fund</b>
<b>Operating Revenue:</b>	
380 Charges for Goods and Services	\$ -
381 Revenues used as Security for Revenue Bonds	685,134.60
Total Operating Revenue	685,134.60
<b>Operating Expenses:</b>	
410 Personal Services	-
420 Other Current Expense	455,340.40
426.2 Materials (Cost of Goods Sold)	-
457 Depreciation	88,349.97
Total Operating Expenses	543,690.37
Operating Income (Loss)	141,444.23
<b>Nonoperating Revenue (Expense):</b>	
361 Investment Earnings	20,195.09
470 Interest Expense and Fiscal Charges	(136,887.76)
(492)366 Gain (Loss) on Disposition of Capital Assets	-
369.01 Other	-
Total Nonoperating Revenue (Expense)	(116,692.67)
Income (Loss) Before Transfers	24,751.56
330 Capital Grants	-
369.1 Contributions (to) from Others	-
391.1 Transfers In	-
511 Transfers Out	(19,890.00)
Net Contributions and Transfers	(19,890.00)
Change in Net Assets	4,861.56
Net Assets - Beginning	5,177,069.64
NET ASSETS - ENDING	\$ 5,181,931.20
<b>1st Test</b>	
Operating Income	24,751.56
Add: Interest Charges	136,887.76
Depreciation	88,349.97
	249,989.29
2011 Bond Payment	200,122.50
Coverage Percentage (Need 125%)	124.92%
<b>2nd Test</b>	
Operating Income	24,751.56
Add: Interest Charges	136,887.76
Depreciation	88,349.97
Cash in Bank 12/31/2011	456,199.86
	706,189.15
2012 Bond Payment	202,022.50
Coverage Percentage (Need 140%)	349.56%