

Evaluation of the Chester, Pennsylvania Parking Contracts



WALKER
CONSULTANTS

December 28th, 2021

EVALUATION OUTLINE

- Scope of Work and Process
- Background on City of Chester Parking Contracts
- Typical Processes for Public-Sector Procurement of Parking Equipment and Parking Asset Monetization Transactions
- Evaluation of the Chester Parking Contracts Using Industry Best Practices

SCOPE OF WORK AND PROCESS

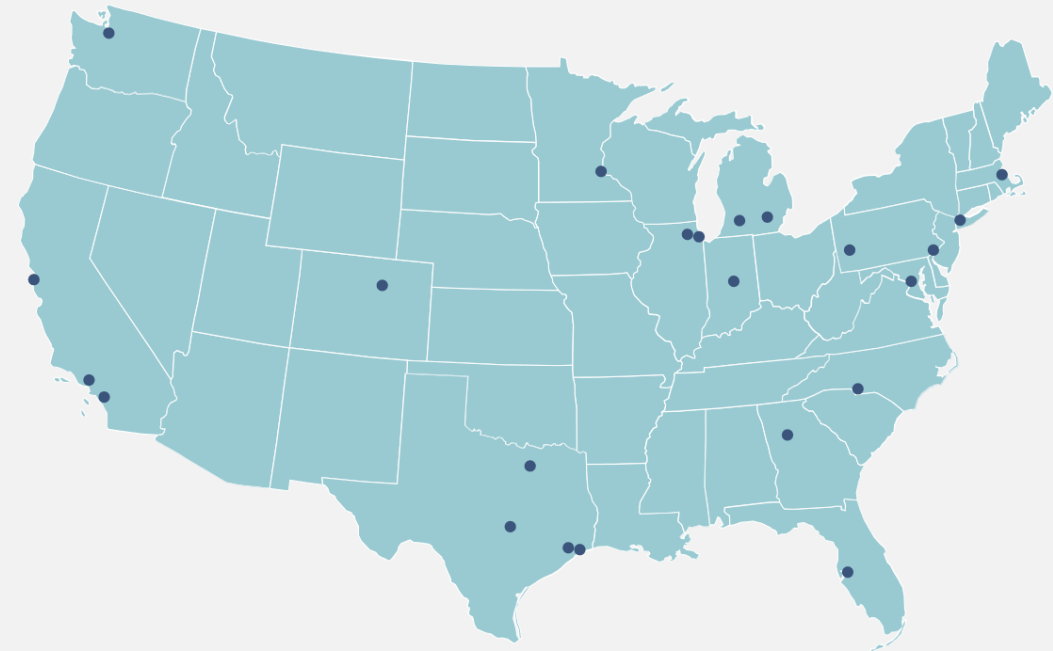
WALKER'S SCOPE OF WORK

- Conduct a limited review of the City of Chester's contracts with PFS VII LLC, focusing on how terms within the agreement align with parking industry best practices.
- To the extent possible, evaluate clauses in the agreement as to whether they are in-line with parking industry best practices and comment on what is typical in similar municipal/public-sector parking systems.
- Compare and contrast the revenue sharing arrangement within the City of Chester's contracts with other parking monetization transactions involving publicly-owned parking assets.
- Describe the typical steps involved in the procurement of new parking meter equipment by a municipality/public-sector owner.

ABOUT WALKER CONSULTANTS

Walker Consultants provides planning, design, engineering, forensics, restoration, and consulting for the built environment, with a focus on parking and mobility. Our experts have been advancing industry standards since we began in 1965.

From our network of 24 office locations, our team of professionals brings experience working in all 50 states and 50 foreign countries. That team includes former municipal and private parking operators, urban planners, engineers, technology specialists, and architects, among others.



ABOUT ERIC HAGGETT

Eric Haggett is a financial specialist with Walker Consultants who provides parking system financial, operations, planning, and management consulting services to both public and private clients.



Over the past 14 years, Mr. Haggett has been actively involved in nearly every public parking system monetization transaction in the U.S. In addition, Mr. Haggett has helped develop downtown parking plans, evaluated public and private parking operations, consulted on parking technology procurements, and evaluated municipal parking policy and zoning regulations, among other projects.

Mr. Haggett is also an active member of the International Parking and Mobility Institute, serving on its Mobility Task Force, and is also a certified Parksmart Advisor and LEED Green Associate.

OVERVIEW OF WALKER'S PROCESS

- Reviewed the Master Asset Management Agreement, Amended and Restated Assignment, Funding and Management Agreement, and Amended and Restated Master Asset Management Agreement.
- Reviewed the exhibits to the various agreements including the Parking Solution Proposal, Servicer Agreement between GATSO and PFS VII LLC, Default Premium Schedule, Buyout Schedule, Assigned Parking Assets, among others.
- Identified key clauses within the agreements and other documents related to the operations of the Assigned Parking Assets.
- Reviewed parking management agreements from other municipalities, as well as public universities.
- Reviewed agreements from parking asset monetization transactions involving municipalities and public universities.
- Reviewed other public-sector equipment procurement contracts.
- Compared the City of Chester's parking agreement with those executed by other public-sector entities.
- Identified areas in which the City's parking agreement deviates from parking industry best practices.

BACKGROUND ON CITY OF CHESTER PARKING CONTRACTS

BACKGROUND ON THE CITY OF CHESTER PARKING CONTRACTS

From the April 2021 Amended Receiver's Recovery Plan and the contract documents:

- On April 25, 2018, the City and PFS VII LLC (the Manager) entered into two 10-year contracts by which the Manager agreed to finance, construct, and install equipment and improvements to manage City parking assets; the agreements (Amended and Restated Master Asset Management Agreement ["Master Agreement"] and the Amended and Restated Assignment, Funding and Management Agreement ["Funding Agreement"]) were both amended on September 5, 2018.
- In addition to an ongoing share of the profits, the City would also receive an advance payment of \$1 million once certain thresholds were met, related to the installation of on-street parking meters. The advance payment was to be "reimbursable...out of Collections on the Assigned Parking Assets" otherwise due to the City, per Section 4 of the Master Agreement.
- The Manager would be responsible to finance, install, operate, maintain, and enforce parking regulations at 1,500 on-street metered and surface lot parking spaces throughout downtown and around Widener University, including at least 5 parking lots.
- After the Manager's expenses were paid, the remaining annual revenues would be split between the Manager and the City based on a pre-determined schedule.

BACKGROUND ON THE CITY OF CHESTER PARKING CONTRACTS (CONTINUED)

- At the end of the 10-year term, the City would own the improvements to the surface parking lots, the parking meter technology, and other equipment assets.
- The contracts stipulate significant payments from the City to the Manager in the event of default by the City or if the City wishes to terminate the contracts for any reason.

Exhibits from the Master Agreement

EXHIBIT E

DEFAULT PREMIUM SCHEDULE

The Default Premium shall be calculated in accordance with the following schedule:

- (i) Years 1 through 5-- Twelve Million One-Hundred and Twenty Thousand Dollars (\$12,120,000.00)
- (ii) Years 6 through 8 – Eight Million and Eighty Thousand Dollars (\$8,080,000.00)
- (iii) Years 9 and 10 – Five Million and Fifty Thousand Dollars (\$5,050,000.00)

EXHIBIT F

BUYOUT SCHEDULE

The Buyout shall be calculated in accordance with the following schedule:

- (i) Years 1 through 5 - Twelve Million Dollars (\$12,000,000.00)
- (ii) Years 6 through 8 – Eight Million Dollars (\$8,000,000.00)
- (iii) Years 9 and 10 – Five Million Dollars (\$5,000,000.00)

TYPICAL PROCESSES FOR PUBLIC-SECTOR PROCUREMENT OF PARKING EQUIPMENT AND PARKING ASSET MONETIZATION TRANSACTIONS

TYPICAL PROCESS FOR PUBLIC-SECTOR PROCUREMENT OF PARKING EQUIPMENT

- I. Define the characteristics of the parking facility, facilities, or system for which equipment is being procured.
 - This includes the number of spaces being controlled, entrance and exit points, payment methods to be accepted, hour of operation, operating methodology, users served, etc.
- II. Develop performance specifications for the parking equipment and associated software, including minimum standards for ongoing service and response times for maintenance requests.
- III. Issue a Request for Proposals to solicit bids from qualified equipment vendors, based on the performance specifications, following the city's/institution's defined procurement process.
- IV. Interview potential equipment providers and participate in demonstrations of each vendor's proposed solutions.
- V. Select preferred vendor and negotiate final terms of the procurement including cost and installation schedule.
- VI. Post installation, participate in testing and quality control checks of the equipment to ensure that it operates as intended.
- VII. Work with vendor to ensure smooth integration with existing hardware and software and to resolve any issues that may arise.

TYPICAL CHARACTERISTICS OF PUBLIC-SECTOR PARKING ASSET MONETIZATION TRANSACTIONS

- Internal financial analyses are conducted by the city to determine a potential value for the transaction, most often involving a financial advisor and/or specialty consultant with experience in these transactions.
 - Sets realistic goals for expected financial performance and minimum upfront and/or ongoing payments.
- Transactions/procurement of services conducted on a competitive basis.
 - Typically, a multi-step process involving solicitation of qualifications, followed by identification of potential bidders, lengthy due diligence process by qualified and interested bidders, submission of non-binding offers by bidders, team interviews, selection of preferred partner, negotiation of final transaction terms, agreement on financial price, financial closing, and orderly transition of operations.
- Minimum financial and operational qualifications must be met including experience with parking systems of similar size, complexity, etc.
- City has input into minimum requirements/qualifications for the selected parking operator.

TYPICAL CHARACTERISTICS OF PUBLIC-SECTOR PARKING ASSET MONETIZATION TRANSACTIONS

(CONTINUED)

- City has input regarding the specifics of the operation including minimum requirements for hiring, standard operating procedures, hours of operation, physical condition of facilities, reporting requirements, etc.
- Major stakeholders in the transaction are involved from early on, especially concerning major changes to operations, rates, etc.
- Agreements include language allowing the city to remove the operator or request the operator be removed if minimum performance standards are not met.
- Assets included in the transaction are clearly defined before closing.
 - This includes legal descriptions of off-street parking facilities/land used for parking, detailed inventories of existing equipment and software, etc. to be included in agreements.
- A method/procedure is established for determining the value of spaces removed from service – this is not left open for negotiation as these situations arise.
- The agreements provide as much certainty regarding policies, procedures, etc. as possible, to avoid future ambiguity.

TYPICAL CHARACTERISTICS OF PUBLIC-SECTOR PARKING ASSET MONETIZATION TRANSACTIONS

(CONTINUED)

- Agreements include a method for calculating default and buyout payment amounts based on the projected financial impact on the private partner and city at the time.
- Intended use(s) of upfront and/or ongoing funds are clearly defined and often matched with the duration of the transaction – the aim is to avoid spending the proceeds from a long-term transaction only on short-term needs.

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST-PRACTICES

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES

Based on Walker's review of the documents, comparison of the contracts with other parking management agreements and parking asset concession agreements, and our industry experience, we identified the following issues with the City of Chester contracts:

1. The contracts include no representation of the cost of the meters and technology systems.
 - This is basic information that is typically included in similar contracts.
 - Approximate costs of some of the technologies proposed by the Manager are as follows:
 - Single-Space Meter: \$250-\$500/space
 - Single-Space Meter Pole and Installation: \$200/space
 - Automated License Plate Recognition (ALPR) Enforcement System: \$40,000 (excluding vehicle)
 - Handheld Enforcement Unit: \$5,000 per unit

2. The cost for the City to buyout the contracts does not correspond with the upfront investment made by the Manager.
 - Breaking a contract for equipment, enforcement hardware, etc. typically requires the city to compensate the vendor for the outstanding cost of the system(s) that have not already been paid (or the unamortized cost) or returning the equipment and paying reasonable costs associated with refurbishing the equipment for resale.
 - The typical useful life for parking meter equipment and enforcement technology is less than 10 years, with advances in technology shortening that timeline.
 - As the equipment approaches obsolescence, its value diminishes dramatically.
 - Based on the number of spaces included in the Chester contracts, as well as industry standard costs for parking meter and enforcement hardware and software, the buyout amounts included in Exhibit “F” seem excessive.

Exhibit “F” from the Master Agreement

EXHIBIT F	
BUYOUT SCHEDULE	
The Buyout shall be calculated in accordance with the following schedule:	
(i)	Years 1 through 5 - Twelve Million Dollars (\$12,000,000.00)
(ii)	Years 6 through 8 – Eight Million Dollars (\$8,000,000.00)
(iii)	Years 9 and 10 – Five Million Dollars (\$5,000,000.00)

3. The contracts provide very little definition as to what the Manager's costs are and how Project Revenue is reduced before distributing the City's share.
 - Certain costs are only defined as a percentage of Collections, with no caps or limits, including the Servicer Fee and fees payable to Transportation Services Consultants LLC, which is an entity affiliated with the Manager.
 - Maintenance expenses required to be paid by the Manager are also deducted but are not estimated or defined in the contracts.
 - Collections are also reduced by "...principal and interest on the indebtedness..." which includes "...return of capital contributions..." to members of the Manager.
 - No detail is provided related to these principal and interest payments and there are no defined caps or limits.
 - Both parking management contracts and parking asset concession contracts define these costs or, at a minimum, impose caps or limits on such costs.

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

Excerpt from the Funding Agreement

created under the project financing agreement or under the assignment agreement. (vi) maintenance expenses required to be paid by the Manager under this Agreement. For all purposes herein and in the Assignment Agreement, references to “principal and interest on the indebtedness to finance the acquisition, construction and installation of all improvements and equipment necessary to manage the Assigned Parking” and similar phrases shall be broadly construed to include distributions by the Manager to one or more members of the Manager reflecting the return of capital contributions made by such member together with payments reflecting a rate of return as provided for in the Manager’s operating agreement.

Typical operating
cost detail

Form A - Year One Operating Expenses (proposed)				
Salaries and Wages	Operator 1	Operator 2	Operator 3	Operator 4
Staffing (Form C)	88,534	160,192	93,543	117,302
Hourly Rate	\$ 22.70	\$ 20.00	\$ 22.77	\$ 20.51
Sub- Total - Staffing Form C	88,534	160,192	93,543	117,302
Sub-Total - Salaries and Wages	\$ 88,534	\$ 160,192	\$ 93,543	\$ 117,302
Total - Annual Hours	3,900	8,008	4,108	5,720
Payroll Tax & Fringe Benefits				
Vacation & Sick Pay	7,876	17,738	6,689	3,009
Payroll Taxes	13,039	27,632	14,079	12,581
Health/Welfare/Benefits	34,467	68,325	42,635	59,591
Workers' Compensation	5,397	10,081	4,109	4,640
Sub-Total - Payroll Tax & Fringe Benefits	\$ 60,779	\$ 123,776	\$ 67,512	\$ 79,821
Total - Salaries, Tax, Fringe & Worker's Compensation	\$ 149,313	\$ 283,968	\$ 161,055	\$ 197,123
Other Expenses				
Uniforms & Laundry	\$ -	\$ 1,150	\$ 833	\$ 250
Garage Supplies	450	660		1,800
Office Supplies	450	1,140	1,320	900
Printing & Tickets	900	900	2,385	1,350
Routine Repairs & Maintenance	5,000	5,000	5,000	5,000
Signs	-	-	1,300	900
Liability Insurance	7,140	2,200	9,439	7,200
GKLL Insurance Coverage	-	3,500	-	482
Telephone	3,000	1,500	4,500	1,200
Computer	-	3,000	-	1,020
License & Fees	1,980	1,700	1,683	13,860
Marketing		2,400		600
On-Line Sales Fees	56,000	56,000	56,000	56,000
Data Processing Fees	4,025	3,849	1,911	880
Bank Charges	21,628	1,500	1,500	300
Auto Damages	-	4,500	2,500	1,500
Remote Monitoring Services	6,000	6,552	9,125	5,580
Network Security Fees	1,680	2,400	-	696
Sub- Total - Other Expenses	\$ 108,253	\$ 97,951	\$ 97,496	\$ 99,518
Management Fee	9,056	18,000		13,800
Total Operating Expense Budget	\$ 266,622	\$ 399,919	\$ 258,551	\$ 310,441

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

4. Ten percent (10%) of Collections, after subtracting the Servicer Fee, are payable to Transportation Services Consultants LLC, but there is no definition of the services being provided by this entity in the contracts.
 - Parking management contracts typically include a defined set of services being provided by all parties to the contract.
 - Parking asset concession contracts can include miscellaneous fees for oversight or asset management, but these fees are clearly defined or capped and are not typically based on a percentage of revenues, especially in parking concessions where there is an ongoing revenue sharing arrangement.

Excerpt from the Master Agreement.

Manager by the City or any other entity...
(iv) the oversight fee payable to Transportation Services Consultants LLC under its Consultant Agreement (equal to 10% multiplied by (Collections minus the Servicer Fee)), (v) payments
...fund...capital contribution management reserve fund

5. The agreement does not include maps of meter locations, legal descriptions of the surface parking lots, or even basic descriptions of the number of spaces on each street or within each facility.
 - This information is typically included in parking management agreements and parking asset concession agreements to clearly define the facilities for which the operator is responsible.
 - The Chester agreement indicates that location descriptions and a map “...will be generated after installation...” of the parking meter equipment.

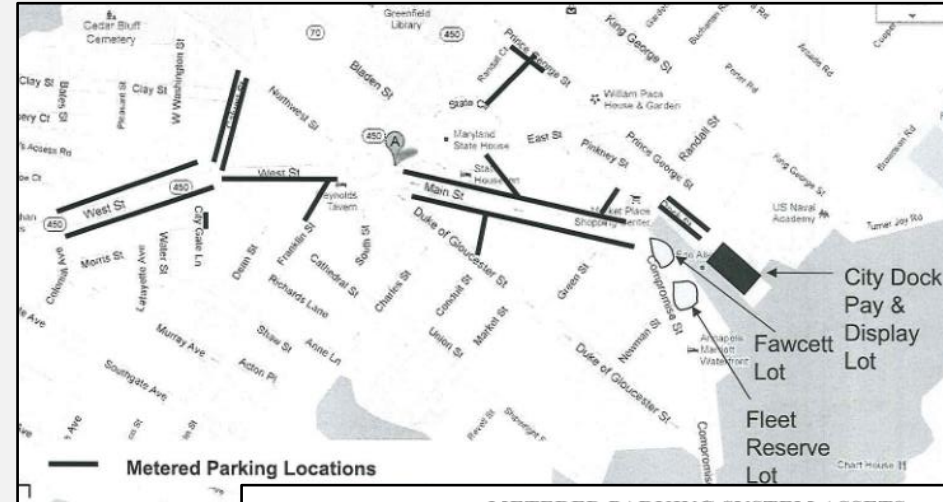
EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

Samples of parking asset location information from a typical municipal parking management contract.

Metered Spaces: The City has three hundred eighty-four (384) individual Meters with corresponding Metered Spaces throughout the City's historic district at the following locations (also see the map provided in the Bid):

- Market Street
- Main Street
- South Street parking lot
- West Street
- Calvert Street
- Maryland Avenue
- Prince George Street
- Francis Street
- Donner parking lot
- Newman Street parking lot
- Dock Street

The City also has five (5) "Pay and Display" multi-space Meters covering an additional one hundred fifty (150) Metered Spaces with two (2) such Meters at the City's Gotts Garage Lot and the other three (3) at the City Dock.



Enforcement

				Mon - Sat	Sun
Main Street (Sth of Conduit St)	40	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Main Street (Nth of Conduit St)	49	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Francis Street	11	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Cornhill Street	2	\$1.00/hr	30-min	10AM - 7:30PM	Noon - 7:30PM
Maryland Avenue	27	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Prince George Street	7	\$1.00/hr	2-hour	10AM - 7:30PM	Noon - 7:30PM
Calvert Street	25	\$1.00/hr	2-hour	10AM - 7:30PM	Noon - 7:30PM
West Street	29	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Market Space	39	\$1.00/hr	30 2-Hour (9 30-min)	10AM - 7:30PM	Noon - 7:30PM
City Dock	66	\$1.00/hr	59 2-Hour (5 30min, 2 15min)	10AM - 7:30PM	Noon - 7:30PM
Fawcett Lot	23	\$1.00/hr	2-Hour	10AM - 7:30PM	Noon - 7:30PM
Fleet Reserve Lot	28	\$1.00/hr	10-hour	10AM - 7:30PM	Noon - 7:30PM
Franklin Street	6	\$1.00/hr	2-hour	10AM - 7:30PM	Noon - 7:30PM
Larkin Lot	8	\$1.00/hr	2-hour	10AM - 7:30PM	Noon - 7:30PM
Conduit Street	8	\$1.00/hr	2-hour	10AM - 7:30PM	Noon - 7:30PM

METERED PARKING SYSTEM ASSETS

1. All meter related equipment located at 1761 South West Street, Indianapolis, Indiana.
2. All parking meters located in the following locations:
 - Delaware Street, on the west side, from a point one hundred forty-two (142) feet north of Market Street, to a point two hundred twenty-one (221) feet north of Market Street;
 - Market Street, on the south side, from a point sixty-seven (67) feet east of Capitol Avenue, to a point one hundred fifty-four (154) feet east of Capitol Avenue.
 - Market Street, on the north side, from Delaware Street to Alabama Street;
 - Alabama Street, on the west side, from Ohio Street to a point one hundred sixty-nine (169) feet south of Ohio Street;
 - Blackford Street, on the east side, from a point six hundred seventy-one (671) feet south of New York Street, to a point four hundred ninety-five (495) feet south of New York Street;
 - East Street, on the east side, from a point thirty-five (35) feet north of Georgia Street, to a point 295 feet north of Georgia Street;

6. The contracts do not allow for review and approval of the Manager's annual budget by the City, nor procedures to evaluate and remedy deviations from budget.
 - These are standard in parking management contracts.

4. BUDGET; OPERATING EXPENSES.

(a) Expressly and strictly subject to the City Council's approval and appropriation of sufficient funds, the Operator shall prepare and deliver to the City by January 1st of each Contract Year a proposed budget for that Contract Year reflecting the Gross Receipts and Operating Expenses, both as defined herein, that the Operator expects to receive and incur, respectively, during that forthcoming Contract Year (each a "**Budget**" and collectively, the "**Budgets**"). If a proposed budget for any Contract Year is not approved and appropriated by the City Council by close of business on June 30th of the prior Contract Year, the Operator shall continue to provide the Services pursuant to the last City-approved Budget, and the City shall use reasonable efforts to get such proposed budget properly approved and appropriated in a timely manner.

Excerpt from a typical municipal parking management contract related to the budgeting process and the city's role in the process.

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

7. The Chester contracts do not include any projections of financial performance provided by the Manager.

- Financial projections or expectations are standard in parking management contracts.
- Parking asset monetization transactions also involve sharing financial projections between the parties.

	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
Operating Revenue					
Parking Meter Revenue	\$ 3,701,280	\$ 6,090,021	\$ 6,637,885	\$ 6,812,323	\$ 6,861,096
Residential Permit Parking	\$ 80,147	\$ 80,147	\$ 120,220	\$ 120,220	\$ 120,220
Meter Bagging	\$ 561,019	\$ 845,056	\$ 929,562	\$ 950,688	\$ 950,688
Boot Removal Fees	\$ 71,802	\$ 109,031	\$ 109,915	\$ 110,806	\$ 111,704
Meter Maintenance Cards	\$ 3,718	\$ 5,600	\$ 6,160	\$ 6,300	\$ 6,300
Other Revenue	\$ 132,773	\$ 199,995	\$ 199,995	\$ 199,995	\$ 199,995
Citation Revenue	\$ 1,854,834	\$ 2,793,913	\$ 2,793,913	\$ 2,793,913	\$ 2,793,913
Enhancement - Elimination of Payment Discount	\$ 578,903	\$ 871,995	\$ 871,995	\$ 871,995	\$ 871,995
Enhancement - POM Meter Replacement	\$ 122,541	\$ 123,535	\$ 129,853	\$ 132,246	\$ 133,318
Total Operating Revenues	\$ 7,107,018	\$ 11,119,292	\$ 11,799,497	\$ 11,998,486	\$ 12,049,229
Operating Expenses					
Administrative Expenses	\$ 1,131,607	\$ 1,159,897	\$ 1,188,894	\$ 1,218,616	\$ 1,249,082
Contractual Services - Meters	\$ 38,167	\$ 58,928	\$ 60,401	\$ 61,911	\$ 63,459
Clerical	\$ 13,992	\$ 14,341	\$ 14,700	\$ 15,067	\$ 15,444
Office Supplies	\$ 3,655	\$ 3,747	\$ 3,840	\$ 3,936	\$ 4,035
Utilities	\$ 5,066	\$ 7,822	\$ 8,018	\$ 8,218	\$ 8,424
Uniforms	\$ 18,644	\$ 28,785	\$ 29,505	\$ 30,243	\$ 30,999
General Operations	\$ 85,842	\$ 132,536	\$ 135,849	\$ 139,246	\$ 142,727
Equipment	\$ 78,345	\$ 120,960	\$ 123,984	\$ 127,083	\$ 130,260
Repairs and Maintenance	\$ 23,739	\$ 36,651	\$ 37,567	\$ 38,507	\$ 39,469
Coin Collecting Expenses	\$ 25,513	\$ 39,391	\$ 40,375	\$ 41,385	\$ 42,419
Residential Permit Parking	\$ 41,981	\$ 43,030	\$ 44,106	\$ 45,209	\$ 46,339
Booting	\$ 6,392	\$ 9,869	\$ 10,115	\$ 10,368	\$ 10,628
Enforcement Services	\$ 1,110,235	\$ 1,714,141	\$ 1,756,994	\$ 1,800,919	\$ 1,845,942
Credit Card Fees	\$ 397,993	\$ 622,680	\$ 660,772	\$ 671,915	\$ 674,757
Management Fee - Base	\$ 78,436	\$ 121,100	\$ 124,128	\$ 127,231	\$ 130,412
Management Fee - Bonus	\$ 11,231	\$ 17,571	\$ 18,646	\$ 18,960	\$ 19,041
Parking Meter Recurring Software/Data Costs	\$ 407,970	\$ 629,883	\$ 645,630	\$ 661,771	\$ 678,315
Total Operating Expenses	\$ 3,478,806	\$ 4,761,332	\$ 4,903,525	\$ 5,020,586	\$ 5,131,750
Total Annual Capital Expenses	\$ 256,165	\$ 404,474	\$ 404,474	\$ 404,474	\$ 404,474
NET INCOME	\$ 3,372,047	\$ 5,953,486	\$ 6,491,498	\$ 6,573,426	\$ 6,513,005

8. Specific operating standards are not detailed within the contracts.
 - These standards are typically included in both parking management contracts and parking asset concession contracts.

Excerpts from a typical municipal parking concession agreement related to operations

SCHEDULE 2

OPERATING STANDARDS

The Metered Parking System shall, at a minimum, be operated and maintained in compliance with the standards and guidelines set forth within this Schedule 2 and in accordance with the City of Indianapolis Parking Meter Concession Agreement (the "Concession Agreement"). Defined terms not otherwise defined herein shall have the same meaning as in the Concession Agreement.

ARTICLE XII CUSTOMER SERVICE

Section 12.1. The Operations Plan shall establish guidelines for creating and maintaining a staff that is well versed in customer service and utilizes a uniform, efficient system that documents customer service concerns, has criteria that address customer inquiries, response methods, and response times and provides a recoverable record of the incidents and corrective action taken.

ARTICLE II OPERATIONS PLAN

The Concessionaire shall develop and submit an Operations Plan (the "Operations Plan") to the City for approval within One Hundred Eighty (180) Days of the Closing Date. The Operations Plan shall be developed to ensure the Concessionaire has considered, trained, addressed, and planned for all operational activities, including, at a minimum, parking and meter operations, customer service, emergencies, safety, equipment, and parking enforcement. The Operations Plan must include established policies, procedures, guidelines and minimum requirements to operate and maintain the Metered Parking System in accordance with the written plan approved by the City. The Concessionaire shall update the Operations Plan annually and shall provide the plan for City approval no later than November 15th of each calendar year during the Term of the Concession Agreement.

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

9. There is no mention of the City having the ability to replace GATSO as the Servicer in the case of non-performance.
 - This owner's right is nearly universal in both parking management contracts and parking asset concessions.
10. The Servicer can assign its contract with the approval of the Manager, but the City's approval is not required.
 - Owner approval is nearly always required to change parking operators.

Excerpts from the City of Chester contracts.

27. Assignment. The rights and obligations of SENSYS GATSO under this Agreement may not be assigned, delegated or otherwise transferred to any other Person, whether by operation of law or otherwise, without the prior written consent of PFS, which may not be unreasonably withheld as long as such Person confirms in writing that it will assume all of SENSYS GATSO's obligations under this Agreement and PFS is satisfied that such Person shall provide the Services in the same manner and with the same level of quality as SENSYS GATSO.

"Servicer" shall mean the Master Servicer engaged by Manager and any sub servicers used to manage the assigned assets. Manager has the sole authority to engage and dismiss any servicer or sub servicer.

EVALUATION OF THE CHESTER PARKING CONTRACTS USING INDUSTRY BEST PRACTICES (CONTINUED)

- 11. The contracts do not include defined minimum standards for the Manager related to maintenance of parking facility paving, striping, lighting, fencing, snow removal, etc.
 - Detailed maintenance standards are often included in parking management contracts and are typically included in parking asset concession contracts.

Excerpts related to maintenance from a typical public entity parking concession agreement.

(e) General Custodial Maintenance

- i) Custodial maintenance services must be performed by the Concessionaire and consist of the daily removal of all trash, litter, dust, leaves, dirt, mud, grease, oil, effluence and any and all other types of unclean or hazardous elements or materials from the Parking Facilities and maintaining such areas to a clean, sanitary condition that will meet or exceed all industry standards in appearance and procedures. Gum and graffiti must be removed as quickly as is reasonably possible; the University maintains the right to immediately remove or cover any graffiti that is deemed to be offensive or racial in nature. Maintenance also includes the daily mopping and sanitizing of all sickness, spills, etc., and emptying of trash receptacles.

ns as they develop and
ame to any snow fall
aire shall participate in

University snow mitigation planning and day-of decision making process. If more than 2" of snow falls in any given Day, Concessionaire staff is responsible for the expeditious clearing of snow and ice from all areas of the Parking Facilities, including all entrances, driveways, curbs, curb cuts, steps, ramps, walkways, and on top of and around revenue control equipment areas, otherwise the University shall be responsible therefor. The Concessionaire shall be permitted to deposit snow and ice in areas of the Parking Facilities provided that sufficient Parking Spaces are

26) Maintenance of Paved Surfaces

The Concessionaire is responsible for routine and preventative maintenance and rehabilitation of the asphalt surfaces of the Parking Lots. These include but are not limited to the following maintenance activities:

(a) Asphalt Patching/Repair

- i) Potholes present a tripping hazard and shall be repaired as soon as possible, but not more than 24-hours after they are discovered (weather permitting). Temporary repairs may be used with permanent repairs to be provided within 30 days. All temporary pothole repairs must be monitored and failed areas retreated until the permanent work can be completed. Additionally, potholes indicate the presence of unsealed cracks. The Concessionaire shall be proactive in sealing additional cracks.

(b) Crack Repair/Sealing

- i) Cracks are the primary mode of pavement deterioration, including those in foundation walls, and sealing them is the first step to improving the state of repair of the pavement and extending its life. The Concessionaire shall employ adequate crack identification and repair procedures.
- ii) Effectively sealing cracks may prevent additional damages due to compressive overstress and can significantly extend the life of the pavements and is mandated throughout the duration of the Term.
- iii) Cracks should be cleaned and sealed as soon as possible, with a permanent repair provided within 90 days.
- iv) Adequate pavement maintenance shall be implemented to help prevent minimal hairline cracks from becoming problematic block or alligator cracking.

12. There is clear definition of the consequences of a City default, including the penalties for default, but no clear definition of the consequences for a default by the Manager.
 - Both parking management contracts and parking asset concession contracts typically define the responsibilities of all parties with an equivalent level of detail.
13. There is no requirement for the Servicer or Manager to have a physical office in the city with any specified number of employees – the contracts only require that there are an appropriate number of employees to do the required work.
 - Parking management contracts typically define both the location and staffing requirements for the on-site office of the parking operator.
14. The contracts do not define a method or procedure for determining the value of spaces removed from service, but only state that the “...value shall be mutually negotiated between the Parties in good faith...”.
 - Parking asset monetization transactions clearly define this procedure or calculation, so that all parties involved understand the implications of removing parking facilities or spaces from service.

15. The default payment is due from the City within 30-days after default on the part of the City.
 - This is an unusually short period of time compared to the typical parking management or parking asset concession contract.
16. Generally, the contracts are very one-sided in favor of the Manager, when compared with industry standards.

CONCLUSION

The contracts are very one-sided in favor of the Manager, when compared with parking industry standards.

As set forth above and based on Walker's reading of the contracts:

- The contracts contain significant ambiguity in terms of each party's responsibilities;
- The buyout and default payments appear excessive, and;
- The contracts are lacking significant detail from a parking operations perspective.