

# DRAFT

## Project Magee

*William Blair & Company*<sup>®</sup>

Summary of Preliminary Valuation

April 22, 2008

# CONFIDENTIAL





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# Valuation Analysis—Estimated Value

- ◆ The estimated value of the Chicago On-Street Parking System (“System”) is approximately \$1 billion, based on the proposed 2008 parking rate increases and current market conditions
- ◆ Market conditions and the structure of the concession financing will significantly affect the value of the System
  - Produces a valuation range of approximately \$650 million to \$1.2 billion
- ◆ Market conditions and the structure of the concession financing are comprised of three primary components
  - Equity Rate of Return
  - Cost of Debt
  - Capital Structure (Equity to Value)

		Debt TIC			
		8.5%	8.0%	7.5%	7.0%
Equity IRR	18%	673,738,952	701,142,011	730,769,686	762,896,101
	16%	735,542,145	768,080,059	803,489,290	842,151,832
	14%	809,215,220	848,416,255	891,395,177	938,695,479
	12%	898,376,001	946,395,552	999,490,931	1,058,452,328
	10%	1,008,158,368	1,068,101,920	1,135,020,621	1,210,089,102

		Debt TIC			
		8.5%	8.0%	7.5%	7.0%
Capital Structure (Equity-to-Value)	40%	874,385,130	916,289,103	962,158,034	1,012,545,028
	35%	898,376,001	946,395,552	999,490,931	1,058,452,328
	30%	923,644,738	978,421,715	1,039,632,103	1,108,387,264
	25%	950,290,384	1,012,545,028	1,082,886,361	1,162,856,977
	20%	978,421,715	1,048,963,627	1,129,600,042	1,222,448,294

		Capital Structure (Equity-to-Value)				
		40%	35%	30%	25%	20%
Equity IRR	18%	684,031,151	730,769,686	784,044,273	845,272,999	916,289,103
	16%	757,778,732	803,489,290	854,769,936	912,652,665	978,421,715
	14%	848,416,255	891,395,177	938,695,479	990,962,034	1,048,963,627
	12%	962,158,034	999,490,931	1,039,632,103	1,082,886,361	1,129,600,042
	10%	1,108,387,264	1,135,020,621	1,162,856,977	1,191,972,268	1,222,448,294

## Valuation Analysis—Discounted Cash Flow

**Revenues – Operating Expenses = EBITDA**

**(-) Less: Depreciation & Amortization**

**(-) Less: Corporate Taxes**

**(+) Plus: Depreciation & Amortization**

**(-) Less: Capital Expenditures**



**Free Cash Flow (FCF)**

**Sum of Future FCFs Discounted at WACC**

**Estimated Enterprise Market Value**

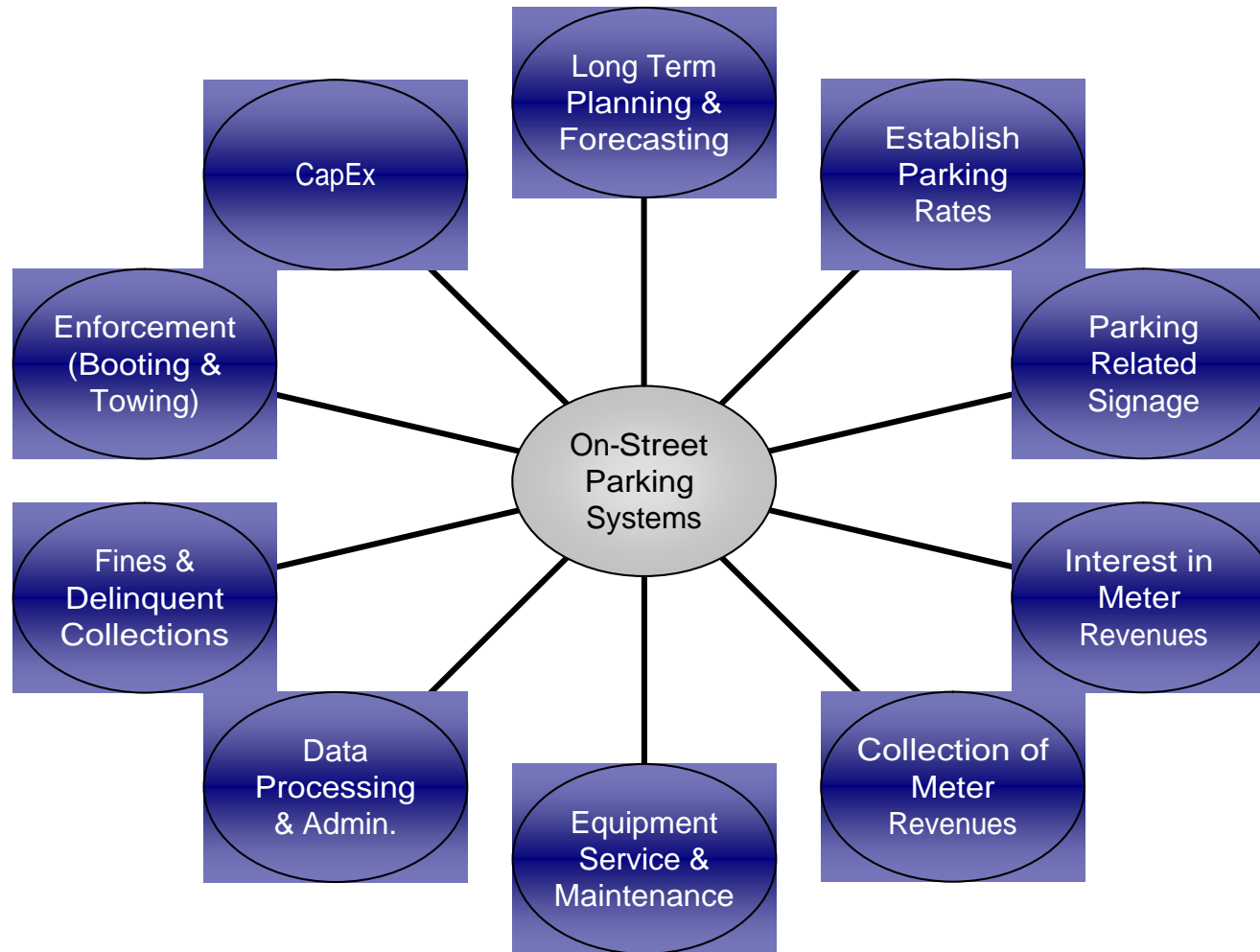
<sup>1</sup> Net Working Capital is assumed to be negligible and is excluded from the analysis.

## Summary of Key Findings

- ◆ The long-term concession and lease of on-street municipal parking in the United States may be unprecedented.
  - On-street parking systems include on-street metered parking spaces and metered parking spaces in municipally owned lots.
- ◆ U.S. municipalities commonly contract with private parking operators to manage various phases of on-street parking systems—including collections, repairs, and enforcement.
  - For example, the City of Chicago contracts with Dunbar and Serco for data administration and coin collections, respectively.
- ◆ Key privatization consideration: how much control of the City's System does the City wish to retain?
- ◆ Value is linked to control. Maximizing prepaid rent depends on the City's willingness to concede its interest in future revenues derived from its System.

# Overview of On-Street Parking Systems

- ◆ On-street parking systems often involve at least ten independent components.
  - These components provide some context in evaluating a preliminary structure for the privatization of the City's System.



## The City of Chicago's Current On-Street Parking System Model

- ◆ The City currently out-sources two of its System functions to private contractors
  - Serco is responsible for coin collections services
  - Dunbar is responsible for data processing and administration (of meter revenues)
- ◆ The City has retained responsibility for most other functions including long-term planning and forecasting; equipment service and maintenance, enforcement, and the establishment of parking rates and signage.
- ◆ The City also retains all revenues generated by the System (net of contractor costs).

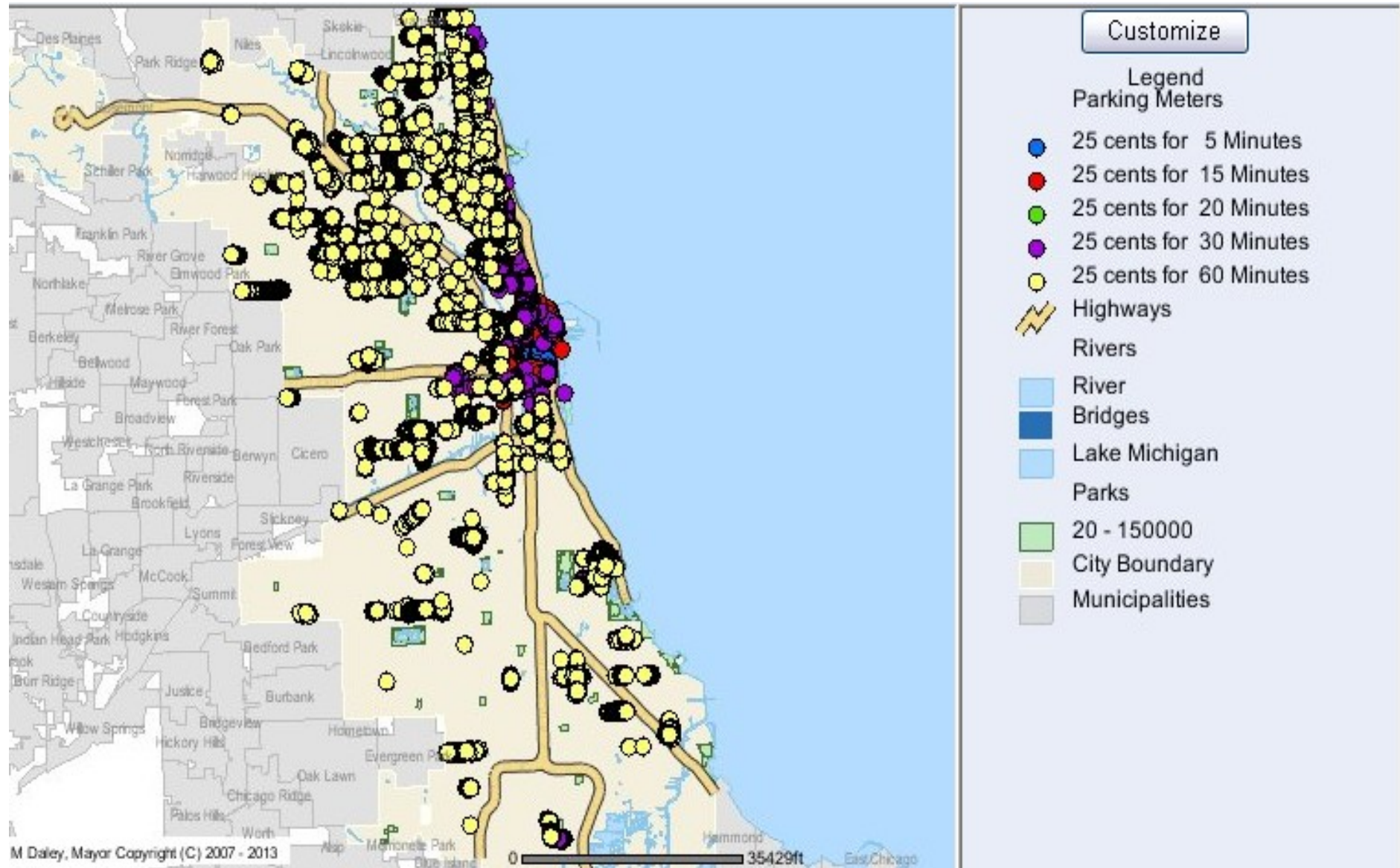
Components of On-Street Parking Systems	City of Chicago	Private Operators
Long-Term Planning & Forecasting	•	
Establishment of Parking Rates	•	
Parking Related Signage	•	
Interest in Meter Revenues	•	
Collection of Meter Revenues		•
Equipment Service and Maintenance	•	
Data Processing and Administration		•
Fines and Delinquent Collections	•	
Enforcement (Booting and Towing)	•	
Capital Expenditures	•	

## Other On-Street Parking System Models in the U.S.

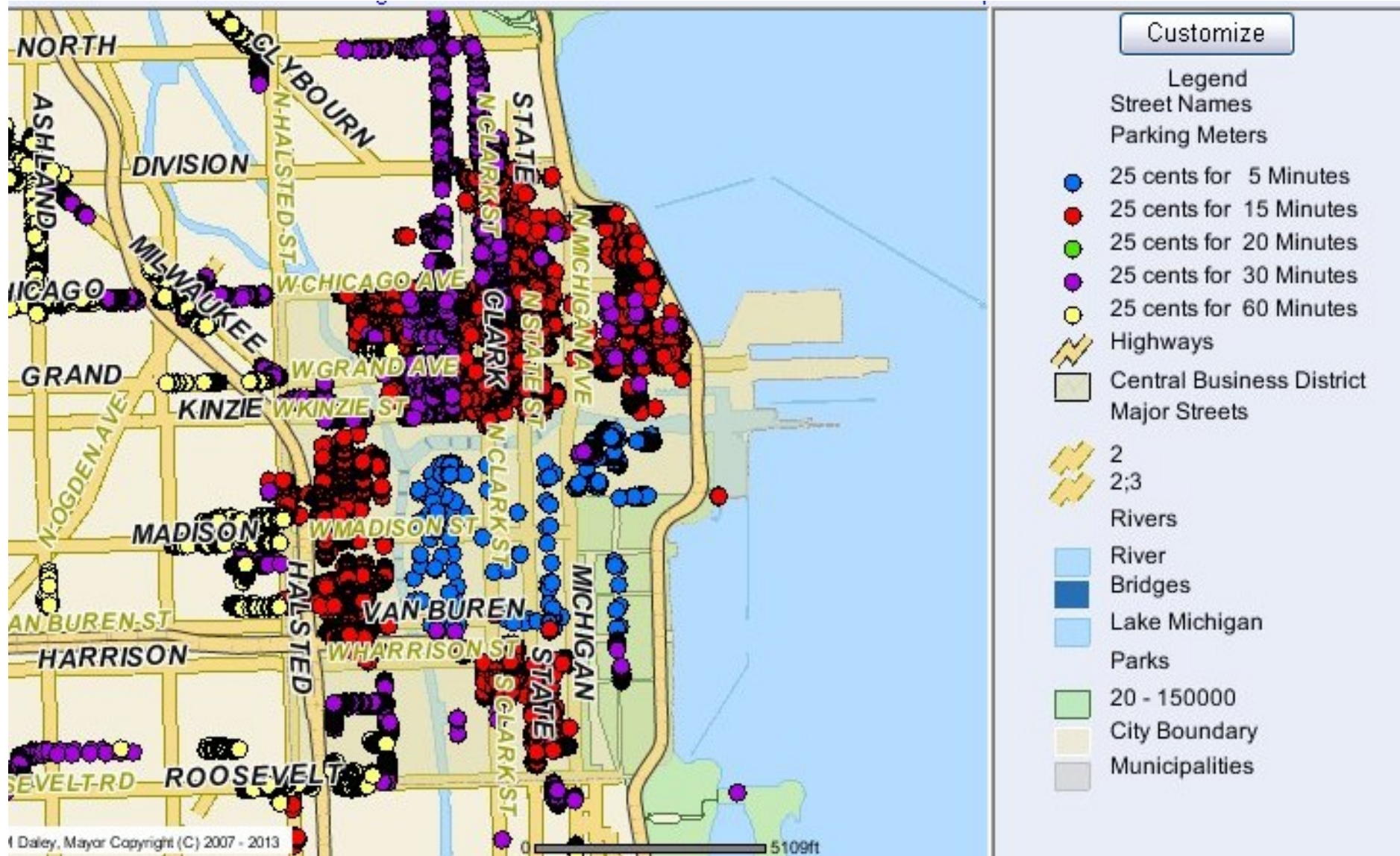
- ◆ In the U.S., other municipalities—notably Charlotte, NC and Washington, DC—have outsourced a significant portion of their on-street parking systems.
- ◆ These arrangements commonly provide a revenue sharing structure between the municipality and the operator—aligning the incentives of each stakeholder in a public-private partnership.
- ◆ Private operators will often take responsibility for long-term planning and forecasting while municipalities retain control of rate-setting, public signage, capital expenditures, and revenues.

Components of On-Street Parking Systems	P3 Municipalities	P3 Contractors
Long-Term Planning & Forecasting		•
Establishment of Parking Rates	•	
Parking Related Signage	•	
Interest in Meter Revenues	•	•
Collection of Meter Revenues		•
Equipment Service and Maintenance		•
Data Processing and Administration		•
Fines and Delinquent Collections		•
Enforcement (Booting and Towing)		•
Capital Expenditures	•	•

# Geographic Overview of the City's Rate Structures



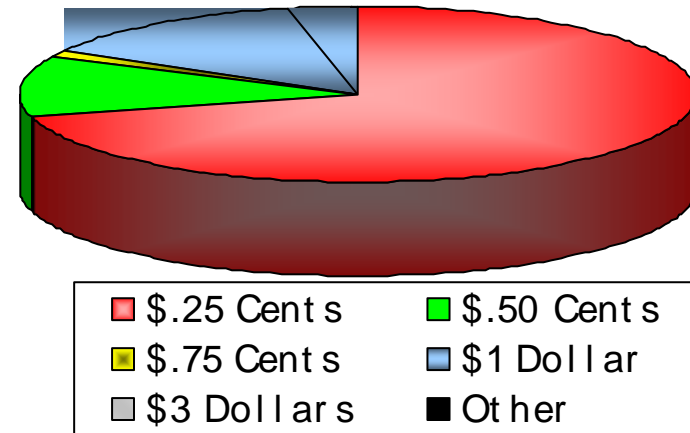
# Over view of Rates between Ashland, North, and Roosevelt



# Characteristics of the City's On-Street Parking System

- ◆ The City owns 30,846 mechanized meters. The ratio of meters to spaces is 1:1—each meter serves a single parking space.
  - 25,233 are electronic meters and 5,613 are mechanical meters
  
- ◆ The City also owns 128 “Pay and Display” machines. These allow commuters to pay for parking at a central terminal and display a receipt in the driver’s windshield for the duration of the visit.
  - Each Pay and Display machine serves an average of 22 spaces.
  
- ◆ As shown in the adjacent charts, the majority of City spaces require \$.25 per hour for parking. The weighted average parking rate in the City is \$0.47 per hour.

Rate Structure (Per Hour) of City Spaces

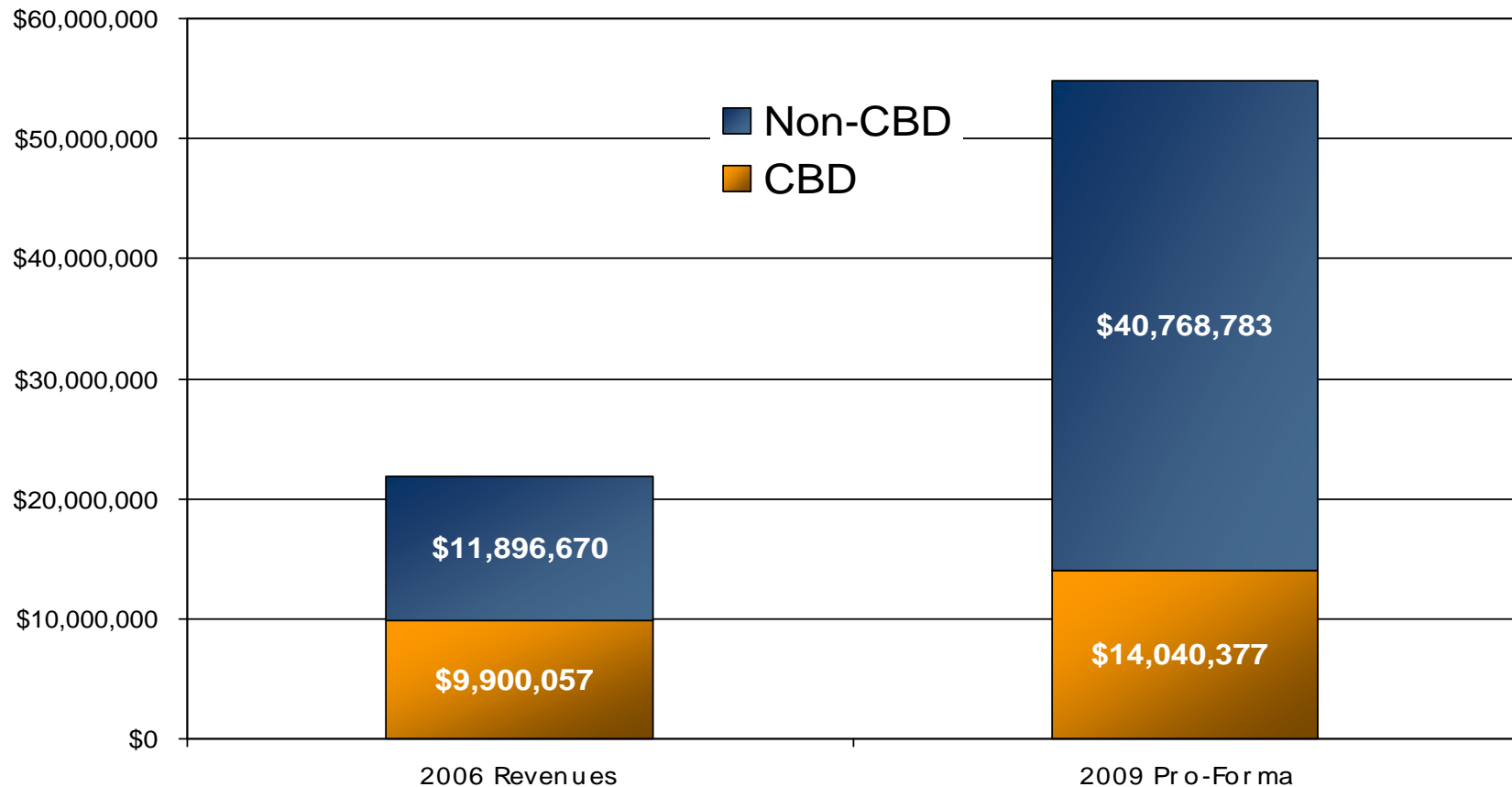


Rate/Hour	Number of Spaces	% of Total
\$ 0.25	22,979	70.76%
0.50	3,641	11.21%
0.75	447	1.38%
1.00	4,326	13.32%
3.00	995	3.06%
Not Categorized	87	0.27%
\$ 0.47	32,475	100%

Spaces not categorized represent the difference between the number of spaces listed on the City's Op Rev 2. – Rate Structure worksheet and Op Rev 3. - Zone Report worksheet, as provided in the “Magee Info” Excel Workbook

# Characteristics of the City's On-Street Parking System

- ◆ 2006 Parking System revenues totaled \$21,796,727
  - CBD & Loop (“CBD”) = \$9,900,059 from 5,877 metered spaces.
  - Non-CBD = \$11,956,544 from 26,598 metered spaces.
- ◆ Based on the proposed rate increases, 2009 pro-forma revenue would total \$54,809,160



# Characteristics of the City's Proposed Rate Increase

## ◆ Year 1 Increase

- Any rate less than \$1/hour will be increase to \$1 / hour
- \$1/hour will be increased to \$2 / hour
- \$3/hour will be increased to \$3.50 / hour

## ◆ Years 2 through 5

- 25% in year 2, decreasing each year thereafter

## ◆ Years 6 and beyond

- Rates increase at CPI
- Assumption of 3.00% for valuation

Calendar Year Concession Year	2008 0	2009 1	2010 2	2011 3	2012 4	2013 5	Total Five Year Increase
<b>\$0.25 / Hour</b>							
Rate per hour	0.25	1.00	1.25	1.50	1.75	2.00	
Rate increase (\$)		0.75	0.25	0.25	0.25	0.25	
Rate increase (%)		300.00%	25.00%	20.00%	16.67%	14.29%	700%
<b>\$0.50 / Hour</b>							
Rate per hour	0.50	1.00	1.25	1.50	1.75	2.00	
Rate increase (\$)		0.50	0.25	0.25	0.25	0.25	
Rate increase (%)		100.00%	25.00%	20.00%	16.67%	14.29%	300%
<b>\$0.75 / Hour</b>							
Rate per hour	0.75	1.00	1.25	1.50	1.75	2.00	
Rate increase (\$)		0.25	0.25	0.25	0.25	0.25	
Rate increase (%)		33.33%	25.00%	20.00%	16.67%	14.29%	167%
<b>\$1.00 / Hour</b>							
Rate per hour	1.00	2.00	2.50	3.00	3.50	4.00	
Rate increase (\$)		1.00	0.50	0.50	0.50	0.50	
Rate increase (%)		100.00%	25.00%	20.00%	16.67%	14.29%	300%
<b>\$3.00 / Hour</b>							
Rate per hour	3.00	3.50	4.25	5.00	5.75	6.50	
Rate increase (\$)		0.50	0.75	0.75	0.75	0.75	
Rate increase (%)		16.67%	21.43%	17.65%	15.00%	13.04%	117%



## Appendices—Case Studies

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## Case Studies—Norwalk, Connecticut

- ◆ The City of Norwalk, CT created the Norwalk Parking Authority (the “NPA”) by ordinance in 2002
- ◆ In 2003, the NPA hired LAZ Parking, LTD (“LAZ”) to provide professional parking management services.
  - LAZ has helped develop and implement a Comprehensive Public Parking System Plan.
  - The NPA appears to be responsible for capital expenditures related to the operation and maintenance of the parking system.
  - The NPA pays LAZ an annual service fee for their management services. It is unclear whether the service fee provides service incentives for LAZ’s performance.
- ◆ The NPA—working through the City Council—maintains responsibility for establishing parking rates and creating parking policy objectives.
- ◆ The NPA and LAZ regularly update the Comprehensive Public Parking System Plan.
- ◆ The City Council and the NPA rely on LAZ to make continuous observations and recommendations for improving the efficiency, customer service, and financial performance of the City’s parking assets.

## Case Studies—Washington, D.C.

- ◆ In response to growing concerns regarding the decline in parking meter revenue, in February 1998 Washington, D.C. (the “District”) entered into a seven year, seven month \$24,991,000 privatization contract with Lockheed Martin IMS—now Affiliated Computer Services (ACS)—to provide new parking meters and to manage the District’s parking meter services.
- ◆ During the contract term, ACS purchased, and was then reimbursed for 16,500 new electronic single space parking meters and 100 multi space parking meters.
- ◆ The District shared revenues with ACS based on ACS’ ability to meet or exceed certain revenue benchmarks. Between 1999 and 2005, the District kept approximately \$62 million of the \$89 million generated by the on-street parking system.
- ◆ ACS was also to provide advanced Ticket Information Management Systems (TIMS) and Meter Management Systems (MMS) for detailed collection projections and reporting, meter outage and repair history.
- ◆ A District audit issued in February 2007 describes the private management of parking meters in the city as a financial waste, saying the outsourcing not only failed to save money but drove up costs by nearly \$9 million from 1999 to 2005.

## Case Studies—Charlotte, North Carolina

- ◆ In 1997, Charlotte, NC became one of the first major municipalities in the United States to outsource nearly all of its downtown parking functions.
- ◆ Under the terms of the agreement, Central Parking Corporation (“CPC”) provides on-street parking enforcement; parking meter collections and maintenance; citation processing; appeals and adjudication; and related services throughout downtown Charlotte’s Central Business District (“CBD”).
- ◆ CPC is responsible for 1,040 metered spaces, 5,000 non-metered spaces, the administration of residential parking-permit programs, and management of special event parking such as home games for the NFL Carolina Panthers.
- ◆ It is not clear how Charlotte and CPC share parking revenues, enforcement revenues, or capital expenditures.
- ◆ According to Central Parking, Charlotte generated approximately \$300,000 in annual revenues prior to the 1997 agreement. By 1999, the City generated nearly \$2,000,000.
- ◆ The contract with (CPC) was apparently renewed in 2002 and again in 2007.

## Case Studies—Montreal, Canada

- ◆ Since 1995, paid on-street parking and public parking lots in the City of Montréal (“Ville de Montréal”) have been managed by Société en commandite Stationnement de Montréal, (“Stationnement de Montréal”) a subsidiary of the Board of Trade of Metropolitan Montreal. The general partner is Accesum Inc. and the Board of Trade of Metropolitan Montreal is the sole limited partner.
- ◆ On January 1, 1995, the Limited Partnership acquired an exclusive concession from Ville de Montréal to use the public domain for the purposes of paid parking. Since then, the Limited Partnership has conducted and managed paid parking operations pursuant to an agreement entered into with Ville de Montréal which can be renegotiated by mutual agreement or even terminated under certain conditions.
- ◆ Every year, Stationnement de Montréal pays Ville de Montréal a portion of the revenue it earns from operating public parking. This amount includes property taxes, rent of plots of land, compensation, interest on outstanding debt and 80% of its profits. Since its founding, Stationnement de Montréal has remitted to Ville de Montréal more than CAN\$167.8 million.
- ◆ Stationnement de Montréal is responsible for the management of paid on-street parking, a network of some 16,000 paid spaces, parking lots and some 4,000 off-street spaces, managing all planning, collection, maintenance of equipment, administration, and customer service activities.
- ◆ Ville de Montréal and the boroughs are responsible for: parking policies, rates, signage, new paid spaces installations, regulations and enforcement.

## Case Studies—Prague, Czech Republic

- ◆ In April 1997, Europark (a French joint stock company) created a Czech subsidiary to operate a local system for the Prague City Council—*Europark Praha* (the “Operator”).
- ◆ The Operator undertook all preparatory studies to improve parking management in the City of Prague
  - The Operator financed all capital improvements pursuant to the plan adopted by the City Council. Most of the financing underwrote new pay-and-display machines and traffic signs.
- ◆ The Operator is today responsible for the operation of a City-owned pay parking zone that encompasses approximately 9,000 parking meters across 3 square kilometers.
- ◆ Europark Praha collects revenues from the meters in the pay-zone and shares a percentage of the profits with the City of Prague.
- ◆ The Operator has no enforcement ability. Under Czech law, only the municipality may administer and collect parking violations.
- ◆ All new proposals from the Operator need approval from the City.

## Case Studies—Johannesburg, South Africa

- ◆ The City of Johannesburg (the “City”) hired International Parking Systems (“IPS”) in 2003 to install new meters on the City’s streets and administer parking services.
- ◆ IPS installed 1,000 new meters throughout the City and collected parking revenue on behalf of the City. IPS was permitted to keep half of everything it collected.
- ◆ IPS was also entitled to collect 90% of all fines collected for expired meters. IPS was also expected to track down parking offenders and collect outstanding debts.
- ◆ In 2003, though, a government magistrate ruled that all fines collected by private companies were illegal.
- ◆ The City Council terminated IPS’ contract; IPS and the City have been engaged in legal battles since then.
- ◆ Meanwhile, since October 2006, IPS has stopped enforcing the meters that it earlier patrolled and neither IPS nor the City are collecting any meter or enforcement revenue.