

Parking Operating Methodologies

The advantages and disadvantages of each system



Introduction

There are four primary methodologies for operating parking programs. These are:

1. **Self-operation**, in which the institution operates the parking program itself.
2. Through a **management contract** with a private parking operations firm who is either paid a fixed fee and/or a percentage of gross revenues or expenditures, or a combination of both, and who is reimbursed for all costs incurred in the operation.
3. Through a **concession agreement** with a private parking operations firm. The firm assumes full responsibility for all aspects of the operation, including all expenses, and pays the hospital a guaranteed minimum income and/or a percentage of gross revenues, or a combination of both.
4. **Professional Service Model** – In this model, a smaller more professional level Operations Group is maintained within the larger organizational structure in conjunction with the outsourcing of day-to-day operations.

Self-Operation

Self-operation of the parking system requires that the owning entity provide all the necessary employees (i.e., full or part-time staff and/or temporary employees), equipment, supplies, etc. With this method of operation, the owning entity receives all gross parking revenues and pays for all operating expenses. Self-operation requires internal administrative and managerial staff, at a higher level than the Management Contract or Concession style agreements.

Self-operation allows the owning entity to have complete control over the parking facilities and the level of service provided to its patrons. This requires a well-trained and experienced staff to effectively manage a large parking operation with significant daily cash revenues. Parking has become a highly specialized field and also requires good general and facility management skills. Without proper training and professional development, self-operation can result in a lower than desired level of service and revenue controls. This, in conjunction with the requirements for a high level of customer service and the specialized nature of parking, makes the idea of using a professional parking management firm a logical and attractive alternative.

The private parking operator, employed by the owning entity, typically only manages the day-to-day operational aspects of the parking program (staffing, cash collections, routine facility maintenance, etc.). An internal department must still have administrative oversight and



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responsibility for parking as it relates to the overall complex in terms of policy decisions, allocation of resources, etc. Given this need to maintain control of policy and strategic issues

related to parking (defining rates, validation methodologies, reserved parking, lease agreements with office building tenants, etc.) a management agreement approach presents itself as a preferred option.

Management Agreement Operations

This form of operation can give the owning entity complete control over staffing levels, validation policies, parking rates and customer service policies. With a management style agreement the parking operator provides the necessary labor and services for the operation of the parking facilities, in accordance with an agreed to annual operating expense budget. The parking operator will then receive a monthly payment, either a lump sum amount or a percentage of the gross or net parking revenue. This monthly payment is the fee (profit) to manage the facility.

The parking operator will provide the owning entity with a detailed monthly report package including: operating statistics, revenue summaries, expenses summaries, budget variance reports, etc. Invoices of expenditures (with receipts) are also included and are the parking management firm is reimbursed for these expenses. The expenditures report also includes payroll expenses for all cashiering, customer service, maintenance personnel and managerial/supervisory personnel time.

The management style agreement still requires some additional personnel time for the owning entity's staff, since it is necessary to audit the gross parking revenues, as well as the monthly operating expenses. Having an annual external audit by a professional parking consulting or accounting firm is recommended as a means of providing an additional level of accountability, due to the specialized nature of the business. The preferred arrangement is that this firm works with all parties up front to establish reporting guidelines and accounting practices so that when the annual audit is conducted there should be no excuse for not having the expected and necessary documentation.

Under the management agreement the parking revenues are deposited on a daily basis into a separate bank account established in the name of the owning entity. Coordination with the owning entity's Cash Management or Accounting department is recommended to insure that the procedures developed are consistent with the owning entity's overall management practices.

The owning entity's stakeholders and staff should have significant input into establishing the "level of service" to the development's patrons by deciding on the quantity of cashiers/customer service ambassadors, acceptable traffic queuing upon exit, lost ticket/insufficient funds policies, parking related services offered (lost vehicle assistance, dead battery assistance, vehicle lock-out assistance) etc.

The parking operator will serve as a buffer to the owning entity's management with respect to parking complaints and potential wrongdoing by those employed within the parking system. It is



recommended that customer complaints and responses be documented and reviewed by the owning entity's staff on a monthly basis.

Concession Agreement Operations

With a Concession style agreement, the concessionaire will provide all necessary labor and services for the complete operation of parking facilities in return for an agreed to percentage of the gross parking revenues. The actual percentage varies from operation to operation based on the size, complexity, revenue potential and perceived risk to the operator. There may be a guaranteed minimum annual payment to the owning entity.

With this type of agreement, a minimal amount of time is required by the owning entity's staff in the day-to-day operations of the parking program. Typically the owning entity receives a deposit from monthly parking revenues within two weeks after the end of the each calendar month. Periodic conversations with the parking operator are necessary to discuss operational issues that affect the quality of service to development patrons.

The concession agreement is the simplest type of agreement for administrative purposes, in that only the gross parking revenue need be audited. All operational expenses remain the responsibility of the concessionaire, thereby resulting in minimal control of this function by owning entity staff. Another concern that must be understood is that the concessionaire has use of the parking revenues for a lengthy period of time before the monthly payment is deposited for the owning entity.

The parking operator serves as a buffer to the owning entity's management with respect to parking complaints and potential wrongdoing by those employed within the parking system.

In general, concession agreements work best for large and complex parking operations where the management wishes to divest itself from the day-to-day parking operational concerns, to better focus on its core business. These operations typically have the need for highly specialized parking expertise, generally due to the complexity of operations combined with large annual revenues and sometimes political pressures.

Professional Services Model

In this model, a smaller more professional level parking services group is maintained within the municipal structure in conjunction with the outsourcing of day-to-day operations. While there are many potential variations under this category, the most successful variation is structured where by a City run Parking Services Group that is primarily administrative in nature, is responsible such program elements as: creating the vision and mission of the program, community out-reach and program development (including assessment of new technologies, etc.), parking system planning, interface with economic development programs, interface with transportation system functions (including alternative transportation programs) contract administration (of parking management contracts), parking facility long-term maintenance program development, system financial administration/audit functions and special projects management.



Contracts and RFPs are developed to secure the best qualified parking management firms to perform a defined set of operational responsibilities. These typically include: off-street parking

facility operations (cashiering services, pay-on-foot operations, etc.), daily facilities maintenance, security, etc. Some communities have extended these contract services to include the operation of on-street parking and parking enforcement programs.

Another feature often seen used in conjunction with the development of on-call services agreements for various types of consulting and professional services such as: engineering facility condition appraisals, technology assessments, revenue control system assessment and audits, etc.

Under this structure the parking department becomes an active partner in community strategic development plans, transportation and traffic studies, retail revitalization and economic development plans, development/planning review processes, etc.

The table of the following page summarizes the key advantages and disadvantages to the owner by type of operating methodology.

Out-Sourced Parking Operations		
Operating Methodologies		
Operating Method	Advantages (to the owner)	Disadvantages (to the owner)
<i>Management Agreement</i>	The owning entity can have complete control of staffing, rates and service policies.	Tendency to add floating employees to the operation when not assigned elsewhere.
	Most complaints go to parking manager.	The owning entity must monitor the budget and service levels carefully. Operator should be required to submit budget and proposed levels of service six months to one year in advance.
	Provides insulation for the owning entity in case of scandal.	Requires a detailed review and audit of both receipts and expenses to be sure that the payment to the operator is appropriate.
	Lower inventory and supply costs (if a larger parking operator is used).	Moderate risk to the owning entity.
	Receipts should be deposited to The owning entity's bank account daily.	



<i>Operating Method</i>	Advantages (to the owner)	Disadvantages (to the owner)
Concession Agreement	Fee can be arranged to provide an incentive to maximize revenues.	Operators desire to maximize parking revenues may not be in the best overall interests of the hospital.
	Fees can be arranged to provide a minimum annual revenue guarantee.	The owning entity has least control of staffing, service policies, etc. Performance standards should be used to offset this disadvantage.
	Simplest agreement to administer; requires auditing of only the receipts of the operation. It is not necessary to audit expenses.	Operator has use of parking revenues for agreed upon periods. Revenues are usually submitted 10 – 15 days after the last day of the previous month. Initial payment at the beginning of the month can be required.
	Hospital has minimal financial risk.	Concession agreements are typically used for larger, more complex operations, such as airports and large parking authorities.
	The parking operator takes responsibility for complaints.	
	Provides insulation for the owning entity in case of scandal.	
	Lower inventory and supply costs (if a larger parking operator is used).	
<i>Operating Method</i>	Advantages (to the owner)	Disadvantages (to the owner)
Professional Services Model		

