

PORT AUTHORITY OF ALLEGHENY COUNTY
MINUTES OF THE REGULAR BOARD MEETING
FRIDAY, MAY 27, 2022

The Regular Meeting of the Board of Port Authority of Allegheny County was held on Friday, May 27, 2022, 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.

The following members were in attendance in person: Jeff Letwin, Chair, Jennifer Liptak, Ann Ogoreuc, Michelle Zmijanac. The following members were in attendance virtually: Senator Jim Brewster, John L. Tague Jr., Representative Lori Mizgorski, Jessica Walls-Lavelle and Stephanie Turman. Board Solicitor Sandy Garfinkel attended in-person.

The Chair called the May 27, 2022 Regular Meeting to order and requested everyone stand for the pledge of allegiance and a moment of silence for the victims of the recent shootings in Texas and Buffalo and their families.

A recommendation was made for approval of the minutes of the April 29, 2022 Regular Meeting. A motion was made, seconded, and unanimously passed.

Before calling for an update from the Chief Executive Officer, the Chair congratulated Ms. Kelleman for receiving the Pittsburgh Business Times 2022 Women of Influence Award.

Ms. Kelleman then proceeded to give her report to the Board. She first asked for a moment of silence for the employees we've lost since our last meeting: Operators Thomas Sedlak, and John Michalovicz; Machinist William Kelly; and HVAC technician Shayne Strader.

Ms. Kelleman noted that Mr. Strader was a victim of gun violence earlier this month. "He was taken from us far too early, and our deepest condolences go out to his family and friends." She added that there are too many victims of gun violence.

Ms. Kelleman stated that a year ago, she stood at this podium and said 2020 was the most challenging year of her professional career. There was a lot of uncertainty as the Authority pulled together its first full budget since the start of the pandemic, and there were a lot of unanswered questions about ridership and funding.

"While I was looking forward to putting 2020 behind us, I knew there were going to be even more challenges and unknowns ahead and 2021 certainly did not disappoint."

She stated that a year later, and although we do not know if the future is much clearer, she is more confident than ever that the Authority is "well-positioned and have the right team and vision to get us through."

Ms. Kelleman then reported that ridership is currently about 50 percent of where it was before the pandemic. Our growth is slow but is steadily improving, and we're slightly ahead of the national average year-over-year.

She noted that since some of our region's largest employers have yet to call their employees back to their offices, there's a lot of opportunity for growth and the Authority will need to remain flexible in the months ahead.

Hiring continues to remain a challenge, not only at Port Authority, but for the entire public transit industry and beyond. A March survey from the American Public Transportation Association showed that more than two-thirds of agencies reported difficulty hiring and retaining employees.

At Port Authority, many factors have played a part in this ongoing challenge, including the Authority's requirement that operators be vaccinated, and a wave of retirements that hit at about the same time that COVID came. She added that the Authority has had fewer retirements in the first four months of 2022 than it had in the first four months of 2020 or even 2019.

To address this shortage, last week the Authority announced a plan to reduce scheduled service by four percent in June to improve reliability. "This does not mean we are cutting service permanently and we are not eliminating any jobs. It is a temporary step to make sure we are not missing service."

Ms. Kelleman added that the Authority continues to promote our employment opportunities at every turn, and now have new operator classes starting every five weeks.

Staff has been working hard to keep buses and trains running as best as possible through one of the most challenging times in modern history. Operators have worked through the pandemic, many taking overtime to fill gaps in schedules and shifts.

Ms. Kelleman stated that she is proud of the dedication and commitment she sees at the Authority's garages, at the Heinz Center, the Rail Center, and at all our facilities, and she is thrilled that we've been able to protect the majority of our service and resources through these challenging times. She is proud of the employees who have worked through all of this, those who wore masks, and got vaccinated.

Ms. Kelleman thanked the Biden Administration, Transportation Secretary Buttegieg, and our local officials who over the last year stood up for our riders and employees by approving not one but three rounds of funding to help offset the negative impacts of COVID – such as lost ridership, increased costs, and workforce disruptions due to illness and exposure. "We are also encouraged by the state's commitment to public transit statewide through the general fund."

The Finance Committee will be presenting the FY 2023 operator and capital budgets. The operating budget represents a five percent increase over this year and the capital budget is six percent higher.

In addition to continuing to provide incredible value and service to our riders, some upcoming initiatives include a new hiring campaign, rebranding our agency, and refocusing efforts on efficiency, equity, and effectiveness.

Ms. Kelleman continued reporting that last year, the Board adopted NEXTransit, the agency's first long-range plan that represents an estimated \$4.8 billion worth of investments in our region. "And this year, we'll start to see some of those projects begin to take shape, including the east/central river-to-river connection, a transit financing study, and studies that will look at how and where our vehicles operate downtown and throughout Allegheny County."

On the capital side, the Authority will be ordering 107 new articulated buses, begin construction on the downtown phase of the new BRT system, and several small efforts to improve safety, security, and service reliability.

“We will continue to push forward and to drive the progress that began before the pandemic. And we’ll do so responsibly with fiscal caution. Our vision for the future is becoming clearer, and we’re taking the steps now to put it into place. This involves working with our friends at the county and the city to create safe and inviting spaces for riders; employees who share our values of being caring, respectful, and kind; contributing to a cleaner environment with more alternative-fuel vehicles; and a system that serves more historically disenfranchised communities.”

Ms. Kelleman concluded her report by saying that “We certainly can’t do this all by ourselves, and we’re going to continue to rely on our employees, our riders, and our supporters. We need to work together to improve service for all of us. We are a part of this community, and this community is a part of us.”

That concluded the report of the Chief Executive Officer.

The Chair called on Ms. Zmijanac for a report of the Performance Oversight Committee.

Ms. Zmijanac reported that the Performance Oversight Committee met last week, and she had three resolutions for consideration.

The Committee first reviewed five procurement items and determined the bids to be in accordance with the Authority’s procurement policies and procedures, the prices fair and reasonable, the bidders to be responsible and the bids responsive.

The Performance Oversight Committee recommended the award of bids listed in the resolution for the total amount of approximately \$2.4 million dollars.

On behalf of the Performance Oversight Committee, Ms. Zmijanac respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

Ms. Zmijanac presented the next resolution seeking authorization to extend agreements with a pool of firms for executive search, outplacement and coaching services.

In May 2018, the Authority entered into agreements with Krauthamer & Associates, Inc., The Bradley Partnerships, Inc., and Calfe & Associates to provide these services for an initial term of three years and for a total not-to-exceed amount of \$272,671, to be allocated on an as-needed basis. The agreements also contain two additional option years to be exercised by the Authority in its sole discretion.

In April 2021, the Board authorized the Authority to exercise the first option year through June 27, 2022 and increase the total not-to-exceed amount to \$441,671.

The Performance Oversight Committee recommended exercising the second option year with the firms through June 27, 2023, with no increase to the total not-to-exceed amount.

On behalf of the Performance Oversight Committee, Ms. Zmijanac respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

The final resolution was presented seeking authorization for settlement of a public liability claim.

Ms. Zmijanac reported that an accident occurred on January 14, 2017 in the Shadyside area of the city. The Authority's bus was in stop-and-go traffic when it struck the rear of a pick-up truck owned and operated by John Mastriano and the impact caused Mr. Mastriano's truck to collide with the rear of another private vehicle.

Mr. Mastriano submitted a personal injury claim and filed a lawsuit against the Authority seeking monetary recovery for alleged injuries he sustained as a result of the accident.

The Performance Oversight Committee recommended authorizing a settlement payment to Mr. Mastriano in the total not-to-exceed amount of \$152,500, with no admission of fault or liability by the Authority.

On behalf of the Performance Oversight Committee, Ms. Zmijanac respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

That concluded the report of the Performance Oversight Committee.

The Chair called on Mr. Tague for a report of the Planning and Stakeholder Relations Committee.

Mr. Tague reported that the Planning and Stakeholder Relations Committee met last week and he had a few updates for the Board.

First, the Committee was provided an update on the current service issues. Mr. Tague reported that transit agencies across the U.S. are experiencing staffing issues and the pandemic has complicated the ability of all transit systems to hire. Port Authority has been aggressive with hiring campaigns and efforts to adjust schedules to improve the reliability of service for riders. The Authority's June service changes reflects an effort to improve reliability by reducing scheduled service by four percent. By reducing service, we're able to increase "extra board" assignments which gives the agency extra staff to cover work for vacations and call-offs.

Staff will continue to evaluate ridership and service levels to ensure that service is not only reliable, but equitable as well.

Mr. Tague also reported on the Committee for Accessible Transportation and the Allegheny County Transit Council.

He reported that the CAT Committee met May 5. Staff provided the committee with an overview of the Title VI Triennial Report and the next phase of the Mon Incline rehab project.

Ms. Karen Hoesch from ACCESS provided an update on ridership, new staff, and drivers. She also discussed the updated mask policy. Their next quarterly meeting is scheduled for August 4.

Mr. Tague reported that “The Allegheny County Transit Council met this week. Port Authority provided the council with an overview of the June service changes. They also received an update on the budget and financial overview.” The next meeting is scheduled for June 22.

That concluded the report of the Planning and Stakeholder Relations Committee.

The Chair called on Ms. Ogoreuc for a report of the Finance Committee.

Ms. Ogoreuc reported that the Finance Committee met on Thursday, May 19.

At the meeting, Chief Executive Officer Katharine Kelleman and Controller Peter Schenk reported on the Preliminary FY 2023 Operating and Capital Budgets.

Ms. Kelleman reported on the broad impacts the pandemic has had on the industry generally, and on the Port Authority specifically. She reported that transit organizations nationally, including the Authority, have been impacted by lower ridership and passenger revenue levels. In response, the Authority has re-oriented its service from commuter routes with lower ridership levels to local routes where riders have returned to transit more quickly.

Ms. Kelleman also reported on recent rider surveys that indicate former passengers of the Authority have changed to a hybrid or remote work environment, reducing their usage of transit.

Ms. Kelleman also reported on the industry-wide difficulty in attracting new employees to fill job vacancies and the renewed focus the Authority is making on hiring additional talent.

Ms. Kelleman also explained how the Strategic Plan will serve as the backbone of the Operating and Capital Budgets. The budgets will also incorporate elements of NextTransit as well as initiatives such as a re-branding project and BRT Capital project.

Mr. Schenk then reported on the assumptions incorporated into the preliminary FY 2023 Operating Budget such as a 15 percent increase in Passenger Revenues, historical wage increases for expiring labor contracts with ATU Local 85 and IBEW and yet-to-be finalized medical premium increases for active employees and retirees under the age of 65.

Mr. Schenk also reported on the increase in State Operating Assistance included in the FY 2023 Budget as well as the volatility in the energy markets which will cause diesel expense to increase over \$20 million dollars in FY 2023.

Mr. Schenk reported that the preliminary FY 2023 Capital Budget primarily consists of debt service, a purchase of 107 buses and funding of the Bus Rapid Transit project.

Ms. Ogoreuc then reported on the April financial results.

She reported that Total Operating Income for the month of April was \$3.7 million and under budget by \$4.75 million. Total Operating Income is \$636,000 less than March primarily due to credits related to the two-week free ride period in March.

Total Operating Income for FY 2022 is \$39 million under budget for the fiscal year due to lower Passenger Revenue and ACCESS Shared Ride Revenue. Federal ARPA funding will be utilized to make up for this revenue shortfall.

Total Operating Expenses in April was \$3.24 million below budget. Salary and Wages was the only expense category over budget due to higher overtime levels for the month.

Total Operating Expense for the fiscal year-to-date continues to trend below budget by \$38.5 million. Total Subsidy for month was \$2.2 million below budget. The Authority did invoice \$6.5 million against the ARPA stimulus program.

Total Subsidy for FY 2022 is \$15.6 million below budget due to lower State Operating Assistance and Vehicle Overhaul Subsidy and ARPA invoicing.

Finally, Ms. Ogoreuc reported that the Authority ended the month of March with approximately \$168.2 million in cash reserves.

That concluded the report of the Finance Committee.

The Chair called on Ms. Liptak for a report of the Technology Committee.

Ms. Liptak reported that the Technology Committee met on Thursday, May 19, and she had two resolutions for the Board's consideration.

The first resolution was seeking authorization to amend and extend the existing agreement with Scheidt & Bachmann, USA, Inc. for farebox warranty services. The extension amount for the next year would be \$959,400.

The resolution would authorize the Authority to amend and extend the agreement with Scheidt & Bachmann at a total not-to-exceed amount of \$3,622,500.

The Technology Committee recommended entering into this agreement with Scheidt & Bachmann.

On behalf of the Technology Committee, Ms. Liptak respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

Ms. Liptak presented the second resolution seeking authorization to amend and extend the existing agreement with Scheidt & Bachmann, USA, Inc. for non-farebox equipment and software maintenance. The extension amount for the next year would be \$1,978,034.

The resolution would authorize the Authority to amend and extend the agreement with Scheidt & Bachmann at a total not-to-exceed amount of \$12,378,03.

The Technology Committee recommended entering into this agreement with Scheidt & Bachmann.

On behalf of the Technology Committee, Ms. Liptak respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

Under new Business, the Chair presented a resolution to amend and restate the chief executive officer's employment agreement.

Mr. Letwin reported that Ms. Kelleman has exceeded the Board's expectations in the time that she has been at Port Authority. Not only has she established a vision for public transportation and implemented a long list of improvements that benefit riders and employees, she has become a vital part of this community as it charts its future, and especially as we look to move beyond the pandemic.

"Katharine has successfully led Port Authority through a global pandemic and did not let up on the forward-looking initiatives that she committed to advancing. She protected service for riders and did not lay off employees through the pandemic."

"Among Katharine's accomplishments since joining Port Authority in 2018 were advancing the BRT project, which is expected to break ground later this year or early next year; adopting NEXTtransit, the agency's first long-range transit plan in recent memory; removing barriers to employment by implementing Ban the Box; implementing a mobile ticketing app and digital signage at stations and on vehicles to get more information to riders; approving upgrades for 16 bus and rail stations; implementing a new customer-friendly fare policy; breaking ground on a Negley Station redesign; and she'll soon successfully rebrand the organization to better reflect the improvements and advancements she's led at this organization."

"Finally, Katharine has also successfully ushered the agency through two catastrophes, the derailment of a Norfolk Southern freight train in August 2018 and flooding on the Blue Line a couple months later."

Mr. Letwin concluded by stating that "Katharine was the right person to lead Port Authority when we first hired her, and she's the right person today."

The Chair then read the following resolution:

RESOLUTION

WHEREAS, *Katharine Kelleman (Kelleman) was hired to serve as the Chief Executive Officer of Port Authority of Allegheny County (Authority) in November 2017; and*

WHEREAS, *the term of Kelleman's current Employment Agreement expires on December 31, 2022; and*

WHEREAS, *Kelleman's performance as Chief Executive Officer has met or exceeded expectations; and*

WHEREAS, *the Board wishes to ensure that Kelleman's compensation reflects her performance and is commensurate with the compensation of the chief executives of other regional transit authorities; and*

WHEREAS, *the Board has determined that it is in the best interests of the Authority, based upon Kelleman's performance and other factors, to amend and restate the terms of her employment*

agreement and extend her term as the Chief Executive Officer for the Authority, such terms to be retroactive and effective as of January 1, 2022, to continue until December 31, 2025;

***WHEREAS**, Kelleman is willing to accept the amended and restated terms of her employment as the Chief Executive Officer for the Authority.*

***NOW, THEREFORE, BE IT RESOLVED**, that subject to the execution of an Amended and Restated Employment Agreement, as approved by, and in a form satisfactory to, the Board's Solicitor, Kelleman shall continue to serve as Chief Executive Officer of Port Authority of Allegheny County at an annual salary of \$269,500.00 plus other benefits, and under such other terms and conditions as may be contained within the Amended and Restated Employment Agreement, effective retroactively to January 1, 2022 and to continue until December 31, 2025.*

***NOW, THEREFORE, BE IT FURTHER RESOLVED**, that the Chair of the Board be, and hereby is, authorized to execute the Amended and Restated Employment Agreement on behalf of Port Authority of Allegheny County and to take all such other actions necessary and proper to carry out the purpose and intent of this resolution.*

On behalf of the Governance Committee, Mr. Letwin respectfully requested approval of the resolution. It was moved, seconded, and unanimously agreed that the resolution be approved as presented.

There were two speakers who addressed the Board this month. The first speaker was ATU Local 85 President, Ross Nicotero. He first thanked the Board for allowing him the opportunity to speak. He reminded the Board that he addressed the board two months ago on the worker's perspective of the profound impact of the vaccine mandate to his members and the public.

Mr. Nicotero expressed his dissatisfaction with the way things are going and feels his words fell on deaf ears. For the past two years his members showed up every day to work while managers stayed home while reaping bonuses and contracts. He stated that it was laughable that politicians called them essential workers and heroes. Since he last spoke, 80 ATU members were fired due to the mandate, including the 100 jobs that were not filled prior to the pandemic. "How is it that as the rank-and-file positions shrink, the management rank continues to swell while working from home on a hybrid schedule?" He noted that this is not only economically reckless but distasteful for the rest of us.

Mr. Nicotero concluded his remarks by stating that the ATU Local 85 contract expires 35 days from today. He urges management to partner with them to resolve these issues.

Next, Mr. David Glickman addressed the Board with his concerns with property maintenance in the East Liberty, Point Breeze and Homewood areas. He understands that this could be a staffing issue and not a top priority, but he would appreciate anything the Board could do to help him address this issue.

The Chair announced the next Regular meeting of the Board will be Friday, June 24, 2022.

With no further business the meeting was adjourned.