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November 29, 2010

Darlene Harris
Council President
City of Pittsburgh
City County Building
Suite 510/Floor 5
414 Grant Street
Pittsburgh, PA 15219

Dear Council President Harris,

I am writing to you in your capacity as the President of Pittsburgh City Council to express our appreciation for your continued efforts to craft a meaningful resolution to the proposed public-private partnership involving the parking facilities of the City and the Pittsburgh Parking Authority (Authority). As you have indicated, the pending takeover by the Pennsylvania Municipal Retirement Board (PMRB) could have profound effects on City residents in the form of higher wage and property tax increases. We are all quite aware that the PMRB will take over the pension unless the City makes a payment by December 31, 2010 of over \$200 million.

Recognizing the significant upfront monies required by the City, Pittsburgh Parking Partners (PPP), selected as the highest bidder in a competitive process, developed a plan to operate the City's parking facilities and make a substantial upfront payment to cover the impending pension fund payment requirement. You and your fellow Members of Council clearly recognized the appropriateness of modernizing the City and Authority's parking facilities and substantially upgrading and professionalizing its operations, while at the same time obtaining the monies required to avert a takeover of the pension fund. Through its various resolutions, a majority of Council expressed its desire that any arrangement involving the parking facilities be addressed in an agreement which provides for monies to the City during the term of the agreement, professional operations and, importantly, measures to ensure the viability of local neighborhood business districts by limiting meter rates and hours of operation.

We listened to the concerns of Council, and had the opportunity to meet with individual Members. We truly appreciate the candor of your colleagues and the overall commitment to do what is best for the City and its residents.

(1)

Connecticut

Florida

Georgia

Illinois

Maryland

Massachusetts

New Hampshire

New Jersey

New York

North Carolina

Pennsylvania

Texas

Virginia

Washington DC

As a result of those meetings, we developed a plan that incorporated the expressed concerns and set forth our modified plan in my letter to you and your colleagues dated November 17, 2010. We were pleased with the expressions of support that we received and encouraged by the comprehensive and pointed questions that we received, in particular, from you and Council member Natalia Rudiak. You, Councilwoman Rudiak, and others expressed a clear desire that (1) in addition to receiving a substantial upfront payment, the City should share in the future revenues of the Parking System; (2) the meters in the local neighborhood districts be subject to rates set forth in the recent Council legislation; (3) night-time hours of operation of the meters be limited in those neighborhood districts; (4) capital agreements associated with the parking facilities be subject to Project Labor Agreements; (5) the workforce in the parking facilities receive the benefits of the City's Prevailing Wage standards; and (6) the City retain all proceeds from advertising associated with the facilities and that those proceeds be returned to the neighborhoods.

We listened and worked diligently to address these requirements. We remained mindful, of course, of the need to provide the City with its immediate cash requirements of \$225m, and the significant capital contributions required to bring the facilities into the 21st Century. We also were mindful that Council had proposed that the Authority borrow \$225m or so, likely in the form of 30 or 40 year bonds, with substantial payment obligations, and then enter into some type of revenue sharing arrangement with a professional parking facilities operator such as LAZ Parking, one of the principals of PPP. We also paid attention to the vote of the Authority's board that chose not to incur additional debt. We therefore worked very hard to, in effect serve as the entity that would provide the capital to the Authority, be responsible for the return payments associated with that capital and provide the professional management skills to operate these facilities appropriately and serve as a partner with the City to help with such matters as improving the neighborhood permit parking operations by providing professional consultation at no charge to the City or its residents.

We are pleased to advise you that PPP is able to address the various concerns that you and your fellow members have expressed. We have provided an outline of a proposed Revenue Sharing Services Contract, which would contain the following key features:

City owned meters and Mellon Garage

- 40-year revenue sharing services contract
- Upfront payment of \$165m and revenue sharing payments of \$340 - 355m (NPV of \$60-65m) over term of contract, totaling \$505-520m.
- Revenue sharing for the City for term of contract based on revenue estimates being achieved. Annual sharing percentages escalate from 5% of net revenues to 20% by year 20.
- Council Controller rates schedule for all meters (with the exception of Downtown and Oakland which will be at market rates).
- Council Controller operating hours with limited hours in all city neighborhoods, no later than 6 p.m. excluding Downtown and Oakland.
- Preserves flexibility for construction and special events by allowing reserve of 6.1% of meters to be off-line without charge
- Advertising revenue for entire system (meters and garages) remains with the City estimated to be \$.5m per year, \$20m over the term of the contract.
- PPP Consulting commitment (\$100,000 value) to provide professional analysis to improve neighborhood permit parking system and enforcement
- Commitment to enter into PLA (Project Labor Agreements) for all garage reconstruction
- Agreement to abide by Pittsburgh Prevailing Wage standards
- Early termination option at year 30, based on formula-based termination payment

Pittsburgh Parking Authority owned garages and metered lots

- 40-year term
- Upfront payment of \$140m
- Rate schedule per the concession agreement

As you can see, this proposal would provide for a total of \$305 million in upfront payments that will enable the City to make an immediate payment of approximately \$225 million to avert the state takeover of the pension system and the potential tax increases associated with that action, as well as approximately \$109 million to defease the Authority's current bond obligations. In addition, and we heard this very clearly and forcefully, we have included an additional \$340 - \$355 million of estimated revenue sharing payments over the life of the agreement, and an additional amount estimated at \$20 million in advertising revenue over the term of the agreement.

We are aware that you, as Council President, are faced with a difficult and extraordinarily important opportunity. If you and your fellow Council members conclude that state takeover of the pension is a desirable event, we would know that it is unlikely that the Revenue Sharing Services Contract that we all have worked so hard to achieve can become a reality by the December 31, 2010 deadline. If, on the other hand, you and your fellow members truly want to avert a state takeover, we feel that the very specific and detailed concerns that you and many of your fellow members have raised, have been addressed in a truly beneficial agreement, representing the best in public- private partnerships and good faith discussions and negotiations.

I can be available on one day notice to come to Pittsburgh to meet with you and, perhaps, the Mayor and fellow council members, to discuss this plan and what will amount to a wonderful opportunity for the residents of Pittsburgh, both to avoid potentially large tax increases and to improve dramatically the quality of parking facilities in the City. Time truly is of the essence if we are to satisfy the looming December 31, 2010 deadline, which will require significant lead-time to prepare the appropriate legal and financial documentation. I look forward to meeting you in person to discuss this plan.

Thank you for your consideration.

Sincerely,



Alan B. Lazowski

Chairman & CEO

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cc: Honorable Members of City Council ✓
Honorable Mayor Luke Ravenstahl
Honorable Controller Michael Lamb