

# ***Port Authority of Allegheny County***

## **BUDGET DEVELOPMENT**

### **Operating Budget Process**

A budget represents a financial plan based on the best available information at a point in time. The FY 2009 budget development process was unique from the standpoint that much uncertainty existed at the time the budget was formulated and also at the time of its passage.

Port Authority begins the process of formulating a preliminary budget by reviewing the funds available in major revenue categories to support service. From a passenger revenue perspective, the FY 2009 Budget was constructed with no increase in base fare. The base fare remained unchanged at \$2.00 with the potential for a fare review by the Port Authority Board of Directors in FY 2010. Contract service agreements with the areas two largest universities were scheduled to increase by 16% in total. ACCESS Shared Ride revenues were forecasted to decrease by \$100,000 to \$12.9 million due to lower ridership. Other sources of income such as advertising revenue and interest income were forecasted to fall slightly from FY 2008 actual levels. Advertising income was projected to be lower due to a slower local economy and interest income was forecasted to be lower due to unfavorable rates of return and lower cash balances.

Two other major revenue sources for Port Authority are operating assistance from the Commonwealth of Pennsylvania and Allegheny County. Act 44 was passed by the Commonwealth to remedy recent underinvestment in roads and bridges and public transportation. Despite initial optimism that the Commonwealth's passage of Act 44 would provide a source of growing State revenue for Port Authority, State operating assistance was budgeted to grow at less than 1% in FY 2009. Since County Operating Assistance is

based on 15% of State operating funding, it too is projected to grow at less than 1% for FY 2009.

The last primary source of funding for Port Authority originates from Federal and State capital grants that offset certain types of operating expenses. This source of funding was projected to increase by slightly over \$8.0 million over FY 2008 levels due to the increased availability of Preventative Maintenance funds.

The source of uncertainty in assembling the budget surrounded two primary factors that involved the budget for expenses. First, Port Authority's labor agreement with its largest union the Amalgamated Transit Union #85 (ATU-#85) expired on June 30, 2008. Negotiations had begun months before the expiration of contract, but no new agreement had been reached. Consequently, the FY 2009 Budget maintained status quo regarding wage and benefit levels for the 2,343 employees represented by ATU-#85 as no wage or benefit increases were included for these employees.

Even with the exclusion of wage increases for ATU-#85 employees, the FY 2009 Port Authority Budget included an assumption of \$10.0 million in healthcare savings from active ATU-#85 employees in order for revenues to balance expenses.

The second factor that made the FY 2009 budget process challenging was the escalating price of energy during the budget preparation process. Port Authority was locked in for the first two months of the fiscal year for diesel fuel at \$2.40 per gallon. Due to market volatility and prospects of continued diesel fuel price increases, Port Authority contracted September through December diesel fuel deliveries at \$4.15 per gallon.

Port Authority began its budget preparation cycle with a projected \$10.4 million deficit for FY 2009. The projected deficit was the result of continued near double digit increases in healthcare medical premiums as well as large increases for diesel fuel and utilities. Port Authority also has high expense levels for materials and supplies to maintain

buses, light rail vehicles, and facilities. These items are also subject to inflationary pricing pressures and are not necessarily discretionary items where usage can be reduced.

The Chief Financial Officer as well as members of Financial Planning & Budgets held multiple meetings with both senior staff and departmental managers to discuss ways to address reduction of the deficit. The projected FY 2009 deficit continued to grow during the budget deliberations as the price of future contracts on diesel fuel increased by over a dollar a gallon. This increase in diesel fuel caused an increase of approximately \$6.4 million to the initial deficit of \$10.4 million that needed to be addressed by the Port Authority's leadership.

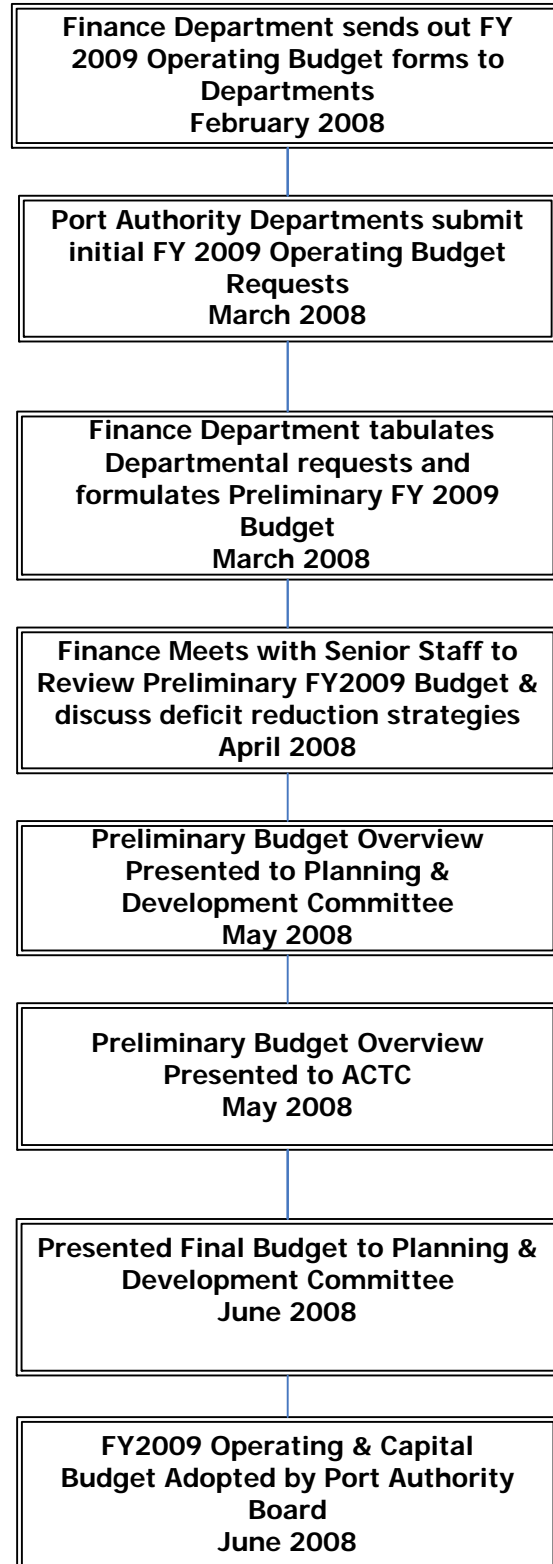
Subsequent meetings to bridge the operating budget deficit focused primarily on the Operations Division where the majority of employees and expenses reside. A further review of initial budget requests was able to reduce \$ 6 million from the deficit and return it to its original amount of \$10.0 million. Given that Port Authority had decreased service by 15% and raised fares a year earlier, it was decided the remaining imbalance between revenues and expenses would have to be eliminated through negotiated savings from the collective bargaining process with ATU -#85.

The budget process differed from that of a year earlier in that there was less public input in FY 2009. This was due to the fact that the service patterns in FY 2008 were substantially altered and public hearings were mandated to get input on the proposed changes. Service changes were not proposed in the FY 2009 Budget, so less public input was required.

This is not to say that the FY 2009 Budget process was void of public input. Port Authority's budget process includes a review and input from Port Authority's citizens' advisory group -- the Allegheny County Transit Council (ACTC). ACTC is given several formal presentations on budget issues and given the opportunity to provide comments.

The FY 2009 Budget also marked a change in the internal Board governance of budget creation and review. In the past, the budget was presented to the Administration and Finance Committee (A&F) whose orientation was focused primarily on fiscal matters. In FY 2008, Port Authority's Board of Directors committee structure was entirely re-organized. As part of this re-organization, the Planning and Development Committee was created. This committee's focus is more broadly defined to include vision and strategic issues as well as the review of fiscal matters formally reviewed by the A & F committee. The FY 2009 Budget was reviewed by the Planning and Development Committee at various stages of its development and was approved by the Committee at its June 2008 meeting prior to formal adoption by the entire Port Authority Board of Directors. This entire budget process is presented in *Figure 1.1*.

***Figure 1.1***  
***Port Authority of Allegheny County***  
**BUDGET DEVELOPMENT PROCESS**  
***FY2009 Operating Budget***



## **Goals and Objectives**

The development of the FY 2009 Operating and Capital budget for the Port Authority was based upon the vision and strategic plan of the company. The Chief Executive Officer (CEO) Steve Bland, provided overall direction along with input from the Board of Directors, managers, and employees for the best way to implement and attain this vision.

The formal vision of Port Authority continues to be to work toward becoming the premier public transportation agency in America. For Port Authority to fulfill its vision it must continue to focus on satisfying the needs of its customers. Becoming the best requires Port Authority to establish priorities and develop a well-balanced strategy on how to move forward in its quest for excellence. It involves continually re-evaluating its operations and determining if changes must be made to align with funding realities. As part of its strategic development, Port Authority revised its Business Plan in mid FY 2006 in order to list the goals and objectives of each division and assign task leaders to each item. Many of these items remain as central goals to the functions of each Division for FY 2009. Additionally, Port Authority has launched a macro-review of its services in the form of Connect '09. Connect '09 is an 18 month initiative that will rely heavily on public input to revamp service delivery methods. This study focuses mainly on bus service and entails reviewing regional areas of growth and decline to look for areas that currently may be either under-served or over-served by Port Authority. This study also examines how Port Authority can fit into a greater regional approach to transportation demands. A centerpiece of this initiative will be to introduce smart card technology not only at Port Authority, but to other interested public transportation companies within the region.

In addition to the overall Vision of the company, the following objectives were identified specifically for FY 2009:

- Balance the Operating Budget
- Provide Exceptional Customer Service
- Improve System Effectiveness and Achieve Cost Reductions to be addressed through the Connect 09 System Development Plan
- Maintain current service and fare levels
- Maintain Capital Assets in a State of Good Repair
- Continuation of the North Shore Connector Project

**EXHIBIT 1.1**

*Port Authority of Allegheny County*

D. FY 2009 OPERATING AND CAPITAL IMPROVEMENT BUDGET

**VISION**

To become America's premier public transportation company.

**MISSION**

To Connect People to Life

- Continually improving our services to meet the evolving needs of our customers
- Contributing to the economic vitality and quality of life of our community and region

**EXHIBIT 1.2**  
*Port Authority of Allegheny County*

E. FY 2009 OPERATING AND CAPITAL IMPROVEMENT BUDGET

**OBJECTIVES**

- **Balanced Operating Budget**
- **Provide Exceptional Customer Service**
- **Improve System Effectiveness and Achieve Cost Reductions as Recommended by Transit Funding and Reform Commission and to be addressed through the Connect 09 System Development Plan**
- **Maintain current service and fare levels**
- **Maintain Capital Assets in a State of Good Repair**
- **Continuation of the North Shore Connector project**

## **Budget Assumptions**

In order to project expenses and revenues for FY 2009, it was necessary to make several key assumptions. These are briefly reviewed below under the six (6) principal categories of (A) fare and service levels, (B) ridership, (C) operating assistance, (D) dedicated funding, (E) the capitalizations of expenses, and (F) contract negotiations.

### **A. Fare and Service Levels**

- \* FY 2009 budgeted ridership is forecasted to fall from FY 2008 levels, decreasing by approximately 3.5 million riders or 5.32%. This ridership reduction is attributable to Port Authority's 15% service reduction in June 2007. In addition, there was a fare increase in January 2008 resulting in a full year at a higher fare structure. These two factors are assumed to negatively impact ridership levels in FY 2009.
- \* Passenger revenues are projected to increase by \$1.6 million over FY 2008 revenue levels. Port Authority's decision to keep fares unchanged for FY 2009 continues to make Port Authority service an affordable alternative to private vehicle transportation. The ACCESS program revenues are projected to decrease by approximately \$85,000 or 0.7% in comparison with FY 2008 levels due to slightly lower ridership projections for FY 2009. Revenues associated with contracted services with the University of Pittsburgh and Carnegie Mellon University are expected to increase by 16.0% over the FY 2008 forecast. Port Authority renegotiated agreements with both institutions through FY 2012 resulting in a 15% increase each contractual period.

## **B. Ridership**

- \* As presented in Table 1.1, overall ridership is expected to fall in FY 2009. The bus mode of transportation is projected to sustain a ridership loss with a reduction of 3.3 million riders or 5.6%, the rail mode is estimated to sustain a ridership loss of 296,000 riders, and the incline mode also a decrease at 22,000 riders. This estimated decrease in ridership is due to the fare increase and service reductions across the system. The ACCESS program is also forecasting a slight decrease in ridership levels in FY 2009 by 5,148 riders.

Developing partnerships with Pittsburgh organizations and institutions continues to provide Port Authority with new opportunities to build ridership. The existing cooperative agreement with the University of Pittsburgh (Pitt) provided approximately 5.6 million rides to Pitt faculty, staff and students in FY 2008. Also in FY 2008, the agreement with Carnegie Mellon University generated 1.5 million rides. In addition, students within the City of Pittsburgh Public School system can utilize Port Authority transportation to and from school. Port Authority hopes to generate greater efficiency and sustained ridership with its reduced service schedule. Bus, rail, and incline service continue to be an affordable transportation alternative.

## **C. Operating Grants**

Port Authority receives operating assistance from the state and county governments. For the fiscal year ending June 30, 2009, these funds are budgeted at a total of \$212.2 million with combined state operating assistance of \$184.5 million and an Allegheny County share of \$27.7 million. The following is a breakdown of each of the budgeted governmental operating subsidies for FY 2009:

1. State Operating Assistance - \$184.5 million :

The level of State operating assistance was increased for FY 2009 by 1.5 million or 0.8% over FY 2008 levels. In prior years, the Commonwealth of Pennsylvania funding came in the form of programmatic reimbursements. These Commonwealth reimbursements were treated as a capitalization on Port Authority's financial statements prior to FY 2008. Now the state operating assistance comes in under the funding formula contained in ACT 44 that created the Public Transportation Trust Fund. Port Authority receives a set percentage of a \$536 million base fund. Act 44 contains a "hold harmless" provision that sets a minimum threshold of operating assistance funding for Port Authority. An additional \$274 million in state funding is distributed to the state's public transit companies based on the following performance and need factors.

<b>Distribution Formula</b>		
Total Passengers	25%	Performance
Senior Passenger Premium	10%	Performance
Total Revenue Vehicle Hours	35%	Need
Total Revenue Vehicle Miles	30%	Need

**TABLE 1.1**

*Port Authority of Allegheny County*

**FY 2009 OPERATING BUDGET**

**RIDERSHIP TRENDS**

**(000's)**

<u>Ridership Category:</u>	<i>FY 2005</i> <u>Actual</u>	<i>FY 2006</i> <b>Actual</b>	<i>FY 2007</i> <b>Actual</b>	<i>FY 2008</i> <u>Actual</u>	<i>FY 2009</i> <b>Budget</b>
* Port Authority Fixed Route Ridership:					
Bus					
Light Rail	59,107	59,956	60,311	57,733	54,479
Incline	7,087	7,511	7,116	7,142	6,846
Subtotal	<u>691</u>	<u>687</u>	<u>704</u>	<u>710</u>	<u>688</u>
	66,885	66,154	68,131	65,585	62,013
* ACCESS	<u>1,773</u>	<u>1,761</u>	<u>1,708</u>	<u>1,694</u>	<u>1,689</u>
Total Annual Ridership	<u>68,658</u>	<u>69,915</u>	<u>69,839</u>	<u>67,279</u>	<u>63,702</u>

2. County Operating Assistance - \$27.7 million :

This budget assumes an Allegheny County operating assistance level sufficient to fully match available state funds. The Act 44 legislation includes a 15% local match requirement. Act 44 includes a hold harmless provision for local governments permitting transit systems to collect at least 5% more each year over the prior year's local match contribution until the 15% threshold is reached.

**D. Dedicated Funding**

The Pennsylvania Public Transportation Assistance Fund (PTAF) was enacted in 1991 to provide much-needed dedicated funding for Pennsylvania's transportation systems. Traditionally, this fund functioned as both a source of funds for the Operating budget as well as funding debt service payments in the Capital Budget. Act 44 retained the PTAF account starting in FY 2008 with funding to offset existing debt payments. This continued into FY 2009. This consolidation of State funding into the State Operating Assistance category enables Port Authority to be subject to a new funding formula that distributes the same amount each year in base allocation from the statewide pool of funds.

In FY 1998, state legislation, specifically Act 3 of 1997, added a new source of state funding for public transportation comprised of the Base Supplemental Grant (BSG) and the Additional Supplemental Grant (ASG). Customarily, this enabled Port Authority to capitalize wages, benefits, and other expenses incurred in the maintenance of vehicles, property, and equipment, and thus relieve the operating budget of these expenses. Under Act 44, this Act 3 funding ceased to exist as a separate program. Instead, it is also included within the Public Transportation Trust Fund.

**E. Capital Programs**

1. Infrastructure Safety Renewal Program (ISRP) is a state-sponsored capital program which provides for renovation and/or rehabilitation of transit rail, busway systems, and building facilities. It is projected at \$16.0 million for FY 2009. Costs that are recovered under this program include the annual operating costs associated with following departments: LRT Systems, Power, Way & Structures, Facilities, and Technical Support.
2. Commonwealth of Pennsylvania's Vehicle Overhaul Program is expected to provide \$2.5 million to Port Authority during FY 2009. The Vehicle Overhaul Program funds the rebuild of revenue bus and rail vehicles. The goals of the program are to extend the useful life along with increasing the reliability of revenue vehicles. Port Authority will use these funds to capitalize labor, benefits, materials, supplies, and the cost of any services directly incurred in support of this program.
3. State Base Supplemental Grant (BSG)- Act 3 of 1997 by the Commonwealth of Pennsylvania provided additional transit funds, the Base Supplemental Grant (BSG), as replacement to federal operating assistance. As stated earlier, this grant funding ceased to exist in FY 2008.

Based on the aforementioned assumptions of operating grants, dedicated funding and capital funding, Port Authority set about developing the FY 2009 Budget.

## **Operating Budget Summary**

The Operating Budget is designed to address the daily needs of Port Authority's operations while recognizing the constraints of federal, state, and county funding. The FY 2009 budget process started with Port Authority being faced with an unprecedented price increase in diesel fuel throughout the budget development. The market price of diesel fuel on a per gallon basis increased from \$3.16 to \$4.15 during this time frame. This caused an overall increase in diesel fuel expense from \$26.4 million at the end of March 2008 to a final budget amount of \$32.8 million in June 2008. Consequently, Port Authority began the FY 2009 budget process with a projected deficit of \$10.4 million. As a result, the FY 2009 budget is balanced at \$350.3 million, but assumes approximately \$10.0 million in labor related savings through the collective bargaining process with Port Authority's largest union, Amalgamated Transit Union, #85. The approved FY 2009 budget does not include wage increases for those unionized employees who comprise 85% of the total work force.

Part of the FY 2009 budget development process included internal budget reviews that occurred throughout the process to ensure expense requests were constrained to a level that would allow for maintaining high service standards. Departments were asked to review expense line-items that historically ended the fiscal year well below budget and they were also given the opportunity to shift budget dollars from one area to another in order to match their goals for the upcoming fiscal year. Departmental budgets were reviewed in detail by each Assistant General Manager in conjunction with the Department of Financial Planning and Budgets to curtail non-labor related expense increases.

All of the mentioned steps resulted in a concise plan for the allocation of Port Authority's operating resources for FY 2009. Port Authority's projected FY 2009 Operating Budget totals \$350,300,000. Following good management practices and current

legislative requirements of adopting a balanced budget, Port Authority projects expenses to equal projected revenues with the caveat that Port Authority continue to work with Allegheny County to ensure adequate levels of local matching funds are available to utilize all State funding.

*Table 1.2* presents a summary, net of capitalizations, of Port Authority's FY 2009 Operating Budget. The key revenue and expense highlights of the FY 2009 Budget are outlined in the pages that follow Table 1.2.

**TABLE 1.2**

*Port Authority of Allegheny County*

**FY 2009 OPERATING BUDGET SUMMARY**

**FY 2006, FY 2007, FY 2008 ACTUALS, FY 2009 BUDGET**

	<i>FY 2006 <u>Actual</u></i>	<i>FY 2007 <b>Actual</b></i>	<i><b>FY 2008 Actual</b></i>	<i><b>FY 2009 <u>Budget</u></b></i>	<i>% Change FY 2009 Budget Over FY 2008 <b>Forecast</b></i>
REVENUES	\$88.9	\$91.1	\$93.1	\$81.4	-12.6%
* Operating Revenue	<u>96.2</u>	<u>96.7</u>	<u>100.7</u>	<u>210.5</u>	<u>109.0%</u>
* Operating Grants	\$185.1	\$187.8	\$193.8	\$291.9	50.6%
Total Operating Revenues & Grants					
EXPENSES	\$294.4	\$319.2	\$323.7	\$336.0	3.8%
* Operating Expenses	<u>110.2</u>	<u>132.2</u>	<u>130.0</u>	<u>44.1</u>	<u>-66.1%</u>
* Capitalizations	\$184.2	\$187.0	\$193.7	\$291.9	50.7%
Total Net Operating Expenses					
<b>NET REVENUE OVER EXPENSE</b>	<u>\$ 0.9</u>	<u>\$ 0.8</u>	<u>\$ 0.1*</u>	<u>\$ 0.0</u>	

\*Prior to Audit Adjustments

**A. Revenue Highlights**

- Passenger Revenue is projected to slightly increase by 0.3%. This is primarily due to the fact that Port Authority's decision to keep fares unchanged for FY 2009 continues to make Port Authority's service an affordable alternative to private vehicle transportation. In addition, contract service revenue and service agreements with the University of Pittsburgh and Carnegie Mellon University to transport both staff and students, are expected to increase by 16.0% over the FY 2008 forecast.
- Senior Citizen Reimbursement Revenue is no longer a stand-alone program at the Commonwealth of Pennsylvania and is combined with State Operating Assistance Funds.
- ACCESS Reimbursement Revenue is expected to decrease by approximately 85,000 or 7.0% over the FY 2008 levels due to slightly lower ridership projections for FY 2009.
- State Operating Assistance is budgeted to increase by \$1.5 million or 0.8% for FY 2009. This increase is attributable to a consolidation of State funding sources into the operating assistance category as well as new funding provided by Act 44.
- County of Allegheny Matching Funds are projected at \$27.7 million for FY 2009 and will be necessary to leverage the full state operating assistance and dedicated funding allocated to Port Authority. Act 44 stipulates a 15% local match of State Operating Assistance funding.
- Investment Income includes income related to investments of cash reserves related to the operating budget. The projected amount of Investment Income for FY 2009 is \$1.0 million.

**B. Expense Highlights**

- Total Operating Expenses are projected to increase by 22.8% over FY 2008 actual operating expenses. This increase is primarily due to increases in the categories of wages & salaries, materials & supplies, interest expense, and ACCESS expense.
- Wages and Salaries are expected to increase by \$3.6 million or 2.7% in FY 2009 above FY 2008 actual expenses. This increase can mainly be attributed to the fact that the FY 2009 budget includes the elimination of FY 2008's wage freeze for non-union employees.
- Employee Benefit Expenses are expected to decrease by 2.2% for FY 2009 above actual FY 2008 expense levels. This expense category is budgeted to decrease primarily due to the FY 2009 budget containing approximately \$10.0

million in anticipated benefit savings the company must obtain in labor negotiations from its active employee work force.

- Provision for Injuries and Damages include those expenditures associated with workers' compensation and personal liability and property damage claims. Expenses in this category are projected to decrease by \$1.7 million for FY 2009 under last fiscal year's level.
- Purchased Services includes costs for an assortment of general business expenses typically performed by external contractors. Included within this category are employment costs, legal expense, temporary help, maintenance costs of office equipment, other services, and the panel of physicians. The panel of physicians is a group of doctors under contract with Port Authority to determine the reasonableness and accuracy of our employees' injuries and fitness for work. Purchased services for FY 2009 is budgeted to increase by 28.1% or \$1.9 million above FY 2008 actuals, primarily due to an increase in Work Done by Outside Contractors.
- Diesel Fuel is budgeted at \$32.7 million with a per gallon price of \$4.15 for the last ten months of FY 2009.
- Other Expenses are expected to increase by \$3.0 million or 79.2% to an expense level of \$6.9 million. A number of accounts within this category are budgeted above FY 2008 levels. Rentals and Leases of Equipment and Grounds are a combined \$260,996 over FY 2008 actuals. Another contributing factor is an increase in miscellaneous expense of \$483,327.
- Interest Expense has increased by \$1.4 million from the FY 2008 budget. This increase is due to the possibility that Port Authority may have to borrow additional short-term funds for cashflow purposes to offset the delay in receiving operating assistance from Allegheny County.
- Capitalizations are budgeted to increase in total by \$8.3 million or 20.1% over FY 2008 actuals. This increase is predominately due to an increase in Federal funds used to offset eligible operating and maintenance expenses. Components of capitalizations are as follows:
  - (1) Grants: Federal, state, and local capital grants are utilized to offset eligible operating expenditures. Typical programs include grants management, associated capital maintenance, and force account labor for capital projects.
  - (2) Access to Jobs: These programs reflect a decrease of \$2.0 million or 67% from FY 2008 levels in federal funds that are flexed over from the federal highway programs. This is primarily due to lower projected revenues from the Access to Jobs program.

- (3) Vehicle Overhaul: The funding of vehicle overhaul includes the state capital program which capitalizes operating expenditures utilized for rebuilding buses and light rail vehicles. The total value of this program was \$2.5 million for FY 2008 and remains the same for FY 2009.
- (4) Asset Maintenance: FY 2007 included \$25.1 million in state and county dedicated funds that was applied to asset maintenance. Qualifying expenditures included all vehicle and facility maintenance expenses. As of FY 2008, this program was no longer segregated as a separate program within the grants category. The funds formerly labeled as Asset Maintenance are now included within the State Operating Assistance.
- (5) Infrastructure Safety Renewal Program: State capital funds will be used to offset expenditures related to rehabilitating and renewing facilities, structures, and fixed guideway systems. It is expected that \$16.0 million will be capitalized under this program in FY 2009.
- (6) Capital Cost of Contracting: This program includes those federal funds used to capitalize costs associated with ACCESS paratransit services. The total amount expected from this program in FY 2009 is \$15.0 million.
- (7) Preventative Maintenance: Preventative Maintenance represents Federal funds that were authorized in 1997 to be used to offset eligible operating and maintenance expenses. The total amount of Preventative Maintenance funds budgeted in FY 2009 is \$11,600,000.
- (8) New Preventative Maintenance/ Other funding: Beginning in FY 2004, Port Authority was granted varying levels of funding that was flexed over by the Southwestern Pennsylvania Commission. These funds were originally earmarked for regional transportation projects and were used as a budget balancing measure for Port Authority. This funding totaled \$32.0 million in FY 2007 but was discontinued for FY 2008.

## **Summary**

FY 2009 represents a period where the Port Authority must focus on controlling wage, health, and pension costs while simultaneously insuring the rider's experience is first rate. The organization continues to make concerted efforts to increase efficiency and to play a key role in providing a transportation alternative to the region.

Port Authority and public transportation companies across the country are beneficiaries of the increasing cost of automobile ownership and specifically the increasing operating cost of the automobile. Regional consumers of transportation are faced with a new reality when it comes to traveling to work, shopping or entertainment. Increased world-wide demand due to emerging economies and reduced supply due to worldwide events have combined to cause high energy prices and consequently, a high cost for travel. Port Authority is favorably positioned to fill the void for those commuters intent on controlling their transportation costs.

Port Authority has been able to solidify a State funding commitment that could potentially grow. The organization continues to work with local officials to gain a commitment of local funds necessary to match the increased State funding. FY 2009 also represents a period of challenges. The Port Authority was faced with unprecedented price increases in diesel fuel, continued growth in legacy costs, and all of the contracts with organized labor being due to expire at the end of FY 2008 or at some point in FY 2009. The approved FY 2009 budget includes no wage increase for those unionized employees who comprise 85% of the total work force. In addition, the category of interest expense was increased in the FY 2009 budget due to the possibility that Port Authority may have to borrow additional short-term funds for cashflow purposes to offset the delay in receiving operating assistance from Allegheny County.

Even with the challenges, Port Authority continues with a customer-focused plan directed at retaining existing customers and attracting new ones. The FY 2009 Operating Budget meets the requirements as set forth by Port Authority's Board of Directors and mandated by the Commonwealth's Act 76 of 1986 which requires Port Authority to operate within a balanced budget. The FY 2009 budget as presented, balances revenues and expenses. Even with the balanced FY 2009 budget, Port Authority will diligently continue to explore all opportunities and programs that could potentially increase revenues and ridership, as well as better manage expenses. This, along with the fact that the foundation of Port Authority remains strong, the organization will continue to offer a reliable, affordable transportation system for the citizens of Allegheny County.