

May 1, 2019

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 2020 Operating Budget and Five Year Financial Plan.

Examiner's Recommendation:

That the Fiscal Year 2020 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 2020 Operating Budget, and Five Year Financial Plan, public hearings were held at 11:00 a.m. and 5:00 p.m. on April 17, 2019 in the SEPTA Board Room, Mezzanine, 1234 Market Street, Philadelphia, Pennsylvania 19107; at 2:00 p.m. and 6:00 p.m. on April 23, 2019 in Norristown, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 16, 2019 in Media, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 18, 2019 in Doylestown, Pennsylvania; and at 2:00 p.m. and 6:00 p.m. on April 15, 2019 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 2020 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 \$1.49 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 2020 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, changing ridership patterns and moderate gasoline prices. SEPTA has introduced several new initiatives to promote ridership growth including new transit maps that both highlight and market the Authority's frequent bus network. SEPTA also commenced its new Route 49 bus service that connects University City to the Philadelphia neighborhoods of Brewerytown, Fairmount, Grays Ferry and Strawberry Mansion. This service was introduced on February 24th of this year and is already attracting over 1,600 weekday passengers. SEPTA's express bus service on Roosevelt Boulevard continues to attract over 3,000 daily passengers. The Authority has recently launched an improved responsive website for SEPTA Key that is easier for customers to navigate, purchase fare products and track balances. The roll-out of the SEPTA Key is close to complete on Transit and the phased expansion on Regional Rail is underway throughout the railroad network and is expected to be completed by the end of Calendar Year 2019. Other operating revenue is budgeted to increase by 3.7% in Fiscal Year 2020 driven by higher investment returns, advertising income and proceeds generated from real estate leases and parking lots. SEPTA will continue its efforts to aggressively pursue alternative sources of revenue and advertising income and real estate leases alone are expected to generate \$33 million dollars in revenue in Fiscal Year 2020, an increase of 26% over the last five years. Manpower levels will increase slightly in the proposed budget. Additional bus operators are necessary to support the new Route 49 service and assistant conductors are being added in support of Regional Rail operational requirements. Labor and Fringe benefits are budgeted to increase by approximately 2% next year and reflect the 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 lease access costs required to operate regional rail service on the right-of-way owned by Amtrak and higher third party contract service costs. Claim payouts are expected to continue the favorable downward trend experienced in the past several years due to the Authority's extensive video surveillance network. Claim payments have decreased by more than 50% over the past eight years. Over the next three years, the Authority will take delivery of 139 new paratransit vehicles, 45 multi-level railcars for regional rail, and an additional 310 hybrid-electric buses. The addition of these new buses will increase the size of the hybrid bus fleet to approximately 90% of SEPTA's overall bus fleet, one of the nation's largest green fleets. Replacing diesel buses with hybrid has helped reduce SEPTA's annual fuel consumption from 14.3 million gallons in Fiscal Year 2014 to 13 million gallons in Fiscal Year 2018, a decrease of 9%. This month, SEPTA expects to take delivery of the remaining 25 electric buses ordered for operation on Bus Routes 29 and 79. Ten additional electric buses partially funded by a federal competitive grant are expected to be delivered in Fiscal Years 2021 and 2022. The Authority's commitment to energy saving initiatives is further demonstrated by the implementation of several ESCO projects that use energy savings to pay for the capital improvements and by the acquisition of new solar panels that are currently being installed at four large bus and rail maintenance facilities. The Authority's operating expenses have also been positively influenced by a commitment to rebuild the system's infrastructure and vehicle fleet. Over the past seven fiscal years, the Authority has funded \$3.6 billion dollars in capital projects, with those funds directed to state of good repair projects, infrastructure safety and renewal, vehicle overhauls, and other system critical programs. SEPTA's Fiscal Year 2019 state capital funding had been reduced by \$63 million dollars, and the Authority's capital plans for Fiscal Year 2020 had been jeopardized by a lawsuit filed against the Pennsylvania Turnpike by a truckers' association and drivers' advocacy

group. On April 4, 2019, a federal judge dismissed the lawsuit, but the lawsuit was immediately appealed. At this time, it remains unclear when the Turnpike will be in a position to issue the bonds necessary to meet their funding obligations. SEPTA remains committed to operate in a prudent and efficient business manner with the strict financial discipline that has resulted in 19 consecutive years of balanced budgets. The Fiscal Year 2020 Operating Budget Proposal reflects the Authority's mission to provide safe, reliable, accessible, customer-focused public transit services contributing to the region's economic vitality, sustainability and enhanced quality of life. Thomas McFadden, Chief Financial Officer, Dennis Hiller, Chief Officer, Revenue, Ridership, Advertising and Sales, Michael Seonia, Director, Revenue Budgets, Pricing and Analysis, Mark Cassel, Director, Suburban Service Planning and Schedules, Maureen Lichtner, Director, City Schedules & Support Service and Thomas Kelly, Director, Sales also participated in the hearings.

A total of 31 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, Chester County Planning Department, Senators Kearney, Muth and Santersiero Offices. Also in attendance was State Representative Wendy Ullman. Ten people provided testimony.

An announcement was made at the hearings that the record would be held open through April 29, 2019 for receipt of written comments. Five letters/ emails were received and entered into the record along with SEPTA's written response thereto. A majority of these dealt with operational issues.

Written comments- None were received at the hearings.

Comments presented at the hearings:

Delaware Valley Association of Rail Passengers representative stated that they were disappointed in the implementation of SEPTA Key and SEPTA's current transfer policy and had questions relating to the state of good repairs for the trolley system which issues were addressed by SEPTA witnesses.

Several speakers raised concerns about adequate funding for SEPTA in light of the Turnpike litigation. Concerns about the SEPTA Key were also raised with regards to the Key card readers not working and the availability of access to the Key machines.

Summary:

The issues raised during the hearings are provided for your information and use. I find that SEPTA's Fiscal Year 2020 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 2020 Operating Budget, and Five Year Financial Plan be adopted.

Respectfully submitted,



Joseph M. O'Malley
Hearing Examiner