



To: Secretary of Transportation Allen Biehler

House Transportation Committee, Majority

Representative Joseph Markosek, Chairman
Representative Joseph Petrarca
Representative Michael Gerber
Representative John Sabatina,
Representative Dante Santoni
Representative John Siptroth
Representative Timothy Solobay

House Transportation, Minority

Representative Richard Geist
Representative John Evans
Representative Kate Harper
Representative John Maher
Representative Ron Miller
Representative Katharine Watson

Senate, Transportation Committee

Senator Roger Madigan, Chairman
Senator Donald White
Senator Barry Stout
Senator Joseph Scarnati

Senate Transportation Committee, Majority

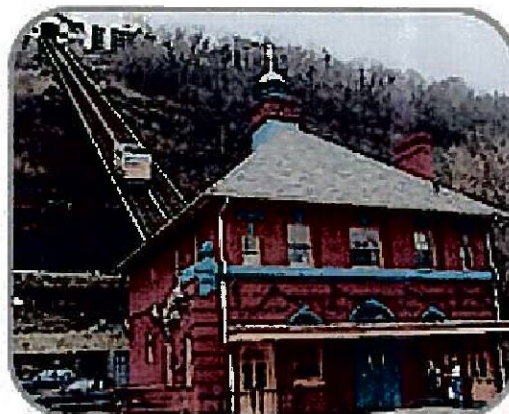
Senator Jane Earll
Senator Charles McIlhinney
Senator John Pippy
Senator Terry Punt
Senator James Rhoades

Senate Transportation Committee, Minority

Senator Robert Tomlinson
Senator Richard Kasunic
Senator Gerald LaValle
Senator Leanna Washington

Re: Subcontracting Evaluation & Report – Requirement Under Act 44, Section 1520 – “A local transportation organization receiving funding in an amount greater than \$5,000,000 annually under this chapter shall undertake a study to evaluate the feasibility of utilizing partnerships with private service providers and financial partners as a method to operate and finance new or existing services. Each local transportation organization required to evaluate private participation under this section shall submit a report to the Secretary and the Majority Chairperson and Minority Chairperson of the Transportation committee of the Senate and the Majority Chairperson and the Minority Chairperson of the Transportation Committee of the House of Representatives.

**From: Stephen G. Bland, Chief Executive Officer
Port Authority of Allegheny County
345 Sixth Avenue
Pittsburgh, PA 15222
(412) 566-5500
Sbland@portauthority.org**



Index

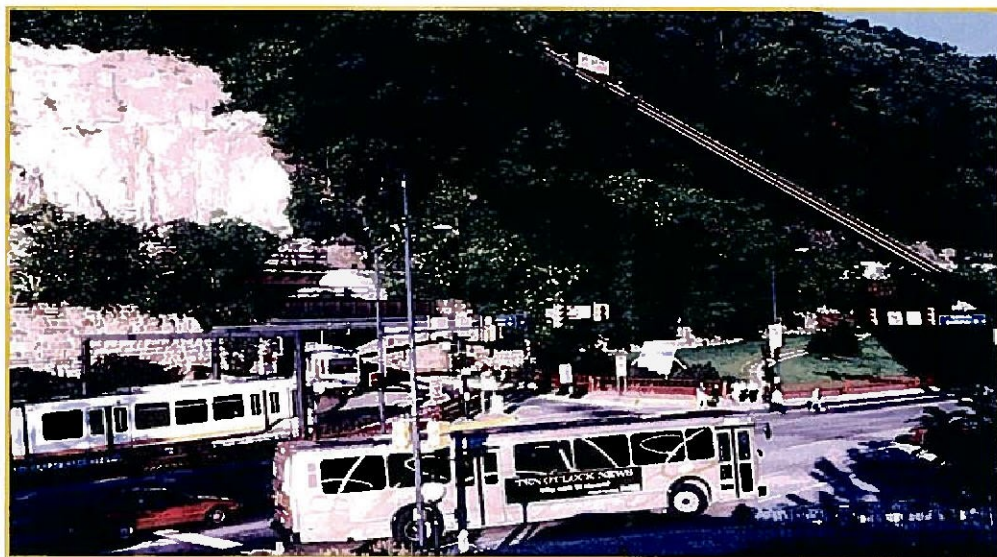
1. Preface – The Concept of Privatization (Stephen G. Bland – CEO).....	3
2. Port Authority History – Privatization to Public.....	4
3. The Port Authority of Allegheny Today.....	5
4. Executive Summary of Sub-Contracting Expenses.....	6
5. Sub-Contracting Comparison Per FY 2008 Operating & Capital Budget.....	7
6. Executive Summary – Highlights.....	8
7. Paratransit Sub-Contracting Advantages & Initiatives	
A. Paratransit Sub-Contracting Services and Overview.....	9
B. Advantages Paratransit Sub-Contracting.....	9
C. Paratransit Expense Summary.....	10
8. Port Authority's Divisions & Departments	
A. Service Planning & Development.....	10-11
B. Human Resources.....	11
C. Rail Operations & Engineering.....	12-13
D. Bus Operations.....	14
E. Finance Division.....	14
F. Legal & Corporate Services.....	14
9. Efficiencies & Continued Cost Savings Initiatives.....	15
10. Future of Sub-Contracting Goals and Objectives	15

1. Preface:

The concept of "privatization" is often confused and misunderstood as to where and how it should be applied within public transportation segment. One concept is "monetizing" public assets through sale or long-term lease to a private (generally for-profit) entity. Examples might include the current discussions over long-term leasing of the Pennsylvania Turnpike, the periodic debate over the potential sale of State Liquor stores, or the sale of governmentally owned public utilities (eg: water systems) to private utility companies. In all of these cases, the government or quasi-government function operates in similar manner to a for-profit corporation, insofar as annual operating income is sufficient to cover all operating and capital expenses. In the United States, this approach is all but unheard of in public transportation. More common in public transportation is the idea of sub-contracting portions of work including the operation of service to private, for profit operators. In fact, many unique functions are commonly sub-contracted to specialty private firms everything from engineering to snow plowing.

The second type of "privatization" involves the subcontracting of various aspects of the operation of a function, generally through competitive procurement. This approach is fairly common (though far from universal) in public transportation in the United States. Approximately 15% of the Port Authority's annual operating budget and 42% of Port Authority's capital budget is already "privatized" in this manner, including the hugely successful ACCESS Paratransit program, which will be identified and summarized later in this report.

In terms of the first approach, there is no example in the United States where an entire city public transit system has been "privatized" in this manner. Simply put, public transportation ceased to become a profit-making enterprise in the 1950's and 1960's when heavy subsidies toward auto-oriented travel led to sprawling development, reducing the productivity (and, hence, increasing the cost structure and reducing the stream of revenue) of public transit. Port Authority itself was created from 33 former private, for-profit corporations that provided bus and trolley service in the Pittsburgh region that were on the verge of insolvency in the early 1960s, and the Port Authority was created under State legislation to acquire the assets of these failing operators and sustain public transportation operations in the region. In some areas of the country (New York City being the most notable), certain individual bus routes have been sustained to this day by private, for profit corporations. However, these services tend to be unique market niches, catering to higher fare trips. A region that relied solely on this approach would certainly see massive reductions in service, tremendous increases in fares, and isolation of entire neighborhoods of transit dependent citizens. In the case of the Port Authority, perhaps a half dozen of our 187 routes are "profitable." However, this ceases to be the case if the cost of capital equipment is figured in, and their financial performance would surely erode without a comprehensive network of services. In short, without the ongoing stream of subsidy income from Federal, State and County sources that the Authority currently accesses, it is implausible to believe that a for profit entity would have any interest in acquiring the Authority.



*Port Authority
Oversees and operates
four modes of public
transportation which
include:*

- Fixed Route
- Light-Rail
- Incline
- Paratransit

*Average Weekday
Ridership is 230,000
customers per day*

2. Port Authority History – Privatization to Public:

Port Authority began operations in March of 1964 through the acquisition and purchase of 33 private transportation companies due to increased public demand for a more unified and efficient system that the private carriers could not offer at the time because of multiple competition, the lack of revenue and the increase in expenses.

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 Port Authority to acquire privately owned transit facilities and to own and operate a public system of mass transit, and in March, 1964 Port Authority exercised its power of eminent domain for the first time and assumed control of the Pittsburgh Railways Company.

Port Authority in 1960 engaged the firm of Coverdale & Colpitts to prepare a plan of an integrated system of transit for Allegheny County. This plan was the basis for acquiring and consolidating the independent transit lines.

A report of the study findings, "Plan and Recommendations of the Port Authority of Allegheny County for an integrated System of Mass Transportation," was submitted to the County Commissioners on September 20, 1961.

Following review, the commissioners returned the plan to Port Authority for further study and additions. Consequently, a supplemental report by Coverdale & Colpitts, including cost estimates for acquiring private companies and financing the integrated system, was submitted to the commissioners on March 8, 1963.

In ensuing weeks, the commissioners conducted a series of five public hearings in various sections of the county to answer questions about the integrated plan and receive comments.

On April 19, 1963, the Board of County Commissioners adopted the recommendations and authorized Port Authority "to proceed with all diligence to implement the plan for an integrated mass transportation system."

The Port Authority then proceeded with final negotiations for the purchase of 31 independent private bus companies, Pittsburgh Railways Company properties and an incline plane company, as recommended by the Coverdale & Colpitts study.

On March 1, 1964, all public transit in Allegheny County was operated by Port Authority. The 33 other private transit companies, through amicable negotiations and without federal or state financial aid, 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.

3. The Port Authority of Allegheny County Today:

Today, Port Authority of Allegheny County provides a network of public transportation services to persons traveling within a 775 square-mile area, including the City of Pittsburgh and all of Allegheny County. Port Authority has a fleet of 861 buses, 83 light rail vehicles (LRVs) and 48 mini-buses. With the Monongahela and Duquesne Inclines and sponsorship of ACCESS, the nation's largest paratransit program of its kind for senior citizens and persons with disabilities, Port Authority is one of the nation's largest and most diversified public transit agencies.

Port Authority is funded by a combination of fare revenues and county, state and federal funds. The Board of Directors consists of nine members appointed by the Allegheny County Chief Executive and approved by the Allegheny County Council. One Board member is required to be a serving member of County council.

Port Authority's 2,900 employees serve approximately 230,000 riders daily and more than 70 million riders annually via 183 bus and 5 rail routes and the Monongahela Incline. The Port Authority Board also authorizes operation of many other private carriers, including airport and hospital shuttles.

Port Authority provides service on three exclusive busways: the 4.3-mile South Busway; the 9.1-mile Martin Luther King, Jr. East Busway; and the 5 mile West Busway. Port Authority also operates the T, a 25-mile light-rail system that services the popular Downtown Subway.

Port Authority is continuing construction on the North Shore Connector, a 1.2-mile extension of the T to Pittsburgh's North Shore scheduled to open in 2011. Pittsburgh's North Shore is home to the Carnegie Science Center, the Community College of Allegheny County, Del Monte Foods, Equitable Resources, Inc., PNC Park and Heinz Field, among other existing and proposed cultural, business and residential destinations.

The transit agency also has launched Connect 09', an ambitious 18-month initiative to connect the region, its neighborhoods and resources, and Port Authority customers and employees. This effort is a broad analysis of the Authority's business practices designed to ensure the most efficient operations possible with available future funding.

The strategic goals of Connect '09, include connecting neighborhoods through new service models and connecting the region by enhancing coordination of transit services and adopting a regional fare collection system.

A key component of Connect '09 is the Transit Development Plan that will utilize extensive public input to redesign the way Port Authority provides service. The Transit Development Plan will engage both the public and regional operators in identifying the population characteristics of traditional and emerging neighborhoods and their most appropriate service models.

Port Authority has made great strides in modernizing its bus fleet. The Authority has placed into service 494 new buses in the past nine years, including 315 low-floor buses, 48 mini-buses, 60 35-foot buses, 40 suburban coaches and 25 articulated buses, reducing the average age of the fleet to 6.91 years. The Authority now operates six hybrid electric buses, the first of their kind in its fleet.

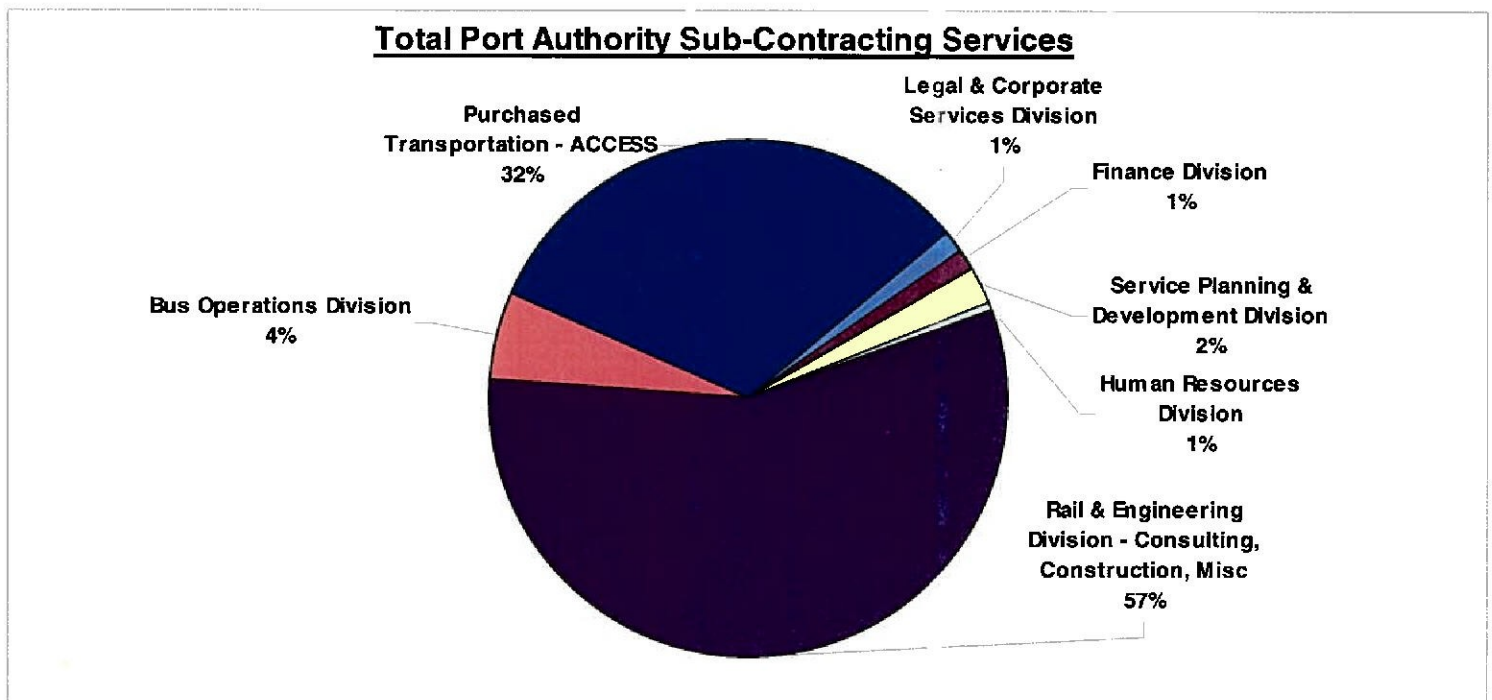
4. Executive Summary of Sub-Contracting Expenses:

Since 1964, Port Authority has continued to sub-contract various work performed through multiple private entities to perform operating as well as capital functions on a daily basis. Port Authority's sub-contracting expenditures in FY 2008, which runs from July 1, 2007 through June 30, 2008, are projected to total \$111,971,847. A total of \$49,573,147 of sub-contracting expenditures make-up approximately 15% of Port Authority's FY 2008 - \$336,000,000 operating budget and \$62,398,700 of sub-contracting expenditures make-up approximately 42% of the organizations \$150,000,000 capital budget in FY 2008. A summary of costs and categories of sub-contracted expenses are listed below, but will be explored and summarized in more detail throughout this document.

Total Projected Sub-Contracted Expenses In FY 2008 *

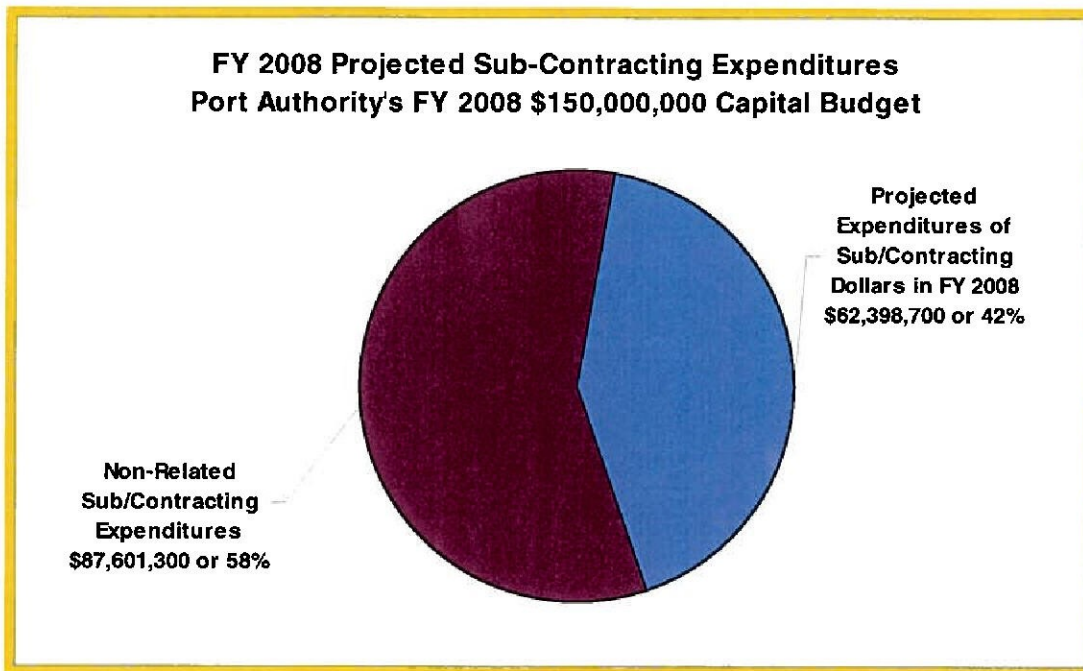
Paratransit-Purchased Transportation	\$ 35,897,800
Rail & Engineering Division	\$ 63,203,950
Bus Operations Division	\$ 6,600,000
Service Planning & Development Division	\$ 2,655,293
Legal & Corporate Services Division	\$ 1,675,000
Finance Division	\$ 1,352,000
Human Resource Division	\$ 587,804
Total	\$111,971,847 (* Projected)

In FY 2008 Port Authority will Sub-Contract a Total of \$111,971,847 in Operating and Capital Expenditures

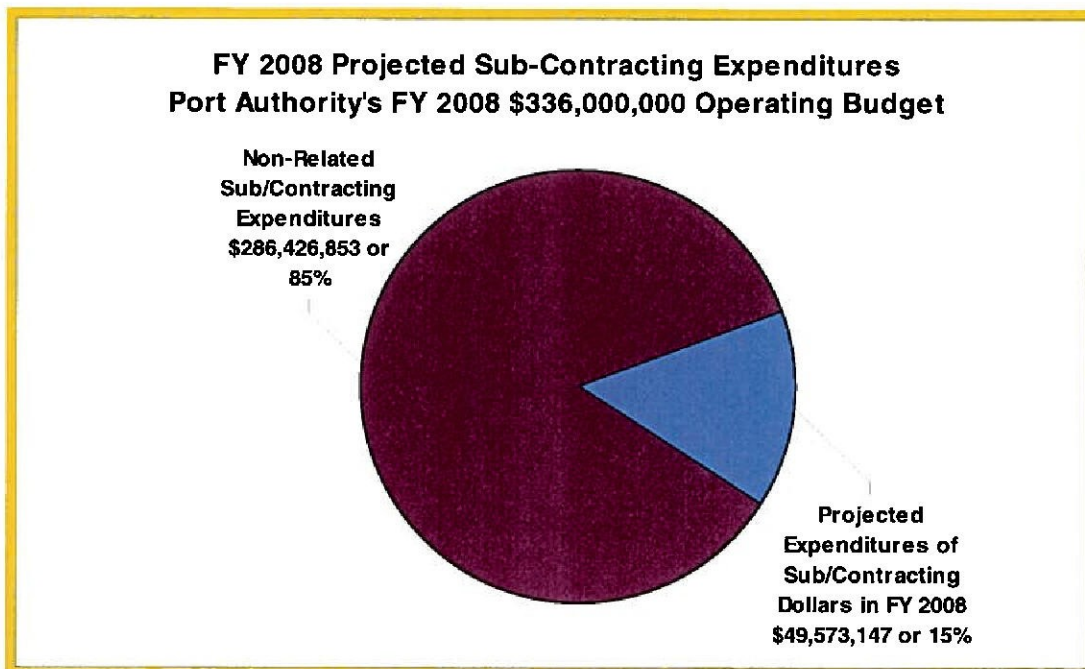


5.Sub-Contracting Expenditure Comparison to Port Authority's FY 2008 Operating & Capital Budget

Capital Budget – Sub-Contracting Comparison



Operating Budget – Sub-Contracting Comparison



Port Authority's sub-contracting expenditures in FY 2008, which runs from July 1, 2007 through June 30, 2008, are projected to total \$111,971,847. A total of \$49,573,147 of sub-contracting expenditures make-up approximately 15% of Port Authority's FY 2008 - \$336,000,000 operating budget and \$62,398,700 of sub-contracting expenditures make-up approximately 42% of the organizations \$150,000,000 capital budget in FY 2008.

6. Executive Summary – Highlights:

Paratransit Service - The majority of Port Authority's sub-contracted services are performed by ACCESS, the authority's paratransit broker, which has been providing shared-ride, door-to-door service for people with disabilities and older adults for the past 29 years. Port Authority selects a paratransit broker every five-years through a public bid process to administer as well as manage eight (8) private vendors who provide the door-to-door service seven days a week. Customer satisfaction, maintenance and costs are carefully monitored and adjusted through strict performance standards, which is the basis for the broker's compensation. Additional information and details on Port Authority's ACCESS program, which accounts for 7.3% of the organization's total operating budget is listed on Page 8.

Rail and Engineering Consulting & Construction - Approximately 43% of Port Authority's Capital budget will be spent on outside consulting, construction and engineering firms during FY 2008. The majority of these funds, which consist of 80% federal, 16-2/3% state and 3-1/3% local funding are related to Port Authority's North Shore Connector Project. The project consists of a 1.2 mile light-rail extension from its current loop at Gateway Center Station in Downtown Pittsburgh to a new terminus that will be located near Heinz Field, a new casino and the Carnegie Science Center. Due to the size and complexity of the North shore project, as well as all other major construction initiatives throughout the organization, the experience and knowledge of utilizing an outside firm is needed.

In addition to the North Shore Connector initiatives, Port Authority utilized sub-contracting efforts for the following projects in FY 2008:

- Saw Mill Run Bridge/South Busway Rehabilitation (\$10,114,000)
- Collier Bus Division waste & storm water improvements (\$1,500,000)
- Bridge & Rail Inspection (\$780,000)

Bus Operations – Sub-Contracting Lease & Maintenance of Small Transit Vehicles - In 1996, Port Authority sub-contracted for the lease and maintenance on five (5) 30-seat small-transit vehicles (STV's) through a private vendor. As customer demand increased, contracting expanded to 80 STV's, which were placed in service throughout Allegheny County. The sub-contractor completes small repairs at one of the five (5) Port Authority owned bus divisions and major repairs are done at the sub-contractor's facility. If the STV breaks down while in route, the sub-contractor is responsible to evaluate and repair the vehicle while in service. Port Authority is currently re-evaluating this contract from a cost and efficiency perspective. Port Authority will spend approximately \$4.6 million dollars in FY 2008 on the STV maintenance and lease contract.

Bus Operations Maintenance – For several years, Port Authority has continued to expand the level of sub-contracting efforts for multiple mechanical items in need of repair and service for the organization's bus fleet. Although the majority of work and maintenance is performed by Port Authority's represented work-force, certain specialty repair items are sub-contracted. The services include everything from complex electronic components to key mechanical equipment that can be repaired at a cheaper and faster rate. Currently there isn't a percentage of work that must be performed by private contractors per the guidelines of the union contract or the Port Authority's enabling legislation. However, when management determines there are services that can be outsourced at a competitive rate, the union is permitted to bid on the work to determine if it could be performed at the same or cheaper rate of an outside vendor. Port Authority will spend approximately \$2 million dollars in sub-contracting vehicle repairs in FY 2008.

Service Planning & Development: Approximately \$2,655,293.00 is sub-contracted to private firms to print public time-tables, tickets, passes as well as advertising.

7. FY 2008 Breakdown of Current Sub-Contracting Items and Initiatives

A. Paratransit Sub-Contracting Service Overview:

One of Port Authority's largest and most successful example of sub-contracting is the organization's door-to-door paratransit services. A summary of this initiative is listed below:

Port Authority Sub-Contracts the largest de-centralized paratransit services in the county:

- *Nearly 2 million rides are taken on ACCESS annually*
- *Private carriers are sub-contracted to provide service throughout Allegheny County*
- *455 privately owned vehicles are utilized by private carriers*
- *355 private employees are sub-contracted to provide service 365 days a year*



ACCESS has been providing door-to-door, advanced reservation for Port Authority since February of 1979. ACCESS is open to the general public and primarily services people with disabilities, clients of human service agencies and people aged 65 and over. ACCESS' decentralized brokerage "unique model" within the industry that draws on the skills and resources of the private sector.

Services are provided through private companies under contract to Veolia Transportation Inc., Port Authority's current broker, which includes six for-profit companies and two non-profit human service agencies operating in ten locations throughout the county.

Port Authority and Veolia hold the private carriers to strict service standards to ensure on-time performance and customer needs are being responded to on a daily basis.

B. Port Authority Advantages of Sub-Contracting Paratransit Services:

- Port Authority is able to hold the broker, Veolia Transportation Inc., accountable for all administrative and management activities. This includes the direct oversight and control of all transportation carriers, which are held to monthly and annual performance standards.
- Port Authority eliminates the operating and maintenance costs associated with 455 vehicles.
- Port Authority is able to reduce its overall healthcare and/or pension costs by sub-contracting services to private carriers.
- Veolia Transportation Inc. is one of the largest transportation providers in the United States. Port Authority is able to tap into multiple resources such as paratransit software and data sharing information systems to improve current efficiencies while reducing overall expenses.

C. Paratransit Sub-Contracting Expenses Summary:

Approximately 11% or \$35,897,800 of Port Authority's total operating budget for FY 2008 is sub-contracted paratransit services. Please see itemized list and description below:

ACCESS Paratransit Provider – Description	Total
Management –Administration	\$2,074,900
Rider Fare Reimbursment	\$3,236,600
Human Service Agancies	\$5,847,900
PennDOT Shared-Ride	\$12,947,800
Port Authority – Subsidized Operating Expenses	\$11,790,600
Total	\$35,897,800

8. Port Authority's Divisions & Departments

Currently all departments in Port Authority are grouped into Divisions, which includes the Office of the Chief Executive Officer, Transit Operations, Finance, Service Planning & Development, Human Resources and Legal & Corporate Services. For the purposes of this report, listed below is an overview of the responsibilities associated with the division and the items/costs that are specifically associated with sub-contracting in each division.

A. Service Planning & Development:

The Service Planning and Development Division are committed to serving the Authority's customers while continuously seeking better and more innovative ways to service them. The division is responsible for monitoring bus and rail service efficiency, implementing service changes, developing and distributing schedules and timetables, development of fare policies and procedures, collection of data for both state and federal reporting requirements, maintaining databases for stops, shelters and maintaining partnerships with external community groups.

More than \$2.6 million is currently sub-contracted within the Service Planning and Development Division. Please see itemized list and description of sub-contracting efforts on the following page:

Service Planning & Development – Description	Total
Fare media production – bus passes, tickets, etc.	\$1,831,273
Marketing & Sales which include, advertising installation in vehicles and printing	\$293,600
Creative Services which includes copywriting, photography, video production, market research and surveying	\$165,000
Computer Scheduling Programs – License Agreements	\$135,470
Strategic & Extended Range Service Planning	\$100,000
Bus Stops - signage, benches, shelters replacement ad maintenance)	\$90,000
Passenger Amenities which include snow removal for park and ride lots, landscaping and trash removal	\$40,550
Total	\$2,655,293

B. Human Resources:

The Human Resources Division is comprised of the following departments: Employment and Development, Benefits & Compensation Services, Employee Relations and Office of Equal Opportunity. The division provides a full range of human resource services to Port Authority including the administration of employment, employee training & testing an employee benefits.

More than a half a million dollars is currently sub-contracted within the Human Resources Division as listed on the following page:

Human Resources – Description	Total
Drug & Alcohol Compliance Program	\$225,000
Pension Plan Actuarial Services, Wage & Salary Services – evaluation of complex compensation projects – external objective review and consulting	\$206,000
Employment Testing –New Hires	\$57,204
Employee Benefit Consulting & Brokerage Services	\$45,600
Temporary Technical & Clerical Support	\$30,000
Computer Training	\$24,000
Total	\$587,804

C. Rail Operations/Engineering:

The Rail Operations/Engineering Division is responsible for providing light rail and incline revenue service, light rail vehicle maintenance, fixed facility, right of way maintenance, and engineering design and construction. Support departments include Rail Service Delivery, Facilities, Rail Maintenance and Technical Support. A summary of sub-contracted expenses are listed on the following page:

More than \$65 million dollars are sub-contracted by the Rail Operations/Engineering Division, as listed below and on page 13:

Rail Operations & Engineering Sub-Contracting Initiatives Per FY 2008 Operating Budget

Rail Operations & Engineering Sub-Contracting Initiatives per the Operating Budget	Total
Coach Radiator Repair Service	\$282,612
Cleaning Solvent Service	\$175,124
Solid Waste Removal	\$102,024
Fire Alarm Testing & Certification Service	\$99,953
Oil Fuel and Antifreeze Analysis Services	\$32,930
HVAC System Repair	\$31,110
Fire Prevention Systems	\$30,815
South Hills – Out management services	\$24,000
UPS – Electrical Systems	\$12,000
Security Alarm Monitoring Service – Repair Card Access	\$7,342
Security Alarm Repair Service	\$5,580
Crane Inspection Service	\$1,760
Total	\$805,250



Rail Operations & Engineering Sub-Contracting Initiatives Per FY 2008 Capital Budget

Rail Operations & Engineering Sub-Contracting Services Per Capital Budget	Total From Capital Budget
North Shore Connector- DMJM/Harris which includes: Gannette Fleming, GEI, LKG-CMC, Maunsell Australia, Light Motion Collaborative, Cooper-Carry & Burt Hill Kosar Rittlemann	\$14,355,884
North Shore Connector - Tri-Gold Consulting which includes: LKG-CMC, SAI, Systra, TW, Geo-Systems	\$6,091,998
North Shore Connector - Baker Engineering and Gannett Flemming –General Architectural and engineering services, studies, preliminary and final designs, preparation of procurement bids and construction for work tasks	\$500,000
North Shore Connector - MEC and Dick Corporation – Construction management services as needed to support the Authority's capital projects and programs	\$400,000
North Shore Connector - Skelly & Log – Environmental sampling, testing and reporting for wastewater, solid waste, air emissions and storage tanks.	\$102,000
North Shore Connector - Chester Engineering – Environmental contract services which completes studies, reports, plans, applications on an as needed basis in support of the Authority's environmental compliance program.	\$100,000
North Shore Connector - Construction – A.C. Miller & Trumbull and Obayashi Corporation	\$28,450,118
South Busway & Junction Rehab	\$10,114,000
Facility Rehabilitation	4,700,000
Wastewater/Storm-water Improvements	\$1,500,000
Bridge & Rail Inspection	\$780,000
Total	\$62,398,700



D. Bus Operations Division:

The Bus Operations Division is responsible for the delivery of bus service as well as bus maintenance and support activities at five bus divisions and one main repair facility. Departments include Road Operations and Bus Operations. Road Operations provides field supervision and monitors service, coordinates bus and rail detours and maintains partnerships with community groups, such as Allegheny County Transit Council (ACTC) and the Committee for Accessible Transportations (CAT). The Bus Operations Department develops and implements training for bus operators and dispatchers, monitor bus service efficiency, and assists in the implementation of service changes. \$4.5 million is currently sub-contracted within the Bus Operations Division as listed below

Bus Operations	Total
Hunter Truck Sales – Maintenance and lease of small transit vehicles which are utilized for fixed route service.	\$4,600,000
Repair of selected and specialized vehicle parts	\$2,000,000
Total	\$6,600,000

E. Finance Division:

The Finance Division is responsible for all financial, accounting, treasury and procurement related functions within the organization. In addition, claims, procurement, treasury and information technologies are part of the division.

More than \$1.3 million is currently sub-contracted within the Finance Division, as listed below:

Finance Division – Sub-Contracting	Total
Medical Management Expenses	\$389,000
Information Technology Assistance & Consulting	\$323,000
Investigation Services	\$252,000
Financial Auditing	\$143,000
Maintenance of Office Machines & Equipment for entire organization	\$130,000
Utility Management	\$79,000
Records Management	\$24,000
Automobile Appraisal	\$12,000
Total	\$1,352,000

F. Legal and Corporate Services:

The legal and Corporate Services Division is comprised of the Public Relations, Internal Audit, Legal & Insurance, Real Estate, System Safety, Transit Police Public Relations and Security Services Departments. More than \$1.6 million is currently sub-contracted within the Legal and Corporate Division, as listed below

Legal and Corporate – Sub-Contracting	Total
Legal	\$1,475,000
State Lobbying Services - Buchanan Ingersoll & Rooney	\$100,000
Federal Lobbying Services – Buchanan Ingersoll & Rooney	\$100,000
Total	\$1,675,000

9. Efficiencies & Continued Cost Savings Initiatives:

Prior to passage of Act 44, Port Authority faced a 65 million deficit in its FY 2008 operating budget. On July 1, 2007, Management implemented numerous cost savings initiatives to reduce expenses and improve system productivity and efficiency. which was presented on February 27, 2008 to the Pennsylvania House Appropriations Committee. Identified in the Pennsylvania Transportation Funding & Reform Commission, Port Authority implemented a number of recommendations. Highlights of significant cost savings initiatives include the following:

- Accelerated the departure of those employees who remain enrolled in the Deferred Retirement Option Program (DROP) to July 1, 2007.
- Eliminated healthcare for non-represented employees retiring after June 30, 2007.
- Restricted the "buy-back" of previous employment time only to military years of service and a 10-year vesting period.
- Changed the "buy-back" of previous employment time to military service and instituted 10-year vesting period.
- Eliminated the \$500 monthly pension supplement.
- Increased non-union employees' healthcare contributions to 2 percent of annual salary in Fiscal Year 2008, which began July 1, 2007, and a subsequent increase to 3 percent of annual salary in FY 2009.
- Froze the Fiscal Year 2008 salaries for all non-represented employees.
- Froze the CEO's salary through June 2009 (amounting to a three-year freeze) and elimination of deferred compensation contribution by the Authority.
- Froze all senior management position salaries (amounting to a two-year freeze) and elimination of deferred compensation contribution by the Authority.
- Eliminated use of accrued sick leave toward pension service.
- Eliminated 370 budgeted positions, including 50 administrative positions & 203 layoffs on June 2007.
- Reduced the number of senior managers from eight to five.
- Eliminated non-essential company vehicles and charging Port Authority employees with company cars the market rate for downtown parking.
- Reduced fixed route service hours by 15%.

As a result of the initiatives listed above, Port Authority reduced their projected FY 2008 operating deficit by more than \$40 million dollars. The Authority will also realize more than \$11 million in savings in Fiscal Year 2008 alone as a result of the wage freezes, layoffs and changes to non-union employee pensions and benefits.

10. Future of Sub-Contracting:

Port Authority will continue to aggressively seek sub-contracting opportunities where it makes financial sense and helps overall efficiencies in FY 2008. Besides major cost cutting measures such as healthcare, overtime and pension issues, increasing the amount of sub-contracting (per the goals and objectives that are listed below) will be included in union negotiations through the collective bargaining process with the Amalgamated Transit Union Local 85, which represents approximately of 2,400 bus operators, mechanics and other personnel. Local 85's three-year contract expired on June 30, 2008.

Future Goals and Objectives Include the Following:

- Interior and exterior cleaning of revenue and non-revenue vehicles
- Landscaping
- Custodial services & building maintenance
- Snow removal
- Treasury operations
- Off-board vehicle fare collection