

STATUS REPORT ON PARKING OPERATIONS FIVE-YEAR BUSINESS PLAN

Informational Report

A five-year business plan for Wayne State University Parking Operations has been completed. This plan identifies a comprehensive business strategy to reduce deferred maintenance and extend the life cycle of the current parking structures and lots. In addition, Parking's strategic outlook articulated in the business plan incorporates further implementation of technology and efficiency measures to enhance operational results and customer service.

This business plan draws on a 2009 assessment by Walker Parking Consultants who identified structures that require immediate repairs and provided a 10-year phasing plan for a total of \$40.3 million in structural, waterproofing and improvement costs. As a result, the Board of Governors approved a repair project not to exceed \$5.7 million for Parking Structure One. However, the consultant's report demonstrates that much work remains to be done.

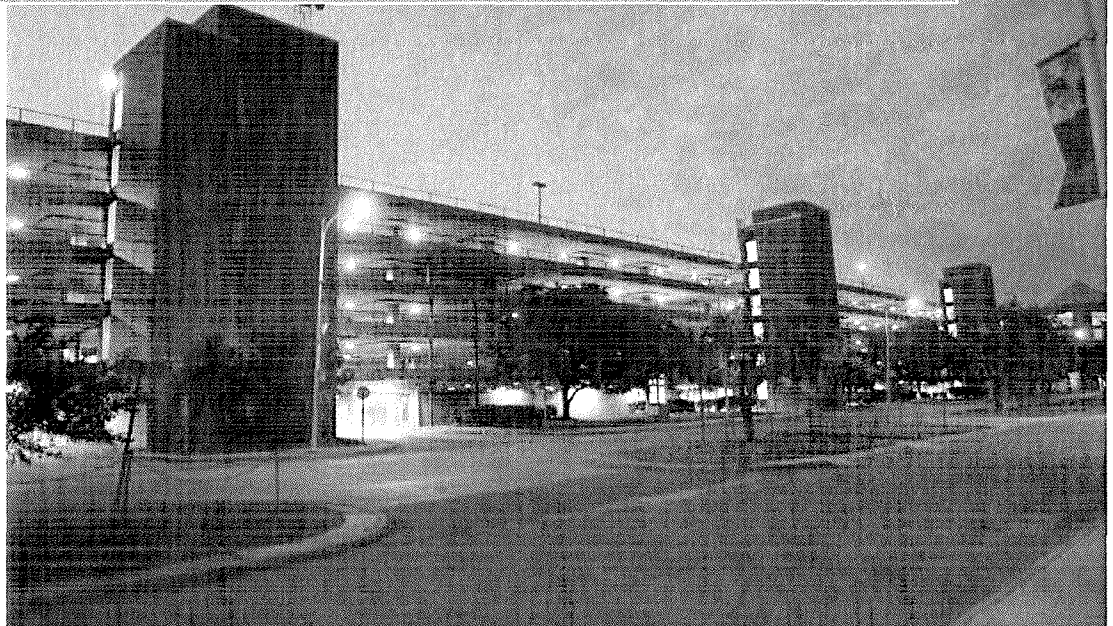
The business plan explores two funding models to generate revenues for maintenance and repair. The first model presented in Exhibit A is the preferred approach. It calls for an across-the-board parking rate increase of \$.50 in FY 2011, FY 2013 and FY 2015 along with the issuance of new debt totaling \$18 million over the next four years. Coupled with new debt, the recommended increases provide sufficient revenue to fund anticipated costs to facilitate needed repairs to existing structures and lots, and also provide additional funds for increased annual maintenance levels and replacement reserves in the future. In addition, it incorporates Parking's strategy to implement technology to improve operational results and customer service.

The objective of the business plan is to balance the University's sensitivity to rate increases, Parking's ability to assume additional debt and the unit's mission to provide safe, convenient and well-maintained parking.

Attachment

2010

Parking Operations: 5-Year
Business Plan



WAYNE STATE
UNIVERSITY

April 27, 2010

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Attachment

Executive Summary

Wayne State University's Parking Operations (Parking) operates eight (8) structures and forty-five (45) surface lots. The total parking system is comprised of approximately 13,000 spaces. In order to uphold Parking's mission to provide safe, well-maintained and accessible facilities and equipment to University students, faculty, staff and visitors, annual maintenance is necessary on the physical structures and lots. Also, lighting, surveillance, gates, cash machines, and operating software and hardware must remain in working condition.

Since 2004, major improvements to the physical appearance of the parking facilities and key aspects of operation have occurred. However, the older structures remain in need of structural repairs. In 2009, students, faculty and staff were surveyed by Parking to guide development of a business plan. The results indicate respondents prefer parking garages over parking lots due to protection from the elements. The results also indicate respondents seek additional security through structural improvements: video surveillance, security patrols and additional lighting.

In 2009, Walker Parking Consultants was hired to assess the condition of the parking structures on campus. Again, the purpose was to develop a comprehensive business plan which incorporated deferred maintenance and extension of the life cycle of the current parking structures. The consultant's report focused on four components: structural systems, waterproofing and protection, energy savings and security systems. The report, issued in November 2009, identified areas that require immediate repairs and provided a 10-year phasing plan for nearly \$26.7 million in required structural and waterproofing repairs with additional improvements also identified. As a result of this report, one project, repairs to Parking Structure 1, was brought to the Board of Governors (BOG) at the February 2010 meeting to proceed with this repair at a budget not to exceed \$5,775,000. The consultant's report also identified other repairs necessary to avoid the logistical and financial consequences of failing to address structural deficiencies. The cost to undertake all of the necessary repairs identified by the consultant is approximately \$40.3 million.

This business plan draws on the consultant's report to include prudent structural maintenance to prolong the life of the parking facilities on campus. Also, this plan analyzes the current financial position of Parking and incorporates the following strategic operation initiatives for FY2010 through FY2015:

- Implementation and funding of required structural repairs and maintenance identified in the external consultant's report and additional improvements to structures and lots. Working in collaboration with the Parking Advisory Committee, a primary outcome of this business plan will be the recommendation for parking rate increases and additional debt to fund the repairs and maintenance. These recommendations are subject to the approval of the BOG.
- Further implementation of technology within parking operations.
- Identification of sufficient funds to provide for increased annual maintenance, comparable to industry standards, beginning in FY2016 and additional replacement reserves for the future.
- Implementation of a marketing and communication plan.

Organizational Background

Wayne State University's Parking and Transportation Services, a self-supporting auxiliary, is charged with maintaining parking facilities and vehicles for use by university units. This organization is comprised of three specific service units:

- Parking Operations – Currently consists of eight (8) structures and forty-five (45) surface lots. The total parking system is comprised of approximately 13,000 spaces.
- Violations Bureau – Represents the collection agency for parking violations.
- Transportation Services – Manages all vehicles permanently assigned to university departments and oversees the rental of vehicles to university staff.

The purpose of this report is to present a 5-year plan of operations for the Parking Operations (Parking) unit. The Violations Bureau and the Transportation Services units are not included within the scope of this document.

Assessment of Current Operations

In order to uphold Parking's mission to provide safe, well-maintained and accessible physical structures and lots and keep lighting, surveillance, gates, cash machines, and operating software and hardware in working condition, annual maintenance is necessary. As a self-supporting auxiliary unit, Parking funds its annual maintenance and operating costs with revenues generated from parking user fees. Any remaining revenue in excess of expense is transferred to a reserve fund at the end of each fiscal year. This fund is reserved for major repairs or replacement projects as required.

User fee revenue is collected from a variety of sources. Approximately 39 percent or 5,000 of the total 13,000 spaces are allocated for use by faculty and staff. The remaining spaces are available for student, guest and visitor parking or are under contract for use by other external customers in the campus area.

Parking remains challenged by the University's sensitivity to increases in user fee rates. The inability to adjust rates to meet operating and maintenance needs has resulted in deferred maintenance. In 2009, Walker Parking Consultants was hired to assess the condition of the campus parking structures. The comprehensive report, issued in November 2009, identified areas that require immediate repairs and provided a 10-year phasing plan for nearly \$26.7 million in required structural and waterproofing repairs with additional improvements also identified. As a result of this report, one project, repairs to Structure 1, was brought to the Board of Governors at the February 2010 meeting to proceed with this repair at a budget not to exceed \$5,775,000. The funding for this project is provided from Parking's reserve fund. Following this project, approximately \$1.3 million will remain in the parking reserve fund.

Pricing

WSU benchmarked the cost of parking at other universities. As indicated on page 10, WSU parking rates are low compared to other similar universities. This reflects sporadic, low rate increases implemented throughout the years. The first increase at WSU in over 11 years was introduced in 2002: an increase from \$1.00 to \$2.00 for the majority of parking patrons. In fall 2004, a second increase of \$.25 was implemented. Most recently in 2009, the student and faculty/staff regular parking rates increased to \$2.50 and \$2.75, respectively. In summary, since 1991 the rates have increased from \$1.00 to \$2.50 and \$2.75, a total increase of \$1.50 and \$1.75 in 19 years.

Utilizing the increased revenue generated from these rate increases and new debt, Parking undertook various improvements over the past 10 years. These improvements include:

- Installing new lighting in structures 1, 2, and 4
- Installing surveillance equipment in structures 2 and 4 and lots 14, 72, and 75
- Paving and installing new lighting at lots 22, 31, 35, 36, 55, 60, 72, and 75
- Painting structure stairwells and elevator lobbies
- Adding a 24-hour patrol vehicle dedicated to monitoring WSU parking facilities
- Creating a free shuttle bus service on both the main and medical campuses
- Upgrading the elevator equipment and cars in structures 1, 2, and 5
- Expanding and paving lot 11 and installing new lighting
- Expanding lot 60 and installing new lighting
- Building a new 930-space parking structure on Forest Avenue to accommodate the growing community
- Installing and implementing new parking software to allow online purchase of semester parking passes

Many of the above improvements were identified as part of a 5-year (2003 – 2007) parking improvement renovation plan representing a total cost of \$19.5 million. However, only \$9.5 million of this initial renovation plan was funded. The remainder was not completed as proposed. Other improvements identified above represent campus initiatives to support campus life and reflect Parking’s commitment to improved operations and safety in response to customer’s needs.

Although the past rate increases provided some funding for these improvements, the increases generally were insufficient to fund all required improvements. As a result, new debt was issued to fund a portion of the costs.

Debt Service

Bonds were generally issued to fund new construction. In 1999, the sale of bonds provided funds to construct the Welcome Center Parking Structure #6 which opened in 2002 and Parking Structure #7 opened in 2003 to accommodate the needs of the Eugene Applebaum College of Pharmacy and Allied Health Sciences. This new debt added to the existing Series 1993 bond issuance which matures in September 2013. To fund a portion of the 5-year improvement plan discussed above, new bonds were again issued in 2002 in the amount of \$8,500,000. Most recently, additional debt was issued in 2007 to fund the construction of structure #8 in South University Village which opened in FY2008.

Bond Issuance	Retire Date	Current Annual Debt Service
Series 1993	9/30/2013	\$ 108,524
Series 2009A (formerly Series 1999)	9/30/2030	1,905,000
Series 2008 (formerly Series 2002)	9/30/2036	555,997
Series 2007	9/30/2038	1,086,000
Total		\$ 3,655,521

In fiscal year 2011, the current total annual debt service is estimated to represent approximately 47% of total operation costs including salary. Excluding salaries, debt service expense will

represent approximately 64% of remaining operating costs. In addition, new debt to fund anticipated projects is necessary. The ability to service additional debt must be considered.

External Sources of Revenue and Other Impacts on Revenue Streams

Parking generates revenue from the lease of excess parking capacity to external parties: the Detroit Medical Center, Detroit Science Center and other small leases. Currently, this amounts to approximately 10% of the total permit revenue. Though these entities are under contract for the spaces through FY2011 and 2012 with options to renew, potential loss of this revenue in future years could negatively impact revenue streams.

Several initiatives within Midtown and on campus are underway to promote light rail and increase utilization of WSU's shuttle bus transportation. These initiatives may significantly impact Parking's future revenue stream and utilization of current parking space.

- Light rail may allow the University to avoid replacement of aging structures in the event demand for parking decreases. At the same time, debt service obligations will continue while user generated revenue streams decrease.
- Increased use of shuttle bus transportation, with positive earth-friendly benefits, nonetheless is costly to operate and ultimately replace the shuttle buses. Currently, to boost participation, no user fee is collected from riders despite an annual cost of \$225,000. The success of the shuttle bus and other ride-share programs may result in decreased demand for parking space and thus reduce revenue streams.

Staffing

Parking employs thirty-six (36) attendants and three (3) parking supervisors. The attendants staff seven parking structures during all hours of operation. The majority of surface lots are unstaffed and one parking structure is managed by a third party. Attendants are assigned based on the size and activity of the structure. Their responsibilities include monitoring the daily usage within the structure to identify vacancies in order to permit additional parking, walking throughout the structures to assess safety and cleanliness, and ensuring that the structures are accessible by assisting guests at the gates. During 2009, Parking collaborated with the Center for Urban Studies to conduct a survey to gather customer feedback in areas such as safety, staffing, fees and parking preferences. Over half of the survey respondents (52.8%) sought additional parking attendants and security patrols to make them feel safer. A summary of the survey results is included in Exhibit C. Although technology is available to reduce staffing, the human presence contributes to increased safety within the structures and is strongly supported by WSU Public Safety who indicate that the presence of attendants and other staff promotes a strong sense of safety and security.

Parking plans to implement supplementary training for each attendant. Training will include an updated standardized work plan with anticipated contingencies to address emergent issues and identify available resources. The goal is to increase efficiencies and maximize the productivity of the staff. The staff's progress will be monitored and concerns addressed as needed.

Under the direction of a professor, a team of WSU Industrial Engineering students is assessing the operation of parking services. The scope of the project includes an analysis of current operations to identify alternatives for staff allocation and scheduling, hours of operation and other improvements. Recommendations from the study will be considered and incorporated into this business plan as appropriate.

Strategic Outlook for the Future

During the next 5 years, several factors will be addressed:

- Implementation and funding of required structural repairs and maintenance identified in the external consultant's report and additional improvements to structures and lots. These repairs are necessary to address deferred maintenance conditions and provide improved functionality in parking facilities.
- Further implementation of technology within parking operations.
- Identification of sufficient funds to provide for increased annual maintenance, comparable to industry standards, beginning in FY2016 and additional replacement reserves for the future.
- Implementation of a marketing and communication plan.

Required Structural Repair & Maintenance

As discussed above, the results of the 2009 report issued by Walker Parking Consultants recommended the structural and waterproofing repairs totaling approximately \$26.7 million through FY2019 and additional improvement costs totaling \$13.6 million for a grand total of nearly \$40.3 million for the University's six parking structures. Approximately \$3.9 million of the \$40.3 total cost were identified for FY2016 through FY2019 and deemed "future structural repairs" by the consultant. These will not be addressed within this five-year plan. Rather, this plan is focused on addressing the current critical repairs during the next five years. The future repairs will be accounted for beginning in fiscal year 2016.

Following this adjustment, the identified structural, waterproofing and improvement costs identified by the consultants and addressed within this report total approximately \$36.4 million.

Additional Improvements

In addition to the structural costs identified by the consultants, two surface lots remain unpaved: Lot #50, (Matthaei) and Lot #60 (Forest St.). An estimated \$2.5 million would be required to pave both of these lots. Accordingly, these projects are included in the cost estimates. However, Parking will continue to assess the need for these projects.

Currently, most facilities operate as a prepaid or pay on entry with a free exit. Better facility control and safety requires additional upgraded readers at the exits. These changes enhance the ability to monitor, control and maximize efficiencies. The estimated cost of expanded technology to enhance control and accept credit card payments is \$70,000 per lane. The goal is to upgrade the highest use structures 1, 2, 5 and 6. The total cost to add this equipment to three additional lanes in structures 1 and 2, and two additional lanes in Structures 5 and 6 approximates \$700,000.

Finally, electronic signage is required to identify the name and number of some structures or lots, who is eligible to park in each facility, payment options and any specific restrictions. Similar to the signage on Anthony Wayne Drive in front of Parking Structure 2, this directional signage is targeted for the major street intersections associated with the parking structures. Business loading zones will receive additional signage to discourage improper parking and standing on campus. The total cost for these improvements is estimated at \$300,000.

Repair Program for Parking Structures & Lots	FY10	FY11	FY12	FY13	FY14	FY15	FY10 -FY15 Repair Total
Structural & Waterproofing Repairs:							
PS1 - Palmer	\$ 4,931,000	\$ 129,000	\$ 3,776,000	\$ 1,942,000	\$ 2,536,000	\$ 1,501,000	\$ 14,815,000
PS2 - Manoogian	143,000	850,000			1,117,000		2,110,000
PS3 - Rackham	30,000			234,000		211,000	475,000
PS4 - Medical School	8,000	296,000			384,000		688,000
PS5 - Anthony Wayne Drive		42,000		301,000		165,000	508,000
PS6 - Welcome Center		178,000					178,000
Subtotal	\$ 5,112,000	\$ 1,495,000	\$ 3,776,000	\$ 2,477,000	\$ 4,037,000	\$ 1,877,000	\$ 18,774,000
Engineering/Testing	511,000	150,000	378,000	247,000	404,000	188,000	1,878,000
Contingency	520,000	218,000	378,000	274,000	480,000	207,000	2,077,000
Structure Project Total	\$ 6,143,000	\$ 1,863,000	\$ 4,532,000	\$ 2,998,000	\$ 4,921,000	\$ 2,272,000	\$ 22,729,000
Improvements :							
ADA Compliance/Code		2,701,000			2,701,000		5,402,000
Painting & Other Non-structural		869,600	869,600	869,600	869,600	869,600	4,348,000
LED Lighting		2,627,000					2,627,000
Security Cameras		1,259,000					1,259,000
Total Repair & Maintenance Cost Identified by Consultants	\$ 6,143,000	\$ 9,319,600	\$ 5,401,600	\$ 3,867,600	\$ 8,491,600	\$ 3,141,600	\$ 36,365,000
Additional Costs Required:							
Resurface Lots #50 and #60			\$ 1,250,000		\$ 1,250,000		\$ 2,500,000
Additional Lanes & Equipment			350,000		\$ 350,000		\$ 700,000
Electronic Signage					\$ 150,000	\$ 150,000	\$ 300,000
Total Cost	\$ 6,143,000*	\$ 9,319,600	\$ 7,001,600	\$ 3,867,600	\$ 10,241,600	\$ 3,291,600	\$ 39,865,000

*Includes \$5,775,000 Parking Structure #1 repair project approved by the Board of Governors in February 2010.

Upon completion of these repairs and assuming regular maintenance and repair, the useful lives of the parking infrastructures will be extended an estimated 20 years. Security and lighting is expected to have a 5-year life.

Increased Use of Technology

Parking has partially implemented T2 Parking and Citation software. This application is a full suite of parking management solutions, from permit and citation management, to collections, access and revenue control, and full data integration. It has five major components; permit management, enforcement, access control, revenue control and event parking and is used currently to process student semester parking from the parking office and online. This technology provides greater flexibility in the delivery of parking permits, shipped directly from the manufacturer to customers or to the parking office for pick up.

A second phase of the T2 software implementation will introduce further efficiencies to permit current staff to interact with customers in a more effective manner. The next phase will allow:

- Online registration process for employees to elect payroll deduction and other payment options
- Direct interface with the Banner system
- Active control and monitoring of the facility waitlists

Recurring Regular Maintenance

As identified above, a historical sensitivity to increases in parking rates has resulted in an inability to meet operating and maintenance needs. As a result, regular and necessary maintenance has been deferred. In order to adequately maintain the parking structures and lots, a proactive schedule of recurring maintenance must be implemented. Also, an annual walkthrough of all structures will be completed to identify repairs or maintenance.

It is important to identify funding for an increased level of maintenance work beyond completion of the current repair needs over the next 5 years. According to industry standards, annual maintenance costs should approximate \$142/space for new structures, \$180/space for aged structures and under \$100/space for surface lots. Based on these standards, an annual maintenance allowance of \$1.73 million is estimated based on an average cost of \$161/space for the 8700 structure spaces and \$75/space for the 4400 surface lot spaces. In FY2009, the actual maintenance expenses incurred totaled approximately \$556,000, a shortfall of approximately \$1.175 million annually in comparison to the industry standard. The need to fund this annual maintenance allowance for sufficient proactive stewardship is included in the financial analysis beginning in fiscal year 2016 and forward.

As previously discussed, the consultant's report identified "future structural repairs" of \$3.9 million recommended for the period FY2016 – 2019 or approximately \$981,000 annually during that period. For purposes of this report, these repair costs are considered a component of regular maintenance and funded from the \$1.73 million annual allowance identified above.

Marketing & Communication

Parking will improve communication and promotion efforts by:

- Establishing a consistent, comprehensive communication method with businesses, residents, visitors, faculty/staff, students and local government to share information on updates to the parking system, special events, parking availability and alternative modes of transportation around the area. This will be achieved by deploying the latest electronic communication tools.
- Identify key areas of customer dissatisfaction and develop messaging strategies to reverse negative perceptions.
- Develop a marketing campaign to communicate the availability of online services and the increased security measures upon the completion of the T2 software and structural upgrade projects.
- Add the ability to track and monitor parking permit status and account information online.
- Communicate with the larger pool of potential customers (area businesses and institutions, special event planners) to access that market to increase revenue.
- Launch the online CAT (Campus Alternative Transportation) Map to identify parking locations, the shuttle bus and alternative transportation on and around the WSU campus. This website will serve as a direct link to the campus and beyond to help visitors, students, faculty and staff navigate the campus and its parking facilities.

Financial Analysis

In order to balance sensitivity to increased fees and the limited ability to take on new debt, the following actions will be undertaken:

- Review the supply and demand of all parking areas on campus to avoid incurring repair and maintenance costs in underutilized lots/structures. Assess the feasibility of closing significantly underutilized space to generate cost savings.
- Continue our current marketing of space to local businesses and new Midtown developments to increase lease revenue.
- Seek general fund resources to support functions assigned to Parking which cost money to operate but do not generate user fee revenue such as the shuttle bus system. In anticipation of this action, an annual cost of \$225,000 to operate the shuttle bus program has been excluded from Parking's operation expense for projection purposes.
- Continuous assessment of Parking's cost structure to ensure the most effective and feasible model compared to operating models and/or best practices at other universities or industry standards.

While these options will continue to be pursued and implemented where feasible, at this time they are not sufficient to fund the repair expenditures required. As a result, a combination of both a rate increase and the issuance of new debt is necessary.

Exhibit A: \$.50 Rate Increase in FY2011, FY2013 and FY2015

A combined funding program of increased fee revenue and new debt is recommended to provide sufficient revenues to fund all of the structural repairs and improvements necessary within the next five years. In order to accomplish this, we recommend the implementation of a \$.50 rate increase to all current rates effective FY2011. This would be followed with a similar \$.50 increase across the board in FY2013 and FY2015. Based on current facility use and purchase of permits, this increase is anticipated to generate an additional \$13.7 million in permit and user fee revenue over the 5 year period. Combined with new debt of \$10 million in FY2011, an additional \$8 million in FY2014 and the use of all nearly all reserve balances during this time period, this rate increase will provide sufficient resources to complete the repair program as scheduled. At the end of FY2015, a reserve balance of approximately \$2.3 million will remain.

In summary, under this recommendation, a total of \$18 million in debt will be assumed, approximately \$4.8 million in reserves utilized and annual net income generated during FY2011 – 2015 totaling \$17.1 million will fund a total of \$39.865 million in repairs and improvements. See Exhibit A, page 13.

The resulting parking rates following the \$.50 increases would be as follows:

User Fee or Permit Category	FY2010 (Current)	FY2011 (Proposed)	FY2013 (Proposed)	FY2015 (Proposed)
Student Per Use (OneCard Debit)	2.50	3.00	3.50	4.00
Student Per Use Premium (OneCard Debit)	3.50	4.00	4.50	5.00
Semester Passes (students, affiliates)	200.00	240.00	280.00	320.00
Premium Semester (students & contractors)	280.00	320.00	360.00	400.00
Med School Student Annual Passes	550.00	650.00	750.00	850.00
Faculty/Staff Per Use (OneCard Debit)	2.75	3.25	3.75	4.25
Faculty/Staff Per Use Premium (OneCard Debit)	3.75	4.25	4.75	5.25
Faculty/Staff Monthly				
12 mo regular--employees	55.00	65.00	75.00	85.00
9 mo regular--employees	55.00	65.00	75.00	85.00
Faculty/Staff Premium Monthly				
12 mo premium--employees	75.00	85.00	95.00	105.00
9 mo premium--employees	75.00	85.00	95.00	105.00
Visitor Cash(Hand Collect)--cash payment	4.25	4.75	5.25	5.75
Student Reduced Lots (OneCard Debit)	1.50	2.00	2.50	3.00
Faculty/Staff Reduced Lots (OneCard Debit)	1.75	2.25	2.75	3.25
Faculty/Staff Reserved (Yearly)--employees	1,440.00	1,500.00	1,560.00	1,620.00

Our current & proposed parking rates remain comparable to the parking rates of other similar universities based on the pricing information contained in this Parking Rate Benchmark table.

Student Rate (semester)	
University of Alabama - Birmingham	\$ 55.00
University of Toledo	\$ 95.00
University of Colorado - Denver	\$ 108.00
Indiana U, Purdue U - Indianapolis	\$ 112.65
University of New Mexico - Main	\$ 121.00
Virginia Commonwealth Univ.	\$ 170.00
Wayne State University (Current)	\$ 200.00
Wayne State University (proposed)	\$ 240.00
University of Louisville	\$ 241.00
Michigan State University	\$ 268.00
University of Cincinnati - Main	\$ 300.00
Temple University	\$ 352.00
University of Pittsburgh	\$ 368.00
University of Minnesota - Twin Cities	\$ 375.00

*Some of the schools listed use a tiered fee

Faculty/Staff Rate (annual)	
Indiana U, Purdue U - Indianapolis	\$ 187.75
University of Toledo	\$ 298.00
Michigan State University	\$ 447.00
University of Louisville	\$ 482.00
University of New Mexico - Main	\$ 499.00
University of Alabama - Birmingham	\$ 600.00
Wayne State University (Current)	\$ 660.00
University of Colorado - Denver	\$ 684.00
Virginia Commonwealth Univ.	\$ 739.20
Wayne State University (Proposed Increase)	\$ 780.00
Temple University	\$ 1,056.00
University of Pittsburgh	\$ 1,104.00
University of Cincinnati - Main	\$ 1,200.00
University of Minnesota - Twin Cities	\$ 1,500.00

*Some of the schools listed use a tiered fee

Further analysis of the feasibility of sustaining future operations at the increased FY2011, FY2013 and FY2015 rates indicates the following:

- With the \$.50 increases in FY2011, FY2013, and FY2015 and an increase in regular annual maintenance expense of \$1.175 million annually beginning in FY2016, the proposed \$.50 rate increases will continue to generate sufficient revenue to support this increased maintenance expense level and provide for additional replacement reserves. The projected replacement reserve balance at 9/30/2020 is \$17.2 million. See Exhibit A, page 14.

The sufficiency of a replacement reserve depends on future need to replace current structures or undergo significant maintenance projects. Currently, Parking does not have a capital plan for the future. A capital plan is necessary and will be developed in FY2015.

These projections are based on various conditions and assumptions. Actual results are subject to change if conditions vary from these assumptions. See Exhibit B for a summary of assumptions used in Exhibit A.

Parking as a Component of Tuition and Fees

Another funding model first identified in 2009 by the Academic Senate, proposes the conversion of parking fees for all students into a component of the Omnibus fee or tuition to afford open parking for all students. Any current student with a valid student ID would be able to swipe into any student lot with no additional payment. This plan would have no effect on the methods in which Faculty or Staff currently pay for parking. In response to the initial identification of this funding model, a memo dated August 20, 2009 was provided to the Board of Governors by Rob Kohrman, AVP University Budget which recommended that the University **not** adopt this methodology for collecting/charging parking fees. The support provided for this recommendation remains relevant today and would require additional review and consideration should this methodology be pursued. See Exhibit D.

Under this model, there are no changes to the financial outcomes because the revenue and expenses are the same as presented in Exhibit A. The assumptions provided in Exhibit B also remain unchanged. The only difference is the source of revenues.

	\$.50 Increase	\$.50 Increase	\$.50 Increase
	FY2011	FY2013	FY2015
Total Projected Annual Revenue Generated (All Users and Methods)	\$10,234,477	\$11,763,679	\$13,292,880
Projected Revenue Generated by Students (All Methods)	\$5,573,125	\$6,411,357	\$7,249,588
Projected Credit Hours*	728,341	761,611	773,035
Cost per Credit Hour	\$7.65	\$8.42	\$9.38

*The University's strategic plan intends to increase head count to 35,000 by 2015. To accomplish this requires an annual increase in head count of approximately 1.5%. This same percentage was used to project credit hours for FY2011 and FY2014.

Under this funding model, a student fee of \$7.65 per credit hour would be adopted in FY2011 and FY2012, \$8.42 in FY2013 and FY2014 and \$9.38 in FY2015 and years following. Additionally, \$.50 increases in Faculty/Staff rates would be implemented in each of these same years. This combined approach would generate revenues and financial results equivalent to those identified in Exhibit A.

These fees, included in the University's total tuition and fee rates beginning in FY2011 appear unrealistic in today's budget climate. Further, the concerns communicated in 2009 regarding implementation of this approach remain relevant. For this reason, increases in the parking rates as previously discussed and presented in Exhibit A are recommended.

Conclusion

While considering the University's sensitivity to rate increases and Parking's ability to assume additional debt and balancing these considerations with the unit's mission critical need to provide safe, well-maintained and accessible facilities to its customers, this business plan demonstrates the necessity to increase funding from its current levels to effectively address the repair issues identified in the consultant's report over the next five years.

Based on the analysis presented, a recommendation will be presented to the Board of Governors for an across the board rate increase of \$.50 in FY2011, FY2013 and FY2015 along with the issuance of new debt totaling \$18 million over the next four years. Each of these increases will generate approximately \$1.5 million of additional revenue. Coupled with new debt, these increases will provide sufficient revenues to fund anticipated costs to facilitate the needed repairs to the existing parking structures and lots and also provide additional funds for increased annual maintenance levels in future years.

In addition to this funding recommendation, Parking's strategic outlook incorporates further implementation of technology throughout its operations. These strategic actions will further improve operational results and the unit's ability to service customers effectively.

EXHIBIT A: FY2010 – FY2015 \$.50 Increase in FY2011, 2013 and 2015

	Projected					
	FY10 Budget	FY11 Budget	FY12 Budget	FY13 Budget	FY14 Budget	FY15 Budget
Revenue						
Permits	\$8,716,509	\$10,234,477	\$10,234,477	\$11,763,679	\$11,763,679	\$13,292,880
Rental Revenue	76,998	121,998	211,998	211,998	211,998	211,998
Internal Revenue	251,075	257,980	265,074	272,364	279,854	287,550
Total Revenue	\$9,044,582	\$10,614,455	\$10,711,549	\$12,248,040	\$12,255,530	\$13,792,428
Expense						
Personnel	\$2,120,632	\$2,150,727	\$2,192,476	\$2,235,367	\$2,294,733	\$2,355,992
Operations	2,275,774	1,825,439	1,888,631	1,954,402	2,022,880	2,094,198
Bond Debt	3,655,521	3,655,521	3,655,521	3,655,521	3,546,997	3,546,997
Debt Service on New Debt (below)		680,000	680,000	680,000	1,224,000	1,224,000
Total Expenses	\$8,051,927	\$8,311,687	\$8,416,628	\$8,525,290	\$9,088,610	\$9,221,187
Net Income	\$992,655	\$2,302,768	\$2,294,921	\$3,722,750	\$3,166,920	\$4,571,241
Beginning Reserve Balance	\$7,075,000	\$1,924,655	\$4,907,823	\$201,144	\$56,294	\$981,614
New Debt		\$10,000,000			\$8,000,000	
Structure Repair Program	(\$6,143,000)	(\$1,863,000)	(\$4,532,000)	(\$2,998,000)	(\$4,921,000)	(\$2,272,000)
ADA Compliance/Code		(2,701,000)			(2,701,000)	(5,402,000)
Painting & Other Non-structural		(869,600)	(869,600)	(869,600)	(869,600)	(4,348,000)
LED Lighting		(2,627,000)				(2,627,000)
Security Cameras		(1,259,000)				(1,259,000)
Resurface Lots #50 & #60			(1,250,000)		(1,250,000)	(2,500,000)
Additional Lanes & Equip			(350,000)		(350,000)	(700,000)
Electronic Signage					(150,000)	(300,000)
Total Structural Repairs	(\$6,143,000)	(\$9,319,600)	(\$7,001,600)	(\$3,867,600)	(\$10,241,600)	(\$39,865,000)
Net Income From Operations i.e., Increase in Reserve	\$992,655	\$2,302,768	\$2,294,921	\$3,722,750	\$3,166,920	\$4,571,241
Ending Reserve Balance	\$1,924,655	\$4,907,823	\$201,144	\$56,294	\$981,614	\$2,261,255
Debt Service on New Debt @ \$68,000 per million		\$680,000	\$680,000	\$680,000	\$1,224,000	\$1,224,000
Cumulative Debt Service		\$680,000	\$1,360,000	\$2,040,000	\$3,264,000	\$4,488,000

TOTAL FY11-15	Source of Funds
\$18,000,000	New Debt
(\$22,729,000)	
(5,402,000)	
(4,348,000)	
(2,627,000)	
(1,259,000)	
(2,500,000)	
(700,000)	
(300,000)	
(\$39,865,000)	Total Cost
\$17,051,255	Net Income generated from Operations
\$4,813,745	Reduction in Reserves FY10 to FY15
\$21,865,000	Revenue 54.8%
\$18,000,000	Debt 45.2%

EXHIBIT A: FY2016 – FY2020 \$.50 Increase in FY2011, 2013, 2015

	Projected				
	FY16 Budget	FY17 Budget	FY18 Budget	FY19 Budget	FY20 Budget
Revenue					
Permits	\$13,292,880	\$13,292,880	\$13,292,880	\$13,292,880	\$13,292,880
Rental Revenue	217,828	223,818	229,973	236,297	242,796
Internal Revenue	295,457	303,582	311,931	320,509	329,323
Total Revenue	\$13,806,165	\$13,820,280	\$13,834,784	\$13,849,686	\$13,864,998
Expense					
Personnel	\$2,420,782	\$2,487,353	\$2,555,755	\$2,626,039	\$2,698,255
Operations	3,326,788	3,418,275	3,512,277	3,608,865	3,708,109
Bond Debt	3,546,997	3,546,997	3,546,997	3,546,997	3,546,997
Debt Service on New Debt (below)	1,224,000	1,224,000	1,224,000	1,224,000	1,224,000
Total Expenses	\$10,518,567	\$10,676,625	\$10,839,030	\$11,005,901	\$11,177,360
Net Income	\$3,287,598	\$3,143,655	\$2,995,754	\$2,843,786	\$2,687,638
Beginning Reserve Balance	\$2,261,255	\$5,548,853	\$8,692,509	\$11,688,263	\$14,532,048
New Debt					
Structure Repair Program					
ADA Compliance/Code					
Painting & Other Non-structural					
LED Lighting					
Security Cameras					
Resurface Lots #50 & #60					
Additional Lanes & Equip					
Electronic Signage					
Total Structural Repairs					
Net Income From Operations i.e., Increase in Reserve	\$3,287,598	\$3,143,655	\$2,995,754	\$2,843,786	\$2,687,638
Ending Reserve Balance	\$5,548,853	\$8,692,509	\$11,688,263	\$14,532,048	\$17,219,686
Debt Service on New Debt @ \$.68,000 per million	\$1,224,000	\$1,224,000	\$1,224,000	\$1,224,000	\$1,224,000
Cumulative Debt Service	\$5,712,000	\$6,936,000	\$8,160,000	\$9,384,000	\$10,608,000

Currently, Parking does not have a capital plan for the future. A capital plan is necessary and will be developed in FY2015.

It is important to note the ages of each of the Parking Structures in the Consultants' report.

- Structure 1 - built in 1965
- Structure 2 - built in 1972
- Structure 3 - built in 1977
- Structure 4 - built in 1978
- Structure 5 - built in 1987
- Structure 6 - built in 2001

EXHIBIT B: Assumptions and Conditions

The following assumptions and conditions were utilized for projections presented in Exhibit A:

1. The Fiscal Year 2010 budget is used as the baseline.
2. Parking permit revenue includes student parking, faculty and staff parking, guest parking. It also includes leased parking spaces to Detroit Medical Center, Detroit Science Center and other small leases, which amounts to approximately 10% of the total permit revenue.
3. Permit revenue is impacted by student enrollment. As enrollment increases or decreases, typically parking revenue will follow, but not necessarily at the same ratio as the increase or decrease in enrollment. For purposes of this report, the University's projected increase in enrollment to 35,000 students by 2015 is anticipated to offset any decreases in demand in response to rate increases.
4. Retail rental revenue reflects the current lease of space in Parking Structure 6 to LaPita restaurant. In FY2012, Parking Structure 8 is expected to come online and will add an additional \$90,000 to rental revenue annually.
5. Future fiscal years reflect the Higher Education Price Index (HEPI) general inflation rate of 2.75% annually. Notable exceptions are utilities and rental and lease expense of buildings.
6. South University Village rent will increase by \$45,000 annually in 2010, and remain at that level thru 2015.
7. Salary and wage increases are projected at 2% for all job categories except AFSCME, which reflects the 1% increase in the new contract. Others are pending settlement of current union negotiations.
8. Fringe benefit composite rates use FY2010 rates as a baseline and are increased at the HEPI inflation rate.
9. Utility usage is expected to remain constant, while the prices inflate annually at these rates:

Commodity	Annual Increase
Natural Gas inflator	5.00%
Electricity inflator	3.00%
Water inflator	8.00%
Public Lighting inflator	6.00%

10. This projection does not take into account the potential loss of revenue which may occur with the implementation of the light rail system or other alternative transportation systems that may be utilized throughout the city of Detroit and Midtown.

11. The current annual debt service obligations include the following University bond issues:

Annual Debt Service	FY10	FY11	FY12	FY13	FY14	FY15
Series 1993 (Matures 9/30/2013)		\$ 108,524	\$ 108,524	\$ 108,524		
Series 2007 (Matures 9/30/2038)		1,086,000	1,086,000	1,086,000	1,086,000	1,086,000
Series 2008--formerly Series 2002 (Matures 9/30/2036)		555,997	555,997	555,997	555,997	555,997
Series 2009A--formerly Series 1999 (Matures 9/30/2030)		1,905,000	1,905,000	1,905,000	1,905,000	1,905,000
	\$3,587,021	\$ 3,655,521	\$ 3,655,521	\$ 3,655,521	\$ 3,546,997	\$ 3,546,997

12. The “future structural repairs” of \$3.9 million recommended by the external consultant for the period FY2016 – 2020 are considered a component of regular maintenance and will be funded as part of the \$1.73 million annual allowance for regular maintenance.

13. No major projects or structure replacements have been identified or included beyond FY2015.

Exhibit C: 2009 Customer Survey Summary Results

1. Parking Operational Items

Respondents reported generally positive views about the operational aspects of parking in WSU parking structures and open lots.

- Hours of operation were reported as convenient by more than three-fourths (75.7%) of all respondents.
- Half of all respondents (48.4%) indicated they were satisfied with the customer service provided by parking-related staff.

2. Parking Safety Items

While, overall, respondents reported positive views about safety aspects related to WSU parking structures, they were somewhat less positive about safety aspects than operational ones.

- The majority of respondents (59.2%) indicated that they feel safe in WSU lots and structures, with a modal response of somewhat safe (48.9%).
- Over half of respondents (52.8%) reported that adding more parking attendants and security patrols would make them feel safer. About a third (32.8%) would feel safer if lots and structures were equipped with more and/or brighter lighter.

3. Parking Preferences

- Slightly more than half of respondents (51.6%) prefer to park in parking garages; about a quarter (24.3%) prefer open lots.
- Individuals who preferred parking in garages most frequently cited protection from weather as motivation for this preference (69.5%). Among those that preferred open lots, this was most frequently due to safety concerns (43.1%).

4. Parking Fees

- Of those respondents willing to pay higher fees for safety-related improvements, they were most frequently willing to incur an added fee to fund an increase in security parking attendants (28.8%). The modal category of increase they were willing to incur as \$0.25.
- Of those willing to pay higher fees for structural improvements, they were most frequently willing to incur an added fee for additional lighting (21.4%).

5. Shuttle Bus Operations

- The vast majority of respondents indicated they would be willing to pay \$0.50 or less per ride on the WSU shuttle (74.9%).
- Almost all respondents (92.1%) feel safe when riding the WSU shuttle bus.
- The shuttle bus is perceived to be accessible by almost three-fourths of all respondents (70.6%); however, 22% indicated they found the shuttle to be inaccessible.
- Most respondents were either somewhat (36.1%) or very willing (40.0%) to use the shuttle bus for travel to locations outside WSU's campus.
- More than half of respondents (59.5%) would like to see the shuttle route expanded to include a Downtown (People Mover) stop, and a third (35.4%) would like the shuttle to go to the Detroit Medical Center.

EXHIBIT D

WAYNE STATE UNIVERSITY

TO: Board of Governors
FROM: Rob Kohrman
SUBJECT: Providing Free Parking at WSU for Students
DATE: August 20, 2009

At the August 6th working session of the Budget and Finance Committee, some questions were raised about the ability to offer free parking to students and pay for the operations of parking in a different manner.

Specifically, the suggestion at the session was to charge students an additional amount as part of their omnibus fee or another fee, which would be charged on per credit hour basis. At the meeting it was suggested that if this mechanism was adopted, students would be paying less than they currently paid this year for their permits.

If this option were to be considered, a revenue stream of approximately \$4.5 M would need to be generated. Therefore, if the new revenue stream was based on credit hours, the fee would need to be approximately \$8 / hour. So if a student took 30 credit hours in a year, the total they would be "contributing" to the parking operations would be about \$240 per year versus the current amount of \$360. So on the surface it would appear that this would be a less expensive alternative for students. However, there are many other issues that impact this question. Based on these issues as explained below, at this point, we do not believe the University should change the methodology in which we collect / charge parking fees.

1. This analysis assumes that all students use the parking facilities equally. WSU has many students who live in the residential halls and don't use the parking facilities as frequently as other students. In addition, these "residential" students typically take heavier credit loads. The same case could be made for those students who take classes on-line or at an extension center. All of these types of students would essentially be subsidizing the parking fees for other students who use the structures more frequently.
2. There are more than 500 street parking spaces that are used by students and these students are likely to park in the lots or structures if parking is paid for through a fee; therefore additional structures may be needed in the future, and there could be more wear on the existing structures with the additional utilization, adding to existing maintenance backlogs.

EXHIBIT D

3. All the gates will have to be revised for swiping in and out in an effort to manage the parking system. The cost to change this infrastructure will need to be estimated and provided as part of this analysis.
4. This type of parking approach may have more students electing to drive instead of using alternative transportation methods, thereby compromising efforts to improve sustainability.
5. The conceptual fee of \$8 only considers the cost to operate the parking facilities and the current debt payment. It does not consider any future expansion, or the deferred maintenance that has been accruing over the years.
6. Parking is an auxiliary enterprise. By having this operation funded by the omnibus fee, it would mean that almost 60% of its operations were funded by the general fund. I think the University should have parking remain a stand-alone enterprise and not comingled as part of the general fund.

I hope this response helps to answer the questions that were raised about the issues involved in considering whether or not to offer free parking to our students, and the broader impact of such a consideration. Please let know if you have any additional questions.

C: J. Noren
Faculty and Student Representatives, Budget and Finance Committee