

## Understanding your parking facility is key to keeping management costs in check.

By Jon Martens, AICP, CAPP

Every parking owner is concerned with parking facility operations costs. Those who depend on parking to produce revenues want to make sure their costs don't cut too deeply into profits. Owners who rely on parking to support their residential, commercial, or retail developments need to be sure that their parking operation costs don't undermine their ability to properly maintain the rest of their properties.



# SIMPLE

Parking is no different than any other business: To maximize profits, owners need to minimize costs. The question is, how do you keep management costs in check while continuing to provide a convenient, safe, and pleasant parking experience to customers? The key is understanding what the greatest cost drivers are. While every facility is different, most share common expenses that can be reduced.

### The Cost Of Labor

Typically, the cost leader is labor. While staff expenses are unique to each facility, most share a number of common characteristics.

For many parking owners, technology can be used to cut costs. Switching from a cashiered payment system to an automated system, such as pay-on-foot, can reduce the need for revenue control staff at exits. This frees staff from the booth and lets them focus on customer service, keeping an eye on the whole property, and other important tasks. Some owners are taking this approach a step further by going entirely cash-free and requiring all transactions to be by credit card at pay-on-foot kiosks or in exit lanes. Increasingly, parking owners and operators are using technology to re-focus staff roles in their



# SAVINGS

## **Maintenance: Costs Vs. Benefits**

Maintenance can also be costly, and includes routine cleaning and upkeep, structural repairs, and parking access revenue and control system (PARCS) equipment care. Routine or daily maintenance includes sweeping and washing surfaces, light painting, re-lamping, cleaning offices and public areas, repainting line stripes, and maintaining landscaping and plants. Some parking facilities hire a professional cleaning firm to provide routine maintenance; most provide and supervise the staff directly.

Structural maintenance is not always reported on profit and loss statements. These costs may be paid directly by the owner or coded as capital costs due to the high expense. We recommend that facility owners establish a “sinking fund” of \$30 to \$75 per space annually to cover ongoing structural maintenance, such as sealing, expansion joint maintenance, and spalling mitigation/repair.

Equipment maintenance is another area that is not always reported clearly on profit and loss statements. There is typically a one-year warranty or extended service contract on new PARCS

installations. Depending on the age and complexities of the PARCS, the owner may or may not opt for the service contract. Other equipment that requires regular maintenance includes elevators, escalators, moving walkways, sweepers, and maintenance vehicles.

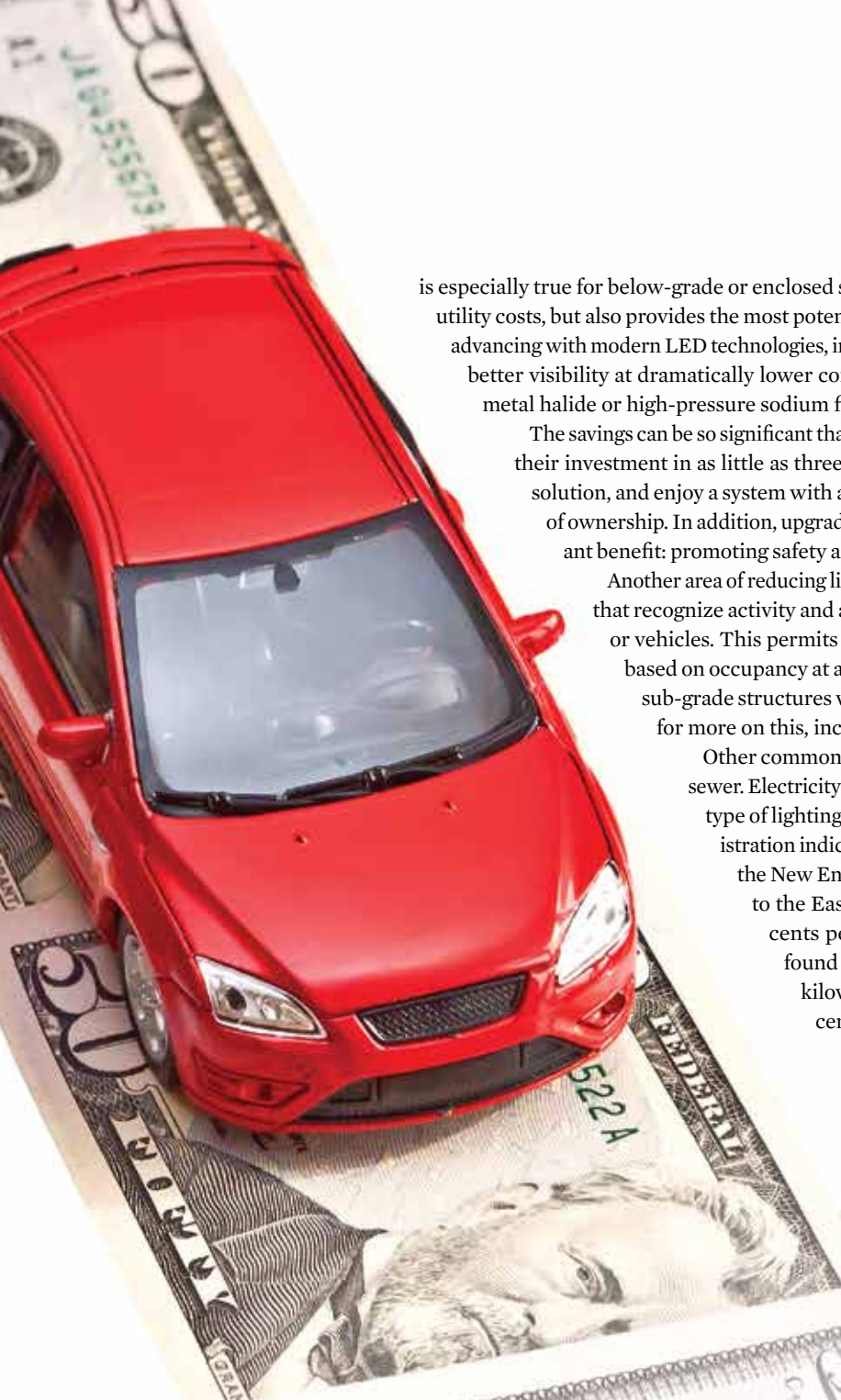
While maintenance is typically one of the more costly operational expenses, it is essential. Improperly maintained facilities often suffer from equipment failure and concrete degradation and will need to be replaced or repaired much sooner than they otherwise would. In the case of cutting back on maintenance, it's easy to be penny wise but pound foolish.

That said, there are some maintenance elements that can provide cost savings. One of the most common is in lighting, which typically represents the largest utility cost in a parking facility. This

facilities, saving thousands of dollars in salary, benefits, and insurance costs in the process.

Security is another common labor expense, particularly when outside enforcement consultants are used. Security is obviously essential in any parking facility and reducing or eliminating it can lead to a number of unanticipated consequences, including higher legal costs due to increased liability and lost business if patrons perceive that the structure isn't safe. However, there are a number of high-tech solutions, such as video cameras combined with analytics to focus on and alert authorities about suspicious activity, and security telephones that can be combined with low-tech equipment, such as high illumination lighting, to make a structure safer while reducing security costs.

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is especially true for below-grade or enclosed structures, where lighting is among the most expensive utility costs, but also provides the most potential for savings. Lighting technologies are continuously advancing with modern LED technologies, induction lighting, and florescent lighting providing much better visibility at dramatically lower consumption rates and longer life cycles over traditional metal halide or high-pressure sodium fixtures.

The savings can be so significant that owners who retrofit their facilities can generally recoup their investment in as little as three to four years (or even less), depending on the lighting solution, and enjoy a system with a significantly longer lamp life, greatly reducing the cost of ownership. In addition, upgrading the lighting system can also provide another important benefit: promoting safety and security within the structure by improving visibility.

Another area of reducing lighting costs through technology is through smart fixtures that recognize activity and adjust the lighting level based on the presence of people or vehicles. This permits illumination to automatically be reduced or increased, based on occupancy at any given time. This can be particularly advantageous in sub-grade structures where lights need to remain on 24 hours a day (see p. 35 for more on this, including pros and cons).

Other common utility costs include phone service, Internet, water, and sewer. Electricity costs are influenced by the geographic area, as well as the type of lighting system. Data from the U.S. Energy Information Administration indicates the average price of electricity per kilowatt-hour for the New England area is about 14 cents per kilowatt-hour, compared to the East South Central region with an average cost of about 8 cents per kilowatt-hour. By state, the highest average cost is found in Hawaii, with an average cost exceeding 30 cents per kilowatt-hour, and the lowest is in Idaho at just more than 7 cents per kilowatt-hour.

### **Cash or Credit?**

Accounting and banking costs include any fees associated with banking, accounting, auditing, and credit card fees. Over the years, parking facilities' banking fees have increased as credit card usage has increased. When credit cards are used, there is a charge from a credit card clearinghouse, as well as a direct charge from the credit card company. The typical fee for

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a \$10 transaction is about 3 to 5 percent of the transaction. However, these costs can frequently be offset by automated payment systems, which increase revenue control and lower labor costs by reducing the need for cashiers.

Another area to carefully consider is auto damage. These claims can be significant and are typically paid as operating costs because they often fall within the deductible limit. Some of the typical non-valet driver-related damage claims include vehicle paint damage from a malfunctioning gate arm striking a vehicle, damage from water seeping and dripping onto a parked vehicle, and even damage caused from small pieces of concrete falling on a parked vehicle if the structure is not properly maintained. A good parking manager will ensure that proper maintenance checks are regularly conducted to prevent such damage from occurring.

### Reviewing Parking Management Options

If an operation's daily management is outsourced to a third party, it's always good to test the waters by issu-

ing an RFP to ensure you are getting a fair deal. It may be easier to avoid this task if everything seems to be working fine, but if the contract is nearing its term, it is recommended that owners go through the RFP process to compare and obtain competitive pricing and management options. The RFP can be structured to allow input and recommendations by other operators and to reduce expenses through competition by asking the right questions. Experience shows that considerable savings in expenses are obtainable even if when the current operator is retained.

### Always Time To Save

The economy is rebounding, but that's no reason for parking owners to spend more than necessary to operate their facilities. Every dollar spent needlessly on operational issues means less profit or less capital available for other properties. Owners who understand which aspects of their parking operations are most costly, and how to reduce costs in those areas, can save thousands of dollars every year.



**JON MARTENS,** AICP, CAPP, is a parking consultant with Walker Parking Consultants. He can be reached at [jon.martens@walkerparking.com](mailto:jon.martens@walkerparking.com) or 317.842.6890.

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