



THE BRIDGE

THE STORM

# THE RIVER'S DESTINATION

2011 ADOPTED BUDGET

communitytransit

# THE HOPI ELDER'S STORY



There is a river flowing now, very fast. It is so great and swift that there are those who will be afraid. They will try to hold on to the shore. They will feel they are being torn apart and suffer greatly.

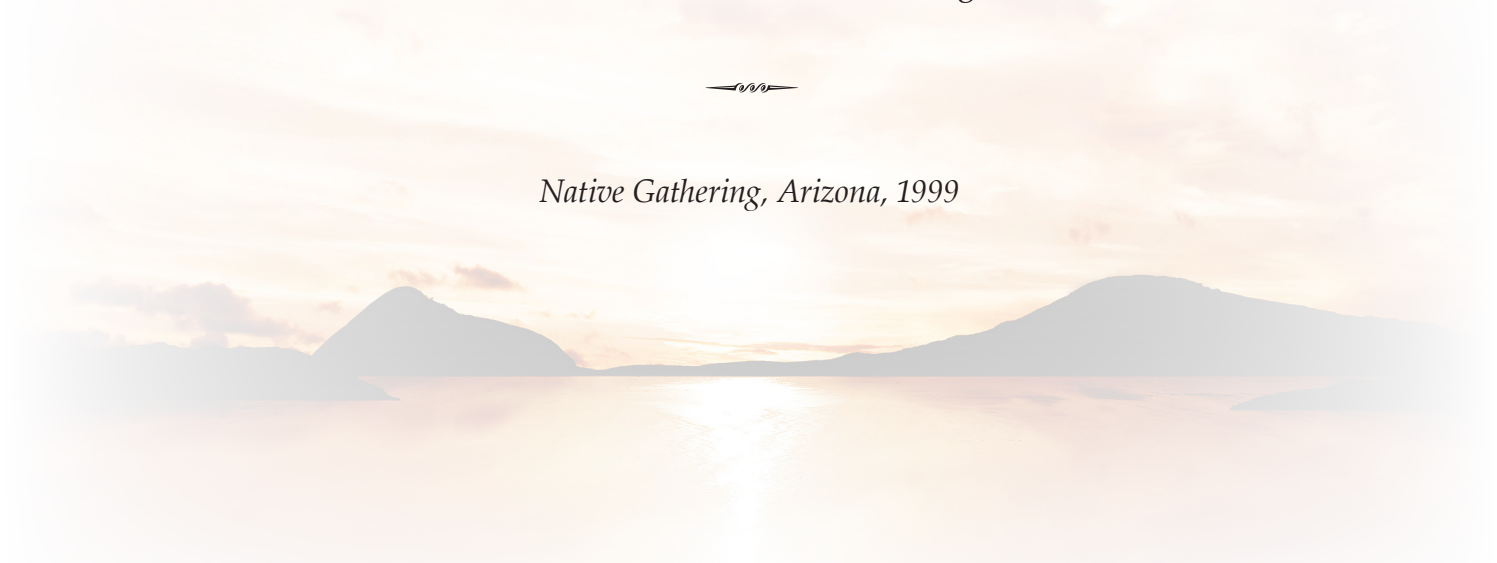
Know that the river has its destination.

The elders say we must push off into the middle of the river, keep our eyes open and our heads above the water. See who is in there with you and celebrate. At this time in history we are to take nothing personally, least of all ourselves, for the moment we do that, our spiritual growth comes to a halt. The time of the lone wolf is over. Gather yourselves; banish the word *struggle* from your attitude and vocabulary. All that we do now must be done in a sacred way and in celebration.

We are the ones we've been waiting for.



*Native Gathering, Arizona, 1999*



# Community Transit's

# 2011

## *Adopted Budget*

December 2, 2010



# 2011 BUDGET

December 2, 2010

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## ***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.*

## ***Shared Outcome***

*Our goal is to increase our annual ridership by 50 percent over  
2006 levels, to 13 million boardings in 2012.*

## ***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.



# 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”!
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# CEO's 2011 Budget Message

The economic recession that grips the nation is having unprecedented effects on Community Transit. For the fourth consecutive year and despite cost-cutting measures that yielded millions in savings, we still face a budget cycle where revenues fall short of expenses.

Our 2011 budget reflects this very difficult financial challenge and includes our recommendations on how best to address the continued reduction in revenues.



Joyce Eleanor, CEO

## Current Status

Prior to the recession, Community Transit's annual revenues fully funded operations, provided a contribution to the capital program, and allowed for growth to meet increased customer demand.

Since 2008, we have not been able to fund our operations from current revenue, much less contribute badly needed dollars to our capital program. The recession that began in late 2007 has made each year's budget development and review process particularly challenging. This 2011 budget proposal can not be adequately described without a brief recap of previous budget cycles and the cumulative effects of the prolonged recession:

**2008:** At the first signs of the recession, we implemented significant cost-cutting efforts, resulting in under spending the 2008 budget by \$7 million and better positioning us to ride out what we thought would be a typical recession event of approximately 9 to 18 months. We also raised fares in October 2008.

**2009:** Our 2009 "bridge budget" combined use of reserves, excess fund revenues, and deferral of expenses to get us through a very difficult second year of the recession. We further cut costs throughout 2009 and achieved over \$16 million in cost savings that were carried over to 2010.

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This “bridge budget” was acknowledged to be unsustainable over the long term but provided us with a way to weather the recession for another year.

**2010:** Facing the third full year of the recession and with no end in sight, our 2010 budget was adopted with a 15 percent reduction in service, a 12 percent reduction in staff, and an operating deficit of \$4.2 million. Again, we used a combination of capital reserves and operating cash to bridge the gap, in addition to restructuring our outstanding debt and increasing fares a second time.

By midyear 2010 the budget deficit had grown to \$5.2 million due to shortfalls in fare and advertising revenue. We funded this increased deficit through use of capital reserves. A major service change in June 2010 implemented planned system efficiencies as well as service reductions including suspension of all Sunday and major holiday service. Staff forecast that these service adjustments would reduce expenses in 2011 by an estimated \$11 million. While we expect to achieve the \$11 million in expense reduction, the continued shortfall in revenue and increasing costs will again result in a deficit financial position.

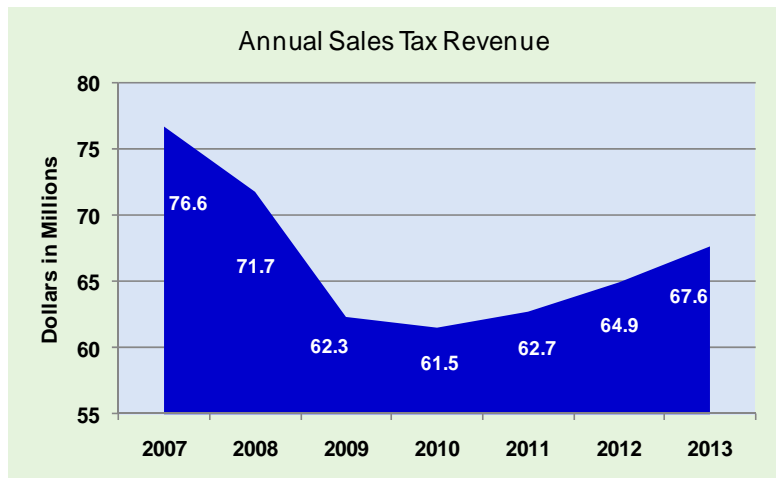
The goal every year since the recession began has been to preserve as much service as we could for our customers. Cutting too much service too soon hurts our customers in the short term. Waiting too long to cut service can make it worse. We have used a strategy of watchful waiting with increasingly aggressive contingency plans ready to put into action. Every year we were hopeful that the economy would rebound and we would see signs by now of a sustained recovery in our revenue. However, that has not happened, and every revenue stream is down.

Sales tax revenues are not rebounding; in fact, they are under budget for 2010 and forecast not to rebound much in 2011. Fare revenue is down, as is advertising revenue, even as we make more buses like *Swift* available for advertising. Finally, the optimism we had even as recently as two months ago about possibly receiving additional federal or state assistance has faded. Meanwhile, expenses continue to rise. Salary and wage costs are higher, PERS retirement contributions are higher, fuel prices are going up, benefits for our employees cost more, and demand for paratransit service, our most expensive service, is growing.

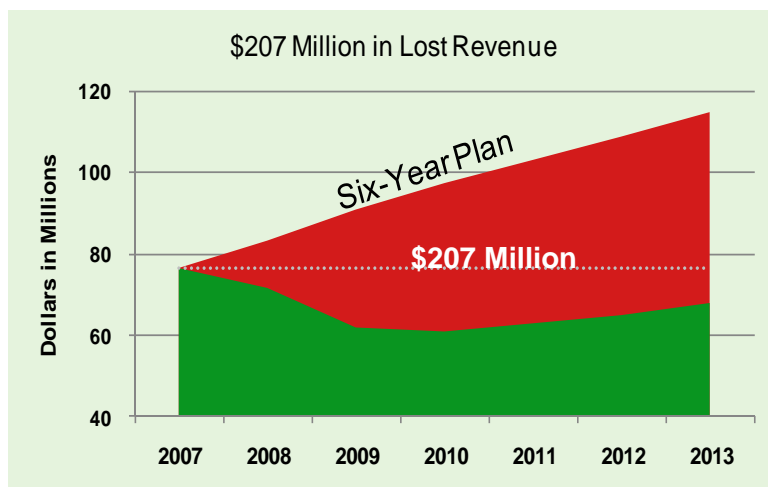
This budget year we have continued our cost-cutting efforts, although after cutting for three years, there is not much left to cut or reduce. It will be necessary to use diminishing financial reserve capacity one final time to bridge the gap. Multiple years of cost cutting, deferring

expenses, and a debt restructure have added to the financial burden we'll face in 2012 and beyond.

Community Transit has experienced a dramatic 20 percent drop in local sales tax revenue since 2007, from a high of \$76.6 million in 2007 to a projected \$61.5 in 2010 and \$62.7 in 2011.



**Impact of Recession on Sales Tax = \$207 Million**



Added to that, the lower sales tax revenues since 2007 have led to revised forecasts of an estimated \$207 million in revenue expected but lost through 2013. These are funds we will never recover, and they are funds we would have used not only to grow our service, but also to contribute to capital for replacement vehicles, rehabilitation of facilities, and other capital maintenance needs.

If we continue to use all our federal dollars for operations, we will have a capital program deficit of \$44.2 million by 2016. Even using half our federal dollars for capital, we would still have a deficit of \$17.6 million in 2016. It is imperative that we reestablish the proper financial balance between funding our operating and capital programs from a reliable source of operating revenue.

It is increasingly clear that to reestablish the agency's financial health for the long run, we need to shrink the size of the agency so our cost structure fits within available revenues. We must resize the agency to the level where we can once again fund current operations and contribute to capital from our annual revenues.

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To get there, we need to rethink all the service we provide to our customers, and we need to rethink all the support that is needed to provide that service. When we complete this task, Community Transit will be an agency that is appropriately sized to match its existing revenue streams. This will be a two-year process, beginning now.

With your approval, staff intend to spend 2011 developing a sustainable resizing plan. Some of the cost-saving measures we adopt in the 2011 budget will result in projects or programs going away. Some of the cost-saving measures will also result in staff reductions throughout the next year as certain work is completed. Starting now and continuing into next year, we will develop scenarios for a resized agency that we will take to employees and the public for input, and to the Board of Directors for final approval. All scenarios will include service cuts planned for February 2012.

The first step in this process will be an on-site business planning meeting with the Board of Directors to receive policy direction regarding the models we will use to develop service plans. This work needs to be completed by the end of 2010. Although a year may seem like a long time, it takes about six months to solicit public input and develop service plans. After that the Board of Directors needs to review proposed plans and decide what best meets our customers' needs given our current resources. Finally, staff need time to accomplish all the tasks involved with a major service change.

We have identified and will eliminate 20 staff positions in the 2011 budget year. Additional positions will be identified and eliminated in 2012. Of the 20 positions to be eliminated in the 2011 budget, two positions were vacated and eliminated early in 2010 and one position was recently vacated. But the other 17 are staffed with longtime, dedicated employees who have already been notified that they are scheduled for layoff. All these positions carry out administrative functions. Four positions are union-represented; 16 are not associated with unions. We will also reduce the size of our Snohomish County Sheriff's team by two positions, for a total of 22 positions cut.

Included in the positions identified for layoff are two from the Executive Team. Our Deputy CEO, Jim Turpie, will be leaving us early next year. I am very sorry to see Jim go. He has been a valuable member of this agency and has been instrumental in helping me make decisions to lead this agency over the past ten years. Our Marketing and Communications Director, Ken Harvey, will also be leaving us next year. Ken has been here for only three years but has helped focus our marketing and communications efforts and bring our agency into the social media age.

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With Ken's departure, we are consolidating two departments into one. Our marketing functions will be merged into our Customer Relations Department under Bob Throckmorton. Agency Communications, which does all our internal communications, media relations, and website content, will move into the Public Affairs Department under Todd Morrow. In the meantime, Ken Harvey will focus his remaining time at the agency developing our external communications plan to involve the public, our riders, the Board of Directors, and our employees in crafting a future path for Community Transit. The layoffs include people from nearly all departments.

There are:

- Two employees from Administration.
- Two employees from Customer Relations.
- Two employees from the Executive Department, including the Deputy CEO.
- Three employees from Information Technology.
- Three employees from Maintenance.
- Four employees from Marketing and Communications, including the director.
- Four employees from Planning.
- Two Snohomish County Sheriff's Deputies.

Aside from the two directors leaving, two managers and one supervisor are also on the layoff list for 2011. When combined with the administrative cuts already made, we have cut 31 administrative positions over the past two years, nine of which were executive and management positions. We also cut 72 other positions related to the service change earlier this year.

I want to make it clear that the reason for our drop in revenues and our loss of service and jobs is the recession. Our projected sales tax revenues for 2011 are 18.1 percent less than our sales tax revenues were in 2007 and roughly equal to the sales tax revenues we received in 2005. We eliminated 83 positions in 2010; we are proposing to eliminate 20 more positions in 2011 for a total reduction of 103 positions—14 percent of our workforce.

Here is a sobering bit of information: In 2005, our sales tax revenue was \$63.3 million, and in 2010 we estimate our total sales tax revenue will be about \$61.5 million. During those five years, we have increased service and increased our workforce to support that service. During those five years, everything we spend money on—from employees to fuel to parts to benefits to electricity—has gotten more expensive. We cannot continue to fund a 2011 transit operation with a 2005 revenue stream. This will be difficult and painful not only for our customers, but also for our employees; however, we no longer have a choice. We cannot build our future on an

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uncertain timeline for economic recovery. We must reduce the size of the agency to preserve quality services for our customers and restore financial health.

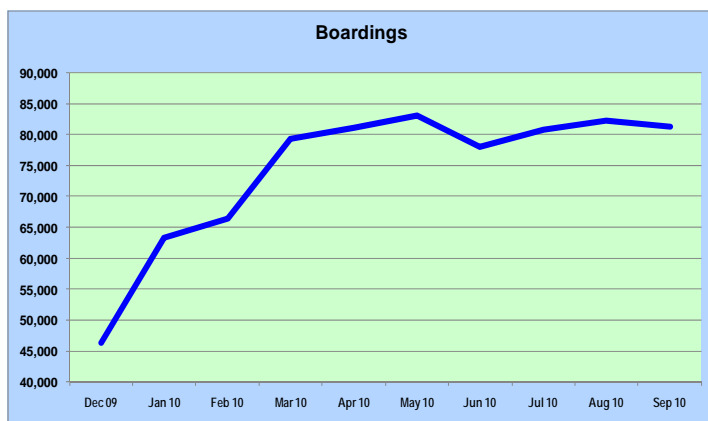
## Our Future

Community Transit is facing a huge challenge. We must somehow resize our agency and still maintain the high-quality, award-winning service that has earned Community Transit a high favorability rating from customers in the region as well as national recognition.

Our customers will be negatively impacted by this need to resize and we must accomplish this in a thoughtful and sensitive way. Then we must have a robust public outreach to receive input on our service plans. Once the Board of Directors makes a selection for the February 2012 service plan, another public outreach will be necessary to inform the public. The way we accomplish this resizing will have a major impact on our image and brand. I have informed all Department Directors that when making recommendations on resizing, quality of service must not be impacted. We will be a smaller agency but still a quality customer-oriented agency.

## Swift Bus Rapid Transit

We began delivering a world-class transit improvement to our customers with the implementation of *Swift* bus rapid transit in November 2009. *Swift* is a project that was well underway before the economic crisis and is a major transit improvement on our busiest corridor.



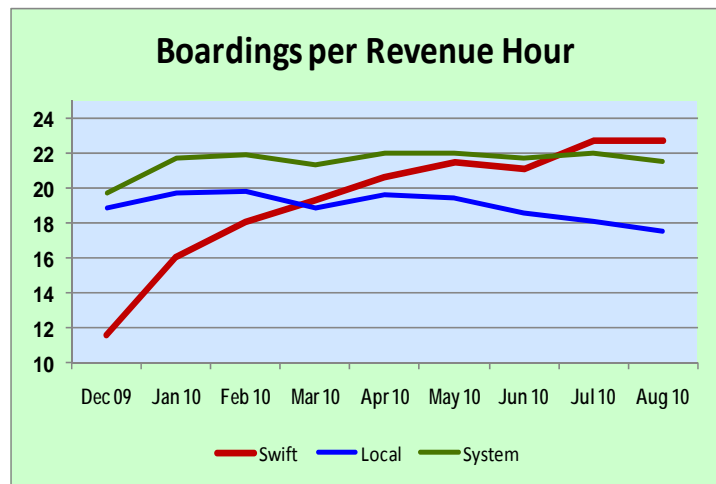
*Swift* service replaced Route 100 peak-hour service and complements Community Transit's Route 101 and Everett Transit's Route 9. Surveys tell us that many people who don't ride transit now would consider taking the bus if there was more frequent service. This has been confirmed by the great success of *Swift*. *Swift* became the

agency's highest ridership route after only the second month of operations. Carrying in excess of 3,300 passengers per weekday, *Swift* has far surpassed the forecast of 2,500 passengers per day by the end of the first year. Ridership has continued to climb, even after the service cuts of June

13, 2010, and during the summer months. Equally impressive, *Swift* has also become the most productive of the local routes.

When measured by passengers per service hour, *Swift* carries in excess of 21.5 passengers for every hour of service provided.

In both our six-year plan and our long-range plan, we envision higher frequency service on the county's major transit-emphasis corridors. Someday there may be a network of *Swift* lines to provide this high-frequency service.



*Swift* is a signature route for us. It is very identifiable and is very popular with the public. More than half the funding for this project came from other sources, such as federal and state grants and the Everett Partnership Agreement. In addition, we previously reserved operating funding capacity to provide for *Swift* operating expenses. *Swift* is the state's first bus rapid transit line. Although we face severe financial challenges, we have not given up on our vision for more *Swift* lines. We have submitted two grant applications for funding of a transit alternatives analysis: 1) USDOT Tiger II Planning Grants and 2) FTA 5339 Alternatives Analysis. The alternatives analysis is required to secure a Federal Transit Administration (FTA) Small Starts/New Starts grant for design and construction of a second *Swift* bus rapid transit line. We only plan to proceed with the alternatives analysis if we are successful in competing for grants to fund the work.

### **Advanced Public Transportation Systems (APTS)**

Another project that will significantly affect our ability to make the customer's transit experience more convenient is Advanced Public Transportation Systems (APTS). This major technology project includes automatic vehicle location, computer-aided dispatch, automatic passenger counters, automated stop annunciations, real-time information displays, and an interactive voice response system for schedule information. Our paratransit vehicles are now fully operational with this technology and are in final acceptance testing. This testing should be completed by the end of 2010.

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Next, we'll install APTS technology on our fixed-route buses and install real-time passenger information signs at *Swift* stations and other transit centers. It is a strategically sound decision to continue with this project because of the benefits it provides to us and our passengers in the future. APTS will improve our ability to manage operations in the field; it will improve on-time performance, incident response, fleet assignment, and passenger load distribution. In an ever changing operating environment, these features will help us provide consistent, reliable service to our customers. The data collected from APTS will improve our ability to design routes, set schedules, select buses, and locate transit facilities in the most efficient way that best meets customer needs. Passengers will also benefit from automatic stop announcements and real-time information.

### ***The Double Tall***

Community Transit expects delivery of 23 high-capacity, double-decker buses by the end of 2010. These new low-sulfur, clean-diesel, environmentally advanced coaches will replace worn out articulated coaches. Double Talls are comfortable, carry more passengers than articulated coaches, and operate better in snow and ice conditions, especially on commuter runs to downtown Seattle and hilly portions of Snohomish County. The stimulus funds we received in 2009 completed the funding package for this fleet replacement contract.

### ***Other Capital Projects***

#### **Mountlake Terrace Transit Center**

We completed surface improvements to the Mountlake Terrace Transit Center upper parking lot in 2010. Work included:

- Removing trees causing safety problems from root upheaval.
- Planting new trees with a deep-root growth system for longer life expectancy and greater shade capacity.
- Repaving damaged areas of the parking lot.
- Improving slopes in the parking lot to better manage storm water run off.
- Installing pervious concrete around planters to allow water to drain into the planters to reduce the need for on-site irrigation and to minimize storm water runoff.

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- Installing additional light fixtures as well as new light bases and conduit for improved lighting in the future.
  - Applying new seal coating and new parking striping.

This project was funded by an ARRA grant and came in under budget.

### **Cedar and Grove Park & Ride**

We opened a new park and ride at Cedar and Grove in Marysville at the end of 2009. This 200-space facility provides more options for commuters in Marysville and north Snohomish County with local connections to Boeing, Quil Ceda Village, Smokey Point, Lynnwood, Lake Stevens and Everett as well as commuter service to downtown Seattle and the University District.

### **Smokey Point Transit Center**

Community Transit plans to enlarge the Smokey Point Transit Center through the purchase of additional property adjacent to the existing site. Improvements to the transit center will make better transfer options possible, will give us space for additional future bus service, and will provide a layover area for buses between routes, lessening service costs and increasing service efficiency. Grant funds help make these improvements possible.

### **Property Maintenance and Planning**

The Kasch Park Operating Base is 28 years old and badly in need of upgraded bus maintenance and parking capacity. We are working in partnership with Sound Transit to fund this necessary project and anticipate Phase I will be completed in 2010. We are also developing a facilities master plan to determine the best use of our three main properties: Merrill Creek, Kasch Park, and Kasch Park Casino Road (the old Verizon property). This plan will be an important tool as we plan the agency's future.

### **Radio Communication System**

To fill critical coverage holes in our 800 MHz voice radio and 700 MHz data radio communication system, we will add five new radio sites in our service area. Funded approximately 80 percent from a federal grant, this project will provide critical voice and data communications between dispatchers and coaches in highly served areas of King and Snohomish Counties. It will also provide important real-time GPS location, known as Automatic Vehicle Location (AVL) data, to dispatchers on the locations and emergency situations of our DART operations, fixed-route, and commuter services. This project increases our ability to provide safe and secure services for our passengers.

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## Looking Forward

During challenging times it is even more important to keep communication lines open and maintain productive relationships within the region and at the national level. Community Transit is actively involved with our regional partners, business leaders, and other influential decision-makers.

Grant funding is more critical than ever in this difficult economic climate. In 2010, Community Transit was awarded \$18,792,006 in new grant funds at the state and federal level. This money will be used for replacement vanpool vans, special needs, bus replacements, ADA paratransit operations, *Swift* queue jump, tower sites for radio communications, preventative maintenance, and the Smokey Point Transit Center project.

Education efforts will continue at the state and federal level to secure funding. We will work with our transit partners in the Puget Sound region to identify new, ongoing state funding sources to supplement existing revenues to support our operating and capital programs. Board members have an important role in building relationships and promoting the programs of Community Transit. We will continue to support the Board of Directors in their advocacy efforts.

We are working successfully with other agencies to address the region's congestion and climate change challenges. Through a partnership with Snohomish County, we have implemented a transportation demand management program, Curb the Congestion, to address congestion on the following corridors: 164th Street in Lynnwood, 128th Street in Everett, and 20th Street in Lake Stevens. The goal of the transportation demand management program is to increase mobility by reducing vehicle trips and increasing transportation options through the use of incentives and information. To date through 2009, we have issued 353 transit and vanpool subsidies, received 830 inquiries about Curb the Congestion, and responded to 3,411 email messages and 548 phone calls.

Community Transit continues to operate one of the largest vanpool fleets in the nation, with more than 330 vanpools on the road. We hope to see continued growth of the vanpool program in 2011 with a goal of 365 vanpools in service.

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In times of economic uncertainty, the role of our Customer Relations Department is even more critical to the success of the agency. Efforts in 2011 will focus on managing public involvement and expectations related to service reductions and other key agency decisions.

Customer Relations staff will provide front-line support for internal and external communications, playing an important role in transforming public awareness and favorability of the agency into support and funding for our operational and capital needs.

Community Transit has long been known for its clean and well-maintained coaches and facilities. Our Maintenance employees work hard to improve our customers' experiences with the agency, maintaining more than 630 vehicles and supervising the maintenance of an additional 195 coaches. They also maintain seven office facilities, three transit centers, 270 bus shelters, and more than 1,600 bus stops. Installation of APTS equipment and procurement of 15 bus rapid transit and 23 double-decker buses was a major focus for 2010. These activities will continue into 2011.

Our Transportation Department continues to deliver outstanding customer service. The department's strategic plan, called "New Direction," has provided a framework for their significant projects through 2010. The plan focuses on building relationships, involvement, communication, and understanding the business. Since its adoption in July 2008, we have seen employee suggestions up 294 percent, passenger accidents down 96 percent, customer complaints down 10 percent, and our on-time performance goal was exceeded by nearly 4 percent. In the coming year, employee teams will continue to focus on specific process improvements such as service recovery, on-time performance, and passenger safety.

### **Recognition**

Community Transit was widely recognized for its leadership and innovation during 2010 with the following awards:

1. Governor's Community Award honoring Curb the Congestion for its significant contributions to improve community livability.
2. Maintenance Team of Joe Hulett, Howard Evans, and Steve Hanks finished third at the 2010 International Bus Maintenance Roadeo.

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3. American Public Transportation Association's (APTA) Security Excellence Award for our bait car program. This program was instrumental in reducing car thefts and prowls at park and rides and transit centers by 92 percent.
  4. Puget Sound Regional Council's (PSRC) Vision 2040 Award for *Swift*. The award recognizes outstanding work that helps our region grow wisely and improves the quality of life.
  5. Two Summit Creative Awards for products created to support *Swift*:
    - a. Bronze award for the *Swift* How to Ride video; and,
    - b. Bronze award for the *Swift* Product Launch in the New Product Launch category. That effort included a Rider Guide, a How to Ride video, information on the agency's website, and more.
  6. Three first-place awards in APTA's 2010 AdWheel Awards competition:
    - a. *Swift* Commemorative Book: "The Future of Transit" (Brochure)
    - b. *Swift* Lego Set (Promotional Materials)
    - c. *Swift* Flash Mob video (Viral Video)
  7. One grand prize award in APTA's 2010 AdWheel competition for the *Swift* Lego Set.

## **2011 Revenues and Expenses**

The 2011 budget of \$106.4 million in operating revenues reflects a decrease of \$0.6 million or 0.6 percent compared to the 2010 amended budget. Compared to 2010 year-end projections, sales tax revenues are estimated to increase by 1.95 percent and fare revenues to decrease by 7.31 percent. A transfer of \$700,000 from workers' compensation reserve funds plus the use of \$4.7 million from the general fund cash balance will fund total expenses, achieving a balanced budget.

Total expenses of \$111.8 million include operating expenses of \$108.9 million; interfund transfers of \$2.1 million for debt service and the Workers' Compensation Insurance Reserve; and cost pools for professional services and workforce reduction totaling \$0.8 million.

Operating expenses for 2011 decreased by \$0.8 million or 0.7 percent as compared to the 2010 amended budget. The following table summarizes major factors affecting operating expenses.

<b>Category</b>	<b>Dollar Amount</b>	<b>Percent</b>
Fuel	\$ 371,023	0.34%
Contracting	\$ 992,926	0.91%
PERS Contributions	\$ 691,667	0.63%
Other	\$ (2,389,445)	-2.18%
Travel and Registrations		
Rentals and Leases		
Professional Services		
Supplies		
Benefits other than PERS		
<b>Total</b>	<b>\$ (333,829)</b>	<b>-0.30%</b>
Salary Pool	\$ 890,404	0.81%
Service Reductions	\$ (1,358,744)	-1.24%
<b>Total Change</b>	<b>\$ (802,169)</b>	<b>-0.73%</b>

Community Transit cut bus service by 15 percent in mid-2010. While the service cut has reduced operating costs, the continuing decline in sales tax and the increase in expenses make another service cut necessary in February of 2012.

## **Capital Budget**

Community Transit's 2011 capital program reflects continuation or completion of several major projects including the Kasch Park Operating Base renovation and APTS for fixed routes.

The capital program totals \$38.7 million. Carryover capital projects account for 64 percent, or \$24.9 million of that total. New capital projects total \$13.8 million and account for the remaining 36 percent of the total. The new capital budget includes \$8.5 million in federal funds

<b>Project</b>	<b>Cost</b>
2010 Bus Replacement Order	\$ 6,050,000
Radio Site and 800 MHz Upgrade	\$ 3,480,000
2011 DART Vehicle Replacement	\$ 1,100,000
Smokey Point Transit Center Renovation	\$ 875,000
Vanpool Replacement	\$ 806,000
Desktop Virtualization	\$ 300,000
Other	\$ 1,220,000
<b>Total</b>	<b>\$13,831,000</b>

and \$0.6 million in local funds. The new capital budget will fund the projects listed above.

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## Summary

Community Transit has been affected by the deep and prolonged economic recession, and it will continue to impact the agency's budget beyond 2011. We forecast that 2011 sales tax revenue will increase by less than 2 percent compared to 2010. Even though we have implemented substantial cost-containment measures, a 15 percent reduction in service and a 14 percent reduction in staff, we now find ourselves in a situation where we must shrink the size of the agency to bring our expenses in line with our revenue stream. It is important to rebuild our depleted reserves and operating capacity to protect the quality of the system for our customers while demonstrating that we are good stewards of public funds.

At the same time, this difficult economy offers us an opportunity to increase our innovation and creativity. We have dedicated employees who provide outstanding customer service and continue to plan for the future. Implementation of advanced technologies will provide our customers with major transit improvements and enhance their riding experience.

It is a challenging time for our employees and customers. Resizing is very difficult, but I know that our employees will rise to the challenge. Some will be leaving us in the next two years and that is tremendously sad. We have built a quality team and quality systems. Our intent is to protect that quality while resizing to the level where Community Transit can restore a sustainable cost and service structure.

We will continue to maintain prudent financial practices while aggressively pursuing our vision. The times are challenging, and times like these offer us different opportunities to find creative and innovative ways to "Think Transit First."

## Summary: Community Transit Ridership

In 2006 Community Transit set a goal of 13 million riders by 2012. By 2008, ridership had grown from 9.0 million in 2005 to 11.9 million. Efforts toward achieving our goal continued in the 2009 budget with a service plan that included:

- Start of *Swift* bus rapid transit service on November 30, 2009, with an annual service level of 38,000 revenue hours.
- Restructure of existing service along Highway 99 to complement *Swift* service for local patrons.
- Minor schedule service adjustments to maintain the current quality of service.

However by 2009 the recession which began in late 2007 had a negative impact on our ridership. As unemployment increased, ridership on both our local and commuter services declined. However ridership on the bus rapid transit service which began in November 2009 has exceeded our forecasts. As of August 2010, ridership in the Highway 99 corridor, including bus rapid transit service, has increased by more than 20 percent over 2009 levels.

In 2010, in response to a continued decline in sales tax revenues, it became necessary to reduce service. The service reductions in June 2010 contributed to further declines in ridership which is more than 8 percent lower year-to-date through August 2010 as compared to the same period in 2009.

In addition to the recession and service change, two other factors affected Community Transit ridership in 2010. The first was the reduction of state funding for Medicare and Medicaid trips. This resulted in increased demand for our paratransit service which has seen a 5 percent increase in trips in 2010 compared to the same period in 2009. This second was an increase in the price imposed by the University of Washington on students and faculty who use the U-Pass. This increase, which went into effect in 2009, has resulted in lower ridership on our University District service.

It is expected that economic recovery from this recession will be slow in the near term, and that its impact on ridership experienced in 2010 will continue into 2011. The following table summarizes service hours (revenue hours) and ridership.

	<b>2009 Actuals</b>	<b>2010 Projected</b>	<b>2011 Budget</b>	<b>Change 2011 vs 2010</b>	
<b>Revenue Hours</b>					
Service operated by Community Transit	601,909	611,149	584,303	(26,846)	-4.39%
Service operated by Sound Transit	80,820	86,859	94,476	7,617	8.77%
<b>Total Service</b>	<b>682,729</b>	<b>698,008</b>	<b>678,779</b>	<b>(19,229)</b>	<b>-2.75%</b>
<b>Ridership</b>					
Community Transit- operated service only	10,775,461	9,640,000	9,480,000	(160,000)	-1.66%

## Summary: 2011 Budget

	<b>2009 Actuals</b>	<b>2010 Budget</b>	<b>2011 Budget</b>
Department-Level Operating Expenses	\$102,077,916	\$107,413,907	\$105,740,334
Other Operating Expenses	\$ 2,113,392	\$ 2,270,196	\$ 3,141,600
Nonoperating Expenses	\$ 3,340,474	\$ 2,552,265	\$ 2,934,200
New Capital Program (Budgeted)	\$ 22,927,811	\$ 20,250,264	\$ 13,821,000
Employment Level (in FTEs)	682.25	637.5	617.5
	<b>Change 2011 vs. 2010</b>		
Department-Level Operating Expenses	\$ (1,673,573)	-1.56%	
Other Operating Expenses	\$ 871,404	38.38%	
Nonoperating Expenses	\$ 381,935	14.96%	
Capital Program	\$ (6,429,264)	-31.75%	
Employment Level (in FTEs)	(20)	-3.14%	

The Other Operating Expenses category includes Insurance and the Salary Pool. Nonoperating expenses consist of interfund cash transfers, the Professional Services Cost Pool, and the Workforce Reduction Pool.

## Summary: Operating Program Service Levels

### General

When compared to the total hours projected for 2010, the 2011 budget reflects a 2.75 percent decrease in service hours. The service decrease for 2011 consists of

- Full-year effect of the June 13, 2010, service reductions.
- Planned efficiency improvements of contracted commuter service in February 2011 with the completion of the freeway station in Mountlake Terrace.
- Planned efficiency improvements of local service in September 2011 as the result of scheduling improvements on selected routes.
- Service increases expected from Sound Transit.
- Increased demand for paratransit service.

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For future financial sustainability, the agency must downsize to ensure that expenses can be met by existing revenues. We will need a service reduction in February 2012 to accomplish this goal. By deferring a service change until then, both the public and employees will have time to actively participate in planning this service change, and the Board of Directors will have time to discuss the policy issues related to downsizing the agency and reducing the services we provide.

### ***Directly Operated Fixed-Route Service***

Directly operated, fixed-route service is planned to decrease from 344,166 projected hours in 2010 to 315,269 hours in 2011. This 8.4 percent decrease reflects the full-year effect of the June 13, 2010, service change and an approximately 1 percent reduction in service hours in September 2011 resulting from scheduling efficiencies.

### ***Contracted Commuter Service***

The 2011 budget reflects a decrease of 10,562 service hours (19.5 percent) compared to 2010 projected hours. The decrease consists of the full-year effect of the June 13, 2010, service reductions and an approximately 1 percent reduction planned for February 2011 made possible by efficiency gains resulting from completion of the I-5 freeway station in Mountlake Terrace.

### ***Paratransit Service***

Beginning in 2010, the state substantially reduced their subsidy for Medicaid trips. As a result, customers who previously received state funding are shifting to publicly funded paratransit service for their transportation needs. This shift has significantly increased the demand for Community Transit's paratransit service. In 2010, services are forecasted to increase by 21,719 hours or 21.1 percent over 2009 service hours. Increased paratransit usage is expected to continue in 2011. The 2011 paratransit service budget increased by 9,993 hours, or 8.0 percent, compared to 2010 projected hours.

### ***Vanpool***

In recent years Community Transit experienced a significant increase in demand for vanpools due, in part, to the volatility of fuel prices. However, since mid-2008 the demand for vanpools has declined due, in part, to increasing unemployment in our region due to the recession.

Vanpool revenue hours increased from 75,943 hours in 2007 to 86,794 hours in 2008. However, in 2009, vanpool revenue hours declined by 2,448 hours (2.9 percent). Through continued outreach efforts by staff, the 2010 forecast shows that demand for vans has improved modestly by 3,424 hours or 4.1 percent. For 2011 we forecast a continued modest improvement of 2,620 hours or 3.0 percent as the economy improves.

### ***Sound Transit***

Under contract to Sound Transit, Community Transit began regional express bus service in September 1999. When compared to 2010 projected hours, the 2011 budget reflects 7,617 additional service hours, an increase of 8.8 percent.

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## Summary: Operating Budgets

### General

The 2011 operating budget of \$108,881,934 (which includes insurance costs and the salary pool) is a decrease of \$802,169, or 0.7 percent, as compared to the 2010 amended budget. The department-level operating budget (which excludes insurance costs, and the salary pool) is \$105,740,334 and represents a decrease of \$1,673,573, or 1.6 percent. Factors affecting 2011 department-level operating costs include:

#### Cost of Contracting

Costs for contracted commuter service and paratransit service, net of the full-year effect of the June 2010 service cuts, will increase by \$992,926. This increase reflects annual contract rate increases effective in June for contracted commuter service and effective in October for contracted paratransit service as well as the following service adjustments planned for 2011:

- A 21.1 percent decrease in budgeted Community Transit contracted commuter service.
- An 8.4 percent increase in budgeted Sound Transit service.
- A 19.9 percent increase in budgeted DART service.

#### Fuel

We estimate that fuel costs for vanpool, support vehicles, and fixed-route service will increase by \$371,023 despite the impact of service reductions. Fuel for fixed-route service is budgeted at \$2.80 per gallon in 2011 compared to \$2.50 per gallon in 2010. Vanpool fuel is budgeted at \$2.92 per gallon of unleaded gasoline compared to \$2.57 per gallon in 2010.

#### PERS Contributions

In 2008 the state legislature reduced the contribution rate for both employers and employees as a short-term cost savings effort during the recession. For 2010, Community Transit's employer rate reductions amount to a savings of \$1,069,712 or 0.95 percent of the operating budget. However this decrease was short term. The state actuary has recommended an increase in 2011 which, if approved by the legislature, will increase Community Transit's 2011 expenses by \$691,667. The 2011 budget reflects the recommended increase.

#### Staff Reductions

Staff reductions in the 2011 budget result in savings of \$1,358,744. The budget eliminates 20 positions sometime during the budget year, 17 of which will result in layoffs of existing staff.

#### Other Expenses

The remaining operating expenses, including travel, registrations, rentals and leases, professional services, supplies, and benefits other than PERS, are expected to decrease by \$2,389,445. This decrease reflects the full-year effect of the June 2010 service change, net of cost increases related to maintenance of new facilities and other operating cost increases.

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## **Salary Pool**

The amount budgeted in the Salary Pool is \$1,081,000, an increase of \$890,404 or a 467.2 percent increase over the 2010 Salary Pool. This amount will be reduced in the midyear budget amendment.

The salary pool is budgeted within the Administration Department and is used to fund an allowance for anticipated, but as yet unapproved, increases in employee salary programs, for example, the anticipated settlement of an open union contract. If a salary increase for the upcoming budget year has been previously approved, then the related expenses are budgeted in the appropriate accounts. An example would be a previously approved union contract that specifies the next years' increase. When the 2011 budget was prepared it assumed salary and wage increases for all employee groups and restoration of the PTO cash-out program for administrative employees. Subsequently, all three IAM bargaining units agreed to accept no annual wage adjustments in 2011; and a decision was made that administrative employees will not receive an annual adjustment. The salary pool budget will be amended in the midyear budget amendment to reflect the zero increase agreements for employees represented by the IAM and for Administrative employees.

The budget includes funds for a 2 percent increase in wages and related expenses for the Amalgamated Transit Union, the only employee group scheduled to receive an annual wage adjustment in 2011.

## ***Board of Directors and Executive***

The budget for the Board of Directors and Executive Department will decrease by \$217,240 (15.4 percent) as compared to the 2010 amended budget. The Board/Executive budget reflects:

- Salary and benefits savings association with elimination of two full-time positions.
- A decrease in legal expenses due to the completion of several major projects.
- A decrease in the level of participation by board members and executive staff at national industry conferences and a reduction in education opportunities.
- Reductions for ongoing meetings such as planning sessions, Citizens' Advisory Committee, and board workshops.

## ***Administration***

The Administration Department budget will decrease by \$535,628 (6.1 percent) as compared to the 2010 amended budget. The budget reflects:

- Salary and benefits savings association with elimination of two full-time positions.
- A camera initiative to enhance management of our video surveillance cameras both on board our bus fleet and at our transit facilities.
- A reduction in the frequency of the armored car pick-up service from weekly to biweekly at most of the ticket vending machines located at each of the *Swift* stations.
- A reduction in the staffing level associated with the Snohomish County Sheriff's contract.

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## ***Customer Relations***

In 2011 the Customer Relations Department and the Marketing and Communications Department will be merged into one department under the title Customer Relations. The combined budgets will decrease by \$695,506 (12.8 percent) as compared to the 2010 amended budget. The 2011 budget reflects:

- Salary and benefits savings association with elimination of five full-time positions.
- Reduction of \$100,000 for Bus Plus rider information guides by combining separate local and commuter service editions into a single book.
- \$25,000 in additional grant funding from Snohomish County for program enhancements to the Curb the Congestion program.
- \$23,000 in savings for the cost of printing Puget Passes. The passes are not necessary now that ORCA is in full use.

## ***Information Technology***

The Information Technology (IT) Department budget will decrease by \$2,717 (0.1 percent) as compared to the 2010 amended budget. The 2011 budget reflects:

- Salary and benefits savings association with elimination of two full-time positions.
- Full-year effect of operational support for APTS for paratransit.
- Full-year effect of our first radio-based preventive maintenance program to replace aging radio equipment on our \$4 million radio and microwave system.
- Increased rental fees at our existing seven radio sites and estimated rental fees for five additional sites.
- Decreases due to the close-out of further development of the Program Management Guide.
- Full-year effect of the infrastructure replacement program. Some increases are due to technology replacements; there are also decreases from the operational efficiencies gained.
- Increases due to new initiatives:
  - Development of a network operations center (NOC)
  - Development of a business continuation plan (disaster recovery)
  - Development and implementation of a security plan
- Delaying some project work and slowing down the timeline for projects remaining in progress.

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## ***Maintenance***

The Maintenance Department budget will increase by \$209,599 (0.9 percent) as compared to the 2010 amended budget. The cost savings from a reduction in service and personnel are more than offset by fuel cost increases expected in 2011. This budget reflects:

- Salary and benefits savings association with elimination of three full-time positions.
- Increases in fuel costs from \$2.50 to \$2.80 per gallon for diesel, and \$2.75 to \$3.10 per gallon for unleaded. (A total increase of \$383,000, even with the anticipated reduction in fuel use.)
- An increase in Sound Transit service with fuel costs included in the Maintenance Department budget. The Sound Transit service reflects a budgeted expense that is reimbursed by Sound Transit.
- An increase in contract services costs and additional properties for the Facilities Maintenance Division to maintain.
- Significant savings in oil, tires, and minor equipment purchases.

## ***Planning and Development***

The Planning and Development Department budget has increased by \$738,958 (2.6 percent) compared to the 2010 amended budget. The department budget includes \$3.7 million in total administrative and planning expense and \$26 million in two major service contracts. These service contracts provide for the delivery of Community Transit commuter service, Sound Transit regional express service and DART paratransit service. This department budget reflects:

- Salary and benefits savings association with elimination of four full-time positions.
- A 6.6 percent reduction in administrative costs.
- A 12 percent increase in DART paratransit service.

The commuter service contract remains fairly constant because the service reductions Community Transit implemented in June 2010 are offset by Sound Transit service increases scheduled for February 2011. The Sound Transit service reflects a budgeted expense that is reimbursed by Sound Transit.

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### **Public Affairs**

In 2011, the Public Affairs Department will incorporate the Agency Communications Division and its three staff that were previously part of the Marketing and Communications Department. The Public Affairs Department budget will decrease by \$83,911 (10.0 percent) as compared to the 2010 amended budget. This budget reflects:

- Salary and benefits savings association with elimination of one full-time position.
- Significant reductions in meeting expenses and other program costs.
- Internal and external communications initiatives related to a 2012 service change and long-term resizing of the agency.
- State and federal advocacy for state transportation funding, federal appropriations, and authorization of the federal transportation program, including participation of elected officials in key agency events.
- Local and regional transportation advocacy, and business leader outreach.
- Public messaging and media relations surrounding the implementation of the Double Tall fleet, the February 2011 service change, the Kasch Park renovation project, and opening of four new *Swift* stations in Everett.

### **Transportation**

The Transportation Department budget has decreased by \$1,087,128 (3.2 percent) compared to the 2010 amended budget. This budget reflects:

- Salary and benefits savings association with elimination of 60 full-time positions at the June 2010 service change.
- Elimination of all travel expense and reduced costs for the phone service plan.
- Reduction in benefits costs for uniform allowances. ATU employees only receive ½ of the uniform benefit in odd numbered calendar years.
- Cost-cutting in all areas of the department.

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### **Professional Services Cost Pool**

In prior years, each department has included a contingency for unanticipated professional services in their individual department budgets. The contingency was used for studies and services needed during the year which could not be identified at the time the budget was prepared. Beginning in 2009 as a cost-containment effort, these contingency funds were transferred from department budgets to the professional services cost pool.

Examples of items funded from the cost pool in prior year include *Swift* service community relations consulting, software development project management services, farebox system review, project closeout review services, and performance audit services. This approach resulted in savings amounting to \$21,500 in 2009 and projected savings of \$132,500 for 2010. The 2011 Professional Services Cost Pool will be funded in the amount of \$275,000.

### **Work Force Reduction Cost Pool**

Similar to 2010, the 2011 budget includes cost pool funding for the purpose of paying expenses associated with staffing reductions planned for 2011. The Work Force Reduction Cost Pool amounts to \$525,000 and provides funds for unemployment benefits, HR functional consulting, and legal services.

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## **Summary: 2011 Nonoperating Budget**

### **Interfund Transfers**

The 2011 budget provides for the following interfund transfers:

Self-Insured Workers' Compensation Program	\$	1,977,000
Debt Service Fund	\$	157,200
<b>TOTAL TRANSFERS</b>	\$	<b>2,134,200</b>

## Summary: The Capital Program

### Replacement Reserve (Fund 41)

The 2011 budget includes \$1,100,000 for DART vehicle replacements. The budget reserves new funds in the amount of \$1,210,000 to supplement FTA grant funds necessary to complete the 2010 bus replacement order and \$161,200 for the local match to state grant funds for vanpool replacement. The budget includes \$550,000 in carryover funds needed to supplement other budgeted funds associated with 2010 bus replacement order.

### FTA Capital Improvements (Fund 45)

#### New FTA Grant Funding:

The 2011 budget includes a new FTA grant in the amount of \$10.6 million for these projects.

<i>Project</i>	<i>Cost</i>
2010 Bus Replacement Order <sup>(1)</sup>	\$ 6,050,000
Radio Sites inc 800 MHz Upgrade	3,480,000
Smokey Point Transit Center	875,000
Bus Rapid Transit Queue Jump	235,000
<b>TOTAL</b>	<b>\$ 10,640,000</b>

<sup>(1)</sup>This grant provides funding for 24 buses in the bus replacement order.

<i>Project</i>	<i>Cost</i>
2010 Bus Replacement Order	\$ 5,387,211
Smokey Point Transit Center	3,005,658
Hybrid System Bus Replacement	3,000,000
Network Operating Center	575,000
<b>TOTAL</b>	<b>\$ 11,967,869</b>

#### Carryover FTA Grant Funding:

In addition, the 2011 budget includes \$12.0 million in carryover funds for the projects listed at left.

**Local Capital Projects (Fund 46)**

New Projects:

The 2011 budget includes \$2.1 million to fund the new projects listed below:

<b>Project</b>	<b>Cost</b>
Vanpool Replacement	\$ 806,000
Desktop Virtualization	300,000
Camera Replacement and Upgrade	250,000
Data Storage/Recovery	205,000
Bus Zone/Passenger Shelters	100,000
ORCA TVM for Ridestore	100,000
MCOB Catch Basin Repairs	60,000
Records Management Software	50,000
Other	210,000
1. Fall Restraint System	
2. Fuel Island Upgrade	
3. Shunt Trip Switch	
4. Dedupe Appliance (2)	
5. IT NE Lab Equipment	
6. KVM Equipment	
7. Trapeze License Changes	
<b>Total</b>	<b>\$2,081,000</b>

Carryover Projects:

The 2011 budget also includes \$1.9 million in local capital carryover funds for these projects:

<b>Project</b>	<b>Cost</b>
Lynnwood Transit Center Reseal Lot	\$ 192,900
Hastus Upgrade	187,000
Server Virtualization	173,000
ITIL Project	145,493
Network Switch Fleet Management	135,000
Disaster Recovery Warm Site	130,000
Network Security Enforcement	125,000
Park And Ride Planning	125,000
EPA Urea Related Equipment	100,000
Replace 1994 Service Truck	100,000
Smart Card Contingency	92,500
Phase II PTPI Signage	80,000
Server Fleet Management	64,000
Data Center Facility	60,000
Other	179,080
1. Microsoft Server Migration	
2. Oracle PeopleSoft Upgrade	
3. Fiber Optic Cable Install WAN	
4. Repair MCOB Drive Bridge	
5. Radio Repeater Site Contingency	
<b>Total</b>	<b>\$1,888,973</b>

**Bond Capital Projects Fund (Fund 47)**

No new capital program debt financing is in the 2011 budget.

**Facility and Technology Expansion Reserve (Fund 48)**

The 2011 budget for the Facility and Technology Expansion Fund includes funding from these sources: \$1.7 million from Sound Transit, \$1.1 million from Everett, and \$9.0 million in carryover funds. Projects in this budget include:

<b>Project</b>	<b>Cost</b>	<b>Contribution From</b>	<b>Contribution Amount</b>	<b>Community Transit's Contribution</b>
APTS Program	\$ 7,981,248	Sound Transit	\$ 1,300,000	\$ 6,681,248
4 <i>Swift</i> Stations	1,131,000	City of Everett	1,131,000	0
KPOB Maintenance Facility	750,000	Sound Transit	352,500	397,500
Post-Implementation Study of <i>Swift</i> Service	100,000			100,000
Minor Improvements to Existing <i>Swift</i> Stations	25,000			25,000
Interfund transfer to FTA Capital Projects Fund for local match for FTA grants.	696,000			696,000
Interfund transfer to Local Capital Projects Fund for new capital projects in 2011.	642,810			642,810
<b>Totals</b>	<b>\$11,326,058</b>		<b>\$2,783,500</b>	<b>\$8,542,558</b>

**Bond Debt Service Fund (Fund 50)**

In an effort to bridge the impact of the recession and to take advantage of today's rate environment as compared to 2004, the 2010 budget included a new bond issue to refinance the 2004 bond issue. The refinancing deferred principal payments due in 2010 through 2013 until 2014 and beyond, when it is expected that the economy will have improved. The 2011 budget reflects the outcome of the bond refinancing: The 2011 budget includes only interest expense in the amount of \$176,414.

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## Summary: Revenues for Operating Funds

### General

Operating fund revenues for 2011 are budgeted at \$107,090,100 which includes a one-time transfer of funds in the amount of \$700,000 from the self-insured workers' compensation program reserves. The 2011 operating fund revenues are lower by \$4,872,182 (4.4 percent) as compared to the 2010 amended budget. These revenues are used to fund both operating and nonoperating expenses.

### Sales Tax

Sales tax revenue is Community Transit's largest revenue stream. Since 2008 the local economy has been impacted by the national economic recession. As a result, sales tax revenue declined by \$4,919,402 (6.4 percent) in 2008 and \$9,376,377 (13.1 percent) in 2009. The impact of the recession continued in 2010, resulting in a projected further decline of \$797,694 (1.3 percent) in 2010 as compared to 2009.

Factors such as lower consumer confidence, higher unemployment, and tighter credit markets are expected to continue into 2011. These factors will most likely slow economic recovery in 2011.

The August 24, 2010, report issued by the Washington State Economic and Revenue Forecast Council (a state agency that monitors economic indicators) forecasts a slow recovery. Significant report indicators are listed in the table below.

<i>Indicator</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Real Per Capita Income	3.0	-0.2	-2.1	-0.4	1.9	2.6
Unemployment	4.55	5.39	8.88	9.10	8.76	7.60

Based on current economic trends, the 2011 sales tax budget projection of \$62,700,000 represents a modest increase of \$1,200,000 (2.0 percent) in sales tax revenue as compared to the 2010 year-end forecast.

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### ***FTA Operating Grant***

FTA grant rules allow grantees to use grant funds for vehicle maintenance and paratransit service. This rule allows grantees to identify a portion of their grant funds for such purposes.

Community Transit's current six-year plan calls for FTA grant funds to be split with 50 percent used for maintenance and paratransit services and 50 percent for the capital program. On that basis, the 2011 budget includes \$5,900,000 in FTA grant funds for vehicle maintenance and paratransit service.

Due to changes in fleet replacement needs resulting from 2010 service changes, an additional \$1,083,000 in FTA funds previously programmed for future bus replacement is included in the 2011 budget for paratransit service.

In 2010 Community Transit secured a \$644,800 grant from the state for vanpool replacements. Based on current vanpool fleet replacement needs, this grant will meet Community Transit's replacement needs for 2011. Therefore, the 2011 budget includes an additional \$920,000 in FTA funds previously programmed for vanpool replacements in 2010 that can be used for paratransit service.

Remaining 2011 FTA grant funds consist of \$398,000 for general operations, \$30,000 for a job seeker program, \$53,400 for transit security training, and \$50,000 for bus rapid transit service.

### ***FTA Stimulus Funds***

The 2010 budget included \$2,185,300 in FTA stimulus funds to supplement budgeted FTA funds for bus maintenance and paratransit services. For 2011, no FTA stimulus funds are included.

### ***County Grants***

The county commute trip reduction (CTR) grant from Snohomish County increased from \$250,000 in 2010 to \$275,000 in 2011 reflecting the county funding level for 2011 for the CTR program on 164th Street and other transportation corridors.

In 2009 Community Transit loaned staff to the regional Smart Card project team at King County. The staffing loan continued through the first quarter 2010. Under an interlocal agreement approved by the Smart Card joint board, Community Transit received reimbursement of salary and benefits in the amount of \$12,000 in 2010 as compared to \$131,000 in 2009. The position has been eliminated in the 2011 budget.

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### ***Directly Operated Fixed-Route (Local) Fares***

Projected fare revenues on directly operated, fixed-route service are projected to decrease in 2011 by \$1,033,000 (11.1 percent) as compared to the 2010 year-end forecast. This decrease reflects:

- Declining ridership trends on both local and commuter service due, in part, to increased unemployment.
- Lower revenue estimates related to the University of Washington contract resulting from lower ridership trends due, in part, to a significant price increase the University of Washington implemented in 2009 for the U-Pass.
- Changes in revenue sharing among transit agencies related to the ORCA program business account.
- Fare increase effective June 1, 2010.
- Full-year impact of the elimination of Sunday service and other local service changes effective June 13, 2010.

### ***Contracted Commuter Fares***

Contracted commuter service fare revenues for 2011 are budgeted to decrease by \$244,000 (5.6 percent) as compared to 2010 year-end projections reflecting the service level reduction of 19.4 percent planned for 2011 as compared to 2010 and the growth in ridership expected in 2011 as the economy improves.

### ***Paratransit***

The 2011 budgeted revenue of \$400,000 represents an increase of \$88,000 (28.2 percent) over the 2010 year-end projection. The increase results from 1) increased demand due to changes in state funding of Medicare and Medicaid trips effective January 1, 2010, and 2) the fare increase effective June 1, 2010.

### ***Ticket Agent Commissions***

Budgeted at \$40,000, ticket agent commissions represent a decrease of \$16,000 (28.6 percent) compared to the 2010 amended budget. This reflects the lower commission rates paid under the ORCA program. Under the terms of the interlocal agreement, the cost of the 2 percent commissions paid to retailers for the sale of ORCA products will be shared proportionally among participating agencies as a regional program cost.

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### ***Vanpool Fares***

Based on the 2010 year-end forecast, fare revenues earned from vanpools will decrease by \$91,320 (3.5 percent) compared to 2009. This decrease reflects the impact the recession has had on the vanpool program. Since September 2008, the number of vanpool groups has declined from 363 in September 2008 to 330 in June 2010. The 2011 budget for vanpool fares reflects an increase of \$8,000 (0.3 percent) over 2010 year-end projections. Community Transit anticipates a modest increase in the demand for vanpool vans in 2011 as the economy improves.

### ***Advertising***

The 2011 advertising budget of \$700,000 is an increase of \$38,000 (5.7 percent) over the 2010 year-end forecast. The advertising budget includes changes in the application of bus advertising to include advertising on *Swift* and double-decker buses. These changes are in response to the lower advertising revenue experienced since 2009.

### ***Sound Transit***

The 2011 budget of \$15,227,000 represents an increase of \$2,216,000 (17.0 percent) as compared to the 2010 year-end projection. The increase results from the service expansion Sound Transit plans in 2011 and the expected contract rate increase resulting from increased costs, including fuel cost increases, incurred in providing the service.

### ***Interest Earnings***

Since the 2009 budget, interest earned on capital program funds has been used as a revenue source for operating expenses. The 2011 budget continues to use this approach for now. Interest earnings in the 2011 budget amounting to \$460,000 increased from the 2010 year-end projection by \$260,000 (130.0 percent). This increase reflects anticipated progress in completing major projects by the end of 2011 and the continued lower earning rate of approximately 1 percent experienced in 2010 and anticipated to continue through 2011.

### ***Sale of Equipment***

A sale of surplus equipment is planned each year. The 2011 budget includes \$10,000 from the sale of surplus equipment; the same amount budgeted in 2010. Actual sales for 2009 were \$2,580.

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### **Local Grants**

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 2011 budget includes \$1,200,000 from this revenue source. In addition, Sound Transit will provide \$1,000 for their share of the cost of providing training to paratransit customers to encourage them to use fixed-route service and Everett Transit will reimburse Community Transit \$62,000 for staff costs related to managing the construction of four bus rapid transit stations in 2011.

### **State/Grants**

In 2007 the Washington State Legislature provided funds to expand paratransit services. Under the terms of the legislation, Community Transit will receive \$954,000 in funding over a two-year period. The 2011 budget includes \$602,700 of this funding. In addition, the 2011 budget includes state funds in the amount of \$126,000 for the commute trip reduction program.

In 2009 Community Transit was awarded a multiyear grant to fund a portion of the operating cost of *Swift* service over a four-year period. The first half of the grant amounts to \$2.5 million and covers the two-year period ending June 30, 2011. The second half of the grant amounts to \$2.5 million and requires state legislature funding during the 2011 legislative session. The 2011 budget includes \$1,200,000 of this grant.

### **Miscellaneous**

In 2009 Community Transit renegotiated an agreement with Sound Transit for the maintenance of park-and-ride lots in Snohomish County which are jointly used by both Sound Transit and Community Transit. Under the terms of the agreement, Sound Transit reimburses Community Transit for a share of the annual maintenance costs. The 2011 budget includes \$175,000 as compared to \$158,000 in 2010.

### **Interfund Transfer**

The 2011 budget includes a \$700,000 transfer from the self-insured workers' compensation reserves. This transfer represents excess reserves that have accumulated over time. The excess reserves occurred because Community Transit had better loss experience in prior years than the actuary projected.

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## **Summary: Revenues for Capital Funds**

### ***Replacement Reserve: Interest Earnings***

Similar to 2009, the 2011 projected interest income of \$266,000 on replacement reserve funds has been combined with the interest earned on operating funds in the 2011 general fund budget to help bridge the effect of lower sales tax revenues.

### ***Replacement Reserve: Transfer from Other Funds***

The 2011 budget includes a transfer from the bond debt service fund in the amount of \$6,000. This transfer represents the interest earned on bond reserve funds.

### ***Replacement Reserve: Sale of Surplus***

The 2011 budget includes \$100,000 in proceeds from the sale of surplus vehicles. This amount is the same as budgeted in 2010. Actual sale proceeds net of commission received in 2009 amounted to \$45,961. The actual amount each year depends on the number of vehicles surplus by Community Transit.

### ***FTA-Funded Capital Program: Transfer from Other Funds***

The 2011 budget included interfund transfers from the replacement reserve fund in the amount of \$1,210,000 and \$696,000 from the Facility and Technology Fund to fund a portion of the local match required in 2011 for \$8,509,000 in new FTA capital grants. The remaining required local match of \$225,000 is provided from reallocation of existing local matches on carryover projects from 2010.

### ***FTA-Funded Capital Program: FTA Capital Grants***

The 2011 budget provides \$8,509,000 in new grant funds for 2011 and carries over prior-year grants amounting to \$10,335,911.

### ***FTA-Funded Capital Program: State Grant***

In 2009 the budget included carryover Federal Highway Administration (FHWA) Congestion, Mitigation, and Air Quality (CMAQ) grant funds which the Washington State Department of Transportation provided for the arterial high occupancy vehicle prioritization project. The 2011 budget includes no state grant funds as local match to FTA grants.

### ***Locally Funded Capital Program: State Funding***

The 2011 budget includes \$644,800 in state grant funds for vanpool replacements.

### ***Locally Funded Capital Program: Local Funding***

The 2011 budget includes carryover funds in the amount of \$77,000 to be used for resealing the Lynnwood Transit Center lot. Sound Transit is providing this funding.

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### ***Locally Funded Capital Program: Interest Earnings***

The 2011 budget continues the practice begun in 2009 as a bridge measure. Projected 2011 interest income of \$9,000 from the local capital projects fund has been combined with the interest earned on operating funds in the 2011 general fund budget to bridge the effect of lower sales tax revenues projected for 2011.

### ***Locally Funded Capital Program: Transfer from Other Funds***

The 2011 budget includes interfund transfers of \$161,200 from the replacement reserve fund, \$72,688 from the FTA capital program fund, and \$642,810 from the facility and technology capital program fund for the purpose of funding for the 2011 capital program.

### ***Bond Capital Project Fund: Bond Proceeds***

The 2011 budget has no new capital program bond financing.

### ***Bond Capital Project Fund: Interest Income***

The remaining bond proceeds from the 2004 bond issue were used in 2006 to fund a portion of the MCOB concrete replacement project. Therefore, there is no interest income budgeted in 2011.

### ***Facilities and Technology Fund: Interest Earnings***

The 2011 projected interest income of \$33,000 from the facility and technology fund has been combined with the interest earned on operating funds in the 2011 general fund budget to bridge the effect of lower sales tax revenues.

### ***Facilities and Technology Fund: Interfund Transfer***

The 2011 budget includes no interfund transfer.

### ***Facilities and Technology Fund: Local Funding***

The 2011 budget includes \$1,300,000 from Sound Transit for APTS, \$352,500 from Sound Transit for remaining construction costs related to renovation of the Kasch Park Operating Base maintenance facility, and \$1,131,000 from Everett Transit for construction costs for four bus rapid transit stations in Everett.

### ***Debt Service Fund: Interest Earnings***

Interest earnings in the amount of \$6,000 earned on 2010 bond reserves are budgeted for 2011.

### ***Debt Service Fund: Interfund Transfer***

The 2011 budget includes a transfer from the general fund of \$157,200 to fund the 2011 interest due on the 2010 bond issue.

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### ***Debt Service Fund Bond Proceeds***

The 2010 budget included refinancing of the outstanding 2004 bonds. This refinancing allowed Community Transit to restructure its debt and defer principal payments until 2014 and beyond, when the economy is expected to have improved. The refinancing was completed in the third quarter of 2010 at a net present value savings (excluding bond issuance cost) of \$54,256. No new bond issue is in the 2011 budget.

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## ***Summary: Worker's Compensation Fund***

### ***Interest Earnings***

Interest earnings for 2011 are projected to amount to \$20,000.

### ***Interfund Transfer***

Transfers from the operating fund total \$1,977,000 in 2011, reflecting an increase of \$50,000 (2.6 percent) compared to the 2010 budget. Based on loss experience trends over the past few years, the annual transfers in 2009, 2010, and 2011 have been less than levels recommended by the actuary. Based on the most recent actuarial analysis, current accumulated funds as of December 31, 2011, represent an estimated confidence level in excess of 90 percent. Based on projections, the ending cash balance as of December 31, 2010, and December 31, 2011, will amount to \$5,311,105 and \$4,467,622 respectively.

### ***Expenditures***

Expenditures, excluding claims, increased by \$105,645 (21.56 percent). The increase results mainly from anticipated fee increases from the state.

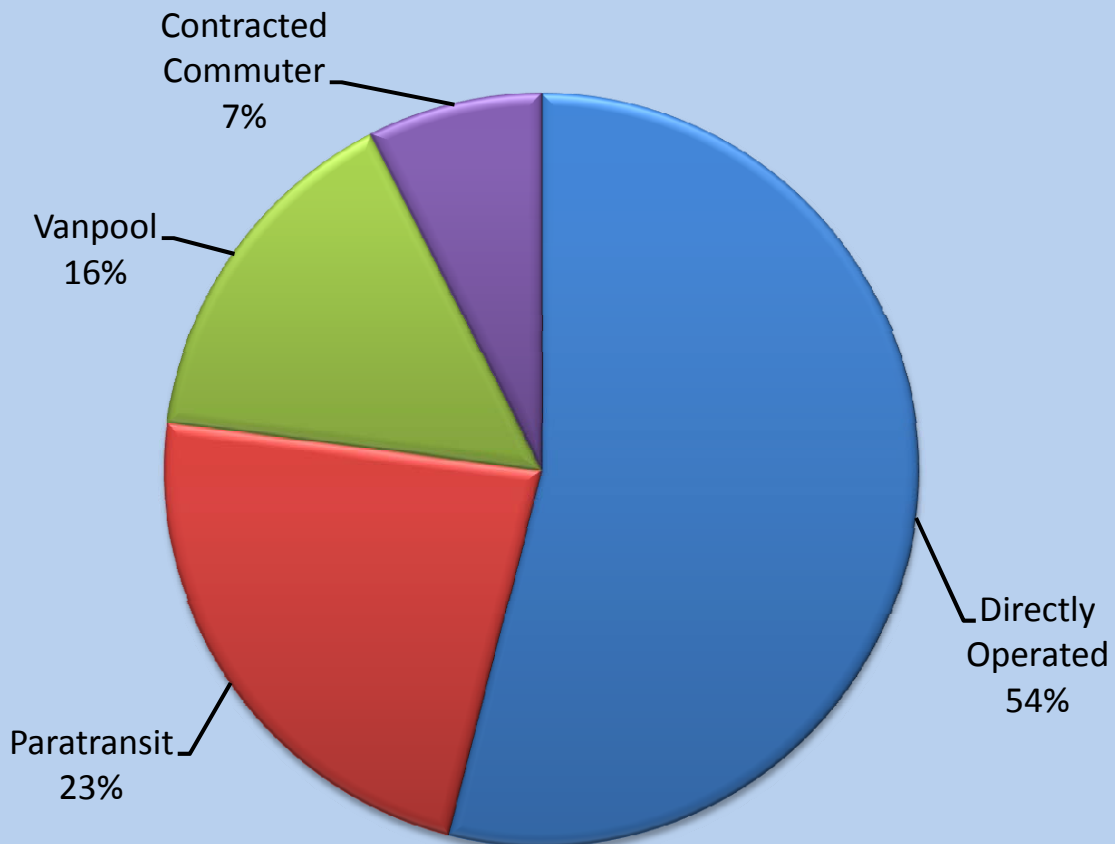
On a cash basis, claims expenses in 2011 will decrease by \$55,000 (3.4 percent) as compared to the 2010 budget. The decrease results from fewer worker hours due to staff reductions in 2010 and 2011.

**Table A**

**Summary of Service Levels  
in Revenue Hours**

	<b>2009 Actual</b>	<b>2010 Projected</b>	<b>2011 Proposed</b>	<b>Change 2011 vs. 2010</b>	
Directly Operated	350,436	344,166	315,269	(28,897)	-8.40%
Contracted Commuter	63,938	54,305	43,743	(10,562)	-19.45%
Paratransit	103,189	124,908	134,901	9,993	8.00%
<b>Subtotal</b>	<b>517,563</b>	<b>523,379</b>	<b>493,913</b>	<b>(29,466)</b>	<b>-5.63%</b>
Vanpool	84,346	87,770	90,390	2,620	2.99%
<b>Subtotal, CT Operated</b>	<b>601,909</b>	<b>611,149</b>	<b>584,303</b>	<b>(26,846)</b>	<b>-4.39%</b>
Sound Transit	80,820	86,859	94,476	7,617	8.77%
<b>Total</b>	<b>682,729</b>	<b>698,008</b>	<b>678,779</b>	<b>(19,229)</b>	<b>-2.75%</b>

**Service Hours Community Transit Proposes  
Operating in 2011**



**Notes:**

**Table B**

**Operating Revenues and Reserves**

Revenue Type	2009 Actual	2010 Budget	2011 Budget	Differences 2011 vs. 2010	
				Dollars	Percent
Sales Tax	\$ 62,297,694	\$ 63,776,000	\$ 62,700,000	\$ (1,076,000)	-1.69%
Directly Operated	8,956,374	9,182,000	8,259,000	(923,000)	-10.05%
Paratransit	105,903	507,000	400,000	(107,000)	-21.10%
Contracted Commuter	6,236,310	4,796,000	4,100,000	(696,000)	-14.51%
Ticket Agent Commissions	(61,040)	(56,000)	(40,000)	16,000	28.57%
Advertising	1,045,638	680,000	700,000	20,000	2.94%
Sound Transit, Operating	10,928,689	12,015,900	15,227,000	3,211,100	26.72%
Sound Transit, Smart Card	393,251	0	0	0	N/A
Federal Section 9	11,698,431	5,981,427	8,434,400	2,452,973	41.01%
Federal Grant - ARRA	1,109,645	2,185,300	0	(2,185,300)	-100.00%
State Grants	761,132	2,996,827	1,928,700	(1,068,127)	-35.64%
County Grant	1,975	262,000	275,000	13,000	4.96%
Local Grants	221,803	1,304,000	1,263,000	(41,000)	-3.14%
Interest Income	788,064	642,000	460,000	(182,000)	-28.35%
Vanpool	2,581,320	2,594,000	2,498,000	(96,000)	-3.70%
Sale of Equipment/Miscellaneous	2,580	10,000	10,000	0	0.00%
Miscellaneous	130,171	158,000	175,000	17,000	10.76%
<b>Total Operating Revenue</b>	<b>\$ 107,197,940</b>	<b>\$ 107,034,454</b>	<b>\$ 106,390,100</b>	<b>\$ (644,354)</b>	<b>-0.60%</b>
Interfund Transfer	3,525,086	4,927,828	700,000	(4,227,828)	-85.79%
<b>Total Revenue</b>	<b>\$ 110,723,026</b>	<b>\$ 111,962,282</b>	<b>\$ 107,090,100</b>	<b>\$ (4,872,182)</b>	<b>-4.35%</b>

**Table C**

**Operating Expenses by Department**

Expense by Department	2009 Actual	2010 Budget	2011 Budget	Difference 2011 vs. 2010	
				Dollars	Percent
Board of Directors and Executive Administration	\$ 1,351,667	\$ 1,407,602	\$ 1,190,362	\$ (217,240)	-15.43%
Customer Relations	8,474,351	8,746,754	8,211,126	(535,628)	-6.12%
Information Technology	4,968,763	5,413,663	4,718,157	(695,506)	-12.85%
Maintenance	4,347,459	4,818,217	4,815,500	(2,717)	-0.06%
Planning and Development	20,404,800	23,226,369	23,435,968	209,599	0.90%
Purchased Transportation	3,753,335	3,967,793	3,706,000	(261,793)	-6.60%
Public Affairs	24,195,475	24,986,840	25,987,591	1,000,751	4.01%
Transportation	918,818	834,580	750,669	(83,911)	-10.05%
<b>Department Total</b>	<b>\$ 102,077,916</b>	<b>\$ 107,413,907</b>	<b>\$ 105,740,334</b>	<b>\$ (1,673,573)</b>	<b>-1.56%</b>
<b>Other Expenses</b>					
Insurance	\$ 2,113,392	\$ 2,079,600	\$ 2,060,600	\$ (19,000)	-0.91%
Salary Pool	0	190,596	1,081,000	890,404	467.17%
<b>Total Other Expenses</b>	<b>\$ 2,113,392</b>	<b>\$ 2,270,196</b>	<b>\$ 3,141,600</b>	<b>\$ 871,404</b>	<b>38.38%</b>
<b>Total Operating Expenses</b>	<b>\$ 104,191,308</b>	<b>\$ 109,684,103</b>	<b>\$ 108,881,934</b>	<b>\$ (802,169)</b>	<b>-0.73%</b>

For comparative purposes, 2009 Actual and 2010 Budget are restated based on the 2011 restructure.

**Table D**

**Nonoperating Expenses**

Category	2009 Actual	2010 Budget	2011 Budget	Difference 2011 vs. 2010	
				Dollars	Percent
Professional Services Cost Pool	0	132,500	275,000	142,500	107.55%
Workforce Reduction Pool	0	231,490	525,000	293,510	126.79%
<b>Interfund Transfers:</b>					
Fund 41: Replacement Reserve Fund	\$ 0	\$ 0	\$ 0	\$ 0	N/A
Fund 43: L & I Insurance Reserve Fund	1,915,000	1,927,000	1,977,000	50,000	2.59%
Fund 45: FTA Capital Project Fund	0	0	0	0	N/A
Fund 46: Local Capital Project Fund	0	0	0	0	N/A
Fund 47: Bond Capital Project Fund	0	0	0	0	N/A
Fund 48: Facility and Technology Expansion Fund	0	0	0	0	N/A
Fund 50: Debt Service Fund	1,425,474	261,275	157,200	(104,075)	-39.83%
<b>Total Interfund Transfers</b>	\$ 3,340,474	\$ 2,188,275	\$ 2,134,200	\$ (54,075)	-2.47%
<b>Total Nonoperating Expenses</b>	\$ 3,340,474	\$ 2,552,265	\$ 2,934,200	\$ 381,935	14.96%
<b>Total Expenses</b>	\$ 107,531,782	\$ 112,236,368	\$ 111,816,134	\$ (420,234)	-0.37%

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Type of Expense	2009 Actual	2010 Budget	2011 Budget	Differences 2011 vs. 2010	
					Dollars	Percent
<b>Directly Operated Fixed-Route Service</b>	Wages	\$ 42,295,176	\$ 42,153,220	\$ 41,319,114	\$ (834,106)	-1.98%
	Fringe Benefits	16,148,147	17,188,269	16,378,112	(810,157)	-4.71%
	Services	5,961,244	6,829,087	6,272,651	(556,436)	-8.15%
	Material and Supplies	6,891,084	8,116,235	8,593,387	477,152	5.88%
	Utilities	924,878	1,082,200	1,064,930	(17,270)	-1.60%
	Insurance	2,113,392	2,079,600	2,060,600	(19,000)	-0.91%
	Taxes	9,895	19,800	11,520	(8,280)	-41.82%
	Leases and Rentals	619,214	608,900	628,800	19,900	3.27%
	Miscellaneous	316,006	441,715	351,639	(90,076)	-20.39%
	<b>Total</b>	<b>\$ 75,279,036</b>	<b>\$ 78,519,026</b>	<b>\$ 76,680,753</b>	<b>\$ (1,838,273)</b>	<b>-2.34%</b>
<b>Fixed-Route Contracted Service</b>	Materials and Supplies	\$ 2,473,525	\$ 3,551,223	\$ 3,651,820	\$ 100,597	2.83%
	Purchased Transportation	16,551,207	17,016,083	17,084,400	68,317	0.40%
	Leases and Rentals	173,412	0	0	0	N/A
	<b>Total</b>	<b>\$ 19,198,144</b>	<b>\$ 20,567,306</b>	<b>\$ 20,736,220</b>	<b>\$ 168,914</b>	<b>0.82%</b>
<b>Paratransit Service</b>	Services	\$ 115,514	\$ 99,700	\$ 110,000	\$ 10,300	10.33%
	Purchased Transportation	7,355,342	7,871,057	8,793,191	922,134	11.72%
	<b>Total</b>	<b>\$ 7,470,856</b>	<b>\$ 7,970,757</b>	<b>\$ 8,903,191</b>	<b>\$ 932,434</b>	<b>11.70%</b>

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Type of Expense	2009 Actual	2010 Budget	2011 Budget	Differences 2011 vs. 2010	
					Dollars	Percent
<b>Vanpool Service</b>	Wages	\$ 790,052	\$ 798,822	\$ 756,130	\$ (42,692)	-5.34%
	Fringe Benefits	269,770	304,659	299,151	(5,508)	-1.81%
	Services	51,927	49,283	43,283	(6,000)	-12.17%
	Material and Supplies	1,092,811	1,426,150	1,414,856	(11,294)	-0.79%
	Leases and Rentals	27,323	35,000	35,000	0	0.00%
	Miscellaneous	11,389	13,100	13,350	250	1.91%
	<b>Total</b>	<b>\$ 2,243,272</b>	<b>\$ 2,627,014</b>	<b>\$ 2,561,770</b>	<b>\$ (65,244)</b>	<b>-2.48%</b>
<b>Operating Expenses Total</b>	<b>\$ 104,191,308</b>	<b>\$ 109,684,103</b>	<b>\$ 108,881,934</b>	<b>\$ (802,169)</b>	<b>-0.73%</b>	
<b>Non-Operating</b>	Interfund	\$ 3,340,474	\$ 2,188,275	\$ 2,134,200	\$ (54,075)	-2.47%
	Professional Services Cost Pool	0	132,500	275,000	142,500	107.55%
	Workforce Reduction Pool	0	231,490	525,000	293,510	126.79%
	<b>Total Non-Operating</b>	<b>\$ 3,340,474</b>	<b>\$ 2,552,265</b>	<b>\$ 2,934,200</b>	<b>\$ 381,935</b>	<b>14.96%</b>
<b>Grand Total</b>	<b>\$ 107,531,782</b>	<b>\$ 112,236,368</b>	<b>\$ 111,816,134</b>	<b>\$ (420,234)</b>	<b>-0.37%</b>	

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Object	Differences 2011 vs. 2010		Explanation
		Dollars	Percent	
<b>Directly Operated Fixed-Route Service</b>	Wages	\$ (834,106)	-1.98%	Wage decrease reflects full-year impact of the June 2010 service reduction, elimination of 20 staff positions in 2011, and wage increase for employees represented by ATU.
	Fringe Benefits	(810,157)	-4.71%	Decrease reflects net effect of full-year impact of the June 2010 service reductions, elimination of 20 staff positions in 2011, a rate increase for the state retirement system, changes in the state PEBB medical benefits program for 2011, and other benefit rate increases for 2011.
	Services	(556,436)	-8.15%	Reflects reductions in the agency marketing program, video camera maintenance program changes, maintenance of expanded facilities, reduction in the sheriff's contract, reduced legal services, consolidation and redesign of the <i>Bus Plus</i> book, change in armored car service for <i>Swift</i> ticket vending machines, and completion of various studies in 2010.

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Object	Differences 2011 vs. 2010		Explanation
		Dollars	Percent	
<b>Directly Operated Fixed-Route Service (continued)</b>	Material and Supplies	477,152	5.88%	The fuel cost increase of \$234,740 results from an anticipated increase in the fuel price to \$2.80 per gallon in 2011 compared to \$2.50 per gallon in 2010, increased promotion of the Transportation Demand Management program which is funded by a TDM grant, continued IT infrastructure improvements, an increase in maintenance supplies associated with maintenance of expanded facilities, and replacement of old equipment on existing radio repeater sites.
	Utilities	(17,270)	-1.60%	Cost increases in electrical, water, and sewer due to expanded facilities; these costs are offset by lower use of natural gas and changes in the agency telephone system.
	Insurance	(19,000)	-0.91%	Reflects the full-year effect of the June 2010 service reductions and an anticipated rate increase by WSTIP due to the loss experience of WSTIP members and changing insurance market conditions.
	Taxes	(8,280)	-41.82%	The decrease reflects a decline in advertising revenues during the recession.

**Table E****Summary of Operating Expenses by Type**

<i>Category of Service</i>	<i>Object</i>	<i>Differences 2011 vs. 2010</i>		<i>Explanation</i>
		<i>Dollars</i>	<i>Percent</i>	
<b>Directly Operated Fixed-Route Service (continued)</b>	Leases and Rentals	19,900	3.27%	Net effect of lower tire lease cost due to June 2010 service reductions and an increase in the radio tower lease cost due to an increased number of leased sites.
	Miscellaneous	(90,076)	-20.39%	Reduced attendance at trade conferences, training programs, and off-site meetings; shift of Commute Trip Reduction program grant funds for staff salaries; and elimination of the employee holiday calendar.
	<b>Total</b>	<b>\$ (1,838,273)</b>	<b>-2.34%</b>	

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Object	Differences 2011 vs. 2010		Explanation
		Dollars	Percent	
Fixed-Route Contracted Commuter Service	Materials and Supplies	\$ 100,597	2.83%	Fuel costs based on \$2.80 per gallon compared to \$2.50 per gallon in 2010 budget and on 2011 service levels.
	Purchased Transportation	68,317	0.40%	Reflects a budgeted decrease of 3.05 percent in contracted fixed-route service, including Sound Transit, and the annual rate increases that are effective June of each year.
	Leases and Rentals	0	N/A	Reflects termination of the double-decker bus lease following a two-year trial period that showed double-decker buses were well received by customers and offered a number of operational benefits. Results of the trial period contributed to the decision to replace 23 coaches scheduled for 2010 replacement with double deckers.
	<b>Total</b>	<b>\$ 168,914</b>	<b>0.82%</b>	

**Table E****Summary of Operating Expenses by Type**

<i>Category of Service</i>	<i>Object</i>	<i>Differences 2011 vs. 2010</i>		<i>Explanation</i>
		<i>Dollars</i>	<i>Percent</i>	
<b>Paratransit Service</b>	Services	\$ 10,300	10.33%	Majority of the increase results from an increase in the travel training program which reflects an increased demand for paratransit service. This program transitions paratransit users to fixed-route service, resulting in long-term savings.
	Purchased Transportation	922,134	11.72%	Reflects a 19.88 percent increase in the service level budgeted for 2011 and the annual contract rate increase effective October 2011. Purchased Transportation includes the Pay Your Pal program approved by the Board in 2010.
	<b>Total</b>	<b>\$ 932,434</b>	<b>11.70%</b>	

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Object	Differences 2011 vs. 2010		Explanation
		Dollars	Percent	
Vanpool Service	Wages	\$ (42,692)	-5.34%	Eliminated one vanpool coordinator due to lower demand for vans during recession.
	Fringe Benefits	(5,508)	-1.81%	Benefits associated with a staff decrease, rate increase for the state retirement system, and other benefit rate increases forecast for 2011.
	Services	(6,000)	-12.17%	Decrease in both vanpool cleaning and printing costs for vanpool program forms due to lower demand for vans during current economic times.
	Material and Supplies	(11,294)	-0.79%	Fuel cost increase of \$2.57 to \$2.92 per gallon for unleaded fuel in 2011 offset by lower fuel consumption estimates due to changes in fleet size and trip length.
	Leases and Rentals	0	0.00%	Budgeted at same level as in 2010.
	Miscellaneous	250	1.91%	Reduction in staff attendance at conferences and training.
	<b>Total</b>	<b>\$ (65,244)</b>	<b>-2.48%</b>	
	<b>Total Operating Expenses</b>	<b>\$ (802,169)</b>	<b>-0.73%</b>	

**Table E**

**Summary of Operating Expenses by Type**

Category of Service	Object	Differences 2011 vs. 2010		Explanation
		Dollars	Percent	
<b>Nonoperating</b>	Interfund	\$ (54,075)	-2.47%	Transfer to the Workers' Compensation Fund for anticipated claims during 2011 and transfer to the Debt Service Fund for the interest payment on outstanding bonds. There is a decrease in interest due on bonds resulting from refinancing the 2004 series bonds in 2010 and an increase in expected worker compensation claims cost for 2011.
	Professional Services Cost Pool	142,500	107.55%	The increase reflects funding of \$90,000 for a performance audit in 2010 and an increase of \$50,000 in 2011 in anticipated support of the IT workplan. IT will need more professional services support in 2011 due to staff reductions.
	Workforce Reduction Cost Pool	293,510	126.79%	Staffing will be reduced by 20 positions in 2011. Costs budgeted in this cost pool include unemployment, outreach services, and consulting services.
	<b>Total Nonoperating</b>	<b>\$ 381,935</b>	<b>14.96%</b>	
<b>Grand Total</b>		<b>\$ (420,234)</b>	<b>-0.37%</b>	

**Table F****Summary of 2011 Capital Program**

<b>Project Category</b>	<b>Fund Source</b>		
	<b>Total</b>	<b>Grants *</b>	<b>CT Local</b>
<b>Revenue Vehicle Acquisitions</b>			
Bus Replacement (40-foot coaches)	11,987,211	9,311,385	2,675,826
Hybrid System for Bus Replacement (40-foot coaches)	3,000,000	3,000,000	
Paratransit (DART replacement vehicles)	1,100,000		1,100,000
Vanpool (replacement vans)	806,000	644,800	161,200
<b>Subtotal</b>	<b>\$ 16,893,211</b>	<b>\$ 12,956,185</b>	<b>\$ 3,937,026</b>
<b>Technology Systems</b>			
Smart Card/TVM for Ridestore	\$ 192,500		\$ 192,500
Hastus Upgrade	187,000		187,000
Radio Repeat Site Contingency	38,075		38,075
Radio Sites and 800 MHz Upgrade	3,480,000	2,784,000	696,000
Transit Priority Queue Jump	235,000	185,000	50,000
Microsoft Server Migration	35,668		35,668
Datacenter Facilities	60,000		60,000
Network Security Enhancement	125,000		125,000
Network Switch Fleet Mgmt	135,000		135,000
Server Fleet Management	64,000		64,000
Fiber Optic Cable Install WAN	20,000		20,000
ITIL Project	145,493		145,493
Oracle/PeopleSoft Upgrade	39,564		39,564
Server Virtualization	173,000		173,000
APTS	7,981,248	1,300,000	6,681,248
Phase II Real-Time Passenger Information Signage	80,000		80,000
Records Management Software	50,000		50,000
Desktop Virtualization	300,000		300,000
Data Storage/Recovery	205,000		205,000
Disaster Recovery/Warm Site	130,000		130,000
IT Network Equipment	46,000		46,000
Trapeze Software	44,000		44,000
<b>Subtotal</b>	<b>\$ 13,766,548</b>	<b>\$ 4,269,000</b>	<b>\$ 9,497,548</b>

Project Category	Fund Source		
	Total	Grants *	CT Local
<b>Transit Facilities</b>			
Everett BRT Stations	\$ 1,131,000	\$ 1,131,000	
Swift	125,000		125,000
Bus Zone Program	100,000		100,000
Smokey Point Transfer Center	3,880,658	3,104,526	776,132
Network Operating Center	575,000	460,000	115,000
Lynnwood Transit Center Reseal Lot	192,900	77,000	115,900
Park and Ride Improvements and Planning	125,000		125,000
Camera Replacements & Upgrades	250,000		250,000
Kasch Park Maintenance Expansion	750,000	352,500	397,500
<b>Subtotal</b>	<b>\$ 7,129,558</b>	<b>\$ 5,125,026</b>	<b>\$ 2,004,532</b>
<b>Routine Equipment</b>			
Repair MCOB Driver Bridge	45,773		45,773
MCOB Catch Basin Repairs	60,000		60,000
EPA - Exhaust Emission/Urea Equipment	100,000		100,000
Support Vehicles	100,000		100,000
Vehicle and facility maintenance Equipment	120,000		120,000
<b>Subtotal</b>	<b>\$ 425,773</b>	<b>\$ 0</b>	<b>\$ 425,773</b>
<b>Capital Program Total</b>	<b>\$ 38,215,090</b>	<b>\$ 22,350,211</b>	<b>\$ 15,864,879</b>
<b>Designated Reserves</b>			
Construction/EPM Contingency Reserve	484,491	0	484,491
<b>Subtotal</b>	<b>\$ 484,491</b>	<b>\$ 0</b>	<b>\$ 484,491</b>
<b>Capital Program and Designated Reserve Total</b>	<b>\$ 38,699,581</b>	<b>\$ 22,350,211</b>	<b>\$ 16,349,370</b>

\* Grant funding is primarily federal but also includes funding contributions from the State of Washington, the City of Everett, and Sound Transit.

**Table G****Staffing Level (in FTE)**

<b>Staffing by Department</b>	<b>2009 Actual*</b>	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Differences 2011 vs. 2010</b>
Board of Directors and Executive	7.50	8.5	6.5	(2.0)
Marketing and Communications	14.00	14.0	0.0	(14.0)
Administration	55.00	54.0	52.0	(2.0)
Customer Relations	31.00	29.0	34.0	5.0
Planning and Development	36.00	37.0	33.0	(4.0)
Maintenance	97.00	96.0	93.0	(3.0)
Transportation	417.75	374.0	374.0	0.0
Information Technology	22.00	23.0	20.0	(3.0)
Public Affairs	2.00	2.0	5.0	3.0
<b>Total Staff</b>	<b>682.25</b>	<b>637.5</b>	<b>617.5</b>	<b>(20.0)</b>

\*As of December 31, 2009

**Table H****Cost Per Revenue Hour  
Systemwide Basis**

	<i>2009 Actual</i>	<i>2010 Budget</i>	<i>2011 Budget</i>
Operating Cost	\$ 104,191,308	\$ 109,684,103	\$ 108,881,934
Total Annual Revenue Hours of Service (All Types)	682,729	698,008	678,779
Cost Per Revenue Hour	\$ 153	\$ 157	\$ 160

# THINK TRANSIT FIRST

## VISION

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

## MISSION

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

## CORE VALUES

Customers First

Safety Conscious

Accountability

Rewarding Initiative and Innovation

Mutual Respect

Continuous Learning

Respect for the Communities We Serve

Integrity

Environmental Stewardship

