

Spokane Transit Authority
1230 West Boone Avenue
Spokane, Washington 99201-2686
(509) 325-6000

BOARD OF DIRECTORS

Draft Minutes of the June 15, 2006, Meeting
City Council Chambers
808 West Spokane Falls Blvd., Spokane, Washington

MEMBERS PRESENT

Brian A. Sayrs, Small Cities, Chairman
Dick Denenny, City of Spokane Valley
Mark Richard, Spokane County
Todd Mielke, Spokane County
Richard Munson, City of Spokane Valley

STAFF PRESENT

E. Susan Meyer, Chief Executive Officer
Jim Plaster, Director of Finance and Administration
Steve Blaska, Director of Operations
Kim Traver, Light Rail Project Manager
Various Other Staff Members

MEMBERS ABSENT

Nancy McLaughlin, City of Spokane
Allan Gainer, City of Cheney
Brad Stark, City of Spokane
Al French, City of Spokane

PROVIDING LEGAL COUNSEL

Laura McAloon, Preston, Gates & Ellis LLP

GUESTS

John Lackey and David Knowles, David Evans and Associates
Roy Koegen, Koegen Edwards LLP
Bill Starkey, Northwest Securities
Peter Fortin, former Spokane Finance Director

-
1. **CALL TO ORDER AND ROLL CALL**
Chairman Sayrs called the meeting to order at 5:32 pm and conducted roll call.
 2. **RECOGNITIONS AND PRESENTATIONS**
 - A. **Years of Service Awards**
Mr. Doolittle read the names of employees with 5, 10, 15 and 25 years of service. These employees were commended for their years of outstanding service to STA and the community.
 - B. **Second Quarter 2006 Employee Recognition Winners.**
Mr. Doolittle read the names of those employees who won the employee recognition awards for the months of March, April and May. This program was approved by the Board to acknowledge employees who go the extra mile in the course of their work.
 - C. **Carla Forgey – Retirement**
Mr. Blaska recognized Ms. Forgey, Coach Operator, for her exceptional customer service to the public over the past twenty-six years on the occasion of her retirement.
 - D. **Naomi Chester – Retirement**
Mr. Plaster recognized Ms. Chester for her sixteen years of service, both as Executive Assistant in the Finance Department, and also in the Operations Department. Ms. Chester has been dedicated to STA's success and has shown the highest level of professionalism.

Mr. Sayrs thanked the employees for their dedication and service.
 3. **PUBLIC EXPRESSIONS** None
 4. **CITIZEN ADVISORY COMMITTEE (CAC) REPORT**
The latest CAC report was included in the Board Members' folders.

5. BOARD ACTION: CONSENT AGENDA

- A. Minutes of the May 18, 2006, Board Meeting.
- B. Minutes of the May 18, 2006, Study Session.
- C. Minutes of the April 20, 2006, Board Meeting.
- D. May 2006 Vouchers. Approve voucher and warrant numbers 538832 through 539343 totaling \$2,478,854.55.
- E. Award of Contract for Fare Collection.
- F. Award of Contract for Bus Shelters.
- G. Award of Contract for Linen Supply.
- H. Washington State Special Needs Grant for "Feed Spokane" Bus Pass Pilot Program.
- I. Clarification of Fare Structure Approval for January 2007 Figure Skating Championships.

Mr. Sayers advised that since item I. is a fare change it requires a majority vote by the Board, i.e. five votes in favor. Mr. Richard asked that item I. be taken off the consent agenda and handled separately. **Mr. Denenny moved to approve the consent agenda with item I. removed; Mr. Munson seconded.** Mr. Mielke said that he would like the minutes, items A, B, and C, removed from the consent agenda since he did not attend those meetings and did not feel comfortable approving them in a consent agenda. Mr. Sayers proposed two consent agendas. Ms. McAloon said there was a motion currently on the table that needed to be dealt with. **Mr. Denenny withdrew the motion and Mr. Munson withdrew his second. Mr. Denenny moved to approve consent agenda items A – C; Mr. Munson seconded and the motion passed with Mr. Mielke abstaining. Mr. Richard moved to approve items D – H on the consent agenda; Mr. Munson seconded and the motion passed unanimously.**

I. CLARIFICATION OF FARE STRUCTURE APPROVAL FOR JANUARY 2007 U.S. FIGURE SKATING CHAMPIONSHIPS.

Mr. Blaska explained that in 2005 the Board approved a special fare structure to support Spokane's hosting of the 2007 US Figure Skating Championships, and to pursue FTA approval to provide complimentary service to credentialed personnel of the event. The charter service did not meet the FTA criteria. However, the wording of the Board's motion did not specifically address approval of free service for credentialed personnel on the open-door public service. Thus, STA requests that the Board adopt a fare policy for a general public fare of \$.50 for a one way shuttle service, \$2.00 for a system wide day pass, and \$10.00 for a system wide eight day event pass. Complimentary service for credentialed personnel is also requested in exchange for the value of advertising and marketing for public transportation provided by STAR USA, the event organizer. **Mr. Munson moved to approve the item as presented; Mr. Denenny seconded and the motion passed unanimously.**

6. BOARD ACTION: OTHER ITEMS None.

7. BOARD INFORMATION

- A. Committee Minutes. As presented.
- B. Miscellaneous Correspondence. As presented.

8. CEO REPORT

Ms. Meyer reported that the Board just approved the Washington State Special Needs Grant for "Feed Spokane" Bus Pass Pilot Program and she wanted to further clarify the program. It is a collaboration between STA, SNAP (Spokane Neighborhood Action Program), and "Feed Spokane" (a coalition of meal providers). SNAP conducted research to find

out if there were adequate locations where free meals were provided and found there were, however, there was a barrier due to a lack of transportation. Ryan Stewart of STA's Planning Department mapped bus stops in relation to the meal sites and found that there were bus routes serving them. For one year, STA will provide 50 bus passes a month to those people below the poverty level, as described by federal guidelines, who do not qualify for free bus passes through any other means. These passes will be administered by SNAP at the various meal locations. The cost is \$19,800 which is available through a Washington State special needs grant. After the first year, the program will be assessed and a recommendation will be brought before the Board as to whether to continue.

April year-to-date ridership for fixed route is up over 7% with total ridership up 6%. On Paratransit, ridership is up 4.5%, total hours were up 3.6% due to the addition of three special use vans, and the on-time performance was 94.2%. The rideshare program had an increase of 20.6% and there is a lot of demand for this service. Currently, there are 53 vans in service. Operating revenues year-to-date are unfavorable by 1.3%, but increased by 4.5% over 2005. Total revenues were 5.8% over budget and increased by 11.0% over 2005. Expenses year-to-date are 2.1% below budget and 17.6% over 2005. An unbudgeted, retroactive pay increase to ATU #1015 employees of \$750,000 was paid in April. The combined year-to-date favorable revenue and operating expense budget variances are \$1.34 million. There are a number of job openings at STA. Cliff Schlienger has been promoted to Security Coordinator. Mr. Mielke asked how much of the 17.6% over 2005 was due to the retroactive pay to ATU #1015. Mr. Plaster replied that it was approximately 3% to 5% since the largest part of the 17.6% is the 2005 service increase of 14.7%.

9. STAFF REPORTS

A. Light Rail Report.

Mr. Traver noted that the purpose of the report was to present the proposed funding strategy as directed by the Board last month. 2014 is used as the year of implementation for planning purposes. Mr. Munson asked about alignment and added that the location of the sewer pipe on Appleway would be difficult to work around. He said there is more space available on the north or south side. Mr. Traver said this can be addressed within the next design phase, and the next step is to advance the technical design in cooperation with all jurisdictions. Mr. Munson wanted to make sure that the plan is flexible and all interested parties can work together on it. Mr. Sayrs said a major consideration is whether the road is one or two-way as to where the track would be placed in the right-of-way. Mr. Traver said the position of utilities would also be taken into account in the placement. Mr. Richard said initial studies indicated that the placement would be on the north side of the right-of-way and the first part of the Appleway couplet was built on the south side. In addition to the sewer, there would also be possible adverse affects on the existing couplet. He added that as an alternative, STA could allow for track to be built on another corridor such as Sprague Avenue. He commented that Board members sit on other Boards and hear dialog from different sources and perspectives. Mr. Traver said there is a Technical Advisory Committee for the light rail project comprised of engineering staff from the affected jurisdictions. Initially, the committee considered it advantageous to be on the north side but after much discussion, the north side was not considered the best alignment with respect to neighboring businesses and with regard to traffic safety. He continued to explain the various ways the placement could be made on one and two way roads if the Appleway couplet were to be extended. These issues will all be addressed during preliminary engineering. Mr. Munson invited input from STA in Spokane Valley planning meetings pertaining to Appleway. Mr. Traver said he will participate. He said that the idea of moving the proposed alignment to Sprague Avenue was initially suggested and staff looked at many different proposals. This proposal was rejected by the Steering Committee, the Technical Advisory Committee and the Citizens Advisory Committee. Mr. Mielke commented that looking at the south side as a potential placement would mean taking out blocks of property whereas the north side has more vacant land. He continued that the project should be considered in the most cost-effective method possible, sensitive to financial aspects. Digging up a mile section of the Appleway couplet to move it 24-feet further north would not be feasible as opposed to re-routing the rail and putting it on the opposite side. The community can become upset when good roads are dug up due to the fact that, for example, a sewer pipe needs to be put in after the fact. Mr. Traver advised that the Committee is recommending a single-track alignment so the relocation of the road may not occur until the system is dual-track, which may coincide with maintenance of that road.

The next stage will take the project to about a 35% design completion. Mr. Traver made a presentation showing the major elements of work through the year 2014, which is the proposed implementation timeframe. He noted that the Board made it clear that it did not want to advance the project beyond its current state without concurrence of the voters. The Light Rail Steering Committee's proposal is for the Board to take an advisory vote in September or November 2006,

asking for public approval to move forward with the project using existing STA funds, and then a second vote would be taken in the fall of 2008 or spring of 2009 which would be for a full funding commitment from the community. Mr. Richard asked if the first vote would include purchase of property for right-of-way as well as engineering and environmental studies. If so, why is the graph showing that purchase of right-of-way begins before the vote. Mr. Traver explained that much of the right-of-way is in public ownership already and so that process has already started. Mr. Sayers said that the funding acquired in the prior election was specified to be used for STA current operations only, not for the light rail project. The expectation was that when the light rail project ran out of Federal grant funding, it would be referred back to the public to then vote specifically for continued funding of the project. Mr. Sayers said the City of Liberty Lake has already purchased right-of-way that could be used for this project. Mr. Richard commented that the current funding for the planning phase of the light rail project is largely federal funds, but any future funding of the project would be local. Mr. Traver said the project has not run out of funds yet, but the bulk of the federal funds have been spent. The consultant's part will be finished by the end of June, and there are insufficient funds left to do any more substantive work.

Mr. Traver introduced Mr. John Lackey of David Evans and Associates to outline the cost aspects of the project. The Steering Committee established a ceiling not to exceed \$300 million in 2006 dollars. Following a reassessment of the costs, the current recommendation is \$263 million. This figure is approximately \$381 million in cumulative year-of-expenditure dollars. These figures include an escalation and inflation amount based on increased costs for highways, light rail vehicles, and the consumer price index since 2004. Mr. Mielke asked how much of this is the cost of right-of-way acquisition. Mr. Lackey said it is approximately \$30 million. Mr. Mielke asked if the operations component of other systems had been researched as to what type of escalation they had experienced. Mr. Lackey said the risk assessment model had not been applied to operating costs, but the proposed operational costs are on the conservative side. In the next phase, an operational cost assessment would be detailed. Mr. Sayers commented that the highest cost of running a bus system is labor and wouldn't that be the same for light rail. Mr. Lackey said it was not such a high percentage since the vehicle would carry more passengers than a bus, creating a greater efficiency, and the farebox recovery ratio in a rail system is higher than a bus system. Mr. Lackey explained that a complete risk assessment process has been completed to help realize the effects of uncertainty. This helps to prioritize those risks that must be dealt with as the project develops. If the project is delayed or extended out beyond 2014, the escalated costs will be higher, which is a major risk. In addition, risk items include the purchase of real estate, roadway interfaces, and other related items. In order to control the risks it is important to purchase real estate as soon as possible and work with other jurisdictions in the planning phases. Mr. Sayers asked if agreements with other jurisdictions would happen after the 35% design effort. Mr. Lackey said they could be drafted as part of that design effort and updated later. Good station area planning is very important.

Mr. Lackey introduced Mr. David Knowles of David Evans and Associates to address proposed funding for the project. He explained that the object was to ascertain whether there was a feasible way to pay for the project, what sources of revenue would make sense, and identify who the financial partners would be. The largest revenue would likely come from a sales tax. STA's maximum authority for sales tax is 0.9% (the current rate is 0.6%) and a High Capacity Transit system, administered by STA, could collect an additional 0.9%. A Transportation Benefit District, created by the Board of County Commissioners or by local governments and cities through an interlocal agreement, could impose 0.2% sales tax and has higher bonding capacity. Mr. Munson asked if those would only be the cities served by the light rail system or county wide. Mr. Knowles said that would be a political decision and the district could be bigger or smaller than the current service area. The most feasible funding option would be for STA, as the current transit service provider, to use its sales tax authority up to 0.9% and the additional 0.9% for light rail. Other funding options include local commitments through tax increment financing or a gas tax, and Section 5307 federal funds, which are currently used by STA for preventive maintenance, to be channeled to the project instead. Other federal funding opportunities include annual congressional appropriations, grants and transportation authorizations. Once in place, the light rail system would require \$9.3 million (2014 dollars) in operational costs with \$5 million from the increased sales tax and the remainder from the farebox revenue and STA's existing revenues. Mr. Munson said the record of approval for increased sales tax is not good. What would be the effect of a one to three year delay on the project. Mr. Knowles said that a delay would result in escalated costs. Elections help educate the public about the project and identify concerns. Mr. Richard asked about the \$5 million dollars in sales tax to operate the project once it is in place in 2014. Mr. Knowles said that the debt service remains constant throughout that period at \$13.6 million. In 2014 there would be more than that amount being collected, assuming a modest growth in sales tax revenue. Ms. Meyer asked on what return rate was the farebox revenue based.

Mr. Knowles said they used 20%, which is quite conservative for light rail. Ms. Meyer asked about the existing revenues of \$2.5 million. He said these may be available during the course of the project as capital funds, which could then be available to operating expenses when the project is completed. Mr. Denenny asked what kind of competition there is for the federal funding. Mr. Knowles said that question comes back to the region and is decided by political leaders based on the level of priorities. Mr. Munson asked if Mr. Koegen could describe the size of the Transportation Benefit District. Mr. Koegen said previously the boundaries had to be co-terminus with the boundaries of the counties or cities. This was changed in the 2006 legislative session to define a benefit area like a local improvement district and they no longer have to be co-terminus. Mr. Denenny asked if the sales tax would be drawn from the total county. Mr. Knowles said it was based on the current PTBA. Mr. Richard asked about competing with other projects such as the North/South Corridor, bridging the Valley, and others that STA was trying to steer away from. He asked if STA could apply for federal funding from, for example, the Small Starts Program. Mr. Traver said the Small Starts Program has not yet been implemented. The FTA is currently working on requirements and will not be ready to implement it until at least 2008. STA's project would be disqualified from that program anyway since the cost is higher than the program limits. Another disqualifier is that a 10-minute frequency of service would be required and the Steering Committee has recommended 15-minute service intervals. There is another program called "Very Small Starts," which has additional constraints pertaining to overall cost and end of line requirements. Mr. Traver said the Spokane area does not reach the minimum requirements for congestion relief needed to qualify for FTA New Starts funding.. Mr. Richard asked if, based upon current growth estimates by 2014, it could be anticipated that the congestion requirements may be met at that time. Mr. Traver said that might be possible. This analysis is undertaken continuously, and the current measure of incremental cost per travel time savings is \$23 versus the modeled costs of about \$40, so it is currently not competitive.

Mr. Traver said the consultant's contract will expire at the end of June. The Steering Committee will ask for a recommendation from the Board with respect to further project development at the July Board meeting. Mr. Richard asked if the consultant's final report will include timelines for potential funding sources, and maximums that could be expected from these sources so that Board members may review and discuss feasibility. Part of the guesswork is to analyze local willingness to provide funding. Mr. Denenny said that Mr. Traver already has a spreadsheet showing the funding sources. Mr. Traver said the consultant's report should have more detail, however. Mr. Munson said there are immediate decisions to be made and some that could be delayed. The most immediate is to decide what type of a vote should there be and when. Mr. Richard said the feasibility concept should be decided first before asking for an advisory vote on the existing revenue streams. He suggested the wording of the initial vote could be to ask if the public recommends STA use a certain dollar amount of current revenue for right-of-way acquisition, preliminary engineering, and environmental work. Potentially another vote would be taken in 2009 with a request for additional funds to enter into the next phase.

Mr. Sayrs announced the lack of a quorum as Mr. Denenny departed at 7:20 pm and no further action can be taken by the Board.

B. Financial Projection Updates

Ms. Meyer said that the presentation will include financial scenarios that would allow the Board to roll back the sales tax to 0.5% following a discussion from the Board. Alternatively the 0.1% savings could be used for potential light rail funding. Mr. Plaster thanked Jim Richey for his assistance with the presentation. The financial update includes the option of a temporary two year reduction to 0.5% sales tax in 2007 and the consequence of a permanent reduction. The assumptions are that the sales tax has an annualized growth rate of 3%, except for 2007 when the growth rate is 8% due to a current surge in sales tax growth. At this point, Mr. Richard noted that the light rail project consultants were about to leave the meeting and thanked them for all their work. Mr. Plaster noted other assumptions including an operating expense growth after 2006 of 3% with no additional light rail funding; the fact that fixed route service does not increase until 2014; paratransit growth is at 2% annually, and estimated labor cost increases.

Mr. Plaster said that if STA continues with the 0.6% sales tax funding, cash would decrease to \$20 million by the year 2020 and would be used completely by 2024. Mr. Mielke asked if the sales tax growth in 2006 was due to the surge in construction which has now slowed. Mr. Plaster said that it is a contributor. The 2005 fall service plan implementation has been captured in this forecast. This was an increase of 14.7% in fixed route service. Fuel and insurance costs have increased and the Board has designated cash of \$29 million in the 2006 budget. The Transit Development Plan has also been included in this projection. Mr. Plaster said that if the sales tax were reduced to 0.5% temporarily for a period of

two years, existing services could be funded until 2020 at which time the cash would be nearly gone. A permanent reduction to 0.5% would fund services to 2010 only, after which service reductions of 15% in fixed route and 5% in paratransit would be required. Mr. Richard asked if any of these projections included additional light rail funds. Mr. Plaster said the projections do not include light rail funding, except for right of way preservation, but they do include a projection of \$18.5 million for cooperative street projects. The designated cash reserve of \$29 million includes scaled back self insurance funding; decreased local match for capital grants; two months' additional operating funds; and High Capacity Transit right of way preservation. In summary, at an ongoing sales tax level of 0.6% and no further fixed route service increases, cash is predicted to grow in the short term. A temporary two year reduction to 0.5% sales tax increase in 2007 would minimize cash growth but constrain service planning flexibility. Permanent reduction to a 0.5% sales tax in 2007 would result in reductions to service levels of approximately 15% in fixed route and 5% in paratransit. Mr. Says asked if the local match for capital grants totaling \$1.9 million is eliminated, does that mean STA cannot carry out the federal grants without those matches. Mr. Munson said that it is probably not the right time to cut the tax rate based on these projections. Mr. Plaster said that until a decision on the light rail project is made, it would probably be unwise to reduce the sales tax. Mr. Richard noted from the graphs that the service levels are maintained through 2013. Mr. Plaster said there is a 1.53% annualized increase in service levels after 2014. Mr. Mielke said the HCT was appropriated \$2 million in 2006 but what was the total fund balance. Mr. Plaster said it was not appropriated but it was designated in case there were any right of way purchases. Mr. Mielke asked if funds were appropriated for that purpose prior to 2006. Mr. Plaster said there were not. Mr. Richard asked if the \$2 million was reserved from the general fund balance or a particular revenue stream. Mr. Plaster said it was reserved from the total beginning of year cash balance. He added that compared to other transit agencies, STA does not have large cash balances.

- 10. NEW BUSINESS None
- 11. BOARD MEMBERS' EXPRESSIONS None
- 12. EXECUTIVE SESSION

At 7:45 pm, Ms. McAloon announced that the Board would adjourn for an Executive Session for the following purposes:

Discussion with Legal Counsel representing STA in litigation or potential litigation to which STA, the STA Board of Directors, or STA employees are, or are likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to STA.

While the provisions of the open public meeting law do not apply to planning or adopting the strategy or position to be taken by the Board during the course of ongoing collective bargaining and grievance proceedings, we are announcing our intent to discuss these matters also.

The STA Board of Directors will reconvene in open session at approximately 8:05 pm. If it becomes necessary to extend the executive session, a member of the staff will return to announce the time at which the STA Board will reconvene.

If any action is to be taken as a result of discussions in the executive session, that action will occur at the open public session.

Mr. Mielke said that in the absence of a quorum there would be no action taken except to adjourn.

At 8:05 pm Ms. McAloon announced that the Board of Directors would reconvene at 8:15 pm.
At 8:15 pm Ms. McAloon announced that the Board of Directors would reconvene at 8:20 pm.
At 8:22 pm the Board of Directors reconvened.

- 13. CABLE 5 BROADCAST DATES AND TIMES OF THE JUNE 15, 2006 BOARD MEETING

Saturday, June 17, 2006	4:00 pm
Monday, June 19, 2006	10:00 am
Tuesday, June 20, 2006	8:00 pm

14. NEXT COMMITTEE MEETINGS (STA Southside Conference Room, 1229 West Boone Avenue, Spokane, Washington, unless otherwise specified):

Operations and Customer Service Committee	1:30 pm, Wednesday, July 5, 2006
Light Rail Steering Committee	2:00 pm, Thursday, July 6, 2006
Citizen Advisory Committee	5:00 pm, Wednesday, July 12, 2006 (Northside Conference)

15. NEXT BOARD STUDY SESSION

July 20, 2006, at 4:15 pm, City Council Chambers, 808 West Spokane Falls Blvd., Spokane, Washington.

16. NEXT BOARD MEETING

July 20, 2006, at 5:30 pm, City Council Chambers, 808 West Spokane Falls Blvd., Spokane, Washington.

17. ADJOURNED

With no further business to come before the Board, Mr. Sayrs adjourned the meeting at 8:25 pm

Respectfully submitted,

Jan Watson
Clerk of the Authority