

Port Authority of Allegheny County

FY 2008-09 OPERATING BUDGET

Objectives

- **Improve System Effectiveness and Achieve Cost Reductions as Recommended by the Transit Funding and Reform Commission and to be addressed through the System Development Plan**
- **Successful Negotiations of the ATU-85, Transit Police, & IBEW Contracts**
- **Maintain Current Service and Fare Levels**
- **Continuation of the North Shore Connector Project**
- **Maintenance of Capital Assets/State of Good Repair**

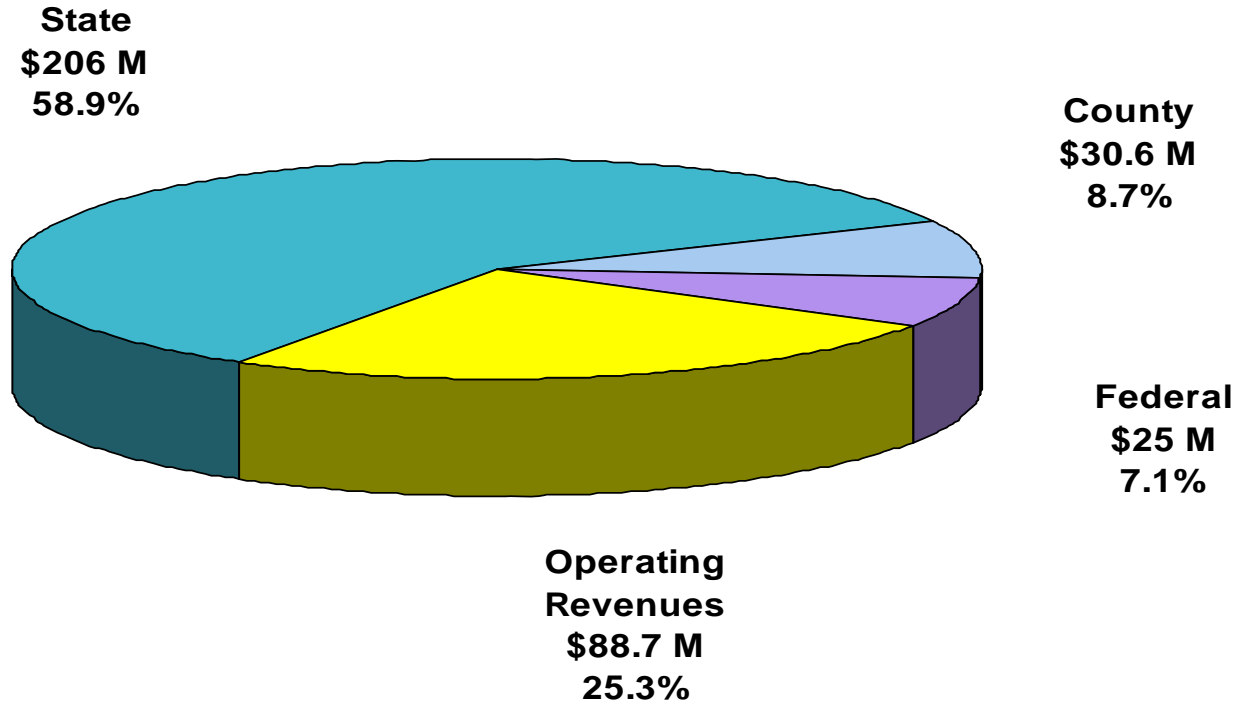
Assumptions

- **The State will Provide Operating Assistance at the Level Recommended in the Governor's Budget**
- **Allegheny County Operating Assistance is Sufficient to Match State Funding**
- **Increased Passenger Revenue Due to a Complete Year of Higher Fares and due to the Increases Negotiated into the Pitt & CMU Contracts**
- **\$10 Million minimum savings will be achieved in collective bargaining process.**

Port Authority of Allegheny County

FY 2009 PRELIMINARY OPERATING BUDGET

REVENUES

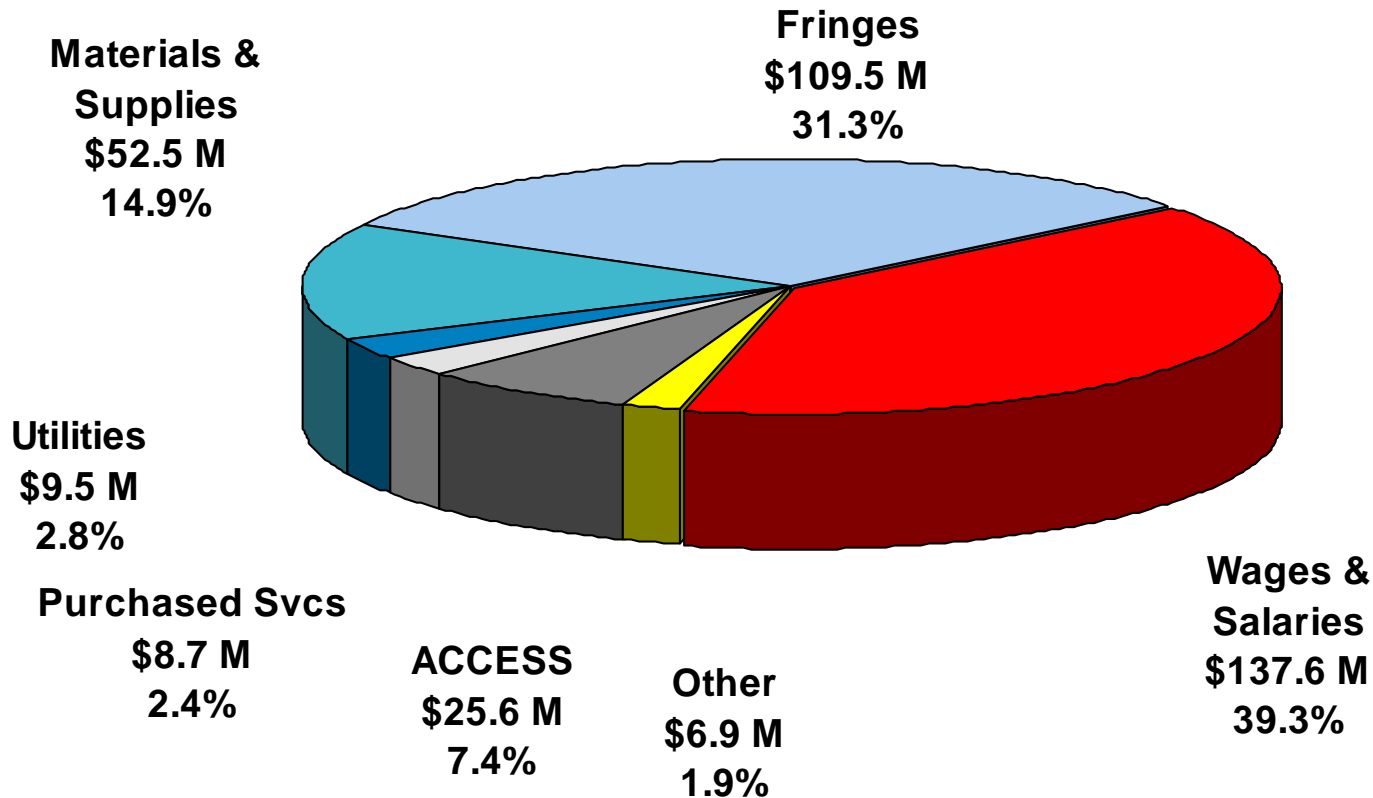


Total FY 2009 Revenues : \$350,286,580

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FY 2009 PRELIMINARY OPERATING BUDGET

EXPENSE



Total FY 2009 Expenses : \$350,286,580

Port Authority of Allegheny County

EXHIBIT A
 Port Authority of Allegheny County
 FY 2007 Audited, FY 2008 Budget & Forecast and FY 2009 Preliminary Budget
 (\$millions)

	Audited FY 2007	Budget FY 2008	Forecast FY 2008	Budget FY 2009	FY08 Bud to FY09 Bud \$ CHANGE	FY08 Bud to FY09 Bud % Change
REVENUES:						
PASSENGER REVENUE -						
BUS, TROLLEY AND LRT	61.0	60.1	64.5	67.0	6.9	11.4%
SENIOR CITIZEN REIMB.	10.1	-	-	-	-	0.0%
ACCESS PROGRAM SERVICE	11.9	12.8	12.8	12.9	0.1	0.5%
CONTRACT SERVICES	4.1	4.7	4.7	5.5	0.8	16.0%
ADVERTISING	2.4	1.5	1.8	1.5	0.0	0.0%
INTEREST INCOME	2.7	1.5	1.8	1.0	(0.5)	-33.3%
OTHER INCOME	2.5	0.6	1.1	0.8	0.2	29.8%
TOTAL REVENUE	94.7	81.3	86.8	88.7	7.4	9.1%
OPERATING ASSISTANCE						
LOCAL	15.9	27.5	27.5	27.7	0.2	0.8%
STATE	75.3	183.0	183.0	184.5	1.4	0.8%
TOTAL GRANTS	91.2	210.5	210.5	212.1	1.7	0.8%
AMOUNTS CAPITALIZED:						
ISRP/ASSET MAINTENANCE/VOH	50.0	18.5	17.5	18.5	0.0	0.0%
GRANTS	29.7	7.5	4.2	3.4	(4.1)	-55.1%
COST OF CONTRACTING	15.0	15.0	16.0	15.0	0.0	0.0%
PREVENTIVE MAINTENANCE	12.6	0.5	0.5	11.6	11.1	2248.2%
SUPPLEMENTAL FLEX	32.0	-	-	-	0.0	0.0%
FLEX/ACCESS TO JOBS	5.5	2.7	2.9	1.0	(1.7)	-63.0%
TOTAL CAPITALIZATIONS	144.8	44.2	41.1	49.5	5.3	11.9%
TOTAL REVENUES, GRANTS & CAPITALIZATIONS	330.7	336.0	338.4	350.3	14.3	4.3%
EXPENSES:						
WAGES AND SALARIES	140.7	133.2	133.4	137.6	4.4	3.3%
EMPLOYEE BENEFITS	103.2	115.3	108.7	105.9	(9.4)	-8.2%
MATERIALS AND SUPPLIES	36.9	38.1	37.7	52.5	14.4	37.8%
PROVISION FOR INJURIES & DAMAGES	0.5	3.3	3.3	3.6	0.3	8.9%
PURCHASED SERVICES	5.7	7.8	7.3	8.7	0.9	11.9%
UTILITIES	7.5	9.0	8.7	9.5	0.5	5.8%
OTHER EXPENSE	3.1	3.9	3.5	4.5	0.6	14.8%
INTEREST	1.7	1.0	0.9	2.4	1.4	138.3%
ACCESS	24.6	24.4	24.7	25.6	1.2	5.1%
TOTAL GROSS EXPENSES	323.8	336.0	328.3	350.3	14.3	4.3%
OPERATING SURPLUS/(DEFICIT)	6.9	0.0	10.1	0.0	0.0	0.0%
OTHER POST EMPLOYMENT BENEFITS EXPENSE (OPEB)	39.3	0.0	37.2	36.6	36.6	100.0%
SURPLUS/(DEFICIT) WITH OPEB	(32.4)	0.0	(27.1)	(36.6)	(36.6)	100.0%

*Assumes approximately \$10.0M in savings through labor negotiations.

Port Authority of Allegheny County

SUMMARY OF PERSONNEL BY CATEGORY

	FY 2006 Budget	FY 2007 Budget	FY 2008 Budget	4/1/2008 Actuals	FY 2009 Budget
Salary:					
Non-Represented (includes Security Guards)	311	312	262	236	257
IBEW	84	85	75	76	78
ATU Local 85	234	235	220	215	221
Transit Police	44	43	42	42	42
Total Salary	673	675	599	569	598
Hourly: (ATU Local 85)					
Operators	1,530	1,530	1327	1325	1327
Non-Operators:					
Maintenance	859	857	776	767	776
Off-Board Fare Collectors	19	19	19	19	19
Materials	46	46	36	35	36
Total Non-Operators	924	922	831	821	831
Total Hourly	2,454	2,452	2,158	2,146	2,158
TOTAL PERSONNEL	3,127	3,127	2,757	2,715	2,756



The culture of the Port Authority is changing. There is a strong management focus on reducing costs, maximizing revenue and increasing efficiency. Over the past year, Port Authority management has:

Instituted a broad series of cost-savings initiatives to address the Pennsylvania Transportation Funding and Reform Commission's call for business reforms at the state's transit agencies. Due to current collective bargaining agreements, the following actions only affect management employees and the Port Authority Police:

- Accelerated the departure of employees in a Deferred Retirement Option Program
- Eliminated "lifetime healthcare" for those retiring after June 30, 2007
- changed the "buy-back" of previous employment time to only military years of service and instituted 10-year vesting period
- Eliminated a \$500 monthly pension supplement
- Increased employees' healthcare contributions to 2 percent of annual salary in Fiscal Year 2008 and 3 percent in FY 2009
- Fiscal Year 2008 salaries frozen
- The CEO's salary frozen through June 2009 (amounting to a three-year freeze) and elimination of his deferred compensation contribution by the Authority
- All senior management position salaries frozen through June 2008 (amounting to a two-year freeze) and elimination of their deferred compensation contribution by the Authority
- Eliminated use of accrued sick leave toward pension service
- Reduced the number of senior managers from eight to five

Eliminated 370 budgeted positions, including 50 administrative positions, and instituted 203 layoffs by June 30, 2007

Port Authority will realize more than \$11 million in savings in Fiscal Year 2008 alone as a result of the wage freezes, layoffs and changes to employee pensions and benefits.

- Announced the start of Connect '09, an ambitious 18-month initiative to connect neighborhoods through new service models and connect the region by enhancing coordination of transit services and adopting a regional fare collection system based on smart card technology. This formulation of significant changes to the business model will ensure the most efficient operations possible with available funding in the future
- Reached new agreements with the University of Pittsburgh and Carnegie Mellon University that significantly increase payments to Port Authority, which will generate more than \$35 million over five years for Port Authority
- Reached an agreement to lease the park and ride lot adjacent to South Hills Village Station, generating more than \$131,000 annually for Port Authority
- Held a series of six public workshops to refine a methodology for evaluating the efficiency of bus and rail service. That was followed by a series of nine public hearings on plans to reduce service and raise fares. Service was reduced by 15 percent (10 percent less than the proposed 25 percent) in June 2007, and planning for a January 2008 fare increase is advancing