

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**

reports as follows:

AUDITS AND GOVERNMENT EFFICIENCY COMMITTEE REPORT relative to requesting the Controller, Office of Finance, and City Attorney to report on Parking Occupancy Tax collections including the current audit; and pending and ongoing litigation concerning uncollected parking occupancy tax revenue.

Recommendations for Council action, as initiated by Motion (Zine – Wesson – Garcetti):

1. NOTE and FILE Motion (Zine – Wesson – Garcetti) relative to requesting the Controller, Office of Finance, and City Attorney to report on Parking Occupancy Tax collections including the current audit; and pending and ongoing litigation concerning uncollected parking occupancy tax revenue.
2. REQUEST the City Attorney to report back to the Audits and Governmental Efficiency Committee on the following:
 - a. Draft language to amend the Los Angeles Municipal Code (LAMC) to authorize the denial of a business Police Permit application for a new permit for non-payment of business taxes and/or parking occupancy taxes.
 - b. Draft language to amend the LAMC to authorize the denial of a business annual Police Permit renewal for non-payment of business taxes or parking occupancy taxes.
 - c. Draft language to amend the LAMC to authorize that prior to reinstatement of a Parking Lot Operator's revoked or suspended Police Permit, the permit holder be required to:
 - 1) Pay all outstanding delinquent business taxes and parking occupancy taxes and any penalties and assessments.
 - 2) Install, at the permit holder's expense, automated and approved Revenue Control Equipment at each parking lot location that has had a Police Permit revoked or suspended (CF 09-0177).
 - d. Work with the Office of Finance to report back on the legal possibilities of requiring all parking lot operators to obtain a bond for each location to satisfy any delinquent tax similar to the regulation in the City and County of San Francisco, in addition the possibility of obtaining a lien on the property for non-payment of parking occupancy tax.

3. REQUEST the Los Angeles Board of Police Commissioners' general counsel to provide a status report to the Audits and Governmental Efficiency Committee on the Valet Parking Ordinance (CF 09-0206), and how it can incorporate the above recommendations.
4. INSTRUCT the Office of Finance and REQUEST the Los Angeles Board of Police Commissioners to report back to the Audits and Governmental Efficiency Committee on the feasibility of requiring the installation of revenue and control equipment for all business annual Police Permit renewals.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted

Summary:

At a special meeting held April 12, 2011, the Audits and Governmental Efficiency Committee considered Motion (Zine – Wesson - Garcetti) relative to requesting that the Controller, Office of Finance, and City Attorney report on Parking Occupancy Tax collections including the current audit; and pending and ongoing litigation concerning uncollected parking occupancy tax revenue. Pursuant to the Motion, representatives from the Offices of the City Attorney, Controller, and Finance, and from the Board of Police Commissioners' Commission Investigation Division (CID), appeared before the Committee to provide reports.

To open the discussion on this matter, the Committee Chair expressed concern that in light of the City's \$350 million projected deficit as of July 1, 2011, the City needs to be more vigilant in collecting what's owed to the City, especially since a large portion of that uncollected debt is uncollected parking occupancy tax revenue from parking lot operations (in fact, the Office of Finance reports that 9 of the City's top debtors are parking lot operators). Since parking lot operations are predominately cash businesses, they are prone to theft, fraud, and abuse which results in operators failing to remit the City's parking occupancy tax. Since 2008, approximately \$23 million of uncollected parking occupancy tax is in active litigation with the City Attorney, and this \$23 million represents 230 police officers on the streets, or 230 firefighters, or over 77 miles of street resurfacing. Therefore, the Committee Chair stated that there is an immediate need to examine the parking occupancy tax process and how to better collect the tax revenue that is owed to the City.

The representative from CID provided a brief overview to the Committee of the application process for parking lot operators to obtain a Police Permit, and what actions CID is authorized to take to bring into compliance parking lot operators who fail to obtain a permit prior to going into operation, or who fail to remit the parking occupancy tax. CID also reported that in a number of cases, individuals with a tax liability under one company will reorganize and obtain a permit under a new company without a tax liability and open a lot and keep that lot current, thereby walking away from the original tax liability. CID stressed that their only authority is over the police permit, regulation and enforcement of the permit, and over revocation cases referred to them by Finance.

CID also reported that the valet parking industry is currently unregulated in the City of Los Angeles. Public Safety Committee heard a Motion and CLA report relative to regulation of valet parking approximately 2 years ago (CF 09-0206). Off-street (hotels, restaurants, etc.) is not so much the issue as on-street valet parking. The City Attorney is in the process of moving the ordinance forward. CID recommended that regulation valet parking also be included in the proposed parking occupancy tax ordinance. The Committee Chair requested a status update on CF 09-0206 relative to the valet parking ordinance at the next meeting of the Audits and Governmental Efficiency Committee.

The Office of Finance then briefed the Committee on its processes and collection efforts relative to the parking occupancy tax. Finance recommended that the proposed parking occupancy tax ordinance provide the authority for CID to deny a police permit for those parking lot operators who are delinquent on remitting parking occupancy taxes. The Committee Chair concurred and indicated this was an additional loophole that needed to be closed to prevent parking lot operators from continuing to operate while failing to remit parking occupancy taxes. Additionally, the Office of Finance discussed the use and effectiveness of the contracted outside auditor, The Parking Network and expressed satisfaction with the services that this vendor is providing to the City toward onsite investigation, surveillance, and financial auditing and assisting the City with collecting an additional \$8.1 million of parking occupancy tax and that the vendor's pay is based on the identified and collected tax.

An Assistant City Attorney then briefed the Committee on the various litigation cases they are pursuing against parking lot operators and reported that there are currently 30 cases against parking operators, 21 are pending, 7 have been settled, and 2 have filed bankruptcy and City Attorney has actively followed those two entities into bankruptcy court to ensure the City receives what is owed to it. Additionally, the City has won a substantial judgment against Prestige Parking of \$5 million total on the criminal and civil sides. As an aside, the Assistant City Attorney noted that valet parking operators are indeed subject to the City's parking occupancy tax, however, the regulatory aspect is not in place at this time but the City Attorney is pursuing cases against them.

During the discussion, the Committee Vice Chair inquired about the use of revenue and control equipment and whether there was such a requirement. CID reported that there currently is no such requirement, but if there were, CID would be the enforcement agency for ensuring its installation. The Committee Vice Chair recommended that the City Attorney amend the proposed parking occupancy tax ordinance include language regarding installation of revenue and control equipment, that CID be the regulatory agency for it, and explore the feasibility of requiring the installation of the equipment for permit renewals, new lots, and change of ownership of lots.

After hearing from the Office of the Controller, and from representatives of the parking lot industry, and after providing an opportunity for public comment, the Committee recommended noting and filing Motion (Zine – Wesson – Garcetti) inasmuch as the Offices of the Controller, City Attorney, and Finance have complied with the requests presented in the Motion; and recommended approval of the recommendations brought forth during the committee meeting. This matter is now submitted to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENT EFFICIENCY COMMITTEE

MEMBER VOTE

ZINE	YES
PARKS	YES
SMITH	ABSENT

REW

4/14/11

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Not Official Until Council Acts