



TO: Finance Committee
Jennifer M. Liptak
Representative Austin A. Davis

FROM: Ann M. Ogoreuc, Chair

DATE: January 13, 2020

SUBJECT: Finance Committee Meeting – January 17, 2020

The next meeting of the Finance Committee is scheduled for Friday, January 17, 2020. The meeting will be held in the Fifth Floor Board Room at Port Authority offices immediately following the 8:30 a.m. Planning and Stakeholder Relations Committee meeting. The preliminary agenda is as follows:

1. Approval of Minutes of the November 14, 2019 Finance Committee Meeting
2. Introduction to Sources of Port Authority Grant Funding
3. Proposed Resolution:
 - a. Authorization to Apply for and Enter into Agreements for CY 2020 Operating and Capital Grant Funds (Pete Schenk)
4. Financial Statements and Cash Flow (Pete Schenk)

cc: Other Port Authority Board Members

FINANCE COMMITTEE MEETING

November 14, 2019

Board Committee Members

Ann Ogoreuc, Chair

Jeff Letwin

Other Board Member

John Tague

Rep. Lori Mizgorski

Michelle Zmijanac

1. Review of Operating Reserve Fund Policy:

Mr. Schenk reported on the recent finalization of an administrative policy associated with the maintenance of the Operating Reserve Fund originally established by Board resolution in 2017. The administrative policy details the various asset types that can be utilized as funding sources for the Operating Reserve Fund. In addition, the policy defines the schedule for adjusting the Operating Reserve Fund based upon annual budgetary changes.

2. Proposed Resolutions:

Mr. Schenk presented a resolution seeking authorization to increase the Operating Reserve Fund Amount. He reported that based upon a recommendation from the Pennsylvania Department of Transportation, the Authority's Board passed a resolution on June 30, 2017 to implement and maintain a restricted Operating Reserve Fund. The Reserve Fund was initially established in the amount of \$34,982,415, the equivalent of one month of the Authority's gross operating expenses in FY 2018.

To account for growth in the Authority's annual operating budget and gross operating expenses, the Finance Committee recommends that the Authority increase the Reserve Fund to \$38,488,582.

The Finance Committee agreed to take it to the full Board for consideration.

3. Financial Report:

Mr. Schenk reported that for the month of October, Total Operating Income was \$350,704 below budget primarily due to lower Passenger Revenues. However, Total Operating Income for the fiscal year was \$107,319 above budget.

He also reported that Total Expenses for the month of October were \$1.49 million under budget with all categories, except Utilities and Other Expense, reporting under plan. Year-to-date expenses are \$11.75 million under budget with all expense categories, except ACCESS Expense, reporting under plan through October.

SUMMARY OF RESOLUTION

Authorization to Apply for and Enter into Agreements for CY 2020 Operating and Capital Grant Funds

On an annual basis, Port Authority of Allegheny County (Authority) applies for and enters into agreements with various federal, state and local governments, and other entities, including the Federal Transit Administration (FTA), the Federal Department of Homeland Security, the Pennsylvania Department of Transportation (PENNDOT), Allegheny County (County), the Allegheny County Regional Asset District (RAD) and the Southwestern Pennsylvania Commission for various grants to support the Authority's operating and capital budgets.

These grants include, but are not limited to, formula program grants administered by FTA for Section 5303 Metropolitan Planning funding, Section 5307 Urbanized Area Formula Program funding, Section 5307 Flex Program funding, Section 5310 Enhanced Mobility for Seniors funding, Section 5337 State of Good Repair Program funding, Section 5339 Bus and Bus Rail Facilities Formula Program funding, along with related local match funding from PENNDOT and the County (Federal Formula Grants). These grants also include, but are not limited to, formula program grants administered by PENNDOT for the Commonwealth of Pennsylvania for Section 1513 operating assistance and Section 1514 capital assistance pursuant to the provisions of Act 89 of 2013, along with related local match funding from County and RAD (State Formula Grants).

In addition to Federal Formula Grants and State Formula Grants, the Authority is eligible, from time to time, to apply for and enter into agreements for various discretionary grants that may become available throughout the calendar year, including, but not limited to, Federal Transit Security Grant funding, Federal Low or No Emission Program funding, Federal Congestion Mitigation Air Quality funding and Commonwealth of Pennsylvania Multi-Modal Transportation funding, along with discretionary grants that may be offered by private and non-profit entities and related local match requirements (Discretionary Program Grants).

In many instances, the time period for developing and submitting the application for a grant is limited requiring the Authority to move promptly in order to timely submit the application for the available funds. This resolution will allow the Authority to submit applications for the grants that become available in CY 2020 in a timely fashion. Specifically, this resolution authorizes the Authority's chief executive officer, chief financial officer, director Grants and Capital Programs and chief development officer to apply for and enter into grant agreements for Federal Formula Grants, State Formula Grants and Discretionary Program Grants that the Authority is eligible for, or may become eligible for, in CY 2020 to support the Authority's operating and capital budgets.

This resolution further requires the Authority's chief financial officer to provide regular reports to the Finance Committee of the Authority's Board concerning grants applied for and awarded to the Authority during CY 2020.

RESOLUTION

WHEREAS, on an annual basis, Port Authority of Allegheny County (Authority) applies for and enters into agreements with federal, state and local governments, and other entities, for various grants to support the Authority's operating and capital budgets; and

WHEREAS, these grants include, but are not limited to, formula program grants administered by the Federal Transit Administration for Section 5303 Metropolitan Planning funding, Section 5307 Urbanized Area Formula Program funding, Section 5307 Flex Program funding, Section 5310 Enhanced Mobility for Seniors funding, Section 5337 State of Good Repair Program funding and Section 5339 Bus and Bus Rail Facilities Formula Program funding, along with related local match funding from the Pennsylvania Department of Transportation (PENNDOT) and Allegheny County (County) (Federal Formula Grants); and

WHEREAS, these grants also include, but are not limited to, formula program grants administered by PENNDOT for the Commonwealth of Pennsylvania for Section 1513 operating assistance and Section 1514 capital assistance pursuant to the provisions of Act 89 of 2013, along with related local match funding from County and the Allegheny County Regional Asset District (State Formula Grants); and

WHEREAS, in addition, the Authority is eligible, from time to time, to apply for and enter into agreements for various discretionary grants that may become available throughout the calendar year including, but not limited to, Federal Transit Security Grant funding, Federal Low or No Emission Program funding, Federal Congestion Mitigation Air Quality funding and Commonwealth of Pennsylvania Multi-Modal Transportation funding, along with discretionary grants that may be offered by private and non-profit entities and related local match requirements (Discretionary Program Grants).

NOW, THEREFORE, BE IT RESOLVED, that the Authority's chief executive officer, chief financial officer, director Grants and Capital Programs and chief development officer be, and hereby are, authorized to: apply for and enter into grant agreements for Federal Formula Grants, State Formula Grants and Discretionary Program Grants that the Authority is eligible for, or may become eligible for, in CY 2020 to support the Authority's operating and capital budgets; file applications and enter into agreements for any required matching funding for such grants; and take any and all such other actions as may be necessary and proper to carry out the purpose and intent of this resolution.

FURTHER RESOLVED that the Authority's chief financial officer shall provide regular reports to the Finance Committee of the Authority's Board concerning grants applied for and awarded to the Authority during CY 2020.

FINANCIAL STATEMENTS

Port Authority of Allegheny County
CONSOLIDATED STATEMENT OF NET POSITION
For the Current Period
As of December 31, 2019

	OPERN	CAPTL	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 158,692,607.85	\$ 15,840,817.12	174,533,424.97
Capital grants receivable	-	15,442,769.58	15,442,769.58
Other receivables	8,733,237.14	0.00	8,733,237.14
Prepaid expenses	1,957,499.38	-	1,957,499.38
Materials & supplies	16,707,614.41	-	16,707,614.41
Total Current Assets	186,090,958.78	31,283,586.70	217,374,545.48
NONCURRENT ASSETS			
Restricted assets for capital additions and related debt	-	21,348,459.07	21,348,459.07
Designated for reserve fund	38,488,582.00	-	38,488,582.00
Capital assets, net of accumulated depreciation	-	1,269,846,239.23	1,269,846,239.23
Total Non-Current Assets	38,488,582.00	1,291,194,698.30	1,329,683,280.30
TOTAL ASSETS	\$ 224,579,540.78	\$ 1,322,478,285.00	\$ 1,547,057,825.78
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charge on refunding	-	7,241,289.98	7,241,289.98
Related to pensions	122,420,337.00	-	122,420,337.00
Related to OPEB	47,529,185.00	-	47,529,185.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 169,949,522.00	\$ 7,241,289.98	\$ 177,190,811.98
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	9,100,865.23	1,670,719.78	10,771,585.01
Accrued compensation, benefits & withholdings	16,315,845.70	-	16,315,845.70
Unearned revenue	133,890,955.42	28,906,090.71	162,797,046.13
Reserves for claims & settlements	6,272,850.00	-	6,272,850.00
Current portion of bond payable	-	13,140,000.00	13,140,000.00
Other current liabilities	-	2,981,029.16	2,981,029.16
Total Current Liabilities	165,580,516.35	46,697,839.65	212,278,356.00
NONCURRENT LIABILITIES			
Bond payable, net	-	159,204,699.15	159,204,699.15
Reserves for claims & settlements	5,006,967.00	-	5,006,967.00
Accrued OPEB liability	624,412,121.00	-	624,412,121.00
Net pension liability	421,374,849.00	-	421,374,849.00
Total Non-Current Liabilities	1,050,793,937.00	159,204,699.15	1,209,998,636.15
TOTAL LIABILITIES	\$ 1,216,374,453.35	\$ 205,902,538.80	\$ 1,422,276,992.15
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Related to pensions	44,435,626.00	-	44,435,626.00
Related to OPEB	23,704,202.00	-	23,704,202.00
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 68,139,828.00	\$ -	\$ 68,139,828.00
<u>NET ASSETS</u>			
TOTAL NET POSITION	\$ (928,473,800.57)	\$ 1,123,817,036.18	\$ 195,343,235.61

PORT AUTHORITY OF ALLEGHENY COUNTY
COMPARATIVE SUMMARY OF REVENUES AND EXPENSES

	Month of December 2019			6 Month Year-to-Date			Notes on Variances
	Budget	Actual	Variance	Budget	Actual	Variance	
REVENUE:							
Passenger revenue -							
Bus, Light Rail & Incline Plane	\$7,219,680	\$7,608,934	\$389,254	\$45,550,691	\$45,392,955	(\$157,736)	
ACCESS program service	882,183	917,458	\$35,275	5,293,098	5,385,405	\$92,307	
Advertising	208,423	250,589	\$42,166	1,250,088	1,482,965	\$232,877	
Interest income	162,500	182,337	\$19,837	975,000	1,212,840	\$237,840	
Other income	26,643	37,401	\$10,758	339,138	418,878	\$79,740	
							Total Operating Income for the month of December was \$497,290 above budget due to higher Passenger Revenue. Total Operating Income is \$485,028 above budget due to higher Advertising Revenue and Interest Income.
Total Operating Income	\$8,499,429	\$8,996,719	\$497,290	\$53,408,015	\$53,893,043	\$485,028	
EXPENSE:							
Wages & salaries	\$18,461,005	\$18,628,996	(\$167,991)	\$80,844,066	\$80,376,750	\$467,316	
Employee benefits	14,717,149	16,025,661	(\$1,308,512)	81,140,505	79,901,220	\$1,239,285	
Materials & supplies	4,046,528	3,496,169	\$550,359	24,845,180	20,854,250	\$3,990,930	
Provision for injuries & damages	341,868	187,608	\$154,260	2,371,228	1,642,146	\$729,082	
Purchased services	1,459,344	1,005,110	\$454,234	9,275,483	4,958,430	\$4,317,053	
Utilities	687,253	664,969	\$22,284	3,762,008	3,082,433	\$679,575	
Other expense	1,220,005	735,729	\$484,276	7,167,660	1,704,935	\$5,462,725	
Interest	0	0	\$0	0	0	\$0	
ACCESS program service	2,409,422	2,284,324	\$125,098	14,295,532	14,039,853	\$255,679	
							Total Expense for December was \$314,008 under budget. The Authority did make a required \$1.4 million dollar required catch-up payment to the ATU Pension Plan based on the recently completed actuarial report. Total Expenses for the fiscal year are \$17.1 million under budget. Other Expenses are \$5.4 million under budget due in part to a \$2.5 million Accident Recovery Credit settlement for the rail derailment. Materials & Supplies are \$3.9 million under budget in part due to lower Material Expense. Purchased Services are \$4.3 million under budget in part due to lower Work-Done-by-outside Contractor Expense
Total Expense	\$43,342,574	\$43,028,566	\$314,008	\$223,701,662	\$206,560,017	\$17,141,645	
Deficit before Subsidy	(\$34,843,145)	(\$34,031,847)	\$811,298	(\$170,293,647)	(\$152,666,974)	\$17,626,673	
Operating Subsidy:							
County Drink Tax Revenue			\$0			\$0	
RAD Assistance - Local	275,000	275,000	\$0	1,650,000	1,650,000	\$0	
Gen Operating Assist - State	20,062,251	25,551,687	\$5,489,436	110,577,113	121,626,091	\$11,048,978	
Defer State Operating Assist			\$0			\$0	
Cost of Contracting			\$0	3,928,218	3,928,227	\$9	
Redistribute to Vehicle Overhaul	494,264	540,810	\$46,546	2,965,584	3,298,826	\$333,242	
Redistribute to Capital Accounts	163,800	195,861	\$32,061	986,800	1,326,590	\$339,790	
Fringe Benefits Redistrib Cap Accts	85,000	88,094	\$3,094	510,000	495,160	(\$14,840)	
Preventive Maintenance	1,987,374	1,983,782	(\$3,592)	18,925,286	18,921,828	(\$3,458)	
ACM Capitalizations			\$0			\$0	
Third Party Reimbursements	121,000	205,758	\$84,758	192,000	430,866	\$238,866	
ACCESS-JARC/New Freedom			\$0			\$0	
ACCESS-5310 revenue			\$0			\$0	
ACCESS-PWD	51,700	52,856	\$1,156	310,200	308,943	(\$1,258)	
							Total Subsidy for the month and fiscal year-to-date is ahead of plan, but this is strictly a timing issue that will normalize.
Total Subsidy	\$23,240,389	\$28,893,848	\$5,653,459	\$140,045,201	\$151,986,530	\$11,941,329	
Surplus/Deficit	(\$11,602,756)	(\$5,137,999)	\$6,464,757	(\$30,248,446)	(\$680,444)	\$29,568,002	



PORT AUTHORITY OF ALLEGHENY COUNTY
COMPARATIVE SUMMARY OF REVENUES AND EXPENSES

	Monthly Actuals			Year to Date Actuals			
	December 2018	December 2019	Variance	FY2019	FY2020	Variance	Notes on Variances
REVENUE :							
Passenger revenue -							
Bus, Light Rail & Incline Plane	\$7,219,293	\$7,608,934	\$389,641	\$45,415,091	\$45,392,955	(\$22,136)	
ACCESS program service	874,790	917,458	\$42,668	5,600,295	5,385,405	(\$214,890)	
Advertising	400,846	250,589	(\$150,257)	1,489,661	1,482,965	(\$6,696)	
Interest Income	179,170	182,337	\$3,167	921,886	1,212,840	\$290,954	
Other Income	30,031	37,401	\$7,370	404,781	418,878	\$14,097	
							Total Operating Income is \$61,329 ahead of last fiscal year through December principally due to higher Interest Income.
Total Operating Income	\$8,704,130	\$8,996,719	\$292,589	\$53,831,714	\$53,893,043	\$61,329	
EXPENSE :							
Wages & salaries	\$13,130,490	\$18,628,996	(\$5,498,506)	\$80,424,832	\$80,376,750	\$48,082	
Employee benefits	12,095,047	16,025,661	(\$3,930,614)	73,162,752	79,901,220	(\$6,738,468)	
Materials & supplies	2,971,436	3,496,169	(\$524,733)	22,723,795	20,854,250	\$1,869,545	
Provision for injuries & damages	189,077	187,608	\$1,469	1,865,991	1,642,146	\$223,845	
Purchased services	968,942	1,005,110	(\$36,168)	6,575,059	4,958,430	\$1,616,629	
Utilities	574,789	664,969	(\$90,180)	3,131,820	3,082,433	\$49,387	
Other expense	635,835	735,729	(\$99,894)	4,260,281	1,704,935	\$2,555,346	
Interest	0	0	\$0	0	0	\$0	
ACCESS program service	2,409,545	2,284,324	\$125,221	13,765,710	14,039,853	(\$274,143)	
							Total Operating Expense is \$649,777 ahead of last fiscal year principally due to higher Employee Benefits. \$2.784 million of Sick, Vacation and Holiday for salaried employees is categorized in Employee Benefits in FY2020 accentuating the negative variances in F2020.
Total Expense	\$32,975,161	\$43,028,566	(\$10,053,405)	\$205,910,240	\$206,560,017	(\$649,777)	
Deficit before Subsidy	(\$24,271,031)	(\$34,031,847)	(\$9,760,816)	(\$152,078,526)	(\$152,666,974)	(\$588,448)	
Operating Subsidy:							
County Drink Tax Revenue			-			-	
RAD Assistance - Local	275,000	275,000	-	1,650,000	1,650,000	-	
Gen Operating Assist - State	18,617,629	25,551,687	6,934,058	119,551,539	121,626,091	2,074,552	
Defer State Operating Assist			-			-	
Cost of Contracting			-	3,543,554	3,928,227	384,673	
Redistribute to Vehicle Overhaul		540,810	540,810		3,298,826	3,298,826	
Redistribute to Capital Accounts	171,183	195,861	24,678	967,353	1,326,590	359,237	
Fringe Benefits Redistrib Cap Accts	94,704	88,094	(6,610)	479,570	495,160	15,590	
Preventive Maintenance	4,301,765	1,983,782	(2,317,983)	30,168,596	18,921,828	(11,246,768)	
ACM Capitalizations			-			-	
Third Party Reimbursements	2,782	205,758	202,976	102,649	430,866	328,217	
ACCESS-JARC/New Freedom			-			-	
ACCESS-5310 revenue			-			-	
ACCESS-PWD	55,426	52,856	(2,571)	307,441	308,943	1,502	
							Total Subsidy is \$4.7 million behind last fiscal year. This is due lower amounts of Preventive Maintenance dollars being utilized. The FY20 Budget is using \$8.7 million less in Preventive Maintenance, so this result is expected.
Total Subsidy	\$23,518,489	\$28,893,848	\$ 5,375,359	\$156,770,702	\$151,986,530	\$ (4,784,172)	
Surplus/Deficit	(\$752,542)	(\$5,137,999)	\$ (4,385,457)	\$4,692,176	(\$680,444)	(\$5,372,620)	

PORT AUTHORITY OF ALLEGHENY COUNTY
FY 2020 PROJECTED OPERATING RESERVE
(As of December 31, 2019)

(Dollars in Thousands)
Actual/Estimate

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	TOTAL
Begin Cash & Investments	150,321	151,313	124,028	120,699	153,749	151,488	149,716	146,565	142,551	143,522	142,044	146,034	148,739	
Oper Grants:														
. County/ Additional County Assistance	8,005		4,005	4,000					5,500	2,750	8,005	8,005	8,005	40,270
. Regional Asset District	225	275	275	275	275	275	275	225	225	225	225	225	225	3,000
. State	16,243	2,373	11,959	47,976	17,198	16,463	25,531	19,592	19,592	19,592	19,592	19,592	19,592	239,049
. Additional State Operating Assistance/Rebase														
Revenues:														
. ACM/Grants Management/T&L	357	397	250	521	210	557	284	249	239	239	239	239	239	3,662
. ACCESS/Shared Ride	901	0	1,853	882	0	901	937	882	882	882	882	882	882	9,866
. ACCESS/Capital Cost of Contracting	1,205	0	2,237	1,757	0	2,171	0	1,449	1,449	1,449	1,449	1,449	1,449	14,858
. ACCESS/Connections and Works	56	0	112	52	0	50	52	52	52	52	52	52	52	577
. Fare Box	6,722	7,597	6,048	6,755	7,936	5,960	8,773	7,233	7,116	7,281	7,490	7,608	7,367	87,162
. VOH	0	0	795	592	465	907	541	494	494	494	494	494	494	6,264
. Capital Payback	0	0	43	0	423	21	1,400	5	5	51	5	5	51	2,008
. PREVENTIVE MAINTENANCE	0	0	4,202	5,272	5,026	2,439	1,984	2,887	2,887	2,887	2,826	1,352	0	31,761
. Investment Income	251	242	228	170	178	219	187	163	163	163	163	163	163	2,198
. Norfolk Southern Derailment Settlement						2,561								2,561
. OTHER	893	655	878	629	795	939	832	691	277	300	248	309	640	7,193
. OPEB Usage														0
Cash Available	185,178	162,851	156,912	189,579	186,254	184,951	190,512	180,486	181,432	179,886	183,713	186,406	187,897	450,430
Payments:														
. Pay/Withhold	12,830	16,982	14,470	12,954	12,950	12,687	18,375	15,270	15,187	15,118	14,995	14,974	19,955	183,915
. Healthcare	6,450	6,482	6,410	6,444	6,424	6,408	6,419	6,808	6,808	6,808	6,808	6,808	6,808	79,436
. Pension Payment	4,775	4,763	5,288	5,837	4,902	4,897	6,355	3,670	3,670	3,670	3,670	3,670	3,670	54,060
. All Other	9,840	10,536	9,887	10,439	10,368	11,090	11,286	12,095	12,153	12,154	12,114	12,123	13,138	137,383
. Operating Loan to Capital	0	0	0	95	0	0	1,400	0	0	0	0	0	0	1,495
. OPEB Payback														0
. Paybacks/Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
. Treasury Service Expense	95	60	158	62	122	154	111	92	92	92	92	92	92	1,221
Total Payments	33,990	38,823	36,213	35,830	34,765	35,235	43,946	37,935	37,910	37,842	37,679	37,667	43,663	457,509
Ending Cash & Investments	151,188	124,028	120,699	153,749	151,488	149,716	146,565	142,551	143,522	142,044	146,034	148,739	144,234	