



Ted Zeller – Chairperson
Candida Affa – Vice Chairperson
Santo Napoli – Treasurer
Daryl Hendricks – Secretary
Seth O'Neill- Member

John N. Morgan – Executive Director
Dan McCarthy, Davison McCarthy – APA Solicitor

ALLENTOWN PARKING AUTHORITY BOARD OF DIRECTORS MINUTES

A regular meeting of the Allentown Parking Authority Board of Directors was held at 12:00 p.m. on Wednesday, May 22, 2022, at the Office of The Allentown Parking Authority, located at 603 W. Linden Street, Allentown, PA 18101.

The following attended:

Ted Zeller – Chairperson
Candida Affa – Vice Chairperson
Daryl Hendricks – Secretary (present by phone)
Santo Napoli – Treasurer
Dan McCarthy – APA Solicitor
John Morgan – Executive Director
Jon Haney – Deputy Director
Christina Dayton – Deputy Director
Connie Abercrombie – Finance Manager
Christina Nolden – Minutes
Chris Betley, Auditor, Buckno Lisicky & Company – Guest
Jeffrey Dobeck, Auditor, Buckno Lisicky & Company - Guest

Seth O'Neill – Member (Absent)

Mr. Zeller called the meeting to order at 12:11 p.m. and opened the floor to Buckno Lisicky & Company for the presentation of the audit.

2021 AUDIT REVIEW

Chris Betley introduced himself as the shareholder of Buckno Lisicky. He began going over the auditor's report. The opinion and results are given at the beginning as opposed to other years where it could be found at the end. He explained the first paragraph gives the basic financial statements, the balance sheet, income statements, cash flows and notes to financial statements. The second paragraph gets right into it. He continued to explain the basis of their opinions. Mr. Betley further explained that the company is not allowed to be involved in the preparation of any of the financial statements. The company believes that the audit evidence was sufficient and appropriate to provide a basis for the opinion. A disclaimer would be provided if there wasn't sufficient evidence. Mr. Betley continued to explain that Ms. Abercrombie and her team are responsible for preparing and presenting the financial statements. There were no issues or concerns with the Authority's ability to continue for twelve months beyond the financial

statement date. Mr. Betley goes on to read the report regarding auditors' responsibilities for the Audit of the Financial Statements. He notes that the auditors are to obtain reasonable assurance, that is a big key word, reasonable assurance about whether the financial statements are free from material misstatement. That kind of goes in hand with what is reasonable assurance is. Which is high assurance, that is not absolute assurance that we will not find a material misstatement. It is not 100%, but it is pretty close. The second page at the very top goes into explaining that the risk of protecting those material misstatements resulting from fraud is much higher than from fraud. In the bullet points of what they do in the audit with generally accepted auditing standards. It is hundreds, and hundreds of pages of standards that they are required to follow. Those are just some of the main bullet points to exercise professional judgment. The second bullet point mentioned is that they use a risk-based approach when they do the audit, so they focus their procedures and testing on more of the riskier areas. The third bullet point is that they are required to obtain an understanding of internal control. This goes back to that risk-based approach. They are not required to express an opinion on internal control effectiveness. They are only required to obtain an understanding of it. However, if they did find a major issue with internal control deficiency that could result in a material misstatement then they would report that to us, management, and governing bodies, of those findings. They didn't find any issues with our internal controls. Mr. Betley stated that they are "really strong here". Fourth bullet point is that they are required to evaluate the appropriateness of a carried policy. Mr. Betley stated that we don't really have any significant estimates to look into. Lastly, same thing as management Mr. Betley said they are required to evaluate any kind of substantial doubt about the ability to continue as a growing concern. No issues there. The paragraph in the middle, states they are required to communicate with no charge of governance regarding other matters, the plans, scope, and timing of the audit. That's the engagement letter. Buckno & Lisicky sent us an engagement letter that really draws out the scope and the timing of the audit prior to it starting. Mr. Betley stated that any significant audit findings they would go over, and any internal control issues, which there weren't any issues or deficiencies. Mr. Betley then went over the required supplement information paragraph, this involves the management discussion, analysis, and the pension in the financial statement. These statements and schedules are required to be reported in the financial statements. They do not express any opinion that provides any assurance on it. They don't give an opinion on pensions either. The last paragraph includes other supplemental information Mr. Betley said. This is information that management feels is important enough to include. This is not required. They do give an opinion on the budget tax. Mr. Betley then went over the governance letter. They are required to have communication with the governing body at the conclusion of the audit. This is where they would report to us if they had any difficulties performing the audit, any uncorrected mistakes or disagreements or any other audit findings that they feel should be reported. Mr. Betley stated as you can see from this letter there weren't any kind of issues dealing with management and there wasn't any form of disagreement. Mr. Betley thanked Ms. Abercrombie. Mr. Betley stated they are required to report any kind of material journal entries that they made. The major material was the \$1.4 million dollars that had to do with the accounts payable for the Maple Street deck on our end. We did the draw in early January, so we had to reverse that entry where we booked it as a receivable and a payable, so it had no effect on net income it was just a timing thing Mr. Betley said. This concluded the governance letter. Then, Mr. Betley went into the financial statement (page 49). This gives you an idea on how the Parking Authority did vs. Budget. The left-hand column is our budget, second is actual, and the last column is our favorable/unfavorable column. You can see with total operating revenues of \$9.7 million. We budgeted \$8.7 million dollars, so almost a \$1 million favorable variable. You compare that to last year where we had \$8 million in operating revenues, so it increased about \$1.6 million. Mr. Betley then went over non-operating revenues, on next page at the very top. We had \$1.4 million in non-operating revenues, we budgeted only about \$180,000. So, a variable of \$1.3 million. A lot to do with that was the \$581,000 of PPP loan that we got forgiven that's now our

grant income and also the gain/loss sale of the 7th Street Lot. (Northeast Lot). We had a gain of \$528,000 and we gave \$500,000 to City of Allentown. Mr. Betley then moved on to expenses (page 51) at the very top; total operating expenses we budgeted \$5.6 million; we have an actual of \$4.9 million. Favoring \$726,000. Compare expenses to the prior year and we have \$4.5 million in operating expenses. Next, Mr. Betley went through our capital outlay. We had \$19.6 million in capital outlay. A majority of that, \$18.73 million is the Maple Street Deck. We had about \$600,000 in the enforcement office, \$72,000 for deck waterproofing, North Penn lot resurfacing. and the rest of that which is just vehicles and small equipment. This budgetary basis, reconciliation, we add back the debt service principle, and we add our depreciation expense. The change in that position for the year is \$2.4 million Mr. Betley said. On a gap basis you compare that to last year that gain was about \$836,000. We went from \$18.9 million to \$21.3 in net assets. Mr. Betley then turned to page 13; he went over that this is the income statement (summarized). Mr. Betley pointed out the \$2.4 million compared to the \$836,000 from last year. Mr. Betley then said to turn two pages back to the balance sheet. He goes over two things here. The first is our comparative balance sheet. Cash is up around \$600,000. We had a good year, he stated. You'll see there's a note receivable there that got moved from a non-current asset to a current asset. That has to do with the Farr Lot. We actually received that in January so that's why it got moved from the non-current to the current. You can see that capital assets are up about \$17 million dollars, that has to do with the Maple Street deck. Of about \$19 million less the depreciation, for the year, net pension asset increased about \$50,000. Mr. Bentley then moved on to current liabilities, he said accounts payable obviously is way up, \$2.6 million, probably 100 percent of that is the construction payable from December and then the retainage that is with those contractors. Line of credit decreased from \$758,000 to \$300,000 dollars. Mr. Bentley noted that the PPP loan is no longer there, it got recognized as revenue. Moving down to non-current liabilities you see our bonds payable increased about \$10 million. That's the draw down for Maple Street deck. Mr. Bentley then turned to page 12, long term liabilities. There's \$5 million dollars here. That's the money we owe to City Center. For the capitol contribution that we received for the Maple Street deck. At the bottom Mr. Bentley goes over net position and capital assets and unrestricted. Unrestricted went from negative \$4.7 million to negative \$4.9 million. There's an adjustment he needs to put in there. The \$5 million dollars that we received, should be included reducing the net investment assets, which will add to the \$9.5 million so it's going to be pretty similar to last year. Mr. Bentley said they will put this in the final report. Mr. Bentley then turned to page 31, he pointed out the net pension liability. We have a net pension liability of \$2.9 million and have assets (fiduciary) of \$3.8 million. That's where that \$928,000 net pension asset comes in. Mr. Bentley turned to page 35 to go over OPEB. We have a liability of \$629,000. Our OPEB fiduciary plan is \$488,000. Which leaves us with a OPEB liability of \$140,000 which is pretty low. Mr. Bentley again thanked Ms. Abercrombie.

APPROVAL OF THE APRIL MINUTES

Mr. Zeller asked for an approval of the April 27th meeting minutes. Ms. Affa made a motion to approve. Mr. Napoli seconded it. The Board voted and approved the April 27th meeting minutes.

EXECUTIVE SESSION – ACTION TAKEN

None.

EXECUTIVE DIRECTOR'S REPORT

PPA Convention: Mr. Morgan talked about the spring PPA convention that the Allentown Parking Authority hosted. Mr. Napoli and Mr. Hendricks from the board both attended. The

PPA convention was held at the Renaissance Hotel. There was 150 attendees and 30 vendors. The vendor floor had to be expanded to the vestibule to accommodate this number of vendors. Overall, the event went very well. There was a baseball game at the Iron Pigs. There also was a golf outing at the Allentown Municipal golf course that everyone was impressed with. Sports and Social also benefitted from this as well. On top of the Iron Pigs baseball game, a lot of the PPA attendees went over to Sports and Social next door to watch the Penguins game.

North 7th and Allen Lot: The lot is done now. The striping has been done in the back, and there two pay stations are up. We have a punch list of a few items that have to be attended to. As of this Board meeting, we have 22 permits. Last month's transient revenue was about \$400.00. Mr. Morgan mentioned that we are still addressing the double parking in this area. He also said that we keep a sign here to deter it from happening.

Maple Street Deck: We should know by today if the city gives us approval to occupy the second and third floors if it passes inspection. Its already passed the electrical inspection. Which was yesterday. What we plan on doing is moving the first 140 parkers from the Spiral deck over to the new Maple Street deck for the beginning. It will only have one lane in and one lane out on Maple Street because the Walnut Street site is still undergoing construction. The sale was complete with the Maple Street property to City Center. Mr. Morgan mentioned that City Center will start pouring the concrete to finish our apron out to walnut street. So that we'll be able to use that in the off hours that they're not actually working on the project. We agreed to 7am-5pm for construction hours.

Ms. Affa brings up that her name is not on the minutes. – motion made to amend the minutes.

DEPUTY DIRECTORS REPORTS

Labor report on hiring efforts: Ms. Dayton reported on our 1st quarter labor and hiring efforts. We currently have fifty-nine employees; we may be up to 60 by now. Customer service department is currently fully staffed with one manager, one supervisor, and five customer service representatives, three of which are bilingual. Enforcement has one manager, five supervisors, and sixteen parking enforcement officers. Three additional parking enforcement officers started on May 9th. Mr. Morgan stated that two of those new officers are already gone. Ms. Nolden confirmed. Dispatch currently has one supervisor, two full time dispatchers, and one part time weekend dispatch officer that started on the 17th. Finance department is currently staffed. With one manager, one supervisor, and two accounting technicians. Human resources department, there is currently one manager and one administrative assistant. Maintenance department there is one shift supervisor. One dayshift maintenance personnel and one nighttime maintenance personnel, plus our fleet coordinator. Ms. Affa asked why the sudden quitting of a new officer. Mr. Haney replied with that we believe the enforcement officer had made a mistake and didn't want to own up to it and just quit. Mr. Haney stated that our other enforcement officer had been in one significant wreck and two minor wrecks. We agreed to part ways with that employee, since they failed their introductory period. Ms. Dayton continued with the labor report. Meter department is currently fully staffed with one supervisor and three-meter repair personnel. Ms. Dayton then went into recruiting efforts. We had two companies that we worked with for the FEOD manager replacement. The first was Laney solutions which we worked with in February. They specialize in recruiting in the parking industry. So far Laney has only provided us with two candidates. We received the first candidate on March 15th, he is from Philadelphia and had requested a salary range of \$77,000 to \$80,000. The second candidate was provided to us on March 28th. He is from Queens, New York. Who has requested a salary of \$70,000 to \$75,000 plus relocation costs. The other recruiting company we are working with is called NetworkUp, on March 31st we engaged with them. So far, we have not received any

candidates from them. Mr. Zeller asked for what position this was for. Ms. Dayton said this is for our FEOD manager position. Mr. Zeller asked what our prior FEOD managers salary rate was. Mr. Haney replied with \$56,000. Mr. Morgan noted that we are willing to go into \$60,000 to \$65,000 for this position. Mr. Napoli asked if these candidates coming from Queens and Philadelphia are aware that the salary requests are out of reason and to work with them on the rate of pay. Mr. Morgan then said that they knew upfront, and that the recruiter knows as well. Mr. Morgan continued by saying that we told our recruiter that we want someone from the industry that has parking experience. Ms. Dayton continued on reporting the number of applicants our Allentown Parking Authority Website had for the first quarter. We received 170 applications. We attended a career fair for the Morning Call at Coca Cola Park. It was well attended however, we only received five resumes. One resume was a good fit for maintenance, the other four wanted work in the office as a customer service representative. Upon returning from the job fair, we reached out to the potential candidate for maintenance, provided her with a job description, however she was not interested. Ms. Affa asked if this could potentially have anything to do with Allentown itself, and the fear? Mr. Morgan agreed with this. Mr. Morgan noted that we lost two employees on the midnight shift because of this. Mr. Haney noted that our starting rate for enforcement is higher than Pittsburgh's.

April enforcement results: Mr. Haney stated that for double parking on 7th street we only issued forty-eight tickets. He said that might sound good as if we're getting more compliance, however it's not really. It's that we're dividing staff between 7th street and Hamilton. We're also focusing on Hamilton per the mayor's request. We issued twenty-four double parking tickets as well (on Hamilton). Forty-eight were issued on 7th street in the targeted area. Mr. Haney said the police were two and two with double parking. Mr. Haney noted that for the month of April we received 1,365 calls for service in our dispatch office. Mr. Zeller asked Mr. Haney for a report for both this year and last on our dispatch call intake and double parking that way he could show it to the chief.

Parking Rate Proposal: Mr. Zeller stated that we currently have contract parking rates at \$80 per month for commercial use. Mr. Haney then added that it is \$50 for residential use. Mr. Zeller stated that we had a lot of discussion last meeting with the mayor about increasing it. Comparing the prices in other municipalities we talked about our deck contract rates, transient rates, and advocating our city council for additional changes to parking ticket rates. Mr. Zeller first focuses on contract rates. Where we ended up is that the mayor suggested that we take a look at the median incomes. Mr. Haney put together a chart with the surrounding municipalities median incomes. This information was collected from census.gov. To obtain fair numbers. What really popped out at Mr. Haney while looking at this was that Reading, Erie, York, Scranton, and Harrisburg all have higher maximum permit prices and yet lower median income than Allentown. Mr. Haney noted that, Lancaster has higher ticket prices yet higher median income. Mr. Haney thinks that with those five cities that are higher in permit price yet lower in median income that should be an indicator to us that we need to reposition our permit prices. Mr. Zeller explained that this is to scale. With Bethlehem and Easton for example there is hardly any parking facilities. Mr. Zeller continued to explain that Bethlehem and Easton are different in a way that they have more transient parking and Allentown has more workers/contract parking. Mr. Napoli stated that the median income is nice to see, however its not fully needed in the decision making because in Allentown our residents aren't parking in our decks, they're parking on the street or in their own neighborhood. Mr. Haney re-iterated that our permit rates are \$50 for residential and \$80 for commercial. Mr. Haney also noted that there are only two other nearby cities that offer a residential rate. After discussing with the mayor, the goal is to get our parking permit rates up to \$100, and then to \$120 by January of 2024. One rate. Mr. Zeller brought up maybe a local rate if this ever becomes an issue, this was tabled. Mr. Zeller mentioned that residential going from \$50 to \$100 is going to be a tough one. His

recommendation is still keeping those dual rates, and raising residential to \$75 and then January 1st, 2024, phasing out residential and then it would ALL be a rate of \$120. Mr. Morgan and Mr. Napoli agreed. Mr. Haney then followed up on the refinancing of the Maple Street deck that Ms. Abercrombie had presented at the last meeting. Mr. Haney stated that by refinancing the full amount and paying back the 5 million that makes the 450 residential parkers from City Center payable instead of free. Mr. Zeller said that as a Board we need to look into Maple Street because we are going to need to refinance that. We have a \$5 million note payable out to City Center Ms. Abercrombie noted. Mr. Zeller asked Ms. Abercrombie what annually our debt service would look like if we refinanced. Ms. Abercrombie said that the rate we have on the construction loan right now is a variable rate and it's 4%. Ms. Abercrombie said that if she went for a long-term loan, like 25 years she's thinking she's going to be lucky to get 5.5% or 6%. Ms. Abercrombie said at 6% she is going to need an additional annual amount of \$1.8 million. Mr. Napoli asked if that would be the amortization over 25 years. Ms. Abercrombie replied yes. Ms. Abercrombie said that at a full permit rate of \$100, there's 1,110 spots in the deck but to make the monthly payment of \$120,000 she would need the equivalent of 1,200 spots. Ms. Abercrombie stated she would actually need \$150,000 a month to pay the loan. The equivalent of 1,500 spots. Ms. Abercrombie stated that we should refinance by the end of this year because interest rates are going to continue to increase. Mr. Haney noted to Mr. Zeller that our permit rates are actually set to increase to \$120 by January of 2025, not January of 2024. Mr. Zeller had asked how many contracts we have at Community. Mr. Morgan replied with 720 combined, Mr. Zeller then asked about any decks we were over. Mr. Haney replied with Spiral. Mr. Zeller asked by about how much. Mr. Haney said roughly about 400. Mr. Zeller, then said with this we can take out the loan. Mr. Zeller asked about what we'll be doing for discount. Mr. Napoli suggested 10 or more parkers 2 and half percent discount, 100 or more 5 percent discount. Our current discount is \$75 for a contract of 10 or more parkers. Mr. Zeller suggested 4% for 100 or more parkers. Mr. Napoli said he's curious to see if we could figure out how many parkers, and how many contracts we have, in other decks times a \$20 dollar increase to see what that comes out to a month. Mr. Haney said that it would come out to \$840,000.00, a year. Mr. Zeller asked how many contracts we have that include over 100 parkers. Ms. Abercrombie said she wasn't sure exactly. Mr. Zeller asked, if it was over five. Mr. Haney said yes. Mr. Zeller asked less than ten? Mr. Haney responded yes. Ms. Abercrombie said that ADP is already under another contract and that we're only getting \$60 for all of ADP. Mr. Zeller asked if they were paying market rate. Ms. Abercrombie said yes, after five years she thinks. Mr. Morgan said he doesn't know if it's five years, he thinks its market rate. Ms. Abercrombie pulled the contract which stated that ADP from September 1st, 2019 to August 31st, 2024 is at \$60 and after that it goes to market price. Mr. Zeller then said he would like to work out some level of discount. Mr. Napoli suggested that if we message this properly, and that everyone gets an email or a letter stating due to the higher costs of operating at the authority we are unable to extend discounts at this time going forward. Ms. Affa agreed that this isn't gauging, this is just us doing business Mr. Zeller made a motion that we currently discount the commercial rates in our decks 2 and a half percent for any contract over ten cars. Mr. Zeller then made a motion to raise North, Germania, and C lot from \$65 to \$75 for residential and commercial permit parkers. In the decks the permits will go to \$100 for commercial, \$75 for residential, effective November 1st, 2022. Then on January 1st 2025, we are going to have a combined rate of \$120 per month residential or commercial on our decks. Our surface lots will go to \$100 dollars on January 1st 2025. Ms. Affa seconded this motion. The Board voted and approved the parking rate proposal.

Transient rates: Mr. Zeller would like to table any rate raises for transient parking in the decks until we can submit before City Council a more appropriate street rate and then revisit it at that point in time.

Violation Rate Increase: Mr. Haney presented a chart of common parking violations. The chart shows regional averages of each fine vs. what the fine is here in Allentown. The chart also shows a projected rate increase in which we can be more in line with the parking fines within the surrounding regions. This will need to go to City Council for approval.

FINANCIAL REPORT

For April, the total revenue was \$1,030,000, 13% above budget. YTD at \$3.7million, 1% above budget. Operating revenue was \$1,022,000, 14% above budget. YTD at \$3.6 million was on budget. For the month, the enforcement revenue contributed just under \$680,000.00, 21% above budget. Off-street and events contributed \$340,000.00, 1% above budget. However, taking Maple Street out, off street and events is 14% above budget. Non-operating revenue was just under \$9,000.00. The total operating expenses for the month of April was \$572,000.00. 3.5% below budget and YTD at \$1.8 million, 21% below budget. For the month, the personnel costs were \$417,000.00, 2% below budget even though there were three pays in April. Services and charges at \$146,000.00 were 4% below budget and materials and supplies at \$9,000.00 were 35% below budget. For April, revenue exceeded expenses by \$458,000.00, 46% above budget. After transfers from the sale of assets, transfers to capital, the city, and debt service fund, we have an excess of \$1.2 million because the transfer from the sale of asset includes the sale of property on Walnut Street next to the Maple Street deck, the net amount of the sale was just under \$990,000.00. We used that money to fund the current month invoice for Northstar construction. Overall, YTD our revenue exceeded expenses by \$1.8 million. After all transfers the excess is \$1.7 million. However, without the sale of the Walnut Street property the excess YTD is \$741,000. Our YTD project costs are \$4.6 million for maple street are not included in this calculation because it's not being funded by operating revenue. Our total cost to date for the deck is \$22 million. On a cash basis, in April we took in \$2.2 million, and we paid out \$1.9 million. For an excess of \$300,000.00. YTD \$572,000.00 excess. Our monthly payment on the construction loan is about \$45,000.00. However, our rate just went up another 1/2 %, which will continue to grow as the project continues. In June we have our debt service payment of \$620,000.00.

COURTESY OF THE FLOOR

A representative from the PPL arena could not make it. However, Mr. Morgan stated our 90-day trial with the arena is now over by more than 100 days. Mr. Morgan stated that it has been nothing but incidents. We've put around 50 permits into the deck in these 100 days. Our finance department had to set up the arena deck with a new merchant account (Heartland credit card processing) and obtain TID (terminal identification) for all equipment in accordance with PSX. None of which was in our agreement with the arena. We now process the monthly credit card statement, which we weren't going to have to do because they were going to do it themselves, however the arena was told in order to do so they were going to need their own software. Additionally, Mr. Morgan stated that our facilities team spent five hours designing and training their staff for the pay on foot collections, so that the arena's employees can understand their job. Mr. Morgan then stated that at the last Hockey game, which was sold out, parking at the arena deck reached maximum capacity, which left parkers who had pre-paid with reservations without a spot to park. Those parkers were then re-directed to our Spiral deck to park. Which we never received payment for. This was approximately 30-40 parkers. Mr. Zeller made a motion to send a 60-day termination notice. August 1st, 2022. Ms. Affa seconded the motion. The Board voted and approved the motion.

This meeting was adjourned at 2:14 pm.

The next Board Meeting will be held on Wednesday, June 22, 2022.