

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Parking Stations; Revenue Control Equipment]

Ordinance amending the Business and Tax Regulations Code to authorize methods of electronic payment for parking, to reduce parking ticket requirements, to increase small lot exemptions, to amend valet parking requirements, and clarify parking revenue equipment requirements.

Existing Law

The Business and Tax Regulations Code (“BTRC”) imposes a parking tax of 25 percent on paid parking in the City. BTRC § 602.5. Revenue Control Equipment (RCE) is a system of gates, pay stations, software and other technology that records time of entry to and exit from a parking facility, calculates parking fees and parking tax due, issues receipts, and records payment transactions. Sections 2201 to 2218 of the BTRC (“RCE Ordinance”) establishes RCE requirements for paid parking lots and garages in the City. The RCE Ordinance mandates specific RCE functions as to transaction records, parking tickets and receipts to ensure that a parking facility’s RCE creates accurate revenue records to assist the Tax Collector in its auditing and enforcement functions. BTRC § 2205(b). The RCE Ordinance also includes consumer protection provisions that guard against overcharging and inform consumers where they can lodge complaints. BTRC § 2205(d).

As currently drafted, the RCE Ordinance requires that an operator of a parking facility or valet parking operation issue a parking ticket to each occupant of the parking facility. BTRC §§ 2203 - 2208. The parking ticket is used to determine the fees and parking tax to be paid on the patron’s exit, based on the time that the patron’s vehicle is parked in the facility. The tickets can only be used once, and operator of the parking facility must retain the used tickets for five years. BTRC §§ 2204(b)(6). When the Tax Collector audits a parking facility, the auditor compares the dates and times on the retained parking tickets against occupancy and revenue data recorded by the facility’s RCE. These requirements prevent underreporting of revenue, which would result in underpayment of parking taxes.

Amendments to Current Law

The proposed ordinance makes the following changes to current law:

1. The proposed ordinance would eliminate the requirement that a parking facility or valet parking operator issue parking tickets where the operator utilizes approved methods of electronic payment that create equivalent records of payment and occupancy. The proposed amendments would allow the use of ticketless, electronic means of paying parking fees, such as cellular telephone applications, Quick Response (QR) code displays, prepaid account cards (such as a Clipper card), and other means of electronic payment approved by the Tax Collector. BTRC § 2213. By eliminating the

requirement that RCE issue a paper ticket, the RCE Ordinance will allow use of more efficient existing and emerging RCE technologies. BRTC §§ 2205(j), 2212, 2213(a). Eliminating parking tickets eliminates the paper waste generated by the tickets and the costs of storing used tickets, which under existing the existing RCE Ordinance a parking facility operator or valet parking operator must retain for five years. BTRC §§ 2204(b)(6), 2210, 2218(b). The proposed ordinance applies new RCE requirements and exemptions for electronic parking to unattended parking facilities. BRTC § 2208.

2. The proposed ordinance requires that all parking facilities accept some form of electronic payment unless otherwise exempted, and describes the transaction data that RCE must create, record and retain. BRTC § 2203(g). The Tax Collector's enforcement of the parking tax will be enhanced by the wider use of electronic payment, because electronic payment records are easier to search than paper records, and electronic payment records are more reliable and secure.
3. The proposed ordinance increases the RCE Ordinance's exemption from RCE requirements for small parking facilities from \$25,000 to \$40,000 gross annual revenue. BTRC § 2204(a). The proposed ordinance also clarifies electronic payment requirements for small parking facilities. BRTC § 2204(a).
4. The proposed ordinance clarifies RCE requirements by more precisely defining terms and rewriting complex provisions in the current RCE Ordinance. See BRTC at §§ 2201, 2205.
5. The proposed ordinance corrects errata from earlier amendments, including correcting defined terms and internal references.

Background Information

The proposed changes to the RCE Ordinance were first requested by the SFMTA. The SFMTA operates 18 parking garages, including the largest garages in the downtown core: Union Square, Ellis O'Farrell, Fifth and Mission, Sutter Stockton. The requirements of the current RCE Ordinance would restrict the SFMTA from utilizing many useful features of modern RCE technology, such as ticketless entry and billing. The SFMTA has determined that the use of those technologies will increase efficiencies in garage management, provide better revenue tracking and auditing, will enhance financial reporting, and will reduce traffic congestion by allowing more efficient entry and exit from garages. In addition, by eliminating the parking ticket requirement from the RCE Ordinance, the City would no longer be required to store used parking tickets for five years. SFMTA garages generate approximately 7.5 million used parking tickets per year; the annual cost to store those used parking tickets is approximately \$19,000.

The Tax Collector has determined that the proposed changes to the RCE Ordinance will likely expand the use of electronic payment, which will improve the Tax Collector's ability to audit

FILE NO. 141053

parking facility records and enforce the parking tax. Eliminating parking ticket requirements for transactions that use electronic payment will not undermine consumer protections, as electronic payment methods provide documentation of occupancy period and proof of payment equivalent to paper parking tickets and receipts.

n:\legana\as2014\1500003\00939553.doc