



**David Moes**  
Managing Director

DMoes@navigant.com  
312.583.6872 direct

March 4, 2014

Mr. Stephen R. Patton, Esquire  
Corporation Counsel  
City of Chicago  
121 LaSalle Street  
Suite 600  
Chicago, IL 60602

**Re: Update to financial analysis of the revenues and costs incurred by Chicago parkers and the City of Chicago under the terms of the Chicago Parking Meter System Concession Agreement as Amended in June 2013**

Dear Steve:

Pursuant to your request, Navigant has analyzed and estimated the savings and costs to Chicago parkers and the net revenue to the City of Chicago ("City") resulting from the amendment to the Chicago Parking Metered System Concession Agreement approved by the Chicago City Council on June 5, 2013 (the "Amendment"). This analysis covers the first two quarters under the Amendment (July 1 through December 31, 2013). We then compare those actual results with the projected savings and costs to parkers and net revenues to the City that were included in our presentation to City Council last June. See Navigant Presentation to the Chicago City Council, June 3, 2013 (attached).

### **Executive Summary**

Our review of the first two quarters of actual parking data since the Amendment became effective in June 2013 show that the savings to parkers and the net benefit to the City from the Amendment have been greater than those we estimated before the Amendment was approved.

- The trade of extended evening hours for free Sunday parking has resulted in net savings to parkers of at least \$2.1 million. This represents a 60% increase over the \$1.3 million in savings we estimated last June.

- While savings from free Sundays (\$8.7 million) were very close to what we estimated, the costs of extended hours (\$6.6 million) were \$800,000 less than we estimated.
- The savings to parkers from the Amendment increase to \$3.6 million when certain changes in parking behavior observed in the data (such as a significant reduction in paid Saturday parking that appears to be due to free Sunday parking) are considered. This represents a 175% increase from the savings we estimated last June.
- Overall, the Amendment resulted in a \$1.8 million net benefit to the City and parkers. This is approximately 40% greater than the \$1.3 million net benefit we estimated last June. This net benefit increases to \$3.3 million when certain changes in parking behavior observed in the data are included.

### **Detailed Analysis**

Both our initial review and estimate last June and our current review of actual results analyze the savings and costs to parkers and the net revenue to the City from the Amendment as follows:

1. Savings to parkers from free Sunday parking;
2. Costs to parkers of an extended hour for designated parking spots from 9:00 p.m. to 10:00 p.m. in certain areas of the City;

3. Costs to parkers of extended hours for designated parking spots from 10:00 p.m. to 12:00 a.m. in River North;
4. Net change in parking meter revenue to the City from 17 surface lots that were returned to the City; and
5. Decrease in revenue to the City from the transfer of 834 designated spaces from reserve status to concession status.

In addition, in connection with our current review of actual results for the period July 1 through December 31, 2013, we identified and assessed two additional changes in savings and costs to parkers that appear to reflect changes in parking behavior that affect the savings and costs to parkers under the Amendment:

6. A reduction in Saturday revenues, which appears to be due to parkers “substituting” parking on Sundays for parking on Saturdays in order to take advantage of free parking on Sundays. This resulted in additional savings to parkers (and lower revenues to Chicago Parking Meters LLC (“CPM”)) as parkers reduced their paid parking on Saturdays.
7. A reduction in revenues in the neighborhoods during the 5 p.m. to 7 p.m. period, which appears to be due to parkers “shifting” their parking from earlier in the evening to later in the evening, as parkers who are attempting to secure a space overnight shifted from what was previously the last paid hour for a parking spot to later hours in the evening, including the 9:00 p.m. to 10:00 p.m. hour. This means that some of the “new” revenue to CPM (and increased costs to parkers) during the later evening hours period represents “old” revenue to CPM (and costs to parkers) that appears to have been shifted from an earlier period.

In general, the methods we employed to validate, accumulate and analyze the parking meter data for this review were similar to the methods that we used in our initial analysis of the Amendment. (See Navigant’s Presentation to the Chicago City Council, June 3, 2013, for a description of the methods that we used and the data sources). The

table below compares the estimates from our calculations of the annualized savings and costs from our review of the Amendment in June, 2013 and our current calculations based on six months of actual parking revenue data:

**Summary of Savings and (Costs) Comparison**

Impact of Amendment	Savings and (Costs)		Difference
	June 213 Estimate	Actual Based on 7/1-12/31/2013	
1 Savings from free Sundays	\$8.7	\$8.7	\$0.0
2 Costs for 9:00 pm-10:00 pm extended hours	(6.6)	(5.4)	1.2
3 Costs for 10:00 pm-12:00 am extended hours	(0.8)	(1.2)	(0.4)
4 Net revenue for surface lots	0.6	0.3	(0.3)
5 Costs for reserve to concession	(0.6)	(0.6)	0.0
<b>Total</b>	<b>\$1.3</b>	<b>\$1.8</b>	<b>\$0.5</b>

Although the actual savings and costs in particular categories varied from our June 2013 estimates, the overall net savings to parkers and net benefit to the City increased by \$500,000 -- parkers and the City are \$1.8 million better off with the changes in the Amendment than they would have been without them. When the analysis is limited to the trade of extended hours for free Sundays, the net benefit is greater -- \$2.1 million, compared to our June 2013 estimate of \$1.3 million. All of the actual savings and costs represent annualized amounts that were arrived at by multiplying actual results for the final two calendar quarters of 2013 by two.

The actual data for the last two quarters of 2013 allowed us to calculate savings and costs which we believe are more precise than our June 2013 estimates:

- The costs for the two periods of extended hours are based on the parking meter payments actually made for these time periods in the final two quarters of 2013. In the initial analysis, these costs were derived and estimated from parking behavior at earlier times in the day.

- For the 9 p.m. – 10 p.m. extended hours, fewer people actually parked than had been estimated from parking behavior earlier in the day, and therefore the costs for these extended hours were less than had been estimated.
- For the 10 p.m. – 12 a.m. extended hours, more people actually parked than had been estimated from parking behavior earlier in the day, and therefore the costs for these extended hours were greater than had been estimated.

The use of actual data also changed the values for other items in the table:

- The savings from free Sundays changed slightly because the Sunday meter revenues for the comparable six months in 2012 are now being calculated using data received directly from CPM (per the terms of the Amendment). This change does not affect the rounded amounts in the summary table. As before, these amounts include the value to the City of avoided temporary closures attributable to Sundays as calculated in Navigant's Presentation to the Chicago City Council on June 3, 2013.
- The cost for Reserve to Concession reflects actual payments made into payment boxes for the last six months of 2013, annualized.
- The net revenue for 17 Surface Lots is based on actual payments received, annualized.

#### **Additional Savings and Offset to Costs to Parkers**

As noted above, Navigant also calculated one other potential category of savings to parkers from free Sundays and one potential offset to the increased costs to parkers of extended hours. We did not calculate either of these effects in our initial analysis, as the data was not available at that time and any quantification of these potential effects would have been highly speculative.

- We calculated savings of \$0.7 million from the substitution of free parking on Sundays for paid parking that previously occurred on Saturdays. This substitution effect is calculated as the decrease in parking revenue for Saturdays

during the months of July to December 2013 relative to baseline revenue (after a rate increase) for Saturdays for these same months in 2012.

- We also calculated an offset to costs of approximately \$0.8 million for the shifting of parking to hours later in the evening in certain areas of the city where the time period for paid parking was extended. This was based on a decrease in parking revenues in the hours preceding the extended hours in those areas where hours were extended. This appears to be due to a shift in parking costs from the earlier hours to the extended hours, and may be explained by parkers who previously parked in the earlier hours in order to secure a parking spot overnight and who now park during the extended hours to guarantee a parking spot overnight. We excluded the River North area from these calculations because the changes in parking behavior would have occurred over a larger period of time due to three hours of increased parking revenue, and the parking behavior is more varied due to the high volume of commercial activity in River North as compared to other areas where hours were extended (essentially neighborhoods outside the Central Business District). We also limited our calculations to the 5 p.m. to 7 p.m. period due to the uncertainty about how much earlier in the evening this shift may have begun to occur, or what portion of the total costs avoided in earlier hours are connected to later parking costs.

If these additional effects are included, the savings to parkers from free Sundays increase by \$700,000 to \$9.4 million and the cost of extending hours from 9:00 p.m. to 10:00 p.m. is offset by \$800,000, from \$5.4 million to \$4.6 million. As a result, the total benefit to parkers from the trade of extended hours for free Sundays increases by \$1.5 million from \$2.1 million to \$3.6 million.

It is important to note that, at this point, these two additional effects are based on only six months of data. Additional data may demonstrate that these effects are due to other causes or of lesser or short-term effect. Accordingly, to reach a definitive conclusion as to the existence and extent of these effects, actual data for future periods should be analyzed.

### **Assumptions**

- We are assuming that the terminal receipts data provided by the City for this analysis are a complete representation of revenue. We have not validated the total amount of revenue for the transactional data sets that were provided to us. However, we have compared the total revenue in the terminal receipts data to total revenue in the data sets for 2012 and found their values are reasonably similar.
- In preparing our analysis of the Amendment, we included a savings for avoided costs to the City for street closures in determining the savings for free Sundays. In our current analysis, we assumed the same savings to the City for comparison purposes.
- We are assuming that the surface lots and the parking spots transferred from reserve to concession are consistent with the spaces identified and analyzed in June.
- We are assuming that the annual operating and maintenance costs for the Surface Lots have not changed significantly since June, 2013. Our preliminary analysis showed a small decrease in operating costs (approximately \$70,000) below the June 2013 estimates, but the data is preliminary and may change due to the increased costs of winter maintenance this year.

### **Conclusion**

Based on our review of the first two full quarters of actual parking meter revenue data since the Amendment became effective in June 2013, the financial effect of the Amendment for parkers and the City has been positive and greater than we estimated before the Amendment was approved. In particular, the trade of extended hours for free Sunday parking has resulted in net savings to parkers of at least \$2.1 million. When certain effects in parking behavior observed from the parking data (a reduction in paid Saturday parking due to free Sunday parking and a shift in parking during earlier periods to the extended hours) the net savings increase to \$3.6 million. Overall, the

Mr. Stephen R. Patton, Esquire  
City of Chicago  
March 4, 2014  
Page 8

Amendment resulted in a \$1.8 million net benefit to the City and parkers (\$3.3 million when the foregoing substitution and parking behavior shift effects are considered).

We appreciate the cooperation and courtesies provided to us by the City of Chicago during the course of our work.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David A. Moes", with a horizontal line extending to the right.

David A. Moes  
Managing Director