

2016 Budget

40 Years

Then



First riders - 1976



Now

Adopted December 3, 2015

by Community Transit's Board of Directors

Community Transit's Board of Directors

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Community Transit Envisioned Future

BHAG

◆ Think Transit First

Vivid Description

- ◆ We will give people such convenience at such an affordable price that they will use transportation alternatives as a matter of course. People will enjoy the ease and comfort of being transported rather than driving. They will relax in a comfortable, clean, and safe environment while being whisked to their destination. Families will be able to enjoy stress free travel making this a fun part of the family outing rather than just a way to get to the destination. Bus travel, as well as sharing the ride, will be a social event where people are happy to share the experience. Automobiles will disappear as the main mode of transport. The environment will be greatly improved due to much less pollutants being spewed into the air. The roadways will not be congested so commercial vehicles will be able to deliver goods and services quicker thereby improving our economy. All people will have the same access to personal mobility without regard to income or physical/mental ability. Children will be able to travel safely to all events freeing up family members who currently have to carpool these groups of children. Families will opt to have only one automobile or none as public transportation will be such a wonderful experience that it will become the mode of choice. We will all “think transit first”!

Vision

*Together we will do the extraordinary
so that people will always think transit first.*

Our Mission

*Today we will provide a safe, reliable, and enjoyable experience,
each and every ride.*

Core Values

Customers First. Exceeding our customers' expectations for an enjoyable and convenient trip is our reason for being. We serve them by actively looking for ways to improve their riding experience.

Safety Conscious. We are focused upon ensuring the personal safety and security of our customers and our employees, both in our facilities and while riding our vehicles.

Accountability. By establishing clear priorities, setting realistic goals, and maintaining consistent policies we are pledging to accept responsibility for our own performance—both as individuals and as teams—and providing the means to measure our success.

Rewarding Initiative and Innovation. We foster an entrepreneurial spirit that gives us the flexibility to maximize opportunities and the encouragement to take risks that allow us to be at the cutting edge of new and better ways to better serve our customers and communities.

Mutual Respect. We are committed to treating one another with respect and with sensitivity to diversity, and thereby cultivating positive working relations, good internal communication, and open decision-making.

Continuous Learning. Employees will have the tools, resources and training each of us needs to do our jobs well and serve our customers better.

Respect for the Communities We Serve. We stress community involvement in our planning process so that we can understand their needs and they can understand how we are striving to meet them.

Integrity. We are honest in our behaviors and communications; we follow through on our commitments; we are good caretakers of the public's resources and preserve the public trust.

Environmental Stewardship. We embrace ways of doing business that are environmentally friendly, and seek to be a role model for other organizations in reducing environmental impacts.

Board Goals

Improve ridership.

Demonstrate good stewardship of public funds.

Be a positive force in our communities.

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2016 Budget Foreward

Preparing for a New Transit Legacy

When Community Transit's 2016 Budget was prepared in the fall of 2015, we did not know the outcome of Proposition 1, the ballot measure to increase sales and use tax to fund expanded transit service.

The 2016 budget was prepared based on existing revenue sources to ensure that expenditures would be covered by revenue sources already in place.

Approval of Proposition 1 was certified by Snohomish County on Nov. 24, 2015. Community Transit will begin receiving new revenue generated by the additional sales tax in June 2016, and that revenue will be accounted for in an amendment to this 2016 Budget that will be taken to the Board later in the year.

This budget includes only service additions affordable from previously known revenue sources. We know now that expanded service additions will move forward, beginning with a modest service increase in March 2016 and a major increase in September 2016. Those increases will be outlined in the amended 2016 Budget.

We know that demographic changes in our county will drive new expectations for public transit, and we look forward to providing a new transit legacy for Snohomish County.

A handwritten signature in blue ink that reads "Emmett Heath".

Emmett Heath
CEO, Community Transit

CEO's 2016 Budget Message

Community Transit has many reasons to celebrate in 2016. First of all, the agency marks 40 years of providing public transportation services to the citizens of Snohomish County. Guided by its vision, mission, and core values, the agency has become a major economic contributor and is making a difference in people's lives. Secondly, the 2016 budget is solid and meets Community Transit's financial goals. Fiscal prudence and careful planning has restored the agency to a sustainable business model. Projected revenues exceed costs, reserves are fully funded, and costs are controlled within established levels. The 2016 budget reflects Community Transit's mission and vision to provide riders with a safe, reliable, and enjoyable experience. We will continue to do the extraordinary so that people will always "Think Transit First."



EMMETT HEATH, CEO

Forty Years of Service to Snohomish County Communities

Community Transit began service on October 4, 1976, and has blossomed from a small neighborhood transit service to a major regional transit partner that delivers service to 9.8 million customers annually. On a busy day, up to 40,000 people ride Community Transit buses, vanpools, and DART paratransit vehicles. Almost half of Snohomish County residents (47 percent) live within a quarter-mile of a Community Transit bus stop, and 75 percent of county jobs are located within walking distance of a bus stop. In 2014, annual ridership increased 8 percent and 2015 growth rates are trending slightly higher.

Over the past forty years, Community Transit has carried out its vision to accomplish the extraordinary. Not only do we serve almost 10 million customers annually, but our customers rate Community Transit's service and transit experience very highly. In a recent survey, when asked their opinion of Community Transit, 91 percent gave the agency a favorable or strongly favorable rating. The public views Community Transit as a critical, valuable community asset.

With the community's support, 2016 will be a year of growth and vitality, building upon the foundation already in place.

A Road Less Traveled

Community Transit chose the road less traveled to navigate the Great Recession. The Community Transit Board of Directors and executive team adjusted the agency's cost structure to reestablish sustainable operations. While difficult at the time, implementing that early strategy positioned Community Transit to emerge from the recession ahead of the pack. We are now able to move forward with confidence that we have both adequate reserves and the ability to devise a sound plan for maintaining operations should we be faced with another recession.

The 2015-2020 Transit Development Plan adopted by the Board of Directors provides policy, long-range financial planning, service guidance, and a framework for development of the 2016 budget. The annual budget adds detail and brings precision to the transit development plan's high-level framework, plan, and financial forecast. The budget becomes the year's detailed road map for achieving operational excellence and the desired financial results.

The transit development plan framework shows that without additional revenue sources, Community Transit does not have capacity to add any new service, other than limited service adjustments, until 2018. Even then, only a modest amount of new service hours would be possible, and they would almost certainly be dedicated to schedule maintenance and not expansion. This assumes revenue and expense forecasts perform as expected.

To afford the projected future service hours, the financial forecast in the transit development plan limits annual growth in the cost per revenue hour to 4 percent. The 2016 budget successfully controls growth in the cost per revenue hour to 2.6 percent, well within the transit development plan parameters. Sales tax, our primary source of operating revenue, is forecast to grow at a rate of 5 percent in 2016, and then annually at 4.5 percent from 2017 to 2020.

Community Transit's current financial model can weather a recession approximating the size of the dot.com bust in 2001 to 2002. In that recession, Community Transit's sales tax revenues declined by 5 percent in 2002 before resuming a normal growth rate the following year. The agency could sustain a recession of similar depth and duration without any service cuts; however, it would necessitate cost control measures, including elimination of any future service increases identified in the six-year plan.

The Route Ahead...

Keeping up with demand is one of the agency's greatest challenges. Community Transit responded by adding 39,000 annualized hours of service in 2015, including restoration of some Sunday and holiday service, and adjusting schedules to improve service reliability. We also purchased additional coaches to expand the fleet, including five extra Double Tall buses that are designed to optimize the number of passengers carried. We continue to work with other transit and government agencies to provide more coordinated, seamless experiences for customers. While using every available resource, we are still stretched beyond our ability to meet the demand and provide residents with the service they deserve and expect.

Current revenues will not be enough to take care of these unmet needs. In the past five years, traffic delay has increased considerably: up by 92 percent on Interstate 5 and 94 percent on Interstate 405. From 2010 through 2014, employment grew faster than the population of the region, increasing delays for people in cars and buses. Overall daily traffic showed moderate growth and demand for transit increased 11 percent. Nearly eight in 10 voters in the region now say that traffic congestion is a serious problem and over half of them say the region is losing ground on transportation. Overall transit service has declined while ridership grew to record levels. Commute times have greatly increased. The region's transportation system can be described in one word: fragile¹.

Fortunately, we have an opportunity to make the needed investments to improve and grow our transit service. In November 2015, voters will have the choice to invest in expansion of public transportation services. If approved, new funding would strengthen the existing system by providing more frequent transit to work and home, focusing on areas of economic and population growth. This may include more commuter bus trips to downtown Seattle and the University of Washington, more trips and improved connections throughout the county, and more vanpools and expanded DART paratransit service for the disabled.

Community Transit, however, has more visionary plans for service improvements. The next progressive step toward our vision to "Think Transit First" is expansion of the *Swift* bus rapid transit network. This second line connects the new Seaway Transit Center, adjacent to Boeing's Everett plant, to Canyon Park Park & Ride in Bothell. These two areas are major manufacturing centers, providing approximately 90,000 jobs and bringing economic vitality to the county.

¹ Puget Sound Regional Council's status report on the region's transportation system
<http://www.psrc.org/assets/12452/PSRC2015StatusReport.pdf?processed=true>

In addition to the new Transit Center, the *Swift II* project includes construction of 30 *Swift* stations, lane widening for transit priority, installation of transit signal priority and technology improvements, and the purchase of 13 more vehicles. The second *Swift* line encourages business growth and will provide critical east-west connections across *Swift* on Highway 99, Interstate 5, and Highway 527.

In 2015, staff began project development work on *Swift II*, including environmental assessment, design and engineering, and partnership agreements. This work will continue in 2016. The prescribed Federal Transit Administration (FTA) process is the first phase in applying for FTA Small Starts funding for right-of-way acquisition and construction. If efforts to secure federal funding for construction and local funding for bus operations are successful, *Swift II* could be delivered in 2018. With frequent, all-day transit service on congested roadways, this project will help ease congestion in Snohomish County.

In addition to making our current system better and adding another *Swift* line, Community Transit would expand overall service. This includes creating new routes in areas currently without service, and connecting communities in new ways. New routes may include Marysville to McCollum Park & Ride via Lake Stevens, Snohomish and Silver Firs via Highway 9, and implementation of a third *Swift* line to connect with Sound Transit Link light rail by the time it reaches Lynnwood in 2023.

2016 Initiatives and Projects: What We Strive to Accomplish

With the reinstatement of Sunday and holiday service in 2015, the coming year will be an opportunity to sustain and refine our service. Some of the major initiatives and projects include using social media and electronic customer communications, more partnerships with regional transit and local government agencies, promoting our Transportation Demand Management programs, and other affordable yet impactful strategies.

Social Media and Electronic Customer Communications

Social media is a cost-effective way to educate the public about the agency's major initiatives and teaches riders how to use Community Transit services. Through rider alerts, we share news about service changes and discuss initiatives like the VanGo program or the legislative agenda. Posted videos instruct riders how to use a bike rack, providing not only step-by-step instructions, but also promoting Community Transit as a commute option. When customers are engaged in a two-way conversation on Facebook or Twitter, they stay engaged in the activities

and programs we offer. In turn, these customers share information with their social networks and act as champions for the agency.

Local media also follow our blog and Twitter account, and routinely provide news coverage from these social media posts. By monitoring customer comments and posts in real time, we are able to respond immediately to questions and comments, detect trends, and anticipate future inquiries. When questions are addressed through social media, many people benefit by seeing the conversation online.

Regional Partnerships and Collaboration

Community Transit continues its partnerships with other jurisdictions, including Everett Transit, Sound Transit, City of Seattle, Washington State Department of Transportation (WSDOT), King County Metro, Puget Sound Regional Council, Snohomish County, and cities within the county. One such partnership is the Seattle transit coordination coalition whose goal is to keep transit moving in downtown Seattle over the next eight years of intensive capital construction. Some of the major projects include replacement of the viaduct with the tunnel, the central waterfront redevelopment and seawall replacement, light rail extension, the convention center expansion, street car expansions, Interstate 5 rehabilitation, Mercer corridor improvements, Colman Dock replacement, Amazon headquarters build-out, and new office and residential buildings. The expressed goal of the five agencies working together is to make transit the preferred method of travel in downtown Seattle during this time period and beyond.

Community Transit partnered with WSDOT to find short-term, low-cost ways to improve the speed and reliability of transit service on our regional freeway network. As a result of this partnership, bus-on-shoulder operations began on segments of Interstate 405 southbound. Transit buses will be able to use the Lynnwood Transit Center and Mountlake Terrace Transit Center freeway station ramps to bypass back-ups on Interstate 5 later in the fall of 2015. Shoulder running on Interstate 5 requires some capital work which WSDOT is currently scoping for future enhancements.

As part of Community Transit's wireless communications project, a regional advisory council was created to expand communication and collaboration with regional partners. This council includes participants from Snohomish County Emergency Radio System, King County's Puget Sound Emergency Radio Network, and Snohomish County. At each project milestone, the regional advisory council is presented with findings and recommendations to solicit their input prior to decision making. In addition to this open collaboration, Community Transit shares radio tower equipment with Snohomish County Emergency Radio System for current operations.

Community Transit also participates in project development and administration of the regional fare coordination system, also known as ORCA. This project is a long-term collaboration and partnership that greatly benefits riders who travel across multiple transit-agency boundaries. The current system is nearing the end of its useful life and must be replaced by 2020. Community Transit is providing strong leadership in ORCA program management as the region plans for future upgrades and evolution of electronic fare collection.

Transportation Demand Management

Community Transit works with 66 large employers, colleges, and universities representing 22,500 employees and students to develop and implement successful transportation programs in conjunction with Washington State's Commute Trip Reduction Efficiency Act. Some of the services we provide include support for and development of employers' commute trip reduction programs, transportation demand management training and incentives, transportation fairs and ride-matching, and ORCA business pass program development.

Curb the Congestion is one program that has been very effective. Since its inception in 2008, 1.1 million trips have been removed from busy, congested roadways. Curb the Congestion was one of only five programs selected by the Washington State Commute Trip Reduction Board to pilot progressive transportation alternatives from 2014 through 2017. These programs make a real difference for commuters, as well as provide partnership opportunities with both Snohomish and King counties.

Community Transit also provides resources and services to smaller employers along targeted corridors in Southwest Snohomish County to increase the use of alternative transportation modes by their employees. Outreach and resources are tailored to area employers based on their business needs.

Seaway Transit Center

The Seaway Transit Center is planned for the northern terminal of the second line of *Swift*, and will be located on Seaway Boulevard and 75th Street in Everett across from Boeing's main entrance. The transit center will provide an easy transfer point between transit partners serving Boeing, Fluke, Honeywell, and other Paine Field-area businesses. In 2015, Community Transit received a regional mobility grant of \$6.8 million for construction of the transit center. These dollars are an integral part of our efforts to secure federal funding necessary to complete the project.

Technology

Community Transit relies on technologies that improve transit system operations. This includes applications that deliver timely information to customers as well as administrative support functions such as payroll and purchasing. Technology plays a major role in our ability to expand service and control costs.

Projects and initiatives planned for 2016 include:

- **Wireless Communications Project**—Community Transit operates and maintains both 800 MHz voice and 700 MHz mobile data radio systems to support fixed-route and paratransit operations. These systems are critical to ongoing safe and efficient operation of the transit system. However, Community Transit’s radio system is approaching end of life and needs to be replaced and enhanced.

A major 2016 to 2017 project is to replace and update the current system with a state-of-the-art wireless communications platform that will continue to provide reliable voice communications while also providing reliable and high-capacity data communications. Future requirements for data are being driven by customer-facing, real-time systems such as BusFinder and the future ORCA 2 fare system that will accept credit card payment. The 2016 budget carries over \$12.7 million from a prior-year budget authorization to fund this initiative.

- **ORCA Upgrades**—Community Transit participates in the regional ORCA electronic fare card program. Currently 84 percent of Community Transit bus riders use the ORCA card to pay their fares. Now that ORCA is a mature program, the focus will be on repair and upgrade to the systems and software, increased operational efficiency, and compliance with industry standard secure payment requirements. The 2016 budget includes \$621,000 for Community Transit’s share of ORCA operations.
- **Coach Video System Replacement**—This project seeks to replace the aging GE Mobileview coach video system. Over time, this system has proven to be critical for accident investigations, claims mitigation, security events and criminal prosecution, and customer service issues. Community Transit has programmed \$1.8 million in the 2016 budget to upgrade and replace the current video system on all buses.
- **Other Information Technology-Oriented Projects**—Other projects include customer alerting (an enhancement to real-time information), Trapeze equipment asset management shop activity project, Trapeze web bidding requests, PeopleSoft time and

labor implementation, *Swift* transit vending machine upgrades, and a high-capacity, storage network upgrade.

Employee Health and Wellness

Community Transit has operated a wellness program for the past 17 years and in 2015 opened an employee maintenance center to prevent and treat occupational and other injuries. To support employee health and well-being, Community Transit seeks to maintain a culture that values its employees by increasing employee health and fitness, while also minimizing workers' compensation costs and limiting other indirect costs associated with occupational health concerns.

In 2016, Community Transit will award a new wellness provider contract, which will add new activities to widen the wellness program beyond exercise and nutrition. These activities will address stress management, financial wellness, and work/life balance. The wellness program will integrate with the employee maintenance center so employees, once out of pain, can continue making progress towards their health goals and maintain health improvements made. The new program will use technology to provide a user-friendly wellness website where employees can access wellness information and track their progress.

Safety, Security, and Environmental Stewardship

Community Transit works to ensure the personal safety and security of both customers and employees. The recently completed threat and vulnerability assessment provided guidance for development of the agency's five-year security plan. In 2016, the agency will continue implementation of that plan, and develop a safety management system that aligns with federal guidelines. We will complete work on the collision avoidance pilot program and implement the newly revised safe driving policy.

In the area of environmental stewardship, Community Transit will evaluate the potential to reuse storm water in our industrial waste-water processes, such as the bus wash. In addition, staff will conduct an engineering study to ensure our aging industrial pretreatment waste-water systems are sufficient to maintain compliance with permit requirements.

Current and Future Infrastructure Needs

Community Transit continues to provide for its infrastructure preservation and expansion needs. Some of the projects funded through the 2016 budget are:

- Purchase of 18 sixty-foot replacement coaches (\$16.7 million; 80 percent federal grant-funded).
- Purchase of 45 Vanpool and 11 DART vehicle replacements.
- Purchase of 20 new vanpool expansion vehicles.
- Mukilteo Park & Ride expansion facility: Community Transit is completing lease negotiations on the Paine Field property. Design is continuing with construction planned for 2016. The project construction is funded with a 2015 to 2017 regional mobility grant.
- Reroofing at the Merrill Creek administration and operations buildings, as well as heating, ventilating, and air-conditioning work, flooring, and window refurbishments.
- Lighting upgrades and other improvements at both the Kasch Park and Merrill Creek bases.
- Renovations at the Edmonds Transit Center and the Marysville Ash Avenue Park & Ride.
- Hoist additions and pavement replacements at the Merrill Creek Operating Base.

2016 Operating Budget

The 2016 budget includes operating revenues of \$133.8 million and operating expenses of \$121.3 million. Operating revenues result from sales tax, fares, grants, contributions, interest, and other minor sources. Overall, Community Transit's 2016 revenue budget reflects an increase of 1 percent compared to the 2015 budget. Sales tax is projected to grow 5 percent in 2016 as compared to 2015. Passenger fares in 2016 are expected to increase by 10 percent.

In 2016, Community Transit will use more of its federal grant revenue to fund capital projects, in line with prerecession practices. During the great recession, Community Transit shifted federal grant revenue from capital projects to operations to avoid further service cuts. State grant contributions have decreased by 60 percent. The increase in revenue represents the net effect of changes in all Community Transit operating revenues.

The General Fund budget includes expenses of \$142.4 million, which is comprised of operating expenses of \$121.3 million and interfund transfers of \$21.1 million to fund debt service, workers' compensation, and capital reserves and projects. We expect total expenses for 2016

to increase by \$9.5 million or 7 percent as compared to the 2015 amended budget, largely due to capital contributions for projects slated to occur in 2016.

Capital Program

Community Transit's 2016 capital program reflects continuation or completion of several projects addressing needs in five areas:

- Future-facing projects such as the early design work for a second bus rapid transit line, including a critical transit station at Seaway Boulevard.
- Vehicle replacements, including buses, DART paratransit vehicles, and vanpool vehicles.
- Technology initiatives, including funding for a wireless communications project to replace and upgrade our aging radio system.
- Customer facilities, including new facilities and improvements to existing facilities.
- Preservation of capital infrastructure.

The 2016 capital program totals \$66.3 million. Carryover capital projects account for 63 percent, or \$42.0 million of the total. New capital projects total \$24.3 million and account for the remaining 37 percent of the total capital budget. Grant funds provide 40 percent (\$16.7 million) of the funding for carryover capital projects and 55 percent (\$13.3 million) of the funding for the new capital budget.

Community Transit continues to maximize grant opportunities for capital projects and to replace aging fleets of buses, vans, and DART vehicles. Staff will manage over \$30 million in new and carryover capital grant funding for 2016.

Concluding Remarks

Over the past 40 years, Community Transit has established itself as an outstanding transit agency, with a reputation for innovation and customer satisfaction. The 2016 budget is financially sustainable and positions us for growth if new revenue sources are found. We maintain appropriate reserve levels, work to preserve agency assets, and manage cost growth. We continue to work with community partners to advocate for transit-friendly policies and increased transit funding. With a focus on customer service, transit technologies, and creative strategies, we will realize our long-term vision. Community Transit has achieved great things over the past 40 years and is well positioned to accomplish even greater things in the coming years. We look forward to a bright future in Snohomish County.

Executive Summary of the 2016 Adopted Budget

2016 Budget: Operating

	2014 Actual	2015 Amended Budget	2016 Adopted Budget	Change 2016 vs. 2015
Total Revenue	\$ 124,565,337	\$ 132,072,664	\$ 133,770,197	1%
Department Level Expenses	\$ 99,013,656	\$ 113,608,060	\$ 117,095,735	3%
Other Operating Expenses	1,601,299	2,542,830	4,223,306	66%
Total Operating Expense	\$ 100,614,955	\$ 116,150,890	\$ 121,319,041	4%
Nonoperating Expense	21,054,458	16,732,756	21,114,492	26%
Total Expenses	\$ 121,669,413	\$ 132,883,646	\$ 142,433,533	7%
Full-Time Equivalent Employees	541.5*	579.5	605.5	4%

*As of December 31, 2014

2016 Budget: Capital

	2015 Amended Budget	2016 Adopted Budget	Change 2016 vs. 2015	
New Capital Program	\$ 33,495,289	\$ 24,362,359	\$ (9,132,930)	-27%
Capital Carryover	65,937,070	41,973,413	(23,963,657)	-36%
Total Capital Program	\$ 99,432,359	\$ 66,335,772	\$ (33,096,587)	-33%

2016 Budget Highlights

- The 2016 budget reflects a full year of reinstated Sunday and holiday service plus adjustments that occurred in June 2015 and additional service adjustments occurring in September 2015. On an annual basis these adjustments equal about 39,000 hours.

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- Current projections indicate that we will deliver about 20,000 more local service hours and about 2,500 more DART paratransit service hours in 2016 than in 2015, due to the annualized effect of the June and September 2015 service changes mentioned earlier.
 - No significant service change will occur in 2016. A modest schedule adjustment in March 2016 will add approximately 3,000 additional hours.
 - Total 2016 budgeted operating revenues equal \$133.8 million. Total 2016 budgeted operating expenditures equal \$121.3 million, not including interfund transfers of \$21.1 million which fund capital projects, reserves, workers' compensation, and debt service.
 - Community Transit projects its sales tax revenue to grow by 5 percent between 2015 and 2016, or by roughly \$4.1 million. Overall, revenues will grow at 1 percent. In 2016, Community Transit will use more of its federal grant revenue to fund capital projects, in line with prerecession practices. During the great recession, Community Transit shifted federal grant revenue from capital projects to operations to avoid further service cuts.
 - Marketing staff project advertising revenue to grow at 15 percent, or \$100,000. A new contract and improved economy have boosted this revenue source.
 - We project the 2016 cost per revenue hour to increase by 2.6 percent, well within Community Transit's target of less than 4 percent as presented in the agency's transit development plan. Actual financial results indicate that the cost per revenue hour grew by 3.3 percent between 2013 and 2014.
 - Overall department-related operating expenditures are budgeted to grow at about 3 percent.
 - Salaries and wages are set to increase at about 2.9 percent as compared to the 2015 amended budget. Benefits will increase by about 7 percent. More than half of the benefits increase relates to the cost of additional employees. The other most significant factor was the full year impact of a Public Employee Retirement System mandated rate increase which went into effect in July 2015.
 - Community Transit has benefitted from favorable fuel prices. As a result, supplies expense shows a sizeable decrease in the 2016 budget (\$1.2 million) as compared to the 2015 amended budget.
 - New 2016 capital projects total \$24.4 million for 16 new projects, including minor capital requests. The total capital budget for 2016, including new and carryover projects, amounts to \$66.3 million.

2016 General Fund Cash Balance Summary

The 2016 budget includes revenues of \$133.8 million, which funds 679,000 hours of service with operating expenses of \$121.3 million and the 2016 capital program. In addition, this budget fully funds the workers' compensation program at more than a 90 percent actuarial confidence level, funds the 2016 debt service requirement, and maintains all reserve balances at levels required by bond covenants or internal policy.

<u>\$ in Millions</u>	
Beginning Cash	\$52.9
Operating Revenue	\$133.8
Total Current Expenses and Obligations	\$121.3
Operating Margin	\$ 12.5
Transfer to Capital/Other Funds	\$ 21.1
Remaining Margin	\$ (8.6)
Ending Cash	\$44.3

General Fund Reserve Balance Calculation (\$ in millions)

	2015 Forecast		2016 Budget	
Projected Ending Cash Balance		\$ 52.9		\$ 44.3
Operating Expenses	\$ 110.4		\$ 121.3	
Workers' Compensation Expense	\$ 2.3		\$ 2.6	
Total Expense	\$ 112.7		\$ 123.9	
Operating Reserve (10% of operating expense as required by bond covenant)		\$ 11.3		\$ 12.4
Cash In Excess of Operating Reserve		\$ 41.6		\$ 31.9
Total Operating Expense for 2015 Forecast and 2016 Proposed Budgets	\$ 110.4		\$ 121.3	
Less: Sound Transit	\$ 17.5		\$ 18.0	
Net Operating Expense Excluding Sound Transit	\$ 92.9		\$ 103.3	
Two Months Operating Expense		\$ 15.5		\$ 17.2
Fuel Reserve		\$ 3.0		\$ 3.0
Cash/Working Capital In Excess of all Reserves		\$ 23.1		\$ 11.7

2016 Service Plan

When the 2015 budget was proposed in October 2014, Community Transit promised to deliver about 23,000 hours of additional local service and 5,000 more hours of DART paratransit service. Service additions in 2015 included reinstatement of Sunday and holiday service beginning in June 2015, as well as additional increases in September, as guided by the transit development plan. The September 2015 service change represents an acceleration of planned new hours slated for implementation in 2016 in the transit development plan.

Summary of Service Levels in Revenue Hours

<i>Service Type</i>	<i>2014 Actual</i>	<i>2015 Projected</i>	<i>2016 Proposed</i>	<i>Change 2016 vs. 2015</i>	
Directly Operated	259,606	283,663	300,841	17,178	6.06%
Contracted Commuter	37,204	38,334	41,259	2,925	7.63%
Paratransit	84,349	90,000	92,568	2,568	2.85%
Subtotal	381,159	411,997	434,668	22,671	5.50%
Vanpool	147,749	147,000	148,000	1,000	0.68%
Subtotal, CT Operated	528,908	558,997	582,668	23,671	4.23%
Sound Transit	90,712	96,524	96,524	0	0.00%
Total	619,620	655,521	679,192	23,671	3.61%

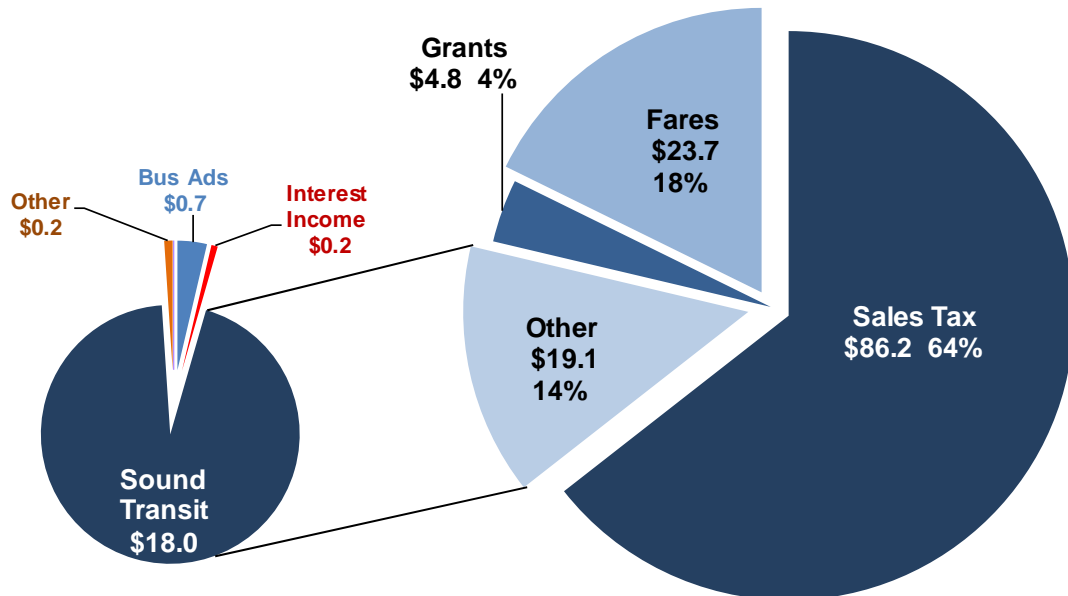
The 2016 service plan increases total service hours by 3.6 percent as compared to 2015 year-end service projections. The 2016 service plan reflects the annualized effect of the service hours added in 2015 and includes a minor schedule adjustment in March 2016 to promote efficiency and address customer demand.

In 2016, Community Transit will approach its maximum capacity for new service, other than minor schedule adjustments, based on current funding sources. The current six-year transit development plan demonstrates that this service level is sustainable, even if the economy enters another recession of average or slightly worse intensity. The 2016 service plan allows for minor service improvements. Past 2016, the service plan focuses on schedule adjustments and other minor adjustments that allow Community Transit to maintain the current schedule. Additional service growth requires increased revenue beyond current projections or else a new source of revenue.

2016 Operating Revenues

Retail sales tax in the amount of 0.09 percent imposed on retail sales made within Community Transit's public transportation benefit area in Snohomish County funds the greatest share of Community Transit's operations. Other sources of revenue include fares and contributions from federal, state, and local governmental entities. In addition, the agency derives income from a contract with Sound Transit and from miscellaneous sources such as bus advertising, sale of surplus equipment, and interest earned on investments.

This chart shows Community Transit's major operating revenue categories.



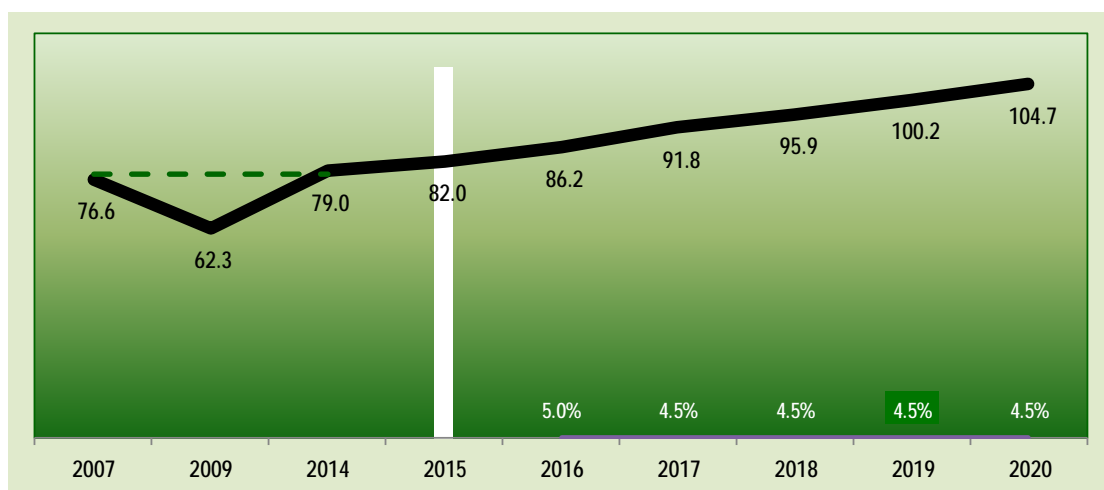
This table provides a detailed breakdown of the major revenue categories.

Operating Revenues

Revenue Type	2014 Actual	2015 Amended Budget	2016 Adopted Budget	Change 2016 vs. 2015	
				Dollars	Percent
Sales Tax	\$ 78,951,863	\$ 82,047,991	\$ 86,150,000	\$ 4,102,009	5.0%
Fares	19,769,863	21,539,000	23,740,000	2,201,000	10.2%
Sound Transit Commuter Service	16,870,539	18,530,000	17,970,497	(559,503)	-3.0%
Federal, State, and Local Grants and Contributions	7,764,475	9,028,173	4,835,700	(4,192,473)	-46.4%
Miscellaneous Revenues	1,208,597	927,500	1,074,000	146,500	15.8%
Total: Operating Revenues	124,565,337	132,072,664	133,770,197	1,697,533	1.3%
Interfund Transfers	-	380,291	900	(379,391)	-99.8%
Total Revenues	\$ 124,565,337	\$ 132,452,955	\$ 133,771,097	\$ 1,318,142	1.0%

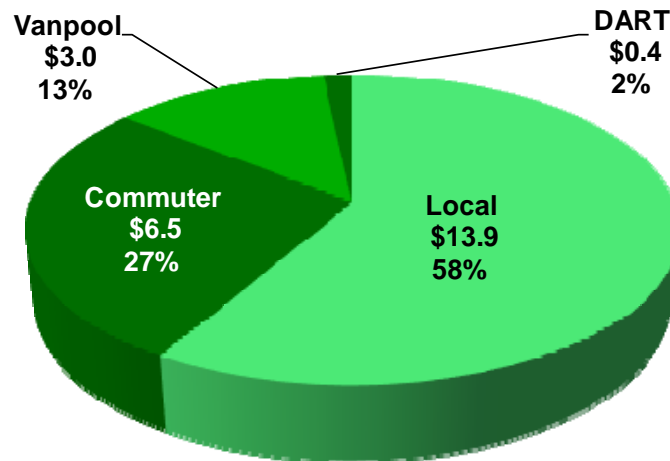
Sales Tax

Community Transit receives the largest portion of its funding from local retail sales tax. The 2016 budget exceeds 2015 forecasted sales tax collections by 5 percent, consistent with the growth rate planned in the six year transit development plan. The chart below provides both a historical perspective as well as a forecast of future sales tax revenues.



Fares

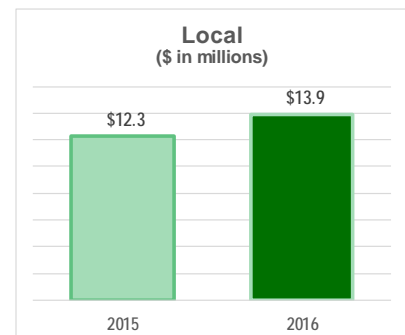
This chart shows the relative impact of each type of fare revenue Community Transit receives.



Local Directly Operated Fixed-Route Fares

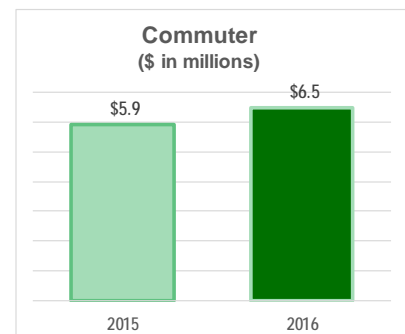
Projected fare revenues on directly operated, fixed-route service are projected to increase in 2016 by \$1.6 million (13 percent) as compared to the 2015 budget. This increase reflects:

- The annualized effect of a midyear 2015 fare increase.
- The full-year impact of the reinstatement of Sunday and holiday service that occurred in June 2015, which resulted in a substantial increase in ridership.
- The full-year impact of service adjustments that Community Transit implemented in mid-September 2015.



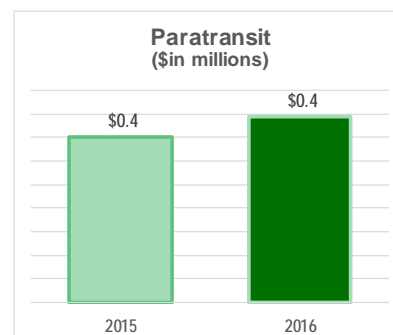
Commuter Fares

Community Transit expects 2016 contracted commuter fare revenues to increase 10 percent over the 2015 budget. This increase also relates to the full-year impact of the midyear fare increase as well as the 2015 September service change.



Paratransit

Budgeted revenue for 2016 is \$393,000 and represents an increase of \$43,000 (12 percent) compared to 2015 budget. Again, the factors impacting this increase include: a full-year impact of the midyear fare increase, the June 2015 reinstatement of Sunday and holiday service, as well as the 2015 September service change.

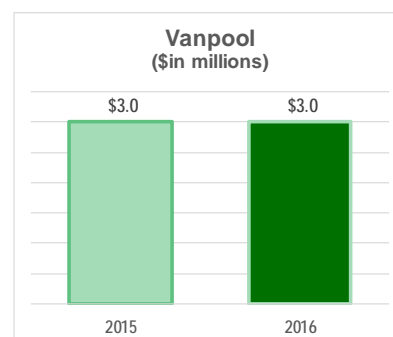


Ticket Agent Commissions

Ticket agent commissions represent the commission rates paid under the ORCA program and are budgeted at \$16,000 based on recent experience. Under the terms of the interlocal agreement, the cost of the 2 percent commissions paid to retailers for the sale of ORCA products is shared proportionally among participating agencies as a regional program cost.

Vanpool Fares

Vanpool revenue for 2016 is budgeted at \$3,000,000; budgeted vanpool service hours of 148,000 hours reflect the continuation of vanpool service at similar levels as compared to 2015.



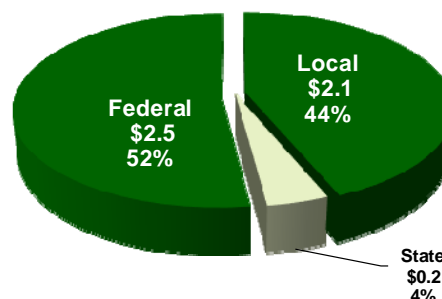
Sound Transit

Community Transit expects 2016 contracted commuter service revenues to decrease from 2015 levels by \$560,000, or 3 percent. Sound Transit contracts with Community Transit to deliver commuter services that start in Snohomish County and transport commuters to their jobs across county lines. The operating contract provides for reimbursement based on actual expenses incurred by Community Transit. The cost of fuel for commuter services makes up a significant portion of reimbursable costs under the agreement. Because current fuel prices remain very low, the fuel component of Community Transit's reimbursement is also very low, leading to an overall drop in contracted commuter service revenues from 2015 to 2016.

Grants and Contributions

Federal

Federal Transit Administration (FTA) grant rules allow grantees to use grant funds for vehicle maintenance and paratransit service. Grantees may identify a portion of their grant funds for such purposes. In previous years, Community Transit split its formula funds 50/50 between capital and operating projects. The 2016 budget shifts some of the grant funds that were previously assigned to vehicle maintenance and paratransit to the capital program instead. Operating revenues for 2016 include \$2.2 million in FTA grants, \$1.9 million of which is Marysville urbanized area operating and preventative maintenance grant funds. The state of Washington awarded Community Transit \$290,000 in federal pass-through grant funding for 2016.



State Grants and Contributions

In 2016, Community Transit's special needs grant from the State of Washington will decrease from \$500,000 to \$200,000, and Community Transit will no longer receive the state transit operations grant. Total contributions from the state are expected to decrease by \$1.2 million. State operating grants contribute less than 1 percent to Community Transit's operating revenues.

Local and County Contributions

In recognition of the value the *Swift* line brings, the City of Everett signed a partnership agreement with Community Transit in December 2007 whereby Everett agreed to contribute 0.05 of 1 percent of Everett's sales tax to Community Transit. The 2016 budget includes \$1.6 million from this revenue source. In addition, Community Transit will receive almost \$80,000 from the City of Everett to handle Everett Transit's information phone calls and DART eligibility checks.

Snohomish County transportation demand management funding amounts to \$375,000 in 2016. Community Transit will also receive \$112,500 from King County to work on its transportation demand management program again in 2016.

Miscellaneous Revenues

Interest Income

Community Transit invests the portion of its funds not needed immediately for operations or cash flow in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a voluntary investment vehicle operated by the State Treasurer. The pool was started in 1986 to provide safe, liquid, and competitive investment options for local government pursuant to [RCW 43.250](#). The LGIP allows local governments to use the state Treasurer's program to safely invest their funds while utilizing the economies of scale available from a \$7 to \$11 billion pooled fund investment portfolio.

While the LGIP is a very safe, very liquid way to invest, the rate of return for funds invested in the LGIP has been very low. During 2015, the pool's rate of return has fluctuated from 0.13 to 0.16 percent. Continued low interest rates drive the low LGIP rate, and near-term predictions do not indicate an increase, at least for the remainder of 2015. That said, Community Transit staff completed an extensive update of the internal investment policy and have plans to implement a new program to allow for a modest amount of safe investing outside the LGIP as allowed by RCW 39.59 and RCW 43.84. Because of the likely new investment program, the 2016 budget conservatively estimates interest earnings to increase to \$150,000 as compared to the 2015 budget of \$100,000.

Advertising

Community Transit expects to recognize increased advertising revenues this year and in future years after rebidding and competitively selecting its advertising vendor. The 2015 budget estimated \$650,000; however, we anticipate receiving at least \$700,000 in advertising revenues for 2015. The 2016 budget projects revenues of \$750,000.

Miscellaneous

The 2016 budget for other miscellaneous revenues totals \$174,000 and includes the sale of ORCA fare cards, warranty claims from bus manufacturers, annual RideStore sales of passenger amenities, bike locker fees, purchase card rebates, and surplus equipment sales.

Interfund Transfers

The 2016 budget includes an interfund transfer in the amount of \$900 from Fund 50, Debt Service, related to interest earned.

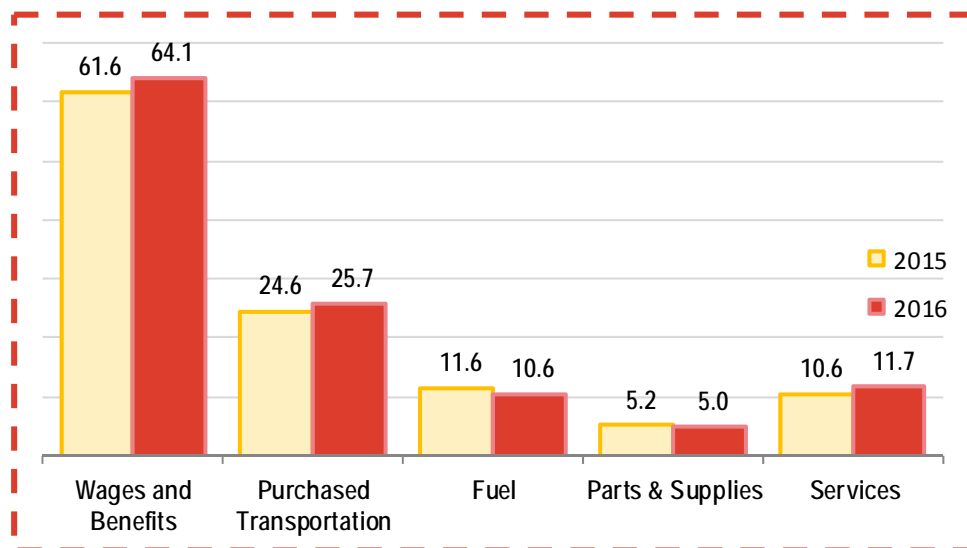
2016 Expenses

The 2016 adopted budget of \$142.4 million includes both operating and nonoperating expenses. Operating expenses consist of costs incurred by Community Transit departments, insurance, and cost pools for salary/wage adjustments and professional services. Cost increases reflect the full year of operating Sunday and holiday services, which were restored in June 2015, as well as the September 2015 service change. Nonoperating expenses consist of interfund cash transfers to capital funds, workers' compensation, and debt service.

Operating Expenses

The 2016 operating budget of \$121.3 million includes all department-related operating expenses (\$117.1 million) plus insurance costs and the salary and professional services pools (\$4.2 million). The 2016 budget reflects an increase of \$5.2 million (4 percent) as compared to the 2015 amended budget. Almost half (\$2.5 million) of the increase is for new employees to support the full-year effect of the 2015 service increase.

This chart shows 2016 department operating expenses distributed by major operating cost category (excluding insurance and cost pools).



Wages and Benefits

Wages and benefits increased by \$2.5 million (4 percent) as compared to the 2015 amended budget. This increase includes:

- 24 Full-Time Equivalent (FTE) Employees
 - 9 Coach Operators
 - 3 Journey Mechanics
 - 1 Apprentice Mechanic
 - 1 Vehicle Service Worker
 - 2 Facilities Maintenance Techs
 - 1 Coach Operator Instructor (term-limited)
 - 1 Vanpool Coordinator
 - 1 *Swift* Ambassador
 - 5 support positions
- **Benefits Increase:** The Public Employees Benefits Board employee medical insurance rates for 2016 will increase at a rate of less than one quarter of 1 percent. This rate increase has no substantial impact on the 2016 budget. Rates for the IAM Benefit Trust are anticipated to increase by 8 percent in 2016.
- **Public Employees' Retirement System (PERS) Retirement Contribution:** Midyear 2015, the PERS retirement contribution rates increased. The full-year impact of the PERS increase equals 9.7 percent, from the average rate paid in 2015 compared to the 2016 rate.

In the 2015 budget Community Transit added 46 FTEs in support of service increases that included the reinstatement of Sunday and holiday service, and a second service adjustment in September. During 2015, the Training and Staff Development Division hired 112 coach operator trainees. Of these, 82 graduated and joined our coach operator ranks as either full-time or part-time employees, all needed to expand service or replenish the positions vacated by employee turnover. For 2016, Community Transit will add a total of 24 new positions required to keep up with operational needs.

As recipients of federal grant funds, Community Transit reports FTE employees according to job content as defined in the Federal Transit Administration's National Transit Database (NTD). The NTD report classifies jobs into four categories: operations, vehicle maintenance, nonvehicle maintenance, and administrative. This table shows Community Transit's job distribution according to NTD requirements.

	10 Year Avg	5 Year Avg	2016 Ratio
Operations	64%	63%	64%
Maintenance	12%	13%	13%
Nonvehicle Maintenance	3%	3%	3%
Administration	21%	21%	20%

The following table shows FTE employees included in the 2015 and 2016 budgets.

<i>Staffing by Department</i>	<i>2015 Budget</i>	<i>2016 Budget</i>	<i>Change 2016 vs. 2015</i>
Board of Directors and Executive	6.5	6.5	-
Administration	58.0	62.0	4.0
Customer Relations	38.0	40.0	2.0
Planning and Development	30.0	30.0	-
Maintenance	89.0	96.0	7.0
Transportation	336.0	346.0	10.0
Information Technology	22.0	23.0	1.0
Public Affairs	2.0	2.0	-
<i>Total Staff</i>	<i>581.5</i>	<i>605.5</i>	<i>24.0</i>

Purchased Transportation

Community Transit contracts with other service providers—Senior Services of Snohomish County and First Transit—to provide paratransit services and a significant portion of Community Transit’s commuter bus service. These costs will increase by about 5 percent in 2016 as compared to the 2015 amended budget. The increase results from service hours needed for schedule maintenance, a 3 percent increase in the contract rate, and increases in mileage costs.

Fuel

The 2016 budget for fuel for coaches and other vehicles will decrease by 9 percent (over \$1 million) as compared to the 2015 amended budget. Community Transit has experienced well over a year of declining diesel fuel prices. Employees in both Finance and Maintenance track the economy and market for fuel, both locally and internationally. As of October 2015, it appeared that crude oil would remain abundant and inexpensive due to low global demand and suppliers who continued to produce oil despite the low prices. Crude oil prices have translated into very low diesel prices. Staff feel comfortable budgeting diesel at \$2.80 per gallon for 2016, instead of \$3.20 or higher, the amount budgeted in previous years. Community Transit continues to maintain a \$3 million fuel reserve in the General Fund in the unlikely event that fuel prices rise unexpectedly.

Parts and Supplies

Agencywide, supplies will decrease by 4 percent. Vehicle-related parts and supplies will decrease slightly in 2016. A sizeable number of planned engine rebuilds and three hybrid battery replacements were included in the 2015 budget. The same level of rebuilds and replacements is not anticipated for 2016. Oil and tires, however, are increasing related to contract prices and usage.

Services

Overall, Community Transit's services expenses will increase about 11 percent in 2016 as compared to the 2015 amended budget. Information Technology maintenance contracts represent one large element of this increase, but increases in advertising for coach operator and mechanic recruitments, disadvantaged business enterprise outreach events, and ridership promotions contribute to the overall increase, as does a contract increase with the Snohomish County Sheriff's Office for transit police services.

Department Expense

The 2016 department-level operating expense budget of \$117.1 million (excluding insurance expense and cost pools) will increase by 3 percent (\$3.5 million) as compared to the 2015 amended budget. Increases in 2016 operating costs reflect the full year effect of service added in 2015, a full year of higher pension costs plus other benefits rate increases, and contract increases for purchased transportation and for deputy service provided by the Snohomish County Sheriff's Office.

Various factors influence cost and FTE growth in each department. The 2015 service expansion, which added back Sunday and holiday service, has indisputably driven the costs in most Community Transit departments. Work for the 2015 service expansion began in 2014 with hiring and training coach operators, conducting customer outreach, preparing routes, and ensuring sufficient maintenance staffing. That work continued throughout 2015 with implementation of the service expansion. The 2016 budget shows the full-year effect of the 2015 service expansion plus a moderate schedule adjustment proposed for March 2016.

Department Budgets

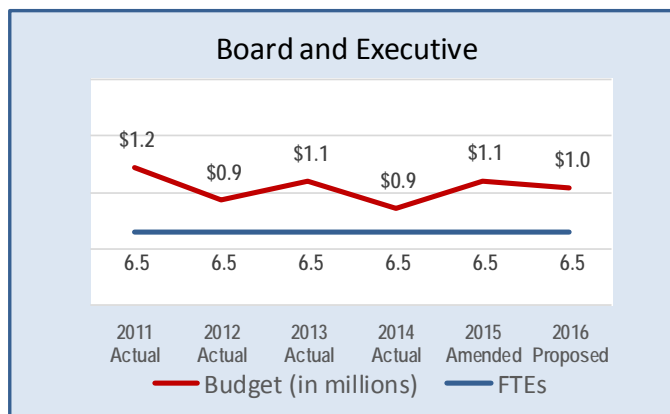
<i>Department Expense</i>	<i>2014 Actual</i>	<i>2015 Amended Budget</i>	<i>2016 Adopted Budget</i>	<i>Change 2016 vs. 2015</i>
Board of Directors and Executive	\$ 862,750	\$ 1,104,734	\$ 1,043,563	-6%
Administration	\$ 9,284,446	\$ 11,125,608	\$ 10,983,788	-1%
Customer Relations	\$ 5,351,501	\$ 7,017,584	\$ 6,865,232	-2%
Information Technology	\$ 5,154,679	\$ 5,794,273	\$ 6,694,305	16%
Maintenance	\$ 23,135,642	\$ 26,521,526	\$ 26,715,221	1%
Planning and Development	\$ 3,742,037	\$ 4,049,614	\$ 4,130,399	2%
Purchased Transportation	\$ 23,409,965	\$ 24,635,651	\$ 25,763,656	5%
Public Affairs	\$ 443,741	\$ 542,874	\$ 550,346	1%
Transportation	\$ 27,628,895	\$ 32,816,196	\$ 34,349,225	5%
Department Total	\$ 99,013,656	\$ 113,608,060	\$ 117,095,735	3%

The next section contains a discussion of each department budget along with the factors that affect the department's 2016 budget and any significant differences between the 2016 budget and the 2015 amended budget. The chart that accompanies each department discussion shows a historical analysis of changes in budget and FTE levels. The charts include four years of actual expense data, the current year's amended budget, and the budget for 2016.

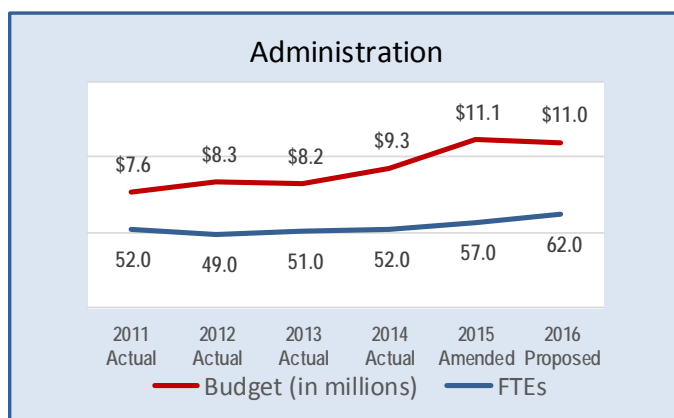
Board of Directors and Executive

The 6 percent reduction (2016 adopted compared to 2015 amended) in the Board and Executive budget results from the following factors:

- The need for legal services has decreased as major projects such as APTS, ORCA, *Swift*, and others have been completed.
- More members of the current Board of Directors are ineligible for per diem, resulting in reduced salary and benefits costs.
- Because the CEO was hired in March 2015, the 2016 budget includes no CEO recruitment expenses and anticipates no other professional services in 2016.



Administration



The Administration Department budget decreases by 1 percent as compared to the 2015 amended budget. The 2016 service plan does not require the agency to hire and train as many coach operators as were needed to support the 2015 service increases. In 2015, the Training and Staff Development Division hired 112 coach operator trainees and graduated 82 to directly support service

increases. The 2016 budget includes funding to hire and train up to 42 coach operator trainees. Nine of them are in support of service hours in the 2016 budget, and the remainder are needed for normal attrition to replace coach operators who leave Community Transit. The reduction in the number of coach operator trainees with their wages and associated benefits reduces the total department budget even though the following activities reflect increases in expenses.

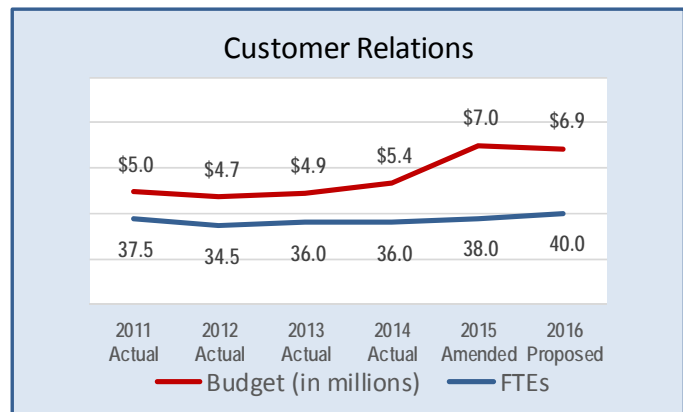
- Add four FTEs: two in Training (one is term-limited), one in Finance, and one in Procurement. The position in Procurement predominantly responds to FTA disadvantaged business enterprise requirements.

- Implement the FTA's Triennial Review recommendation to conduct a major update to Community Transit's small business and disadvantaged business enterprise programs. Work began in 2015 and will continue through 2016 to implement the FTA's recommendations.
- Manage contract cost increases associated with the Snohomish County Sheriff's contract.
- Restore funding for some elements of employee development eliminated during the last recession.
- Implement a successor to the IAM vehicle maintenance labor agreement expiring December 31, 2015, and begin negotiations with the ATU, whose current contract expires December 31, 2016.
- Provide oversight and administer the vendor contract for the on-site Employee Maintenance Center; report on results.
- Implement improvements to Community Transit's investment program.

Customer Relations

The Customer Relations Department budget decreased by 2 percent as compared to the 2015 amended budget. Elements affecting this budget include:

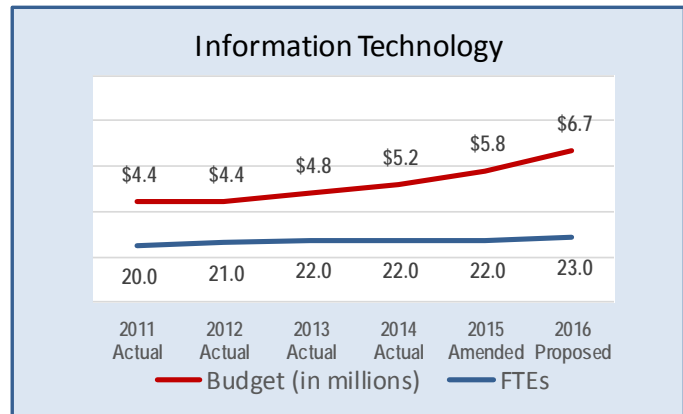
- Budgeted vanpool fuel at \$3.25 per gallon in the 2016 budget, compared to \$3.75 per gallon in the 2015 budget. Even though the 2016 budget assumes more vanpools on the road than in 2015, the net effect of the \$0.50 reduction in cost per gallon results in a budget reduction of more than \$375,000.
- A grant-funded, 20-van expansion of the vanpool fleet.
- An increase of two FTEs, one supporting vanpool activity and another supporting existing *Swift* service which has seen an increase in ridership.
- Continued expansion of the Curb the Congestion and Choice Connections transportation demand management programs, using grant funds to deliver enhanced products and services to both customer bases.
- Advertising recruitment efforts for coach operators and mechanics.
- Implementation of a new customer comment system.



- Internet and intranet redesign and functionality update to better meet customer needs.
- Service change-related public outreach for 2016.

Information Technology

The Information Technology Department 2016 budget will increase by 16 percent (\$900,000) as compared to the 2015 amended budget. Four major factors contribute to the increase:

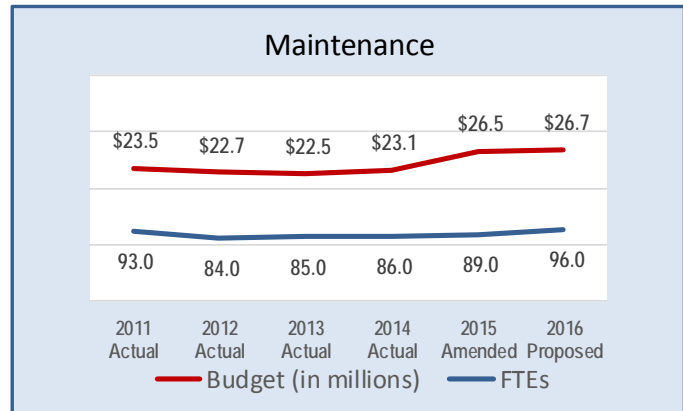


- **Hardware and Software Maintenance:** The final components of APTS were launched in midyear 2015 with a one-year warranty. Therefore, Community Transit must pay one-half year maintenance in 2016 (\$275,000). Also, the agency added over 15 new hardware and software systems over the last three years. Many of those acquisitions incorporated deeply discounted future maintenance charges, saving the agency thousands of dollars. Those terms expire in 2015. The third component of this increase includes higher software maintenance pricing, most significantly from Microsoft. This category accounts for 53 percent of the department increase.
- **Salaries, Wages, and Benefits:** Information Technology will add one FTE dedicated to the ORCA 2 project based in Seattle. Sound Transit and King Count Metro also contributed FTEs to this effort. We expect to regionalize this cost for 2017 and beyond. The cost of the additional FTE plus the increase in benefits and PERS for department employees contributed 24 percent of the total department increase.
- **ORCA:** ORCA operational cost increases include required payment card industry (PCI) security enhancements, vendor maintenance charges, and the required PCI audit. ORCA expenses comprise 13 percent of the total department increase.
- **Desktop Computer Replacement:** One-third of the desktop computers and many of the work area printers have reached end of life and will require replacement. Additionally, agency staff increases necessitate the addition of desktop computers and peripherals. This comprises 10 percent of the department increase.

Maintenance

The 2016 Maintenance Department budget increases 1 percent as compared to the 2015 amended budget. The 2016 budget includes:

- A total of 96 FTEs, seven more than the 2015 budget. The seven additional FTEs include one apprentice mechanic, one vehicle service worker, two journey mechanics, an automotive mechanic, and two facilities techs.
- A diesel fuel budget of \$2.80 per gallon. Diesel fuel represents the largest element in the Maintenance Department budget. In 2015, diesel fuel was budgeted at \$3.25 per gallon.
- Replacement of legacy bus camera systems on about 130 coaches. These systems are no longer supported by the manufacturer.
- Rebuilding of engines on 18 coaches.
- Receipt of, inspection of, and preparation for service on 10 sixty-foot coaches, 13 DART paratransit coaches, and 65 vanpool vehicles.
- Development, issuance, evaluation, and management of requests for proposals for five-year contracts for double-decker, thirty-foot, forty-foot, sixty-foot, and bus rapid transit coaches.

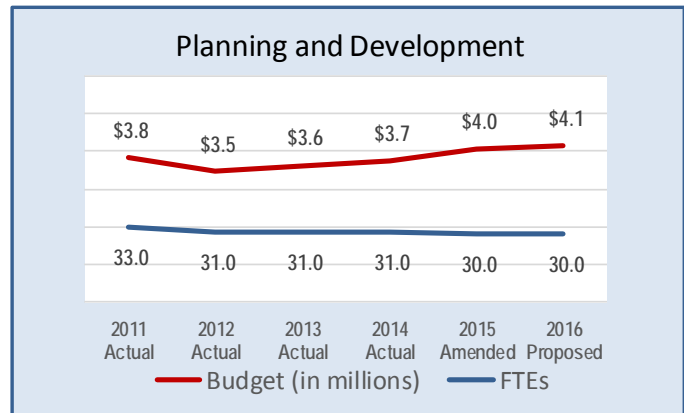


Planning and Development

Administrative and planning expense for the 2016 Planning and Development Department budget increased by 2 percent as compared to the 2015 amended budget. The department budget includes \$4.1 million in administrative and planning expense and \$25.8 million in purchased transportation supplied through competitive contracts.

The Planning and Development Department budget includes:

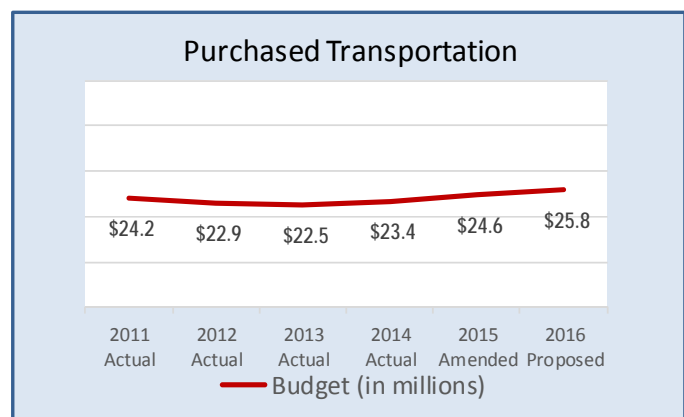
- Completion of the project development phase for the second line of *Swift* bus rapid transit.
- Upgrade of the Edmonds Transit Center with parking lot and ADA improvements.
- Design for the Seaway Transit Center and stations for the second line of *Swift* bus rapid transit.



- Initial design of the Mukilteo Park & Ride.
- Development of service options pending outcome of Proposition 1 vote.

Purchased Transportation

The overall Planning and Development Department's budget encompasses purchased transportation. The department addresses it separately because purchased transportation is service delivery rather than service planning. The 2016 purchased transportation budget will increase by 5 percent as compared to the 2015



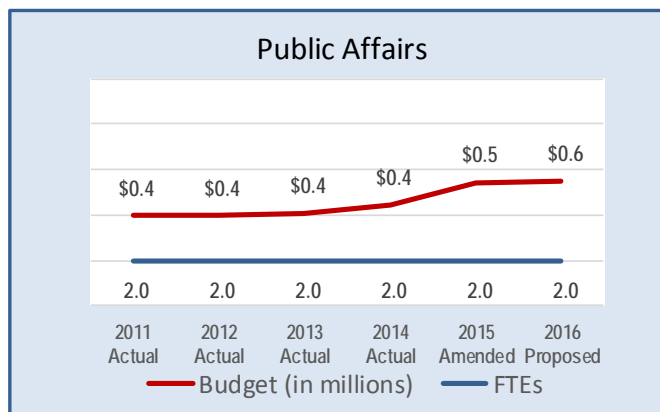
amended budget. Competitive contracts include \$13.3 million for Sound Transit regional express bus service, \$7.5 million for DART paratransit service, and \$5.0 million for Community Transit commuter service. The 2016 purchased transportation budget funds:

- About 92,500 hours of DART paratransit service.
- About 41,000 hours of Community Transit commuter bus service.
- About 96,500 hours of Sound Transit Regional Express bus service.

Public Affairs

The 2016 Public Affairs Department budget of \$550,000 represents an increase of 1 percent compared to the 2015 amended budget. The 2016 budget includes:

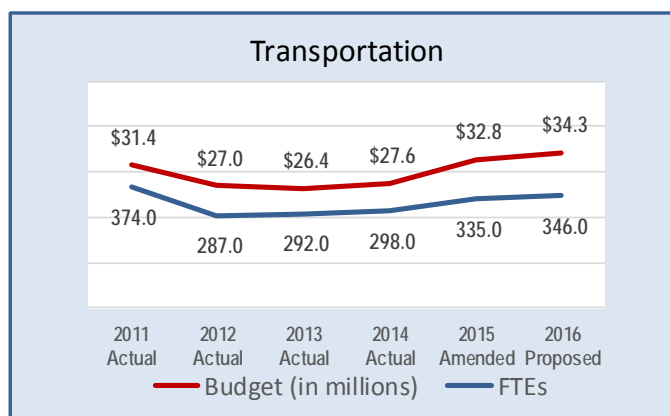
- An increase in sponsorships to enable Community Transit to renew its community outreach efforts which declined significantly during the recession.
- Continued positioning of the agency as a community leader and partner through outreach to legislators, business leaders, and key thought leaders.



Transportation

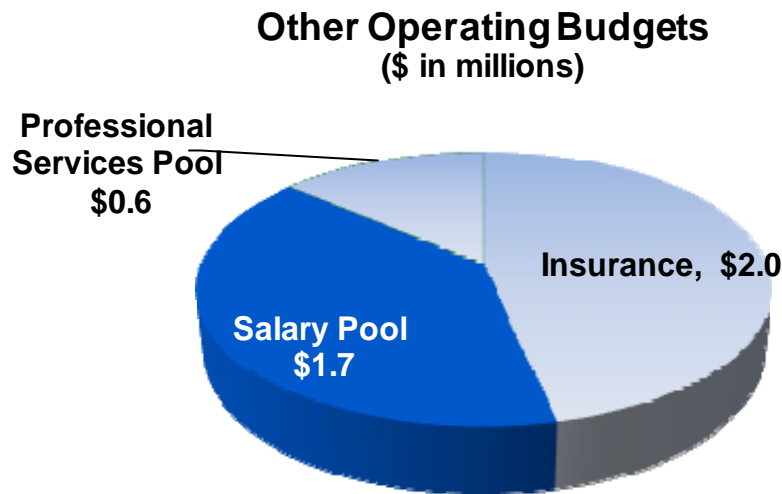
The 2016 Transportation Department budget increased by 5 percent as compared to the 2015 amended budget. The 2016 budget includes:

- A total of 346 FTEs, ten more than the 2015 budget. The 2016 budget adds nine coach operators and one administrative assistant. This budget funds nearly 60 percent of the agency's employees.
- Implementation of the Trapeze OPS bidding module to automate the route bid and vacation bid processes.
- A feasibility study for implementing a yard management system.
- Participation with and assistance for Cascadia Rising 2016, the Federal Emergency Management Agency's four-day functional exercise to simulate earthquake field responses in Washington and Oregon.
- Improvements to the customer comment process and planning to automate other processes using available technology.



Other Operating Expense

The Other Operating Expenses category includes insurance, a professional services pool, and a salary pool.



Insurance

The 2016 insurance budget of \$2.0 million represents an increase of approximately 14 percent as compared to the 2015 amended budget of \$1.8 million. Actual insurance expense for 2014 was \$1.6 million.

Community Transit's insurance, purchased through the Washington State Transit Insurance Pool, provides general liability coverage for the agency's vehicles and property, pollution liability, crime and fidelity, and other related coverages. The budget represents early estimates, as we expect actual premiums billed to be slightly lower. Vehicle mileage, particularly related to the reinstatement of Sunday and holiday service, drives a significant portion of this cost increase. Increased employee count—more coach operators and other employees to address the increased service—also plays a role in the higher insurance cost.

Salary Pool

The salary pool funds anticipated employee salary adjustments, including increases to the administrative employee pay plan and any union contract settlements pending during the year, as well as associated payroll taxes. The salary pool also funds the voluntary paid time off payout

program for all employees. The original 2015 salary pool budget was \$3.2 million and included labor contract settlements which were pending at the time the 2015 budget was adopted.

The 2016 salary pool budget of \$1.7 million is nearly half of the 2015 original budget amount. The 2015 salary pool included retroactive and current-year wage estimates for ATU employees (Community Transit's largest bargaining unit): the 2016 budget does not include retroactive contract settlement payments.

Professional Services Cost Pool

Community Transit maintains a professional services cost pool as a contingency for unanticipated professional services needed during the year that could not be identified at the time the budget was prepared. Examples of items funded from the professional services cost pool include human resources consulting, legal costs, temporary staff shortages; internal audits; various consulting tasks including a transportation services analysis, and IT professional services. The 2016 professional services cost pool will be funded in the amount of \$555,000, up \$115,000 from the 2015 original professional services cost pool budget. Community Transit does not draw from this budget unless or until unanticipated services are required.

2016 Interfund Transfers

Transfers to the Replacement and Infrastructure Reserve Funds follow the plan for balances in the reserves as outlined in the 2015 adopted six-year transit development plan. Transfers made to the FTA and Local Capital Projects Funds address local funding required to complete Community Transit's approved projects. Contributions to the Workers' Compensation and Debt Service Funds cover usual ongoing costs and the debt service due in 2016, respectively.

Interfund Transfers

<i>Fund</i>	<i>2014 Actual</i>	<i>2015 Amended Budget</i>	<i>2016 Adopted Budget</i>	<i>Change 2016 vs. 2015</i>
Fund 41: Replacement Reserve	\$ 4,982,000	\$ 7,171,934	\$ 4,690,444	-35%
Fund 42: Infrastructure Preservation Reserve	\$ 7,196,166	\$ 1,913,976	\$ 8,473,608	343%
Fund 43: Workers' Compensation	\$ 2,166,000	\$ 2,335,000	\$ 2,601,000	11%
Fund 45: FTA Capital Projects	\$ -	\$ 840,000	\$ -	-100%
Fund 46: Local Capital Projects	\$ 2,607,600	\$ 2,620,000	\$ 3,495,440	33%
Fund 48: Facilities and Technology Expansion	\$ 2,250,846	\$ -	\$ -	N/A
Fund 50: Bond Debt Service	\$ 1,851,846	\$ 1,851,846	\$ 1,854,000	0%
Total: Interfund Transfers	\$ 21,054,458	\$ 16,732,756	\$ 21,114,492	26%

Workers' Compensation (Fund 43)

This fund comprises workers' compensation claims, program administration, operation of the employee maintenance center, and ergonomic equipment. It also functions as a reserve to pay future workers' compensation claims and related costs.

Fund 43 Revenues: Revenues for 2016 include \$6,000 of investment income and interfund transfers from the General Fund in the amount of \$2.6 million to cover annual costs.

Fund 43 Expenditures: The 2016 budget is \$2.6 million, an increase of 9 percent, which is primarily due to projected claims based on higher employment to meet service increases. The 2016 workers' compensation claims budget was calculated by Community Transit's consulting actuary using estimated worker hours and the claims experience rates provided.

State law requires that self-insured entities keep a minimum amount in reserve to pay current and future claims. Projected ending cash for the Workers' Compensation Fund is \$5.9 million, exceeding the state required minimum and covering a 90 percent confidence level as recommended by Community Transit's actuary.

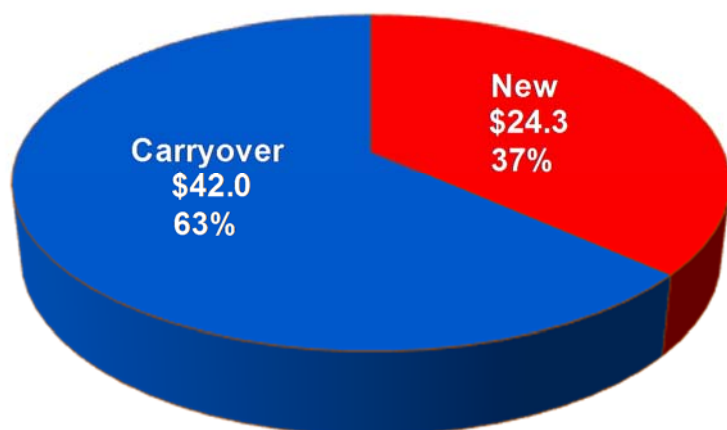
Capital Program

The 2016 capital program totals \$66.3 million and includes both new projects and multiyear projects begun in prior years.

New Initiatives

The 2016 budget includes funding for new initiatives that set the stage for considerable future benefits for the public, as well as upgrades and enhancements to keep Community Transit ahead of the game with changing technology and infrastructure needs. Highlights from the 2016 capital budget include:

2016 Proposed Capital Program
(\$ in millions)



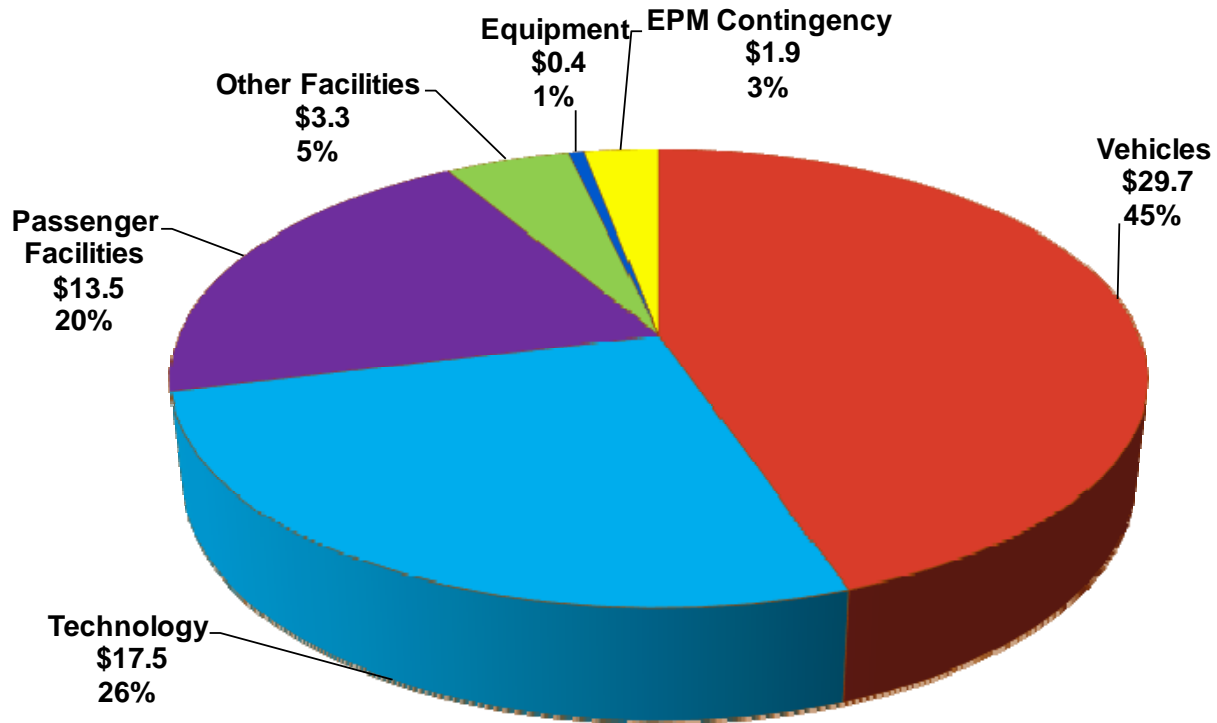
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- **Swift II Project Development and the Seaway Transit Center:** Community Transit has funds programmed into the 2016 budget to continue with development work which began in 2015 for a second *Swift* bus rapid transit line. In the second half of 2015, Community Transit received a regional mobility grant from the state of Washington to begin constructing the Seaway Transit Center near the Boeing plant in Everett. Although this transit center stands on its own, it could be the end point for the planned *Swift* II line, which Community Transit will connect with the Canyon Park Park & Ride in Bothell. Work will occur as funding becomes available.
 - **2016 Technology Enhancements:** In 2016, Community Transit has planned a number of new technology implementations or enhancements. The wireless communications project which replaces the current aging 800 MHz voice and 700 MHz mobile data radio systems represents the largest and most complex technology project planned. These systems support fixed-route and paratransit operations and provide for ongoing safe and efficient operation of Community Transit's system. This project will modernize and update communications systems to allow Community Transit to operate its service effectively into the future. The 2016 budget carries over \$12.7 million from a prior-year budget authorization to fund this initiative.

The capital budget also includes a replacement video system on coaches. Replacement parts for the current video system are out of date and have become hard to locate. This upgrade modernizes a critical system that supports safety, customer service, accident investigations and other risk management issues.

The capital budget also plans for funding to upgrade ORCA equipment, as well as funding for other information technology projects, including a storage network upgrade, Trapeze EAM shop activity project, Trapeze Web bidding requests, a compellent controller upgrade, PeopleSoft time and labor implementation, *Swift* ticket vending machines upgrades, and a corporate security upgrade.

- **Mukilteo Park & Ride:** The 2016 capital budget programs \$2.9 million to develop and construct the Mukilteo Park & Ride. This park and ride will be funded by a combination of local funds and state and local contributions.

2016 Capital Program by Type (\$ in Millions)



A detailed listing of Community Transit's 2016 capital program follows the fund discussions below.

Replacement Reserve (Fund 41)

The Replacement Reserve uses local revenues, primarily sales tax collections, to provide for the locally funded portion of revenue and support vehicles.

Fund 41 Revenues: The 2016 budget consists of \$10,000 in proceeds from the sale of surplus vehicles and interfund transfers from the General Fund in the amount of \$4.7 million.

Fund 41 Expenditures: The \$4.0 million 2016 budget includes the replacement of 26 DART paratransit vehicles and 45 vanpool vans. Bus replacements are accounted for in Fund 45, FTA Capital Projects, because a portion is covered by FTA grants.

Infrastructure Preservation Reserve (Fund 42)

Similar to the Replacement Reserve, this fund reserves a portion of local revenues, primarily sales tax collections, to accumulate funds for the needed repair and replacement of Community Transit's aging facilities and technology infrastructure.

Fund 42 Revenues: 2016 budget revenues consist of interfund transfers from the General Fund in the amount of \$8.5 million.

Fund 42 Expenditures: The 2016 budget includes \$2.0 million in remaining carryover projects, \$1.1 million in new preservation projects, and a carryover of \$12.7 million to fund a wireless communications solution to replace the current radio system. Funds in the amount of \$3.3 million will be transferred to Fund 45, FTA Capital Projects, to cover the local share of grant-funded preservation projects.

FTA Capital Projects (Fund 45)

This fund includes capital projects paid for, in part, by FTA grants which require that Community Transit contribute a partial match. The local match is usually funded with transfers from other capital reserves or the General Fund.

Fund 45 Revenues: The 2016 budget provides \$13.3 million in new FTA grant funds and carries over \$8.8 million in grants from prior years, for a total of \$22.1 million. The remaining local match is funded by interfund transfers from the Infrastructure Preservation Reserve in the amount of \$3.3 million.

Fund 45 Expenditures: The 2016 budget forecasts that \$11.0 million will remain in carryover projects while programming \$16.7 million for 18 sixty-foot replacement coaches.

Local Capital Projects (Fund 46)

The Local Capital Projects Fund includes capital projects paid for with locally generated funds, including minor routine capital purchases. It is primarily funded with transfers from capital reserves or the General Fund, with occasional state grant or local government contributions.

Fund 46 Revenues: The 2016 budget carries over \$7.9 million in state Regional Mobility Grants for the Mukilteo Park & Ride and Seaway Transit Center. The General Fund will provide \$3.5 million in interfund transfers to cover the residual.

Fund 46 Expenditures: The 2016 budget forecasts that \$11.6 million will carryover from prior-year projects and adds \$3.9 in new capital projects. The new capital endeavors include replacement of the video system on coaches, 20 vanpool expansion vans, technology upgrades, and other capital needs.

Facility and Technology Expansion (Fund 48)

This fund was established to set aside funds for future facility and technology expansion projects. Since its inception in 2005, the largest capital investments from this fund have included the Kasch Park Operating Base maintenance expansion, *Swift* stations, and APTS.

Fund 48 Revenues: Budgeted 2016 revenues for Fund 48 amount to \$0, as leftover funds from project closeouts and the contingency reserve are sufficient to cover current projects.

Fund 48 Expenditures: The 2016 budget includes \$1.4 million in new and remaining carryover projects and \$1.9 million set aside as a contingency reserve.

Bond Debt Service (Fund 50)

This fund provides annual principal and interest payments on outstanding bonds through interfund transfers from the General Fund.

Fund 50 Revenues: 2016 budget revenues include \$1,000 in investment income and a transfer from the General Fund to cover current year debt service in the amount of \$1.9 million.

Fund 50 Expenditures: The 2016 budget pays off the \$1.8 million outstanding principal on the 2010 refunding bond issue including interest of \$54,000.

2016 Capital Program

Project Category		Capital Fund	Fund Source		Total
			Grants *	CT Local	
Revenue Vehicle Acquisitions					
	60-Foot Expansion and Replacement Coaches	45	\$20,095,200	\$ 5,023,800	\$25,119,000
	DART Vehicle Replacements	41	0	2,738,360	2,738,360
	Vanpool (Replacement Vans)	41	0	1,260,000	1,260,000
	Vanpool (Expansion Vans)	46	0	540,000	540,000
	Subtotal		\$20,095,200	\$ 9,562,160	\$29,657,360
Technology Systems					
	APTS	48	\$ 0	\$ 1,256,350	\$ 1,256,350
	APTS Storage Area Network(SAN)	46	0	59,060	59,060
	Compellent Controller Upgrade	46	0	85,000	85,000
	Coach Video System Replacement	46	0	1,800,000	1,800,000
	Customer Comments Upgrade	46	0	25,000	25,000
	Data Storage/Recovery	46	0	46,471	46,471
	Disaster Recovery/Warm Site	46	0	103,000	103,000
	HASTUS Upgrade	46	0	257,500	257,500
	IT Corporate Security Upgrade	46	0	115,000	115,000
	PeopleSoft HCM Upgrade	46	0	110,000	110,000
	PeopleSoft Time and Labor	46	0	110,000	110,000
	PeopleSoft Workflow	46	0	10,820	10,820
	Real-Time Service Alert System	48	0	110,000	110,000
	Records Management Software	46	0	44,264	44,264
	Server Virtualization	46	0	83,166	83,166
	Storage Network Upgrade	46	0	85,000	85,000
	Trapeze EAM Shop Activity	46	0	310,632	310,632
	Trapeze WEB Bidding Requests	46	0	105,470	105,470
	Web Upgrade	46	0	92,775	92,775
	Wireless Communications	42	0	12,700,000	12,700,000
	Subtotal		\$ 0	\$17,509,508	\$17,509,508
Transit Facilities and Passenger Amenities					
	BRT Station 99 & 204th SB	48	\$ 0	\$ 9,320	\$ 9,320
	Bus Zone/Passenger Shelters	46	0	75,000	75,000
	Edmonds P&R Renovation	42	0	346,600	346,600
	Facilities Master Plan	46	0	300,000	300,000
	Marysville Ash Ave P&R	42	0	113,412	113,412
	Mukilteo P&R - Paine Field	46	2,320,000	580,000	2,900,000
	ORCA Equipment	46	0	217,710	217,710
	P&R Security Camera Systems	46	0	139,987	139,987
	Seaway Transit Center	46	5,600,000	1,400,000	7,000,000

Project Category		Capital Fund	Fund Source		Total
			Grants *	CT Local	
Transit Facilities and Passenger Amenities, continued					
	Swift Bumper Refurbishment	42	0	100,000	100,000
	Swift TVM Upgrade	46	0	110,000	110,000
	Swift II Project Development	45	1,760,000	440,000	2,200,000
	Subtotal		\$ 9,680,000	\$ 3,832,029	\$13,512,029
Other Facilities					
	KP & MC Window Refurbishment	42	\$ 0	\$ 170,640	\$ 170,640
	KP and MC Flooring Phase II	42	0	45,000	45,000
	KPOB and Ridestore HVAC Replacement	46	0	230,500	230,500
	KPOB Bus Wash Refurbish	46	0	70,164	70,164
	KPOB Exterior Bldg Painting	42	0	152,857	152,857
	Main Shop Bays Fall Protection	46	0	91,300	91,300
	MC/KP Base Lighting Upgrade	42	0	413,672	413,672
	MCOB Hoist Additions	42	0	1,072,000	1,072,000
	MCOB Pavement Replacement	45	280,000	70,000	350,000
	MCOB Reroof Three Buildings	42	0	639,675	639,675
	MCOB Trench and Yard Repairs	42	0	53,188	53,188
	Subtotal		\$ 280,000	\$ 3,008,996	\$ 3,288,996
Routine Equipment					
	Learning management system	46	\$ 0	\$ 50,000	\$ 50,000
	Maintenance equipment and tools	46	0	76,107	76,107
	Network switch and server fleet management	46	0	60,000	60,000
	Overhead paging system	46	0	13,650	13,650
	Radio system equipment	46	0	30,000	30,000
	Storage for video surveillance systems	46	0	35,000	35,000
	Supervisor vehicle replacements	46	0	153,700	153,700
	Subtotal		\$ 0	\$ 418,457	\$ 418,457
Capital Program Total			\$30,055,200	\$34,331,150	\$64,386,350
Designated Reserves					
	Construction/EPM Contingency Reserve	48	\$ 0	\$ 1,949,422	\$ 1,949,422
	Subtotal		\$ 0	\$ 1,949,422	\$ 1,949,422
Capital Program and Designated Reserve Total			\$30,055,200	\$36,280,572	\$66,335,772

* Grant funding is primarily federal but also includes funding contributions from the State of Washington.