



**CITY OF NEWARK**  
**DELAWARE**

September 14, 2016

**TO:** Carol Houck, City Manager  
Andrew Haines, Deputy City Manager

**VIA** Maureen Feeney Roser, Planning and Development Director

**FROM:** Marvin Howard, Parking Manager  
Court Mulvanity, Parking Supervisor

**RE: RECOMMENDATION FOR RATE RESTRUCTURE IN OFF-STREET PARKING LOTS**

At the most recent Parking Committee meeting, held on Wednesday, August 24, 2016, potential solutions were discussed to address increasing operating expenses within the Parking Division and how the Parking Division could increase off-street parking lot revenues in response. These expenses include recent and future increased costs from personnel, parking lot equipment maintenance, and credit card transaction fees. The committee's goal was to address the operating expenses without raising off-street parking rates, even though off-street rates have not been raised since 1999, when the City of Newark took over the Newark Parking Authority. The goal is based on best practices in the parking industry, which indicate that on-street (metered) parking should be more expensive than off-street parking to encourage off-street lot usage for longer term stays. Metered parking was raised to \$1.25 an hour in 2009. Therefore, instead of raising the hourly rate to match on-street rates, the Committee considered and recommended a change to the off-street lot payment time increments. Specifically, the **Parking Committee's recommendation is to eliminate the half-hour increment in off-street lots, thereby changing the rate structure from the current rate of \$.50/30-Minutes to \$1.00/1-Hour. The result will increase revenue without raising rates beyond the on-street rate and will help recoup some of the revenue lost to increased expenses for enhanced City parking services.**

**Expenses**

Credit card transaction fees recently increased when the new ParkingSoft surface lot terminals were installed. Before ParkingSoft, the Parking Division used Federal APD Parking Hardware, which only accepted VISA and MasterCard credit cards. The new ParkingSoft equipment allows the City to accept all major credit cards and also utilizes high-speed internet that makes credit card usage the quickest way to pay, whether it is at a cashier or pay-on-foot station. These expenses will continue to increase with the rise in credit card usage to pay for parking in off-street parking lots, both because of the new, easier-to-use equipment, and because there seems to be a general movement from using cash to using credit, even with smaller transactions seen

in our industry. Below is a chart to show the increase in credit card transaction fees the City has incurred over the past year, showing nearly 23% increase in 2016 compared to the same months in 2015.

Month	2015	2016	Expense Change
January	\$2,253.32	\$2,863.51	+ \$620.19
February	\$3,390.64	\$4,155.25	+ \$764.61
March	\$4,278.71	\$4,208.74	- \$69.97
April	\$4,197.17	<b>\$5,836.20**</b>	+ \$1,639.03
May	\$4,629.75	\$6,705.89	+ \$2,076.14
June	\$4,020.70	\$4,183.19	+ \$162.49
July	\$3,884.67	-	-
August	\$3,081.48	-	-
September	\$4,713.80	-	-
October	\$5,669.87	-	-
November	<b>\$6,330.58*</b>	-	-
December	\$5,724.08	-	-
<b>TOTALS</b>	<b>\$52,174.77</b>	-	<b>+ \$5,192.50</b>

\* Installed new ParkingSoft equipment in Lot 3 and 4

\*\*Installed new ParkingSoft equipment in Lot 1

Another area where the Parking Division has seen increases in expenses is in personnel. In 2014, the Parking Division added another parking booth in Lot 3 to help alleviate some of the congestion at the Main Street exit and to allow overflow traffic from Lot 4 to easily enter Lot 3 from Center Street. The Parking Division had to hire a number of part-time employees to run this “secondary” booth, increasing personnel costs. In 2015, the Parking Division also took over parking enforcement responsibilities from the Newark Police Department. The Parking Division currently has 10 Parking Ambassadors (2 full-time and 8 part-time) to manage enforcement and on street parking services Citywide. In 2017, the Parking Division will also be taking over responsibility for residential parking permits from the Police Department. This will require another part-time position within the department, and the Division’s recommendation is to make a current part-time administrative position in the office a full-time one to effectively manage the program and handle its extensive record-keeping, in addition to regular duties.

### **Proposal**

After discussing the increased expenses with the Parking Committee, an idea was proposed to increase off-street lot revenue with restructuring the parking time increment rates in the lot. If the off-street parking lots were to change the time increment price structure, then more revenue could be collected with minimal effect on the customers and businesses. Specifically, going from a \$.50/30-minute model to a \$1.00/1-hour model would allow the Parking Division to collect more revenue without having to increase rates. It would also put the City of Newark Parking Division in-line with the industry standard for surface parking lots across the East Coast of the

United States, charging patrons based on hours instead of minutes. The rate table below shows what this rate restructuring would look like and how it would impact patrons.

Time in Parking Lot	Current Charge	Proposed Charge	Change
10 Minutes (Grace)	\$0.00	\$0.00	\$0.00
30 Minutes	\$0.50	\$1.00	+\$0.50
1 Hour	\$1.00	\$1.00	\$0.00
1 Hour 30 Minutes	\$1.50	\$2.00	+\$0.50
2 Hours	\$2.00	\$2.00	\$0.00
2 Hours 30 Minutes	\$2.50	\$3.00	+\$0.50
3 Hours	\$3.00	\$3.00	\$0.00

- Charge pattern would continue in this matter no matter how long the duration of stay.
- Change in customer charge would never exceed \$0.50, no matter how long in the lot.

As you can see above, this restructuring will have minimal effect on a customer, as it can only potentially increase some customers' total parking fee by \$0.50 per visit, while some patrons will still pay the exact amount they currently do, and yet, will significantly increase revenues. To illustrate, the chart below shows how this rate adjustment would have effected revenues for January through July 2016 had we enacted this rate restructure at the beginning of this year.

Month	Total Transactions	Total Amount	# Adjusted Trans.	Revenue Increase	% Incr.
<b>2016</b>	<b>(Includes Free)</b>				
January	18280	\$ 33,106.00	6636	\$ 3,318.00	10.02%
February	25314	\$ 46,759.00	9634	\$ 4,817.00	10.30%
March	26260	\$ 49,805.50	9694	\$ 4,847.00	9.73%
April	72318	\$ 109,147.50	24791	\$ 12,395.50	11.36%
May	75032	\$ 114,188.00	25827	\$ 12,913.50	11.31%
June	56564	\$ 78,259.50	18833	\$ 9,416.50	12.03%
July	54681	\$ 75,461.00	18756	\$ 9,378.00	12.43%
<b>TOTALS</b>	<b>328449</b>	<b>\$ 506,726.50</b>	<b>114171</b>	<b>\$ 57,085.50</b>	<b>11.27%</b>

Using this seven month timeframe as an example, doing away with the 30 minute interval would have increased revenues by \$57,000.

### Validation

The Parking Committee did discuss the Parking Validation program and how the rate restructuring in the off-street parking lots would impact participating businesses. The City's policy on validation is that it is a voluntary program for businesses, unless the conditions of a parking waiver require validation. Additionally, the City's policy is that the business decides how much validation to provide, so the Parking Division suggested that businesses could still choose to validate for only \$0.50 if that is what they wanted to for their own business plan. Using this approach, validation costs for businesses would not increase unless a business chose to validate for more. City validation costs would also not increase with this approach. Regarding customer

impact, our records show that most businesses choose to validate based on how long the patron was in their business, and so we believe that ultimately businesses will choose to validate the full costs of the patrons, but the change will not force a business into a higher validation bill. Therefore, if approved, marketing for the validation program should be examined to make it clear that validation will reduce the fee for off-street parking, as opposed to advertising it as “free” parking, which is not really a change in that there was never a guarantee that a business would validate the entire stay of a patron. Ultimately, the validation decision has always been between a business and its customer – and that dynamic will continue even if the half-hour rate is eliminated.

### **Recommendation**

Both the Newark Parking Division and the Downtown Newark Partnership’s Parking Committee believe that changing the rate structure from \$0.50/30-minutes to \$1.00/1-hour will have the least impact on the amount patrons and businesses are charged for parking, while still allowing the City to achieve its goal in increasing revenues in off-street parking lots in downtown to address increasing costs of parking services. The probable revenue increase of changing the rate structure without increasing the parking fee is estimated at \$100,000 annually which should be sufficient to cover the increasing credit card transaction fees and personnel costs associated with enhanced off-street parking services. Therefore, our recommendation is that you authorize the elimination of the half-hour increments in municipal parking lots beginning January 1, 2017. If approved, the Division will use the remainder of 2016 to educate the public on the fee structure and to work with businesses on their validation plans.

Thank you for your consideration of this recommendation. Should you have any questions or need more information, please do not hesitate to let us know.

MH/mv

Cc: David Del Grande, Finance Director