

PROPOSED SERVICE REDUCTIONS/FARE INCREASES

FREQUENTLY ASKED QUESTIONS

Q. Why is Port Authority facing yet another funding crisis?

- The federal government's decision to not approve tolling on Interstate 80 has removed a cornerstone of the state's Act 44 transportation funding program. The impact is felt statewide by road, bridge and public transportation systems.

Q. Are you saying that the State Legislature failed in its effort to deliver reliable and predictable funding for transit?

- Absolutely not. The State Legislature took a bold step in 2007 by creating a dedicated transportation funding source in Act 44. Unfortunately, the federal government denied the state's plan to toll Interstate 80, which has created this statewide shortfall. The Port Authority is committed to working with county, state and federal elected officials on identifying a solution to the funding gap.

Q. Are you saying that Act 44 should be changed to provide the Port Authority more money at the expense of other transit agencies in the Commonwealth?

- A. Absolutely not. Act 44 accomplished much of what it was designed to do. We do not advocate changing the Act, or even the distribution formula in the Act. We do advocate that we identify a reliable, dedicated and growing source to fund statewide transportation needs. The Port Authority is committed to working with county, state and federal elected officials on identifying a solution to the funding gap.

Q. Isn't this really a problem with Port Authority's legacy costs, labor expenses, etc.?

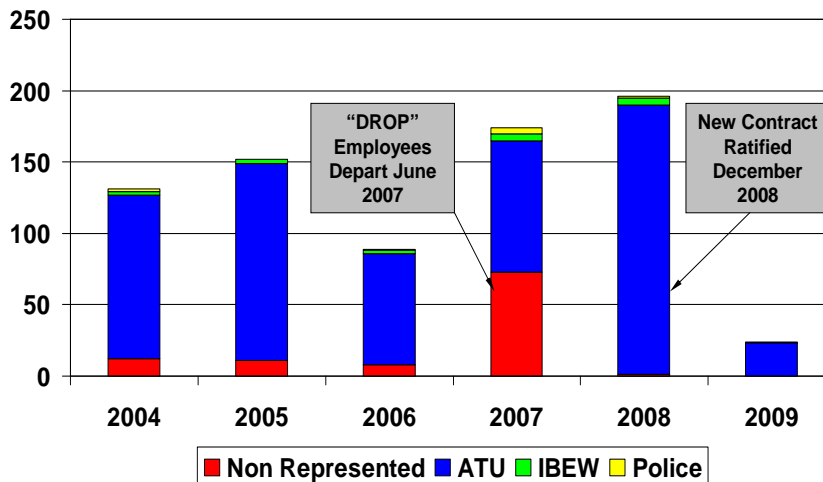
- A. Without doubt, "legacy costs" remain a huge burden to the Port Authority – one that no other transit system in the Commonwealth faces. Despite unprecedented gains in bargaining, and radical restructuring of non-represented employee benefits, Port Authority's post-retirement benefits (particularly healthcare) remain a tremendous millstone around the neck of the organization. Unfortunately, State law prohibits any further restructuring of pension and healthcare benefits for current retirees, who account for nearly 50% of Port Authority's healthcare costs.

Over the past 10 years, healthcare and pension expenses have risen at an **annual** rate of 21.8% on average, while **all other expenses** in the Port Authority budget have risen at only 1.8% annually. In our 2010-11 fiscal year, Port Authority projects to spend approximately \$32 million on retiree healthcare – almost half its total healthcare budget. Philadelphia's transit agency, SEPTA, projects similar

expenditures in the neighborhood of \$6 million – while carrying four times as many active employees.

In its most recent collective bargaining agreements, ratified in late 2008 and early 2009, Port Authority significantly curtailed future expenses along these lines – *reducing the annual accrual of future expenses by approximately \$22 million*, making 30 years of service and 60 years of age the new “normal” retirement age. This is already showing results, as 2009 marked the lowest number of retirements in the system in many, many years (see chart below).

Port Authority Retirements by Year



Unfortunately, this does not relieve the Authority of its current obligations to current retirees which are, admittedly, significant.

Q. Isn't it also true that your Bus Drivers are among the highest paid in the nation? How can you complain about funding when that's the case?

The Port Authority operates one of the nation's largest public transportation systems. Operating a public transportation vehicle in large metropolitan areas like these is a uniquely challenging job, with operators facing tremendous traffic problems, large passenger loads, and being subjected to a variety of customer and other challenges that smaller cities just don't face.

In an article published in June of 2010, the Pittsburgh Tribune-Review (hardly an established “fan” of the Port Authority) researched transit operator wages nationally, and reported the following:

“As of March, Port Authority's drivers had the 19th-highest hourly pay out of 246 transit agencies nationwide that Havertown-based John A. Dash and Associates monitors. The American Public Transportation Association ranks the authority 21st-largest in the nation by miles traveled and 25th-largest by passenger boardings.”

It is hard to argue that the disparity between the “19th highest wage” and the “21st or 25th largest transit authority” is a significant problem. Further, the Trib’s research does not point out that the rate of increase in this wage rate has been well below the national average for transit agencies over the past 20 years, and this rank has fallen consistently over that time. It is important to note that this reduced rate of growth means that this ***is not a major cause of current financial shortfalls***. On the contrary, our overall spending on wages and salaries has grown at rates *below* inflation (again, on average, all expenses other than pension and healthcare – including wages – have grown at an annual rate of 1.8% over the past 10 years!).

Finally, and in addition, during the last round of collective bargaining, the Union that represents Port Authority operators agreed to a tripling of employee contributions to healthcare, and 22% increase in employee pension contributions. The result is a net hourly wage rate below that reported in the source data used for the Trib story.

Q. Why is this a state problem? Didn't we fix this with the drink and car rental taxes?

Allegheny County took a historic step in becoming the first region of the Commonwealth to provide for a dedicated local funding source for mass transit. However, the funds generated from both the “drink tax” and the “car rental tax” have been largely used to substitute for property tax funds in meeting the County’s obligations to fund their local share of public transportation, ***not as additional funding for public transportation***. Prior to the enactment of these two taxes, Port Authority received approximately \$25.3 million from the County towards operations. In the current fiscal year, Port Authority will receive approximately \$27.7 million for operations. ***This additional \$2.4 million amounts to less than 1% of total expenses.***

Q. Port Authority always cries about budget deficits – this isn't any different.

A. Public transportation is a public service that does not make a profit anywhere in the US, and probably nowhere in the world. All public transit operators rely on government funding, for both operations and equipment. However, there is a tremendous need for transit service to support economic development and social goals – the return on investment to society from public transit spending is tremendous. When Port Authority “cries poor,” we simply mean that available resources can’t possibly meet justified need.

Over the past 3 years, we've clearly made reforms, improved service efficiencies, and taken many steps to do our part. It's up to the community to decide whether current service levels are sufficient or not.

Many cost drivers are substantially outside our direct control, such as fuel prices, market returns on pension assets and health insurance costs. What is entirely within our control are service levels and fares. We believe it would be unfair to the community if we did not make them aware of the impacts – on service and fares – of cuts in State funding.

The debate over the appropriate balance between public subsidy and user fees for public transportation is healthy, as long as it is in a civil environment. However, for an automobile driver to say “make the bus riders pay for the entire cost of service” is entirely hypocritical, when they themselves do not pay for the entire cost of their ride. Placing a higher burden of the cost of public transportation on users will result in higher fares and less service.

Q. *What about Federal Funding? Isn't the Federal Transportation funding program scheduled for reauthorization? Isn't it likely that this will solve the problems?*

A. Current Federal Transportation law prohibits the use of Federal funds for operations, and only allows for capital maintenance. While this may or may not change in the future, due to a current backlog of capital projects, even the allowance of operating funding by the Federal government would not address the problem unless it came with a massive infusion of new money. In fact, the “death spiral” we're currently observing with Pennsylvania's Act 44 could become exacerbated at the Federal level, as lower levels of service and ridership will reduce Pittsburgh's share of scarce Federal funds.

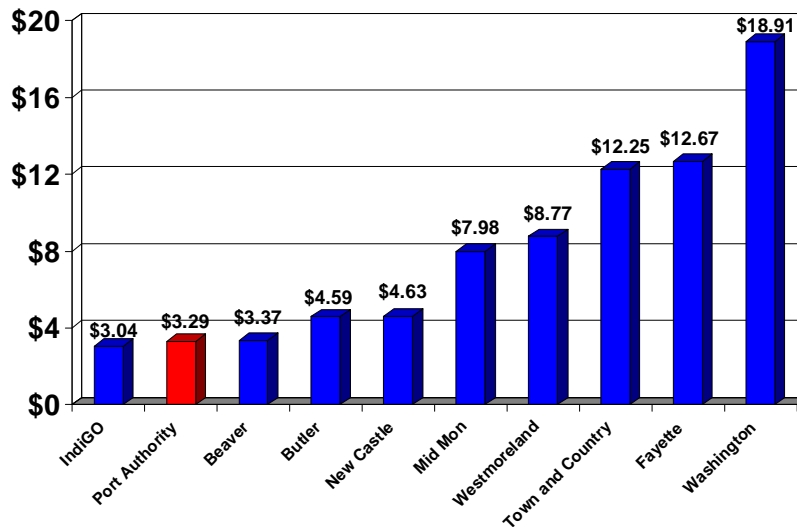
Q. *Why don't you just let the private sector take over more of your routes? The private carriers seem to be thriving in the suburbs.*

Port Authority was formed in the late 1950s and early 1960s due to the financial failure of 33 private transit operators. This failure occurred even though the population of Pittsburgh was twice then what it is now, transit ridership was about 40% higher than today, and lower levels of suburban sprawl meant that these carriers served smaller geographic areas. In essence, the Port Authority (as with the transit systems of all US Cities) was formed specifically because private operators **could not** operate public transportation services profitably, and there was (and is) broad recognition that public transportation is a public service in the same way that roads, schools and police protection are.

The suburban carriers in Pittsburgh **are** thriving. However, they are not private, for-profit carriers. They are public authorities, in many ways similar to Port Authority, and their services **are** subsidized, just like Port Authority. In fact, according to the

most recent “Regional Transit Report Card,” produced by the Southwest Pennsylvania Commission (SPC), Port Authority received the second **lowest** public subsidy per passenger of any of the 10 public transit agencies in the SPC region, as shown in the chart below:

SPC Region Subsidy per Boarding Passenger



Source: Southwest Pennsylvania Commission 2009 “Transit Report Card” Update.

Although some of the regional carriers (i.e., Butler, Westmoreland) do subcontract for their services with private entities, the relationship is one of subsidized contracting (as Port Authority has with ACCESS for paratransit service), not self-sustaining private operation.

Closer to home, in June 2007, Port Authority reduced its service hours by 15%, including the complete elimination of 29 bus routes. To date, not a single one of these eliminated routes has been “picked up” by the private sector.

We also need to point out that several of the suburban carriers who have experienced tremendous ridership increases over the past several years benefit tremendously from their ability to use the Martin Luther King, Jr. East Busway, South Busway and West Busway. Port Authority was responsible for the design, funding, and construction of these facilities, and remains responsible for the maintenance of these facilities, a tremendous financial advantage for the regional carriers and their customers!

Q. How can you complain about being short of money when you're building that "Tunnel to Nowhere" that everyone's complaining about?

- A. If we were to cancel the North Shore Connector today, Port Authority would still be facing a \$47 million budget deficit. The dollars used to fund the North Shore Connector are not, by law, eligible to use for operating expenses.

Planning for the North Shore Connector began in the mid-90s under the guidance of the City of Pittsburgh, and it became a regional priority. Port Authority simply became the implementer of that project.

The North Shore Connector is the last of the "big projects" in Port Authority's foreseeable future, as our focus changes to sustaining current services as much as possible, and sustaining our infrastructure in a state of good repair.

The North Shore Connector is also being constructed with a high level of focus on cost control, as evidenced by the \$10 million in **cost reductions** compared to original designs achieved to date.

Q. Why should the county, state and federal governments work to help Port Authority? It's so wasteful.

- A. No other transit agency has taken as many steps to implement the operational findings of the Governor's Transportation Funding and Reform Committee Report as the Port Authority.

Port Authority has saved about **\$52 million annually** since FY2006 through service cuts, layoffs, management actions and employee benefits reductions – we've done our part and we continue to look for ways to cut costs.

Port Authority has generated an additional \$14 million in new annual revenue through two fare increases.

Without a solution to the funding gap, **more than 90** Allegheny County communities will be left without **any** public transit service or lose significant service on weekdays or weekends—or both—by January 2011.

Q. I thought Port Authority fixed its financial mess with the last labor contract?

- A. Port Authority significantly decreased its post-retirement healthcare costs through changes to non-represented benefits and through collective bargaining.

Where it has control, Port Authority has contained its costs. Over the past 10 years, healthcare and pension costs, which are largely out of Port Authority's control, have risen at an **annual** rate of **21.8%** on average, while **all other expenses** in the Port Authority budget have risen only **1.8%** annually.

State law prohibits any restructuring of pension and healthcare benefits for current retirees, who account for nearly 50% of Port Authority's healthcare costs.

Since the passage of Act 44 in 2007, no public transit agency in the Commonwealth of Pennsylvania has been more aggressive about improving efficiency and acting on the recommendations of the Governors Transportation Funding and Reform Commission than the Port Authority of Allegheny County.

Q. *Why shouldn't you just keep changing your system so that you live within the funds currently provided?*

A. Unfortunately, Port Authority is now forced to do just that—raise fares and cut service by 35%. Without a funding solution, Port Authority will be forced to raise fares and cut service next year and the year after that and the year after that. The result is a continued “death spiral” for transit in Allegheny County.

Without a solution to the funding gap, more than 90 Allegheny County neighborhoods will be left without any public transit service or lose significant service on weekdays or weekends—or both—by January 2011.

Q. *So, if you are going to cut service by 35% in January, why implement the September TDP route changes?*

The Transit Development Plan is the cornerstone of Port Authority's efficiency initiatives by making more productive use of the funding that we receive.

Q. *So, what's the solution?*

A. Port Authority's Board of Directors has sent a letter to Gov. Ed Rendell encouraging the state to resubmit its application for tolling I-80. The Board believes I-80 revenue would play an important part in a comprehensive transportation package.

Port Authority, its stakeholders and dozens of other transportation agencies and users throughout the Commonwealth have committed publicly to assist county, state and federal elected officials in identifying a reliable, predictable and growing funding source, and publicly supporting them in their adoption of a source.

Q. *Why do senior citizens ride for free when the rest of us have to pay?*

A. Senior citizens may not have to put money into the farebox but they do not ride for free – the Commonwealth of Pennsylvania provides funding for senior citizen rides.

Q. *Why do University of Pittsburgh, Carnegie Mellon University and Chatham University students and staff ride for free?*

A. Port Authority has transportation contracts to provide unlimited access to Port Authority's services for university students, faculty and staff in exchange for a lump-sum reimbursement. These university agreements provide Port Authority with a predictable revenue stream of millions of dollars and have resulted in increased ridership.

Q. *Can a portion of Pennsylvania's gas tax be used to fund public transportation?*

A. Unfortunately, the Constitution of the Commonwealth of Pennsylvania prohibits the use of gas tax revenues for the purpose of funding public transportation.

Q. *What criteria does Port Authority use when it creates a service reduction plan?*

A. Port Authority staff is committed to providing the highest level of public transit services for all the citizens and communities of Allegheny County. When faced with the unpleasant task of reducing service levels in response to a budget deficit, routes and trips with low ridership are identified. The availability of alternate transit service is also a factor. In addition, input from the public is vital in helping to determine how to minimize the impact of the service reductions.