

2018

Proposed Budget



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October 2017

To: Sound Transit Board of Directors
From: Peter M. Rogoff, Chief Executive Officer
Subject: Proposed 2018 Budget

With the approval of Sound Transit 3 (ST3) by voters in November 2016, the agency kicked off one of the most ambitious public transit capital investment programs in the nation's history. In order to deliver such a large program both quickly and efficiently, an internal cross-functional group developed the System Expansion Implementation Plan. That plan identifies project timelines and process improvements along with prioritizing early collaboration and partnerships. By the end of 2017, Sound Transit will be planning, designing or building 22 train and bus projects throughout King, Pierce, and Snohomish counties.

The agency's growth in 2017 and 2018 is unprecedented in terms of project activity and mobilization of staff in order to enhance project delivery. The Proposed 2018 Budget reflects planning for new projects, such as the West Seattle to Ballard Link Extension, as well as ongoing state of good repair investments in revenue vehicles and infrastructure, in addition to construction of large-scale light rail projects. The agency's annual scorecard communicates our objectives, priorities and performance measures with the implementation of supporting strategies reflected in the budget.

Highlights from 2017

- Angle Lake Station received Leadership Energy and Environmental Design (LEED) Gold Certification for the use of non-toxic building materials and solar energy.
- Architectural design began for Transit-Oriented Development (TOD) parcels at the Capitol Hill light rail station. Offerings for TOD parcels near the Roosevelt, First Hill, Columbia City, Angle Lake, and SeaTac transit areas will be issued in 2017.
- Mercy Othello Plaza, a mixed-use facility located across the street from the Othello Link light rail station completed in early 2017, provided 108 energy-efficient affordable housing units for individuals and families earning \$18,000 to \$55,000 a year.
- East Link construction is underway on the I-90 floating bridge across Lake Washington. Building light rail across a floating bridge is the first of its kind in the world and is made possible by innovative engineering to create a track bridge that will compensate for six ranges of lake motion.
- The U.S. Department of Transportation executed a \$87.7 million low-interest loan to begin building a new maintenance base in Bellevue to support upcoming light rail expansions across the region. This is the *second installment of a \$1.99 billion master loan agreement that will support upcoming light rail extensions.*
- An additional 30 light rail vehicles were added to an existing contract to support the Federal Way and Downtown Redmond extensions.

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Peter M. Rogoff

- King County and Sound Transit announced special fares this past summer for all young people who ride with an ORCA Youth card. Access to destinations across the county and region cost only \$.50 per trip on King County Metro's bus network and \$1 for Sound Transit's trains and buses. Metro distributed free ORCA Youth cards to encourage more people to take transit.
- With Congressional approval of the Federal Fiscal Year 2017 Appropriations Bill, Sound Transit will receive \$100 million in federal funds for its Lynnwood Link Extension that will begin construction next year. The funding is the first installment of a potential \$1.17 billion Full Funding Grant Agreement for the project.
- Sound Transit executed an innovative 10-year agreement with Puget Sound Energy (PSE) to purchase wind energy that will enable Link light rail trains to run on 100 percent clean energy starting in 2019.
- Construction began on the Northgate Station, one of three light rail stations set to open in 2021 with the completion of the Northgate Link Extension.
- East Link light rail tunnel construction began in downtown Bellevue and all segments of the East Link extension are expected to be under construction by the end of 2017.
- Work was completed on the Point Defiance Bypass, a joint project between WSDOT, Amtrak, and Sound Transit to decrease travel times for Amtrak service through our region.
- A design-build contract was awarded for the Link Operations and Maintenance Facility East project.

System Expansion Implementation Plan

The agency's recently published System Expansion Implementation Plan intends to reduce the time required for project development, which includes the planning, environmental, and permitting phases. Staff from across the agency developed the plan with input from peer transit agencies, federal and state partners, and trade organizations. The following are a few key features of the plan:

- Start projects and collaboration with cities, stakeholders, and community members sooner.
- Identify preferred routes and station locations earlier.
- Streamline the number of alternatives studied.
- Acquire real estate sooner.
- Develop early permitting plans with partner agencies.
- Co-locate project teams of all disciplines to increase efficiency, reduce handoffs, and enable integration of design, construction, and operating imperatives early in the process.

Execution of the plan is underway and continues in 2018 as new projects are initiated. The full document is available at www.soundtransit.org.

Ongoing construction of East Link and Northgate Link

Sound Transit will be incredibly busy in 2018 with continuing construction on Link light rail extensions. East Link is expected to spend about one third of the annual projects' budget to complete final design and right-of-way acquisitions and continue heavy construction and tunneling work in Bellevue; design/build activities for the SR 520 to Redmond Technology Center segment; and to begin building the South Bellevue and Bel-Red segments.

Construction will continue on Northgate Link's U District, Roosevelt, and Northgate stations. In addition, tunnel track and systems installations will begin and right-of-way acquisitions finalized.

Final design for Federal Way Link and Lynnwood Link

Sound Transit expects that Lynnwood Link will complete final design and right of way acquisition around the time that Federal Way Link begins. The Lynnwood Link project team expects to establish the baseline for the project, while the Federal Way team expects to issue a request for proposals for a design-build contractor before the end of 2018.

New projects to be initiated in 2018

The West Seattle to Ballard Link extensions, the most complex of the agency's new projects, will continue with alternatives development. The project includes 5.4 miles of track from Ballard to downtown Seattle, a new 1.7 mile downtown tunnel from Denny Way to the International District, and 4.7 miles of track from the International District to West Seattle. The new light rail lines will have 14 new stations connected by rail-only bridges over Salmon Bay and the Duwamish River, which will serve an estimated 189,000 to 230,000 riders daily.

The Tacoma Dome Link Extension will enter into project development in 2018. The project adds 9.7 miles of light rail from Federal Way Transit Center to the Tacoma Dome with four stations. It also includes design and construction of the Operations and Maintenance Facility South.

Bus Rapid Transit (BRT) is a new mode for the agency. The I-405 BRT and BRT Maintenance Base will enter into project development in 2018. The I-405 project will provide BRT from Lynnwood Transit Center to the Burien Transit Center via I-405 and SR 518 and includes parking, station access improvements, two new stations, and a new transit center in South Renton.

More than 49 million boardings expected in 2018

Ridership on Sound Transit trains and buses will reach record levels in 2018. We expect ridership across all modes to exceed 49 million, with an increase of 7.7 percent for Link and an increase of 3.3 percent for Sounder over the 2017 forecast.

Link light rail ridership continues to increase

To address the high demand for light rail services, Sound Transit increased service by adding three-car trains to the mix, initially used only during peak hours and for special events trips. The 2018 Link ridership forecast is around 25.2 million boardings annually. Average weekday boardings is projected at 78,700, which is 7.8 percent higher than the 2017 forecast.

Sounder service

Sounder south line weekday trips increased to 13 in 2017, with no new service planned for 2018. The 2018 Sounder ridership forecast is around 4.7 million boardings annually. Combined north and south line average weekday boardings is projected at 18,000, which is 3.4 percent higher than the 2017 forecast.

ST Express service added to mitigate traffic congestion

ST Express service will increase by an additional 17,332 platform hours to improve on-time performance and alleviate crowding on buses during peak times. We expect ST Express ridership to increase slightly to 18.9 million boardings annually. Average weekday boardings is projected at 65,500, which is 0.5 percent higher than the 2017 forecast.

Knowledge transfer initiative

As the organization matures, it is critical that we capture and transfer the expertise, wisdom, and skills of key professionals to colleagues doing the same or similar work. Knowledge transfer, an important component of succession planning, refers to the structures and processes that move the right knowledge and skills at the right time to keep a workforce prepared, productive, and innovative. A knowledge transfer pilot approach is being prepared for an agencywide rollout beginning in 2018, and we expect this initiative to require approximately \$1.5 million in funding over three years.

Comprehensive Operational Analysis

To ensure that we are making the best use of our resources in addressing customer needs, the Operations Department is completing a Comprehensive Operational Analysis that began in 2017. This in-depth study will identify strengths and opportunities for transit service improvement. The outcome of the study will include recommendations for short and long-term operating modifications that may pertain to schedules, routes, vehicle type, and service characteristics. Improvements also may be proposed to passenger facilities, fare policy, performance standards, metrics, and staffing, along with an implementation plan. We expect this initiative to require approximately \$1.5 million in funding over two years.

2018 Budget Summary

The 2018 revenue budget of \$2.0 billion is \$387.6 million or 23.9 percent higher than the adopted 2017 budget, with a full year of ST3 revenues from sales taxes, motor vehicle excise taxes, property taxes, and an anticipated federal grant drawdown for Lynnwood Link Extension. Retail sales and use taxes are budgeted at \$1.2 billion, up \$214.8 million over the 2017 budget. Motor vehicle excise taxes are budgeted at \$312.3 million, up \$75.3 million over the 2017 budget. Property taxes are budgeted at \$150.0 million, up \$23.4 million over the 2017 budget. The 2018 passenger fare revenue budget of \$93.4 million is 6.2 percent higher than the 2017 budget.

Total operating budgets for 2018 of \$461.6 million are 14.0 percent higher than last year, reflecting the higher cost of increased transit service, as well as 123 new positions and a full year's cost of 163 positions added in 2017. The biggest impact on transit service in 2018 will be a full year of two additional Sounder trips added in fourth quarter of 2017, and an additional 17,332 platform hours for ST Express. The expanded service and the aging fleet and infrastructure necessitate increases in staff, security, purchased transportation, and maintenance expenses in the agency's operating budgets.

Project budgets for 2018 add up to \$1.7 billion. They focus on the execution of our capital program, and include the construction of the Northgate and East Link light rail extensions, the finalization of design and the initiation of preconstruction for Lynnwood Link Extension, and the completion of preliminary engineering and permitting for Federal Way Extension. Additionally, numerous maintenance projects are funded to keep our facilities and equipment in a state of good repair.

In summary, Sound Transit staff will be extremely busy in 2018. It will be a year of record ridership, continued construction, and final design work, as well as the initiation of several projects and initiatives stemming from the major transit expansion plan approved by voters in November 2016.





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For the Fiscal Year Beginning

January 1, 2017

Christopher P. Morill

Executive Director

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Budget Overview

2018 Budget Summary

The proposed 2018 annual budget includes revenues of \$2.0 billion and outlays of \$2.2 billion. The agency's unrestricted cash balance is projected to be \$1.4 billion by end of 2017 and an estimated \$1.2 billion by the end of 2018. The proposed 2018 annual budget does not currently include any forecasted bond issuance for 2018.

Revenues & Other Financing Sources

We expect to collect \$2.0 billion in revenues in 2018, an increase of \$387.6 million or 23.9 percent over the 2017 budget, reflecting a full year of ST3 revenues for sales taxes and motor vehicle excise taxes, as well as an anticipated federal grant drawdown for Lynnwood Link Extension. Retail sales and use taxes are the largest revenue source at \$1.2 billion, or 61.7 percent of the total. Passenger fare revenues are projected to be 6.2 percent higher than the 2017 budget driven by higher Link ridership.

Operating Budgets

The total operating budget of \$461.6 million is up 14.0 percent compared to the 2017 budget, primarily due to staffing growth and transit service costs. Staffing growth in 2018 is driven by an increase in capital project activities. Transit service increases are driven by a full year of service additions for ST Express and Sounder initiated in 2017. Increases in third party costs for operations, maintenance, and security are related to fleet and facility aging and increased ridership, particularly on Link light rail. Of the total operating budget, \$317.5 million or 68.8 percent will be charged to transit modes and the remaining \$144.1 million or 31.2 percent to projects.

Other budgets include debt service of \$146.2 million, donations to other governments of \$5.0 million, and tax revenue collection of \$6.1 million.

Project Budgets

Total project spending is budgeted at \$1.7 billion for 2018. Approximately \$1.5 billion or 89.2 percent is budgeted to continue with planning, design, and build-out of the capital program. An additional \$109.5 million is budgeted to enhance or maintain current operational assets and capabilities. Administrative projects, which includes information technology hardware and applications overhead allocated to construction in progress, and general and administrative expense are budgeted at \$78.2 million.

2018 BUDGET SUMMARY
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget
Revenues and Other Financing Sources				
Retail Sales And Use Tax	\$749,735	\$1,024,473	\$1,095,097	\$1,239,238
Motor Vehicle Excise Tax	85,515	236,936	259,870	312,253
Rental Car Tax	3,506	3,497	3,611	3,720
Property Tax	0	126,585	139,256	150,013
Federal Grants	165,729	108,425	109,819	173,439
Local & State Contributions	60,052	11,797	214,006	4,910
Passenger Fare Revenue	80,562	87,961	92,564	93,449
Investment Income	12,630	9,646	20,759	19,469
Miscellaneous Revenues	14,595	12,013	12,067	12,399
Bond Proceeds	477,549	-	-	-
Total Revenues and Other Financing Sources	\$1,649,873	\$1,621,334	\$1,947,048	\$2,008,890
Expenses & Outlays				
Operating Budgets				
Departments				
Communications & External Affairs	6,553	7,571	7,438	9,502
Design, Engineering & Construction Management	38,031	47,022	42,112	53,725
Executive	17,411	25,352	21,356	32,111
Finance & Information Technology	38,032	43,973	43,780	53,260
Legal	3,135	3,889	3,255	4,662
Operations	230,026	267,822	260,030	296,106
Planning, Environment & Project Development	7,049	9,378	8,371	12,202
	340,236	405,006	386,342	461,568
Charges to Projects ¹	(89,502)	(105,377)	(103,802)	(144,055)
Subtotal Transit Mode Budgets	250,734	299,630	282,540	317,513
Project Budgets				
Project Types				
System Expansion	700,722	1,167,596	1,280,774	1,543,131
Enhancement	6,135	30,617	12,212	58,440
State of Good Repair	11,875	24,150	24,727	51,035
Administrative	52,961	81,521	78,466	78,193
Subtotal Project Budgets	771,692	1,303,885	1,396,178	1,730,800
Debt Service	120,442	143,975	143,975	146,227
Donations to Other Governments	5,000	5,000	5,000	5,000
Tax Revenue Collection	3,216	5,915	5,311	6,147
Total Expenses & Outlays	\$1,151,084	\$1,758,404	\$1,833,004	\$2,205,687
Projected Unrestricted Cash Balance as of 1/1/2018				\$1,393,307
Sources				
Total Revenues and Other Financing Sources				2,008,890
Uses				
Expenses and Outlays				(2,205,687)
Unrestricted Reserves				(14,278)
Projected Unrestricted Cash Balance as of 12/31/2018				\$1,182,230

¹ Direct charges of salaries and benefits for employees that work on projects and allocations of administrative overhead to assets and administrative projects is included in the project budgets.

2018 AGENCY SCORECARD

Vision | Easy connections...to more places...for more people.

Mission | Sound Transit plans, builds and operates regional transit systems and services to improve mobility for Central Puget Sound.

Values | As employees of Sound Transit, we will exemplify these values in our work as we achieve our vision of a regional transit system. Accountability, Excellence, Inclusiveness, Innovation, Integrity, Public Trust, Respect and Transparency.

Sound Transit's Performance Management System ensures that the agency operates efficiently and effectively in achieving its mission. The system aligns organizational strategy with everyday business and seeks continual improvement in performance. With guidance from the Board, Sound Transit's executive leadership establishes agency objectives, priorities, and performance measures each year to form an Agency Scorecard. This scorecard is developed by using the agency's Vision, Mission, and Values and evaluating risks, challenges, and opportunities to identify the agency's strategic focus for the coming year.

Departments use the Agency Scorecard to create their annual Department Scorecards. They establish strategies to achieve the agency's priorities and identify department-specific performance measures. Departments use their Department Scorecards to cascade areas of focus to individual staff member goals and measures, as part of the agency's staff performance management process.

The Agency Scorecard's major activities for the year become the agency's annual Milestones for the public to chart Sound Transit's achievements and hold the agency accountable throughout the year.

The Agency and Department Scorecards serve as the foundation for a strategic and efficient annual budget and a tool to align priorities with areas of resource use and strengthen collaboration within and across departments.

For 2018 and beyond, Sound Transit is focused on delivering the voter-approved system expansion program, providing a safe, high-quality customer experience, and offering a mission-focused employee experience. The agency has embraced the change ahead and continues to prioritize process improvements to effectively execute the System Expansion Implementation Plan and ensure that the customer's experience is central to the agency's decision-making governing daily operations. Sound Transit continues to advance its programs that ensure project and service delivery achieve excellence through fiscal integrity, accountability, and transparency. In all that the agency does, fostering a culture of safety for customers and employees remains a key focus.

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Revenues & Other Financing Sources

Funding for Sound Transit's operations and capital programs comes from local retail sales and use tax, motor vehicle excise tax (MVET), rental car tax, property tax, federal and state grants, passenger fare revenue, investment income on cash balances, bond issues, and miscellaneous revenues. Our sales and use tax and MVET revenue forecasts are based on data and assumptions provided by an independent forecaster.

We expect to collect \$2.0 billion in revenues in 2018, which is 23.9 percent or \$387.6 million higher than the 2017 budget, reflecting a full year of ST3 revenues for sales taxes and motor vehicle excise taxes, as well as an anticipated federal grant drawdown for Lynnwood Link Extension.

Retail Sales and Use Tax

- Sound Transit receives 1.4 percent of transactions subject to sales and use taxes generated within the Sound Transit district. In November 2016, voters approved a 0.5 percent increase in the sales tax rate to fund ST3, a major system expansion plan. This increase took effect in April 2017.
- Projected 2018 revenues of \$1.2 billion are 21.0 percent or \$214.8 million higher than the 2017 budget, reflecting a full year of sales taxes at the 1.4 percent rate.

Motor Vehicle Excise Tax (MVET)

- Sound Transit receives 1.1 percent of vehicle license renewals within the Sound Transit district. In November 2016, voters approved a 0.8 percent increase in the motor vehicle excise tax rate to fund ST3. This increase took effect in March 2017.
- Projected 2018 revenues of \$312.3 million are 31.8 percent or \$75.3 million higher than 2017 budget, reflecting a full year of MVET at the 1.1 percent rate.

Rental Car Tax

- Sound Transit receives 0.8 percent of rental car payments within the Sound Transit district.
- Projected 2018 revenues of \$3.7 million are 6.4 percent or \$222 thousand higher than 2017 budget.

Property Tax

- Sound Transit began levying property taxes in 2017 at a rate of 25 cents per \$1,000 of assessed valuation within the Sound Transit district, following voter approval of ST3 in November 2016.
- Projected 2018 revenues of \$150.0 million are 18.5 percent or \$23.4 million higher than 2017 budget, reflecting projected increases in assessed valuation.

Federal Grants

- Projected 2018 federal grant revenues of \$173.4 million include grant drawdowns for the following projects:
 - Lynnwood Link Extension Federal Transit Administration (FTA) grant for preliminary engineering and design work – \$100.0 million.
 - Northgate Link Extension FTA grant for construction – \$19.7 million.
 - Tacoma Link Expansion FTA grant for construction and vehicles – \$15.9 million.
 - Light rail preventative maintenance FTA operating grants – \$12.0 million.
 - Bus preventative maintenance FTA operating grants – \$6.0 million.
 - Link Operating & Maintenance Facility East FTA grant for design & construction work – \$5.7 million.
 - Federal Way Link Extension FTA grant for construction – \$4.5 million

- Federal grant revenues of \$173.4 million are 60.0 percent or \$65.0 million higher than 2017 budget mainly due to the anticipated grant drawdown for Lynnwood Link Extension of \$100.0 million in 2018.

Local & State Contributions

- This category includes state grants for projects and operating grants, as well as any contributions from local jurisdictions.
- Projected 2018 revenues of \$4.9 million include reimbursements for the Overlake Village Pedestrian Bridge and Infiltration Vault.

Passenger Fare Revenue

- Projected 2018 passenger fare revenues of \$93.4 million are 6.2 percent or \$5.5 million higher than the 2017 budget, reflecting higher ridership for Link, Sounder, and ST Express. Fares are not charged on Tacoma Link.
- Total 2018 ridership forecast of 49.7 million is 4.4 percent or 2.1 million higher than the 2017 forecast, with light rail boardings increasing by 7.9 percent, or 1.8 million, Sounder boardings increasing by 3.3 percent or 150 thousand, and ST Express bus boardings increasing by 0.5 percent or 90 thousand.
- Average fare per boarding assumptions for the 2018 budget are: Link, \$1.61; Sounder, \$3.25; ST Express, \$2.00.

Investment Income

- Sound Transit receives investment income on surplus cash and restricted funds invested in accordance with Washington State law and overseen according to the Board-approved investment policy (Asset Liability Management Policies).
- Projected 2018 investment income of \$19.5 million is 101.8 percent or \$9.8 million higher than the 2017 budget due to higher interest revenue generated from higher cash balances following the sale of green bonds in December 2016, as well as higher tax revenues.

Miscellaneous Revenue

- Miscellaneous revenues include advertising revenues, rental income from Sound Transit properties, ORCA regional program billing reimbursements, operating & maintenance reimbursements for Sounder and ST Express, and federal government bond subsidy payments.
- Projected 2018 revenues of \$12.4 million are 3.2 percent or \$386 thousand higher than the 2017 budget mainly due to higher ORCA regional program billing reimbursements.

Bond Proceeds

Bonds are issued to finance capital projects. No new bond proceeds are currently assumed in the proposed 2018 budget.

Operating Budgets

Sound Transit's 2018 operating budgets for departments are \$461.6 million, of which \$317.5 million is charged to transit modes and \$144.1 million to projects and capital assets.

Departments

This section includes a discussion of 2018 budget highlights and a budget summary for each department. Also, an overview of staffing changes by department is provided. Later in this section, budget reports, 2018 budget highlights, and performance statistics are included for each transit mode.

Major drivers of the \$56.6 million or 14.0 percent increase in department budgets over the 2017 budget are large increases in staffing for 2017 and 2018, increases in third party rates for purchased transportation services, maintenance and security, as well as professional and technical services.

Salaries and benefits account for 44.9 percent of the increase in operating budgets due to inflation of existing salaries, a full year of costs for 163 positions added in 2017, along with 123 new positions proposed for 2018. Purchased transportation services accounts for 24.9 percent of the increase in the operating budgets. Professional and technical services, security & safety, and contract maintenance each account for approximately 6 percent of the increase in the operating budgets for a total increase of 19.4 percent.

Agency Staffing

Staffing growth in 2018 is driven primarily by increasing capital project activities. Sound Transit tracks and forecasts long-term staffing needs, balancing the addition of permanent positions with the use of consultants, to ensure capital and operating programs are adequately supported and affordable. Changes in departmental staffing levels over the past few years are summarized below.

AGENCY STAFFING SUMMARY

Department	2015	2016	2017	2018	
				New	Proposed
Communications & External Affairs	39	38	41	4	45
Design, Engineering & Construction Management	246	255	294	37	331
Executive	113	123	161	25	186
Finance & Information Technology	144	154	171	22	193
Legal	16	16	21	1	22
Operations	116	123	161	22	183
Planning, Environment & Project Development	49	49	72	12	84
Total Positions	723	758	921	123	1,044

DEPARTMENT BUDGETS SUMMARY
(in thousands)

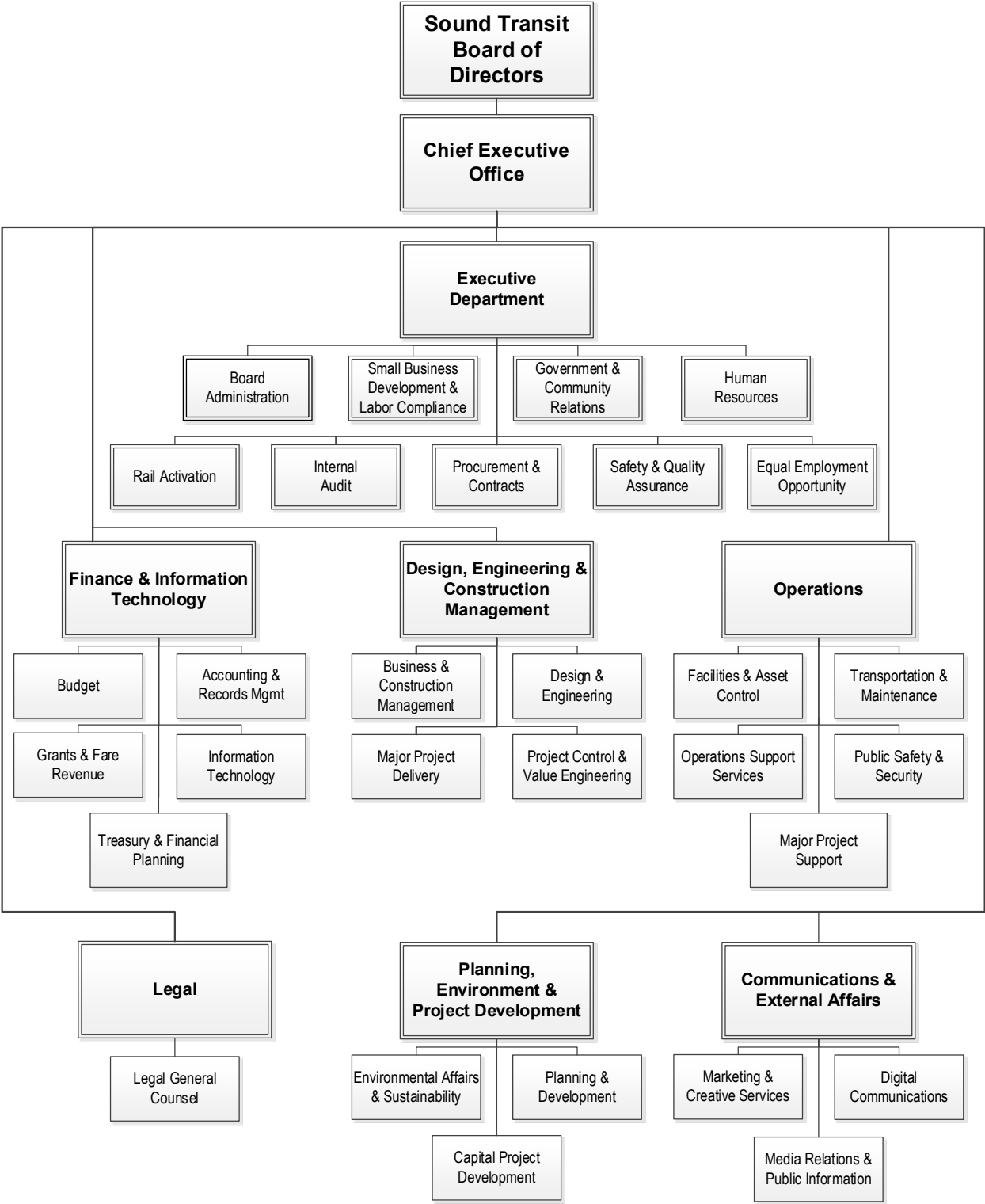
	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$54,327	\$65,851	\$61,066	\$80,278	\$14,427	21.9%
Benefits	35,411	43,326	39,750	54,301	10,976	25.3
Subtotal	89,738	109,176	100,816	134,579	25,403	23.3
Services						
Marketing Agency	238	423	352	363	(60)	(14.2)
Professional & Technical	6,817	12,319	10,823	16,176	3,857	31.3
Temporary Services	1,742	274	1,058	286	12	4.4
Contract Maintenance	30,287	39,109	33,892	42,483	3,374	8.6
Security & Safety	19,141	21,412	21,764	25,163	3,752	17.5
Other Services	5,118	8,785	7,232	9,611	826	9.4
Subtotal	63,343	82,320	75,120	94,081	11,761	14.3
Materials & Supplies	9,133	13,143	11,406	14,233	1,091	8.3
Utilities	5,996	6,688	6,756	7,133	445	6.7
Insurance	7,052	7,519	7,389	8,633	1,114	14.8
Taxes	2,652	3,052	2,862	3,103	51	1.7
Purchased Transportation Services						
Paratransit	1,698	1,632	1,902	1,968	336	20.6
Purchased Transportation	144,838	161,394	159,238	175,133	13,739	8.5
Subtotal	146,536	163,026	161,140	177,101	14,076	8.6
Miscellaneous	3,611	5,141	5,104	5,920	779	15.2
Leases & Rentals						
Transit Way	7,373	7,982	8,053	8,501	519	6.5
General Administrative Facilities	4,802	6,960	7,697	8,284	1,324	19.0
Subtotal	12,175	14,942	15,750	16,784	1,842	12.3
Department Budgets Summary Total	\$340,236	\$405,006	\$386,342	\$461,568	\$56,561	14.0%

CHANGES TO DEPARTMENT BUDGETS
(in thousands)

Department	2017 Budget	2018 Budget	Budget \$ Change	Budget % Change
Communications & External Affairs	\$7,571	\$9,502	\$1,931	25.5%
Design, Engineering & Construction Management	47,022	53,725	6,708	14.3
Executive	25,352	32,111	6,759	26.7
Finance & Information Technology	43,973	53,260	9,288	21.1
Legal	3,889	4,662	774	19.9
Operations	267,822	296,106	28,279	10.6
Planning, Environment & Project Development	9,378	12,202	2,823	30.1
Total Department Budgets	\$405,006	\$461,568	\$56,561	14.0%

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SOUND TRANSIT ORGANIZATION CHART



Communications & External Affairs

Communications & External Affairs (CEA) provides high-quality communications that build public trust and connect Sound Transit to customers, prospective riders, stakeholders, and the community. CEA contributes to the success of the agency by enabling transparency for the public and reporting on agency achievements, project updates, and financial goals. CEA helps grow ridership by informing the public about the benefits of mass transit and continuously improving the customer experience through the delivery of relevant, timely rider information via cost-effective communication channels.

2018 Budget Highlights

CEA's 2018 budget request is \$1.9 million or 25.5 percent higher than the 2017 budget reflecting significant efforts in media relations, marketing, and creative services in support of the expanded capital program, and the addition of four new positions.

CEA will invest in user-centered research to understand and meet customer expectations for digital channels including the web, email, and dynamic signage. They will expand resources, including a new position in the Digital Communications division, to improve online communications for system expansion and service planning programs.

As Sound Transit's delivery of capital projects dramatically expands, the Media Relations and Public Information division will lead expanded efforts to maintain strong public awareness of progress and benefits. The division will work in close partnership with other agency departments and add a new Public Information Officer, to be located with the project team, to focus on the key projects in each corridor. The division will also work with internal partners to advance an expanded and more formalized employee communications function.

The Customer Outreach team within Marketing & Creative Services will be working with the Operations Department to develop an outreach program for service restructuring planned for the I-90 and SR-520 corridors. The Marketing & Creative Services division will add two new positions and continue to develop promotional campaigns to support customer care and retention objectives. They also will continue a Washington State Department of Transportation (WSDOT) grant-funded campaign to build awareness for ORCA and develop a new regional campaign educating the public on how to connect to rail services using local bus routes.

COMMUNICATIONS & EXTERNAL AFFAIRS
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$2,408	\$2,579	\$2,569	\$3,090	\$510	19.8%
Benefits	1,570	1,718	1,718	2,097	378	22.0
Subtotal	3,978	4,298	4,287	5,187	889	20.7
Services						
Marketing Agency	238	423	352	363	(60)	(14.2)
Professional & Technical	234	319	286	819	500	156.7
Contract Maintenance	3	1	3	3	3	312.5
Other Services	344	596	547	966	370	62.0
Subtotal	820	1,339	1,188	2,151	812	60.7
Materials & Supplies	65	64	49	389	325	503.9
Utilities	0	0	1	2	2	100.0
Miscellaneous	1,689	1,865	1,908	1,770	(95)	(5.1)
Leases & Rentals						
General Administrative	2	5	4	3	(2)	(43.3)
Subtotal	2	5	4	3	(2)	(43.3)
Department Total	\$6,553	\$7,571	\$7,438	\$9,502	\$1,931	25.5%

Design, Engineering & Construction Management

Design, Engineering & Construction Management (DECM) is responsible for final design, engineering, and construction management for all major capital projects, as well as community outreach, right of way acquisition, and support for capital improvements to the existing transit system. Additionally, DECM manages agency-owned surplus and holding properties, and administers the agency's public art program.

DECM technical staff are matrixed to Planning, Environment and Project Development Department led project teams ensuring a smooth transition from planning to design, enhancing buildability, reducing project risks, and delivering safe and efficient transit facilities on time and within budget.

2018 Budget Highlights

DECM's 2018 budget request is \$6.7 million or 14.3% higher than the 2017 budget. DECM also will add 37 positions to support system expansion. Department priorities include:

- Continuing construction progress on the Northgate and East Link extensions.
- Wrapping up design efforts and initiating construction on the Operations and Maintenance Facility East, as well as the Tacoma and Lynnwood Link extensions.
- Beginning the procurement process for design-build contractors for the Federal Way Link Extension, Sounder Maintenance Base, and the Puyallup and Sumner station access improvement projects.
- The Tacoma Trestle project is expected to complete construction in 2018.

DECM will develop standard design specifications to streamline procedures and ensure consistency of development for all system expansion design packages. Staff also will begin noise and vibration monitoring and implement mitigation if necessary in accordance with our agreements with the University of Washington to operate light rail under the campus.

The agency's portfolio of properties will continue to expand as properties are acquired for the Lynnwood Link and Federal Way Link extensions. Budget has been established to account for costs associated with owning additional properties, including landscaping, security, janitorial services, utilities, and structural services. Budget has also been included for administration of additional property leases following property acquisitions prior to the initiation of construction. Costs for internal staff and consultant resources needed for lease administration have been included.

DESIGN, ENGINEERING & CONSTRUCTION MANAGEMENT
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$19,536	\$22,409	\$20,278	\$25,729	\$3,320	14.8%
Benefits	12,719	14,598	12,890	17,498	2,899	19.9
Subtotal	32,255	37,007	33,168	43,227	6,220	16.8
Services						
Professional & Technical	380	752	602	1,208	456	60.7
Temporary Services	6	20	20	20	0	0.0
Contract Maintenance	467	1,649	485	573	(1,074)	(64.9)
Security & Safety	153	385	328	376	(9)	(2.3)
Other Services	5	7	6	11	4	66.7
Subtotal	1,011	2,812	1,443	2,187	(622)	(22.1)
Materials & Supplies	45	41	27	72	34	81.3
Utilities	330	458	404	431	(27)	(6.0)
Insurance	32	35	29	100	65	185.7
Taxes	128	457	188	235	(222)	(48.7)
Miscellaneous	312	402	264	402	0	0.1
Leases & Rentals						
General Administrative	3,918	5,810	6,589	7,071	1,261	21.7
Subtotal	3,918	5,810	6,589	7,071	1,261	21.7
Department Total	\$38,031	\$47,022	\$42,112	\$53,725	\$6,708	14.3%

Executive

This department includes the Chief Executive Office and divisions that report directly to the CEO or Deputy CEO. The department's staff support the agency's mission by ensuring open public access to the Sound Transit Board's proceedings; engaging local, state, and federal officials regarding public transit needs; managing purchasing and contracting for agency projects; and conducting independent audits to confirm the adequacy of internal controls and identify improvement opportunities. They also administer the agency's human resources, construction safety and quality assurance, and provide assistance to small businesses, and labor compliance programs.

2018 Budget Highlights

The Executive Department's budget is \$6.8 million or 26.7 percent higher than the 2017 budget with significant increases coming from salaries & benefits and professional & technical services. There are 25 new positions that have been proposed for 2018.

The Equal Employment Opportunity division was added to the Executive Department in mid-2017 with three positions. The Rail Activation division will be reactivated in 2018 with two positions in preparation for startup activities for Northgate Link as well as future project completions.

The Chief Executive Office budgeted approximately \$760 thousand for professional & technical services to support ongoing programs, broaden employee engagement in continuous process improvement, as well as new services requests for organizational development and a strategic advisor.

The Safety and Quality Assurance division will add 12 positions in 2018 in support of the increasing levels of design and construction activity, as well as hiring and training staff to provide inspections of light rail, bus, and commuter rail services. \$745 thousand is budgeted for Professional & technical services in 2018 for safety planning and auditing.

Procurement & Contracts will add five positions to cover the increased activity in the agency. Government and Community Relations will add one position to provide strategic guidance and focus on issues in the central corridor. Small Business Development and Labor Compliance will add two positions due to higher levels of construction activity.

Human Resources is budgeting \$3.4 million in professional & technical services in 2018. Major components include: \$1.5 million to assist with the recruitment of engineering, technology, and finance professionals as well as executives in an increasingly competitive local job market; approximately \$850 thousand for various agencywide training programs; and \$500 thousand for the knowledge transfer program which will kick off in late 2017. Also, three new positions have been proposed for 2018.

Internal Audit is budgeting \$153 thousand in professional & technical services primarily for the 2018 performance audit.

EXECUTIVE
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$8,086	\$10,761	\$9,574	\$13,486	\$2,724	25.3%
Benefits	5,274	7,111	6,154	9,163	2,052	28.9
Subtotal	13,360	17,872	15,729	22,649	4,776	26.7
Services						
Professional & Technical	2,499	3,731	2,747	4,875	1,144	30.7
Temporary Services	68	49	92	56	7	14.4
Contract Maintenance	0	28	27	2	(26)	(91.8)
Security & Safety	5	0	0	0		
Other Services	485	1,563	691	1,587	24	1.5
Subtotal	3,057	5,370	3,557	6,519	1,149	21.4
Materials & Supplies	174	183	131	220	37	20.2
Utilities	1	1	1	1	0	0.0
Insurance	0	2	0	0	(2)	(100.0)
Miscellaneous	755	1,828	1,843	2,620	792	43.3
Leases & Rentals						
General Administrative Facilities	62	96	97	102	6	6.8
Subtotal	62	96	97	102	6	6.8
Department Total	\$17,411	\$25,352	\$21,356	\$32,111	\$6,759	26.7%

Finance & Information Technology

Finance & Information Technology (FIT) divisions are responsible for accounting, budgeting, financial planning, grant applications and administration, records management, revenue collection, risk management, and treasury functions. The Information Technology division supports implementation of new technology and maintains our network and various software applications used throughout the agency. Sound Transit acts as the fiscal agent for the ORCA system. The majority of ST's ORCA related costs will be reimbursed by the ORCA regional partners, and this reimbursement is captured in the agency's miscellaneous revenues. ORCA inter-local costs are budgeted in the Fares and Grants division.

2018 Budget Highlights

FIT's 2018 budget request is \$9.3 million or 21.1 percent higher than the 2017 budget reflecting higher services provided in line with the overall growth of the agency. The increase from the 2017 budget is primarily due to the addition of 22 new positions, higher insurance costs in line with ST's value of assets, higher regional fare collection costs driven by ridership increases, and higher costs for new and existing software.

Accounting adds two new positions: an Accountant position to support the increased workload associated with Transportation Infrastructure Finance and Innovation Act (TIFIA) loans and Federal Transit Administration (FTA) grants, and an Accounts Receivables Clerk to effectively process the increase in number of billings generated by agency growth. Records Management adds two new positions: a Project Manager to support the growing number of records that will be generated by ST3 projects, and a General Services Center Supervisor to support the growing number of offices, ST staff, and consultants.

An additional \$891 thousand is budgeted for insurance premiums driven higher due to increases in the number of vehicles and light rail ridership, as well as increasing earthquake and cyber security coverage. A Risk and Claims Coordinator position is added to manage and process an increasing number of insurance claims.

To assist the agency in completing its capital program, \$400 thousand has been added to analyze the use of public-private partnerships that could be used to complete capital projects. The addition of new technological systems, computer workstations, and software require an investment of \$1.2 million in order to support the agency in achieving its goals. To support the development of the regional Next Generation ORCA system, two new cost share positions are added to Information Technology: ORCA Transition Integration Project Manager and ORCA Next Generation Experience Designer.

Information Technology is strengthening the agency's data security by purchasing additional cyber security software and by investing in two new positions: an InfoSec Risk Specialist and an IT Disaster Recovery Specialist. IT Transit Systems is adding two new positions to adequately staff a growing transit system. An IT Transit Systems Field Tech will allow for scheduling staff for weekends and evenings, and a Transit Systems Coordinator will provide asset management and procurement support.

In addition, 11 positions will be added to meet the agency's growing needs in IT infrastructure, agency applications, modal signage, and to develop and implement a number of business intelligence (BI) solutions to improve data analysis and decision making.

FINANCE & INFORMATION TECHNOLOGY
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$10,747	\$12,658	\$12,342	\$15,869	\$3,211	25.4%
Benefits	6,966	8,484	7,965	10,779	2,296	27.1
Subtotal	17,713	21,142	20,307	26,648	5,506	26.0
Services						
Professional & Technical	2,344	3,523	3,323	4,269	746	21.2
Temporary Services	1,509	120	715	115	(5)	(4.2)
Contract Maintenance	2,914	3,548	4,092	5,210	1,662	46.8
Other Services	3,101	4,258	3,931	4,628	371	8.7
Subtotal	9,868	11,448	12,061	14,222	2,774	24.2
Materials & Supplies	1,870	2,009	1,806	1,876	(134)	(6.7)
Utilities	780	953	1,091	1,068	115	12.1
Insurance	7,024	7,482	7,359	8,533	1,051	14.0
Miscellaneous	461	509	709	448	(61)	(12.0)
Leases & Rentals						
General Administrative Facilities	316	429	447	466	36	8.5
Subtotal	316	429	447	466	36	8.5
Department Total	\$38,032	\$43,973	\$43,780	\$53,260	\$9,288	21.1%

Legal

The Legal Department monitors changes in law and regulations on behalf of the agency and provides analysis and advice on real estate acquisitions, labor and employment laws, municipal zoning and land use, environmental law, construction claims, permitting, litigation, railroad easements, contracts, interagency issues, and proposed regulatory and legislative changes. Attorneys in the department oversee the work of external specialized attorneys particularly in litigation, such as condemnation cases and construction claims. Costs for this work are included in project budgets.

2018 Budget Highlights

Legal's 2018 budget request is \$0.8 million or 19.9 percent higher than the 2017 budget. One new position will be added in 2018 to provide municipal law work as the agency's capital program will be working in many jurisdictions in support of system expansion projects. Professional services are budgeted to be \$219 thousand or 59.1 percent higher than in 2017 to engage outside legal counsel to supplement internal staff.

LEGAL
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$1,689	\$2,038	\$1,753	\$2,329	\$291	14.3%
Benefits	1,101	1,341	1,032	1,590	250	18.6
Subtotal	2,791	3,379	2,784	3,920	541	16.0
Services						
Professional & Technical	229	372	332	591	219	59.1
Temporary Services	58	75	75	75	0	0.0
Other Services	4	1	0	1	0	0.0
Subtotal	291	447	408	667	219	49.1
Materials & Supplies	2	3	3	3	0	0
Miscellaneous	51	59	60	73	13	22.0
Leases & Rentals						
General Administrative Facilities	0	1	0	1	0	0.0
Subtotal	0	1	0	1	0	0.0
Department Total	\$3,135	\$3,889	\$3,255	\$4,662	\$774	19.9%

Operations

The Operations Department is responsible for all Link light rail, Sounder commuter rail, ST Express bus, and Tacoma Link light rail operations. They operate Tacoma Link directly and oversee agreements with our public transit partners to provide operations and maintenance for Link light rail, ST Express bus, and paratransit services. Sounder commuter rail service and rail access is fulfilled through a contract with the BNSF Railway; maintenance is provided through a contract with Amtrak. Department personnel are also responsible for transit asset management, facilities maintenance, service planning, customer service, and Americans with Disabilities Act accessibility. The department manages security for all transit and administrative facilities through a contract with Securitas Services, and the Sound Transit Police through an agreement with the King County Sheriff's Office. Staff provide support for transit expansion projects in development through participation on co-managed corridor teams, design review of projects in development, and support for startup and testing of line extensions and new stations. Finally, the Operations Department provides space planning and maintenance support for the agency's administrative buildings, and it manages the non-revenue vehicle fleet to support both staff and operational needs.

2018 Budget Highlights

The 2018 budget increased by \$28.3 million or 10.6 percent. The budget increase is driven by increases in purchased transportation services, security services, Downtown Seattle Transit Tunnel (DSTT) costs, professional & technical services, and materials & supplies. In addition, the Operations Department budget includes 22 new positions for 2018 to support higher levels of transit services and an expanded number of facilities to manage and maintain.

- The Operations Technology division was added to the Operations Department in mid-2017 with five positions. This division supports operations system maintenance.
- The Operations Transit Expansion division will be added to the department in 2018 with seven positions. Staff in this division will participate in corridor project development teams.
- The Operations Design Review division will be added to the department in 2018 with five positions. This division will represent Operations in all design review of transit expansion.

Purchased transportation services, excluding paratransit, are anticipated to increase by \$13.7 million to support rate increases and service expansion in 2018:

- ST Express will add 17,332 service hours: 8,760 hours are forecasted overrun in 2017 that will roll into 2018 baseline and 8,572 hours are the annualized hours approved in the 2017 budget. The average rate charged by ST's operating partners (King County Metro, Pierce Transit, and Community Transit) is projected to increase by 4.4 percent.
- Sounder will add the annualized expenses for two round trips between Seattle and Lakewood that began revenue service in September 2017. The contract rate increase is forecasted at 3.5 percent.
- Link will add 41 King County Metro FTEs including operators and mechanics for various maintenance functions. Additional operators are needed to cover overtime, special events, and extended operating hours to meet increased service demands. Maintenance workers are needed to perform vehicle services and upkeep of facilities. In addition, a budgeted 5.0 percent rate increase is to account for expected labor negotiations.

Security services expenses are anticipated to increase by \$3.8 million primarily driven by:

- Training 12 new King County Sheriff officers in 2018 for deployment in the DSTT in 2019.

- Adding eight officers to the Securitas contract: Two Lakewood officers to support the additional Sounder train trips that leave later and arrive earlier in the afternoon, two to provide 24 hour coverage at the Link Operations and Maintenance Facility (OMF), and four at Union Station.

DSTT costs are anticipated to increase by approximately \$1.6 million due to the proportion of ST's shared obligations increasing from 70.0 percent in 2017 to 75.0 percent in 2018. These expected costs are included in leases and rentals/transit way and services/contract maintenance budgets.

Professional & technical services are anticipated to increase by \$923 thousand to include the second year of the Comprehensive Operational Analysis contract, on-going engineering consultant support, technical consulting services, and the continuation of the parking permit program. In addition, the 2018 budget request includes a new condition assessment contract for the DSTT and consulting services related to agency office space planning.

Materials & supplies are expected to increase by \$829 thousand primarily driven by increases in Sounder fuel costs and spare parts usage for Sounder and Link.

OPERATIONS

(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$7,901	\$10,076	\$9,688	\$12,825	\$2,749	27.3%
Benefits	5,194	6,596	7,022	8,440	1,844	28.0
Subtotal	13,095	16,672	16,710	21,265	4,593	27.5
Services						
Professional & Technical	731	3,167	3,107	4,090	923	29.2
Temporary Services	100	10	156	20	10	100.0
Contract Maintenance	26,900	33,883	29,279	36,655	2,772	8.2
Security & Safety	18,983	21,027	21,435	24,787	3,761	17.9
Other Services	1,177	2,345	2,040	2,404	59	2.5
Subtotal	47,891	60,432	56,017	67,957	7,525	12.4
Materials & Supplies	6,973	10,832	9,382	11,663	831	7.7
Utilities	4,886	5,276	5,258	5,632	355	6.7
Insurance	(4)	0	0	0	0	0.0
Taxes	2,524	2,595	2,674	2,868	274	10.5
Purchased Transportation Services						
Paratransit	1,698	1,632	1,902	1,968	336	20.6
Purchased Transportation	144,838	161,394	159,238	175,133	13,739	8.5
Subtotal	146,536	163,026	161,140	177,101	14,076	8.6
Miscellaneous	249	389	237	480	91	23.5
Leases & Rentals						
Transit Way	7,373	7,982	8,053	8,501	519	6.5
General Administrative Facilities	504	619	559	639	21	3.4
Subtotal	7,877	8,601	8,612	9,140	539	6.3
Department Total	\$230,026	\$267,822	\$260,030	\$296,106	\$28,284	10.6%

Planning, Environment & Project Development

Planning, Environment & Project Development (PEPD) leads the project development process for transit capital investments, including alternatives analysis, conceptual & preliminary engineering, and environmental review. This includes engagement with partner agencies and the general public. With these activities, PEPD supports decision-making by the Board of Directors on projects to be built. PEPD also integrates transit oriented development, system access, and transit connections into project development. Once project development is complete and project scopes are defined, PEPD conveys project management leadership to the Design, Engineering & Construction Management (DECM) Department to oversee design and construction, while remaining involved to support the project all the way through activation. In addition to project development, PEPD is responsible for the agency's environmental compliance and sustainability programs; system-level planning, forecasting, research and innovation; land use planning; and transit-oriented development (TOD) efforts to encourage residential and commercial development near transit stations.

2018 Budget Highlights

PEPD's 2018 budget request is \$2.8 million or 30.1 percent higher than the 2017 budget. The department will add 12 new positions in 2018 to maintain the appropriate level of qualified staff to support the increasing volume of projects and planning activities.

The Office of Capital Project Development will add five positions and is advancing alternatives development on the first set of new projects approved by voters in the ST3 Plan, including the West Seattle, Ballard, and Tacoma Dome Link extensions, and the I-405 and SR 522/145th Bus Rapid Transit (BRT) projects. Preliminary engineering will be completed for the Downtown Redmond Link Extension and the project will transition to DECM for final design and construction. By the end of 2018, the Kent and Auburn Station Access Improvements projects are anticipated to complete conceptual engineering and environmental review for preferred alternatives. Project Development staff is committed to deliver a strategic investment plan for the South Sounder capital program and to execute agreements with WSDOT, City of Seattle, and other third parties for the ST3 Early Deliverables programs.

The Office of Planning and Innovation (OPI) will prepare a multi-modal access strategic plan, allocate initial Transit System Access Program funds, and perform pre-project development activities in corridors where active project development is not yet underway. OPI will also expand the HOV parking permit program to include single-occupancy vehicles. OPI staff will be embedded in each corridor planning team to assist with early planning.

The Office of Land Use Planning and Development Planning (OLUPD) will add three positions and will initiate legal and appraisal services to speed up the pipeline of transactional work. Also, an updated TOD policy will be presented to the Board for approval by the second quarter of 2018. OLUPD staff will be embedded in each corridor planning team to assist with early planning.

The Office of Environmental Affairs and Sustainability will add four positions and will administer a fully funded Sustainability Program to integrate green building and infrastructure in capital expansion projects across all project phases. The PEPD budget includes \$324 thousand for professional and technical consulting. Costs for environmental compliance address issues including: storm water technical assistance, mitigation and migratory bird treaty act monitoring, facilities compliance, and documenting and updating environmental review procedures and templates. Additional consulting services are intended to further study sustainable infrastructure design and construction techniques, waste reduction, and facility energy conservation.

PLANNING ENVIRONMENT & PROJECT DEVELOPMENT
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$3,960	\$5,329	\$4,862	\$6,950	\$1,621	30.4%
Benefits	2,586	3,477	2,969	4,734	1,257	36.2
Subtotal	6,546	8,806	7,831	11,684	2,878	32.7
Services						
Professional & Technical	400	456	425	324	(132)	(28.9)
Contract Maintenance	3	0	6	40	40	100.0
Other Services	1	17	16	14	(2)	(0.1)
Subtotal	405	473	447	378	(94)	(19.9)
Materials & Supplies	4	10	8	10	(0)	(0.1)
Utilities	0	0	0	0	(0)	(100.0)
Miscellaneous	94	89	84	127	38	43.1
Leases & Rentals						
General Administrative Facilities	0	1	1	2	1	150.0
Subtotal	0	1	1	2	1	150.0
Department Total	\$7,049	\$9,378	\$8,371	\$12,202	\$2,823	30.1%

Transit Modes

Transit mode budgets for 2018 total \$317.5 million, \$17.9 million or 6.0 percent higher than the 2017 budget of \$299.6 million. In 2018, Sound Transit expects to surpass 49 million boardings by providing approximately 965 thousand revenue vehicle hours across our four modes of service.

Transit mode costs include operations and vehicle maintenance provided primarily through contracts with our transit agency partners. Sound Transit employees perform operations and maintenance for Tacoma Link only. Our light rail, commuter rail, and express bus services are supported by 34 rail stations, six ST-owned transit centers, and six ST-owned park-and-ride lots. Sound Transit also operates through numerous facilities owned by other agencies.

The transit mode budgets shown in this section represent all operating budget activities associated with the mode, including agency overhead. Modal budgets are comprised of costs managed primarily by Operations, Finance & Information Technology, and Communications & External Affairs departments.

Operations department staff manage our facilities and oversee hundreds of contractors including many small and minority-owned businesses. Information Technology division staff install, repair, and maintain ticket vending machines, closed-circuit television (CCTV) cameras, automatic passenger counters, passenger information systems, and other technology used in the delivery of service. Communications and External Affairs manage all advertising and promotions, including our participation in community events and festivals to promote public transit ridership.

Readers may be interested in two other companion documents that incorporate the proposed 2018 budget for the transit modes and provide subsequent five-year financial estimates of operating and maintenance costs. The first is the Proposed 2018 Transit Improvement Plan (TIP), which contains a discussion of projected costs for the transit modes and capital projects that will enhance revenue service during the TIP's six-year period. The second is the Service Implementation Plan (SIP) prepared by the Service Planning division, which includes service levels for each mode and expenditure forecasts for the same six-year period. The 2018 SIP provides the service plan detail.

The ST Express budget makes up the largest portion of the transit modes budget with 44.5 percent of the budget, up from 42.1 percent of last year's total budget. Link light rail's share of the budget increased from 32.8 percent last year to 36.9 percent of the total in 2018. Sounder's share of the total budget is 17.0 percent, down from 17.9 percent in 2017. Tacoma Link's budget share remains the same as 2017 at 1.6 percent of the total Transit Mode budget.

TRANSIT MODES BUDGET
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$4,218	\$5,475	\$4,422	\$6,314	\$839	15.3%
Benefits	2,751	3,568	3,598	4,197	629	17.6
Subtotal	6,969	9,043	8,019	10,511	1,468	16.2
Services						
Marketing Agency	69	85	89	85	0	0.0
Professional & Technical	618	1,549	1,408	2,110	561	36.2
Temporary Services	18	0	81	0		
Contract Maintenance	25,987	32,811	27,984	35,008	2,197	6.7
Security & Safety	18,840	21,004	21,421	24,773	3,768	17.9
Other Services	3,846	6,038	4,925	6,023	(15)	(0.2)
Subtotal	49,377	61,488	55,909	68,000	6,512	10.6
Materials & Supplies	7,091	10,669	9,240	11,404	735	6.9
Utilities	4,693	5,170	5,140	5,510	340	6.6
Insurance	6,385	6,335	5,225	6,869	534	8.4
Taxes	2,514	2,594	2,667	2,867	273	10.5
Purchased Transportation Services						
Paratransit	1,698	1,632	1,902	1,968	336	20.6
Purchased Transportation	144,838	161,394	159,238	175,133	13,739	8.5
Subtotal	146,536	163,026	161,140	177,101	14,076	8.6
Miscellaneous	518	542	489	649	107	19.7
Leases & Rentals						
Transit Way	7,373	7,982	8,053	8,501	519	6.5
General Administrative Facilities	191	234	201	218	(16)	(7.0)
Subtotal	7,564	8,217	8,254	8,719	502	6.1
Expense Transfers						
Operations Department	5,054	7,860	6,628	8,309	450	5.7
Administrative Departments	14,032	24,687	19,829	17,574	(7,113)	(28.8)
Subtotal	19,086	32,547	26,457	25,883	(6,664)	(20.5)
Transit Modes Total	\$250,734	\$299,630	\$282,540	\$317,513	\$17,883	6.0%

Purchased Transportation

By far the largest line item in the transit modes budget is purchased transportation services. This category of expense covers the negotiated agreements with our partners to operate three of our transit modes: Link light rail (includes paratransit service), Sounder commuter rail, and ST Express bus services.

For these three modes, the cost of purchased transportation is \$177.1 million, or 55.8 percent, of the total transit modes budget for 2018. Tacoma Link is operated by Sound Transit employees, so it does not purchase transportation services.

Service Changes

Service increases for 2018 are planned for two of the agency's four modes:

- Sounder service planned for 2018 includes the annualization of two additional round trips—one peak and one reverse commute—that began in September 2017. The anticipated contract rate increase is projected at 3.5 percent.
- ST Express will add 17,332 service hours: 8,760 hours are forecasted overrun in 2017 that will roll into the 2018 baseline, plus 8,572 more hours planned as the result of annualization of 15,000 hours approved in 2017. The rate increases from our transit partners are forecast at an average of 4.4 percent.
- Link has no trip increases planned for 2018, although there will be an increase in revenue vehicle miles operated as we continue to operate more three-car trains to meet passenger demand. The purchased transportation budget reflects an expected labor cost increase of 5.0 percent, which includes negotiated labor contract increases and additional staffing to accommodate the increase in vehicle miles.
- Tacoma Link has no service changes planned for 2018.

Ridership Forecast

2018 systemwide ridership is expected to approach the 50 million mark, 4.4 percent higher than the 2017 ridership forecast of 48 million. Projected 2018 ridership is based on modal trends for 2017 through the second quarter, plus newly planned service for 2018.

Link ridership is expected to increase to 25.2 million, a 7.9 percent increase from the 2017 forecast. Link ridership has risen higher and faster than anticipated in 2017. As a result, three-car trains are deployed all day with additional two-car trains added during peak times to accommodate the growing demand. This growth trend is expected to continue.

Sounder ridership is projected to increase to 4.7 million, or 3.3 percent over the 2017 forecast. The ridership growth on both north and south lines has remained higher than anticipated. A full year of service for two more round trips added in 2017 should contribute to Sounder surpassing 2017 ridership.

ST Express ridership is expected to increase only slightly by 0.5 percent over the 2017 forecast due to continuing low gas prices. Service hours are being added in 2018 as ST Express continues to address capacity issues and traffic delays anticipated on several routes.

Tacoma Link ridership is expected to increase by 2.9 percent from the 2017 forecast, reflecting actual ridership trends seen in Tacoma in 2017. No passenger fares will be collected in 2018.

Paratransit ridership is expected to remain the same as 2017 forecast. Costs for paratransit are included in the Link operating budget.

Light rail service, with its higher passenger capacity and additional stations, is projected to grow the most, from 48.5 percent of system boardings in 2017 to 50.7 percent of system boardings in 2018. Relatively unchanged, Sounder is projected to carry 9.4 percent of system boardings and ST Express will carry 37.9 percent. Tacoma Link will carry 1.9 percent of system boardings.

2018 RIDERSHIP FORECAST
(in thousands)

Mode	2015 Actual	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Change from Budget	% Change from Budget	Change from Forecast	% Change from Forecast
Link	11,530	19,122	22,900	23,400	25,200	2,300	10.0%	1,800	7.9%
Sounder	3,852	4,312	4,480	4,500	4,650	170	3.8%	150	3.3%
ST Express	18,313	18,470	18,680	18,770	18,860	180	1.0%	90	0.5%
Tacoma Link	973	938	1,040	910	940	(100)	-9.6%	30	2.9%
Paratransit	46	48	80	60	60	(20)	-25.0%	-	0.0%
Total All Modes	34,714	42,891	47,180	47,640	49,710	2,530	5.4%	2,070	4.4%

Link Light Rail

Sound Transit operates Link light rail out of our Operations and Maintenance Facility (OMF) in Seattle's SODO neighborhood. King County Metro (KCM) performs operations and maintenance of the system through an intergovernmental agreement with oversight by agency staff. Sound Transit is directly responsible for security, spare parts, insurance, traction power, and other utilities. Agency Information Technology staff provide maintenance for ticket vending machines, security cameras, and other passenger related technology.

Beginning in 2018, KCM will employ 323 staff to operate and maintain Link light rail, including control center personnel, service supervisors, maintenance-of-way personnel, maintenance technicians, facilities custodians, and light rail operators. King County staff provide supervision and operation of the trains, maintenance of the vehicles, and maintenance of the stations and track facilities.

The Link fleet consists of 62 single-car vehicles. Each of these vehicles has the capacity to carry 74 seated passengers plus another 74 standing passengers.

The 25.2 million boardings forecast for 2018 represent a 10.0 percent increase over the 2017 budget (7.9 percent increase over 2017 forecast). Increased service plus strong population growth in the Puget Sound area continue to push ridership upward.

Link 2018 Budget Highlights

The 2018 budget for Link light rail is 12.5 percent higher than 2017, increasing from \$104.2 million to \$117.1 million.

Security services are forecast to increase by 21.7 percent, or \$3.3 million. 12 new King County Sheriff Office (KCSO) officers will be trained at the KCSO academy for future deployment. Sound Transit is preparing to take over operations of the Downtown Seattle Transit Tunnel in 2019. The Securitas Services contract is increasing due to a contract rate increase and the addition of two officers at the Link Operations and Maintenance Facility.

Contract maintenance is forecast to increase by \$2.8 million or 28.8 percent primarily due to Sound Transit's proportionate use of the Downtown Seattle Transit Tunnel increasing from 70.0 percent in 2017 to 75.0 percent in 2018.

Professional services are forecast to increase by \$367 thousand or 28.6 percent primarily due to Link operating technology system maintenance and support.

Purchased transportation services are forecast to increase by 13.0 percent or \$5.3 million over the 2017 budget, primarily due to adding 41 King County Metro (KCM) staff positions, including operators and mechanics. Additional operators are needed to cover overtime, special events, and extended operating hours to meet increased service demands. Maintenance workers are needed to perform vehicle maintenance, vehicle overhauls, and facilities maintenance. In addition, a 5.0 percent KCM labor rate increase is expected.

Agency administrative expense allocations are forecast to be lower by 15.1 percent, or \$2.2 million. This category includes the overhead costs allocated from both administrative departments and certain Operations Department divisions.

LINK
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$1,318	\$2,046	\$1,360	\$2,494	\$448	21.9%
Benefits	859	1,350	1,352	1,686	336	24.9
Subtotal	2,177	3,396	2,712	4,181	784	23.1
Services						
Marketing Agency	23	30	31	34	4	14.3
Professional & Technical	242	1,283	1,041	1,650	367	28.6
Temporary Services	0	0	80	0		
Contract Maintenance	8,040	9,812	8,472	12,636	2,824	28.8
Security & Safety	13,466	15,347	15,590	18,681	3,334	21.7
Other Services	1,220	2,103	2,012	2,504	401	19.1
Subtotal	22,992	28,575	27,226	35,506	6,931	24.3
Materials & Supplies	2,233	3,553	3,459	3,621	69	1.9
Utilities	2,943	3,323	3,601	3,779	457	13.7
Insurance	3,620	3,273	2,935	4,176	903	27.6
Taxes	752	883	873	972	90	10.2
Purchased Transportation						
Paratransit	1,698	1,632	1,902	1,968	336	20.6
Purchased Transportation	35,199	39,383	39,383	44,367	4,984	12.7
Subtotal	36,897	41,015	41,285	46,336	5,320	13.0
Miscellaneous	204	185	152	233	48	25.8
Leases & Rentals						
Transit Way	4,787	5,384	5,349	5,944	560	10.4
General Administrative	23	14	28	29	15	108.5
Subtotal	4,810	5,398	5,376	5,973	575	10.7
Expense Transfers						
Operations Department	2,191	3,741	2,976	4,194	453	12.1
Administrative Departments	5,096	10,814	10,203	8,167	(2,647)	(24.5)
Subtotal	7,287	14,555	13,179	12,361	(2,194)	(15.1)
Mode Total	\$83,915	\$104,156	\$100,800	\$117,138	\$12,982	12.5%

Link Performance Statistics

- Budget projections for 2018 show both fare revenues increasing by 11.4 percent and operating expenses increasing by 12.3 percent. As a result, the farebox recovery decreases slightly from 35.5 percent to 35.2 percent.
- Revenue vehicle hours delivered are expected to increase to 263,064, an increase of 22.4 percent over the 2017 budget. Cost per revenue vehicle hour is expected to decrease from \$477.08 to \$437.80.
- Revenue train hours are expected to increase only 1.6 percent compared to 22.4 percent for revenue vehicle hours due to an increase in the use of longer three-car trains.
- Ridership is forecasted at 78,700 weekday boardings and 25.2 million annual boardings, a 10.0 percent gain over 2017 budget (7.9 percent gain over 2017 forecast). However, due to expenses being expected to increase by 12.3 percent, the cost per boarding is expected to rise from \$4.48 to \$4.57.
- Over 5 million revenue vehicle miles are planned for 2018, an increase of 23.8 percent over the 2017 budget. Cost per revenue vehicle mile is projected to decrease from \$24.09 to \$21.86.

LINK PERFORMANCE STATISTICS

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	2018 v 2017 Budget
SUMMARY DATA					
Service Provided					
Revenue Vehicle Hours Operated	204,824	214,900	251,758	263,064	22.4%
Revenue Vehicle Miles Operated	4,103,169	4,255,015	5,042,572	5,269,034	23.8%
Revenue Train Hours Operated	90,019	95,511	96,926	97,017	1.6%
Trips Operated	102,020	102,616	102,609	102,616	0.0%
Service Consumed					
Total Boardings	19,121,621	22,900,000	23,400,000	25,200,000	10.0%
Average Weekday Boardings	59,118	69,400	73,000	78,700	13.4%
SERVICE PERFORMANCE MEASURES					
Total Boardings/Revenue Vehicle Hour	93.4	106.6	92.9	95.8	-10.1%
Total Boardings/Trip	187	223	228	246	10.0%
Percentage of Scheduled Trips Operated	98.4%	98.5%	98.5%	98.5%	0.0%
Headway Management	90.7%	>90%	>90%	>90%	0.0%
Complaints/100,000 Boardings	1.2	<15.0	<15.0	<15.0	0.0%
Preventable Accidents/100,000 Service Miles	0.05	<0.3	<0.3	<0.3	0.0%
FINANCIAL PERFORMANCE MEASURES					
Fare Revenues	\$30,787,213	\$36,414,800	\$37,466,911	\$40,572,000	11.4%
Operating costs (less deprec. & paratransit)	\$82,216,534	\$102,523,859	\$98,897,917	\$115,169,737	12.3%
Cost/Revenue Vehicle Hour	\$401.40	\$477.08	\$392.83	\$437.80	-8.2%
Cost/Revenue Vehicle Mile	\$20.04	\$24.09	\$19.61	\$21.86	-9.3%
Cost/Revenue Train Hour	\$913.32	\$1,073.42	\$1,020.34	\$1,187.11	10.6%
Cost/Boarding	\$4.30	\$4.48	\$4.23	\$4.57	2.1%
Farebox Recovery	37.4%	35.5%	37.9%	35.2%	-0.8%

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Sounder Commuter Rail

Sounder commuter rail spans three counties, serving commuters making their way from Lakewood on the south end and Everett on the north end of Central Puget Sound. Sounder service operates via a contract with Burlington Northern Santa Fe (BNSF), owner of the railway between Tacoma and Everett. Sound Transit owns the railway from M Street in Tacoma to Lakewood.

South line commuter rail service currently offers eleven daily round trips between Seattle and Tacoma. Seven of these round trips extend service to Lakewood. In late 2017, two additional round trips will be added between Lakewood and Seattle on the south line. North line Sounder service offers four daily round trips between Everett and Seattle. No service additions are scheduled for the north line in 2017.

Sounder service is supported by 12 stations and 11 parking facilities. The Sounder fleet consists of 14 locomotives, 40 coaches, and 18 cab cars that include an engineer's cab. All vehicles are maintained by Amtrak at their Holgate Yard in Seattle during the day, with overnight storage for the four north line trains in Everett and the six south line trains in Tacoma. Sounder also utilizes numerous other supporting contracts, such as services for security, station agents, and facilities maintenance.

Sounder boardings in 2018 are expected to increase by 3.8 percent to 4.7 million from 4.5 million in 2017 budget (3.3 percent gain over 2017 forecast).

Sounder 2017 Budget Highlights

The 2018 Sounder budget is \$53.9 million, a decrease of 5.2 percent or \$3.0 million from \$56.9 million in 2017.

- Materials & supplies are expected to increase by 10.4 percent, or \$716 thousand primarily due to an expected increase in fuel costs. Also, additional fuel is needed to support the annualization of two trips added to south line in the fourth quarter of 2017.
- Insurance is expected to decrease by \$425 thousand or 15.5 percent. The 2018 premium for heavy rail is more favorable than in 2017, resulting in a budget reduction. In addition, 2018 will see a shift of property insurance from Sounder to Link light rail due to the growth in Link ridership.
- Purchased transportation service charges from the BNSF Railway Company to operate our Sounder service are expected to increase by \$219 thousand, or 1.8 percent. The key cost drivers in 2018 are the annualization of the additional crew costs to support two trips and a base rate increase of 3.5% for both the south and north lines. These increases are offset by reductions in BNSF maintenance overhead from 2017 budget levels resulting into a relatively smaller net increase of \$219 thousand overall.
- Agency administrative expense allocations will decrease by \$4.0 million or 49.6 percent in 2018 from last year. This category includes the costs allocated from both administrative departments and certain Operations divisions.

SOUNDER
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$1,158	\$1,341	\$1,122	\$1,536	\$195	14.6%
Benefits	755	896	895	1,046	150	16.7
Subtotal	1,913	2,237	2,018	2,582	345	15.4
Services						
Marketing Agency	23	26	27	26	0	0.0
Professional & Technical	326	208	274	208	0	0.0
Temporary Services	18	0	1	0	0	0.0
Contract Maintenance	13,021	16,228	13,911	16,463	235	1.4
Security & Safety	2,685	2,968	3,055	3,205	237	8.0
Other Services	1,285	2,311	1,643	1,927	(384)	(16.6)
Subtotal	17,357	21,741	18,911	21,829	88	0.4
Materials & Supplies	4,553	6,881	5,624	7,596	716	10.4
Utilities	1,307	1,297	1,104	1,269	(28)	(2.2)
Insurance	2,103	2,749	2,191	2,324	(425)	(15.5)
Taxes	1,039	977	1,059	1,146	169	17.3
Purchased Transportation Services						
Purchased Transportation	10,721	12,096	10,811	12,315	219	1.8
Subtotal	10,721	12,096	10,811	12,315	219	1.8
Miscellaneous	183	183	192	232	49	26.8
Leases & Rentals						
Transit Way	385	444	382	369	(74)	(16.7)
General Administrative Facilities	139	194	148	163	(31)	(16.0)
	524	637	530	532	(105)	(16.5)
Expense Transfers						
Operations Department	1,106	1,763	1,591	1,772	9	0.5
Administrative Departments	4,014	6,319	4,668	2,302	(4,018)	(63.6)
Subtotal	5,120	8,082	6,259	4,074	(4,009)	(49.6)
Mode Total	\$44,819	\$56,880	\$48,700	\$53,900	(\$2,980)	(5.2%)

Sounder Performance Statistics

- In 2018, we will have a full year of thirteen daily round trips between Seattle and Tacoma, eight of which will go to Lakewood. We expect to deliver 74,789 service hours, a 12.3 percent increase.
- Ridership is expected to grow to almost 4.7 million total boardings annually with 18,000 boardings per weekday. Farebox recovery is projected to increase to 28.1 percent from 25.6 percent budgeted for 2017. Cost per boarding will decrease to \$11.59 in 2018 from \$12.70 in 2017.
- Operating costs for Sounder are projected to decrease by 5.3 percent to \$53.9 million in 2018.
- Sounder cost per revenue vehicle hour is projected to decrease by 15.6 percent, from \$854.36 in 2017 to \$720.69 in 2018. The cost per revenue vehicle mile is projected to decrease from \$27.59 in 2017 to \$23.15 in 2018. The decrease is primarily driven by lower insurance and agency overhead budgets.

SOUNDER PERFORMANCE STATISTICS

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	2018 v 2017 Budget
SUMMARY DATA					
Service Provided					
Revenue Vehicle Hours Operated	59,275	66,576	64,641	74,789	12.3%
Revenue Vehicle Miles Operated	1,794,741	2,061,257	1,998,441	2,327,812	12.9%
Trips Operated	7,351	8,078	7,865	8,636	6.9%
Service Consumed					
Total Boardings	4,312,113	4,480,000	4,500,000	4,650,000	3.8%
Average Weekday Boardings	16,662	16,900	17,400	18,000	6.5%
SERVICE PERFORMANCE MEASURES					
Total Boardings/Revenue Vehicle Hour	73	67	70	62	-7.6%
Total Boardings/Trip	587	555	572	538	-2.9%
Percentage of Scheduled Trips Operated	98.7%	99.5%	99.5%	99.50%	0.0%
On-time Performance	92.8%	≥ 95%	≥ 95%	≥ 95%	0.0%
Complaints/100,000 Boardings	11.2	<15	<15	<15	0.0%
Preventable Accidents/100,000 Total Miles	0	≤1	≤1	≤1	0.0%
FINANCIAL PERFORMANCE MEASURES					
Farebox Revenue	\$13,580,801	\$14,560,000	\$14,574,227	\$15,127,847	3.9%
Operating costs (less depreciation)	\$44,819,343	\$56,880,111	\$48,699,682	\$53,899,846	-5.2%
Cost/Revenue Vehicle Hour	\$756.13	\$854.36	\$753.39	\$720.69	-15.6%
Cost/Revenue Vehicle Mile	\$24.97	\$27.59	\$24.37	\$23.15	-16.1%
Cost/Boarding	\$10.39	\$12.70	\$10.82	\$11.59	-8.7%
Farebox Recovery	30.3%	25.6%	29.9%	28.1%	9.6%

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ST Express Bus

ST Express offers fast, frequent, two-way service on 28 routes along 20 corridors, connecting Snohomish, King, and Pierce Counties. Sound Transit provides this bus service via non-competitively procured service agreements with our transit partners, including King County Metro (KCM), Pierce Transit (PT), and Community Transit (CT).

Sound Transit provides 307 buses to support ST Express service. The bus fleet is maintained by our transit partners KCM (119 buses), PT (129 buses), and CT (59 buses). ST Express provides service to 25 transit centers and 33 park-and-ride lots.

Service levels will increase by 17,332 service hours: 8,760 hours are forecasted overrun in 2017 that will roll into the 2018 baseline service, plus 8,572 more hours added as the result of annualizing hours approved in 2017.

Boardings in 2018 are expected to be up only slightly due to continuing low gas prices.

ST Express 2018 Budget Highlights

ST Express's 2018 budget will increase to \$141.3 million, up 5.7 percent, from \$133.6 million in the 2017 budget.

- Contract maintenance is expected to decrease by \$995 thousand, or 15.9 percent, in 2018 primarily due to the decrease in ST Express's share of Downtown Seattle Transit Tunnel operating and maintenance costs, with more costs being shifted to Link light rail.
- Purchased transportation services are expected to increase by \$8.5 million or 7.8 percent due to an increase in platform hours. The rate increase from our transit partners is forecast at an average of 4.4 percent.
- Agency administrative expense allocations are forecast to decrease by \$256 thousand or 2.9 percent in 2018 from 2017. This category includes the costs allocated from both administrative departments and certain Operations divisions.

ST EXPRESS
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$416	\$655	\$546	\$692	\$37	5.7%
Benefits	271	434	442	472	38	8.7
Subtotal	687	1,089	988	1,164	75	6.9
Services						
Marketing Agency	23	30	31	26	(4)	(14.3)
Professional & Technical	35	41	60	240	198	480.3
Contract Maintenance	4,622	6,255	4,961	5,260	(995)	(15.9)
Security & Safety	2,256	2,263	2,328	2,422	159	7.0
Other Services	1,336	1,617	1,265	1,586	(30)	(1.9)
Subtotal	8,272	10,206	8,645	9,534	(672)	(6.6)
Materials & Supplies	103	76	53	48	(28)	(37.2)
Utilities	355	423	321	350	(73)	(17.3)
Insurance	373	146	(39)	162	17	11.5
Taxes	723	734	734	748	14	1.9
Purchased Transportation Services						
Purchased Transportation	98,918	109,910	109,039	118,446	8,536	7.8
Subtotal	98,918	109,910	109,039	118,446	8,536	7.8
Miscellaneous	107	150	143	159	10	6.5
Leases & Rentals						
Transit Way	2,201	2,155	2,322	2,187	33	1.5
General Administrative Facilities	5	4	3	3	(1)	(16.6)
Subtotal	2,206	2,159	2,325	2,191	32	1.5
Expense Transfers						
Operations Department	1,577	2,126	1,877	2,110	(16)	(0.8)
Administrative Departments	4,207	6,633	4,125	6,392	(240)	(3.6)
Subtotal	5,785	8,758	6,002	8,502	(256)	(2.9)
Mode Total	\$117,528	\$133,649	\$128,211	\$141,304	\$7,655	5.7%

ST Express Performance Statistics

- We expect 18.9 million boardings in 2018, an increase of 1.0 percent from 2017 budget (0.5 percent increase from 2017 forecast). Farebox revenues are projected to increase by 2.0 percent while expenses are expected to rise by 5.7 percent. Since expenses are rising faster than farebox revenues, we will see an increase of 4.7 percent in cost per boarding, from \$7.15 in 2017 to \$7.49 in 2018, and a decrease of 3.5 percent in farebox recovery from 27.7 to 26.7 percent.
- ST Express cost per revenue vehicle hour is projected to increase from \$221.82 in 2017 to \$228.75 in 2018, an increase of 3.1 percent.
- Platform hours are planned to increase by 2.2 percent over 2017. A cost per platform hour rate of \$177.77 is expected in 2018, up 3.4 percent from 2017 budget cost of \$171.91.
- ST Express will deliver roughly the same revenue vehicle miles in 2017: 12,118,429 compared to 11,998,600 in the 2017 budget. This will result in an increase in cost per revenue vehicle mile from \$11.14 to \$11.66 in 2018, due to operating costs increasing at a faster pace than mileage.

ST EXPRESS PERFORMANCE STATISTICS

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	2018 v 2017 Budget
SUMMARY DATA					
Service Provided					
Revenue Vehicle Hours Operated	609,563	602,500	608,578	617,710	2.5%
Revenue Vehicle Miles Operated	11,920,347	11,998,600	11,942,295	12,118,429	1.0%
Trips Operated	475,159	481,598	481,140	482,879	0.3%
Platform Hours	764,880	777,448	783,389	794,780	2.2%
Service Consumed					
Total Boardings	18,470,408	18,680,000	18,770,000	18,860,000	1.0%
Average Weekday Boardings	64,130	65,000	65,200	65,500	0.8%
SERVICE PERFORMANCE MEASURES					
Total Boardings/Revenue Vehicle Hour	30.3	31.0	30.8	30.5	-1.5%
Total Boardings/Trip	38.9	38.8	39.0	39.1	0.7%
Percentage of Scheduled Trips Operated	99.8%	99.8%	<99.8	99.8%	0.0%
On-time Performance	82.8%	<85%	<85.0	85.0%	0.0%
Complaints/100,000 Boardings	17.6	<15.0	<15.0	<15.0	0.0%
Preventable Accidents/100,000 revenue miles	0.8	<0.80	<0.8	<0.80	0.0%
FINANCIAL PERFORMANCE MEASURES					
Farebox Revenues	\$36,194,309	\$36,986,400	\$37,247,717	\$37,733,598	2.0%
Operating costs (less depreciation)	\$117,528,060	\$133,649,397	\$128,211,410	\$141,303,915	5.7%
Cost/Revenue Vehicle Hour	\$192.81	\$221.82	\$210.67	\$228.75	3.1%
Cost/Revenue Vehicle Mile	\$9.86	\$11.14	\$10.74	\$11.66	4.7%
Cost/Platform Hour	\$153.66	\$171.91	\$163.66	\$177.79	3.4%
Cost/Boarding	\$6.36	\$7.15	\$6.83	\$7.49	4.7%
Farebox Recovery	30.8%	27.7%	29.1%	26.7%	-3.5%

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Tacoma Link Light Rail

Tacoma Link is a 1.6 mile light rail passenger line that runs through the heart of downtown Tacoma. There are six unique stations complete with artwork that reflects the history and community of Tacoma. Trains run every 12 minutes during peak hours and every 24 minutes at all other times.

Sound Transit performs routine maintenance work out of our Operations and Maintenance Facility in the Tacoma Dome District. We typically contract for track, signal, and station maintenance services.

Tacoma Link 2018 Budget Highlights

- The total 2018 budget is \$5.2 million, which is 4.6 percent higher than the 2017 budget.
- Services are increasing by \$165 thousand, or 17.0 percent from 2017. The 2018 budget request includes \$300 thousand for a roof repair project at Tacoma Link Operations and Maintenance Facility, offset by savings in other areas, driving the net increase.
- Administrative overhead expense allocations are lower by 17.7 percent, or \$204 thousand. This category includes the staff costs allocated from both administrative departments and certain Operations divisions.

TACOMA LINK
(in thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Salaries & Benefits						
Salaries	\$1,326	\$1,433	\$1,394	\$1,592	\$158	11.1%
Benefits	866	888	908	993	105	11.8
Subtotal	2,192	2,321	2,302	2,585	263	11.3
Services						
Professional & Technical	15	17	33	13	(4)	(23.6)
Contract Maintenance	304	516	641	648	133	25.7
Security & Safety	432	426	448	464	38	8.9
Other Services	5	7	5	5	(2)	(27.8)
Subtotal	757	966	1,127	1,131	165	17.0
Materials & Supplies	203	159	103	138	(21)	(13.1)
Utilities	89	127	114	112	(15)	(11.8)
Insurance	289	167	137	206	39	23.2
Taxes	0	0	0	0	0	106.8
Purchased Transportation Services						
Purchased Transportation	0	5	5	5	(0)	(1.0)
Subtotal	0	5	5	5	(0)	(1.0)
Miscellaneous	24	24	1	24	0	0.0
Leases & Rentals						
General Administrative Facilities	23	23	22	23	0	0.8
Subtotal	23	23	22	23	0	0.8
Expense Transfers						
Operations Department	179	230	184	234	4	1.7
Administrative Departments	715	921	833	713	(208)	(22.6)
Subtotal	894	1,152	1,017	947	(204)	(17.7)
Mode Total	\$4,472	\$4,944	\$4,829	\$5,171	\$227	4.6%

Tacoma Link Performance Statistics

Budget projection for 2018 shows an increase in operating costs, mainly driven by facility repair and maintenance.

- Expected ridership is 940,000 boardings or an average of 3,200 per weekday. While ridership is projected to decrease 9.6 percent compared to 2017 budget, it is expected to increase 0.5 percent from 2017 forecast. The cost per boarding is expected to increase from \$4.75 in 2017 to \$5.50 in 2018, or by 15.7 percent.
- Operating costs are projected to increase to \$5.2 million or by 4.6 percent in 2018. Service will remain at current levels; therefore, the cost per revenue hour is expected to increase by 4.6 percent.
- Revenue vehicle miles are relatively flat for 2018. The cost per revenue vehicle mile will increase from \$65.06 in 2017 to \$68.04 in 2018, an increase of 4.3 percent.

TACOMA LINK PERFORMANCE STATISTICS

	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	2018 v 2017 Budget
SUMMARY DATA					
Service Provided					
Revenue Vehicle Hours Operated	9,868	9,900	9,809	9,900	0.0%
Revenue Vehicle Miles Operated	75,983	76,000	75,527	76,000	0.0%
Trips Operated	49,353	49,194	49,194	49,194	0.0%
Service Consumed					
Total Boardings	938,315	1,040,000	910,000	940,000	-9.6%
Average Weekday Boardings	3,182	3,500	3,100	3,200	-8.6%
SERVICE PERFORMANCE MEASURES					
Total Boardings/Revenue Vehicle Hour	95.1	105.1	92.8	94.9	-9.6%
Total Boardings/Trip	19.0	21.1	18.5	19.1	-9.6%
Percentage of Scheduled Trips Operated	99.9%	98.5%	99.9%	98.5%	0.0%
On-time Performance	99.9%	98.5%	99.8%	98.5%	0.0%
Complaints/100,000 Boardings	0.5	<15.0	<15.0	<15.0	0.0%
Preventable Accidents/100,000 Service Miles	1.3	<1.7	<1.7	<1.7	0.0%
FINANCIAL PERFORMANCE MEASURES					
Operating costs (less depreciation)	\$4,471,829	\$4,944,182	\$4,828,838	\$5,171,156	4.6%
Cost/Revenue Vehicle Hour	\$453.16	\$499.41	\$492.29	\$522.34	4.6%
Cost/Revenue Vehicle Mile	\$58.85	\$65.06	\$63.94	\$68.04	4.6%
Cost/Boarding	\$4.77	\$4.75	\$5.31	\$5.50	15.7%

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Project Budgets

The annual budget for projects is \$1.7 billion for 2018. The Transit Improvement Plan (TIP) includes history and forecasts for all Board-authorized project allocations for active projects. Both the Proposed 2018 Budget and Proposed 2018 TIP present projects by category and then by mode: Link, Sounder, Regional Express, and Other (non-mode specific).

System Expansion

These projects expand the regional transit system, including planning, design, and construction of light rail, commuter rail, and express bus transit infrastructure.

System Expansion – Link 2018 Budget Highlights

Link light rail projects account for \$1.4 billion and include plans to:

- Begin the preliminary engineering and environmental review for the West Seattle & Ballard Link Extensions and combine three ST3 voter-approved projects: Ballard Link Extension, Downtown Tunnel, and West Seattle Link Extension generates efficiencies during project development.
- Begin the preliminary engineering and environmental review for the Tacoma Dome Link Extension. Combining two ST3 voter-approved projects: Federal Way to Tacoma Dome Link Extension and the Operations and Maintenance Facility South generates efficiencies during project development.
- Continue right-of-way acquisition and construction for East Link Extension, progressing construction in all segments of the project.
- Continue design-build contract focused on several design packages and permitting activities for Link Operations and Maintenance Facility East.
- Complete construction of tunnel cross-passages and begin tunnel trackwork. Complete rail procurement, continue station construction, and finalize right-of-way acquisitions for Northgate Link Extension.
- Conclude environmental process and preliminary engineering, transition to final design, and initiate right-of-way acquisition for Federal Way Link Extension.
- Continue final design, right of way, and pre-construction services activities for Lynnwood Link Extension in preparation to baseline the project.
- Complete final design and begin construction for Tacoma Link Extension.
- Complete preliminary/final design reviews, and operating and maintenance manuals for the Light Rail Vehicle Fleet Expansion. Continue to initiate work by component manufacturers as designs are approved.

SYSTEM EXPANSION – LINK PROJECTS

(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Downtown Redmond Link Extension	\$216	\$14,225	\$8,095	\$68,808	\$54,583	383.7 %
East Link Extension	192,704	393,373	488,915	574,491	181,118	46.0
Enhancements to Tacoma Link Extension	0	1,500	316	1,684	184	12.3
Federal Way Link Extension	15,344	6,121	40,657	122,533	116,412	1,901.9
Tacoma Dome Link Extension	0	0	0	10,250	10,250	100.0
First Hill Streetcar	(494)	438	437	8	(430)	(98.3)
Light Rail Vehicle Fleet Expansion	3,470	59,534	77,424	37,572	(21,962)	(36.9)
Link Operations & Maintenance Facility - East	3,711	108,766	102,361	97,156	(11,610)	(10.7)
Lynnwood Link Extension	38,072	116,296	124,620	148,026	31,730	27.3

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Northgate Link Extension	167,262	267,957	260,360	311,397	43,440	16.2
South 200th Link Extension	36,812	9,428	9,499	120	(9,308)	(98.7)
Tacoma Link Extension	3,447	12,096	11,481	20,302	8,206	67.8
University Link Extension	37,092	7,795	9,664	5,454	(2,341)	(30.0)
West Seattle & Ballard Link Extensions	0	0	4,150	25,500	25,500	100.0
Total System Expansion - Link	\$497,636	\$997,529	\$1,137,979	\$1,423,300	\$425,771	42.7 %

System Expansion – Sounder 2018 Budget Highlights

Sounder commuter rail projects are budgeted at \$35.3 million and include plans to:

- Begin final design for station improvements at Puyallup and Sumner stations.
- Begin preliminary engineering for access improvements at the Kent, Auburn, Edmonds, and Mukilteo Sounder stations.
- Complete punch list items for Point Defiance Bypass and begin a full year of revenue service.
- Complete construction to replace Tacoma Trestle Bridge.
- Introduce nine Sounder passenger cab cars into service.
- Continue preliminary engineering to construct a Sounder Maintenance facility at the Lakewood layover yard.

SYSTEM EXPANSION – SOUNDER COMMUTER RAIL PROJECTS (in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Sounder North Parking/Access	\$0	\$0	\$0	\$718	\$718	100.0 %
Auburn Station Access Improvement	111	506	549	2,652	2,146	424.1
D St-M St Track & Signal	(77)	71	22	50	(21)	(29.2)
Kent Station Access Improvements	120	506	542	2,651	2,145	423.9
Lakewood Station Improvements	15	0	0	0	0	.0
Mukilteo Station, S Platform	691	1,620	1,962	440	(1,180)	(72.8)
Point Defiance Bypass	48,666	6,972	14,991	100	(6,872)	(98.6)
Puyallup Station Improvements	654	6,014	3,503	3,586	(2,428)	(40.4)
Sounder Fleet Expansion	5,738	3,244	2,380	3,520	276	8.5
Sounder Maintenance Base	266	5,814	2,192	3,933	(1,880)	(32.3)
Sounder South Expanded Service	317	4,800	525	7,800	3,000	62.5
Sounder Yard Expansion	10,602	4,755	4,490	100	(4,655)	(97.9)
Sumner Station Improvements	513	4,481	2,549	2,568	(1,913)	(42.7)
Tacoma Trestle Track & Signal	36,798	58,630	62,093	5,864	(52,766)	(90.0)
Tukwila Station	121	366	274	1,305	939	256.6
Total System Expansion - Sounder	\$104,533	\$97,778	\$96,072	\$35,287	(\$62,491)	(63.9) %

System Expansion – Regional Express 2018 Budget Highlights

Regional Express projects are budgeted at \$63.5 million and include completing construction of I-90 High-Occupancy-Vehicle (HOV) lanes, receipt of 13 new buses, and the initial development of a bus rapid transit program along I-405 and SR 522.

SYSTEM EXPANSION – REGIONAL EXPRESS

(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
SR 522 Bus Rapid Transit	\$0	\$0	\$0	\$5,781	\$5,781	100.0 %
Bus on Shoulder	0	0	0	1,180	1,180	100.0
Bothell Transit Related Improvements	0	5,036	2	0	(5,034)	(100.0)
I-405 Bus Rapid Transit	0	0	300	35,553	35,553	100.0
I-90 Two-Way Transit & HOV Operations, Stage 3	76,536	39,221	41,147	4,955	(34,266)	(87.4)
ST Express Bus Base	18	587	7	587	0	.0
ST Express Fleet Expansion	8,350	13,649	0	15,458	1,810	13.3
Total System Expansion - Regional Express	\$84,904	\$58,492	\$41,455	\$63,515	\$5,024	8.6 %

System Expansion – Other 2018 Budget Highlights

Budgeted at \$21.0 million, this category includes delivery of regional transit data to passengers via web and mobile applications and station signage, as well as fabrication and installation of public art at the Tacoma Trestle and for Link extensions that are under construction. Programs for transit system access, efficiency and sustainability, innovation and technology, and transit oriented development planning are also included.

SYSTEM EXPANSION – OTHER

(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Efficiency & Sustainability Program	\$0	\$0	\$0	\$1,000	\$1,000	100.0 %
Fare Administration	188	2,473	718	1,630	(843)	(34.1)
Fare Collection	436	148	45	195	47	32.0
Innovation and Technology Program	0	0	0	4,000	4,000	100.0
ORCA Next Generation	0	0	592	1,527	1,527	100.0
Research & Technology	2,512	2,297	1,079	613	(1,684)	(73.3)
Research and Business Development Program	0	400	90	300	(100)	(25.0)
ST3 Planning	9,070	6,850	873	3,000	(3,850)	(56.2)
STart	1,326	1,390	1,608	2,134	744	53.5
STart Operations & Maintenance	116	239	261	231	(8)	(3.3)
Transit Oriented Development Planning Program	0	0	0	400	400	100.0
Transit System Access Program	0	0	0	6,000	6,000	100.0
Total System Expansion - Other	\$13,649	\$13,796	\$5,268	\$21,029	\$7,233	52.4 %

Enhancement

These projects improve operating efficiency and effectiveness, improve rider experience, increase system functionality, or reduce operating costs.

2018 Budget Highlights

Enhancement projects are budgeted at \$58.4 million and include plans to:

- Complete installation of a second light rail vehicle lift at Link Operations and Maintenance Facility (Link OMF).
- Finalize Positive Train Control system scheduled to start up in December 2018.
- Facilitate transit oriented development near transit stations.
- Contribute financially to street and signal improvements in Seattle to mitigate the impacts of additional buses moving from the Downtown Seattle Transit Tunnel (DSTT) to surface streets.
- Renovate Link OMF to increase the efficient use of space, secure the Link Control Center, and expand parking with the addition of car charging stations for ST electric vehicles.
- Participate in the development of a master plan for the expansion of the Pierce Transit Bus Maintenance Facility.
- Establish the scope for a digital passenger information system to enhance the rider experience and provide an enhanced exchange of informational data with our riders and transit partners.

ENHANCEMENT PROJECTS

(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
LINK						
Central Link Card Readers	(\$229)	\$292	(\$0)	\$292	(\$0)	.0 %
Central Link HVAC - Instrument House and UPS Room	430	449	418	0	(449)	(100.0)
Central Link Overhead Catenary System Tie Switch	0	2,995	11	2,984	(11)	(.4)
Light Rail Vehicle Wireless Communication Upgrade	0	0	0	156	156	100.0
Link Operating Segment Systems Enhancements and Upgrades	0	1,400	686	714	(686)	(49.0)
LRV Between Car Barriers	0	520	350	170	(350)	(67.4)
LRV Wash Bay Modifications	0	300	300	0	(300)	(100.0)
LRV Wheel Flat Software	0	250	0	250	0	.0
Noise Abatement	9	130	30	610	480	369.2
Non-revenue Support Vehicles	120	1,034	633	730	(304)	(29.4)
OMF Energy Efficiency	0	1,042	1,098	0	(1,042)	(100.0)
Operations & Maintenance Facility Light Rail Vehicle Lift	254	4,458	250	4,205	(253)	(5.7)
Operations Maintenance Facility (OMF) - Link Control Center (LCC) Upgrades	0	0	0	400	400	100.0
Operations Maintenance Facility (OMF) - Renovations	0	0	0	3,225	3,225	100.0
Operations Maintenance Facility (OMF) Expanded Parking	25	0	140	456	456	100.0

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
Signage Improvements	34	1,014	399	615	(399)	(39.4)
Tacoma Link Radio Upgrade	0	0	0	748	748	100.0
SOUNDER						
Customer Emergency Stations	0	300	280	520	220	73.3
Kent Station Parking Lot Paving	73	626	0	627	0	.0
Kent Station Platform Lighting	50	236	186	0	(236)	(100.0)
King St Station Platform Improvements	0	300	1	299	(1)	(.3)
Locomotive Inboard Cameras	0	300	64	236	(64)	(21.3)
Positive Train Control	3,819	8,002	1,784	3,055	(4,946)	(61.8)
Puyallup Station LED Lighting	50	178	128	0	(178)	(100.0)
Sounder Passenger Emergency Intercom	0	750	0	1,500	750	100.0
Sumner Station LED Lighting	50	134	84	0	(134)	(100.0)
REGIONAL EXPRESS						
Bellevue TC Security System	0	150	125	25	(125)	(83.3)
Bus Maintenance Facility	7	0	1,898	10,880	10,880	100.0
Community Transit - On-Board Communication Upgrade	0	0	0	2,080	2,080	100.0
Opensidewalks Data Development	0	60	60	0	(60)	(100.0)
Pierce Transit - Global Positioning System Repeater	0	0	0	1,662	1,662	100.0
OTHER						
Bike Locker Program	17	184	94	90	(94)	(51.1)
Bike Parking Program	0	0	0	640	640	100.0
Digital Passenger Information System	0	0	0	1,617	1,617	100.0
Downtown Seattle Transit Tunnel Mitigation	0	2,334	514	11,820	9,486	406.4
Everett Station Security Improvements	0	0	0	289	289	100.0
LED Lighting Program	0	0	0	1,500	1,500	100.0
Security Operations Center - Video Monitoring Improvements	0	0	0	188	188	100.0
Security Radio System	0	0	0	293	293	100.0
SODO/MLK Hazard Mitigation	0	0	0	3,136	3,136	100.0
Transit Oriented Development Property Disposition	809	1,725	1,465	2,430	705	40.9
Union Station Garden Level Remodel	614	1,455	1,217	0	(1,455)	(100.0)
Total Enhancement	\$6,135	\$30,617	\$12,212	\$58,440	\$27,824	90.9 %

State of Good Repair

These projects extend the life of existing transit system assets; replace those at the end of their useful life; and invest in maintaining assets in a state of good repair.

2018 Budget Highlights

State of Good Repair projects are budgeted at \$51.0 million and include plans to:

- Complete the installation of electrical distribution equipment required for Convention Place development.
- Upgrade closed-circuit television (CCTV) cameras in all Link facilities.
- Continue with the overhaul of Link light rail and Sounder vehicles.
- Contribute financially to the repair and maintenance of the Tacoma Dome parking facility.
- Replace 16 buses in the ST Express Fleet.

STATE OF GOOD REPAIR PROJECTS
(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
LINK						
Access Control Card Upgrade	\$0	\$1,114	\$75	\$2,189	\$1,075	96.5 %
Convention Place Development Systems Retrofit	0	2,549	1,449	1,100	(1,449)	(56.8)
Light Rail Vehicle Overhaul	742	2,959	490	2,591	(368)	(12.4)
Link Bridge Repairs	0	550	65	485	(65)	(11.8)
Link CCTV System Upgrade	626	2,394	0	2,468	74	3.1
Link Light Rail Vehicle Overhaul	0	0	0	5,100	5,100	100.0
Link Operating Technology Upgrades	0	0	0	500	500	100.0
Link Radio Upgrade	0	1,000	0	1,000	0	.0
Link SCADA System Support	0	0	0	250	250	100.0
Link Station Braided Tile Replacement	0	435	0	435	0	.0
Tacoma Link HVAC and Building Systems Upgrade	0	0	0	400	400	100.0
Tacoma Link Light Rail Vehicle Overhaul	54	418	193	387	(31)	(7.4)
SOUNDER						
King Street Station Vertical Window Glazing	0	0	0	767	767	100.0
Sounder Vehicle Overhaul Program	5,649	6,652	6,885	1,220	(5,432)	(81.7)
Station Midlife Refurbishment Program	385	616	0	616	0	.0
REGIONAL EXPRESS						
ST Express Fleet Replacement	3,714	25	12,568	23,477	23,452	93,369.6
OTHER						
Information Technology (IT) Infrastructure	55	1,597	795	1,162	(435)	(27.3)
IT Transit Systems	224	355	408	143	(212)	(59.8)
Othello Traction Power Sub-station Parking Lot	1	0	354	24	24	100.0
Safety Oversight Approval Program	0	0	0	200	200	100.0
Small Works Program	427	3,073	1,444	2,968	(105)	(3.4)
Tacoma Dome Station	0	414	0	3,553	3,139	758.9
Total State of Good Repair	\$11,875	\$24,150	\$24,727	\$51,035	\$26,884	111.3 %

Administrative

These projects support administration of the agency. The majority of these project costs are capitalized with the assets of the projects or expensed as transit operating costs. Remaining costs are treated as general and administrative expenses.

2018 Budget Highlights

Administrative projects are budgeted at \$78.2 million and include plans to:

- Fund department costs allocated to projects as administrative overhead and department costs that are unallocated.
- Develop a Link Operations performance reporting program, workflow automation, and information security controls.
- Commence improvements to Union Station by increasing work spaces in office areas and continuing the replacement of the HVAC equipment and variable air volume systems.

ADMINISTRATIVE PROJECTS

(in thousands)

Project	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Budget \$ Change	Budget % Change
OTHER						
Administrative Capital	\$792	\$6,526	\$1,363	\$6,299	(\$227)	(3.5) %
Agency Administration Operating	0	72,374	72,374	68,409	(3,965)	(5.5)
Environmental Mitigation, Monitoring & Maintenance	172	165	129	121	(44)	(26.7)
Information Technology Program	1,995	2,274	4,577	3,265	991	43.6
Surplus Property Disposition	80	183	24	100	(83)	(45.4)
Total Administrative	\$3,038	\$81,521	\$78,466	\$78,193	(\$3,328)	(4.1) %

Other Budgets

Other budgets include debt service, donations to other governments, and tax collection fees. 2018 debt service is budgeted at \$146.2 million and includes interest, principal repayments, and financing expenses. Cash donations to other governments are budgeted at \$5.0 million and tax collection fees are budgeted at \$6.1 million. Reserves totaling \$93.1 million will be set aside in 2018 but are not included in the spending authorization request.

Debt Service

As of July 31, 2017 Sound Transit has \$2.3 billion of outstanding long-term bonds. Bond proceeds finance construction of capital projects. Interest on long-term debt is capitalized to fixed assets to the extent that the underlying debt funds construction in progress; otherwise it is expensed.

On June 22, 2017, Sound Transit executed the second Transportation Infrastructure Finance and Innovation Act (TIFIA) loan under the Master Credit Agreement for the Operation and Maintenance Facility East for up to \$87.7 million. In addition, the TIFIA loan for the East Link Extension for \$1.3 billion was executed on January 16, 2015 and the first TIFIA loan under the Master Credit Agreement for the Northgate Link Extension for \$615.3 million was executed on December 22, 2016. Sound Transit has not drawn on any of the executed TIFIA loans and has no debt outstanding. Currently, there are no future debt service requirements planned for these TIFIA loans.

For 2018 debt service is budgeted at \$146.2 million including:

- \$35.6 million of principal repayment;
- \$95.3 million of capitalized interest;
- \$14.3 million of interest expense;
- \$1.0 million for financing expenses.

Donations to Other Governments

Sound Transit makes donations to other governments in the form of non-cash capital assets or cash contributions for operations and maintenance. A \$5.0 million cash donation to the city of Seattle for First Hill Streetcar operating and maintenance expenses is budgeted for 2018.

Tax Collection Fees

Sound Transit pays the Department of Revenue (DOR) fees for the collection and administration of sales taxes and rental car taxes, and the Department of Licensing (DOL) fees for the collection and administration of motor vehicle excise taxes. These were previously budgeted in the Finance & Information Technology Department. The DOR and DOL fees are budgeted at \$6.1 million in 2018.

Reserves

Sound Transit maintains reserves in anticipation of future financial obligations. Additional reserves included in the ST3 Plan approved by voters in November 2016 are included in the proposed 2018 annual budget. Amounts budgeted as reserves are not included in our spending authorization request. If reserved funds are to be used, the Board's approval is required in advance.

- \$5.5 million contribution to the emergency/loss reserve to cover the retention/deductible in the event of an insured loss. The reserve balance is currently \$18.1 million.
- \$76.9 million for an operating reserve consisting of two months of operating expenses consistent with the Board-adopted financial policies.
- \$5.6 million contribution to the insurance systemwide reserve to partially pay for builders' risk insurance in conjunction with funds provided by building contractors. There is currently no reserve balance.
- \$5.0 million contribution to the systemwide contingency reserve to cover any unforeseen events. There is currently no reserve balance.

- \$300 million minimum Capital Replacement Reserve to be maintained by the agency for unanticipated or emergency capital replacements. The reserve balance is projected to be \$321.5 million for the end of 2017. In 2015 the Sound Transit Board adopted an Asset Management Policy to establish state of good repair funding guidelines. State of good repair projects will be established and funded as needed. A 40-year forecast will be maintained and included in the agency's Financial Plan.



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Sound Transit plans, builds and operates regional transit systems and services to improve mobility for Central Puget Sound.