

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

FINANCIAL REPORT

MARCH 31, 2020 AND 2019

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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 business-type activity and the aggregate remaining fund information of the Philadelphia Parking Authority (the "Authority") a component unit of the City of Philadelphia, Pennsylvania, as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, as listed in the Table of Contents.

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 business-type activity, and the aggregate remaining fund information of the Philadelphia Parking Authority as of March 31, 2020 and 2019, and the changes in its financial position, and, where applicable, cash flows thereof for the years 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 the implementation of GASB Statement No. 75 *Accounting and Financial Report for Postemployment Benefits Others than Pensions* and for changes in certain liabilities for the year ended March 31, 2019. 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 Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions on page 58, the Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios on page 59 and the Schedule of Authority Contributions for Post-employment Benefits Plan on page 60 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 61-69 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
December 23, 2020

PHILADELPHIA PARKING AUTHORITY

**MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended March 31, 2020**

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, 2020, as compared to the year ended March 31, 2019. 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 40 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).

Net Parking Revenue Expense to the DOA is as follows -

Year Ended March 31, 2020	\$34,168,891
Year Ended March 31, 2019	\$35,732,664

The decrease in payments is primarily attributed to a 3.0% decrease in operating revenues in the month of March 2020, that was caused by the COVID-19 induced drop in airline travel in mid-March 2020. See Note 16 for further clarification on the COVID-19 pandemic.

The Authority owns and/or operates nine facilities in Center City with approximately 5,357 spaces. Five are owned by the Authority, two are operated under leases with the City of Philadelphia, one is operated under a lease with the National Park Service (NPS), and one is operated under a management agreement with a private company. 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 roughly 42 various neighborhood parking lots that consists of 2,500 parking spaces under a Lease Agreement with the City of Philadelphia.

Expenses to the City under the lease agreements for both the City and NPS are as follows -

Year Ended	Expense to City	Expense to NPS
March 31, 2020	\$732,604	\$1,018,086
March 31, 2019	\$1,196,362	\$1,062,916

PHILADELPHIA PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended March 31, 2020

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 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 as well as other garage projects.

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 threshold for fiscal year ended March 31, 2020, is \$42,315,380. Pursuant to the statute, the City threshold will not reset next year, though the program revenue will be significantly reduced due to COVID-19-related restrictions.

The Authority implemented a Mobile Parking Payment System (MPPS) in September 2017 with Park Mobile to provide mobile payments. The initial roll out included Center City and University City and is now in place throughout the city. This product has proven very popular with the public. There have been nearly 750,000 monthly payments through this system representing almost 62% of the total meter parking payments. This system is still in place for fiscal year 2020, and is operating efficiently and maintaining revenue.

On March 18, 2020, the City directed that parking ticket issuance be suspended except for safety violations consistent with the COVID-19 stay-at-home order. Normal ticketing did not resume until July 8. Additionally, collection noticing was suspended in light of the unemployment related to COVID-19 and did not resume until early July. The impact of delayed collections and reduced enforcement had an impact on total revenue.

The Authority has recently purchased 1,667 Pay by Plate (PBP) parking kiosks that are being deployed throughout the City to replace outdated equipment. Installation is expected to be completed during fiscal year ending March 2021. It is the expectation that the popularity of the MPPS, combined with the new technology will significantly enhance the parking experience within the City. The Pay by Plate technology will also increase cashless transactions, continuing reduction of collection costs.

PHILADELPHIA PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended March 31, 2020

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 Photo 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 and is part of the City's Vision Zero initiative. 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 auto insurance rate reductions. To date, 136 cameras have been installed monitoring 33 intersections.

In 2018, the General Assembly authorized the PPA to be the administrator of a five year pilot program for enforcement of speed violations on Roosevelt Boulevard. The PPA will have speed cameras installed at various locations, to be selected in coordination with the City. Under the law a fine will be imposed when a driver exceeds the speed limit by at least ten miles per hour. The system went live on August 1, 2020, and will aid with traffic safety along the Route 1 corridor. Initially, will be 32 cameras at 8 intersections installed along the route. City ordinance limits the number of tickets a driver can receive in a thirty (30) minute time period to the three highest violations. Violations are set at \$100, \$125, and \$150 each depending upon how fast a car is traveling.

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 24,500 for-hire vehicles to both the Philadelphia market and the Authority's regulatory responsibility. However, adequate financial support for effective regulatory oversight was not included in Act 164. The law requires a 1.4% of gross revenue to be paid of which two-thirds is paid directly to the School District of Philadelphia. 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 60%, 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 \$.20 per ride surcharge be imposed to pay regulatory costs. If enacted, the revenue generated would permit the Authority to fund the program at a level consistent with our mandate. The PPA also advocated for additional funding for the City of Philadelphia and the School District on a per trip fee basis.

The Parking Authority's main focus continues to be expanding commerce within the City of Philadelphia and supporting the City's financial goals.

PHILADELPHIA PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended March 31, 2020

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 include 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, 2021). 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 *Statement of Fiduciary Net Position* presents the Postretirement Health Insurance Plan's assets, liabilities and net position.

The *Statement of Changes in Fiduciary Net Position* presents the Postretirement Health Insurance Plan's additions and deductions for the current fiscal year. The difference between additions and deductions results in an increase or decrease in 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.

PHILADELPHIA PARKING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2020**

FINANCIAL ANALYSIS

The following table compares the condensed Statements of Net Position as of March 31, 2020 and 2019:

	March 31, 2020 (in thousands)	March 31, 2019 (in thousands)	Increase (Decrease) (in thousands)	% Increase (Decrease) (rounded)
Current Assets	\$ 165,005	\$ 150,383	\$ 14,622	10%
Restricted Cash and Investments	101,054	128,882	(27,828)	-22%
Property, Plant and Equipment - net	178,824	189,848	(11,024)	-6%
Total Assets	444,883	469,113	(24,230)	-5%
 Deferred Outflows	 50,425	 48,676	 1,749	 4%
 Current Liabilities	 94,445	 108,181	 (13,736)	 -13%
Non-current Liabilities	257,018	265,943	(8,925)	-3%
Total Liabilities	351,463	374,124	(22,661)	-6%
 Deferred Inflows	 29,698	 38,505	 (8,807)	 100%
 Net Investment in Capital Assets	 95,609	 104,522	 (8,913)	 -9%
Restricted	3,513	3,866	(353)	-9%
Unrestricted	15,025	(3,228)	18,253	-565%
Net Position	\$ 114,147	\$ 105,160	\$ 8,987	9%

- Current assets increased approximately \$14.6 million largely due to cash reserves increasing and to loan funds not being expended through year-end.
- Restricted cash decreased approximately \$27.8 million principally due to the additional funding of the OPEB obligation and decreases in the indenture investments related to the Airport.
- Property and equipment decreased a net amount of approximately \$11.0 million principally due to the expensing of several construction in progress accounts that were correctly deemed as expense items and annual depreciation charges.
- Deferred outflows increased approximately \$1.7 million primarily due to changes in GASB 68 and GASB 75 changes in the actuarial valuations of the net pension liability decreasing year over year.
- As of March 31, 2020, the amount due to the City of Philadelphia, included in current liabilities, is \$44.8 million. The total due to the City includes \$33.7 million that was due to the Philadelphia Division of Aviation for fiscal year 2020, and \$3.8 million net liability to the School District of Philadelphia pursuant to the Act 9 of 2005.

PHILADELPHIA PARKING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2020**

Total remaining amounts due to the City/School District of Philadelphia as of March 31, 2020 and 2019, are as follows:

	March 31, 2020	March 31, 2019
	(in thousands)	(in thousands)
On-Street Operation-City	\$ 6,146	\$ 7,422
On-Street Operation-School District	3,837	15,748
City of Philadelphia, Division of Aviation	33,702	35,297
Independence Mall	915	1,382
8th and Chestnut	217	130
Neighborhood Lots	(12)	25
Total	<u>\$ 44,805</u>	<u>\$ 60,004</u>

- Current liabilities decreased approximately \$13.7 as a result of the reduction of accrued liabilities and the payments of expenses attributable to fiscal year 2020, that would have been accrued.
- Non-current liabilities decreased approximately \$8.9 million principally due to the decrease in the Authority's proportionate share (1.99%) of the net pension liability as a result of the actuarial valuation of the net pension liability. The liability at March 31, 2019, was \$132 million versus \$121 million for fiscal year 2020.
- Deferred inflows decreased approximately \$8.8 million primarily due to decreases in the deferred amounts related to the Authority's net pension liability as a result of the actuarial valuation of the net pension liability for the period ended March 31, 2020, and the actuarial valuation of the Other Post-Employment Benefits, otherwise known as GASB 75.

PHILADELPHIA PARKING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2020**

The following table compares the amounts of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019	Increase (Decrease)	% Increase (Decrease)
	(in thousands)	(in thousands)	(in thousands)	(rounded)
Operating Revenues	\$ 265,121	\$ 280,525	\$ (15,404)	-5%
Operating Expenses				
Direct Operating expenses	119,590	106,293	13,297	13%
Administrative expenses	24,776	25,311	(535)	-2%
Expense to the City of Philadelphia	76,758	78,537	(1,779)	-2%
Expense to the School District of Philadelphia	3,505	16,204	(12,699)	-78%
Exp to the PA Dept. of Transportation	9,002	14,353	(5,351)	-37%
Depreciation and amortization	12,961	13,507	(546)	-4%
Total Operating Expenses	<u>246,592</u>	<u>254,205</u>	<u>(7,613)</u>	-3%
Operating income	18,529	26,320	(7,791)	-30%
Non-Operating Revenues (Expenses):				
Investment income	(3,840)	9,866	(13,706)	-139%
Interest expense	(5,702)	(6,389)	687	-11%
Total Non-Operating Revenues (Expenses)	<u>(9,542)</u>	<u>3,477</u>	<u>(13,019)</u>	-374%
Increase in net position	8,987	29,797	(20,810)	-70%
Net position, beginning of the year	105,160	88,336	16,824	19%
Prior period adjustment (see Note 3)	-	(12,973)	12,973	100%
Net position, end of the year	<u>\$ 114,147</u>	<u>\$ 105,160</u>	<u>\$ 8,987</u>	9%

- Operating revenues decreased approximately \$15.4 million from the prior fiscal year primarily due to the following factors:
 - Major contributors to the reduction in revenue were the reduction in revenues from the On Street program, which saw a \$4.7 million reduction, and a \$7.8 million reduction in the Red Light Program from reduced fines being levied.
- TNC revenue displayed yet another increase with a 16% increase over 2019, to \$2.6 million as compared with the prior year of \$2.3 million.
- Transient and monthly revenues at the Off-Street parking garages decreased a modest amount over fiscal year 2019, with a total of \$19,632,701 versus \$19,644,830 for the prior year. The Off-Street program was successful in controlling expenses which limited the effect on the overall financial performance.

PHILADELPHIA PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended March 31, 2020

- Direct operating expenses increased approximately \$13.3 million from the prior year based primarily on the following factors:
 - The largest contributing factor was the OPEB actuarially imposed changes of \$4.3 million for the contribution to the OPEB Trustee, Public Agency Retirement Services.
 - Auction related expenses are a new item in operating expenses for fiscal year 2020. Previously these costs were netted against auction revenues. The auction expenses amounted to \$3.7 million.
 - Insurance expense increased over fiscal year 2019, by \$1.9 million mainly due to Directors and Officers policy increases.
 - Database fees and contingency payments increased \$2.6 million due to over-lapping systems required for the On-Street operation.
- Administrative expenses decreased by approximately \$.5 million primarily due to savings in health benefits, pension and net OPEB expenses - all flowing through the allocations to the various entities.
- Expense to the City and School District decreased by approximately \$14.5 million from the prior fiscal year primarily due to the decrease in revenue and the increase in expenses, primarily actuarially required expenses, leading to an overall decrease in payments to the City.
- Expense to the Pennsylvania Department of Transportation decreased approximately \$5.4 million due to a decrease in Red Light Camera fines and an increase in equipment expenses over the prior year.

Total cash paid to the City and School District of Philadelphia and to the Pennsylvania Department of Transportation for the years ended March 31, 2020 and 2019, are as follows:

	March 31, 2020	March 31, 2019
	(in thousands)	(in thousands)
On-Street (including both City & School District of Philadelphia)	\$ 58,362	\$ 47,418
City of Philadelphia, Division of Aviation	35,764	32,527
Pennsylvania Department of Transportation	10,563	14,550
Off-Street	1,337	2,843
Totals	<u>\$ 106,026</u>	<u>\$ 97,338</u>

PHILADELPHIA PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended March 31, 2020

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 \$19.84 million for fiscal year 2020, and \$21.48 million for fiscal year 2019 in Parking Privilege Tax.

The Authority also paid to the National Park Service (Department of the Interior) \$1.0 million for fiscal year 2020, 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 total expense to the City, including the School District, from the On-Street Programs was \$45.2 million in fiscal year 2020, and \$57.9 million in fiscal year 2019.

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 expense to the DOA for March 31, 2020, was \$34.2 million, a decrease of \$1.6 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 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. Due to revenue on the option to sell the property the City was not required to cover debt service payments during fiscal year 2020. As of March 31, 2020, 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 or the property is sold.

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

STATEMENTS OF NET POSITION
March 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 78,645,671	\$ 59,457,293
Investments	15,360,490	21,269,635
Accrued interest receivable	122,884	84,143
Accounts receivable	70,303,709	69,399,755
Prepaid expenses	571,823	171,972
Total current assets	165,004,577	150,382,798
Restricted cash and investments	101,054,000	128,881,969
Property and Equipment:		
Land	18,027,762	18,027,762
Construction-in-progress	9,841,294	18,914,273
Parking facilities and improvements	376,594,315	368,707,905
Improvements, equipment and furniture	45,343,942	42,402,047
Less accumulated depreciation	<u>(270,984,102)</u>	<u>(258,204,108)</u>
Total property and equipment	178,823,211	189,847,879
Total assets	444,881,788	469,112,646
Deferred Outflows of Resources		
Deferred amount on refunding	2,328,879	2,576,194
Deferred outflows for pension	31,895,227	46,100,219
Deferred outflows for OPEB	16,200,922	-
Total deferred outflows of resources	<u>50,425,028</u>	<u>48,676,413</u>
Total assets and deferred outflows	\$ 495,306,816	\$ 517,789,059
Liabilities		
Accounts payable and accrued expenses	\$ 31,678,015	\$ 30,056,676
Accrued interest payable	421,037	394,614
Due to the City of Philadelphia	40,968,385	44,256,393
Due to the School District of Philadelphia	3,836,702	15,747,938
Due to the Pennsylvania Department of Transportation	1,133,061	2,694,671
Current portion of revenue bonds	16,406,688	15,030,515
Total current liabilities	94,443,888	108,180,807
Revenue bonds payable	94,302,024	101,159,796
Notes payable	18,281,793	18,281,793
Accrued claims payable	3,978,201	3,916,595
Net other postemployment benefits (OPEB) liability	19,346,828	10,560,411
Net pension liability	121,109,118	132,024,781
Total long-term liabilities	<u>257,017,964</u>	<u>265,943,376</u>
Total liabilities	351,461,852	374,124,183
Deferred Inflows of Resources		
Deferred inflows for pension	29,582,072	38,017,115
Deferred inflows for OPEB	115,772	487,989
Total deferred inflows of resources	<u>29,697,844</u>	<u>38,505,104</u>
Total liabilities and deferred inflows	\$ 381,159,696	\$ 412,629,287
Net Position		
Net investment in capital assets	\$ 95,608,671	\$ 104,522,445
Restricted	3,513,517	3,865,742
Unrestricted	15,024,932	(3,228,415)
Total net position	\$ 114,147,120	\$ 105,159,772

See Notes to Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2020 and 2019

	2020	2019
Operating Revenues	\$ 265,121,725	\$ 280,524,956
Operating Expenses		
Direct operating expenses	119,589,217	106,294,162
Administrative expenses	24,776,298	25,310,948
Expense to the City of Philadelphia	76,758,256	78,536,969
Expense to the School District of Philadelphia	3,505,403	16,204,074
Expense to the Pennsylvania Department of Transportation	9,001,675	14,353,280
Depreciation and amortization expense	12,961,377	13,506,557
Total operating expenses	246,592,226	254,205,990
Operating income	18,529,499	26,318,966
Nonoperating Revenues (Expenses)		
Investment (loss) income	(3,839,868)	9,866,186
Interest expense	(5,702,283)	(6,388,913)
Total nonoperating (expenses) revenues, net	(9,542,151)	3,477,273
Change in net position	8,987,348	29,796,239
Net Position - Beginning (as previously reported)	105,159,772	88,336,143
Prior period adjustment (see Note 3)	-	(12,972,610)
Net Position - Beginning (restated)	105,159,772	75,363,533
Net Position - Ending	\$ 114,147,120	\$ 105,159,772

See Notes to Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended March 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Cash received from customers and others	\$ 264,217,771	\$ 275,469,048
Salaries and administrative costs paid to employees	(90,421,148)	(99,034,577)
Payments to suppliers for services	(57,835,303)	(38,742,029)
Payments to the City of Philadelphia	(80,046,264)	(69,194,834)
Payments to the School District of Philadelphia	(15,416,639)	(13,593,205)
Payments to the Pennsylvania Department of Transportation	(10,563,285)	(14,549,887)
Net cash provided by operating activities	9,935,132	40,354,516
Cash Flows From Capital and Related Financing Activities		
Purchases of property and equipment, net	(1,936,709)	(9,715,103)
Proceeds from issuance of bonds and notes payable	9,600,000	-
Principal paid on revenue bonds and notes payable	(14,945,055)	(14,520,515)
Interest paid on revenue bonds and notes payable	(5,565,089)	(6,305,743)
Net cash used in capital and related financing activities	(12,846,853)	(30,541,361)
Cash Flows From Investing Activities		
Net sale (purchase) of investments	16,448,120	(19,252,518)
Investment (loss) income	(3,878,609)	9,824,480
Net cash provided by (used in) investing activities	12,569,511	(9,428,038)
Net increase in cash and cash equivalents	9,657,790	385,117
Cash and Cash Equivalents:		
Beginning (including restricted cash - see Note 4)	111,821,061	111,435,944
Ending (including restricted cash - see Note 4)	\$ 121,478,851	\$ 111,821,061
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 18,529,499	\$ 26,318,966
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,961,377	13,506,557
Change in assets and liabilities:		
Accounts receivable	(903,954)	(5,055,908)
Prepaid expenses and other assets	(399,851)	1,029,950
Accounts payable and other accrued expenses	1,682,945	(268,451)
Net OPEB liability and related items	(28,316)	(1,216,280)
Net pension liability and related items	(5,145,714)	(5,716,715)
Due to the City of Philadelphia	(3,288,008)	9,342,135
Due to the School District of Philadelphia	(11,911,236)	2,610,869
Due to the Pennsylvania Department of Transportation	(1,561,610)	(196,607)
Net cash provided by operating activities	\$ 9,935,132	\$ 40,354,516

See Notes to Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY
POSTRETIREMENT HEALTH INSURANCE PLAN**

**STATEMENT OF FIDUCIARY NET POSITION
March 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,251	\$ 2,597
Investments		
U.S. Government - treasury notes	5,334,246	8,430,649
U.S. Government - mortgage backed securities	2,802,752	1,800,887
Mutual funds	16,438,304	6,587,014
Total assets	\$ 24,579,553	\$ 16,821,147
Net Position		
Restricted for other postemployment benefits	\$ 24,579,553	\$ 16,821,147
Total net position	\$ 24,579,553	\$ 16,821,147

See Notes to Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY
POSTRETIREMENT HEALTH INSURANCE PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Years Ended March 31, 2020 and 2019**

	2020	2019
Additions		
Contributions		
Employer	\$ 11,659,159	\$ 17,886,394
Total contributions	11,659,159	17,886,394
Investment income		
Net (decrease) increase in fair value of investments	(1,660,020)	612,174
Interest and dividends, net of expense	452,342	330,507
Net investment loss	(1,207,678)	942,681
Total additions	10,451,481	18,829,075
Deductions		
Benefit payments	2,652,726	1,978,803
Administrative expenses	40,349	29,125
Total deductions	2,693,075	2,007,928
Changes in net position	7,758,406	16,821,147
Net Position Restricted for Other Postemployment Benefits:		
April 1, 2019	16,821,147	-
March 31, 2020	\$ 24,579,553	\$ 16,821,147

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.

Additionally, the Authority reports a Fiduciary Fund to account for assets held by the Authority in a trustee capacity for its Postretirement Health Insurance Plan.

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 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 assesses and then collects 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. Although the revenues of these programs are authorized and imposed by other governments, the Authority issues tickets and citations as part of the enforcement programs and portions of those receipts fund the ongoing operations of the Authority. Accordingly, the Authority’s financial statements 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 current or 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 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 various items as deferred outflows of resources that are identified within the actuarial valuations of the pension and other post-employment benefit plans. The specific items reported can be found in the related footnotes.

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 current or 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 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, 2020 and 2019.

The Authority reports various items as deferred inflows of resources that are identified within the actuarial valuations of the pension and other post-employment benefit plans. The specific items reported can be found in the related footnotes.

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 years ended March 31, 2020 and 2019, 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)

New Accounting Pronouncement: The Authority adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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 November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (“GASB 83”). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Authority is required to adopt GASB 83 for its March 2021 financial statements.

In January 2017, 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 post-employment benefit arrangements that are fiduciary activities. The Authority is required to adopt GASB 84 for its March 2021 financial statements.

In June 2017, 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 2023 financial statements.

In April 2018, 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 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 June 2018, 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 2022 financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61* (“GASB 90”). GASB 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority is required to adopt GASB 90 for its March 2021 financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (“GASB 91”). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The Authority is required to adopt GASB 91 for its March 2023 financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of various GASB standards previously issued. The Authority is required to adopt GASB 92 for its March 2023 financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (“GASB 93”). GASB 93 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. As a result, more comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Authority is required to adopt GASB 93 for its March 2023 financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnerships. The Authority is required to adopt GASB 94 for its March 2024 financial statements.

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The Authority is required to adopt GASB 96 for its March 2024 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 June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (“GASB 97”). GASB 97, (1) increases consistency and comparability related to the reporting of fiduciary component units where a governing board does not exist and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension and OPEB plans and other employee benefit plans as fiduciary component units; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan. The Authority is required to adopt GASB 96 for its March 2023 financial statements.

Subsequent Events: Subsequent events were evaluated through December 23, 2020, the date the financial statements were available to be issued. See Note 16.

Note 3. Prior Period Adjustment

During the year ended March 31, 2019, the Authority implemented GASB 75. Implementation of GASB 75 requires the Authority to recognize the net liability and deferred inflows and outflows of resources resulting from a valuation of its other post-employment benefits plan. Additional disclosures related to other post-employment benefits for the Authority’s plan are in Note 11. Certain liabilities were restated due to changes in calculations.

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

	Amount
Net position, as previously reported, at March 31, 2018	\$ 88,336,143
Prior Period Adjustments	
Adjustment for adoption of GASB Statement No. 75	(12,984,109)
Adjustment to reconcile liabilities	11,499
Total prior period adjustment	(12,972,610)
Net position, as restated, at March 31, 2018	\$ 75,363,533

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

The Authority is authorized, by the Commonwealth of Pennsylvania, to invest 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, comprised of the following:

	2020	2019
Cash on hand	\$ 117,783	\$ 116,186
Demand deposits	107,152,314	103,811,693
Cash equivalents	14,208,754	7,893,182
Total cash and cash equivalents	<u>\$ 121,478,851</u>	<u>\$ 111,821,061</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, are classified in the statements of net position as follows:

	2020	2019
Cash and equivalents (unrestricted)	\$ 78,645,671	\$ 59,457,293
Restricted cash	42,833,180	52,363,768
Total cash and cash equivalents	<u>\$ 121,478,851</u>	<u>\$ 111,821,061</u>

At March 31, 2020 and 2019, the carrying amount of the Authority's demand deposits with financial institutions was \$107,152,314 and \$103,811,693, respectively, compared to bank balances of \$107,258,401 and \$102,736,269, respectively. The differences are primarily caused by deposits 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, 2020 and 2019, \$2,750,000 and \$3,000,000 of the Authority's bank balance was insured by the FDIC, respectively. At March 31, 2020 and 2019, \$104,415,391 and \$98,937,967, respectively, of the remaining balance was collateralized by securities pledged and held by the financial institution in accordance with Act 72. At March 31, 2020 and 2019, \$93,009 and \$798,302, respectively, 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, 2020, the Authority had the following cash and investments:

	Ratings	Average Duration	Amount
Cash and cash equivalents	N/A	N/A	\$ 121,478,851
U.S. government mutual funds	N/A	N/A	6,082,264
U.S. government fixed income	Aaa	0.78	29,090,768
U.S. government sponsored fixed income	Aaa	3.63	23,742,171
Certificates of deposit	N/A	0.53	751,694
Guaranteed investments contract	N/A	9.11	13,914,413
Total			<u>\$ 195,060,161</u>

N/A - Not applicable

As of March 31, 2019, the Authority had the following cash and investments:

	Ratings	Average Duration	Amount
Cash and cash equivalents	N/A	N/A	\$ 111,821,061
U.S. government mutual funds	N/A	N/A	3,925,233
U.S. government fixed income	Aaa	1.26	29,283,695
U.S. government sponsored fixed income	Aaa	4.85	46,435,271
Certificates of deposit	N/A	0.65	4,229,224
Guaranteed investments contract	N/A	10.11	13,914,413
Total			<u>\$ 209,608,897</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 PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

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 recurring fair value measurements for investments as of March 31, 2020, are as follows:

Investment Type	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. government mutual fund	\$ 6,082,264	\$ -	\$ -	\$ 6,082,264
U.S. government fixed income				
U.S. treasury notes	-	29,090,768	-	29,090,768
U.S. government sponsored fixed income				
Mortgage backed securities	-	22,660,455	-	22,660,455
Commercial lending securities	-	1,081,716	-	1,081,716
Certificate of deposits	-	751,694	-	751,694
Total	\$ 6,082,264	\$ 53,584,633	\$ -	\$ 59,666,897

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, 2019, 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	\$ 3,925,233	\$ -	\$ -	\$ 3,925,233
U.S. government fixed income				
U.S. treasury notes	-	29,084,135	-	29,084,135
U.S. owned electric and gas	-	199,560	-	199,560
U.S. government sponsored fixed income				
Mortgage backed securities	-	44,122,987	-	44,122,987
Commercial lending securities	-	2,312,284	-	2,312,284
Certificate of deposits	-	4,229,224	-	4,229,224
Total	\$ 3,925,233	\$ 79,948,190	\$ -	\$ 83,873,423

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.

Postretirement Health Insurance Plan deposits and investments are disclosed separately in Note 11.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Accounts Receivable - Tickets and Other

Tickets Receivable

The Authority reports accounts receivable for unpaid tickets as follows:

Fiscal year ended March 31, 2020	On-Street	Red Light	Total
Tickets receivable	\$ 759,404,469	\$ 55,409,339	\$ 814,813,808
Less allowance for uncollectible tickets & discounts	(702,152,929)	(44,408,188)	(746,561,117)
Tickets receivable - net	<u>\$ 57,251,540</u>	<u>\$ 11,001,151</u>	<u>\$ 68,252,691</u>
Fiscal year ended March 31, 2019	On-Street	Red Light	Total
Tickets receivable	\$ 727,881,091	\$ 49,452,887	\$ 777,333,978
Less allowance for uncollectible tickets & discounts	(670,674,038)	(39,112,228)	(709,786,266)
Tickets receivable - net	<u>\$ 57,207,053</u>	<u>\$ 10,340,659</u>	<u>\$ 67,547,712</u>

The parking ticket receivable balance covers the period from 1990 through present. The Authority does not currently possess the legal authority to write-off unpaid tickets for any reason; therefore, old outstanding balances must be carried in the ticket receivable balance. If the City adopts a write-off policy, it will likely be similar to other City-related entities at 15 years. Further, it may not initiate collection action on outstanding tickets greater than 10 years old, unless the older ticket is linked to multiple violations within the 10-year period, or as a result of an enforcement action on a vehicle owned now or previously by the person responsible for the older tickets. The Authority has estimated its collectible tickets receivable balance based on historical collection averages for 2020 and 2019, and present legal restrictions on collection efforts. Recent experience shows that the Authority collects 83% of all outstanding amounts due on parking tickets within five years of ticket issuance. The Authority estimates that the net receivable will be collected over a 20 year period with the majority, 71%, collected in the next five years. The Authority estimates that the ticket balances will be collected in the following years:

Fiscal year ending March 31:	Amount
2021	\$ 19,883,102
2022	10,547,425
2023	7,306,158
2024	5,808,786
2025	4,693,655
2026-2030	13,766,914
2031-2035	4,862,587
2036-2040	1,384,064
	<u>\$ 68,252,691</u>

Other Receivable

The Authority reports other receivables of \$2,051,018 and \$1,852,403 as of March 31, 2020 and 2019, respectively.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

The following is a summary of changes in capital assets as of March 31, 2020:

	Balance at March 31, 2019	Increases	Decreases	Balance at March 31, 2020
Property and equipment not being depreciated				
Land	\$ 18,027,762	\$ -	\$ -	\$ 18,027,762
Construction-in-progress	18,914,273	2,212,453	11,285,432	9,841,294
Total property and equipment not being depreciated	36,942,035	2,212,453	11,285,432	27,869,056
Property and equipment being depreciated				
Parking facilities and improvements	368,707,905	8,067,793	181,383	376,594,315
Improvements, equipment and furniture	42,402,047	2,941,895	-	45,343,942
Total property and equipment being depreciated	411,109,952	11,009,688	181,383	421,938,257
Total property and equipment	448,051,987	13,222,141	11,466,815	449,807,313
Less Accumulated Depreciation:				
Parking facilities and improvements	220,321,829	11,146,490	181,383	231,286,936
Improvements, equipment and furniture	37,882,279	1,814,887	-	39,697,166
Total Accumulated Depreciation	258,204,108	12,961,377	181,383	270,984,102
Total property and equipment being depreciated, net	152,905,844	(1,951,689)	-	150,954,155
Property and equipment, net	\$ 189,847,879	\$ 260,764	\$ 11,285,432	\$ 178,823,211

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

The following is a summary of changes in capital assets as of March 31, 2019:

	Balance at March 31, 2018	Increases	Decreases	Balance at March 31, 2019
Property and equipment not being depreciated				
Land	\$ 18,027,762	\$ -	\$ -	\$ 18,027,762
Construction-in-progress	6,547,515	16,809,036	4,442,278	18,914,273
Total property and equipment not being depreciated	24,575,277	16,809,036	4,442,278	36,942,035
Property and equipment being depreciated				
Parking facilities and improvements	364,265,627	4,442,278	-	368,707,905
Improvements, equipment and furniture	39,985,845	2,416,202	-	42,402,047
Total property and equipment being depreciated	404,251,472	6,858,480	-	411,109,952
Total property and equipment	428,826,749	23,667,516	4,442,278	448,051,987
Less Accumulated Depreciation:				
Parking facilities and improvements	209,100,826	11,221,003	-	220,321,829
Improvements, equipment and furniture	35,596,725	2,285,554	-	37,882,279
Total Accumulated Depreciation	244,697,551	13,506,557	-	258,204,108
Total property and equipment being depreciated, net	159,553,921	(6,648,077)	-	152,905,844
Property and equipment, net	\$ 184,129,198	\$ 10,160,959	\$ 4,442,278	\$ 189,847,879

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Revenue Bonds and Notes Payable

A summary of revenue bonds outstanding as of March 31, 2020 and 2019, is as follows:

Bond Issue	Issuance Date	Amount Issued	Maturity Date	Principal Outstanding March 31, 2020	Principal Outstanding March 31, 2019	Interest Rate	Sinking Fund Requirements	Purpose of Bond Issue
Parking System Revenue Bonds, Series 1999A	May 27, 1999	\$ 47,390,000	February 15, 2029	\$ 9,350,000	\$ 10,160,000	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 2009	December 10, 2009	131,050,000	September 1, 2029	70,085,000	83,280,000	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	11,900,000	12,450,000	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	8,404,320	8,794,375	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 2019	September 25, 2019	9,600,000	September 24, 2027	9,600,000	-	2.58%	none	Finance the costs of purchasing meters to support the operational needs of the On Street department.
Total Revenue Bonds Outstanding				109,339,320	114,684,375			
Unamortized debt premiums and discounts, net				1,369,392	1,505,936			
Total revenue bonds outstanding net of deferred amount				\$ 110,708,712	\$ 116,190,311			

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 2020, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2020, 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 \$850,000 as of March 31, 2020.

On December 10, 2009, the Authority issued \$131,050,000 Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3.00% to 5.25% 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 maturity is \$13,760,000 of March 31, 2020.

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 15 years and an amortization of 25 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 \$650,000 and on Series B is \$460,974 as of March 31, 2020.

On September 25, 2019, The Authority issued \$9,600,000 Series of 2019 Tax Exempt Private Placement Bonds with an interest rate of 2.58% to finance the costs of purchasing meters to support the operational needs of the On-Street department. The Authority is to make monthly payments of both principal and interest through September 24, 2027. For the year ended March 31, 2020, the payments were interest only. The current portion is \$685,714 as of March 31, 2020.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Revenue Bonds and Notes Payable (Continued)

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 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is \$4,793,700, respectively.

On January 29, 2015, The Authority borrowed \$15,000,000 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 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is \$13,488,083, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2020, are as follows:

Fiscal Year Ending March 31,	Revenue Bonds		Notes Payable		Total
	Principal Amount	Interest Amount	Principal Amount	Interest Amount	
2021	\$ 16,406,688	\$ 4,596,320	\$ -	\$ 397,556	\$ 21,400,564
2022	15,286,943	3,794,940	18,281,793	-	37,363,676
2023	15,946,943	3,060,147	-	-	19,007,090
2024	16,636,943	2,283,665	-	-	18,920,608
2025	10,386,943	1,646,457	-	-	12,033,400
2026-2030	34,674,860	3,882,598	-	-	38,557,458
	<u>\$ 109,339,320</u>	<u>\$ 19,264,127</u>	<u>\$ 18,281,793</u>	<u>\$ 397,556</u>	<u>\$ 147,282,796</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Revenue Bonds and Notes Payable (Continued)

The following table provides a summary of changes in revenue bonds outstanding and notes payable for the years ended March 31, 2020 and 2019:

	Balance at March 31, 2019	Proceeds	Bonds Refunded	Principal Repayments	Balance at March 31, 2020
Revenue Bonds	\$ 114,684,375	\$ 9,600,000	\$ -	\$ (14,945,055)	\$ 109,339,320
Notes Payable	\$ 18,281,793	\$ -	\$ -	\$ -	\$ 18,281,793

	Balance at March 31, 2018	Proceeds	Bonds Refunded	Principal Repayments	Balance at March 31, 2019
Revenue Bonds	\$ 129,204,890	\$ -	\$ -	\$ (14,520,515)	\$ 114,684,375
Notes Payable	\$ 18,281,793	\$ -	\$ -	\$ -	\$ 18,281,793

Note 8. 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	2020	2019
May 27, 1999	\$ 3,220,182	\$ 3,220,182
December 10, 2009	10,694,231	10,694,231
	<u>\$ 13,914,413</u>	<u>\$ 13,914,413</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 \$-0- as of March 31, 2020 and 2019, respectively 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 9. Restricted Cash and Investments and Net Position

Restricted cash and investments consist of the following at March 31, 2020 and 2019:

	2020	2019
<u>Series of 1999A:</u>		
Bond reserve fund	\$ 3,220,182	\$ 3,220,182
Revenue fund	162,110	514,728
Construction fund	102,222	102,347
Bond redemption fund	29,003	28,485
Subtotal	<u>3,513,517</u>	<u>3,865,742</u>
<u>Series of 2008:</u>		
Debt service fund	1,082,937	1,053,011
Maintenance fund	3,200,968	3,110,100
Bond redemption fund	8,600,816	8,445,559
Subtotal	<u>12,884,721</u>	<u>12,608,670</u>
<u>Series of 2009:</u>		
Debt service reserve fund	10,763,764	13,129,682
Bond reserve fund	10,694,231	10,694,231
Subtotal	<u>21,457,995</u>	<u>23,823,913</u>
Restricted for Indentures	37,856,233	40,298,325
Restricted for Airport construction	3,890,543	4,951,744
Restricted for Center City Garage construction	13,421,258	15,025,366
Restricted for the City of Philadelphia	40,968,385	44,256,393
Restricted for the School District of Philadelphia	3,836,702	15,747,938
Restricted for Pennsylvania Department of Transportation	1,080,879	2,599,439
Investments pledged	-	6,002,764
Total restricted cash and investments	<u>\$ 101,054,000</u>	<u>\$ 128,881,969</u>

Restricted net position consists of the following at March 31, 2020 and 2019:

	2020	2019
Restricted cash and investments for Airport Indentures and Airport and Garage construction	\$ 55,168,034	\$ 60,275,435
Less balances restricted for Airport Indenture debt service	(11,846,701)	(14,182,693)
Less balances attributable for Airport Indenture debt service	(22,496,015)	(22,249,890)
Less balances attributable for construction debt	(17,311,801)	(19,977,110)
Restricted net position	<u>\$ 3,513,517</u>	<u>\$ 3,865,742</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. 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	\$ -
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	-	25,000,000	25,000,000

The Authority's accrued claims liability of \$3,978,201 and \$3,916,595 as of March 31, 2020 and 2019, respectively, was established according to a third-party actuarial study.

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

	March 31, 2019	Claims and changes in estimates	Payments of Claims	March 31, 2020
Workers' compensation	\$ 3,515,376	\$ 1,378,854	\$ (1,224,204)	\$ 3,670,026
Automobile liability	251,771	(41,510)	(68,108)	142,153
General liability	149,448	276,129	(259,555)	166,022
	<u>\$ 3,916,595</u>	<u>\$ 1,613,473</u>	<u>\$ (1,551,867)</u>	<u>\$ 3,978,201</u>

	March 31, 2018	Claims and changes in estimates	Payments of Claims	March 31, 2019
Workers' compensation	\$ 4,554,696	\$ 285,294	\$ (1,324,614)	\$ 3,515,376
Automobile liability	357,716	(29,838)	(76,107)	251,771
General liability	492,237	(78,000)	(264,789)	149,448
	<u>\$ 5,404,649</u>	<u>\$ 177,456</u>	<u>\$ (1,665,510)</u>	<u>\$ 3,916,595</u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management (Continued)

The Authority established a self-funded health insurance plan effective April 1, 2015 and entered into an agreement with Independence Blue Cross to administer the majority of the medical and prescription drug claims on behalf of the Authority. A self-funded plan is when an employer assumes the financial risk for providing health care benefits to its employees. The plan provides comprehensive health care benefits through three medical options to its employees, which include an HMO, POS and a PPO plan. The Authority purchased a stop loss policy for specific and aggregate stop loss coverage with a specific deductible of \$250,000 for plan year April 1, 2020 to March 31, 2021, with the current year contract on an incurred 72 months/paid 12 months contract basis with an unlimited maximum benefit. Aggregate stop loss protection is not included for the current year. The Authority estimates year-end claim liabilities based on the IBNP valuation received from Aquarius Capital.

	March 31, 2019	Claims and changes in estimates	Payments of Claims	March 31, 2020
Incurred But Not Paid (IBNP) liability	\$ 792,000	\$ 4,615,853	\$ (4,646,853)	\$ 761,000

	March 31, 2018	Claims and changes in estimates	Payments of Claims	March 31, 2019
Incurred But Not Paid (IBNP) liability	\$ 731,000	\$ 4,849,648	\$ (4,788,648)	\$ 792,000

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, 2020 and 2019, is approximately \$5.2 million and \$5.7 million, respectively. The amount of outstanding letters-of-credit at March 31, 2020 and 2019, is approximately \$75 thousand and \$300 thousand, respectively. 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 PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions)

Plan Description

The Authority self-administers its single-employer, other post-employment benefit program (“OPEB plan”). Retirees receive 60 months of subsidized coverage upon pension retirement with at least 10 years of service. Additional months of subsidized coverage may be obtained by converting unused sick leave. The plan was amended in June 2018, to reduce the proportion of unused sick leave that can be converted depending on the date of retirement. Except when pre-65 retirees elect the PPO or POS plans; all coverage is noncontributory. Medical, Rx, Dental and vision coverage is provided. Reimbursement for Medicare Part B premiums is also available.

The Authority also provides Capitation and Waiver benefits. The Capitation benefit is a fixed dollar amount payable to certain Union employees. The current amount is \$1,461 per month. Upon providing proof of other insurance, retirees waiving PPA insurance receive a Waiver benefit equal to 25% of the HMO, Dental and Vision premiums under the PPA program.

The Authority began participating in a qualifying OPEB Trust through the Public Agency Retirement Services (“PARS”) OPEB Trust Program during the year ended March 31, 2019. The Trust is a multiple employer trust arrangement created to help participating public agencies pre-fund post-employment health care and welfare benefits they provide for their retired employees. Each participating employer must be authorized by its governing body to enter into an adoption agreement under which it agrees to be bound to the terms of Plan and Trust Agreement. Upon signing the adoption agreement, the employer becomes a participating employer. Each employer’s separate portion of the Trust is referred to as the employer’s agency account.

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 attempt to fund these obligations in the amount of the liability that it recognizes for the year. There are no required contributions on the part of the program participants (i.e., retirees).

Employees Covered by Benefit Terms

For the actuarial valuation as of April 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	152
Inactive employees entitled to but not yet receiving benefit payments	11
Active employees	825
	<hr/>
	988
	<hr/> <hr/>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions) (Continued)

Deposits and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At March 31, 2020, the Plan's deposits were \$4,251.

Investments

Investment Policy: U.S. Bank National Association acts as the Trustee of the assets of the Trust. When adopting the Trust, employers select either a discretionary or directed trustee investment approach. The Trustee may exercise discretion directly or through its subadvisor, HighMark Capital Management, Inc. (HighMark), a registered investment advisor and wholly owned subsidiary of MUFG Union Bank. Through the directed approach, an employer may select from a variety of investment strategies. Cash contributions into the Trust are received in depository accounts and invested in the money market mutual fund within 24 hours.

Methods Used to Value Investments: Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Fair Value Measurements: The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions) (Continued)

Investments (Continued)

As of March 31, 2020, the investment assets in the Trust consisted of the following:

Investment Type	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 16,438,304	\$ -	\$ -	\$ 16,438,304
U.S. government fixed income				
U.S. treasury notes	-	5,334,246	-	5,334,246
U.S. government sponsored fixed income				
Mortgage backed securities	-	2,802,752	-	2,802,752
Total	\$ 16,438,304	\$ 8,136,998	\$ -	\$ 24,575,302

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates 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 Trust manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions) (Continued)

Investments (Continued)

Credit Risk: Generally, 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.

Concentration Risk: Concentration risk is the heightened risk of potential loss when investments are concentrated in one issuer. As of March 31, 2020, the Trust had no investments concentrated in one issuer (other than mutual funds and US government) that exceeded 5.00% of the Trust's investments.

Rate of Return: For the year ended March 31, 2020, the expected annual money-weighted rate of return on Plan investments, net of Plan investment expense, (5.32)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources Related to OPEB

At March 31, 2020, the Authority reported \$43,926,381 for the total OPEB liability and \$19,346,828 for the net OPEB liability after the reduction of the plan's fiduciary net position. The financial information for year ending March 31, 2020, is based upon an actuarial valuation performed as of April 1, 2020, using the participant census as of April 1, 2020. The beginning and end of year measurement dates are March 31, 2019 and March 31, 2020, respectively. The results of the April 1, 2017 and April 1, 2020 valuations were projected to the beginning and end of year measurement dates, respectively, using standard actuarial techniques. The benefit terms as of the respective measurement dates were valued and appropriate assumptions were applied in performing the projections. The OPEB liability is composed of the following:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning	\$ 27,381,558	\$ 16,821,147	\$ 10,560,411
Changes for the year			
Service cost	1,196,302	-	1,196,302
Interest	1,635,090	-	1,635,090
Changes in assumptions	13,890,864	-	13,890,864
Differences between expected and actual experience	2,475,293	-	2,475,293
Employer contributions	-	11,659,159	(11,659,159)
Net investment income	-	(1,248,027)	1,248,027
Net benefit payments	(2,652,726)	(2,652,726)	-
Net Changes	16,544,823	7,758,406	8,786,417
Ending	\$ 43,926,381	\$ 24,579,553	\$ 19,346,828

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions) (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

For the year ended March 31, 2020, the Authority recognized OPEB expense of \$5,133,996. At March 31, 2020, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,184,082	\$ 90,245
Changes in assumptions	12,256,645	25,527
Difference between projected and actual earnings on investments	1,760,195	-
	<u>\$ 16,200,922</u>	<u>\$ 115,772</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in the Authority's OPEB expense as follows:

Fiscal year ending March 31,	Total
2021	\$ 2,320,507
2022	2,320,507
2023	2,320,507
2024	2,320,507
2025	2,320,507
Thereafter	4,482,615
	<u>\$ 16,085,150</u>

Actuarial Assumptions

The total OPEB liability in the April 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method - Entry Age Normal - level % of pay.
- Salary Increases - 3.00%.
- Discount Rate - 6.00% which is equal to the expected rate of return on Trust assets.
- Health Care Cost Trend Rate - Medical Pre-Medicare and Rx - 6.50% in year one, decreasing annually to an ultimate rate of 4.50% in year nine.
- Health Care Cost Trend Rate - Benistar - 4.00% using actual trend when available as of the measurement date for fully insured.
- Healthy Life Mortality - Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement.
- Disabled Life Mortality - Society of Actuaries Pub-2010 Public retirement Plans Headcount-Weighted Disabled Mortality Tables using Scale MP-2019 Full Generational Improvement.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-employment Benefits (Other than Pensions) (Continued)

Sensitivity of the Authority's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority calculated using the discount rate of 6.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current discount rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 22,606,970	\$ 19,346,828	\$ 16,426,353

Sensitivity of the Authority's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority calculated using the health care cost trend rates of 6.50% decreasing to 4.50%, as well as what the total OPEB liability would be if it were calculated using health care costs trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 16,066,724	\$ 19,346,828	\$ 23,102,480

Prior Period Adjustment - GASB No. 75 Implementation

Implementations of GASB No. 75 required the Authority to recognize total and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources for its OPEB plan. This resulted in a total decrease in the Authority's net position of \$12,984,109 as of April 1, 2018.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. 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.

Employees covered by the Plan as of July 1, 2018, consisted of the following:

Active plan participants	28,845
Terminated employees entitled to benefits but not yet receiving them	1,074
Disabled	3,890
Retirees receiving benefits	22,275
Beneficiaries receiving benefits	8,547
Deferred retirement option plan (DROP) participants	<u>1,944</u>
Total Membership	<u><u>66,575</u></u>
Number of participating employers	<u><u>4</u></u>

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. 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 1.00% and 6.00% above the actuarial assumed earnings rate. Each year within 60 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, 2018, the date of the most recent actuarial valuation, there was \$1,160,247 in the PAF and the Board voted to make PAF distributions of \$822 during the fiscal year ended June 30, 2019.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within four years. During the four-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 12. Pension Plan (Continued)

Benefits Provided (Continued)

During the four-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 four-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, 2019, is \$156.8 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, 2017, members contributed at one of the following rates:

		Employee Contribution Rates			
		For the Period of July 1, 2018 to June 30, 2019			
		Municipal (1)	Elected (2)	Police	Fire
Plan 67		7.00%	N/A	6.00%	6.00%
Plan 67	50% of Aggregate Normal Cost (3)	6.32%	N/A	N/A	N/A
Plan 87		3.08%	9.62%	6.84%	6.84%
Plan 87	50% of Aggregate Normal Cost (4)	3.47%	N/A	N/A	N/A
Plan 87	Accelerated Vesting (5)	3.60%	11.72%	N/A	N/A
Plan 87	Prime (6)	4.08%	10.62%	7.84%	7.84%
Plan 87	Prime - Accelerated Vesting	4.60%	12.72%	N/A	N/A
Plan 10		2.21%	N/A	5.50%	5.50%
Plan 10	Accelerated Vesting	2.51%	N/A	N/A	N/A
Plan 16 (7)		3.87%	N/A	N/A	N/A

1 - For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security wage base and 6% above it.

2 - The employee contribution rate is based upon the normal cost of \$474,193 under Plan 87 Elected, normal cost of \$256,466 under Plan 87 Municipal and current annual payroll of \$3,418,294.

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

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

5 - 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.

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

7 - Beginning January 1, 2019, all Municipal groups (except elected officials) will participate in Plan 16

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.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

Funding Policy and Contributions (Continued)

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.

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 3.30% 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 - one year.
- Plan changes mandated by the State - 20 years.

In fiscal year 2019, the City and other employers' contributions of \$797.8 million was less than the actuarially determined employer contribution (ADEC) of \$874.7 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20 year period.

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 the fiscal year 2019, the City and other employers' contributions of \$797.8 million exceeded the Minimum Municipal Obligation of \$668.3 million.

The annual required contribution was determined based on the most recent annual actuarial valuation dated July 1, 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 7.55% 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 2.50%. 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 12. 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 7.55% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.55%) over a market cycle. The investment return assumption was reduced by the Board from 7.60% to 7.55%. 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, 2019:

<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 12. Pension Plan (Continued)

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

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, 2019, are summarized in the following table: (see pension plan's investment policy: <http://www.phila.gov/pensions/PDF/ips.pdf>).

Investment	Long-Term Expected Real Rate of 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 12. Pension Plan (Continued)

Money-Weighted Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 6.48%. 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, 2019, 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, 2019, were as follows:

Total pension liability	\$ 11,774,268,695
Plan fiduciary net position	<u>5,688,383,351</u>
Plan net pension liability (asset)	<u><u>\$ 6,085,885,344</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u><u>48.31%</u></u>

At June 30, 2019, the Authority reported a liability of \$121,109,118 for its proportionate share of the Plan net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, and was rolled forward to June 30, 2019. The July 1, 2018 valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.55% compounded annually, net of expenses
Salary Increases:	Age based table

- The investment return assumption was changed from 7.60% from the prior year valuation to 7.55% 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 for Municipal and Elected Officials, 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017. For Uniform, 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021, using mortality improvement scale MP-2017.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

Actuarial Assumptions (Continued)

The measurement date for the net pension liability (NPL) is June 30, 2019. Measurements are based on the fair value of assets as of June 30, 2019, and the total pension liability (TPL) as of the valuation date, July 1, 2018, updated to June 30, 2019. 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 \$83 million. The service cost and interest cost increased the collective NPL by the approximately \$1.04 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$1.19 billion.

There was a benefit change to increase the pay cap from \$50,000 to \$65,000 for DC 33 Municipal members participating in the Stacked Hybrid Plan 16 which increased the TPL by approximately \$0.4 million. There was an actuarial experience loss during the year of approximately \$11 million.

In addition, the board adopted an assumption change to decrease the expected long-term return on assets from 7.60% to 7.55% which increased the TPL by approximately \$53 million.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.55%. 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 7.55% as well as what the net pension liability would be if it were to be calculated using a discount rate that is one percentage point lower (6.55%) or one percentage point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Proportionate share of the Plan net pension liability	\$ 145,194,470	\$ 121,109,118	\$ 100,601,521

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

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

For the year ended March 31, 2020, the Authority recognized pension expense of \$22,175,170.

At March 31, 2020, 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	\$ 981,399	\$ -
Changes in assumptions	2,162,374	-
Difference between projected and actual earnings on investments	1,000,710	-
Changes in proportionate share	-	29,582,072
Difference between projected and actual contributions	10,439,431	-
Contributions made subsequent to measurement date	17,311,313	-
Total	\$ 31,895,227	\$ 29,582,072

The \$17,311,313 of contributions made subsequent to June 30, 2019, measurement date will be recognized in the year ending March 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending March 31,	Amount
2021	\$ (9,642,669)
2022	(5,654,225)
2023	17,131
2024	281,605
	\$ (14,998,158)

At March 31, 2020, the Authority reported a payable of \$5,253,566 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2020.

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 13. Collective Bargaining Agreements

There are several collective bargaining agreements in place during the fiscal year ended March 31, 2020, 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, 2020	Number of Participants at March 31, 2019
American Federation of State, County and Municipal Employees ("AFSCME") District Council 33	9/1/2017-8/31/2021	461	449
AFSCME Locals 2186 & 2187, District Council 47	9/1/2017-8/31/2021	151	137
International Union of Painters and Allied Trades District Council 21, Local 252	5/1/2017-4/30/2022	28	26
Teamsters Union Local No 115	6/1/2018-5/31/2022	62	70
Transport Workers Union of America, Local 700	1/15/2018-1/14/2022	37	40

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 13. Collective Bargaining Agreements (Continued)

The number of employees covered in collective bargaining agreements represents 72.49% and 71.64% of the Authority's employees as of March 31, 2020 and 2019, respectively.

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, 2020.

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 five years of vesting service, for an early retirement pension upon attaining age 55 with five years of vesting service and for a disability retirement pension upon total and permanent disability with five 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, 2018, the Authority contributed \$139.61 per week for participating employees. Effective June 1, 2019, the Authority contributed \$149.94 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 13. Collective Bargaining Agreements (Continued)

The Authority contributed \$572,667 to the Local 115 Plan for the years ended March 31, 2020. The Authority reported \$-0- payable to the Local 115 Plan as of March 31, 2020.

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, 2020	\$ 572,667	\$ 572,667
March 31, 2019	535,159	535,159
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

Note 14. 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. The Authority recognized \$34.2 million as expense related to their agreement with the Philadelphia Division of Aviation for fiscal year ended 2020.

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, \$41.7 million is recognized as expense to the City of Philadelphia General Fund and \$3.5 million as expense to the School District of Philadelphia for fiscal year ended 2020.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 14. 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, 2020, are as follows:

Fiscal Year Ending March 31,	Future Minimum Lease Payments	Less Sublease Income	Net Future Minimum Lease Payments
2021	\$ 4,757,593	\$ 596,290	\$ 4,161,303
2022	4,505,230	447,154	4,058,076
2023	4,254,904	448,985	3,805,919
2024	4,295,688	457,057	3,838,631
2025	4,336,472	465,353	3,871,119
2026-2030	18,887,913	1,178,822	17,709,091
2031-2035	17,361,003	759,537	16,601,466
2036-2040	11,961,761	570,580	11,391,181
2041-2043	-	342,348	(342,348)
Total	\$ 70,360,564	\$ 5,266,126	\$ 65,094,438

Rental expense for the fiscal year ended March 31, 2020, was \$3,241,889.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 15. Service Agreements

The Authority's contract with Conduent for the collection of On Street parking revenues ceased on November 15, 2019, as it pertains to the On Street program. The contract with Conduent that pertains to the Red Light Camera Enforcement program, which is the rental and operation of the cameras installed along Route 1, runs through September 2022. In addition, there is a contract in place with Conduent making them responsible for maintaining the Revenue Control Equipment at the Philadelphia International Airport. In April 2019, the Authority entered into a seven year commitment with Duncan Solutions to administer the collection of On Street parking revenues that includes meters, towing, ticket collection and all On Street related activities. The contract in the first two years will cost, \$3,528,323 and \$3,572,427, respectively with the total being \$25,643,981. There is also a contract initiated with Verra Mobility to oversee and administer the Speed Camera Enforcement program which commenced operations on August 1, 2020, at a price of \$2,995 per camera deployed along the Route 1 corridor.

Note 16. Subsequent Events

The City of Philadelphia initiated a bond refunding on October 8, 2020, of \$389,215,000 that consisted of Series 2020A, 2020B and 2020C for the sole purposes to refund all of the City's outstanding Airport Revenue bonds, refinance certain outstanding Commercial Paper and pay for all issuance costs of these bonds. There was a mention that the City would utilize these available funds to retire the outstanding debt that is presently paid by the Parking Authority from revenues at the Airport, but no such transaction has taken place as of the date of this audit. There is \$70,085,000 outstanding to Bank of New York Mellon, the principal trustee on the 2009 Bonds and a total of \$18,281,793 outstanding to PNC for the bond Anticipation Notes that were offered in May of 2015 to pay for critical repairs in lieu of additional bonds being offered or refunded.

The Authority purchased land at 6 Oregon Avenue that will house future On Street activities and will be available for general Authority use, alleviating the need to locate space when in prior years, most of the facilities were rented. This will allow the Authority to exercise greater control over the utilization of equipment and personnel. The total paid on October 30, 2020, was \$4,623,468.

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of the Authority. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected the Authority. Unstable conditions enhance the Authority's risk factors as they have significant reliance on revenues generated from residents of the City of Philadelphia to fund their operations. These factors impact revenue recognition, cash flows and liquidity, and contingencies. Presently, the ultimate effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

REQUIRED SUPPLEMENTARY INFORMATION

THE PHILADELPHIA PARKING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR PENSION PLAN

Schedule of Employer's Proportionate Share of the Net Pension Liability

Fiscal Year Ending	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 covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2019	1.99%	\$ 121,109,118	\$ 43,572,630	277.95%	48.31%
June 30, 2018	2.14%	132,024,781	41,258,874	319.99%	46.40%
June 30, 2017	2.63%	166,146,127	42,822,441	387.99%	43.55%
June 30, 2016	3.22%	209,757,356	41,025,610	511.28%	40.07%
June 30, 2015	2.47%	145,553,735	37,986,088	383.20%	44.19%

Schedule of Employer Contributions for Pension Plan

Fiscal Year Ending	Contractually required contribution	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019	\$ 19,023,431	\$ 22,710,517	\$ (3,687,086)	\$ 43,572,630	52.12%
June 30, 2018	19,859,042	23,484,740	(3,625,698)	41,258,874	56.92%
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.

THE PHILADELPHIA PARKING AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET OPEB LIABILITY
AND RELATED RATIOS**

Year Ended March 31,

	2020	2019
Total OPEB liability		
Service Cost	\$ 1,196,302	\$ 1,363,719
Interest Cost	1,635,090	1,767,609
Changes in Assumptions	13,890,864	(35,739)
Differences between Expected and Actual Experience	2,475,293	(126,343)
Changes in Benefit Terms	-	(2,694,712)
Net Benefit Payments	(2,652,726)	(1,978,803)
Net change in total OPEB liability	16,544,823	(1,704,269)
Total OPEB Liability - beginning	27,381,558	29,085,827
Total OPEB Liability - ending (a)	<u>\$ 43,926,381</u>	<u>\$ 27,381,558</u>
Plan fiduciary net position		
Employer Contributions	\$ 11,659,159	\$ 17,886,394
Net Investment Income	(1,248,027)	913,556
Net Benefit Payments	(2,652,726)	(1,978,803)
Net change in plan fiduciary net position	7,758,406	16,821,147
Plan fiduciary net position - beginning	16,821,147	-
Plan fiduciary net position - ending (b)	<u>\$ 24,579,553</u>	<u>\$ 16,821,147</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 19,346,828</u>	<u>\$ 10,560,411</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.96%	61.43%
Covered payroll	<u>\$ 45,047,674</u>	<u>\$ 24,316,907</u>
Net OPEB Liability as a percentage of covered payroll	42.95%	43.43%

Notes to Schedule:

Changes in Assumptions: change in trends, per capita costs, mortality, retirement, turnover, disability and covered spouse rate (40% to 45%). Additionally, inclusion of Waiver and Capitation benefits is included in the valuation for the first time.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those year for which information is available is shown.

THE PHILADELPHIA PARKING AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
Year Ended March 31,**

	2020	2019
Actuarially determined contributions	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	11,659,159	17,886,394
Contribution excess	<u>\$ 11,659,159</u>	<u>\$ 17,886,394</u>
Covered payroll	\$ 45,047,674	\$ 24,316,907
Contributions as a percentage of covered payroll	25.88%	73.56%

Notes to Schedule

Valuation date: April 1, 2020 April 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Amortization period	5 years
Asset valuation method	Market Value as of March 31
Inflation	2.50% per year
Healthcare cost trend rates	6.50% initial, decreasing .25% to .50% per year to an ultimate rate of 4.50 %
Salary increases	3.00% per year
Discount Rate	6.00%
Retirement age	Assume rates are based on those used for the City of Philadelphia Municipal Retirement System July 1, 2019, pension actuarial valuation. Retirement rates project the annual probability of retiring during the next year for eligible employees.
Mortality	Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those year for which information is available is shown.

SUPPLEMENTARY INFORMATION

THE PHILADELPHIA PARKING AUTHORITY

COMBINING STATEMENTS OF NET POSITION
March 31, 2020 and 2019

	Legislatively Mandated Administrative and Enforcement Programs		
	On-Street	Taxi and Limousine Division	Red Light Camera Enforcement
Assets			
Cash and cash equivalents	\$ 28,258,688	\$ 7,884,602	\$ -
Investments	-	-	-
Accrued interest receivable	-	-	-
Accounts receivable	57,266,455	-	11,019,484
Prepaid expenses	367,162	-	-
Total current assets	85,892,305	7,884,602	11,019,484
Restricted cash and investments	9,982,215	-	1,080,879
Property and Equipment:			
Land	-	-	-
Construction-in-progress	9,841,294	-	-
Parking facilities and improvements	3,408,971	1,082,998	-
Improvements, equipment and furniture	25,582,208	236,752	647,152
Less accumulated depreciation	(25,800,313)	(1,317,192)	(647,152)
Total property and equipment	13,032,160	2,558	-
Total assets	108,906,680	7,887,160	12,100,363
Deferred Outflows of Resources			
Deferred amount on refunding	-	-	-
Deferred outflows for pension	18,559,832	832,466	89,307
Deferred outflows for OPEB	11,944,012	753,665	440,961
Total deferred outflows of resources	30,503,844	1,586,131	530,268
Total assets and deferred outflows	\$ 139,410,524	\$ 9,473,291	\$ 12,630,631
Liabilities			
Accounts payable and accrued expenses	\$ 19,834,041	\$ 234,305	\$ 974,089
Accrued interest payable	4,570	-	-
Due to the City of Philadelphia	6,145,514	-	-
Due to the School District of Philadelphia	3,836,702	-	-
Due to the Pennsylvania Department of Transportation	-	-	1,133,061
Current portion of revenue bonds	685,714	-	-
Due to (from) other funds	2,784,798	1,000,361	(1,453,156)
Total current liabilities	33,291,339	1,234,666	653,994
Revenue bonds payable	8,914,286	-	-
Notes payable	-	-	-
Accrued claims payable	-	-	-
Net OPEB liability (asset)	24,566,867	1,538,904	830,456
Net pension liability	70,473,398	3,160,949	339,105
Total long-term liabilities	103,954,551	4,699,853	1,169,561
Total liabilities	137,245,890	5,934,519	1,823,555
Deferred Inflows of Resources			
Deferred inflows for pension	17,213,808	772,092	82,830
Deferred inflows for OPEB	85,352	5,386	3,151
Total deferred inflows of resources	17,299,160	777,478	85,981
Total liabilities and deferred inflows	\$ 154,545,050	\$ 6,711,997	\$ 1,909,536
Net Position			
Net investment in capital assets	\$ 3,432,160	\$ 2,558	\$ -
Restricted	-	-	-
Unrestricted	(18,566,686)	2,758,736	10,721,095
Total net position	\$ (15,134,526)	\$ 2,761,294	\$ 10,721,095

See Notes to Financial Statements.

**Trust Indenture
Activity**

Airport	General Operations	2020	2019
\$ 3,640,697	\$ 38,861,684	\$ 78,645,671	\$ 59,457,293
-	15,360,490	15,360,490	21,269,635
107,057	15,827	122,884	84,143
-	2,017,770	70,303,709	69,399,755
98,700	105,961	571,823	171,972
3,846,454	56,361,732	165,004,577	150,382,798
-	-	-	-
71,935,634	18,055,272	101,054,000	128,881,969
-	18,027,762	18,027,762	18,027,762
-	-	9,841,294	18,914,273
312,677,148	59,425,198	376,594,315	368,707,905
4,745,260	14,132,570	45,343,942	42,402,047
(213,943,741)	(29,275,704)	(270,984,102)	(258,204,108)
103,478,667	62,309,826	178,823,211	189,847,879
179,260,755	136,726,830	444,881,788	469,112,646
2,328,879	-	2,328,879	2,576,194
1,272,619	11,141,003	31,895,227	46,100,219
2,282,855	779,429	16,200,922	-
5,884,353	11,920,432	50,425,028	48,676,413
\$ 185,145,108	\$ 148,647,262	\$ 495,306,816	\$ 517,789,059
\$ 1,990,066	\$ 8,645,514	\$ 31,678,015	\$ 30,056,676
327,829	88,638	421,037	394,614
33,702,374	1,120,497	40,968,385	44,256,393
-	-	3,836,702	15,747,938
-	-	1,133,061	2,694,671
13,760,000	1,960,974	16,406,688	15,030,515
2,421,497	(4,753,500)	-	-
52,201,766	7,062,123	94,443,888	108,180,807
57,694,392	27,693,346	94,302,024	101,159,796
18,281,793	-	18,281,793	18,281,793
-	3,978,201	3,978,201	3,916,595
3,152,444	(10,741,843)	19,346,828	10,560,411
4,832,254	42,303,412	121,109,118	132,024,781
83,960,883	63,233,116	257,017,964	265,943,376
136,162,649	70,295,239	351,461,852	374,124,183
1,180,325	10,333,017	29,582,072	38,017,115
16,313	5,570	115,772	487,989
1,196,638	10,338,587	29,697,844	38,505,104
\$ 137,359,287	\$ 80,633,826	\$ 381,159,696	\$ 412,629,287
\$ 50,168,447	\$ 42,005,506	\$ 95,608,671	\$ 104,522,445
3,513,517	-	3,513,517	3,865,742
(5,896,143)	26,007,930	15,024,932	(3,228,415)
\$ 47,785,821	\$ 68,013,436	\$ 114,147,120	\$ 105,159,772

THE PHILADELPHIA PARKING AUTHORITY

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended March 31, 2020 and 2019

	Legislatively Mandated Administrative and Enforcement Programs		
	On-Street	Taxi and Limousine Division	Red Light Camera Enforcement
Operating Revenues	\$ 141,300,663	\$ 5,400,068	\$ 16,998,857
Operating Expenses			
Direct operating expenses	76,449,883	3,987,014	6,224,218
Administrative expenses	15,340,161	869,100	1,113,612
Expense to the City of Philadelphia	41,668,299	-	-
Expense to the School District of Philadelphia	3,505,403	-	-
Expense to the Pennsylvania Department of Transportation	-	-	9,001,675
Depreciation and amortization expense	695,098	15,972	-
Total operating expenses	137,658,844	4,872,086	16,339,505
Operating income (loss)	3,641,819	527,982	659,352
Nonoperating Revenues (Expenses)			
Investment income (loss)	178,264	64,128	1,141
Interest expense	(163,934)	-	-
Total nonoperating revenues (expenses), net	14,330	64,128	1,141
Change in net position	3,656,149	592,110	660,493
Net Position - Beginning (as previously reported)	(18,790,675)	2,169,184	10,060,602
Prior period adjustment (see Note 3)	-	-	-
Net Position - Beginning (restated)	(18,790,675)	2,169,184	10,060,602
Net Position - Ending	\$ (15,134,526)	\$ 2,761,294	\$ 10,721,095

See Notes to Financial Statements.

Trust Indenture Activity			
Airport	General Operations	2020	2019
<u>\$ 70,145,372</u>	<u>\$ 31,276,765</u>	<u>\$ 265,121,725</u>	<u>\$ 280,524,956</u>
13,884,904	19,043,198	119,589,217	106,294,162
2,889,429	4,563,996	24,776,298	25,310,948
34,168,891	921,066	76,758,256	78,536,969
-	-	3,505,403	16,204,074
-	-	9,001,675	14,353,280
8,808,708	3,441,599	12,961,377	13,506,557
<u>59,751,932</u>	<u>27,969,859</u>	<u>246,592,226</u>	<u>254,205,990</u>
10,393,440	3,306,906	18,529,499	26,318,966
(5,442,219)	1,358,818	(3,839,868)	9,866,186
<u>(4,430,888)</u>	<u>(1,107,461)</u>	<u>(5,702,283)</u>	<u>(6,388,913)</u>
<u>(9,873,107)</u>	<u>251,357</u>	<u>(9,542,151)</u>	<u>3,477,273</u>
520,333	3,558,263	8,987,348	29,796,239
47,265,488	64,455,173	105,159,772	88,336,143
-	-	-	(12,972,610)
<u>47,265,488</u>	<u>64,455,173</u>	<u>105,159,772</u>	<u>75,363,533</u>
<u>\$ 47,785,821</u>	<u>\$ 68,013,436</u>	<u>\$ 114,147,120</u>	<u>\$ 105,159,772</u>

THE PHILADELPHIA PARKING AUTHORITY

**Philadelphia International Airport Facility
 Schedule of Direct Operating Expenses
 Trust Indentures of December 10, 2009 and September 5, 2008
 Years Ended March 31, 2020 and 2019**

	2020	2019
Salaries and Wage Expense		
Salaries and wages	\$ 6,982,242	\$ 6,860,073
Pension plan expense	835,204	1,582,554
Total salary and wage expense	7,817,446	8,442,627
Payroll Related Expense		
Employee's benefits	497,263	1,603,816
Payroll taxes	529,968	563,983
Total salary and wage and payroll related expense	8,844,677	10,610,426
Direct Operating Expenses		
Professional fees	107,330	101,966
Utilities	189,335	142,454
Miscellaneous and office expenses	3,620,261	3,005,133
Repairs and maintenance	360,503	1,314,904
Insurance	459,263	281,620
Auto expenses	103,269	76,484
Supplies and tickets	84,147	62,311
Telephone	20,618	22,617
Equipment expenses	95,501	27,288
Total direct operating expenses	\$ 13,884,904	\$ 15,645,203

THE PHILADELPHIA PARKING AUTHORITY

Philadelphia International Airport Facility

Debt Service Coverage Schedule

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

Years Ended March 31, 2020 and 2019

	2020	2019
Operating Revenues	<u>\$ 70,145,372</u>	<u>\$ 72,463,076</u>
Operating Expenses		
Direct operating expenses	13,884,904	15,645,203
Administrative expenses	<u>2,889,429</u>	<u>3,716,742</u>
Total operating expenses	<u>16,774,333</u>	<u>19,361,945</u>
Operating income, net	<u>\$ 53,371,039</u>	<u>\$ 53,101,131</u>
Debt Service	<u>\$ 17,584,774</u>	<u>\$ 17,744,356</u>
Debt service coverage ratio	3.04	2.99
Debt service coverage requirement	1.50	1.50
Ratio over (under)	1.54	1.49

THE PHILADELPHIA PARKING AUTHORITY

**Center City Garage Improvements
Debt Service Coverage Schedule
Tax-Exempt Bond of December 22, 2014, Series A and B
Years Ended March 31, 2020 and 2019**

	2020	2019
Operating Revenues		
Market Street East garage	\$ 2,857,699	\$ 2,496,372
2nd & Samsom garage	2,828,473	2,952,545
Independence Mall garage	2,799,368	2,841,665
Family Court 15th & Arch St garage	1,195,712	1,262,209
8th & Filbert St garage	3,943,040	3,980,290
10th & Ludlow St garage	1,719,044	1,621,824
Total operating revenues	15,343,336	15,154,905
Operating Expenses		
Direct operating expense	7,410,491	5,096,283
Administrative expenses	1,913,933	1,848,325
Expense to the City of Philadelphia	732,604	1,196,362
Total operating expenses	10,057,028	8,140,970
Operating income, net	\$ 5,286,308	\$ 7,013,935
Debt service	\$ 1,523,784	\$ 1,691,551
Debt service coverage ratio	3.47	4.15
Debt service coverage requirement	1.20	1.20
Ratio over (under)	2.27	2.95

THE PHILADELPHIA PARKING AUTHORITY

**Reformatted Statements of Net Position
March 31, 2020 and 2019 (in thousands)**

	2020	2019
Assets		
Cash and cash equivalents	\$ 78,646	\$ 59,457
Investments	15,360	21,270
Accounts receivable	70,304	69,400
Other current assets	695	256
Restricted cash and investments	101,054	128,882
Capital assets, net	178,823	189,848
Total assets	444,882	469,113
Deferred Outflows of Resources		
Deferred amount on refunding	2,329	2,576
Deferred outflows for pension	31,895	46,100
Deferred outflows for OPEB	16,201	-
Total deferred outflows of resources	50,425	48,676
Total assets and deferred outflows	\$ 495,307	\$ 517,789
Liabilities		
Accounts payable and accrued expenses	\$ 31,678	\$ 30,055
Accrued interest payable	421	395
Due to the City of Philadelphia	40,968	44,256
Due to the School District of Philadelphia	3,837	15,748
Due to the Pennsylvania Department of Transportation	1,133	2,695
Current portion of other long-term obligations	16,407	15,031
Non-current portion of notes payable	18,282	18,282
Non-current portion of other long-term obligations	94,302	101,160
Accrued claims payable	3,978	3,917
Payable for post retirement benefits, other than pensions	19,347	10,560
Net pension liability	121,109	132,025
Total liabilities	351,462	374,124
Deferred Inflows of Resources		
Deferred inflows for pension	29,582	38,017
Deferred inflows for OPEB	116	488
Total deferred inflows of resources	29,698	38,505
Total liabilities and deferred inflows	\$ 381,160	\$ 412,629
Net Position	\$ 114,147	\$ 105,160

THE PHILADELPHIA PARKING AUTHORITY

**Reformatted Statements of Revenues, Expenses and Changes in Fund Net Position
Years Ended March 31, 2020 and 2019 (in thousands)**

	2020	2019
Expenses		
Operating Expenses	\$ 119,590	\$ 106,293
Expense to the City of Philadelphia	76,758	78,537
Expense to the School District of Philadelphia	3,505	16,204
Expense to the Pennsylvania Department of Transportation	9,002	14,353
Interest expense	5,702	6,389
Administrative expenses	24,776	25,311
Depreciation and amortization expense	12,961	13,507
Total operating expenses	252,294	260,594
Program Revenues		
Charges for Services	265,121	280,525
Net program revenues	12,827	19,931
General Revenues		
Interest and investment earnings (losses)	(3,840)	9,866
Changes in net position	8,987	29,797
Net Position, beginning of the year	105,160	88,336
Prior period adjustment (see Note 3)	-	(12,973)
Net Position, end of the year	\$ 114,147	\$ 105,160