



PortAuthority.org

Fiscal Year 2017
Operating and Capital Improvement Budget
July 1, 2016 – June 30, 2017

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Table of Contents

FY 2017 Operating and Capital Improvement Budget

| | |
|--|----|
| Board of Directors..... | 3 |
| Officers and Assistant General Managers..... | 4 |
| Executive Summary..... | 6 |
| Regional and Port Authority Profile..... | 14 |
| Current Trends..... | 14 |
| Allegheny County..... | 15 |
| Port Authority of Allegheny County..... | 16 |
| Port Authority of Allegheny County System Map..... | 17 |
| Port Authority Ridership Profile..... | 18 |
| Summary of Assumptions..... | 20 |
| FY 2017 Operating Budget Summary..... | 21 |
| Fiscal Year 2017 Operating Budget..... | 22 |
| Operating Revenues..... | 22 |
| Operating Expenses..... | 24 |
| Fiscal Year 2017 Capital Budget..... | 26 |
| Port Authority Structure..... | 30 |
| Divisional Summaries and Expenses..... | 33 |
| The Office of the Chief Executive..... | 33 |
| Transit Operations..... | 34 |
| Engineering and Technical Support..... | 34 |
| Finance Division..... | 36 |
| Legal and Corporate Services..... | 38 |
| Human Resources Division..... | 39 |
| Communications Division..... | 41 |
| Port Authority Physical Plant..... | 42 |

The FY 2017 Operating and Capital Budgets have passed and include the resources necessary to implement the many initiatives underway at the Authority and support the strategies detailed in our *5-Year Strategic Plan* to be adopted in September. As we begin FY 2017, I offer this report on the achievements in FY 2016.

We begin a new fiscal year in a strong financial position with important Board-adopted policies – *PAAC Transit Service Guidelines*, *Fare Policy*, and *PAAC Transit-Oriented Development Guidelines*. Together these policies serve to support the Board-approved vision, mission, and goal statements for transit in Allegheny County and guide the decision making and investment over the next five years. Our *PAAC Strategic Plan*, fine-tuned over two years through numerous workshops with the Board and expected to be adopted formally in September, maintains three primary focuses: (1) improving the quality of transit service and with it engage new riders, (2) increasing the efficiency of the system, and (3) stabilizing funding to allow for needed capital investment and plan for service expansion.

PAAC Transit Service Guidelines marks a new era of transparency and data-driven decision making. As we work to meet service demands and improve the mobility of our residents, efficiency, effectiveness, and equity metrics assure riders that we are constantly striving to improve and evolve with new technologies and data while maintaining an emphasis on local knowledge and a deep understanding of the communities we serve. Our guidelines set standards for service, reports by route adherence to those standards, evaluates and ranks new service requests on an annual basis, and provides recommendations for minor and major service changes to meet guidelines on existing routes as well as changes to expand service. Our first *Annual Service Report 2015* was issued this May and is the basis for service expansion in FY 2017. Public response has been excellent.

Changes to *Fare Policy* followed extensive public and internal discussion as well as numerous Board workshops. A 2014 Rider Survey, informed our -- *Where to next campaign?*—which sought to better understand how we might simplify riding for our customers. Input received from 5,500 participants, including employees, was the basis for the Board-approved one fare, pay-on-enter policy, together with elimination of paper transfers, cash surcharge to push use of the ConnectCard, elimination of the bus free zone in downtown, and cashless proof-of-payment on the rail. New products in development and for introduction on January 1, 2017 include a Day Pass at \$7.00, half-fare monthly and weekly ConnectCards, a Child ConnectCard as well as a \$1.00 fee for a ConnectCard.

Marketing and public relations pieces are already in the public through community events, radio spots and advertising. The tagline *Simplifacts* is one you will see often this year as we push customer education around fare policy and new products. Further education around proof-of-payment on the rail will begin after the first of the year. The FY 2017 Operating and Capital Budgets include resources for five additional transit police to help with fare enforcement and software/hardware to support the new fare changes.

P*AAC Transit-Oriented Development Guidelines* set forth best practice standards for TOD and begin a conversation in our region about implementing high-quality TOD in our communities. The guidelines were adopted by the Board this spring and introduced, in partnership with Carnegie Mellon University's Remaking Cities Institute, to private developers and foundation officers on May 25th. We have received positive feedback from across the region including adoption of our guidelines by CONNECT, a consortium of 40 plus municipalities surrounding Pittsburgh. As we move forward, these guidelines will drive much of our future planning around fixed guideways, both busways and rail, and support the financial sustainability of the agency.

TOD has proven to be a successful line of business for many of our peer agencies. Certainly, our tight financial climate is only one more reason for Port Authority to become active in this area. We look to maximize not only the social, environmental, health, and infrastructure benefits of TOD, but also the revenue potential for the agency. Income from rents, value capture, and other creative mechanisms are a valuable addition to our bottom line. We see today as an opportunity to start down a path together to advance the kind of development that benefits residents, commuters, shoppers, developers and our riders.

We continue to advance pending TOD projects, including the recently executed Lease Agreement with Dawson/Suncap for the development at the South Hills Village Upper Lot site and to monitor site plan changes with developers at Castle Shannon Station. It is expected that both projects will move ahead this fall. The project at Dormont Junction, however, will not move forward due to funding shortfalls.

Other initiatives to increase ridership and fare revenue also include our real time technology, *TrueTime* and *Wayfinding*. *TrueTime* is fully implemented on bus with real time information informing service planning and allowing for adjustments to reduce overcrowding, improve on-time performance, and adjust route times to increase ridership. Installation of real time technology continues on the light rail vehicles (LRV), including head sign replacement and audio for stop announcements. Testing of onboard computers for the initial four LRVs was successful. Target date for completion of real time on rail is yearend.

Wayfinding is underway in the Golden Triangle with the installation of 86 new bus stop signs including eight solar powered poles. Signage will include a number of different packages based on stop uses, including Destination Finder Code, ADA stop identification numbers, stop identification numbers, rider information, and Digital Bus Stops (DBS), which is an electronic way to communicate rider information. Five Connect Point machines will be placed in rail stations offering route and real time next bus information. New system maps will also be installed in Downtown rail stations. Options for rail signage at platform levels are also planned with best options identified later in 2016. At the same time, we are exploring ways to boost internet signal strength in our rail stations in the CBD to insure *TrueTime* availability throughout the stations.

Marketing for ridership growth and enhancing the agency's public image continues. We have implemented and enhanced several successful programs in the last year and will continue to build on these efforts. We specifically promoted the approved service enhancements to attract ridership on those routes.

Much of our marketing focus has been with the launch of our multi-year "*Simplify*" campaign, which we have used to solicit public input with regard to fare policy improvements. This campaign has now converted to a strategic public education and promotional effort as we prepare to implement fare policy enhancements on January 1, 2017. The ultimate goal of this campaign is to promote the financial incentives, new fare products and other benefits of the anticipated fare policy changes to generate additional ridership. This is a significant marketing effort that involves our internal marketing staff and specialized firms that we have under contract. Funding required for this effort is included in the FY2017 budget.

We have also targeted ridership growth through other marketing efforts, including our *On the Move* program that reaches new residents and the Pirates ConnectCard promotion that reaches sports fans. Our market research is being used by multiple departments and assists in transit and financial planning - all aimed at improving services and generating ridership. We rebuilt our stakeholder relations program and now enjoy stronger external relationships, which are mutually beneficial and help with our effort to enhance image and achieve strategic goals. One highlight on this front is the "Pittsburghers Share the Road" video that reaches bicyclists and was intended to not only educate but also improve public relations with this community.

The internal **Sustainability** Committee has established a mission, vision and strategic plan. Port Authority has officially signed the APTA Sustainability Commitment and has signed up as an observer of the Green Workplace Challenge for 2016. Additionally, after collecting about 400 survey responses from employees regarding sustainability in late 2015, the committee has identified the following as goals and actions for the coming year:

| | People | Planet | Prosperity |
|-----------|--|---|---|
| Internal | <u>Goal:</u> Foster employee investment in sustainability | <u>Goal:</u> Reduce use of natural resources/increase proportional use of renewable resources | <u>Goal:</u> Incorporate green capital improvements to reduce wasteful resource use |
| | <u>Action:</u> Monthly engagement effort to educate/engage employees in transit and sustainability efforts | <u>Action:</u> Develop a sustainable procurement policy | <u>Action:</u> Wind turbine installation at Ross Garage |
| External | <u>Goal:</u> Educate public on the sustainability of transit | <u>Goal:</u> Reduce operation impacts on surround environments | <u>Goal:</u> Increase ridership |
| | <u>Action:</u> Calculate energy and environmental benefits of our system. Share in marketing pamphlet (or some other way) | <u>Action:</u> Stormwater Best Management Practices - continue current projects and pursue 3 improvement projects | <u>Action:</u> Pursue first year of Service Guideline changes |
| Long-term | <u>Goal:</u> Integrate and support multimodal lifestyles | <u>Goal:</u> Advocate for transit-oriented land use and planning | <u>Goal:</u> Integrate sustainability into decision making |
| | <u>Action:</u> Develop a plan for integrating bicycles into operations and infrastructure and pursue funding to implement plan | <u>Action:</u> Advocate inclusion of transit criteria into one external stakeholder policy | <u>Action:</u> Ensure buy-in and awareness of organizational goals/values (including sustainability). |

Planning for the future is possible thanks to Act 89. For years limited resources restricted capital projects to maintenance only. Today Act 89 capital dollars permit the Authority to bring back to state of good repair its bridges, tunnels, fixed guideways, bus and rail facilities, signals, track, and bus and light rail vehicles. Monies are also available to plan much desired projects such as transit oriented development and stop improvement projects, sustainability initiatives, and the designated priority expansion projects. These include bus rapid transit from Downtown to Oakland, the East Busway extension, and a fifth garage to accommodate alternative fuels and future service expansion.

Internal management committees reporting to me are directing the planning for future initiatives. This is a planning structure that enlists the talents and resources of the staff of the Port Authority and our critical civic and community partners in order to respond to the transit needs identified by the municipalities and neighborhoods we serve.

Growing out of these internal initiatives we have developed strong partnerships with the City of Pittsburgh, particularly the City Planning Department under the direction of Ray Gastil and the City's Urban Redevelopment Authority chaired by Kevin Acklin, and Carnegie Mellon University's Traffic 21 team of experts in transportation and innovative technologies. Together, we are working to create a much needed pipeline of infrastructure projects to support the existing Port Authority service; to pursue expansion efforts such as the extension of the East Busway, bus rapid transit from Downtown to Oakland, and transit needs in the Strip, Lawrenceville and Hazelwood; and to redesign our transit service in partnership with Envision Downtown chaired by PNC CEO Bill Demchak and convened by Mayor Bill Peduto. In summary, our planning and capital initiatives are generated out of the efforts of internal staff in partnership with our civic and community leaders and organizations. It is the right formula for success.

Bus Rapid Transit (BRT) in the Downtown to Oakland corridor is progressing in partnership with the City of Pittsburgh. Our work to complete the Alternative Analysis and National Environmental Policy Act (NEPA) is delayed as we wait for the City to conclude its preparatory work within the corridor. The City's multiple planning projects -- Complete Streets project, bicycle infrastructure, and *EcoInnovation* District planning -- all have varying degrees of direct impact on the BRT alignment. This coordination is ongoing, with transit planning continuing to pace itself to allow community visioning and City priorities to provide a framework for future planning and design. Transit agency staff participates in working sessions with City Planning and other partners.

Mayor Peduto and County Executive Fitzgerald recently proposed transit service design concepts for the Downtown – Oakland portion of the BRT service. These concepts were evaluated by the project team and the analyses were provided to the Mayor and County Executive and other corridor stakeholders.

Transit planning for the corridor continues to move on three fronts:

- 1) **Downtown** area work is being done in conjunction with the Mayor Peduto's Envision Downtown Committee. Alternative plans for restructuring bus routes along with the BRT routing have been developed and reviewed with the City. The preferred option would enhance BRT connections to busway routes as well as connections among the busway routes in Downtown Pittsburgh. Station locations have been proposed and these along with the revised bus routing are being evaluated from a pedestrian and traffic impact perspective. The Wood Street T Station could become a downtown transit center for both bus and rail under some of the options.
- 2) **Uptown** through the City's *EcoInnovation* District planning project and its consultants hired by the City is also continuing. Port Authority has provided responses to the public input on BRT generated during the public outreach activities for the *EcoInnovation* District. The Port Authority also participates regularly in the *EcoInnovation* District Steering Committee meetings.
- 3) **Oakland** efforts continue through coordination with the City of Pittsburgh, Oakland stakeholders and PennDOT. In particular, the City is advancing plans for bicycle lanes through Oakland which must be integrated into reconfigured streets associated with the BRT project. Carlow University is developing a Master Plan which envisions a BRT station integrated into a new campus building. One option being considered would eliminate the bus contraflow lane on Fifth Avenue for bicycles. PennDOT will be repaving Forbes Avenue and is evaluating lane assignments.

The outcome of the *EcolInnovation* District planning and the work of the Envision Downtown Committee will confirm the BRT route through the Downtown to Oakland corridor as well as the service model and station locations the communities, particularly the Uptown community, desire. The Authority continues to be on hold as those initiatives progress; however, some preliminary work has been done with regards to the Alternative Analysis and National Environmental Policy Act (NEPA). Alternative Analysis work to date includes:

- Two major alignment alternatives have been developed to date for the Uptown – Oakland segment -- Fifth Avenue Curbside Lanes and Fifth/Forbes Concurrent Lanes. Drawings of the alignments (with bicycle lanes) were submitted to the City in August 2015 for review and comment. While formal comments remain outstanding, based on ongoing discussions, Fifth/Forbes Concurrent Lanes alternative appears to be the City’s current preference for Oakland. Ultimately this alternative will need to be reviewed with the Oakland community and other stakeholders. Selection of an alignment in the Uptown neighborhood is contingent on determination of a preferred alternative during the *EcolInnovation* District Plan.
- A preferred alternative for Downtown routing has been identified: Inbound on Fifth Avenue, east on Liberty Avenue and outbound on Sixth Avenue.

Recent NEPA Review work included continued set-up for assessment of noise and vibrations. To date, we have spent approximately \$438,000 of the \$4 million authorized for the project. In June, the Board authorized extending the Parsons-Brinckerhoff contract through 2017 to complete the NEPA Review. Request for Proposals is advertised and on the street to select a new consultant to manage the NEPA Review, provide transit operation experience, and complete the Preliminary Engineering necessary to support funding applications to be submitted by the City’s Urban Redevelopment Authority. We estimate that approximate \$2.2 million will be available from the original \$4 million which will be used to engage a new consultant.

The 5th & Atwood Station in Oakland has been in the planning stages as a standalone BRT station for a number of years. Final design of this cornerstone station is nearing completion. Our land lease agreement with UPMC is also near final form and will be submitted to the Board for consideration at an upcoming meeting. Once the land lease agreement with UPMC and design documents are finalized, we will advertise for bids this fall with construction targeted to begin in early spring.

East Busway Extension Feasibility Study is nearing completion. Alternatives for busway alignments, station locations, park and ride lots and linkages to the Mon-Fayette Expressway have been developed and screened with a shorter set of alternatives (with termini in East Pittsburgh and Monroeville) advanced for more detailed analysis. Capital costs for the alternatives have been estimated. A preliminary assessment of potential environmental issues has been conducted. The Southwestern Pennsylvania Commission provided ridership projections on July 1, 2016. These are being reviewed by staff and will be added to the report. Once the ridership is finalized, the remaining tasks of estimating the Operating & Maintenance costs can be completed. A final draft report will be issued in late summer or early fall.

In a parallel effort, we continue to work with PennDOT on the replacement of the Kenmawr Bridge at the current eastern terminus of the East Busway. PennDOT provided design field drawings with and additional separate span for future busway lanes these have been reviewed by Port Authority staff. A draft of a contribution agreement to reimburse PennDOT for the cost of the additional span is being reviewed by Port Authority and PennDOT. Once the form of the agreement has been finalized it will be presented to the Board for its consideration. Right of Way work has begun, Final Design will continue through with construction anticipated to begin in 2018.

Over the last two years management has fine-tuned the Authority's ten-year financial forecast based on early funding estimates provided by PennDOT in 2014. While Act 89 funding actually received has been lower than plan, management continues to hold costs below budget. As a result, we have today rebuilt our cash position, thereby allowing for targeted service improvements and a few route extensions. Before setting a five year strategic direction a number of key policies were necessary to set the agency on a forward path. We closed FY2015 with those completed. Today our service guidelines, transit oriented development guidelines, and fare policy are Board approved and setting the necessary underpinnings for achieving our goals and strategies.

The FY 2017 – FY 2021 Strategic Plan sets forth a course for continued growth within available resources. Our Vision, Mission, Goals, Strategies and Indicators have been vetted and approved following numerous internal division reviews and multiple Board workshops. Strategies correspond to the Goals of this agency and outline the direction of activities over the next five years. Our FY2017 budget approved in June is the first year of our five-year plan. We are preparing a “popular” five-year strategic document for Board adoption in September. This would provide the public with a comprehensive view of the Authority's initiatives and plans.

Revenue and expense improvements over prior projections should provide more financial flexibility in the future. Cost containment is necessary in the years to come if PAAC is to preserve capital funds for *state of good repair* and asset replacement. While Act 89 anticipated the PAAC would require a waiver, if we continue to manage our budgets responsibly we will not need to seek a waiver. This permits the Authority to address more fully long neglected capital needs. Our initial FY2017 strategic plan forecasted that in FY2018 PAAC would require a PennDOT waiver to use Act 89 funding to support operations. I am pleased to report that increased fare revenue and advertising support coupled with cost containment resulting in yearend surpluses have pushed off the need for a waiver until FY2019.

Our ten-year forecast is a living document updated at fiscal yearend to reflect each fiscal year's results. This year I anticipate some significant changes as we work to reach a four-year collective bargaining agreement with our primary union, ATU Local #85. Our Labor Management Committee achieved \$6.5 million in healthcare savings in 2015 through a rebid of our healthcare providers and a change to Aetna insurance coverage. A second rebidding in April 2016 done in conjunction with ATU union negotiations included significant changes to plan design that can once again positively impact the Authority's long-term financial health. Details will be provided after we reach agreement with the ATU Local #85 on the next contract terms.

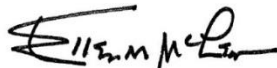
Noteworthy statistics for yearend FY 2016 include:

- On time performance is up 1.5% over the prior year pointing to the success of service improvements to address crowding and running time on certain routes.
- Early estimates of fiscal yearend revenues over expenses project a \$15 million surplus.
- Advertising revenue reached its highest at \$2.3 million an 11% increase over the prior year.
- Fare revenue at fiscal yearend is \$91,770,550 (unaudited), \$62,471 above budget.
- Ridership analysis is underway at this point. To date, we are projecting ridership to be equal to FY2015 which experienced a 2.8% increase. Ridership loss related to reconstruction projects, such as Mon Incline and Beechview, likely account for the lack of further growth.
- Onboard cash fare is down over 9% from FY2015 and over 12% from FY2014.
- Web portal sales have increased as downtown service center sales have declined.
- Total taps and cash rides were 37 million with 21% using cash versus the ConnectCard.
- Ticket Vending Machines (TVM) transactions for FY2016 are up 48% over the prior year.
- Sales dollars at TVMs are up 10% from \$16.4 million to \$18.1 million. People are using TVMs more and more to purchase single ride tickets.

P AAC benefits from fiscally prudent management and a culture of continuous improvement. While there is no “silver bullet” to achieve long-term fiscal sustainability, there are combinations of policies and strategies that will ensure we remain in good financial health. We will continue to test, model and measure our success with every move we make.

FY 2016 was a year of setting policies, goals and strategies. FY 2017 is posed to be a transformative year. I look forward to continuing to work with you.

Sincerely,

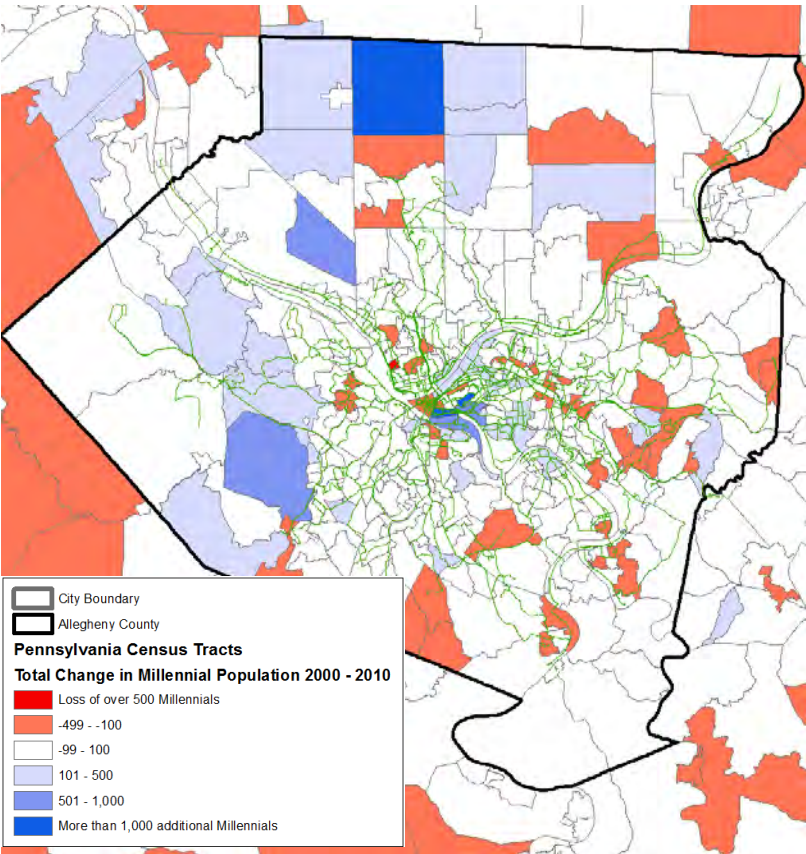


Ellen M. McLean
Chief Executive Office

Current Trends

Allegheny County is experiencing a changing population. Historically, the County’s population was decreasing due to the exodus of the steel industry and the lack of economic opportunities. Nevertheless, flight from the region bottomed out in 2010 and today the region is experiencing growth. The strengthening of Educational and Medical Centers has spurred a revitalized, vibrant economy that has received accolades, such as Pittsburgh being labeled the “Most Livable City.” Unemployment rates in Allegheny County are lower than the national average and 34% of the population has a college degree.

Figure 1: Total Population Change in Millennial Population



Population growth has shifted demographics. Millennials account for 20.4% of the County’s population and 30.3% of the City of Pittsburgh’s population. This population group will continue to create unique opportunities for economic development and produce new demands on public transportation.

The Rockefeller Foundation in a 2014 survey found that 66% of millennials rank public transportation as a top priority for migrating to a region. Of those millenials making \$30,000 or less, 92% stated affordable public transportation is a must. Figure 1 illustrates the change in the millennial

population since 2000. Millennials have moved to the north, west, and central (Pittsburgh) regions of Allegheny County. These trends will create opportunities for enhanced public transportation ridership.

Starting in 2000 the County, in particular the City of Pittsburgh has increased the use of public transportation for commuting to work. Figure 2 highlights areas in blue that have increased the use of public transit for traveling to and from work. Although Figure 2 also demonstrates areas of decreased usage, the Authority at the same time experienced

tumultuous service reductions. Secure funding through Act 89 will ensure the Port Authority’s goal to improve service and enhance rider experiences. These strategies should assist in increasing public transportation usage.

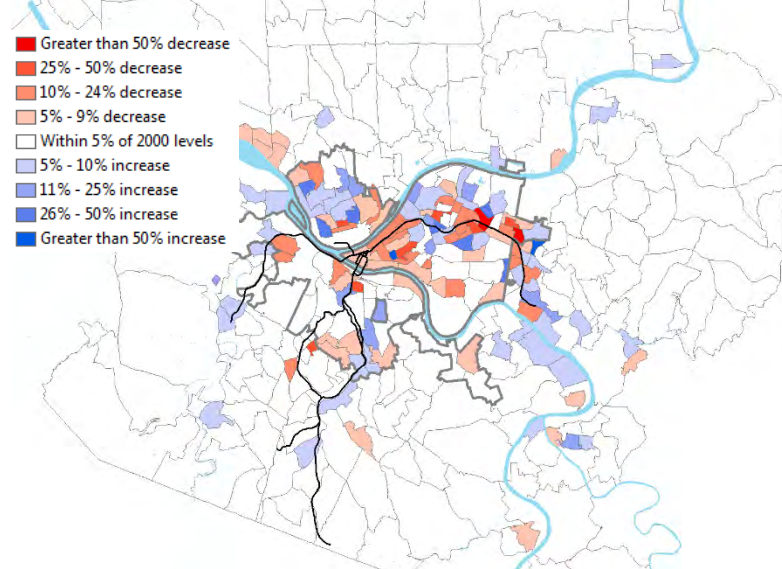
Allegheny County

Allegheny County is located in the Southwestern corner of Pennsylvania. It was founded in 1788 by General John Forbes, who combined portions of Westmoreland and Washington Counties. At the center of the County, the Allegheny and the Monongahela rivers converge to create the headwaters of the Ohio River. The City of Pittsburgh, located in the heart of the three rivers, is the county seat. The County is 745-square miles, the majority of the property is forests and farmland. Temperatures are highest in July with an average of 83 degrees and January is the coldest with an average low of 23 degrees. Average precipitation is 3.05 inches per month. Sixty percent of the year has some level of precipitation.

The County is home to several Fortune 500 companies including Heinz, PPG, ALCOA, PNC Corporation, Bank of New York Mellon, Mine Safety Appliances, and Dicks Sporting Goods. In addition to corporate headquarters, Allegheny County has world renowned cultural attractions. The Carnegie Museums, the Andy Warhol Museum of Art, the Pittsburgh Zoo, the National Aviary, and the Heinz History Center are all located in the region. These cultural attractions validated Pittsburgh and Allegheny County as one of the “Best All-American Vacation Destinations” for the summer of 2014, according to the *Travel Channel*.

The County is governed under a Home Rule Charter. This structure was implemented in 2000 and abolished a three-commissioner system. Under the Home Rule Charter, the County residents elect a County Chief Executive Officer and a 15 member Council.

Figure 2: Change in Percent of Population Commuting with Public Transportation



Port Authority of Allegheny County

The Port Authority of Allegheny County was established in January of 1958 and operates pursuant to the Commonwealth of Pennsylvania's Second Class County Port Authority Act. The transit operations for the modern day Port Authority began on March 1, 1964, with the formal consolidation of 33 private transportation carriers. The Authority was created for the purpose of planning, acquiring and holding, constructing, improving, maintaining, and operating a comprehensive public transportation system within Allegheny County by utilizing the full powers of the Second Class County Port Authority Act. The powers of the Authority also include the ability to borrow money for costs of projects related to the Authority and to issue negotiable, interest-bearing debt obligations. Any debt issuance by the Authority is the obligation of the Authority and shall not become indebted or an obligation to the Commonwealth or Allegheny County.



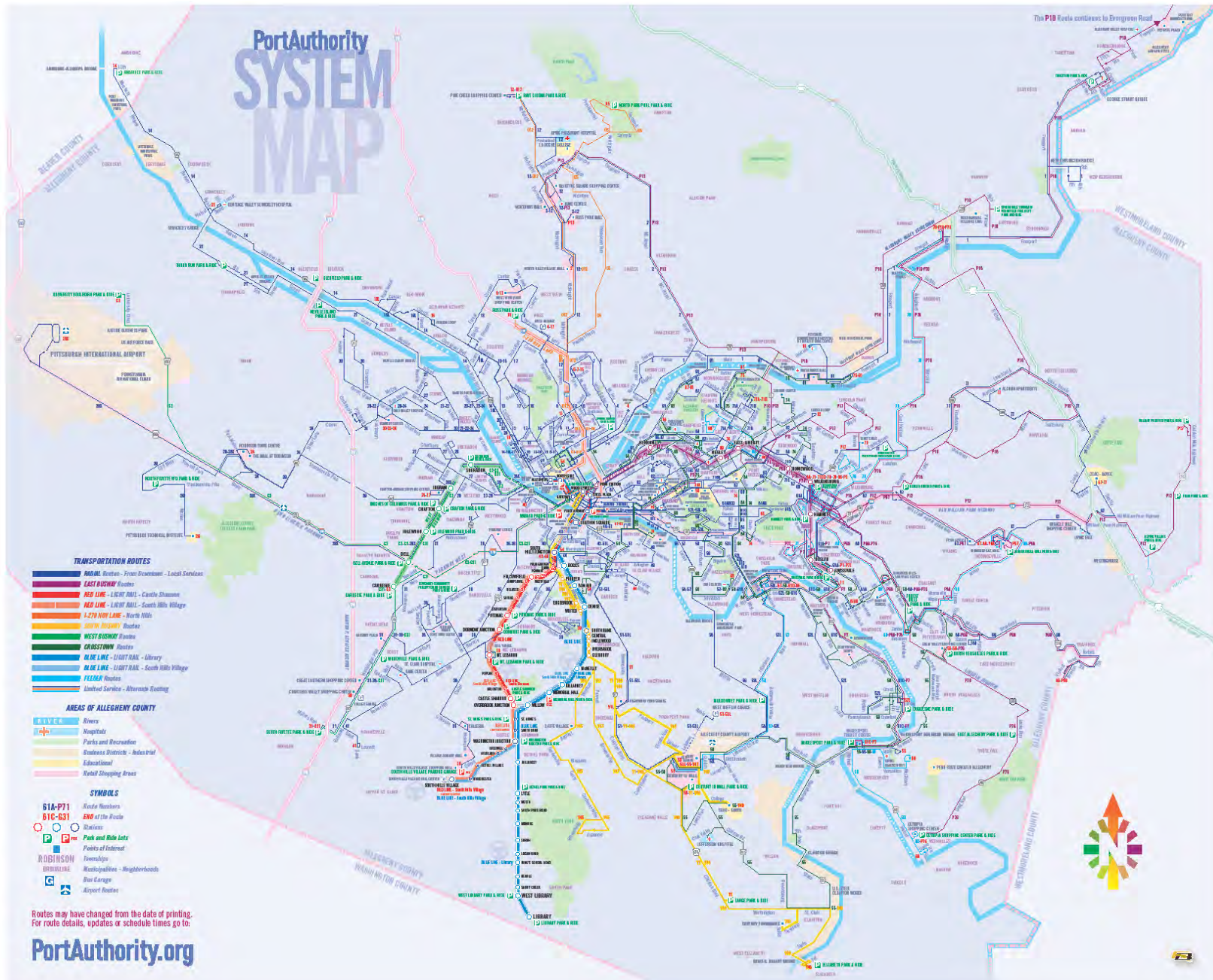
The Port Authority operates within the 745-sq miles of the County, serving a population base of 1.4 million people. The transit network includes fixed route bus service, the light rail system, and the Monongahela Incline. Ridership on the

services provided will need to increase by 1.5 million in FY 2017 to offset revenue loss from switching to a flat fare. The Authority also provides ACCESS service, a coordinated, shared-ride paratransit system offering door-to-door, advanced reservation transportation for elderly and handicapped persons. ACCESS has been recognized as one of the nation's premier paratransit systems.

The Port Authority directly operates 726 buses that vary in size from 35 to 60 feet, 83 light rail vehicles, and one incline plane. Port Authority assets include 7 maintenance and storage garages, 3 exclusive busways (the 4.3-mile South Busway, the 9.2-mile Martin Luther King Jr. Busway, and the 5-mile West Busway) and the 25.4 mile light rail system.

In 2013 the Commonwealth of Pennsylvania passed legislation that altered the composition of the Port Authority of Allegheny County's Board of Directors. Under the new legislation the board increased to 11 members that are appointed by the Governor, two caucuses of the General Assembly, the County Executive, and County Council. The board structure provides representation from the funding stakeholders.

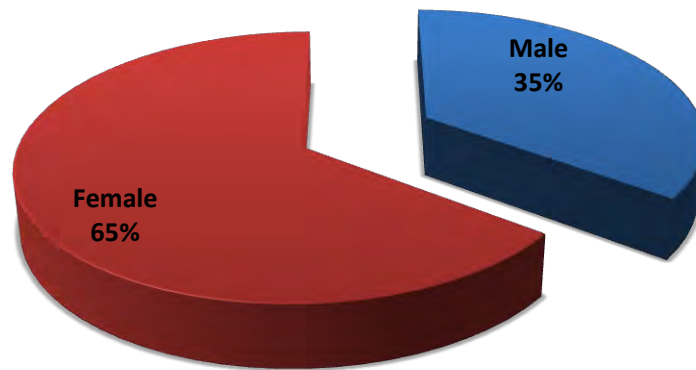
Port Authority of Allegheny County System Map



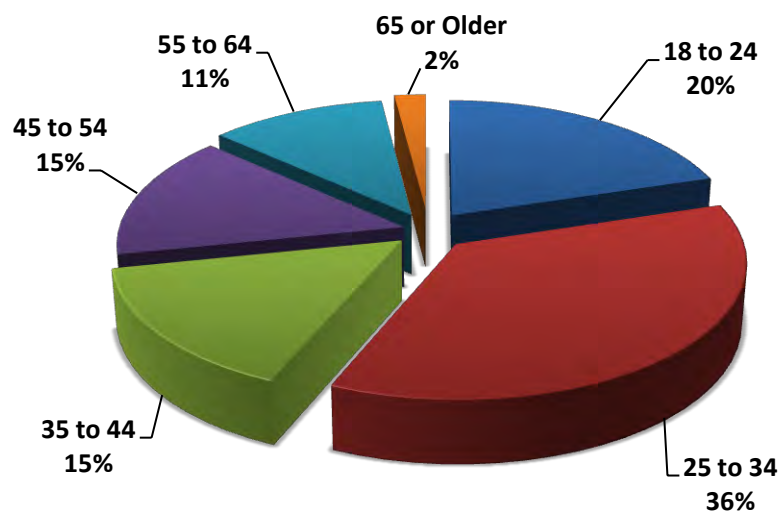
Port Authority Ridership Profile

The following charts represent a typical adult Port Authority passenger and were derived from the data recorded as part of the 2014 Rider Study. This survey was conducted by a consultant contracted by the Port Authority between November 10, 2014 and January 20, 2015. Their criteria for inclusion were the respondent had to be 18+ years of age and have used the Port Authority's services in the past year. In total, 1,941 surveys were completed as part of this study.

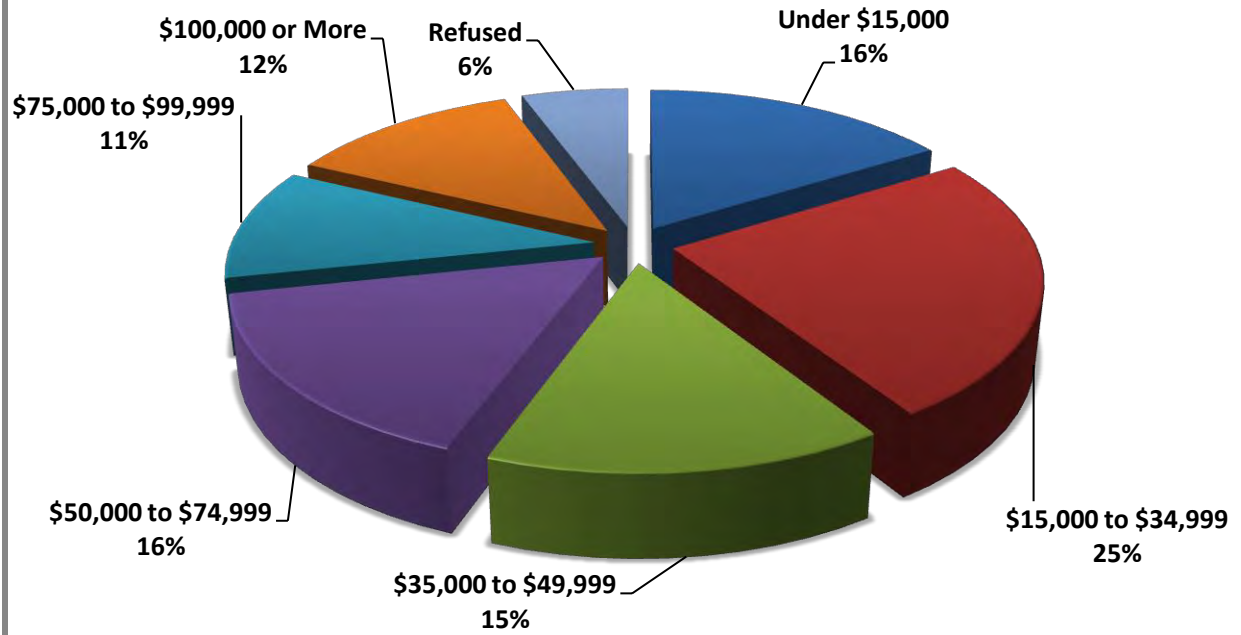
Gender of Port Authority Passengers



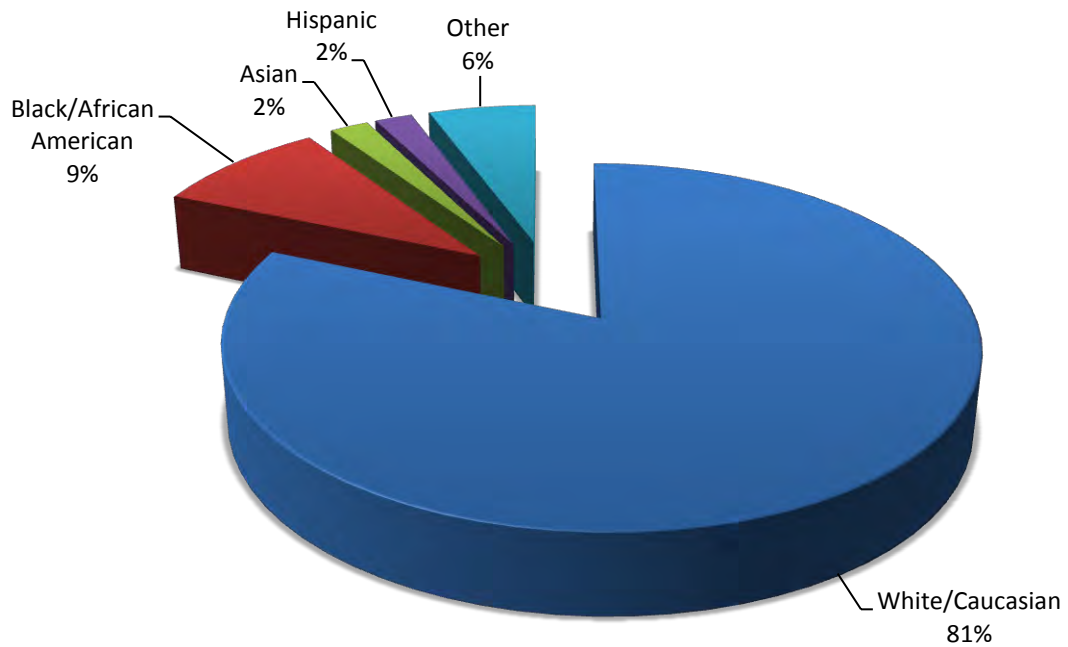
Age of Adult Passengers



Household Income



Ethnicity



In order to project expenses and revenues for FY 2017, it was necessary to make several key assumptions. These are briefly reviewed below under the following categories: Fare and Service Levels, Ridership, Passenger Revenues, Expenses and Operating Grants.

Fare and Service Levels

- Effective 1/1/17, Port Authority will move to a simpler Single Zone system. Base fare will be \$2.75 for cash paying customers with a \$0.25 discount for ConnectCard users.
- Service increase of approximately 1% in September 2016. Expansion of four existing routes to better serve areas with little to no service.

Ridership

- Overall paid ridership is expected to increase from FY 2016 levels. This ridership increase is expected due to the reduction in fares from the movement to a Single Zone system.

Passenger Revenues

- Passenger revenues are projected to decrease by approximately \$2.2 million or 2.6% vs FY 2016 budget. Effective 1/1/17, the Port Authority will remove the Zone 2 fare of \$3.75 from the system.

Expenses

- Operating expenses total \$413 million. An increase of 3.6% over FY 2016 budget. The majority of the additional expenses are attributable to a 5.9% increase in Wages & Salaries and a 5.7% increase in Employee Benefits driven by the continued rise in Healthcare costs and additional Pension contributions.

Operating Grants

- Port Authority receives operating assistance from state and county governments. For FY 2017, these funds are budgeted at a total of \$260.5 million, an increase of \$5.7 million over FY 2016.

FY 2017 Operating Budget Summary

FY 2017

| Amounts in Thousands ('000) | FY 2017 Operating Budget | |
|---------------------------------------|--------------------------|------------------|
| Revenues: | | |
| Passenger Revenue | \$ | 79,903 |
| ACCESS (Shared Ride) Service | | 13,035 |
| Contract Services | | 9,660 |
| Advertising | | 2,250 |
| Interest Income | | 50 |
| Other Income | | 575 |
| | | <hr/> |
| Total Operating Revenues | \$ | 105,473 |
| Expenses: | | |
| Wages and Salaries | \$ | 156,366 |
| Pensions and Employee Benefits | | 150,672 |
| Materials and Supplies | | 43,624 |
| Provision for Injuries and Damages | | 4,429 |
| Purchased Services | | 12,457 |
| Utilities | | 8,794 |
| Other Expense | | 8,859 |
| ACCESS (Shared Ride) Service | | 27,694 |
| | | <hr/> |
| Total Gross Operating Expenses | \$ | 412,895 |
| Deficit Before Subsidy | \$ | (307,422) |
| | | <hr/> <hr/> |
| Subsidy Source | | |
| Federal | \$ | 32,675 |
| State | | 235,552 |
| Local | | 36,195 |
| Regional Asset District | | 3,000 |
| | | <hr/> |
| Total Subsidy | \$ | 307,422 |
| | | <hr/> |
| Operating Surplus/(Deficit) | \$ | - |
| | | <hr/> <hr/> |

Fiscal Year 2017 Operating Budget

FY 2017

Operating Revenues

FY 2017 revenues for operations are approximately \$413 million and include passenger revenues, federal, state, and local operating assistance and capitalization grants. Passenger revenues to support operations are expected to represent 26% of the Authority's operating revenue. This includes the sale of fare products, cash fare payments, ACCESS program fees, contracted services through the U-Pass program, interest income, and advertising revenue. Effective 1/1/17, the Port Authority will move to a simpler Single Zone fare structure which will remove the current \$3.75 Zone 2 fare. Base fare for cash paying customers will be \$2.75 with a \$0.25 discount for customers using the ConnectCard.

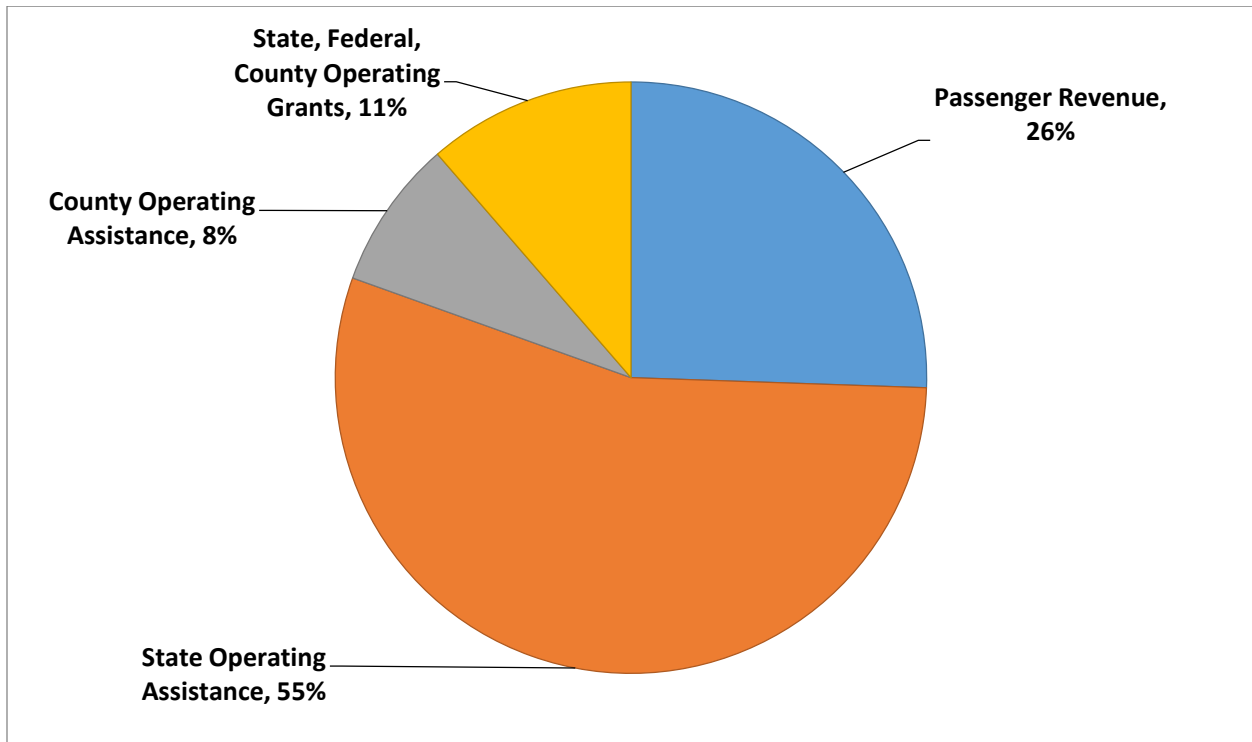
Operating Revenue

| \$000 | Audited FY2015 | FY2016 Budget | FY2017 Budget | % change FY2016 vs. FY2017 |
|-----------------------------------|-------------------|------------------|------------------|----------------------------------|
| Passenger Revenue | | | | |
| Farebox Revenue | \$80,943 | \$82,047 | \$79,903 | -3% |
| Access Program Service | 12,983 | 13,122 | 13,035 | -1% |
| Contract Services | 9,456 | 9,630 | 9,660 | 0% |
| Advertising | 1,575 | 1,750 | 2,250 | 29% |
| Interest Income | 11 | 26 | 50 | 89% |
| Other Income | 624 | 508 | 575 | 13% |
| Total Passenger Revenue | 105,592 | 107,084 | 105,473 | -2% |
| Operating Assistance | | | | |
| State Operating Assistance | 212,450 | 221,589 | 226,794 | 2% |
| County Operating Assistance | 28,867 | 30,238 | 30,728 | 2% |
| Regional Asset District | 3,000 | 3,000 | 3,000 | - |
| Reserves | - | - | 0 | - |
| Total Operating Assistance | 244,317 | 254,828 | 260,522 | 2% |
| Operating Grants | | | | |
| State Grants | 6,055 | 9,860 | 8,758 | -11% |
| Federal Grants | 28,336 | 23,610 | 32,675 | 38% |
| County Grants | 4,233 | 3,091 | 5,467 | 77% |
| Total Operating Grants | 38,624 | 36,561 | 46,900 | 28% |
| Total Revenue | 388,533 | 398,472 | 412,895 | 4% |

Overall, FY 2017 total operating revenue is projected to increase by approximately \$14 million compared to FY 2016.

Operating Assistance from federal, state, and local sources provide the other portion of budgeted revenue. State Operating Assistance is \$ 226.8 million; which includes \$1.94 million in deferred State Operating Assistance from previous fiscal years. As was the case under Act 44, State Operating funding requires a 15% local match. Allegheny County will contribute \$30.7 million. The remaining \$3 million will be matched by the Allegheny Regional Asset District (RAD). RAD is a special purpose County-wide district that administers grants to “regional assets,” such as museums, parks, and transportation. Grants are made possible by a portion of the proceeds of a 1% County Sales and Use Tax.

Operating Revenue Sources



Federal and State Capital grants supplement operating expenses and represents 11% of FY 2017 revenue. These grants underwrite expense in the Authority’s operating budget that are, by definition, eligible expenses under State and Federal capital assistance grants. Examples include eligible preventive maintenance activities to sustain federally-funded capital assets, “State of Good Repair” projects of the Authority’s, and State Capital Bond funds used to support the Vehicle Overhaul Program (VOH), which extend the useful life of its fleet. Also included in this category are expenses associated with the Authority’s staff who work on engineering design and management of the Authority’s capital projects.

Operating Expenses

Port Authority Operating expenses include wages and salaries, pension and employee benefits, materials and supplies, provision for injuries and damages, purchased services, utilities, other expenses, and ACCESS contracted services. In FY 2017 labor costs (wages, salaries, and benefits) represent 73% of operating expenses. Wage and salary expense total \$156.3 million and increased due to contractual wage increases, wage progressions and increased staffing. Benefit expenses include healthcare for active employees and retirees, pension obligations, unemployment compensation, as well as vacation, sick, holiday pay and taxes. They total \$150.7 million for FY 2017 of which approximately 78% are dedicated to the Authority's obligations for healthcare and pension. Healthcare premiums for both active and retired employees increased 6% and pension costs increased 14% over FY 2016.

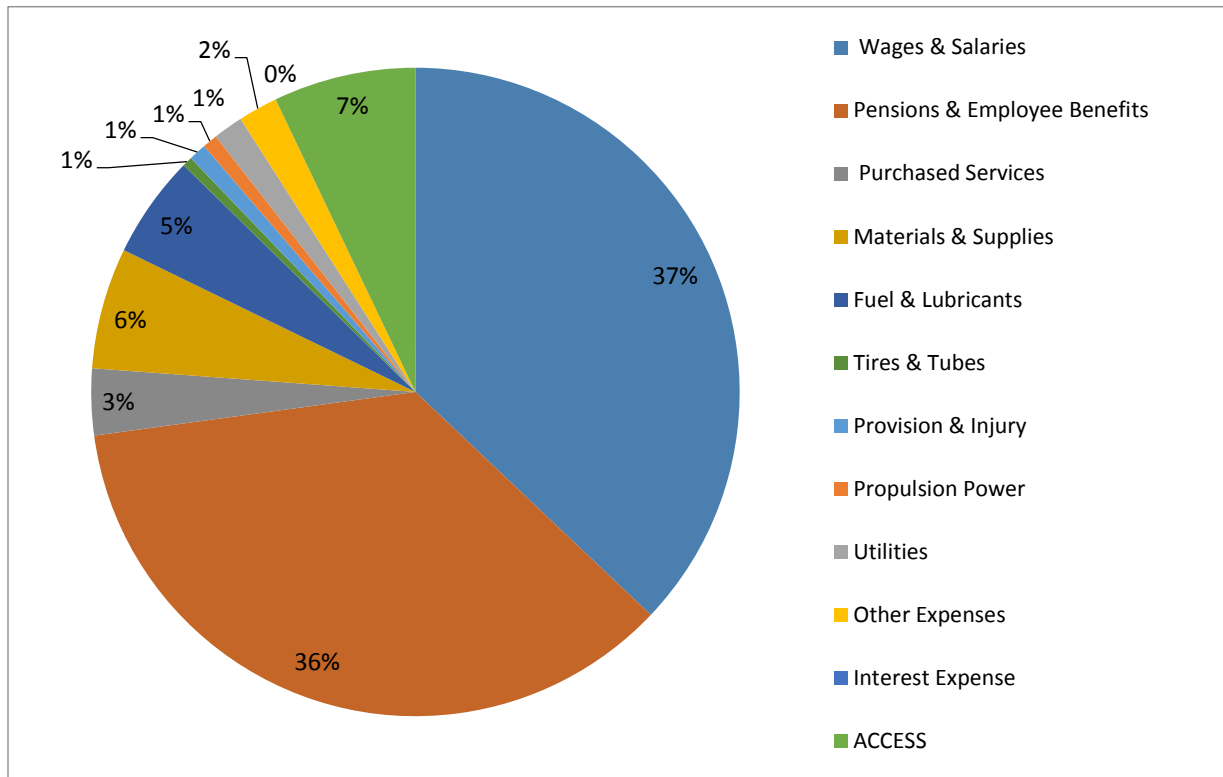
Operating Expenses by Account

| Expense Accounts \$000 | Audited FY2015 | FY2016 Budget | FY2017 Budget | % change FY2016 vs. FY2017 |
|---|-------------------|------------------|------------------|----------------------------------|
| Wages & Salaries | \$141,935 | \$147,703 | \$156,366 | 6% |
| Pensions & Employee Benefits | 135,542 | 142,577 | 150,672 | 6% |
| Purchased Services | 12,114 | 13,223 | 12,457 | -6% |
| Materials & Supplies | 22,941 | 24,053 | 23,827 | -1% |
| Fuel & Lubricants | 26,702 | 20,399 | 17,742 | -13% |
| Tires & Tubes | 1,889 | 1,985 | 2,055 | 4% |
| Provision & Injury | 3,933 | 3,500 | 4,429 | 27% |
| Propulsion Power | 2,977 | 2,958 | 2,790 | -6% |
| Utilities | 5,695 | 5,943 | 6,004 | 1% |
| Other Expenses | 7,306 | 7,851 | 8,859 | 13% |
| Interest Expense | 300 | - | - | - |
| ACCESS | 27,200 | 28,280 | 27,694 | -2% |
| Total Gross | 388,534 | 398,472 | 412,895 | 4% |

Material and supplies expenditures are expected to decrease by 1% over FY 2016 budget due to better planning and new vehicles entering the fleet. Fuel and Lubricants are budgeted to decrease \$2.6 million due to savings on Diesel fuel and gasoline. Provision for injuries and damages are expected to increase \$929k due to the movement of accounts and an increase in litigated expenses. Purchased services include work done by outside contractors, equipment purchases, and general engineering expenses related to capital infrastructure expenditures. It is expected to decrease by 6% due to our workforce being able to perform most tasks, including the replacement of hybrid batteries. Utilities including natural gas, water & sewage, electricity

and propulsion power are projected to increase slightly over FY 2016 levels due to usage and rate increases. The Other expense line items include marketing and communication, insurance, rentals, banking services, employee development and training. Marketing strategies related to the new fare policy effective 1/1/2017 will account for the majority of the increase along with increased Software Licensing. The ACCESS expense is projected to decrease by 2% due to lower fuel costs.

Operating Expenses by Source

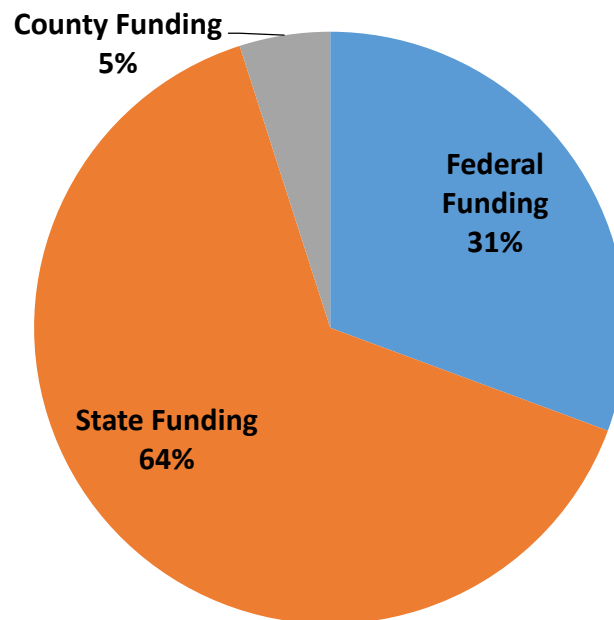


Fiscal Year 2017 Capital Budget

FY 2017

FY 2017 Capital Budget by Anticipated Funding Source

| | FY 2017 Amount |
|--|---------------------------|
| Federal Funding | |
| Section 5307 Urbanized Area Formula Grant | \$26,168,757 |
| Section 5307 STP Flex | \$6,172,200 |
| Section 5337 State of Good Repair | \$26,054,962 |
| Section 5339 Bus and Bus Facilities | \$2,692,273 |
| DHS/FEMA Transi Security | \$150,000 |
| Total Federal Funding | \$61,238,192 |
| State Funding | |
| ACT 89 Section 1514 Capital Bond | \$16,600,000 |
| ACT 89 Section 1514 Discretionary | \$112,068,546 |
| ACT 89 Multimodal | \$0 |
| Total State Funding | \$128,668,546 |
| County Funding | |
| Capital State of Good Repair | \$9,886,819 |
| Total County Funding | \$9,886,819 |
| Total FY 2017 Capital Funding Sources | \$199,793,557 |



On November 25, 2013, Governor Corbett signed into law Act 89, a comprehensive transportation funding bill for the Commonwealth of Pennsylvania. This historic legislation provides long-term, dedicated funding for public transit as well as roads, bridges and multimodal transportation. Act 89 along with federal FAST Act funds, and Allegheny County local matching funds will provide Port Authority a predictable, growing source of funds to make critical infrastructure repairs and improvements for years to come.

The projected growth in Act 89 of capital funding will permit Port Authority to begin addressing its \$550 million State of Good Repair/Deferred Maintenance backlog due to chronic funding shortfalls. Port Authority's FY 2017 Capital Improvement Budget (CIP) will continue to be focused solely on currently held infrastructure assets and state of good repair. Port Authority's FY 2017 CIP will continue to build upon the FY 2015 and FY 2016 CIP investments and continue capital programs to repair and/or replace assets that have long exceeded their useful life. Port Authority's FY 2017 CIP totaling \$199.8 million, includes \$128.7 million in state funds, \$61.2 million federal funds, and \$9.9 million local funds.

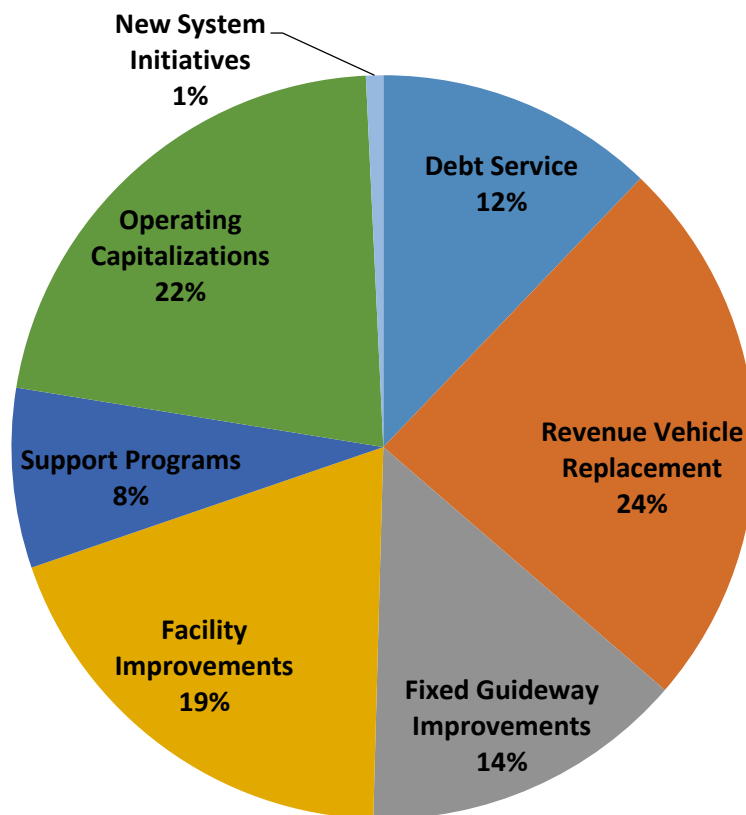
With the anticipated FY 2017 funds, Port Authority has allocated projects that will bring assets to a state of good repair, enhance system safety, and various improvements transit service. FY 2017 capital improvement programs are focused on the following categories:

- *Debt Service – Bond debt incurred for the construction of the LRT Stage II Line and construction costs for the expansion of the Martin Luther King East Busway.*
- *Bus Replacement – The replacement of 70 - 40' low floor clean diesel buses that have met or exceeded their useful life (12 years), and the replacement of 25 - 60' low floor clean diesel buses that have met or exceeded their useful life (12 years).*
- *Fixed Guideway Improvements – The Port Authority's assets include various Fixed Guideways including 3 busways, 2 LRT Lines, 79 Transit Bridges, 5 Tunnels, and 1 Incline. Within the 2017 CIP, Port Authority will commence preliminary design to rehab seven bridges and two tunnels. Construction activities will be accounted for in future CIPs. Some key FY 2017 projects include Berry Street Tunnel/Wabash Lighting Improvements, Mon Incline Control System Upgrades, Wayfinding Phase II, and Stage I & II Stations - Platform & Lighting Repairs.*
- *Facility Improvements – Rehabilitation of Port Authority's various Facilities including 4 bus operation facilities, the Bus Main Shop facility, the South Hills Rail facility, communication towers, and our Heavy Equipment facility. Within the 2017 CIP, additional funding will support the previously CIP approved rehab of the Bus Lift replacement at East Liberty and Ross garages, the interior facility improvement project, and the West Mifflin facility expansion project. Some key FY 2017 projects include the Ross Garage Wind Turbine, new paint booths at the East Liberty Garage, Ross Garage, and at the South Hills Junction Building #1. Also within the 2017 CIP are various interior lighting improvements to transition our facilities to LED lighting, the rehab of our Rave*

Cinema Park and Ride lot, major repairs to the South Hills Junction Jasper Street Stairs, and funding for the downtown Service Center Relocation.

- *Transit Support Program – Includes enhancing Information Technologies, updating Port Authority’s network infrastructure, and the replacement of various non-revenue support vehicles and shop equipment. Within the 2017 CIP, Port Authority will replace 10 non-revenue support vehicles that have reached their useful life, install Automated Passenger Counters (APC) on all 83 Light Rail Vehicles, redesign and deploy a new and improved Port Authority website, purchase a new Bus Training Simulator, and continue the upgrade of our Financial Management Software.*
- *Operating Capitalizations – Includes Port Authority’s Revenue Vehicle Overhaul Program (Bus and Rail), revenue vehicle and infrastructure preventive maintenance activities, Capital Cost of Contracting for our Paratransit service, and grants administration.*
- *New System Initiatives – Within the 2017 CIP, additional funding will support the full system bus shelter replacement program, and the bus and rail station improvements program that will enhance our various stations throughout our transit system.*

Capital Expense by Project Percentages



Capital Projects by Designation

Debt Service \$24,287,912

- \$22,087,066 - 2011 Series Bond Debt Service
- \$2,200,846 - Revenue Vehicle Lease

Revenue Vehicle Replacement \$48,300,000

- \$30,800,000 - (70) 40' Low Floor Clean Diesel Buses
- \$17,500,000 - (25) 60' Low Floor Clean Diesel Buses

Fixed Guideway Improvements \$28,170,000

- \$10,240,000 - Bridge Improvements
- \$10,685,000 - Tunnel Improvements
- \$2,365,000 - Mon Incline Improvements
- \$4,880,000 - Fixed Guideway Improvements

Facility Improvements \$38,590,996

- \$25,110,996 - Bus Operations
- \$3,805,000 - Manchester Main Shop
- \$3,075,000 - South Hills Junction
- \$3,900,000 - Rail Operations
- \$2,700,000 - Park & Ride

Support Programs \$15,607,501

- \$5,364,000 - Support Vehicles and Shop Equipment
- \$8,819,013 - Information Technology Hardware/Software
- \$1,424,488 - Other Support Programs

Operating Capitlizations \$43,337,148

- \$26,001,048 - Preventive Maintenance ; Bus and Rail
- \$11,736,100 - Capital Cost of Contracting; ACCESS
- \$5,100,000 - Vehicle Overhaul Program; Bus and Rail
- \$500,000 - Grants Administration

New System Initiatives \$1,500,000

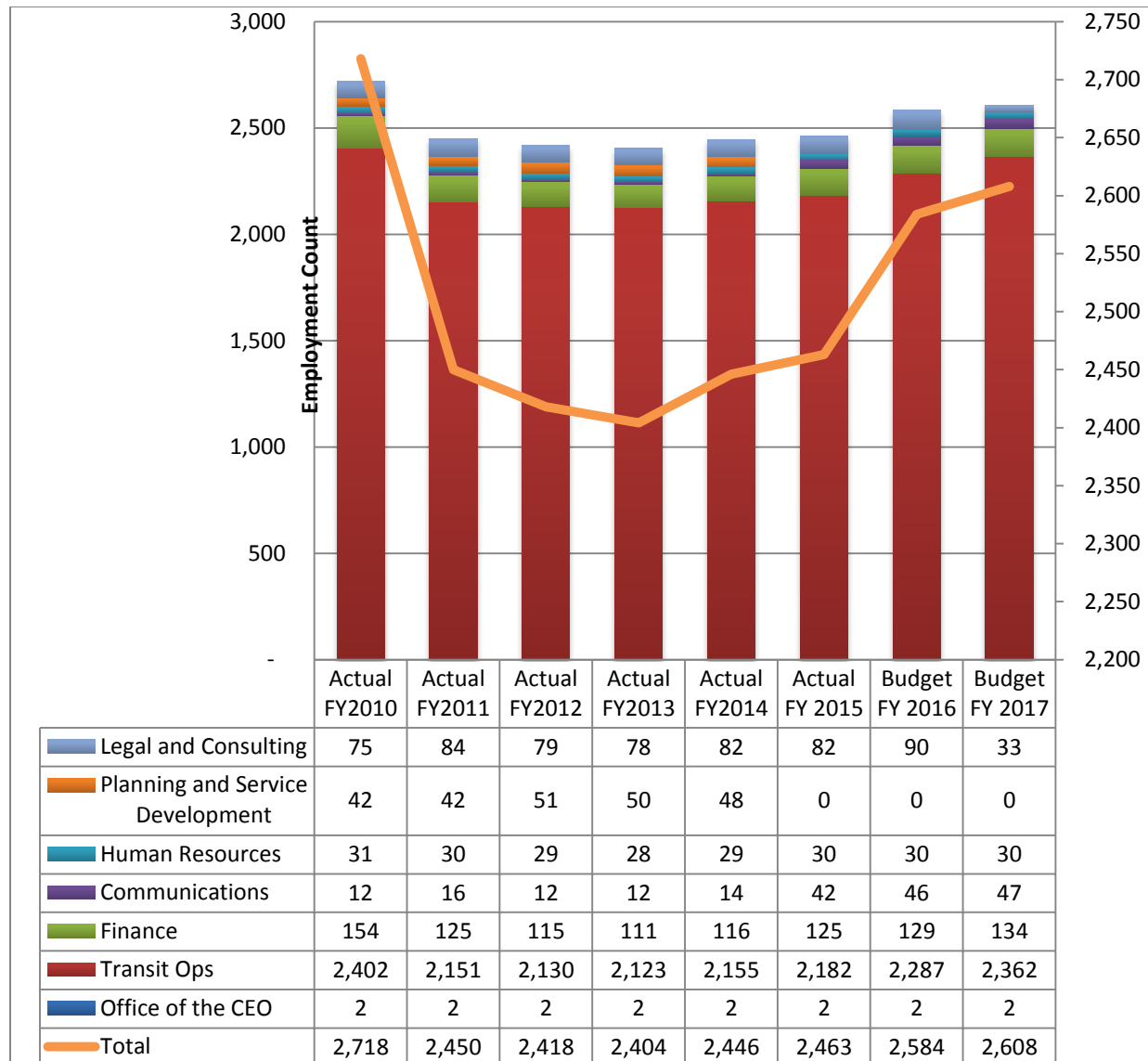
- \$1,500,000 - Station Improvement/Shelter Replacement Program

Port Authority Structure

FY 2017

The Authority is organized into six divisions, the Office of the CEO, Transit Operations, Finance, Communications, Human Resources, and Legal and Corporate Services. In FY 2014 the Port Authority underwent a re-organization eliminating the Planning and Service Development Division as a standalone division and merging staff under Transit Operations, Finance, and Communications. For FY 2017, the Transit Police and Security have been moved under Transit Operations from Legal and Corporate Services. The budget is developed based on these six divisions and those departments reporting within each division. The Port Authority has over 90 departments at 12 locations reporting to the six various divisions.

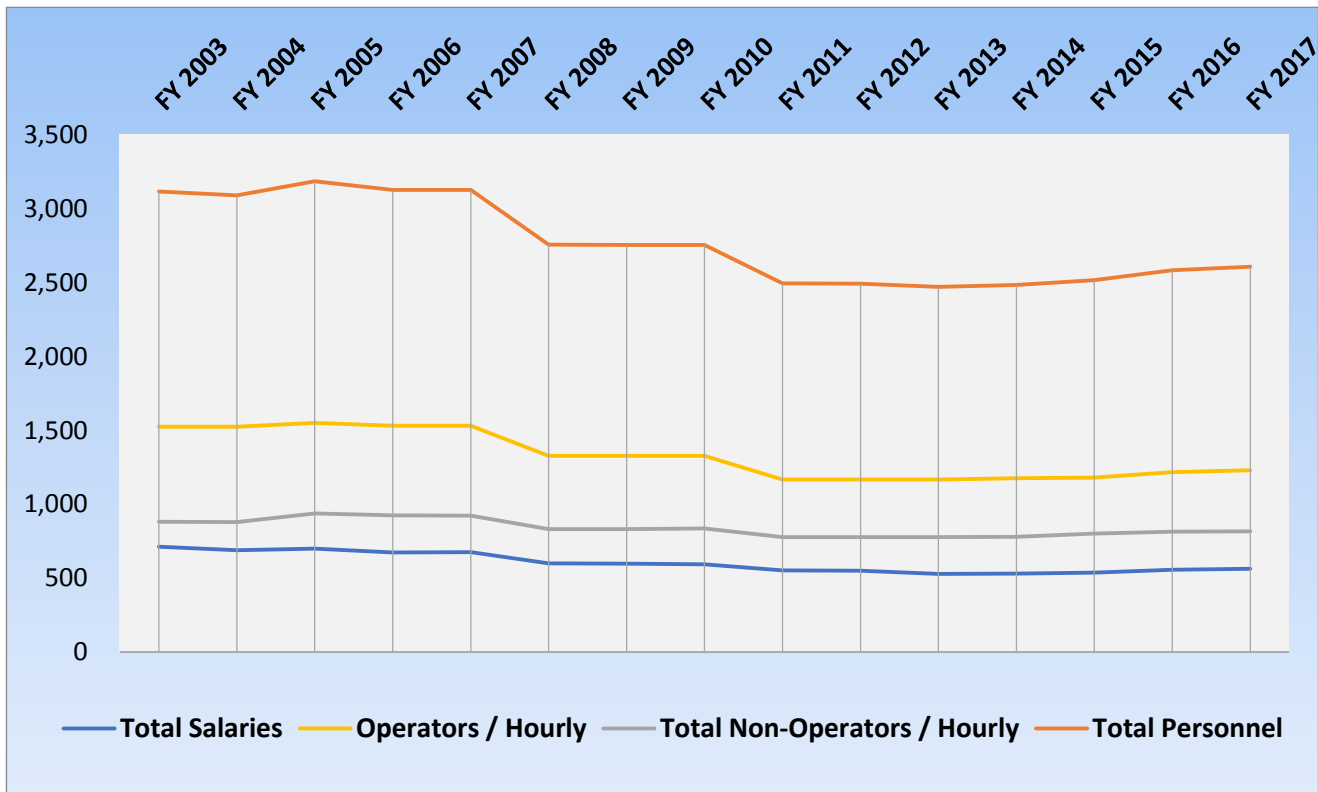
Port Authority of Allegheny County Personnel



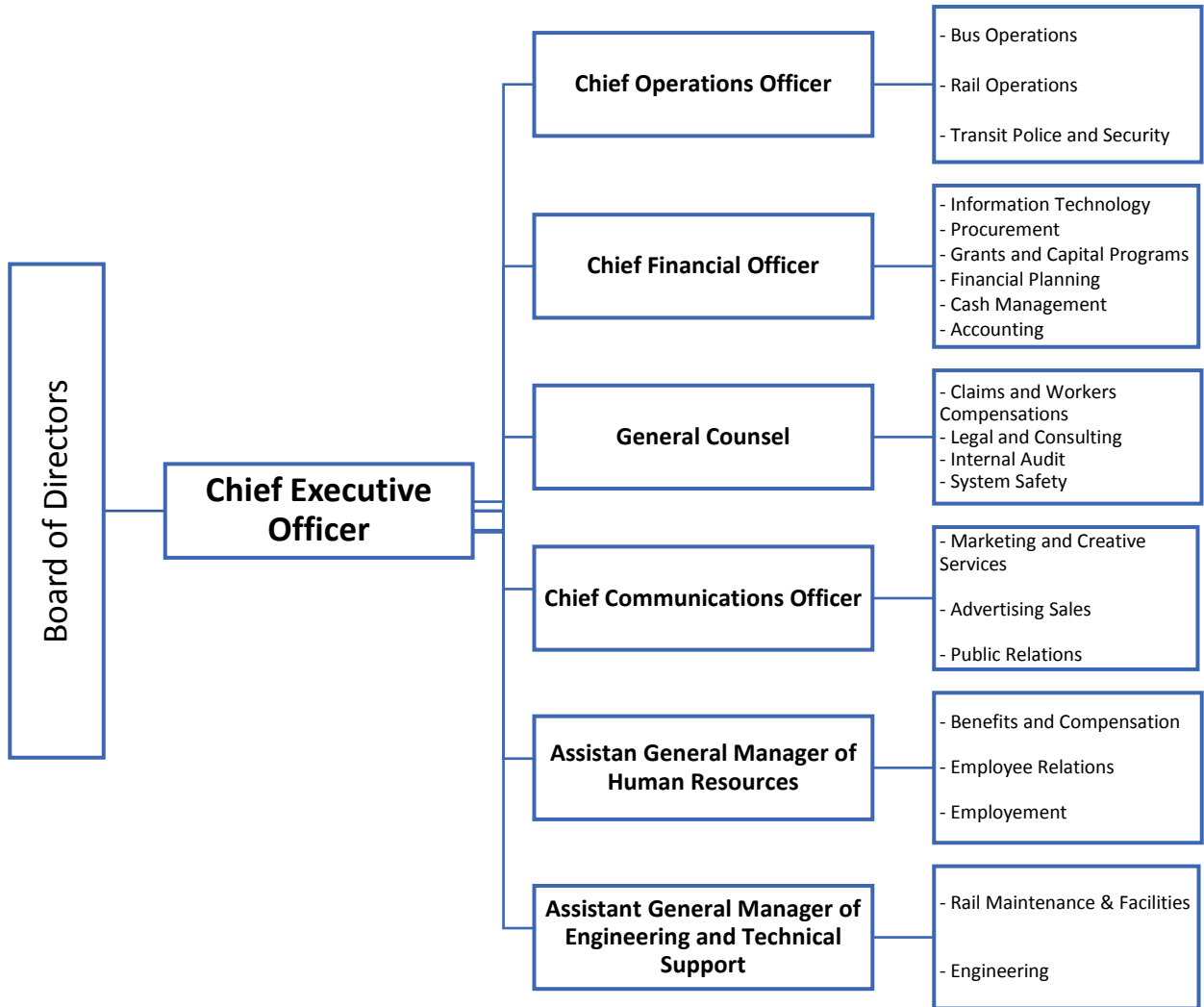
The Chief Executive Officer provides direction to daily operations of the Authority and reports to the Board of Directors. The executive leadership team is responsible for managing the daily operations of the Port Authority of Allegheny County. The organizational structure found on the next page is a high level organizational leadership chart. Together divisions and departments work to provide quality transportation services to the Allegheny County region.

The Port Authority of Allegheny County has over 2,500 employees. There are three separate collective bargaining units. Over 86% of the workforce is Amalgamated Transit Union (ATU) employees, a small fraction are International Brotherhood of Electrical Workers (IBEW) union members, and the Transit Police are a separate bargaining unit. The remaining employees are non-represented employees. Budgeted personnel will increase by less than 1% in FY 2017. On the previous page, personnel were broken out by their respective division. The Transit Operations Division has the largest number of employees and now includes the Transit Police. The average length of an employee’s service is 13.9 years.

Personnel by Pay Classification



Organizational Structure

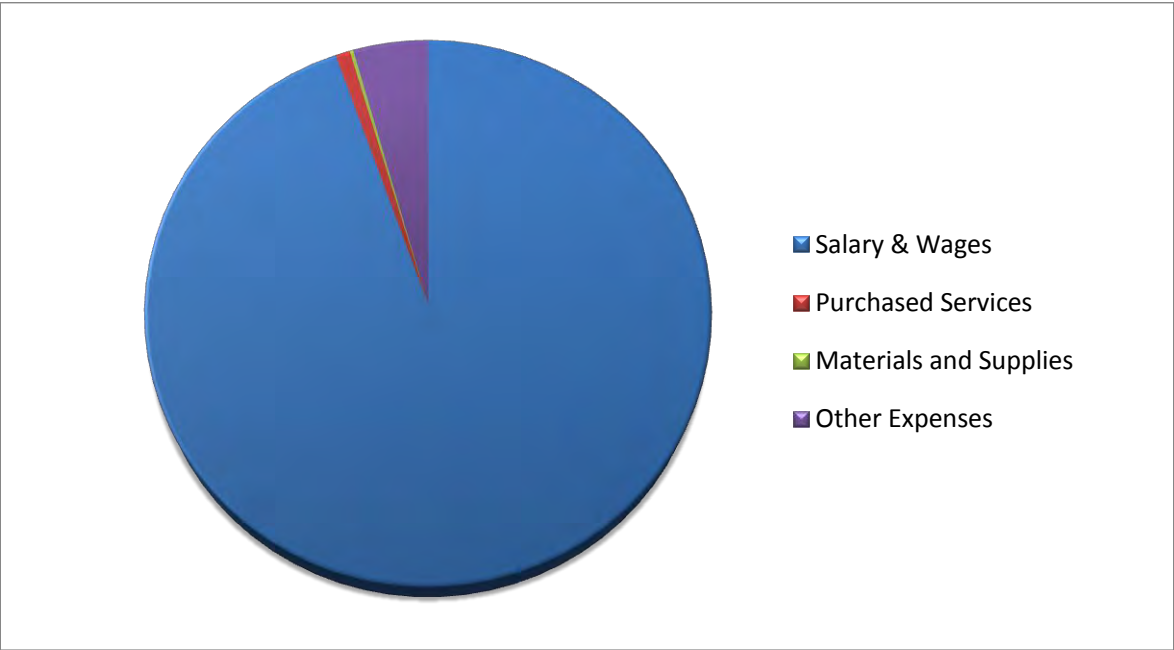


The Office of the Chief Executive

The Chief Executive Officer is responsible for all aspects of managing and overseeing the planning, financing, administration, operations, Safety and Security of Authority’s services, operations and activities. The Chief Executive Officer serves as the Authority’s representative with governmental units, agencies, and transit organizations at the federal, state, and local levels. The CEO works closely with the Port Authority of Allegheny County Board of Directors. The Board of Directors develops the strategic direction of the organization through governance oversight. This division contains the expenses for the Board of Directors. The Board is not compensated but expenses may be incurred for travel, printing, and legal counsel.

Office of the Chief Executive Expenses

| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change '16 to '17 |
|------------------------|----------------|----------------|----------------|---------------------|
| Total Salary & Wages | \$274,418 | \$287,748 | \$292,968 | 1.81% |
| Purchased Services | 1,612 | 2,628 | 2,628 | 0.00% |
| Materials and Supplies | 255 | 660 | 660 | 0.00% |
| Other Expenses | 13,189 | 14,678 | 13,670 | -6.87% |
| Net Total | 289,474 | 305,714 | 309,926 | 1.38% |



Transit Operations

The Transit Operations Division is responsible for the safe and timely delivery of transit services. It is comprised of Bus and Rail Operations, the maintenance of Port Authority's bus and rail



vehicles and beginning with FY2017 the Transit Police and Security have been moved under Transit Operations. The Transit Operations Division oversees service delivery, service planning, maintenance, major overhauls and ensures a safe and secure working and riding environment for employees and customers. There are four bus garages (Ross, East Liberty, West Mifflin, and Collier) that provide daily service and maintenance and one major overhaul bus garage (Manchester). Rail Service delivery has one garage for daily and

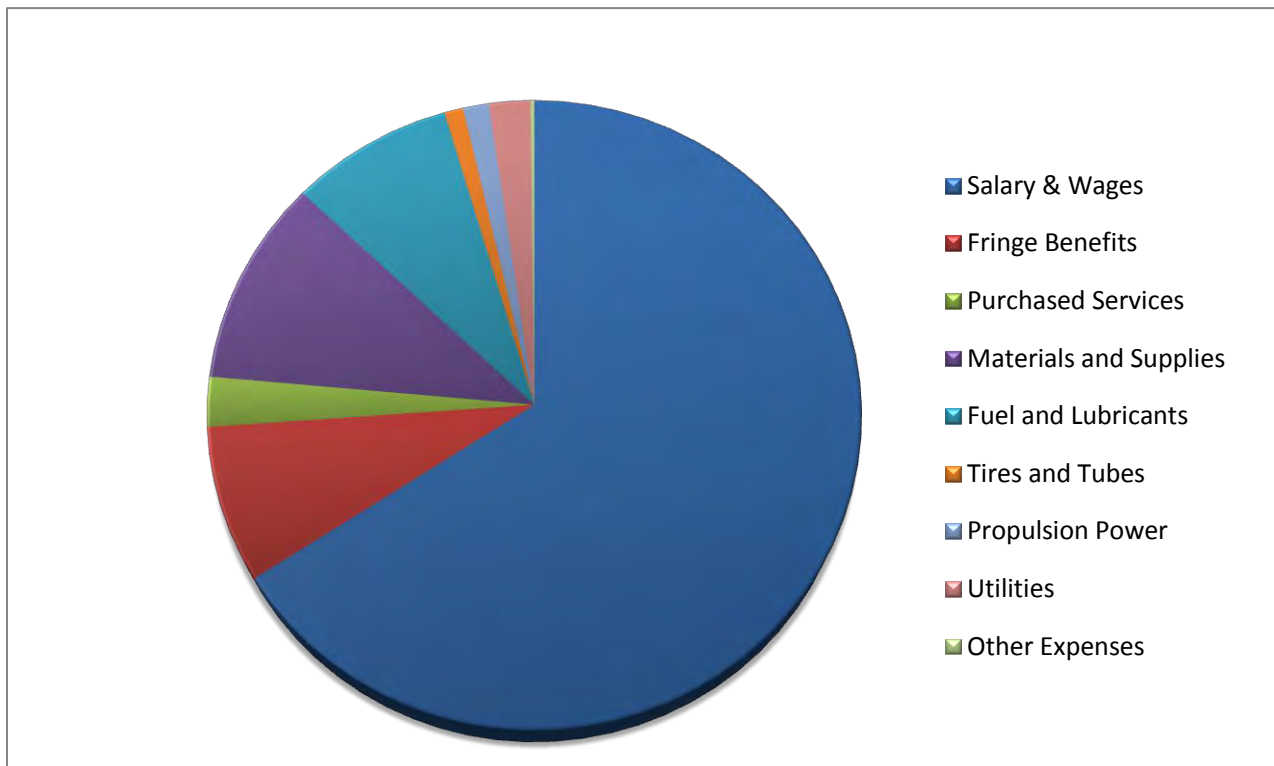
overhaul maintenance (South Hills Village). South Hills Junction is a support service garage. South Hills Junction houses the Way, Facilities, Power, and Light Rail Transit System.

Engineering and Technical Support

For budgeting and expense purposes Technical Support is included in Operations. This collection of departments provide engineering support on Port Authority projects, oversees capital investments, develops technical specifications for the procurement of services and materials, reviews and evaluates engineering conditions and environmental coordination, and provides ancillary operational support. This division is also responsible for facility management which includes maintaining clean and functional T-stations throughout the system. Technical Support also oversees the implementation of the Automatic Fare Collection System (AFCS), our ConnectCard fare system.

Transit Operations Expenses

| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change '16 to '17 |
|-------------------------------|--------------------|--------------------|--------------------|------------------------|
| Total Salary & Wages | \$123,822,246 | \$129,093,861 | \$140,377,004 | 8.74% |
| Total Fringe | 16,167,289 | 16,687,454 | 17,042,213 | 2.13% |
| Purchased Services | 3,962,155 | 5,754,480 | 5,448,460 | -5.32% |
| Materials and Supplies | 19,561,040 | 22,954,453 | 22,717,261 | -1.03% |
| Fuel and Lubricants | 22,271,186 | 20,399,412 | 17,741,887 | -13.03% |
| Tires and Tubes | 1,753,807 | 1,985,388 | 2,055,429 | 3.53% |
| Provision and Injury | (301,381) | - | - | 0.00% |
| Propulsion Power | 2,709,366 | 2,958,450 | 2,790,324 | -5.68% |
| Utilities | 4,254,408 | 4,497,911 | 4,504,700 | 0.15% |
| Other Expenses | 271,740 | 408,229 | 419,810 | 2.84% |
| Gross Total | 194,471,854 | 204,739,638 | 213,097,088 | 4.08% |
| Transfers and Capitalizations | (789,821) | (6,521,208) | (5,456,000) | -16.33% |
| Net Total | 193,682,033 | 198,218,430 | 207,641,088 | 4.75% |



Finance Division

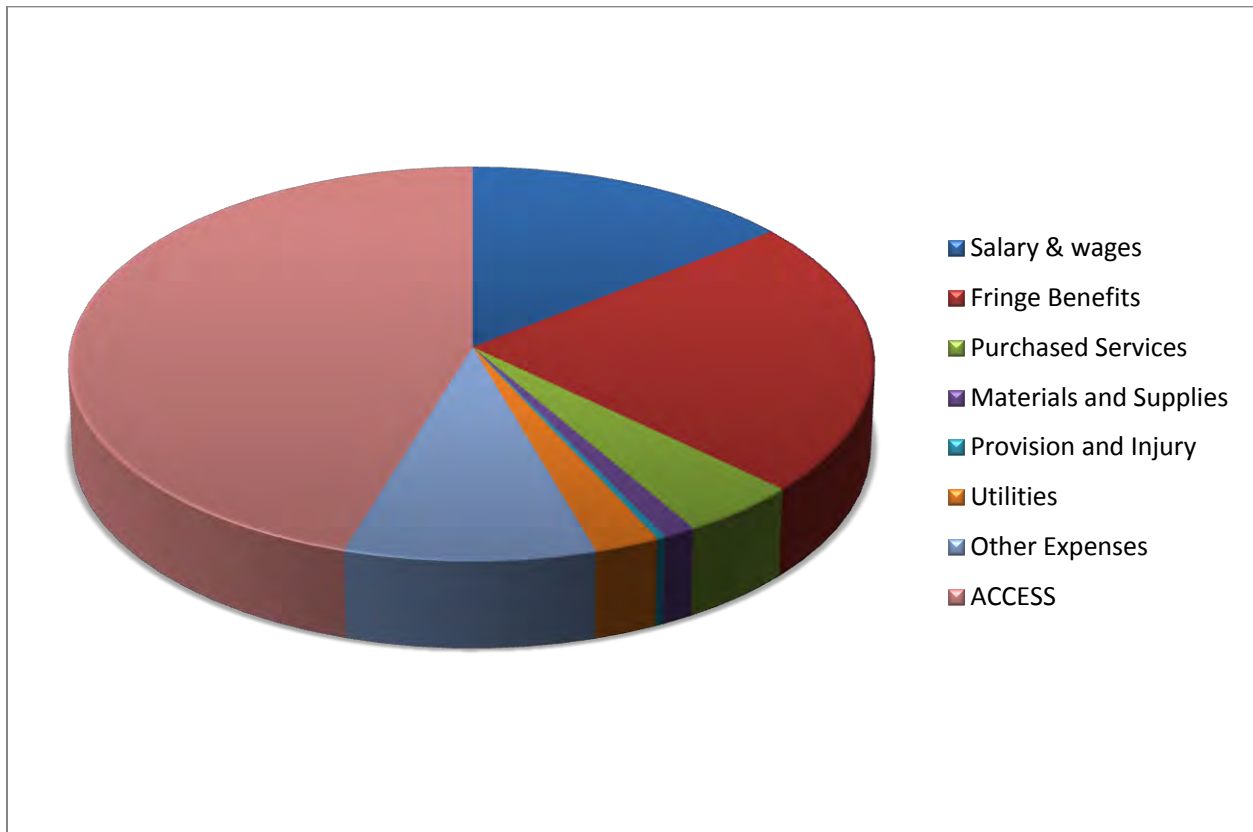
The Finance Division is comprised of Financial Planning & Budgets, Grants & Capital Programs, Accounting, Payroll, Cash Management, Information Technology, and Procurement & Materials Management. Responsibilities include preparing annual operating and capital budgets; all accounting and financial documentation; Federal, State, and County government reporting and grant applications; revenue collection and processing; financial projections and analyses; purchasing, receiving, storage and distribution of materials and supplies and all hardware and software projects within the Authority.

The Finance Division in concert with Technical Support successfully implemented a SmartCard technology for fare collection. The new fare policy, effective January 1, 2017, will enhance the *ConnectCard* and allow customers who use the card to receive a discounted fare. With the expanded usage and implementation of the *ConnectCard*, the Finance Division will continue to roll-out new fare products and streamline procedural processes for this new technology. Additionally, this division will continue to utilize TransitStat, a data driven-performance management program that uses analytics to identify cost driving trends, performance trends, and customer utilization. In FY 2015 the Retails Sales Outlet was moved under the Finance Division. This allows for timely and accurate revenue collection and reporting by streamlining Accounting and Cash Management.



Finance Division Expenses

| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change 16 to '17 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------------|
| Total Salary & Wages | \$7,502,658 | \$8,256,106 | \$8,756,463 | 6.06% |
| Total Fringe | 12,067,766 | 13,311,593 | 13,906,634 | 4.47% |
| Purchased Services | 1,662,781 | 2,777,583 | 2,733,083 | -1.60% |
| Materials and Supplies | 260,064 | 682,786 | 741,512 | 8.60% |
| Provision and Injury | - | (100,000) | (200,000) | 100.00% |
| Utilities | 993,851 | 1,430,753 | 1,482,456 | 3.61% |
| Other Expenses | 3,443,081 | 5,256,339 | 5,704,209 | 8.52% |
| Interest Expense | - | - | - | 0.00% |
| ACCESS | 26,252,873 | 28,279,500 | 27,694,300 | -2.07% |
| Gross Total | 52,183,073 | 59,894,660 | 60,818,657 | 1.54% |
| Transfers and Capitalizations | 1,041,927 | (29,484,741) | (40,932,074) | 38.82% |
| Net Total | 53,224,999 | 30,409,919 | 19,886,583 | -34.60% |

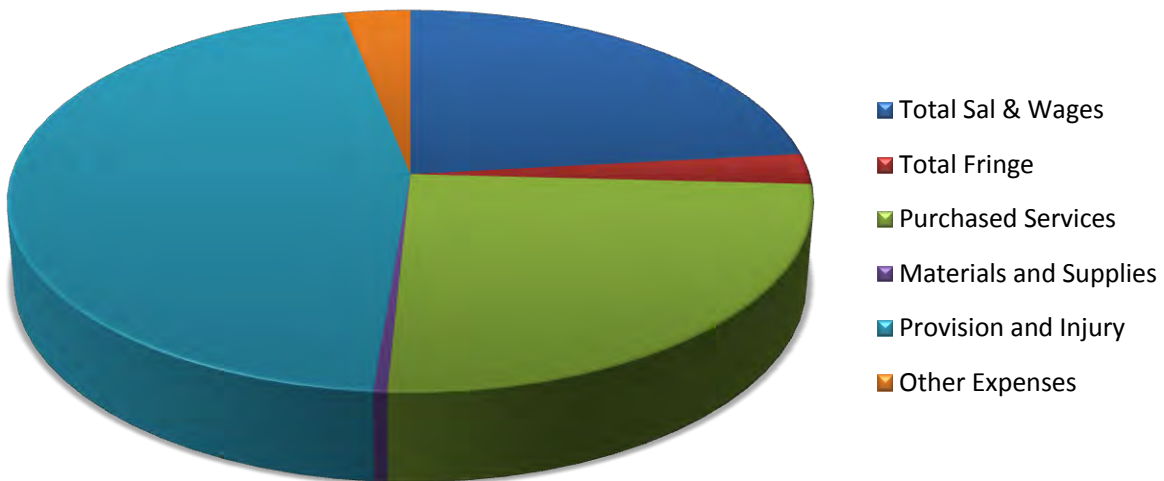


Legal and Corporate Services

The Legal and Corporate Services Division includes the following departments: Claims and Workers' Compensation, Legal and Consulting Services, Internal Audit and System Safety. The Division provides legal and risk-management advice and representation; reviews and processes all liability, property, and workers' compensation claims made against the Authority; examines and evaluates the Authority's system of internal controls; serves as a liaison with the Federal, State and Local courts, funding, and oversight agencies; and supervises the maintenance and development of Port Authority's real estate assets.

Legal and Corporate Services Expenses

| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change 16 to '17 |
|-------------------------------|-------------------|-------------------|------------------|--------------------|
| Total Salary & Wages | \$5,204,638 | \$5,531,915 | \$2,254,681 | -59.24% |
| Total Fringe | 267,270 | 278,625 | 251,200 | -9.84% |
| Purchased Services | 2,026,692 | 2,982,498 | 2,421,000 | -18.83% |
| Materials and Supplies | 65,920 | 99,888 | 47,500 | -52.45% |
| Provision and Injury | 2,281,823 | 3,500,000 | 4,429,000 | 26.54% |
| Other Expenses | 250,566 | 323,448 | 296,610 | -8.30% |
| Gross Total | 10,096,909 | 12,716,374 | 9,699,991 | -23.72% |
| Transfers and Capitalizations | (98,192) | (36,000) | - | -100.00% |
| Net Total | 9,998,717 | 12,680,374 | 9,699,991 | -23.50% |



Human Resources Division

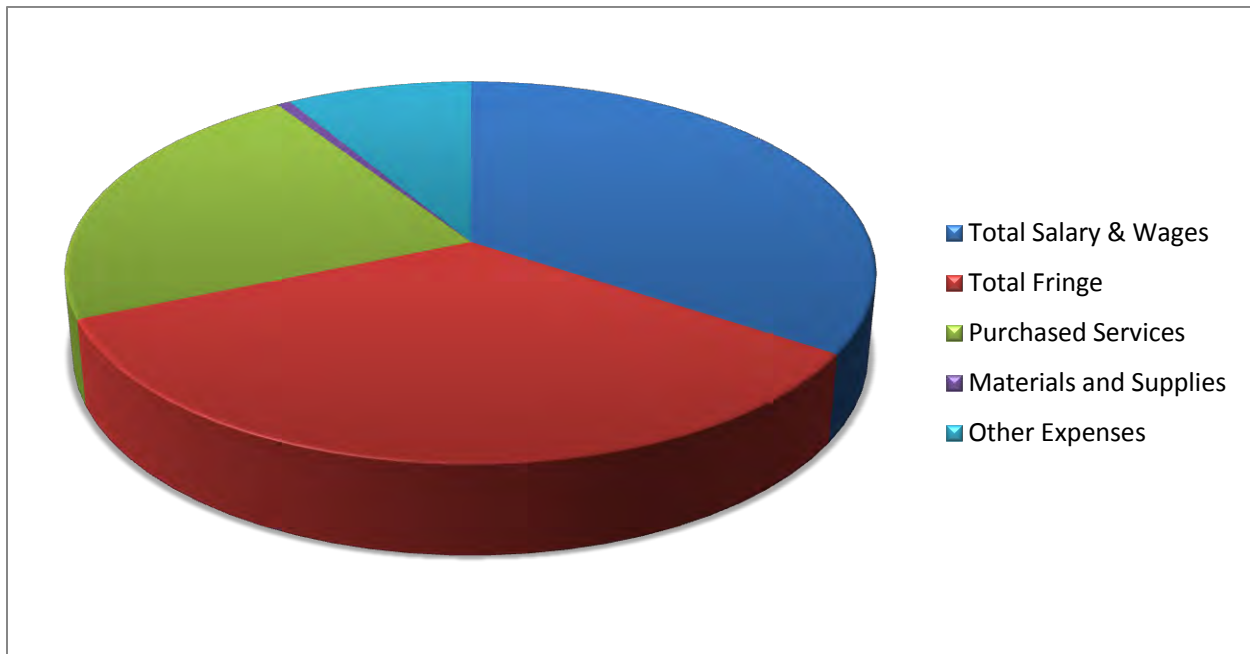
The Human Resources Division includes the following departments: Employment, Training and Development, Benefits & Compensation Services, Employee/Labor Relations, and the Office of Equal Opportunity. This division provides a full range of human resources services to the Port Authority including the administration of healthcare, life insurance, unemployment compensation and other employee benefits programs, as well as training and organizational development.

The Human Resources Divisional goals are designed to enhance the productivity and performance by evaluation, recruitment, and fringe benefits support. Further, Human Resources will continue to ensure continued strong relationships with the three collective bargaining units.

Human Resources Division Expenses

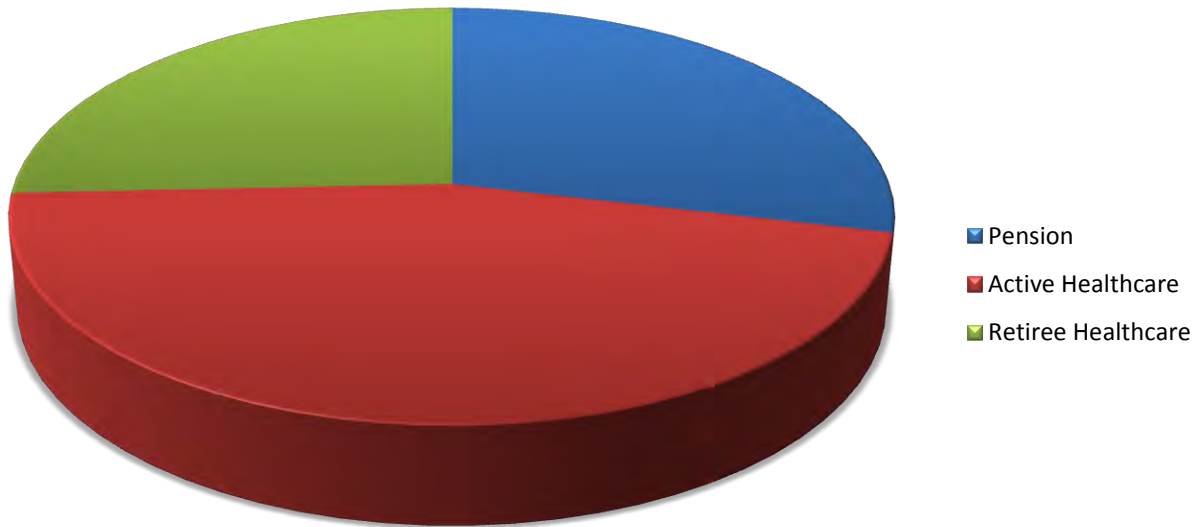
| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change '16 to '17 |
|-------------------------|---------------------------|--------------------------|--------------------------|--------------------------------|
| Total Salary & Wages | \$1,836,732 | \$1,978,001 | \$2,029,092 | 2.58% |
| Total Fringe | 38,747,254* | 2,154,290 | 2,035,000 | -5.54% |
| Purchased Services | 488,803 | 1,114,040 | 1,310,970 | 17.68% |
| Materials and Supplies | 26,064 | 35,440 | 36,300 | 2.43% |
| Other Expenses | 285,345 | 451,351 | 509,840 | 12.96% |
| Net Total | 41,384,199 | 5,733,122 | 5,921,202 | 3.28% |

*Includes Other Post-Employment Benefits (OPEB)



Company Wide - Fringe Benefit Expenses

| Expense Accounts | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change '16 to '17 |
|-------------------------------|-------------------|--------------------|--------------------|------------------------|
| Pension | \$23,873,430 | \$27,922,000 | \$33,709,245 | 20.73% |
| Active Healthcare | 41,357,797 | 50,263,670 | 53,564,165 | 6.57% |
| Retiree Healthcare | 29,835,670 | 31,859,195 | 30,153,208 | -5.35% |
| Gross Total | 95,066,897 | 110,044,865 | 117,426,618 | 6.71% |
| Transfers and Capitalizations | (74,958) | (517,200) | (512,400) | -0.93% |
| Net Total | 94,991,939 | 109,527,665 | 116,914,218 | 6.74% |

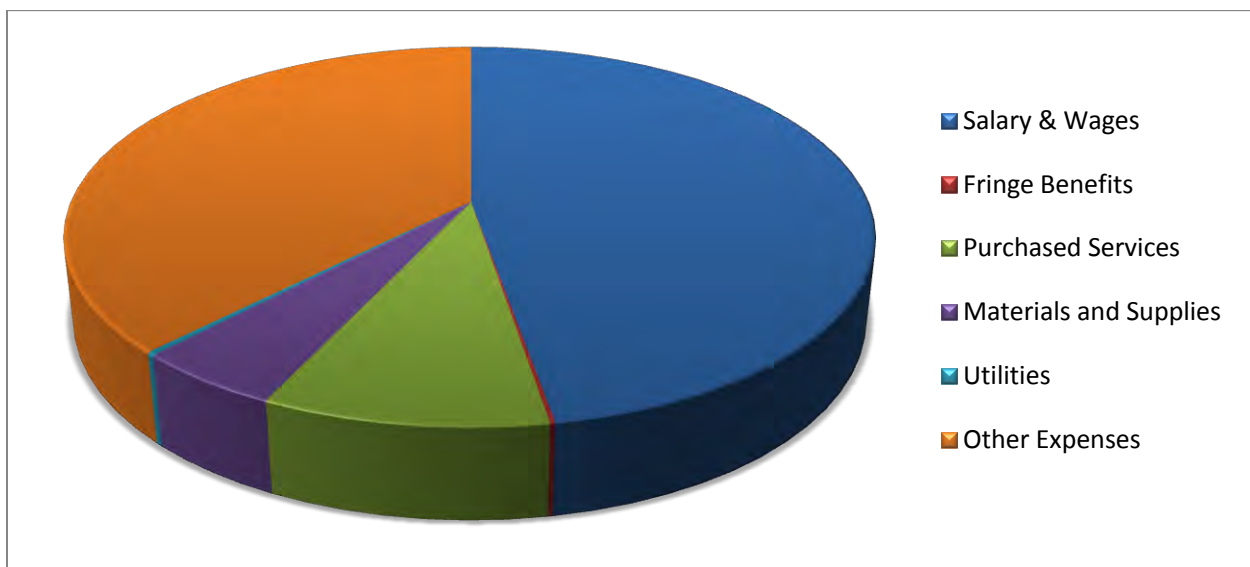


Communications Division

The Communications Division oversees Public Relations, Marketing, Creative Services, Advertising, Government Affairs, and Customer Service. The responsibilities of this division include public engagement through advertising and social outreach, stakeholder relations, media relations, marketing and promotion of services; production of most public materials, such as brochures, advertising, maps, and websites; management of social media; management of advertising on Port Authority Assets to generation additional revenue. The Communications Department absorbed the Customer Service Department in Fiscal Year 2014. This helped to coordinate and streamline Port Authority messaging. The Communications Division will continue to integrate modern technology as a means to actively communicate with riders. Mobile applications will make it easier for the rider to pinpoint the exact location of the next bus. Further, new signage will more effectively communicate designated routes and enable riders to interact with service schedules.

Communications Division Expenses

| Expense Accounts | FY2014 Audited | FY2015 Audited | FY2016 Budget | FY2017 Budget | % Change '16 to '17 |
|-------------------------------|------------------|------------------|------------------|------------------|---------------------|
| Total Salary & Wages | \$777,564 | \$2,112,885 | \$2,555,387 | \$2,655,335 | 3.91% |
| Total Fringe | - | - | 100,000 | 10,000 | -90.00% |
| Purchased Services | 493,754 | 553,845 | 591,496 | 540,996 | -8.54% |
| Materials and Supplies | 58,130 | 218,193 | 280,072 | 283,900 | 1.37% |
| Provision and Injury | 60,000 | - | - | - | 0.00% |
| Utilities | - | 323 | 14,280 | 16,440 | 15.13% |
| Other Expenses | 300,451 | 793,127 | 1,496,770 | 2,115,034 | 41.31% |
| Gross Total | 1,689,899 | 3,678,374 | 5,038,005 | 5,621,705 | 11.59% |
| Transfers and Capitalizations | - | (1,535) | (1,600) | - | -100.00% |
| Net Total | 1,689,899 | 3,676,839 | 5,036,405 | 5,621,705 | 11.62% |



Administrative Headquarters

Heinz 57 Center
345 Sixth Avenue
Pittsburgh, Pennsylvania 15222-2527

Administrative Offices occupy the third and fifth floors and house the Operations and Technical Support, Human Resources, Finance, Planning and Development, and Legal and Corporate Services Divisions and the Office of the Chief Executive Officer.

Operating Divisions

Operating Divisions are located within Allegheny County and supply transit service to the County, the City of Pittsburgh and minor portions of Beaver and Westmoreland Counties. Each division is staffed by a Director of Service Delivery, an Assistant to the Director, a Manager and Assistant Manager of Maintenance, and a secretary. First line supervisors at the division level include dispatchers, instructors, maintenance foremen, and route foremen. Levels of hourly maintenance employees and operators vary depending upon the size of the division and service area.

Ross Division

The Ross Division opened in March of 1968 and services areas to the North and East of Allegheny County.

Collier Division

The Collier Division opened in June of 1969 and services areas to the South and West of the County.

East Liberty Division

The East Liberty Division opened in July of 1972 and is located on the Martin Luther King, Jr. East Busway. It is the largest of the Port Authority divisions.

West Mifflin

The West Mifflin Division opened in November of 1969 and is the second largest division at the Port Authority.

Manchester

The Main Shop is located at Manchester and is comprised of eight shop sections where heavy bus maintenance work and signage is performed for the system. Shop Sections include: Engine Overhaul, Electrical Units, Sign Shop, Transmission Overhaul, Body and Paint, Miscellaneous Units and Vehicle Overhaul.

South Hills Village Rail Center

The Rail Center houses all rail transportation and heavy and running repair maintenance services for the Light Rail vehicles. It opened in April of 1984.

South Hills Junction

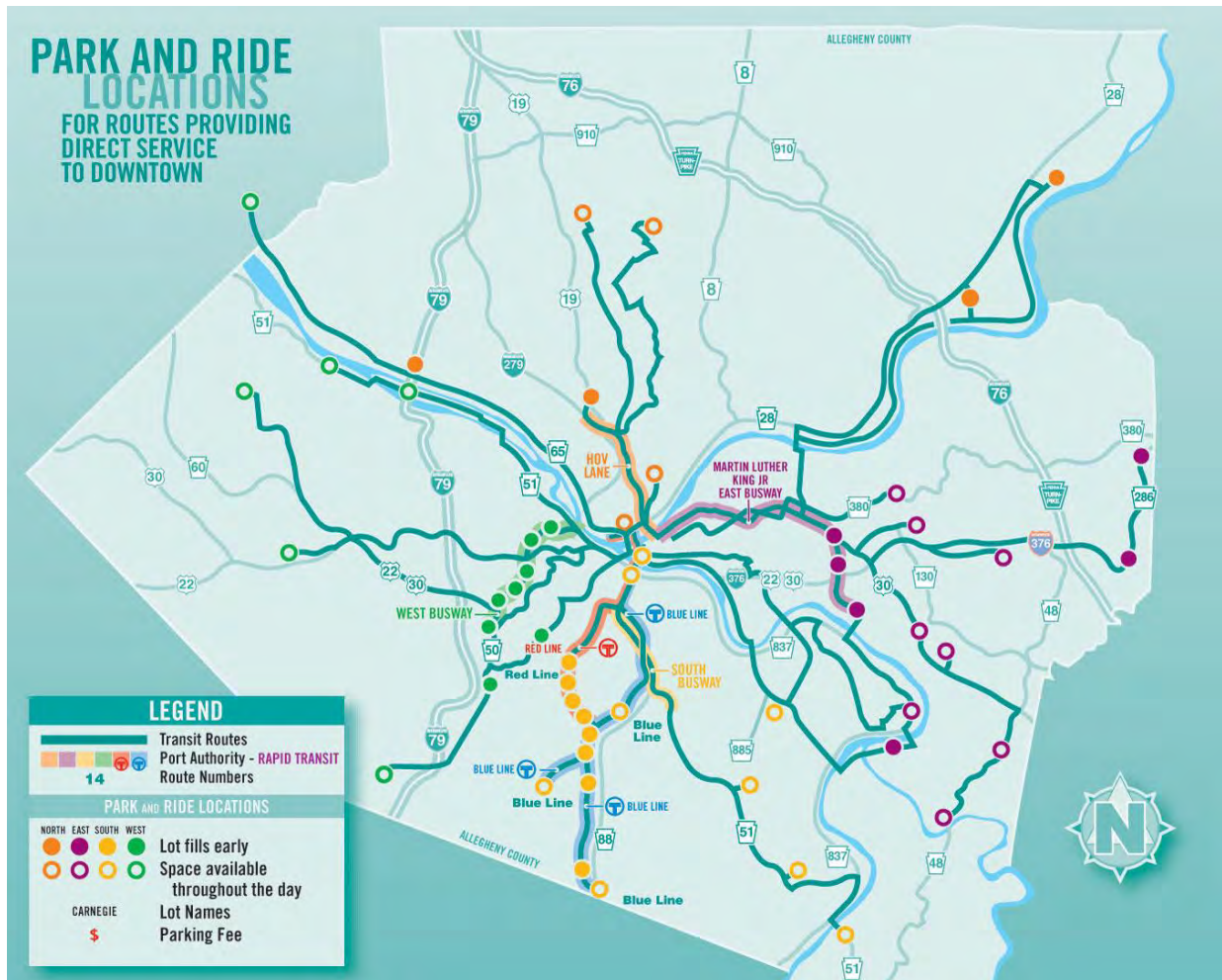
The Junction is comprised of five buildings which house the Non-Revenue Vehicles, Facilities, LRT Systems and Power, and the Way Departments. These departments are responsible for maintaining the fixed assets of Port Authority: fixed guideways (rail, incline, busways), power and signaling operation, and non-revenue vehicle maintenance. Port Authority also owns and maintains an extensive network of transit properties and rights of way throughout Allegheny County.:

Busways

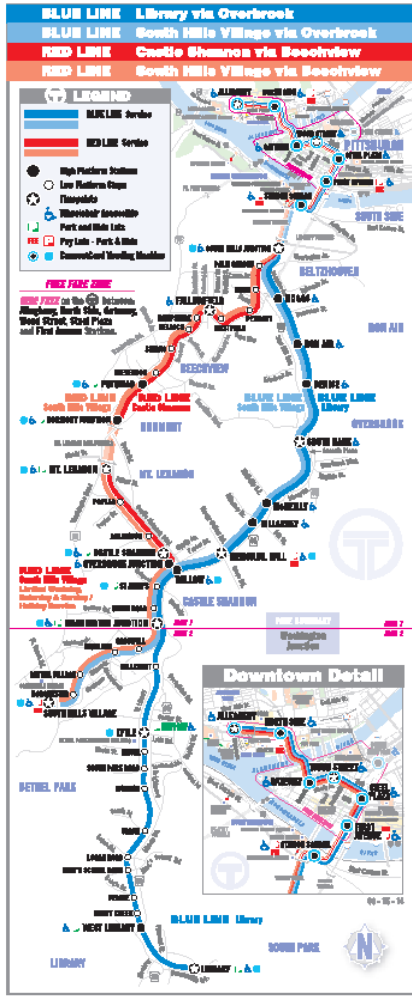
1. South Busway, 4.3 miles
2. Martin Luther King, Jr. -- East Busway, 9.1 miles
3. West Busway, 5.0 miles

Park and Ride Lots

Lots are located throughout Allegheny County with many locations along busways and T lines. We offer 53 lots with over 13,000 spaces.



Light Rail (T System)



The T is a 52.4-mile light rail system that runs from the North Shore and Downtown Pittsburgh through Pittsburgh's southern neighborhoods and many South Hills suburbs.



Monongahela Incline

The incline is a popular tourist attraction that also serves daily commuters. The upper station is in the city's Mt. Washington neighborhood and the lower station is located at Station Square, where riders may transfer to the T.

