

May 4, 2018

Southeastern Pennsylvania Transportation Authority
1234 Market Street
Philadelphia, Pennsylvania 19107

Attention: Pasquale T. Deon, Board Chairman

Re: Public Hearings in connection with the Southeastern Pennsylvania Transportation Authority's Fiscal Year 2019 Operating Budget and Five Year Financial Plan.

Examiner's Recommendation:

That the Fiscal Year 2019 Operating Budget Proposal, and Five Year Financial Plan be adopted.

Members of the Board:

Pursuant to my appointment by Pasquale T. Deon, Board Chairman, to conduct hearings for the purpose of considering SEPTA's Fiscal Year 2019 Operating Budget, and Five Year Financial Plan, public hearings were held at 11:00 a.m. and 5:00 p.m. on April 23, 2018 in the SEPTA Board Room, Mezzanine, 1234 Market Street, Philadelphia, Pennsylvania 19107; at 2:00 p.m. and 6:00 p.m. on April 24, 2018 in Norristown, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 18, 2018 in Media, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 19, 2018 in Doylestown, Pennsylvania; and at 2:00 p.m. and 6:00 p.m. on April 20, 2018 in West Chester, Pennsylvania.

A stenographic record was made of the hearings and is available for viewing in the Authority's files. Included as part of the record of the hearings, but not forwarded herewith, are the exhibits establishing posting and publication of the notice of the hearings. These exhibits are available for viewing in the Authority's files.

The Fiscal Year 2019 Operating Budget and Five Year Financial Plan were prepared by SEPTA in accordance with Section 1310 of the Pennsylvania Public Transportation Law of 1991 ("Act 26") and the hearings proceeded with the presentation by a SEPTA witness. Following the presentation of testimony by the SEPTA witness, the floor was open to any person attending who desired to ask questions, make a statement or present evidence.

Introduction:

James Cullison, Director, Operating Budgets testified that SEPTA's Budget Proposal totals \$1.45 billion, maintains current levels of transportation service and preserves the current fare structure with no fare increase for the current fiscal year. Passenger revenue for Fiscal Year 2019 assumes a 1% growth over the current year forecast. Similar to other large transit agencies, SEPTA ridership has been impacted by increased competition from ridesharing companies, bicycles and moderate

gasoline prices. To address this issue, SEPTA initiated a comprehensive review of its entire bus network. SEPTA also instituted a new DIRECT Bus service that provides faster, limited stop service on Roosevelt Blvd. between Frankford Transportation Center and Neshaminy Mall. Other operating revenue is budgeted to increase by 3.2% in Fiscal Year 2019 driven by higher investment returns, real estate lease proceeds and income generated from the sale of scrap material, partially offset by lower shared ride program revenue. SEPTA also remains committed to pursuing alternative sources of revenue to balance the operating budget. For example, Fiscal Year 2019 advertising income is expected to generate \$16 million in revenue from naming rights, billboard, station and vehicle advertisement sales. This represents an increase of 23% in advertising income over the last five years. The Fiscal Year 2019 Operating Budget Proposal assumes employee headcount remains unchanged from Fiscal Year 2018 and reflects costs associated with negotiated labor agreements. The budget proposal includes an increase in non-labor expenses to provide for inflationary increases in material and services used to maintain vehicles, fuel, and rent. It also provides for cost increases to operate contracted third party paratransit service. It is expected that claims payouts will continue the favorable trend experienced the past several years due to the extensive video surveillance network and the aggressive pursuit of fraudulent claims. Claim payments have decreased by almost 50 percent over the past seven years. Over the next three years, the Authority will receive delivery of 225 new paratransit vehicles, 15 electric locomotives, 45 multi-level railcars for regional rail, and an additional 330 hybrid-electric buses. The addition of the new buses will increase the hybrid bus fleet to approximately 95% of SEPTA's overall bus fleet, and help further reduce fuel consumption. In addition, SEPTA will accept delivery of 25 electric buses in calendar 2018 for operation on Bus Routes 29 and 79. The Authority's disciplined management of operating expenses has been positively influenced by a commitment to rebuild the system's infrastructure and vehicle fleet. Over the past six fiscal years, the Authority has funded \$2.6 billion for capital projects, with those funds directed to state of good repair projects, infrastructure safety and renewal, vehicle overhauls, and other system critical programs. This rebuilding effort will continue in Fiscal Year 2019 and beyond with over \$7.4 billion in expenditures planned for the next 12 years. The roll-out of SEPTA Key, the Authority's new fare payment system is close to complete on Transit and is currently being tested on Regional Rail before formally releasing it to the regional rail customers. It is expected that Key will be operational throughout the railroad network by the end of CY 2018. SEPTA is committed to operating in a prudent and efficient business manner while continuing to exercise the strict financial discipline that has provided 18 consecutive years of balanced budgets. The Fiscal Year 2019 Operating Budget Proposal reflects the Authority's mission to provide safe, reliable, sustainable, and accessible public transportation service to our customers in the five-county region. Thomas McFadden, Chief Financial Officer, Dennis Hiller, Chief Officer, Revenue, Ridership, Advertising and Sales, Daniel Casey, Director, Revenue Budgets, Pricing and Analysis, Mark Cassel, Director, Suburban Service Planning and Schedules, Maureen Lichtner, Director, City Schedules & Support Service and Michael Seonia, Manager of Tariffs and Revenue Budget also participated in the hearings.

A total of 23 people attended the public hearings including representatives from the Delaware Valley Association of Rail Passengers, Montgomery County Planning Commission, Delaware County Planning Commission, Bucks County Planning Commission, City of Philadelphia, SEPTA Citizens Advisory Committee, Senator A. Dinniman Office and 15 people provided testimony.

An announcement was made at the hearings that the record would be held open through April 30, 2018 for receipt of written comments. Nine emails were received and entered into the record. A majority of the emails dealt with operational issues.

Written comments were received from:

Delaware Valley Association of Rail Passengers (DVARP) supports the proposed 2019 Operating Budget but questions the passenger revenue growth assumptions in light of the decline in bus trips over previous fiscal years. It notes that the impact of a potential CTD bus system restructuring or changes associated with full implementation of KEY are not identified as being positive or negative. DVARP supports creation of an initiative to encourage increased subsidy payments to SEPTA from the four suburban counties and supports the identified Business Initiatives. It commends SEPTA for cost-saving initiatives and for the underlying strategic thinking. It notes that the presentation of the budget continues to improve but suggests that improvement is needed to include reporting of operating performance measures and a bottom-line summary of how much transit and rail service will be increased or decreased in the coming year.

SEPTA's Citizens Advisory Committee presented a list of issues and questions that will be addressed by SEPTA management.

Comments presented at the hearings:

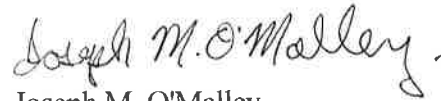
Several individuals made inquiry about the SEPTA KEY senior citizen fare as well as the senior card and the availability of facilities for such card. Others had questions about service issues which were addressed by SEPTA personnel.

Summary:

The issues raised during the hearings are provided for your information and use. I find that SEPTA's Fiscal Year 2019 Operating Budget and Five Year Financial Plan are consistent with federal and state programming requirements.

In conclusion, it is my recommendation that the Fiscal Year 2019 Operating Budget, and Five Year Financial Plan be adopted.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joseph M. O'Malley".

Joseph M. O'Malley
Hearing Examiner