Testimony

Of

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Philadelphia City Council

Fiscal Year 2021 Operating Budget

May 26, 2020
Good morning Council President Clarke, Transportation Committee Chair Johnson, members of City Council and other guests. I am Leslie Richards, and I am honored to appear before you today as the General Manager for the Southeastern Pennsylvania Transportation Authority (SEPTA). Joining me are SEPTA Board members Michael Carroll, P.E., Deputy Managing Director for Philadelphia’s Office of Transportation and Infrastructure Systems (oTIS) and Deborah Mahler, Deputy Mayor for Intergovernmental Affairs for the City of Philadelphia.

I appear before you today leading an agency that is very different than it was on my first day as General Manager on January 6. The COVID-19 crisis has affected SEPTA in heartbreaking ways. We have lost seven members of the SEPTA family due to complications from this disease:

- Ted Nixon: Mechanic, Elmwood Shop – More than 30 years of service
- Phil Williams: Fueler, Southern Depot – 24 years of service
- Michael Holt: Mechanic, Midvale Shop – 21 years of service
- Michael Hill: Regional Rail Conductor – More than 30 years of service
- Yolanda Woodberry: Bus Operator, Frankford Depot – 17 years of service
- Steve McFadden: Regional Rail Conductor – 29 years of service
- Terrance Burton: Bus Operator, Midvale Depot – 18 years of service

As we remember our friends and co-workers, our thoughts continue to be with their families and loved ones.

This is an extremely challenging time for SEPTA and the City, and I am thankful for the opportunity to submit testimony supporting the Authority’s Fiscal Year 2021 Operating Budget request and provide the members of Council with an overview of SEPTA initiatives and milestones achieved over the past year.

SEPTA’s operating budget is funded through subsidies from local, state and federal governments, the fare box and other revenues. The City’s $84.6 million contribution under the Mayor’s revised budget proposal represents 5.5 percent of the Authority’s total operating budget and enables SEPTA to meet its state legislatively mandated requirement to secure local matching funds to leverage state operating subsidy dollars of approximately $780 million.

The City’s $4.66 million capital contribution will support SEPTA’s Fiscal Year 2021 Capital Budget of approximately $640 million. SEPTA is investing in critical infrastructure in Philadelphia and advancing projects including: modernization of 30th Street Station on the Market–Frankford Line, expansion of the Wissahickon Transportation Center, accessibility improvements to Susquehanna-Dauphin and Tasker-Morris Stations on the Broad Street Line, ongoing
rehabilitation of the City Hall Stations complex, and continued improvements to the Center City Concourse network.

Council’s continued support to allocate operating and capital funds in the City’s budget is greatly valued. During this extraordinary time, as the City faces unprecedented funding challenges of its own resulting from the COVID-19 pandemic, I am grateful for Council’s consideration of SEPTA’s budget request and your continued support of SEPTA’s priorities.

The financial consequences of COVID-19 on SEPTA are nothing short of devastating. During the depths of the pandemic, ridership declined to 92 percent on Transit and 98 percent on Regional Rail. Based on conservative forecasts, SEPTA anticipates that low ridership and farebox revenue losses will surpass hundreds of millions of dollars and will extend into Fiscal Year 2022, and likely beyond. Despite system-wide cost-cutting, including senior management salary reductions, SEPTA is facing an unprecedented level of uncertainty in self-generated revenue. In addition, SEPTA is also assessing longer-term financial implications that are difficult to calculate, including the broad impact of the coronavirus outbreak on state sales tax revenues that support our operating budget and Lottery revenues that fund the state’s senior transit program. SEPTA’s capital program is also at risk, with the Pennsylvania Turnpike Commission’s (PTC) announcement earlier this month that it is requesting permission to delay its July quarterly payment to PennDOT for transit capital investments.

SEPTA is grateful to be eligible to receive up to $644 million in federal CARES Act funding to continue to operate essential service during this ongoing crisis and offset some of the extraordinary qualifying expenses and revenue losses the Authority will incur. The challenges SEPTA faces as a result of COVID-19, however, will require the full amount of CARES Act funding, as well as continued support and resources from all levels of government to preserve SEPTA’s ability to provide safe and essential service now and in the future.

Throughout this crisis, SEPTA has continued to adjust in so many ways, from providing health and safety materials and equipment for employees working on the front lines, to implementing new facility and vehicle cleaning protocols, to modifying service in response to rapidly changing conditions and the evolving transportation needs of the region.

Last week, SEPTA took its first, measured steps in a phased return-to-service plan, resuming normal transit schedules and front-door boarding with fare collection, that is focused on employee safety and further enhancing social distancing and safe traveling conditions for essential workers and those needing to access lifeline services. This phased approach allows SEPTA to restore service and add capacity in response to requests from hospitals and other
essential businesses while gradually preparing for an eventual increase in ridership. Early results indicate that the resumption of normal transit schedules and increasing the number of vehicles in service is mitigating crowding and aiding in social distancing, while front-door boarding and fare collection have discouraged non-essential travel.

We know that our customers and families throughout the region are facing financial difficulties and uncertainty, and we are doing all we can to help. As part of that, SEPTA announced last week that we will implement the proposed Fare Restructuring Plan in phases, immediately introducing measures that will better serve our customers and deferring any fare increases to January 2021, at the earliest.

Subject to SEPTA Board approval of the budget in June, SEPTA would advance the following with the start of Fiscal Year 2021 on July 1:

- One free transfer for customers who use the Travel Wallet on SEPTA Key. This will result in a $1.00 savings per-trip for customers who now pay $2.00 for a base trip plus $1.00 for a transfer.
- A lower $1.00 fare for children ages 5 to 11 on both Regional Rail and Transit. In addition, the number of children eligible to ride free, with a fare paying adult, will increase from two to three

Today, SEPTA is hosting the first two of four virtual public hearings to receive comment on the Fiscal Year 2021 Operating Budget and Fare Restructuring Plan. I am grateful for the productive dialogue with customers, stakeholder groups, and Members of Council who provided valuable input as we developed this plan. We have worked hard to make these hearings as accessible as possible – including materials and comment opportunities in English, Spanish, Mandarin and American Sign Language. I hope that our customers and stakeholders will take advantage of the many ways to provide comment.

It is understandable to view everything now through the lens of COVID-19 – this crisis is impacting our region in unprecedented and devastating ways. However, the public transportation priorities that existed before March 1 remain very relevant. Advancing these initiatives will help SEPTA emerge stronger and better positioned to meet the needs of the region going forward, and I am pleased to update you on our efforts and progress.

SEPTA works hard to support Philadelphia’s growth and opportunities, and we welcome our role as an enthusiastic partner with the City on many initiatives. Together we are working on vital efforts to improve mobility through the City’s CONNECT initiative and SEPTA’s Comprehensive Bus Network Redesign effort. We are also utilizing transit’s inherent
sustainability to help the City achieve its short-and long-term environmental goals, leveraging investments in transit service and infrastructure to enhance communities and connect people to opportunity, building a workforce for the future whose strength is its diversity, developing and implementing strategies to mitigate productivity-choking congestion, and collaborating on holistic approaches to addressing vulnerable populations. We are proud of these partnerships and the successful outcomes that help support the mobility and livelihood of those who live, work and raise their families here.

A new Econsult Solutions report released earlier this month provides updated data that highlights SEPTA’s economic impact to the region and the Commonwealth of Pennsylvania, underscoring the critical role SEPTA will have in rebuilding the economy. The report found that the SEPTA service area represents 42 percent of Pennsylvania’s economic activity, which is an increase of almost 2 percent since 2013. The region also provides 38 percent of the state’s general revenue funds, up 2.2 percent since 2013. The region also continues to grow, adding 121,537 residents since 2010, compared to a population loss of 30,708 statewide. In the City of Philadelphia, SEPTA’s $1.84 billion annual economic impact supports 14,500 jobs and includes $1.18 billion in earnings. Our City and region provide this level of economic value to the Commonwealth on just five percent of its total land – a degree of density and productivity only possible with high-capacity mass transit. SEPTA moves the region and is a crucial driver of economic progress.

These metrics underpin how investment in SEPTA pays dividends throughout the region and the state, but SEPTA helps to advance the City and Council’s priorities in other critical ways by supporting equity, promoting workforce and business diversity, advancing sustainability and fostering public health and safety.

Public transportation preserves affordability and access to opportunity in our growing City and region, and transit remains, by far, the most affordable way to travel. Studies demonstrate that high quality transit provides significant savings for individuals and families, and the average Philadelphia household saves $830 annually when compared to owning a car and driving. While housing costs increase due to the proximity to transit, the cost savings associated with transit use are nearly double any increased housing costs, and for the one-third of Philadelphia households that do not own a car, SEPTA is a vital lifeline to opportunity.

The Fare Restructuring Plan that is being proposed as part of SEPTA’s Fiscal Year 2021 Operating Budget represents a significant step forward in our efforts to improve equity, affordability and ease-of-travel for our customers. Additionally, the plan is designed to better serve the needs of low-income communities and promote efficient travel across all SEPTA
modes, system-wide.

An analysis of the fare proposal by Econsult Solutions Inc. showed that fares as a share of daily income will fall in low-income communities across Philadelphia, as well as in areas with high concentrations of minority residents, residents with long commutes and residents with children. Their review also found that by shifting from the current one-seat commute, customers can utilize the free transfer and cut their travel time and lower their cost.

SEPTA maintains a strong and diverse workforce of 9,500 employees who reflect our ridership and the communities we serve. Fifty-one percent of SEPTA employees live in Philadelphia – 66 percent of our workforce are minorities and 22 percent are women. In the last three years, 70 percent of SEPTA new hires are minorities and 29 percent are women.

Workforce development is a priority of mine, and upon joining SEPTA, I redoubled our commitment to improving equity, diversity, and inclusion within our management ranks. Last year, SEPTA reported that over the previous five years, the percentage of women and minorities in salaried, administrative, and management (SAM) positions increased from 52 percent to 59 percent. Over the same period of time, the percentage of SEPTA’s workforce that reported to a minority or a woman supervisor grew significantly from 26 percent in 2014 to 45 percent in 2019. I intend to build upon this positive trend and look forward to reporting back to you on our continued progress.

SEPTA’s talented and skilled workforce is the true engine of the system. However, like the rest of the transit industry, we face challenges in recruiting, training and retaining qualified workers, particularly as our workforce ages. To build SEPTA’s skilled workforce now and for the future, we continue to advance the Women in the Trades initiative, as well as a variety of apprenticeships, high school internships, trade school initiatives, and co-ops to introduce potential employees to a wide variety of high-paying, family sustaining careers at SEPTA.

SEPTA also values its important role in promoting broader and equitable economic opportunities. Our commitment to local business owners remains strong, and I am pleased to report continued progress in strengthening our federal Disadvantaged Business Enterprise (DBE) program. SEPTA is one of only five agencies in the Commonwealth that still certifies firms as DBE. Today, there are 729 registered DBEs in our directory of which 24% are based in Philadelphia. Following the passage of Pennsylvania Act 89, the SEPTA Board authorized the application of DBE goals and procedures for all SEPTA procurements greater than $100,000 – regardless of funding source – to provide greater opportunities for small, minority and women-owned businesses to participate in SEPTA’s Capital program.
Throughout the year, we partnered with the City, elected officials and organizations to educate small, minority and women-owned businesses through a series of four targeted forums, and we plan to continue hosting programs, including virtually, on topics specific to these businesses. SEPTA’s DBE office continually updates registered DBEs, as well as those firms registered with the City Office of Economic Opportunity, regarding contracting opportunities, and we are sharing important materials and resources related to COVID-19.

Environmental sustainability continues to be at the core of SEPTA’s value proposition. Among the achievements that were highlighted in the Annual SEP-TAINABLE Annual Report released in April, SEPTA:

- Completed two of four solar panel installation projects at 2nd and Wyoming and Callowhill District maintenance building. The pandemic has paused projects that were underway at Fern Rock and Roberts Shop at the Midvale Complex. Once completed, the four sites will represent the second largest solar installation in Philadelphia.
- Introduced into service 25 battery-electric buses – one of the largest such zero-emission transit fleets in the United States – on Routes 29 and 79 in South Philadelphia.
- Made progress on a whole-building energy efficiency retrofit of SEPTA’s headquarters.
- Completed an eight-acre stormwater management project, in partnership with the Philadelphia Water Department, at Southern District in South Philadelphia, nearly doubling SEPTA’s acreage of greened property.
- Hosted farmer’s markets at eight SEPTA properties to improve availability of fresh, healthy food in local neighborhoods.

SEPTA operates one of the largest “green” bus fleets in the nation, and by next year, more than 90 percent of SEPTA’s fleet will be either hybrid or battery-electric. And on Earth Day, SEPTA and Lightsource BP entered into a long-term power contract for two solar farms in Franklin County, PA, that will offset nearly 20 percent of SEPTA’s annual electricity demand while reducing overall greenhouse gas emissions.

SEPTA service can only contribute these environmental benefits when people ride the system. Over the past year, SEPTA, working with the Office of Transportation, Infrastructure and Sustainability, has made progress toward stemming decreases in bus ridership. Last year, SEPTA worked internally on a bus frequency project to begin to change how customers view and use SEPTA service as part of an interconnected network, rather than 151 individual bus, train and trolley routes. We are also working closely with the City on a Comprehensive Bus Network Redesign that will focus on getting more riders to more places faster.
Much of SEPTA’s bus network has remained the same for decades, and this project will give all of us an opportunity to re-imagine SEPTA service to better serve all communities and respond to the mobility needs of our customers. In March, SEPTA issued an RFP for a consultant to assist SEPTA in this effort, and we look forward to a robust public engagement effort and working with Members of Council to help us identify what residents and businesses need and will need from their transit system.

Another factor impacting bus ridership is congestion. Congestion functions like a tax on business and exacerbates economic inequality. According to a recent report, congestion in Center City adds $152 million in costs each year to bus and car passengers. SEPTA Buses – and more importantly the customers riding on them – are impacted by traffic three times worse than cars due to the inability of buses to deviate from routes. SEPTA’s annual expenses have increased by $21 million in recent years to maintain the same level of service, just at slower speeds with fewer passengers.

Two recent pilot initiatives on heavily utilized bus corridors in Center City demonstrate the success of enforcement efforts. The pilots yielded significant travel speed improvements and improvements to the quality and reliability of bus service. We look forward to partnering with the City on other congestion mitigation initiatives, including legislative, to ensure that the negative impacts of congestion do not re-emerge as demands on the City’s transportation increase.

The last year has seen major progress in the implementation of SEPTA Key. Today, most of our riders in the City who use buses, subways and trolleys have made the switch to the Key and are experiencing the full benefits and flexibility of the fare system. The investments we have made in SEPTA Key and modernizing our fare collection technology overall have provided the technical capacity for SEPTA to introduce the travel enhancements included in this year’s fare restructuring proposal, particularly the free transfer and the new Three-Day Convenience Pass.

There are now 1.5 million Key Cards in circulation, and more than 340 million rides have been taken using Key cards. Over 278,000 seniors now have SEPTA Key Senior ID Cards, and we are grateful for the partnership of Council Members who participate in signing their senior constituents up for this valuable program. In addition, we have created the Key Partner Program, which has enabled more than 770 registered social service agencies to purchase and distribute more than 2.5 million SEPTA fare products to their clients and participants.

Bringing SEPTA to a state of good repair is vital to customer and employee safety, accessibility and building strong ridership. Investments in transit are also one of the best ways to promote
inclusive growth, which is a high priority of cross-sector leaders and organizations throughout Philadelphia and the surrounding region. SEPTA recognizes the capital projects we undertake not only enhance mobility and create pathways to opportunity but have demonstrated the ability to transform neighborhoods and communities.

This past year, SEPTA advanced projects to repair and improve SEPTA infrastructure and accessibility for our customers and the communities we serve, including:

- Continued progress on the transformation of 5th Street/Independence Hall Station on the Market-Frankford Line.
- Completion of the Elevator installation at 31st and Market as part of a larger, federally funded gateway project at 30th Street Station in partnership with the City, Brandywine Realty Trust and Drexel University.
- Reconstruction of 15th Street Station on the Market-Frankford Line, making the most-heavily used station on SEPTA's highest ridership line fully-ADA compliant and lays the foundation for upcoming phases of work that will modernize City Hall Station and make it fully accessible.
- Ongoing design and planning for the reconstruction of the Wissahickon Transportation Center, one of SEPTA’s busiest transit hubs, averaging 4,984 passengers every weekday across eleven bus routes.
- Completion of the Arrott Transportation Center Accessibility and Station Improvements project.

With the completion of 15th Street Station and Arrott Transportation Center, 25 of 28 Market-Frankford Line Stations are fully ADA accessible. On the Broad Street Line, ADA improvements at Susquehanna-Dauphin Station are now underway and Tasker-Morris Station is scheduled to begin this year. At City Hall Station, we are undertaking interlocking improvements in preparation for making the station fully-ADA compliant. These station accessibility improvements will further complement a bus network that is already fully accessible. We continue to work with our partners in the disability community to develop near-term improvements, and long-range initiatives like Trolley Modernization that will bring this vital mode into full compliance with the ADA.

Transit is also the safest way to travel throughout the City and region. Nationally, transit is 10 times safer than driving and Regional Rail is 18 times safer than driving, and there is a direct correlation between increased transit travel and decreased traffic fatalities.
Customer and employee safety are the foundation of everything we do at SEPTA, and we continually invest in training, equipment and technology to make the system as safe and secure as possible. Earlier, I mentioned SEPTA’s phased return-to-service plan amid this pandemic. I want to take a moment to highlight how, in doing so, we are building upon employee and customer safety measures that were already in place, including discouraging non-essential travel, imposing vehicle passenger limits, and strongly encouraging customers to wear masks or facial coverings. With this first phase of service restoration, we are also posting new signage on vehicles encouraging social distancing, marking off seats to help demonstrate the distance that customers should keep between each other, and customers are now directed to exit vehicles from the rear doors, to maintain distance between operators and other riders who are boarding.

As SEPTA prepares for unpredictable ridership levels, we continue to take steps to make sure our employees stay safe, including distributing single-use masks and reusable gaiter-style face and neck coverings, gloves, hand sanitizer and sanitizing wipes to operators and frontline employees. All vehicles in service have protective shields for operators or enclosed operator areas, and employee shifts and breaks are staggered to promote social distancing.

SEPTA is also working with third-party vendors and regional health partners, including nursing programs at Community College of Philadelphia, Drexel University, the University of Pennsylvania, and Villanova University, to develop and implement a comprehensive temperature screening program for SEPTA’s 9,500 employees, working multiple shifts at more than fifty locations across the region.

System-wide cleaning and sanitizing of vehicles and facilities continues to be a priority, and SEPTA crews are doing an exceptional job, under extremely difficult circumstances. Every vehicle is sanitized at least twice a day, trained crews are deployed to sanitize high-touch surfaces on trains, buses, trolleys and facilities, and extra cleaning crews are working around the clock to clean, disinfect and overnight power wash our open stations. As we look ahead to prepare for new operating imperatives, SEPTA is coordinating with industry peers and experts to test and evaluate emerging sanitizing technology.

While SEPTA crews are working very hard to maintain the cleanliness of our vehicles and stations, essential travelers who need to utilize our system right now are often riding on vehicles with too many non-essential passengers, including members of the region’s vulnerable community – people experiencing homelessness, opioid addiction or mental illness. Open drug use and human waste in stations and on vehicles present a serious public health issues for our customers and employees, and addressing it is taxing our strained resources.
SEPTA’s partnership with the City and Project HOME on the Hub of Hope is a transit industry model for addressing vulnerable populations in shared public spaces. Additionally, SEPTA initiated a pilot program last year that pairs trained transit police officers with behavioral health professionals to positively engage homeless individuals. This partnership has proven successful, and we will be increasing the number of teams to cover high priority areas throughout the SEPTA system. However, this complex issue has intensified during the COVID-19 crisis.

I see it as one of the biggest challenges SEPTA faces in planning for our recovery. SEPTA will not be able to safely provide essential trips, convince our employees that the system is a safe place to work or regain customers once we are able to start returning to work without finding a manageable response to this issue. We look forward to a continued partnership with the City and Council in finding sustainable solutions.

As our region prepares to emerge from the depths of this crisis, SEPTA service will be a key driver in our recovery as people return to work and their normal routines. Our service may look different in the weeks and months ahead, but it will be no less vital.

Despite the challenges I outlined earlier, I want to leave no doubt that SEPTA will be ready to support the transportation needs of the City and the region. I have this confidence because every day I have the privilege of seeing SEPTA operators, vehicle and signal maintainers, maintenance of way personnel, cleaners and other mission-critical employees throughout the Authority working tirelessly on the frontlines to keep the system running, as they always have. SEPTA’s frontline workers should be a source of pride for all Philadelphians.

Thank you again for the opportunity to speak to you about SEPTA’s ongoing response to COVID-19 and recap some of our accomplishments over the past year. City Council’s continued support of public transit through City matching funds for the Authority’s Operating and Capital Budgets is greatly appreciated. We will be happy to answer any questions.