

PORT AUTHORITY OF ALLEGHENY COUNTY

Labor Contract Structure Concerns

- Union employees' healthcare and post-retirement benefits package is far more generous than the national average and is far more than county employees and regional taxpayers receive.
- Continuation of the union employees' current healthcare and post-retirement benefits package will require Port Authority to significantly cut service, raise fares and layoff employees in 2009 and every year thereafter until transit service eventually becomes insufficient to adequately serve the region's mobility needs.
- Port Authority management and non-represented employees have already accepted wage and benefit concessions, including the elimination of lifetime health benefits and reduction in pension benefits.
- Represented employees have been asked to accept a fair contract with wage and benefits concessions comparable to those put into place nearly one year ago for non-union, management and Police Association employees.

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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 Transit 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 through collective bargaining process.**

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Multi Year Issues - Objectives of Bargaining

- Balanced FY09 budget must achieve savings in healthcare, pension, and labor costs or reduce service.
- Funding flat- healthcare, fuel and pension expense growing at higher rates.
- Benefits costs expected to exceed wages and salaries.

Projections for Fiscal Years 2010 – 2013

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Revenue	\$ 93,522	\$ 94,891	\$ 99,932	\$101,632
Oper Grants & Caps	\$260,735	\$258,683	\$258,705	\$258,728
Gross Expenses	\$373,888	\$394,454	\$416,247	\$441,373
Proj Oper Deficits	<u>(19,632)</u>	<u>(40,881)</u>	<u>(57,609)</u>	<u>(81,013)</u>
OPEB Liability	<u>(36,000)</u>	<u>(35,600)</u>	<u>(35,400)</u>	<u>(35,400)</u>

Objectives of Bargaining

- Additional Savings in:
 - Healthcare costs for current and future retirees
 - Pension
 - Wages & Salaries
- Changes in work rules to promote increased service efficiency.

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Cost Structure Concerns

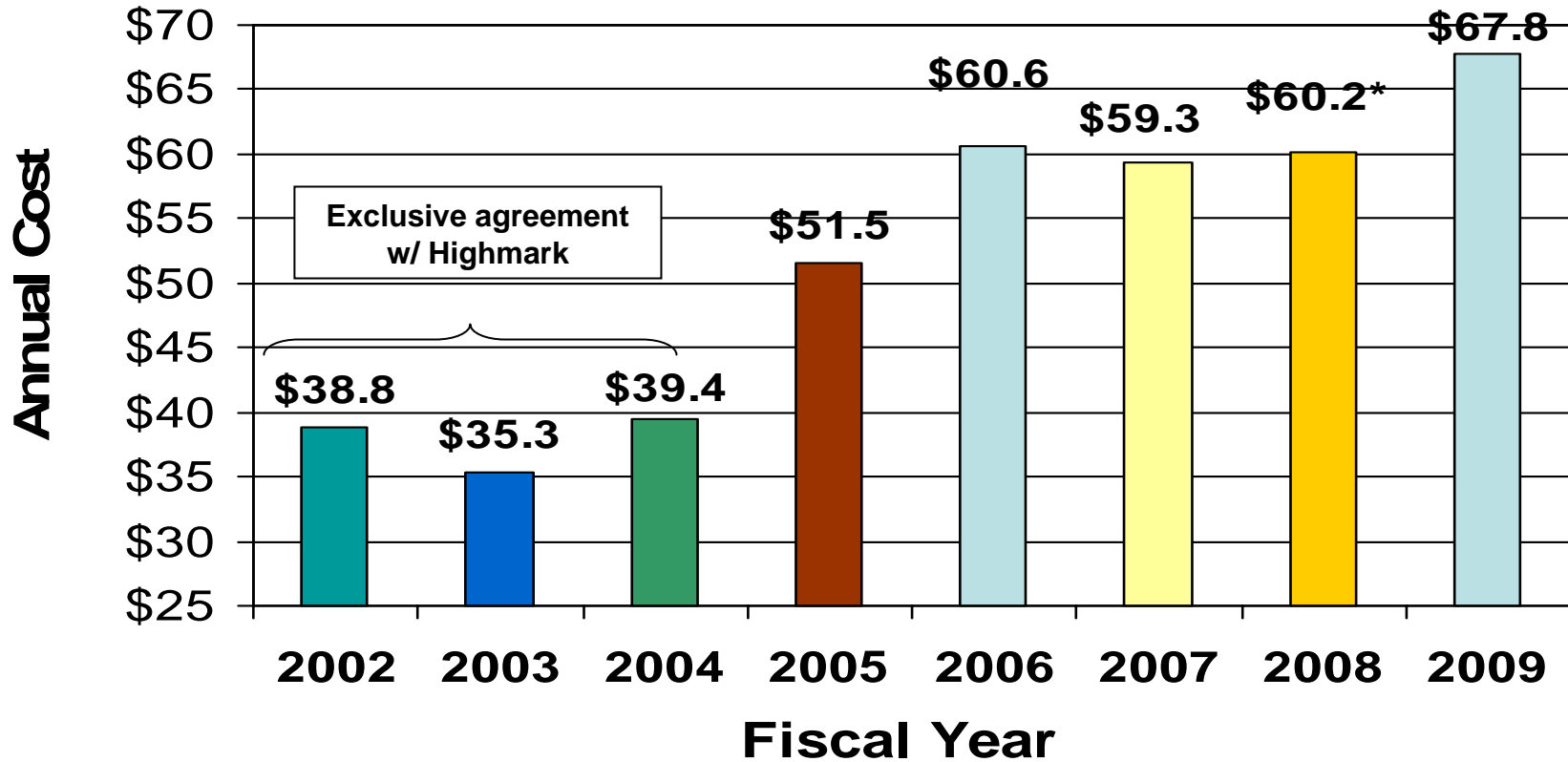
- **Healthcare costs have risen from \$38.8 million in FY 2002 to a projected \$67.9 million in FY 2009 (75% increase).**
- **Pension contributions have increased from \$1.2 million in FY 2002 to \$16 million in FY 2009.**
- **The Other Post Employment Benefits (OPEB) funding obligation for FY 2008 is \$37 million and is compounded by approximately the same amount every subsequent year.**
- **Diesel fuel prices will rise from \$2.28 a gallon in FY 2008 to \$4.15 (or more) a gallon in FY 2009. Every penny increase in the cost of diesel fuel adds \$80,000 in expense to Port Authority's budget.**

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OPERATING BUDGET CHALLENGES: FISCAL YEAR 2009

Budget Challenges: Healthcare Costs

(In Millions)



* = Projected

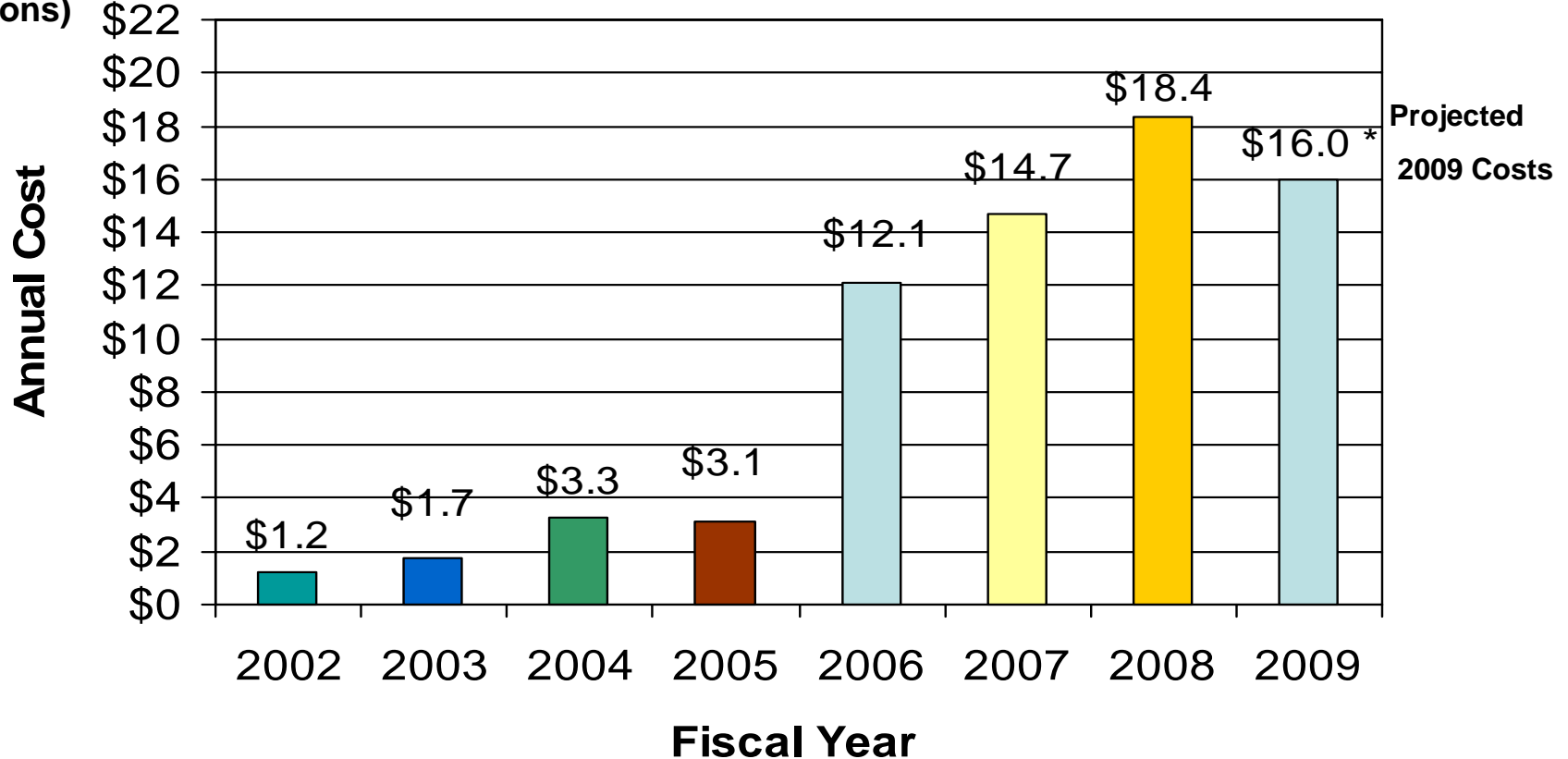
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OPERATING BUDGET CHALLENGES: FISCAL YEAR 2009

Budget Challenges: Pension Expense

Annual employer contributions

(In Millions)

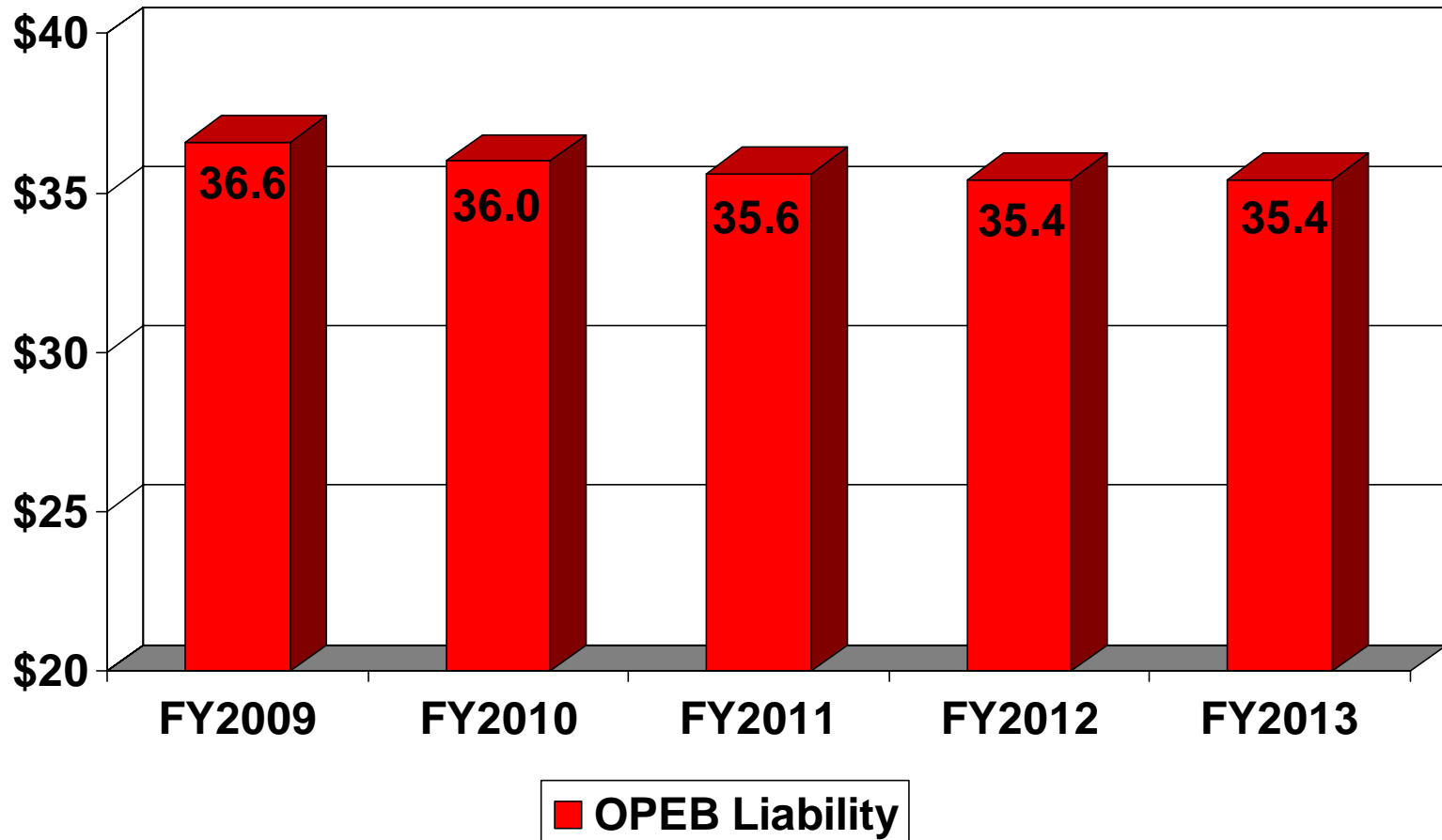


* FY09 primarily due to asset smoothing for 2007.

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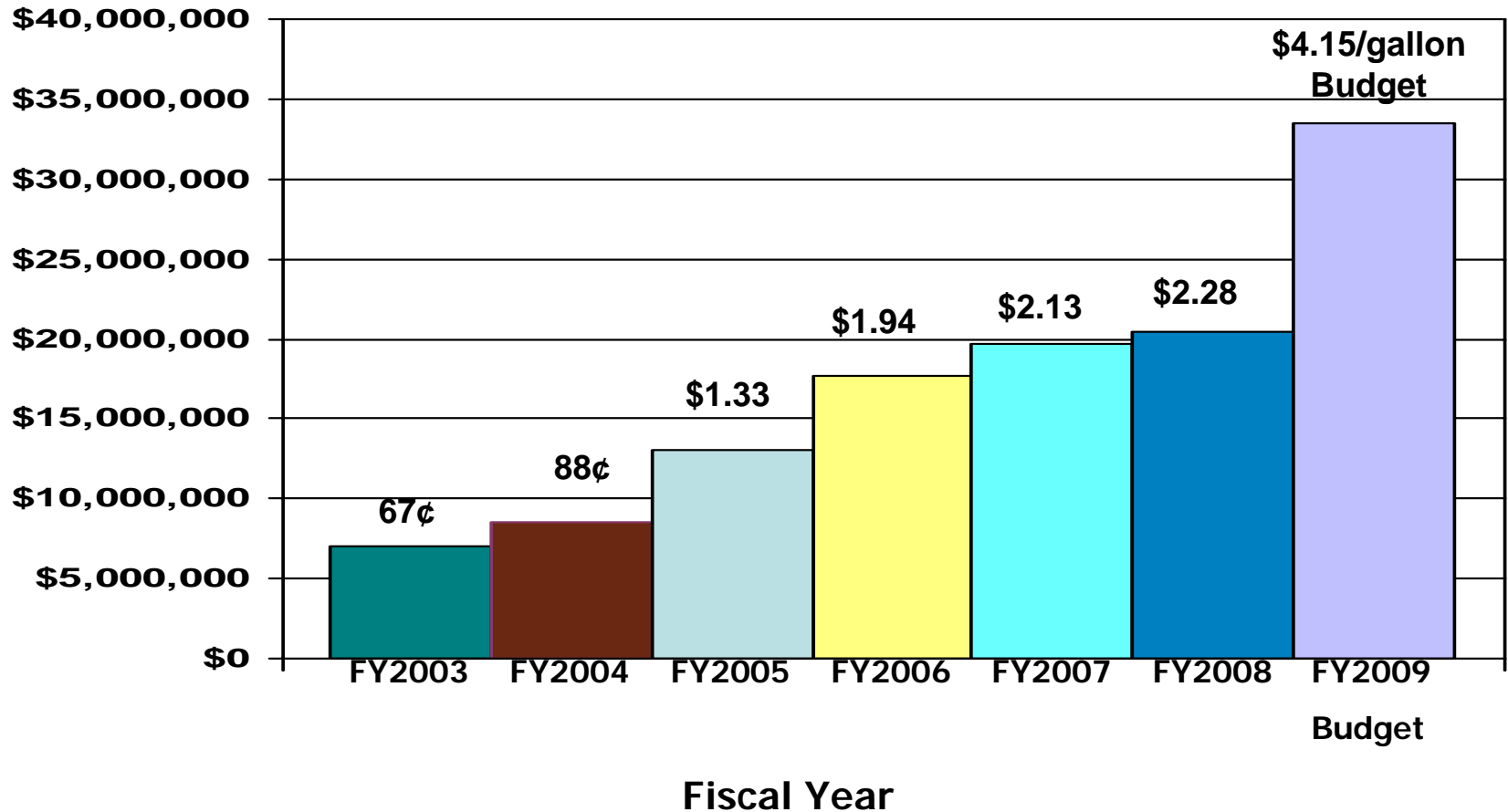
Liability for Other Post-Retirement Benefits (OPEB), *Currently Unfunded*

\$ Millions



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Budget Challenges: Diesel Fuel Expense



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State & Local Funding Structure: Act 44

- **Act 44- creates Public Transportation Trust Fund (PTTF)**
 - Provides dedicated, predictable funding
 - Structure is simple and transparent
 - Funding linked to need and performance
 - Designed to strengthen accountability and promote operating and financial efficiency

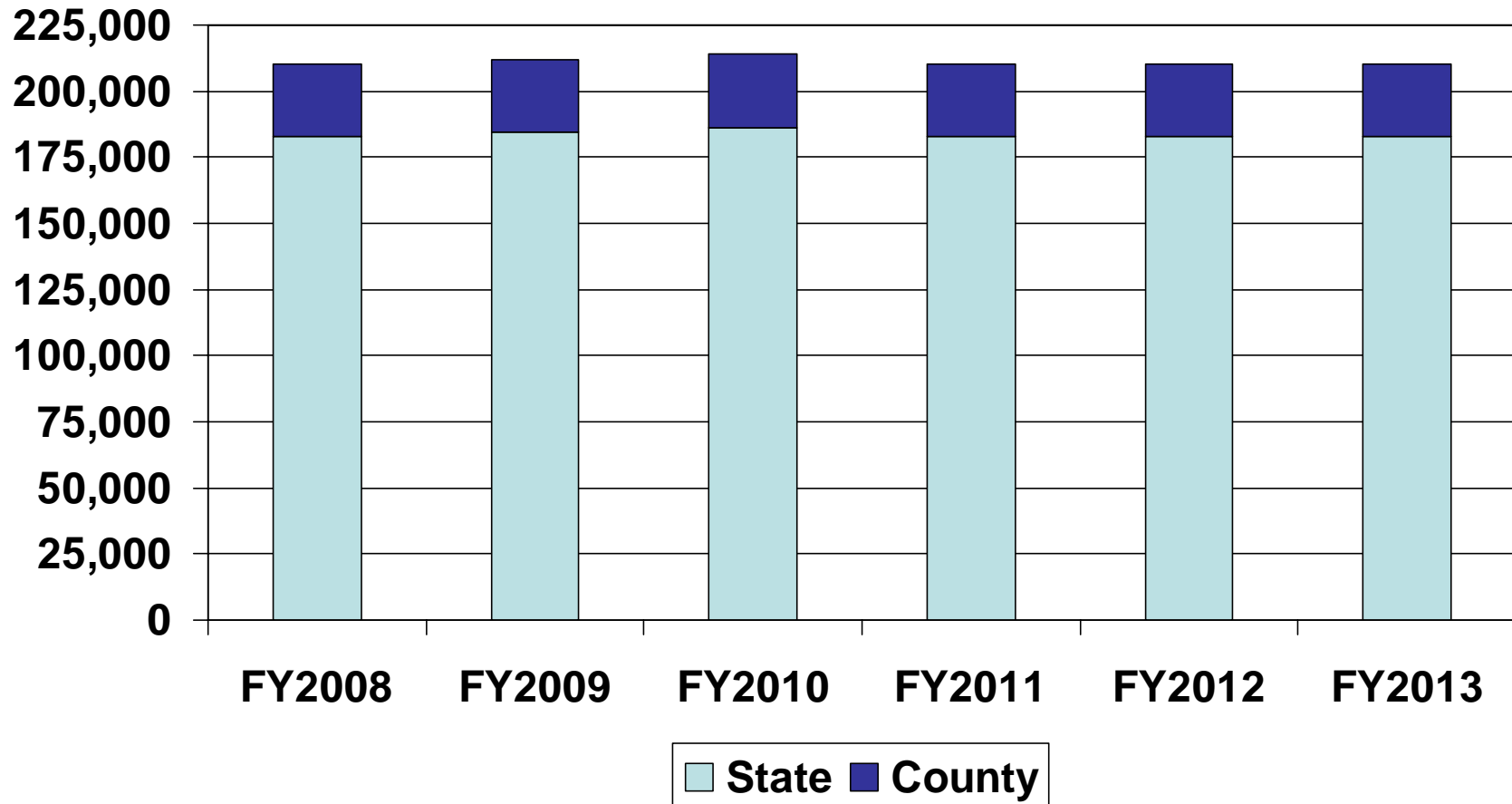
- **Act 44- expected to generate \$946 million Statewide in FY08/09**
 - Program will fund Transit Operating Assistance, Asset Improvement, Capital Improvements, New Initiatives and Programs of Statewide significance.

- **PTTF will provide Port Authority with \$184,457,990 in Operating Assistance in FY09**
 - Act 44 requires 15% local match or \$27,668,699 in County Operating Assistance in FY09.
 - Increase in State Operating Assistance less than 1%.
 - Future Act 44 Assistance anticipated at levels below FY'09
 - Assuming a 3% annual inflation rate, lack of growth in Act 44 a concern

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Projections of Act 44 State & County Income

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The Bottom Line—Collective Bargaining

- The Collective Bargaining Agreements negotiated this year must take major steps toward reining in healthcare and post-retirement benefits costs.
- Taxpayers, transit riders, and Port Authority management and non-represented employees have all done their part to preserve affordable, accessible public transit in Allegheny County.
- Represented employees have been asked to accept a fair contract with wage and benefits concessions comparable to those put into place nearly one year ago for non-union, management and Police Association employees.
- Without union concessions, Port Authority will be forced to significantly cut service, raise fares and layoff hundreds of employees.
- If Local 85 ATU agrees to Port Authority's contract proposal, operating expenses would be reduced by at least \$10 million in FY 2009 and at least \$20 million in successive years.

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Bottom Line—Act 44

- Act 44 funding is dedicated and predictable.
- Act 44 funding is simple and transparent.
- Absent major and immediate cost restructuring through the collective bargaining process, the design of Act 44 (rewarding efficiency and cost-effectiveness) will result in reduced funding for Port Authority and reduced transit service for Allegheny County residents.
- While Act 44 is a good dedicated, predictable and transparent source of funding, it is not a windfall and will grow at less than the rate of inflation.