
**Performance Audit of the
Community Parking District Program**

**THE CITY COULD IMPROVE MANAGEMENT OF THE
COMMUNITY PARKING DISTRICT PROGRAM**

NOVEMBER 2014

Audit Report
Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

November 7, 2014

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report on the City of San Diego's Community Parking District Program. This report was conducted in accordance with the City Auditor's Fiscal Year 2014 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 29 of this report.

We would like to thank staff from Economic Development, the City Treasurer's Office, and representatives from the Community Parking Districts for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Rebecca Takahashi, Michael Lee, Matthew Helm, and Kyle Elser.

Respectfully submitted,

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Results in Brief

In 1997, the City of San Diego established the Parking Meter District Program through the adoption of Council Policy 100-18 with the purpose of providing parking impacted commercial communities with a community-based approach to develop and implement parking management solutions. The policy allows communities, with the approval of the City Council, to establish and manage a Community Parking District (CPD) to identify and recommend parking management solutions in their CPDs. Between FY 2011 and FY 2014, the City collected \$33.8 million in total parking revenues and allocated approximately \$11 million to three CPDs.

We found that the CPD program plans and reviews for appropriate uses of CPD funds that are in accordance with Council Policy 100-18 through the annual planning and budgeting process. However, the program has been utilizing informal procedures to administer the program that have not allowed the City to actively measure or monitor program outcomes to determine if parking meter revenues are being used efficiently and effectively. Without documented formal procedures, performance measurement, and monitoring, key program stakeholders are not able to assess if the program is meeting the goals of Council Policy 100-18.

The City could enhance its overall management of the CPD program by establishing a documented process to effectively manage and oversee the efforts and outcomes of the CPD program. While the City reviews appropriate uses of CPD funds in accordance with Council Policy 100-18 through the annual planning and budgeting process, program staff relies on an informal, undocumented process to administer the CPD program. However, the processes used to administer this program have not been fully developed and documented to mitigate the risk of loss of institutional knowledge.

Additionally, we found that CPD funds and expenditures were being tracked and monitored on an annual basis as required by Council Policy; however, this information has not been formally reported or provided to key program stakeholders, including the CPDs. We found that there is no requirement in place for the City to measure, analyze, or report on the performance of the program and its corresponding expenditures. Furthermore, the program has not established performance measures to assess the service efforts, costs, and accomplishments of the program.

Lastly, we found the processes used to allocate program funds and the implementation of parking-related projects could be enhanced by adopting formal monitoring procedures to more effectively control program outcomes. Although there are informal processes to facilitate these activities, the program lacks formal project management and oversight procedures to ensure city-implemented projects are completed in a timely and consistent manner.

To improve program administration and to ensure the program is meeting the goals of the CPD program, we recommend that Economic Development develop formal, documented guidance that details the processes used to manage CPD funds and expenditures, as well as procedures needed to implement and monitor parking projects from start to finish. Additionally, Economic Development should develop and adopt performance measures to support the information needs of key program stakeholders. We made a total of three recommendations, and management agreed with all recommendations.

Background

Council Policy 100-18 In 1997, the City of San Diego (City) established the Parking Meter District Program through the adoption of Council Policy 100-18, with the purpose of providing parking impacted commercial communities with a community-based approach to develop and implement parking management solutions.

According to the department, the objectives of this policy are to:

- improve traffic circulation and infrastructure to encourage the Community Parking Districts' (CPDs) economic development;
- reinvest CPD meter revenues to improve parking conditions;
- allow for community-specific parking management solutions; and
- enable traditional neighborhood commercial districts to compete with new suburban development.

This program is funded by parking meter revenues that are collected and shared with the City and CPDs to cover the cost of supervision, inspection, installation, operation, maintenance, control and use of the parking spaces and parking meters. The program also covers the City's costs of supervising, managing, and regulating the parking of vehicles in the parking meter zones.

CPD Revenue Allocation Revenues from parking meters collected within the CPDs are shared between the City and the CPDs, with the City receiving 55 percent and CPD's receiving 45 percent. In addition to the 45 percent allocation, the City may allocate all or a portion of the parking management-related revenues to a CPD on a case-by-case basis.

Prior to allocating revenue to the CPDs, the City's costs associated with administering the CPD program (including the costs of a Senior Traffic Engineer) and the Parking Meter Operations (PMO) section of the City Treasurer's Office are subtracted from the total parking meter revenues collected.

CPD Operations CPDs are represented by a local advisory board, which is charged with monitoring parking meter utilization and recommending parking-related improvements that can be funded with parking meter revenues. Per Council Policy 100-18, the City Council may designate an existing board of a business improvement district, community development corporation, or other nonprofit corporation approved by the City Council. These entities are responsible to manage the CPDs individual share of new and existing parking meter revenues generated within their respective CPD.

On an annual basis, CPDs are required to submit a plan that details proposed improvements and activities, as well as a budget of how their revenue share is to be allocated. Council Policy also requires the individual CPDs to enter into formal agreements with the City that are reviewed and approved by City Council during the normal Citywide budgetary approval process.

At present, there are four entities managing three of the six designated CPDs, including:

- Downtown/Centre City (Civic San Diego);
- Uptown (Uptown Community Parking District); and
- Midcity (El Cajon Business Improvement District and University Heights Community Development Corporation)

Per the Economic Development, three additional CPDs were established by Council resolution in 2005 and have designated advisory boards, but do not have any metered parking spaces within their designated CPD. These include Old Town,¹ Pacific Beach, and La Jolla.

¹ For FY 2015, the Old Town Chamber of Commerce submitted a budget request to access parking revenue to fund improvements to a City-owned parking structure leased by the CPD that is used for several major community events where parking revenue is generated.

Administration of the CPD Program This program is supported by several City departments, but is primarily administered by staff in Economic Development. Staff in Economic Development is responsible for the tracking and reconciliation of parking meter revenues maintained in the City's and individual CPD funds. In addition to administrative support, there is also a dedicated Senior Traffic Engineer within Economic Development to provide expertise and other support for the implementation of parking projects that are funded with parking meter revenues. Staff time and other associated costs are assessed for administration of the CPD program.

The collection and accounting of parking meter revenues is performed by the PMO section within the Revenue Collections Division of the City Treasurer's Office. A staff of 10 - 15 employees in PMO is responsible for the installation, maintenance and repair, and collection of revenues from parking meters on a daily basis. The operations of this division are fully-funded with parking meter revenues, as allowed for by Council Policy 100-18.

FY 2015 Parking Meter Upgrades and New Dedicated Revenue Fund In June 2014, the City approved a contract to upgrade existing single-space, coin-operated parking meters into single-space, "smart" meters that will allow users to pay a meter using a credit card, parking cards, or coin. It is expected that the new smart meters will allow PMO staff to collect more accurate and timely utilization data on all of the smart meters. Implementation of the smart meters may allow the City to pilot additional technology, such as the installation of parking space sensors to enable real time monitoring of parking space availability allow users to add time, and make payments via a smart phone.

Beginning in FY 2015, a separate revenue fund in the City Treasurer's budget was established to directly account for parking meter revenue collections and operating expenditures in the City's financial system. Economic Development staff will also have corresponding internal orders that will allow them to directly account for their time spent by CPD on program administration.

Parking Meter Revenue and Expenditure Trends, FY 2011 – FY 2014

According to Economic Development, parking meter revenues generated in the City from FY 2011 – FY 2014 totaled approximately \$33.8 million. Prior to the division of revenues shared between the City and CPDs, the total cost to administer the program is deducted from the gross revenues collected. Over the four-year period, a total of \$11.1 million has been expended by the City to administer the parking program. Approximately \$11 million has been allocated to CPDs to devise and implement parking management solutions to meet the community's specific needs and resolve undesirable parking impacts or to hold in reserve for future parking-related needs. In addition, approximately \$11.7 million has been allocated to the City's share that is used to provide parking-related services to the CPDs or to hold in reserve for future parking-related needs.

A summary of the total revenues, the City's share of revenues, total CPD share, and total city administrative costs assessed to administer the program prior to the sharing of revenues are summarized in **Exhibit 1** below.

Exhibit 1

Parking Meter Revenue Allocations, FY 2011 – FY 2014

Fiscal Year	Total City Allocations	Total CPD Allocations	Total City Administrative Costs	Total Parking Meter Revenues
FY 2011	\$2,334,047	\$2,826,000	\$2,541,912	\$7,701,959
FY 2012	\$2,786,794	\$2,869,000	\$2,701,121	\$8,356,915
FY 2013	\$3,220,027	\$2,612,402	\$2,776,385	\$8,608,814
FY 2014	\$3,356,377	\$2,728,909	\$3,051,229	\$9,136,515
Totals	\$11,697,245	\$11,036,311	\$11,070,647	\$33,804,203
% of Total Revenues	34.6%	32.6%	32.7 %	N/A

Note: According to Economic Development staff, CPD revenue allocations have been adjusted over the scope period to reflect the difference between the amounts budgeted at the start of the fiscal year to the meter revenue and expenditure reconciliation performed at year-end.

Source: OCA analysis of unaudited data provided by Economic Development.

Detailed breakdowns of the uses of parking meter revenues for administrative costs and the share for services provided by the City in the CPDs are included in **Appendix C**.

Audit Results

Finding 1: The City Could Enhance its Overall Management of the Community Parking District Program by Establishing a Documented Process to Sustain Program Efforts and Outcomes

We found that the City of San Diego (City) plans and reviews for appropriate uses of parking meter revenues that are in accordance with Council Policy 100-18 through the annual planning and budgeting process. Additionally, Community Parking District (CPD) program administrative staff has developed and relied on an informal, undocumented process to administer the program.

However, the processes used to administer this program and implement parking-related projects have not been fully developed and documented to mitigate the risk of loss of institutional knowledge. As a result, the City is not able to ensure that the CPD program is operating in a consistent and continuous manner if current staff is no longer in their administrative roles. The City could enhance its overall management of the CPD program by establishing a documented process to effectively manage and oversee the efforts and outcomes of the CPD program.

The City Plans and Reviews Appropriate Uses of Parking Meter Revenues According to Council Policy 100-18

We found that the City reviews appropriate uses of parking meter revenues in accordance with Council Policy 100-18 through the annual planning and budgeting process. Additionally, the processes in place to plan project needs are in conformance with best practices for project planning, which are intended to establish and maintain plans that design project activities.²

²We used the Capability/Maturity Model Integration as a best practice criterion to analyze various aspects of the CPD program processes.

Council Policy 100-18 is the guidance used by the program to determine and review proposed parking projects and other related activities to be funded with parking meter revenues. Council Policy 100-18 requires that parking meter revenues

shall be primarily used to address parking supply and mobility issues. Improvements and activities that increase the availability, supply, and effective use of parking for residents, visitors, and employees within the adopted Community Parking Districts shall be the principal focus of expenditure of the funds. Community Parking District revenues shall be used in accordance with Municipal Code §82.08 and §82.09.

In order to abide by this requirement, Economic Development staff review and consult with the CPDs to develop their annual plans and provide ongoing feedback to the CPDs on whether a proposed expense or project is an appropriate use of parking meter revenue. Additionally, the City Council is required to review and approve the annual plans and budgets of each CPD.

The City Attorney works with Economic Development staff to address any legal questions or issues prior to presenting CPD annual plan to the City Council during the annual budget process, and has also issued several Memoranda of Law regarding general and specific use of parking meter revenues as requested by City Council and CPD program staff. In general, the City Attorney has noted in these memoranda that parking meter funds may be used for parking and traffic-related purposes that impact the parking of vehicles in designated parking meter zones.

Processes Used to Administer This Program Have Not Been Fully Documented to Mitigate the Risk of Loss of Institutional Knowledge

While the City reviews appropriate uses of parking meter revenues in accordance with Council Policy 100-18 through the annual planning and budgeting process, program staff relies on an informal, undocumented process to administer the CPD program. Economic Development staff has developed procedures to manage parking meter revenues and expenditures, as well as to implement parking-related projects, which rely on the requirements outlined in Council Policy 100-18. The policy, however, does not include a requirement for a complete process narrative to allow staff to fully manage and control program activities outside of the annual planning and budgeting process.

Per Council Policy, Economic Development staff annually reconciles parking meter revenues and expenditures in their associated CPDs, as well as the City's share of revenues. Staff in Economic Development also assist in annual plan development, tracking and reconciling

parking meter revenue funds for the City and CPDs, management of the Memoranda of Understanding with each of the CPDs, and the processing of requests for reimbursement from CPDs for parking-related administrative and project activities. The current informal process to administer these activities has relied on the expertise of two primary administrative staff persons.

According to the program administrator, Economic Development currently uses a manual, informal procedure to track and monitor CPD-related revenues and program expenses. The program administrator developed the procedure, and notes that it has been refined over time. Additionally, the program administrator asserts that there is another staff person that can serve as an administrative back-up for the CPD program, but acknowledges that the back-up may not be able to perform the reconciliation process in practice.

According to Economic Development, in FY 2012, Economic Development staff drafted a preliminary process narrative to describe the method of accounting for parking meter revenues and expenditures; however, according to Economic Development, the narrative could not be finalized as the process itself was still being refined to address all appropriate costs (such as General Government Services Billing and City Treasurer Administration) to be included and the associated allocation methodologies among CPDs. Additionally, Economic Development stated that in FY 2015, single-space smart meters are being installed and a separate parking meter revenue fund for enhanced tracking of revenue and expenses was created which will necessitate further revisions to the draft process narrative. Staff stated that the narrative is expected to be completed with the implementation of these changes. A process flowchart of the revenue and expenditure reconciliation process is included as **Appendix D**.

As noted in the background, the establishment of a dedicated revenue fund for parking meter revenues in the citywide financial management system will help to automate the accounting and expenditures of parking meter revenue collections; however, the process to reconcile the costs of city services will still require a manual reconciliation by Economic Development staff.

By Formally Documenting Procedures Used to Plan and Maintain Program Processes, the Program Can Better Define and Manage Intended Outcomes

We utilized a project management best practice model entitled Capability/Maturity Model Integration (CMMI), which provides a comprehensive set of guidelines that help organizations improve their processes and meet the needs of customers and end-users. The CMMI describes best practices that organizations have found to be productive and useful to achieving their specific business objectives.³ Organizations can use process-improvement concepts derived from this model to improve their operational practices.

According to CMMI, adopting formal, documented procedures, would enable the CPD program to:

- retain existing practices during times of stress;
- perform and manage projects according to their documented plans;
- make the status of work products visible to management at defined points (e.g., at major milestones, at the completion of major tasks);
- establish and revise as needed commitments among relevant stakeholders; Provide assurance that work products are appropriately controlled; and
- ensure that work products and services satisfy their specified process descriptions, standards, and procedures.

We also used the CMMI model to evaluate the measurement and monitoring processes used to account for revenues and expenditures, as well as to implement parking-related projects, as discussed later in Findings 2 and 3.

Recommendation #1 To fully manage program administration and to ensure the continuity of program operations, we recommend that Economic Development:

- **Develop formal, documented guidance that fully details the processes used to account for parking meter revenues and implement parking-projects for the Community Parking District program to enable a successful transfer of institutional knowledge to future staff assigned to administer this program. (Priority 3)**

³ Use of professional judgment is needed when interpreting CMMI best practices to assess the situation, needs, and business objectives of the program.

Finding 2: The Processes in Place to Administer the Community Parking District Program Could Be Improved by Adopting Formal Performance Measures and a Method of Reporting Performance Results to Key Stakeholders

We found that parking meter revenues and expenditures are being tracked and monitored on an annual basis as required by Council Policy; however, this information has not been formally reported or provided to key program stakeholders, including the Community Parking Districts (CPDs).

We also found that there is no requirement in place for the City of San Diego (City) to measure, analyze, or report on the performance of parking meter revenues and their corresponding expenditures. Further, the CPD program has not established any performance measures to assess the service efforts, costs, and accomplishments of the program.

There Are No Processes in Place to Measure, Analyze, or Report on the Performance of the CPD Program

In our review of individual CPD Memoranda of Understanding, we found that CPDs are required to include measurable objectives in the Scope of Services in order to provide a sound basis for the City to effectively monitor contractors' performance under the agreement. However, there is no process in place to track or report any specific measures from the CPDs for the purpose of tracking program performance or accomplishments.

Council Policy 100-18 requires each individual CPD to develop an annual plan to detail: 1) How community input will be obtained and incorporated into the management of the CPD; 2) a budget, including the sources and amounts of CPD revenues and how each are proposed to be used; and 3) proposed improvements to address the CPD's parking impacts, and the proposed financing. CPD's can also include additional recommendations to enhance parking management in their CPD as detailed in policy.

In our examination of annual plans submitted over the scope period for the individual CPDs, we found that the plans meet the requirements as noted in Council Policy 100-18, which includes an overview of their parking-related accomplishments, a budget allocating anticipated and revenues in reserve for parking-related

projects, and pertinent background information related to their individual CPD goals. However, we found that there were not any specific requirement to track or monitor activities in a way that would allow the City to analyze and measure performance of CPD activities on an annual basis.

In our analysis of the budgets developed and submitted for each CPD, we found that the budgets are developed using estimates of anticipated revenues for the upcoming fiscal year, as well as unexpended, carry-forward revenues in reserve from prior years. All of these funds are being allocated to parking projects as outlined in annual plans; however, there is no specific time limitation to hold parking meter funds in reserve, or any specific revenue threshold for carry-over for future project expenditures.

CPDs are Performing and Accomplishing Parking-Related Projects That Meet the Intent of Council Policy 100-18

Although there is no specific requirement to track or measure CPD performance, we found that CPDs have been able to accomplish projects that have met the intent of Council Policy 100-18. We asked CPDs to identify parking-related projects and activities undertaken or completed between FY 2011-FY 2014. We determined that CPDs had either planned or implemented a total of 59 parking-related projects.

Exhibit 3 below summarizes the types of projects and amounts completed, as reported by the individual CPDs.

Exhibit 3

Parking Projects Accomplished by Community Parking Districts, FY 2011 - FY 2014

Examples of Projects and Activities Conducted	Number of Projects
Bike Rack Installation	12
Pedestrian Improvements	8
Parking Space Conversions	8
Studies	7
Valet Programs	7
Marketing	4
Parking Evaluations	3
Other parking-related projects	10
Total	59

Source: OCA analysis of CPD projects reported as planned or implemented during the scope period.

By Adopting, Monitoring, and Reporting on Performance of the CPD Program, the Program Can Enhance its Ability to Fully Manage Program Outcomes

As noted in Finding 1, we applied the Capability/Maturity Model Integration (CMMI) to assess the processes in place to measure and monitor program outcomes. We found that the absence of measurement capabilities and processes do not allow City management to gather and report needed information for key stakeholders to determine if the goals of Council Policy 100-18 are being met. Additionally, the Government Accountancy Statements Board states that financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability, which includes providing information to assist users in assessing the service efforts, costs, and accomplishments of the governmental entity.

Without performance measures or other metrics to monitor program performance, management and other key program stakeholders may not be able to ensure that parking meter revenues are being used efficiently, effectively, or as intended by Council Policy 100-18.⁴

Recommendation #2 To fully measure and manage program outcomes, Economic Development should:

- **Adopt, and monitor appropriate Community Parking District performance measures to support the information monitoring needs of key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties; and**
- **Periodically report the performance of the Community Parking District program to key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties. (Priority 3)**

⁴ The Independent Budget Analyst's office (IBA report no. 14-28) made a similar observation and recommendation to develop goals and appropriate performance measures as a method to plan, set goals and objectives, and assess accomplishments or needed improvements.

Finding 3: The Processes Used to Account for Program Funds and the Implementation of Parking-Related Projects Could be Enhanced by Adopting Formal Monitoring Procedures to More Effectively Control Community Parking District Program Outcomes

We found that the processes used to allocate Community Parking District (CPD) program funds and the implementation of parking-related projects could be enhanced by adopting formal monitoring procedures to more effectively control program outcomes. Although there are informal processes to facilitate these activities, the program lacks formal project management and oversight procedures to ensure CPD funds are accounted for and parking projects are completed in a timely and consistent manner.

There Are Limited Monitoring Procedures in Place to Ensure Parking Meter Revenue is Being Used Efficiently and Effectively

As noted earlier in Finding 1, the process to reconcile and track program expenditures is performed annually by Economic Development, as mandated by Council Policy 100-18. However, we found that there is no formal monitoring of the annual expenditure and reconciliation process as it pertains to the CPD program, as Economic Development staff rely on other city departments (primarily the City Treasurer and the Transportation and Stormwater Department) to provide expenditure information.

According to Economic Development, staff has been able to identify data discrepancies that were reconciled by the affected department, but noted that this was not a procedure that is consistently performed. Without a standardized review to verify the data used to support expenditures, there is a risk that CPD funds and their associated expenditures are not being used efficiently and effectively to produce the intended outcomes of the program.

While there are various citywide budget and financial reporting requirements in place, there are no documented program-level monitoring procedures in place to track and benchmark levels of spending for program administration.⁵ Without adequate monitoring or other mitigating controls, there is a risk that the program is not being administered as efficiently or effectively as possible.

⁵ For example, there are citywide budgetary and financial management controls that include periodic departmental monitoring and reporting, year-end projections, five-year plans, and other requirements.

There Are Limited Monitoring Procedures in Place to Ensure Parking Projects are Completed in a Timely and Effective Manner

Per Council Policy 100-18, CPD funds are to be used to improve the availability, supply, and effective use of parking. Parking projects can be undertaken and administered directly by the CPDs, such as valet/shuttle services. However, according to Economic Development staff, projects that will affect the right of way in general may be undertaken using City of San Diego processes and resources. These types of projects can require coordination and communication between multiple City departments.

As noted earlier, the Senior Traffic Engineer Position was created via Council Policy to specifically facilitate the implementation of parking-projects for this program. Prior to the incumbent in this position, there was not any formal system of identifying past projects or other related detail on projects supported by this program.

Additionally, we found that the current process in place to implement parking projects had also relied on the expertise of the Sr. Traffic Engineer within Economic Development, who was hired in FY 2013. According to the Senior Traffic Engineer, the primary duties of the position include coordinating CPD project planning and implementation, acting as a liaison between the CPDs and other City departments, and presenting CPD information to City Council, commissions, and citizen planning groups.

As the first staff member assigned to this position, the staffer has had to self-define and create ad hoc procedures to implement different types of parking projects. There is only one FTE dedicated to this position, and the FTE does not have a designated administrative back-up. Without formal, documented procedures to detail the key processes to maintain the administration and implementation of parking-related project processes, there is a risk of loss of institutional knowledge to produce the outcomes intended by Council Policy 100-18.

The current Sr. Traffic Engineer has created an informal database to track and monitor the status of CPD-related project requests catered to the needs of the program, including the proposed project's location, the nature of the project, the CPD requesting the project, and the result of the project. However, the current systems and processes in place do not include formal project reporting capabilities to provide more timely detailed information on individual parking projects planned, in progress, or accomplished.

During our interviews with CPDs, the agencies reported that these specific projects could vary in completion time from a few months to several years due to the nature of the project, if it requires City processes to implement, or a determination by the City if the project is a proper use of funds. Without an ability to monitor the status of projects, the City is not able to effectively manage and report on the outcomes tangible outcomes of the CPD program.

Recommendation #3 Economic Development should establish written procedures that encompass:

- **Monitoring of revenues and expenditures from Community Parking District funds to enable key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties to monitor CPD program performance;**
- **Strengthened monitoring procedures to enable Economic Development staff to have access to the status of City-implemented projects in progress in order to plan and report on those accomplishments in the CPD's respective annual plans.**
- **Process and quality assurance procedures to monitor program activities and outputs using the City's 55 percent share of parking meter revenue, and enable communication between City departments to resolve compliance and quality issues with the staff and managers. (Priority 3)**

Conclusion

Although we found that the City of San Diego (City) has established processes to plan and review appropriate uses of parking meter revenues in accordance with Council Policy 100-18, the City could enhance its overall management of the Community Parking District (CPD) program by establishing a documented process to effectively manage and oversee the efforts and outcomes of the CPD program. Program staff has developed and relied on an informal, undocumented process to administer the CPD program. However, the processes used to administer this program have not been fully developed and documented to mitigate the risk of loss of institutional knowledge.

Additionally, we found that parking meter revenues and expenditures were being tracked and monitored on an annual basis as required by Council Policy; however, this information has not been formally reported or provided to key program stakeholders, including the CPDs. We found that there is no requirement in place for the City to measure, analyze, or report on the performance of CPD funds and their corresponding expenditures. Further, the program has not established any performance measures to assess the service efforts, costs, and accomplishments of the program.

We also found the processes used to allocate program funds and the implementation of parking-related projects could be enhanced by adopting formal monitoring procedures to more effectively control program outcomes. Although there are informal processes to facilitate these activities, the program lacks formal project management and oversight procedures to ensure parking projects are completed in a timely and consistent manner.

To improve program administration and to ensure the program is meeting the goals of the CPD program, we recommend that Economic Development develop formal, documented guidance that details the processes used to manage CPD funds and expenditures, as well as procedures needed to implement and monitor parking projects from start to finish. Additionally, the Economic Development should develop and adopt performance measures to support the information needs of key program stakeholders.

Recommendations

- Recommendation #1** To fully manage program administration and to ensure the continuity of program operations, we recommend that Economic Development:
- Develop formal, documented guidance that fully details the processes used to account for parking meter revenues and implement parking-projects for the CPD program to enable a successful transfer of institutional knowledge to future staff assigned to administer this program. (Priority 3)
- Recommendation #2** To fully measure and manage program outcomes, Economic Development should:
- Adopt, and monitor appropriate Community Parking District performance measures to support the information monitoring needs of key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties; and
 - Periodically report the performance of the Community Parking District program to key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties. (Priority 3)
- Recommendation #3** Economic Development should establish written procedures that encompass:
- Monitoring of revenues and expenditures from Community Parking District funds to enable key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties to monitor CPD program performance;
 - Strengthened monitoring procedures to enable Economic Development staff to have access to the status of City-implemented projects in progress in order to plan and report on those accomplishments in the CPD's respective annual plans.
 - Process and quality assurance procedures to monitor program activities and outputs using the City's 55 percent share of parking meter revenue, and enable communication between City departments to resolve compliance and quality issues with the staff and managers. (Priority 3)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation taking into considerations its priority. The City Auditor requests that target dates be included in the Administration’s official response to the audit findings and recommendations.

Priority Class ⁶	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists.
3	Operation or administrative process will be improved.

⁶The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

Appendix B: Audit Objectives, Scope, and Methodology

Objectives In accordance with the City Auditor's Fiscal Year 2014 Work Plan, we conducted a performance audit of the Community Parking District (CPD) program. Specifically, our objectives were to:

- Evaluate the efficiency and effectiveness of the administration of the CPD program;
- Determine whether the CPDs and the City have guidance in place to ensure they are adhering to Council Policy;
- Determine the extent to which the current program structure enables the City to monitor the CPD program's efforts to achieve goals established by Council Policy; and
- Evaluate whether parking meter revenues and expenditures are being measured and analyzed.

Scope and Methodology To address the objectives of this audit, we:

- Reviewed CPD revenue, allocation, and expenditure data from FY 2011 to FY 2014.
- Interviewed key process owners of the CPD program (including Economic Development and the City Treasurer in order to develop flowchart of the processes for CPD revenue collection, expenditure, and project implementation.
- Created flowcharts for the different aspects of the program since there was no process narrative or other documented process available.
- Summarized major revenue patterns, administrative costs, City expenditure trends over the scope period using unaudited revenue data from the Economic Development.
- Interviewed Civic San Diego, Uptown Community Partnership, El Cajon Business Improvement District, and the University Heights Community Development Corporation to assess the condition of their operations and issues faced, as well as requesting and receiving a list of self-reported parking projects they had worked on during the scope period.
- Reviewed a year's worth of reimbursement documentation related to CPD-expenses to determine the extent of monitoring conducted.

- Using the Capability/Maturity Integration model as a best practice to compare the administration of the CPD program too, identified processes in place that met the requirements of a Level 2, or managed program, and what gaps were present that prevent the program from being considered fully managed.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

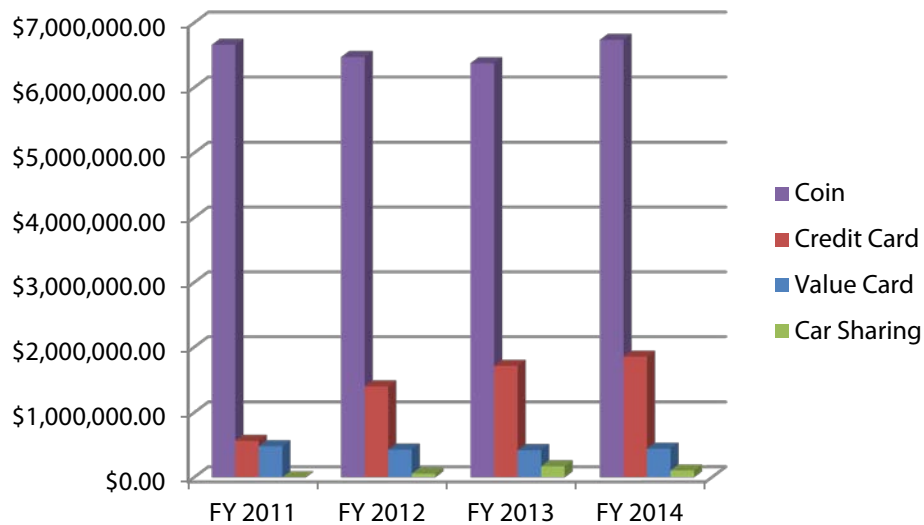
Appendix C: Parking Meter Revenue and Expenditure Summaries

Sources of Parking Meter Revenues Parking meter revenues are collected from users paying with coin at traditional, single-space meters. In the Downtown and Uptown CPDs, there are also multi-space parking-meters and single-space smart meters that also allow users to pay with a credit card, or a parking value card. There are also a limited number of metered parking spaces within the City that are not located in a CPD. These funds are maintained by the City and are not included when the revenues are shared between the City and CPDs. The City also collects parking meter revenues from the Car2Go car sharing service, which is allocated to the respective CPD where the metered parking space is occupied by a Car2Go vehicle.

Exhibit 4 below provides a visual breakdown of the parking meter revenue sources and amounts generated by each source over the scope period.

Exhibit 4

Sources of Total Parking Meter Revenues, FY 2011 – FY 2014



Source: OCA analysis of unaudited revenue data provided by Economic Development.

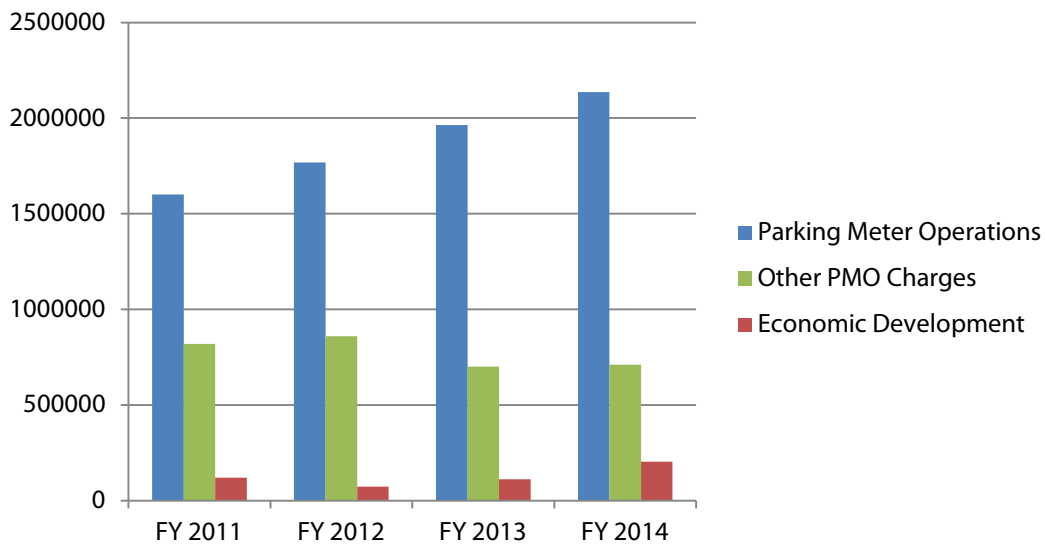
Costs Assessed for the Administration of the CPD Program

Administrative costs include the full cost of "Parking Meter Operations," which includes personnel, supplies/contracts, fringe, banking charges, and IT/hardware charges. "Other PMO Charges" include partial expenses from the City Treasurer's and City Comptroller's Office used to support Parking Meter Operations. "Economic Development" charges include Economic Development costs for administrative activities, which includes the personnel time and other service expenses used by administrative staff and the dedicated transportation Engineer as of FY 2013 for this program.

Exhibit 5 depicts a breakdown of the administrative charges assessed for the administration of the CPD program, prior to revenues being shared between the City and the CPDs.

Exhibit 5

Dollar Value of Administrative Charges by Department, FY 2011 - FY 2014



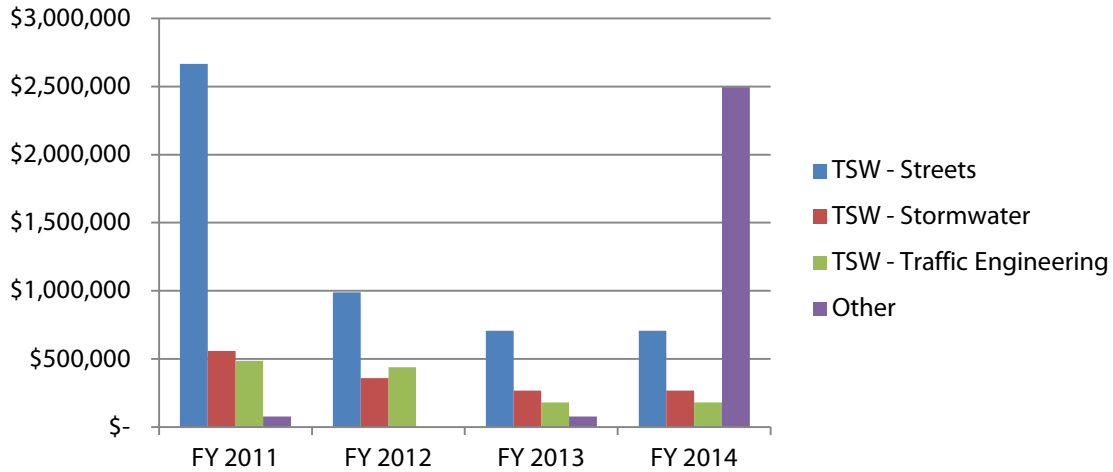
Source: OCA analysis of unaudited data provided by Economic Development.

CPD and City Uses of Parking Meter Revenues

Over the scope period, parking meter revenues from the City's share were provided for parking-related services in the CPDs and non-CPD meter areas. These include services provided primarily by the Transportation and Storm Water department, including Streets, Stormwater, and Traffic Engineering. **Exhibit 6** illustrates the costs of City-provided services.

Exhibit 6

Cost of City-Provided Services to Community Parking Districts by Source, FY 2011 – FY 2014



Source: OCA analysis of unaudited expenditure data provided by Economic Development

Exhibit 6 depicts the cost of services provided to CPDs from the City’s share of parking meter revenues. Per Economic Development, FY 2014 costs for the “Other” category were significant because the City and CPD’s share of expenditures for parking meter upgrades were assessed to prepare for the meter installation in FY 2015. The types of services provided are listed by the respective division responsible for these services in **Exhibit 7**.

Exhibit 7

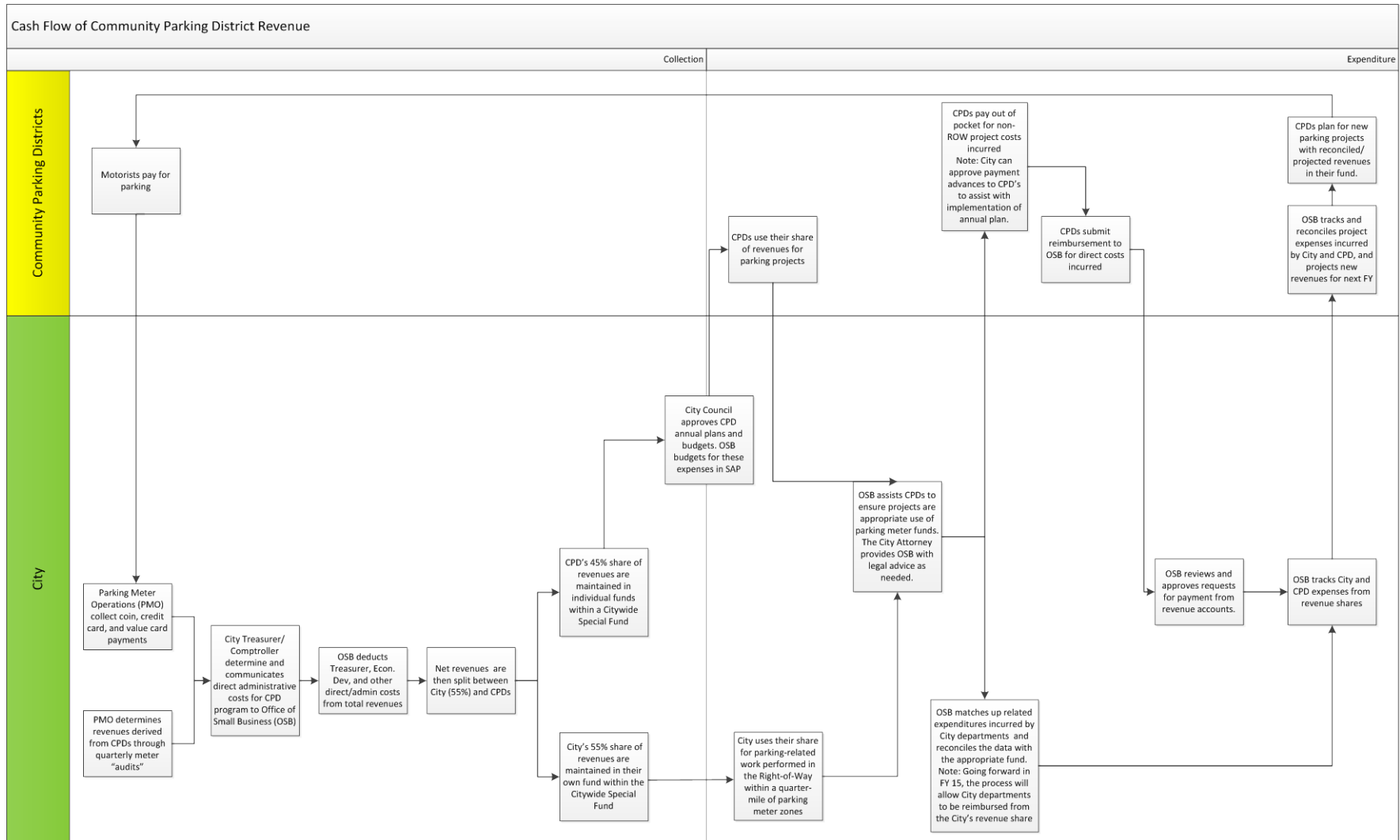
City Services Provided in Parking Districts by Transportation Storm Water Department

Streets Division	Stormwater	Traffic Engineering	Other TSWD Services
<ul style="list-style-type: none"> • Street light repair • Traffic signal repair • Potholes • Signage • Striping • Trees • Resurfacing* 	<ul style="list-style-type: none"> • Street sweeping • Inlet cleaning 	<ul style="list-style-type: none"> • Traffic Engineering • Traffic analysis 	<ul style="list-style-type: none"> • Lighting retrofits • Parking meter upgrades

* In FY 2011, the largest cost incurred was for street resurfacing. According to Economic Development, in FY 2012, the costs for this service were paid from bond money and no longer assessed from the City’s share.

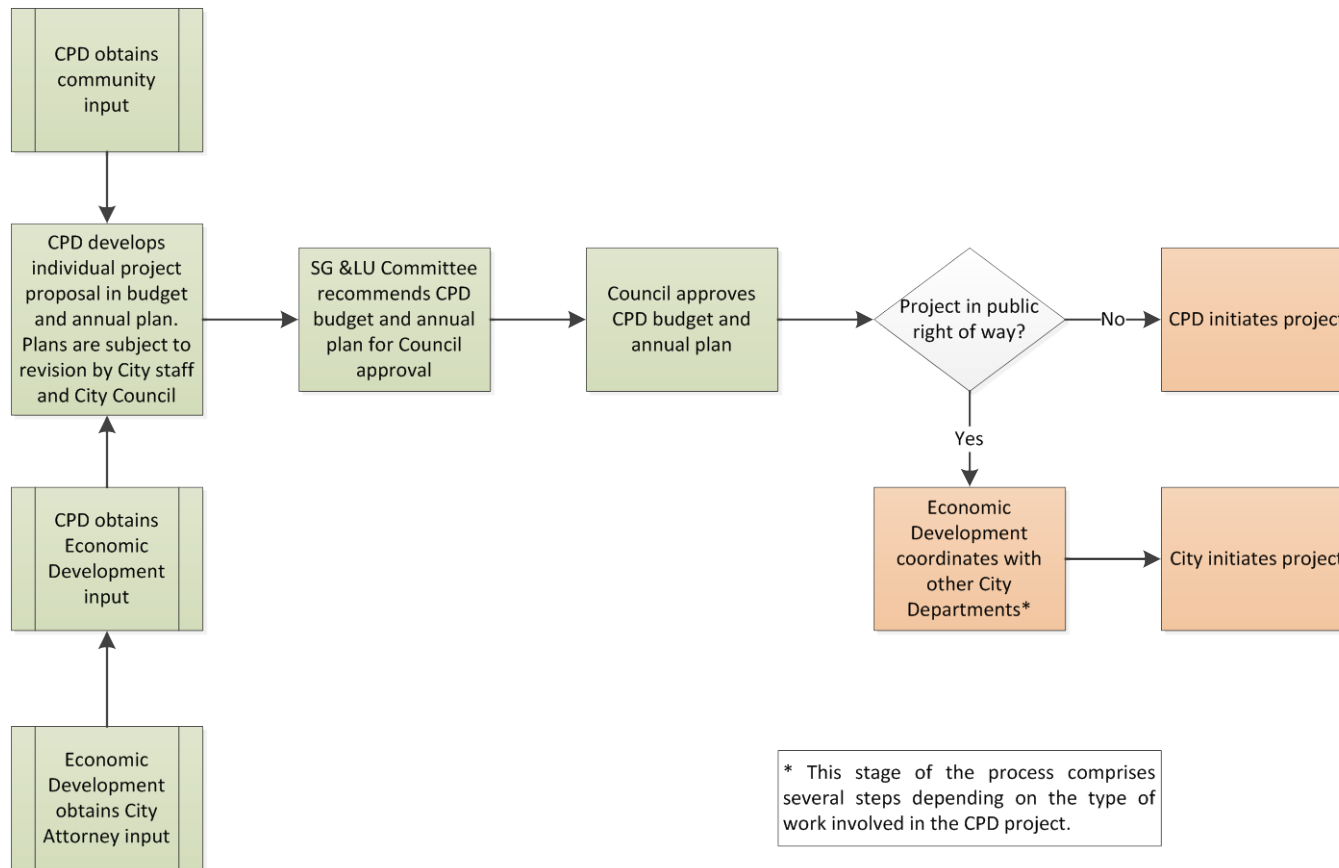
Source: Unaudited revenue and expenditure data provided by Economic Development.

Appendix D (1 of 2): Parking Meter Revenue Accounting Process



Source: OCA generated, based on testimony and supporting documentation provided by Economic Development and Parking Meter Operations staff.

Appendix D (2 of 2): Parking Project Implementation Process



Source: OCA generated, based on testimony and supporting documentation provided by Economic Development staff.

Appendix E: Capability/Maturity Integration Model (CMMI) Description

In CMMI, there are five maturity levels that apply to an organization's process improvement achievement across multiple process areas:

- Initial
- Managed
- Defined
- Quantitatively Managed
- Optimizing

These levels are a means of improving the processes corresponding to a given set of process areas.

In CMMI, there are also four capability levels that apply to an organization's process improvement achievement in individual process areas:

- 0 Incomplete
- 1 Performed
- 2 Managed
- 3 Defined

These levels are a means for incrementally improving the processes corresponding to a given process area. For the Managed Maturity level of performance, there are several critical process areas that were selected to evaluate the current performance of the CPD program, based on Council Policy and current practices in place.

Exhibit 8 on the following page describes the criteria we used to assess individual process capability levels.

Exhibit 8

Process Capability Levels and Associated Characteristics in the CMMI Model

Process Capability Level		Capability Maturity Model Integration Process Characteristics
0	Incomplete	<ul style="list-style-type: none"> Process that is either not performed or is partially performed
1	Performed	<ul style="list-style-type: none"> Process is performed and accomplishes the needed work to produce the work product Improvements are lost if not institutionalized
2	Managed	<ul style="list-style-type: none"> Performed processes are planned and executed according to policy Skilled people are employed and have adequate resources to produce controlled outputs Involves relevant stakeholders Process is monitored, controlled, reviewed, and evaluated for adherence to its process description
3	Defined	<ul style="list-style-type: none"> Managed processes that are tailored from the organizations set of standard processes according to the organizations tailoring guidelines Processes have a maintained process description Process related experiences contribute to the organizational process assets Differs from capability level 2 primarily based on the scope and rigor of the processes and process descriptions which results in more consistency

Source: OCA analysis and application of the CMMI Integration and Development Models.

Exhibit 9

Process Capability Levels and Associated Characteristics in the CMMI Model as Applied to the CPD Program

Capability Maturity Model Process Area Requirement	Capability Level Achieved
Project Planning processes are used to establish and maintain plans that define project activities	Managed
Project Monitoring and Control processes are intended to provide an understanding of the project's progress so that appropriate corrective actions can be taken when the project's performance deviates significantly from the plan.	Performed
Process and Quality Assurance processes are used to establish and maintain plans that define project activities	Incomplete
Measurement And Analysis processes are used to develop and sustain a measurement capability used to support management information needs	Incomplete

Source: OCA analysis and application of the CMMI Integration and Development Models.

Appendix F: Capability/Maturity Model Integration Model Application to CPD Program

	Process Area Requirement	Current Process in Place?
Project Planning	Estimate the scope of the tasks involved in the program to develop a framework to plan, organize, and control the work done for the program.	Yes
	Establish and maintain estimates of program requirements	Yes
	Define a timeline for the completion of program requirements	Yes
	Estimate program efforts and costs based on program requirements.	Yes
	Establish and maintain a program budget and schedule	Yes
	Identify and analyze risks to the program.	No
	Plan for the management of program data required to support program at all phases.	Yes
	Plan for needed resources, knowledge, and skills to perform program activities.	Yes
	Plan for the involvement of relevant stakeholders	Yes
	Establish and maintain the overall program plan	Yes
	Review all other plans that could affect the program to understand program commitments	Yes
	Adjust the plan to reconcile available and estimated resources	Yes
	Obtain commitment to the project plan from those responsible for implementing and supporting the plan	Yes
Process and Quality Assurance	Objectively evaluate selected performed processes against applicable process descriptions, standards, and procedures.	No
	Objectively evaluate selected work products against applicable process descriptions, standards, and procedures.	No
	Communicate quality issues and ensure the resolution of noncompliance issues with the staff and managers.	No
	Establish and maintain records of quality assurance activities.	No
Measurement and Analysis	Establish and maintain measurement objectives derived from identified program information needs and objectives.	Yes
	Specify and obtain measures that address program objectives	Yes
	Specify how measures are obtained and stored	No
	Specify how measures are analyzed and communicated to relevant stakeholders	No
Project Monitoring and Control	Monitor actual progress of project planning parameters against the project plan.	Yes
	Monitor commitments against those identified in the project plan.	Yes
	Monitor risks against those identified in the project plan.	No
	Monitor the management of project data against the project plan.	No
	Monitor stakeholder involvement against the project plan.	Yes
	Periodically review the project's progress, performance, and issues.	No
	Review the project's accomplishments and results at selected project milestones.	No

Source: OCA application of CMMI Model Process Area Requirements to the CPD program.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: November 5, 2014

TO: Eduardo Luna, City Auditor

FROM: David Graham, Deputy Chief Operating Officer

SUBJECT: Management Response to Performance Audit of Community Parking District Program

The Economic Development Department management has reviewed the City Auditor's recommendations in the performance audit examining the Community Parking District Program. The response to each of the audit recommendations is documented below.

Recommendation #1: To fully manage program administration and to ensure the continuity of program operations, we recommend that Economic Development:

- Develop formal, documented guidance that fully details the processes used to account for parking meter revenues and implement parking-projects for the Community Parking District program to enable a successful transfer of institutional knowledge to future staff assigned to administer this program.

Management Response: Agree with the recommendation.

Many departments in the City are associated with Parking and Parking Meter revenue however Economic Development staff was tasked with coordinating data collection and compiling the data in order to track the City's overall receipt and use of Parking Meter revenue.

In order to facilitate future data gathering and compilation, Economic Development staff will work with staff from the Offices of the Comptroller and the City Treasurer, to prepare an updated draft on tracking parking meter revenue and expenditures by March 2015. In FY 2015, a new Fund (200712) was created in SAP through which all parking meter revenue is received and City Treasurer Parking Meter Operations (PMO) and Economic Development program administration costs are captured. Given this change in SAP, staff believes that a full year cycle, including the close out of the fiscal year, must be completed prior to being able to finalize the process narrative. Additionally, the exact procedures for obtaining new technology meter audit data through online web portals won't be known until the upgrades are implemented. Therefore,

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staff anticipates that a final process narrative may be completed by Fall 2015. This assumes that staff from the Office of the City Treasurer will create their own internal procedure(s) for providing data to Economic Development staff for inclusion in the annual reconciliation.

Economic Development Department's Senior Traffic Engineer will require additional support in order to be able to refine and document procedures for implementing projects associated with the Community Parking District program. Therefore, a target timeframe for implementing this part of the recommendation depends on when and if additional resources are to be deployed for the Community Parking District program. It should be noted that staff is reviewing the current needs of the Community Parking District program and working with the Personnel Department to determine which job classification is the best match. If the Mayor and Council authorize adding a position, then staff will complete all Personnel-related forms and move forward with the hiring process to ultimately select a candidate to assist with documenting procedures and implementing projects for the Community parking District program.

Recommendation #2: To fully measure and manage program outcomes, Economic Development should:

- Adopt, and monitor appropriate Community Parking District performance measures to support the information monitoring needs of key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties; and
- Periodically report the performance of the Community Parking District program to key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties.

Management Response: Agree with the recommendation.

Economic Development Department's Senior Traffic Engineer will require input from key stakeholders to develop acceptable performance measures and then will require additional support to monitor and report on those performance measures. Staff anticipates that developing performance measures will require two to three meetings between City/Mayor's staff and Community Parking District and Council representatives. These meetings are anticipated to occur over January 2015 and February 2015. The agreed upon performance measures will be incorporated into the FY 2016 Annual Plans which are anticipated to be presented to Committee and Council in May/June 2015.

Reporting of performance may be accomplished via memo or report to Committee or Council. Ideally, the preferred method would also be identified during the key stakeholder meetings to determine the appropriate performance measures. Staff anticipates reporting out no more than twice yearly due to the time needed to implement projects.

Ultimately, a target timeframe for implementing monitoring and reporting depends on when and if additional resources are to be deployed for the Community Parking District program but would start no sooner than FY 2016.

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Recommendation #3: Economic Development should establish written procedures that encompass:

- Monitoring of (revenues and) expenditures from CPD funds to enable key program stakeholders, including City Council, City Management, Community Parking Districts, and other interested parties to monitor CPD performance;
- Strengthened monitoring procedures to enable Economic Development staff to have access to the status of City-implemented projects in progress in order to plan and report on those accomplishments in the respective CPD annual plans.
- Process and quality assurance procedures to monitor program activities and outputs, and enable communication between City departments to resolve compliance and quality issues with the staff and managers regarding City's use of 55% share of parking meter revenue.

Management Response: Agree with the recommendations subject to the clarifications below.

Economic Development staff will prepare written procedures consistent with the existing budget monitoring protocols for reviewing expenditures from CPD funds for City-implemented projects as well as CPD-implemented projects. These procedures will also link to monitoring the status of City-implemented projects based on expenditures to date.

Economic Development staff will work with staff from the Office of the Comptroller and other City departments/work units receiving or expending funds for CPD related-projects to determine how to properly account for projects in SAP and preparing Department-specific internal written procedures to manage and document progress on CPD project implementation and expenditures.

Inter-departmental coordination to develop procedures will require a series of meetings over the next few months and then agreement at a managerial level. An Economic Development Cabinet has been assembled and the first meeting is scheduled to take place on Friday November 7, 2014. The Cabinet is an appropriate mechanism to facilitate reviewing and developing consensus on the draft procedures to be developed by all program/project staff. There is no target timeframe yet for the overall procedures for monitoring by Economic Development since this is dependent on other departments completing their internal procedures on how project information will be tracked and made available.

With regards to process and quality assurance procedures for use of the City's 55% share, historically, staff has reconciled parking meter revenue and expenses at fiscal year end to derive an amount that is the City's 55% share from the most recently closed fiscal year. Staff then solicited information on eligible expenditures from other City departments to apply against the share to determine, by Community Parking District, the net amount of funding to be carried forward for future eligible expenses or the General Fund subsidy.

With the creation of the new Fund in FY 2015 for tracking parking meter revenue and administration expenses, unused funds are retained directly for future eligible expenses. In the near term, staff anticipates using that funding for technology upgrades. However, for FY18 and beyond it is anticipated that the City's 55% share will be projected and that eligible projects will

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be identified as part of the annual budget process for the expenditure of those funds. Therefore, EDD staff does not anticipate drafting procedures to address the use of the City's 55% until FY 2017 when funding is anticipated to be budgeted for FY 2018 and to reflect the structure and needs of the City at that time.



David Graham

Deputy Chief Operating Officer

LM/mdb

cc: Stacey LoMedico, Assistant Chief Operating Officer
Lydia Moreno, Acting Assistant Deputy Director, Economic Development Department
Gail Granewich, City Treasurer
DeeDee Alari, Deputy Director of Revenue