



## NEW PAYMENT TECHNOLOGIES PROJECT

**Total Loan Amount: \$175 M (Tranche I: \$35 M; Tranche II: \$75 M; Tranche III: \$65 M)**

**Total # of Investors: 350 (Tranche I: 70; Tranche II: 150; Tranche III: 130)**

**Jobs Creation Requirement: 3,500 (Tranche I: 700; Tranche II: 1,500; Tranche III: 1,300)**

### ***Overview***

The Southeastern Pennsylvania Transportation Authority (“SEPTA”) is a regional municipal authority that operates various forms of public transit – bus, subway, electric trolley bus and elevated, commuter and light rail – that serve the combined city and county of Philadelphia, Chester, Montgomery, Bucks, and Delaware Counties in Pennsylvania, New Castle County in Delaware and Mercer County in New Jersey. Originally created by the Pennsylvania legislature on August 17th, 1963 and commencing service on February 18th, 1964, SEPTA is now the 6th-largest U.S. transit system by ridership, serving more than 3.8 million people. SEPTA controls and operates more than 280 active stations, 450 miles of track and 196 routes and employs more than 9,000 people. Fitch Ratings recently assigned an 'AA' rating to \$240 million of 2010 revenue bonds and upgraded \$327 million in outstanding revenue bonds to ‘AA’.

SEPTA has three major operating divisions, that reflect the different transit and railroad operations that SEPTA has assumed: city transit, suburban, and regional rail. The City Transit Division operates routes mostly within the City of Philadelphia, including buses, subway-surface trolleys, and the Broad Street Lines, with some of its routes extending into Delaware, Montgomery, and Bucks counties. The Suburban Division operates suburban bus and light rail routes in Montgomery and Delaware Counties and bus lines that serve Bucks County. The Regional Rail Division operates thirteen commuter railroad routes that begin in Central Philadelphia and radiate outwards, terminating in intra-city, suburban, and out-of-state locations.

### ***Government Support***

The federal government, Commonwealth of Pennsylvania (“the Commonwealth”), City of Philadelphia and surrounding suburban counties have shown a strong financial commitment to SEPTA by providing operating subsidies and capital grants to complement the operating revenues and financing proceeds generated by SEPTA. The Commonwealth provides 80% of the SEPTA’s operating subsidies and 41% of the its capital grants, while the City and Suburban Counties contribute 11% and 4% of SEPTA’s operating subsidies and capital grants respectively. Federal funding is largely provided for capital investment purposes and constitutes approximately 55% of SEPTA’s capital program. This includes federal highway funding for transit purposes and homeland security funding.

### ***The New Payment Technologies Project***

To address the need for an aging revenue collection infrastructure and to offer riders a variety of payment choices using modern fare collection technology, SEPTA has embarked on a multi-component capital improvement project known as the New Payment Technologies project (the “NPT Project”). In addition to bus, rail and regional rail fare collection improvements, this project will also include improvements to the payment and collection procedures for SEPTA’s Customer Community Transportation operation, as well as SEPTA’s parking operations.

Rather than installing a magnetic or smart card system employed by other transit agencies, SEPTA will install a system that moves transit fare payments away from tokens, passes and tickets (or other specialized fare collection media) and towards a method using conventional debit and credit cards. SEPTA has undertaken an innovative approach that leverages the bank card network to allow customers to make fare payments directly to a credit or debt card account, and also incorporates measures to ensure that riders without access to a bank card can utilize prepaid cards.

Key components of the new NPT system contract will include the fabrication and installation of new vending machines, sales devices, turnstiles and gates; the design and implementation of advanced computer equipment, network components and software systems that will connect and support the new fare payment and collection system.

The resulting system will also allow users to connect with other transportation payment systems, allowing region-wide access on an integrated network of transit services. Based on studies conducted by peer agencies who have implemented similar fare modernization programs, ridership can be expected to increase as much as five percent over the first three years of operation as a result of the NPT project. Internal operational and management benefits will also accrue to SEPTA as the new fare collection system will provide more accurate ridership and revenue information and will enhance internal accountability and reconciliation processes.

The NPT project is a public, high-profile project, supported by SEPTA's Board of Directors, CEO and CFO, and led by a senior executive with management experience in SEPTA's revenue operations. Research and planning for the project began in March 2008, at which time the project structure was divided into four major work areas – the NPT system contract, other third party contractors, in-house and force account work, and other internal costs.

SEPTA is one of two transit agencies in the country that provides a breadth of modal services that includes bus, trolley, heavy rail, commuter rail, high-speed rail and shared ride services. The Philadelphia and Pennsylvania region has also experienced an increase in tourism and population and SEPTA has noticed a direct effect in the form of increased ridership. The NPT project will modernize and render the SEPTA system more efficient, while improving the riding experience. SEPTA also believes that this type of "open" payment system will not only benefit its customers but also the region as a whole. With the new, simplified payment system in place, SEPTA hopes to attract new customers and improve the ridership experience for its existing customers.