CITY OF CHICAGO RESPONSE TO ATA REPORT

Active Transportation Alliance (ATA), formerly the Chicagoland Bicycle Federation, released a report today concerning the lease of the City's parking meters. While the report does an admirable job of summarizing parking goals originated and championed by economists like Donald Shoup – many of which the city supports – it fails in its discussion of the meter concession. The report shows a fundamental lack of understanding of the basic terms of the concession agreement and their impact upon the City of Chicago.

Transaction Provides Optimal System Utilization
As ATA notes, the objective of market-based pricing is to bring pricing to a level that will provide optimal utilization of the system. The meter rate increase implemented in early 2009 were intended to do just that, specifically reducing cruising for underpriced parking and promoting turnover and availability. This makes locations served by meters more popular. Before that, meter rates had not been increased at nearly 75% of the parking meters in more than two decades.

Parking Meter Concession Will Help Maintain and Improve City Neighborhoods
The ATA argues that revenues generated from parking meters should be earmarked for "filling potholes, repairing sidewalks, planting trees, replacing streetlights, and funding more efficient transportation options." First – net revenue from the parking meter system historically did not fund these specific items, but rather was part of the general corporate fund revenue stream.

But the proceeds from this transaction – as well as other long-term leases – have very much allowed the City to continue to invest in neighborhood improvements and quality of life.

In fact, in 2005, after the City closed the Skyway transaction and set aside $500 million in a long-term reserve, the City earned rating upgrades from all three rating agencies.

A strong credit rating has an substantial impact on the City's cost to issue debt – higher credit ratings mean lower borrowing costs, which is critical to funding transportation infrastructure projects that improve Chicago's neighborhoods and transportation system

And it is misleading for the ATA to assert that drivers will not see benefits from the concession deal – the benefits of greater parking availability, less congestion, as well as the benefits that the city's corporate fund provides – including clean and safe streets and traffic control – are all being furthered by this transaction.

The City also must balance a need for a variety of other city services that are not only limited to transportation or sidewalk landscaping. That includes those basic city services – police, fire, emergency dispatch, and sanitation – that are paid for by the city's corporate fund and ensure all Chicago residents can live in safe, clean, and viable communities.

With the transaction proceeds, we are including funding for the city's corporate fund to continue providing those services, as well as programs that help Chicago residents most in need, including meals on wheels for seniors, after-school programs for children, and affordable housing programs.

It is the City's goal to include funding these needs both in the long and short term, and funds from the concession agreement will allow the City to accomplish this.

City Maintains Control Over Public Way

Further, the City of Chicago always retains control of its public way. The claim that the City has lost control of "one of their most powerful urban planning and revenue-generating tools" is absolutely incorrect.

Chicago has a 15 plus-year track record of improving the bike, pedestrian and transit environment (i.e. non-motorized) including one of the country's largest on-street bike networks and myriad safety education and outreach programs. Those programs are continuing across the City, and will continue for years to come, in part, because of the money received from the concession agreement.

To suggest that the parking meter concession "restrictions will severely limit innovative planning for bicyclists, pedestrians and transit users" is wholly wrong. To the contrary, the City continues to pursue a wide range of planning efforts and construction projects, part of an ongoing effort to offer attractive non-driving options.

Substantial Operating Efficiencies and Customer Service Improvement to Be Realized

The ATA is also critical of the concession, claiming that there are "no appreciable operating efficiencies to be gained." At the same time, the ATA also notes that the concessionaire "is required to pay for all capital improvements to the system, including the transition from typical meters to pay and display boxes that accept credit cards."

Pay and displays are costly. In the first year alone, the capital expenses for this technology will cost the concessionaire between $40 and $50 million to install 3,000 pay and display boxes, while the City only installed 190 over the last five years. $40 million to $50 million is more than two times the meter revenue in 2008, and it is an expense the concessionaire will own several times over during the life of the agreement.

This is the very technology necessary to measure utilization and accomplish the ATA's goals of congestion and peak period pricing, as well as its goal of un-cluttering city streets and sidewalks.

The City Sheds Risk of Reduced Auto Parking

The ATA's report also neglects the notion of risk. The ATA would like to see a reduction in vehicle use and an increase in walking, biking, and public transportation. Increased use of other modes of transit – which ATA supports – will surely negatively impact meter utilization. And that is a significant risk to revenue that the City no longer owns.

In fact, over the 75-year period of the concession there are a number of significant risks that the City no longer bares, including those utilization risks associated with changes in population, economic activity, and technology. For instance, there were no combustible engines 75 years ago, and 50 years ago there were no parking meters. To assume there are no technological advances that will change the use of on-street parking meters would be naïve.

City Uses Proceeds for the Long-term and Today
The $1.156 billion received by the City is not an "upfront payment that solves short term financial problems without considering the long term implications." A significant portion of the payment the City received is being invested for future use. In fact, the City invested more than $400 million in a long-term reserve that will replace the net revenue provided by the meter system and increase the City's long-term reserves to $900 million.

The City also invested $325 million in a mid-term budget relief fund that will help us balance budgets through 2012, and $320 million in a budget stabilization fund that may be used to help bridge the period until the nation's economy recovers, allowing the City to continue vital services and avoid steep tax increases. Finally, the City is investing $100 million in human infrastructure programs like the low income housing trust fund, and ex-offender and other job and social programs. Finally, $150 million was used to help balance the 2008 and 2009 budgets, avoiding major layoffs or tax increases.

City Maintains Control Over Parking Rates and Meter Placement
And finally, the ATA's claim that the City has lost control over the parking meters specifically is purely fiction. The setting of meter rates is a reserve power of the City. It cannot be assigned to the concessionaire. Changes to the rate structure and hours of operation can be implemented, but the City must be cognizant of the implications those changes may have on revenues. The City has historically always owned the risk of a revenue impact when changes to the meter system are made. It continues to own the risk today.

There are opportunities, however, to reduce the economic risk. The City can increase rates, hours of operation, or even the number of meters to mitigate the impact. A cost benefit analysis is always necessary to determine if changes to on-street parking are advisable. These benefits are not always economic, but could have to do with promoting the free flow of traffic or providing deterrence to parking in heavily congested area.

In conclusion, the "Implications" detailed in the report are all erroneous. Those mistakes are detailed below:

1. "*The overarching impact is that the City has essentially given up control over pricing of the meters and placement of the meters."*

   FALSE. As noted above, the City has retained full control over the public way and the parking meter system, including pricing and placement of meters, and the ability to implement market-rate parking policies.

2. "*This agreement makes it impossible for the City to test any new hourly meter rates for price elasticity of demand..."*

   FALSE. The City has retained full control over rate setting. Further, the transaction has actually enabled the City to test new hourly meter rates because the new meter technology provides real time utilization information. The old meters made it impossible to accurately measure price elasticity.

3. "*The cost for temporary removal of a parking meter is based on 'the maximum utilization or a comparable meter…'"*

FALSE. When a meter is temporarily removed, the City only pays the amount of lost revenue as measured by actual revenue in the previous year for the period of time during which the meter is out of service. It is not based on the revenue generated by the highest producing meter.

4. "*So while the city technically retains control over these spaces, any move to remove or adjust parking will financially penalize the City."*

   FALSE. As stated above, the financial impact of changes now are largely the same as those prior to the concession. Before the City entered into the transaction, if it removed meters, it lost revenue.

5. "This *means that every potential project on a street with meter, including…. …are dictated, controlled and limited by parking meters."*

   FALSE. The degree to which meters impact projects has not changed. The financial impact on City revenues from potential projects has not changed.

6. *"…the cost of removing parking or placing rush hour parking controls over the length of a potential route such as Western Avenue would be staggering.*"

   FALSE. Again, the cost of any such controls is no different under the transaction. The costs, if staggering, would have been equally as staggering prior to the transaction.

7. "*The prices increase, but drivers will not see the benefits in increases sidewalk cleaning, pothole mending, or tree planting.*"

   FALSE. Prior to the transaction, all net meter revenue went to the general fund, not the specific areas that contained parking meters. Further, the transaction has ensured that the City has the funds necessary to continue providing vital municipal services, which it would have to have reduced otherwise.

###