City of Cincinnati

Interdepartmental Correspondence Sheet

March 1, 2013

FOR YOUR INFORMATION

To: Mayor and City Council Members

From: Milton Dohoney, Jr. City Manager

Subject: **PARKING LEASE & MODERNIZATION QUESTIONS & ANSWERS**

As a follow up to City Council's Budget & Finance Meeting on February 27, I am attaching several items for your review as they relate to the Long-Term Lease and Modernization (L&M) Agreement proposal before Council.

Please find:

The latest redlined draft version of the Long-Term Lease and Modernization (L&M) Agreement. The Operating Agreement is part of the L&M Agreement.

- Notably, the definition section regarding "material adverse effect" has been changed to remove a 15-point listing of specific events, including mass transit, that could have fallen under this section.
- Sundays and Holidays have been removed from Schedule 9 to clarify that these do not count against the "Identified Event Threshold". Recurring neighborhood events have been added to the list of Identified historical events in Schedule 9.
- Additionally, we have added 3.2 (g) in which the public will be "asked for opinions and suggestions with regard to the anticipated changes to Parking System Operations, Parking Fees, and technology from citizens, business owners, and community leaders within the City of Cincinnati prior to the Initial Adjustment Date."

- Responses to questions received by Council members by noon on Thursday, February 28. These responses are what we could formally prepare in advance of Monday's meeting. We will be prepared to discuss them more with Council at Monday's Budget & Finance Committee meeting.
  - The Cincinnati Parking Assumptions and Cashflow Summaries.
  - A letter from Tim Carden, Managing Partner with the PFM Group, the City's financial consultant, outlining their independent review and analysis of the proposed financing structure and projected financial benefits of the transaction.

As you review these documents, please keep in mind that this deal is not meant to solve all of the City's immediate financial issues. It is meant to stabilize operations in the short-term, spur leveraged growth for long-term revenue, and help us invest in transformational projects that create jobs and add to the vitality of the City.

While many of the "doomsday" scenarios are floating around, the City is not the primary bondholder in this deal, unlike other deals we do. If the bonds should ever be in default, neither the City nor the Port Authority are liable. A significant advantage to the structure of this deal is that it doesn't increase our debt; therefore, we receive the advantages of the 30-year bond without it being on our books. Also, the credit markets—potential bond (and other) investors as well as the credit rating agencies -- can view this positively as it results in a lower debt burden of the City, which is a credit positive.

The timing of consideration for the parking proposal is up to Council. However, because we are changing the fiscal year to begin this July, the Administration will need time in order to make any budget adjustments that are necessary.

The following is a response to questions from Councilmembers posed in writing and to the City Manager's Office.

Vice Mayor Qualls

1. How will the residential parking permit program work with the proposed metering? How will requests from neighborhoods be handled and facilitated?

Response: The residential parking permit program remains in effect. The addition of future residential parking permit areas does not affect the number of parking meters in the area. Currently, there are rare instances where meters are within a residential permit parking district (the parking district is limited to residentially zoned areas, and there are generally few meters in these zones). In those areas, such as the Pendleton Parking District, the meters still require payment during their hours of operation. A residential permit holder or visitor is not allowed to park at the meter without paying those charges. Again, we believe there are few instances where this condition exists.

a. 3CDC has just completed the design of a residential parking permit program for Over-the-Rhine. Can this be implemented under the proposed parking plan?

Response: The residential parking permit program remains in effect. DOTE has not been officially presented with any proposal for residential permit parking by or for 3CDC. The parties had some initial discussions over a year ago, but no course of action was proposed.

2. Will there be coordination of pricing between meters and garages to insure that garages are used for longer term parking and meters are used to serve retailers and ensure turnover?

Response: Yes. Parking meters are intended for shorter-term use than parking lots and garages. However, when meter pricing is maintained at an artificially low rate, as has been done under the city-run meter program, it encourages long-term parking on streets and can hinder turnover that supports merchants. AEW, the Asset Manager will be coordinating with both the on- and off-street parking operators to ensure short- and long-term parking

options are consistent with business and other parking demand at each location .Pricing will be adjusted within the guidelines of the lease agreement to achieve these objectives and the revenue expectations of the system.

3. What would be the procedure for terminating the relationship with the Port for failure to perform?

Response: Any failure of the Port Authority to substantially perform any of its material obligations, covenants, agreements, terms or conditions arising under this Agreement would be considered an event of default under the Lease & Modernization Agreement (the "L&M Agreement" or "LMA"). In such case, the City would be required to provide notice and a 90 day opportunity for the Port to cure the default. If the Port Authority fails to cure or take corrective steps to cure the default within that period the City may (subject to certain restrictions in the bond documents) terminate the L&M Agreement.

4. What is the worst case "nuclear" scenario for this proposal and what would trigger it?

Response: If the conservative financial assumptions modeled under the L&M Agreement are not met and there is insufficient revenue to meet the debt service payments on the revenue bonds, then the revenue bonds will be in default. The revenue bonds are non-recourse to both the Port Authority and the City and are secured solely by pledged system revenues and other collateral.

As is typical for transactions of this kind, as part of the security for the bonds, the Port Authority would make a collateral assignment of the LMA to the independent trustee for the bonds. Under this assignment, the trustee may exercise certain rights over the system in the event of bond default. However, the City retains the right to buy up the mortgage and get the system back earlier than the lease term, and in any case the City-owned assets, pledged as collateral, revert back to City control after the period of time described in the LMA.

5. Who enforces unmetered spots downtown, such as truck loading zones, no parking zones, bus stops, etc?

Response: Parking Enforcement Officers currently enforce all parking related non-moving & sign violations. Under this Agreement, the new On-Street Operator would have the same enforcement authority. In addition, the Cincinnati Police also has the authority to enforce the unmetered spots as

well. Regardless of who is doing the enforcement, the fine revenues flow through the Parking System. A list of specific violations referenced by Cincinnati Municipal Code section are contained in Schedule 5 of the Agreement.

6. There is also another parking permit proposal by Jack Martin, former employee of DOTE. Lea Eriksen has the proposal. Please discuss whether this can be implemented under the proposed parking [plan.

Response: The current residential parking permit program remains in effect. We have engaged Walker Parking Consultants and Xerox to review this plan proposed by Mr. Martin and to respond to this question. A response is anticipated in time for the March 4th committee meeting.

Councilmember Quinlivan

1. Administration reports that the City's $3 M/yr payment will eventually rise. PLEASE PROVIDE THE DETAIL ON THE CALCULATIONS AND FORMULA USED TO MAKE THE ASSUMPTION THAT THE CITY'S YEARLY PAYMENT WILL RISE.

Response: The City's annual installment payments begin at $3 million and grow thereafter based on the operation of the system (generally following this formula revenues less operating expenses, less debt service payments, less capital expenditures equals surplus). Please see Attachment 1 for additional detail.

2. Hiring Cincinnati residents for construction and permanent jobs associated with this parking deal should be added to the aspirational goals of 30% SBE, 25% MBE and 7% WBE outlined by the Port Authority. WILLL ADMINISTRATION AND PORT AUTHORITY AGREE TO INCLUDE ASPIRATIONAL GOALS FOR HIRING LOCAL RESIDENTS, MEANING CINCINNATI RESIDENTS, FOR A PERCENTAGE OF THE CONSTRUCTION AND PERMANENT JOBS THAT WILL BE CREATED BY THIS PARKING DEAL?

Response: The Port Authority has an established policy and track record on economic inclusion. It encourages all of it contractors to hire locally, but does not have a formal policy on local hire and does not track that information. We will continue to work to encourage local hiring, and can report now that Xerox plans to hire 40 local employees.

3. IS IT POSSIBLE TO ADD SOME ADDITIONAL BOARD MEMBERS TO THE ADVISORY BOARD SO THAT CITIZENS COULD BE REPRESENTED BY AN ELECTED OFFICIAL, AND IF NOT, WHY NOT.

Response: The determination to have five members on the Advisory Committee was the agreement reached between the Port Authority and the City. The decisions that require a unanimous vote of the advisory committee ensure that all representatives (regardless the appointing body) must work collaboratively.

It is important to the deal structure that the Port demonstrate control of the decision- making process regarding the parking system. The Port is committed as an organization to transparency and accountability, and as part of that commitment we will develop a system that allows for continued community, citizen and neighborhood input into the levels of satisfaction and ideas for improvement.

4. Council has been informed we will NOT have bond documents before being asked to vote on the proposed parking lease. PLEASE PROVIDE DETAILS OF HOW MUCH EACH PARTNER IN THIS PROPOSED PARKING DEAL IS EXPECTED TO MAKE, AS WELL AS ANY OTHER FINANCIAL INFORMATION THAT MAY APPEAR IN BOND DOCUMENTS THAT WILL BE PRODUCED AFTER THE PROPOSED LEASE IS APPROVED.

Response: The level of expected annual operating expense, which includes fees, labor, and direct expenses for on-street and off-street operations, is illustrated in projected financial results provided in Attachment 1 to this document.

City's financial advisor has reviewed the level of compensation of each of the ParkCincy Team members and has concluded that these compensation arrangements are fair and represent "market" levels.

In order to preserve the tax-exempt status on the bonds, the Port Authority contracts with AEW, Xerox and Denison must comply with Qualified Management Agreement requirements pursuant to Internal Revenue Service regulations and revenue procedures. Generally, these requirements limit the contract term, limit the ability of private parties to share in net profits and favor fixed fee type compensation arrangements, with reimbursement of actual and direct expenses. The Port Authority and ParkCincy Team members expect to enter into contracts that meet these requirements.

Through its competitive RFP process, the City selected the ParkCincy Team from a variety of well-established competitors based on a combination of financial and technical capabilities, including, among other items, fees, demonstrated expertise and experience, financing plan and technology proposals. As such, fees were not a primary criteria for selection.

5. Using parking proceeds to plug a budget hole for the next two years is acceptable, only if Administration presents a companion plan to eliminate the budget deficit by year three. This will necessarily involve embracing attrition and planning to restructure now, to erase the budget deficit by 2015 when the parking money is exhausted. WHAT IS THE ADMINISTRATION'S BUDGET DEFICIT REDUCTION PLAN? IF YOU DON'T HAVE ONE, WHEN WILL YOU PRODUCE ONE THAT INCLUDES SPECIFICS?

Response: When City Council passed the 2013 Stub budget the plan included revenue from the parking modernization to close the projected gap for just calendar year 2013. However, City Council chose not to implement other Administration recommendations for on-going budget cuts and on-going revenue enhancements that impacted 2014 and beyond. This included restoring programs like Human Services, Mounted Patrol, etc. along with the rejection of the Income Tax Reciprocity Credit reduction and restoring the Property Tax to the historic 6.1 mill level. These decisions widened the structural on-going gap; therefore, the parking deal does not fully close the City's projected deficit for the next two years. The Forecast shown in Table I shows that even with the parking deal, the City will have to identify $10.3 million in on-going expenditure cuts and/or revenue enhancements to fully close the Fiscal Year (FY) 2014 Budget. The gap widens in FY 2015 and an additional $15.5 million in on-going expenditure cuts and/or revenue enhancements would be needed on top of the FY 2014 cuts and/or revenues. The City could have sought more money through the parking modernization plan, but that would have been at the expense of higher rates, longer enforcement periods, and less control over such decisions.

Table I: General Fund Forecast including Parking Lease and Modernization

FYI

PARKING LEASE & MODERNIZATION AGREEMENT QUESTIONS

($ in Thousands)	2012 Actual	2013 Approved Stub	2013 Stub Estimate	FY2014 Budget	FY2015 Budget	FY2016 Budget
Resources						
Operating Revenues	$345,236	$164,063	$164,063	$342,836	$349,045	$356,761
Transfers-in	$13,125	$1,520	$2,230	$25,800	$20,900	$0
Total Resources	$358,361	$165,583	$166,293	$368,636	$369,945	$356,761
Expenditures						
Operating Expenditures	$355,420	$177,718	$178,068	$ 372,722	$383,381	$392,481
Transfers-out	$3,497	$0	$500	$14,265	$14,265	$12,265
Total Expenditures	$358,918	$177,718	$178,568	$386,987	$397,646	$404,746
Expenditure Savings	$0	($889)	($889)	($1,864)	($1,917)	($1,962)
2014 Expenditure Cuts/Revenue Enhancements				($10,250)	($10,250)	($10,250)
2015 Expenditure Cuts/Revenue Enhancements					($15,534)	($15,534)
2016 Expenditure Cuts/Revenue Enhancements						($20,239)
Yearly Balance	($556)	($11,247)	($11,387)	($6,238)	($0)	$0
Prior Year Cancelled Encumbrances	$881	$0	$23	$0	$0	$0
Previous Year Carryover Balance	$22,276	$13,602	$22,601	$11,238	$5,000	$5,000
Non-GAAP Carryover Balance	$22,601	$2,356	$11,238	$5,000	$5,000	$5,000

Since the parking deal does not fully close the gap, the Administration will be working over the next three months to craft a plan to close the remaining gap for FY 2014/2015 budgets. With the parking deal, our gap closing plan can be more strategic than the previously provided Plan B. Our gap closing strategy includes continued work on the 17 service sharing proposals discussed in the 2013 budget. It includes continuing to use Priority Driven Budgeting to identify lower ranked programs that could be eliminated or reduced. It includes several measures to control rising health care costs including negotiating with bargaining groups on the cost share between the City and employees. It includes reducing the General Fund subsidy to our Health Clinics as the American Care Act and Medicaid Expansion takes effect in 2014. It includes reducing our solid waste collection and injury costs through semi automation and the transition to one-worker crews. It includes continued exploration of new fees or increased fees to cover increased costs of certain programs. It also includes constantly reviewing programs for inefficiencies and redundancies, and investing in IT in order to reduce operational costs and increase efficiencies. Finally, in our Public Safety Departments, even the recruit classes will not fully offset the impacts of attrition and there will be saving identified and implemented.

The Administration's plan is to budget to a $5 million General Fund Carryover Balance. This coupled with the contribution of $6.3 million to the Working Capital Reserve from the Parking Deal will result in achieving our minimum combined fund balance of 10%. While this will be well

received by the rating agencies, it should be noted that the rating agencies will still be very concerned about our structurally imbalanced budget that has existed over time. We will continue to be pressed to generate even more recurring revenue to address our challenge. If we do not do that (generate more recurring revenue), the risk of a downgrade is still present.

Lastly, while City Council will not be asked to address the 2016 FY budget in June, there is a $20.1 million gap on paper that will need to be addressed. However, the revenue estimates shown in Table I reflect modest growth and the hope is that the major economic investments made in the past like the Banks, the Casino Area, Smale Riverfront Park, Washington Park and the investments to come like Focus 52 Projects, dunnHumby, Pogue's Garage, MLK Interchange, and Wasson Way will grow the income tax at a faster rate than what is currently projected. That would mean the gap we would face in 2016 would be less than the current projection of $20.1 million. For instance, if Income Tax grows at a rate 1% higher than the estimate over the next three years the compounded effect would be an additional $15.1 million available by the end of FY 2016 to address the $20.1 million gap. The point is that with time the City could grow our way out of this budget problem by investing in our future now.

Without the Parking Deal, the 2014 FY gap would require identification within the next three months of $35.6 million in on-going expenditure cuts and/or revenue enhancements and the 2015 FY gap would require an additional $10.6 million in on-going expenditure cuts and/or revenue enhancements to fully close the gap. To close that gap without a new revenue source would require cuts of the magnitude in Plan B. Those cuts would not position the City for growth and are to be avoided.

6. PLEASE PRESENT THE ADMINISTRATION 'PLAN B' FOR CUTTING CITY SERVICES AND PERSONNEL AND YOUR BUDGET DEFICIT REDUCTION PLAN IN A VISUAL POWERPOINT DURING FINANCE, BEFORE MOVING TO THE PROPOSED PARKING DEAL, SO COUNCIL AND CITIZENS BETTER UNDERSTAND OUR FISCAL SITUATION. IF YOU DECLINE TO DO THIS, EXPLAIN WHY.

Response: A presentation will be made at Monday's meeting. Please note that "Plan B" was presented to Council during the budget conversations in December 2012 and was re-released last Monday. Council chose to proceed with a

budget plan that included the parking modernization, rather than implement "Plan B."

7. Administration hired the PFM Group to analyze and make recommendations as to the advisability of this proposed parking deal. PLEASE PROVIDE THE PFM GROUP ANALYSIS AND RECOMMENDATIONS IN WRITING, AND BE PREPARED TO ANSWER QUESTIONS.

Response: The Independent Valuation Assessment Summary is included as Attachment 2 to this document.

8. IS THERE A CAP ON THE AMOUNT THAT PARKING FINES CAN BE RAISED, AND IF SO WHAT IS IT?

Response: Parking fines are capped by the State of Ohio in Ohio Revised Code Section 4521.02. The cap is $100 for all violations except handicapped parking violation and parking too close to a fire hydrant fines, which range from $250 to $500. The list of city parking violations and the cap on those violations is in Schedule 5, Section 3 of the Lease and Modernization Agreement, which table is pasted below:

Violations by Municipal Code	Current Fine	Year 1-3 Fine	Year 4 Fine	Year 5-30 Fine
509-4, 509-7, 509-8	$35	$45	$60	Greater of 3% or the Index; capped at $100
502-3, 508-1, 508-1A, 508-2, 508-3, 508-6, 508-7, 508-8, 508-11	$50	$50	$50	Greater of 3% or the Index; capped at $100
508-12, 508-17, 508-20, 508-21, 508-22, 508-23, 508-24, 508-25	$50	$50	$50	Greater of 3% or the Index; capped at $100
508-26, 508-27, 508-28, 508-29, 508-31, 508-32,	$50	$50	$50	Greater of 3% or the Index;

508-33, 510-5				capped at $100
508-34	$56	$56	$56	Greater of 3% or the Index; capped at $100
508-36, 508-1A(d)	$250	$250	$250	$250

After an initial increase of $10 and a $15 increase in Franchise Year 4 for meter violations, all Parking Fines will increase subject to Applicable Law. All increases will be rounded to the nearest dollar.

9. HOW MANY JOBS ARE EXPECTED TO BE CREATED?

Response: The Sycamore and Tower Place Mall/Pogue's Garage projects are expected to generate up to 100 jobs during the construction period. After initial occupancy, the two garage projects are projected to create a total of 6-8 permanent positions.

10. IF THE PORT AUTHORITY CAN'T SERVICE THE DEBT, WHICH PARTY IS ULTIMATELY RESPONSIBLE, AND WHAT WOULD THAT ENTAIL?

Response: See Response in Qualls 4.

11. WHAT IS THE DROP DEAD DEADLINE FOR APPROVING THIS LEASE, AND WHY IS THIS NECESSARY?

Response: When City Council passed the 2013 Stub budget the plan included revenue from the parking modernization to close the projected gap for just calendar year 2013. We are on the timeline necessary to meet this goal. To receive the up-front payment in time, the Port must be able to go to the bond market and the tax-exempt market is very favorable right now.

The competitive bids received by the City have been publicly available. The Administration provided Council with FYI updates. And we have communicated with numerous groups about the parking modernization plan over the past few months.

The Administration submits that this is a good deal. The sooner we approve this deal, the longer we have to account for unforeseen delays and market irregularities to ensure we transition the operations properly and deliver the upfront payment at as low a cost as available on the market.

12. WHAT ARE THE FINANCIAL PENALTIES TO THE CITY OR PORT AUTHORITY IF THE CITY CHOOSES TO TERMINATE THE CONTRACT?

Response: The City cannot choose to terminate the lease unless the Port defaults. Sec. 16 (Defaults) provides the City's remedies and options in the case of a Port default.

13. WHAT ARE THE OPERATING STANDARDS THAT CONSTITUTE "SUBSTANTIALLY MET"? AND WHO WILL BE EVALUATING THAT ON BEHALF OF THE CITY?

Respond: The L&M Agreement provides that "The Port Authority shall, at all times during the Term, cause the Parking System Operations to comply with and implement the Operating Standards in all material respects (including any changes or modifications to the Operating Standards pursuant to the terms of this Agreement)." Based on that language it is a materiality standard. That standard is frequently used in both governmental and private commercial contracts. The City Manager will evaluate compliance with the Operating Standards on behalf of the City.

14. Regular audits and public transparency will assist the City in assessing whether or not operating standards are substantially met. DOES ADMINISTRATION HAVE A PROVISION REQUIRING REGULAR AUDITS THAT WILL BE MADE PUBLIC IN THE LEASE AGREEMENT, AND IF NOT, WILL YOU PLEASE ADD THAT CLAUSE?

Response: The Agreement provides that the Port Authority shall deliver to the City as soon as reasonably available after the end of each Year a copy of the audited balance sheets of the Port Authority at the end of each such Year and the related statements of income, changes in equity and cash flows for the Year, including, in each case, the notes thereto, together with the report thereon of the independent certified public accountants of the Port Authority and those statements will include relevant information about the Parking System. In addition, the Agreement provides that the City may carry out an Audit and Review of the information required to be maintained or delivered

by the Port Authority under this Agreement in connection with the performance of the Parking System Operations for the purpose of verifying the information contained therein; provided, that such Audit and Review rights are limited to one Audit and Review per Year. Once prepared, these documents will be public documents.

15. Restrictions and disclosures on the relationships between the companies involved in the parking deal and the governing board of the Port Authority and the Advisory Committee will help garner public trust in the integrity of the agreements. WHAT KIND OF RESTRICTIONS ON PAYMENTS, GIFTS, LOBBYING AND OFFERS OF FUTURE EMPLOYMENT FROM THE COMPANIES INVOLVED IN THE PARKING DEAL TO MEMBERS OF THE PORT AUTHORITY BOARD AND/OR ADVISORY BOARD MEMBERS IS IN PLACE? IF NO RESTRICTIONS OR DISCLOSURES ARE IN THE AGREEMENT NOW, WILL YOU PUT SOME IN TO HELP WITH TRANSPARENCY AND PUBLIC TRUST?

Response: Because the Port Authority is a political subdivision of the State, Ohio Ethics laws apply to the members of the Port Authority Board and its officers in the same manner as those ethics laws apply to the City Council, Mayor, and Manager.

Councilmember Simpson

1. What is the total investment made into the City with this plan?
    a. Please include re-investment and matched private investment that is expected with the plan.

Response: In addition to a $92 million upfront payment and a projected annual net income stream to the City of approximately $3 million or more (see Attachment 1), the ParkCincy proposal includes approximately $98 million of reinvestment in parking assets. This includes the following:

- Over $71 million for structural maintenance and repairs of lots and garages throughout the term of the agreement and as required, the replacement of major structural components and systems.
- Over $14 million for the development of the proposed 725-space Sycamore Garage;
- Nearly $13 million for upgrades of all City parking meters to smart meters that offer credit card acceptance, wireless technology, and centralized management capability;

- Almost $1 million in upgrades to all parking access and revenue control equipment located in parking lots and garages; and
- The replacement of parking meters and parking access and revenue control equipment throughout the term of the agreement.

City administration proposes to use $12 million of the $92 million upfront payment for the Tower Place Mall and Pogue's Garage Redevelopment project, which will allow the following two public/private redevelopments to move forward immediately:

- The first is a conversion of the City-owned Tower Place Mall into a parking structure with 10,000 square feet of street front retail. The City is working with a developer to fund 100% of the $5 million cost to convert the mall, retain 525 parking spaces above the mall, and add approximately 250 more spaces.
- Once the Tower Place Mall conversion is complete, the former Pogue's Garage can be demolished. It will be replaced with a new development composed of a 1,000 space garage; an $82 million, 300-unit luxury apartment tower; and a 15,000 square foot grocery store.

In total, three new parking garage projects are planned – the 725-space Sycamore Garage, a renovation of the existing 525 spaces and the addition of 250 spaces at the Tower Place Garage, and the demolition and reconstruction of a 1,000-space Pogue's Garage. Collectively, the development costs of these parking spaces exceed $30 million.

The I-75 Interchange at MLK Drive will generate 5,900 to 7,300 permanent jobs from the growth of current, major Uptown employers, new businesses and spin-off development as well as retention of jobs that could move elsewhere. Addtionally, nearly 3,000 short-term jobs related to the construction of the interchange and surrounding development. These will bring $33 million in earnings tax revenue to the City of Cincinnati alone, more than $20 million in sales tax revenue for Hamilton County, and more than $155 million in tax revenue for the State, and have a total economic impact of $750 million.

Add $4 million to the continuation of Smale Riverfront Park. This money would help build the Vine Street Fountain, the Carousel and Carousel building just in time for us to take the national stage.

Further the City's Cincinnati Bicycle Transportation Plan by acquiring the Wasson Line Right-of-Way for the development of a bike trail. This would positively affect the residential, commercial, educational and recreational quality of life in the neighborhoods of Evanston, Hyde Park, Mt. Lookout and Oakley.

2. How much would it cost for the City to do a similar parking modernization plan ourselves without the Port and parking partners? Are we benefiting from economies of scale by working with the parking partners in the plan who do parking deals all over in mass market?

Response: The City of Cincinnati Parking Services Division could implement a comprehensive upgrade of the Parking System as is planned here given a commitment from the City Manager and, when necessary, approvals from City Council. However, the issue is not only one of cost, but of capacity. Implementing the parking modernization plan ourselves does not allow us to plug the current budget gap, which would cripple the City's capacity to implement this and other projects. The process would involve mimicking the assumptions from the current proposed modernization plan such as:

- Same rate schedule
- Same expanded hours
- $14.2 million for Sycamore Garage

While the City could approximate ParkCincy's model, we cannot replicate it. Any city staff would face a steep learning curve that a private operator has already addressed. Furthermore, Xerox benefits from economies of scale, operational efficiencies, and purchasing power from volume purchasing.

A system managed by ParkCincy would likely look different than one managed by the City in the following ways:

- ParkCincy's management of the City's parking assets is likely to generate substantially greater revenues than a City-run system. Put simply, the city's parking consultant reports that although cities do implement rate increases, a vast majority of municipalities do not have the political will to increase parking rates with regularity. For example, prior to the City of Indianapolis entering into a 50-year term to privatize the operation of its on-street parking meter system, the city had not increased rates for 35 years. The proposed parking deal offers the opportunity to unlock hidden value through regular, but modest rate increases.

- The Port will require ParkCincy to better maintain the parking assets and discontinue the practice of deferring maintenance.
- The life of the parking assets is maximized under the ParkCincy proposal because of prudent and regular investments in structural maintenance and repairs. This longer life affects the ongoing revenue stream in a positive way.
- The ParkCincy proposal brings a professional appearance, trade dress, marketing, promotions, and the public relations approach that is attractive to the City.
- A parking system managed by ParkCincy would consistently employ emerging forms of technology that it has found to be successful in other locations, promoting a state-of-the art parking system.

3. What info do we have regarding the 2016 budget forecast with this plan?

Response: See Response in Quinlivan 5

4. What do we anticipate to be the increased revenue from having the MLK Corridor (which is expected to result in 5,900 jobs) completed 4 years earlier?

Response: Subject to the State's approval of their $40 million in matching funds, the I-75 Interchange at MLK Drive will generate 5,900 to 7,300 permanent and nearly 3,000 short-term jobs related to the construction of the interchange and surrounding development. The shortened timeframe for construction means the City is four years sooner to realizing the benefit of an estimated $33 million in earnings tax revenue to the City of Cincinnati alone, more than $20 million in sales tax revenue for Hamilton County, and more than $155 million in tax revenue for the State, with a total economic impact of $750 million.

5. What are the benefits of not having the bonds on our/City books?

Response: The potential benefits of the parking transaction are both administrative and economic. Administratively, the City will not have to manage the accounting for an additional liability. In addition, the credit markets—potential bond (and other) investors as well as the credit rating agencies—can view this positively, as it results in a lower debt burden of the City, which is a credit positive. To the extent the City has additional projects that require debt financing, the omission of this debt from the balance sheet creates capacity for those projects.

Councilmember Sittenfeld

1. Is there a compelling reason why we would not wait to vote on this until at least the Budget & Finance Committee meeting on April 1? Rushing a critically important decision with 30-year consequences through in a matter of days or even two weeks feels irresponsible. I hope we will give it at least a full month to ensure the thorough vetting and full public input.

Response: See Response in Quinlivan 11

2. Are there changes we could lobby for and engage legislators at the State level to make that would allow us to use revenue that currently is restricted within the Parking System? Have we thought about and pursued State level legislative changes along these lines, and if so, why not?

Response: The City could lobby the General Assembly to implement changes to state law to remove restrictions on the use of funds generated as a result of the operation of the parking system. It appears that the General Assembly already considered this issue when it amended Ohio Revised Code § 737.022 in 2011. The revisions permit cities to franchise parking meters in order to generate funds whose use is less restricted. At the time the General Assembly amended § 737.022, it could have instead changed the restrictions placed by state law on existing parking fund use, but did not choose to do so.

Lobbying the General Assembly to enact a bill typically is lengthy and uncertain. The legislation would have to go through the committee process in both houses, which involves the chair deciding to move the bill; at least 3-4 weeks of hearings for sponsor, proponent, opponent and interested party testimony in committee; majority approval of the bill; determination by the Rules and Reference Committee whether the legislation should be taken to the entire chamber for a floor vote; and then referral to the other chamber for consideration if the legislation passes. This process takes months, and sometimes more than a year, to complete and would not be completed before the new fiscal year begins.

3. What would a plan look like to try to manage the system ourselves and use the existing surplus from the system to invest in improved efficiency and technology? If that the attitude is "That's above our paygrade and we can't handle that" then, frankly, that raises serious concerns about bigger, more complicated projects that we're taking on.

Response: See Response in Simpson #2

4. Can you please present a projected 2016 budget, specifically how the Administration would recommend dealing with a deficit in the $20M range at that time? If racing through half of the $92M upfront payment for operating deficits over the next two years only leaves us back in the same place by 2016, then we've solved nothing and only deferred facing reality.

Response: See Response in Quinlivan #5

5. In what ways do the terms of the Parking Contract potentially stifle future investment in public transportation development?

Response: What this agreement does is make us consider the revenue impacts of any public investment in the ROW that affects meter revenue, positively or negatively. The public-public transaction with the Port gives us more flexibility with the meter revenue than we have today and one of the costs of this more flexible source of funds is that we must consider the impact on revenue when we temporarily close or remove meters..

6. Please present all of our option and outline our flexibility in changing and re-structuring the make-up of the Parking System Advisory Board? Having no direct Council input is concerning, as we are the elected voice of the people.

Response: See Response in Quinlivan #3

7. I was wondering if you could provide me with the total number of parking tickets that were issued last year (2012). Do you have that info available?

Response: Parking Services enforcement officers issued parking infractions for the past five years as follows:

2008: 104,026
2009: 90,873
2010: 78,642
2011: 76,528
2012: 64,857

Councilmember Smitherman

1. Explain why only five members are on the advisory board.

Response: See Response in Quinlivan #3.

a. Does the five-member advisory committee report to the ten-member Port Authority Board?

Response: The L&M Agreement establishes a five-member Advisory Committee to advise the Port Authority Board with respect to certain matters affecting the Parking System. Although the Port Authority Board will remain an independent governing body, it will contractually agree to work with the Advisory Committee in accordance with the terms of the L&M Agreement, and can only take certain actions after the unanimous approval of the Advisory Committee.

b. Are the Port Authority five-member Advisory Board meetings open to the public? If so, how will the Advisory Board notify the public of meeting times?

Response: The Port Authority Board is a public body subject to the requirements of ORC 121.22 (Open Meetings Act) and all decisions relating to the parking system will be conducted appropriately in open meetings. The Port Authority Board's regularly scheduled meetings are posted on its website and at the Port Authority office. All regular and special meetings are posted on its website and noticed by electronic mail to media organization and individuals and entities who have requested such notification. The Advisory Committee has no decision-making authority and is not a public body, subject to the requirements of ORC 121.22.

c. Will the five-member Advisory Board Port respond to all public information requests?

Response: The Port Authority is a public office subject to the requirements of ORC 149.43 (Public Records Act); our public records policy is posted in the Port Authority office.

The Advisory Committee is not a public office subject to the requirements of ORC 149.43.

2. What is the process in changing the make-up of the Port Authority Board from 5/5 (5 City /5 County)to 6/5 for the City or 6/5 for the County?

Response: The Port Authority was established via the Amended and Restated Agreement for the Creation of a Port Authority entered into between the City of Cincinnati and Hamilton County. Under this Agreement, the City of Cincinnati appoints five members of the Board and Hamilton County appoints the other five. The five City appointees are appointed by the Mayor with the advice and consent of council. The appointment structure of the Board can only be changed if the City and County jointly agree to revise the Amended and Restated Agreement for the Creation of a Port Authority and specify a different composition or appointment structure for the Board. The Ohio Revised Code also provides some criteria for Board members that appointees must meet.

3. Provide my office with all financial records related to the bond offering, and any other financials that would be relevant to evaluating this deal

Response: The bond documents are expected to be drafted by Port Authority counsel after City Council approves the Lease and Modernization Agreement (LMA). The bond documents will govern the flow of revenues, and provide for the payment of operating and capital expenses and debt service. They specify security provisions required by the rating agencies. They identify terms and amortization of the parking bonds. They will contain a variety of customary Port Authority covenants including the provision of annual operating and capital budget information, protection of the tax-exempt status of the bonds, provision of insurance required under the LMA, and governing how parking rates are established within the constraints of the LMA.

4. If parking assumptions are not realized, and bond repayment cannot be made, does the Port Advisory Committee have the ability to raise rates beyond 3% compounded?

Response: The Port Authority, acting through its Board, has the ability to raise the rates beyond 3%, but cannot do so unless there has first been a meeting of the Advisory Committee and a unanimous vote of Advisory Committee to

recommend such a rate increase. And, of course, the City Manager sits on the Advisory Committee.

5. If the bond payments cannot be made, is the City of Cincinnati in any way responsible for making payments?

Response: No. See Response in Qualls #4.

6. How much in fees is the Port Authority collecting on an annual basis? The Port Authority is earning an up front fee for the issuance of the bonds currently estimated at (pull from attach). The Port Authority will also receive an annual payment starting at approximately $319,000 and declining to a minimum of $200,000 over the term of the lease.

7. Will the five-member Advisory Board Port respond to all public information requests? If so, will the Port Authority provide the names of each of the Port Authority's current employees and their current compensation?

Response: See Response in Smitherman #1.

8. Is the City still planning to allocate any casino revenue to the Port Authority, or subsidize the Port Authority with any General fund Money?

Response: The City plans to include annual support of $700,000 in General Fund support for the Port Authority for the FY 2014 and 2015. The Port is eligible for additional Focus 52 Program funds as well once viable projects are identified.

9. How many members of council need to vote 'no' on emergency to preserve the citizens' of Cincinnati right to referendum this deal?

Response: Pursuant to Article II, Section 3 of the Charter, two-thirds of the members elected to Council, which is six members, must vote to approve an emergency clause on an ordinance. Per State Law, appropriation ordinances take effect immediately and require a majority of elected members to City Council.

Councilmember Winburn

1. Copy of a 30-year financial projection plan relative to on-street parking coupled with a detailed balance sheet for 30 years.

Response: See Response to Quinlivan #1.

2. Copy of a 50-year financial projection plan for off-street parking coupled with a detailed balance sheet for 50 years,

Response: The City did not prepare 50-year projections due to our intent to revert the properties after the debt is retired in approx. 30 years. See Attachment 1.

3. A copy of your comprehensive plan for job creation relative to hiring Cincinnati residents, and the number of jobs the following organizations will create for Cincinnati residents:

   A. Port of Greater Cincinnati Development Authority_____
   B. AEW____
   C. Xerox____
   D. Denison____
   E. Guggenheim____
   F. City of Cincinnati____
   (i.e. number of jobs)

Response: See Response in Quinlivan #2

4. A copy of your SBE, WBE, and MBE plan for total inclusion relative to this deal, and the number of SBEs, MBEs, DBEs and WBEs that will receive contracts from the following:

   A. Port of Greater Cincinnati Development Authority_____
   B. AEW____
   C. Xerox____
   D. Denison____
   E. Guggenheim____
   F. City of Cincinnati____
   (i.e. number of contracts and indicate whether SBE, WBE or MSBE)

Response: See Response in Quinlivan #2

5. A copy of all bond documents relative to same.

Response: The bond documents are expected to be drafted by Port Authority counsel after City Council approves the Lease and Modernization Agreement (LMA). The bond documents will govern the flow of revenues, and provide for the

payment of operating and capital expenses and debt service. They specify security provisions required by the rating agencies. They identify terms and amortization of the parking bonds. They will contain a variety of customary Port Authority covenants including the provision of annual operating and capital budget information, protection of the tax-exempt status of the bonds, provision of insurance required under the LMA, and governing how parking rates are established within the constraints of the LMA.

6. A copy of all contracts and written agreements relative to same.

Response: No other contracts will be finalized until the LMA is executed.

Councilmember Young

1. Will this agreement in any way affect or limit other forms of transportation development in the city, including but not limited to rail?

Response: See Response to Sittenfeld #5.

2. Is there any way the city can do this itself by issuing its own bonds, borrowing its own money, etc.?

Response: See Response to Simpson #2

3. Can you explain in detail how this proposal will affect truck, handicap, motorcycle, and scooter parking?

Response: The parking modernization proposal will not change any current policy relating to truck, handicap, motorcycle, and scooter parking.

4. How will this proposal affect the city's bike plan, particularly bike parking areas?

Response: Generally speaking, bike parking will occupy space within the sidewalk areas, not the street and vehicle parking spaces. Cincinnati does have two bike "corrals" that occupy a former parking space, and it's anticipated that future corrals will be minimal and can accommodated within the parameters of the parking proposal. This may have an impact on bike parking kiosks for a future bike share program; however, DOTE also believes the program can be developed within the parking proposal parameters.

5. Can you explain in detail what happens if the actual revenues fall below what is anticipated? Because the City still must service the debt, what will we have to agree to? Is there a contingency plan?

Response: See Response in Qualls #4

6. Can you explain in detail the conditions under which the deal can be terminated by the City? What will the City's liability be? Likewise, can you answer this regarding the Port Authority and other entities with whom we are entering the agreement—can they terminate?

Response: See Response in Quinlivan #12

7. Can you explain the reasons why we are not able to see the bond documents?

Response: See Response in Winburn #5.

Other Questions Posed to the City Manager's Office

1. How many garage projects are planned?

Response: In total, three new parking garage projects are planned. The 725-space Sycamore Garage will be completed as part of the LMA. With the up front proceeds received by the City, the Administration is proposing the renovation of the existing 525 spaces and the addition of 250 spaces at the Tower Place Garage, and the demolition and reconstruction of a 1,000-space Pogue's Garage. Collectively, the development costs of these parking spaces exceed $30 million.

a. Estimated construction/permanent jobs for each garage project?

Response: The Sycamore and Tower Place Mall/Pogue's Garage projects are expected to generate up to 100 jobs during the construction period. After initial occupancy, the two garage projects are projected to create a total of 6-8 permanent positions.

b. Will Port pay prevailing wage for each project?

Response: The Port Authority will pay prevailing wage on the Sycamore Garage. The decision to pay prevailing wage on other capital improvements will be made on a case by case basis.

2. Can we plug our current deficit and fund all these projects with the projected casino revenue?

Response: The current Casino Revenue estimate is $10 million a year for the 2014 and 2015 Fiscal Years. Of that amount, $4 million in non-tax revenue has already been committed to the Focus 52 program. This leaves just $6 million a year that could be used to balance the budget. The forecast in Table I assumes that these funds are not used to balance the budget. However, if Casino revenues were used to balance the budget in addition to the Parking Deal, it would reduce the $10.3 million to just $4.3 million needed in additional on-going expenditure cuts/revenue enhancements for FY 2014 and reduce the $15.5 million to just $9.5 million needed in on-going additional expenditure cuts/revenue enhancements for FY 2015. Therefore while the Casino Revenues could help close the gap, additional revenue would be needed on top of the Parking Deal, the Plan B cuts, or another alternative.

Table II below shows the General Fund Forecast without the Parking Deal. The Forecast in Table II shows that without the parking deal, the City will have to identify $35.7 million in on-going expenditure cuts and/or revenue enhancements within the next three months to fully close the 2014 FY Budget. The gap widens in 2015 and an additional $10.6 million in on-going expenditure cuts and/or revenue enhancements would be needed on top of the FY 2014 cuts or revenues. If you use the Casino revenue without the Parking Deal, there would be on-going cuts and/or revenues needed in the amount of $29.7 million for FY 2014 and additional on-going cuts and/or revenues needed in the amount of $4.6 million for FY 2015. Because the City cannot fully balance the budget with the Casino revenues, therefore, the City also could not fund all the proposed projects with them.

Table II: General Fund Forecast *without* the Parking Lease and Modernization

FYI

PARKING LEASE & MODERNIZATION AGREEMENT QUESTIONS

($ in Thousands)	2012 Actual	2013 Approved Stub	2013 Stub Estimate	FY2014 Budget	FY2015 Budget	FY2016 Budget
Resources						
Operating Revenues	$345,236	$164,063	$164,063	$343,236	$349,445	$357,131
Transfers-in	$13,125	$1,520	$2,230	$0	$0	$0
Total Resources	$358,361	$165,583	$166,293	$343,236	$349,445	$357,131
Expenditures						
Operating Expenditures	$355,420	$177,718	$178,068	$ 372,722	$383,381	$392,481
Transfers-out	$3,497	$0	$500	$14,265	$14,265	$12,265
Total Expenditures	$358,918	$177,718	$178,568	$386,987	$397,646	$404,746
Expenditure Savings	$0	($889)	($889)	($1,864)	($1,917)	($1,962)
2014 Expenditure Cuts/Revenue Enhancements				($35,650)	($35,650)	($35,650)
2015 Expenditure Cuts/Revenue Enhancements					($10,634)	($10,634)
2016 Expenditure Cuts/Revenue Enhancements						
Yearly Balance	($556)	($11,247)	($11,387)	($6,238)	($0)	$631
Prior Year Cancelled Encumbrances	$881	$0	$23	$0	$0	$0
Previous Year Carryover Balance	$22,276	$13,602	$22,601	$11,238	$5,000	$5,000
Non-GAAP Carryover Balance	$22,601	$2,356	$11,238	$5,000	$5,000	$5,631

3. Calculated that we will exceed our 5.5% event allowance with Sundays and Holidays

Response: Schedule 4 governs the hours of operation. It states that the meters operate only Monday through Saturday. They do not operate on Sundays and holidays. Reference to Sundays and Holidays holidays in Schedule 9 was inadvertently left in that schedule after the City determined that it would not allow meter operation on Sundays and holidays.were mistakenly listed as Identified Events. They are free by virtue of Schedule 4- Hours of Operation. This is our mistake. We willhave removed them from the list of Identified Events, as they do not count in the 5.5% calculation.

4. If agreement requires City Manager to act "in the best interest of the Parking System," what does that mean?

Response: When acting in the "best interest of the Parking System," the L&M Agreement instructs the City Manager to give due and reasonable consideration to a number of factors that affect the Parking System, including, but not limited to: (i) long-term prospects and interests of the Parking System and its users; (ii) the social, economic, legal, or other effects of any action on the Parking System; (iii) the recommendations, counsel, and advice of professional consultants and engineers firms engaged with respect to the Parking System; and (iv) the continued profitability of the Parking System. Understanding that the Parking System is a public asset, both the Port Authority and City share a responsibility and duty to maximize the value,

longevity, and continued maintenance and operations of the Parking System for the benefit of all of its stakeholders.

5. How many projects have the Port Authority & City worked on? Please describe the size and scope.

Response: The City of Cincinnati and the Port Authority have a long history of working together on economic development projects.

In July 2011, the City and the Port Authority entered into an Economic Development Services Agreement under which the Port Authority undertakes economic development activities on behalf of and in coordination with the City of Cincinnati. These efforts are focused in the Seymour/Reading Corridor and the South Mill Creek Corridor identified in the GO Cincinnati Plan. The City has provided $10.5 million in capital funding to date to support these efforts. The Port Authority has a number of efforts underway in these communities the most significant of which is Jordan Crossing. Jordan Crossing: Located at the intersection of Seymour Avenue and Reading Road in Bond Hill, this 25-acre site will be redeveloped as an urban mixed-use center consistent with community goals. Aided by City of Cincinnati Focus 52 Program Fund commitment of $6.2 million, the Port Authority is employing a horizontal development model to ready the site, and work with the private development community to develop the residential, retail and office components.

The Port Authority also partners with the City on economic development projects by issuing bonds to fund economic development and public infrastructure improvements.

Oakley Station: In 2012, the Port Authority worked cooperatively with the City of Cincinnati to issue $6.835 million in TIF and special assessment bonds to fund a portion of the public infrastructure at Oakley Station.

Great American Tower at Queen City Square: In 2008, the Port Authority, in cooperation with the City of Cincinnati and Eagle Realty, issued $225 million in lease revenue bonds and $54 million in TIF revenue bonds to fund the construction of the tower. The Port Authority owns the building and leases it to a Western & Southern affiliate.

303 Broadway: In June 2004, the Port Authority, in cooperation with the City of Cincinnati and Eagle Realty Group, the development subsidiary of Western Southern Financial Group, put in place a $35 million structured financing lease arrangement and $10 million of tax increment financing for the construction of a new office tower and parking garage. 303 Broadway at Queen City Square is located at the northwest corner of Third Street and Broadway in downtown Cincinnati. 303 Broadway represented the first new office development in downtown Cincinnati in more than a decade.

Additionally, the City relies on Port Authority leadership on community redevelopment initiatives. Under the Port Authority's management of the Hamilton County Landbank, we are working in collaborative focus on revitalization strategies in 9 City neighborhoods – Walnut Hills, Evanston, Madisonville, Avondale, Fairfax, Price Hill, Northside, College Hill and South Cumminsville. We are in a dozen partnerships with community leaders, foundations and local organizations with Community Building Institute to provide housing and commercial redevelopment strategies and tactics. And, as administering organization of Moving Ohio Forward Demolition Grant program through the state of Ohio, the Landbank helps direct and coordinate efforts with the City on demolition efforts that maximize the effectiveness of this grant money to help City neighborhoods most affected by the foreclosure crisis.

6. What does the Port Authority control? Is the Port Authority just a passthrough?

Response: Although the Port Authority is issuing non-recourse debt, it is acting as more than just a pass-through entity but also the lessee of the Parking System. In this capacity, the Port Authority is principally responsible for overseeing the operation, management, modernization, and capital improvements to the Parking System, subject in each instance to the restrictions and standards set forth in the L&M Agreement.

7. If the deal is bad, who does the City sue?

Response: The City maintains a number of remedial protections in the event of certain events. Most disputes between the Port Authority and the City are governed by a remedial mechanism that begins with good faith negotiations and progresses to mediation and a lawsuit domiciled in the State of Ohio in Hamilton County. There are other contingencies that are handled short of instituting a lawsuit and are governed directly by the terms of the L&M

Agreement including (among others), (i) failure to properly maintain or operate the Parking System, (ii) casualty events and insurance proceeds, (iii) development of future parking garages, (iv) changes to the dimensions of the Parking System, and (v) the reversion of the Parking System to the City.

The parking bonds are non-recourse to both the Port Authority and the City, and are secured solely by pledged system revenues and other collateral. Periodic repayment of the bonds and of annual City installment payments are dependent on a variety of variables and assumptions, including general economic factors, which, like any forward-looking forecast, are subject to uncertainty and actual results may differ perhaps materially. The City has no obligation to repay the parking bonds if parking system revenues are not sufficient.

8. How will we handle citizen complaints, meter problems, booting issues (customer service)?

Response: The Port Authority and ParkCincy team members have consistently demonstrated their ability to deliver responsive client services and proactive community engagement. The customer experience includes overall customer satisfaction and the provision of excellent customer service.

We are committed to improving the customer experience. We want to redefine what it means to "park" in Cincinnati. Parking is much more than simply pulling into or backing into a parking space. Parking is, in fact, a process, a progression that:

- Begins when a customer first contemplates his or her trip. We can provide relevant information to influence that decision, including information about meter locations, rates, days and hours of operation.
- Includes the motorist's drive to their destination and search for parking—presently eased by data analytics and way-finding tools.
- Understands the need for clear parking signs and regulations.
- Includes paying for parking and adding time to a meter. We will support this by ensuring meters accept credit cards, remain operable by repairing them quickly, and providing pay by phone options. Motorists should be able to purchase the amount of time they want, not the amount of time
- Enforcement impacts the customer's parking decision, and we will make it easier to dispute or pay for citations and release a boot.

At the end of the day, it is all about giving our customers back the thing that matters most to them: time. We aim to make parking convenient.

We will ensure a methodical and time sensitive transition, thereby limiting disruptions and helping motorists with new technology. Customers will be provided a number of options to learn about new technology, including:

- The ability to call a customer service number;
- Online instructional videos;
- Easy to understand instructions;
- Parking ambassadors will provide information;
- Technology demonstrations and press releases;
- Merchant focused literature;
- Social media.

In other cities, parking system improvements have reduced customer service questions and complaints by 50% or more. To the degree a motorist has a question about a parking meter, a citation, or a boot, our customer service representatives will be available by phone and email to answer questions and address complaints. All calls will be documented. Timely and accurate information will be provided to our customers.

Attachment 1

Cincinnati Parking System Assumptions & Cashflows Summary

Cincinnati Parking Assumptions Summary

Rate Assumptions

Date Ending April 30	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2033	2043	2053
Meter Rates													
Downtown	$ 2.00	$ 2.00	$ 2.25	$ 2.25	$ 2.25	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.75	$ 3.50	$ 4.75	$ -
Over the Rhine/Neighborhoods	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.25	$ 1.75	$ -
Garage and Lot Rates													
High	$ 146.25	$ 150.50	$ 155.00	$ 159.75	$ 164.50	$ 169.50	$ 174.50	$ 179.75	$ 185.25	$ 190.75	$ 256.25	$ 344.50	$ 463.00
Reflects Fountain downtown resident rates and Monthly 1 category at Gramercy. There are other monthly contract rates that vary from the above.													
Medium	$ 135.00	$ 139.00	$ 143.00	$ 147.50	$ 151.75	$ 156.50	$ 161.00	$ 166.00	$ 171.00	$ 176.00	$ 236.50	$ 318.00	$ 427.50
Reflects Broadway monthly rates. There are other monthly contract rates that vary from the above.													
Low													
Monthly 1	$ 105.00	$ 108.00	$ 111.25	$ 114.50	$ 118.00	$ 121.50	$ 125.25	$ 129.00	$ 133.00	$ 137.00	$ 184.00	$ 247.25	$ 332.50
Monthly 2	$ 100.00	$ 103.00	$ 106.00	$ 109.25	$ 112.50	$ 115.75	$ 119.25	$ 122.75	$ 126.50	$ 130.25	$ 175.25	$ 235.50	$ 316.50
Monthly 3	$ 95.00	$ 97.75	$ 100.75	$ 103.75	$ 106.75	$ 110.00	$ 113.25	$ 116.75	$ 120.25	$ 123.75	$ 166.50	$ 223.75	$ 300.75
Reflects lower tier monthly rates at Gramercy and Garfield. There are other monthly contract rates that vary from the above.													
Enforcement Growth													
Meter Ticket Prices	$ 45.00	$ 45.00	$ 45.00	$ 60.00	$ 61.95	$ 63.96	$ 66.03	$ 68.16	$ 70.35	$ 72.61	$ 99.00	$ 100.00	$ -

After year 1, 3% inflation assumed (in $0.25 increments) as specified in the Lease and Monetization Agreement. For enforcement, 3% inflation is assumed after year 4.

System-Wide Expense Assumptions

Estimated System-Wide Expenses (Y1)	
Port Authority	319,125
Asset Manager	400,000
Hearing Officer	140,000
Other	240,000
Total	1,099,125

Estimated Sources and Uses / Fee Breakout

Estimated Sources & Uses

Sources	
Bond Proceeds	127,650,000
Total Sources	**127,650,000**
Uses	
Project Fund Deposits	
Upfront Payment to the City	91,962,000
Reserves (Capital and DSRA)	30,635,000
	122,597,000
Delivery Date Expenses	
Cost of Issuance	2,819,125
Underwriters' Discount	2,233,875
	5,053,000
Total Uses	**127,650,000**

S&U assumes investment grade structure is achieved

Financing and Fee Assumptions

Average Cost of Funds	
A Rate Tranche	3.43%
BBB Rated Tranche	4.11%
Garage Rebuild (Y25)	29,000,000
Interest Rate on New Bonds	4.50%

Upfront Fees

Underwriters Discount	2,233,875
Port Authority	319,125
Asset Manager	400,000

Remaining cost of issuance will cover legal, rating agency and misc. expenses.

The above projections are dependent on a variety of variables and assumptions, including general economic factors, which, like any forward-looking forecast, are subject to uncertainty. Actual results may differ, perhaps materially.

Cincinnati Parking Cash Flow Summary														Selected Totals
Date Ending April 30	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2033	2043	2053	
Year	1	2	3	4	5	6	7	8	9	10	20	30	40	
Assumptions														
Meter Rates														
Downtown	$ 2.00	$ 2.00	$ 2.25	$ 2.25	$ 2.25	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.75	$ 3.50	$ 4.75	$ -	
Over the Rhine/Neighborhoods	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.25	$ 1.75	$ -	
Monthly Garage Rates														
High	$ 146.25	$ 150.50	$ 155.00	$ 159.75	$ 164.50	$ 169.50	$ 174.50	$ 179.75	$ 185.25	$ 190.75	$ 256.25	$ 344.50	$ 463.00	
Medium	$ 135.00	$ 139.00	$ 143.00	$ 147.50	$ 151.75	$ 156.50	$ 161.00	$ 166.00	$ 171.00	$ 176.00	$ 236.50	$ 318.00	$ 427.50	
Low	$ 100.00	$ 103.00	$ 106.00	$ 109.25	$ 112.50	$ 115.75	$ 119.25	$ 122.75	$ 126.50	$ 130.25	$ 175.25	$ 235.50	$ 316.50	
Enforcement Growth														
Meter Ticket Prices	$ 45.00	$ 45.00	$ 45.00	$ 60.00	$ 61.95	$ 63.96	$ 66.03	$ 68.16	$ 70.35	$ 72.61	$ 99.00	$ 100.00	$ -	
Cash Flows (USD)														
Bond Proceeds to City	**91,962,000**													
Estimated Revenues														
Meters	5,305,675	7,038,359	8,021,922	8,021,922	8,021,922	9,448,831	9,448,831	9,448,831	9,448,831	10,109,831	12,892,713	17,723,256	0	
Garages	5,132,064	5,037,219	5,501,597	5,739,049	5,931,173	6,076,313	6,267,201	6,442,017	6,748,844	6,901,332	9,428,620	12,576,552	16,981,615	
Lots	261,299	269,138	277,212	285,528	294,094	302,917	312,004	321,364	331,005	340,936	458,189	615,768	827,540	
Enforcement	4,831,580	5,731,687	6,324,755	7,551,107	7,777,640	8,010,970	8,251,299	8,498,838	8,753,803	9,016,417	11,336,353	11,336,353	0	
Total Revenues	15,530,619	18,076,403	20,125,486	21,597,607	22,024,830	23,839,031	24,279,336	24,711,051	25,282,484	26,368,515	34,115,875	42,251,929	17,809,155	
Estimatd Expenses														
Meters & Enforcement	5,282,500	5,473,500	5,669,000	5,846,500	6,018,000	6,197,500	6,388,000	6,579,640	6,777,029	6,980,340	9,380,993	12,607,271	0	
Garages	2,231,513	2,221,813	2,449,821	2,532,860	2,590,174	2,650,783	2,734,920	2,799,814	2,867,086	2,959,016	3,893,976	5,277,660	7,490,679	
Lots	129,812	133,267	136,873	141,635	142,737	146,717	151,904	156,262	160,827	166,667	233,685	348,441	563,606	
System-Wide Expenses	1,099,125	1,118,325	1,142,301	1,166,996	1,192,432	1,218,632	1,240,517	1,263,112	1,286,415	1,306,590	1,560,585	2,028,512	2,457,367	
Total Expenses	7,643,826	7,828,579	8,255,695	8,520,995	8,750,911	8,995,000	9,274,824	9,535,716	9,804,942	10,106,023	13,508,654	18,233,372	8,054,285	
Estimated Debt Service														
Consolidated Debt Service	4,649,548	4,649,548	4,649,548	4,649,548	4,649,548	6,689,548	6,688,340	6,691,956	8,233,919	8,240,192	8,235,576	11,117,660	0	
Estimated Capex														
Capex Reserve														
Capex Reserve Deposits	21,588,120	1,657,601	3,185,838	3,661,585	3,783,163	3,352,996	59,300	1,563,243	1,273,231	706,100	342,520	316,100	847,513	
Capex Spending														
Meter Capex	2,317,673	0	0	0	237,120	592,800	0	1,529,243	788,431	0	237,120	0	0	12,590,374
Garage Capex	2,403,238	4,735,853	14,717,390	97,400	46,800	478,800	59,300	34,000	484,800	706,100	105,400	316,100	847,513	86,293,424
Est. Ongoing City Proceeds	**3,000,000**	**3,000,000**	**3,038,971**	**3,630,034**	**3,715,969**	**3,685,041**	**7,141,355**	**5,782,025**	**4,808,976**	**6,134,610**	**10,593,540**	**10,681,286**	**19,158,240**	**263,410,431**

The above projections are dependent on a variety of variables and assumptions, including general economic factors, which, like any forward-looking forecast, are subject to uncertainty. Actual results may differ, perhaps materially.

Attachment 2

Independent Transaction Assessment Statement

40 Wall Street
49th Floor
New York, NY 10005

212 809-4212
212 809-5874 fax
www.pfm.com

The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

February 28, 2013

Mr. Milton R. Dohoney, Jr.
Cincinnati City Manager
Office of the City Manager
801 Plum St., Suite 152
Cincinnati, OH 45202

Dear Mr. Dohoney,

This letter summarizes PFM's services to date regarding the City's lease and modernization of its parking system, including our independent review and analysis of the proposed financing structure and projected financial benefits.

PFM Advisory Engagement

PFM has served as the City's financial adviser since 2010. In December, 2012, the City issued a task order to the firm to review the City's approach to its proposed lease and modernization of certain City owned parking assets – specifically, its parking meters and a number of its public garages and lots. The City's stated objectives for this transaction are to:

- Secure an upfront payment that will support general fund purposes and provide capital to fund critically needed City projects;
- To continue to receive ongoing revenue from these parking assets; and
- Optimize the modernization, maintenance, improvement, and operations of both on and off street parking facilities by transferring responsibility to a private operator.

PFM's role in this transaction has been to:

- Assess the financial feasibility of a select group of proposals received by the City as a result of its RFP process;
- Confirm the value of the preferred bidding teams' best and final offers, and
- Assist the City in the execution and closing of the transaction.

PFM Qualifications

PFM is the country's leading public financial advisory firm. In addition to participating in more public finance debt issuance transactions than any other firm, PFM has a dedicated group of advisers focused on public private partnerships ("P3's"), the rapidly developing area of public finance into which this transaction falls. The most common P3 structure for transferring financial and operating responsibility for government services or programs is a long term lease, under which government assets are improved, maintained and operated by private enterprise and returned to the government "owner" at the end of the lease term in equivalent or better condition than when the lease was executed. PFM

professionals have assisted numerous government clients in their evaluation and execution of this type of transaction.

PFM Services and Analysis

In this engagement, PFM has conferred with City staff and participated in meetings with bidding teams. The firm has reviewed the City's financial position and objectives in regard to its parking facilities that are the subject of this transaction. The firm has consulted with the City's parking consultant to confirm the quality and feasibility of the parking technology and operational proposals of the preferred bidding team. In performing its own due diligence on the financial merits of the transaction, PFM has

- Reviewed documentation and proposals submitted by the top two bidding teams, as identified by the City;
- Recommended revisions to terms and conditions in the proposed financing structure;
- Analyzed the financial assumptions and forecasted cash flows put forward by the top bidding teams;
- Built a financial model to verify and compare proposals submitted by the top bidding teams; and
- Compared the value being offered by the preferred bidder to benchmark metrics for similar transactions, using market valuation methodologies.

Transaction Evaluation

1. Through a competitive procurement process, the City has selected a financing and operating team for its parking assets that offers compelling financial benefits and superior experience in modernizing, maintaining and operating urban parking facilities.

2. Having evaluated the alternative of leasing these assets to a private investor or a public authority, the City has chosen the public authority to be the owner/lessee of the parking facilities. This alternative preserves a greater degree of city control over rates, hours and other parking regulations and allows a transaction structure that preserves tax-exempt status for current and future financing of capital improvements. In similar parking lease transactions for Ohio State University, Pittsburgh, PA and Chicago, IL, the lessor was a corporate entity and the degree of city or university control over parking revenue drivers was substantially less.

3. The 30 year term of the meters lease is shorter than many other U.S. P3 leases, which are often 50-99 years in length. Moreover, the transaction documents allow for the City to receive the off street assets back sooner than the end of their term in the event that cash flow of the system allows for an earlier termination.

4. The public public partnership with The Port Authority allows all surplus funds of the parking system to remain with the City. After all expenses and debt service have been paid, surplus parking system revenues are applied first to a capital reserve account which will be used to maintain and upgrade the parking system – both on and off street – over the term of the lease. Any additional funds, which are projected to total $3,000,000 in

year one and increase from there, will be forwarded to the City. The more money the parking system generates, the greater the annual transfer to the City will be. In most public private partnerships – for parking and other assets – all or most surplus revenues are retained by the corporate entity that has leased the facilities.

5. The contracts engaging the system operators – Xerox and Denison – are subject to renewal and re-negotiation during the lease term. This gives the City and Port Authority the ability to amend or terminate the relationship with either or both parties if they are not performing to standard. The Operating Standards that are part of the lease agreement also contemplate sanctions and/or replacement of operators for delinquent performance. The City's interest in high quality parking services is well protected.

6. The cash flow projections of the bidding team are reasonable and conservative. They are based on normal inflationary growth (3%); increases in parking fees that are specified in the lease and modernization agreement; incorporate $98 million of capital investment in both on and off street parking assets – a figure which has been confirmed as reasonable by the City's parking consultant. The projected results are strong cash flow to the City during the lease and a parking system being returned to the City in good condition.

7. The management fees paid to the asset manager and the on street and off street managers are fixed amounts that increase over time with inflation.

Transaction Value Analysis
ParkCincy, the City's preferred bidder, submitted a financial model that projects both upfront payment and ongoing annual payments to the City as part of their proposal. These projections are based on current market conditions and assumptions regarding:

Revenues and operating expenses. PFM's review confirmed that the revenue and expense assumptions in the model were derived from historic financial performance of the parking system, amplified by enhancements to revenue and expenses based on technology and system improvements proposed by the ParkCincy team. In addition, the City has established a rate regimen that allows parking rates to increase over time, and the ParkCincy model captures those periodic increases in its projected revenues.

Interest rates. PFM confirmed that ParkCincy's interest rate assumptions reflected current market rates and structure for a tax-exempt debt issue secured by parking revenues.

Required capital investment. PFM confirmed that the capital investments in the ParkCincy financial model reflected the capital needs of both on street and off street parking that the City's parking consultant, Walker Parking, had developed for the City.

Inflation. The financial model assumes parking rates and expenses will rise with inflation over time. The model uses 3% as a benchmark for inflation which is consistent with cash flow models that forecast financial performance.

Underwriting and transaction management fees. PFM reviewed the transaction fees proposed by Guggenheim, the capital provider and underwriter of the transaction. Guggenheim has been the team leader in assembling the operating team and the asset manager, and has developed the operational model and transaction structure. Its proposed transaction fees for providing these services as well for committing to underwrite the entire debt issue are below the market level fees for comparable financial services.

Projected Results. PFM confirmed that the ParkCincy financial proposal to the City – both the upfront payment proposed and the ongoing projected cash flow were supported by the ParkCincy cash flow model. This model and the projected financial results are subject to changes in market conditions. The ParkCincy model PFM reviewed reflects current prevailing market rates. Using a 5% public sector discount rate, Guggenheim's financial model projects a net present value ("NPV") of approximately $197.4 million. The NPV reflects a $92 million upfront payment to the City and $105.4 million for present value of on-going annual payments. Using a 4.5% public sector discount rate, the system NPV increases to $206.1 million. This value consists of $92 million in upfront payment to the City and $114.1 million of on-going annual payments on a present value basis. On an aggregate or gross basis, the ParkCincy financial model projects the ongoing payments to the City to be $263.4 million over the 40 year term of the lease.

PFM Findings

Based on our independent verification of the assumptions in ParkCincy's financial model, we consider the City's up front near term and projected financial benefits to fairly reflect the value of a lease of the City's parking assets. Moreover, there is substantial potential that increased use of the system and control of expense growth would generate stronger cash flow than is currently forecast. Finally, the value for the City of the public public partnership is that all surplus revenue of the system will either be invested into the parking system or returned to the City. Enhanced system performance will benefit the City alone.

Sincerely,
Public Financial Management

Tim Carden
Managing Director

Bethany Pugh
Managing Director