

Testimony

Of

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Philadelphia City Council

Fiscal Year 2023 Operating Budget

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Good morning Council President Clarke, Transportation Committee Chair Johnson, members of City Council and other guests. I am Leslie Richards, and I am pleased to appear before you as SEPTA's CEO and General Manager. Joining me are SEPTA Board members Michael Carroll, P.E., Deputy Managing Director for Philadelphia's Office of Transportation, Infrastructure, and Sustainability (oTIS) and Deborah Mahler, Deputy Mayor for Intergovernmental Affairs for the City of Philadelphia. I am also joined by members of the SEPTA team representing a variety of departments.

This is my third year presenting SEPTA's budget request for your consideration and the third time doing so in the shadow of the coronavirus pandemic. Thankfully, that shadow is less intense than previous years, but it is a long shadow that will disrupt how SEPTA operates in the years ahead – in good ways and bad.

I am grateful for the opportunity to submit testimony supporting the Authority's Fiscal Year 2023 Operating Budget request and provide Members of Council with an overview of SEPTA initiatives and milestones reached over the past year, and more importantly what we are planning to achieve in the coming year and beyond.

SEPTA's operating budget is funded through subsidies from local, state and federal governments, the fare box and other revenues. The City of Philadelphia's \$100.7 million contribution under the Mayor's budget proposal represents six percent of the Authority's total operating budget and enables SEPTA to meet its state legislatively mandated requirement to secure local matching funds to maximize state operating subsidy dollars of approximately \$809 million.

The City's \$5.5 million capital contribution will support SEPTA's Fiscal Year 2023 Capital Budget of approximately \$1.16 billion. SEPTA is investing in critical infrastructure in Philadelphia and advancing projects to better meet the needs of our customers including: Trolley Modernization, ongoing reconstruction of 30th Street Station, accessibility improvements to Susquehanna-Dauphin, Tasker-Morris and Erie Stations on the Broad Street Line, design of future ADA improvements at 19th and 37th Street Trolley Stations, expansion of the Wissahickon Transportation Center, and systemwide improvements to customer wayfinding.

Both operating and capital budget requests reflect increased state operating assistance and the infusion of capital funding from the recently passed federal Bipartisan Infrastructure Law (the Infrastructure Investment and Jobs Act, or IIJA), which require additional local matching funds. Each operating dollar the City of Philadelphia contributes enables \$7 in state operating assistance, and each dollar of capital funding the City provides brings a roughly 50-fold investment from the state and federal government. During this unprecedented time, as the City continues to navigate its recovery from the coronavirus pandemic, SEPTA is grateful for Council's consideration of SEPTA's budget request and your continued support.

I am honored to lead a resilient and determined 9,000-person strong workforce who have seen their personal and professional lives upended over the past two years and who have continued working day and night to safely move the people of this City and region. If there is one thing the pandemic has taught all of us, it is the definition of essential, and I am extremely proud that SEPTA's essential workers have made it possible for other essential workers to do their jobs and support our region through this difficult time.

Through their hard work, SEPTA has made tremendous progress in the face of unprecedented challenges. SEPTA is now providing more than 500,000 daily passenger trips, and in March we reached pandemic-era ridership records of 53 percent of pre-COVID ridership on Transit and 44 percent of pre-COVID ridership on Regional Rail.

FISCAL YEAR 2023 BUDGET AND FINANCIAL OUTLOOK

This growing ridership confirms what we have long known: transit will play a critical role in our region's recovery and future going forward. While hopeful, these ridership numbers also expose significant obstacles ahead. Ridership has been slower to recover than even our most conservative projections, telework is permanently changing how people work and commute, inflation is driving up costs on almost every good and service SEPTA procures, and SEPTA continues to experience the impacts of broader societal challenges related to violence, homelessness and addiction that make their way onto the system every day

The Fiscal Year 2023 Operating and Capital Budget proposals that SEPTA released last month, and for which we are seeking matching funding from the City of Philadelphia, are designed to address those challenges and support the efforts of our outstanding workforce to continue serving our customers and the region. These budgets preserve existing Transit and Regional Rail service levels, defer fare increases while introducing new fare and travel options to make SEPTA even more flexible and affordable, continue to prioritize customer and employee safety and security, accelerate workforce development to build a diverse workforce that will allow SEPTA to maintain and grow service levels as ridership returns, and invests heavily in bringing SEPTA's aging infrastructure to a state of good repair and making the system accessible for all.

The Operating Budget proposal will fund a number of initiatives that will allow SEPTA to maintain current service levels, support ridership recovery and growth, achieve a balanced budget and improve the SEPTA experience for our customers and the communities we serve. Specifically, the budget:

- Funds the commitments made in the labor agreement reached last October between SEPTA and TWU Local 234. I am pleased that we were able to reach an agreement with union leadership on a contract that avoided a work stoppage and that is fair to our frontline workforce, our customers and funding partners. The two-year agreement included a one-

time pandemic payment, wage increases, paid parental leave, and the addition of Juneteenth as a paid holiday.

- Makes a significant investment in the capacity of SEPTA’s Human Resources Department, providing additional tools and resources for recruitment and training to help accelerate hiring and onboarding of new employees, with a goal to restore departments to as close to fully capacity as possible over the next several years, allowing SEPTA to maintain and grow service levels as ridership returns.
- Funds the creation of a new Equity & Inclusion Division. Reporting directly to the General Manager/CEO, SEPTA’s first Chief Equity and Inclusion Officer will be charged with creating the vision, leadership, and direction of Authority-wide diversity and equity programs. Ultimately, this new Division will help fulfill SEPTA’s goal of serving as an economic equalizer and important catalyst for the equitable future of our region.
- Lays the foundation for implementation of a newly adopted Information Technology Master Plan, which includes new investments in IT security, web-based and mobile infrastructure and equipping customers and staff with real-time information and guidance, and developing analytical capabilities to integrate and harness large-scale data to guide future decision making. Upon implementation, this IT Master Plan will dramatically improve SEPTA’s efficiency, productivity and customer experience.
- Provides full-year funding for 200 new cleaners that have been recently hired to support enhanced cleaning of high-priority locations and new, strategic deployments on the Market-Frankford and Broad Street Lines. The budget also includes increased funding for the Transit Police Department to staff the new “virtual patrol” unit, contracts with third-party firms to support the SCOPE and SAVE programs, and the first year of three-year security guard contracts to staff the SEPTA Outreach Services initiative.
- Allows SEPTA to ramp up implementation of its Authority-wide Efficiency and Accountability program. Under the direction of a permanent Transformation Office, SEPTA’s Efficiency and Accountability Program is working to develop strategies and put in place procedures to drive organizational efficiency, productivity, and accountability, pursue cost-saving and revenue-generating opportunities that put SEPTA on more stable financial footing, and ensure SEPTA has the right capabilities, mindsets, and resources to deliver on our Strategic Plan.

While focused on today, the budgets are also forward looking and commit to the principles and goals established in SEPTA’s Strategic Plan *SEPTA Forward*, which establishes a clear vision for the future with transit at the core of a resilient, prosperous, and equitable community for everyone. *SEPTA Forward* is the framework for what will be the most decisive five-year period in the Authority’s history.

Driven by funding from the recently passed Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, and the anticipated transition of Pennsylvania Act 89 transit funding from the Pennsylvania Turnpike Commission to the state's Motor Vehicle Sales and Use Tax, SEPTA's FY 2023 Capital Budget proposal is the largest in our history at more than \$1.1 billion. Over the next 12 years, SEPTA is directing funding and personnel resources to bring transformational initiatives – such as Bus Revolution, SEPTA Metro, and Reimagining Regional Rail – and projects of regional significance – including Trolley Modernization and King of Prussia Rail – to fruition.

SEPTA's future is not without serious challenges. Despite increasing ridership, SEPTA is still experiencing operating revenue shortfalls of approximately \$876,000 every day and our operating budget continues to rely heavily on the federal COVID relief packages. These federal funds have been a lifeline for SEPTA allowing us to sustain operations, preserve all jobs and position SEPTA to support the region through recovery.

This increased reliance on short-term federal subsidies is unsustainable and presents a fundamental fiscal challenge moving forward. SEPTA has expended 50 percent – or more than \$850 million – of its total coronavirus relief funds. A recent \$96 million grant from an American Rescue Plan's discretionary grant program will stretch the availability of federal relief to cover operating shortfalls only through the end of FY 2024 – two years from now. In every financial scenario, however, current federal aid will run out before SEPTA's ridership fully returns and our farebox recovery can return to pre-pandemic levels.

SAFETY

One of the greatest challenges of the post-COVID era is bringing workers and visitors back to offices and attractions and restoring the vibrancy of our great city. The region needs a strong mass transit system to support our recovery, and rebuilding SEPTA ridership is critical to meeting this moment. We know, however, that personal safety considerations are impacting how, and even if, people choose to ride SEPTA.

While the issues of violence, homelessness, and drug addiction reflect broader societal challenges, SEPTA has a responsibility to our customers and the communities we serve to provide the safest and most reliable service we can. Physical violence, sexual assault and ethnic intimidation are horrific crimes and cannot be tolerated on SEPTA.

In response, we are continually refining and enhancing safety and security strategies in order to preempt the conditions that contribute to illicit activity, respond to reported crime, and quickly apprehend suspects. Additionally, strong partnerships with the Philadelphia Police Department, other regional law enforcement agencies and victims' rights organizations allow SEPTA Transit Police Officers to coordinate crime prevention and response strategies.

After a surge brought about by the pandemic, we are starting to see some encouraging signs that indicate incidents of violent crime reported on the system have gone down in the first quarter of the year, as ridership increased from January through March.

SEPTA's Transit Police Department is a leader in innovative policing strategies becoming the first department in the region to equip all officers with body worn cameras, supplying officers with Narcan to treat opioid overdoses, cross training officers as Emergency Medical Technicians, and establishing the Serving a Vulnerable Entity (SAVE) Unit – a national model co-responder program that pairs Transit Police Officers with social workers. The Transit Police Department deploys several special operating units, including a SWAT team, plainclothes officers and K-9 units, and employs a variety of patrol and response tactics, including high intensity beats, operator safety checks, quality of ride checkpoints and undercover operations.

SEPTA currently has 210 sworn Transit Police Officers, and we work to deploy these officers strategically to protect our customers and employees throughout the service territory.

The challenges related to the recruitment and retention of qualified police officers is a national crisis, as departments across the country, including the Philadelphia Police Department, work to reach required staffing levels. SEPTA is actively recruiting new officers all the time, and we are looking to enhance our ability to recruit and retain transit police officers. I will be meeting with the Fraternal Order of Transit Police this week to discuss options around how to make Transit Police compensation as competitive as possible in the current job market. Planning for the future, one of the initiatives we are developing is a high school internship program to identify interested students and create pathways for them to begin careers as Transit Police Officers when they become eligible for hire.

While we are focused on recruiting more officers and retaining those already on the force, we are also deploying a variety of supplementary personnel – civilian administrative staff, social workers and third-party security guards – which are a force multiplier that helps maximize our existing Transit Police force, freeing up officers to focus on law enforcement activities.

To be clear, none of these auxiliary programs are intended to replace law enforcement. However, the nature of the current challenges related to vulnerable individuals seeking shelter on the SEPTA system and evolving attitudes about policing require a holistic, service-based approach to safety on the SEPTA system.

- Beginning as a pilot in 2020, the **Transit Police SAVE Unit** now has seven teams of Police Officer-Outreach Specialist teams patrolling the SEPTA system to connect those in need to substance abuse treatment, behavioral health services and other assistance.
- This April marked the one-year anniversary of the creation of SEPTA's **SCOPE program** – which stands for Safety, Cleaning, Ownership, Partnership and Engagement. The SCOPE

team works closely with SEPTA Transit Police, Operations, and System Safety personnel to provide outreach services to members of the vulnerable community. And in a one-of-a-kind partnership with two local universities, first year medical students and undergraduates are now serving as “health navigators” on the system.

During 2021, SAVE and SCOPE together had nearly 5,000 engagements and made hundreds of referrals to social service providers, and last fall, the SEPTA Board authorized \$3.6 million in contracts to third-party providers – including a woman-owned firm – to support the SCOPE and SAVE initiatives.

- This week, SEPTA will formally introduce another component of our safety program – our **SEPTA Outreach Specialists**. In February, the Board awarded \$6.6 million in contracts to three minority-owned firms, including two Black-owned Philadelphia companies, to provide a visible presence in high volume stations and on the Broad Street and Market-Frankford Lines. These additional personnel will notify SEPTA Transit Police of safety and quality of life issues, engage riders to provide direction and referrals to Customer Service, advise riders of behavior rules, and connect the vulnerable population with SCOPE and SAVE resources. Eventually, the Outreach Specialists program will add 88 additional “eyes and ears” to Broad Street and Market-Frankford Line stations and vehicles every day and will also assume station opening and closing duties.

By augmenting traditional policing strategies with social service partnerships, we can help preempt conditions for criminal activity to take place while building stronger relationships with the communities we are entrusted to serve.

SEPTA is also working to leverage existing technology, including our network of nearly 30,000 stationary and vehicle based cameras, to support Transit Police officers patrolling the system. These cameras will also be integral to the implementation of the Virtual Transit Police Patrol program that is currently being developed and also provide critical images of suspects that are distributed via BOLO notices.

We continue to heavily promote the Transit Watch App as an immediate, discreet way for customers to talk in real time with SEPTA Transit Police about an incident. The Transit Watch App is free to download to Apple and Android devices. Seconds matter in an emergency, and every SEPTA customer and employee with a smartphone should download it to their phone and become familiar with how to use it.

And to improve overall quality of life on the system, we are enhancing cleaning efforts throughout the system by hiring more personnel, providing them with new equipment and equipping them with resources to serve as additional eyes and ears on the system. We recently completed hiring of 200 additional cleaners, and over the past two years SEPTA has invested 400,000 in new heavy-duty equipment to improve cleaning and efficiency. Additionally, as part

of our overall safety efforts, each cleaner is equipped with a SEPTA phone to communicate with Transit Police and other Operations personnel to quickly alert transit police and others when assistance is needed.

DIVERSITY, EQUITY AND INCLUSION

SEPTA is in the second year of its five-year strategic plan – SEPTA Forward, which has diversity, equity and inclusion as the cornerstones for how we serve our customers, build our workforce, use our financial resources, and operate as a business.

Equity of Access

The pandemic helped to reinforce how important SEPTA is for the mobility of those living in our region. Our region’s essential workers – who are more likely to be low-income or people of color – need transit to do their jobs and support their families. For the one-third of Philadelphia households that do not own a car, SEPTA is a vital lifeline to employment, opportunity and essential services.

Transit is, by far, the most affordable way to travel throughout our region, and we have worked hard to keep fares low and add new options to support the changing ways customers are commuting and traveling. SEPTA’s FY 2023 Operating Budget proposal includes no fare increases and builds on the fare policy enhancements that were enacted in July of 2020 – including free transfers on transit, free rides for children under 12, and three-day passes.

SEPTA’s new Ridership Recovery Task Force convened to bring riders back to the system as COVID recovery progresses developed a series of fare enhancements that utilize pricing as an incentive to increase ridership and promote seamless travel, equity and affordability. Among them, the proposal reduces the price of one-day and three-day passes and introduces a new Neighborhood Flex DayPass, improving the convenience and affordability of Regional Rail travel to and from stations in Zones 1 and 2, providing City of Philadelphia residents enhanced and affordable access to SEPTA rail services.

Additionally, the budget proposes to make permanent the new “SEPTA Key Advantage”, an employer-based all-access benefit program. Under the proposal, starting this fall employers will be able to enter into an agreement with SEPTA to load “all access” passes on eligible employee SEPTA Key cards. Like any benefit program, employers would cover the cost of employee participation in the program, regardless of whether employees fully utilize the benefit. SEPTA is currently piloting the program with employees at Penn Medicine, Drexel, and Wawa, and we have been encouraged to see that 63 percent of eligible employees have signed up to participate in the program. Data received during the pilot will allow SEPTA to further our goal to expand SEPTA Key Advantage to a diverse and inclusive group of employers, universities, and other businesses that are committed to the future of Greater Philadelphia.

Last fall, SEPTA worked with the School District of Philadelphia to develop a new Student Fare Card that is fully integrated into the SEPTA Key platform to replace weekly Student TransPasses. About 65,000 eligible students in Philadelphia now use SEPTA Student Fare Cards, a contactless, reusable chip card that students can use to get to and from school during the school year. This follows on the successful launch of the SEPTA Key University Pass Program that offers colleges and universities the flexibility to electronically load Semester Passes to participating student's Key Cards.

SEPTA service is only essential, however, when it is accessible to all. We continue to make accessibility a priority in how we operate and invest in capital projects, and last week, I was pleased to mark the 10th Anniversary of SEPTA's Accessible Travel Center, which opened in 2012 with the goal of helping seniors and persons living with disabilities gain independence by learning to ride SEPTA's fixed route service.

Everyone of SEPTA's more than 1,400 buses are accessible, and in the 30 years since the passage of the Americans with Disabilities Act, SEPTA has invested more than \$2 billion in building accessible stations and procuring accessible vehicles.

In the City of Philadelphia 25 of 28 Market-Frankford Line Stations and 12 of 25 Broad Street Line Stations are fully accessible. I am proud that SEPTA's FY 2023 allocates funding to make all remaining Broad Street and Market-Frankford Line Stations accessible, and we plan to aggressively invest funding from the Infrastructure Investment and Jobs Act to make that commitment a reality.

Equity of Opportunity

While operating safe, reliable and accessible transit service is the most important action SEPTA can take to support and promote equity, SEPTA understands its commitment to equity extends beyond the service we provide, to equity of opportunity for employment and business.

SEPTA maintains a strong and diverse workforce of 9,045 employees who reflect our ridership and the communities we serve. Fifty-one (51) percent of SEPTA employees live in Philadelphia – 68 percent of our workforce are minorities and 23 percent are women. In the last three years, 76 percent of SEPTA new hires are minorities and 30 percent are women.

As one of the largest employers of minorities in the Commonwealth of Pennsylvania, we have a responsibility to do all we can to ensure that new minority hires have opportunities to grow their careers and lead SEPTA into the future.

SEPTA remains focused on improving equity, diversity, and inclusion within our employee and management ranks, and we continue to build a culture of inclusivity and belonging to strengthen our workforce from within. Over the past year, the number of minority employees in leadership positions increased by nearly 10 percent from 587 in 2021 to 642 today.

One significant initiative is the creation of the new Chief Officer of Diversity & Inclusion Officer position. The Chief Officer will be involved with creating Diversity & Inclusion strategy and developing and promoting policies. The Chief Officer will report directly to the CEO and lead the already established Diversity, Equity and Belonging (DEB) Council, which is developing bottom-up strategies to help lead SEPTA's organizational health and diversity initiatives. Comprised of 16 members, DEB Council members represent the diversity of SEPTA and include employees from fourteen departments and three collective bargaining units, with tenures ranging from one to twenty-seven years.

There are 321 women in leadership roles at SEPTA – an increase of 64 from last year – and for the first time in SEPTA's history, there are four women in Senior Leadership roles that report directly to the General Manager. SEPTA has also signed on to the MobilityXX Pledge that commits SEPTA taking meaningful and intentional actions to increase the number of women in the transportation workforce by 10 percent in the next decade.

SEPTA continues to experience considerable challenges in recruiting, training and retaining qualified employees, particularly as our workforce ages. This was a national concern prior to the coronavirus pandemic that has accelerated to a crisis in the past two years. From January 2020 to March 2022 SEPTA's workforce has decreased by 445 employees, largely due to retirements.

Workforce issues are having an impact on the service SEPTA is able to operate. February Transit schedules restructured some timetables and reduced some frequency to provide more reliable schedules that our operator headcount can support, and the Alerts section of the SEPTA website provides daily messages to customers of certain bus routes of occasional delays related to personnel issues.

Filling vacancies is an organizational priority, and SEPTA is working to build a skilled workforce for the 21st Century that reflects the diversity of our region and our customers. We continue to advance the Women in the Trades initiative, as well as a variety of apprenticeships, trade school initiatives, and co-ops to introduce potential employees to a wide variety of high-paying, family sustaining careers at SEPTA. Over the past year, we have implemented a number of strategies and efforts to manage and retain talent and to achieve needed employee growth.

Hiring has accelerated compared to the same period last year, and SEPTA's Human Resources Division is on pace to hire more than 900 employees in 2022. We have increased testing by 68 percent and added capacity to new employee orientation to help fill positions more quickly. SEPTA has also established strong partnerships with external training and job placement organizations to strengthen bus operator hiring efforts. A partnership with the Collegiate Consortium and PhillyWorks is funding our online Bus Operator CDL Permit Training Class through Delaware County Community College. In the first quarter of the year, SEPTA has hired 95 bus operators – a 132 percent increase over the same period last year.

SEPTA also values its important role in promoting broader and equitable economic opportunities for businesses in our region, particularly disadvantaged, minority and women-owned firms.

As a recipient of federal funding through the Federal Transit Administration (FTA), SEPTA complies fully with the federal Disadvantaged Business Enterprise (DBE) program. The federal DBE program is unique both in its structure and reporting requirements. Small, minority and woman-owned businesses seeking to participate in SEPTA contracts as a federal DBE must first apply for DBE certification, and SEPTA follows a rigorous and public Federal Transit Administration process for establishing DBE participation goals on its solicitations for goods, services and construction projects.

SEPTA is one of only five agencies in the Commonwealth of Pennsylvania that still certifies firms as DBE. Today, there are 2,328 registered DBEs in the Pennsylvania Unified Certification Program (PA UCP) DBE directory of which 248 are based in Philadelphia. Our commitment to local business owners remains strong, and I am pleased to report continued progress in strengthening our DBE program.

These efforts have generated significant business for DBE firms, who have contributed their talents and expertise to SEPTA projects. From Fiscal Year 2016 to 2020, SEPTA awarded more than 16 percent of its federally funded contract dollars to DBE firms.

To further understand who all of our business partners are, we requested that all companies registered in our ePS system self-identify business certification type, ethnicity and gender. As a result, we are now developing a fuller picture of who we do business with, which will improve how we engage them in the future, and how we can generate new business opportunities for our DBE firms and other historically underutilized businesses. Currently, 964 of 6,990 companies have provided this detailed information, with 50 percent of respondents identifying as non-white and 50 percent identifying as female, and we will continue outreach to the firms we do business with to better identify who they are.

Based on the number of companies that have self-identified to date, between 2017 and 2021, SEPTA awarded \$163 million in contracts to DBEs, small and minority owned firms including African American, Hispanic American, Native American, Asian Pacific American, Sub-Continent Asian American businesses, regardless if they were registered as DBE firms.

SEPTA shares the City's goal of achieving an equitable and inclusive recovery, and we are committed to promoting business opportunities for local, Black, brown, small, disadvantaged, minority and women-owned companies. Following the passage of Pennsylvania Act 89 in 2013, 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.

Now, with the federal Infrastructure Investment and Jobs Act – the bipartisan infrastructure law passed last fall – SEPTA is taking steps to create new opportunities for historically underutilized businesses to benefit from this new federal investment. SEPTA expects to receive more than \$100 million in additional federal formula funding in each of the next five years. These funds will help SEPTA address some of our most pressing infrastructure rehabilitation and vehicle replacement needs, and we are eager to put these investments to work for our customers and the communities we serve. If invested strategically and equitably, funding from the bipartisan infrastructure bill can also serve as a catalyst for new and transformative opportunities for disadvantaged, minority and women-owned businesses.

Who we contract with has always mattered in our efforts to advance equity. At this moment, we have a once-in-a-lifetime opportunity to create generational wealth for small, minority and women-owned firms in the infrastructure space.

To put this commitment into practice, I am pleased to announce that last week, I had the honor of signing SEPTA to be one of five charter signatories to the Equity in Infrastructure Project, an exciting new national initiative that will strengthen the transportation industry's commitment to contracting with historically underutilized businesses, creating new pathways for businesses to grow and build their communities.

Through the pledge, the Equity in Infrastructure Project works to secure commitments from public agencies to increase the number, size and scope of contracts going to historically underutilized businesses by:

- Increasing the number, size and percentage of historically underutilized businesses growing to primes, joint ventures, or equity participants
- Streamlining the administration of programs for firms included in the historically underutilized business designation
- Working to increase the amount and type of financing available to historically underutilized businesses to meet infrastructure contract requirements and insurance

In support of the Equity in Infrastructure Program, SEPTA has convened an internal working group to increase the number, size, and scope of small and disadvantaged business contracts awarded. SEPTA's new Chief Officer of Diversity and Inclusion will help lead this effort.

We are working on the framework for a small business set-aside program with the goal of increasing the number of prime contracting opportunities. One approach we plan to explore is subdividing contracts wherever possible to facilitate the scaled growth of historically underutilized businesses, including existing DBE firms in our current program. We utilized this contract structure in awarding contracts earlier this year for the SEPTA Outreach Specialists program. By breaking out elements of the work across multiple contracts, we were able to

increase the bid pool, which resulted in the awarding of two of the three contracts to Philadelphia-area Black owned firms.

Finally, to reach as many diverse businesses as possible, we send out monthly eblasts to registered DBE firms regarding upcoming contracting opportunities at SEPTA, upcoming pre-bid/proposal meetings, and contracting opportunities and outreach events with other agencies. Additionally, firms that are registered in SEPTA's ePS system receive automatic notification when a product or service within a firm's area of business expertise is being procured by SEPTA. This information is also shared with firms in the Pennsylvania Unified Certification Program's (PA UCP) DBE Directory, the City's Office of Economic Opportunity's (OEO) registry, as well as the various Chambers of Commerce. We also partner with the City, elected officials and organizations to educate small, minority and women-owned businesses through a series of targeted forums, including the City's annual Minority Enterprise Development (MED) Week event.

SEPTA FORWARD UPDATE

SEPTA Forward, our five-year strategic plan, is the framework to transform our organization and services to meet the changing needs of our riders. Under the banner of SEPTA Forward, SEPTA is advancing a number of initiatives and projects of regional significance that will help the Authority achieve its vision for the future with transit at the core of a resilient, prosperous, and equitable community for everyone.

Over the past year, SEPTA has made tremendous progress across a wide spectrum of major capital, service, customer experience and sustainability initiatives that will serve our customers today and position SEPTA for the future.

Three Projects, One Vision, One Network

SEPTA is creating a unified, lifestyle transit network – one that can be easily used for any sort of trip – whether that be traditional 9-to-5 commutes, reverse commuting, heading to school, shift work, everyday errands, or leisure activities. To grow ridership and build a more equitable future, riders must be able to use services interchangeably, for any sort of trip, at any time.

Bus Revolution – SEPTA is now midway through its three-year Bus Revolution initiative. This comprehensive redesign of SEPTA's City and Suburban bus network will create an interconnected network to make bus service more reliable, efficient, and simpler to use. Phase I launched in Spring 2021 and focused on understanding the strengths and weaknesses of the current bus system, and a robust public outreach period last fall focused on transit trade-offs that impact bus service. This feedback has helped to shape three goals that will guide us through this process as we work to align our bus service to where and when riders need to go, simplify those services, and to increase speed and reliability.

Phase II kicked-off last month following the release of two network options and the Bus Revolution project team will be hosting a series of virtual and in-person public information sessions through June to collect information that will inform the design of the draft recommended network. Phase III – which will include additional public engagement, formal hearings and eventually board adoption – will begin late in 2022 with implementation targeted for 2023.

Wayfinding Master Plan – As part of the overarching Project Metro initiative – which is working to unify the Market-Frankford Line, Broad Street Line, Norristown High Speed Line, and trolleys as a single, easy to use network with new maps, signage, and communication – SEPTA is advancing its Wayfinding Master Plan by installing new signage across the Metro system to make the stations easier to navigate, improving real-time information with enhanced screens, and redesigning our mobile app and website. Developed over an 18-month period through hundreds of public presentations, group discussions and listening sessions with customers and stakeholders, SEPTA released a program of concepts for public comment and feedback last fall. Based on that feedback, we are now in final design, with implementation to begin in 2023, to transform the Metro system into an intuitive and seamless network that is more welcoming to all.

Reimagining Regional Rail – SEPTA Forward envisions Regional Rail as part of a lifestyle network of frequent, all-day, and all-week services that connects people to a range of destinations across the region. Last fall, Reimagining Regional Rail launched as a rider and data-driven process working to create a vision of what that looks like and identifying the infrastructure, equipment, operations, and policies needed to get there. Over the past several months, thousands of customers, residents and other stakeholders have participated in information and planning sessions. Later this spring, SEPTA will be releasing a set of draft scenarios based on what we have heard so far, and we look forward to continuing these conversations to set a clear plan that moves our region forward.

Projects of Regional Significance

Trolley Modernization – Trolley Modernization is a once in a generation opportunity to transform the nation's largest trolley network, delivering benefits across the region. The six Trolley routes in the City of Philadelphia provide critical connectivity throughout the Philadelphia region's most populous communities and largest job centers. Trolley Modernization will transform the more-than-a-century old system by replacing 40-year-old trolleys with ADA-accessible vehicles and modernizing on-street stations and street track infrastructure to make the system fully accessible and dramatically improve capacity and reliability for the benefit of transit-dependent communities, disadvantaged populations, and essential workers. Trolley Modernization is a complex, multi-year program with several ongoing projects, including planning and design activities and early-action construction work that lays the foundation for the future. SEPTA recently published the Trolley Modernization Program Goals for public review. Current work includes design of elevators and station improvements at 19th and 37th Street Stations, and we are having ongoing discussions with

community partners on site selection for new facilities necessary to achieve the accessibility and efficiency goals we have established for Trolley Modernization.

King of Prussia Rail (KOP Rail) – the four-mile extension of the Norristown High Speed Line into King of Prussia – will reliably, conveniently, and effectively connect the region’s three largest employment centers – Center City, University City and King of Prussia – with reliable rail transit, providing expanded access to jobs and opportunity for those living in transit-dependent communities. KOP Rail will create an estimated additional 5,400-6,300 local, family-sustaining construction related jobs in southeastern Pennsylvania, generating up to \$602 million in middle class worker earnings. Last December, the project was approved to enter the FTA Project Development Phase – a major milestone for the project to receive funding through the federal New Starts Program. Thirty percent design is nearly complete, and SEPTA will be putting out an RFP for additional design work later this spring.

We are grateful for the partnerships with you and your staff on these efforts, and we hope you will continue to engage with your constituents to ensure that every voice is heard as part of the planning process. There are many ways for your constituents to get involved, and we encourage your to share outreach schedules and other resources available on SEPTA’s website at <https://planning.septa.org/>.

Sustainability

Sustainability is a key element of *SEPTA Forward*. As a cornerstone of the region’s sustainability strategy, SEPTA connects people to opportunity while minimizing carbon emissions, reducing traffic, and supporting healthy communities. Since the release of our first five-year sustainability plan in 2011, and throughout the COVID-19 pandemic, SEPTA has remained committed to a comprehensive triple-bottom-line approach to environmental, social, and economic sustainability. Over the last year, as the region continues to recover from the COVID pandemic, SEPTA has made steady progress on operational sustainability initiatives, including:

- Generating over 25,000 MWh of clean, renewable electricity at the Elk Hill solar farm in Franklin County, Pennsylvania, representing 7 percent of SEPTA’s total electricity demand. Elk Hill’s solar capacity is scheduled to double in May 2022.
- Bringing a third solar rooftop installation online at Fern Rock Shop in north Philadelphia. Together, Fern Rock, Berridge, and Callowhill facilities’ solar projects have generated over 4,400 MWh of renewable power, avoiding almost 1,500 tons of CO_{2e} emissions.
- Completing Phase 1 of a Zero-Emission Bus (ZEB) Master Plan, evaluating the feasibility replacing diesel hybrid buses with battery-electric buses (BEBs). Phase 2, evaluating fuel cell electric buses, is currently underway.
- Implementing an enterprise-wide sustainability data management system, EMSYS, to facilitate tracking and analysis of SEPTA’s electricity, natural gas, vehicle fuel, water, waste, and recycling data.

- Significant reductions in energy use at SEPTA's 1234 Market St headquarters from a whole-building energy efficiency retrofit.
- Maintaining certification of two maintenance facilities under the rigorous and globally recognized ISO 14001 standard for environmental management.

CAPITAL INVESTMENTS THAT SUPPORT THE CITY OF PHILADELPHIA

SEPTA's FY 2023 Capital Budget proposal is the largest in our history at more than \$1.1 billion, and over the next 12 years, we intend to invest \$11.4 billion to rebuild and modernize our infrastructure and vehicles to create a region that is equitable, sustainable, and prosperous for everyone.

These historic funding levels are made possible by increased federal funding resulting from the Infrastructure Investment and Jobs Act (IIJA), and the anticipated transition of Pennsylvania Act 89 transit funding from the Pennsylvania Turnpike Commission to the state's Motor Vehicle Sales and Use Tax. The infusion of federal capital assistance through FY 2026, along with the transition of state funding to a sustainable and bondable funding source allows SEPTA to address its \$4.6 billion state of good repair backlog and to move forward on our Projects of Regional Significance, including Trolley Modernization, King of Prussia Rail and replacing one of the nation's oldest rail vehicle fleets. Both of these funding sources require local matching

The Bipartisan Infrastructure Law will provide SEPTA with approximately \$500 million in additional capital formula funding over the five-year life of the bill – about \$100 million per year above current federal formula levels. In March, the SEPTA Board approved a \$95 million amendment to the Authority's FY 2022 Capital Budget to put the first year of funding to use for our customers and the communities we serve. With the new infrastructure bill, SEPTA is able to fund planning, design and construction activities on 21 projects, including Trolley Modernization, station accessibility projects at eight Broad Street Line stations, and Regional Rail bridge rehabilitation projects in Center City and on the Chestnut Hill East and West Regional Rail Lines.

With the transition of state funding to a sustainable and bondable source, SEPTA is able to leverage against forecasted state revenues to issue bonds to support critical capital investments. Over the next 12 years, we intend to invest \$11.4 billion to address our state of good repair backlog while planning for future service improvements to ensure capital dollars are invested to advance equity, safety, ADA accessibility, and service reliability.

SEPTA's 12-year Capital program will bring assets to a state of good repair, meet the Authority's financial obligations, advance strategic objectives and implement system improvements to enhance transit service, allocating funding across a broad range of capital initiatives:

- Trolley Modernization – \$1.15 billion for vehicle acquisition & infrastructure upgrades
- Market-Frankford Line Railcar Replacement – \$800 million for vehicle acquisition, infrastructure upgrades, and new signal systems
- Bus Revolution – \$130 million for end-of-line facilities and transit prioritization improvements
- Wayfinding Improvements – \$40 million for signage, real-time information, and website/mobile app upgrades
- State of Good Repair & Safety – \$3 billion to rehabilitate and modernize the legacy system for a state of good repair
- Accessibility for All – Nearly \$1 billion to provide ADA accessibility at 21 Rail Transit and 20 Regional Rail stations over the next 12 years
- Regional Rail Fleet Replacements – \$250 million in outer years of the program
- King of Prussia Rail – \$390 million initial local commitment for final design and construction

These future investments will complement the current program of SEPTA projects and planning initiatives already underway, and which saw significant progress in the past year, including:

- Continued construction at SEPTA's 30th Street Market-Frankford and Trolley Station to transform the station into a gateway for University City, Schuylkill Yards and the broader 30th Street area.
- Continued construction of accessibility improvements at Susquehanna-Dauphin Station on the Broad Street Line.
- Completing design of the Tasker-Morris Station ADA Project with contract award planned for May 2022.
- Continued design work on future ADA construction projects at Erie Station on the Broad Street Line and 11th Street Station on the Market-Frankford Line.
- Finalizing design of the new Wissahickon Transportation Center, one of SEPTA's busiest transit hubs and the future southern terminus of Boulevard Direct Phase B.
- Continued progress on the City Hall Station early action infrastructure modifications, which will allow for the future platform and mezzanine construction – part of the multi-phase City Hall Station Accessibility Improvements project. The project is proceeding through the bid phase with award anticipated in July.
- Accelerating design work on Broad Street Line station accessibility projects. As part of SEPTA's commitment to bringing all Market-Frankford and Broad Street Line Stations into compliance with the Americans with Disabilities Act, SEPTA amended its FY 2022 Capital Budget by \$12 million to begin design on eight Broad Street Line Station projects, which will position SEPTA to compete for federal All Stations Accessibility Program (ASAP) funding.
- In addition, with SEPTA's successful RAISE grant award last November, design work will commence shortly to make 19th Street and 37th Street Stations on SEPTA's Trolley system fully accessible.

CONCLUSION

This is a critical year for SEPTA. The work we do now will profoundly impact SEPTA's current operations and how we are positioned to meet the future.

To support the ongoing recovery and maintain our region's role as the engine of the entire state, our Ridership Recovery Taskforce is developing strategies to maximize efficiency, productivity and customer experience to grow ridership.

We are making investments in operational and customer safety to create a safe environment for our customers to ride and for our employees to work.

We are building a workforce for the 21st Century that reflects the diversity of our region and our customers while ensuring that SEPTA can maintain and grow service levels as ridership returns.

We have made diversity, equity and inclusion the cornerstones for how we serve our customers, build our workforce, use our financial resources, and operate as a business, now and going forward.

And we are harnessing transit's inherent sustainability to deliver clean mobility and support the region's emissions reduction goals.

After two years of uncertainty, the pieces are coming together for SEPTA to take important steps toward advancing a fresh vision for the future with transit at the core of a resilient, prosperous, and equitable, community for everyone.

Significant challenges exist – including safety and security, sustainable funding, and evolving mobility needs – and we look forward to working with the members of Council and all stakeholders to advance our priorities, meet our goals and overcome any obstacles – together.

Thank you again for the opportunity to speak to you about the future of SEPTA 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. I am happy to answer any questions.