

Minutes
Parking Authority of River City
Board of Commissioners
May 20, 2020

Commissioners:

Chairwoman Rebecca Fleischaker
Treasurer Daniel Frockt
Secretary Rebecca Matheny
Commissioner Michael Romaine
Commissioner Kwane Watson
Commissioner Henry Potter
Commissioner Jennifer Lehn

Staff Present:

Tiffany Smith
Mike Tudor
Gerald Howell
Steve Cameron
Steve Bartley
Ricardo Seran
Sonora Mullins

Call to Order:

Chairwoman Rebecca Fleischaker declared a quorum and called the meeting to order on May 20, 2020, at 12 PM., 222 South First Street Suite 400, Louisville KY 40202.

Secretary's Report:

Chairwoman Rebecca Fleischaker presented the minutes from August 21, 2019, and January 15, 2020. A motion was made and seconded to approve the board minutes.

The Board of Commissioners unanimously approved the minutes as presented for August 21, 2019, and January 15, 2020.

PARC Financial Report:

PARC ended Year-to-Date (YTD) March 31, 2020, with substantial revenue increases, which drove net income to \$2.2M, which was \$974K over the budgeted net income of \$1.3M. Around the middle of March, PARC's revenue began to drop sharply as news of the Corona Virus Pandemic started to spread in the United States. To show the impact of the Covid-19, PARC's net income for the month of

March ended with a net operating loss of \$143K. Ending March 2020, YTD, PARC's net income was \$2.2M, which was \$108K more than the Total FY20 Annual Budget of \$2.1M.

Off-Street Revenues totaled \$12.8M compared to budget of \$12.2M. Transient, event, and unreserved revenues lead the way with some very significant increases. Transient revenue was \$2.6M YTD compared to budget of \$2.3M, an increase of 12.3%. The following facilities had significant increases over budget: Fifth St. (up 59%), First & Main (up 49%), Sixth St. (up 33%), Omni (up 33%), Ali and Riverfront (both up 23%). YTD transient revenue was over budget by \$288K and over March 2019 YTD by 14.5% or \$334K. Unreserved revenues were \$6.8M compared to budget of \$6.5M, an increase of \$242K. Leaders in this category were Omni (up 75%), First & Main (up 29%), Ali (up 23%) and Louisville Gardens and Sixth St. (both up 19%). March 2020 was just under March 2019 revenues by \$13K.

Validation revenue in March alone was only \$113K compared to the FY20 average monthly of \$144K. YTD 2020 revenues were slightly down from budget at \$1.3M resulting in a shortfall of \$60K. Current YTD validation revenues were also down \$71K from the previous year. Facilities showing above-average increases over budget were at Omni (up 132%), First & Main (up 71%), Ali (up 44%) over budget. Event revenue was also significantly over the budget YTD at \$1M compared to budget at \$930K. YTD revenues were down \$185K compared to YTD March 2019. The KFC YUM Center hosted 30 concerts in calendar 2019, representing the most the arena has ever held in a single year, since opening. Other significant increases over budget were at Wharf Lot, First & Main, Riverfront, and Jefferson Centre.

PARC's largest revenue component, unreserved revenue, was also up March YTD. Unreserved revenue was \$6.8M compared to budget of \$6.5M, an increase of \$242K. Leaders in this category were Omni (up 75%), First & Main (up 29%), Ali (up 23%) and Louisville Gardens & Sixth St. (both up 19%). March 2020 was just under March 2019 revenues by \$13K.

YTD residential revenue, for parkers living in the downtown area, was \$282K. March 2020 YTD exceeded both budgets and the prior year by \$48K and \$61K, respectively.

On-Street Revenues were \$3.7M, which came in \$98K under budget. While meter revenue was slightly under budget, meter bagging revenue was \$178K over budget at \$487K and was also \$8K over March 2019 YTD.

Therefore, Total Operating Revenues were \$16.4M. The budget was \$16.0M. A variance of \$474K. PARC's Off-Street Expense was \$7.3M. The budgeted expenses were \$7.5M. Most reported categories came in under budget.

The On-Street Expenses were \$1.1M. The budgeted expense was \$1.2M. Total Operating Expenses were \$11.1M or 3.75% below budget. Total Budgeted Expenses were \$11.5M.

Non-Operating Revenues were \$706K compared to budget of \$682K. The primary increase here is the investment income on PARC's trust accounts. PARC invested in some CDs through BNY Mellon, and the average interest rate was in the 2.6% range. At this time, we have about \$750K remaining in CD's; which will be maturing in FY21. PARC has relied on the advice of LMG employees to invest our Federated Money Market Funds resulting in PARC successfully generating additional funds. Non-

Operating Expenses were at 100% of budget at \$3.8M including interest expense, amortization, and other non-operating expenses. Consolidated PARC Net Income was \$2.62M. The budget for the same period was \$1.3M, and the previous year's net income was \$2.7M. Our total FY20 Budgeted Net Income is \$2.138M (over by \$108K).

Our Debt Service (coverage) Ratio was 1.71 actual, 1.54 budget, and 1.81 prior years. PARC's internal benchmark is 1.25. This ratio measures our ability to produce cash to pay our required debt payments.

Treasurer Frockt asked have we done anything to pull back on our potential capital expense in FY20?

Director Smith stated that we have been looking closely at the revenue numbers. Our monthly revenue numbers have been trending well. For the unreserved, reserved, and residential revenues, those numbers have been reported to either meet or exceed budget. We did have some cancelations, but most of our parkers have continued to stay with PARC and pay their monthly parking. One thing we did to mitigate loss was to furlough 80% of our contracted employees after looking at the revenue trends. At the end of March, we could no longer justify having a full staff in the garages; therefore PARC furloughed ambassadors, enforcement officers, and event personnel.

Treasurer Frockt asked considering, we are currently at \$2.2M in net income, do we know how much we think revenues will decline from April to June?

Director Smith stated that we expect our net income to be absorbed entirely, and we expect to end the Fiscal year in a \$2.3M loss.

Treasurer Frockt asked, what is the value of capital we are holding back? Is it enough to offset the net income loss?

Director Smith stated I don't know if it is possible to do both, but we have ceased capital projects, and the budgeted revenue is therefore available for future expenses.

Treasurer Frockt asked is there an affirmed amount that we will use to offset some net income loss?

Director Smith stated, yes, there is a certain amount.

Steve Cameron responded we expected a \$2.3M loss at the end of the year, and we expect our available cash on June 30th to be around \$19.8M, including Capital funds.

The Board of Commissioners unanimously approved the financials as presented for May 20, 2020.

New Business: Proposed FY21 Budget:

Director Tiffany Smith presented the Proposed FY21 Budget to the PARC Board Commissioners. Director Smith began thanking the PARC Board for their continued service and supporting PARC's goals and initiatives to improve the day-to-day parking experience for our citizens and guests. While PARC was on a trajectory of ending this fiscal year by exceeding our budgetary expectations, we have experienced inconceivable decreases in our revenues over the last two months. As such, PARC is anticipating ending the FY20 budget with a net loss of \$2.3M.

The purpose of this memo sent to the PARC Board was to assist the Commissioners in reviewing our proposed FY21 budget. This year is exceptionally precarious as we are approaching a significant degree of uncertainty. Therefore, I will address categories with the understanding that our industry and country is experiencing unpredictable times. For the first time in decades, PARC expenses are anticipated to be more than our revenues. We are budgeting to end the FY21 fiscal year, with a net loss of over \$7 million. While this is alarming, we are confident that we can cover this deficit through our current cash on hand. PARC will remain conscious of this deficit throughout the year and will monitor expenses accordingly. We will make every effort to ensure that we minimize operational costs through diligent utilization of current resources.

PARC evaluates On-street and Off-street parking rates annually. We assess and determine if a parking adjustment is warranted; this year, it was determined not to adjust prices. Currently, we believe our rates are marketable and consistent with the industry for our city dynamics. As you know, On-street meter rates are designed for short term, turnover parking. PARC will reevaluate in the next fiscal year to determine, if there is any need to adjust, once the downtown activity has resumed.

PARC's FY21 annual, monthly parker revenue is budgeted to take into consideration the decreases we have experienced since March 13, 2020, when the pandemic began in our city. Which is the same way we determined all PARC revenues. PARC anticipates a slow return to normal operations. We also expect a change in behavior for some downtown workers. For the FY21 budget, we factored in Full Revenue expectations in January 2021. Our Full Revenue Projections are only 80% of the actual revenue PARC was receiving pre-Covid. We will consistently monitor and advise the PARC Board when income is operating better than our Budgetary Forecast. FY20 PARC budgeted \$21.5M and actual projections are \$17.1M, a decrease of \$4.4M. For FY21, PARC has a Total Operating Revenue of \$10.7M, or a 37% decrease from the FY20 Total Operating Revenue actual. There is a \$10M revenue difference from the FY20 budget to the FY21 budget. PARC has historically received over \$20M in operating revenues; rebounding from this deficit will be challenging.

PARC Total Administrative category is budgeted for a 9.9% increase or an increase of \$335,547. PARC's pension expense is within this category, \$250K makes up the majority of the \$335K increase.

General and Administrative Expenses are down by \$168K or approximately 35%. We achieved this by reducing our Cash Management Fees and PARC consulting. We will be closely monitoring our categories to minimize expenses we determine could be delayed until FY22.

Total Off-Street Expenses projected to be within \$139K of our budgetary expectations for FY20. However, the FY21 budget is reduced by \$923K, approximately 9%. There is an intentional deep dive into each of our expenses to see where and how we could reduce the costs without sacrificing safety or services. The most significant expense in this category is the depreciation. PARC was able to minimize the increase in this category by reducing the projects in our FY21 Capital Budget. While depreciation is a non-cash item, we wanted to make the Commissioners aware of the impact on the bottom line. Other expenses in this category significantly reduced are Contracted Operators by \$436K, Contracted Security by \$285K, and Repair and Maintenance by \$51K. The total reduction for Total Off-street Expenses is \$923K less than the projected actual spent in FY20.

Our next category entails all expenses associated with our On-Street program. Similarly, with our Off-street operations, PARC has significantly reduced expenses in this category. The General Operations were reduced by \$135K and enforcement staff by \$179K. PARC reduced the On-street category by a total of \$362K.

Total Operating Expenses were reduced by \$950,861 or 6.2%. Nevertheless, even with significant reductions in PARC On-Street and Off-Street Expenses, Net Operating Income is budgeted at a Net Loss of \$3.6M.

Our final categories consist of Non-Operating Revenues and Expenses. Interest Income has been reduced by \$457K due to less investment income this fiscal. Non-Operating Expenses are down by \$253K, due to our amortization schedule, and PARC is now paying more principal than interest. The Total Non-Operating net is reduced for a reduction in validation billing captured in both our Non-Operating Revenues and Expenses based on how PARC books our loan to A'loft hotel.

PARC has budgeted for a Net Loss of \$7.8M; this is a directly contributed to Covid-19. PARC is making every attempt to find ways to maximize revenue. We are staying in consistent contact with other municipalities to ensure we explore and implement revenue-producing trends in the industry. We will monitor expenses and make every attempt to manage operational costs. PARC will keep the PARC Board informed of our progress from month to month. We are hopeful that the activity will resume, and we will rebound better than our budget projections.

EBITDA, (Earnings Before Interest, Taxes, Depreciation & Amortization) EBITDA is one indicator of a company's financial performance. It is used to determine the earning potential of a company. EBITDA is more focused on a MODIFIED cash basis rather than a net income basis. Companies use several metrics to measure profitability and EBITDA is used in different industries and sectors for comparison to industry groups. Therefore, when you take our budgeted net loss of \$7.8M and add these specific expenses back, PARC ends with an EBITDA of \$1.3M. This positive income generation shows a modified cash flow where liquid assets are increasing, enabling PARC to build cash reserves, pay debt service, and add capital expenditures. Companies with adequate cash reserves can usually fare well during inevitable downturns in the economy.

The Board of Commissioners unanimously approved the FY21 budget as presented for May 20, 2020.

New Business: Proposed FY21 Capital Budget:

This budget consisted of emergency repairs for \$100K. This category is included in the budget regularly in an attempt to be proactive regarding Unanticipated Expenses. Annually, we have utilized the amount, allocated for emergency repairs. PARC is also requesting an budgetary allowance for upgrades in the On-Street program for \$510K. Our smart meters, provided by IPS, are being decommissioned at the end of 2020. The IPS meters are the meters that currently accept credit cards. They are currently 2G meters, and the technology is moving to 4G. PARC must update the meters in order for our customers to continue to patronize, this upgrade will come at a cost of \$510K.

The last category is for our mechanical and plumbing repairs. PARC's annual consultants performed a study to assess and determine the conditions of all PARC facilities. All PARC garages were evaluated to address any concerns regarding mechanical, electrical, and plumbing needs. We are now able to improve upon existing equipment; the cost will be \$39K.

Lastly, is the Capital budget request of \$19K for a mandatory upgrade to our Revenue Control Server. PARC is requesting \$668K for the FY21 Capital budget.

The Board of Commissioners unanimously approved the FY21 Capital Budget as presented for May 20, 2020.

New Business: Parking Trends:

PARC has been looking at parking trends before Covid-19. In mid-March, we were looking to go contactless and we currently have that option with the GO502 app. It enables people to be able to pay at the On-Street meters and in PARC garages. We also have a couple of locations downtown where one can pay-by-cell. We have been working on an outline that designates which streets we will upgrade meters with On-Street spaces and try contactless. We have 801 meters on our east-west streets, including Main, Market, and Jefferson. If we were able to have pay by phone as an option for On-Street parking and pay-stations for those who chose not to use pay-by-cell. The plan is to lay out the area in such a way we would be able to use this upgraded technology, pay by plate, in concert with the license plate recognition. This improves efficiency by allowing officers to drive by to see who has paid based on their license plate information. We would have a couple of vehicles patrol the streets and monitor activity. On North-South Streets, we will keep meters. We want to have options for people who are slow to adopt new technology.

The pay-stations cost approximately \$500K to implement. PARC experiences more flexibility in how we can interact with our patrons. We have the technology in place for pay-by-cell, but we simply need more signage. After implementation, a 5-year forecast shows PARC saving approximately \$100K annually.

Chairwoman Fleischaker commented it looks like there are 801 total On-Street spaces. Do you have a breakdown of how you will allocate the pay stations differently than the other meters ?

Mike Tudor stated the 801 number equates to the meters on the East and West streets, including Main, Market, and Jefferson. We would want to put one pay-station on every block that would allow patrons to utilize that instead of the pay-by-cell option. We would prefer the pay-by-cell option, and we will have more signage, but there will be one pay-station for them to utilize.

New Business: Policies/Procedures:

Last year we approved a budget for pay-stations. We had three different Pilot pay-stations, and we narrowed it down to the one we felt best fit our city and dynamics. We currently have 3 LPR (License Plate Recognition) vehicles used for booting. As Mike mention earlier, we also have the pay-by-cell technology we have used for years. We will decide by the end of the year where to install pay stations.

Another parking trend we are looking into is how we adjust to more telework employers and how we can use the Go502 app and QR codes for patrons that utilize our facilities. We can monitor the usage,

and we are trying to evaluate how we can capitalize on that information. We want to remain relevant as trends are adopted and changed.

We sent out a memo to the Commissioners about policies and procedures. One of the observations from Covid-19 has been that PARC needs to be better at adopting policies and procedures. PARC doesn't have bylaws, which makes the adoption of overarching policies more pertinent.

Updates: On-Street RFP:

This RFP was requested from Metro Council and put out by PARC. This RFP is to investigate different options for On-Street parking. On-Street's recommendations are inventory, examining other On-Street privatization, assessment of privatization, and presentation of the report. The presentation hasn't taken place yet. The date was April 23 to present to Metro Council, but due to Covid-19, they have not been able to complete the RFP. So, we decided to pause the study. We have two tasks left to finish, the final report and then present that report.

Commissioner Henry Potter asked who the awardee of the bid was?

Mike Tudor stated Walker Consultants won the bid.

ADJOURNMENT

Thereupon, of being no further business, the commissioners unanimously approved to adjourn.

Respectfully Submitted

Rebecca Matheny
Secretary