

May 6, 2016

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 2017 Operating Budget Proposal, and Five Year Financial Plan.

Examiner's Recommendation:

That the Fiscal Year 2017 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 2017 Operating Budget, and Five Year Financial Plan, public hearings were held at 11:00 a.m. and 5:00 p.m. on April 26, 2016 in the SEPTA Board Room, Mezzanine, 1234 Market Street, Philadelphia, Pennsylvania 19107; at 2:00 p.m. and 6:00 p.m. on April 29, 2016 in Norristown, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 27, 2016 in Media, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 25, 2016 in Doylestown, Pennsylvania; and at 2:00 p.m. and 6:00 p.m. on April 28, 2016 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 2017 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's witness. Following the presentation of testimony by SEPTA's 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 \$1.4 billion, and represents a 3.1 % increase from the adopted Fiscal Year 2016 Operating Budget. The proposal does not include any significant changes in the level of service and preserves the current fare structure. The budgeted operating revenue for Fiscal Year 2017 is slightly higher than Fiscal Year 2016 and includes a 2 percent passenger revenue growth over the current year projections. Other income is expected to increase by 1.4 percent as SEPTA continues to actively pursue alternative sources of revenue. Additional personnel have been budgeted for Fiscal Year 2017 to supplement an increase in infrastructure improvement projects, vehicle acquisitions, vehicle maintenance, and safety and security to support SEPTA's extensive building for the future initiatives. The Fiscal Year 2017 Proposal includes an increase in non-labor expenses to provide for normal inflationary increases in contract maintenance services, parts used to maintain vehicles, and material for facilities and other infrastructure. Claims costs for individuals injured on SEPTA owned property or aboard vehicles, are projected to be 32 percent less than five years ago due to an extensive video surveillance network and the aggressive pursuit of fraudulent claims. To date, more than 20 thousand cameras have been installed on the Authority's vehicle fleet and in various stations throughout the system. SEPTA remains committed to continue the challenge of fighting fraudulent claims while enhancing safety and security for both our customers and employees. SEPTA now has a bus fleet that is comprised of 51 percent hybrid buses. Since acquiring this fleet of diesel-electric hybrid buses, the consumption of diesel fuel has continually declined and SEPTA projects Fiscal Year 2017 usage will be approximately 1.5 million gallons below the level of usage 5 years ago. The reduced fuel usage combined with lower prices will generate budgeted savings of \$11.2 million in the Fiscal Year 2017 budget versus the previous fiscal year. SEPTA is committed to operate in a prudent and efficient business manner while continuing to exercise the fiscal discipline that has resulted in 16 consecutive years of balanced budgets.

Representatives from SEPTA's Service Planning Department also participated at the hearings. A total of 42 people attended the public hearings including representatives from the Delaware Valley Association of Rail Passengers, and 16 people provided testimony. SEPTA Board member, Clarena I.W. Tolson attended the Philadelphia SPM hearing.

An announcement was made at the hearings that the record would be held open through May 4, 2016 for receipt of written comments. Forty four emails were received and entered into the record. Thirty four emails support the restoration of rail service to West Chester and eight emails support rail service along the Route 422 corridor to Royersford.

Written comments were received from:

Delaware Valley Association of Rail Passengers (DVARP) supports the proposed 2017 Operating Budget and continues to support SEPTA's financial management strategy. It notes the postponement of the fare increase until the New Payment Technology is more completely implemented. It states that SEPTA is maintaining a prudent approach to adding service and points out that the recent decline in oil prices has saved SEPTA nearly 20 million dollars. Its chief concern is the sharp increase in Amtrak trackage rights payments. It notes

the change in departmental headcounts in various areas.

Tri-State Citizens' Council on Transportation urges SEPTA to totally reorient the Operating Budget Proposal by including pages of projects to increase revenue through increasing ridership and fewer pages on costs. It lists several items that could increase ridership.

SEPTA Youth Advisory Council is pleased with the Budget Proposal and supports SEPTA's continued efforts to develop balanced budgets. It stated that it advocates the development of a student fare discount program as well as opening internship opportunities beyond the children of SEPTA employees. It also raises concerns about the decline in City transit revenue, pass limits and improving interaction between Operations and Planning.

SEPTA's Citizen Advisory Committee filed a statement that raised issues with internal audit and inspector general personnel reduction as well as high fringe rate. It also commended SEPTA for the steady decrease in fuel expenses.

Comments Presented at the Hearings:

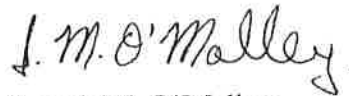
Several individuals voiced support for the Budget Proposal. Others raised issues concerning CCT service with a commitment from SEPTA representatives to investigate their claims. Several individuals raised questions on the SEPTA Key payment system and were advised by SEPTA representative that the system will have a limited rollout on June 13, 2016. Restoration of rail service to West Chester was the subject of comments from Jim Jones, Joann Kelton and Jordan Norley, all of whom urged SEPTA to consider restoring rail service to West Chester.

Summary:

The issues raised during the hearings are provided for your information and use. I find that SEPTA's Fiscal Year 2017 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 2017 Operating Budget, and Five Year Financial Plan be adopted.

Respectfully submitted,



Joseph M. O'Malley
Hearing Examiner

cc: Pasquale T. Deon, Sr., Chairman
Thomas E. Babcock, Vice Chairman
Beverly Coleman
Clarena I.W. Tolson
Honorable Dwight E. Evans
Robert D. Fox, Esquire
Honorable Stewart J. Greenleaf
Kevin L. Johnson
John I. Kane
Daniel J. Kubik
Kenneth Lawrence, Jr.
William J. Leonard, Esquire
Honorable Charles H. Martin
William M. McSwain, Esquire
Honorable Mike Vereb
Jeffrey D. Knueppel, General Manager