



Office of the City Manager

CONSENT CALENDAR

December 12, 2006

To: Honorable Mayor and
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: Claudette Ford, Director, Public Works Department

Subject: Contract: Expand Pay-and-Display Program

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an amendment to the agreement with Cale Parking Systems USA, Inc. (Cale), to 1) initiate Phase 3 of the parking pay stations program to include the Berkeley Way and Elmwood parking lots, 2) implement on-line real time credit card processing at current and proposed pay stations; and 3) increase the annual costs for Phase I operating costs resulting from an administrative error, for a total contract amendment of \$469,412 and new contract total not to exceed \$1,294,044.

FISCAL IMPACTS OF RECOMMENDATION

Phase 3 – Berkeley Way and Elmwood Parking Lots. Phase 3 includes the purchase of twelve new pay and display stations totaling \$102,000 to be funded from the Off-Street Parking Fund, budget code 835-4945-431-7041, Project 05TP22. Annual operating costs for the new stations total \$20,000 per year, which includes ticket receipts, maintenance warranty, wireless communications and real time credit card processing. There are approximately three-and-a-half years remaining on the current five-year contract; therefore, \$70,000 is required to cover the additional operating costs for the remainder of the contract. Funding for the additional operating cost is available in the Parking Meter Fund, budget codes 840-4972-431-5040 and –5531.

Currently, the Berkeley Way lot generates approximately \$131,000 annually and Elmwood generates approximately \$37,000 annually. Once the pay stations replace the single space parking meters at the Berkeley Way and Elmwood lots, it is estimated that the City will generate an additional \$61,500 on an annual basis (\$172,500 Berkeley Way; and \$57,000 Elmwood). If the parking meter rate increases from \$0.75 to \$1.00 (proposed in a separate item on this agenda) are approved, additional annual revenue will be approximately \$81,795 (\$186,195 for Berkeley Way and \$63,600 for Elmwood).

Real-Time Credit Card Processing. Cale has upgraded the current credit card system with an improved real-time process that will reduce the cost of bank processing fees for the City by an estimated \$35,000 for the remainder of the contract. The cost for the real-time credit card processing for the Phase 3 pay stations are already factored into the \$20,000 annual operating

costs; however, the cost to implement the new system on the current 62 pay stations will not exceed \$55,000 for the remaining three-and-a-half year contract term. This issue is discussed in more detail under Current Situations. Funds are available in the Parking Meter Fund, budget code 840-4972-431-5040 to cover the cost for implementation of the real-time credit card processing.

Phase 1 Operating Costs. Resolution No. 62,684-N.S. authorized a total of \$60,603 for operating costs for the entire five-year contract term. Actual operating costs for Phase 1 total \$60,603 per year and the resolution should have authorized a total of \$303,015 for the five-year contract term. Since only one year was authorized, in error, an additional \$242,412 is needed to cover the operating costs for the remaining four years for Phase 1. The funds are available in the Parking Meter Fund (840-4972-431-5040 & 840-4972-431-5531). The contract is assigned CMS number MC8XJ.

Contract Amendment Breakdown:

Phase 3 – Berkeley Way and Elmwood Lots		
Purchase of Pay & Display Stations	\$102,000	Off-Street Parking Fund
Additional Operating Costs	\$ 70,000	Parking Meter Fund
Real-time Credit Card Processing	\$55,000	Parking Meter Fund
Phase 1 Operating Cost Addition	<u>\$242,412</u>	Parking Meter Fund
Total amendment to contract	\$469,412	
Current contract amount	<u>\$824,632</u>	
Total New Contract Amount	\$1,294,044	

CURRENT SITUATION AND ITS EFFECTS

Revenue from pay station installations in Phases 1 and 2 has improved substantially from that received from single space parking meters in prior years. Phase 3, to place pay stations in the Berkeley Way and Elmwood parking lots, is a logical next step.

Currently, all credit card revenues require processing on the Cale centralized server, routing to the bank clearinghouse, and finally depositing to the City’s account the next day. Transactions that are declined due to bad credit cards are rejected during this process; the credit cards are then placed on Cale’s “black list” and are no longer accepted at any pay station machines. Once a week, Cale attempts to collect on these debts. If they are able to collect the debt, Cale removes the patron from the black list. The proposed system completes this current process in “real time” within 5 to 8 seconds of the patron inserting the card. If the card is not good, it is rejected immediately. Once the card is approved, the patron can complete the transaction and print out a receipt for display. The deposit information will be posted to the City’s account the following day, just as it is now. There are several advantages to upgrading to real-time credit card

processing including a substantial savings in debit card transaction fees, a reduction of approximately \$0.27 to \$0.04 per transaction, charged by Wells Fargo Bank.

Due to an administrative error, a total of \$60,603 was approved for Phase 1 operating costs over the five-year contract term. This is the annual cost and an additional \$242,412 is necessary to cover the remaining four years of operating expenses.

BACKGROUND

The Berkeley Way lot has 103 single space parking meters and generated \$130,932 in FY 2006. Elmwood Parking lot contains 34 single space parking meters and generated \$37,042 in FY 2006. As noted above, once the pay stations replace the single space parking meters at these lots, it is estimated that the City will generate an additional \$61,500 on an annual basis based on current parking meter rates. If the parking meter rate increases from \$0.75 to \$1.00 (proposed in a separate item on this agenda) are approved, additional annual revenue will be approximately \$81,795 for both lots.

The Phase 1 Pay-and-Display stations that went live on April 11, 2005, were not equipped to handle real-time credit card transactions. Cale has updated their software to accept real-time credit/debit card transactions that lower our processing fees from the bank by approximately 75%.

As mentioned earlier in this report, Resolution No. 62,684-N.S. language permitted only up to \$60,603 for operating costs for the five-year term. The Resolution should have read that up to \$60,603 of the operating costs per year would be expended from the Parking Meter Fund to pay for these expenses. An additional \$242,412 is needed to cover the operating costs for Phase 1.

RATIONALE FOR RECOMMENDATION

Based upon the success of the pay station program, it is appropriate to expand the use of this type of parking control equipment into our off-street parking meter lots (Berkeley Way and Elmwood off-street parking lots). Expansion of additional pay stations will continue improve the City's revenue stream and provide reliable equipment to parkers in these off-street lots.

Based on the information above, the rationale for this recommendation is that on-line real-time transactions will reduce the City's per transaction fees for debit cards and will reduce the cost of transaction fees. Phases 1 and 2 of the parking station program are working well and generate healthy revenue. The frequency of credit card use is likely to increase in the future, which further justifies this conversion.

ALTERNATIVE ACTIONS CONSIDERED

In reference to the additional pay stations, the City could continue to use the current single space meters, which would not generate additional net revenue to the City without a rate increase.

The alternative for the on-line real-time credit card transaction would be to leave the current per transaction fee at \$0.27 and thereby not maximize the potential revenue flow to the City.

Not providing additional funds necessary for Phase 1 operating expenses would result in a loss in revenue due to pay stations not being able to operate.

CONTACT PERSON

Peter Hillier, Assistant Public Work Director, 981-7010
Karen Moore, Parking Services Manager, 981-7064

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT AMENDMENT: PARKING STATION PROGRAM

WHEREAS, the City Manager executed an agreement with Cale Parking Systems USA, Inc., on May 20, 2005 for the purchase and installation of Phase 1 of pay-and-display stations, CMS # MC8XJ; and

WHEREAS, the City Manager executed an amendment to the agreement on October 25, 2005 for the purpose of purchasing and installing Phase 2 pay-and-display stations; and

WHEREAS, for Phase 3 of the parking station program, the City desires to purchase twelve pay-and-display stations for implementation in the City's Berkeley Way Lot and Elmwood Lot for a cost not to exceed \$172,000, which includes purchase/installation (\$102,000 from Off-Street Parking Fund, account code 835-4945-431-7041-05TP22) and associated operating costs of \$70,000 for three-and-a-half years to be taken from the Parking Meter Fund (account code 840-4972-431-5040 and 840-4972-431-5531; and

WHEREAS, Cale Parking Systems USA, Inc., has updated their credit card software to accept on-line real-time credit card processing; and

WHEREAS, the City has found that by processing credit card transactions on-line in real-time will reduce the City's banking costs for processing credit card transactions; and

WHEREAS, the cost for real-time credit card processing for the remaining three-and-a-half years of contract term will not exceed \$55,000 for the current pay stations and will be taken from the Parking Meter Fund, account code 840-4972-431-5040; and

WHEREAS, it was discovered that the original Resolution No. 62,684-N.S. for Phase 1 only covered one-year of operating expenses, an additional \$60,603 per year for four years or \$242,412 is now needed, costs to be taken from the Parking Meter Fund, account codes 840-4972-431-5040 and 840-4972-431-5531.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute an amendment to the agreement with Cale Parking Systems USA, Inc., to 1) initiate Phase 3 of the parking pay stations program to include the Berkeley Way and Elmwood parking lots, in an amount not to exceed \$172,000, 2) implement on-line real time credit card processing at current and proposed pay stations in an amount not to exceed \$55,000; and 3) increase the four-year operating costs for Phase 1 to \$242,412, for a new contract total not to exceed \$1,294,044.

