



# The Raja Plan for the Port Authority

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Going Where We Need to Be

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## **Executive Summary**

Mass transit is an important component of any major successful urbanized area. It allows for the movement of thousands of people in and out of urban centers without increasing the strain on our road and bridge infrastructure. In Allegheny County, over half of the workers in downtown Pittsburgh get to their jobs via bus or train. Despite the need, the Port Authority of Allegheny County (PAT) is in trouble. Years of generous contracts with its employees have made the system unsustainable. Benefit and retirement packages are way out of line with other transit agencies. For too long the state has allowed these problems to continue and grow. Instead of taking a stand, the state has consistently bailed out the authority.

The Raja Plan for the Port Authority will work to fix the problems that have been plaguing the system for years. Raja will go to Harrisburg to lobby the legislature for meaningful reform to the laws governing PAT. Such reforms will include bringing pension plans into check, encouraging private competition for transit service in Allegheny County and for a long term dedicated source of transit funding. Additionally the Raja Plan for the Port Authority calls for the county to investigate the opportunities that exist with Public-Private Partnerships (P3) to help add to the system more efficiently by combining the unique strengths of the public and private sectors.

Finally Raja will work with the PAT and other partners in the county in order to identify ways for the authority to cut spending. One way that PAT can save money in the face of rising fuel costs is to transition the fleet to run on natural gas. Natural gas is half the price of regular fuel, cleaner, and readily available right beneath our feet. As county executive, Raja will work to save the Port Authority and provide the people of Allegheny County the transit service that they deserve.

## The Raja Plan for the Port Authority

The Port Authority of Allegheny County (PAAC) is an integral component of the overall transportation infrastructure in Allegheny County. Unfortunately the Port Authority is in dire straits. Years of exorbitantly generous wage and benefit agreements have led to crippling operating expenses. In the fiscal year (FY) 2011 the Port Authority budgeted \$121 million for benefits compared to \$137 million for wages and salaries, a ratio of almost 90 percent.<sup>1</sup> Additionally, the agency faces an unfunded liability of almost \$600 million in retiree health care benefits and in response to a \$47 million deficit the authority was forced to cut 15% of its service in March 2011.<sup>2</sup> Additional cuts are on the horizon until a permanent solution for the Port Authority can be developed.

Despite the problems facing the Port Authority, mass transit in Allegheny County is still an essential component of the economy. Public transit usage in Allegheny County is higher than many benchmark cities with comparable populations including Cleveland, Cincinnati, Detroit and Indianapolis.<sup>3</sup> Mass transit helps to reduce congestion on our roads, connects people to jobs in dense urban areas such as downtown Pittsburgh, provides mobility to individuals without other means of transportation and can be a catalyst for economic development and job creation along transit lines. The benefits of the Port Authority are especially evident in downtown Pittsburgh. During the week an estimated 126,000 workers are downtown. This figure does not take into account students, residents, and shoppers that are also in the downtown area. Almost 54% of those workers downtown commutes to and from their jobs using the Port Authority or one of the regional transit agencies that run bus service to and from downtown.<sup>4</sup> For an urban area such as Pittsburgh, transit is essential to unlocking the urban core in a way that allows easy movement in and out while stimulating the local economy. Without serious changes to the PAAC, thousands of jobs downtown and throughout the county are at risk. Less access to transit means more cars on the roads increasing the strain on an already crumbling infrastructure and longer commutes. Without serious reform the Port Authority will continue to lose service and riders.

As county executive Raja plans to take proactive steps both locally and at the state level to bring about meaningful reform to the Port Authority of Allegheny County by:

### 1. Lobby for Change in State Law

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<sup>1</sup> "Exhibit A." *Budget*. Port Authority of Allegheny County. Web.

<<http://www.portauthority.org/paac/portals/Capital/2011Budget/FY2011ExhibitA.pdf>>.

<sup>2</sup> "Addressing Urgent Issues: A Legislative Agenda for Allegheny County and Pennsylvania." *New Report: A New Legislative Agenda*. Allegheny Institute. Web.

<<http://www.alleghenyinstitute.org/component/content/article/576.html>>.

<sup>3</sup> Pittsburgh: Today & Tomorrow. Rep. Pittsburgh Quarterly and Pittsburgh Today, 2011. Web. <<http://www.pittsburghtoday.org/presentations/PTreport4.pdf>>.

<sup>4</sup> *Downtown Pittsburgh: Living, Working and Commuting*. Rep. Pittsburgh Downtown Partnership, 2010. Web. <[http://www.downtownpittsburgh.com/\\_files/docs/pdp-264-market\\_research\\_booklet\\_final.pdf](http://www.downtownpittsburgh.com/_files/docs/pdp-264-market_research_booklet_final.pdf)>.

2. Use of Public-Private Partnerships
3. Pursue Cost Saving Opportunities

## 1. **Lobby for Change in State Law**

The Port Authority is bankrupt. The years of generous contract negotiations have bloated the agency and left it unable to provide efficient and essential transit service to the citizens of Allegheny County. Currently employees of the Port Authority receive some of the most generous pay and benefit packages of any transit agency in the entire United States. A study by the Pennsylvania Economy League found that Port Authority drivers are paid the highest average hourly wage after the figure was adjusted for cost-of living. In 2007 the Southeastern Pennsylvania Transit Authority (SEPTA), which has three times the number of employees as the Port Authority, spent \$7.3 million on retiree healthcare benefits. At the same time the Port Authority spent \$29.2 million on retiree healthcare benefits.<sup>5</sup> Instead of addressing the Port Authority's issues the state has consistently bailed them out. As County Executive, Raja will fight for meaningful reform to the Port Authority. Raja believes that the free market has a place in county transit and will advocate for changes in laws that encourages competition, cut costs, and ensures better oversight of the authority.

- **Pension Benefits for New Employees:** As county executive Raja will work with the Port Authority and the union to negotiate fair pay and benefit packages for all new hires. Currently Port Authority worker contracts are overly generous and make it almost impossible for the agency to cover operating expenses. The ratio of pay to benefits is currently around 90%. This figure is in no way sustainable. In the private sector, the accepted ratio of salary to benefits is closer to 30%. Raja will call for lower wages for incoming employees who are currently amongst the highest paid of any system in the country while at the same time ensuring that those new workers are fairly compensated for work, and are provided with the ability to enjoy fair benefits and a comfortable retirement. As county executive Raja will immediately go to Harrisburg to a lobby for a change in state law to allow all new employees to come under a defined contribution plan as compared to current defined benefit plans. For this to be successful, we need the state to tell both the Port Authority and the unions that these changes must be done as a condition of additional state funding.
- **Encourage Competition:** The final major change in state law governing should be the rewriting the law governing the Port Authority to allow for private companies and other regional transit agencies to operate on routes that are currently not served by the authority. Earlier this year Lenzer Tour and Travel began operating five round-trip

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<sup>5</sup> *Port Authority Contract Comparison: Summary of Findings*. Rep. Pennsylvania Economy League, 24 Oct. 2007. Web. < <http://www.alleghenyconference.org/PEL/PDFs/PortAuthorityContractComparison2007.pdf>>.

busses serving two former North Hills routes cut by the Port Authority.<sup>6</sup> Raja believes that private carriers offer the ability to fill the holes left by recent Port Authority service reductions. While encouraging private competition, the Raja Plan does not call for direct competition with already existing Port Authority routes. While campaigning for changes to state law, Raja will work to ensure that transit in Allegheny County continues to work as one system. This means common fare structure, universal utilization of the Port Authority's upcoming ConnectCard, and easy transfers between private and Port Authority routes. If transit does not work as a system then it can become less efficient, more costly, and ultimately reduce the economic benefits of the whole network.

- Permanent Funding Solution: While Raja believes that many of the Port Authority's problems are a result of costs instead of funding, it is still evident that transit across the state needs a permanent funding source. Raja will work with local and state leaders in order to investigate all possible options to achieve this goal.

## **2. Use of Public-Private Partnerships**

The use of Public Private Partnerships (P3) has been increasing across the country. A P3 partnership is an agreement between a public agency and a private sector entity where the skill and assets of each sector are shared in delivering a service or facility for the use of the general public. Throughout a P3 Partnership, the public asset remains publically owned. The private sector offers the strengths of management efficiency, newer technologies, workplace efficiencies and cash flow management. The public sector in turn offers a project the unique legal authority of a government entity, protection of procurement policies, capital resources, and the ability to balance the competing goals to meet public needs.<sup>7</sup> The Raja Plan supports the use of P3 partnerships locally. By utilizing the unique abilities of the private sector, Allegheny County will be better able to maintain and eventually grow our transit system.

- Support P3 Legislation: Raja will support state legislation that would make it easier for the state and transit agencies, such as the Port Authority, to enter into P3 partnerships. The bill ensures that the public will maintain ownership of the asset or facility, but would allow a private company to develop, construct, manage, operate, or finance a project. Such partnerships allow needed projects to be completed faster and with less public subsidy than previous projects
- Enhance Transit Service: Along with making the Port Authority financially stable, it is also important to plan now for the future. Raja believes that well designed out and

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<sup>6</sup> Brandolph, Adam. "Company Expands North Hills Bus Service Plan." *Tribune Review*. 9 Mar. 2011. Web. <[http://www.pittsburghlive.com/x/pittsburghtrib/news/s\\_726458.html](http://www.pittsburghlive.com/x/pittsburghtrib/news/s_726458.html)>.

<sup>7</sup> *Fundamentals of Public Private Partnerships*. The National Council for Public Private Partnerships. Web. <<http://www.ncppp.org/howpart/PPPfundamentals.html>>.

needed improvements to the system will increase the value of transit service across the county. By concentrating on the use of P3 partnerships or private carriers, Raja and the Port Authority will continue to investigate ways to expand and improve the system. Two important improvements that should be studied are the long talked about rapid transit connecting downtown to Oakland and the airport. While long discussed as extensions of light rail, new technologies like Bus Rapid Transit offer rapid transit with light rail like qualities but with a fraction of the price to plan and implement. A recently developed BRT line in Cleveland has already been credited with \$4.3 billion in investment along the route. A lot of the development along the new line has been biotech and tech firms.<sup>8</sup> Raja will also work with neighboring counties to investigate the possibilities of commuter rail service on existing rail lines connecting major business centers in Allegheny County to other communities in the Pittsburgh region.

- Partner with Private Sector: As county executive, Raja will work with the private sectors around the county that would benefit from well-developed transit assets near their offices. The county will investigate the possibility of entering into Value Capture agreements with these organizations. Value Capture refers to a type of public private partnership in which the private sector compensates a public agency for the cost of an investment that generates economic value by capturing a portion of the increased property taxes from an increase in property value due to the transit asset.<sup>9</sup>
- Work with Private Industry: Port Authority ridership in downtown is important to the overall economic viability of that part of the county. Without mass transit, our roads and bridges would face increased strain as thousands of more cars are forced onto the roads. We also risk losing business as many of its employees rely on the service that the Port Authority provides. Without reliable transit, we may lose those businesses to other regions. As county executive, Raja will find ways to incentivize private businesses downtown to provide bus passes to their employees.

### **3. Pursue Cost Saving Opportunities**

Aside from issues surrounding the Port Authority's generous pay and benefit packages, the Raja Plan calls for investigating other ways to cut costs related to the operation of the Port Authority. Rising fuel costs over the past decade have put increasing strain on the Port Authority's budget. In 2005 the Port Authority spent a little over \$15 million on fuel, gas, oil and tires. In the following years fuel costs steadily started to increase, reach a high in 2009. That year the Port

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<sup>8</sup> "Who It Helps." RTA Healthline - Euclid Corridor Transportation Project. Cleveland Clinic and University Hospitals. Web. <<http://www.rtahealthline.com/healthline-who-helps.asp>>.

<sup>9</sup> Smith, Jeffrey J., Thomas A. Gihring, and Todd Litman. Financing Transit Systems Through Value Capture. Rep. Victoria Transport Policy Institute, 9 May 2011. Web. <<http://www.vtpi.org/smith.pdf>>.

Authority was forced to spend almost \$36 million on fuel.<sup>10</sup> With no reprieve in sight, fuel prices will continue to be a major concern for the Port Authority. Ways to mitigate the cost of fuel will be explored under the Raja Plan along with other steps that county government can take in order to reduce the operational costs of the Port Authority.

- Convert Bus Fleet to Natural Gas: Raja will direct the Port Authority to investigate the possibilities of converting the existing fleet of busses to run on natural gas. Natural gas is cheaper and easier to access than diesel fuel. There is also the possibility of running those busses on the natural gas extracted from right here in Allegheny County at the international airport.
- Continue to Replace Existing Fleet: The Port Authority is currently in the process of replacing some of its oldest busses in their fleet with the assistance of a federal grant. As county executive, Raja will work with the Port Authority to explore ways to further assist the continued replacement of the fleet. Replacing older busses is important to the continued efficiency of the Port Authority because newer busses offer reduced maintenance and fuel costs.<sup>11</sup>
- Investigate Ways to Streamline Service: Raja will explore all options to improve efficiencies while investigating ways to streamline county functions in order to save taxpayers money. Opportunities for service consolidation will be explored, between the Port Authority, the County and its 130 Municipalities.

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<sup>10</sup> Operating and Capital Budgets. Port Authority of Allegheny County, 2009. Web.

<[http://www.portauthority.org/paac/portals/Capital/2009\\_Budget/2009BudgetBook.pdf](http://www.portauthority.org/paac/portals/Capital/2009_Budget/2009BudgetBook.pdf)>.

<sup>11</sup> Schmitz, Jon. "80 Longer Buses in Works for Port Authority." Post-Gazette.com. 21 Apr. 2011. Web.

<<http://www.post-gazette.com/pg/11111/1140832-147.stm>>.