



A Regular Board Meeting of the Missoula Parking Commission was virtually held on **Tuesday, March 9, 2021**, at **12:00 p.m.** Those in attendance were Board members Joe Easton, Glenda Bradshaw, Pat Corrick, John Roemer, and JR Casillas. From the Missoula Parking Commission (MPC) were Tiffany Brander, Parking Services Director, and Jodi Pilgrim, Parking Services Manager. Also in attendance, Leigh Griffing, City of Missoula Finance, and Brenda Peyton from JCCS, Grace McKoy, and Jan Schweitzer from Anderson Zurmuehlen (A&Z).

1. **Call to order** – Joe Easton
2. **Introductions**
3. **Public Comments & Announcements** - None
4. **Adjustment(s) to the Agenda** - None
5. **Approval of Minutes**
 - a. Board Meeting held January 12, 2021. John Roemer motioned to approve the minutes. JR Casillas seconded the motion. The minutes from January 12, 2021, were unanimously approved.
6. **Communications and Presentations** – Grace McKoy and Jan Schweitzer Audit Review.

Grace started by sharing the Audit Presentation slideshow. Grace stated that, although COVID-19 had a significant impact in the second half of Fiscal Year 20 (FY20), at the end of the year MPC was in a strong financial position. The first item of note is an unmodified audit opinion on financial statements. The financial states are free from material misstatement due to fraud or error. Grace pointed out that there was a prior period restatement for \$31,661.00 which was primarily related to T2 Systems costs. The restatement moved those expenses into the correct year.

Current assets increased by \$44,000.00, capital assets decreased by \$563,000.00 due to the passage of time and the significant improvement assets over the last several years being depreciated, other assets decreased by \$158,000.00. Deferred outflows decreased by \$36,000.00 and deferred inflows increased by \$44,000.00. Outflows and inflows are related to other post-employment benefits (OPEB) liability and the pension liability, they are determined a year in arrears. Current liability decreased by \$94,000.00. This is primarily timing differences with when bills are getting paid. Grace noted that MPC took quick action to decrease expenses when the COVID-19 pandemic hit, which decreased expenses. Long-term liability decreased by \$741,000.00 specifically related to bond and lease payments being made timely. MPC had a net position increase of \$77,000.00, a result of revenues being more than expenses. Overall revenue decreased by \$3,400,000.00. In the prior year, there was a significant unusual transaction that accounts for about \$3,200,000.00 of that. This \$3.2 million was specifically related to the contribution to MRA related to ROAM parking facility. Operating revenues decreased by less than \$200,000.00. Expenses in total decreased by \$15,000.00 as part of a concentrated effort to control expenses during the pandemic.

Grace went on to review some of the financial highlights over the last 4 years. Overall, net position is moving in the direction we want to see – increasing each year. Current liabilities, assets, and deferred inflows, and outflows have remained stable, and long-term liabilities have decreased over the last four years. Both ticket revenue and parking revenue had been growing in 2017-2018, they are down this year.

Investment earnings were pretty consistent. For revenue, the significant capital contribution for the ROAM parking garage from 2019 stands out.

Looking at expenses by source – this year, personnel is down a bit, and the city contract is up just a bit. Depreciation is significant this year. Repair, maintenance, and supplies are down this year. In general, MPC expenses are pretty consistent.

MPC was in a strong cash position at end of the year with 196 days of cash on hand. This is from the commission's total expenses divided by 365 days to give an average daily cash expenditure. The Cash and cash equivalents are then divided by the average daily cash expenditure to give the number of days of cash on hand.

MPC's working capital ratio, the current assets divided by the current liabilities, is 2.35. Anything over 1 is a strong position. 2.35 is the highest the ratio has been in 4 years.

Grace asked for questions on the financial statements. There were none. Tiffany addressed the T2 warranties that Grace had mentioned. She stated that we have now officially hit the point where all of our warranties for all of our prior acquisitions should all lineup. This means that the restatement that happened in FY20 should not need to happen in FY21.

Jan Schweitzer presented on communications. A&Z is required to communicate items with those charged with governance, this committee. They do this through a letter provided at the end of the audit. This year, there were no new accounting standards. The letter also calls out significant estimates. An example of these for MPC is the inflows and outflows for OPEB and pension liabilities which are estimates based on significant actuarial estimates. The estimates are made a year in arrears. Depreciation expense is also a significant estimate based on the estimated useful life of each asset on the depreciation schedule.

There were no material adjustments, no disagreements with management, and no difficulties performing the audit.

Grace presented on upcoming standards. Grace first wanted to note that we had no internal control communications or matters. No news is good news in this specific instance. This year we did our audit 100% remote. This created additional work for MPC and the City and JCCS and everyone was timely in this complicated year.

The Statement on Auditing Standards (SASs) No. 134-140 were delayed. Now it will take effect for audits of financial statements for the period ending on or after December 15, 2021. This will change the report, most notably the layout. The opinion will now be the first thing on page one. The second change will be the Disclosure of Key Audit Matters (KAM) – matters that require some extra judgment and are subjective. These KAM would be determined by the board and A&Z could be engaged to report on them. There will also be some language changes to the responsibilities of management and the auditor. There will not be changes to the responsibilities and roles, but there will be some language changes.

Upcoming standard GASB 87 will affect leases. This will be important for Lessees and Lessors, MPC acts as both. Substantially, GASB 87 requires leases to be carried on the statement of net position, or the balance sheet. This will go into effect in FY22. It will require quite a bit of work for implementation, so A&Z encourages management to start looking at making some of those changes over the next 18 months. Essentially lease liabilities and lease assets will be reported on the balance sheet. A&Z will be working closely with the City and MPC to make sure this significant change gets reported appropriately by FY22.

Grace opened it up for questions. Joe Easton asked about the change to record leases to the balance sheet. He assumes that having them on the balance sheet will influence our working capital ratio which will affect our bonding capacity. He asked what Grace's expectation is on that. Grace stated that they will be reported as current or long-term determined by the terms of the lease. It will have a significant impact on MPC debt coverage and ratios. Some of MPC's leases are already carried on the balance sheet, for example, all of the T2 systems equipment is already carried on the balance sheet. The biggest change will be potentially in MPC's favor – carrying individual long-term leases on the balance sheet depending on the term. Anything less than a year will not be required to be carried on the balance sheet. Grace asked Tiffany about any other significant leases other than the T2 systems equipment. Tiffany stated that there were no others. When we talked about it prior, the biggest concern was the administrative load required to make those changes. We do have all of our leases in T2, which can make it easier to make those changes. It will be some administrative work, but not a financial concern.

John Roemer asked if there has been any modeling taking our current circumstance and superimposing our current leases to see what it does with that coverage ratio. Grace stated that when we looked at this 2 years ago, it won't have a significant impact unless the MPC engages in some significant lease terms moving forward. It will primarily be an administrative burden. John followed up with as long as leases are 1-year increments – we don't have to account for that, right? Grace stated that that is a little tricky because if the leases are less than a year, but have been renewed year after year after year for several years, it would need to be accounted for as a lease term of more than a year.

Joe asked Jan about our pension liabilities. With it being one year in arrears, what is the variance going forward and what is the worst-case scenario? Jan stated that pension liability is at the state level. MPC's share, which is also part of the City's share, varies each year depending on the state level. Typically, it has gone up each year since it has been in place. The actuarial report date is a year old. That is just how they have to calculate that estimate. You can count on it being the same or increasing in general. Grace pointed out that the market impacts it significantly. This coming year, the markets had pretty much recovered as of June 30, 2020, so there shouldn't be too much of a change based on underperforming investments. Where you see the increase year over year is due to another year's passage of time and employees working another year. She would be shocked to see a decrease even if the markets perform well. A decrease could occur if we significantly cut employees that are contributing to the pension plans. Or a decrease could have to do with life expectancy. Last year the life expectancy went down an entire year. That could impact the FY22 number.

Joe asked for any questions and provided Leigh with an opportunity to comment. Leigh reiterated that it was a smooth process this year. Everyone pulled together and communicated quite well.

7. Financial Statement

a. Brenda Peyton – December Financials

Brenda Peyton stated that January financials have been received and will be processed this week. Brenda noted that they got everything adjusted to the audit and those entries have been made. They have trued up the cash balance with the City and they have trued up the revenue and expenses for the first 6 months of the fiscal year. There are a few changes that occur after they get their report, and they try to true those up quarterly. There is nothing significant to note. The one bigger adjustment on the audit side is JCCS recognizes the merchant fee expense based on an estimate every month and during the audit process that gets trued up. For FY20, they recognized a savings of about \$40,000.00 based on the estimated versus actually reported merchant fees.

When JCCS processed January, they came across some December changes for cash that had happened recently. \$194,000.00 was moved from the main unrestricted account to a restricted cash account for maintenance. It is not reflected on December financials but will come through on the January financials. They have now captured the accrual for the City contract, so there will also be a

\$112,000.00 difference for that. The loans for First Security Bank went through in January. The cash balance went down, which can be seen on page 3. There are no other changes on the balance sheet to note.

In December, lease parking was up about \$185,000.00. Year-to-date (YTD) revenue is down, as anticipated, by about \$480,000.00. Expenses are down \$370,000.00 since last year. We are within \$80,000.00 of budget on the revenue side. Expenses are \$195,000.00 down from budget. For December we had a net income of \$86,000.00, which brought YTD to a positive \$62,000.00. MPC is ahead of the YTD budget by \$140,000.00.

Brenda asked for questions. There were none.

b. Updated Projections

Tiffany Brander pulled up the projection spreadsheet. For the projections, updated numbers through January 31st were used. As with prior projections, the numbers are based on averages. We try to be conservative and if there is not enough data available to determine an average, the budgeted number is used.

As Brenda pointed out, all of MPC's large annual expenses – debt service and City admin fee, did come out in December. MPC's loan payments have come out and are included in the projections. MPC is currently at 89.89% of budget for revenues and 72.93% of budget for expenses as of the end of January. This gives a debt coverage ratio of 2.13, which is a slight improvement over the previous projection. The required ratio is a minimum of 1.25. The majority of projection savings is from continued salary savings. MPC continues to keep expenses as low as possible while trying to expand our revenues wherever possible. Meter revenues have started to increase from the winter numbers. At our next meeting, we will go over a more in-depth budget projection sheet similar to the one we did for last year's budget.

8. Director's Report – Tiffany Brander

Tiffany started with staffing. Jodi has started working on our open Administrative Assistant II (AAII) recruitment again. Interviews took place yesterday and HR is moving forward with reference checks. We should have an offer and an anticipated start date by next week. Once the AAII is hired and trained, we will re-start our Parking Enforcement Officer (PEO) recruitment. By early summer, we should have the PEO position filled.

Tiffany has given notice of her resignation. Tiffany's anticipated final day is May 6, 2021. She will work with Joe and the City Human Resources Department work on starting the recruitment and there will be a more detailed update in the April meeting.

After a long time on the MPC Board, John Roemer's last meeting will be in April. At yesterday's council meeting, Mayor Engen referred an appointment to the Public Works Committee. If confirmed, we can expect a new Board member at the April meeting.

At a previous meeting, Glenda had asked about credit card fee per transaction costs. MPC's FY20 fee was \$0.24/transaction and FY21 fees so far are \$0.29/transaction. The transaction fees are not based on the volume of transactions, but the dollar amount of each transaction. Because we are parking, we have a lot of small credit card transactions. Passport helps with that some because they are the merchant of record for transactions done on the App, so we don't absorb that fee, but the small meter transactions do drive that number up. \$0.24 in FY20 was great, but historically MPC has been around \$0.30-\$0.31/transaction since 2015.

The long-range transportation plan, also known as Missoula Connect, is very near their final draft of the MPO. It should be released in May. Tiffany encouraged everyone to participate in one or two of their upcoming Zoom meetings. It is for the City as a whole, but the projects will impact Downtown. The meetings are Wednesday the 24th at 6 pm and Thursday the 25th at noon. They can be accessed through the Missoula MPO website “participate” link.

There is one action item on the agenda - the Missoula in Motion MIM CMAQ match request for \$8,000.00.

In April, there will be a grant funding request from International Choral Festival (ICF) to go toward their Downtown shuttle service for the 2022 festival scheduled for July 13-16.

Joe suggested a discussion about the Director position in Old Business. Joe asked for any questions for Tiffany outside of the resignation.

There were no questions.

9. Action Items – Missoula in Motion match request for \$8,000.00

The MIM match request has been a standard request for the Board for many years. Tiffany presented the request. MPC staff recommendation is to approve the request. It is a combination of parking and TDM. MIM helps employers find alternative transportation for employees working in Downtown. They have pamphlets to help understand transportation options outside of single-car occupancy. Our mission is to help support parking, but also to support transportation alternatives. This is one easy and effective way we can do so.

Pat Corrick moved to approve the \$8000.00 MIM Grant. John Roemer seconded. There were no questions or comments about the motion. Through a roll call vote, the motion to approve the MIM Grant request for \$8,000.00 passed unanimously.

10. Non-action Items

Tiffany reminded everyone of the annual rate review policy that was approved last year. The rate review is scheduled for the April Board meeting. Any board action will occur at the April meeting. Staff will send out a notice to leaseholders before the April meeting to make them aware that the review is taking place. Due to COVID, occupancy and availability are difficult to ascertain.

Tiffany gave a brief overview of occupancy snapshots for 11/01/2019-01/31/2020 and 11/01/2020-01/31/2021. What it shows is that we do have the ability to over-lease our spaces. The caveat is that we have to have parkers in need of spaces and current occupancy is very low.

Tiffany showed the Lease spreadsheet. We manage approximately 1298 lease spaces that range from \$35.00/month for street leases to \$85.00/month for garage leases. This is the first time in a long time that not only do we have available spaces in some areas, but we also have no waitlists in some areas. Those areas are the Park Place garage (individual), ROAM garage (individual), West Broadway Street, West Front Lot, and West Front Street. These account for 64 spaces with 11 of those between Park Place and ROAM garages. Historically, the West Broadway and West Front Street areas are the hardest for us to fill. With some businesses moving out of Downtown, those spaces have emptied and not been re-sold.

Joe Easton asked Tiffany to define utilization. Tiffany stated that utilization is the number of vehicles that were in the structure that have a lease space and were in their lease space at the time the LPR

scooter went through. For hourly spaces, it was the number of transactions seen at the gates. Joe stated that in Park Place, 15% of existing leaseholders had their cars in their physical lease space. Was there a national standard? Tiffany stated that the goal was 85% utilization nationally. Joe acknowledged 85% as the goal and wants to know what the actual national standard was. He noted that, even with the pandemic reason, we continue to have very low utilization even though last year we decided to add leases to oversell. We also made decisions about what lots to oversell capacity. Going forward for next month's discussion, he would like to know what our goals were for utilization. He also wants to know, on rates, if we could add a column for board information when the last time was that we raised rates for each lease area. Tiffany will have that information added for the next board meeting.

Tiffany reviewed our parking fees. MPC has not increased any of our lease rates since 2018 when we increased our parking lot lease spaces by either \$5.00 or \$10.00 per month based on their location. We did not increase any street, structure, or garage spaces at that time. In 2020, lease increases were approved and were meant to be implemented in July of 2020, but were indefinitely suspended due to COVID. For April, Tiffany will present those same increase numbers that are comparable to other cities and still fall below the Missoula private market rate. However, at this time and at the April meeting, she will not be recommending any increases at the start of the fiscal year in July. She instead recommends an additional rate review in December with any approved increases beginning in January of 2022. That will give a full year of COVID and an idea of what is happening not only with our overall parking and parkers but our community as a whole. All of that information will be on the spreadsheet to discuss in April.

For permit rates, all permit fees were increased last year except for our loading zone fees, which were increased in July 2018. We have not seen any significant decline in the number of permits being sold. The numbers generally stay static throughout the years. We can entertain further increases to permit fees, but that will be left up to Board discussion in the April meeting.

Tiffany asked for any questions.

John Roemer pointed out that the ratio of the number on the waitlist to the number of spots available is high. He stated that it is not that there aren't enough people that want to park, they just don't want to park in Park Place, for example, because it is not as convenient for them as Central Park so they go on a waitlist for Central Park.

There were no other questions or comments.

11. New Business

- a. **Old Business** – Joe Easton stated that Tiffany had given him the news of her resignation last week, at the time he suggested that Tiffany share that news with the Board in a public forum instead of individually. That is why she announced it today instead of reaching out personally. The Board has a couple of things to consider. First of all, 60 days is a quick turnaround. They will be meeting with HR and the Mayor's office to put the recruitment in place and to address the scenario that May 7 comes and goes and we don't have a candidate yet. Joe is interested in board comment and participation on that and any changes in corporate structure, job responsibility, job description, board representation, etc. Another discussion to consider is the scope and timing of the search and other priorities the board would like considered. There are a lot of things we need to make sure of. Change of director, coming out of a pandemic, celebration or our returned revenue, and change of longest-term board member is a lot of things changing at once. Joe wants to be sure he understands Board concerns and diligence in how to move forward in the upcoming 30, 60, 90 days.

Pat Corrick wants to address if there has been movement in the City salary structure. If they want to cast a wider net in the director search, hopefully, that number has moved up. When we have done this before, a lot of interested parties look at the cost of living in Missoula and the low salary becomes a challenge. Tiffany will be difficult to replace given her enthusiasm and passion for parking. He hopes that maybe there is some additional compensation that the City will allow.

John Roemer agrees that it is frustrating to know that we have to go outside the Missoula market to compete. He has not heard that that will change with the City.

Joe assured the Board that he asked Tiffany if her decision was at all related to any change or disfunction or role or anything to do with the commission's responsibility - if it had to do with anything the Board or City should be doing differently. She said no. Tiffany stated that she has been incredibly fortunate to be in the position. She feels that she was allowed to grow and improve our department. It was a difficult decision, not related to the position.

JR Casillas is newer to the Board but was around for the last recruitment. He recalls that salary was a big issue. Maybe time will be on our side with COVID and the influx of people to Missoula. Maybe we'll get someone that was already this way and will not care so much about that salary. With the influx of people, maybe we'll get a new batch of qualified candidates.

Glenda Bradshaw noted that, since she wasn't here last time, finds the conversation about getting an increase in salary helpful. Glenda would like to hear from Tiffany, if not now another time, what she thinks the most important skills are for the job. We may want to be recruiting someone with straightforward parking experience, but from her view watching and listening it seems like financial acumen, planning, managing large assets, and networking are important, maybe more important, than parking history. She is interested if the recruitment process does go beyond May 7, what the plan would be to keep the Commission going.

Tiffany explained transition plans and interim directors if needed. She in no way intends on stepping back until she knows the Commission is ready. There will be a solid transition plan. One thing she has learned is that not being afraid to ask questions is very important. The relationship we have with other departments and our team will be an asset to the new director.

12. Setting of next meeting (April 13, 2021, Jack Reidy Conference Room or via virtual meeting) and adjournment

Respectfully submitted,

Jodi Pilgrim
Parking Services Manager