

City of Oakland
Office of the City Auditor

RPP Program Performance Audit –
Interim Report

May 28, 2009



City Auditor
Courtney A. Ruby, CPA

May 28, 2009

HONORABLE CITY COUNCIL
OAKLAND, CALIFORNIA

Re: Interim Performance Audit Report on the Residential Parking Permit Program

Dear Mayor Dellums, President Brunner and Honorable Members of the City Council:

I am pleased to present a preliminary analysis of the Residential Parking Permit (RPP) program. This analysis is in response to the September 23, 2008 Agenda Report issued by the Parking Division of the City's Finance and Management Agency (FMA) requesting an increase in permit parking fees and an annual adjustment of 3% to cover the cost of operating the Residential Permit Parking (RPP) program. In response, City Council requested that the Office of the City Auditor conduct a performance audit before further consideration of fee increases for FY 2010-11.

My office began the performance audit of the RPP program in January 2009. We are reviewing the reasonableness of the rates, and the efficiency and effectiveness of the program. This audit is still in progress; however, in an effort to provide Council with timely information for budget deliberations, my office has prepared the following interim audit report on the accuracy of Parking's FY 2008-09 RPP Program cost analysis.

To date, we found that RPP Program permit parking rates appear to not cover the cost of operating the RPP Program. Specifically, Parking Management has not included relevant costs such as enforcement, overhead and personnel benefits in their cost analysis. Currently, Parking Management is not tracking this information related to the RPP program. We also found that there is no basis for the accuracy of the FY 2008-09 RPP cost analysis because Parking Management does not have adequate evidence to verify their analysis. Consequently, the full cost of the RPP Program cannot be determined, which precludes full cost recovery being built into RPP permit fees.

In addition, we conducted a survey of residents with RPP permits and found that while generally they are satisfied with the RPP Program, improvement can be made in the operations and management of the program. For example, we found that some residents would be willing to pay slightly higher fees if commensurate service, including improved timeliness and ease of navigating the permit process, is provided.

As a result of our findings, we recommend that Parking Management develop a fee model that includes all direct and indirect costs for the RPP Program and begin maintaining evidence to justify their cost analysis. It is from this fee model that Council will be able to set the appropriate level of cost recovery for the RPP Program. We also recommend that RPP permit expiration and renewals be staggered throughout the year and that Parking Management promote efficient deployment of RPP Program staff by developing a strategic staffing plan for the program.

In conclusion, it is my hope that the Mayor, City Council and City Administrator find this information useful for their FY 2010-11 budget deliberations. I would also like to express my appreciation to the new Parking Director and staff for their cooperation to ensure the timely issuance of this interim audit report and for their commitment to the audit process. We look forward to continuing this productive working relationship as my office completes the full RPP Audit Report in the months ahead.

Respectfully submitted,

A handwritten signature in cursive script, reading "Courtney A. Ruby". The signature is written in black ink and is positioned above the typed name.

Courtney A. Ruby, CPA
CITY AUDITOR

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Table of Contents

Introduction	1
Finding #1 The City's residential permit parking rates appear not to cover the cost of operating the RPP Program.	2
RPP Program Cost Tracking	2
Citizen Survey	3
Recommendations	4
Finding #2 While Oakland residents are somewhat satisfied with the RPP Program, improvements can be made in the operations and management of the Program.	6
RPP Permit Process	6
Timeliness	6
Ease of Navigating the Permit Process	7
Staffing Efficiency	8
Recommendations	9
Appendix	10

Introduction

The City of Oakland's Residential Permit Parking (RPP) Program was instituted in 1986 after a series of public hearings found that traffic congestion and a shortage of parking to be significant problems in areas with a high volume of nonresident traffic.¹ The purpose of the RPP Program is to limit off-street parking by nonresidents in order to (a) allow residents adequate parking space, and (b) promote the safety, health and welfare of the citizens of Oakland by reducing motor vehicle travel and pollution.²

On September 23, 2008, the Parking Division of the City's Finance and Management Agency (FMA) issued an Agenda Report calling for an increase in permit parking fees and an annual adjustment of 3% to cover the cost of operating the program. In response, City Council requested that the Office of the City Auditor (the Office) conduct a performance audit before further consideration of fee increases for FY 2010-11. In an effort to support the Mayor's and City Council's current budget deliberations, we have provided this interim audit report on the RPP Program. The purpose of this report is to answer key questions posed by City Council in regard to the cost of operating the RPP Program and the reasonableness of current RPP fees. The full RPP Performance Audit will be completed in the next several months.

¹ Community and Economic Development Agency—Residential Permit Parking, History and Background
http://www.oaklandnet.com/cedahome_com/SiteData/cedahome/InetPub/wwwroot/main/dcsd_transportationservice_s_rpp.asp

² City of Oakland Municipal Code, Chapter 10.44

Finding #1: The City's residential permit parking rates appear not to cover the cost of operating the RPP Program.

Based on the revenue and cost analysis prepared by Parking Management for FY 2008-09 in the Finance Committee September 2008 Agenda Report, a \$60 permit fee was proposed to cover all costs for the RPP Program. The \$60 fee would generate estimated revenue of \$239,516, which exceeds Parking Management's RPP Program cost calculations of \$224,101 by \$15,415. While the \$60 fee appears to generate revenue above the Department's estimated RPP Program cost, the Office found that Parking Management did not include overhead, enforcement and personnel benefits in their cost analysis, therefore the cost calculations do not measure the full cost of providing the RPP Program.

Full cost accounting requires that both direct and indirect costs are considered when calculating the cost of providing government services. Direct costs consist of costs that are incurred directly by providing the service, such as staff time spent on service-related activities, as well as salary and benefit dollars. Indirect costs consist of departmental overhead—such as operating expenses and internal administrative costs—as well as citywide overhead, or those costs that support all City programs and services.³ Additionally, Government Finance Officers Association's (GFOA) guidelines for setting government fees specifically state, "Costs of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service)."⁴ Regardless of the level of cost recovery the City Council sets for RPP Program permit fees, Parking Management should provide complete and accurate cost accounting and program information to enable a clear policy decision by the City Council.

RPP Program Cost Tracking

Parking Management's September 23, 2008 Agenda Report states, "The cost of enforcement staff is not calculated into the cost of the RPP Program because to date, the addition of RPP areas has not included the addition of new staff. However, when enforcement staff are deployed to an RPP area, they are necessarily taken away from other enforcement activities that are also revenue-generating. Additionally, when an RPP area is remote from metered streets or time-restricted areas, enforcement staff loses enforcement time in traveling to and from the RPP areas. When enforcement time is lost, revenue-generating activities diminish proportionally. Finally, any addition of new enforcement areas either stretches existing staffing, thereby limiting effectiveness; or requires that additional staff be hired to meet the required level of enforcement, thereby increasing enforcement staff costs."

³ City of Long Beach User Fee Study, Budget Oversight Committee Presentation (Costing Methodology)—Public Resource Management, LLC (2006)

⁴ Best Practices in Public Budgeting – Practice 4.2 Develop Policy on Fees and Charges

Parking Management stated that the September 2008 Agenda Report RPP Program cost analysis did not include these additional costs because staff felt that including these costs would further increase the RPP rates needed to cover the estimated cost, at a time when our residents are experiencing difficult economic conditions. In addition, Parking Management stated that it has not included enforcement in its analysis due to difficulty in tracking its enforcement hours in RPP areas.

During our audit, we found that Parking Management was not able to provide all of the evidence necessary to validate its FY 2008-09 cost analysis presented to the Finance Committee in September 2008. The line item costs for FY 2008-09 included Parking personnel time, Transportation Services personnel time and material costs. Partial documentation to support the material costs was provided, but documentation for the personnel time was not provided.

In addition, Parking staff explained that the FY 2008-09 personnel hours presented in the September 2008 Agenda Report were based on estimates collected in interviews from staff who work on the RPP Program. These estimates were not documented and Parking Management does not require staff to track their time to ensure accurate time estimates are available. Parking Management also does not have a staffing plan to verify when staff are working on RPP rather than executing other Parking Division responsibilities.

As a result of not including all relevant costs in its analysis, Parking Management is not able to fully recover the actual cost of providing services to RPP area residents. Therefore, the city is subsidizing the program. Without fully disclosing these costs (overhead, benefits and enforcement), Parking Management cannot accurately state the degree to which the City is recovering costs with the RPP Program. Furthermore, as a result of insufficient supporting documentation for the RPP Program, the Office is not able to verify that Parking's RPP revenue and cost analysis calculations are accurate or reasonable.

Citizen Survey

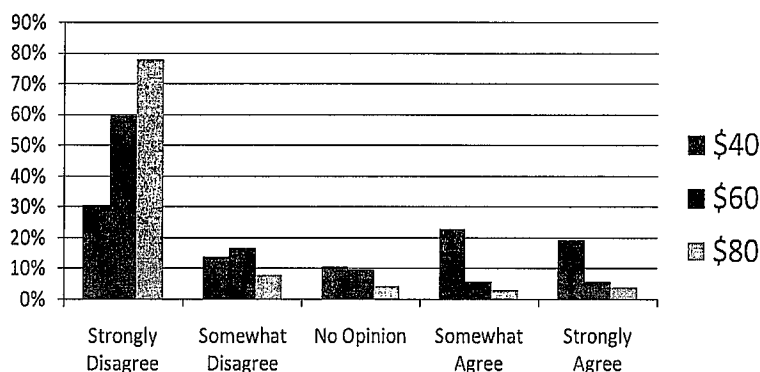
As part of the performance audit of the City's RPP Program, the assessment of the program's effectiveness included measuring Oakland residents' opinions of the program. This was measured through the distribution of a survey to a sample of Oakland residents living in RPP designated areas.

A key aspect of the RPP Program that was surveyed included measuring residents' willingness to pay for residential parking permits. Questions 13-15 on the survey consist of the following questions:

- Q13. "I think \$40 is a reasonable amount to pay for a residential parking permit."
- Q14. "I think \$60 is a reasonable amount to pay for a residential parking permit."
- Q15. "I think \$80 is a reasonable amount to pay for a residential parking permit."

The graph on the next page illustrates the differences among Oakland residents' willingness to pay each level of permit fee.

Willingness to Pay



Survey results illustrate that Oakland residents are generally willing to pay about \$40 for an annual parking permit, but the percentage of respondents who “strongly disagree” nearly doubles with a proposed fee of \$60, and significantly increases further with a proposed fee of \$80.

In the survey, some residents’ comments explicitly expressed that they would be willing to pay slightly higher fees if commensurate service is provided. For example, one resident stated that a “\$40 fee would be ok if the service provided was better. The fees keep going up without better service.” Another resident stated that they would be willing to pay more if the renewal was online and if the system overall was automated.

Conversely, some residents stated opposition to the idea of paying for residential parking in the first place. For example, one resident stated that it is “unreasonable to use parking fees to finance the costs of the RPP Program.” Another resident stated that they didn’t want to pay any fees at all.

Recommendations

Parking Management should:

Recommendation # 1: Develop a fee model that shows full cost recovery by including all direct and indirect costs to operate the RPP Program including enforcement. All costs should be itemized to assist the City Council in determining the extent to which RPP will achieve cost recovery.

Recommendation # 2: Begin tracking and documenting staff time spent on RPP to obtain an accurate estimate of the cost of the RPP Program.

Recommendation # 3: Maintain all relevant documentation to support any of the costs presented in its RPP analysis.

Assuming the intent of the RPP Program fees is less than full cost recovery, City Council should:

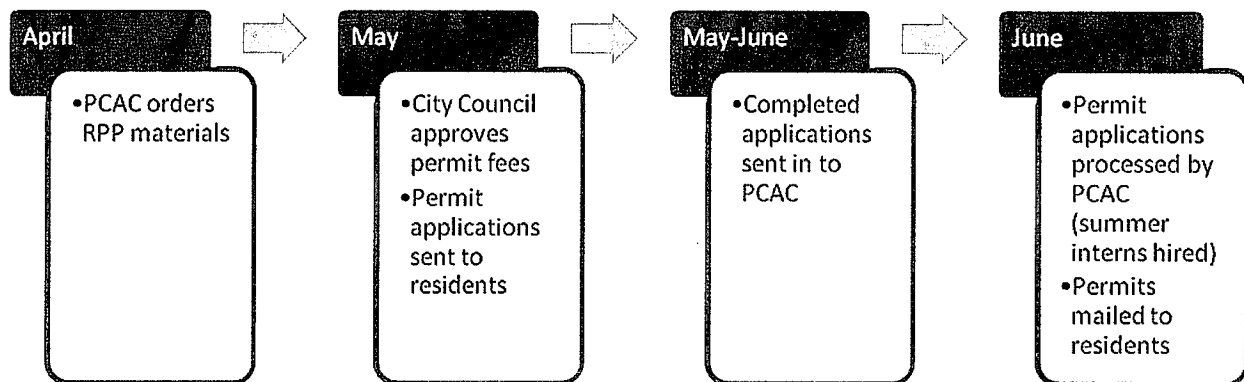
Recommendation # 4: Set a fee that will (1) incorporate some cost components of the RPP Program as deemed appropriate by Council and (2) reflect Council's desired level of RPP Program cost recovery or level of program subsidy.

Recommendation # 5: Revise the RPP Ordinance to clearly identify the extent of cost recovery intended for the RPP Program.

Finding #2: While Oakland residents are somewhat satisfied with the RPP Program, improvements can be made in the operations and management of the Program.

RPP Permit Process

Generally, the RPP permit process unfolds as follows (PCAC is the Parking Citation Assistance Center which is the division of Parking that operates the RPP Program.):



Prior to FY 2008-09, Oakland contracted with the City of Inglewood for annual renewals as well as processing of parking tickets. Using data provided by the City of Oakland, as well as City letterhead and envelopes, Inglewood sent renewal letters to existing permit-holders and residents in permitted areas. The processing of the permit applications and distribution of permits, however, remained the responsibility of Parking staff. During the 4-month renewal season, 3-4 summer interns are hired to help with the 150-200 applications that arrive each week. Parking staff receive many calls regarding required application documentation and permit rates during this season, as well. During off-peak times, about 10-20 applications arrive in the mail each week.

In FY 2008-09, Parking staff assumed the responsibility of mailing out the renewal applications rather than contracting the process out to Inglewood, in order to save on operating costs. By March, Parking staff ordered the necessary supplies—such as permits, letterhead, and other materials—and mailed applications by June 15th. Approximately 5,000 applications were sent out.

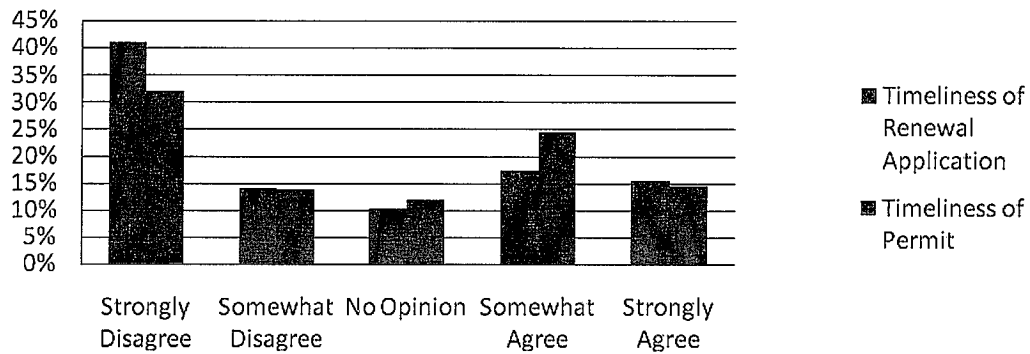
Timeliness

In addition to survey questions on residents' willingness to pay, as discussed in Finding #1, the survey measured residents' opinion on the timeliness of receiving their RPP permit renewal application and permit. Approximately 55% of residents either strongly disagree or somewhat disagree with the statement that they receive their renewal application in a timely manner, and

approximately 46% either strongly disagree or somewhat disagree that they receive their parking permit in a timely manner.

- Q5. “I usually receive my renewal application in a timely manner.”
- Q6. “I usually receive my parking permit in a timely manner.”

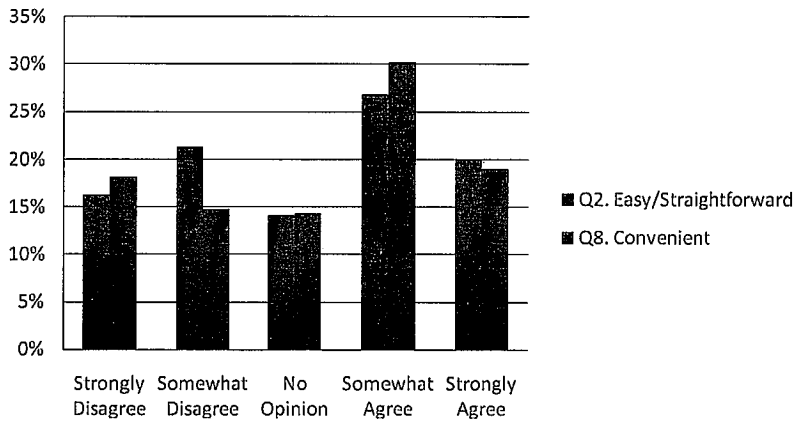
Timeliness



Ease of Navigating Permit Process

Related to satisfaction as well as efficiency is the question of whether residents believe that the permit process is relatively easy and straightforward, and whether it has been an overall convenient way to renew their permit. The majority of survey respondents either strongly agree or somewhat agree that the process is both easy/straightforward and convenient. A larger percentage disagrees about the relative ease/straightforwardness than about the convenience of the process.

Permit Process



Staffing Efficiency

During our audit, we found that Parking Management has not accurately assessed the staffing needs of the RPP Program or developed a strategic staffing plan for the RPP Program. Public Service Representative (PSR) staff rotate work on RPP and no specific staff is assigned to work solely on the RPP Program. Three or four interns are also hired during the renewal season to assist in processing permits. Currently, five out of fifteen PSRs process residential permits on an ongoing basis.

The RPP staffing model described in the September 2008 Agenda Report, combined with the concentrated expiration and permit renewal schedule creates a condensed period of time when a large number of residential permits must be processed. The large volume of permits result in delays or mistakes, which tend to frustrate the residents that Parking staff is tasked with serving in an efficient and timely manner. Due to the inefficiencies in the last renewal season, numerous residents received parking tickets for not having current permits. Many residents reported not receiving their renewal notices or permits in a timely manner. As a result, Parking staff had to spend additional time dismissing tickets and dealing with frustrated residents. Without a strategic staffing plan, inefficiencies exist in processing the seasonal peak of permit workload for the RPP Program.

Per our discussion with current Parking Management, the number of RPP staff reported by previous Parking Management in the September 2008 Council Agenda Report is overstated and inaccurate. Based on the staffing model from the September 2008 Council Agenda Report, there are 5 Full-Time Equivalent (FTE) staff persons assigned during the peak renewal season, and each staff person processes approximately 783 permits during the renewal season, which runs from March to June each year. This estimate is under the assumption that all new resident, and new business permits are also processed along with the renewal permits. Based on 783 permits processed per staff person, the length of time it takes to process each permit is approximately 50 minutes.

During the non-peak season, there are 4.5 FTE staff persons used on an ongoing basis from July to February each year. Assuming these staff are only processing half year permits or temporary permits, staff process approximately 717 permits per person throughout the non-peak season. This calculates out to be also approximately 50 minutes of processing time per permit. In addition to the staff needed to process permits, there are seasonal and ongoing administrative costs identified in the cost analysis.

Staff Analysis for Processing Permits					
# of FTE	Staff Type	Hours per day	Permits Processed	Permits per person	Time to Process each permit (in Hours)
5	Peak Season (4 months)	7.5	New, Renewal, Business	783	0.8
4.5	Non-Peak Season (8 months)	4	Half Year, Temporary	717	0.8

The objective of a PSR is to process permits and respond to questions from the public in a timely and efficient manner. Therefore, Parking Management needs to ensure that its staffing model allows the PSRs to address the public's concerns and needs in an efficient manner.

Recommendations

Parking Management should:

Recommendation # 6: Stagger permit expiration dates. The current method of doing renewals places a significant burden on Parking staff during the four-month renewal season. By staggering permit expiration dates, this burden is lessened and spread evenly throughout the year and should result in the elimination of 3-4 interns during the summer in order to facilitate the process.

Recommendation # 7: Develop a strategic staffing plan for the RPP Program. Currently staff is being allocated to RPP depending on the volume of work required. If permit expirations are staggered, it is feasible that only a certain number of staff will be required to fulfill RPP duties on a full-time basis.

APPENDIX

Additional Survey Results⁵

Overall Satisfaction

In addition to other factors, the RPP Program survey attempted to measure residents' general satisfaction with the RPP Program. Survey results illustrate that approximately 57% either strongly agree or somewhat agree to the statement, "Overall, I am satisfied with the Residential Permit Parking (RPP) Program." (Q1.) The graph below illustrates the distribution of responses.

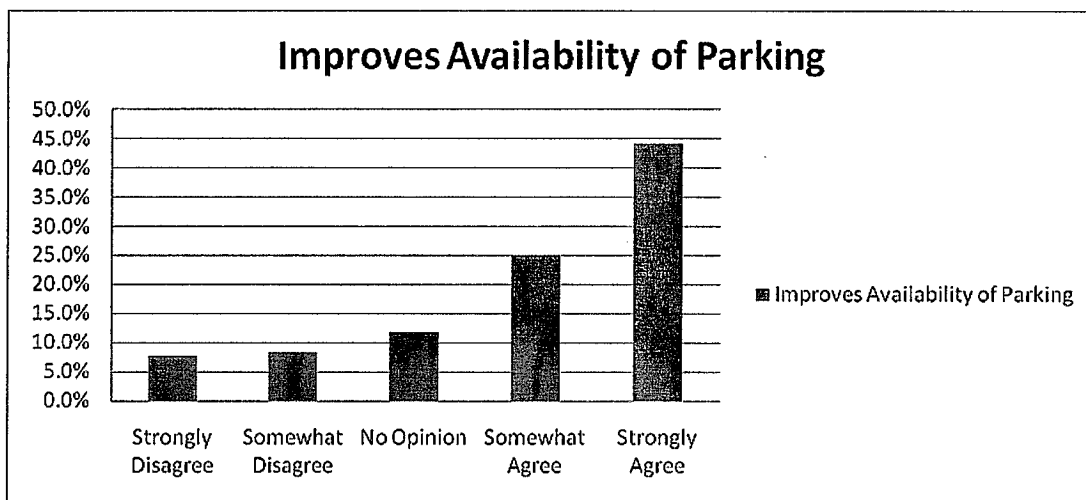


⁵ During April 2009, our office surveyed a randomized sample of RPP participants by mail. We also solicited responses via an online survey that was e-mailed to neighborhood associations. As of April 17, 2009, the due date for the survey, our office received a total of 495 surveys out of the 1,439 surveys mailed. There were also 45 survey responses from the online survey that were not included in our survey results because they were received from program participants who were not randomly selected. The full survey results will be included in the City Auditor's Performance Audit of RPP Report.

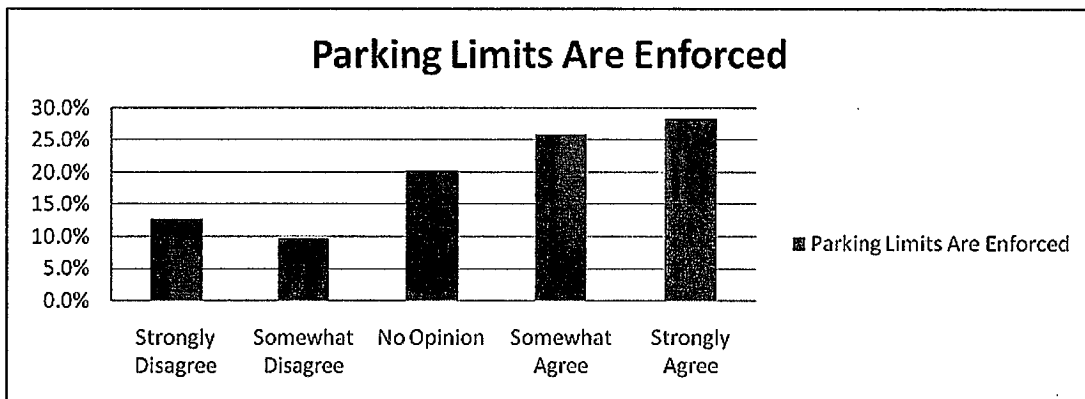
Limiting Nonresident Parking

Because the primary purpose of the RPP Program is to limit nonresident parking in residential areas with high levels of traffic congestion, the survey sought to measure the extent to which residents believe the program is fulfilling this purpose. The results illustrate that residents believe the program improves the availability of parking in their neighborhood, and that nonresidents are discouraged from parking in their neighborhood for long periods of time. A smaller percent agree that parking limits for nonresidents are adequately enforced.

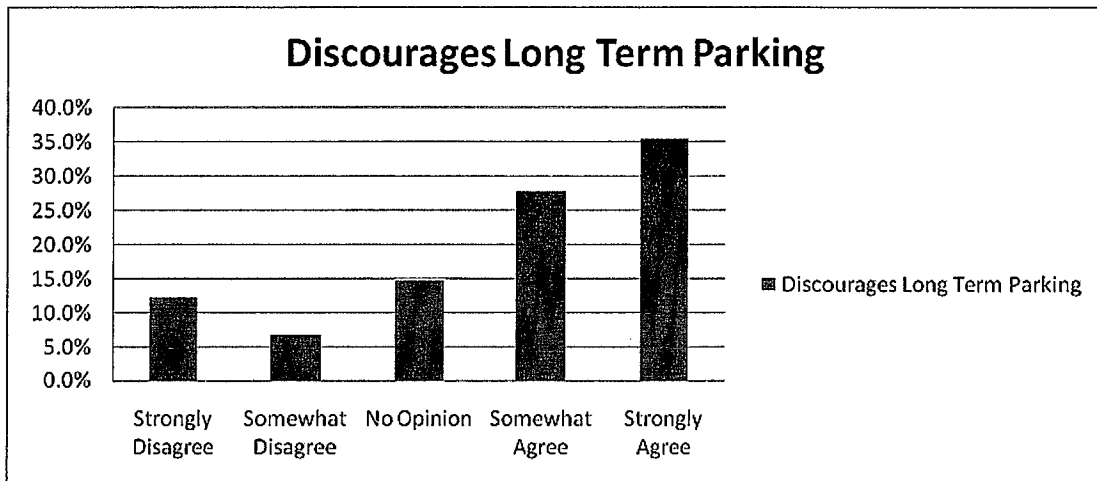
- Q7. “The RPP Program improves availability of parking to residents in my neighborhood.”



- Q10. “The parking limits for nonresidents are adequately enforced in my area.”



- Q12. “The RPP Program discourages nonresidents from parking in my neighborhood for long periods of time.”



Residents generally argue that increased fees are only justified if commensurate service is provided. Adequate enforcement is one of these services. Some residents want limits to be enforced on weekends as well, while others state that the only instances in which they have seen parking enforcement is if a resident calls in to report a violation.