

## COMMUNICATION

File No. 11-0595

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

**FROM: COUNCILMEMBER DENNIS P. ZINE, CHAIR**  
**AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**

COMMUNICATION FROM CHAIR, AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE relative to the feasibility of requiring the installation of revenue control equipment at all Police Commission permitted auto parks.

Recommendations for Council action:

1. REQUEST the City Attorney, with the cooperation of the Office of Finance, to PREPARE and PRESENT an Ordinance to amend the Los Angeles Municipal Code (LAMC) to require all auto park operators to post a bond to satisfy delinquent parking occupancy tax.
2. REQUEST the City Attorney, with the assistance of the Office of Finance, to PREPARE and PRESENT an Ordinance to amend the LAMC to provide that any auto park that has any delinquent taxes or any unregistered or non-permitted auto park be required to install revenue control equipment that has the ability to accept credit/debit cards and monthly parking as a condition for granting a permit.
3. SUSPEND an auto park permit upon finding or withholding of funds or preventing City auditors from inspecting/auditing parking activity, and hold suspension until specified conditions are met.

Fiscal Impact Statement Submitted: Neither the City Administrative Officer or the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement Submitted: No

**(The Transportation Committee has waived consideration of this matter.)**

### SUMMARY

On May 8, 2012, the Committee Chair considered an October 19, 2011 Office of Finance and October 11, 2011 Police Commission reports relative to the feasibility of requiring the installation of revenue control equipment at all Police Commission permitted auto parks. According to the Police Commission, in response to the Council action on April 27, 2012, the Los Angeles Police Department (LAPD) considered the feasibility of requiring the installation of Revenue Control Equipment (RCE) within the City of Los Angeles Auto Park facilities, and examined the potential contributions of such equipment in eliminating or significantly reducing delinquent Parking Occupancy Tax debt and fraud.

As part of the investigative efforts, staff inquired relative to the estimated costs expected to be incurred by Auto Park facilities throughout the City to install fixed RCE. The estimates obtained were based upon the following variables: the number of entrances and exits; requirement of validation; attended, unattended or small attended; Flat Rate; Monthly-Only; and whether it's

Multi-Operational. Estimates ranged from \$45,500 to \$172,881 (not including installation, taxes, freight, etc.) based on the necessity and quantity of the following: Gates, Universal-One System, SCANNET Management System, Intercom Package, Pay-in-Lanes system, Auditor Powerpad, and Validator. The cost estimates for "Gated Revenue Control System" ranged from \$153,350 to \$253,350.

The LAPD also examined the use of portable devices which allow attendants to print uniquely numbered permits and receipts. The portable device can be placed on a podium or handheld, and offer the attendant the ability to accept payment by means of cash, credit card, or Automated Teller Machine (ATM). There is a wide range of ruggedized portable and handheld devices available at a cost ranging from approximately \$2,250.00 to \$4,500.00 per device. Additionally, the portable device requires back office support software to operate the system at a cost of approximately \$3,000.00 regardless of the number of units connected; and, an annual software support fee of approximately \$600.00 per device. The use of this equipment will result in a significant cost savings to the Auto Park operators while at the same time providing the City an appropriate audit control of the revenues collected and Parking Occupancy Tax due from the operators. Since many of the Auto Parks are surface locations, the use of a portable or handheld device is desirable to meet the City-imposed requirement and will not reduce the current available parking spaces.

Additionally, the Commission stated that the LAPD found that permanently installed RCE is a better option for an incremental payment parking facility while the handheld device is more adaptable to those facilities that are based on a flat rate of payment. It is recommended that all Auto Parks be required to utilize either the permanently installed, portable or handheld device RCE.

The LAPD next considered the feasibility of all Auto Parks installing RCE; it found that although the use of RCE by all Auto Park operators would be beneficial to the City and it is feasible to require the use of such equipment, it is not practical to require all Auto Parks to permanently install RCE. The auto parks operators should be provided with the option of installing permanent equipment or to utilize the portable or handheld device based on their business model.

Next, the Office of Finance stated that it objects to the use of portable or handheld RCE on the basis that such forms of RCE provide no method of internal control or mechanism to ensure that auto park transactions involving cash payments can be adequately recorded and accounted for by either the Auto Park operator or by the operator's attendant. As a non-compliant Auto Park operator or attendant may decide to refrain from issuing receipts and/or tickets to any cash customer, the optional use of portable or handheld RCE does not fully address compliance with the City's tax ordinances. While the Police Commission believes that the use of portable or handheld RCB will increase Finance's ability to audit the collection and remittance of the Parking Tax, this form of RCE provides no guarantee Of assurance to Finance that the user of the equipment will capture all or any cash transactions that can be easily underreported and underpaid to the City.

Additionally the Office of Finance believes that the mandated RCE of a permanent nature, which includes fixed points of entry, automated gates or electronic arms, is the most effective option to address the issue of underreported and underpaid Parking Tax by non-compliant Auto Park operators. Permanent RCE generally includes synchronized computer ticket issuance and tracking systems to capture all transactions, including those of a cash nature. While the Office

of Finance does recognize the costs inherent with the installation of permanent RCE, it can be reasoned that mandated installation of such RCE for non-compliant Auto Park operators will certainly serve as a serious deterrent to underreporting and underpayment of the Parking Tax. Beyond serving as a deterrent, the requirement that non-compliant Auto Park operators be mandated to install permanent RCE would be an effective method of creating a level playing field for those operators who adhere to their fiduciary obligation to collect for and remit the Parking Tax to the City. Currently, noncompliant Auto Park operators have an unfair business advantage due to the lack of RCE that ensures compliance with the City's tax ordinances. Finally, the Office of Finance recommends that at a minimum, all non-compliant Auto Park operators be required to install permanent RCE.

After further consideration, the Committee Chair moved to recommend: 1) requesting the City Attorney, with the cooperation of the Office of Finance, to prepare and present an Ordinance to amend the LAMC to require all auto park operators to post a bond to satisfy delinquent parking occupancy tax; 2) request the City Attorney, with the assistance of the Office of Finance, to prepare and present an Ordinance to amend the LAMC to provide that any auto park that has any delinquent taxes or any unregistered or non-permitted auto park be required to install revenue control equipment that has the ability to accept credit/debit cards and monthly parking as a condition for granting a permit; and 3) suspend an auto park permit upon finding or withholding of funds or preventing City auditors from inspecting/auditing parking activity, and hold suspension until specified conditions are met. This matter is now forwarded to Council for its consideration

Respectfully submitted,

COUNCILMEMBER DENNIS P. ZINE, CHAIR  
AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ZINE:	YES
LABONGE:	ABSENT
REYES:	ABSENT

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**Not Official Until Council Acts**