

PORT AUTHORITY OF ALLEGHENY COUNTY
MINUTES OF THE REGULAR BOARD MEETING
FRIDAY, FEBRUARY 1, 2013
(RESCHEDULED FROM JANUARY 25, 2013)

The Regular Meeting of the Board of Port Authority of Allegheny County was held on Friday, February 1, 2013 at 9:30 a.m. at the Authority's Administration Offices, 345 Sixth Avenue, Pittsburgh, Pennsylvania, 15222-2527, pursuant to due public notice given as required by law.

Board Members:

John A. Brooks, Chairman
Jeff Letwin
Thomas Donatelli
Mavis Rainey
Amanda Green Hawkins
Constance Parker
John Tague Jr.
Joe Brimmeier
Eddie Edwards (via phone)
Joel Lennen, General Counsel

Media:

Tom Fontaine, Tribune Review
Jon Schmitz, Post-Gazette
James Knox, Tribune Review
Bob Mayo, WTAE-TV
Jim Feilino, WPXI
Walt Golden, KQV
Lauren Daley, City Paper
Sarah Arbogast, KDKA-TV

Port Authority Staff:

Ellen McLean, chief financial officer, Bill Miller, Bus Operations officer, Mike Cetra, assistant general manager Legal and Corporate Services, Keith Wargo, assistant general manager Engineering and Technical Support, Tony Trona, director Purchasing and Materials Management, Jim Ritchie, Communications officers, Heather Pharo, Public Relations & Communications Coordinator, Denise Henderson, director Bus Operations, Deborah Skillings, Community Outreach coordinator, Rich Wojnar, director Road Operations, Tim Frank, director Marketing and Creative Services, Ed Typanski, senior analyst Capital, Rachel O'Driscoll, interim Human Resources officer, Stacey Roessler, secretary, John D'Angelis, manager Contract Administration, Patty Palmer, manager Administrative Services, Jerome Bullock, supervisor Claims, Nancy Vandling, manager Contract Administration, Karen Bown, Administrative Assistant, Terri Landis, director Advertising Sales, Michael Bown, assistant manager Scheduling and Service Planning, Bryan Campbell, litigation counsel, David Leaf, senior auditor, Sheila Winkfield, manager Internal Audit, Diane Williamson, executive assistant

Other

Jim Robinson, President ACTC, Jonathan Robison, Vice President ACTC, Joan Natko, ACTC, Glenn Walsh, Annette Kroll, Regina White, Aaron Pittman, County Council, Joe Catanese, County Council, Jay Rickabaugh, CONNECT, Janet Evans, HACP, Rommie Hawkins, David Donahoe, ARAD, Minoli Ratnatunga, Allegheny Conference, Chris Sandvig, PCRG, Linda Warman, Ken Zapinski, Allegheny Conference, Rege Sabol, FSC Marketing, Jim Walter, PB, Lucinda Beattie, PDP, Austin Davis, County Executive's Office, Jen Liptak, County Executive's Office

The Chairman called the meeting to order and recommendation was made for approval of the minutes of the November 30, 2011 Regular Meeting. The motion was moved, seconded and passed.

The Chairman called on Ms. Annette Kroll for her remarks. Ms. Kroll reported that she is speaking not only as an advocate for public transportation, but a taxpayer and resident of Pennsylvania. This is not only a public transportation issue; it is also a road and bridges thing. Even though Ms. Kroll does not know all of the details, she is disappointed in recent events. If we don't look like we are getting along here locally, how is it going to look when we are asking people from Harrisburg or the federal government for help? Since first speaking at these meetings, along with County Council meetings, some people that have helped her the most are some of the people who you are getting rid of, or are no longer with us. Even after her route was eliminated, Steve Bland was the one that did work to coordinate a conference call with people in Denver regarding their "Call and Ride" Program.

Ms. Kroll ended her remarks by stating that she thinks we all need to work together instead of pointing fingers or playing the blame game. She does not want to see a bad law or bad legislation or "something we have to pass it to find out what is in it first." Those are always bad deals in the long run. She does not want to see Pennsylvania end up like California, where they have taxes at 14 percent to pay for bad decisions or hasty decisions or political gains.

The Chairman called on Mr. Letwin for a report from the Performance Oversight Committee.

Mr. Letwin reported that a meeting of the Performance Oversight Committee was held on January 16, 2013, and the notes from the previous meeting were approved. It was reported that the passenger revenue for the month of December was \$571,265 below budget. Ridership was down eight percent from December 2011 ridership numbers. Much of this was due to the breakdown of weekday and Saturday and Sundays. Ticket and weekly pass sales are outpacing budget expectations, whereas, monthly and annual pass sales continue to fall below budget. Advertising revenue is below budget to date, but expected to meet budget projections by year-end.

It was also reported to the Performance Oversight Committee that as of FY 2013, expenses are favorable to budget by \$11.6 million. We continue to have open positions in Operations and Maintenance, resulting in the need for overtime. However, there is a \$3.6 million favorable balance in employee benefits directly related to these vacancies, and we are now in the process of filling these open positions. Spending on materials and supplies is favorable. At month's end, diesel fuel was \$1 million under budget as a result of excellent lock-in pricing in December. Recent price locks negotiated for January through June are expected to save an additional 566,000. The remaining favorable balances are largely the result of timing.

It was also reported to the Performance Oversight Committee that at the end of December, overall financial performance is favorable by \$13,015,532. With respect to our cash flow statement for the month ending December 31, 2011, cash-on-hand totaled \$27,655,000, with a line-of-credit draw of \$17 million. A total of \$9.1 million in additional state operating assistance was received in December, and we anticipate the balance of \$20.0 million in the fourth quarter.

There were 11 resolutions reviewed by the Performance Oversight Committee and are being recommended for approval.

The Performance Oversight Committee recommended three procurement actions listed in the Board packet in the amount of \$1,032,122.70, and found these bids to have been submitted in accordance with the Authority's procurement policies and procedures, prices to be fair and reasonable, and the bidders to be responsive and responsible. The Performance Oversight Committee recommends these items for award for a total cost of \$1,032,122.70.

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

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

The next resolution authorizes the Authority to enter into an agreement with a pool of firms to provide executive search and outplacement and coaching services. The Authority's Evaluation Committee met to discuss and evaluate the three proposals received. It was determined that the highest rated proposals received were from Krauthamer & Associates, LLC for executive search services and Calfe & Associates for outplacement and coaching services. The agreement for services would be for a three-year period with the option to extend the term of the agreement up to an additional two years at the sole discretion of the Authority. The agreements for services in the total not-to-exceed amount of \$160,000 for the executive search services, \$50,000 for the outplacement services, and \$25,000 for the coaching services will be allocated on an as needed basis through specific work orders.

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

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

The next resolution authorizes the Authority to extend the term of agreements for legal services. In April 2006, the Authority's Board authorized an award of agreements with 11 firms to provide services on an hourly rate basis, for an initial term of up to five years with the option to extend the term of the agreement up to an additional three years at the sole discretion of the Authority. The second option year of the three additional option years of agreement expires on May 31 of this year. The Authority has determined that it is in its best interest to exercise its option to extend the term of the agreement with only the nine firms listed in Exhibit A of the resolution in your board packet for the remaining one additional option year to May 31, 2014, in order to enable current assignments to continue and new assignments to be made.

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

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

The next resolution authorizes the Authority to extend and amend the agreement for the Managed Care Program. In November 2009, the Authority's Board authorized the award of an agreement to UPMC Benefit Management Services, Inc., d/b/a UPMC Workpartners, to provide services for a three-year period with two option years, with a total not-to-exceed amount of \$1,200,000 for the initial three-year period of the agreement. The initial three-year term of the agreement has expired on January 31, 2013. The Authority has determined that it is in its best interest to extend the term of the agreement for the first additional option year to January 31, 2014. The Authority has also determined that an increase of \$200,000 to the previously authorized not-to-exceed total is necessary to perform services, for a total not-to-exceed amount of \$1,400,000.

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

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

The next resolution authorizes the Authority to enter into a designated service agreement with Carnegie Mellon University. Since 2001, the Authority and CMU have been parties to agreements providing eligible students, faculty, and staff with free access to the Authority's transit system in exchange for set fees paid by CMU as part of the U-Pass Program. The most recent agreement was entered into on January 16, 2008, for a term of four and a half years and expired on July 31, 2012. Prior to, and following the expiration of the 2008 agreement, the Authority and CMU have been engaged in negotiations concerning a new agreement that would convert CMU to a tap-based method of transit system use and payment utilizing the Authority's new smart card based Automatic Fare Collection System. The Authority and CMU recently finalized the proposed terms of the new designated service agreement for a period of five years from August 1, 2012 through July 31, 2017. Management of the Authority believes that it is in the best interest of the Authority to enter into the agreement with CMU based upon the compensation terms provided and stated goal of full utilization of the Authority's automated fare collection via the compatible ID cards by August 1, 2014.

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

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

The next resolution authorizes the Authority to enter into a similar agreement with Chatham University. Since 2006, the Authority and Chatham have also been parties to agreements providing eligible students, faculty and staff with free access to the transit system in exchange for set fees paid by Chatham University as part of the U-Pass Program. The most recent agreement was entered into on October 1, 2009, for a term of three years, which expired on September 30 of last year. Prior to, and following the expiration of the 2009 agreement, the

Authority and Chatham have been engaged in negotiations concerning a new agreement that would similarly convert Chatham to a tap-based method of transit system use and payment utilizing the Authority's new smart card based Automatic Fare Collection System. The Authority and Chatham recently finalized the proposed terms of a new designated services agreement for a period of five years from October 1, 2012 through September 30, 2017. Management of the Authority believes that it is in the best interest of the Authority to enter into the agreement with Chatham based on the compensation terms provided and stated goal of full utilization of the Authority's automated fare collection by Chatham via compatible ID cards by October 1, 2015.

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

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

The next resolution authorizes the Authority to enter into a grant agreement with the Allegheny Regional Asset District. On November 27, 2012, the Allegheny County Regional Asset District (RAD) approved its 2013 budget, which included a grant in the amount of \$3 million for the Authority. The purpose of this grant is to provide additional local match funding for the Authority's transit operations for FY 2013 as part of broader savings and funding package necessary to obtain an additional \$30 million in funds from PENNDOT to prevent a 35 percent service reduction that was slated to take place in October of last year. This resolution authorizes the Authority to accept the \$3 million in grant funds to be applied towards the Authority's FY 2013 operating budget. Mr. Letwin expressed the Board's appreciation to RAD for their willingness to do this.

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

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

The next resolution authorizes the Authority to file grant applications and enter into agreements for FY 2013. During FY 2013, the Authority expects to receive an allocation from the FTA. Federal funding is provided in the amount of 80 percent requiring a 20 percent non-federal match. This resolution authorizes filing grant applications and entering into agreements with the FTA, PENNDOT and Allegheny County to fund their respective portions of the Authority's fiscal year Capital Improvement Program.

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

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

The next resolution authorizes the Authority to continue engineering services with AECOM Technical Services for the North Shore Connector project. At the July 26, 2002 meeting, the

Authority's Board authorized entering into an agreement with DMJM Harris, Inc., now known as AECOM Technical Services, to perform architectural and engineering design and support services for the North Shore Connector project. Previous amendments to the agreement authorized a not-to-exceed amount of \$51,580,277. The Authority desires to amend the agreement to continue services through December 31 of this year, to support close-out activities, including preparing as-built drawings, with no increase to the previously approved total not-to-exceed amount of agreement.

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

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

The next resolution authorizes the Authority to award construction contracts for general, HVAC, plumbing and electrical ancillary services. The Authority requires general ancillary construction services for upgrades and improvements to property and facilities at various locations owned and/or operated by the Authority. Of the bids received, Michael Facchiano Contracting, Inc., for the general contract, Quality Mechanical Services, Inc., for the HVAC contract, Wayne Crouse, Inc., for the plumbing contract and T.S.B., Inc. D/B/A Schultheis Electric for the electrical contract, were determined to be the lowest responsive and responsible bidders.

Based upon the Authority's anticipated needs over the two-year period for which services will be performed on an individual work order basis in accordance with rates set forth in the contract, a not-to-exceed amount of \$3,000,000 is established for the general contract, a not-to-exceed amount of \$2,000,000 for the HVAC contract, a not-to-exceed amount of \$2,000,000 for the plumbing contract, and a not-to-exceed amount of \$3,000,000 for the electrical contract.

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

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

The final resolution authorizes the Authority to enter into an agreement with Trapeze Software Group, Inc., for a Maintenance Work Order System. The Authority required a contractor to provide for the implementation of a Maintenance Work Order System to effectively schedule, manage, and track maintenance work for its fleet, fixed facility and linear assets worth \$1.5 billion. The new Maintenance Work Order System will address findings and recommendations of the internal and external audits performed by both the office of the Allegheny County Controller and FTA, as well as will address FTA's new focus on state-of-good repair under the new MAP-21 requirements. It replaces a system that is approaching 10 years old and is inadequate to meet either the Authority's operational requirements or emerging regulatory requirements with respect to asset management. In addition, it would provide both management and line technicians added tools to improve both cost efficiency and reliability for our asset maintenance functions.

Mr. Letwin continued reporting that of the three proposals received, the proposal of Trapeze Software Group, Inc., was determined to be the highest rated proposal for the performance of the service. Negotiations with Trapeze have been initiated and are progressing on a proposed agreement to perform the services. A total not-to-exceed amount of up to \$4 million is recommended for approval. The agreement will be for up to a two-year period with the option to extend the term of agreement up to one additional year at the sole discretion of the Authority.

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

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

Mr. Letwin also reported that at the last meeting of the Performance Oversight Committee, the project director provided a presentation on the Automated Fare Collection System. The presentation included an update on equipment installation and the ConnecCard Public Pilot Program, as well as a review of the project schedule, future enhancements and budget.

This concluded the report of the Performance Oversight Committee.

The Chairman called on Mr. Jonathan Robison for his remarks. Mr. Robison stated that he is a long-time public transit advocate and Oakland activist. He is a charter member and now serving as vice President of the Allegheny County Transit Council, a legislatively mandated citizen group for Port Authority.

Mr. Robison reported that he is sad that Steve Bland and Rich Fitzgerald could not work well together since they have a lot in common. Both are absolutely dedicated to their respective jobs, Steve as Port Authority CEO and Rich as County Executive. Both are very hard workers and both are very bright. Personally, Jonathan likes both of them and considers them friends. Mr. Robison stated that he will not criticize either as that would not be useful at this point.

Mr. Robison continued his remarks by saying that he hopes to be of assistance to Rich Fitzgerald. This assistance will mostly be advice, especially on public transportation. Sometimes that advice will be heated, sometimes not. He also hopes to continue helping Port Authority get the essential state funding as proposed in Representative Dan Frankels' legislation, hoping that ACTC will also assist.

Mr. Robison concluded his report by announcing that he plans to be one of the buses for the lobbying trip to Harrisburg on February 11 at 7:30 a.m. There will be boarding at Freedom Corner and Crawford Center and also at Pitt in front of the Hillman Library.

The Planning and Stakeholder Relations Committee did not meet.

The Chairman stated that even though the Governance Committee did not meet, he had one action item to report. Mr. Brooks presented a resolution that has been inserted into the Board packet.

Mr. Brooks reported that our police officers have not had an increase in wages since 2008. Under the leadership of their new president, Erik Beringer, the Port Authority Police Association, our police officers, and appointed bargaining agent, initiated a wage reopener provision in our existing collective bargaining agreement with them. After several meetings with the Authority staff, staff is recommending that all employees covered by this collective bargaining agreement, consisting of our police department officers, receive a 2.5 percent wage increase effective retroactive to October 1, 2012.

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

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

Under new business, the Chairman reported that there is an item under new business that he believes the Board should discuss in an executive session before any formal action is proposed. The new business would be discussed in the executive session pursuant to Section 708, Pennsylvania's Open Meetings Act, regarding the potential termination of the current Port Authority chief executive officer, as well as the potential appointment of the interim chief executive officer.

Mr. Brooks requested a motion to enter into an executive session to discuss this employment matter.

It was moved by Ms. Rainey, seconded by Mr. Brimmeier, and unanimously agreed that the Board enter into an executive session to discuss this matter.

[A recess was taken.]

Upon return, the Chairman requested a motion to continue the meeting.

It was moved by Mr. Letwin, seconded by Mr. Brimmeier, and unanimously agreed to continue the meeting.

The Chairman proposed that the Board terminate the employment of the current Chief Executive Officer, Mr. Stephen Bland, effectively immediately, with Port Authority, pursuant to Section 5.c of the May 2006 employment agreement, as amended, between the Authority and Mr. Bland.

Mr. Brooks requested a motion on this propositioned termination.

It was moved by Mr. Letwin and seconded by Mr. Brimmeier.

At this time, Ms. Green Hawkins stated that we have a lot of members of the public here this morning, and although Steve's employment agreement with the Authority is public information not everyone has the benefit of knowing what Section 5.c is. Since this is a public meeting, Ms. Green Hawkins stated that it is only prudent that Section 5.c be read.

General Counsel, Mr. Joel Lennen, read the following:

“Authority may terminate this agreement at any time without cause or notice, provided that Authority pay the employee one-half of employee's then base salary, or his base salary for the balance of the term, whichever is less.”

At this time, Ms. Green Hawkins stated, “My tenure on the Port Authority Board has been filled with challenges to keep public transit running in the face of dwindling resources in tough economic times. Steve Bland has made hard choices, but during my tenure, we have made those choices together. No chief executive officer, or for that matter, no man is perfect, but I have received nothing to demonstrate that Steve's imperfections warrant termination without a hearing. What I have witnessed is a methodical effort to get rid of Steve, thus he has become the collateral damage or collaterally damaged in all of this, treated as something to be readily disregarded without the dignity and respect that we all want, and that meets my collective bargaining and due process sensibilities. He should be afforded an opportunity to confront his accusers and their accusations. Should Port Authority be concerned about litigation, a hearing on this issue affords both parties the opportunity to address the strengths and weaknesses of their claims and defenses before incurring costly litigation expenses. So basically, I think that the proper thing to do would be to terminate, in light of the information we have gotten, but with a hearing to afford him that opportunity.” [Both Ms. Rainey and Mr. Edwards affirmatively agreed with Ms. Green Hawkins' remarks].

A motion was made to terminate the employment of the current Chief Executive Officer of Port Authority, Mr. Stephen Bland, effectively immediately, pursuant to Section 5.c of the May 2006 employment agreement, as amended, between the Authority and Mr. Bland.

A vote was taken with five ayes [Mr. Letwin, Mr. Donatelli, Mr. Brimmeier, Ms. Parker and Mr. Tague] and three nays [Ms. Green Hawkins, Ms. Rainey and Mr. Edwards]. The ayes have it.

Mr. Letwin moved that the Board appoint as Authority's interim chief executive officer, Ms. Ellen McLean, who is our current chief financial officer. It was seconded by Mr. Brimmeier.

At this time, Ms. Green Hawkins commented that during her tenure on Port Authority Board, Ms. Ellen McLean has acted as a capable and well-qualified chief financial officer for this organization, and thinks it would be fitting to have her at the helm at this time. She trusts her opinion and expertise and thinks she would do a great job.

Ms. Rainey commented that Ms. McLean works well with the rest of the executive staff and that would bring a comfort level to the staff as they know who she is and what her capabilities are.

Mr. Brooks added that he certainly agrees and asked for a vote that Ms. McLean would serve in that capacity until a permanent replacement is hired. It was unanimously approved.

The Chairman requested a motion to authorize the formation of a Board Search Committee and to undertake a national search to identify and enter into an employment agreement with an individual to fill the chief executive officer on a permanent basis. The national search will begin immediately and be published externally and internally.

It was moved by Mr. Donatelli, seconded by Ms. Green Hawkins, and unanimously agreed to form a Board Search Committee to undertake a national search.

The Chairman requested a motion to direct the Board's general counsel to prepare a resolution memorializing the actions taken by this Board today related to the chief executive officer position. Once complete, the resolution will be attached to the meeting minutes from today's meeting.

It was moved by Mr. Donatelli, seconded by Mr. Brimmeier, and unanimously agreed.

There was no new business.

The next Regular Meeting of the Board will be Friday, February 22, 2013.