Parking System Agreement Summary:

The Parking System Agreement (the "Agreement") between Metro and Parking Company is intended to be the most city-friendly model to date. While other cities and higher education institutions have completed similar projects, Metro's negotiated Agreement strikes a true partnership with the Parking Company and includes important improvements that provide Metro greater public policy control and financial protections. This Agreement differs from previous transactions in several ways.

1. **Partnership, not a Sale.**

a. Intentionally Modest Up-Front Payment to Metro. Unlike some other precedent transactions, the Parking Company will make a relatively small up-front payment to Metro of $34M. This payment is an advance against guaranteed improvements in net revenues that the Parking Company will generate. The smaller up-front payment results in a greater alignment of interests between the Parking Company and Metro in terms of future operational innovations as both parties will share in benefits above guaranteed payments.

b. More Reliable Cost Forecasting and Better Technology. The Parking Company will make a substantial initial investment (currently anticipated at $6.2M) to improve the Parking System technology and infrastructure. The Parking Company and Metro will jointly establish required reserves for anticipated future operating and capital Expenses of the System. Future parking system revenues will fund these reserves so that Metro will no longer pay for system improvements out of general Metro operating revenues. Strong financial incentives and Metro Traffic and Parking Commission oversight will ensure that the Parking Company makes regular improvements to the Parking System to keep up with technological innovations in a now rapidly changing industry.

c. Metro is Assured of Continued Receipt of 100% of its Current Net Income. Metro currently generates about $1,500,000 in net income each year from the operation of the System (the "Priority Payment"). From 2020 onward, Metro will continue to receive this Priority Payment (increasing by CPI) before Parking Company receives any payout. By subordinating all its payments to Metro's right to receive the Priority Payment, the Parking Company is essentially guaranteeing that Metro will be better off during the life of the transaction than it is today.

d. Parking Company Receives only a Modest Return on Its Invested Capital. After payment of all System expenses, funding of all reserves and payment of the Priority Payment, the Parking Company will recover its invested capital (amortized over the 30-year term of the Agreement) plus a 6% return on its invested capital. The Parking Company is taking 100% of the risk that Parking System revenues will be sufficient to pay this amount over the term of the Agreement. This is not a loan comparable to Metro debt, but rather an advance against the guaranteed new revenues for which the Company is completely at risk. Metro has transferred to the Company both the risk of performance and the risk that the parking business itself may change dramatically over that period.

e. Parking Company works for Metro with Metro and the Traffic and Parking Commission making all Policy Decisions. After the above guaranteed payments, Parking Company and Metro will share in the proceeds. This will give both parties the incentive to continually improve customer service and lower the costs of the Parking System. Parking Company will report quarterly to Metro regarding proposed operating innovations and provide Metro with much better management data regarding how public policy decisions will impact revenues of the parking system, (e.g., lowering or raising individual meter rates, managing residential parking time limits, changing the size of the system, introducing dynamic pricing, or granting of subsidized parking). This management data will help Metro make better public policy decisions. Importantly, Metro and the Traffic and Parking Commission will maintain final authority over all public policy decisions relating to the Parking System and the parties will share in the impact of those decisions. Metro also reserves the right to remove meters from use for special occasions and would only need to compensate the Parking Company if Metro makes substantial unanticipated changes to the Parking System (e.g., if a major change reduced the total meter spaces and rates below those anticipated in the most conservative Metro projections). Unlike other prior transactions, however, Metro can offset any such compensation events with any other beneficial events (e.g., Metro can offset reduced meter rates in one area with increases in the number of meters in other areas). Moreover, unlike other prior transactions around the country, once the Parking Company has received its maximum return of 9.75% discussed below, Metro can make any policy changes it wants (even if those changes reduce the revenue of the parking system) without any obligation to compensate the Parking Company.

f. **Metro is Protected from Giving Away a Financial Windfall.** Some critics of public private partnerships have lamented that cities enter into arrangements that result in a financial windfall for private providers. To protect itself in this Agreement, Metro negotiated the following benefits: The Agreement 1) transfers operating risk to the Parking Company; 2) transfers the responsibility for ongoing System modernization and technology upgrades to the Parking Company; 3) requires an up-front payment of $34 million; 4) incorporates an upside revenue sharing arrangement that starts at 50% for Metro and rises to 100% for Metro; and 5) caps the total return the Company can make. Metro has reserved the right to receive 90% of all system revenues if at any time the Parking Company receives greater than a 9.75 internal rate of return on its investment. The Parking Company is not guaranteed that rate of return and will only receive that return on its investment if the Parking System meaningfully improves its operating performance above current levels. Moreover, because of the unique nature of the Parking Company as a non-profit entity in the business of serving cities, at the end of the Agreement, if the Parking Company receives more than a 9.75% internal rate return on its investment, the Parking Company will donate 100% of the excess back to Metro – which is effectively a 100% share of revenue.

2. **Parties - The Winning Consortium is Bringing a Unique Combination of Talents:**

a. Counterparty – a non-profit subsidiary of the Arizona Industrial Development Authority (“AZIDA”) formed specifically for this project. AZIDA is a quasi-governmental entity that has bond issuing capacity. This is an entity in the business of helping other governmental entities. As noted above, if any excess revenue over the amount needed to cover the bond payments is earned, all the excess will be donated back to Metro.

b. Operator - LAZ Parking. LAZ is a leading parking operations company. This will bring best-in-class operational improvement to Metro. The Agreement requires regular meetings with LAZ to pursue improvements to the Parking System after approval by the Traffic and Parking Commission. LAZ will provide the Traffic and Parking Commission with real-time data that will improve the Traffic and Parking Commission’s ability to make policy decisions. While the scope of the Contract initially relates to on-street metered parking spaces, LAZ will make regular recommendations relating to other curb management opportunities that will improve the Parking System. While Metro has no obligation to accept those recommendations, the financial incentives of the Agreement will allow Metro and the Traffic and Commission to approve those system improvements by agreeing to changes in Operating Procedures, without radically amending the Agreement.

c. Financial Support - Preston Hollow. Preston Hollow is a large infrastructure fund. By committing to purchase 100% of the bonds issued by AZIDA, Preston Hollow allows Metro to avoid all the risk of underwriting bonds. Preston Hollow will also sit on AZIDA’s board along with members of Metro providing expertise and oversight of the Operator and managing improvements of the Parking System.

d. **Metro as Partner, Customer and Enforcement Manager.** Throughout the Agreement, Metro retains the ability to decide rates, enforcement hours, location of parking meters, and the level of fines and fees. Metro, through the Traffic and Parking Commission, will serve as the Contract Compliance Office as contrasted with being the day-to-day operator of the system. This will give the Traffic and Parking Commission and Metro Public Works a better ability to be informed of new technologies and model the effect of any changes through the real-time data captured by the partnership. Metro will continue to have ultimate oversight regarding the issuance of parking violations but will do so based on information more efficiently provided by LAZ to designated Metro Parking enforcement personnel. Public safety officers will retain 100% of their current rights relating to parking violations and curb violation enforcement.

3. **Metro Retains Termination Rights.** Metro has retained the right to terminate the Agreement in its sole discretion and without cause. This allows Metro the flexibility to take a different path with parking, should Metro decide that is the best course of action. With a termination, Metro would owe a termination payment to Parking Company sufficient to provide the Parking Company with at 9.75% internal rate of return on its investment through the date of termination as well as costs to unwind the transaction, but no penalty payments. This payment is not punitive, but rather ensures that Parking Company is put in the same position it was in before the Agreement. Meanwhile, Metro will be in a better position, even after a termination, due to the guaranteed payments received over the life of the Agreement up to the termination date.

4. **The Parking System Remains Metro Property.** Unlike prior parking transactions, the Parking Company does not require "ownership" of system assets, even for tax purposes. Metro will retain ownership of all parking assets and any data generated by such assets. This data will allow Metro to make improvements and operating decisions even after the end of the Agreement. Metro can ensure that any sensitive information is adequately protected through its ownership of the data.

5. **Metro Retains its Operational Flexibility.** Metro has retained the ability to remove up to one hundred and fifty meters at any one time without triggering a compensation event. Metro has also retained the right to shut down meters for key "public events" and to use metered spaces for emergency vehicles and street repairs without making compensation payments. This gives Metro the flexibility to maintain discretion on city planning, as there is no penalty associated with this removal. Metro can make decisions requiring removal of meters in confidence that there is no negative outcome under the Agreement. This "basket" of meters that Metro can take out of service for events will increase in the same proportion as newly added spaces, as well. This will give Metro the ability to grow and react to changes in parking habits or patterns within Nashville.

Given all these reasons, this Agreement represents a Metro-friendly partnership that allows for Metro to retain flexibility in its policy decisions, while improving customer service, controlling costs, and increasing net revenue. Metro can move forward in any direction it determines is best, given its ability to terminate and the fact that it maintains ownership of the assets and data. Any policy decision by Metro that limits the revenue of the system is handled by the flow of funds within the System and Metro should not have to pay out of pocket for the ability to determine policy. This Agreement was drafted with the benefit of the experience of other cities and has been negotiated to be the best parking public private partnership to date. This Agreement should serve as the model agreement for cities across the country going forward capturing all the efficiency benefits that a public private partnership can offer, without unduly restraining local policy makers from making decisions to further improve the City.