



Request for City Council Committee Action From the Department of Public Works

Date: November 22, 2005
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Referral To: Honorable Barbara Johnson, Chair, Ways and Means/Budget Committee

Subject: Minneapolis Off-Street Parking System Request for Proposals -- Approval of Proposed Operator

Recommendations:

- A) Approve the selection of AMPCO System Parking as the operator of the Municipal Parking System for the period commencing April 1, 2006 and continuing for up to three years with two single year extension options.
- B) Authorize proper City officers to negotiate final terms and enter into the Management Agreement by December 31, 2005 for the operation of the Minneapolis Off-Street Parking System with AMPCO System Parking. The negotiated terms shall include provisions that provide:
- sufficient goals and programs for branding and marketing
 - annual incentive plans, related to revenue enhancements or expense reductions, and
 - methods to allow the rehiring of existing employees as appropriate.

Previous Directives:

- On September 3, 2004, the City Council approved issuing an RFP for the operation of the Municipal Parking System in order to meet the April 1, 2006 current contract expiration date.

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Approved by:

Klara A. Fabry, P. E., City Engineer, Director of Public Works

Presenter: Michael W. Sachi, Parking and Skyway Systems Engineer

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

The Public Works Department is pleased to bring forward our recommendation regarding the operation of the Municipal Parking System. We have completed an exhaustive process to solicit proposals, review and evaluate the proposals received and interview the “short-listed” candidates. We are now prepared to bring forward the recommendation and request authorization to begin the final negotiations with the selected provider.

Background and RFP Process

The Public Works Department operates the Municipal Off-Street Parking System that includes 32 separate facilities and has a total of 25,554 parking spaces. Public Works is assisted by a private operator, currently Municipal Parking, Inc. (MPI), to handle the daily operations related to parking, security and minor maintenance needs. In 2004, the City Council authorized Public Works to prepare and issue a request for proposals (RFP) as the final year of the current agreement ends.

Public Works, along with consultant assistance, prepared an RFP for a three-year contract, with two single-year extension options. The draft RFP was reviewed by various City departments and also by members of the Project Excellence Committee, as well as undergoing a peer review by a national consultant who had not participated in the drafting of the documents. The RFP was released on August 25, 2005. Public Works held a pre-proposal conference and walk-through/tour of the Parking System for prospective bidders on September 8. A total of five proposals were received on October 12 and these were then distributed to the review team at a meeting on October 13.

The review team, made up of representatives of Public Works-Traffic and Parking Services and Public Works-Administration, Finance and Civil Rights Departments, and a representative of MnDOT, met again on October 19 to review their findings and to initially score the proposals received. The consultants that assisted in the drafting of the RFP and associated exhibits were present at these meetings, but did not vote or score the proposals.

Public Works attempted to structure an appealing incentive plan and had hoped that each respondent would force themselves to be more aggressive in their management fee bid, based on the assumed award of a portion of the incentive. Public Works stressed this in the RFP documents as well as at the pre-proposal meeting. Unfortunately, the market is such right now that none of the companies seemed willing to substantially “risk” part of their annual fee on the incentive. This issue will be carefully addressed in the negotiation stage.

Scoring and “short-listing”

The scoring and was divided into three major components:

- Costs and fees – 350 points possible
- Experience and background -- 300 points possible
- Operations, transition and marketing -- 350 points possible

In addition, there were several sub-categories under each major component, all of which combined to total 1,000 possible points. The review team evaluation scores were averaged to determine the overall score for each respondent. Upon final score compilation only two of the five proposals were awarded in excess of 70% of the 1,000 available points, with 70% being the pre-determined minimum score to advance to the next stage.

The top two respondents, Municipal Parking, Inc. and AMPCO System Parking, were short-listed because a) they met the 70% threshold score level and b) there was a significant \$1.2 million gap in the “hard costs” submittals between the top two proposals and the bottom three proposals.

After compiling all scores from the voting members of the review team, the short-listed candidates were notified of their interview time and date. Other respondents were sent letters that thanked them for their proposal but notified them that they had not been selected to be interviewed.

Interviews

The short-listed companies, MPI and AMPCO System Parking, were interviewed on November 2. The interview team included representatives from Public Works -- Traffic and Parking Services, the Director of Public Works, a MnDOT representative, and a representative from each of the City Finance and Civil Rights Departments, and additionally the consultants acted as Public Works technical advisors.

Public Works followed up the interviews with checking of references and clarified some further points about their proposals and interview presentations.

Consensus and Recommendations

After considerable discussion and reflection among the interview team members and consultants, the consensus and recommendations are summarized below in the following three components:

- Costs and Fees
- Experience and Background
- Operations, Transition and Marketing

Costs and Fees

Although there is a difference in hard cost between the two companies, overall, the difference is somewhat insignificant as compared to the off-street parking revenues (\$34 million annually) that can be generated from the system. The difference is approximately \$483,430 over the course of three years (about \$161,000 per year). This amount could be easily expended in marketing consultants and advertising by MPI over the course of three years as they attempt to build experience in marketing or improved management of the facilities. This would be deemed a reimbursable expense and would be a cost to the City. Public Works concludes that some of this marketing experience already exists within AMPCO and would be brought to bear by AMPCO during the term of this agreement.

Experience and Background

It has been determined that either of the top two candidates can “basically” manage the City’s Municipal Parking System going forward. The amount of Public Works oversight and effort will vary between the two candidates as one is a national, experienced parking management firm with hundreds of locations across the country and the other is the local incumbent company that only has experience managing the City system. The national firm clearly has more depth of

experience and depth of management. The incumbent is small and has limited management strength and back-up capability.

The abilities of each of the two finalist companies vary. On one hand, you have a savvy national firm with experience across a broad range of operations and on the other hand, you have the local incumbent operator who is intimately familiar with the City facilities and properties. Each firm can do the “basic” job required. Public Works can work with either company going forward, but has strong reservations about their leadership and management abilities. Public Works has discussed with both candidates their resource pool for improved proactive management.

Operations, Transition and Marketing

As part of the Parking Fund Work Out Plan and the Project Excellence effort, a branding and marketing plan is to be developed for the City properties. It is clear that the national firm is better situated to accomplish the goals of establishing the marketing plan. But, as any such plan will come at a cost and at a time when revenues are flat, it is just as important to control cost as it is to increase revenue. Our facilities are best suited to market toward office workers in the downtown area and we will be the benefactors of better business as occupancy in our downtown area once again increases. The City, along with the parking operator, can market for added occupancy in the downtown office core.

Our transient and event business is also important to us and we can actively market to the venues holding the various events downtown. Either of the two finalists can accomplish these event marketing efforts. Oversight and direction from Public Works will be required as we try to balance the costs of advertising versus the expected business benefit.

Both MPI and AMPCO provided a number of marketing ideas, and a few examples are listed below:

MPI Marketing Ideas

- Frequent Parker Program-discounts for long-term monthly parkers
- Developing brand identity of parking system
- Adjust rates to better match business patterns
- Pre-sale of parking to event attendees
- Rent vacant parking space for storage of boats, trailers, etc.
- Add Kiosks in open spaces

AMPCO Marketing Ideas

- Discounts for group pricing, long-term commitments
- Debit cards for frequent visitors, or staff/employees working flexible hours
- Adjust parking rates to better match business patterns
- Sell advertising space in facilities, on tickets, in skyways
- Add vending machines where appropriate
- Enhance the image of the parking system to reinforce identity
- Conduct customer surveys to gain insight on perceptions
- Advise City on updates to website
- Advise City on promotional efforts
- Present recommendation on signage, wayfinding and informational displays
- Review possibility of implementing shuttle program for fringe facilities

It is expected that Public Works would have numerous hours of effort involved in transition if AMPCO System Parking is selected, hours that would not be needed if the incumbent company,

MPI is selected. AMPCO would have transition expenses which MPI would not. However, the transition is not expected to impact the parking customers as AMPCO proposes to conduct hiring fairs to retain as many of the existing line employees that have contact with our customer base. Also, Public Works would have more involvement directing the operation of MPI going forward due to their limited and varied operational, management and leadership experience.

In the final analysis, when reviewing the recommendations of the Project Excellence report, we feel that the experience of AMPCO in the operation of other municipal parking operations, in Des Moines, IA, Akron, OH, and Kalamazoo, MI along with other locations (Minneapolis/St Paul International Airport, etc.) better equips them with the experience and expertise to more quickly and inexpensively implement new marketing and branding concepts. The “bench strength” that can be gained with a national firm is important to the City now at a critical time for improving parking operations net revenue. Net revenue is improved through two factors: improved gross revenue and decreased cost of operation.

The RFP proposal ideas presented were mostly oriented toward cost reduction. Public Works is confident that improvements in operational oversight and centralization of accounting functions will result in reduced costs of operation. The experience in AMPCO’s background and through the operation of other parking operations makes them more likely to be a pro-active player in the improved revenue stream rather than a reactive player that MPI represents today. The depth of AMPCO’s operational background was evident. While MPI was the leader in the section on costs and fees, AMPCO’s scores were stronger in the areas of operational history, background and experience, along with stronger initial marketing plans. This difference in costs versus other categories demonstrates the strength of each company and Public Works concludes at this time that the strength of AMPCO in operational history has a better opportunity to immediately benefit the City, while still working to trim operational expenditures.

City Council Action Requested

Based on the consensus of those participating in the RFP review process, Public Works is requesting authority to begin immediately to negotiate and enter into an acceptable Management Agreement by December 31, 2005 with AMPCO System Parking.

Public Works will use the negotiation time to ensure that the final management agreement includes provisions that provide:

- sufficient goals and programs for branding and marketing of City facilities
- annual incentive plans, related to revenue enhancements or expense reductions, to best benefit the City
- methods to allow the rehiring of existing employees as appropriate

We anticipate negotiations to be completed by December 31, 2005 in order to have a final, signed contract in place no later than January 30, 2006. The new contract will be effective at 6:00 AM on April 1, 2006 and there would need to be a transition period between the contract signing and commencement of the new agreement.

Therefore, Public Works Department requests that proper City officers be authorized to negotiate and enter into a final contract by December 31, 2005 with AMPCO System Parking for the management of the City’s Municipal Parking System for the three year period commencing April 1, 2006.