



**FY2011 Operating and Capital Budgets  
Discussion Materials for June 2010  
Board of Directors Meetings**

# Port Authority of Allegheny County Values Statement

- In order to assure the long-term success of the Port Authority, and stable service for our customers and region; fiscal responsibility will be a cornerstone of the Authority's governance.
- The Authority's annual operating and capital budgets, and our performance against them, are the most visible elements of that fiscal responsibility.

# Port Authority of Allegheny County

## Unique Issues for FY2010-11

- In April 2010, normal Authority budget planning went out the window when Pennsylvania Act 44 collapsed.
- This year's budget is an undesirable process, and contradicts recent years' more deliberative approach to policy choices.

# Port Authority of Allegheny County Timeline

- February 17, 2010 – Planning & Development Committee Review of Draft Budget Projections.
- May 12 & 19, 2010 - Presentation to ACTC Budget Committee and Full ACTC Membership.
- June 16, 2010- Presentation to Full ACTC Membership.
- June 16, 2010- Planning & Development Committee Discussion
- June 25, 2010 - Presentation of Final Budgets (Capital and Operating) for Ratification

# Port Authority of Allegheny County Legislative Update

- **Act 44- Port Authority has been notified that it will receive \$184.6M in State Operating Assistance for FY2011 which is unchanged from FY2010.**
- **Continued poor performance of State Sales Tax presents a high likelihood that this figure will be adjusted downward during FY2011-12.**
- **Tolling of I-80 Request has been denied by FHWA, reducing statewide Act 44 resources by approximately \$150 Million statewide, 37.5%.**
- **Governor Convened Special Session in May to address Transportation Funding.**

# Port Authority of Allegheny County Legislative Update

- **State Budget has not yet been adopted.**
- **Indications are that Transportation funding will not be taken up until *after* State Budget, if at all.**
- **Federal “Public Transportation Preservation Act of 2010” now under consideration in the Senate. Would provide \$2 billion nationally on an emergency basis to prevent radical service cuts and fare increases.**
- **Although there is much “up in the air” at the State and Federal level, we must act on a budget now.**

# **Port Authority of Allegheny County**

## **FY2010 Projected Results**

# Port Authority of Allegheny County

## FY2010 Operating & Capital Budget Projection Highlights

- Projected to end FY2010 over budget by approximately \$5.2M before adjustment for Other Post Employment Benefits (OPEB). This is predominantly due to Pension Expense exceeding budget by \$7.7M, partially attributable to FY2008-09 expenses.
- Operating Revenues projected to be below budget by \$3.37M
  - Decrease primarily due to ridership falling below budget levels due to economic slowdown, winter storms, and G20.
- Initial implementation of the Transit Development Plan in April 2010.
- Continued North Shore Connector project.
- Continued the Automated Fare Collection System (AFCS) Project.
- Put 20 additional hybrid buses into service.
- Began to operate the majority of bus fleet on bio-diesel blended fuel.



# Port Authority of Allegheny County

## PORT AUTHORITY OF ALLEGHENY COUNTY FY2010 Budget, FY2010 Projection

(000's)	FY2010 Budget	FY2010 Projection	\$ Change Projection to Budget
<b>REVENUES:</b>			
PASSENGER REVENUE -			
BUS, LRT AND INCLINE	\$75,463	\$72,684	-\$2,779
ACCESS PROGRAM SERVICE	\$12,571	\$11,977	-\$594
CONTRACT SERVICES	\$6,305	\$6,610	\$305
ADVERTISING	\$1,000	\$1,201	\$201
INTEREST INCOME	\$300	\$31	-\$270
OTHER INCOME	\$818	\$582	-\$236
<b>TOTAL REVENUE</b>	<b>\$96,456</b>	<b>\$93,084</b>	<b>-\$3,372</b>
<b>EXPENSES:</b>			
WAGES AND SALARIES	\$141,600	\$143,770	\$2,170
PENSIONS AND EMPLOYEE BENEFITS	\$128,797	\$132,893	\$4,096
MATERIALS AND SUPPLIES	\$38,019	\$39,279	\$1,260
PROVISION FOR INJURIES AND DAMAGES	\$3,587	\$2,700	-\$887
PURCHASED SERVICES	\$9,200	\$8,620	-\$580
UTILITIES	\$10,200	\$8,779	-\$1,421
OTHER EXPENSE	\$4,847	\$4,134	-\$713
INTEREST	\$1,000	\$96	-\$904
ACCESS	\$25,646	\$24,516	-\$1,130
AMOUNTS CAPITALIZED	-\$45,489	-\$45,557	-\$68
<b>TOTAL EXPENSE</b>	<b>\$317,408</b>	<b>\$319,230</b>	<b>\$1,823</b>
<b>OPERATING GRANTS</b>			
STATE	\$184,458	\$184,458	\$0
STATE OPERATING ASSISTANCE-PRIOR YEAR	\$8,825	\$8,825	\$0
COUNTY	\$27,669	\$27,669	\$0
<b>TOTAL OPERATING GRANTS</b>	<b>\$220,952</b>	<b>\$220,952</b>	<b>\$0</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>\$0</b>	<b>-\$5,195</b>	<b>-\$5,195</b>
<b>OTHER POST EMPLOYMENT BENEFITS EXPENSE (OPEB)</b>	<b>-\$31,877</b>	<b>-\$31,877</b>	
<b>TOTAL SURPLUS / DEFICIT</b>	<b>-\$31,877</b>	<b>-\$37,072</b>	

## Projected FY2010 Operating Results

- **Total Revenue \$3.4 million under budget**
- **Total expense only \$1.8 million over budget despite Pension expense exceeding budget by \$7.7 million, largely due to prior-year adjustment.**
- **Grant income on budget.**
- **\$5.2 million excess of expense over revenue before OPEB**
- **OPEB accrued expense of \$31.9 million**

# Port Authority of Allegheny County

## FY 2011 OPERATING & CAPITAL BUDGET PROJECTIONS

### Assumptions for Discussion Purposes

- **Assumes current service and staffing levels with a fare increase January 2011.**
- **Assumes ultra-low sulfur diesel fuel expense at \$2.58/gallon for the entire fiscal year. Bio-diesel expense at \$4.45/gallon. Only first six months of fiscal year supply has been locked in. Significant increase from FY2010.**
- **State and County Operating and Capital Assistance projected to remain unchanged from FY2010 levels.**
- **9.85% projected increase in Medical Premiums, 7% projected increase in Dental & Vision premiums effective January 2011. Medicare supplement projected to increase by 29%**
- **Pension expense projected to remain higher than historic levels, but lower than FY2010.**
- **Continuation of North Shore Connector and Automatic Fare Collection Projects as “stand alone” projects.**
- **Continued implementation of TDP Service Design changes.**

### Summary

- **Preliminary projected Operating Deficit of \$47.076 Million.**
- **Deferred \$55 Million in capital projects from FY2011 to FY2012 and beyond.**

# Port Authority of Allegheny County

## Policy Implications of Projections

- Budget proposal assumes fare increase of undetermined structure intended to raise \$2 million additional between January 1, 2011 and June 30, 2011.
- Capital plan shows deficit, but recommends development of a long-term financing plan for bus fleet acquisition to manage routine fleet replacement, and balance fleet age. Current capital budget shows deficit matching fleet procurement requirement.
- Current operating **deficit** projected at \$47,076 Million. Without fare increase, approximately \$50 million.
- **PROJECTION OF DEFICIT REQUIRES A STATE “FIX” OF THE ACT 44 PROBLEM, OR SIGNIFICANT SERVICE REDUCTIONS, IN ADDITION TO POTENTIAL FARE INCREASES.**

# Port Authority of Allegheny County

## Policy Implications of Projections

- **Fare increases to bring down deficit:**
  - \$2 million assumed in current management budget proposal to come through fare increases.
  - Caution should be exercised, as resulting ridership losses could cost both operating income (fares) and our performance in various funding formulas.
  - Socioeconomic characteristics of ridership should be considered – many of our riders can ill afford significant fare increases.
  - Actual cost to provide certain types of services should be factored into fare calculations. For example, most suburban express services are currently subsidized at a higher level than many core urban routes.

# Port Authority of Allegheny County

## Policy Implications of Projections

- **One-Time “Fixes” to Bring Down FY2010-11 Deficit:**
  - Any of these do not address the problem, but merely delay it.
  - They also build larger problems in other areas.
  - As some of these have been used to support temporary cash flow needs in the past (due to delays in payment from State and County sources), further depletion will lead to larger interest payments and line of credit needs.
  - ***Additional Use of Capital Funds*** – Use of some additional capital funds for operating purposes (ie: preventive maintenance) possible, but would further damage system state of good repair.
  - ***Use of Board Designated “OPEB” Reserve*** – Board has designated prior year funds as a reserve against future year obligations for non-pension retirement benefits in future years (currently, we handle these on a “pay-as-you-go” basis, as do all government entities.

# Port Authority of Allegheny County

## Policy Implications of Projections

- **Service Cuts to Address Deficit:**
  - At approximately \$50 million, fare increases and non-service related budget cuts cannot come close to closing the deficits, making major service reductions inevitable.
  - Without a permanent fix to the collapse of Act 44, any use of “one-time fixes” merely delays the inevitable of draconian service cuts. The extent to which the Board deploys these funds will only delay service reductions, not eliminate the need for them.
  - The delay in FHWA decision making on I80 tolling, combined with Federal requirements for public hearings on significant fare increases and service reductions; plus WARN Act notice requirements for employee layoffs mean that any cost savings from service reductions will not begin until half way through the fiscal year.
  - One-time costs associated with massive service reductions (ie: Unemployment Compensation, Decommissioning Operating Facilities, etc.) will further reduce FY2011 impact.

# Port Authority of Allegheny County

## Policy Implications of Projections

- Given the high level of “fixed costs” in the operating budget (ie: post-employment healthcare, maintenance of fixed assets, etc.); service reductions would need to be in excess of proportional deficit.
- This means that, although our projected deficit is approximately 15% of the operating budget, the percentage reduction in service would need to be well in excess of this to achieve balance.
- Given the dependence of current State and Federal funding formulas on productivity; a focus on service reduction will need to key on overall efficiency.

# **Port Authority of Allegheny County**

## **FY2011 & FY2012 Draft Capital Budget Projections**



# Port Authority of Allegheny County

## FY2011 & FY2012 Draft Capital Budget

### PORT AUTHORITY OF ALLEGHENY COUNTY FY2011-12 CAPITAL IMPROVEMENT PROGRAM

<u>Anticipated Funding Sources</u>	<u>FY 2011</u>	<u>FY 2012</u>
<b>I. Federal</b>		
Section 5307 Block Grant	\$ 25,940,000	\$ 24,600,000
Section 5309 Fixed Guideway	30,735,000	22,800,000
Section 5307 NSC Flex/Section 5309 New Starts	11,600,000	14,000,000
Transit Security Funds	900,000	500,000
Section 5316 - Job Access Reverse Commute	650,000	-
Subtotal	\$ 69,825,000	\$ 61,900,000
<b>II. State</b>		
ACT 44 PTAF & Operating Transfer for I-80	\$ 8,127,900	\$ 35,431,000
Operating Transfer for I-80	27,304,100	-
Capital Bond - State of Good Repair	23,000,000	23,000,000
Capital Bond - North Shore	7,000,000	7,000,000
Operating Assistance - Job Access Reverse Commute	650,000	-
Subtotal	\$ 66,082,000	\$ 65,431,000
<b>III. County</b>		
Capital Bond - State of Good Repair	\$ 5,978,000	\$ 5,939,000
Capital Bond - North Shore	1,635,000	1,635,000
ACT 44 PTAF	1,220,500	1,220,500
Subtotal	\$ 8,833,500	\$ 8,794,500
<b>Total Funding Sources</b>	<b>\$ 144,740,500</b>	<b>\$ 136,125,500</b>

# Port Authority of Allegheny County

## PORT AUTHORITY OF ALLEGHENY COUNTY FY2011-12 CAPITAL IMPROVEMENT PROGRAM

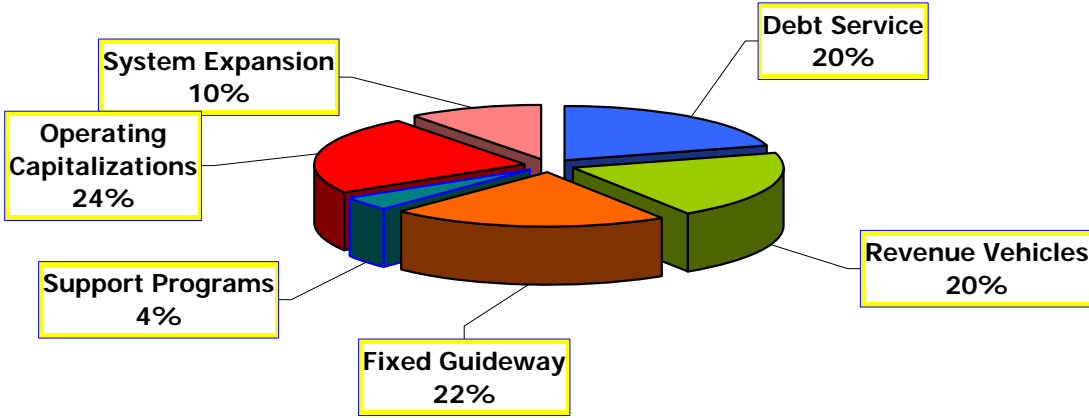
### Capital Programs

<b>I. Debt Service</b>			
2001 Sr. Bond Debt Service	\$	19,750,000	\$ 19,749,000
Revenue Vehicle Leases		16,902,500	16,902,500
2001 Sr. Bond Debt Service - Swaption		590,000	2,925,000
Subtotal	\$	37,242,500	\$ 39,576,500
<b>II. Revenue Vehicle Replacement</b>			
80 - 40' Ultra Low Sulfur Diesel Buses	\$	37,000,000	\$ 37,000,000
25 - 60' Ultra Low Sulfur Diesel Buses		-	19,000,000
Subtotal	\$	37,000,000	\$ 56,000,000
<b>III. Fixed Guideway and Facility Improvements</b>			
Other State of Good Repair	\$	19,899,000	\$ 2,577,000
Warrington Avenue Track & Pavement Replacement		-	12,750,000
Ross - Roof Replacement		-	2,511,000
East Liberty - Perimeter Paving & Loop Detectors		-	2,220,000
Bus Radio System Replacement Phase II		4,500,000	-
Manchester - Deck/ Roof Drain Rehabilitation		4,200,000	-
East Liberty Roof and Exhaust Fan Replacement		3,736,000	-
Replacement of Automatic Trip Stop (ATS) Carborne		3,300,000	-
Mt. Lebanon Tunnel Repairs		3,000,000	-
Subtotal	\$	38,635,000	\$ 20,058,000
<b>IV. Support Programs</b>			
Other Support Equipment	\$	4,183,000	\$ 2,210,000
Support Vehicles and Equipment		2,555,000	2,124,000
Information Technology Hardware/Software		1,015,000	5,027,000
Subtotal	\$	7,753,000	\$ 9,361,000
<b>V. Operating Capitalizations</b>			
Infrastructure Safety Renewal Program	\$	15,000,000	\$ 16,000,000
Capital Cost of Contracting - ACCESS		15,000,000	15,000,000
Preventive Maintenance		4,550,000	4,550,000
Vehicle Overhaul Program		3,500,000	2,500,000
Associated Capital Maintenance		2,500,000	2,500,000
Job Access Reverse Commute		1,300,000	-
Grants Administration		800,000	830,000
Subtotal	\$	42,650,000	\$ 41,380,000
<b>VI. New System Expansion</b>			
Park and Ride Expansion/Transit Centers	\$	3,960,000	\$ 2,250,000
Downtown to Oakland BRT Implementation		-	6,000,000
North Shore Connector		14,500,000	17,500,000
Subtotal	\$	18,460,000	\$ 25,750,000
<b>TOTAL CAPITAL PROJECTS</b>	<b>\$</b>	<b>181,740,500</b>	<b>\$ 192,125,500</b>
<b>Surplus/(Deficit)</b>	<b>*</b>	<b>\$ (37,000,000)</b>	<b>* \$ (56,000,000)</b>

# Port Authority of Allegheny County

## FY2011 Draft Capital Budget

### PERCENTAGE BY CATEGORY



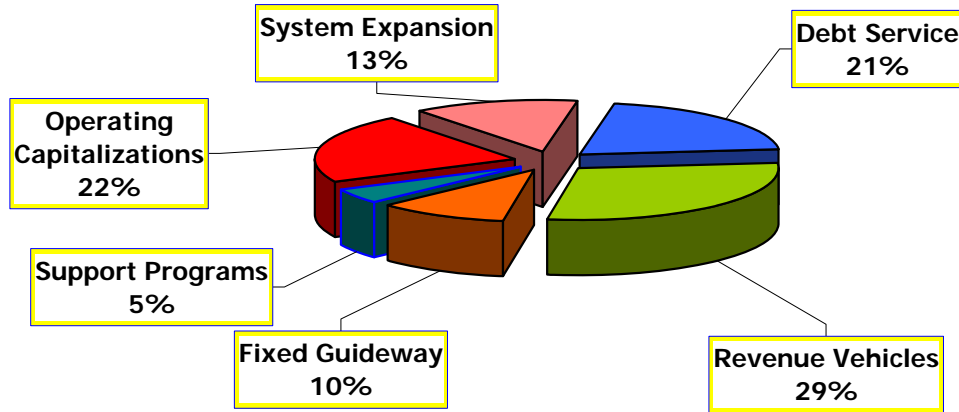
### FY 2011 CAPITAL PROGRAM CATEGORIES

Debt Service	\$ 37,242,500
Revenue Vehicle Replacement	37,000,000
Fixed Guideway and Facility Improvements	38,635,000
Support Programs	7,753,000
Operating Capitalizations	42,650,000
New System Expansion	18,460,000
<b>Total FY 2011 Capital Program</b>	<b>\$ 181,740,500</b>

# Port Authority of Allegheny County

## FY2012 Draft Capital Budget

### PERCENTAGE BY CATEGORY

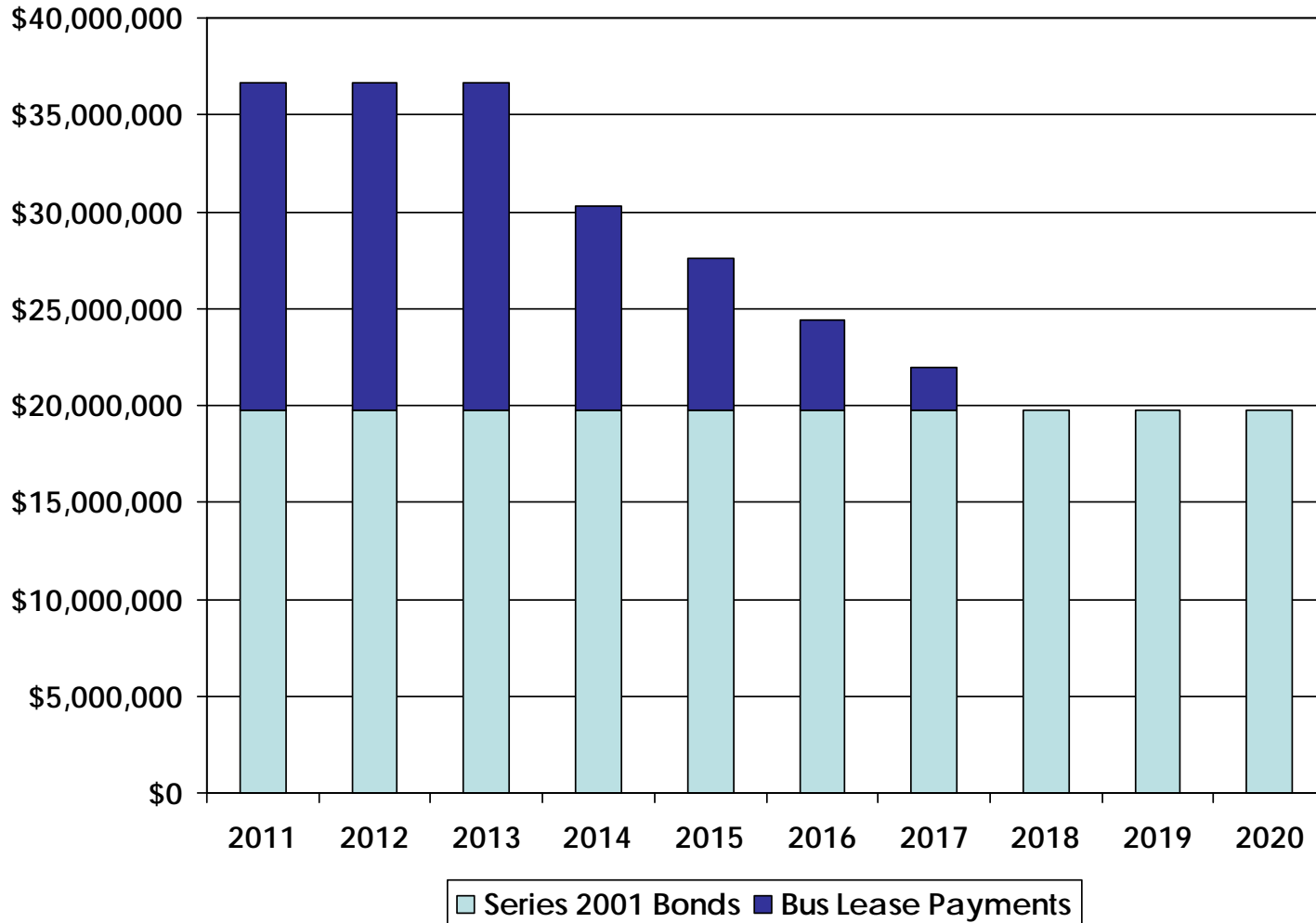


### FY 2012 CAPITAL PROGRAM CATEGORIES

Debt Service	\$ 39,576,500
Revenue Vehicle Replacement	56,000,000
Fixed Guideway and Facility Improvements	20,058,000
Support Programs	9,361,000
Operating Capitalizations	41,380,000
New System Expansion	25,750,000
<b>Total FY 2012 Capital Program</b>	<b>\$ 192,125,500</b>

# Port Authority of Allegheny County

## Debt Service Projections



Note: If the 2004 Interest Rate Swaption is exercised in March 2011, the Series 2001 fixed rate bonds will be converted to variable rate bonds

# Port Authority of Allegheny County

## FY2011 & FY2012 Capital Budget Challenges

- The FY2011 and FY2012 Capital Budgets are not balanced, but exclude Bus Financing. Management recommends the development of a multi-year bus fleet replacement plan; with financing strategy.
- The Operating and Capital Budgets must be considered together. They have become increasingly interdependent as certain sources of funds can be used interchangeably to offset either operational expenses or capital project expenses.
- A significant amount of capital funds have historically been utilized for operating purposes.
- Uncertainty of Act 44 for future capital needs clouds long-term capital planning.

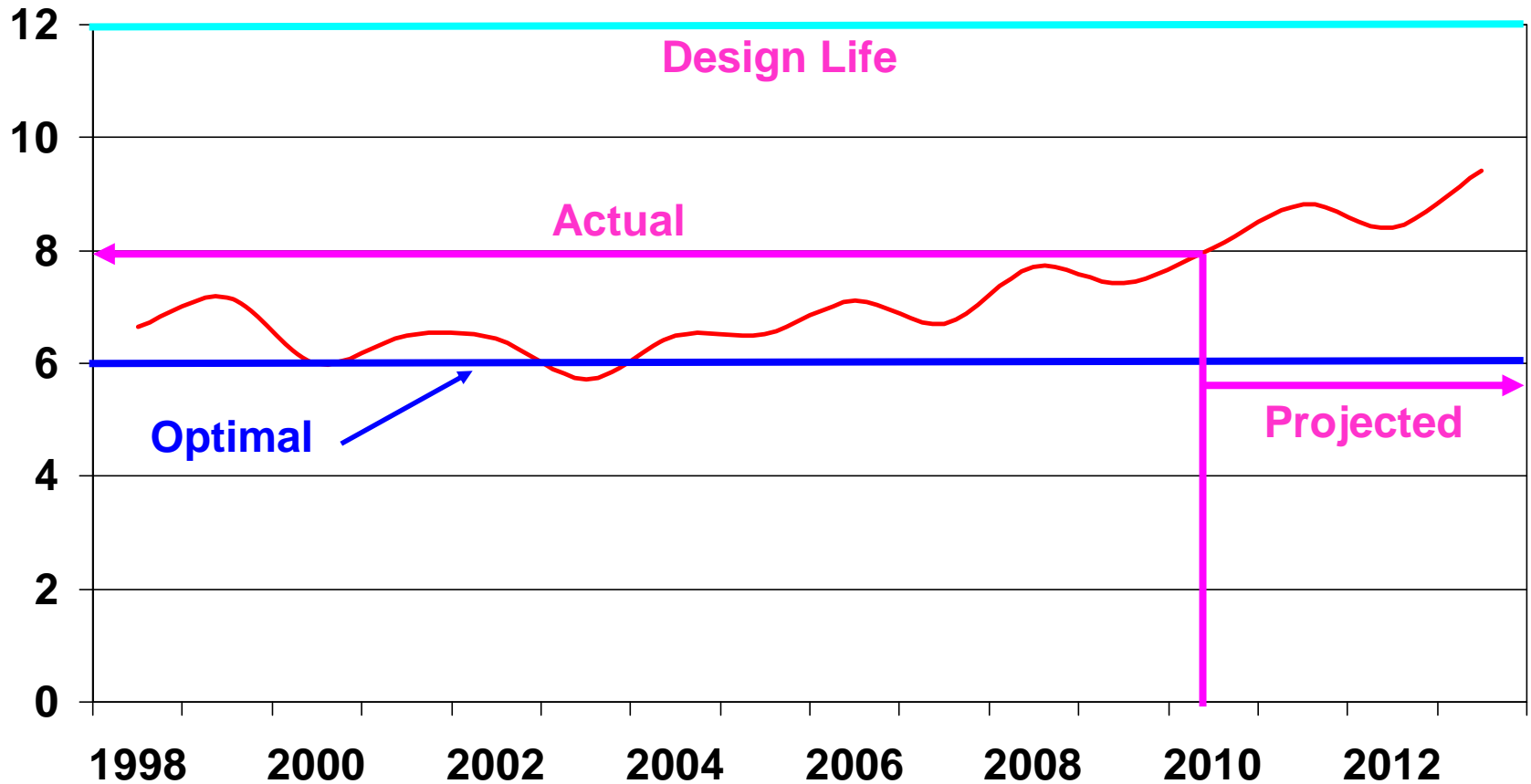
# Port Authority of Allegheny County

## FY2011 & FY2012 Capital Budget Challenges

- Historic commitment to expansion projects has put more pressure on state of good repair projects. After North Shore Connector, no further major expansion projects contemplated.
- Expansion projects programmed (North Shore Connector, Rapid Bus and Park-and-Ride/Transit Center Expansion) would rely on specific funding for these projects. These are already in place for the North Shore Connector, and would need to be identified for the additional projects as new resources.
- Debt service is a considerable percentage of the capital budget, and is fixed through 2010. If the 2004 Interest Rate Swaption is exercised in March 2011, the Series 2001 fixed rate bonds will be converted to variable rate bonds (likely increasing this element of debt service).

# Port Authority of Allegheny County

## Projected Age of Bus Fleet





# **Port Authority of Allegheny County**

## **Draft Operating Budget Projections**

# Port Authority of Allegheny County

## FY2011 Projections

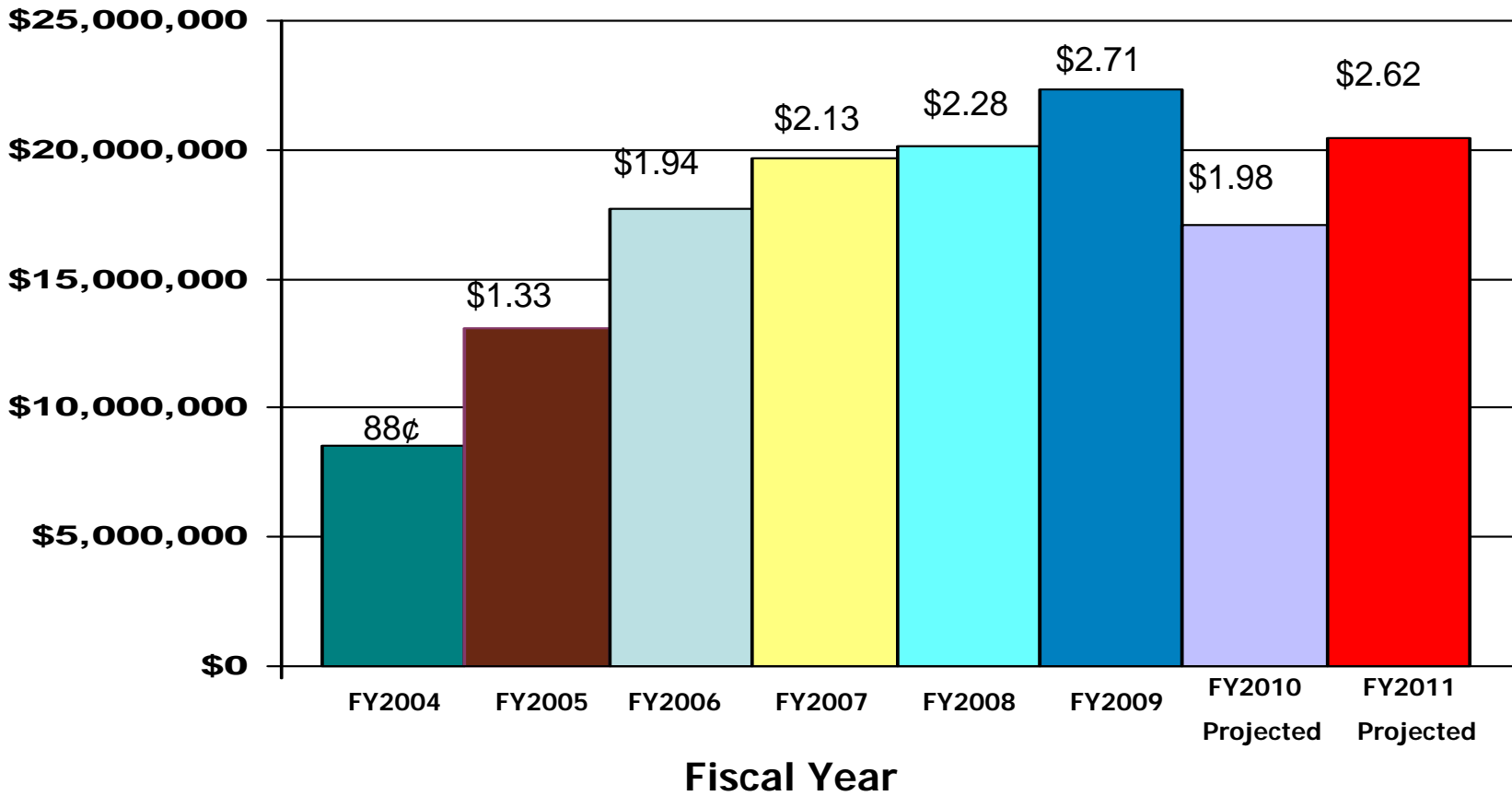
PORT AUTHORITY OF ALLEGHENY COUNTY  
FY2010 Budget, FY2010 Projection FY2011 Projection  
Exhibit A

(000's)	FY2010 Budget	FY2010 Projection	FY2011 Projection	\$ Change FY10 Proj v. FY11 Proj.	% Change FY10 Proj v. FY11 Proj.
<b>REVENUES:</b>					
PASSENGER REVENUE -					
BUS, LRT AND INCLINE	\$75,463	\$72,684	\$76,805	\$4,121	6%
ACCESS PROGRAM SERVICE	\$12,571	\$11,977	\$12,028	\$51	0%
CONTRACT SERVICES	\$6,305	\$6,610	\$7,399	\$789	12%
ADVERTISING	\$1,000	\$1,201	\$1,201	\$1	0%
INTEREST INCOME	\$300	\$31	\$50	\$20	64%
OTHER INCOME	\$818	\$582	\$582	\$0	0%
<b>TOTAL REVENUE</b>	<b>\$96,456</b>	<b>\$93,084</b>	<b>\$98,065</b>	<b>\$4,981</b>	<b>5%</b>
<b>EXPENSES:</b>					
WAGES AND SALARIES	\$141,600	\$143,770	\$146,745	\$2,975	2%
PENSIONS AND EMPLOYEE BENEFITS	\$128,797	\$132,893	\$130,777	-\$2,116	-2%
MATERIALS AND SUPPLIES	\$38,019	\$39,279	\$42,819	\$3,540	9%
PROVISION FOR INJURIES AND DAMAGES	\$3,587	\$2,700	\$2,793	\$93	3%
PURCHASED SERVICES	\$9,200	\$8,620	\$8,631	\$11	0%
UTILITIES	\$10,200	\$8,779	\$9,502	\$723	8%
OTHER EXPENSE	\$4,847	\$4,134	\$5,859	\$1,725	42%
INTEREST	\$1,000	\$96	\$478	\$382	398%
ACCESS	\$25,646	\$24,516	\$25,211	\$695	3%
AMOUNTS CAPITALIZED	-\$45,489	-\$45,557	-\$42,851	\$2,706	-6%
<b>TOTAL EXPENSE</b>	<b>\$317,408</b>	<b>\$319,230</b>	<b>\$329,964</b>	<b>\$10,733</b>	<b>3%</b>
<b>OPERATING GRANTS</b>					
STATE	\$184,458	\$184,458	\$184,458	\$0	0%
STATE OPERATING ASSISTANCE-PRIOR YEAR	\$8,825	\$8,825	\$0	-\$8,825	-100%
COUNTY	\$27,669	\$27,669	\$27,669	\$0	0%
<b>TOTAL OPERATING GRANTS</b>	<b>\$220,952</b>	<b>\$220,952</b>	<b>\$212,127</b>	<b>-\$8,825</b>	
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>\$0</b>	<b>-\$5,195</b>	<b>-\$19,772</b>	<b>-\$14,577</b>	<b>281%</b>
<b>IMPACT OF FAILURE TO TOLL I-80</b>		<b>\$0</b>	<b>-\$27,304</b>	<b>-\$27,304</b>	
<b>OPERATING SURPLUS / (DEFICIT) INCLUDING FAILURE TO TOLL I-80</b>		<b>-\$5,195</b>	<b>-\$47,076</b>		
OTHER POST EMPLOYMENT BENEFITS EXPENSE (OPEB)	-\$31,877	-\$31,877	-\$30,600		
<b>TOTAL SURPLUS / DEFICIT</b>	<b>-\$31,877</b>	<b>-\$37,072</b>	<b>-\$77,676</b>		

- Passenger Revenues projected 5.4% over FY10 Projection due to full year at higher fare and January 2011 fare increase.
- FY11 Ridership down slightly due to proposed FY2011 fare increase.
- No growth in State or Local Operating Assistance.
- Total operating revenue projected 5.0% over FY10 Projection.
- Wage and benefit projections based on current service and staffing levels.
- Employee benefits assume 9.86% increase in medical premiums, 9% increase in dental and 7% increase in vision premiums.
- Total Pension Expense projected at \$23.1M which continues to be above historical levels; but well below last year.
- Fuel prices projected up 30% over FY2010.
- Total expenses projected up 3% compared to FY2010 projected actuals.
- Pre-OPEB Operating Deficit of \$47.076 million.
- OPEB expense decreases slightly to \$30.6 million.

# Port Authority of Allegheny County

## Budget: Diesel Fuel Expense

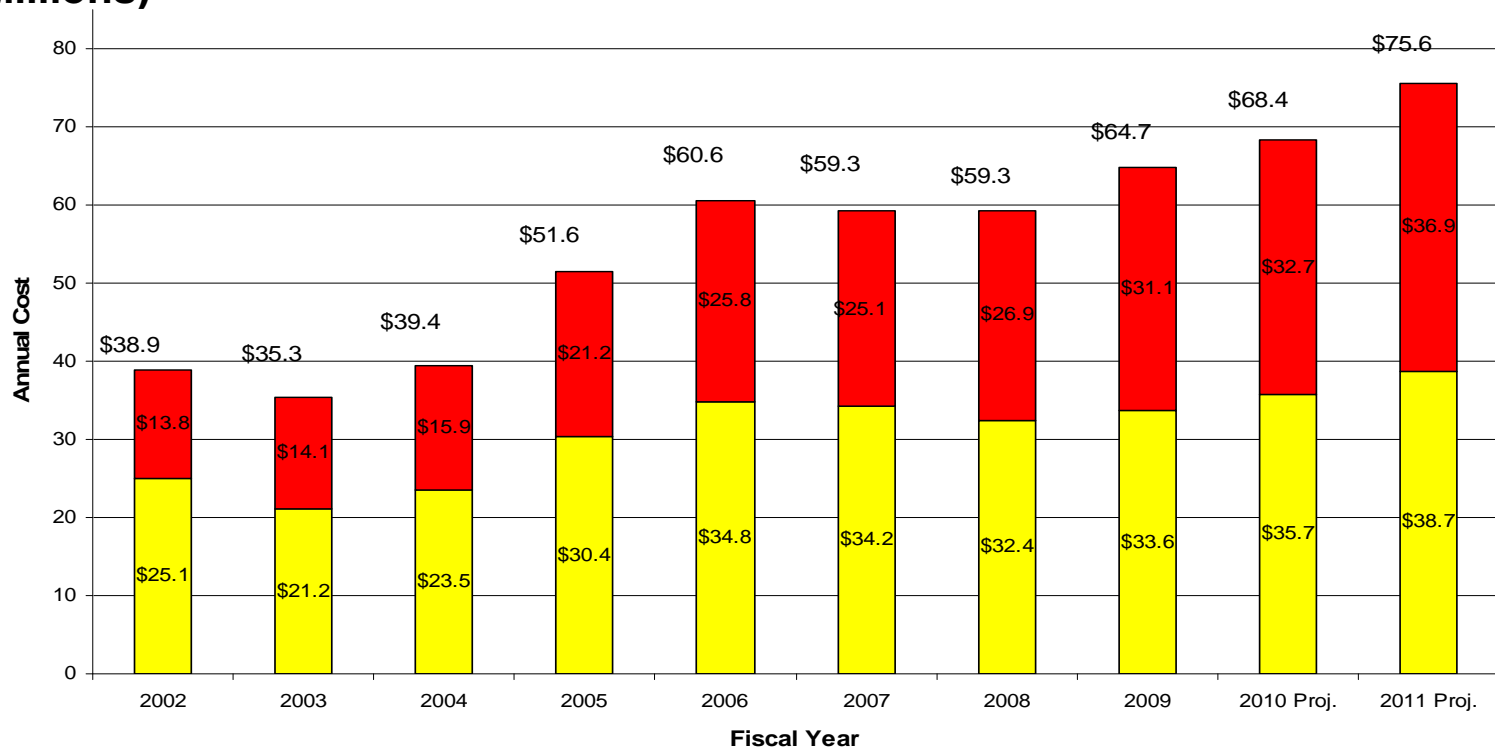


# Port Authority of Allegheny County

## OPERATING BUDGET: FISCAL YEAR 2011

### Budget : Healthcare Costs

(In Millions)

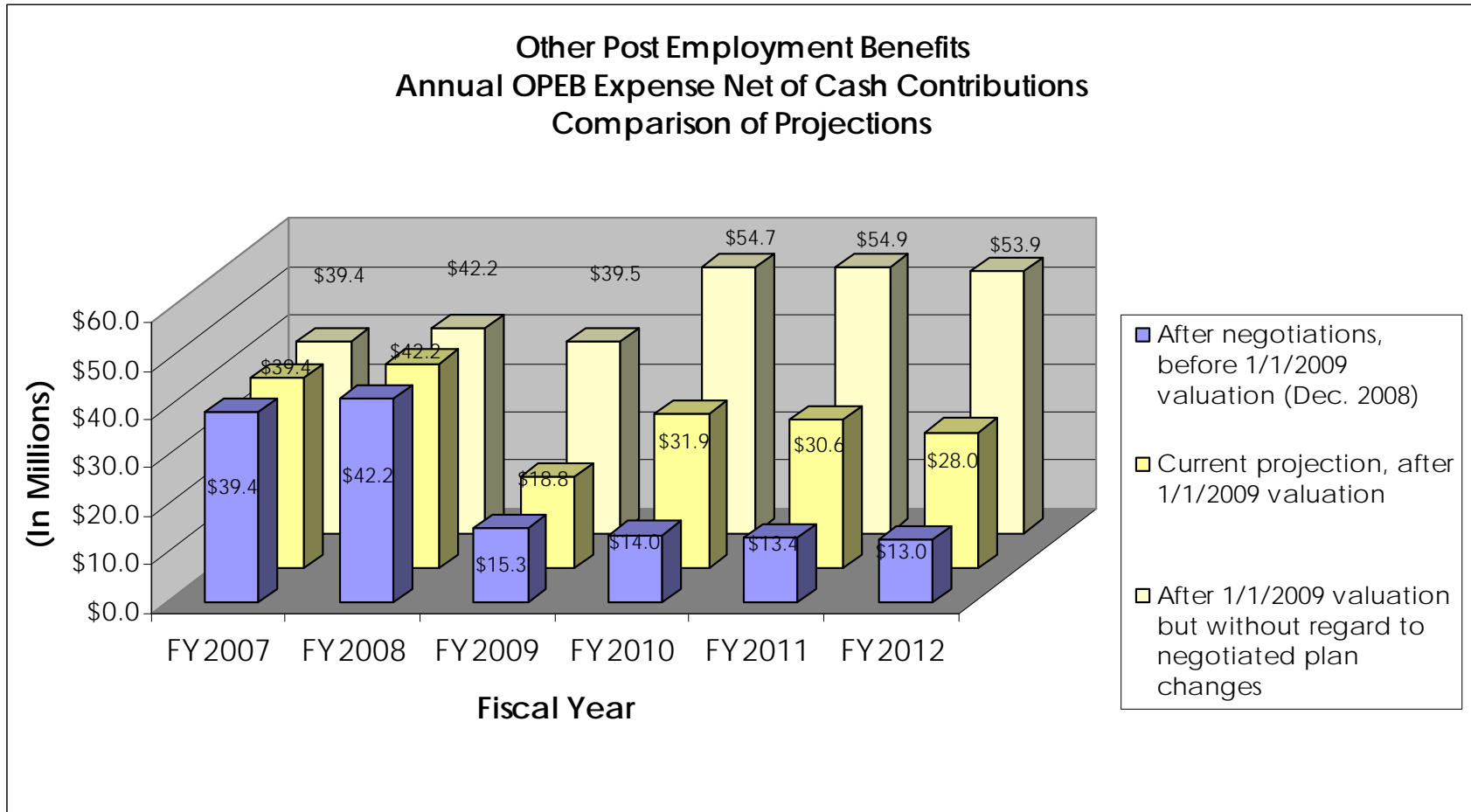


\* = Projected

■ Healthcare- Actives 
 ■ Healthcare- Retirees

# Port Authority of Allegheny County

## Other Post Employment Benefits – Before and After Contract Agreement with ATU-#85



\*Increase due reduction in Federal Subsidy of Medicare Advantage program

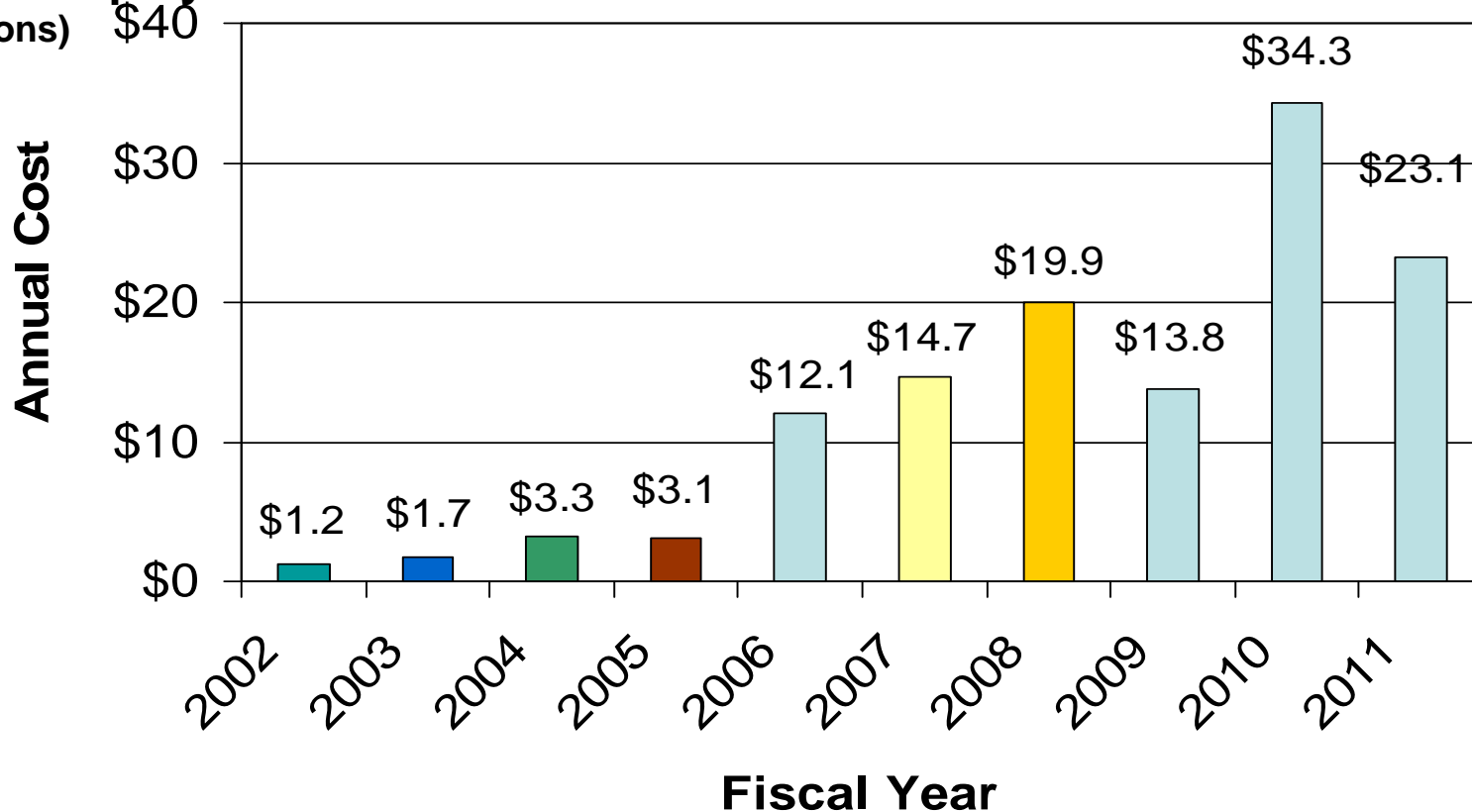
# Port Authority of Allegheny County

## OPERATING BUDGET: FISCAL YEAR 2011

### Budget : Pension Expense

#### Annual employer contributions

(In Millions)



**Note: Approximately \$6.4 million of FY2010 pension expense attributable to FY2009 due to timing of actuarial valuations.**

# Port Authority of Allegheny County

## Significant Issues in Projections

- No growth in Act 44 (State and Local) funding. Strong possibility that future funding will be reduced due to poor State Sales Tax performance.
- Uncertainty as to how recently approved Healthcare Legislation will impact Port Authority's Healthcare premiums, but projected to make healthcare more expensive long-term.
- Soft national economy expected to negatively impact market returns. FY2011 Pension Expense Budgeted at \$23.2M. FY2012-2015 Pension expense projected at over \$30M per year.
- Currently spending significant sums from capital accounts.
- Though OPEB liability improved through bargaining, reduced Federal support for certain Medicare programs continues to drive up OPEB amounts.
- Lack of a new Federal Transportation Law, and projected shortfalls in the Mass Transit Account of the Federal Highway Trust Fund make out-year Federal projections questionable.

# Port Authority of Allegheny County

## Multi-Year Issues

PORT AUTHORITY OF ALLEGHENY COUNTY  
FY2011-FY2015 Operating Budget Projections

(000's)	FY2011 Projection	FY2012 Projection	FY2013 Projection	FY014 Projection	FY15 Projection
<b>REVENUES:</b>					
PASSENGER REVENUE - BUS, LRT AND INCLINE SENIOR CITIZEN REIMB. ACCESS PROGRAM SERVICE	\$76,805	\$79,109	\$83,482	\$85,987	\$88,566
CONTRACT SERVICES	\$12,028	\$12,389	\$12,761	\$13,143	\$13,538
ADVERTISING	\$7,399	\$8,509	\$8,509	\$8,509	\$8,509
INTEREST INCOME	\$1,201	\$1,160	\$1,160	\$1,160	\$1,160
OTHER INCOME	\$50	\$50	\$50	\$50	\$50
	\$582	\$582	\$582	\$582	\$582
<b>TOTAL REVENUE</b>	<b>\$98,065</b>	<b>\$101,799</b>	<b>\$106,544</b>	<b>\$109,431</b>	<b>\$112,405</b>
<b>EXPENSES:</b>					
WAGES AND SALARIES	\$146,745	\$151,147	\$155,682	\$160,352	\$165,163
PENSIONS AND EMPLOYEE BENEFITS	\$130,777	\$146,158	\$159,993	\$175,224	\$185,012
MATERIALS AND SUPPLIES	\$42,819	\$45,833	\$49,100	\$52,644	\$56,489
PROVISION FOR INJURIES AND DAMAGES	\$2,793	\$2,877	\$2,963	\$3,052	\$3,144
PURCHASED SERVICES	\$8,631	\$8,890	\$9,157	\$9,431	\$9,714
UTILITIES	\$9,502	\$10,167	\$10,879	\$11,640	\$12,455
OTHER EXPENSE	\$5,859	\$5,762	\$5,560	\$5,724	\$5,892
INTEREST	\$478	\$494	\$507	\$522	\$538
ACCESS	\$25,211	\$25,968	\$26,747	\$27,549	\$28,376
AMOUNTS CAPITALIZED	-\$42,851	-\$41,697	-\$41,697	-\$41,697	-\$41,697
<b>TOTAL EXPENSE</b>	<b>\$329,964</b>	<b>\$355,597</b>	<b>\$378,890</b>	<b>\$404,441</b>	<b>\$425,084</b>
<b>OPERATING GRANTS</b>					
STATE	\$184,458	\$184,458	\$184,458	\$184,458	\$184,458
STATE OPERATING ASSISTANCE-PRIOR YEAR COUNTY	\$0	\$0	\$0	\$0	\$0
	\$27,669	\$27,669	\$27,669	\$27,669	\$27,669
<b>TOTAL OPERATING GRANTS</b>	<b>\$212,127</b>	<b>\$212,127</b>	<b>\$212,127</b>	<b>\$212,127</b>	<b>\$212,127</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>-\$19,772</b>	<b>-\$41,671</b>	<b>-\$60,219</b>	<b>-\$82,883</b>	<b>-\$100,552</b>
<b>IMPACT OF FAILURE TO TOLL I-80</b>	<b>-\$27,304</b>	<b>-\$27,304</b>	<b>-\$27,304</b>	<b>-\$27,304</b>	<b>-\$27,304</b>
<b>OPERATING SURPLUS / (DEFICIT) INCLUDING FAILURE TO TOLL I-80</b>	<b>-\$47,076</b>	<b>-\$68,975</b>	<b>-\$87,523</b>	<b>-\$110,187</b>	<b>-\$127,856</b>
OTHER POST EMPLOYMENT BENEFITS EXPENSE (OPEB)	-\$30,600	-\$28,000	-\$28,000	-\$28,000	-\$28,000
<b>TOTAL SURPLUS / DEFICIT</b>	<b>-\$77,676</b>	<b>-\$96,975</b>	<b>-\$115,523</b>	<b>-\$138,187</b>	<b>-\$155,856</b>

- No increase in State & Local Operating Assistance Projected due to Act 44 formula
- Failure to toll I-80 or fill funding gap at State level will be catastrophic to system.
- Healthcare expense projected to increase at 9%-10% annually.
- Pension Expense Projected at \$30-\$40M annually.
- Continued volatility in Diesel Fuel Pricing.



# Port Authority of Allegheny County

## Possible Strategies for Balancing FY2011 Budget

- Anticipate the Commonwealth will address the \$27.3M funding shortfall created by the failure to toll I-80.
- Anticipate the Commonwealth will address the Act 44 funding inadequacies that has resulted in no growth in Port Authority's Operating Assistance from FY2009 to FY2011.
- Utilization of additional funds previously committed towards reducing Other Post Employment Benefit (OPEB) liability and/or capital funds eligible for preventive maintenance activities.
  - Will not "solve" problem, merely make out-year issues worse.
- Service reductions beginning January 2011 of 30%+
  - Will result in entire geographic regions lacking public transportation.
  - Resulting personnel reductions of between 500+ employees

# Port Authority of Allegheny County

## Time Frame for Action

- **Adopt Deficit Budget to Allow for State Budget/Transportation Funding Issue to “Play Out” in Harrisburg by June 30**
  - June 2010
- **Recommendations for Actions to Take to Public Hearing Approved by Board**
  - July 2010
- **Public Hearings**
  - Late August/Early September 2010
- **Board Adopts Deficit Reduction Strategy**
  - September 2010
- **Service Changes/Fare Increases Initiated**
  - January 2011
- **Any Action Could be Discontinued/Rescinded if Act 44 Funding Crisis Resolved by State**