

May 4, 2017

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 2018 Operating Budget Proposal, and Five Year Financial Plan.

Examiner's Recommendation:

**That the Fiscal Year 2018 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 2018 Operating Budget, and Five Year Financial Plan, public hearings were held at 11:00 a.m. and 5:00 p.m. on April 24, 2017 in the SEPTA Board Room, Mezzanine, 1234 Market Street, Philadelphia, Pennsylvania 19107; at 2:00 p.m. and 6:00 p.m. on April 25, 2017 in Norristown, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 19, 2017 in Media, Pennsylvania and at 2:00 p.m. and 6:00 p.m. on April 20, 2017 in Doylestown, Pennsylvania; and at 2:00 p.m. and 6:00 p.m. on April 21, 2017 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 2018 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 2.8 % increase from the adopted Fiscal Year 2017 Operating Budget. The proposal does not include any significant changes in the level of service and implements a new fare structure. The budgeted operating revenue for Fiscal Year 2018 is 1% lower than the current year budget primarily due to a 1.3% decrease in passenger revenue reflecting a decline in ridership on both transit and regional rail. It is noted that most metropolitan regions are experiencing similar ridership declines resulting from increased competition and moderate gas prices. In fact, 24 of the 30 largest U.S. cities are reporting declines in transit ridership. SEPTA continues to actively seek alternative sources of revenue to balance the operating budget. As an example, in Fiscal Year 2018, advertising income is expected to generate over \$16 million from billboard, station and vehicle advertising sales. This represents an increase of 20% in the last five years. The Fiscal Year 2018 Operating Budget Proposal of \$1.4 billion assumes employee headcount is unchanged from Fiscal Year 2017 and reflects costs associated with recently negotiated labor contracts including the SEPTA and TWU Local 234 agreement of November, 2016. The budget proposal includes an increase in non-labor expenses to provide for inflationary increases in contract maintenance services, fuel, rent, parts used to maintain vehicles, and material for facilities and other infrastructure. It also provides for cost increases to operate contracted third party paratransit services. Claims costs for individuals injured on SEPTA owned property or aboard vehicles are projected to be 40 percent less than five years ago primarily due to an extensive video surveillance network and the aggressive pursuit of fraudulent claims. SEPTA remains committed to continue the challenge of fighting fraudulent claims while enhancing safety and security for both our customers and employees. SEPTA currently has a bus fleet that is comprised of 55 percent hybrid buses. Over the next four years, 525 new hybrid buses will be delivered, which will increase the hybrid bus ratio to over 90% and help further reduce fuel consumption. In addition, SEPTA will accept delivery of 25 electric buses in Fiscal Year 2018 for operation on Bus Routes 29 and 79. The Authority has also reduced its budget for electric propulsion power by competitively contracting with third party power suppliers. The Authority's disciplined management of operating expenses has been positively influenced by its commitment to rebuilding the system infrastructure. Over the past five fiscal years, the Authority has spent \$1.9 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 2018 and beyond with over \$7.3 billion in planned expenditures over the next 12 years. In keeping with the recommendations of the Pennsylvania Transportation Funding and Reform Commission, the Authority has maintained a policy of predictable fare increases that typically occur every three years. The last such increase was effective July 1, 2013. The fare increase originally planned for July 1, 2016 was delayed one year due to the initial rollout of the SEPTA Key, the Authority's new fare payment system. A modest fare increase is included in the current budget proposal and would be effective July 1, 2017. The proposed fare increase for Fiscal Year 2018 will raise the current cash base fare and Quick Trip fare from \$2.25 to \$2.50. This represents only the second such increase in the base fare since 2001 and places SEPTA below many other major cities such as New York, Boston and Pittsburgh which have cash base fares of \$2.75. It is important to note that less than 13% of transit trips are paid with cash as the majority of SEPTA's customers take advantage of deeply discounted fare instruments, such as Transpasses and

Trailpasses. The fare proposal also details the fare instruments available using the SEPTA Key card, those purchased at Fare Kiosks, and one way fares purchased on-board Regional Rail when the SEPTA Key is launched for that mode later this year. With the enhanced convenience of Smart media fare collection, this fare proposal is structured to encourage customers to use the SEPTA Key to pay for travel on SEPTA and offers significant discounts for doing so. The price of tokens, weekly, and monthly Transpasses would also increase as part of this fare proposal and the proposed prices were detailed in the public hearing notice and on SEPTA's website. A poster board of the fare proposal was displayed at the public hearings. In summary, the Token, which will be replaced by SEPTA Key Travel Wallet, would increase from \$1.80 to \$2.00. The Weekly Transpass would increase from \$24.00 to \$25.50, and the Monthly Transpass would increase from \$91.00 to \$96.00. Convenience passes would increase from \$8.00 to \$9.00. Independence Day passes would increase from \$12.00 to \$13.00. Paratransit and Shared Ride base fares would increase from \$4.00 to \$4.25 which is the first increase in these fares in ten years when fares were raised by 50 cents. The disabled fare, which has remained unchanged since 2010, would also increase by .25 cents to \$1.25. The Authority has proposed that the \$1.00 price for a transfer remain unchanged at this time and it acknowledges that there are proponents who would prefer to see the transfer fee completely eliminated. Before making such a change to the fare structure, SEPTA believes it is prudent to have adequate data so that it can more closely analyze the effects and plan for potential offsets. SEPTA believes that data will be more readily available as the SEPTA Key card becomes more widely used and will use that data to more fully address transfers in the future. SEPTA's new fare payment system offers additional features to registered SEPTA Key cardholders, which includes balance protection in the event a registered card should be lost or stolen, automatic re-load capabilities and the travel wallet. The travel wallet will allow one to add cash to the Key card to purchase fare instruments or it can be used to pay as one boards the vehicle. Customers will be able to avoid the inconvenience of waiting in lines to purchase weekly or monthly passes when they acquire the SEPTA Key card. The Fiscal Year 2018 budget also makes permanent the elimination of the premium fares that promotionally went into effect in January 2017 for five suburban routes. Under the proposal, those premium fares will be replaced with the standard transit fare. In addition, the Cross-County pass city zone transit fee of \$.50 would be eliminated. For Regional Rail, SEPTA has proposed eliminating the \$1.00 senior fee once SEPTA Key is fully implemented. While the budget proposes a moderate fare increase, the first in four years, it also exhibits the Authority's strict financial discipline as demonstrated by 17 consecutive years of balanced budgets. Thomas McFadden, Chief Financial Officer, Dennis Hiller, Chief Officer, Revenue, Ridership, Advertising and Sales, Daniel Casey, Director, Revenue Budgets, Pricing and Analysis, Mark Cassel, Manager, Suburban Service Planning and Schedules, Jaime Martinez, Director of Administration and Finance, CCT and Michael Seonia, Manager of Tariffs and Revenue Budget also participated in the hearings.

A total of 121 people attended the public hearings including representatives from the Delaware Valley Association of Rail Passengers, and 48 people provided testimony.

An announcement was made at the hearings that the record would be held open through May 1, 2017 for receipt of written comments. One hundred and nine emails were received and entered into the record. A majority of the emails opposed the fare increase and others requested information on the new fare increase which emails were responded to by SEPTA. Philadelphia

Senior Center presented petitions containing 176 signatures opposing the Shared Ride fare increase.

Written comments were received from:

Delaware Valley Association of Rail Passengers (DVARP) supports the proposed 2018 Operating Budget but urges the SEPTA Board to reject proposed Tariffs 1, 112, 132, 154 and 155. It notes that the proposed fare increase is in line with the general level of inflation and that the increase is reasonably balanced across the different modes and classes of fares. It focuses its attention on the SEPTA Key and notes that the Key card is now available to the riding public without restriction. It notes that the open payment component of the system is yet to be introduced. It raises concerns about the lack of capping certain daily fares and the application of weekly pass as well as the application of full base fares when a debit or credit card is being used. It notes that the tariffs apply a surcharge to every farebox transaction made by a debit or credit card as opposed to only one surcharge per day. It also questions the need to wait for the implementation of the SEPTA Key on the Regional Rail for the elimination of the \$1.00 senior citizen fare. It restates several positions with respect to the implementation of the SEPTA Key and complains about the lack of complete and easy to understand information about the rollout of the SEPTA Key.

Philadelphia Shared Ride Program Advisory Council requests that SEPTA reconsider the fare increases.

Philadelphia Corporation for Aging (PCA) states that it is concerned about the proposed Shared Ride fare increases as the result will be 30,000 fewer rides that PCA will be able to sponsor for older Philadelphians. It complains about SEPTA's reinterpretation of tariff language for a group ride effective 7/1/15. It asks that the proposed fare increase not be approved and that the quality and performance of the CCT service be improved.

Center for Advocacy for the Rights and Interests of the Elderly states that the .25 cent increase for the Shared Ride will price many older adults out of the system and it opposes any fare increase for paratransit and Shared Ride Program.

City of Philadelphia congratulates SEPTA for balancing another budget despite a difficult year. It notes that the fare increase, although unfortunate, is necessary to keep up with inflationary operating cost increases. It notes that the increase of .25 cents in cash fares and quick trips is modest but expresses concern about the percentage increase in the token fare. It urges SEPTA to keep the SEPTA Key card barriers to entry low and to investigate the elimination of the transfer fee. It recognizes that the increase in the paratransit and shared ride fares is necessary but encourages SEPTA to take a second look at this increase to determine if it will offer the financial benefit expected.

Maria Quinones Sanchez, Philadelphia City Council Member in the 7<sup>th</sup> District opposes the proposed fare increase as it impacts seniors and the poor and complains about the filthy EL stops and the deplorable conditions at bus stops.

SEPTA's Advisory Committee presented a list of recommendations and suggestions.

#### Comments Presented at the Hearings:

Several individuals voiced opposition for the Budget Proposal as it relates to the fare increase on disabled and Shared Ride riders and the continuation of the \$1.00 transfer fee. 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 on the Regional Rails and were advised by SEPTA representative that the system will have a rollout in 2018. Lance Haver, Director of Civic Engagement for Philadelphia City Council raised several issues concerning the fare increases on a percentage basis as well as the Service Stabilization Fund and SEPTA's statewide procurement data. SEPTA responded to these issues in writing after the conclusion of the hearings. Michael Noda, 5<sup>th</sup> Square PAC, a protest group opposing the \$1.00 transfer fee and several members of that group testified in favor of the elimination of the transfer fee.

#### Summary:

As to the issues raised during the hearings regarding the SEPTA Key including those of DVARP, it is my recommendation that SEPTA officials work to address those issues during the continuing implementation of the new payment system. There was significant opposition to the fare proposal with regard to the Shared Ride and disabled fares as well as the continuation of the current \$1.00 transfer fee. SEPTA has agreed to conduct a study as to the transfer fee and I urge SEPTA to announce its decision on the transfer fee after it compiles adequate data as to the impact of the possible elimination of that fee. As the fare increase proposal is moderate and in keeping with the recommendation of the Pennsylvania Transportation Funding & Reform Commission as to frequency of fare increases, I find that it should be approved as part of the 2018 Operating Budget Proposal. I find that SEPTA's Fiscal Year 2018 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 2018 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  
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