

Adding Years of Service Life



**Pittsburgh
PARKING
Authority**

The Value Parking Network

2015 ANNUAL REPORT



DAVID G. ONORATO, CAPP

Executive Director,
Public Parking Authority of Pittsburgh



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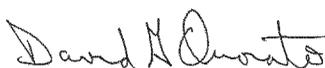
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From the Executive Director

Again in 2015 and despite the continued substantial daily loss of garage parking spaces to ongoing capital repair projects, the Authority's gains in operating revenue easily outpaced the year's growth in our cost of conducting business. The results may also be viewed as a platform to project our financial performance for the balance of the decade. With the conversion to, and subsequent expansion of, a multi-space management system for all of our metered parking locations now essentially complete, 2015's two-to-one ratio of garage versus meter-based receipts is likely to be maintained throughout that period. Similarly, the year's record total of \$28 million in payments to support broad City of Pittsburgh operations provides a reliable benchmark for gauging the scale of future contributions for that purpose. The year's dramatic escalation from previous payment levels resulted from a 2014 restructuring of the parties' revenue-sharing formulas that took effect on January 1, 2015.

While the adoption of cutting-edge metering technology referenced above has met all of the financial and user-friendly objectives that prompted its purchase – 2015's advances are examined on pages four and five of this report – it is also critically important that we maintain the operational efficiency and structural integrity of our 11-facility garage network. Five of those structures are in their sixth decade of service that, with its constant traffic pressure and wintertime exposure to corrosive materials, approaches the wear-and-tear climate conditions shared by the driving surfaces that surround them. The 2015 capital repair budget was headed by the completion of a 14-month renovation of our Smithfield/Liberty Garage. Spanning both interior and façade repairs, the project was similar in size to one completed in 2014 at another of our pioneer facilities while work at a third began late in 2015. Even the most expansive of capital improvements of this type and scope are paid for entirely from internally sourced revenue, a sharp contrast from the issuance of bonds that will be required to finance the intended replacement of our Ninth & Penn Garage with a new 800-to-1,000-space facility. Although our plans for that milestone project are firm, a specific timeframe for construction remains undetermined.



David G. Onorato, CAPP

Operations Review

Of the five Authority garages built more than 50 years ago, four are high-rise facilities. Of the six built since, only one stores patron vehicles below the level they enter and exit. Nine of the organization's parking structures, then, accounting for more than 85 percent of its lined indoor spaces, perform their function in a manner more similar to Pittsburgh's bridges than to the city's network of surface streets. Specifically, they are required to accommodate a shifting traffic flow on above-ground driving lanes just six-and-one-half inches thick. And while virtually all garage-parked vehicles are protected from the effects of weather extremes, the bridge-like characteristics of the buildings that house them are decidedly not. That combination of facility purpose and open-to-the-elements design represents a toxic mix requiring priority attention in each year's Authority capital repair budget. That circumstance was never more present than in 2015 when one landmark project was completed at the Smithfield/Liberty Garage and work on another, even larger one, began at Third Avenue just weeks later. Because of the consistent heavy demand for the limited inventory of weekday spaces in Pittsburgh's downtown core, much of the repair activity at both locations was required to occur in concert with routine parking operations.



Concerns related to operational safety determined that the 14-month rehabilitation of the Smithfield/Liberty Garage should begin with the repair of 50,000 square feet of interior parking decks.

Smithfield/Liberty is one of the Authority's most popular garage sites. Its appeal results largely from its location astride two of downtown's major east-west traffic arteries, each containing a collection of retail, dining and employment destinations. Essentially filled to above its 600-vehicle capacity every business day, the facility also hosts evening and weekend visitors to nearby Cultural District events and, space permitting, provides integral parking access to patrons of the adjoining building that houses The Duquesne Club. That iconic dining, meeting and lodging venue has been a favored gathering spot for the city's power elite since 1873. Excepting attempts to schedule work assignments to minimize their impact on the Club's operation, particularly during peak business hours, the Smithfield/Liberty project can be viewed as typical of the challenges to be met in the Authority's approach to major garage repair – most notably as the process relates to the facilities built earliest in the organization's history. Those difficulties begin with the structures' confined footprints adjacent to high-traffic downtown corridors. And they are compounded by the building presence of multiple parking decks containing narrow, somewhat sharp-angled driving lanes.

Smithfield/Liberty customers are accommodated on all of the garage's nine levels and may enter or leave the facility at both street locations. Given the prolonged duration of the work involved, project bidders were required to recognize – and factor into their cost calculations – that building operations would continue as normally as possible with no more than 250 lined spaces permitted to be removed from service at any given time. Although an Authority-record contract for the project was awarded in mid-2014 with weeks of favorable weather for outdoor construction still ahead, safety concerns dictated that the deteriorated condition of interior parking decks should be addressed first. The job was conducted downward from the sixth level and, not unlike other lengthy Authority projects, it proved to be the noisy, dusty and disruptive equivalent of major street repair being performed in a confined indoor setting. Further, because it was practical to “stack” repair operations vertically on multiple floors, customer traffic regularly accessed areas where intense workforce activity was underway. As the project progressed, succeeding locations of shared use were separated by floor-to-ceiling partitions to shield patron vehicles from the immediate presence of dust and debris. There are no Pittsburgh noise-control ordinances that govern downtown construction. But the contractor's coordination of the construction schedule with representatives of the Duquesne Club proved effective in reducing the intrusion of noise during major venue events.



As evidenced by the appearance of the sixth-level entrance to The Duquesne Club, work at Smithfield/Liberty included major upgrades of the facility's lighting and graphics systems.

Pay-by-Phone Feature Popular with Meter Patrons



Any analysis of recent Authority results underscores the profound impact of the organization's 2013 commitment to manage its network of metered spaces with the latest generation of multi-space, multi-functional control equipment. The action was driven principally by a desire to improve the parking experience for all meter patrons, not just those who add access to multi-space units in busy off-street lots. And its most visible objective was to extend the option of paying by debit or credit card to the great majority of customers who were limited to the use of coins for their parking transactions. The market's favorable response to this basic system feature was immediately apparent and was a key factor in the public's widespread acceptance of a new metering concept. Preference for card usage reached a new high in 2015 as just under 80 percent of the year's record \$17.1 million in meter-based transactions employed that payment mode.

The advanced system contains other Authority-commissioned customer benefits that have been added sequentially during three years since its adoption. Vehicles logged in at one metered location, for example, may be moved to another space within the same parking zone with no loss in paid-for parking time. Further, the duration of a parking stay in one metered space may be increased by the purchase of additional time at any other meter within that zone. And in 2015, the system's platform of available features was widened to include the pay-by-phone capability proved popular in other progressive venues served by Parkmobile, the system provider. Accounts for the service are established by downloading an APP – a one-time requirement – and linking it to a credit card to be billed for each metered stay. Users adapted quickly to the new feature's mode of operation, which simply requires the logging in of the parking zone listed on the meter and the duration of parking time desired. Additional time may be acquired, again by phone, from any distance from the meter location. Pay-by-phone parking is also accessible to customers without established accounts – all meters list a number to arrange purchase – and is available even at the 292 coin-operated, single-space meters that remained in operation entering 2016. Parkmobile charges users a minimal fee for the pay-by-phone service beyond the posted parking cost; the date and amount of each transaction are then documented in monthly summaries of customer credit card activity.

Pittsburgh's acceptance of the new payment feature has been dramatic, easily outpacing market response elsewhere. Just five months after its introduction late in October, the city's use of the concept rose to fourth among all of Parkmobile's roster of blue-chip metropolitan clients. And by May 1, 2016, transaction volume reached the half-million mark to account for more than \$1.2 million of meter-sourced revenue. The region affirmed its reputation as the home of tech-savvy residents, moreover, as 99.6 percent of all pay-by-phone purchases involved use of the App established solely for that purpose.



Pittsburgh's response to a new payment option easily outpaces market acceptance recorded elsewhere.

Operations Review (Continued)

There were fewer opportunities, however, to benefit from timing the sequence of work as it related to the building's outdoor footprint, particularly along Liberty Avenue where the replacement of a façade complemented the project's structural components. The street is perhaps downtown's busiest pedestrian thoroughfare. Consequently, the sidewalk bordering the garage had to be "roofed" throughout much of the project to protect it from the activity above. In contrast, and while Liberty is also home to high levels of bus and private vehicle use, closing of its traffic lanes was held to a minimum. If the façade work provided an opportunity to enhance the garage's appearance and the contractor's on-site presence led to interior street-level improvements in facility governance and pedestrian safety, it should be emphasized that these were ancillary benefits. The core function of the work at Smithfield/Liberty – where 50,00 square feet of full-depth deck repairs were performed – and later at Third Avenue was to preserve and extend the buildings' operational soundness. The renovations are projected to extend the service life of both locations by at least two decades.

Authority operations during any given year necessarily includes responses to evolving market conditions. Having already increased its garages' inventory of free parking stations for the region's growing number of commuting and recreational bicyclists, the organization is cooperating fully with initiatives to expand the network of bike-only lanes within its service area. On occasion, the process results in a reduction of revenue-generating parking locations. By the close of 2015, 150 previously metered spaces were designated for bicycle use while another 50 are scheduled to be added to that total during 2016. The increased availability of affordable electrically powered vehicles has prompted the emergence of another customer segment. Charging stations dedicated to that fuel mode have been installed at the Authority's First Avenue and Grant Street Transportation Center facilities, and plans to allocate a portion of the Second Avenue Parking Plaza for charging-station parking are being considered. If implemented, spaces at that large surface lot would accommodate both individual public-at-large patrons and the vehicle fleets of private and public sector organizations as well.



Garage patrons welcomed the arrival of charging stations for electrically powered vehicles during 2015. The Second Avenue Parking Plaza is being considered as a site for offering the service on a much larger scale in 2017 and beyond.

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

ASSETS

CURRENT ASSETS:

Cash	
Escrow cash	
Investments	
Investments - restricted	
Accounts receivable	
Note receivable - current portion	
Accrued interest receivable and other assets	
Total current assets	

NONCURRENT ASSETS:

Investments	
Investments - restricted	
Note receivable	
Prepaid bond insurance	
Capital assets, net	
Leasehold improvements, net	
Net pension asset	
Total noncurrent assets	

Total Assets

DEFERRED OUTFLOWS OF RESOURCES:

Deferred charge on refunding	
Net difference between projected and actual earnings on pension investments	
Total Deferred Outflows of Resources	

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	
Accounts payable - retention	
Accounts payable - City of Pittsburgh	
Accrued expenses	
Accrued interest payable	
Unearned revenue	
Current portion of capital lease obligations	
Current maturities of bonds payable	
Total current liabilities	

Noncurrent liabilities:

Bonds payable - noncurrent portion	
Other noncurrent liabilities	
Total noncurrent liabilities	

Total Liabilities

DEFERRED INFLOWS OF RESOURCES:

Deferred gain on refunding	
Differences between expected and actual experience for pension plan	
Total Deferred Inflows of Resources	

NET POSITION:

Net investment in capital assets	
Restricted for, expendable:	
Capital	
Debt service	
Indenture funds	
Total restricted	
Unrestricted	
Total Net Position	

	2015	2014
	\$ 10,836,784	\$ 10,794,018
	242,315	232,635
	7,738,861	9,694,473
	23,887,707	9,363,407
	885,502	686,821
	12,644	12,029
	327,061	711,030
	<u>43,930,874</u>	<u>31,494,413</u>
	15,481,873	13,573,766
	8,822,232	12,940,504
	3,189,524	3,202,168
	271,365	892,926
	118,843,298	110,804,346
	5,182,469	9,500,508
	1,141,653	1,776,465
	<u>152,932,414</u>	<u>152,690,683</u>
	<u>196,863,288</u>	<u>184,185,096</u>
	5,565,451	1,776,955
	704,063	78,246
	<u>6,269,514</u>	<u>1,855,201</u>
	3,410,346	2,796,167
	318,570	421,178
	13,401,976	2,739,578
	743,146	681,160
	243,787	1,508,455
	913,495	886,432
	18,486	60,855
	5,740,000	4,459,795
	<u>24,789,806</u>	<u>13,553,620</u>
	65,415,946	70,131,948
	5,092,984	5,400,059
	<u>70,508,930</u>	<u>75,532,007</u>
	<u>95,298,736</u>	<u>89,085,627</u>
	3,070,372	-
	53,229	70,854
	<u>3,123,601</u>	<u>70,854</u>
	50,858,204	43,464,257
	11,670,674	10,133,454
	569,669	3,088,399
	22,197,746	17,875,065
	<u>34,438,089</u>	<u>31,096,918</u>
	19,414,172	22,322,641
	<u>\$104,710,465</u>	<u>\$96,883,816</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2015 and 2014

OPERATING REVENUES:

	2015	2014
Parking facility receipts	\$ 34,800,280	\$ 31,504,256
On-street/off-street meter receipts	17,111,656	14,344,531
Residential permit parking receipts	417,899	377,012
Commercial rentals	647,378	684,606
Parking court	10,238,112	9,912,536
Other income	174,894	82,859
Total operating revenues	<u>63,390,219</u>	<u>56,905,800</u>

OPERATING EXPENSES:

Salaries	5,404,188	5,190,680
Retirement	544,022	367,518
Payroll taxes	455,460	443,280
Health benefits	1,378,899	1,297,859
Supplies and equipment	370,101	439,704
Utilities	1,183,552	1,183,592
Insurance	677,471	666,357
Repairs and maintenance	2,192,201	1,731,929
Fleet expenses	102,027	82,573
Facility and parking court management fees	2,070,215	2,172,750
Taxes and licenses	10,171,397	9,271,657
Contractual and professional services	2,698,859	2,672,280
Security	1,984,293	1,843,333
Depreciation and amortization	5,489,504	5,452,206
Other expenses	281,182	245,135
Total operating expenses	<u>35,003,371</u>	<u>33,060,853</u>
Operating Income	<u>28,386,848</u>	<u>23,844,947</u>

NONOPERATING REVENUES (EXPENSES):

Interest income	314,068	328,331
Other income	1,425,709	659,935
Interest expense	(3,237,812)	(3,771,394)
In lieu of real estate taxes to the City of Pittsburgh	(1,900,000)	(1,301,716)
Meter, wharf and parking court payments to the City of Pittsburgh	(16,433,858)	(8,068,942)
Other expenses	(728,306)	(42,598)
Total nonoperating revenues (expenses)	<u>(20,560,199)</u>	<u>(14,796,384)</u>
Change in Net Position	7,826,649	9,048,563

NET POSITION:

Beginning of year, as restated	<u>96,883,816</u>	<u>87,835,253</u>
End of year	<u>\$104,710,465</u>	<u>\$96,883,816</u>

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

CASH PROVIDED BY OPERATING ACTIVITIES:

	2015	2014
Parking facility receipts	\$ 34,761,060	\$ 31,384,639
On-street/off-street meter receipts	17,111,593	14,344,471
Residential permit parking and commercial rental receipts	852,850	857,675
Parking court receipts	10,199,027	9,929,908
Payments to and on behalf of employees	(7,886,887)	(7,257,307)
Payments to suppliers	(545,816)	(200,753)
Payments for utilities, insurance, repairs, and maintenance	(4,072,231)	(3,449,729)
Facility management fees	(2,083,732)	(2,130,443)
Taxes and licenses	(10,157,170)	(9,155,619)
Contractual and professional services	(2,696,953)	(2,687,738)
Security	(1,971,468)	(1,842,325)
Other receipts (expenditures), net	(123,482)	(163,111)
Net cash provided by (used in) operating activities	33,386,791	29,629,668

CASH USED IN NONCAPITAL FINANCING ACTIVITIES:

In lieu of real estate taxes of the City of Pittsburgh	-	(1,306,017)
Meter, wharf, and parking court payments to the City of Pittsburgh	(7,671,460)	(7,614,351)
Other payment to the City of Pittsburgh	-	(2,600,000)
Deposits to escrow cash	(9,680)	(6,415)
Other receipts (expenditures), net	428,836	(524,938)
Net cash provided by (used in) noncapital financing activities	(7,252,304)	(12,051,721)

CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:

Additions to property, plant, and equipment	(6,290,176)	(3,115,844)
Additions to leasehold improvements	(1,867,028)	(535,479)
Capital lease payments	(71,206)	(60,765)
Capital grants	596,764	556,360
Proceeds from long term debt	78,482,564	-
Repayment of bonds and refunding escrow transfers	(77,555,740)	(4,518,420)
Bond issue costs and other	(5,784,983)	-
Proceeds from sale of capital assets	9,400	2,010
Interest paid	(3,578,965)	(4,266,824)
Net cash provided by (used in) capital and related financing activities	(16,059,370)	(11,938,962)

CASH PROVIDED BY INVESTING ACTIVITIES:

Sale of investments	201,947,936	120,750,798
Purchase of investments	(212,306,458)	(124,655,919)
Payments received on notes receivable	12,029	10,511
Interest received	314,142	314,759
Net cash provided by (used in) investing activities	(10,032,351)	(3,579,851)

Increase (Decrease) in Cash and Cash Equivalents

42,766 2,059,134

CASH AND CASH EQUIVALENTS:

Beginning of year	10,794,018	8,734,884
End of year	\$10,836,784	\$10,794,018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

Operating income		
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	\$ 28,386,848	\$ 23,844,947
Change in:		
Accounts receivable	(124,098)	(45,324)
Other assets	(10,251)	276,108
Net pension asset	634,812	(224,876)
Deferred outflows related to pension plan	(625,817)	-
Deferred inflows related to pension plan	(17,625)	-
Accounts payable and accrued expenses	(346,582)	326,607
Net adjustments	4,999,943	5,784,721
Net cash provided by (used in) operating activities	\$ 33,386,791	\$ 29,629,668

NONCASH TRANSACTIONS:

Capital additions in accounts payable	\$ 3,410,345	\$ 1,078,978
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NEIGHBORHOOD LOTS

EAST LIBERTY

Ansley/Beatty
Eva/Beatty
Harvard/Beatty
Penn Circle N.W.
Sheridan/Harvard
Sheridan/Kirkwood
Station/Collins
Stevenson Place
Tanello/Beatty

SQUIRREL HILL

Beacon/Bartlett
Forbes/Shady
Douglas/Phillips
Forbes/Murray
(Library)
Forbes Avenue (JCC)

SHADYSIDE

Ivy/Bellefonte

BLOOMFIELD

Friendship/Cedarville
Taylor Street

LAWRENCEVILLE

42nd & Butler
5224 Butler Street
Parking Plaza

BEECHVIEW

Beechview Boulevard

OAKLAND

Centre/Craig
South Side
12Th & East Carson
18Th & Sidney
18Th & Carson
19Th & Carson
20Th & Sidney
Parking Plaza

CARRICK

Brownsville/Sankey

WEST END

Main/Alexander

ALLENTOWN

Asteroid/Warrington
Walter/Warrington

BROOKLINE

Brookline Boulevard

NORTH SIDE

East Ohio Street
Observatory Hill

MT. WASHINGTON

Shiloh Street
Parking Plaza

HOMEWOOD

Homewood/Zenith

GARAGES

DOWNTOWN

First Avenue Garage
& Station
Fort Duquesne & Sixth
Grant Street
Transportation Center
Mellon Square
Ninth & Penn
Oliver Garage
Smithfield/Liberty
Third Avenue
Wood/Allies

OAKLAND

Forbes/Semple

SHADYSIDE

Shadyside

ATTENDED LOTS

DOWNTOWN

Monongahela Wharf
Second Avenue
Parking Plaza

EXECUTIVE STAFF

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