

**THE PHILADELPHIA PARKING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF
PHILADELPHIA, PENNSYLVANIA)**

FINANCIAL REPORT

MARCH 31, 2018

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
The Philadelphia Parking Authority
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Philadelphia Parking Authority (the “Authority”) (a component unit of the City of Philadelphia, Pennsylvania), which comprise the statement of net position as of March 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Philadelphia Parking Authority as of March 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 3, to the financial statements, the Authority's management determined it was necessary to restate its beginning net position amounts as a result of changes to its fixed assets, liabilities and bond premiums and discounts balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 through 11, the Schedule of Funding Progress for Postemployment Benefits Plan on page 49 and the Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions on page 50 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules at pages 51-57 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Camp Hill, Pennsylvania
November 27, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance and activities of The Philadelphia Parking Authority (the “Authority”) is presented to provide an introduction and understanding of the financial statements for the year ended March 31, 2018, as compared to the year ended March 31, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

BACKGROUND INFORMATION ON THE PHILADELPHIA PARKING AUTHORITY

The Philadelphia Parking Authority was created on January 11, 1950, by an Ordinance of Philadelphia City Council pursuant to an act of the General Assembly of the Commonwealth of Pennsylvania enacted in 1947. The legal life of the Authority extends through December 5, 2037. In 2001, the power to appoint members of the Authority’s Board was shifted from the Mayor of Philadelphia to the Governor of Pennsylvania, with certain nominations from the Pennsylvania Legislature.

In 1950, the Authority’s primary mission was to respond to the increasing demand for parking in the central business district of Philadelphia. In the early years of the Authority’s operation its primary concentration was on the development and operation of off-street parking facilities. The City of Philadelphia’s first parking garages were constructed in 1953 at 1845 Walnut Street and 10th & Ludlow Streets was built in 1954.

In October 1974, the Authority entered into the first of a series of leases and contracts for parking services with the City of Philadelphia to construct and operate all on-site parking services at the Philadelphia International Airport (the “Airport”). Pursuant to those contracts, the Authority, on several occasions over the past forty years, issued revenue bonds for the construction and renovation of the public parking facilities at the Airport. The Authority owned and managed facilities now have 18,940 spaces, including 11,883 garage spaces, and 7,117 economy lot spaces. Pursuant to the current lease and contract for parking services, the Authority pays all net parking revenue to the City of Philadelphia, Division of Aviation (DOA).

The Philadelphia International Airport is the gateway and major economic engine for the Philadelphia region. Providing a positive customer experience at that facility is essential in enhancing the region’s economic vitality. In late 2004, the Authority assumed direct management of the Airport parking facilities after many years of contracting those responsibilities to private operators. Under the Authority’s management, significant improvements have been made to ensure a better customer experience, vastly improved operational efficiency, and increased payments to the City of Philadelphia, Division of Aviation.

Until the early 1980’s, the Authority concentrated exclusively on the construction and management of off-street parking facilities. In addition to the Airport facilities, the Authority owns and/or operates nine facilities in Center City with approximately 5,357 spaces. While Authority parking facilities represent only a small share of public parking in the city, they play an important role in stabilizing prices and encouraging an adequate supply of short-term parking for shoppers and other visitors. The Authority also manages 44 neighborhood parking lots under an Agreement with the City of Philadelphia.

In 2015, the Authority closed on a \$25 million loan to address structural and aesthetic issues in the Center City parking garages. As of the close of the fiscal year, projects have been completed for concrete restoration at Market Street East, Independence Mall and Old City. Elevators have been replaced at the Old City. Energy efficient lighting replacement was completed at Independence Mall and Market Street East. Structural shoring was installed at the Jefferson garage. The Authority has approximately \$10 million of the loan proceeds remaining for improvements at 10th & Ludlow Streets. In addition, the former Department of Engineering & Design was restructured as the Construction Management and Capital Projects Department. They have begun to develop a long-term capital plan including all Authority facilities as well as neighborhood lots managed by the Authority on behalf of the City.

In 1982, an Act of the General Assembly authorized the City of Philadelphia to assign responsibility for the management of on-street parking to the Authority. The City Council enacted an Ordinance the same year and the Authority entered into Agreements of Cooperation with the City to assume those functions. In 1983, functions previously performed by multiple City departments were transferred to the Authority including development and posting of parking regulations; installation, maintenance and collection of parking meters; issuance of residential parking permits; issuance, processing and collection of parking tickets; towing and impoundment of illegally parked vehicles; and booting of scofflaw vehicles. Under the terms of the original Agreements, all net revenue was transferred to the City of Philadelphia. On February 10, 2004, the Governor signed Act 9 of 2004 (“Act 9”) which codified most aspects of the most recent On-Street Agreements of Cooperation dated February 16, 1994, and extended the Agreement by those terms through March 31, 2014. Act 9 also established a formula by which net revenue from the On-Street Parking Program is split between the City of Philadelphia and the School District of Philadelphia. Act 84 of 2012 eliminated the expiration of the Agreement for On-Street Parking functions and established a new formula by which the net revenue is split between the City of Philadelphia and the School District of Philadelphia.

The formula for the distribution of On-Street Parking net revenue included in Act 84 established a threshold of \$35 million to be paid to the City with the balance to be paid to the School District. The Act also requires an annual adjustment to the City’s threshold based on the percent of increase in gross revenue to the program. While the threshold may be increased based on an increase in gross revenue it can never be reduced even if revenue falls or expenses increase. The Authority has been in discussions with the City and members of the General Assembly to potentially revise the current allocation formula to reduce the negative impact on the School District of the current structure.

The Authority implemented a Mobile Parking Payment System, under a contract with Pango, for payment of meter fees as well as fees for certain parking lots. Unfortunately, Pango did not have the financial resources to maintain the program and the contract was terminated in fiscal year 2017. In September 2017, a new contract was approved with Park Mobile to provide mobile payments. The initial roll out included Center City and University City. The Authority expects implementation in the rest of the City in the fall of 2018. This product has proven very popular with the public.

The Authority’s role in improving traffic safety expanded in fiscal year 2001, when the City’s Managing Director requested the Authority be the exclusive towing and impoundment agent for the Live Stop Program, authorized by Act 93 of 1996 of the General Assembly. That program requires the impoundment of vehicles which are found to be unregistered or operated by an unlicensed driver during a police stop. Subsequent Acts of the Legislature codified the Authority’s role as the towing and impoundment agent, established a surcharge on moving violations issued in the City of Philadelphia to support the program, and separated revenue generated by the program from those of the On-Street Parking operation. In addition, the Authority has responsibility for impounding unsafe trucks operating on the City’s highways at the request of City police. Additionally, during fiscal year 2008, the Authority contracted with the Pennsylvania State Police to assist in the removal of abandoned and/or inoperable vehicles from the City’s three interstate highways (I-95, I-76, and I-676).

In 2016, the General Assembly authorized the continuation of the pilot program of Red Light Enforcement until June 15, 2027, through Senate Bill 1267. The legislation continued the Authority's status as the administrator of the program in cooperation with the City of Philadelphia and the Pennsylvania Department of Transportation. Similar to the Live Stop Program, the Red Light Enforcement Program is another tool for the Authority to address fundamental life safety issues in the City. This program saves lives and reduces property damage by assisting in reducing the number of red light related traffic accidents. Furthermore, through improved traffic safety, it can also be used to make a stronger case for further insurance rate reductions. To date, 130 cameras have been installed monitoring 30 intersections.

In keeping with the Authority's expanded mission to provide comprehensive parking and transportation services in the City of Philadelphia, regulatory responsibility for Philadelphia's taxicab and limousine industries was vested with the Authority pursuant to Act 94 of 2004. Act 164 of 2016 expanded the Authority's for-hire car service regulatory oversight to include companies such as Uber and Lyft, technically referred to as "transportation network services" ("TNCs").

The legalization of TNC services added an estimated 20,000 to 25,000 for-hire vehicles to both the Philadelphia market and the Authority's regulatory responsibility. However, financial support for effective regulatory oversight was not included in Act 164. That inadequate funding is further pronounced by the statute's direction that two-thirds of the TNC regulatory assessments be paid to the Philadelphia School District. Act 164 also effectively reduced the Authority's taxicab regulatory funding by 68% (or \$2 million), as noted in the fiscal note to Act 164. These funding issues have caused a reduction to the Taxicab and Limousine Division staff of nearly 50%, jeopardizing the Authority's ability to carry out its legislative mandate to ensure safe, reliable for-hire transportation in the City. The Authority has proposed to members of the General Assembly, that a \$.50 per ride surcharge be added to TNC service. If enacted, the revenue generated would permit the Authority to fund the program at a level consistent with our mandate as well as provide approximately \$8 million in additional funding for the School District.

More generally, significant changes in the management of the Authority, began in fiscal year 2018. A new executive director and a new internal compliance auditor were hired in January 2018, to further implement the reform measures begun in fiscal year 2017. Changes in hiring practices, personnel policies, employee benefits, as well as efficiency measures directed by the Board have laid the foundation for the highest standards of government service. The Authority is committed to continuing reevaluation and updating of our policies and procedures to maintain best practices. In keeping with that mandate, a new organizational structure was adopted with clear lines of responsibility for each deputy executive director and subordinate staff. In addition, the Authority implemented nearly all the recommendations of the Pennsylvania Auditor General from two audits he completed in December 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are reported on the accrual basis of accounting. Income is recorded as earned and expenses are recorded as incurred. The operating revenues are categorized among On-Street Parking, Off-Street Parking, and Other Programs. On-Street Parking revenue includes revenue collected from parking tickets, meters, towing fees, storage fees, certain permit registrations, vehicle auctions, and booting fees. Off-Street Parking revenue includes both transient and monthly parking revenue, and rental revenue. Other Program revenue consists of revenue collected from the Live Stop, Red Light Camera Program, and the Taxi & Limousine Regulation Division. Operating expenses include (but are not limited to) salaries & fringe benefits, ticket processing, auto, insurance, postage, repairs and maintenance, rent, utilities and uniforms. Other income and expense includes interest income, interest expense, and administrative expense. These financial statements comply with generally accepted accounting principles (“GAAP”) as established in the United States of America. The Authority’s financial report includes three financial statements and notes thereto.

The *Statement of Net Position* presents information on the Authority’s assets, deferred outflows, liabilities, and deferred inflows. Assets are classified as either current assets (cash, investments, and amounts expected to be received within one year) or non-current assets (restricted cash and investments, property and equipment); liabilities are classified as either current (expected to be paid within one year) or non-current (expected to be paid after March 31, 2018). The difference between the total assets and deferred outflows and the total liabilities and deferred inflows is reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents revenues earned and expenses incurred for the current fiscal year. The difference between revenues and expenses results in an increase or decrease in net position. The ending balance of net position resulting from this increase or decrease is reflected in the Statement of Net Position.

The *Statement of Cash Flows* is presented under the direct method, which presents the actual inflow and outflow of cash by category during the fiscal year. The resulting ending cash balance is reflected in the Statement of Net Position.

The *Notes to the Financial Statements* provide additional information essential to a full understanding of the data provided in the Authority’s financial statements.

FINANCIAL ANALYSIS

The following table compares the condensed Statements of Net Position as of March 31, 2018 and 2017:

	March 31, 2018 (in thousands)	March 31, 2017 * (in thousands)	Increase (Decrease) (in thousands)	% Increase (Decrease) (rounded)
Current Assets	\$ 87,083	\$ 84,597	\$ 2,486	3%
Restricted Cash and Investments	121,522	127,283	(5,761)	-5%
Property, Plant and Equipment - net	174,678	181,083	(6,405)	-4%
Total Assets	<u>383,283</u>	<u>392,963</u>	<u>(9,680)</u>	-2%
Deferred Outflows	<u>64,506</u>	<u>89,727</u>	<u>(25,221)</u>	-28%
Current Liabilities	103,507	111,370	(7,863)	-7%
Non-current Liabilities	304,088	360,875	(56,787)	-16%
Total Liabilities	<u>407,595</u>	<u>472,245</u>	<u>(64,650)</u>	-14%
Deferred Inflows	<u>25,062</u>	<u>-</u>	<u>25,062</u>	100%
Net Investment in Capital Assets	72,458	63,103	9,355	15%
Restricted	3,950	4,522	(572)	-13%
Unrestricted	(61,276)	(57,180)	(4,096)	7%
Net Position	<u>\$ 15,132</u>	<u>\$ 10,445</u>	<u>\$ 4,687</u>	45%

* Adjustments have been made to the 2017 information for prior period adjustments

- Current assets increased approximately \$2.5 million largely due to funds transferred to restricted cash and investments to comply with covenants and required obligations.
- Restricted cash decreased approximately \$5.7 million principally due to the proceeds of the bond anticipation notes being utilized for airport projects and funds being used from the \$15 million loan to improve various garage facilities in the Off Street operation.
- Property and equipment decreased a net amount of approximately \$6.4 million.
- Deferred outflows decreased approximately \$25.2 million primarily due to increases in the deferred amounts related to the Authority's net pension liability as a result of the actuarial valuation of the net pension liability.
- As of March 31, 2018, the amount due to the City of Philadelphia, included in current liabilities, is \$48.0 million. The total due to the City includes \$32.1 million that was due to the Philadelphia Division of Aviation for fiscal year 2018, and \$13.1 million net liability to the School District of Philadelphia pursuant to the Act 9 of 2005.

Total remaining amounts due to the City/School District of Philadelphia as of March 31, 2018 and 2017, are as follows:

	March 31, 2018	March 31, 2017
	(in thousands)	(in thousands)
On Street Operation-City	\$ (432)	\$ 10,184
On Street Operation-School District	13,137	10,274
City of Philadelphia, Division of Aviation	32,093	32,120
Independence Mall	1,340	1,268
8th and Chestnut	289	59
Neighborhood Lots	1,614	1,392
Total	\$ 48,041	\$ 55,297

- Current liabilities decreased approximately \$7.8 million as a result of additional payments being made to the City/School District of Philadelphia which brought the liability down by \$7.2 million.
- Non-current liabilities decreased approximately \$56.7 million principally due to the decrease in the Authority's proportionate share of the net pension liability as a result of the actuarial valuation of the net pension liability. Airport notes payable obligations contributed to the overall decrease in non-current liabilities.
- Deferred inflows increased approximately \$25.0 million primarily due to increases in the deferred amounts related to the Authority's net pension liability as a result of the actuarial valuation of the net pension liability.

The following table compares the amounts of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017 *	Increase (Decrease)	% Increase (Decrease)
	(in thousands)	(in thousands)	(in thousands)	(rounded)
Operating Revenues	\$ 261,963	\$ 259,531	\$ 2,432	1%
Operating Expenses				
Direct Operating expenses	114,221	116,771	(2,550)	-2%
Administrative expenses	28,975	26,417	2,558	10%
Expense to the City and School District	84,045	81,453	2,592	3%
Exp to the PA Dept. of Transportation	11,315	10,542	773	7%
Depreciation and amortization	14,042	14,138	(96)	-1%
Total Operating Expenses	<u>252,598</u>	<u>249,321</u>	<u>3,277</u>	1%
Operating income	9,365	10,210	(845)	-8%
Non-Operating Revenues (Expenses):				
Investment income	1,766	1,431	335	23%
Interest expense	(6,784)	(7,658)	874	-11%
Medallion Fund transfers from State	340	934	(594)	-64%
Total Non-Operating Expenses	<u>(4,678)</u>	<u>(5,293)</u>	<u>615</u>	-12%
Increase in net position	4,687	4,917	(230)	-5%
Net position, beginning of the year	<u>10,445</u>	<u>5,640</u>	<u>4,805</u>	85%
Prior period adjustment (see Note 3) *	<u>-</u>	<u>(112)</u>	<u>112</u>	100%
Net position, end of the year	<u>\$ 15,132</u>	<u>\$ 10,445</u>	<u>\$ 4,687</u>	45%

* Adjustments have been made to the 2017 information for prior period adjustments

- Operating revenues increased approximately \$2.4 million from the prior fiscal year primarily due to the following factors:
 - Ticketing revenue increased 4% from 2017 and was the largest revenue component contributing to the overall increase in revenue.
- TNC revenue displayed a marked increase with a 255% jump to \$1.4 million as compared with the prior year.
- Transient revenues at the Off-Street parking garages increased a net overall \$.7 due to increased tourism and pricing strategies within the city limits.

- Direct operating expenses decreased approximately \$2.5 million from the prior year based primarily on the following factors:
 - Legal expense saw a significant reduction of roughly 63% due to Taxi litigation being minimized and an increased use of the internal legal department.
 - Repairs and maintenance decreased 17% from \$1.8 million to \$1.5 through controlled costs and a large portion of the repair work being performed by internal maintenance.
 - Electric and water utilities saw a 51% drop from the prior year due to LED fixtures at the Airport and Garage facilities.
- Administrative expenses increased by approximately \$2.6 million primarily due to increased pension expense.
- Expense to the City and School District increased by approximately \$2.6 million from the prior fiscal year primarily due to the increase in overall revenue and controlled expenses in the On Street program.
- Expense to the Pennsylvania Department of Transportation increased approximately \$.8 million due to decreased Red Light Camera expenses over the prior year. Additional intersections were fully operable over the same period the previous year.

Total expense to City and School District of Philadelphia and to the Pennsylvania Department of Transportation for the years ended March 31, 2018 and 2017, are as follows:

	March 31, 2018	March 31, 2017
	(in thousands)	(in thousands)
On Street (including both City & School District of Philadelphia)	\$ 50,201	\$ 47,820
City of Philadelphia, Division of Aviation	32,527	32,596
Pennsylvania Department of Transportation	11,315	10,542
Off-Street	1,317	1,037
Totals	<u>\$ 95,360</u>	<u>\$ 91,995</u>

The City and School District of Philadelphia receive payment from the Authority based upon the terms of the Agreement of Cooperation (as amended by Act 84) for the On-Street Parking operations based on the total revenue received from tickets, meters, towing, storage, booting, auctions, and other related revenue less direct expenses, an allocation of support costs (excluding depreciation) and capital assets purchased during the fiscal year.

In addition to the net revenue payments from operations, the Authority collected and remitted to the City of Philadelphia \$21.4 million for fiscal year 2018 and \$21.3 million for fiscal year 2017 in Parking Privilege Tax.

The Authority also paid to the National Park Service (Department of the Interior) \$1.1 million for fiscal year 2018 under its operating agreement for the parking garage at 2nd & Sansom.

Governmental Accounting Standards Board Statement No. 34 (“GASB 34”) requires capital purchases to be recorded as assets in the financial statements. A reconciliation is necessary to determine the cash amount to be paid to the City/School District of Philadelphia, since the amount due to the City as recorded on the operating statement may be higher than the cash available, especially if there were capital assets purchased during the year. After adjusting for depreciation expense and capital assets purchased, the payment to the City, including the School District, from the On-Street Programs was \$50.2 million in fiscal year 2018 and \$47.8 million in fiscal year 2017.

The Philadelphia Division of Aviation (“DOA”) receives the excess of revenues over expenses of the Authority’s economy lot and parking garage facilities at the Philadelphia International Airport. After adjusting for depreciation expense and capital assets purchased, the total payment to the DOA for the March 31, 2018, year-end that was made on June 29, 2018, was \$32.3 million, a decrease of \$.1 million from the prior year.

Since the Disney Quest project at 8th & Chestnut Streets has not been completed, the debt service for its bond issue (1999A Indenture) usually exceeds the revenue generated from its present parking facility. The City of Philadelphia guarantees this bond issue. During fiscal year 2018, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.3 million to cover debt service payments during fiscal year 2018. As of March 31, 2018, the City of Philadelphia has provided slightly over \$13.1 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. The Authority would repay these funds if the facility becomes profitable.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Right to Know Officer, Philadelphia Parking Authority, 701 Market Street, Suite 5400, Philadelphia, Pennsylvania 19106.

THE PHILADELPHIA PARKING AUTHORITY

STATEMENT OF NET POSITION

March 31, 2018

Assets	
Cash and cash equivalents	\$ 52,267,948
Investments	33,002,436
Accrued interest receivable	42,437
Accounts receivable	567,868
Prepaid expenses	1,201,922
Total current assets	<u>87,082,611</u>
Restricted cash and investments	<u>121,522,025</u>
Property and Equipment:	
Land	18,027,762
Construction-in-progress	6,547,515
Parking facilities and improvements	353,565,627
Improvements, equipment and furniture	39,985,845
Less accumulated depreciation	(243,449,217)
Total property and equipment	<u>174,677,532</u>
Total assets	<u>383,282,168</u>
Deferred Outflows of Resources	
Deferred amount on refunding	2,956,422
Deferred outflows for pension	61,549,351
Total deferred outflows of resources	<u>64,505,773</u>
Total assets and deferred outflows	<u>\$ 447,787,941</u>
Liabilities	
Accounts payable and accrued expenses	\$ 19,303,653
Accrued interest payable	446,072
Due to the City/School District of Philadelphia	48,040,691
Due to the Pennsylvania Department of Transportation	2,913,413
Current portion of revenue bonds	14,520,515
Current portion of notes payable	18,281,793
Total current liabilities	<u>103,506,137</u>
Revenue bonds payable	116,435,911
Accrued claims payable	5,404,649
Payable for post retirement benefits, other than pensions	16,101,718
Net pension liability	166,146,130
Total long-term liabilities	<u>304,088,408</u>
Total liabilities	<u>407,594,545</u>
Deferred Inflows of Resources	
Deferred inflows for pension	<u>25,061,613</u>
Total liabilities and deferred inflows	<u>\$ 432,656,158</u>
Net Position	
Net investment in capital assets	\$ 72,457,557
Restricted	3,950,249
Unrestricted	(61,276,023)
Total net position	<u>\$ 15,131,783</u>

See Notes to Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended March 31, 2018

Operating Revenues	<u>\$ 261,962,946</u>
Operating Expenses	
Direct operating expenses	114,221,344
Administrative expenses	28,974,847
Expense to the City/School District of Philadelphia	84,044,535
Expense to the Pennsylvania Department of Transportation	11,315,041
Depreciation and amortization expense	14,041,505
Total operating expenses	<u>252,597,272</u>
Operating income	<u>9,365,674</u>
Nonoperating Revenues (Expenses)	
Investment income	1,766,009
Interest expense	(6,784,138)
Medallion Fund Transfers from the Commonwealth	339,503
Total nonoperating expenses, net	<u>(4,678,626)</u>
Change in net position	<u>4,687,048</u>
Net Position - April 1, 2017 (as previously reported)	14,039,777
Prior period adjustment (see Note 3)	(3,595,042)
Net Position - April 1, 2017 (restated)	<u>10,444,735</u>
Net Position - March 31, 2018	<u>\$ 15,131,783</u>

See Notes to Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended March 31, 2018

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 262,083,914
Salaries and administrative costs paid to employees	(94,729,999)
Payments to suppliers for services	(42,194,998)
Payments to the City/School District of Philadelphia	(91,300,583)
Payments to the Pennsylvania Department of Transportation	(11,775,955)
Net cash provided by operating activities	<u>22,082,379</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of property and equipment, net	(7,635,962)
Proceeds from medallion fund transfers	339,503
Principal paid on revenue bonds and notes payable	(14,279,181)
Interest paid on revenue bonds and notes payable	(6,526,140)
Net cash used in capital and related financing activities	<u>(28,101,780)</u>
Cash Flows From Investing Activities	
Purchase of investments	(10,386,952)
Investment income	1,848,410
Net cash used in investing activities	<u>(8,538,542)</u>
Net decrease in cash and cash equivalents	(14,557,943)
Cash and Cash Equivalents:	
April 1, 2017 (including restricted cash of \$69,473,040)	125,993,887
March 31, 2018 (including restricted cash of \$59,167,996)	<u>\$ 111,435,944</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 9,365,674
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,041,505
Change in assets and liabilities:	
Accounts receivable	120,968
Prepaid expenses and other assets	(1,099,005)
Accounts payable and other accrued expenses	276,855
Payable for post retirement benefits, other than pensions	1,035,803
Net pension liability and related items	6,057,541
Due to the City/School District of Philadelphia	(7,256,048)
Due to the Pennsylvania Department of Transportation	(460,914)
Net cash provided by operating activities	<u>\$ 22,082,379</u>

See Notes to Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and History

General

The Philadelphia Parking Authority (the “Authority”) was created on January 11, 1950 by an ordinance of the Philadelphia City Council pursuant to an Act of the General Assembly of the Commonwealth of Pennsylvania. The legal life of the Authority extends through December 5, 2037. The power to appoint members of the Authority’s Board rests with the Governor of Pennsylvania, with certain nominations from the Pennsylvania Legislature.

The Authority owns and operates many parking facilities within the City of Philadelphia (the “City”) and is party to leases with the United States of America, the Commonwealth, and the City relative to other parking facilities, the revenue from certain of which is pledged for the payment of debt service under May 27, 1999, September 5, 2008 and December 10, 2009, trust indentures.

The Authority is a component unit of the City for financial reporting purposes.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The financial statements of the Authority are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. The statements of net position and statements of revenues, expenses and changes in net position include all fund activity of the Authority and other financial information has been provided to reflect Funds not under Trust Indenture and the Funds under Trust Indenture. Material balances and transactions among the funds have been eliminated.

Management's Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments: Investments are carried at fair value. Unrealized gains and losses, if any, are included in investment income as non-operating revenues or expenses.

Accounts Receivable: Accounts receivable are reported net of an allowance for uncollectible amounts for non-custodial collections.

The Authority is responsible for the enforcement and administration of the system of on-street parking regulations in the City of Philadelphia and is system administrator for the City in connection with the supervision and coordination of notices of violation issued in connection with the automated red light enforcement system in the City ("Red Light System"). In the performance of these obligations, the Authority is required to collect the revenues generated on behalf of the City and the Commonwealth of Pennsylvania and disburse revenues, net of expenses, to the City, the Commonwealth, and other entities. Since the revenues of these programs are imposed by other governments, as the collector of imposed nonexchange revenues on behalf of other governments, the Authority's financial statements do not reflect receivables for tickets, towing, booting, and other amounts outstanding under these programs.

Property, Equipment and Depreciation: Property and equipment are stated at cost, which includes interest and other expenses capitalized during the period of construction. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from five to forty years.

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, however the actual outflow of resources (net decrease in assets or net increase in liabilities) was incurred in a prior period and the outflow of resources is applicable to a later period. In the periods following the initial outflow of resources, the outflow of resources will now be reported as a decrease in the previously reported deferred outflow of resources without a further change in net position.

The Authority reports the difference between the reacquisition price and the net carrying amount of the old debt as the deferred amount of refunding as a deferred outflow of resources. The deferred amount of refunding is amortized over the life of the new debt.

The Authority reports the difference between the expectation of the actuarial valuation of the net pension liability and the actual result in the prior pension plan fiscal year as a deferred outflow or deferred inflow, based on the differences in actual results. Additionally, contributions made subsequent to the plan fiscal year end and within the Authority's fiscal year are reported as deferred outflows. These amounts are described and detailed in Note 11.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities, however the actual inflow of resources (net increase in assets or net decrease in liabilities) was incurred in a prior period and the inflow of resources is applicable to a later period. In the periods following the initial inflow of resources, the inflow of resources will now be reported as a decrease in the previously reported deferred inflow of resources without a further change in net position.

The Authority had received money from the Public Utility Commission for the transfer of regulatory authority of the Taxis and Limousines operating in Philadelphia with the balance to be used to fund operating deficits in later years. The Authority recognizes the inflow of these resources when a deficit is incurred. There was no deferred revenue balance as of March 31, 2018.

Net Position: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or notes that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Interest Capitalization: The Authority capitalizes related interest charges incurred and interest income during the development of its facilities. During the year ended March 31, 2018, the Authority had no capitalized interest expense.

Operating Revenues and Non-Operating Revenues: Operating revenues of the Authority consist of revenue generated from parking garages and surface lots. In addition, governmental and private grants and contracts in which the grantor received equal value for the funds given to the Authority, are recorded as operating revenue. Transactions related to capital and financing activities, noncapital financing activities, proceeds from the transfer of medallion funds, investing activities and any state, local and federal appropriations are components of non-operating revenue.

Administrative Expenses: Pursuant to an agreement with the City of Philadelphia and Federal Aviation Administration, administrative expenses are allocated among the various facilities based principally upon the direct operating expenses of the applicable facility. Management believes this is a reasonable measure of the administrative effort required for each facility.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent Events: Subsequent events were evaluated through November 27, 2018 the date the financial statements were available to be issued.

New Accounting Pronouncements: The Authority adopted the Governmental Accounting Standards Board (“GASB”) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 74 requires more extensive note disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

The Authority adopted the Governmental Accounting Standards Board (“GASB”) Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”). GASB 82 addresses certain issues that have been raised with respect to Statements No. 67, Statement No. 68, and Statement No. 73. Specifically, GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Authority adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* (“GASB 80”). The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The adoption of GASB 80 did not impact the presentation or disclosure of the Authority’s financial statements and did not impact the application of accounting principles applied by the Authority.

The Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (“GASB 81”). GASB 81 The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The adoption of GASB 81 did not impact the presentation or disclosure of the Authority’s financial statements and did not impact the application of accounting principles applied by the Authority.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Effective: Authority management is in the process of evaluating but has not yet determined how the adoption of the following GASB guidance will impact the Authority's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") which replaces the requirements of GASB Statement No. 45. GASB 75 establishes that governments with a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Additionally, GASB 75 requires governments in all types of OPEB plans to present more extensive note disclosures, including a sensitivity analysis of the discount rate and a healthcare cost trend rate assumption used for the valuation, and required supplementary information about their OPEB liabilities. The Authority is required to adopt GASB 75 for its March 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments and separate criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Authority is required to adopt GASB 84 for its March 2020 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* ("GASB 85"). GASB 85 addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement, and postemployment benefits, that have been identified during implementation and application of certain GASB Statements. The Authority is required to adopt GASB 85 for its March 2019 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* ("GASB 86"). GASB 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. The Authority is required to adopt GASB 86 for its March 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"). GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is required to adopt GASB 87 for its March 2021 financial statements.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Effective (Continued):

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (“GASB 88”). GASB 88 will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government’s future resource flows. The Authority is required to adopt GASB 88 for its March 2020 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (“GASB 89”). GASB 89 will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Authority is required to adopt GASB 89 for its March 2021 financial statements.

Note 3. Prior Period Restatement

During the year, management determined it was necessary to restate its beginning net position amounts as a result of fixed assets, liabilities and bond premium/discount balance adjustments. Management determined that there were certain assets on the records that had been disposed of previously, but not removed from the financial records and other assets whose balances were incorrectly calculated. Certain liabilities were not accurately reported in the prior period due to the non-cash impact on pension expense by the implementation of GASB 68. Management also determined that certain bond premium/discount balances were not amortized consistent with generally accepted accounting principles or were not carried at the correct balance.

The financial impact of the prior period restatement can be viewed on the following schedule.

	Amount
Net position, as previously reported, at March 31, 2017	<u>\$ 14,039,777</u>
Prior Period Adjustments:	
Adjustment to property and equipment	1,487,267
Adjustment to bond premiums & discounts	1,049,635
Adjustment to reconcile liabilities	(6,131,944)
Total prior period adjustment	<u>(3,595,042)</u>
Net position, as restated, at March 31, 2017	<u>\$ 10,444,735</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments

The Authority is authorized to invest by the Commonwealth of Pennsylvania in United States government obligations and its agencies or instrumentalities, direct obligations of this state or agencies and instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, obligations of states, agencies, counties, cities and other political subdivisions of any state rated to investment quality by a nationally recognized investment firm, with not less than an A rating, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, insured or collateralized certificates of deposits. Also, the Authority is limited by its trust indentures as to the types of investments it may make. Allowable investments include certificates of deposits, certain repurchase and investment agreements, and United States government obligations. The Authority's internal policy for investments is the preservation of capital and the protection of investment principal and to strive to maximize the return on the portfolio while avoiding unreasonable investment risk.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Authority's policy to require that time deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insurable limits be secured by collateral or private insurance to protect all deposits in a single financial institution if it were to default. Investments in United States government obligations are not subject to custodial credit risk.

Cash and cash equivalents are comprised of cash on hand at Authority locations, deposits with financial institutions, and cash equivalents invested with investment firms in liquid investments, such as money market and mutual funds.

The cash and cash equivalent balances as of March 31, 2018, comprised of the following:

	Amount
Cash on hand	\$ 86,029
Demand deposits	98,630,875
Cash Equivalents	12,719,040
Total cash and cash equivalents	<u>\$ 111,435,944</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)

The cash and cash equivalent balances as of March 31, 2018, are classified in the statement of net position as follows:

	Amount
Cash and equivalents (unrestricted)	\$ 52,267,948
Restricted cash	59,167,996
Total cash and cash equivalents	<u>\$ 111,435,944</u>

At March 31, 2018, the carrying amount of the Authority's demand deposits with financial institutions was \$98,630,875, compared to bank balances of \$99,221,536. The differences are primarily caused by items in-transit and outstanding checks. Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At March 31, 2018, \$3,000,000 of the Authority's bank balance was insured by the FDIC. At March 31, 2018, \$95,917,899 of the remaining balance was collateralized by securities pledged and held by the financial institution in accordance with Act 72. At March 31, 2018, \$303,637 of the balances was uncollateralized.

Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not have a provision that limits investment maturity as a means of managing exposure to fair value losses arising from increasing interest rates. Short term maturities have little interest rate risk as noted in the Authority's investment policy.

Concentration of credit risk is the risk of loss attributed to magnitude of the Authority's investment in a single issuer. The Authority's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the Authority to meet all anticipated cash requirements.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority limits credit risk by requiring all fixed-income securities to have an A or better rating as determined by Moody's or generally accepted rating agencies. Obligations of the U.S. government or obligations explicitly guaranteed by the United States government are not considered a credit risk.

The Authority has no exposure to foreign currency risk.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)

As of March 31, 2018, the Authority had the following investments:

	Ratings	Average Duration	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 111,435,944
U.S. government fixed income	Aaa	1.87	34,193,683
U.S. government sponsored fixed income	Aaa	2.16	34,907,487
Certificates of deposit	N/A	1.17	7,078,681
Guaranteed investments contract	N/A	8.18	19,176,614
Total			<u>\$ 206,792,409</u>

N/A - Not applicable

Guaranteed investment contracts are valued at contract value based on the related financial institutions ability to pay the guaranteed interest rate in accordance with the terms of the contract. The contracts provide a contractual guaranteed interest rates of between 5.29% and 5.90%. Management believes the credit ratings of the related financial institutions as of the measurement date uphold the firm's ability to meet obligations set forth in the contracts.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available in the circumstances. Additionally, the inputs are prioritized based on a three-level hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

- Level 1 - valuations are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities.
- Level 2 - valuations are based on quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - valuations are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)

The recurring fair value measurements for investments as of March 31, 2018, are as follows:

Investment Type	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents				
U.S. government mutual fund	\$ 12,719,040	\$ -	\$ -	\$ 12,719,040
U.S. government fixed income				
U.S. treasury note	-	31,977,253	-	31,977,253
U.S. owned electric and gas	-	2,216,430	-	2,216,430
U.S. government sponsored fixed income				
Mortgage backed securities	-	32,101,058	-	32,101,058
Commercial lending securities	-	2,806,429	-	2,806,429
Certificate of deposits	-	7,078,681	-	7,078,681
Total	\$ 12,719,040	\$ 76,179,851	\$ -	\$ 88,898,891

The following is a description of the valuation methodologies used for assets measured at fair value:

U.S. government mutual fund: These are investments in professionally managed funds consisting of various U.S. treasury and governmental investments. They are considered a Level 1 input in the hierarchy.

U.S. Government treasury: These are investments in asset backed, fixed income securities. These securities provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. They are traded in active markets and values are based on unadjusted quoted prices. They are considered a Level 2 input in the hierarchy.

Fixed income (government and government sponsored entities): Valued at fair value based upon quoted market prices, if available, or estimated using quoted market prices for similar securities. They are considered a Level 2 input in the hierarchy.

Certificates of deposit: These investments have a fixed-maturity and stated interest rate. They are valued at fair value using the stated rates and maturity and by comparing to the pricing and value offered for deposits of similar remaining maturities. They are considered a Level 2 input in the hierarchy.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

The following is a summary of changes in capital assets:

	Balance at March 31, 2017 (restated)	Increases	Decreases	Balance at March 31, 2018
Property and equipment not being depreciated				
Land	\$ 18,027,762	\$ -	\$ -	\$ 18,027,762
Construction-in-Progress	9,191,114	6,547,515	9,191,114	6,547,515
Total property and equipment not being depreciated	<u>27,218,876</u>	<u>6,547,515</u>	<u>9,191,114</u>	<u>24,575,277</u>
Property and equipment being depreciated				
Parking facilities and improvements	343,675,784	9,889,843	-	353,565,627
Improvements, equipment and furniture	39,596,127	389,718	-	39,985,845
Total property and equipment being depreciated	<u>383,271,911</u>	<u>10,279,561</u>	<u>-</u>	<u>393,551,472</u>
Total property and equipment	<u>410,490,787</u>	<u>16,827,076</u>	<u>9,191,114</u>	<u>418,126,749</u>
Less Accumulated Depreciation:				
Parking facilities and improvements	196,834,695	11,017,797	-	207,852,492
Improvements, equipment and furniture	32,573,017	3,023,708	-	35,596,725
Total Accumulated Depreciation	<u>229,407,712</u>	<u>14,041,505</u>	<u>-</u>	<u>243,449,217</u>
Total property and equipment being depreciated, net	<u>153,864,199</u>	<u>(3,761,944)</u>	<u>-</u>	<u>150,102,255</u>
Property and equipment, net	<u>\$ 181,083,075</u>	<u>\$ 2,785,571</u>	<u>\$ 9,191,114</u>	<u>\$ 174,677,532</u>

Restatements were required during the year due to the Authority re-evaluating its capital asset balances and classifications, these restatements are described in Note 3.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Revenue Bonds and Notes Payable

A summary of revenue bonds outstanding as of March 31, 2018, is as follows:

Bond Issue	Issuance Date	Amount Issued	Maturity Date	Principal Outstanding March 31, 2018	Interest Rate	Sinking Fund Requirements	Purpose of Bond Issue
Parking System Revenue Bonds, Series 1999A	May 27, 1999	\$ 47,390,000	February 15, 2029	\$ 10,930,000	4.00% - 5.25%	Mandatory, beginning February 15, 2018 through 2029	Project has been abandoned and there was a partial defeasance on these bonds.
Airport Parking Revenue Bonds, Series 2008	September 5, 2008	49,560,000	September 1, 2018	5,245,000	4.125% - 5.00%	Mandatory, beginning September 1, 2009 through 2018	Current refunding of February 6, 1997 bonds outstanding. To finance certain capital improvements to the Airport parking facilities
Airport Parking Revenue Bonds, Series 2009	December 10, 2009	131,050,000	September 1, 2029	90,760,000	3.00% - 5.25%	Mandatory, beginning September 1, 2026 through 2029	Current refunding of July 8, 1999 bonds outstanding. To finance construction of two multi-level parking garages.
Tax Exempt Private Placement Bonds, Series 2014A	December 22, 2014	15,000,000	December 22, 2029	13,050,000	3.01%	none	Renovations of multiple parking garages located in the City of Philadelphia, including, 10th & Ludlow, Independence Mall, 2nd & Sansom, 8th & Filbert, 15th & Arch, and Market Street East.
Tax Exempt Private Placement Bonds, Series 2014B	June 21, 2016	10,000,000	December 22, 2029	<u>9,219,890</u>	3.01%	none	Renovations of multiple parking garages located in the City of Philadelphia, including, 10th & Ludlow, Independence Mall, 2nd & Sansom, 8th & Filbert, 15th & Arch, and Market Street East.
Total Revenue Bonds Outstanding				129,204,890			
Unamortized debt premium				<u>1,751,536</u>			
Total revenue bonds outstanding net of deferred amount				<u>\$ 130,956,426</u>			

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Revenue Bonds and Notes Payable (Continued)

Revenue Bonds

On May 27, 1999, the Authority issued \$47,390,000 Series of 1999A Parking System Revenue Bonds with interest rates ranging from 4.00% to 5.25% and having various maturity dates through 2029. The Bonds were issued to provide the Authority with proceeds to acquire a parking facility (the “Garage”) at 8th & Chestnut Streets (the “Chestnut Street Parcel”). During fiscal year 2003, \$27,200,000 of the remaining principal outstanding on the Bonds was defeased.

The City of Philadelphia guarantees this bond issue. During fiscal year 2018, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.4 million to cover debt service payments during fiscal year 2018. As of March 31, 2018, the City of Philadelphia has provided approximately \$13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$770,000 as of March 31, 2018.

On September 5, 2008, the Authority issued \$49,560,000 Series of 2008 Airport Parking Revenue Bonds with interest rates ranging from 4.125% to 5.00% for the purpose of refunding \$50,280,000 of outstanding Series of 1997 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,466,031. This difference is being charged to operations through 2019. The Authority completed the refunding to reduce its total debt service payments over the next 10 years by \$2,164,422 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,090,437. The current portion is \$5,245,000 as of March 31, 2018.

On December 10, 2009, the Authority issued \$131,050,000 Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3% to 5.250% for the purpose of refunding \$135,069,352 of the July 8, 1999 bonds that were outstanding. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,803,945. This difference is being charged to operations through 2030. The Authority completed the refunding to reduce its total debt service payments over the next 20 years by \$15,294,298 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,128,997. The current portion is \$7,480,000 as of March 31, 2018.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Revenue Bonds and Notes Payable (Continued)

Revenue Bonds (Continued)

On December 22, 2014, the authority issued \$25 million of tax exempt bonds, a private placement of Series A and B bonds, with an interest rate of 3.0132% with a term of fifteen years and an amortization of twenty-five years, having a maturity date of December 22, 2029. The A series is for \$15 million and the B series totals \$10 million. The purpose of this bond issue was for the renovations of multiple parking garages located in the City of Philadelphia at the following locations: 10th & Ludlow, Independence Mall, 2nd & Sansom, 8th & Filbert, 15th & Arch and Market Street East. The current portion on Series A is \$600,000 and on Series B is \$425,515 as of March 31, 2018.

Notes Payable

On January 29, 2015, The Authority borrowed \$6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two year period at a fixed interest rate of 1.017% and mature April 1, 2018. The balance of the note payable at March 31, 2018, is \$4,793,700.

On March 31, 2016, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two year period at a variable interest rate equal to 67% of 1-month LIBOR Rate plus 0.60% (60 basis points) and matures April 1, 2018. The balance of the note payable at March 31, 2018, is \$13,488,093.

The terms of these notes were modified on April 1, 2018, to extend the due date of the notes to April 1, 2020. The notes bear a variable interest rate equal to 80% of LIBOR Rate plus 1.09%.

The aggregate annual principal and sinking fund payments of debt at March 31, 2018, are as follows:

Fiscal Year Ending March 31,	Revenue Bonds		Notes Payable		Total
	Principal Amount	Interest Amount	Principal Amount	Notes Payable Interest Amount	
2019	\$ 14,520,515	\$ 5,729,890	\$ 18,281,793	\$ 17,940	\$ 38,550,138
2020	15,030,515	5,042,824	-	-	20,073,339
2021	15,635,515	4,295,497	-	-	19,931,012
2022	13,915,515	3,578,097	-	-	17,493,612
2023	14,575,515	2,879,179	-	-	17,454,694
2024-2028	38,237,573	6,578,399	-	-	44,815,972
2029-2030	17,289,742	863,572	-	-	18,153,314
	<u>\$ 129,204,890</u>	<u>\$ 28,967,458</u>	<u>\$ 18,281,793</u>	<u>\$ 17,940</u>	<u>\$ 176,472,081</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Revenue Bonds and Notes Payable (Continued)

The following table provides a summary of changes in revenue bonds outstanding and notes payable for the year ended March 31, 2018:

	Balance at March 31, 2017	Proceeds	Bonds Refunded	Principal Repayments	Balance at March 31, 2018
Revenue Bonds	\$ 143,465,864	\$ -	\$ -	\$ (14,260,974)	\$ 129,204,890
Notes Payable	\$ 18,300,000	\$ -	\$ -	\$ (18,207)	\$ 18,281,793

Note 7. Bond Reserve Funds

In accordance with the terms of the governing trust indentures, certain restricted funds are required to be maintained for debt service requirements as follows:

Trust Indenture	Amount
May 27, 1999	\$ 3,220,182
September 5, 2008	5,262,202
December 10, 2009	10,694,231
	<u>\$ 19,176,615</u>

If there is a deficiency in the funds within the 1999 Trust Indenture (Disney Quest project), the City is required to pay such deficiency. The deficiency due from the City is \$290,706 as of March 31, 2018 and is included as a reduction in the amount due to the City of Philadelphia on the statement of net position. The balances in the bond reserve funds noted above are included in restricted cash and investments on the statement of net position.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Restricted Cash and Investments and Net Position

Restricted cash and investments consist of the following at March 31, 2018:

	Amount
<hr/>	
<u>Series of 1999A:</u>	
Bond reserve fund	\$ 3,220,182
Revenue fund	599,615
Construction fund	102,165
Bond redemption fund	28,287
Subtotal	<hr/> 3,950,249 <hr/>
<u>Series of 2008:</u>	
Debt service fund	4,078,345
Bond reserve fund	5,262,202
Maintenance fund	3,096,806
Bond redemption fund	2,980,714
Subtotal	<hr/> 15,418,067 <hr/>
<u>Series of 2009:</u>	
Debt service reserve fund	7,045,023
Bond reserve fund	10,694,231
Subtotal	<hr/> 17,739,254 <hr/>
Restricted for Indentures	37,107,570
Restricted for Airport construction	10,594,969
Restricted for Center City Garage construction	16,981,675
Restricted for the City of Philadelphia	48,040,691
Restricted for Pennsylvania Department of Transportation	2,913,413
Investments pledged	5,883,707
Total restricted cash and investments	<hr/> \$ 121,522,025 <hr/>

Restricted net position consists of the following at March 31, 2018:

	Amount
<hr/>	
Restricted cash and investments for Airport Indentures and Airport and Garage construction	\$ 64,684,214
Less balances restricted for Airport Indenture debt service	(11,123,368)
Less balances attributable for Airport Indenture debt service	(22,033,953)
Less balances attributable for construction debt	(27,576,644)
Restricted net position	<hr/> \$ 3,950,249 <hr/>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management

The Authority elected to self-insure potential obligations applicable to workers' compensation, casualty/liability and automobile insurance. The Authority is exposed to various risks of loss (i.e., theft, damage/destruction of assets; injuries to employees; and natural disasters, etc.). While it purchases insurance coverage for these exposures, the Authority has deductibles under most of the policies. The current levels of deductibles, limits of insurance coverage per occurrence, and aggregate limit of insurance coverage are shown below:

Coverage	Deductible	Limit per Occurrence	Overall Aggregate Coverage Limit
Auto Liability	\$ 100,000	\$ 1,000,000	\$ 2,000,000
Employment Practices	150,000	10,000,000	10,000,000
General Liability	100,000	1,000,000	2,000,000
Workers' Compensation	300,000	statutory benefits	
Garage Liability	100,000	1,000,000	2,000,000
Garagekeepers' Liability (comprehensive and collision)	100,000	1,000,000	(per location)
Garagekeepers' Liability (1500-1508 Vine Street)	500-10,000	1,000,000	(per location)
Garage Liability (1500-1508 Vine Street)	-	100,000	2,000,000
Crime	25,000	250,000	-
Commercial Property (Blanket)	-	150,000,000	-
Umbrella Liability	-	10,000,000	10,000,000
Excess Umbrella Liability	-	15,000,000	15,000,000

The Authority makes payments to its insurance carrier for amounts needed to pay current year claims. The Authority is also required to maintain both a reserve for catastrophic losses and letters of credit issued to the Authority's insurance carrier as collateral for amounts needed to pay prior year claims. The amount of restricted cash held in lieu of a letter of credit at March 31, 2018, is approximately \$5.7 million. The amount of outstanding letters of credit at March 31, 2018, is approximately \$0.7 million. The Authority is required to record a liability for claims if information prior to the issuance of the financial statements indicates that it is both probable that a liability has been incurred by the date of the financial statements and the amount of the loss can be reasonably estimated.

The Authority's accrued claims liability of \$5,404,649 as of March 31, 2018, was established according to a third-party actuarial study.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management (Continued)

Balances in the Authority's accrued claims liability account were:

	March 31, 2017	Claims and changes in estimates	Payments of Claims	March 31, 2018
Workers compensation	\$ 3,968,412	\$ 2,762,092	\$ (2,175,808)	\$ 4,554,696
General liability	849,604	440,244	(439,895)	849,953
	<u>\$ 4,818,016</u>	<u>\$ 3,202,336</u>	<u>\$ (2,615,703)</u>	<u>\$ 5,404,649</u>

Note 10. Other Post-Employment Benefits (Other than Pensions)

Plan Description

The Authority self-administers its single-employer, other post-employment benefit program ("OPEB plan"). After ten years of service with the Authority, eligible employees become entitled to five years of Authority-provided, post-employment health and welfare benefits. Eligible employees include those employees who are either (a.) regular, full-time, non-represented employees, or (b.) employees represented by District Council 21, District Council 33, or District Council 47. Further, at time of retirement, employees are permitted to purchase additional benefits with accumulated sick leave. The Authority does not issue stand-alone financial statements for the OPEB plan.

Effective January 1, 2014, The Philadelphia Parking Authority will reimburse eligible retirees for their portion of Medicare Part B Premiums on a quarterly basis. Eligible retirees include those who are covered by the extension of health care benefits.

Funding Policy

The contribution requirements of the Authority are established and may be amended by the Authority's Board. It is the Authority's policy to annually designate investments to fund these obligations in the amount of the liability that it recognizes for the year, which in turn is computed according to the 30-year method. There are no required contributions on the part of the program participants (i.e., retirees).

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Other than Pensions) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed during the year, and changes to the Authority's net OPEB obligation.

	Amount
Annual Required Contribution	\$ 2,905,522
Interest on Net OPEB Obligation	564,972
Adjustment to Annual Required Contribution	(814,471)
Annual OPEB Cost (Expense)	<u>2,656,023</u>
Contributions Made	<u>(1,620,220)</u>
Increase in Net OPEB Obligation	1,035,803
Net OPEB Obligation - March 31, 2017	<u>15,065,915</u>
Net OPEB Obligation - March 31, 2018	<u><u>\$ 16,101,718</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for March 31, 2018, and the five preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
March 31, 2018	\$ 2,656,023	16.5%	\$ 16,101,718
March 31, 2017	2,926,271	19.4%	15,065,915
March 31, 2016	2,772,978	22.0%	12,617,461
March 31, 2015	2,607,223	23.9%	10,915,620
March 31, 2014	1,129,908	11.8%	9,545,148
March 31, 2013	1,037,005	11.3%	9,180,619

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Other than Pensions) (Continued)

Funding Status and Funding Progress

The funded status of the plan as of April 1, 2017, the most recent actuarial valuation date, was as follows:

	Amount
Actuarial accrued liability ("AAL")	\$ 26,910,498
Actuarial value of plan assets	-
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 26,910,498</u>
Funded ratio	<u>0.00%</u>
Covered payroll	\$ 24,128,495
UAAL as a percentage of covered payroll	111.53%

Actuarial valuations of an ongoing obligation involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the obligation and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. Employees who retire from the Authority may be eligible for postemployment medical, prescription drugs, dental and vision benefits for a limited period of time in retirement. Authority subsidized coverage is provided for sixty (60) months upon retirement and can be extended one additional month for each 2.5 unused sick leave days accumulated at time of retirement. Based on the results of recent retirees, the average number of additional years of coverage accumulated based on unused sick leave days is approximately four to five years. For valuation purposes, it is assumed that current active employees will receive a total of 8.75 years of subsidized health and welfare coverage upon retirement from the Authority.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Other than Pensions) (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In calculating the March 31, 2018 valuation, the projected unit credit method was used. The actuarial assumptions included a 3.75% discount rate (investment rate of return, net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Initial cost trend assumptions for annual healthcare are 7.0% and are subsequently reduced by decrements of 0.5% over the next three years and then reduced by decrements of .25% for the 6 years subsequent to that to ultimate rates of 4.5%. The dental and vision cost trend assumes and increase of 3.50% and 3.00% respectively. The UAAL is being amortized on the "Level Dollar" open basis, with an end-of-year interest component. The remaining amortization period at March 31, 2018, is 30 years.

Note 11. Pension Plan

Plan Description

The City of Philadelphia Municipal Pension (the "Plan") is a cost-sharing multiple-employer defined benefit pension plan, administered by the Philadelphia Board of Pensions, which provides pensions for all officers and employees of the City of Philadelphia (the "City"), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements) that are considered component units of the City, including the Authority. Employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

At July 1, 2016, the data used for the June 30, 2017, valuation, employees covered by the Plan consisted of the following:

Active plan participants	28,308
Retirees	22,412
Terminated employees entitled to benefits but not yet receiving them	1,248
Disabled	4,005
Deferred retirement option plan (DROP) participants	1,614
Beneficiaries receiving benefits	8,567
	<hr/>
Total Membership	66,154
	<hr/> <hr/>
Number of participating employers	4
	<hr/> <hr/>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Benefits Provided

The Plan provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service connected disability benefits are equal to 70% of a member's final rate of pay and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits and are payable immediately. Service-connected death benefits are payable to:

1. surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
2. if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
3. if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(ies) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2016, the date of the most recent actuarial valuation, there was \$7,222,828 in the PAF and the Board voted to make PAF distributions of \$6,855,987 during the fiscal year ended June 30, 2017.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2017, is \$122.3 million.

Funding Policy and Contributions

Per Title 22 of the Philadelphia Code, members contribute to the System at various rates based on bargaining unit, uniform/non-uniform status, and entry date into the System. Beginning July 1, 2016, members contributed at one of the following rates:

		Employee Contribution Rates			
		For the Period of July 1, 2016 to June 30, 2017			
		Municipal (1)	Elected	Police	Fire
Plan 67		6.00%	N/A	6.00%	6.00%
Plan 67	50% of Aggregate Cost (2)	5.95%	N/A	N/A	N/A
Plan 87		3.02%	8.21%	5.00%	5.00%
Plan 87	50% of Aggregate Cost (3)	3.37%	N/A	N/A	N/A
Plan 87	Accelerated Vesting (4)	3.63%	10.60%	N/A	N/A
Plan 87	Prime (5)	4.02%	9.21%	6.00%	6.00%
Plan 87	Prime-Accelerated Vesting	4.63%	11.60%	N/A	N/A
Plan 10		3.14%	N/A	5.50%	5.50%
Plan 16		4.14%	N/A	N/A	N/A

1- For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 3.75% of compensation up to the social security wage base and 6% above it.

2-Effective November 2014 guards represented by DC 33 contributions at 50% of the aggregate Normal Cost of all members in Plan J.

3-This represents 50% of aggregate Normal Cost for all Members in Plan Y.

4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10.

5-Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies, including the Authority, on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded. The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law. The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Funding Policy and Contributions (Continued)

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

City's Funding Policy

The initial July 1, 1985, unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- Plan changes for active members – 10 years.
- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2017, the City and other employers' contributions of \$706.2 million was less than the actuarially determined employer contribution (ADEC) of \$881.4 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over a closed 20-year period.

Under the MMO, for the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2017, the City and other employers' contributions of \$706.2 million exceeded the Minimum Municipal Obligation of \$629.6 million.

The annual required contribution was determined based on the most recent annual actuarial valuation dated June 30, 2017. The entry age normal actuarial cost method of funding was used in the valuation, which does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.70% per year compounded annually; (b) salary increases based on an age-based salary scale; and (c) no postretirement benefit increases. The rate of return includes an inflation component of 2.5%. The method used to determine the actuarial value of assets is a 10-year smoothed market value.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Investments, Asset Allocation, and Long-Term Expected Rate of Return

The Pension Board's Investment Policy Statement provides, in part:

The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns. The Fund seeks an annual total rate of return of not less than 7.70% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.70%) over a market cycle. The investment return assumption was reduced by the Board from 7.75% to 7.70%. The Fund's investment program will pursue its aforesaid total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund. All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement will be maintained. The Investment Policy Statement will be updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target</u>
Broad Fixed Income	10.00%
Global Fixed Income	2.00%
Emerging Market Debt	2.00%
U.S. Large-Cap Core	22.00%
U.S. Mid-Cap Core	3.00%
U.S. Small-Cap Core	5.00%
ACWI ex-U.S.	15.00%
Non-U.S. Small Cap	6.00%
Emerging Markets	4.00%
Public REITs	1.00%
Real Estate Core	11.00%
Real Estate Mezzanine	1.00%
Real Estate-Opportunistic	1.00%
Infrastructure	5.00%
Private Equity	10.00%
Private Debt	2.00%
	<u>100.00%</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Investments, Asset Allocation, and Long-Term Expected Rate of Return

The Plan allows funds to be invested pursuant to a strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes, as approved by the Philadelphia Board of Pensions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table: (see pension plan's investment policy: <http://www.phila.gov/pensions/PDF/ips.pdf>).

Investment	Average 10 Year Annualized Return	Benchmark Index
Fixed Income		
Broad Fixed Income	2.80%	Bloomberg Barclays U.S. Aggregate TR
Int. Government	2.20%	Bloomberg Barclays U.S. Gov't TR
High Yield	4.50%	Bloomberg Barclays U.S. High Yield TR
Global Aggregate	1.70%	Bloomberg Barclays U.S. Global Aggregate TR
Bank Loans	4.90%	Credit Suisse Leveraged Loans
Emerging Market Debt	6.30%	JP Morgan EMBI Global TR
Equities		
Broad U.S. Equity	7.30%	Russell 3000
Global Equity	7.40%	MSCI ACWI
Broad Non-U.S. Equity	7.60%	MSCI EAFE
Emerging Market	8.60%	MSCI Emerging Markets
Hedge Fund		
Hedge Funds	5.00%	HFRI Fund of Funds Composite Index
Real Estate		
Real Estate - Core	7.60%	NCREIF Fund Index
Public REITs	7.10%	NAREIT
Opportunistic Real Estate	11.70%	NCREIF Property Index
Real Asset		
MLPs	7.60%	Alerian MLP Index
Global Infrastructure	7.50%	Dow Jones Brookfield Global Infrastructure Index
Private Equity		
Private Equity	11.10%	Cambridge Associates
Private Debt	10.00%	Cambridge Associates
Cash		
TIPS	3.80%	Bloomberg Barclays US TIPS TR
91 Day T-Bills	1.20%	

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 13.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Net Pension Liability

The Authority's net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the Plan as of June 30, 2017, were as follows:

Total pension liability	\$ 11,192,601,311
Plan fiduciary net position	<u>4,874,074,826</u>
Plan net pension liability (asset)	<u><u>\$ 6,318,526,485</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u><u>43.55%</u></u>

At June 30, 2017, the Authority reported a liability of \$166,146,127 for its proportionate share of the Plan net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, and was rolled forward to June 30, 2017. The June 30, 2016, used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.70% compounded annually, net of expenses
Salary Increases:	Age based table

- The investment return assumption was changed from 7.75% from the prior year valuation to 7.70% for the current year valuation.
- To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.
- The mortality rates were based on the RP 2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five-year set-back for Municipal males and females and a 2-year set-back for Police and Fire males and females.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Actuarial Assumptions (Continued)

The measurement date for the net pension liability (NPL) is June 30, 2017. Measurements are based on the fair value of assets as of June 30, 2017 and the total pension liability (TPL) as of the valuation date, July 1, 2016, updated to June 30, 2017. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately \$201 million. The service cost and interest cost increased the collective NPL by the approximately \$982 million while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$1,338 million.

There were no changes in benefits during the year. There were actuarial experience losses during the year of approximately \$104 million which includes the loss due the Pension Adjustment Fund payment of \$30 million for the previous year.

The board adopted an assumption change to decrease the expected long-term return on assets from 7.75% to 7.70% which increased the TPL by approximately \$51 million.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.70%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Discount Rate Sensitivity

The following is a sensitivity analysis of the Authority's proportionate share of the net pension liability to changes in the discount rate. The table below presents the Authority's proportionate share of the Plan pension liability calculated using the discount rate of 7.70% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.70%) or 1 percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Proportionate share of the Plan net pension liability	\$ 195,635,854	\$ 166,146,130	\$ 141,017,952

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2018, the Authority recognized pension expense of \$23,069,259.

At March 31, 2018, the Authority reported the proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,275,467	\$ -
Changes in assumptions	2,450,479	-
Difference between projected and actual earnings on investments	6,795,607	-
Change in proportionate share	20,828,833	25,061,613
Difference between projected and actual contributions	9,444,429	-
Contributions made subsequent to measurement date	17,754,536	-
Total	<u>\$ 61,549,351</u>	<u>\$ 25,061,613</u>

The \$17,754,536 of contributions made subsequent to June 30, 2017, measurement date will be recognized in the year ended March 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Amount</u>
2019	\$ 13,020,233
2020	11,262,115
2021	(4,323,955)
2022	(1,225,191)
	<u>\$ 18,733,202</u>

At March 31, 2018, the Authority reported a payable of \$5,166,216 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2018.

The Plan issues a publicly available annual financial reporting, including financial statements, which may be obtained by writing to the Board of Pensions and Retirement, Two Penn Center Plaza, 16th Floor, Philadelphia, Pennsylvania 19102 or by visiting the City of Philadelphia Board of Pensions' website.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Collective Bargaining Agreements

There are several collective bargaining agreements in place during the fiscal year ended March 31, 2018, covering Authority employees. Collective bargaining agreement terms and the related union employee participation is as follows:

	Current Contract Term	Number of Participants at March 31, 2018
American Federation of State, County and Municipal Employees ("AFSCME") District Council 33	9/1/2017-8/31/2021	420
AFSCME Locals 2186 & 2187, District Council 47	9/1/2017-8/31/2021	113
International Union of Painters and Allied Trades District Council 21, Local 252	5/1/2017-4/30/2022	27
Teamsters Union Local No 115	6/1/2013-5/31/2018	66
Transport Workers Union of America, Local 700	1/15/14-1/14/2018*	43

** As of the report date, the respective collective bargaining agreement has not been negotiated. Dates reflected above pertain to the dates of the last active agreement.*

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Collective Bargaining Agreements (Continued)

The number of employees covered in collective bargaining agreements represents 66.2% of the Authority's employees as of March 31, 2018.

Participants in Teamsters Union Local No. 115 and International Union of Painters and Allied Trades District Council 21, Local 252 receive health and welfare benefits through the Authority. Participants in AFSCME District Council 33 and AFSCME Locals 2186 and 2187 District Council 47 have the option to participate in the union plan or receive health and welfare benefits through the Authority. Participants in Transport Workers Union of America, Local 700 receive health and welfare benefits through the union. For benefits received through a union, the Authority contributes to the plan in accordance with notice from the union administrators. These benefits are funded as incurred and there are no balances payable for union health and welfare benefits as of the year ended March 31, 2018.

Participants in AFSCME District Council 33, AFSCME Locals 2186 and 2187 District Council 47, and International Union of Painters and Allied Trades District Council 21, Local 252 receive retirement benefits through the Authority in the City of Philadelphia Municipal Pension. Participants in the Transport Workers Union of America, Local 700 receive retirement benefits through a defined contribution plan, in which the Authority matches a portion of the employee contribution. Participants in the Teamsters Union Local No 115 receive retirement benefits through a defined benefit pension plan through a self-sponsored, cost-sharing, multiemployer, defined-benefit pension plan that provides benefits to both governmental and non-governmental employees and whose are held in a trust.

Employees in Teamsters Union Local No. 115 participate in the Teamsters Local Union No 115 Pension Plan (the "Local 115 Plan"). Under current provisions of the Local 115 Plan, a participant is eligible for a normal retirement pension upon attaining age 65 with 5 years of vesting service, for an early retirement pension upon attaining age 55 with 5 years of vesting service, and for a disability retirement pension upon total and permanent disability with 5 years of vesting service. For a participant whose employer contributes on a weekly basis, the minimum normal retirement benefit is \$200. A \$3,000 death benefit is payable upon the death of a retiree to his or her beneficiary. Amendments to the Local 115 Plan require approval from the board of trustees of the Local 115 Plan's trust. There is no minimum contribution for future periods' requirement under the Local 115 Plan; however, a withdrawal liability would be assessed if the Authority employees were to exit the Local 115 Plan. The annual reports of the Local 115 Plan are available on the Department of Labor employee benefits security administration website.

Pursuant to a collective-bargaining agreement, the Authority contributes to the plan at agreed upon rates based on the weeks participants are employed. Effective June 1, 2015, the Authority contributed \$112.69 per week for participating employees, effective June 1, 2016, the Authority contributed \$121.03 per week for participating employees, effective June 1, 2018, the Authority contributed \$139.61 per week for participating employees. The contribution rates to the Local 115 Plan are subject to review and approval by the Local 115 Plan actuary.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Collective Bargaining Agreements (Continued)

The Authority contributed \$624,210 to the Local 115 Plan for the years ended March 31, 2018. The Authority reported \$0 payable to the Local 115 Plan as of March 31, 2018.

A schedule of Authority's required contributions and actual contributions to the Local 115 Plan for the last 10 years is as follows:

Fiscal Year Ended	Teamsters Local Union No 115 Pension Plan Required Contributions	Authority's Contributions to Teamsters Local Union No 115 Pension Plan
March 31, 2018	\$ 624,210	\$ 624,210
March 31, 2017	506,205	506,205
March 31, 2016	491,212	491,212
March 31, 2015	615,010	615,010
March 31, 2014	483,262	483,262
March 31, 2013	444,958	444,958
March 31, 2012	474,402	474,402
March 31, 2011	464,839	464,839
March 31, 2010	424,591	424,591
March 31, 2009	452,398	452,398

Note 13. Commitments

The Authority leases land for its parking facilities at the Philadelphia International Airport from the City of Philadelphia under long-term land leases, which expire on September 1, 2029. Payment for these land leases is equal to parking revenues after deducting all expenses and debt service requirements as defined by the governing trust indentures. These payments are remitted to the Philadelphia Division of Aviation on or about June 30th following the close of each fiscal year and totaled approximately \$32.5 million for fiscal year ended 2018.

The Authority, through an Agreement of Cooperation with the City of Philadelphia, conducts On-Street parking operations which involves enforcement of most parking laws and ordinances in the City, as well as most peripheral issues. Payments to the City/School District under terms of this Agreement as amended in 2005 are based upon total revenue received (e.g., from tickets, meters, etc.) less expenses (excluding depreciation) and On-Street capital assets purchased. In connection with this Agreement, \$37.1 million is recognized as expense to the City of Philadelphia General Fund and \$13.1 million as expense to the School District of Philadelphia for fiscal year ended 2018.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 13. Commitments (Continued)

In June 2012, The Authority initiated a 25-year lease for its new headquarters at 701 Market Street. The new facility provides approximately 20,000 additional square feet of space at a lower rent than previously paid. The terms of the agreement provide for lease payments on a graduated scale.

On April 1, 2007, the Taxi and Limousine Division moved its operating headquarters to 2415 South Swanson Street in South Philadelphia. The Authority currently has a lease that expires on December 31, 2021, on this property.

Further, the Authority leases two of its parking garages. One is leased from the City of Philadelphia, namely the facilities located on Independence Mall at 5th & Market, and a second from the United States National Park Service (Department of the Interior) located at 2nd & Sansom.

Future minimum annual lease and sublease payments under the Authority's various operating leases at March 31, 2018, are as follows:

Fiscal Year Ending March 31,	Future Minimum Lease Payments	Less Sublease Income	Net Future Minimum Lease Payments
2019	\$ 4,705,660	\$ 586,783	\$ 4,118,877
2020	4,659,824	518,888	4,140,936
2021	4,635,238	547,415	4,087,823
2022	4,382,876	427,905	3,954,971
2023	4,132,550	428,269	3,704,281
2024-2028	20,307,509	1,773,063	18,534,446
2029-2033	16,690,110	826,604	15,863,506
2034-2038	17,709,712	448,690	17,261,022
2039-2041	1,184,242	269,214	915,028
Total	\$ 78,407,721	\$ 5,826,831	\$ 72,580,890

Rental expense for the fiscal year ended March 31, 2018, was \$4,234,841.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 14. Service Agreements

The Authority has a contract with Conduent through March 31, 2019 for the collection of On-Street parking violation citations and the collection of fines and other costs imposed in connection with such violations. According to the terms of the agreement, Conduent is reimbursed based upon both the number of tickets processed and a percentage of the revenue collected from overdue parking tickets. In addition, the Authority has a contract with Conduent through September 2022 for the rental and servicing of the equipment utilized for the Red Light Camera Program and for collection activity related to that program. The Authority has another agreement with Conduent to maintain Revenue Control Equipment at the Airport. Total expense to Conduent for the fiscal year ended March 31, 2018, was \$23,648,828.

Note 15. Subsequent Events

Outstanding Loans: On March 20, 2018, the Authority renegotiated the two loans with PNC Bank; the Bond Anticipation Notes of \$6,000,000 and \$15,000,000 respectively. The refinancing of these loans became effective April 1, 2018 and as a result they have been restructured as fixed rate loans for the first 12 months at a rate of 2.64%.

On Street Parking Kiosks: The Authority is currently putting the purchase of kiosks out for public bid. This will go a long way in improving parking services throughout the city and provide for enhanced customer service initiatives.

8th & Chestnut Flat Lot: The Authority has entered into an Agreement of Sale (AOS) through June 2019. The potential buyer has the option to purchase but is under no obligation to consummate the transaction. They are making non-refundable deposits to keep the agreement in force and this will go towards lowering the debt service on behalf of the City of Philadelphia.

Off-Street Parking: The Philadelphia Parking Authority and the Delaware River Port Authority have entered into an agreement to open and operate a flat lot at the base of the Benjamin Franklin Bridge. The profits will be split evenly between the entities and both will be sharing in the depreciation. There is no date set for opening as of the date of this report.

Other Post Employment Benefits: The Authority established a Health Care Plan Trust Agreement with PARS, Public Agency Retirement System, to administer the retiree benefits as of April 1, 2018. This was funded with an initial \$16,101,718 and the intent is to fully fund the trust with the required actuarially required obligation. This will ensure that the liability to the Authority under GASB No. 45 is properly administered and funding is tracked according to the yearly actuarial reports.

REQUIRED SUPPLEMENTARY INFORMATION

THE PHILADELPHIA PARKING AUTHORITY

**Schedule of Funding Progress for Postemployment Benefit Plan
March 31, 2018**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b- a)/c)
March 31, 2018	\$ -	\$ 26,910,498	\$ 26,910,498	0.00%	\$ 24,128,495	111.5%
March 31, 2017	-	23,591,954	23,591,954	0.00%	23,702,224	99.5%
March 31, 2016	-	24,534,346	24,534,346	0.00%	23,157,637	105.9%
March 31, 2015	-	23,402,938	23,402,938	0.00%	22,592,817	103.6%
March 31, 2014	-	12,945,891	12,945,891	0.00%	21,673,454	59.7%
March 31, 2013	-	12,322,124	12,322,124	0.00%	21,114,294	58.4%
March 31, 2012	-	20,166,849	20,166,849	0.00%	21,010,937	96.0%

Notes: Demographic changes in the active population (e.g. changes in ages and average years of service) resulted in a decrease in the actuarial accrued liability as of March 31, 2017.

The number of active participants in 2016 increased from the prior years as a result of changes to eligibility that resulted in 87 union personnel adopting the Authority plan as of March 31, 2016.

The actuarial methods and assumptions used were updated for the 2013 valuation resulting in a decrease of the actuarial accrued liability as of March 31, 2013.

THE PHILADELPHIA PARKING AUTHORITY

Schedule of Employer's Proportionate Share of the Net Pension

Liability and Schedule of Employer Contributions

March 31, 2018

Schedule of Employer's Proportionate Share of the Net Pension Liability				
Actuarial Valuation Date	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered Payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll
June 30, 2017	2.63%	\$ 166,146,127	\$ 42,822,441	387.99%
June 30, 2016	3.22	209,757,356	41,025,610	511.28
June 30, 2015	2.47	145,553,735	37,986,088	383.20

Schedule of Employer Contributions					
Fiscal Year Ending	Contractually required contribution	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Authority's covered-employee payroll	Contributions as a percentage of covered-employee payroll
June 30, 2017	\$ 22,250,692	\$ 24,958,321	\$ (2,707,630)	\$ 42,822,441	58.28%
June 30, 2016	25,345,907	28,126,464	(2,780,556)	41,025,610	68.56
June 30, 2015	18,390,598	19,090,652	(700,054)	37,986,088	50.30

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, for the year ended March 31, 2016, to confirm with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

SUPPLEMENTARY INFORMATION

THE PHILADELPHIA PARKING AUTHORITY

COMBINING SCHEDULE OF NET POSITION
March 31, 2018

	Funds Under Trust Indenture							
	May 27, 1999		September 5, 2008 and December 10, 2009		Funds Not Under Trust Indenture	Red Light Camera Enforcement	On-Street Parking	Combined Totals 2018
	Restricted	Unrestricted	Restricted	Unrestricted				
ASSETS								
Cash and cash equivalents	\$ -	\$ 46,264	\$ -	\$ 6,281,654	\$ 33,900,886	\$ (578,215)	\$ 12,617,359	\$ 52,267,948
Investments	-	-	-	-	32,901,808	-	100,628	33,002,436
Accrued interest receivable	-	-	-	42,437	-	-	-	42,437
Accounts receivable	-	-	-	-	321,852	-	246,016	567,868
Prepaid expenses	-	-	-	-	1,144,837	-	57,085	1,201,922
Total current assets	-	46,264	-	6,324,091	68,269,383	(578,215)	13,021,088	87,082,611
Restricted cash and investments	3,950,248	289,009	33,157,322	42,686,559	25,820,171	2,913,413	12,705,303	121,522,025
Property and equipment:								
Land	10,300,000	-	-	-	7,727,762	-	-	18,027,762
Construction-in-progress	-	-	-	6,412,065	135,450	-	-	6,547,515
Parking facilities and improvements	8,500	469,890	255,254,857	12,037,722	82,385,687	-	3,408,971	353,565,627
Improvements, equipment, and furniture	-	-	-	4,165,288	11,113,322	647,152	24,060,083	39,985,845
Less accumulated depreciation	(3,682)	(139,009)	(163,810,979)	(6,146,244)	(48,395,966)	(647,152)	(24,306,185)	(243,449,217)
Total property and equipment	10,304,818	330,881	91,443,878	16,468,831	52,966,255	-	3,162,869	174,677,532
Total assets	14,255,066	666,154	124,601,200	65,479,481	147,055,809	2,335,198	28,889,260	383,282,168
DEFERRED OUTFLOWS OF RESOURCES								
Deferred amount on refunding	-	-	2,956,422	-	-	-	-	2,956,422
Deferred outflows for pension	-	-	-	2,455,818	23,105,626	172,339	35,815,568	61,549,351
Total deferred outflows	-	-	2,956,422	2,455,818	23,105,626	172,339	35,815,568	64,505,773
Total assets and deferred outflows	\$ 14,255,066	\$ 666,154	\$ 127,557,622	\$ 67,935,299	\$ 170,161,435	\$ 2,507,537	\$ 64,704,828	\$ 447,787,941
LIABILITIES								
Accounts payable and accrued expenses	\$ -	\$ 10,078	\$ -	\$ 3,243,572	\$ 7,534,757	\$ 940,762	\$ 7,574,484	\$ 19,303,653
Accrued interest payable	47,272	-	398,800	-	-	-	-	446,072
Due to (from) City/School District of Philadelphia	-	289,009	-	32,091,590	2,954,789	-	12,705,303	48,040,691
Due to the Pennsylvania Department of Transportation	-	-	-	-	-	2,913,413	-	2,913,413
Current portion of revenue bond	770,000	-	12,725,000	-	1,025,515	-	-	14,520,515
Current portion of notes payable	-	-	-	18,281,793	-	-	-	18,281,793
Due to (from) other funds	-	156,429	-	3,978,710	(8,147,864)	(1,549,757)	5,562,482	-
Total current liabilities	817,272	455,516	13,123,800	57,595,665	3,367,197	2,304,418	25,842,269	103,506,137
Revenue bonds payable	10,160,000	-	85,031,536	-	21,244,375	-	-	116,435,911
Notes payable	-	-	-	-	-	-	-	-
Accrued claims payable	-	-	-	-	5,404,649	-	-	5,404,649
Payable for post employment benefits, other than pensions	-	-	-	-	16,101,718	-	-	16,101,718
Net Pension Liability	-	-	-	6,629,231	62,371,257	465,209	96,680,433	166,146,130
Total liabilities	10,977,272	455,516	98,155,336	64,224,896	108,489,196	2,769,627	122,522,702	407,594,545
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows for pension	-	-	-	999,958	9,408,129	70,173	14,583,353	25,061,613
Total liabilities and deferred inflows	10,977,272	455,516	98,155,336	65,224,854	117,897,325	2,839,800	137,106,055	432,656,158
NET POSITION								
Net investment in capital assets	10,304,818	330,881	29,775,586	(1,812,962)	30,696,365	-	3,162,869	72,457,557
Restricted	-	-	3,950,249	-	-	-	-	3,950,249
Unrestricted	(7,027,024)	(120,243)	(4,323,549)	4,523,407	21,567,745	(332,263)	(75,564,096)	(61,276,023)
Net position	3,277,794	210,638	29,402,286	2,710,445	52,264,110	(332,263)	(72,401,227)	15,131,783
Total liabilities, deferred inflows and net position	\$ 14,255,066	\$ 666,154	\$ 127,557,622	\$ 67,935,299	\$ 170,161,435	\$ 2,507,537	\$ 64,704,828	\$ 447,787,941

* Bonds relating to the December 10, 2009 and September 5, 2008 Trust Indenture are combined for presentation purposes under the December 10, 2009 Trust Indenture.

THE PHILADELPHIA PARKING AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended March 31, 2018

	Funds Under Trust Indenture		Funds Not Under Trust Indenture	Red Light Camera Enforcement	On-Street Parking	Combined Totals 2018
	May 27, 1999	December 10, 2009*				
Operating revenues	\$ 1,297,584	\$ 70,805,522	\$ 31,358,916	\$ 20,103,124	\$ 138,397,800	\$ 261,962,946
Operating expenses						
Direct operating expenses	108,697	16,907,658	14,368,369	7,175,522	75,661,098	114,221,344
Administrative expenses	61,592	4,483,323	5,709,430	1,613,633	17,106,869	28,974,847
Expense to the City/School District of Philadelphia	(60,526)	32,526,888	1,377,186	-	50,200,987	84,044,535
Expense to the Pennsylvania Department of Transportation	-	-	-	11,315,041	-	11,315,041
	87,734	8,100,619	4,566,434	-	1,286,718	14,041,505
Total operating expenses	197,497	62,018,488	26,021,419	20,104,196	144,255,672	252,597,272
Operating income (loss)	1,100,087	8,787,034	5,337,497	(1,072)	(5,857,872)	9,365,674
Nonoperating revenues (expenses)						
Investment income	157,631	1,496,005	110,673	1,072	628	1,766,009
Interest expense	(499,089)	(5,622,771)	(614,464)	-	(47,814)	(6,784,138)
Medallion Fund Transfers from the State	-	-	339,503	-	-	339,503
Total nonoperating revenues (expenses)	(341,458)	(4,126,766)	(164,288)	1,072	(47,186)	(4,678,626)
Changes in net position	758,629	4,660,268	5,173,209	-	(5,905,058)	4,687,048
Net Position, beginning of year - as restated	2,729,803	27,452,463	47,090,901	(332,263)	(66,496,169)	10,444,735
Net Position, end of the year	\$ 3,488,432	\$ 32,112,731	\$ 52,264,110	\$ (332,263)	\$ (72,401,227)	\$ 15,131,783

* Bonds relating to the December 10, 2009 and September 5, 2008 Trust Indenture are combined for presentation purposes under the December 10, 2009 Trust Indenture.

THE PHILADELPHIA PARKING AUTHORITY

Trust Indentures of December 10, 2009 and September 5, 2008

Philadelphia International Airport Facility

Schedule of Direct Operating Expenses

Year Ended March 31, 2018

Salaries and Wage Expense	
Salaries and wages	\$ 6,660,456
Pension plan expense	1,813,781
Total salary and wage expense	<u>8,474,237</u>
Payroll Related Expense	
Employee's benefits	3,252,289
Payroll taxes	510,416
Total salary and wage and payroll related expense	<u>12,236,942</u>
Direct Operating Expenses	
Professional fees	92,064
Utilities	(175,287)
Miscellaneous and office expenses	2,761,855
Repairs and maintenance	1,099,724
Insurance	614,637
Auto expenses	154,212
Supplies and tickets	46,179
Telephone	17,164
Equipment expenses	60,169
Total direct operating expenses	<u><u>\$ 16,907,659</u></u>

THE PHILADELPHIA PARKING AUTHORITY

Trust Indentures of December 10, 2009 and September 5, 2008

Philadelphia International Airport Facility

Debt Service Coverage Schedule

Year Ended March 31, 2018

Operating Revenues	<u>\$ 70,805,522</u>
Operating Expenses	
Direct operating expenses	16,907,658
Administrative expenses	4,483,323
Interest income	<u>(1,496,005)</u>
Total operating expenses	<u>19,894,976</u>
Operating income, net	<u><u>\$ 50,910,546</u></u>
Debt Service	\$ 18,237,863
Debt service coverage ratio	2.79
Debt service coverage requirement	1.50
Ratio over (under)	1.29

THE PHILADELPHIA PARKING AUTHORITY

Tax-Exempt Bond of December 22, 2014, Series A and B

Center City Garage Improvements

Debt Service Coverage Schedule

Year Ended March 31, 2018

Operating Revenues	
Market Street East garage	\$ 2,384,641
2nd & Samsom garage	2,940,330
Independence Mall garage	2,656,579
Family Court 15th & Arch St garage	1,217,899
8th & Filbert St garage	3,595,769
10th & Ludlow St garage	1,602,959
Total operating revenues	<u>14,398,177</u>
Operating Expenses	
Direct operating expense	5,998,567
Administrative expenses	4,737,768
Interest income	(29,649)
Total operating expenses	<u>10,706,686</u>
Operating income, net	<u>\$ 3,691,491</u>
Debt service	\$ 1,060,974
Debt service coverage ratio	3.48
Debt service coverage requirement	1.20
Ratio over (under)	2.28

THE PHILADELPHIA PARKING AUTHORITY

Reformatted Statement of Net Position

March 31, 2018 (in thousands)

Assets	
Cash and cash equivalents	\$ 52,268
Investments	33,002
Accounts receivable	568
Other current assets	1,243
Restricted cash and investments	121,522
Capital assets, net	174,678
Total assets	<u>383,281</u>
Deferred Outflows of Resources	
Deferred amount on refunding	2,957
Deferred outflows for pension	61,549
Total deferred outflows of resources	<u>64,506</u>
Total assets and deferred outflows	<u><u>\$ 447,787</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 19,303
Accrued interest payable	446
Due to the City/School District of Philadelphia	48,041
Due to the Pennsylvania Department of Transportation	2,912
Current portion of notes payable	18,282
Current portion of other long-term obligations	14,520
Non-current portion of notes payable	-
Non-current portion of other long-term obligations	116,436
Accrued claims payable	5,405
Payable for post retirement benefits, other than pensions	16,102
Net pension liability	166,146
Total liabilities	<u>407,593</u>
Deferred Inflows of Resources	
Deferred revenue	-
Deferred inflows for pension	25,062
Total deferred inflows of resources	<u>25,062</u>
Total liabilities and deferred inflows	<u><u>\$ 432,655</u></u>
Net Position	<u><u>\$ 15,132</u></u>

THE PHILADELPHIA PARKING AUTHORITY

Reformatted Statement of Revenues, Expenses and Changes in Fund Net Position Year Ended March 31, 2018 (in thousands)

Expenses	
Operating Expenses	\$ 114,221
Expense to the City/School District of Philadelphia	84,045
Expense to the Pennsylvania Department of Transportation	11,315
Interest expense	6,784
Administrative expenses	28,975
Depreciation and amortization expense	14,042
Total operating expenses	<u>259,382</u>
Program Revenues	
Charges for Services	<u>261,963</u>
Net program revenues	2,581
General Revenues	
Interest and investment earnings	1,766
Other Income	340
Increase in net position	<u>4,687</u>
Net Position, beginning of the year	<u>14,040</u>
Prior period adjustment (see Note 6)	<u>(3,595)</u>
Net Position, end of the year	<u><u>\$ 15,132</u></u>