

PORT AUTHORITY

Fiscal Year 2018
July 1, 2017-June 30, 2018

Operating and Capital Improvement Budget



PortAuthority.org

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(As of June 30, 2017)

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It was not that long ago that the only competition public transit had for riders was the automobile. In fact, the birth of public transit in much of the United States can be tied to the choking of metropolitan areas by the growth in personal vehicles. There was not space to build the number of new roads needed.

Today, transportation in the United States is undergoing another dramatic change that will impact the Port Authority of Allegheny County in some measure. Electric buses, ride sharing programs, autonomous vehicles, and boring tunnels, are gaining momentum in the marketplace and attracting billions of dollars in new investment. Young people are less likely than their parents to own a personal automobile and instead utilize other forms of transportation. One of the Authority's greatest strengths over the past 50 years has been its ability to adapt. The Authority will once again face these challenges and turn them into opportunities to better serve the riding public.

The approved FY 2018 Operating and Capital Budgets include the resources necessary to continue the many initiatives underway at the Authority and support the strategies developed in response to the Authority's various stakeholder groups such as riders, employees, federal, state and local government, business organizations and the disability community. The FY2018 Operating Budget totals \$419.8 million and includes no changes in fares from those that went into effect January 1, 2017 and limited changes in service hours. The FY2018 Capital Budget totals \$133.4 million with \$39.2 million of this total devoted to facility improvements and \$33.9 million for the purchase of 70 new 40 foot buses.

We begin a new fiscal year in a strong financial position and continue operations in accordance with the 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* was formally adopted by the Board of Directors in October 2016. The plan has 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. In addition, the Board of Directors recently accepted the Pennsylvania Department of Transportation's (PennDOT) Performance Report which contains both operational and financial goals that the organization must be mindful of in its decision-making process

P AAC 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 second *Annual Service Report 2016* was issued this June and is the basis for service adjustment in FY 2018. Public response has been excellent.

A signature initiative that was launched in FY2017 was the move to a flat fare system. The Authority utilized a transparent process which relied on extensive public and internal discussion as well as numerous Board workshops. Input was received from 5,500 participants, including employees, which served as the basis for the Board-approved fare policy. Effective January 1, 2017 riders moved to a one fare, pay-on-enter policy, which eliminated paper transfers, and instituted a cash surcharge to increase the use of the ConnectCard. A ConnectCard fee of \$1 was instituted on the initial purchase or replacement of a lost card. The new policy also eliminated the bus free zone in downtown. The legislation also created new products such as a Day Pass at \$7.00, half-fare monthly and weekly ConnectCards, and a Child ConnectCard that have all proved to be popular with riders. The new fare policy also legislated a move to a cashless proof-of-payment on the rail to occur at some point in FY2018. The implementation of cashless proof of payment system has been delayed due to technological hurdles and continued discussions regarding fare enforcement procedures.

The Authority also continued to roll out ConnectCard functionality to more of its ridership base. Riders that purchase their fare instruments through their employer will now receive their pre-tax monthly pass in the form of a ConnectCard rather than a paper “flash” pass. With this changeover, it is now the responsibility of the employer to add and delete their employees from the program and add product to the cards. Many Social Service agencies that have clients who utilize public transit have also been converted over to the new system.

P AAC Transit-Oriented Development Guidelines set forth best practice standards for TOD and began a conversation in our region about implementing high-quality TOD in our communities. The guidelines were adopted by the Board last fiscal year. 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.

We continue to advance TOD projects, including the Dawson/Suncap development at the South Hills Village Upper Lot which is under construction and work with developers at Castle Shannon Station rail station as well. It is expected that both projects will move ahead this fiscal year.

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. Target date for completion of real time on rail is fiscal year-end.

Wayfinding improvements are underway on the Authority's system. Eighty-two new bus stop signs have been installed in the Golden Triangle including eight with solar powered poles. Signage is currently being updated on the West and South Busways. Updated signage for the East Busway is scheduled to be complete by the end of September.

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. Marketing was instrumental in addressing concerns about the changes in fare policy. A concerted effort was made to educate the public well in advance of implementing the policy. Once the policy was implemented the Marketing Division played a central role in clarifying any confusion that still lingered with the public.

The second step in the move to simplify the rider experience is to implement a cashless system on the LRT system. Marketing has been a key in addressing the public's concerns about how this potential change could be implemented. If this fare policy change is implemented, Marketing will once again develop a sustained educational program well in advance of the day of implementation.

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 projects such as bus rapid transit from Downtown to Oakland and a fifth garage to accommodate alternative fuels and future service expansion.

Growing out of these internal initiatives we have developed strong partnerships with the City of Pittsburgh, particularly the City Planning Department and new Department of Mobility and Infrastructure, the City's Urban Redevelopment Authority 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. 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.

Bus Rapid Transit (BRT) is progressing in partnership with Allegheny County, the City of Pittsburgh and the Urban Redevelopment Authority. The BRT project is a system that connects Downtown Pittsburgh with Uptown, Oakland and Wilkinsburg via the East Busway, and includes branches to Squirrel Hill and Highland Park.

This route is projected to link more than 30,000 people across 24 neighborhoods via rapid, frequent transit service that's as fast and comfortable as light rail, but could be built more quickly and at a fraction of the cost of a new rail line.

The route, selected from three options put before the public, incorporates input from thousands of community members and stakeholders over several years, including more than 2,500 responses in March and April alone. The public also preferred dedicated bus lanes on Forbes Avenue outbound and Fifth Avenue inbound over the other Oakland alignment option.

In addition to enhancing public transit, this project has the potential to unlock development and contribute to neighborhood growth and link residents to job centers, educational opportunities, medical services and cultural events.

An environmental review process and preliminary engineering have been completed. The project application for federal funding will be submitted in September of this fiscal year. The project's current estimated capital cost is \$195.5 million.

A precursor to the BRT Project is the new 5th & Atwood Station in Oakland. This project has been in the planning stages as a standalone BRT station for a number of years. This station is one of the Authority's more heavily utilized bus stations and is a signature touchpoint between the Authority and a significant number of its customers. Final design of this cornerstone station is completed. Our land lease agreement with UPMC has been finalized and manufacturing of station components has begun.

Over the last year 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. Today our service guidelines, transit oriented development guidelines, fare policy and performance report 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 FY2018 budget approved in June is the second year of that five-year plan.

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. The most recently completed contract with the Amalgamated Transit Union Local #85 was able to provide cost containment in the form of healthcare premium relief due to plan design changes and by re-bidding healthcare insurance for active employees and retirees. Changes such as these permit the Authority to address more fully long neglected capital needs. The initial FY2015 strategic plan forecasted that in FY2018 PAAC would require a PennDOT waiver to use Act 89 funding to support operations. Increased fare revenue and advertising support coupled with cost containment resulting in yearend surpluses have pushed off the need for a waiver until FY2021.

Our ten-year forecast is a living document updated at fiscal yearend to reflect each fiscal year's results.

Noteworthy statistics for yearend FY 2017 include:

- Early estimates of fiscal yearend revenues over expenses project a \$16.2 million surplus.
- Advertising revenue reached its highest level at \$2.5 million; an 11% increase over the prior year.
- Fare revenue at fiscal yearend is \$89,943,620 (unaudited), \$380,940 above budget.
- Gross total ridership was down slightly by -.89%.from FY2016 levels. However, net ridership which excludes free rides, senior rides and transfers was up 1.70% from FY2016 levels.
- The amount of cash collected through passenger fares was down by \$4.8 million or 23.5% from FY2016 levels which reflect the expected results during the early years of the new fare policy.

The Authority is certainly on a more solid financial footing than it was prior to Act 89. It is positioned to be competitive in today's transportation market. However, that doesn't mean we can settle for the status quo. The riding public continues to demand increased service and

functionality. Meeting these demands will have to come within current resource constraints. Diligence will need to be exercised to continue to control costs. Simultaneously, current investments will need to stimulate new ridership that can help generate resources to provide future system enhancements.

A word of thanks to our funding partners for their support and to the staff at the Authority, particularly from the Finance Division for their work in assembling this blueprint. Thanks, also, to my predecessor, Ellen McLean, who worked so diligently not only on this budget but on crafting the course for financial stability.

Sincerely,

David Donahoe
Interim Chief Executive Office

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.

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. 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.

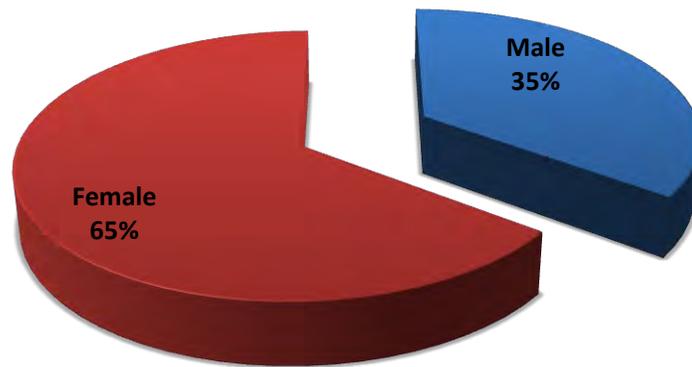
The Port Authority directly operates 732 buses that vary in size from 35 to 60 feet, 83 light rail vehicles, and one incline plane. Port Authority assets include 7 maintenance and storage garages, 3 exclusive busways (the 4.3-mile South Busway, the 9.2-mile Martin Luther King Jr. Busway, and the 5-mile 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.

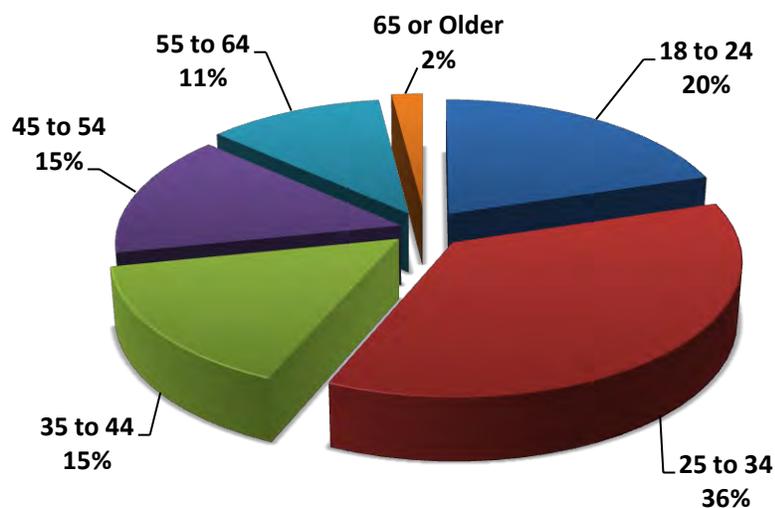
Port Authority Ridership Profile

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.

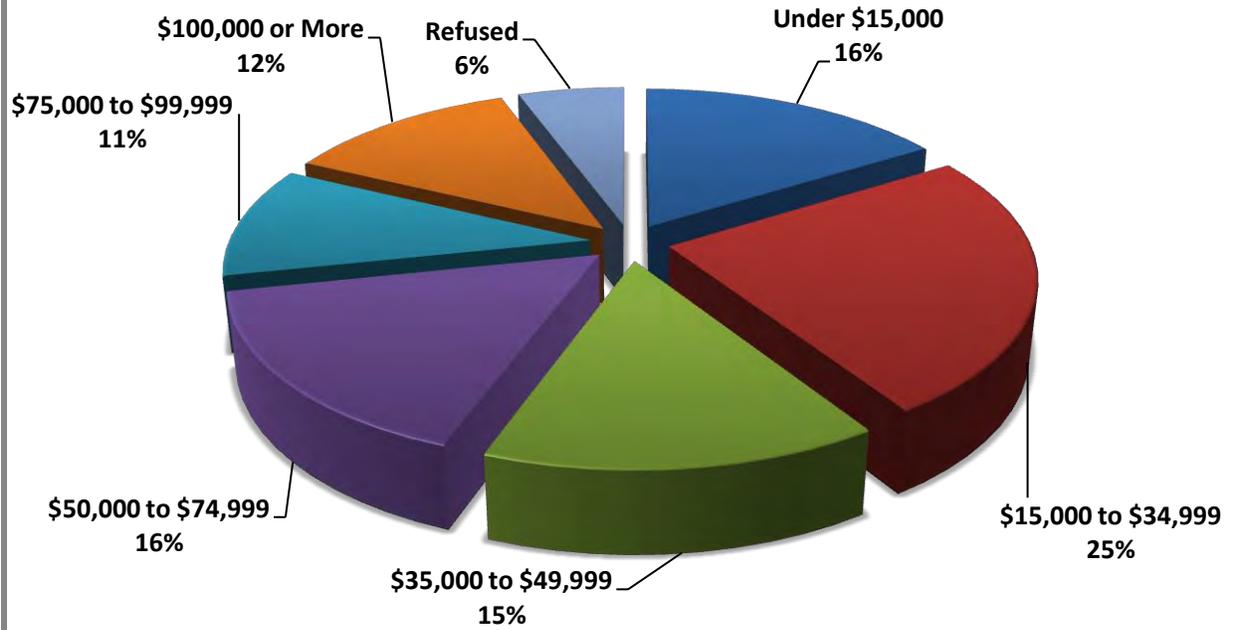
Gender of Port Authority Passengers



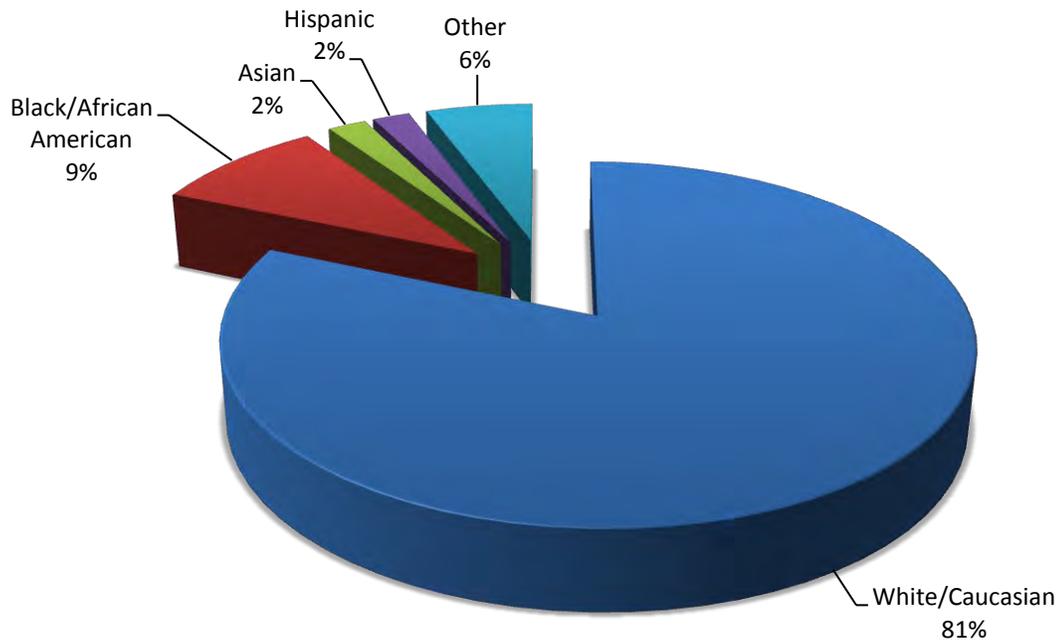
Age of Adult Passengers



Household Income



Ethnicity



In order to project expenses and revenues for FY 2018, 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

- In mid FY 2018, it is assumed that the Port Authority will implement Cashless Proof-of-Payment fare collection on the Light Rail and Mon Incline modes as part of the Fare Policy approved in FY 2017.
- Minor service adjustments in September 2017 with the aim to continue to improve the overall performance of the system and reach areas with little to no service.

Ridership

- Overall paid ridership is expected to remain consistent with FY 2017 levels.

Passenger Revenues

- Passenger revenues are projected to decrease by approximately 3% or \$3.6 million vs. FY 2017 budget. Beginning in mid FY 2017, the Port Authority removed the Zone 2 fare of \$3.75 from the system.

Expenses

- Operating expenses total \$419.8 million. An increase of 1.7%, or approximately \$7 million over FY 2017 budget. The majority of the additional expenses are attributable to a 2.0% increase in Wages & Salaries and a 2.3% increase in Employee Benefits driven by the continued rise in the Authority's Pension obligations.

Operating Grants

- Port Authority receives operating assistance from state and county governments. For FY 2018, these funds are budgeted at a total of \$268.7 million, an increase of \$8.2 million over FY 2017.

FY 2018 Operating Budget Summary

FY 2018

Amounts in Thousands ('000)	FY 2018 Operating Budget	
Revenues:		
Passenger Revenue	\$	75,493
ACCESS (Shared Ride) Service		12,456
Contract Services		10,123
Advertising		2,650
Interest Income		588
Other Income		584
		<hr/>
Total Operating Revenues	\$	101,894
Expenses:		
Wages and Salaries	\$	159,524
Pensions and Employee Benefits		154,127
Materials and Supplies		41,218
Provision for Injuries and Damages		4,654
Purchased Services		13,406
Utilities		8,516
Other Expense		9,276
ACCESS (Shared Ride) Service		29,066
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Total Gross Operating Expenses	\$	419,786
Deficit Before Subsidy	\$	(317,892)
		<hr/> <hr/>
Subsidy Source		
Federal	\$	35,843
State		241,879
Local		37,170
Regional Asset District		3,000
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Total Subsidy	\$	317,892
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Operating Surplus/(Deficit)	\$	-
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Fiscal Year 2018 Operating Budget

FY 2018

Operating Revenues

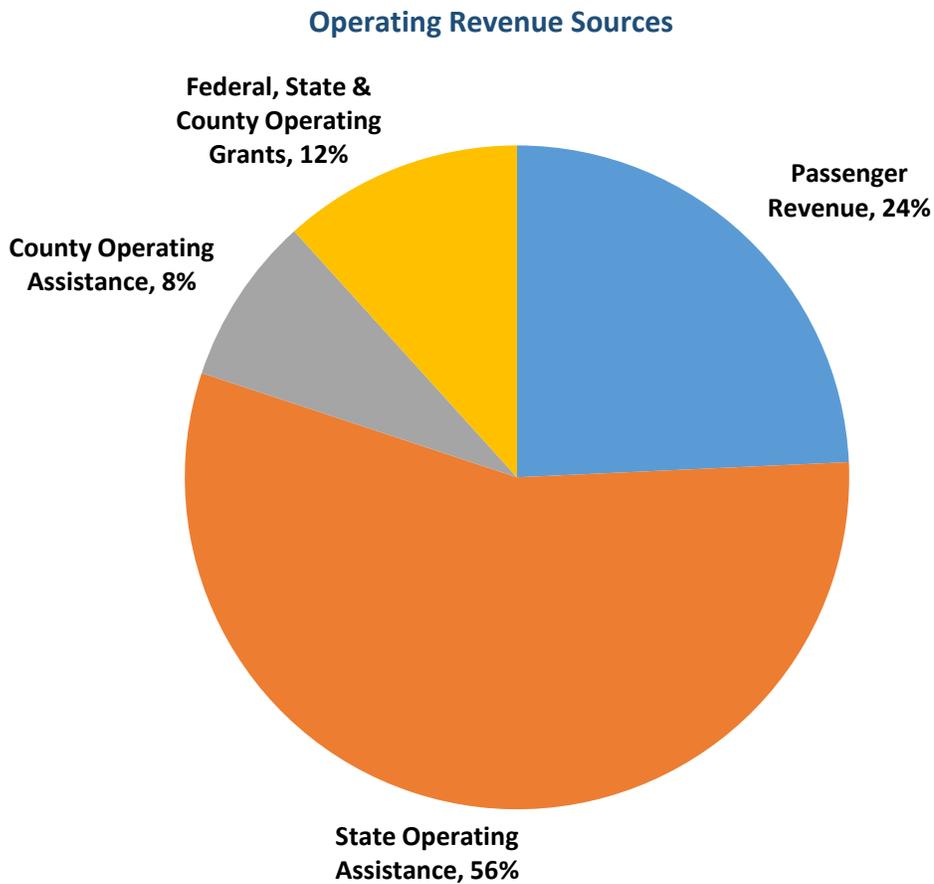
FY 2018 revenues for operations are approximately \$420 million and include passenger revenues, federal, state, and local operating assistance and capitalization grants. Passenger revenues to support operations are expected to represent 24% of the Authority's operating revenue. This includes the sale of fare products, cash fare payments, ACCESS program fees, contracted services through the U-Pass program, interest income, and advertising revenue.

Operating Revenue

\$000	Audited FY2016	FY2017 Budget	FY2018 Budget	% Change FY2017 vs. FY2018
Passenger Revenue				
Farebox Revenue	\$81,853	\$79,903	\$75,493	-5.5%
Access Program Service	12,640	13,035	12,456	-4.4%
Contract Services	9,992	9,660	10,123	4.8%
Advertising	2,430	2,250	2,650	17.8%
Interest Income	69	50	588	1,076.0%
Other Income	705	575	584	1.6%
Total Passenger Revenue	107,688	105,473	101,894	-3.4%
Operating Assistance				
State Operating Assistance	221,614	226,794	234,297	3.3%
County Operating Assistance	30,238	30,728	31,471	2.4%
Regional Asset District	3,000	3,000	3,000	-
Reserves	-	-	-	-
Total Operating Assistance	254,852	260,522	268,769	3.2%
Operating Grants				
State Grants	8,579	8,758	7,581	-13.4%
Federal Grants	21,845	32,675	35,843	9.7%
County Grants	3,154	5,467	5,699	4.2%
Total Operating Grants	33,578	46,900	49,123	4.7%
Total Revenue	396,119	412,895	419,786	1.7%

Overall, FY 2018 total operating revenue is projected to increase by approximately \$7 million, or 1.7%, compared to FY 2017.

Operating Assistance from federal, state, and local sources provide the other portion of budgeted revenue. State Operating Assistance is \$ 234.3 million; which includes \$5.66 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 \$31.4 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.



Federal, State and County Capital grants supplement operating expenses and represent 12% of FY 2018 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 2018 labor costs (wages, salaries, and benefits) represent 75% of operating expenses. Wage and salary expense total \$159.5 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 \$154.1 million for FY 2018 of which approximately 77% are dedicated to the Authority's obligations for healthcare and pension. Healthcare costs for both active and retired employees decreased by approximately 3% compared to FY 2017 due to a new collective bargaining agreement.

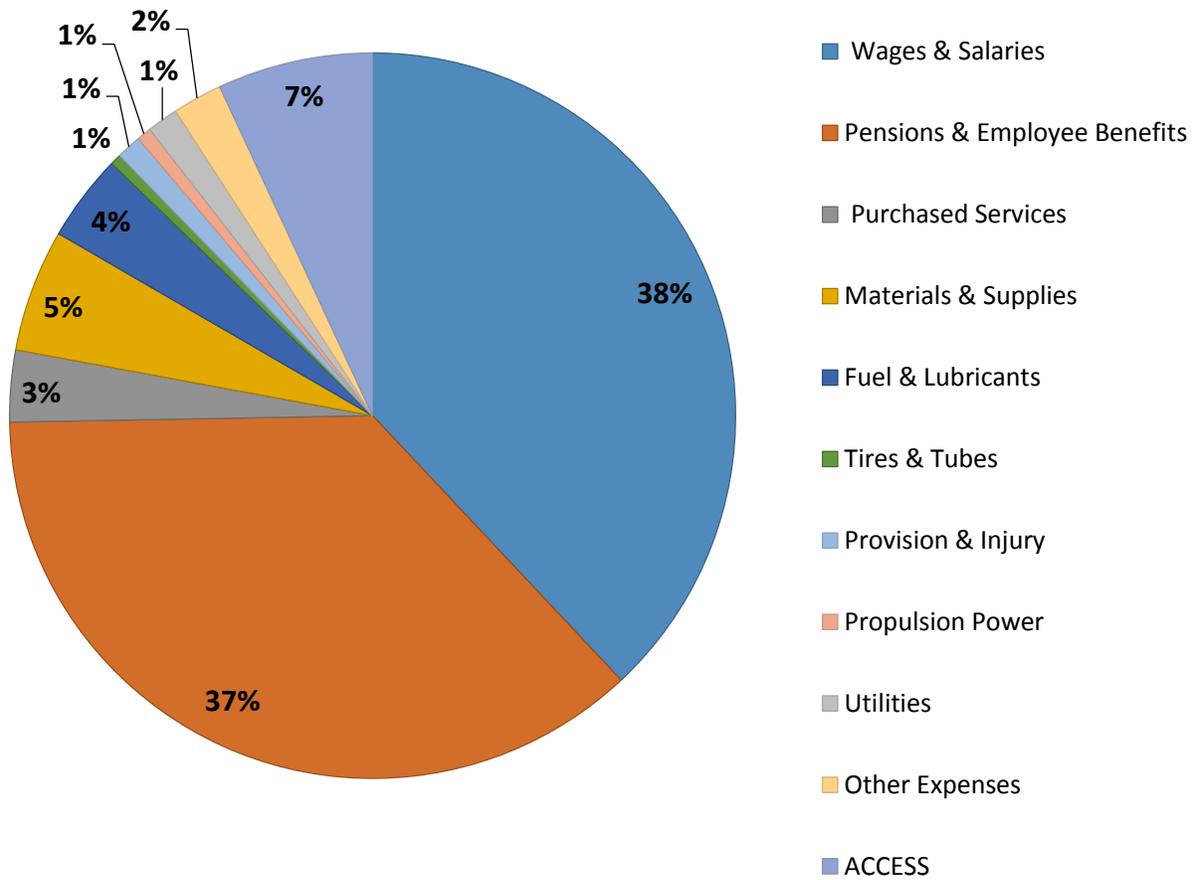
Operating Expenses by Account

Expense Accounts \$000	Audited FY2016	FY2017 Budget	FY2018 Budget	% change FY2017 vs. FY2018
Wages & Salaries	\$149,542	\$156,366	\$159,524	2.0%
Pensions & Employee Benefits	139,546	150,672	154,127	2.3%
Purchased Services	9,919	12,457	13,406	7.6%
Materials & Supplies	21,975	23,827	22,903	-3.9%
Fuel & Lubricants	16,295	17,742	16,260	-8.4%
Tires & Tubes	1,847	2,055	2,055	0.0%
Provision & Injury	2,823	4,429	4,654	5.1%
Propulsion Power	2,547	2,790	2,681	-3.9%
Utilities	4,939	6,004	5,835	-2.8%
Other Expenses	6,105	8,859	9,276	4.7%
ACCESS	26,356	27,694	29,066	5.0%
Total Gross	381,894	412,895	419,786	1.7%

Material and supplies expenditures are expected to decrease by 4% over FY 2017 budget due to better planning and new vehicles entering the fleet. Fuel and Lubricants are budgeted to decrease \$1.5 million due to savings on Diesel fuel and gasoline. Purchased services include work done by outside contractors, equipment purchases, and general engineering expenses related to capital infrastructure expenditures. It is expected to increase by 7.6% due to the replacement of hybrid batteries and the need for temporary help. Utilities including natural gas, water & sewage, electricity and propulsion power are projected to decrease slightly over FY 2017 levels due to decreased rates. The Other expense line items include marketing and

communication, insurance, rentals, banking services, employee development and software support. These expense items are expected to increase by approximately 5% due to additional insurance requirements and increased Software License Support. The ACCESS expense is projected to increase by 5%.

Operating Expenses by Source

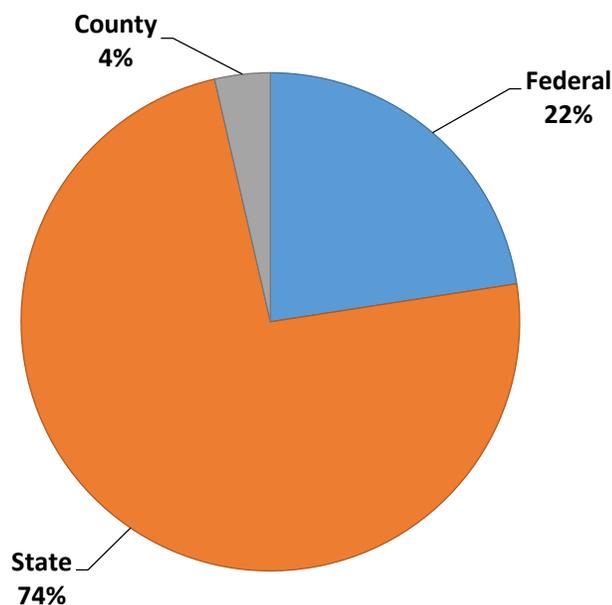


Fiscal Year 2018 Capital Budget

FY 2018

FY 2018 Capital Budget by Anticipated Funding Source

	FY 2018 Amount
Federal Funding	
Section 5307 Urbanized Area Formula Grant	\$16,825,000
Section 5307 STP Flex	\$9,178,000
Section 5309 Fixed Guideway Mod	\$1,250,000
Section 5339 Bus and Bus Facilities	\$2,692,000
DHS/FEMA Transi Security	\$150,000
Total Federal Funding	\$30,095,000
State Funding	
ACT 89 Section 1514 Capital Bond	\$16,600,000
ACT 89 Section 1514 Discretionary	\$80,280,000
ACT 89 Multimodal	\$1,625,000
Total State Funding	\$98,505,000
County Funding	
Capital State of Good Repair	\$4,793,000
Total County Funding	\$4,793,000
Total FY 2018 Capital Funding Sources	\$133,393,000



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.

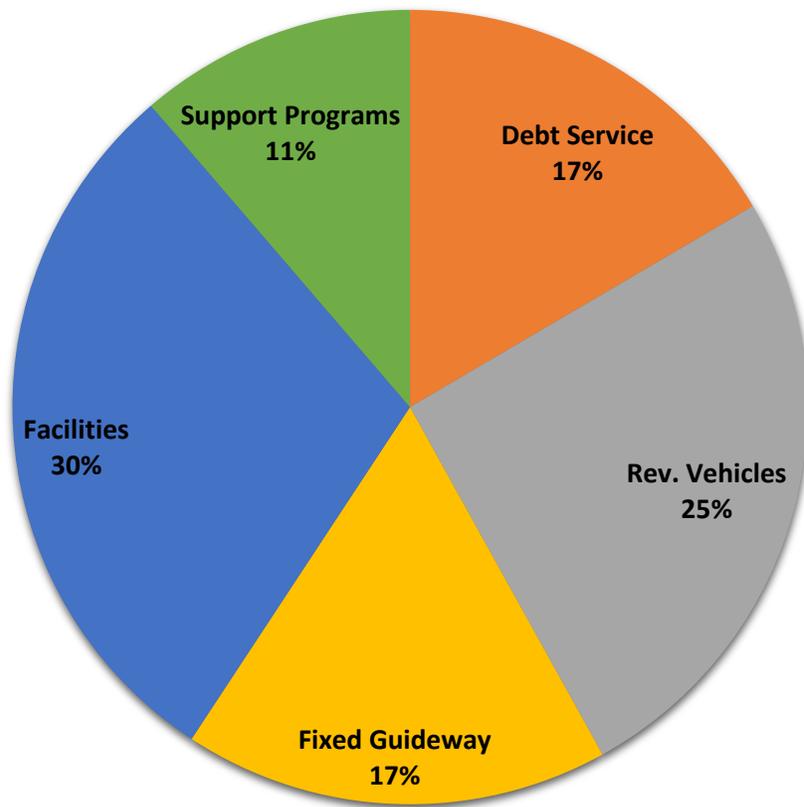
The projected growth in Act 89 of capital funding will permit Port Authority to begin addressing its \$550 million State of Good Repair/Deferred Maintenance backlog due to chronic funding shortfalls. Port Authority's FY 2018 Capital Improvement Budget (CIP) will continue to be focused solely on currently held infrastructure assets and state of good repair. Port Authority's FY 2018 CIP will continue to build upon the FY 2015 through FY 2017 CIP investments and continue capital programs to repair and/or replace assets that have long exceeded their useful life. Port Authority's FY 2018 CIP totaling \$133.4 million, includes \$98.5 million in state funds, \$30.1 million federal funds, and \$4.8 million local funds.

With the anticipated FY 2018 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 2018 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).*
- **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 2018 CIP, Port Authority will commence the rehab seven bridges and the central business district tunnel. Some key FY 2018 projects include CBD LED Tunnel Lighting, Oakland BRT Signal Improvements, South Busway Paving, and implementing a Rail Replacement Program.*
- **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 2018 CIP, additional funding will support the previously CIP approved rehab of the interior facility improvement project, and the West Mifflin facility expansion project. Some key FY 2018 projects include the McKeesport Park and Ride Expansion Phase II, Dormont & West Library PNR Rehabs, South Hills Junction Pedestrian Improvements, the M-Loop Waterline Replacement, West Mifflin Roof Replacement, Ross Garage Maintenance Bay Expansion, and new OCC Theatre Projection Screens.*

- **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 2018 CIP, Port Authority will replace 9 non-revenue support vehicles that have reached their useful life, various shop equipment items including a new LRV Wheel Truing Machine, various new hardware and software upgrades including the Maintenance Work Order System, PeopleSoft Human Resource Upgrade, and Microsoft SharePoint training and rollout.

Capital Expense by Project Percentages



Capital Projects by Designation

Debt Service \$22,086,000

- \$22,086,000 - 2011 Series Bond Debt Service

Revenue Vehicle Replacement \$33,876,000

- \$33,876,000 - (70) 40' Low Floor Clean Diesel Buses

Fixed Guideway Improvements \$23,082,000

- \$2,235,000 - Bridge Improvements
- \$4,700,000 - Tunnel Improvements
- \$16,147,000 - Fixed Guideway Improvements

Facility Improvements \$39,286,500

- \$12,360,000 - Bus Operations
- \$2,825,000 - Manchester Main Shop
- \$11,500,000 - South Hills Junction
- \$3,790,000 - Rail Operations
- \$8,811,500 - Park & Ride

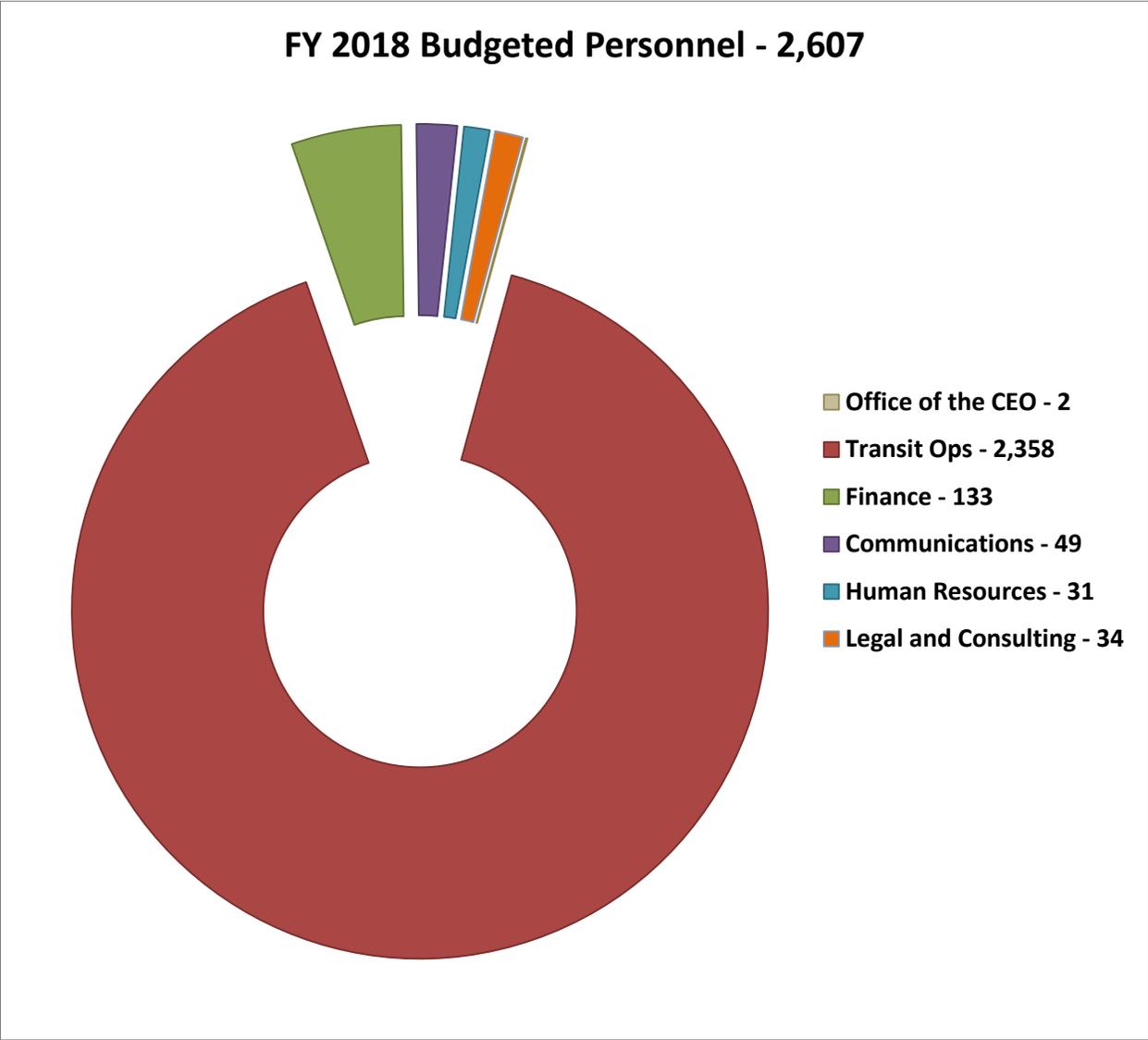
Support Programs \$15,062,500

- \$6,004,000 - Support Vehicles and Shop Equipment
- \$7,244,000 - Information Technology Hardware/Software
- \$1,814,500 - Other Support Programs

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. In FY 2017, the Transit Police and Security were 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

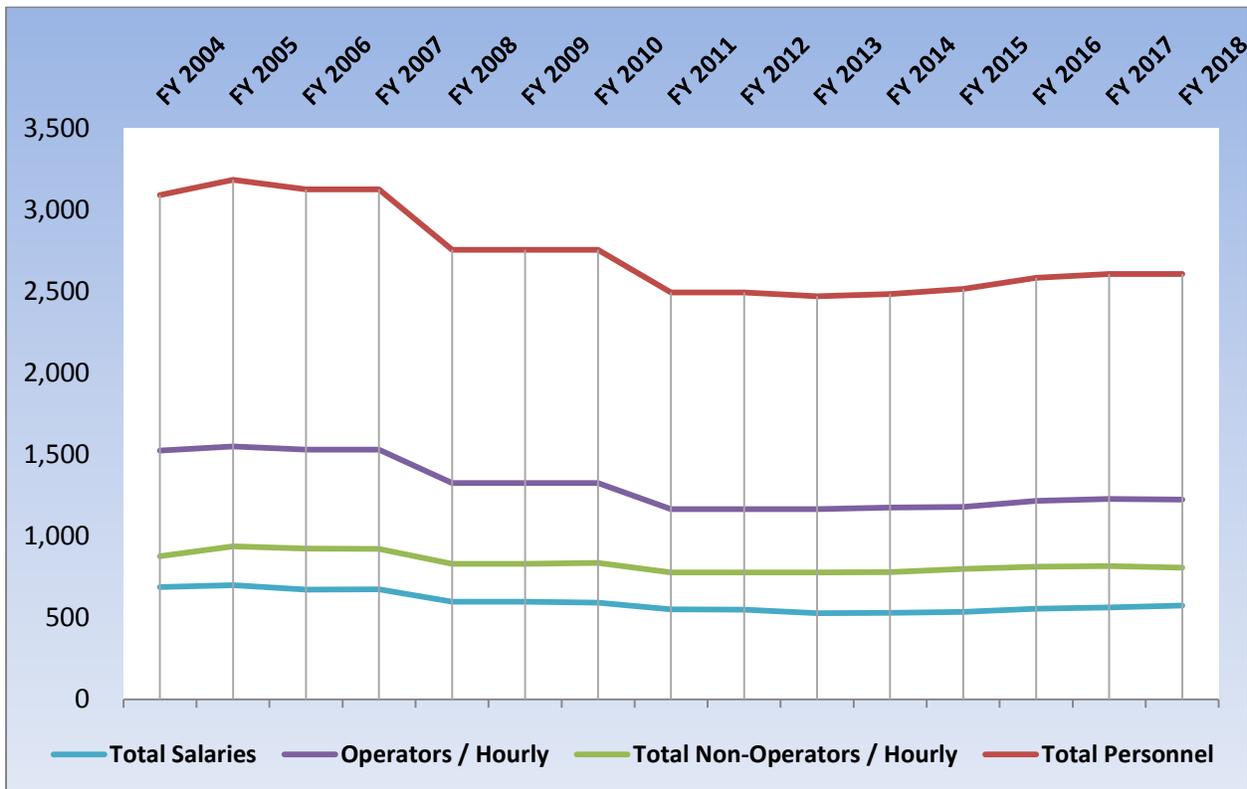
FY 2018 Budgeted Personnel - 2,607



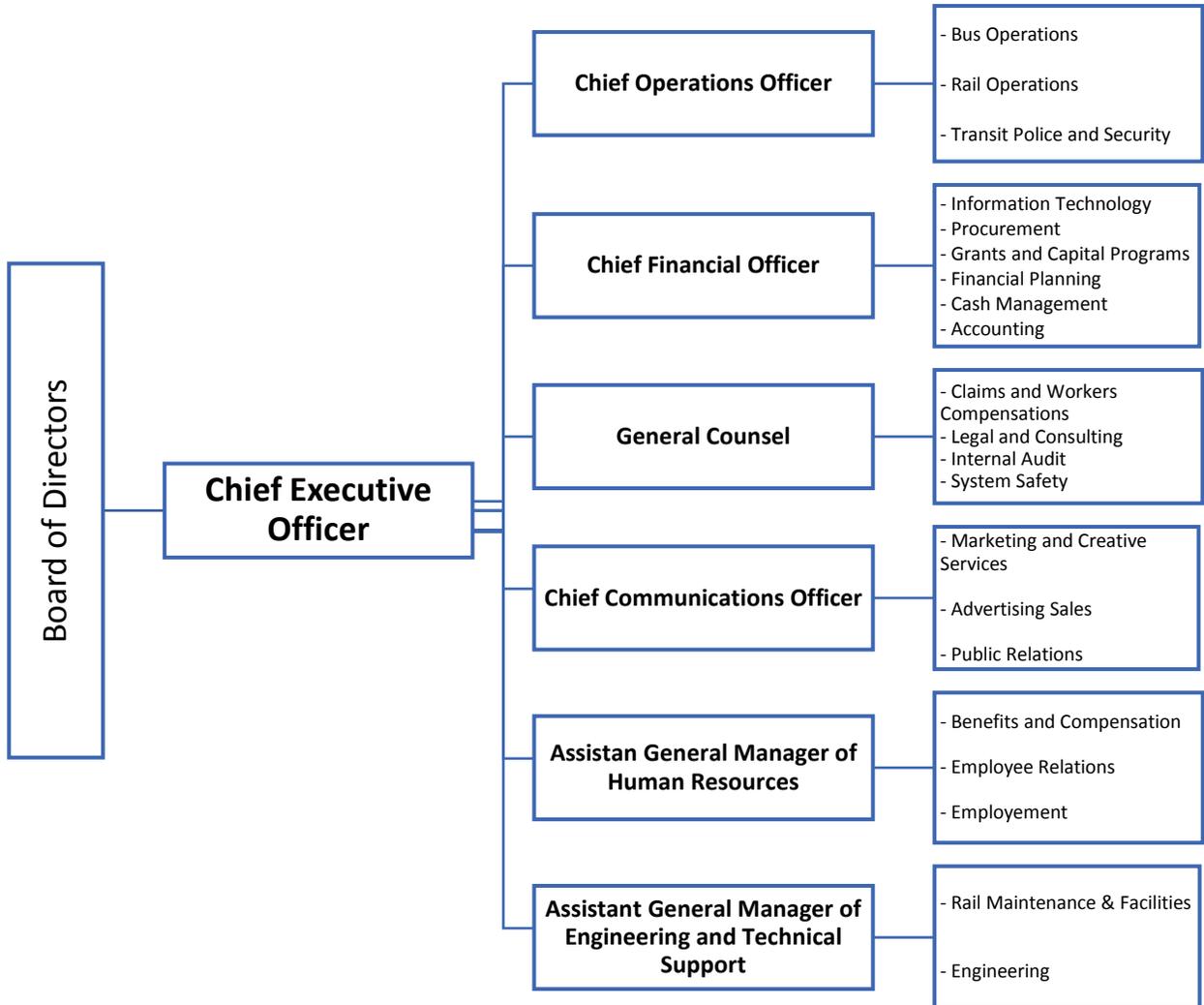
The Chief Executive Officer provides direction to daily operations of the Authority and reports to the Board of Directors. The executive leadership team is responsible for managing the daily operations of the Port Authority of Allegheny County. The organizational structure found on the next page is a 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. FY 2018 budgeted personnel will remain flat compared to 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 14 years.

Personnel by Pay Classification



Organizational Structure

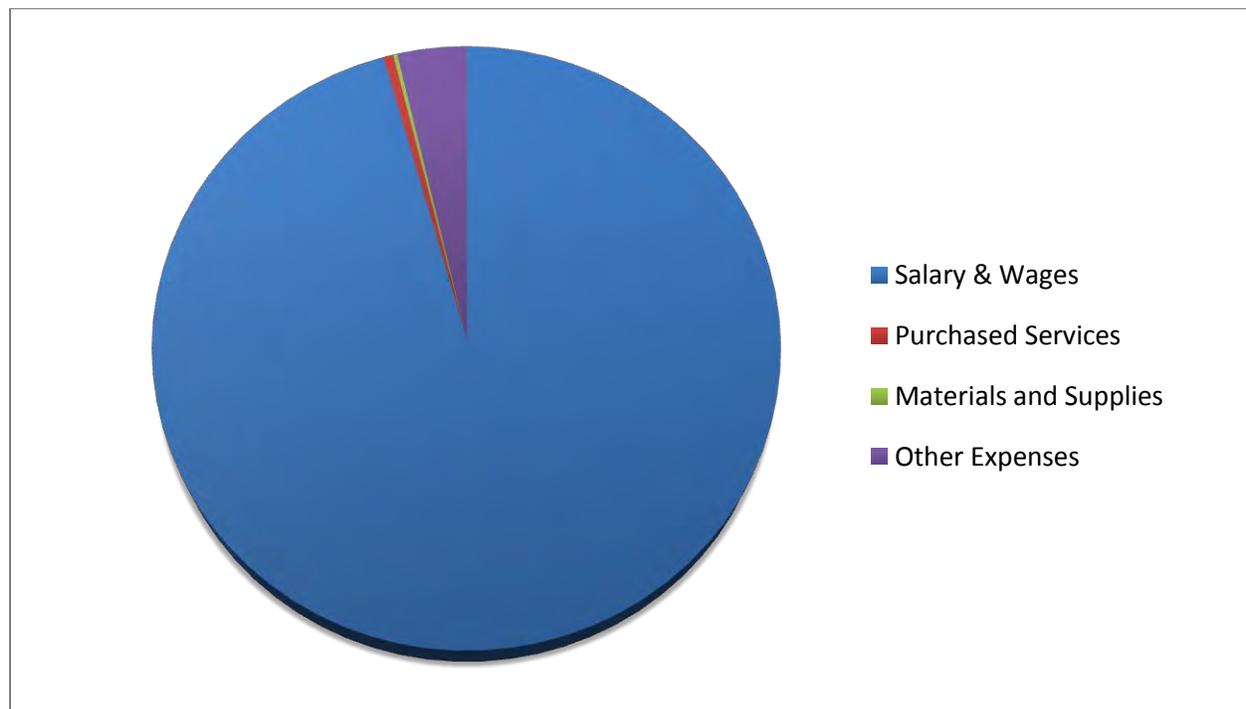


The Office of the Chief Executive

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	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Sal & Wages	\$279,383	\$292,968	\$552,892	88.7%
Purchased Services	2,871	2,628	3,000	14.2%
Materials and Supplies	237	660	1,240	87.9%
Other Expenses	13,668	13,670	21,237	55.4%
Net Total	296,159	309,926	578,369	86.6%



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 in FY2017 the Transit Police and Security were 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

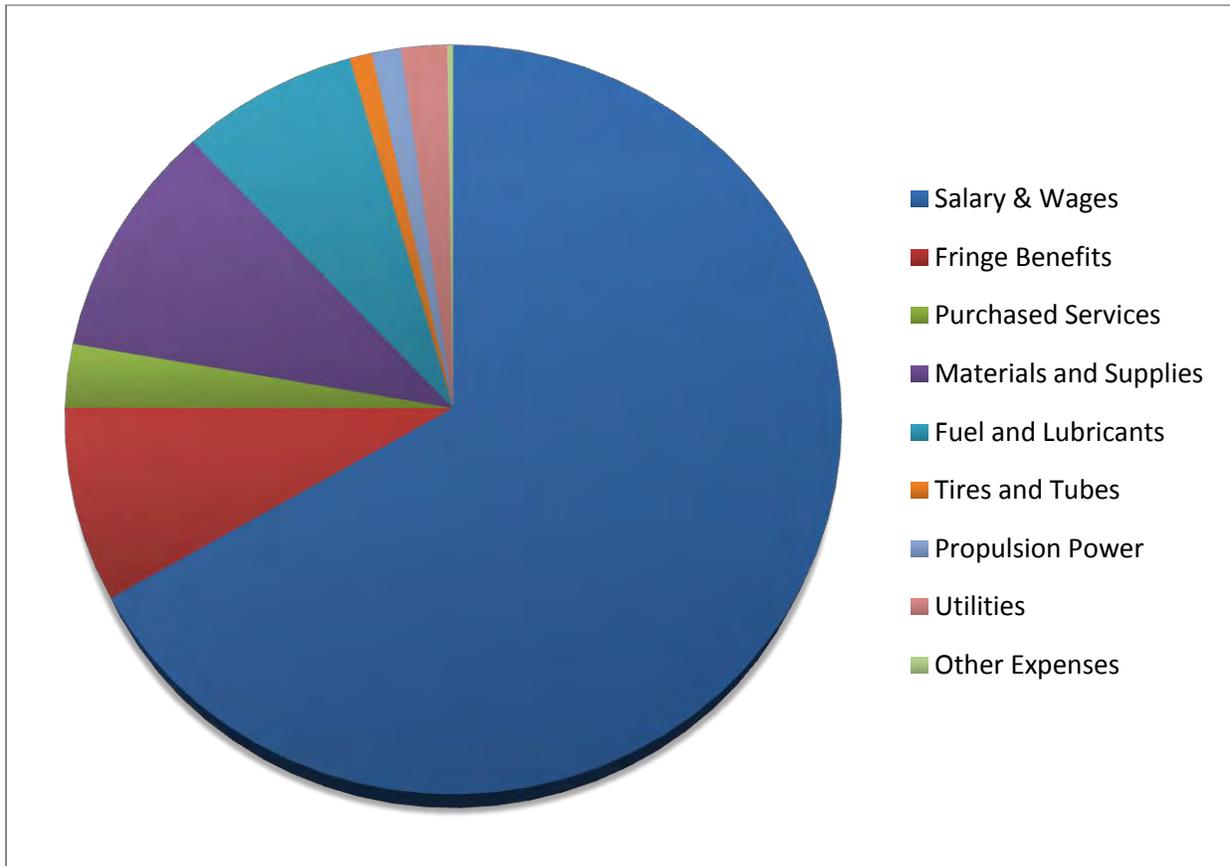
environment for employees and customers. There are four bus garages (Ross, East Liberty, West Mifflin and Collier) that provide daily service and maintenance and one major overhaul bus garage (Manchester). Rail Service delivery has one garage for daily and overhaul maintenance (South Hills Village). 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 Automated Fare Collection System (AFCS), our ConnectCard fare system.

Transit Operations Expenses

Expense Accounts	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Salary & Wages	\$131,704,222	\$140,377,004	\$142,455,369	1.5%
Total Fringe	16,350,314	17,042,213	17,747,411	4.1%
Purchased Services	4,383,622	5,448,460	5,870,600	7.7%
Materials and Supplies	21,311,155	22,717,261	21,772,660	-4.2%
Fuel and Lubricants	16,294,676	17,741,887	16,260,257	-8.4%
Tires and Tubes	1,847,109	2,055,429	2,055,262	0.0%
Provision and Injury	(327,517)	-	-	0.0%
Propulsion Power	2,547,066	2,790,324	2,680,656	-3.9%
Utilities	3,841,330	4,504,700	4,209,392	-6.6%
Other Expenses	293,355	419,810	530,560	26.4%
Gross Total	198,245,333	213,097,088	213,582,167	0.2%
Transfers and Capitalizations	(1,171,218)	(5,456,000)	(5,164,400)	-5.3%
Net Total	197,074,115	207,641,088	208,417,767	0.4%



Finance Division

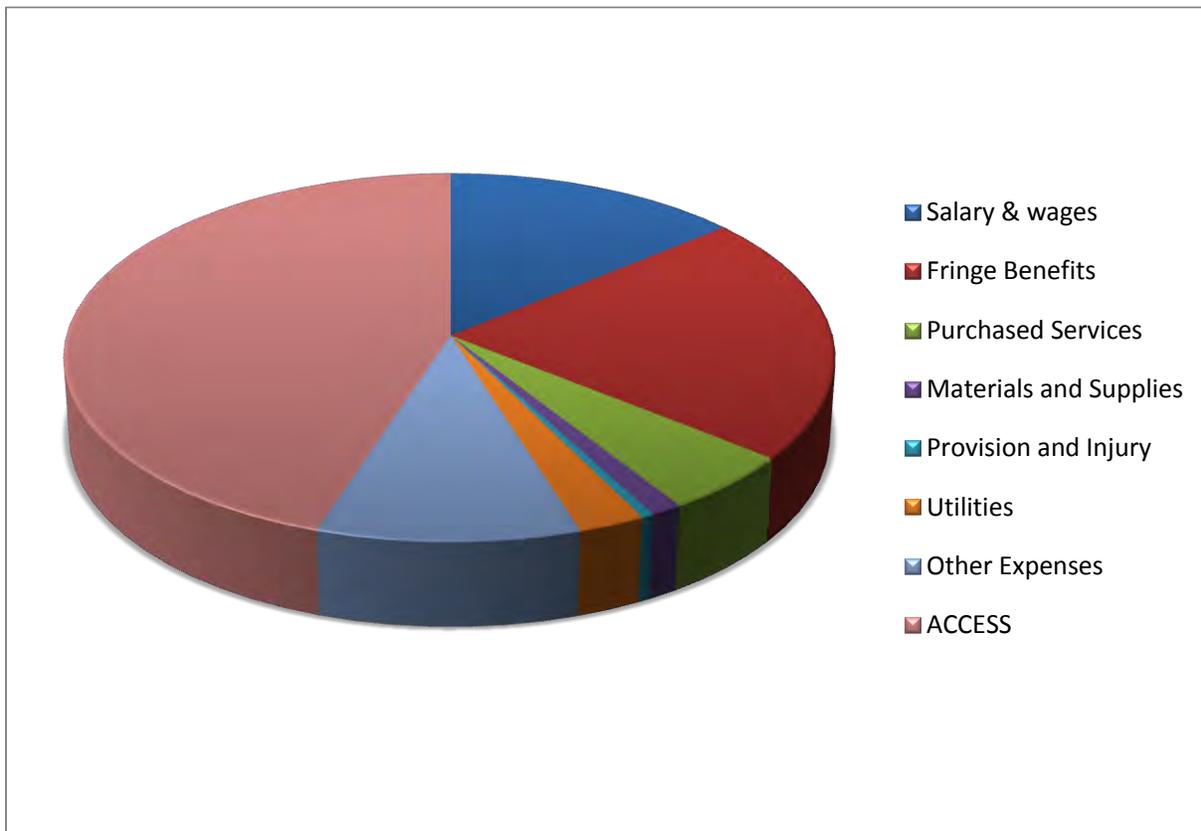
The Finance Division is comprised of Financial Planning & Budgets, Grants & Capital Programs, Accounting, Payroll, Cash Management, Information Technology, and Procurement & Materials Management. Responsibilities include preparing annual operating and capital budgets; all accounting and financial documentation; 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 current fare policy, effective January 1, 2017, enhanced the *ConnectCard* and allowed customers who use the card to receive a discounted fare. In mid FY 2018, Port Authority will implement Cashless Proof-of-Payment fare collection on the Light Rail and Mon Incline modes as part of the fare policy. 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	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Salary & Wages	\$7,906,749	\$8,756,463	\$8,988,281	2.6%
Total Fringe	13,219,359	13,906,634	14,149,767	1.7%
Purchased Services	1,956,520	2,733,083	3,340,161	22.2%
Materials and Supplies	395,764	741,512	773,440	4.3%
Provision and Injury	-	(200,000)	(300,000)	50.0%
Utilities	1,093,388	1,482,456	1,625,628	9.7%
Other Expenses	4,491,716	5,704,209	6,369,687	11.7%
Interest Expense	-	-	-	0.00%
ACCESS	25,612,090	27,694,300	29,065,700	5.0%
Gross Total	54,675,586	60,818,657	64,012,664	5.3%
Transfers and Capitalizations	1,376,684	(40,932,074)	(42,959,129)	5.0%
Net Total	56,052,270	19,886,583	21,053,535	5.9%

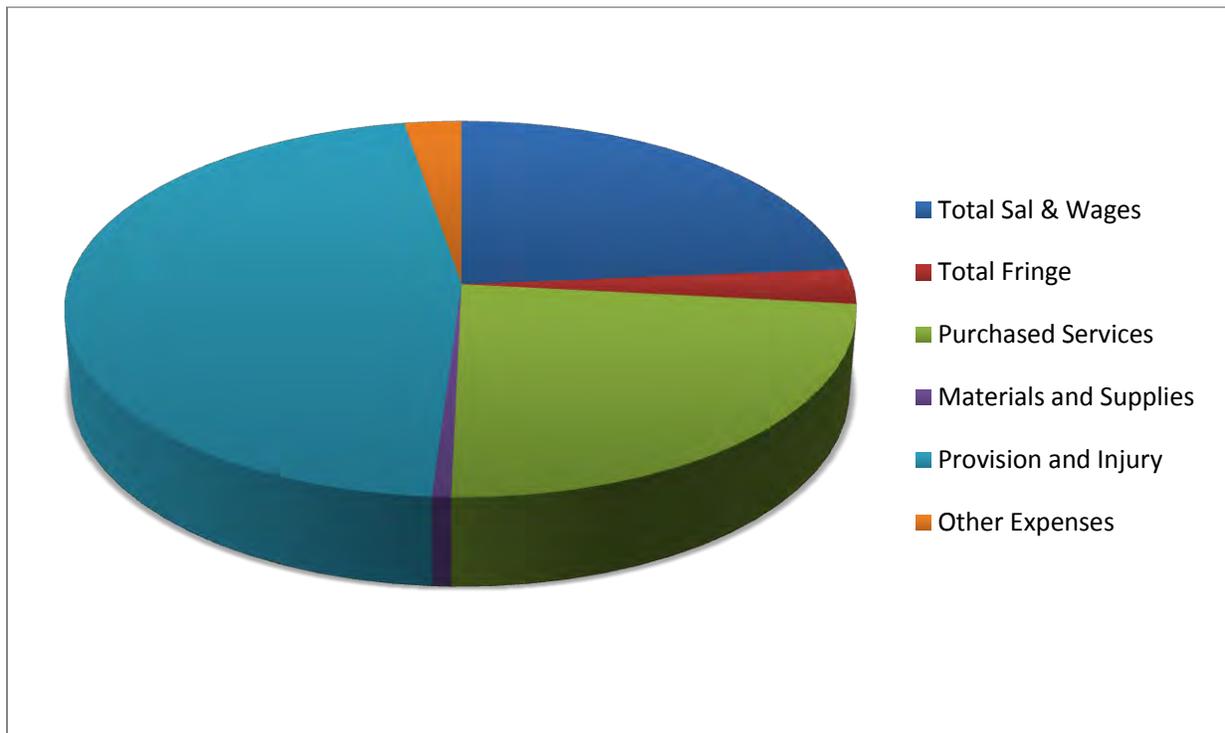


Legal and Corporate Services

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	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Salary & Wages	\$5,473,788	\$2,254,681	\$2,380,070	5.6%
Total Fringe	327,984	251,200	301,200	19.9%
Purchased Services	2,283,957	2,421,000	2,379,000	-1.7%
Materials and Supplies	60,559	47,500	68,500	44.2%
Provision and Injury	2,823,200	4,429,000	4,654,000	5.1%
Other Expenses	192,576	296,610	265,082	-10.6%
Gross Total	11,162,063	9,699,991	10,047,852	3.6%
Transfers and Capitalizations	(124,409)	-	-	0.0%
Net Total	11,037,654	9,699,991	10,047,852	3.6%



Human Resources Division

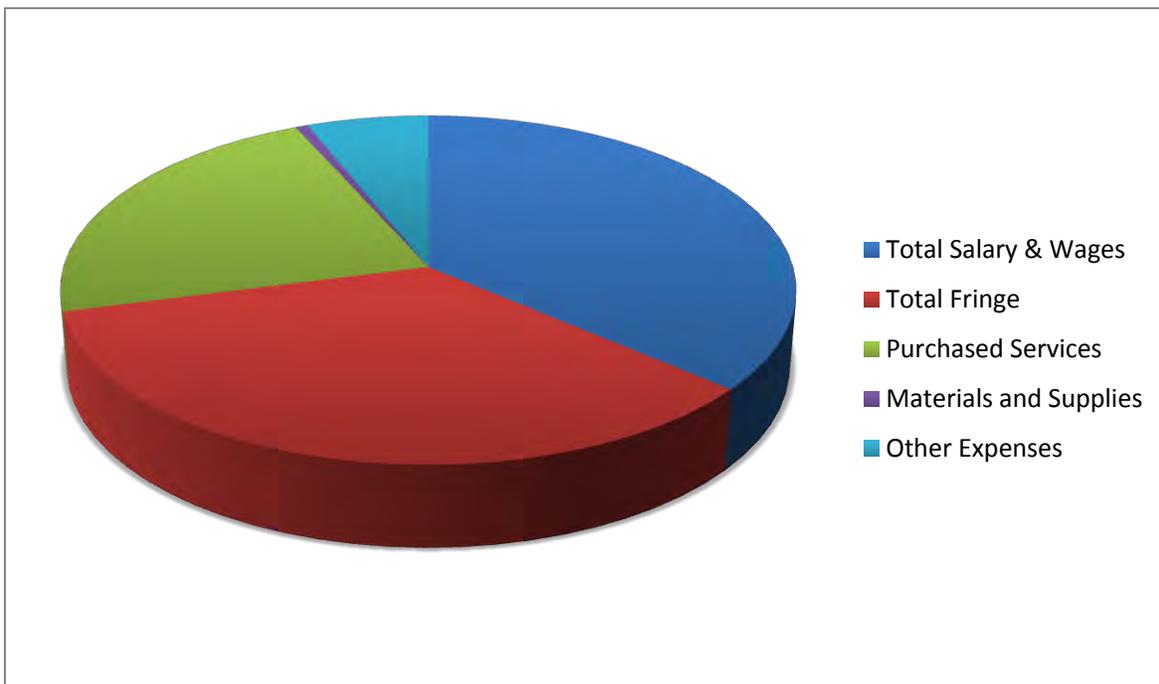
The Human Resources Division includes the following departments: Employment, Training and Development, Benefits & Compensation Services, Employee/Labor Relations, and the Office of Equal Opportunity. This division provides a full range of human resources services to the Port Authority including the administration 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

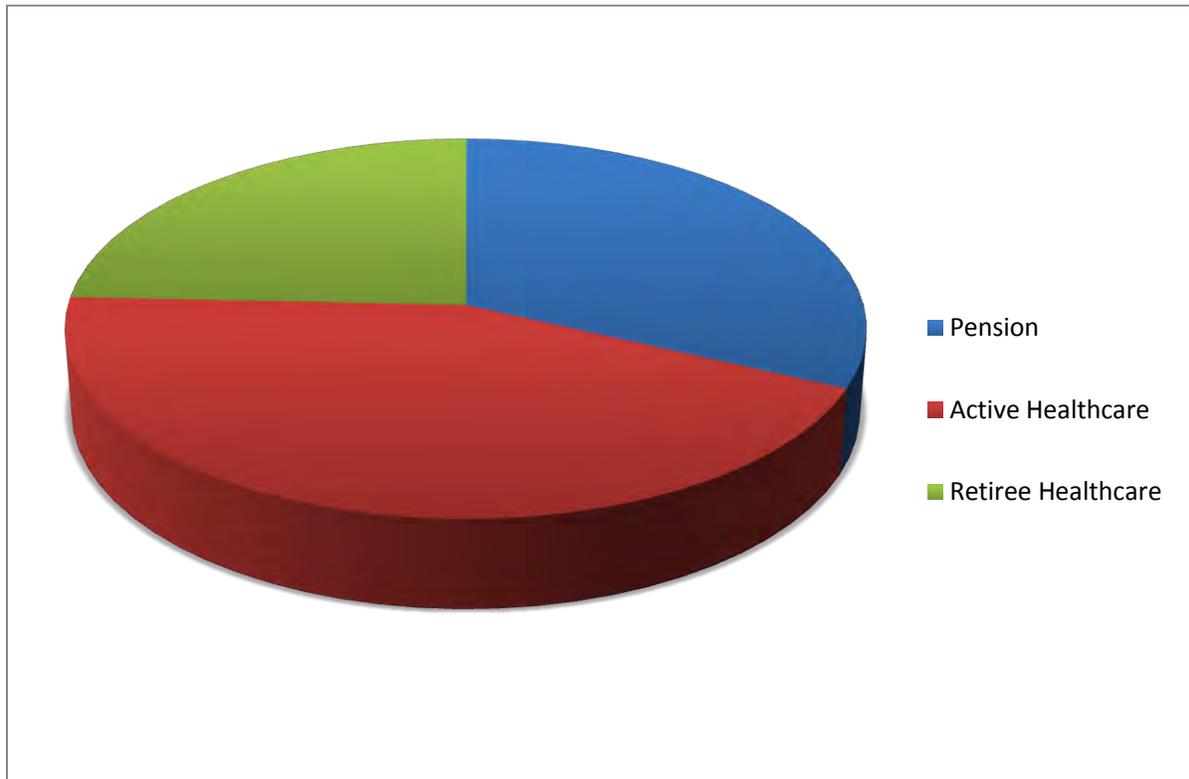
Expense Accounts	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Salary & Wages	\$1,894,887	\$2,029,092	\$2,139,565	5.4%
Total Fringe	23,695,676*	2,035,000	2,040,000	0.3%
Purchased Services	818,383	1,310,970	1,318,400	0.6%
Materials and Supplies	12,719	36,300	36,300	0.0%
Other Expenses	211,089	509,840	357,243	-29.9%
Net Total	26,632,753	5,921,202	5,891,508	-0.5%

*Includes Other Post-Employment Benefits (OPEB)



Company Wide - Fringe Benefit Expenses

Expense Accounts	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Pension	\$29,987,292	\$33,709,245	\$38,250,000	13.5%
Active Healthcare	48,613,448	53,564,165	52,327,901	-2.3%
Retiree Healthcare	29,274,859	30,153,208	29,100,324	-3.5%
Gross Total	107,875,599	117,426,618	119,678,225	1.9%
Transfers and Capitalizations	(79,173)	(512,400)	(999,372)	95.0%
Net Total	107,796,426	116,914,218	118,678,853	1.5%

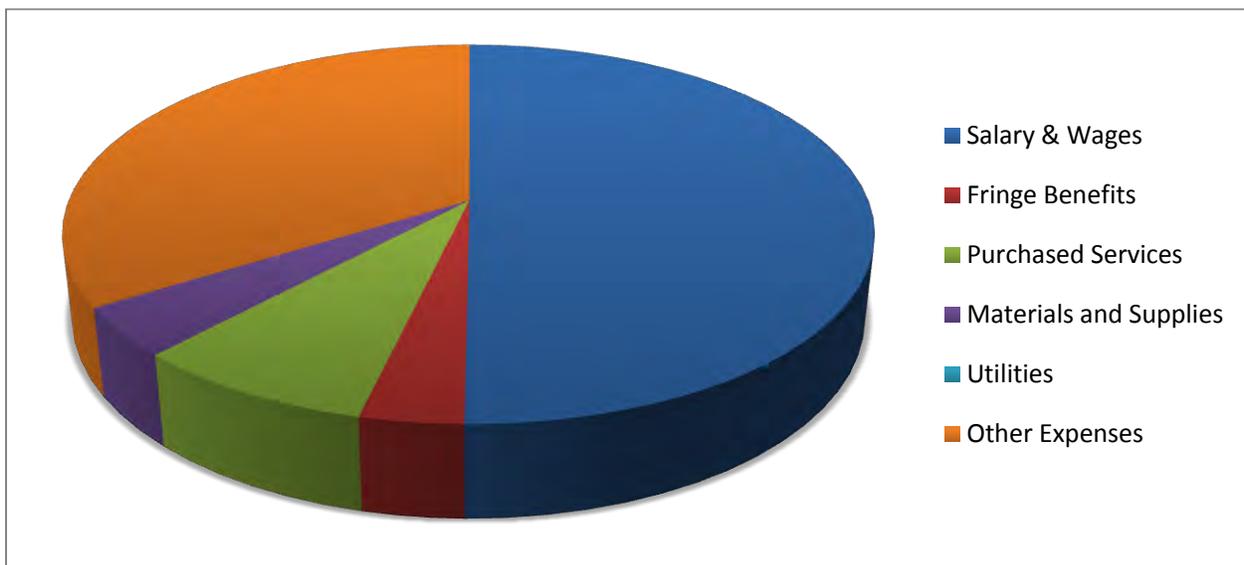


Communications Division

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	FY2016 Audited	FY2017 Budget	FY2018 Budget	% Change '17 to '18
Total Salary & Wages	\$2,282,849	\$2,655,335	\$3,007,387	13.3%
Total Fringe	-	10,000	210,000	2000.0%
Purchased Services	473,795	540,996	495,100	-8.5%
Materials and Supplies	191,899	283,900	250,500	-11.8%
Utilities	4,530	16,440	-	-100.0%
Other Expenses	1,230,230	2,115,034	2,031,974	-3.9%
Gross Total	4,183,303	5,621,705	5,994,961	6.6%
Transfers and Capitalizations	(1,884)	-	-	0.0%
Net Total	4,181,419	5,621,705	5,994,961	6.6%



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

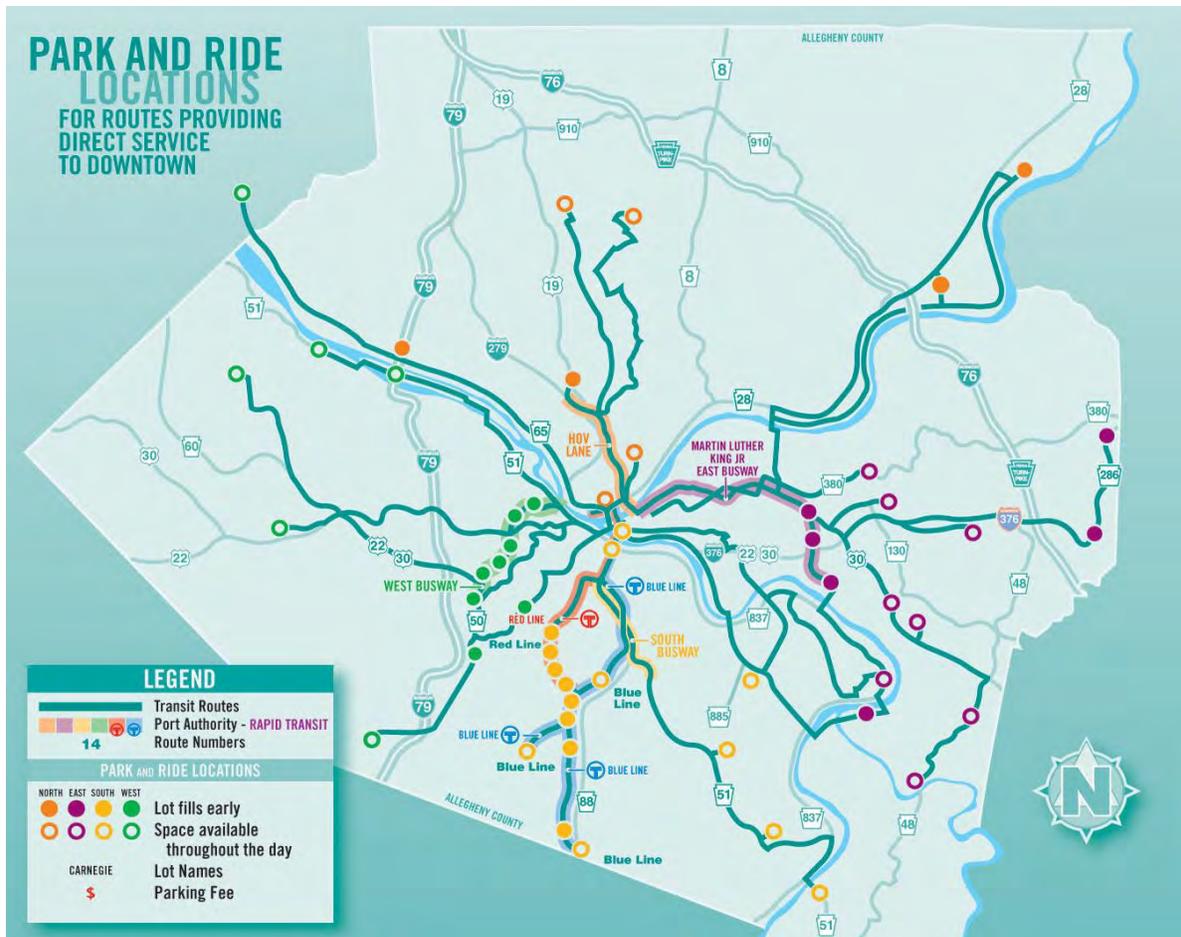
The Junction is comprised of five buildings which house the Non-Revenue Vehicles, Facilities, LRT Systems and Power, and the Way Departments. These departments are responsible for maintaining the fixed assets of Port Authority: fixed guideways (rail, incline, and busways), power and signaling operation,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

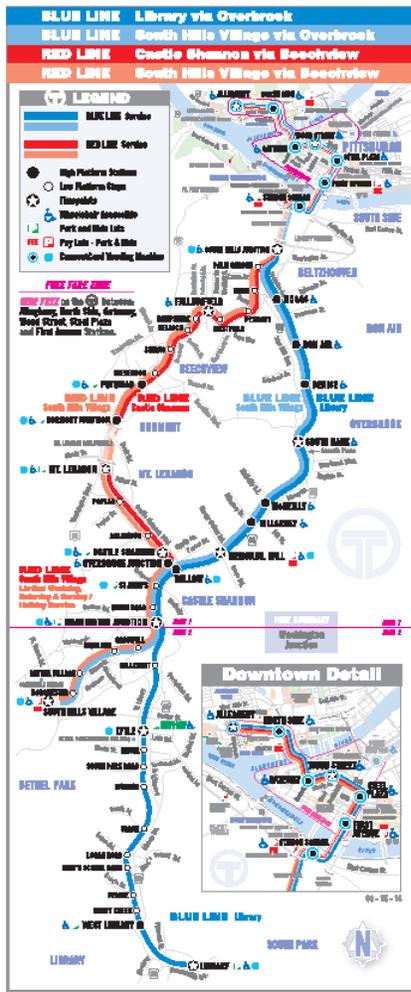
Busways

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.

