

PORT AUTHORITY OF ALLEGHENY COUNTY
MINUTES OF THE SPECIAL BOARD MEETING
FRIDAY, AUGUST 21, 2012

The Special Meeting of the Board of Port Authority of Allegheny County was held on Tuesday, August 21, 2012, at 10:00 a.m., 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
Amanda Green Hawkins
Mavis Rainey
Jeff Letwin
Eddie Edwards
Joe Brimmeier
Constance Parker
Joel Lennen, General Counsel

Media:

Lauren Daley, City Paper
Elaine Effort, KQV
Tom Fontaine, Tribune-Review
John Shumway, KDKA
Deanna Garcia, 90.5 WESA
Jon Schmitz, Post-Gazette

Port Authority Staff:

Stephen Bland, chief executive officer, Bill Miller, Bus Operations officer, Keith Wargo, assistant general manager Engineering and Technical Support, Ellen McLean, CFO, Wendy Stern, assistant general manager Planning and Development, Mike Cetra, assistant general manager Legal and Corporate Services, Rachel O'Driscoll, Human Resources officer, Tony Trona, director Purchasing and Materials Management, Jim Ritchie, Communications officer, Brenda Fink, director Internal Audit, John DeAngelis, director Contract Administrator, Tom Noll, director Technical Support and Capital Programs, Deborah Skillings, Community Outreach coordinator, Dan DeBone, Community and Government Relations Officer, Heather Pharo, Public Relations & Communications Coordinator, Shelagh Joyce, Marketing and Communications intern, Brian Dudas, supervisor Customer Service, Mark Mitchell, senior project engineer, Dennis Parrish, director Service Delivery West Mifflin, Jim Price, manager Maintenance West Mifflin, Jerry Marinzell, project manager, Janice Smith, project lead PeopleSoft, John Beeler, manager Customer Service, Karen Bown, administrative assistant, Mike Zamiska, director Safety, Tim Frank, director Marketing and Creative Services, Margaret Smith, administrative assistant, David Lynn, director Facilities and Rail Maintenance, Dana Barber, Benefits analyst, Terry Schneider, FMLA/Attendance administrator, Chuck Reeves, assistant manager Bus Operations, Bill Steinmetz, Director Rail Service Delivery, Dottie Buchanan, SmartCard Customer Service Coordinator, Inez Colon, director Employment, Janet Brunner, Maintenance job assigner, Karen Dorman, Legal Service Administrator, Denise Henderson, director Bus Operations, Susie Altemus, Compensation Program manager, Todd McElravy, assistant manager Rail Service Delivery, Larry Nye, assistant manager Maintenance Collier, Richard Wojnar, director Road Operations, Holly Jenkins, Employment assistant, Don Palmer, assistant manager Road Operations, Chief McCauley, Chief of Port Authority Police, Speaker, Patty Palmer, manager Administrative Services, Margie Heidkamp, electronic document manager administrator, Brad Straight, assistant manager Rail Service Delivery, Dante Bonjourni, assistant manager Transportation Training, Mike Heidkamp, Speaker, manager Way and Non-Revenue Vehicles Kim Zelen, contract specialist, Justin Cava, Accounting assistant/Payroll specialist, Eric Bilsky, assistant director Capital Programs, Greg O'Hara, project engineer, Bob Duffy, assistant manager Road Operations, Michelle Ramsey, Employment administrator, Deb Roode, administrative assistant, Diane Williamson, executive assistant

Other

Jim Robinson, ACTC President
Jonathan Robison, ACTC, Speaker
John Tague, CAT, Speaker
Joan Natko, ACTC
Annette Kroll, Speaker
Glenn Walsh
Joe Catanese, County Council
Jen Liptak, County Executive's Office

Chris Sandvig, PCRG
Linda Warman, Transit Advocate
Joe Pass, ATU Local 85 Counsel
Steve Palonis, President, ATU Local 85
Mike Palombo, Counsel
Jim Love, ACTC
Chuck Kolling, BIR

The Chairman called the meeting to order and called on Ms. Annette Kroll to begin the public comment portion of the meeting.

Ms. Kroll began her report by saying that she was thinking this day was never going to get here; when we could come upon an agreement. She thanked everyone that came together and worked hard to avoid the service cuts for September, noting that she gets to live another day to ride the Bower Hill on the weekends.

Ms. Kroll stated that the reason she wanted to speak today was, most of all, to thank the group of people who voted on Sunday and who are will be taking concessions realizing the state of the economy. She is hopeful that the people that ride the bus would make a small gesture and say a thank you to their drivers. Anybody who deals with the public and works in customer service knows that when you are on the front line, you get all the complaints and it would be nice to hear a thank you.

The Chairman called on Mr. Jonathan Robison, vice president Allegheny County Transit Council. Mr. Robison opened his remarks by saying congratulations; our efforts have saved public transportation in Allegheny County. Pittsburgh will remain a livable city, assuming the State comes up with the money as Governor Corbett promised. Mr. Robinson offered some suggestions. First, we need a permanent solution to PAT funding; sustainable, adequate, and dedicated funding. Next, PAT should have at least minimal service to every community with significant need and demand, including recent service cuts. If the population won't support a bus every hour, the community should have three or four buses a day, noting that minimal service is better than nothing. We should adopt that policy and then work on getting the funding for it. PAT should also serve everyone on the PAT's routes, even if it means making the T fully accessible. It also means that if we have express service, like BRT, have local service as well because some people can't walk more than a block to the bus. Mr. Robison's final idea is calling Port Authority of Allegheny County simply PAT.

Mr. Robison ended his report by stating that planning and working together can bring about a new day for PAT.

The Chairman called on Mr. John Tague representing the Committee for Accessible Transportation (CAT). Although there are so many people to thank, Mr. Tague started his report by thanking the advocates because a lot of time people think that advocacy doesn't work. The countless phone calls and letters to the Governor's office and State representatives were extremely effective, noting that we are not done! Obviously we have a short-term fix to the problem. Again and again that is all we seem to come up with, so we need to keep the pressure on the Governor, noting that hopefully at 11:30 a.m., the governor is going to announce his portion of this deal.

At this time, Mr. Tague wanted to acknowledge both Steve Bland and Steve Palonis for their leadership, the County Executive and his leadership, Jack Brooks and the Board's leadership, but there are a lot of folks who work here at Port authority that could be thanked.

As a member of the Advocacy Committee, he wanted to say that a lot of people are happy that the cuts have been avoided. We can feel good about this, but we need to move forward; we are not done with this.

At this time, Mr. Tague wanted to acknowledge Ms. Karen Hoesch, Executive Director of ACCESS because of the hard work that she put into finding funding solutions. He also wanted to thank PENNDOT Secretary Schoch and Deputy Secretary for Local and Area Transportation, Mr. Toby Fauver, for their hard work in identifying supplemental funding that will enable ACCESS to maintain its current level of service through at least September 1, 2013.

Mr. Tague concluded his report by calling on people to keep the pressure on the Governor and to talk to their representative so we can move this forward for a permanent solution.

The Chairman called on Chief Stephen McCauley, Port Authority Transit Police Department. Chief McCauley began his remarks by thanking the Chairman, Board members and Mr. Bland for permitting him to address the Board this morning.

He stated that he has been a loyal and dedicated employee of Port Authority of Allegheny County for the last 24 years and eight months and has been a proud member of the Port Authority police his entire time here. He congratulated Chief Executive Rich Fitzgerald, Mr. Bland and his negotiating team, Steve Palonis and the ATU Local 85 Bargaining Unit for working together to come to a fair and equitable resolution to the collective bargaining agreement. Port Authority, the 2,300 members of Local 85, and most importantly, the 230,000 daily patrons of our system can all take a collective sigh of relief that the 35 percent cuts and 500 layoffs have been averted. This is not just a good thing, it is a great thing.

Mr. McCauley took this time to reflect back to 2008. This is the year Port Authority and Local 85 were gearing up for a rather contentious contract negotiation. In an attempt to set the tone for successful negotiations, Port Authority implemented a drastic measure on management and all non-represented employees by taking away post-retirement healthcare. At the time, anyone in the non-representative group, including police, who were reasonably close to retirement, scratched and clawed to purchase service credits from prior employment so they could retire with their benefits. This situation caused a major drain on the level of expertise and the experience of supervision. All this being said, the Chief agreed with the premise that management and non-reps would lead the way to set the example so Port Authority could begin to address the long-term legacy costs and begin to dig out of the black hole of debt that would inevitably be the downfall of Port Authority. The thought was if everyone anted up and kicked in, the problem would be resolved. At the end of the day, the contentious contract was resolved after a trip to Washington DC and everyone who had post-retirement healthcare in ATU and IBEW kept it, and the non-representative workforce, including the police, were left on the outside.

Now, fast forward ahead to today. Port Authority was facing draconian measures that would include a 35 percent cut in service, 500 employee lay-offs; essentially, Port Authority would cease to exist as an effective vital transportation option in Allegheny County.

As mentioned at the beginning of his comments, the Chief said that all of the responsible parties, the County Executive, the Governor, Mr. Bland, and Mr. Palonis and his staff at ATU, all came together to hammer out a fair agreement that preserved post-retirement healthcare for the 2,300 employees of the Local 85 Bargaining Unit, but, not only did they preserve post-retirement healthcare for the 2,300 current employees, but it was also decided to provide for future employees who, as of yet, are not even employed here at the Authority.

Now, here we sit as Port Authority's 200 loyal, dedicated, non-represented employees who have given until, essentially, there is nothing else to give. It would be easy to say, "If you don't like the situation, you have the choice to go elsewhere, but my response would be we are not a mercenary workforce. We hail from Pittsburgh, Allegheny County, and Western Pennsylvania. We are local and trustworthy, and we remain dedicated to people in the organization that we made a commitment to.

Chief McCauley concluded his remarks by saying, "All I ask, Mr. Chairman, the Board, Mr. Bland, is that the Board shows the same loyalty by restore the post-retirement healthcare to the non-represented employees of Port Authority. It is the only moral and ethical thing to do."

The Chairman called on Mr. Mike Heidkamp, manager of the Way, Automotive Fleet and the Equipment Maintenance Department.

Mr. Heidkamp began his remarks by thanking the Board members and Mr. Bland for the opportunity to speak today, and also to thank all of the parties involved in the contract negotiations, noting that he is sure that our customers and employees appreciate the tireless efforts, and it is a perfect example of what can be accomplished when labor and management work together. That is the ultimate of everything here today.

Mr. Heidkamp stated that he has been with the company for 19 years; starting at Port Authority as a bus operator in 1993. He said that he loves working for this company and very much appreciates the fact that he has this good job and hopes to retire from here.

He speaks before the Board today on behalf of the non-represented employees. We have had our wages frozen three times over the past five years, while the represented workers have received 15 percent increases in that same time span. The issue is that the represented workers here are making nearly the same rate, and in some cases, more than the non-representative staff and it is difficult to keep the qualified current people in these positions. Mr. Heidkamp also explained that there are represented workers within the company, who would make great leaders, but do not wish to move up because they would take a pay cut. There has been past practices regarding compression rates, where there is a five percent income separation between managers and the workers who report to them. Mr. Heidkamp is asking for the Board's help in keeping that in force. In his experience, the best leaders are the ones who have, or who are willing to move up in the company.

For those of us in management positions, we are the ones who have to make the tough decisions on a daily basis. We keep our budgets in line, keep service moving, as well as mediate issues between the workforce and upper management, not to mention the extra responsibilities delegated when positions are not filled or eliminated. It sometimes makes it difficult to handle all of this responsibility and keep up morale for nearly the same salary as a represented supervisor. There are only 235 non-represented employees; please do not try to balance the budget on our backs.

He continued saying that the last time we had a wage-freeze, we were told that we have a contract to work out and we have to do our part. No disrespect, but we believe we have already done more than our part. We have paid more for healthcare from 2008 and we have lost post-retirement healthcare since 2007; As Chief McCauley said, a benefit represented workers still maintain. And now, I understand that our pension contributions will be going up to match the new represented contract. While we understand that this is an investment in our future, this, combined with the wage freezes, places a huge unexpected burden for the 235 of us. If you want our benefits to match the represented workforce, we understand, but, please just don't pick and choose which ones to mirror.

As a member of Port Authority's management team, all we ask is for fair and equitable treatment for us, as well as all non-represented employees.

In closing, Mr. Heidkamp stated that while speaking for the dedicated, hardworking, non-represented employees, please understand, we mean no disrespect, but we feel our concerns need to be voiced.

The Chairman gave a report of the Governance Committee.

Mr. Brooks reported that it is his privilege to present for consideration the resolution authorizing the Board to approve and ratify the terms of a proposed collective bargaining agreement between Port Authority and the Amalgamated Transit Union Local 85. In summary, the following points are pertinent with respect to the proposed agreement and are outlined in detail in the appendix of the Board packet that follows this resolution.

The agreement would be for four years, from July 1, 2012 through June 30, 2016 for operators and maintenance personnel and from August 1, 2012 through July 31, 2016 for supervisory personnel. There would be a two-year wage freeze through July 1, 2012, and increment wage increases would be put in place thereafter. Employee pension contributions would be increased from 5.5 percent of pensionable wages currently to 10.5 percent pensionable wages. Also, changes would be made in the calculation of the vacation eligibility to base vacation accrual on hours worked. This is expected to help reduce absenteeism problems.

Of particular note, effective with all new hires, retiree healthcare would be restricted to just three-years of coverage maximum instead of the lifetime healthcare coverage now offered. To qualify, retirees would have to be eligible for an unreduced pension, and they will pay whatever the current employees pay towards their healthcare. The agreement also allows the Authority to modify the way it calculates contributions to the Union pension plan to compensate for the losses in the plan incurred during the stock market collapse of three years ago. While this will not save money for the Authority in total, it will allow those losses to be spread over a longer period, which will help over the next couple of years.

The Union has also agreed to work with the Authority in the next two years to identify an additional \$1.8 million in healthcare savings and to work with the Authority to conduct certain services that are now contracted out with Union personnel, as long as it is less expensive to do so.

Finally, without question, ATU members are agreeing to historic concessions in the interest of preserving current service and employment levels. We are also moving forward in the vein with the assurance that the Commonwealth and Allegheny County will also provide financial support to preserve service. In the event that this does not come to pass, and the Authority is forced to close an additional operating facility or layoff more than five percent of the unionized workforce, and at the

request of one to two parties, this agreement will be invalidated; the terms of the recently expired agreement will again be in force, and the Union and the Authority will initiate bargaining of a successor agreement.

Mr. Brooks said that he would be remiss if he didn't acknowledge the tremendous work of the new ATU President Steve Palonis in getting this agreement both negotiated and ratified by his membership, as well as the active involvement of County Executive Rich Fitzgerald and his staff in getting this agreement finished.

On behalf of the Governance Committee, the Chairman respectfully requested approval of the resolution as presented.

Before approval, Ms. Green Hawkins wanted to comment on the resolution presented. She stated that, as the Chairman reported, there are historic concessions on the part of ATU and she wanted to say that it is not something that will be lost on her as she also comes from a union background. She explained that her father drove a truck for about 40 years or so, working 80-hour weeks, and has permanent scarring to show for it, so she can understand the hardships of working every day. She continued saying that when we talk about the wages and benefits, she truly understands the sacrifices that have been made, and on behalf of the Board and on behalf of Allegheny County, she thanked everyone for their investment and sacrifices for the sustainability of Port Authority.

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

Before going on with the other reports, the Chairman wanted to take a moment on behalf of Port Authority and the Board to formally thank Mr. Steve Palonis for his part in this agreement. Many people were involved in these negotiations, at the table and behind the scenes, and they are all to be thanked, but the Chairman recognized Mr. Palonis for playing such a critical role even though he has not been President of Local 85 for very long. He showed tremendous leadership in working toward a labor agreement, that not only protects the jobs of his members, but of the thousands of daily riders. The public will remember Local 85's part in helping to resolve this situation. He continued saying that union and management leaders will not always agree, but we have shown that bargaining can be done in a respectful manner.

The Chairman called on Mr. Jeff Letwin for a report of the Performance Oversight Committee. Before giving his report, Mr. Letwin extended his appreciation to some of the other unsung heroes. In addition to the County Executive and the Union leadership, he also extended his appreciation to the County Executive's chief of staff, who happens to be with us today. He thanked Ms. Liptak for coming to the meeting and for her hard work behind the scenes.

Mr. Letwin reported that one of the provisions of the new collective bargaining agreement with ATU Local 85 is an increase in employee contributions to the Union pension fund to 10.5 percent of pensionable wages. So in order to meet the non-union budgetary savings obligations, the Authority has decided that it is necessary to make the same increase in the pension contribution with the non-represented employees.

As you have already heard from Chief McCauley and Mr. Heidkamp, our non-representative employees and police employees have made tremendous sacrifices over the past five years to support the long-term future of public transportation in Allegheny County. In this period, we've

eliminated over 100 non-represented positions, requiring the remaining employees to carry a heavier workload. They have worked for several years without wage increases, and saw the elimination of all retiree healthcare and reduction in pension benefits back in 2007. Unfortunately, we have to ask them to sacrifice again.

Mr. Lewtin presented a resolution for the Board's consideration that would require that the non-represented employees also contribute 10.5 percent of their pensionable wages to the retirement and disability allowance plan for employees not represented by the Union, which is an increase from the 4.5 percent that they currently pay.

Last year, we froze participation in this plan and initiated a defined contribution retirement for all future non-representative employees. As we did last year, we will create an open enrollment period for all non-represented employees who are currently in the plan to decide if this most recent change to contributions will lead them to want to enroll in the defined contribution plan instead.

Mr. Letwin noted that this change does not impact members of the Port Authority Police Association at this time. One of the provisions bargained into our current collective bargaining agreement with the Police was that the previous terms associated with benefits would not be altered during the term of the agreement. He also noted that our police officers through this bargaining have had their wages frozen for the past three years.

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

It was moved by Ms. Parker, seconded by Ms. Green Hawkins, and unanimously agreed that the resolution be approved as presented.

The Chairman called on Mr. Mattola for a report from the Planning and Stakeholder Relations Committee. Mr. Mattola reported that this report is the first of our newly reconstituted Planning and Stakeholder Relations Committee, and it is certainly a noteworthy one.

As everyone is aware, the Authority is on the edge of a cliff in terms of historic and devastating service reductions and layoffs. Fortunately, Sunday's Union ratification vote and the actions you are scheduled to take here today are our first steps away from that cliff.

Previously, the Governor and the County Executive have called on the Authority, its riders, and its largest union, Amalgamated Transit Union Local 85, to take the steps necessary to radically reduce current and future expenses toward eliminating the \$64 million operating budget deficit projected for our FY 2013 current service levels.

Today, as you know, we, as a Board, are here to report "mission accomplished." The collective bargaining agreement that we just ratified with ATU Local 85 will save the Authority at least \$60 million in cash during its four years. With the changes in the non-represented employee pension plan just adopted, and other budget reductions this Board adopted in June unrelated to the Union, another \$10 million in savings has been identified. And with the fare increase that went into effect July 1 of this year, we anticipate our riders contributing yet another \$6 million to the Authority's FY 2013 bottom line. All told, that adds up to over \$30 million or about on-half of the projected deficit.

Mr. Mattola echoed the comments made in Mr. Letwin's report that it is not just our union employees who are making these sacrifices; it is all of our employees. Once again, our management, non-union

employees, and our police department are stepping up to the plate as they have consistently in the past.

Of course, we know that the Authority's spending has not been the primary issue associated with our deficits over the past few years and flat county funding during that same period have had a devastating impact on the purchasing power. As we've said over and over, Pennsylvanians want and need a dedicated, reliable, and predictable source of funding for public transportation that grows with inflation. To date, these sources have not met these criteria.

Mr. Mattola noted that to their credit, both the Governor and County Executive have expressed a willingness to participate actively in this process, provided that the Authority and its largest union step up to the plate and act in a bold and meaningful way. I don't think that anyone can argue that the actions we've taken so far today aren't bold and meaningful and, we believe, meet the criteria established by the State and County to warrant additional financial assistance.

Last month, active involvement by the Commonwealth helped us to identify the additional funding to defer tragic reduction in our ACCESS service, and we believe the Commonwealth will be there for us again. Although it will take some time for these details to emerge, our riders do not have the luxury of time if we wait to dot the i's and cross the t's with the State and County. Therefore, I am recommending the adoption of two actions today.

On behalf of the Planning and Stakeholder Relations Committee, Mr. Mattola recommended that, consistent with the action we took last month for ACCESS, we defer the scheduled September 2, 2012 service reductions until at least August 31, 2013 to allow State and County officials more time to develop a long-term transportation funding strategy. If approved by this Board, it means that our riders and employees can redirect their energy and attention away from the crippling service cuts in September toward long-term preservation and improvement in transit service.

Mr. Mattola noted that this action is conditional on the identification of an additional \$34.5 million in outside funding to address financial shortfalls for FY 2013, and we would ask that Mr. Bland and staff keep the Board apprised of the progress in this area.

On behalf of the Planning and Stakeholder Relations Committee, Mr. Mattola respectfully requested approval of the resolution as presented.

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

Mr. Mattola continued reporting that given the actions just taken, we will need to consider yet another amendment to our FY 2012-2013 Operating Budget. The final resolution for your consideration today would amend the Authority's Operating Budget to sustain service at current levels throughout the remainder of FY 2012-2013, with the resulting increase to expenditures to \$372.135 million as outlined in Exhibit A to the resolution. This budget incorporates the savings attributable to the ATU Local 85 collective bargaining agreement in FY 2012, as well as non-union budget savings and the fare increase that took effect this pay July 1. In addition, it assumes an additional \$30 million in State funding and an additional \$4.5 million in Allegheny County funding.

On behalf of the Planning and Stakeholder Relations Committee, Mr. Mattola respectfully requested approval of the resolution as presented.

It was moved by Ms. Parker, seconded by Ms. Green Hawkins, and unanimously agreed that the resolution be approved as presented.

Mr. Mattola concluded his report by saying that today was a must for everybody concerned; our customers, all of our employees; and our staff. He congratulated all of the parties that did a tremendous job.

The Chairman asked if there were any other comments from the Board.

Ms. Parker commented that when she was first appointed to the Board recently she would hear comments such as, "Do you realize what it is you are coming into?" She somewhat fully realized the situation and knew and felt it would be an honor to help and do her part to make a difference and to work on a team with Steve Bland, our Chairman, and the many people at Port Authority that make a difference for our whole community. She congratulated everyone on the Board and everyone at Port Authority for the work that has been done.

Ms. Rainey commented that she is a Port Authority Board member and also a rider. She uses public transportation seven days a week to get to work, church, and shopping. As a rider, she wanted to say bravo to everyone who was willing to step back and be engaged, listen, and understand how important this was for those who ride Port Authority service and for those who don't and for those who recognize the sacrifices and the need for transportation in the disabled community. She thanked everyone for their efforts and recognizes the sacrifices from all those involved.

There being no further business, the meeting was adjourned.

The next Regular Meeting of the Board will be Friday, September 28, 2012.