
# Final Report

June 16, 2022

*Transit Performance Review*

## Southeastern Pennsylvania Transportation Authority (d.b.a., SEPTA)

pennsylvania
DEPARTMENT OF TRANSPORTATION

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# PREFACE

**Pennsylvania law requires transit agency performance reviews and five-year performance targets to improve efficiency and effectiveness of service**

Act 44 of 2007 and Act 89 of 2013 increased funding for public transportation in Pennsylvania. The laws also required transit agencies to improve the efficiency and effectiveness of service delivery through increased ridership, revenue, and cost containment. PennDOT evaluates every fixed-route transit agency in the Commonwealth through a performance review at least once every five years to determine how well the agency satisfies these requirements. Act 44 also requires PennDOT to develop five-year performance targets for each agency as part of the performance review process.

**COVID-19: Transit-dependent populations are bearing a heavy burden**

Beginning in February 2020, COVID-19 caused significant social and economic disruptions as people sheltered in place to limit the spread of the disease. The adverse impacts throughout the Commonwealth of Pennsylvania were profound. The health and unemployment effects of COVID-19 disproportionately impacted senior, disabled, and low-income populations. These individuals also rely heavily on public transportation to meet their essential travel needs.

**Transit agencies are navigating new demands, lower ridership, and higher costs**

The impacts of COVID-19 on the public transportation industry were also severe. Ridership decreased by more than 90 percent at some agencies during April 2020. Revenues dropped as agencies opted to waive fares to limit bus driver interactions and possible disease transmission from the handling of tickets and currency. Agencies increased the frequency and extent of bus cleaning, which increased operating costs. Some agencies furloughed drivers as they reduced service in response to plummeting passenger demand.

**PennDOT will reevaluate performance targets when long-term impacts of the pandemic are known**

By late Summer 2020, transit agencies had begun to stabilize from the initial impacts of COVID-19, only to have statewide infection rates soar in the fall and winter. The pandemic is ongoing, and its long-term effects on transit remain unknown. Much of the ridership, revenue, and operating cost data used to develop this transit performance review report, including five-year performance targets, relies on information that predates the pandemic. PennDOT will continue to monitor the impacts of COVID-19 and reassess the transit agency's five-year performance targets when the long-term effects of the pandemic become known. If the performance targets are revised, they will be published as an addendum to this report.

# EXECUTIVE SUMMARY

Act 44 of 2007 addressed the dire financial needs of local public transportation organizations across the Commonwealth by increasing state funding for public transportation operations by about 50 percent, from $535 million per year to $800 million in the first year of the legislation. Public transportation organizations that had been on the verge of major service cuts and/or significant fare increases could maintain existing service and fares and, with a predictable and growing source of operating assistance, plan service changes.

Act 44 also ushered in requirements for accountability, performance improvement, and maximizing return on investment. It established a framework for PennDOT to work with local public transportation organizations to:

- Assess efficiency and effectiveness of service, financial stability, and general management/business practices;
- Agree to five-year targets for Act 44-mandated performance criteria;
- Develop an Action Plan for improvement and to achieve performance targets;
- Provide technical assistance to implement the plan at the request of the transportation organization; and
- Reassess each organization on a five-year cycle.

The reassessment at the end of each five-year cycle is to evaluate:

- Whether the organization met the agreed-upon performance targets; and
- The sufficiency and effectiveness of the organization's actions to improve performance and management practices to meet performance targets.

Act 44 regulations address PennDOT actions regarding performance reviews and the financial penalties for public transportation organizations that fail to meet performance targets. Section 427.12, Performance Reviews, states:

> (E) The application of funding adjustment will be as follows:
>
> 1. Operating fund reductions in Section 1513(G) of the Act (relating to operating program) may be implemented for grantees subject to this section that are not satisfying the minimum performance standards, considering all other provisions of Section 1513. A funding reduction may be assessed in cases when a local transportation organization fails to report progress of, or fails to implement, the agreed upon strategic Action Plan, or both.

PennDOT conducted the initial transit performance review for the Southeastern Pennsylvania Transportation Authority (d.b.a. SEPTA) in 2014 and 2015. In 2019, PennDOT conducted an interim assessment of SEPTA's performance and updated performance targets based on the most current information at the time and agreed to SEPTA's Action Plan to meet those targets. In September 2021, PennDOT reassessed SEPTA to determine whether SEPTA met its targets and what actions it took to improve the agency's performance and management practices to maximize the return of investment of Commonwealth funding. This report summarizes PennDOT's findings.

## IMPORTANT CHANGES SINCE THE PRIOR PERFORMANCE REVIEW

PennDOT conducted the initial review of SEPTA in 2014-2015. Since finalizing the original SEPTA performance report in July 2016, the following changes and other factors impacted operations, finance, and statistical reporting at SEPTA and the updated performance targets established in 2019. For example, SEPTA:

- Conducted a surface network planning workshop with partner agencies, including the City of Philadelphia Streets Department and the Delaware Valley Regional Planning Commission.
- Advanced the Roosevelt Boulevard Bus Rapid Transit (BRT) project to increase the efficiency of the surface transportation network in Northeast Philadelphia.
- Developed a scope of work for a comprehensive bus system plan based on lessons learned from the Roosevelt Boulevard BRT project, new data available from SEPTA Key, and benchmarking from other agencies/regions.
- Continued to collaborate through Transit First Committees and the Annual Service Plan to pursue route-level efficiencies based on ad hoc analysis and customer feedback.
- Convened the SEPTA Ridership Growth Innovation team, chartered to develop a comprehensive plan for ridership growth with focus areas to include: 1) pass penetration preservation and growth; 2) institutional partnerships; 3) marketing and customer amenities; 4) station access and capacity; and 5) fare evasion/lost revenue mitigation.
- Convened the SEPTA Transit-Oriented Development (TOD) team and started to develop new strategies for supporting private development integrated with the transit network.
- Continued with planned incremental fare increases approximately every three years.
- Continued to seek additional non-fare-based revenue opportunities, such as advertising (through a contract with Intersection, Inc.) and naming rights agreements.
- Experienced significant decreases in ridership and passenger revenue beginning in March 2020 that may persist for several years, due to the COVID-19 pandemic.

## PRIOR PERFORMANCE REVIEW DETERMINATIONS AND FINDINGS

The 2014-2015 SEPTA performance review compared each mode of service offered to a group of peer agencies based on the performance criteria required by Act 44. SEPTA was found to be "In Compliance" for all eight performance criteria for fixed-route bus, commuter (regional) rail, heavy rail, and streetcar / light rail.

SEPTA developed an action plan to address the five opportunities for improvement identified in its prior performance review report:

1. Gain additional productivity from fixed-route bus service.
2. Increase operating revenue per revenue vehicle-hour from non-farebox sources.
3. Develop and implement an annual internal audit plan.
4. Improve transparency of capital project monitoring and the capital budget amendment process.
5. Continue to prioritize state-of-good-repair projects in the capital budget.

In 2019 PennDOT, in consultation with SEPTA management, established the following performance targets that the agency was to attain before its following performance review:

- Increase passengers per revenue vehicle-hour annually by 3.00 percent;

- Contain yearly increases in operating costs per revenue vehicle-hour by 3.00 percent;
- Increase annual operating revenue per revenue vehicle-hour by 3.00 percent; and
- Contain operating costs per passenger to 2019 levels.

The following performance targets were established using the most accurate data available at the time.

| Performance Criteria | 2020 Target | 2020 Actual | Met Target |
|---|---|---|---|
| Passengers / Revenue Vehicle-Hour | 45.18 | 37.08 | No |
| Operating Cost / Revenue Vehicle-Hour | $187.50 | $216.12 | No |
| Operating Revenue / Revenue Vehicle-Hour | $74.87 | $65.45 | No |
| Operating Cost / Passenger | $4.15 | $5.83 | No |

Prior to the adverse impacts of the COVID-19 pandemic, SEPTA was on track to meet its 2020 targets. The pandemic adversely impacted every Act 44 metric. Systemwide ridership and farebox revenue plummeted for the last 3.5 months of the fiscal year (i.e., March 15 – June 30, 2020). Unanticipated operating costs grew due to COVID-19 mitigation efforts while operating cost per revenue-hour increased due to service reductions.

## 2021 Performance Review Determinations and Findings

The current performance review compared SEPTA with peer agencies based on the four Act 44 performance criteria. The analysis was based on FYE 2014-2019 (i.e., pre-pandemic) National Transit Database (NTD) statistics. SEPTA was found to be "In Compliance" for every metric, for every mode, except for commuter/regional rail. SEPTA performed better than the peer group average on many metrics, particularly those relating to operating costs. These findings are consistent with observations made during the 2019 interim performance assessment.

Of the eight single-year and five-year trend metrics for commuter rail, SEPTA was found to be "At Risk" for half of them, primarily due to declining commuter (i.e., regional) rail ridership per revenue-hour. SEPTA management attributes the declines and low revenues to a measurable shift from a five-day to a four-day work week for many commuters. However, this change in commuting patterns is also occurring in peer transit systems. How SEPTA aligns passenger demand and commuter rail service provided after the effects of the COVID-19 pandemic subside will be key to improving its future Act 44 performance.

The current performance review also examined additional steps beyond those specified in the prior Action Plan that SEPTA has taken to improve performance. The most important actions were the full implementation of the SEPTA Key system and the elimination of transfer fares. The 2021 performance review also identified steps that SEPTA could take to improve overall agency performance, including:

1. Maximize revenues and minimize capital costs by developing a parking master plan.
2. Adopt a Board-approved debt management policy to balance short- and long-term needs.
3. Lower costs by reassessing Amtrak lease agreements and looking for opportunities to renegotiate fees.
4. Promote a more integrated transportation network for all regional residents by periodically reassessing how SEPTA service coordinates with that of neighboring transportation providers.

5. Continue exploring opportunities to sell naming rights and generate additional non-farebox revenue from rail stations.

PennDOT also identified additional opportunities for improvement during the 2021 performance review. The complete list of opportunities for improvement will serve as the basis for SEPTA's Board-approved Action Plan.

## 2026 PERFORMANCE TARGETS

As required by Act 44, PennDOT and SEPTA management developed new five-year performance targets. Performance targets are designed to be aggressive yet achievable. Over the next five years, SEPTA must achieve the targets shown in the following table to ensure continued eligibility for full Section 1513 funding.

| **Performance Criteria** | **Fiscal Year** | | | **Target Annual Increase** |
|---|---|---|---|---|
| | **2020 Actual** | **2021 Actual** | **2026 Target*** | |
| Passengers / Revenue Vehicle-Hour | 37.08 | 18.05 | 20.93 | 3.0% |
| Operating Cost / Revenue Vehicle-Hour | $216.12 | $222.51 | $257.95 | 3.0% |
| Operating Revenue / Revenue Vehicle-Hour | $65.45 | $32.90 | $38.14 | 3.0% |
| Operating Cost / Passenger | $5.83 | $12.32 | $12.32 | 0.0% |

*Note: FYE 2026 performance targets are based on FYE 2021 audited information.

Many of the ridership, revenue, and operating cost trends used to develop this transit performance review report rely on information that predates the pandemic. The performance targets are based on FYE 2021 data, the first full fiscal year of the pandemic. PennDOT will continue to monitor the impacts of COVID-19 and reassess the transit agency's five-year performance targets when the long-term effects of the pandemic become known. If the performance targets are revised, they will be published as an addendum to this report.

## FINANCIAL REVIEW

SEPTA maintains a balanced operating budget and typically retains 10 to 15 percent of its operating budget in cash reserves. Management uses operating lines of credit to meet short-term financing needs. Key observations from SEPTA's financial review include:

- Annual debt service equals 4.3 percent of annual operating costs for FYE 2020.
- More than 95 percent of SEPTA's operating costs are for fixed-route service.
- Post-employment benefits (i.e., pensions, life insurance, retiree healthcare, etc.) represent between 11 and 12 percent of annual operating costs.
- Capital debt service is projected to be approximately $55 to $60 million per year between 2015 and 2030, or about 7 to 9 percent of the annual capital budget.
- Capital debt service will likely increase beyond 2030 due to the need to finance large capital state-of-good-repair expenditures (e.g., rail car replacements, bridge repairs, track upgrades, etc.). It should be noted that any debt secured by future state funds must receive PennDOT approval and may only be used to finance a multi-year capital project (74 Pa. Code § 1514). Payments for these bonds would be made directly to the bondholders' trustee until the bonds are retired, reducing SEPTA's future annual 1514 grant receipts by an amount equal to the combined principal and interest payments.

- Impacts from the COVID-19 pandemic include significant decreases in overall ridership and revenues, most acutely observed on regional rail.
- SEPTA's operating budget assumes ridership and revenues will stabilize by 2023, by which point the federal COVID-relief funding will be fully exhausted.

SEPTA's total carryover subsidies are expected to increase substantially in the short run due to the federal COVID-relief funding. These funds and management cost savings initiatives should offset operating losses resulting from the decreased revenues and higher costs incurred in response to the COVID-19 pandemic. Management should continue taking appropriate actions to manage costs, achieve farebox recovery goals, and maintain cash reserves to preserve SEPTA's overall financial health.

## NEXT STEPS

SEPTA's management and Board will develop an Action Plan in response to the complete list of "Opportunities for Improvement" identified in this performance review report. Some actions will be quickly implementable, while others may take several discrete steps to achieve over a more extended period. SEPTA's management must report to the Board and PennDOT quarterly on progress toward accomplishing the Action Plan and meeting its performance targets.

# INTRODUCTION

## PURPOSE

Act 44 of 2007 addressed the dire financial needs of local public transportation organizations across Pennsylvania by increasing state funding for public transportation operations by about 50 percent, from $535 million annually to $800 million in the first year of the legislation. Public transportation organizations that had been on the verge of major service cuts and/or significant fare increases could maintain existing service and fares and, with a predictable and growing source of operating assistance, plan service changes.

Act 44 also ushered in critical requirements for accountability, performance improvement, and maximizing return on investment. It established a framework for PennDOT to work with local public transportation organizations to:

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## Agency Description

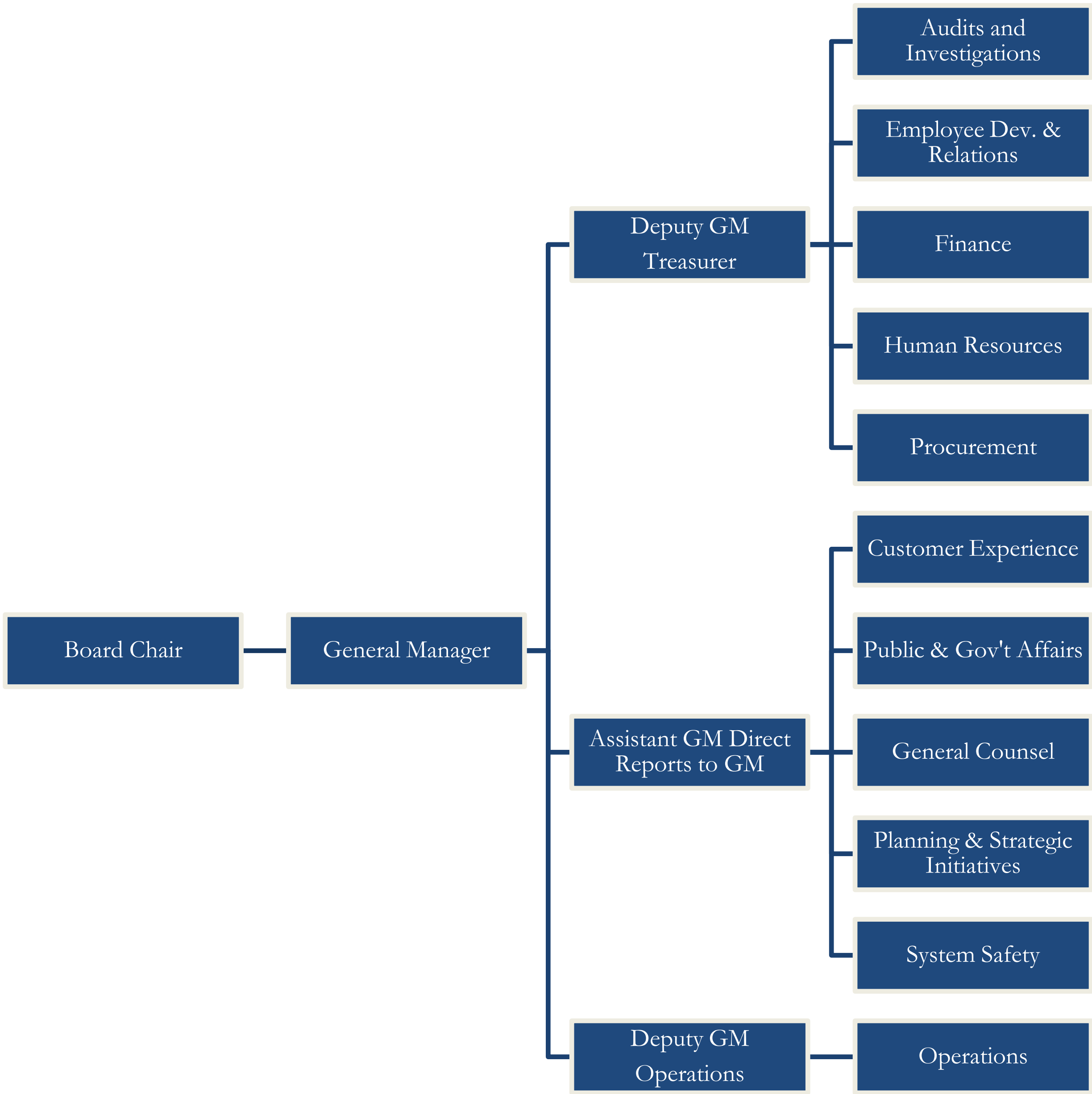
SEPTA is the Commonwealth's most extensive transit system and the nation's sixth-largest system based on 2019 ridership, with a network of transportation services including fixed-route bus, subway, trolley, trackless trolley/trolleybus, commuter/regional rail, and paratransit. The Pennsylvania General Assembly established SEPTA on February 18, 1964, to provide public transportation services for Bucks, Chester, Delaware, Montgomery, and Philadelphia counties. In the 1960s and 1970s, SEPTA expanded its responsibilities by absorbing or acquiring services, rolling stock, buses, and capital infrastructure formerly operated by the Reading Company, Pennsylvania Railroad, Philadelphia Transportation Company, Philadelphia Suburban Transportation Company, Schuylkill Valley Lines, Conrail, and other transit providers.

SEPTA is governed by a 15-member Board of Directors, appointed by local County Commissioners, majority and minority leaders of the Pennsylvania State Legislature's Senate and House of Representatives, and the Governor. The Board of Directors, as of October 2021, comprised the following individuals:

- Bucks County Appointees
  - Pasquale T. Deon, Sr. (Chair)
  - John F. Cordisco, Esquire
- Chester County Appointees
  - Joseph E. Brion, Esquire
  - Kevin L. Johnson, P.E.
- Delaware County Appointees
  - Daniel R. Muroff, Esquire
  - Mark H. Dambly
- Montgomery County Appointees
  - Robert D. Fox, Esquire
  - Kenneth Lawrence, Jr. (Vice Chair)
- Philadelphia Appointees
  - Michael A. Carroll, P.E.
  - Deborah Mahler
- Governor's Appointee
  - Obra S. Kernodle, IV
- Senate Majority Leader Appointee
  - Thomas Jay Ellis, Esquire
- Senate Minority Leader Appointee
  - William J. Leonard, Esquire
- House Majority Leader Appointee
  - Martina White
- House Minority Leader Appointee
  - Esteban Vera, Jr.

The General Manager, Leslie Richards, is responsible for SEPTA's daily operations and reports to the Board of Directors. As shown in **Exhibit 1**, the general manager is assisted by two deputy general managers and 11 department heads (i.e., assistant general managers). Five of the assistant general managers directly report to the general manager.

**Exhibit 1. SEPTA Organizational Chart, June 2021**



SEPTA is one of the region's largest employers, with approximately 9,500 employees in its five-county service area. SEPTA's fixed-route service delivery is organized into four functional divisions:

- City Transit Division (fixed-route bus, elevated subway, trolley/light rail, trackless trolley)
- Suburban Transit, Victory Division (fixed-route bus, high-speed rail line, trolley/light rail)
- Suburban Transit, Frontier Division (fixed-route bus)
- Regional Rail Division (regional/commuter rail)

The four functional divisions are a legacy of the various operations and collective bargaining agreements that were absorbed by SEPTA between 1968 and 1983. Though revenue and costs are accounted for by division, the operating and staff departments exist in a matrix structure and function as a cohesive unit.

As shown in **Exhibit 2**, SEPTA operates approximately 150 fixed routes using more than 2,400 revenue vehicles serving almost 14,000 stations and stops. It also operates 460 demand-response paratransit vehicles that provide ADA complementary and shared-ride service.

**Exhibit 2. SEPTA Service Statistics**

| Mode | Fixed Routes | Revenue Vehicles | Stations & Stops |
|---|---|---|---|
| Bus & Trolley Bus | 128 | 1,500 | 13,054 |
| Market-Frankford Line | 1 | 218 | 28 |
| Broad Street Line | 1 | 125 | 25 |
| Regional Rail | 13 | 396 | 155 |
| Light Rail | 8 | 159 | 670 |
| Norristown High Speed Line | 1 | 26 | 22 |
| Subtotal-Fixed Route | 152 | 2,424 | 13,954 |
| Paratransit | N/A | 460 | N/A |
| **Total** | **152** | **2,884** | **13,954** |

Source: SEPTA Fiscal Year 2021 Operating Budget Proposal

SEPTA's total ridership typically hovered between 300 million and 330 million passenger trips per year between 2000 and 2021 (**Exhibit 3**). The City Transit Division accounted for 80 to 85 percent of total system ridership in any given year. Systemwide ridership peaked in 2012 when SEPTA provided more than 339 million passenger trips. Between 2012 and 2019 (i.e., the last full fiscal year before COVID-19), ridership decreased by 46 million passenger trips per year on average, a 13.7 percent loss. Management attributes this ridership decline to the changes in commuting patterns, the growth of ridesharing services (e.g., Uber, Lyft), and declining fuel prices during that period. However, the decline is modest compared to ridership lost during the COVID-19 pandemic.

The COVID-19 pandemic, and associated impacts on travel, have adversely impacted public transit ridership nationwide. In FYE 2021, the first full fiscal year of COVID-19 impacts, SEPTA ridership was down by more than 187 million passenger trips from FYE 2019 (**Exhibit 4**). Systemwide ridership decreased 64 percent during that period, and regional rail ridership decreased by 80 percent. Management reports operating revenue losses of more than $1 million per day at the height of the pandemic. Though the various federal COVID relief packages make these losses manageable in the short run, the long-term impacts of the ongoing pandemic on ridership may affect SEPTA's long-term fiscal sustainability and planned service expansions.

**Exhibit 3. Annual Ridership by Division, FYE 2000–2021**

| Fiscal Year[1] | City Transit Division[2] | Suburban Transit Division (STD) | | | Regional Rail | SEPTA System Total | Occurrences Affecting Ridership |
|---|---|---|---|---|---|---|---|
| | | Victory[3] | Frontier | STD Total | | | |
| 2000 | 255,462,244 | 15,174,414 | 3,185,652 | 18,360,066 | 26,885,170 | 300,707,480 | |
| 2001 | 256,892,305 | 15,583,317 | 3,259,546 | 18,842,863 | 29,436,672 | 305,171,840 | |
| 2002 | 249,346,503 | 14,089,090 | 3,163,581 | 17,252,671 | 28,670,985 | 295,270,159 | Fare increase on 7/1/01 |
| 2003 | 252,164,895 | 14,805,399 | 3,297,284 | 18,102,683 | 28,058,238 | 298,325,816 | |
| 2004 | 254,453,028 | 15,034,415 | 3,284,638 | 18,319,053 | 28,246,136 | 301,018,217 | |
| 2005 | 251,887,150 | 14,982,410 | 3,228,267 | 18,210,677 | 28,632,676 | 298,730,503 | |
| 2006 | 247,957,108 | 14,994,284 | 3,202,267 | 18,196,551 | 30,433,631 | 296,587,290 | CTD Strike from 10/31-11/7/05 |
| 2007 | 256,119,715 | 15,902,177 | 3,453,762 | 19,355,939 | 31,711,873 | 307,187,527 | |
| 2008 | 269,556,117 | 16,313,833 | 3,797,652 | 20,111,485 | 35,450,395 | 325,117,997 | Fare increase, RRD record ridership |
| 2009 | 273,892,351 | 16,117,650 | 4,128,527 | 20,246,177 | 35,443,309 | 329,581,837 | |
| 2010 | 266,295,888 | 15,829,347 | 3,904,417 | 19,733,764 | 34,954,945 | 320,984,597 | CTD Strike from 11/3-11/8/09 |
| 2011 | 277,878,162 | 16,600,512 | 4,101,912 | 20,702,424 | 35,385,797 | 333,966,383 | Fare increase on 7/1/10 |
| 2012 | **282,240,000** | 17,602,000 | 4,192,000 | 21,794,000 | 35,255,000 | **339,289,000** | **Highest ridership since 1989** |
| 2013 | 279,296,000 | **17,829,000** | 4,166,000 | 21,995,000 | 36,023,000 | 337,314,000 | Hurricane Sandy two-day outage |
| 2014 | 271,819,000 | 17,662,000 | 4,018,000 | 21,680,000 | 36,657,000 | 330,156,000 | Fare increase, harsh winter with eight snow days |
| 2015 | 270,737,000 | 17,810,000 | 4,159,000 | 21,969,000 | 37,413,000 | 330,119,000 | Ridership consistent, harsh winter |
| 2016 | 266,942,000 | 17,377,000 | 4,065,000 | 21,442,000 | **37,701,000** | 326,085,000 | Ridership slips from Papal visit, fuel prices & ridesharing |
| 2017 | 252,039,000 | 17,406,000 | **4,201,000** | 21,607,000 | 34,653,000 | 308,299,000 | CTD transit strike 11/1-11/6, Q1 RRD rail car shortage |
| 2018 | 245,833,000 | 18,373,000 | 4,141,000 | **22,514,000** | 34,355,000 | 302,702,000 | Fare increase on 7/1/17 & harsh winter |
| 2019 | 236,513,000 | 17,991,000 | 4,162,000 | 22,153,000 | 34,191,000 | 292,857,000 | |
| 2020 | 180,133,369 | 13,889,718 | 3,184,245 | 17,073,963 | 26,275,256 | 223,482,588 | COVID-19 impacts starting mid-March through FYE |
| 2021 | **89,443,449** | **7,577,586** | **1,898,383** | **9,475,969** | **6,871,285** | **105,790,703** | COVID-19 severe impacts, particularly Regional Rail |

Source: SEPTA Department of Revenue Budgets, Pricing & Analysis (October 2021)
Legend:

**Bold** = Highest
Blue = Lowest

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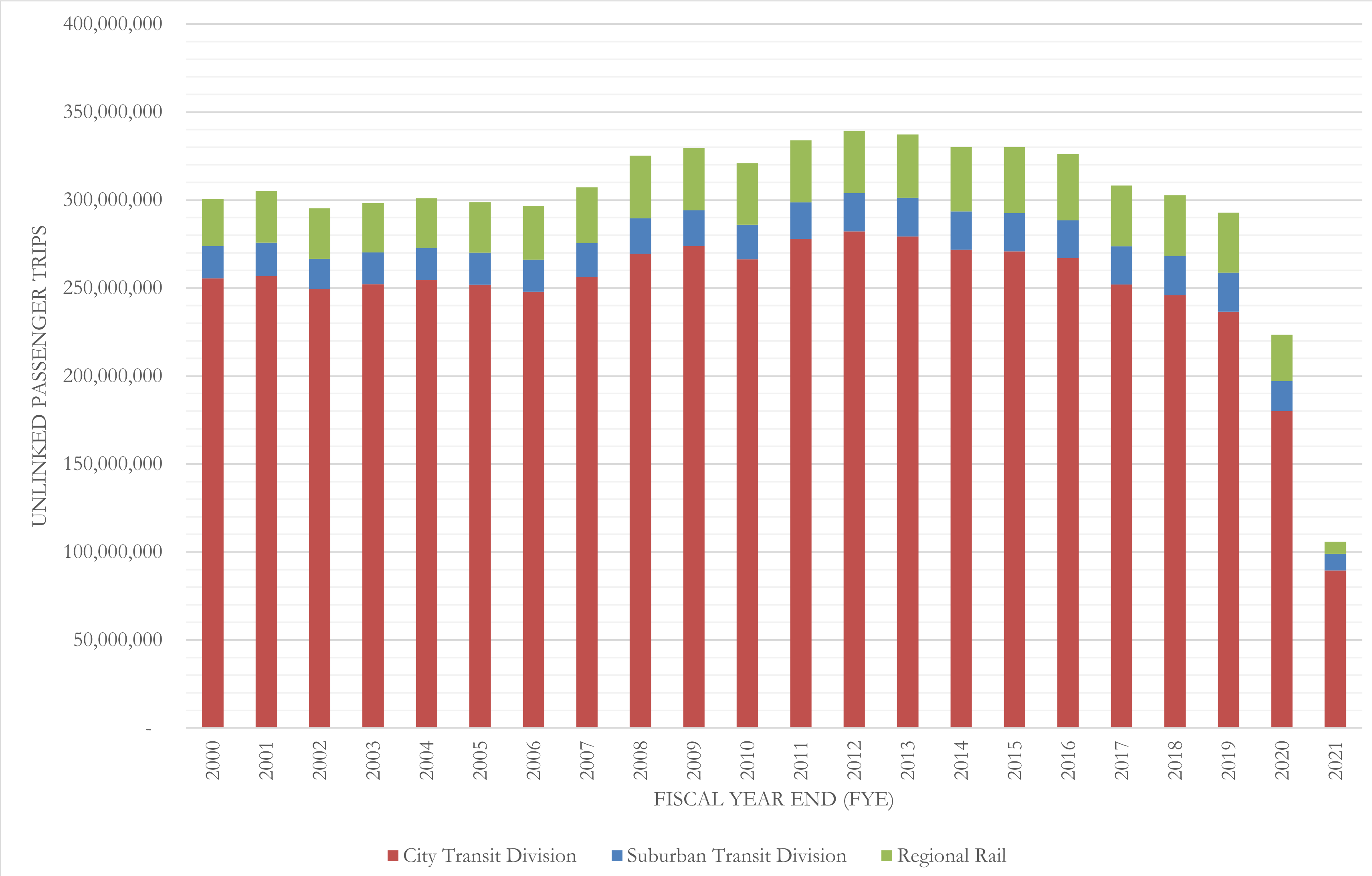
[1] SEPTA's fiscal year begins July 1.
[2] Paratransit and shared-ride passenger counts are included in the City Transit Division totals.
[3] Paratransit and shared-ride passenger counts are included in the Victory totals.

**Exhibit 4. Ridership Trends by Division, FYE 2000–2021**




Source: SEPTA Department of Revenue Budgets, Pricing & Analysis (October 2021)

## PERFORMANCE REVIEW PROCESS

In Summer 2021, PennDOT initiated an Act 44-mandated performance review for SEPTA. The following outlines the review process:

1. Notify SEPTA of performance review schedule and transmit a document request.
2. Review available data and request additional information.
3. Agree upon a set of peer agencies for comparison (SEPTA and PennDOT).
4. Review the most recent customer satisfaction survey (CSS).
5. Assess Act 44 variables, including current performance, targets from the previous review, and Action Plan implementation.
6. Perform Act 44 performance criteria analysis.
7. Interview the management, staff, and Board.
8. Perform supplementary data collection and reconciliation.
9. Evaluate performance, financial management, and operations.
10. Report results and determine agency compliance with performance requirements.
11. Finalize the performance review report.
12. Develop, implement, and monitor a five-year Action Plan (SEPTA).
13. Provide technical assistance, if required, to help meet five-year performance targets.

These steps in the performance review process assess SEPTA's unique challenges, changes since the previous performance review, the accuracy and reliability of reported data (see **Appendix A: Data Adjustments**), implemented practices, additional opportunities for improvement, and realistic goals to attain before the next review.

## CUSTOMER SATISFACTION SURVEY

SEPTA partnered with WBA Research to conduct a customer satisfaction survey (CSS) in April and May 2018. Rider and non-rider respondents could complete the surveys online or by telephone. SEPTA collected 1,542 rider surveys and 400 non-rider surveys. WBA invited riders to participate by providing their contact information on a postcard distributed at stations, stops, and onboard vehicles. Non-riders were recruited using address-based sampling.

Riders rated SEPTA on a scale of 1 to 10 on a variety of measures, including:

- Overall Performance (7.3/10)
- Convenience (7.5/10)
- Reliability (7.3/10)
- Communication (6.6/10)
- Courtesy (7.3/10)
- Cleanliness (6.8/10)
- Personal Security (7.2/10)
- Personal Safety (7.2/10)

Based on the survey responses, approximately 61 percent of SEPTA riders are female, 48 percent identify as African American or Black, 40 percent are under 35, and 47 percent report an annual household income of $35,000 or less.

Riders and non-riders were equally likely to recommend SEPTA (7.8/10). Non-riders rated cleanliness and ease of purchasing SEPTA fare instruments the lowest of all service categories (6.9/10), while they rated accessibility (7.7/10) and travel information (7.6/10) the highest.

# PRIOR ACT 44 PERFORMANCE ASSESSMENTS

## PRIOR REVIEW DETERMINATIONS AND FINDINGS

The 2014-2015 SEPTA performance review compared each mode of service offered to a group of peer agencies based on the performance criteria required by Act 44. SEPTA was found to be "In Compliance" for all eight performance criteria for fixed-route bus, commuter (regional) rail, heavy rail, and streetcar / light rail (**Exhibit 5)**. There were insufficient peer transit systems in the US to conduct an Act 44 analysis for trolleybus.

## ACTION PLAN AND PERFORMANCE TARGETS

SEPTA developed an action plan to address the five opportunities for improvement identified in the 2016 performance review report:

1. Gain additional productivity from fixed-route bus service to control the rate of operating cost increases.
2. Increase operating revenue per revenue vehicle-hour from non-farebox sources (e.g., naming/branding rights on select routes and properties, vehicle wraps, leveraging properties for future residential and commercial development).
3. Develop and implement an annual internal audit plan.
4. Improve transparency of capital project monitoring and the capital budget amendment process to better evaluate budget performance and project completion expectations.
5. Continue to prioritize state-of-good-repair projects in the capital budget.

The list of previous Action Plan items from the 2016 performance report, as well as SEPTA's progress in addressing previously identified opportunities for improvement, are provided in **Appendix B: 2016 Performance Review Action Plan Assessment**.

Several intervening significant events occurred between 2016 and 2019 that impacted SEPTA's ability to meet its targets developed in 2015:

- Changes in NTD reporting requirements and data used in the performance determination.
- Mechanical issues arose that required one-third of the Silverliner V rail cars to be removed from service, with slower bus service substituted.
- Closure of the streetcar for maintenance and repairs that required SEPTA to transfer passengers to buses for part of the trip.
- The proliferation of Uber, Lyft, and other ride-hailing services.
- A measurable shift from a five-day to a four-day work week for many commuters.
- A six-day labor strike in 2017.

The issues with NTD-reported data, SEPTA's response to service disruptions, and other trends that adversely impacted ridership led PennDOT and SEPTA management to concur that revised Act 44 performance targets should be developed for 2020. Based on estimates of FYE 2019 performance, SEPTA's fixed-route performance targets were revised to be systemwide, as shown in **Exhibit 6**.

**Exhibit 5. Prior Performance Review Act 44 Comparison Summary**

| Performance Measure | Fiscal Year and Trend[4] | Determination | Value[5] | Peer Average |
|---|---|---|---|---|
| Fixed-Route Bus | | | | |
| Passengers / Revenue Vehicle-Hour | FYE 2012 | In Compliance | 47.15 | 40.53 |
| | Five-year trend | In Compliance | 1.37% | 0.64% |
| Operating Cost / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $148.72 | $141.67 |
| | Five-year trend | In Compliance | 4.02% | 2.70% |
| Operating Revenue / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $47.62 | $45.27 |
| | Five-year trend | In Compliance | 2.02% | 2.92% |
| Operating Cost / Passenger | FYE 2012 | In Compliance | $3.15 | $3.70 |
| | Five-year trend | In Compliance | 2.61% | 2.14% |
| Streetcar / Light Rail | | | | |
| Passengers / Revenue Vehicle-Hour | FYE 2012 | In Compliance | 73.54 | 84.15 |
| | Five-year trend | In Compliance | 1.61% | -0.81% |
| Operating Cost / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $183.32 | $285.53 |
| | Five-year trend | In Compliance | 5.76% | 3.57% |
| Operating Revenue / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $90.34 | $100.24 |
| | Five-year trend | In Compliance | 13.76% | 8.84% |
| Operating Cost / Passenger | FYE 2012 | In Compliance | $2.49 | $3.55 |
| | Five-year trend | In Compliance | 4.08% | 4.46% |
| Heavy Rail | | | | |
| Passengers / Revenue Vehicle-Hour | FYE 2012 | In Compliance | 118.03 | 110.44 |
| | Five-year trend | In Compliance | 1.62% | 2.14% |
| Operating Cost / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $211.62 | $248.19 |
| | Five-year trend | In Compliance | 3.64% | 2.90% |
| Operating Revenue / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $119.87 | $157.24 |
| | Five-year trend | In Compliance | 3.80% | 6.13% |
| Operating Cost / Passenger | FYE 2012 | In Compliance | $1.79 | $2.38 |
| | Five-year trend | In Compliance | 1.99% | 0.78% |
| Commuter / Regional Rail | | | | |
| Passengers / Revenue Vehicle-Hour | FYE 2012 | In Compliance | 54.03 | 49.13 |
| | Five-year trend | In Compliance | -0.52% | -0.34% |
| Operating Cost / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $373.39 | $473.54 |
| | Five-year trend | In Compliance | 2.71% | 4.03% |
| Operating Revenue / Revenue Vehicle-Hour | FYE 2012 | In Compliance | $211.15 | $276.79 |
| | Five-year trend | In Compliance | 2.90% | 3.97% |
| Operating Cost / Passenger | FYE 2012 | In Compliance | $6.91 | $9.72 |
| | Five-year trend | In Compliance | 3.24% | 4.41% |
| Trolleybus | | | | |
| There is an insufficient number of peer transit systems in the US to conduct an Act 44 analysis for trolleybus. | | | | |

[4] The five-year trend represents FYE 2007 through FYE 2012.
[5] NTD information most current at the time of the peer review.

**Exhibit 6. SEPTA 2020 Systemwide Fixed-Route Performance Targets**

| Act 44 Metrics | Passengers / RVH | Revenue / RVH | Operating Cost / RVH | Operating Cost / Passenger |
|---|---|---|---|---|
| FYE 2020 Performance Target | 44.98 | $78.58 | $199.09 | $4.43 |
| Actual FYE 2020 Performance* | 37.08 | $65.45 | $216.12 | $5.83 |

*Actual FYE 2020 Performance includes 3.5 months of COVID-19 pandemic-related disruptions.

## ASSESSMENT

Since the initial performance report was finalized in 2016, SEPTA worked to address its performance targets and implement actions listed in the 2016 Action Plan as described above. During that time, SEPTA undertook the following efforts to address the Action Plan recommendations:

- Conducted a surface network planning workshop with partner agencies, including the City of Philadelphia Streets Department and the Delaware Valley Regional Planning Commission.
- Advanced the Roosevelt Boulevard Bus Rapid Transit (BRT) project to increase the surface transportation network efficiency in Northeast Philadelphia.
- Developed a scope of work for a comprehensive bus system plan based on lessons learned from the Roosevelt Boulevard BRT project, new data available from SEPTA Key, and benchmarking from other agencies/regions.
- Continued to collaborate through Transit First Committees and the Annual Service Plan to pursue route-level efficiencies based on ad hoc analysis and customer feedback.
- Convened a SEPTA Ridership Growth Innovation Team, chartered to develop a comprehensive plan for ridership growth with focus areas to include: 1) pass penetration preservation and growth; 2) institutional partnerships; 3) marketing and customer amenities; 4) station access and capacity; and 5) fare evasion/lost revenue mitigation.
- Convened a SEPTA Transit-Oriented Development (TOD) team and started to develop new strategies for supporting private development integrated with the transit network.
- Continued with planned incremental fare increases approximately every three years.
- Continued to seek additional non-fare-based revenue opportunities, such as advertising (through a contract with Intersection, Inc.) and naming rights agreements.
- Balanced the audit plan with topical, cyclical, and responsive audits.
- Integrated and enhanced the existing multi-year Internal Audit Plan to conform to the Institute of Internal Auditors (IIA) International Standards.
- Obtained annual SEPTA Board approval for the risk-based Internal Audit Plan in accordance with IIA standards.
- Achieved Board Audit Committee adoption of the IIA-based plan and began implementation.
- Upgraded the Project Control report to include the original date and budget for each capital project in the "Project Description" field of the report, beginning with FY 2017.
- Established consistency of capital project names in the consolidated capital assistance (CCA) application and Project Control report.
- Integrated a table of capital project-level budget and timeline changes as an appendix to the Capital Budget, subject to annual public review, hearings, and SEPTA Board approval.

- Produced an annual summary of capital funding allocation based on three categories: 1) state of good repair; 2) normal replacement; and 3) system improvement.

Although SEPTA did not meet its 2020 performance targets, it completed its 2016 Action Plan and took additional steps to improve performance. For example, SEPTA conducted a customer satisfaction survey in 2018. In 2019, the SEPTA Key payment system was fully implemented on all fixed-route service, and kiosks were upgraded universally to accept cash payment. Fare evasion enforcement policies were changed and resulted in less overtime paid to the SEPTA police force.

The COVID-19 pandemic and resulting changes in travel behavior adversely impacted SEPTA's ability to achieve its 2020 performance targets. Ridership and revenues plummeted from March 2020 through June 30, 2020, and beyond, while costs increased due to COVID mitigation measures (e.g., additional cleaning of rolling stock, stations, equipment, etc.).

In summary, the actions taken by SEPTA demonstrate a good faith effort to implement its action plan and achieve its 2020 performance targets.

# 2021 Act 44 Performance Assessment

The 2021 performance review compared SEPTA to groups of peer agencies based on the four performance criteria required by Act 44. A separate group of peer agencies was identified for each mode. The peer agency comparisons are required by Act 44 and are a tool to identify areas of interest in the performance review, from which to discern SEPTA best practices and opportunities for improvement.

## Peer Agency Comparisons

Peer agencies were identified through a collaborative process between PennDOT and SEPTA management using criteria defined in Act 44 and data from the most recently available NTD (FYE 2019). The detailed data used to develop the peer comparison summaries are presented in **Appendix C: Peer Comparisons.**

The transit systems identified for peer comparisons are shown in **Exhibit 7**. Results of the current SEPTA analyses and peer comparisons are presented in **Exhibit 8**.

## Assessment

In the current performance review, SEPTA was found to be "In Compliance" with all (i.e., single-year and five-year trend) Act 44 performance criteria for fixed-route bus, heavy rail, and streetcar / light rail. SEPTA performed better than the peer group average on many metrics, particularly those relating to operating cost.

Of the eight single-year and five-year trend metrics for commuter rail, SEPTA was found to be "At Risk" for four of them, primarily due to declining commuter (i.e., regional) rail ridership per revenue-hour. SEPTA management attributes the declines and low revenues to a measurable shift from a five-day to a four-day work week for many commuters. However, this change in commuting patterns is occurring in peer transit systems as well. How SEPTA will align passenger demand with commuter service provided after the effects of the COVID-19 pandemic subside will be key to improving its future Act 44 performance.

**Exhibit 7. SEPTA Peer Transit Systems**

| Agency | Acronym | City, State |
|---|---|---|
| Fixed-Route Bus | | |
| Chicago Transit Authority | CTA | Chicago, IL |
| MTA Bus Company | MTABUS | New York, NY |
| Massachusetts Bay Transportation Authority | MBTA | Boston, MA |
| Washington Metropolitan Area Transit Authority | WMATA | Washington, DC |
| Los Angeles County Metropolitan Transportation Authority | LACMTA | Los Angeles, CA |
| Metropolitan Transit Authority of Harris County, Texas | Metro | Houston, TX |
| Denver Regional Transportation District | RTD | Denver, CO |
| King County Department of Metro Transit | KCM | Seattle, WA |
| Commuter Rail | | |
| Massachusetts Bay Transportation Authority | MBTA | Boston, MA |
| MTA Metro-North Railroad | MTA-MNCR | New York, NY |
| New Jersey Transit Corporation | NJ TRANSIT | Newark, NJ |
| MTA Long Island Rail Road | MTA LIRR | Jamaica, NY |
| Northeast Illinois Regional Commuter Railroad Corporation | Metra | Chicago, IL |
| Heavy Rail | | |
| Massachusetts Bay Transportation Authority | MBTA | Boston, MA |
| Chicago Transit Authority | CTA | Chicago, IL |
| San Francisco Bay Area Rapid Transit District | BART | Oakland, CA |
| Washington Metropolitan Area Transit Authority | WMATA | Washington, DC |
| Metropolitan Atlanta Rapid Transit Authority | MARTA | Atlanta, GA |
| Los Angeles County Metropolitan Transportation Authority | LACMTA | Los Angeles, CA |
| MTA New York City Transit | NYCT | New York, NY |
| Streetcar / Light Rail | | |
| City and County of San Francisco | SFMTA | San Francisco, CA |
| Massachusetts Bay Transportation Authority | MBTA | Boston, MA |
| Los Angeles County Metropolitan Transportation Authority | LACMTA | Los Angeles, CA |
| San Diego Metropolitan Transit System | MTS | San Diego, CA |
| Dallas Area Rapid Transit | DART | Dallas, TX |
| Central Puget Sound Regional Transit Authority | ST | Seattle, WA |
| Denver Regional Transportation District | RTD | Denver, CO |
| Trolleybus | | |
| There is an insufficient number of peer transit systems in the US to conduct an Act 44 analysis for this mode. | | |

**Exhibit 8. Act 44 Metric Peer Transit System Comparisons Summary**

| Performance Criteria | FYE* | Determination | SEPTA Rank | Relation to Peer Average | Value** | Peer Average |
|---|---|---|---|---|---|---|
| Fixed-Route Bus | | | (rank of 9) | | | |
| Passengers / Revenue-Hour | 2019 | In Compliance | 4 | Better | 37.25 | 33.67 |
| | Trend | In Compliance | 7 | Worse | -3.57% | -3.15% |
| Operating Cost / Revenue-Hour | 2019 | In Compliance | 5 | Better | $157.18 | $170.43 |
| | Trend | In Compliance | 2 | Better | 0.15% | 2.26% |
| Operating Revenue / Revenue-Hour | 2019 | In Compliance | 3 | Better | $44.32 | $41.25 |
| | Trend | In Compliance | 4 | Worse | -1.73% | -1.59% |
| Operating Cost / Passenger | 2019 | In Compliance | 2 | Better | $4.22 | $5.15 |
| | Trend | In Compliance | 2 | Better | 3.85% | 5.60% |
| Commuter Rail | | | (rank of 6) | | | |
| Passengers / Revenue-Hour | 2019 | At Risk | 6 | Worse | 35.03 | 42.98 |
| | Trend | In Compliance | 4 | Worse | -3.26% | -1.17% |
| Operating Cost / Revenue-Hour | 2019 | In Compliance | 1 | Better | $314.58 | $523.39 |
| | Trend | In Compliance | 5 | Worse | 2.59% | 1.38% |
| Operating Revenue / Revenue-Hour | 2019 | At Risk | 6 | Worse | $155.40 | $314.94 |
| | Trend | At Risk | 6 | Worse | -2.36% | 1.95% |
| Operating Cost / Passenger | 2019 | In Compliance | 1 | Better | $8.98 | $12.07 |
| | Trend | At Risk | 5 | Worse | 6.04% | 2.65% |
| Heavy Rail | | | (rank of 8) | | | |
| Passengers / Revenue-Hour | 2019 | In Compliance | 4 | Better | 97.23 | 91.11 |
| | Trend | In Compliance | 2 | Better | -2.08% | -3.25% |
| Operating Cost / Revenue-Hour | 2019 | In Compliance | 3 | Better | $214.80 | $276.57 |
| | Trend | In Compliance | 6 | Worse | 0.77% | 0.13% |
| Operating Revenue / Revenue-Hour | 2019 | In Compliance | 6 | Worse | $132.23 | $163.81 |
| | Trend | In Compliance | 3 | Better | 1.78% | 0.45% |
| Operating Cost / Passenger | 2019 | In Compliance | 3 | Better | $2.21 | $3.25 |
| | Trend | In Compliance | 4 | Better | 2.91% | 3.50% |
| Streetcar / Light Rail | | | (rank of 8) | | | |
| Passengers / Revenue-Hour | 2019 | In Compliance | 6 | Worse | 61.79 | 69.59 |
| | Trend | In Compliance | 2 | Better | 0.28% | -2.65% |
| Operating Cost / Revenue-Hour | 2019 | In Compliance | 3 | Better | $208.12 | $324.18 |
| | Trend | In Compliance | 6 | Worse | 3.72% | 2.53% |
| Operating Revenue / Revenue-Hour | 2019 | In Compliance | 5 | Worse | $84.21 | $96.61 |
| | Trend | In Compliance | 5 | Worse | -0.92% | -0.42% |
| Operating Cost / Passenger | 2019 | In Compliance | 2 | Better | $3.37 | $4.81 |
| | Trend | In Compliance | 3 | Better | 3.44% | 5.42% |
| Trolleybus (No Peer Transit Systems) | | | | | | |
| There is an insufficient number of peer transit systems in the US to conduct an Act 44 analysis for this mode. | | | | | | |

* The five-year trend represents FYE 2014 through FYE 2019.
**NTD information most current at the time of the peer review.

# 2026 PERFORMANCE TARGETS

Act 44 requires that PennDOT and transit agencies establish five-year performance targets for each of the four Act 44 metrics for fixed-route service. Setting performance targets for these metrics and regularly reevaluating performance is intended to improve both the effectiveness and efficiency of service delivery. Act 89 requires agencies to maintain a policy to adjust fares for inflation to keep pace with increases in operating costs.

PennDOT uses the most recent audited and agency-verified values for passengers, operating costs, and operating revenues as the baseline for developing the targets. Five-year targets are then set based on realistic and achievable expectations of improvement.

The 2021 performance review noted that SEPTA outperformed most of its peers in ridership metrics for the single-year FYE 2019 determination and five-year trend periods for most modes, excluding ridership on the commuter (regional) rail. SEPTA began to experience the adverse COVID-19 impacts on its fixed-route ridership in March 2020, resulting in declines in total passenger trips and passenger fares. SEPTA ridership had only rebounded to 36 percent of 2019 levels as of FYE 2021. PennDOT based SEPTA's future-year performance targets on the last full audited financial year (i.e., FYE 2021).

PennDOT established the following performance targets in cooperation with SEPTA:

- Increase passengers per revenue vehicle-hour by at least 3.0 percent per year on average.
- Contain operating cost per revenue vehicle-hour increases to no more than 3.0 percent per year on average.
- Increase revenue per revenue vehicle-hour by at least 3.0 percent per year on average.
- Operating cost per passenger trip should remain flat or decrease.

Over the next five years, SEPTA must achieve the targets shown in **Exhibit 9** to ensure continued eligibility for full Section 1513 funding.

**Exhibit 9. FYE 2026 Act 44 Performance Targets**

| Performance Criteria | Fiscal Year | | | Target Annual Increase |
|---|---|---|---|---|
| | 2020 Actual | 2021 Actual | 2026 Target* | |
| Passengers / Revenue Vehicle-Hour | 37.08 | 18.05 | 20.93 | 3.0% |
| Operating Cost / Revenue Vehicle-Hour | $216.12 | $222.51 | $257.95 | 3.0% |
| Operating Revenue / Revenue Vehicle-Hour | $65.45 | $32.90 | $38.14 | 3.0% |
| Operating Cost / Passenger | $5.83 | $12.32 | $12.32 | 0.0% |

*Note: FYE 2026 performance targets are based on FYE 2021 audited information.

PennDOT will continue to monitor the impacts of COVID-19 and reassess the transit agency's five-year performance targets when the long-term effects of the pandemic become known. If the performance targets are revised, they will be published as an addendum to this report.

# FUNCTIONAL REVIEW

PennDOT uses functional reviews to determine the reasons behind performance results found in the Act 44 comparisons. The reviews catalog best practices to share with other transit agencies and identify opportunities for improvement that should be addressed in the Action Plan (see **Appendix D: Action Plan Template**). Functional review findings are organized according to the Act 44 variables guiding the performance review: passengers, revenues, and operating costs.

The following sections summarize ways in which SEPTA could deliver service more efficiently and effectively. The observations recorded during the review process are categorized as Best Practices or Elements to Address in the Action Plan. Best Practices are those exceptional current practices that are beneficial and should be continued or expanded. Elements to Address in the Action Plan are recommendations that can maximize productivity, control operating costs, and achieve optimum revenue levels, which will enhance the system's future performance for one or more Act 44 fixed-route performance factors.

For SEPTA's convenience, Action Plan templates are included in **Appendix D: Action Plan Template**. Some actions will be quickly implementable, while others may take several discrete steps to achieve over a more extended period. The template provides a simple-to-follow order of key findings of this report that the Action Plan should address.

## OPPORTUNITIES TO INCREASE FIXED-ROUTE RIDERSHIP

### BEST PRACTICES

1. SEPTA routinely surveys its riders. As a follow-up action, the staff develops a plan to address concerns. For example, the 2018 survey identified cleanliness and security at stations as top issues, along with addressing the homeless people and others with medical, mental, and/or addiction issues who loiter at SEPTA facilities. In response to these concerns, SEPTA developed several programs and cooperative initiatives. Identifying and addressing customer concerns helps maintain and increase ridership.

2. SEPTA is recalibrating its system—SEPTA routes have not changed substantially in decades. The Planning Department described "Bus Revolution" as rebalancing the system with a goal to increase frequency where warranted. Prior to this effort, SEPTA's bus ridership had been declining, as noted in the 2018 interim performance review. This effort should result in future ridership increases and greater system efficiencies.

### ELEMENTS TO ADDRESS IN PART 1 OF THE ACTION PLAN

1. Regional rail ridership has been declining over several years and has been slow to rebound during the pandemic. SEPTA should **examine the potential impacts of "reverse commute" discount ticket pricing for morning outbound travelers** to boost ridership.

2. SEPTA recently renovated the 5th Street Station to include artwork and a design with Independence Hall themes. The result is a welcoming platform (**Exhibit 10**) with a distinctive brand. SEPTA **should consider renovating other subway stations with local themes as a form of placemaking and building brand affinity when a renovation is warranted**.

**Exhibit 10. SEPTA's Market/Frankford Line 5th Street Independence Hall Station**


3. SEPTA owns real estate assets throughout the greater Philadelphia region. Cities including Washington, DC; Atlanta; and Pittsburgh work closely with their transit operators to identify and promote real estate joint development opportunities and transit-oriented development. These arrangements encourage transit ridership by integrating transit assets seamlessly into complementary land uses. SEPTA should **assess its real estate inventory to identify potential joint development opportunities and work with local municipalities to leverage local land development** to promote ridership.

## OPPORTUNITIES TO INCREASE FIXED-ROUTE REVENUES

### BEST PRACTICES

1. SEPTA expanded naming rights at several stations to increase revenue. The South Broad Sports Complex became NRG Station, University City became Penn Medicine, and Market East became Jefferson. SEPTA is in discussions with Wawa about potentially selling naming rights for the Middletown Station in Media, PA. These naming rights generate millions of dollars in revenue annually.

2. Act 89 of 2013 requires transit agencies to set fare policies that ensure revenues keep pace with inflation. SEPTA used an economic model to understand the impacts of alternative fare policies, reexamine its fare structure, and develop a fare restructuring plan. The new fare structure balances local equity concerns with a long-term revenue-promoting strategy.

#### ELEMENTS TO ADDRESS IN PART 2 OF THE ACTION PLAN

1. SEPTA's sale of naming rights to several subway stations has been very successful. SEPTA should **continue to explore naming rights for additional stations and modes to increase revenue** (e.g., Norristown High-Speed Rail, new stations as constructed, etc.).

2. Most regional rail stations and several other transit stations offer parking facilities for commuters. The fee is $1 on weekdays for most stations. As ridership rebounds from the pandemic. SEPTA should **reassess parking supply, demand, and optimal pricing to create a systemwide parking master plan**.

3. SEPTA successfully negotiated with K-12 schools to provide students with transit passes. Similar arrangements with large employers, such as hospitals, colleges, and warehouse/ distribution centers, could provide additional sources of revenue. SEPTA should **assess other institutional bulk-fare pricing agreements' revenue potential and ridership impacts**.

4. With electric vehicles becoming more common, particularly in Philadelphia's more affluent suburbs, the demand for vehicle charging stations in parking facilities will grow. New federal legislation promotes the installation of electric vehicle (EV) charging stations with competitive grants. SEPTA should **explore the potential for adding EV charging stations to its parking garages** to attract suburban passengers and develop a new source of revenue.

### OPPORTUNITIES TO CONTROL OPERATING COSTS

#### BEST PRACTICES

1. SEPTA changed its fare evasion policy and now issues a $25 ticket and a misdemeanor after four violations. This policy change has decreased police overtime due to court appearances and allows more on-street presence. The difference in policy also increased the number of fines paid and is considered more equitable than high fines and fees associated with court proceedings.

2. As one of the actions identified in its 2021-2026 Strategic Plan, SEPTA developed a new "Efficiency and Accountability" (E&A) program in 2021. Among the many initiatives identified in the program was a goal to reduce overtime. Staff members must obtain approval from their manager before charging overtime. Managers actively monitor overtime costs through billing codes and monthly reports. Separately, management developed a plan to reduce 300 vacancies across the organization to control Operating expenses.

3. SEPTA pursued installment-based lease-purchase agreements with Energy Savings Companies (ESCO) to finance the construction of a combined heat and power plant for electricity to the Wayne Junction substation and Midvale Bus Maintenance Facility, to finance the installation of LED lighting upgrades at SEPTA-owned buildings, and to finance the installation of other energy-saving equipment. This type of lease-to-own financing agreement afforded SEPTA with a low-cost form of direct borrowing to advance capital projects expected to reduce annual operating costs more than the capital investment cost.

### Elements to Address in Part 3 of the Action Plan

1. SEPTA has a multi-billion-dollar state-of-good-repair (SOGR) backlog, including the need to replace rail cars. Before assuming additional debt, SEPTA's management team should **develop a Board-approved debt issuance and management policy** to guide when and how the Authority should incur new debt. The Board should reassess the debt policy periodically to balance long-term financing costs and short-term capital needs.

2. A change in cost allocation resulting from the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) increased the cost of leasing Amtrak-owned rail lines and fees for station use for regional rail. Other agencies, such as Metra (Chicago), reassessed the new Amtrak agreements and successfully reduced costs. The management team should **reassess Amtrak lease agreements** to see **if there are opportunities**, such as those identified in Chicago, **to renegotiate with Amtrak and lower SEPTA's costs**.

3. SEPTA's "Efficiency & Accountability" program identified 150 cost savings ideas that can contribute to long-term financial sustainability. **SEPTA management should follow through on plans to fully implement cost-savings initiatives associated with the program** by 2024.

## Other Opportunities to Improve Performance

### Best Practices

1. SEPTA developed a progression-based bonus program for drivers, mechanics, and other union employees to incentivize them to report to work during the COVID-19 pandemic. This resulted in more reliable service for customers and greater employee satisfaction.

2. SEPTA Police established a YouTube channel to post images and encourage the public to help identify potential suspects. This new program resulted in several arrests in the short term and is expected to improve community perceptions of the SEPTA Police Department over the long term.

3. SEPTA expanded its pool of eligible applicants for operator positions by revising its policy regarding criminal records, evaluating felons for employment on a case-by-case basis. SEPTA estimates about 60 people per year apply through the ex-offender program. This policy helps SEPTA maintain its driver pool while giving ex-offenders a path to a well-paying job.

4. Management recently created a diversity board to help the Authority identify which diversity and inclusion efforts would best benefit SEPTA. The diversity board conducted an employee survey in March 2021. SEPTA plans to use the survey results to inform strategic plan implementation throughout the company. By promoting more diversity in its workforce, SEPTA will become more representative of the customers it serves.

### Elements to Address in Part 4 of the Action Plan

1. There are several transit service operators that operate in SEPTA's service area, including Bucks County Transport, Chester TMA Services, Community Transit of Delaware County,

Pottstown Area Rapid Transit, ROVER, and TransNet. SEPTA's management team should **leverage "Bus Revolution" and "Reimagining Regional Rail" programs to reassess how SEPTA coordinates with neighboring transportation providers to promote a more integrated network of services for all residents of the region.**. The "Bus Revolution" and "Reimagining Regional Rail" initiatives might provide an opportunity to reconsider how these neighboring providers can augment SEPTA's services.

2. SEPTA made a significant investment in fare collection technology (i.e., SEPTA Key) in recent years. However, many of SEPTA's business technologies, such as its financial systems, are dated and would benefit from upgrades. SEPTA should **develop a strategic IT investment plan and budget to modernize enterprise IT services, with a formal program to assess the cybersecurity risks of new technologies**. Elements to address in the IT plan should include:
    - **a.** Cybersecurity, risk assessment, risk mitigation, data redundancy, and mode-specific vulnerabilities (e.g., regional rail)
    - **b.** Systems integration, financial management, and reporting
    - **c.** The business intelligence needs of management and functional areas within the business (e.g., transit police, rail maintenance, bus operations, finance, human resources, planning)
    - **d.** Interoperability with other entities (e.g., city, state, federal, Amtrak)

3. Emerging technologies provide opportunities to deliver transit services efficiently. However, new technologies are sometimes unreliable in their early years. SEPTA should **develop a formal program to assess the risks of new rolling stock technologies and manufacturing methods** to inform capital purchase decisions. For example, the Altoona Bus Testing program documents the structural integrity of new bus chassis and the reliability of other subcomponents. This will become more important as new fuel types (e.g., electric, hydrogen fuel cell) and vendors emerge that provide alternatives to diesel and hybrid-fuel technologies.

4. SEPTA updated its Strategic Plan in 2021 before the passage of the federal Infrastructure Investment and Jobs Act (IIJA). The IIJA will increase formula and competitive grant funds for public transportation nationwide. Long-term trends of declining weekday commuter ridership, accelerated by remote work during COVID-19, and calls for more equitable investments in public transportation, provide an opportunity to reassess the tradeoffs between bus and rail services and the definition of sustainable transit. After the effects of the COVID-19 pandemic subside, **SEPTA should update its Strategic Plan** to reflect the additional federal funding, long-term changes in travel patterns, the size of its state-of-good repair backlog, social equity, and long-term sustainability to prioritize future investments.

5. SEPTA has been under scrutiny for several high-profile crimes conducted on its properties. In the past, SEPTA used initiatives to raise awareness of concerns, such as suicide prevention, to promote a safer transit system. SEPTA police, management, and marketing staff should **implement a series of safety and security initiatives that reduce crime and improve the perception of safety and security on the system**. Peer agencies (e.g., Chicago Transit Authority) may provide valuable input to shape SEPTA's safety and security initiatives.

# FINANCIAL REVIEW

This financial review considers high-level snapshot data and trend indicators. It is based on the examination of audit reports, other financial reports, and budgets. This review summarizes SEPTA in terms of:

- Total Operational Expenditures, Funding, and Cash Flow Forecasts
- Capital Funding and Budget Projections
- Long-Term Debt
- Post-Employment Benefit Programs

## HIGH-LEVEL INDICATORS OF FINANCIAL HEALTH

As shown in **Exhibit 11**, as of FYE 2020, SEPTA had carryover subsidies (cash reserves) equal to 13.6 percent of its total annual operating costs, which is less than the recommended target for liquidity. However, available credit was equivalent to 15.8 percent of annual payroll, thus providing additional flexibility to meet short-term cash flow needs. SEPTA's annual debt service equals 4.3 percent of annual operating costs for FYE 2020. The recommended target is zero long-term debt to eliminate interest costs. However, this goal is unattainable for SEPTA due to the cost of significant capital procurements (e.g., rail car replacement).

SEPTA had $155.7 million in 1513 state and $28.3 million in local carryover subsidies as of FYE 2020. In 2016, the Authority opened a $50 million revolving line of credit with PNC Bank, which was increased to $100 million in 2017 and expired August 1, 2020. SEPTA had $100 million outstanding against the 2016 line of credit as of FYE 2020. In May 2020, SEPTA opened a second $100 million unsecured line of credit with PNC Bank; $65 million in credit remained available as of FYE 2020. SEPTA had $538.4 million in outstanding long-term capital debt from general obligation bonds, direct borrowing, and master purchase/lease agreements and paid $57.5 million in annual debt service for FYE 2020.

SEPTA received a total of $1.6 billion in federal aid through the CARES, CRRSSA, and ARPA COVID-19 relief packages to offset losses of operating revenue and increases in operating costs associated with the COVID-19 pandemic. This funding and other management cost-saving initiatives should maintain SEPTA's financial health for at least two years.

**Exhibit 11. High-Level Financial Indicators**

| FYE 2020 Indicator | Value | Assessment Criteria / Rationale | Source |
|---|---|---|---|
| Total Carryover Subsidies / Annual Operating Cost | 13.6% | Combined target ≥25%. This provides liquidity to cover unexpected cost increases or service changes without incurring interest fees from loans. | FYE 2020 Audit |
| Available Credit/ Annual Payroll | 4.8% | Only necessary if combined carryover subsidies are less than 25% of annual operating costs. This ensures that the agency maintains sufficient cash flow and liquidity to pay all current bills. | FYE 2020 Audit and PennDOT dotGrants |
| Actual Local Match / Required Match | 100.0% | Target ≥100%. Local match that exceeds required minimums gives a transit agency flexibility to change service, accommodate unexpected cost changes, and make capital investments. | PennDOT dotGrants 2020 |
| Annual Debt Service / Annual Operating Cost | 4.3% | Low debt amounts reduce interest costs. | FYE 2020 Audit |

## Total Operational Expenditures, Funding, and Cash Flow Forecasts

The following financial analysis documents SEPTA's high-level trends. It covers the following topics:

- Total Public Transportation Operating Expenses
- Fixed-Route Operating Budget
- Paratransit Operating Budget
- Balance Sheet and Cash Flow

SEPTA began to experience ridership decreases due to the COVID-19 pandemic in March 2020, resulting in declining passenger fare revenue. Service reductions slightly reduced operating costs. Total passenger fares declined 23.4 percent between FYE 2019 and FYE 2020, from $477.8 million to $366.2 million, in step with the total ridership decrease of 23.7 percent, from 292.9 million to 222.4 million passenger trips. Operating costs decreased slightly (by 1 percent) during this period, from $1.365 billion to $1.353 billion. Operating subsidies increased 12.2 percent, from $843.4 million to $945.9 million, due to CARES Act funding and 1513 state carryover funds. SEPTA has a balanced operating budget.

### Total Public Transportation Operating Expenses

SEPTA's total operating expenses increased from about $1.2 billion in FYE 2015 to $1.3 billion in FYE 2020 (**Exhibit 12**). In FYE 2020, 95.8 percent of SEPTA's operating expenses were for fixed-route service. The remaining operating costs (4.2 percent) were for paratransit service, as shown in (**Exhibit 13**). Fixed-route operating costs increased from $1.2 billion in FYE 2015 to $1.3 billion in FYE 2020. The cost of providing paratransit trips decreased from $58.6 million in FYE 2015 to $57.2 million in FYE 2020.

Agency-wide operating funds come from various sources, including state, federal, and local subsidies; passenger fares; and advertising. Federal and state grants represent the largest share of income for SEPTA, accounting for 62.2 percent of total operating income. Local subsidy and revenues (e.g., passenger fares, organization-paid fares, advertising, etc.) are the remaining funding sources, representing 37.8 percent of total operating income, as shown in **Exhibit 14** and **Exhibit 15**. SEPTA received its required local match to its Section 1513 state operating subsidy.

**Exhibit 12. Public Transportation Operating Expense by Service Type**

| Service Type* (Millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Fixed-Route | $1,186.2 | $1,214.7 | $1,242.7 | $1,265.5 | $1,296.3 | $1,296.1 |
| Paratransit | $58.6 | $58.5 | $64.2 | $60.3 | $68.7 | $57.2 |
| **Total** | **$1,244.8** | **$1,273.1** | **$1,307.0** | **$1,325.8** | **$1,365.0** | **$1,353.3** |

*May not sum due to rounding.

**Exhibit 13. Public Transportation Operating Expense by Service Type, FYE 2015–2020**

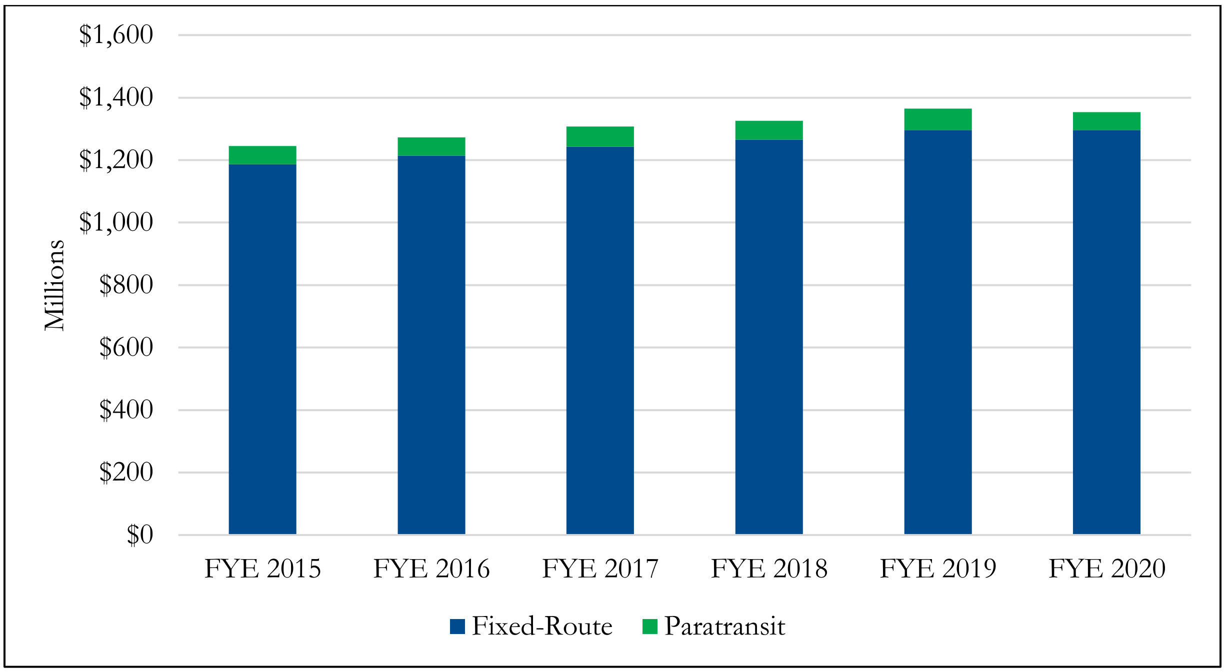
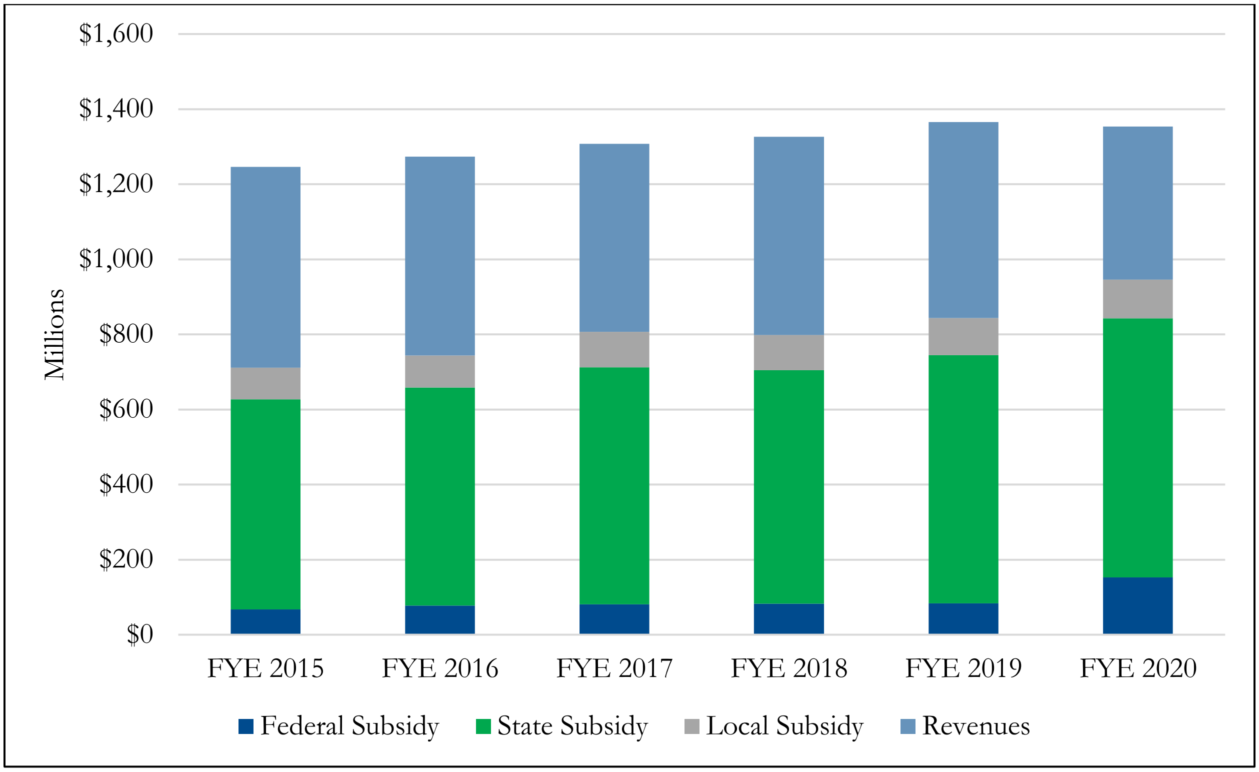



**Exhibit 14. Percentage of Total Public Transportation Operating Funding, FYE 2015–2020**

| Funding Source | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Federal Subsidy | 5.4% | 6.1% | 6.2% | 6.2% | 6.1% | 11.3% |
| State Subsidy | 45.0% | 45.6% | 48.3% | 46.9% | 48.4% | 51.0% |
| Local Subsidy | 6.7% | 6.7% | 7.2% | 7.0% | 7.3% | 7.6% |
| Revenues | 42.9% | 41.6% | 38.2% | 39.8% | 38.2% | 30.1% |
| Local/State Subsidy | 15.0% | 14.6% | 15.0% | 15.0% | 15.0% | 15.0% |

**Exhibit 15. Total Public Transportation Funding Sources, FYE 2015–2020**



## <u>FIXED-ROUTE OPERATING BUDGET</u>

Fixed-route service, funded by general revenues and government subsidies, accounts for 95.8 percent of SEPTA's public transportation operating expenses. Between 2015 and 2019, SEPTA had a farebox recovery ratio between 40.1 percent and 35.4 percent (**Exhibit 16**). In 2020, it dropped to 27.1 percent due to the impacts of COVID-19. Based on FYE 2015 to FYE 2020 dotGrants reporting, SEPTA operated using current-year funding, with $155,717,642 in state funds and $28,219,216 in local funds carried over into Fiscal Year 2020-21.

**Exhibit 16. Fixed-Route Funding by Source**

| Funding Source (Millions)* | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Passenger-Paid Fares | $473.2 | $467.3 | $438.2 | $463.2 | $454.4 | $346.9 |
| Organization-Paid Fares | $3.2 | $3.2 | $3.6 | $3.6 | $4.0 | $4.2 |
| Advertising | $14.4 | $15.7 | $14.2 | $14.6 | $16.4 | $14.5 |
| Total Recoveries | $0.0 | $0.0 | $0.0 | $1.0 | $1.0 | $0.9 |
| Other – Real Estate | $11.7 | $12.6 | $13.6 | $16.1 | $16.3 | $17.0 |
| Other – Parking Lot | $4.8 | $4.6 | $4.0 | $4.8 | $4.8 | $3.5 |
| Other – Interest, Scrap | $3.6 | $3.5 | $4.8 | $5.3 | $5.6 | $5.5 |
| *Subtotal* | *$510.9* | *$507.0* | *$478.5* | *$508.5* | *$502.6* | *$392.5* |
| **Subsidies** | | | | | | |
| Federal – Preventative Maintenance | $34.4 | $34.9 | $34.7 | $36.2 | $34.5 | $98.6 |
| Federal – Operating | $29.4 | $38.9 | $42.4 | $42.1 | $44.0 | $47.5 |
| State – 1513 (Prior) | $17.4 | $39.3 | $105.0 | $108.9 | $97.9 | $145.8 |
| State – 1513 (Current) | $515.4 | $513.9 | $492.6 | $481.6 | $524.3 | $513.2 |
| Local – 1513 (Prior) | $3.6 | $18.5 | $21.5 | $21.6 | $22.9 | $29.6 |
| Local – 1513 (Current) | $76.3 | $62.5 | $68.1 | $66.9 | $70.5 | $69.2 |
| *Subtotal* | *$676.5* | *$707.9* | *$764.4* | *$757.4* | *$794.1* | *$903.9* |
| **Total Funding** | **$1,187.4** | **$1,214.9** | **$1,242.9** | **$1,265.9** | **$1,296.6** | **$1,296.4** |
| Farebox Recovery | 40.1% | 38.7% | 35.5% | 36.9% | 35.4% | 27.1% |

Source: PennDOT dotGrants Reporting System

*May not sum due to rounding.

## PARATRANSIT OPERATING BUDGET

Paratransit (i.e., shared-ride and ADA complementary service), funded by state subsidies and passenger fares, accounts for 4.2 percent of SEPTA's public transportation operating expenses (**Exhibit 17**). SEPTA's paratransit program funding had generally increased each year but decreased from $68,735,155 in FYE 2019 to $57,221,799 in FYE 2020. Total paratransit trips decreased from 13,360,767 in FYE 2015 to 9,425,644 in FYE 2020 (**Exhibit 18**). The drop in paratransit revenues and ridership in FYE 2020 is attributable to COVID-19 impacts.

### Exhibit 17. Paratransit Funding by Source and Fiscal Year

| Funding Source (Millions)* | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Passenger Fares | $4.6 | $4.5 | $4.5 | $4.7 | $4.7 | $3.6 |
| Shared-Ride Lottery Reimbursement | $16.8 | $15.6 | $14.5 | $13.7 | $13.5 | $10.7 |
| AAA | $1.6 | $1.5 | $1.3 | $1.2 | $1.1 | $0.8 |
| Other – Third Party Reimbursement | $0.1 | $0.1 | $0.1 | $0.1 | $0.0 | $0.0 |
| Other – PA Fuel Tax Reimbursement | $0.8 | $1.0 | $1.0 | $0.0 | $0.0 | $0.0 |
| *Subtotal* | *$23.9* | *$22.7* | *$21.4* | *$19.8* | *$19.4* | *$15.1* |
| **Subsidies** | | | | | | |
| Federal – Preventative Maintenance | $1.8 | $1.8 | $1.9 | $1.9 | $2.1 | $4.6 |
| State – 1513 (Prior) | $0.9 | $2.0 | $5.9 | $5.8 | $6.1 | $6.8 |
| State – 1513 (Current) | $26.5 | $25.9 | $27.6 | $25.8 | $32.6 | $23.9 |
| Local – 1513 (Prior) | $0.1 | $0.9 | $1.2 | $1.2 | $1.4 | $1.4 |
| Local – 1513 (Current) | $3.9 | $3.2 | $3.8 | $3.6 | $4.4 | $3.2 |
| Special – Federal | $1.5 | $2.0 | $2.4 | $2.3 | $2.7 | $2.2 |
| *Subtotal* | *$34.7* | *$35.7* | *$42.9* | *$40.6* | *$49.4* | *$42.1* |
| **Total Funding** | **$58.7** | **$58.5** | **$64.2** | **$60.3** | **$68.7** | **$57.2** |

Source: PennDOT dotGrants Reporting System
*May not sum due to rounding.

### Exhibit 18. Paratransit Operating Statistics by Fiscal Year

| Operating Category | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Total Paratransit Trips | 1,842,752 | 1,792,284 | 1,704,463 | 1,554,597 | 1,513,129 | 1,151,930 |
| Total Miles | 13,360,767 | 13,452,600 | 13,298,905 | 12,513,364 | 12,112,139 | 9,425,644 |
| Total Hours | 1,235,085 | 1,266,978 | 1,238,507 | 1,184,695 | 1,199,427 | 938,418 |
| VOMS | 388 | 391 | 394 | 409 | 415 | 393 |

Source: PennDOT dotGrants Reporting System

## Balance Sheet and Cash Flow

A review of balance sheets shows that between FYE 2015 and FYE 2020, SEPTA's available cash ranged from $100 to $215 million (**Exhibit 19** and **Exhibit 20**). SEPTA's FYE 2020 cash equivalent balance was $50.37 million, and restricted cash was $88.46 million. This equates to 10.3 percent of FYE 2020 total operating expenses. Net current assets exceeded current liabilities in all six years. As of FYE 2020, SEPTA had $33.87 million in current maturities of long-term debt (payments due within the next 12 months) and $135 million outstanding against its $200 million lines of credit.

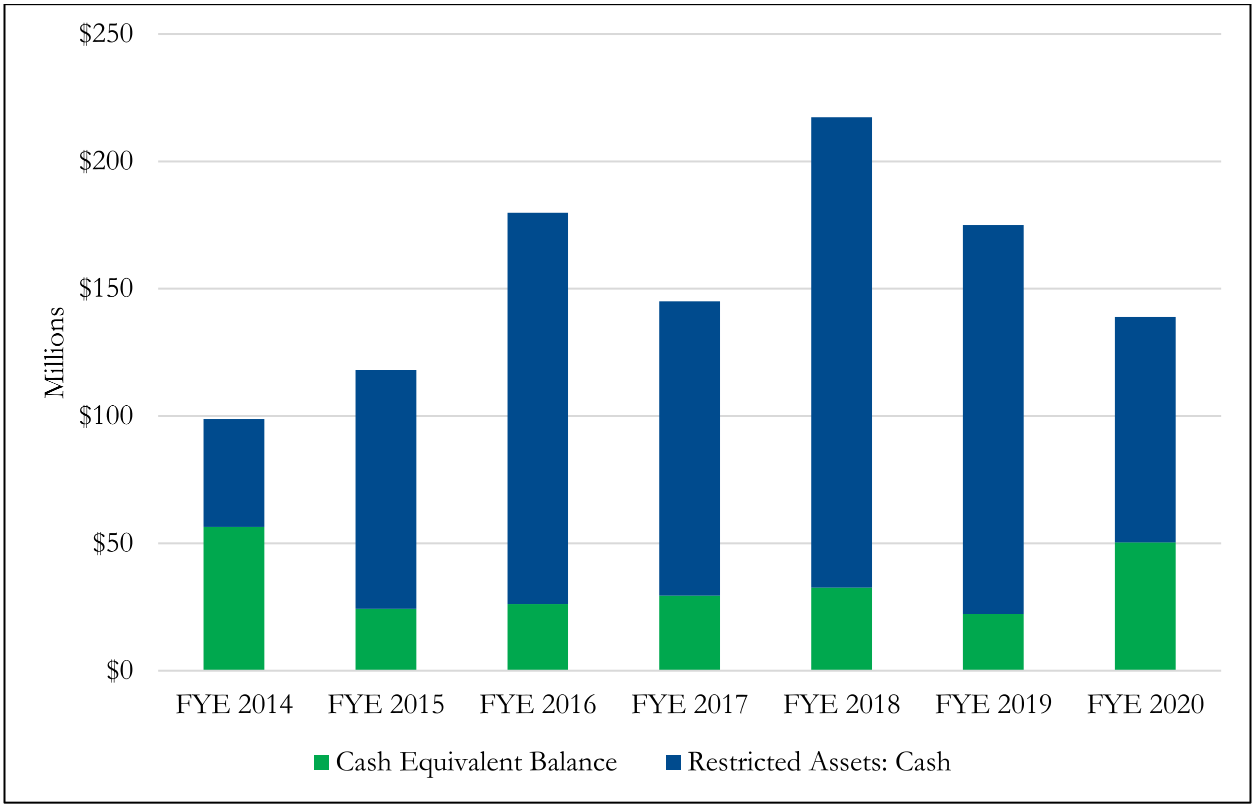
Ideally, a transit agency maintains approximately 25 percent of its annual operating cost (roughly 90 days' worth of operating expenses) in liquidity to provide a cash flow buffer in the event of delays in grant receipts. Liquidity is defined as available cash, restricted cash, investments, and available credit. FYE 2020 values for SEPTA are $50.37, $88.46, $141.70, and $65.00 million, respectively, for these metrics. This equates to $345.53 million, or 25.5 percent of SEPTA's operating cost.

**Exhibit 19. Balance Sheet Summary, FYE 2015–2020**

| Balance Sheet Report (Millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| **Current Assets** | | | | | | |
| Cash Equivalent Balance | $24.38 | $26.17 | $29.47 | $32.62 | $22.34 | $50.37 |
| Investments | $61.77 | $76.70 | $184.19 | $117.07 | $161.45 | $141.70 |
| Grants Receivable (including capital) | $218.67 | $165.84 | $134.16 | $159.52 | $201.17 | $173.58 |
| Restricted Cash | $93.65 | $153.65 | $115.61 | $184.69 | $152.56 | $88.46 |
| Inventory Value | $76.21 | $81.45 | $87.06 | $85.87 | $90.83 | $100.66 |
| Prepaid Expenses | $15.30 | $14.30 | $21.51 | $21.12 | $22.25 | $23.59 |
| **Current Liabilities** | | | | | | |
| Accounts Payable | $126.92 | $146.10 | $120.20 | $130.25 | $131.12 | $114.35 |
| Accrued Expenses | $81.62 | $89.33 | $79.86 | $83.88 | $86.90 | $86.08 |
| Public Liability | $83.99 | $62.17 | $58.53 | $55.22 | $52.44 | $55.47 |
| Line of Credit | $0.00 | $0.00 | $30.00 | $75.00 | $20.00 | $135.00 |
| Current Maturities of Long-Term Debt | $31.18 | $68.64 | $35.16 | $113.74 | $180.00 | $33.87 |
| **Total Operating Expenses** | **$1,244.83** | **$1,273.14** | **$1,306.98** | **$1,325.81** | **$1,365.05** | **$1,353.35** |
| Cash+ Restricted Cash / Total Operating Expenses | 9.5% | 14.1% | 11.1% | 16.4% | 12.8% | 10.3% |
| Line of Credit/Annual Payroll | 0.0% | 0.0% | 5.6% | 12.0% | 15.7% | 31.6% |
| Current Assets | $489.97 | $518.11 | $571.98 | $600.89 | $650.59 | $578.36 |
| Current Liabilities | $323.71 | $366.24 | $323.76 | $458.10 | $470.46 | $424.77 |
| **Net Current Assets** | **$166.26** | **$151.87** | **$248.23** | **$142.79** | **$180.13** | **$153.59** |

Source: SEPTA certified audits

**Exhibit 20. End-of-Year Cash Balance, FYE 2014–2020**



## OPERATING BUDGET PROJECTIONS

In April 2021, SEPTA released its proposed $1.52 billion operating budget for Fiscal Year 2022. The budget includes funding to restore service to pre-pandemic levels without increasing passenger fares. With ridership levels only about 38 percent of pre-COVID levels, SEPTA operated at a loss of about $1 million per day in fare revenue during the height of the pandemic. However, federal COVID-19 relief funding will be used to offset operating losses. SEPTA's Fiscal Year 2022 budget proposes increasing service for buses, subways, and trolleys to 96 percent of pre-COVID levels and returning regional rail service to 80 percent of pre-COVID levels (**Exhibit 21**).

**Exhibit 21. Operating Budget Projections, FYE 2022–2027**

| Operating Budget Projections (Millions) | Projected | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2022 | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027 |
| **Revenue** | | | | | | |
| Passenger Revenue | $264.99 | $380.87 | $384.68 | $388.52 | $411.83 | $415.95 |
| Shared-Ride Program | $9.57 | $13.11 | $13.24 | $13.37 | $13.51 | $13.64 |
| Other Income | $32.14 | $44.67 | $45.34 | $46.02 | $46.71 | $47.42 |
| Total Revenue | $306.70 | $438.65 | $443.26 | $447.92 | $472.06 | $477.01 |
| **Expenses** | | | | | | |
| Labor and Fringe Benefits | $1,111.67 | $1,137.57 | $1,163.73 | $1,190.50 | $1,217.88 | $1,245.89 |
| Materials and Services | $305.37 | $321.13 | $330.12 | $339.36 | $346.15 | $353.07 |
| Claims | $24.21 | $24.69 | $25.18 | $25.69 | $26.20 | $26.73 |
| Propulsion Power | $24.83 | $26.69 | $25.84 | $27.38 | $27.93 | $28.49 |
| Fuel | $18.97 | $20.11 | $20.81 | $21.54 | $22.29 | $23.07 |
| Other Expenses (Incl. Depreciation) | $31.40 | $32.03 | $32.83 | $33.65 | $34.49 | $35.36 |
| Total Expenses | $1,516.44 | $1,561.84 | $1,599.52 | $1,638.11 | $1,674.94 | $1,712.60 |
| Operating Deficit | ($1,209.74) | ($1,123.19) | ($1,156.25) | ($1,190.19) | ($1,202.88) | ($1,235.59) |
| **Operating Subsidies** | | | | | | |
| Federal Subsidy | $368.08 | $367.39 | $216.39 | $96.48 | $97.31 | $98.77 |
| State Subsidy | $731.03 | $655.11 | $815.13 | $950.18 | $959.96 | $987.15 |
| Local Subsidy | $106.12 | $96.14 | $120.15 | $138.89 | $140.93 | $144.95 |
| Other Subsidy | $4.50 | $4.55 | $4.59 | $4.64 | $4.68 | $4.73 |
| Total Subsidies | $1,209.74 | $1,123.19 | $1,156.25 | $1,190.19 | $1,202.88 | $1,235.59 |
| **Surplus/(Deficit)** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** |

Source: SEPTA proposed FY 2022 Operating Budget

## CAPITAL FUNDING AND BUDGET PROJECTIONS

SEPTA's capital budget allocates funding to 13 capital investment programs:

- Bridge Program
- Communications, Signal, and Technology Improvements
- Financial Obligations
- Infrastructure Safety Renewal Program
- Maintenance/Transportation Shops and Offices
- Projects of Significance: Early Actions
- Safety and Security Improvements
- SEPTA Key
- Service Restoration
- Stations, Loops, and Parking Improvements
- Substations and Power Improvements
- Track and Right-of-Way Improvements
- Vehicle Acquisitions and Overhauls

### CAPITAL FUNDING

SEPTA's FY 2020 Capital Budget allocated $675.05 million in available funding to the 13 capital investment programs (**Exhibit 22**). From FYE 2015 to FYE 2020, SEPTA annually allocated amounts ranging from $534.54 million to $749.62 million toward its capital program (**Exhibit 23**). The vehicle acquisitions and overhauls program represents the largest share of SEPTA's capital budget, consistently representing one-quarter of the total at an average of $190.52 million per year. FYE 2018 and FYE 2019 had the largest capital budgets, with $727.23 million and $749.62 million, respectively, allocated to vehicle acquisitions and overhauls. SEPTA spends about $60 million on capital debt service annually.

### CAPITAL BUDGET PROJECTIONS

SEPTA's capital program is a 12-year budget that identifies funding for core infrastructure improvements. These include "Projects of Significance," including Trolley Modernization, King of Prussia Rail and station accessibility projects, fleet replacement, and infrastructure work to address state-of-good-repair needs. SEPTA released its proposed $618.86 million FY 2022 Capital Budget and $7.4 billion 12-Year Program in April 2021.

SEPTA's FY 2022 Capital Budget allocates $618.86 million in federal, state, and local funds to its capital program. State 1514 funds represent the largest share of SEPTA's capital budget, accounting for 57 percent of total capital funding (**Exhibit 24**). SEPTA's federal capital funding comes from several Federal Transit Administration (FTA) formula funding programs and additional federal funds flexed to the Authority by PennDOT (**Exhibit 25**).

As part of SEPTA's FY 2022 Capital Budget and 12-Year Program, the Authority provides reduced funding scenarios that reflect the loss of capital budget in the event that the capital funds provided by Act 89 of 2013 are not replaced. Under this scenario, capital funding would decline by a total of $2.2 billion over the 12 years, beginning in FY 2023, an annual reduction of approximately $200 million. The reduced 12-Year Capital Program scenario is $5.2 billion, or 30 percent less than the full-funding scenario presented in the currently programmed $7.4 billion budget through FYE 2033 (**Exhibit 26**).

**Exhibit 22 SEPTA Fiscal Year 2020 Capital Funding by Program**

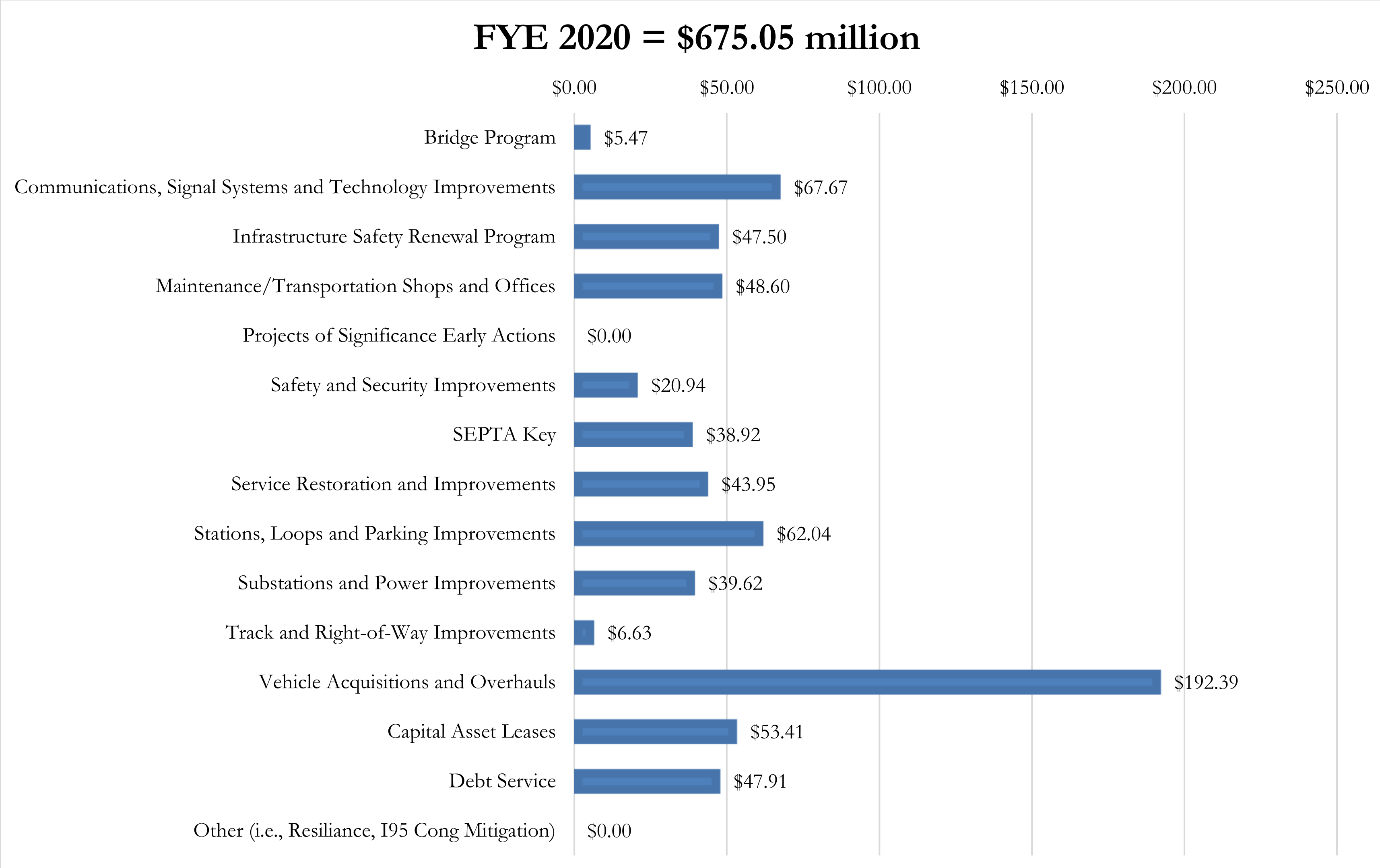


**Exhibit 23. Capital Funding, FYE 2015–2020**

| Capital Programs (Millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Bridge Program | $43.43 | $48.00 | $33.00 | $9.64 | $5.24 | $5.47 |
| Communications, Signal Systems, and Technology Improvements | $58.39 | $33.54 | $18.00 | $36.73 | $42.01 | $67.67 |
| Infrastructure Safety Renewal Program | $35.50 | $35.50 | $43.50 | $45.50 | $46.50 | $47.50 |
| Maintenance/Transportation Shops and Offices | $22.85 | $25.66 | $22.49 | $56.14 | $47.55 | $48.60 |
| Projects of Significance Early Actions | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Safety and Security Improvements | $2.50 | $20.00 | $16.50 | $19.79 | $19.58 | $20.94 |
| SEPTA Key | $21.34 | $45.00 | $77.15 | $99.63 | $70.22 | $38.92 |
| Service Restoration and Improvements | $0.00 | $1.00 | $1.40 | $2.10 | $35.20 | $43.95 |
| Stations, Loops, and Parking Improvements | $68.33 | $47.00 | $43.80 | $87.70 | $77.69 | $62.04 |
| Substations and Power Improvements | $60.99 | $17.50 | $21.27 | $21.76 | $30.59 | $39.62 |
| Track and Right-of-Way Improvements | $10.76 | $15.00 | $3.79 | $3.73 | $7.60 | $6.63 |
| Vehicle Acquisitions and Overhauls | $116.89 | $160.47 | $168.00 | $241.60 | $263.74 | $192.39 |
| Capital Asset Leases | $43.44 | $34.72 | $48.02 | $48.29 | $48.32 | $53.41 |
| Debt Service | $51.55 | $51.15 | $51.71 | $54.62 | $55.38 | $47.91 |
| Other (i.e., Resilience, I-95 Congestion Mitigation) | $35.80 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Total Capital Budget** | **$571.77** | **$534.54** | **$548.63** | **$727.23** | **$749.62** | **$675.05** |

**Exhibit 24. FY 2022 Capital Budget by Funding Source**

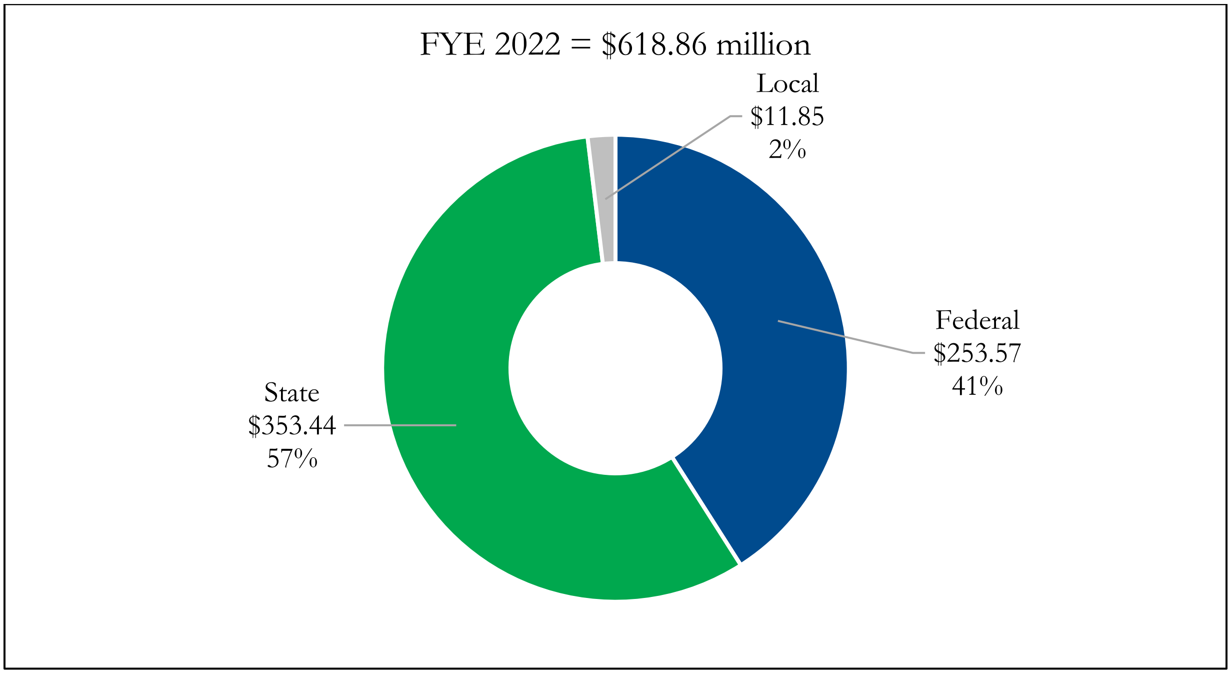
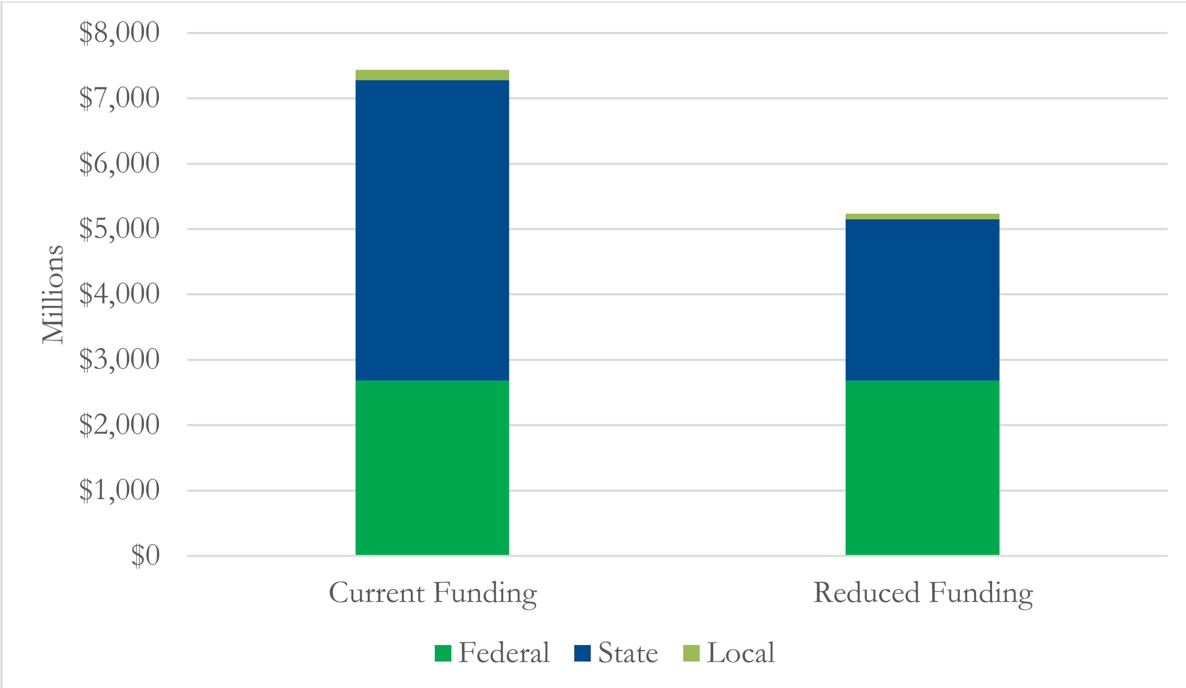



**Exhibit 25. FY 2022 Capital Budget Federal Funding Estimates**

| Federal Funding Program | Amount (In Millions) |
|---|---|
| FTA Section 5307 | $104.97 |
| FTA Section 5340 | |
| FTA Section 5337 | $121.49 |
| FTA Section 5339 | $8.53 |
| Highway Flex | $17.08 |
| Transit Security Grant Program | $1.50 |
| **Total Federal Funding** | **$253.57** |

**Exhibit 26. Twelve-Year Capital Program Current and Reduced Funding Scenarios**




Under current funding levels, the FY 2022 Capital Budget assumes an average of $620 million in capital spending per year compared to $436 million, on average, in the reduced funding scenario (**Exhibit 27**). SEPTA anticipates the capital budget will shrink by about one-third between FYE 2023 and FYE 2033 (**Exhibit 28**).

If SEPTA were to maintain current funding levels (**Exhibit 29**), the Authority would continue to fund the vehicle acquisitions and overhaul program at approximately $205 million per year on average. Projects of Significance, including Trolley Modernization, Bus Network Redesign, and the King of Prussia Rail and station accessibility projects would receive $326 million between FYE 2022 and FYE 2033.

In the reduced state capital funding scenario, SEPTA assumes local matching funds would decrease as well (**Exhibit 30**). The plan for this scenario anticipates no change in budgeted debt service payments, capital leases, infrastructure safety renewal, service restoration, or funds allocated to paying off other loans. However, SEPTA would eliminate funding for planned Projects of Significance, substations, and power. Investments in bridges, communications, buildings, and station improvements would be significantly reduced. SEPTA would prioritize the remaining capital funds for vehicle replacements and overhauls.

**Exhibit 27. Capital Funding Levels Current vs. Reduced, FYE 2022–2026**

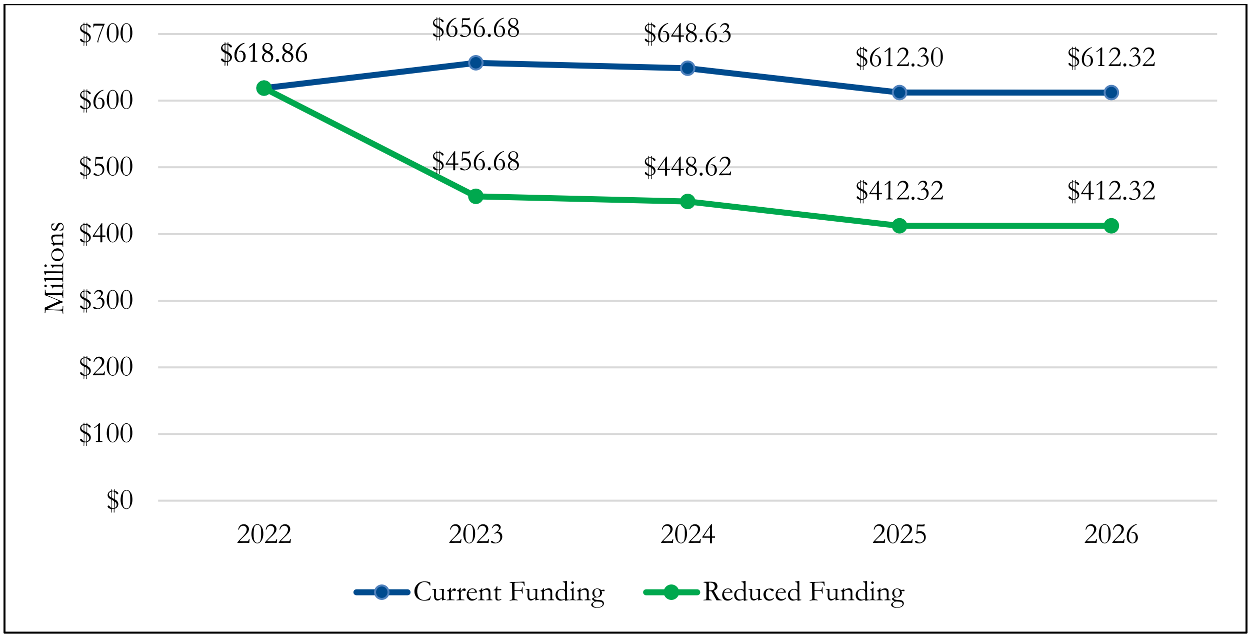



**Exhibit 28. Capital Budget, FYE 2022–2033**

| Capital Budget (Millions) | FYE 2022 | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027-FYE 2033 | Total |
|---|---|---|---|---|---|---|---|
| Current Budget | $618.86 | $656.68 | $648.63 | $612.30 | $612.32 | $4,286.11 | $7,434.90 |
| Reduced Budget | $618.86 | $456.68 | $448.62 | $412.32 | $412.32 | $2,886.11 | $5,234.91 |
| Budget Variance | 0.00% | -30.46% | -30.84% | -32.66% | -32.66% | -32.66% | -29.59% |

**Exhibit 29. Current Capital Budget by Program, FYE 2022–2033**

| Capital Programs (Millions) | FYE 2022 | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027-FYE 2033 |
|---|---|---|---|---|---|---|
| Bridge Program | $20.95 | $21.84 | $23.27 | $23.99 | $23.18 | $174.46 |
| Communications, Signal Systems, and Technology Improvements | $50.02 | $45.68 | $61.61 | $44.28 | $58.21 | $185.15 |
| Infrastructure Safety Renewal Program | $52.00 | $53.00 | $53.00 | $54.00 | $55.00 | $413.00 |
| Maintenance/Transportation Shops and Offices | $30.78 | $26.92 | $35.73 | $26.10 | $12.51 | $118.57 |
| Projects of Significance Early Actions | $31.90 | $22.00 | $31.17 | $35.94 | $17.84 | $187.15 |
| Safety and Security Improvements | $18.49 | $17.94 | $20.57 | $16.25 | $18.25 | $167.84 |
| SEPTA Key | $12.84 | $7.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Service Restoration and Improvements | $45.55 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Stations, Loops, and Parking Improvements | $72.26 | $61.56 | $53.04 | $35.92 | $39.47 | $404.82 |
| Substations and Power Improvements | $25.42 | $33.13 | $33.19 | $35.73 | $44.36 | $241.00 |
| Track and Right-of-Way Improvements | $6.06 | $5.81 | $4.95 | $4.65 | $6.25 | $75.25 |
| Vehicle Acquisitions and Overhauls | $159.72 | $256.67 | $198.40 | $203.66 | $205.04 | $1,512.95 |
| Capital Asset Leases | $0.98 | $33.01 | $65.70 | $67.67 | $69.72 | $547.99 |
| Debt Service | $91.89 | $72.11 | $68.00 | $64.11 | $62.49 | $257.93 |
| Other (i.e., Resilience, I-95 Congestion Mitigation) | $0.00 | $0.01 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Total Capital Budget** | **$618.86** | **$656.68** | **$648.63** | **$612.30** | **$612.32** | **$4,286.11** |

**Exhibit 30. Reduced Capital Budget by Program, FYE 2022–2033**

| Capital Programs (Millions) | FYE 2022 | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027-FYE 2033 |
|---|---|---|---|---|---|---|
| Bridge Program | $26.22 | $6.65 | $7.65 | $3.95 | $3.95 | $30.50 |
| Communications, Signal Systems, and Technology Improvements | $83.57 | $32.90 | $31.00 | $5.00 | $5.00 | $40.00 |
| Infrastructure Safety Renewal Program | $52.00 | $53.00 | $53.00 | $54.00 | $55.00 | $413.00 |
| Maintenance/Transportation Shops and Offices | $28.30 | $3.75 | $5.00 | $2.75 | $2.75 | $25.02 |
| Projects of Significance Early Actions | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Safety and Security Improvements | $15.00 | $18.15 | $16.30 | $11.32 | $8.00 | $56.00 |
| SEPTA Key | $12.84 | $7.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Service Restoration and Improvements | $41.29 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Stations, Loops, and Parking Improvements | $34.86 | $12.36 | $0.75 | $0.75 | $0.75 | $5.25 |
| Substations and Power Improvements | $12.30 | $0.88 | $0.00 | $0.00 | $0.00 | $0.00 |
| Track and Right-of-Way Improvements | $2.25 | $2.25 | $2.25 | $2.25 | $2.25 | $17.25 |
| Vehicle Acquisitions and Overhauls | $217.36 | $214.62 | $198.97 | $200.52 | $202.41 | $1,493.17 |
| Capital Asset Leases | $0.98 | $33.01 | $65.70 | $67.67 | $69.72 | $547.99 |
| Debt Service | $91.89 | $72.11 | $68.00 | $64.11 | $62.49 | $257.93 |
| Other (i.e., Resilience, I-95 Congestion Mitigation) | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Total Capital Budget** | **$618.86** | **$456.68** | **$448.62** | **$412.32** | **$412.32** | **$2,886.11** |

## LONG-TERM DEBT

For agencies that incur long-term debt to help acquire fixed assets, sound debt management is critical. It demonstrates an agency's ability to meet its long-term obligations without jeopardizing its current operations. Lenders and investors consider debt management practices when agencies propose additional debt or seek to refinance existing debt.

### DEBT MANAGEMENT POLICIES AND PRACTICES

A debt management policy establishes the parameters for issuing and managing outstanding debt. It guides the timing and purpose of issuing debt, types and amounts of approved debt, and sale method. Maintaining a debt policy ensures that a public transit authority maintains a sound debt position and protects its credit rating.

SEPTA currently lacks a formal debt ceiling policy. SEPTA's informal policy is to incur debt periodically to finance major capital projects and supplement federal and state grants for smaller capital projects. SEPTA issues debt from the sale of general obligation bonds and directly borrows from lenders. SEPTA states that it must demonstrate its ability to repay before entering into a loan agreement or issuing bonds. SEPTA has issued bonds to finance major capital projects and refinance previous principal balances of prior series bonds under new interest rates and maturity dates.

Per Pennsylvania Statute 74 Pa. Code § 1514(f) (Bonding by award recipients), SEPTA may only incur debt secured by state capital bond funds if, with the approval of the department (i.e., PennDOT) and "… may do so for the purpose of financing a multiyear capital project. The department shall enter into an agreement with the award recipient providing that payments of the awarded funds sufficient to satisfy requirements of the bonds issued be made directly to the trustee of the bondholders until such time as the bonds are retired."

## TYPES OF OUTSTANDING DEBT

SEPTA currently carries two types of long-term debt:

- **General Obligation Bonds** – Revenue Refunding Bonds[6] and Capital Grant Receipt (CGR) Bonds[7] issued to acquire rolling stock, finance capital projects, and fund the Authority's debt service reserve fund.
- **Direct Borrowing** – EB-5 loans[8] to finance capital projects and installment-based lease-purchase agreements with Energy-Saving Companies (ESCO) to finance construction and equipment installation.

Detailed explanations of SEPTA's current long-term debt obligations are provided below.

### Revenue Refunding Bonds (Series 2007, 2010, 2017, and 2019)

SEPTA issued Revenue Refunding Bonds in 2007, 2010, 2017, and 2019 to refund outstanding bonds, pay the premium for an insurance policy for a debt service reserve, and fund termination payments of swap agreements, among other costs and expenses incurred with the issuance and sale of bonds. Revenue Refunding Bonds enabled SEPTA to finance various capital projects, including the Market-Frankford subway-elevated line vehicle acquisition program.

### Capital Grant Receipt Bonds (Series 2011, 2017, and 2020)

SEPTA issued CGR Bonds in 2011, 2017, and 2020 to help finance major capital acquisitions for rolling stock and facility improvement projects, including the purchase of 116 Silverline V regional rail cars, the rehabilitation of the Wayne Junction Intermodal Facility, and the procurement of 140 diesel-electric hybrid buses.

### EB-5 Loans

In 2012, SEPTA secured a $175 million EB-5 loan to finance its new fare payment technology project, SEPTA Key. In 2016, SEPTA secured an additional $300 million authorized through the EB-5 loan program to finance various capital projects. EB-5-loan-financed projects include the Elwyn-Wawa Rail Service Restoration, rehabilitation of 15th Street and City Hall stations, the Substation Rehabilitation Program, and expansion of Fazer Yard, including acquiring locomotives and multi-level train cars for the regional rail system.

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[6] Revenue Refunding Bonds are limited obligations of the Authority and the principal and interest thereon are payable solely from revenues received by the Authority from the Pennsylvania Consolidated Statutes, including all monies distributed to the Authority from the Public Transportation Assistance Fund (PTAF) created under Article XXIII of the Pennsylvania Tax Reform Code of 1917, as amended.

[7] Capital Grant Receipt Bonds are limited obligations of the Authority and are secured and payable solely from Grant Receipts, amounts on deposit in certain funds, and accounts established under the Indenture. Grant Receipts consist of all amounts received by the authority after the date of issuance of the 2011 Bonds from its share of FTA Section 5337 State of Good Repair Funding, and for each federal fiscal year thereafter.

[8] The U.S. Citizenship and Immigration Services (USCIS) EB-5 Program provides loans through foreign investment of at least $500,000 in a designated targeted employment area in a new commercial enterprise.

Lease and Purchase Agreements

SEPTA entered into master equipment leases/purchase agreements with ESCOs in 2015, 2016, and 2019 to finance the construction of a Combined Heat and Power Plant to generate electricity for the Wayne Junction substation and Midvale Bus Maintenance Facility. The ESCO agreements also financed the installation of LED lighting upgrades at SEPTA-owned buildings and other energy-saving equipment at SEPTA's Market Street headquarters. Under the terms of the lease agreements, SEPTA makes annual lease payments (i.e., an operating cost), but owns the asset at the end of the lease.  The operating cost savings of these investments exceed the annual lease costs.

## AMOUNT AND STRUCTURE OF DEBT

Debt levels have increased as SEPTA has taken on debt to finance capital projects and address the Authority's state-of-good-repair needs. The Authority's highest debt levels occurred between FYE 2017 and FYE 2019, with debt levels increasing from approximately $655 million in FYE 2017 to $710 million in FYE 2019. As of FYE 2020, SEPTA had $538.4 million in outstanding long-term debt in the form of bonds, loans, and leases (**Exhibit 31**).

SEPTA's total long-term debt obligation increased from $383.8 million in FYE 2008 to $538.4 million in FYE 2020, including $1.3 million in swap derivative liability and $24.0 million in unamortized premiums. SEPTA had significant periodic increases in debt since FYE 2008 from new bonds, swaps to refund previously issued bonds, EB-5 loans, and ESCO lease agreements:

- FYE 2011 – $206 million in CGR bonds issued in 2011 to finance the Silverliner V project
- FYE 2012 – $175 million EB-5 loan to finance the SEPTA Key project
- FYE 2016 – $300 million EB-5 loan authorization for various capital projects

SEPTA's outstanding obligations to long-term bond debt have decreased from $547 million in FYE 2012 to $238 million in FYE 2020. Direct borrowing in the form of EB-5 loans increased overall debt levels and exceeded bond obligations by FYE 2018, with $377 million in outstanding loans. By FYE 2020, SEPTA's EB-5 loan debt of approximately $240 million was nearly equal to the remaining long-term bond obligations of $238 million (**Exhibit 32**).

**Exhibit 31. Total Long-Term Debt Obligations, FYE 2008–2020**

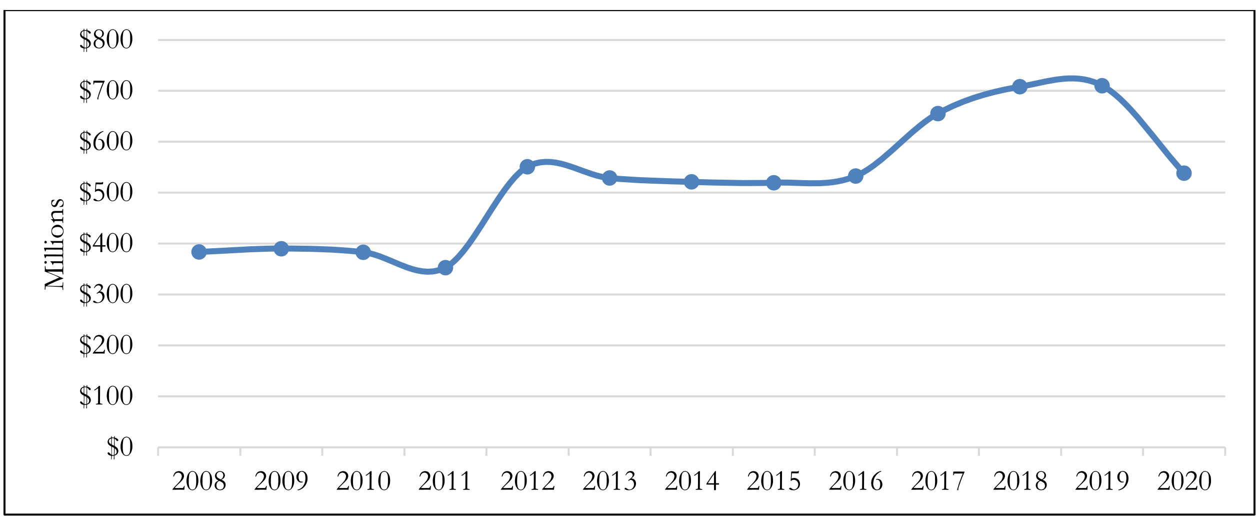
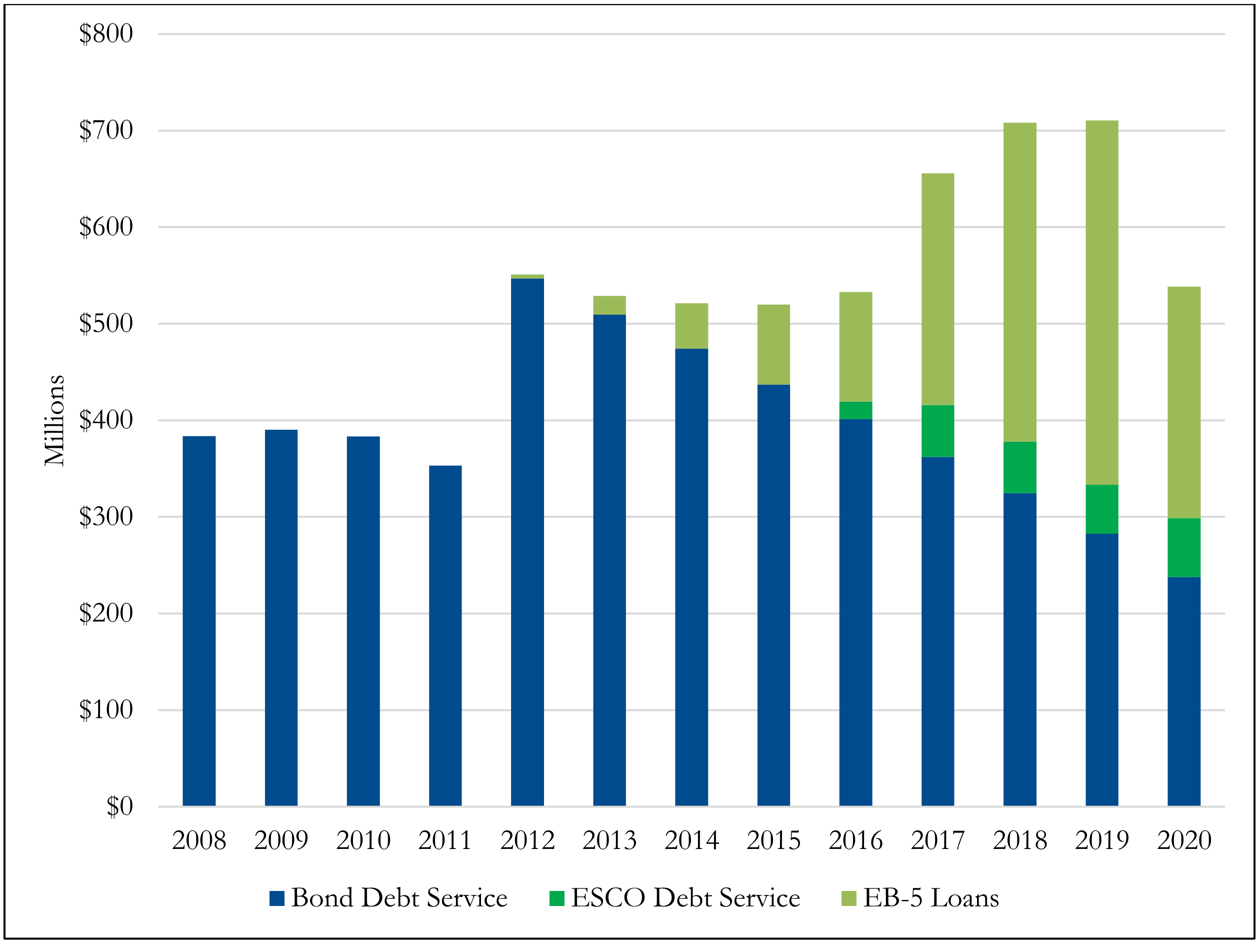


**Exhibit 32. Total Long-Term Debt and Swaps, FYE 2008–2020**



## <u>DEBT AFFORDABILITY</u>

In FYE 2020, SEPTA reported $538.4 million in outstanding debt from general obligation bonds, including swaps used to hedge the interest rate risk associated with those bonds and direct borrowing. SEPTA's flexible debt management approach allows the Authority to incur additional debt as needed to address capital needs, refinance to take advantage of lower market interest rates, and make payments on current portions of long-term debt.

High-level debt affordability indicators provide transit authorities with a means to compare debt position to annual capital funding. According to FYE 2020 funding levels, SEPTA's annual capital debt service payment of $57.5 million equals:

- 58.5 percent of $98.4 million in annual 5307 federal subsidy
- 28.3 percent of $203 million in State 1514 capital grants

## CAPITAL INVESTMENT AND FUNDING/FINANCING NEEDS

SEPTA allocated an average of $60 million annually in capital spending to fund its debt service between FYE 2015 and FYE 2020 (**Exhibit 33**), which was between 7.1 percent and 13.8 percent of the total capital budget. SEPTA anticipates averaging $56.9 million in annual debt service payments from FYE 2021 through FYE 2025 (**Exhibit 34**), ranging from 7.0 percent to 10.1 percent of projected annual capital spending.

**Exhibit 33. Budgeted Capital Debt Service, FYE 2015–2020**

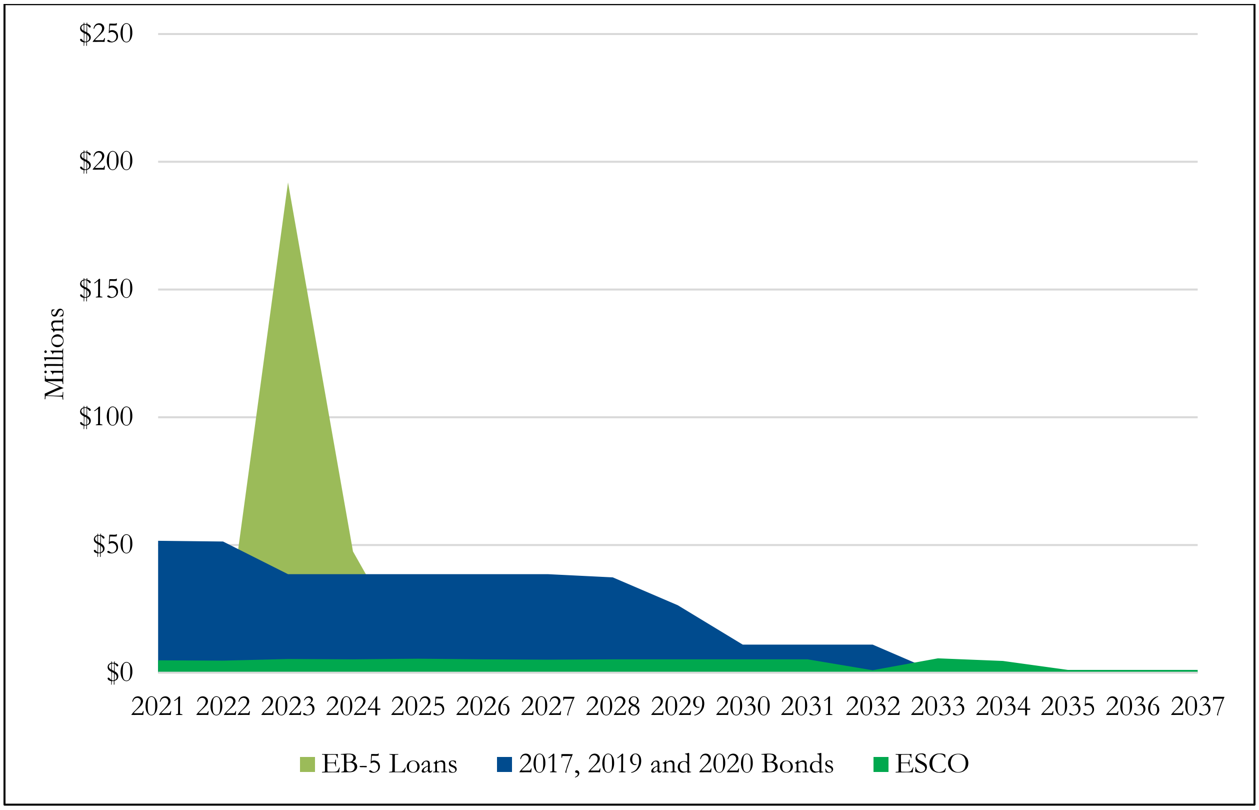
| Capital Debt Service (Millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Budgeted Debt Service | $51.55 | $51.15 | $51.71 | $54.62 | $55.38 | $47.91 |
| Capital Budget | $571.77 | $534.54 | $548.63 | $727.23 | $749.62 | $675.05 |
| Debt to Capital Budget | 9.02% | 9.57% | 9.43% | 7.51% | 7.39% | 7.10% |

**Exhibit 34. Budgeted Capital Debt Service, FYE 2021–2026**

| Capital Debt Service (Millions) | FYE 2021 | FYE 2022 | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 |
|---|---|---|---|---|---|---|
| Budgeted Debt Service | $56.59 | $91.89 | $72.11 | $68.00 | $64.11 | $62.49 |
| Current Capital Budget | $640.23 | $618.86 | $656.68 | $648.63 | $612.30 | $612.32 |
| Reduced Capital Budget | $640.23 | $618.86 | $456.68 | $448.62 | $412.32 | $412.32 |
| Debt Service / Current Capital Budget | 8.84% | 14.85% | 10.98% | 10.48% | 10.47% | 10.21% |
| Debt Service / Reduced Capital Budget | 8.84% | 14.85% | 15.79% | 15.16% | 15.55% | 15.16% |

As shown in **Exhibit 35**, if SEPTA took on no additional long-term capital debt, it could be debt-free by 2037. SEPTA plans to retire all bond debt by 2032 as the 2017 CGR, 2019 Revenue Refunding, and 2020 CGR bonds mature by 2028, 2029, and 2032. The varying tranches totaling $300 million in EB-5 loans SEPTA has drawn will be due for payment between 2022 and 2024. The Authority plans to refinance this debt in 2023. Current ESCO agreements mature between 2026 and 2032. However, several major capital projects (e.g., rail vehicle replacements) could require additional long-term borrowing.

**Exhibit 35. Estimated Debt Service Payoff Schedule, FYE 2021–2037**




Source: SEPTA Annual Audit Reports

## Post-Employment Benefit Programs

Post-employment fringe benefits represent additional long-term debt, though the amounts presented in this report are actuarially determined estimates presented in annual audit reports. SEPTA and its employees contribute to defined post-employment benefits programs, including pensions and other post-employment benefits (OPEB). The long-term liability incurred by these benefit programs results from collective bargaining agreements (CBAs). Their terms are negotiated every few years with the various unions representing SEPTA's employees or plan options for non-union employees. Employees who retire from SEPTA draw benefits from retirement plans and OPEB (i.e., health insurance, disability insurance, and prescription drug coverage). These expenses are classified as current expenses and are included in the annual budget. It is critical to monitor pension contributions and OPEB expenses over the long term to ensure the trajectory of cost changes is financially sustainable.

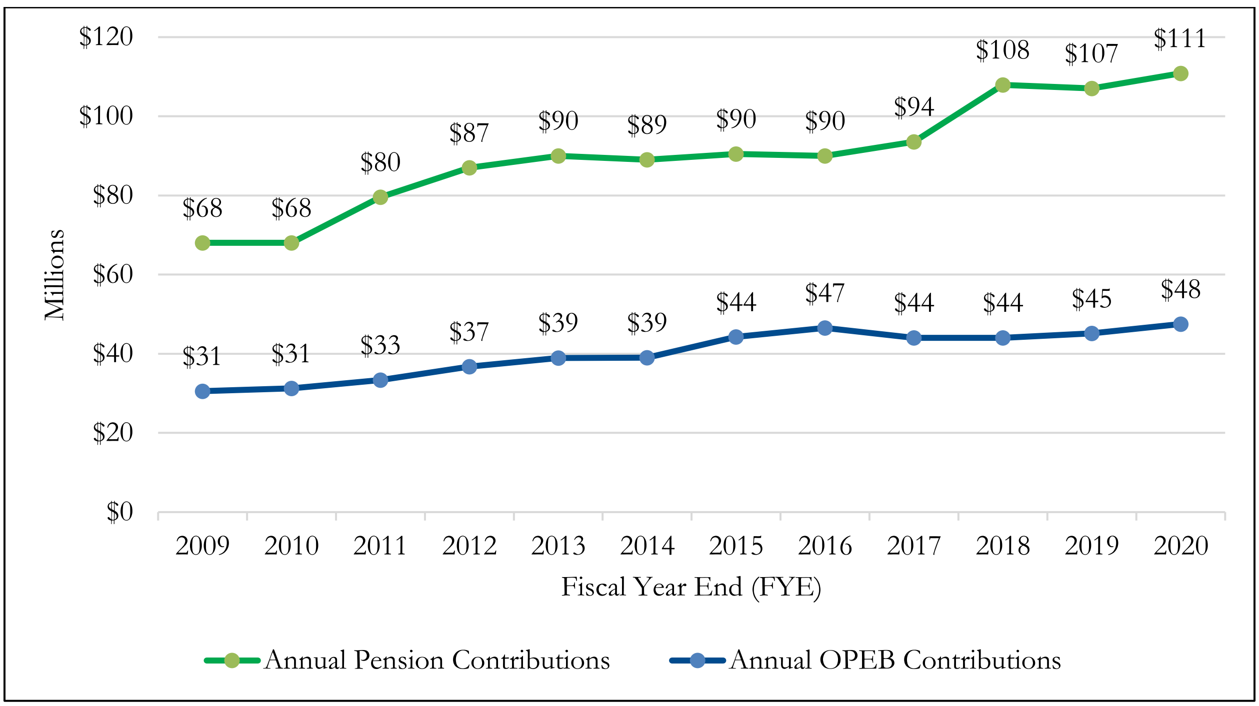
Between FYE 2015 and FYE 2020, total post-employment benefit costs ranged between $134.7 and $158.4 million per year (**Exhibit 36**). Pension contributions and OPEB expenses increased to $110.9 million and $47.5 million, respectively, as of FYE 2020. The total cost of post-employment benefit programs represents 11.7 percent of SEPTA's annual operating budget.

**Exhibit 36. Employee Post-Employment Benefit Plan Costs, FYE 2015–2020**

| Benefit Program Costs (Millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|---|---|---|---|---|---|
| Total Operating Cost | $1,244.8 | $1,273.1 | $1,307.0 | $1,325.8 | $1,365.0 | $1,353.3 |
| Pension Contributions | $90.5 | $90.0 | $93.6 | $108.0 | $107.1 | $110.9 |
| OPEB Expense | $44.2 | $46.6 | $44.1 | $44.1 | $45.1 | $47.5 |
| Total Post-Employment Benefit Costs | $134.7 | $136.5 | $137.6 | $152.0 | $152.2 | $158.4 |
| Pension Contributions / Operating Cost | 7.3% | 7.1% | 7.2% | 8.1% | 7.8% | 8.2% |
| OPEB Expense / Operating Cost | 3.6% | 3.7% | 3.4% | 3.3% | 3.3% | 3.5% |
| Total Post-Employment Benefit Cost / Operating Cost | 10.8% | 10.7% | 10.5% | 11.5% | 11.1% | 11.7% |

SEPTA increased annual pension contributions by 62.9 percent between 2009 and 2020. Annual OPEB costs[9] increased 55.5 percent during that same time (**Exhibit 37**). The change equates to an average yearly cost increase of 4.7 and 4.2 percent for each benefit plan, respectively.

**Exhibit 37. Annual OPEB and Pension Contributions, FYE 2009–2020**




[9] Prior to GASB No. 75, annual OPEB costs were based on annual required contributions that were determined based on paying off the unfunded actuarial liability over several years. Under GASB No. 75, which took effect in FYE 2017, annual OPEB expenses are based on the change in net OPEB liability and adjusted for current-period amortization of deferred outflows and inflows of resources and are no longer based on employer contributions.

## PENSION PLANS

SEPTA maintains five trusted, single-employer, defined-benefit pension plans covering all of its full-time employees, other than regional rail union employees.[10] The Human Resources Department administers the pension plans. These retirement plans are available to specific categories of employees as follows:

- **Supervisory, Administrative, and Management Employees (SAM)** – All regular full-time non-bargaining employees effective immediately upon hire.
- **Transit Police (TP)** – Full-time employees who are members of the transit police bargaining unit, effective on the first day of the month after hire.
- **City Transit Division** – Full-time City Transit employees who are members of the Transport Workers Union (TWU) Local 234 or the International Brotherhood of Teamsters (IBT) Local 500, effective July 1 following six months of employment.
- **Suburban Transit Division** – Full-time employees of the Suburban Transit Division who are members of TWU Local 234 or the United Transportation Union (UTU) Local 1594, effective July 1 following six months of employment.
- **Frontier Division** – Full-time employees of the Frontier Division who are members of TWU Local 234 or UTU Local 1594, effective July 1 following six months of employment.

SEPTA's Board has the power to amend benefit provisions for the SAM pension plan. However, the plans for the transit police, City Transit Division, Suburban Transit Division, and Frontier Division result from collective bargaining agreements in effect at the time of retirement. Any bargaining unit employee (except for transit police) may retire with an unreduced pension benefit at age 62 following five years of credited service or after 30 years of credited service with no age restriction.

SEPTA's current policy provides employer contributions for all plans based on actuarially determined rates recommended by an independent actuary (**Exhibit 38**). This rate estimates the amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to fund any unfunded liability.[11] SEPTA's unfunded net pension liability has generally increased since FYE 2008 (**Exhibit 39**), with the unfunded portion of the net pension liability exceeding the currently available assets of all plans. In FYE 2019, SEPTA began to reverse this trend by reducing net pension liability by $41 million in FYE 2019 and $14.6 million in FYE 2020. **Exhibit 40** provides a timeline of significant changes that impacted pension plans since 2008 and have contributed to the current unfunded net pension liability of $895 million as of FYE 2020.

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[10] Regional rail union employees are covered under pension provisions of the Railroad Retirement Act.
[11] Unfunded liabilities are the remaining amount owed to employees if SEPTA had to perform an immediate payout.

**Exhibit 38. SEPTA Pension Plan Contribution Rates, FYE 2020**

| Contribution Rates | SAM* | Transit Police | City Transit | Suburban | Frontier |
|---|---|---|---|---|---|
| SEPTA | 34.90% | 24.40% | 18.30% | 15.10% | 5.50% |
| Plan Members | * | 3.85% | $50/Pay | $50/Pay | $50/Pay |
| SEPTA Contributions | $49.0 million | $3.5 million | $52.9 million | $4.8 million | $675 thousand |

*Note: For SAM employees hired after August 1, 2015, 0.9% of pay up to Social Security covered compensation plus 1.1% of pay over Social Security covered compensation from July 1, 2015, through December 1, 2015, and 2.5% of the annual salary rate after that.

**Exhibit 39. Unfunded Net Pension Liability, FYE 2008–2020**

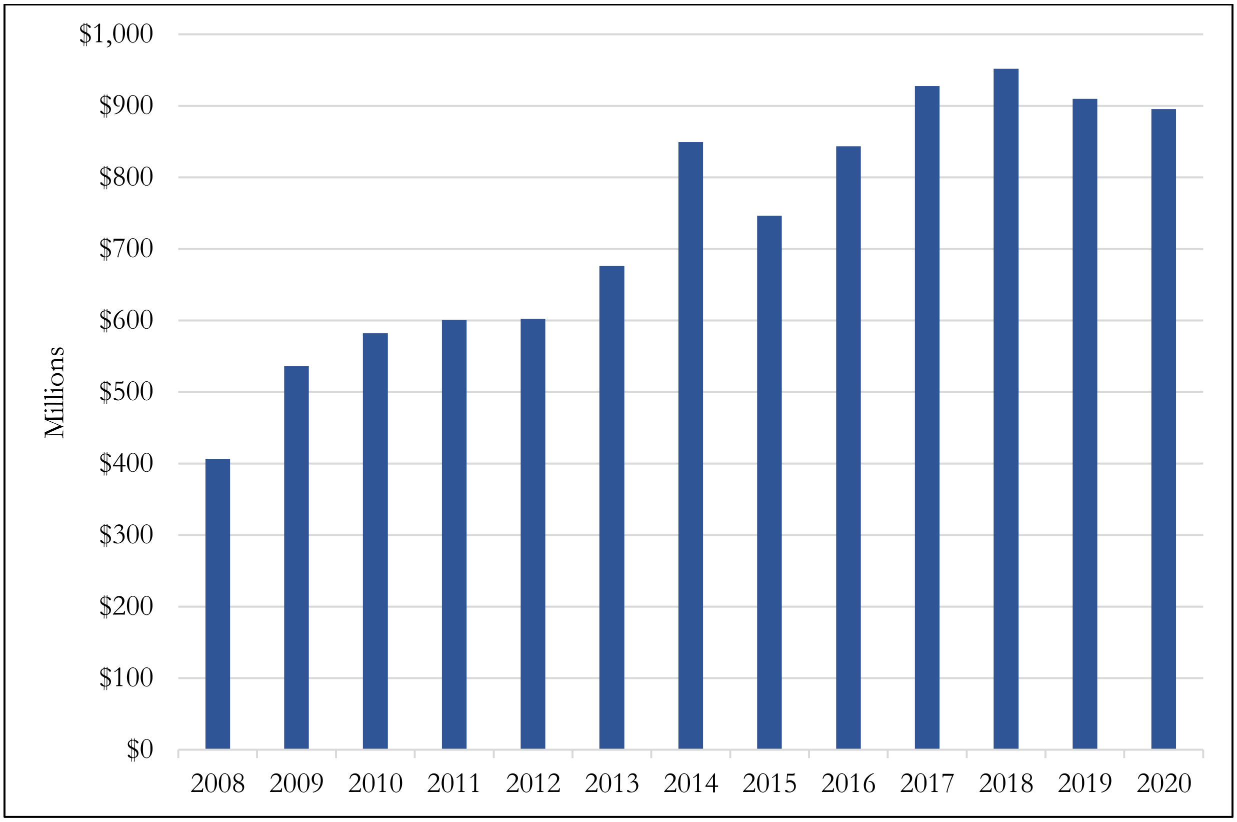


**Exhibit 40. Timeline of Significant Changes Impacting Pension Plans, 2008–2017**

| Year(s) | Pension Changes |
|---|---|
| 2009 | Actuarial assumptions on salary growth, withdrawals, and retirement changed. |
| 2012-2015 | Pension cost was affected by annual amortization period reduction. The amortization period decreased by one year annually from 30 years to 26 years. |
| 2012 | The investment rate of return assumption was lowered from 8 percent to 7.75 percent. |
| 2013 | City Transit, Suburban, and Frontier employee contribution rates increased from 2.5 percent to 3.5 percent. |
| 2014 | Pension costs and liabilities were recalculated based on new reporting methods. |
| 2015 | Changes to the pension reporting method significantly increased deferred inflows and outflows, net pension liabilities, and net position. |
| 2016 | The assumed rate of inflation and return were both reduced by 0.25 percent. |
| 2016-2017 | The required contribution for certain plan members changed from a percentage of compensation to a weekly or monthly rate. |
| 2017 | Employer's contribution was increased by 3.3 percent for SAM plans but decreased for all other plans. |

## OTHER POST-EMPLOYMENT BENEFITS (OPEB)

SEPTA sponsors a single-employer defined benefit plan that provides OPEB for four employee classes: SAM, TP, Non-Railroad Union Groups, and Railroad Union Groups. The OPEB provides post-employment medical insurance, prescription drug coverage, and life insurance benefits for most employees following retirement.  The duration of benefits vary based on CBAs:

- **Health Insurance** – Generally provided for 40 months for bargaining unit employees and 36 months for SAM employees.
- **Prescription Drugs** – Benefits are generally provided over the retiree's lifetime for SAM and non-railroad union groups, except for employees hired after November 2005 for whom coverage ends at 65. Prescription drug benefits end at the earlier of a) three years post-employment, or b) age 65 for railroad union groups and transit police.
- **Life Insurance** – Covers all employees in various amounts. SEPTA provides life insurance to a maximum of the final annual salary for SAM employees, decreasing annually to 20 percent after four years.
- **Long-Term Disability Insurance** – Eligible employees have coverage after one year of employment with SAM and transit police. Union employees have disability benefits under their pension plans.

As of the FYE 2020 certified audit, SEPTA had 8,172 inactive employees or beneficiaries currently receiving benefit payments and 9,418 active employees contributing to benefit plans. The FYE 2020 total OPEB liability consisted of $1.256 billion, a 6.6 percent increase from the FYE 2019 total OPEB liability of $1.178 billion. SEPTA determined OPEB liability using the following actuarial assumptions and other inputs:

- **Discount Rate** – 3.87 percent per annum as of June 30, 2018, and 3.50 percent per annum as of June 30, 2019.
- **Salary Increases** – 3.25 percent per year for SAM members; 2.75 percent for all other members.
- **Valuation Compensation** – Annualized wage rate as of June 30, 2019.
- **Health Cost Trend** – Based on the Society of Actuaries Getzen Model version 2020.2 using the baseline assumptions included in the model, except inflation of 2.5 percent for medical and prescription drug benefits separately.
- **Other Inputs** – Costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions.

**Exhibit 41** presents OPEB cost trends from FYE 2008 through FYE 2020. Since FYE 2013, SEPTA has managed to reduce annual OPEB expenses. Following the release of GASB No. 75, which took effect in FYE 2017, annual OPEB expenses dropped significantly as the expense became the net change in OPEB liability and no longer factored employee contributions into annual expenses. **Exhibit 42** provides a timeline of significant changes impacting OPEB since 2008, contributing to the rise in costs.

**Exhibit 41. OPEB Cost Trends, FYE 2008–2020**

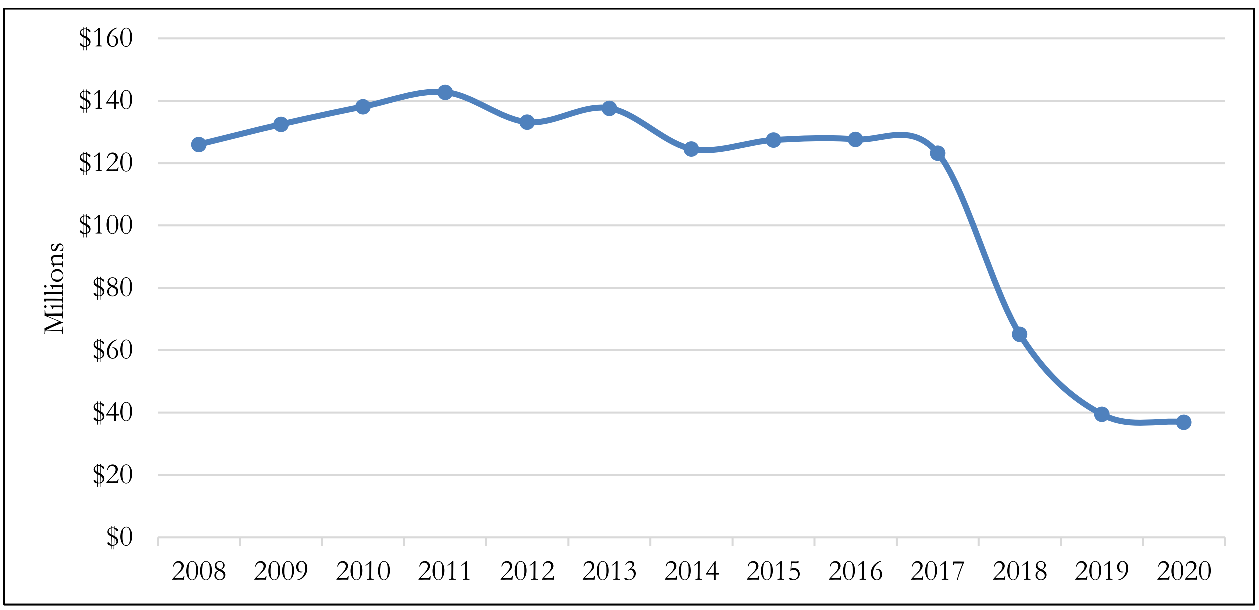


**Exhibit 42. Timeline of Significant Changes Impacting OPEB Costs**

| Year(s) | OPEB Changes |
|---|---|
| 2008 | New demographic assumptions were adopted. |
| 2012 | Converted from a provider premium-based healthcare plan to a self-insured plan. |
| 2014 | Expenses decreased 13.2 percent due to converting to a self-insured plan in 2021. Investment rate of return assumption was lowered from 4 percent to 3.75 percent. |
| 2015 | Expenses decreased due to high contributions and a decrease in the duration of medical benefits provided to management employees selecting the HMO option at retirement, from 50 months to 36 months. |
| 2016 | The investment rate of return assumption went from 3.75 percent to 3.50 percent. Changing the discount rate and demographic assumptions resulted in increased actuarial liability. |
| 2017 | Expenses decreased by 2.3 percent primarily due to higher employee contributions and changes in prescription and medical copays. GASB No. 75 took effect. |
| 2018 | SEPTA adopted a new actuarial valuation method: Entry Age Normal Actuarial Cost Method. Assumptions were adjusted, and the discount rate was changed. Expenses decreased by 126.6 percent due to the implementation of new reporting methods. |
| 2019 | Plan changes for police and union rail members included the duration of medical coverage upon retirement, from 36 months for PPO coverage and 40 months for HMO coverage to 40 months regardless of plan election. For union rail members, excluding TCU, prescription drug coverage was extended from three years to five years. |

Per the SEPTA Interim Performance Review conducted in 2018, SEPTA management reported that the Authority's prior lifetime prescription drug coverage for SAM and non-union railroad groups significantly contributed to the rise in annual OPEB costs through 2012. SEPTA's actuary anticipates prescription-drug-related OPEB costs will stabilize after those employees no longer receive lifetime benefits. Employees hired after 2005 only receive this coverage until age 65.

## ASSESSMENT

SEPTA maintains a balanced operating budget and typically retains 10 to 15 percent of its operating budget in cash reserves. Management uses operating lines of credit to fill in short-term financing needs. Key observations from SEPTA's financial review include:

- Annual debt service equals 4.3 percent of annual operating costs for FYE 2020.
- More than 95 percent of SEPTA's operating costs are for fixed-route service.
- Post-employment benefits (i.e., pensions, life insurance, retiree healthcare, etc.) represent between 11 and 12 percent of annual operating costs.
- Capital debt service is projected to be approximately $55 to $60 million per year between 2015 and 2030, or about 7 to 9 percent of the annual capital budget.
- Capital debt service will likely increase beyond 2030 due to the need to finance large capital state-of-good-repair expenditures (e.g., rail car replacements, bridge repairs, track upgrades, etc.). It should be noted that any debt secured by future state funds must receive PennDOT approval and may only be used to finance a multi-year capital project (74 Pa. Code § 1514). Payments for these bonds would be made directly to the bondholders' trustee until the bonds are retired, reducing SEPTA's future annual 1514 grant receipts by an amount equal to the combined principal and interest payments.

- Impacts from the COVID-19 pandemic include significant decreases in overall ridership and revenues, most acutely observed on regional rail.
- SEPTA's operating budget assumes ridership and revenues will stabilize by 2023, by which point the federal COVID-relief funding is expected to be fully exhausted.

SEPTA's total carryover subsidies are expected to increase substantially in the short run due to the federal COVID-relief funding. These funds and other management cost savings initiatives should offset operating losses resulting from the decreased revenues and higher costs incurred in response to the COVID-19 pandemic. Management should continue taking appropriate actions to manage costs, achieve farebox recovery goals, and maintain cash reserves to preserve SEPTA's overall financial health.

# APPENDIX A: DATA ADJUSTMENTS

There were minor discrepancies in operating statistics reported between NTD and dotGrants. Adjustments were made to reconcile differences that occurred from NTD reporting requirements for other sources of revenue and costs. Prior to FYE 2021, SEPTA had two methods of reporting ridership that caused discrepancies between dotGrants and NTD. **All values in this report are adjusted to dotGrants values where possible.**

| Variable | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 |
|---|---|---|---|---|---|---|---|---|
| Ridership* | | | | | | | | |
| NTD | 345,399,752 | 342,454,507 | 352,823,042 | 323,045,734 | 317,870,945 | 306,753,356 | 240,401,305 | 105,300,489 |
| dotGrants | 328,376,955 | 328,274,764 | 324,302,910 | 306,663,621 | 301,228,027 | 291,421,685 | 222,383,368 | 105,300,489 |
| diff between dotGrants and NTD | (17,022,797) | (14,179,743) | (28,520,132) | (16,382,113) | (16,642,918) | (15,331,671) | (18,017,937) | - |
| % Difference | -4.9% | -4.1% | -8.1% | -5.1% | -5.2% | -5.0% | -7.5% | 0.0% |
| Operating Costs* | | | | | | | | |
| NTD | $1,171,777,418 | $1,186,183,245 | $1,214,667,168 | $1,242,745,480 | $1,265,491,066 | $1,296,324,311 | $1,296,131,736 | $1,297,805,425 |
| dotGrants | $1,171,777,418 | $1,186,183,245 | $1,214,667,173 | $1,242,745,482 | $1,265,491,066 | $1,296,324,312 | $1,296,131,736 | $1,297,805,425 |
| diff between dotGrants and NTD | $0 | $0 | $5 | $2 | $0 | $1 | $0 | $0 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Revenue* | | | | | | | | |
| NTD | $504,606,942 | $513,311,411 | $507,039,464 | $476,606,479 | $501,148,225 | $497,460,515 | $392,529,131 | $191,883,703 |
| dotGrants | $505,764,322 | $510,883,519 | $506,952,037 | $478,538,023 | $512,334,200 | $502,563,768 | $392,529,131 | $191,883,703 |
| diff between dotGrants and NTD | $1,157,380 | -$2,427,892 | -$87,427 | $1,931,544 | $11,185,975 | $5,103,253 | $0 | $0 |
| % Difference | 0.2% | -0.5% | 0.0% | 0.4% | 2.2% | 1.0% | 0.0% | 0.0% |
| Revenue Hours | | | | | | | | |
| NTD | 6,314,836 | 6,283,631 | 6,305,028 | 6,315,781 | 6,466,252 | 6,497,418 | 5,997,322 | 5,832,475 |
| dotGrants | 6,066,954 | 6,190,490 | 6,305,028 | 6,270,945 | 6,466,252 | 6,497,418 | 5,997,322 | 5,832,475 |
| diff between dotGrants and NTD | (247,882) | (93,141) | - | (44,836) | - | - | - | - |
| % Difference | -3.9% | -1.5% | 0.0% | -0.7% | 0.0% | 0.0% | 0.0% | 0.0% |
| Performance Metrics without Adjustment (NTD) | | | | | | | | |
| Pass/Rev Hr | 54.70 | 54.50 | 55.96 | 51.15 | 49.16 | 47.21 | 40.08 | 18.05 |
| Op Rev/Rev Hr | $79.91 | $81.69 | $80.42 | $75.46 | $77.50 | $76.56 | $65.45 | $32.90 |
| Op Cost/Rev Hr | $185.56 | $188.77 | $192.65 | $196.77 | $195.71 | $199.51 | $216.12 | $222.51 |
| Op Cost/Pass | $3.39 | $3.46 | $3.44 | $3.85 | $3.98 | $4.23 | $5.39 | $12.32 |
| Adjusted Performance Metrics (dotGrants) | | | | | | | | |
| Pass/Rev Hr | 54.13 | 53.03 | 51.44 | 48.90 | 46.58 | 44.85 | 37.08 | 18.05 |
| Op Rev/Rev Hr | $83.36 | $82.53 | $80.40 | $76.31 | $79.23 | $77.35 | $65.45 | $32.90 |
| Op Cost/Rev Hr | $193.14 | $191.61 | $192.65 | $198.18 | $195.71 | $199.51 | $216.12 | $222.51 |
| Op Cost/Pass | $3.57 | $3.61 | $3.75 | $4.05 | $4.20 | $4.45 | $5.83 | $12.32 |

* NTD operating costs are the sum of modes. Non-mode-specific items were added to NTD modal values to arrive at NTD totals.

# APPENDIX B: 2016 PERFORMANCE REVIEW ACTION PLAN ASSESSMENT

***Last Updated October 2019***

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| Operating cost per revenue vehicle hour: To bring the rate of change in operating cost per revenue vehicle hour down to a sustainable level, the goal should be to gain additional productivity from fixed-bus routes | **Conduct surface network planning workshop** with partner agencies, including the City of Philadelphia Streets Department & Delaware Valley Regional Planning Commission | 12/31/16 | **COMPLETE:** Two-day surface network planning workshop held with consultant Jarrett Walker, 12/5-6/16; Day 1: SEPTA Senior Management; Day 2: Regional Planning Commission & Partners. |
| | **Advance Roosevelt Boulevard Bus Rapid Transit (BRT) project** to increase efficiencies of surface transportation network in Northeast Philadelphia | 10/22/17 | **COMPLETE:** Roosevelt Boulevard BRT project "Boulevard Direct Bus" was implemented on October 22, 2017; public comments since implementation have been overwhelmingly positive; weekday ridership has grown to 3,500 weekday passengers. Ridership at the outermost stations has shown the most growth, and a station was added at Southampton Road in February 2018. Customer travel time has been reduced by 20-35% depending on time of day, and reliability is a significant improvement when compared to the local Route 14 service (now ~90% on-time performance). |
| | | 10/01/22 | **IN PROGRESS:** Plans are progressing to extend the Boulevard Direct south along Roosevelt Boulevard and Hunting Park Avenue to an expanded Wissahickon Transportation Center, to open in approximately three years. The City is already applying for grant funds to construct stations as far south as Broad Street. |

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| | **Develop scope of work for comprehensive bus system plan** based on lessons learned from Roosevelt Boulevard BRT project, new data available from SEPTA Key, and benchmarking from other agencies/regions | Ongoing | **COMPLETE:** Jarrett Walker + Associates report, "Philadelphia Bus Network Choices Report," published on June 21, 2018 and is available here: http://www.septa.org/service/bus/network/. Report will serve as precursor for in-house led effort to plan potential network changes. As a recommendation of the Jarrett Walker report and an early action initiative towards a comprehensive bus network optimization, SEPTA has now published a frequency map emphasizing the corridors that already have high-frequency bus service: http://www.septa.org/frequency/. |
| | **Continue to collaborate through Transit First Committees and Annual Service Plan** to pursue route-level efficiencies based on ad hoc analysis and customer feedback | Ongoing & Complete | **ONGOING – TRANSIT FIRST (NOW "CONNECT"):** Committees have been re-structured under new "Connect" Committee name. Newly named Transit Priority Committee will continue with a corridor-based" approach to improving service, looking to improve both speed & reliability.<br>**COMPLETE – ANNUAL SERVICE PLAN (ASP):** The FY 2020 ASP was adopted by the SEPTA Board in June 2019. The FY 2020 ASP consists primarily of proposed changes to the Service Standards and Process, to reflect industry best practices and the use of new metrics for route and network evaluation. SEPTA is proposing to evaluate route performance through two metrics: cost per passenger and passengers per revenue-hour. It will also evaluate the places reachable throughout the network when a change is proposed, as well as route directness. The ASP also included making permanent minor changes to Routes 40, 73, 104, and 131 that have been operating under experimental authority. The final element of the FY 2019 ASP, the reorganization of Routes 204, 205, and 206 (reorganization of Routes 204 and 206 and discontinuance of Route 205) was implemented in September 2019. Implementation included extensive public outreach. |

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| Operating revenue per revenue vehicle hour: Possible methods for increasing operating revenues include targeted marketing and route branding of service; leveraging SEPTA-owned properties or park-and-ride parcels along each corridor for future residential/commercial development; expanded sales of station naming rights by neighborhood or commercial sponsor, and expansion of advertising through the use of vehicle wraps. The implementation of the SEPTA Key new fare payment system could reduce fare evasion and speed up boardings in ways that increase operating revenue per vehicle hour. | **Convene SEPTA Ridership Growth Innovation Team**, chartered to develop a comprehensive plan for ridership growth with focus areas to include: 1) pass penetration preservation & growth; 2) institutional partnerships; 3) marketing & customer amenities; 4) station access & capacity; and 5) fare evasion/lost revenue mitigation | Ongoing | **COMPLETE, WITH INITIATIVES ONGOING:** Ridership Growth Innovation Team established, with kickoff meeting held on 2/22/17; Ridership Growth Strategic Plan finalized, with three working groups established to evaluate growth strategies based on customer typology – "new," "occasional," and "frequent" rider; Round 1 of project proposals generated two initiatives: 1) a How-To Ride microsite on SEPTA.org; and 2) a Regional Rail Station Signage improvement program. Round 2 of project proposals generated three initiatives: 1) Improved Communications of Detours; 2) Bus Detour Protocols for Major Events; and 3) "Welcome All" – Making SEPTA Simpler for All. |
| | **Convene SEPTA Transit Oriented Development (TOD) Team**, chartered to develop new strategies for supporting private development integrated with the transit network | Ongoing | **IN PROGRESS:** PowerPoint presentation developed and brochure detailing economic development trends, associated ridership growth, and capacity implications for communication with real estate developers as well as business, civic, and government leaders throughout the region; initiatives underway to prepare for increased capacity requirements associated with future ridership demand, especially focused on MFL and Regional Rail; station-based ratings system for TOD potential developed to serve as basis for TOD and capacity enhancement prioritization. All economic impact information is available at septa.org/economic-impact. |
| | Continue with planned incremental fare increases approximately every three years | 07/01/17 | **COMPLETE:** Incremental fare increase implemented as part of FY2018 Operating Budget; fare increase took effect 7/1/17; FY2020 Operating Budget approved by the SEPTA Board with no fare increase; next fare increase scheduled for 7/1/20. Postponed 7/1/2020 fare increase due to pandemic. |

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| | **Continue to seek additional non fare-based revenue opportunities**, such as advertising (through contract with Intersection, Inc.) and naming rights agreements | Ongoing | **ONGOING:** Non-fare-based revenue opportunities continually evaluated through advertising contract with Intersection, Inc.; recent progress includes: 1) executed Amendment Agreement with Intersection that extends the contract term by 4 years, will add 297 digital panels across SEPTA's system, and commits Intersection to a $3.25 million capital contribution or 50% of the cost of the new panels; and 2) maintaining four long-term agreements for the leasing of land to billboard companies advertising on eight digital billboard screens. This is in addition to the leasing of land to billboard companies for 25 static billboards. 3) Completed the execution of a naming rights agreement for the SEPTA Station located at the sports complex. The base 5-year period is valued at $5.25 million and the 4-year option period an additional $5.23 million. |
| The lack of an annual internal audit plan is atypical of standard and prudent internal audit practice. | **Balance the audit plan** with topical, cyclical, and responsive audits | 01/01/17 | **COMPLETE:** Already utilizing this approach—to be formalized as part of IIA-based plan. |
| | **Integrate & evolve existing multi-year Internal Audit Plan** to conform to the Institute of Internal Auditors (IIA) International Standards by: 1) Developing risk criterion & initial assessment; and 2) surveying SEPTA Board and Senior Management for input and feedback on criterion & contents of assessment | 04/01/17 | **COMPLETE:** "Internal Audit Risk Analysis & Audit Plan" has been drafted based on IIA best practices; the draft plan establishes the following risk criteria: 1) Financial; 2) Last Audit/Oversight; 3) Mission Critical/Operations; 4) Regulatory/Safety; and 5) Process Maturity/Technical; the draft was presented in January 2017 for Board Audit Committee review. |

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| | **Obtain annual SEPTA Board approval** for the risk based Internal Audit plan in accordance with IIA standards | 07/01/17 | **COMPLETE:** Comment period closed; risk criteria proposed for adoption at July 2017 meeting. |
| | **Achieve Board Audit Committee adoption** of IIA-based plan and begin implementation | 01/01/18 | **COMPLETE:** Board has accepted risk criteria; plan now in implementation phase; Board input will be sought on risk analysis as annual plans are developed; audit risk analysis for 2019 sent to the Audit Committee chairman and discussed at January 17, 2019 Audit Committee meeting. |
| Capital project monitoring and the capital budget amendment process should be more transparent in order to better evaluate budget performance and project completion expectations. | **Upgrade Project Control report** to include original date and budget for each capital project in the "Project Description" field of the report, beginning with FY2017 | 11/01/16 | **COMPLETE:** The following text has been added to each project description, starting with November 2016 report: "Original Board-Approved Budget - [$X,XXX,XXX] - July 1, 2016." |
| | **Establish consistency of capital project names** in consolidated capital assistance (CCA) application and Project Control report | 04/29/19 | **COMPLETE:** Consistency was achieved as part of the development of the FY 2020 State Consolidated Capital Assistance application, which was submitted on April 29, 2019. |
| | **Integrate a table of capital project-level budget and timeline changes** as an Appendix to the Capital Budget, which is subject to annual public review, hearings, and SEPTA Board approval | 07/01/17 & Annually Thereafter | **COMPLETE:** Table was included as an Appendix to the FY 2020 Capital Budget & Twelve-Year Capital Program proposal, which was posted on SEPTA's website on March 29, 2019. Board adoption of the Proposed FY 2020 Capital Budget and 12-Year Capital Program occurred at the May 23, 2019 SEPTA Board Meeting. |

| Recommendation | Actions | Estimated Completion Date | Progress as of October 17, 2019 |
|---|---|---|---|
| Capital program prioritization should continue to focus on state-of-good-repair capital investments. | **Produce to PennDOT an annual summary of capital funding allocation** based on three categories: 1) state of good repair; 2) normal replacement; and 3) system improvement | 07/01/17 & Annually Thereafter | **ONGOING:** In FY 2020, 70.1% of SEPTA's $675M Capital Budget was dedicated to state of good repair ($243M) or normal replacement ($231M); of the remaining 29.9% in system improvements, SEPTA Key ($39M) represents 5.8%. |

# APPENDIX C: PEER COMPARISONS

Comparison of SEPTA with the selected peer systems was completed using NTD-reported data and PennDOT dotGrants legacy statistics. Due to its consistency and availability for comparable systems, the NTD FYE 2019 Reporting Year database was selected as the primary data source used in the calculation of the five-year trend Act 44 metrics for motor bus (MB):

- Passengers / revenue vehicle-hour
- Operating cost / revenue vehicle-hour
- Operating revenue / revenue vehicle-hour
- Operating cost / passenger

The variables used in the calculations are defined as follows:

- Passengers: Annual unlinked passenger boardings by mode for both directly operated and purchased transportation
- Operating Costs: Annual operating cost of services provided (excluding capital costs) by mode for both directly operated and purchased transportation
- Operating Revenue: Total annual operating revenue generated from farebox and other non-state, non-federal sources by mode for both directly operated and purchased transportation
- Revenue Vehicle-Hours: The total annual number of in-service hours by mode for both directly operated and purchased transportation
- Average: Un-weighted linear average of all values being measured across all peer transit agencies
- Standard Deviation: Standard deviation of all values being measured across all peer transit agencies

Act 44 stipulates that metrics be designated as either "In Compliance" or "At Risk." The following criteria are used to make the determination:

- "At Risk" if costlier than one standard deviation **above** the peer average in:
  - The single-year or five-year trend for Operating Cost / Revenue Vehicle-Hour
  - The single-year or five-year trend for Operating Cost / Passenger
- "At Risk" if performing worse than one standard deviation **below** the peer group average in:
  - The single-year or five-year trend for Passengers / Revenue Vehicle-Hour
  - The single-year or five-year trend for Operating Revenue / Revenue Vehicle-Hour

## FIXED-ROUTE BUS (NTD MODE MB)

### Passengers / Revenue Vehicle-Hour (Bus)

| Passengers / Revenue-Hour (MB) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 9 | 2014 Value | Annual Rate | Rank of 9 |
| Chicago Transit Authority | 40.81 | 2 | 48.57 | -3.42% | 6 |
| MTA Bus Company | 40.90 | 1 | 40.59 | 0.15% | 1 |
| Massachusetts Bay Transportation Authority | 35.69 | 5 | 48.07 | -5.78% | 9 |
| Washington Metropolitan Area Transit Authority | 32.59 | 6 | 35.18 | -1.52% | 2 |
| Los Angeles County Metropolitan Transportation Authority | 39.03 | 3 | 51.73 | -5.48% | 8 |
| Metropolitan Transit Authority of Harris County, Texas | 20.22 | 9 | 23.64 | -3.08% | 5 |
| Denver Regional Transportation District | 24.54 | 8 | 28.66 | -3.06% | 4 |
| King County Department of Metro Transit | 31.99 | 7 | 36.48 | -2.59% | 3 |
| **Southeastern Pennsylvania Transportation Authority** | **37.25** | **4** | **44.67** | **-3.57%** | **7** |
| Average | 33.67 | | 39.73 | -3.15% | |
| Standard Deviation | 7.22 | | 9.55 | 1.82% | |
| Average – 1 Standard Deviation | 26.44 | | 30.18 | -4.97% | |
| Average + 1 Standard Deviation | 40.89 | | 49.28 | -1.33% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

## Operating Cost / Revenue Vehicle-Hour (Bus)

| Operating Cost / Revenue-Hour (MB) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 9 | 2014 Value | Annual Rate | Rank of 9 |
| Chicago Transit Authority | $141.77 | 3 | $137.80 | 0.57% | 3 |
| MTA Bus Company | $258.64 | 9 | $207.33 | 4.52% | 7 |
| Massachusetts Bay Transportation Authority | $153.12 | 4 | $178.03 | -2.97% | 1 |
| Washington Metropolitan Area Transit Authority | $193.76 | 8 | $146.99 | 5.68% | 8 |
| Los Angeles County Metropolitan Transportation Authority | $184.69 | 6 | $137.23 | 6.12% | 9 |
| Metropolitan Transit Authority of Harris County, Texas | $121.95 | 1 | $112.99 | 1.54% | 4 |
| Denver Regional Transportation District | $132.41 | 2 | $122.27 | 1.61% | 5 |
| King County Department of Metro Transit | $190.35 | 7 | $162.90 | 3.16% | 6 |
| **Southeastern Pennsylvania Transportation Authority** | **$157.18** | **5** | **$156.05** | **0.15%** | **2** |
| Average | $170.43 | | $151.29 | 2.26% | |
| Standard Deviation | $41.86 | | $28.98 | 2.92% | |
| Average – 1 Standard Deviation | $128.57 | | $122.30 | -0.65% | |
| Average + 1 Standard Deviation | $212.29 | | $180.27 | 5.18% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Better | | |

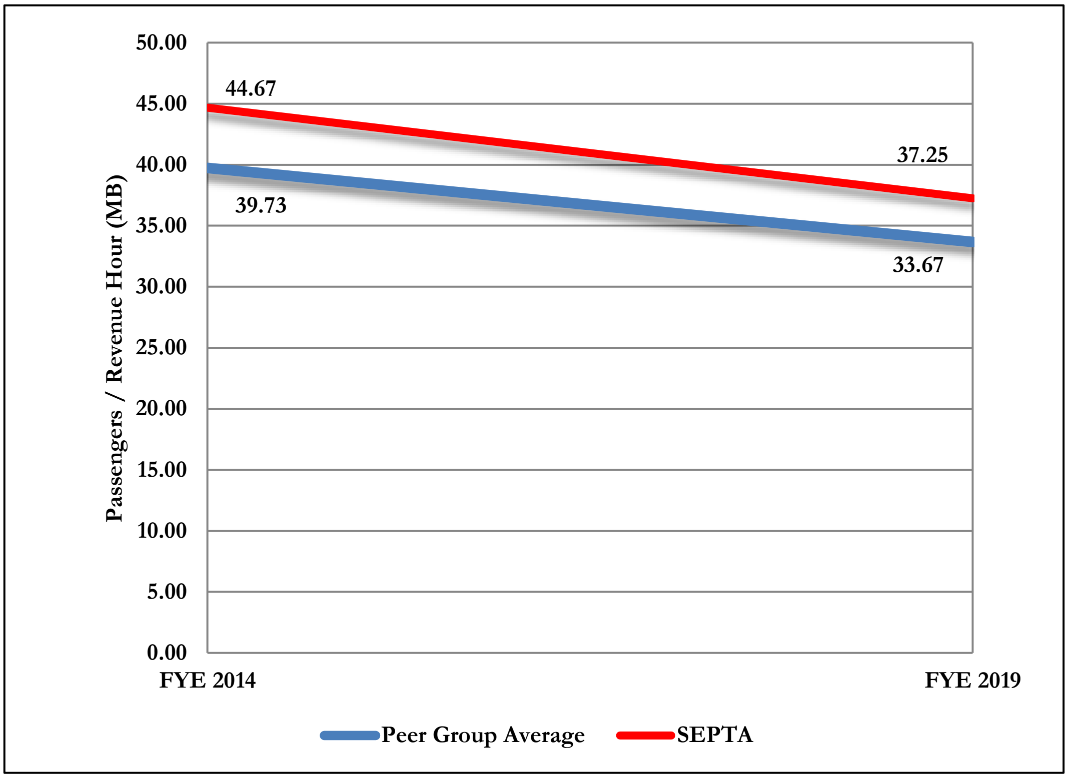
## Operating Revenue / Revenue Vehicle-Hour (Bus)

| Operating Revenue / Revenue-Hour (MB) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 9 | 2014 Value | Annual Rate | Rank of 9 |
| Chicago Transit Authority | $52.92 | 2 | $59.27 | -2.24% | 6 |
| MTA Bus Company | $69.71 | 1 | $67.63 | 0.61% | 2 |
| Massachusetts Bay Transportation Authority | $41.27 | 5 | $40.60 | 0.33% | 3 |
| Washington Metropolitan Area Transit Authority | $37.72 | 6 | $42.85 | -2.51% | 7 |
| Los Angeles County Metropolitan Transportation Authority | $32.29 | 8 | $40.37 | -4.37% | 9 |
| Metropolitan Transit Authority of Harris County, Texas | $12.63 | 9 | $13.97 | -1.99% | 5 |
| Denver Regional Transportation District | $36.61 | 7 | $33.44 | 1.83% | 1 |
| King County Department of Metro Transit | $43.79 | 4 | $54.48 | -4.27% | 8 |
| **Southeastern Pennsylvania Transportation Authority** | **$44.32** | **3** | **$48.36** | **-1.73%** | **4** |
| Average | $41.25 | | $44.55 | -1.59% | |
| Standard Deviation | $15.39 | | $15.64 | 2.14% | |
| Average – 1 Standard Deviation | $25.86 | | $28.91 | -3.73% | |
| Average + 1 Standard Deviation | $56.64 | | $60.19 | 0.54% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

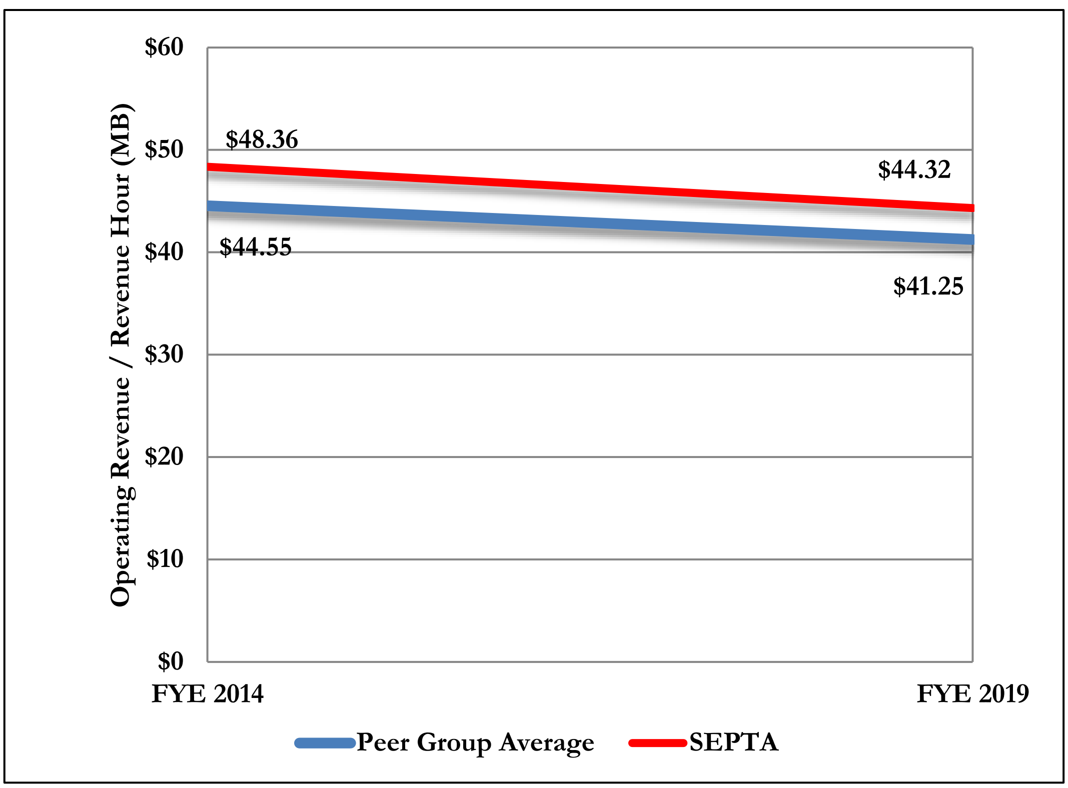
## Operating Cost / Passenger (Bus)

| Operating Cost / Passenger (MB) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 9 | 2014 Value | Annual Rate | Rank of 9 |
| Chicago Transit Authority | $3.47 | 1 | $2.84 | 4.13% | 3 |
| MTA Bus Company | $6.32 | 9 | $5.11 | 4.36% | 4 |
| Massachusetts Bay Transportation Authority | $4.29 | 3 | $3.70 | 2.99% | 1 |
| Washington Metropolitan Area Transit Authority | $5.95 | 6 | $4.18 | 7.31% | 8 |
| Los Angeles County Metropolitan Transportation Authority | $4.73 | 4 | $2.65 | 12.27% | 9 |
| Metropolitan Transit Authority of Harris County, Texas | $6.03 | 8 | $4.78 | 4.77% | 5 |
| Denver Regional Transportation District | $5.40 | 5 | $4.27 | 4.81% | 6 |
| King County Department of Metro Transit | $5.95 | 7 | $4.47 | 5.91% | 7 |
| **Southeastern Pennsylvania Transportation Authority** | **$4.22** | **2** | **$3.49** | **3.85%** | **2** |
| Average | $5.15 | | $3.94 | 5.60% | |
| Standard Deviation | $1.00 | | $0.84 | 2.79% | |
| Average – 1 Standard Deviation | $4.15 | | $3.10 | 2.81% | |
| Average + 1 Standard Deviation | $6.16 | | $4.78 | 8.39% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Better | | |

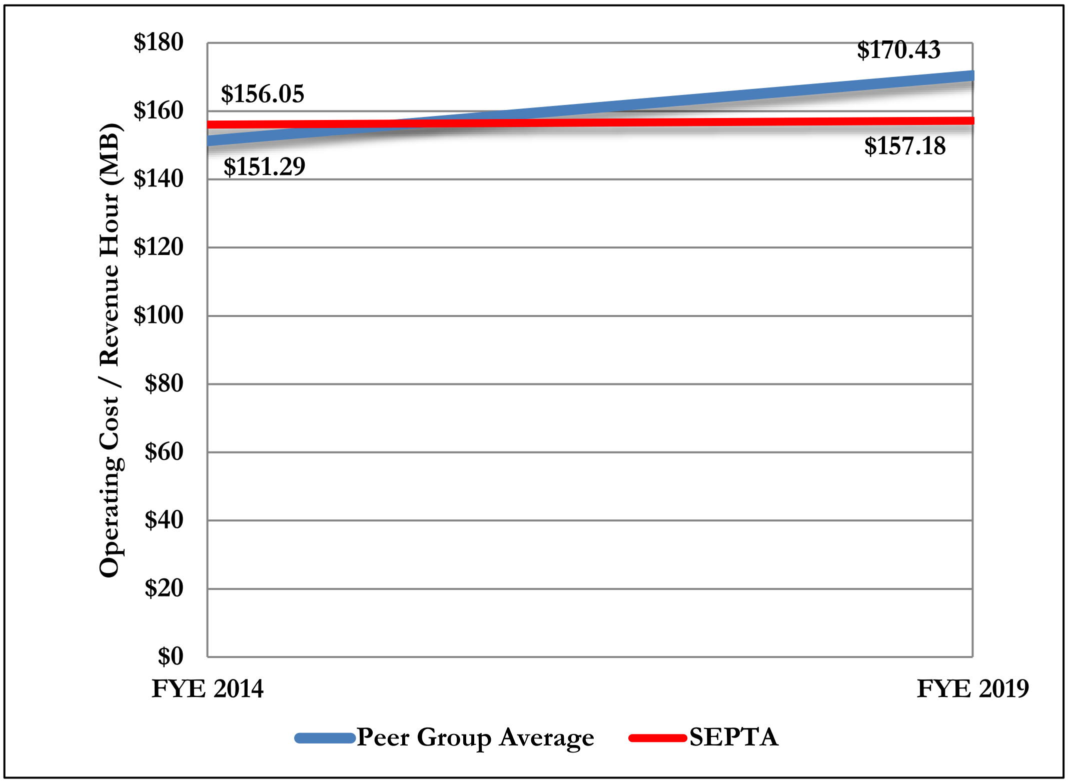
### Trend – Passengers / Revenue Vehicle-Hour (Bus, FYE 2014- 2019)



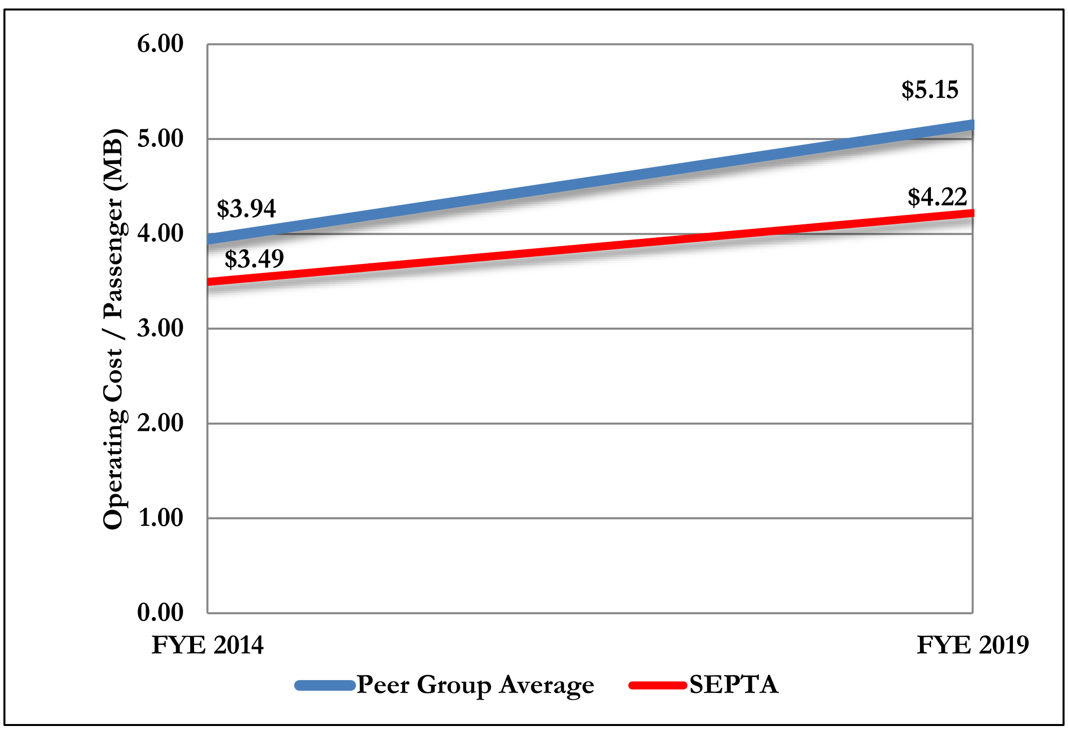

### Trend – Operating Revenue / Revenue Vehicle-Hour (Bus, FYE 2014–2019)



**Trend – Operating Cost / Revenue Vehicle-Hour (Bus, FYE 2014–2019)**




**Trend – Operating Cost / Passenger (Bus, FYE 2014–2019)**



## FIXED-ROUTE COMMUTER/REGIONAL RAIL (NTD MODE CR)

### Passengers / Revenue Vehicle-Hour (Commuter Rail)

| Passengers / Revenue-Hour (CR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 6 | 2014 Value | Annual Rate | Rank of 6 |
| Massachusetts Bay Transportation Authority | 37.58 | 5 | 46.33 | -4.10% | 5 |
| Metro-North Commuter Railroad Company, dba: MTA Metro-North Railroad | 42.93 | 3 | 42.09 | 0.40% | 3 |
| New Jersey Transit Corporation | 49.84 | 2 | 45.00 | 2.06% | 2 |
| MTA Long Island Rail Road | 51.75 | 1 | 45.05 | 2.81% | 1 |
| Northeast Illinois Regional Commuter Railroad Corporation | 40.77 | 4 | 52.48 | -4.92% | 6 |
| **Southeastern Pennsylvania Transportation Authority** | **35.03** | **6** | **41.34** | **-3.26%** | **4** |
| Average | 42.98 | | 45.38 | -1.17% | |
| Standard Deviation | 6.65 | | 3.97 | 3.34% | |
| Average – 1 Standard Deviation | 36.33 | | 41.41 | -4.51% | |
| Average + 1 Standard Deviation | 49.63 | | 49.35 | 2.17% | |
| **Act 44 Compliance Determination** | **At Risk** | | **In Compliance** | | |
| Compared to the Peer Group Average | Worse | | Worse | | |

## Operating Cost / Revenue Vehicle-Hour (Commuter Rail)

| Operating Cost / Revenue-Hour (CR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 6 | 2014 Value | Annual Rate | Rank of 6 |
| Massachusetts Bay Transportation Authority | $463.30 | 2 | $500.69 | -1.54% | 1 |
| Metro-North Commuter Railroad Company, dba: MTA Metro-North Railroad | $590.63 | 5 | $575.54 | 0.52% | 2 |
| New Jersey Transit Corporation | $570.25 | 4 | $505.44 | 2.44% | 4 |
| MTA Long Island Rail Road | $682.64 | 6 | $599.82 | 2.62% | 6 |
| Northeast Illinois Regional Commuter Railroad Corporation | $518.95 | 3 | $478.45 | 1.64% | 3 |
| **Southeastern Pennsylvania Transportation Authority** | **$314.58** | **1** | **$276.87** | **2.59%** | **5** |
| Average | $523.39 | | $489.47 | 1.38% | |
| Standard Deviation | $125.94 | | $114.27 | 1.64% | |
| Average – 1 Standard Deviation | $397.45 | | $375.20 | -0.26% | |
| Average + 1 Standard Deviation | $649.34 | | $603.74 | 3.02% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

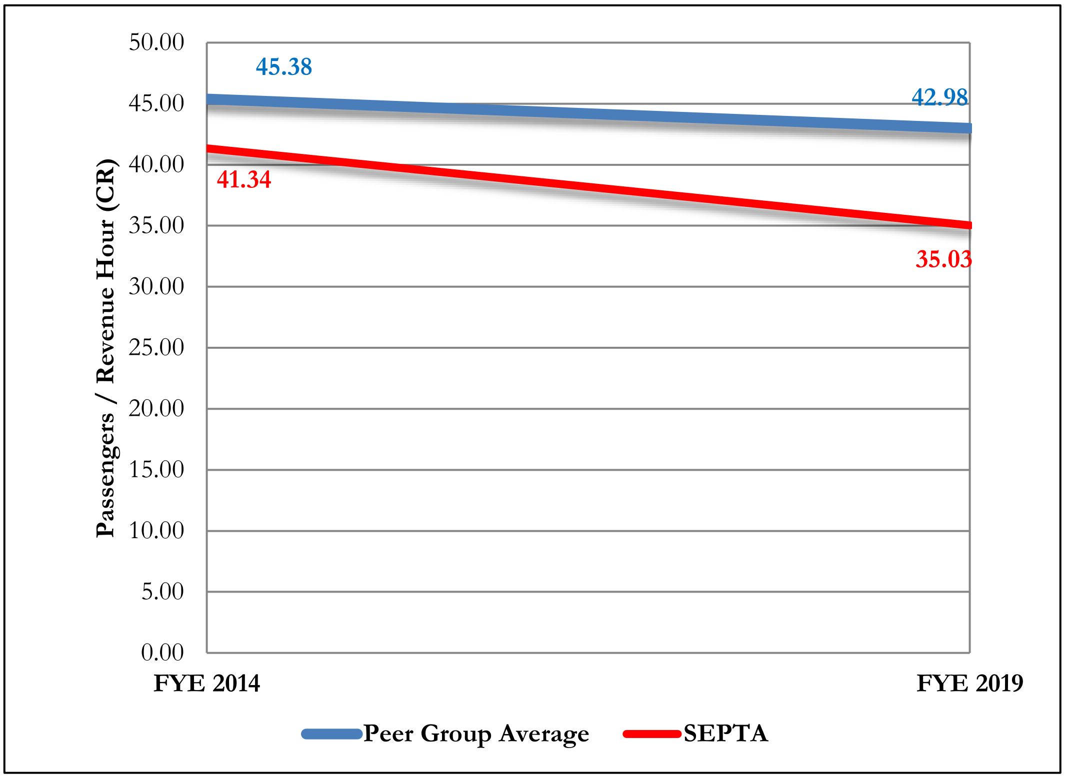
## Operating Revenue / Revenue Vehicle-Hour (Commuter Rail)

| Operating Revenue / Revenue-Hour (CR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 6 | 2014 Value | Annual Rate | Rank of 6 |
| Massachusetts Bay Transportation Authority | $345.13 | 4 | $273.46 | 4.77% | 1 |
| Metro-North Commuter Railroad Company, dba: MTA Metro-North Railroad | $385.76 | 1 | $354.98 | 1.68% | 5 |
| New Jersey Transit Corporation | $354.84 | 3 | $315.40 | 2.38% | 3 |
| MTA Long Island Rail Road | $376.01 | 2 | $326.87 | 2.84% | 2 |
| Northeast Illinois Regional Commuter Railroad Corporation | $272.52 | 5 | $242.23 | 2.38% | 4 |
| **Southeastern Pennsylvania Transportation Authority** | **$155.40** | **6** | **$175.09** | **-2.36%** | **6** |
| Average | | $314.94 | $281.34 | | 1.95% |
| Standard Deviation | | $87.75 | $65.63 | | 2.35% |
| Average – 1 Standard Deviation | | $227.19 | $215.70 | | -0.41% |
| Average + 1 Standard Deviation | | $402.69 | $346.97 | | 4.30% |
| **Act 44 Compliance Determination** | **At Risk** | | **At Risk** | | |
| Compared to the Peer Group Average | Worse | | Worse | | |

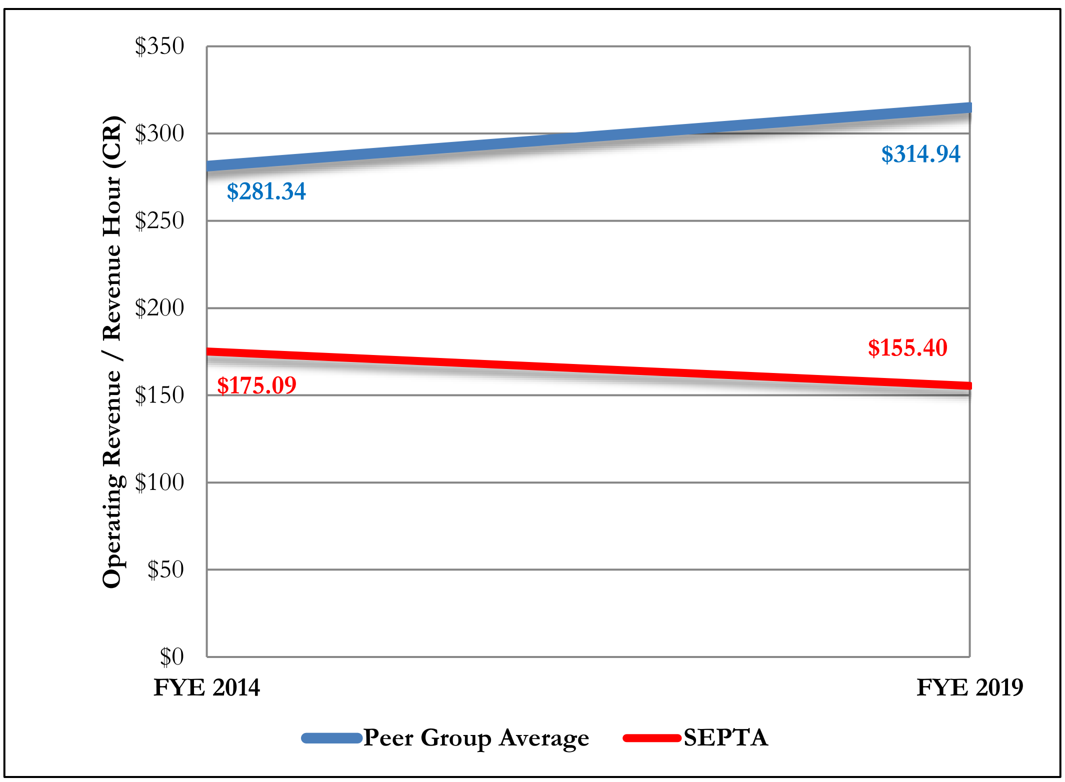
## Operating Cost / Passenger (Commuter Rail)

| Operating Cost / Passenger (CR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 6 | 2014 Value | Annual Rate | Rank of 6 |
| Massachusetts Bay Transportation Authority | $12.33 | 3 | $10.81 | 2.67% | 4 |
| Metro-North Commuter Railroad Company, dba: MTA Metro-North Railroad | $13.76 | 6 | $13.67 | 0.12% | 2 |
| New Jersey Transit Corporation | $11.44 | 2 | $11.23 | 0.37% | 3 |
| MTA Long Island Rail Road | $13.19 | 5 | $13.31 | -0.18% | 1 |
| Northeast Illinois Regional Commuter Railroad Corporation | $12.73 | 4 | $9.12 | 6.90% | 6 |
| **Southeastern Pennsylvania Transportation Authority** | **$8.98** | **1** | **$6.70** | **6.04%** | **5** |
| Average | | $12.07 | $10.81 | | 2.65% |
| Standard Deviation | | $1.71 | $2.62 | | 3.14% |
| Average – 1 Standard Deviation | | $10.37 | $8.18 | | -0.48% |
| Average + 1 Standard Deviation | | $13.78 | $13.43 | | 5.79% |
| **Act 44 Compliance Determination** | **In Compliance** | | **At Risk** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

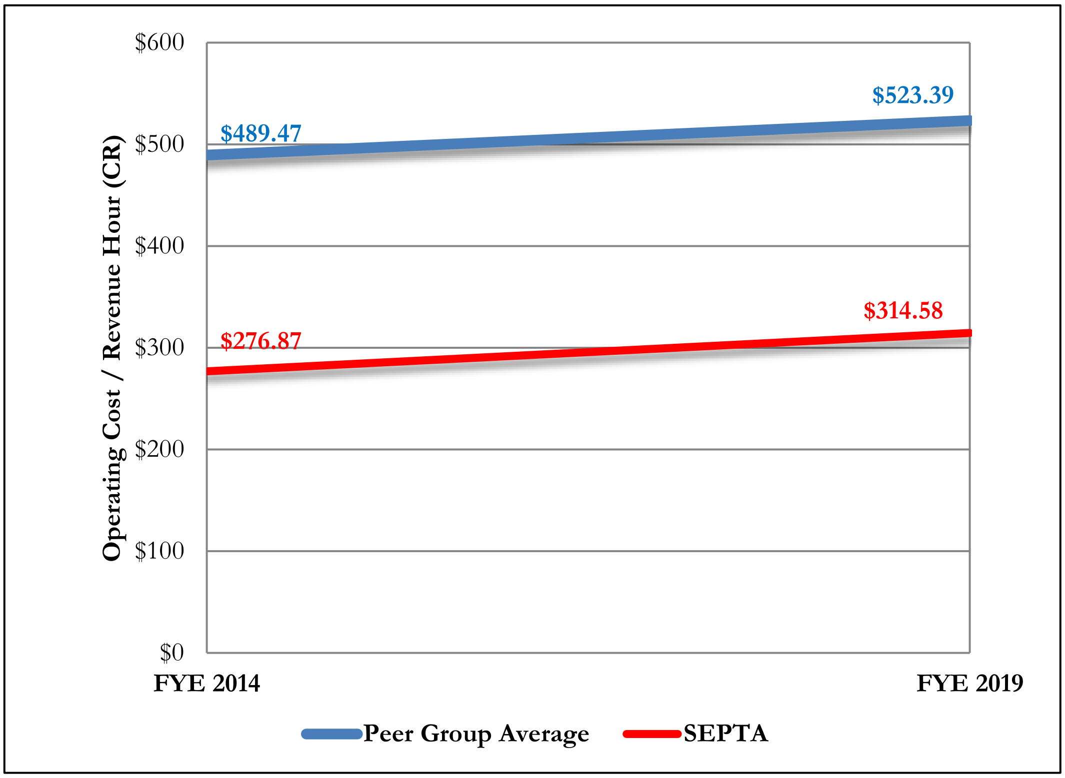
**Trend – Passengers / Revenue Vehicle-Hour (Commuter Rail, FYE 2014- 2019)**



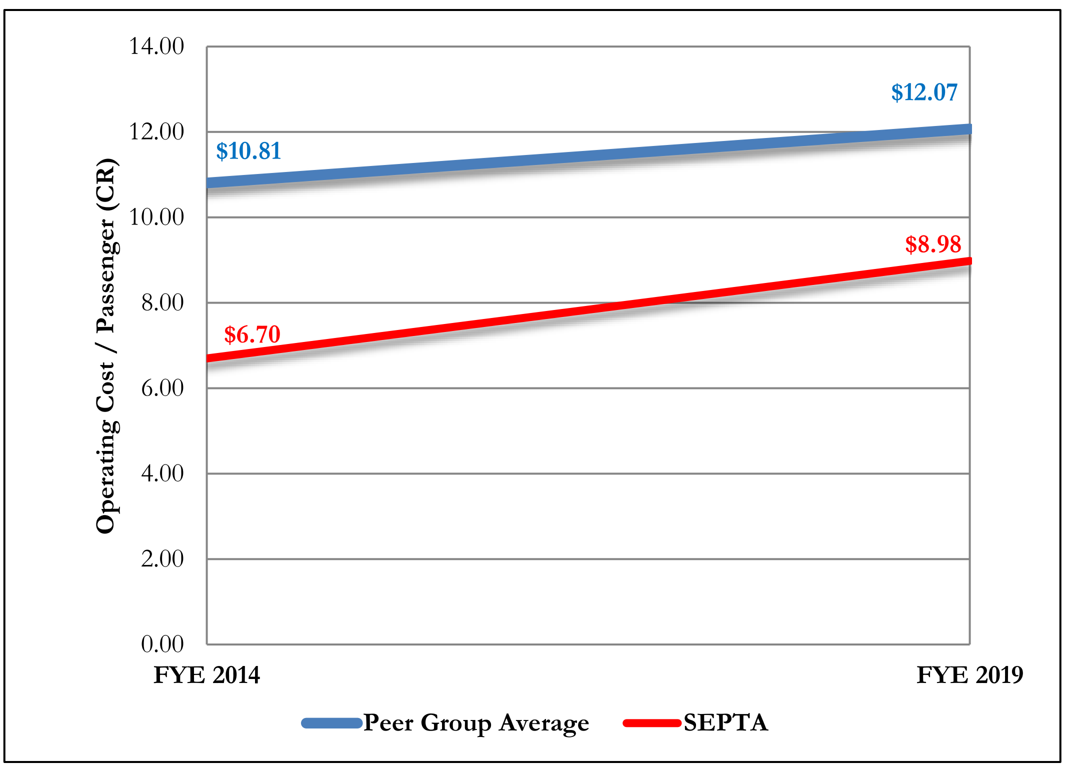

**Trend – Operating Revenue / Revenue Vehicle-Hour (Commuter Rail, FYE 2014–2019)**



### Trend – Operating Cost / Revenue Vehicle-Hour (Commuter Rail, FYE 2014–2019)




### Trend – Operating Cost / Passenger (Commuter Rail, FYE 2014–2019)



## FIXED-ROUTE HEAVY RAIL (NTD MODE HR)

### Passengers / Revenue Vehicle-Hour (Heavy Rail)

| Passengers / Revenue Hour (HR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| Massachusetts Bay Transportation Authority | 105.17 | 3 | 117.54 | -2.20% | 3 |
| Chicago Transit Authority | 53.74 | 8 | 60.41 | -2.31% | 4 |
| San Francisco Bay Area Rapid Transit District | 56.23 | 7 | 68.15 | -3.77% | 6 |
| Washington Metropolitan Area Transit Authority | 62.43 | 6 | 90.91 | -7.24% | 8 |
| Metropolitan Atlanta Rapid Transit Authority | 77.14 | 5 | 101.38 | -5.32% | 7 |
| Los Angeles County Metropolitan Transportation Authority | 137.31 | 2 | 154.42 | -2.32% | 5 |
| MTA New York City Transit | 139.60 | 1 | 144.89 | -0.74% | 1 |
| **Southeastern Pennsylvania Transportation Authority** | **97.23** | **4** | **108.00** | **-2.08%** | **2** |
| Average | 91.11 | | 105.71 | -3.25% | |
| Standard Deviation | 34.54 | | 33.28 | 2.10% | |
| Average – 1 Standard Deviation | 56.56 | | 72.43 | -5.35% | |
| Average + 1 Standard Deviation | 125.65 | | 138.99 | -1.14% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Better | | |

## Operating Cost / Revenue Vehicle-Hour (Heavy Rail)

| Operating Cost / Revenue-Hour (HR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| Massachusetts Bay Transportation Authority | $199.57 | 2 | $217.73 | -1.73% | 2 |
| Chicago Transit Authority | $153.36 | 1 | $138.58 | 2.05% | 7 |
| San Francisco Bay Area Rapid Transit District | $292.59 | 6 | $289.09 | 0.24% | 5 |
| Washington Metropolitan Area Transit Authority | $303.38 | 7 | $321.31 | -1.14% | 3 |
| Metropolitan Atlanta Rapid Transit Authority | $243.89 | 4 | $318.29 | -5.19% | 1 |
| Los Angeles County Metropolitan Transportation Authority | $536.99 | 8 | $405.16 | 5.80% | 8 |
| MTA New York City Transit | $267.97 | 5 | $265.27 | 0.20% | 4 |
| **Southeastern Pennsylvania Transportation Authority** | **$214.80** | **3** | **$206.69** | **0.77%** | **6** |
| Average | $276.57 | | $270.27 | 0.13% | |
| Standard Deviation | $116.41 | | $82.49 | 3.15% | |
| Average – 1 Standard Deviation | $160.15 | | $187.78 | -3.03% | |
| Average + 1 Standard Deviation | $392.98 | | $352.76 | 3.28% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

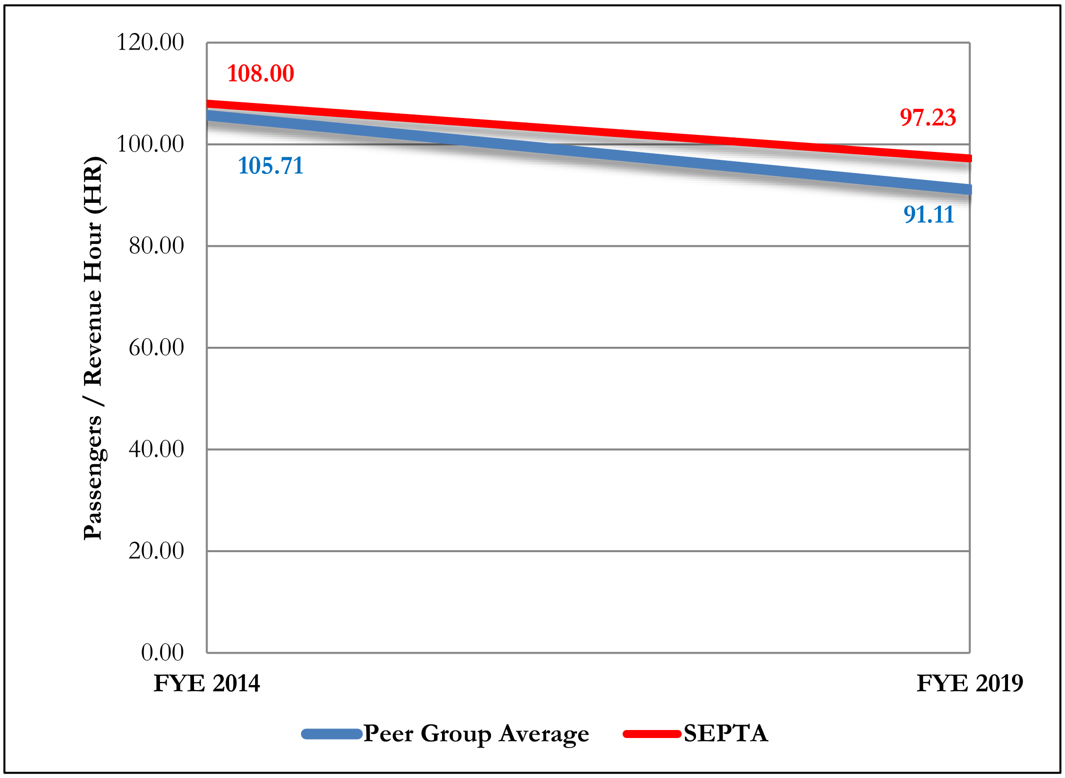
## Operating Revenue / Revenue Vehicle-Hour (Heavy Rail)

| Operating Revenue / Revenue-Hour (HR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| Massachusetts Bay Transportation Authority | $176.65 | 3 | $142.45 | 4.40% | 2 |
| Chicago Transit Authority | $83.89 | 8 | $83.62 | 0.07% | 5 |
| San Francisco Bay Area Rapid Transit District | $242.72 | 1 | $250.23 | -0.61% | 7 |
| Washington Metropolitan Area Transit Authority | $167.48 | 5 | $234.11 | -6.48% | 8 |
| Metropolitan Atlanta Rapid Transit Authority | $168.10 | 4 | $171.03 | -0.35% | 6 |
| Los Angeles County Metropolitan Transportation Authority | $119.00 | 7 | $117.42 | 0.27% | 4 |
| MTA New York City Transit | $220.41 | 2 | $176.35 | 4.56% | 1 |
| **Southeastern Pennsylvania Transportation Authority** | **$132.23** | **6** | **$121.08** | **1.78%** | **3** |
| Average | $163.81 | | $162.04 | 0.45% | |
| Standard Deviation | $52.13 | | $57.89 | 3.47% | |
| Average – 1 Standard Deviation | $111.68 | | $104.14 | -3.01% | |
| Average + 1 Standard Deviation | $215.93 | | $219.93 | 3.92% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Worse | | Better | | |

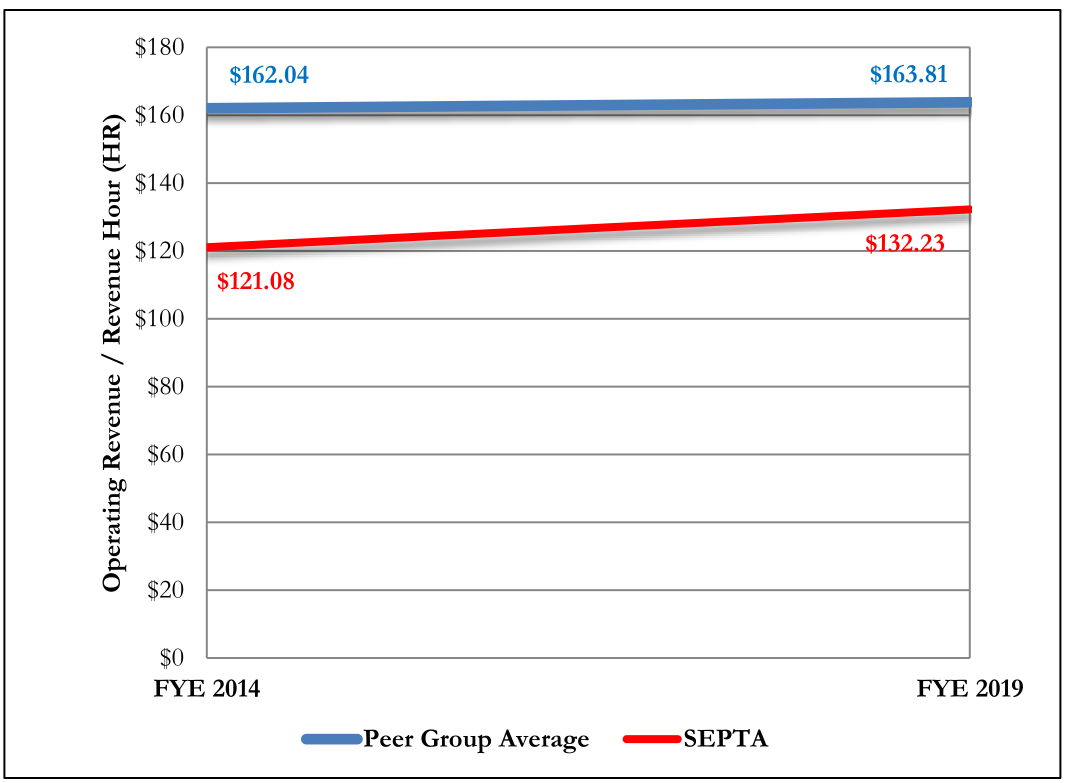
## Operating Cost / Passenger (Heavy Rail)

| Operating Cost / Passenger (HR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| Massachusetts Bay Transportation Authority | $1.90 | 1 | $1.85 | 0.48% | 2 |
| Chicago Transit Authority | $2.85 | 4 | $2.29 | 4.46% | 6 |
| San Francisco Bay Area Rapid Transit District | $5.20 | 8 | $4.24 | 4.17% | 5 |
| Washington Metropolitan Area Transit Authority | $4.86 | 7 | $3.53 | 6.57% | 7 |
| Metropolitan Atlanta Rapid Transit Authority | $3.16 | 5 | $3.14 | 0.14% | 1 |
| Los Angeles County Metropolitan Transportation Authority | $3.91 | 6 | $2.62 | 8.31% | 8 |
| MTA New York City Transit | $1.92 | 2 | $1.83 | 0.95% | 3 |
| **Southeastern Pennsylvania Transportation Authority** | **$2.21** | **3** | **$1.91** | **2.91%** | **4** |
| Average | $3.25 | | $2.68 | 3.50% | |
| Standard Deviation | $1.29 | | $0.89 | 2.96% | |
| Average – 1 Standard Deviation | $1.96 | | $1.79 | 0.54% | |
| Average + 1 Standard Deviation | $4.54 | | $3.57 | 6.46% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Better | | |

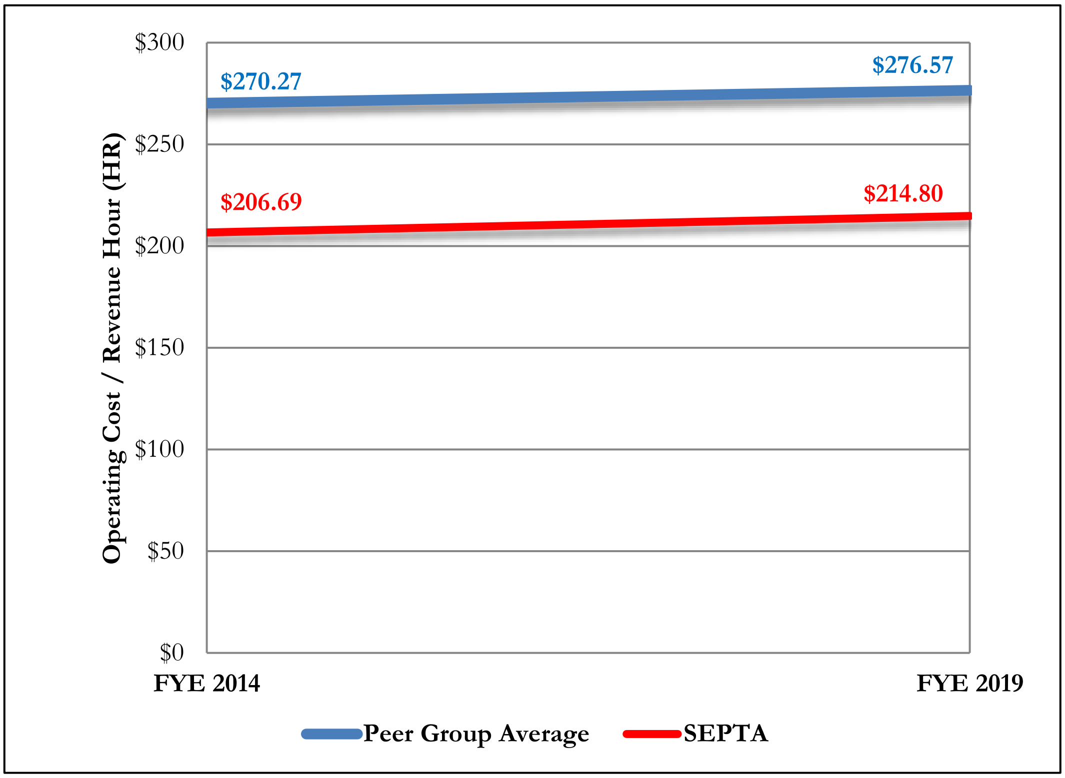
### Trend – Passengers / Revenue Vehicle-Hour (Heavy Rail, FYE 2014- 2019)



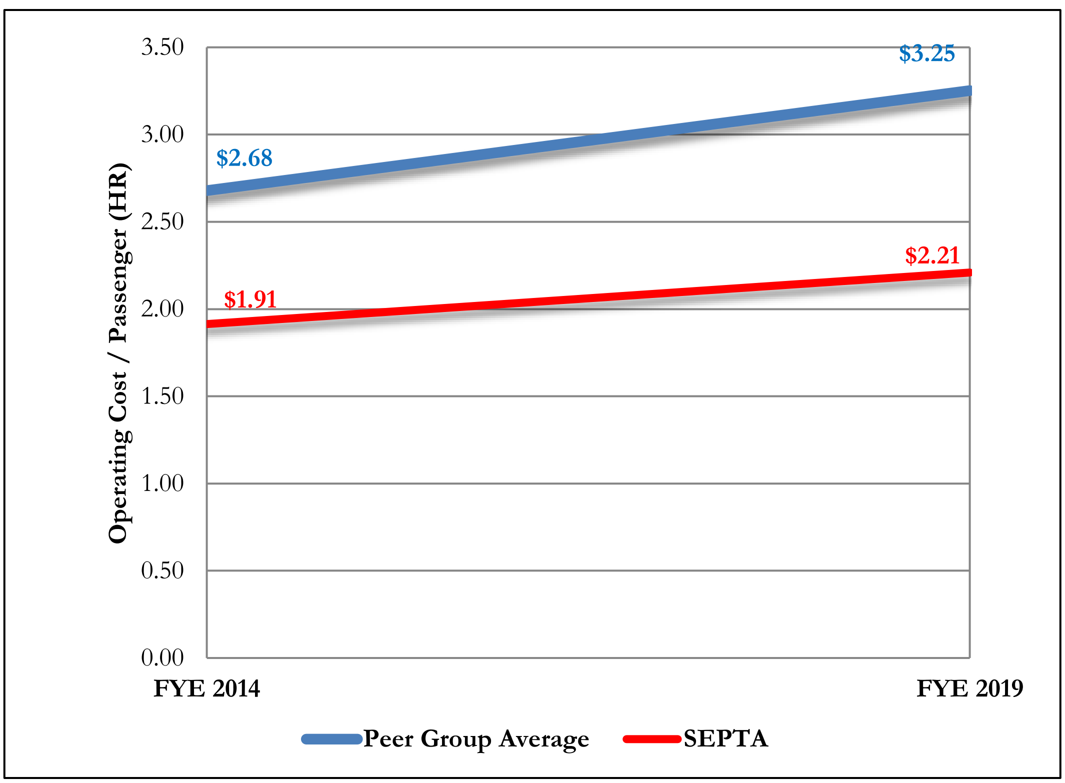

### Trend – Operating Revenue / Revenue Vehicle-Hour (Heavy Rail, FYE 2014–2019)



**Trend – Operating Cost / Revenue Vehicle-Hour (Heavy Rail, FYE 2014–2019)**




**Trend – Operating Cost / Passenger (Heavy Rail, FYE 2014–2019)**



## FIXED-ROUTE STREETCAR/LIGHT RAIL (NTD MODE LR/SR)

### Passengers / Revenue Vehicle-Hour (Streetcar Rail)

| Passengers / Revenue-Hour (SR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| City and County of San Francisco | 83.28 | 3 | 106.87 | -4.87% | 5 |
| Massachusetts Bay Transportation Authority | 86.51 | 2 | 115.17 | -5.56% | 7 |
| Los Angeles County Metropolitan Transportation Authority | 68.85 | 5 | 92.96 | -5.83% | 8 |
| San Diego Metropolitan Transit System | 76.56 | 4 | 78.75 | -0.56% | 3 |
| Dallas Area Rapid Transit | 55.64 | 7 | 65.13 | -3.10% | 4 |
| Central Puget Sound Regional Transit Authority | 93.30 | 1 | 77.51 | 3.78% | 1 |
| Denver Regional Transportation District | 30.82 | 8 | 40.48 | -5.31% | 6 |
| **Southeastern Pennsylvania Transportation Authority** | **61.79** | **6** | **60.95** | **0.28%** | **2** |
| Average | | 69.59 | 79.73 | | -2.65% |
| Standard Deviation | | 20.16 | 24.73 | | 3.48% |
| Average – 1 Standard Deviation | | 49.44 | 55.00 | | -6.13% |
| Average + 1 Standard Deviation | | 89.75 | 104.45 | | 0.84% |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Worse | | Better | | |

## Operating Cost / Revenue Vehicle-Hour (Streetcar Rail)

| Operating Cost / Revenue-Hour (SR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| City and County of San Francisco | $350.54 | 5 | $390.10 | -2.12% | 1 |
| Massachusetts Bay Transportation Authority | $292.10 | 4 | $264.16 | 2.03% | 4 |
| Los Angeles County Metropolitan Transportation Authority | $515.13 | 8 | $376.45 | 6.47% | 8 |
| San Diego Metropolitan Transit System | $177.41 | 2 | $142.02 | 4.55% | 7 |
| Dallas Area Rapid Transit | $384.85 | 6 | $364.71 | 1.08% | 2 |
| Central Puget Sound Regional Transit Authority | $496.67 | 7 | $427.10 | 3.06% | 5 |
| Denver Regional Transportation District | $168.59 | 1 | $156.90 | 1.45% | 3 |
| **Southeastern Pennsylvania Transportation Authority** | **$208.12** | **3** | **$173.37** | **3.72%** | **6** |
| Average | $324.18 | | $286.85 | 2.53% | |
| Standard Deviation | $136.72 | | $116.91 | 2.58% | |
| Average – 1 Standard Deviation | $187.46 | | $169.94 | -0.04% | |
| Average + 1 Standard Deviation | $460.89 | | $403.76 | 5.11% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Worse | | |

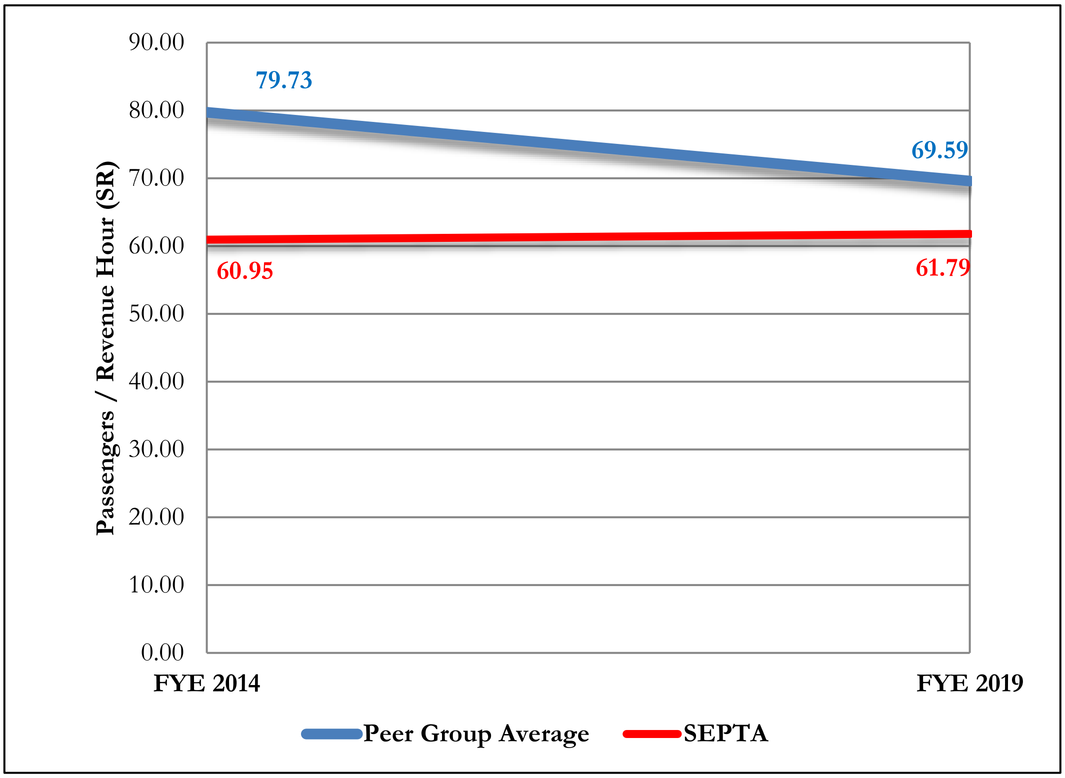
## Operating Revenue / Revenue Vehicle-Hour (Streetcar Rail)

| Operating Revenue / Revenue-Hour (SR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| City and County of San Francisco | $93.96 | 3 | $104.62 | -2.13% | 6 |
| Massachusetts Bay Transportation Authority | $148.88 | 2 | $142.77 | 0.84% | 3 |
| Los Angeles County Metropolitan Transportation Authority | $58.93 | 8 | $70.31 | -3.47% | 7 |
| San Diego Metropolitan Transit System | $90.10 | 4 | $80.87 | 2.19% | 2 |
| Dallas Area Rapid Transit | $74.77 | 6 | $96.59 | -4.99% | 8 |
| Central Puget Sound Regional Transit Authority | $158.30 | 1 | $123.24 | 5.14% | 1 |
| Denver Regional Transportation District | $63.72 | 7 | $63.64 | 0.03% | 4 |
| **Southeastern Pennsylvania Transportation Authority** | **$84.21** | **5** | **$88.21** | **-0.92%** | **5** |
| Average | $96.61 | | $96.28 | -0.42% | |
| Standard Deviation | $37.26 | | $26.73 | 3.23% | |
| Average – 1 Standard Deviation | $59.35 | | $69.55 | -3.64% | |
| Average + 1 Standard Deviation | $133.87 | | $123.01 | 2.81% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Worse | | Worse | | |

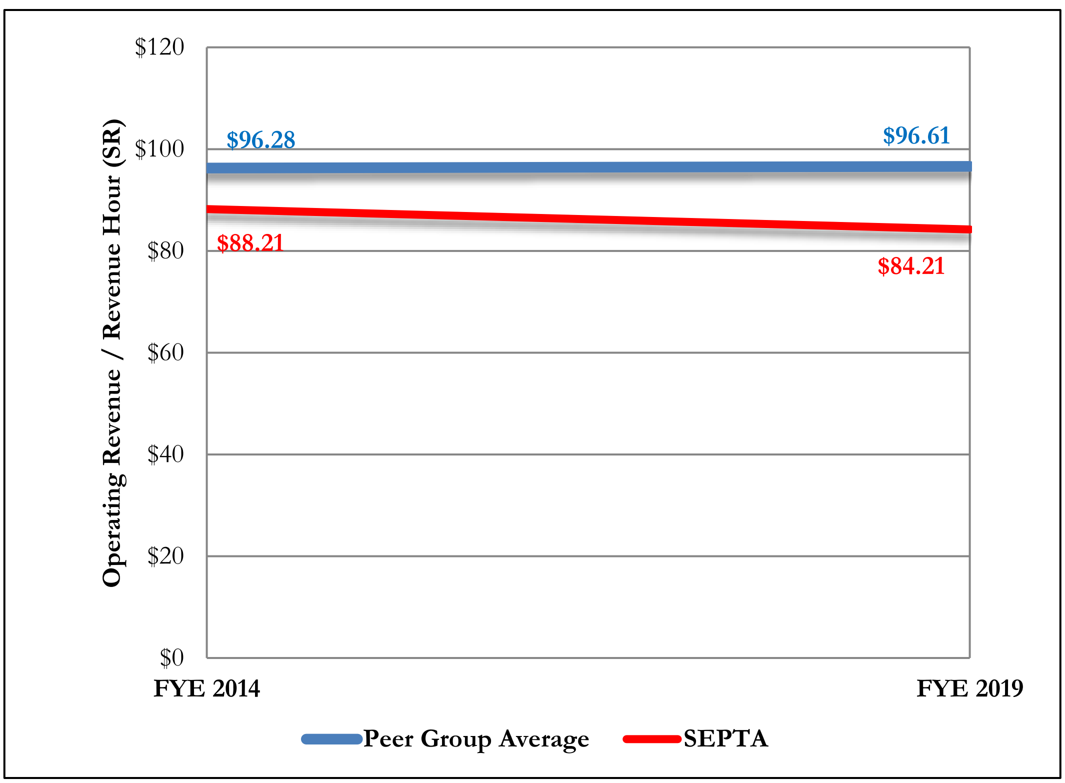
## Operating Cost / Passenger (Streetcar Rail)

| Operating Cost / Passenger (SR) | | | | | |
|---|---|---|---|---|---|
| | FYE 2019 Single-Year | | Five-Year Change Since FYE 2014 | | |
| System | Value | Rank of 8 | 2014 Value | Annual Rate | Rank of 8 |
| City and County of San Francisco | $4.21 | 4 | $3.65 | 2.89% | 2 |
| Massachusetts Bay Transportation Authority | $3.38 | 3 | $2.29 | 8.04% | 7 |
| Los Angeles County Metropolitan Transportation Authority | $7.48 | 8 | $4.05 | 13.06% | 8 |
| San Diego Metropolitan Transit System | $2.32 | 1 | $1.80 | 5.14% | 5 |
| Dallas Area Rapid Transit | $6.92 | 7 | $5.60 | 4.32% | 4 |
| Central Puget Sound Regional Transit Authority | $5.32 | 5 | $5.51 | -0.69% | 1 |
| Denver Regional Transportation District | $5.47 | 6 | $3.88 | 7.13% | 6 |
| **Southeastern Pennsylvania Transportation Authority** | **$3.37** | **2** | **$2.84** | **3.44%** | **3** |
| Average | $4.81 | | $3.70 | 5.42% | |
| Standard Deviation | $1.81 | | $1.38 | 4.09% | |
| Average – 1 Standard Deviation | $3.00 | | $2.32 | 1.33% | |
| Average + 1 Standard Deviation | $6.62 | | $5.08 | 9.51% | |
| **Act 44 Compliance Determination** | **In Compliance** | | **In Compliance** | | |
| Compared to the Peer Group Average | Better | | Better | | |

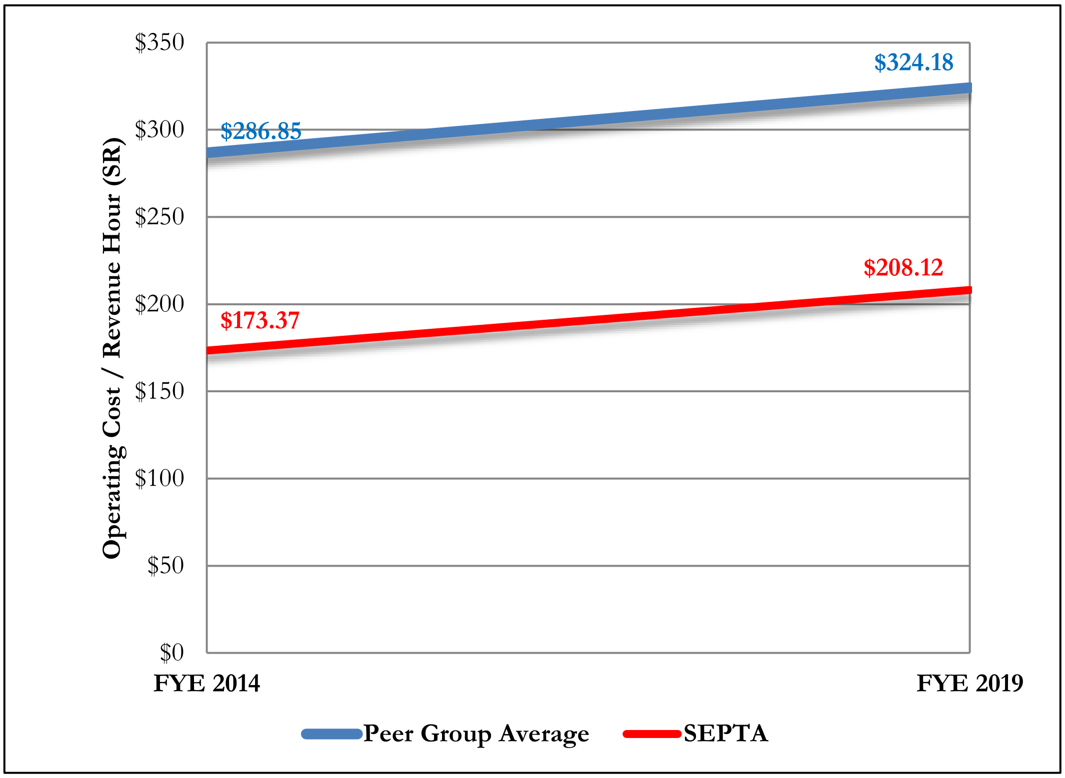
### Trend – Passengers / Revenue Vehicle-Hour (Streetcar Rail, FYE 2014- 2019)



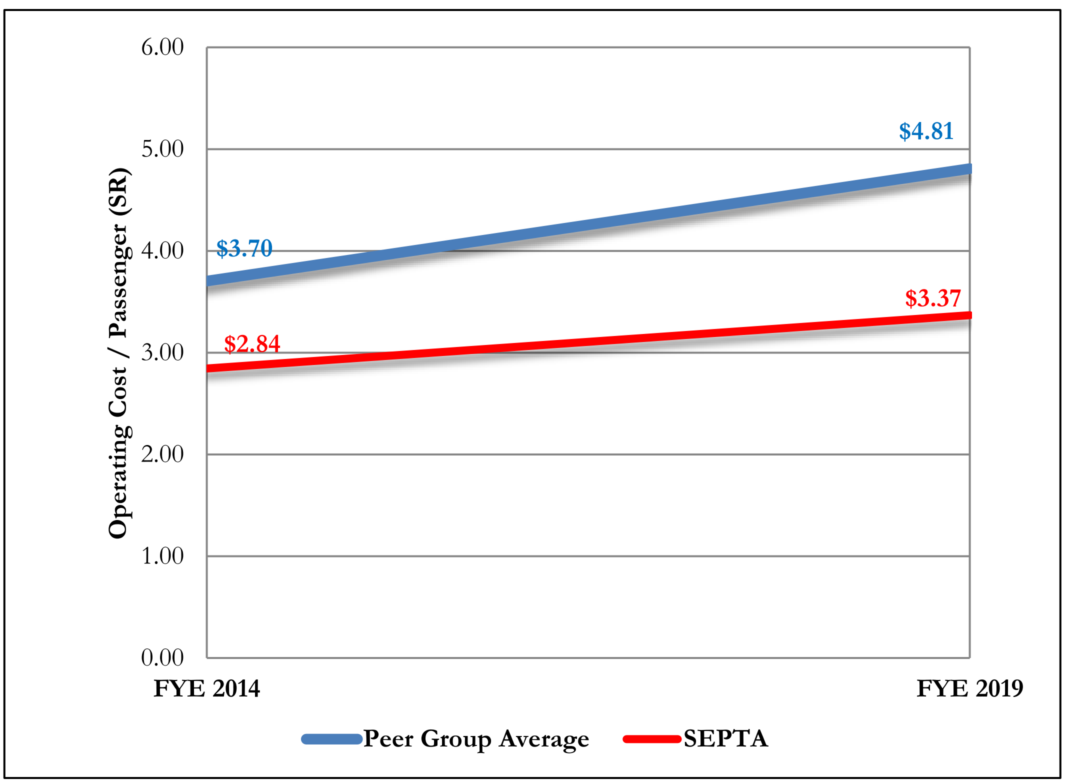

### Trend – Operating Revenue / Revenue Vehicle-Hour (Streetcar Rail, FYE 2014–2019)



## Trend – Operating Cost / Revenue Vehicle-Hour (Streetcar Rail, FYE 2014–2019)




## Trend – Operating Cost / Passenger (Streetcar Rail, FYE 2014–2019)



# Appendix D: Action Plan Template

## Part 1 – Actions to Increase Passengers / Revenue-Hour

| **Recommendations**<br>**From narrative starting on page 16** | **Action** | **Estimated Initiation Date** | **Estimated Completion Date** |
|---|---|---|---|
| 1. Examine the potential impacts of "reverse commute" discount ticket pricing. | | | |
| 2. Consider renovating other additional rail stations with local themes as a form of placemaking and building brand affinity when renovation is warranted. | | | |
| 3. Assess its real estate inventory to identify joint development opportunities. | | | |

## Part 2 – Actions to Increase Operating Revenue / Revenue-Hour

| **Recommendation**<br>**From narrative starting on page 17** | **Action** | **Estimated Initiation Date** | **Estimated Completion Date** |
|---|---|---|---|
| 1. Continue to explore naming rights for additional stations and modes to increase revenue. | | | |
| 2. Reassess parking supply, demand, and optimal pricing to inform the creation of a systemwide parking master plan. | | | |
| 3. Assess the potential revenue and ridership impacts of large institutional bulk-fare pricing agreements. | | | |
| 4. Explore the potential of adding EV charging stations to parking garages | | | |

## PART 3 – ACTIONS TO REDUCE OR CONTAIN OPERATING COST / REVENUE-HOUR

| **Recommendation**<br>**From narrative starting on page 18** | **Action** | **Estimated Initiation Date** | **Estimated Completion Date** |
|---|---|---|---|
| 1. Develop a Board-approved debt issuance and management policy. | | | |
| 2. Reassess Amtrak lease agreements to see if there are opportunities to renegotiate with Amtrak and lower SEPTA's costs. | | | |
| 3. Fully implement cost-savings initiatives associated with SEPTA's Efficiency & Accountability program by 2024. | | | |

## PART 4 – OTHER ACTIONS TO IMPROVE OVERALL PERFORMANCE

| **Recommendations**<br>**From narrative starting on page 19** | **Action** | **Estimated Initiation Date** | **Estimated Completion Date** |
|---|---|---|---|
| 1. Leverage "Bus Revolution" and "Reimagining Regional Rail" programs to reassess how SEPTA coordinates with neighboring transportation providers to promote a more integrated network of mobility services for all residents of the region. | | | |
| 2. Develop a strategic IT investment plan and budget to modernize enterprise IT services, with a formal program to assess the cybersecurity risks of new technologies. | | | |
| 3. Develop a formal program to assess the risks of new rolling stock technologies and vehicle manufacturing methods. | | | |
| 4. Update the Strategic Plan to reflect the additional federal funding, long-term changes in travel patterns, the size of the state-of-good repair backlog, social equity, and long-term sustainability to prioritize future investments. | | | |
| 5. Implement a series of safety and security initiatives that reduce crime and improve the perception of safety and security on the system. | | | |

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