

**Public Parking Authority
of Pittsburgh**

(A Component Unit of the
City of Pittsburgh, Pennsylvania)

Financial Statements and
Required Supplementary Information

For the Years Ended December 31, 2020 and 2019
with Independent Auditor's Report

MaherDuessel

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PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

Board of Directors Public Parking Authority of Pittsburgh

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the Public Parking Authority of Pittsburgh (Authority), a component unit of the City of Pittsburgh, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate remaining fund information of the

Authority as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits schedules on pages i through viii and 42 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
April 13, 2021

Management's Discussion and Analysis

Fiscal Year 2020 Financial Statements

Overview of the Financial Statements and Financial Analysis

The Public Parking Authority of Pittsburgh (Authority) is proud to present its financial statements for 2020. This Management's Discussion and Analysis of the Authority's financial statements provides an overview of the Authority's financial activities for 2020 as required supplemental information. The emphasis of this discussion will focus on current year 2020 data in comparison to the prior year 2019. There are three business-type activities financial statements presented in this report: 1) the Statements of Net Position; 2) the Statements of Revenues, Expenses, and Changes in Net Position; and 3) the Statements of Cash Flows.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority as of the end of each fiscal year. The Statements of Net Position are a "point of time" financial statement that presents a fiscal snapshot of the Authority at year-end. The Statements of Net Position present data concerning the Authority's assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources). The definitions of current and non-current assets and liabilities are discussed in the notes to the financial statements.

From the data on the Statements of Net Position, readers can determine the assets and deferred outflows of resources available to the Authority at the end of the year to support its continuing operations. Readers can also determine how much the Authority owes at year-end. Finally, readers can determine the Authority's net position and its availability for expenditure.

Net position is divided into three major categories. The first category, "net investment in capital assets" presents the Authority's equity in its property, plant, and equipment, net of related debt. The second net position category, "restricted net position," is divided into two categories: expendable and non-expendable (permanently restricted). Expendable restricted net position is available for expenditure but must be spent for purposes determined by external entities that have placed time or use restrictions on the assets. Within the expendable net position category are balances that have been restricted under the terms of the Authority's trust indentures and the Authority's pension. The Authority does not have any non-expendable restricted net position. The third major category, "unrestricted net position," is available to the Authority to pay future operating expenses. The Authority's Board of Directors has designated \$6 million of unrestricted net position to assist in funding the structural remediation to extend the useful life of the four oldest facilities.

**Public Parking Authority of Pittsburgh
Statements of Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 44,895,509	\$ 56,127,292	\$ 54,332,595
Capital assets, including leasehold improvements	123,497,324	128,972,204	128,376,558
Other noncurrent assets	30,791,120	27,543,423	25,107,584
Total Assets	199,183,953	212,642,919	207,816,737
Deferred Outflows of Resources:			
Deferred charge on refunding	4,072,264	3,453,877	3,981,771
Net difference between projected and actual earnings on pension investments	-	-	847,312
Changes in assumptions for OPEB plan	58,254	-	-
Changes in assumptions for pension plan	235,745	372,806	509,867
Total Deferred Outflows of Resources	4,366,263	3,826,683	5,338,950
Liabilities:			
Current liabilities	12,768,591	26,167,812	25,484,712
Noncurrent liabilities	49,197,612	43,923,353	50,571,181
Total Liabilities	61,966,203	70,091,165	76,055,893
Deferred Inflows of Resources:			
Deferred gain on refunding	-	1,945,351	2,226,606
Difference between expected and actual experience for pension plan	181,605	334,959	582,069
Net difference between projected and actual earnings on pension investments	2,248,548	1,173,708	-
Differences between expected and actual experience for OPEB plan	43,194	-	-
Total Deferred Inflows of Resources	2,473,347	3,454,018	2,808,675
Net Position:			
Net investment in capital assets	77,607,282	81,618,483	74,917,064
Restricted for, expendable:			
Capital	6,782,227	8,683,791	9,074,485
Debt service	5,243,907	702,676	612,394
Indenture funds	25,309,457	27,804,598	24,482,771
Pension	2,815,563	2,013,792	2,087,890
Sustainability initiatives	197,447	149,271	101,022
Total restricted	40,348,601	39,354,128	36,358,562
Unrestricted	21,154,783	21,951,808	23,015,493
Total Net Position	\$ 139,110,666	\$ 142,924,419	\$ 134,291,119

Total assets of the Authority decreased by approximately \$13.5 million from fiscal year 2019. Current assets decreased by approximately \$11.2 million, mostly in its cash and investment positions. Other noncurrent assets decreased by approximately \$2.2 million, with an increase of \$1.2 million in the net pension asset, and a decrease of approximately \$5.5 in capital assets, including leasehold improvements.

Total assets of the Authority increased by approximately \$4.9 million from fiscal year 2018 to 2019. Current assets increased by approximately \$1.8 million, mostly in its cash and investment positions. Other

noncurrent assets increased by approximately \$3.1 million, with an increase of \$2.1 million in the net pension asset, and an increase of approximately \$600,000 in capital assets, including leasehold improvements.

Statements of Revenues, Expenses, and Changes in Net Position

The changes in total net position, as presented on the Statements of Net Position, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present the revenues and expenses (both operating and non-operating), other revenues, expenses, gains, and losses of the Authority during the fiscal year.

Operating revenues are revenues earned from providing services to customers or the collections from parking tickets issued by its employees. Operating expenses are those expenses incurred by the Authority to acquire goods and services provided to generate operating revenues. Revenues earned for which goods and services are not provided are reported as non-operating revenues. For example, interest the Authority earns on its bank accounts is reported as non-operating revenue because the Authority does not provide services in return for those revenues.

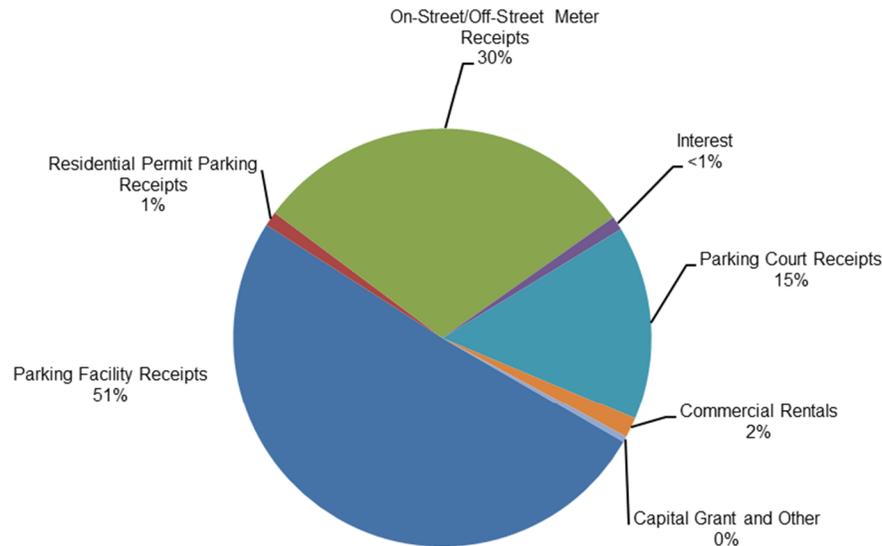
Public Parking Authority of Pittsburgh Statements of Revenues, Expenses, and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 34,962,276	\$ 68,705,966	\$ 68,275,294
Operating expenses	28,101,268	40,179,617	40,546,229
Net operating income	6,861,008	28,526,349	27,729,065
Net nonoperating revenues (expenses)	(10,674,761)	(19,893,049)	(19,401,042)
INCREASE (DECREASE) IN NET POSITION	(3,813,753)	8,633,300	8,328,023
NET POSITION—Beginning of year	142,924,419	134,291,119	125,963,096
NET POSITION—End of year	<u>\$ 139,110,666</u>	<u>\$ 142,924,419</u>	<u>\$ 134,291,119</u>

The Authority's net position decreased by approximately \$3.8 million in 2020. Operating revenues decreased by approximately \$33.7 million while operating expenses decreased by approximately \$12.1 million. Net operating income decreased by approximately \$21.7 million. Net non-operating expenses decreased by approximately \$9.2 million.

The Authority's net position increased by approximately \$8.6 million in 2019. Operating revenues increased by approximately \$431,000, while operating expenses decreased by approximately \$367,000. Net operating income increased by approximately \$797,000. Net non-operating expenses increased by \$492,000.

Public Parking Authority of Pittsburgh FY 2020 Operating and Non-Operating Revenues

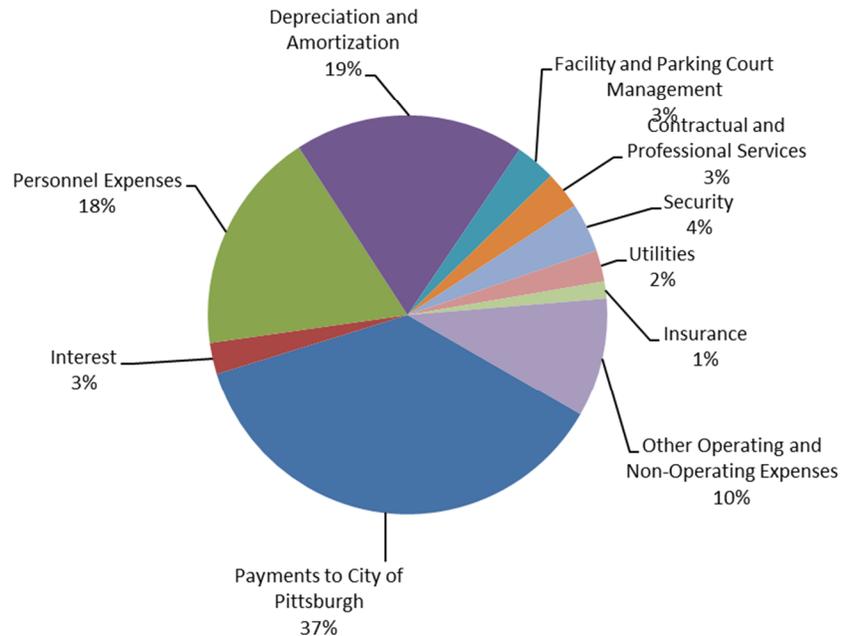


Parking facility receipts decreased by approximately \$17.6 million or 49% in 2020. This was entirely attributable to the COVID-19 pandemic. For 2019 Parking Facility receipts decreased by approximately \$879,000. The Ninth & Penn garage closed on May 31st for demolition and replacement with a decrease of \$1.8 million in revenue over 2018. That decrease was offset by a rate increase that was implemented in November 2019 along with other PPAP garages capturing a portion of the displaced customers.

On-Street/Off-Street meter receipts decreased approximately \$10.1 million, again entirely attributable to the COVID-19 pandemic. In 2019, On-street/Off-Street meter receipts remained consistent with 2018.

Pittsburgh Parking Court revenue decreased approximately \$5.7 million or 52%. Due to the COVID-19 pandemic, there were no tickets issued from March 2020 through July 2020. In 2019 Pittsburgh Parking Court revenue saw an increase of approximately \$1.1 million.

Public Parking Authority of Pittsburgh FY 2020 Operating and Non-Operating Expenses



Personnel costs saw a 12% decrease in 2020 and equals 18% of total expenses in 2020 while, continuing to be the second largest category of expenses, only behind our payments to the City. The decrease is primarily due to personnel changes and Management salary reductions for half of the year. This action was approved as part of a plan to combat a decrease in revenue caused by the COVID-19 pandemic.

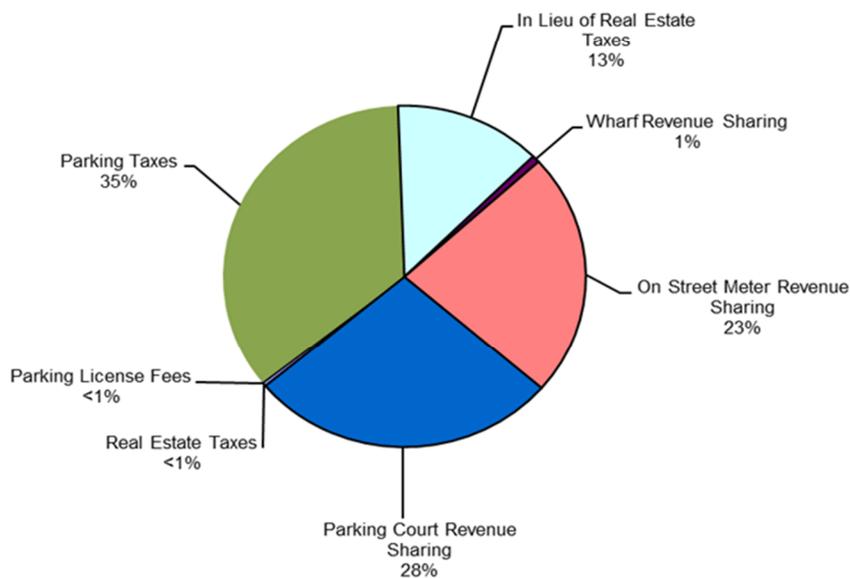
Facility and Parking Court management fees decreased approximately \$981,000 or 43% in 2020. This decrease is primarily due to no tickets issued from March 2020 through July 2020. These expenses increased approximately \$212,000 from 2018 to 2019 due to increased ticket issuance and related booting and towing services

Contractual and professional fees decreased 71%, approximately \$2.9 million in 2020. This is mostly due to the decreased parking transactions being paid via credit card, along with limited spending for professional services. These costs increased 8% or approximately \$286,000 in 2019 primarily due again to increased transactions paid via credit card along with increased temporary agency services due to vacant positions.

Security expenses decreased 45% or approximately \$1.3 million due to the suspension of our third-party contract from May 2020 through October 2020. These costs increased approximately 4% in 2019 due to the increase in the required prevailing wage, mitigated with the closure of the 9th & Penn garage in May.

Payments to the City continue to be the largest expense to the Authority at \$14.5 million, down approximately \$15.6 million in total. These decreases are all attributable to the COVID-19 pandemic, and all shared payments (meter, wharf, parking court, and taxes and licenses) saw decreases over 2020. In the event the total amounts of all payments from the Authority to the City (excluding parking tax payments) exceed \$18.5 million with respect to any fiscal year of the Authority, any such excess amounts will be split equally by the City and the Authority. In 2020, the total payments to the City (excluding parking tax payments) was \$9.4 million and did not exceed \$18.5 million, therefore the Authority's share of the amount in excess was \$0. In 2019, the total payments to the City (excluding parking tax payments) was just over \$21 million and the Authority's share of the amount in excess was approximately \$1.3 million.

Public Parking Authority of Pittsburgh
FY 2020 Expense - Payments to the City of Pittsburgh
Total \$14,470,059



Statements of Cash Flows

The Statements of Cash Flows present detailed information regarding the cash activities of the Authority during the fiscal year. The statements are comprised of five sections. The first section presents operating cash flows, showing the net cash provided by or used in the operating activities of the Authority. The second section presents cash flows from non-capital financing activities, showing the cash received and disbursed for non-operating, non-investing, and non-capital financing purposes. The third section presents cash flows from capital and related financing activities, showing the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section presents the cash flows from investing activities, which primarily shows interest received from investing

activities, and sale or purchases of investments. The fifth section reconciles the net cash provided from operating activities to the operating income reflected in the SRECNP.

**Public Parking Authority of Pittsburgh
Statements of Cash Flows**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 6,267,670	\$ 35,209,674	\$ 36,569,547
Net cash used in non-capital financing activities	(16,774,755)	(19,320,905)	(18,533,235)
Net cash used in capital and related financing activities	(998,770)	(15,090,080)	(16,484,291)
Net cash provided by (used in) investing activities	<u>7,811,339</u>	<u>661,935</u>	<u>(516,685)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,694,516)	1,460,624	1,035,336
CASH AND CASH EQUIVALENTS—Beginning of year	<u>13,300,237</u>	<u>11,839,613</u>	<u>10,804,277</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 9,605,721</u>	<u>\$ 13,300,237</u>	<u>\$ 11,839,613</u>

Net cash provided by operating activities decreased approximately \$28.9 million in 2020. Net cash used in non-capital financing activities decreased by approximately \$2.6 million. This was primarily due to a decrease in the Meter, Wharf and Parking Court payments to the City. Net cash used in capital and related financing activities increased by approximately \$14.1 million; this is primarily due to issuance of long-term debt. Net cash provided by investing activities increased approximately \$7.2 million due to sales and purchases of investments.

Capital Assets and Debt Administration

Additions to capital assets in 2020 were approximately \$2.4 million. Leasehold improvement had \$2.4 million of completed projects, Parking Facilities saw \$4.6 million in completed projects, Machinery and Equipment had \$47,612 in completed projects. In 2019 additions to capital assets was approximately \$8.2 million.

In November 2020, the Authority issued \$23,490,000 in Federally Taxable Parking System Revenue Refunding Bonds, Series 2020. The refunding was completed to reduce the annual debt service payments and improve cash flow through the COVID-19 pandemic which had a negative impact on the Authority, City, and region. The Authority’s principal and interest payments for 2020 were reduced from \$7.5 million to \$2.6 million as a result of the refinancing. By reducing our annual debt service, we increased the overall total debt service over the next 12 years by approximately \$10.5 million. The remaining 2015 Bonds will mature in 2026 while the Series 2020 bonds will fully mature in 2032.

Economic Outlook

The Authority continues to be the low-cost provider of public parking in the City and strives to maintain that status, while meeting its debt service requirements, and self-funding its smaller capital projects.

The redevelopment of the Ninth & Penn Garage, which closed and was demolished in 2019, was placed on hold during the pandemic. This project is in the heart of Downtown Pittsburgh's Cultural District and may move forward provided demand is sufficient to support the new facility.

If a pandemic, epidemic or similar level outbreak of an infectious disease occurs, the potential exists that the operations of the Authority may be adversely affected. As an example, in December 2019, a new strain of coronavirus known as COVID-19, was initially detected in China and began a global spread including the United States. It was identified as a "public health emergency of international concern" by the World Health Organization (WHO) in late January 2020, and further escalated to "global pandemic" status by the WHO on March 11, 2020. As a result of the mitigation efforts employed by all levels of government and business to contain the spread within the United States, all economic activity has been disrupted and it is anticipated that the operations of the Authority will be negatively impacted.

In the early months of 2020, the spread of the COVID-19 virus has varied globally and the resulting impact continues to be fluid on a daily basis. The 2020 outbreak of the COVID-19 virus has had an immediate negative impact for economies local, national and global levels, and the Authority's financial results for the year. In the first quarter of 2021, there has been a slow increase of parking utilization throughout the Authority's facilities and on street spaces. As businesses and events are permitted to open, we anticipate the trend will continue as the economy recovers.

Given the dynamic nature of this pandemic, the extent to which the COVID-19 virus impacts the Authority's results remains uncertain and cannot be predicted at this time. The net impact will continue to depend upon certain developments including, among others, the duration, spread or recurrence of the outbreak, its impact on our customers, employees and vendors, as well as any governmental, regulatory and/or private sector responses, whether active or precautionary, to mitigate the virus.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF NET POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 9,605,721	\$ 13,300,237
Escrow cash	224,749	238,470
Investments	10,026,475	12,442,946
Investments - restricted	22,646,498	28,931,636
Accounts receivable	1,923,812	708,573
Notes receivable - current portion	14,900	14,175
Accrued interest receivable and other assets	453,354	491,255
Total current assets	<u>44,895,509</u>	<u>56,127,292</u>
Noncurrent assets:		
Investments	8,233,289	11,574,192
Investments - restricted	14,070,006	9,517,845
Notes receivable	3,115,917	3,132,144
Prepaid bond insurance	354,255	161,907
Capital assets, net	116,019,874	122,723,365
Leasehold improvements, net	7,477,450	6,248,839
Net pension asset	5,017,653	3,157,335
Total noncurrent assets	<u>154,288,444</u>	<u>156,515,627</u>
Total Assets	<u>199,183,953</u>	<u>212,642,919</u>
Deferred Outflows of Resources		
Deferred charge on refunding	4,072,264	3,453,877
Changes in assumptions for OPEB plan	58,254	-
Changes in assumptions for pension plan	235,745	372,806
Total Deferred Outflows of Resources	<u>4,366,263</u>	<u>3,826,683</u>
Liabilities		
Current liabilities:		
Accounts payable	2,157,517	3,188,570
Accounts payable - retention	181,541	1,182,632
Accounts payable - City of Pittsburgh	7,356,909	14,546,997
Accrued expenses	755,056	813,883
Accrued interest payable	142,362	174,417
Unearned revenue	775,989	897,208
Current portion of capital lease obligations	4,217	4,105
Current maturities of bonds payable	1,395,000	5,360,000
Total current liabilities	<u>12,768,591</u>	<u>26,167,812</u>
Noncurrent liabilities:		
Bonds payable - noncurrent portion	45,253,731	39,779,075
Other noncurrent liabilities	3,943,881	4,144,278
Total noncurrent liabilities	<u>49,197,612</u>	<u>43,923,353</u>
Total Liabilities	<u>61,966,203</u>	<u>70,091,165</u>
Deferred Inflows of Resources		
Deferred gain on refunding	-	1,945,351
Differences between expected and actual experience for pension plan	181,605	334,959
Net difference between projected and actual earnings on pension investments	2,248,548	1,173,708
Net differences between expected and actual experience for OPEB plan	43,194	-
Total Deferred Inflows of Resources	<u>2,473,347</u>	<u>3,454,018</u>
Net Position		
Net investment in capital assets	77,607,282	81,618,483
Restricted for, expendable:		
Capital	6,782,227	8,683,791
Debt service	5,243,907	702,676
Indenture funds	25,309,457	27,804,598
Pension	2,815,563	2,013,792
Sustainability initiatives	197,447	149,271
Total restricted	<u>40,348,601</u>	<u>39,354,128</u>
Unrestricted	21,154,783	21,951,808
Total Net Position	<u>\$ 139,110,666</u>	<u>142,924,419</u>

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating Revenues:		
Parking facility receipts	\$ 17,973,084	\$ 35,544,946
On-street/off-street meter receipts	10,635,291	20,754,851
Residential permit parking receipts	396,653	455,108
Commercial rentals	553,131	602,074
Parking court	5,324,322	11,002,426
Other income	79,795	346,561
	<u>34,962,276</u>	<u>68,705,966</u>
Total operating revenues		
Operating Expenses:		
Salaries	5,430,881	5,897,602
Retirement	(387,197)	208,520
Payroll taxes	432,498	480,202
Health benefits	1,617,635	1,483,737
Supplies and equipment	468,344	503,654
Utilities	995,858	1,052,915
Insurance	542,254	534,011
Repairs and maintenance	2,021,108	2,389,502
Fleet expenses	104,788	120,342
Facility and parking court management fees	1,277,654	2,258,607
Taxes and licenses	5,144,175	10,387,883
Contractual and professional services	1,197,705	4,064,389
Security	1,562,026	2,853,550
Depreciation and amortization	7,308,945	7,536,471
Other expenses	384,594	408,232
	<u>28,101,268</u>	<u>40,179,617</u>
Total operating expenses		
Operating Income	<u>6,861,008</u>	<u>28,526,349</u>
Nonoperating Revenues (Expenses):		
Interest income	378,869	1,318,595
Other income	78,054	54,958
Interest expense	(998,775)	(1,436,605)
In lieu of real estate taxes to the City of Pittsburgh	(1,900,000)	(1,900,000)
Meter, wharf, and parking court payments to the City of Pittsburgh	(7,425,884)	(17,791,380)
Other expenses	(807,025)	(138,617)
	<u>(10,674,761)</u>	<u>(19,893,049)</u>
Total nonoperating revenues (expenses)		
Change in Net Position	<u>(3,813,753)</u>	<u>8,633,300</u>
Net Position:		
Beginning of year	142,924,419	134,291,119
End of year	<u>\$ 139,110,666</u>	<u>\$ 142,924,419</u>

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Parking facility receipts	\$ 16,698,159	\$ 35,403,724
On-street/off-street meter receipts	10,635,291	20,754,851
Residential permit parking and commercial rental receipts	756,042	847,131
Parking court receipts	5,324,322	11,002,426
Payments to and on behalf of employees	(12,949,633)	(9,994,464)
Payments to suppliers	(461,145)	(1,059,673)
Payments for utilities, insurance, repairs, and maintenance	(3,487,231)	(3,985,206)
Facility management fees	(1,397,733)	(2,215,765)
Taxes and licenses	(5,693,998)	(10,392,207)
Contractual and professional services	(1,243,092)	(4,065,850)
Security	(1,559,933)	(2,796,427)
Disbursements from (deposits to) escrow cash	13,721	(11,445)
Other receipts (expenditures), net	(367,100)	1,722,579
	<u>6,267,670</u>	<u>35,209,674</u>
Net cash provided by (used in) operating activities		
Cash Flows From Noncapital Financing Activities:		
In lieu of real estate taxes of the City of Pittsburgh	(1,900,000)	(1,900,000)
Meter, wharf, and parking court payments to the City of Pittsburgh	(14,615,972)	(17,313,719)
Other receipts (expenditures), net	(258,783)	(107,186)
	<u>(16,774,755)</u>	<u>(19,320,905)</u>
Net cash provided by (used in) noncapital financing activities		
Cash Flows From Capital and Related Financing Activities:		
Additions to property, plant, and equipment	(3,789,783)	(7,707,133)
Capital lease payments	(4,105)	(16,026)
Proceeds from long-term debt	23,490,000	-
Repayment of bonds and refunding escrow transfers	(19,397,094)	(5,105,000)
Interest paid	(1,297,788)	(2,261,921)
	<u>(998,770)</u>	<u>(15,090,080)</u>
Net cash provided by (used in) capital and related financing activities		
Cash Flows From Investing Activities:		
Sale of investments	89,719,687	133,122,223
Purchase of investments	(82,229,336)	(133,726,764)
Payments received on notes receivable	15,502	14,748
Interest received	305,486	1,251,728
	<u>7,811,339</u>	<u>661,935</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(3,694,516)	1,460,624
Cash and Cash Equivalents:		
Beginning of year	13,300,237	11,839,613
End of year	\$ 9,605,721	\$ 13,300,237

(Continued)

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Continued)

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 6,861,008	\$ 28,526,349
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,308,945	7,536,471
Change in:		
Escrow cash	13,721	(11,445)
Accounts receivable	(1,215,239)	(109,470)
Other assets	83,919	70,377
Net pension asset	(1,860,318)	(2,090,201)
Deferred outflows related to pension plan	(1,157,967)	984,373
Deferred inflows related to pension plan	(2,926,022)	926,598
Accounts payable and accrued expenses	<u>(840,377)</u>	<u>(623,378)</u>
Net adjustments	<u>(593,338)</u>	<u>6,683,325</u>
Net cash provided by (used in) operating activities	<u>\$ 6,267,670</u>	<u>\$ 35,209,674</u>
Noncash Transactions:		
Capital additions in accounts payable	<u>\$ 299,497</u>	<u>\$ 1,692,253</u>

(Concluded)

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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STATEMENTS OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources		
Cash and cash equivalents	\$ 1,734	\$ 3,336
Investments at fair value:		
Money markets and other cash investments	149,076	119,714
Mutual Funds:		
Equity	12,947,409	11,035,228
Fixed income	<u>7,664,706</u>	<u>6,943,904</u>
Total investments at fair value	<u>20,761,191</u>	<u>18,098,846</u>
Benefit payment adjustment	<u>55,490</u>	<u>36,661</u>
Total Assets	<u>\$ 20,818,415</u>	<u>\$ 18,138,843</u>
Liabilities and Net Position		
Liabilities:		
Other payables	<u>\$ 76</u>	<u>\$ 76</u>
Net Position:		
Net position restricted for pension benefits	<u>20,818,339</u>	<u>18,138,767</u>
Total Liabilities and Net Position	<u>\$ 20,818,415</u>	<u>\$ 18,138,843</u>

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions:		
Employer	\$ 140,422	\$ 125,172
Employee	<u>165,995</u>	<u>168,311</u>
Total contributions	<u>306,417</u>	<u>293,483</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	2,299,688	2,545,012
Interest and dividends	<u>623,157</u>	<u>621,018</u>
Total investment income	<u>2,922,845</u>	<u>3,166,030</u>
Total additions	<u>3,229,262</u>	<u>3,459,513</u>
Deductions:		
Benefits	547,940	484,883
Processing fees	<u>1,750</u>	<u>1,450</u>
Total deductions	<u>549,690</u>	<u>486,333</u>
Change in Plan Net Position	2,679,572	2,973,180
Net Position:		
Beginning of year	<u>18,138,767</u>	<u>15,165,587</u>
End of year	<u>\$ 20,818,339</u>	<u>\$ 18,138,767</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization

The Public Parking Authority of Pittsburgh (Authority), which is a component unit of the City of Pittsburgh, Pennsylvania (City), was organized on August 6, 1947, as a public corporation under the laws of the Commonwealth of Pennsylvania by the City pursuant to the Parking Authority Law of Pennsylvania Act of June 5, 1947, as amended and supplemented.

The Authority was created for the purpose of conducting the necessary activity to plan, acquire, construct, improve, maintain and operate, and own and lease land and facilities devoted to the parking of vehicles. In addition, the Authority is responsible for the enforcement of city and state parking codes throughout the City, including the responsibility for the operations of parking court.

Under the provisions of the Governmental Accounting Standards Board (GASB), the Authority is considered to be a component unit of the City.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Financial Statement Presentation

GASB establishes standards for external financial reporting for state and local governments and components thereof. Net position is classified into four categories according to external donor restrictions or availability of assets for the satisfaction of Authority obligations. The Authority's net position is classified as follows:

- Net Investment in Capital Assets - This represents the Authority's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- Restricted Net Position, Expendable - This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Restricted Net Position, Nonexpendable - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable net position as of December 31, 2020 or 2019.
- Unrestricted Net Position - Unrestricted net position represents resources derived from operations that may be used at the discretion of the Board of Directors (Board) to meet current expenses for any purpose. The Authority's Board assigned \$6 million of unrestricted net position to assist in funding the structural remediation to extend the useful life of the four oldest facilities: Smithfield Liberty Garage, Fort Duquesne & Sixth Garage, Ninth and Penn Garage, and Third Avenue Garage.

The Board has adopted a policy that requires the Authority, as of the first business day of each fiscal year, to maintain a balance of unencumbered funds equal to 15% of that year's operating expenses, as detailed in the annual budget. As of January 1, 2021 and 2020, that designated balance was \$9,503,628 and \$11,907,628, respectively.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Basis of Accounting

For financial reporting purposes, the Authority is considered a proprietary fund. Accordingly, the Authority's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned, and expenditures are reported when materials or services are received.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Trust Indenture

The Authority entered into a new Trust Indenture on October 15, 2015, which replaced the previous Trust Indenture dated January 1, 2000. The Trust Indenture requires that revenues of the Authority be deposited with The Bank of New York Mellon Trust Company N.A., (Trustee). The Trust Indenture further requires that the Trustee and the Authority establish certain funds and reserves for the operation of the parking system (System). The System includes all Authority garages, lots, and meters. The Authority is required to establish rates to operate the System, maintain debt service coverage ratios specified in covenants of the Trust Indenture, maintain a balance of \$3.0 million for maintenance and capital addition requirements, and maintain an amount equal to two months of estimated operating expenses, as defined by the Trust Indenture. The amounts necessary to meet these reserves are recorded as a restriction of net position in accordance with the Trust Indenture.

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee capacity for the Authority's Public Parking Authority of Pittsburgh Pension Plan (Plan). The fiduciary funds financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value (as defined below). Net position is restricted for pension benefits as the pension trust fund is an irrevocable trust.

This information is used for purposes of measuring the net pension asset, deferred outflows and deferred inflows of resources related to pensions, and pension expense reported by the Authority.

The Plan is further discussed in Note 9.

Investments

Investments are stated at fair value and amortized cost, as applicable. Fair value is determined by quoted market prices or by readily determinable fair values. The Authority does not currently have any investments at amortized cost. Terms and agreements of the Authority restrict the majority of the investments.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted Cash and Investments

As required by the Trust Indenture of the Authority, certain monies are to be deposited periodically to the following funds for a specific purpose:

- Revenue Fund - To collect all system revenues, except as to the extent provided within the indenture, and to disburse funds as required by the Indenture to the other funds listed. The Authority established the following account within the Revenue Fund, as outlined in the Indenture:
 - Coop Account - To collect and disburse for the funds necessary to address the 2015 Governmental Cooperation Agreement with the City of Pittsburgh
 - Bond Fund (Debt Service Fund) - To pay current interest and principal on bonds
 - Debt Service Reserve Fund – To hold funds to meet the debt service reserve requirement, including a specific subaccount, the 2015 Debt Service Reserve Account
 - Operating Reserve Fund – To have available funds to meet the Indenture requirements
 - Renewal and Replacement Fund - To have available funds for maintenance and capital addition requirements
 - Rebate Fund – To accumulate funds for arbitrage rebate as needed
 - Construction Funds - To pay the costs of acquiring and constructing capital additions and improvements
 - Sustainability Fund - As required by a Subgrantee Agreement, a Sustainability Trust Fund was established, funded by energy savings calculations, and can be used to support future sustainability efforts. Resulting savings from those efforts, if any, are also pledged to this Fund.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Noncurrent Investments

Investments that are (1) externally restricted to make debt service payments, (2) externally restricted reserve funds, or (3) held to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statements of net position.

Capital Assets

Capital assets are stated at cost. Depreciation on capital assets is calculated on the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in revenue or expense for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

In certain instances, the Authority has acquired capital assets at a nominal cost from other government units. These assets are recorded at the nominal cost, which is less than fair value even after giving consideration to the effect of associated use restrictions. Management believes that the difference between recorded nominal cost and fair value at date of acquisition for these assets acquired through non-exchange transactions is immaterial.

The Authority considers renovation projects as construction in progress until the project is complete, although portions of the facilities may be in use and appropriately being depreciated.

Interest is capitalized, net of related interest income, on qualifying capital expenditures by the weighted-average of the expenditure. The interest rate used reflects the average rate on all Authority borrowings. For the years ended December 31, 2020 and 2019, capitalized interest was \$0 and \$86,329, respectively.

Prepaid Bond Insurance Costs

Prepaid bond insurance costs are considered an asset on the statements of net position and are deferred and amortized over the life of the related bond issue.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Compensated Absences

The Authority provides paid vacation to employees after completion of 12 months of service. Earned vacation benefits must be taken during the anniversary year in which the service is rendered. Benefits not used during this period are forfeited. Upon termination of service, employees are compensated for vacation benefits earned but not yet taken during the anniversary year of termination.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions related to the core mission of Authority, such as (1) parking facility receipts, (2) on-street/off-street meter receipts, (3) residential permit parking receipts, (4) commercial rentals, and (5) parking court receipts.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, and other revenues that are defined as nonoperating revenues by GASB, such as investment income and capital grants.

Income Taxes

The Authority is exempt from income taxes as a governmental unit under federal income tax laws and regulations of the Internal Revenue Service (IRS).

Cash Flows

Cash for the purpose of the statements of cash flows includes only the cash line item of current assets and excludes escrow cash.

Premiums and Discounts

Original issue bond premiums are amortized over the life of the related bonds using the effective interest method.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Deferred Outflows/Inflows of Resources

In addition to assets/liabilities, the statements of net position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements, *deferred outflows/inflows of resources*, represent a consumption/acquisition of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/revenue) until then. The Authority has the following items that qualify for reporting in these categories:

A deferred charge/gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred charge is reported as a deferred outflow of resources, while a deferred gain is reported as a deferred inflow of resources.

In conjunction with pension and other post-employment benefit (OPEB) accounting requirements, differences between expected and actual experience, changes in assumptions, and the net difference between expected and actual investment earnings are recorded as a deferred inflow or outflow of resources, as applicable, related to pensions or OPEBs on the statements of net position. These amounts are determined based on actuarial valuations performed for the pension and OPEB plans. Note 9 presents additional information about the Authority's pension plan. Note 10 presents additional information about the Authority's OPEB plan.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

near term and that such changes could materially affect the amounts reported in the statements of net position.

Recent Statements Issued by GASB

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements) and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

3. Cash and Investments

Cash

The following is a summary of the Authority's cash deposits which are insured by the Federal Deposit Insurance Company or which were not insured or collateralized in the Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name:

	<u>2020</u>	<u>2019</u>
Cash in bank	\$ 9,517,026	\$ 13,151,933
Cash on hand	<u>88,695</u>	<u>148,304</u>
Total	<u>\$ 9,605,721</u>	<u>\$ 13,300,237</u>

Cash shown above includes \$9,368,386 and \$13,014,088 as of December 31, 2020 and 2019, respectively, subject to provisions required by the Authority Trust Indenture and the Cooperation Agreement with the City of Pittsburgh.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Investments

Investments of the Authority include the following:

Investments - Unrestricted - Investments held by the Authority for discretionary future projects and obligations of the Authority are \$18,259,764 and \$24,017,138 as of December 31, 2020 and 2019, respectively.

Investments - Restricted - Investments held by the Authority that are restricted as to their use by terms and agreements of the Authority. These funds, all of which are restricted under the Trust indenture, consist of the following as of December 31, 2020 and 2019:

	2020	2019
Renewal and Replacement Funds	\$ 3,156,118	\$ 3,140,495
Bond Fund	5,386,269	877,093
Revenue Fund	18,611,691	17,541,510
Operating Reserve Fund	5,527,619	5,500,257
Coop Fund	4,012,438	11,390,126
2020 Clearing Fund	22,369	-
Total Investments, Restricted	\$ 36,716,504	\$ 38,449,481

As of December 31, 2020, the Authority had the following investments in mutual funds:

				December 31, 2020 Rating	
Investment	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
BlackRock Treasury Trust Fund	\$ 18,259,764	33.2%	n/a	AAAm	Aaa-mf
BlackRock FedFund	31,330,235	57.0%	n/a	AAAm	AAA-mf
Morgan Stanley Liquid Trust Fund	5,386,269	9.8%	n/a	AAAm	Aaa-mf
Total	\$ 54,976,268	100%			

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

As of December 31, 2019, the Authority had the following investments in mutual funds:

Investment	Amount	Percentage of Total Investment	Maturity	December 31, 2019 Rating	
				Standard & Poor's	Moody's Investors Service
BlackRock Treasury Trust Fund	\$ 37,572,388	60.1%	n/a	AAAm	Aaa-mf
BlackRock FedFund	24,017,138	38.4%	n/a	AAAm	AAA-mf
Morgan Stanley Liquid Trust Fund	877,093	1.5%	n/a	AAAm	Aaa-mf
Total	<u>\$ 62,466,619</u>	<u>100%</u>			

Mutual funds are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Authority has no formal investment policy that limits its investment choices. The deposit and investment strategy of the Authority adheres to state statutes, related trust indentures, and prudent business practice.

Concentrations of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer.

Pension Trust Funds

The pension trust funds are used to account for assets held by the Authority in a trustee capacity for future payment of retirement benefits to employees or former employees.

The composition of the pension trust funds is noted below, along with the fair value measurements as of December 31:

	2020	2019
Cash and cash equivalents	\$ 149,076	\$ 119,714
Mutual funds:		
Equity	12,947,409	11,035,228
Fixed income	7,664,706	6,943,904
Total Pension Trust Funds	<u>\$ 20,761,191</u>	<u>\$ 18,098,846</u>

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Mutual Funds are valued using quoted marked prices (Level 1 inputs).

The pension trust funds' investments in money markets and equity and fixed income mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The following is a description of the pension trust funds' investment risks:

Credit risk. The Authority has no formal investment policy that limits its investment choices. The deposit and investment strategy of the Authority adheres to state statutes, related trust indentures, and prudent business practice. As of December 31, 2020, and 2019, the mutual funds were not rated by nationally recognized statistical rating organizations.

Interest Rate Risk. The pension trust funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the mutual funds held in the pension trust funds have maturity dates.

Concentrations of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer.

4. Notes Receivable

Notes receivable consist of the following:

A non-interest-bearing note from the Urban Redevelopment Authority of Pittsburgh (URA), due December 1, 2068, which is the result of a sale transaction effective December 17, 1998. The note's carrying value, net of imputed interest at a rate of 5%, is \$3,130,817 and \$3,146,319 at December 31, 2020 and 2019, respectively.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

5. Capital Assets and Leasehold Improvements

Capital assets and leasehold improvements activity for the year ended December 31, 2020 was as follows:

	December 31, 2019				December 31, 2020		Estimated
	Balance	Additions	Disposals	Transfers	Balance		Useful Lives
Nondepreciable capital assets:							
Land	\$ 26,243,842	\$ -	\$ -	\$ -	\$ 26,243,842		
Construction in progress	6,827,087	2,365,432	-	(7,011,386)	2,181,133		
Total nondepreciable capital assets	<u>33,070,929</u>	<u>2,365,432</u>	<u>-</u>	<u>(7,011,386)</u>	<u>28,424,975</u>		
Depreciable capital assets:							
Parking facilities	179,029,633	-	(1,836,591)	4,561,145	181,754,187		3-50 years
Machinery and equipment	15,328,111	-	-	47,612	15,375,723		3-10 years
Total depreciable capital assets	<u>194,357,744</u>	<u>-</u>	<u>(1,836,591)</u>	<u>4,608,757</u>	<u>197,129,910</u>		
Total capital assets	227,428,673	2,365,432	(1,836,591)	(2,402,629)	225,554,885		
Less: accumulated depreciation	<u>104,705,308</u>	<u>6,666,294</u>	<u>(1,836,591)</u>	<u>-</u>	<u>109,535,011</u>		
Net capital assets	<u>122,723,365</u>	<u>(4,300,862)</u>	<u>-</u>	<u>(2,402,629)</u>	<u>116,019,874</u>		
Leasehold improvements	10,027,113	-	(544,157)	2,402,629	11,885,585		5-50 years
Less: accumulated amortization	<u>3,778,274</u>	<u>642,651</u>	<u>(12,790)</u>	<u>-</u>	<u>4,408,135</u>		
Net leasehold improvements	<u>6,248,839</u>	<u>(642,651)</u>	<u>(531,367)</u>	<u>2,402,629</u>	<u>7,477,450</u>		
Total capital assets and leasehold improvements, net	<u>\$ 128,972,204</u>	<u>\$ (4,943,513)</u>	<u>\$ (531,367)</u>	<u>\$ -</u>	<u>\$ 123,497,324</u>		

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Capital assets and leasehold improvements activity for the year ended December 31, 2019 was as follows:

	December 31, 2018				December 31, 2019		Estimated Useful Lives
	Balance	Additions	Disposals	Transfers	Balance		
Nondepreciable capital assets:							
Land	\$ 26,243,842	\$ -	\$ -	\$ -	\$ 26,243,842		
Construction in progress	1,127,544	8,075,869	(6,500)	(2,369,826)	6,827,087		
Total nondepreciable capital assets	<u>27,371,386</u>	<u>8,075,869</u>	<u>(6,500)</u>	<u>(2,369,826)</u>	<u>33,070,929</u>		
Depreciable capital assets:							
Parking facilities	185,001,245	135	(6,645,574)	673,827	179,029,633		3-50 years
Machinery and equipment	14,757,800	130,598	(327,150)	766,863	15,328,111		3-10 years
Total depreciable capital assets	<u>199,759,045</u>	<u>130,733</u>	<u>(6,972,724)</u>	<u>1,440,690</u>	<u>194,357,744</u>		
Total capital assets	227,130,431	8,206,602	(6,979,224)	(929,136)	227,428,673		
Less: accumulated depreciation	<u>104,487,482</u>	<u>7,085,799</u>	<u>(6,867,973)</u>		<u>104,705,308</u>		
Net capital assets	<u>122,642,949</u>	<u>1,120,803</u>	<u>(111,251)</u>	<u>(929,136)</u>	<u>122,723,365</u>		
Leasehold improvements	9,091,789	36,766	(30,578)	929,136	10,027,113		5-50 years
Less: accumulated amortization	<u>3,358,180</u>	<u>450,672</u>	<u>(30,578)</u>		<u>3,778,274</u>		
Net leasehold improvements	<u>5,733,609</u>	<u>(413,906)</u>	<u>-</u>	<u>929,136</u>	<u>6,248,839</u>		
Total capital assets and leasehold improvements, net	<u>\$ 128,376,558</u>	<u>\$ 706,897</u>	<u>\$ (111,251)</u>	<u>\$ -</u>	<u>\$ 128,972,204</u>		

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6. Changes in Long-Term Liabilities

A summary of long-term obligation transactions for the Authority for the years ended December 31, 2020 and 2019 follows. Additional information regarding bonds payable is included in Note 7:

2020	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable - revenue bonds payable	<u>\$ 45,139,075</u>	<u>\$ 23,490,000</u>	<u>\$ (21,980,344)</u>	<u>\$ 46,648,731</u>	<u>\$ 1,395,000</u>
Other long-term liabilities:					
Greyhound (unearned rent/revenue)	\$ 3,901,249	\$ -	\$ (208,067)	\$ 3,693,182	\$ 208,067
Other postemployment benefits	444,002	-	11,887	455,889	-
Capital lease obligations	<u>11,199</u>	<u>-</u>	<u>(4,105)</u>	<u>7,094</u>	<u>4,217</u>
	<u>\$ 4,356,450</u>	<u>\$ -</u>	<u>\$ (200,285)</u>	<u>\$ 4,156,165</u>	<u>\$ 212,284</u>
2019	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable - revenue bonds payable	<u>\$ 51,294,758</u>	<u>\$ -</u>	<u>\$ (6,155,683)</u>	<u>\$ 45,139,075</u>	<u>\$ 5,360,000</u>
Other long-term liabilities:					
Greyhound (unearned rent/revenue)	\$ 4,109,316	\$ -	\$ (208,067)	\$ 3,901,249	\$ 208,067
Other postemployment benefits	468,976	-	(24,974)	444,002	-
Capital lease obligations	<u>27,225</u>	<u>-</u>	<u>(16,026)</u>	<u>11,199</u>	<u>4,105</u>
	<u>\$ 4,605,517</u>	<u>\$ -</u>	<u>\$ (249,067)</u>	<u>\$ 4,356,450</u>	<u>\$ 212,172</u>

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004, between the Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Authority purchased from Greyhound the property located at the corner of Liberty Avenue and 11th Street for the purchase price of \$6,242,000, which was immediately remitted to the Authority for construction of the Bus Terminal. Pursuant to the terms of the Agreement, the Authority was responsible for constructing the new Bus Terminal in accordance with approved plans and specifications, and Greyhound leases the Bus Terminal from the Authority for an annual base rent of \$1 for an initial term of 30 years. There are three consecutive 10-year extension terms, each with an annual base rent of \$100,000. The

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\$6,242,000 is being recognized as revenue over the term of the lease, which commenced on October 1, 2008.

The Authority has entered into various four-year capital leases for equipment. As of December 31, 2020 and 2019, one lease is remaining. The lease is to be paid in aggregate monthly installments of \$363 and expires August 2022 with interest of 2.6955%. The carrying value of the leased equipment is \$6,875 and \$11,000 at December 31, 2020 and 2019, respectively.

7. Revenue Bonds Payable

2015 Series Bonds

On October 29, 2015, the Authority issued \$67,395,000 in Parking System Revenue Refunding Bonds, Series A of 2015 and \$2,490,000 in Parking System Revenue Refunding Bonds, Taxable Series B of 2015. As of December 31, 2019 and 2020, the Taxable Series B of 2015 bonds were paid in full. The Series A of 2015 bonds will fully mature in 2026.

Proceeds from the Series A of 2015 were used to (1) refund on a current refunding basis a portion of the Authority's outstanding Parking System Revenue Bonds, Series A of 2005, (2) refund on a current refunding basis a portion of the Authority's outstanding Parking System Revenue Bonds, Series B of 2005, (3) refund on an advance refunding basis a portion of the 2005B Bonds, (4) refund on a current refunding basis all of the Authority's outstanding Parking System Revenue Bonds, Refunding Series A of 2005 and Parking System Revenue Bonds, Refunding Series B of 2005, (5) fund a Debt Service Reserve Fund Requirement relating to the 2015 Refunding Bonds by paying a premium on a Municipal Bond Debt Service Reserve Policy, and (6) pay a portion of costs of issuance of the 2015 Refunding bonds.

Net proceeds from the Taxable Series B of 2015 were used to (1) refund on an advance refunding basis a portion of the 2005A Bonds, and (2) pay a portion of the costs of issuance of the 2015 Refunding bonds.

The Authority's refundings through the 2015 Series A and B issues decreased the total debt service over the next 11 years by approximately \$8.5 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately \$7 million. The principal amount of defeased 2005A and 2005B

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bonds outstanding, without consideration of accreted interest, at December 31, 2020 and 2019 was \$0.

The difference between the net carrying value of the 2005 Series Bonds and the reacquisition price is being amortized as a component of interest expense over the shorter of the life of the 2005 Series Bonds and the term of the 2015 Bonds, as follows:

	<u>Original Amount of Deferred Gain(Charge)</u>	<u>Amortization Period</u>
2005 Series Current Interest Bonds	\$ 4,195,851	11 years
2005 Series Refunding Bonds	(179,306)	11 years
2005 Series Capital Appreciation Bonds	<u>(3,117,250)</u>	11 years
Total	<u>\$ 899,295</u>	

2020 Series Bonds

In November 2020, the Authority issued \$23,490,000 in Federally Taxable Parking System Revenue Refunding Bonds, Series of 2020. Proceeds from the Series of 2020 Bonds were used to (1) advance refund a portion (\$15,735,000) of the outstanding Series A of 2015 Bonds, (2) current refund a portion (\$4,370,000) of the outstanding Series A of 2015 Bonds, (3) fund the Debt Service Reserve Fund requirement relating to the 2020 Bonds, and (4) pay the costs of issuing and insuring the 2020 Bonds.

The Authority's refundings through the 2020 Series increased the total debt service over the next 12 years by approximately \$10.5 million. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and new bonds) of approximately \$1.3 million. The principal amount of defeased Series A of 2015 bonds outstanding at December 31, 2020 was \$15,735,000.

The refunding was completed to reduce the annual debt service payments and improve cash flow through the COVID-19 pandemic which had a negative impact on economies on local, national and global levels, and as a result, the Authority as well. The amount of the current refunding was \$4,872,626, and the Authority's principal and interest payments for 2020 were reduced from \$7,453,000 to \$2,580,375 as a result of the refinancing. The amount of the advanced refunding was \$18,356,000, of which \$17,955,445 which was placed in an escrow account to pay the bonds as they become due.

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The difference between the net carrying value of the 2015 Series Bonds and the reacquisition price is approximately \$3.6 million and is being amortized as a component of interest expense over the shorter of the life of the 2015 Series Bonds and the term of the 2020 Bonds, which is 6 years.

The Authority will make interest only payments on the Series 2020 bonds until 2026. The Series 2020 bonds will fully mature in 2032.

As of December 31, 2020 and 2019, the outstanding balances were as follows:

	<u>2020</u>	<u>2019</u>
2015 Series A Refunding	\$ 20,765,000	\$ 41,860,000
Plus: unamortized premium	<u>2,393,731</u>	<u>3,279,075</u>
Subtotal	23,158,731	45,139,075
2020 Series	<u>23,490,000</u>	<u>-</u>
Total Bonds Payable	<u>\$ 46,648,731</u>	<u>\$ 45,139,075</u>

The aggregate maturities of the bonds payable for fiscal years ending after December 31, 2020 are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,395,000	\$ 1,605,970	\$ 3,000,970
2022	3,770,000	1,526,913	5,296,913
2023	3,820,000	1,338,413	5,158,413
2024	3,870,000	1,147,413	5,017,413
2025	3,925,000	953,913	4,878,913
2026-2030	19,840,000	2,480,047	22,320,047
2031-2032	<u>7,635,000</u>	<u>302,345</u>	<u>7,937,345</u>
	<u>\$ 44,255,000</u>	<u>\$ 9,355,014</u>	<u>\$ 53,610,014</u>

The bond agreements contain certain financial covenants that require, among other things, the maintenance of specified debt coverage ratios. As of December 31, 2020 and 2019, the Authority was in compliance with these covenants.

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8. Operations

Location	Date Opened	Line/Stacked Spaces
Parking facilities:		
Third Avenue Garage	November 1952	575/100
Mellon Square Garage	June 1955	798/250
Ninth and Penn Garage	November 1958	*
Fort Duquesne/Sixth Garage	July 1959	920/30
Smithfield/Liberty Garage	June 1965	587/0
Forbes/Semple Garage	October 1978	449/50
Wood/Allies Garage	June 1984	542/50
Shadyside Garage	November 1992	208/19
Monongahela Wharf	Pre-1950	458/0
First Avenue Parking Garage	May 2001	1,243/100
Second Avenue Parking Plaza	October 1997	810/0
Oliver Garage	November 1998	476/150
Grant Street Transportation Center	September 2008	991/0
On-street meters	Various	7,823
Metered lots	Various	1,549

*The Ninth and Penn Garage was disposed of on May 31, 2019. The Authority was in the planning process for a new facility when the outbreak of COVID-19 spread globally. The Authority will only move forward with the project if demand is sufficient to support a new facility.

Parking Facilities

The Authority operates the Mellon Square, Smithfield/Liberty, Forbes/Semple, Wood/Allies, Shadyside, Monongahela Wharf, First Avenue, Second Avenue, Grant Street Transportation Center, Oliver, and the Ft. Duquesne/Sixth facilities with its own personnel.

The Authority operates the Third Avenue parking facility under a management agreement with a parking facility operator. The operator has guaranteed minimum revenue for the facility, expense limits on certain items and other expenses are completely reimbursable. The current agreement began on June 1, 2019, and expires on May 31, 2022, with two one-year renewal options.

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Governmental Cooperation Agreement with the City of Pittsburgh

Prior to January 1, 2015, the City and the Authority were governed by the February 2000 Amended Cooperation Agreement. This agreement was amended effective January 1, 2015. The operations of the Authority as described are governed by the 2015 Governmental Cooperation Agreement (Amended Agreement). This agreement expires January 31, 2050.

Under the terms of the Amended Agreement, in the event that total amounts of all payments from the Authority to the City (excluding parking tax payments), exceed \$18.5 million with respect to any fiscal year of the Authority, any such excess amounts will be split equally by the City and the Authority. The Authority's share of the excess was \$0 and \$1,265,943 for years ended December 31, 2020 and 2019, respectively. The City and Authority agreed in principle to renegotiate the Agreement, beginning in 2019, with the goal of a reduction in the \$18.5 million threshold in an effort to factor long-term capital planning of the Authority and certain redevelopment plans of the City. These discussions were put on hold during 2020, but have resumed beginning 2021.

Mellon Square and Monongahela Wharf Parking Facilities

The Mellon Square facility, which is operated by the Authority, has been leased from the City since 1954.

Under the terms of the Amended Agreement with the City, the Authority operates the Monongahela Wharf parking facility. Under the terms of the Amended Agreement, the Authority receives 50% of the revenue net of parking tax and incurs all costs of operations for the facility. The City receives 50% of the revenue from the parking facility after the parking tax deduction and before operating expenses.

These payments to the City are made only after the Authority successfully meets its annual debt service requirements. This agreement effectively subordinates the Authority's annual payments, providing additional security for Authority bondholders. The payment is due no later than March 15th of each year.

Meter Operations

The Authority operates metered lots in various neighborhood business districts of the City. The Authority receives all revenue and receipts from the lots and incurs all costs of operations.

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Under the terms of the Amended Agreement with the City, the Authority receives the first \$4.6 million of on-street meter revenue. The Authority also receives the operating expenses associated with the on-street multi-space parking meters, including credit card fees. The City maintains its authority to set the on-street meter rates; however, the Authority maintains legal title of the on-street meters.

The payment to the City is made only after the Authority successfully meets its annual debt service requirements. This agreement effectively subordinates the Authority's annual payment, providing additional security for Authority bondholders. The payment is due no later than March 15th of each year.

Pittsburgh Parking Court

In November 2004, the Pennsylvania State Legislature approved Act 237 decriminalizing the Authority's parking tickets and transferring the management, adjudication, and collection of parking tickets issued by the Authority from the City to the Authority. The respective duties and responsibilities of each entity are spelled out in the Amended Agreement. Under the terms of the Amended Agreement, the City receives 100% of the net revenues of the Pittsburgh Parking Court (net of all expenses, including the residential permit parking operating deficit). The management of the Pittsburgh Parking Court has been contracted out to a third-party service organization. The current management contract expires April 30, 2021, with one three-year renewal option remaining.

Residential Permit Parking

The Residential Permit Parking Program provides for on-street parking permits in designated areas of the City. The Authority administers and incurs all costs related to this program and collects all fees. Under the terms of the Amended Agreement, the City maintained its authority to set Residential Permit Parking permit fees and for the designation and recertification of RPP areas and related planning activities.

Payment in Lieu of Real Estate Taxes

Under the terms of the Amended Agreement, the Authority makes an annual payment in lieu of real estate taxes to the City of \$1.9 million. However, the payment to the City is made only after the Authority successfully meets its annual debt service requirements. This agreement effectively subordinates the Authority's annual payment in lieu of real estate taxes, providing

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additional security for Authority bondholders. The payment is due no later than March 15th of each year.

Collective Bargaining Agreements

Some of the employees of the Authority are covered by collective bargaining agreements. The Automotive Chauffeurs, Parts and Garage Employees, Local Union No. 926 (Teamsters Union), which covers facility employees, represents approximately 40% of the labor force. The current collective bargaining agreement began on January 1, 2019 and expires on December 31, 2021.

The American Federation of State, County, and Municipal Employees, District Council 84, Local 2719, which covers employees of the Meter Operations, Parking Enforcement, and Residential Permit Parking programs, represents approximately 33% of the labor force. The current collective bargaining agreement expires December 31, 2021.

9. Pension Plans

Public Parking Authority of Pittsburgh Pension Plan

General Information. The Authority established the Public Parking Authority of Pittsburgh Pension Plan (Plan) effective January 1, 1980. The Plan is a defined benefit plan covering substantially all employees not covered by another plan and is funded by employer and employee contributions. The Plan, established and administered by the Authority, provides retirement, disability, and death benefits to Plan members and beneficiaries. Medical insurance benefit payments are provided to a limited number of retirees, and a limited number of participants are eligible for future medical insurance benefits. The medical insurance benefits are not significant in relation to overall Plan activity. The Authority has the ability to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

Under the Plan, eligibility for normal benefits begins at age 60, at which time the individual is entitled to an annual retirement benefit, payable monthly for life. This benefit is equal to 1.50% of the average monthly compensation, plus 0.50% of average monthly compensation in excess of \$1,000 times the years of service plus a longevity payment.

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Early retirement is available to all participants who have reached the age of 50 and have at least eight years of service. Individuals who begin receiving benefits prior to the normal retirement date receive reduced benefits.

Supplemental Benefit - Participants who joined the Plan on or after January 1, 1995 receive a \$100 per month until age 65, provided they retire on or after age 60.

Pre-Retirement Death Benefits – Upon the death of an active participant who is eligible for early retirement, the surviving spouse shall be entitled to 50% of the participant’s accrued benefit reduced for early retirement and the joint and 50% survivor benefit.

Disability Benefits – Accrued benefits for participants who qualify for Social Security benefits and who have eight or more years of service.

Vesting Schedule – Participants are 100% vested after eight years of service.

Employees Covered by Benefit Terms. Participation in the Plan was as follows:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries		
currently receiving benefits	39	33
Inactive plan members entitled to but		
not yet receiving benefits	10	8
Active plan members	<u>56</u>	<u>65</u>
	<u>105</u>	<u>106</u>

Contributions. Participants contribute 5.0% of earnings. The Authority’s contribution to the plan is based on actuarially determined rates.

Net Pension Asset. The Authority’s net pension asset was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of December 31, 2020 and December 31, 2019. There were no plan changes in 2020. For 2019 and 2020, the measurement date and the valuation date were the same.

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Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal (level % of salary)
Actuarial assumptions:	
Investment rate of return	6.50%
Underlying inflation rate	2.40%
Salary projection	4.50%

For healthy lives, mortality is in accordance with the Pub-2010 General Employees Amount-Weight Mortality Table with different rates for actives, disabled, retirees, and contingent survivors.

Actuarial assumptions were based on an actuarial experience study for the period January 1, 2020 to December 31, 2020.

Changes in Actuarial Assumptions. There were no changes to the discount rate. The mortality improvement scale was updated from MP-2019 to MP-2020 in response to mortality improvement studies released by the Social Security Administration. The underlying inflation rate was reduced from 2.50% to 2.40%.

The Public Parking Authority of Pittsburgh Pension Plan defines the Pension Board, its duties, powers, and responsibility. The Pension Board has the responsibility to administer the plan, manage and control the Pension Fund and enter into such trust agreements, custodial agreements, and insurance contracts with respect thereto as it deems appropriate. The Pension Board approved an Investment Policy Statement and reviews it annually and makes changes as it deems appropriate.

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Long-Term Expected Rate of Return. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	44.0%	5.50%
International equity	16.0%	5.75%
Fixed income	40.0%	2.00%
Real estate	0.0%	4.20%
Cash	0.0%	0.00%
	<u>100.0%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions would continue at the current rates and that the Authority would contribute the Minimum Municipal Obligation (MMO) in the future. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the lifetime of the plan.

The long-term expected rate of return on pension plan investments is applied to all periods of projected benefit payments where assets are available. For periods of projected benefit payments where assets are insufficient to meet benefit payments, an average 20-year municipal bond rate for bonds rated Aa and above as of December 31, 2020 of 1.54% is applied. A single level discount rate is determined that is equivalent to the two individual rates used to discount cash flows. Since assets are projected to cover all future benefit payments, the long-term expected rate of return on pension plan investments of 6.50% is used as the discount rate.

Rate of Return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year

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ended December 31, 2020, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 14.74%.

Concentrations. The Plan did not have investments in a single issuer that exceeded 5% of the Plan's fiduciary net position at December 31, 2020 and 2019.

Changes in Net Pension Asset. Changes in the Authority's net pension asset are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances at 12/31/19	\$ 14,981,432	\$ 18,138,767	\$ (3,157,335)
Changes for the year:			
Service cost	481,928	-	481,928
Interest	971,648	-	971,648
Experience (gain) loss	(86,382)	-	(86,382)
Assumption (gain) loss	-	-	-
Employer contributions	-	140,422	(140,422)
Member contributions	-	165,995	(165,995)
Net investment income (loss)	-	2,922,845	(2,922,845)
Benefit payments	(547,940)	(547,940)	-
Other	-	(1,750)	1,750
Balances at 12/31/20	<u>\$ 15,800,686</u>	<u>\$ 20,818,339</u>	<u>\$ (5,017,653)</u>

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	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 12/31/18	\$ 14,098,453	\$ 15,165,587	\$ (1,067,134)
Changes for the year:			
Service cost	452,515	-	452,515
Interest	915,347	-	915,347
Experience (gain) loss	-	-	-
Employer contributions	-	125,172	(125,172)
Member contributions	-	168,311	(168,311)
Net investment income	-	3,166,030	(3,166,030)
Benefit payments	(484,883)	(484,883)	-
Other	-	(1,450)	1,450
Balances at 12/31/19	\$ 14,981,432	\$ 18,138,767	\$ (3,157,335)

Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate. The following presents the net pension liability/(asset) of the Authority, calculated using the discount rate of 6.50%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
2020	\$ (3,282,962)	\$ (5,017,653)	\$ (6,490,789)
2019	(1,492,263)	(3,157,335)	(4,575,966)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions. The Authority recognized pension expense of approximately (\$661,000) and (\$66,000) for the years ended December 31, 2020 and 2019, respectively.

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	<u>2020</u>	<u>2019</u>
<u>Deferred outflows of resources:</u>		
Changes of assumptions	\$ 235,745	\$ 372,806
<u>Deferred inflows of resources:</u>		
Difference between expected and actual experience	(181,605)	(334,959)
Net difference between projected and actual earnings on pension plan investments	<u>(2,248,548)</u>	<u>(1,173,708)</u>
	<u>\$ (2,194,408)</u>	<u>\$ (1,135,861)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2021	\$ (644,104)
2022	(397,825)
2023	(802,910)
2024	(349,569)
2025+	<u>-</u>
	<u>\$ (2,194,408)</u>

Multiple-Employer Defined Benefit Plan

The Authority had 46 and 48 facility employees in the years ended December 31, 2020 and 2019, respectively, who are participants in a cost-sharing multiple-employer defined benefit plan administered through the Western Pennsylvania Teamsters and Employers Pension Fund (Pension Fund) that is not a state or local governmental pension plan; provides defined benefit pensions both to employees of local governments and to employees of employers that are not governmental employers; and the plan has no predominant local governmental employer. Financial information for the Pension Fund is available, for a fee, by writing the Western Pennsylvania Teamsters and Employers Pension Fund, 49 Auto Way, Pittsburgh, PA 15206-0260. The Authority is required to make weekly payments based upon the number of

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participating employees to the Pension Fund as defined in the Teamsters Union labor agreement that expires December 31, 2021. No employee contributions are required or permitted. Total pension expense for the participating employees was \$269,068 and \$274,217 for the calendar years 2020 and 2019, respectively. Under federal law, this Pension Fund has been certified as being in critical status, because it has funding or liquidity problems, or both. Future employer contributions are likely to rise. Substantial withdrawal payments would be required if the Authority chose to withdraw, and the withdrawal was approved.

10. Other Post-Employment Benefits (OPEB)

General Information. The Public Parking Authority of Pittsburgh Post-Employment Healthcare Plan (Healthcare Plan) is a single-employer defined benefit healthcare plan administered by the Authority. There is no separate audit requirement. The Authority has not accumulated assets for the Healthcare Plan in a trust. The Healthcare Plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. Benefits are provided according to retirees' date of retirement and the benefits allotted as of the Healthcare Plan benefits at that date. The retiree is responsible for any premium cost in excess of the provided benefit. Payments to retirees are made on a reimbursement basis.

Benefits available under the Healthcare Plan are as follows:

Retirees as of December 31, 1994 – Continue medical and dental coverage received under prior Plan which includes both pre-Medicare and Medicare coverage for retiree and spouse. Medicare coverage consists of Medicare Part B plus the participant elects either Security 65 Plan B or Security Blue HMO.

Active Participants as of December 31, 1994 – Entitled to the single active premium at retirement date. This amount shall be frozen at retirement date and provided until age 65. Retirees age 65 and over shall receive the 65 Special Premium and Medicare Part B premium at retirement date, such amount also being frozen at date of retirement. No medical coverage shall be provided to a participant who elects a lump sum option under the Pension Plan. The Authority pays up to \$1,750 of the deductible for each retiree entitled to post-retirement medical insurance prior to age 65.

Life Insurance – For all employees of the Authority retiring on or after age 60, the Authority pays for half the cost of a \$6,000 life insurance policy provided the employee pays for the other half.

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Employees Covered by Benefit Terms. Participation in the Healthcare Plan was as follows:

	<u>2020</u>	<u>2019</u>
Active - Medical	3	3
Active - Life Only	53	62
Retirees and spouses - pre 95 with medical	2	3
Retirees - post 95 with medical	4	5
Retirees - life insurance only	9	4
	<u>71</u>	<u>77</u>

Total OPEB Liability. The components of the total OPEB liability of the Healthcare Plan at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Total OPEB liability	\$ 455,889	\$ 444,002
Plan fiduciary net position	-	-
Net OPEB liability	<u>\$ 455,889</u>	<u>\$ 444,002</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0%</u>	<u>0%</u>

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed on December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement:

- Actuarial cost method – Entry Age Normal, level percentage of pay;
- Retirement rates – Eligibility at age 60; 100% attainment at age 65
- Plan participation – Life Insurance 20%; Pre 65 Medical Benefit 100%; Post 65 Medical Benefit 100%
- Mortality – Healthy Annuitant: SOA PubG-2010 Headcount Weighted Healthy Mortality Table with MP-2020 mortality improvement; Contingent Survivor: SOA PubG-2010 Headcount Weighted Contingent Survivor Mortality Table with MP-2020 mortality improvement; Disabled Lives: SOA PubG-2010 Headcount Weighted Disabled Mortality Table with MP-2020 mortality improvement
- Salary increase – 4.50% per annum;

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- Discount rate: 1.93% per annum;
- Healthcare cost trend rate – Medical: 6.25% to 5.75% over two years, and then following the Getzen model thereafter; Dental 5%

Changes in Actuarial Assumptions. The discount rate is 1.93% based on the S&P 500 High Grade 20 Year Municipal Bond Index as of December 31, 2020, compared to the prior discount rate of 3.64% based on the S&P Municipal Bond 20 Year High Grade Rate Index, the mortality assumption was updated to the SOA PubG-2010 Headcount Weighted Mortality Table for Health, Contingent Survivor and Disabled Lives with MP-2020 mortality improvement from the RP-2014 Fully Generational Blue Collar Mortality Table with MP-2018 mortality improvement, and trend was updated to health care cost trend rate to be 6.25% in 2020, grading down to 5.75% uniformly over two years, and then following the Getzen model thereafter. The prior trend was the healthcare cost trend rate assumed to be 7.5% in 2018, grading down to 6.75% uniformly over four years, and then following the Getzen model thereafter.

Discount Rate. The discount rate used to measure the total OPEB liability was 1.93%.

Changes in the Total OPEB Liability. The changes in the total OPEB liability of the Authority for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2019	\$ 444,002	\$ -	\$ 444,002
Changes for the year:			
Service cost	2,554	-	2,554
Interest	15,350	-	15,350
Experience losses (gains)	(53,993)	-	(53,993)
Changes of assumptions	72,817	-	72,817
Contributions - employer	-	24,841	(24,841)
Benefits paid	(24,841)	(24,841)	-
Net changes	11,887	-	11,887
Balances at December 31, 2020	\$ 455,889	\$ -	\$ 455,889

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The changes in the total OPEB liability of the Authority for the year ended December 31, 2019 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2018	\$ 468,976	\$ -	\$ 468,976
Changes for the year:			
Service cost	2,432	-	2,432
Interest	15,594	-	15,594
Contributions - employer	-	43,000	(43,000)
Benefits paid	(43,000)	(43,000)	-
Net changes	(24,974)	-	(24,974)
Balances at December 31, 2019	\$ 444,002	\$ -	\$ 444,002

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following represents the total OPEB liability calculated using the stated discount rate, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
2020	\$ 503,153	\$ 455,889	\$ 415,648
	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
2019	\$ 482,990	\$ 444,002	\$ 410,214

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Sensitivity of the Total OPEB Liability to Changes in the Medical Trend Rate. The following presents the total OPEB liability calculated using the stated medical trend assumption, as well as what the total OPEB liability would be if it were calculated using a medical trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease in Getzen Model</u>	<u>Current Getzen Model</u>	<u>1% Increase Getzen Model</u>
2020	\$ 454,264	\$ 455,889	\$ 457,585
	<u>1% Decrease in Getzen Model</u>	<u>Current Getzen Model</u>	<u>1% Increase Getzen Model</u>
2019	\$ 435,396	\$ 444,002	\$ 447,251

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEBs. For the years ended December 31, 2020, and 2019, the recognized OPEB expense is \$21,668 and \$18,026, respectively.

At December 31, 2020 and 2019, the Authority reported deferred outflows and inflows of resources related to OPEBs from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred outflows of resources:		
Changes of assumptions	\$ 58,254	\$ -
Deferred inflows of resources:		
Experience losses (gains)	<u>(43,194)</u>	<u>-</u>
	<u>\$ 15,060</u>	<u>\$ -</u>

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Amounts reported as deferred outflows and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2021	\$	3,764
2022		3,764
2023		3,764
2024		3,768
2025+		-
	\$	<u>15,060</u>

11. Deferred Compensation Plan

The Authority offers its employees a Deferred Compensation Plan (Deferred Plan) sponsored by the Allegheny League of Municipalities, created in accordance with Internal Revenue Code Section 457. The Deferred Plan, available to all full-time employees, excluding Teamsters Union employees, permits them to place a portion of their salary into a retirement fund and defer taxes on those salaries until withdrawal at authorized age or retirement condition. Participation in the Deferred Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participants' rights under the Deferred Plan are equal to the fair market value of the deferred account for each participant. In compliance with IRS regulations, the deferred compensation assets were placed in trust and thereby removed from the claims of general creditors of the Authority.

12. Commitments and Contingencies

There are various matters of pending litigation in which the Authority is involved. The Authority's legal counsel has advised that it is not able to determine the outcome of any of the pending litigation; however, management believes that it is unlikely such matters would significantly affect the financial position of the Authority. Accordingly, the Authority's financial statements do not include any adjustment for possible effects.

The Authority maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Authority against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year. Settled claims have not exceeded insured levels for the last three years.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

13. COVID-19

In December of 2019, a new strain of corona virus known as COVID-19, was initially detected in China and began a global spread including the United States. It was identified as a “public health emergency of international concern” by the World Health Organization (WHO) in late January 2020, and further escalated to “global pandemic” status by the WHO on March 11, 2020. As a result of the mitigation efforts employed by all levels of government and business to contain the spread within the United States, all economic activity was disrupted, and the operation of the Authority has been negatively impacted.

On March 6, 2020, Pennsylvania Governor Tom Wolf declared a disaster emergency in the Commonwealth followed by issuance of an order on March 19, 2020 to temporarily close all non-life-sustaining businesses in Pennsylvania. On April 1, 2020, the Governor issued a stay-at-home order for all counties in the Commonwealth with respect to all activities, except as needed to access, or provide life-sustaining activities. On March 18, 2020, through order of the City, the Authority halted meter enforcement and instructed employees to stay home effective March 23rd. The Authority senior Management team along with input from the existing Board of Directors took the necessary steps of implementing expense reductions and conserving cash. With the possibility of an extended shutdown to the City of Pittsburgh, as well as Allegheny County, Management reacted swiftly by reducing operating expenditures by around \$10 million and lowering most payments to the City proportionally with the decline in operating revenue.

Given the dynamic nature of this pandemic, the extent to which the COVID-19 virus continues to impact the Authority's results remains uncertain and cannot be predicted at this time. The net impact will continue to depend upon certain developments including, among others, the duration, spread or recurrence of the outbreak, the development and deployment of vaccines and therapeutics, the impact on our customer base, employees, and vendors, as well as any governmental, regulatory, and/or private sector responses, whether active or precautionary, to mitigate the virus.

14. Natural Classifications with Functional Classifications

The operating expenses within both natural and functional classifications for the years ended December 31, 2020 and 2019 are as follows:

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020	Salaries, Wages, and Benefits	Supplies and Equipment	Utilities, Insurance, Repairs, and Maintenance	Facility and Parking Court Management Fees	Taxes and Licenses	Contractual Professional Fees	Security	Depreciation and Amortization	Other	Total
Parking facility operations	\$ 3,841,726	\$ 64,461	\$ 1,934,360	\$ 228,379	\$ 4,750,010	\$ 507,521	\$ 1,562,026	\$ 6,397,551	\$ 364,710	\$ 19,650,744
Parking enforcement and meter services	1,987,129	168,856	1,595,878	-	394,165	250,856	-	741,097	3,719	5,141,700
Parking court	189,709	1,249	14,548	1,049,275	-	52,541	-	-	-	1,307,322
Administrative	1,075,253	233,778	119,222	-	-	386,787	-	170,297	16,165	2,001,502
Total	\$ 7,093,817	\$ 468,344	\$ 3,664,008	\$ 1,277,654	\$ 5,144,175	\$ 1,197,705	\$ 1,562,026	\$ 7,308,945	\$ 384,594	\$ 28,101,268
<hr/>										
2019	Salaries, Wages, and Benefits	Supplies and Equipment	Utilities, Insurance, Repairs, and Maintenance	Facility and Parking Court Management Fees	Taxes and Licenses	Contractual Professional Fees	Security	Depreciation and Amortization	Other	Total
Parking facility operations	\$ 3,994,056	\$ 96,611	\$ 2,271,329	\$ 337,833	\$ 9,599,616	\$ 957,230	\$ 2,853,550	\$ 5,934,947	\$ 324,699	\$ 26,369,871
Parking enforcement and meter services	2,301,879	139,823	1,671,548	-	788,267	2,173,800	-	1,329,780	23,329	8,428,426
Parking court	224,360	2,607	19,764	1,920,774	-	103,484	-	-	432	2,271,421
Administrative	1,549,766	264,613	134,129	-	-	829,875	-	271,744	59,772	3,109,899
Total	\$ 8,070,061	\$ 503,654	\$ 4,096,770	\$ 2,258,607	\$ 10,387,883	\$ 4,064,389	\$ 2,853,550	\$ 7,536,471	\$ 408,232	\$ 40,179,617

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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SCHEDULE OF CHANGES IN THE NET
PENSION ASSET AND RELATED RATIOS

FOR THE YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	\$ 481,928	\$ 452,515	\$ 481,987	\$ 462,654	\$ 488,278	\$ 440,031
Interest	971,648	915,347	899,919	839,867	838,069	776,343
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(86,382)	-	(325,033)	-	(859,227)	-
Changes of assumptions	-	-	646,928	-	-	-
Benefit payments	(547,940)	(484,883)	(440,667)	(467,956)	(389,269)	(328,144)
Net Changes in Total Pension Liability	819,254	882,979	1,263,134	834,565	77,851	888,230
Total Pension Liability - Beginning	14,981,432	14,098,453	12,835,319	12,000,754	11,922,903	11,034,673
Total Pension Liability - Ending (a)	\$ 15,800,686	\$ 14,981,432	\$ 14,098,453	\$ 12,835,319	\$ 12,000,754	\$ 11,922,903
Plan Fiduciary Net Position:						
Plan member contributions	\$ 165,995	\$ 168,311	\$ 173,841	\$ 165,043	\$ 157,328	\$ 157,012
Employer actuarially recommended contributions	140,422	125,172	71,894	196,664	206,996	330,521
Net investment income (loss)	2,922,845	3,166,030	(695,289)	2,294,081	833,202	95,527
Benefit payments	(547,940)	(484,883)	(440,667)	(467,956)	(389,269)	(328,144)
Other	(1,750)	(1,450)	(1,515)	(1,661)	(1,661)	(1,498)
Net Change in Plan Fiduciary Net Position	2,679,572	2,973,180	(891,736)	2,186,171	806,596	253,418
Plan Fiduciary Net Position - Beginning	18,138,767	15,165,587	16,057,323	13,871,152	13,064,556	12,811,138
Plan Fiduciary Net Position - Ending (b)	\$ 20,818,339	\$ 18,138,767	\$ 15,165,587	\$ 16,057,323	\$ 13,871,152	\$ 13,064,556
Net Pension Liability (Asset) - Ending (a-b)	\$ (5,017,653)	\$ (3,157,335)	\$ (1,067,134)	\$ (3,222,004)	\$ (1,870,398)	\$ (1,141,653)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	131.76%	121.07%	107.57%	125.10%	115.59%	109.58%
Covered Payroll	\$ 3,055,795	\$ 3,533,750	\$ 3,238,675	\$ 3,368,018	\$ 3,177,618	\$ 3,319,327
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-164.20%	-89.35%	-32.95%	-95.66%	-58.86%	-34.39%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary pension schedules.

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SCHEDULE OF AUTHORITY CONTRIBUTIONS - PENSION
FOR THE YEARS ENDED DECEMBER 31
LAST TEN YEARS*

Authority Plan*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 140,422	\$ 125,172	\$ 71,894	\$ 194,764	\$ 206,996	\$ 330,521
Contributions in relation to the actuarially determined contribution	140,422	125,172	71,894	196,664	206,996	330,521
Contribution deficiency (excess)	-	-	\$ -	\$ (1,900)	\$ -	\$ -
Covered payroll	\$ 3,055,795	\$ 3,533,750	\$ 3,238,675	\$ 3,368,018	\$ 3,177,618	\$ 3,319,327
Contributions as a percentage of covered payroll	4.60%	3.54%	2.22%	5.84%	6.51%	9.96%
Annual money-weighted rate of return, net of investment expense	14.74%	19.58%	-4.21%	16.43%	6.16%	0.66%

*This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

Notes to Required Supplementary Pension Schedules:

Valuation Date: Actuarial calculations are performed each year as of January 1. Contributions noted above are as of the pension plan's calendar year ending December 31 using actuarially determined contribution rates calculated as of January 1, one year prior to the end of the calendar year in which contributions are reported.

Changes in Benefit Terms

None.

Changes in Assumptions Beginning December 31, 2020

The mortality improvement scale was updated from MP-2019 to MP-2020 in response to mortality improvement studies released by the Social Security Administration. The underlying inflation rate was reduced from 2.50% to 2.40%.

Changes in Assumptions Beginning December 31, 2019

The mortality was changed from the RP-2014 Fully Generational Blue Collar Mortality Table with mortality improvement MP-2018 from 2006 to the PUB-2010 General Employees Amount-Weighted Mortality with Scale MP-2019 with separate rates for employees, retirees, disableds, and contingent survivors

Changes in Assumptions Beginning December 31, 2018

The discount rates was changed from 7.00% to 6.50%. The salary scale was changed from 5.00% to 4.50%. The employee termination and retirement rates were changed based on a study of the Plan's experience from 2008 through 2018. The mortality rate was changed from the RP2000 Mortality Table with Scale AA Projection to the valuation date to the RP-2014 Fully Generational Blue Collar Mortality Table with mortality improvement MP-2018 from 2006.

There were no changes in assumptions for the years 2015 through 2017.

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial cost method	Entry Age Normal (Level % of Salary)
Amortization method	Funding adjustment is equal to 10% of the unfunded actuarial accrued liability
Remaining amortization period	Not applicable
Asset valuation method	Adjusted market value where asset gains or losses are calculated each year as the difference between the expected market value (based on the funding rate of interest) and the actual market value of the assets on the valuation date. These gains or losses are then recognized over a four-year period at 25% per year, with the actuarial value of assets subject to the minimum of 80% and a maximum of 120% of the market value.
Inflation	2.50%
Salary increases	4.50%
Investment rate of return	6.50%
Mortality	For healthy lives, mortality is in accordance with the PUB-2010 General Employees Amount-Weighted Mortality Table with different rates for actives, disabled, retirees, and contingent survivors.

Authority Participation in the Teamsters Cost-Sharing Multiple-Employer Defined Benefit Plan

	2019	2019	2018	2017	2016	2015
Required contributions (all made by the Authority)	\$ 269,068	\$ 274,217	\$ 261,074	\$ 251,903	\$ 226,695	\$ 222,131

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SCHEDULE OF CHANGES IN THE NET
OPEB LIABILITY AND RELATED RATIOS

FOR THE YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2020	2019	2018
Total OPEB Liability:			
Service cost	\$ 2,554	\$ 2,432	\$ 2,327
Interest	15,350	15,594	16,471
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(53,993)	-	-
Changes of assumptions	72,817	-	-
Benefit payments	<u>(24,841)</u>	<u>(43,000)</u>	<u>(37,327)</u>
Net Changes in Total OPEB Liability	11,887	(24,974)	(18,529)
Total OPEB Liability - Beginning	<u>444,002</u>	<u>468,976</u>	<u>487,505</u>
Total OPEB Liability - Ending (a)	<u>\$ 455,889</u>	<u>\$ 444,002</u>	<u>\$ 468,976</u>
Plan Fiduciary Net Position:			
Plan member contributions	\$ 24,841	\$ 43,000	\$ 37,327
Employer actuarially recommended contributions	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Other	<u>(24,841)</u>	<u>(43,000)</u>	<u>(37,327)</u>
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability (Asset) - Ending (a-b)	<u>\$ 455,889</u>	<u>\$ 444,002</u>	<u>\$ 468,976</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Employee Payroll	<u>\$ 3,055,795</u>	<u>\$ 3,533,750</u>	<u>\$ 3,238,675</u>
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	14.92%	12.56%	14.48%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary OPEB schedules.

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SCHEDULE OF AUTHORITY CONTRIBUTIONS - OPEB

FOR THE YEARS ENDED DECEMBER 31
LAST TEN YEARS*

Authority Plan*

	2020	2019	2018
Actuarially determined contribution	\$ 36,039	\$ 36,486	\$ 36,491
Contributions in relation to the actuarially determined contribution	24,841	43,000	37,327
Contribution deficiency (excess)	\$ 11,198	\$ (6,514)	\$ (836)
Covered employee payroll	\$ 3,055,795	\$ 3,533,750	\$ 3,238,675
Contributions as a percentage of covered employee payroll	0.81%	1.22%	1.15%

*This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

Notes to Required Supplementary OPEB Schedules:

Valuation Date: Actuarial calculations are performed each year as of January 1. Contributions noted above are as of the pension plan's calendar year ending December 31 using actuarially determined contribution rates calculated as of January 1, one year prior to the end of the calendar year in which contributions are reported.

Changes in Benefit Terms

None.

Changes in Actuarial Assumptions

The discount rates was updated to 1.93% from 3.64%, the mortality assumption was updated to the SOA PubG-2010 Headcount Weighted Mortality Table for Health, Contigent Survivor, and Disabled Lives from MP-2018 mortality improvement, and trend was updated to health care cost trend rate to 6.25% in 2020 grading down to 5.75% over two years.

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial cost method	Entry Age Normal (Level % of Salary)
Retirement Rates	100% upon attaining retirement eligibility of age 65
Plan Participation	Life Insurance 20%; Pre 65 Medical Benefit 100%; Post 65 Medical Benefit 100%
Salary Increases	4.50%
Discount rate	1.93%
Healthcare cost trend rate	Medical: 6.25% in 2020 downgraded to 5.75% uniformly over 2 years, and then following the Getzen Model Dental: 5%
Mortality	For healthy lives, mortality is in accordance with SOA PubG-2010 Headcount Weighted Healthy Mortality Table with MP 2020 For disabled lives, mortality is in accordance with SOA PubG-2010 Headcount Weighted Disabled Mortality Table with MP-2020 For Contigent Survivor, mortality is in accordance with SOA PubG-2010 Headcount Weighted Contigent Survivor Mortality Table with MP-2020