

INTERCITY TRANSIT

State of Intercity Transit Report

April 2015

During 2014 we set an all-time record for vanpool ridership, recorded our third highest fixed route ridership, moved capital projects forward, received new hybrid electric buses and continued to make progress with our environmental stewardship efforts. Our presence in the community expanded with more youth education programs, new rider travel training, community and employer outreach and participation in regional planning efforts.

We hold true to our mission *to provide and promote transportation choices that support an accessible, sustainable, livable, healthy and prosperous community*. We remain focused on our vision *to be a leading transit system in the country, recognized for our well trained, highly motivated, customer focused, community minded employees committed to enhancing the quality of life for all citizens of Thurston County*.

We strive to serve our community well by running an efficient and effective system, practicing continual improvement and serving as good stewards of public funds.

2014 Highlights

- **Fixed-Route Ridership:** Our 2014 fixed-route ridership of 4,470,324 boardings reflects our third highest ridership year but was an increase of .81% from 2013. We experienced a new high ridership number for December.
- **Record Vanpool Use:** We closed 2014 with 214 active vanpool groups and 743,868 vanpool trips. This program removes approximately 1,700 cars a day from the work commute. Currently, 31 vanpools serve JBLM and close to 70% of our vanpools travel along the congested I-5 corridor.
- **Managing Dial-A-Lift Demand:** We provided 154,357 trips in 2014, which was a 3% increase over 2013. Ridership increased 4% 2012 to 2013. As our population ages, it is increasingly important to manage the demand for this expensive ADA-mandated service. We continue to focus on proper eligibility screening, providing outreach through our Travel Training program, providing a highly accessible fixed-route service and improving bus stops throughout our service area. The Travel Training internship and pilot of a second Travel Trainer position in 2013 proved successful with the ITA approving a second FTE position in March 2014. While the decrease in ridership growth may not be directly relational to the creation of the second travel-training position, it could very well be influential. We look forward to additional successes with travel training, as well as the Bus Buddy Program, to encourage greater system ridership at a lower cost to the agency.

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- **Demand for Express Service between Thurston and Pierce Counties:** Prioritizing service and resource allocation is a continuing challenge. This became more evident when Olympia Express demand significantly increased after Pierce Transit discontinued its express service in 2011. We witnessed overcrowding on many of our Express trips and large holes in the operating schedule. This made regional commuting on public transportation less attractive. We had extensive public comment on this topic and responded by adding trips to accommodate passengers and address scheduling issues. Our reality was that we had reached maximum route capacity with our existing fleet. We received two State Regional Mobility Grants in 2013 in support of two new express routes (Tumwater to Lakewood and Olympia to Seattle) which began September 30, 2013. These new services both incorporate the new Hawks Prairie Park-and-Ride as well as the Martin Way Park-and-Ride.
- **Focusing on Sustainability and Environmental Initiatives:** We completed the first phase of the ISO 14001 Audit in 2013 and received our ISO 14001 certification in early 2014. We were one of nine transit systems in the nation to receive certification. We prepared for our first surveillance audit in 2014 and passed in February 2015.

We were awarded APTA Gold Level Sustainability Commitment status in early 2012, making us the first transit system in the United States to reach this level and worked to retain that status successfully in 2013 and 2014. We received the 2012 Green Business of the Year Award from the Thurston Chamber of Commerce Green Business program, were recognized as a finalist in 2013 and again received the Green Business of the Year Award from the Thurston County Chamber in 2014.

- **Innovative Programming and Community Outreach:** We continue to offer a wide range of programs to serve the needs of our community. Our “Walk N Roll” youth outreach program continues to grow with involvement in every school district we serve. The largely volunteer-driven Bike PARTners program combines cycling safety and maintenance training with the opportunity for young people to earn a bike to support healthy commutes to school. We were successful in gaining a “Bikes in PE” grant for the Tumwater School District and look forward to continuing to work with them as well as seek similar opportunities for other school districts. The Bicycle Commuter Contest celebrated its 27th anniversary in 2014 and continues to grow and further strengthen the connection between bicycling and transit. The Village Vans program, which offers driver and job skills training as well as work-related transportation for low-income job seekers, celebrated its 12th anniversary in 2014. We granted four vans to non-profits through our Surplus Van Program in 2014 to provide trips not easily achieved on our system.
- **Technology Enhancements:** We relocated our server room from the Pattison Street Facility to WSDOT. In doing so we avoided having to design and construct a facility on site that could properly accommodate our space requirements and was free from potential water damage. WSDOT’s facility was designed to provide services in an

emergency situation. In addition, a three-way fiber connection between the Pattison Street Facility, the Olympia Transit Center and WSDOT was completed to provide emergency connection in case one fiber line was disrupted. We also designed and installed a camera system at the Lacey Transit Center. A newly installed fiber connection allows us to view the transit center from dispatch.

- **Retaining Quality Staff, Service Delivery, and Staff Resilience:** It is important to recognize our greatest resource for providing service is our dedicated and motivated staff. They stepped up to fill the gaps left by a large number of retirements and vacancies. Sixty percent of our senior management team retired or moved on to other opportunities since 2010. Our seven member Senior Management Team has been reduced to four. Despite what some might consider major hurdles, staff continues to perform admirably and provide the great service our community expects.

Challenges

Like many agencies in our region and throughout the nation, we face challenges. Because of the long-term economic recession and significant recent changes in federal funding, we are at a critical juncture in terms of planning for our future.

A major issue is the loss of federal discretionary funds used to purchase buses and pursue rehabilitating and expanding our Pattison Street facility. The federal MAP-21 legislation, approved in July 2012, eliminated a program that historically funded 80% of our bus purchases and construction projects.

We are scheduled to replace 48 buses between 2018 and 2023. Our financial model anticipated 20% local funds to purchase these buses, not 100%. Given the recent change in federal funding, the reality is that our financial model cannot support the purchase of these replacement buses.

In addition, we must continue to discuss the cost versus the benefit regarding the type of bus we will purchase in the future. Hybrid-electric buses continue to cost approximately \$225,000 more than an ultra-low sulfur diesel bus. Under our current model, we need more revenue to maintain current service levels and retain a positive cash balance.

Based on our current economy and the elimination of federal bus and bus facility discretionary grants, we need to increase sales tax revenue if we wish to maintain our current service levels. This option requires we ask voters to increase the sales tax dedicated to public transportation from 0.8 percent to 0.9 percent. This is the maximum level authorized under state legislation. This 0.1 percent would generate approximately \$3.75 million per year.

With assistance from our state delegation, we are exploring the possibility of obtaining additional sales tax authority. With additional authority we could provide additional service.

Our ability to pursue our Pattison Street rehabilitation and expansion project depends upon future grant funding opportunities and a strong economic rebound. As a result of the funding cuts described above, we placed the final design on hold. Unfortunately, we still must address several immediately critical elements. We are identifying and prioritizing those essential sub-components of the overall facility upgrade that crucially impact our ability to operate and maintain service. We are currently pursuing design and funding to replace our 30-year-old underground fuel storage tanks.

I hope the issues identified above will stimulate conversation and provide the Authority, the Citizen Advisory Committee, and the larger community a frame of reference in which to begin the discussion about our future and help the Authority decide how best to move the agency forward.

Strengths, Weaknesses, Opportunities, and Threats – SWOT

A traditional approach to assess an organization's status is to conduct a "SWOT" analysis. This involves assessing the organization's strengths, weaknesses, opportunities, and threats. This seems a particularly relevant time to consider this type of analysis and should help us prepare for the uncertainty facing the organization.

Strengths

1. We have strong community support, most clearly demonstrated by the 64% positive vote on the 2010 sales tax increase.
2. We have a large number of strong community partners including our jurisdictions, institutions of higher education, human service agencies, and others.
3. We offer a wide range of programs that provide options to address unforeseen issues or demands for service.
4. We have a strong, dedicated, and well-trained staff. We have been successful recruiting quality employees.
5. We have good written policies and procedures in place that ensure loss of staff does not adversely affect operations.
6. We have a relatively new, well-maintained fleet of buses, Dial-A-Lift vehicles, and vanpool vans. This allows us to maintain reliable service and provides time to obtain capital funds for replacement at retirement age.
7. We have a strong commitment to sustainability and environmental protection consistent with community values.
8. The implementation of the Environmental and Sustainability Management System (ESMS) provides a sound structure for our environmental and sustainability efforts and improves management practices throughout the operation.
9. We have a strong marketing and communications program and have enhanced our outreach efforts.
10. We have an excellent training program that continues to improve and grow. We

regularly have participants in Leadership APTA and Leadership Thurston County. This increases our visibility and contacts in the industry and the community and prepares our staff for leadership roles. Nearly all staff attended in-house personal development and communications training within the last year.

11. We have an agency-wide culture of continual improvement and a desire to provide excellent service. Our culture is a key reason we continue to develop new programs and win recognition in periods of financial uncertainty and limited growth.

Weaknesses

1. Relying on a single funding source (local sales tax) for approximately 70% of our funding makes it difficult to compensate for a weak local economy and no or slow sales tax growth.
2. MAP-21 eliminated a major source of capital funding. The future of both state and federal funding remains uncertain.
3. We have a significant need for major capital investment to replace vehicles and update the Pattison Street Operations and Maintenance facility.
4. Current facilities are inadequate to fully meet our needs and present operational risks. While we have addressed our immediate needs regarding our server room by leasing space at another facility, and we are in the process of planning to replace our 30 year old UST's, there are still many issues to address. It will be difficult to adequately address these shortcomings without a significant expenditure.
5. Current funding is adequate to maintain current service levels for the near term only, leaving little to no ability to add new service or programs. The one exception to this is the elimination of Village Van funding. The ITA voted to continue the program for one year while staff pursued other funding opportunities.
6. Our workforce is aging. We, like many transit and other public agencies, have a disproportionate number of employees 55 or older. The retirement of these employees is, and will continue to, require us to replace a large portion of our professional and supervisory employees. We lose a great deal of institutional knowledge with these retirements.

Opportunities

1. The State of Washington provided direct operating funds for the first time beginning in July 2012. The level of funding is relatively small, but we hope it will continue into the future.
2. Funding is in place to expand the Olympia Transit Center. This project offers an opportunity to provide improved facilities and service to our customers.
3. Awards for our sustainability and environmental efforts may offer an opportunity for additional community partnerships and enhance our ability to obtain grant funding.
4. The Environmental and Sustainability Coordinator position allowed us to achieve ISO 14001 certification and continue improving our sustainability efforts. This improves operations and enhances our ability to acquire grant funding.

5. The addition of a second FTE dedicated travel trainer allows us to pursue more community outreach and more effectively address our aging population and rising number of Dial-A-Lift trips.

Threats

1. **Funding:** The trend in sales tax revenue and available federal funding is a threat to both our ability to maintain service levels and purchase new and expanded capital facilities and equipment.
2. **Fuel prices:** Changes in fuel pricing present both a threat and an opportunity. An increase in fuel prices could drive an increase in demand for our service while also reducing our ability to maintain or expand service levels. A \$1 increase in fuel prices costs Intercity Transit \$1 million per year or \$6 million over a 6-year period. The same year gas prices hit \$4 per gallon (in 2008), our ridership increased 18%. Our market research indicates a significant percentage of area residents will shift their driving behaviors once gas prices return to \$4 per gallon. Alternatively, a decrease in fuel pricing has a positive impact on our budget but can have a negative effect on ridership.
3. **Service demands and expectations:** As our community grows, we will continue receiving requests for new service and the community will expect us to serve new development. Our current financial forecast shows little ability to expand service in the near future. New developments, such as the Hands On Children's Museum, the Thurston County Accountability and Restitution Center, the Hawks Prairie Park-and-Ride Lot, northeast Lacey, northwest Olympia, and others may lead the community to expect new service.
4. **Connections to Pierce County and the Puget Sound region:** This is both a threat and an opportunity. There is the need for us to substantially increase transit ridership and vanpool use in the congested I-5 corridor. As congestion increases, and use of the Sound Transit commuter rail service continues to gain in popularity, the threat is we cannot meet the expectation of new and expanded service with existing finances. We currently await an extended award of WSDOT Regional Mobility funding for Express services to help address this need.
5. **Centennial Station:** The cities of Lacey, Olympia, Tumwater, Yelm, Thurston County, the Port of Olympia and Intercity Transit signed a five-year contract for the maintenance of the Centennial Station. Staff continues to evaluate the most cost effective way to maintain the facility.
6. **Changing demographics:** Our community is aging and living longer. The number of people over 65 years of age, and particularly those over 80, is projected to increase dramatically in the next 10 to 20 years. This is anticipated to increase the demand for Dial-A-Lift. New service models will be needed, and the cost of special services may force us to make tough choices on how service and resources are allocated.
7. **Financial Status and Outlook:** We have a small window to bring our financial model into alignment by increasing revenue or reducing service. The economy remains unsettled, and federal and state funding opportunities have been either reduced, eliminated or remains uncertain. The current economic and grant funding realities do not support the purchase of buses or the wholesale rehabilitation and expansion of the

Pattison Street facility. There are significant threats to our financial position. We must act in the short term or pursue significant reductions in service or programs.

We entered 2015 with approximately \$20 million forecasting for ending cash. Our current financial forecast shows we will have approximately \$2.5 million in ending cash in 2019. This is approximately \$8.2 million below our 90-day operating reserve. A number of factors will affect this reserve level over the next six years:

- An active capital program that includes purchasing buses, Dial-A-Lift and vanpool vehicles, replacing the Pattison Street UST's, expanding the Olympia Transit Center, and other projects.
- Sales tax revenue was up 4.12% in 2014 as compared to 1% in 2013 and a relatively flat 2013. Sales tax is forecast in our model to grow 3 percent from 2015 and beyond. The reduction or, alternatively, the increase of sales tax revenue significantly impacts our financial model.
- Fuel costs are expected to average \$3.84 per gallon in 2015. Actual fuel prices year-to-date are closer to \$2.00 but due to the unpredictability in fuel prices, we feel it best to remain conservative in this estimate. A \$1 per gallon increase raises our annual costs by approximately \$1 million.
- A \$225,000 difference in cost between hybrid and ultra-low sulfur diesel vehicles represents an additional \$11 million increase in funding requirements.
- Both state and federal grant funds are uncertain.

Staff will adjust the current financial forecast to reflect recent sales tax levels, trends in fuel prices, estimates to update and replace critical elements of the Pattison Street facility and the results of MAP-21 federal legislation. We will still have reserve funds, but they will drop below the 90-day reserve level before the end of our current strategic plan. This is a concern but we have time to react and have the community decide if we reduce, maintain or provide additional service.