

**UNIVERSITY OF CALIFORNIA, DAVIS  
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**Parking Services  
Audit and Management Advisory Services Project #16-62**

**June 2016**

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**MANAGEMENT SUMMARY**

**Background**

As part of the Audit and Management Advisory Services (AMAS) audit plan for fiscal year (FY) 2016, AMAS conducted a review of UC Davis parking services. Two separate units provide parking services at the Campus and Health System. The units are managed independently and have different responsibilities, focuses, and financial models.

The Campus Transportation Services unit (TAPS) is an auxiliary enterprise comprising several different programs addressing Campus transportation needs, such as parking, commuting options, bicycles, the University Airport, and signage. TAPS Parking Operations focuses on providing adequate parking for faculty, staff and students, and encouraging alternative transportation to decrease the need for additional parking structures. TAPS Parking Operations does not use attendants in its parking lots and structures. Instead, there are payment kiosks available and a citation and enforcement program. Including structures, lots, housing areas, and allowable street parking, TAPS Parking Operations is responsible for 18,066 parking spaces.

Parking Operations represents the largest part of the TAPS organization, with budgeted income including fines and forfeitures of \$10.3 million for FY2016 and 20.55 full-time equivalent employees (FTE). TAPS includes debt service and reserves for capital costs and maintenance in its annual parking operations budget. Total debt service for FY2016 is \$3.1 million. Reserve balances after all debt service payments were \$5.9 million as of May 2016. TAPS has a long-standing practice of annually surveying its customers about travel methods, and has an active Transportation Demand Management (TDM) effort, which includes strong support for alternative transportation methods.

Health System Parking and Transportation Services (PATS) handles parking, the on-site and intercampus shuttles, and an alternative transportation program. PATS' largest program is also Parking Operations, which has FY2016 budgeted income of \$8.3 million, including fines and forfeitures. The unit has 32.5 FTE, as patient lots and structures at the Medical Center have attendants daily until 11:00 pm. The first priority for PATS is to provide adequate and convenient parking for UC Davis Medical Center (Medical Center) patients and visitors. PATS also handles permits for staff, students and faculty, enforcement, and special events. The Health System's Financial Services unit manages PATS reserves, which are not included in the PATS operating cost center. Financial Services pays the debt service on the parking structures out of the reserves, and requests for capital expenditures are made through Financial Services and the Capital Planning Committee. Debt service for parking structures at the Health System was \$2.0 million, and the reserve balance was \$17.8 million as of December 31, 2015<sup>1</sup>. PATS manages 7,997 parking spaces at the Health System.

In 2014, PATS engaged Nelson\Nygaard Consulting Associates to design a Parking, Fleet & TDM Plan, which was completed in July 2015. PATS is planning to use the recommendations in the TDM Strategies section of the report, in concert with the Health System Long Range Development Plan, to develop a strategy to provide cost-effective and convenient parking to meet future demand. PATS has had recent management changes, which has slowed the progress of planned improvements.

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<sup>1</sup> This balance is likely to change once capital maintenance and all parking-related costs are included. See Observation B.

Both TAPS and PATS are in the process of implementing new computer systems. TAPS will go live with a new permit and enforcement system in August 2016, and PATS has recently issued a request for proposal for a new parking and revenue management system to replace the automated payment kiosks used in the controlled-access lots and structures at the Health System. A new system is required at the Health System because the existing kiosks cannot be demonstrated to be PCI compliant and are no longer supported by the vendor.

Management for the two units have been discussing collaboration strategies to increase operational efficiency and cost-effectiveness. The discussions are continuing; no decisions about parking services had been agreed to at the time of the audit report.

### **Purpose and Scope**

The purpose of this review was to assess the financial and administrative controls, adequacy of reporting, and management oversight and efficiency of operations of parking services at both Campus and the Health System.

To address the objectives, we interviewed Campus personnel from TAPS and Campus Planning and Community Resources. We also interviewed Health System staff and management from PATS, Safety and Hospitality Services, and Financial Services. We studied regulations and policies, reviewed financial information, and identified trends.

### **Conclusion:**

Campus and Health System Parking Operations units are successfully maintaining current operations. At the same time, both grapple with the problem of providing adequate, affordable and convenient parking to meet the demands of faculty, students, and staff. Each unit also faces unique challenges – providing close, accessible patient parking for the Health System, and at Campus, accommodating recent and expected growth. Both units are doing extensive planning on the best methods to meet their challenges. We found opportunities for improvements in calculation of the costs of and rates for parking at the Health System, as well as potential efficiencies in the management of citations.

Additional information regarding opportunities for improvement is contained in the body of this report.

## **I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**

### **A. Oversight of Decisions on Common Services**

**No process exists to provide a UC Davis-wide perspective on discussions between Campus and Health System units providing similar services.**

UC Davis has similar support services provided in Sacramento and Davis by separate units of the Health System and Campus. The units are independent of one another, with separate management and procedures. Parking services is an example of such a support service.

In an effort to reduce costs and streamline operations, UC Davis executive management directed an initiative whereby representatives of the TAPS and PATS units are meeting together to look for opportunities to collaborate and create efficiencies. TAPS and PATS management should be commended for these continuing efforts.

While AMAS believes that specific decisions regarding how the two units can best collaborate and create efficiencies are a management prerogative, we do think that the result of the discussions should be evaluated from the perspective of what most benefits UCD as a whole. Current handling may be driven by the best interest of the unit rather than the best interest of UC Davis.

#### **Recommendation**

- a. Identify and implement a means by which collaboration efforts can be guided in the best interest of UC Davis as a whole.

#### **Management Corrective Action**

1. The Vice Chancellor for Human Health Sciences and the Interim Leader of Finance and Resource Management will provide an update to the Acting Provost on efforts to date to collaborate to identify opportunities to increase the economy and effectiveness of Parking Services at the Campus and Health System locations by 4/15/2017. This update will outline further actions to be taken, as deemed appropriate.

### **B. Cost of Health System Parking Services**

**Health System Parking rates have not been re-evaluated since 2013, and may not include all relevant costs.**

One of the objectives of our review was to obtain an understanding of why there is a difference in parking rates between the Campus and Health System. We concluded that in concept, it is reasonable for there to be variances in parking rates between the Campus and Health System given the differences in the stakeholders and operations at the two locations. However, we found that we could not do a more in-depth analysis because the Health System rates had not been evaluated since 2013, and were thus potentially not up-to-date.

Hospital Policy and Procedure (HPP) 3393 calls for parking fees to be sufficient to recover costs and debt service, and to be analyzed annually by:

- a) Considering prior year and cumulative surpluses or deficits,
- b) Making every attempt to streamline and reduce expenses to avoid rate increases,
- c) Reviewing the significance of the cost increase in the activity's total budget, and
- d) Considering the predominant type of customer paying for the goods and services.

At the beginning of FY 2014, the PATS reserve account balances associated with parking operations were transferred out of the PATS cost centers to a cost center under the control of Financial Services. At the time of the transfer, Financial Services estimated the reserve balance to be approximately \$7.9 million. Financial Services has since tracked the reserve balances, factoring in revenues and expenditures from Parking Operations, debt service payments, and STIP income. Maintenance performed on parking structures by Facilities has not been considered in tracking the reserve balances. Additionally, revenue received by PATS for employee parking in leased buildings has historically not been applied against building lease costs, and has instead been included in PATS operating revenue. The reserve balance as of December 31, 2015 (excluding maintenance costs and including parking permit fees associated with leased buildings) was calculated by Financial Services to be approximately \$17.8 million.

Financial Services shared a summary schedule of changes in the reserves balances with PATS personnel, and it is our understanding that rates were deemed adequate and not in need of review due to the size of the reserves. The rates may in fact still be in need of revision (either up or down) when the reserve balances are adjusted to properly account for maintenance costs and parking fees associated with leased space, as well as future parking needs of the Health System and other initiatives described in the TDM Plan.

### **Recommendations**

- a. PATS should work with Financial Services to calculate the true cost of parking operations at the Health System, correctly state the reserve balance, and determine whether parking rates should be changed to support all costs of parking operations at the Health System.

### **Management Corrective Action**

1. By 1/15/2017, PATS will work with Financial Services and document a guideline for the costs that should be included in an analysis of parking rates and the reserves of Parking Operations - including the cost of debt service, capital maintenance, and depreciation, as well as permit income and enforcement expenses for leased properties.
2. By 1/15/2017, PATS, in cooperation with Financial Services, will perform an analysis of its reserves to ensure that all relevant costs have been included and restate the reserve balances back to FY2014.
3. After the guidelines are developed and reserve balances restated, by 01/15/2017, PATS, in cooperation with Financial Services, will re-evaluate its parking rates using all appropriate costs. The rate evaluation will consider the PATS TDM plan and projected future costs.
4. By 1/15/2017, PATS will document the procedure to analyze rates and continue to do so annually as required by UCDHS Policy 3393.

### C. Collaboration for Citation Management Efforts

**The adoption of the same system used by PATS at the Health System, by TAPS on campus, presents an opportunity to achieve efficiencies by combining citation management activities under TAPS.**

TAPS has purchased the same system currently used by PATS, T2 Flex, for its permit and citation management operations. The use of a common system represents an opportunity to consolidate services and streamline operations.

Historically, citation management tasks have been performed by TAPS staff for citations issued on Campus. Based on a study of the resources involved, TAPS is considering contracting with T2 (the vendor for the T2 Flex system) for citation management once it implements T2 Flex. Using T2 as the citation management contractor means no additional third party will be involved.

Citations issued by PATS are recorded in its T2 Flex system, which then transfers the information overnight to Phoenix Information Systems (Phoenix), the vendor that PATS has contracted with to manage the citations. Phoenix is then responsible for ensuring compliance with all laws and the California vehicle code, sending out reminders for overdue payments, applying late fees, transmitting information to the Department of Motor Vehicles (DMV), and calculating the portion of the fees the Health System owes to Sacramento County. Phoenix directs customers that all citation payments should be paid to the PATS office, where they are recorded in T2 Flex. This requires that information on payments be recorded in three places: Recorded in T2 Flex by PATS, uploaded to Phoenix, and then transferred by Phoenix to the DMV.

If PATS ends its relationship with Phoenix and adds the management of its citations to its contract with T2 under the general oversight of TAPS, it will eliminate one layer of redundancy for Health System citations, increasing efficiency and potentially reducing errors. An additional benefit of centralizing citation management under TAPS will be the ability to pay Health System citations online. Currently, this capability is available for Campus citations, but not those issued at the Health System.

Some technical issues, such as connecting the two citation databases and providing PATS access to the citation data, will need to be resolved in advance of this conversion. PATS access should be possible given that the two units will be using a common system.

The experience TAPS staff has with citation management make TAPS well suited to provide oversight for citation management activities for both Campus and the Health System, streamlining overall operations and providing other benefits, such as online payment of Health System citations.

#### **Recommendations**

- a. TAPS and PATS management should determine whether it would be cost effective for TAPS to provide oversight of citation management activities for parking citations issued by PATS.

**Management Corrective Action**

1. By 1/15/2017, PATS will develop an analysis of its citation management requirements, including volume of citations, necessary access, and customer service needs.
2. By 4/15/2017, TAPS will use the analysis developed by PATS and provided to TAPS by January 2017, to determine the additional resources necessary to provide oversight for citation management for PATS. This will include providing PATS access to the citation database and reporting, allowing online payment of citations given at the Health System, and managing the upload of citation data from enforcement officers at the Health System.
3. By 5/15/2017, TAPS and PATS management will review the results of the analysis and the resources needed, and document a decision on whether TAPS will include PATS citations in its citation management efforts. A decision to combine citation management services will include an implementation deadline.