



DETROIT CITY COUNCIL  
REQUEST FOR APPROVAL TO ISSUE RFP# 48771  
JULY 22, 2014

DETROIT  
CITY CLERK  
2014 JUL 18 P 12:30

**Executive Summary**

Purpose

The Emergency Manager respectfully requests, and the Mayor supports, the approval to issue a qualifications-focused Request for Proposals (RFP) and negotiate with a group of selected qualified respondents to produce formal bids for a monetization of the City's parking system. The RFP will be conducted in two phases. The first phase will be a solicitation of qualifications from interested parties, including initial indications of value for the desired assets. The second phase will consist of a due diligence period culminating in the solicitation of formal, final bids from qualified bidders. The initiation of the second phase would be contingent on receipt of satisfactory qualifications from interested parties.

Background

The City's parking system includes seven parking garages containing approximately 6,884 parking spaces and 3,196 on-street, metered parking spaces. In addition to the physical parking assets and associated collection/repair operations, the City also provides parking violation enforcement and collects on outstanding tickets and service fees through boot/tow and abandoned vehicle operations at the City's impound lot. For clarity, the RFP is not expected to affect the local private towers that currently tow vehicles to the City's impound lot. All parking operations are managed by the Municipal Parking Department (MPD).

The Emergency Manager, along with the City's financial advisors and support from MPD's management team, have studied the City's parking assets and developed long-term projections under various operating scenarios for the purpose of comparing current operations to a potential monetization with a third-party. The City commissioned a report from Desman Associates (the "Parking Report"), an expert parking consultancy. The Parking report provides a more complete understanding of the parking operations and a detailed explanation of the long-term projections (Exhibit B).

Request

The City would like to publish RFP #48771 (Exhibit D) seeking qualifications and initial indications of third-party interest to determine market appetite for a monetization of part or all of the City's parking assets. Assuming that "market appetite" warrants further investigation, a small group of qualified RFP respondents would then be selected to perform due diligence over a several week period and make formal, final proposals. In the event that one or more proposals are attractive, the City would then present a contract to City Council for review and possible approval. MPD, its employees and collective bargaining units would be encouraged to engage in this process as allowed under Ordinance #18-5-104.

The contemplated RFP does not contain a contract, nor does it specify a particular monetization structure for the City's parking operations. Instead, the RFP allows for any potential structure contemplated by the RFP respondents. The RFP's flexibility related to the 1) range of assets included, 2) types of respondents, 3) duration of contract term, and 4) ownership structure may allow the City to evaluate a greater number of transaction possibilities and select the optimal structure for the City from a financial, service level, safety and employment perspective.

## Rationale

- Allows for the evaluation of potential opportunities for the City to receive significant “upfront” value and predictable cash flow over time through a transaction or series of transactions
  - The ability to receive contracted cash flow from a third party could mitigate any downside risk of current parking system performance
  - There is no downside to testing the market to compare third-party interest against status quo management by MPD
- In the event a transaction were to occur, proceeds from a monetization could help protect against potential budget shortfalls in the City’s long term forecast and improve the feasibility of the City’s Chapter 9 Plan of Adjustment
  - If a transaction were to close prior to the City’s exit from Chapter 9, any upfront cash proceeds would pay down the City’s post-petition financing, which would reduce the City’s need for bankruptcy exit financing and reduce projected General Fund debt service
  - If a transaction were to occur after the City’s exit from Chapter 9, any upfront proceeds and future annual cash payments would support reinvestment and other cash needs of the City
- According to the Parking Report, the enterprise fund side of MPD (parking garages and meters) will need approximately \$40 million of subsidies from the General Fund over the next 40 years to fund significant capital improvements for the parking system (see Exhibit C). A large portion of this capital requirement is “catch-up” spending to compensate for inadequate maintenance and reinvestment by MPD over many years due to a lack of cash funding
  - A monetization may be advantageous to the City as a third-party investor could fund the needed capital expenditures (including significant upfront investment), whereas the MPD does not have sufficient cash to do so and would be forced to continue to defer spending without ongoing General Fund subsidies
  - The Plan of Adjustment does not include capital expenditure funding for MPD’s assets to the extent of the requirements defined by the Parking Report (the Parking Report capital expenditure recommendations had not been finalized at the time the Plan of Adjustment was being developed)
- It may be difficult for MPD to operate the parking system at the current “status quo” level given some of the factors that have hindered performance historically, including:
  - Operational issues that have been well-documented in the press and by various consulting firms and City internal auditors
  - Lack of management visibility into historical financials (an outside consultant is needed to provide basic data)
  - Difficulty achieving its own internal forecasts
  - Parking system expenses that are subject to factors outside of MPD control, such as City-wide labor negotiations
- MPD currently outsources a significant portion of its parking activities to outside contractors with limited incremental cash flow; a broader monetization effort may yield better results

### Labor

- In the event a transaction were to occur, the winning bidder would be required as a condition of obtaining the contract to give City employees who have been or will be separated from employment as a result of the award of the contract preferential hiring rights for open positions for which they are qualified based on their level of skill and ability as of the date the contract is awarded
- For any affected employees not retained by the winning bidder, the City will provide employment opportunities for any employees displaced as a result of the implementation of the contract in some other employment position with the City, pursuant to the terms of the June 27, 2014 letter from the Emergency Manager to Al Garrett, President, AFSCME Council 25
- A winning bidder would be well-served to retain many of the affected City employees to carryover "institutional knowledge", similar to solid waste employees being retained in large part by the new solid waste service providers. Further, a winning bidder would likely set wages at a market level which, according to recent analyses, could be above the City's wages. As a case in point, the City's solid waste employees hired by both Rizzo Environmental and Advanced Waste received meaningful wage increases effective upon hiring

### Other Considerations

- MPD currently contracts with Pierce Monroe and Associates and Park Rite for certain services related to MPD's operations. Although both parties may be potentially affected by a transaction, should one occur, both parties are also expected to be interested in bidding on the assets

### Next Steps

If approval is granted by City Council, the next step would be to issue the RFP as soon as practical (current target in the draft RFP is August 1) and give interested parties approximately two weeks to respond with qualifications and indications of value. Depending on the quality of responses, a small number of respondents would be qualified and invited to perform due diligence on the financials, operations and assets of the parking system over a 5-6 week period. Once these qualified bidders have been chosen, the RFP will be closed to additional parties with the exception of current MPD employees and their collective bargaining units, as allowed under Ordinance #18-5-104. The group of qualified bidders would be required to provide final bids. In the event one or more bids were attractive to the City, the City would then present a contract to City Council for consideration, currently estimated to be sometime in October.

### Attachments:

Exhibit A: Section 18-5-103 Requirements

Exhibit B: Desman Report on the City of Detroit Parking System Dated July 16, 2014

Exhibit C: Potential General Fund Subsidies for Parking Enterprise Fund (Desman Report Excerpt)

Exhibit D: Request for Proposal# 48771 – Qualifications for Potential Monetization of Parking Assets

**Exhibit A: Section 18-5-103 Requirements**

**Sec. 18-5-103. - Procedure for contracts for services.**

Prior to solicitation of bids for a proposed engagement of a vendor to provide contractual services, either the Purchasing Director or the director of the affected agency, department, board or commission or Division shall prepare and submit, a comprehensive report detailing the need for such services to the City Council. This report shall include:

- (1) Comprehensive written estimates of the total current direct and indirect costs to the City for providing the subject services in the most cost efficient manner;
- (2) A statement as to whether the proposed contract may result in a reduction of the employment of either City employees or City residents, including reduction of jobs from full-time to part-time or from permanent to temporary or seasonal, and an estimate of the number of jobs affected by such reduction;
- (3) A description of differences in work rules and management practices of nongovernmental persons or entities who are capable of providing subject services and the work rules and management practices of regular City employees who currently provide the subject services, including differences in work rules and management practices that may impact legal and constitutional protections currently afforded regular City employees;
- (4) An analysis of the social, economic, cost and needs benefits, including a description of any and all reasonably determined positive or negative effects and/or impacts the proposed contract will have upon the public's access to, receipt, delivery and quality of the subject services;
- (5) An analysis of whether reduced compensation for benefits provided to employees performing the subject services is reasonably likely to affect the demand for public assistance or social services;
- (6) An analysis of the social, economic, cost and needs benefits, including a description of any and all reasonably determined positive or negative effects and/or impacts the proposed contract may have upon the City's accountability to City residents for the subject services or ability to resume delivery of services in the event of the vendor's inability, refusal, default or other failure to provide the subject services; and
- (7) An analysis of the proposed contract shall be required from the offices of the Auditor General and the Ombudsman of the City of Detroit.

**Section 18-5-103, Sub-Paragraph (1) Requirement:**

(1) Comprehensive written estimates of the total current direct and indirect costs to the City for providing the subject services in the most cost efficient manner;

**Response to Section 18-5-103, Sub-Paragraph (1) Requirement:**

Please see Parking Report, dated July 16, 2014, attached as Exhibit B, specifically the "Optimized" scenario described therein, which projects the costs and revenues that could be generated if MPD operated at optimal efficiency.

Please see Parking Report excerpt showing required General Fund subsidies for the parking enterprise fund, attached as Exhibit C.

**Section 18-5-103, Sub-Paragraph (2) Requirement:**

(2) A statement as to whether the proposed contract may result in a reduction of the employment of either City employees or City residents, including reduction of jobs from full-time to part-time or from permanent to temporary or seasonal, and an estimate of the number of jobs affected by such reduction;

**Response to Section 18-5-103, Sub-Paragraph (2) Requirement:**

There are approximately 90 employees within the Municipal Parking Department with the following union representation (data provided by Human Resources as of April 10, 2014):

Bargaining Unit #	Bargaining Unit Name	# of Employees
0100	0100 APTE Association of Professional and Technical Employees	6
1035	1035 AFSCME Supv Local 2394 Municipal Parking	5
1390	1390 AFSCME NonSupv Local 62 Municipal Parking	14
2060	2060 Detroit Building and Construction Trades Council Glaziers	1
6000	6000 International Union of Operating Engineers Local 547	1
6600	6600 Detroit Principal Clerks Association	2
7100	7100 Senior Accountants Analysts and Appraisers Association	1
8000	8000 Teamsters Local 214 Craft Unit	2
8260	8260 Teamsters Local 214 NonCraft Unit Municipal Parking	42
Non-Union	9300 Contractual Hourly	16
Total MPD		<u>90</u>

As form and scope of the transaction is still undefined, it is unclear what impact, if any, a transaction could have on current employment.

Regardless, in the event of a transaction, and consistent with the collective bargaining agreements reached with the affected unions, the winning bidder:

- Would be required as a condition of obtaining the contract to give City employees who have been or will be separated from employment as a result of the award of the contract preferential hiring rights for open positions for which they are qualified based on their level of skill and ability as of the date the contract is awarded
- "Preferential hiring rights" means that City employees separated from employment as a result of the contract award will be offered employment by the Contractor into any open positions covered by the contract for which City employees are qualified based on their level of skill and ability prior to offering employment to any non-City employees. Neither the City nor any Contractor will be obligated to provide any training, education, or any other form of assistance, without limitation, to any employees seeking employment with a Contractor
- Qualification requirements will be determined in the Contractor's sole discretion. The Contractor has the right to set its own terms and conditions of employment and/or its own hiring qualifications and employment standards, but would be prohibited from discriminating against former City employees based upon their union affiliation or for any other reason prohibited by law

For any affected employees not retained by the winning bidder, the City would provide employment opportunities elsewhere in the City, pursuant to the terms of the June 27, 2014 letter from the Emergency Manager to Al Garrett, President, AFSCME Council 25.

The City would not anticipate a reduction in jobs from full-time to part-time nor permanent to temporary. It may be more likely that the opposite occurs. Currently, the City contracts with Park Rite to operate the

parking garages on a daily basis and some portion of the Park Rite positions are part-time. A winning bidder may opt to in-source these jobs and possibly convert them to full-time positions.

To reiterate, an estimate of the number of jobs that could be affected by a potential transaction cannot be provided at this time due to the various options or combinations of transactions that could possibly occur.



**Section 18-5-103, Sub-Paragraph (3) Requirement:**

(3) A description of differences in work rules and management practices of nongovernmental persons or entities who are capable of providing subject services and the work rules and management practices of regular City employees who currently provide the subject services, including differences in work rules and management practices that may impact legal and constitutional protections currently afforded regular City employees;

**Response to Section 18-5-103, Sub-Paragraph (3) Requirement:**

RFP# 48771 does not include a contract nor does it specify a transaction structure, so it is difficult to know the potential differences in work rules or management practices until the City receives proposals from RFP respondents. However, privatized parking operations generally do not utilize union employees as the City does, which would be a notable change as the work rules and management practices would not have to account for union requirements. In general, the largest differences include less regulation and potentially higher compensation arrangements that are market-based and reflect the quality of work performed. A winning proposal by a public authority to operate the parking system could have less of an impact than a transaction with a private investor group, especially if that public authority utilized unionized workers and similar labor practices.

**Section 18-5-103, Sub-Paragraph (4) Requirement:**

(4) An analysis of the social, economic, cost and needs benefits, including a description of any and all reasonably determined positive or negative effects and/or impacts the proposed contract will have upon the public's access to, receipt, delivery and quality of the subject services;

**Response to Section 18-5-103, Sub-Paragraph (4) Requirement:**

This RFP is designed to solicit a broad range of potential outsourcing/monetization transaction proposals from interested parties. As a result, the specific advantages or disadvantages of any contract would not be known until the City receives responses to the RFP. However, given the current state of the City's parking system, there are many apparent benefits of a potential parking monetization transaction over the status quo of MPD management.

**Economic Benefit**

Third party operators have cost structures that are driven by economies of scale and extensive operational know-how that should result in significantly lower operating expenses. In addition, a monetization may require price increases to maintain "market" pricing, which would drive revenue growth (keeping in mind that many parkers are from outside the City's limits). Finally, a monetization may allow the City to stop operating certain money-losing garages.

Under a monetization scenario, the City could receive a significant portion of the incremental cost savings and revenue growth that a third party operator could extract from the system, which would provide incremental cash flow to the City compared to current long term projections, including the avoidance of potential General Fund subsidies to the parking enterprise fund (see Exhibits B and C).

**Social Benefit**

The City's parking garages have deteriorated due to a lack of capital investment and routine maintenance. Many facilities have unsafe conditions, unusable parking spaces and/or broken elevators, escalators, stairwells and lighting. In addition, the City has approximately 1,604 coin-only meters, of which up to 50% are estimated to be out-of-service at any given time. These conditions have reduced parking access and increased concern for patron safety. Continued operation by the MPD, which has insufficient funding, is likely to result in continued investment deferrals and unaddressed safety risk. These deteriorating and non-functional parking assets detract from the City's efforts to create and sustain a vibrant, dynamic community.

In the absence of a parking monetization, the General Fund may need to provide significant subsidies to the parking enterprise fund (according to the Parking Report). A monetization would likely require a third party to provide upfront investment to bring all assets up to suitable working condition, which would increase the number of parking spaces available, improve the quality of the City's parking operations and provide an increased level of service and safety.

**Section 18-5-103, Sub-Paragraph (5) Requirement:**

(5) An analysis of whether reduced compensation for benefits provided to employees performing the subject services is reasonably likely to affect the demand for public assistance or social services;

**Response to Section 18-5-103, Sub-Paragraph (5) Requirement:**

According to a recent wage analysis conducted by the City's Human Resources department, the City's wage structure is lower than comparable municipalities and lower than the private sector. Other anecdotal-type analyses would appear to support the Human Resources department's conclusion. In the event of a transaction, a winning bidder would theoretically set compensation at a market level. For example, the City's solid waste employees hired by both Rizzo Environmental and Advanced Waste received meaningful wage increases effective upon hiring. It may be rather difficult to retain and/or attract employees at a reduced compensation level compared with the City's wage structure. As a result, the City should not reasonably anticipate a significant increase in demand for public assistance or social services in the event a monetization transaction occurs.

**Section 18-5-103, Sub-Paragraph (6) Requirement:**

(6) An analysis of the social, economic, cost and needs benefits, including a description of any and all reasonably determined positive or negative effects and/or impacts the proposed contract may have upon the City's accountability to City residents for the subject services or ability to resume delivery of services in the event of the vendor's inability, refusal, default or other failure to provide the subject services; and

**Response to Section 18-5-103, Sub-Paragraph (6) Requirement:**

The City's residents, workforce and visitors currently endure the results of MPD's lack of reinvestment and maintenance. As discussed, the MPD does not have the adequate funding to maintain City-owned parking garages or meters at the appropriate operating standards. A third party operator would likely be required to improve and maintain facility conditions as part of a monetization contract.

The purpose of RFP# 48771 is to ascertain the qualifications of potential monetization partners, including the ability of respondents to reliably deliver quality services, which would be thoroughly evaluated by City staff and City Council as part of final contract approval. Given the profile of expected respondents and their documented success in other monetization transactions, the risk of non-performance should be low with a positive effect on City residents (similar to the service level enhancements achieved with the solid waste outsourcing).

**Section 18-5-103, Sub-Paragraph (7) Requirement:**

(7) An analysis of the proposed contract shall be required from the offices of the Auditor General and the Ombudsman of the City of Detroit.

**Response to Section 18-5-103, Sub-Paragraph (7) Requirement:**

RFP# 48771 does not contain a contract, nor does it specify a particular monetization structure for the City's parking operations. Instead, the RFP allows for any potential structure contemplated by the RFP respondents.

The potential assets encompassed by a monetization could range anywhere from the sale of a single garage to a long-term concession for all of MPD's operations (although any monetization of the boot/tow and abandoned vehicle operations is not anticipated to impact existing practices with local towing companies). In addition, the City could receive proposals from multiple types of respondents, including private organizations and public authorities. Furthermore, it is likely that respondents will have varying views on the length, type and payment terms of any proposed contract.

The non-specific structure of the RFP allows respondents to propose mutually beneficial structures which can then be negotiated and refined by the City to achieve the optimal structure for the City from a financial, service quality, employment and safety perspective.

Any contract that may result from this RFP process would be drafted with the input of the Auditor General and Ombudsman.

**Exhibit B: Desman Report on the City of Detroit Parking System Dated July 16, 2014**

## MEMORANDUM

**DATE:** July 16, 2014

**TO:** Emergency Manager  
City of Detroit

**FROM:** Gerald Salzman, AICP  
Eric Haggett  
DESMAN Associates

**RE:** Detroit Public Parking System Review

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### INTRODUCTION

This memorandum summarizes the initial results of a due diligence assessment of the physical and financial state of the City of Detroit's (the "City") public parking system. The City is evaluating the potential viability of a long-term concession and lease of its parking assets (collectively, the "Parking System," the "System", or the "Assets") to a private entity. The study will serve as the basis for determining the potential value of the Parking System over a 40-year time period, under three (3) scenarios: 1) the City continues to operate the Parking System as it has in the past with minimal upgrades to technology, parking rates, and operating methodologies; 2) the City continues to operate the Parking System, but improves the efficiency of the operations to reduce operating costs and increase revenues, and; 3) the City outsources the operation of the Parking System to a private entity, allowing the private entity to collect all net revenues generated by the System in exchange for an upfront, lump-sum payment and/or a share of the ongoing profit generated by the System.

For the purposes of this assessment, the physical assets and operations that constitute the Parking System include City-owned parking garages and on-street parking meters, both of which are managed by the Municipal Parking Department ("MPD"). As of the date of this report, the parking facilities that make-up the System consist of seven (7) parking garages containing approximately 6,884 parking spaces and 3,196 on-street, metered parking spaces – a total of 10,080 spaces. In addition to the physical parking assets, this assessment assumes that the Booting and Towing and Enforcement operations, which are managed by the City's Parking Violations Bureau ("PVB"), are included as part of the Parking System.

What follows is a summary of the analysis conducted to date, including, but not limited to: the type of historical data gathered, the difficulties faced with reconciling historical data, the process for assessing the physical condition of the parking garages, the assumptions made related to how the Parking System will be operated in the future, and the anticipated financial performance of the Parking System over the next 40 years under the different operating scenarios.

**ELEMENTS OF THE PARKING SYSTEM**

**Off-Street Parking System Characteristics**

The City of Detroit currently owns seven (7) parking structures: five (5) structures downtown, one (1) structure in the Eastern Market District northeast of downtown, and one (1) underground structure north of downtown on the campus of the Detroit Institute of Art. Table 1 presents the locations, approximate space counts and operating hours of each of the garages, as well as an identification letter for locating the facilities on the maps that follow.

**Table 1 – Parking Garages Comprising the City of Detroit Parking System**

Map ID	Garage Name	Address	Capacity	Hours of Operation
A	Ford Underground	30 E. Jefferson Ave.	723	M-F: 6am-11pm; Sun: 1am-3pm; Special Events As Needed
B	Grand Circus	1600-01 Woodward Ave.	821	M-Sun: 6am-6pm; Special Events As Needed; Residential - 24-hour Access
C*	Joe Louis Arena	900 W. Jefferson Ave.	3,200	M-F: 6am-11pm; Detroit Red Wing Games; Special Events As Needed; Holidays As Needed
D	Millennium	432 W. Congress St.	595	M-F: 7am-11pm; Sat, Sun, & Holidays As Needed
E	Premier Underground	1206-08 Woodward Ave.	895	M-F: 7am-11pm; Sat (validations): 9am-5pm; 24/7 Monthly and Residential
F	Eastern Market	2727 Riopelle St.	300	Sat: 6am-6pm; Detroit Lions Games; Seasonal/Special Events As Needed
G	Cultural Center	Corner of 3rd & Buchanan	350	Closed Due To Disrepair
<b>TOTAL CAPACITY</b>			<b>6,884</b>	

\* The capacity of the Garage itself is approximately 2,600 spaces, with an additional 600 spaces contained in the gravel areas surrounding the Garage.

Source: MPD

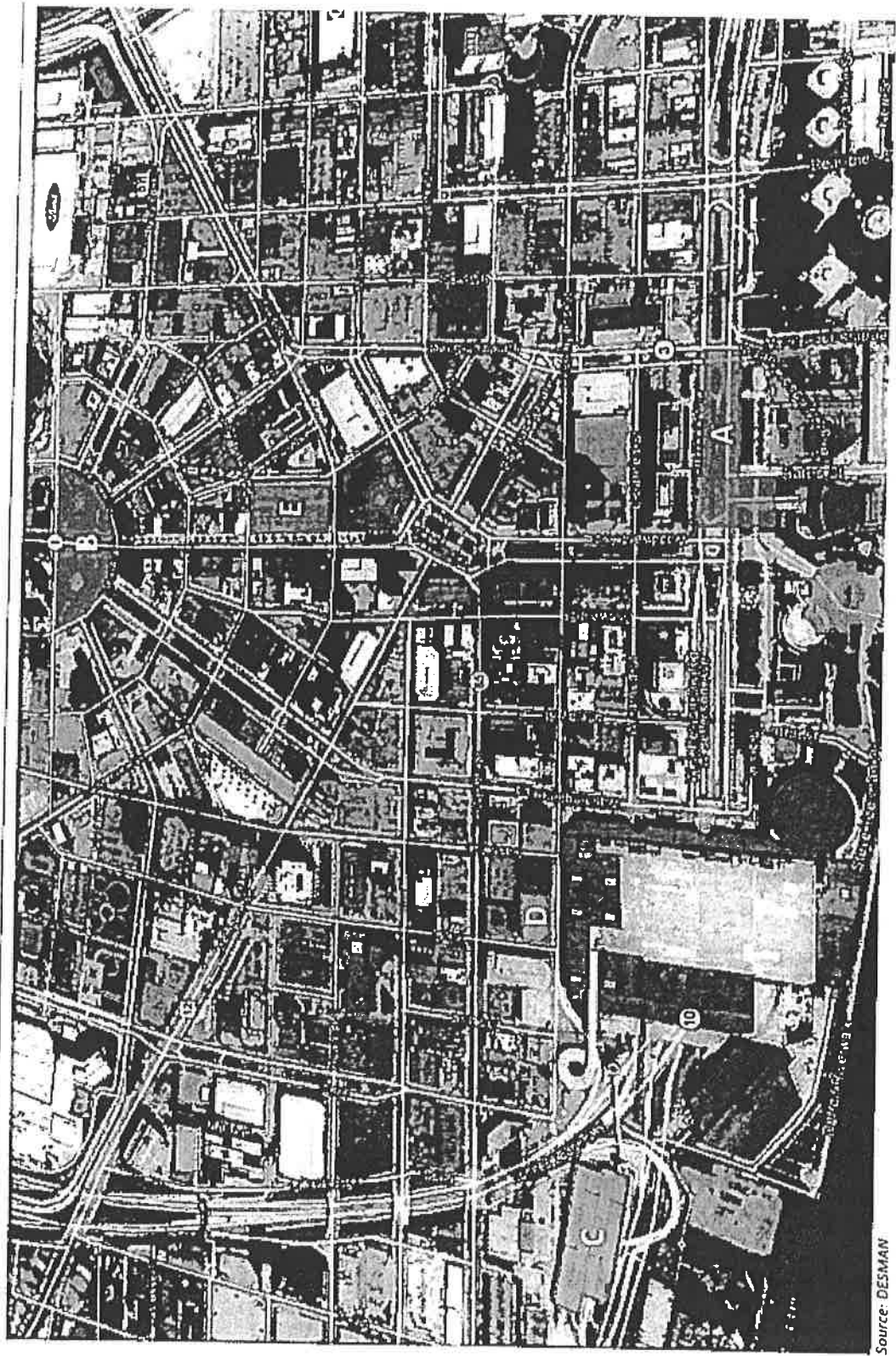
Figures 1-3 show the locations of the seven (7) garages that are part of the City's Parking System.

As noted in Table 1, the Cultural Center Garage is currently closed due to disrepair. Based on the condition of the facility, public parking has not been permitted in this garage since mid-2011.

Additionally, although not identified in Table 1, at the time of this report, approximately 1,000 spaces in the Joe Louis Arena (the "JLA") Garage were closed due to disrepair.

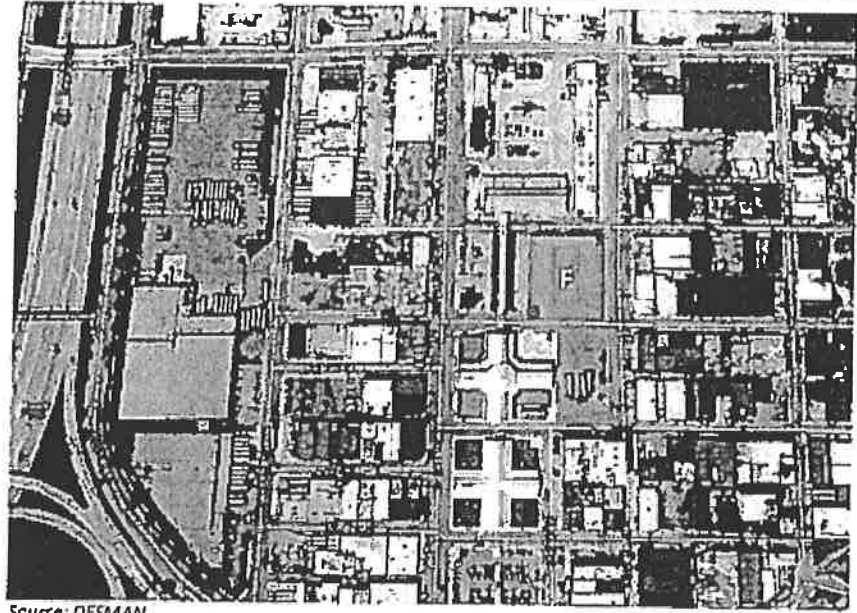


Figure 1 – Downtown Garages



Source: DESMAN

**Figure 2 – Eastern Market Garage**



Source: DESMAN

**Figure 3 – Cultural Center Garage**



Source: DESMAN

**Off-Street Parking Rates**

Table 2 presents the parking rates charged at each of the City's garages at the time of this report.

**Table 2 – Off-Street Parking Rates**

Garage Name	Non-Event/Hourly Rate	Monthly Rate	Event Rate
Ford Underground	First 2 Hours: \$5.00; Up To 4 Hours: \$10.00; Daily Maximum: \$15.00	\$150.00	Event Rate: Varies
Grand Circus	Daily Maximum: \$5.00	\$75.00	Event Rate: \$10.00 - \$30.00
Joe Louis Arena	N/A	*\$15.00	Event Rate: \$3.00 - \$30.00
Millennium	Daily Maximum: \$10.00	\$120.00	Event Rate: \$10.00 - \$20.00
Premier Underground	First 2 Hours: \$5.00; Up To 4 Hours: \$10.00; Daily Maximum: \$15.00	\$100.00	Event Rate: Hourly Rate - \$20.00
Eastern Market	Daily Maximum: \$5.00	N/A	Event Rate: \$15.00
Cultural Center	CURRENTLY CLOSED		

\*Monthly Rate not available to general public

Source: MPD

As you can see from the table, three of the facilities – Grand Circus, Millennium, and Eastern Market – charge a flat rate for parking, regardless of the length of time a vehicle remains parked. Both the Ford Underground and Premier Underground garages charge rates based on the length of stay – \$5.00 for a stay of two hours or less, \$10.00 for a stay of four hours or less, or \$15.00 for a stay of more than four hours.

**On-Street Parking System Characteristics**

There are a total of 3,196 on-street meter spaces in the City of Detroit, spread throughout 19 different areas. The largest concentration of meters is downtown. Table 3 lists the areas which contain on-street meters, the number of each type of metered space, the total number of metered spaces, and the percentage breakdown of metered spaces located in each area.

**Table 3 – Inventory of On-Street Parking Meters**

Area Name	Single Space	Pay Station Spaces	IPS Single Space	Total Spaces	Percentage of Total
Ameritech	101	-	12	113	4%
Cobo Hall	70	79	-	149	5%
Cadillac Square	20	100	-	120	4%
Cultural Center	58	26	45	129	4%
Detroit Police Headquarters	32	63	54	149	5%
Grand River	55	-	-	55	2%
Gratiot	49	-	-	49	2%
Medical Center	94	-	133	227	7%
Millender Center	52	46	152	250	8%
New Center	131	166	14	311	10%
Northeast	93	-	-	93	3%
Northwest	133	-	-	133	4%
Southwest	77	-	-	77	2%
State	58	-	-	58	2%
Theatre District	51	190	18	259	8%
Trolley Plaza	187	7	-	194	6%
Triangle	36	29	20	85	3%
Wayne State University	109	386	52	547	17%
WDIV	198	-	-	198	6%
<b>TOTAL</b>	<b>1,604</b>	<b>1,092</b>	<b>500</b>	<b>3,196</b>	<b>100%</b>

Source: MPD

As you can see from the table, 1,604 spaces (about 50% of the total) are metered by coin-only, single-space meters. The single-space meters deployed in these locations are approximately 16 years old. Based on our observations, as well as anecdotal evidence provided by the City, a large portion of these meters are broken or consistently out of service, possibly as much as 50% of the meters.

Another 34% of the metered spaces in the City (1,092 of 3,196) are metered by multi-space pay stations. This technology uses one piece of hardware to meter 8 or more spaces and can accept payment in the form of coin, credit card and Meter Card (operates like a debit card). In Detroit, the pay stations operate as pay-by-space machines. This type of multi-space meter requires every space be individually numbered, which the City accomplishes through the use of pole-mounted signs. The pay stations in Detroit were originally installed in 2006.

The remaining 500 metered, on-street parking spaces are controlled by single-space meters manufactured by IPS. Accounting for approximately 16% of the metered parking spaces in the City, these mechanisms were installed in 2013 as part of a pilot program. Like the pay stations, these meters can accept payment in the form of coin, credit card, and Meter Card.

Depending on location, parking time limits at the meters range from 30 minutes to 3 hours, while the meters are enforced from 7am-6pm or 7am-10pm, Monday-Saturday – parking meters are not enforced on Sunday.

On January 26, 2009, the rates charged at Detroit’s parking meters were increased for the first time in several years. The rates charged went from \$0.05 for 5 minutes, \$0.10 for 10 minutes and \$0.25 for 20 minutes to \$0.05 for 3 minutes, \$0.10 for 6 minutes, \$0.25 for 15 minutes, and \$1.00 for 1 hour.

**Parking Enforcement**

At present, tickets are issued for parking violations by the Parking Violations Bureau. Tickets are issued for not only parking meter-related violations, such as parking at an expired meter, but for any parking-related violation, including blocking a fire hydrant, parking too close to a stop sign, and double parking. Table 4 presents a complete listing of the violations for which a ticket can be issued, along with the current fine amount for each type of violation, the new fine amount after rates are changed June 1, 2014, the number of violations issued in 2013, by type, and the percentage of the total violations issued for each violation type.

**Table 4 – Types of Parking Violations and Associated Fines**

Violation Description	Current Violation Fine	New Violation Fine	# of Violations Issued, 2013	% of Total Violations
PARKING METER VIOLATION	\$ 20.00	\$ 45.00	116,535	38.7%
NO STANDING (ANYTIME)	\$ 30.00	\$ 45.00	47,738	15.8%
IMPROPER PARKING	\$ 30.00	\$ 45.00	35,426	11.8%
PROHIBITED AREA/NO PARKING	\$ 30.00	\$ 45.00	17,981	6.0%
CROSSWALK VIOLATION	\$ 30.00	\$ 45.00	18,667	6.2%
AREA RESERVED FOR THE HANDICAPPED	\$ 100.00	\$ 150.00	4,048	1.3%
NO STANDING (PM)	\$ 30.00	\$ 45.00	12,432	4.1%
FIRE HYDRANT PARKING VIOLATION	\$ 30.00	\$ 45.00	7,752	2.6%
PARKED IN AN EXPIRED METER ZONE	\$ 20.00	\$ 45.00	11,133	3.7%
NO STOPPING	\$ 30.00	\$ 45.00	3,094	1.0%
OVERTIME PARKING	\$ 20.00	\$ 45.00	8,467	2.8%
UNAUTHORIZED/PRIVATE PARKING	\$ 30.00	\$ 45.00	3,929	1.3%
NO STANDING (AM)	\$ 30.00	\$ 45.00	4,483	1.5%
STAND (PARKED) IN A NO STANDING	\$ 30.00	\$ 45.00	2,863	1.0%
ALLEY VIOLATION	\$ 30.00	\$ 45.00	2,295	0.8%
COMMERCIAL/EQUIP VIOLATION	\$ 100.00	\$ 150.00	738	0.2%
DRIVEWAY VIOLATION	\$ 30.00	\$ 45.00	1,364	0.5%
COACH STOP	\$ 30.00	\$ 45.00	660	0.2%
DOUBLE PARK	\$ 30.00	\$ 45.00	267	0.1%
DOUBLE STAND	\$ 30.00	\$ 45.00	358	0.1%
PARKED WITHIN 15FT. OF A FIRE HYDRANT	\$ 30.00	\$ 45.00	283	0.1%
PARKED (STOPPED OR STAND) IN A NO PARKING ZONE	\$ 30.00	\$ 45.00	214	0.1%
PARKED OVERTIME IN A TIME LIMITED SPACE	\$ 20.00	\$ 45.00	366	0.1%
PARKED WITHIN 30FT. OF STOP/YIELD SIGN	\$ 30.00	\$ 45.00	65	0.0%
STOPPED IN A BUS STOP	\$ 30.00	\$ 45.00	65	0.0%
UNATTENDED-KEY IN VEHICLE	\$ 30.00	\$ 45.00	13	0.0%
DPW STREET CLEANING	\$ 30.00	\$ 45.00	3	0.0%
SNOW EMERGENCY VIOLATION	\$ 30.00	\$ 45.00	2	0.0%
BLOCKING CROSSWALK	\$ 30.00	\$ 45.00	1	0.0%
NO PARKING ZONE	\$ 30.00	\$ 45.00	1	0.0%
			<b>TOTAL</b>	
			301,243	

Source: MPD

During FY 2013, the most recent full year for which data is available, the Parking Violations Bureau issued around 300,000 parking violations – up from around 290,000 in FY 2012. Based on the volume of tickets issued in FY 2013 and the listed fine amounts, the base amount owed to the City equaled approximately \$8MM. In addition to this, penalties for late payment and administrative fees added approximately \$5MM to the amount owed to the Parking Violations Bureau, bringing the total owed to the City approximately \$13MM.

While FY 2012 and 2013 ticket volumes were in the 290,000-300,000 range, the volume of tickets issued in previous years has been much higher. For instance, in FY 2002 the volume of tickets issued was above

530,000. The significant drop in ticket volumes from 2002 to 2013 is the result of several factors, including the decline in Detroit's population. However, based on conversations with MPD, the most significant factor contributing to this decline is the shrinking number of Parking Enforcement Officers. As budgets have been cut, the number of enforcement officers patrolling each day has been reduced, hence reducing the number of tickets that are issued.

#### **Boot and Tow Operation**

The final piece that comprises the Parking System in this analysis is the Boot and Tow operation. This function of the MPD is responsible for identifying vehicles that have 6 or more unpaid parking tickets, as well as those vehicles which have been abandoned. In order to identify vehicles eligible to be towed due to excessive unpaid parking tickets, crews patrol City streets and parking facilities and compare license plate numbers to a database of offenders. This is done either through manual entry of license plates or through the use of vehicle-mounted license plate recognition software. Once a vehicle has been identified for towing, the City uses one of a number of private towing companies to transport the vehicle to a City storage facility.

Once at the storage facility, multiple attempts are made to contact the owner of the vehicle, who can then retrieve the vehicle by paying the towing fee and any outstanding parking tickets and penalties. If the owner cannot be contacted, the MPD then begins the process of selling the vehicle at auction. Boot and Tow operation revenues are earned from a combination of the towing fees and auction proceeds.

Prior to December 2012, the Detroit Police Department controlled the Boot and Tow operation. During that time, precise records of the numbers of vehicles sold or the revenue generated from the sales were either not kept or were not transferred to the MPD once they took over the operation. Because none of the historical data prior to December 2012 was available at the time of this analysis, we relied upon 7 months of data from FY 2014 that had been tracked by MPD in order to determine that Boot and Tow revenue for the full FY 2014 fiscal year is projected to be approximately \$935,000.

While no indication was given as to the number of cars towed or vehicles sold in FY 2014, it was the assertion of the MPD that revenue from this operation would increase to at least \$1.2MM annually beginning in FY 2015.

#### **DATA COLLECTION PROCESS**

In order to gain the understanding of the existing operation and performance of the Parking System necessary to conduct this analysis, our team conducted a multifaceted data collection process. Prior to an initial meeting with MPD staff, data on the parking system was requested including historical financials, transaction data, operating standards, an organizational chart, architectural drawings of the facilities, and many other items. Next, our team met with various employees of the MPD which represented each facet of the operation in order to discuss how the System works and gain insight into information about the System which might not be easily gleaned from the documents requested.

As the requested data was received, we began our field work. While some members of our team identified the facilities, their relationship to competing parking, and the locations of on-street meters, our team of engineers conducted walkthrough surveys of each of the garages. The visual inspections were used to identify elements of the garages in need of repair, as well as to quantify the amount of repairs needed and determine when the repairs should be completed so that the garages could be kept

in good working order. These inspections were eventually translated into estimated repair costs for each of the garages over a 40-year time period.

Through several follow-up meetings, additional data requests and numerous telephone conversations between MPD and our team, we were able to organize the data into a summary of the historical financial performance of each component of the Parking System.

From there, a number of assumptions were made as to how the City would operate the Parking System in the future, when and to what degree future parking rate increases might occur, what would be the impact of proposed changes to parking violation fines, how would the demand for parking change in the future, among others. These assumptions were then applied to the historical performance data in order to project the likely financial performance of the Parking System over the next 40 years, when operated by the MPD.

It is worth noting that, despite our best efforts, the data collection process was very tedious and yielded data that was difficult, if not impossible, to reconcile between sources: operating expense data provided by MPD was not reconcilable to audited numbers published by the City; the count and locations of broken parking meters is not known; reconciling parking transaction and rate information to the amount of actual revenue collected was not possible at most facilities, and; a current listing of the hours of enforcement by meter zone did not exist or could not be produced by MPD – among other data gathering challenges.

**HISTORICAL FINANCIAL PERFORMANCE OF THE PARKING SYSTEM**

Based on the historical financial data gathered from MPD, the consolidated Table 5 was created in order to provide a snapshot of the performance of the Parking System from FY 2009 – FY 2014.

**Table 5 – Historical Financial Performance of the Detroit Public Parking System**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Estimated FY 2014
Status Quo						
Garage & Lot Revenue	\$ 10,183,120	\$ 8,217,570	\$ 6,241,464	\$ 6,622,005	\$ 6,687,059	\$ 5,272,853
Parking Meters	2,196,999	2,431,058	2,326,594	2,747,225	2,662,009	2,657,378
Parking Ticket Revenue	12,497,844	9,792,006	10,541,664	8,997,616	11,435,407	11,835,646
Boot & Tow Revenue						936,897
Other Revenue	5,286,913	3,939,059	(431,314)	1,248,250	2,643,569	
Operating Revenue	\$ 30,164,876	\$ 24,379,693	\$ 18,678,408	\$ 19,615,096	\$ 23,428,044	\$ 20,702,773
Garage & Lot Expenses	\$ (4,661,885)	\$ (3,916,983)	\$ (3,447,699)	\$ (2,889,449)	\$ (2,961,912)	\$ (3,035,959)
Parking Meter Repair and Collections Expenses	(956,581)	(843,628)	(1,027,934)	(872,147)	(765,568)	(784,708)
Credit Card Processing Fees	(18,857)	(20,581)	(19,046)	(22,339)	(20,980)	(21,030)
On-Going Parking Meter Fees						
Ticket Writing/Boot & Tow Expenses	(6,449,835)	(7,811,398)	(6,813,936)	(5,475,490)	(6,404,778)	(6,564,898)
Parking & City Admin Overhead	(4,542,780)	(7,692,880)	(2,443,267)	(4,126,936)	(2,616,721)	(2,682,139)
Operating Expenses	\$ (16,629,938)	\$ (20,285,470)	\$ (13,751,882)	\$ (13,386,360)	\$ (12,769,959)	\$ (13,088,733)
Add back DBA and Trustee Legacy Expenses	288,726	256,059	216,898	213,544	202,041	207,092
Add back: Pension, POC and OPEB Legacy Expenses	898,663	1,170,948	1,119,325	1,579,228	1,429,430	1,465,165
Pro Forma Operating Expenses	\$ (15,442,548)	\$ (18,858,464)	\$ (12,415,660)	\$ (11,593,587)	\$ (11,138,488)	\$ (11,416,476)
Pro Forma Operating Income	\$ 14,722,328	\$ 5,521,229	\$ 6,262,748	\$ 8,021,509	\$ 12,289,556	\$ 9,286,297

Source: MPD

*Note: FY 2014 is shown as "estimated" due to the fact that the full years' worth of data was not available at the time of this analysis.*

As you will see from the table above, revenue decreased sharply from FY 2009 to FY 2013. These revenue declines are attributable to several factors:

- Reduced parking demand brought about by the Great Recession
- A reduction in the number of Parking Enforcement Officers, causing a decline in the number of parking violations issued
- The City relinquishing control of the COBO Arena, COBO Hall and COBO Roof Deck parking facilities in FY 2011 (represents ~\$3MM of revenue in 2009)
- Closure of the Cultural Center Garage in 2012 due to disrepair (represents ~\$200,000 of revenue in 2009)
- The loss of non-parking related Joe Louis Arena concession and suite lease revenue paid to the City (represents ~\$4.5MM of revenue in 2009) and closure of ~1,000 spaces due to disrepair (represents ~\$615,000 of revenue in 2009, assuming 41 games at \$15/space)

#### **"STATUS QUO" MODELING ASSUMPTIONS**

The goal of the "Status Quo" model is to show how the City of Detroit's Parking System is likely to perform over the next 40 years based on a limited number of changes to the current mode of operating. This model can then be compared to the projections derived from other proposed operating scenarios, including how a private parking operator would choose to run the Parking System.

In order to illustrate how the historical financial performance of the Parking System was translated in projections of future performance, the following sections detail all of the assumptions used by our team when constructing the "Status Quo" model.

#### **Off-Street Revenue Assumptions**

- Parking volumes at the garages are assumed to grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> decades of the projections, respectively, to match the assumption of municipal income tax revenue growth in the City's chapter 9 Plan of Adjustment ("POA"), except at the JLA Garage, Ford Underground Garage and the Premier Underground Garage. For event parking demand at the Joe Louis Arena Garage, it is expected that this will increase by 600 parkers per event, based on currently-closed spaces coming back online. Due to current capacity constraints, overall parking volumes at Ford and Premier are assumed to grow by 0.1% annually and are assumed to be attributable to only transient parking demand – monthly parking demand is assumed to be at its limit. An elasticity of 0.30 was assumed for all facilities based on parking industry research and the availability of alternate parking options.
- Aside from the JLA Garage, parking rates were assumed to increase by 10% in FY 2025, as well as every 10 years thereafter. This equates to average increases that are less than the historical rate of inflation.
- Parking rates at the JLA Garage were assumed to follow the schedule set forth in Exhibit B of the March 17, 2014 draft of the "Operating and Management Agreement between the City of Detroit and Olympia Entertainment, Inc. for the Riverfront Arena Parking Facility".



- It was assumed that the JLA Garage will remain in operation through FY 2017; with the anticipated relocation of the Detroit Red Wings hockey team to a new arena beginning with the 2017-2018 hockey season, it was assumed that the JLA Garage would be shuttered or demolished.
- The Cultural Center Garage was assumed to remain shuttered or transferred to the Detroit Institute of Arts. In either case, the projection model does not include any revenues or expenses going forward for the Cultural Center Garage.
- It was assumed that no additional facilities will be added to the system.
- It was assumed that all of the parking facilities will maintain their current rate structures, either graduated or flat rates, depending on the facility.
- It was assumed that the historical non-parking related payments from Olympia Entertainment related to JLA concessions and suite rentals and rent would be discontinued, consistent with current terms between the City and Olympia Entertainment.

#### **Off-Street Expense Assumptions**

- In general, operating expenses are expected to grow at 2.5% annually; operating expenses at the JLA Garage, other than the Management Fee, were assumed to grow at 2.5% annually.
- The Management Fee at the JLA Garage was assumed to be 7% of Gross Revenue from the garage, consistent with current terms between the City of Detroit and Olympia Entertainment.
- Park Rite and Olympia staffing levels were assumed to remain at current levels in all of the garages.
- With the assumed closure or demolition of the JLA Garage at the conclusion of FY 2017, the operating expenses associated with this facility were eliminated in FY 2018 and beyond. Any decommission and/or demolition costs were assumed to be extraordinary and therefore not included in the projection model.

#### **Off-Street Capital Expenditure Assumptions**

- Capital expenditure figures for new parking access and revenue control equipment were taken from the MPD's existing plan to replace all of the equipment in each garage, except for the Cultural Center Garage and the JLA Garage.
- It was assumed that the JLA Garage equipment would not be replaced with brand new equipment given the assumption that the facility will only remain open through June 2017. Instead, it was assumed that the best pieces of equipment from the existing garages would be reused in the JLA Garage once the remaining facilities have their equipment replaced.
- Based on parking industry best practices, it was assumed that the new equipment package would be replaced every 10 years; ten years is commonly considered the useful life for parking access and revenue control equipment.
- Necessary capital expenditures related to the structural, architectural and mechanical/electrical elements of the garages were developed based on the observations of

DESMAN's engineers; the cost projections assume that, within 5 years, the facilities are restored to a condition such that all spaces can be operated safely and that the facilities are then maintained at that level for the remaining 35 years of this analysis.

- This model assumes that, due to the cost of the repairs as compared to the revenue generating potential of the facility, no money will be spent to restore the Cultural Center Garage.
- The model assumes that the repairs necessary to restore 600 currently-closed parking spaces to operation in the JLA Garage will be completed by Olympia Entertainment, as agreed between the City of Detroit and Olympia Entertainment, which cost is estimated to be \$1.25MM. The model also assumes that the City will contribute \$1MM to additional JLA Garage repairs, which will go towards restoring an additional 400 currently-closed parking spaces.
- It was assumed that any excess operating profit from the off-street facilities will be used to fund recommended repairs to the remaining parking facilities; any repairs that cannot be completed in the recommended year will be tracked as deferred maintenance and completed in a later year when additional funds are available.

#### On-Street Revenue Assumptions

- Parking volumes at on-street meters are assumed to grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> decades of the projections, respectively, to match the assumption of municipal income tax revenue growth in the POA.
- Parking meter rates City-wide were assumed to increase by 10% in FY 2025, as well as every 10 years thereafter. This equates to average increases that are less than the historical rate of inflation.
- The hours of enforcement were assumed to remain unchanged.
- It was assumed that no additional meters would be added to the system.
- It was assumed that, at present, 40% of the old single-space and multi-space meters are inoperable at any given time; this was based on anecdotal evidence taken from news reports, as well as anecdotal statements heard within the City (although actual observations of broken meters could not confirm the percentage of inoperable meters on a City-wide basis); it was assumed that these meters would be replaced at the same time as the rest of the parking meters are upgraded, which was assumed to occur in FY 2015.
- It was assumed that, at present, 2% of the newer IPS single-space meters are inoperable at any given time.
- It was assumed that parking fee revenue collected via credit card payments would increase from the current 11% to 60% over the next 3 years due to the replacement of all existing meters with credit card-capable, single-space meters; based on the number of new credit card capable meters being installed and the current performance of those meters, it was assumed that the increased credit card usage would result in an additional 5% in parking meter revenue.
- The daily revenue generated from taking a meter out of service ("bagging" the meter) was assumed to be at the current \$25/day for the first ten years of the planning horizon

and then increased by an additional \$5/day every 10 years thereafter. The volume of bagged meters was assumed to be constant over the planning horizon.

- Parking ticket revenue projections were based on the assumption that the volume of tickets issued in the future will grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> decades of the projections, respectively, to match the assumption of municipal income tax revenue growth in the POA; the baseline volume of tickets was assumed to be 300,000, or the approximate number of tickets issued in FY 2013.
- A price increase across all parking violations categories approved by the City in FY 2014 was assumed to be implemented prior to the start of FY 2015. With no decrease in ticket volume these price increases would yield a total first year revenue gain of \$6.4MM. However, an increase of only \$4.8MM (75% of the total) was assumed beginning in FY 2015 to provide a conservative view of the potential benefit.
- Parking fines were assumed to increase by 10% in FY2025, as well as every 10 years thereafter – this equates to average increases that are less than the historical rate of inflation.
- Boot and Tow and Abandoned Vehicle revenue was assumed to reach \$1.2MM in FY 2015, as suggested by MPD; Boot and Tow and Abandoned Vehicle volumes were assumed to remain constant throughout the planning horizon; the fees charged for Boot and Tow and Abandoned Vehicles were assumed to be constant for the first ten years of the planning horizon based on the Administrative Fee that was approved recently in May 2013, and then projected to grow by 10% in FY 2025, and every 10 years thereafter.

#### **On-Street Expense Assumptions**

- In general, operating expenses are expected to grow at 2.5% annually. One exception is the per violation ticket expenses which were projected to increase by 1% annually.
- No additional parking enforcement officers, coin collectors, meter maintenance personnel, or other personnel were assumed – staffing levels were assumed to remain at March 2014 levels.
- It was assumed that parking fee revenue collected via credit card payments would increase from the current 11% to 60% over the next 3 years due to the replacement of all existing meters with credit card-capable, single-space meters; credit card processing fees were assumed to increase proportionally.
- “Legacy Expenses” related to legacy labor and certain financial obligations were assumed to be reduced as a result the City’s chapter 9 proceedings, as detailed in the POA; Pension Obligation Certificate expenses were eliminated completely and, pension, other post-employment benefit and hospitalization expenses were reduced accordingly.
- Monthly costs associated with data service and licensing for the new meter system were based on an inventory of 3,196 spaces and the unit costs presented in the vendor’s presentation to the MPD.

#### **On-Street Capital Expenditure Assumptions**

- It was assumed that the entire parking meter system will be replaced with credit card-capable, single-space meters in FY 2015 with a capital investment of \$2.5MM; the

anticipated cost for this upgrade was based on an inventory of 3,196 spaces and a unit cost of \$800 per meter, installed. This closely matches the estimate presented in the vendor's presentation to the MPD.

**PROJECTED PERFORMANCE OF THE DETROIT PUBLIC PARKING SYSTEM**

Based on our analysis of the existing City of Detroit Parking System, the historical performance of the System, the proposed future physical and operational changes to the System, and the above assumptions, a "Status Quo" model was developed to show how the City of Detroit's Parking System is likely to perform over the next 40 years. Table 6 presents a summary of the "Status Quo" model.

**Table 6 – "Status Quo" Financial Performance Model Summary**

Status Quo	Year 1 FY 2015	Year 2 FY 2016	Year 3 FY 2017	Year 4 FY 2018	Year 5 FY 2019	Year 10 FY 2024	Year 20 FY 2034	Year 30 FY 2044	Year 40 FY 2054	40 Year Total
Garage & Lot Revenue	\$ 6,326,045	\$ 6,340,282	\$ 6,354,557	\$ 6,368,832	\$ 6,383,107	\$ 6,397,382	\$ 6,411,657	\$ 6,425,932	\$ 6,440,207	\$ 645,574
Parking Meters	4,148,472	4,160,587	4,172,702	4,184,817	4,196,932	4,209,047	4,221,162	4,233,277	4,245,392	\$ 425,917
Parking Ticket Revenue	17,058,865	17,110,042	17,161,372	17,212,856	17,264,494	17,316,232	17,368,020	17,419,808	17,471,596	\$ 552,788
Boot & Tow Revenue	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	\$ 120,000
Other Revenue										
Operating Revenue	\$ 28,783,382	\$ 28,810,910	\$ 28,888,667	\$ 28,966,424	\$ 29,044,181	\$ 29,121,938	\$ 29,200,695	\$ 29,279,452	\$ 29,358,209	\$ 2,925,784
Garage & Lot Expenses										
Parking Meter Repair and Collections Expenses	\$ (2,948,784)	\$ (3,022,504)	\$ (3,098,066)	\$ (3,174,628)	\$ (3,251,190)	\$ (3,327,752)	\$ (3,404,314)	\$ (3,480,876)	\$ (3,557,438)	\$ (357,438)
Credit Card Processing Fees	(804,325)	(824,433)	(845,044)	(866,170)	(887,825)	(909,580)	(932,435)	(955,290)	(978,145)	\$ (978,145)
On-Going Parking Meter Fees	(87,497)	(157,967)	(211,255)	(271,872)	(332,489)	(393,106)	(453,723)	(514,340)	(574,957)	\$ (574,957)
Ticket Writing/Boot & Tow Expenses	(220,574)	(226,037)	(231,688)	(237,480)	(243,417)	(249,354)	(255,291)	(261,228)	(267,165)	\$ (267,165)
Parking & City Admin Overhead	(9,512,216)	(9,674,617)	(9,840,325)	(10,009,413)	(10,181,960)	(10,359,387)	(10,542,484)	(10,730,931)	(10,924,878)	\$ (10,924,878)
Operating Expenses	(12,749,192)	(12,817,922)	(12,888,370)	(12,960,579)	(13,034,594)	(13,109,387)	(13,184,952)	(13,261,297)	(13,338,432)	\$ (13,338,432)
Add back: DBA and Trustee Legacy Expenses	\$ (16,372,538)	\$ (16,723,480)	\$ (17,114,748)	\$ (17,540,123)	\$ (18,000,834)	\$ (18,497,098)	\$ (19,029,913)	\$ (19,608,388)	\$ (20,233,572)	\$ (196,305,695)
Add back: Pension, POC and OPEB Legacy Expenses	212,270	217,576	223,016	228,591	234,306	240,161	246,156	252,291	258,566	\$ (258,566)
Pro Forma Operating Expenses	\$ (15,017,94)	\$ (15,319,384)	\$ (15,675,106)	\$ (16,076,512)	\$ (16,523,262)	\$ (17,016,327)	\$ (17,557,447)	\$ (18,147,734)	\$ (18,790,406)	\$ (18,790,406)
Pro Forma Operating Income	\$ (14,508,474)	\$ (14,966,565)	\$ (15,313,909)	\$ (15,757,091)	\$ (16,195,155)	\$ (16,727,386)	\$ (17,354,791)	\$ (18,078,542)	\$ (18,898,840)	\$ (18,898,840)
Parking Facility CapEx	\$ 14,124,908	\$ 13,844,346	\$ 13,574,757	\$ 13,316,361	\$ 13,080,741	\$ 12,870,960	\$ 12,686,960	\$ 12,528,960	\$ 12,400,960	\$ (12,400,960)
Parking Equipment CapEx	(4,321,000)	(4,996,875)	(4,378,305)	(4,487,762)	(4,599,956)	(4,714,653)	(4,834,350)	(4,959,047)	(5,088,744)	\$ (5,088,744)
Meter Capital Expense	(1,306,897)									
Pro Forma Operating Income after CapEx	\$ (2,556,800)	\$ (2,122,219)	\$ (1,739,152)	\$ (1,410,730)	\$ (1,124,414)	\$ (877,426)	\$ (640,831)	\$ (412,582)	\$ (183,880)	\$ (183,880)
Source: DESMAN	\$ 5,940,211	\$ 8,847,471	\$ 9,196,453	\$ 7,698,599	\$ 7,380,785	\$ 10,216,297	\$ 10,092,609	\$ 10,709,346	\$ 9,947,095	\$ 418,808,056

### COMPARISON OF THE "STATUS QUO" SCENARIO AND THE ALTERNATE SCENARIOS

In order to provide a basis for evaluating the expected performance of the Parking System if the City continues to operate, it was necessary to create alternate scenarios which attempt to quantify the financial performance of the System assuming changes in how the System is operated. For this reason, three additional scenarios were created: 1) the City continues to operate the Parking System, but improves the efficiency of the operations to reduce operating costs and increase revenues; 2) the City outsources the operation of the Parking System to a private entity, allowing the private entity to collect all net revenues generated by the System in exchange for an upfront, lump-sum payment and/or a share of the ongoing profit generated by the System, and; 3) the City outsources the operation of the Parking System to a private entity, but allows parking rates to increase at a rate more closely aligned with the historical rate of inflation.

The first alternate scenario, deemed the "Optimized" scenario, assumes that the City continues to operate the System and is able to become more efficient with its use of resources, reducing the cost to run the system initially and slowing the growth of expenses over time. This scenario attempts to demonstrate what would be reasonably possible from a financial performance perspective if the MPD were permitted to and capable of making the operation more efficient, but it does not assume that the MPD can operate the System as efficiently and effectively as a professional private parking operator. The potential financial performance of the System under the control of a private parking operator is modeled in the "Private" scenario.

The second alternative scenario, the "Private" scenario, assumes that a professional private parking operator assumes control of the Parking System and is able to streamline the operations with far greater success than the MPD is reasonably capable of. Through a combination of technology improvements, operational changes and personnel reorganization, this scenario assumes that a private parking operator could increase the Year 1 margins of the System before capital expenditures from the 49% projected in the "Status Quo" scenario to 60%. Based on past experience, an operating margin of 60% or more is realistically achievable in a well-run parking operation.

The third alternative scenario, the "Private Upside" scenario, makes all of the same assumptions as the "Private" scenario but allows for more frequent increases in parking rates and violation fines. The "Private Upside" scenario assumes that all parking and violation rates will increase by 10% in FY 2018 and an additional 10% every 3 years thereafter. These periodic increases are designed to ensure that rates rise at approximately 3% or at a similar same pace to historical rate of inflation over the last 30 years, as published by the Bureau of Labor Statistics.

Table 7 was created to compare some of the key assumptions from the three models, which drive the differences in revenues and expenditures between the scenarios.

Tables 8, 9 and 10 present summaries of the "Optimized", "Private" and "Private Upside" models, respectively.

**Table 7 – Comparison of Key Modelling Assumptions**

	"Status Quo"	"Optimized"	"Private"	"Private Upside"
<b>Major Revenue Assumptions</b>				
Garage Rates	10% Increase in 2025 and every 10 years thereafter, except JLA	10% Increase in 2025 and every 10 years thereafter, except JLA	10% Increase in 2025 and every 10 years thereafter, except JLA	10% Increase in 2018 and every 3 years thereafter, except JLA
Meter Rates	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2018 and every 3 years thereafter
Violation Rates	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2018 and every 3 years thereafter
Boot & Tow and Abandoned Vehicle Fees	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2025 and every 10 years thereafter	10% Increase in 2018 and every 3 years thereafter
Parking Demand/ Ticketing Volume	Demand will grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup> decades of the projections, respectively, matching the assumption of municipal income tax revenue growth in the POA	Demand will grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup> decades of the projections, respectively, matching the assumption of municipal income tax revenue growth in the POA	Demand will grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup> decades of the projections, respectively, matching the assumption of municipal income tax revenue growth in the POA	Demand will grow by 0.3%, 0.6%, 0.7%, and 0.8% annually in the 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup> decades of the projections, respectively, matching the assumption of municipal income tax revenue growth in the POA
Additional Meters	None	114 Meters; equates to 5% more meters in the current top-performing meter areas	228 Meters; equates to 10% more meters in the current top-performing meter areas	228 Meters; equates to 10% more meters in the current top-performing meter areas
Extended Meter Hours	None	Extend enforcement by 1 hour to 7pm in areas currently enforced until 6pm	Extend enforcement by 1 hour to 7pm in areas currently enforced until 6pm	Extend enforcement by 1 hour to 7pm in areas currently enforced until 6pm
Payment of Meters	No Change	More efficient enforcement results in 15 minutes per meter, per day of paid parking time	More efficient enforcement results in 30 minutes per meter, per day of paid parking time	More efficient enforcement results in 30 minutes per meter, per day of paid parking time
Ticketing Volume	Realization of 75% of additional revenue assumed with increase in violation rates	Realization of 80% of additional revenue assumed with increase in violation rates	Realization of 85% of additional revenue assumed with increase in violation rates	Realization of 85% of additional revenue assumed with increase in violation rates
Boot & Tow and Abandoned Vehicle Activity	No Change	No Change	20% volume growth in Year 1, no volume growth thereafter	20% volume growth in Year 1, no volume growth thereafter
<b>Major Expense Assumptions</b>				
Annual Expense Growth	2.50%	2.25%	Expenses calculated as margins by asset class; overhead calculated as 7% of revenue; variable meter costs grow at 2% annually; equates to total cost margin of 40%	Expenses calculated as margins by asset class; overhead calculated as 7% of revenue; variable meter costs grow at 2% annually; equates to total cost margin of 40%
Expense Savings	None	5% reduction in operating expenses in Year 1 versus FY14	Expenses calculated as margins by asset class; overhead calculated as 7% of revenue; variable meter costs grow at 2% annually; equates to total cost margin of 40%	Expenses calculated as margins by asset class; overhead calculated as 7% of revenue; variable meter costs grow at 2% annually; equates to total cost margin of 40%

Source: DESMAN; Miller-Buckfire; Conway Mackenzie

**Table 8 – "Optimized" Financial Performance Model Summary**

	Year 1 FY 2015	Year 2 FY 2016	Year 3 FY 2017	Year 4 FY 2018	Year 5 FY 2019	Year 10 FY 2024	Year 20 FY 2034	Year 30 FY 2044	Year 40 FY 2054	40 Year Total
<b>Optimized</b>										
Garage & Lot Revenue	\$ 6,336,045	\$ 6,340,282	\$ 6,354,557	\$ 3,945,843	\$ 3,952,925	\$ 3,968,583	\$ 4,386,468	\$ 4,847,403	\$ 5,385,068	\$ 190,656,944
Parking Meters	4,629,051	4,642,608	4,656,205	4,669,843	4,683,523	4,752,536	5,472,595	6,359,209	7,458,008	233,941,045
Parking Ticket Revenue	17,601,010	17,653,813	17,706,774	17,759,894	17,813,174	18,081,980	21,116,331	24,906,108	29,669,066	911,719,053
Boat & Tow Revenue	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,320,000	1,452,000	1,597,200	55,692,000
Other Revenue										
<b>Operating Revenue</b>	<b>\$ 29,756,106</b>	<b>\$ 29,836,703</b>	<b>\$ 29,917,536</b>	<b>\$ 27,575,581</b>	<b>\$ 27,649,621</b>	<b>\$ 28,023,098</b>	<b>\$ 32,295,395</b>	<b>\$ 37,564,720</b>	<b>\$ 44,109,342</b>	<b>1,392,009,041</b>
Garage & Lot Expenses	\$ (2,851,508)	\$ (2,915,667)	\$ (2,981,269)	\$ (1,799,619)	\$ (1,840,111)	\$ (2,056,651)	\$ (2,569,175)	\$ (3,209,423)	\$ (4,009,222)	\$ (110,962,209)
Parking Meter Repair and Collections Expenses	(762,245)	(779,396)	(796,932)	(814,863)	(833,198)	(931,246)	(1,163,316)	(1,453,219)	(1,815,366)	(48,620,715)
Credit Card Processing Fees	(97,910)	(116,766)	(126,395)	(127,087)	(127,782)	(241,286)	(277,843)	(322,856)	(378,642)	(11,681,114)
On-Going Parking Meter Fees	(228,390)	(234,100)	(239,952)	(245,951)	(252,100)	(285,228)	(365,116)	(467,379)	(598,285)	(15,394,069)
Ticket Writing/Root & Tow Expenses	(9,467,471)	(9,615,279)	(9,765,760)	(9,918,969)	(10,074,959)	(10,898,641)	(12,789,700)	(15,065,712)	(17,813,580)	(526,163,956)
Parking & City Admin Overhead	(2,599,008)	(2,657,486)	(2,717,279)	(2,778,418)	(2,840,932)	(3,175,247)	(3,966,529)	(4,955,001)	(6,189,805)	(165,780,777)
<b>Operating Expenses</b>	<b>\$ (16,006,532)</b>	<b>\$ (16,378,693)</b>	<b>\$ (16,737,588)</b>	<b>\$ (15,794,907)</b>	<b>\$ (16,079,081)</b>	<b>\$ (17,588,298)</b>	<b>\$ (21,131,679)</b>	<b>\$ (25,473,590)</b>	<b>\$ (30,804,899)</b>	<b>\$ (878,602,840)</b>
Add back: DBA and Trustee legacy Expenses	211,752	216,516	221,388	226,369	231,462	258,700	323,169	403,704	504,309	13,506,841
Add back: Pension, POC and OPEB Legacy Expenses	1,494,478	1,578,103	1,562,486	1,597,642	1,633,588	1,825,875	2,280,827	2,849,217	3,559,252	95,377,008
<b>Pro Forma Operating Expenses</b>	<b>\$ (14,300,302)</b>	<b>\$ (14,634,073)</b>	<b>\$ (14,953,714)</b>	<b>\$ (13,970,897)</b>	<b>\$ (14,214,031)</b>	<b>\$ (15,503,772)</b>	<b>\$ (18,527,682)</b>	<b>\$ (22,220,669)</b>	<b>\$ (26,741,338)</b>	<b>\$ (769,769,991)</b>
Pro Forma Operating Income	\$ 15,455,804	\$ 15,202,630	\$ 14,963,822	\$ 13,604,684	\$ 13,435,591	\$ 12,519,326	\$ 13,767,713	\$ 15,344,052	\$ 17,368,004	\$ 622,240,050
Parking Facility CapEx	(4,321,000)	14,996,875	(4,378,305)	(4,487,762)	(4,599,956)	(644,653)	(1,353,257)	(1,394,217)	(2,916,896)	(76,668,077)
Parking Equipment CapEx	(1,306,897)									
Meter Capital Expense	(2,618,000)									(7,862,642)
<b>Pro Forma Operating Income after CapEx</b>	<b>\$ 7,179,907</b>	<b>\$ 10,206,755</b>	<b>\$ 10,585,517</b>	<b>\$ 9,116,922</b>	<b>\$ 8,835,635</b>	<b>\$ 11,874,663</b>	<b>\$ 12,414,455</b>	<b>\$ 13,949,834</b>	<b>\$ 14,451,108</b>	<b>\$ 521,778,252</b>

Source: DESMAN



**Table 9 – "Private" Financial Performance Model Summary**

	Year 1 FY 2015	Year 2 FY 2016	Year 3 FY 2017	Year 4 FY 2018	Year 5 FY 2019	Year 10 FY 2024	Year 20 FY 2034	Year 30 FY 2044	Year 40 FY 2054	40 Year Total
Private										
Garage & Lot Revenue	\$ 6,326,045	\$ 6,340,282	\$ 6,354,557	\$ 3,945,843	\$ 3,952,925	\$ 3,988,583	\$ 4,386,468	\$ 4,847,403	\$ 5,385,068	\$ 190,656,944
Parking Meters	5,250,117	5,265,537	5,281,003	5,296,516	5,312,075	5,390,573	6,205,825	7,210,299	8,455,817	265,253,547
Parking Ticket Revenue	18,143,154	18,197,584	18,252,177	18,306,933	18,361,854	18,638,939	21,766,755	25,673,263	30,582,929	939,601,737
Boat & Tow Revenue	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,584,000	1,742,400	1,916,640	66,830,400
Other Revenue										
Operating Revenue	\$ 31,159,317	\$ 31,243,403	\$ 31,377,737	\$ 28,989,292	\$ 29,066,853	\$ 29,458,095	\$ 33,943,048	\$ 39,473,366	\$ 46,340,455	1,462,542,627
Garage & Lot Expenses	\$ (1,897,814)	\$ (1,902,085)	\$ (1,906,367)	\$ (1,183,753)	\$ (1,185,877)	\$ (1,196,575)	\$ (1,315,941)	\$ (1,454,221)	\$ (1,615,520)	\$ (57,197,083)
Parking Meter Repair and Collections Expenses	(1,050,023)	(1,053,107)	(1,056,201)	(1,059,303)	(1,062,415)	(1,078,115)	(1,241,165)	(1,442,060)	(1,691,163)	(53,050,709)
Credit Card Processing Fees	(111,366)	(201,060)	(268,885)	(269,674)	(270,467)	(274,463)	(315,972)	(367,115)	(430,531)	(13,282,513)
On Going Parking Meter Fees	(236,256)	(242,162)	(248,216)	(254,422)	(260,782)	(295,051)	(377,691)	(483,476)	(618,890)	(15,924,258)
Ticket Writing/Boat & Tow Expenses	(6,854,104)	(6,873,154)	(6,892,262)	(5,911,427)	(6,930,649)	(7,022,629)	(8,172,764)	(9,595,482)	(11,374,849)	(352,321,248)
Parking & City Admin Overhead	(2,181,152)	(2,187,038)	(2,192,842)	(2,029,250)	(2,034,680)	(2,062,067)	(2,376,013)	(2,763,136)	(3,243,832)	(102,377,984)
Operating Expenses	\$ (12,330,715)	\$ (12,458,607)	\$ (12,564,872)	\$ (11,707,829)	\$ (11,744,870)	\$ (11,933,900)	\$ (13,799,546)	\$ (16,105,450)	\$ (18,974,787)	\$ (594,153,795)
Add back: DBA and Trustee Legacy Expenses										
Add back: Pension, POC and OPEB Legacy Expenses										
Pro Forma Operating Expenses	\$ (12,330,715)	\$ (12,458,607)	\$ (12,564,872)	\$ (11,707,829)	\$ (11,744,870)	\$ (11,933,900)	\$ (13,799,546)	\$ (16,105,450)	\$ (18,974,787)	\$ (594,153,795)
Pro Forma Operating Income	\$ 18,828,602	\$ 18,784,796	\$ 18,762,865	\$ 17,281,462	\$ 17,321,984	\$ 17,524,196	\$ 20,143,502	\$ 23,367,876	\$ 27,365,668	\$ 868,388,832
Parking Facility Capex	(4,321,000)	(4,996,875)	(4,378,305)	(4,487,762)	(4,599,956)	(644,663)	(1,353,257)	(1,394,217)	(2,916,896)	(76,668,077)
Parking Equipment Capex	(1,306,897)									(17,862,642)
Meter Capital Expense	(2,739,200)									(16,479,763)
Pro Forma Operating Income after Capex	\$ 10,461,505	\$ 13,787,921	\$ 14,384,560	\$ 12,793,700	\$ 12,722,027	\$ 16,879,533	\$ 18,790,245	\$ 21,973,658	\$ 24,448,772	\$ 767,378,351

Source: DESMAN



While three of the four scenarios assume the same minimal rate increases over time, there is the potential for significant upside if the frequency and/or degree of future rate changes are increased, as is demonstrated in the "Private Upside" scenario. Any private parking operator would want the ability to raise rates to keep pace with inflation at a minimum and, at present, none of the "Status Quo", "Optimized" or "Private" scenarios assume that rate increases keep pace with inflation. This is important to keep in mind when considering the potential value of the Parking System, regardless of which operating model the City chooses to pursue.

#### **CONCLUSION**

As shown in Tables 6, 8, 9, and 10, the anticipated cash flow generated by the Parking System over the 40-year projection horizon is approximately \$419MM, \$522MM, \$767MM, and \$1,312MM for the "Status Quo", "Optimized", "Private", and "Private Upside" scenarios, respectively. While there is some additional benefit if the City were able to retain operations in-house and make the noted efficiency improvements, there is a far more substantial impact with the efficiency gains that can be realized by a private parking operator. Additional value can also be realized by allowing parking rates to increase over time at a pace that roughly matches the long-term historical rate of inflation.

Again, these are estimates of the potential financial performance of the City of Detroit's Parking System under four specific scenarios. Any changes to the assumptions used to formulate the projections could have a significant impact, either positive or negative, on the expected performance of the Parking System.

**Exhibit C: Potential General Fund Subsidies for Parking Enterprise Fund**

**Status Quo Scenario Projections – Automotive Parking System (Parking Enterprise Fund)**

	Year 1 FY 2015	Year 2 FY 2016	Year 3 FY 2017	Year 4 FY 2018	Year 5 FY 2019	Year 10 FY 2024	Year 20 FY 2034	Year 30 FY 2044	Year 40 FY 2054	40 Year Total
Garage & Lot Revenue	\$ 6,326,045	\$ 6,340,282	\$ 6,354,557	\$ 3,945,843	\$ 3,952,925	\$ 3,988,583	\$ 4,386,468	\$ 4,847,403	\$ 5,385,068	\$ 190,656,944
Parking Meters	4,148,472	4,160,587	4,172,738	4,184,926	4,197,150	4,258,824	4,905,194	5,700,566	6,685,775	209,709,261
Total Revenue	\$10,474,517	\$10,500,869	\$10,527,295	\$ 8,130,768	\$ 8,150,075	\$8,247,407	\$9,291,662	\$10,547,969	\$12,070,843	\$400,366,205
Operating Expenses	(6,103,867)	(6,324,746)	(6,532,203)	(5,432,934)	(5,564,080)	(6,270,445)	(7,999,033)	(10,210,151)	(13,038,902)	(340,820,592)
Net Cash Flow Before Capital Expenditures	\$ 4,370,650	\$ 4,176,122	\$ 3,995,091	\$ 2,697,834	\$ 2,585,995	\$1,976,962	\$1,292,629	\$ 337,818	\$ (968,059)	\$ 59,545,612
Recommended Capital Expenditures	(8,184,697)	(4,996,875)	(4,378,305)	(4,487,762)	(4,599,956)	(644,663)	(1,353,237)	(1,394,217)	(2,916,896)	(98,913,114)
Net Deficit (Required General Fund Subsidy)	\$ (3,814,047)	\$ (820,753)	\$ (383,213)	\$ (1,789,928)	\$ (2,013,961)	\$1,332,299	\$ (60,629)	\$ (1,056,399)	\$ (3,884,955)	\$ (40,367,502)

Source: Desman Associates

**Exhibit D: Request for Proposal# 48771 – Qualifications for Potential Monetization of Parking Assets**

**CITY OF DETROIT**  
**FINANCE DEPARTMENT – PURCHASING DIVISION**  
**REQUEST FOR PROPOSALS**  
**QUALIFICATIONS FOR POTENTIAL MONETIZATION OF PARKING ASSETS**

*RFP NO. 48771*

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<b>ADVERTISE DATE</b>	08/01/14
<b>QUESTION DEADLINE</b>	08/06/14 Submitted in writing via email to the attention of: Don Bryant City of Detroit, Finance Department Purchasing Division E-mail: BryantDo@detroitmi.gov
<b>PRE-PROPOSAL CONFERENCE</b>	NON MANDATORY 08/11/14 at 2:00 PM Conference call: (866) 587-1360 Passcode: 978 613 6551
<b>SITE VISITS</b>	No formal site visits are scheduled during this initial RFP phase
<b>PROPOSAL DUE DATE</b>	08/18/14 2:00 P.M. local time Electronic copy should be sent to each of the following addresses: BryantDo@detroitmi.gov kyle.herman@millerbuckfire.com
<b>PUBLIC RECORDING</b>	08/18/14 AT 2:30 P.M. local time To be held in the Finance Department-Purchasing Division

*Qualifications must be in the actual possession of the Purchasing Division at the location indicated, on or prior to the exact date and time indicated above. Late proposals shall not be accepted.*

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## 1. INTRODUCTION

Pursuant to this Request for Proposal No. 48771 ("RFP"), the City of Detroit ("City") through its Finance Department Purchasing Division is seeking qualifications and initial proposals from qualified and experienced firms or teams of experienced firms (each, a "Bidder") to potentially enter into a long-term lease and concession with the City ("Lease and Concession") for the City's off-street parking facilities (seven garages with approximately 6,884 spaces), on-street meters (approximately 3,200 spaces) and related boot and tow and violation enforcement operations (the "Parking System") or individual components thereof.

This qualifications-focused RFP is the first of a two-step procurement process. After the City reviews the RFP responses, the City will determine which Bidders are qualified for the Lease and Concession or components thereof, and it will provide those qualified Bidders additional information concerning the Parking System and the bidding process. Qualified Bidders will be asked to submit preliminary, non-binding proposals for evaluation and will have the opportunity to conduct due diligence of the Parking System through:

- a) Access to a virtual data room;
- b) Parking System tours and additional inspections;
- c) Meetings with Parking System personnel; and
- d) Review of a form Lease and Concession agreement (the "Concession Agreement").

Following this due diligence process, each qualified Bidder will submit final and binding proposals for the Lease and Concession in accordance with procedures to be provided to qualified Bidders. If the final and binding proposals received at the conclusion of the solicitation process meet the objectives of the City, the City will enter into the Concession Agreement with the winning Bidder.

The Concession Agreement will be a long-term agreement granting the winning Bidder the exclusive right to operate the Parking System and to collect related revenue from the Parking System during the term of the Concession Agreement, anticipated to be from 30 to 50 years. The primary objective of the City is to maximize available cash flows to the City under the Concession Agreement while improving customer service, safety and security. The Concession Agreement will include standards for required capital improvements and the operation and maintenance of the Parking System which the winning Bidder will be required to satisfy. The City may, in its sole discretion, determine that it is most beneficial to the City to break the Lease and Concession into multiple components and to execute individual Concession Agreements for each such component.

The receipt of proposals or other documents at any stage of either the RFP or the bidding process will in no way obligate the City to enter into any contract of any kind with any party. The City expressly reserves the right to modify, add, or delete any item(s) from the proposal it deems necessary prior to the issuance of an award. Approval under the Local Financial Stability and Choice Act of 2012, Michigan Public Act 436 of 2012, will be required before the Concession Agreement is executed.

The City does not expect any budgetary approval for this RFP. All respondents, including the ultimate winning Bidder, are expected to fund their own expenses through the RFP, bidding, due diligence and closing processes.

## 2. MINIMUM QUALIFICATIONS

Proposals will only be accepted from Bidders demonstrating a minimum of five (5) years of experience of the Bidder or each team member of the Bidder providing the services requested in this RFP for

projects of similar scope and size, provided that if the Bidder is bidding on only a portion of the Lease and Concession, it need only demonstrate such experience for that portion.

### 3. SCOPE OF WORK

The scope of work for the Lease and Concession is shown below.

- a) **Objective.** The objective of the Lease and Concession is to maximize the cash flows to the City from its Parking System through the operation of the Parking System by the winning Bidder or Bidders, while improving customer service, safety and security.
- b) **Maintenance of Parking System.** The winning Bidder or Bidders will be responsible for maintaining the condition of the Parking Systems assets for which they have bid, including but not limited to meters and parking facilities.
- c) **Length of Lease and Concession.** The length of the Lease and Concession will be negotiated between the City and the winning Bidder or Bidders, and it is expected to be a long-term Lease and Concession of between 30 and 50 years.
- d) **Reporting.** The winning Bidder or Bidders will be required to provide regular, detailed reports pursuant to reporting requirements defined in the Concession Agreement.
- e) **Assets.** Each Bidder may bid on the entire Lease and Concession or only on certain components of the Lease and Concession. The City prefers to execute one Concession Agreement contract with one winning Bidder for the Lease and Concession of the Parking System, but it may also consider breaking the Lease and Concession into multiple components and to executing individual Concession Agreements for each such component.
- f) **Partnering.** Each Bidder may be composed of one or many "partner(s)" to respond to this proposal. Any "collusion" among Bidders will not be approved by the City and will result in the rejection of such bids. To the extent that any "partner" is participating in multiple Bidders (e.g. operators), separate teams within that "partner" must be dedicated to each Bidder and suitable evidence of a Chinese Wall between those teams must be presented with the Bidder's submission materials.

### 4. BACKGROUND INFORMATION

#### Parking System Description

- a) The City has provided information about the Parking System in the exhibits included as part of Attachment I and does not intend to conduct site visits prior to the submission of responses to this RFP. The City does not guarantee the accuracy of the information. Interested parties are encouraged to independently investigate the Parking System.
- b) In the event a Bidder has a question regarding this RFP, the Bidder should email the question on or before July 9, 2014 to both of the below contacts:

Don Bryant  
City of Detroit  
Finance Department Purchasing Division  
CAYMC, Suite 1008  
2 Woodward Ave.  
Detroit, MI 48226  
bryantdo@detroitmi.gov

Kyle Herman  
Miller Buckfire  
601 Lexington Avenue  
22<sup>nd</sup> Floor  
New York, NY 10022  
kyle.herman@millerbuckfire.com

5. **EVALUATION CRITERIA**

This RFP is open to all prospective investors who seek to pursue the Lease and Concession of the Parking System. Each Bidder shall submit a response to this RFP, and upon receipt, all RFP responses will be reviewed for completeness in accordance with the submission requirements. At the end of this review, the City and its advisors will assess each Bidder proposal in the areas of technical capability and financial capacity with respect to the standards set forth in this RFP pertaining to the portion of the Lease and Concession upon which the Bidder submitted a response. There will be no restriction as to the number of Bidders that may qualify to pursue the Lease and Concession of the Parking System.

6. **EVALUATION PROCEDURE**

A committee consisting of professionals, members of the City staff and others selected by the City (the "Evaluation Committee") will evaluate each response and determine which Bidder is qualified to continue in the process for the entire Lease and Concession or with respect to the portion of the Lease and Concession for which the Bidder submitted a response. The Evaluation Committee shall have the sole discretion on which Bidders qualify to continue in the process. All proposals which meet the required format of this RFP will be evaluated in the sole discretion of the Evaluation Committee. Any proposals determined to be non-responsive to the specifications or other requirements of the RFP, including instructions governing submission and format, will be disqualified unless the City determines, in its sole discretion, that non-compliance is not substantial or that an alternative proposed by the respondent is acceptable. The City may also at its discretion, request oral presentations, make site visits at respondent's facility and may request a demonstration of respondent's operations. If scheduled, a final determination will be made after the oral presentations and/or demonstrations are complete.

7. **PROPOSAL CONTENT REQUIREMENTS**

To be considered responsive, each proposal must, at a minimum, present and/or respond to the following items in this Section 7 in their entirety, and any additional information should be clearly noted as such. For those proposals only bidding on a portion of the Lease and Concession, such proposals need only respond to the portions of this Section 7 relevant to such portion, and in those instances that this Section 7 requires responses regarding the entire Parking System, such proposal's response should be as if such portion were the entire Parking System in those instances. All pages of the submission to the City in response to this RFP (the "RFP Submission") must be numbered, excluding exhibits, drawings and other supplemental information which may be added as attachments. The instructions contained in this RFP must be strictly followed. Accuracy and completeness are essential.

a) Table of Contents

Please provide a table of contents for the RFP Submission.

b) Signature Page (see Attachment II)

c) Statement of Submission and Bidder Information (A "Statement of Submission")

In your Statement of Submission, please include, at a minimum, the following information and/or documentation:

- 1) A statement to the effect that your proposal document is in response to this RFP No. 48771;
- 2) A description of members of the Bidder, in which description, please:
  - a. Provide a description of all Bidder team members and the anticipated legal relationship (governance and capital structure) among the team members (e.g., partners, shareholders, client-consultants, subcontractors, etc.) as appropriate, (all equity investors in such relationship should be identified);

- b. Briefly identify and outline the roles of the team members and key personnel with respect to the Lease and Concession;
- c. Identify the entity or entities that will act as operator of the Parking System under the proposed Lease and Concession and provide details of their experiences with off-street garages and lot facilities and on-street meters, specifically noting any transition processes similar to the potential transition that would occur in the event of a transaction;
- d. Provide a single contact person for all future communication between the City and its advisors and the Bidder's team, including the contact person's name, title, organization, address, telephone number, fax number, and email address;
- e. Identify the individuals or companies who hold a major or controlling interest in each team member;
- f. Identify the companies and individuals who are expected to act as legal, financial, or other advisors for the team (if identified);
- g. Provide a list of comparable projects in which team members have participated and specify how these comparable projects relate to the proposed Lease and Concession; and
- h. Provide a list of four team member references, who should be able to describe the relevant qualifications and capabilities of team members seeking to take a leading role in the operation and maintenance of the Parking System; and
- i. Provide the location of the principal place of business and Federal Employer Identification Number for each team member.

d) Bidder Technical Capability

Please provide a description of the Bidder's technical capability in the following areas, which description for each area must demonstrate an in-depth expertise in that area for each type of asset class that comprises the Parking System:

- 1) Operations and maintenance, which description should demonstrate the following characteristics of the Bidder:
  - a. Substantial urban parking facility maintenance and operation experience;
  - b. Advanced knowledge of parking facilities maintenance, repair, construction and practical application of equipment and materials in parking facility operations;
  - c. Demonstrated understanding in parking facility aging behavior to assess and determine the applicability of remedial maintenance action; and
  - d. All the capabilities necessary to successfully operate and maintain the Parking System including routine maintenance, operations management, parking fee management and operations, administration, marketing and public relations and parking operations;
- 2) Customer service, which description should highlight the Bidder's experience and qualifications providing excellent customer service to the public;
- 3) Customer safety and security, which description should demonstrate the following characteristics of the Bidder:
  - a. Knowledge of parking and public safety and security techniques and methodologies;
  - b. Experience in emergency response support;
  - c. Expertise in relevant parking engineering standards, specifications, policies, practices and processes; and
- 4) Undertaking capital improvements in an efficient and effective manner to maintain the Parking System.

e) Bidder Financial Capacity

Please provide a description of the Bidder's financial capacity, in which description, please:

- 1) Demonstrate the financial capacity to make the upfront payment and to maintain the Parking System for the term of the Lease and Concession;

- 2) Include copies of audited financial statements for the past three years for each team member of the Bidder, together with any other relevant financial information. or, if audited financial statements cannot be provided, please include sufficient financial information to demonstrate the financial resources to successfully execute a project of this nature and scope;
  - 3) Provide specific evidence demonstrating the ability to raise financing for a project of this nature and scope if unable to self-finance. Specific factors that will be assessed include:
    - a. Capability of raising debt and equity in the current capital market;
    - b. The number and size of past relevant transactions; and
    - c. Specific experiences financing past relevant transactions;
  - 4) Provide evidence of any licenses or registrations required for the Lease and Concession.
- f) **Initial Value Range**  
Please provide initial indications as to your estimated present value of the Lease and Concession, including your key assumptions as to the length of the Lease and Concession and structure of transaction to the extent that your proposal varies from the structure envisioned under the Concession Agreement (e.g., a purchase of certain assets rather than a long-term lease) and/or is not for the entirety of the parking assets.
- g) **Bidder Performance History**  
Please provide a description of the performance history of the Bidder (or each team member, if the Bidder is a newly-formed team), which description should:
- 1) Identify in detail at least 3 similar projects by name, subject matter, location, services provided and the length of time services were provided on each, including a description of specific services provided and dates during which the services were provided;
  - 2) Identify key personnel working on the projects identified in (1);
  - 3) Identify any projects in which the contract was terminated for any reason;
  - 4) Identify any claims or lawsuits that have been brought against your organization as a result of any services provided within the last five (5) years; and
  - 5) Provide an organization chart indicating the key personnel who will provide services resulting from this RFP. Also provide a resume for each of the key personnel.

## 8. SUBMITTAL INSTRUCTIONS AND OTHER KEY INFORMATION

- a) RFP Submission due date - 08/18/14
- b) Questions due date - 08/06/14  
Response date - 08/11/14
- c) Pre-proposal conference - 08/11/14

## 9. PROPOSALS DISCLAIMERS AND CONDITIONS

- a) **Rejections, Modifications, Cancellations**

The City expressly reserves the right to: 1) accept or reject, in whole or in part, any and all proposals received; 2) waive any non-conformity; 3) re-advertise for proposals; 4) withhold the award for any reason the City determines; 5) cancel and/or postpone the request for proposals, in part or in its entirety; and/or, 6) take any other appropriate action that is in the best interest of the City. This RFP does not commit the City to award a contract, to pay any cost incurred in the preparation of a proposal under this request, or to procure or contract for services.

b) Closed Bidding Process

Once qualified bidders have been selected, this RFP will be closed to additional parties with the exception of current MPD employees and their collective bargaining units, should they choose to participate in the process.

c) News Releases and Other Communications

News releases pertaining to these proposal specifications or the provisions to which they relate shall not be made without prior approval of the City and then only in coordination with the City.

Bidders are advised that no oral interpretation, information or instruction by an officer or employee of the City or City representative shall be binding upon the City.

d) Confidentiality of Proposals

Proposals shall be opened with reasonable precautions to avoid disclosure of contents to competing offers during the process of evaluation. Once proposals have been publicly recorded they are subject to disclosure as per the requirements of the Michigan Freedom of Information Act.

## **Attachment I – Parking System Overview**

### Off-Street Parking System Characteristics

The City of Detroit currently owns seven (7) parking structures: five (5) structures downtown, one (1) structure in the Eastern Market District northeast of downtown, and one (1) underground structure north of downtown on the campus of the Detroit Institute of Art. Table 1 presents the locations, approximate space counts and operating hours of each of the garages, as well as an identification letter for locating the facilities on the maps that follow.

**Table 1 – Parking Garages Comprising the City of Detroit Parking System**

Map ID	Garage Name	Address	Capacity	Hours of Operation
A	Ford Underground	30 E. Jefferson Ave.	723	M-F: 6am-11pm; Sun: 1am-3pm; Special Events As Needed
B	Grand Circus	1600-01 Woodward Ave.	821	M-Sun: 6am-6pm; Special Events As Needed; Residential - 24-hour Access
C*	Joe Louis Arena	900 W. Jefferson Ave.	3,200	M-F: 6am-11pm; Detroit Red Wing Games; Special Events As Needed; Holidays As Needed
D	Millennium	432 W. Congress St.	595	M-F: 7am-11pm; Sat, Sun, & Holidays As Needed
E	Premier Underground	1206-08 Woodward Ave.	895	M-F: 7am-11pm; Sat (validations): 9am-5pm; 24/7 Monthly and Residential
F	Eastern Market	2727 Riopelle St.	300	Sat: 6am-6pm; Detroit Lions Games; Seasonal/Special Events As Needed
G	Cultural Center	Corner of 3rd & Buchanan	350	Closed Due To Disrepair
TOTAL CAPACITY			6,884	

\* The capacity of the Garage itself is approximately 2,600 spaces, with an additional 600 spaces contained in the gravel areas surrounding the Garage.

Figures 1-3 show the locations of the seven (7) garages that are part of the City's Parking System.

As noted in Table 1, the Cultural Center Garage is currently closed due to disrepair. Based on the condition of the facility, public parking has not been permitted in this garage since mid-2011. Additionally, although not identified in Table 1, approximately 1,000 spaces in the Joe Louis Arena (the "JLA") Garage are currently closed due to disrepair.





Figure 1 - Downtown Garages

Figure 2 – Eastern Market Garage

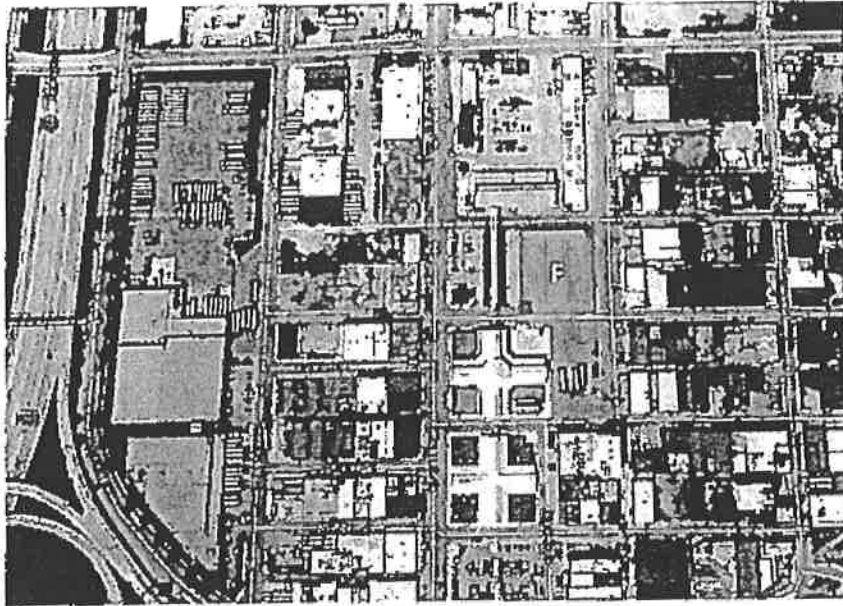
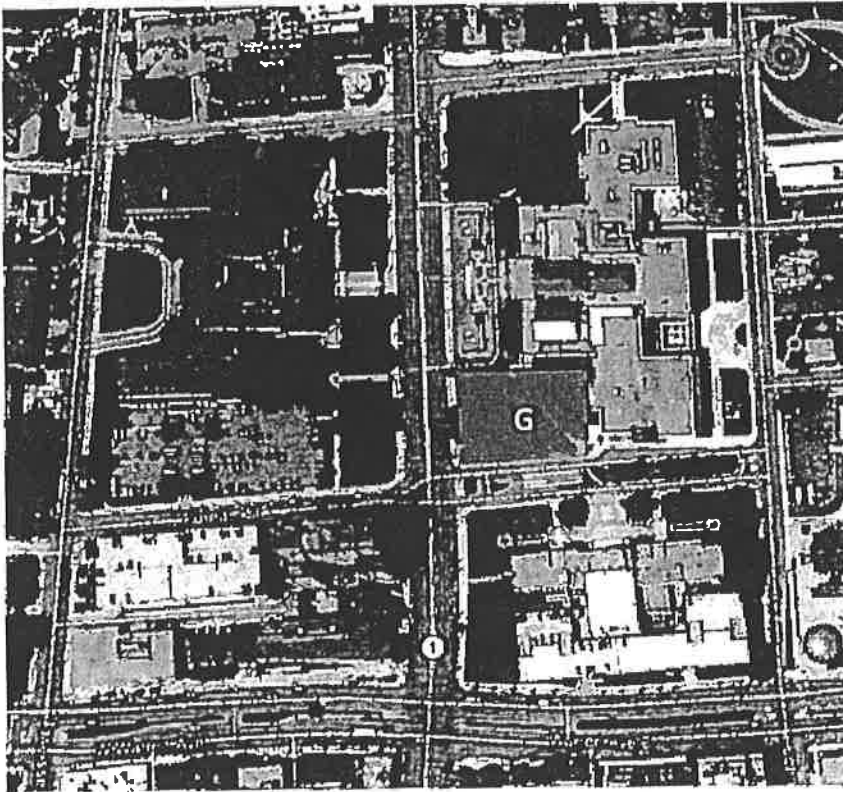


Figure 3 – Cultural Center Garage



## Off-Street Parking Rates

Table 2 presents current parking rates charged at each of the City's garages.

**Table 2 – Off-Street Parking Rates**

Garage Name	Non-Event/Hourly Rate	Monthly Rate	Event Rate
Ford Underground	First 2 Hours: \$5.00; Up To 4 Hours: \$10.00; Daily Maximum: \$15.00	\$150.00	Event Rate: Varies
Grand Circus	Daily Maximum: \$5.00	\$75.00	Event Rate: \$10.00 - \$30.00
Joe Louis Arena	N/A	*\$15.00	Event Rate: \$3.00 - \$30.00
Millennium	Daily Maximum: \$10.00	\$120.00	Event Rate: \$10.00 - \$20.00
Premier Underground	First 2 Hours: \$5.00; Up To 4 Hours: \$10.00; Daily Maximum: \$15.00	\$100.00	Event Rate: Hourly Rate - \$20.00
Eastern Market	Daily Maximum: \$5.00	N/A	Event Rate: \$15.00
Cultural Center	CURRENTLY CLOSED		

\*Monthly Rate not available to general public

Three of the facilities – Grand Circus, Millennium, and Eastern Market – charge a flat rate for parking, regardless of the length of time a vehicle remains parked. Both the Ford Underground and Premier Underground garages charge rates based on the length of stay – \$5.00 for a stay of two hours or less, \$10.00 for a stay of four hours or less, or \$15.00 for a stay of more than four hours.

### On-Street Parking System Characteristics

There are a total of 3,196 on-street meter spaces in the City of Detroit, spread throughout 19 different areas. The largest concentration of meters is downtown. Table 3 lists the areas which contain on-street meters, the number of each type of metered space, the total number of metered spaces, and the percentage breakdown of metered spaces located in each area.

**Table 3 – Inventory of On-Street Parking Meters**

Area Name	Single Space	Pay Station Spaces	IPS Single Space	Total Spaces	Percentage of Total
Ameritech	101	-	12	113	4%
Cobo Hall	70	79	-	149	5%
Cadillac Square	20	100	-	120	4%
Cultural Center	58	26	45	129	4%
Detroit Police Headquarters	32	63	54	149	5%
Grand River	55	-	-	55	2%
Gratiot	49	-	-	49	2%
Medical Center	94	-	133	227	7%
Millender Center	52	46	152	250	8%
New Center	131	166	14	311	10%
Northeast	93	-	-	93	3%
Northwest	133	-	-	133	4%
Southwest	77	-	-	77	2%
State	58	-	-	58	2%
Theatre District	51	190	18	259	8%
Trolley Plaza	187	7	-	194	6%
Triangle	36	29	20	85	3%
Wayne State University	109	386	52	547	17%
WDFV	198	-	-	198	6%
<b>TOTAL</b>	<b>1,604</b>	<b>1,092</b>	<b>500</b>	<b>3,196</b>	<b>100%</b>

Currently, 1,604 spaces (about 50% of the total) are metered by coin-only, single-space meters. The single-space meters deployed in these locations are approximately 16 years old. A large portion of these meters are broken or consistently out of service, possibly as much as 50% of the meters.

Another 34% of the metered spaces in the City (1,092 of 3,196) are metered by multi-space pay stations. This technology uses one piece of hardware to meter 8 or more spaces and can accept payment in the form of coin, credit card and Meter Card (operates like a debit card). In Detroit, the pay stations operate as pay-by-space machines. This type of multi-space meter requires every space be individually numbered, which the City accomplishes through the use of pole-mounted signs. The pay stations in Detroit were originally installed in 2006.

The remaining 500 metered, on-street parking spaces are controlled by single-space meters manufactured by IPS. Accounting for approximately 16% of the metered parking spaces in the City, these mechanisms were installed in 2013 as part of a pilot program. Like the pay stations, these meters can accept payment in the form of coin, credit card, and Meter Card.

Depending on location, parking time limits at the meters range from 30 minutes to 3 hours, while the meters are enforced from 7am-6pm or 7am-10pm, Monday-Saturday; parking meters are not enforced on Sunday.

On January 26, 2009, the rates charged at Detroit's parking meters were increased for the first time in several years. The rates charged went from \$0.05 for 5 minutes, \$0.10 for 10 minutes and \$0.25 for 20 minutes to \$0.05 for 3 minutes, \$0.10 for 6 minutes, \$0.25 for 15 minutes, and \$1.00 for 1 hour.

### Parking Enforcement

At present, tickets are issued for parking violations by the Parking Violations Bureau. Tickets are issued for not only parking meter-related violations, such as parking at an expired meter, but for any parking-related violation, including blocking a fire hydrant, parking too close to a stop sign and double parking. Table 4 presents a complete listing of the violations for which a ticket can be issued, along with the current fine amount for each type of violation, the new fine amount after rates are changed June 1, 2014, the number of violations issued in 2013, by type, and the percentage of the total violations issued for each violation type.

**Table 4 – Types of Parking Violations and Associated Fines**

Violation Description	Current Violation Fine	New Violation Fine	# of Violations Issued, 2013	% of Total Violations
PARKING METER VIOLATION	\$ 20.00	\$ 45.00	116,535	38.7%
NO STANDING (ANYTIME)	\$ 30.00	\$ 45.00	47,738	15.8%
IMPROPER PARKING	\$ 30.00	\$ 45.00	35,426	11.8%
PROHIBITED AREA/NO PARKING	\$ 30.00	\$ 45.00	17,981	6.0%
CROSSWALK VIOLATION	\$ 30.00	\$ 45.00	18,667	6.2%
AREA RESERVED FOR THE HANDICAPPED	\$ 100.00	\$ 150.00	4,048	1.3%
NO STANDING (PM)	\$ 30.00	\$ 45.00	12,432	4.1%
FIRE HYDRANT PARKING VIOLATION	\$ 30.00	\$ 45.00	7,752	2.6%
PARKED IN AN EXPIRED METER ZONE	\$ 20.00	\$ 45.00	11,133	3.7%
NO STOPPING	\$ 30.00	\$ 45.00	3,094	1.0%
OVERTIME PARKING	\$ 20.00	\$ 45.00	8,467	2.8%
UNAUTHORIZED/PRIVATE PARKING	\$ 30.00	\$ 45.00	3,929	1.3%
NO STANDING (AM)	\$ 30.00	\$ 45.00	4,483	1.5%
STAND (PARKED) IN A NO STANDING	\$ 30.00	\$ 45.00	2,863	1.0%
ALLEY VIOLATION	\$ 30.00	\$ 45.00	2,295	0.8%
COMMERCIAL/EQUIP VIOLATION	\$ 100.00	\$ 150.00	738	0.2%
DRIVEWAY VIOLATION	\$ 30.00	\$ 45.00	1,364	0.5%
COACH STOP	\$ 30.00	\$ 45.00	660	0.2%
DOUBLE PARK	\$ 30.00	\$ 45.00	267	0.1%
DOUBLE STAND	\$ 30.00	\$ 45.00	358	0.1%
PARKED WITHIN 15FT. OF A FIRE HYDRANT	\$ 30.00	\$ 45.00	283	0.1%
PARKED (STOPPED OR STAND) IN A NO PARKING ZONE	\$ 30.00	\$ 45.00	214	0.1%
PARKED OVERTIME IN A TIME LIMITED SPACE	\$ 20.00	\$ 45.00	366	0.1%
PARKED WITHIN 30FT. OF STOP/YIELD SIGN	\$ 30.00	\$ 45.00	65	0.0%
STOPPED IN A BUS STOP	\$ 30.00	\$ 45.00	65	0.0%
UNATTENDED-KEY IN VEHICLE	\$ 30.00	\$ 45.00	13	0.0%
DPW STREET CLEANING	\$ 30.00	\$ 45.00	3	0.0%
SNOW EMERGENCY VIOLATION	\$ 30.00	\$ 45.00	2	0.0%
BLOCKING CROSSWALK	\$ 30.00	\$ 45.00	1	0.0%
NO PARKING ZONE	\$ 30.00	\$ 45.00	1	0.0%
			TOTAL	301,243

During FY 2013, the most recent full year for which data is available, the Parking Violations Bureau issued slightly more than 300,000 parking violations – up from around 290,000 in FY 2012. Based on the volume of tickets issued in FY 2013 and the listed fine amounts, the base amount owed to the City equaled approximately \$8MM. Penalties for late payment and administrative fees added approximately \$5MM to the amount owed to the Parking Violations Bureau, bringing the total owed to the City to approximately \$13MM.

The volume of tickets issued has declined over the past decade. For instance, in FY 2002 the volume of tickets issued was above 530,000. The significant drop in ticket volumes from 2002 to 2013 is the result of several factors, including the decline in Detroit's population and a reduction in the number of Parking Enforcement Officers due to budgetary cuts.

#### **Boot and Tow Operation**

The Boot and Tow operation is responsible for identifying vehicles that have 6 or more unpaid parking tickets, as well as those vehicles which have been abandoned. In order to identify vehicles eligible to be towed due to excessive unpaid parking tickets, crews patrol City streets and parking facilities and compare license plate numbers to a database of offenders. This is done either through manual entry of license plates or through the use of vehicle-mounted license plate recognition software. Once a vehicle has been identified for towing, the City uses one of a number of private towing companies to transport the vehicle to a City storage facility.

Once at the storage facility, multiple attempts are made to contact the owner of the vehicle, who can then retrieve the vehicle by paying the towing fee and any outstanding parking tickets and penalties. If the owner cannot be contacted, the City then begins the process of selling the vehicle at auction. Boot and Tow operation revenues are earned from a combination of the towing fees and auction proceeds.

Prior to December 2012, the Detroit Police Department controlled the Boot and Tow operation. During that time, precise records of the numbers of vehicles sold or the revenue generated from the sales were either not kept or were not transferred once the Parking System took over the operation. Estimated annual revenues for the Boot and Tow operation are \$1.2 million.

**Table 5 – Historical Financial Performance of the Detroit Public Parking System**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Adjustment	Pro Forma FY 2013
Garage & Lot Revenue	\$ 10,183,120	\$ 8,217,570	\$ 6,241,464	\$ 6,672,005	\$ 6,687,059	\$ 483,241	<sup>(1)</sup> \$ 7,170,300
Parking Meters	2,196,999	2,431,058	2,326,594	2,747,225	2,662,009	1,474,055	<sup>(2)</sup> 4,136,064
Parking Ticket Revenue	12,497,844	9,792,006	10,541,664	8,997,616	11,435,407	5,572,435	<sup>(3)</sup> 17,007,842
Boot & Tow Revenue	-	-	-	-	-	1,200,000	<sup>(4)</sup> 1,200,000
Other Revenue <sup>(5)</sup>	5,286,913	3,939,059	(431,314)	1,248,250	2,643,569	(2,643,569)	-
Operating Revenue	\$ 30,164,876	\$ 24,379,693	\$ 18,678,408	\$ 19,615,096	\$ 23,428,044	\$ 6,086,162	\$ 29,514,205
Garage & Lot Expenses	\$ (4,661,885)	\$ (3,916,983)	\$ (3,447,699)	\$ (2,889,449)	\$ (2,961,912)	\$ 98,931	<sup>(1)</sup> \$ (2,862,980)
Parking Meter Repair and Collections Expenses	(956,581)	(843,628)	(1,027,934)	(872,147)	(765,568)	-	(765,568)
Credit Card Processing Fees	(18,857)	(20,581)	(19,046)	(22,339)	(20,980)	(66,255)	<sup>(6)</sup> (87,235)
On-Going Parking Meter Fees	-	-	-	-	-	(220,524)	<sup>(7)</sup> (220,524)
Ticket Writing/Boot & Tow Expenses	(6,449,835)	(7,811,398)	(6,813,936)	(5,475,490)	(6,404,778)	(2,820,491)	<sup>(8)</sup> (9,225,269)
Parking & City Admin Overhead	(4,542,780)	(7,692,880)	(2,443,267)	(4,126,936)	(2,616,721)	-	(2,616,721)
Operating Expenses	\$ (16,629,938)	\$ (20,285,470)	\$ (13,751,882)	\$ (13,386,360)	\$ (12,769,959)	\$ (3,008,339)	\$ (15,778,297)
Add back: DBA and Trustee Legacy Expenses <sup>(9)</sup>	288,726	256,059	216,898	213,544	202,041	-	202,041
Add back: Pension, POC and OPEB Legacy Expenses <sup>(9)</sup>	898,663	1,170,948	1,119,325	1,579,228	1,429,430	-	1,429,430
Pro Forma Operating Expenses	\$ (15,442,548)	\$ (18,858,464)	\$ (12,415,660)	\$ (11,593,587)	\$ (11,138,488)	\$ (3,008,339)	\$ (14,146,827)
Pro Forma Operating Income	\$ 14,722,328	\$ 5,521,229	\$ 6,262,748	\$ 8,021,509	\$ 12,289,556	\$ 3,077,823	\$ 15,367,378

**Notes**

- (1) Excludes facilities no longer controlled by the City and updates terms for new operating agreement related to Joe Louis Arena Garage.
- (2) Impact of recently approved capital expenditures to repair/replace broken parking meters; brings in-service rate from 55% (estimated) to 99%+.
- (3) Includes net impact of revenue and associated costs related to increased ticket prices, effective July 2014.
- (4) Expected run rate for the Boot and Tow operations after transition from Police oversight to Parking in FY 2014.
- (5) Non-parking related revenues such as JLA arena rent, ticket service charges and concession revenue share. Excluded from Lease and Concession.
- (6) Additional credit card processing fees as a result of repair/replacement of broken meters.
- (7) Monthly vendor fees associated with replacement meters.
- (8) Elimination of Downtown Business Authority administrative and bond trustee fees due to June 2014 payoff of outstanding parking revenue bonds.
- (9) Pension, pension obligation certificate debt service and retiree health expenses reduced/eliminated as a result of the City's chapter 9 bankruptcy.

Table 6 – Historical Financial Performance of the Detroit Public Parking System by Asset Class

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Adjustment	Pro Forma FY 2013
<b>Garages &amp; Lots</b>							
Revenues	\$ 10,183,120	\$ 8,217,570	\$ 6,241,464	\$ 6,622,005	\$ 6,687,059	\$ 483,241	\$ 7,170,300
Expenses	(4,661,885)	(3,916,983)	(3,447,699)	(2,889,449)	(2,961,912)	98,931	(2,862,980)
Garages & Lots Operating Income	\$ 5,521,234	\$ 4,300,587	\$ 2,793,765	\$ 3,732,556	\$ 3,725,147	\$ 582,172	\$ 4,307,320
<b>Parking Meters</b>							
Revenues	\$ 2,196,999	\$ 2,431,058	\$ 2,326,594	\$ 2,747,225	\$ 2,662,009	\$ 1,474,055	\$ 4,136,064
Repair and Collections Expenses	(956,581)	(843,628)	(1,027,934)	(872,147)	(765,568)	-	(765,568)
Credit Card Processing Fees	(18,857)	(20,581)	(19,046)	(22,339)	(20,980)	(66,255)	(87,235)
On-Going Parking Meter Fees						(220,524)	(220,524)
Parking Meters Operating Income	\$ 1,221,560	\$ 1,566,849	\$ 1,279,614	\$ 1,852,740	\$ 1,875,461	\$ 1,187,275	\$ 3,062,736
<b>Violations and Boot &amp; Tow</b>							
Parking Ticket Revenue	\$ 12,497,844	\$ 9,792,006	\$ 10,541,664	\$ 8,997,616	\$ 11,435,407	\$ 5,572,435	\$ 17,007,842
Boot & Tow Revenue						1,200,000	1,200,000
Ticket Writing/Boot & Tow Expenses	(6,449,835)	(7,811,398)	(6,813,936)	(5,475,490)	(6,404,778)	(2,820,491)	(9,225,269)
Violations and Boot & Tow Operating Income	\$ 6,048,010	\$ 1,980,608	\$ 3,727,727	\$ 3,522,126	\$ 5,030,628	\$ 3,951,945	\$ 8,982,573
<b>Total Asset-Level Operating Income</b>	\$ 12,790,805	\$ 7,848,044	\$ 7,801,107	\$ 9,107,422	\$ 10,631,236	\$ 5,721,392	\$ 16,352,628
Plus: Other Revenue	5,286,913	3,939,059	(431,314)	1,248,250	2,643,569	(2,643,569)	-
Less: Parking & City Admin Overhead	(4,542,780)	(7,692,880)	(2,443,267)	(4,126,936)	(2,616,721)	-	(2,616,721)
Add back: DBA and Trustee Legacy Expenses	288,726	256,059	216,898	213,544	202,041	-	202,041
Add back: Pension, POC and OPEB Legacy Expenses	898,663	1,170,948	1,119,325	1,579,228	1,429,430	-	1,429,430
Pro Forma Operating Income	\$ 14,722,328	\$ 5,521,229	\$ 6,262,748	\$ 8,021,509	\$ 12,289,556	\$ 3,077,823	\$ 15,367,378



**Attachment 2 – Signature Page**

**\*\*\*UNSIGNED BIDS CANNOT BE CONSIDERED\*\*\***

**ASSIGNMENT:** A Contractor shall not assign any Purchase Order or Contract or any monies due therefrom without prior approval of the Purchasing Director, the Finance Director and in some cases the City Council. Contact the Purchasing Agent for proper procedure.

IN THE FURTHER DESCRIPTION OF THIS PROPOSAL, WE SUBMIT INFORMATION IDENTIFIED AS FOLLOWS:  
BIDDING UNDER THE NAME OF:

\_\_\_\_\_  
(PRINT FULL LEGAL NAME)

(PURCHASE ORDER WILL BE ISSUED AND PAYMENT WILL BE MADE ONLY IN THE NAME ABOVE. ALL PAYMENTS ARE TO BE MAILED. VENDOR PICK-UP OF PAYMENT IS NOT ACCEPTABLE)

MAILING ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_  
(ZIP CODE)

PAYMENT MAILING ADDRESS:

(IF DIFFERENT FROM ABOVE)

\_\_\_\_\_  
\_\_\_\_\_  
(ZIP CODE)

BUSINESS ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_  
(ZIP CODE)

(CHECK ONE):

LEASE \_\_\_ RENT \_\_\_ OWN \_\_\_

FEDERAL EMPLOYER ID #:

\_\_\_\_\_  
\_\_\_\_\_  
(ZIP CODE)

CHECK ONE:

( ) CORPORATION, Incorporated Under The Laws Of The State Of \_\_\_\_\_

If Other Than Michigan Corporation, Licensed To Do Business In Michigan? \_\_\_ YES \_\_\_ NO

( ) PARTNERSHIP, Consisting of (List Partners)

\_\_\_\_\_  
\_\_\_\_\_

( ) ASSUMED NAME (Register No.)

\_\_\_\_\_

( ) INDIVIDUAL

**IF NOT SIGNED BY OFFICER OF FIRM, THE PERSON SIGNING MUST HAVE AUTHORITY TO COMMIT THE FIRM CONTRACTUALLY TO THIS BID.**

The authorized signature affirms that the proposal will remain firm for a period of one hundred twenty (120) days from its due date and thereafter until withdrawn, in writing, or a contract is executed, or the procurement is terminated by the City of Detroit, whichever occurs first.

E-MAIL \_\_\_\_\_

DATE \_\_\_\_\_

TELEPHONE NO. \_\_\_\_\_

FAX NO. \_\_\_\_\_

CELL PHONE NUMBER \_\_\_\_\_

**AUTHORIZED SIGNATURE:**

SIGNED: \_\_\_\_\_

PRINTED \_\_\_\_\_

TITLE \_\_\_\_\_

TITLE/POSITION \_\_\_\_\_

ALTERNATE COMPANY CONTACT \_\_\_\_\_