

MINUTES OF THE SPECIAL MEETING OF THE BOARD
PORT AUTHORITY OF ALLEGHENY COUNTY
9:30 A.M., WEDNESDAY, JANUARY 12, 2011

A Special Meeting of the Board of Port Authority of Allegheny County was held at 9:30 a.m., Wednesday, January 12, 2011 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 Mattola, Vice Chairman
Jeff Letwin
Eddie Edwards
James Dodaro (via phone)
Charles Martoni (via phone)
Richard Taylor
Mavis Rainey
Joel L. Lennen, General Counsel

Media:

Walt Golden, KQV
Lauren Daley, City Paper
Harold Hayes – KDKA-TV
Jim Lokay, KDKA TV
Tom Fontaine, Tribune-Review
Jon Schmitz, Post-Gazette
Mark Nootbaar, WDUQ
David Clark, WPXI
Bob Mayo - WTAE
Luc Felak, Pitt News
Michael Macagnone, Pitt News
Tony Pimpinella – Duquesne News
Jordan Power – Duquesne Duke
Mike Jones, Patch.com

Port Authority Staff:

Stephen Bland, chief executive officer, Ellen McLean, chief financial officer, Tawnya Moore-McGee, assistant general management Human Resources, Winston Simmonds, Rail Operations/ engineering officer, Bill Miller, Bus Operations officer, Wendy Stern, assistant general manager Planning and Development, Mike Cetra, Legal counsel, Tony Trona, director Purchasing and Materials Management, Judi McNeil, communications officer, Jim Ritchie, director Public Relations, Tom Noll, director Technical Support & Capital Programs, Dan DeBone, director Government & Civic Affairs, Michael Booker, Harmar dispatcher, George Monroe, OEO investigator, Terri Landis, director Advertising, Rick Cerra, Harmar Maintenance and ATU, Local 85, Bryon Shane, Harmar Operator and ATU, Local 85, Don Palmer, assistant manager Road Operations, Susie Altemus, Compensation Program manager, Tia Gunn, manager Finance, Michelle Ramsey, Employment administrator, Inez Colon, director Employment, Bruce Grover, director of Service Delivery, Ross, Dave Rose, Port Authority Police Detective, Bill Wagner, Port Authority Police Detective, Herschel Kirker, assistant to the director, Ross, Sherri Nichol, info administrator, Mike Bown, info administrator, Dave Gramc, controller, Peter Schenk, director Financial Planning and Budgets, Ed Typanski, director Grants and Capital Programs, Scott Vetere, director Service Planning and Scheduling, Fred Mergner, assistant manager, Scheduling, Darcy Cleaver, supervisor passenger amenities and data, Heather Pharo, Public Relations representative, Denise Henderson, director Bus Operations, Karen Dorman, Legal Services administrator, Audrey Snyder, director Customer Service, Chuck Reeves, assistant manager, Bus Operations, Julie Leistner, administrative assistant, Karen Bown, administrative assistant, Margaret Smith, administrative assistant, Diane Williamson, executive assistant

Others:

Jonathan Robison, ACTC, Mark Pifher, County Council, Jeff DiPerna, Local 85, Patrick McMahon, Local 85, Kevin Barrett, Local 85, Steve Palonis, Local 85, Chris Sandvig, PCRG, Mike Davis, PIIN, Joe Catanese – County Council, Carmen Cupelli, County Controller's Office, Will Bernstein – ACCD, James Love, ACTC

The Chairman called the meeting to order and announced that there will be five speakers addressing the board this morning. He reminded the speakers that they will be allotted three minutes to address the board and will be notified when the time is up.

The Chairman called on Mr. Rick Cerra, a mechanic for over 21 years with experience at Ross, East Liberty, Manchester, and Harmar Divisions. Mr. Cerra reported that he serves on the Executive Board as the Automotive Boardman of ATU Local 85 and is proud to say that he is a third generation Port Authority employee. His objective for speaking before the Board today was to be certain that the Board was aware that the closing of the Harmar facility would mean the closure of one of its most productive garages in the system. Harmar has continually done more with less for many years, which he can personally attest to during the last nine years that he has worked there. For example, the Harmar Division is a smaller division with only seven working bays that we can utilize, and we are able to maintain 151 buses on a daily basis. Another example would be the fact that Harmar's equipment traveled 2.7 million miles in the past six months with only 262 major road failures. By comparison, for the same time period and same amount of miles traveled, there were 458 major road failures systemwide. Port Authority at Harmarville has also completed the second highest amount of state inspections during the most recent campaign.

Mr. Cerra noted that while it may seem the reason he is here is for the nothing more than job preservation of the people that he represents and works with on a daily basis, but he is also speaking on behalf of the citizens of Allegheny County in the Harmarville area because closure of this garage would be detrimental. It will increase traffic on Route 28, which is slated to be under construction until 2014, not to mention that gas prices are expected to rise to over five dollars within the next decade. There is also the public parking issues that are going to occur in the City of Pittsburgh. Mr. Cerra feels that now is the time to take advantage of these issues and use them to our advantage to seize the opportunity to increase the service to the public or at least maintain it.

Mr. Cerra closed by saying that, "He is certain that we could find ways to save money and come up with a permanent fix through the cooperation between Port Authority of Allegheny County and its employees of Local 85. We need to come up with some solution that can enhance the future of this great and much needed service we provide."

The Chairman called on Mr. Bryon Shane, Executive Board Person for Harmar Operators and the Political Coordinator for Local 85 for the last eight plus years. During his time at Harmar, the employees at this garage have dedicated themselves to making the workplace better and safer. Also, we have made every attempt to make the service we provide to the public better and safer, as well. We have spoken countless times to state legislators about our issues, attended every public hearing and worked hand-in-hand with various rider groups to ensure that they would have a safe, reliable transit system that they could depend on. Mr. Shane stated that he feels since at least 2002, the Harmar Garage, its geographical service area, and the riding public we serve have been under

attack. In 2005, deep senseless cuts were made to the Allegheny Valley, Penn Hills, and Monroeville just to achieve percentage cuts without reason. We also endured two rounds of layoffs in 2002 and 2005. The previous layoffs were back in 1981. In 2007, came the next round of proposed service cuts. Once again, the public stepped up to the plate and voiced their opinion, but there were too many complaints and too much public outcry to let Port Authority management and this Board continue to dismantle this system piece by piece. Mr. Shane brought up the scorecard, and asked what are we going to do about the service that you couldn't steal from the public?

He continued by saying that then Nelson/Nygaard [from nearby San Francisco] came in and pulled the wool over the public's eyes once again. They mysteriously returned with a study called Connect '09. Most people immediately began referring to it as Disconnect '09. That study mirrors the proposed cuts that you couldn't implement in 2007, but since the public perception needed to be that the system is totally revamped, they decided that all of the routes needed to have their names changed, so that the average Joe doesn't figure out that this is just another round of service cuts. After \$1.3 million later, we have the exact same service cuts proposed in 2007 with brand new names and one, yes only one, newly created route, which ironically will most likely be cut in March. He continued by saying that soon after the Disconnect '09 came the Transit Development Plan, which in certain circles is now referred to as the Transit Destruction Plan or the Dawn of Privatization. Once again, the riding public and the workers of this once great pioneering transit system are only an afterthought in the equation. Service cuts disguised as efficiencies continue every few months, complaints fall on deaf ears, schedule complaints are ignored, years of collective bargaining are laughed at and all of you continue to come back to the table with zero solutions.

He continued saying that Act 44 becomes a failure because the tolling of I-80 was rejected and for almost two years the state legislature, Port Authority management and this Board sat on their hands while Governor Ed Rendell continued to save us every time there was a new crisis. Now, on his way out the door, Governor Rendell continues to try in vain to come up with a permanent solution to our funding crisis by putting together a few user fees, but the state legislators are too busy trying to get reelected to stick their necks out. His last two days in office, Governor Rendell comes through again. He lends a hand to us, the people. He pulls \$45 million out of his magic transit-saving bag and tries to get us through this current crisis. Mr. Shane continued saying that, "Now Steve Bland and Dan Onorato decide against returning the pressure back on the new elected governor and state legislators and to make the hard decisions that they were elected to do. Instead, they will just let the riding public, the working board, the elderly, the students, the ADA community and their own employees to bear the cross."

Mr. Shane concluded saying, "If this is the decision that this Board of Directors is about to make, to cut service, close Harmar Garage, and let the state government off the hook again, and continue to be nothing more than a rubber stamp, then in my hand I wrote resignation letters for every member of this Board of Directors and one for Steve Bland, the CEO. Please stop and think; think very hard about all of the lives you are about to impact. I want you to think about the destruction and hardship that was created under your watch and I ask you, please, don't act in haste. These actions are criminal and there is no reason to proceed this way. Thank you."

The Chairman called on Mr. Jonathan Robison, elected President of the Allegheny County Transit Council, the legislative mandated citizen advisory board of Port Authority of Allegheny County. He

reported that the Authority Board has two alternatives before you. One is risky. The other is both morally wrong and almost certainly will have a disastrous outcome.

He continued reporting that on January 5, 2011, the ACTC Executive Council approved the following resolution:

“Allegheny County Transit Council hereby states that we are against any further net reductions in public transportation service by Port Authority of Allegheny County. Port Authority has just completed and implemented an extensive study of every route and made changes in service, additions and reductions, accordingly. ACTC supported the process and the implementation, even though some members were unhappy about specific cuts. Now some people in government and the media are suggesting further cuts. Some suggest that this is to be done to stretch out the funds transferred by Governor Ed Rendell until the end of the 2011-2012 fiscal year. This would be downsizing public transportation, an essential public service, not in any way rightsizing it. We, representative of Port Authority of Allegheny County riders, stand opposed.”

Mr. Robison wanted to add his personal views at this time. He stated that the proposed cuts will, of course, harm transit riders. It will trash the transit development plan to maximize efficient service; the result of so much hard work by Port Authority staff. It is also contrary to the intent of then Governor Rendell, who directed the transfer. Transit cuts are exactly what he intended to prevent. If you make a tough decision against any net reduction in service during Port Authority’s fiscal year, and the state government makes no move toward solving the transportation funding problem, substantial cuts in service will be unavoidable, likely the 35 percent that was planned for March before the governor acted. But there is no guarantee, not even an assertion from Governor Corbett or any legislative leader, that if Port Authority makes a 15 percent cut this March, there will be any favorable action on state funding in six or 18 months. Again, you will have to again begin the next fiscal year with what is in reality a deficit budget. On the contrary, any 15 percent cut will be used against us. Those opposed to public funding for transit will assert that Port Authority doesn’t really need the money.

In closing, Mr. Robison said, “The result of the cuts will be in the word of schoolyard bullies; you get two for flinching.”

The Chairman called on Mr. Pat McMahon, President/Business Agent of Amalgamated Transit Union, Local 85. Mr. McMahon reported that ATU represents the operators, maintenance workers, first-level supervisors and some support staff that keep this Port Authority running. We are the union that drives over 200,000 people to work every single day.

Mr. McMahon stated that the result of the deliberation that the Board will take part in here today will have an impact on hundreds of thousands of Allegheny County citizens. It is in your hands whether or not that impact is positive or intensely negative. A month ago, Governor Ed Rendell stepped up to the plate and delivered a grand slam for the people who depend on public transit in their daily lives. The Governor delivered \$45 million of supplemental transit funding to Port Authority to keep the trains and buses running at current levels for the balance of the fiscal year. The Governor had to exercise his leadership, largely due to the failure by the state legislature to come up with a sustainable funding plan for public transit in Pennsylvania. During his administration, Governor Rendell has suggested a variety of ways to plug the holes in transit funding including the failed Act 44 plan; all rejected by

legislation that failed to bring solutions of their own to the game. In reality, the Governor's foresight has given incoming Governor Tom Corbett and the new legislation a year's reprieve in delivering a transit funding solution. With the \$45 million and the revenues that will come to Port Authority coffers to the new fiscal year starting in July, transit services can easily operate at current levels until this time next year. There is no need to cut any service, close any garages, or layoff any workers at this time.

Mr. McMahon stated that stringing out the supplemental transit funding for the next 18 months is an unnecessary mistake. Since 2003, significant savings have been realized in a variety of ways resulting from reforms in operations and management. Fares have been raised, and our workers have given more than \$50,000,000 in concessions to help balance Port Authority's budget. Enough is enough!

He continued saying that in this year, based on budget projections used to formulate this fiscal year's budget, the Authority will realize millions of dollars in reduced costs in three key areas. The assumptions for employee healthcare costs are significantly less than originally projected, the savings of several million dollars the Authority will realize due to the stock market of 2009, and the significant savings due to the number of unfilled budgeted positions in our workforce.

He continued saying that we are going in the wrong direction. If the region truly wants to attract emerging new industries, retain the amazing talent of graduates from our world class colleges and universities and elevate the standard of living to a level competitive with other major cities in America, we need a public transit system equal to the challenge. "We should be expanding, not shrinking transit service."

Mr. McMahon continued reporting that there are several compelling reasons not to cut transit service at this time, in addition to the fact that the legislature needs to be forced to come to the table with a sustainable funding solution. Transit cuts kill jobs. It's that simple. The jobs that will be lost at this critical time as we experience record levels of unemployment go far beyond those whose jobs will disappear. Thousands of workers in our region use Port Authority buses and trains to get to work every day and night. Businesses depend on public transit to deliver their employees and bring customers to their doors. And, because thousands of workers use transit, commuters who drive and companies transporting goods and services benefit significantly from less congested streets and highways in keeping regional commerce moving. Cutting transit is never a good idea, but gutting public transportation when so many of our friends and neighbors are out of work borders on self-destruction and sets back economic recovery. If we are serious about getting people back to work, we should be serious about funding the transit system that carries so many of our region's workers to their jobs. Economic prognosticators are predicting gas prices will exceed four dollars per gallon in 2011. Our past provides quantifiable evidence that as gas prices rise, so does ridership on public transit. Cutting transit in the face of spiking fuel prices makes absolutely no sense. We have further concerns that when legislature does act, it will be difficult to persuade them to take action to restore funding levels for any cuts that may come as a result of not using the money as Governor Rendell intended. Cut services now, and it is extremely unlikely the legislature will do anything to restore services at current levels and when or if they take action to enact sustainable funding solutions.

Mr. McMahon concluded by saying that enough is enough. Do not cut already strained services any further. We will be no worse off one year from today than we were before Governor Rendell stepped in with temporary funding. Put this question in the hands of the legislators and our Governor. Let them be the ones a year from now to tell the people of Allegheny County they do not deserve a decent transit system. You have cut enough. Our riders are paying enough. Our workers have conceded enough. The citizens of Allegheny County are paying enough with additional taxes. Please do not make this very horrible mistake in implementing cuts in March.

The Chairman called on Mr. Chris Sandvig from the Pittsburgh Community Reinvestment Group (PCRG). Mr. Sandvig reported that PCRG has been around since 1988 in official capacity, but before that, since the early 1980's, worked on issues in all of our neighborhoods finding new ways to bring funding into those neighborhoods to revitalize them.

He continued by saying that transit is an issue that we have taken up within the very recent time over the past couple years because it is so integral to the stakeholders that we represent within the neighborhoods. Noting that he's probably going to be the odd person out at the podium this morning in terms of what is about to transpire [largely because of what we see on the ground and the work we do in transit and elsewhere]. Mr. Sandvig stated that he wants to be perfectly clear that everything that everybody has said before him about the value this transit agency brings to Allegheny County and where we will be as a result of these cuts is most definitely a reality. We are where we are because of poor decisions or lack of decisions and lack of leadership at all levels, so from that, we need to come up with a new way of doing this.

He continued by saying that the vote before the Board today is the most awful of both worlds. Do you get stabbed for cutting service 15 percent in March, but keeping it through June 2012, or do you get punched for exhausting funds by June 30 of this year, but delaying the 35 percent cut until that point. In either case, you [the Board] lose. In either case we lose. In either case, people will hate you for it. Will Harrisburg listen if you let the money run out in five months? Very doubtful anything will happen this year with the new administration pitching on prosperity and staring down a four to six billion dollar budget shortfall. Will the public support you if you cut 15 percent now to hold the line for another 15 months; again, very doubtful.

We can argue whether the Board's actions in 2010 were rightsizing or downsizing. The fact remains that people are already mad at this and now most definitely a downsizing strain on an unacceptable amount of people. One way or another, this will hurt all of us, drivers, riders, business owners, employees and employers. We are all going to feel it, and people will be stranded and angry; and, rightfully so.

Mr. Sandvig continued reporting that we at PCRG have been saying for months we cannot afford these cuts. Already in anticipation of these cuts, those who can afford to drive are driving. Our parking garages are already above capacity. People are talking about four dollar gas again, and we've even heard a speculation of five dollars by the end of the decade. Never before has the time been right for us to invest in transit, yet in all levels of government, there seems to be no desire to do that.

He continued by saying that he cannot tell the Board the best way to vote this morning because there is no best way. Maintaining as much service as possible for as long as possible might be the least bad vote right now. It might also buy as time in another way. Right now, it is just seen as a Pittsburgh problem. We are hanging up and flapping in the wind. In 2012, there will most definitely be a Pennsylvania problem and then we will share more of a base to work with from a statewide level. Mr. Sandvig asked that we all work together and fix this mess.

He ended his report by saying that while the Board has heard different, but very valid positions today, please be clear that our differences here means nothing. We stand united for a funding stream that makes transit whole and ensures equal opportunity in access for everybody.

The Chairman called on Mr. Letwin for a report of the Performance Oversight Committee. Mr. Letwin reported that although he has the mundane task of talking about issues that are not why people are here, he noted that what he is about to report is an attempt to help find savings.

The resolution that the Performance Oversight Committee is presenting today authorizes the Authority to engage underwriters, a trustee and to take certain other actions relative to the 2011 bond issuance [initially approved on November 24, 2010]. At that time, the Board authorized the issuance of these bonds in November, in an aggregate amount not to exceed \$325,000,000. The Board reserved for itself final review and approval of the underwriters and trustee that will be utilized for this transaction. Then on November 29, we publicly issued and advertised requests for proposals for both underwriters and for a trustee in accordance with the applicable provisions of the Second Class Port Authority Act, and consistent with the Authority's practices and procedures. In response to that RFP, we received 19 timely and responsive proposals for underwriters, and we received four timely responsive proposals for trustees. An Evaluation Committee was convened to evaluate the proposals based upon three broad factors with respect to the underwriters, the financial condition, experience and approach to execute the financing and the fees proposed.

Based upon the review of the Evaluation Committee, it was determined that the highest rated underwriter proposal was submitted by RBC Capital Markets and that RBC should therefore act as the senior manager for the 2011 bond issuance. The Evaluation Committee further determined that the proposals submitted by Bank of America, Merrill Lynch, PNC Capital Markets, Loop Capital Partners, which is a certified DBE, and Janney, Montgomery, Scott, LLC, were the highest rated underwriter proposals for purposes of acting as co-managers relative to this transaction.

Lastly, based upon the review and evaluation of the trustee proposals, we determined that U.S. Bank submitted the highest rated proposal and should act as trust for the 2011 bond issuance.

Mr. Letwin stated that the resolution before you would authorize the Authority to engage these firms as underwriters and as trustee relative to the 2011 bond transaction and would further authorize the Authority to form a pricing advisory group consisting of the Chairman of the Board, Chairman of the Performance Oversight Committee, and the Authority's Chief Executive Officer, to review and approve the final terms and provisions of the 2011 bond transaction.

Lastly, this resolution would authorize the Authority to utilize either a supplemental or new trust indenture, as the Authority's Chief Financial Officer deems appropriate, and to take all other actions necessary and proper to carry out this transaction.

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

Before approval, Mr. Taylor asked the role of the co-manager. Mr. Letwin responded, their willingness to participate in the transaction and take related actions.

It was moved by Mr. Mattola, seconded by Mr. Taylor and unanimously agreed that the resolution be approved as presented. [This vote was abstained by Mr. Letwin and Mr. Edwards].

This concluded the report of the Performance Oversight Committee.

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

Mr. Mattola reported that although the Planning and Development Committee did not meet this month, Governor Rendell's December announcement making \$45 million available to the Authority to help us through the statewide transportation funding crisis demands that I come back to the Board this month, so we can quickly act to reduce the damage to our riders, our employees and this transit system caused by our necessary November decision to reduce service hours by 35 percent in March. Obviously, we all appreciate the outgoing Governor's reaction, which provides this Board with a bit more breathing room as we steer Port Authority through this funding crisis.

Mr. Mattola noted that Governor Rendell made it clear in announcing these funds they were temporary and does nothing to solve the overall transportation funding crisis. They are merely intended to buy time for the new administration and legislative leadership to reach agreement on a permanent solution. As it stands today, we are scheduled to reduce 35 percent of our service hours on March 13, 2011. The resolutions being presented today reinstate 20 percent of the service hours currently scheduled for elimination for a net reduction of service hours to 15 percent effective March 27, 2011. Mr. Mattola noted that the committee is presenting this to the Board as an option rather than a recommendation.

Mr. Mattola provided an overview of the options at this time.

The first option would be to postpone the effective date of our approved March service reduction making use of the Governor's funding to sustain our existing service as is until July 17, 2011. Then at that time our original plan to reduce 35 percent of service hours would take effect unless the state provides sufficient funding. As a recap, this 35 percent service hour reduction, whether implemented in March or July, would eliminate 47 routes, entirely affecting over 12 percent of our current riders. It would reduce weekday service on 79 additional routes, affecting over 80 percent of our current riders, as well as reducing significant service on Saturdays and Sundays. This would cause a ridership drop of 30,000 to 35,000 daily trips, resulting in 15 to 20 percent total ridership. It would also result in the elimination of approximately 520 positions, requiring about 430 employee layoffs. It would mean the closing of the Harmar and Collier bus operating divisions, and it would lead to significant burdens on

businesses and other institutions, as well as leading to significant additional traffic congestion on the region's highway network.

Mr. Mattola continued saying that from the beginning, we have all talked about how disastrous this would be to Port Authority, our riders, our employees, the City of Pittsburgh, and our region as a whole. With the announcement of Governor Rendell's temporary funding, a number of stakeholders recognize its purpose is to buy time rather than solve the underlying statewide transportation funding crisis. These stakeholders asked Port Authority to examine two options. First, how long current levels of service could be sustained beyond March 2011 with these funds. Second, what the service impact would be if we try to stretch these funds to June 2012. Mr. Mattola reiterated that the Governor's temporary funding would buy us about four months at current service levels deferring the scheduled 35 percent cut from March 12 until July 17, 2011. As an alternative, staff has identified restoration of less service from 35 percent to 15 percent to get us through June 2012, noting that a 15 percent service reduction is not desirable or even recommended.

Mr. Mattola continued saying that we are past the point of cutting service for efficiency. The greater Pittsburgh region needs and deserves service at the current levels to remain competitive economically. If adopted, a 15 percent service reduction would result in the elimination of 29 routes entirely instead of the original 47. These 29 routes carry about five percent of our total ridership. It would reduce weekday service on 37 additional routes, instead of the original 79. These reductions would affect about 45 percent of our current riders. It would leave service relatively unchanged for about 50 percent of our current riders. It would lead to the ridership drop of about 13,000 trips per weekday or five to six percent of our current total ridership instead of the 15 to 20 percent drop caused by 35 percent service reduction. It would result in the elimination of approximately 270 positions, requiring approximately 180 employee layoffs. It would allow the continued operation of the Collier Garage, although the Harmar Division would still close in March.

Mr. Mattola made the point that although the cuts would be damaging and are undesirable, the reduced level of service would maintain the integrity as a whole. The same cannot be said about the 35 percent service hour reduction. He believes the decision rests on how likely we are that a solution to the transportation funding crisis can be reached by July. Mr. Mattola added that the two resolutions presented today should be taken as a single action if enacted.

On behalf of the Planning and Development Committee, Mr. Mattola respectfully requested approval of the resolution seeking approval to revise the previously approved service reductions to 15 percent taking effect on March 27, 2011.

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

At this time, Mr. Letwin commented that if anybody out there thinks that this Board is not going through intense anguish over the decision that we have been confronted with, they are mistaken. We did not create this crisis, the staff of Port Authority did not create this crisis; we are stuck with this crisis. Mr. Letwin stated that he agrees with both Mr. McMahan and Mr. Sandvig on a number of points. He agrees that these cuts are going to have significant impact on the region. It's going to hurt his practice. It is going to hurt people he knows. It's going to hurt the riders. He noted that he didn't

understand it before he was appointed to this Board how important public transportation is to this region, but now he understands it and has listened to people who are going to have their lifelines cut and won't be able to get to do things as basic as buying groceries, reaching jobs, and reaching doctor appointments. The Board understands that and thinks it is a travesty that we find ourselves in this position.

Our job, as we view it, is to try to save what we can. If we really thought that this \$45 million would be followed up by additional funding, we probably wouldn't be taking action, but I don't think any of us on this Board believes that the next step in the new administration is going to be to add additional funds. The Governor elect has made it perfectly clear that there is going to be no new taxes or no new fees. Mr. Letwin noted that he was prepared to pay higher taxes in order to save public transit and our crumbling infrastructure in the county. Public transit is just one issue that this county faces. It faces issues with our sewer systems, water systems, and obviously, our pension plans. There are a number of things that we are confronted with, but this one is the most near and dear to the Board because we live it and breathe it. We volunteer to this Board, noting that they are not paid. He gives his time [as the other members] to sit here and listen to accusations that we are morally corrupt. It is just outrageous to him, and not what he ever signed up for, but we were confronted with this and the only solution is to come up [and this is also where he agrees with Mr. McMahon] with a sustained source of funding.

He continued saying that you've heard Ms. Ellenbogen speak to this Board very passionately in the past about calling on the legislators to find us a sustainable source of funding. We don't have that power. We run the transit agency. We don't oversee the state budget and yet our cries and your cries have fallen on deaf ears. So our job is to save what we can for this region. If we can come up with some other source of funding and rebuild the system, we would love to do that, but unfortunately that's not where we are.

Mr. Lewtin ended his statement by saying that it is with great regret that it comes to having to vote on this issue. We just think that a 35 percent service cut, which is what we will be faced with, is catastrophic. While the 15 percent service cut is bad, we want to avoid this kind of catastrophe and see what we can do to save what we can.

Mr. Mattola commented that he appreciates all of the passion that was displayed here today, but feels that taking the chance of them coming up with a funding solution by July and using the \$45 million for just six months is not in the best long-term interests of the Authority.

Mr. Dodaro commented that he certainly supports the action that we took today. As unfortunate as it is, given the impact it will have on our region and our ridership, but that we as a Board and the public in general should not defer putting the push on the legislature. He asked Mr. Bland that in the event the legislature would act prudently prior to March, would it be possible for us given ample time to begin to restore the 15 percent service cut in an expedite fashion?

Mr. Bland responded that if something were to happen and we found a new, temporary, or permanent source of funding prior to March 27, clearly that would be an option, noting that he is sure we would have the cooperation of ATU, and the Board to get together to take that type of action. He noted that

the challenge really in any significant service change is working through that process, so maintaining the status quo is much simpler than making aggressive changes.

Mr. Dodaro, commented that given the action we're taking today, and the fact that we're not going to see 35 percent service cuts in March, but 15 percent, let's agree that I don't think any of us should sit back and say we're giving the legislature a bye to allow them an additional 18 months to pass necessary legislation. He thinks everyone should continue to put the push on the general assembly and the new Governor to act prudently in this action. Mr. Bland agreed.

Ms. Rainey commented that she has been riding public transit for a very long time and does not have a personal vehicle. Transit is her personal vehicle. It allows her to work, it allows her to shop and it allows her to go to church. From a rider's perspective, the idea of reducing service is certainly something that is frightening. But also being given the chance to sit on the Port Authority Board and seeing it from a different perspective and understanding the challenges and hard decisions the Board has to make, she appreciates that perspective as well. Ms. Rainey wanted to emphasize that this is not an easy decision for anybody sitting on this Board, and Port Authority staff as well, and making these decisions is not something that we are deciding on lightly.

Mr. Taylor commented at this time that he agrees with everything that has been said this morning from both points of view. He believes after listening to the speakers that we are damned if we do, and damned if we don't. As Mr. Robison mentioned, one of the risks that we have in implementing the 15 percent cut is will we give the impression that the transit system can function on 15 percent less budget when we all know that is not true. As stated many times before, we have implemented cuts to gain efficiencies and we've done that. We have implemented the transit development plan that really has the Authority poised to provide the service to the community that is critically needed in the right manner for long term. Mr. Taylor wanted to make it perfectly clear [and asked for an amendment to the resolution] that we intend to reverse our actions when the proper level of funding is provided from our funding sources, so that we are not in any way signaling that this is a permanent cut. It is temporary, subject to being able to restore this level of service. It is a temporary reduction. As we adopt our budget, we should adopt our budget based on what our actual level of funding should be and that we are taking operating actions based on a temporary reduction of that normal operating budget.

He reiterated that he does not want anyone to be mistaken that this community can actually live with service at this reduced level.

Mr. Bland recommended at this time that the Board may also want to consider as a further amendment, that while our plan is to discontinue in March the operations of the Harmar garage that any intent to dispose of that facility requires further action by the Board. Our intent would be to reopen that facility as soon as funding will allow us to restore that service level.

Mr. Taylor wanted to make it perfectly clear that the intent is not to permanently close or dispose of the Harmar Garage.

Mr. Taylor requested Council to advise us on how best to do this because we want to make sure that we're clear, and the legislature is clear, and the administration is clear, on what our actual funding situation is.

Mr. Lennen, General Council, suggested that we simply make an addition to this resolution that says it is the intent of the Board that these service reductions are temporary in nature and it is the Board's intent to restore the reduction once the funding becomes available.

Mr. Taylor responded that he wouldn't claim it as our intent. I would say that it is fact so that if we don't get funding later, we will have to come back to affirmatively make it permanent. He does not want anyone to think that our intention is to live with this. Mr. McMahon is correct; enough is enough. He stated that, "We should not live with this reduced service. This is not right for our community. It is not right for the Authority. It's not right for our workers."

Mr. Letwin stated that he will amend his motion until Mr. Lennen formulates a draft that summarizes Mr. Taylor's statement.

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

Mr. McMahon was called upon for comment.

He began his comments by thanking Mr. Letwin and Mr. Taylor for their comments and believes they are heartfelt. Mr. McMahon stated that the message is confusing as he continually hears from Port Authority and the Board that if we do nothing and do not cut the service in March and we survive, as the Governor intended, to balance this budget until July, 2011. He keeps hearing Mr. Mattola say it again that 35 percent cuts will go into effect in July. Mr. McMahon referred to a resolution from June 25, 2010. This resolution passed with the understanding that there would be a \$47 million deficit due to the failure of Act 44. It also cites in here that we as a Board and as an organization would have to revisit the budget in January 2011 if the state does not act and come through with a solution for the transit funding, that in January we would have to act to look at future cuts to balance the budget at that time.

Mr. McMahon stated that where he is confused is the deadline if we do nothing at all and by the time the Governor intended, in his estimation based on what we did last year, if we did exactly the same, we would get at least until late fall early winter of January 2012 that we would be exactly where we were in June of 2010. He stated that the Board adopted this and he feels that was responsible. Mr. McMahon encouraged the Board to consider that because there is absolutely more time than six months.

Ending his remarks, he stated that this situation we are in is no one's fault in this room. We all know where the responsibility lies. It's in Harrisburg. They failed to come through with transportation funding for this Commonwealth. That is not our fault, that's where the responsibility lies to fund transit. I recommend that we do not move on that resolution to cut service and devastate this community any more than we already have. We should continue to move forward, status quo, keeping this system exactly where it is today and continue to fight in Harrisburg. If at the end of the

day, when it comes down to crunch time, if Harrisburg does not act then that responsibility of shutting down this system, which will happen anyway, will lie on those people who failed to serve this Commonwealth.

Mr. McMahon thanked the Board for the extra time to speak regarding this very important subject.

At this time, Mr. Edwards asked for clarity.

Mr. Bland responded that the problem is first of all, as the Governor outlined, the \$45 million is temporary. It is a one shot deal. It is not going to any base funding that we would continue to get even on a flat basis never mind growing with inflation. So that plugs gap, but those expenses [i.e., inflation, fuel and healthcare] will continue to grow.

He stated that Mr. McMahon absolutely accurately identified the savings that everyone in this Authority has gone through over the last five or six years. We've documented \$52 million in annual savings, so those efforts continue, but the fact of the matter is costs go up. He noted that when we get these temporary blocks of funding, as appreciative as we are, they create a bigger hole on the back end. He continued reporting that the Board dealt with this issue back in September when they decided to defer the vote to November in order to buy more time for the legislator and outgoing Governor who was aggressively trying to address this problem. Noting unfortunately, nothing came about.

Mr. Bland stated that the big issue of the timeframe of when any particular cut goes in effect is that the further back it goes, the bigger it has to be to balance the budget gap. If essentially we take \$45 million without a doubt we could keep service exactly as it is today and get through this fiscal year with a balanced budget. When \$45 million is consumed, you probably go into next year, with absent of any action from the State, a \$60 to \$70 million deficit. So maybe instead of 35 percent, we're looking at the 50 percent plus. [Mr. Bland noted that he is just throwing numbers out there and we haven't looked at it. It is an alternative that we don't want to examine].

Mr. Bland mentioned that he thought everyone who spoke here today put it well. It is a statewide transportation funding crisis, we just got there a little quicker than everybody else, including roads and bridges, but they are headed in that direction.

Mr. Bland ended his remarks by saying that he hopes riders, organizations, stakeholders and groups address this problem in Harrisburg. He hopes that they don't take which ever decision the Board makes today [as mention in Mr. Sandvig's remarks], as an opportunity to shift their attention or their direction on Port Authority. Mr. Bland speaks for the entire staff in saying we intend to focus our attention, on whichever way the vote goes, on our elected officials to advance a permanent and long term solution.

In light of the receipt of additional state funds, and on behalf of the Planning and Development Committee, Mr. Mattola presented a resolution requesting approval of a further revision of Port Authority's FY 2011 operating budget.

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

Mr. Taylor requested an amendment to the resolution consistent with the last to reflect that the cuts that we made in our last action are temporary and have that reflected in the budget.

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

The Chairman asked if there was any new business.

The next regular meeting will be Wednesday, January 28, 2011.

The meeting was adjourned.

Approved