

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

June 30, 2010

Volume 10, Number 35

What Will Council's \$250,000 Parking Study Accomplish?

City Council wants to leave no stone unturned and wants to make sure that when it decides to approve or disapprove of any agreement the Mayor reaches with a potential lessee of parking facilities that will provide funds to bolster the City's ailing pension funds it will base its decision on a thorough examination of facts and options. That's why, with the blessing of the City's oversight board, Council will spend \$250,000 to engage a consulting group to study the lease-for-pensions deal.

But one has to wonder what another study will provide at this point in the process, especially in light of the fact that the analysis is focused on collecting the exact same data as the bid process that is far along toward completion. It is reasonable to speculate it could be either one or a combination of the following reasons.

1) Council wants to delay the process—Consider that the Parking Authority already has seven bidders interested as evidenced by responses to a Request for Concessionaire Qualifications (RFQ) that came on March 19th. The RFQ detailed the facilities that were being put up for consideration and how the process would work, including a proposed timeline that anticipated final proposals coming in July 2010 and a close to the transaction in November of 2010. Surely Council must have considered the possible reaction to the new study by the companies bidding on the parking lease. Some companies might well conclude that their efforts are for naught and decide not to submit a reasonable bid—or no bid, believing Council will never approve any bid.

The reason for the timing is clear. The pension fund will be valued again in January of 2011: if the ratio of assets to liabilities remains under 50 percent, the Commonwealth will take over administration of the plans and attempt to get them back to health. Barring a change in the existing state law that is the trajectory the lease deal is on. Even separate timelines proposed in letters in the newspapers—one by the Mayor, one by a member of Council—envisioned a Council decision coming in September of 2010, the former by the 1st of the month, the latter by the 28th. There is a real possibility that a separate study of the issue could impact when steps in the process occur. Indeed, Council will undoubtedly delay any vote on an agreement brought by the Mayor until the new study is finished and has been thoroughly reviewed.

2) Council does not trust the information it is getting—This a very complex transaction involving not only the legislative and executive branches of City government but a related Authority (a City Council member serves as a board member), an advisory task force (the same Council member is on this task force), lawyers, and bond counsel all involved in a deal with huge ramifications for City taxpayers, pensioners, people who park in the City, the business community, etc.

It appears there are trust and/or communication issues at work here. Recall that when Council originally proposed doing its own study in March at a price tag of \$50,000 the oversight board chair turned down paying for the study noting that “we’re not interested in paying for something that develops a separate set of data when that data has already been developed ... [Council’s study plan] asks for the same data points the city has put forward.” Yet curiously enough the oversight board just signed off on allowing Council to spend five times as much on the newly approved study.

3) *Council wants to derail privatization*—Having a private interest lease the garages and lots owned by an authority has already caused a lot of anxiety in certain quarters of the City, from the Downtown business community (one official was worried about “a private operator coming in and doing whatever the heck they want” in regards to rates) to the Authority itself (the board chair noted that “no one will lose their jobs as a result of this transaction”).

It is reasonable to assume that a successful bidder will not want to compete with a public, tax-exempt entity that could once again buy or build new facilities during the life of the lease. So the terms of any lease will include iron clad, legally binding provision that will prevent the City, the Parking Authority or any other City authority from buying or building parking facilities during the term of the lease.

If it is shown that the City can effectively end its involvement in garage and lot parking that could pave the way for other attempts at privatization, a road Council is almost certainly opposed to. Meanwhile, the study could come out in favor of an alternative method rather than a lease that will provide strong grounds for Council to reject any bid proposal.

In the end, Council has the ability—if it feels it has been rushed, if it feels that it has not been given all the best information, or if it feels that public policy is changing for the worse—to oppose the lease deal and vote it down and let the pension takeover occur as planned. That can be accomplished without another study.

Still, in light of the seriousness of the challenges Pittsburgh faces in getting pension funding to 50 percent by January next year, dilatory tactics are just what the process does not need.

Eric Montarti, Senior Policy Analyst

Jake Haulk, Ph.D., President

Policy Briefs may be reprinted as long as proper attribution is given.

For more information about this and other topics, please visit our website:

www.alleghenyinstitute.org

| |
|---|
| <p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p> |
|---|