

LONG STAY CAR PARK LEVY

Committee Finance and Corporate Performance

Presenter Cr Shanahan

Purpose

1. To:
 - 1.1. inform Council of the preparation of a funding agreement currently being negotiated between the State and Council to be signed by the Chief Executive in accordance with Council's resolution on 25 October 2005;
 - 1.2. recommend a framework for ongoing expenditure of Council's share of levy proceeds together with initiatives for funding in 2006; and
 - 1.3. respond to Council's resolutions on 25 October 2005 and 13 December 2005 with respect to the levy.

Consideration at Committee

2. As a result of consideration at Committee, the alternative resolution as detailed below was adopted.

Recommendation

3. That Council:
 - 3.1. endorse the funding framework detailed in this report to guide Council in spending funds provided by the State from the levy;
 - 3.2. adopt the 2006 initiatives outlined in this report, subject to receiving the parking levy allocation from the State;
 - 3.3. receives a six monthly status report on compliance with the objectives of the levy;
 - 3.4. the proposal for 19.7 be redirected to the project specified in paragraph 20.3 (Flinders Street footpath between Swanston and Queen Streets) of the report; and
 - 3.5. to amend 22.5 to provide for a review of the effects of the reversal of traffic flow in Little Collins Street (from west to east).

Council Report Attachment:

1. Finance and Corporate Performance Committee, Agenda Item 5.7, 7 February 2006

**FINANCE AND CORPORATE
PERFORMANCE COMMITTEE REPORT**

Agenda Item 5.7

7 February 2005

LONG STAY CAR PARK LEVY

Division Sustainability & Innovation

Presenter Andrew McCulloch, Manager City Strategy

Purpose

1. This report:
 - 1.1. informs the Committee of the preparation of a funding agreement currently being negotiated between the State and Council to be signed by the Chief Executive in accordance with Council's resolution on 25 October 2005;
 - 1.2. recommends a framework for ongoing expenditure of Council's share of levy proceeds together with initiatives for funding in 2006; and
 - 1.3. responds to Council's resolutions on 25 October 2005 and 13 December 2005 with respect to the levy.

Recommendation

2. That the Finance and Corporate Performance Committee note the commencement of the long stay parking levy and the preparation of a funding agreement and recommend that Council;
 - 2.1. endorse the funding framework detailed in this report to guide Council in spending funds provided by the State from the levy; and
 - 2.2. adopt the 2006 initiatives outlined in this report, subject to receiving the parking levy allocation from the State.

Key Issues

3. The Long Stay Car Park Levy became operational on 1 January 2006.
4. As part of the introduction of the levy, the State Government committed to provide the City of Melbourne \$5 million per year for transport initiatives. The first instalment will be received following the signing of a funding agreement, at which point Council can allocate the funds. This presents Council with an opportunity to fund projects that will implement its Transport Strategy, over and above resources available through its normal budget process.

Finance

5. Beyond 2006, the payment of the levy from the State Government will occur in January each year. It is likely that revenue and expenditure associated with the Long Term Stay Car Park Levy (Levy) will overlap financial years. This is to say that the total revenue in any given year is unlikely to match total amounts expended on programs and projects resulting in a net surplus or deficit of funding reported by Council and included in its annual financial statements.
6. To effectively control revenue and expenditure and comply with the draft agreement, specialised financial reports will be prepared to monitor and record expenditure against specified activities agreed with Council. The activities will be established in the financial records for the remainder of the 2005/06 financial year and provision will be made for the 2006/07 budget and subsequent years.
7. Regular reporting of financial performance over the use of funding will ensure that Council is kept up to date on the progress of projects and programs and remaining funding carried over from previous years.

Legal

8. Legal advice has and will continue to be provided in respect to the levy and projects and programs which are to be funded through the levy.

Comments

Funding Agreement

9. A Funding Agreement is currently being negotiated in accordance with Council's resolution on 4 October 2005. The agreement will provide for:
 - 9.1. the State to provide Council \$5,000,000 each year, the first payment to be made as soon as practical following signing of the agreement, and subsequently on the first business day after 1 January of each year; and
 - 9.2. reporting and consultation, including:
 - 9.2.1. an Annual Report of expenditure to be provided by Council to the State;
 - 9.2.2. consultation with the State on initiatives Council intends to implement to address congestion and promote sustainable transport in the City of Melbourne on an annual basis; and
 - 9.2.3. the State to inform Council on the allocation of the State's portion of the revenue generated from the Levy.
10. The Funding Agreement will commit Council to spend the proceeds of the levy to address congestion and promote sustainable transport in the City of Melbourne. This is consistent with Councils resolution on 25 October 2005:

"...that revenue received by the City of Melbourne from the Long-Stay Car Park Levy be preserved within the Council's accounts for transport related purposes as set by Council's Transport Strategy once it is implemented or other sustainable transport initiatives approved by the Council...."

11. The Planning and Environment Committee will consider, on 7 February 2006, a draft Transport Strategy, recommending the Strategy be released for public consultation prior to finalising the strategy in June 2006. It is intended that this Strategy will provide a strategic basis for the future spending of Council's share of the levy proceeds.
12. On 1 February 2006, Council resolved to award a contract to introduce a Council funded free tourist shuttle bus connecting Carlton to Southbank via the CBD on a trial basis. It is anticipated that Council will fund this initiative via proceeds from the parking levy.

Funding Framework

13. It is appropriate that the allocation of levy proceeds be considered as part of Council's normal budgeting process on an annual basis. In doing so, Council will need to be mindful of its obligation to spend the levy proceeds on transport related purposes as set by its Transport Strategy or other approved sustainable transport initiatives. However, given the timing of the first instalment, which is expected to be received shortly, it is proposed that Council consider 2006 projects now to enable projects to commence as soon as possible. The 2006/07 budget will reflect Council's resolution in this respect.
14. It is anticipated that all proceeds may not be spent in any given year and initial projects will take longer than a year to complete due to the time required for design and construction of complex projects. It is therefore likely that a pool of funds will accumulate.
15. It is expected that Council will be required to consult the State on planned initiatives each year and provide an Annual Report to the State to account for the spending of the proceeds in accordance with the Funding Agreement.
16. To assist Council in its task, it is recommended that the following framework be adopted when allocating parking levy proceeds as part of the budgeting process:
 - 16.1. 75% Capital Works (Walking, Cycling, Public Transport Interface, Traffic treatments as guided by the Transport Strategy);
 - 16.2. 15% Services (initially the Tourist Shuttle Bus); and
 - 16.3. 10% Programs (behaviour change, monitoring, research).
17. Council also has an opportunity to leverage additional funding for projects over and above the \$5 million by partnering with the State on major initiatives. Council may choose to offer partial funding for some projects where there is a wider public benefit on the basis that the State contributes the balance of the total project cost.
18. The City of Melbourne performs a crucial function as the major employment centre in metropolitan Melbourne. It's economic vitality and prosperity relies heavily on transport networks beyond its municipal boundaries. Opportunities may arise in future years for levy funds to be used to subsidise sustainable transport initiatives outside the City of Melbourne that will improve accessibility to the City. Such opportunities should be considered where there is a clear benefit to the City of Melbourne.

19. Allocating 75% towards Capital Works translates to \$3.75 million being available immediately for Capital Works. In addition to projects fitting the recommended framework above, it is important that the first projects funded are highly visible and can be delivered quickly. This will give stakeholders a clear indication of Council's strategic direction. Recommended projects that fit these requirements are:

Project	Projected cost	Project Description
<i>19.1 - Little Collins Street Footpath (Exhibition to Spring)</i>	\$800,000	This project will provide for the widening of footpaths on Little Collins Street between Exhibition and Spring Streets. Footpaths in this section are currently very narrow, providing a poor pedestrian environment, particularly considering pedestrian volumes on this route which is a prime pedestrian route to Parliament Station. The road space allocation would be consistent with Little Collins Street to the west. Construction could commence early in the 06/07 financial year.
<i>19.2 – Manningham Street Bridge</i>	\$500,000	This project will provide a pedestrian and bicycle bridge over Manningham Street to connect Royal Park to the Moonee Ponds Creek bicycle trail. Design work will be carried out in January to June 2006 ready for works to commence in 06/07. The project will be co-funded with Vicroads. Additional funds may be required to supplement the 2006 funds depending on final design options.
<i>19.3 – Cycling treatments</i>	\$1,000,000	The draft Transport Strategy seeks to achieve a mode shift towards cycling, thereby creating additional capacity in other transport modes. Several routes are identified in the draft strategy as “Premium routes” which will encourage more commuters to choose cycling as a preferred travel mode. Treatments may include Copenhagen style treatments (which separate cycling space from vehicle space) and gateway treatments along arterial bicycle routes or clearway bicycle lanes in the CBD Streets to create safe cycling conditions. This is consistent with Bicycle Victoria’s submission to the Transport Strategy which also seeks to achieve a mode shift to cycling. Routes that would be investigated include Rathdowne Street, Albert Street, St Kilda Road, Flemington Road.

19.4 - <i>Cycling End-of-trip facilities Feasibility</i>	\$20,000	This project would investigate a concept that was raised by several submitters to the Transport Strategy, referred to as a “Cycling Superstation” which involves the provision of an end-of-trip facility for cyclists to the CBD, incorporating bicycle storage, showers and changing facilities. Alternative options would also be considered, including extending existing requirements for cycling facilities in new buildings to refurbished buildings.
19.5 - <i>Bus Loop Feasibility and Detailed Design</i>	\$100,000	This project would test the feasibility of the submission by the Bus Association to the Transport Strategy, which suggests bus priority lanes and associated bus super-stations in Queen Street and Lonsdale Street. This approach would lead to greater efficiency and recognition of bus routes within the CBD, maximising the opportunity for greater mode share.
19.6 - <i>Tram Loop Feasibility and Detailed Design</i>	\$100,000	This project would investigate the feasibility of a north-south tram loop in consultation with Yarra Trams and the Department of Infrastructure.
19.7 - <i>40 kilometre per hour road sign installation</i>	\$725,000	This project would introduce electronic signage for a 40 kilometre per hour speed restriction within the CBD. This project could commence early in the 06/07 financial year.
19.8 - <i>Northbank improvements detailed design</i>	\$475,000 (subject to co-funding with State)	Northbank has the potential to be incrementally upgraded over a number of years with the objective of completing this key section of the Capital City Trail. This important east-west component of the City’s bicycle network will require a number of projects to be completed as set out in Council’s “ <i>Northbank Promenade</i> ” documents of 2002, prepared in association with Parks Victoria and DoI. The initial project for 06/07 would be upgrading Northbank at Banana Alley between Sandridge Bridge and Queens Bridge. The Northbank precinct is managed by a range of state agencies and Council. This project represents a prime opportunity for co-funding.

19.9 - Swanston Street Improvements Feasibility	\$30,000	Access to trams needs to be significantly improved for the length of Swanston Street. Initially, two projects should be investigated for stops at City Square and the State Library Forecourt/RMIT. Balancing the demands of trams, service vehicles, cyclists and pedestrians will be the key to the success of this project.
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20. Should Council decide against any of the projects listed above, secondary projects which fit the funding framework described above include:
- 20.1. Upgrade of Northbank Promenade between Birrarung Marr to Princes Bridge, subject to partnership with State to match funds (\$400,000)
 - 20.2. Flinders Lane footpath upgrade between Spring and Exhibition (\$800,000)
 - 20.3. Flinders Street footpath upgrade between Flinders and Queen, subject to partnership with the State to upgrade the Flinders Street pedestrian underpass connecting to Southbank (\$800,000)
21. Council's budget allocation for the tourist shuttle bus is \$750,000 for a 12 month trial period, which would exhaust the 15% recommended allocation towards services for the 2006 funding allocation.
22. Allocating 10% towards Programs allows for a commitment towards behaviour change programs (eg. Travelsmart) which will lead local government, allow adequate funds to monitor congestion and the effect of the levy and investigate options that will be put forward as part of the Transport Strategy. The recommended breakdown for 2006 is:

Project	Projected cost	Project Description
22.1 - Travelsmart Business	\$100,000	This program would aim to achieve a mode shift from private vehicles to sustainable transport modes, by working with businesses to encourage employees to consider their journey to work.
22.2 - Travelsmart Neighbourhoods (Carlton)	\$30,000	This program would work with residents in local areas to encourage the take up of sustainable transport. As an outcome of Carlton 2010, Carlton would be the first area to be funded in 2006, followed by other local areas in subsequent years.
22.3 - Travelsmart Schools	\$12,000	This program works with local schools to encourage children and parents to consider walking and cycling to school, thereby increasing health and reducing road congestion. As an action of the Kensington Action Plan, Kensington would be the first local area to be funded in 2006, followed by other local areas in

		subsequent years.
<i>22.4 - Parking Levy/Strategy Monitoring</i>	\$32,000	This program would achieve Council's resolution to monitor the effect of the Parking Levy, particularly with regards to congestion levels and the effect on business.
<i>22.5 - Traffic/Parking Surveys</i>	\$100,000	This program will be used to inform the review of existing networks and investment in new transport infrastructure.
<i>22.6 - Parking and Access Strategy (Southbank)</i>	\$35,000	This program would review the on-street permit system in Southbank, following the successful implementation of the Carlton Parking and Access Strategy. In subsequent years, other local areas could be funded.
<i>22.7 - Sponsorship/Marketing</i>	\$90,000	This allocation would fund programs which support travel behaviour change. Recent examples include Ride to Work Day and the Westgate Cycling Punt. It will also cover the printing and launch the finalised Transport Strategy, engaging with all stakeholders to maximise Council's initiative in the transport task.
<i>22.8 - Research/Consultancy</i>	\$101,000	This allocation would be used to fund research and consultancy as identified in the Transport Strategy when implemented.

Response to Council's resolution on 25 October 2005

23. On 25 October 2005, Council considered the proposed levy and the State Government's declared intention to share revenue from the levy. Council's resolutions and the current status of these resolutions is as follows:

Resolution	Status
<i>23.1 That the City of Melbourne monitor and report on the extent of compliance with the objectives of the Long-Stay Car Park Levy in the first two years of its operation</i>	A methodology has been established to monitor and report the compliance with the objectives of the levy and the impact on congestion, parking prices and retail and business communities. As part of this methodology, a monitoring system has commenced to collect car park pricing data pre and post the introduction of the levy.
<i>23.2 That the City of Melbourne monitor and report in twelve months on the impact</i>	

<p><i>the Car Park Levy has had on traffic congestion in Melbourne and the cost of parking in the city both short and long term including the impact on retail and business communities</i></p>	
<p>23.3 <i>that the State Government be asked to:</i> 23.3.1. <i>consider inclusion of medical practitioners within the list of exemptions provided for emergency services;</i> 23.3.2. <i>commit all proceeds to sustainable transport initiatives relating to Melbourne only (eg public transport, walking and cycling) that are not otherwise scheduled to be funded by recurrent expenditure;</i> 23.3.3. <i>consult with the City of Melbourne with regards to how the proceeds are allocated on an annual basis; and</i> 23.3.4. <i>allocate to the City of Melbourne \$5M or 13 per cent of projected revenue, whichever is greater, on 1 January each year;</i> 23.3.5. <i>consider to include provisions in the legislation to prevent car parking operators passing on the costs of the long stay parking levy to the short stay users; and</i> 23.3.6. <i>clarify the impact of the Car Park Levy on car park spaces on Crown Land managed by the Council</i></p>	<p>The State Treasurer has been advised of Council’s resolution requesting these matters be considered as part of the agreement referred to in point 1.6.</p> <p>The Agreement will not deal with items 23.3.1, 23.3.5 or 23.3.6. Recent media reports suggest that the Treasurer has requested the Australian Competition and Consumer Commission monitor the cost of parking and ensure the levy is not being shifted to short-term parking. Officers will continue to liaise with state agencies to confirm arrangements with respect to these issues.</p> <p>Negotiations were unsuccessful to include a State commitment to achieve 23.3.2, however the State may agree to advise the City of Melbourne with respect to transport projects that will be funded in accordance with 23.3.3</p> <p>Negotiations are continuing with respect to Council’s request that the State index the proceeds of the levy in accordance with 23.3.4</p>
<p>23.4 <i>that, in accordance with options provided in the Long-Stay Car Park Levy Implementation Strategy, the number of long-stay spaces in public car parks owned by the City of Melbourne be established by actual usage records rather than the statutory ratio;</i></p>	<p>Current usage records indicate that only a small percentage of car park use within the City Square and Council House car parks (Council owned facilities within the defined levy area) is long stay (greater than 4 hours). Under the provisions of the levy, Car Park operators are charged for 75% of spaces unless actual usage records can substantiate that less than 75% of patrons are short term. Given that this is the case for Council’s facilities, arrangements have been made to use actual usage records.</p>
<p>23.5 <i>that revenue received by the City of Melbourne from the Long-Stay Car Park Levy be preserved within the Council’s accounts for transport related purposes as set by Council’s Transport Strategy once it is implemented or other sustainable transport initiatives approved by the Council;</i></p>	<p>A process has established for handling the levy income and accounting for the spending of the levy.</p>

<p>23.6 <i>by instrument of delegation sealed by the Council under section 98(1) Local Government Act 1989 (“the Act”) delegate to the Chief Executive Officer, or the persons from time to time acting in that position, the authority to enter into any necessary agreements with the appropriate agency of the Victorian Government to enable the transfer of the yearly proceeds of the Long-Stay Car Park Levy to the City of Melbourne; and</i></p> <p>23.7 <i>under section 98(3) of the Act, authorise the instrument of delegation to the Chief Executive Officer, or the person from time to time acting in that position, to empower him or her to delegate any power, duty or function delegated to him or her under the paragraph above, to a member of Council staff.</i></p>	<p>The Agreement will be signed in accordance with these delegations.</p>
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Background

- 24. On 25 October 2005, Council considered the proposed levy and the State Government’s declared intention to share revenue from the levy. Council’s resolution and the current status of such is noted above.
- 25. On 13 December 2005 Council resolved (in part) that a report be presented to the Finance and Corporate Performance Committee on the proposed expenditure of the 05/06 portion of the long-term stay parking levy. This report also responds to this resolution.

FINANCE ATTACHMENT

LONG STAY CAR PARK LEVY

Revenue from the Parking Levy of \$2.5 million is included in the 2005/06 FAF which was to fund \$0.5 million for the operation of a tourist shuttle bus and \$2.0 million towards capital works associated with transport initiatives.

As part of the preparation of the 2006/07 budget, revenue from the Parking Levy of \$5.0 million will be included.

Joe Groher
Manager Financial Services

LEGAL ATTACHMENT

LONG STAY CAR PARK LEVY

Legal advice has and will continue to be provided in respect to the levy and projects and programs which are to be funded through the levy.

Alison Lyon
Manager Legal & Governance