



**CPAs & BUSINESS ADVISORS**

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# **FINANCIAL MODELING RELATING TO THE SIOUX FALLS PUBLIC PARKING ENTERPRISE FUND**

March 2021

# ENGAGEMENT OVERVIEW

- We developed a financial model portraying a five-year projection for the Sioux Falls Public Parking Enterprise (Parking Enterprise) under the cash basis of accounting.
- This model was driven by historical data and management's representations.
- Our deliverable for these consulting services is a memo identifying the findings from three scenarios, along with the management provided cash flows projection.
- We were engaged for a consulting project and we are not offering any assurance on the projections nor are we offering any analysis on the achievability of the projections.

# FINANCIAL MODEL DEVELOPMENT

- **Three scenarios**
  - Scenario 1: Lower Usage
  - Scenario 2: Higher Usage
  - Scenario 3: Breakeven
- **Scenario Development**
  - **Revenue**
    - Five revenue generating line items
    - Occupancy was modified to drive changes to the scenarios
    - Known rate changes were incorporated into the model
  - **Expenditures**
    - 2021 expenditures were based on management's representations
    - Future years are grown by an inflationary rate based on 2021, excluding:
      - Capital improvements
      - Repairs and maintenance
    - Debt Obligations are pulled from the bond amortization schedule
  - **Available Cash**
    - Beginning cash balance is from the 2019 CAFR, rolled forward to 2020
    - Cash required in reserves of \$1,854,000 is determined by bond indenture.

# SCENARIO 1: LOWER USAGE

- Development
  - Ramps
    - 2021: Usage percentages are based on the lowest average occupancy in 2020
    - 2022: Usage percentages increased from 2020 but below 2019.
    - 2023-2025: Usage is based on average of 2019.
    - Note: Mall Ave Ramp and 1<sup>st</sup> Ave. Ramp had different treatment due to new ramp opening.
  - Lots
    - 2021: Usage percentages are based on the lowest average occupancy in 2020
    - 2022: Usage percentages increased from 2020 but below 2019.
    - 2023-2025: Usage is based on average of 2019.

# SCENARIO 1: LOWER USAGE

Summary of Scenario 1: Lower Usage	2021	2022	2023	2024	2025
Revenue	2,580,805	3,002,747	3,398,745	3,445,109	3,491,473
Operating Expenditures	1,798,541	1,817,639	1,862,314	1,923,938	2,018,891
Debt Service	1,533,231	1,555,454	1,575,232	1,652,465	1,510,301
<b>Profit (Loss)</b>	<b>(750,967)</b>	<b>(370,346)</b>	<b>(38,801)</b>	<b>(131,294)</b>	<b>(37,719)</b>
<i>Available Cash Balance (Excludes Required on Hand)</i>	<i>687,239</i>	<i>316,893</i>	<i>278,092</i>	<i>146,798</i>	<i>109,080</i>

- Findings
  - Loss in each year, along with a declining balance in available cash
  - Growth in operating expenditures and debt services outpaces revenue growth
  - Cash is sufficient to support operations over five-year period
  - Fund could run out of cash if total expenditures outpace total revenues for an extended period
- Full schedules on page 6 of the memo

# SCENARIO 2: HIGHER USAGE

- Development
  - Ramps
    - 2021: Usage percentages are based on the average occupancy in 2020
    - 2022-2025: Usage percentages are based on the average of 2019
    - Note: Mall Ave Ramp and 1<sup>st</sup> Ave. Ramp had different treatment due to new ramp opening.
  - Lots
    - 2021-2025: Usage percentages are based on the average of 2019

# SCENARIO 2: HIGHER USAGE

<b>Summary of Scenario 2: Higher Usage</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Revenue	3,087,714	3,409,336	3,552,462	3,600,625	3,648,788
Operating Expenditures	1,798,541	1,817,639	1,862,314	1,923,938	2,018,891
Debt Service	1,533,231	1,555,454	1,575,232	1,652,465	1,510,301
<b>Profit (Loss)</b>	<b>(244,058)</b>	<b>36,243</b>	<b>114,916</b>	<b>24,222</b>	<b>119,596</b>
<i>Available Cash Balance (Excludes Required on Hand)</i>	<i>1,194,148</i>	<i>1,230,391</i>	<i>1,345,307</i>	<i>1,369,530</i>	<i>1,489,126</i>

- **Findings**
  - Loss in 2021 and profit from 2022 through 2025
  - Profitability varied, as expenditures grew at a faster rate than revenue.
  - Cash is sufficient to support operations over five-year period, with growth in available cash balance in 2022.
- Full schedules on page 10 of the memo

# SCENARIO 3: BREAKEVEN

- **Development**
  - Revenues were set equal to total expenditures
- **Findings**
  - Revenues for 2021 would need to exceed that calculated in 2021 under the assumptions of both Scenario 1 and Scenario 2.
    - Scenario 2 largely reflects the occupancy of 2019, when 96 percent occupancy in the leased parking spots was experienced, except for the Mall Ave. Ramp and the 1<sup>st</sup> Ave. Ramp.
  - Implied ramp occupancy for 2021 through 2025 would be above the average for 2020, but below what was experienced in 2019.
    - The Mall Ave. Ramp is not included in the 2019 occupancy data.
  - Implied lot occupancy for 2021 through 2025 would be above the average for 2020 and in line with prior years.
  - Under this scenario, the cash balance remains consistent throughout the years included in the model.
- **Full schedules on page 13 of the memo**



# MANAGEMENT'S PROJECTION

Summary of Management's Projection	2021	2022	2023	2024	2025
Revenue	3,318,478	3,388,346	3,434,320	3,599,863	3,648,032
Operating Expenditures	1,798,541	1,812,025	1,850,817	1,906,278	1,994,779
Debt Service	1,533,231	1,555,454	1,575,232	1,652,465	1,510,301
<b>Profit (Loss)</b>	<b>(13,294)</b>	<b>20,866</b>	<b>8,272</b>	<b>41,119</b>	<b>142,952</b>
<i>Available Cash Balance (Excludes Required on Hand)</i>	<i>1,424,912</i>	<i>1,445,778</i>	<i>1,454,050</i>	<i>1,495,169</i>	<i>1,638,121</i>



# NOTES OF CONSIDERATION

- Modeling did not incorporate cost control measures that could increase profitability.
- Cost control measures could include, but are not limited to the following :
  - Impact of variable expenditures
  - Delaying certain projects
  - Allocating employees to different roles within the City of Sioux Falls
  - Additional increases to lease rates of ramps and lots



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