



Port Authority of Allegheny County

FISCAL YEAR 2008 OPERATING PLAN AND CAPITAL IMPROVEMENT BUDGETS

Executive Summary

More than any other single document produced by Port Authority, the Operating Budget through the years has told the story of public transportation's ongoing financial challenges – not only here in Allegheny County but throughout Pennsylvania as well. Those budgets routinely demonstrated funding levels that were stagnant at best, failing even to keep pace with inflation, and were sometimes even predicated on assumptions about funding that hadn't yet been authorized.

In that environment, financial planning was an uncertain science at best, more than once delaying adoption of a spending plan until well after the start of our Fiscal Year. Our customers and employees faced almost constant uncertainty about service levels, fares and job stability.

This Fiscal Year 2008 Operating Budget, however, reflects a new era for transit in Pennsylvania.

Thanks to the passage of Act 44 by the state Legislature in July, public transportation has a dedicated, predictable and growing source of funding. This will provide an additional \$300 million statewide for transit in Fiscal Year 2008, including \$55 million for Port Authority, while providing \$350 million statewide in FY 2009, \$400 million in FY 2010 and 2.5 percent more every year thereafter.

As a result, our \$336 million FY 2008 Operating Budget maintains current service and employment levels and ensures that Port Authority will continue to play a vital role in the local economy by connecting people to jobs, goods and services – providing critical mobility that enables the people of our region to live productive lives.

And it means we can now focus on realizing service efficiencies through 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.

But it does not mean our financial challenges and our diligence in ensuring sound spending practices have ended.


Healthcare costs in FY 2008 are expected to be \$64 million, almost double 2003 levels, and pension costs are expected to be \$20 million, almost seven times higher than our 2005 expenditures. Those costs, as well as general inflationary increases, contractual pay increases and elevated diesel fuel prices, among others, will demand continued attention to managing expenses.

In March 2007, Port Authority began 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. Some of these affected only non-represented employees and included accelerating the departure of employees in a Deferred Retirement Option Program; eliminating "lifetime healthcare" for those retiring after June 30; 2007; restricting the "buy-back" of previous employment time only to military years of service, reinstating a 10-year vesting period; eliminating a \$500

monthly pension supplement; increasing employees' healthcare contributions to 2 percent of annual salary in Fiscal Year 2008 and 3 percent in FY 2009; freezing Fiscal Year 2008 salaries; freezing the CEO's salary through June 2009 (amounting to a three-year freeze) and removing his deferred compensation contribution by the Authority; freezing all senior management position salaries (amounting to a two-year freeze); eliminating unlimited accrual of sick leave; and reducing the number of assistant general managers from eight to five.

We also ended Fiscal Year 2007 by eliminating 370 budgeted positions and instituting 203 layoffs while reducing our service by 15 percent, a painful but necessary step to follow the recommendations of the Funding and Reform Commission and help build support for the legislative efforts that eventually produced Act 44.

Our \$150.2 million Fiscal Year 2008 Capital Budget includes expenditures for the North Shore Connector, our South Busway and South Hills Junction rehabilitation project, bus procurement and the long overdue purchase of a new fare collection system. These initiatives will make transit more reliable and convenient and help us attract more customers.


Stephen G. Bland
Chief Executive Officer
October 24, 2007