The Parking Professional

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ASK THE EXPERTS

What should college and university parking and transportation departments be doing now to prepare for changes to the way students will get around as transportation trends shift?

Barbara Chance, PhD
President and CEO
CHANCE Management Advisors, Inc.

Collect good data regularly about the transportation modes taken now by students, faculty, and staff. Track data to see if mode preferences change—e.g., is ride-sharing more popular than public transportation? Evaluate possible mode changes realistically and decide which ones your department can support.

James C. Anderson
Regional Sales Manager
Watson Bowman Acme Corp.

Recognize and adapt to the sustainable transportation evolution with a focus toward safe on- and off-campus walkways and bikeways. Plan for the growing use of ride-sharing, transportation network companies, scooters, and electric-vehicle–charging stations.

Josh Cantor
Director, Parking & Transportation
George Mason University

Parking and transportation needs to be proactive to the needs and desires of a younger population used to more on-call services. This can be by working with Uber and Lyft, by providing flexible-use permits, by providing real-time transit information, and by having more mobile-enabled transactions and payment methods.

Debbie Hoffmann, CAPP
Director, Parking & Transportation
Texas A&M University

Colleges and universities should anticipate a continued shift toward on-demand transportation and parking with smart device reservations, trip planning, and payments. We need to think about the seamless ways we find and purchase goods and services in other areas of our lives and apply those principles to our own transportation operations.

Casey Jones, CAPP
Vice President
TimHaahs

Higher education parking and transportation departments have traditionally led the industry in providing the full array of mobility options, and they need to continue to advance their programs to meet demand for non-single-occupancy vehicle driving. This includes consolidating mobility programs into a single unit to promote coordination, flexibility, and convenience; advocating for additional financial and human resources to grow TDM and alternative transportation programs; and pilot, adjust, and advance emerging mobility offerings (such as micro-mobility, ride-share and autonomous vehicles).

HAVE A QUESTION? Send it to **editor@parking-mobility.org** and watch this space for answers from the experts.

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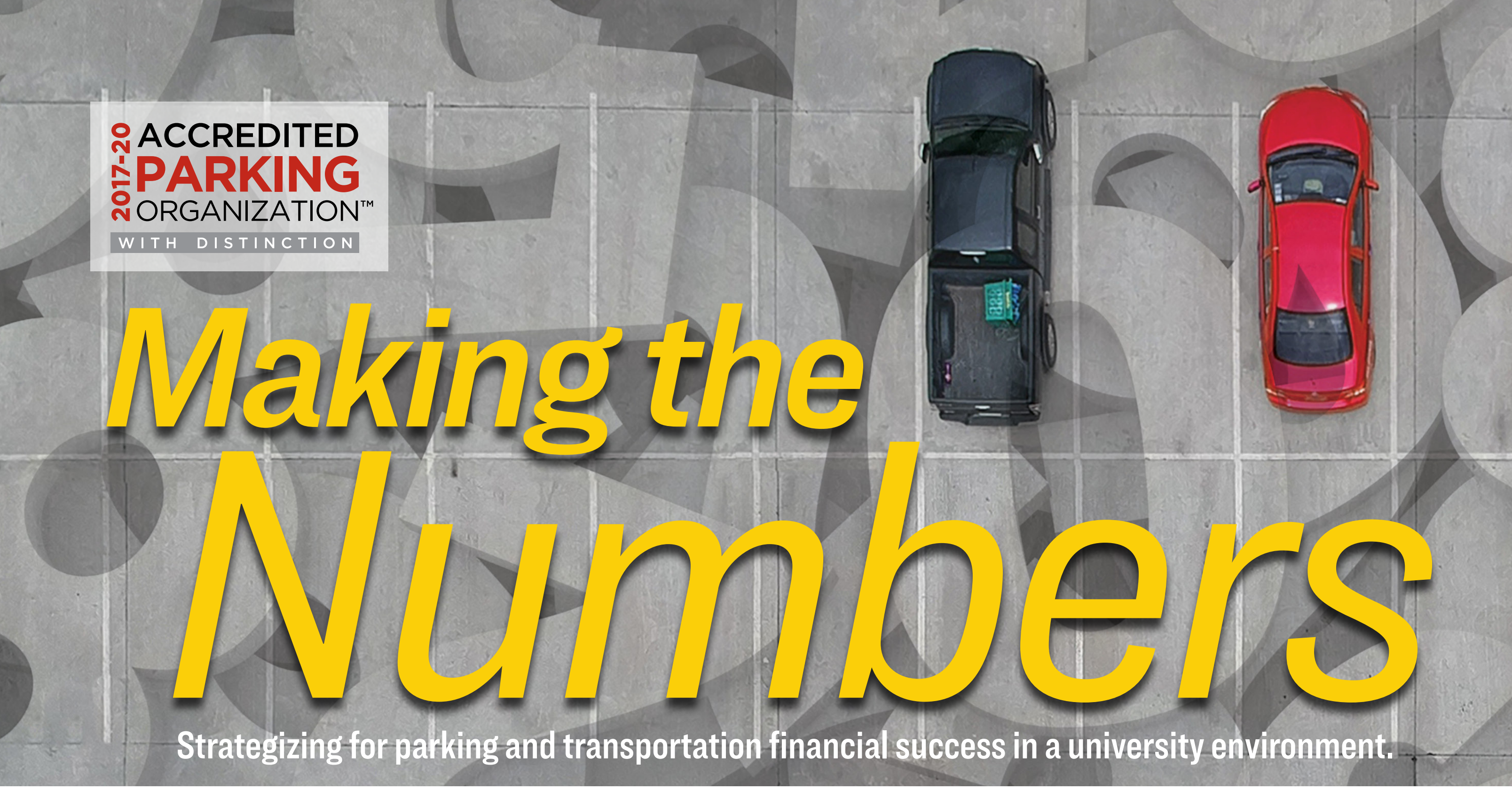


Making the Numbers

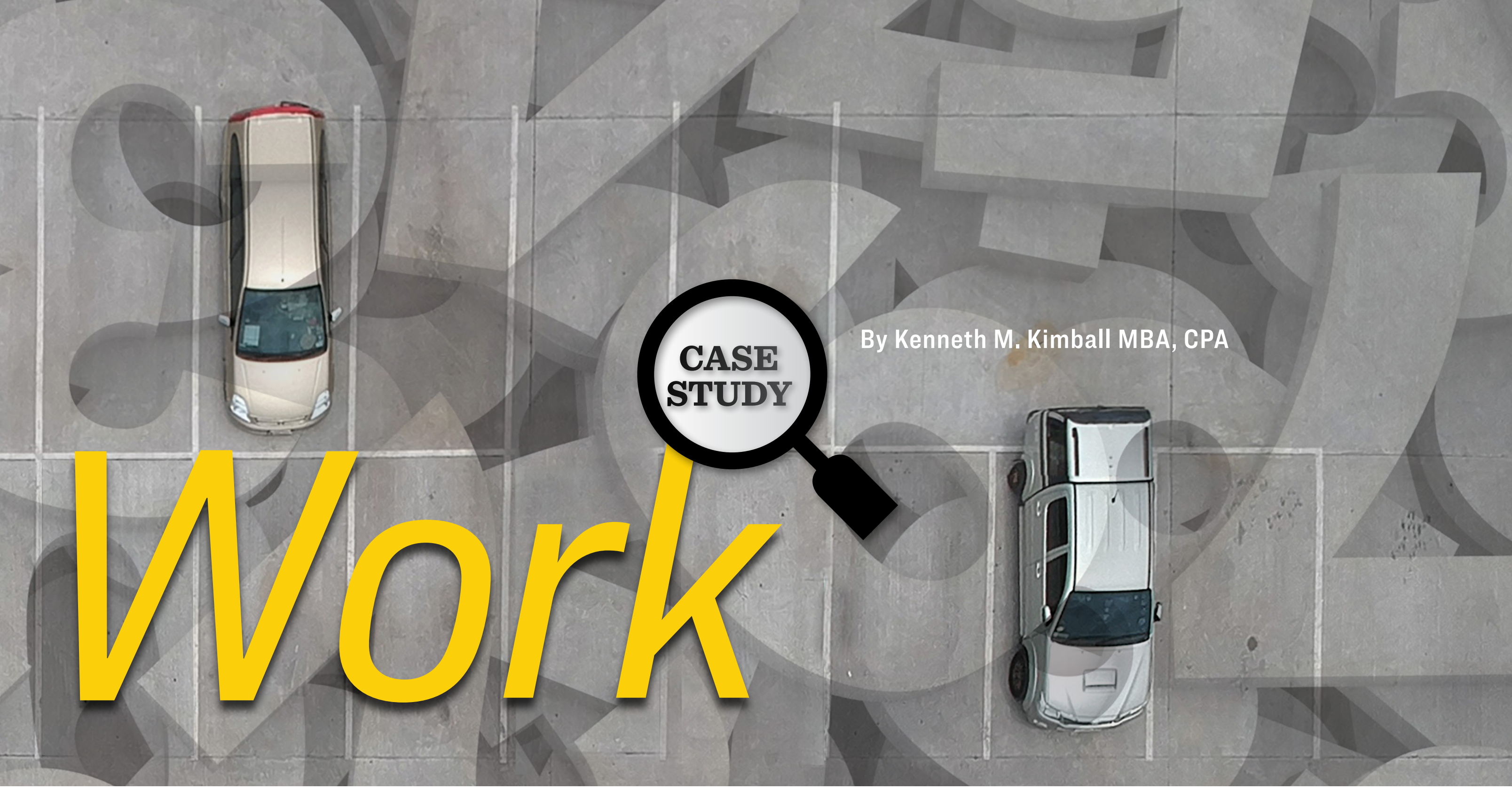
Strategizing for parking and transportation financial success in a university environment.

AT TEXAS A&M UNIVERSITY, the transportation services team spends a great deal of time comparing notes with industry peers. Our colleagues often comment that we are successful because we have more resources than most. While this is true in some cases, those resources are the result of a sound, long-term financial strategy. This strategy played an important role in creating the success our program enjoys today. It ensured we would have available funds when needed to implement new processes, desired infrastructure, and technological innovations. Our hope is that readers will be able to incorporate some of our story into their own plans for success.

Our financial strategy can be broken into three areas of effort: establishing financial credibility, using internal and external data to project and set rates accurately, and presenting our analysis and findings in logical, easy-to-understand formats for customers and leadership.

The Budget

Attaining financial credibility starts with one of the basics: an accurate budget. The larger the organization, the more complicated this can be. Behind-the-scenes processes must be detailed and every budgetary line item seriously examined. We use Excel to



By Kenneth M. Kimball MBA, CPA

create budget worksheets that feed into our financial statements and projections. Each managerial team is given the opportunity to be a part of the process by sharing its own budgetary needs and participating in a robust enterprise risk management effort. We provide unit leaders with policies, support accounts, data dashboards, and unit financial statements, which help them manage and provide accountability.

The university environment often presents management with unexpected and significant demands for parking resources. We provide for these challenges in two ways:

1. We try to be accurate but conservative with estimates of revenue and expenditures.
2. We budget and plan to accumulate a healthy reserve. This allows us to absorb the costs not considered beforehand without deviating too far from our plan. If necessary, we change our plan.

An additional step to consider is cost-benefit analysis. This process can help defer some requests and communicate the resulting effects after the fact. Each year, accuracy builds as does the confidence of leadership. It is essential that decision-makers trust your work in order to move the strategic plan forward.

Rates and Fees

Another element of financial success is accurately setting rates and fees, which allow for the implementation of the department's long-range, strategic plan. This requires a projection model with the same level of detail as the budget. Our model

extends 30 years, based on our longest bond agreement. These projections should be revised at least semiannually.

Take the time to build in year-over-year changes for each line item. This provides a way to model the effect of decisions and rate changes both today and in the long term. Furthermore, incorporating and maintaining historical data will help predict certain revenues and expenses. It is important to carefully add planned infrastructure and associated changes to provide a complete picture. One of the more useful outputs of this exercise is a graphic that compares required reserves to expected reserves over time. This can illustrate the results of proposed changes and how even small deviations can add up to have a significant effect on the future. It can also show how reserves can be used to allow lower incremental rate increases to achieve goals, as opposed to large ones with each new parking facility.

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Daily Data

An essential tool for looking into the future is the data created by day-to-day operations. At Texas A&M University, the various units within our department produce a great deal of information. Using this information effectively can be difficult. Our IT staff uses this data to develop dashboards that facilitate both daily and long-term decision-making. With near real-time updates, it is easy to measure performance and profitability quickly and identify problems sooner. Making trends in revenue and expenses evident can help you make projections with confidence. One should never let data sit idle—the potential value is too high.

Effective Communications

The final step is to communicate the department's financial performance, current situation, and future needs in an effective manner. Our strategy is to address any misconceptions first. Not doing this can derail your effort. After this step, provide your audience with only the information needed. Use simple illustrations to explain your position. Logically lead your audience down a path that includes questions to spur thought on the possibilities. Use the work you have done to communicate both industry success as well as what continued success will require. Distill the information into a format the lay person can understand. Be short, to the point, and accurate.

We will use a parking concession agreement as a good case study for the sort of complicated arrangements management is occasionally asked to consider. The finance professional must provide the expertise to define and explain what is happening. Industry knowledge and the work already done to create sound projections can be used to analyze the cost, benefit, and potential issues for consideration. Then, the job is to communicate this effectively to the decision-makers.

As a first step, be sure to look for and address any misconceptions that need explaining. Concession agreements sometimes come in the form of an offer to provide large, upfront cash payments in return for the parking revenue stream over a specified period of time. These agreements can include outsourcing those units directly tied to the revenue. Many will assume gains in efficiencies due to outsourcing alone make this transaction possible. The finance professional understands that this is much more complicated than a headline. As a result, the task is to make sure leadership has proper understanding before making any decisions.

As we think the scenario through, let's consider what we know about our industry. Large revenue streams are common for major university parking entities. This is for good reason. Parking fees cover annual debt service, operating costs, maintenance, and many unrelated services such as transit or alternative transportation. This robust revenue stream is not an indication of profitability. Rates are set, generally speaking, to cover these costs. Even if an entity could cut the operating budget by 20 percent, it would not entice an investor to outlay millions in upfront

cash. Clearly, to make this work, there is going to be a significant cost. Explaining the fact that this isn't free money is the first step.

Another consideration is how the agreement can be best illustrated financially. Let's examine what is happening and try to find a simple way to express or analyze the cost. Many would get bogged down in the discussion of the discount rate used to determine the upfront proceeds. Much of this would be proprietary and not available. However, we have some basic elements to consider. The institution will receive a known upfront amount of cash proceeds. There is a definite term. The assets are returned to the university when the term is up. And finally, through the various concessions, the university is pledging and, in some ways, guaranteeing annual revenue to pay the proceeds back plus some rate of return. Doesn't that constitute a loan? Essentially, yes.

One way to illustrate cost for university administrators is to compare the concession with what they are already familiar with: a simple bond. Take the projections already in hand and adjust based on the agreement details. Items such as the annual rate increase, expected cuts to operating expense, a reasonable inflation rate, and agreed-upon capital investment can all be used to obtain the outflows to the concessionaire for the term. The bond would simply use the same principle amount, term, and the going university rate. There are several ways to look at this: outflow comparisons, calculated rates, or by calculating a total cost of funds, taking into account items not shown on the projection, such as debt paid off or services now funded elsewhere. Simple bar graphs, rates, and trends will clearly show how the offer compares to a standard bond.

Q&A

I like to wind up presentations with questions. These are designed to make the audience consider what logically may occur depending on the decision. Here are a few examples used for this particular scenario:

- If the permit price rises enough to make private campus perimeter parking viable, what is the chargeback for using the resulting empty space?
- If the customer demands alternative means of accessing campus (transit, bike, ride-share, etc.), is there a chargeback for the university facilitating this?
- The greatest benefit to a concession with upfront cash is that, unlike with bonds, there are no restrictions on use of the funds. Is it worth the cost?
- What will the industry look like in 30 to 50 years?

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By presenting financial considerations in this manner you will have successfully helped decision-makers understand exactly what is happening. You will have illustrated the financial aspects in a way that speaks to everyone in the room. And, you will have stirred useful discussion to leave no stone unturned. This approach should be successful with just about any endeavor. We have made similar presentations to propose rate, policy, and infrastructure changes. If you have long-term accurate projections in place, much of the work is already done. The goal is not to be the idea killer. As financial advisers, our goal is to make sure leadership has the information they need.

At Texas A&M University Transportation Services, our financial success didn't just happen. We have budgeted well, projected carefully, used data efficiently, and communicated effectively to customers and leadership to build trust, ensure good decisions, and garner support for our plan. With each positive outcome, the navigability of the environment improves. Our hope is that you can use some of our methods to build your own successful program.

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MARCH 2019 The Parking Professional ● REVIVING A TRANSPORTATION SYSTEM ● LPR THREE YEARS LATER ● INBOUND MARKETING TO CHANGE BEHAVIOR ● PARKING AND TRANSPORTATION'S CAMPUS ROLES