

CITY OF LONG BEACH, CALIFORNIA

Citywide Parking Audit

September 9, 2004

Audit Team

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TRANSMITTAL LETTER



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GARY L. BURROUGHS, CPA
City Auditor

September 9, 2004

Honorable Mayor and City Council
Citizens of Long Beach

We have applied certain review procedures to the City's parking operations and administration for garages, surface lots, and meters. The purpose of the review was to evaluate the adequacy of existing policies and procedures and internal controls over these operations. Excluded from the review were facilities falling under a ground lease (i.e. the Queen Mary Lease), the Pike facilities, which were not operational during fiscal year 2003, and the Airport facilities, which were subject to a separate report dated August 19, 2003.

In addition, we were asked during the audit by City management to compile a consolidated schedule of revenues and expenses for all downtown parking operations in order to assist management in determining the financial condition of those operations. The detailed schedules are attached to this report as Appendix A

The scope of our review was fiscal year 2003, however, certain procedures were extended into fiscal year 2004, as detailed in the report. Our procedures included:

- Interviewing City and contractor staff regarding revenue collection and deposit policies and procedures;
- Touring the parking facilities and observing operations and revenue collection process;
- Reviewing parking-related contracts to ascertain revenues due to the City and any City obligations;
- Agreeing deposit receipts to supporting documentation on a sample basis;
- Conducting unannounced cash counts and safe audits;

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- Reconciling operator statements to the City's financial records (FAMIS) on a detailed basis;
- Reviewing bond and other debt documents; and
- Compiling schedules of revenues and expenses for downtown parking operations.

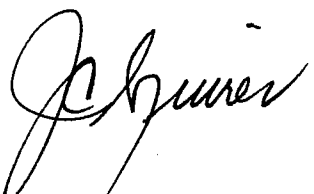
Based upon the results of the procedures performed, we have identified several weaknesses in the current system of internal controls, as well as opportunities to improve efficiencies and enhance parking revenues. Certain findings are highlighted in the Executive Summary of this report. Detailed audit issues and recommendations are included in the body of the report.

We would like to thank all City and contractor staff for their cooperation and prompt responses to our requests.

Sincerely,

Gary L. Burroughs, CPA
City Auditor

By



J.C. Squires, CPA
Assistant City Auditor

EXECUTIVE SUMMARY

Executive Summary

The body of this report contains an overview of parking operations along with 72 detailed audit issues and recommendations. Below is a brief summary of certain issues.

Financial Results

In 2003, the City derived parking revenue from 11 parking garages, 19 surface lots, and approximately 3,650 parking meters. The summary below presents a brief overview of parking revenues and expenses for fiscal year 2003, by managing entity.

	Gross Revenues	Total Expenses	Available Net (Loss) Profit
Technology Services	\$ 2,777,193	\$ (3,726,867)	\$ (949,674)
Parks, Recreation and Marine	768,702	(410,598)	358,104
Public Works	617,283	(291,595)	325,688
Community Development	3,426,256	(3,323,892)	102,364
Redevelopment Agency	899,084	(707,330)	191,754
Belmont Shore PAC	458,510	(330,676)	127,834
Total	<u>\$8,947,028</u>	<u>\$ (8,790,958)</u>	<u>\$ 156,070</u>

It is important to know that spread throughout the expenses are almost \$3 million in management fees and wages paid to operators and City staff.

Issues

Consolidate Parking Management: We found parking management spread among several departments, which creates redundancies in efforts and has lead to poor financial and operational decisions. The solution is to consolidate these operations. A City-hired consultant recommended consolidation through the creation of an independent parking authority. We agree with the consultant's recommendation to consolidate parking operations; however, we recommend that the consolidated operations be managed within a City department by an individual who is a parking operations expert by trade.

Parking Overflow Plan: The City has not established a formal policy addressing the disposition of overflow traffic pertaining to City facilities. As such, certain traffic has been diverted to non-City parking properties resulting in lost revenue. We recommend the City create an overflow-parking plan that maximizes revenue.

Parking Automation: Expenses for wages and benefits related to parking attendants totaled \$1,663,894 during fiscal year 2003. Installation of automated equipment in certain areas would drastically reduce operator expenses, as well as increase revenues in circumstances where customers exit the properties after the parking attendant has left for the evening.

Validation Program: The structure of the City's current validation program effectively provides free parking in City-operated facilities and contributes to significant operational losses for certain properties. We recommend the City create a validation program that recovers an amount of validation revenue that more closely approaches the cost of providing downtown parking.

Free Parking: Several City-owned areas provide free public parking, although they are directly adjacent or in close proximity to City pay parking facilities. We recommend the City implement procedures to eliminate the competing free parking.

Parking Enforcement: During our site visits to the City's parking properties, we consistently noted vehicles in the monthly parking lots without current parking permits, as well as vehicles parked at expired meters. We recommend the City coordinate and implement an aggressive parking ticket and towing program to increase parking citation, towing, and parking revenue to the City, as well as discourage people from violating parking laws.

Revenue and Expense Allocations: Incorrectly allocated revenues and expenses between the City's General Fund, Internal Service Fund, Redevelopment Agency Fund, and Tideland Operating Fund resulted in both an overstatement of expenses and understatement of revenues to the general fund. We recommend the City revise certain allocation methods and pay the General Fund monies to correct past allocation errors.

CityPlace Losses: CityPlace garage revenues were insufficient to meet operating or debt service requirements for fiscal year 2003 and are projected to be insufficient to meet operating and debt service requirements for fiscal year 2004. In conjunction with revising the validation program, we recommend the City consider transferring overflow parking to the CityPlace garages when feasible, closing CityPlace Lot B to transient traffic, and replacing manned exit booths with automated equipment.

CITYWIDE PARKING REPORT

Citywide Parking Report

Background

The scope of our review included 11 parking garages, 19 surface lots, and approximately 3,650 parking meters during fiscal year 2003. Excluded from our review were facilities included in a ground lease (i.e. the Queen Mary Lease), the Pike facilities which were not operational during fiscal year 2003, and the Airport facilities which were subject to a separate report dated August 19, 2003. A map of the non-metered properties is included in Appendix B for reference purposes.

Management of these parking assets is currently shared by Technology Services (TS), Parks Recreations & Marine (PR&M), Public Works (PW), Community Development (CD), the Redevelopment Agency (RDA), and the Belmont Shore Parking and Business Improvement Area Advisory Committee (BSPAC). The specific properties controlled by each are listed in the following table:

<u>Managing Entity</u>	<u>Property</u>	<u>Property Type</u>	<u>Location</u>
Redevelopment Agency	Lot B	Surface Lot	Downtown
	Lot C	Surface Lot	Downtown
	Lot M1	Surface Lot	Downtown
	Lot D	Surface Lot	Downtown
	IDM Garage	Garage	Downtown
	Dolly Varden	Surface Lot	Downtown
	M2, part 1	Surface Lot	Downtown
	M2, part 2	Surface Lot	Downtown
	M3	Surface Lot	Downtown
	ED	Surface Lot	Downtown
	4 th & Pacific	Surface Lot	Downtown
	7 th & Pacific	Surface Lot	Downtown
	Jack Imel X	Surface Lot	Downtown
	Jack Imel Y	Surface Lot	Downtown
	Jack Imel Z	Surface Lot	Downtown
	Schneider	Surface Lot	Downtown
	Pacific Tower	Surface Lot	Downtown
	Technology Services	Aquarium	Garage
Broadway Garage		Garage	Downtown
Lincoln Garage		Garage	Downtown
State Lot		Surface Lot	Downtown
CityPlace A		Garage	Downtown
CityPlace B		Garage	Downtown
CityPlace C		Garage	Downtown

<u>Managing Entity</u>	<u>Property</u>	<u>Property Type</u>	<u>Location</u>
Community Development	Convention Center	Garage	Downtown
	Convention Center	Garage	Downtown
	Convention Center	Garage	Downtown
	Convention Center	Surface Lot	Downtown
Public Works	Not applicable	Meters (982)	Downtown
Parks, Recreation, & Marine	Catalina Landing	Garage	Downtown
	Alamitos	Meters (138)	Beach
	Bay Shore	Meters (40)	Beach
	Belmont Veterans' Memorial Pier	Surface Lot (248)	Beach
	Colorado Lagoon	Meters (57)	Marine Stadium
	Golden Shore	Meters (11)	Beach
	Granada	Meters (567)	Beach
	Junipero	Meters (451)	Beach
	La Verne	Meters (161)	Beach
	Marina Green	Pay by Space (381)	Marina
	Marina Mole	Meters (29)	Marina
	Marina Park	Meters (162)	Beach
	54 th Place	Meters (54)	Beach
	72 nd Place	Meters (139)	Beach
Belmont Shore Parking and Business Improvement Area Advisory Committee	Not applicable	Meters (471)	Belmont Shore

Surface Lots

With the exception of the Dolly Varden lot, all surface lots are owned by the City or Redevelopment Agency (RDA), or are Tidelands Fund assets administered by the City. The Dolly Varden lot is leased from an individual for a monthly fee.

Garages

IDM Garage

In order to fulfill its contractual obligations to provide theater parking to moviegoers, the RDA entered into an agreement in 1992 to lease the IDM Garage from the IDM Corporation for night and weekend operations. In consideration for the sixty-five year lease, the RDA paid the IDM Corporation a one-time fee of \$2,254,082. In addition to the night and weekend operations, the RDA is also entitled to 150 weekday, daytime spaces in the garage to be used for parking at the RDA's discretion.

Aquarium Garage

In 1996, Aquarium of the Pacific (Aquarium) planned to build a \$1,500,000 surface parking lot to serve Aquarium visitors and expected to realize an annual net income on this lot of \$1,500,000. The City believed a multi-story parking structure would better benefit both the City and the Aquarium. As such, the City and the Aquarium entered into an agreement whereby the Aquarium agreed to pay the City \$1,500,000 toward the construction of the parking structure, and the City agreed to annually pay the Aquarium up to \$1,500,000 of net income from the parking structure, net of debt service, reserves, and maintenance costs.

In May 1997, the Parking Authority of the City of Long Beach (Parking Authority), an independent public agency and a component reporting unit of the City of Long Beach, issued \$5,855,000 in Certificates of Participation for the construction of a 1,471-space parking facility across from the Aquarium. Construction of the parking structure was completed in September 1998. The Parking Authority entered into a long-term lease of the parking structure with the City. Lease payments equal the debt service payments. At the conclusion of the debt and lease payments in 2017, title to the parking structure will pass to the City.

Broadway Garage

Construction on the Broadway Garage was completed in 1984 and financed through the Civic Center Bonds. Currently, there is no outstanding debt associated with this parking structure.

The Broadway Garage serves City Hall, the main library, the Los Angeles County courthouse, and other downtown Long Beach locations. The garage also provides parking for City Hall employees.

Lincoln Garage

The Lincoln Garage is an underground parking structure adjacent to the main library in downtown Long Beach. Construction was completed and operations began in November 1962. At that time, the garage provided parking for library patrons and for City Hall employees. Currently, the garage is only used for City Hall employee parking. There is no outstanding debt associated with the Lincoln Garage at this time.

CityPlace Garages

In June 2001, the City issued \$11,500,000 in Long Beach Finance Authority Lease Revenue Bonds to finance the construction of the three CityPlace garages. Payment on the debt began in 2001 and will continue through 2027.

These garages were built to serve patrons of CityPlace retailers, as well as provide additional parking for downtown Long Beach visitors and employees. The garages currently provide both transient and monthly parking.

Convention Center Garages

In 1974, the Parking Authority issued \$11,500,000 in lease revenue bonds for the construction of the Terrace Theater Garage and entered into a long-term lease with the City for the lease of the parking structure. Lease payments equaled debt service payments. At the conclusion of the debt and lease payments, title to the parking structure passed to the City. There is currently no outstanding debt associated with this parking structure.

In 1981, the City entered into an agreement with a developer on certain Tideland properties held in trust by the City. The developer constructed a hotel and adjacent public facilities, including the Promenade Garage parking structure. The developer then leased to the City the parking structure and public facilities, a portion of which was sublet back to the developer. Under the terms of the lease, the City is obligated to pay the developer \$237,939 a month through 2008, with incidental costs to be paid by the City thereafter. Subsequent to 2020, the City is not required to make further lease payments. The agreement also requires the City to reserve 500 parking spaces for hotel guests. Hotel guest parking is segregated in the parking structure from convention center parking and is operated by the developer. The developer is required to pay the City approximately \$39,712 per month for those hotel guest spaces. This lease expense is funded by the Tidelands Operating Fund rather than by Convention Center revenues. As such, the lease revenue and lease expense have not been included in the Convention Center parking schedule of revenues and expenses (see Appendix A).

The 400 Garage is adjacent to the arena surface lot and was completed in 1993 as part of the Convention Center expansion project. The expansion project was funded by the Port of Long Beach and RDA; as such, the Convention Center has no outstanding debt related to the garage.

Catalina Landing Garage

In 2002, the City entered into an agreement with the owner of the Catalina Landing parking garage. In exchange for the City's maintaining the docking basin at an appropriate depth, the parking garage owner pays the City 30% of the garage's net parking revenues on an annual basis.

Issues and Recommendations

Citywide Parking

Included in this section of the report are issues that affect more than one City department, or affect the City as a whole.

Consolidated Parking Management

As stated above, TS, PR&M, PW, CD, the RDA, and the BSPAC manage the City's parking operations. Furthermore, several individuals in these City departments are involved in these operations; however, no individual is dedicated solely to parking, and no individual is a parking operations expert by trade. Below is a brief summary of the parking revenues and expenses for each managing entity during fiscal year 2003.

	Gross Revenues	Total Expenses*	Available Net (Loss) Profit
TS	\$ 2,777,193	\$ (3,726,867)	\$ (949,674)
PR&M	768,702	(410,598)	358,104
PW	617,283	(291,595)	325,688
CD	3,426,256	(3,323,892)	102,364
RDA	899,084	(707,330)	191,754
BSPAC	458,510	(330,676)	127,834
Total	\$8,947,028	\$ (8,790,958)	\$ 156,070

* Includes debt payments and reserve requirements.

Of the \$8,790,958 in total expenses, \$2,966,603 pertains to operator management fees and salaries and benefits paid to city and operator employees. Below is a breakdown of these expenses for fiscal year 2003.

	Management fees	Operator salaries	City salaries	Total
Technology Services	\$ 35,125	\$ 762,990	\$ 142,065	\$ 940,180
Parks, Recreation and Marine	7,200	38,184	105,251	150,635
Public Works	0	0	234,968	234,968
Community Development	453,560	727,014	7,084	1,187,658
Redevelopment Agency	10,020	426,754	16,388	453,162
BSPAC	0	0	0	0
Total	\$ 505,905	\$1,954,942	\$ 505,756	\$2,966,603

Issue # 1

The City's fragmented parking management structure creates redundancies in efforts and prevents the City from analyzing and managing parking activities in the best interests of the City as a whole. Departments are unaware of parking issues and decisions taking place in other departments that will affect their own operations. The City-commissioned Carl Walker, Inc. Parking Organization & Management Analysis consulting report (Carl Walker Report) recommended that the City unify its parking system with the creation of a new public parking authority, which would be governed by a board of directors chosen from top-level public and private sector leaders.

Recommendation

Consolidate the City's parking activities under one individual. This individual must be an experienced parking operations expert by trade capable of handling both the economic and political challenges of the parking system reorganization. If consolidated, the approximately \$3 million in management fees and salaries detailed in the above table should provide management with adequate resources and flexibility to hire a parking expert and make the necessary changes to improve efficiency and net income.

Although the Carl Walker Study recommended creating a parking authority, we do not believe this is the optimal solution to the City's parking issues. A parking authority would be subject to conflicting political interests that may be contrary to the City's best interests. Further, creating a parking authority would result in inefficiencies, as well as an additional administrative burden related to the organization and management of such an authority.

Management's Response

Management agrees. Parking activities should be consolidated to facilitate cost efficiencies, better coordination among City departments and improved communication with the public. As a first step, a search to hire a parking operations expert will be undertaken. The parking operations expert will complete a practical review of the Carl Walker Report with affected departments to identify other recommendations to pursue.

Issue # 2

The City's parking properties are leased to or managed by four separate commercial parking operators. By using multiple operators at the various downtown parking properties, the City is not taking advantage of economies of scale. The City directly paid \$2,415,000 in operators' wages, benefits, and management fees, and an additional \$420,000 of City employees' wages and benefits pertaining to its downtown parking operations during fiscal year 2003.

Recommendation

Analyze the cost savings of consolidating parking operators. By consolidating parking operators, wages, benefits, management fees and other expenses may be significantly reduced.

Management's Response

Management agrees. The cost savings of consolidating operators should be considered.

Parking Overflow Plan

Many large events, such as conventions and festivals, are held in Long Beach throughout the year. These events bring many different types of revenues to the City: sales tax, TOT tax, parking revenue, etc. Parking is a major consideration for conventioners and event promoters when determining the location of such events. Therefore, proper organization of and deployment to the City's available parking is essential to the City's economy.

Issue # 3

The City has not established a formal policy addressing the disposition of overflow traffic pertaining to City facilities. Further, certain traffic has previously been diverted to non-City parking properties. Below are two examples where City revenue is not optimized:

- When Convention Center lots are full, the Convention Center management company, Spectacor Management Group (SMG), sometimes directs vehicles both verbally and with signage to a nearby privately-owned garage, rather than to nearby City-owned properties.
- RDA contracts with a privately-owned parking garage to provide movie theater parking and pays the owner of the facility a set price for each validated parking ticket. However, there is ample space for movie theater parkers in CityPlace C. CityPlace C is approximately the same distance from the theater as the privately-owned garage, and is owned by the City.

Recommendation

As the City's revenue share varies greatly from facility to facility, the City should perform an analysis of the different properties available for overflow use to determine what structure would be in the best interests of the City. The results of this analysis and specific instructions regarding the hierarchy of parking facility use should be distributed to the City's parking operators. In this manner, the City controls the disposition of overflow traffic and ensures that City revenue is optimized. The analysis should also address under what circumstances, if any, a diversion of traffic to non-City facilities is appropriate. This plan should be supported with appropriate signage.

Management's Response

Parking must be perceived as close, convenient and safe for patrons to use it. Possibly the services of the PTMO could be used north of Ocean Boulevard to assist with an analysis and to implement any recommendations. Staff will look at this in FY 05.

Operator Expenses

TS and RDA engaged Ace Parking Management, Inc. (Ace) to operate 13 downtown parking properties (see Ace Parking Management, Inc. section of this report). Each month, Ace bills the City and RDA for all of its operating expenses incurred the previous month. Intending to limit overhead and administrative expenses, the contracts with Ace specifically define what types of Ace expenses do not qualify for reimbursement from the City. Two such exclusions are listed below:

- Administrative and related costs and expenses incurred in the operation of the facility or other operations of the Operator [Ace], as they are incurred in the general management of the affairs of the facility or Operator's other operations, including the monitoring of the operation and management of the facility.
- The cost of any managers or supervisors who are not employed at the facility on a full time basis.

Certain Ace employees spend significant amounts of time working on parking operations at the Pike, in addition to the TS and RDA properties. The Pike is managed by the developer, with whom Ace has its written operating agreement; thus, the Pike is not a qualifying property under the City's or the RDA's agreement with Ace. This administrative level of employees includes an area-wide parking manager, an internal auditor, a parking supervisor, and, intermittently, an office assistant. This administrative level developed and continued to grow as the number of City and RDA properties managed by Ace expanded.

Issue # 4

In direct contravention to their written agreements with Ace, RDA and TS continue to reimburse Ace for expenses related to floating Ace employees not employed at City or RDA facilities on a full time basis. TS and RDA engaged Ace to increase efficiencies through economies of scale. However, the addition of layers of employees to manage and monitor multiple operations adds a significant and undesired level of expense.

Recommendation

Enforce contractual provisions regarding the payment of administrative employees and part-time managers.

Management's Response

Technology Services and RDA have monitored the distribution of Ace administrative staff hours/time to realize economies of scale. The costs are shared among the different properties. The contract with Ace is up for renewal in April 2005 and this issue will be addressed at that time presuming renewal with the operator.

Parking Automation

In addition to the 13 downtown parking properties that Ace manages, it also manages two beach lots for PR&M. Nine of the 15 properties that Ace manages are manned properties, and 100% of the Convention Center properties are manned. Below is a summary of the expenses for wages and benefits primarily related to parking attendants for each City department's manned parking operations.

Parking Attendant Expenses

TS	\$ 635,073
RDA	332,394
PR&M	34,865
CD	<u>661,562</u>
Total	<u>\$ 1,663,894</u>

Issue # 5

The City has not replaced manned facilities with automated parking equipment where feasible. Manned parking properties that are operating at losses, such as CityPlace garages (see CityPlace Losses section of this report), would especially benefit from the reduction of parking attendant expenses.

Recommendation

Evaluate the cost savings of replacing manned facilities with automated parking equipment. As new technology allows the automated parking equipment to accept and account for validations, installation of the equipment would drastically reduce operator expenses, as well as increase revenues in circumstances where customers exit the properties after the parking attendant has left for the evening.

Management's Response

Management agrees. This will be evaluated in FY 05 for the City properties. The RDA's properties are only temporary parking lots and are scheduled to be under construction some time next year. It is not economically prudent to install new equipment in a lot that will not be used for parking in the near future. In the Arden Garage, RDA takes the garage over on nights and weekends. However, Arden is responsible for the parking equipment. They are planning to update the equipment, and will be training Ace staff to use the new system.

Validation Program

The City's validation program offers two types of parking validations. The AMC Theater validation provides customers with three and one-half hours of free parking. As compensation for its participation in the validation program, the AMC Theater pays RDA a set price per movie ticket (currently \$0.31 per ticket). Validations from all other retailers' provide customers with two hours of free parking. Those retailers are charged for their validation privileges based on square footage. Thus, the largest CityPlace retailer pays only \$900 per year for its validation program participation. The Carl Walker Report indicates that the cost per validation stamp to the retailers may be as low as .0035 cents, a discount of over 99%.

Issue # 6

The structure of the City's current validation program (excluding the AMC Theater program) effectively provides free parking in City-operated facilities. Parking locations such as CityPlace garages and RDA Lot B experience significant operational losses due to the validation program. The Carl Walker Report indicates that the City's validation discount given to participating businesses is quite high when compared to other cities' downtown parking systems. The City is currently in the process of revising its validation program. However, contract language in written agreements with developers may hinder this revision.

Recommendation

The City should continue with its efforts to revise its validation program. All affected departments should be key members of the decision-making process. The Carl Walker Report recommends that the City create a validation program that recovers an amount of revenue that more closely approaches the cost of providing downtown parking. We concur with this recommendation.

Management's Response

City staff from the affected City departments recently took an extensive look at the possibility of creating a unified validation program and evaluated various options. As staff reviewed the various programs, it became apparent that the various parking agreements dictate the amount charged for validations and until those agreements are amended, significant changes to the validation programs cannot be made. Staff will meet with the parties to the various agreements to determine if some changes can be negotiated to allow for changes to the validation programs.

Issue # 7

Ace gathers and maintains the daily number of parking validations used per retailer; however, the City does not obtain, consolidate, and analyze this information on a periodic basis on a citywide scale. On a department level, RDA performs some analysis of validations for its lots. A citywide consolidated analysis is essential to management in effectively reviewing operations, making informed decisions, and executing future negotiations.

Recommendation

Analyze parking validations used by retailer per month and the associated validation cost. Include all parking facilities in this analysis in order to obtain a consolidated evaluation of Citywide validations. Update the analysis on a monthly basis, reviewing it for trends and unusual variations.

Management's Response

Management agrees. Although staff does not analyze it on a monthly basis, the information is compiled and reviewed on a periodic basis. Staff will work with Ace Parking to obtain regular consistent validation information.

Free Parking

During the course of our audit, we visited each parking property owned or operated by the City.

Issue # 8

We noted several City-owned parking areas that provide free parking, although they are directly adjacent or in close proximity to City pay parking facilities. Further, vehicles properly displaying current handicapped permits park for free at various parking properties in the City. Below are four examples of such free parking:

- The unpaved lot behind Catalina Landing is in close proximity to the Catalina Landing garage, the Pike garage, and the Aquarium garage. During our visits, we noted as many as 136 cars parked in this lot. Cars were parked haphazardly, with barely enough room for vehicle passage. Further, several cars appear to have been parked in the lot for an extended period of time, as evidenced by the accumulation of dust on the cars. We note that the City is currently in the process of paving the lot, which will have a parking capacity of 90 spaces.
- The paved and striped lot behind Pierpoint Landing has approximately 150 spaces and is in close proximity to the Pike and Aquarium garages. The U.S. Coastal Commission approved this lot for pay parking in 1996; however, no meters or pay stations have been installed. On the day of our visit, the lot was completely full. City Council recently approved the purchase of parking meters for this lot.

- There is free curbside parking directly adjacent to the Bayshore meters. On the day of our visit, there were several cars parked at the free curbside parking, although almost all metered spaces were available.
- Parking attendants in RDA and CityPlace locations do not charge vehicles with handicapped permits for parking even if no retailer validation was presented. All other users are required to present retailer validations to receive discounted parking rates. Further, vehicles with handicapped permits may park in the Broadway garage without charge for an unlimited number of hours for library or City Hall visitation.

Recommendation

Survey all available free parking throughout the City that may be in direct competition with the City's pay parking facilities. Implement procedures to eliminate the competing free parking. The City should develop and implement a comprehensive parking policy for vehicles with handicapped permits.

Management's Response

Management agrees with the general recommendation. Specifically, regarding the lot behind Catalina Landing, we are in process of rectifying the situation. This lot has been paved and striped. It will be used as a pay lot for Pierpoint Landing and the Catalina Landing. Regarding the lot behind Pierpoint Landing, we are in process of changing the situation. This lot will be a pay lot in early 2005.

Regarding the free curbside parking directly adjacent to the Bay Shore meters, City Council has recently approved the establishment of meter zones in several key areas where revenues will likely be high, including parking meter zone #33, the north and south sides of Ocean Boulevard from 52nd to 55th Place near Bay Shore Avenue.

The Broadway Garage provides parking at no charge for the disabled for use of the Civic Center and Library and to attend City Council meetings. This "free parking" is part of the current resolution establishing parking rates for the Civic Center. We will contact other cities to determine their practices in this area and will consider proposing changes to the resolution based on the findings.

Regarding disabled parking in the RDA lots and CityPlace, we will instruct the parking attendants to charge all vehicles the existing rates, with the exception that we will allow a 30 minute grace period in CityPlace to allow the disabled customer additional time get to his/her car. The City's ADA Officer recommended this additional time due to some of the constraints presented by the garage.

Parking Enforcement

Issue # 9

During our site visits to the City's parking properties, we examined the parked vehicles for appropriate parking permits, where applicable, noting that some vehicles parked in the State Lot and Dolly Varden Lot did not have current permits. Neither of these lots is gated. Further, Ace informed us that several Dolly Varden customers have complained because they are habitually unable to find parking spaces in the lot on nights and weekends, although the lot is monthly parking only and is not sold out. It seems that vehicles without valid permits routinely park without charge in the City's ungated monthly parking lots. Additionally, we also consistently noted vehicles parked at expired meters during our site visits.

Recommendation

The City should coordinate and implement an aggressive parking ticket and towing operation program for its lots and meters. For areas with habitual parking violations during hours traditionally not monitored by parking enforcement, consider establishing a temporary evening/weekend parking enforcement shift to help alleviate the immediate parking issues. An aggressive parking ticket and towing operation will increase parking citation, towing, and parking revenue to the City, as well as discourage people from violating parking laws.

Management's Response

Management agrees and would support aggressive enforcement of parking meter violations and permit violations and will work with the Police Department to address this issue.

ACE Parking Management, Inc.

TS, RDA, and PR&M engaged Ace to operate the following properties:

- Aquarium Garage
- Broadway Garage
- Lincoln Garage
- State Lot
- CityPlace Garages
- Lot B
- Lot C
- Lot M1
- Lot D
- IDM Garage
- Dolly Varden
- Belmont Veterans' Memorial Pier (Belmont Pier)
- Marina Green

Ace maintains an office in the Broadway Garage, Aquarium Garage, and CityPlace B Garage. The Broadway Garage location serves the Broadway Garage, Lincoln Garage, and State Lot (collectively the City Hall properties). The CityPlace Garage office serves the three CityPlace garages, as well as the RDA and PR&M properties. The Aquarium Garage office serves only the Aquarium.

Ace's written employee policy and cashiering manuals ensure employee practices, as well as cashiering, deposit, and reporting procedures are standard across all properties. Below is a summary of the practices currently in effect, based on observation of all the properties and interviews with Ace personnel.

Ace Transient Parking

When a cashier reports for duty, the supervisor on duty retrieves a change fund bag from the safe for that cashier. In addition to the change fund, the bag contains a pen to identify counterfeit bills, a dual custody log, a drop log, a break sheet, and drop envelopes. Both the supervisor and the cashier count the funds and sign off on a dual custody log.

Issue # 10

On the day of our visit to the Aquarium Garage, the supervisor had no blank dual custody logs and instead re-used the previous day's log. While the supervisor did sign off on the form, the cashier did not count the cash or sign off on the form in the supervisor's presence.

Recommendation

Comply with Ace cashiering policies by maintaining an adequate stock of blank dual custody logs and ensuring both supervisor and cashier count the cash and sign the log in each other's presence. This procedure establishes proper transfer of accountability and helps prevent errors, irregularities, and misappropriations of cash.

Management's Response

Management agrees with the Auditor's observation. The City has discussed the issues with Ace. Since the Auditor's visit, the management staff at the Aquarium has been changed. Ace has discussed with all of its employees the need to follow established policies and procedures. Technology Services will continue to monitor Ace to ensure proper procedures are maintained and followed.

After completing the dual custody log, the cashier begins operations at his assigned parking booth. When his total revenue reaches \$300, he places the \$300 in a drop envelope and calls the office for a pick-up. The supervisor and cashier both count the cash and sign off on the envelope and drop log. The supervisor then transports the envelope back to the office safe, except at the Aquarium location, where the envelopes are placed in a drop safe in a parking booth.

When a cashier takes a break, he prints a register receipt showing sales-to-date. Both the cashier and the break relief cashier count the funds in the cash drawer at that time to verify the accuracy of the funds and sign off on a break sheet. The cashiers repeat this process when the original cashier returns from his break.

Issue # 11

We reviewed the most recent Ace internal audit report on the Aquarium Garage, dated August 6, 2003, and noted that the cashiers did not complete break forms prior to taking their breaks. As such, any errors or irregularities involving the daily receipts could not be traced back to an individual employee.

Recommendation

Comply with Ace cashiering policies by appropriately completing the break forms.

Management's Response

This recommendation has been implemented.

At the end of his shift, the cashier prepares his final drop envelope, consisting of all remaining funds in his drawer, less the amount of his original change fund. He also completes and turns in the Cashier's Daily Report, Validation Sheet, if applicable, and Break Sheet. The cashier returns to the office, escorted by security if at a remote location, where he and the supervisor count the funds, sign the dual custody log, and place the funds in the safe.

Issue # 12

During our visit to the Aquarium Garage, we noted that all drop envelopes at the Aquarium location remained in the drop safe in a parking booth overnight. The morning supervisor collected the envelopes and returned them to the office for deposit procedures.

Recommendation

Secure all funds in the office safe overnight to reduce the risk of loss.

Management's Response

This recommendation has been implemented. The reason deposits were left in the drop safes overnight was to minimize access to the safe in the office. Management and supervisors were the only ones who had access to the large safe. Lead personnel will now have access.

In the morning, the supervisor responsible for preparing the deposit retrieves the drop envelopes from the safe and compares the amounts on the drop envelopes to the amounts on the dual custody logs. The supervisor then counts and compares the funds to the amounts written on the logs, envelopes, and Cashier's Daily Report and prepares the deposit documents, including a Deposit Receipt form (DR), and bank and armored transport deposit slips, if applicable. A second employee, usually the location manager, re-verifies the cash and deposit amount before the bags are sealed for deposit.

Issue # 13

The Aquarium location ran out of bank deposit slips because Ace management did not re-order deposit slips from TS in accordance with the written procedures established by TS. Further, the Aquarium location did not use deposit slips from the near-by Pike location, as had been the accepted practice in the past. As such, the armored transport company was unable to receive the deposit, which resulted in four days' of cash receipts totaling \$37,430 accumulating in the office safe.

Recommendation

Comply with written instructions from TS concerning deposit slip re-order to ensure timely, daily deposit of receipts and reduce the risk of loss or misappropriation of funds.

Management's Response

Management agrees. ACE personnel, who were responsible at the time of the Auditor's visit, have been replaced at the Aquarium Parking Structure.

Issue # 14

Deposits at the Aquarium were not re-verified by a second employee.

Recommendation

Ensure that all deposits at all locations are re-verified and documented as reviewed by a second individual. This procedure helps ensure the accuracy and completeness of the deposit amount.

Management's Response

Management agrees. This procedure was implemented immediately

At the Broadway location, after the deposit preparation is complete, the supervisor faxes the DR to the TS representative and receives a DR number. She and security then escort the deposit to the City Hall cashier department, where the funds are deposited based on the accompanying DR. At the Aquarium and CityPlace sites, the deposit bags are placed in the safe to await armored transport pick-up.

For all locations except the Broadway Garage, each day after the funds have been deposited, the supervisor faxes a copy of the DR to the appropriate contact at TS or the RDA and begins the reconciliation process. The supervisor counts the customer tickets and reconciles them to the Cashier's Daily Report. The supervisors also reconcile the cash register tapes and reports from the booths to the Cashier's Daily Report. On a daily or weekly basis, Ace forwards copies of the reports to the appropriate contact in the RDA or TS, respectively, where the reports are reconciled to the DR's, recalculated and audited for accuracy.

Issue # 15

The registers for Lots B and C were broken and unable to produce sales tapes. The Lot B and Lot C registers became dysfunctional on July 2, 2004 and April 28, 2004, respectively, and had not been repaired or replaced as of August 2004. Lack of register tapes impedes complete reconciliation procedures.

Recommendation

Repair or replace the registers immediately.

Management's Response

The registers were repaired on August 24, 2004. In the future, staff will ensure that faulty registers are repaired or replaced immediately.

Issue # 16

The Ace supervisors often forgot to update the date and DR number fields when completing a DR, creating duplicate DR's and making the reconciliation process difficult for Financial Services, TS and RDA personnel performing account reconciliations.

Recommendation

Reinforce the need for accuracy in completing DR's. Consider automating the DR numbering and dating process.

Management's Response

Management agrees. ACE Management has included verbal reminders and reinforcement in their bi-monthly staff meetings.

Issue # 17

We reviewed the most recent Ace internal audit report on the Aquarium Garage, dated August 6, 2003, and noted that the day totals were not printed and balanced to shift tape totals, as required by Ace policies. This procedure identifies employee "ghost shifts" in which an entire employee shift is not deposited, or in which the employee logged in early, collected funds, and then logged out again, before beginning his official shift.

Recommendation

Comply with Ace reporting procedures to ensure accuracy and completeness of deposit amounts.

Management's Response

Management agrees that ACE needs to follow their reporting procedures.

Issue # 18

Although Ace is required to forward the daily reconciliation reports to the TS representative on a weekly basis, as of June 30, 2004, the Aquarium location was two months behind, and the Broadway structure was one month behind in providing the reports.

Recommendation

Complete daily reconciliations on a timely basis and forward to the appropriate personnel within the required timeframe. Daily reconciliations should be performed on a next-day basis, to ensure prompt identification and resolution of issues.

Management's Response

Management agrees and has advised ACE Management that daily reconciliations must be done and forwarded in a timely manner. Daily reconciliations are current.

Ace Monthly Parking

Both TS and the RDA provide monthly parking at certain properties to the public. This monthly parking serves both commercial and residential customers, and is managed by Ace as follows:

- Broadway Garage
- State Lot (monthly only)
- CityPlace Garages
- Lot B
- Lot C
- Lot M1 (monthly only)
- IDM Garage
- Dolly Varden (monthly only)

All properties require hangtags and/or access cards for transit and identification of monthly parking. The Broadway Garage office manages the monthly parking procedures for all properties except CityPlace, whose unique environment requires special handling procedures, as described later in this section of the report.

Monthly customers for all properties except CityPlace may pay by cash or by check via mail or in person. After the customer pays his monthly bill, the Broadway supervisor issues him the appropriate month's hangtag, if required for that property. For monthly customers in the Broadway Garage, where proximity cards allow entrance and exit, a second supervisor enters the payment information into the computer system that tracks the proximity cards. Payments are due on the first day of the month. If the customer has not paid by the fifth of the month, the supervisor deactivates the customer's card.

Records of customer payments for non-proximity card properties are maintained in manual logs by property and input on a monthly basis into an Ace software program that stores the monthly parking details by customer and by property. After the supervisor receives and logs the customer's payment, she makes photocopies of the checks and cash payments and places those photocopies in the corresponding property's log book for the appropriate month.

The supervisor periodically forwards the cash and checks to the TS representative or RDA representative for deposit. She includes a copy of the summary of customer payments by property with the funds to be deposited. She also forwards the unused monthly hangtags for the IDM Garage to the RDA representative.

Issue # 19

Funds were forwarded to the RDA only once a month for deposit, thereby accumulating in the safe until the end of the month. Ace's contract with the RDA specifies that receipts will be deposited on a daily basis. Lack of timely deposits increases the risk of loss or misappropriation of funds and decreases interest earned on the monthly parking revenue. Further, forwarding the cash receipts to the departments for deposit is an extraneous step and also increases the risk of loss or misappropriation of funds.

Recommendation

Ace should deposit the monthly cash receipts into the City's account on a daily basis at the same time and in the same manner the transient parking revenue is deposited.

Management's Response

Management agrees and will work with ACE to ensure monthly parking payments are deposited daily in the same manner as transient revenue.

Issue # 20

There is inadequate segregation of duties at the Broadway location with regards to monthly parking. One individual maintains custody of the monthly parking tags, receives monthly parking revenue, maintains the customer logs, and forwards the funds for deposit. There are no mitigating controls in place to compensate for this lack of segregation of duties, thereby increasing the risk of errors or irregularities.

Recommendation

Implement appropriate segregation of duties, or implement mitigating controls to otherwise compensate for this lack of internal controls. One mitigating control is to have a second supervisor or location manager reconcile issued hangtags to the related deposit amounts, ensuring all remaining hangtags are accounted for.

Management's Response

Management agrees and has discussed this with ACE. ACE will have site manager check and log inventory of hang tags when they arrive. Office assistant will then distribute hangtags to monthly parkers. Remaining (unsold) monthly hangtags will then be handed in to the City for final monthly reconciliation.

TS and RDA representatives recalculate and reconcile cash receipts to the provided monthly parking summary, after which they forward the cash receipts to the Department of Financial Management for deposit.

Issue # 21

As Ace did not forward the remaining monthly parking hangtags to TS or the RDA (except the remaining IDM hangtags), the representatives were unable to perform a complete reconciliation of the cash receipts. Only by verifying the total number of hangtags purchased for each property (hangtags are ordered annually), and comparing the remaining hangtags per property to the number of hangtags sold by property, may a complete and accurate reconciliation be achieved. A proper reconciliation helps ensure the accuracy and completeness of the deposit amount.

Recommendation

At the end of each month, Ace should forward the remaining monthly hangtags for each property to the appropriate department representative, who will perform a reconciliation of hangtags issued to revenue received. The representatives should periodically independently confirm the number of hangtags printed per property with the vendor to ensure no additional order was placed.

Management's Response

Management agrees and has discussed this with ACE. ACE will have site manager check and log inventory of hang tags when they arrive. Office assistant will then distribute hangtags to monthly parkers. Remaining (unsold) monthly hangtags will then be handed in to the City for final monthly reconciliation.

Monthly parking at CityPlace Garages differs in many respects from monthly parking in other properties. In fact, the CityPlace developer is contractually required to administer all monthly parking and forward the funds to the City. However, the developer was unable to adequately administer the monthly parking and requested that the City take over this function, which the City agreed to do on a trial basis if reimbursed for its time and expenses.

Issue # 22

Although the developer agreed to reimburse the City for the City's costs to administer the CityPlace monthly parking, the developer only paid for one day per week of one Ace employee's time. Ace's time devoted to CityPlace monthly parking far exceeded this allotment, thus creating a financial loss for the City. Further, this time limitation created a customer service issue, as the employee could only issue monthly parking proximity cards one day per week.

Recommendation

We recommended to TS that the City return the administration of CityPlace monthly parking to the developer, or obtain full reimbursement of the costs to administer the program. As a result of this recommendation, Ace management met with the developer and conveyed the City's intent to obtain full reimbursement or return the monthly parking administration to the developer. The developer agreed to provide full reimbursement to the City, calculated as an amount equivalent to three days per week of an Ace supervisor's time. TS should ensure the reimbursement includes a proportionate amount of employee benefits as well as wages.

Management's Response

Management agrees, and DDR has agreed to pay for the salary for one staff person, three days per week (or more if necessary). This was implemented on August 1, 2004.

Issue # 23

Certain retailers continue to send their monthly parking checks to the developer, rather than to Ace. Although the developer eventually forwards the checks to Ace, the diversion delays the deposit and creates customer service issues if the accounts are deactivated due to late payment.

Recommendation

Reinforce with both the developer and all retailers the requirement for monthly parking fees to be forwarded to Ace rather than the developer, as well as the potential consequences of failing to do so.

Management's Response

Management agrees and has discussed with ACE and DDR the need to communicate to the businesses the requirement to send payments directly to ACE.

Each CityPlace retailer and residential property management company collects the money from its employees or tenants, and forwards one check per month to Ace, with a list of all of its paid employees or tenants. This procedure minimizes Ace's efforts to collect monthly parking revenue from individuals. Payment is due monthly on the first of the month. If payment has not been received by the fifth of the month, the proximity cards are deactivated, thus requiring the tenant or employee to bring his account up to date before the card is reactivated.

The residential tenants create a unique challenge with regards to monthly parking. On the day of our visit to the CityPlace Garages, one tenant entered the parking offices and stated that the booth attendant would not let her exit, because she did not have her proximity card with her. She further complained that her guests were being charged to park in the garage when they came to visit her. In other cases, tenants assigned to one CityPlace parking structure will park in another CityPlace structure and demand free exit. These examples take place frequently and require an excessive amount of attention.

Issue # 24

When a tenant tries to exit without his parking proximity card, the parking booth operators sometimes pull a new entrance ticket and request the tenant's signature and apartment number. The booth operator then processes the ticket and allows the tenant to exit. In these instances, the tenants may loan their proximity pass to a visiting friend, so that both cars may exit without paying, thereby reducing the City's parking revenues.

Recommendation

Meet with the residential property management company to reinforce CityPlace parking policy that each vehicle must use a proximity card to exit, or be charged the appropriate hourly rate. Further, consider integrating the distribution of a written parking policy to the tenants when they sign their forms to receive the proximity cards.

Management's Response

Management agrees. When proximity cards are given to new monthly parkers, they are also provided with written rules and regulations to review and sign acknowledging receipt. Ace staff have been working with Archstone to ensure their tenants understand their rights and responsibilities related to parking at CityPlace.

The CityPlace location supervisor receives and logs monthly deposits, as well as prepares the DR and the deposit. A second supervisor maintains the proximity cards and the activation software, thereby providing segregation of duties. All other monthly reporting and reconciliation procedures substantially resemble those for the other properties.

Other Ace Observations

Safe Audits

During the course of our review, we examined the contents of the safes at the CityPlace and Aquarium locations. All change funds and petty cash funds properly balanced. Access to the safes appeared adequately restricted.

We found two lost wallets in the CityPlace Garage safes. One wallet had been in the safe for approximately eight months, while the second wallet had been in the safe for approximately three months. Both wallets contained extensive personal and financial property. With less than ten minutes' effort, the auditor contacted the owners of the lost wallets, who then retrieved their property.

Issue # 25

Ace did not have procedures in place regarding the disposition of found property.

Recommendation

Collaborate with City management to develop procedures concerning the notification and disposition of found property. Consider mailing a postcard with contact information to the address on the driver's license. Also consider turning the found property over to the appropriate authorities after a specified amount of time. Implementing found property procedures reduces the risk of loss or misappropriation of assets and provides value added services to citizens.

Management's Response

Management agrees. City staff and ACE management have collectively prepared and implemented written procedures for found items.

Spot Audits

The Ace Cashiering Manual requires that each parking location perform one spot audit per week per manager and supervisor. Therefore, if a location has one manager and three supervisors, Ace internal policies and procedures require four spot audits per week.

Issue # 26

We reviewed the most recent Ace internal audit report on the Aquarium Garage, dated August 6, 2003, on the CityPlace Garages, dated December 30, 2003, and on the Broadway Garage and RDA properties, dated April 14, 2003. Although the average score for the audits was 87%, we noted that Ace was not performing its spot audits as required. The results of our review are shown below.

<u>Location</u>	<u>Percent of Required Audits Completed</u>
Aquarium Garage	30%
CityPlace Garages	0%
Broadway Garage / RDA properties	29%

Recommendation

Comply with Ace’s internal policies and procedures to perform the required number of spot audits. Spot audits provide two important controls: first, any discrepancies or errors may be immediately identified and corrected; and second, the knowledge that spot audits will be taking place may prevent cashiers from misappropriating funds.

Management’s Response

Management agrees. City staff and ACE management were aware of the procedural problems at the Aquarium. As a result, a new manager was hired to take over the responsibilities of the daily operation. This re-structuring of management at the Aquarium facility was already in progress at the time of the audit. ACE area manager will continue to meet with the new Aquarium parking manager and review the results of the audits.

Employee Practices, Policies and Procedures

Following is a list of the attendant opening times for the Ace-managed TS and RDA garages.

<u>Location</u>	<u>Weekdays</u>	<u>Saturday</u>	<u>Sunday</u>
Broadway Garage	8:00 a.m.	10:00 a.m.	closed
Aquarium Garage	9:00 a.m.	9:00 a.m.	9:00 a.m.
CityPlace Garage A	8:00 a.m.	9:00 a.m.	9:00 a.m.
CityPlace Garages B & C	10:00 a.m.	9:00 a.m.	9:00 a.m.
IDM Garage	5:30 p.m.	11:00 a.m.	12:00 p.m.

Issue # 27

During our visit to the Aquarium location, we noted that the opening supervisor did not arrive until 9:45 a.m. As such, the opening cashier was idle for 45 minutes while waiting for the supervisor to arrive. Further, revenue was lost for any customers exiting during the period that the supervisor was late.

Recommendation

Ensure the opening supervisor arrives at the schedule time, and that alternative procedures are in place to allow cashiers to begin operations in the event of a supervisor absence.

Management's Response

Management agrees. The supervisor on the day of the auditor's visit has been demoted, and measures have been put in place to ensure that in the event of a supervisor's absence a substitute staff person will be able to open.

Ace employs many relatives of other workers throughout its Long Beach operations. However, Ace's internal policies prohibit relatives from serving in a direct supervisory line over other relatives. Relatives may therefore work at separate locations, or at the same level within the same location.

Issue # 28

We noted that a CityPlace supervisor is related to a CityPlace cashier over whom she has direct supervisory control.

Recommendation

Enforce Ace's internal policy concerning supervision of relatives. This policy helps ensure proper segregation of duties and therefore helps reduce the risk of collusion.

Management's Response

Management agrees. The employee in question has since been moved to another ACE location (Aquarium). The employee works the night shift and reports to another supervisor, who is not a relative.

Technology Services

As stated above, TS engaged Ace to manage its parking properties. Although Ace had been managing the TS properties since 1993, and certain RDA properties since 1992, the RDA, PR&M, and TS jointly solicited parking operator bids in 1998. Ace won the bid against four other parking operators.

At the time of Ace's successful bid, Ace was already under a multi-year contract for management of the Aquarium Garage. Based on the bidding process, in January 1999, TS entered into a five-year contract with Ace to manage City Hall properties. In April of 2003, upon expiration of the Aquarium Garage contract, the City Hall contract was amended to include the Aquarium Garage and three CityPlace Garages and was extended until April 30, 2005, with additional optional extensions up to four years. In July of 2003, the contract was further amended to include the Belmont Pier and Marina Green locations.

Issue # 29

Ace had already been managing the CityPlace locations for several months before being formally engaged through the execution of a written contract. Timely execution of written agreements helps reduce the risk of legal issues.

Recommendation

Ensure all written agreements are in place before work commences.

Management's Response

Management agrees. The ACE contract allowed for adding sites and staff was in the process of consolidating all City contracts with ACE.

Issue # 30

TS extended and amended the City Hall contract with Ace by more than quadrupling the managed properties, rather than completing another bidding process (further, in fiscal year 2004, Ace added the Pike to its list of managed properties without competing in a bidding process). Ace operator expenses for the TS properties totaled approximately \$1,285,000 for fiscal year 2003. A bidding process may have reduced operator expenses.

Recommendation

Conduct bidding processes for all new properties and when the contracts for any major parking facilities expire. Operator competition will help ensure the City's facilities are managed in the most economical manner.

Management's Response

The City had existing contracts in place with ACE, and DDR made the decision to hire ACE for the Pike property. City staff believes we realize some economies of scale by having one operator for adjacent properties. When Technology Services conducts a competitive bid process prior to the expiration of the contract with ACE, we will encourage DDR to participate in that process.

Below is a summary of the operating results and debt service costs for the TS parking operations during fiscal year 2003. The detailed schedule of revenues and expenses and the accompanying explanatory footnotes are included in the appendix to this report.

	<u>Aquarium</u>	<u>City Hall</u>	<u>CityPlace</u>	<u>Total</u>
Gross revenues	\$ 1,988,902	\$ 873,200	\$ 412,726	\$3,274,828
Elimination of internal revenue		(497,635)		(497,635)
Total external revenues	1,988,902	375,565	412,726	2,777,193
Operator expenses	(393,974)	(261,190)	(595,247)	(1,250,411)
City direct payments	(209,200)	(379,116)	(243,958)	(832,274)
Management fees	(7,500)	(8,100)	(19,525)	(35,125)
Operating profit (loss)	1,378,228	(272,841)	(446,004)	659,383
Debt service	(498,849)		(594,681)	(1,093,530)
Aquarium profit sharing	(515,527)			(515,527)
Net profit (loss) available for use	\$ 363,852	\$ (272,841)	\$ (1,040,685)	\$ (949,674)

City Hall Losses

The City Hall properties losses primarily result from three factors: library validations, disproportionate expense allocations, and veterans' expenses (see Issue # 35).

Library Validations

As stated above, the Broadway Garage is the main parking property serving the downtown public library and also provides parking to visitors of the nearby Los Angeles County courthouse. Although the courthouse does not provide parking validations for the Broadway Garage, library visitors may obtain a validation to reduce the parking fees due. The library has two types of validation stamps, a 66 Stamp and a 67 Stamp. The less-frequently used 66 Stamp is an all-day validation that allows the customer to park for free. The 67 Stamp permits the customer to park a total of two hours for \$1.25, a savings of \$5.00. The library check-out desk near the exit provides validation upon request.

Issue # 31

On two separate occasions, we obtained a parking ticket from the Broadway Garage, entered the library, and immediately requested validation. In both instances, the desk attendants validated the tickets without questioning or verifying library attendance.

Recommendation

Collaborate with the library management to implement a validation system that fulfills the intention of the program: only library patrons may be validated. By restricting the validations to library patrons, validation abusers will be eliminated and parking revenues will increase.

Management's Response

Technology Services staff has emphasized to the Library over the last several years the importance of controlling their validations. Staff will work with the Library to tighten their controls.

Issue # 32

In conjunction with the above library validation testing and in response to rumors, we visited the Los Angeles County courthouse and asked the first available office attendant where we could obtain validation for our Broadway Garage parking. When asked, we responded that we had entered the courthouse for traffic citation reasons and had not visited City Hall or the library. The office attendant at the Los Angeles County courthouse informed us that we could obtain validation for our courthouse visit at the main library, which we then did (see Issue # 31).

Recommendation

City representatives should meet with Los Angeles County courthouse officials to discuss the issue and request that flyers be distributed to clarify that the library will not validate parking for courthouse visitors. Also consider posting conspicuous signs at garage entry specifying that there are no validations available for courthouse visitors. Alternatively, explore the possibility of developing a validation program with the courthouse. These procedures will both increase customer service through dissemination of information, as well decrease validations for non-library patrons.

Management's Response

Technology Services staff contacted the Court administrator's office in the past and advised them of the City's problem relative to parking. A letter was sent to the Court Administrator in November 2004 requesting that she communicate to her staff that we do not offer "free" parking and that they should not be referring people to the Library for a validation.

Ace periodically provides library validation information to the TS representative, who in turn bills the library on a monthly basis for the full cost of the 66 stamp validations (\$7.50 per validation). She does not bill the library for the 67 Stamp validations.

Issue # 33

Although Ace provides the 67 Stamp validation information to TS, the department does not track the number of validations or bill the library for those validations.

Recommendation

Track the 67 Stamp validation information and bill the library for the \$5.00 cost of those validations. Tracking the information provides a valuable management tool for analysis and monitoring. Billing the library provides the library with an incentive to closely monitor the validations given and more accurately matches the expenses with the cost center.

Management's Response

We have started tracking the Library validations and will continue to do so. We will address the issue of whether to charge the Library back for their validations at part of the FY 06 Budget process.

Expense Allocations

Following is a summary of TS' allocation of its general parking and overhead expenses to its three parking areas.

	<u>Aquarium</u>	<u>City Hall</u>	<u>CityPlace</u>	<u>Total</u>
Ace management wages/benefits	\$ 0	\$ 109,071	\$ 0	\$ 109,071
TS salaries	15,183	100,549	26,333	142,065
Interdepartment allocations (overhead)	32,028	142,310	22,860	197,198
Total	<u>\$ 47,211</u>	<u>\$ 351,930</u>	<u>\$ 49,193</u>	<u>\$ 448,334</u>

We re-allocated TS' general parking and overhead expenses to its three parking areas based on Ace operating expenses for the properties. This re-allocation is presented as an example to demonstrate the issue below. TS may choose an alternative allocation methodology.

	<u>Aquarium</u>	<u>City Hall</u>	<u>CityPlace</u>	<u>Total</u>
Ace management wages/benefits	\$ 38,175	\$ 14,179	\$ 56,717	\$ 109,071
TS salaries	49,723	18,468	73,874	142,065
Interdepartment allocations (overhead)	69,019	25,636	102,543	197,198
Total	<u>\$ 156,917</u>	<u>\$ 58,283</u>	<u>\$ 233,134</u>	<u>\$ 448,334</u>

Issue # 34

TS disproportionately allocated management and overhead expenses to the City Hall properties. This allocation resulted in an estimated \$293,647 (\$351,930 - \$58,283) overstatement of expenses for the City Hall properties, and understatements to the Aquarium, CityPlace, and Pike locations (both Ace's and TS' management spent significant time and effort during fiscal year 2003 on the Pike parking property, yet no expenses were allocated to the Pike during fiscal year 2003).

This finding has further significance in that the \$109,706 underallocation to the Aquarium parking structure effectively increased the amount refunded to the Aquarium under its agreement with the City (see Aquarium Garage in Background section). As such, this excess \$109,706 was unnecessarily transferred from an internal service fund (TS) to the Tidelands fund.

Recommendation

Develop and implement a system of management and overhead allocation that closely approximates actual expenses for each parking property. Accurate financial data is essential in enabling management to make informed decisions. Additionally, prepare an estimate of the amounts that should have been allocated to the Tidelands fund for the previous five years. Correct the previous allocation error by transferring the total of this estimate from the Tidelands fund to the internal service fund.

Management's Response

Management agrees. Technology Services will work with Ace Parking to ensure they distribute their management fees in a more equitable manner. Technology Services will work with Financial Management to correct the previous allocation to the Civic Center Fund to move it to the Tidelands Fund and to ensure that management wages/benefits and intradepartmental overhead is allocated appropriately in FY 05.

Veterans' Expense

Pursuant to a 1936 written agreement, as well as subsequent opinions by the Deputy City Attorney and State Attorney General, the City has an obligation to provide the veterans' organizations with adequate meeting space to replace a facility forfeited due to the construction of the Broadway Garage. Expenses associated with providing the veterans with 3,517 square feet of meeting space totaled \$52,306 during fiscal year 2003, an average of \$4,359 per month. Expenses for the first six months of fiscal year 2004 averaged \$4,547 a month, a four percent increase over the prior fiscal year's average.

Issue # 35

Costs paid to an external party to provide the veterans with meeting space continue to increase on an annual basis. The City has no plan to mitigate long-term costs associated with this obligation.

Recommendation

City management should discuss its potential options with the legal department to determine viable cost-effective solutions. Such possibilities may include the purchase of an appropriate property, provision of meeting space at a location already owned by the City or RDA, or negotiations with the veterans' organizations to formally release the City from its obligation.

Management's Response

Technology Services will contact the City Attorney to determine if there are feasible alternatives to providing the Veteran's with office space and if so, propose an appropriate alternative for City Council approval.

CityPlace Losses

CityPlace parking losses primarily result from two factors: validations and insufficient vehicular traffic.

Validations

As mentioned above, retailers at CityPlace are charged for their parking validation privileges based on their square footage, rather than on a per-vehicle or other basis, resulting in a validation discount to retailers of over 99%.

See Validation Program within the Citywide Parking section of the report for detailed findings and recommendations concerning validations.

Vehicular Traffic

Transient vehicular traffic at CityPlace Garages has been significantly less than originally anticipated, as pedestrians and public transportation users make up a large portion of the CityPlace complex customer base. Below is a summary of the operating results and debt service costs for each CityPlace Garage during fiscal year 2003.

	<u>CityPlace A</u>	<u>CityPlace B</u>	<u>CityPlace C</u>	<u>Total</u>
Transient revenue	\$ 152,929	\$ 35,834	\$ 160,322	\$ 349,085
Monthly revenue		43,410		43,410
Other revenue	5,077	10,077	5,077	20,231
Total external revenues	<u>158,006</u>	<u>89,321</u>	<u>165,399</u>	<u>412,726</u>
Operator wages and benefits	(80,293)	(90,716)	(148,580)	(319,589)
Security	(52,736)	(51,604)	(56,526)	(160,866)
Other operator expenses	(40,988)	(37,605)	(36,199)	(114,792)
Total operator expenses	<u>(174,017)</u>	<u>(179,925)</u>	<u>(241,305)</u>	<u>(595,247)</u>
City employee wages	(10,081)	(5,699)	(10,553)	(26,333)
Power	(77,653)	(70,737)	(4,697)	(153,087)
Other City expenses	(24,707)	(13,967)	(25,864)	(64,538)
Total City direct expenses	<u>(112,441)</u>	<u>(90,403)</u>	<u>(41,114)</u>	<u>(243,958)</u>
2003 debt obligation	(198,227)	(198,227)	(198,227)	(594,681)
Management fees	(6,875)	(6,050)	(6,600)	(19,525)
Net loss after debt service	<u>\$ (333,554)</u>	<u>\$ (385,284)</u>	<u>\$ (321,847)</u>	<u>\$ (1,040,685)</u>

Note: charges to the City for CityPlace C's power began in late August 2003. As such, the \$4,697 power expense above represents only one month. Annualized power costs for this garage total \$51,251.

TS also projects losses for CityPlace properties for fiscal year 2004. Below is a brief summary of the revenue, operator expenses, and debt service for each CityPlace Garage for the eight-month period October 2003 through May 2004. Fiscal year 2004 debt requirements were paid in November 2003 and May 2004. Fiscal year 2004 City direct-paid expenses such as city employee wages, power expenses, and other city expenses have not been included in the summary below.

	<u>CityPlace A</u>	<u>CityPlace B</u>	<u>CityPlace C</u>	<u>Total</u>
Total external revenues	\$ 90,283	\$ 136,081	\$ 108,753	\$ 335,117
Total operator expenses	(167,573)	(157,553)	(164,498)	(489,624)
2004 debt obligation	(276,327)	(276,327)	(276,327)	(828,981)
<i>Losses before City expenses</i>	<u>\$ (353,617)</u>	<u>\$ (297,799)</u>	<u>\$ (332,072)</u>	<u>\$ (983,488)</u>

Such continued losses give rise to the question of whether opening the garages to the public as free parking and thereby eliminating operator expenses would be more beneficial to the City. However, we believe this course of action to be inadvisable for the following reasons:

- Certain operator expenses such as security, power, liability insurance, and maintenance costs are unavoidable. As such, the City would pay these expenses even if the garages were unattended. For fiscal year 2003 and the first eight months of 2004, CityPlace revenues exceeded operator avoidable expenses, consisting primarily of operator wages and benefits.
- Providing free public parking in the garages would reduce the number of paying customers at other nearby City parking properties.
- Revenues continue to increase from fiscal year 2003, and the City is actively exploring cost-reduction measures, including the revision of its validation program. Additional revenue-enhancing and cost-reduction recommendations are listed below (Issue #36).
- By providing CityPlace customers with free parking, the City removes all incentives for the retailers to participate in the validation program. Therefore, validation revenues from the retailers would also be lost.

Issue # 36

CityPlace Garage revenues were insufficient to meet operating or debt service requirements for fiscal year 2003 and are projected to be insufficient to meet operating and debt service requirements for fiscal year 2004.

Recommendation

The City is currently in the process of assessing its validation program for revision. In conjunction with that revision, City management should develop and implement an action plan to address the CityPlace Parking Garage losses. Strategies to consider include:

- Transferring Convention Center, Queen Mary, and other event overflow parking to the CityPlace structures whenever possible (see Overflow Management in Citywide Parking section of this report).
- Closing CityPlace B to transient parking, thereby significantly reducing operator expenses. Although City personnel have considered this option since March 2003, it has not been implemented.

- Replacing manned exit booths at all structures with automated equipment. This option drastically reduces operator expenses and still allows for the validation process (see Parking Automation in Citywide Parking section of this report).

Management's Response

The suggestion of transferring traffic overflow from the Convention Center and Queen Mary to City facilities north of Ocean will have a revenue impact on the Aquarium and the Pike parking operations as these facilities handle overflow. Furthermore, distance from the events may make the parking less attractive as well as more expensive to provide if shuttles are required. However, staff will evaluate all special events to determine if there are opportunities to utilize CityPlace for overflow.

Technology Services will revisit the idea of closing CityPlace "B" to determine its feasibility.

Automated equipment is a possible solution and will be researched in FY05.

Other Technology Services Observations

Signage

During the course of our audit, we performed site visits of each TS parking property. We examined the signage at the properties to determine if parking information and customer instructions were clearly visible.

Issue # 37

Signage at the CityPlace parking structures and at the State Lot was inadequate and incorrect. We noted the following during our visits:

- Directional arrows inside the CityPlace Garages direct the customers in the opposite direction of the flow of traffic. For example, the arrows instruct the customers to turn up aisles, although the parking spaces are painted for downward traffic.
- There is no customary external signage on the CityPlace parking structures identifying the structures as parking facilities, nor is there adequate street signage to direct the customers into the garages.
- Although the State Lot provides only monthly parking, hourly rates are visible on one of the posted signs. Customers may incorrectly conclude that hourly parking is available.

Inadequate signage creates customer service issues and may impel customers to find alternative parking and retail sources. Further, incorrect directional arrows may increase legal issues.

Recommendation

Ensure there is adequate and accurate signage at all parking locations.

Management's Response

DDR was responsible for the CityPlace garages renovation. Signage and directional arrows have been improved as recently as August 30, 2004.

External signage is now in place.

Signage has been corrected in the State lot.

State Lot Church Passes

TS leases 35 specific monthly parking spaces in the State Lot to a nearby church. Rather than using the standard, pre-numbered monthly parking passes provided to the church for that lot, the church provides its members with other parking passes to be displayed on the dashboard.

Issue # 38

The parking passes provided by the church are not pre-numbered, do not have expiration dates, are not space-specific, and are easily reproducible. Further, TS has no procedures in place to monitor the church's inventory control of the passes. Allowing the church to distribute its own parking passes to as many people as it desires increases the risk that individuals will abuse the church parking spaces. This risk is particularly prevalent on weekdays, when the church spaces are underutilized. For example, an individual with a copy of a pass could habitually park his car in church spaces during the week, rather than pay for monthly parking.

Recommendation

TS should enforce the use of its standard monthly parking passes for church patrons.

Management's Response

The Church has a unique situation in that they pay for 35 spaces, and various staff members and visitors throughout the day and evening use these spaces. That is the reason they do not use the standard monthly parking passes. They monitor the use of these spaces by issuing their own passes. The rest of that lot is used daily by monthly parkers and we have not had complaints regarding the Church using more than their 35 spaces. We will meet with the Church to discuss this concern and to determine if there is way to tighten their control of parking passes.

Construction

Although the CityPlace Garages began operations at the beginning of fiscal year 2003, the City has not yet formally accepted the structures from the developer due to certain construction issues. Although many of the construction concerns have been resolved during the previous 18 months, many outstanding issues remain. The City continues to work with the developer to resolve these issues.

Redevelopment Agency

RDA owns or operates 16 surface lots and 1 parking garage. These parking properties are either operated by Ace on behalf of RDA or are leased out to parking operators or to adjacent businesses.

Ace Properties

Below is a brief summary of the operating results for the Ace-managed properties for fiscal year 2003. See the Ace Parking Management, Inc. section of this report for details concerning Ace's operation of the properties.

	<u>Lot B</u>	<u>Lot C & M1</u>	<u>Lot D</u>	<u>IDM</u>	<u>Dolly Varden</u>	<u>Grand Prix</u>	<u>Total</u>
Total external revenue	\$ 75,200	\$ 186,105	\$ 292,183	\$ 54,831	\$ 9,465	\$ 18,086	\$ 635,870
Operator expenses	(137,345)	(156,171)	(183,799)	(100,303)	(8,245)	(12,811)	(598,674)
City direct expenses	(7,022)	(16,806)	(27,837)	(2,338)	(249)	(475)	(54,727)
Ace management fee	(2,268)	(2,268)	(2,268)	(2,016)	(900)	(300)	(10,020)
Operating profit (loss)	<u>\$ (71,435)</u>	<u>\$ 10,860</u>	<u>\$ 78,279</u>	<u>\$ (49,826)</u>	<u>\$ 71</u>	<u>\$ 4,500</u>	<u>\$ (27,551)</u>
Validation revenue							176,304
Net profit							<u>\$ 148,753</u>

Please note that the Grand Prix column relates to three days' parking revenues and expenses realized on the above RDA properties for the annual Grand Prix of Long Beach.

All of the above properties except the Dolly Varden lot are participants in the City's validation program. RDA received \$176,304 of validation revenue from businesses during fiscal year 2003 to offset validation expense. Approximately \$168,000 of that revenue resulted from a contractual arrangement with the movie theater, whereby RDA receives a set amount for each movie ticket sold.

Issue # 39

TS parking structures also accept validations for the theater. For example, during calendar year 2003, CityPlace accepted approximately 33,000 theater validations. However, RDA receives and books the full amount of validation revenue and does not share a portion of that revenue with TS. As such, validation revenues are not properly matched with the expenses.

Recommendation

Develop and implement a plan by which RDA proportionately allocates theater and other validation revenue to all parking properties that incur the related validation expense. Additionally, RDA should prepare an analysis of the portion of validation revenues due to TS since the inception of theater validation program in 1991 and transfer those funds to TS.

Management's Response

Prior to Fall 2002, the Long Beach Plaza garages were open to the public for free parking. There was no validation program required as no parking fees were charged, and therefore, no revenue to be returned to TSD. Staff will investigate the possibility of an agreement between the City and the RDA for reimbursement of the validations in CityPlace.

All of the above properties except Lot D offer monthly parking. RDA sets the monthly parking rates for each lot.

Issue # 40

RDA has dual rates for lots B, C and M1. Customers who purchased monthly parking before the rate increased continue to pay \$25 rather than the current \$35 monthly rate. As these lots have sold out and have waiting lists for monthly parking, RDA is not maximizing its profits on monthly parking. Further, tracking and accounting for the dual rates require additional effort on the part of the operator.

Recommendation

Charge all customers the current market rate for monthly parking.

Management's Response

Staff has instructed Ace Parking to raise the rates to \$35 beginning in January 2005 so all monthly rates are consistent.

As stated in the Background section of this report, RDA paid the IDM Corporation a one-time fee of \$2,254,082 for night and weekend use of its approximately 645-space parking facility for 65 years. As a part of the IDM lease, RDA is also entitled to 150 weekday, daytime spaces in the garage.

Issue # 41

Although the IDM lease agreement is dated December 1992, RDA only began consistently exercising its right to the daytime parking spaces in January 2003, at which time RDA began leasing some of the spaces to City departments and a local retailer. RDA had a written agreement dated 1993 with the retailer to provide 138 monthly parking spaces at \$45 per month (\$6,210 total per month), the rate to be periodically adjusted using the consumer price index. RDA initially collected the revenues related to the 1993 agreement, but stopped collecting the revenues at some point in time. The contract was revised in January 2003 to its current state. As such, RDA lost an undetermined amount of monthly parking revenue on the property between 1993 and 2003.

Recommendation

RDA should continue its efforts to lease all of its available monthly parking spaces in the IDM parking structure. Further, RDA should consult with legal counsel and investigate whether there are any funds due to the RDA related to the 1993 written agreement.

Management's Response

Staff will continue efforts to lease spaces in this garage. Currently, 94 of the 150 RDA spaces are leased. Staff will meet with the City Attorney and City Auditor regarding the possibility of recouping any of the uncollected funds related to the 1993 agreements.

Issue # 42

The IDM lease specifies that there are approximately 645 parking spaces in the structure; however, due to subsequent renovation, there are only 627 available parking spaces. As this agreement was entered into for the purpose of fulfilling a contractual requirement with the theater regarding provision of a specific number of parking spaces, RDA must now use an alternative parking source for those 18 lost spaces.

Recommendation

Coordinate with the legal department to determine if RDA is entitled to recover a portion of the \$2,254,082 one-time fee. RDA lost approximately 2.8% of its parking spaces. That percentage applied to the one-time fee could result in as much as a \$62,905 refund.

Management's Response

Changes in ADA requirements have resulted in a reduction in the number of spaces in the garage. Staff will have the City Attorney's office review this situation.

Leased Properties

RDA leases parking lots to five different entities. Below is a summary of the pertinent financial details of each leased property.

<u>Property</u>	<u>Lessee</u>	<u>Approx. no. of spaces</u>	<u>Monthly rental fee</u>	<u>Annual net income*</u>
M2 part 1	Diamond Parking, Inc.	42	75% net income	\$ 31,320
M2 part 2	Diamond Parking, Inc.	26	50 % net income	3,773
M3	Diamond Parking, Inc.	25	\$300/month; \$1,300 in April	4,479
ED	Diamond Parking, Inc.	25	50% gross revenue; \$1,600 in April	1,730
4 th & Pacific	Allright Cal, Inc.	53	\$150/month; \$750 in April	2,337
7 th & Pacific	Allright Cal, Inc.	33	\$350/month; \$1000 in April	4,089
Jack Imel X**	Jack Imel	53	50% net income	742
Jack Imel Y	Jack Imel	38	\$650/month; \$900 in April	7,839
Jack Imel Z	Jack Imel	58	\$618.21/month	7,224
Schneider	Mark Schneider	17	\$90/month	1,461
Pacific Tower	Pacific Tower Partnership	41	\$1,000/month	11,685
			Total	<u>\$ 76,679</u>

* The annual net income figures above represent net profit from each property after deducting RDA direct-paid expenses.

** The lease for Jack Imel X lot began at the end of fiscal year 2003. The \$742 of annual net income represents only one month of operating activity.

Issue # 43

The rates charged for certain properties are inconsistent and below market value.

- The properties are leased for fixed amounts, fixed and percentage amounts, and percentage amount. Further, even properties that are leased to the same operator and are part of the same parking lot have different rate structures (for example, M2 part 1 and M2 part 2).
- Lease rates for certain properties have not been increased for several years. For example, the rate for the Jack Imel Z lot has not increased since 1991.

- The rates charged for certain lots are far below market value. For example, the monthly rent for the 4th & Pacific lot equates to \$2.83 per space. The operator charges \$35 for weekday monthly parking in that lot, plus \$3 per space for night and weekend parking.

Recommendation

Revise and consolidate written agreements with lessees. The new agreements should specify uniform rate structures for adjacent properties and should maximize the revenue RDA receives.

Management's Response

Management agrees. Staff will review all agreements to ensure they are collecting the maximum revenue and that rates are consistent for adjacent properties.

Issue # 44

Many RDA lots are leased to parking operators for a flat fee or percentage of net income, or are leased to individuals who then contract with a parking operator. By allowing a third party to operate the lots, RDA receives only a portion of the potential or actual revenues from the properties. RDA may increase its net income for certain lots by engaging a management company such as Ace to operate the properties on RDA's behalf, rather than leasing out the properties. Therefore, RDA would receive 100% of the revenues, less operating expenses. Following are two examples of increased revenue opportunities:

- RDA receives only \$2,400 annually in rental income from the 4th & Pacific lot operator, although the operator generates an estimated \$22,260 annually in monthly parking revenues. RDA would increase its annual net income from the property by approximately of \$10,500 if it operated the lot, rather than leasing it to a third party.
- RDA leases the ED lot to a parking operator, who in turn subleases the lot to a parking valet company. By contracting directly with the valet company, RDA could eliminate the middleman's share (50%) of the parking profits.

Recommendation

Consider the effects on revenue by operating the parking lots through Ace or a similar arrangement, rather than leasing them out. Additionally, consider implementing a dual rate structure, where monthly parking is valid for weekdays, and a flat rate per space is charged for nights and weekends.

Management's Response

Management agrees. Staff will review the operations of all lots to determine the most cost effective way to operate each lot. Staff will evaluate the rate schedules and the types of monthly parkers in each lot to maximize revenue as well as ensure the monthly parkers have access to parking when they need it.

Issue # 45

Certain RDA lots are managed by parking operators who have adjacent, competing lots. For example, the ED lot is adjacent to a non-City lot operated by Diamond Parking, Inc., and all of the Jack Imel properties are in close proximity of each other. As such, the possibility of a conflict of interest exists. On the day of our visit, the ED lot had only 8% occupancy, while the adjacent Diamond lot had 41% occupancy. Further, the ED lot has a drive-through space into the competitor's lot, although there is no benefit to the ED lot.

Recommendation

Assess and mitigate the risk of conflicts of interest with parking operators to maximize RDA parking profits. As mentioned above, consider operating the parking lots through Ace or a similar arrangement.

Management's Response

Management agrees. Staff will review the operations of all lots to determine the most cost effective way to operate each lot. Staff will evaluate the rate schedules and the types of monthly parkers in each lot to maximize revenue as well as ensure the monthly parkers have access to parking when they need it.

We reviewed the written lease agreements for each of the properties listed above, examining the effective dates, restrictions, rate structures, and legal descriptions of the properties.

Issue # 46

As detailed below, we found several instances where the legal description of the property listed in the lease agreement did not correspond to the actual leased property. Inaccurate descriptions of the leased properties increase the risk of legal issues and may result in lost revenue.

- Although Ace manages the Dolly Varden lot for RDA, the property is not included in Ace's operating agreement with RDA.
- The M2 part 2 property used by the operator consists of two property parcels. However, the lease agreement for M2 part 2 includes only one parcel, and RDA does not own that parcel, as it was relinquished to another City department during a property swap. However, RDA continues to collect and retain the lease revenue for the property, rather than transferring it to the appropriate City department. Further, the written agreement does not include the legal description of the RDA-owned parcel used by the operator.
- The M3 property used by the operator consists of two RDA-owned property parcels. However, only one parcel was listed in the written agreement. Further, the property address listed in the agreement corresponds to the second parcel, rather than the listed parcel.

- The ED lot lease agreement describes the property as the “property adjacent to 201 The Promenade.” However, RDA does not own the parking lot adjacent to that address. The address of the ED lot is on East Broadway. Further, although the lot is clearly identifiable by parcel, the parcel numbers were not included in the written agreement.
- The lease agreement for the 7th & Pacific property lists only one parcel number, although there are two RDA-owned parcels included in the parking lot.
- The rental agreement for the Jack Imel X lot lists only one of the two RDA-owned parcels used by the parking operator.

Recommendation

Revise all lease agreements to include the accurate legal description of the property.

Management’s Response

Management agrees. Staff will review all lease agreements to ensure that the legal descriptions are accurate, the agreements are up to date and that the provisions of the agreements are adhered to or appropriately amended.

Long Beach Convention Center

In 1991, the City engaged SMG to manage and operate the Long Beach Convention and Entertainment Center and its facilities, including all parking activities. The agreement expires in June 2022. Following is a brief summary of the financial results of Convention Center parking activities for fiscal year 2003.

Transient revenue	\$ 2,967,462
Monthly revenue	373,243
Other revenue	85,551
Total revenue	<u>3,426,256</u>
Operator expenses	(921,249)
Ice Dogs parking commission	(167,900)
City direct-paid expenses	(428,878)
Total operating expenses	<u>(1,518,027)</u>
Net operating profit	1,908,229
SMG management fee*	(453,560)
Capital improvements and reserves	(152,074)
Allocation to Convention Center operations**	<u>(1,200,231)</u>
Net profit available for use	<u>\$ 102,364</u>

- * This \$453,560 represents the 2003 SMG management fee attributable to parking activities. The City's operating agreement with SMG provides that the City will pay SMG an annual base management fee (\$1,653,750 in 2003) plus an incentive management fee of 25% (\$238,572 in 2003) of the Convention Center's overall net profits. We estimate that approximately 13% (\$214,988) of the base management fee should be allocated to parking operations based on electricity consumption. Although parking activities resulted in a net profit, non-parking Convention Center activities resulted in a net loss for 2003. As such, 100% of the 2003 incentive management fee is attributable to parking activities.
- ** As stated above, non-parking Convention Center activities for 2003 resulted in net losses. As the City's net revenue received from the Convention Center is calculated based on overall operations, the net profits from parking operations must be reduced by \$1,200,231 in order to appropriately reflect the City's actual cash available for use from overall Convention Center operating results.

Transient Revenue

Dollar Fund

The Convention Center currently charges a flat \$8 rate for parking in its facilities, a rate that the City determines. In 1994, the City increased the parking rate from \$5 to \$6. All proceeds from the rate increase were designated to support the Long Beach Civic Light Opera, a now defunct organization. The Convention Center continues to forward \$1 of every full-fare vehicle fee to the City on a monthly basis. These funds are placed in a special revenue fund administered by the City and are used to fund Convention Center improvements and to promote the arts in the Tidelands area.

Issue # 47

Even though the revenue is used in the Tidelands area, the transfer of funds from the Convention Center accounts into a City special revenue account may be perceived as inappropriate and misconstrued as a diversion of Tidelands revenues. **This is a repeat issue from the audit of the Long Beach Convention and Entertainment Center Results of Operations for the Year Ended September 30, 2000, whose report is dated November 30, 2000.**

Recommendation

For ease of monetary tracking and verification of appropriate fund expenditures, record and account for the dollar fund revenue within a separate account in Tidelands Operating Fund. Further, the appropriateness of transferring Convention Center parking revenue to a City special revenue fund should be referred to the City Attorney for review.

Management's Response

Management agrees and will record and account for the Dollar Fund revenue within a separate account in the Tidelands Operating Fund.

Issue # 48

SMG only forwards \$1 out of every full-fare vehicle fee to the City. No funds are remitted to the City for discount parking fees, such as \$7 theater season ticket holders or City-approved group discount parking, or for exhibitor passes, although the fee for exhibitor passes is the full \$8 per day.

Recommendation

SMG should submit dollar fund revenue to the City in an amount per vehicle equal to \$1 out of the full-fare parking rate (currently \$8). Therefore, SMG should currently submit 12.5% ($\$1 \div \8) of all transient parking revenues on a monthly basis to the City.

Management's Response

Management does not fully concur with the Auditor's recommendation. When the Dollar Fund was originally established in 1994, the current parking rate of \$5 per vehicle for general attendee parking was increased to \$6 for the purpose of assisting the Long Beach Civic Light Opera, which is now defunct. Concurrently, the Convention Center had a program that allowed select individuals, such as theater season ticket holders or event exhibitors, to pay a discounted parking rate. This program was in place to maintain a competitive advantage with other venues and also to encourage the program participants to pay their parking fees in advance. Over time, this program has been largely abandoned due to increasing parking rates at competing venues. However, certain parties, such as theater season ticket holders, still enjoy discounted parking rates.

Management concurs with the Auditor's recommendation that \$1.00 from all full-fare parking fees should be remitted to the Dollar Fund. However, for discounted fees, Management believes that the Dollar Fund should be first affected, as that amount was designed to be above and beyond the parking revenues generated by the Convention Center. Remitting 12.5% of all parking fees would serve to diminish the operating revenues of the Convention Center, which was not the intent of the Dollar Fund. Management recommends that the first \$1.00 of all discounted parking rates should come from the Dollar Fund.

Parking and Traffic Management Organization (PTMO)

The PTMO is an organization formed from Long Beach businesses south of Ocean Blvd. by a requirement of the State Coastal Commission. The PTMO's purpose is to manage parking and mitigate traffic flow issues resulting from events in its jurisdiction. In 1998, the City authorized an additional \$1 increase in the Convention Center parking rates to \$7 to fund the PTMO. The City instructed SMG to track and account for this \$1 separately, and to forward the funds (not to exceed \$200,000 annually) on a monthly basis to the then-manager of the PTMO. SMG subsequently became the PTMO manager.

Issue # 49

SMG does not separately track and account for PTMO activities. The funds are commingled with all Convention Center activities. As such, the financial activities of the PTMO are difficult to segregate and analyze. Further, the Convention Center fully subsidizes the PTMO, as other involved businesses are not assessed membership fees, and as the PTMO does not invoice other participants to the fullest extent possible. For example, as the PTMO manager, SMG personnel has spent considerable time organizing traffic flow for Queen Mary events, but the PTMO does not bill the Queen Mary for that time.

Recommendation

As the PTMO is a separate organization, and as its activities are distinct from Convention Center activities, SMG should separately maintain PTMO accounting records and transactions. The PTMO should be treated as a separate business. In this manner, PTMO transactions and operating results may be reviewed for accuracy and reasonableness, and the data may be used as a tool for management decisions. All PTMO expenses should be allocated to PTMO accounts and billed to PTMO participants when possible.

Management's Response

Management agrees that the PTMO accounting records and transactions should be maintained separately from the Center. Management also agrees that PTMO's costs should be reimbursed by the entity requiring its traffic management planning and the Convention Center should be reimbursed for its personnel time, and the use of Convention Center facilities. Staff will work with the Convention Center and the PTMO to implement these changes.

Issue # 50

PTMO revenues and expenses are commingled with other Convention Center funds. SMG has been including this PTMO money when calculating their 25% incentive management fee, even though the management contract with SMG only allows SMG to apply this percentage to Convention Center income. PTMO revenue is not Convention Center parking revenue, but rather a parking surcharge designated by the City to fund the PTMO. This arrangement is similar to the dollar fund revenue that is directly forwarded to the City and is therefore not subject to SMG's management fee. Prior to SMG's management of the PTMO, the funds were transferred to the PTMO manager without an SMG deduction.

Recommendation

As stated above, maintain PTMO accounting records separately from those of the Convention Center. Similar to the dollar fund mentioned above, PTMO financial activities should not be subject to the management fee calculations stipulated in the City's operating agreement with SMG for the Convention Center.

Management's Response

Management agrees. The PTMO's operations and funding should be part of a consolidated parking management strategy for the City recommended in Issue # 1.

Daily Operations

When a cashier arrives for duty, the supervisor retrieves a cash bank bag from the safe. The cashier counts the cash and compares the pre-numbered parking tickets in the bag to those listed on the Daily Parking Book Issuance Summary form (DPBIS) for that bag. Once he has verified that the contents of the bag match the DPBIS, he signs the form to signify his acceptance of the bag. The supervisor or security then escorts the cashier to his location where he begins operations. After each customer pays the daily parking fee, the cashier issues him a parking ticket from his stack of pre-numbered tickets.

Issue # 51

Relying only on pre-numbered tickets, the Convention Center has no revenue control equipment to track and monitor parking activities. The Convention Center facilities are the only parking properties without such equipment that the City operates, even though the volume of parking at the Convention Center far exceeds that of TS or RDA. The City is aware of this issue and had budgeted and approved the installation of state-of-the-art revenue control equipment to ensure 100% accuracy of entry counts. The turnkey cost of such equipment for all Convention Center properties totaled approximately \$300,000. However, due to budgetary constraints, the City reversed its decision and does not intend to install the equipment in the near future.

Recommendation

Install revenue control equipment at all Convention Center parking locations. We were informed that parking industry standards indicate the installation of revenue control equipment increases parking revenues by approximately 10% – 15%. In accordance with that estimate, the new revenue control equipment would pay for itself within a year. Revenue control equipment provides an essential internal control to ensure all funds are properly remitted to the City. Consider the dollar fund reserves and revenues as a source of funding for this equipment.

Management's Response

Management concurs with the Auditor's recommendation to install revenue control equipment at all Convention Center parking locations, and to seek funding from the Dollar Fund.

At the end of his shift, security escorts the cashier back to the parking office, where a supervisor cashes him out. The cashier hands the bag through a teller window to the supervisor in the controlled-access parking office. The supervisor counts the bag's cash and ticket contents in the presence of the cashier and enters the information into a computer program. The computer calculates whether the cashier is over or short and prints out a Cashier Daily Ticket Sales and Cash Report (CDTSCR) on the back of the cashier's DPBIS. Both the supervisor and the cashier sign the CDTSCR. As he cashes out each cashier, the supervisor enters the information into the Daily Summary of Tickets and Cash Deposited Spreadsheet (DSTCDS). The supervisor removes the beginning bank balance from the bag and places it in the safe. The remaining funds in the bag are placed in a desk drawer.

At the end of the day, the funds in the desk drawer are re-counted by denomination. This information is entered into the Financial Daily Spreadsheet, the results of which are compared to the DSTCDS. A deposit is prepared and taken with security to the box office, where it is picked up by the armored car service.

Safe Audit

During our visit, we reviewed the contents of the safe and petty cash fund, noting no cash discrepancies.

Issue # 52

The main safe contained \$35,500. Over \$17,000 of that total was in \$20 bills, which are not used by the cashiers to make change. The amount maintained in the safe is excessive for daily operational needs. Excess cash increases the risk of loss or misappropriation of funds.

Recommendation

Review the daily operational needs of the parking operations and reduce the change fund maintained in the safe to a commensurate amount.

Management's Response

Management believes that the Auditor's recommendations are already in place. The daily operational needs of the parking facilities are evaluated on a regular basis and an appropriate amount is maintained in the safe. With respect to the balance that was contained in the safe at the time of the audit review, the \$20 bills were scheduled to be exchanged for bills of smaller denominations and the Convention Center was experiencing a high volume of events, which would therefore require a greater ability to make change on a regular basis.

Issue # 53

Seven individuals have both a key to the parking office and the combination to the safe. This number is excessive, especially given the large amount of cash maintained in the safe.

Recommendation

Reduce the number of individuals with access to the safe to the minimum number (e.g. the Director of Finance does not need access to the parking office safe).

Management's Response

Management agrees and will work with the Convention Center Parking Department to limit the access and combinations to the safes.

Inventory

SMG maintains a portion of its parking ticket and parking pass inventory in the parking office for immediate use, and stores the backup stock of its daily tickets and monthly parking passes in an overstock room in the Terrace Theater garage. SMG personnel perform monthly physical inventories of the parking inventory in the parking office to ensure accuracy and completeness.

Issue # 54

All parking tickets and passes currently in use are maintained in open boxes in the parking office. Every individual with access to that office has access to the inventory. Additionally, we observed several boxes of parking tickets and passes in the parking office that had been removed from the overstock room, but not entered into inventory. The contents of the boxes included daily parking tickets, monthly parking passes, 1-day and 3-day exhibitor passes, and season parking passes for theater patrons.

Recommendation

To reduce the risk of loss, maintain inventory in an area that is properly restricted to only the individuals that need access to the inventory.

Management's Response

Management agrees and will work with the Convention Center Parking Department to limit access to the parking tickets and passes and to ensure that they are appropriately inventoried on a regular basis.

Issue # 55

There are no periodic inventory procedures performed on stock maintained in the overstock room. Further, the ticket stock, monthly passes, and other parking tickets and passes are not recorded into inventory until they are removed from the overstock room and placed in the parking office.

Recommendation

Maintain a complete list of inventory at each inventory location. Perform independent, periodic physical inventory procedures at both locations.

Management's Response

Management agrees and will work with the Convention Center Parking Department to ensure they maintain a complete list of inventory at each inventory location and to perform independent, periodic physical inventory procedures at both locations.

Barter Agreement

In exchange for specified capital improvements to the Convention Center and with the City's approval, SMG granted an organization use of the arena area and its adjacent parking facilities for approximately 151 weekends over the course of 16 years. The 2001 agreement expires in 2017 and specifies that the weekends (Thursday through Sunday) take place between May and September. The agreement further states, in part, that the organization will provide parking attendants at no expense to SMG.

Issue # 56

Although SMG is not required to do so, it continues to provide parking personnel at the organization's events to assist Convention Center attendees with directions and to answer parking questions. This procedure results in double staffing at the organization's designated parking areas. Wages for SMG parking personnel assigned to the organization's event total approximately \$1,000 per weekend.

Recommendation

To improve efficiency and reduce expenses, cease providing free parking personnel to the organization. Consider alternative arrangements, as follows:

- Charge the organization for SMG parking personnel.
- Provide training to the organization's parking attendants.
- Provide the organization with parking instructions and a detailed parking map and request that the organization distribute them to its attendees.
- Increase parking and directional signage at all Convention Center parking locations.

Management's Response

Management agrees. Consideration will be given to the various recommendations to reduce, or be reimbursed for, the amount of labor costs to the extent that efforts do not result in a diminished level of customer service.

Parking Meters

The City collects "parking meter" revenue from three sources: traditional parking meters, pay by space parking systems (Marina Green), and a manned surface lot (Belmont Pier). Pay by space technology uses one parking machine for multiple parking spaces. The Belmont Pier lot was previously metered and now, although manned, continues to have the same rates and times as parking meters; for this reason, it has been included in this section of this report.

PW collects its own meter revenue. PR&M and BSBAC contracted with PW to collect and deposit their parking meter revenue into their respective accounts. For the Belmont Pier and Marina Green properties, PR&M contracted Ace as its property manager.

Following is a brief summary of the financial results for parking meters during fiscal year 2003.

	<u>Downtown</u>	<u>PR&M</u>	<u>Belmont Shore</u>	<u>Total</u>
Total revenues	\$ 617,283	\$ 440,808	\$ 458,510	\$1,516,601
Operator expenses		(52,556)		(52,556)
City direct expenses	(291,595)	(290,842)	(115,688)	(698,125)
Net operating profit	<u>325,688</u>	<u>97,410</u>	<u>342,822</u>	<u>765,920</u>
2003 debt obligation			(214,988)	(214,988)
Management fees		(7,200)		(7,200)
Net profit available for use	<u>\$ 325,688</u>	<u>\$ 90,210</u>	<u>\$ 127,834</u>	<u>\$ 543,732</u>

Belmont Shores Parking Meter Revenue Fund

In 1985, a City Council resolution established the Belmont Shore Parking Meter Revenue Fund (BSPMR Fund) to separately deposit and account for all parking meter revenues collected within a specific area of Belmont Shore. The use of those general fund revenues was restricted to the acquisition, construction, improvement, operation or maintenance of parking facilities in the specified area. A subsequent resolution in 1993 expanded the allowable uses of the BSPMR Fund to include improvements made for traffic signals, street lighting, street furniture, landscaping, project art and other improvements to streets, curbs, gutters and sidewalks on public streets or alleys in the specified area. In 1993, in order to finance certain sidewalk improvements in Belmont Shore, the City Council approved \$2,220,000 of financing secured by the BSPMR Fund.

PW Meter Revenue Collections

The PW Parking Meter Division (the "Division") maintains, repairs and collects coins from the parking meters located throughout the City. In addition to the meters in Long Beach, the Division has a contract with Seal Beach for parking meter maintenance, repair and coin collection.

Issue # 57

PW has not performed an analysis to determine the costs associated with the collection of Seal Beach meter revenue. Therefore, the break-even point of contracting with Seal Beach for the collection of its meter revenue is unknown. The current contract rate is \$3,000 per quarter, which equates to \$230 per week.

Recommendation

Perform a break-even analysis of the Seal Beach coin collections to determine if contractual revisions are necessary.

Management's Response

Management agrees. Consideration will be given to the various recommendations to reduce, or be reimbursed for, the amount of labor costs to the extent that efforts do not result in a diminished level of customer service.

The Division collects City meter revenue four days a week, and collects the Seal Beach route on Friday. In the morning, both of the two-person coin collecting teams retrieve the locked coin carts from the meter office, place the carts in the meter pick-up trucks, and drive to that day's scheduled collection route. After removing a cart from the truck, both team members move from meter to meter collecting the revenue. One employee observes the collection, while the second opens the meter, retrieves the coin cup, and pours the coins from the collection cup into the coin cart. This meter type is called an "open canister" system.

Issue # 58

All of the City's parking meters use the open canister system. "Closed canister" parking meters, such as the Seal Beach meters, use a sealed coin receptacle that only opens when inserted into the coin canister, thus eliminating access to the cash while it is collected. In addition to providing stronger cash controls, this device requires only one collection agent, rather than two. We surveyed four other beach cities in the Los Angeles area. All four cities use only the closed canister systems, use only one person per route to retrieve the coins, and have had no injury issues related to the closed canister system.

Recommendation

For newly metered areas and replacements of aged meters (such as beach lot meters), install only closed canister meters or multi-space technology. Additionally, perform an analysis of all other meters to determine the cost effectiveness of replacing those meters at the current time.

Management's Response

The cost of canisters is approximately \$20 each, or about \$90,000 for citywide conversion. Within the discussion of this issue, the report states that the use of the closed canister meters requires only one collection agent, rather than two. Employee safety issues should be considered when deciding whether to assign a single collector to some routes in the downtown area. However, with the additional meters being installed and the anticipated increase in rates, PW will conduct an analysis to determine the cost effectiveness of replacing some or all of the meter canisters.

If the coin cart becomes full prior to completing a route, the meter technicians return the full cart to the truck and retrieve an empty cart to finish collecting the revenue.

Issue # 59

We observed during our visit that the meter technicians did not lock the full coin cart into the back of the truck, although a locking mechanism was available. The technicians were out of sight of the truck for approximately 20 minutes after leaving the full coin cart in the truck, thus providing adequate time for theft. Each full coin cart may contain as much as \$8,000.

Recommendation

Comply with PW policies and procedures by locking the full coin carts in the truck. Also consider re-locating the truck to an area visible by the collectors.

Management's Response

Management agrees. Employees were counseled about following existing PW policies and procedures, and were advised to park the truck in a visible location during collections. Spot-checking has verified compliance.

After completing the collection, the technicians take the carts to Financial Management Customer Service ("CS") to count the revenue. CS stores the key to the coin carts in a locked vault to which the meter technicians do not have access. When the technicians are ready to begin counting the coins, they obtain the cart key from CS personnel and open the cart locks. The technicians use a coin machine in the CS hallway to count each route separately. There is a security camera above the coin counting machine for additional control.

Issue # 60

The coin counting machine is located in the middle of open workspace, thus providing a noisy distraction to nearby workers.

Recommendation

Consider the efficiencies of replacing the current, aged coin counter with a faster, quieter model that also rolls the coins. This replacement will reduce labor time associated with counting the coins and may reduce bank charges for depositing unrolled coins. Further, should the City purchase a new coin counting machine with coin rolling capabilities, consider the efficiencies and cost savings of selling the rolled coins to the cashiering operation.

Management's Response

Management agrees. The new coin counter has been delivered and was scheduled to be put into service on 10/14/04. The coin roller has been purchased and delivery is forthcoming.

As each coin machine bag reaches \$500, one technician hands the bag to the second technician, who completes a bank tag with deposit information and enters the deposit information into a manual log. When counting is complete, the coin counter displays the total counted and that total is compared with the total per the manual log. The coin counter prints a receipt in duplicate for each route. One copy of the receipt is stapled onto the manual log. PW retains the second copy.

The technicians use pre-numbered ties to close the coin bags and place the bags in a safe at CS to be picked up by the armored truck for deposit. The technicians then wait while CS prepares a Deposit Receipt (DR), a copy of which is retained by PW.

Issue # 61

Although the technicians use pre-numbered ties to close the coin bags, the ties are not used sequentially, nor are the tie numbers recorded in the log.

Recommendation

Use the pre-numbered ties sequentially and record the tie number used for each bag in the manual log and on the bank tags. This procedure reduces the risk of loss or misappropriation of funds.

Management's Response

This recommendation will be implemented.

Issue # 62

If the technicians have not completed the coin counting by the CS break time at 11:00 a.m., they must place the coins in the CS vault and return after 1:00 p.m. to complete the count. Additionally, we were informed that when CS personnel are busy, the meter technicians must wait up to 30 minutes for CS to complete the DR. This process creates time inefficiencies and increases the risk of misappropriation.

Recommendation

Work with CS management to develop procedures, including the prioritization of the coin revenue DR process, that ensure the coin counting and deposit process will not be interrupted.

Management's Response

Management agrees. PW will work with CS to develop procedures to minimize interruptions, and the new coin machine should reduce the time required to process the coin. However, the City is installing over 800 additional parking meters and possibly doubling rates in the downtown area, which will likely extend the time required to count the coin. Once the new coin counting machine is installed and operational, we will be better able to determine the timesavings and the potential impacts, and work with CS to further minimize interruptions.

Quarterly Audits

During the regular collection, the meter technicians carry a handheld device that interfaces with the meters for the purpose of collecting and updating various data. During a regular collection every three months, each meter is scanned for data pertaining to total amount of coins collected by each meter. The Division refers to this process as an "audit." An independent third person accompanies the regular team of two meter technicians. Once the collection and any maintenance needed to the meters are done, the person conducting the audit scans the meters using the handheld device, and the meter data downloads to the handheld device. Once the audit data is scanned, the internal meter revenue counter resets to zero. When the technicians return to the office, they download the scanned data into the computer. The superintendent of traffic operations who oversees the meter collections reviews the audit for unusual data. After any necessary corrections, the audit is finalized, and PW forwards the written results to interested departments. In all cases, the deposit amounts exceed the audit amounts, as occasional meter and scanner malfunctions cause the revenue to be improperly stated.

Issue # 63

During our visit, two meter technicians performed the quarterly audit, without a third, independent observer. There is a lack of segregation of duties when the same technicians perform the audits that collect the revenue.

Recommendation

To reduce the risk of misappropriation, ensure that independent personnel perform the quarterly audits.

Management's Response

Management agrees. There is normally a third Parking Meter Technician present during the audit. However the December audit was completed when there were staffing challenges that compelled the Superintendent to authorize the one-time event described above.

Issue # 64

The 1997 handheld scanners PW currently uses often malfunction while performing the audits.

Recommendation

Consider the efficiencies of replacing the parking meter audit scanners with current technology. In addition to reducing labor time, the more modern scanners will provide more accurate audit results.

Management's Response

Management agrees. The current handheld Husky-brand data terminals are plagued with software problems and they are due to be replaced. Duncan supplies the City's parking meters, and is producing handheld data terminals in the very near future that should improve operations. However, purchase of new data terminals (\$4,000 each) has been deferred until the meter management software that comes as part of an integrated system can be evaluated.

Issue # 65

Although the superintendent of traffic operations informally compares the quarterly deposit amounts to the audit results, there is no formal reconciliation prepared by an independent party between the audit and deposit amounts. Further, certain interested representatives from the Department of Financial Management (FM) were unaware that such audits were performed.

Recommendation

To maintain segregation of duties, FM should perform a reconciliation of the quarterly audit results to the cash deposits. In this way, discrepancies will be promptly identified and resolved. Such a reconciliation will provide management with a tool to analyze the reasonableness of deposits by route and their trends.

Management's Response

Management agrees. "Audits" have been performed on a quarterly basis by PW at the direction of the City Auditor since 1998 when the current Duncan Management System was implemented. This informal comparison is done as a tool to gauge the effectiveness of the maintenance portion of the operation. Formalizing this function within FM would be a good practice.

Meter Maintenance

In addition to recording the financial data from the meters, the handheld electronic devices also record all pertinent maintenance details for each meter.

Issue # 66

There is no system in place for the periodic analysis of meter maintenance data. While the information is available, it is not periodically reviewed and analyzed.

Recommendation

On a periodic basis, review and assess the meter maintenance data. Such a review provides an important supervisory tool (which technician performed what function and when), as well as decreases meter outage rates. For example, the data may reveal that one meter has had its battery replaced four times in six months, an indication of a meter malfunction. As such, the meter should be repaired, instead of continually replacing the battery.

Management's Response

Management agrees. The analysis of parking meter maintenance is typically completed by the Parking Meter Technician (PMT) II position, which has been vacant for some time. None of the existing Parking Meter Technician I's has the necessary knowledge or skills to perform this analysis. However, once the PMT II position is filled, regular maintenance analysis will be reinstated.

Belmont Pier

Prior to June 2000, the Belmont Pier lot was metered. In 2000, PR&M removed the traditional parking meters and contracted with Ace to manage the lot. The effective parking rates and times in the lot are the same as for meters. The lot is currently manned until 6:00 p.m.

Issue # 67

PR&M continues to engage Ace to man the Belmont Pier lot, thereby increasing operating expenses and decreasing overall net profits. Issues related to lost profit opportunities include:

- All vehicles exiting the Belmont Pier lot after 6:00 p.m. do not pay for parking (even if they parked in the lot all day), as there is no gate attendant to receive their parking fees. On the day of our visit, there were 99 cars in the lot at 6:00 p.m. that did not pay upon exit.
- Although the parking rates in the Belmont Pier lot are effective until 6:00 p.m., the gate attendant ceases issuing parking tickets at 5:00 p.m., assuming that anyone entering after 5:00 will be leaving after 6:00 p.m.
- Although pay by space technology is installed at the Belmont Pier lot, PR&M continues to contract with Ace to man the lot. Total revenues for the property for fiscal year 2003 were approximately \$42,000, while Ace expenses totaled \$46,000. During the fourth quarter of fiscal year 2004, PR&M was unsuccessful in its attempt to transition to the pay by space technology, due to customer service and mechanical issues.

Recommendation

PR&M should continue with its plans to use automated technology, rather than manning the lot, in order to increase net profits.

Management's Response

Management agrees. The staffed operation in this lot is not the most efficient nor effective arrangement. The lot is currently configured to utilize pay-by-space technology, but the machines in the lot are neither customer friendly nor reliable. This has resulted in numerous customer complaints as well as complaints from the adjoining retail establishments, which has resulted in reverting back to the staffed operation, in the short-term. We will implement an automated system, either meters or pay-by-space, in 2005.

*Meter cost allocations***Issue # 68**

Certain internal meter-related costs were entirely charged to the City's general fund, rather than proportionately allocated to the Tidelands Operating Fund. Further, meter technicians allocate their time between funds based on the budget, rather than based on actual time spent.

Recommendation

Record all charges, including labor charges, to the fund in which it was incurred, rather than merely as it was budgeted. Accurate financial data is essential in enabling management to make informed decisions. Additionally, PW should prepare an estimate of meter-related costs recorded in the general fund that should have been allocated to the Tidelands Operating Fund over the last five years. The total of that estimate should be transferred from the Tidelands Operating Fund to the general fund.

Management's Response

This recommendation has been implemented.

*Revenue enhancing opportunities***Issue # 69**

The City does not currently maximize its parking meter revenue opportunities. Following are examples of situations where revenues are unnecessarily lost or expenses unnecessarily incurred:

- The City does not currently charge contractors for meter revenue lost during their construction projects, or for the cost of removing and re-installing the meters.
- Many beach meters are old and require additional maintenance, thereby increasing operating costs.
- Parking meters are currently only effective until 6:00 p.m., and only beach meters operate seven days per week. As such, certain prime meter locations are free to the public during high-occupancy times, such as early evenings and weekends.

Recommendation

Consider the following opportunities to enhance parking meter revenue:

- Consider implementing a plan whereby the City charges the contractor for lost meter revenue and labor costs.
- Evaluate the cost savings of replacing the meters versus continued maintenance. Consider replacing the meters with multi-space technology to reduce collection and maintenance time.
- Consider extending the meter hours and/or days of operation for prime parking locations such as beach lots, Belmont Shore, CityPlace, and the Pike. The City Council's Budget Oversight Committee (BOC) is currently evaluating extending the operating hours of parking meters. BOC estimates that changing the effective parking meters hours to 8:00 a.m. to 9:00 p.m. may generate an additional \$100,000 in new revenue.

Management's Response

Regarding the proposal to charge the contractors for meter revenue lost during construction, management agrees. Staff will recommend to the establishment of a fee to be charged to the contractor equal to the monthly average revenue of each meter removed.

Regarding the replacement of meters with multi-space meter technology, we have reviewed the relative costs associated with this type of technology versus individual meters, and it is apparent that the pay-by-space or pay and display technology are less expensive than individual meters to install and maintain. However, if they are unreliable or difficult to use, they can create problems that make their relative cost much higher in the long run. In order to proceed with the pay-by-space technology, we will need to be assured of machine reliability, and welcome any input the Office of the City Auditor can provide, based on research regarding machine reliability.

Regarding the extension of meter hours and days of operation for prime parking locations, changes to meter hours, days, and rate extensions are currently under development and will be forwarded to the City Council for consideration.

Executive Parking Lot

The executive parking lot is located underground between the Lincoln Garage and City Hall. Parking in this lot is reserved for high-level City officials. The lot entrance is gated, with functioning surveillance cameras and remote call equipment installed. Employees with authorized access to the executive lot use their proximity cards for entrance.

Vendors also deliver their goods to the loading dock located in this area. The interior garage area is equipped with surveillance cameras to monitor garage activity. Prior to September 11, 2001, vendors used the remote call equipment at the lot entrance to speak with security officers. The officers then opened the gate from the camera monitoring station after verifying driver identification and logging the vendor delivery information. Subsequent to September 11, 2001, the City stations a security officer at the entrance to the garage. The lot is manned from 6:00 a.m. to 5:00 p.m. on weekdays.

The security officer at the gate personally inspects non-routine vendors' identifications before opening the gate and logs the times and vendor company names into a manual log. We reviewed the visitor logs for October 2003, noting that the total number of visitors per day averaged 35; however, the number of non-regular visitors per day averaged less than 5. Additionally, the departments regularly notify security in advance of any non-regular deliveries.

Issue # 70

Visitor logging procedures require improvement. We noted the following:

- There is no consistency regarding the logging of regular visitors. For example, some United States Postal Service visits were logged, while others were not. Further, on the day of our visit, one visitor identified herself as the Society for the Prevention of Cruelty to Animals representative coming for the City Council meeting. The security officer opened the gate for her; however, he did not enter her visit in the logbook, saying that she was a regular visitor at the council meetings.
- Although the security officers inspect the identifications of non-routine vendors, they do not enter the identification information into the logbook or otherwise document the review.

Recommendation

Consistently enter all visitors into the logbook. Accurate financial and operational information is essential in enabling management to make informed decisions. Further, consider maintaining the information log electronically, in order to provide a tool for operational analysis.

Management's Response

Management agrees and City Hall Security Staff have been directed to consistently enter all visitors into the logbook. The audit further recommended that we consider maintaining the log electronically. Management agrees with this also, and has directed City Hall Security Staff to work with our Information Technology Division to accomplish this task. Technology Services has been working with the Police Department to provide better solutions to the visitors utilizing the VIP/loading dock area. Technology Services is currently exploring options to further automate the access system for the VIP/loading dock entrance.

As mentioned above, the entrance and interior of the executive lot are equipped with surveillance cameras. The monitoring station for these cameras, as well as for cameras monitoring other City locations, is currently located in the basement of City Hall. Prior to the second quarter of fiscal year 2004, the Police Department's Communication Division (PDCD) monitored these cameras on a twenty-four hour basis. However, due to staffing cuts in 2004, weekday daytime monitoring was reduced to approximately three hours per day.

Issue # 71

Certain procedures at the executive gate are inefficient and redundant, as follows:

- One security officer mans the executive lot at the same time another security officer mans the camera monitoring station. As the individual at the camera monitoring station can perform the duties of the executive lot entrance officer, staffing the executive lot while security officers man the camera station results in a duplication of efforts. Currently, this procedure results in three hours per weekday of staffing redundancy. From September 11, 2001 until 2004, staffing redundancy was 11 hours per weekday.
- The PDCD stations one of its officers at the front desk in the City Hall lobby from 6:00 a.m. until 6:00 p.m. As that position is already fully staffed during the hours the executive lot is open, the lobby security officer could perform camera station monitoring duties. However, because the camera monitoring equipment is currently located in the basement of City Hall, a separate security officer must be staffed to monitor the cameras.

Recommendation

To create efficiencies and reduce expenses, consider:

- Using only surveillance equipment to monitor the executive gate. As stated above, non-regular visitors are infrequent; as such, any inconvenience related to the use of surveillance equipment should be minimal. Further, the sergeant of the security section that oversees City Hall security stated that he did not believe monitoring the executive gate from the camera station rather than manning the lot would result in an increased security risk.
- Transferring the camera station and executive lot remote access equipment to the security station in City Hall's lobby. Alternatively, consider maintaining the original equipment in the basement, but installing additional monitors to the lobby location, if this elective is more cost effective than transferring the equipment. As the lobby location is already staffed from 6:00 a.m. until 6:00 p.m., no additional personnel would be required to monitor the executive gate, thus creating labor and benefit cost savings of 14 hours per weekday (11 hours for the executive lot, as well as 3 hours currently spent manning the cameras in their current location). Although the City has considered relocating the camera station, it has not done so.

Management's Response

Regarding just using surveillance equipment to monitor the VIP gate, the Police Department recommends continuing to physically monitor the gate from 6:00 am to 3:00 pm on weekdays and by cameras during all other times.

Regarding the recommendation to transfer the camera monitoring station from the basement of City Hall to the security desk located in City Hall's lobby, management agrees and according to Public Works, this should be accomplished within the next two months.

Curb Zones

PW paints the curbs in front of residences and businesses at the owners' request through an application process. Residents may elect to have "red tips" painted on their curbs. This process involves painting four feet on both sides of the driveway red to prevent vehicles that park on the street from parking too close to driveways. Before the red tips are installed, PW performs an initial survey of the location, as there must be 28 feet between driveways in order to install the red tips. Businesses may elect to have their curbs painted gray (to remove an existing zone), white, yellow, or green. Each colored zone specifies certain parking restrictions defined by the city code. PW estimates that it receives approximately 800 – 1,000 requests each year for curb-related issues.

Issue # 72

The City does not recover its costs by charging businesses and residents for the expenses related to the installation of their requested curb zones. The following are examples of expenses the City absorbs:

- Although the City does charge residents a fee for red tips and re-paints of red tips, the price (\$25 per driveway) does not cover the City's expenses (materials and labor for two employees to make two trips).
- The City does not charge residents when there is inadequate space between driveways, and residents elect to have the entire curb painted red.
- The City does not charge businesses for the installation, maintenance, removal, and changes to curb zones, meters and signage (e.g. changing the zone from 1 hour to 2 hours) requested by the businesses.
- In accordance with city ordinances, in order for a parking zone to be enforceable, the zone must be painted with a Long Beach stencil. After contractors complete private construction work that required the curbs to be re-painted, the City must re-stencil the curb zones; however, the City does not charge the contractors for costs associated with re-stenciling the curbs.

- The City does not charge residents for the establishment of blue (handicapped) zones. PW estimates it currently installs 30 blue zones per month and removes 12 per month. In high-density areas, residents frequently change apartments, requiring the same blue zone space to be installed and removed several times in a few years. Further, the requested blue zone may be located in a metered zone, thereby requiring removal and eventual replacement of the meters. Vehicles properly displaying current handicapped permits park for free at parking meters in the City.

Recommendation

Evaluate the costs associated with the various types of curb zone services provided by the City and implement a billing system to charge residents and businesses for their requested elective services. Include these costs on the application for curb zone requests. Also, on the red tip application, consider including a requirement for the resident to provide the distance between his and neighboring driveways. Specify in the application that the minimum distance for red tips is 28 feet between driveways and list the price if the resident elects to have the entire curb painted red. This requirement may reduce the number of applications, as well as the number of initial site visits required by PW. Further, investigate the possibility of alternative reasonable accommodations for disabled individuals' parking needs, rather than continuing to incur the expenses of continually installing and uninstalling blue zones.

Management's Response

PW will evaluate the costs to consider charging residents and businesses for elective services.

APPENDIX A



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GARY L. BURROUGHS, CPA
City Auditor

May 5, 2004

Melanie Fallon, Director
Community Development

At your request, we have compiled a schedule of revenues and expenses for the downtown Long Beach parking facilities for fiscal year 2003. The purpose of this schedule is to provide City officials with sufficient financial information to enable them to determine whether changes to the management and operational structure of the downtown parking facilities are desired. The downtown parking operational results are a component of the citywide parking revenue controls audit currently being conducted and will be included in that audit report, along with detailed audit findings and suggestions for improvement.

The City derived downtown parking revenues from 11 parking garages, 18 surface lots, and approximately 1,000 parking meters during fiscal year 2003. These parking activities are managed by four City departments: Technology Services, Community Development (including the Redevelopment Agency), Public Works, and Parks, Recreation and Marine.

The following items should be considered while reviewing the schedule of revenues and expenses:

- Certain facilities did not operate for the full fiscal year.
- Certain facilities are subject to bond and other contractual arrangements that affect the allocation of parking revenue.
- The Pike parking facilities did not begin operations until fiscal year 2004, and are therefore not included in this schedule of revenues and expenses. However, the revenues from Pike parking operations will be used to cover the debt service payments, and the City does not foresee any net income from the Pike parking operations in the near future.
- The schedule of revenues and expenses contains estimates and allocations to reflect the financial condition of each parking facility. Those estimates and allocations may differ from amounts in the parking operators' statements or FAMIS.

Compilation Procedures:

Revenues and expenses in this schedule are reported in the period earned or incurred. In order to appropriately include or exclude all revenues and expenses, the monthly cash-basis operator statements were reconciled to FAMIS accounts. All significant differences between FAMIS and the operators' statements were identified and appropriately included or excluded, to obtain the appropriate revenues and expenses for the period. Parking revenues and expenses recorded in FAMIS but pertaining to the previous fiscal year were excluded from this schedule.

Items recorded in FAMIS but not included in operators' statements were analyzed to determine whether inclusion in this schedule was appropriate. Certain items recorded in the FAMIS accounts did not pertain to parking operations and were thus excluded from this schedule.

Certain items relate to more than a single property. As such, those items have been allocated between the appropriate properties. An explanation of the allocation basis has been included in the footnotes for those items.

Certain immaterial one-time transactions have been excluded from the schedule.

Results:

Our analysis indicates that downtown parking operations resulted in an overall loss of approximately \$16,000.

During the course of our review, we identified several issues that are pertinent to your analysis of the management and operational structure of the downtown parking facilities. These issues will be discussed in detail in the citywide parking audit report referred to above. Please find a summary of certain issues below:

- Five separate departments and/or bureaus manage the City's downtown parking operations. Furthermore, several individuals in City departments are involved in the management of downtown parking operations; however, no individual is dedicated solely to parking, and no individual is a parking operations expert by trade. This fragmented management structure creates redundancies in efforts and prevents the City from analyzing and managing parking activities in the best interests of the City as a whole.

- The City has not established a formal policy addressing the disposition of overflow traffic pertaining to City facilities. As the City's revenue share varies greatly from facility to facility, the City should perform an analysis of the different properties available for overflow use to determine what structure would be in the best interests of the City to use under specific circumstances. Further, certain traffic has previously been diverted to non-City parking properties. The analysis should address under what circumstances such a diversion is appropriate.
- For City-owned parking lots that are leased out, there is no uniformity regarding the lease payment structure. Certain lots have flat rate fees, flat rate and percentage fees, or simply percentage fees at varying rates (even if the lots are adjacent and/or leased to the same individual). Further, the payment rates in certain lease agreements have not been increased for several years.
- By using multiple operators at the various downtown parking properties, the City is not taking advantage of economies of scale. The City directly paid \$2,415,000 in operators' wages, benefits, and management fees, and an additional \$421,000 of City employees' wages and benefits pertaining to its downtown parking operations during fiscal year 2003. By consolidating parking operations, these and other expenses could be significantly reduced.

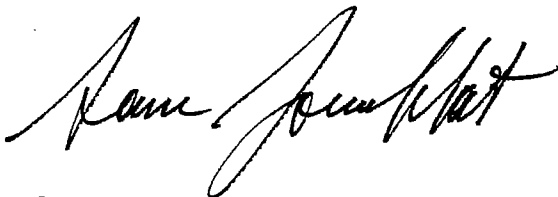
We would like to thank you, your staff, and all other City personnel involved in this project for the cooperation and prompt response to our requests.

If you have any additional questions, please do not hesitate to contact Sam Joumbat (ext. 86434) or Danica Roso, Audit Manager (ext. 86557).

Sincerely,

Gary L. Burroughs, CPA
City Auditor

By



Sam A. Joumbat, CIA
Deputy City Auditor

c: Ronald A. Walker, Bureau Manager, Community Development

FY 2003 Downtown Parking Schedule of Revenues and Expenses*

Total external revenues		\$8,094,047
Total operator wages and benefits	1,916,758	
Total other operator costs	<u>1,021,476</u>	
Total operator costs		2,938,234
Total city-paid salaries and wages	420,505	
Total other city-paid costs	<u>1,290,878</u>	
Total city-paid costs		<u>1,711,383</u>
 Net operating profit		 3,444,430
 Debt and other contractual obligations		
Aquarium:		
Debt	498,849	
Profit sharing	515,527	
City Place:		
Debt	594,681	
Convention Center:		
Management fee	453,560	
Allocation to operations	1,200,231	
Other	<u>197,219</u>	
Total debt and other contractual obligation		<u>3,460,067</u>
 Net loss		 <u><u>(\$15,637)</u></u>

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses*

	Technology Services			Redevelopment Agency	Convention Center	Downtown Meters	Catalina Landing	Totals
	Aquarium	City Hall	City Place					
Revenues								
Transient day	1,671,181	248,269	349,085	573,066	2,967,462	599,597		6,408,660
Monthly revenue		116,615	43,410	108,504	373,243			641,772
Coupon				120				120
Key card		460	5,000	775				6,235
Event income	209,661							209,661
Other revenue	41,416	10,221	15,231	5,965	85,551	2,720		161,104
Contractual rental				34,350		61,303 ¹⁰	327,894 ¹³	423,547
Validation revenue				176,304				176,304
Interest from pooled cash	66,644							66,644
City internal revenue		497,635		9,490				507,125
Gross revenues	1,988,902	873,200	412,726	908,574	3,426,256	663,620	327,894	8,601,172
Elimination of internal revenue		(497,635)		(9,490)				(507,125)
Total external revenues	1,988,902	375,565	412,726	899,084	3,426,256	663,620	327,894	8,094,047
Operator expenses								
Management wages and benefits		109,071		93,270	65,452			267,793
Wages and salaries	183,206	72,653	244,648	258,862	525,996			1,285,365
Payroll overhead	35,487	14,062	47,341	50,367	81,340			228,597
Health and welfare	22,094	6,828	27,600	24,255	54,226			135,003
Shuttle expense					97,755			97,755
Shopping tests	113	504	1,918	2,632				5,167
Supplies	2,663	1,126	3,260	1,453				8,502
Uniforms	35		3	(225)				(187)
Tickets, decals, cards	10,523	7,039	18,428	7,103				43,093
Professional security	61,569	1,143	160,866	113,395	68,059			405,032
Office supplies	857	507	2,665	1,954				5,983
Xerox and printing	766	507	470	968	3,475			6,186
Computer	200							200
Telephone and pager	479	129	318	187				1,113
Landscaping	4,623	4,586						9,209
Liability insurance	20,274	11,244	31,764	12,736				76,018
Business license	680	1,329	2,532	2,879				7,420
Miscellaneous	377	688	4,056	4,129	7,368			16,618
Customer service	338	815	2,037	3,795				6,985
Surface repairs		472	525	3,450				4,447
Keys and locks	265	95	797	320				1,477
Janitorial	1,973	311	2,633	1,111				6,028
Signs	1,861	527	4,993	2,441				9,822
Sweeping	5,340	3,360	18,845	4,140				31,685
Degreasing	19,950	14,025	18,100	2,700				54,775
Elevator		6,248						6,248
Paint and décor		188	42	244				474
Equipment repairs	20,244	2,770	773	4,054	17,578			45,419
Traffic directors		963		963				1,926
Ice Dogs parking commission					167,900 ¹			167,900
Car damages	57		633	1,491				2,181
Total operator expenses	393,974	261,190	595,247	598,674	1,089,149			2,938,234
Net profit (loss) before direct payments	1,594,928	114,375	(182,521)	300,410	2,337,107	663,620	327,894	5,155,813

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses*

	Technology Services			Redevelopment Agency	Convention Center	Downtown Meters	Catalina Landing	Totals
	Aquarium	City Hall	City Place					
City direct payments								
Salaries and benefits	15,183	100,549	26,333	16,388	7,084 ²	234,968 ¹¹	20,000 ¹³	420,505
Landscaping maintenance	6,442			31,675				38,117
Shuttle expense	23,507							23,507
Veterans' expense		52,306						52,306
Validation expense				29,044				29,044
Uniforms	4,122	6,750	4,122	4,728		610		20,332
Supplies	1,462	3,674	18,500			739		24,375
Miscellaneous	903	2,466				43		3,412
Advertising			1,899					1,899
Farmers market rent				5,440				5,440
Building/Equipment	33,481	5,850	17,157	2,417	19,693	34,344 ¹²	40,000 ¹³	152,942
Power	92,072	65,211	153,087	1,452	370,640 ³			682,462
Interdepartment allocation - fleet						14,988		14,988
Interdepartment allocations - other	32,028	142,310	22,860	7,492	31,461 ⁴	5,903		242,054
Total city direct payments	209,200	379,116	243,958	98,636	428,878	291,595	60,000	1,711,383
Net operating profit (loss)	1,385,728	(264,741)	(426,479)	201,774	1,908,229	372,025	267,894	3,444,430
Debt and other contractual obligations								
Fiscal year 2003 debt obligation	498,849		594,681					1,093,530
Required reserves					27,000 ⁵			27,000
Management fees	7,500	8,100	19,525	10,020	453,560 ⁶			498,705
Aquarium profit sharing	515,527							515,527
Capital improvements funded by dollar fund					125,074 ⁷			125,074
Allocation to Convention Center operations					1,200,231 ⁸			1,200,231
Net profit (loss) available for use	363,852	(272,841)	(1,040,685)	191,754	102,364 ⁹	372,025	267,894	(15,637)
Fund Number	411	380	100	224	401	100	401	
Fund Type	Tidelands	Int. Service	General	RDA	Tidelands	General	Tidelands	
Outstanding Debt Principal	4,805,000		11,500,000					16,305,000

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses - Technology Services*

	<u>Aquarium</u>	<u>City Hall</u>			<u>City Place</u>			<u>Totals</u>
		<u>Broadway</u>	<u>Lincoln</u>	<u>State Lot</u>	<u>A</u>	<u>B</u>	<u>C</u>	
Revenues								
Transient day	1,671,181	248,269			152,929 ²³	35,834 ²⁹	160,322	2,268,535
Monthly revenue		87,775		28,840		43,410 ²⁹		160,025
Key card		460				5,000		5,460
Event income	209,661							209,661
Other revenue	41,416 ¹⁴	10,221 ¹⁶			5,077 ²⁴	5,077 ²⁴	5,077 ²⁴	66,868
Interest from pooled cash	66,644							66,644
City internal revenue		277,315 ¹⁷	220,320 ²¹					497,635
Gross revenues	1,988,902	624,040	220,320	28,840	158,006	89,321	165,399	3,274,828
Elimination of internal revenue		(277,315)	(220,320)					(497,635)
Total external revenues	1,988,902	346,725		28,840	158,006	89,321	165,399	2,777,193
Operator expenses								
Management wages and benefits		109,071 ¹⁸						109,071
Wages and salaries	183,206	58,627	12,543 ²²	1,483	61,442	67,337	115,869	500,507
Payroll overhead	35,487	11,343	2,429 ²²	290	11,951	13,029	22,361	96,890
Health and welfare	22,094	4,727	2,070 ²²	31	6,900	10,350	10,350	56,522
Shopping tests	113	504			548	635	735	2,535
Supplies	2,663	1,045		81	1,092	779	1,389	7,049
Uniforms	35						3	38
Tickets, decals, cards	10,523	6,046		993	6,239	5,002	7,187	35,990
Professional security	61,569	1,143			52,736	51,604	56,526	223,578
Office supplies	857	507			1,006	856	803	4,029
Xerox and printing	766	507			166	134	170	1,743
Computer	200							200
Telephone and pager	479	129			101	101	116	926
Landscaping	4,623			4,586				9,209
Liability insurance	20,274	9,667		1,577	12,279	11,215	8,270	63,282
Business license	680	776		553	1,266	1,266		4,541
Miscellaneous	377	688			1,647	1,369	1,040	5,121
Customer service	338	786		29	665	685	687	3,190
Surface repairs		472					525	997
Keys and locks	265	95			260	260	277	1,157
Janitorial	1,973	311			893	854	886	4,917
Signs	1,861	527			2,314	1,357	1,322	7,381
Sweeping	5,340	2,940		420	5,400	7,325	6,120	27,545
Degreasing	19,950	14,025			7,000	5,100	6,000	52,075
Elevator		6,248						6,248
Paint and décor		188			11	10	21	230
Equipment repairs	20,244	2,770			101	24	648	23,787
Traffic directors		963						963
Car damages	57					633		690
Total operator expenses	393,974	234,105	17,042	10,043	174,017	179,925 ²⁹	241,305	1,250,411
Net profit (loss) before direct payments	1,594,928	112,620	(17,042)	18,797	(16,011)	(90,604)	(75,906)	1,526,782

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses - Technology Services*

	<u>Aquarium</u>	<u>City Hall</u>			<u>City Place</u>			<u>Totals</u>
		<u>Broadway</u>	<u>Lincoln</u>	<u>State Lot</u>	<u>A</u>	<u>B</u>	<u>C</u>	
City direct payments								
Salaries and benefits	15,183	100,549 ¹⁹			10,081 ²⁵	5,699 ²⁵	10,553 ²⁵	142,065
Landscaping maintenance	6,442							6,442
Shuttle expense	23,507							23,507
Veterans expense		52,306 ²⁰						52,306
Uniforms	4,122	6,750			1,578 ²⁵	892 ²⁵	1,652 ²⁵	14,994
Supplies	1,462	3,674			7,082 ²⁵	4,004 ²⁵	7,414 ²⁵	23,636
Miscellaneous	903	2,466						3,369
Advertising					727 ²⁵	411 ²⁵	761 ²⁵	1,899
Building/Equipment	33,481	5,850			6,568 ²⁵	3,713 ²⁵	6,876 ²⁵	56,488
Power	92,072	65,211			77,653 ²⁶	70,737 ²⁶	4,697 ³⁰	310,370
Interdepartment allocations - other	32,028	101,703 ¹⁹	35,907 ¹⁹	4,700 ¹⁹	8,752 ²⁵	4,947 ²⁵	9,161 ²⁵	197,198
Total city direct payments	209,200	338,509	35,907	4,700	112,441	90,403	41,114	832,274
Net operating profit (loss)	<u>1,385,728</u>	<u>(225,889)</u>	<u>(52,949)</u>	<u>14,097</u>	<u>(128,452)</u> ²⁷	<u>(181,007)</u> ²⁷	<u>(117,020)</u> ²⁷	<u>694,508</u>
Debt and other contractual obligations								
Fiscal year 2003 debt obligation	498,849 ¹⁵				198,227 ²⁸	198,227 ²⁸	198,227 ²⁸	1,093,530
Management fees	7,500	7,200		900	6,875	6,050	6,600	35,125
Aquarium profit sharing	515,527 ¹⁵							515,527
Net profit (loss) available for use	<u>363,852</u> ¹⁵	<u>(233,089)</u>	<u>(52,949)</u>	<u>13,197</u>	<u>(333,554)</u>	<u>(385,284)</u>	<u>(321,847)</u>	<u>(949,674)</u>
Fund Number	411	380	380	380	100	100	100	
Fund Type	Tidelands	Int Service	Int Service	Int Service	General	General	General	
Outstanding Debt Principal	4,805,000				3,833,333 ²⁸	3,833,333 ²⁸	3,833,334 ²⁸	16,305,000

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses - Redevelopment Agency*

	<u>Lot B</u>	<u>Lot C + M1</u>	<u>Lot D</u>	<u>IDM</u>	<u>Dolly Varden</u>	<u>Grand Prix</u>	<u>M2 pt 1</u>	<u>M2 pt 2</u>	<u>M3</u>	<u>ED</u>	<u>4th & Pacific</u>	<u>7th & Pacific</u>	<u>Jack Imel X</u>	<u>Jack Imel Y</u>	<u>Jack Imel Z</u>	<u>Schneider</u>	<u>Pacific Tower</u>	<u>Validation</u>	<u>Totals</u>	
Revenues																				
Transient day	52,225	132,726	292,183	27,386	40	18,086	41	32,165	3,875	6,239			762	42	7,419					573,066
Monthly revenue	20,175	51,419		27,445		9,465														108,504
Coupon		120																		120
Key card	495	280																		775
Other revenue	2,185	1,680								2,100										5,965
Contractual rental								4,600	1,600	2,400	4,200		8,050			1,500	12,000			34,350
Validation revenue																				176,304
City internal revenue	31	32																		2,565
				6,925																9,490
<hr/>																				
Gross revenues	77,765	186,105	292,183	61,756	9,465	18,086	32,165	3,875	4,600	9,939	2,400	4,200	762	8,050	7,419	1,500	12,000	176,304		908,574
Elimination of internal revenue	(2,565)			(6,925)																(9,490)
<hr/>																				
Total external revenues	75,200	186,105	292,183	54,831	9,465	18,086	32,165	3,875	4,600	9,939	2,400	4,200	762	8,050	7,419	1,500	12,000	176,304		899,084
Operator expenses																				
Management wages and benefits	11,239	26,897	42,227	8,925	1,368	2,614														93,270
Wages and salaries	65,443	68,807	74,166	44,199	925	5,322														258,862
Payroll overhead	12,791	13,312	14,564	8,525	165	1,010														50,367
Health and welfare	7,142	7,142	7,142	2,829																24,255
Shopping tests	650	607	753	622																2,632
Supplies	364	292	317	225	74	181														1,453
Uniforms	(225)																			(225)
Tickets, decals, cards	1,880	2,785	1,098	581	642	117														7,103
Professional security	26,145	26,374	33,468	24,992	598	1,818														113,395
Office supplies	500	495	543	416																1,954
Xerox and printing	255	255	255	188		15														968
Telephone and pager	30	20	128	9																187
Liability insurance	1,258	1,908	1,466	7,523	581															12,736
Business license	542	547	547		1,168	75														2,879
Miscellaneous	3,171	411	424	123																4,129
Customer service	792	792	779	736		696														3,795
Surface repairs	1,325	325	600		1,200															3,450
Keys and locks	95	95	130																	320
Janitorial	292	314	273	232																1,111
Signs	553	198	546	100	1,044															2,441
Sweeping	1,140	1,260	1,260		480															4,140
Degreasing	400	1,100	1,200																	2,700
Paint and décor	61	61	61	61																244
Equipment repairs	1,502	683	1,852	17																4,054
Traffic directors						963														963
Car damages		1,491																		1,491
<hr/>																				
Total operator expenses	137,345	156,171	183,799	100,303	8,245	12,811														598,674
<hr/>																				
Net profit (loss) before direct payments	(62,145)	29,934	108,384	(45,472)	1,220	5,275	32,165	3,875	4,600	9,939	2,400	4,200	762	8,050	7,419	1,500	12,000	176,304		300,410

* - excludes non-cash transactions such as depreciation

FY 2003 Downtown Parking Schedule of Revenues and Expenses - Redevelopment Agency*

	<u>Lot B</u>	<u>Lot C + M1</u>	<u>Lot D</u>	<u>IDM</u>	<u>Dolly Varden</u>	<u>Grand Prix</u>	<u>M2 pt 1</u>	<u>M2 pt 2</u>	<u>M3</u>	<u>ED</u>	<u>4th & Pacific</u>	<u>7th & Pacific</u>	<u>Jack Imel X</u>	<u>Jack Imel Y</u>	<u>Jack Imel Z</u>	<u>Schneider</u>	<u>Pacific Tower</u>	<u>Validation</u>	<u>Totals</u>	
City direct payments																				
Salaries and benefits 34	1,403	3,357	5,270	1,114	171	326	580	70	83	179	43	76	14	145	134	27	216	3,180	16,388	
Landscaping maintenance 35	4,079	9,762	15,326							2,508										31,675
Validation expense 36																			29,044	29,044
Uniforms	595	1,424	2,236	473																4,728
Farmers market rent 37										5,440										5,440
Building/Equipment 38	304	728	1,143	242																2,417
Power			1,452																	1,452
Interdepartment allocations - other 39	641	1,535	2,410	509	78	149	265	32	38	82	20	35	6	66	61	12	99	1,454		7,492
Total city direct payments	7,022	16,806	27,837	2,338	249	475	845	102	121	8,209	63	111	20	211	195	39	315	33,678	98,636	
Net operating profit (loss)	(69,167)	13,128	80,547	(47,810)	971	4,800	31,320	3,773	4,479	1,730	2,337	4,089	742	7,839	7,224	1,461	11,685	142,626	201,774	
Debt and other contractual obligations																				
Management fees	2,268	2,268	2,268	2,016	900	300														10,020
Net profit (loss) available for use	(71,435)	10,860	78,279	(49,826)	71	4,500	31,320	3,773	4,479	1,730	2,337	4,089	742	7,839	7,224	1,461	11,685	142,626	191,754	

* - excludes non-cash transactions such as depreciation

2003 Downtown Parking Footnotes

Convention Center

1. Represents 100% of the contractually calculated parking revenues for the Ice Dog hockey games.
2. Equivalent to 13% of direct charged City employees' time and benefits. The remaining 87% was allocated to Convention Center non-parking operations.
3. Calculated as number of parking spaces at Convention Center multiplied by the average electricity cost per City Place parking space. The calculated amount equates to 13% of total Convention Center power. This 13% has been used to allocate certain other Convention Center activities, as described herein.
4. Equivalent to 13% of City interdepartment allocations to the Convention Center accounts. The remaining 87% was allocated to Convention Center non-parking operations.
5. Represents actual parking-related capital improvements approved by the City in fiscal year 2004 for disbursement from the fiscal year 2003 capital reserve additions.
6. Includes \$214,988 of base management fees (calculated as 13% of total base management fee) and \$238,572 of incentive management fees (100% of total incentive management fee – parking operations result in the overall Convention Center net profit from which the incentive management fee is calculated). The incentive management fee includes \$57,097 related to a one-time refund of workers compensation fees.
7. These capital improvements were funded by the dollar fund, a \$1 per full fee transient vehicle parking charge. The total of these charges is submitted to the City on a monthly basis and placed in a special revenue fund, from which certain Tideland expenditures are made.
8. Although parking activities resulted in a net profit, the profit must be used to cover the losses of the Convention Center non-parking activities.
9. The City received a check in the amount of \$325,133 representing the City's fiscal year 2003 income distribution from the Convention Center. 100% of that revenue is attributable to parking operations. However, that amount included \$171,291 of income related to a one-time refund of workers compensation fees. Additionally, the City received \$331,183 of dollar fund revenue (see #7) throughout the year. Dollar fund revenues and convention center expenses funded by the dollar fund are included in this schedule. The \$186,416 excess of dollar fund revenues over dollar fund expenses netted against the \$84,052 loss from Convention Center parking operations to result in an overall net profit available for use of \$102,364

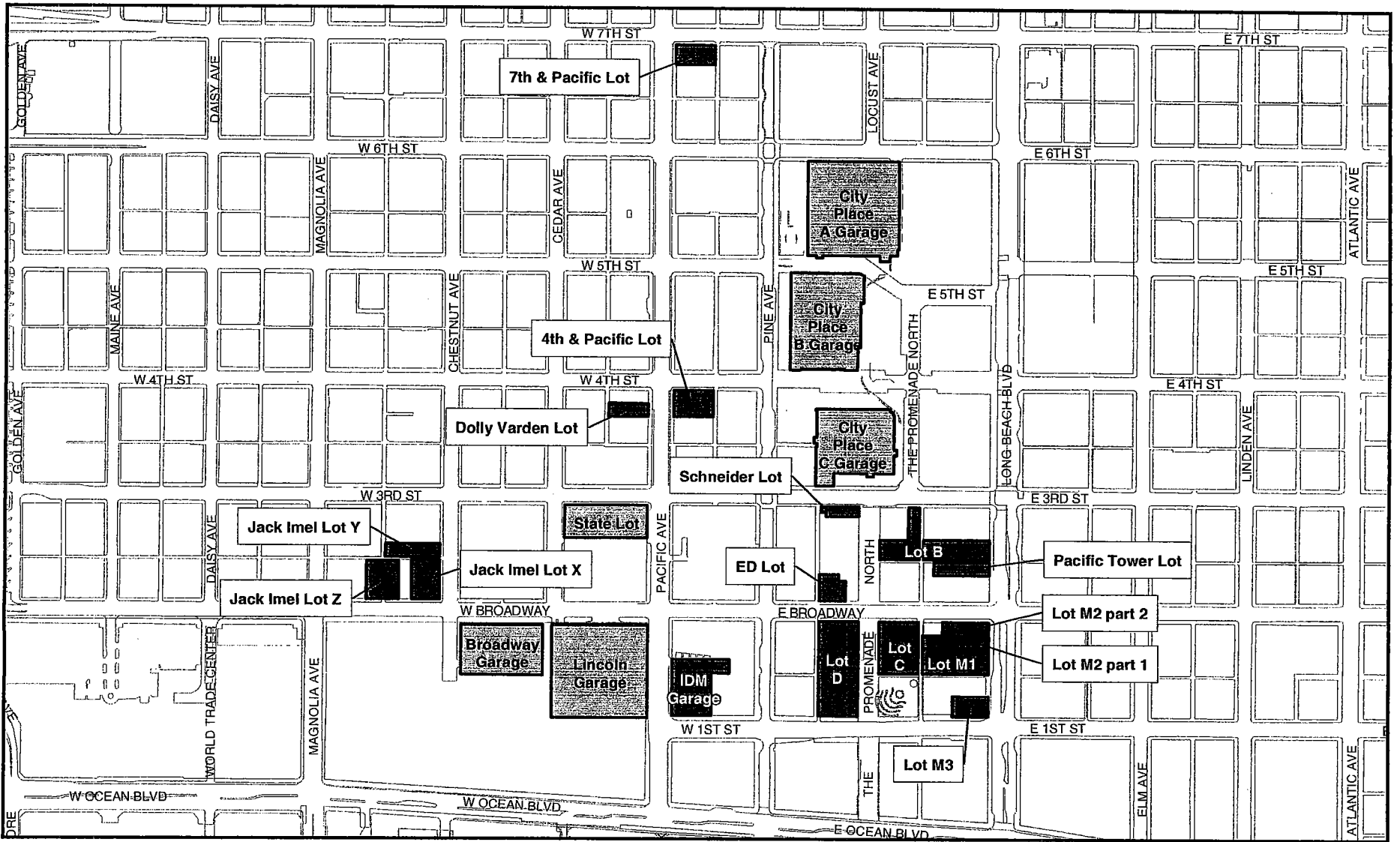
Downtown Meters

10. Amount represents the \$3,000 per quarter received for the collection of Seal Beach meter coins, per contractual arrangement, in addition to a \$49,303 charge for collection of Belmont Shores meter revenue.
11. Certain amounts recorded in this account may be allocated to the Tidelands accounts, thus increasing general fund revenue.
12. Includes \$19,331 of meter batteries and \$13,571 of meter housing and other meter parts.

Catalina Landing

13. The contract pertaining to Catalina Landing parking revenues states that the City will receive 30% of parking revenues in return for the City's maintaining the basin at an appropriate depth. As the contract began in May 2002, the amount reflected in this schedule represents 8 months of activity. In order to maintain the basin, the City must dredge the basin approximately every ten years. External contractor costs to dredge the basin amount to an estimated \$400,000, and internal costs amount to an estimated \$200,000, for a total estimated cost of \$600,000. Thus, the annual estimated cost is \$40,000 for external contractors and \$20,000 for internal services.

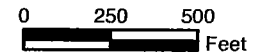
APPENDIX B

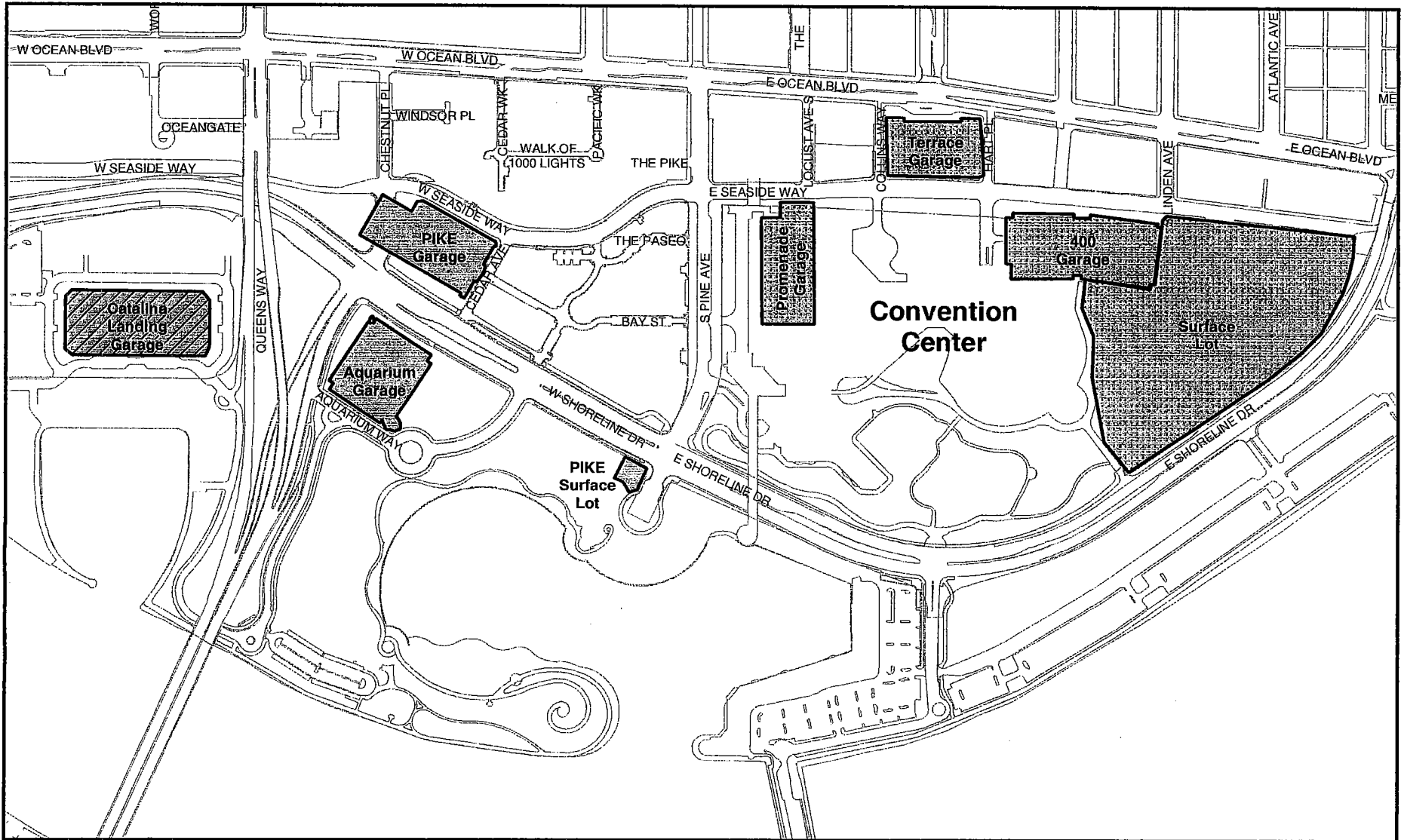


City of Long Beach Downtown Parking Areas

Legend




- RDA Properties
- Technology Services Properties





City of Long Beach Downtown Parking Areas

Legend

-  Technology Services Properties
-  Parks, Recreation and Marine - Catalina Landing
-  Community Development - Convention Center

