



PUBLIC EXHIBIT #28

April 22, 2010

Mr. Tom Dorricott
Pennsylvania State Legislative Representative
Brotherhood of Locomotive Engineers and Trainmen
SEPTA General Committee of Adjustment

Re: Information Request for FY 2011 Operating Budget Proposal

Dear Mr. Dorricott:

Thank you for comments regarding the Southeastern Pennsylvania Transportation Authority's proposed Fiscal Year 2011 Operating Budget. In response, the following information is provided:

1.
 - a. **What is the rough projected increase, in dollars and in percentage, of lifetime Prescription Benefits for TWU 234 workers, from FY 2011 to FY 2015?**
 - The projected cost for TWU 234 retiree prescription drug expense for Fiscal Year 2011 is \$3.3 million. This cost includes the Medicare Part D refund.
 - The average annual increase is \$375,000 or approximately 10%.
 - b. **What is the rough projected expense increase (by percentage) of health insurance benefits for all employees, from FY 2011 to FY 2015?**
 - The compounded increase over the five year period is 46.5%. This increase is based on a 12% increase for Fiscal Year 2011 and 10% each year thereafter. These increases in healthcare costs do not include any potential additional increases in healthcare cost due to changes in national healthcare legislation or coverage mandates.

- c. **What is the rough projected increase in costs for TWU pension benefits from FY 2011 to FY 2015, in dollars and by percentage?**
- The annual cost increase is \$4,060,000.
 - The projected increase is substantially offset by the increase in TWU member contributions from 1% to 3.5% of salary. The increased employee contribution will offset the additional cost to the Authority.
 - The annual increase is 9% over the FY 2010 pension budget for TWU. The Annual Required Employer Contribution (ARC) is subject to future performance of the pension fund and could be reduced as the pension fund results have recently improved.
- d. **What are the projected Railroad Retirement Tier I and Tier II percentage increases from FY 2010 to FY 2015?**
- Tier I is currently set at 7.65% and Tier II is currently set at 12.1%. Historically, these percentages have increased; it is reasonable to believe that the percentages are likely to increase in the future. In addition, the amount the Authority is required to pay, increases each year as labor dollars increase.
2. **What is the projected ridership loss for FY 2011 due to elimination of off peak fares on the Railroad Division, as proposed?**
- The projected ridership loss due to the elimination of mid-day off peak fares is less than 1,000 passenger trips per average weekday.
3. **What are the projected headcount increases/decreases for the City Transit and Railroad Division from FY 2011 to FY 2015?**
- In Fiscal Year 2011, the Authority is proposing to reduce headcount by up to 40 heads. Of these reductions, approximately 30 heads will be achieved through attrition as a result of the completion of federal stimulus projects, and partial reduction of the 65 service initiatives introduced in FY 2009. These reductions will take place in the Transit Division. In addition, 10 management positions are proposed for elimination as part of the FY 2011 budget proposal.

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4. Has there been any effort by SEPTA to minimize propulsion power costs for the Railroad Division for the next fiscal year, and FY 2012 through 2015?

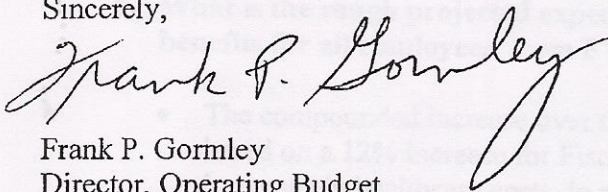
- SEPTA has entered into an agreement with Amtrak for the joint purchase of propulsion power. Effective January, 2011, all SEPTA propulsion power will be purchased from a third-party Electric Generation Supplier. The increase in Market Generation electricity resulting from the removal of PECO rate caps will be mitigated by SEPTA's use of a third-party supplier. PECO will remain SEPTA's distribution company and the Authority will be subject to any distribution rate increases.

5. Is the Philadelphia School District Student Pass a specialized fare instrument with a reduced cost to the school district, or is it the same price of a regular TransPass?

- The Student Pass is only good for school days and is not valid on weekends or weekday evenings after 7:00 p.m. As such, the pricing of the pass reflects the hours of service for which the pass can be used. The student pass can only be used for 40.2% of the week.
- The Student Pass is sold to the school district for \$15.65. Regular TransPasses are currently \$20.75. The Student Pass is proposed to increase to \$16.60, or 6.1% as part of the budget proposal.

Should you require further information or have any questions, please do not hesitate to contact us. In closing, the Authority appreciates your continued interest in the Fiscal Year 2011 Operating Budget Proposal.

Sincerely,



Frank P. Gormley
Director, Operating Budget