Testimony

Of

Leslie S. Richards
Chief Executive Officer and General Manager

Southeastern Pennsylvania Transportation Authority

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Good afternoon Council President Clarke, Transportation Committee Chair Johnson, members of City Council and other guests. I am Leslie Richards, SEPTA's CEO and General Manager, and I am pleased to appear before you today. 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 various departments.

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 $110 million contribution under Mayor Kenney's budget proposal represents six percent of the Authority's total operating budget and helps SEPTA to meet its state legislatively mandated requirement to secure local matching funds to maximize state operating subsidy dollars of approximately $850 million. The City's $5.7 million capital contribution represents one percent of SEPTA's total capital budget and will support SEPTA's Fiscal Year 2024 Capital Budget of approximately $976 million. Each operating dollar the City of Philadelphia contributes enables seven dollars in state operating assistance, and each dollar of capital funding the City provides leverages $69 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 appear before you at a critical time, as the year ahead will determine SEPTA's present and future. By this time next year, SEPTA will have exhausted the last of its federal COVID emergency operating assistance, and the Authority will be at a crossroads facing significant budget shortfalls.

Despite the challenges of the past three years, and the looming fiscal cliff ahead, SEPTA service is, and will continue to be, as important as it has ever been. Today, SEPTA provides more than 600,000 daily trips across all modes and throughout the City and region. It may not be the nearly-one million daily trips SEPTA provided before the pandemic – and we are doing everything we can to build back ridership – but a tremendous number of people rely on SEPTA every day. It is an awesome responsibility that we take very seriously, and I appreciate the opportunity to tell you what we are doing to meet this moment.

Earlier this month, SEPTA released its Fiscal Year 2024 Operating and Capital Budgets, which form the blueprint for our path forward. SEPTA is putting the last of its COVID relief funds to good use for the City and region, making critical investments in customer and employee safety and security, building ridership, and preparing the Authority to sustain operations in an uncertain future.

- We have increased investments in safety and security by 60 percent since 2021 – including increased pay for new Transit Police recruits and veteran officers. These investments are

boosting recruiting efforts and allow SEPTA to hire at least 50 new Transit Police Officers, establish a new virtual patrol unit, and pilot AI based gun detection technology in our stations. Additional investments in our award-winning SCOPE Program will build on our cleaning and vulnerable population outreach activities.

- We are holding the line on fares for another year while introducing new fare enhancements. SEPTA's budget includes a second free transfer and opens City Regional Rail stations for TransPass use, and we continue to expand opportunities for businesses and institutions to participate in the innovative SEPTA Key Advantage program. Together these initiatives will encourage ridership growth and remove financial barriers for those who rely on SEPTA.

- Planning for service enhancements like Bus Revolution will provide faster more reliable service to more Philadelphians throughout the day and will bring SEPTA closer to delivering a lifestyle network that reflects the way people travel now.

- Targeted investments in personnel, technology and process improvements form the foundation SEPTA's Efficiency and Accountability Program that is transforming SEPTA into a more efficient, productive, and accountable organization. SEPTA has already achieved $38 million in annual returns, and we are on pace to reach $102 million in recurring annual benefits by the end of 2024.

At the same time, funding from the federal Infrastructure Investment and Jobs Act (IIJA) and newly bondable state funding are bolstering SEPTA's 12-Year Capital Program, which will allow SEPTA to continue addressing its $5.1 billion state of good repair backlog while accelerating projects of significance like the replacement of the Market-Frankford Line railcar fleet, Trolley Modernization, rail station accessibility and SEPTA's transition to a zero-emission bus fleet.

SEPTA continues to be affected by the same forces that are altering Center City and neighborhood commercial corridors and impacting the lives of all who live here. I am realistic about the immense challenges we face, But I am confident that we have the strategies and team in place. I also know we cannot do it alone.

Telework and changed commuting patterns coming out of the pandemic have significantly disrupted when and how people travel. Though ridership in the form of trips taken may never return to pre-pandemic levels, the same people traveling on SEPTA – our customers and your constituents – are still taking essential trips.

Notwithstanding the ongoing ridership recovery and efficiency and accountability initiatives described earlier, SEPTA anticipates that farebox revenue will continue to fall more than 30 percent below Pre-COVID levels for the foreseeable future. Once all federal COVID relief is expended in the upcoming fiscal year, this persistent reality will create a sustained structural budget deficit of approximately $240 million per year beginning in Fiscal Year 2025.

The magnitude of the remaining gap is simply insurmountable without additional funding. Unless new sources are identified, SEPTA will be forced to implement in Fiscal Year 2025 large-scale service reductions and fare increases to balance the budget. Potential service cuts of 20 percent would drastically limit service and increase passenger travel and wait times on all modes while increased fares of 30 percent would disproportionately impact low-income and transit dependent riders.

SEPTA is prepared to work with funding partners at all levels – in Harrisburg, Washington, and regionally – to address the Authority's fiscal cliff. The clock is already ticking toward 2025 and those conversations must begin now to stave off these measures. The inevitable "death spiral" that would follow would strip Philadelphia of one of its most critical resources – safe, efficient, high-capacity mass transit.

SEPTA service must be frequent and reliable to meet the needs of the City and our customers. It must also be safe.

SEPTA operates throughout every corner of the City, and our customers and employees are subject to the same challenges facing these communities. Violence, including senseless, indiscriminate gun violence, is a cloud over the City that prevents those who live and work here from leading their fullest lives. It cascades onto our vehicles and stations, and while violent crime on SEPTA accounts for only one percent of all crime in the City of Philadelphia, the trauma impacts how, and even if, people ride SEPTA.

We continue to do all we can to make SEPTA a safe environment for our customers and employees. With 50 new police officers expected to join the force before the end of the year, we will maximizing our available personnel with new deployments to prioritize the Market-Frankford Line and other hot spots throughout the system. Our network of more than 30,000 surveillance cameras in stations and vehicles helps SEPTA respond to criminal activity and track suspects to aid in making quicker arrests. SEPTA's holistic approach to safety and security is bolstered by our SCOPE program by making cleaning a foundational safety function and coordinating resources and partnerships to address the vulnerable populations who seek shelter in SEPTA.

Violence that discourages City residents from riding SEPTA forces them to seek out more costly options or prevents them from making a trip altogether – denying them access to essential mobility. This year we will be asking for additional partnership and resources from the City, the Police Department, and the District Attorney's office to make SEPTA a higher priority for law enforcement. We will also be working at the state and national level to elevate the prevention and punishment of assaults against our operators and frontline personnel. Through our SCOPE Program we will continue to partner with homeless advocates, mental health and addiction specialists, and victim assistance organizations to ensure that our strategies are informed and effective.

When SEPTA and the City work together, everyone benefits. In the past year, we have partnered on strong applications for federal funding, ,and together we have advanced critical elements of Trolley Modernization, made progress on bus lane enforcement – including red bus lanes on Market Street – and continued to support Vision Zero and the City's Transit Plan.

In January, I came before you to explain that years of falling ridership and inefficient service had strained SEPTA's bus operations and left riders dissatisfied or seeking other transportation options. Working with Council, we have made important progress on Bus Revolution and the revised design changes that are now under consideration. We are in the midst of another round of robust engagement this spring, and we are encouraged by feedback received thus far. I want to thank Members of Council for holding the hearing and helping to bring greater awareness and more voices to the Bus Revolution Draft Network. We look forward to continued collaboration on behalf of your residents as we continue to refine the plan through the spring, summer and fall.

Despite present uncertainty, the future will not wait, and it requires new ideas and resolute investment.

I would like to urge Council's approval of two provisions in the Mayor's budget proposal: joining SEPTA's Key Advantage program and the zero-fare pilot program for low-income residents. Together, the City's participation in these programs will encourage broader return to office efforts and enhance mobility options for thousands of City employees and low-income residents who rely on public transportation. Last year, City Council made an important statement on the importance of transit service by passing the commuter benefit ordinance for large employers. Offering the Key Advantage – SEPTA's flagship ridership growth initiative – to City employees would amplify the message that SEPTA service is integral to Philadelphia and all who live here. For those living near or below the poverty line, and for the 1/3 of Philadelphia households that do not have access to a car, the low-income fare program will open opportunities for employment, education, and recreation.

An inability to prepare for the future and invest has created the conditions where SEPTA has half the capital funding of peer agencies to address its infrastructure state of good repair or pursue system expansion projects. If flat funding continues, it will challenge SEPTA's ability to complete Trolley Modernization or replace aging Regional Rail cars, let alone execute a future project like an extension of the Broad Street Line. If this region does not work together now to identify new state and local matching funds to invest in major transit projects, we will continue to fall further behind competitors that do.

Three years remain of the federal Infrastructure Investment and Jobs Act (IIJA). New state and local matching funds are required to enable SEPTA to unlock billions in new federal investment available through IIJA, and we look forward to working with you to ensure that the City can

invest in major transit projects to remain competitive and deliver the corresponding economic and quality of life benefits to Philadelphia.

Cities and their transit systems are intrinsically linked. Our fortunes are tied together, and we need each other. Robust transit drives productive, equitable and healthy cities with a reduced carbon footprint. Vibrant cities and their residents and visitors fill buses, trains and trolleys throughout the day and night. In Philadelphia, SEPTA service fills a vital and irreplaceable role, providing affordable transportation for employees and customers and the businesses that depend on them, safe and reliable access to school and medical appointments for students and seniors, relief from productivity-choking congestion, and a proven way to achieve sustainability and carbon reduction goals.

We are making important progress on our strategic plan to make SEPTA more intuitive, accessible and easier to use. Next year, SEPTA will begin implementing the Bus Revolution network to bring faster, more reliable service to our customers; we will modernize our wayfinding and signage to make SEPTA easier to navigate; and we will continue to advance construction on station accessibility and Trolley Modernization priorities. In three years, the eyes of the nation and the world will be on Philadelphia for the country's 250th birthday celebration and the 2026 FIFA World Cup. With your support, SEPTA looks forward to playing a leading role, as we always have.

SAFETY AND SECURITY:

SEPTA operates in communities throughout the City, and our vehicles and stations are not immune to broader societal challenges. The safety and security of our customers and employees is SEPTA's number one priority – our customers and employees deserve a safe and secure environment to travel and perform their work, and we know that perceptions of personal safety are sometimes a deciding factor in how or whether people chose to ride SEPTA.

SEPTA's proposed Fiscal Year 2024 Operating Budget includes $58.5 million for safety and security – a more than 60 percent increase over FY22 and more than 10 percent above FY23. Increased safety and security investments have allowed SEPTA to bolster personnel, technology and partnerships designed to improve safety and reduce quality of life violations in our stations and on our vehicles.

Personnel

SEPTA's transit police are the backbone of our efforts to protect our customers and employees, and we are significantly adding to our ranks. Last June, SEPTA reached an agreement with the Fraternal Order of Transit Police to increase pay for new and existing officers, and we are beginning to see that investment payoff with more new recruits and the retention of talented officers.

By the end of June, we will be adding 25 new police officers to the SEPTA Transit Police Department – an increase in staffing of more than 10 percent. This includes a historically large class of 21 new recruits who are close to graduating from the police academy and four officers we have attracted from other departments. SEPTA anticipates another 25-30 recruits entering the police academy in July.

SEPTA is also adjusting how we deploy Transit Police personnel. We have increased patrols on Market-Frankford Line trains and stations with operators making announcements when an officer has boarded a train; we are employing a more proactive and targeted hot spot policing strategies at high crime areas throughout the day; increasing foot patrols by redeploying our special operations units; Our Transit Police SAVE Unit, which pairs Transit Police Officers with social service specialists, continue to patrol the SEPTA system to connect those in need to substance abuse treatment, behavioral health services and other assistance; and we have partnered with the Philadelphia Police Department on joint narcotics operations at several stations.

Technology

SEPTA continues to leverage technology as a critical component of our safety and security efforts. Notably, SEPTA's network of more than 30,000 surveillance cameras in our stations and vehicles support our Transit Police officers patrolling the system. I want to highlight two recent investments. First, we have created a new Virtual Patrol Unit that performs video patrols of the system, assisting in the dispatch of police officers and directing officers where to intercept suspects. Second, SEPTA is partnering with technology firm ZeroEyes to pilot an artificial intelligence gun detection program that identifies and alerts police immediately of the presence of a gun. Together, these initiatives will maximize the reach and effectiveness of SEPTA's camera network

Because every second counts in an emergency, 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 incidents on SEPTA, including crime, cleanliness, smoking, and issues related to the vulnerable population. The Transit Watch App is free to download to Apple and Android devices. Every SEPTA customer and employee with a smartphone should download it to their phone and become familiar with how to use it. In the First Quarter of 2023, customers used the Transit Watch App to make 5,404 reports, a 32 percent increase in App usage, and we ask our partners at all levels to encourage their constituents to download it.

SEPTA Transit Police increased undercover surveillance and expanded patrols on the system and vehicles that resulted in three straight quarters of increased enforcement, including issuance of Administrative Enforcement Tickets and Code of Conduct Removals related to anti-social behavior. Broadly, we are seeing steady improvement as SEPTA adjusts deployments and more riders return to the system. In the First Quarter of 2023, there was a statistical decrease from the previous quarter in every crime category except robberies, including a 39 percent decrease in sexual misconduct crimes and a 16 percent decrease in aggravated assaults.

SCOPE Program

As an agency on the front lines of addressing the vulnerable population – those experiencing homelessness, substance use disorder and mental illness – we know that the current challenges related to violence, homelessness, substance abuse and mental health disorders requires a holistic approach.

As we focus on recruiting more officers and retaining those already on the force, we also continue to utilize a variety of supplemental strategies and personnel to address vulnerable individuals seeking shelter on SEPTA.

To meet these challenges, in April 2021, SEPTA launched the SCOPE Program – the first of its kind in the transit industry – to bring together internal and external stakeholders to achieve three overarching goals:

- Ensuring a safe and clean working environment for all SEPTA employees
- Providing a safe and clean travel experience for all SEPTA customers
- Connecting vulnerable individuals to vital services and resources

Focused on five key priorities – Safety, Cleaning, Ownership, Partnership and Engagement – the SCOPE program brings elements of traditional policing and cleaning activities under the umbrella of a single, unifying program uniquely focused on addressing the vulnerable population. The SCOPE team works across the entire Authority to integrate the goals of the program into each divisional plan and engages closely with SEPTA Transit Police, Operations and System Safety personnel to develop and implement the Authority's comprehensive response. The goal is to create a safe, clean and welcoming environment for our customers and employees while connecting those in need to services and care.

The SCOPE Program is built on partnerships, and we have leveraged subject matter experts in government, the nonprofit and business sectors and academia to help address the challenges of the vulnerable population, including:

- Northeast Treatment Centers is offering its services at two “mobile hub” locations on the Broad Street Line.
- Philadelphia Center Against Sexual Violence, (formerly WOAR) is educating and training customers and employees through tabling sessions at Dilworth Park.
- Delaware County Victim Assistance Center is partnering with SEPTA by offering education, tabling, outreach and “walking Wednesdays” at 69th Street Terminal
- Montgomery County Victim Services Center is providing advocacy and counseling for people affected by sexual violence and other crimes at Norristown Transportation Center
- SCOPE has also forged innovative partnerships with academic institutions. First-year medical students from Drexel University College of Medicine, and health and exercise

sciences students from Cabrini University serve as "Health Navigators" at transit centers and stations and help connect individuals to wraparound supportive services

Through SCOPE, SEPTA has made cleaning the foundation of our safety, security and health efforts. Over the past year, we completed the hiring of 200 additional cleaners, bringing the total number of cleaning personnel (cleaners, maintenance custodians and supervisors) to 700, providing them with new equipment and providing them with resources to serve as additional eyes and ears on the system. 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.

SCOPE, and the auxiliary personnel and partnerships that support it, is not intended as a replacement for law enforcement; rather, they are a force multiplier that helps to maximize our Transit Police force by putting additional eyes and ears on the system, freeing up officers to focus on law enforcement activities.

BUILDING RIDERSHIP:

Beyond safety and security, SEPTA is working to bring more riders back to the system by developing new fare programs and enhancements – to better meet the way people travel now – and advancing initiatives to make our various services more efficient and easier to use.

Fares

SEPTA's FY 2024 Operating Budget defers any fare increases for another year – marking seven years since SEPTA's last increase in FY 2018 – and builds on recent fare enhancements that were implemented during the pandemic to make travel more affordable and flexible and provide financial relief. Customers will continue to benefit from fare saving initiatives enacted in 2020 and 2022, including one free transfer per transit trip, free rides for children under 12, and new Three Day passes to accommodate hybrid work schedules.

We know these changes helped our customers, and now we are proposing additional fare enhancements to be implemented during the upcoming Fiscal Year. This year, SEPTA is proposing several additional fare policy changes that will make travel more affordable and flexible and encourage more ridership.

The proposal would 1) add a second free transfer – customers using a Key Card will now be able to take up to three vehicles traveling to a destination for $2.00 or a $1.25 Reduced Fare Card fee, and 2) add 24 inner-ring Regional Rail stations to the network of stations accessible with a weekly and monthly TransPass. This change will encourage more flexible travel patterns and allow city transit customers to travel to Center City, Zone 1, and Airport stations on Regional Rail at no additional cost.

SEPTA implemented mobile ticketing on Transit in 2022, and in 2023 we will launch contactless payments allowing customers to pay using a contactless bankcard or mobile device. SEPTA Key Tix allows customers using a smartphone to purchase and validate tickets for one base ride and one free transfer. Contactless payments will allow one base and up to two free transfers on transit. SEPTA Key Tix and contactless payments will make SEPTA's base transit rate and free transfers available to more people.

SEPTA also continues to expand the SEPTA Key Advantage program. Key Advantage allows businesses and institutions to acquire SEPTA Key cards directly from SEPTA at a reduced cost and distribute them to employees as a benefit. What started as a pilot last spring with three major employers – Drexel University, Penn Medicine and Wawa – is now permanent and growing. Several new companies have joined SEPTA Key Advantage, including FMC Corporation, HealthVerity, Econsult Solutions, ABC Senior Care, and Livent. The program now has more than 30,000 participants and recently expanded eligibility to all employers and colleges and universities across the region.

In March 2023, the average percentage of participation by eligible employees at each company was 64.9 percent. This percentage has steadily increased and in March 10,566 employees had their Key cards loaded through the Key Advantage program. Swarthmore University is our first partner in the Key Advantage UPass program and will begin offering the program to students in the Fall 2023 semester.

For employers the program can be a difference maker for attracting new talent, retaining employees or achieving organizational ESG goals. For SEPTA, Key Advantage is structured to be revenue neutral and represents a transformational opportunity to build ridership in a challenging environment.

Service Initiatives

At the same time, SEPTA is advancing organizational efforts to deliver a seamless transit network that will serve the region's evolving mobility needs, provide more connectivity and encourage greater use of the region's transit network. Through the Bus Revolution, Reimagining Regional Rail and Wayfinding initiatives, SEPTA is working to make SEPTA service more efficient, intuitive and customer focused.

Bus Revolution – Bus Revolution is the redesign of SEPTA's City and suburban bus network to create service that is more efficient, reliable and simpler to understand, with routes that run more frequently throughout the day, evenings, and weekends. This is the first time SEPTA has performed a comprehensive review of its bus routes since the Authority was created in 1964, and this effort is long overdue.

While current SEPTA bus ridership has reached 75 percent of pre-pandemic levels, bus ridership in the seven years prior to the pandemic had declined more than 13 percent while 75 percent

of SEPTA bus routes lost at least a quarter of their ridership. Between 2013 and 2019, SEPTA bus service became slower and less reliable while operating costs increased by 10 percent.

After releasing the initial draft last October, SEPTA received more than 5,000 comments across more than 30 in-person and virtual public outreach events. Following the fall outreach and the City Council hearing in January, SEPTA made adjustments to the plan itself and the way we are communicating with our customers to ensure that as many rider voices are heard. We are grateful to you for your feedback on the initial proposal and for your partnership in helping us communicate the proposed changes to your constituents and stakeholders. With input from our riders and communities – your constituents – SEPTA released its Bus Revolution Updated Draft Bus Network for public review in March. While we could not incorporate every suggestion or request, we listened, and the updated bus network reflects rider, resident and stakeholder priorities.

I want to highlight some of the steps we have taken in developing the Updated Draft:

- Restored six routes to the network based on ridership
- Reduced the number of trips that require transfers, including to the Market-Frankford Line and Broad Street Line
- Met with the School District of Philadelphia to better understand needs and concerns
- Clearly identify bus routes that connect to schools and community destinations
- Using as many of existing route numbers as possible
- Partnered more closely with elected officials and community organizations to host public meetings

Importantly, we were able to make these changes while maintaining the priorities that our customers said mattered most to them in their bus network: frequency, reliability and ease of use.

The updated draft network will be available for comment through the end of May; at which time, the project team will further refine the bus network over the summer. Public hearings are planned for this fall, followed by implementation anticipated in 2024. The Updated Draft Bus Network is posted on the Bus Revolution website – https://www.septabusrevolution.com/ – along with a full calendar of events, and we hope you will take time to advise your constituents about upcoming opportunities.

Wayfinding Master Plan – SEPTA's strategic plan envisions a transit system that is safe and easy-to-use for all, regardless of familiarity, language, or ability. To do that, SEPTA is continuing to make progress on its Wayfinding Master Plan, which will install new signage across the Metro system (Market-Frankford Line, Broad Street Line, Norristown High Speed Line, and Trolleys), improve real-time information with enhanced screens, and redesign our mobile app and website to make these services easier to navigate. Developed over an 18-month period through public presentations, group discussions and listening sessions with customers and

stakeholders, SEPTA has been testing new signage and wayfinding tools in advance of implementation.

Reimagining Regional Rail – SEPTA is one of the few multimodal transit systems in the nation to operate bus, metro rail and commuter rail services as one agency. SEPTA Forward, our strategic plan, 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. Reimagining Regional Rail is creating a vision of what that looks like and will identify the infrastructure, equipment, operations, and policies needed to get there. Some of the changes we're considering will require significant upgrades to track, construction of new stations, and buying a new fleet of trains. This will take time and money.

In the near and medium term, we have identified schedule and fare changes that can be done quickly to make the Regional Rail system more useful to more people in the short term. For instance, the fare saving initiatives proposed in our FY 2024 budget offer new and existing transit customers the ability to transfer freely and use Regional Rail providing a more seamless travel network.

INVESTING IN NEW VEHICLES AND INFRASTRUCTURE REHABILITATION:

SEPTA's FY 2024 Capital Budget proposal is $976 million – just shy of last year's record-breaking billion-dollar plus plan, while the proposed 12-Year Program represents SEPTA's largest-ever investment in the system at $12.6 billion.

These historic funding levels are made possible by increased federal funding resulting from the Infrastructure Investment and Jobs Act (IIJA), and the transition last year 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 continue to invest in its core infrastructure and advance projects of significance.

The Capital Program allocates funding to a number of critical priorities over 12-years including:

- **Trolley Modernization:** $1.63 billion for vehicle acquisition and infrastructure upgrades
- **Market-Frankford Line Railcar Replacement:** $950 million for vehicle acquisition, infrastructure upgrades, and a new signal system
- **Regional Rail Fleet Replacements:** $650 million to initiate the replacement of 50-year-old railcars
- **Wayfinding Improvements:** $40 million for signage, real-time information, and website/mobile app upgrades
- **State of Good Repair & Safety:** $3.6 billion to rehabilitate and modernize the legacy system for a state of good repair

- **Accessibility for All:** Nearly $1 billion to provide full ADA accessibility at 45 Rail Transit & Regional Rail stations over the next 12 years. By the end of this 12-year program, 100% of subway/elevated and trolley stations will be ADA accessible.
- **Bus Revolution:** $163 million for end-of-line facilities and transit prioritization improvements

Despite this new and expanded funding, SEPTA is still not keeping up with our peer agencies or even our own backlog of needs. Competitor regions are investing more in transit and winning large federal infrastructure grants to support their regions. In fact, over the last decade, peer regions have invested an average of 75 percent more in transit than southeastern Pennsylvania. Compounding infrastructure challenges, inflation and ever-aging assets have pushed SEPTA's state of good repair backlog to $5.1 billion, up from $4.6 billion, essentially consuming all the formula funding SEPTA anticipates receiving through the Bipartisan Infrastructure Law.

To meet the changing mobility demands of the southeast region, SEPTA must address its unmet infrastructure needs, replace aging vehicles, and continue advancing critical investments like Trolley Modernization and the transition to a Zero-Emission bus fleet. The federal Infrastructure Investment and Jobs Act (IIJA) passed in 2021 offers a once-in-a-generation opportunity for SEPTA and the City to make the SEPTA system future ready. However, new state and local matching funds are required to enable SEPTA to leverage billions in new federal investment available through the IIJA. With additional funding sources, SEPTA can advance critical projects. If flat funding continues, it will jeopardize SEPTA's ability to complete Trolley Modernization or replace aging Regional Rail cars, let alone execute a major project like an extension of the Broad Street Line. If this region does not work together now to identify new state and local matching funds to invest in major transit projects, we will continue to fall further.

PREPARING FOR THE FISCAL CLIFF:

SEPTA approaches these challenges and advances these initiatives at the edge of a fiscal cliff that will be more severe and sustained than any financial challenge SEPTA has faced.

SEPTA's Fiscal Year 2024 Operating Budget proposal uses the Authority's final installment of federal COVID relief funding that has helped to avoid service cuts and fare increases associated with pandemic-induced revenue losses. The federal COVID relief funding is forecast to be exhausted in April 2024, and SEPTA will face recurring, annual structural deficits exceeding $240 million starting in Fiscal Year 2025 – raising the prospect of service cuts and fare increases as early as next year without additional funding.

SEPTA's $1.69 billion Fiscal Year 2024 Operating Budget proposal reflects measures to mitigate inflationary impacts on the cost of materials, fuel and propulsion power as well as a tightened labor market driving historically high levels of vacancy in budgeted headcount. The proposal is

4.7 percent above the Fiscal Year 2023 Operating Budget, below last year's budgeted increase and inflation benchmarks of 6.0 percent, yet well above SEPTA's historic average of less than 3 percent annual expense growth.

As mentioned earlier, SEPTA's Fiscal Year 2024 Operating Budget defers fare increases for the seventh consecutive year thanks to the final year of federal COVID relief funding, which SEPTA has used to backfill pandemic-induced revenue losses and maintain essential service throughout the pandemic and into recovery. The $1.33 billion in proposed subsidies, including the City of Philadelphia's $110 million contribution, again will cover close to 80 percent of all proposed operating expenses. Whereas in the decade leading up to the COVID-19 pandemic SEPTA would regularly recover 35-45 percent of its operating expenses through self-generated revenues, for the last three fiscal years revenue has covered just 20 percent of operating expenses.

Counteracting escalating costs is SEPTA's Efficiency & Accountability, or E&A, Program. Now staffed day-to-day by a permanent Transformation Office, the E&A Program is designed to seize the opportunity to transform SEPTA into an efficient, productive, and accountable organization by building a diverse, inclusive and empowered workforce. Started during the depths of the COVID-19 pandemic, the E&A Program is a systematic and sustainable approach to creating operational efficiencies. It is designed as a bottom-up framework to brainstorm, evaluate, prioritize, and ultimately implement efficiency initiatives while simultaneously improving collaboration. The resulting plan totals 140 initiatives collectively estimated to have $102 million in recurring annual benefits by the end of 2024.

The first year of E&A Program implementation recognized more than $38 million in recurring annual benefits. The Fiscal Year 2024 budget proposal features the cost-saving impact of these initiatives, including:

- Recurring audits to reduce medical benefits costs
- Fleet software upgrades to reduce energy consumption;
- Digitization of communications to improve productivity and communication;
- Process improvements to right-size spending on routine daily activities such as cleaning and waste management; and
- Purchasing strategies to mitigate the inflationary impact on the cost of goods and services.

Notwithstanding the ongoing ridership recovery and efficiency and accountability initiatives described above, without additional funding, structural deficits will render substantial fare increases and service cuts likely. Starting with Fiscal Year 2025, SEPTA is projecting a sustained structural deficit of approximately $240 million per year, representing 15 percent of SEPTA's annual operating expenses.

The magnitude of this structural deficit is an industry phenomenon and consistent with peer agencies such as MBTA in Boston, MTA in New York, WMATA in Washington D.C., and CTA in

Chicago. Each large urban transit agency is confronting the reality of an uncertain financial future once federal COVID relief funding becomes unavailable.

Unless new sources are identified, SEPTA will be forced to implement in Fiscal Year 2025 large-scale service reductions and fare increases to balance the budget, including for example the potential for:

- Weekly TransPasses to increase from $25.50 to $32.00
- Monthly TransPasses to increase from $96.00 to $120.000
- Per trip transit costs increasing from $2.00 to $3.00
- Wait times from 15 minutes to 20 minutes on average for city buses, and
- Dramatic reductions in off-peak and weekend service on Regional Rail

CONTINUED PROGRESS ON SEPTA FORWARD STRATEGIC PLAN:

While focused on today, SEPTA's Operating and Capital 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 prove to be the most decisive five-year period in the Authority's history.

Workforce Development

SEPTA maintains a strong and diverse workforce of 9,083 employees who reflect our ridership and the communities we serve. Fifty-one percent of SEPTA employees live in Philadelphia. As of April 2023, 69 percent of our workforce are minorities and 23 percent are women. In the last three years, 77 percent of SEPTA new hires are minorities, and 28 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 gain experience, grow their careers and lead SEPTA into the future. 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.

From January 2020 to April 2023 SEPTA's workforce was reduced by 551 employees – largely due to retirements. For the same period, women in leadership roles increased from 252 to 282 while the number of minority employees in leadership positions increased by nearly 10 percent from 583 to 686 today. For the first time in SEPTA's history, there are five women in senior leadership roles that have a reporting relationship to the General Manager/CEO. The leadership team currently is 38 percent women and 19 percent minorities, compared to seven percent women and no minorities in January 2020.

We continue to build a culture of inclusivity and belonging to strengthen our workforce from within. In 2022 SEPTA hired its Chief Officer Diversity & Inclusion. The Chief Officer will develop

and drive equitable strategies to ensure equity and belonging amongst our workforce and to ensure our business practices focus on diversity to support our customers, vendors, contractors, and the communities we serve. The Chief Officer leads the Diversity, Equity and Belonging (DEB) Council which is comprised of 16 employees representing 14 departments and three collective bargaining units, with tenures ranging from one to 27 years.

SEPTA continues to experience considerable challenges in recruiting, training and retaining qualified employees, particularly as our workforce ages. This national concern has become a crisis since the start of the pandemic.

Attracting and retaining a talented skilled workforce is critical to SEPTA's growth and stability. Innovative approaches to human resources are more urgent now than ever in this competitive employment environment. We are focused on creating opportunities and developing resources to make Human Resources more strategic and transformational to better align people, strategy, processes, and technology to deliver more impact for all stakeholders.

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.

SEPTA continues to advertise aggressively to fill our frontline positions, and in calendar year 2022, hired 410 new bus operators and accelerated recruitment and testing of maintenance custodian candidates. 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. Additionally, the Welding Apprenticeship Program is a 24-month structured, formalized method of training consisting of on-the-job training performed under the supervision of a subject matter expert coupled with related classroom instruction. The program provides foundational knowledge of Welding techniques, procedures, safety, and other skills needed to fulfill this critical role.

Diverse Business Engagement

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 2,431 registered DBEs in the Pennsylvania Unified Certification Program (PA UCP) DBE directory of which 258 are based in Philadelphia. Our commitment to local business owners remains strong, and I am pleased to report continued progress in strengthening our DBE outreach.

These efforts have generated significant business for DBE firms, who have contributed their talents and expertise to SEPTA projects. From Fiscal Year 2018 to 2022, SEPTA awarded 13 percent of its federally funded contract dollars to DBE firms.

Who SEPTA does business matters, and I am proud of the work we have done as an organization to not only bolster our DBE program but take the next step and use our infrastructure investments as a catalyst for new and transformative opportunities for disadvantaged, minority and women-owned businesses.

Following passage of the Infrastructure Investment and Jobs Act, I joined a group of transportation leaders in helping to establish the Equity in Infrastructure Project (EIP) to develop principles and industry best practices to strengthen the transportation industry's commitment to increase the number, size and scope of contracts going to historically underutilized businesses.

Last spring, SEPTA was one of the first transit agencies to sign the EIP Pledge, and we were joined shortly after by the City of Philadelphia, becoming the first city and transit agency pair to sign the pledge.

EIP is different than traditional DBE programs, with the real differentiator being a focus on growing small and historically underutilized businesses to become primes themselves, so they are no longer reliant on primes for business 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.

The Equity in Infrastructure Project has given SEPTA a platform to think differently about how and who we do business with and to be intentional in creating opportunities for historically underutilized businesses. EIP established overarching goals, but it gives pledge signers

autonomy to implement procedures and initiatives that meet agency and community needs. In the year since signing onto the pledge, SEPTA has made important strides on two initiatives:

In October, I joined Transportation Secretary Pete Buttigieg for a panel discussion on minority contracting at the Enterprise Center and announced the expansion of SEPTA's Small Business program to create a micro-purchase set-aside program that will create new opportunities for historically underutilized businesses, by increasing their access to contracts they can compete for immediately, while scaling up for larger opportunities. The program is developing, and so far more than 50 percent of the requisitions that were eligible for the set-aside were successfully awarded to a small, minority or woman-owned vendor.

In January, SEPTA entered into a memorandum of understanding with the Chicago Transit Authority to create a Reciprocal Business Certification Program. Under the first-of-its-kind agreement, companies that gain certification as a small business enterprise (SBE) for one of the agencies will automatically obtain it for the other agency, making it easier for minority-owned businesses to work with both systems. For SEPTA, creating a cross-certification program for DBEs, SBEs WBEs and others is good business – particularly that it expands the pool of responsible firms to compete for our contracts. The memorandum of understanding is designed with the intent of adding additional transit agencies, and SEPTA and CTA working now to develop standard language and certifications will help to expand the program, make it replicable, and ultimately help to meet EIP's goals and our own.

Sustainability

Sustainability is a key element of *SEPTA Forward*. As a cornerstone of the region's sustainability strategy, SEPTA riders have one-third the carbon footprint of those who travel by car, connecting people to opportunity while minimizing carbon emissions, reducing traffic, and supporting healthy communities. SEPTA has remained committed to a comprehensive triple-bottom-line approach to environmental, social, and economic sustainability.:

- Currently, 15-20% of SEPTA's electricity comes from clean, renewable energy, including two solar farms in Franklin County, Pennsylvania
- SEPTA has 6,700 rooftop solar panels installed on SEPTA facilities: Fern Rock, Berridge, and Callowhill.
- Completed Phases 1 & 2 of the Zero-Emission Bus (ZEB) Playbook, evaluating battery-electric and hydrogen fuel cell buses as part of SEPTA's transition to a zero-emission bus fleet.
- Greened 17 acres for stormwater management since 2015
- Maintaining certification of two maintenance facilities under the rigorous and globally recognized ISO 14001 standard for environmental management.

CAPITAL INVESTMENTS IN THE CITY OF PHILADELPHIA:

Guided by SEPTA Forward, the Authority's Strategic Plan, SEPTA's 12-year Capital program will help bring vehicles and infrastructure to a state of good repair, meet the Authority's financial obligations, advance strategic objectives and implement system improvements to transform SEPTA's legacy system into a lifestyle network that is more useful for more people.

SEPTA's Capital Program will fulfill SEPTA's commitment to making all Broad Street and Market-Frankford Line Stations fully accessible, it will fund the procurement of new Market-Frankford Line railcars to ensure that the "workhorse" of the SEPTA system can provide the frequent and reliable service that this service demands, it will allow SEPTA to purchase modern, ADA accessible trolleys and fund critical infrastructure elements of Trolley Modernization. These future investments will complement the current program of SEPTA projects and planning initiatives already underway in the City of Philadelphia, 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. Construction is 80 percent complete and we look forward to holding a ribbon cutting in the fall.
- Construction of ADA accessibility improvements at Susquehanna-Dauphin Station on the Broad Street Line, which will be completed next month
- Construction of ADA accessibility improvements at Tasker-Morris Station on the Broad Street Line, which broke ground last fall
- Construction of ADA accessibility improvements at Erie Station on the Broad Street Line, which will break ground this summer
- Construction of the new Wissahickon Transportation Center, which will break ground this spring

I am grateful for the opportunity to submit testimony supporting the Authority's Fiscal Year 2024 Operating Budget request and provide Members of Council. I look forward to continuing to work with all of you to advance SEPTA's priorities on behalf of our customers and the communities we serve.

Thank you for the opportunity to be here this afternoon. I welcome any questions you may have.