



**State of Intercity Transit Report
April 2011**

Intercity Transit entered 2010 in the midst of an unprecedented economic downturn. Intercity Transit saw a 3% drop in sales tax in 2008, the first annual decrease in sales tax collections in the agency's history. This was followed by a 10 percent reduction in 2009. We faced tough choices as service levels could not be maintained without new revenue. We faced not only the need for additional revenues, but also an increased need for our services driven by increased unemployment and the inability of human service agencies to meet the needs of their customers.

The major issue facing Intercity Transit 2010 was whether we should place a sales tax measure on the ballot, and if so, when and for what amount. A failure to increase revenues would have necessitated service reductions beginning in 2011 with a total reduction in service of approximately 14%. The Authority directed an extensive outreach effort to the community and our member jurisdictions resulting in the difficult decision to put a measure to increase the sales tax on the August 2010 ballot. The Authority also engaged in a discussion of the level of increase to request from voters. A 0.2% increase would allow Intercity Transit to maintain current service levels while a 0.3% increase was needed to meet anticipated demand for service and to address necessary capital projects. The Authority decided to move forward with a request for a 0.2% increase in sales tax and put the measure on the August ballot. The measure was overwhelmingly approved with a 64% positive vote. The measure passed in each jurisdiction including unincorporated Thurston County.

The passage of this measure resulted in Intercity Transit again being in strong financial condition and allowed a modest service increase in February 2011. Service improvements included increasing service on our busiest route, Route 41 to The Evergreen State College, adding later night and new weekend service on several routes, and improving Sunday express service to Tacoma. We have seen a recent improvement to the local economy with sales tax revenues up by 1.5% in 2010, as compared to 2009 and up over 3.5% through the first two months of 2011.

Intercity Transit experienced something new in 2010 with the first wave of employee turnover hitting the agency. Our Development Director retired after 30 years with the agency and our Maintenance Director left after 27 years to

become the Maintenance Director of King County Metro. We also lost our Information Services Manager who had 17 years of service at Intercity Transit. These departures came at a time when we were reluctant to rehire due to the pending sales tax measure and all three of these positions remained open at least six months. We have now filled these positions but are still working to reach budgeted staff levels. Our Human Resources Director will retire in early 2011 and the age of our workforce means we will face an increased rate of turnover over the next five to ten years.

Intercity Transit's major efforts in 2011 will focus on continuing our efforts to expand and improve facilities and equipment. Some of the major projects include:

- Expanding the Olympia Transit Center.
- Constructing the new Hawks Prairie Park-and-Ride Facility.
- Purchase of new hybrid diesel-electric buses.
- Expansion and renovation of the Pattison Street Operations and Maintenance facility

Intercity Transit will also continue to improve the quality of service and the availability of information to our customers. We will install solar lighting in over 20 shelters and make improvements at over 30 stops to make them more accessible to our passengers. We recently introduced Google Transit as a trip-planning tool for our customers and will soon offer "One Bus Away" which provides real-time service information to our customers via smart phones or computers. We also continue to improve our Web site to make it more useful for our customers.

Intercity Transit will continue to face significant challenges in 2011. While we have seen several months of increased sales tax revenue, the long-term outlook for the local economy remains uncertain. Fuel prices increased dramatically in recent weeks and could continue to do so. This will increase demand for our service while also increasing our costs. We are prepared to quickly expand vanpool service, but it will be difficult to expand express service to meet increased demand. The possibility of Pierce Transit reducing express service between Tacoma and Olympia could also result in increased pressure for additional Intercity Transit express service. These and other major challenges for 2011 are presented in more detail later in this report.

A major effort at Intercity Transit in 2011 is one that will be invisible to the general public and our customers. Intercity Transit is one of ten systems in the nation to be selected to receive training and technical assistance to implement an ISO 14001-certified Environmental and Sustainability Management System (ESMS). This ESMS will require a significant effort by Intercity Transit staff and the outcome will be a system that ensures we are doing everything possible to reduce the negative impact of our operations on the environment that we can quickly and effectively respond to any unforeseen events to minimize their impacts. This effort will affect all aspects of our agency and ensure we are continually improving and reevaluating how we provide public transportation services to our community.

2010 - Intercity Transit Accomplishments and Successes

The success of the August 2010 ballot measure was the key accomplishment of 2010. Without the passage of the measure, Intercity Transit would be facing service reductions and the delay of major projects. Instead, we have been able to increase service and are moving forward with a number of major projects. The following are some of our 2010 accomplishments:

- Sustained strong ridership and use of Intercity Transit services despite the economic downturn. Fixed-route ridership increased .3% in 2010.
- Completed renovation of the Olympia Transit Center's Customer Service Area. This improved ADA accessibility, restroom facilities, and other areas.
- Completed Transportation Enhancement grant (2006) including improvements at 27 bus stops and 24 new shelters.
 - Solar Light Project underway - bid completed, units ordered (Planning), installation of the first two by Facilities.
 - Working with individual jurisdictions, identified next round of bus stops enhancements for 2011.
- Completed successful negotiation with County for a lease of a six-acre parcel at their land fill (Waste and Recovery Center) to construct a regional Park-and-Ride facility.
- Received grant money from the WSDOT Vanpool Investment Program (VIP) to purchase 46 replacement vanpool vans.
- Completed a successful Regional Mobility Grant application to acquire buses and operate a new Olympia Express route between Tumwater and Lakewood. Project will move forward if the Legislature fully funds the regional mobility grant program for the 2011-2013 biennium.

- Increased security presence at Lacey Transit Center to increase customer safety and comfort.
- 147,017 Dial-A-Lift trips were provided, approximately 4% more trips than 2009.
- Recognized by the State Auditor's Office for our 15th consecutive clean audit report (no findings!).
- Implemented a pilot, year-long Discounted Bus Pass Program for qualified social service agencies and local non-profits.

- Formed 13 new vanpool groups and folded 19 groups for a net loss of 6 from 2009. At the close of 2010, Intercity Transit had 175 active vanpool groups.
 - Vanpool staff provided training and certification for 393 Vanpool and Community Van drivers and road tests for 17 drivers in our Village Van program.
 - Vanpool staff implemented an updated Rideshare On-Line program and provided ridematch services for over 1,200 commuters last year.
- Community Vans were used by 22 different organizations, logging a total of 10,415 miles, and carrying 1,551 people on 164 different trips.
- The Surplus Van Grant program awarded vans to Olympia Early Learning Center and Senior Services for South Sound.

- Village Vans provided 5,960 trips to employment support related sites.
 - Volunteer Drivers contributed 5,221 hours totaling \$113,974.43 in in-kind match. Six succeeded in finding employment.
 - We implemented a new volunteer Administrative Assistant Support position.
 - Our first AmeriCorp volunteer completed 900 hours of service in Village Vans.
 - We received national recognition in three trade publications, one nationwide web site.
- Interest in duplicating the program came from Colorado, Michigan, Ohio, Idaho and Virginia.

- Information Services continued to implement the recommendations of the 2009 Peer Review and to update systems.
 - Removed Novell as an operating system in order to streamline our network systems; decommission one physical server, allowing us to reassign two servers to other duties.
 - Conducted our own internal review and reconciliation of all Microsoft product licensing. By upgrading and consolidating

- Decreased the cost and staff time required for email spam management and web-surfing tracking by implementing the Clearswift email appliance and the IPrism web appliances.
 - Purchased and installed a new SAN (Storage Array Network) that replaced our existing failing SAN system, giving us substantially more file storage space and the ability to transition our VMWare virtual server system into an enhanced Hi-Availability system.
 - The Washington State Transit Insurance Pool (WSTIP) reviewed our IS Security and published a report of our top 11 risks. We have partially mitigated six of the eleven.
- Maintenance struggled with staffing issues throughout the year but continued to provide high quality maintenance of vehicles and facilities.
 - Successfully integrated six hybrid vehicles into the fixed route fleet. The hybrids exceeded our expectations with dependability and fuel mileage in their first five months.
 - Converted the entire revenue fleet to “brake-on” retarder operation, enhancing fuel economy.
 - Completed street side camera installation for the entire coach fleet.
- Executive and Training continued to coordinate agency-wide initiatives in a number of areas.
 - Emergency/evacuation plans were put in place and successful drills were held.
 - Another successful United Way Campaign was completed despite the difficult economy.
 - Procured nine laptops and began implementation of Electronic Board Packets to reduce paper consumption and improve board access to data and documents.
 - Held a successful Board Retreat and directed the smooth introduction of three new board members in 2010 (Mary Dean; Virgil Clarkson; Karen Stites).
 - Implemented ClarityNET web-based safety training for Maintenance and Inventory staff and developed tracking and notification system.
 - Launched Security Awareness Training for Operators.
 - Conducted first Operator Training Bid – included every operator at IT; this will be demonstrated in 2011 at the WSTTIC Training Conference in May for other transit properties.

- Launched a Passenger Assistance Q&A book for Operators now placed in the lounge as a reference.
 - Updated the bomb threat procedures that were incorporated into the new Operator Manual.
- Marketing and Communications directed the communications effort that led to voter approval of the August sales tax measure. This included producing information that provided Thurston County voters with an unbiased and fair analysis of the implications of passage or failure of the measure. In addition, Marketing and Communications continues efforts to ensure residents in our community are fully aware of available public transportation services. Efforts included:
 - Implemented a record level of public events and activities (127 events). This was a combination of transit fairs, classroom activity, field trips and presentations.
 - Obtained additional grant funds for transportation related community programs and successfully implemented several programs. This includes a 3-year, \$90,000 EPA Energy Grant partnership with TRPC, a 2-year \$100,000 WSDOT Safe Routes to School Grant.
 - Broadened the agency's Walk n Roll program with elementary and middle schools, the implementation of a Frequent Biker and Bike Maintenance Program with Roosevelt Elementary, and the launching new school activity in Tumwater and Yelm.
 - Completed the Healthy Kids-Safe Streets Action Plan, a multi-year effort with broad community input. This effort pulled together transportation and planning professionals, school administrators, elected officials and students to develop a plan that educates and encourages walking, biking, and taking transit.
 - Intercity Transit became the first Founding Licensing Partner of the popular Undriving program, based in Seattle, and successfully tested the program in Thurston County. With the innovative Undriver Licensing Station, Undriving elicited car-use-reduction pledges from thousands of people from Seattle to Olympia.
 - Established a significant presence at area work sites and advocated trip reduction activity in Thurston County. This includes high use of alternative transportation modes, especially during the twice-yearly Wheel Options event in which 58 area worksites participated and a combined 5,000+ commuters used transit, vanpools, carpools, cycling, walking and tele-working.
 - Witnessed significant jump in use of the agency's web site by approximately 35% in the past year.

- Successfully launched agency use of social media for customer and public communications.
- Marketing and Communications Manager was selected for the American Public Transportation Association's 2010-2011 national leadership program.
- Planning continued to be actively involved with local jurisdictions in 2010. Other efforts included improving planning and information tools and communications with customers.
 - Completed system-wide bus stop inventory for accurate count of amenities, accessibility and location photos. Converted old Access database and developed a new GIS mapping database for bus stops.
 - Assisted with overseeing software database coordination and launching of IT's web based Trip Planner using Google Transit.
 - Oversaw and coordinated service implementation tasks leading up to February '11 service enhancements (revising street-by-street, route stop lists, revising 230 on-street schedules, working with Marketing on public information, etc.).
 - Completed annual transit pass contract renewals with the State, Colleges, County and TRPC. Added St Martin's University to the transit pass program.
 - Participated in regional transportation efforts associated with the military's Joint Base Lewis McChord (JBLM) impact on the region and WSDOT's efforts associated with the JBLM.
- Dial-A-Lift (DAL) continued to offer outstanding service to our DAL customers. The following summarizes 2010 DAL client eligibility demographics:
 - 2404 total eligible clients, 33 more than 2009
 - 328 applications processed for DAL
 - ✓ 278 Full
 - ✓ 26 Conditional
 - ✓ 19 Temporary
 - ✓ 5 Ineligible
 - ✓ 4 Appeals of eligibility decisions
 - 161 triennial re-certifications
 - 13 Physical Assessments
 - 48 Referrals for Travel Training

- Travel Training also had an active year. The following data summarizes 2010 Travel Training activity:
 - 128 New Clients
 - 350 Travel Training Trips
 - 274 Individualized Trip Plans
 - 40 Group Field Trips with approximately 388 people
 - 43 DAL Clients received Travel Training
 - 16 Travel Training Outreach Presentations
- DAL dispatch moved into a remodeled space in January 2010. The remodel provides more room for the department, increasing the functionality and comfort of the space.
- DAL continues coordination with Rural and Tribal Transportation and Beyond the Borders, two programs serving rural Thurston County. Both programs transport individuals into Intercity Transit's service area, improving access to services within the urban area of Thurston County for rural residents.

2011 - Major Capital Projects

Several major capital projects were discussed briefly above and are presented in more detail below. We begin 2011 with three major capital facility projects in progress. These three projects will allow Intercity Transit's service to continue to grow and position the organization to meet the increased demand for an expanded role for public transportation in our community, region, state and nation. These projects address both current needs as well as future growth. The Olympia Transit Center and the Pattison Street Maintenance and Operations facility both need additional capacity today.

These capital projects will be extremely challenging to staff and the Authority. Any construction project is challenging and is certain to include unexpected, and often stressful, events. Undertaking three major projects will require continuing, detailed discussions between staff and the Authority and a clear understanding of the roles of both in the process. These three projects and their challenges are summarized below:

Expansion of the Olympia Transit Center

The current Olympia Transit Center is at capacity and able to meet current demand only by the City of Olympia allowing bus bays on a portion of Olympia Avenue. In addition to expanding capacity for Intercity Transit's local and regional services, this project also will provide space for a private, intercity bus operator to locate at the facility. The project will also include expanded facilities for customers and staff, bicycle-related facilities and office and meeting space.

Additional federal funds from the Surface Transportation Program (STP) are anticipated for design and construction of the facility. This will bring total federal funding for the project to \$4,752,000. A three-story facility is being pursued with a total budget of approximately \$7,900,000. Design will be completed in 2011 with construction anticipated in 2012.

Expansion of the Pattison Street Maintenance and Operations Facility

This will be the largest capital facility project ever undertaken by Intercity Transit. The project has been underway for several years. An alternatives analysis was completed in 1999 that identified use of the adjacent property at Pattison Street and Martin Way, as the most desirable means of expanding the maintenance and operations facility. The expansion plans were put on hold following the passage of I-695 in 2000. The owner of this property approached Intercity Transit in 2004 with an offer to sell the property. Required environmental work was completed and the property purchased in 2005. In early 2009, a contract was awarded to Tetra Tech to assist in developing a Master Site Plan for the expansion of the Pattison Street facility. The adopted Master Site Plan describes a three-phase expansion that will meet our needs through 2035. The first and largest phase expands the maintenance and operations capacity and completes major site infrastructure requirements and all frontage and street improvements. Phase 2 further expands the capacity of the Operations Department with Phase 3 addressing administrative space requirements.

Preliminary engineering and environmental work for Phase 1 began in early 2010 and is near completion. The Authority will be requested to consider beginning final engineering in mid-2011. The future of federal funding for major projects is uncertain at present, and the decision to move forward with final engineering may be delayed until this becomes clearer.

Hawks Prairie Park-and-Ride Facility

Intercity Transit received over \$3 million in State of Washington Regional Mobility grant funds to begin construction of a 325-space park-and-ride facility at the Thurston County Waste and Recovery Center. This unique project utilizes land with few other feasible uses to provide a park-and-ride facility ideally located near an I-5 interchange. This cooperative effort between Intercity Transit and Thurston County will serve Thurston County residents for many years. An additional \$3.2 million for this project is expected in the 2011-2013 Regional Mobility Grant process.

A contract for design, engineering and construction management work was awarded to KPFF Engineering in early 2009. A feasibility study was completed and led to the successful Regional Mobility grant. Design and engineering work is near completion, and site preparation work began in August 2010 with the site

being loaded to compress the site and prepare it for construction. This phase of the project will continue until mid-2011. The construction of the facility should be completed by mid-2012.

In addition to the facility projects, major bus and other vehicle purchases will occur in 2011. Seven, replacement diesel-electric buses will be ordered in early 2011. These will arrive in mid-2012. Funding is being sought for seven other replacement buses. Eighteen Dial-A-Lift vehicles will be delivered in 2012. This replaces one-half of our Dial-A-Lift vehicles and adds one additional vehicle to the active fleet.

Financial Status

Intercity Transit enters 2011 with reserve funds significantly above the Authority's reserve policy level (reserve equivalent to 90 days operating expense). However, we will not see increased revenue from the new sales tax level until March 2011 and reserve levels will be reduced to approximately \$2 million above the policy level at the end of 2011. The financial forecast shows we can maintain current service levels through 2016 and maintain the policy reserve levels.

The assumptions in the financial forecast are relatively conservative, but there remains a great deal of uncertainty. We anticipate sales tax revenue will increase by 2% in 2011 and will increase an average of 3.5% per year in the 2012 to 2016 time period. We anticipate fuel prices will average \$3.00 per gallon in 2011 and increase 3% per year beginning in 2012. Recent sharp increases in fuel prices may be short-term, as we experienced in 2008, or could be a longer term trend. We have also assumed 80% federal funding for the expansion of our Pattison Street operating and maintenance facility and for seven new, hybrid buses. We are unlikely to pursue the facility expansion without the federal funding, and we have been successful in obtaining federal funds for vehicles purchases.

The greatest financial challenge we may face is meeting the demand for new service we will face over the next several years. I anticipate we will see increased demand for regional express service as well as for increased local service. Our financial model shows no net increase in service beyond that added in February 2011. The Authority may wish to explore asking voters to approve the final 0.1% of sales tax authority with the tax increase tied to specific service changes. I recommend this discussion be tabled until we have a better idea of the future of federal and State of Washington funding.

Sustainability and Environmental Programs

In 2009, Intercity Transit completed a final version of our sustainability plan. This plan includes long and short term sustainability goals. Strategic objectives are established in the areas of energy usage, carbon emissions, facilities, materials flow, and growth, development and planning for the future. A copy of the Sustainability Plan can be found on our website, www.intercitytransit.com.

In 2010, Intercity Transit was selected as one of ten transit systems to participate in the Federal Transit Administration's Environmental and Sustainability Management System (ESMS) training. This year-long training is designed to result in the implementation of an ISO14001-certified ESMS at Intercity Transit. This is a very large project and will affect the entire organization. We will not only improve our organization in the area of environmental and sustainability management, but we will also have a model management system that can be applied in other areas of our agency.

Major Challenges in 2011 and Beyond

The success of the August 2010 sales tax measure allowed Intercity Transit to make a modest service increase (3.1%) in February 2011 and to continue with major capital projects. We should be able to maintain current service levels through 2016 with current revenue. However, there is little room for growth beyond the recently added service, and we continue to need new federal funding to complete the expansion and renovation of the Operating and Maintenance facility.

I encourage the Intercity Transit Authority and the Citizen Advisory Committee to focus on the following major challenges in 2011:

Increased demands for service - A major challenge in 2011 and beyond will be to meet increased demands for more service within Thurston County and increased service connecting Thurston County to other counties, particularly Pierce County and the central Puget Sound area. Providing effective and efficient service to the fringes of the Public Transportation Benefit Area (PTBA) will continue to be a challenge. An example is the northeast Lacey area, which continues to grow. This area has some density and a large number of senior citizens. However, it is a significant distance from any current bus service and many of the residents primarily travel to and from Pierce County rather than within Thurston County. It will be very difficult to provide a transit service that is convenient and effective for this area's residents.

Pierce Transit service reductions - We will also be challenged to meet the demands for regional travel in 2011 and beyond. Pierce Transit's February 2011

sales tax measure was unsuccessful. They announced a 35% service reduction to be implemented early October 2011. It is anticipated that 50% of their service connecting Pierce and Thurston County will be eliminated. Intercity Transit must decide whether we will increase service in this corridor when this occurs. Without additional service, we are likely to see overcrowding on our service and the inability to carry all customers.

Improving Dash service and increasing productivity – Intercity Transit made a commitment in 2010 to review the Dash service and to take steps to increase its productivity. This effort should involve all stakeholders in the discussion and should include adequate opportunity for public input.

Working with Sound Transit - Sound Transit will expand its commuter rail service, The Sounder, to Lakewood in 2012. When this occurs, we are likely to see an increased demand for express service connecting to this service. In addition, we have seen increased discussion of the possibility of extending Sound Transit commuter rail to Thurston County. Sound Transit has no plans to do this or even expand service to DuPont. There are significant operational issues needing to be overcome to extend service south of DuPont, and the cost would be very high. In addition, the political mechanism required would necessitate Thurston County, or some portion of Thurston County, joining Sound Transit and implementing significant sales and other taxes. It is difficult to see the level of benefit that would justify the high cost of this action and of extending commuter rail service. I recommend we continue to focus on high quality bus service as the primary means of connecting Thurston County to Pierce County and Sound Transit services, and we focus our investments in this area.

Improving Dial-A-Lift - A continuing service challenge will be to serve the increasing number of Dial-A-Lift clients and other aging members of our community. Thurston County is getting dramatically older. The population of Thurston County is expected to increase by 68% between 2010 and 2040 while the number of persons over 65 is expected to increase by 165% in this same period. Mobility and the ability to drive both decrease with age. We are likely to see a significant increase in DAL-eligible persons and the demand for service that reduces walking distance and offers more flexibility.

Adjusting to fuel price changes - A challenge identified in last year's report - the volatility of fuel prices - will continue to be a significant issue. A \$1.00 increase in fuel prices increases annual expenditures by approximately \$1 million. Diesel prices increased from \$2.00 per gallon in early 2007 to a high of \$4.50 per gallon in June 2008. Prices fell to \$1.50 per gallon in early 2009 and rose to approximately \$2.25 per gallon in late 2009. Prices continue to hover at approximately \$2.25 per gallon for our B20 diesel/biodiesel blend throughout

2010. Fuel prices appeared to stabilize in 2010 but recent international events and the global economic recovery have again resulted in sharp fuel price increases. There continues to be great uncertainty about the future price of fuel. This is a cost we have little control over. We must continue to budget fuel costs conservatively to avoid a sudden unexpected cost increase, resulting in the need to reduce service levels.

Succession Planning – We need to increase attention to and planning for the aging of our workforce. Two department heads left our organization in 2010 and the remaining four and the General Manager will likely retire before 2018. We will also lose many of our division managers, technical staff and supervisors during this time period. We must provide training for current staff to step into these positions to the greatest extent possible.

Sustainability and implementation of the Environmental and Sustainability Management System (ESMS) - Full implementation of the ESMS and ISO-14001 certification will require a significant commitment by the entire organization. We should also continue to expand our sustainability plan and implement actions and policies that reduce our Greenhouse Gas (GHG) emissions and energy usage.

Keeping fares affordable for persons with low incomes – We should continue to work with the community to find ways to make public transportation more available and affordable to persons with low incomes. The Reduced Monthly Bus Pass program is a good first step. We will evaluate this program in mid-2011 and determine if it should be continued.

Effectively using technology – We should continue to define the role of Information Systems and technology management in our organization and to use technology to improve our communications with our customers. New technology must be cost-effective and result in improved service to the community.

Integrating with the regional fare system (ORCA) - We should continue to work with Sound Transit to determine the best way to coordinate with and possibly join the ORCA regional fare system. We should focus on extending the service to our express service and then determine if the system can be implemented system-wide.

Conclusion

I ended the 2010 State of Intercity Transit report on a cautious note due to the uncertainty of future funding. This year I am optimistic. We have incredible

community support and continue to see growth in our ridership and demand for our service. We have a resilient and strong organization that has shown the ability to react to unforeseen conditions and the commitment to continually improve our services. We developed and strengthened community partnerships and continue to improve training for all employees. Our Citizen Advisory Committee continues to be actively engaged and strengthens our connections to the community and the quality and thoroughness of staff work. The Intercity Transit Authority continues to push the organization to excel and to ensure we stay connected with goals and needs of our member jurisdictions and the entire community.

We will face the challenges outlined above, and we are well positioned to do so. The uncertainty about the economy and fuel prices requires us to be cautious and conservative about adding service or new programs. However, we remain poised to take advantage of increased federal, state or local funding and can quickly implement new service and move forward with capital programs. We continue to seek new funding and partnerships that will allow us to be more effective.

We provide excellent service to our customers and the entire community. We have one of the most modern and attractive bus fleets in the nation, and are one of the most effective systems in using technology to increase customer service and safety and continue to seek to improve in this area. Our service continues to improve and our ridership continues to grow. We have had incredible success in recruiting excellent new employees and our current employees strive for continuing improvement. Few other transit systems in the nation can compare with the quantity, quality, and diversity of service we offer to the Thurston County community.