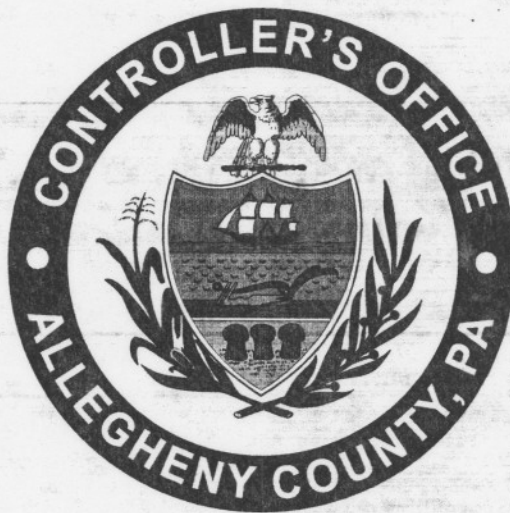


A Performance Analysis of the Port Authority of Allegheny County

Report #1



June 29, 2007

*A Study by
Allegheny County Controller
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INTRODUCTION

Introduction

In response to the statewide transportation funding crisis, the Allegheny County Chief Executive and the Port Authority Board of Directors requested that the Allegheny County Controller complete a review of Port Authority's financial statements, review past management practices, and analyze the efficiency and productivity of services being provided. Due to the extensive nature of the engagement, the report will be issued in several parts. In this first section of the report, the Controller's Office completed an analytical review of Port Authority's budgets and year end revenues and expenses from 2001 through 2006 and benchmarked Port Authority's performance to similar transit systems.

HISTORY OF THE PORT AUTHORITY

The Port Authority of Allegheny County was created by legislation enacted by the Pennsylvania General Assembly in 1956, giving it responsibility for planning and developing port facilities to serve the Pittsburgh area. In 1959, the Act of 1956 was amended to permit the Port Authority to acquire privately owned transit authorities and to own and operate a public system of mass transit. In March 1964, the Port Authority exercised its power of eminent domain for the first time and assumed control of the Pittsburgh Railways Company. By authorization of the 1959 legislation, the Port Authority in June 1960 engaged the firm of Coverdale & Colpitts to prepare a plan for an integrated system of transit for Allegheny County for use as a basis for acquiring and consolidating the independent transit lines. As of March 1, 1964, all public transit in Allegheny County was operated by the Port Authority. Acquisition of 30 bus firms and 2 inclined plane companies (Duquesne and Monongahela) was completed in August 1964. Shortly thereafter, a unified fare and transfer system became effective on a countywide basis for the first time in local transit history.

**HISTORICAL REVIEW
OF THE PORT
AUTHORITY'S DEFICIT**

Historical Review of the Deficit

In Fiscal Year 1999, the Port Authority introduced its new logo and its "Gold Standard of Service", a step toward moving it to become the premier transit organization in the nation.

Moving into the new millennium, the Port Authority developed a plan to provide the highest level of customer service with the goal of increasing ridership while controlling administrative costs. This is reflected in the Fiscal Year 2000 operating and capital budgets. According to the Port Authority, "A major investment in new technologies will allow Port Authority to react and turn dreams into golden opportunities. Today, Port Authority is going more places, connecting more people, and offering more services. Tomorrow, this aggressive direction will solidly make Port Authority the premier transit organization in the country."

The Port Authority's plan to provide the highest level of customer service continued into Fiscal Year 2001 with the operating budget supporting increased services for customers. The capital budget enabled the Port Authority to complete or continue \$1 billion in major capital improvement projects, "...the most ambitious program undertaken at any one time in Port Authority history". Increases in funding were projected for Fiscal Year 2001; a 5.4% increase in operating grants, including a 3% increase in state operating assistance, as well as a 13% increase in capitalizations which offset operating expenses was projected. However, the budget prepared for the following Fiscal Year noted that the increase in fuel, utility, and healthcare costs, coupled with reductions in state funding, resulted in Port Authority's first fare increase in 10 years. On April 1, 2001, the Port Authority instituted a cash base fare increase from \$1.25 to \$1.60, a 28% increase, and the average increase of prepaid fare instruments, such as bus passes, was 20%. The five zone structure was reduced to three zones.

The Port Authority projected total operating revenue, which includes passenger revenue, senior citizen reimbursements, access, contract services, advertising, interest, and other income, to increase 16.1% to \$92.8 million for Fiscal Year 2002. However, operating revenues only totaled \$85.7 million for the year. The Port Authority experienced an operating deficit and ended Fiscal Year 2002 with expenditures in excess of revenues. The Port Authority also experienced a significant reduction in funding levels, as well as increases for healthcare and other costs. On June 1, 2002, a service reduction was implemented. Other efforts to reduce costs included eliminating administrative positions, instituting a hiring freeze on all non-operating personnel, and reducing travel, training, marketing and advertising expenses.

The Port Authority was able to complete Fiscal Year 2003 with a balanced budget although wages and healthcare cost were rising while there had been little or no growth in revenue levels. On September 1, 2002, the Port Authority increased its base fare for the second time in 18 months, from \$1.60 to \$1.75 and also implemented a service reduction of approximately 4%, eliminating underperforming routes and 85 operators and maintenance personnel.

For Fiscal Year 2004, the Port Authority experienced an operating deficit of \$20 million. Even though the Port Authority increased fares and cut routes twice during the previous eighteen months, it was unable to meet its expenses. To make matters worse, the General Assembly of the Commonwealth adopted a budget that resulted in a \$4

Historical Review of the Deficit

million reduction in operating assistance to Port Authority. However, in November 2003 the Commonwealth agreed to restore state operating assistance to Fiscal Year 2003 levels. The \$20 million deficit identified in June 2003 was addressed by the restoration of the State operating assistance, \$5 million in additional administrative cost saving initiatives, and a one time, \$10 million flex of Federal Highway funds to Port Authority.

For Fiscal Year 2005, the Port Authority experienced an operating deficit of \$30 million. Due in part to uncertain levels of state grants, in May 2004 the Board resolved that the Port Authority continue the present operating levels until the Board formally adopted an operating budget. The Board never did approve the final budget for fiscal year 2005. The Port Authority required and received \$30 million in supplemental funding from the Commonwealth of Pennsylvania in order to meet its expenses. This was comprised of \$28.8 million in supplemental Federal flex funding and \$1.2 million in additional Infrastructure Safety Renewal Program funding. The Board had adopted a plan in December 2004 that called for a fare increase on February 1, 2005 from \$1.75 to \$2.00 with a 12 percent service deduction in March 2005 followed by a fare increase to \$2.50 and an additional 15 percent service reduction on July 1, 2005. However, the additional funding from the Commonwealth made it unnecessary for Port Authority to implement either of these phases of the plan.

The budget prepared for Fiscal Year 2006 contained a "cost savings needed" amount of \$19 million in order to balance the budget. This is the amount of the assumed savings in employee benefits as part of any new collective bargaining agreement with the Amalgamated Transit Union. The Port Authority completed Fiscal Year 2006 with a \$45 million operating deficit. This deficit was addressed by two separate installments of stopgap funding from the Commonwealth of Pennsylvania.

The \$347.5 million operating budget for Fiscal Year 2007 was prepared with the assumption that \$31.5 million in new state and local funding will be approved during the fiscal year. It also includes \$32 million in flex funds from the Commonwealth of Pennsylvania, a 2% increase in state operating assistance, and projects assistance from Allegheny County to increase 2% and remain sufficient to meet the required local match. The increase in expenses is due to rising costs for fuel, healthcare, and pensions as well as contractual pay increases and general inflation.

In September 2006, Port Authority retired the "Ride Gold" campaign in order to return to a back-to-basics approach and save costs on repainting and refurbishing. The ambitious expansion plan undertaken in 1999 has turned out to be an extremely expensive failure.

The proposed budget for Fiscal Year 2008 prepared in June 2007 includes the June 2007 service reductions, the July 2007 fare increase for Access, the September 2007 service reductions and a fare increase in January 2008. The projected staffing level for 2008 includes 350 fewer employees than the actual June 1, 2007 level and 525 fewer than the budgeted number of staff for 2007. Budgeted operating expenses of \$325.1 million include projected healthcare costs for employees and retirees of \$63.1 million and projected pension costs of \$19.9 million. Budgeted revenue is also projected at \$325.1

Historical Review of the Deficit

million, however, this includes using \$45 million of the Basic Supplement Grant to fund the budget deficit. See Schedule A on page 5.

The Port Authority is still undergoing changes to reduce the 2007/2008 deficit from \$50.8 million to \$44.7 million by taking into account additional service cuts, a proposed fare hike in January, and the closing of the Harmar Division, one of five bus garages. In addition, the Port Authority will utilize \$6.5 million from a basic supplemental grant for 2006/2007's deficit. The Port Authority's supplemental fund created from unused monies will also be used for the \$45 deficit next year, leaving the fund with no more than \$2 million dollars left to fund any future deficits. The Port Authority is also planning to renegotiate the contracts with the University of Pittsburgh and Carnegie-Mellon regarding the cost of student ridership.

Schedule A

Port Authority of Allegheny County
Fiscal Year 2008 Proposed Budget
In Millions

	Audited FY 2006	Budget FY 2007	Forecast FY 2007	Preliminary Budget FY 2008	Proposed Budget FY 2008
REVENUES:					
Passenger Revenue					
Bus, Trolley, and LRT	60.2	60.4	60.8	60.1	58.8
Senior Citizen Reimbursement	10.7	11.0	10.5	9.9	10.3
Access Program Service	12.3	12.5	12.0	12.8	12.8
Contract Service	3.9	4.1	4.1	4.5	4.5
Advertising	1.0	1.3	2.2	2.0	1.5
Interest Income	1.9	1.2	2.5	1.0	1.5
Other Income	1.1	0.9	1.1	0.7	0.7
Total Revenue	91.1	91.4	93.2	91.0	90.1
OPERATING ASSISTANCE:					
Local	23.2	25.0	26.2	25.0	25.0
State	73.6	75.0	75.0	75.0	75.0
Total Grants	96.8	100.0	101.2	100.0	100.0
AMOUNTS CAPITALIZED:					
ISRP/Asset Maintenance/VOH	46.1	47.8	49.8	48.5	48.5
Grants	15.2	15.4	15.0	15.1	15.1
Cost of Contracting	15.0	15.0	15.0	15.0	15.0
Preventative Maintenance	6.6	9.1	12.6	9.1	9.1
Supplemental Flex	45.0	32.0	32.0	0.0	0.0
Flex/Access to Jobs	4.4	5.4	5.0	2.7	2.7
Total Capitalizations	132.3	124.7	129.4	90.4	90.4
TOTAL REVENUES, GRANTS, & CAPITALIZATIONS	320.2	316.1	323.8	281.4	280.5
EXPENSES:					
Wages and Salaries	137.4	144.2	141.6	132.8	127.8
Employee Benefits	101.5	110.9	105.0	115.3	112.7
Materials and Supplies	34.9	41.5	36.8	35.3	36.3
Provisions for Injuries and Damages	2.6	3.4	2.5	3.3	3.3
Purchased Service	5.7	7.4	6.2	7.2	7.4
Utilities	8.1	8.9	8.2	9.0	8.8
Other Expense	3.1	4.2	3.6	3.9	3.5
Interest	1.5	1.8	1.7	1.0	1.0
Access	24.5	25.2	24.7	24.4	24.4
TOTAL GROSS EXPENSES	319.3	347.5	330.3	332.2	325.2
SURPLUS (DEFICIT)	0.9	(31.4)	(6.5)	(50.8)	(44.7)
New State and Local Funding	-	31.4	0.0	0.0	0.0
BSG Utilization	-	0.0	6.5	0.0	44.7
SURPLUS (DEFICIT)	0.9	0.0	0.0	(50.8)	0.0

Source: Port Authority of Allegheny County

**BENCHMARKING OF
THE PORT
AUTHORITY'S
PERFORMANCE**

Benchmarking Analysis

Benchmarking is a well-established practice among public and private entities that are interested in improving their performance. Benchmarking allows agencies to measure their own performances against other similar agencies, assuming that similar types of data are maintained to allow for meaningful comparisons. The benchmarking practice also allows agencies to measure their own progress over time.

Transit agencies maintain considerable data that is required by the Federal government in order to receive Federal funds. The data is stored in the National Transit Database, or NTD. Part of the challenge is that transit agencies operate in different economic and geographic environments with different policies and goals, making nationwide comparisons of the systems sometimes misleading. This data used alone is never sufficient without further explanation and analysis. Results of such efforts are best used as a starting point for fully understanding the performance of a particular agency. This information can also be presented to the industry and policy makers as comparative information on how well their transit dollars are being utilized. It can also make transit governing boards more accountable for the decisions they make and the priorities they set. We have analyzed the information that was made available to us and presented it in tables and schedules in order to determine how well the Port Authority is performing in relation to similar agencies.

Benchmarking Analysis

Methodology

We chose 33 transit agencies to benchmark the Port Authority's performance and to determine how transit dollars are being utilized. The methodology used to select these 33 transit agencies included:

- Each of the agencies selected was included in the Top 50 Reporting Agencies for 2005, according to the National Transit Database.
- Each of the agencies was included within the 40 largest cities as defined by Urbanized Metropolitan Area, according to the Federal census.
- All agencies operate buses as a significant part of their operations and are primary agencies for the metropolitan area that they service.

These agencies were sorted based on the population of the service area. The Port Authority of Allegheny County has been rated 21st out of the 33 agencies based on its served population of 1,415,244.

We then narrowed our selection of these 33 agencies to 11 agencies that appeared to be the most comparable to the Port Authority. See **Table I** for a list of the 12 agencies, including Port Authority. We used the following attributes to identify those agencies most comparable to the Port Authority. Agencies were scored in the following categories with each category having equal weight:

1. Population of Service Area
2. Urbanized Metropolitan Area Population
3. Service Area in Square Miles
4. Annual Passenger Miles
5. Annual Vehicle Revenue Hours
6. Total Operating Expenses
7. Stable or Declining Population
8. Other Commonly Used Comparisons

The criteria were then scored as follows:

For items 1 through 6, a point value was assigned. An agency received 5 points if it was within 5% of the Port Authority's value, 3 points if the agency was within 10% and 1 point if the agency was within 25%.

For item 7, we analyzed the change in population for the Pittsburgh region. An agency was assigned 5 points if its population was within 5% of Pittsburgh for rate of change. The agency received 3 points if its population range was within 10% and received 1 point if its population range was within 25%.

For item 8, cities received 5 points if they were commonly identified by the Port Authority and County Departments as good comparisons based on other social, political and cultural factors.

The scores were then compiled out of a maximum score of 40. We excluded metropolitan areas with multiple transit agencies which encounter different challenges

Benchmarking Analysis

and were not comparable to the Port Authority. The eleven agencies selected were the highest scoring according to the above criteria.

The 11 agencies that appeared to be the most similar to the Port Authority include:

- Southeastern Pennsylvania Transportation Authority (Philadelphia, PA)
- Denver Regional Transportation District (Denver, CO)
- Dallas Area Rapid Transit (Dallas, TX)
- Maryland Transit Administration (Baltimore, MD)
- Metro Transit (Minneapolis, MN)
- Greater Cleveland Regional Transit Authority (Cleveland, OH)
- Metropolitan Atlanta Rapid Transit Authority (Atlanta, GA)
- Tri-County Metropolitan District of Oregon (Portland, OR)
- Bi-State Development Agency (St. Louis, MO)
- Milwaukee County Transit System (Milwaukee, WI)
- Southwest Ohio Regional Transit Authority (Cincinnati, OH)

Transit Agencies Selected for Benchmarking

Table I

Port Authority Review Comparative Statistics	Service Area Statistics (2000 Census)			Service Consumption		Service Supplied			Expense
	Metro Area Served (Only Includes Area Served by Agency, Not Entire Metro Area)	Population of Service Area	Service Area in Square Miles	Annual Passenger Miles	Annual Unlinked Trips	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Vehicles Operated in Maximum Service	Total Operating Expenses
Agency Name									
Southeastern Pennsylvania Transportation Authority (SEPTA)	Philadelphia, PA	3,330,669	836	1,475,917,516	334,546,120	83,702,770	6,496,271	2,210	\$856,158,895
Denver Regional Transportation District (RTD)	Denver, CO	2,598,000	2,326	443,218,273	86,260,633	53,377,140	3,407,661	1,390	\$295,138,927
Dallas Area Rapid Transit (DART)	Dallas, TX	2,250,300	689	422,897,780	73,293,912	44,681,610	2,843,226	948	\$320,076,108
Maryland Transit Administration (MTA)	Baltimore, MD	2,077,667	1,795	652,555,405	103,366,276	39,958,253	2,749,631	1,238	\$401,411,841
Metro Transit	Minneapolis, MN	1,761,657	596	309,677,298	69,698,813	25,884,056	2,112,009	732	\$217,445,461
Port Authority of Allegheny County (Port Authority)	Pittsburgh, PA	1,415,244	775	297,140,823	68,952,002	40,967,218	3,029,109	1,476	\$304,909,705
The Greater Cleveland Regional Transit Authority (GCRTA)	Cleveland, OH	1,412,140	458	281,393,941	65,542,234	27,935,873	2,116,482	646	\$215,989,635
Metropolitan Atlanta Rapid Transit Authority (MARTA)	Atlanta, GA	1,354,871	498	716,492,815	142,385,899	48,493,210	2,879,177	744	\$308,987,826
Tri-County Metropolitan Transportation District of Oregon (TriMet)	Portland, OR	1,253,502	574	432,632,986	104,546,141	36,814,547	2,727,571	856	\$293,468,796
Bi-State Development Agency (METRO)	St. Louis, MO	1,006,570	574	253,404,834	46,438,023	26,020,726	1,726,465	471	\$170,408,646
Milwaukee County Transit System (MCTS)	Milwaukee, WI	940,164	237	142,416,787	51,481,937	22,485,234	1,701,129	675	\$142,360,410
Southwest Ohio Regional Transit Authority (SORTA / Metro)	Cincinnati, OH	845,303	262	141,485,562	26,158,352	13,153,350	947,624	368	\$74,917,268
Averages		1,687,174	802	464,102,835	97,722,529	38,622,832	2,728,030	980	\$300,106,127

Source: 2005 National Transit Database

**Unlinked passenger trips are the number of passengers who board public transportation vehicles per year. Passengers are counted each time they board a vehicle no matter how many vehicles they use to travel from origin to destination.

Sources of Funding

Table II represents the sources of funding received by each of the 12 agencies based on their 2005 operating budget, including the Port Authority. Sources of funding are detailed by local funds, state funds, federal assistance, fare revenues, and other funds. Based on this information, our analysis shows:

- The Port Authority receives 77% or approximately \$237 million from government agencies. This compares unfavorably to the 71% agency average. Only three (Dallas, Portland and Cleveland) received greater governmental support.
- The Port Authority receives 6% more than the average in local and state funds combined. State funds make up 55% and local makes up 10% of the total funding. Five other agencies have less local funding than the Port Authority and only six receive equal or more state funding.
- The Port Authority's fare revenue as a percentage of total operating funds is 22%. Based on fare revenue, the Port Authority ranks 6th out of the 12 agencies, with a high of 37% (Southeastern Pennsylvania Transportation Authority) and a low of 10% (Dallas Area Rapid Transit).
- The overall composition of the Port Authority's funding is similar to the other agencies selected.

Operating Sources of Funding for Selected Transit Agencies

Table II

Location of Reporting Agency	Local Funds (A)	State Funds (B)	Federal Assistance (C)	Government Funding Total (A+B+C)	Fare Revenues (D)	Other Funds (E)	Total Operating Funds Expended	Government Funding	Fare Revenues	Other Funds
Philadelphia, PA (SEPTA)	\$70,133,806	\$392,446,119	\$83,700,000	\$546,279,925	\$330,766,549	\$25,720,055	\$902,766,529	60%	37%	3%
Baltimore, MD (MTA)	\$502,354	\$240,177,563	\$42,902,440	\$283,582,357	\$115,353,270	\$4,496,394	\$403,432,021	70%	29%	1%
Atlanta, GA (MARTA)	\$215,965,576	\$0	\$40,373,946	\$256,339,522	\$93,825,690	\$24,495,327	\$374,660,539	68%	25%	7%
Dallas, TX (DART)	\$0	\$267,649,681	\$41,925,019	\$309,574,700	\$37,131,584	\$26,895,221	\$373,601,505	83%	10%	7%
Denver, CO (RTD)	\$197,696,750	\$22,233	\$41,299,650	\$239,018,633	\$58,962,330	\$18,875,697	\$316,856,660	75%	19%	6%
Pittsburgh, PA (PAT)	\$29,522,239	\$169,391,759	\$38,338,390	\$237,252,388	\$69,242,026	\$2,741,375	\$309,235,789	77%	22%	1%
Portland, OR (TriMet)	\$178,514,631	\$5,811,843	\$51,415,681	\$235,742,155	\$60,936,514	\$6,380,900	\$303,059,569	78%	20%	2%
Minneapolis, MN (Metro)	\$2,595,653	\$130,098,947	\$14,668,274	\$147,362,874	\$64,376,835	\$6,470,467	\$218,210,176	67%	30%	3%
Cleveland, OH (GCRTA)	\$0	\$147,279,817	\$28,903,041	\$176,182,858	\$38,506,168	\$1,795,846	\$216,484,872	81%	18%	1%
St. Louis, MO (METRO)	\$112,806,335	\$1,365,832	\$19,541,533	\$133,713,700	\$35,922,850	\$4,561,624	\$174,198,174	77%	20%	3%
Milwaukee, WI (MCTS)	\$17,423,871	\$59,072,322	\$20,022,801	\$96,518,994	\$43,358,365	\$3,534,084	\$143,411,443	67%	30%	3%
Cincinnati, OH (SORTA)	\$36,870,728	\$1,340,354	\$12,068,637	\$50,279,719	\$23,205,605	\$1,937,679	\$75,423,003	66%	31%	3%
Averages	\$71,835,995	\$117,888,039	\$36,263,285	\$225,987,319	\$80,965,649	\$10,658,722	\$317,611,690	71%	26%	3%

Source: 2005 National Transit Database

Operating Expenses

Table III represents overall operating expenses for the 12 transit agencies based on 2005 information. Operating expenses are detailed by salaries, wages and benefits, materials and supplies, purchased transportation, and other operating expenses. **Tables IV through X** detail the salaries of the management of Port Authority. The positions include the General Manager, Assistant General Manager of Engineering, Chief Operations Officer, Chief Financial Officer, Chief Technology Officer, Assistant General Manager of Human Resources, and the Assistant General Manager of Marketing. **Tables XI and XII** detail the highest base pay for bus operators and bus maintenance personnel. **Tables XIII and XIV** detail the highest base pay for light rail operators and light rail maintenance personnel. Based on this information, our analysis shows:

- The Port Authority's salaries (73%), materials and supplies (10%), purchased transportation (10%) and other operating expenses (7%) as a percentage of total operating expenses are on par with the averages of 71%, 10%, 10%, and 9%, respectively.
- The Port Authority's General Manager's annual salary of \$200,004 is higher by \$9,803 or 5% for other Agency Heads whose average salary is \$190,201. The Port Authority has the 5th highest salary for the General Manager, out of all of agencies surveyed. In comparison to the number of passenger trips, the Port Authority ranks 8th out of the 11 agencies. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority has the 4th highest salary for the General Manager. The Port Authority's General Manager's salary is \$21,899 higher than the average salary of \$178,105 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's Assistant General Manager of Engineering's annual salary of \$139,056 is higher by \$17,262 or 14% for other similar positions whose average salary is \$121,794. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority has the 2nd highest salary for the Assistant General Manager of Engineering. The Port Authority's Assistant General Manager of Engineering's salary is \$23,791 higher than the average salary of \$115,265 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's Chief Operations Officer's annual salary of \$131,760 is lower by \$2,468 or 2% for other similar positions whose average salary is \$134,228. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority has the 6th highest salary for the COO. The Port Authority's COO's salary is \$5,466 higher than the average salary of \$126,294 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's Chief Financial Officer's annual salary of \$122,616 is higher by \$6,967 or 6% for other similar positions whose average salary is \$115,649. The Port Authority has the 5th highest salary for the CFO, out of the agencies surveyed. The Port Authority's CFO's salary is \$14,313 higher than the average salary of \$108,303 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's Chief Technology Officer's annual salary of \$120,516 is higher by \$11,682 or 11% for other similar positions whose average salary is \$108,834. The Port Authority has the 4th highest salary for the CTO, out of the agencies surveyed. The Port Authority's CTO's salary is \$17,036 higher than the average salary of \$103,480 when adjusted to the Pittsburgh cost of living index.

Benchmarking Analysis

- The Port Authority's Assistant General Manager of Human Resources annual salary of \$104,208 is lower by \$3,431 or 3% for other similar positions whose average salary is \$107,639. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority has the 7th highest salary for this position. The Port Authority's Assistant General Manager of Human Resources salary is \$3,454 higher than the average salary of \$100,754 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's Assistant General Manager of Marketing's annual salary of \$96,216 is higher by \$4,853 or 5% for other similar positions whose average salary is \$91,363. The Port Authority has the 4th highest salary for this position out of the agencies surveyed. The Port Authority's Assistant General Manager of Marketing's salary is \$10,439 higher than the average salary of \$85,777 when adjusted to the Pittsburgh cost of living index.
- The Port Authority's annual base pay of \$44,782 is higher by \$3,539 or 9% for bus operators whose average salary is \$41,243. The Port Authority has the second highest base pay for bus operators, of all agencies surveyed. Minneapolis, Minnesota was the only agency with a higher base pay for bus operators. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority's bus operators earn \$6,086 more than the average of \$38,696.
- The Port Authority's annual base pay of \$45,822 is higher by \$814 or 2% for bus maintenance workers whose average salary is \$45,008. The Port Authority has the fourth highest base pay of all agencies compared. Three other agencies including Cleveland, Philadelphia and Minneapolis exceeded the Port Authority's base pay rate for bus maintenance workers. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority's bus maintenance workers earn \$3,564 more than the average of \$42,258.
- Of the 12 agencies, nine agencies have light rail operators and maintenance. However, only three agencies provided the salary information. The Port Authority's annual base pay for light rail operators was the highest among the three agencies. The Port Authority's annual base pay was \$44,782 for operators, \$2,891 higher than the average salary of \$41,891. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority's light rail operators earn \$8,786 more than the average \$35,996.
- The Port Authority's annual base pay for light rail maintenance was the second highest out of the three agencies. The Port Authority's annual base pay was \$47,403 for light rail maintenance, \$1,615 higher than the average salary of \$45,788. When the agency salaries are adjusted to the Pittsburgh cost of living index, the Port Authority's light rail maintenance personnel earn \$8,184 more than the average of \$39,219.
- Throughout 2006 the Port Authority had 1,082 bus and 74 light rail full time operators. There were an additional 414 operators who earned less than \$40,000. These operators' annual earnings for 2006 are as follows:

	Bus	Light Rail
Earnings Between:	# of Employees	# of Employees
\$40,000 - \$49,999	422 (39%)	22 (30%)
\$50,000 - \$59,999	506 (47%)	33 (45%)
\$60,000 - \$69,999	101 (9%)	14 (19%)
\$70,000 - \$79,999	46 (4%)	4 (5%)
\$80,000 - \$94,500	7 (1%)	1(1%)

Benchmarking Analysis

The extra income was comprised primarily of overtime pay. The amount of overtime pay for 2006 was \$2.1 million which constitutes 3% of the total operators' salary expense.

The chart below summarizes the salaries of the Port Authority compared with the average of the peer agencies with and without the cost of living index adjusted for Pittsburgh.

	Port Authority Actual	Average without CLI Adjustment	Difference	Average Adjusted for CLI in Pittsburgh	Difference
Agency Head	\$200,004	\$190,201	\$9,803	\$178,105	\$21,899
Engineering Dept. Head	139,056	121,794	17,262	115,265	23,791
Operations Dept. Head	131,760	134,228	(2,468)	126,294	5,466
Financial Dept. Head	122,616	115,649	6,967	108,303	14,313
Technology Dept. Head	120,516	108,834	11,682	103,480	17,036
Human Resources Dept. Head	104,208	107,639	(3,431)	100,754	3,454
Marketing Dept. Head	96,216	91,363	4,853	85,777	10,439
Total Management	914,376	869,708	44,668	817,978	96,398
Light Rail Maintenance	47,403	45,788	1,615	39,219	8,184
Bus Maintenance	45,822	45,008	814	42,258	3,564
Bus Operators	44,782	41,243	3,539	38,696	6,086
Light Rail Operators	44,782	41,891	2,891	35,996	8,786
Total Non- Management	182,789	173,930	8,859	156,169	26,620
TOTAL	<u>\$1,097,165</u>	<u>\$1,043,638</u>	<u>\$53,527</u>	<u>\$974,147</u>	<u>\$123,018</u>
Source: 2006 American Public Transportation Association Management Compensation Report					

Operating Expenses for Selected Transit Agencies

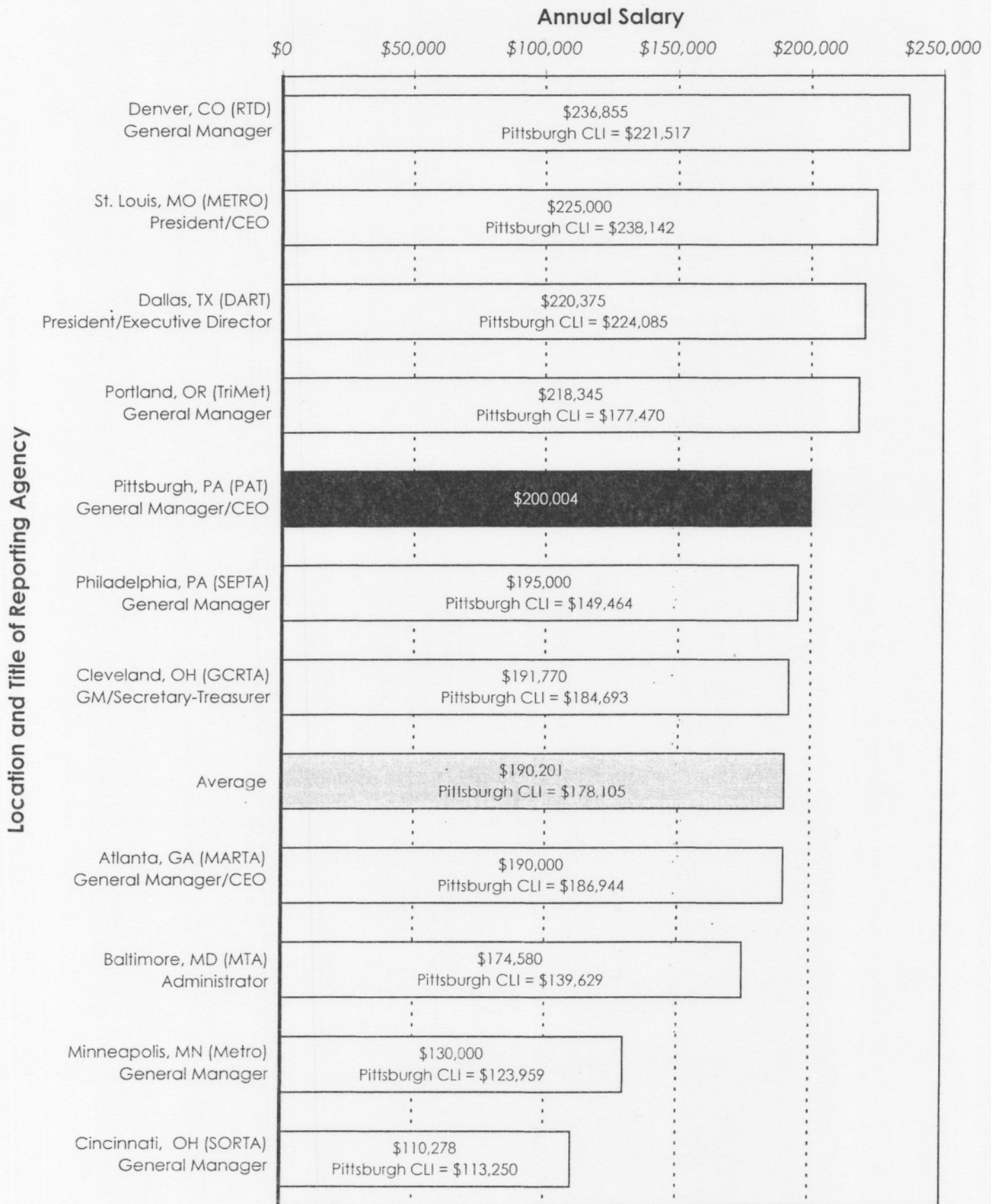
Table III

Location of Reporting Agency	Salaries, Wages and Benefits	Materials and Supplies	Purchased Transportation	Other Operating Expenses	Total Operating Expenses
Philadelphia, PA (SEPTA)	\$710,746,165	\$61,653,655	\$35,998,967	\$47,760,108	\$856,158,895
Baltimore, MD (MTA)	\$231,133,992	\$44,339,960	\$101,510,881	\$24,427,008	\$401,411,841
Dallas, TX (DART)	\$199,893,321	\$41,900,564	\$34,209,389	\$44,072,834	\$320,076,108
Atlanta, GA (MARTA)	\$255,380,948	\$33,986,205	\$0	\$19,620,673	\$308,987,826
Pittsburgh, PA (PAT)	\$222,691,803	\$29,885,277	\$30,898,155	\$21,434,470	\$304,909,705
Denver, CO (RTD)	\$135,426,689	\$27,975,725	\$98,680,656	\$33,055,857	\$295,138,927
Portland, OR (TriMet)	\$205,123,984	\$25,340,537	\$16,509,231	\$46,495,044	\$293,468,796
Minneapolis, MN (Metro)	\$180,444,271	\$22,172,678	\$0	\$14,828,512	\$217,445,461
Cleveland, OH (GCRTA)	\$161,046,441	\$25,548,779	\$2,235,042	\$27,159,373	\$215,989,635
St. Louis, MO (METRO)	\$116,534,588	\$20,995,345	\$0	\$32,878,713	\$170,408,646
Milwaukee, WI (MCTS)	\$104,001,032	\$11,965,698	\$20,151,550	\$6,242,130	\$142,360,410
Cincinnati, OH (SORTA)	\$52,664,248	\$10,596,993	\$5,898,553	\$5,757,474	\$74,917,268
Averages	\$214,590,624	\$29,696,785	\$28,841,035	\$26,977,683	\$300,106,127

Source: 2005 National Transit Database

Salaries of Transit Agency Heads

Table IV



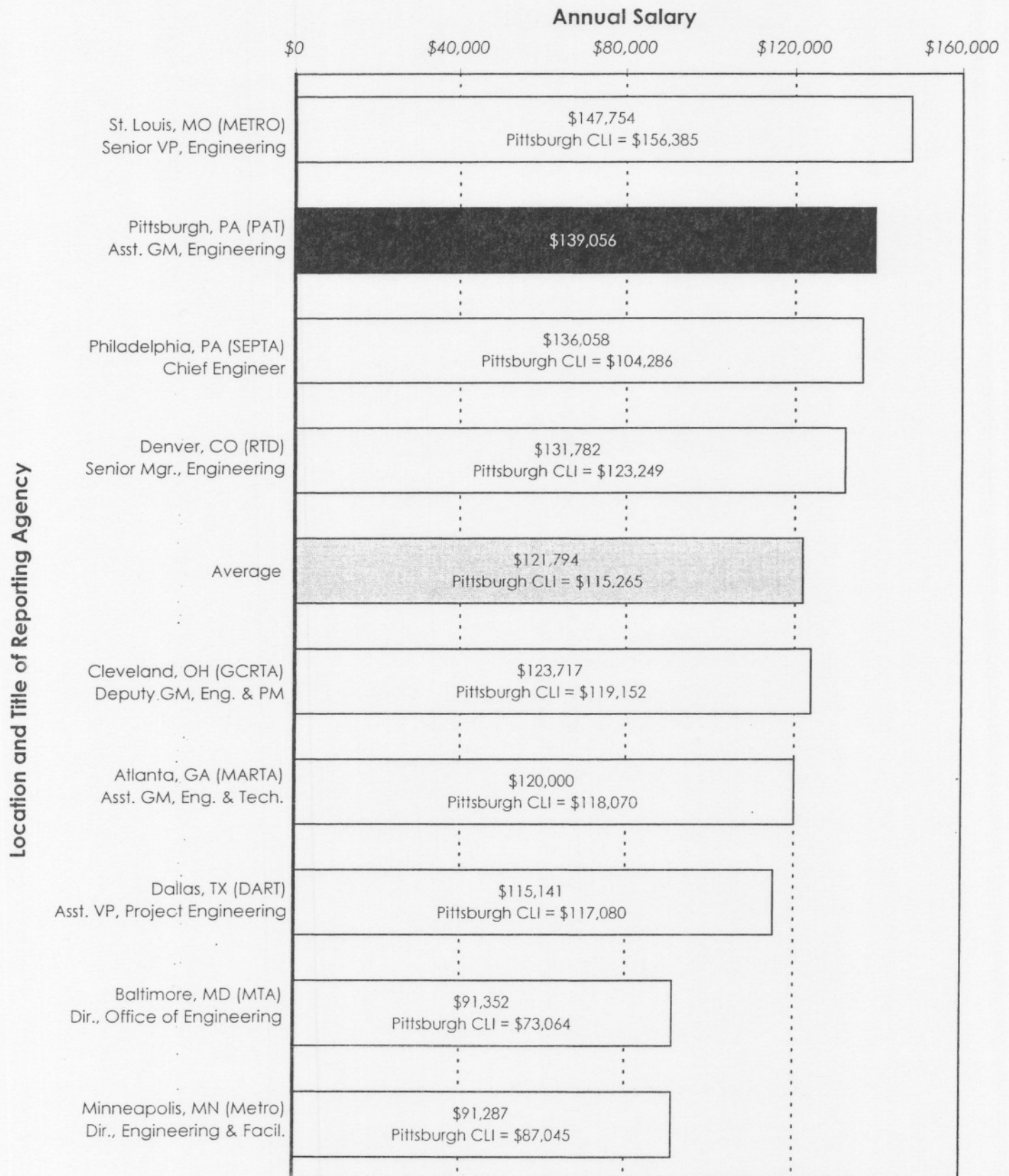
Source: 2006 American Public Transportation Association Management Compensation Report

**Milwaukee did not provide actual salary or salary range

CLI = Cost of Living Index

Salaries of Engineering Department Heads

Table V



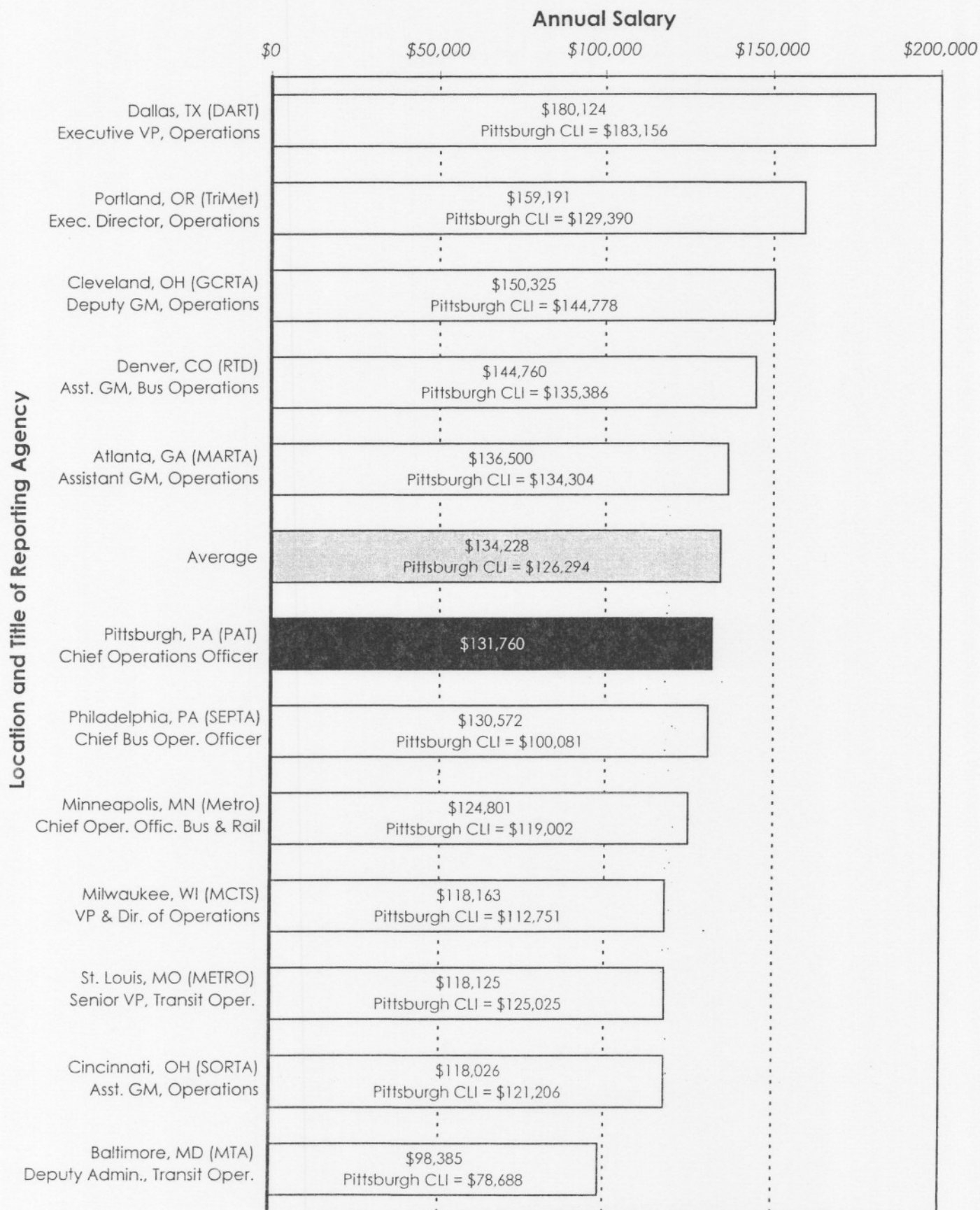
Source: 2006 American Public Transportation Association Management Compensation Report

**Portland, OR, Milwaukee, WI, and Cincinnati, OH do not fill this position

CLI = Cost of Living Index

Salaries of Operations Department Heads

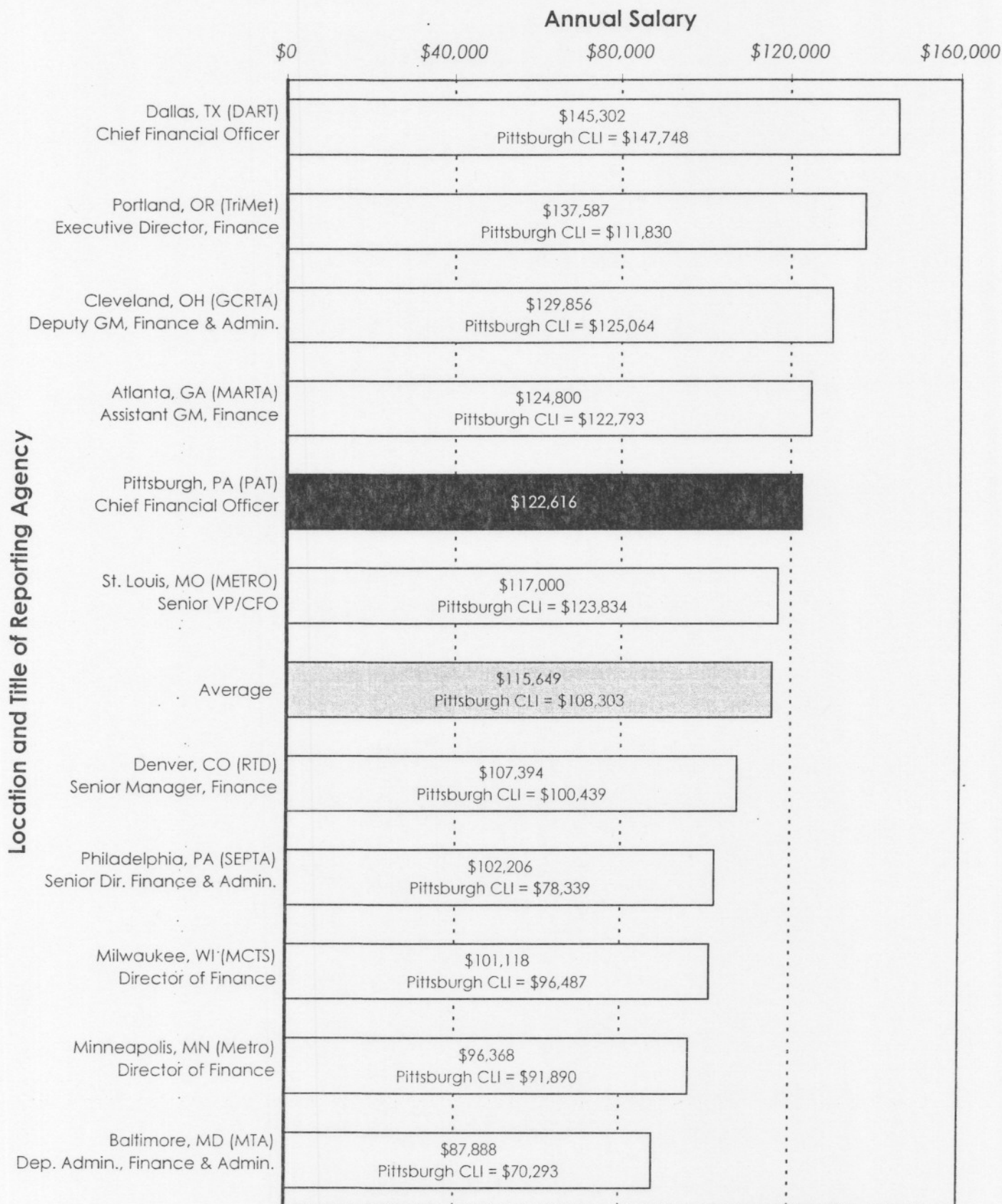
Table VI



Source: 2006 American Public Transportation Association Management Compensation Report
 CLI = Cost of Living Index

Salaries of Financial Department Heads

Table VII



Source: 2006 American Public Transportation Association Management Compensation Report

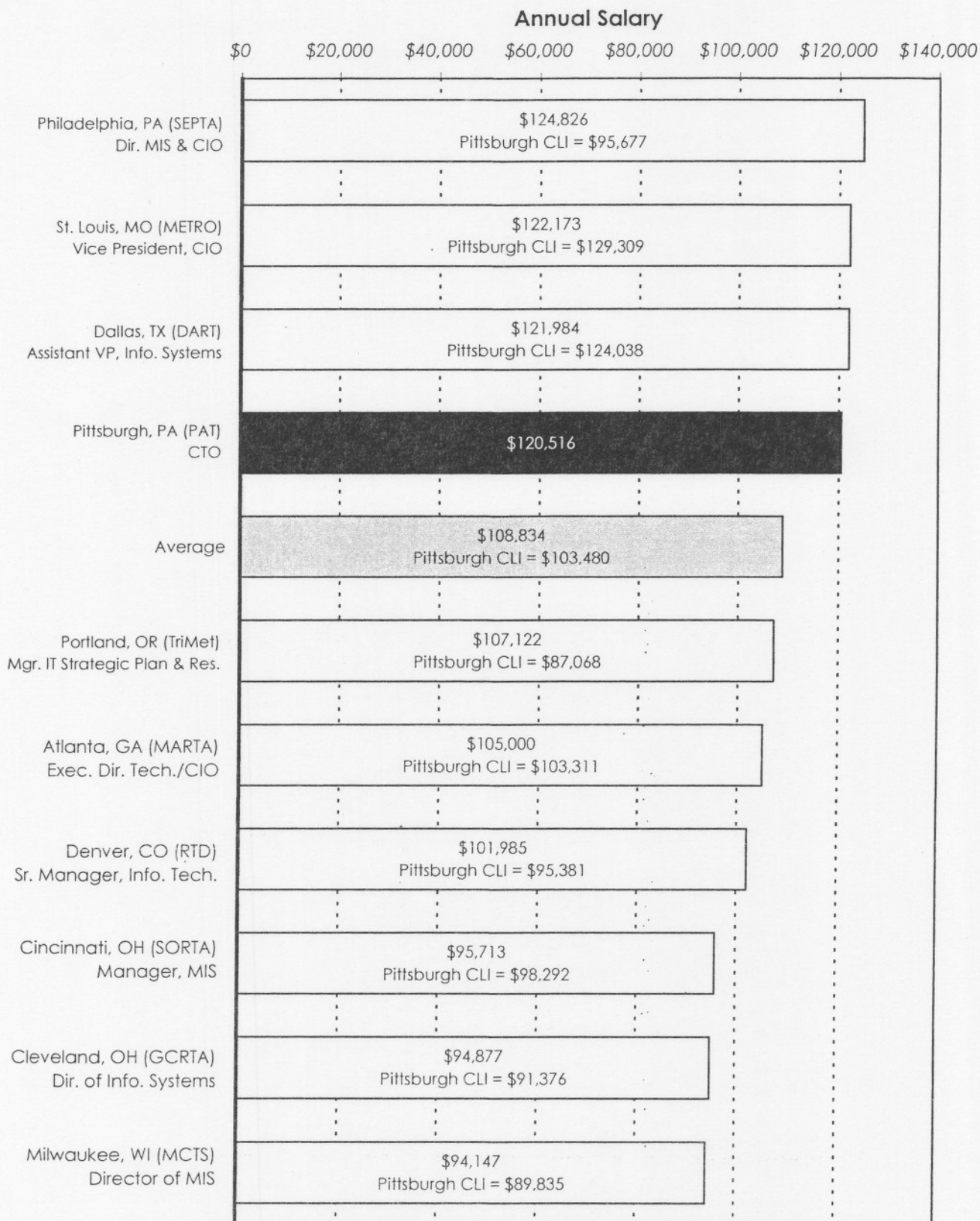
**Cincinnati does not fill this position

CLI = Cost of Living Index

Salaries of Technology Department Heads

Table VIII

Location and Title of Reporting Agency



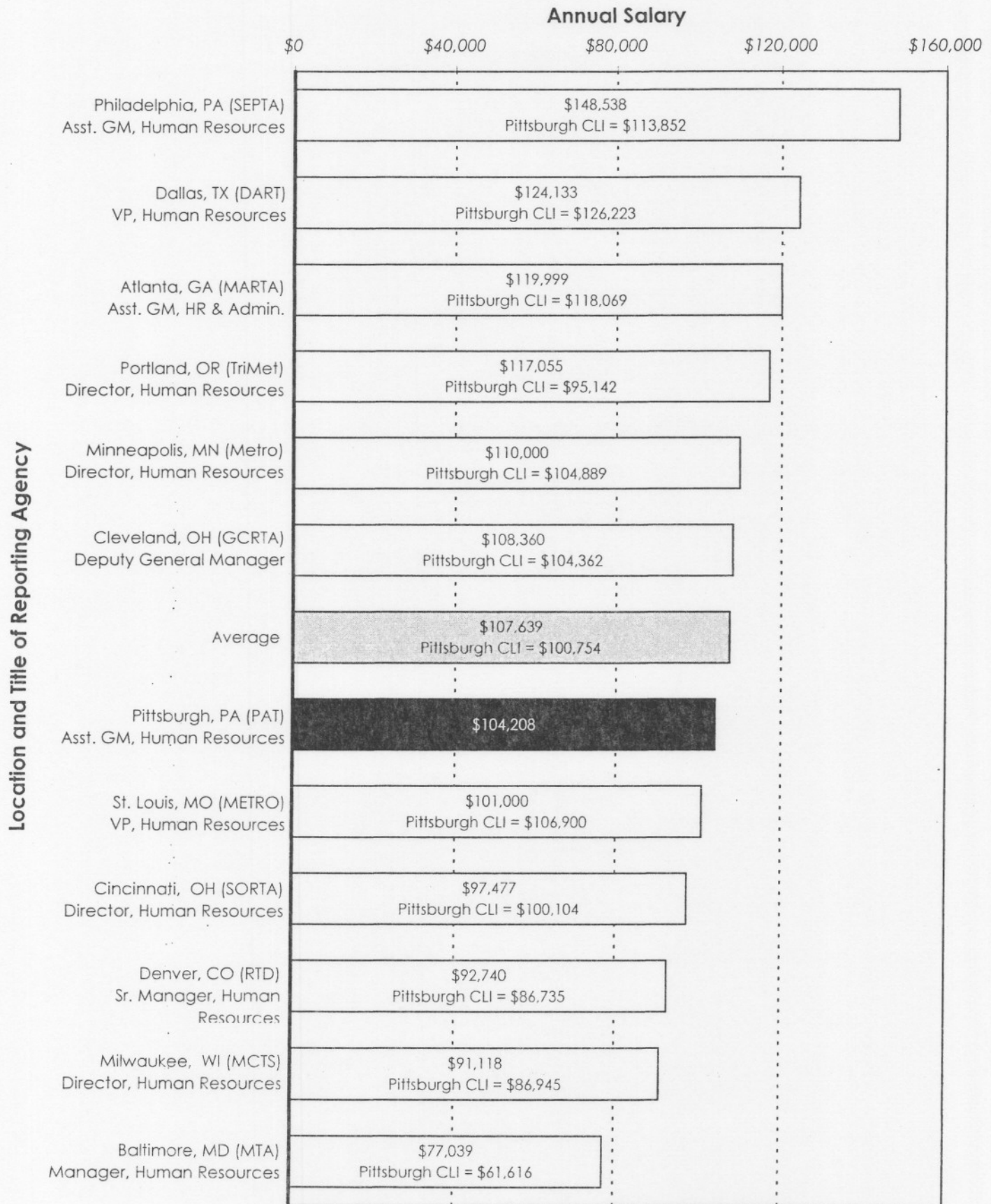
Source: 2006 American Public Transportation Association Management Compensation Report

**Minneapolis, MN and Baltimore, MD do not fill this position

CLI = Cost of Living Index

Salaries of Human Resource Department Heads

Table IX

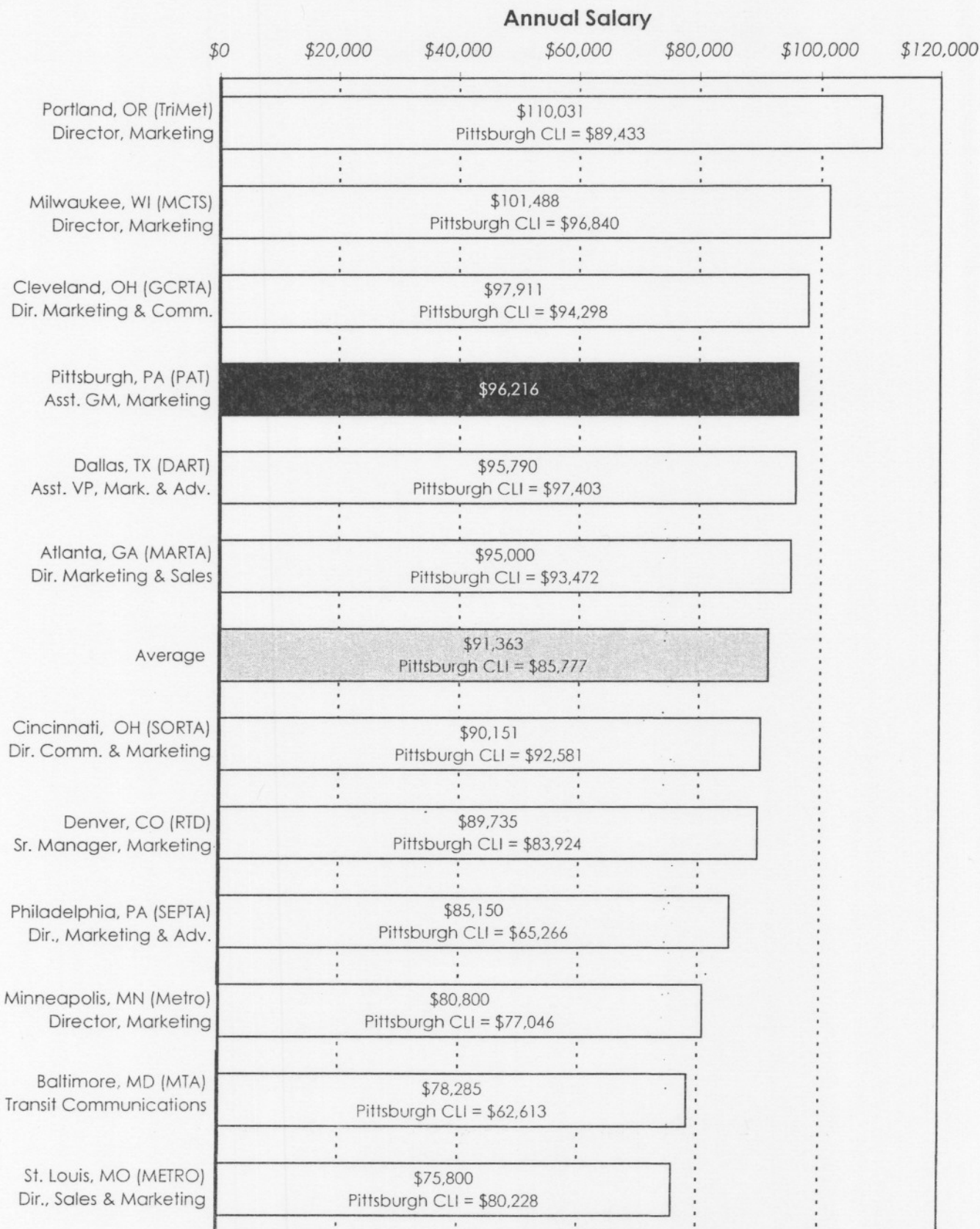


Source: 2006 American Public Transportation Association Management Compensation Report
CLI = Cost of Living Index

Salaries of Marketing Department Heads

Table X

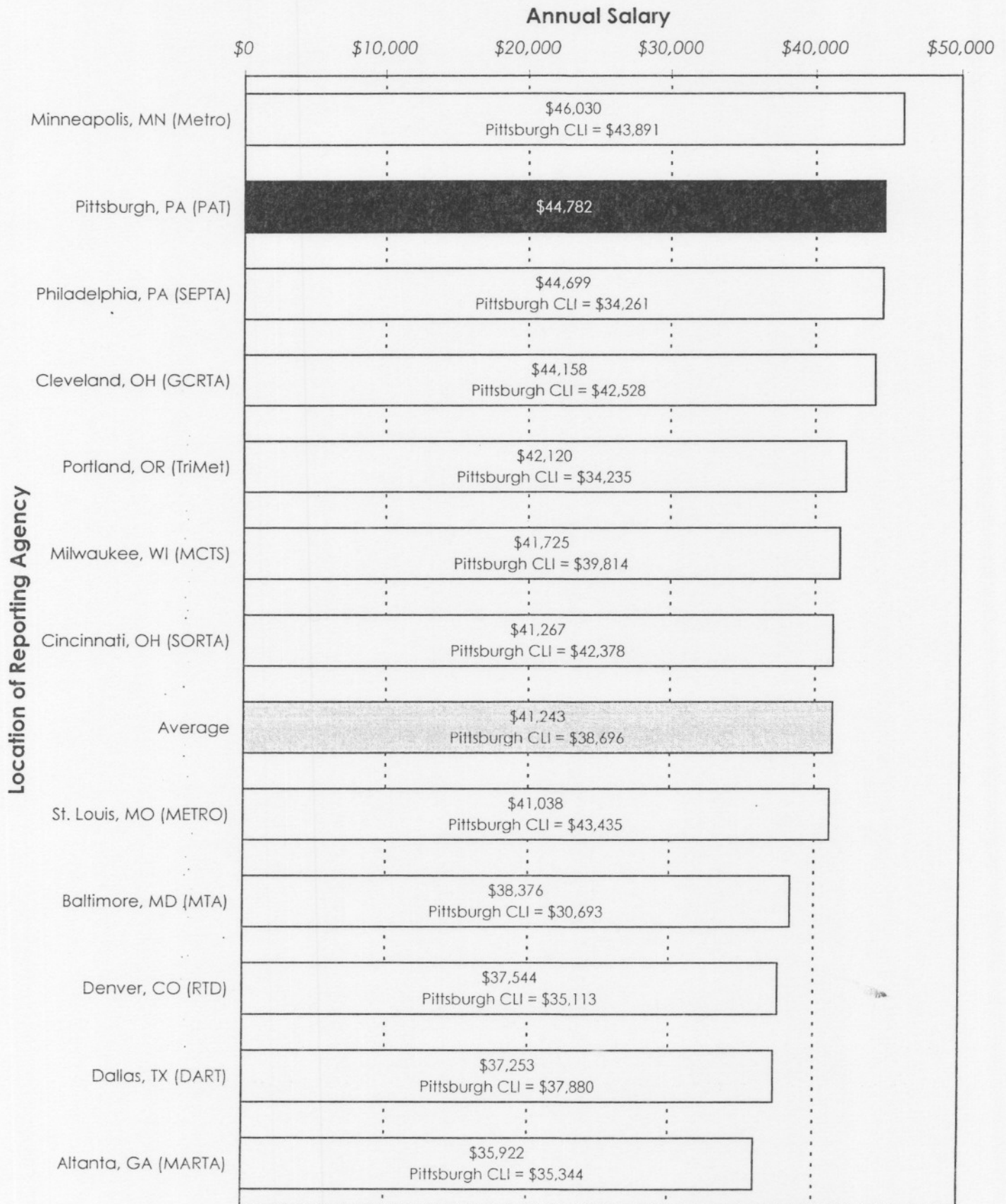
Location and Title of Reporting Agency



Source: 2006 American Public Transportation Association Management Compensation Report
CLI = Cost of Living Index

Highest Base Pay for Bus Operators

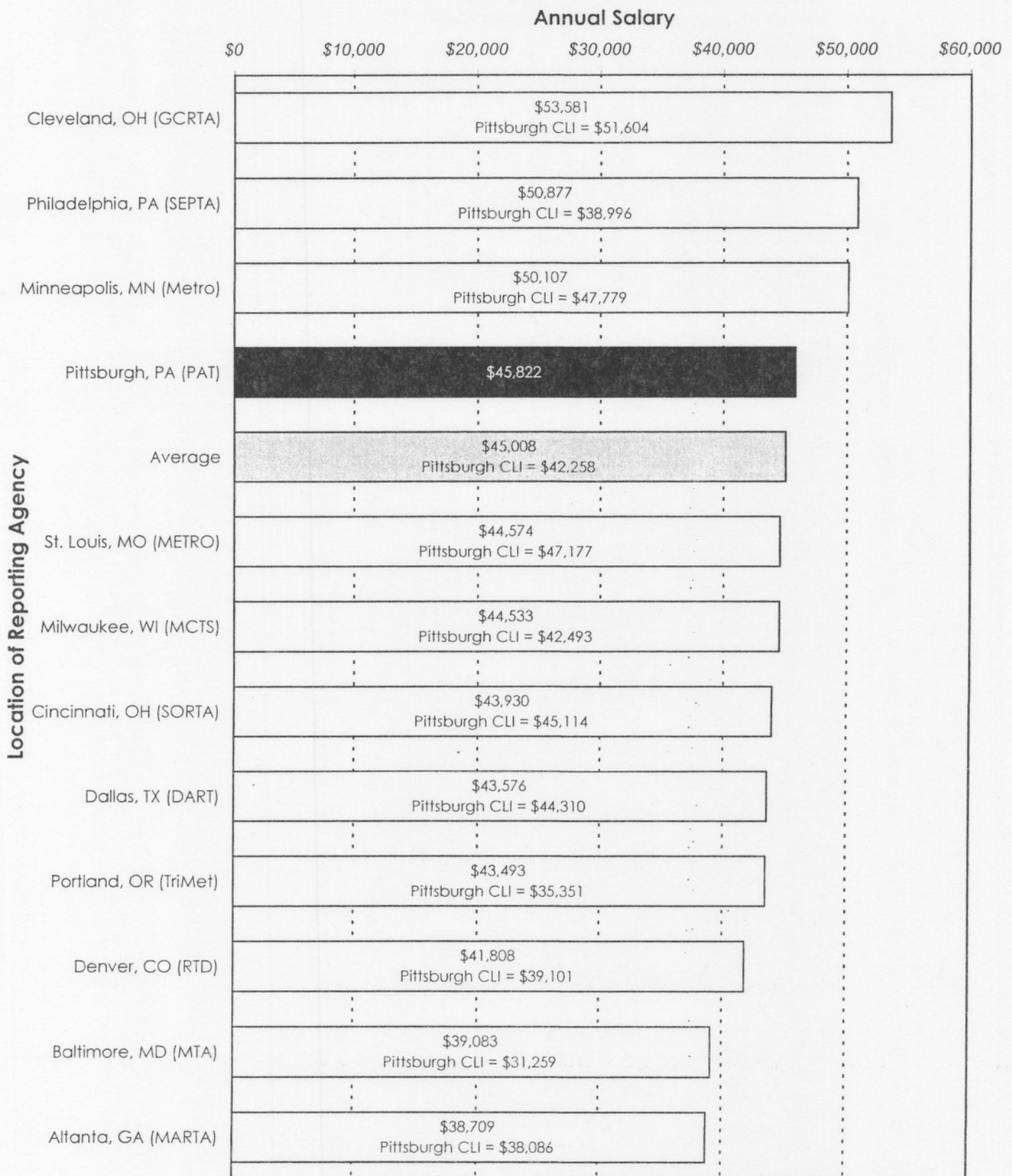
Table XI



Source: American Public Transportation Association - First Quarter 2007 Wage Survey
 CLI = Cost of Living Index

Highest Base Pay Salary for Bus Maintenance Personnel

Table XII



Source: American Public Transportation Association - First Quarter 2007 Wage Survey
CLI = Cost of Living Index

Table XIII

Highest Base Pay for Light Rail Operators

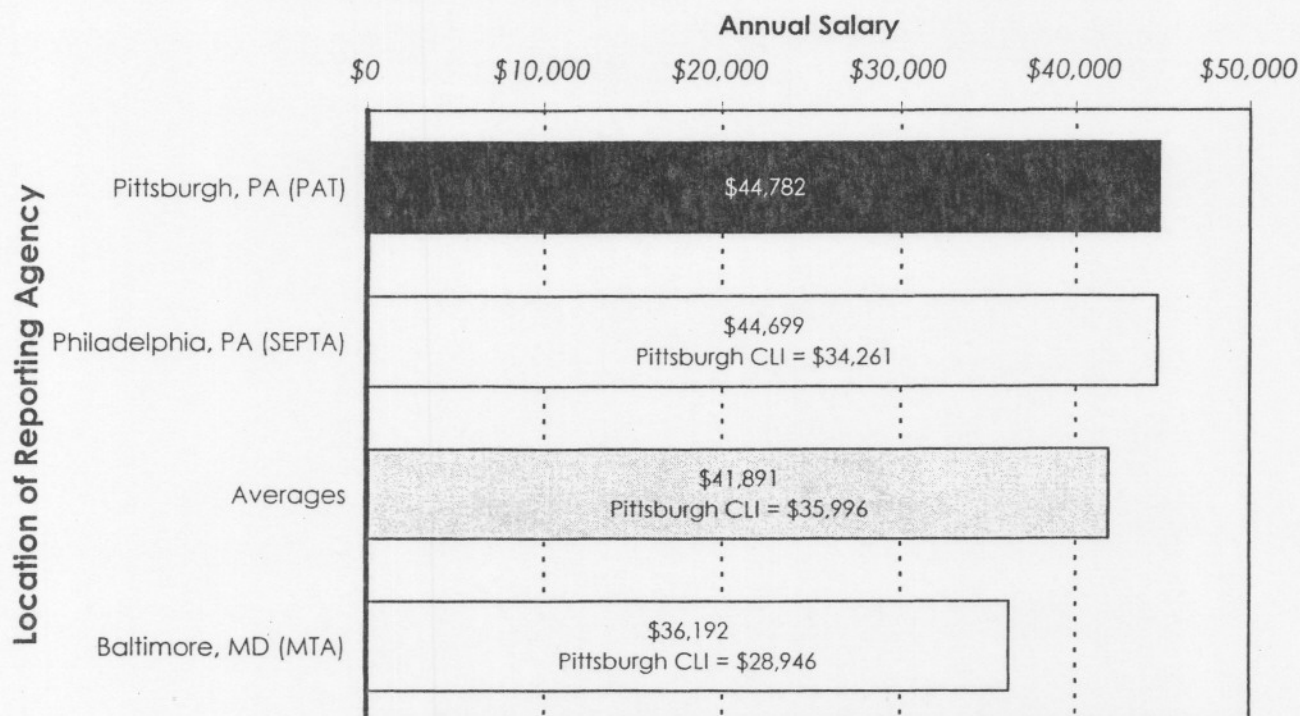
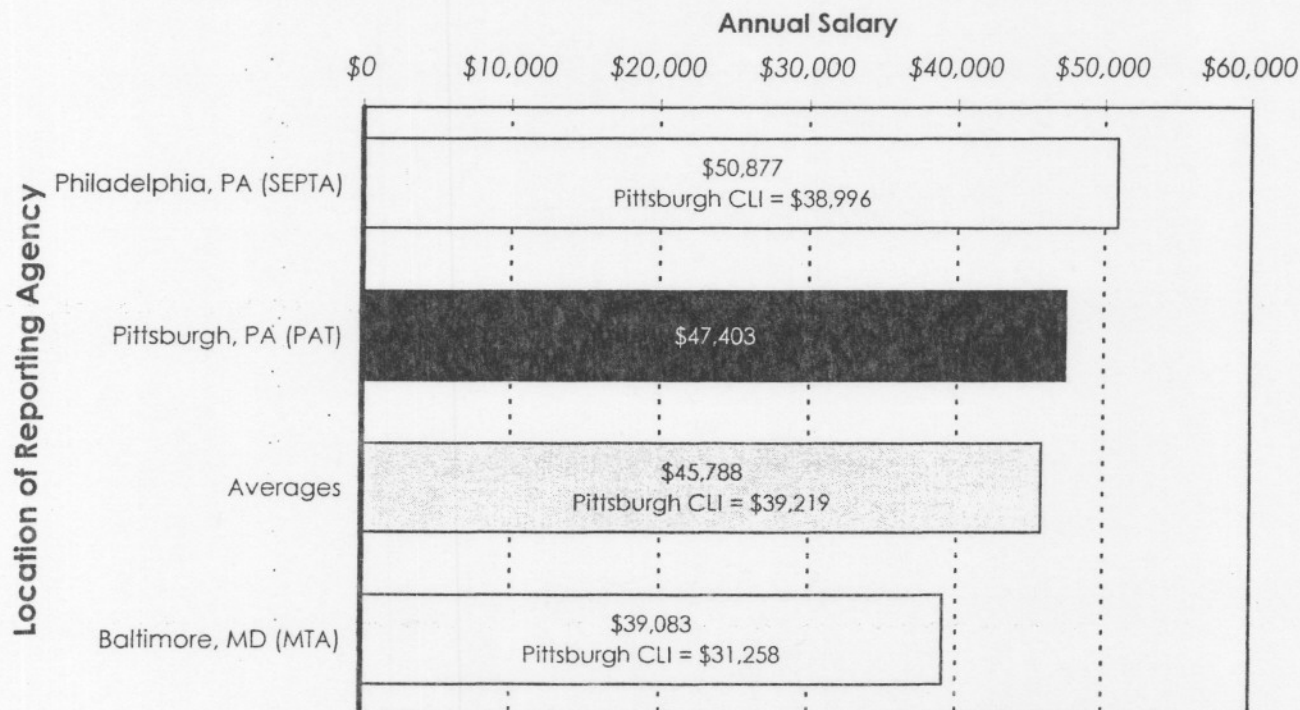


Table XIV

Highest Base Pay for Light Rail Maintenance Personnel



Source: American Public Transportation Association - First Quarter 2007 Wage Survey
 CLI = Cost of Living Index

Benchmarking Analysis

Cost Per Vehicle Revenue Hour Buses and Light Rail

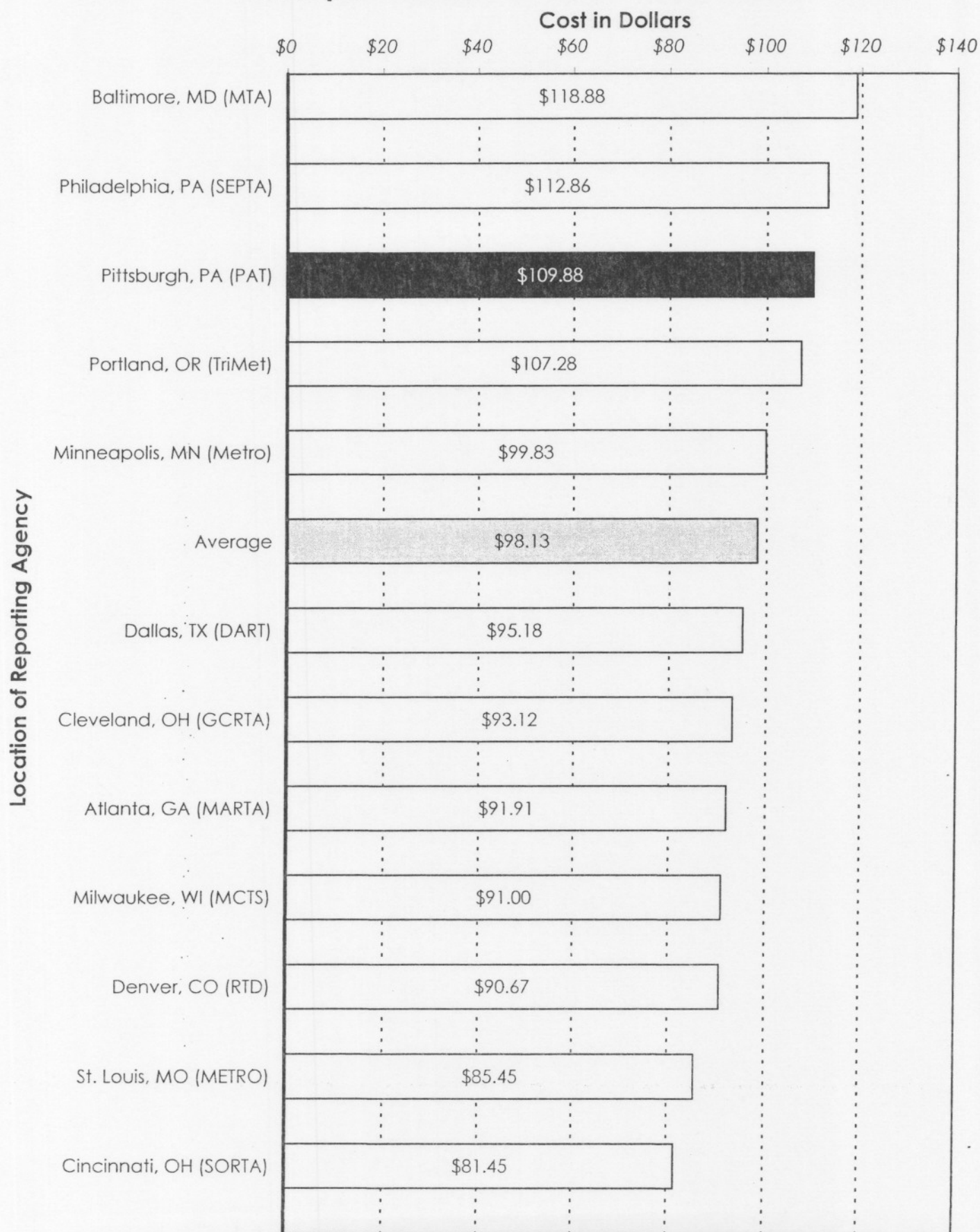
Tables XV and XVI illustrate the difference in cost per vehicle revenue hour for the 12 agencies. The cost per vehicle revenue hour is an important measurement by which the operational service costs are compared to other agencies.

The Port Authority's hourly operational cost for bus service ranks the third highest out of the 12 agencies. Its \$109.88 cost per vehicle hour is \$11.75 or 12% more than the \$98.13 transit sample average. In 2005, the Port Authority reported 2,129,531 annual vehicle revenue hours. If the Port Authority had operated at the bus service average of \$98.13, it could have realized a cost savings of approximately \$25,021,989.

The Port Authority's cost per revenue hour analysis of the light rail system was even more extreme. The cost per vehicle revenue hour for light rail for the Port Authority was \$286.60, or \$63.49 greater than the \$223.11 agency average. This 28% variance ranks the Port Authority the second highest out of the 9 agencies reviewed, with Baltimore, Maryland exceeding the Port Authority. The Port Authority reported 137,793 annual vehicle revenue hours for light rail service. If the Port Authority had operated at the light rail service average of \$223.11, it could have realized a cost savings of approximately \$8,748,478.

Cost per Vehicle Revenue Hour - Bus

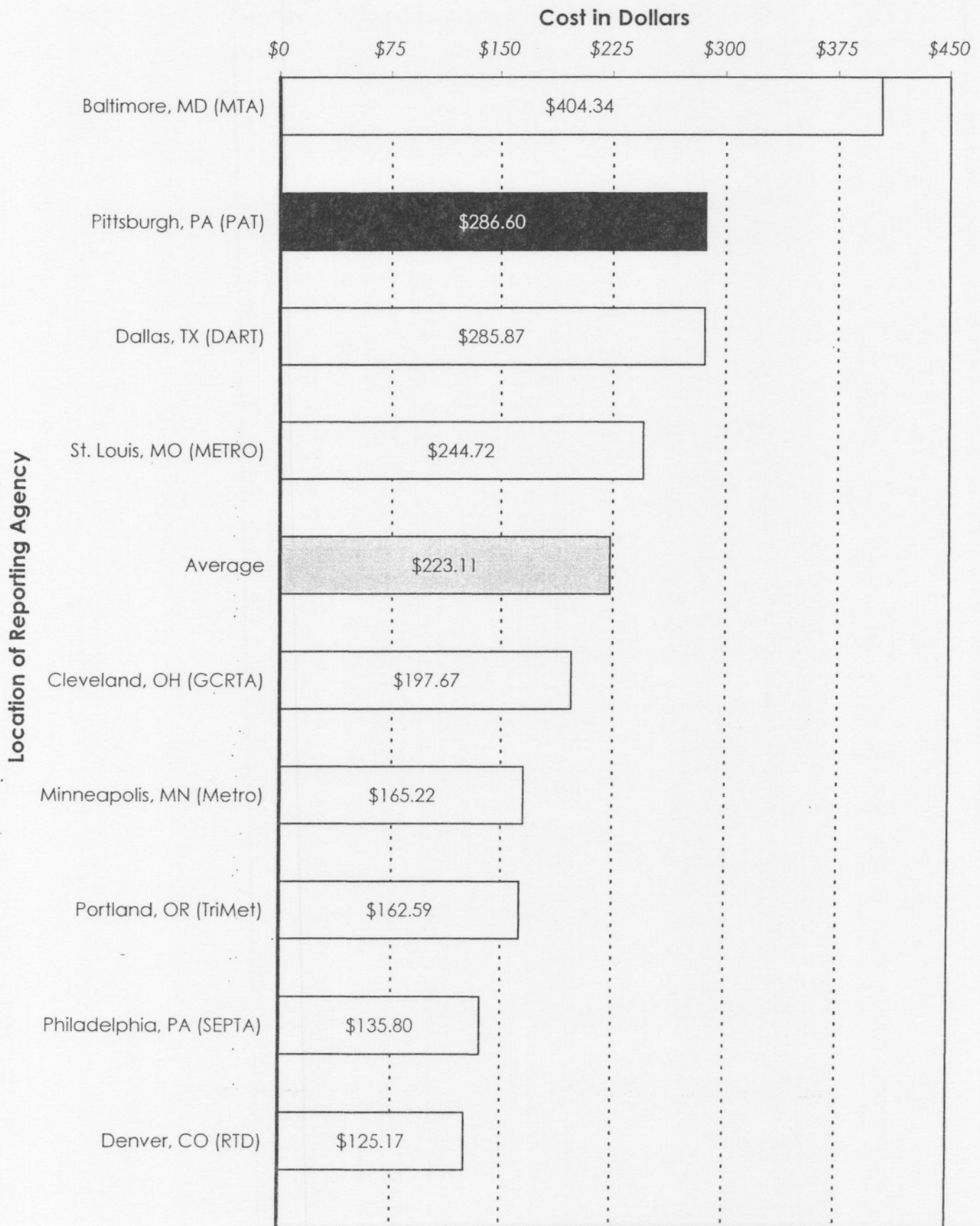
Table XV



Source: 2005 National Transit Database

Cost per Vehicle Revenue Hour - Light Rail

Table XVI



Benchmarking Analysis

Cost Per Rider Buses and Light Rail

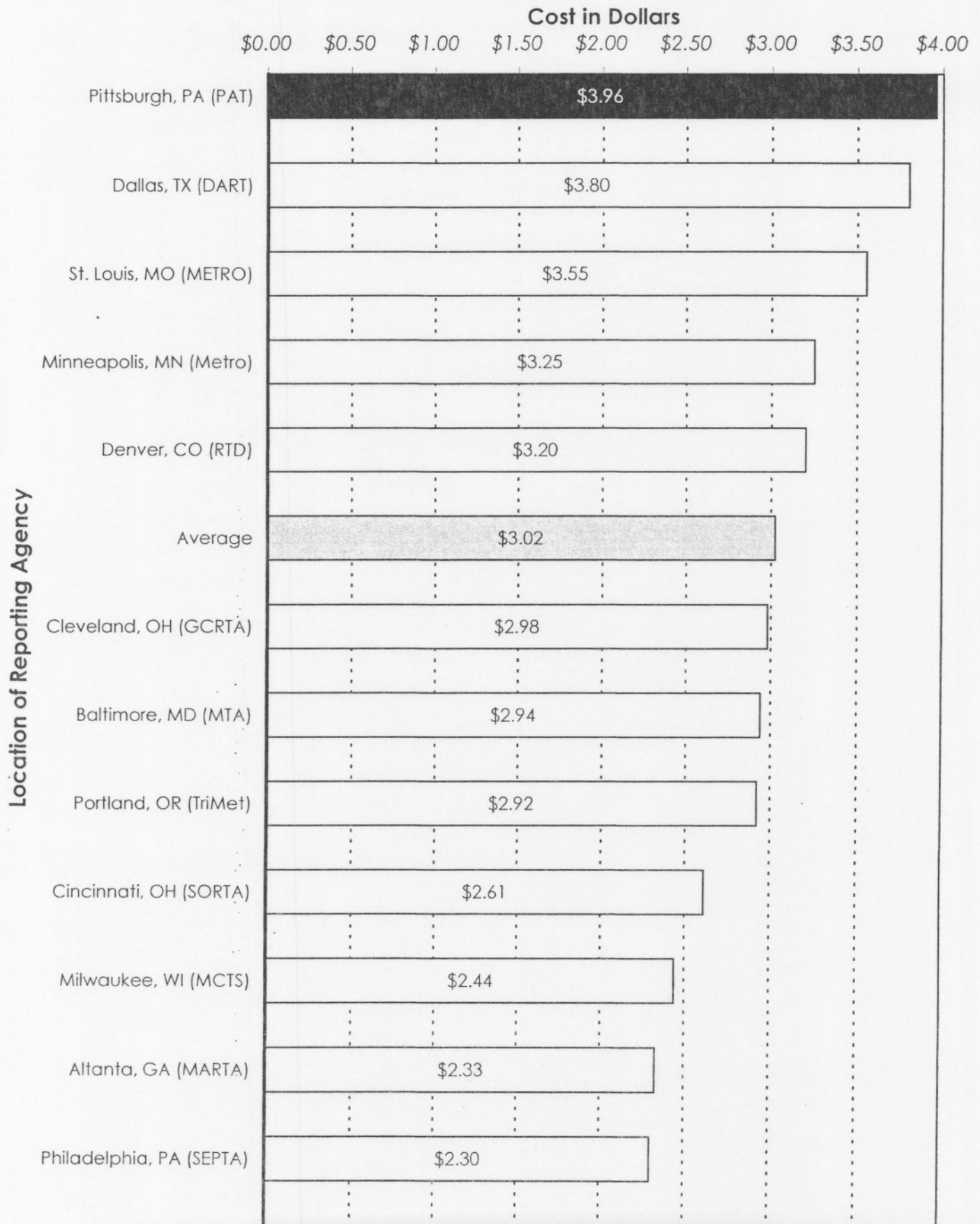
Tables XVII and XVIII represent the cost per rider compared to the average based on each of the 12 agencies. This information is analyzed as it relates to operating expenses per unlinked passenger trips for both bus service and light rail service. Unlinked passenger trips are the number of passengers who board public transportation vehicles per year. Passengers are counted each time they board the vehicle no matter how many vehicles they use to travel from their origin to their destination. There are 3 agencies which do not have light rail service and have been excluded from the cost per rider analysis for light rail. The cost per rider measures the costs to service a passenger for one trip by mass transit. This information displays how effective transit agencies are compared to their peers.

At a cost per rider rate of \$3.96, the Port Authority ranks the highest out of the 12 agencies reviewed. This represents a \$.94 or 31% greater cost than the \$3.02 average. During this time period, the Port Authority reported 59,106,947 unlinked passenger trips. If the Port Authority had operated at the \$3.02 cost per rider agency average, it could have realized a cost savings of approximately \$55,560,530.

The Port Authority's light rail system cost per rider ranks the second highest out of 9 agencies reviewed. The Port Authority had a cost per rider rate of \$5.60 for light rail. This reflects an additional \$2.06 more than the agency light rail average of \$3.54. Only Baltimore, Maryland has a higher cost at \$6.99 for light rail. The Port Authority reported 7,047,118 unlinked passenger trips during this time period. If the Port Authority had operated at the light rail cost per rider average of \$2.06, it could have realized a cost savings of approximately \$14,517,063 for light rail.

Cost per Rider - Bus

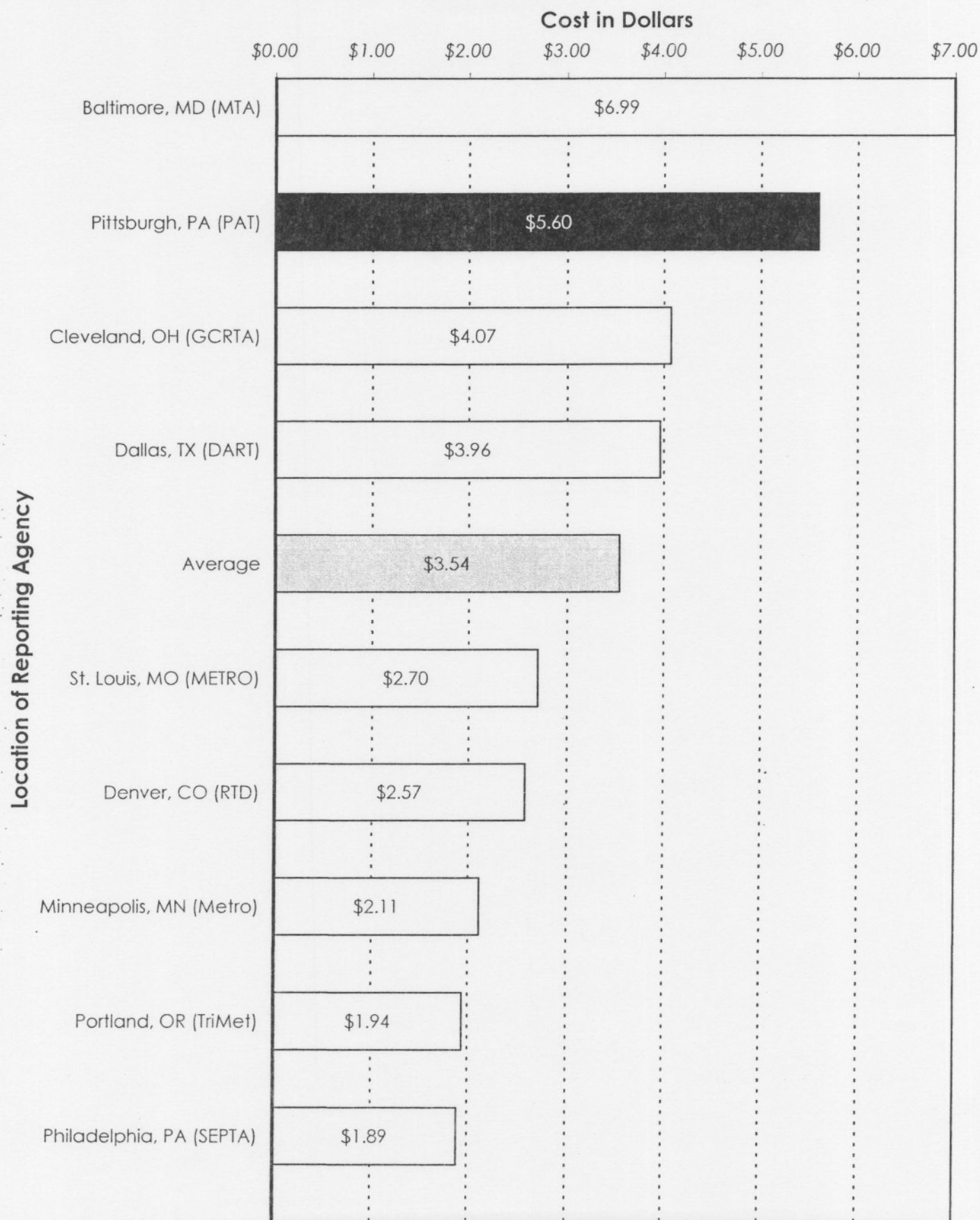
Table XVII



Source: 2005 National Transit Database

Cost per Rider - Light Rail

Table XVIII



Source: 2005 National Transit Database

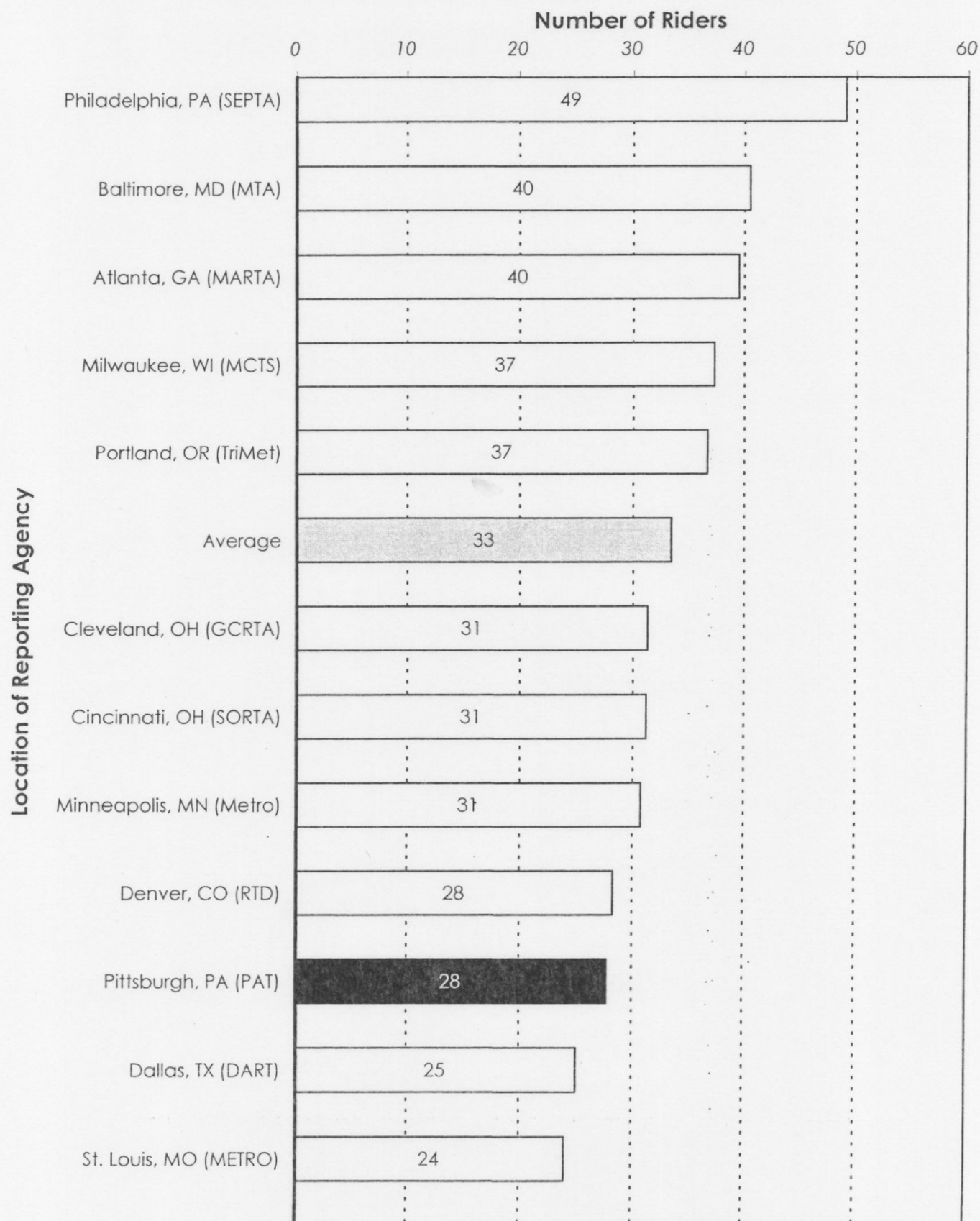
Riders Per Vehicle Revenue Hour Buses and Light Rails

Tables XIX and XX represent the riders per vehicle hour for buses and light rails for the 12 agencies. The riders per hour analysis identifies the number of riders that are using mass transit every hour a bus is in service. The results allow transit authorities to assess the effectiveness of the current transit service in attracting ridership compared to similar peer agencies.

The Port Authority has 28 riders per bus revenue hour which ties it for 9th among the 12 agencies with the least ridership. This represents 5 or 18% fewer riders than the agency average of 33 riders. Throughout this time period, the Port Authority reported 2,129,531 annual vehicle revenue hours. If the Port Authority had matched the agency average of 33 riders per vehicle revenue hour instead of its current ridership of 28, and maintained its current level of fare revenue intake, the Port Authority could have realized approximately \$10 million in additional revenue.

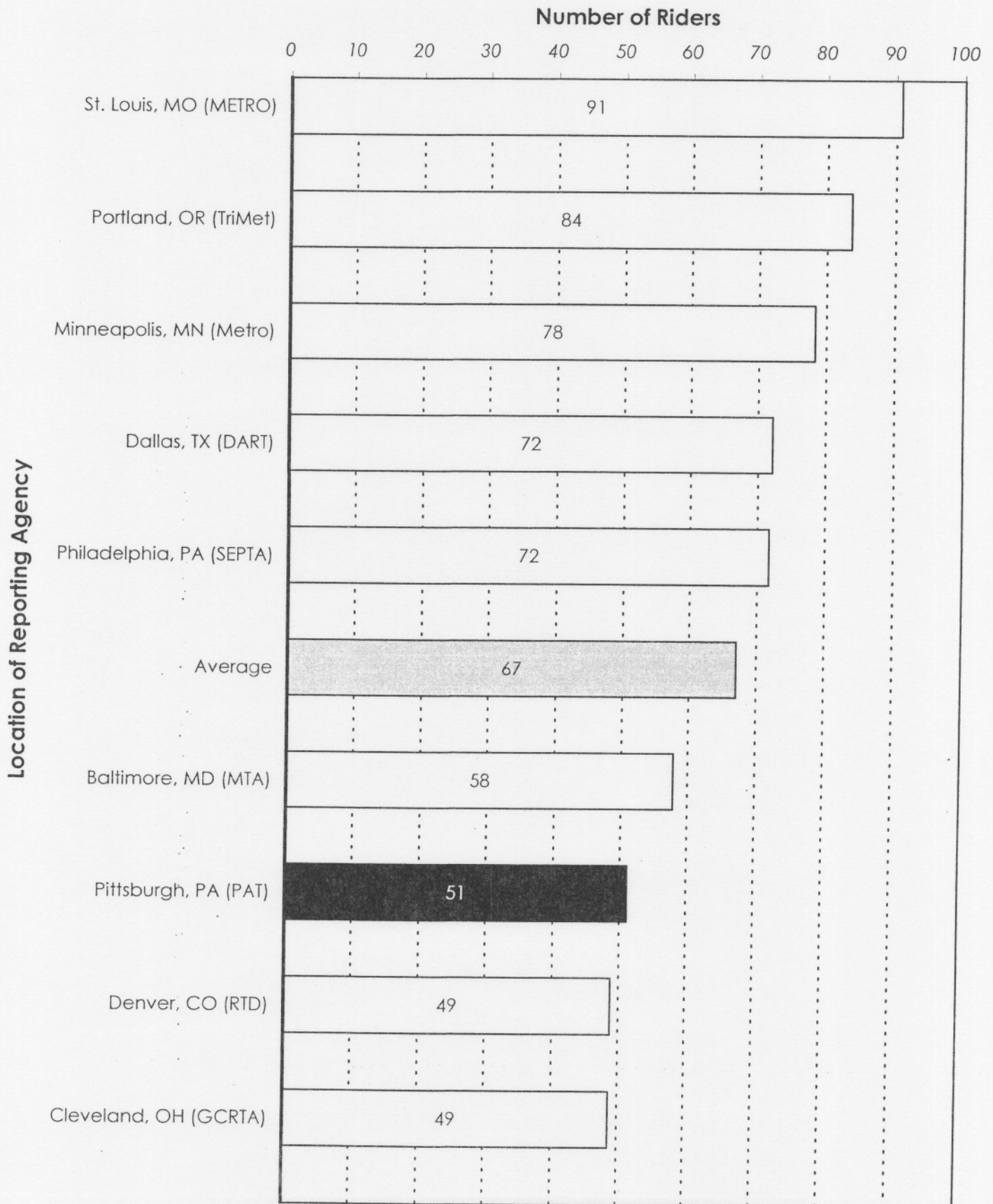
The Port Authority has 51 riders per light rail revenue hour which ranks it 7th among the 9 agencies reviewed. This represents 16 or 31% fewer riders than the agency average of 67. The Port Authority's light rail service reported 137,793 annual light rail revenue hours for 2005. If the Port Authority had achieved the light rail average of 67 riders per vehicle revenue hour instead of its current ridership of 51, and maintained its current level of fare revenue intake, the Port Authority could have realized approximately \$1.9 million in additional revenue.

Riders per Vehicle Revenue Hour - Bus



Riders per Vehicle Revenue Hour - Light Rail

Table XX



Source: 2005 National Transit Database

Optimal Bus Service Coverage

Table XXI details the number of vehicles operated in a maximum service area compared to the agency average. Our review included an analysis of the number of buses to the number of people serviced. The Port Authority services approximately 1,420 people per bus. This is significantly less than the agency average of 2,635 people per bus due to the number of buses that the Port Authority utilizes. This represents a difference of 1,215 riders per bus or 46%. Based on the averages presented in this table, if the Port Authority was performing at an average level, it should require 460 fewer buses to deliver the same level of service.

Our review also included an analysis of the number of buses compared to the square miles served. The Port Authority services 0.78 square miles per bus, which is significantly (34%) lower than the average of 1.19 square miles per bus for the other transit agencies. Based on the averages presented, if the Port Authority was performing at an average level, it should require 348 fewer buses to deliver the same level of service. Regardless of whether one subscribes to the population served or square miles covered methodologies, there are clearly cost savings to be realized.

Optimal Bus Service Coverage Estimates

Table XXI

Location of Reporting Agency	Service Area Statistics		Bus	Rail	Composites		Composites	
	Metro Area Served (Only Includes Area Served by Agency, Not Entire Metro Area)	Population of Service Area	Vehicles Operated in Maximum Service	Vehicles Operated in Maximum Service	People Served per Bus	People Served per Rail Vehicle	# of Buses Required to Achieve Average Coverage	Surplus/(Deficit) of Buses Compared to Average Coverage
Port Authority of Allegheny County (Port Authority)	Pittsburgh, PA	1,415,244	997	55	1,420	25,732	537	460
Milwaukee County Transit System (MCTS)	Milwaukee, WI	940,164	433	-	2,171	-	357	76
Tri-County Metropolitan Transportation District of Oregon (TriMet)	Portland, OR	1,253,502	536	87	2,339	14,408	476	60
Metro Transit	Minneapolis-St. Paul, MN	1,761,657	709	23	2,485	76,594	668	41
Southwest Ohio Regional Transit Authority (SORTA / Metro)	Cincinnati, OH	845,303	325	-	2,601	-	321	4
Maryland Transit Administration (MTA)	Baltimore, MD	2,077,667	786	36	2,643	57,713	788	(2)
The Greater Cleveland Regional Transit Authority (GCRTA)	Cleveland, OH	1,412,140	518	17	2,726	83,067	536	(18)
Denver Regional Transportation District (RTD)	Denver, CO	2,598,000	928	46	2,800	56,478	986	(58)
Southeastern Pennsylvania Transportation Authority (SEPTA)	Philadelphia, PA	3,330,669	1,184	117	2,813	28,467	1,264	(80)
Metropolitan Atlanta Rapid Transit Authority (MARTA)	Atlanta, GA	1,354,871	464	-	2,920	-	514	(50)
Bi-State Development Agency (METRO)	St. Louis, MO	1,006,570	337	34	2,987	29,605	382	(45)
Dallas Area Rapid Transit (DART)	Dallas, TX	2,250,300	605	82	3,720	27,443	854	(249)
Averages			652	55	2,635	44,390	640	12

Source: 2005 National Transit Database

Benchmarking Analysis

Five Year Performance Trend Analysis

Table XXII details a trend analysis of the Port Authority from 2001 through 2005. Significant findings include:

- Operating expenses increased from \$258,140,987 in 2001 to \$304,909,705 in 2005 for an 18% increase. This increase is greater than the rate of inflation which increased 13% during this period.
- There was a 15% increase in salaries, wages and benefits from 2001 to 2005.
- There was a 281% increase in "Other" operating expenditures which increased from \$5,629,222 in 2001 to \$21,434,470 in 2005.
- For buses, the cost per vehicle revenue hour increased 25%, and the cost per unlinked passenger trip increased 32% while ridership decreased by 5%.
- For light rail, the cost per vehicle revenue hour increased 23% and the cost per unlinked passenger trip increased 44% while ridership decreased by 14%.
- Although ridership continued to decrease, the Port Authority increased the amount of buses operating at maximum service from 828 to 997 in 2004.

Table XXIII compares the performance trends of the Port Authority to the rest of the benchmarked organizations, and the overall averages. Significant findings include:

- Salaries, wages, and benefits increased by 15%, compared to an average of 16%.
- "Other Operating Expenses" increased by 281%, compared to an average of 29%.
- Total Operating Expenses increased by 18%, compared to an average of 17%.
- Bus Vehicles in Maximum Service increased by 18%, compared to an average decrease of 4%.
- Bus Operating Expense per Vehicle Revenue Hour increased by 25%, compared to an average of 11%.
- Bus Operating Expense per Unlinked Passenger Trip increased by 32%, compared to an average of 18%.
- Light Rail Unlinked Passenger Trips per Vehicle Revenue Hour decreased by 14%, compared to an average decrease of 10%.
- Differences are often more pronounced and unfavorable when Pittsburgh is benchmarked against the closest cities based on geographic distance (e.g. Cleveland and Cincinnati).

Five-Year Port Authority Statistics

Table XXII ^{1/2}

Port Authority Review Comparative Statistics		Port Authority of Allegheny County Pittsburgh, Pennsylvania					
		2001	2002	2003	2004	2005	% Change 2001-2005
Service Consumption	Annual Passenger Miles	370,174,751	335,133,035	305,321,191	292,463,529	297,140,823	-20%
	Annual Unlinked Trips	76,885,617	75,773,387	68,242,432	67,855,192	68,952,002	-10%
Service Supplied	Annual Vehicle Revenue Miles	44,074,811	44,142,443	29,847,831	41,490,904	40,967,218	-7%
	Annual Vehicle Revenue Hours	3,261,330	3,262,204	2,303,841	3,067,664	3,029,109	-7%
	Vehicles Operated in Maximum Service	1,329	1,319	879	1,486	1,476	11%
Earned	Fare Revenues (in Dollars)	\$59,122,665	\$64,252,645	\$69,380,506	\$70,192,384	\$69,242,026	17%
Sources of Operating Funds Expended	Fare Revenues (in Dollars)	\$59,122,665	\$64,252,645	\$69,380,506	\$70,192,384	\$69,242,026	17%
	Fare Revenues (as a Percentage)	26%	24%	25%	24%	22%	-
	Local Funds (in Dollars)	\$23,796,331	\$26,178,148	\$25,856,803	\$27,439,826	\$29,522,239	24%
	Local Funds (as a Percentage)	10%	10%	10%	10%	10%	-
	State Funds (in Dollars)	\$144,831,513	\$145,954,768	\$143,331,383	\$151,488,782	\$169,391,759	17%
	State Funds (as a Percentage)	62%	55%	52%	52%	55%	-
	Federal Assistance (in Dollars)	\$0	\$27,079,804	\$32,809,554	\$38,259,051	\$38,338,390	42%
	Federal Assistance (as a Percentage)	0%	10%	12%	13%	12%	-
	Other Funds (in Dollars)	\$3,927,776	\$3,199,705	\$3,175,546	\$1,629,125	\$2,741,375	-30%
	Other Funds (as a Percentage)	2%	1%	1%	1%	1%	-
	Total Operating Funds Expended (in Dollars)	\$231,678,285	\$266,665,070	\$274,553,792	\$289,009,168	\$309,235,789	33%
Summary of Operating Expenses	Salaries, Wages and Benefits	\$193,888,735	\$203,873,293	\$199,223,252	\$209,406,615	\$222,691,803	15%
	Materials and Supplies	\$28,707,081	\$28,336,804	\$25,125,141	\$26,444,993	\$29,885,277	4%
	Purchased Transportation	\$29,915,949	\$30,054,728	\$29,528,533	\$30,189,581	\$30,898,155	3%
	Other Operating Expenses	\$5,629,222	\$8,668,735	\$18,703,300	\$19,333,442	\$21,434,470	281%
	Total Operating Expenses	\$258,140,987	\$270,933,560	\$272,580,226	\$285,374,631	\$304,909,705	18%
Vehicles Operated	Bus	848	838	828	997	997	18%
	Demand Response	430	430	0	430	420	-2%
	Inclined Plane	4	4	4	4	4	0%
	Light Rail	47	47	47	55	55	17%
	Total Vehicles	1,329	1,319	879	1,486	1,476	11%

Five-Year Port Authority Statistics

Table XXII ^{2/2}

Port Authority Review Comparative Statistics		Port Authority of Allegheny County					
		Pittsburgh, Pennsylvania					
		2001	2002	2003	2004	2005	% Change 2001-2005
Modal Characteristics Bus	Operating Expenses	\$198,535,819	\$210,104,935	\$210,614,558	\$219,056,516	\$233,998,360	18%
	Fare Revenues	-	\$50,852,815	\$55,870,306	\$56,352,308	\$54,981,271	8%
	Annual Passenger Miles	324,030,752	288,614,562	273,194,946	250,052,887	255,286,882	-21%
	Annual Vehicle Revenue Miles	29,579,081	29,877,263	28,344,482	28,049,934	27,583,675	-7%
	Annual Unlinked Trips	66,022,059	65,056,626	59,988,122	58,297,773	59,106,947	-10%
	Annual Vehicle Revenue Hours	2,260,335	2,301,970	2,179,392	2,170,522	2,129,531	-6%
	Vehicles Operated in Maximum Service	848	838	828	997	997	18%
Performance Measures - Bus	Operating Expense per Vehicle Revenue Mile	\$6.71	\$7.03	\$7.43	\$7.81	\$8.48	26%
	Operating Expense per Vehicle Revenue Hour	\$87.83	\$91.27	\$96.64	\$100.92	\$109.88	25%
	Operating Expense per Passenger Mile	\$0.61	\$0.73	\$0.77	\$0.88	\$0.92	51%
	Operating Expense per Unlinked Passenger Trip	\$3.01	\$3.23	\$3.51	\$3.76	\$3.96	32%
	Unlinked Passenger Trips per Vehicle Revenue Mile	2.23	2.18	2.12	2.08	2.14	-4%
	Unlinked Passenger Trips per Vehicle Revenue Hour	29.21	28.26	27.53	26.86	27.76	-5%
Modal Characteristics Light Rail	Operating Expenses	\$29,212,611	\$30,268,160	\$31,907,803	\$35,589,571	\$39,491,995	35%
	Fare Revenues	-	\$5,849,260	\$5,904,385	\$5,818,124	\$6,107,979	4%
	Annual Passenger Miles	32,837,137	32,937,455	31,987,571	30,025,476	29,585,481	-10%
	Annual Vehicle Revenue Miles	1,649,252	1,605,358	1,468,100	1,462,438	1,862,403	13%
	Annual Unlinked Trips	7,513,701	7,483,030	7,157,772	6,654,554	7,047,118	-6%
	Annual Vehicle Revenue Hours	125,667	122,463	111,638	112,840	137,793	10%
	Vehicles Operated in Maximum Service	47	47	47	55	55	17%
Performance Measures - Light Rail	Operating Expense per Vehicle Revenue Mile	\$17.71	\$18.85	\$21.73	\$24.34	\$21.20	20%
	Operating Expense per Vehicle Revenue Hour	\$232.46	\$247.16	\$285.81	\$315.40	\$286.60	23%
	Operating Expense per Passenger Mile	\$0.89	\$0.92	\$1.00	\$1.19	\$1.33	49%
	Operating Expense per Unlinked Passenger Trip	\$3.89	\$4.04	\$4.46	\$5.35	\$5.60	44%
	Unlinked Passenger Trips per Vehicle Revenue Mile	4.56	4.66	4.88	4.55	3.78	-17%
	Unlinked Passenger Trips per Vehicle Revenue Hour	59.79	61.10	64.12	58.97	51.14	-14%
Composites	People in Service Area per Bus Operated	1,669	1,689	1,709	1,420	1,420	-15%
	Percentage Bus Riders	86%	86%	88%	86%	86%	-
	Percentage Non-Bus Riders	14%	14%	12%	14%	14%	-

Source: 2001 - 2005 National Transit Database

* Indicates percentage change is from 2002-2005 as 2001 data was unavailable.

Five-Year Comparative Statistics for Selected Transit Agencies

Table XXIII

Port Authority Review Comparative Statistics		PAT	MARTA	MTA	SORTA	GCRTA	DART	RTD	MCTS	Metro	SEPTA	TriMet	METRO	AVG
		Pittsburgh, PA	Atlanta, GA	Baltimore, MD	Cincinnati, OH	Cleveland, OH	Dallas, TX	Denver, CO	Milwaukee, WI	Minneapolis, MN	Philadelphia, PA	Portland, OR	St. Louis, MO	Average
Summary of Operating Expenses	Salaries, Wages and Benefits	15%	-1%	24%	11%	-5%	50%	4%	9%	18%	20%	35%	17%	16%
	Materials and Supplies	4%	10%	71%	40%	13%	86%	30%	18%	29%	19%	30%	2%	29%
	Purchased Transportation	3%	0%	37%	-8%	40%	135%	76%	22%	0%	71%	6%	0%	32%
	Other Operating Expenses	281%	-56%	4%	-25%	-24%	41%	6%	-28%	-4%	29%	104%	17%	29%
	Total Operating Expenses	18%	-8%	29%	9%	-6%	59%	24%	9%	-9%	22%	40%	15%	17%
Bus Information	Vehicles Operated in Maximum Service	18%	-23%	-16%	-10%	-16%	35%	8%	-4%	-10%	7%	-6%	-28%	-4%
	Operating Expense per Vehicle Revenue Hour	25%	13%	18%	13%	0%	-5%	9%	22%	-1%	15%	29%	-6%	11%
	Operating Expense per Unlinked Passenger Trip	32%	7%	37%	3%	-18%	27%	9%	50%	28%	7%	24%	13%	18%
	Unlinked Passenger Trips per Vehicle Revenue Hour	-5%	6%	-14%	10%	22%	-25%	-1%	-19%	-23%	7%	4%	-17%	-5%
Rail Information	Vehicles Operated in Maximum Service	17%	-	-27%	-	-32%	78%	59%	-	- *	8%	50%	-23%	16%
	Operating Expense per Vehicle Revenue Hour	23%	-	120%	-	-14%	10%	10%	-	- *	5%	16%	19%	24%
	Operating Expense per Unlinked Passenger Trip	44%	-	68%	-	7%	13%	54%	-	- *	14%	21%	70%	36%
	Unlinked Passenger Trips per Vehicle Revenue Hour	-14%	-	30%	-	-20%	-3%	-29%	-	- *	-8%	-4%	-30%	-10%

Source: 2001 - 2005 National Transit Database

* Indicates Minneapolis Rail Service was not operational until 2004 and therefore not included.

Benchmarking Analysis

Estimated Opportunities for Cost Savings and Revenue Gains

Overall, if the Port Authority's performance metrics matched the average for all benchmarked agencies, the following could be achieved:

Performance Metric	Port Authority	Average	Cost Savings	Additional Revenue
Cost per Bus Revenue Hour	\$109.88	\$98.13	\$25,021,989	\$0
Cost per Light Rail Revenue Hour	\$286.60	\$223.11	\$8,748,478	\$0
Cost per Bus Rider	\$3.96	\$3.02	\$55,560,530	\$0
Cost per Light Rail Rider	\$5.60	\$3.54	\$14,517,063	\$0
Bus riders per vehicle revenue hour	28 riders	33 riders	\$0	\$9,786,666
Light rail riders per vehicle revenue hour	51 riders	67 riders	\$0	\$1,918,079
Population Served per Bus	1,420	2,635	\$107,963,136	\$0
Square Miles Covered per Bus	0.78 sq. miles	1.19 sq. miles	\$81,676,460	\$0

The metrics shown above illustrate some of the significant opportunities for cost savings and revenue gains through better management of the Port Authority's operations.

Recommendations:

This analysis shows that the Port Authority significantly underperforms when compared to other transit authorities in comparable cities.

Furthermore, the trend analysis shows that the gap between the Port Authority and the other benchmarked organizations is getting wider, not narrower.

Clearly, major change is needed at the Port Authority, and it is needed immediately.

We recommend that the Board of Directors and the Management of the Port Authority:

1. Set a near-term goal of improving operational performance to at least meet if not exceed the average performance of the benchmarked agencies, based on performance metrics including the ones listed above. In the longer term, work to maximize performance based on established metrics.
2. Link management compensation and incentives to improving the Port Authority's operational performance based on established performance metrics.

Benchmarking Analysis

3. Study the operations of the other benchmarked agencies to determine how they are able to achieve better performance and how the Port Authority might apply some of these practices to improve its own results.
4. Request that the Allegheny County Controller's Office update and republish this benchmark study annually to assess the Port Authority's progress in achieving its performance goals.
5. Conduct a comprehensive, ground-up review of its operations, including service delivery philosophy, route planning, equipment needs, opportunities to work with private transit firms, and all other factors that go into running a transit system. Embrace new and externally-submitted ideas in order to find ways of achieving much better performance.
6. Adopt a "Cut waste and inefficiency first, cut service last" philosophy and approach.
7. Seek out and work with experts in relevant fields such as computer modeling and simulation and operations research. These disciplines, among others, can help the Port Authority to better plan, design, and manage its route system and operations. This expertise is available at local colleges and universities (e.g. Carnegie-Mellon and the University of Pittsburgh).

ANALYTICAL REVIEW

Analytical Review of the Port Authority's Operating Budget and Year End Results

Analytical reviews involve a comparison of detail balances or statistical data on a year to year basis in an effort to substantiate reasonableness without systematic examination of the transactions comprising the account balances. A well performed analytical review not only benefits the examination by providing an understanding of the Port Authority's operations, but it also highlights matters of interest and potential problem situations which, if detected early, might avert more serious problems.

Budget to Year End Results

We compared the Port Authority's budgeted amounts to the audited revenues and expenses for fiscal years 2001 through 2006. **Schedule B** on pages 48 and 49 shows the comparative information. Although there were variances between the budget and actual amounts in various categories each year, we focused on the items where there were significant variances over the entire period reviewed. The summary below details these variances.

Revenues

- In general, operating revenues were always less than budget. Operating subsidies, except for 2001 and 2002 were less than budgeted each year.
- Actual interest income varied from the budget each year. The large fluctuation between budget and actual in 2001 and 2002 is due to the fact that all interest earned for the year was recorded under the amount for operating income, however, only the operating portion was included in the budget amount. Beginning in fiscal year 2003, the actual operating interest was reported separately. The variance in 2005 was due to a change in the expected amount of cash on hand available to earn the interest. This available cash on hand was due to the selling of an option on refunding outstanding Series 2001 bonds with variable rate bonds in 2004. This transaction, also referred to as a Swaption, allowed the Port Authority to receive an upfront net benefit of \$9.5 million after expenses. In 2006 it was a combination of unexpected cash on hand and the fact that the swaption interest was not budgeted for. Throughout these periods there also was an increase in short-term rates of return on investments.

Expenses

- In only two of the six years covered did the Port Authority spend more than budgeted for wages and salaries and employee benefits.
- The actual amount for provisions for injuries and damages shows a significant variance from the budget every year. The budget is set to a conservative number and actual savings have been realized due to effective management of costs related to workers compensation claims and injury and litigated settlements.
- In four of the six years expenditures for purchased services exceeded budget. In one other year budget and expenditures matched. In that year, the budget was never formally approved. Utilities were consistently over budgeted.

Analytical Review

- There is a consistent difference between the budget and actual amounts for other expenses. The differences are due to audit adjustments for the inclusion of capital costs related to Small Transit Vehicle repairs; pass thru expenses, miscellaneous expenses, and other expenses that are not included in the budgeted amount.
- In 2006, a line item called "cost savings needed" totaling \$19 million was included under budgeted Employee Benefits. This is the amount of assumed savings in employee benefits projected as part of a new collective bargaining agreement with the Amalgamated Transit Union. This line item amount was plugged to pass a "balanced budget" when the budget for the year was predicted to have a shortfall. However, a review of employee benefits for 2006 revealed healthcare alone increased \$9.1 million.
- In 2005, the preliminary budget presented to the Board included a \$30 million deficit. The Board chose not to pass a budget but to operate under a continued spending resolution. By year end, the budget was balanced due to supplemental flex funding received from the State and the Board had never formally adopted the budget.

Recommendations:

Based on our review, we recommend that the Port Authority:

1. Review its accounting procedures and standards to allow for a more consistent treatment of revenues and expenses from year to year.
2. Define processes to more effectively budget for items that can reasonably be known or estimated during the budgeting process.

Comparative Year End Results

We also compared the Port Authority's audited expenses for each fiscal year from 2001 through 2006. The chart below shows a high level summary of this information. Since these high level categories are made up of numerous line items, we presented the significant changes in the detail below.

Actual Expenses for 2001 through 2006

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Average Annual Change	Change 2001-2006	
Wages & Salaries	131,051	135,988	131,572	137,773	138,102	137,373	1,264	6,322	5%
Employee Benefits	60,767	66,045	64,010	70,808	83,221	101,458	8,138	40,691	67%
Materials & Supplies	28,718	28,351	25,125	26,445	29,885	34,980	1,252	6,262	22%
Access Service	23,827	23,157	22,564	22,797	23,446	24,511	137	684	3%
Provision for Injuries & Damages	3,132	2,950	2,681	1,614	3,099	2,638	(99)	(494)	-16%
Utilities	7,015	6,612	5,934	6,056	6,912	8,106	218	1,091	16%
Purchased Services	6,195	6,870	7,297	6,396	5,862	8,320	425	2,125	34%
<u>Other Expenses</u>	<u>5,386</u>	<u>7,971</u>	<u>7,453</u>	<u>9,041</u>	<u>12,431</u>	<u>11,527</u>	<u>1,228</u>	<u>6,141</u>	114%
Total Expenses	266,091	277,944	266,636	280,930	302,958	328,913	12,563	62,822	24%

Source: The Port Authority Adjusted Trial Balance

Analytical Review

Employee Benefits

- The annual required pension contribution varies between years with substantial increases from 2005 to 2006. Of the \$60.6 million paid for 2006 healthcare, \$25.8 million or 43% was for retirees. The Port Authority's contributions to the Local 85 pension fund were significantly less than the required contribution for the fiscal years 2001 through 2005 due to the fact that the pension had excess assets. Excess assets occur when the actuarial value of plan assets exceeds the accrued liability of the plan. The Port Authority utilized excess assets of the plan to satisfy its required contribution to the plan for these years. As of December 2004, the excess assets were exhausted and the accrued liability now exceeded the actuarial value of plan assets and the unfunded accrued liability amounted to \$2.3 million. In fiscal year 2006, the Port Authority was required to make its annual contribution to the Local 85 pension plan in addition to the payments to amortize the unfunded accrued liability.

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Change 2001-2006
Local 85	2	(57)	(32)	200	2	8,302	8,300
Non-represented	-	1,271	1,778	2,978	2,930	3,455	3,455
IBEW	-	2	1	213	199	343	343
TOTAL	2	1,216	1,747	3,391	3,131	12,100	12,098

Source: The Port Authority Adjusted Trial Balance

- Healthcare has been on a steady increase due to increasing premiums over the years. After the healthcare provider contract expired in 2001, premiums increased significantly. Due to the higher healthcare costs an actuarial analysis determined that the Port Authority was required to contribute an additional \$1.27 million to the pension plan for non-represented employees for fiscal year 2002.

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Change 2001-2006
Healthcare	35,599	38,839	35,328	39,397	51,539	60,607	25,008 70%

Source: The Port Authority Adjusted Trial Balance

Materials and Supplies

- Diesel fuel and gasoline have also been on a steady increase with drastic jumps of over \$4 million in fiscal year 2005 and 2006. These fuels are purchased on a contracted amount that is re-bid each year.

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Change 2001-2006
Diesel	9,697	8,925	6,999	8,564	13,054	17,713	8,016 83%
Gas	249	216	246	266	358	478	229 92%
TOTAL	9,946	9,141	7,245	8,830	13,412	18,191	8,245 83%

Source: The Port Authority Adjusted Trial Balance

Analytical Review

- Material costs for spare parts used to maintain transit equipment have decreased. However, supplies which include cleaning and office products, vehicle paint, and road salt increased during this period.

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Change 2001-2006	
Materials	13,765	14,068	12,369	12,398	11,372	11,305	(2,460)	(18%)
Supplies	2,254	2,485	2,547	2,734	2,552	2,758	504	22%
TOTAL	16,019	16,553	14,916	15,132	13,924	14,063	(1,956)	(12%)

Source: The Port Authority Adjusted Trial Balance

Provision for Injuries and Damages

- Although the provision for injuries and damages has fluctuated over the years, there was a \$494,000 decrease from 2001 to 2006. This is due to risk management effectively controlling costs.

Utilities

- Utilities increased \$1.1 million from 2001-2006 due to continually rising utility rates. The most significant increase from 2005-2006 was specifically due to higher natural gas rates which caused a residual increase in electricity rates.

Purchased Services

- Work done by outside contractors as well as small transit vehicle repairs experienced significant increases. Work done by outside contractors almost doubled from 2005 to 2006 due to the start up costs of the South Hills Village garage. The STV repairs increased because more vehicles were added to the fleet. The original lease was for ten small transit vehicles in 2002. The lease was amended to add 20 more small transit vehicles in April 2003 and another 45 small transit vehicles in October 2003. The increase in the number of small transit vehicles is primarily responsible for the increase in maintenance and repair costs.

<i>In Thousands</i>	2001	2002	2003	2004	2005	2006	Change 2001-2006	
Outside								
Contractors	392	438	579	731	751	1,493	1,101	281%
STV Repair	148	462	1,599	2,048	2,573	2,586	2,438	1647%

Source: The Port Authority Adjusted Trial Balance

Analytical Review

Recommendations:

Based on our review, we recommend that the Port Authority:

1. Conduct a comprehensive and ground-up review of its pension obligations. This review should include:
 - a. A reassessment and "reality check" of all plan assumptions, including rates of return and projected salary increases. This reassessment should compare projected rates of return to rates of return achieved to date, as well as historical market returns and interest rates.
 - b. A review of expected future annual required contributions based on realistic and supportable plan assumptions.
 - c. A plan for funding future annual required contributions in the year that they are due. This should be factored into all future Port Authority financial planning.
2. Review the terms of employee health care and pension plans to assess their competitiveness and supportability. This review should include:
 - a. A comparison of terms offered versus the terms offered by comparable transit agencies for similar positions.
 - b. The expected future cost of benefits using the current terms versus terms that are competitive with other transit agencies.
 - c. Examination of the plan provided to retirees eligible for Medicare.
3. Review its operations to identify ways to reduce the total number of miles driven, thus reducing fuel and maintenance expenses.

ANALYTICAL REVIEW
Of the Port Authority's
Operating Budget and Year End Results
In Millions

Schedule B ^{1 of 2}

	2001				2002				2003			
	Budget	Actual	Difference	% Difference	Budget	Actual	Difference	% Difference	Budget	Actual	Difference	% Difference
Operating Revenue												
Passenger Revenues												
Bus, Trolley, Light Rail, Sr. Reimb., Contracted Svcs.	61.7	63.7	2.0	3.2%	74.0	68.4	(5.6)	-7.6%	72.6	74.2	1.6	2.2%
ACCESS Program	12.3	12.8	0.5	4.1%	15.1	14.1	(1.0)	-6.6%	14.8	13.0	(1.8)	-12.2%
Other Income (Advertising, Real Estate, Misc, etc)	1.7	2.1	0.4	23.5%	2.2	2.4	0.2	9.1%	2.4	2.5	0.1	4.2%
Total Operating Revenue	75.7	78.6	2.9	3.8%	91.3	84.9	(6.4)	-7.0%	89.8	89.7	(0.1)	-0.1%
Non Operating Revenue (Expenses)												
Operating Subsidies												
Federal	0.0	0.0	0.0	0.0%	0.0	0.4	0.4	100.0%	0.0	0.0	0.0	0.0%
State	76.6	76.7	0.1	0.1%	69.0	69.0	0.0	0.0%	71.0	67.7	(3.3)	-4.6%
County	22.5	22.6	0.1	0.4%	22.5	22.6	0.1	0.4%	22.5	22.6	0.1	0.4%
Total Operating Subsidies	99.1	99.3	0.2	0.2%	91.5	92.0	0.5	0.5%	93.5	90.3	(3.2)	-3.4%
Vehicle Improvement Program	4.0	2.4	(1.6)	-40.0%	2.7	2.8	0.1	3.7%	3.0	3.3	0.3	10.0%
Safety Renewal Program	13.7	13.7	0.0	0.0%	15.8	15.6	(0.2)	-1.3%	16.0	16.0	0.0	0.0%
Asset Maintenance	30.3	30.0	(0.3)	-1.0%	31.0	31.0	0.0	0.0%	30.0	25.2	(4.8)	-16.0%
Preventative Maintenance	9.1	9.1	0.0	0.0%	9.1	9.1	0.0	0.0%	9.1	5.4	(3.7)	-40.7%
Unrealized Gain on Investment	-	-	0.0	0.0%	-	0.1	0.1	100.0%	-	-	0.0	0.0%
Cost of Contracting	13.7	13.7	0.0	0.0%	15.3	15.3	0.0	0.0%	15.0	14.5	(0.5)	-3.3%
Interest Income	3.5	26.3	22.8	651.4%	1.5	24.5	23.0	1533.3%	0.9	0.7	(0.2)	-22.2%
Interest Expense	(3.6)	(26.2)	(22.6)	627.8%	(1.2)	(25.3)	(24.1)	2008.3%	(1.0)	(1.0)	0.0	0.0%
Total Non Operating Revenues	169.8	168.3	(1.5)	-0.9%	165.7	165.1	(0.6)	-0.4%	166.5	154.4	(12.1)	-7.3%
TOTAL REVENUES	245.5	246.9	1.4	0.6%	257.0	250.0	(7.0)	-2.7%	256.3	244.1	(12.2)	-4.8%
Operating Expenses												
Wages and Salaries	129.8	131.1	(1.3)	-1.0%	133.5	136.0	(2.5)	-1.9%	135.9	131.6	4.3	3.2%
Employee Benefits	61.9	60.8	1.1	1.8%	63.5	66.0	(2.5)	-3.9%	67.5	64.0	3.5	5.2%
Materials and Supplies	25.6	28.7	(3.1)	-12.1%	29.7	28.3	1.4	4.7%	25.7	25.1	0.6	2.3%
Provision for injuries and damages	4.8	3.1	1.7	35.4%	4.4	2.9	1.5	34.1%	4.0	2.7	1.3	32.5%
Purchased Services	6.3	6.2	0.1	1.6%	6.4	6.9	(0.5)	-7.8%	6.2	7.3	(1.1)	-17.7%
Utilities	5.2	7.0	(1.8)	-34.6%	7.1	6.6	0.5	7.0%	6.8	5.9	0.9	13.2%
Other Expenses	4.0	5.3	(1.3)	-32.5%	4.4	8.0	(3.6)	-81.8%	4.7	7.5	(2.8)	-59.6%
ACCESS Program Service	22.6	23.8	(1.2)	-5.3%	24.4	23.2	1.2	4.9%	24.8	22.6	2.2	8.9%
Total	260.2	266.0	(5.8)	-2.2%	273.4	277.9	(4.5)	-1.6%	275.6	266.7	8.9	3.2%
Less Amounts Capitalized	(14.7)	(19.2)	4.5	-30.6%	(16.4)	(22.3)	5.9	-36.0%	(19.3)	(22.8)	3.5	-18.1%
TOTAL EXPENSES	245.5	246.8	(1.3)	-0.5%	257.0	255.6	1.4	0.5%	256.3	243.9	12.4	4.8%
Total Revenues over Expenses	(0.0)	0.1	0.1		0.0	(5.6)	(5.6)		0.0	0.2	0.2	

Source: Port Authority Budgets and Audited Financial Statements prepared by Maher Duessel

ANALYTICAL REVIEW
Of the Port Authority's
Operating Budget and Year-End Results
In Millions

Schedule B ^{2 of 2}

	2004				2005				2006			
	Budget	Actual	Difference	% Difference	Budget	Actual	Difference	% Difference	Budget	Actual	Difference	% Difference
Operating Revenue												
Passenger Revenues												
Bus, Trolley, Light Rail, Sr. Reimb.,												
Contracted Svcs.	74.4	74.2	(0.2)	-0.3%	74.0	73.8	(0.2)	-0.3%	75.2	74.9	(0.3)	-0.4%
ACCESS Program	13.2	13.4	0.2	1.5%	12.8	12.4	(0.4)	-3.1%	12.8	12.3	(0.5)	-3.9%
Other Income (Advertising, Real Estate, Misc, etc)	1.5	1.2	(0.3)	-20.0%	1.4	1.7	0.3	21.4%	1.6	2.0	0.4	25.0%
Total Operating Revenue	89.1	88.8	(0.3)	-0.3%	88.2	87.9	(0.3)	-0.3%	89.6	89.2	(0.4)	-0.4%
Non Operating Revenue (Expenses)												
Operating Subsidies												
Federal	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	100.0%	0.0	0.0	0.0	0.0%
State	75.8	67.7	(8.1)	-10.7%	72.7	72.1	(0.6)	-0.8%	82.6	82.6	0.0	0.0%
County	22.6	22.6	0.0	0.0%	23.5	24.0	0.5	2.1%	24.5	23.2	(1.3)	-5.3%
Total Operating Subsidies	98.4	90.3	(8.1)	-8.2%	96.2	96.1	(0.1)	-0.1%	107.1	105.8	(1.3)	-1.2%
Vehicle Improvement Program	3.0	2.6	(0.4)	-13.3%	*	2.7			3.0	2.4	(0.6)	-20.0%
Safety Renewal Program	15.0	15.0	0.0	0.0%	*	25.3			25.2	27.7	2.5	9.9%
Asset Maintenance	25.3	26.2	0.9	3.6%	*	16.2			15.0	16.0	1.0	6.7%
Total VOH/ISRP/Asset Maintenance	43.3	43.8	0.5	1.2%	44.4	44.2	(0.2)	-0.5%	43.2	46.1	2.9	6.7%
Preventative Maintenance	10.7	20.7	10.0	93.5%	39.1	39.1	0.0	0.0%	54.1	51.6	(2.5)	-4.6%
Unrealized Gain on Investment	-	-	0.0	0.0%	-	0.0	0.0	100.0%	-	-	0.0	0.0%
Cost of Contracting	15.0	14.9	(0.1)	-0.7%	15.0	15.0	0.0	0.0%	15.0	15.0	0.0	0.0%
Interest Income	0.8	0.5	(0.3)	-37.5%	0.5	1.0	0.5	100.0%	0.5	1.9	1.4	280.0%
Interest Expense	(0.7)	(0.7)	0.0	0.0%	(1.1)	(1.1)	0.0	0.0%	(1.5)	(1.5)	0.0	0.0%
Total Non Operating Revenues	167.5	169.5	2.0	1.2%	194.1	194.3	0.2	0.1%	218.4	218.9	0.5	0.2%
TOTAL REVENUES	256.6	258.3	1.7	0.7%	282.3	282.2	(0.1)	0.0%	308.0	308.1	0.1	0.0%
Operating Expenses												
Wages and Salaries	137.9	137.8	0.1	0.1%	141.6	138.1	3.5	2.5%	141.3	137.4	3.9	2.8%
Employee Benefits	74.7	70.8	3.9	5.2%	89.2	83.2	6.0	6.7%	97.6	101.5	(3.9)	-4.0%
Materials and Supplies	26.2	26.4	(0.2)	-0.8%	31.7	29.9	1.8	5.7%	32.2	35.0	(2.8)	-8.7%
Provision for injuries and damages	3.5	1.6	1.9	54.3%	3.4	3.1	0.3	8.8%	3.4	2.6	0.8	23.5%
Purchased Services	5.7	6.4	(0.7)	-12.3%	5.9	5.9	0.0	0.0%	7.3	8.6	(1.3)	-17.8%
Utilities	6.6	6.1	0.5	7.6%	7.4	6.9	0.5	6.8%	8.0	8.1	(0.1)	-1.3%
Other Expenses	4.7	9.0	(4.3)	-91.5%	4.2	12.4	(8.2)	-195.2%	4.2	11.5	(7.3)	-173.8%
ACCESS Program Service	22.8	22.8	0.0	0.0%	22.8	23.4	(0.6)	-2.6%	24.3	24.5	(0.2)	-0.8%
Total	282.1	280.9	1.2	0.4%	306.2	302.9	3.3	1.1%	318.3	329.2	(10.9)	-3.4%
Less Amounts Capitalized	(25.4)	(22.8)	(2.6)	10.2%	(23.8)	(21.6)	(2.2)	9.2%	(10.3)	(22.0)	11.7	-113.6%
TOTAL EXPENSES	256.7	258.1	(1.4)	-0.5%	282.4	281.3	1.1	0.4%	308.0	307.2	0.8	0.3%
Total Revenues over Expenses	(0.1)	0.2	0.3		(0.1)	0.9	1.0		0.0	0.9	0.9	

Source: Port Authority Budgets and Audited Financial Statements prepared by Maher Duessel

* Only an aggregated total was provided for the budgeted amount

INTERNAL CONTROLS OVER RIDERSHIP DATA

Internal Controls over Ridership Data

The fare box on each bus or rail car is used to collect cash and tickets from passengers. Fare boxes count coins but cannot read paper; therefore, the Port Authority must rely on the operator to find someone putting in the wrong zone ticket or one dollar bill instead of two. There is also a nine button keypad to record ridership data by category such as senior citizens, the University of Pittsburgh, Carnegie-Mellon University, and Chatham College students, and monthly passes. The operator is solely responsible for recording the categories of riders and the Port Authority is aware that human error is a problem. The Port Authority has six traffic surveyors on staff. One of their many functions is to review the responsibilities of the operators. The surveyors oversee if the operator is selecting the appropriate key for each rider and counting the number of riders going on and off the bus by category. There are also video cameras on some of the buses. The information from the surveyors, as well as the video tapes, is reviewed and compared to the counts on the reports generated by the system. However, the drivers are aware of the surveyors and the auditing purpose they serve. As a result, there is no assurance that the data collected is completely accurate.

At the beginning of the bus or light rail route, the operator enters his or her operator number and route number into the fare box which creates a time stamp record. The data is collected by route; however, if the operator does not enter his or her operator number at the beginning of the shift, the data collected will be recorded for the previous operator and route.

At the end of the route, the dispatcher or box puller scans the box with a wand which records the ridership data and creates a second time stamp record. The employee manually resets the data counter on the fare box.

The data is transferred from the wand to an Access database. A programmer in the Information Technology Department merges the data from the six garages into one report which is converted into an Excel file. The report is sent to the Assistant Director of Service Planning and Schedules who reviews it for irregularities. The report is compiled by operator and route from the time the operator signs on to the keypad until the wand retrieves the data. Information is not maintained by the time of the trip or by bus stop. The data is used for budget projections, reporting statistics to the National Transit Database, evaluation of service routes, and to negotiate reimbursements from colleges and universities. However, ridership data is not available to determine if the bus is running past a certain point with a minimal number of people or if buses are running too frequently or infrequently.

Recommendations:

Based on our review, we recommend that the Port Authority:

1. Follow through on its published plan to replace the current fare box system with a system based on smart cards.
2. Define requirements for information collection and reporting for the new system. The new system should provide detailed and accurate ridership information to support planning and management. Include these requirements in the request for proposal (RFP) process for the new smart card system.

CONCLUSION

Conclusion

Our review has led us to conclude the following:

1. The Port Authority significantly underperforms comparable transit agencies based on a wide variety of performance metrics.
2. The performance gap between the Port Authority and comparable agencies is getting wider, not narrower.
3. Pension obligations present a significant challenge to the Port Authority's future financial viability if not addressed immediately.
4. The "Ride Gold" plan and its associated expansion plan have turned out to be less than successful in increasing ridership and revenue.
5. Achieving even "average" performance would result in major improvements in the Port Authority's operating results.

Our conclusions are further detailed in this report.

Recommendations:

We recommend that the management and Board of Directors of the Port Authority implement all of the recommendations included in this report, with special emphasis on the following:

1. Work to improve performance as measured by performance metrics, including the ones used in this report.
2. Conduct a full, thorough, and "ground up" review of its operations, with a goal of cutting waste and inefficiency first and service last.
3. Review established industry practices, including those of comparable agencies, to determine ways of operating more efficiently.
4. Create a plan for funding pension obligations as they become due under current and future pension plans.
5. Determine if the current pension plans are competitive with other agencies' plans and are supportable in the long run.
6. Repeat this analysis annually to quantify the Port Authority's progress in implementing the recommendations included in this report.