

PORT AUTHORITY OF ALLEGHENY COUNTY
MINUTES OF THE REGULAR BOARD MEETING
FRIDAY, JUNE 24, 2011

The Regular Meeting of the Board of Port Authority of Allegheny County was held on Friday, June 24, 2011 at 9:30 a.m. at the Authority's Administration Offices, 345 Sixth Avenue, Pittsburgh, Pennsylvania, 15222-2527, pursuant to due public notice given as required by law.

Board Members:

John A. Brooks, Chairman
Guy A. Mattola
Joan Ellenbogen
James Dodaro
Richard Taylor
Jeff Letwin
Mavis Rainey
Eddie Edwards (via phone)
Joel L. Lennen, General Counsel

Media:

Tom Fontaine, Tribune-Review
Jon Schmitz, Post-Gazette

Port Authority Staff:

Stephen Bland, chief executive officer, Bill Miller, Bus Operations officer, Wendy Stern, assistant general manager Planning and Development, Mike Cetra, assistant general manager Legal and Corporate Services, Winston Simmonds, Rail Operations/Engineering officer, Tony Trona, director Purchasing and Materials Management, Fred Mergner, assistant manager Scheduling, Brenda Fink, director Internal Audit, Heather Pharo, Public Relations representative, Tom Noll, director Technical Support and Capital Projects, Deborah Skillings, Community Outreach coordinator, Diane Williamson, executive assistant

Others:

Jonathan Robison, ACTC, Annette Kroll, Jim Robinson, ACTC, James Love, ACTC, Stu Strickland, ACTC, Jon Smith, ACTC, Joe DiFiore, Parsons Brinkerhof, David Ortiz, Rand, Joe Bianco, MEC, Joan Natko, ACTC, Peggy Howarth, Monroe County Transit, Richard Mutchler, Monroe County Transit, Joe Catanese, County Council, Mark Piffer, County Council, Patrick McMahon, ATU Local 85

The Chairman called the meeting to order and recommendation was made for approval of the minutes of the May 27, 2011 Regular Board Meeting. The motion was moved, seconded and passed.

The Chairman called on Mr. Jonathan Robison, president of Allegheny County Transit Council for public comment. Mr. Robison reported that this is the last time he will be addressing the Board as the President of ACTC. In accordance with ACTC bylaws, it is required that he take a one-year sabbatical. He announced that his successor has been elected, and effective July 1, 2011, Jim Robinson of Wilkinsburg will be the new president of the council.

Mr. Robison continued by saying that there is much unfinished business between Port Authority and ACTC. First, of course, is adequate funding. He noted that the Transportation Funding Advisory Commission, established by Governor Corbett, is suppose to recommend a solution to the transportation funding problem by the end of July.

Mr. Robison suggested to the Board and individually that everyone contacts the Commission to encourage them to do a good job. Any solution will require active support, and we should be ready to help provide that support.

Mr. Robison then said that he trusts that the Board will continue to plan improvements in the Port Authority system and implement improvements when funding permits. As he ends his presidency, he trusts that ACTC will continue its advisory and advocacy role to develop and share ideas.

Mr. Robison stated that he would like to share his ideas on a new day at Port Authority, which is lifeline service. There should be at least a few buses for a community each day, even if that community does not have the potential of enough riders; service is more important than simplicity.

Also, every rider has a right to know when the bus they need is actually coming just by making a call on their cell phone. We have the technology to this; we need the determination.

Another important issue is Bus Rapid Transit (BRT) in the East Corridor, which Port Authority is already working on this, and finally, accessibility on the light rail. Mr. Robison was shocked to find that many stops and stations are "low platform" stops, totally inaccessible to someone in a wheelchair.

Mr. Robison ended his report by thanking the Board for the pleasure and privilege of working with them.

The Chairman thanked Jonathan for all he has done during his tenure as President of ACTC and his continued advocacy for the riders of Allegheny County.

The Chairman called on Mr. Steve Bland for a report.

Mr. Bland reported that we will be hearing from Mr. Mattola on this year's budget later in the meeting. Probably the most significant action item on the agenda today is the adoption of the FY 2012 budget and stressed that the importance of the budget probably isn't in any of the detailed line items. The budget that the Board will adopt, which will hold current fare and service levels constant through at least June 30, 2012, is designed to give our state leadership time to address the statewide transportation funding crisis. He continued saying that what we hope with the adoption of this budget today is that it does buy enough time for our state leadership to work towards the ultimate solution and it will require a comprehensive solution.

Mr. Bland said that we are encouraged because there has been a tremendous amount of interest, and the interest is growing at a statewide level, on addressing the statewide problem for all modes of transportation, and we are especially interested, as ACTC and other stakeholders around the state are, in the recommendations and findings of the Governor's Transportation Funding Advisory Commission.

Mr. Bland added that there are certainly other issues that have to be addressed to assure the long-term sustainability of public transportation in the Pittsburgh region, but number one most important and highest on the list, is the adoption of a reliable, predictable, dependable source of funding that grows with inflation.

We are hopeful that this budget will provide, although not long, but a window of opportunity for us to work as a region and as a Commonwealth to assure the long term viability of public transportation.

Mr. Bland recognized Mr. Jonathan Robison at this time. Most of us in Port Authority have known Jon for several years now. There is no other ardent, spirited, devoted advocate for public transportation as Jonathan. We literally have hundreds of thousands in this region but Jon put it on the line every time. He puts himself on the line on behalf of all of our riders, not just ACTC members, not just for himself. Even though Jonathan's term as president has come to a close, Mr. Bland suspects that we will still be crossing paths very regularly.

Mr. Bland speaks for all of our staff who knows Jonathan, that it has been a pleasure working with him during his time with ACTC,

He continued saying that as CEO, he expects ACTC to challenge us on things, and under Jonathan's leadership that just what they did. He expects us to work together toward improving the service for the community and that level of debate is very helpful. Whether we want to hear it or not, Jon's criticism and observations have been extremely helpful and will, in the long term, help us make a better system.

As Jonathan mentioned, ACTC has elected a new president, Mr. Jim Robinson. We are looking forward to working with him and the other newly elected officers, Mr. Stuart Strickland of McCandless as vice president [who is in the audience this morning], and Ms. Elizabeth Kuntz of Brentwood as treasurer.

This is a very challenging time in the history of public transportation, particularly in the Pittsburgh region, and speaking for himself and his staff, Mr. Bland thanked ACTC and said how much we appreciate the efforts of all ACTC members who really are the advocates for service.

Mr. Bland concluded his remarks by extending a very warm welcome to two special guests, Mr. Rick Mutchler and Ms. Peggy Howarth. Mr. Mutchler is the Chairman of the Board, and Peggy is the Executive Director of the Monroe County Transportation Authority, better known as the Pocono Pony in the Strausburg area. They are from about as far away from Pittsburgh that you can possibly get and still be in Pennsylvania.

Mr. Mutchler and Ms. Howarth are getting around the state trying to see how other boards operate and how governance models and other transit agencies operate. We are very happy to welcome them here to Pittsburgh.

This concluded Mr. Bland's report.

The Chairman called on Mr. Letwin for the report of the Performance Oversight Committee.

Mr. Letwin reported that a meeting of the Performance Oversight Committee was held on Wednesday, June 15, 2011 and the notes from the May 18, 2011 meeting were approved by the committee.

The operating budget results for the month of May were presented. The total revenue for May and year-to-date were favorable primarily due to advertising revenue and other income. The expenses for

May and year-to-date were favorable to budget due primarily to purchased services, employee benefits, and amount capitalized.

There were nine resolutions reviewed by the committee and are being recommended for approval.

First, the committee reviewed four procurement actions which listed in the board packet in the amount of \$26,773,101.48. The committee found these bids to have been submitted in accordance with the Authority's procurement policies and procedures, the prices to be fair and reasonable, and the bidders to be responsive and responsible. The committee recommends these items for award for a total cost of 26,773,101.48.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Mr. Taylor, seconded by Mr. Mattola, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to enter into a revolving credit facility with Huntington National Bank to finance working capital cash flow deficits. The Authority receives annual operating grants from the Commonwealth and from Allegheny County, and the timing of the receipt of these grants is not expected to match the operating expenditures which the Authority is required to make. Accordingly, the Authority requires a revolving credit facility to fund working cash flow deficits.

The proposal received by Huntington National Bank was the highest rated received from the three proposals. The Authority desires to enter into a working capital credit facility with Huntington National Bank for FY 2012 with a term to begin on or about September 1, 2011 in an amount not to exceed \$25 million.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Mr. Dodaro, seconded by Mr. Mattola, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to enter into an agreement with the Department of Homeland Security for FY 2011 Transit Security Grant Funding. The FY 2011 Grant Program is providing funding for transit projects that meet national goals to strengthen the security of the nation's transit systems.

The Authority is developing proposals to request a total of approximately \$1 million to further ensure security of the Authority's bus and rail system. These projects include completing on-board CCTV systems on 40 light rail vehicles and high platform CCTV systems installation on the red and blue rail lines. Federal funding provided is 100 percent of total project costs requiring no local funding.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Ms. Ellenbogen, seconded by Mr. Taylor, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to file grant applications with the Pennsylvania Department of Transportation (PENNDOT) or Section 1514 and Section 1517 of Act 44 available for FY 2012. The Commonwealth of Pennsylvania provides Section 1514, Asset Improvement Program, and Section 1517, Capital Improvement Program, assistance to transit operators under the provision of Act 44 of 2007. The Authority must submit applications to PENNDOT throughout the year to obtain the funds available to the Authority. This resolution authorizes the filing of those grant applications with PENNDOT and further authorizes the execution of contracts with PENNDOT for these funds upon approval of the applications.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Ms. Ellenbogen, seconded by Mr. Taylor, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to enter into an agreement with the Eric Ryan Corporation for utility consulting and administrative support services. The Authority requires the services of a contractor to provide the consulting and administrative support services. After publicly advertising the RFP, a single proposal was received and reviewed by the Authority's Evaluation Committee. The single proposal was reviewed and determined to be responsible and the proposer was found to be responsible and qualified to perform the services.

The total not-to-exceed amount recommended for approval for services is \$180,000.00 and is to be allocated by the Authority on an as-needed basis. The agreement will be for a three-year period with the option to extend for up to an additional two years at the sole discretion of the Authority.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Ms. Ellenbogen, seconded by Mr. Mattola, and unanimously agreed that the resolution be approved as presented. [Note: Mr. Taylor abstained.]

The next resolution authorizes the Authority to establish a final year budget with Veolia Transportation Service. The Authority previously entered into a contract with Veolia Transportation to manage the ACCESS Paratransit Program in November 2007. The contract requires that the budget for each contract year be negotiated by the parties and then approved by the Board.

The final year of the contract extends from July 1, 2011 through June 30, 2012. As a result of negotiations, the Authority determined that it is in its best interest to continue the management of the ACCESS Paratransit Program by Veolia Transportation for the not-to-exceed amount of \$2,287,500.00 for the final year of the contract.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Mr. Mattola, seconded by Ms. Ellenbogen, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to file grant applications and enter into the Pennsylvania Department of Transportation DotGrant System. The Authority is required to submit applications to PENNDOT throughout the year in order to receive operating and capital assistance provided to transit operators across the state under the provisions of Act 44. PENNDOT established an online DotGrants system to facilitate the grant application process and requires the Authority to identify position titles that are responsible for preparing applications electronically and act as a liaison with PENNDOT.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Mr. Mattola, seconded by Ms. Ellenbogen, and unanimously agreed that the resolution be approved as presented.

The next resolution authorizes the Authority to amend the cafeteria plan. The cafeteria plan offers certain benefits on a pre-tax basis to offer reimbursement accounts for certain medical and dependent care expenses. The Authority desires to amend the plan effective January 1, 2011 to comply with the Patient Protection and Affordable Care Act by clarifying the plan's definition of dependent and prohibiting reimbursements of over-the-counter medications under the Healthcare Spending Account without a prescription as required by the act.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Ms. Ellenbogen, seconded by Mr. Mattola, and unanimously agreed that the resolution be approved as presented.

The final resolution authorizes the Authority to adopt and implement the 2012 Internal Audit Work Plan. On November 21, 2007, the Board of Port Authority adopted an Internal Audit Department Charter as a statement of policy and an expressed commitment to providing financial and operational oversight to the Authority. To continue its efforts and to further strengthen the transparency and fiscal oversight of the Authority, the Internal Audit Department has prepared an 18-month Internal Audit Work Plan for the period of July 1, 2011 through December 31, 2012.

The Work Plan, which is attached as Exhibit A to the resolution in your packet, was prepared with review and input from the Authority's Chief Executive Officer, our General Counsel, other management personnel, and members of the Performance Oversight Committee. This resolution adopts the Work Plan in its entirety and authorizes relevant Port Authority personnel to fully implement it.

On behalf of the Performance Oversight Committee, Mr. Letwin respectfully requested approval of the resolution as presented.

It was moved by Mr. Mattola, seconded by Ms. Ellenbogen, and unanimously agreed that the resolution be approved as presented.

The committee then received an overview of the May 18 landslide on the West Busway that occurred between the Sheraden Station and the Berry Street Tunnel by John Pisula, project engineer in the Technical Support and Capital Programs Department. As a result, bus service was detoured while a

contractor removed the spoils to stabilize the slope. At that time, they removed approximately 1,750 cubic yards or 175 dump truck loads of debris. An interim capital budget request of \$390,000 for the work performed to date by Soil Nail Design and Installation was submitted to complete the work, and it is expected that the work will be completed by the end of August.

A North Shore Connector project update was given by Project Manager, Keith Wargo. The project is 97 percent complete and on schedule.

This concluded the report of the Performance Oversight Committee.

The Chairman called on Mr. Mattola for a report from the Planning and Development Committee.

Mr. Mattola reported that the Planning and Development Committee met this month to review two very important and timely items. The first was a discussion of the Bus Rapid Transit (BRT) initiative between downtown and Oakland. This project is being advocated by community partners as a means to create a better place to live, work, learn, play, and invest in the corridor between downtown and Oakland. Stakeholders throughout the corridor have requested that Port Authority proceed with a technical analysis that will enable more informed decisions be made about the project.

Participating in the Planning and Development Committee meeting, and sharing perspectives on how BRT will benefit the community and the region, were representatives from Allegheny County, the Allegheny Conference, City of Pittsburgh and Sustainable Pittsburgh. Mr. Dennis Davin, representing Allegheny County Economic Development, discussed how BRT emerged as a priority project of the Transportation Action Partnership (TAP). He described how a TAP visit to Cleveland to experience the city's BRT was a game changer in terms of realizing how BRT in the downtown to Oakland corridor would be instrumental to this region.

Mr. Ken Zapinski, representing the Allegheny Conference, talked about the economic potential of BRT, focusing on its importance to business. Noor Ismail, representing the City of Pittsburgh, discussed how BRT ties into the "Move Pittsburgh" effort and the current efforts underway by the Urban Redevelopment Authority.

The final representative from Sustainable Pittsburgh, and convener of the BRT forum, Court Gould, talked about the forum and all of the partners that have endorsed the advancement. He noted that 14 letters from stakeholders have been sent to the Chairman requesting that Port Authority proceed with the plans for this project.

The second item considered at the Planning and Development Committee meeting was the FY 2012 Operating and Capital Budgets and the FY 2013 Capital Program.

At the meeting, the Finance team discussed assumptions and key cost drivers included in the FY 2012 Operating and Capital Budgets, specifically, the operating budget. The FY 2012 Operating Budget of \$371,152,000 assumes that the current service, fares and staffing levels will remain the same through June 30, 2012, with the expectations that the statewide transportation funding crisis is resolved. Operating budget revenues are anticipated to increase slightly for FY 2012 resulting primarily from an increase in state operating assistance due to the recovery of state sales and use tax proceeds, noting that fuel, along with legacy costs, pension and retiree healthcare, are significant cost drivers in 2012. Fuel is expected to continue to reach historically high levels adding \$5.5 million to the expense budget. The Authority's pension obligation increases by \$13.2 million due to market

losses in 2008. Healthcare costs for both active and retirees continue to grow with legacy costs for retirees equal to our active employees. All emergency flex funds and all but \$10 million of the cash reserves will be used to achieve a balanced budget.

Mr. Mattola then reported that the FY 2012 Capital Budget will total \$182,896,000 and will cover debt service, bus procurement, fixed guideway and facility improvements, as well as operating capitalization and support programs. It assumes completion of the final phases of the North Shore Connector project which will open in 2012. Finally, it includes normalizing the bus replacement cycle to enhance service reliability and operating cost.

As reported numerous times, Mr. Mattola reiterated that Governor Corbett established the Transportation Funding Advisory Committee which is expected to make its recommendations to the Governor on a statewide transportation funding solution by August 1. And needless to say, we are watching this very closely, noting that failure to resolve the statewide transportation funding crisis by June 30, 2012, will result in massive operating deficits for Port Authority in excess of \$30 million for 2013.

On behalf of the Planning and Development Committee, Mr. Mattola respectfully requested approval to adopt the FY 2012 Operating Budget.

Before adopting the operating budget, Ms. Ellenbogen wanted clarification. After some discussion, it was determined that by adopting this budget, we are using all but \$10 million of operating reserves and all of the remaining Rendell flex funds. It was also determined that the projections we have for fuel costs, pension costs and healthcare costs will be critical after June 30, 2012.

Mr. Taylor referred to the \$25 million revolving credit that was just approved and asked at what point we would begin to tap that line of credit in terms of additional funding from the state. Mr. Bland responded that there is not an expectation that we would use that line of credit because of the funding crisis; it is there because the timing of the receipt of these grants is not expected to match the operating expenditures which the Authority is required to make. Accordingly, the Authority requires a revolving credit facility to fund working cash flow deficits.

Mr. Bland continued explaining that the issue is less with fiscal year 2012. As reported by Mr. Mattola, the minimum deficit we are looking at, that means that fuel prices don't go up anymore, health insurance stabilizes, is a \$30 million deficit and there is no way to pay for that.

Port Authority's Chief Financial Officer, Ellen McLean, explained at this time that an important component of this is that our pledge is state assistance and they will take the June and May state assistance payment to cover that \$25 million if we have not paid it back by April. As it stands now with the flex money and the reserves, we won't need to go into the line of credit until late September.

Mr. Bland explained further that if we have not seen any fairly definitive action by the end of the calendar year, we have to start making those preparations for that not to happen. It doesn't mean that those preparations can't be undone but we can't wait until June 30. We expect the Funding Advisory Commission Report out no later than August 1 and likely a pretty spirited debate on all that through the course of the late summer and early fall. So we should have a pretty good look at what our prospects are for FY 2013 by the November timeframe.

The motion to adopt the FY 2012 Operating Budget was moved by Mr. Taylor, seconded by Ms. Ellenbogen, and unanimously agreed that the resolution be approved as presented.

On behalf of the Planning and Development Committee, Mr. Mattola respectfully requested approval to adopt the FY 2012 and FY 2013 Capital Budgets.

Before approval, Ms. Ellenbogen asked for clarification on the capital expenditures. Mr. Bland explained that all dept service payments, fixed guideway, facility improvements and support programs and the operating capitalization are funded. In regards to the new system expansion item, this would be the last year on the North Shore Connector project that is fully funded. The gap that Ms. Ellenbogen referred to, about \$17 million for each of the two years, falls under revenue vehicle replacements for our normal bus replacement program.

A year or two ago, as part of the capital program, we committed to trying to avoid a situation like where we are now where we don't do bus replacements and then you buy a bunch and then they get old at the same time. As Mr. Mattola reported, we are trying to move forward with a more normalized bus replacement program. Port Authority's Bus Operations Officer and his staff identified what that plan would look like. The capital plan identifies working according to that schedule. If this plan is adopted, this is not an obligation on those buses.

Mr. Bland continued explaining that last year we had a similar situation, it may have been a \$20 million deficit in that program, and we were successful in getting unanticipated funding through the Federal Government's State of Good Repair Grant Program in the amount of about \$22 million that allowed us to pursue that program. We will pursue that source of funding again, and we will pursue every other source of funding again. If we are still short, we will have to evaluate the cost/benefit analysis of financing some of the future bus purchases.

One of the debt service elements that we have now is \$16-17 million per year that we are paying for buses that were purchased between 1999 and 2005. In the next couple of years, those start to decline, possibly zeroing out entirely by 2017.

Ms. Ellenbogen stated at this time that she is not comfortable approving a resolution to spend more than we have. General Counsel responded that it says that the operating budget is required to be balanced. It doesn't say anything about the capital budget and there is nothing illegal in the document.

Mr. Bland suggested an amendment to the resolution because the ultimate expenditure of those funds does not occur until the Board approves that purchase.

Mr. Dodaro moved that we adopt the resolution for the capital budget contingent upon us having sufficient grant revenue in order to meet the capital budget. It was seconded by Mr. Taylor, and unanimously agreed that the resolution, as amended, be approved as presented.

This concluded the report of the Planning and Development Committee.

The Chairman called on Ms. Ellenbogen for a report of the Stakeholder Relations Committee. Ms. Ellenbogen reported that the committee met on June 2, 2011. More than 10 organizations representing dozens of other entities attended the meeting to learn more about the funding and cost

issues Port Authority is facing and to discuss methods for accurately communicating this information to the riders and the public.

Ms. Ellenbogen noted that this was the committee's second recent meeting with the expanded group of Stakeholders with very positive and productive discussions regarding Port Authority's future. Mr. Ken Zapinski of the Allegheny Conference gave an update on the State Transportation Funding Advisory Commission and their efforts in Harrisburg.

The Allegheny County Council Special Committee on Public Transportation continues to meet and we communicate with them regularly in their ongoing efforts.

The committee also received an update from staff on the ongoing efforts to develop web and print materials that will help communicate funding and legacy cost issues to the public and our stakeholders. The information sharing seems to be working well as we receive a tremendous amount of valuable input from the stakeholders during and following the meetings, noting that we are grateful for that.

The next meeting of the Stakeholder Relations Committee has been scheduled for July 7, 2011.

That concludes the report of the Stakeholder Relations Committee.

The Governance Committee did not meet this month.

There was no new business.

The next Regular Meeting of the Board will be Friday, July 22, 2011.

The meeting was adjourned.