

An aerial photograph of Pittsburgh, Pennsylvania, taken at sunset. The city's skyline is visible, with several prominent skyscrapers in the foreground. The sun is low on the horizon, creating a warm, orange and purple glow. The Allegheny River is visible on the right side of the image. The text "Pittsburgh Parking Tax Rate Freeze" is overlaid in large, white, bold letters across the center of the image.

Pittsburgh Parking Tax Rate Freeze

Pittsburgh City Council Budget Office

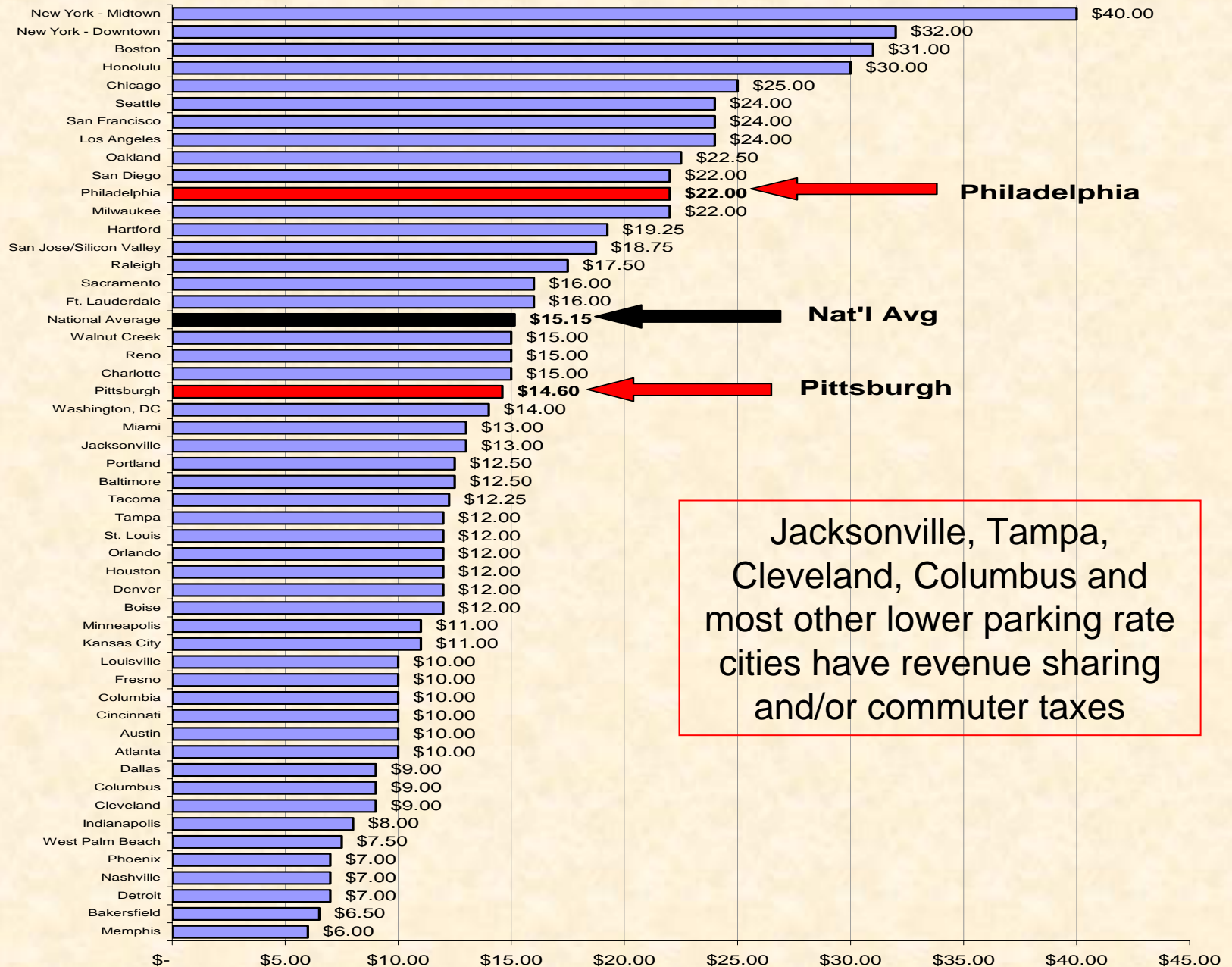
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Parking Tax

- Current law requires a phase-down of parking tax, from 50% to 35% in 5% increments.
 - First reduction took place in 2007 when the rate was reduced to 45%.
 - Rate is scheduled to be reduced to 40% in 2008, costing the City another \$5.5 million in revenue.
- The first tax rate reduction did not result in reduced rates paid by consumers... the funds stayed with private lot operators (Pittsburgh City Controller Audit).
- Common misperception that parking rates are too high in Pittsburgh. On the contrary, median parking rates paid by consumers are actually below the National Average (see chart).
 - The rates paid by consumers in the Central Business District are not out of line with other major cities
 - Median daily rate is \$14.60, compared to a national average of \$15.15.
 - Philadelphia's rates are 50% higher than Pittsburgh's.
 - Majority of other lower rate cities have revenue sharing and commuter taxes

Median Daily Parking Rates
 (Source: 2006 Colliers International Parking Rate Survey)



Jacksonville, Tampa,
 Cleveland, Columbus and
 most other lower parking rate
 cities have revenue sharing
 and/or commuter taxes

Why Parking Tax?

- Takes pressure off of property and business taxes
- Reduces need for commuter tax
- Parking Tax is a user/convenience FEE not really a tax – only those who park pay
- Parking is a convenience not a necessity
 - Public Transportation, Carpooling can offset the cost to consumer
- Parking Rates at peripheral lots are competitive \$3 to \$5 a day
- Downtown rates are high due to demand
- ELASTICITY (PRICE IS INELASTIC)

Why Won't Rates Go Down?

- Price is determined by supply and demand
- There is more demand for Parking than there are spaces Downtown –
 - whenever you have less of something that everyone wants the value (price) becomes greater.
- Night Rate is \$3 - \$5: when demand drops and supply opens so does the rate
 - This is where there can be an impact through free and reduced parking incentives to increase demand
- More is charged for convenience when demand is greater
- Best way to decrease price is to increase supply

Motznik Parking Tax Legislation

- Freezes Tax at 45% rate for duration of State Act 222
- The difference between the 2006 - 5 Year Plan which assumes reductions down to 35% and the actual received @ the 45% rate are deposited:
 - 50% into the pension fund
 - 50% in Debt reserve fund

\$12.5 Million towards Debt
\$12.5 Million to Pension

Fund	2008	2009	2010	Aggregate
Additional Revenue	5,779,500	8,282,469	10,891,000	24,952,968
Debt Reserve	2,889,750	4,141,234	5,445,500	12,476,484
Pension	2,889,750	4,141,234	5,445,500	12,476,484

Debt Service Reserve

- Funds deposited in Debt Reserve Fund have to be used for debt
- Funds are able to be locked into longer term investment agreements and yield a higher rate
- (ie similar to a 6 month CD vs. a 48 month CD)
- Dedication of the funds will free up other funds to be used to extend the PAYGO capital budget – therefore staving off the need to increase debt

Comprehensive Pension Fund

- Funds dedicated to the Comprehensive Pension Fund can also be invested at almost double the rate of return
- General Fund investment rate is approx. 4.5% (by law conservative investment – like treasuries)
- Pension Fund has been averaging about 9% (stocks, bonds, funds)

Summary

- **August 1, 2007 Meeting w/ Act 47 established City had a revenue problem**
 - City cut \$40+ Million Annually from budget
- **Act 222 did not provide sufficient revenue due to unforeseeable variables**
 - Payroll Tax short, Delays in gaming revenues, change in \$52 EST Tax, Non-profit agreement, inability for commuter tax
- **Parking Tax Freeze provides a large percentage of need without impacting residents or commuters**
- **Dedicating funds to debt and pension shows City's commitment to addressing major issues of Pension and Debt**