

August 5, 2004

Honorable Mayor and Members of
the Hermosa Beach City Council

City Council Meeting of
August 10, 2004

REPORT ON PURCHASE OF CHANGE MACHINES FOR UPPER PIER AVENUE

RECOMMENDATION

It is recommended that the City Council consider information relating to the purchase of a change machine and direct staff how to proceed.

BACKGROUND

When the new parking meters were purchased for upper Pier Avenue, the City Council directed staff to install a public change machine.

One business in particular, the Laundromat on Pier Avenue, has voiced the need for coin machines due to the impact on his business.

ANALYSIS

The research conducted so far on installing public change machines has identified some issues that staff wants to bring to the attention of the City Council..

Several companies were identified who provide change machines. Staff also spoke to several cities who use them (Monterey, Santa Cruz, Newport Beach) and one local businessman who owns eight self-service car washes and has been in the business for 30 years.

Issues identified with making the machine available:

Security. – Any time cash is involved, there are security issues. Whereas a parking meter holds approximately \$50, these machines, depending on the model chosen, will hold \$1,200 or more.

Fraud/Vandalism. Each city or business contacted mentioned incidences of fraud. There are various ways of tricking the machines to give more change than intended. These range from “stringing”, which involves putting a plastic tail on bills so they may be pulled back out, to attaching the face of a \$5 or \$20 bill to the face of a \$1 bill. One city reported that they had to stop taking \$5 bills until the manufacturer of their machine came up with an upgrade to the chip in the machine so it could recognize this type of fraud.

Collection/Replenishment. Any time cash is involved, internal controls on the collection of the money is an issue. There is no internal control that can guarantee 100% against theft or collusion. Two of the cities admitted that they did not have very good internal controls for collection of the cash from the machines. One city that has two machines on their Pier indicates that they replenish the coins every day and only collect the bills under dual control (two employees) once a week. The owner of the car wash collects and replenishes his own machines so there is no issue.

Dunbar Armored Transport, who transports our daily bank deposit was contacted and will give us a quote once a decision is made about the location and type of machine. The representative suggested there was a lot of risk in collecting from machines on the street, which may mean that the fee for the service will be high.

All cities mentioned the labor-intensive efforts required for collecting, replenishing and repairing the machines. If additional machines are added in other locations, this could become an expensive and labor-intensive service.

Maintenance. Literature from some of the coin machine providers do indicate that they have models that are particularly recommended for outdoor locations with salt air climates. Most of the maintenance issues identified were frequent jamming of the machines and the need to update the chips when there were bill changes by the U.S. government or to address fraud issues.

OPTIONS

1. Direct staff to continue researching coin machines and purchase the appropriate one for Upper Pier.
2. Purchase a machine for placement in the Laundromat on Pier Avenue, with the owner responsible for servicing the machine as one of his own.(with concurrence of the owner)
3. Reconsider previous direction to purchase a coin machine, assuming that businesses and parkers will adapt, as they have in other commercial areas of the City.

Respectfully submitted,

Concur:

Viki Copeland
Finance Director

Stephen R. Burrell
City Manager

