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ANTONIO R. VILLARAIGOSA  
MAYOR

October 19, 2011

Honorable Audits and Governmental Efficiency Committee  
c/o Office of the City Clerk  
200 North Spring Street, Room 395  
Los Angeles, California 90012

Attention: Adam Lid, Legislative Assistant I

**SUBJECT: FEASIBILITY OF REQUIRING INSTALLATION OF REVENUE CONTROL  
EQUIPMENT AT ALL POLICE COMMISSION PERMITTED AUTO PARKS  
(CF NO. 11-0595)**

Honorable Members:

At the October 11, 2011 regular meeting of the Board of Police Commissioners (Board), the Board considered and approved a report from its staff dated October 5, 2011 in response to City Council motion 11-0595 relative to the feasibility of requiring installation of Revenue Control Equipment at all Police Commission permitted Auto Parks. The Office of Finance (Finance) respectfully submits this correspondence in response to the report and subsequent actions taken by the Board.

As the department charged with the administration of the City's Parking Occupancy Tax (Parking Tax), Finance has made a series of recommendations to enhance the enforcement and collection of the tax. Included in Finance's proposals was the requirement that delinquent, as well as non-permitted, Auto Parks be required to install Revenue Control Equipment (RCE) as a condition for the granting or renewal of a Police permit for the operation of an Auto Park. By Council amendment to the above-referenced motion, Finance's proposal was broadened to include a feasibility study of mandating the installation of RCE for all Auto Parks.

Finance commends the support of the Los Angeles Parking Association, Board and staff to mandate installation of RCE by Auto Parks and concurs with this recommendation. However, Finance respectfully advises that we do not agree that all current and newly permitted Auto Parks install either permanent, portable, or handheld RCE. More specifically, Finance does not concur with the Auto Parks being provided the option of installing portable or handheld RCE in lieu of permanent RCE.

Finance's objection to the use of portable or handheld RCE is based on the fact 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 Board's staff believes that the use of portable or handheld RCE will increase Finance's ability to audit the collection and remittance of the Parking Tax, this form of RCE provides no guarantee or 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.

Finance remains firm in our belief that 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 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, non-compliant Auto Park operators have an unfair business advantage due to the lack of RCE that ensures compliance with the City's tax ordinances.

Finance recommends at a minimum that all non-compliant Auto Park operators be required to install permanent RCE. We respectfully request that you consider this in your deliberation of this matter.

If you have any questions, please contact Ed Cabrera, Assistant Director of Finance at (213) 978-1516.

Sincerely,



Antoinette Christovale, CPA  
Director of Finance

cc: Honorable Board of Police Commissioners  
Gaye Williams, Mayor's Chief of Staff  
Matt Szabo, Mayor's Deputy Chief of Staff  
Matthew Rudnick, Policy Analyst, Mayor's Office of Budget and Financial Policy  
Richard Tefank, Executive Director, Board of Police Commissioners  
Finance Management Team