



BOARD MEETING MINUTES
Wednesday, March 7, 2013, 4:00 PM
DCI, 35 E. Seventh Street, 2nd Flr. Conference Room, Cincinnati, OH 45202

1. CALL TO ORDER

Mr. Budig called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 4:00 p.m.

BOARD MEMBERS PRESENT:

Budig, Otto	Greiwe, Rick
Handy, Clark	Jacobs-Horton, Lydia
Marmer, Lynn	Smith, David

EXCUSED:

Dunn, Marty	Wright, Shane
Williams, Tom	

STAFF:

Basil, Will	Boggs Muething, Paula
Brunner, Laura	Karimi, Marjorie
Paul, Gail	Thomas, Susan

GUESTS:

Albarran, Ramiro – Guggenheim	GiGi Benjamin – Calfee Halter & Griswold
Brace, Rick – AEW	Cummins, David – Xerox
Glynn, Meghan – Calfee Strategic Solutions	Jones, Odis – City of Cincinnati
Kane, Scott – Squire Sanders Dempsey	Mongelluzzo, John – Calfee Halter & Griswold
Schulte, Skip – private citizen	Stephens, Sam – City of Cincinnati
Williams, Jason - Enquirer	

2. WELCOME AND INTRODUCTIONS

Mr. Budig acknowledged and welcomed guests.

3. APPROVAL OF MINUTES

Mr. Budig asked Board members if there were any additions or modifications to the January 9, 2013 Board of Directors meeting minutes. Hearing none, he asked for a motion to adopt the meeting minutes.

Motion: Lynn Marmer moved to adopt the minutes of the February 13, 2013 Board of Directors meeting. The motion was seconded by Rick Greiwe and was approved unanimously.

4. PUBLIC FINANCE SUMMARY

Laura Brunner, President/CEO

Susan Thomas, VP of Public Finance

Laura Brunner welcomed guests and thanked Board members for their flexibility with regard to the date and location change for the March Board meeting. She assured the Board that today's agenda was not reflective of the ongoing work that continues in other areas of business at the Port Authority.

Cargo Assessment Steering Committee Update

The Cargo Assessment Steering Committee met with Martin Associates March 4. The economic impact study will be completed in 2-3 weeks and will be rolled out in a joint effort with the Cincinnati USA Regional Chamber and OKI.

Cincinnati Parking System

On February 19, 2013, the City Manager recommended to City Council that the Port of Greater Cincinnati Development Authority ("Port Authority") and the ParkCincy team be awarded the lease of the City's parking system. The Port Authority, as the City's recommended partner, will lease off-street parking and own the right to operate, maintain and improve off-street and on-street parking downtown and in City neighborhoods. On March 6, City Council approved the City Manager's recommendation.

This long-term lease arrangement gives the Port Authority oversight of many parking dynamics for decades. This deal is valued over \$100 million and provides the Port Authority with a significant role in urban infrastructure and provides the City's economic development efforts continued momentum within the city.

The Port Authority is proud of its efforts in crafting, collaborating and communicating this complex parking proposal and believes it has helped to create a good deal for the City. A summary of this parking transaction is being provided to the Board and questions will be solicited at the conclusion. The hope is that the Board of Directors will grant approval for Resolution 2013-05 that authorizes the Port Authority to enter into the Lease and Modernization Agreement with the City of Cincinnati.

A Power Point presentation highlighting the following was provided to the Board:

- 10/26/12 City of Cincinnati releases RFP for concession lease proposal of selected City of Cincinnati parking assets, including four parking garages, three downtown Cincinnati surface lots and city-wide on-street metered parking;
- RFP was broad and did not have limits to hours expansion, technology improvements and rate cap;
- City received nine responses from private equity shops, stand-alone operators, non-profits and the Port Authority offering a partnership with the City;
- The Port Authority's submission was an all-debt financed transaction, including a \$40 million upfront payment and ongoing payments to the City of 50% of net profits after operating expenses, debt service and capital expenditures;
- Port Authority proposal did not include rate increase or hours expansion; however, there was the intent to study those aspects through a public engagement process;

- The Port Authority proposal did not include an operator, but included a process for hiring one;
- The Port Authority's proposed structure would allow for significant flexibility both in the present and in the future to accommodate technological advances, fluctuating demand and rate revisions;
- The City interviewed three respondents of which the Port Authority's proposal was not advanced. The City moved into negotiations with two respondents one of which was ParkCincy of which they proposed a public authority model similar in structure to the Port Authority's proposal;
- ParkCincy reached out to the Port Authority to determine if the Port Authority would be interested in serving in the public role;
- After a series of discussions, both parties agreed that this participation made sense and a refined proposal was provided to the City;
- 2/19/13 the City Manager recommended the selection of the ParkCincy Team to City Council;
- After several public meetings and review by the Budget and Finance Committee, on March 6, City Council approved entering into a Lease and Modernization Agreement ("L&M Agreement" with the Port Authority);
- Upon Board approval, Resolution 2013-05 authorizes the Port Authority to enter into the L&M Agreement with the City;
- The Port Authority Board is not being asked if the City should lease the parking system or how to spend the money the City will receive as a result of this L&M Agreement;
- If the Port Authority Board does not authorize the resolution, the City may choose to enter into discussions with another entity;
- The Port Authority will engage AEW as its asset management company, who will enter into operating agreements with Xerox for the metered on-street parking system and Dennison for the garage and off-street parking operations;
- At the end of the 30- and 50-year lease terms, the Port Authority will return the improved assets back to the City of Cincinnati.

Port Authority Role – Lessee and Owner:

- Issue debt to fund the upfront payment to the City and lease the assets and the franchise;
- Assert control over system through management of operators, disbursement of revenue from system, and Port Authority Board of Directors oversight;
- Enter into agreement with the asset manager;
- Initial capital improvements including construction of Sycamore garage and meter upgrades
- Annually: review and approve operating and capital budget, monitor contracts with asset manager and operator, review and sign trust disbursements, make annual installment payment.

ParkCincy Team Members:

- AEW Role – Asset Manager:
 - Develop intermediate and long-term strategic plans
 - Oversight of parking operators
 - Recommend annual operating and capital budgets
 - Develop risk management policies and procedures
 - Engage independent engineers and consultants
 - Manage long-term capital plan

- Xerox Role – Day-to-Day Operator of On-Street Parking
 - Operating partner for on-street system
 - Day-to-day property level responsibilities including meter installments (removal and repair) and coin collection and counting
 - Violations processing/collections
 - Implementation and operation of new technologies
 - Responsible to Cincinnati Police Department for issuance of citations/booting

- Denison Role – Day-to-Day Operating Off-Street
 - Subcontractor to Xerox
 - Operating partner off-street parking (garages and lots)
 - Facility and equipment manager

- Guggenheim Role – Underwriter and Capital Provider

Key Lease and Modernization Terms:

- Retention of public oversight
- World class operations team with significant expertise
- Immediate capital expenditures to modernize the system and enhance customer satisfaction
- Partners with proven integrity and customer service focus
- Technology improvements before rate increases
- Rates increase incrementally, with caps
- Limited expansion of hours
- Sundays and holidays remain free
- Reasonable enforcement standards
- Substantial flexibility for special events and meter closures
- Private operator has no authority to set rates or expand hours
- Operating standards are designed to last the full term of the lease (30- and 50-years); the standards are broad in scope, but require an operating plan
- The Operating Plan is a living document which is developed by ParkCincy team, shared with the City for feedback, and approval of the plan sits with the Port Authority

General Deal Structure

The Port Authority will enter into a Lease & Modernization Agreement with the City under which it will lease off-street parking and own the right to operate, maintain and improve off-street and on-street parking downtown and in City neighborhoods.

The Port Authority will make both an upfront and annual installment payments to the City. The upfront payment will be funded from the proceeds of bonds issued by the Port Authority. The annual installment payment will be made from the operations of the parking system and is expected to start at \$3million and grow over time. The debt will be non-recourse to the City and the Port Authority and will be secured solely by system revenues (parking rates, fines, etc.). The City and the Port Authority are not providing a general obligation pledge for the bonds.

The bonds are expected to be rated, at least in part, and priced at market levels. The bonds and the annual installment payment comprise all of the consideration.

It is currently expected that \$98,000,000 will be invested in anticipated major and minor capital expenses for the maintenance and improvement of the parking system during the lease term including approximately \$14 million from the initial proceeds for the construction of the Sycamore garage.

The Agreement places the Port Authority in charge of collecting and disbursing parking revenues. The caps on rates, expansion of hours, fines, operating standards, and enforcement provisions have been negotiated as part of the agreement. Fees earned by the Port Authority and all private partners are fixed.

Rates:

- Neighborhoods:
 - Rates currently vary – will generally increase by \$.25 to \$.75 per hour after installation of new credit-card accepting technology
 - With 3% increase, will be just \$2.00 in 30 years
- Cincinnati Business District:
 - Currently \$2.00
 - No adjustment in short term
 - With 3% increase, will be \$5.00 in 30 years

Considerations:

- The consideration for the system includes both an upfront payment and an annual installment payment. The upfront payment is lower than it could be due to the City's desire to receive some of the consideration over time as an installment payment.
 - The bonds are "undersized"- cash flow would support much higher debt
 - Current cash flow is sufficient to service debt for next 10 years
 - Coverage ratios are conservative
- Base case revenue projections have been used
- The operators and asset manager's costs are known; no private company is incentivized through increased enforcement or rate increases
- There is a system of reserves
- All revenues, from meters, garages, lots, and fines will be deposited into a lockbox. Disbursements from the lock box must be approved by the Port

Advisory Committee:

The Agreement calls for the creation of a committee to advise the Port Authority Board and Asset Manager. The Advisory Committee is comprised of five members of whom one member is the City Manager or designee. The other four are appointed by the Port Authority President with one of those four a representative of the asset manager or operator. Unanimous consent of the Advisory Committee is required to recommend to the Port Authority Board a variety of actions including (1) alter rates above the 3% or inflation amount or as described in the Agreement; (2) increase operating hours; (3) materially change enforcement. The Advisory Committee is the mechanism for which any changes to the parking system could be made.

Formal Action – Proposed resolution 2013-05 authorizing the Port Authority to enter into a long-term Lease and Modernization Agreement for the City of Cincinnati Parking System:

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A LONG-TERM LEASE AND MODERNIZATION AGREEMENT FOR THE CITY OF CINCINNATI PARKING SYSTEM AND CERTAIN OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE FOREGOING; AND AUTHORIZING AND APPROVING RELATED MATTERS.

The Board engaged in a lengthy discussion regarding the parking system and the proposed lease. Topics covered included:

Debt Service on the Bonds

The bonds to be issued by the Port Authority to fund its obligations under the lease would be revenue bonds, and the Port Authority is not pledging the general funds of the Port Authority. The bondholders have no recourse to the Port Authority's operating budget in the event the parking revenue falls short and the investors are limited to the sources of funds specifically identified in the trust indenture, which in this case are the revenues of the parking system, and associated remedies.

Capital Budget and Planning

The Board of Directors inquired as to the structural condition of the garage facilities, the status of engineering reports, the capital plan, the capital planning process, and the sources of funds for capital improvements.

Operating Contracts

The Board of Directors raised questions about the length of the operating contracts and expressed its desire for clearly delineated performance standards. It also asked about pass through costs.

Port Authority Flexibility and Control

The ability of the Port Authority to raise and lower rates and expand or reduce hours in response to community feedback was also discussed.

Port Authority Compensation

The annual fees the Port Authority will receive are 25bps of the outstanding principal amount with a floor of \$200,000. The Port Authority will also be able to pay direct expenses of the park system that it may incur as operating expenses of the system. Odis Jones, City of Cincinnati, confirmed that the Port Authority will continue to receive operating revenue from the City of Cincinnati that is separate from the parking system fees the Port Authority will receive from the parking system operations and confirmed the City's expectations that Port Authority costs will be treated as administrative expenses under the trust indenture.

Process and Preparation of Bond Documents

If the Board of Directors approves the proposed resolution to enter into the Lease and Modernization Agreement for the City of Cincinnati Parking System, work will begin on the bond

documents that include the trust indenture, bond purchase agreement and documents necessary for the operation system contracts, e.g. the Port Authority's contract with AEW and AEW's contracts with Xerox and Dennison. Once those documents have been drafted, it is the Port Authority's intention to come back before the Board of Directors to approve those documents.

After lengthy and in depth discussion of the matter, Mr. Budig asked for a motion to approve Resolution No. 2013-05.

Motion: Rick Greiwe moved to approve Resolution No. 2013-05 authorizing the Port of Greater Cincinnati Development Authority's execution and delivery of a long-term Lease and Modernization Agreement for the City of Cincinnati Parking System. The motion was seconded by Clark Handy and was approved unanimously.

5. ADJOURNMENT

Motion: Lynn Marmer moved to adjourn the Port of Greater Cincinnati Development Authority March 7, 2013 Board of Directors meeting. The motion was seconded by David Smith and was approved unanimously.

The March 7, 2013 Board of Directors meeting adjourned at 6:25 p.m.

Respectfully,



Laura N. Brunner
Secretary