

**Testimony**

**of**

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**Philadelphia City Council  
FY 2027 Budget Hearing**

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Good morning, Council President Johnson, Transportation and Public Utilities Committee Chair Driscoll, members of City Council and other guests. I am Scott Sauer, General Manager for SEPTA. Joining me are SEPTA Board member Michael A. Carroll, P.E. Deputy Managing Director for Philadelphia's Office of Transportation and Infrastructure Systems (OTIS), and SEPTA Transit Police Department Chief Charles Lawson. I am also joined by members of the SEPTA team representing various departments.

Thank you for the opportunity to testify on behalf of SEPTA's budget request as part of the City of Philadelphia's FY2027 Budget. 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 \$134 million contribution under Mayor Parker's budget proposal represents 7 percent of the Authority's total operating budget and helps SEPTA meet its state legislatively mandated requirement to secure local matching funds to maximize the state's operating subsidy of nearly \$1 billion. Each operating dollar the City contributes enables seven (7) dollars in state operating assistance.

Importantly, the Mayor's proposed budget would commit nearly \$900 million to SEPTA over the next five years. This historic investment will match state transit formula funds and position SEPTA to access the full funding that would be available under Governor Shapiro's proposed statewide transit funding plan.

The Mayor's budget proposal also includes funding to maintain and strengthen two unique partnerships with SEPTA: the City's participation in SEPTA Key Advantage and the City's landmark Zero Fare program, which provides low-income Philadelphians with access to free SEPTA transportation. Together, these programs advance our shared goals of connecting people to opportunity, linking communities, and making Philadelphia more vibrant and livable.

The City's \$9.6 million proposed capital contribution represents one percent of SEPTA's total capital budget and will support SEPTA's Fiscal Year 2027 Capital Budget of approximately \$920.7 million. These funds will help advance critical infrastructure and vehicle replacement investments, including Trolley Modernization, the purchase of new [L] cars, and station accessibility projects.

Funding from the City of Philadelphia is critically important for SEPTA's operations and long-term stability. I am grateful for Council's continued support and guidance on a range of shared priorities, including New Bus Network implementation, SEPTA Key Advantage, the Zero Fare program, and bus and trolley lane enforcement. As you consider the City's many priorities as part of this year's budget process, I respectfully request your continued support of these and other SEPTA initiatives.

2026 will be a history making year for the City and our region as we prepare to welcome the world for the many events that will punctuate this year of celebration. It is also a pivotal year for SEPTA. We are building on recent progress and positioning the Authority for a best-in-class future, while preparing to deliver critical service during the PGA Championship, the FIFA World Cup, and the nation's Semiquincentennial. At the same time, we are advancing the phased

implementation of the much-anticipated New Bus Network, which takes a major step forward today with two public hearings on the FY 2027 Annual Service Plan. The Fiscal Year 2027 budget you are now considering will deliver the local funding needed to make this and other work possible.

Much of my testimony before this Council last year focused on SEPTA's financial crisis and the difficult choices we faced to close a \$213 million budget gap without a sustainable statewide transit funding plan. By August, SEPTA had reached that point – implementing 20 percent systemwide service cuts and a 21 percent fare increase.

In response to the prolonged state budget impasse, and with no foreseeable resolution to the statewide transit funding crisis, SEPTA last September took the unprecedented step of requesting one-time permission from the state to use up to \$394 million of its own capital funds to close its operating budget deficit for two years – through June 2027.

This action stabilized SEPTA's operating budget and allowed us to restore service. However, it is not without long-term consequences for how SEPTA can serve the City and the region in the future. The finite capital dollars that are being repurposed were already budgeted for SEPTA infrastructure projects, and there is currently no mechanism to replace them. This comes at a time when SEPTA's state of good repair backlog has doubled in the past decade to \$10.2 billion, including operating the oldest railcar fleet in the nation.

Temporary fixes are not a substitute for a sustainable funding solution. We are continuing to work closely with the Governor and our legislative delegation to advance a statewide transit funding plan to maintain and improve the system that our region depends on every day. We were encouraged that the Governor included his transit funding plan in his FY 2027 Commonwealth Budget. We remain fully engaged in this effort, and I want to thank the Members of Philadelphia City Council for their continued support and advocacy.

Against this backdrop, SEPTA last Thursday released its Operating and Capital Budgets for Fiscal Year 2027, which begins on July 1. The combined budget totals \$2.7 billion, including \$1.84 billion for operating and \$920.7 million for capital.

After one of the most challenging years in SEPTA's history, this budget reflects real and measurable progress:

- Historically low incidences of serious crime, along with the largest uniformed Transit Police force in more than a decade
- Resilient ridership rebounding from budget-related service cuts and disruptions required to comply with federally mandated safety orders
- An engaged workforce ready to fully support the City and working toward a shared vision for the future
- An Authority-wide commitment to efficiency and accountability, driving cost cutting, revenue generation, and innovation at all levels

Through continued austerity measures and operational efficiencies, SEPTA has achieved approximately \$30 million in annual savings. These efforts are complemented by increased revenues from advertising, parking, and investment income. As a result, the Authority has reduced its structural budget deficit from \$213 million in FY 2026 to an anticipated \$192 million this year, reflecting meaningful progress toward fiscal stability.

While this budget does not include a fare increase or service reductions, it does rely on spending down the remaining \$394 million in capital funds that SEPTA repurposed last year to support two years of operations. Absent a long-term, sustainable funding solution, however, the Authority's financial future remains uncertain.

SEPTA's proposed \$920.7 million FY 2027 Capital Budget – part of a broader \$16.5 billion, 12-year Capital Program – underscores how inextricably linked SEPTA's operating and capital challenges are and reflects both progress and ongoing challenges. The capital program supports 146 projects, including committing \$7.7 billion to fleet replacement; however, SEPTA's capital funding remains just one-third to one-half of peer agencies – a disparity that has compounded over decades and now poses a direct threat to the system's long-term sustainability. While recent improvements in the Authority's structural deficit have allowed us to restore some deferred projects, this budget introduces new, increased reliance on debt to finance vehicle replacement and essential infrastructure repairs.

While structural budget challenges remain, temporary funding provides near-term stability and allows us to stay focused on the fundamentals that matter most: customer and employee safety, reliability, fiscal discipline, and the customer experience. These core priorities are central to how we are transforming the organization, and I am pleased to update you on our recent progress and how we are positioning the Authority for the ongoing state funding discussions that will determine our long-term path forward.

## **SAFETY**

Safety is SEPTA's number one value and the foundation of our efforts to modernize the system and maintain public confidence. We are committed to ensuring that our system operates safely and that our customers and employees feel secure in our vehicles, stations, and throughout the network. Since 2022, the Authority has more than doubled its investment in safety, security, and cleaning, reflecting our sustained, systemwide focus.

### ***Customer and Employee Safety & Security***

After a 33 percent decrease in serious crime in 2024 – the largest single-year drop in the SEPTA Transit Police Department's 43-year history – serious crime declined by an additional 6 percent in 2025. The Department achieved reductions in seven of eight major categories, including a 33 percent reduction in gun violence. Taken together, these represent historically low levels of serious crime, not seen since 2015. Notably, 2025 marks the second consecutive year in which serious crime totals fell below pre-pandemic levels.

I am pleased to report that this positive trend continues. Preliminary data from the first quarter of 2026 show serious crime was reduced 30 percent compared to the same period last year. The Department achieved double-digit reductions in five of eight major categories, with three others experiencing no increase, reinforcing that our safety strategies are having a sustained impact.

Since peaking during the pandemic, crime across the system has consistently declined. This progress is the result of a comprehensive approach that combines increased staffing, targeted enforcement, investments in modern technology, and improvements to station and vehicle infrastructure. Each of these elements plays a critical role in both preventing incidents and responding quickly and effectively when they occur.

SEPTA continues to focus and invest resources on recruiting and retaining Transit Police Officers. With 250 uniformed officers, Transit Police staffing is at its highest level in over a decade, and another 17 cadets started police academy in January. This increased presence is visible to our riders when they enter the system and serves as an effective deterrent to unlawful conduct while also improving customer confidence.

Uniformed Transit Police officers are supported by a robust and growing technology network, including more than 30,000 cameras across stations and vehicles. The Virtual Patrol Unit monitors live video feeds in real time, significantly enhancing the Department's situational awareness and responsiveness by allowing personnel to identify issues as they develop and direct officers quickly to the locations where they are most needed.

Over the next four fiscal years, SEPTA will be investing more than \$30 million to replace and upgrade existing security cameras and video system components in stations and on vehicle fleets, as part of an overall \$68 million investment in the technology that supports our public safety efforts.

With near record-high staffing levels and sustained reductions in serious crime, SEPTA has also been able to expand officer deployments to prioritize fare enforcement. In addition to targeted enforcement details at stations, the Authority has established a dedicated Surface Transportation Unit focused on buses and trolleys, where entry is not controlled by fare gates. These efforts have led to a 48 percent increase in fare evasion enforcement activity in 2025.

At the same time, SEPTA is taking proactive steps to prevent fare evasion through infrastructure improvements. The installation of full-height fare gates at subway stations is a key component of this strategy. The first phase of this initiative – covering 10 stations – was completed as of last week. SEPTA's FY2027 budget includes funding for a second phase, which will bring full-height gates to an additional 13 stations.

These combined efforts – enhanced enforcement and upgraded infrastructure deterrence – enabled SEPTA to meet its 2025 goal of reducing fare evasion by 10 percent. We are building on that progress in 2026 and continuing to pursue additional strategies to strengthen fare compliance. This includes exploring modifications to legacy turnstiles to further harden the

system against evasion. A pilot program is scheduled for this summer, with a goal of completing approximately 280 turnstile modifications by the end of the year.

### ***System Safety***

Last October, I appeared before the Committee on Transportation and Public Utilities to brief members on SEPTA's response to a Federal Railroad Administration (FRA) emergency order issued following a series of fires that occurred last year on the more than 50-year-old Silverliner IV railcar fleet. At the same time, the Federal Transit Administration (FTA) issued an emergency order related to the overhead catenary system that powers the trolley network. Since then, we have made steady and measurable progress, and I am pleased to update you on our progress.

The Silverliner IV railcars represent approximately two-thirds of the Regional Rail fleet. To comply with the FRA's emergency order, a significant portion of these vehicles had to be removed from service to undergo enhanced inspection, modification and maintenance. This necessary work resulted in temporary railcar shortages, trip cancellations, and reduced capacity across the system for several months.

Similarly, in response to the FTA's findings regarding the trolley catenary system, the Center City Trolley Tunnel was closed for two months beginning in mid-November. This closure allowed crews to safely complete emergency repairs and conduct extensive testing to ensure the system could be reopened safely. During this period, the more than 60,000 daily trips that typically pass through the tunnel were diverted to the [L] or replaced with bus service.

SEPTA personnel responded with urgency and focus. Crews worked around the clock, dedicating more than 9,000 labor hours to the Silverliner IV effort alone. Comprehensive, point-by-point inspections of all Silverliner IV railcars were completed within 45 days of the initial FRA order, and the required installation of new thermal detection sensors was completed in accordance with FRA timelines. In the Trolley Tunnel, crews replaced the "sliders" that connect vehicles to the overhead wire – identified as the root cause of the damage – and installed nearly 5,000 feet of new overhead catenary wire. These repairs were essential to restoring safe and reliable service.

We know that these safety mandates had a significant impact on our customers' daily travel, and I want to express my appreciation for their patience and understanding as this critical work was completed.

By mid-January, we reached important milestones on both efforts. Sufficient numbers of railcars had been returned to service to resume normal Regional Rail schedules, and the Trolley Tunnel was safely reopened for day and evening operation. We continue to return additional Silverliner IV vehicles to service while maintaining a rigorous 90-day maintenance cycle. Railcar availability now regularly exceeds 200 vehicles, the level required to reliably operate our full schedule.

Most importantly, through close coordination with the FRA, FTA, and PennDOT, we are not only addressing immediate safety concerns but also strengthening the safety culture and oversight practices necessary to ensure sustained reliability going forward.

At the time of my testimony last fall, I also outlined SEPTA's efforts to accelerate procurement of the next generation of Regional Rail vehicles – the Silverliner VI railcars – which will replace the aging Silverliner IV fleet. Railcar procurements are complex, multi-year undertakings, and the acquisition of new vehicles was not fully funded in SEPTA's 12-year Capital Program.

To address this gap and move forward as quickly as possible despite sustained capital funding shortages, SEPTA has developed a financing plan that will require the issuance of debt that will nearly double the overall project cost. With a funding strategy now identified, the Authority issued a Request for Proposals in November and anticipates receiving bids from manufacturers in early July, with a contract award expected in the first quarter of calendar year 2027.

Even on an accelerated timeline, it will take approximately seven years before the first new railcars enter revenue service. In the interim, SEPTA has committed to securing additional vehicles to maintain reliability and expand capacity for our customers while we work toward replacing our aging Regional Rail fleet.

We have been able to advance this effort in part due to \$219 million in emergency funding provided by Governor Shapiro. These funds are supporting ongoing rail vehicle safety upgrades, purchase of critical parts to support maintenance activities, the lease of MARC (Maryland) railcars, and the acquisition of additional railcars from Montreal.

The ten leased MARC cars were placed into service in early February, and earlier this month, SEPTA announced the purchase of 24 coach cars from Exo in Quebec, Canada. We are working on logistics for transporting the cars from Montreal and developing a timeline for putting them into service following modifications to the doors and other systems.

## **CUSTOMER EXPERIENCE**

SEPTA now provides approximately 800,000 trips across the region each day. Through July 2025, the Authority experienced 51 consecutive months of year-over-year ridership growth, and despite several major snowstorms this winter, ridership has rebounded from an operationally challenging fourth quarter.

In an increasingly competitive transportation landscape, SEPTA is focused not only on restoring ridership, but on earning it – by delivering a system that is safe, reliable, and responsive to customer needs. That means continuing to improve the day-to-day experience for riders in ways they can see and feel.

Beyond historic improvements in systemwide safety and security last year, SEPTA has placed renewed emphasis on “quality of ride” issues that directly shape the customer experience: cleaner stations and vehicles, enhanced communication, and initiatives to improve service delivery and reliability.

With increased staffing, Transit Police are now better positioned to respond to these concerns through new policing strategies that place officers directly on trains and in closer contact with riders. Under this approach, officers are assigned to full-time train details, riding the system, checking cars, and addressing issues such as smoking, open alcohol use, drug activity, and disruptive behavior. In addition to responding to incidents, officers are proactively engaging with riders, assisting vulnerable individuals, and issuing code violation notices when needed. This consistent onboard presence is designed not only to deter misconduct but also to create a more welcoming and reassuring environment for everyday riders.

Quality-of-ride enforcement increased by 12 percent in 2025, including enforcement related to smoking, marijuana use, and loitering, and these efforts have continued into 2026. SEPTA's anti-smoking efforts have been aided by our partnership with Smoke Free Philly. Our campaign reminds riders that smoking is prohibited on SEPTA and provides a text-to-tip number to report smoking in SEPTA stations and on SEPTA vehicles directly to SEPTA Transit Police.

Complementing enforcement, SEPTA continues to invest in outreach and support services. Now operating under the Transit Police Department, the SCOPE program remains a critical component of our approach – connecting vulnerable individuals in the system with services and care while improving conditions for all riders. We anticipate awarding a new outreach services contract later this year to further expand this work. In the interim, SCOPE continues to partner with organizations including the City of Philadelphia's DBHIDS Mobile Outreach and Recovery Services, the Public Health Management Corp.'s Linkage to Care, and Drexel University College of Medicine to monitor stations and engage individuals in need of assistance. Notably, while total Transit Watch App reports increased by 10 percent last year, reports specifically related to homelessness declined by 17 percent.

SEPTA is also piloting innovative partnerships to improve the rider environment. In December, SCOPE partnered with Peace Patrol for a one-month pilot focused on engaging students riding the [L] and [B] Lines after school. During that period, Peace Patrol engaged more than 32,000 individuals, and we are evaluating opportunities to expand this model moving forward.

Cleanliness is directly tied to safety and security and the customer experience, and SEPTA continues to strengthen and modernize cleaning operations to better serve the needs of our multimodal system. More than 700 cleaners and maintenance personnel are deployed strategically across the network, with seven-day coverage across bus and Metro operations and overnight support to maintain system conditions.

Over the past year, the Authority has established centralized custodial service teams to create a more consistent and accountable approach to cleaning across all modes, including stations, vehicles, bus loops, and track areas. At the same time, we are moving toward a more proactive, data-driven model—identifying “hotspots” based on customer feedback and targeting resources where they are most needed.

These efforts include mid-route “pit crew” cleanings of subway cars throughout the day, expanded deep cleaning schedules for Metro stations, and increased attention to major transit

hubs on a recurring basis. We are also scaling up track cleaning operations, with a goal of deploying five dedicated crews operating Sunday through Thursday, allowing us to take advantage of planned outages and maximize impact.

These improvements are producing measurable results. Cleaning-related customer complaints decreased by 22.5 percent from 2024 to 2025 and are down nearly 30 percent since 2022.

Clear, timely, and accessible information is essential to a positive customer experience, particularly during service disruptions, and SEPTA is making significant investments in how we communicate with our riders. The new signage modern, easy-to-read, and more intuitive designs

A key component of this effort is the Authority's Wayfinding initiative, which is replacing outdated signage that has not kept pace with industry standards. The new signage is modern, easy-to-read, and more intuitive and reflects how customers navigate the system today. This rider-first investment positions SEPTA to better serve all customers – daily riders and those boarding a SEPTA vehicle for the first time. By June, new signage will be installed at 28 stations, improving navigation while also reinforcing safety messaging and code of conduct expectations. Twenty-six (26) additional stations on the [L] and [T] are anticipated to go out for bid later this spring.

We are also applying lessons learned from our response to the Silverliner IV emergency order and the Trolley Tunnel closure to strengthen real-time communication. Under the leadership of our new Chief Control Center Officer, MaryAnn Tierney, customer communications are now more fully integrated into operations. We have enhanced how alerts are displayed on our website and app – improvements that proved especially valuable during the two major snowstorms this winter – and we are actively working to strengthen those systems over the coming year.

In addition, last month SEPTA announced the upcoming launch of a pilot program to deploy digital ePaper, real-time arrival displays at select bus and trolley stops. These solar-powered screens provide customers with up-to-date service information directly where they need it most – at the point of boarding. This initiative came directly from feedback we received from our customers, who have made it clear that access to real-time information is critical to their travel. The first 10 units will be installed by the end of May, and customers are encouraged to provide feedback through a survey link on each device, on SEPTA's website, or by phone to customer service. Each device is equipped with accessibility features such as a text-to-speech function for blind and low-vision riders.

SEPTA is working closely with the City of Philadelphia and PennDOT to strengthen bus service. Through SEPTA's Transit Priority Program, the Authority and its partners are implementing targeted improvements such as dedicated bus lanes, transit signal priority, and enhanced stops to help vehicles move more efficiently. Over the past year, nearly two miles of red bus lanes have been installed on key corridors including Chestnut and Walnut Streets in Center City, Erie

Avenue, and Oregon Avenue, alongside upgraded signals and stop enhancements that improve safety, accessibility, and travel times.

In addition, SEPTA and the City are advancing a major initiative to improve transit performance through camera-assisted enforcement of bus lane violations. Following a successful pilot and enabling legislation from City Council, SEPTA and the Philadelphia Parking Authority deployed enforcement technology on heavily traveled corridors to reduce illegal parking in bus lanes and at stops. Early results show measurable improvements, with bus travel times in Center City increasing by 3% to 6% on enforced routes, even as conditions outside the enforcement zone have slowed. Building on these efficiency improvements, the program was expanded last month to include 30 trolleys equipped with lane enforcement cameras.

The modernization of bus service is taking a significant step forward with the FY2027 Annual Service Plan and phased implementation of the New Bus Network that is expected to begin in August. In addition to that work, we have identified other service refinements that expand access across the network. This June, Route 52 will be extended from its current terminal at City Line Avenue to the Wissahickon Transit Center, followed by an extension of Route 60 later this fall. These route extensions will maximize SEPTA's recent investment in the new Wissahickon Transit Center and create enhanced access to jobs and opportunities for riders across the region.

Importantly, these efforts are being recognized by our customers. SEPTA conducts quarterly customer satisfaction surveys across all modes to better understand rider experience and identify areas for improvement. The most recent survey, conducted in the fourth quarter of 2025 and including more than 3,500 respondents, occurred during a particularly challenging period that included the Silverliner IV railcar crisis and the Trolley Tunnel closure. Despite these challenges, the survey showed statistically significant improvements in every major customer experience category – including station and vehicle safety and security and cleanliness – compared to the same period in 2024.

## **FISCAL RESPONSIBILITY & STEWARDSHIP**

State leaders are currently considering a statewide transit funding plan to ensure Pennsylvanians have access to safe, reliable public transportation. As we continue working with our legislative delegation toward final passage, SEPTA remains focused on maximizing the impact of every dollar we receive – from the Commonwealth, the City, the federal government, and our riders – through responsible, transparent and efficient stewardship.

SEPTA's proposed Fiscal Year 2027 Operating Budget, released last week, reflects continued progress in reducing the Authority's structural deficit. The deficit is projected to decline by \$21 million, from \$213 million in FY2026 to \$192 million in FY2027, driven by stronger-than-expected revenues and lower-than-anticipated expenses. More broadly, the proposal underscores a sustained, Authority-wide commitment to disciplined fiscal management,

revenue generation, and cost containment strategies that have shaped our budgeting approach over the past 18 months.

A cornerstone of this effort is SEPTA's Efficiency and Accountability (E&A) Program, which anchors our commitment to fiscal stewardship. Originally launched in 2021, the program empowers employees across the organization to identify opportunities to streamline operations, reduce costs, and improve performance based on their day-to-day experience.

The initial phase of E&A generated \$91.4 million in annual recurring savings and new revenue between 2022 and 2024. Building on that success, SEPTA launched E&A 2.0 in 2025, taking a more targeted approach focused on core operational priorities and higher-impact initiatives. Designed with a three-year implementation timeline, E&A 2.0 is projected to generate \$76 million in savings and new revenues by fiscal year 2028. In its first year of implementation, fiscal year 2026, the program is expected to contribute \$25 million toward that total.

In parallel, SEPTA implemented an austerity program last year to drive internal cost-cutting to do our part to help close the structural budget deficit in ways that don't limit our core mission. That program remains in place and is expected to generate nearly \$30 million in savings this year through practical, common-sense measures, including reduced overtime, tighter contract and procurement controls, and limits on discretionary spending.

Key initiatives contributing to these savings include:

- \$8 million from strengthened overtime management
- \$4 million from changes to management pensions
- \$4 million from flattening the organization and reducing senior management headcount
- \$9 million from leveraging in-house capabilities and technology to reduce contract and consulting costs

Together, these efforts demonstrate that SEPTA is taking meaningful steps to control costs and operate more efficiently while maintaining service.

The E&A Program and austerity measures build on SEPTA's long-standing track record of generating non-fare revenue. Over the last 20 years, SEPTA has more than doubled these revenue sources, from an annual total of \$21.5 million in FY 2005 to a budget of \$50.3 million for FY 2027. SEPTA continues to expand these efforts through both new initiatives and optimization of existing assets, including:

- \$7.3 million from leasing office and retail space at SEPTA facilities
- \$4.8 million from right-of-way leases to telecommunications providers
- \$4.0 million from utility-related property and right-of-way agreements
- \$1.6 million through the Asset Recovery Program, including the sale of scrap and surplus equipment
- Additional revenue from: branded merchandise, permit fee increases, and energy recapture technology (regenerative braking)

SEPTA also remains an industry leader in leveraging its assets to generate advertising and sponsorship revenue. In the current contract year, SEPTA has booked more than \$25.5 million in advertising, a 4 percent increase over the prior year. We have also been aggressive in capitalizing on the World Cup and Semiquincentennial events. For the upcoming contract year, we have already booked more than \$10 million – 12 percent of the current pace, which is 12 percent ahead of the current year's pace. Revenue specifically related to World Cup partners totals \$1.7 million, and we added new inventory assets expected to generate over \$500,000 annually.

SEPTA has five of the six largest station naming rights agreements in the country, generating \$3.5 million in annual guaranteed revenue, and our billboard portfolio generates an additional \$1 million annually. We continue to pursue additional station naming opportunities and other advertising revenue opportunities including: sponsored free rides, advertising across digital platforms (SEPTA.org and the SEPTA App), Quick Trip advertising, advertising on station fare kiosks, bike rack advertising, and innovative digital technology on our vehicles.

Beyond advertising, SEPTA is actively leveraging its real estate assets to support both revenue generation and broader community development goals. Through the Transit-Oriented Communities (TOC) Program, the Authority is partnering with municipalities and developers to advance mixed-use and multifamily development on SEPTA-owned property, including a proposed joint-development project at Germantown Station.

Recent progress includes the award of the Ambler Station joint development project. The mixed-use, multifamily development with affordable units will generate steady ground lease revenue, estimated at \$2.3 million per year over 99 years, while also increasing ridership from new residents and visitors.

At Germantown Station, SEPTA continues to advance redevelopment of a vacant parcel, and we anticipate releasing an RFP this year to select a development partner for a mixed-use, affordable multifamily project incorporating stormwater management and public open space.

We continue to evaluate additional properties across our service area and are working closely with City partners to align these efforts with broader planning and zoning initiatives. Since 2022, SEPTA staff have worked with Philadelphia Planning Commission staff on proposals to support SEPTA's TOC initiative and transit-related projects. We are encouraged by proposals such as the H.O.M.E. Initiative, which would streamline transit improvement permitting and encourage development that connects residents to affordable and plentiful SEPTA service, and we respectfully ask for your thoughtful consideration of these proposals.

Finally, SEPTA continues to expand its industry leading Key Advantage program, which allows participating employers to provide free or greatly reduced transit fares to employees. Key Advantage provides employers a value-added benefit to recruit and retain employees while giving SEPTA a budget neutral way to cultivate new customers and grow ridership. The program has expanded to colleges and universities with Key Advantage UPass to provide students a

similar universal transit benefit. There are currently 60 organizations enrolled in Key Advantage, with over 60,000 eligible participants making as many as 700,000 trips each month.

The City of Philadelphia joined Key Advantage in September 2023. The program covers almost 23,500 City employees with about half of those employees using the benefit. The City has the highest member utilization rate of any large Institution offering Key Advantage. About 350,000 trips are taken monthly, with an 80/20 split between Metro & Regional Rail.

In addition, SEPTA continues to support the City's Zero-Fare program, which provides free transit access to as many as 68,000 Philadelphians living near or below the poverty line. We are grateful for the City's leadership and partnership in advancing equitable access to public transportation.

## **INVESTING IN OUR PEOPLE**

When I was named Interim General Manager in late 2024, I committed SEPTA to a Back-to-Basics approach focused on the fundamentals that are core to our mission: safety, reliability, accountability, and putting the customer first. Delivering on that commitment begins with investing in the people who operate and maintain our system every day.

SEPTA's strong and diverse workforce – 9,544 employees strong – is the engine behind every improvement we are making. It is also a workforce that reflects the communities we serve. Fifty-four percent of SEPTA employees live in Philadelphia, 72 percent identify as minorities – an increase of four percentage points since 2021 – and 23 percent are women. Among salaried and management personnel, 56 percent are minorities and 30 percent are women, representing continued progress in building a team that reflects our ridership and region.

We are making targeted investments in our people to ensure we have the talent and capacity needed to deliver safe, reliable service into the future. A central focus has been hiring for critical frontline roles, particularly operators. From 2022 through 2025, surface operator hiring increased by 65 percent. In 2025 alone, operator hiring was 37 percent higher than in 2024, and through the first quarter of 2026, we are on pace to exceed those gains. As a result, SEPTA now employs 104 more surface operators than it did at the start of this fiscal year.

These hiring gains are translating directly into improved service for our riders. Increased staffing has enabled more consistent service delivery and measurable improvements in reliability, including:

- A more than 40 percent year-over-year reduction in missed bus trips
- A 29 percent year-over-year reduction in missed trolley trips

These are meaningful improvements that riders experience in real time – shorter waits, more predictable service, and greater confidence in the system.

With the Authority's new SEPTA University, we are expanding employee training facilities to create a modern learning environment that allows greater use of technology and increased capacity to accelerate training of new and veteran employees. Last November, we executed a lease for space in the Wannamaker Building across 13<sup>th</sup> Street from SEPTA Headquarters and anticipate going into construction on upgrades and fit out work later this spring with some training activities moving over to the new training center this fall.

And we are also equipping our workforce with better tools to support safety and accountability. Later this month, SEPTA will roll out a new safety reporting tool for frontline employees, making it easier to report, track, and resolve safety concerns in a timely and transparent manner. This system will strengthen communication across departments and ensure that issues are addressed quickly and consistently.

Our employees are not only delivering today's service – they are actively creating the roadmap that will put the organization on a new trajectory. Over the past several months, employees at every level of the organization have contributed to the development of our next five-year strategic plan, which will take effect at the start of FY2027. This plan is built around five core priorities: putting customers first, investing in an engaged workforce, securing stable funding, practicing strong fiscal stewardship, and modernizing our infrastructure and technology.

This strategic plan will serve as a framework for the Authority's next phase, guiding day-to-day decision-making while establishing clear performance metrics and accountability for results. It reflects a shared commitment across the organization to move beyond a focus on recovery and toward becoming a best-in-class transit system.

At the leadership level, we are building the senior management team necessary to execute on that vision. Over the past year, we have elevated experienced internal staff to new positions of leadership while also recruiting talent from across the country to bring new perspectives and expertise to the organization. We have heard clearly – from our riders, our workforce, and our funding partners – that the status quo is not acceptable.

The next five years will be pivotal for SEPTA and the region we serve. I am confident that we are building the team, strengthening the workforce, and establishing the culture of accountability needed to meet this moment and deliver the level of service our customers expect and deserve.

## **BUSINESS ADVANCEMENT & ENGAGEMENT**

Who SEPTA does business with is critical to our success. We rely on the expertise of firms large and small to help us maintain operations and execute our capital program, and we are fortunate to have a broad cross section of businesses in our region and across Pennsylvania to help us achieve our goals.

As a recipient of federal funding through the Federal Transit Administration (FTA), SEPTA fully complies with all requirements of the federal Disadvantaged Business Enterprise (DBE) program.

While recent changes to federal eligibility rules have impacted how the program is administered, they have not changed SEPTA's commitment to expanding access to contracting opportunities and creating pathways for businesses to work with SEPTA.

SEPTA is one of only five agencies in the Commonwealth of Pennsylvania that certifies firms as DBE. Today, there are 2,793 registered DBEs in the Pennsylvania Unified Certification Program (PA UCP) directory of which 257 are based in Philadelphia. SEPTA maintains certifications for 553 Pennsylvania-based and interstate firms, representing approximately 20 percent of all certified DBEs in the statewide directory.

In response to the U.S. Department of Transportation's Interim Final Rule issued on October 3, 2025, all certified DBE and ACDBE firms are required to undergo a reevaluation process. SEPTA acted quickly to notify firms of this requirement and launched an online vendor recertification portal on the SEPTA website.

To date, 151 firms have submitted recertification applications. Of those, 41 applications – approximately 27 percent – have been processed, resulting in 18 recertifications and 23 withdrawals or delistings. Staff continue to actively review pending applications and conduct outreach to firms that have not yet applied to ensure they remain eligible and engaged.

DBE participation in SEPTA contracts remains strong. Currently, 241 unique DBE firms are actively participating across 813 subcontracts, representing a total contract value of \$293 million. Total committed DBE dollars on current contracts are nearly 30 percent higher than 2022.

To better reflect both the evolving federal framework and SEPTA's broader strategic priorities, we recently renamed the Disadvantaged Business Enterprise Office to the Office of Business Advancement & Engagement. While DBE certification and compliance remain central responsibilities, the work of the office extends well beyond those functions. The new name reflects an expanded mission that includes:

- Business development and readiness
- Contractor engagement and capacity building
- Stakeholder outreach and partnership development
- Internal and external collaboration to support long-term business success

This shift also supports the formal establishment and significant expansion of SEPTA's Small Business Enterprise (SBE) Program.

A major milestone in that effort was announced in February, when SEPTA increased the SBE set-aside contract threshold from \$3,000 to \$250,000. This change significantly expands access to contracting opportunities, allowing qualifying small businesses to compete for work of greater scale and value, and positioning them for long-term growth and sustainability.

Originally launched as a pilot in October 2022, the SBE program was designed to reduce barriers to entry and create more accessible pathways into SEPTA contracting. By offering targeted set-

aside opportunities and simplifying participation, the program has already broadened the pool of participating firms across both state- and federally funded projects.

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Taken together, these efforts reflect SEPTA's commitment not only to compliance, but to leadership—ensuring that our contracting practices promote competition, expand opportunity, and support more inclusive and resilient regional business growth.

## **HELPING WELCOME THE WORLD IN 2026**

SEPTA is proud to play a critical role in welcoming more than one million visitors to Philadelphia and the region during a historic year that will place the Commonwealth in the international spotlight, including the nation's Semiquincentennial, the FIFA World Cup, and other major events.

Building on the progress and momentum of the past year, SEPTA is well positioned – both operationally and organizationally – to meet this moment. Working with the regional Congressional delegation, the Authority secured \$5.5 million in supplemental operating assistance in the FY2026 federal budget to help offset the additional costs associated with supporting the World Cup and other major events.

SEPTA's multimodal network – including bus, Metro rail, and Regional Rail – was a key factor in Philadelphia's selection as a host city for six World Cup matches, including a quarterfinal match on July 4. In coordination with City, state, tourism partners, and public safety officials, SEPTA is developing a comprehensive service plan to support the region throughout 2026, with particular focus on the concentrated 39-day period during which the World Cup, the nation's 250th anniversary celebrations, and Major League Baseball's All-Star Game will take place.

While we are preparing to welcome visitors from around the world, our service plan is also focused on ensuring that we continue to deliver reliable service for the hundreds of thousands of riders who depend on SEPTA every day for work, school, and essential travel.

The SEPTA system is uniquely equipped to handle significant surges in ridership, providing seamless connections between major destinations, including the Sports Complex, Philadelphia International Airport, hotels, and key regional attractions. On match days, enhanced service on the [B] is expected to carry up to 15,000 passengers per hour in a single direction, with trains operating at headways as short as four minutes.

Given the scale and significance of these events, the U.S. Department of Homeland Security has designated this period as a Special Event Assessment Rating (SEAR) Level 2 event. The SEPTA

Transit Police Department is working in close coordination with local, state, and federal law enforcement partners to ensure a safe and secure environment for both visitors and daily riders.

Delivering a successful experience will require an Authority-wide effort. SEPTA Ambassadors and operations personnel will be deployed across major stations and transit hubs to assist customers, manage passenger flows, and support efficient operations during peak periods.

We are also enhancing the customer experience through targeted investments in communication and accessibility. A comprehensive marketing and wayfinding campaign – featuring a new 2026 branding initiative – will help guide visitors through the system. Improvements to our website and mobile applications, expanded real-time information, and contactless payment options across all modes will make the system easier to navigate for both first-time visitors and regular riders.

The supplemental federal operating assistance will support a significant portion of the additional operating, staffing, safety, and customer experience costs associated with these events. In addition, SEPTA has committed \$30 million in capital investments to upgrade facilities and infrastructure at key stations and along critical corridors. These improvements are already underway and will ensure that the system is prepared to safely and reliably accommodate increased ridership.

## **NEW BUS NETWORK**

With temporary funding stability in place, SEPTA is moving forward with one of the most significant initiatives in its history: the phased implementation of a new, redesigned bus network. Beginning in August, changes will roll out in phases, with additional updates scheduled for February and June 2027 as part of the FY2027 Annual Service Plan.

The New Bus Network initiative represents the first comprehensive redesign of SEPTA's bus network in more than six decades. It is a critical step toward building a system that is more frequent, more reliable, and easier for riders to understand and use for current and future bus riders.

Planning for the new network began in 2021 and was shaped by the most extensive public engagement effort in the Authority's history. Over a three-year period, SEPTA conducted more than 150 in-person events, 40 virtual meetings, and 10 public hearings, receiving input from more than 20,000 residents. The SEPTA Board formally adopted the redesigned network in May 2024.

While some adjustments have been made to the plan over the past two years, the core goals remain consistent: reduce wait times, improve reliability, strengthen connections, and better align service with today's travel patterns. A phased implementation approach allows us to deliver improvements more quickly while giving riders time to adjust to changes.

When fully implemented, the New Bus Network will dramatically expand frequent service. The number of routes operating every 15 minutes or better, seven days a week, will increase from eight today to 29. Phase 1 alone will introduce additional midday, evening, and weekend service on ten routes, improving access for riders who depend on transit outside of traditional peak hours.

When all phases are implemented, the New Bus Network will increase the number of routes offering frequent service – defined as a trip every 15 minutes or better, seven days a week – from eight today to 29. Phase 1 alone will introduce additional midday, evening, and weekend service on ten routes, improving access for riders who depend on transit outside of traditional peak hours.

These improvements are paired with a thoughtful restructuring of the network. Some underutilized or duplicative routes will be streamlined or removed, while new service will be introduced in areas where demand is growing and not fully met by the current system.

Among the key changes scheduled to take effect this fall:

- Expanded, seven-day service to the Navy Yard through the extension of Route 45, improving connections to a major employment and residential center
- The introduction of Route 72, a new crosstown route along Cheltenham Avenue connecting residential neighborhoods with key retail and institutional destinations
- The launch of Route 76, creating a new north-south connection linking Rising Sun Avenue and Olney Avenue to the Columbus Boulevard corridor
- The extension of Route 79 to provide a one-seat ride from South Philadelphia through Grays Ferry to University City, improving access to jobs, hospitals, and education centers

To prepare for implementation, SEPTA has launched a comprehensive public outreach and education campaign. Over the past month, the Authority has hosted a series of in-person events, including eight open houses across the service area, to help riders understand the upcoming changes and provide feedback. Public hearings are being held today, and additional opportunities for input remain available through the SEPTA website, email, and customer service channels.

Following Board consideration later this spring, SEPTA will expand its communications efforts to focus on implementation, with targeted outreach to communities most affected by early phase changes. This work will include multilingual materials, on-vehicle and in-station information, street teams at key locations, and continued engagement through community-based events – recognizing that no single approach reaches all riders.

We are grateful to City Council for your continued engagement and thoughtful feedback throughout this process. Your input has helped create a plan that more accurately reflects the needs and priorities of the communities we serve. As we move into implementation, we remain committed to working closely with you and your constituents to ensure a smooth transition and to deliver the improved service that riders expect and deserve.

## INVESTING IN OUR INFRASTRUCTURE

SEPTA's proposed \$920.7 million FY 2027 Capital Budget – part of a broader \$16.5 billion, 12-year Capital Program – confronts the impacts of the Authority's long-term inability to invest in the infrastructure that supports the system. SEPTA's capital funding remains just one-third to one-half of peer agencies and has created the funding conditions that have doubled the Authority's state of good repair backlog to \$10.2 billion in the past decade, highlighting the growing gap between needs and available resources.

The proposed plan follows last year's, which deferred or scaled back more than \$1.8 billion in investments across 44 projects in response to cost pressures related to unprecedented inflation, limited competition, and construction market saturation. An additional five projects were deferred last fall to fund the transfer of nearly \$400 million from capital to operating. Additional funding from the Commonwealth coupled with SEPTA's cost saving austerity measures, will enable SEPTA to reinstate several projects in this year's budget, including the resumption of hybrid bus purchases, and the advancement of Hunting Park and Wyoming Station ADA projects on the [B].

To advance essential projects, SEPTA anticipates borrowing \$4.3 billion over the next 12 years, a strategy that will constrain future financial flexibility and limit the Authority's ability to fully address ongoing infrastructure and vehicle needs. Without stable, long-term funding, the system risks continued deterioration, higher maintenance costs, and reduced reliability. SEPTA will continue to pursue additional funding and financing opportunities to stabilize and modernize the system while working to maintain service and advance critical capital improvements.

Despite these challenges, SEPTA is making meaningful progress – advancing key vehicle replacements, station accessibility and core infrastructure projects that are essential to maintaining service today and ensuring the region's competitiveness in the future.

Last year, SEPTA completed three major infrastructure projects in the City of Philadelphia:

- Reconstruction of Wissahickon TransitCenter
- Rehabilitation of five bridges on the Chestnut Hill East Line
- ADA improvements at Tasker-Morris Station on the [B] Line

And SEPTA also made significant progress on a number of other initiatives in the City that will support operations and enhance the customer experience, including:

- Continued construction on ADA improvements at Erie Station on the [B] – the first project in the nation to advance using federal All Stations Accessibility Program grant funding (ribbon cutting anticipated in early 2027)
- Breaking ground on ADA improvements at 34<sup>th</sup> Station on the [L]
- Reconstruction and ADA improvements at Chestnut Hill East Regional Rail Station (ribbon cutting anticipated in fall 2026)

In Calendar Year 2026, SEPTA is expecting to move into construction on the following projects:

- ADA improvements at Chinatown Station on the [B]
- ADA improvements at 11<sup>th</sup> Street Station on the [L]
- ADA improvements at Snyder Station on the [B]
- Three-year project to replace 10 escalators and overhaul two more at various locations
- Replace elevators at Jefferson, Girard and Tioga Stations
- Ongoing replacement of the entire rail on the Fox Chase Line
- Regional Rail tie renewal and track surfacing between Jefferson Station and North Broad Station
- As well as progress on design of ADA improvement projects at six more Metro stations

The 12-year Capital Program will invest \$3.7 million for vehicle acquisition, infrastructure upgrades and a new signal system related to Trolley Modernization – the transformation of the century-plus old trolley network to make it fully accessible, increase capacity, and improve efficiency and reliability. Several major components are advancing through key design and planning milestones.

Work on new vehicle procurement continues, with the Preliminary Design Review (PDR) currently underway and expected to be completed in the coming months, to be followed by the Final Design Review (FDR). Design efforts are also progressing on critical supporting infrastructure, including the Heavy Maintenance Facility at 5100 Grays Avenue and T5 Route Improvements, both of which have reached the 60 percent design stage. Public outreach on these elements is ongoing, and SEPTA hosted a public webinar earlier this year as part of our application for EPA Brownfields funding.

Accessibility and system modernization projects are also moving forward. ADA upgrades at 22nd, 33rd, and 36th Street Stations, as well as at 19th and 37th Street Stations, are advancing toward 100 percent design completion. Planning efforts for the T1 corridor are underway, while design work for the Green Line Tunnel CBTC signal system has been finalized, with construction procurement documents now in preparation. Together, these efforts reflect continued progress on one our most critical and transformative projects.

SEPTA's 12-year Capital Program also includes more than \$360 million for the Schuylkill-to-Suburban project that will bring a critical section of SEPTA's Regional Rail network into a state of good repair through the rehabilitation of seven aging bridges and the replacement and reconfiguration of interlockings. Located between Suburban Station and 30th Street Station, these vital assets – built nearly 100 years ago – serve every Regional Rail Line, as they travel between Suburban Station and William H. Gray III 30<sup>th</sup> Street Station.

Thank you for the opportunity to submit testimony supporting SEPTA's Fiscal Year 2027 Operating Budget request and to update you on progress we are making to deliver on our core mission and the work we are doing to transform the organization to better serve our customers and the City of Philadelphia now and in the future.

I look forward to answering your questions.