

THE SCIENCE OF PARKING

2017 ANNUAL REPORT



PARKING
OF BALTIMORE CITY
AUTHORITY

MISSION

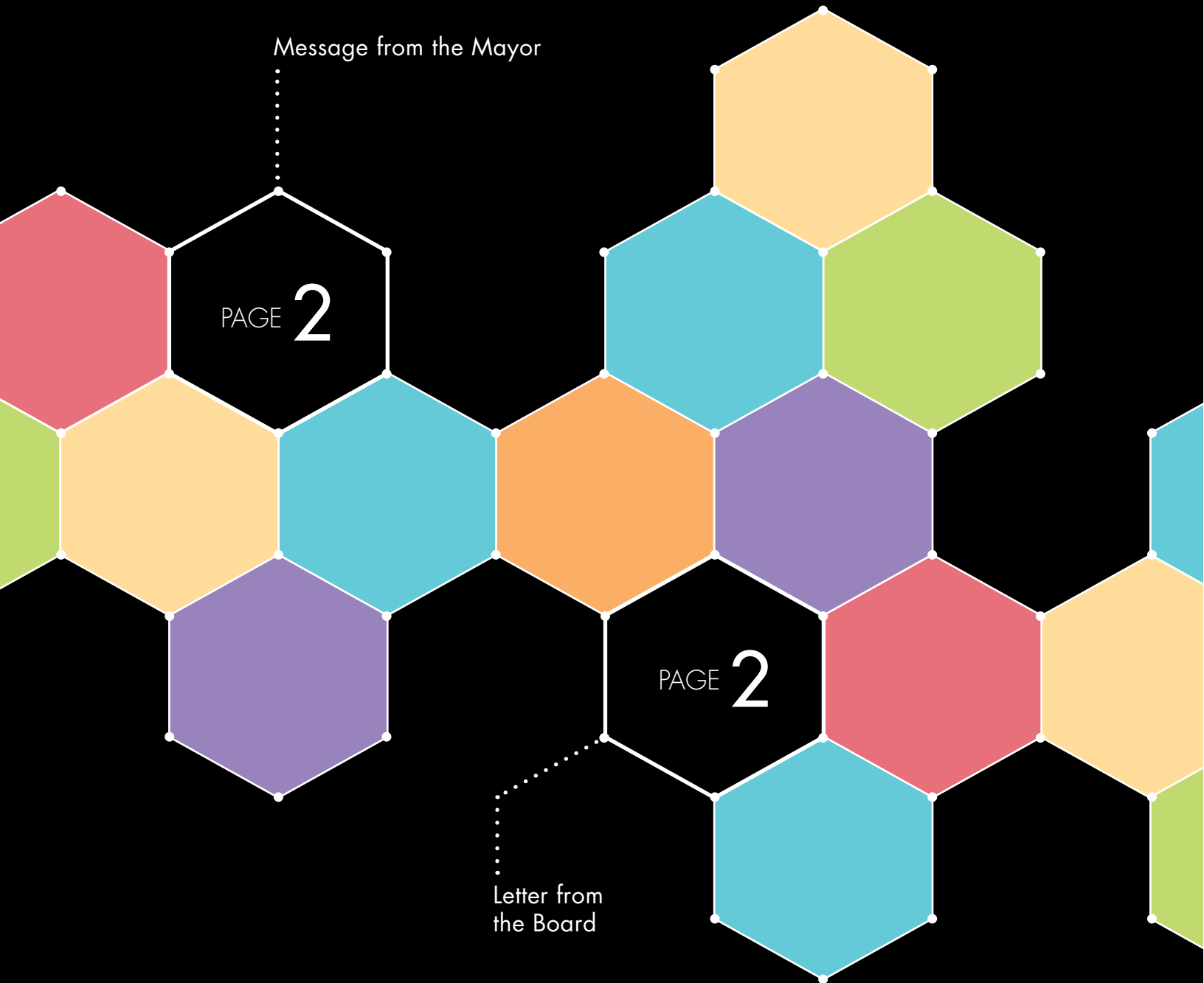
The mission of the Parking Authority of Baltimore City is to find, or create, and implement parking solutions for Baltimore City, and to be the resource on all things "parking" in Baltimore.

Message from the Mayor

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Letter from
the Board



The Science of Operating
Parking Garages

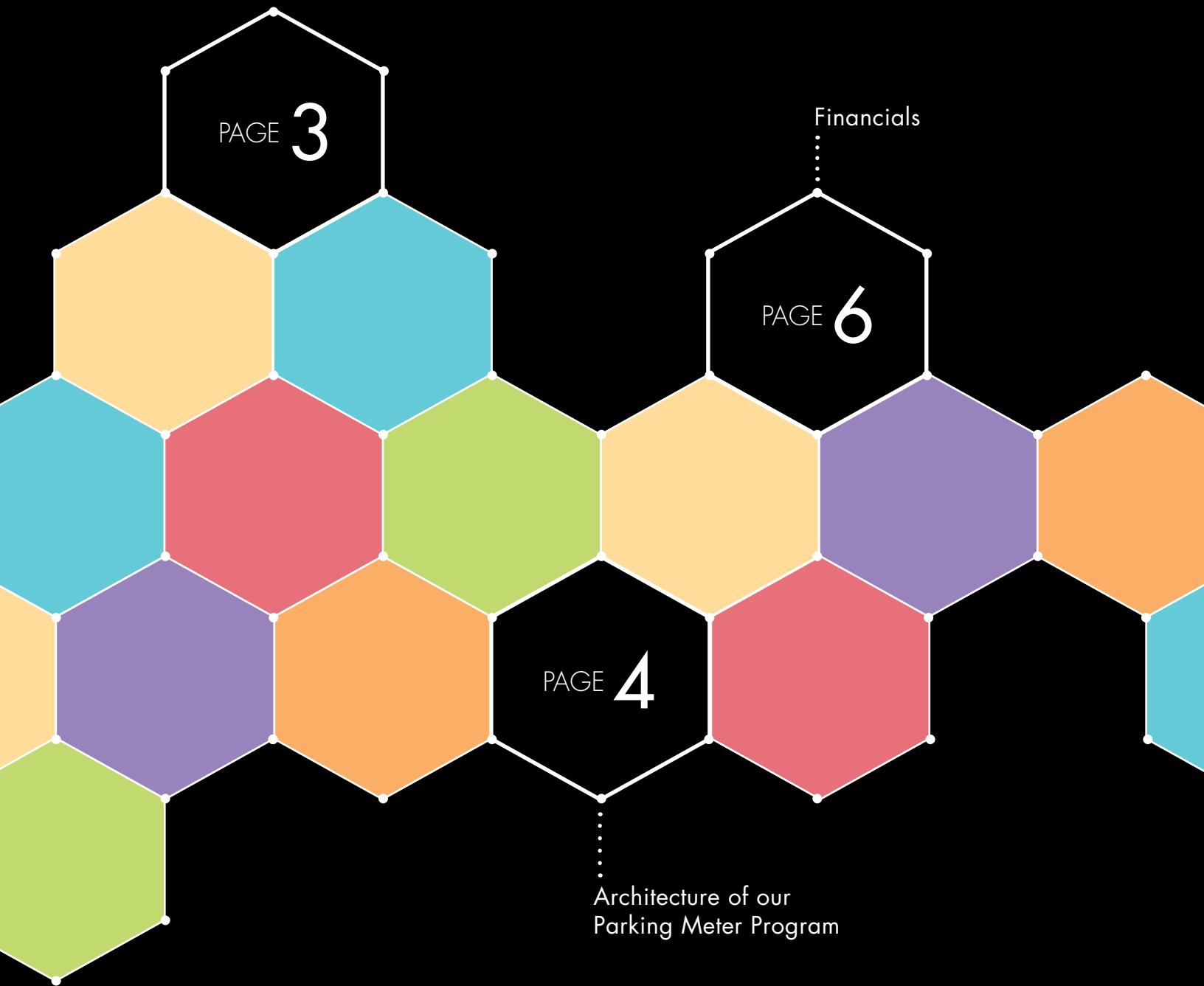
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Financials

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Architecture of our
Parking Meter Program



MESSAGE from the MAYOR



I support using technology to provide residents with greater and easier access to government services. I also believe that relevant data should always be utilized to examine a situation, to inform solutions, and to track results.

The Parking Authority is a great example of government using hard facts to analyze problems and come up with solutions. They approach parking problems like a scientist searching for a cure for a persistent ailment – they use data to identify the causes of problems; they set measurable goals; they research possible solutions; they formulate plans to address issues; and they monitor results.

State-of-the-art parking access and revenue control systems installed at City-owned garages collect data, which inform decisions on the optimal mix of customers and parking rates. The Parking Authority has also identified metrics for determining whether parking meters are effective in creating availability of on-street parking spaces in commercial areas.

The Parking Authority is close to introducing new technologies that will benefit on-street parking in two ways – to make it easier for residents living in Residential Permit Parking areas to obtain permits, and to make it possible to use a cell phone to pay for parking at meters.

Keep reading to learn how the Parking Authority uses science and technology to provide parking solutions for Baltimore City.

Catherine E. Pugh
Mayor

LETTER from THE BOARD



As the Parking Authority has managed Baltimore's on-street and off-street parking assets over the past 16 years, we have learned more about how best to do that job. And we have learned that managing parking well is, actually, a science.

Each program we manage – including City-owned off-street parking garages and lots; on-street parking meters; and residential permit parking, among others – has real, measurable goals. There are proven, scientific means and methods (formulas) to attain those program goals. It has been, and will continue to be, the Parking Authority's work to:

- Identify measurable goals for each program we manage
- Research available new ideas and technologies to meet our goals
- Implement the means and methods that we think will work best for Baltimore
- Collect data and measure our results
- Compare our results to our goals

In this report, you'll read about our process for many of our larger programs, and how we use the Science of Parking to attain our goals.

Peter Auchincloss
Chair, Parking Authority of Baltimore City Board of Directors

*Peter E. Auchincloss, Board Chair
President, Watermark Corporation*

*Pierce J. Flanigan, IV
President, P. Flanigan & Sons, Inc.*

*Robert Stokes, Sr.
City Councilman, District 12*

*Not Pictured:
Henry J. Raymond
Director of Finance, City of Baltimore*

The Science of OPERATING PARKING GARAGES

The City of Baltimore and its residents own 17 parking garages. The City has borrowed hundreds of millions of dollars to construct the garages, which cost between \$20,000 and \$35,000 per parking space to build. The City pays the operating expenses of the garages, totaling about \$13 million per year. The City also pays millions of dollars per year for capital repairs and replacement of systems in City-owned garages (concrete repairs; elevators; parking access and revenue control systems; lighting; plumbing). As you can see, the City has made, and continues to make, huge investments in these parking assets.

The Parking Authority manages those garages on behalf of the City. We believe that the City and its residents should expect the highest possible financial return on investment on these assets they have, and continue to, vest so much in. And we believe it should be those who use the garages who, over time, pay for the garages' construction, operation, and ongoing maintenance because, if they don't, it is the residents and businesses of Baltimore City themselves who must subsidize these costs through increased taxes.

We take our job of managing these parking garages very seriously, and we use science to help us do it:

- We have developed formulas for each garage that help us determine the mix of transient parkers (those who park for only a few hours or for a day) and monthly contract parkers that will maximize garage revenues.
- We also use data collected on parking rates at nearby garages and data on our garages' occupancy to determine rate elasticity—whether we can adjust parking rates at our garages to push revenues higher.
- We use data on the percentage of monthly contract parkers who actually park in our garages and the number of transient customers in our garages each day to develop formulas that let us know if we can “oversell” monthly contracts at a particular garage (i.e. sell more monthly contracts for a particular garage than we have spaces in that garage).

Based on our recommendations, the City has installed parking access and revenue control systems at its garages, which allow us to strictly and efficiently control the collection of parking revenues. Those systems also provide us, at our fingertips, with the data we need to make those calculations above and maximize the City's return on investments in their parking garages.

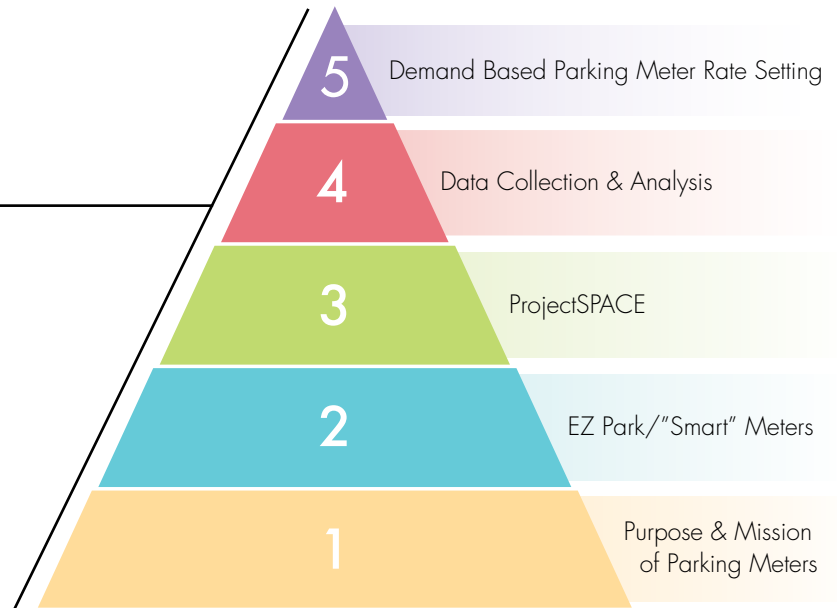


We take our job of managing these parking garages very seriously, and we use science to help us do it.

ARCHITECTURE of our Parking Meter Program

Built with Sound Architecture

We are building our parking meter program with sound architecture. Starting with an understanding of the purpose of parking meters (it's not to make money) and the mission of parking meters as a solid foundation, each additional level of the program has brought us closer to meeting our goal for parking meters – making one or two parking spaces available on each block of even the busiest retail districts.



1. Purpose & Mission of Parking Meters

The first parking meters were installed in Oklahoma City to solve a parking problem, not to fix a revenue problem, as many presume.

In 1933, retail shop owners complained to the city that employees in the area were taking up all the parking spaces near their establishments. Shoppers were forced to park in off-street lots blocks away from their stores. Many customers stopped coming and sales plummeted.

The solution was the parking meter - a coin operated device that wound up a timer that would signal a parking control agent to issue a ticket when the timer ran out. It encouraged people to move their cars after short periods of time, making available the most convenient parking spaces for customers (short-term parkers) and encouraging workers (long-term parkers) to park in the less convenient off-street parking.

That is the mission of parking meters here in Baltimore as well – to create availability of on-street parking. And that mission is the foundation of our meter program.

2. EZ Park/"Smart" Meters

Our goal is to have one or two parking spaces available on each block. To do that, we have to charge the right rate, a rate that is relatively inexpensive for short-term stays, but relatively expensive for longer stays. With today's off-street parking rates what they are, most on-street parking rates need to be at least \$1 per hour.

Carrying \$4.00 or more worth of change for four hours of parking isn't realistic, especially when most people now rely on credit cards for most purchases.

In 2004, we began to introduce EZ Park Meters that accept credit cards as well as coins, and we have installed nearly 1,000 EZ Park Meters since. In some places, single space meters are still needed. In 2014, we replaced hundreds of traditional single space meters with smart meters that also accept credit cards and coins.

In the future, we will introduce options to pay for metered parking with your cell phone in order to provide another way to pay without cash.



3. ProjectSPACE

To reach our goal of creating one or two available parking spaces, we tried adjusting parking meter rates, but we found that it increased the abuse of disability placards, making it even harder to find an available parking space.

Since 1990, when the Americans with Disabilities Act (ADA) was enacted, parking was free at meters for cars displaying a disability placard because the traditional parking meter, with its wind-up crank, was not accessible. Increasing the meter rate made the placards more valuable and a bigger target for thieves.

People were stealing them or buying them on the black market and using them to avoid paying to park, which can cost \$200 per month in some garages.

In 2014, we reserved about 10% of on-street metered parking spaces for people with disabilities and we updated the parking meters in the Central Business District (CBD) to meet the most recent ADA standards and required payment from all parkers, even those displaying a disability placard. This removed the incentive to steal and abuse disability placards. We call this program ProjectSPACE and we have since expanded it to Harbor East, Fells Point and Federal Hill. ProjectSPACE has significantly increased availability of metered parking in those areas, provided much needed reserved parking to people with disabilities who need to park close to their destinations and has reduced the theft of disability placards from Baltimore City residents from 23 per month to only three per month.

4. Data Collection and Analysis

Only when all parkers are required to pay are we able to successfully use price to achieve our goal of making one or two parking spaces available on each block.

First, we have to understand how many cars park on each block. Each block is different, but every block can generally park the same number of cars day after day.

In Winter of 2016 and Spring of 2017, we counted the number of cars parked on each block in the CBD on numerous days and determined the average number of cars that parked there and the number of available parking spaces. For example,

- If we counted 10 cars parked on a block with 0 available spaces, on average, that block's occupancy rate would be 100%.
- If we counted 4 cars parked on a block with 6 available spaces, on average, that block's occupancy rate would be 40%.
- If we counted 8 cars parked on a block with 2 available spaces, on average, that block's occupancy rate would be 80%.

5. Demand Based Parking Meter Rate Setting

In the Summer of 2017, we were finally ready to use parking meter rates to meet our goal of making one or two parking spaces available on each block. In August 2017, we implemented Demand Based Parking Meter Rate Setting in the CBD. We analyzed data collected on each block to make the following changes:

- Where the occupancy rate was above 85%, the rate went up 25 cents to discourage some drivers from parking on that block.
- Where the occupancy rate was below 75%, the rate went down 25 cents to attract more parkers.
- Where the occupancy rate was between 75% and 85%, the rate stayed the same because the goal had been met.

TOO MANY CARS

Rate should go up.



Average occupancy: 100%

TOO FEW CARS

Rate should go down.



Average occupancy: 40%

OPTIMAL NUMBER OF CARS

Rate should stay the same.



Average occupancy: 80%

GOAL
75-85%

We continue to collect and analyze data on each block in the CBD every six months. And we use the above formula to reevaluate and make changes to slowly and incrementally reach our goal.

If Demand Based Parking Meter Rate Setting effectively helps us meet our space availability goal in the CBD (and we expect it will), then we will expand it to other areas of the City where ProjectSPACE has already been implemented.

Built to Meet Its Mission

We have carefully constructed our parking meter program to accomplish its mission of creating parking availability. Each layer of the program has been prepared and then laid over the preceding element to produce a system that works.

2017 FINANCIALS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Baltimore City Parking Authority, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and fund information of the Baltimore City Parking Authority, Inc. (Authority) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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.

AUDITORS' 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 from 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 auditors' 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 auditors consider 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 the 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 governmental activities and fund information of the Baltimore City Parking Authority, Inc. as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on Pages 8 through 9 and 13 be presented to supplement the basic 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.

Ellin & Tucker, Chartered

ELLIN & TUCKER
Certified Public Accountants
Baltimore, Maryland
November 14, 2017

Management's DISCUSSION and ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements consist of the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Notes to Financial Statements follow the presentation of the basic financial statements. The report also contains other required supplementary information, primarily a Budgetary Comparison Schedule.

The Governmental Fund Balance Sheet/Statement of Net Position is presented in reconciliation format and shows the difference between the assets and liabilities of the Authority as reported using the current financial resources measurement focus and modified accrual basis of accounting (Balance Sheet) and assets and liabilities as reported using the total economic resources measurement focus and the accrual basis of accounting (Statement of Net Position). For the Authority, the difference related primarily to capital assets which are reflected as assets on the Statement of Net Position but are excluded from general fund assets.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is also presented in reconciliation format and shows the differences between revenues and expenditures as reported using the current financial resources measurement focus and modified accrual basis of accounting (Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) and revenues and expenses as reported using the total economic resources measurement focus and the accrual basis of accounting (Statement of Activities). The primary differences relate to the treatment of capital asset purchases. For governmental fund accounting purposes, all cash payments for capital asset acquisitions are reflected as expenditures and deducted from revenues in calculating the net fund activity for the year. Under accounting principles generally accepted in the United States of America, capital asset acquisitions are not reflected in the Statement of Activities as a deduction from revenues but are reflected as increases to assets or reductions of liabilities.

Generally, fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources segregated by specific activities or objectives. The Authority's financial activity is classified into one fund—the general fund. The general fund accounts for capital asset acquisitions as expenditures when acquired, rather than as capital assets as a result of the use of the current financial resources measurement focus in accordance with generally accepted accounting principles.

The Notes to Financial Statements provide additional information needed for a full understanding of the basic financial statements.

Required supplementary information consists of a comparison of actual financial activity to budgeted amounts to demonstrate compliance with the budget.

ANALYSIS OF NET POSITION AND CHANGES IN NET POSITION

The following is a comparison summary of the Authority's net position and changes in net position for the years ended June 30, 2017 and 2016:

| | 2017 | 2016 |
|---|----------------------------|----------------------------|
| Assets: | | |
| Current and Other Assets | \$ 2,656,980 | \$ 1,335,919 |
| Capital Assets | 233,302 | 282,973 |
| Total Assets | <u>\$ 2,890,282</u> | <u>\$ 1,618,892</u> |
| Liabilities: | | |
| Current Liabilities | \$ 945,274 | \$ 830,779 |
| Net Position: | | |
| Invested in Capital Assets | \$ 233,302 | \$ 282,973 |
| Unrestricted | 1,711,706 | 505,140 |
| Total Net Position | <u>\$ 1,945,008</u> | <u>\$ 788,113</u> |
| Changes in Net Position: | | |
| Program Revenues: | | |
| Baltimore City Grant | \$ 8,515,509 | \$ 5,883,965 |
| Other | 267,217 | 412,972 |
| Total Revenues | <u>8,782,726</u> | <u>6,296,937</u> |
| Expenses: | | |
| Administration of Parking Facilities | 7,530,892 | 7,091,563 |
| Capital Outlay/Depreciation | 94,939 | 134,040 |
| Total Expenses | <u>7,625,831</u> | <u>7,225,603</u> |
| Increase (Decrease) in Net Position | 1,156,895 | (928,666) |
| Net Position – Beginning of Year | 788,113 | 1,716,779 |
| Net Position – End of Year | <u>\$ 1,945,008</u> | <u>\$ 788,113</u> |

For the year ended June 30, 2017, the Authority received substantially all of its funding from an annual grant from the City of Baltimore. The purpose of the grant was to finance the administration of the City's parking operations through the Authority and cover all of the Authority's personnel costs, capital asset requirements, and other operating costs. The grant for the year ended June 30, 2017 was \$8,515,509. Operating expenses for the year ended June 30, 2017 totaled \$7,625,831 resulting in an increase in net position of approximately \$1,160,000. Total operating expenses increased approximately \$400,000 during the year ended June 30, 2017 as compared to the year ended June 30, 2016. The increase was primarily a result of an increase in merchant service fees relating to increased credit card usage on meters and the fees associated with their usage.

During the year ended June 30, 2017, the Authority purchased capital assets of approximately \$45,000. At June 30, 2017, the Authority had liabilities totaling \$945,274. These liabilities are expected to be funded through existing cash balances.

BUDGET ANALYSIS

The Budgetary Comparison Schedule for the fiscal year ended June 30, 2017 (FY 2017) is presented on Page 13. The most significant budget variations included salaries and benefits, consultants, and merchant service fees.

Salaries and benefits, which include base salaries, benefits, and health insurance costs, were approximately \$396,000 less than expected. The decrease was due to employment vacancies during the fiscal year.

Consultants' expense was approximately \$164,000 less than expected. The budget included expenses relating to new software installation, which did not begin during the year ended June 30, 2017.

Merchant service fees, which include credit card fees, were approximately \$152,000 less than expected. This is due to less credit card usage than expected.

The most significant variance between the original and final budget was for salaries and benefits. Final budgeted amounts for salaries and benefits decreased by approximately \$37,000 compared to the original budgeted amounts. The decrease was due primarily to revisions to full-time salaries and unemployment insurance estimates.

FISCAL YEAR ENDING JUNE 30, 2018

The budget for the fiscal year ending June 30, 2018 (FY 2018) has been submitted to the Baltimore City Board of Estimates in the amount of \$9,346,166, which represents an overall increase in the funding level compared to the fiscal year ended June 30, 2017 in the amount of \$1,867,957. The total grant appropriation includes \$4,630,167 for the base administrative grant, \$4,510,000 for the Meter Program Administrative grant, and \$205,999 for the Valet Regulations Program.

This grant will pay salary, benefits, and other costs to support the administrative functions of the Authority.

The administrative portion of the grant supports salaries and benefits for 35 positions. It includes employee development for 46 employees, 6 employees in degree programs, and one training certification program. Additionally, it includes funding for the following items: in-service training for Office 365, Microsoft Word, Microsoft Excel, and SharePoint; industry representation at the International Parking Institute (IPI), Great Plains User Group (GPUG) Summit, Middle Atlantic Parking Association (MAPA), and Human Resources (HR) conferences; GIS Certification and Leadership Certificates; shared services such as postage machine, copiers, printers, etc.; and the replacement of the telephone system currently scheduled for FY 2018.

The Meter Management grant's funds support salaries and benefits for 10 positions. The Meter Program supports 876 multi-space meters and 3,904 single space electronic meters, including the replacement of an additional 1,300 meters in FY 2018.

The Valet Regulations department administers the licensing of valet operators in Baltimore and oversees the permitting of local businesses who offer valet parking. There are 32 current licensed valet operators and 65 valet loading zones.

During FY 2016, the Authority implemented PARIS-On-The-Web, which allows customers to manage their parking accounts online, via the Authority's website. Customers seeking monthly parking go to <https://payments.bcparking.com> to find, locate, and pay for monthly parking. PARIS-On-The-Web is a feature of the PARIS program that provides customers with a more interactive experience. Full implementation of this project allows customers to pay bills via the web and provide some account controls for contract customers via a web connection. In FY 2018, the Authority will be making refinements to the system to continue to improve its customer service experience.

The financial system is now generating reports electronically containing current financial information by program. Implementation of software to manage the revenue process and coordinate the electronic transfer of data from the billing system to the facility access control system will continue in FY 2018. During FY 2018, the Authority anticipates upgrading its financial software Microsoft Dynamics Great Plains reporting capability. The Authority will also be implementing time-saving data importing of information and providing improved reporting of financial information to management.

In addition, the Authority has added a new budgeting software tool called Dynamic Budgets. This software will provide benefits, such as simple, itemized, or custom budget forms, real-time budget vs actual, mass allocations, analytical accounting, and sub ledger dimensions. In FY 2018, the Authority will be adding report capabilities to management.

The initiative to automate finance functions includes the automation of payroll. The Authority has implemented online payroll processing in the fall of FY 2017. This has streamlined the payroll processing, including submission and tracking of leave.

The management team of the Authority is committed to introducing new technology and other methods to increase revenues for the City and provide outstanding customer service to all City patrons.

Governmental Fund Balance Sheet/Statement of Net Position

June 30, 2017

| | General Fund | Adjustments (Note 4) | Statement of Net Position |
|--|---------------------|-------------------------|------------------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 2,495,477 | \$ - | \$ 2,495,477 |
| Accounts Receivable | 161,503 | - | 161,503 |
| Capital Assets, Net (Note 2) | - | 233,302 | 233,302 |
| Total Assets | <u>\$ 2,656,980</u> | <u>\$ 233,302</u> | <u>\$ 2,890,282</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 568,128 | \$ - | \$ 568,128 |
| Due to Baltimore City | 64,994 | - | 64,994 |
| Deferred Revenue | 50,000 | - | 50,000 |
| Accrued Expenses | 262,152 | - | 262,152 |
| Total Liabilities | <u>945,274</u> | <u>-</u> | <u>945,274</u> |
| Commitments (Note 3) | | | |
| Fund Balances | | | |
| General Fund Balance | 1,711,706 | (1,711,706) | - |
| Total Liabilities and Fund Balances | <u>\$ 2,656,980</u> | | |
| Net Position | | | |
| Invested in Capital Assets | | 233,302 | 233,302 |
| Unrestricted | | 1,711,706 | 1,711,706 |
| Total Net Position | | <u>1,945,008</u> | <u>1,945,008</u> |
| Total Liabilities and Net Position | | <u>\$ 233,302</u> | <u>\$ 2,890,282</u> |

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

For Year Ended June 30, 2017

| | General Fund | Adjustments (Note 4) | Statement of Activities |
|--|---------------------|-------------------------|----------------------------|
| Expenditures/Expenses | | | |
| Administration of Parking Facilities | \$ 7,530,892 | \$ - | \$ 7,530,892 |
| Capital Outlay/Depreciation | 45,268 | 49,671 | 94,939 |
| Total Expenditures/Expenses | <u>7,576,160</u> | <u>49,671</u> | <u>7,625,831</u> |
| Program Revenue | | | |
| Grant Revenue - Baltimore City | 8,515,509 | - | 8,515,509 |
| Other Income | 267,217 | - | 267,217 |
| Total Revenue | <u>8,782,726</u> | <u>-</u> | <u>8,782,726</u> |
| Excess of Revenue over Expenditures | 1,206,566 | <u>(1,206,566)</u> | - |
| Change in Net Position | | <u>\$ 1,156,895</u> | 1,156,895 |
| Fund Balance/Net Position – Beginning of Year | <u>505,140</u> | | <u>788,113</u> |
| Fund Balance/Net Position – End of Year | <u>\$ 1,711,706</u> | | <u>\$ 1,945,008</u> |

Notes to FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Baltimore City Parking Authority, Inc. (Authority) was created in 2000 by Baltimore City Ordinance 2000-71. The Authority's purpose is to assist Baltimore City (City) in the planning, development, management, and administration of its parking assets. The Authority does not own any parking facilities or other real property. The Authority's main source of revenue is a grant from the City rather than parking receipts. The grant is intended to fund all operating expenses of the Authority.

The Board of Directors of the Authority consists of five members, four of which are appointed by the Mayor of Baltimore City and confirmed by the City Council and one who is a member of the City Council appointed by the City Council President.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34) and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (GASB 38). GASB 34 requires net position be classified as restricted, unrestricted, or invested in capital assets and presentation of a Management's Discussion and Analysis section to introduce the basic financial statements. GASB 34 and GASB 38 require certain expanded footnote disclosures.

The Authority's main source of revenue is a single grant from the City; therefore, all assets, liabilities, revenues, and expenses/expenditures are accounted for in a governmental fund.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain other obligations, are recorded only when payment is due.

The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Amounts reported as program revenues primarily include the operating grant from the City.

BUDGETARY INFORMATION

The annual budget of the Authority is subject to approval by the City's Board of Estimates. The budget serves as the basis for determining the grant from the City. Budgetary data is presented as required supplementary information for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) for the governmental fund.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 14, 2017, the date the financial statements were available to be issued.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

CAPITAL ASSETS

Capital assets are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, which range from 3 to 10 years. It is the Authority's policy to capitalize capital assets over \$500. Lesser amounts are expensed.

COMPENSATED ABSENCES

The Authority accrues a liability for compensated absences which consists primarily of accumulated vacation leave. The liability includes those amounts expected to be paid upon termination of employment or through paid leave time.

Notes to FINANCIAL STATEMENTS

2. CAPITAL ASSETS

Capital assets of the Authority are as follows:

| | Beginning of Year | Additions | Retirements | End of Year |
|--|----------------------|--------------------|------------------|-------------------|
| Capital Assets: | | | | |
| Computer Equipment | \$ 663,294 | \$ 42,178 | \$ (92,641) | \$ 612,831 |
| Office Equipment | 98,848 | - | (9,540) | 89,308 |
| Furniture and Fixtures | 106,527 | 3,090 | (5,000) | 104,617 |
| Leasehold Improvements | 60,744 | - | - | 60,744 |
| | <u>929,413</u> | <u>45,268</u> | <u>(107,181)</u> | <u>867,500</u> |
| Less: Accumulated Depreciation: | | | | |
| Computer Equipment | 429,146 | 81,420 | (91,951) | 418,615 |
| Office Equipment | 74,799 | 4,737 | (9,536) | 70,000 |
| Furniture and Fixtures | 81,750 | 8,088 | (5,000) | 84,838 |
| Leasehold Improvements | 60,745 | - | - | 60,745 |
| | <u>646,440</u> | <u>94,245</u> | <u>(106,487)</u> | <u>634,198</u> |
| Net Capital Assets | <u>\$ 282,973</u> | <u>\$ (48,977)</u> | <u>\$ (694)</u> | <u>\$ 233,302</u> |

3. COMMITMENTS

The Authority leases office space from the City under various leases, which expire through June 2018. The Authority leases office equipment under lease agreements, which expire through May 2022. Rent expense recorded for the year ended June 30, 2017 was \$120,759.

Future minimum lease payments under operating leases are as follows:

| | | |
|----------------------|------|------------|
| Year Ending June 30, | 2018 | \$ 129,018 |
| | 2019 | 15,792 |
| | 2020 | 9,482 |
| | 2021 | 8,220 |
| | 2022 | 7,535 |

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND GAAP FINANCIAL STATEMENTS

Statement of Net Position and Governmental Fund Balance Sheet

The fund balance of the general fund differs from net position reported in the Statement of Net Position. The difference results primarily from the treatment of capital assets. When capital assets are used in governmental activities, the costs of the assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those assets among the assets of the Authority.

Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

As noted above, outlays for capital assets to be used in governmental activities are reported as expenditures in the general fund; however, those expenditures are reported as assets, not expenses, in the Statement of Activities.

5. RETIREMENT PLAN

The Authority maintains a retirement plan covering substantially all employees. On January 1, 2012, the Authority amended its retirement plan to allow for discretionary matching contributions. Amounts to be contributed to the plan are determined by the Board of Directors. The Authority made contributions for the year ended June 30, 2017 in the amount of \$34,319.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance Positive (Negative) |
|---|---------------------|---------------------|--------------------------------|------------------------------------|
| Revenue | | | | |
| Grant – Baltimore City | \$ 8,310,948 | \$ 8,310,948 | \$ 8,515,509 | \$ 204,561 |
| Other | - | - | 267,217 | 267,217 |
| Total Revenue | <u>\$ 8,310,948</u> | <u>\$ 8,310,948</u> | <u>\$ 8,782,726</u> | <u>\$ 471,778</u> |
| Expenditures | | | | |
| Salaries and Benefits | \$ 3,646,900 | \$ 3,609,600 | \$ 3,213,434 | \$ 396,166 |
| Telephones/Utilities/Internet | 61,000 | 61,000 | 56,403 | 4,597 |
| Vehicles/Travel | 33,300 | 33,300 | 30,985 | 2,315 |
| Business Machine Rental | 15,000 | 15,000 | 10,337 | 4,663 |
| Consultants | 211,500 | 211,500 | 47,343 | 164,157 |
| Equipment Warranty | 296,500 | 296,500 | 288,735 | 7,765 |
| Software | 606,400 | 606,400 | 693,447 | (87,047) |
| Legal | 48,500 | 48,500 | - | 48,500 |
| Printing and Copying | 28,000 | 28,000 | 28,536 | (536) |
| Merchant Service Fees | 2,508,400 | 2,508,400 | 2,356,813 | 151,587 |
| Computer Maintenance | 50,000 | 50,000 | 61,591 | (11,591) |
| Other Services | 268,900 | 268,900 | 385,645 | (116,745) |
| Maintenance and Supplies | 184,700 | 184,700 | 193,139 | (8,439) |
| Equipment Acquisitions | 177,700 | 177,700 | 45,931 | 131,769 |
| Rent | 117,900 | 117,900 | 120,759 | (2,859) |
| Advertising | 3,000 | 3,000 | 3,361 | (361) |
| Dues/Subscriptions/Training | 53,200 | 53,200 | 39,701 | 13,499 |
| Total Expenditures | <u>\$ 8,310,900</u> | <u>\$ 8,273,600</u> | <u>7,576,160</u> | <u>\$ 697,440</u> |
| Reconciliation of Budgetary Expenditures to Expenses Reported Under GAAP | | | | |
| Depreciation Expense (Net of Disposals) Not Included in Budget | | | 94,939 | |
| Capital Asset Acquisitions Included in Expenses | | | <u>(45,268)</u> | |
| Total Expenses | | | <u>\$ 7,625,831</u> | |

Parking Authority of Baltimore City
200 W. Lombard Street, Suite B
Baltimore, Maryland 21201

Phone: 443.573.2800
Fax: 410.685.1557

parking.baltimorecity.gov

