

DIY (Do It Yourself): The Alternative to Public/Private Partnerships



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Why Address This Topic?

- In these economic times, cities are hurting for funds – not only for new development, but for basic services and operating cash
- Public/Private Partnerships (P3) seem like a way to raise funds – turning straw to gold
- Parking is one of the few revenue providing functions that can be “sold”
- There is debate as to whether parking is “an essential public service”

What Are Public/Private Partnerships?

National Council for Public-Private Partnerships:

. . . “a contractual agreement between a public agency (federal, state, or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.”

Federal Highway Administration



Public Responsibility

Private Responsibility

P3 Options			
New Build Facilities	<u>Design Build</u>	<u>Design Build Operate (Maintain)</u>	<u>Design Build Finance Operate</u>
Existing Facilities	<u>O & M Concession</u>		<u>Long Term Lease</u>
Hybrid			<u>Lease Develop Operate</u>

Private Contract Fee Services

Other Innovative P3s

Types of P3s

- **O&M: Operations and Maintenance**
- **OMM: Operations, Maintenance & Management**
- **DB: Design-Build**
- **DBM: Design-Build-Maintain**
- **DBO: Design-Build-Operate**
- **DBOM: Design-Build-Operate-Maintain**
- **DBFOM: Design-Build-Finance-Operate-Maintain**
- **DBFOMT: Design-Build-Finance-Operate-Maintain-Transfer**
- **BOT: Build-Operate-Transfer**
- **BOO: Build-Own-Operate**
- **Etc, Etc., Etc.**

Are They New?

- Under the previous definition, NO
- There is a long history of private service provision for government
- Government contracts for a wide range of service provision now
- It is the long-term lease or concession of public facilities or functions for a lump sum of cash that is relatively new

Potential Benefits of P3s for Cities

- Large up-front lease or concession payments may be used for improvements that would take years to fund otherwise
- It is a fast way to get a lot of cash
- The public sector no longer has operating and maintenance costs for public facilities (maintenance is often deferred anyway)

Potential Benefits of P3s for Cities

- Rate setting is typically taken out of the political process (for those rates that had to be approved by a governmental entity at some level)
- Greater specialization brings greater efficiency (contractor is a firm or team that specializes in the function and has experience)

Potential Hazards of P3s for Cities

- Facilities may have been undervalued in the concession or lease
- The public no longer controls the rate process or increases
- Annual revenue streams are gone
- Proceeds from the lease or concession may go to fund unrelated expenses, or just into a general operating budget

Potential Hazards of P3s for Cities

- Rate increases are made by private companies with perhaps different goals
- Governments may let parking functions deteriorate because they anticipate a “bail-out” by a Public/Private Partnership
- Public parking rates are often the “floor” of a cities parking rates; when the floor is gone, rates rise everywhere

Potential Hazards of P3s for Cities

- There are unintended consequences: for example, raising rates before improvements are made
- Is the public interest being protected? For example, on-street parking is on public streets
- Is there adequate T3 for the P3? Time, talent and treasure devoted to monitoring? Or. . . . who cares after they get the cash?

Is Parking an Essential Service?

- Some argue that it is not – the private sector is already in parking, has been for decades, and there is no reason to have PUBLIC parking instead of having just all private parking
- Some believe that parking is not in the same class as public safety (Police), fire protection, zoning, etc.

Is Parking an Essential Service?

- Others stress that parking is essential to supporting economic development, and thus it is an essential public service
- Others also note that on-street parking is using a public street – and that the public street should not be used for a private purpose
- Others insist that Cities are supposed to protect the public interest

Who Isn't Doing P3s?

- Some cities have backed away for a variety of reasons:
 - ◆ inability to value assets
 - ◆ concern over rate increases
 - ◆ concern over public assets being leased for a long term period
 - ◆ concern over the potential use of various sites; e.g., would a garage be an important economic development site in ten years

Who Isn't Doing P3s?

- Those municipalities whose systems have insufficient value to be of interest to those putting up the capital for the payment up front
 - ◆ potential rate structure increases are insufficient
 - ◆ potential parking demand in downtown or other areas is too low over time
 - ◆ potential garage repairs outweigh the deal

What Is the Alternative?

- **DO IT YOURSELF:** create more value in the parking you manage
- **THIS IS A DOUBLE EDGED SWORD:** depending upon your municipal leadership, the efforts you make may convince them that the system is worth “selling” later
- **OFFICIALS HAVE TO TAKE THE LONG-TERM VIEW:** and they may be too politically expedient to do so

What Are the Potential Benefits?

- You improve the system you have
- You become more entrepreneurial in looking for opportunities, generating revenue for services, and figuring out how to fund improvements
- You improve customer service, marketing, and responsiveness
- You do the best with what you have

What Are the Potential Hazards?

- You do a lot of work and the politicians decide to sell the system out from under you
- You make the cases for expenditure of funds in order to make improvements and generate more funds, but decision makers won't take the risks
- You can't establish sufficient support to go forward

How Do You DIY?

Evaluate existing management and operations of the parking assets to achieve maximum benefit in terms of services to the public and revenue to the program

Off-Street Parking

- Audit your facilities, or obtain outside assistance to audit, to ensure that all the revenue is secure and going into your accounts
- Review the accuracy of monthly permits and their payment
- Review cash handling for transient parking

Off-Street Parking

- Review rate schedules to account for the most heavily used intervals, and charge appropriate rates for them
- Create zero-based budgets; develop revenue projections based upon PARCS data of occupancy and duration; develop expense budgets on what is actually needed, not an update of last year's budget

Off-Street Parking

- Analyze the competing market – what are they doing and what are they charging
- Update technology – do the research, develop the plan, build support, and make the case
- Your update may take longer than a P3, but that doesn't mean it is not worth doing
- Look for joint development opportunities

Off-Street Parking

- If you contract for operations, have your contract reviewed, make it state-of-the-art, and audit the operator
- If you don't run your operator, your operator will run you
- Pay attention to maintenance and housekeeping, lighting, and security – the things that customers value the most

On-Street Parking

- Market the program (in all directions)
 - ◆ Employees
 - ◆ Elected officials
 - ◆ Merchants, neighborhood associations, etc.
 - ◆ Show the good things have happened
- Know your indicators
 - ◆ “What you don’t measure you don’t manage”
 - ◆ Parking turnover, availability, violation rates, meter downtime rates, etc.

On-Street Parking

- Apply an “audit state of mind” approach to ALL operations
 - ◆ Defend the Integrity of the Revenue Stream
 - ◆ Extends to customer service, outreach, etc.
- Maintain appropriate staffing levels
- Implement new technology as appropriate
- Recognize the importance of program analysis and analysts

On-Street Parking

- Elements common to successful programs
 - ◆ Sensible parking policies
 - ◆ Parking signs and equipment in good repair
 - ◆ Standard operating procedures
 - ◆ Analysis of financial and operational data
 - ◆ Prompt and courteous customer service
 - ◆ The organization's view toward the parking violator – customer or criminal?
 - ◆ Outreach with business and community groups

Ten Attributes of Excellent Parking Management Programs

#	Attribute	Benefit
1	Program directors and staff at all levels realize the organization must be driven by public policy, not revenue.	Avoids parking decisions based solely on revenue that will backfire on the organization.
2	Enforcement staffing is able to expand to meet new parking management requirements.	Ensures consistent enforcement across city, avoids uneven and inequitable coverage.
3	Analytical staff proactively reach out to businesses and communities to address parking needs.	Program solves parking problems and is viewed as an effective public agency.
4	Branch managers and directors are “hands-on” and maintain a field presence.	This basic leadership principle promotes employee morale.

#	Attribute	Benefit
5	Managers understand field requirements, so they can provide employees with the resources they need to perform their jobs.	Helps accomplish mission; promotes morale; informs decision-making.
6	Whether the programs fully or partially achieve the single responsibility center organizational structure, they still are comprised of professional staff with vision and creativity.	By consolidating responsibility for the parking “product”, the organization becomes a powerful platform for effective parking management.
7	Private-sector management techniques are deeply rooted in the business culture of the organization, which creates a degree of self-sufficiency or autonomy.	Regular monitoring of key performance indicators, and budgeting as profit and cost centers helps ensure optimum performance and service delivery.

#	Attribute	Benefit
8	Training occurs regularly within the organization – ideally, from “top to bottom”, or for all management levels – to reinforce the parking management mission.	Results in staff who know WHY they enforce, regulate, etc., and ensures consistency of the parking management message throughout the organization.
9	Leaders are experienced and they understand the importance of viewing and treating the public as “customers”, not “violators”.	Improves the agency’s image; ultimately helps avoids conflicts.
10	Programs are structured (that is, organized and staffed) to provide a level of service above and beyond that typically seen in most programs in the industry.	Helps ensure accurate, prompt, coordinated and efficient customer service.

Either Approach Can Work

- Most cities are cash strapped because of poor management on many fronts (**not just parking**)
- **P3** may take a shorter time to generate the desired sum of cash, but the cash may not go back into parking programs
- **DIY** will generate cash on an annual basis, which requires more planning if the money is to be put back to improve the functions that generated it

Either Approach Can Work

- **DIY** would improve functions and revenue in cities that would not be attractive for lease or concession
- **P3** will take “the municipal cream of the crop”, or those cities most likely to provide the desired private return

Discussion