

PORT AUTHORITY OF ALLEGHENY COUNTY
MINUTES OF THE REGULAR BOARD MEETING
FRIDAY, JANUARY 27, 2012

The Regular Meeting of the Board of Port Authority of Allegheny County was held on Friday, January 27, 2012, directly following the Annual Meeting, 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
Joan Ellenbogen
Richard Taylor
Jeff Letwin
Amanda Green Hawkins
Mavis Rainey
Joel Lennen, General Counsel

Media:

James Knox, Tribune-Review
Jon Schmitz, Post-Gazette
Tom Fontaine, Tribune-Review
Jeff Roupe, KDKA-TV
Ross Guidotti, KDKA-TV
Lauren Daley, City Paper
Brandon Hudson, WPXI
Janelle Hall, WTAE
Bob Schmura, WTAE
Chad Houck, Essential Radio
E. Effort, KQV Radio

Port Authority Staff:

Stephen Bland, chief executive officer, Bill Miller, Bus Operations officer, Mike Cetra, assistant general manager Legal and Corporate Services, Winston Simmonds, Rail Operations/Engineering officer, Wendy Stern, assistant general manager Planning and Development, Tony Trona, Director Purchasing and Materials Management, Jim Ritchie, Communications officer, Dan DeBone, Community and Government Affairs Officer, Fred Mergner, assistant manager Scheduling Department, Denise Henderson, director bus operations, Tom Noll, director Technical Support and Capital Programs, Deborah Skillings, Community Outreach coordinator, Susan Altemus, Compensation Program Manager, Rich Wojnar, director Road Operations, Heather Pharo, Social Media and Communications Representative, Inez Colon, director Employment, Dottie Buchanan, Smart Card Customer Service coordinator, Dana Barber, Benefits analyst, Daniel Murray, PAAC, April Robinson, operator, Diane Williamson, executive assistant

Other

Patrick McMahon, Speaker, Chris Sandvig, Speaker, Annette Kroll, Speaker, Jonathan Robison, Speaker, Jim Robinson, ACTC, Glenn Walsh, Joe Bianco, MEC, Barbara Simpson, Joan Natko, ACTC, Karen Hoesch, ACCESS, Bryon Shane, Local 85, Steve Palonis, Local 85, Jeff DiPerna, Local 85, Colleen Rozanc, Urban Innovations, Speaker, Robert Ardolino, Urban Innovations, Tim Bell, Local 85, Alecia Ott, bus rider, Michael Cepron, Austin Davis, County Executive's Office, Jenna Hufnagel, Occupy Pittsburgh, Rachel Carring, T-Bone, Occupy Pittsburgh, Andrew Wagner, Pittsburghers for Public Transit, Linda Warman, Save our Transit, Stan Covert, Adam Malus, ATU, Tom Conroy, ATU, Catherine Hemphill, Calvin Sianner, One Pittsburgh, Bob Glidden, Occupy Pittsburgh, Michael Milus, ATU, Marty Marks, AFL-CIO

The Chairman called the meeting to order and recommendation was made for approval of the minutes of the November 23, 2011 Regular Board Meeting. The motion was moved, seconded and passed.

The Chairman called on Mr. Chris Sandvig. Mr. Sandvig thanked the Board for the opportunity to speak. First, he offered gratitude of the Pittsburgh Community Reinvestment Group (PCRG) and the neighborhoods they serve for enacting the responsible banking policy at the November Board meeting. PCRG's history is in responsible banking policies and resources for neighborhoods. And this policy, which requires banks soliciting public sector business to report on their lending and wealth making practices in lower-to-moderate income communities helps assure that Port Authority does business with banks that are, in fact, in the very same communities that rely on such service. He noted that Port Authority was the first in the region to do so, in fact, the first in the country to do so.

Mr. Sandvig continued reporting that as we all know, however, all accomplishments in our community are overshadowed by the financial situation the state has left us in. Without a functional transit system, it is as if Allegheny County is stuck on the roadside without even an emergency gas can. It is baffling that the governor seems to see this as a local issue and not one in which Harrisburg is complicit. We are here largely of the failed promise of Act 44 to adequately fund transit and the larger transportation system. Also, it is the urban counties of this commonwealth that generate the lion's share of the income and sales tax, Allegheny being one of the largest. We are sending our taxes elsewhere, not the other way around and we cannot guarantee that revenue now without a functioning transit system.

Mr. Sandvig noted that it shouldn't be this hard. The governor's handpicked panel, created by his executive order, came up with simple recommendations, ones that cost drivers about \$11 a month. Drivers will pay well in excess of that sitting in front of tunnels or for a parking space, provided you can find one, or the roads and bridges will continue to crumble underneath their tires. It should not be this adversarial. Representatives of groups ranging from businesses to chambers of commerce, to non-profits all have endorsed more transit funding, there is no real opposition. He continued saying that even though the democrats and republicans have both introduced similar legislation for "Pennsylvanians for Potholes" and the "Society for the Destruction of Jobs" they do not exist. Yet, here we are with a governor who has an easy win in front of him, yet seems so hesitant to act. It should not be this way, but we can change it.

Mr. Sandvig said that, "we must show how vital transit is to this region. Everyone relies on the system, even if they don't ride it. We must show how sound investments like these pay off huge dividends as we keep taxes down and keep taxpayers at work."

He ended his report by saying that we all know that transit is not welfare. It is an economic engine and a piggy bank. It isn't about the Port Authority. It isn't even about transit; it is about the health of our economy. Let's make this happen.

The Chairman called on Ms. Colleen Rozanc for a report. Ms. Rozanc reported that she is with Urban Innovation, a firm that has been obtained by the Allegheny Valley Railroad Company to explore the Allegheny Valley region of implementing commuter service on an existing rail corridor. She stated that we are here to ask permission of Port Authority to interface with your existing staff and resources as we further explore the possibilities to implement this service. Ms. Rozanc noted that being cognizant of the current funding crisis and looming cuts, we are not asking or looking to add to the expense of Port Authority. We are simply requesting that we utilize the resources already

available and staff as they examine future access to our system. There will be no expense to Port Authority's system, and, in fact, they are hoping to find a potential future revenue stream and transportation choices for this area of the region.

Ms. Rozanc concluded her report by stating that she has included in the packet some specifics of the project, as well as a letter of support from Representative Rick Geist, who is the Chairman of the House Transportation Committee, as well as a verbal consent with forthcoming written support from several other stakeholders and legislators.

The Chairman called on Mr. Pat McMahon, president and business agent of ATU Local 85. Mr. McMahon announced that Local 85, in a vote of confidence for newly elected Allegheny County Chief Executive, Rich Fitzgerald, has agreed to return to the bargaining table and open up negotiations on a new contract before we are legally obligated to do so. We are taking this action in part because we want to take the lead on a new spirit of cooperation because of Mr. Fitzgerald. He comes to the office with a sense of fairness and respect for working families that did not exist in the last administration. However, even more importantly, we recognize that public transit in Pennsylvania is in a state of crisis and we have to do our part to help.

He continued saying that we all agree that the answers to solving the transit funding crisis lie in Harrisburg. The governor and legislature have to summon the political will to solve the problem and Local 85 cannot control that. What we can control is coming to the table to negotiate a new labor contract with Port Authority that sets us on a course of working together to hold down costs and run a transit system that is managed efficiently while being fair and respectful to the workers who keep the wheels turning. We are stepping up our efforts to save transit by immediately getting to work on the only part of the solution we can directly impact. We hope our example will motivate the other transit funding stakeholders to step up their game and work on the parts of the solution within their control.

Mr. McMahon continued by saying that the men and women of Local 85 have consistently shown our willingness to do our part, and we sincerely hope the governor and the legislature are listening. In the last contract negotiations, we made historic concessions to save Port Authority more than \$93 million. Last March, when Port Authority made cuts that robbed 20,000 riders of their public transit lifeline, we came to the table offering \$19 million in wage and benefit concession that could have prevented an unnecessary 15 percent service cut. This Board made a decision we emphatically disagreed with and left our \$19 million on the table.

He said, "Do not interpret our early return to the bargaining table as a sign of weakness. We realize that we are likely going to be called on to make further sacrifices. Let me be clear, before we agree to consider any further sacrifices, we need to know that management is coming to the table prepared to consider reforms that Local 85 believes will lead to a more efficient and cost conscious Port Authority. In particular, we believe significant cost savings will be accrued by reevaluating the management of Port Authority's debt service, and by ensuring Port Authority managers are held accountable for costly mistakes and decisions that drains critically needed funds from the operating budget."

He continued saying, "If the Authority comes to the table with the same commitment to saving transit that Local 85 has, we believe progress will be made in large part because of the commitment of Chief Executive, Rich Fitzgerald to be directly involved in the talks. As we work together forging a new contract, I look forward to going to Harrisburg hand-in-hand with Mr. Bland and Mr. Fitzgerald to call on the governor and legislature to do as we have done and to deliver on the part of the process they

control. Local 85 wants to remain the union of workers who drive 200,000 people to work every day. We have committed our resources, energy and our hearts to making that happen, and we are truly the stakeholders in this enterprise.

The Chairman called on Mr. Jonathan Robison for a report. Mr. Robison stated that he believes he is looking at a room full of angry people at the cuts that are threatened. It is a righteous anger. But our righteous anger must not cause us to be foolish. We must not play the blame game. This is a statewide transportation funding crisis. We can all help, including Port Authority and the Union, but the solution ultimately lies with the state. We must not get distracted in blaming people who are, in fact, other victims of the same crisis.

He concluded his report by saying that the financially driven 35 to 40 percent cut will hurt everybody, including business owners and property owners who have never even seen the inside of a Port Authority bus. We must unite and work together on a solution. Specifically, we have to get the governor and the state to act on our transportation funding crisis before the buses shut down and the bridges fall down.

The Chairman called on Ms. Annette Kroll for a report. Ms. Kroll stated that she is here to speak as someone who doesn't have a choice to drive or not drive. As someone who was born with congenital cataracts and multiple surgeries as a newborn, and then at age 16 found out she had glaucoma. So when others were looking forward to driving, she was fighting to keep what vision she had. She managed to go to college by not taking advantage of the extra time allotted to her because she wanted to compete in the real world at work. She managed to do that with a lot of obstacles over the past 15-20 years or so, including things that could have made her stop working. Ms. Kroll asked a supervisor once why her hours were cut as opposed to someone else and she was told it had nothing to do with her job performance it was because she could go into a program. She said that she could have folded her tent and stayed home, but she kept working. With the proposed cuts, someone like her who doesn't have a choice to drive, she feels like she is going to be forced into not being able to work. She feels it is wrong to force her into a program, which are already overwhelmed, that she does not want to go in.

Ms. Kroll ended her report by saying that she is striving for the American dream and be in control of her own destiny. So she is hoping that we can all work together to come up with a solution.

The Chairman called on Mr. Steve Bland for a report. Mr. Bland commented that he will keep his remarks brief since it would be hard to put this into a better perspective than four of the five people who spoke this morning. He also noted that we will certainly work closely with the Allegheny Railroad folks on their project.

Mr. Bland continued his report by saying that he wanted to make it perfectly clear that after speaking to each Board member individually, and feels he can speak for staff on this; we absolutely do not want to make any further reductions in service. Whether that is rail, bus, or ACCESS. We have to propose this plan because we are obligated under law to approve a balanced budget by July. He reiterated that doesn't mean that anybody in this room endorses these cuts in any way.

He continued reporting that details of the 35 percent service reductions and fare increase were publicly released at the January meeting of the Planning and Development Committee. And following today's meeting, assuming the adoption of the resolution to approach public comment on this proposal, we will prepare and distribute brochures so the public can communicate what the changes

will mean. As everyone is aware, the state has not yet addressed the transportation funding shortfall statewide including roads, bridges, and transit in 67 counties of the Commonwealth. PENNDOT's District 11 office, which does highway and bridge construction, rehabilitation, and maintenance in Southwestern Pennsylvania, plans to cut work on roads and bridges by 30 percent, or \$100 million, this coming year. That means continued deterioration of road and bridge infrastructure, as well as a loss of thousands of jobs in those industries. And of course here at the Port Authority, we face a \$64 million deficit for the fiscal year beginning July 1, 2012.

On the agenda today is consideration of a formal public comment period and public hearing which would be scheduled to be held at the Convention Center on February 29. We are not proposing that you vote today on actual service elimination. The vote today is to take that plan through the formal public comment process. Mr. Bland noted that there are still ways to avoid these cuts. We need a solution from the state to resolve the statewide transportation funding crisis. We have been encouraged over the numbers of individuals and community organizations that have stepped up, and we have seen their comments and their observations in media accounts.

We understand through a variety of sources that Governor Corbett does plan to address the transportation issue in his February budget address to the state. Mr. Bland realizes that everyone who has been engaged in this is waiting to hear what the governor has to say and ultimately what action he and the legislature will take, noting that we will keep the Board apprised of any new developments.

Mr. Bland concluded his report by announcing that the North Shore Connector project was selected as the winner of an award given by the Associated General Contractors of America. It is an award that is national in scope.

This concluded Mr. Bland's report.

The Chairman called on Mr. Letwin for a report of the Performance Oversight Committee. Mr. Letwin reported that the committee had a meeting on Wednesday, January 18, 2012 and the notes from the November meeting were approved.

Mr. Letwin reported that the committee first received a report on the operating budget. It was reported that passenger revenue for December had increased \$104,129, reflecting the fare increase, as well as a 2.14 percent increase of ridership over the same period. Overall, passenger revenue is ahead of budget by about \$2 million for the first six months of FY 2012. Sales of tickets, weekly permits, and monthly passes outpaced the budget. Farebox revenue was up by \$138,000. Total operating income for the first six months is up \$2.1 million over budget.

Expenses for the first quarter of FY 2012 were then reported at the meeting. It was reported that health benefit spending is below budget by about \$1.9 million, reflecting our rate freeze with Highmark. Overall, total expenses for the first six months of the fiscal year are below budget by \$8,283,149. In terms of the operating subsidy, overall we are performing ahead of budget by about \$9.3 million. With respect to cash flow for the month ending December 31, 2011, the cash on hand is \$23,238,000 and currently \$8 million is drawn on the line of credit and \$18 million is drawn on reserves.

There were five resolutions reviewed and are being recommended by the Performance Oversight Committee.

There were seven procurement actions, which are listed in the Board packet, in the amount of \$1,250,866. The Performance Oversight Committee found these bids to have been submitted in accordance with the Authority's procurement policies and procedures, the prices to be fair and reasonable, and the bidders to be responsive and responsible. The Performance Oversight Committee recommends these items for award in the total cost of \$1,250,866.

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

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

The next resolution authorizes the Authority to enter into an agreement with Brink's to provide armored car and cash management services. The services to be provided include, but are not limited to, collecting, counting and depositing currency and coins from fareboxes at all five Port Authority locations, including the 60 ticket vending machines that will be installed throughout the Authority's system, and to deliver fare revenue to the contractor-owned and operated money processing facility. A committee met to discuss and evaluate the proposals received and determined Brink's as the highest rated proposer for the performance of services. A total not-to-exceed amount of \$3,450,000 is recommended for approval. The agreement will be for a three-year period with the option to extend the agreement up to an additional two years at the sole discretion of the Authority. Mr. Letwin added that we anticipate that this agreement will save the Authority approximately \$300,000 annually in cash management expenses.

Before approval, Mr. Taylor asked, given that we are bringing the North Shore Connector online, do we have the flexibility in this agreement to reduce the level of service and reduce the cost under this agreement should we need less cash management services. Mr. Letwin responded that yes, we do have that flexibility and it is at the sole discretion of the Authority.

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

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

The next resolution authorizes the Authority to enter into a funding agreement with the Stadium Authority for free fare at the North Side Station. In March 2012, the Authority will open the North Shore Connector. The Authority, in cooperation and consultation with the Pittsburgh Downtown Partnership, has been actively seeking third party sponsors to fund free fare from Station Square to the Allegheny Station. As part of this effort, the Authority negotiated a proposed agreement with the Stadium Authority of the City of Pittsburgh to fund free fare to the North Side Station. This funding agreement will help the Stadium Authority increase usage of its parking garage and achieve cost savings due to no longer having to pay a third party to provide parking shuttles to transport patrons from the Stadium Authority's garage to downtown. Management believes that the free fare on this portion of the T system will increase use and ridership and help the Authority achieve significant operational cost savings. This agreement is anticipated to generate a net income financial benefit to the Authority in excess of \$200,000 annually, as the agreement both offsets lost cash revenue from perspective riders and reduces expenses associated with fare collection on the rail system. The agreement also allows Port Authority to continue to solicit other partnership agreements at North Side Station as it did not provide for any advertising or other sponsorship activities in the station.

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

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

The next resolution authorizes the Authority to amend and restate the Pension Committee Charter. The Authority has previously established and maintains the retirement and disability allowance for employees not represented by a union, and the retirement and disability allowance plan for employees represented by IBEW Local Union 29. The Authority has previously adopted the Pension Committee Charter in order to formalize the duties for administration of the Consolidated Plan and has also reserved the right to amend and restate the Charter. The Authority currently wishes to amend the Charter to reflect changes in the number of and composition of Charter members. This resolution authorizes the amendment and restatement of the Charter as set forth in Exhibit A attached to the resolution in the Board packet.

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

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

The next resolution authorizes the Authority to extend the term of agreement for executive search services. In November 2008, the Authority's Board authorized the award of an agreement with two firms to provide the services on an as-needed basis for an initial term of three years with the option to extend an additional two years. Only one firm, North Shore Technologies, Inc., subsequently executed an agreement with the Authority for the initial three-year term set to expire on January 31, 2012. The Authority has determined it is in its best interest to exercise its option to extend the term of agreement with North Shore Technologies, Inc., for the first of the two additional option years to January 31, 2013.

Mr. Taylor asked if we knew the reason only one firm entered an agreement to provide the services. Mr. Bland explained that it is on an as-needed basis and we typically do not need this type of service. This particular firm is more to the technology and financial sector.

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

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

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 today we will consider approval of the public comment period and public hearing regarding a proposal to reduce service and increase fares. The comment period and hearing are legal obligations. Mr. Mattola reiterated that this is not the desired direction of this Board. But faced with an ongoing shortfall in the state budget, we have to plan for the worst and this it the worst. Cutting 35 percent of our total service, including nearly half of the routes in our entire system, would be shameful and a crushing blow to the region's transportation network. We are not talking anymore

about the difference between getting a seat on the bus and standing; we are talking about whether there is going to be a bus to ride at all. We are talking about whether this county will have the network in place to connect workers with jobs, customers with stores, and patients with doctors.

Mr. Mattola continued reporting that by approving this comment period and public hearing, our hope is that riders, employers, and business owners use this opportunity to make their voices heard in Harrisburg. Use the public hearing to let our leaders in Harrisburg know that state funding for transit is vital to the success of this region. Let your voices be heard. If state leaders don't hear from you, there is no pressure to properly fund public transportation. We, collectively, have to fix transportation funding. This year-to-year patchwork approach doesn't work and it is time to end it now. Whether you are in the City of Pittsburgh, or suburban Allegheny County, you deserve a reliable transit system. But despite of all of the improvements we have made internally in recent years, we cannot be reliable in the long-term without adequate state support. The state needs to adopt the recommendations of Governor Corbett's bipartisan Transportation Funding Advisory Commission.

Mr. Mattola added that we hope that the governor's upcoming transportation proposal adequately addresses the significant problems. We offer our full support in getting a good proposal passed. This ongoing uncertainty is devastating for our riders, especially those who have no other transportation options. So while we take these steps today out of obligation, we urge our leaders to act quickly to resolve this statewide crisis.

Mr. Mattola concluded his remarks by stating that, "there is no doubt in my mind that the very survival of public transportation is at a crossroads and 2012 is the defining year for its survival in Allegheny County."

On behalf of the Planning and Development Committee, Mr. Mattola respectfully requested approval for Port Authority staff to proceed with the public comment period and public hearing for the proposed fare increases that will be implemented on July 1, 2012 and the proposed service reductions that will be implemented on September 2, 2012.

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

The Chairman called on Ms. Ellenbogen for a report of the Stakeholder Relations Committee. Ms. Ellenbogen reported that the committee met formally on December 8, 2011 and the next meeting is scheduled for March 1, 2012. She reported that about 20 local organizations now attend the Stakeholder Relations Committee meetings, with of course the state funding crisis and its potential impact on transportation in this region, has been the primary focus. Those attending have expressed concern about the lack of action following the Transportation Funding Advisory Commission's report last year. The recommendations offered by the commission formed by Governor Corbett provided a very solid framework toward developing a solution.

Ms. Ellenbogen continued reporting that stakeholder organizations in December also urged this Board to provide details of a service reduction and fare increase proposal as early as possible to help individuals and businesses to plan ahead. This request is being honored by releasing the details of the 35 percent service reductions plus the fare increase at the January 18, 2012 Planning and Development Committee meeting. She added that the final vote on this proposal would not occur until April. Our stakeholders and staff continue to work together as concern grows about the magnitude of this problem and the lack of action to resolve it, despite the existence of potential solutions already on the table.

This concern is playing out in many different ways by many different organizations, noting that Mr. Bland recently addressed local businesses and organizations during a meeting hosted by the Allegheny Conference and the Pittsburgh Downtown Partnership. The PDP's "Keep Pittsburgh Moving" website was recently updated with current information about the crisis and how people can speak out. This is helping to draw attention to the state's funding shortfall. As we meet, other organizations are actively relaying information about the problem and potential solutions to their membership and to their stakeholders. This has evolved into the type of grassroots support for public transportation that we have not seen in many years, and at least that part is encouraging.

Ms. Ellenbogen concluded her report by stating that these are groups that have decided to follow the more difficult path and commit to the challenge of protecting a vital public asset. We are lucky to have such wonderful partners.

This concluded the Stakeholder Relations Committee report.

Mr. Brooks gave a brief Governance Committee Report by stating that we appreciate Mr. McMahon's comments and look forward to working with his leadership and the County Executive, Rich Fitzgerald, towards a new collective bargaining agreement. He added that he appreciates what the union has done in the past, and we want to come to a fair conclusion for both sides.

There was no new business.

The next Regular Meeting of the Board will be Friday, February 24, 2011.