

May 6, 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 Capital Budget and Fiscal Years 2020-2031 Capital Program and Comprehensive Plan.

Examiner's Recommendation:

That the Fiscal Year 2020 Reduced State Funding or Restoration of Funding Capital Budget and Fiscal Years 2020-2031 Capital Program and Comprehensive Plan be adopted according to available funding.

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 Capital Budget and Fiscal Years 2020-2031 Capital Program and Comprehensive Plan, public hearings were held at 11:30 a.m. and 5:00 p.m., April 29, 2019 in the SEPTA Board Room, Mezzanine, 1234 Market Street, Philadelphia, Pennsylvania 19107.

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 Capital Budgets and Fiscal Years 2020-2031 Capital Programs 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 SEPTA's witnesses. 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:

Catherine Popp-McDonough, Director, Capital Budgets & Grant Development testified that the passage of Act 89 of 2013 provided a long-term transportation funding solution for the Commonwealth of Pennsylvania which allowed SEPTA to make improvements throughout the transit network to bring assets into a state of good repair. Since January 2014, SEPTA has awarded 160 major construction contracts with 86 contracts completed

and 74 contracts underway. However, SEPTA's ability to continue rebuilding the system is currently jeopardized by a reduction in State funding for Fiscal Year 2020 and possibly beyond. State transportation funding is facing serious consequences as a result of a lawsuit filed by a Truckers Association and National Motorists Association in federal court against the Pennsylvania Turnpike Commission. In accordance with Act 89 of 2013, the Turnpike is mandated to pay \$450 million each year to PennDOT, which then distributes funds to transit agencies across the Commonwealth. The Turnpike issues bonds to raise the money needed to make its required payments. Due to the lawsuit, the Turnpike has not made its first three quarterly Fiscal Year 2019 payments and the fourth quarter payment, which is due in April, has not been made. PennDOT minimized the impact to SEPTA this year by shifting funds in order to provide as much funding as possible. For SEPTA Fiscal Year 2019 funding, PennDOT provided \$288 million which is approximately \$63 million less than the projected state share of \$351 million. This has caused the Authority to delay or pause more than 35 projects. On April 4, 2019, the federal judge dismissed the lawsuit. However, an appeal was immediately filed. At this time, it remains unclear when the Turnpike will be in a position to issue the bonds necessary to meet their funding obligations. Should the funding issue remain unresolved, PennDOT has indicated Fiscal Year 2020 capital funding will be reduced to \$107 million from a projected \$351 million. This is the lowest level of state funding in more than 10 years. This level of funding would severely impact SEPTA's Fiscal Year 2020 capital budget and its ability to achieve a state of good repair. To meet the mandate to adopt a Capital Budget prior to the start of the new fiscal year on July 1st, SEPTA has prepared two budget options -- a "Reduced State Funding" Fiscal Year 2020 Capital Budget and a "Restoration of Funding" Fiscal Year 2020 Capital Budget. Both budget options are included in SEPTA's proposed Fiscal Year 2020 Capital Budget and Fiscal Years 2020-2031 Capital Program document. The Reduced State Funding Capital Budget totals \$422 million and includes federal, state and local funding and SEPTA financing that will enable the Authority to meet financial obligations, pay for mandated projects and state match for federally funded projects. This budget also provides funding for core projects such as the Vehicle Overhaul Program and Infrastructure Safety Renewal Program to ensure continued safe operations. The "Reduced State Funding" FY 2020 Capital Budget includes funding for projects in the following programs: Communications, Signal Systems and Technology Improvements - \$9.33 million. This includes funding to complete the installation of a new Communications Based Train Control System and right of way improvements for the Route 101/102 Trolley Lines and the reconfiguration and rebuilding of Regional Rail signals, track, catenary, and interlocking from 30th Street Station to Phil interlocking under the Southwest Connection program. Infrastructure Safety Renewal Program - \$40 million. This program provides for the restoration by SEPTA forces of SEPTA's City and Suburban transit and railroad infrastructure to a state of good repair. Vehicle Overhaul Program - \$78.27 million. This annual program provides for the systematic replacement or upgrades of systems on SEPTA's rolling stock and campaigns to address critical items and vehicle upgrades and modifications, which are accomplished on a fleet-wide basis. Maintenance/Transportation Shops and Offices - \$36.61 Million. This includes the Environmental Clean-Up program, Frankford Transportation Building for the new Ancillary Control Center, the Frazer Rail Shop Upgrade and Yard Expansion to accommodate the new locomotive and multi-level rail

car fleets, and roof improvements at select facilities throughout the system. Safety and Security Improvements - \$2.61 million. Includes the completion of the Radio Interoperability project, flood mitigation on the Route 102 Trolley line, and the Transit Security Grant Program, which provides Homeland Security funds to protect critical surface transportation and the traveling public from acts of terrorism, major disasters, and other emergencies. SEPTA Key - \$38.92 million. The SEPTA Key project is modernizing SEPTA's fare payment and collection system by replacing it with a system that utilizes contactless payment devices and readers on all SEPTA's service modes. Stations, Loops and Parking Improvements - \$14.55 million. Includes improvements to SEPTA's 30th Street Station on the Market-Frankfort Line to improve accessibility, increase capacity and support economic development and the completion of the Levittown Station project. Substations and Power Improvements - \$11.06 million. Includes the continuation of the Substation Design and Equipment Purchase, and the overhaul of Neshaminy, Bethayres and Yardley substations. Vehicles Acquisitions - \$89.38 million. Includes the current purchase of 525 New Flyer hybrid buses, competitively funded electric bus procurements, paratransit vehicles, multi-level rail cars and electric locomotives. The Reduced Fiscal Year 2020 Capital Budget also includes \$101.03 million for financial obligations including capital asset lease and debt service payments.

In the event the Turnpike funding issue is resolved and State funding is restored, the Fiscal Year 2020 Capital Budget would increase from \$422 million to \$675 million. The "Restoration of Funding" Fiscal Year 2020 Capital Budget includes 11 capital programs and financial obligations as follows: Bridge Program - \$5.47 million. Major activities include repairs to Bridge 0.15 on the Norristown High Speed Line, critical bridge repairs for two bridges on the West Trenton Line and rehabilitation of seven stone arch bridges on several Regional Rail lines. Communications, Signal Systems, and Technology Improvements - \$67.67 million. Includes installation of a new Communications Based Train Control system for the Route 101/102 Trolleys Lines, Broad Street Line Broad-Ridge Spur Signal System Modernization, Real Time Information/Audio Visual Public Address System Upgrades and Vehicle Locating System Installation, the Southwest Connection program and enhancements to SEPTA's information technology infrastructure, including camera and video system components, training simulations and scheduling system enhancements. Infrastructure Safety and Renewal Program - \$47.5 million. This program provides for the restoration by SEPTA forces of SEPTA's City and Suburban transit and railroad infrastructure to a state of good repair. Maintenance/Transportation Shops and Offices - \$48.6 million. This includes the Frankford Transportation Building for the new Ancillary Control Center, Frazer Rail Shop Upgrade and Yard Expansion, Powelton Yard Facility Improvements, Wayne Junction Rail Yard improvements to accommodate the new multi-level railcar and locomotive fleets, replacement of boilers and storage tank relining at select locations and roof improvements at additional major facilities. Safety and Security Improvements - \$20.94 million. This includes installation of a bus turn alerting system and bus operator safety shields on SEPTA buses, Lawndale Station safety and accessibility improvements, System-wide escalator and elevator improvements, flood mitigation on the Route 102 Trolley Line, radio interoperability improvements and the Transit Security Grant Program. SEPTA Key - \$38.92 million. The SEPTA Key project is modernizing SEPTA's fare payment and collection system by replacing it with a system that utilizes contactless

payment devices and readers on all of SEPTA's service modes. Service Restorations - \$43.95 million. Funds will support the restoration of rail service on the Media/Elwyn Regional Rail Line from Elwyn to Wawa in Delaware County. Stations, Loops and Parking Improvements - \$62.04 million. This program provides funding for improvements to the following transit stations, including making these stations accessible: City Hall and 15th Street Stations, 5th Street and Arrott Transportation Center on the Market-Frankford Line, Susquehanna-Dauphin and Tasker-Morris Stations on the Broad Street Line, Stadium Station on the Norristown High Speed Line, design for accessibility improvements to 11th Street Street on the Market-Frankford Line and Erie Station on the Broad Street Line, SEPTA's 30th Street Station on the Market-Frankford Line, design of multi-phase improvements to the Center City Concourses, modernization of Westmoreland Loop, and expansion of the Wissahickon Transportation Center. This program also provides funding for improvements to the following Regional Rail Stations, including making these stations accessible: Ardmore, Conshohocken, Exton, Jenkintown, Levittown, Paoli, Secane, and Villanova and includes design for the relocation and accessibility improvements of the Willow Grove Station and construction of a fully accessible parking garage at the 69th Street Transportation Center. Substations and Power Improvements - \$39.62 million. This program includes overhaul of Static Frequency Converters at the Wayne Junction Regional Rail Substation, and a Multimodal Substation program to include design, equipment purchase, overhaul and construction of Transit and Regional Rail substations. Track and Right of Way Improvements - \$6.63 million. Includes Norristown High Speed Line track renewal and City Transit Division Trolley Tunnel Track Renewal. Vehicle Acquisitions and Overhauls - \$192.39 million. This program includes 525 40-foot New Flyer hybrid bus procurement, procurement of 35 40-foot battery electric buses, purchase of replacement Paratransit vehicles, electric locomotives and Regional Rail Multi-level Car Acquisitions, utility fleet renewal, Vehicle Overhaul Program and conceptual design for the Trolley Infrastructure and System Modernization program and vehicle specification development. Financial Obligations - \$101.3 million. This program provides for capital asset leases and debt service payments. The Fiscal Year 2020 to 2031 twelve year Capital Program with full funding amounts to \$7.2 billion. The SEPTA presentation included slides detailing the various projects included in each of the above listed categories. Thomas McFadden, Chief Financial Officer, Robert Lund, Assistant General Manager Engineering, Maintenance and Construction, Ronald Hopkins, Assistant General Manager Vehicle Engineering and Maintenance, Elizabeth Smith, Director of Strategic Planning and Analysis and Sharon Bancroft, Manager, Capital Budgets also participated in the proceedings.

A total of 37 people attended the public hearings and 12 spoke. Individuals commented during the hearings on projects in the Capital Budget or raised questions which were addressed by SEPTA representatives. Several of the speakers raised concerns about accessibility at various SEPTA, especially those located near hospitals. Ross Schmucki of Swarthmore Borough Council noted that Council was pleased with SEPTA's plans for accessibility at the Swarthmore Station but was disappointed in the delay in implementing those plans. Also received were letters from Swarthmore College and Swarthmore Senior Citizens Association reiterating the same facts as stated by Mr. Schmucki. Nine emails raising various questions are included in the record as well as SEPTA's response thereto.

An announcement was made at the hearings that the record would be held open through May 3, 2019 for receipt of written comments.

Written comments were received from:

Montgomery County generally supports the proposed FY 2020 Capital Budget and FY 2020-2031 Capital Program. It notes that it is deeply disappointed as to the timing of the entries in the proposed budget for the three major efforts in the county, namely, the King of Prussia Rail-Norristown High Speed Line Extension, which it requests be moved from a Long-Term Planning Effort into the capital budget with the remaining \$28 million needed to finish preliminary engineering, the Conshohocken Station Parking and the Willow Grove Station improvements.

SEPTA's Citizen Advisory Committee submitted a document that contained several comments, questions and recommendations which will be addressed by SEPTA management.

Borough of Glenolden requests SEPTA to consider improvements to the Glenolden Station.

Delaware Valley Association Of Rail Passengers commends SEPTA for completing its installation of Positive Train Control on schedule and notes that SEPTA was one of the first two US commuter rail systems to complete its PTC program. It notes that SEPTA was required to add 49 new Assistant Conductors at an ongoing cost likely to exceed \$5 million per year to comply with a federal mandate to close traps on Silverliner IV trains between stations. It makes several suggestions that SEPTA should take to mitigate the effects of the mandate, such as purchasing new cars sooner rather than later and expediting installation of high platforms systemwide. It states that the SEPTA Key is a significant failure and that many of the promised benefits are still missing. It lists several of those items, such as the need for on-board fare inspections even after all tickets are checked and cancelled in Center City. It is extremely critical of the implementation of SEPTA Key.

Borough of Marcus Hook states that the Marcus Hook Station is in need of major improvements to modernize, make ADA accessible and make it functional and aesthetically appealing. It is an eyesore and is housed in a trailer and the Borough believes that the condition of the Station warrants its inclusion in the 2020-2024 Capital Program.

City of Philadelphia recognizes the current financial constraints put on SEPTA due to the Trucking Industry's lawsuit against the Turnpike

Commission. The City's top three priorities for advancement in the Capital Program are: full accessibility of the Broad Street Line and the Market-Frankford line, Trolley Modernization and projects to transform bus service. The City appreciates SEPTA's partnership on many transit projects in Philadelphia.

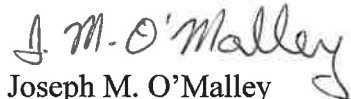
SUMMARY:

The issues raised during the hearings are provided for your information and use. I find that SEPTA's Fiscal Year 2020 Capital Budgets and Fiscal Years 2020-2031 Capital Program and Comprehensive Plans are consistent with federal and state programming requirements. These programming requirements specify that the Authority develop a capital program constrained to reasonable funding levels. The current funding dilemma presents SEPTA with a significant challenge.

Overall, the budgets represent an investment in SEPTA's infrastructure and the regional economy. Many capital projects in the budgets are long-term commitments and/or obligations of the Authority and are in need of consistent funding. I believe that Board endorsement of either proposed Capital Budget, as available funding dictates, is recommended. SEPTA staff is encouraged to work with local member governments and the public throughout the year to discuss and receive input on capital projects.

In conclusion, it is my recommendation that either the Reduced State Funding or Restoration of Funding Fiscal Year 2020 Capital Budget and Fiscal Years 2020-2031 Capital Program be adopted.

Respectfully submitted,



Joseph M. O'Malley
Hearing Examiner

cc: Pasquale T. Deon, Sr., Chairman
Thomas E. Babcock, Vice Chairman