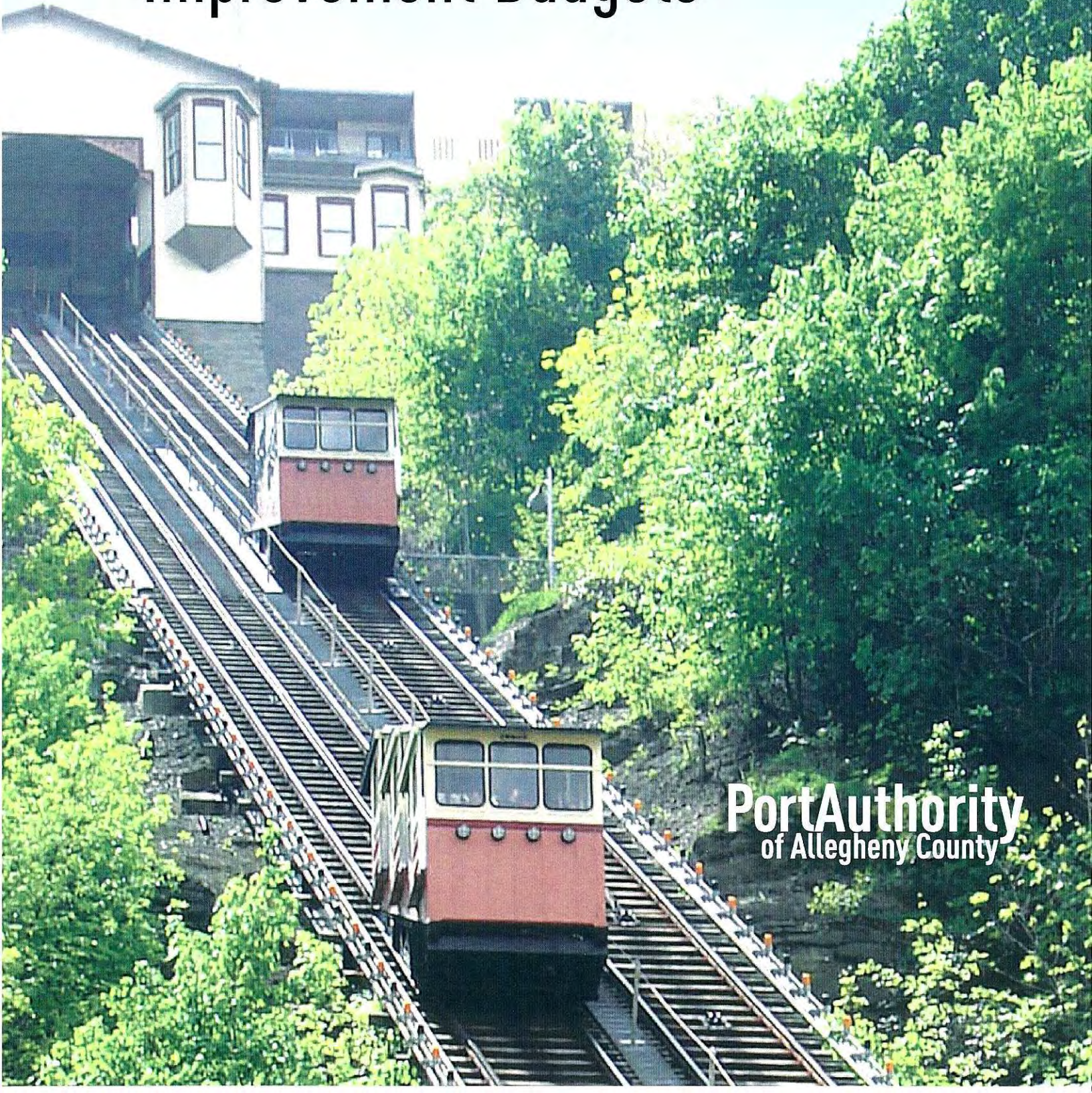


Fiscal Year 2010

July 1, 2009 – June 30, 2010

Operating and Capital Improvement Budgets



Port Authority
of Allegheny County



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Allegheny County Port Authority
Pennsylvania**

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

PORT AUTHORITY OF ALLEGHENY COUNTY
OPERATING AND CAPITAL IMPROVEMENT BUDGETS

FISCAL YEAR 2010

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RESOLUTION

WHEREAS, the Board of Port Authority of Allegheny County (Authority) wishes to adopt fiscally responsible operating and capital budgets covering the Authority for the fiscal year July 1, 2009 through June 30, 2010; and

WHEREAS, consistent with good business practice, a proposed operating budget has been prepared which contains estimates of anticipated revenues and expenses that are in balance with one another, and a proposed capital budget has been prepared which also balances capital program expenses with available capital grant funding amounts; and

WHEREAS, the Port Authority tried to reduce its dependence on using capital dollars for operating budget purposes and reduced its use of preventive maintenance dollars from \$11.6 million in FY 2009 to \$4.55 million of the FY 2010 allocation.

WHEREAS, the operating budget assumes a fare increase in January 2010, but keeps service levels unchanged. The FY 2010 does utilize approximately \$8.8 million in prior year state operating assistance to balance the budget.

NOW, THEREFORE, BE IT RESOLVED, that the Board of the Authority hereby adopts an operating budget for the fiscal year beginning July 1, 2009 and ending June 30, 2010; and which anticipates total operating revenues and grants of \$362,897,000 and total operating expenses of \$362,897,000 (Exhibit A) and a capital budget for the same period providing for \$155,175,000 of capital project expenditures funded by \$155,175,000 of capital grant revenues (Exhibit B).

FURTHER RESOLVED, that the chief executive officer be, and hereby is, directed to take such actions and/or make such recommendations as are necessary and proper to assure that the total operating and capital expenditures to be incurred by the Authority in the coming fiscal year do not exceed the operating revenues and grants and capital funding available for the period.

CERTIFICATION

I, the undersigned duly qualified Assistant Secretary of Port Authority of Allegheny County, certify that this is a true and correct copy of a resolution adopted at a legally convened meeting of the Board of Port Authority of Allegheny County held on June 26, 2009.


Assistant Secretary

DATE: 7/29/09

(SEAL)



Port Authority of Allegheny County

FISCAL YEAR 2010 OPERATING AND CAPITAL IMPROVEMENT BUDGETS

Executive Summary

The Port Authority of Allegheny County has made significant progress over the past several years relative to funding and cost structure. Last year's collective bargaining agreements with Amalgamated Transit Union Local 85 and International Brotherhood of Electrical Workers Local 29 were historic in their provisions to reduce benefits costs, increase employee contributions to benefits plans, and reign in long-term obligations for post-employment benefits. Service productivity continues to improve through our strategic service design efforts. The Authority also continues to take advantage of public private partnership revenues through initiatives such as service income from organizations like our University partners, and real estate income from transit oriented development projects. Finally, the Authority Board's focus on capital investments that preserve existing core infrastructure ("maintenance first") and new investments that produce tangible efficiency and/or financial results (like our "smart card" fare collection project) are intended to improve efficiency and reduce our reliance on long-term debt over time.

As in past years, Authority management has focused like a laser on operating budget management, resulting in an excess of revenue over expenditures in FY 2008-2009 (before OPEB expense accrual) of approximately \$10.5 million. These efforts are crucial in stabilizing Authority operations in the face of significant, uncontrollable market

fluctuations in such areas as fuel prices, health insurance rates and pension investment rate performance, to name a few.

However, the Port Authority of Allegheny County continues to face significant financial challenges in the Fiscal 2010 year and beyond as it strives to provide high levels of safe, reliable and efficient transit service in Allegheny County. Those challenges are evident in the Authority's FY 2010 Operating and Capital Budgets. Despite these financial challenges and constraints, the Authority is dedicated to providing excellent transportation services through the coming year while continuing to find new and better ways to do business.

This year, shortfalls in the Authority's projected operating budget are largely driven by national (and international) trends in areas such as stock market performance and healthcare expenses. Overall, the Authority projects operating expenses in FY 2010 that exceed the FY 2009 Operating Budget by 3.6%, and FY 2009 Actual, Audited Operating Expenses by over 9%. These rates of increase would be largely manageable, if not for flat levels of funding from State and County sources (driven by the State Act 44 fund distribution formula).

The Authority intends to address the shortfall in its operating budget by applying capital maintenance dollars (though, at a lower level than in prior years), utilizing a prior year operating surplus and increasing fares in January 2010. It is crucial to note that the Port Authority does not anticipate any reduction in overall service levels, nor employment, during FY 2009 -2010.

These moves do not resolve the ongoing financial issues facing the agency and ultimately will affect the Authority's ability to satisfy long-term obligations. These obligations, as with similar employers, have accumulated over decades, and will not be resolved in the short-term.

A primary issue in the Authority's \$362.9 million FY 2010 Operating Budget is the lack of an increase in State and County Operating Assistance, as mentioned above. The FY 2010 contributions will equal -- but not increase -- over the FY 2009 levels. This is a problem as total expenses are projected to increase above FY 2009 levels. These increases are largely uncontrollable, reflecting national (and international) trends in areas such as healthcare costs. Among these increases, medical premiums are projected to increase 11.8 percent while dental and vision premiums will increase a projected 6 percent, despite collective bargaining gains that altered general healthcare insurance plan designed to reduce costs.

The FY 2010 Operating Budget also includes \$12.8 million in additional pension expense due to the downturn in the international financial markets, recognized by all employers who, in any way, fund retirement benefits with equity-based instruments. This increases Port Authority's pension contribution, though concessions gained in collective bargaining will also result in increased employee contributions.

The Authority's financial situation is not all dire. There are several positive elements worth noting.

The agency will end FY 2009 with a \$10.5 million surplus prior to an accounting entry for the Other Post Employment Benefit (OPEB) liability. These funds may be applied to balance future operating budgets.

Significant gains in long-term benefits obligations were realized through the previous Collective Bargaining Agreement with Local 85. The OPEB liability for Fiscal Year 2010 declined to \$18.8 million, although a sizeable liability remains.

Revenue projections are strong in the coming year with passenger revenue projected at 3.7 percent over the unaudited actuals for FY 2009. Port Authority ridership has been increasing since the low levels experienced after a 15 percent service cut in 2007 and fare increase in 2008.

The FY 2010 Capital Budget totals nearly \$155 million, including \$62.0 million for the North Shore Connector project.

The Authority will utilize \$7.05 million of Preventive Maintenance money from the Capital Budget to help balance the Operating Budget. This leaves the amount of Preventive Maintenance capital dollars available in FY 2010 for vital infrastructure projects at \$4.5 million.

Other projects which were reduced or deferred due to budget constraints include the Neville Bridge deck replacement and replacement of a bus radio system. The purchase of new buses was cut by 30 and clean diesel buses will be sought rather than hybrids. The uncertainty of Act 44 funding in the future clouds the Authority's long-term capital planning process.

There are many positive changes on the horizon at Port Authority, including the service improvements tied to the Transit Development Plan and the installation of new fare collection equipment and use of smart cards.

Construction of the North Shore Connector is on schedule and the Authority's management of the contracts involved has been highly successful. In fact, at this writing, the project is approximately 55% complete, with total construction change orders resulting in a net *decrease* in project expense of just under \$2 million. The light-rail extension will be a positive addition, especially to the booming North Shore area that continues to develop. It is also the only "expansion" project on the Authority's capital planning horizon, as our focus switches from expansion to preservation of core infrastructure.

Port Authority embraces the potential for positive change that these projects offer and looks forward to another successful year.



Stephen G. Bland
Stephen G. Bland
Chief Executive Officer

Operating Budget Summary

Port Authority of Allegheny County's FY 2010 Operating Budget for the period July 1, 2009 to June 30, 2010 projects revenues and expenses of \$362.9 million. This 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 2010 budget as presented balances revenues and expenses.

The FY 2010 Budget process differed from previous years in that Port Authority engaged external stakeholders much earlier in the planning process. A public workshop was held in April 2009 to inform the Board of Directors and the public that Port Authority faced a preliminary FY 2010 Operating Budget deficit of \$13.4 million and a \$49.9 million deficit in the Capital Budget.

The initial FY 2010 Operating Budget deficit presented at the workshop was based on a scenario which assumed status quo, i.e. contractual wage increases, and projected inflationary increases for healthcare, materials, supplies and utilities, etc. The initial projection reduced the use of Preventive Maintenance funds by \$11.6 million and excluded a likely increase in Pension Expense.

The initial FY 2010 Capital Budget deficit of \$49.9 million was based on departmental requests and represented a "best case" scenario if capital funding was more readily available. This initial Capital Budget projection included an Operations Division request to purchase 85 new buses.

The Board Workshop proved successful from the standpoint that it provided Port Authority Management with guidance on possible Operating Budget strategies that were put forth such as a January 2010 fare increase and the use of varying levels of Preventive Maintenance funds in the Operating Budget. Likewise, the workshop gave the Capital Planning Committee further direction on priority areas to be considered in the Capital Budget.

Following the Board Workshop, Port Authority's Department of Financial Planning and Budgets continued to meet with each of the organization's divisions to review their FY 2010 Operating Budget requests. Reductions were made from the initial departmental requests when warranted. These reductions were made when historical expense patterns did not warrant a budget increase and no departmental justifications were provided for the increases.

Likewise, the Department of Grants and Capital Programs reconvened the Capital Planning Committee to re-evaluate requests and make reductions in projects that did not jeopardize system safety and security.

FY 2010 Budget to FY 2009 Budget Comparison

The FY 2010 budget contains a \$12.6 million or 3.6% increase in gross expenses from the FY 2009 Budget of \$350.3 million. This increase is primarily due to increases in the categories of Wages & Salaries, Pension and Employee Benefits, Purchased Services, Utilities, and Other Expense. Wages & Salaries are expected to increase by \$4.0 million due to wage increases for union personnel where a collective bargaining

agreement is in place as well as salary increases for non-union personnel. The number of budgeted positions remains unchanged from the FY 2009 total of 2,756.

The Employee Benefits category is budgeted to increase by \$22.9 million from the FY 2009 Budgeted amount. This change is primarily due to a \$10.6 million or 66.6% increase in pension plan expense and a \$11.4 million or 18.9% increase in healthcare expense. The FY 2009 Budget for healthcare included an anticipated \$7.8 million reduction in healthcare that represented required savings in negotiations with the Amalgamated Transit Union (ATU) #85. This budgeted reduction was necessary to balance the FY 2009 Budget.

The large budget increases in wages, salaries and employee benefits were partially offset by a \$(14.5) million decrease in the Materials and Supplies expense category from FY 2009 Budget levels. This large reduction from the FY 2009 Budget level is directly attributable to a \$(15.7) million decrease in the budget for diesel fuel. Port Authority has contracted 75 percent of its anticipated diesel fuel needs in FY 2010 at \$2.01 per gallon for the first six months of FY 2010 and \$1.95 per gallon for the second six months of the fiscal year. Both these amounts are significantly less than the \$4.15 per gallon market price in existence when the FY 2009 Budget was approved.

Purchased Services is budgeted to increase by \$0.5 million from FY 2009 Budget levels. The majority of this increase is attributable to increases in the line-item budgets for Labor & Technical Services and Legislative Consulting.

Utilities are budgeted to increase by \$0.7 million due to anticipated increases in propulsion power, electricity and gas. Port Authority follows a practice of entering into

longer-term utility contracts on its higher volume accounts when market prices are favorable. It is anticipated Port Authority will enter into contracts on these accounts during the first quarter of FY 2010.

The category of Other Expense is budgeted to increase by \$0.3 million. This change includes an increase of \$251,000 in the Organizational Development expense line-item and \$120,000 increases for both Technology Training and Transit Development Plan marketing.

The Interest Expense budget has decreased by \$1.4 million from the FY 2009 Budget levels. The FY 2009 Budget for Interest Expense was above historical levels due to an anticipated, short-term Grant Anticipation Note (GAN) that was planned to be larger due to a delay in Operating Assistance payments from Allegheny County. County Operating Assistance was received which made the larger GAN borrowing unnecessary. Cashflow scenarios for FY 2010 indicate the company will have to pursue either a Grant Anticipation Note or line of credit that will be re-paid by fiscal year-end. Historically, this has been common practice followed by Port Authority due to delays in receiving State and Federal grant funds. This will result in Port Authority incurring interest expense in FY 2010.

FY 2009 Unaudited Actuals to FY 2009 Budget

Port Authority's unaudited FY 2009 actuals project the company to end the fiscal year with a \$10.5 million dollar operating surplus prior to an accounting adjustment for Other Post Employment Benefits (OPEB). The FY 2009 projected results were

influenced by a number of factors from both revenue and expense perspectives. FY 2009 Total Revenues are projected to exceed budget by \$4.6 million predominantly due to Passenger Revenues exceeding budget by \$5.8 million. This variance was the result of the passenger ridership exceeding budget by approximately 7%. The categories of Advertising Revenue and Interest Income were both below budget by \$663,000 and \$591,000 respectively. Advertising Revenue declined due to the slowing national economy. Interest Income was less than budget due to lower rates of return on Port Authority's invested cash.

Total Gross Expenses for FY 2009 are projected to be below budget by \$20.1 million or 5.7%. All expense categories except for Employee Benefits are projected to end the fiscal year below budget. The FY 2009 Budget for Employee Benefits was assembled with two major assumptions. Port Authority's Management was requesting changes in retiree healthcare for future retirees, as part of the negotiation process with ATU #85. It was expected that there would be a large number of retirements due to the potential for changes in the retiree healthcare program. It was thought these potential changes in retiree healthcare would prove to be an incentive for eligible employees to retire earlier than originally planned. Secondly, the company was hoping to gain significant changes in its healthcare program for active employees as part of the contract negotiations with the Amalgamated Transit Union #85 (ATU #85).

While Port Authority was able to successfully negotiate savings in Employee Benefits during negotiations with the ATU #85, it was still short of what was originally budgeted. Fortunately, the anticipated increase in retirees never materialized which

helped to offset the lower than hoped for savings in active employee healthcare from negotiations.

A significant reason for the positive financial results in FY 2009 was lower than anticipated expenses within the Materials & Supplies expense category. The expense category is projected to end the fiscal year \$12.2 million below budget. Predominantly, this result was due to diesel fuel expense ending the year \$10.5 million under budget. The FY 2009 Budget was passed at a time when market prices for diesel fuel exceeded \$4.15 per gallon. The FY 2009 Budget reflected the high price of diesel fuel. The market price for diesel fuel declined during the fiscal year, and Port Authority was able to contract diesel fuel for the second six months of the fiscal year at \$1.85 per gallon. This market correction was a significant factor in the company completing the fiscal year with an operating surplus. The category of Materials & Supplies was also below budget due the expense line-items of Materials and Reconditioned Units ending the year \$558,000 and \$485,000 below budget respectively.

Another expense category that contributed to gross expenses ending the year below budget was Purchased Services. Purchased Services is projected to end the year approximately \$2.0 million under budget. Almost \$1.0 million of this variance is due to savings in the Work Done by Outside Contractors line-item expense. Reduced expenses in the Other Services and Legal expense line-items also contributed to the positive results in the Purchased Services expense category.

Port Authority was able to internally manage its cashflow position to make it unnecessary to utilize any short-term borrowing for cashflow purposes. This resulted in a \$2.4 million savings in interest expense.

The company is projected to incur a Government Accounting Standards Board (GASB) #45 liability of \$18.8 million in FY 2009 which will result in a projected overall loss for the fiscal year of approximately \$8.4 million. Under current GASB regulation, Port Authority is not required to fund this outstanding liability. It had no cash impact on Port Authority during FY 2009.

While the company's FY 2009 financial results were encouraging, many financial challenges remain in the future. Foremost is the uncertainty that surrounds the Act 44 legislation that was first enacted in FY 2008 by the Commonwealth of Pennsylvania. This legislation was enacted in order to provide funding to public transportation systems throughout the Commonwealth. The centerpiece of the legislation was a proposed tolling of Interstate I-80 that would permit the Pennsylvania Turnpike Commission to provide over \$300 million annually to the Pennsylvania Department of Transportation (PennDot) upon federal approval. The application to toll I-80 was denied by the Federal Highway Administration (FHWA). It is due to be re-submitted to FHWA in 2009.

Failure to toll I-80, or develop an alternative funding scenario, could have a projected \$25 million impact on Port Authority's Operating Budget. Section 1514 Funds that have been available to pay Port Authority's Debt Service could potentially disappear. This would result in Port Authority having to cover its debt service payments through its existing \$184.5 million in Operating Assistance.

Another threat to Port Authority's financial security is the company's growing pension expense. The company's employees participate in a defined benefit retirement program. Under this arrangement, both the company and the employee make contributions to pension trust funds. However, if market returns are inadequate to meet projected liabilities, it is the company's responsibility to provide additional funding.

The recent market downturn has almost doubled Port Authority's pension expense from \$13.8 million in FY 2009 to \$26.6 million in FY 2010. Unfortunately, without significant market gains in the next few years, Port Authority's projected pension expense liability is projected to grow by another \$10.0 million by FY 2013.

Port Authority's financial future is not all negative. The company is in the final stages of completing its Connect 09 Transit Development Plan (TDP). The TDP involved utilizing an external consultant to review each of Port Authority's 187 routes for ridership, trip frequency and scheduling. It is hoped that implementing some of the findings of this study will better utilize existing resources.

In addition, Port Authority is in the midst of implementing an Automated Fare Collection System (AFCS) project. This project will replace all fareboxes on the entire Port Authority fleet with Smartcard enabled fareboxes. The new system, when fully operational, will provide much more detailed ridership information and reduce the instances of fare avoidance. In turn, this should increase passenger revenues for Port Authority.

The FY 2010 financial plan, as communicated to management, union officials and employees, is predicated on the following general goals:

- Balanced Operating Budget
- Retain Current Service Levels
- Keep service affordable within the constraints of increasing costs for wages, healthcare, and pensions, with no guarantee of growth in State & Local Operating Assistance
- Reduction of the Port Authority's reliance on capital funds to balance the Operating Budget
- Continuation of the Automated Fare Collection System Project
- Continuation of the North Shore Connector Project
- Maintenance of Capital Assets/State of Good Repair

In addition to the above stated goals, the following assumptions, or budget building blocks, were identified and used as a basis for allocating available resources:

- State operating assistance of \$184,457,990 and a 15% local match of \$27,668,699 as mandated under Act 44 which is unchanged from FY 2009.
- Fare increase to begin January 2010.
- Healthcare premium increase of between 6% to 7% for dental and vision plans beginning January 2010. Medical premium increases are budgeted at 11.8% beginning January 2010. The FY 2010 Healthcare Budget assumes full employment levels throughout the year.
- Minimal level of new retirees due to the continuation of ATU- #85 contract language addressing retiree healthcare.

For FY 2010, additional assumptions were made in preparing the budgets which will support and direct our resources toward fulfilling the budget goals. These assumptions are as follows:

- A total ridership decrease of 33,941 or less than 1% from FY 2009 actual levels, which includes a 2,463 rider increase in the ACCESS program.
- State program funding consistent with FY 2009 levels:
 - Continuation of Infrastructure Safety Renewal Program (ISRP)
 - Continuation of Vehicle Overhaul activities
- Use of Capital Funds to Offset Costs in the Operating Budget:
 - Associated Capital Maintenance (ACM)
 - Capital Cost of Contracting
 - Preventive Maintenance
 - FTA funds for the Access-to-Jobs Program
- Capital Funding of Priority & State of Good Repair Projects

The funds associated with these assumptions comprise the majority of revenues and grants necessary to support the \$362.9 M of planned expenditures.

The Port Authority's continued success is dependent upon State and Local government support, the dedication, skills and ingenuity of its employees and loyalty of its customer base. Revenues from operations combined with funds from other branches of government form the basis of the Port Authority's Operating Budget. Port Authority has been approved to receive \$184.5 million in operating assistance for FY 2010 from the Commonwealth of Pennsylvania. The Allegheny County Calendar Year 2010 County Executive's Budget is recommending providing the full 15% match of State Operating Assistance Funding for a total of \$27.7 million. In addition, the short and long-term financial health of the Authority will require employees to continue providing efficient and economical service. Employees will continue to be called upon to assure the company's service remains cost competitive with other forms of transportation and

similar sized systems nationwide. Finally, Port Authority must continue to address the needs of its customers as it re-works its service model to keep it both efficient and affordable.

In total, \$362.9 million in revenues are budgeted for FY 2010 of which \$96.5 million are operating revenues, \$220.9 million in operating grants and \$45.5 million in amounts capitalized.

Operating Revenues

Port Authority continues to offer service that is both affordable and convenient. In FY 2009, Port Authority's total ridership levels increased by approximately 946,724 riders from FY 2008 while ACCESS ridership increased by 5,889. While it is difficult to pinpoint one underlying reason for the increase, other transit agencies reported ridership due to gasoline price spikes at the beginning of the fiscal year. The FY 2010 Budget forecasts a 3.4% increase in overall Operating Revenue from FY 2009 unaudited actuals. Passenger Revenues are budgeted to increase by \$2.7M or 3.7% from FY 2009 levels, due to a planned fare increase in January of 2010. The organization remains hopeful that actual ridership will surpass projected FY 2010 ridership estimates given the upward trending cost of gasoline and the increased cost of parking in the central business district. ACCESS revenues are projected to remain constant with FY 2009 levels. Contract Service revenues, which include contractual arrangements with both the University of Pittsburgh and Carnegie Mellon University, are expected to increase by 15.0% over the FY 2009 forecast. Port Authority has agreements with both institutions

through FY 2012. These agreements will increase by 15% each contractual period and result in fares for students of these universities that are more inline with the general public.

Operating Grants

Total operating grants utilized for FY 2010 are expected to increase from \$200.1 million in FY 2009 to \$220.9 million, which includes \$8.8 million in State Operating Assistance from a prior fiscal year. The Operating Budget projects \$184.4 million and \$27.7 million from the Commonwealth of Pennsylvania and Allegheny County respectively, which remains unchanged from FY 2009 levels. This funding stream is scheduled to remain flat in the short-term due to limited growth in the factors applied by the Commonwealth to distribute new formula funds.

Most of the funding from the Commonwealth has a mandatory local match. It is assumed Allegheny County will provide the FY 2010 matching funds during the upcoming fiscal year.

In FY 2010, \$45.5 million is budgeted as capitalizations, which provide reimbursements for certain operating expenses. This is a \$912,000 or 2.0% decrease from FY 2009 projected capitalizations. This decrease is primarily due to a decrease in the Preventive Maintenance account from \$11.6M in FY 2009 to \$7.0M in FY 2010. The Authority has made a commitment to reduce its usage of capital grant funds in the Operating Budget in order to maintain the state of good repair on Authority assets. Other Grant funds which will continue to be used for existing operations programs

include: Cost of Contracting, Infrastructure Safety Renewal Program (ISRP) and Vehicle Overhaul (VOH).

Given Port Authority's total amount of projected revenues, an annual expense level was established to meet the requirements of a balanced budget and to support the organizational goals, objectives and assumptions.

As depicted in *Exhibit A*, the operating budget projects total revenues and total expenditures in the balanced amount of \$362.9 million. This is an overall increase of \$32.7 million or 9.9% when compared to the FY 2009 projected spending levels.

Capital Budget Summary

Port Authority of Allegheny County's FY 2010 Capital Improvement Program anticipates expenditures of \$155,175,000. Given that Port Authority has assets with a net book value of \$1.55 billion, the FY 2010 Capital Improvement Budget is expansive in scope and focuses on the following key elements:

- Routine replacement and rehabilitation of assets in accordance with the Capital Needs Assessment plan
- Fiscal Efficiency and Responsibility
- To provide Relief for the Operating Budget
- Safety and Security
- Expansion of service with Major Capital Projects

The Capital Improvement Budget is comprised of four (4) major program groups:

Debt Service	\$36.7 M
Revenue Vehicle Replacement	26.5 M
Fixed Guideway & Facility Improvements	21.6 M
Support Programs	8.4 M
New System Expansion	<u>62.0 M</u>
Total	\$155.2 M

The Debt Service component of the Capital Budget is comprised of debt service payments towards the Koch Master Agreement which provided for bus purchases and Series 2001 Senior Bond Debt service. The Revenue Vehicle Replacement Program is directed toward the purchase of 28 additional Low Floor Clean Diesel Buses, 25 Articulated Clean Diesel Buses and 2 Low Floor Hybrid Buses. Projects within the Fixed Guideway & Facility Improvements component of the Capital Budget represent large investments in busway and rail line repairs and the purchase of a new Maintenance Work Order System. Fixed Guideway Busway projects in FY 2010 will center on the paving of the East Busway. Fixed Guideway Rail projects will involve replacement of rail lines within the Mt. Lebanon Tunnel. These two projects will deliver financial benefits to Port Authority by reducing future wear and tear on both rail and bus vehicles. The new Work Order System will permit Port Authority to better monitor and improve productivity.

The Support Programs section of the Capital Budget includes Information Technology (IT) Development and Infrastructure projects. It is necessary to keep the

company's information systems in order to aid in management oversight and support daily operations. Support Programs also include a non-revenue vehicle replacement program. The company currently has a non-revenue vehicle fleet where the majority of the vehicles have exceeded their useful lives.

The balance of the capital budget is included in the New System Expansion category. The New System Expansion category is made up exclusively of the North Shore Connector project for FY2010. In FY 2010, North Shore Connector funding totals \$61.9M.

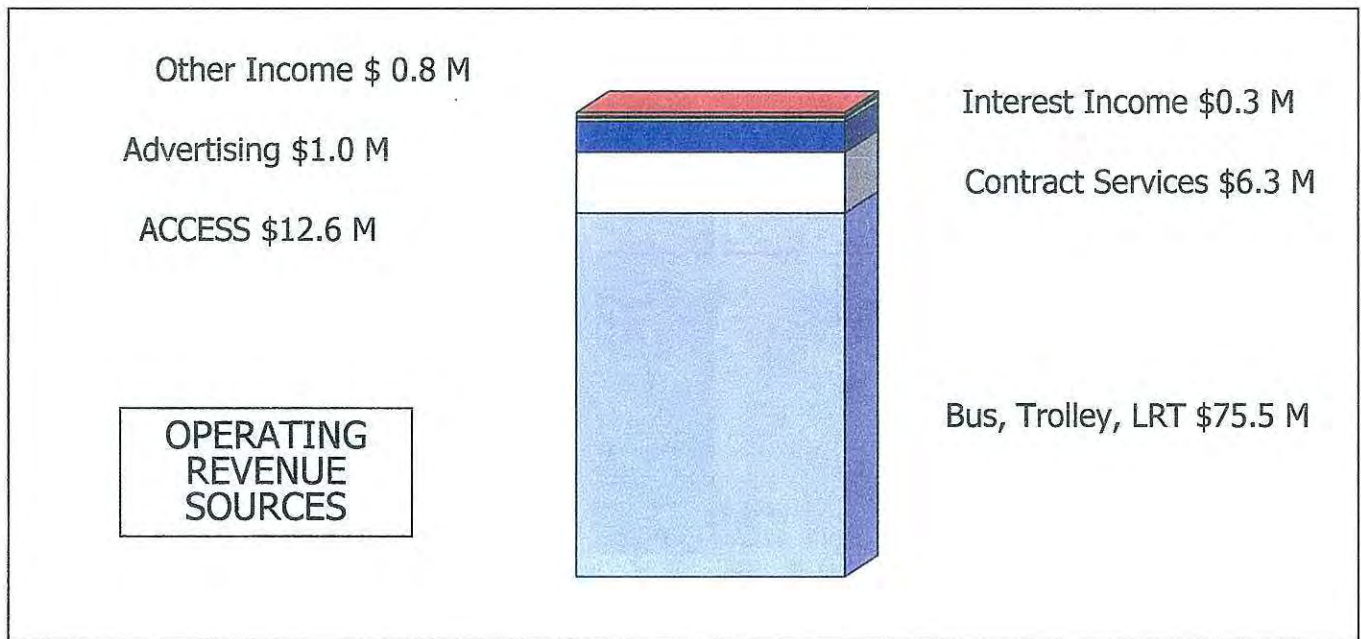
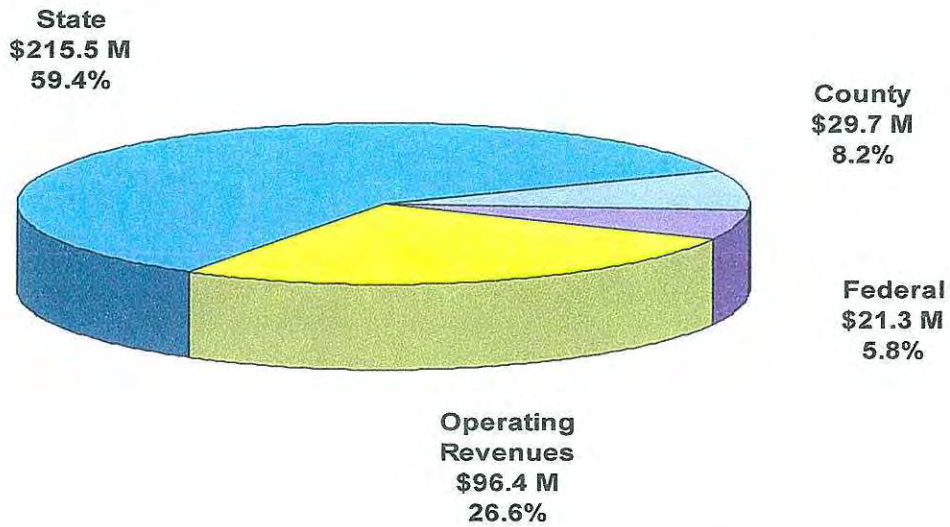
The Operating and Capital Improvement Budgets presented for FY 2010 represent Port Authority's continued commitment to exceed the expectations of its customers and invest in assets and infrastructure that will meet the future demands of the region.

EXHIBIT A
Port Authority of Allegheny County
FY 2008 Audited, FY2009 Budget, FY2009 Unaudited, FY2010 Budget
(\$millions)

	Audited FY 2008	Budget FY 2009	FY2009 Unaudited	FY2010 Budget	\$ Change FY10 Budget to FY09 Proj.	% Change FY10 Budget to FY09 Proj.
REVENUES:						
PASSENGER REVENUE -						
BUS, TROLLEY AND LRT	66.1	67.0	72.8	75.5	2.7	3.7%
ACCESS PROGRAM SERVICE	13.0	12.9	12.6	12.6	(0.0)	-0.2%
CONTRACT SERVICES	4.7	5.5	5.5	6.3	0.8	15.2%
ADVERTISING	1.7	1.5	0.8	1.0	0.2	19.5%
INTEREST INCOME	1.7	1.0	0.4	0.3	(0.1)	-26.7%
OTHER INCOME	1.5	0.8	1.2	0.8	(0.4)	-31.8%
TOTAL REVENUE	88.7	88.7	93.3	96.5	3.2	3.4%
OPERATING ASSISTANCE						
LOCAL	27.5	27.7	27.7	27.7	0.0	0.0%
STATE	183.0	184.5	173.3	184.5	11.2	6.5%
STATE OPERATING ASSISTANCE-PRIOR YEAR	0.0	0.0	0.0	8.8	0.0	100.0%
TOTAL GRANTS	210.5	212.1	200.9	221.0	20.0	10.0%
AMOUNTS CAPITALIZED:						
ISRP/ASSET MAINTENANCE/VOH	18.5	18.5	18.5	18.5	0.0	0.0%
GRANTS	4.1	3.4	3.1	3.6	0.5	17.7%
COST OF CONTRACTING	15.0	15.0	15.0	15.0	0.0	0.0%
PREVENTIVE MAINTENANCE	0.5	11.6	9.1	7.1	(2.1)	-22.5%
FLEX/ACCESS TO JOBS	3.0	1.0	0.7	1.3	0.6	80.6%
TOTAL CAPITALIZATIONS	41.2	49.5	46.4	45.5	(0.9)	-2.0%
TOTAL REVENUES, GRANTS & CAPITALIZATIONS	340.3	350.3	340.6	362.9	22.3	6.5%
EXPENSES:						
WAGES AND SALARIES	133.9	137.6	136.8	141.6	4.8	3.5%
EMPLOYEE BENEFITS	108.9	105.9	107.8	128.8	21.0	19.4%
MATERIALS AND SUPPLIES	36.7	52.5	40.3	38.0	(2.3)	-5.7%
PROVISION FOR INJURIES & DAMAGES	4.6	3.6	2.4	3.6	1.2	49.6%
PURCHASED SERVICES	6.8	8.7	6.8	9.2	2.4	36.2%
UTILITIES	7.9	9.5	8.5	10.2	1.7	19.9%
OTHER EXPENSE	2.9	4.5	3.3	4.8	1.5	45.1%
INTEREST	0.9	2.4	0.0	1.0	1.0	100.0%
ACCESS	25.4	25.6	24.3	25.6	1.4	5.7%
TOTAL GROSS EXPENSES	328.1	350.3	330.2	362.9	32.7	9.9%
OPERATING SURPLUS/(DEFICIT)	12.2	0.0	10.5	0.0	(10.5)	-100.0%
OTHER POST EMPLOYMENT BENEFITS EXPENSE (OPEB)	(42.2)	(38.8)	(18.8)	(14.0)	4.8	-25.6%
SURPLUS/(DEFICIT) WITH OPEB	(29.9)	(38.8)	(8.4)	(14.0)	(5.6)	67.6%

EXHIBIT B

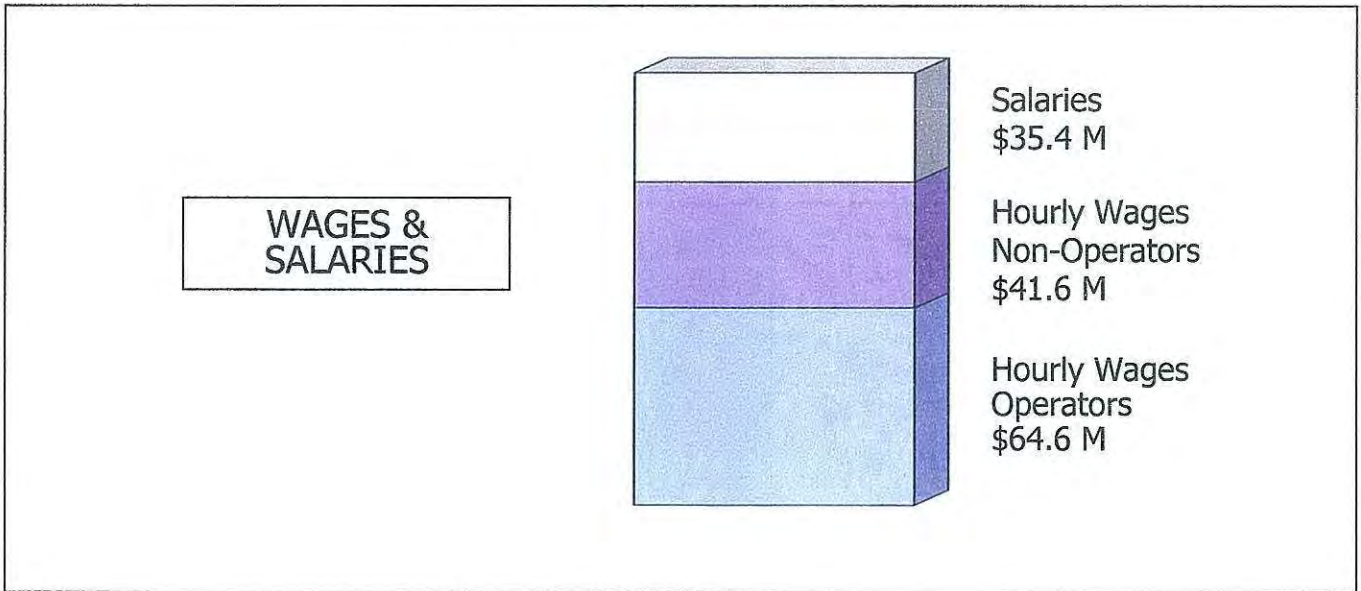
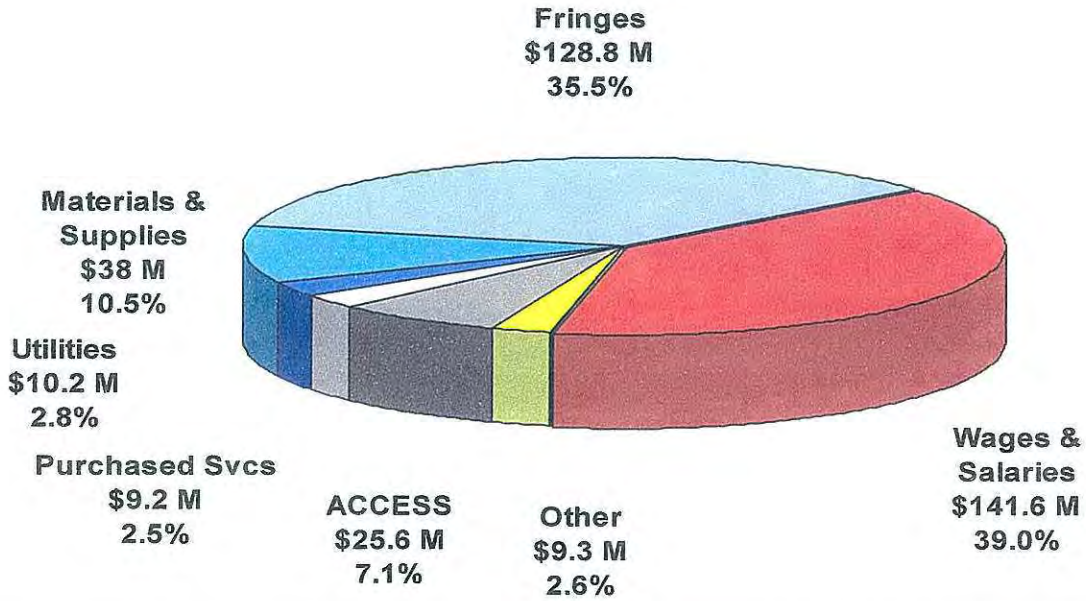
Port Authority of Allegheny County Operating Summary Fiscal Year 2010 Budgeted Revenues



Total FY 2009 Revenues : \$362,897,000

EXHIBIT C

Port Authority of Allegheny County Operating Summary Fiscal Year 2010 Budgeted Expenses

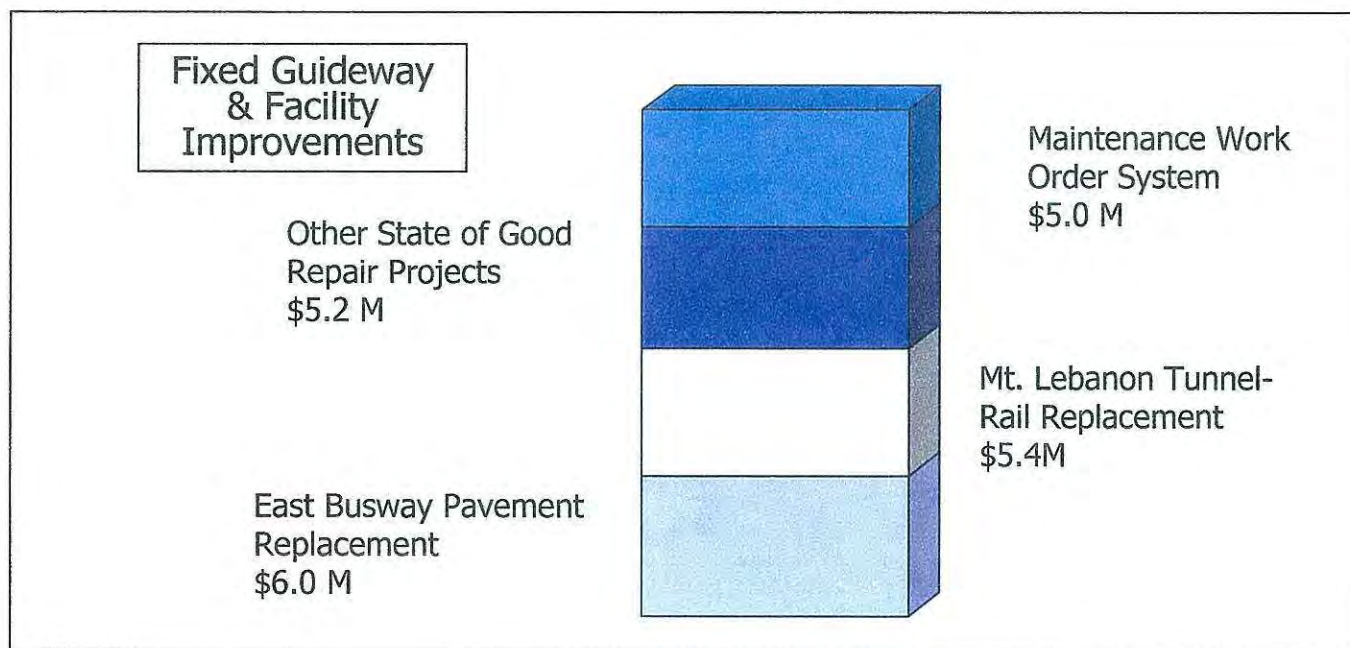
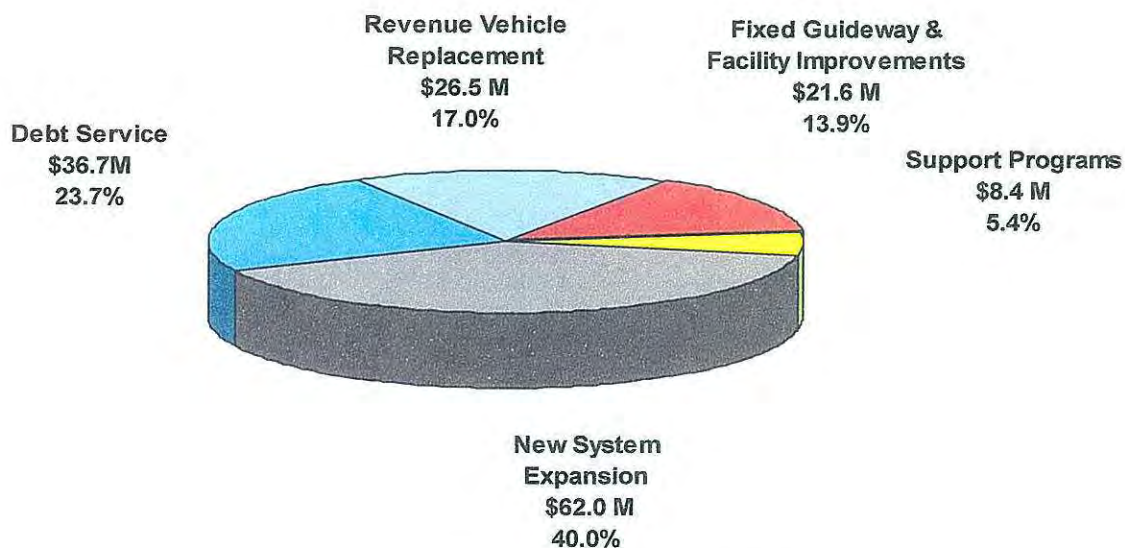


Total FY 2009 Expenses : \$362,897,000

Note: These expenses do not reflect the OPEB liability

EXHIBIT D

Port Authority of Allegheny County Capital Improvement Budget Fiscal Year 2010



Total FY 2009 Capital Improvement Program : \$155,175,000

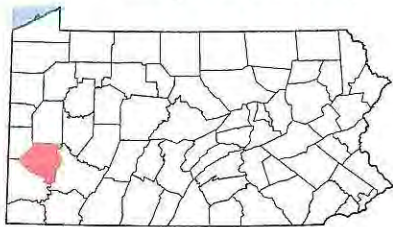
Port Authority of Allegheny County

Local Community

Allegheny County, Pennsylvania (population 1,219,210 in a 2007 estimate) was created on September 24, 1788, from parts of Westmoreland and Washington Counties and named for the Allegheny River. Pittsburgh, the county seat, was named by General John Forbes in honor of William Pitt, a British statesman. The County originally extended all the way north to the shores of Lake Erie; however, the county's current borders were set by 1800. The County forms the nucleus of the Pittsburgh Metropolitan Statistical Area and the Pittsburgh Tri-State area of Pennsylvania, Ohio and West Virginia.

Geography and Climate

Allegheny County is the second largest of the 67 counties in Pennsylvania.



It is located in the Southwestern corner of the state and is known for the three rivers that flow through it. The Allegheny and the Monongahela rivers converge at the Point in Pittsburgh to form the Ohio River. An additional river, the Youghiogheny, meets the Monongahela at McKeesport, 10 miles south of Pittsburgh.

Much of Allegheny County is covered with forests, and it is surrounded by rural farming communities. At the time of the 2000 census, the county had a total area of 745 square miles: 730 square miles of land, and 15 square miles of water.

Average temperatures range anywhere from 18 degrees Fahrenheit lows in January to 83 degrees Fahrenheit highs in July. Yearly average precipitation is 36.85

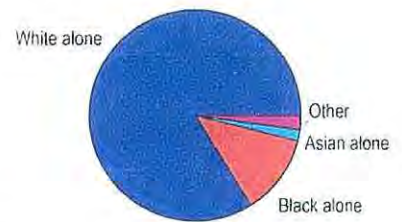
inches of rain and 43 inches of snow, with the average monthly rainfall in Allegheny County estimated at 3.05 inches. There are an estimated 218 days of precipitation per year.

Demographics

Allegheny County is home to 10% of the state's population. There were 1,281,666 people, 537,150 households, and 332,495 families residing in the County as of the 2000 Census. In a 2004 estimate, population was 1,250,867, which represented a decrease of -2.40% from the 2000 census. Later estimates in 2007 record a population of 1,219,210, a further decrease of -2.5%.

According to the last census, the population density was 1,755 per square mile. The average household size was 2.31 and the average family size was 2.96. The racial makeup was 84.33% White, 12.41% Black or African American, 0.12% Native American, 1.69% Asian, 0.03% Pacific Islander, 0.34% from other races, and 1.07% from two or more races. About 0.87% of the population was Hispanic or Latino of any race. The median age was 40, with 52.4% of the population female.

Races in Allegheny County, PA



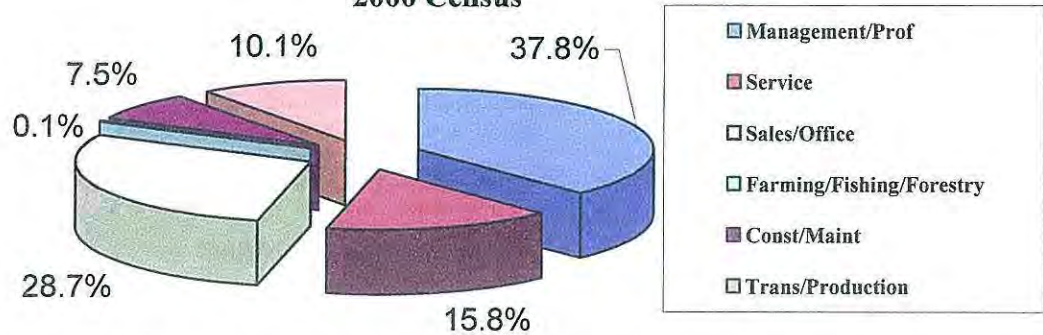
Local Economy

Since colonial times, Allegheny County has been a center for business and commerce. Natural resources including iron and coal and easy access to waterways enabled the area to become an important steel producer. Pittsburgh quickly became the largest inland port in the nation, which it remains today.

The workforce of Allegheny County has shifted from a concentration on heavy industry, with the decline of the steel mills, to more specialized industries and service providers, such as high technology, health care, education and finance. Allegheny County is home to Fortune 500 firms including Heinz, USX, PPG Industries, General Nutrition Centers, PNC Corporation, Bank of New York Mellon, and Alcoa.

There are more than 90 medical facilities in the area including hospitals, medical schools, rehabilitation centers, hospices and nursing homes. The University of Pittsburgh Medical Center was recently cited by the U.S. News and World Report as ranking 12th out of the 188 best hospitals in the United States. UPMC has long been recognized as a major transplant facility, performing more transplants than any other facility in the world. Allegheny University Hospital, Children's Hospital of Pittsburgh, The Western Pennsylvania Health System and Magee-Women's Hospital are also important members in the Allegheny County medical community. Kane Regional Centers have been recognized by the Pennsylvania Association of County Affiliated Homes as Nursing Home of the Year. The Kane Centers provide nursing and assisted care to more than 1400 residents in four locations across the County.

**Work Force Distribution Of Allegheny County
2000 Census**



The 2000 Census reported 6.1% unemployment. In 2002, the per capita personal income in Allegheny County was \$36,500. This was an increase of 24.6% from 1997. The 2002 figure was 118% of the national per capita income, which was \$30,906.

July 2009 Bureau of Labor Statistics show Allegheny County’s current unemployment rate at 7.3, an increase of 2.3 from July of 2008. This still compares favorably with the unemployment rate in the City of Pittsburgh (7.8) and the state of Pennsylvania (8.5). The greatest decreases in employment over the most recent 12 month period were seen in Manufacturing, Construction, and Leisure and Hospitality. Despite the current recession, the area boasts gains in the health services and education fields. Two of the largest employers are the University of Pittsburgh, and the University of Pittsburgh Medical Center.

Education and Culture

The Pittsburgh Metropolitan area ranks in the top ten of the 50 largest metropolitan areas in the nation in terms of cultural facilities per 100,000 in population. A 14 block area between the David Lawrence Convention Center and Stanwix Street in

the heart of downtown contains the historic Cultural District, in which resident artist groups offer a cultural variety unmatched by many cities. It is within walking distance from the city's best hotels, restaurants, shops, and public parks. The Cultural District encompasses 88 retail shops, 47 dining establishments, 8 public parks, and 5 world class theaters in which 1400 performances are held each year. It is home to the Pittsburgh Public Theater, Pittsburgh Ballet Theater (the eighth largest ballet company in the United States), Pittsburgh Opera (the country's eighth oldest), Pittsburgh Civic Light Opera and the Pittsburgh Symphony.

The Carnegie Museums of Pittsburgh provide a full scope of culture and education. The Museum of Natural History was ranked sixth in the nation in the Travel Channel's top picks for "Best Museums for Dinosaur Sightings," and is acknowledged for having some of the best dinosaur exhibits in the world. Recipient of the 2003 National Award for Museum Service, the Carnegie Science Center connects science and technology with everyday life. The Andy Warhol Museum celebrates one of Pittsburgh's own, who is widely acknowledged as one of the most influential artists of the twentieth century, and exhibits many of his works. The Carnegie Museum of Art offers a distinguished collection of contemporary art that includes film and video works. Other collections of note include works of American art from the late nineteenth century, French Impressionist and Post-Impressionist paintings, and European and American decorative arts from the late seventeenth century to the present.

The Pittsburgh Zoo and PPG Aquarium is one of only six major zoo and aquarium combinations in the country. The 77-acre facility is home to thousands of animals representing hundreds of diverse species. Committed to education, research and wildlife

conservation, the Pittsburgh Zoo & PPG Aquarium is actively involved in 64 Species Survival Plans and proudly exhibits 72 threatened or endangered species.

The National Aviary is America's only independent indoor nonprofit bird zoo. Located in historic North Side's West Park, The Aviary is home to 600+ birds of more than 200 species. Many species are threatened or endangered in the wild. The natural, planted exhibits allow visitors an up-close view of the bird world.

Operating in association with the Smithsonian Institution, the Senator John Heinz Pittsburgh Regional History Center features a number of traveling and permanent exhibitions, such as the Western Pennsylvania Sports Museum, a dynamic museum-within-a-museum, and Capture the Moment: The Pulitzer Prize Photographs. The History Center highlights more than 250 years of Western Pennsylvania history. Visitors can explore a 1790s log cabin, discover how immigrants shaped this region, uncover the myths of the Underground Railroad, experience the thrill of Western Pennsylvania's unmatched sports legacy, and climb aboard a 1940s Pittsburgh trolley.¹



The most recent addition to the cultural assets of Allegheny County is the new August Wilson Center (AWC) for African American Culture. The formerly known African American Cultural Center of Greater Pittsburgh is a non-profit organization that presents performing, visual and education programs celebrating the contributions of African Americans within the region. The distinctive new Center opened downtown in September of 2009, and contains exhibition galleries, a theater, and an education center. AWC presentations include dance, music, art, theater and other cultural, educational and artistic events.

Port Authority of Allegheny County

Background

Port Authority of Allegheny County was established in January 1958 and operates pursuant to the Commonwealth of Pennsylvania's Second Class County Port Authority Act. The Authority's Transit Division began operations on March 1, 1964 with the consolidation of 33 private transit carriers, including the Pittsburgh Railways Company and 32 other bus and inclined plane companies. The Authority was formed for the purpose of planning, acquiring, holding, constructing, improving, maintaining, and operating a comprehensive public transportation system within Allegheny County, which includes the City of Pittsburgh, and outside of the county to the extent necessary for an integrated system.

The powers of the Authority under existing law include, among other things, the power to: (1) borrow money for costs of projects of the Authority; (2) issue negotiable, interest-bearing debt obligations in connection with any such borrowings; and (3) secure the payment of such obligations with a pledge of any or all of the revenues of the Authority. Under no circumstances, however, shall any debt obligations issued by the Authority be or become an indebtedness or obligation of the Commonwealth or any political subdivision thereof, including the County of Allegheny.

As shown in *Figure A*, Port Authority operates transportation facilities within a 775-square mile area serving a population base of approximately 1.4 million within the City of Pittsburgh, all of Allegheny County, and the surrounding counties of Beaver, Washington, and Westmoreland.

FIGURE A

Port Authority

SERVICE AREA



Port Authority uses the full power of the Second Class County Port Authority Act to provide a family of services to Allegheny County residents. Port Authority's family of services can be broken into three (3) general categories:

1. Service provided directly by Port Authority employees which includes fixed route bus service, the light rail system, and the Monongahela Incline. It is expected that nearly 66.5 million riders will be carried on these modes in FY 2010.
2. Contracted service that Port Authority provides through for-profit and non-profit carriers. These services include ACCESS shared-ride transportation, provided by 7 separate carriers, and the Duquesne Incline. Approximately 1.7 million passengers will use these ACCESS services in FY 2010 and approximately 446,000 will ride the Duquesne Incline.
3. Port Authority authorizes, under its regulatory powers, private carrier services, which includes fixed route service, (typically park-n-ride shuttles); paratransit service; group and party (including charter) service; and service to Greater Pittsburgh International Airport. Some 2.7 million riders are expected to be carried during the next year by these private carriers. This category of service requires no subsidy from Port Authority's operating budget.

Port Authority's family of services, excluding private carrier service, will carry a total of 68.6 million riders in FY 2010. *Table A* recaps the demographics of Port Authority riders based on the most recent rider survey. Port Authority directly operates a fleet of 876 larger buses, 83 light rail vehicles, 48 small transit vehicles, and the Monongahela Incline. Among its facilities, the Authority provides service via three exclusive busways (the 4.3-mile South Busway, the 9.2-mile Martin Luther King, Jr. East Busway and the 5.0-mile West Busway) and the "T", a 25-mile light rail system.

The Pittsburgh area has a strong history of transit use, and the ridership and scale of the Authority operations exceeds those of transit systems with service areas of

comparable size and population. The Port Authority continues to explore options for making travel within the Pittsburgh region easier. One example of this progressive attitude is the company's commitment to the North Shore Connector project that will expand light rail transit to some of the region's newest economic developments. Another example is the Connect '09 project that will review all aspects of Port Authority service and how it interacts with regions outside Allegheny County. Port Authority has recommitted its efforts to be a custodian of the resources received from the taxpaying public.

TABLE A

Port Authority of Allegheny County
PASSENGER PROFILE

A survey conducted in the summer of 2005 gives the following depiction of Port Authority riders:

Profile	Core	Non-Core
Aged 18-44	42.6%	21.7%
Aged 45-64	48.6%	42.3%
Aged 65 or older	6.3%	31.3%
Employed full-time	71.6%	39.8%
Retired	6.3%	34.7%
Income below \$50,000	34.5%	27.9%
Income above \$50,000	19.4%	32.0%
Have access to the internet	79.4%	71.5%
Do not own a vehicle	21.8%	9.6%

Core Users: 20 or more rides per month, Non-Core: 1 ride per year to 19 rides per month.

Organization

Structure

The Authority is a body corporate and politic organized under the provisions of the Enabling Act and exercises the public powers of the Commonwealth of Pennsylvania as an agency thereof. The governing body of the Authority is a Board composed of not more than nine members appointed by the Chief Executive of Allegheny County. Members are appointed for five (5)-year terms on a staggered basis. Effective January 1, 2000, the County's government structure changed from a three (3)-member Board of County Commissioners to a fifteen (15)-member elected County Council, an elected County Executive, and an appointed Professional Manager.

As shown in *Figure B*, the Port Authority Board provides overall direction to the Chief Executive Officer. The Port Authority Board maintains several standing committees which are presented and briefly described in *Figure C*.

To manage its many tasks, Port Authority's organizational structure has been improved and updated as its business needs have changed. Today, Port Authority is divided into six (6) divisions reporting to the Chief Executive Officer. These are: Office of the CEO, Transit Operations, Finance, Human Resources, Planning and Development, and Legal and Corporate Services. The Office of the CEO contains the budgets for the Board of Directors, Media Relations, and Grants and Government Relations. *Figure B* presents these key components of Port Authority's organizational structure.

FIGURE B
PORT AUTHORITY OF ALLEGHENY COUNTY
Organizational Structure
FY 2010 Operating Budget

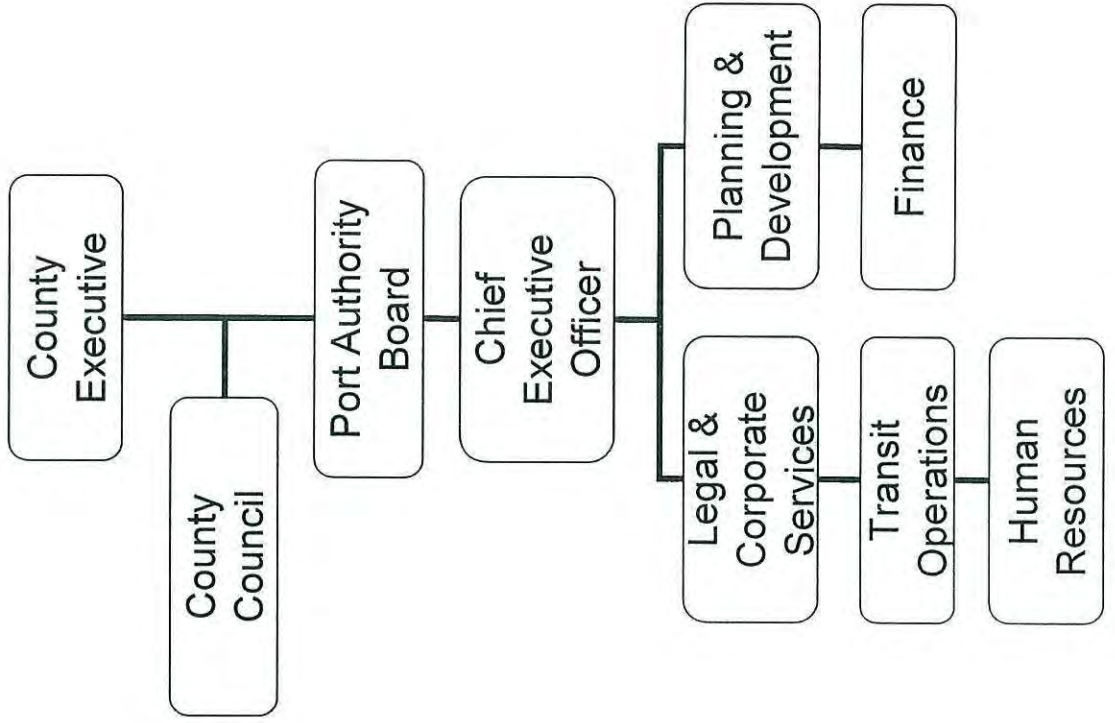


FIGURE C
Port Authority of Allegheny County
FY 2010 OPERATING BUDGET

**PORT AUTHORITY BOARD - STANDING
COMMITTEES**

- **Governance Committee** -

Responsible for the effective functioning of the Port Authority Board of Directors and for the maintenance and development of the Board-Chief Executive Officer working relationship.

- **Planning and Development Committee** -

Responsible for developing and leading the Board's participation in all Port Authority planning, including annual budget preparation, and for overseeing the development of the Authority's financial resources.

- **Performance Oversight and Monitoring Committee** –

Responsible for overseeing Port Authority's operational and financial performance and for updating operational policies and systems.

- **Stakeholder Relations Committee** –

Responsible for maintaining effective relationships with Port Authority's customers, the Allegheny County Chief Executive, the County Council, other stakeholders and constituencies, and the general public.

Personnel

The FY 2010 personnel budget contains 2,756 positions. The distribution of budgeted employees by division is as follows:

	<i><u>FY 2009</u></i>	<i><u>FY 2010</u></i>
	<i>Budget</i>	<i>Budget</i>
* Office of the Chief Executive Officer.....	1	7
* Transit Operations	2,418	2,420
* Finance	157	161
* Human Resources.....	32	32
* Legal & Corporate Services	83	75
* Planning & Service Development	<u>65</u>	<u>61</u>
Total Personnel.....	<u>2,756</u>	<u>2,756</u>

Financial and Budgetary Guidelines and Policies

The purpose of the financial and budgetary guidelines and policies at the Port Authority are to ensure and support sound fiscal management. Port Authority utilizes a company-wide, single enterprise fund for financial reporting purposes and adheres to an adopted balanced budget with revenues equaling expenses. This budget structure promotes financial efficiency and effectiveness. Port Authority's budget is prepared on a fiscal year basis. The fiscal year begins as of July 1 and ends on June 30. The following outlined guidelines apply to all Port Authority departments:

Basis of Budgeting

- **Balanced Budget** – The Port Authority is required to adopt balanced Operating and Capital budgets each fiscal year. A balanced budget is defined as a budget where revenues are equal to expenses. It is a policy of the Port Authority that the balanced budgets are presented to the Port Authority Board of Directors to be adopted at the June board meeting, prior to the start of the fiscal year on July 1st. The FY 2010 Operating and Capital balanced budgets that were adopted by the Board of Directors in June 2009 include the following: Operating - \$362,897,000 and Capital - \$155,175,000.
- **Basis of Accounting** - Because Port Authority is a governmental entity, the basis of accounting conforms to the Governmental Accounting Standards Board (GASB) Statement No. 11. The accrual basis of accounting is used in measuring financial position and operating results. Revenues are recognized in the accounting period in which they become available and

expenditures are recognized in the accounting period in which the liability is incurred. The budget is prepared on the same basis of accounting as the financial statements, except that depreciation is not budgeted. All transactions are accounted for in a single enterprise fund that combines both operating budget and capital budget activities into a consolidated financial statement.

- **Revenue Policies** – Port Authority has both Operating and Non-operating Revenues. Operating revenues consist of those revenues that result from the ongoing principal operations of the company and consist primarily of user charges. The Port Authority establishes and maintains fare rates that will result in a revenue stream tied to the operating expenses of the organization. Non-operating revenues consist of those that are related to grants received and other financing and investing types of activities. All revenues are recorded when earned.
- **Budget Controls** – Budgetary controls are established at various levels to have effective control over expenditures within the Port Authority. The budget is prepared by a financial analysis on both current and historical information. This analysis is used to project both revenues and expenses at the departmental level. Each fiscal year the Operating and Capital budgets go through many levels of review prior to final board adoption. This budget approval process provides control over expenditures and ensures that the budget reflects the strategies and goals that are adopted by the Port Authority Board of Directors. Other controls include the majority of

disbursements being made through purchase orders, the preparation of monthly and quarterly variance reports, and the ability for division managers to electronically access their budget performance. These division managers are accountable for over/under expenditures.

- **Fund Balances** - Port Authority currently utilizes a single enterprise fund for operating purposes. The General Fund is specifically established for the appropriation of revenues and expenses associated with transit operations. Port Authority does not utilize fund accounting in the traditional sense. Consequently, Port Authority reports total equity rather than fund balance. As shown in Table B, there are no materially significant changes expected.

TABLE B
Port Authority of Allegheny County
STATEMENT OF CHANGES IN EQUITY

	<u>FY2006</u> <u>ACTUAL</u>	<u>FY2007</u> <u>ACTUAL</u>	<u>FY2008</u> <u>ACTUAL</u>	<u>FY2009</u> <u>ACTUAL</u>	<u>FY2010</u> <u>BUDGET</u>
Contributed Capital Beginning Balance	\$1,153,409,335	\$1,130,131,993	\$1,087,970,519	\$1,101,278,454	\$1,127,924,645
Contributed Capital Additions	\$82,466,827	\$103,578,797	\$159,652,797	\$162,005,021	\$126,925,860
Depreciation on Assets Acquired with Grants	(\$93,888,504)	(\$99,705,515)	(\$102,187,238)	(\$103,631,137)	(\$99,853,098)
Net Revenues Over Expenses	(\$11,855,665)	(\$46,034,756)	(\$44,157,624)	(\$31,727,693)	(\$31,876,799)
Total Equity	\$1,130,131,993	\$1,087,970,519	\$1,101,278,454	\$1,127,924,645	\$1,123,120,608

Debt Service

For FY 2010, \$36.7 million has been allocated to the Port Authority Debt Service Program. There are two major projects within this program, with the first being the Master Financing Agreement. In FY 2003, the Authority entered into an agreement with Koch Financial Corporation whereby they would draw down term bonds to purchase buses. The debt is secured by an equity interest in the purchase of each bus. A total of 400 buses have been secured by this agreement, resulting in two semi-annual payments of \$8,451,235. The debt is slated to be paid in full as of the close of FY 2017.

The second Debt Service program is the Series 2001 Senior Bonds. On November 4, 1999, the Authority issued \$225,000,000 of Special Revenue Transportation Bonds Series 1999. The proceeds of the bond sale were primarily used to fund capital additions (East Busway Extension) and improvements to the Authority's Stage II Light Rail System. On March 2, 2001 the Authority refinanced the 1991 Bonds and issued \$250,695,000 of Special Revenue Transportation Bonds Series 2001. About \$240 million of these proceeds were used to advance refund of the 1999 bonds. The FY 2010 budget includes two payments totaling \$19,750,831 towards this debt. The following graphs and tables provide descriptions and details to the above debt service programs:

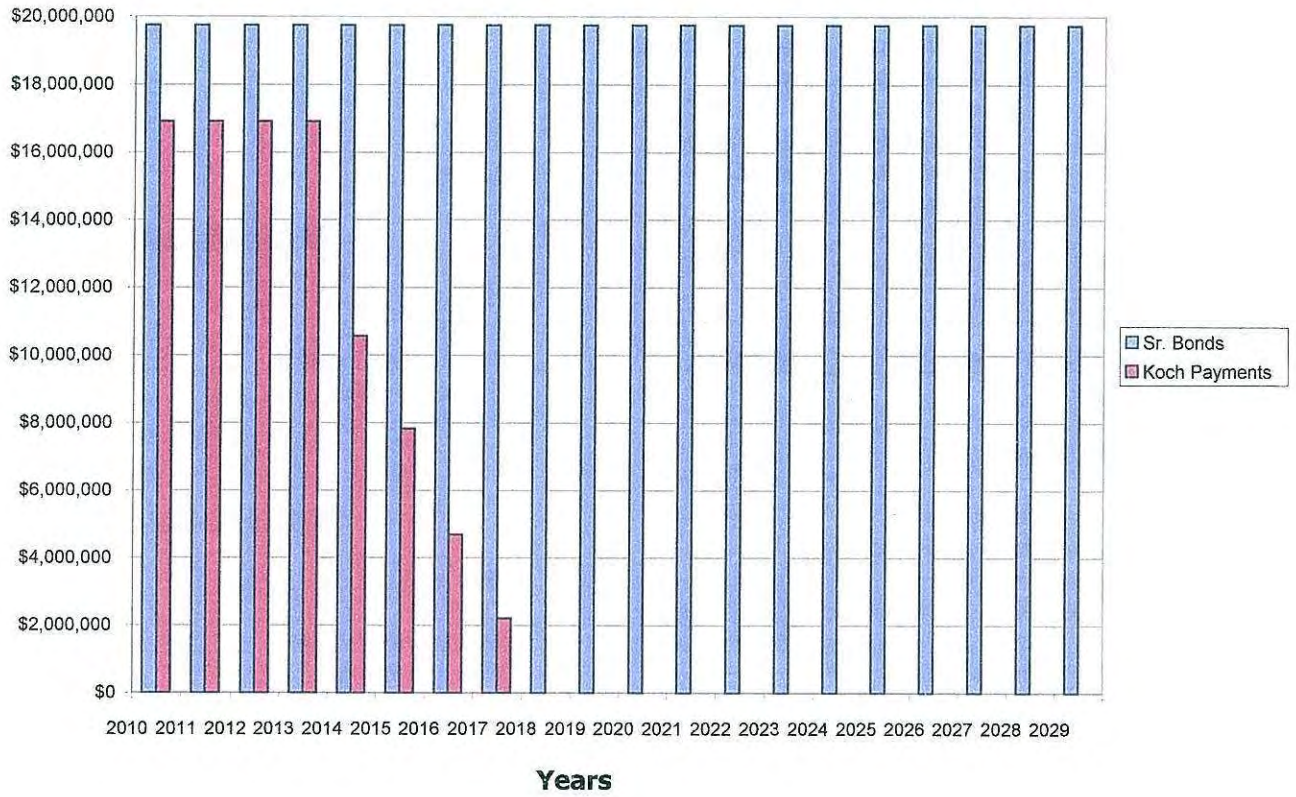
Port Authority of Allegheny County

Annual Debt Service Payments/Requirements

Fiscal Year Ending June 30th	Sr. Bond Payments	Koch Payments	Total Debt Service Requirements
2010	19,750,831	16,902,472	36,653,303
2011	19,749,706	16,902,469	36,652,175
2012	19,748,356	16,902,469	36,650,825
2013	19,750,237	16,902,469	36,652,706
2014	19,748,512	10,557,729	30,306,241
2015	19,746,487	7,821,216	27,567,703
2016	19,752,787	4,690,570	24,443,357
2017	19,750,487	2,200,846	21,951,333
2018	19,753,487	0	19,753,487
2019	19,749,737	0	19,749,737
2020	19,748,737	0	19,748,737
2021	19,753,750	0	19,753,750
2022	19,752,000	0	19,752,000
2023	19,748,500	0	19,748,500
2024	19,746,750	0	19,746,750
2025	19,750,000	0	19,750,000
2026	19,746,250	0	19,746,250
2027	19,749,000	0	19,749,000
2028	19,751,000	0	19,751,000
2029	19,745,250	0	19,745,250
	\$394,991,864	\$92,880,240	\$487,872,104

Annual Debt Service Payments

Amount of Payments



**GENERAL INFORMATION AND STATISTICS ABOUT PORT AUTHORITY
(All Statistics are Fiscal Year 2009 unless noted otherwise)**

Date Port Authority

began transit operations: March 1, 1964

Service Area: Allegheny County, plus minor portions of Armstrong, Beaver, Washington, and Westmoreland Counties

Headquarters: Port Authority of Allegheny County
345 Sixth Avenue – Third Floor
Pittsburgh, PA 15222-2527

SCHEDULED VEHICLES

(as of June 30, 2009)

	<u>Weekdays</u>	
	<u>AM Peak</u>	<u>PM Peak</u>
	<u>Period</u>	<u>Period</u>
Bus	666	711
LRV's	50	51

VEHICLE MILES OPERATED

Bus:	31,005,729
Light Rail:	1,304,461
Monongahela Incline:	17,956
Duquesne Incline:	20,792
ACCESS:	10,932,325

MODES OF TRANSPORTATION PROVIDED

Bus

Light Rail Transit

Inclines

Monongahela Incline

(operated by Port Authority)

Duquesne Incline

(operated by a non-profit society: Society for the Preservation of Duquesne Heights Incline.)

ACCESS Paratransit System

(operated by seven for-profit and non-profit carriers from 11 distinct facilities under management of ATC/Veolia, d.b.a. ACCESS Transportation Systems, Inc.)

VEHICLE HOURS OPERATED

Bus:	2,052,394
Light Rail:	95,852
Monongahela Incline:	7,683
Duquesne Incline:	5,776
ACCESS:	704,875

AVERAGE SPEEDS

Bus:	15.1
Light Rail:	13.6
Monongahela Incline:	2.3
Duquesne Incline:	3.6
ACCESS:	15.5

REVENUE VEHICLES

(as of June 30, 2009)

Buses:	876
Light Rail Vehicles:	83
Monongahela Incline Cars:	2
Duquesne Incline Cars:	2
Small Transit Vehicles	48
ACCESS Vehicles:	410

All the above except Small Transit Vehicles and ACCESS Vehicles are owned by Port Authority.

PASSENGERS CARRIED

Bus:	58,485,434
Light Rail:	6,116,738
Monongahela Incline:	718,894
Duquesne Incline:	446,393
ACCESS:	1,699,537

Total Passengers Carried:..... 67,466,996

Total Fixed-Route

Senior Citizen Passengers Carried: 6,147,990

AVERAGE DAILY PASSENGERS
(including ACCESS)
(as of June 30, 2009)

Average Weekday Passengers 232,007
 Average Saturday Passengers 105,805
 Average Sunday/Holiday Passengers: 61,414

EMPLOYEES
(as of June 30, 2009)

Total Active Employees: 2,706
 ATU Local 85 Employees: 2,342
 IBEW Local Employees: 74
 Not Represented by a Union: 239
 Transit Police Association: 51

FINANCIAL INFORMATION
(as of June 30, 2009)

Revenues:
 Passenger Revenue: \$78,257,989
 Senior Citizen & ACCESS: \$12,591,297
 Other: \$2,446,090
 TOTAL: \$93,295,376

Operating Assistance:
 State Government: \$173,295,990
 Allegheny County: \$27,668,700
 TOTAL: \$200,964,690

Total Revenues & Operating Assistance: \$294,260,066
 Total Operating Expenses: \$330,161,047
 Revenue/Cost Ratio: 12.2%

GENERAL INFORMATION

No. of Timetables Printed: 2,909,000
 Transit Stops: 16,320
 Transit Shelters & Stations: 306
 Park & Ride Lots (14,719 Parking Spaces): 63
 Diesel Fuel Consumed: (Gallons) 8,000,652
 Electricity Consumed: (Kilowatt Hours) 32,104,035

FIXED GUIDEWAY FACILITIES

LIGHT RAIL TRANSIT

Opening Dates: Downtown Subway 7/3/85
 Stage I: 5/22/87
 Stage II: 6/2/04
 Length: (with the re-opening of Arlington Avenue on 5/16/93) 25.2 miles

MARTIN LUTHER KING, JR. EAST BUSWAY

Opening Date 2/19/83
 Length: (with the opening of Phase I Martin Luther King, Jr. EBE on 6/15/03) 9.1 miles

SOUTH BUSWAY

Opening Date: 12/18/77
 Length: 4.3 miles

WEST BUSWAY

Opening Date: 9/10/00
 Length: 5.0 miles

MONONGAHELA INCLINE

Year Constructed: 1870
 Length: 630 feet

DUQUESNE INCLINE

Year Constructed: 1877
 Length: 800 feet

CONTRAFLOW BUS LANES

Total Length of Contraflow Bus Lanes: 3.7 miles

HIGH OCCUPANCY VEHICLE (HOV) LANES

(Operated by Pennsylvania Department of Transportation)
 Total Length of HOV facilities (mainline & ramps) 6.9 miles
 Mainline: 5.3 miles

WABASH HOV FACILITY

Year Constructed: 12/27/04
 Length: 1.1 mile

PORT AUTHORITY OPERATING FACILITIES

<u>Division</u>	<u>No. of Vehicles</u> <u>(as of June 30, 2009)</u>	<u>Opening Date</u>
Ross	170	03/31/68
Collier	162	06/30/69
West Mifflin	199	11/23/69
Harmar	166	11/13/70
East Liberty	186	07/09/72
South Hills Rail Center	83	04/15/84
		(dedicated) 05/06/84

Service Standards

Port Authority establishes a series of service standards and performance evaluations that serve as operational goals for the organization. These measurements pertain to staffing ratios, productivity measures and fiscal indicators. Figures D through F provide a sample of the performance measures utilized by Port Authority.

Figure D indicates that the average number of bus revenue miles between major mechanical system failures decreased from 8,679 miles in FY 2008 to 6,638 miles in FY 2009. The number of rail revenue miles between major system breakdowns decreased from 9,804 miles in FY 2008 to 7,051 miles in FY 2009.

Figure E indicates that Port Authority's on time performance for peak and non peak periods increased slightly from FY 2008 levels. It is Port Authority's goal to maintain a minimum of 90% on time service delivery for FY 2010.

Figure F indicates that indicates Port Authority's number of operating employees per administrative employees decreased from FY 2008 to FY 2009. The FY 2010 Target for Operating Employees per Administrative Employee is 8 to 1. The number of buses per mechanic decreased slightly in FY 2009 over FY 2008 levels and the number of rail vehicles per mechanic remained the same during the same time frame.

FIGURE D
Port Authority of Allegheny County
Operations Performance Measures - Miles between Road Calls
Service Standards
FY 2008, FY 2009 YTD, FY 2010 Target

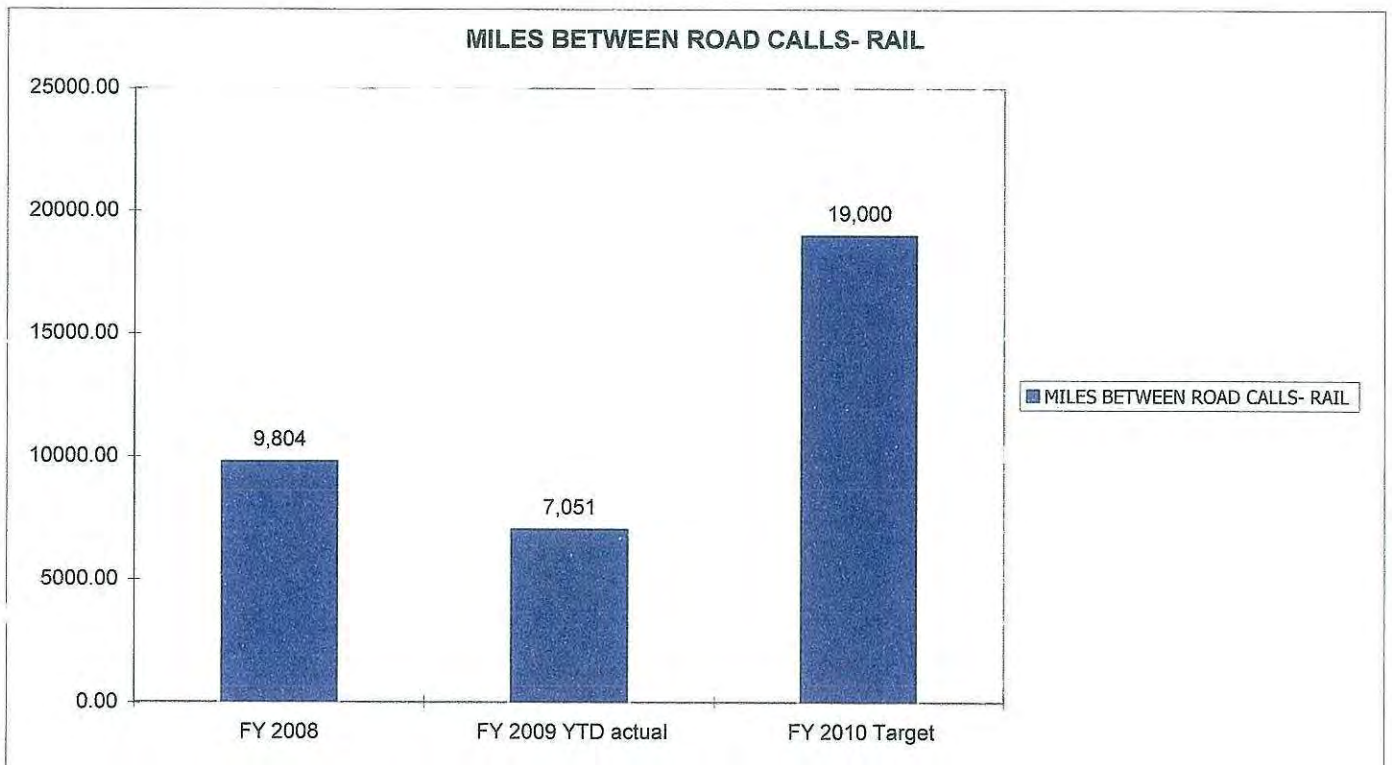
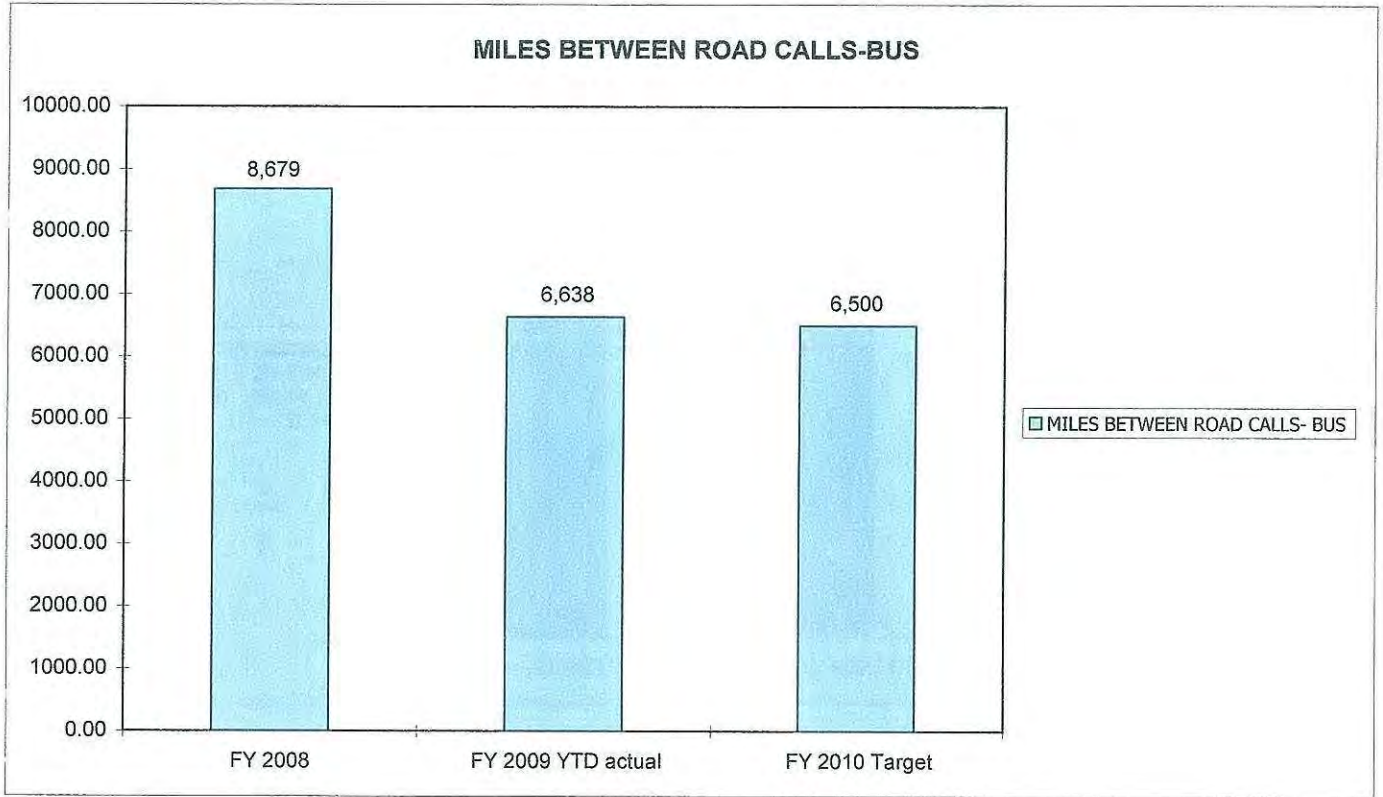


FIGURE E
Port Authority of Allegheny County
Operations Performance Measures - On time Performance
Service Standards
FY 2008, FY 2009 YTD, FY 2010 Target

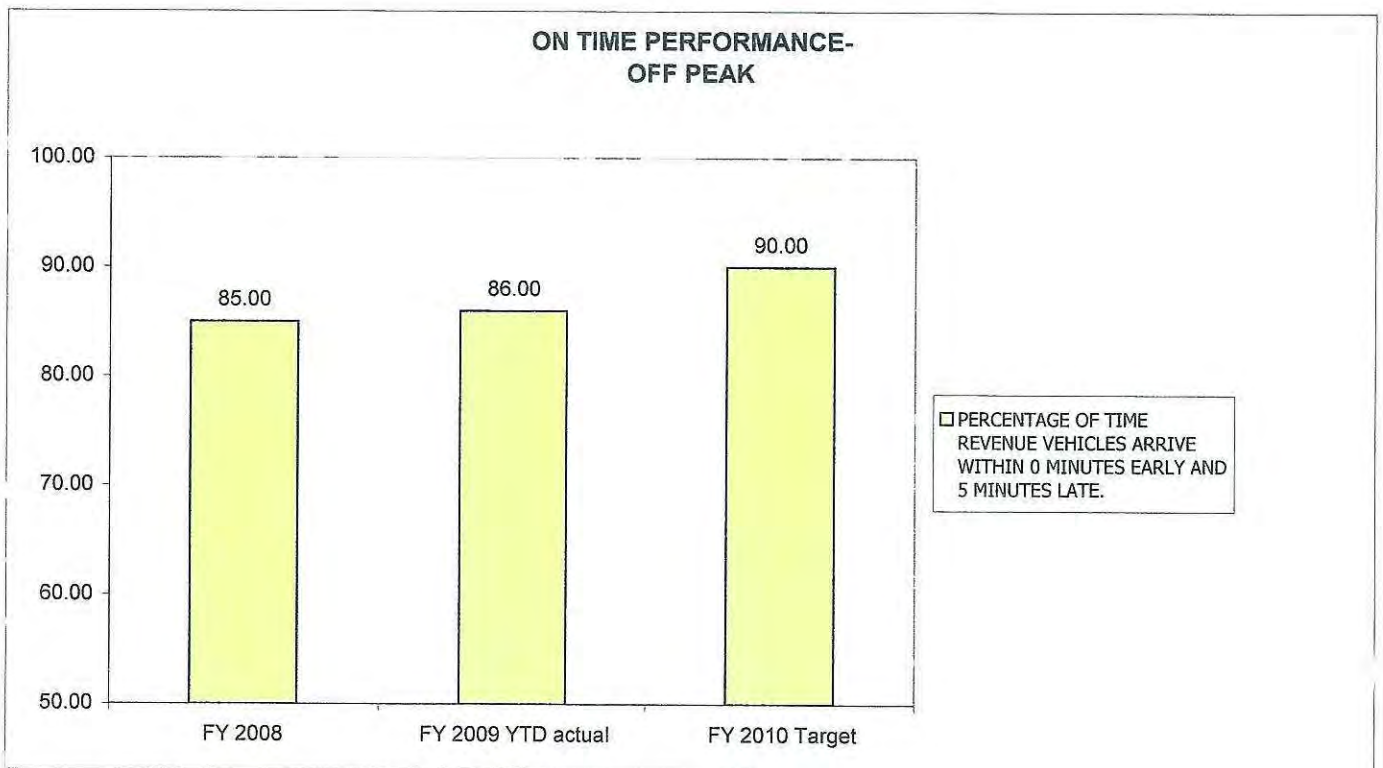
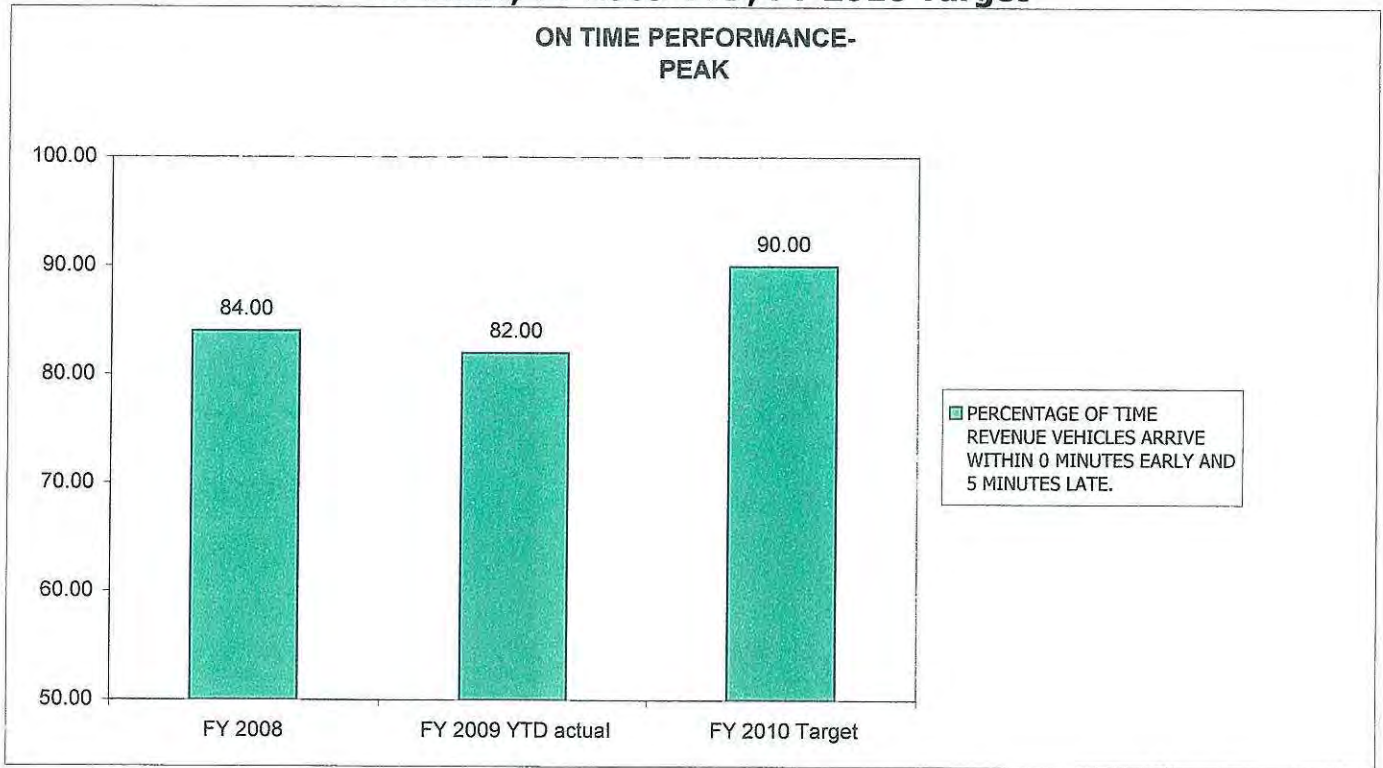
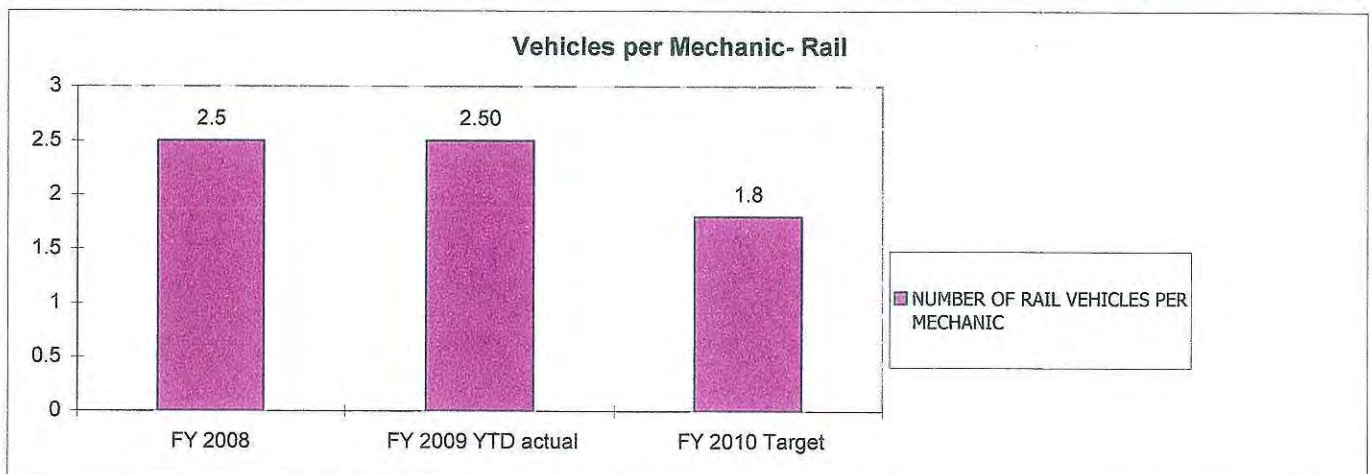
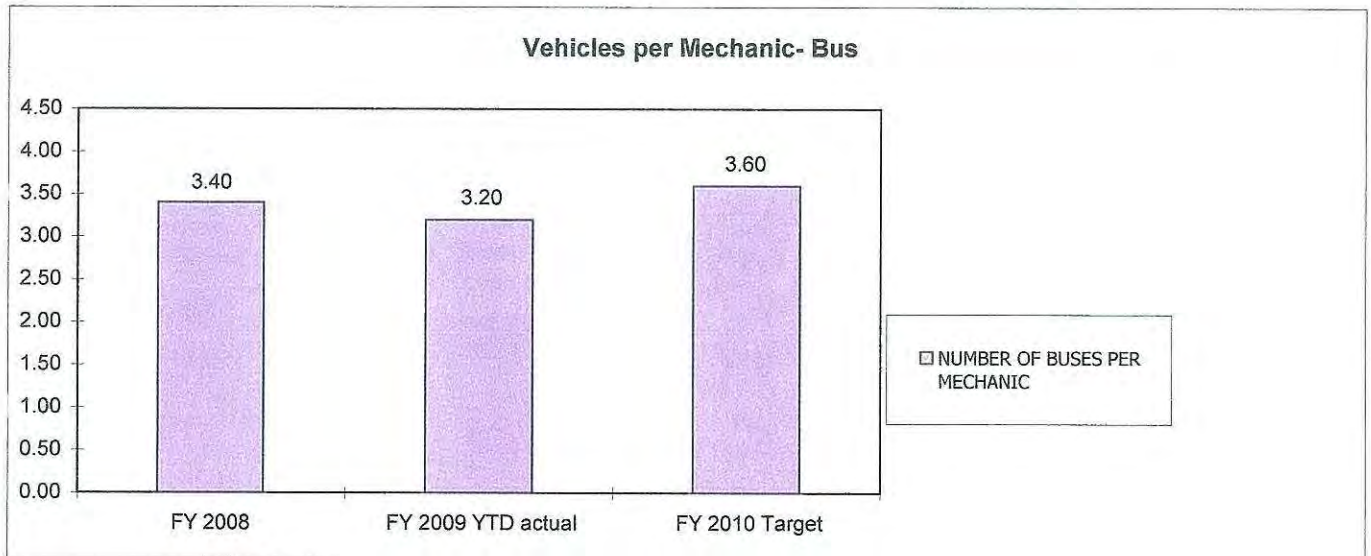
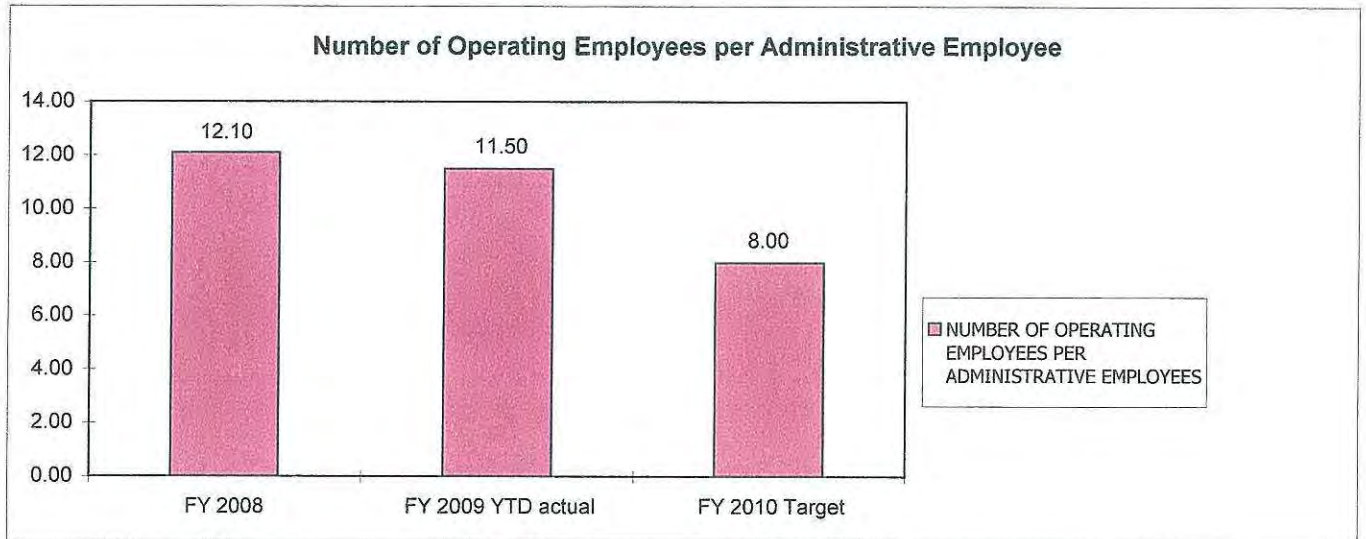


FIGURE F
Port Authority of Allegheny County
Operations Performance Measures - Staffing Ratios
Service Standards
FY 2008, FY 2009 YTD, FY 2010 Target





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 Port Authority's annual operating budget, along with the performance against it, is the most visible element of fiscal responsibility. This fiscal responsibility is necessary to assure the long term success of the Port Authority and stable service for customers and the region. The FY 2010 budget development process differed from previous years in that the Port Authority engaged the Board of Directors and the public much earlier in the budget planning process.

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 2010 Budget was constructed with no increase in base fare. The base fare remained unchanged at \$2.00; however, the FY 2010 budget included a January 2010 fare increase for the zone 2 cash fare and some prepaid fare instruments. Contract service agreements with the areas two largest universities were budgeted to earn \$6.3 million in total. ACCESS Shared Ride revenues were forecasted to decrease slightly from FY 2009 unaudited levels. Interest income was forecasted to fall slightly from FY 2009 unaudited levels due to unfavorable rates of return and lower cash balances and advertising income was forecasted to increase.

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 address 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 remain unchanged in FY 2010 and since County Operating Assistance is based on 15% of State operating funding, it too is projected to remain unchanged for FY 2010. Port Authority expects to receive \$184.5 million in state Operating Assistance for FY 2010 and is using \$8.8 million in prior year State Operating Assistance for the FY 2010 Operating Budget.

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 decrease by \$912,000 below FY 2009 levels.

The sources of uncertainty in assembling the FY 2010 budget evolved from the following factors related to expenses. Port Authority's employees participate in a defined benefit retirement program where both the company and the employee make contributions to pension trust funds. Under such a program, the company is responsible for making payments if actual investment returns do not keep pace with actuarially projected returns. The recent market downturn has almost doubled Port Authority's pension expense from \$13.8 million in FY 2009 to \$26.6 million in FY 2010. In addition to the increase in pension expense, Port Authority is expecting increases in medical, dental, and vision premiums in FY 2010 as well.

Port Authority began its budget preparation cycle with a projected \$13.4 million deficit for FY 2010. The projected deficit resulted from the lack of an increase in State and County Operating Assistance from the FY 2009 levels, the assumption of no

capital funds used for preventive maintenance in the operating budget, and projected increases in pension and healthcare expense.

The Chief Financial Officer and members of the Financial Planning & Budgets department held multiple meetings with both senior staff and departmental managers to assess the budgetary needs for the upcoming fiscal year, analyzed spending from prior years, and discussed ways to bridge the preliminary FY 2010 Operating Budget deficit. The significant issues in the FY 2010 projection were brought to the Board of Directors through a workshop designed to discuss the issues and possible considerations to balance the FY 2010 Operating Budget. It was stressed to the Board and external stakeholders that the FY 2010 projected deficit was not an early view of the FY 2010 budget, but a simple projection based on FY 2009 with updated financial information and some assumptions. It was also noted that more work needed to be done and that input and recommendations from the Board and external stakeholders was critical to the balancing of the budget.

The same issues were brought to the Allegheny County Transit Council (ACTC) Executive Membership Committee and general membership, in order to solicit input on how to deal with the deficit. Alternatives discussed were as follows:

- The amount of capital funding that should be applied to the Operating Budget
- Potential application of carryover balances from previous fiscal years
- Potential fare increase
- Service modifications in line with system performance objectives

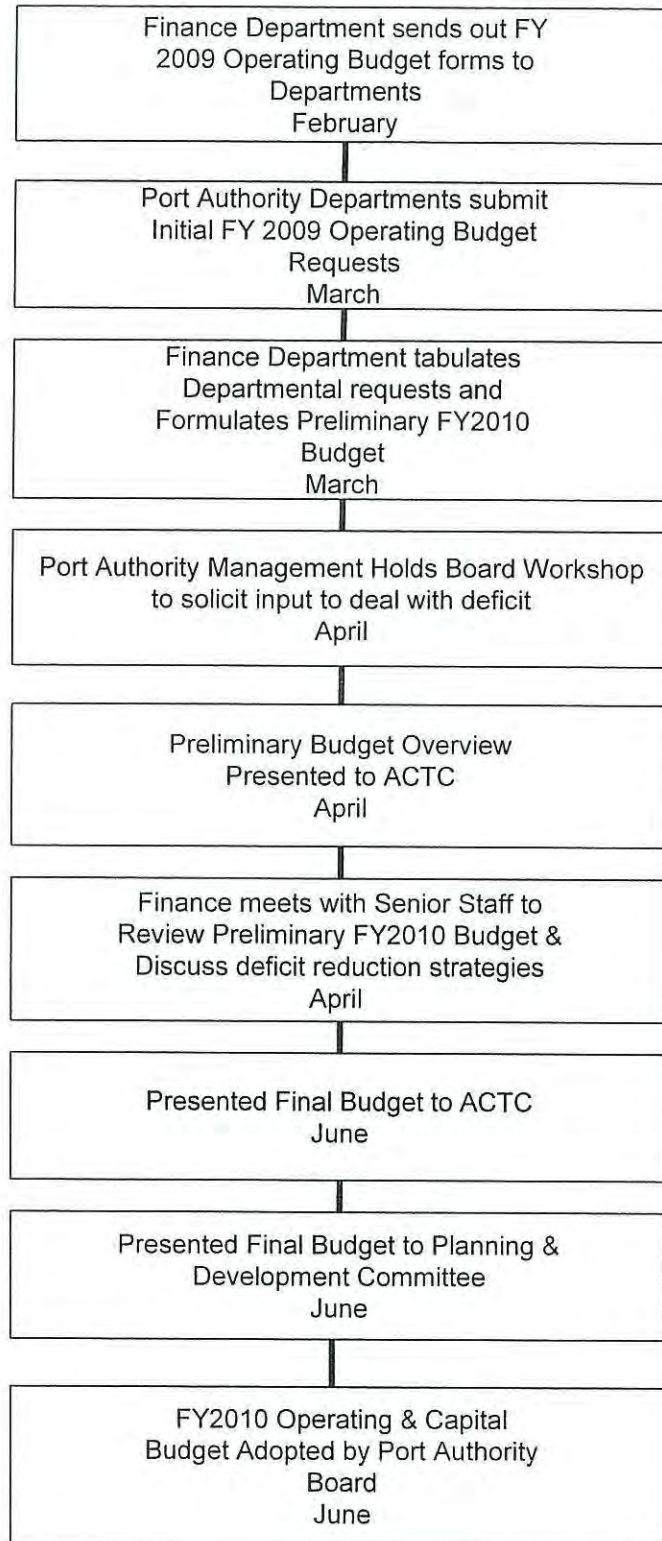
The Board of Directors and ACTC membership responded with recommendations on how to deal with the deficit. Some of these recommendations are as follows:

- Apply a portion of the Capital funding to the Operating Budget. This would leave some Capital dollars for vital infrastructure projects and not compromise the state of good repair,
- The application of \$8.8 million in carryover balances for use in the FY 2010 Operating Budget. This was considered for the short term pension expense increase and not for routine purposes, and
- The implementation of a January 2010 fare increase which is consistent with the Transit Funding Reform Commission recommendations.

Following the Board workshop and ACTC presentation, the Financial Planning and Budgets department continued to work with each division to review the FY 2010 Operating Budget requests. Reductions were made from the initial departmental requests based on historical expense patterns and internal cost-cutting measures and efficiencies were identified. The Financial Planning and Budgets department then prepared a draft of the FY 2010 Operating budget based on these reductions to initial requests and on Board and external stakeholder recommendations and presented the draft to senior management. This draft budget was then presented to the Planning and Development Committee and reviewed by ACTC. The Port Authority Board of Directors and external stakeholders drove the FY 2010 budgeting process from a strategic prospective and the balanced budget was formally adopted by the Board of Directors on June 26, 2009.

This entire budget process is presented in *Figure 1.1*.

Figure 1.1
Port Authority of Allegheny County
BUDGET DEVELOPMENT PROCESS
FY 2010 Operating Budget



Goals and Objectives

The development of the FY 2010 Operating and Capital budget for the Port Authority was based upon the vision and strategic plan of the company. The Board of Directors and the Chief Executive Officer (CEO) Steve Bland provided overall direction, along with input from the managers, employees, and other external stakeholders 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 2010. Additionally, Port Authority 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. A centerpiece of this initiative will be the introduction of new fare collection equipment on all buses and rail cars and the use of smart card technology not only at Port Authority, but also 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 2010:

- Balance the Operating Budget
- Provide Exceptional Customer Service
- Retain Current Service Levels
- Keep service affordable within the constraints of increasing costs for wages, healthcare, and pensions, as well as no growth in State and Local Operating Assistance
- Reduce the reliance on Capital funds to balance the Operating Budget in order to maintain Capital Assets in a State of Good Repair
- Continue the North Shore Connector Project
- Continue the Automated Fare Collection System Project

EXHIBIT 1.1

Port Authority of Allegheny County

**FY 2010 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

**FY 2010 OPERATING AND CAPITAL
IMPROVEMENT BUDGET**

OBJECTIVES

- Balance the Operating Budget
- Provide Exceptional Customer Service
- Retain Current Level of Service
- Keep service affordable within the constraints of increasing costs for wages, healthcare, and pensions, as well as no growth in state and Local Operating Assistance
- Reduce the reliance on Capital funds to balance the Operating Budget in order to maintain Capital Assets in a State of Good Repair
- Continue the Automated Fare Collection System Project
- Continue the North Shore Connector project

Budget Assumptions

In order to project expenses and revenues for FY 2010, 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, and (E) the capitalizations of expenses.

A. Fare and Service Levels

- * FY 2010 budgeted ridership is forecasted to fall slightly from FY 2009 levels, decreasing by approximately 292,000 riders or less than 1%. This reduction is due to the planned January 2010 fare increase.
- * Passenger revenues are projected to increase by \$2.7 million over FY 2009 revenue levels. Port Authority's decision to implement a fare increase in January 2010 will aid in this increase. The base fare will remain unchanged thus continuing to make Port Authority service an affordable alternative to private vehicle transportation. The ACCESS program revenues are projected to remain constant with FY 2009 levels. Revenues associated with contracted services with the University of Pittsburgh and Carnegie Mellon University are expected to increase by 15.0% over the FY 2009 levels. Port Authority renegotiated agreements with both institutions through FY 2012 for a 15% increase each contractual period, resulting in fares for students of these universities that are more in line with the fares paid by the general public.

B. Ridership

- * As presented in Table 1.1, overall ridership is expected to fall in FY 2010. The bus mode of transportation is projected to sustain a slight ridership loss with a reduction of 438,000 riders or 0.7%, the rail mode is estimated to sustain a ridership loss of 38,000 riders, and the incline mode also a decrease at 7,000 riders. This estimated decrease in ridership is due to the fare increase that will be implemented in January 2010. The ACCESS program is forecasting an increase in ridership levels in FY 2010 by 30,000 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 5.7 million rides to Pitt faculty, staff and students in FY 2009. Also in FY 2009, the agreement with Carnegie Mellon University generated 1.6 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 increased ridership with its new Transit Development Plan while keeping bus, rail, and incline service an affordable transportation alternative.

C. Operating Grants

Port Authority receives operating assistance from state and county governments. For the fiscal year ending June 30, 2010, these funds are budgeted at a total of \$212.1 million with combined State Operating Assistance of \$184.5 million and an Allegheny County share of \$27.7 million. In addition to the \$212.1 million in Operating Assistance

that the Port Authority expects to receive in FY 2010, \$8.8 million in previous year State Operating Assistance will be used in the current fiscal year. The following is a breakdown of each of the budgeted governmental operating subsidies for FY 2010:

1. State Operating Assistance - \$184.5 million

The level of State Operating Assistance remained relatively flat for FY 2010, as compared to the previous fiscal year. 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 \$900 million base fund, in which \$400 million in state funding is distributed to the state's transit companies. Act 44 contains a "hold harmless" provision that sets a minimum threshold of operating assistance funding for Port Authority.

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.

TABLE 1.1

Port Authority of Allegheny County

FY 2010 OPERATING BUDGET

RIDERSHIP TRENDS
(000's)

<u>Ridership Category:</u>	<u>FY 2006 Actual</u>	<u>FY 2007 Actual</u>	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
* Port Authority Fixed					
Route Ridership:					
Bus	59,956	60,311	57,733	58,485	58,047
Light Rail	7,511	7,116	7,142	7,327	7,289
Incline	<u>687</u>	<u>704</u>	<u>710</u>	<u>719</u>	<u>712</u>
Subtotal	66,154	68,131	65,585	66,531	66,048
* ACCESS	<u>1,761</u>	<u>1,708</u>	<u>1,694</u>	<u>1,672</u>	<u>1,702</u>
Total Annual Ridership	<u>69,915</u>	<u>69,839</u>	<u>67,279</u>	<u>68,203</u>	<u>67,750</u>

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 through FY 2009 and into FY 2010. 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.

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 2010. 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 2010. 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.

Based on the aforementioned assumptions of operating grants, dedicated funding, and capital funding, Port Authority set about developing the FY 2010 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 2010 budget process started with Port Authority being faced with a significant increase in pension fund expense, and the fact that the Operating Assistance from the Commonwealth of Pennsylvania and Allegheny County were projected to remain flat, which led to a preliminary deficit of \$13.4 million. As a result, the FY 2010 budget was balanced at \$362.9 million, but assumed approximately \$8.8 million in previous year State Operating Assistance.

Part of the FY 2010 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. At this stage in the development process, the FY 2010 budget was still showing a significant deficit. This deficit was brought to the attention of the Board of Directors and other external stakeholders in order to seek input on how to deal with the situation. Alternative considerations were provided and both the Board and ACTC gave recommendations. The Port Authority Board of Directors and external stakeholders drove the budgeting process from a strategic prospective.

All of the mentioned steps resulted in a concise plan for the allocation of Port Authority's operating resources for FY 2010. Following good management practices, and current legislative requirements of adopting a balanced budget, Port Authority projects expenses to equal projected revenues. Port Authority's projected FY 2010 Operating Budget totals \$362,897,000.

Table 1.2 presents a summary, net of capitalizations, of Port Authority's FY 2010 Operating Budget. The key revenue and expense highlights of the FY 2010 Budget are outlined in the pages that follow Table 1.2.

TABLE 1.2

Port Authority of Allegheny County

FY 2010 OPERATING BUDGET SUMMARY

FY 2007, FY 2008 ACTUALS, FY 2009 UNAUDITED, FY 2010 BUDGET

	<i>FY 2007 Actual</i>	<i>FY 2008 Actual</i>	<i>FY 2009 Unaudited</i>	<i>FY 2010 Budget</i>	<i>% Change FY 2010 Budget Over FY 2009 Unaudited</i>
<u>REVENUES</u>					
* Operating Revenue	\$94.7	\$88.7	\$93.3	\$96.4	3.4%
* Operating Grants	<u>91.2</u>	<u>210.5</u>	<u>200.9</u>	<u>221.0</u>	10.0%
Total Operating Revenues & Grants	\$185.9	\$299.2	\$294.2	\$317.4	7.9%
<u>EXPENSES</u>					
* Operating Expenses	\$323.7	\$328.1	\$330.2	\$362.9	9.9%
* Capitalizations	<u>144.8</u>	<u>41.2</u>	<u>46.4</u>	<u>45.5</u>	-2.0%
Total Net Operating Expenses	\$178.9	\$287.0	\$283.8	\$317.4	11.8%
NET REVENUE OVER EXPENSE	<u>\$ 0.7</u>	<u>\$ 12.2</u>	<u>\$ 10.4</u>	<u>\$ 0.0</u>	

A. Revenue Highlights

- Passenger Revenue is projected to increase by 3.7%. This is primarily due to a planned fare increase in January 2010. 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 15.0% over the FY 2009 forecast.
- ACCESS Reimbursement Revenue is expected to remain constant with the FY 2009 levels at \$12.6 million.
- State Operating Assistance is projected at \$184.5 million from the Commonwealth of Pennsylvania for FY 2010. In addition, the use of \$8.8 million from prior year State Operating Assistance will be used for the FY 2010 Operating Budget.
- County of Allegheny Matching Funds are projected at \$27.7 million for FY 2010. This is the same funding level as FY 2009.
- Investment Income includes income related to investments of cash reserves related to the operating budget. The projected amount of Investment Income for FY 2010 is \$0.3 million.

B. Expense Highlights

- Total Operating Expenses are projected to increase by 9.9% over FY 2009 unaudited operating expenses. This increase is primarily due to increases in the categories of employee benefits, materials & supplies, and purchased services.
- Wages and Salaries are expected to increase by \$4.8 million or 3.5% in FY 2010 above FY 2009 unaudited expenses. This increase can mainly be attributed to the wage and salary contractual increases built into the FY 2010 budget.
- Employee Benefit Expenses are expected to increase by 19.4% for FY 2010 above unaudited FY 2009 expense levels. This expense category is budgeted to increase primarily due to an increase in pension expense and a healthcare premium increase of between 6% to 7% for dental and vision plans beginning January 2010.
- 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 increase by \$1.2 million for FY 2010 over 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 rationality and accuracy of our employees' injuries and fitness for work. Purchased services for FY 2010 is budgeted to increase by 36.2% or \$2.4 million above FY 2009 levels, primarily due to an increase in costs associated with Work Done by Outside Contractors.

- Diesel Fuel is budgeted at \$17.1 million for FY 2010. This is considerably lower than FY 2009 based on the fact that Port Authority was able to lock in the price for diesel fuel well below the budgeted levels in FY 2009.
- Other Expenses are expected to increase by \$1.5 million or 45.1% in FY 2010. Higher FY 2010 budgets for Buildings and Grounds Rentals and Organizational Development contributed to this increase.
- Interest Expense has increased by \$1.0 million from the FY 2009 actuals. This increase is due to the possibility that Port Authority may have to borrow additional short-term funds for cashflow purposes in FY 2010.
- Capitalizations are budgeted to decrease in total by \$0.9 million or 2.0% below FY 2009 levels. This decrease is due primarily to a lower allocation to the Operating Budget for Preventive Maintenance Federal Funding, allowing more Capital dollars for maintenance of the Port Authority's capital assets. 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 an increase of \$0.6 million or 80.6% from FY 2009 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 for the vehicle overhaul program is provided by the state capital program which permits the capitalization of operating expenditures utilized for rebuilding buses and light rail vehicles. The total value of this program was \$2.5 million for FY 2009 and remains the same for FY 2010.
 - (4) 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 2010.

- (5) 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 2010 is \$15.0 million.

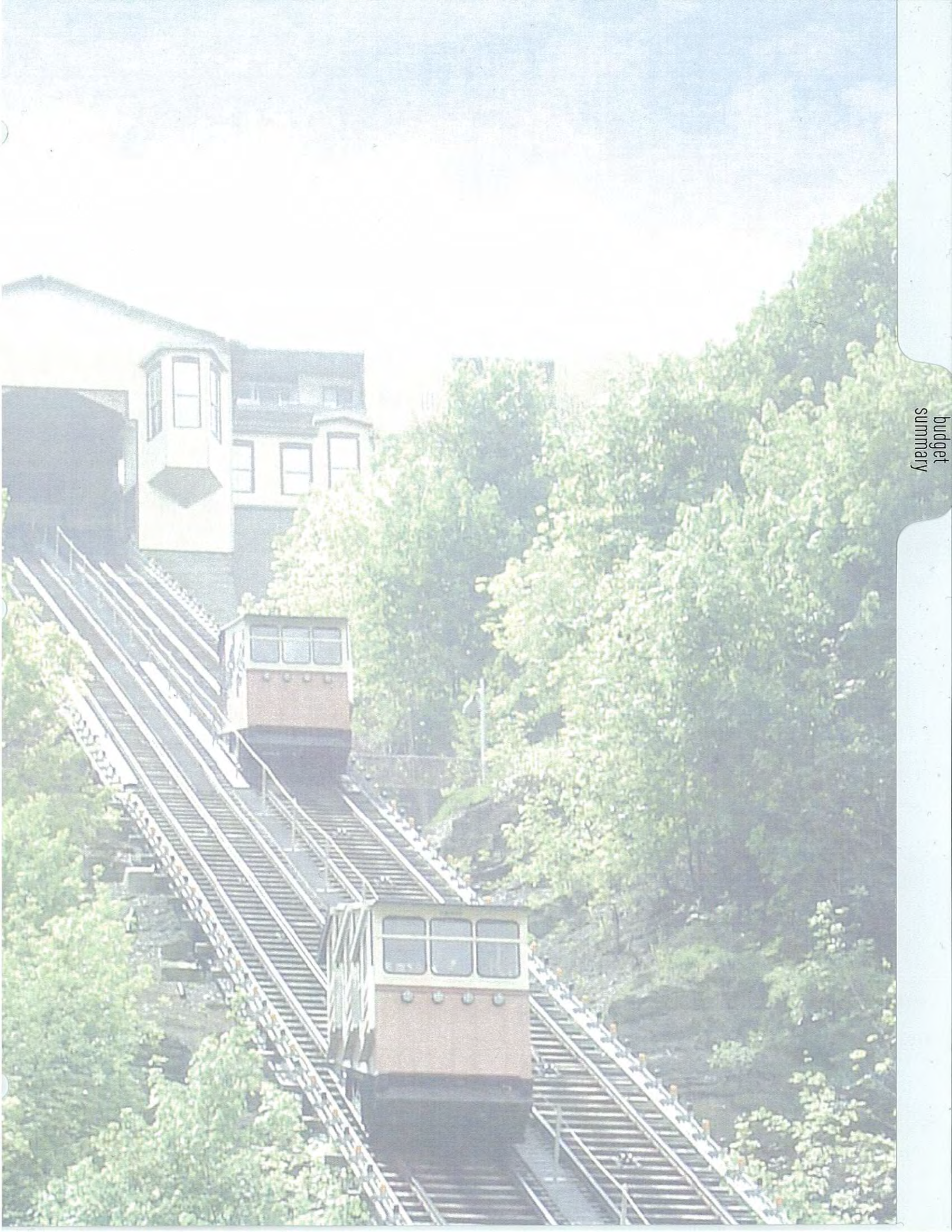
- (6) Preventive Maintenance: The Preventive Maintenance program utilizes Federal funds. The program was authorized in 1997 and permits the application of Section 5307 capital funds to offset eligible operating and maintenance expenses. The total amount of Preventive Maintenance funds budgeted in FY 2010 is \$7.05 million.

Summary

Fiscal year 2010 represents a period when the Port Authority must focus on controlling its operating costs while simultaneously ensuring a first rate experience for the rider. The organization continues to make concerted efforts to increase efficiency and to play a key role in providing a transportation alternative to the entire Pittsburgh region.

Port Authority is faced with a lack of increase in both State and County Operating Assistance for the FY 2010 Operating Budget. This, combined with the fact that the projected increase in expenses is 9.9% above FY 2009 unaudited levels, has created quite a challenge for the Port Authority. A January 2010 fare increase, the use of prior year State Operating Assistance, the ability to lock in the rates for diesel fuel, and internal cost-cutting measures are what led to a balanced Operating Budget for FY 2010.

Even with the challenges, Port Authority continues with a customer-focused plan directed at retaining existing customers and attracting new ones. The FY 2010 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 require Port Authority to operate within a balanced budget. The FY 2010 budget as presented balances revenues and expenses at \$362,897,000. Even with the balanced FY 2010 budget, Port Authority will diligently continue to explore all opportunities and programs that could potentially increase revenues and ridership, and better manage expenses. This, along with the fact that the foundation of Port Authority remains strong, will enable the organization to continue to offer reliable, affordable transportation for the citizens of Allegheny County.



Port Authority of Allegheny County

BUDGET SUMMARY

Budget Structure and Financial Reporting

The Port Authority uses the budget structure to promote financial efficiency and effectiveness and utilizes a company-wide, single enterprise fund for financial reporting purposes. As such, Port Authority's FY 2010 Budget is a balanced budget with anticipated revenues and expenses totaling \$362,897,000. In order to assure the long term success of the company and stable service for customers and the region, fiscal responsibility is the cornerstone of the Authority's governance. The annual Operating Budget and the company's performance against it are the most visible element of that fiscal responsibility.

Operating Revenue Sources

Port Authority receives revenues from several sources. These can be categorized as revenues derived from operations or those obtained from governmental grants.

The broad category of operating revenues is comprised of five (5) major elements. One element of operating revenue is passenger revenues collected from bus, light rail, incline operations, park and ride revenue, and contracted services. A second element of operating revenues is ACCESS reimbursements. Advertising revenue, interest income, and other miscellaneous sources of revenue comprise the remaining three (3) elements of operating revenues.

Passenger revenues are collected directly from patrons paying for trips either with cash or with the various prepaid pass and ticket fare instruments offered by Port

Authority. Additionally, \$6.3 million is projected in contract service revenue from agreements with the University of Pittsburgh and Carnegie Mellon University. Port Authority also receives revenues from the Commonwealth of Pennsylvania to fund portions of its ACCESS program. The ACCESS Program revenues received by Port Authority are provided by the Pennsylvania Lottery Fund.

Beginning in FY 2008, the Senior Citizen Program ceased to function as a stand-alone program. In prior years, the Senior Program was predominantly funded through the Pennsylvania Lottery Fund as depicted on Figure 2.1. The remaining funding for the Senior Citizen Program was provided from the Commonwealth's General Fund. The Commonwealth's General Fund contributed the difference between the Port Authority's average fare (Passenger Revenue divided by Originating Passengers) and its base fare of \$1.75. The Seniors Citizen Program funds are now combined with the State Operating Assistance Program. These funding sources provide free fares for senior citizens on Port Authority's fixed route services and reduced fares on Port Authority's ACCESS paratransit service.

Advertising revenue is comprised of funds from third party organizations that place advertisements on exterior and/or interior locations of the bus and rail fleet. Interest income is primarily earned through short-term investments of cash reserves. Other revenues derive from such areas as real estate rents, concession income and Medicare Part D reimbursements from the federal government.

Operating assistance grants are received from two (2) sources: the Commonwealth of Pennsylvania and Allegheny County. Port Authority also receives capital improvement assistance from these entities as matching funds for the federal grants used for major construction projects such as the light rail transit system, busway enhancements or purchases such as new buses.

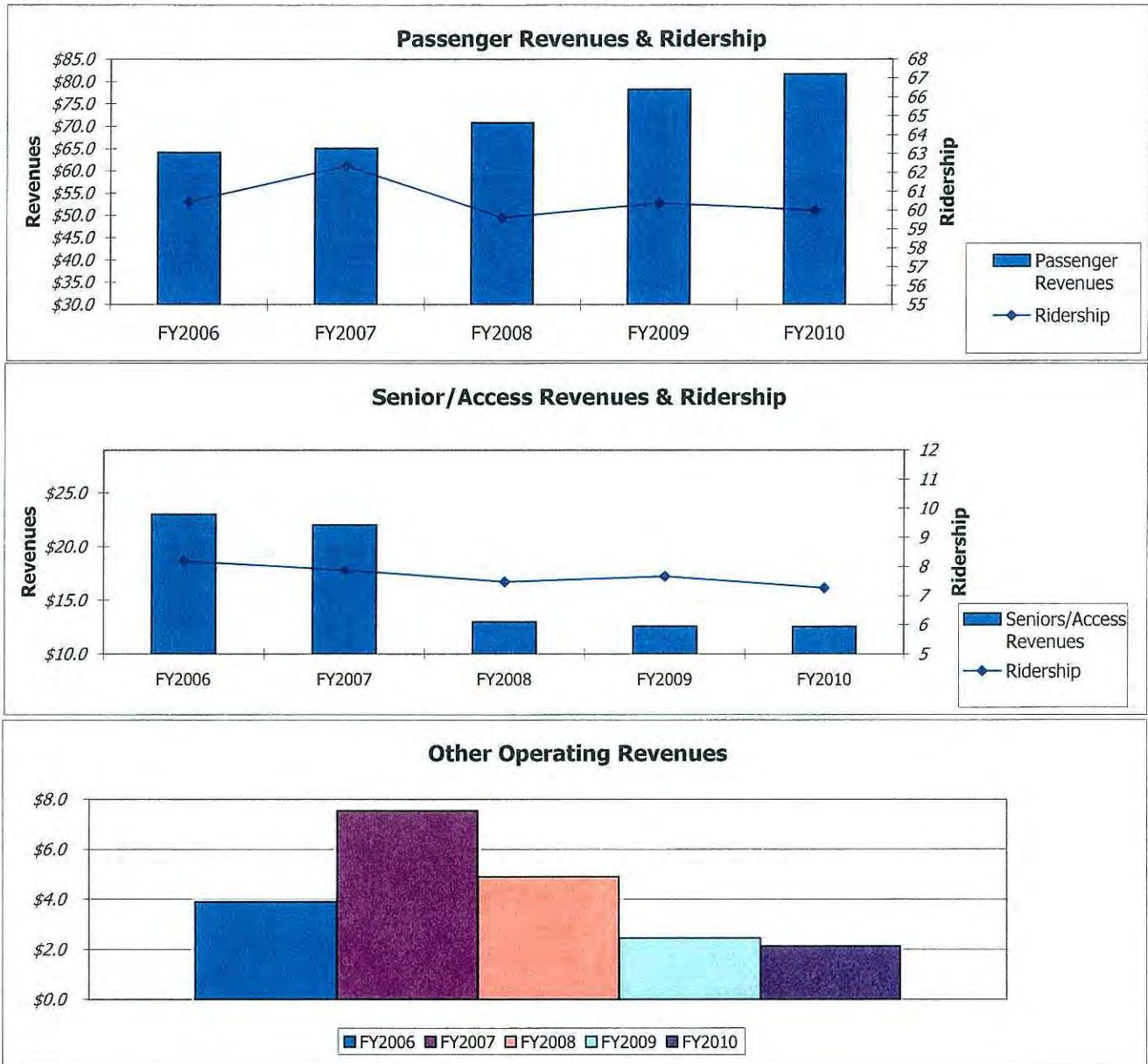
Public transportation in Pennsylvania is a subsidized service which relies on grant funding from state and local government to augment revenues collected from passenger fares. Operating assistance received from the Commonwealth of Pennsylvania and Allegheny County provides a significant amount of funding for daily operational needs. These sources of funds have grown in importance as Port Authority struggles to keep fares affordable at a time of increasing operating costs. The Commonwealth of Pennsylvania has historically been the most significant contributor to Port Authority's operations. State Operating Assistance makes up a majority of Port Authority's funding representing \$193.3 million of the \$362.9 million FY 2010 Budget. Port Authority expects to receive \$184.5 million in State Operating Assistance for FY 2010 and is using \$8.8 million in prior year State Operating Assistance for the FY 2010 Operating Budget. Port Authority has worked with State officials over the past decade to secure transit funding that is predictable and reliable. The passage of Act 44 by the Pennsylvania General Assembly marks the culmination of this work. Prior to FY 2007, operating assistance was distributed by the Pennsylvania Department of Transportation using a statewide formula that had set Port Authority's annual share of the state-approved mass transit assistance pool of funds at 25.3%. Beginning in FY 2008 and carried into FY 2009, Port Authority

was subject to a new funding formula that distributes the same amount each year in base allocation from the statewide pool of funds. The consolidation of State funding into the State Operating Assistance category was thought to have the potential for the Port Authority to access additional funding; however, the FY 2010 State contributions will equal but not increase over FY 2009 levels.

At the local level, funds provided to Port Authority are authorized by the Allegheny County Executive and ratified by the County Council. An annual appropriation is made to the Port Authority as part of the County's budget process. For FY 2004 through FY 2007, these funds were used to match the available state operating assistance grant which, under State Act 26 of 1991, fixed the local match ratio to \$1.00 of local contribution for each \$3.00 of state operating assistance, and \$1.00 of local match for every \$29.00 of state dedicated funding. Beginning in FY 2008, the local match requirement was set at 15% of the State Operating Assistance amount. This remains in effect for FY 2010. Port Authority's FY 2010 budget assumes that Allegheny County will fully match the FY 2010 State Operating Assistance. Together, state and matching local funds are an integral part of Port Authority's operating budget.

FIGURE 2.1
Port Authority of Allegheny County
OPERATING REVENUES

Millions



	<u>FY 2006 Actual</u>	<u>FY 2007 Actual</u>	<u>FY 2008 Actual</u>	<u>FY 2009 Unaudited</u>	<u>FY 2010 Budget</u>	<u>FY 2010 Inc/Dec</u>
Passenger	\$ 64.1	\$ 65.1	\$ 70.8	\$ 78.3	\$ 81.8	4.5%
Seniors/ACCESS	\$ 23.0	\$ 22.0	\$ 13.0	\$ 12.6	\$ 12.6	-0.2%
Other	\$ 3.9	\$ 7.5	\$ 4.9	\$ 2.4	\$ 2.1	-13.0%
Total	\$ 91.1	\$ 94.7	\$ 88.7	\$ 93.3	\$ 96.5	3.4%

Projected Revenue

A. Operating Revenue

The trend in operating revenue, which is comprised of passenger revenue, ACCESS reimbursements, advertising revenue, and other miscellaneous revenue sources, is presented in *Figure 2.1*. As illustrated, operating revenues are expected to increase by 3.4% above actual revenue levels from FY 2009.

1. Passenger Revenues

The Port Authority is aware that escalating energy prices present a unique opportunity to make a lasting impression on a new group of consumers who previously have not utilized public transportation. Port Authority continues to focus on untapped markets within the context of greater utilization of existing capacity while maintaining quality service. This strategy is exemplified by the continued investments Port Authority makes in its fleet and its systems. Fifty-five (55) new clean diesel buses which include twenty-five (25) 60' articulated, twenty-eight (28) 40' low floor vehicles and two (2) low floor hybrid vehicles are budgeted for purchase in FY 2010. In FY 2009, eighty (80) 40' low floor buses were delivered and incorporated into the existing fleet. In FY 2008, the Port Authority improved the rider experience by adding 16 additional rehabilitated LRV's. The remaining rehabilitated LRV's were incorporated into Port Authority's fleet in FY 2009. Twenty (20) hybrid buses are expected to be delivered in the early part of FY 2010.

In order to keep the fleet functioning properly while maintaining fiscal integrity, the FY 2010 capital budget includes the replacement of the existing Maintenance Work Order System. This will allow the Port Authority to track, manage, and optimize performance levels of all assets critical to business operations. In addition to generating additional revenues through enhanced capacity utilization, the Port Authority is aware that future demands for its services will only remain strong if its service remains affordable. The FY 2010 Budget includes a fare increase in January 2010, but does not raise the current base fare of \$2.00. FY 2010 will also include a new Automated Fare Collection System which will replace all fareboxes on the entire fleet with Smartcard enabled fareboxes, reducing fare avoidance and increasing passenger revenues. Finally, FY 2010 encompasses the initial implementation of the Connect 09 Transit Development Plan (TDP). Each of Port Authority's 187 routes have been reviewed for ridership, trip frequency

and scheduling. The implementation of this new TDP will start towards the end of FY 2010.

2. Senior/ACCESS Revenues

Prior to FY 2008, the Senior/ACCESS category represented two distinct programs. Port Authority was reimbursed by both the State Lottery Program and, to a lesser extent, the State General Fund for senior rides. Senior Revenues were \$10.1 million in FY 2007, but, beginning in FY 2008, Port Authority is no longer reimbursed separately for senior ridership on the fixed route system. Although Port Authority continues to report senior ridership to the Commonwealth, this revenue stream has been consolidated within Act 44 State Operating Assistance funding. Senior ridership is projected to decrease from 6.1 million to 6.0 million.

ACCESS revenues derive from contracted demand response services. ACCESS ridership is projected to increase from 1,699,537 riders in FY 2009 to 1,702,000 riders in FY 2010. In addition, ACCESS revenues are forecasted to decrease by 20,000 or 0.2% due to increases in projected expenses.

Port Authority's FY 2010 operating revenues were forecasted using the ridership assumptions previously stated (see *Table 1.1*) with slight adjustments for historical trends of actual receipts and increased revenues due to a planned January 2010 fare increase. Operating revenues are projected to total \$96.5 million for FY 2010. This is an increase of \$3,161,000 or 3.4% from FY 2009 actual levels. Passenger revenues generated by bus, LRV, incline operations and contracted services are expected to increase by \$3.5 million or 4.5%. Senior citizen and ACCESS reimbursements are budgeted to decrease by approximately \$21,000 with a 0.2% decrease from FY 2009 actual levels. The group entitled Other Revenues, which includes advertising, interest, and miscellaneous revenues, is expected to decrease from FY 2009 levels due to a forecasted \$109,000 decrease in interest income and a \$382,000 decrease in miscellaneous revenues. Interest income continues to be budgeted conservatively due to a lower rate of return on cash

balances. Advertising revenues were also budgeted lower, due to the expiration of a sizeable advertising agreement that was not renewed and the effects of the current economic downturn.

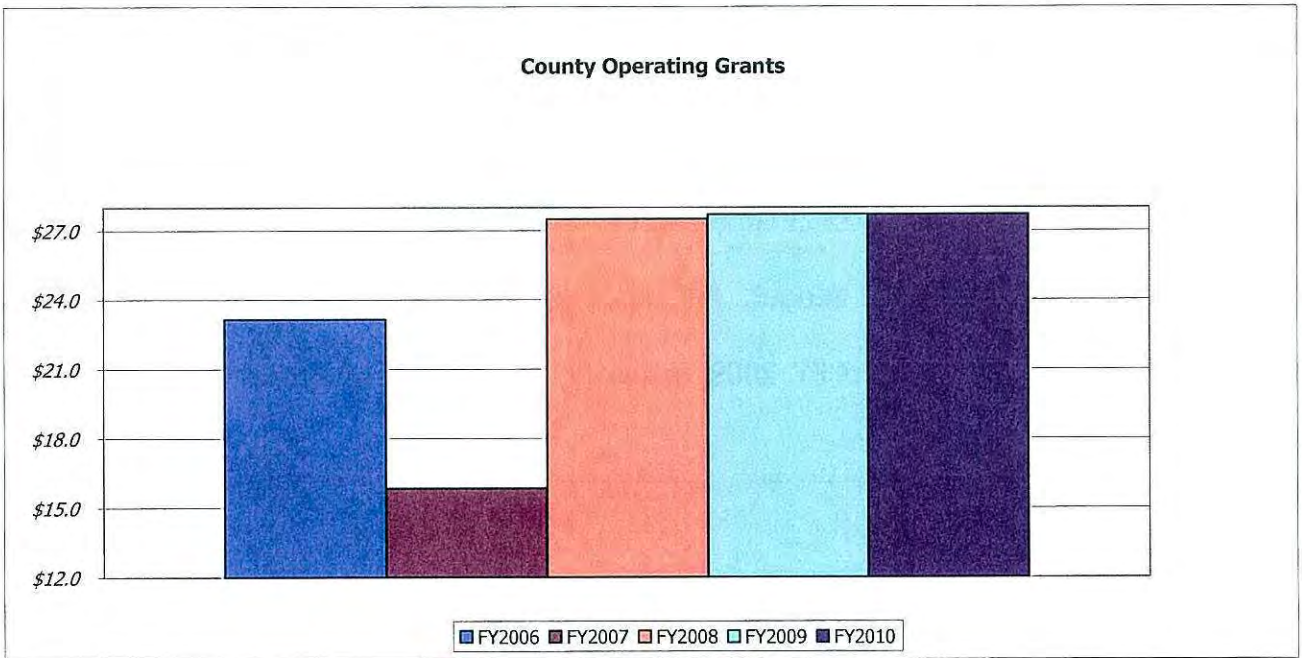
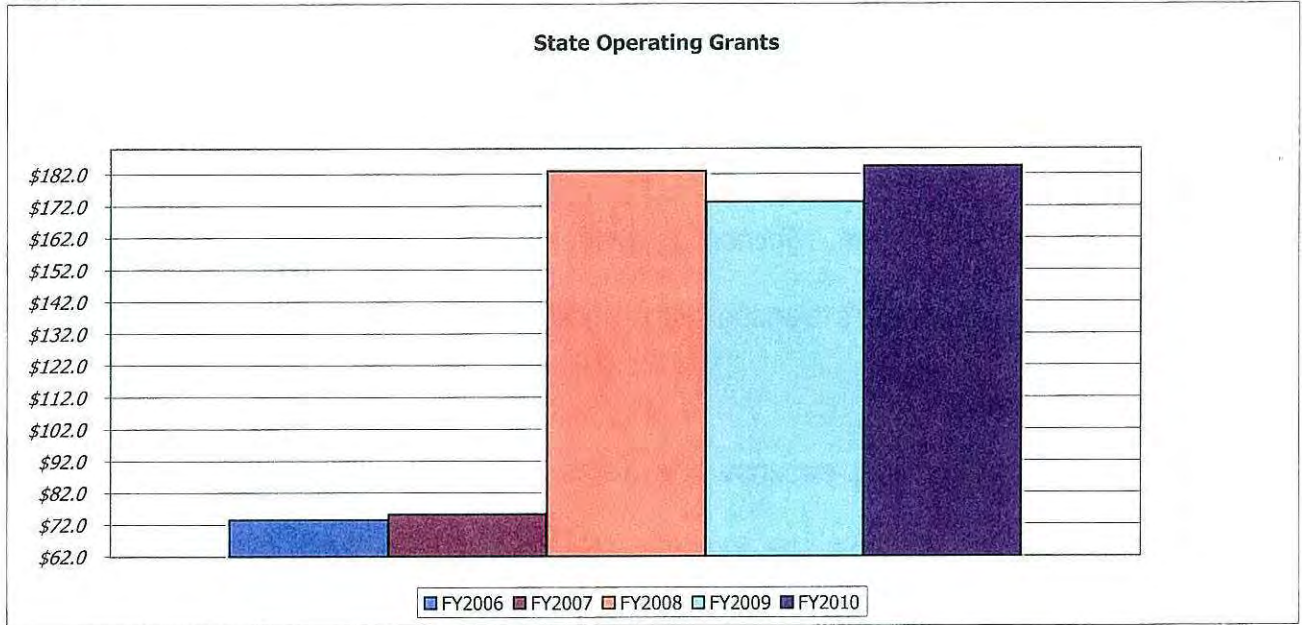
B. Operating Grants

Port Authority of Allegheny County receives operating assistance from two sources: the Commonwealth of Pennsylvania and Allegheny County. The FY 2010 Budget for State Operating Assistance is projected to remain unchanged from FY 2009 at \$184.5 million. *Figure 2.2* illustrates that \$173.3 million in State Operating Assistance was used for operating purposes in FY 2009; however, \$11.2 million of the \$184.5 million received was deferred to be utilized in future Operating Budgets. The Commonwealth's passage of Act 44 has created predictable, reliable funding. In addition, formerly individual State funding programs have been combined into the State Operating Grant category. This change has streamlined the funding process for Port Authority and led to reduced administrative burden.

The County Operating Assistance level has changed under Act 44. Prior to FY 2008, Allegheny County was mandated by legislation to pay \$1 in local match for every \$3 in operating assistance contributed by the Commonwealth. Beginning in FY 2008 and carried into FY 2009, Allegheny County was mandated to match 15% of the State Operating Grant amount. This remains the same for FY 2010. Port Authority is expecting to receive \$27.7 million in Operating Assistance from Allegheny County in FY 2010. This remains unchanged from FY 2009 funding levels.

FIGURE 2.2
Port Authority of Allegheny County
OPERATING GRANT REVENUES

Millions



	<u>FY 2006</u> Actual	<u>FY 2007</u> Actual	<u>FY 2008</u> Actual	<u>FY 2009</u> Unaudited	<u>FY 2010</u> Budget	<u>FY 2010</u> Inc/Dec
State	\$ 73.6	\$ 75.3	\$ 183.0	\$ 173.3	\$ 184.5	6.4%
Prior Year State					\$ 8.8	
County	\$ 23.2	\$ 15.9	\$ 27.5	\$ 27.7	\$ 27.7	0.0%
Total	\$ 96.7	\$ 91.2	\$ 210.5	\$ 201.0	\$ 221.0	9.9%

Operating Expense Analysis

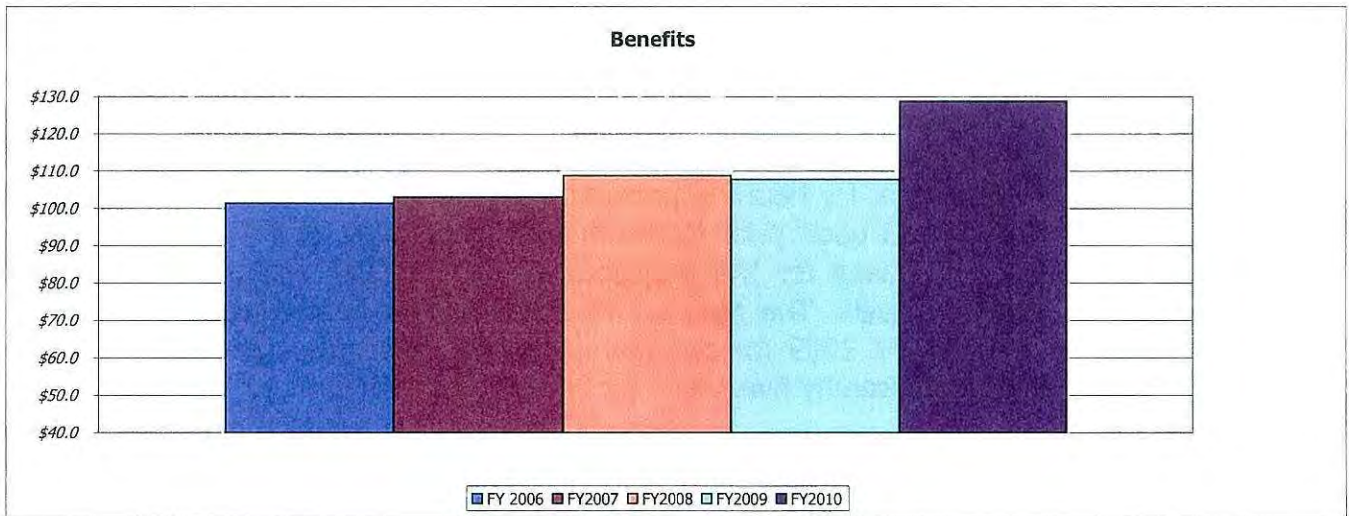
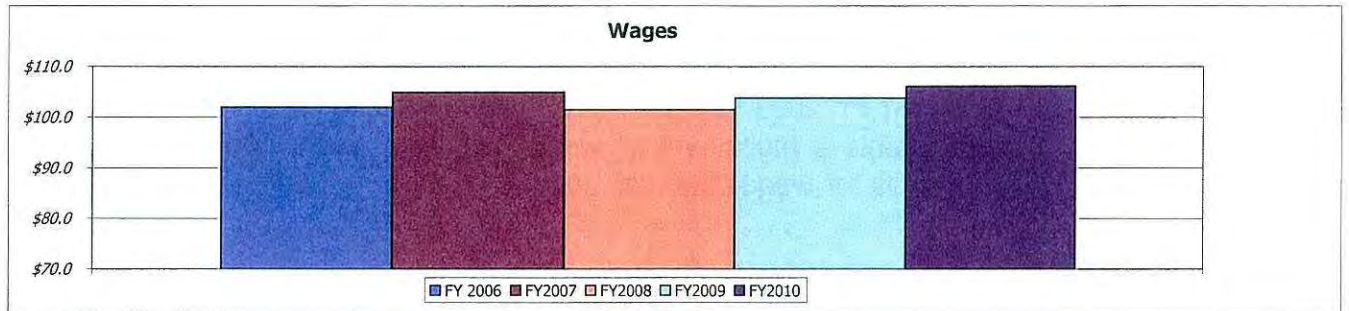
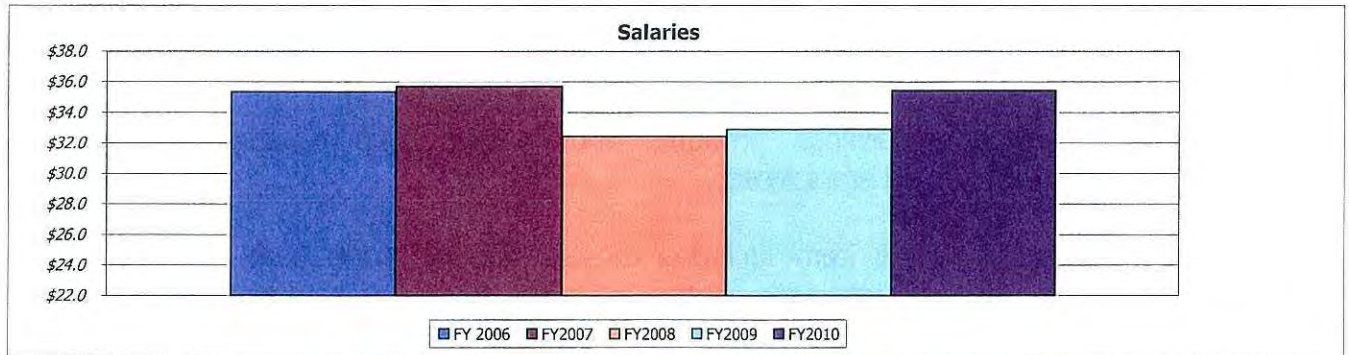
The expenses projected in the FY 2010 Operating Budget are presented at three (3) levels: total system, division/department, and modal. A discussion of the total system expenses is presented within this section. *Section 3* presents the operating expenses by both division and department. *Section 4* provides a breakdown of the FY 2010 operating expenses by Port Authority's transportation modes: buses, light rail, incline plane, and paratransit service.

The major operating expense line items in the FY 2010 Operating Budget are presented in *Exhibit A* within the Executive Summary. Following is an explanation of these expense items as compared to actual expenses for FY 2006 through FY 2010.

A. Salaries, Wages, and Benefits

Port Authority provides a service that is labor intensive. As such, salaries, wages and benefits comprise \$270.4 million, or approximately 75% of the \$362.9 million total FY 2010 Budget. Salaries, wages, and fringe benefits are projected to increase 10.6% from FY 2009 actual figures. These expenses are presented in *Figure 2.3*.

FIGURE 2.3
Port Authority of Allegheny County
SALARIES, WAGES, & BENEFITS



	<u>FY 2006</u> Actual	<u>FY 2007</u> Actual	<u>FY 2008</u> Actual	<u>FY2009</u> Unaudited	<u>FY2010</u> Budget	<u>FY 2010</u> Inc/Dec
Salaries	\$ 35,363,000	\$ 35,708,000	\$ 32,427,000	\$ 32,901,000	\$ 35,440,000	7.7%
Wages	102,010,000	104,955,000	101,504,000	103,857,000	106,160,000	2.2%
Benefits	101,458,000	103,109,000	108,885,000	107,833,000	128,797,000	19.4%
	\$ 238,831,000	\$ 243,772,000	\$ 242,816,000	\$ 244,591,000	\$ 270,397,000	10.6%

1. Salaries

Salaries include compensation for employees who are paid based on a monthly earnings amount, and include both represented and non-represented employees.

- This line item includes the salaries for contractual and base wage adjustments for those salaried employees represented by the International Brotherhood of Electrical Workers (IBEW), salaried employees represented by the Amalgamated Transit Union (ATU-#85) and employees of the Port Authority Transit Police Association, as well as non-union personnel. The overall projected increase in salaries between FY 2009 and FY 2010 is estimated to be 7.7%. This increase attributable a high level of vacant positions in FY 2009 which lowered the totals for wages and salaries.

2. Wages

Wages include payments to those employees who are compensated by an hourly rate as dictated by labor agreements, including payments to operators and non-operator/maintenance personnel. Entering FY 2009, the contract with Port Authority's largest union, ATU #85, had expired June 30, 2008; therefore, there were no contractual wage increases built into the FY 2009 budget for hourly represented personnel. The contract with ATU #85 was agreed upon prior to the budgeting process for FY 2010. This is the primary reason for the projected increase of 2.2% over FY 2009 actual expense levels. The adopted FY 2010 budget includes the same staffing levels as FY 2009 for operator personnel while the non-operator staffing level increased by five.

3. Benefits

Benefits consist of payments and accruals to others (e.g., insurance companies, healthcare plans) on behalf of Port Authority employees. This category includes costs for sick leave, vacation, holiday pay, etc, which arise from the employment relationship.

- The benefits category is projected to increase by approximately \$21 million or 19.4%. This is due to the healthcare premium increase of between 6% to 7% for dental and vision plans beginning January 2010, and the rising healthcare costs affecting all companies nationwide

resulting in medical premium increases being budgeted 11.8% higher beginning January 2010.

B. Fuel, Oil, Tires, and Materials & Supplies

As presented in *Figure 2.4*, a decrease of 5.7% is projected in this expense category. This category combines expense line items for fuel, oil, tires, materials, and general supplies consumed in routine operation of the transit system. Highlights of this category are discussed below:

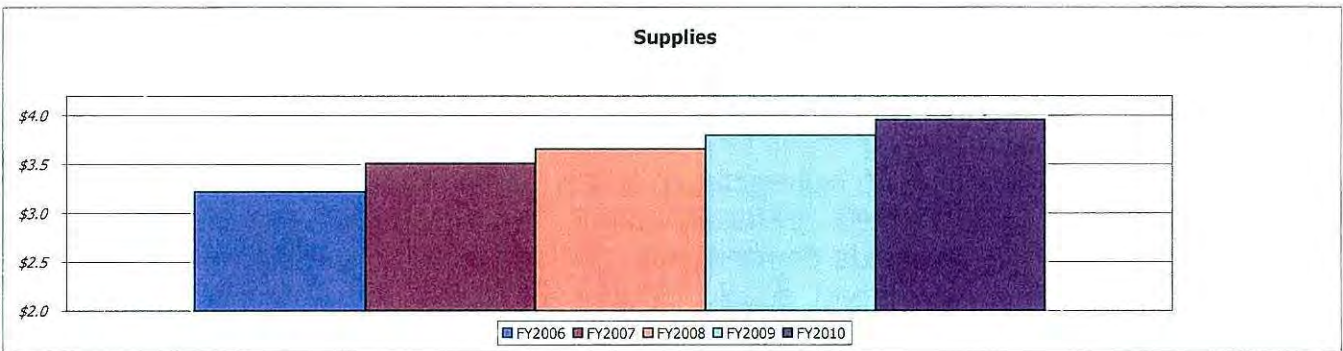
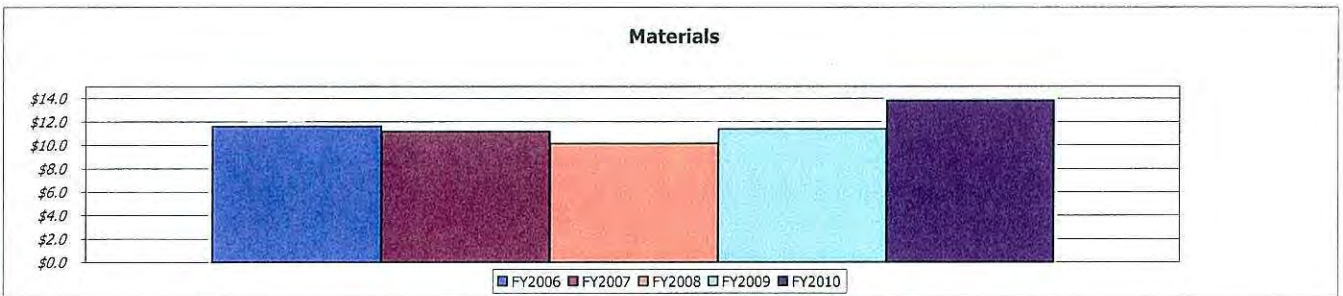
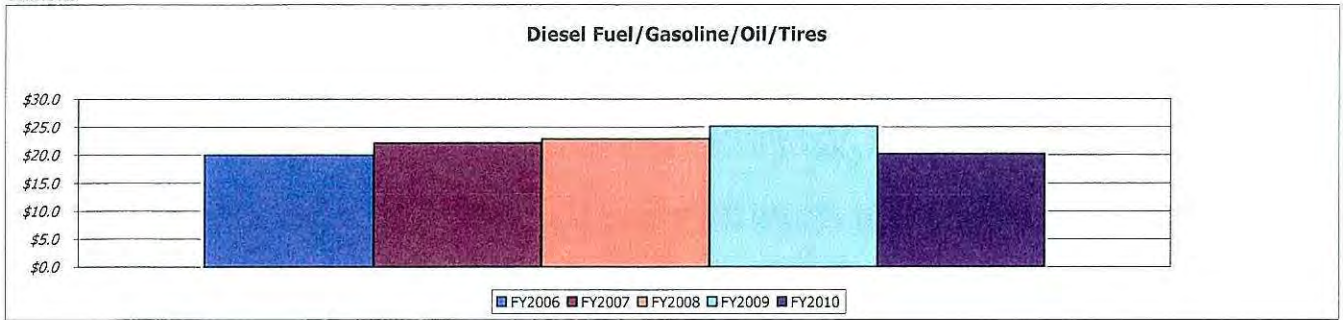
1. Diesel Fuel, Gasoline, Oil, and Tires

a. Diesel Fuel and Gasoline

The same forces that have impacted the individual consumer's gasoline prices have also affected Port Authority's operations in the form of higher diesel prices. Historically, diesel fuel prices have fluctuated drastically during the fiscal year due to changes in worldwide demand, natural disasters and worldwide political events that impact supply. During FY 2007, Port Authority was able to successfully transition to ultra low sulfur diesel as mandated by the Environmental Protection Agency (EPA).

FIGURE 2.4
Port Authority of Allegheny County
FUEL/OIL/TIRES, MATERIALS, & SUPPLIES

Millions



	<u>FY 2006</u> Actual	<u>FY 2007</u> Actual	<u>FY 2008</u> Actual	<u>FY2009</u> Unaudited	<u>FY2010</u> Budget	<u>FY2010</u> Inc/Dec
Fuel/Gas/Oil/Tires	\$ 20,047,000	\$ 22,184,000	\$ 22,902,000	\$ 25,123,000	\$ 20,265,000	-19.3%
Materials	11,625,000	11,186,000	10,155,000	11,377,000	13,797,000	21.3%
Supplies	3,222,000	3,512,000	3,658,000	3,798,000	3,957,000	4.2%
Total	\$ 34,894,000	\$ 36,882,000	\$ 36,715,000	\$ 40,298,000	\$ 38,019,000	-5.7%

Diesel costs will continue to be a major component of Port Authority's overall operating budget in FY 2010; however, Port Authority was able to lock in the price for diesel fuel well below the budgeted levels in FY 2009. Diesel fuel will account for \$17.1 million of the total \$38 million budget for materials and supplies.

- The FY 2010 budget for diesel fuel was developed based on a consumption rate of 8.4 million gallons at an annual average cost of \$1.98/gallon for ultra-low sulfur diesel. Port Authority has also budgeted for the introduction of Bio-Diesel fuel. Bio-Diesel is more expensive than ultra-low sulfur diesel, but Port Authority has qualified for a Department of Environment Protection grant to offset the additional cost.
- In addition to using diesel fuel for its revenue vehicle fleet, Port Authority utilizes gasoline for its maintenance fleet. Expenditures for gasoline are budgeted to increase by approximately 41.5%. The FY 2010 budget for gasoline was developed based on a consumption rate of 238,000 gallons at \$2.55/gallon.

b. Oil and Lubricants

This category includes the lubricants used for routine and preventive maintenance of equipment and vehicles.

- Oil and lubricant prices are subject to many of the same economic factors as diesel fuel and gasoline. The FY 2010 budget for oil and lubricants is set at \$1,064,000. This is a 14.1% projected increase in expense from FY 2009.

c. Tires

Port Authority leases tires used on the buses and purchases tires for other vehicles. The annual lease costs are based on a monthly service fee and a usage rate based on mileage consumption.

- In FY 2010, an anticipated increase of \$42,000 above actual FY 2009 expenses is expected in the category of tires and tubes leased/purchased.

2. Materials

Materials include the parts that are directly consumed in maintaining Port Authority vehicles, equipment, and facilities. Port Authority carries over 40,000 individual items in inventory at its various storeroom locations. These items are expensed to both the materials and supplies expenditure accounts when the items are requisitioned from inventory. Materials expense also includes expenditures related to purchase requisitions and blanket order agreements. The materials inventory control process was re-engineered in FY 2002 to increase efficiency and control through greater utilization of the central warehouse concept and a lessened reliance on decentralized garage parts rooms. The result of this program has been reduced levels of materials held in inventory.

- Total Materials expense is expected to increase by \$1,547,000 or 17.1% over FY 2009. In part, this change is attributable to an aging fleet and the fact that some of the light rail vehicles are now past warranty.

3. Supplies

Supplies are normally differentiated from materials in that they are not items that are used to directly maintain equipment and vehicles. This category includes cleaning items, rock salt, photo supplies, timetable production, ticket printing, and office supply items.

- This category is expected to decrease by \$92,000 or 2.8% from FY 2009 levels within all categories of supplies. The main contributor to the overall decrease in the supply category is a decrease in printing costs.

C. Purchased Transportation and Services

These expense categories are presented in two (2) components. As shown in *Figure 2.5*, they are the ACCESS Program and Purchased Services.

1. ACCESS Program Transportation

Port Authority's ACCESS Program provides demand response transportation services for elderly and handicapped persons within Allegheny County. This service is subcontracted with Veolia Transportation.

- Costs associated with this program are expected to increase by 5.7% over FY 2009 levels. ACCESS expenses, such as labor and fuel costs for the seven (7) private carriers which are subcontracted by ACCESS, are

subject to many of the same factors and variables as Port Authority. As such, ACCESS expenses are projected slightly higher for FY 2010 due in part to increased labor and employee benefit costs.

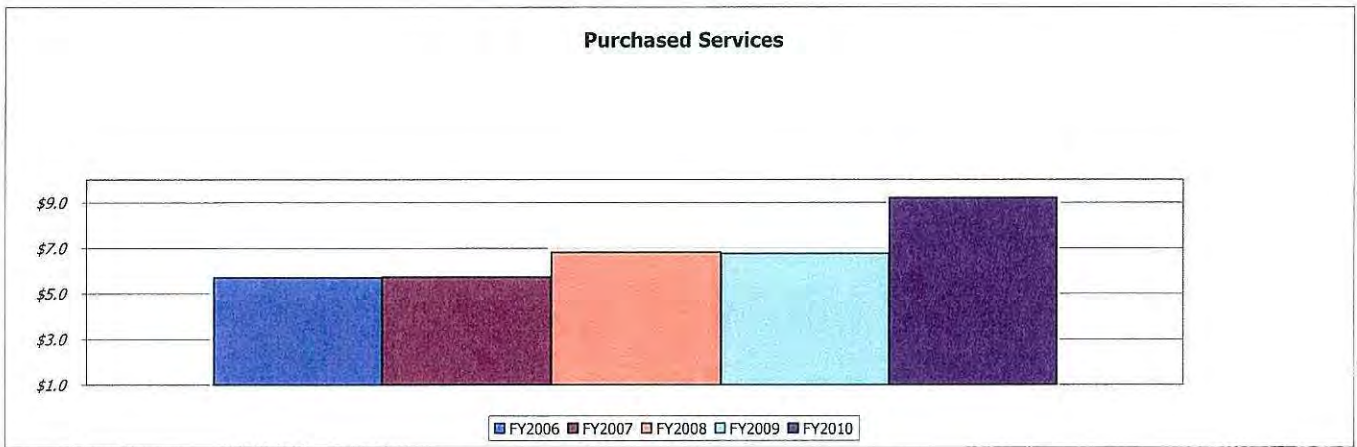
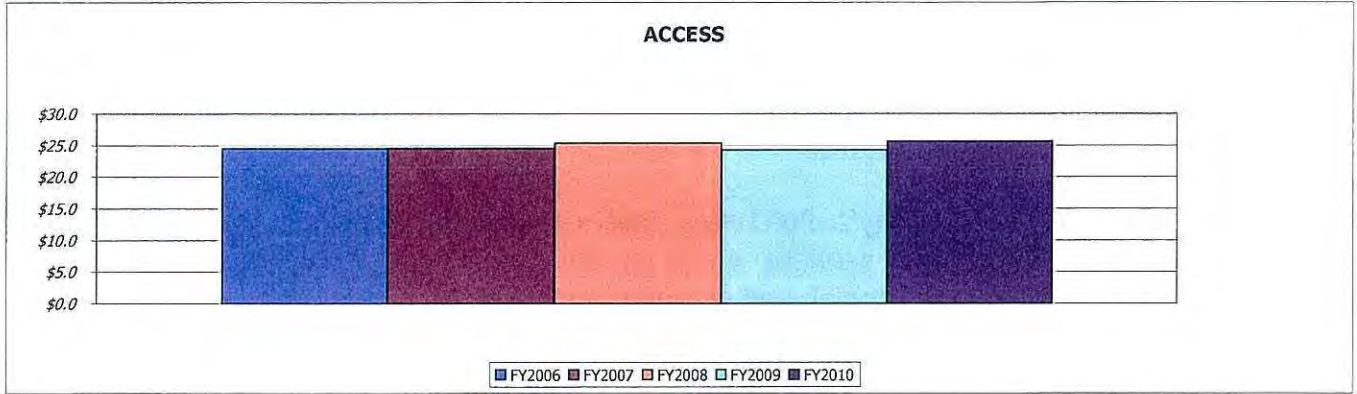
2. Purchased Services

Port Authority's Purchased Services category includes fees for outside professional services such as legal, information technology consulting, auditing, custodial, and engineering.

- In total, a \$2.4 million increase or 36.2% is projected for the category of Purchased Services. Much of this percentage increase is attributable to contractual increases associated with Work Done by Outside Contractors. This line-item is budgeted to increase by \$758,000 above FY 2009 actual expenses.

FIGURE 2.5
Port Authority of Allegheny County
ACCESS & PURCHASED SERVICES

Millions



	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Unaudited	FY 2010 Budget	FY2010 Inc/Dec
ACCESS	\$ 24,511,000	\$ 24,574,000	\$ 25,394,000	\$ 24,272,000	\$ 25,646,000	5.7%
Purchased Services	5,710,000	5,741,000	6,814,000	6,754,000	9,200,000	36.2%
Total	\$ 30,221,000	\$ 30,315,000	\$ 32,208,000	\$ 31,026,000	\$ 34,846,000	12.3%

D. Utilities, Provisions for Injuries and Damages, Other Expenses, and Other Post Employment Benefits (OPEB)

This category includes utility costs, provisions for injuries and damages, a broad array of other expenses, and other post retirement benefits. In total, utility costs are expected to increase by 19.9%. Provisions for injuries and damages, which combine workers' compensation and payouts for public liability and property damage, are projected to increase by 49.6% from FY 2009 levels due to budgeting high workers' compensation indemnity payments in line with historical trends. The broad category of Other Expenses is expected to increase by 45.1% over FY 2009 levels. The category of Other Post Employment Benefits (OPEB) is a liability entry the Port Authority makes at fiscal year end and is not included in the budgeting process. These components are presented in *Figure 2.6*.

1. Utilities

This category includes payments made to utility companies for resources including gas, water, electricity, sewage, telephone, and data communications. In addition to using utilities to operate Port Authority buildings, the organization utilizes electricity as a source of propulsion power for its light rail system.

Port Authority is able to mitigate some of the financial impact of utility price fluctuations by entering into fixed price agreements for natural gas as well as some of the larger electricity accounts. Contracted natural gas prices, while still high, are considerably lower than if Port Authority purchased its natural gas at market prices. For FY 2010, Port Authority was able to negotiate fixed price agreements on propulsion power, electric, and natural gas accounts which will mitigate the expense volatility in this area.

The Port Authority continues to contract with an outside vendor to review utility bills for accuracy. These reviews help insure the Port Authority pays the lowest price for the utility services it receives. This vendor also provides information on anticipated market changes in the price of all utilities and recommends strategies for lowering utility expenses.

2. Provisions for Injuries and Damages

Included within this category are expenditures disbursed to employees and medical services associated with workers' compensation cases and payments incurred for uninsured public liability and property damage settlements. The FY 2010 Budget for Provision for Injuries and Damages is projected to increase by \$1.19 million above FY 2009 levels.

- The Legal Department, along with Claims and Workers' Compensation Departments, work in conjunction with one another to oversee the Workers Compensation Program. The FY 2010 Budget for Workers' Compensation is projected to increase by approximately \$649,000 above FY 2009 actual expenses.
- The FY 2010 budgeted amount for uninsured public liability and property settlements is \$155,000 above FY 2009 levels. Port Authority's actual expenses in First Party Benefits were \$155,000 below budget in FY 2009. Bodily Injury/Uninsured Injury expenses were \$136,000 above the budgeted amount. These line items, which pertain to medical claims involving bus accidents, are budgeted to remain relatively unchanged from FY 2009 budgeted levels.

3. Other Expenses

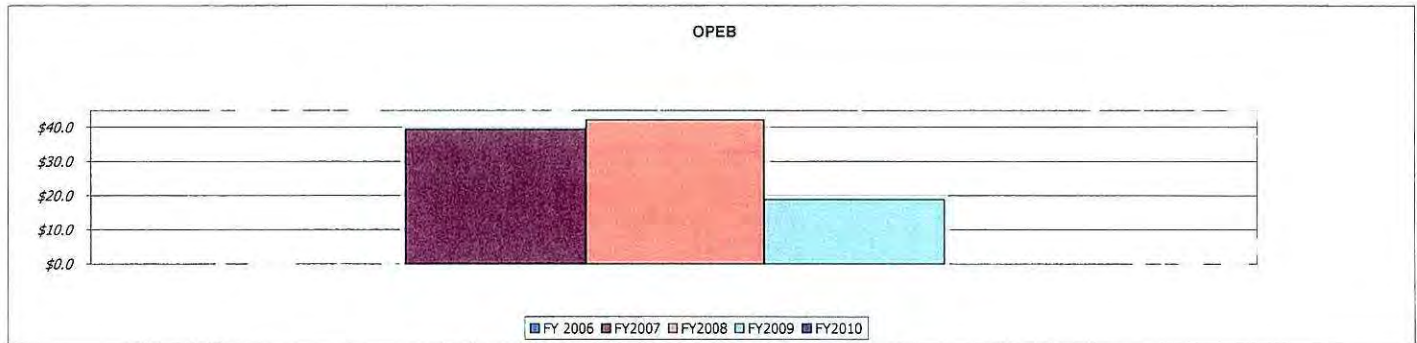
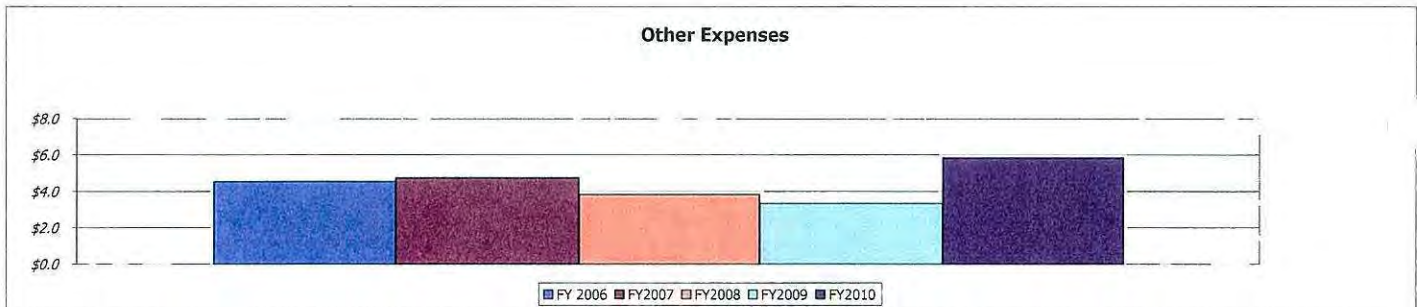
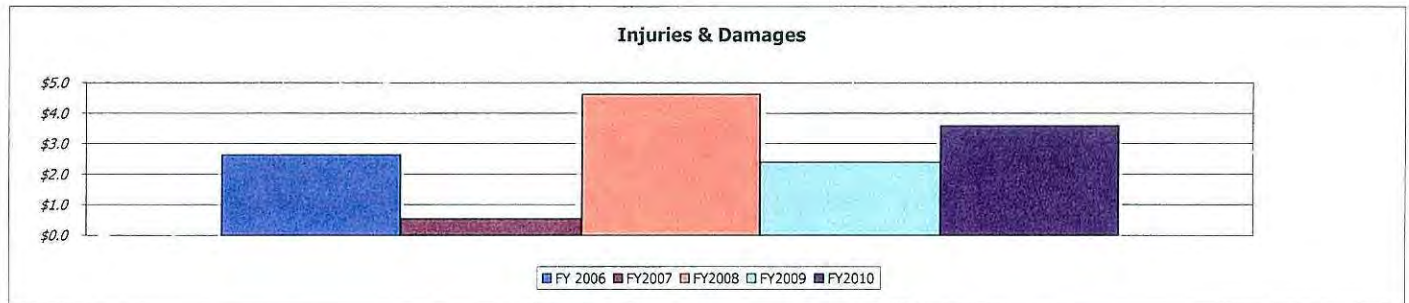
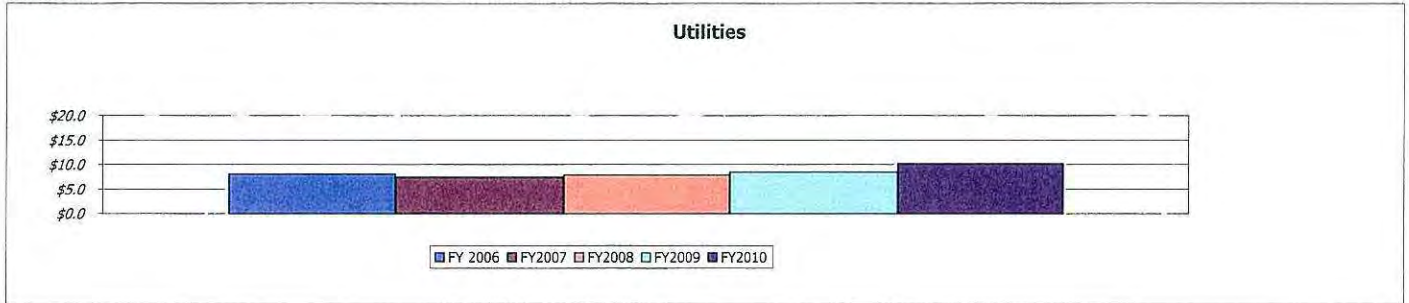
Within the broad category of Other Expense are two subgroups of expenditures that are described as other expense and interest expense. Other Expense captures those expenditures that are generally considered corporate in nature, i.e. corporate insurance, marketing, training, and other general expenses. The second subgroup of Other Expense includes the interest expense for borrowing short-term notes.

- The category of other expenditures is expected to increase by \$1.5 million or 45.1% from FY 2009 levels. A higher FY 2010 budget for Buildings and Grounds Rentals and Organizational Development contributed to this increase.

4. *Other Post Employment Benefits (OPEB)*
The category of Other Post Employment Benefits (OPEB) is a liability entry that is made at fiscal year end, but is not included in the budgeting process.

FIGURE 2.6
Port Authority of Allegheny County
UTILITIES, INJURIES/DAMAGES, OTHER EXPENSES & OPEB

Millions



	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Unaudited	FY 2010 Budget	FY 2010 Inc/Dec
Utilities	\$ 8,104,000	\$ 7,464,000	\$ 7,916,000	\$ 8,509,000	\$ 10,200,000	19.9%
Prov. for Inj & Damages	2,638,000	549,000	4,628,000	2,397,000	3,587,000	49.6%
Other Expenses	4,545,000	4,767,000	3,830,000	3,341,000	5,847,000	75.0%
OPEB	0	39,350,000	42,155,000	18,815,075	0	-100.0%
Total	\$ 15,287,000	\$ 52,130,000	\$ 58,529,000	\$ 33,062,075	\$ 19,634,000	-40.6%

E. Capitalizations

This is a contra-expense account for salaries, wages, benefits, and other expenses incurred in performing work related to current projects and programs, equipment acquisitions, and general maintenance of Port Authority physical facilities. The expenses incurred are recovered through various capital projects and programs including Federal Section 5307 Funding, Infrastructure Safety Renewal Program, and the Vehicle Overhaul Program. Expenses charged to capitalizations are expected to decrease by 2.0% or \$912,000 below the FY 2009 levels. This decrease is due primarily to a lower allocation made to the Operating Budget for Preventive Maintenance Federal Funding, allowing for more Capital dollars for Port Authority's infrastructure improvement programs. Each Capitalization line item detail is presented in *Figure 2.7* and *Figure 2.8*.

1. Asset Maintenance

- Until FY 2008, funding for this program was provided by two distinct revenue sources that were used to offset operating expenses incurred for the general maintenance and repair of machinery, equipment, and physical facilities. The first source, provided by the Public Transportation Assistance Fund (PTAF), provided \$25.1 million of Port Authority's share of dedicated funds. The second source resulted from State Act 3 of 1997 which provided \$4.9 million of state-wide transit funds that were used as Asset Maintenance. Together, these funds provided \$30.0 million as an offset to operating expenses in FY 2007. Beginning in FY 2008, Asset Maintenance was no longer a stand-alone program included in the capitalizations.

2. Vehicle Overhaul

- This funding source will provide \$2.5 million in FY 2010. A state capital program reimburses labor and material expenses incurred in performing vehicle overhaul activities on the light rail and motor bus vehicles.

3. Basic Supplemental Grant

- Port Authority usage of Basic Supplemental Grant (BSG) for operating purposes varied between FY 2004 and FY 2007. Starting in FY 2008, Port Authority no longer received BSG funding.

4. Access to Jobs/New Service Initiatives

- In FY 2010, \$1.3 million of Federal funds will support the Small Transit Vehicle (STV) applications, including operating and maintenance costs, and offset costs associated with bus routes that transport people to areas with high concentrations of jobs. This is through the Access to Jobs Program. In the past Port Authority had new service where grant funding was available to offset costs. In FY 2009 and FY 2010, Port Authority's eligible routes were negligible.

5. Capital Cost of Contracting

- Federal funding is provided to offset operating expenses incurred for the ACCESS Program service. These capital funds are provided for eligible costs that include vehicle depreciation and capital components of maintenance and overhead, and are capped at 50% of total ACCESS expense. For FY 2010, \$15.0 million of funding will be utilized for this program.

6. Preventive Maintenance

- Preventive Maintenance represents Federal funds that were initially authorized in late 1997 to be used to offset certain operating and maintenance expenses. Eligible expenses include inspection and maintenance of revenue vehicles, as well as related materials, supplies and associated wages. Port Authority has allocated \$7.05 million for this program in FY 2010, which is \$2.05 million below FY 2009 actuals.

7. New Preventive Maintenance- Federal Flex

- Between FY 2004 and FY 2007 budgets, Port Authority received grants of \$10.0, \$25.3, \$45.0 and \$32.0 million from the Commonwealth, approved by the Southwestern Pennsylvania Commission, in order to balance those fiscal years budgets. These funding streams ceased at the end of FY 2007. Funds approved with the passage of Act 44 substituted for these "Flex" funds starting in FY 2008 and are included within State Operating Assistance.

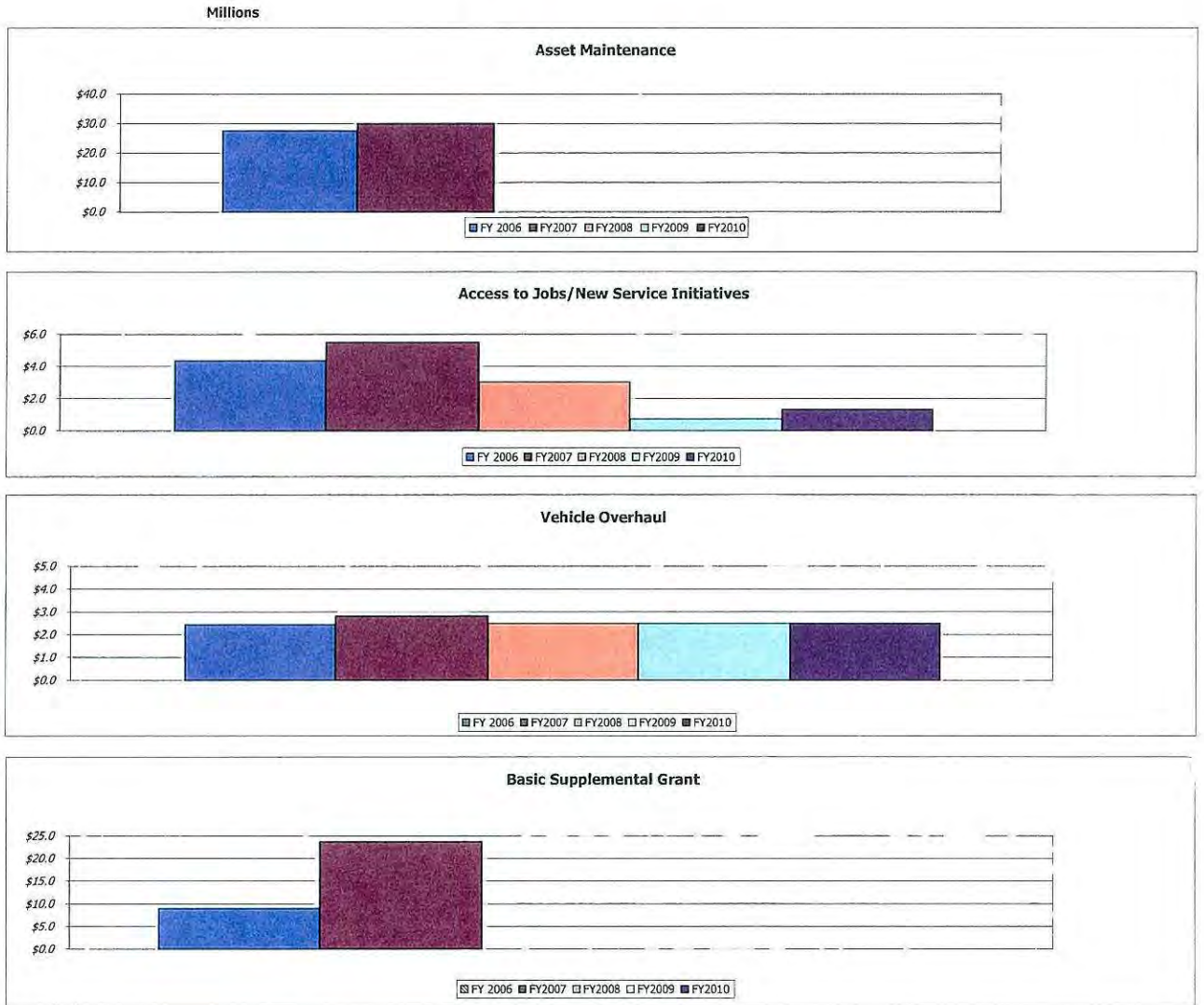
8. Infrastructure Safety Renewal Program (ISRP)

- This program provides state capital funds which are used to offset operating expenses related to the renovation and/or rehabilitation of transit and railroad bridges, track stations, signals, power, and associated components of Port Authority's transit and rail systems. This program will provide \$16.0 million in FY 2010 to offset related expenditures.

9. Other Capitalizations

- This category includes those expenditures related to engineering and technical support on capital projects, grants administration, and associated capital maintenance for major component parts used on buses and light rail vehicles. Capitalizations related to these types of expenditures are projected to increase by \$540,000 in FY 2010. Predominantly this increase is attributable to increases in the line items Salaries and Fringe Benefits Redistributed to Capital Accounts.

FIGURE 2.7
Port Authority of Allegheny County
CAPITALIZATIONS*

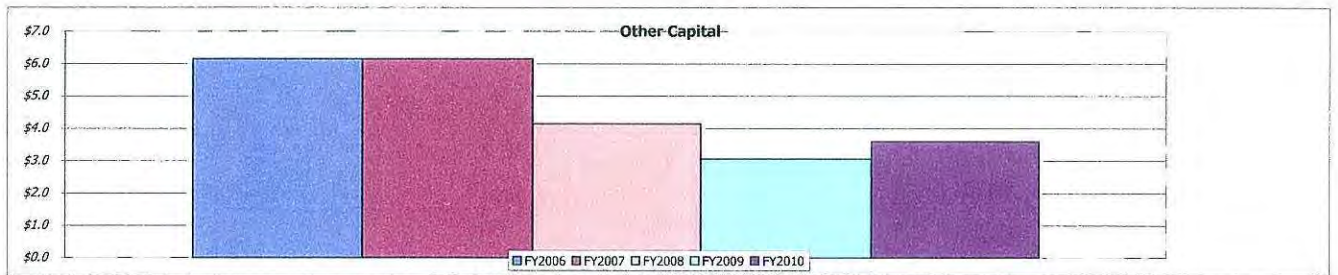
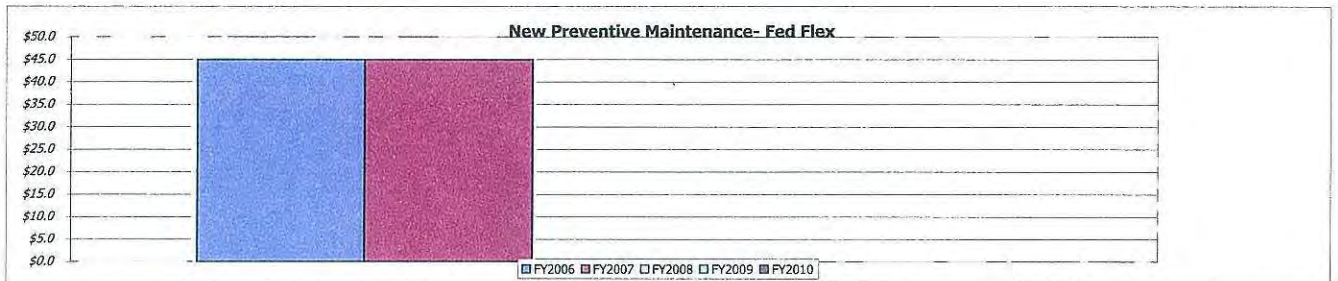
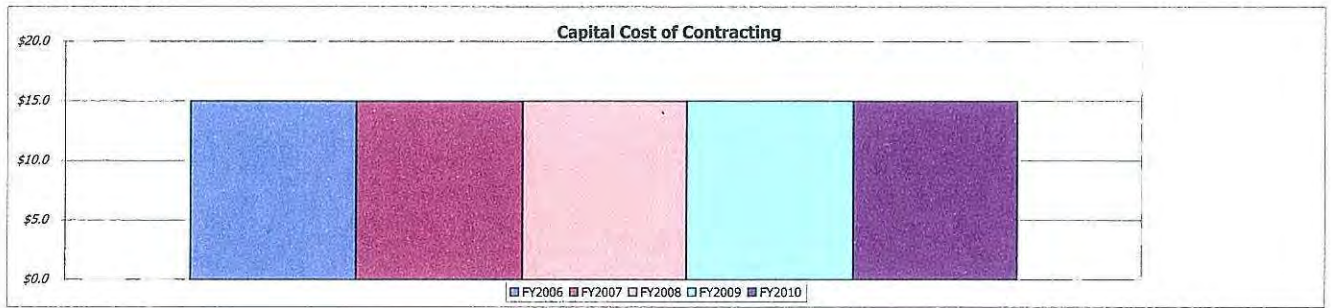


* Amounts reflected as Contra Expenses

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY2009 Unaudited	FY2010 Budget	FY2010 Inc/Dec
Asset Maintenance	\$ (27,661,000)	\$ (30,011,000)	\$ -	\$ -	\$ -	
Access to Jobs/New Service Initiatives	(4,370,000)	(5,492,000)	(3,043,000)	(744,000)	(1,342,000)	80.4%
Vehicle Overhaul	(2,449,000)	(2,829,000)	(2,500,000)	(2,500,000)	(2,500,000)	0.0%
Basic Supplemental Grant (BSG)	(8,997,000)	(23,734,000)	-	-	-	100.0%
Capital Cost of Contracting	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	0.0%
Preventive Maintenance	(6,600,000)	(12,600,000)	(494,000)	(9,100,000)	(7,050,000)	-22.5%
New Preventive Maint. - Fed Flex	(45,000,000)	(32,000,000)	-	-	-	
Other Capital	(6,158,000)	(6,009,000)	(4,142,000)	(3,057,000)	(3,597,000)	17.7%
ISRP	(16,000,000)	(17,119,000)	(16,000,000)	(16,000,000)	(16,000,000)	0.0%
Total	\$ (132,235,000)	\$ (144,794,000)	\$ (41,179,000)	\$ (46,401,000)	\$ (45,489,000)	-2.0%

FIGURE 2.8
Port Authority of Allegheny County
CAPITALIZATIONS*

Millions



* Amounts reflected as Contra Expenses

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Unaudited	FY 2010 Budget	FY 2010 Inc/Dec
Asset Maintenance	\$ (27,661,000)	\$ (30,011,000)	\$ -	\$ -	\$ -	
Access to Jobs/New Service Initiatives	(4,370,000)	(5,492,000)	(3,043,000)	(744,000)	(1,342,000)	80.4%
Vehicle Overhaul	(2,449,000)	(2,829,000)	(2,500,000)	(2,500,000)	(2,500,000)	0.0%
Basic Supplemental Grant (BSG)	(8,997,000)	(23,734,000)	-	-	-	100.0%
Capital Cost of Contracting	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	0.0%
Preventive Maintenance	(6,600,000)	(12,600,000)	(494,000)	(9,100,000)	(7,050,000)	-22.5%
New Preventive Maint. - Fed Flex	(45,000,000)	(32,000,000)	-	-	-	
Other Capital	(6,158,000)	(6,009,000)	(4,142,000)	(3,057,000)	(3,597,000)	17.7%
ISRP	(16,000,000)	(17,119,000)	(16,000,000)	(16,000,000)	(16,000,000)	0.0%
Total	\$ (132,235,000)	\$ (144,794,000)	\$ (41,179,000)	\$ (46,401,000)	\$ (45,489,000)	-2.0%



divisional &
departmental

Port Authority of Allegheny County

Divisional and Departmental

Introduction

All departments of Port Authority are currently grouped into six (6) divisions which include Office of the CEO, Transit Operations, Finance, Planning and Development, Human Resources, and Legal and Corporate Services.

The following tables present a summary of total system personnel by division, expense category, and expense by department respectively. These tables illustrate the relative size of each division to the total system in the areas of personnel and expense.

Included with the tables is a brief overview of each division, divisional organization charts, budget highlights, FY 2009 accomplishments, goals and objectives for FY 2010, as well as key performance indicators which include both financial and non-financial metrics used to evaluate the progress towards achieving organizational long-term goals.

Figure 3.1
Port Authority of Allegheny County
Organizational Structure

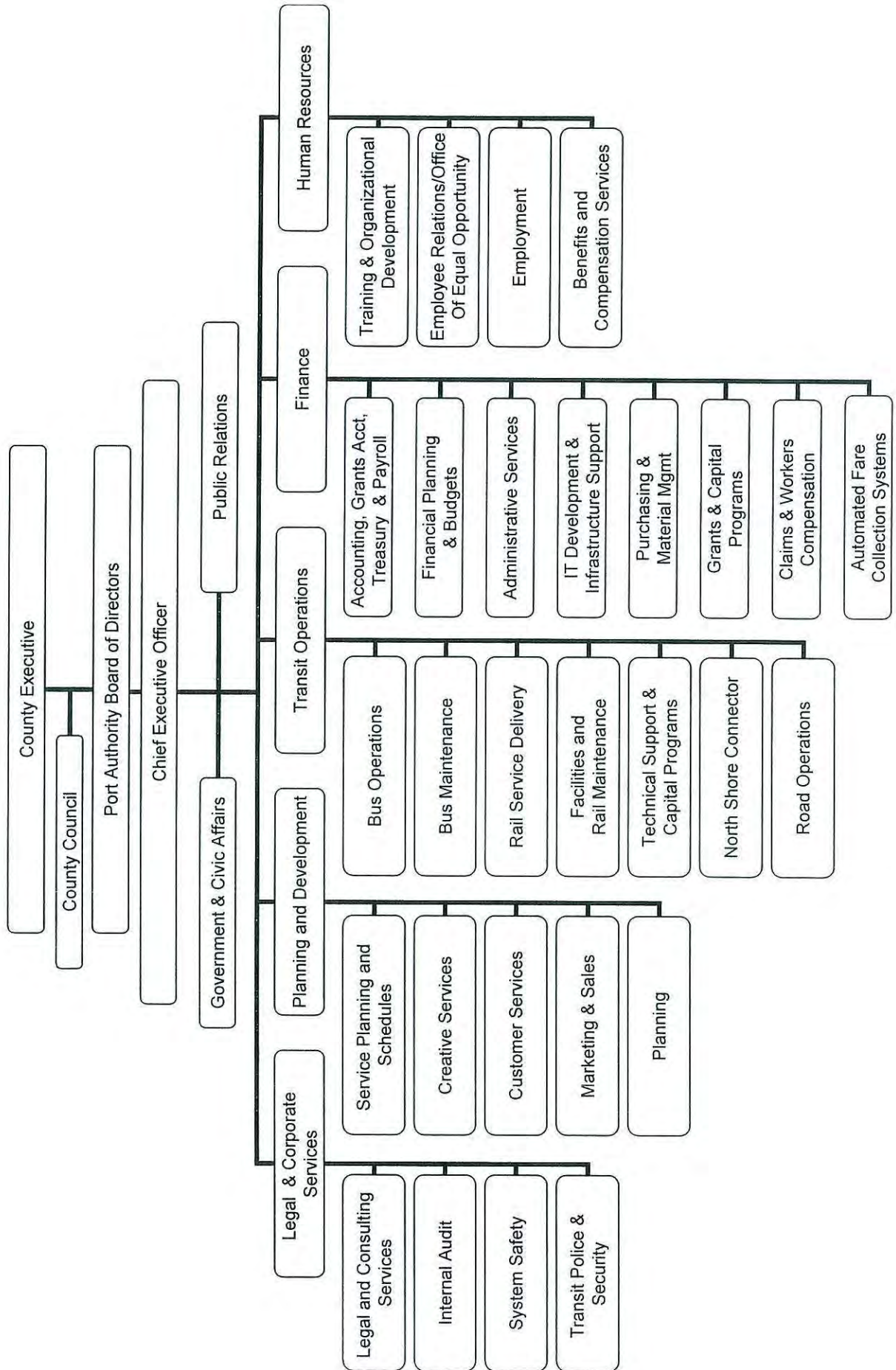
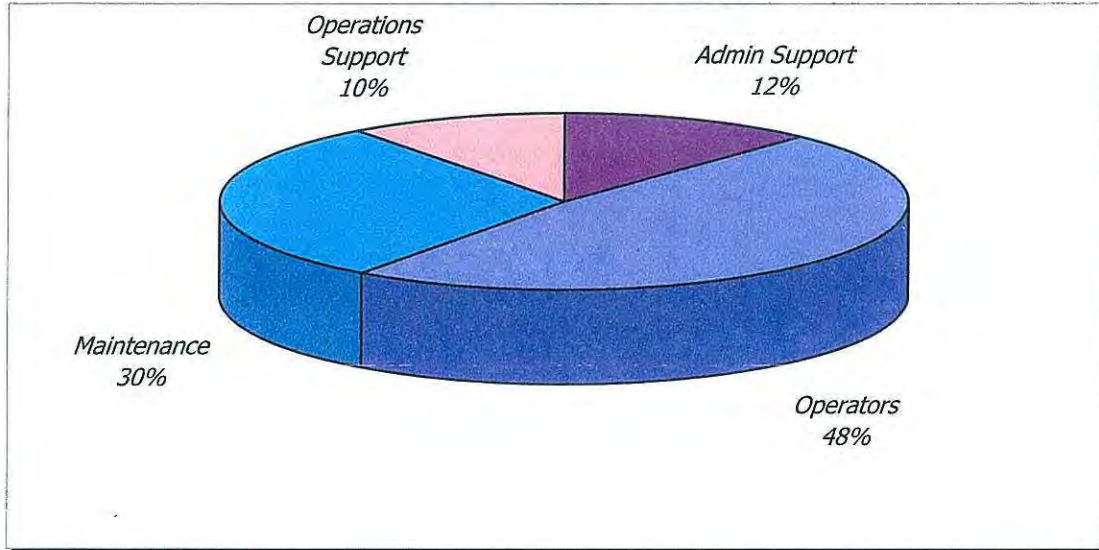


TABLE 3.1a

Port Authority of Allegheny County
PERSONNEL BY FUNCTION & DIVISION

Fiscal Year 2010 Budget

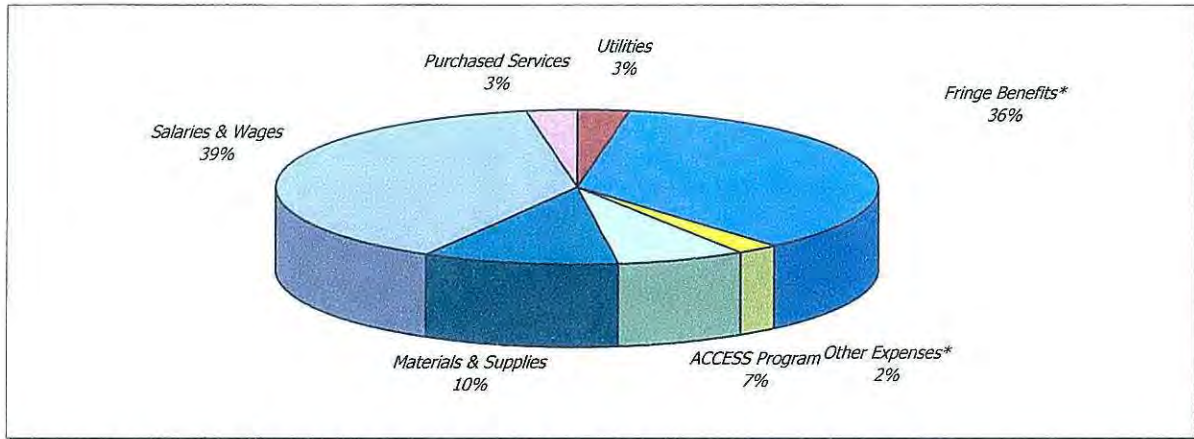


Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Office of the CEO	1	2	7
Transit Operations	2,414	2,379	2,420
Finance	139	154	161
Human Resources	31	32	32
Legal & Corporate Services	79	78	75
Planning & Development	63	61	61
Total Personnel	<u>2,727</u>	<u>2,706</u>	<u>2,756</u>

TABLE 3.1b

**Port Authority of Allegheny County
EXPENSE BY CATEGORY**



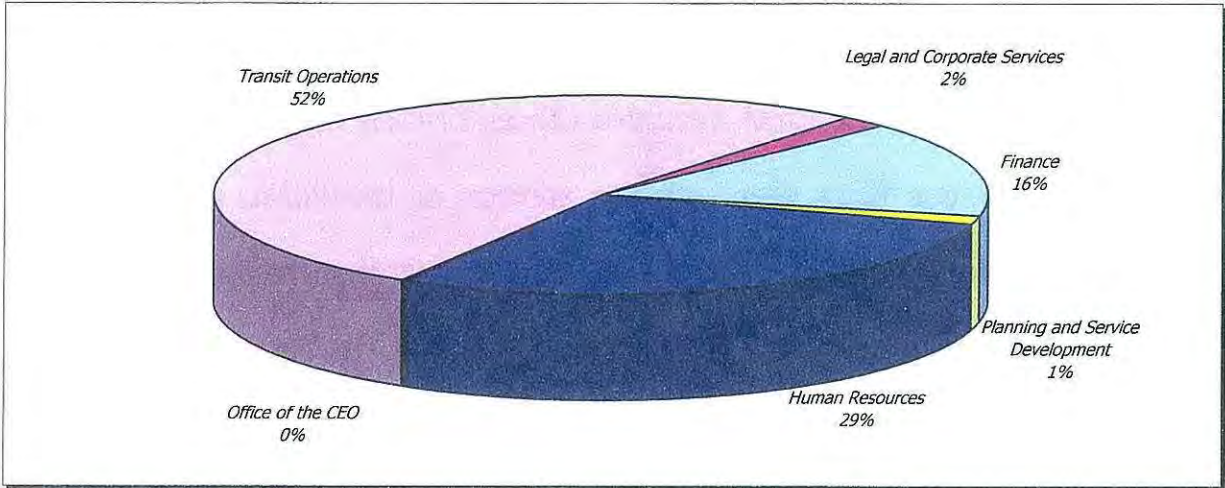
**Other Expenses include- Marketing, Interest & Prov. for Inj & Damages*

**Fringe Benefits excludes \$45,489,119 in OPEB costs*

Expense Summary (Total Expense)

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	133,930,756	136,757,826	141,600,473	3.5%
Fringe Benefits	111,632,268	109,164,229	130,778,394	19.8%
Purchased Services	6,814,035	6,753,835	9,199,966	36.2%
ACCESS Program	25,394,315	24,271,974	25,645,900	5.7%
Prov for Inj & Damages	2,965,181	1,693,978	2,817,582	66.3%
Materials & Supplies	36,714,993	40,297,636	38,019,048	-5.7%
Interest Expense	886,756	-	1,000,000	100.0%
Utilities	7,916,493	8,509,017	10,200,277	19.9%
Other Expenses	1,857,519	2,712,552	3,635,360	34.0%
Transfers & Capitalizations	(41,178,661)	(46,401,118)	(45,489,119)	-2.0%
	<u>286,933,656</u>	<u>283,759,929</u>	<u>317,407,881</u>	<u>11.9%</u>

TABLE 3.1c
Port Authority of Allegheny County
EXPENSE BY DIVISION*



Expense Summary (Total Expense)

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Office of the CEO	209,951	294,169	1,058,082	259.7%
Transit Operations	178,007,232	184,060,357	189,862,307	3.2%
Finance	54,211,160	53,207,463	57,270,679	7.6%
Planning and Service Development	4,672,898	4,286,032	4,823,515	12.5%
Human Resources	84,787,966	83,107,319	103,695,377	24.8%
Legal and Corporate Services	6,223,110	6,611,028	6,187,040	-6.4%
	<u>328,112,317</u>	<u>331,566,368</u>	<u>362,897,000</u>	<u>9.4%</u>

* - Capitalizations and OPEB are excluded.

Port Authority of Allegheny County
OFFICE OF THE CHIEF EXECUTIVE OFFICER

Overview

The Office of the Chief Executive Officer Division has been restructured from the previous fiscal year with the addition of the Public Relations and Government & Civic Affairs departments, thus the percent change in expenses from FY 2009 actuals to FY 2010 budgeted appears to be quite high. This division is now comprised of the Office of the Board of Directors, which is strictly an administrative department for the purpose of collecting Board expenses and has no personnel assigned, the Public Relations Department, and the department of Government and Civic Affairs. The Government and Civic Affairs Department represents Port Authority's interest at the federal, state and county levels of government to support legislative and funding programs for public transportation. This department, combined with the Public Relations Department, ensures that Port Authority information is distributed to the public, government officials, local organizations and riders in an accurate and timely manner.

It is the responsibility of the Office of the Chief Executive Officer to provide leadership to the Port Authority organization, working closely with the Port Authority Board of Directors to establish a strategic direction, taking into account the needs of the community, to make Port Authority of Allegheny County the premier transit agency in the country.

Figure 3.2
Port Authority of Allegheny County
OFFICE OF THE CHIEF EXECUTIVE OFFICER

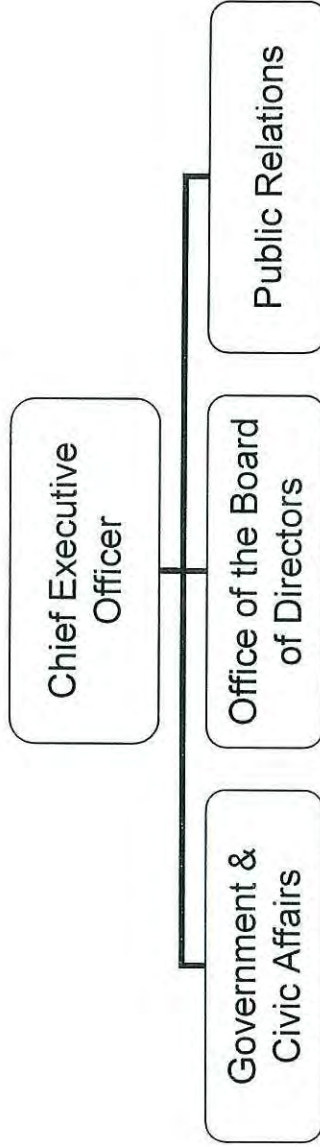
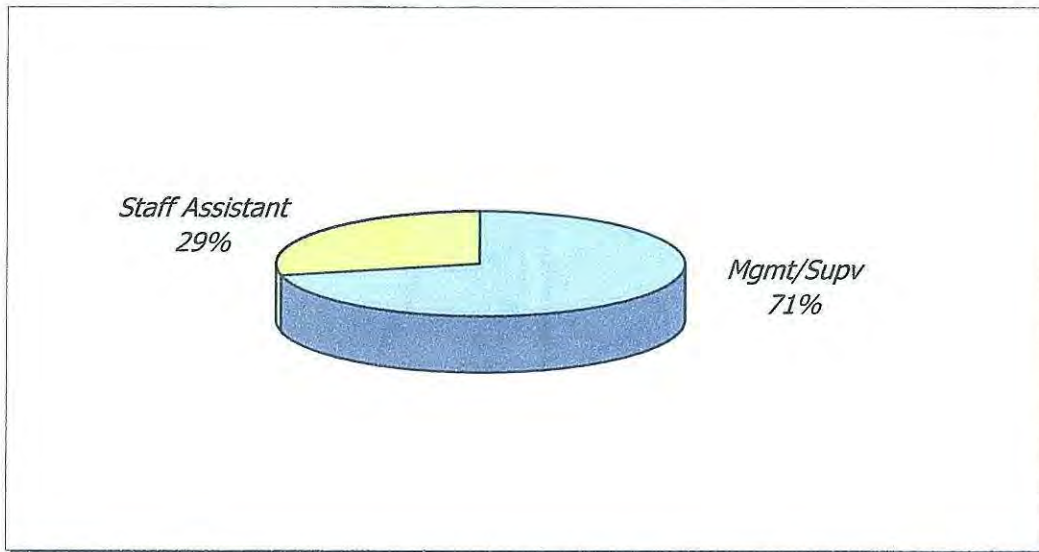


TABLE 3.2a
Port Authority of Allegheny County
OFFICE OF THE CHIEF EXECUTIVE OFFICER
Personnel by Function & Department

Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Office of the CEO	1	2	2
Grants & Government Relations	0	0	2
Media Relations	0	0	3
Total Personnel	<u>1</u>	<u>2</u>	<u>7</u>

TABLE 3.2b**Port Authority of Allegheny County
OFFICE OF THE CHIEF EXECUTIVE OFFICER***Expense by Department***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Board of Directors	11,193	10,880	241,630	2120.9%
Office of the CEO	174,727	276,156	10,094	-96.3%
<u>Grants and Govt Relations</u>	0	0	564,940	
<u>Media Relations</u>	0	0	226,658	
Total Expense	<u>185,920</u>	<u>287,036</u>	<u>1,043,322</u>	<u>263%</u>

Bold and underlined items represent departments involved in company re-organization.

*Expense by Category***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	180,044	200,138	605,456	202.5%
Purchased Services	1,810	3,766	395,200	10393.5%
Materials & Supplies	236	254	2,852	1023.5%
Utilities	4,031	248		-100.0%
Other Expenses	23,830	89,763	54,574	-39.2%
Transfers & Capitalizations	(24,031)	(7,133)	(14,760)	-70.3%
Total Expense	<u>185,920</u>	<u>287,036</u>	<u>1,043,322</u>	<u>263%</u>

Port Authority of Allegheny County

TRANSIT OPERATIONS DIVISION

Overview

Transit Operations is the largest division at Port Authority. This division consists of the Bus Operations and the Rail Operations & Engineering groups which are responsible for providing bus, rail, and incline service to the citizens of Allegheny County, as well as maintaining Port Authority's vehicles, rights of way, and facilities. There are five bus operating facilities, one rail operating facility, one facilities maintenance complex, and one main shop, which is used primarily for heavy bus maintenance.

The Transit Operations Division is committed to Port Authority's customers and continuously seeks better and more innovative ways to serve them while remaining mindful of fiscal obligations.

Divisional Expense Highlights

As a division, Transit Operations was favorable to budget overall in FY 2009, with the greatest factor being favorable in materials and supplies by \$11,663,301. This is primarily due to the ability to lock in diesel fuel prices below budgeted levels.

Figure 3.3a
Port Authority of Allegheny County
TRANSIT OPERATIONS DIVISION

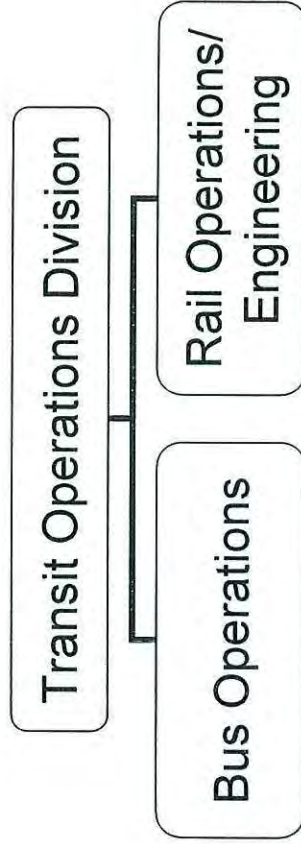


Figure 3.3b
Port Authority of Allegheny County
Bus Operations

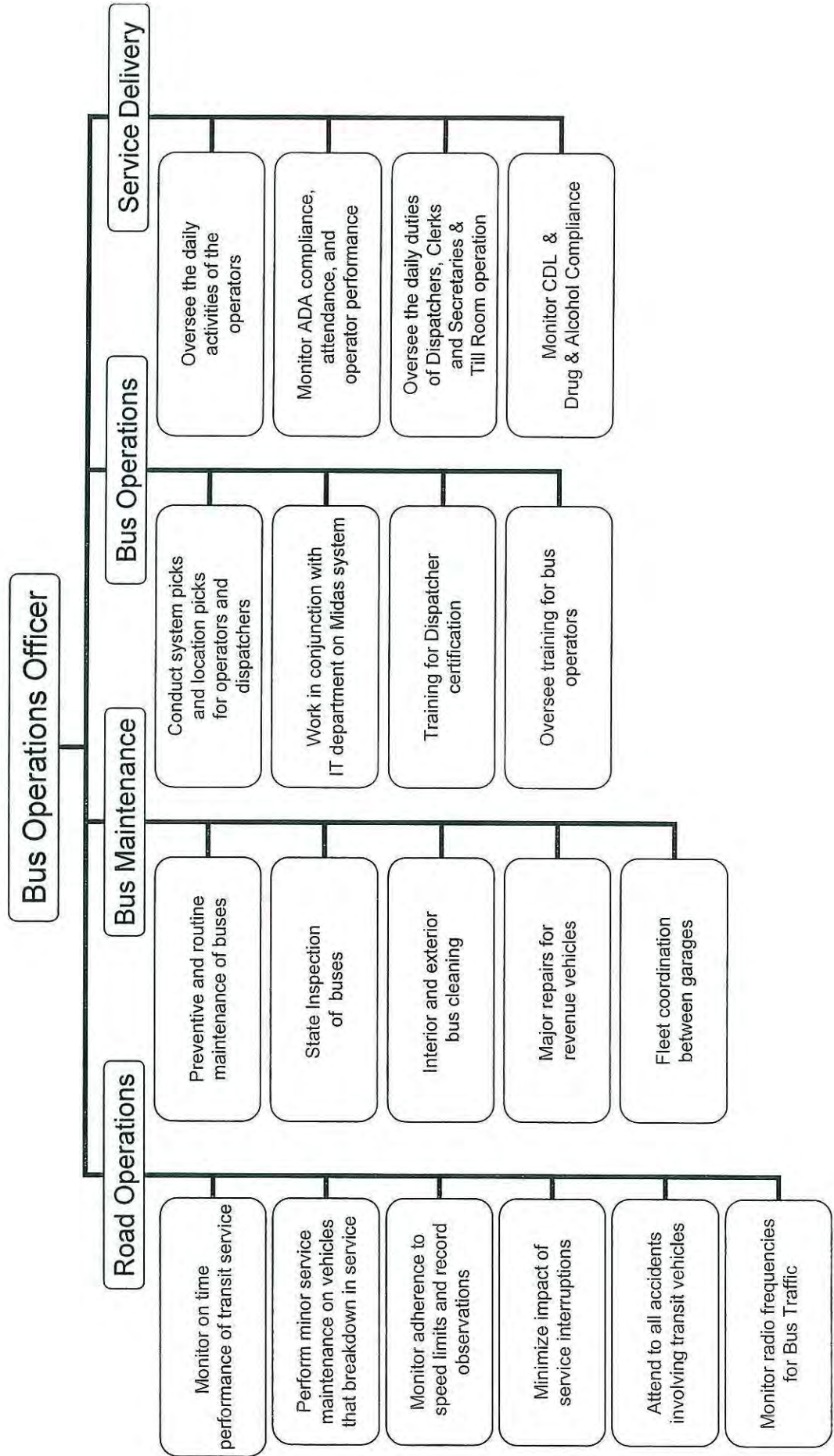


Figure 3.3c
Port Authority of Allegheny County
Rail Operations & Engineering

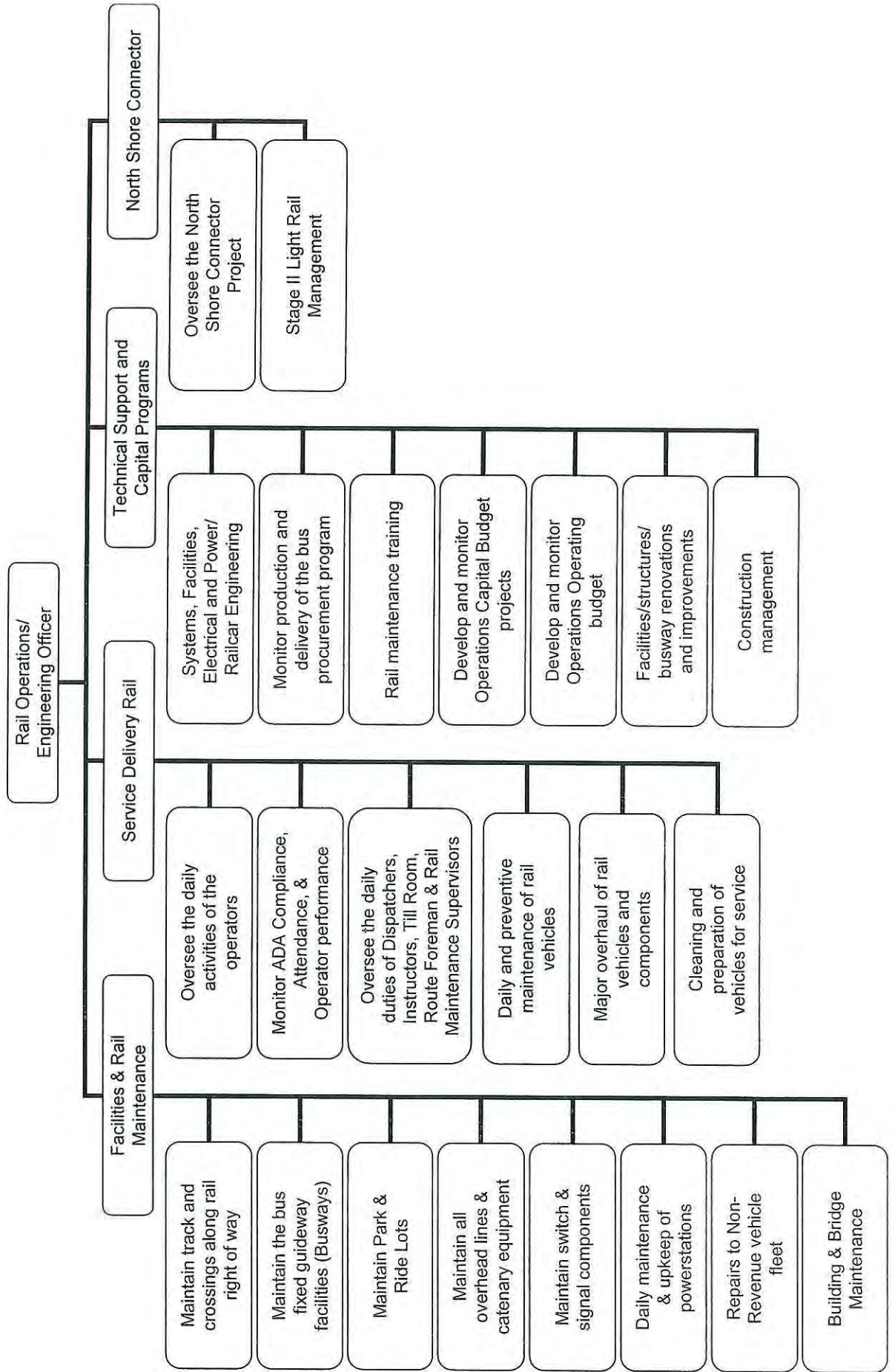
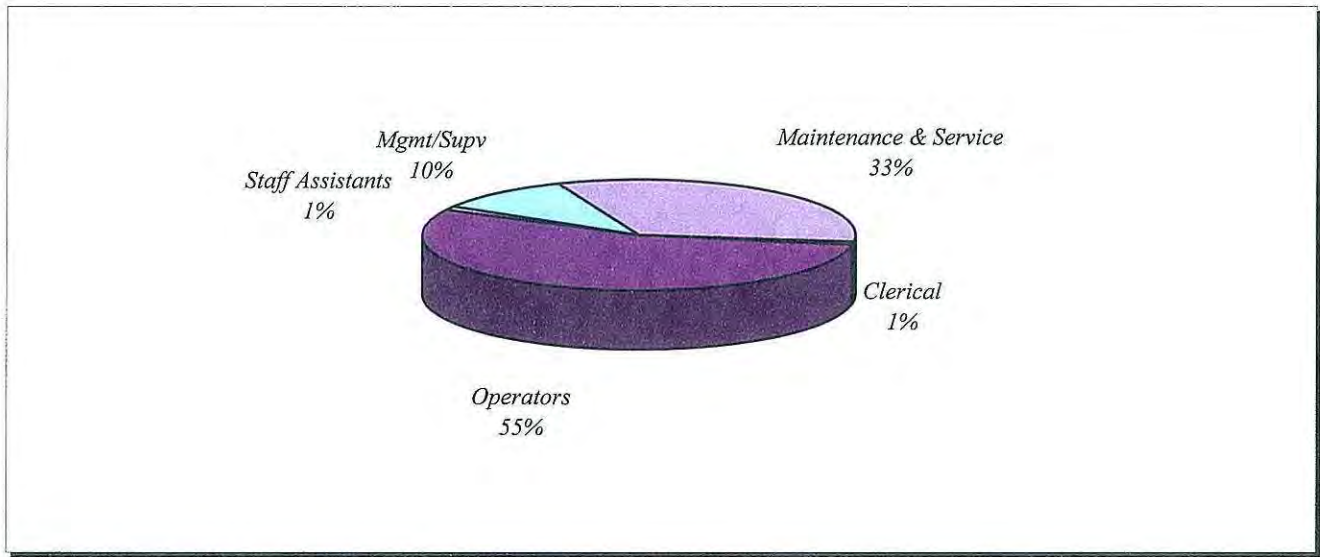


TABLE 3.3a
Port Authority of Allegheny County
TRANSIT OPERATIONS DIVISION
Personnel by Function & Group
Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Chief Operating Officers (Bus and Rail)	3	3	3
Rail Operations	494	513	533
Bus Operations	1,917	1,863	1,884
Total Personnel	<u>2,414</u>	<u>2,379</u>	<u>2,420</u>

TABLE 3.3b

Port Authority of Allegheny County
TRANSIT OPERATIONS DIVISION

*Expense by Department***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Bus Operations	68,838,122	71,598,186	74,051,288	3.4%
Bus Maintenance	55,412,605	60,126,670	57,140,016	-5.0%
Office of the COO	274,556	305,372	357,716	17.1%
Rail Improvement Program	371,671	331,725	387,892	16.9%
Rail Operations	43,300,250	44,532,031	48,851,627	9.7%
Technical Support	1,381,566	1,676,386	2,447,437	46.0%
Total Expenses	<u>169,578,770</u>	<u>178,570,371</u>	<u>183,235,976</u>	<u>2.6%</u>

*Expense by Category***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	117,094,717	119,696,237	123,023,380	2.8%
Fringe Benefits	15,003,291	14,655,300	15,978,119	9.0%
Purchased Services	2,235,091	2,179,229	3,605,024	65.4%
Materials & Supplies	36,035,093	39,859,079	37,052,223	-7.0%
Utilities	7,570,188	7,844,074	9,539,497	21.6%
Prov for Inj & Damages	(246,432)	(618,986)	(126,190)	-79.6%
Other Expenses	315,284	445,424	790,254	77.4%
Transfers & Capitalizations	(8,428,463)	(5,636,352)	(6,626,331)	17.6%
Total Expenses	<u>169,578,770</u>	<u>178,424,005</u>	<u>183,235,976</u>	<u>2.7%</u>

Port Authority of Allegheny County

Transit Operations

Bus Operations

Bus Operations is responsible for the delivery of bus service to all of Allegheny County, and the bus maintenance and support activities needed to enable that service to function.

Bus Service Delivery is accountable for the coordination of bus service throughout Port Authority's service area and utilizes five bus garages located in the following Allegheny County communities: Collier, East Liberty, Harmar, Ross, and West Mifflin. The Bus Maintenance function is responsible for supporting bus operations by providing system-wide bus and small transit vehicle (STV) maintenance, performing vehicle maintenance and service functions at the bus divisions, developing and communicating maintenance standard procedures and practices, developing and monitoring bus maintenance programs and training, planning and coordinating all activities related to the bus fleet, and managing the Main Shop and the Vehicle Overhaul Program. The department also works with the Technical Support Department with issues related to bus procurement and bus maintenance and assists the Procurement Department in specification development and compliance for materials, supplies, products, and contracts for bus maintenance. Bus Operations maintains partnerships with community groups, such as the Allegheny County Transit Council (ACTC) and the Committee

for Accessible Transportation (CAT), and develops and implements training for bus operators and dispatchers, monitors bus service efficiency and assists in the implementation of service changes. Road Operations is a department under Bus Operations that provides field supervision and monitors service, coordinates bus and rail detours and handles requests for special services.

FY 2009 Highlights

- Recalled 83 furloughed operators and 17 furloughed maintenance employees.
- Promoted and trained five new dispatchers.
- Hired and trained 35 new bus operators.
- Achieved 97 percent wheelchair reliability, exceeding the goal of 90 percent.
- Negotiated with Cummins Inc. to extend the turbocharger warranty coverage on the Gillig 5500 Series buses by two additional years due to a design change in their product. The estimated savings to the Port Authority was \$315,000.
- Captured and returned to the budget \$249,173 in core credits and \$365,213 in warranty claim checks, credits and product replacement during FY 2009.
- Completed Operator Awareness training for more than 77 percent of our operators; completed Safety Awareness refresher training for approximately 30 percent of our operators.
- Conducted numerous training sessions on a variety of topics from basic bus knowledge to diesel particulate filter training for new emissions on our vehicles. A total of 791 employees attended the various training sessions during FY 2009.
- ADA bus stop calling and route identification exceeded the 85 percent compliance required by the Federal Transportation Administration.
- Selected Ross Division as the pilot location for the implementation of the new Automated Fare Collection System (AFCS) on 15 buses.

- Purchased and received 80 Gillig 40-foot, low-floor, clean-diesel powered buses and approved change order for 20 Gillig 40-foot, low-floor hybrid buses. The 80 buses received replaced 35 of the remaining Flexible buses and 45 of the aging 1996 Nova buses, all of which were sold in scrap sales in April and August of 2009.
- Port Authority Bus Operations provided support and transportation to the City of Pittsburgh for three special events during FY 2009:
 - On February 6, over 300,000 attendees enjoyed the new parade route submitted by Port Authority and adopted by the City of Pittsburgh for the Steelers Super Bowl Parade.
 - Port Authority provided the city with 24 buses for the funerals of the City of Pittsburgh's three fallen officers killed in the line of duty in April.
 - Port Authority and the City of Pittsburgh coordinated the Penguins Stanley Cup Victory Parade which took place on June 15. An estimated 375,000 people were in attendance.

FY 2010 Goals and Objectives

- Increase bus stop calling and route identification compliance percentage to 90 percent during FY 2010.
- Improve ADA Observation Ride monitoring and reporting.
- Reduce manpower and equipment out of service at all locations.
- Develop Community Outreach programs at each garage location during FY 2010.
- Develop and facilitate Allison Electric Drives (hybrid) training beginning in October 2009.
- Implement newly developed "Transit Security Planning and Preparedness" training for all employees.
- Continue Operator Awareness and Safety Awareness training until all operators have attended.

- Receive delivery of 20 Gillig 40-foot, low-floor hybrid buses; place them into revenue service; and train all necessary bus and maintenance transportation personnel.
- Develop preventive maintenance procedures for new smart card fareboxes, which are scheduled for installation beginning September 2009.
- Work closely with the automated fare collection system project implementation team to ensure a smooth transition to the new fareboxes.
- Meet goal of 7,500 miles between road failures.
- Continue to achieve a greater than 90 percent target rate for functional wheelchair lifts and ramps.
- Continue to improve on-time performance – at least 90 percent of peak period bus trips shall arrive zero minutes early to five minutes late.
- Review monthly ridership statistics to evaluate and maximize service levels.
- Finish favorable to budget for the new fiscal year.

FY 2010 Key Performance Indicators

- Decrease customer service complaints.
- Meet established preventive maintenance goals.
- Reduce out-of-service due to manpower and equipment.
- Improve bus interiors and exteriors for cleanliness.
- Meet miles between road failure goal of 7,500 miles per month.
- Reduce absenteeism.
- Achieve wheelchair reliability target of 90 percent.

Rail Operations and Engineering

The Rail Operations/Engineering Group is responsible for providing Light Rail and Incline revenue service, light rail vehicle maintenance, fixed facility and right of way maintenance, and engineering design and construction. Departments include Rail Service Delivery and Railcar Maintenance, Facilities and Rail Maintenance, Technical Support and Capital Programs and North Shore Connector.

Rail Service Delivery

Rail Service Delivery (RSD) is responsible for the planning, organization, implementation, and coordination of light rail and Mon Incline service and railcar preventive maintenance and inspection. This includes operator and off-board fare collector assignments, rail operations training, road operations, field and Operations Control Center (OCC) activities, light rail vehicle maintenance, repair and inspection activities, investigation and resolution of customer complaints, update of rail operation standard operating procedures (SOP) and rulebook, evaluation and resolution of rail service delivery problems and the initiation of corrective and preventive actions. The RSD management team is tasked with evaluating general service levels, service interruption resolutions and making recommendations for improvement. The RSD team also provides operations input for future light rail expansion projects.

FY 2009 Highlights

- Reduction in derailments.
- Reduction in grade crossing accidents.
- Developed advanced operator customer relations course.
- Developed daily rail operations trending report.
- Implemented integrated adverse weather procedures.
- Extended LRV troubleshooting training to all levels of rail employees.
- Developed formal Movement Director monthly evaluation criteria.
- Completed implementation of Train Wayside Command (TWC) rail operation, where wayside signals are controlled from the inside of the railcar.
- Delivered extra rail service for special events.
- Hosted several tours of OCC for both national and international visitors.

FY 2010 Goals and Objectives

- Commence Automatic Train Protection (ATP) operation in which the speed of the train is controlled by the distance they are from the train in front of them and in relation to stations along the lines.
- Begin rail operations rulebook Computer Based Training (CBT) testing.
- Implement re-railing trainer training.
- Conduct first level supervisor quarterly budget information sessions.
- Focus on improving the quality of all aspects of rail service delivery.
- Evaluate transportation and maintenance functions for budget reduction opportunities.
- Continue aggressive monthly budget reviews for strict budget adherence.

- Continue Operator Customer Service training.
- Continue troubleshooting training for all levels of rail operations personnel.

FY 2010 Key Performance Indicators

- On-time arrival.
- Vehicle cleanliness.
- Discourtesy complaints.

Facilities and Rail Maintenance

The purpose of the Facilities & Rail Maintenance Department is to provide Port Authority customers and employees with safe, clean and reliable facilities and to maintain non-revenue vehicles and equipment in optimal condition. The Department is comprised of the following: Facilities & Rail Maintenance Administration, Way, Facilities, LRT Systems, Non-Revenue Vehicles and Power.

The Facilities & Rail Maintenance Department is responsible for providing direction for and oversight of the maintenance, service, and repair of elements of Port Authority infrastructure and support equipment. This includes the following:

- Repair and various janitorial labor functions for Port Authority facilities; including rail, rail stations, rights-of-way, bus stations, Park and Ride lots, loops, layover areas, vehicle and equipment storage lots, and other support facilities.

- Maintenance of Port Authority's traction power system and signal system to provide an uninterrupted power supply and to ensure the safe operation of trains.
- Maintenance and repair of electronic equipment, radios, and public address systems and other communications systems.
- Maintenance, repair, and servicing of Port Authority's non-revenue vehicles and equipment.

FY 2009 Highlights

- Facilities & Rail Maintenance preventive maintenance completion rates remained consistent during FY2009 at an average of 90%.
- Trained employees that perform work of a similar nature on special equipment; i.e. Tamper and Ballast Regulator. This will improve flexibility and enhance our ability to schedule work when certain personnel are not available.
- Tied the Wabash tunnel and the Mon Incline into Port Authority's fiber optic system.
- Expanded security through installation of CCTV cameras in multiple areas and potential problem areas.

FY 2010 Goals and Objectives

- Continue to place the Facilities and Rail Maintenance system into the fiber optic system throughout Port Authority.
- Automate, where possible, monitoring of vital systems such as the Incline, Substation, and mileage logs, preventive maintenance and work order systems.
- Continue to train employees that perform work of a similar nature on special equipment; i.e. Tamper and Ballast Regulator. In addition, train supervisors in the use of all equipment associated with their respective departments. This will improve flexibility and enhance the ability to schedule work when certain personnel are not available.

- Improve the use of personnel on snow removal and evaluate costs to better manage the budgeted monies.

Facilities

The Facilities Department is responsible for housekeeping and maintenance of the Subway, South Hills Junction, and Manchester locations. Mechanical, plumbing, carpentry, and electrical work are provided and heating and cooling service is maintained across the entire Port Authority system.

FY 2009 Highlights

- Completed formal and Keystone training for facility employees.
- Completed installation of optical fiber at the Mon Incline.
- Installed LED lighting at the King's School train stop.
- Installed digital controls for HVAC systems at SHV and Manchester.

FY 2010 Goals and Objectives

- Complete rewiring of Mt. Lebanon tunnel conduits.
- Install upgraded lighting along rail line.
- Repair and replace subway lighting.
- Repaint Mon Incline.
- Repair and paint SHJ tower roof.
- Repair and replace cooling towers at Manchester.

FY 2010 Key Performance Indicators

- Overtime usage not to exceed allocation.
- Average 90% of PM's completed per month.
- Clear complaints within one week of receipt.

Non-Revenue Vehicles

The Non-Revenue Auto Shop handles the maintenance and repair of over four hundred assets. This includes approximately two hundred eighty licensed vehicles and one hundred twenty pieces of garage support equipment. This department ensures that these assets are safe and reliable for employees to use.

FY 2009 Highlights

- Replaced 35 non revenue vehicles. Seven of these vehicles were for Operations Relief and IT; eight were Supervisory, mail, Claims and Admin Services. Fourteen Route Foreman trucks were replaced, one Revenue Collection and five Police vehicles including one K9 Tahoe unit. Seventy five percent of these vehicles were replaced with smaller, more fuel efficient vehicles.
- Totally reorganized the Parts Room eliminating obsolete inventory.
- Removed all obsolete shop equipment, tires and scrap in and around the building.
- Increased efficiencies and lowered costs by utilizing vendors that are closer to our location.
- Continued to reassign vehicles by mileage usage.
- Eliminated outside vendor car washes except for Police Cruisers.
- Cleaned out the Emergency (750) building of scrap.

- Created a tune-up policy for any vehicle over 75,000 miles.

FY 2010 Goals and Objectives

- Acquire on-site recertification of 2 year State emission licenses.
- Replace four police cruisers.
- Replace three Garage Service trucks.
- Replace five garage service pick up trucks with snow removal equipment.
- Replace one tow truck (610).
- Replace four supervisory vehicles.
- Replace five riding floor scrubbers.
- Replace five relief/facilities vehicles.
- Continue to reassign vehicles by mileage use.
- Continue to look for ways to improve efficiencies.

FY 2010 Key Performance Indicators

- Total Scheduled repairs made.
- Total Unscheduled repairs made.
- Total work orders written.

Way and Facilities

The Way Department is responsible for the maintenance of Port Authority rail systems, bus rights-of-way, and bridges.

FY 2009 Highlights

- Replaced 600' of curve worn rail in Subway.

- Replaced 600' of worn strap guard rail in Subway.
- Replaced 120' of curve worn rail on Panhandle Bridge.
- Replaced 1200' of curve worn rail in Mount Lebanon tunnel.
- Replaced 1600' of curve worn rail in Poplar S curves.
- Installed lag screws on curves of Overbrook line.
- Installed 200 LB Foster vulcanized direct fixation plates in Mount Lebanon tunnel.
- Replaced switch rail and stock rail at Needle.
- Replaced 300' of curve worn rail in yard.
- Replaced 300' of worn strap guard rail in yard.
- Replaced 2 frogs in yard.
- Replaced 2 switch points in yard.
- Repaired with asphalt 1 grade crossing in yard.
- Replaced 300 ties at South Hills Junction and Washington Junction.
- Replaced 100 ties at Library line.
- Replaced rail in grade crossings at Highland and Denoldi.
- Installed lubricator at TT track in yard.
- Rebuilt Mon Incline buffer.
- Replaced broken concrete sidewalks at Mount Lebanon station.
- Replaced railing at Station square.
- Replaced concrete at rail center entrance.
- Replaced fencing at Glenbury substation.
- Replaced fencing at Willow station.
- Replaced slabs at Liberty garage.
- Repaired concrete steps South bus way access.
- Repaired asphalt lot at West Mifflin garage.
- Repaired asphalt lot at Manchester.
- Cut brush length of library line.
- Repaired sidewalks at Traymore and Pennant.
- Repaired curbs and sidewalks at Penn Mall.

- Repaired sidewalks and fencing at Negley station.
- Repaired catch basin at Washington Junction.
- Repaired collapsed wall at Wilkinsburg station.

FY 2010 Goals and Objectives

- Replace 800' rail (low side) Panhandle curve.
- Replace 800' strap guard Panhandle curve.
- Replace 200' gauge worn rail Stevenson.
- Replace 200' gauge worn rail Private drive.
- Replace 500' strap guard in yard.
- Replace 1000 ties on Library line.
- Create and train surfacing crew.
- Surface library line.
- Replace hand rail in community room at Wood Street.
- Rebuild bus stop at West Liberty ramp.
- Rebuild Penn Mall curbs and grates.
- Paint wall at Wilkinsburg.
- Repair wash rack Harmar.
- Replace 250' of imbedded track on Broadway Ave.
- Mon Incline tie rehab.
- Replace plates on the Panhandle Bridge.
- Potomac road crossing rehab.
- Rehab Allentown line.
- Replace various Frogs and Switch points throughout the system.

FY 2010 Key Performance Indicators

- Timely and completed rail inspections.
- Rail replacement and maintenance projects completed.

- Completing all preventive maintenance on time.

Power and LRT Systems

The Power Department is responsible for maintenance of electric power systems that provide subway lighting, signal power, traction power generation, current control, and delivery. The LRT Systems Department is comprised of the following four groups:

- The Signal Group is responsible for all rail signals, roadway signals, track circuits, and traffic computer systems.
- The Electronic Group maintains the microwave backbone system, closed circuit TV systems, passenger information systems, radio transmitters and receivers, process control systems, LRV braking equipment, digital data systems and signal control circuit cards.
- The Radio Shop handles maintenance of police car and non-revenue vehicle radio equipment.
- The Farebox Shop provides depot level repair of all Port Authority fare boxes and probe units.

FY 2009 Highlights

- Installed automatic overhead catenary heating system on yard tracks 9-18.
- Removed and replaced over 350 remaining OCS contact wire support arms with insulator clamp assemblies as part of the Stage I OCS enhancement program.
- Installed ten new AF bridging sectional insulators that eliminated the need to power off through the insulator thus reducing arcing damage to the insulator and power collector.

- Replaced all defective wooden poles from Washington Junction to Mesta and from Pleasant to Sandy Creek, approximately 65.
- Implemented an Electrical/Electronic Maintenance program to support the Mon Incline Electrical and Electronic/PCS based motor control system and performed a complete electrical inspection of the Incline. Rebuilt and replaced motor controllers which increased availability of the Incline.
- Replaced over a mile of worn contact wire on the main line.
- Began a rehabilitation program of replacement of corroded catenary arm insulators. Over 225 were rehabilitated this year saving almost \$80,000.
- Assumed responsibility for the switchgear in the CBD. Cleaned and tested all the switchgear at Steel Plaza, Wood Street and Gateway. Completed all repairs at Wood Street and Steel Plaza. Gateway is to be replaced in the future.
- Assumed responsibility for UPS for OCC after a failure. Balanced phases and made required repairs. Developed a monthly preventive maintenance program, returned responsibility to the South Hills Village Rail Center.
- Began a campaign to rebuild/replace defective tie switches throughout the entire system. Replaced six that were obsolete and rebuilt seven others.
- Removed all obsolete under voltage throughout the system.

FY 2010 Goals and Objectives

- Replace 18,000' of worn contact wire on the Library Line.
- Remove and replace the approximately 150 remaining OCS contact wire support arms with insulator assemblies as part of the Stage I OCS enhancement program.
- Install balance weighted catenary system at South Hills Junction as part of the Stage I OCS enhancement program.
- Replace 15 of the 75 NOBO sectional insulators on the mainline with new AF bridging sectional insulators that eliminated the need to power off through the insulator, thus reducing arcing damage to the insulator and power collector. This is also part of the Stage I OCS enhancement program.

- Develop a preventive maintenance procedure for the UPS in the Stage II Substation.
- Develop a preventive maintenance procedure for the Stage II DC Feeder Breakers.
- Replace remaining defective wooden catenary poles on Library Line; approximately 70 have been identified during inspections.
- Refurbish all the lighting UPS for the Stage II stations and develop a preventive maintenance procedure.
- Begin a program of thermal imaging all rectifiers and transformers.

FY 2010 Key Performance Indicators

- Number of delays due to Overhead Problems.
- Number of delays due to Traction Power Problems.
- Amount of lost time accidents.

Technical Support and Capital Programs

The functions of the Technical Support and Capital Programs Department include the management of the company's Capital Project Programs; providing technical support to Operations and the other divisions within the Authority; administering the Authority's rail maintenance training programs; assisting in the administering and monitoring of the Operations Division's capital and operating budgets.

Capital Program Management includes the following evaluation of corporate infrastructure assets: identification, estimating and prioritizing of

potential capital projects; and design and construction of approved projects. Technical Support includes evaluation, recommendation and technical expertise for the bus and rail systems and the maintenance and repair of the facility infrastructure system. Technical Support is also responsible for the development of technical specifications for the procurement of services, materials, tools and equipment, the review and evaluation of system derailments, and the management and inspection of Port Authority's bridge infrastructure.

The department's budget responsibilities include variance reporting, forecasting, and coordination of information between the Operations and the Finance Divisions. Additional responsibilities include providing support to division staff in identifying and developing utility and third party agreements, project management plans, and document control activities.

FY 2009 Highlights

Capital Programs

- *Stage II Light Rail System Reconstruction*
The signal portion of the Signals and Communications contract was completed in 2009. The Automatic Train Protection (ATP) equipment was installed on the final remanufactured LRVs. Implementation of the ATP system and contract close out took place during fourth quarter of fiscal year 2009.
- *LRV Procurement*
Completed the delivery of all 55 rehabilitated LRVs and issued final acceptance payments for them.
- *Automated Fare Collection System*
An agreement to perform the replacement work for the automated fare collection system was issued subject to availability of local matching funding.

- *East Busway B&O Bridge Deck Repair and Approach Slab Replacement*
The replacement of concrete approach slabs, bridge deck repairs and rehabilitation of the abutment walls for the East Busway B&O Bridge were completed in 2009.
- *Morewood Point Landslide Remediation*
A hillside located beneath the Morewood Point Housing Development has slid and encroached upon the East Busway. Analysis of landslide and design of remediation work was completed in 2009. Remediation work expected to begin in fiscal year 2010.
- *Harmar Stormwater & Paving*
This project will upgrade the existing perimeter storm water collection system, including repair of underground piping, upgrade of existing inlets/manholes. Remove and replace pavement in the bus storage and garage exit area, mill and replace pavement in the bus entrance area and complete pavement patching around the garage perimeter. The design work was completed in 2009, with construction to begin early in fiscal year 2010.
- *Collier Perimeter Paving*
Remove and replace existing pavement in the bus parking and egress areas at the Collier garage. Design was completed in 2009, with construction to begin in early fiscal year 2010.
- *East Liberty Wash Racks*
This project will replace wash racks "A" and "B" at the East Liberty garage. Design was completed and construction began during fourth quarter of fiscal year 2009.
- *Axle Press*
The design work for a new LRV axle press at the South Hills Village Rail Maintenance facility was completed. The axle press will be installed in FY 2010.
- *Microwave System Replacement and Upgrade*
The design work for replacement and upgrade of the existing microwave system began fourth quarter of fiscal year 2009.

Technical Support

- Completed the necessary testing of Authority wide fire alarm, fire detection and suppression systems.
- Completed the scanning of all of the Stage II as-built drawings. This provides the Authority with a digital back-up and electronic library of these drawings.
- Continued to oversee the Authority's Bridge Inspection Program.
- Replaced many of the man doors throughout the Authority garages and Subway System.
- Replaced high speed doors for bus access at all Authority garages.

Project Controls

- Created Project Status Reports for project managers.
- Created a new departmental variance report for managers to report their operating budget variances.
- Assisted in the preparation of the National Transit Database report.
- Prepared the semi-annual Disadvantaged Business Enterprise (DBE) Summary Report.
- Provided support in developing third party agreements and work authorizations.

Environmental Compliance

- **Wastewater Management**

Developed stormwater management preventive maintenance procedures for the Collier, Harmar, Ross and West Mifflin bus garages. The procedures included routine inspection, maintenance, and cleaning of stormwater conveyance and treatment systems at the garages. These procedures were developed in response to Pennsylvania Department of Environmental Protection (DEP) draft consent order to improve the overall quality of the stormwater runoff discharged from these garages to the

nearby streams.

- *Air Quality Management*

Finalized air operating permits for the eight major Port Authority operating facilities with the Allegheny County Health Department (ACHD) Air Quality Program.

- *Storage Tank Management*

Completed the tri-annual operations inspections by a DEP certified inspector of the 19 underground storage tanks at the East Liberty, Harmar, and Manchester facilities as required by the DEP Storage Tank Program regulations. All tanks were in compliance with the storage tank program requirements.

- *Waste Management*

Completed inspections of the waste management and underground storage tank operations with the United States Environmental Protection Agency (EPA) and DEP of the South Hills Junction and Harmar Garage facilities. Port Authority's municipal, residual, hazardous and universal waste management and storage tank management operations were found to be in compliance with the agencies' governing rules and regulations. The agencies were particularly pleased with Port Authority's universal waste mercury containing fluorescent tube and bulb recycling program.

Completed the 2008 Update to the Port Authority Source Reduction Strategy (SRS) for hazardous waste for the Collier, East Liberty, Harmar, Manchester, Ross, South Hills Village, and West Mifflin facilities. Hazardous waste generation continues to drop as a result of implementation of the SRS. Hazardous waste generation has decreased 35% since the inception of the SRS in 2003.

FY 2010 Goals and Objectives

Capital Programs

- *Harmar Stormwater & Paving*

This project will upgrade the existing perimeter storm water collection system, including repair of underground piping, upgrade of existing inlets/manholes. Remove and replace pavement in the bus storage and garage exit area, mill and replace pavement in the bus entrance area and complete pavement patching around the garage perimeter. The construction phase will be completed during fiscal year 2010.

- *LRV Procurement and Rehabilitation Project*
Work with CAF to achieve the final milestones of the project including the delivery of as-built drawings, completion of modifications, and completion of LRV warranties.
- *Collier Perimeter Paving*
Remove and replace existing pavement in the bus parking and egress areas at the Collier garage. The construction phase will be completed during fiscal year 2010.
- *Automated Fare Collection System*
Implement replacement work and installation of automated fare collection equipment in 2010.
- *Morewood Point Landslide Remediation*
A hillside located beneath the Morewood Point Housing Development has slid and encroached upon the East Busway. Remediation work to be completed in 2010.
- *East Liberty Wash Racks*
This project will replace wash racks "A" and "B" at the East Liberty garage. The construction phase is to be completed during fiscal year 2010.
- *Manchester Paint Booth*
Manage the installation or rehabilitation of a paint spray booth at the Manchester Main Shop.
- *Axle Press*
Award contract and begin installation of a new LRV axle press at the South Hills Village Rail Maintenance facility.
- *Microwave System Replacement and Upgrade*
Complete design and construction for replacement and upgrade of the existing microwave system. Begin design of radio system replacement to be implemented during fiscal year 2011.
- *East Busway Pavement Replacement*
The project requires a full depth removal and replacement of the subbase and concrete surface of the original 6.2 mile Martin Luther King East Busway. The project will extend over a period of five years. The design phase and first segment of construction to be completed during fiscal year 2010.

- *Mt. Lebanon Tunnel Rail Replacement and Tunnel Upgrades*
The project encompasses replacement of rail, rail components and upgrade of the existing tunnel ventilation system to address the effects of moisture build up throughout the tunnel length. The project will extend over a period of two years. The design phase and start of construction to be completed during 2010.
- *Mt. Washington Tunnel – North Portal Face Remediation*
Undergo evaluation by a Professional Geologist of the north portal rock face of the Mt. Washington Tunnel to assess the current condition of the rock/shotcrete portal face. The results of evaluation will define current condition and subsequent modifications to improve slope stability. The evaluation is planned for 2010.
- *Rail Wheel Interface Study*
Develop specification for a wheel / rail interaction study to identify factors that will help to extend LRV wheel and rail useful life. Implement a rail grinding program and new wheel profile.
- *Roof Replacements at SHVRC, OCC and SHJ Building 1*
Develop a construction specification for the replacement of the SHVRC, OCC and SHJ Building 1 roofs. These roofs are from the original construction circa 1984. The roofs have many leaks and are in need of replacement.
- *West Busway Ramp Repair*
The project includes site investigation of the embankment settlement and pavement distress that has occurred on the West Busway Ramp B. In addition, there will be a design and construction of the recommended repairs. Site investigation and design occurred in Fiscal Year 2009. Construction will start and be completed in Fiscal Year 2010.
- *Avalon Loop Retaining Wall*
The project includes design and construction for the retaining wall replacement at the Avalon Loop. The project will start in Fiscal Year 2010.
- *Bridge Inspection Program*
The Bridge Inspection Program includes periodic inspections of each Port Authority bridge every two years. The inspections assess structural conditions and allow for the forecasting of rehabilitation and replacement needs before major crisis situations arise. The program also includes the periodic inspection of transit tunnels (every two years), radio towers (every six years), and retaining walls (as needed) and inclines (every four years).

Technical Support

- Begin the process of scanning all full size as-built drawings on file in the South Hills Junction plans vault. This process will entail the scanning to digital format of over 75,000 documents. When finished this will be back-up documents and an electronic library of all Authority as-builts.
- Continue the necessary testing of Authority wide fire alarms, fire detection and fire suppression systems.
- Prepare as-built drawings of the 13 zones of the fire stand pipe system in the Central Business District (CBD).
- Prepare a database of the domestic and fire backflow preventions in the Authority's system.

Project Controls

- Assist directors and managers in developing their annual operating and capital budgets.
- Assist in the preparation of the National Transit Database report.
- Provide support in developing third party agreements and work authorizations.

Environmental Compliance

- **Wastewater Management**

Complete the construction of the Harmar Division Garage Storm water Separation & Improvements project to meet permit conditions and improve the storm water discharge quality at the garage as required within the DEP draft consent order. Also continue implementing the storm water management preventive maintenance procedures at all the garages to improve the storm water discharge quality including procedures to routinely sweep the yard areas of the garage with newly purchased street sweeper equipment.

Complete the design and installation of the Engine Parts Cleaning Wastewater Treatment System at the Manchester Shop. This system will collect and treat the wastewater resulting from the bus engine/bulkhead washing operation to control the oil and grease discharges that have been in violation of the ALCOSAN permit for the facility.

- ***Storage Tank Management***

Complete the tri-annual operations inspections by a DEP certified inspector of the 16 underground storage tanks at the Collier, Ross, and South Hills Village facilities as required by the DEP Storage Tank Program regulations.

Complete the tri-annual cathodic protection testing by a DEP certified testing firm of the 37 steel underground storage tanks at the various operating facilities as required by a DEP Storage Tank Program regulations.

FY 2010 Key Performance Indicators

- Number of projects completed on time and within budget.
- Time to complete PA One Call tickets.
- Response to "Notice of Violation" letters from the EPA.

Rail Maintenance Training

Rail Maintenance Training provides the development and delivery of skilled maintenance training programs for hourly maintenance personnel, as well as training of Authority employees on various pieces of non-revenue equipment.

FY 2009 Highlights

- Completed courseware development for the Radio Repairman and Electronic Maintainer positions associated with the MAP program. The courseware includes classroom instruction, lab work, and testing. The courses developed were Basic Electronics, Digital Electronics, Microprocessors, and Communication Electronics. Each Course represents 200 contact hours per student.
- Completed training for five MAP Wiremen apprentices. Each student received 668 hours of classroom and lab training. Courseware included Electrical Safety, Lighting, Generators, Maintaining Shop Equipment, and National Electrical Code understanding and application.

- In compliance with DOT regulations, Rail Training developed and implemented a Track Entry course for all employees who service and install equipment relating to our Right-of-Way. This class instructs employees on procedures for entering the right-of-way and work-site safety procedures while in the right-of-way. 228 employees have attended this class to date.
- Developed a new CDL Pre-Trip Inspection Form that will be used to verify the road worthy condition of heavy equipment and rail capable equipment. This form replaces two independent forms that had been previously used. It also simplifies and clarifies the Federal and State requirements for pre-trip inspections.
- Completed training for two Electronic Maintainers and one Radio Repairman in the MAP program. The completion of this training will constitute 1060 hours worth of classroom and lab work instruction per student.
- Contributed to the Keystone program by helping to develop curriculum for the programs 50 identified career paths. Rail Training also assisted in the scheduling and billing of training related to the Keystone initiative.

FY 2010 Goals and Objectives

- Centralize welding training that affects five of the 11 MAP classifications and the Way, Facilities, and Overhead departments.
- Take the lead role in scheduling and administering the remaining contractual training required through the CAF car procurement. Training that will take place includes Gearbox Overhaul, PTU Troubleshooting, Contactor Overhaul, and Propulsion and Auxiliary Inverter Blower Motor Overhaul.
- Continue involvement with the Keystone program, participating in course development and externally administered training programs.
- Update the MAP courseware for the Shop Mechanic position to reflect the newer Bombardier propulsion systems and their overhaul.

FY 2010 Key Performance Indicators

- Perform 1250 man-hours of training per month in an effort towards completion of formal classroom training requirements in the MAP Program.
- Lessen training gaps in the Way Department with regard to track maintenance and tamping by educating Supervisors and Special Equipment Operators on track geometry and proper tamping procedures.
- Begin student generated course assessments to ensure an above 90% positive feedback on course content and instructor performance.

Railcar Maintenance (Heavy & Running Repair)

Railcar Maintenance is responsible for the preventive and corrective maintenance of all light rail vehicles and is comprised of Running and Heavy Repair, which work in unison to achieve this common goal. Running repairs include door repairs, window replacement, minor electrical problems, diagnosis of propulsion/braking failures, etc. Often running repairs do not require removing a vehicle from service. Heavy Repairs require a longer period of time to complete and more complex troubleshooting. Typical heavy repairs include rewiring, component overhauls, suspension systems, body and collision work, sanding and painting. Railcar Maintenance is also responsible for the daily servicing and inspections, interior and exterior cleaning, and scheduled maintenance of all light rail vehicles.

FY 2009 Highlights

- Implemented LRV cleanliness quality control program.
- All 55 LRV completed rehab and are in operation.
- Began 120K LRV inspection program.
- Implemented propulsion reset modification to address propulsion lock out incidents during adverse weather conditions.

FY 2010 Goals and Objectives

- Implement vehicle reliability program.
- Develop advanced propulsion system maintenance training.
- Establish LRV event recorder training program.
- Complete rehabbed LRV battery exchange program.
- Increase mean distance between service interruptions.

FY 2010 Key Performance Indicators

- Mean distance between service interruptions.
- Preventive maintenance inspections within prescribed mileage window.
- Vehicle Cleanliness.

North Shore Connector

The North Shore Connector Team is responsible for the design, construction and overall project management of the light rail extension project to the North Side of the city. The contracts for the boring of the twin tunnels, the Gateway and aerial station civil contracts are all in construction. The train

system contract was awarded and has begun to mobilize with preparation for construction of a new cross over in the existing subway system to allow trains to be turned back at the Wood Street Station. The station finishes and escalator/elevator contracts have also been awarded and are in the completing submittals and contract execution phase.

FY 2009 Highlights

- Design was completed and all construction contracts were bid and awarded.
- The twin bored tunnels were completed under the Allegheny River and the NSC-003 section of the contract was over 90% complete.
- The NSC-006 Cut and Cover tunnel work was completed and turned over to the NSC -009 Systems Contractor.
- The NSC-004R Contract, the Gateway Station Shell Contract, was approximately 40% complete.
- The NSC-007 Contract, the Aerial Structure, was approximately 25 % complete.
- The advanced procurement contract for a track crossover necessary for turn back operations at Wood Street Station was completed and the materials delivered prior to their scheduled installation on the project.
- Construction Change Order management proactively limited cost changes to less than 2%, despite the most complex and challenging construction operations.

FY 2010 Goals and Objectives

- Complete NSC-003/006 Construction Contract on or before the contract completion date of January 15, 2010.

- Complete the installation and commissioning of the Wood Street Turnback operation by November 25, 2009.
- Advance the completion of the NSC-004R Contract to 90% level of completion.
- Advance the station finish work at the North Side Station to 70% level of completion.
- Complete the construction of the aerial structure ahead of the contract completion date of May 31, 2010.
- Complete installation of 75% of the rail by the NSC-009 contract.

FY 2010 Key Performance Indicators

- Complete the construction of the NSC-003/006 Contract and begin contract close out by January 15, 2010.
- Complete the construction of the aerial structure, Contract NSC-007 by March 31, 2010.
- Continue to manage construction contract changes to 5% or less of the original contract value.

Port Authority of Allegheny County

FINANCE DIVISION

Overview

The Finance Division at the Port Authority is responsible for all financial, accounting, treasury, reporting and procurement related functions. In addition, Claims, along with Workers' Compensation, Grants Accounting, Information Technology and Capital Project Administration departments are part of this division. Beginning in FY 2010, the Automated Fare Collection System (AFCS) Department was created to manage the migration to a "smart-card" data collection system that will replace the existing rolling stock farebox and related cash-handling systems. In addition, the AFCS Department will be responsible for the implementation of a common regional fare infrastructure for all regional transit companies that elect to participate.

Specific responsibilities of the Finance Division, in addition to the AFCS department, include the following: prepare and monitor the annual operating and capital budgets; prepare financial documents and reports as required by federal, state, and county governments; collect and deposit revenues, cash management, financial projections and analysis; purchase, receive, store and distribute materials, supplies, and services consistent with Port Authority's needs; perform payroll, accounts receivable, accounts payable, billing, and other accounting functions; review and process all liability, property, and workers' compensation claims made

against the Authority; manage all hardware and software projects within the organization; apply for State, Federal and local grants; and perform the grants accounting functions.

The Finance Division provides oversight of the General Administrative Expenses of the Port Authority which include corporate and general insurance and interest expense. General Administrative Expense also includes all federal and state capital programs used to offset operating expenses. These budgeted dollars are shown as a contra-expense account. For presentation purposes, the General Administrative departmental costs are shown separately.

Finance Division officials also serve on many committees: the attendance and absenteeism task force, IT steering committee, and capital planning committee. In addition, they serve as trustees for Port Authority's defined benefit retirement and disability plans.

Divisional Expense Highlights

The Finance Division ended FY 2009 favorable to budget in all expense categories. Salaries and Wages were favorable to budget by \$925,172 and Fringe Benefits by \$355,497. In addition, Port Authority budgeted in FY 2009 for the possibility that the borrowing of short term funds might be necessary to offset the delay in receiving Operating Assistance from Allegheny County. This was unnecessary, resulting in the company being favorable to budget in interest expense.

Figure 3.4
Port Authority of Allegheny County
FINANCE DIVISION

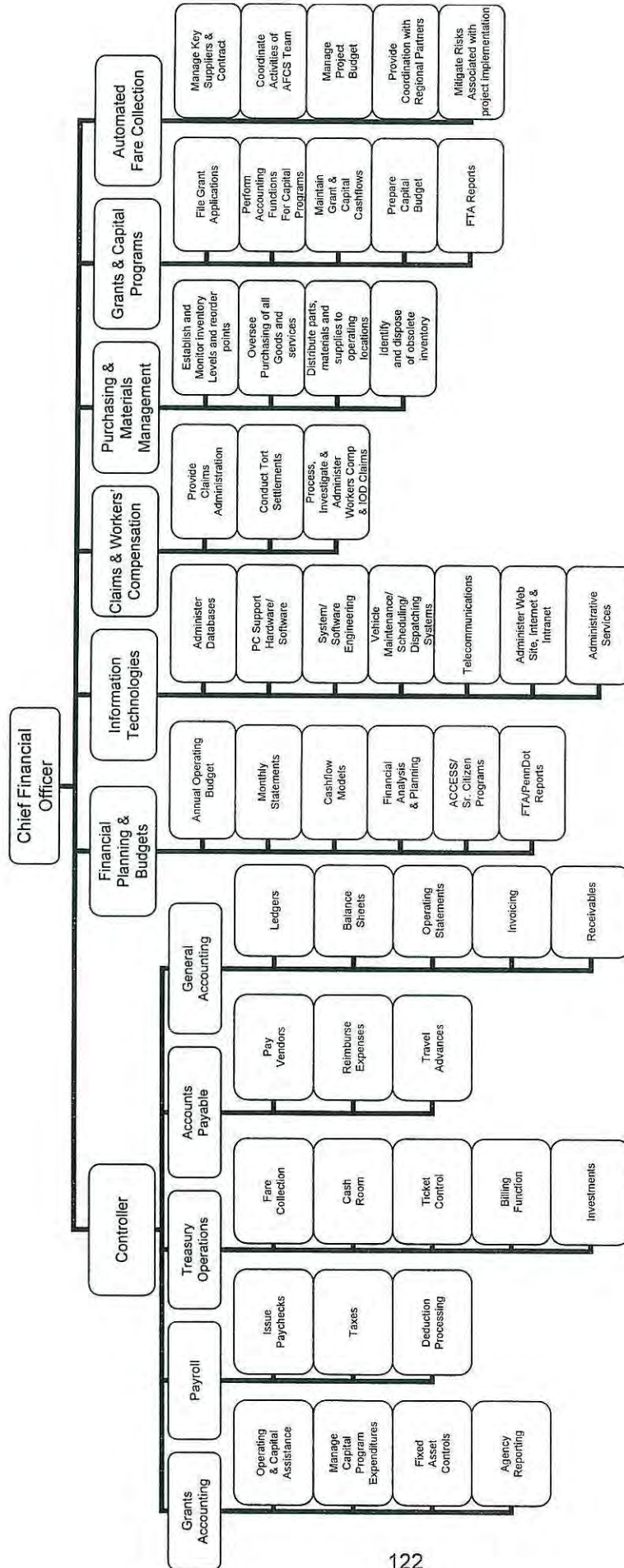
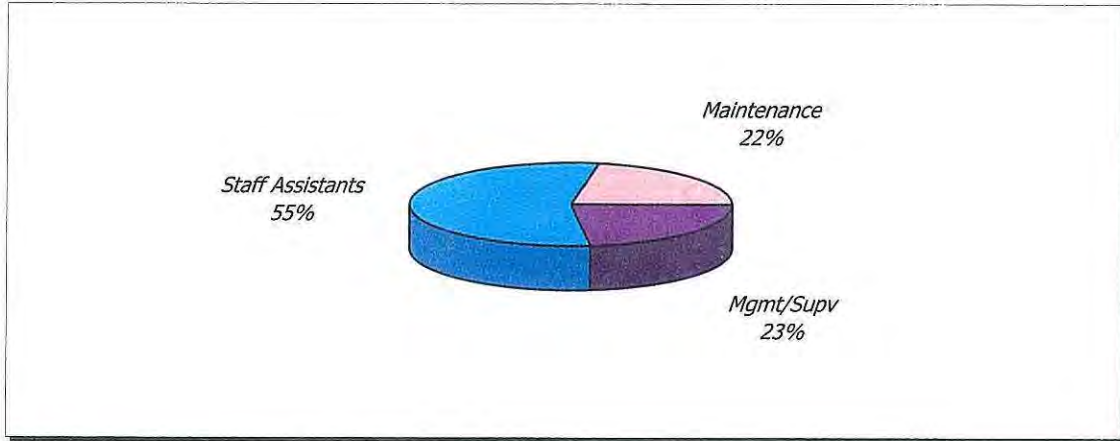


TABLE 3.4a

Port Authority of Allegheny County
FINANCE DIVISION
Personnel by Function & Department

Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Exec & General - Finance	2	2	2
Materials	37	42	42
Claims & Workers' Compensation	12	15	14
Accounting	12	15	15
Treasury Operations	21	22	23
Financial Planning & Budgets	4	4	4
Grants Accounting	3	3	3
Procurement	18	19	19
IT System Development	20	12	15
IT Infrastructure & Support	0	9	10
Grants and Capital Programs	3	3	3
Automated Fare Collection Systems	0	0	3
Administrative Services	7	8	8
Total Personnel	<u>139</u>	<u>154</u>	<u>161</u>

TABLE 3.4b*Port Authority of Allegheny County***FINANCE DIVISION***Expense by Department***Expense Summary (Total Expense)**

	FY 2008 Actual	FY 2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Exec. & General - Finance	195,828	178,441	178,906	0.3%
Claims & Workers' Compensation	6,319,681	4,163,044	5,828,818	40.0%
Accounting	746,189	736,487	819,244	11.2%
Treasury Operations	981,832	921,676	1,021,902	10.9%
Financial Planning & Budgets	209,495	228,135	226,924	-0.5%
Grants Accounting	20,266	57,099	38,179	-33.1%
Materials	2,598,523	2,584,316	2,585,034	0.0%
IT System Development/Infrastructure	1,946,304	2,498,892	2,920,084	16.9%
Automatic Fare Collection System			231,480	
Administrative Services & Technical Specs.	563,242	645,396	817,898	26.7%
Grants and Capital Programs	16,449	35,393	300	-99.2%
Procurement	1,032,805	1,058,077	1,084,916	2.5%
General & Administration	7,154,882	5,093,053	2,780,890	-45.4%
Total Net Expense	21,785,497	18,200,008	18,534,575	1.8%

*Expense by Category***Expense Summary (Total Expense)***

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	7,847,056	7,928,950	9,076,933	14.5%
Employee Benefits	14,291,122	13,904,589	14,587,360	4.9%
Purchased Services	1,494,929	1,527,045	2,070,100	35.6%
Prov for Inj & Damages	3,203,520	2,305,413	2,939,772	27.5%
Materials & Supplies	147,568	(122,473)	180,940	-247.7%
Utilities	235,975	656,297	651,000	-0.8%
Interest Expense	886,756	1,405,321	1,000,000	100.0%
ACCESS	25,394,315	24,271,974	25,645,900	5.7%
Other Expenses	709,919	1,330,347	1,118,674	-15.9%
Transfers & Capitalizations	(32,425,663)	(35,007,455)	(38,736,104)	10.7%
Total Net Expense**	21,785,497	18,200,008	18,534,575	1.8%

**Both the Expense by Department Analysis at top of page and Expense by Category at bottom of page include General Administration Expense that is not included in Table 3.4c.*

***Change in Total Net Expense due to re-categorization of Transfers & Capitalizations into State Operating Assistance*

TABLE 3.4c

Port Authority of Allegheny County
FINANCE DIVISION

*Expense by Department***Expense Summary (Functional Group)**

	FY 2008 Actual	FY 2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Exec. & General - Finance	195,828	178,441	178,906	0.3%
Claims & Workers' Compensation	6,319,681	4,163,044	5,828,818	40.0%
Accounting	746,189	736,487	819,244	11.2%
Treasury Operations	981,832	921,676	1,021,902	10.9%
Financial Planning & Budgets	209,495	228,135	226,924	-0.5%
Grants Accounting	20,266	57,099	38,179	-33.1%
Materials	2,598,523	2,584,316	2,585,034	0.0%
IT System Development/Infrastructure	1,946,304	2,498,892	2,920,084	16.9%
Automatic Fare Collection System			231,480	
Administrative Services & Technical Specs.	563,242	645,396	817,898	26.7%
Grants and Capital Programs	16,449	35,393	300	-99.2%
Procurement	1,032,805	1,058,077	1,084,916	2.5%
	<u>14,630,615</u>	<u>13,106,955</u>	<u>15,753,685</u>	<u>20.2%</u>

*Expense by Category***Expense Summary (Functional Group)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	7,847,056	7,928,950	8,726,933	10.1%
Employee Benefits	3,247,063	1,870,475	2,566,145	37.2%
Purchased Services	1,369,161	1,366,465	1,890,100	38.3%
Prov for Inj & Damages	1,873,672	1,057,859	1,602,030	51.4%
Materials & Supplies	133,436	105,154	179,740	70.9%
Utilities	235,983	655,693	651,000	-0.7%
Other Expenses	270,837	395,432	513,581	29.9%
Transfers & Capitalizations	(346,592)	(273,072)	(375,844)	37.6%
	<u>14,630,615</u>	<u>13,106,955</u>	<u>15,753,685</u>	<u>20.2%</u>

TABLE 3.4d

Port Authority of Allegheny County
FINANCE DIVISION

Expense by Department

Expense Summary (General & Admin. Group)

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
General Admin. Expense	7,154,882	5,093,053	2,780,890	-45.4%
	<u>7,154,882</u>	<u>5,093,053</u>	<u>2,780,890</u>	<u>-45.4%</u>

Expense by Category

Expense Summary (General & Admin. Group)

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	-	-	350,000	
Employee Benefits	11,044,060	12,034,115	12,021,215	-0.1%
Purchased Services	125,768	160,580	180,000	12.1%
Materials & Supplies	14,132	(227,627)	1,200	-100.5%
Interest Expense	886,756	1,405,321	1,000,000	100.0%
Prov for Inj and Damages	1,329,848	1,247,554	1,337,742	7.2%
ACCESS	25,394,315	24,271,974	25,645,900	5.7%
Other Expenses	439,082	934,914	605,093	-35.3%
Utilities		604		-100.0%
Transfers & Capitalizations	(32,079,072)	(34,734,383)	(38,360,260)	10.4%
	<u>7,154,881</u>	<u>5,093,053</u>	<u>2,780,890</u>	<u>-45.4%</u>

Port Authority of Allegheny County

FINANCE DIVISION

Purchasing and Materials

FY 2009 Highlights

- Completed FY2009 physical inventory. After completing and calculating the actual physical counts and inventory values, the 2009 inventory count was 98.4% accurate with a system accuracy of 99%.
- Oversaw the contract bidding process, award and execution for approximately 64 RFBs (over \$50,000) at an estimated value of \$ 97,339,222.
- Oversaw the contract bidding process, award and execution for approximately 20 RFQs (under \$50,000) at an estimated value of approximately \$ 473,892. Several of these RFBs and the RFQs have resulted in substantial savings to the Authority. Oversaw the sale of 115 scrap buses for a total revenue to the Authority of \$ 357,656.
- Created a separate business unit for supply items stocked at South Hills Village Rail Center. With a separate business unit containing only supply items, the rail center business unit (144RC) is totally separate from central stores distribution and sourcing. This has simplified the automated replenishment process by creating demand for two separate business units, 144RC and 144SU, and has greatly reduced the chance of error encountered under the previous process.
- Finalized the E-procurement process and procedure in PeopleSoft 8.9. Made drastic changes to allow clerks and other departmental users to effectively utilize this module to purchase contract items, supplies and other miscellaneous items as needed. With these changes, this module is now ready to be utilized in a pilot program.
- Processed and awarded 15 electronic bids at an award value of \$2,305,046.75 via the new Strategic Sourcing Procurement Module website. This permitted the Authority to reach a broader audience of bidders and to invite only those bidders who indicated a recent interest in these types of commodities and services.

- Inventory operations created PAAC stock numbers for all fare box parts and fare box in-house repair components to be stocked at the Manchester Central Storeroom for faster availability and delivery to the divisions. This also tracks movement and usage with greater accuracy. In addition, stock was installed with auto-replenishment of parts and components in all 5 division parts rooms.
- The reduction of obsolete inventory was conducted on a monthly basis at all of the storerooms to reduce the physical inventory. The obsolete reduction of approximately 29,010 items with a value of \$999,826.73 was performed from January thru December 2008.

FY 2010 Goals and Objectives

- Eliminate TMAX and fully migrate to E-business as the primary method of obtaining pricing from vendors electronically.
- Increase the number of RFBs and RFQs sent out electronically by 20%, via the new Strategic Sourcing Procurement Module within e-business.
- Increase the number of potential bidders registered on the Authority's e-business website by 20%.
- Develop a procedure to accurately cost in house repairs. This would consist of obtaining correct overhead, supplies, fixed, and conversion costs. With this procedure, Procurement as well as Operations can effectively determine whether or not it is viable to purchase or repair an item.
- Analyze and improve the reduction of "Bus Downs" (the requisition of parts for busses out of service) at the Divisions. The current average bus downs for FY 2009 is 427 per month for all 5 Divisions as compared to 379 per month for all 5 Divisions for FY 2008. This is an average increase of 48 bus downs per month. The goal is to reduce bus downs by approximately 20%.
- Create an In House Repair (IHR) business unit to separate the items that are repaired in house from all stock items purchased or repaired from outside vendors. This would also eliminate the current process of sending carbon copies to request the repair of items for stock. A separate business unit would allow a buyer to place an internal purchase order to the department repairing the item(s) for stock. This would streamline the

the department repairing the item(s) for stock. This would streamline the process and alert the buyer if the request is not within a timely manner.

- Reduce obsolete inventory on a monthly basis at all of the storerooms to reduce the physical inventory. With the retirement of the Flexible bus fleet, sales and reduction of inventory will enable us to purchase items needed for the new bus fleet without greatly increasing inventory. The goal is to reduce obsolete inventory by \$1,500,000 in FY 2010.
- In cooperation with Purchasing and the Radio Repair Shop, Misc. Units and Facilities, create PAAC stock numbers for radio parts, lines and hoses, fuel nozzles and oil meters so that they can be stocked at the Manchester Central Storeroom for faster availability and delivery to the divisions and ease of tracking movement and usage with greater accuracy.

FY 2010 Key Performance Indicators

- Monitor inventory levels.
- Track bus-down back orders.
- Track stock back orders.

Financial Planning and Budgets

FY 2009 Highlights

- Partnered with other Port Authority employees from various departments to begin work for a new fare collection policy to go hand-in-hand with the implementation of the automated fare collection system.
- Worked on costing various proposals associated with Port Authority's negotiations with the International Brotherhood of Electrical Workers Union Local #29.
- Successfully completed the FY 2008 National Transit Database filing with the Federal Transit Administration.
- Worked with accounting manager to establish journal up-load capabilities to eliminate the double entry of journal vouchers.
- Completed three Urban Grant Reports (UGR) to the Commonwealth of Pennsylvania in addition to an UGR based on the FY 2008 audited financial results.
- Submitted Port Authority's FY 2010 Operating Budget Request as well as legacy financial results for FY 2009 and 2008 using the Commonwealth of Pennsylvania's DOT Grant system.
- Completed analysis, along with assistance from Vantage Point Consulting, regarding policy options in regard to the Manchester facility.
- Completed the FY 2008 Cost Allocation Plan and placed it on the Port Authority Intranet for use of all departments.
- Continued to verify personnel requests in relation to the FY 2009 budget.
- Worked with staff from Grants and Capital Programs and financial consultants to successfully write and award an RFP for a letter of credit financing arrangement in FY 2010.
- Partnered with employees from Payroll and Information Technology to begin a study of the payroll and time & labor systems to ensure accurate data is transferred to the general ledger.
- Developed key performance indicators for each department and incorporated them into the FY 2010 budget book.

- Completed financial analysis for a joint development project involving the lease of land adjacent to the Port Authority's South Hills Village transit station and parking facility.

FY 2010 Goals and Objectives

- Complete an analysis on the billing process for the natural gas accounts of the Port Authority.
- Review, evaluate, and correct any account, department, and subclass numbers that are incorrect in the Time & Labor module of PeopleSoft.
- Work with Accounting and Purchasing to establish new procedures for purchase orders that cover more than one fiscal year.
- Develop schedule for monthly meetings at locations to train managers on Port Authority's budgeting procedures and to examine any budget to actual variances.
- Complete the FY 2009 NTD report in a timely fashion with minimal issues.
- Partner with purchasing personnel to establish new financial procedures for the In House Repair process to ensure cost productiveness.
- Distribute managed compensation for non-represented employees on a monthly basis.
- Become active participants in regard to finance and productivity measures in the establishment of a new work order management system.

FY 2010 Key Performance Indicators

- Track the number and nature of the budget journals processed due to entries being submitted that are over budget in a particular line item.
- Percentage variance of actual revenues and expenditures to budgeted revenues and expenditures.
- Track the number of budget variance inquiries from departments.
- Document the number of job authorization forms and requests reviewed.

Office of the Controller

The Office of the Controller is comprised of the following departments: Grants Accounting, Payroll, Treasury Operations, Accounts Payable and General Accounting.

FY 2009 Highlights

- Participated in the selection of a vendor for the implementation of the Automatic Fare Collection System. This project will include replacing the existing fareboxes and fare collection equipment along with introducing ticket vendor machines and a SmartCard based fare collection system.
- Developed an RFP for Merchant Clearing Houses services and selected a vendor to handle transactions related to the Automatic Fare Collection System.
- Implemented closing procedures that will facilitate the preparation of consolidated financial statements on a monthly basis.
- Re-engineered our business and accounting processes to improve productivity and the quality of information, and strengthened internal controls by utilizing more of the functionality available within the PeopleSoft software currently installed.
- Implemented procedures to track employee attendance to head off potential problems with work load and deadlines.
- Implemented a process to identify problem retail outlet accounts to ensure invoice payments are received in a timely manner.
- Implemented a process to keep track of the number of and reason for the off-cycle checks processed by the Payroll Department.
- Provided the Operations Division an avenue to charge overtime to the division at which it was worked.
- Worked with Billing and Accounts Receivable staff to clean up customer accounts and customer statements.

FY 2010 Goals and Objectives

- Implement more preventive controls over daily processes that reduce the amount of errors and increase the reliability of systems data.
- Implement a system of Key Performance Indicators that will assist the managers of each department in controlling the quality of their work, determine the amount of resources needed, evaluate their personnel, and assess the external factors that influence their productivity.
- Due to the Automated Fare Collection System and Smart-Card capabilities, reduce the number of retail outlets that sell Port Authority fare instruments.
- Decrease the number of days needed for General Accounting and Grants Accounting to process the month-end transactions.
- Verify all account, department, and subclass numbers associated with employee positions and update the payroll and time and labor modules within PeopleSoft to reflect any errors that are found.

FY 2010 Key Performance Indicators

- Measurement of the effect of meetings between payroll and timekeeping personnel at locations related to reducing errors on paychecks which require a check to be re-issued by keeping records of the number of off-cycle checks processed and number of site visits.
- Average number of Accounts Payable transactions processed, compared to established average.
- Number of days to close a reporting period.
- Average cost per transaction to measure cost efficiency.
- Percentage of Accounts Receivable aged detail current.

Grants and Capital Programs

FY 2009 Highlights

- Continued Capital Planning Committee meetings.
- Implemented monthly reviews of all capital programs in conjunction with newly designed Capital Budget Progress report.
- Developed 4 and 12 year Capital Improvement Program (CIP).
- Continued working through the following capital funding challenges: County funding request vs. proposal, State ACT 44 without I-80 tolls, Federal SAFETEA-LU Reauthorization and Section 5309 New Rail Modernization Proposals.
- Continued working on funding sources for the North Shore Connector Project.
- Commenced the Regional Automated Fare Collection Project.

FY 2010 Goals and Objectives

- Train new department personnel on preparing and monitoring federal, state and county grants.
- Fund and monitor the progress of the Board adopted FY2010 Capital Improvement Program (CIP).
- Successfully complete and submit the new Title VI agreement.
- Successfully complete the FTA FY09 Triennial Review.
- Monitor the progress of existing capital improvement projects with the Capital Planning Committee utilizing the redesigned Capital Budget Progress report.
- Refine and update both the 4 and 12 year CIP.
- Continue to finalize the funding sources for the NSC project based upon final budget.
- Finalize funding needed for all regional partners participating within the

Automated Fare Collection System (AFCS) project.

- Continue working through the following capital funding challenges: County funding request vs. proposal, State ACT 44 without I-80 tolls, Federal SAFETEA-LU Reauthorization and Section 5309 New Rail Modernization Proposals.
- Commence the process of developing the 2011-2014 Transportation Improvement Program (TIP).
- Close out prior year federal grants.

FY 2010 Key Performance Indicators

- Track number of grants administered throughout fiscal year in order to minimize outstanding grants and keep track of monetary restrictions.
- Track percentage completion and amount owed on all grants to ensure that projects stay within budgetary compliance.
- Monitor the time between grants completed and closed in order to establish time duration needed to accumulate the local match.
- Monitor progress of existing capital improvement projects for both deliverables and milestones.

Information Technology System Development

FY 2009 Highlights

- Completed the rollout of select e-business suite modules.
- Eliminated TransportMax system via the implementation/customization of new eBusiness modules.
- Coordinated all basic employee information to all necessary Port Authority systems through the Port Authority Directory module.
- The Bidders portal on www.portauthority.org has been developed to show the results of bids and proposals.

- Google mapping technology has been integrated into new applications for Customer Service and the Port Authority G-20 web site.
- Assisted in converting most servers from physical machines to virtual machines.
- Designed the specs for the new back office computer system for the Automated Fare Collection System project.
- Completed modifications to relevant PeopleSoft HRMS modules to support Collective Bargaining changes.

FY 2010 Goals and Objectives

- Complete a Railcar Reliability project to track KPIs for light rail vehicles.
- Complete a Blackberry version of the Port Authority Directory application and investigate other possible applications for the Blackberry.
- Begin work on a data warehouse to support the Automated Fare Collection System.
- Roll out an integrated security model for all internally developed intranet applications.
- Begin redesign of www.portauthority.org including an upgrade to the trip planner using the Google mapping technology and better integration with ATIS.
- Design an employee portal for www.portauthority.org.
- Redesign Port Authority's intranet site, ePort.
- Implement Hastus GEO module.
- Complete the rollout of e-Procurement Module.
- Complete internet auctions and reverses –auctions in strategic sourcing module.

- Complete Issues with Annual Physical Inventory.
- Complete PeopleSoft Account Receivable and Billing customer statements.
- Complete an electronic interface with Highmark for employee benefits.
- Start the upgrade process for the PeopleSoft Human Resource and Payroll system to Version 9.x. This effort is planned to start in FY 2010 and be completed in FY 2011.
- Complete Payroll/Benefits request to develop a year end process for leave accrual cleanup.

FY 2010 Key Performance Indicators

- Average response time to correct reported bugs / production issues.
- Percentage of application down-time (due to controllable reasons of our doing).
- Percentage of defects in customized production code.

Information Technology Infrastructure

FY 2009 Highlights

- Organizational Restructure to Helpdesk, Datacenter and Field Operations concentration.
- SAN Implementation.
- Firewall Upgrade completion.
- Virtualization – converted physical server structure to a virtualized structure.
- Antivirus Implementation.

- LAN Network Replacement.
- Internet Access Overhaul (Surf control).
- LAN Server Replacement – virtualized.
- Wireless Weather Stations.
- Remote Access – Citrix.
- WAN Replacement/Upgrade – Begun.
- Email Filtering Optimization.
- PC Security Rollout Phase 2 (Securing sensitive desktops).
- DC UPS stabilization.
- Treasury- PNC Integration.
- POS System Upgrade.

FY 2010 Goals and Objectives

- PC Replacement.
- Windows XP and Office Upgrade.
- Datacenter relocation.
- WAN Replacement – complete project.
- Heinz CMS system replacement.
- Helpdesk application upgrade.
- Bus Garage Video Surveillance (2009 – 2010).
- Service and Planning Development Projects:
 - Google Vs Atis

- CMU Ecommerce (Smart Phone Next Bus)
 - Deep Local (Events SMS Next Bus)
 - CMU IVR (Lets Go Project)
 - 511 Integration Analysis
- Backup WAN.
- Record Retention Project.
- OCC system upgrade.
- Disaster recovery environment.
- Backup WAN.

FY 2010 Key Performance Indicators

- Track available percentage of E-mail services to establish standards for mail box capabilities.
- Available percentage of Network.
- Available percentage of Production Servers.
- Percentage of Email Spam detection.

Administrative Services

FY 2009 Highlights

- Completed move of Admin Services (including all mail and reproduction equipment) from Manchester to Heinz location.
- Assimilated duties of Helpdesk function.
- Implemented Convenience Copiers – installed 41 new Xerox convenience copiers which incorporate scanning and network printing.
- Implemented new Office Supply contract.

- Acquired new mailing equipment – now compliant with USPS standards.

FY 2010 Goals and Objectives

- Create customer survey for Helpdesk.
- Analyze and assess fax capability for convenience copiers.
- Update records retention schedule.
- Negotiate new contract for printer toner and printer repair.
- Update EDMS (Electronic Document Management System).

FY 2010 Key Performance Indicators

- Monitor the percentage of satisfaction from Helpdesk customer survey.
- Average access time to retrieve documents from EDMS.

Automated Fare Collection System

FY 2010 Goals and Objectives

- Complete pilot program and implement necessary program enhancements – Fall 2009
 - Approved Pilot Program Close-Out Report
- Attain the services of an outside marketing firm to assist in generating awareness within the community of the changes, launch of the new product, and education for our customers – Fall 2009
 - Successful distribution of smart cards to all sectors of the riding public
 - Smart Card usage and upward trend; Decrease usage of cash on all vehicles
 - Ease of transition for customers

- Development of new fare policy to compliment the new technology and improve the rider's transit experience - Spring 2010
- Conduct initial smart card testing with Authority employees to verify/validate the equipment and processes on a Pilot Basis – Early Summer 2010
 - Approved Pilot Program Close-Out Report

Port Authority of Allegheny County

HUMAN RESOURCES DIVISION

Overview

The Human Resources Division comprises the second largest expense component of Port Authority's FY 2010 operating budget behind the Operations Division due to the inclusion of all company health care expense. The Human Resources Division is comprised of the following departments: Training and Organizational Development, Benefits & Compensation Services, Employee Relations/Office of Equal Opportunity and Employment. This division provides a full range of human resource services to Port Authority including the administration of healthcare, life insurance, unemployment compensation and other employee benefits programs, as well as training and organizational development.

During FY 2010, Port Authority will commence bargaining with Port Authority Transit Police Association (PATPA) which represents Officers, Sergeants & Lieutenants in an effort to reach a responsible collective bargaining agreement. The two collective bargaining agreements reached in FY 2009 with Amalgamated Transit Union, Local 85 and one with the International Brotherhood of Electrical Workers, Local 129 will be revised, printed, and distributed. Port Authority will launch a Workforce Performance Management Program as part of a labor/management effort with Local 85. Among the

objectives of this program are to identify the training needs for developing managers and supervisors who are accountable for constructively managing a skilled, productive and motivated workforce. The division will launch a new Performance Management Program for non-represented employees, which includes the transition from anniversary date to a focal date (fiscal year) for performance evaluations. The Authority will re-enroll in the Medicare Part D Reimbursement Program for CY 10.

Divisional Expense Highlights

The Human Resources Division finished favorable to budget in all expense categories for FY 2009 except the employee benefits line item. This was primarily due to greater costs in Medicare-Part B and Unemployment Compensation.

Figure 3.5
Port Authority of Allegheny County
HUMAN RESOURCES DIVISION

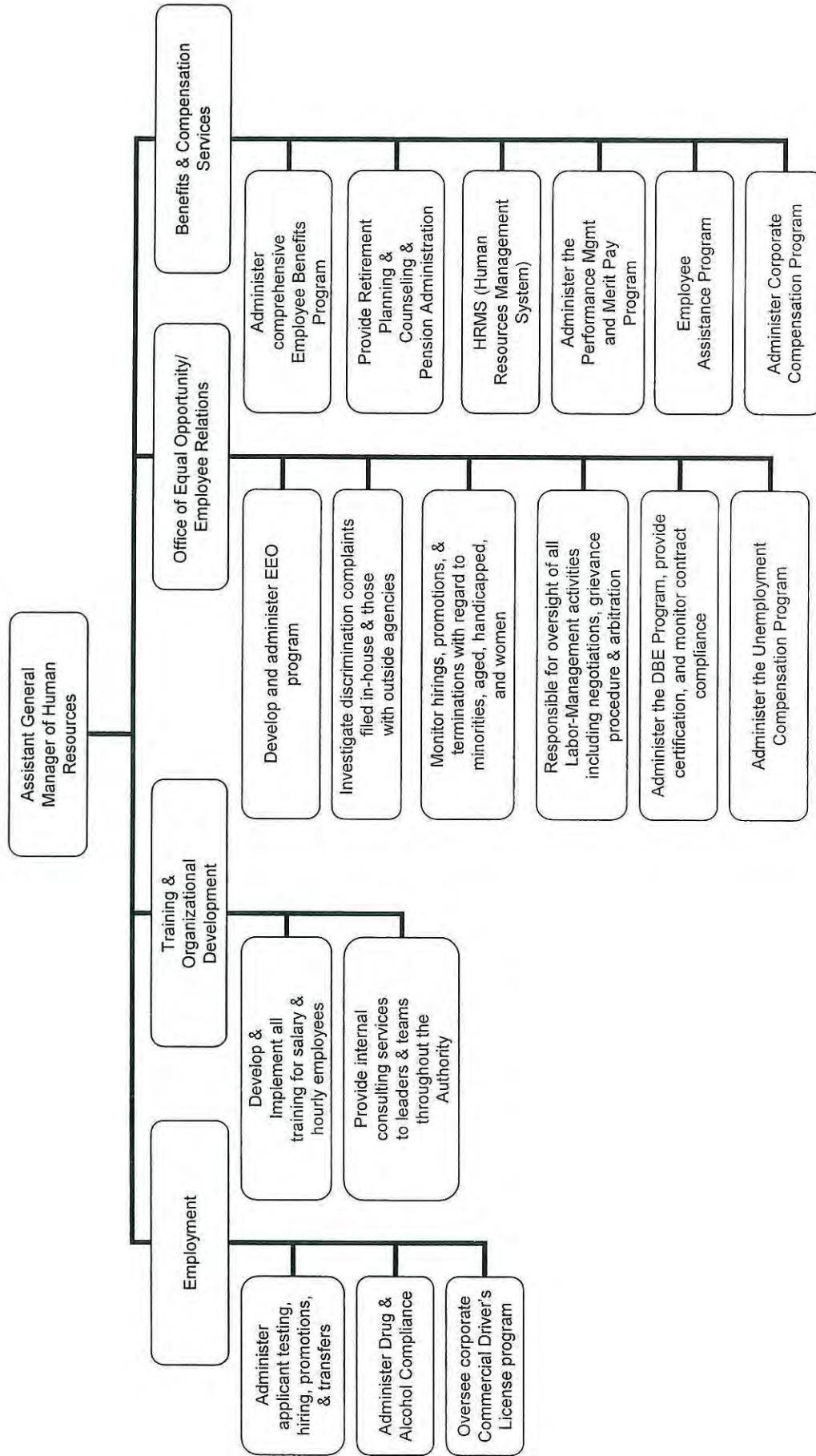
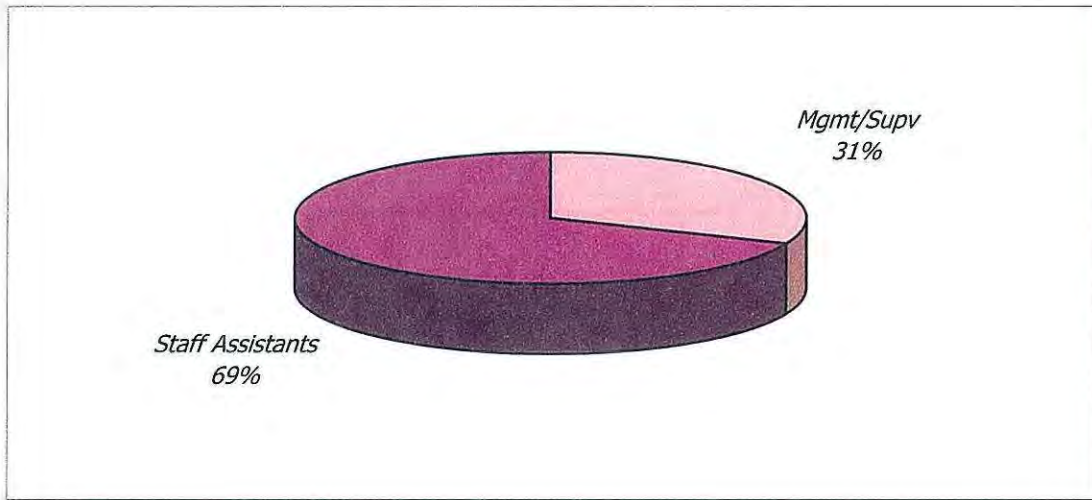


TABLE 3.5a

Port Authority of Allegheny County
HUMAN RESOURCES DIVISION
Personnel by Function & Department

Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Exec & General - HR	2	3	3
Training	3	3	3
Employee Relations/OEO	9	10	10
Employment	6	6	6
Benefits & Compensation	11	10	10
Total Personnel	<u>31</u>	<u>32</u>	<u>32</u>

TABLE 3.5b

Port Authority of Allegheny County
HUMAN RESOURCES DIVISION

*Expense by Department***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Exec. & General - HR	244,142	256,766	273,610	6.6%
Training & Org Development	326,151	352,989	738,208	109.1%
Employment	664,417	631,615	752,020	19.1%
Benefits & Compensation*	81,353,606	80,290,890	100,355,339	25.0%
Employee Relations/EEO	2,198,963	1,575,059	1,576,200	0.1%
Total Expenses	<u>84,787,279</u>	<u>83,107,319</u>	<u>103,695,377</u>	<u>24.8%</u>

*Expense by Category***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	1,721,369	1,817,452	1,874,448	3.1%
Employee Benefits*	82,229,560	80,476,783	100,167,493	24.5%
Purchased Services	602,576	588,209	1,013,150	72.2%
Materials & Supplies	15,719	6,660	26,580	299.1%
Utilities	21,555			
Other Expenses	197,187	218,215	613,706	181.2%
Transfers & Capitalizations	(687)			
Total Expenses	<u>84,787,279</u>	<u>83,107,319</u>	<u>103,695,377</u>	<u>24.8%</u>

* Does not include OPEB Liability

Port Authority of Allegheny County

HUMAN RESOURCES DIVISION

FY 2009 Highlights

- Negotiated two collective bargaining agreements with Local 85 resulting in a reduction of approximately \$90 million in the Authority's liability for legacy costs.
- Received in excess of \$420,000 in Medicare Part D reimbursements by participation in the Retiree Drug Subsidy (RDS) Program.
- Realized savings of approximately \$250,000 by changing the Authority's provider for Life insurance, as well as Short and Long Term insurance coverage. Due to a three year contract, these savings are expected to continue through FY2011.
- Successfully negotiated responsible collective bargaining agreements with Amalgamated Transit Union (ATU) Local 85 for Rank & File and for First-Level Supervisors, as well as with the International Brotherhood of Electrical Workers (IBEW) Local 29.
- Reached a one year settlement with the Port Authority Transit Police Association (PATPA) on two collective bargaining agreements.
- Performed extensive HRMS set-up changes and testing in order to implement the benefits and compensation changes resulting from bargaining. This included major changes to medical plans, as well as event and eligibility rules for post-retirement medical.
- Participated in the establishment of labor/management committees resulting from bargaining, including the Health and Medical Insurance and Excessive Absenteeism Committees.
- Established the baseline for the Health and Wellness Program by offering Health Risk Assessments (HRAs) to active employees. Offered company-wide initiatives to address the top three indicated areas of interest: increase physical activity, improve nutrition, and weight loss.

- Developed and implemented an Exit Survey process to determine the factors that influence an employee decision to resign employment with the Authority.
- Expanded recruiting efforts to include internet and social networking site advertisements as well as industry-specific website postings.
- Tested and processed approximately 500 applicants for the position of operator.
- Implemented various training and development opportunities and modes to meet employee needs, including internet training for Customer Service to meet the flexibility needs of current customer service representatives and those aspiring to these positions; computer-based training (CBT) for reading hand-held schedules to train new customer service representatives and for use by the Planning and Service Development for community presentations; and a process to loan training CDs to employees for home use in preparation for employment testing to enhance advancement opportunities.
- Upgraded the Drug & Alcohol database to reduce manual data entry.
- Exceeded the Disadvantaged Business Enterprise (DBE) goal of 19%; Port Authority achieved 23% DBE participation.

FY 2010 Goals and Objectives

- Continue bargaining with the Port Authority Transit Police Association (PATPA) in an effort to reach responsible settlements of two separate collective bargaining agreements.
- Revise, print and distribute the three collective bargaining agreements reached in FY09 with Amalgamated Transit Union, Local 85 and the International Brotherhood of Electrical Workers, Local 129.
- Launch a Workforce Performance Management Program as part of a labor/management effort with Local 85 to identify and support the training needs for developing managers and supervisors who are accountable for constructively managing a skilled, productive and motivated workforce.

- Launch a new Performance Management Program for non-represented employees, including the transition from anniversary date to a focal date (fiscal year) for annual performance evaluations. Develop and implement training on the new program for all non-represented employees.
- Re-enroll in the Medicare Part D Reimbursement Program commencing CY 10.

FY 2010 Key Performance Indicators

- Fill 90% of job vacancies using a competency-based interviewing process within 20 business days from signed Job Authorization Form for internal candidates and 35 business days for external candidates.
- Report within two business days after receiving driver license reports any license violations to appropriate management.
- Notify within one week all new hires and newly promoted employees regarding mandatory online training including *AWARE*, *Think Before You Send*, and *Civil Treatment* and monitor completion on a bi-weekly basis.
- File MIS report with the FTA by March 15th deadline.
- Ensure the company is randomly testing all covered employees at the appropriate testing rate set by the FTA; currently 25% drug and 10% alcohol.

Port Authority of Allegheny County
LEGAL AND CORPORATE SERVICES DIVISION

Overview

The Legal and Corporate Services Division is comprised of the following departments: Legal and Consulting Services, Internal Audit, System Safety, and Transit Police and Security Services. Each of these departments has a direct reporting relationship to the Office of the Chief Executive, allowing for immediate input and dialogue on issues affecting, among others, statutory and regulatory compliance, financial oversight and controls, and the safety and security of Port Authority passengers, employees and facilities.

Major functions of the Legal and Corporate Services Division include: providing legal and risk-management advice and representation; examining and evaluating the Authority's system of internal controls; ensuring a safe and secure working and riding environment for customers and employees; serving as a liaison with the federal, state and local courts, funding, and oversight agencies; supervising the maintenance and development of Port Authority's real estate assets; providing support to the Port Authority Chief Executive Officer and Board of Directors, and representing the Chief Executive Officer in his absence.

Divisional Expense Highlights

The Legal and Corporate Services Division finished unfavorable to budget overall in FY 2009. This is primarily due to increased legal expenses pertaining to the labor contract negotiations with Amalgamated Transit Union (ATU) Local 85.

Figure 3.6
Port Authority of Allegheny County
Legal and Corporate Services

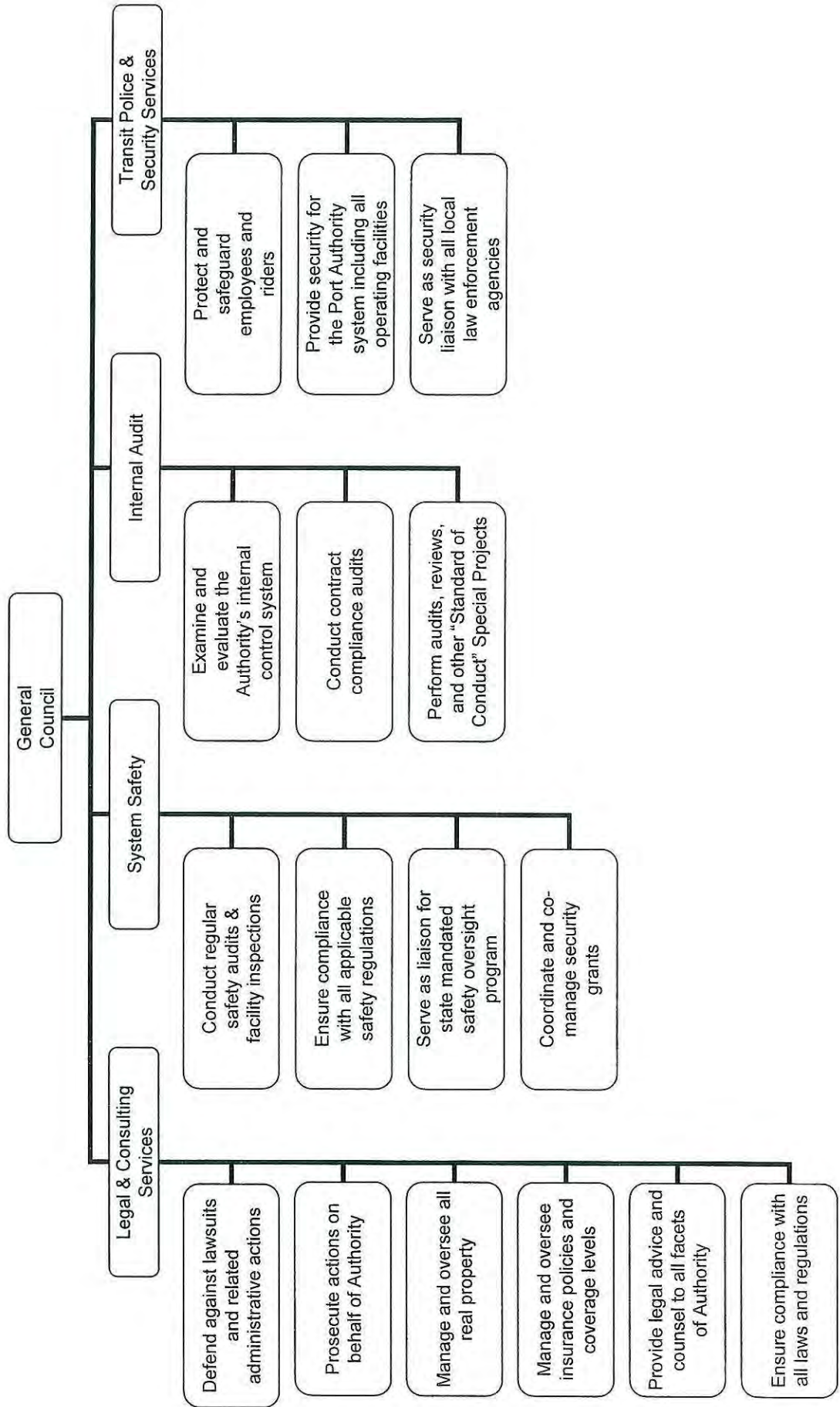
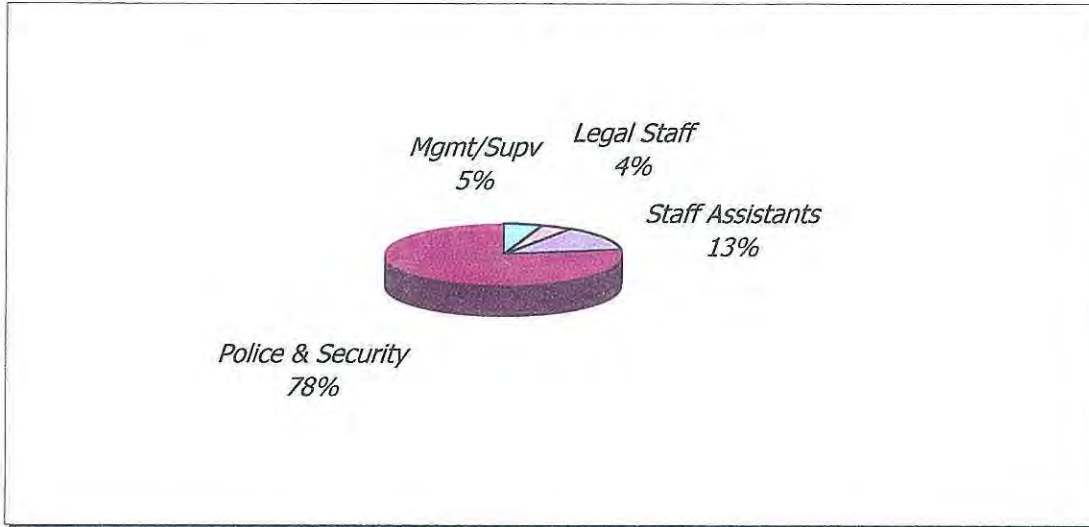


TABLE 3.6a
Port Authority of Allegheny County
Legal and Corporate Services
Personnel by Function & Department

Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Executive & General Legal Services	2	1	1
Legal & Consulting Services	5	6	5
Internal Audit	5	5	5
System Safety	6	6	6
Transit Police and Security	60	57	58
Media Relations*	1	3	*0
Total Personnel	<u>79</u>	<u>78</u>	<u>75</u>

* Department transferred to Office of the Chief Executive Officer

TABLE 3.6b

Port Authority of Allegheny County
Legal and Corporate Services

Expense by Department

Expense Summary (Total Expense)

	<u>FY 2008</u> <u>Actual</u> \$	<u>FY2009</u> <u>Forecast</u> \$	<u>FY 2010</u> <u>Budget</u> \$	<u>% Change</u> <u>from 2009</u> %
<u>Legal & Corporate Services</u>	2,229,167	2,508,989	2,250,985	-10.3%
Executive & General Legal Services	155,321	73,057	106,128	45.3%
Internal Audit	273,196	294,232	347,123	18.0%
System Safety	357,440	407,769	424,178	4.0%
Transit Police	2,980,677	3,063,894	3,058,626	-0.2%
<u>Media Relations</u>		155,073		
Total Expense	<u>5,995,801</u>	<u>6,503,014</u>	<u>6,187,040</u>	<u>-5%</u>

Bold and underlined items represent departments involved in company re-organization.

Expense by Category

Expense Summary (Total Expense)

	<u>FY 2008</u> <u>Actual</u> \$	<u>FY2009</u> <u>Forecast</u> \$	<u>FY 2010</u> <u>Budget</u> \$	<u>% Change</u> <u>from 2009</u> %
Salaries & Wages	4,105,215	4,233,253	4,061,193	-4.1%
Employee Benefits	41,797	42,030	39,900	-5.1%
Purchased Services	1,921,596	2,117,834	1,718,422	-18.9%
Materials & Supplies	28,399	35,989	32,114	-10.8%
Utilities	36,667			
Prov for Inj & Damages	8,093	7,552	4,000	-47.0%
Other Expenses	81,343	174,369	331,411	90.1%
Transfers & Capitalizations	(227,309)	(108,013)		-52.5%
Total Expense	<u>5,995,801</u>	<u>6,503,014</u>	<u>6,187,040</u>	<u>-5%</u>

Port Authority of Allegheny County

LEGAL AND CORPORATE SERVICES DIVISION

FY 2009 Highlights

Legal and Consulting Services

- Efforts to aggressively defend Port Authority in legal actions at all levels of the state and federal courts, while reducing the utilization of outside counsel, resulted in internal Legal personnel obtaining several verdicts, arbitration awards and judgments in Port Authority's favor, including jury verdicts in a landslide lawsuit filed against Port Authority and a personal injury lawsuit alleging negligence in the stopping of a bus.
- Continued to identify and aggressively prosecute actions for the recovery of Port Authority claims, including obtaining several judgments and the collection of tens of thousands of dollars for damages sustained to Port Authority property (including an approximately \$50,000.00 jury verdict in Port Authority's favor arising out of damages sustained by a Port Authority bus in a multi-vehicle accident), obtaining thousands of dollars of judgments and recovery for breach of transit advertising contracts, and identifying and seeking the collection of approximately \$30,000.00 of unclaimed Port Authority property held by the Pennsylvania Department of Treasury.
- Continued to identify and pursue real estate development opportunities in conjunction with the Allegheny County Department of Economic Development, including finalizing and submitting a final proposal to the Federal Transit Administration for the approval of a long-term joint development adjacent to Port Authority's South Hills Village parking facility. Additionally, Legal personnel continued to work, in conjunction with the Allegheny County Department of Economic Development, towards the development of proposals for the Eastside, Castle Shannon and Montour Church Road developments.
- In order to reduce fees and the need for outside legal counsel, hired an experienced Employment Counsel to provide advice and guidance relating to Port Authority's day-to-day labor and employment matters and needs, as well as representing Port Authority in worker's compensation hearings

and effectively managing outside counsel handling employment discrimination matters to ensure representation was both proactive and cost-efficient.

- Implemented Port Authority's new Right-to-Know Policy to comply with Pennsylvania's new Right-to-Know law, including drafting of a written policy, training of appropriate departments, and coordinating and undertaking primary responsibility for receiving and timely responding to Right-to-Know requests as Port Authority's designated Open Records Officer.
- Continued to provide legal advice and support to every facet of Port Authority operations, including Advertising, Finance, Engineering, Bus and Rail Operations, Information Technology and Procurement, including spearheading the effort to finalize the Agreement for Port Authority's Automated Fare Collection System, assisting in the implementation of Port Authority's eBusiness website, and settling the partial termination of a lease for small transit vehicles on terms favorable to Port Authority.

Internal Audit

- Completed 22 of the 38 audits/projects in the 2008-2009 Internal Audit Work Plan and made significant progress on 10 of the remaining 16 audits/projects.
- Identified a total of \$214,580.00 in potential cost recoveries in the audits of HDR Engineering and Jacobs Civil, Inc.
- Made a total of 87 recommendations for improvement in business processes.
- Completed the audit of HDR Engineering, Inc. resulting in 10 recommendations and \$16,557.35 in potential cost recoveries.
- Completed the audit of Jacobs Civil, inc. resulting in 12 recommendations and \$198,023.28 in potential cost recoveries.
- Completed the audit of Kwame Building Group resulting in 15 recommendations and \$565,653.00 in unresolved overhead charges.
- Completed the audit of Internal Controls for Fuel resulting in 17 recommendations for improvement including a significant streamlining of business processes.

- Completed the audit of Payroll for nonoperators resulting in 15 recommendations for improvement.
- Completed the audit of Eric Ryan, Inc. resulting in 5 recommendations for improvement and \$3,549.06 in cost recoveries.
- Completed the audit of the System Safety Plan resulting in recognition from the Federal Transit Administration as a best practice and 2 recommendations for improvement.
- Completed the audit of the Zipcar program resulting in 6 recommendations for improvement.
- Completed the audit of the Nonrevenue Vehicle Reporting System resulting in 1 recommendation for improvement.
- Developed the FY 2010 Internal Audit Work Plan to focus on operational audits.

Police and Security Services

- Responded to 9116 calls for assistance, of which 3970 were proactive Patrol Zone details that required the officers to conduct foot patrols of problem areas and PAAC properties, and perform plain clothes rides on buses/LRV. 1156 arrests were made by the PAPD.
- Completed a two year Threat and Vulnerability Audit of the PAAC operation with assistance from the Department of Homeland Security and key PAAC personal. This audit also provided a tool to conduct our own TVA of future PAAC facilities and greatly assisted in providing a cost benefit analysis for the determination of future grant requests.
- Continued to send officers to DHS sponsored training such as Hazardous Material Tech, Advanced and Intermediate Explosive Recognition, Weapons of Mass Destruction Instructors training. Co-sponsored a Post-Blast Investigation class with the FBI. This training improves awareness of the hazards in today's world which provides the knowledge and skills to prevent, respond or mitigate most any situation that could cause harm to patrons and employees.
- Developed and implemented a reporting system that puts valuable information at the fingertips of officers and administrators through in-house collaboration with the IT Division.

- The evolution of the ESU (Emergency Services Unit) has been a highlight of the year. The group started as a good idea and has developed into a very proud professional unit that has been trained in response to WMD events, active shooter situations, hostage negotiations and crowd control. They have drilled on buses/LRVs as well as various bus garages and the Heinz building.
- The expansion of the COP (Commuter Oriented Policing) unit from two officers to five has allowed them to become involved in more community and crime prevention activities, such as Adopt a School, Camp Cadet, and Resolve Crisis Network.
- Made with DANET (District Attorneys Narcotics Enforcement Team) and Pittsburgh PD and jointly developed an operational plan to address the illegal drug trade in and around the Wood Street Station. This has led to many arrests of mid level users and dealers and a noticeable decrease in problems around the station.

System Safety

- Continue to meet compliance standards set by the 49CFR 659 State Safety and Security Oversight through the following activities:
 - Revised, submitted to SSO for approval, and distributed the following Port Authority documents; System Safety Program Plan (SSPP); Security and Emergency Preparedness Plan (SEPP); Emergency Management Plan; Incident/Accident Investigation Procedures.
 - Participated in FTA triennial audit of Pennsylvania State Safety/Security Oversight. As part of the audit all Port Authority programs were reviewed and received "Best Practice" comments from the auditors. The State Program was also rated as one of the best as it received no deficiencies as a result of the audit.
 - Completed 24 internal operational/safety audits and distributed reports to the SSO and internal staff.
- Continued to pursue grant opportunities through federal, state and regional agencies. During this report period the following activities occurred:

- Port Authority continued to pursue the 2006 Transit Security grant that awarded \$926,700 for four projects to enhance rail and bus security.
 - Closed out the PEMA grant for \$507,990 for logistical support and communications equipment.
 - First quarter of 2009, DHS released the 2007 Transit Security awards for a total of \$928,520. The investments included increased security for bus divisions, final phase of the CCTV digital upgrades, and funds to cover training, drills and tabletop exercises.
 - FY2009 Transit Security Grants, submitted Investment Justifications for LRV surveillance systems and physical security up grades to critical infrastructure for a total amount requested of \$1,465.101. Grants are competitive and awards will be announced in the second quarter of this year.
- Participated in "Target Capabilities List" committee sponsored by the Department of Homeland Security. The committee is one of several regional TCL committees assigned to revise the current TCL documents that establish security and emergency response requirements for communities and transit throughout the country.
 - Safety staff completed revisions of Port Authority's Employee Safety Guidelines manual and continue to monitor and revise programs as necessary.
 - Maintained good working relationships with federal, state, regional and other emergency response agencies through participation in Region 13 Task Force.
 - Continued work with Airport Corridor Transportation Association to review and comment on safety and security issues regarding bus stop design. The ACTA was awarded a grant to establish key safety and security design guidelines for suburban bus stops.
 - Completed the Department of Homeland Security sponsored threat and risk assessment for the top 30 transit properties. The assessment was over a year in the making and has provided the Authority with a system of formal self-assessment and cost benefit analysis of potential security deficiencies.

- Continued to participate in North Shore design reviews, contractor safety program reviews, site inspections, and to serve on the Safety and Security Certification committee.
- Worked with Power and Way maintenance staff to procure track borne safety devices to enhance track worker safety along the rail alignment.

FY 2010 Goals and Objectives

Legal and Consulting Services

- Continue to aggressively defend Port Authority in legal actions at all levels of the state and federal courts while reducing the need for utilization of outside legal counsel through the continued development of a well-rounded internal Legal Department.
- Continue to identify and aggressively prosecute actions for the recovery of damages Port Authority sustains as the result of property damage caused by the negligence of third parties, breaches of contracts entered into with Port Authority, and any related claims and causes of action that Port Authority may have.
- As part of the ongoing effort to reduce fees for outside counsel in the areas of labor and employment, continue to internalize responsibilities for day-to-day legal needs, represent Port Authority in worker's compensation and other administrative hearings, and closely monitor and manage outside counsel representing Port Authority in federal employment discrimination actions to ensure proactive and cost-effective representation.
- Continue to provide high-quality legal advice and support to every facet of Port Authority's operations.
- Continue to identify and pursue real estate development opportunities in conjunction with the Allegheny County Department of Economic Development, including finalizing the South Hills Village project through FTA concurrence and Board approval, as well as moving forward with the finalization of the Eastside, Montour Church Road and Castle Shannon projects.
- Continue to ensure Port Authority's compliance with all applicable statutes and regulations, including reporting requirements necessary to comply

with changes in federal Medicare laws and ongoing compliance with Pennsylvania's new Right-to-Know Law.

- Continue to maintain and develop Port Authority's productive and positive relationships with federal, state and local officers, courts, legislators and agencies.
- Continue to ensure that attorneys and support staff develop and hone their skills through continuing legal education courses and internal training opportunities focused on Port Authority's legal needs and requirements.

Internal Audit

- Complete the audits and projects in the FY 2010 Internal Audit Work Plan.
- Implement auditing software.

Police and Security Services

- Continue to provide a safe and secure environment for patrons and employees of the PAAC.
- Continue to provide proactive police response to areas of concern determined by evaluation of data from the new police reporting system.
- Review and revise the PAPD Policy and Procedure Manual.
- Review and update the Security Program Plan as well as the Emergency Preparedness Plan.
- Continue to participate with Region 13, Pittsburgh Emergency Management and TSA in training, planning and drills focusing on WMD response.
- Successfully complete the TSA Rail Security Audit scheduled for FY 2010.
- Continue to support other departments within the PAAC in regards to Security and Law enforcement issues.
- Continue to provide physical security for the NSC project as well as reviewing security plans connected to the project.

System Safety

- Revise Port Authority Safety, Security and Emergency Plans to include:
 - System Safety Program Plan
 - Security and Emergency Preparedness Plan
 - Emergency Management Plan
 - The Incident/Accident Investigation Procedures

- Work with Port Authority Police Chief and TSA representatives to successfully complete the bi-annual TSA Security and Emergency Management Audit.

- Conduct the following operational/system safety audits:
 - LRV Automatic Trip Stops
 - LRV Door Sensitive Edge
 - LRV Wheels
 - System Signals
 - System ATS
 - OCC UPS
 - Grade Crossing Signals
 - CBD Emergency Exits
 - CBD Fire Alarm Systems
 - Mt. Washington Tunnel
 - Substation Emergency Battery
 - CBD/Panhandle Bridge
 - Mt. Lebanon Tunnel
 - Mt. Lebanon Emergency Fans
 - CBD PA System
 - Subway Emergency Fans
 - System AED's
 - Duquesne Incline
 - Monongahela Incline
 - East Busway
 - South Busway
 - West Busway
 - Bus Division Hoists
 - Rail and Facilities Training Audit

- Work with the Grants Committee, Grants Department and Authority staff to close out the 2006 Transit Security Grant by December 31, 2009.

- Work with Grants Manager to finalize grant agreement with PEMA for the 2007 Transit Security Grant and begin to implement projects.

- Schedule regular meetings between Claims and Safety Departments to review claims and liability experience, trends and other issues that could be impacted through the OSRC action and/or other policy/procedure changes.
- Work with Safety and Security staff to develop tabletop exercises and system drills that involves Port Authority personnel and regional emergency responders.
- Continue to maintain outstanding relationships with Federal and State agencies, and regional emergency response agencies through participation with Region 13.
- Provide Safety and Security Oversight to the North Shore Project through the following activities:
 - Conduct regular safety/security/loss prevention site inspections with insurance carrier, contractor safety/management representatives, and the Program Management Safety/Security Manager.
 - Attend and participate in the Projects monthly Executive Safety/Security meetings to review claims, safety and security issues, general liability and provide committee direction for corrective action.
 - Participate in the North Shore Safety and Security Certification Committee through completion of the project.
 - Conduct design reviews relating to operational, safety and security issues.
 - Review contractor's safety and security plans as defined by contract specifications.
 - Chair Fire/Life safety committee meetings with city, county and state emergency responders. Committee reviews all aspects of fire/life safety including ventilation systems, communications, emergency egress, operational planning, fire systems and future planning of drills and required changes to emergency response procedures.

- Continue to pursue grant opportunities through Federal, State and Regional sources that benefit Port Authority and enhance Safety/Security and Emergency Preparedness efforts.

FY 2010 Key Performance Indicators

Legal and Consulting Services

- Monitor the results of the defense of legal actions filed against Port Authority to quantify decisions and settlements favorable to Port Authority versus adverse decisions for matters handled internally and by outside legal counsel.
- Track the amount of revenue captured by Legal's efforts to collect on Port Authority claims, including property damage judgments and recovery, judgments and recovery in contract-related actions, and the identification and recovery of unclaimed property and other claims for the benefit of Port Authority.
- Monitor the amount of revenue obtained by Port Authority, in the form of leases, license agreements, joint development agreements, and otherwise, from Legal's efforts to identify and market the use of appropriate Port Authority real estate to third parties.

Internal Audit

- Percentage completion of the FY 2010 Internal Audit Work Plan.
- Number of recommendations for improvement made and cost savings generated.
- Ratings from auditee feedback surveys.

Police and Security Services

- Continue to provide the patrons and employees of the Port Authority a Police Department that is committed to the prevention of criminal activity through highly visible pro-active police patrols and vigorous enforcement

of the laws of the Commonwealth of Pennsylvania.

- Using the new police reporting system as a guide, more scientifically deploy limited police resources to patrol zones at various times of the day to help reduce frequency of unlawful activity.
- Comply and cooperate with the Department of Homeland Security/Transportation Security Administration 49 CFR Parts 1520-1580 as it pertains to the Rail Security Audit and all related regulatory guidelines and oversight (Planning, Drills, and Training).

System Safety

- Continue to meet regulatory requirements of Safety, Security and Emergency Preparedness through interaction and compliance with the Federal Transportation Administration (FTA) 49CFR 659 State Safety and Security Oversight, Transportation Security Administration (TSA), Department of Homeland Security, Bureau of Workers Compensation and other Federal, State and Local Agencies.
- Complete operational/system safety audits as defined in the annual 2009 audit list.
- Continue to provide Safety and Security Oversight to the North Shore Connector project.

Port Authority of Allegheny County
PLANNING & DEVELOPMENT DIVISION

OVERVIEW

The Port Authority's Planning and Development Division encompasses five departments including Marketing and Sales, Service Planning and Schedules, Customer Service, Strategic and Extended Planning and Creative Services.

The Marketing and Sales Department undertakes all of the marketing activities for the Authority. In addition, it sells space for advertising on Port Authority assets such as buses and LRT stations. This department is also responsible for the downtown service center where fare media is sold and for the establishment of retail sales outlets throughout the region.

The Creative Services Department is responsible for the look and messaging for all of Port Authority advertising campaigns. In addition, it supports all other divisions and departments within the Port Authority with graphic and creative production for items such as bus and T designs, interior cards, print and radio production.

The Customer Service Department staffs the Transit Information Call Center. It provides information to customers about Port Authority services, fields customer questions and follows up on customer concerns and commendations.

The planning area includes the Service Planning & Scheduling Department which focuses on developing the company's service pattern. As such it is

committed to the importance of serving the Authority's customers while remaining mindful of fiscal constraints. The department is responsible for monitoring bus and rail service efficiency, implementing service changes, developing and distributing schedules and timetables, developing fare policies and procedures, collecting data for both state and federal reporting requirements, and maintaining databases for bus and rail stops and stations.

The Strategic and Extended Range Planning Department handles the Authority's long range planning projects. The Department works closely with other transit and planning agencies within the region on both Port Authority and regional initiatives.

Divisional Expense Highlights

The Planning and Development Division finished favorable to budget overall in FY 2009. The total employee count decreased from 2008 levels, resulting in decreased spending within the Salaries and Wages category. The line item Purchased Services also showed a significant decrease in expenses from 2008 levels.

Figure 3.7
Port Authority of Allegheny County
PLANNING AND DEVELOPMENT DIVISION

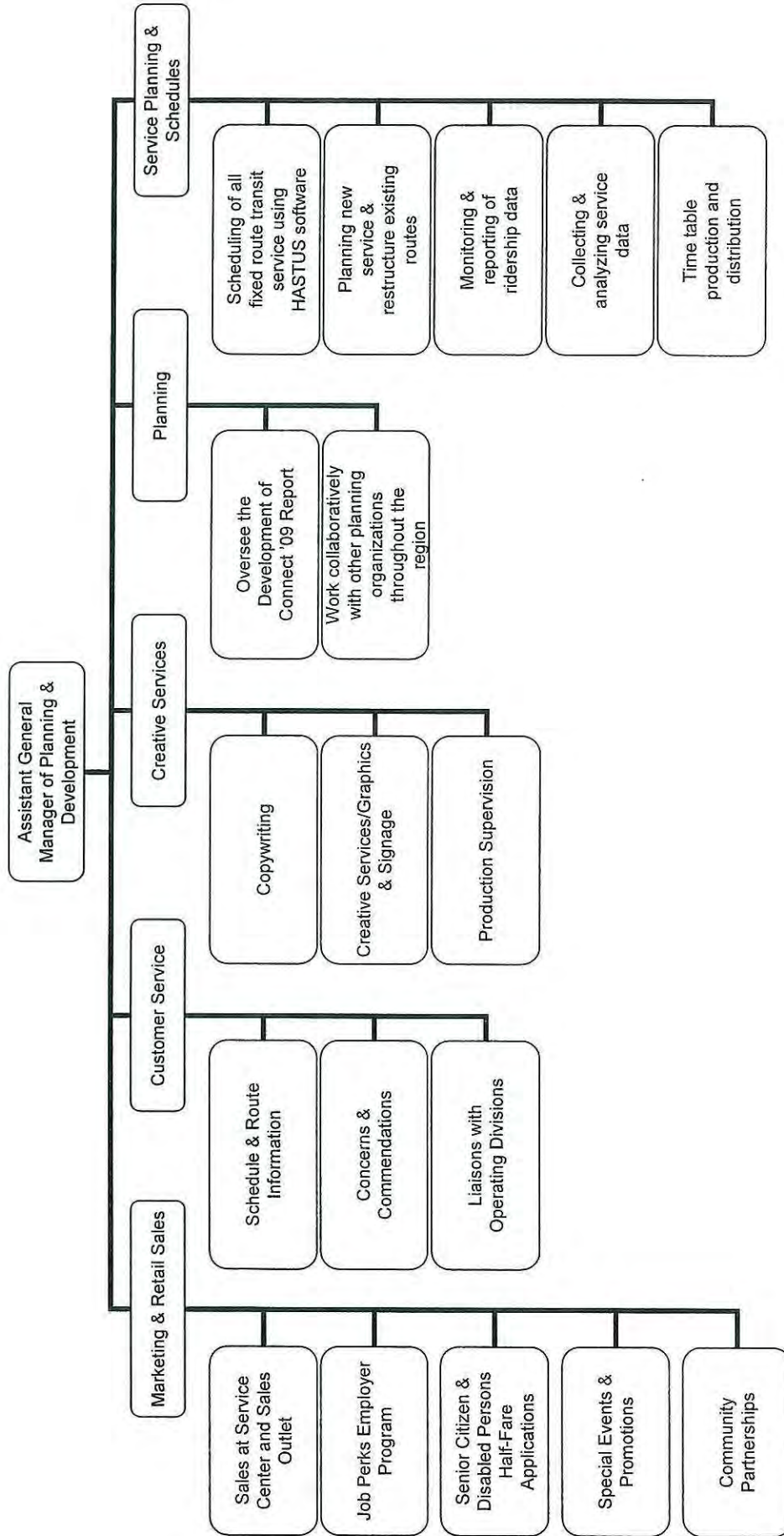
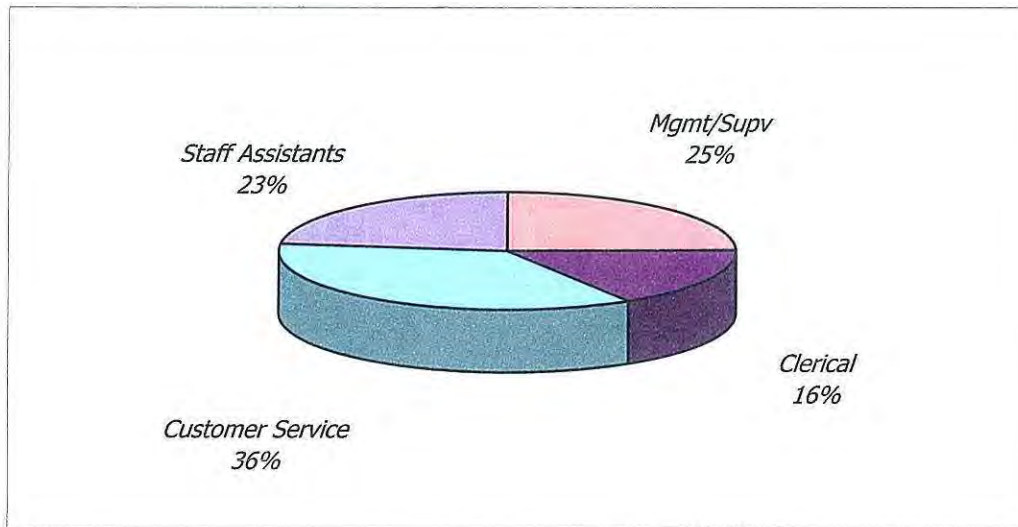


TABLE 3.7a

Port Authority of Allegheny County
Planning and Development
Personnel by Function & Department

Fiscal Year 2010 Budget



Personnel Summary (No. of Employees)

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>
Exec & General	3	1	2
Service Planning & Schedules	20	20	21
Planning	5	2	1
Creative Services	5	5	5
Customer Services	23	22	22
Advertising Sales	3	0 *	0
Marketing & Retail Sales	4	11	10
Total Personnel	<u>63</u>	<u>61</u>	<u>61</u>

***Personnel moved to Marketing and Retail Sales**

TABLE 3.7b

Port Authority of Allegheny County
Planning and Service Development

*Expense by Department***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Exec. & General	210,426	213,096	167,792	-21.3%
Creative Services	718,019	583,174	687,534	17.9%
Customer Services	882,329	923,094	989,331	7.2%
<u>Advertising</u>		581,502	479,880	-17.5%
<u>Marketing</u>		199,462	493,167	147.2%
<u>Marketing and Sales</u>	941,114			
<u>Retail Sales</u>		300,834	313,920	4.3%
<u>Media Relations</u>	96,991			
Planning	314,169	151,485	6,704	-95.6%
Service Planning & Schedules	1,437,342	1,272,382	1,573,263	23.6%
Total Expense	<u>4,600,390</u>	<u>4,225,027</u>	<u>4,711,591</u>	<u>11.5%</u>

Bold and underlined items represent departments involved in company re-organization.

*Expense by Category***Expense Summary (Total Expense)**

	FY 2008 Actual	FY2009 Forecast	FY 2010 Budget	% Change from 2009
	\$	\$	\$	%
Salaries & Wages	2,982,355	2,881,795	2,959,063	2.7%
Employee Benefits	66,498	85,527	5,522	-93.5%
Purchased Services	558,033	337,752	398,070	17.9%
Materials & Supplies	487,978	518,127	724,339	39.8%
Utilities	48,077	8,398	9,780	16.5%
Other Expenses	529,957	454,434	726,741	59.9%
Transfers & Capitalizations	(72,508)	(61,005)	(111,924)	83.5%
Total Expense	<u>4,600,390</u>	<u>4,225,027</u>	<u>4,711,591</u>	<u>11.5%</u>

FY 2009 HIGHLIGHTS

Customer Service

- Upgraded call management system which tracks incoming calls and agent performance.
- Maintained peer partnerships with other transit agencies for monthly conference calls to determine best practices for customer service centers.
- Upgraded to wireless headsets for customer service representatives.
- New goals established to answer calls and reduce abandoned calls. New goals are to answer 92% of calls within 90 seconds and reduce abandoned calls to 8%.
- Member of IBEW Negotiating Team to resolve contract which was successfully ratified for four (4) years.
- Project Manager for Deep Local (Route Shout) pilot project. Customers will be able to use text message to see when buses are due at various bus stops.
- Customer relations processed 11,703 complaints, 603 commendations and 2,208 web site emails.
- Team member of the Absentee Task Force to improve attendance in the organization.
- Three year appointment to the Executive Local Advisory Committee with the Division of Career & Technical Education for the Pittsburgh Public Schools.
- Appointment to serve as a Working Group Member of Pittsburgh Stories Organization.

Marketing and Retail Sales

- Improved efficiency in Port Authority's *Job Perks* tax-savings program by reducing the number of small (and often delinquent) accounts. Despite the reduction, the total number of employees participating in the program increased by 1,000 in FY 2009.

- Participated in over 20 senior citizen expos/public events to promote Port Authority programs and services to key target audiences.
- Increased readership of the *Rider Report*, an electronic newsletter exclusively for Port Authority riders. Readership has climbed to more than 2,100 subscribers from 1,600 when first introduced.
- Partnered with a variety of community organizations, including the Pittsburgh Steelers, Pittsburgh Penguins, Visit Pittsburgh, Steel City Media, the American Diabetes Association, Giant Eagle, the PA Trolley Museum and others to maximize marketing and advertising opportunities.
- Participated in a variety of press conferences and special events including: 2008 Toys for Tots event; the 2009 Spirit of King Award Ceremony; the American Diabetes Association's "Healthy 4 Life Expo"; Zipcar "Low Car Diet" event to promote community involvement; as well as specific Port Authority programs and services.
- Achieved record sales totaling more than \$12 million at Port Authority's Downtown Service Center.
- Served as the top grossing pass and ticket outlet for WCTA (Westmoreland County Transit Authority) and BCTA (Beaver County Transit Authority) customers. Helped to advance the Connect '09 initiative to promote public transportation as a regional asset.
- Issued a record number of new senior citizen transit cards (5,092) and reduced fare transit cards (1,199) to applicants who qualified.
- Served on the development and selection committee responsible for the automated fare collection system (AFCS) RFP.

Advertising

- Increased advertising revenues by raising the rates for bulkheads in the East Liberty Garage. Advertising signs in this garage have been sold out for five consecutive months.
- Contracted with several new national clients: HR Block, Wendy's, Sorrento Cheese and Aspen Dental, despite a very weak economy.

Creative Services

- Began messaging for Connect '09 and positioning Port Authority as "Faster, Smarter, Better", in relation to the TDP and Smart Card implementation.
- Promoted public hearings/open houses unveiling new transit plan options and obtained public feedback.
- Initiated branding process of the Port Authority Smart Card, beginning with the naming and design for "Connect Card."
- Continued with and pursued new community partnerships to increase visibility and brand reinforcement.

Service Planning & Scheduling

- Exceeded Ratio of Vehicle Hours to Pay Hours for all picks.
- Finished within budget for scheduled service hours for FY2009.
- Participated in PAAC core group for Automated Fare Collection System project meetings. Reviewed RFP submission, technical review and participated in contract negotiations.
- Created Alternative #1 for Transit Development Plan and provided scheduling information on the various alternatives.
- Achieved 100% completion of total checks needed for NTD.
- Completed upgrade to Hastus 2008 version which will provide additional cost savings with current service levels once upgrade is put into production (June 2009).
- Developed and posted, with the assistance of Creative Services Department, window timetables for Wood Street Station.
- Monitored and adjusted June 2007 service reductions throughout the year.
- Finished favorable to budget for the fiscal year 2008.
- Updated all timetable folders on January 1st to reflect new fares.

- Participated in development of the Automatic Fare Collection System RFP document.
- Removed all bus service from Market Square in cooperation with City of Pittsburgh and Pittsburgh Downtown Partnership.

Strategic and Extended Range Planning

- Conducted Public Open Houses, staffed the "Tell-Us-Where-To-Go" Bus, held public meetings, convened Smithville Planning games, completed route evaluations, reviewed alternative Service Design Concepts and reviewed and compiled comments submitted in the website for the Transit Development Plan (TDP) of the Connect 09 program.
- Commenced discussions with City of Pittsburgh planning and public works staffs regarding issues of implementing on-street Bus Rapid Transit (BRT) for the TDP.
- Provided technical assistance and guidance for the City of Pittsburgh's successful application for planning study funds for a Transit Revitalization Investment District (TRID) encompassing the LRT corridor from South Hills Junction through Beechview.
- Reviewed and provided extensive comments on archaeological summary and monitoring reports for the North Shore Connector LRT project.
- Participated in APTA Bus Rapid Transit (BRT) Standards Working Group meetings and reviewed and provided text and comments for technical documents.
- Represented Port Authority on the steering committee for the Westmoreland County Transit Authority's Interim Study of commuter rail in Allegheny Valley and Norfolk Southern corridors. Provided technical information.
- Represented Port Authority on the Baum-Centre Initiative, a group formed to consider development along Baum Boulevard and Centre Avenue in Pittsburgh's East End.
- Met with the UPMC, Urban Redevelopment Authority, and City of Pittsburgh representatives to discuss a conceptual study of a new East

Busway Station serving the Baum-Centre Corridor.

- Made presentations on Port Authority-SPC partnerships at the 2008 PennDOT Planning Partners Conference and the 2009 APTA Rail Conference.
- Made a presentation on the East Busway at a one-day forum on Bus Rapid Transit for the Washington, DC Region.
- Organized and led tour of the LRT system and TRID areas for the 2008 American Planning Association – Pennsylvania Chapter annual conference.
- Organized and led a transit history tour for the Society for Industrial Archeology Conference.
- Administered Port Authority's FY 2008-2009 Unified Planning Work Program (UPWP).
- Represented Port Authority and actively participated as a voting member on the SPC's Transit Operators and Transportation Technical Committees.
- Represented Port Authority at a Congressional Field Hearing on Expanding Intercity Passenger Rail in Western Pennsylvania.
- Provided Planning Department responses to FTA's Triennial Review questions.
- Prepared Port Authority's applications for 2010 Job Access Reverse Commute funding for \$1.3 million to support the 28X operations.
- Participated in the consultant selection process for the City of Pittsburgh's Hazelwood – Lawrenceville Commuter Rail study.

FY 2010 Goals and Objectives

Customer Service

- Evaluate current infrastructure and issues to provide recommendations for creating an Interactive Voice Response (IVR) implementation plan.
- Integrate bilingual interactive voice response (IVR) system with current call management system.

- Determine role of Customer Service Representatives relative to smart card duties and responsibilities.
- Create business plan including business rules to conduct customer service operations with migration of smart cards fare instrument.
- Complete Pilot Program for Route Shout and determine if it should be a permanent service.
- Continue to participate in community outreach activities as opportunities present themselves.
- Evaluate current performance goals to incorporate IVR performance.
- Assess service hours incorporating IVR into current system.
- Evaluate training needs for all customer service representatives arranging meetings and route reviews to learn new system changes for the TDP.

Marketing and Retail Sales

- Determine best option for the new Port Authority Service Center (current lease is due to expire in fall 2010) and complete new Center.
- Develop new and maintain current community partnerships.
- Conduct more market research to better determine customer needs and wants for the Automated Fare Collection System (AFCS) project and determine new ways to increase customer usage.
- Develop a comprehensive sales procedures manual for our sales outlets that educates retailers on smart cards and the process for selling/revaluing the fare media.
- Deliver key messages and initiatives for the Transit Development Plan (TDP) to the public as outlined in the marketing plan.
- Maximize all partnership opportunities to promote the Transit Development Plan (TDP) and the Automated Fare Collection System (AFCS).
- Exceed the Fiscal 2010 advertising revenue goal.

Advertising

- Seek out new and innovative ways to sell advertising space at various locations throughout the Port Authority system.
- Establish a Naming Rights Program for Port Authority assets.
- Prepare new bid for the installation of advertising signs on Port Authority assets. Current bid expires in 2010.

Creative Services

- Reinforce the Port Authority message with "Benefits of Transit" in print, radio and community events.
- Increase awareness of the TDP and Connect 09 initiatives and demonstrate how Port Authority is aligning the system to better meet the needs of the region.
- Build awareness of the new Port Authority and its products: AFCS, Smart Card, new customer service systems, and regional connectivity.
- Continue to utilize and grow community partnerships to help maximize visibility and tell the Port Authority story.

Service Planning & Scheduling

- Maintain 100% completion of total checks needed for NTD.
- Maintain Ratio of Vehicle Hours to Pay Hours for all picks.
- Develop reasonable implementation schedule for selected alternative of the Transit Development Plan.
- Expand use of site specific timetable posters for major stops within the system.
- Define specific guidelines for service evaluation that can be used throughout the system.
- Assist in creating a new fare policy that would be used in future Smart Card implementation.

Strategic and Extended Range Planning

- Convene formal public hearings for the Transit Development Plan and provide planning support to other Authority departments to increase system effectiveness and productivity.
- Continue coordination with the City of Pittsburgh, PennDOT and other stakeholders to advance on-street Bus Rapid Transit (BRT) for the TDP.
- Facilitate further advancement of the new East Busway Station for the Baum-Centre Corridor.
- Represent Port Authority on City of Pittsburgh's Transit Revitalization Investment District (TRID) study encompassing the LRT corridor from South Hills Junction through Beechview and other TOD efforts to be led by the City, Allegheny County and the Southwestern Pennsylvania Commission (SPC).
- Develop and administer Port Authority's FY 2009-2010 Unified Planning Work Program (UPWP).
- Assist in planning and implementing the regional transit cooperation and connectivity recommendations of the TDP and other planning efforts.
- Continue to plan for physical improvements in and around transit facilities including cooperative projects with other public and private entities for general and transit oriented developments.
- Represent Port Authority on SPC's Congestion Mitigation Air Quality (CMAQ) Evaluation Committee. Prepare and submit CMAQ funding applications for Downtown and Oakland Rapid Bus Shelters, Bus-Mounted Bike Racks and a new Bridgeville Park-and-Ride facility.
- Represent Port Authority for the SPC/Allegheny County West Busway Transit-Oriented Development study.
- Represent Port Authority on the City of Pittsburgh's Pittsburgh Commuter Rail Study for the Lawrenceville – Hazelwood corridor.
- Participate in APTA's Sustainability and Urban Design Standards Working Group.

FY 2010 Key Performance Indicators

Marketing and Retail Sales

- Research new ways to lower operating costs at the Downtown Service Center, as well as identify possible new revenue sources.
- Hire and work with a marketing firm for the education and implementation of the AFCS technology system.

Advertising

- Exceed the 2010 fiscal year advertising revenue goal.

Service Planning & Scheduling

- Pay Hours comparison to budget (by pick).
- Ratio of Vehicle Hours to Pay Hours (Weekday - 87%, Sat – 91%, Sun – 90%).
- Completion % of NTD checks.



Port Authority of Allegheny County

MODAL BUDGET

Introduction

Port Authority's modal budget is presented as a component of the Operating and Capital Improvement Budgets. The purpose of the modal budget is to present the revenue and expense levels related to the modes of service provided by Port Authority. The modes of service provided are bus, light rail, inclined plane, and the ACCESS Program. The ACCESS program, or ACCESS, is a demand response, paratransit service provided for elderly and handicapped persons. ACCESS is operated on behalf of Port Authority by the management firm Veolia Transportation, Inc. Each of the modes will be discussed individually in this section. A table is provided for each mode that indicates total ridership, revenue, and expense levels for the fiscal years 2008, 2009 and 2010. In addition, graphs illustrating revenue and expense amounts are presented for comparative purposes.

Modal ridership data for fiscal years 2008 and 2009 was calculated using monthly ridership reports. Anticipated ridership levels for FY 2010 were developed by Port Authority's Service Planning and Schedules Department for the bus, light rail, and inclined plane modes. Veolia Transportation, Inc. furnished detailed ridership information for the fiscal years 2008 and 2009 and developed the FY 2010 projections for demand response service.

Passenger revenue distributions were allocated based upon the ridership and average fare analyses for each of the modes. Senior citizen amounts were calculated

separately and are shown independently from non-senior citizen passenger revenue. "Other Revenues" includes Advertising and Concession income and other non-transportation revenues such as Real Estate and Investment Income. These revenues were allocated based upon each mode's percentage of ridership relative to total Port Authority ridership. Modal expenses for bus, light rail, and inclined plane were distributed using a combination of direct cost and indirect cost allocations. The distribution of expenses is allocated utilizing and adapting accepted methods of allocation for federal reporting purposes. The ACCESS Program is a purchased transportation service and the expenses are identified and shown separately.

Table 4.1 contains a comparative summary of Port Authority's revenues and expenses by each of the modes for fiscal years 2008, 2009, and 2010.

TABLE 4.1*FY 2008 Actual, FY 2009 Actual & FY 2010 Budget*

	<u>FY 2008 ACTUAL</u>	<u>FY 2009 ACTUAL</u>	<u>FY 2010 BUDGET</u>
Operating Revenues:			
Bus	\$ 66,354,000	\$ 70,624,000	\$ 73,399,000
Light Rail	8,505,000	9,180,000	9,552,000
Monongahela Incline	852,000	900,000	934,000
ACCESS Program	12,969,000	12,591,000	12,571,000
Subtotal	\$ 88,680,000	\$ 93,295,000	\$ 96,456,000
Operating Grants	210,473,000	200,965,000	220,952,000
Capitalizations:	41,179,000	46,401,000	45,489,000
Total Revenue & Grants:	\$ 340,332,000	\$ 340,661,000	\$ 362,897,000
Expenses:			
Bus	\$ 293,649,000	\$ 260,604,000	\$ 286,676,000
Light Rail	50,551,000	44,702,000	49,924,000
Monongahela Incline	673,000	583,000	651,000
ACCESS Program	25,394,000	24,272,000	25,646,000
Total Expenses:	\$ 370,267,000	\$ 330,161,000	\$ 362,897,000
Excess Revenue over Expense:	\$ (29,935,000)	\$ 10,500,000	\$ -

Bus Mode

Of all the service modes, bus service is the largest of the transportation services provided by Port Authority. The active bus fleet as of June 2009 consists of 60 35-foot vehicles, 660 40-foot vehicles, 40 45-foot vehicles, 50 articulated buses, and 48 minibuses. The five bus garage locations where service originates are located in the following communities: Ross Township, Collier Township, West Mifflin Borough, Pittsburgh (East Liberty area), and Harmar Township. Port Authority's Main Shop, located in the Manchester neighborhood of the City of Pittsburgh, is a large facility where component rebuilding and major bus repairs are performed.

A decrease of .75 % in ridership for this mode is anticipated for FY 2010. This forecasted decrease is attributed partially to the Authority budgeting conservatively and to an anticipated fare increase in January 2010, which will result in a higher fare structure for bus passenger ridership for 6 months of FY 2010.

In recent years, ridership has been impacted favorably by the contractual transit agreements with the University of Pittsburgh and Carnegie Mellon University. Port Authority actively pursues partnerships with businesses and institutions, such as the highly successful transportation program with the University of Pittsburgh. This program allows university students and employees the use of the transit system by showing their current university identification. Port Authority is then paid an agreed upon amount directly from the university.

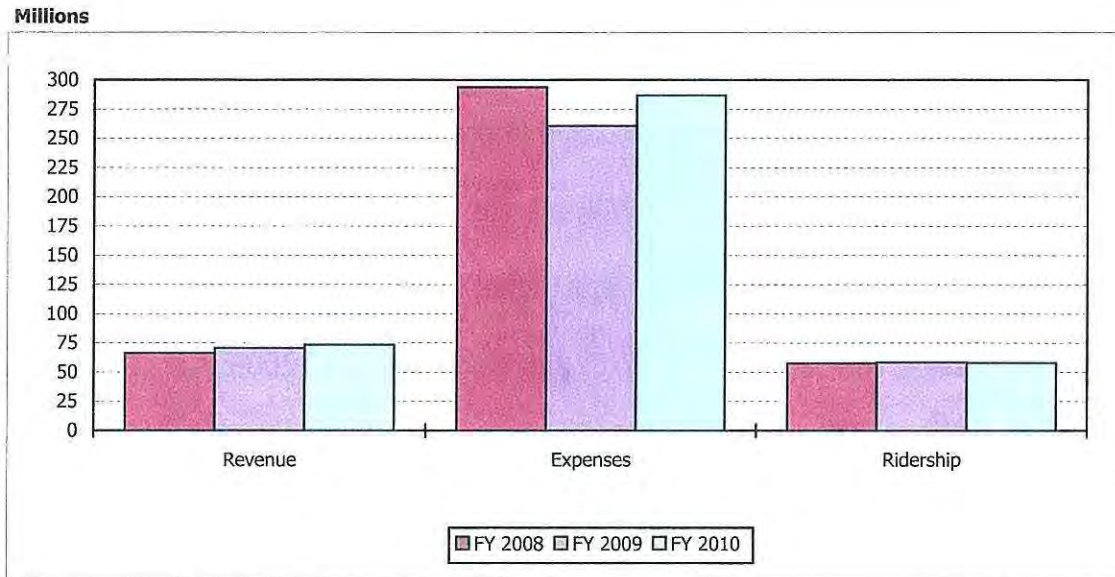
For FY 2010, bus revenues are projected to increase by 3.9% over FY 2009 actuals. This is attributed to the anticipated January 2010 fare increase. The budgeted

revenue for FY 2010 includes 6 months of an increased fare structure. Port Authority continues to explore partnerships with institutions in the region that will improve utilization of the current fleet. By placing an increased emphasis on customer service, it is hoped that Port Authority will make a positive impression on existing customers as well as first time riders. Retaining consumers who are contemplating making a permanent switch to public transportation will lead to increased ridership and revenue into the future.

Overall expenses are expected to increase over FY 2009 by 10%. There are expected increases in salaries and wages, fringe benefits, utilities, and purchased services. Within the categories of salaries and wages, higher costs are expected due to contractual wage increases for unionized employees who comprise 85% of the total work force and utility costs will be higher due to anticipated increases in the cost of natural gas and the cost of electricity generation and distribution.

The financial data, along with ridership figures and a graphical illustration of revenues and expenses pertaining to the bus mode, can be found in *Table 4.2* on the following page.

TABLE 4.2
Port Authority of Allegheny County
BUS MODE



	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Budget</u>	<u>FY10</u> <u>Inc/Dec</u>
<u>RIDERSHIP</u>				
Non-Seniors	52,246,000	52,841,000	52,487,000	
Seniors	5,487,000	5,644,000	5,560,000	
Total Ridership	<u>57,733,000</u>	<u>58,485,000</u>	<u>58,047,000</u>	-0.7%
<u>REVENUES</u>				
	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Budget</u>	<u>FY10</u> <u>Inc/Dec</u>
Passenger Revenue	\$ 62,081,000	\$ 68,483,000	\$ 71,536,000	
Sr Cit Reimbursement	0	0	0	
Other	4,273,000	2,141,000	1,863,000	
Total Revenue	<u>\$66,354,000</u>	<u>\$70,624,000</u>	<u>\$73,399,000</u>	3.9%
<u>EXPENSES</u>				
Salaries & Wages	\$ 113,313,000	\$ 115,716,000	\$ 119,815,000	
Fringe Benefits	127,801,000	91,242,000	108,980,000	
Materials & Supplies	35,003,000	38,264,000	36,101,000	
Prov for Inj & Damages	4,286,000	2,220,000	3,322,000	
Purchased Services	6,023,000	5,970,000	8,132,000	
Utilities	3,812,000	4,097,000	4,911,000	
Other Expenses	2,725,000	3,095,000	4,489,000	
Interest Expense	821,000	0	926,000	
Total Expense	<u>\$293,784,000</u>	<u>\$260,604,000</u>	<u>\$286,676,000</u>	10.0%

Light Rail Mode

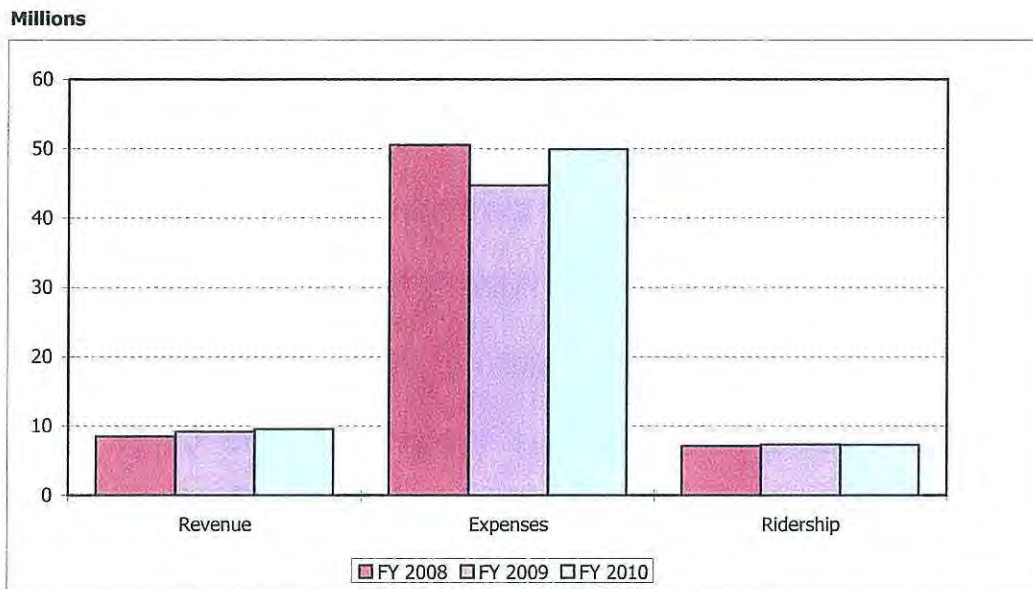
Port Authority's Light Rail Transit (LRT) System includes 48.9 miles of track and 83 light rail vehicles (LRVs). The LRT system has 5 routes, which includes a downtown subway system that provides service from Pittsburgh's South Hills to the downtown area. Service and maintenance for the light rail mode takes place at the South Hills Village location in Upper St. Clair and Bethel Park Townships. The Port Authority Board of Directors approved plans to extend the light rail system under the Allegheny River as part of the North Shore Connector Project. The North Shore Connector project is underway and, when completed, will extend Port Authority's 48.9-mile Light Rail Transit system, the T, 1.2 miles from the Gateway Subway Station underneath Stanwix Street and the Allegheny River – in twin bored tunnels below the river - to the North Shore. While remaining underground along the North Shore, the alignment would travel adjacent to Bill Mazerowski Way accessing a station near PNC Park. Continuing below grade adjacent to Reedsdale Street, the alignment will transition to an elevated alignment near Art Rooney Avenue to a station along Allegheny Avenue near Heinz Field, before terminating near the West End Bridge. This project will give the Authority the capability to extend the LRT system in the future to either the North Hills or Pittsburgh International Airport.

The ridership projections for FY 2010 are expected to decrease by .5% from the FY2009 total light rail ridership. This decrease is forecasted due to an increase in the base fare structure that is anticipated to take place in January 2010. This fare increase is also expected to increase FY 2010 revenues by 4.1% over FY 2009 levels.

Total expenses are expected to increase by 11.7% over FY 2009 levels, primarily in the salary and wages, fringe benefits, and utility categories. This increase is expected due to the contractual wage increase for unionized employees who comprise 85% of the total workforce, along with anticipated rises in electricity and natural gas.

The financial data, along with ridership figures and a graphical illustration of revenues and expenses pertaining to the light rail mode, can be found in *Table 4.3* on the following page.

TABLE 4.3
Port Authority of Allegheny County
LIGHT RAIL MODE



	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>	<u>FY10 Inc/Dec</u>
<u>RIDERSHIP</u>				
Non-Seniors	6,697,000	6,869,000	6,831,000	
Seniors	445,000	458,000	458,000	
Total Ridership	<u>7,142,000</u>	<u>7,327,000</u>	<u>7,289,000</u>	-0.5%
<u>REVENUES</u>				
Passenger Revenue	\$ 7,957,000	\$ 8,902,000	\$ 9,310,000	
Sr Cit Reimbursement	0	0	0	
Other	548,000	278,000	242,000	
Total Revenue	<u>\$ 8,505,000</u>	<u>\$ 9,180,000</u>	<u>\$ 9,552,000</u>	4.1%
<u>EXPENSES</u>				
Salaries & Wages	\$ 20,307,000	\$ 20,738,000	\$ 21,472,000	
Fringe Benefits	22,903,000	16,351,000	19,530,000	
Materials & Supplies	1,858,000	2,031,000	1,916,000	
Prov for Inj & Damages	338,000	175,000	262,000	
Purchased Services	788,000	781,000	1,064,000	
Utilities	4,077,000	4,382,000	5,253,000	
Other Expenses	215,000	244,000	354,000	
Interest Expense	65,000	0	73,000	
Total Expense	<u>\$ 50,551,000</u>	<u>\$ 44,702,000</u>	<u>\$ 49,924,000</u>	11.7%

Incline Mode

Travel by the incline mode dates back to the 19th century. The opportunity to experience incline travel remains an attraction for both life long residents as well as visitors to the area. Two inclines, the Duquesne and the Monongahela, remain in operation connecting Mt. Washington with the South Side of Pittsburgh. While both are owned by Port Authority, the Duquesne Incline is leased and operated by a non-profit organization, the "Society for the Preservation of the Duquesne Heights Incline". This incline covers approximately 800 feet of mountainside and carried over 446,392 passengers in FY 2009.

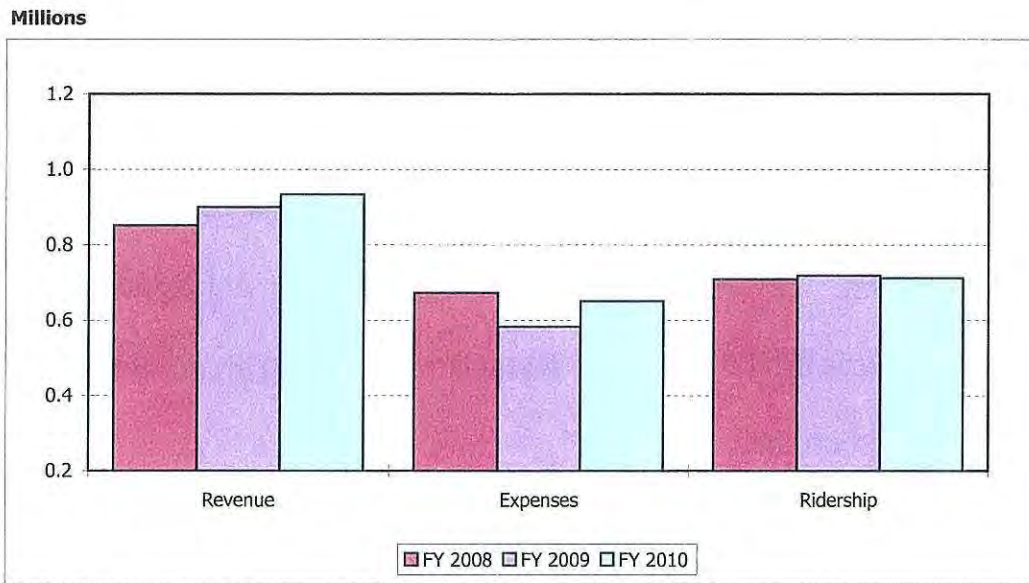
Port Authority operates the Monongahela Incline. The "Mon Incline" covers 635 feet and connects the Station Square area of the South Side with Mt. Washington. Originally built in 1870, the incline's two cars were rehabilitated in 1982 replicating their original style.

Ridership on the Mon Incline is anticipated to decrease by 1.0% in FY 2010 from the FY 2009 levels. Revenues in the same period are projected to increase by 3.8% due to the anticipated January 2010 fare increase.

As with the other modes of transportation, expenses for the Mon Incline are also expected to increase. Port Authority has budgeted for an 11.7% increase in expenses, primarily due to the contractual wage increase for unionized employees and an expected increase in utility costs.

The financial data and ridership figures and a graphical illustration of revenues and expenses pertaining to the Inclined Plane Mode can be found in *Table 4.4*.

TABLE 4.4
Port Authority of Allegheny County
INCLINED PLANE MODE



	<u>2008</u> Actual	<u>2009</u> Actual	<u>2010</u> Budget	<u>FY10</u> Inc/Dec
<u>RIDERSHIP</u>				
Non-Seniors	670,000	673,000	668,000	
Seniors	39,000	46,000	44,000	
Total Ridership	<u>709,000</u>	<u>719,000</u>	<u>712,000</u>	-1.0%
<u>REVENUES</u>				
	<u>2008</u> Actual	<u>2009</u> Actual	<u>2010</u> Budget	<u>FY10</u> Inc/Dec
Passenger Revenue	\$ 797,000	\$ 873,000	\$ 910,000	
Sr Cit Reimbursement	0	0	0	
Other	55,000	27,000	24,000	
Total Revenue	<u>\$ 852,000</u>	<u>\$ 900,000</u>	<u>\$ 934,000</u>	3.8%
<u>EXPENSES</u>				
Salaries & Wages	\$ 298,000	\$ 304,000	\$ 315,000	
Fringe Benefits	336,000	240,000	286,000	
Materials & Supplies	2,000	2,000	2,000	
Prov for Inj & Damages	3,000	2,000	2,000	
Purchased Services	3,000	3,000	4,000	
Utilities	28,000	30,000	37,000	
Other Expenses	2,000	2,000	4,000	
Interest Expense	1,000	0	1,000	
Total Expense	<u>\$ 673,000</u>	<u>\$ 583,000</u>	<u>\$ 651,000</u>	11.7%

ACCESS Mode

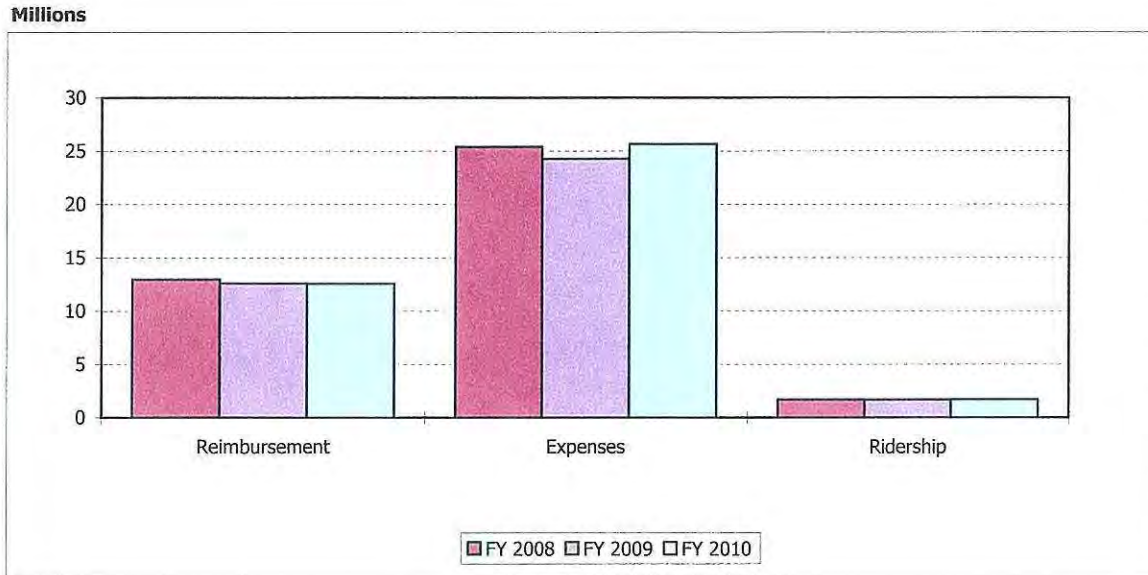
The ACCESS Program provides door-to-door service at reduced fares for older persons and those with disabilities in Allegheny County. This program is operated by Veolia Transportation, Inc., a management firm engaged by Port Authority. The actual transportation is provided by a combination of commercial carriers and non-profit community agencies. In FY 2010, 7 private companies are expected to provide transportation services from 9 operating locations within Allegheny County, under contract to Veolia Transportation, Inc.

The total expenditures projected for ACCESS in FY 2010 is \$35.4 million. Since ACCESS is a contracted carrier for Port Authority, only \$25.6 million of expenses pass through Port Authority's budget. Likewise, only \$12.5 million is reimbursed to Port Authority from the Commonwealth's Senior Citizen Fare Assistance Program for ACCESS senior ridership.

In FY 2010 ACCESS ridership is projected to increase by 1.8%. Total ACCESS Program reimbursement revenue is expected to decrease by 0.2% from FY 2009 levels and total expenses for the ACCESS Program are expected to increase by 5.7% for FY 2010.

The financial data and ridership figures, along with a graphical illustration of revenues and expenses pertaining to the ACCESS mode can be found in Table 4.5.

TABLE 4.5
Port Authority of Allegheny County
ACCESS MODE



	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>	<u>FY10 Inc/Dec</u>
<u>RIDERSHIP</u>				
Sr. Citizen Passengers	821,000	753,000	773,000	
Other Originating Pass.	873,000	919,000	929,000	
Total Ridership	<u>1,694,000</u>	<u>1,672,000</u>	<u>1,702,000</u>	1.8%
	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budget</u>	<u>FY10 Inc/Dec</u>
<u>REIMBURSEMENTS</u>				
ACCESS Prgm Reimbursement	\$ 12,969,000	\$ 12,591,000	\$ 12,571,000	-0.2%
<u>EXPENSES</u>				
ACCESS Prgm Expense	\$ 25,394,000	\$ 24,272,000	\$ 25,646,000	5.7%



Port Authority of Allegheny County

CAPITAL IMPROVEMENT PROGRAM

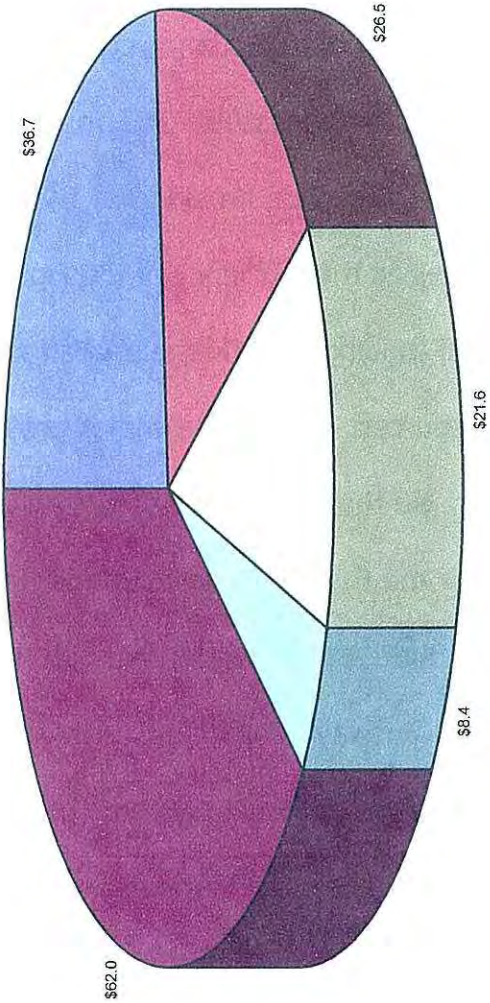
Introduction

Port Authority of Allegheny County's Fiscal Year 2010 Capital Improvement Program allocated funding for the construction, continued expansion, and maintenance of existing capital projects and assets. The multitude and diversity of projects serve to improve the quality of service provided to the citizens of Allegheny County and surrounding areas, as well as the efficiency of the Operations Division.

With the limited availability of funding, much time and effort has been placed in prioritizing the best use of our resources. One of the major projects currently being funded is the ongoing expansion of the light rail system with the North Shore Connector. Other areas of focus for the FY 2010 Capital Budget include the following: Debt Service payments; Revenue Vehicle Replacement; and Capital Asset Maintenance projects encompassing the East Busway Pavement, Mt. Lebanon Tunnel-Rail Replacement, and a new Maintenance Work Order System. In order to maintain the properties in a state of good repair, busways, services, support equipment, non revenue vehicles, and IT hardware/software upgrades have also been included. The FY 2010 Capital Budget anticipates expenditures of \$155,175,000 and is comprised of the following major program groups:

Fiscal Year 2010 Capital Allocations

(in millions)



- Debt Service
- Revenue Vehicle Replacement
- Guideway & Facility Programs
- Support Programs
- New System Expansion

Impact of Capital Spending on Operations

The FY 2010 Capital Budget will have a variety of impacts on the Operating Budget. The focus of this year's budget is maintenance of ongoing projects and facilities as opposed to large scale system expansion projects. The thought process behind this is that a greater focus on maintenance will decrease the need for parts, labor, and vehicle repairs; therefore, \$21.6 million has been slotted for fixed guideway and facility improvements. The East Busway pavement has deteriorated due to age, continual vehicle use, and road salt application, and now contains numerous cracks, potholes, and imperfections causing unacceptable ride quality and potential damage to revenue vehicles. The scope of the project is to complete a full depth replacement of the pavement over a five year period. The initial request of \$6 million is for the first year of this program. This project alone will generate a positive variance to the operating budget in the of labor and vehicle repair.

The Capital budget also includes \$5.8 million for the replacement of all rail and associated rail components in the Mt. Lebanon Tunnel. Track inspections indicate that the rail, rail clips, and direct fixation plates are in poor condition and should be considered a high priority for replacement. The moisture and the age of the tunnel have accelerated the deterioration of the rail and components. Failure to complete the work would result in additional corrosion leading to a combined failure of the rail and rail plate, potentially causing a derailment in the tunnel. The almost continual maintenance costs required to keep the line running would simply keep escalating unless the replacement rail and components are laid.

The replacement of the Maintenance Work Order System (\$5 million) will allow the Port Authority to track, manage, and optimize performance levels of all assets critical to business operations. This includes the following: rolling stock such as buses, rail vehicles, and support vehicles; fixed assets including buildings, maintenance facilities, and stations; infrastructure, such as track, catenary, bridges, signals, communication buildings; and IT equipment. This new system will manage and analyze labor costs, warranties, and inventories without sacrificing reliability or the safety of our riders. In addition, the new Work Order System will simplify the analysis of purchasing versus repairing parts and materials, resulting in a decrease in operating costs.

The Port Authority of Allegheny County plans to procure 55 new clean diesel buses which include twenty-five 60ft Articulated and twenty-eight 40ft Low Floor, and two Low Floor Hybrid Vehicles. As the older models require near constant maintenance, the introduction of the new vehicles will impact the operating budget by generating a savings in the areas of fuel economy and maintenance via warranty protection on the new fleet. The following table provides the description and detail to this revenue vehicle replacement program:

Table 5.1
Port Authority of Allegheny County
FY 2010 Capital Budget

Major Revenue Vehicle Replacement Program

Single - Year Programs	Description	Lead Division	FY 2009 Budget	Anticipated Funding Source
New Bus Procurement	Purchase of 28 40' Low Floor Coach Buses, 25 60' Articulated Clean Diesel Buses, and 2 Low Floor Hybrid Buses for a total of \$13,800,000.	Finance	\$ 26,530,000	Federal, State, and Local Grants
Program Totals			\$ 26,530,000	

Major Operating – Related Capital Programs

The Port Authority's Operating Budget contains \$45.2 million in Major Operating-Related Capital Programs for FY 2010. Major Operating Programs are comprised of the following: Capital Cost of Contracting - Access, Preventive Maintenance, Vehicle Overhaul, Infrastructure Safety Renewal Program, Associated Capital Maintenance, Capital Cost of Contracting - STV Maintenance, STV Lease, Administrative Facility Lease, and Administrative Grants Management.

Port Authority contracts for its entire ACCESS Paratransit service for elderly and disabled riders with an annual budget of \$35.4 million. The Federal Transportation Administration guidelines allow for reimbursement of vehicle depreciation and components of maintenance and overhead expense, helping to defray the cost of providing Paratransit service. The FY 2010 Budget provides \$2,944,357 for the Lease and Capital Cost of Contracting for the maintenance of 48 Small Transit Vehicles.

These vehicles can provide new services that reduce pollution and traffic congestion. Small Transit Vehicle service is currently in place in the Eastern, Western, and Southern regions of Allegheny County. Preventive Maintenance is broadly defined as allowing for direct and indirect activities performed on revenue vehicles included under the line item "maintenance" in the National Transit Database system of Accounts. There has been \$7,050,000 allocated for Preventive Maintenance in the FY 2010 Capital Budget. This is a reduction of \$4,550,000 from FY 2009, when \$11,600,000 was allocated. Associated Capital Maintenance has \$2,500,000 allocated for FY 2010. The Federal Guidelines for this program state that the cost of equipment, or a component whose unit cost is no less than 1/2 of a percent of the current market value of the rolling stock on which it is to be used, can be capitalized. Such purchases include parts associated with rebuilding engines, transmissions, and other major components. The FY 2010 Capital Budget allots \$943,000 for the Lease of 70,575 square feet for the administrative offices located at the Heinz Building and the Grants Management Program has a budget of \$760,000 in FY 2010 for the costs of grant management and administrative expenses. The components of the Major Operating-Related Capital Program are listed in Table 5.2.

Table 5.2
Port Authority of Allegheny County
FY 2010 Capital Budget

Major Operating - Related Capital Programs

Single - Year Programs	Description	Lead Division	FY 2010 Budget	Anticipated Funding Source
Infrastructure Safety Renewal Program	This project provides for improvements and repairs to Port Authority fixed facilities and infrastructure.	Finance	\$16,000,000	State Bond Fund
Capital Cost of Contracting - ACCESS	Contracts for ACCESS paratransit service for elderly and disabled riders.	Finance	\$15,000,000	Section 5307 Formula Funds
Preventive Maintenance	Broadly defined federal program that allows for direct and indirect activities performed on revenue vehicles included in the line item "maintenance" in the National Transit Database system of accounts.	Finance	\$7,050,000	Section 5307 Formula Funds
Revenue Vehicle Overhaul Program	This program provides for the overhaul of transit revenue vehicles including buses and light rail vehicles.	Finance	\$2,500,000	State Bond Fund
Associated Capital Maintenance	To capitalize the cost of equipment or component whose unit cost is less than 1/2 of a percent of the current market value of the rolling stock on which it is to be used.	Finance	\$2,500,000	Section 5307 Formula Funds
Capital Cost of Contracting - STV Maintenance	Capital Assistance to be used to fund the cost of the capital portions of service or maintenance under contract. Maintenance on 48 small transit vehicles.	Finance	\$1,624,453	Section 5307 Formula Funds
STV Lease	Annual Capital Lease costs for 48 small transit vehicles	Finance	\$1,319,904	Section 5307 Formula Funds
Administrative Facility Lease	The lease of one full floor and a section of a second floor in the Heinz 57 Center to house the administrative services of the Port Authority.	Finance	\$943,000	Section 5307 Formula Funds
Administrative Grants Management	To cover the cost of grant management and administrative costs associated with the FY09 Section 5307 Urbanized Area Formula Program, not to exceed 2% of the grant total.	Finance	\$760,000	Section 5307 Formula Funds
Program Totals			\$47,697,357	

Funding

To fund the proposed capital programs, Port Authority of Allegheny County receives grants/funding from Federal, State, and Local County Governments. The federal funding for transportation improvement projects is derived primarily through the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU). This, along with other forms of Federal Funding that will be received by the Port Authority for FY 2010, is detailed below:

- Title III of SAFETEA-LU provides funds for transit programs under two sections:
 - *Section 5309 - Major Capital Investments Program:* This program funds major capital investments in the following categories:
 1. New starts and extensions to existing systems -- Projects such as the North Shore Connector are funded under this program.
 2. Fixed Guideway Modernization -- This is a formula-driven program whereby funds are used to modernize existing fixed guideway facilities.
 3. Bus and Bus-Related Equipment and Facilities -- This funding program is for the purchase of buses and bus facilities.
 - *Section 5307 - Urbanized Area Formula Program:* This program provides funds for planning, acquisition, construction, improvement, preventive maintenance, vehicle overhaul, and associated capital maintenance items. These are typically classified as routine capital improvement and replacement projects. Distribution of urbanized area formula funds is made by formula to individual urbanized areas. Section 5307 programs are typically funded 80% federal, 16-2/3% Commonwealth of Pennsylvania, and 3-1/3% Allegheny County.

- *State Vehicle Overhaul Program:*

Since FY 1991, a capital grant allocation for maintenance and overhaul of revenue motor buses and light rail vehicles has been funded by the Commonwealth of Pennsylvania and has required no match from Allegheny County. In FY 2010, \$2.5 million has been requested for this program and has been included in the operating budget.

- *Federal Flex Funds:*

This program represents federal dollars appropriated for the Federal Highway Program which can be flexed or re-appropriated to eligible mass transportation programs. Specific eligible Port Authority projects include Mid-Life Overhaul and the North Shore Connector.

- *Pennsylvania Act 44:*

Governor Rendell signed into law Act 44 of 2007 on July 18, 2007. The new law established the Public Transportation Trust Fund (PTTF). The PTTF completely transformed the funding of public transportation within Pennsylvania. It repealed and replaced the old piecemeal system of funding transit agencies from various state funds with one dedicated fund. The PTTF provided agencies a dedicated stream of assistance for both operating and capital purposes. The PTTF provides state funds to the Port Authority as well as other state transit agencies in the form of: State Capital Bonds, Asset Improvements, and Dedicated Capital Funds.

- *American Recovery and Reinvestment Act:*

This act was signed into law in 2009 by President Barack Obama. In the face of an economic crisis, the magnitude of which we have not seen since the Great Depression, the American Recovery and Reinvestment Act represents a strategic and significant investment in our country's future. Though multi-faceted in its creation, this act will inject \$150 billion investment in new infrastructure, enacting the largest increase in funding for our nation's roads, bridges, and mass transit systems. The Port Authority of Allegheny County has been awarded ARRA funds in the amount of \$61,750,182 towards the completion of the North Shore Connector Project and \$492,864 towards transit enhancements to the Gateway Station.

Capital Budget Development

The development of the FY 2010 Capital Improvement Program came about through the reinstatement of the Capital Planning Committee, comprised of personnel from each of the division at the Port Authority. The Capital Planning Committee is responsible for developing and presenting the annual capital budget to senior staff, monitoring the progress of the capital projects included in each budget, processing interim requests, and developing the four and twelve year Capital Needs Assessment Plans. The starting point for the annual capital budget is the Four Year Capital Needs Assessment. Any project outside the Four Year Capital Needs Assessment Plan must be submitted via an interim request and must be of an emergency nature or the result of a special opportunity. Each regular submission shall include detailed project information including scope, budget, schedule, anticipated cost/benefit analysis, and estimated completion date. The requests are analyzed and reviewed by the Grants and Capital Programs Department for completeness.

During the month of March, all submitted requests are reviewed by the Capital Planning Committee to debate and finalize project priority and identify possible funding assumptions. The first category reviewed determines if the project is discretionary or non-discretionary. Non-discretionary projects fall within the realm of safety, security, regulatory, emergency, or critical operating needs. The other scoring criteria used to prioritize projects include Financial Ramifications, Service Quality, Ridership, Community Impact, and Employee Morale/Business Process Implications. Each score is weighted by the criteria and is then ranked. The highest ranked projects become the proposed capital budget.

A draft of the capital budget is presented for review and discussion with the Chief Financial Officer, and then presented for review and discussion with the senior staff (CEO and AGMs). Any recommended changes in ranking, etc. are then processed by the Grants and Capital Programs Department for final review and acceptance. The Chief Financial Officer then presents the draft to the Planning and Development Committee. The budget is reviewed with the Allegheny County Transit Council (as per the Second Class County Port Authority Act); and lastly, the Chief Financial Officer presents the budget to the Port Authority Board of Directors to be adopted at the June Board Meeting.

With limited funding coming in, this year's committee had many tough decisions to make early in the process. It was realized that funding wasn't going to be available for all requested and proposed projects. Many compromises were reached and many projects were deferred or placed on hold. The Port Authority will purchase 55 buses in FY 2010 as opposed to the originally proposed 85, and any further large bus purchases have been deferred until the types of revenue vehicles needed are determined by the Transit Development Plan. In addition, this year's bus procurement project was limited to the purchase of clean diesel buses, with an option to upgrade to hybrid electric buses if funding from other sources became available.

Debt Service

For FY 2010, \$36.7 million has been allocated to the Port Authority Debt Service Program. There are two major projects within this program, with the first being the Master Financing Agreement. In FY 2003, the Authority entered into an agreement with Koch Financial Corporation whereby they would draw down term bonds to purchase buses. The debt is secured by an equity interest in the purchase of each bus. A total of 400 buses have been secured by this agreement, resulting in two semi-annual payments of \$8,451,235; the debt slated to be paid in full as of the close of FY 2017.

The second Debt Service program is the Series 2001 Senior Bonds. On November 4, 1999, the Authority issued \$225,000,000 of Special Revenue Transportation Bonds Series 1999. The proceeds of the bond sale were primarily used to fund capital additions (East Busway Extension) and improvements to the Authority's Stage II Light Rail System. On March 2, 2001 the Authority refinanced the 1999 bonds and issued \$250,695,000 of Special Revenue Transportation Bonds Series 2001. About \$240 million of these proceeds were used to advance refund of the 1999 bonds. The FY 2010 budget includes two payments totaling \$19,750,831 towards this debt. The following graphs and tables provide descriptions and details to the above debt service programs:

Port Authority of Allegheny County

Annual Debt Service Payments/Requirements

Fiscal Year Ending June 30th	Sr. Bond Payments	Koch Payments	Total Debt Service Requirements
2010	19,750,831	16,902,472	36,653,303
2011	19,749,706	16,902,469	36,652,175
2012	19,748,356	16,902,469	36,650,825
2013	19,750,237	16,902,469	36,652,706
2014	19,748,512	10,557,729	30,306,241
2015	19,746,487	7,821,216	27,567,703
2016	19,752,787	4,690,570	24,443,357
2017	19,750,487	2,200,846	21,951,333
2018	19,753,487	0	19,753,487
2019	19,749,737	0	19,749,737
2020	19,748,737	0	19,748,737
2021	19,753,750	0	19,753,750
2022	19,752,000	0	19,752,000
2023	19,748,500	0	19,748,500
2024	19,746,750	0	19,746,750
2025	19,750,000	0	19,750,000
2026	19,746,250	0	19,746,250
2027	19,749,000	0	19,749,000
2028	19,751,000	0	19,751,000
2029	19,745,250	0	19,745,250
	\$394,991,864	\$92,880,240	\$487,872,104

Annual Debt Service Payments

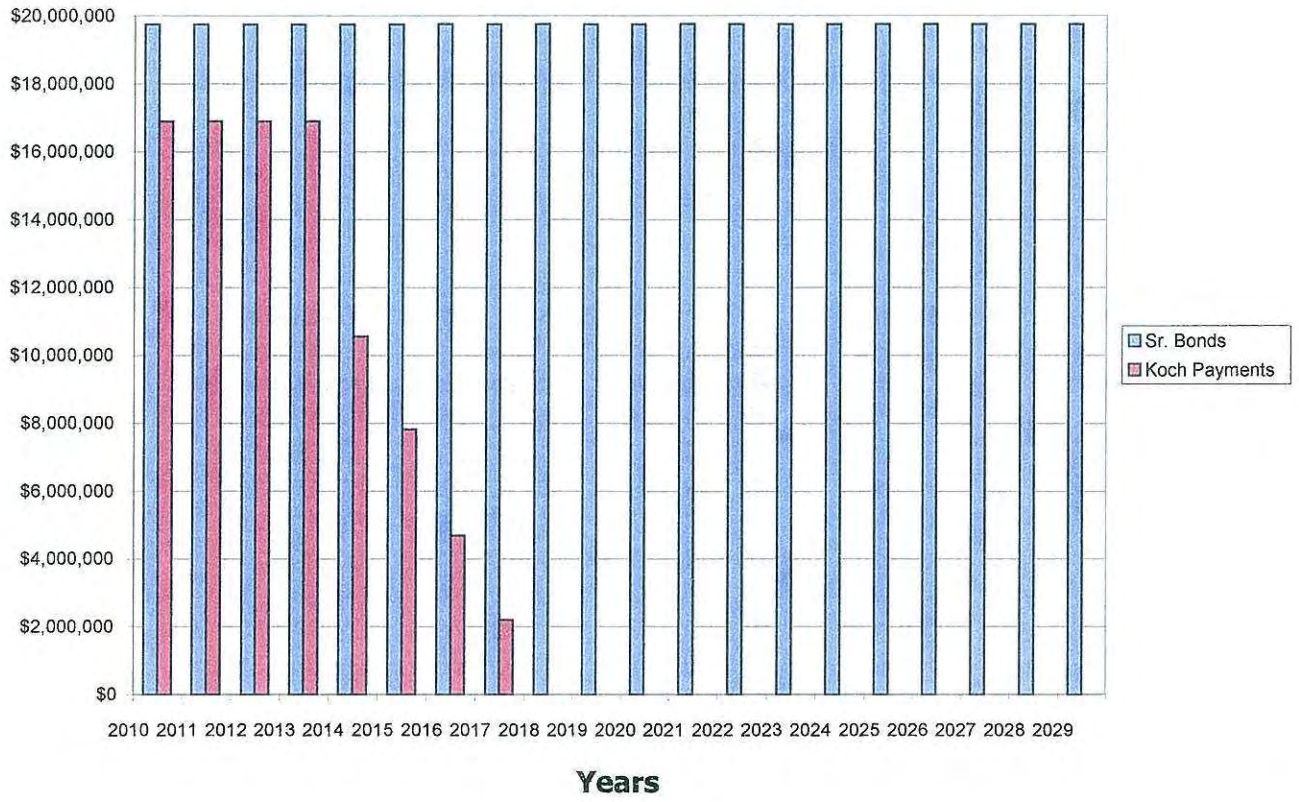


Table 5.3
Port Authority of Allegheny County
Fiscal Year 2009 Capital Budget

Debt Service Program

Single - Year Programs	Description	Lead Division	FY 2009 Budget	Anticipated Funding Source
Koch Master Finance Agreement	FY 2003, the Authority entered into an agreement with Koch Financial Corp whereby they would drawdown \$91,200,000 in term bonds to purchase buses. The Authority requested an additional \$19,800,000 bringing the total to \$111,000,000.	Finance	\$16,902,472	PA Act 44 Section 1514/1517
Series 2001 Senior Bond Service	In 2001, the Authority issued \$250,695,000 of Special Revenue Transportation Bonds series 2001. Approximately \$240,000,000 of these proceeds were used to advance the refund of the 1999 series bonds.	Finance	\$19,750,831	PA Act 44 Section 1514/1517
Program Totals			\$36,653,303	

Major Facility & Rail Improvements

With a continued focus on fiscal responsibility, the Port Authority has chosen to concentrate on asset maintenance as opposed to facility expansion and improvements. In addition to the previously discussed facility and rail improvement projects, there are a variety of projects submitted towards keeping our assets in a state of good repair. The Bridge and Structures Inspection Program is an annual increment that allows for inspections of bridges on a bi-annual basis. Periodic inspections, based on the National Bridge Inspections Standards (NBIS), assess structural conditions on a regular basis, which allows for planning of rehabilitation and replacement needs before major crisis situations arise. Ultrasonic rail inspections are performed under this project. Other projects are listed below in greater detail.

The existing expansion joints on the inbound track at the Palm Garden Bridge Abutment #2 may be causing LRV wheel shelling problems. The location of the expansion joints is in an area of track that has reverse elevation. There appears to be excessive wear at the expansion location. This request is for the Authority's LRT Systems Consultant to perform an analysis of the installation with recommendations for resolution, as well as for the construction costs for the implementation.

An underground oil/water separator unit will be installed at the Manchester Main Shop to collect and treat the wastewater discharge resulting from the larger parts washing and engine cleaning operations. A bus engine/engine bulkhead cleaning pad will be constructed to collect the engine and bulkhead wash water and direct it to the new oil/water separator. The project will control the oily wastewater discharge resulting from these operations at the Main Shop, allowing for regulatory compliance.

The motor wash hoist at the West Mifflin Garage is locked out and not in use at this time due to the infiltration of water causing the rear hoist cylinder to rust. A new Rotary 75/48 Parallelogram Lift rated for 75,000 lbs. will be installed to replace the old three post lift that has weakened from age. The new lift will have adequate lifting capacity for the articulated buses at this garage. The removal of the old lift as well as construction modifications is included in this request. This lift installation ensures warranty protection for the Gillig Buses.

The ADA detectable warning edge pavers for both the inbound and outbound rail platforms need to be replaced due to deterioration. These tiles are lifting throughout the station and are being patched with asphalt, making it a possible tripping hazard for customers. The existing ADA warning tiles and setting beds for the entire length of both

inbound and outbound platforms will be demolished. New structurally reinforced concrete will be installed on the original parts of the platforms to meet the new Port Authority specifications, as used at the Washington Junction Station. Portions of the Fallowfield Station, both inbound and outbound, have a trench drain just behind the warning tiles to collect any water that falls on the platform. These exiting trenches will be removed and replaced. Another new concrete setting bed and ADA detectable warning edge tiles will also be laid on this platform as well. The replacement of such tiles and concrete will reduce the amount of slip and fall claims from PAAC customers. Delaying the project will increase costs due to escalation, increased maintenance costs for exiting tiles, and further reported insurance claims; therefore, this project is included in FY 2010.

These projects, and many others like them, are necessary to the continued operations of the Port Authority of Allegheny County. Though the availability of funding is decreasing due to the economic downturn, the Port Authority prioritizes its projects to ensure regulatory compliance, to guard the safety and comfort of riders and employees, and to protect the investment in assets by extending their useful life. Table 5.4 provides the detail to the fixed guideway and facility improvements that are included in the FY 2010 Capital Budget.

Table 5.4
Port Authority of Allegheny County
FY 2010 Capital Budget

Fixed Guideway & Facility Improvements

Single - Year Programs	Description	Lead Division	FY 2009 Budget	Anticipated Funding Source
East Busway Pavement Replacement	The East Busway Pavement has deteriorated due to age, continual vehicle use, and road salt application and now contains numerous cracks, potholes, and imperfections causing unacceptable ride quality and potential damage to revenue vehicles. The scope of the project is to complete a full depth replacement of the pavement over a five year period.	Operations	\$ 6,000,000	Section 5307 Formula Funds
Mt. Lebanon Tunnel Rail Replacement	This is for a total replacement of all rail and associated rail components in the Mt. Lebanon Tunnel. Recent track inspections have indicated that the rail, rail clips, and direct fixation plates are in extremely poor condition and should be considered a high priority to prevent further corrosion. These conditions could result in a potential derailment in the tunnel.	Operations	\$ 5,409,000	Section 5307 Formula Funds
Other State of Good Repair	The following is a list of the major components and projects to be completed during FY10: Downtown Service Center Construction, Wheel Axle Press Modifications/Replacement, West Busway Ramp Repair, Fallowfield Platform Rehab, Tunnel Fan Repairs, and the Bridge and Rail Inspection Program.	Operations	\$ 5,194,000	Section 5309 Formula Fund
Maintenance Work Order System (MWOS)	This system allows transit agencies to track, manage, and optimize performance levels of all assets critical to business operations. This includes rolling stock such as buses, rail vehicles, paratransit vehicles, support vehicles, and all fixed asset maintenance. The system analyzes labor costs, warranties, and inventories without sacrificing reliability or safety.	Operations	\$ 5,000,000	Section 5309 Formula Fund
Program Totals			\$ 21,603,000	

Major Support Programs

The FY 2010 Capital Budget allocates \$8.4 million towards the support of the various aspects of mass transit in both Light Rail and bus forums. In order to maintain an efficient administrative program, the Port Authority spends a large portion of this support program on both IT Development and IT Infrastructure. It is essential to the goal of cost efficiency to maintain the software support and licensing necessary to operate the various divisions within the organization. Please see the following table for programs being upgraded and licensing purchased within FY 2010.

The support equipment and non revenue vehicle replacements provided for in the FY10 Capital Budget are essential to the operational support of the transit system. The non revenue vehicles play an essential role in day to day transit operations. The following vehicles are scheduled for replacement in FY 2010:

- 4 Street Sweepers
- 3 Garage Service Trucks
- 6 Facility Work Vans
- 7 Supervisory Vehicles
- 5 Police Cruisers
- 7 System Support Vehicles
- 3 Crew Cab Trucks
- 3 Full Size Work Vans
- 3 Shelter Cleaning/Utility Body Trucks
- 1 Back Hoe
- 1 Bucket/Overhead Truck
- 1 Stake Body Crew Truck
- 1 Tilt Utility Trailer
- Skid Steer
- 2 Dump Trucks – 1 Ton with Snow Removal Equipment

Please see Table 5.5 for a detailed description of the above proposed improvements:

Table 5.5
Port Authority of Allegheny County
FY 2010 Capital Budget

Support Programs - IT, Vehicles, and Equipment

Single - Year Programs	Description	Lead Division	FY 2010 Budget	Anticipated Funding Source
PeopleSoft Software Licensing	Port Authority has purchased many 3rd party software products. It is extremely important that this software be maintained and that we continue to migrate towards newer technologies and operating systems. This is an annual fee.	IT Development	\$2,167,000	Section 5307 Formula Funds
Replacement of Support Vehicles and Equipment	4 Street Sweepers (\$360,000), 3 Garage Service Trucks (\$270,000), Replacement of Treasury Vehicles (\$200,000), 6 Facilities Work Vans (\$180,000), 7 Supervisory Vehicles (\$175,000), 5 Police Cruisers (\$170,000), 7 System Support Vehicles (\$150,000), 2 1-Ton Dump Trucks w/Snow Removal Equipment (\$130,000), 3 Shelter Cleaning/Utility Body Trucks (\$120,000), 1 Back Hoe (\$115,000), 3 Crew Cab Pickup Trucks (\$100,000), 1 Bucket/Overhead Line Truck (\$100,000), 3 Full Size Work Vans (\$90,000), 1 Skid Steer (\$70,000), 1 Stake Body Crew Truck (\$41,000), 1 Tilt Utility Trailer (\$16,000)	Operations	\$2,287,000	Section 5307 Formula Funds
Telecommunications System Upgrade	Replace existing Avaya Telecommunications System with current vendor supported hardware/software. This also includes upgrading existing voicemail system to a uniformed messaging platform.	IT Infrastructure	\$3,949,000	Section 5307 Formula Funds
Program Totals			\$8,403,000	

New System Expansion

The current system expansion project, budgeted in FY 2010, is the North Shore Connector. This request is to establish the budget for the remaining project costs. The project has been underway since 2006 and is scheduled to be completed in 2011. This is an ongoing, stand alone project which has had multiple funding sources and infusions, the most recent of which is the ARRA funds in the amount of \$61,985,453.

The North Shore Light Rail Transit (NSC) Connector Project consists of the design and construction of an LRT extension within downtown Pittsburgh and connecting with Pittsburgh's North Shore. The Project is a 1.2-mile double-tracked extension of the Port Authority of Allegheny County's existing 25-mile LRT system within Pittsburgh's Golden Triangle and links the Golden Triangle to the rapidly developing North Shore area. The Project will extend the LRT system from the area of the existing Gateway LRT Station to the vicinity of the West End Bridge via two bored tunnels below the Allegheny River, continuing along the North Shore as a mix of below grade and elevated alignment. Three new stations will also be constructed as part of this project: a new Gateway Station adjacent to the current Gateway Station to facilitate the tie-in to the existing system, and two stations on the North Shore. The North Side Station will be located underground in the vicinity of PNC Park near the intersection of Tony Dorsett Way and Reedsdale Street; the Allegheny Station will be an aerial station located above Allegheny Avenue in the vicinity of Reedsdale Street. Project scope will also include the following: traction power and overhead contact system; train control system; communications system; real estate acquisition, utility relocations; fare collection; environmental mitigation; financing; start up and testing of the project for

revenue service; a before and after study; and other elements necessary to achieve project implementation. No new vehicles or additional facilities are included in the scope of the project.

The project is progressing in accordance with the schedule approved with the Full Funding Grant Agreement (FFGA) and in compliance with the terms of the FFGA, with the exception of the following: Port Authority evaluated construction contract bids received in 2008 and concluded that even with implementation of the remaining available cost mitigating actions, the defined project scope could not be completed within the existing FFGA budget. In December 2008, Port Authority submitted a FFGA Recovery Plan for FTA and the Project Management Oversight Committee (PMOC) to review, increasing the project cost to \$552.8 million, but without a finalized funding plan for the cost increase. After receiving additional construction contract bids in early 2009, Port Authority presented a revised recovery estimate at the May 2009 Quarterly Project Report Meeting, which lowered the project cost to \$538.8 million. On June 1, 2009, Port Authority submitted an Amended Section VII Financial Plan for the Recovery Plan reflecting a budget of \$538.8 million, a planned start of Revenue Service on December 19, 2011, with a revised FFGA Revenue Operations Date of March 11, 2012. The revised Section VII also defined the funding for the cost increase. The additional time already expended by Port Authority to manage the FFGA cost issues had consumed the entire FFGA schedule contingency and extended the Revenue Operations date 5 1/2 months from the original date of June 30, 2011. The ridership impact of the North Shore Connector Project will be multi-faceted as it will

increase with daily commutes, weekend traffic due to activities and sporting events, and with the opening of the casino on the North Shore.

Other Initiatives

The Capital project that has the largest impact on Operations is the Automated Fare Collection System (AFCS) that was introduced in FY 2009. The AFCS program seeks to replace older, outdated fareboxes with newer boxes capable of validating currency inserted in addition to providing a platform that will allow the use of "Smart-Card" technology. The migration to this technology will greatly simplify and improve the riding customer's experience, reduce fare evasion, increase agency revenues, provide a seamless coordination of regional transit services, and provide a superior data collection system which enhances the Authority's ability to analyze and manage our operations.

During the Fiscal Year 2010, the project will unfold in two distinct phases: Phase One will see the introduction of the new fareboxes and all support equipment operating under the same principles currently employed. Phase Two will see the introduction of the smart card technology and the phasing out of all paper fare instruments.



PORT AUTHORITY OF ALLEGHENY COUNTY

FY 2010 OPERATING AND CAPITAL IMPROVEMENT BUDGETS

GLOSSARY

ACCESS Program – A program that provides subsidized door-to-door, advance reservation transportation services for the elderly and handicapped residents of Allegheny County (Port Authority's demand response service).

Average Fare – A calculated fare statistic that is derived by dividing paid passenger revenues by the number of originating passengers.

Balanced Budget – A budget where total revenues and grants or operating subsidies equal total expenses.

Base Fare – Cash fare that is charged to an adult for regular local transit service.

Capital Improvement Program – A financial plan for the allocation of Capital Project funds necessary to acquire, improve, or maintain Port Authority's fixed assets.

Capital Needs Study – An assessment of annual expenditures needed to maintain and/or replace Port Authority's existing capital assets given the current level of service.

Dedicated Funding – Funds that are dedicated for a specific transit related purpose by the fund awarding entity, such as the State

Fixed Guideway – A separate right-of-way for the exclusive use of public transportation.

Fixed Route – An established route where transit vehicles follow a schedule over a prescribed route.

Incline – A fixed facility that is comprised of two (2) vehicles operating in opposite directions on angled, parallel tracks.

Light Rail – A type of electric rail transit system with a "light" volume traffic capacity compared to Heavy Rail.

Martin Luther King, Jr. East Busway Extension – The second phase of the Martin Luther King, Jr. East Busway which extended the fixed guideway from Wilkinsburg to Swissvale.

Modal Budget – A term used to describe an operating budget detailing each method of transit that is being operated (i.e. motor bus, light rail, incline, ACCESS).

National Transit Database (NTD) – The annual financial and statistical report compiled by all transit agencies as required by the Federal Transportation Administration (F.T.A.).

Operating Plan – Combines the financial plan for the allocation of projected revenues and expenses consumed in the daily operations of the transit system and specific programs to support achievement of Port Authority’s vision statement.

Originating Passengers – A ridership statistic of passengers using a fare instrument and/or cash drop as payment of fare.

Overhead Expense – Operating expenses, which are not charged to a particular project or service.

Paratransit – Flexible forms of public transportation services that are not provided over a fixed route (Port Authority’s ACCESS Program).

Park-N-Ride – A designated parking area where transit patrons may park their cars and board a transit vehicle.

Passenger Revenues – Revenues consisting of farebox collections, ticket sales, school permits and pass sales, weekly permit sales, monthly pass sales, and special event fare receipts.

Peak Period – Morning and afternoon time periods when transit riding is heaviest due to commuters traveling to and from their place of work.

Prepaid Fare Instruments – Tickets, permits, and passes that are purchased prior to boarding and represent a paid fare in lieu of a cash drop.

Ridership – Number of customers using Port Authority’s services.

Rolling Stock – The vehicles used in a transit system, including buses and rail cars.

Second Class County Port Authority Act – The Commonwealth of Pennsylvania’s legislative act that governs how our organization, Port Authority of Allegheny County, conducts its operations within the confines of Allegheny County.

Stage I – The first phase of Port Authority’s LRT system, completed in 1987, which included the construction of the subway and the maintenance and control center.

Stage II – The second phase of Port Authority’s LRT system serving the South Hills area and connecting with the downtown subway. It consists of the updating the Drake, Library and Overbrook trolley lines.

Vehicle Improvement Program – The terminology used by Port Authority for rehabilitation of its revenue vehicle fleet.

Vision Statement – An expression of how the organization desires to be perceived.

SOURCE: American Public Transit Association, [A Glossary of Transit Terminology](#), September 1984.

ABBREVIATIONS

ACTC	-	Allegheny County Transit Council
ADA	-	Americans With Disabilities Act
ATU	-	Amalgamated Transit Union
CSMA	-	Car Storage Maintenance Area
DBE	-	Disadvantaged Business Enterprise
FTA	-	Federal Transportation Administration
FY	-	Fiscal Year
GAN	-	Grant Anticipation Notes
GASB	-	Government Accounting Standards Board
HOV	-	High-Occupancy Vehicle
HRIS	-	Human Resources Information System
HVAC	-	Heating Ventilation Air Conditioning
IBEW	-	International Brotherhood of Electrical Workers Union
IOD	-	Injury On Duty
ISRP	-	Infrastructure Safety Renewal Program
IT	-	Information Technologies
LRT	-	Light Rail Transit
LRV	-	Light Rail Vehicles
MAP	-	Maintenance Apprenticeship Program
MIS	-	Management Information Systems
NTD	-	National Transit Database
OCC	-	Operations Control Center
OEO	-	Office of Equal Opportunity
PAAC	-	Port Authority of Allegheny County
PCC	-	Presidential Conference Committee Cars
PTAF	-	Pennsylvania Transportation Assistance Fund
SAFETEA-LU	-	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A legacy for users
"T"	-	Port Authority Light Rail Line
VIP	-	Vehicle Improvement Program

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End Notes

¹ Overview

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