ALLEGHENY INSTITUTE FOR PUBLIC POLICY

February 6, 2019 **Policy Brief: Volume 19, Number 6**

Peers could point way on Port Authority performance

Summary: The state Auditor General's Office recently released a performance audit of the Port Authority of Allegheny County (PAAC). State law requires the audit to be undertaken once every four years. Transit systems in comparable metro areas were used to measure transit performance. The next audit should utilize this peer group to see how PAAC compares on several critical indicators of transit operations.

The audit covered the period from Jan. 1, 2016, to Dec. 31, 2017. It focused on the mass transit agency's hiring procedures (in the time period 330 new hires were added to bring the total headcount to 2,533 at the end of 2017) and how new service requests are processed.

It also reviewed bus and light-rail operations measured by on-time performance, the percentage of time vehicles are in service and passengers per revenue hour. To evaluate the Port Authority, four peer agencies (MTA in Baltimore, GRCTA in Cleveland, Bi-State in St. Louis and Metro in Minneapolis) were selected due to "similarities in city/metropolitan area populations, transit service levels, modes of service provided, or methods of route management," according to the audit.

In the audit time period, vehicle in-service time was 85 percent for buses, slightly lower than the peer average of 90 percent which PAAC attributed to the locations of two bus garages and language in the collective bargaining agreement with the transit union on meal breaks. On passengers per revenue hour, PAAC ranked second behind MTA. To improve where lacking, the audit recommended a renegotiation of the collective bargaining provisions when the current labor contract expires in 2020 and different locations for garages to reduce time out of service.

While the audit is to be commended for looking at other agencies to benchmark PAAC's time-related performance, quite a deeper look at the costs of mass transit service and how funding is provided could have been made part of the examination.

The National Transit Database (NTD) recently published 2017 data for transit agencies. All five agencies in the audit provide mass transit through various modes but bus trips accounted for at least 60 percent of all unlinked trips. The Port Authority was highest with 84 percent of all transit trips provided by bus. PAAC provided more bus trips per vehicle revenue hour than the peer group average (33.2 to 27.6) and only the MTA had a higher rate than PAAC (40.1 trips per hour).

Consider the following indicators:

Bus operating expense per vehicle revenue hour—This is the non-capital outlay required to deliver services divided by the hours buses are actually on routes picking up and discharging paying passengers, an indicator that we wrote about at length in a 2018 *Policy Brief* (*Vol.18, No.18*). PAAC's expense was $187.02, which was higher than the peer group average of $143.95, a difference of 30 percent. Only MTA was remotely close to PAAC on this measurement at $174.13. That figure cries out for attention given the sizeable gap between PAAC and its comparable peer group. It would have certainly raised a red flag if included in the audit.

Salaries/wages/benefits—The Port Authority spent $301.9 million on salaries/wages/benefits in 2017. This was higher than the peer group average of $239.9 million by 26 percent. MTA and Metro were not far behind in dollar terms, with each spending $297 million on the category. The outlays for GRCTA and Bi-State were quite lower with both agencies spending less than $200 million. If the peers were selected for their similarities to PAAC, an obvious question should be why the level of salaries/wages/benefits was the highest of the five.

As a percentage of all operating expenses (which would include purchased transportation, materials and supplies and other expenses) PAAC had a share of 75 percent. This was higher than the peer group average of 66 percent. Only Metro had a higher percentage share at 79 percent.

Sources of operating funds expended—In presenting the audit findings the auditor general stated that transit fares should not rise and that "it's critical that Harrisburg make greater investments." Two agencies in the peer group, GRCTA and Bi-State, are primarily locally funded whereas Metro and MTA, along with PAAC, received at least 50 percent of all operating funds (federal, state, local and other) from their respective state. MTA received the highest percentage share, at 75 percent, while PAAC and Metro were at 56 percent and 60 percent, respectively. In dollar terms MTA's state subsidy of $566 million was far greater than the $228 million received by both PAAC and Metro from their state governments.

To what level does the auditor general believe state subsidies for Port Authority should rise? And would that argument be made if the audit had included a comparison of operating expenses and payroll to the peer group to see how far above the others the agency is?

Future performance audits, beginning with the next one in 2022, should utilize the peer agencies to measure PAAC's standing on operating expense per vehicle revenue hour, the amount and share of salaries/wages/benefits and the amount and share of state subsidy for the agency. Previous work has shown the costs here to be greater than in numerous other locales, including Boston, Washington, D.C., Columbus and Buffalo. Only New York City was found to be higher. With enough attention paid to these measures it might be possible to reduce the gap between the Port Authority and its peers.

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