

File No: 27-17-021
RDC-781019

Mayor
Chairperson and Members
STRATEGY POLICY AND FINANCE COMMITTEE

PARKING SERVICES (NEW TECHNOLOGY AND ENFORCEMENT)

Report prepared by: Peter Dine, Kerry Starling, Procurement Evaluation Team

Report reviewed by: Stavros Michael, General Manager Infrastructure

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of the report is to present the rationale for a change in the Council's Parking Services and to recommend a preferred service provider to partner with Council in the management of parking services in Rotorua District.

2. EXECUTIVE SUMMARY

Rolling reviews of a range of Council services aim to identify current issues and explore viable options to address these issues in a manner that would best position the services for anticipated demand growth, to ensure reliability and long term cost effectiveness. Within this context the parking services were also reviewed.

The review of the current parking services identified rising demand for parking spaces as a direct result of economic and population growth, obsolete assets are not meeting modern user expectations and escalating operating costs against a trend of declining revenues.

A wide range of options were tested through a systematic procedure involving early market involvement (EMI) of the specialist parking services sector. The key objectives of this exploration were centred onto asset modernisation required to meet user expectations, improved parking management processes, more effective/efficient parking regulations enforcement and optimised net cost to Council.

In broad terms the options explored were based on the following themes;

- Status quo (no change).
- Full, Council led parking policy setting, Council capital investment and upgrade of current obsolete assets, upgrade of processes and related technology and updated direct Council enforcement.
- Council led parking strategy and policy with market led provision of capital investment on new assets, upgrade of parking management processes and related supporting technology as well as parking enforcement.
- Fully outsourcing the service with Council receiving a royalty based net revenue from allowing an external operator to use public space and providing parking facilities and services.

The comprehensive analysis of the possible options analysed identified that on-going Council led parking policy and strategic management of the parking services paired with specialist sector provision of assets, processes and logistics would offer the most balanced multi-criteria based outcomes.

Following this conclusion, a staged procurement programme was executed to identify the most suitable specialist parking services partner. The preferred partner (Harding Traffic Ltd) will fund, install, operate and maintain new modern technology based parking assets worth approximately \$2.0 million for a period of up to ten years. The partner will provide all related on the ground support services including enforcement and customer/user interface. Current enforcement staff (4) will be offered the opportunity to join the service provider under agreed terms and conditions.

The services include;

- Implementing number plate recognition as the technology to manage parking where regulatory provisions apply inclusive of the parking building and off street paid parking
- Upgrading all on street parking technology to touch screen terminals capable of accepting a wide range of payment options including web based systems
- Provision of a contact centre, contract manager, five wardens, vehicles and all administrative support services including prosecutions through Ministry of Justice
- Regulation of all parking services including implementation of Council policy, Council's statutory obligations for warrant and registration compliance, management of suburban parking including shopping centres and schools along with specific events.

It is officers' view that the option identified whereby Council continues to set strategic and parking policy direction including the setting of parking fee regulations while a specialist parking services provider undertakes all asset investment and operational service tasks ensures the most effective outcome for the service and minimises future risks for Council.

Officers' recommendations therefore are;

3. RECOMMENDATION 9:

- 1. That the report 'PARKING SERVICES, NEW TECHNOLOGY AND ENFORCEMENT SERVICES' be received.**
- 2. That the Committee recommends to Council that Harding Traffic Limited be awarded a contract to manage all parking services within Rotorua District.**
- 3. That the Committee recommends to Council that the Chief Executive is delegated the authority to negotiate the final terms of a contract with Traffic Limited within the parameters set out in this paper.**
- 4. The Committee notes that officers will bring proposals to the Council's Long Term Plan deliberations (as part of the fees and charges review) concerning the application of parking tariffs in the inner city zone .**
- 5. That this report be made publicly available on final award of the Contract**
- 6. That the minutes relating to this item be made publicly available on final award of the contract.**

4. BACKGROUND

Parking Policy and Objectives

Parking management plays an increasingly pivotal role in the whole of Transport system in modern communities and more importantly successful urban centres depend heavily on the availability of well operated and demand balanced parking facilities, both for on street and off street.

The Rotorua Lakes Council's policy is designed to support important economic, recreational, traffic management and regulatory objectives. The Parking Policy and the regulatory framework supporting it were reviewed in late 2015. The review, informed by extensive inner city stakeholder feedback, resulted in modifications to the CBD parking regulations. The 2015 review and the resulting parking changes along with other CBD revitalisation programmes provided a platform for increased activity in the city centre and enhanced economic performance.

The aggregate effect of the current and anticipated future growth of the district is increasing demand on limited on-street parking space. The Parking Policy's primary objectives remain centred onto enabling convenient, equitable and safe access to businesses, recreational and social destinations especially in the CBD.

Cognisant of the last three years' efforts in this activity and within the context of the 2018-2028 LTP framework which aims to bolster the District's growth it is therefore the right time to evaluate the Council's parking services and to explore ways of achieving a step change to future proof the Council's ability to respond to emerging demand and more complex community expectations.

Some key observations on current parking facilities/services

The parking facilities controlled by the Council comprise;

- Approximately 3,500 spaces including all day parking, metered parking, time limited parking, taxi stands, disability spaces etc.
- Approximately 1,400 spaces are all-day free parking and some 500 spaces are free but time limited.
- Some 1,500 spaces are controlled by on ground sensors (becoming problematic)
- Metered spaces are controlled by old meter heads and some Pay and Display machines that accept only coins for payment. Requiring more frequent repairs and lack parts.
- Enforcement of regulations are conducted on foot through hand held devices by 5 wardens.
- Highest demand between 9.00 am and 5.00 pm in the CBD.
- Most occupied locations Eruera, Pukaki, Pukuatua, Tutanekai, Arawa, Whakaue streets with occupancy between 70-90%.
- Peripheral to core CBD spaces – mostly free all day parking- occupied by workers exacerbating demand in core CBD.

Broad parking revenue rationale

The creation of parking spaces is not a necessary function of a road corridor. The road corridors serve transportation of people, goods and services. The provision of parking spaces benefits the user (who monopolises parking space) and the business/activity destination of the user.

Parking revenue calculations are designed to cover the costs associated with creating, maintaining and renewing the parking spaces, the systems and equipment that regulate the use of the spaces, the enforcement resource and the logistic support resources required to operate a parking management system.

Revenue calculations, to recover the related costs, should generally be based on payable fees to park. Revenue arising from infringement notices is not secure revenue neither should be set as revenue target because ultimately the objective of good parking policy is to encourage all users

to behave according to the regulations enacted by the Road Controlling Authority or the National Authority.

Parking enforcement's primary objectives are to ensure equity i.e. users do not abuse the allowed parking regulations including time limits, safety provisions etc thus depriving others from using the designated spaces and enabling the fair rationing of limited spaces to ensure optimised access to destinations.

Our parking services revenue trends

In recent years the revenue derived from the use of parking spaces has steadily declined. This decline of approximately 30% is evident in both streams of revenue (a) Metered Fees and (b) Infringements.

The gross revenue now averages around \$2.0 mil p.a. as opposed to just over \$3.0 mil p.a. in 2012/13. The rate of decline has been steady in every one of the last 5 years.

During the same period, demand for spaces has increased as a result of the growth in the district's economic activity, population and visitors. In spite of the introduction of free parking in the core of the CBD the revenue trend is inconsistent with the growth in demand.

Identified reasons for such revenue base decline include but are not limited to;

- Policy driven free parking growth to nearly 60% of all available spaces
- Obsolete equipment (meters and P&D) can only accept coins whereas most transactions are increasingly now based on electronic means, cards, apps etc.
- Enforcement productivity is low due to old technology. The manual method of enforcement is inefficient and anecdotal evidence would suggest that many users simply do not pay for their parking space as they perceive the risk of receiving an infringement notice low.
- Poor data support and trends analysis.
- Currently the parking services activity is provided in house and forms a part of a number of staff jobs at a management and overview level. That creates a low intensity focus on the activity.

In simple terms there is an urgent need to upgrade the parking services infrastructure, systems and to review the operational management of the activity.

Market exploration

With the above in mind staff reported regularly to Council on a programme, initiated earlier this year, to explore options that could address current identified deficiencies but most importantly to prepare the Council's parking services for the future.

The most pertinent matters of interest in this exploration were centred onto a few themes. Requests for Proposals (RFPs) were called for;

- Funding and provision of equipment replacement and modernisation to enable the full range of transactions including coins, cards, apps, electronic bookings etc. as well as to cater for multi-language communications to recognise increasing numbers of foreign visitors.
- Systems to provide reliable and timely data to support policy development and operational agility.
- Improved enforcement efficiency and verifiable information to support prosecutions.
- Flexibility to adjust parking tariffs and convey effortlessly changes to regulations.
- Parking management in suburban areas and around schools.
- Parking enforcement including the management of technology and labour resources.

- All associated management and administration services.

Results of the Request for Proposals

The process has been careful and it was undertaken in several stages and sequential steps, consisting of:

- Invited a request for expressions of interest (REOI) from suppliers of parking services to a briefing regarding intention of Council to consider a management contract.
- Running a formal request for proposal process (RFP) with six companies who demonstrated the best skills and experience through the EOI process; and
- Narrowing down to three companies who offered the best overall proposals to Council including financial components.
- Having a presentation from, and face to face discussions with, the three preferred suppliers

Following this, a careful analysis and comparison of the submissions was carried out.

The RFP included requirements to ensure that any proposal for services was aligned and consistent with Council policy objectives and that the Council would always retain the key function of setting policy direction. The proposals were evaluated against the following criteria.

- Relevant Experience and Track Record (20%)
- Methodology (Proposal Specifics) and Management Systems (50%)
- Value for Money (30%)

The three best proposals were invited to make presentations to the evaluation team and to respond to a range of specific inquiries and questions on their bid. Following the presentations and the responses to questions along with further detailed financial analysis a preferred supplier has been identified.

The proposal of Harding Traffic Ltd is the preferred one as it provides the best overall value in terms of technology, services and price. A synopsis of their proposal includes:

- Funding, installation, operations and maintenance of 77- 80 touch screen parking terminals in the CBD including parking building and off-street parks, capable of accepting all payment options from coin to mobile parking apps
- Screens on terminals with capability for customised messages
- The terminals have the ability to be programmed to promote local activities or events
- Complete flexibility in permitted free times e.g. 1st hour free or variations thereof
- Up to 16 languages able to be programmed in
- Utilisation of Licence Plate Recognition (LPR) technology as means of payment and enforcement
- Two vehicles one equipped with mobile camera technology for LPR and one for general use
- Provision of a manager and five on-street wardens utilising the same LPR technology fully integrated in real time with hand held cameras
- Pre-programming of exempt or long term permitted vehicles
- Future proof of system that would allow for registration of special vehicles via the Ministry of Transport eg passenger vehicles, mobility card holders
- Option to expand to off street and currently non-paid areas as demand and policy evolves

- Capability to provide required parking utilisation live data
- Provision of all administration services including dealing with complaints and the Ministry of Justice for prosecutions

Harding Traffic Limited – Brief outline

Harding Traffic Limited are a specialist company within the traffic industry specialising in electronic traffic control with a focus on the assembly, supply and installation of intelligent traffic management systems. The terminals offered are State of the Art and in fact the only ones offered with touch screen capability. Harding traffic has partnered with Gtecna who provide the software specifically written for parking enforcement. Again this is a specialist company that offers a comprehensive package that supports the parking terminals, enforcement systems and also provides a seamless interface with the Ministry of Justice e-filing system.

Harding Traffic Ltd is proposing to partner with NZ Enforcement Services but may also choose a local provider.

Anticipated benefits of the proposal

The range of proposals offered in response to the Council's request would deliver a number of benefits such as;

- Modern equipment to cater for a variety of users' needs
- Off-setting the need for Council to invest some \$2.0 mil in upfront modernisation costs
- Specialist expertise in managing, operating, maintaining sophisticated technology
- Ability to expand and adjust zone with consistent systems
- Positioning the service for anticipated demand and population growth
- Improved revenue through better compliance and possible policy tariff adjustments (LTP consideration)
- More efficient/effective enforcement leveraging on technology
- Addressing growth in visitor driven demand

5. DISCUSSION AND OPTIONS

The completion of the Request for Proposals procurement process crystallises that a number of options are available to Council. Each option contains varying degrees of benefits/advantages and fitness to meet current and future risks.

<i>Option</i>	<i>Description</i>	<i>Brief Notes</i>
Option 1.0	No change. Stay with current systems and service processes.	Equipment and facilities remain as they are. Enforcement undertaken by in-house personnel. Full service management by Council.
Option 2.0	Council invests in the upgrade of all equipment, systems and processes to achieve improved service.	Council; Undertakes the capital investment. Installation and operational management of new equipment. Upskilling of personnel.
Option 3.0	Split services into two components <ul style="list-style-type: none"> • Equipment • Enforcement 	Under this option the supply, installation, operation, maintenance of equipment contracted to external suppliers and, Enforcement retained in house.

Option 4.0	Strategic control remains with Council in setting policy and tariffs as well as outcomes management but delivery of service (equipment/enforcement) outsourced	Council retains the lead role in defining policy objectives, setting parking tariffs and monitoring the performance of the service. Council receives all income arising from the policy application. External party is paid a fee to fund, install, operate, maintains new equipment. Also to apply enhanced enforcement based on new technology and to act as the Council's agent.
Option 5.0	Complete outsourcing of the service	Council permits the operator to fund, install, operate and maintain equipment. Operator sets up parking tariffs and applies enforcement as required to achieve policy objectives and optimise revenue. Operator incurs all costs, retains all revenues and pays Council an agreed net royalty.

The procurement process has demonstrated that there are viable options for the future of the service. The preferred option is the one that accrues the most advantages to Council/community while addressing the known risks.

<i>Option</i>	<i>Notes/Comments</i>	<i>Recommended or Not</i>
Option 1.0	A continuous decline in equipment reliability, reducing income, increasing costs and poor alignment with emerging public practice to conduct transactions via a variety of methods. Poor positioning with anticipated future demand and inconsistent with 2030 vision of a modern and an attractive place to work, visit and play.	Not Recommended
Option 2.0	Maintaining the full service in house does mean upgrading the current infrastructure which it is becoming unreliable and importantly does not meet the expectation of the customer particularly with the lack of payment options. The current LTP does not make have provision for new terminals so this would have to be allocated in the 2018-28 LTP. The capital cost is approximately \$2.0 mil. Staff will be required to acquire new skills, technology and processes to operate the new equipment which it is problematic for a community of Rotorua's size and will be more difficult to maintain such skills set due to	Not Recommended

	scale.	
Option 3.0	<p>Equipment can be supplied, funded, installed, operated and maintained as required to modernise and future proof the service.</p> <p>Enforcement staff will be required to acquire new skills, technology and processes to operate the new equipment which it is problematic for a community of Rotorua’s size and will be more difficult to maintain such skills set due to scale.</p> <p>Linking overall service performance between equipment and enforcement becomes problematic due to segregated lead agency functions between the equipment operator and the enforcement. Defused service ownership.</p>	Not Recommended
Option 4.0	<p>Strategic control of the service remains with Council which sets the parking policy and regulates the parking tariffs as it sees fit to serve its wider strategic objectives.</p> <p>The Council retains direct accountability for parking outcomes management and reserves agility to respond to emerging demand through regulation and service configuration.</p> <p>The upfront cost of upgrading the parking equipment is the responsibility of the external agent.</p> <p>The risk of maintaining, operating new technology rests with the party best suited to attain optimum performance for the new equipment and incentivised through fixed fee payments and dedicated KPIs.</p> <p>The risk of attracting, training, retaining personnel for enforcement rests with the agent.</p> <p>Aggregate revenue is optimised through modern payment methods, improved terminals’ functionality and efficient technology assisted enforcement.</p>	Preferred
Option 5.0	<p>While this option can deliver most of Option 4’s outcomes it contains a significant reputational risk.</p> <p>The agent could be seen to be engaging in a predatory application of the policy in order to maximise revenue at the expense of the Council’s broader objectives.</p> <p>Council’s net revenue (through royalties) will be more secure as it would leverage on the agent’s ability to enhance parking revenue.</p> <p>It would, in the public’s eyes, seen as enabling the exploitation of public space for maximum revenue.</p>	Not Recommended

It is officers' view that option 4.0 would deliver the most balanced outcomes. Careful analysis and comparison of the options has been carried out assessing against the imperative of delivering on the outcomes that have been identified as the most important to our Council.

6. ASSESSMENT OF SIGNIFICANCE

The Council remains committed to providing important community outcomes through the Parking activity. This decision is about the methodology of delivering the services. Because of this, it is not considered that this decision is significant.

It is expected that, through this proposal, the levels of service will be improved over time with increased compliance to parking regulations.

Harding Traffic Ltd have enquired about utilisation of existing staff and in all likelihood the majority will have the option of transferring if they so wish under agreed terms and conditions.

Apart from capital upgrade requirements the operational funding is already included in the LTP hence from a financial viewpoint the decision is not considered significant.

7. COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

There is no proposal to lower the levels of service currently provided by the Council's Parking Services to the Rotorua community. The expectation is in fact that the levels of service will be improved especially with the flexibility and ease of various payment options.

As there is no change to the outcomes that Council is committed to achieving, but only to the way in which those outcomes are delivered, it is not considered that community consultation is necessary.

The public will be kept advised as the transition progresses through, particularly with the installation of new terminals.

Current staff have been regularly updated on progress in this option exploration and procurement process.

8. CONSIDERATIONS

8.1 Financial/budget considerations

PARKING REVENUE TRENDS

Revenue Type	2012/13	2013/14	2014/15	2015/16	2016/17
Traffic & Parking Infringements	1,629,000	1,596,000	1,499,000	1,237,000	1,202,000
Meters & Fees	1,375,000	987,000	666,000	697,000	752,000
TOTAL REVENUE	3,004,000	2,583,000	2,165,000	1,934,000	1,954,000

Notes:

The parking revenue trends decline over the previous 5 years. This is a result of policy changes but also of poor equipment (accept only coins – often out of service) and low enforcement productivity.

RECOMMENDED OPTION

The table below highlights that the basic options are;

- a. Stay as now – no change
- b. RLC invests to affect change and,
- c. RLC outsources to preferred services supplier.

The net revenue difference is not large but significant between the three scenarios. However it is important to note that there is significant risk related to obtaining and maintaining the expertise to operate modern high technology equipment, training staff and diverting scarce capital from other Council programmes.

	(a)	(b)	(c)
Activity Line Description/Comment	RLC as Current FY 2017	RLC Lead Agent New Equip.	Preferred Supplier HARDING
Parking fee payment revenue (2016/17)	\$ 752,000	\$ 950,000	\$ 950,000
Infringements/Prosecutions revenue	\$1,202,000	\$1,450,000	\$1,450,000
New equipment and improved enforcement estimated to produce additional revenue (approx. \$450k for b & c)	\$1,954,000	\$2,400,000	\$2,400,000
COSTS			
Direct costs	\$ 856,000	\$ 950,000	\$1,062,000
Cost of capital (\$2.0 mil @ 5%)		\$ 100,000	
Depreciation of new equipment (10%)		\$ 200,000	
Current depreciation	\$ 40,000		
Building depreciation	\$ 70,000	\$ 70,000	\$ 70,000
Vehicles and monitoring equipment	\$ 30,000	\$ 30,000	
Technology and staff training		\$ 30,000	
Corporate Overheads	\$ 210,000	\$ 210,000	\$ 210,000
Total Costs	\$1,206,000	\$1,590,000	\$1,342,000
Net Revenue	\$ 746,000	\$ 810,000	\$1,058,000
Capital Investment Required	No	\$2.2 mil	No

8.2 Policy and planning implications

This decision is designed to deliver existing and ultimately enhanced community outcomes for the Rotorua Community and customers of parking services.

8.3 Risks

The major risk will be a perception by the public that a new methodology will be seen as a way to increase revenue. There will be appropriate publicity focused on that RLC is seeking improved regulations compliance through better equipment and less reliance onto rather high level of infringement notices issued. Increased compliance will mean a fairer system for all.

The other risk would be that Harding Traffic does not perform to expectations leading to public criticism.

Given the preferred supplier's track record this is unlikely especially with the supplier investing significant capital resources into this contract. The contract will include appropriate performance monitoring indicators and processes.

8.4 Authority

Council has the authority to make the recommended decision

9. CONCLUSION

On the basis that Parking Services will remain a core function of the Council, evidence points to the need for systems, equipment and processes modernisation to meet user needs and to position the service to address emerging and anticipated demand.

Council could undertake the modernisation process entirely on its own. However the business case framework utilised to explore issues and options and the extensive procurement process concluded that the most beneficial option is the one whereby Council is focused onto setting and monitoring the effectiveness of parking policy while a specialist service provider manages the operational component of the policy.

To that effect, officers' recommendations with regards to the preferred supplier of services and if adopted by Council, would enable the transition process to begin with a target commencement date the beginning on 2018/19 year.

10. ATTACHMENTS

NA

ROTORUA LAKES COUNCIL

Minutes

**Strategy, Policy & Finance Committee meeting
held 6 and 7 December 2017 at 1pm
in the Council Chamber, Rotorua Lakes Council**

- MEMBERS PRESENT:** Cr Raukawa-Tait (Chairperson)
Cr Bentley, Cr Donaldson, Cr Gould, Cr Hunt (Deputy Chair), Cr Kent, Cr Kumar,
Cr Maxwell, Cr Sturt, Cr Tapsell, Mr Berryman-Kamp and Mrs Mohi (Te Tatau o
Te Arawa), Mr Thomass (Lakes Community Board) and Mrs Trumper (Rural
Community Board).
- APOLOGIES:** Cr Tapsell, Mrs Mohi and Mr Berryman-Kamp
- NO ATTENDANCE:**
- ABSENT ON COUNCIL
BUSINESS:** Mayor Chadwick
- STAFF PRESENT:** O Hopkins, Manager Corporate Planning & Governance; R Dunn, Governance
Lead; I Brell, Business Support Advisor; J Riini, Partnership Advisor; and
P McKenzie, Strategy Development Manager.

The Chairperson welcomed everyone present and declared the meeting open.

EXTRACT

8.3 RECOMMENDATION 9: PARKING SERVICES (NEW TECHNOLOGY AND ENFORCEMENT)

27-17-021

Resolved

1. That the report 'PARKING SERVICES, NEW TECHNOLOGY AND ENFORCEMENT SERVICES' be received.
2. That the Committee recommends to Council that Harding Traffic Limited be awarded a contract to manage all parking services within Rotorua district.
3. That the Committee recommends to Council that the Chief Executive is delegated the authority to negotiate the final terms of a contract with Harding Traffic Limited within the parameters set out in this paper.
4. The Committee notes that officers will bring proposals to the Council's Long Term Plan deliberations (as part of the fees and charges review) concerning the application of parking tariffs in the inner city zone.
5. That this report be made publicly available on final award of the Contract.
6. That the minutes relating to this item be made publicly available on final award of the contract.

Cr Gould/Mr Berryman-Kamp
CARRIED

Cr Donaldson/Cr Hunt
CARRIED
SPF/12/64

Cr Gould & Cr Kent requested that their votes against this decision be recorded