



# 2011 Draft Budget

Board Meeting  
October 20, 2010

# Mission

- We are dedicated to providing safe, accessible, convenient, and efficient public transportation services to Spokane neighborhoods, business and activity centers;
- We are leaders in transportation and a valued partner in the community's social fabric, economic infrastructure, and quality of life;
- We aspire to be a source of pride for the region.

# Organizational Priorities

- Emphasize safety in all aspects of our operations
- Provide outstanding customer service
- Earn the community's trust
- Provide organizational & employee development

# 2011 Budget Guidance

- Sustain quality – regardless of service level.
- Preserve essential capital projects.
- Maintain flexibility – add revenue or reduce service when required.
- Continue with sustainable plan by avoiding long-term commitments that may not be funded.
- Implement phase 2 of service reduction plan.





# 2011 Primary Budget Assumptions

# Economic Outlook

- Economic activity is “muddling along” and the recovery is expected to be painfully slow
- Poor GDP and anemic job growth predicted by some economists for the next 3 – 5 years.
- The economic outlook has significantly weakened in the last three months
- Increased uncertainty and downside risk

# Sales Tax Assumptions

	<u>2010 Budget</u>	<u>2011 Preliminary</u>	<u>2011 Budget</u>
2008 Actual	-3.5%		
2009 Actual	-8.4%		
2010 Budget / Projection	-1.6%	-2.8%	-2.8%
2011 Projection	<u>2.0%</u>	<u>-2.0%</u>	<u>-2.0%</u>
2012 Projection	3.0%	0.0%	0.0%
2013 Projection	3.0%	3.0%	2.0%
2014+ Projection	3.0%	3.0%	3.0%
<b>Estimated Decrease in Sales Tax Revenue 2007 - 2015</b>	<b>\$80.7M</b>	<b>\$97.3M</b>	<b><u>\$98.6M</u></b>

<u>Jurisdiction</u>	<u>2010 YTD (Sept.)</u>	<u>2011 Assump.</u>
City of Spokane	-1.5%	-0.5% to 0.5%
Spokane Valley	-1.5%	-2.5%
Spokane County	-1.2%	-1.2%

# Cost Containment Initiatives pg. 1

- Budget Conservatively – Manage Effectively:
  - Projected 2010 favorable operating expense variance of \$4.0M - \$4.5M
- \$1M Capital Savings from First Transit Two Year Contract Extension (2011 – 2012)
- \$22.3M Reduction in 2011 – 2015 Capital Plan Primarily due to Deletion of Vehicles and Building Expansion

# Cost Containment Initiatives pg. 2

- Reduce approximately 50 positions by 2013 in process of service reductions
- 2010 Salary Adjustments
  - 0.0% Management & Administrative
  - 1.0% AFSCME-3939 (Paratransit)
  - 1.0% ATU-1598 (Supervisors)
  - 1.5% ATU-1015 (FR Operators, Maintenance, CS, Etc.) for last 6 months of contract
- Increased employee medical premium share to 5% / 15%
- Negotiated Medical & Retirement Plans to achieve significant long-term savings

# Cost Containment Initiatives pg. 3

## ■ Cancelled

- Service Increases
- Facility Expansion
- Park and Ride Expansion
- 3 Non-Revenue Vehicle Replacements
- 6 Non-Revenue Vehicles Replaced with Retired Rideshare Vans
- Ticket Vending Machines

## ■ Extended

- Vehicle Replacement
  - Vanpool: from 5 years to 8-9 years
  - Paratransit: from 7 years to 8-10
- Smart Bus (2013/2014)
  - GPS / AVL
  - Real Time Bus Location & Information to Customers
  - Automated Passenger Stop Announcements
  - Passenger Counters
- Plaza: Internal Improvements (2012)

# Cost Containment Initiatives pg. 4

- Facility and Maintenance Projects Deferred:
  - Bus Washer (2013)
  - Paint Booth (2016)
  - Street Tree Grates (2012)
  - Underground Storage Tanks (2016)
- Document Management System Deferred (2012)
- Defer 9 Essential Positions

# Sustainable Plan Assumptions

- Phased Fixed Route Service Reductions
  - 2010: 3% (13,536 Annualized Revenue Hours)
  - 2011: 7% (Estimate)
  - 2012: 7% (Estimate)
- Achieves required reduction of 50+ positions and at least \$22.3M in associated capital



# Draft 2011 Budget

# Draft 2011 Strategic Plan

## ■ Service

### ■ Fixed Route

- Reduce service by approximately 7%
- Retain 85% of our 2009 ridership level (9.4M rides)

### ■ Paratransit

- Modify service with fixed route changes
- Contain ridership growth to zero
- Add 5 vans to the Special Use Vanpool Program

### ■ Vanpool

- Deploy 10 new vans

# Draft 2011 Strategic Plan (Continued)

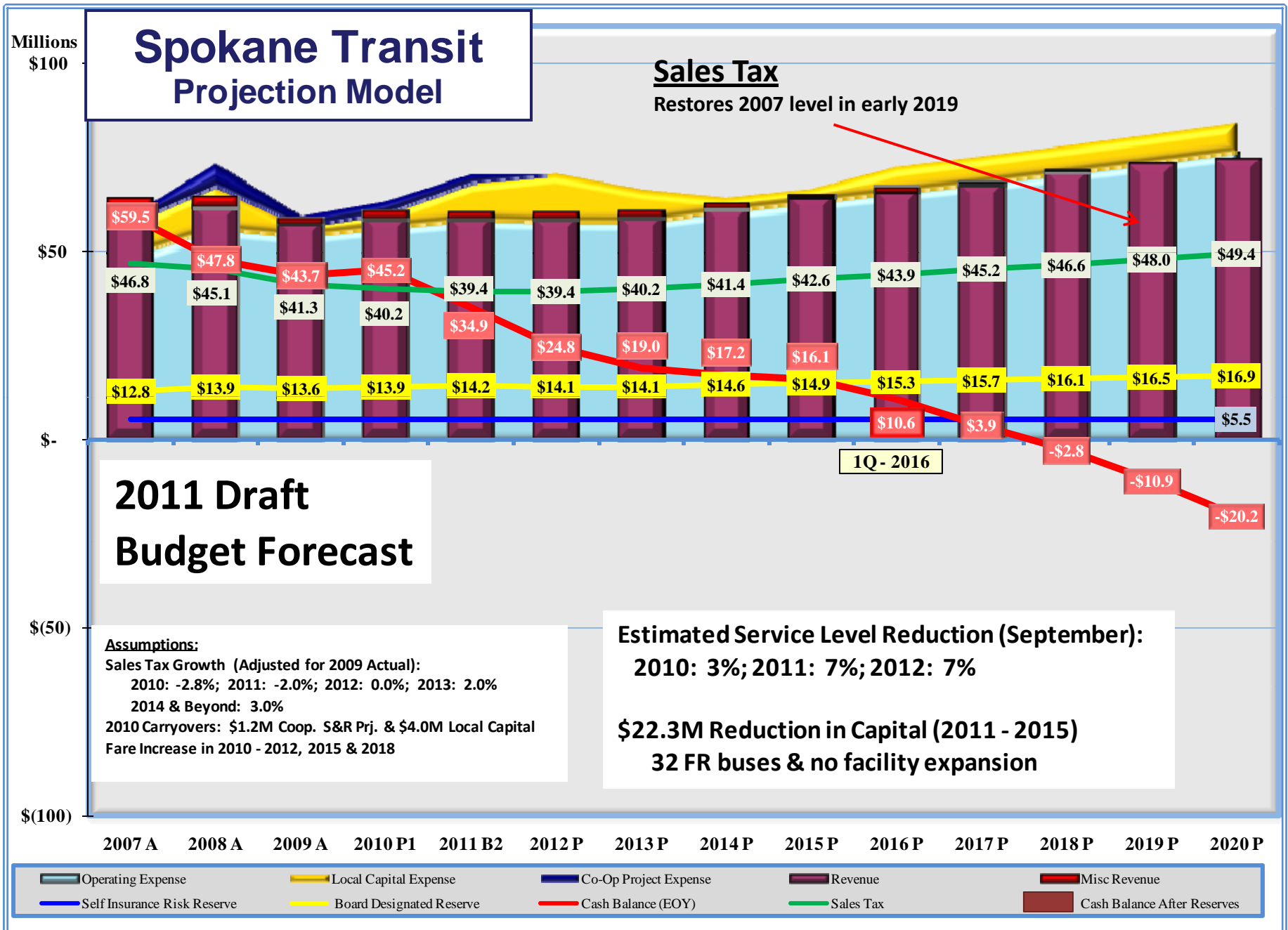
## ■ Major Projects

- Publish Central City Alternatives Analysis
- Continue Smart Bus Program (Cameras)
- Business System Upgrade
- Continue Plaza Improvement Program
- Implement In-Person Assessment Program for Paratransit eligibility
- Initiate FCC Required Radio System Project
- Complete Facility Master Plan
- Implement Trapeze Operations and Customer Service Modules
- Award of Contract for Vanpool Software
- Execute Extended Vehicle Replacement Plan

# Draft 2011 Strategic Plan

## ■ Constraints

- No New Positions in 2011
- Reduce the Scope of Phase 2 of Facility Camera Project
- Reduce all Travel not Associated with Training by 20% from 2009 Levels
- Constrain Training to 2009 Levels



# Spokane Transit Projection Model

**Sustainable plan through 2015.**

**Even though economy has worsened, deeper cuts are not required at this time.**

**2011 Draft  
Budget Forecast**

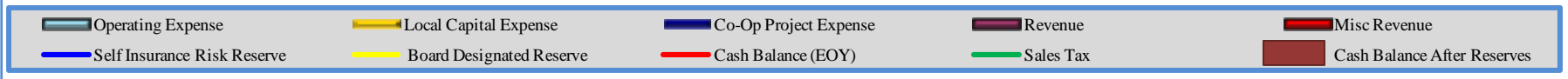
**We may have an opportunity to mitigate or defer the 2012 service reductions.**

**\$22.3M Reduction in Capital (2011 - 2015)  
32 FR buses & no facility expansion**

**Assumptions:**  
Sales Tax Growth (Adjusted for 2009 Actual):  
2010: -2.8%; 2011: -2.0%; 2012: 0.0%; 2013  
2014 & Beyond: 3.0%  
2010 Carryovers: \$1.2M Coop. S&R Prj. & \$4.0M Local Capital  
Fare Increase in 2010 - 2012, 2015 & 2018

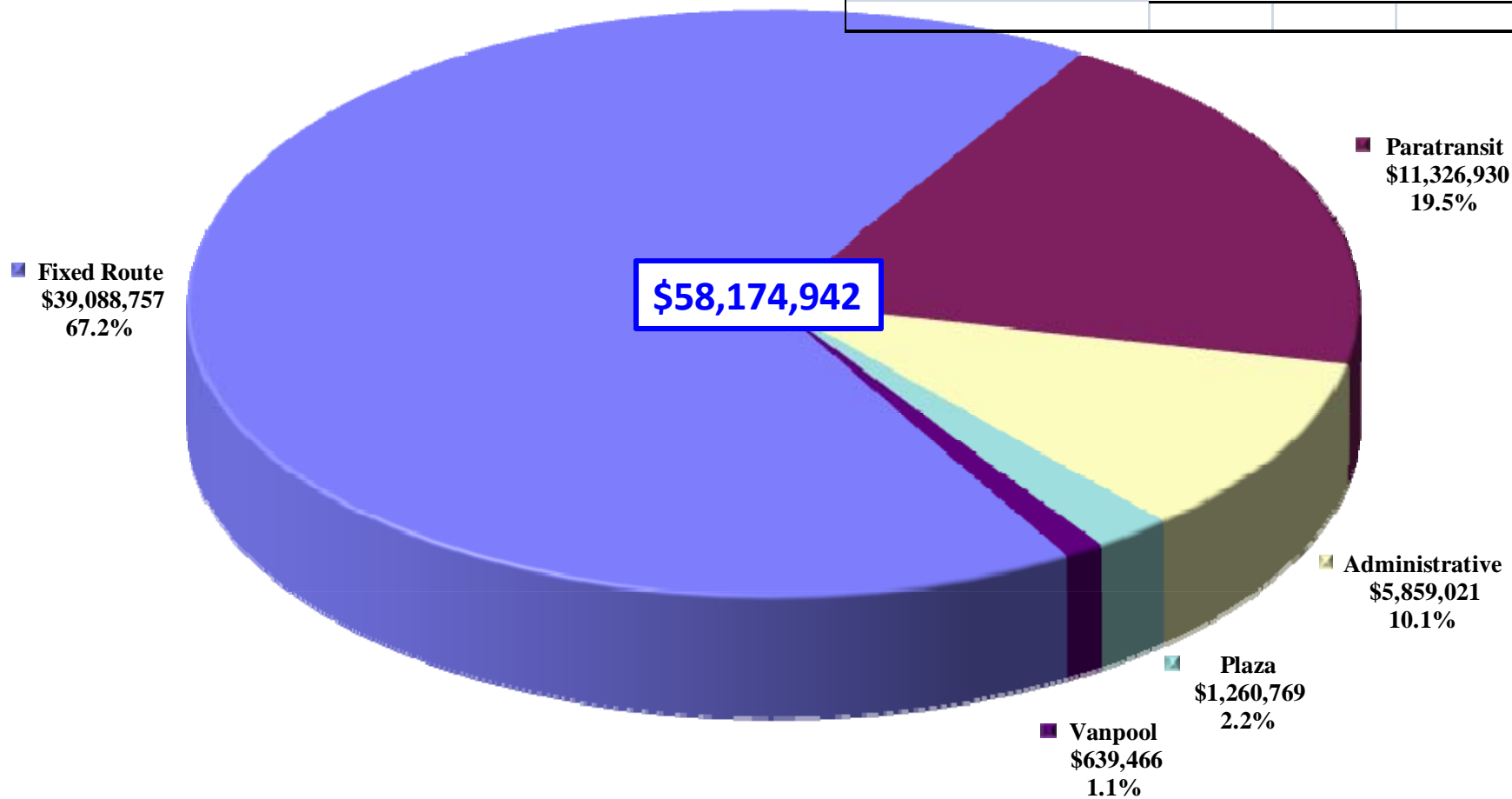
Millions  
\$100  
\$50  
\$-  
\$(50)  
\$(100)

2007 A 2008 A 2009 A 2010 P1 2011 B2 2012 P 2013 P 2014 P 2015 P 2016 P 2017 P 2018 P 2019 P 2020 P



# Operating Expense by Division (Excluding Capital Expenditures & Cooperative Projects)

Operating Expense (Million \$)	2011 Budget	2010 Budget	Change From 2010 Budget	% Change From 2010 Budget
Fixed Route	\$39.1	\$41.1	(\$2.0)	-4.8%
Paratransit	\$11.3	\$11.9	(\$0.6)	-4.9%
Vanpool	\$0.6	\$0.7	(\$0.0)	-3.9%
Plaza	\$1.3	\$1.3	(\$0.0)	-0.1%
Administrative	\$5.9	\$5.7	\$0.1	2.4%
<b>Total Operating Expense</b>	<b>\$58.2</b>	<b>\$60.6</b>	<b>(\$2.5)</b>	<b>-4.0%</b>

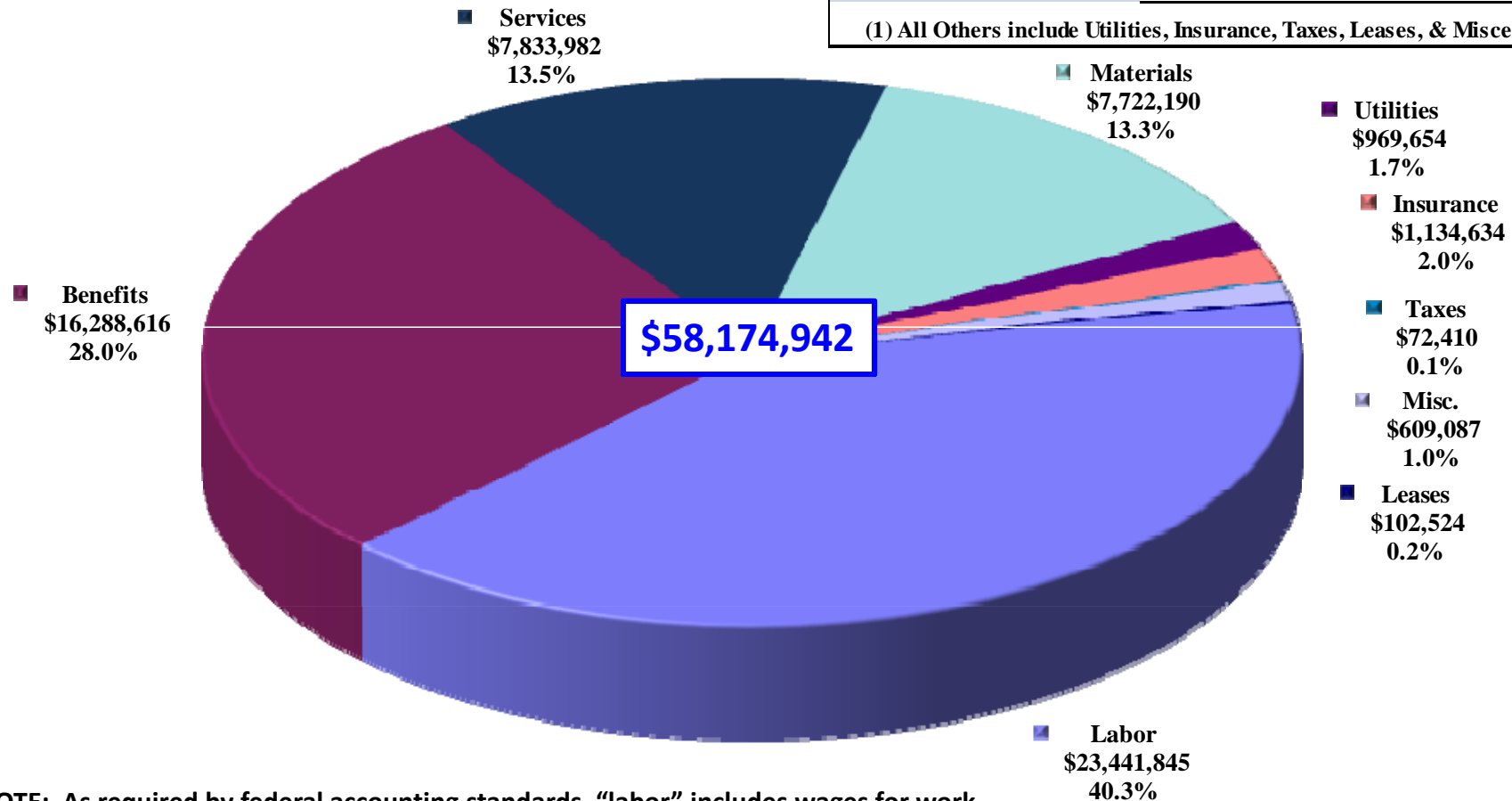


# Operating Expense by Object

(Excluding Capital Expenditures & Cooperative Projects)

Operating Expense (Million \$)	2011	2010	Change	% Change
	Budget	Budget	From 2010	From 2010
			Budget	Budget
Labor	\$23.4	\$24.2	(\$0.7)	-3.0%
Benefits	\$16.3	\$16.5	(\$0.2)	-1.1%
Services	\$7.8	\$8.2	(\$0.4)	-4.4%
Materials	\$7.7	\$8.8	(\$1.1)	-12.0%
All Others (1)	\$2.9	\$3.0	(\$0.1)	-4.3%
<b>Total Operating Expense</b>	<b>\$58.2</b>	<b>\$60.6</b>	<b>(\$2.5)</b>	<b>-4.0%</b>

(1) All Others include Utilities, Insurance, Taxes, Leases, & Miscellaneous



NOTE: As required by federal accounting standards, "labor" includes wages for work time only. "Benefits" includes wages for paid time off. "Materials" include fuel costs. "Services" include contracted transportation, legal, etc.

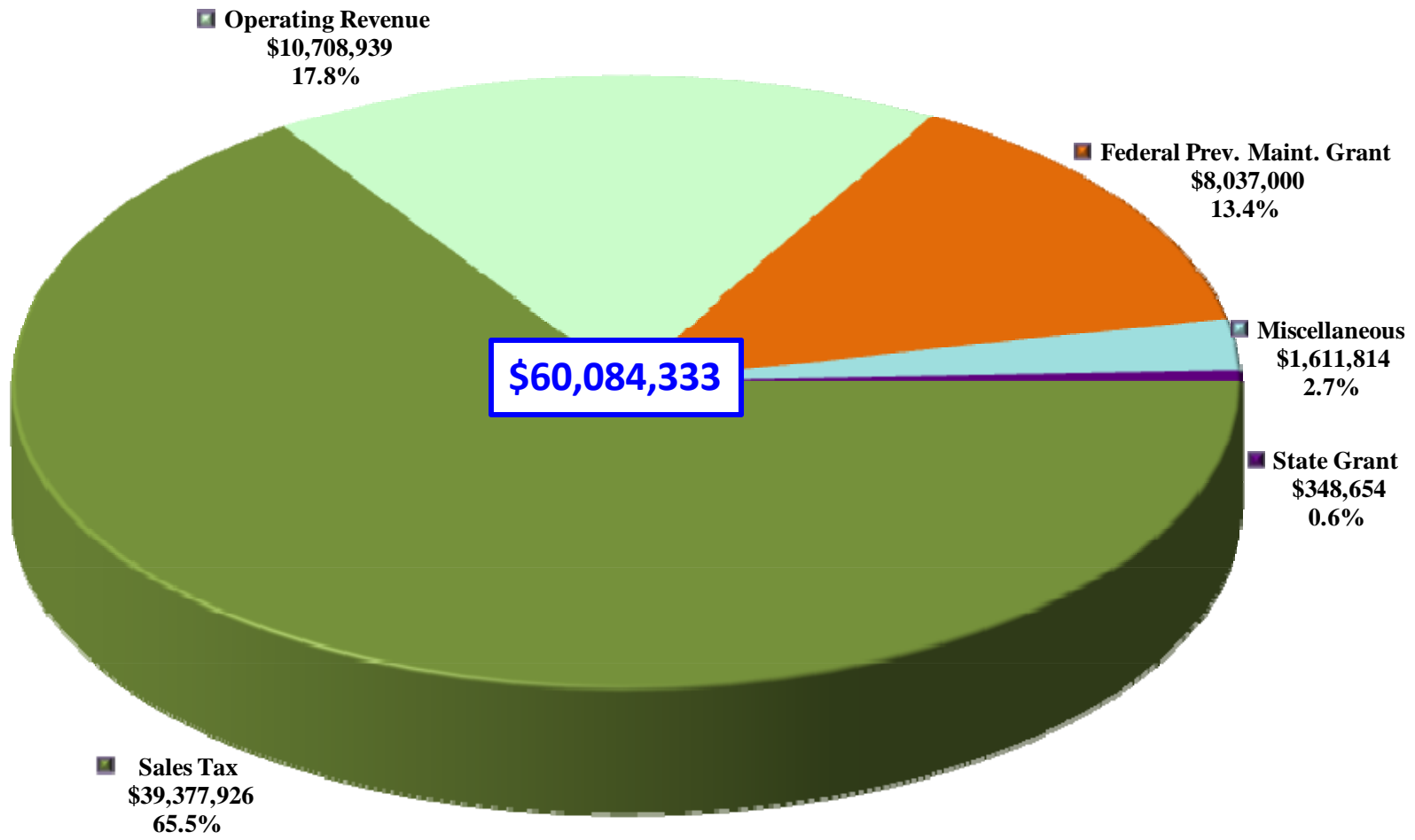
# Deferred Positions and Deferred Wage Adjustment

<u>Position</u>	<u>Justification</u>	<u>No.</u>	<u>Annual Cost*</u>
Transportation Supervisors	Restructure for CAD/AVL	3	\$276,493
Customer Service Representative-F/T	Increased Demand	1	\$55,068
2nd Class Mechanic	Expansion of Vanpool program	1	\$71,258
Paratransit Reservationist	Increased Demand	1	\$53,421
Web Developer	Bring function in-house	1	\$78,395
HR Specialist	Compensation & Benefits	1	\$78,395
IT Applications Specialist	Increasing Technology Requirements	1	\$97,463
<b>Total Deferred Positions</b>		<b>9</b>	<b>\$710,494</b>
M&A Salary Survey Adjustment			TBD
*Total Compensation			

# Estimated Revenue by Source

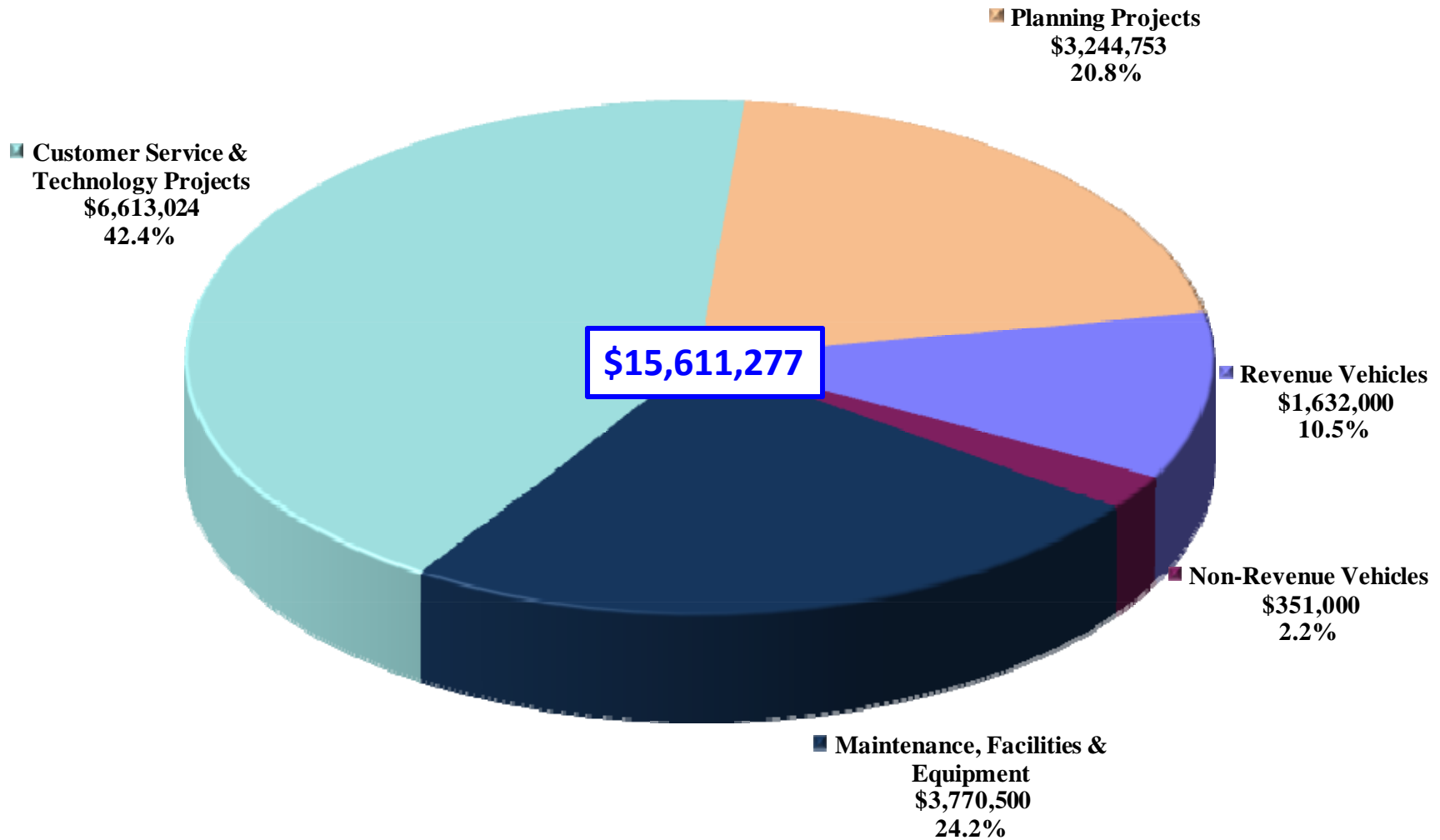
(Excluding Capital Assistance)

Percent of Revenue	2009 Act.	2010 Bud.	2011 Bud.
Sales Tax	69.8%	67.3%	65.5%
Operating Revenue	14.2%	15.7%	17.8%
Federal Prev. Maint. Grant	13.9%	13.3%	13.4%
Miscellaneous	0.9%	2.5%	2.7%
State Grant	1.3%	1.2%	0.6%



# Capital Expenditures

	Amount	Percent
Local Funds	\$10.0	63.9%
Federal Capital Grants	\$4.3	27.8%
State Capital Grants	\$1.3	8.2%
<b>Total Capital</b>	<b>\$15.6</b>	



## Source and Use of Funds

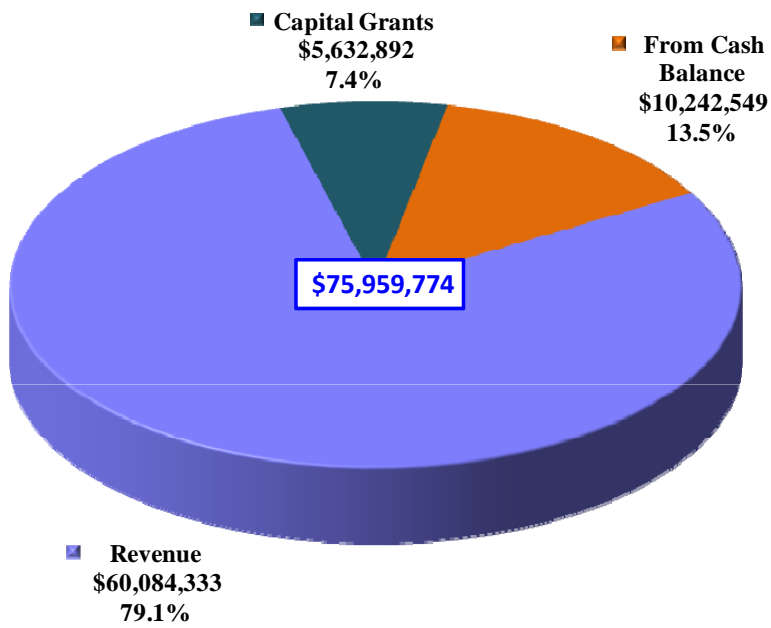
### Revenues:

Operating Revenues	\$10,708,939
Sales Tax	39,377,926
State Grant	348,654
Miscellaneous	1,611,814
Federal Prev. Maintenance Grant	8,037,000
	<hr/>
Subtotal: (Exc. Capital)	60,084,333
Federal Capital Grants	4,346,301
State Capital Grants	1,286,591
	<hr/>
Subtotal: Capital	5,632,892
Total Revenue	65,717,225
Decrease in Cash	10,242,549
	<hr/>
Total Source of Funds	<u>\$75,959,774</u>

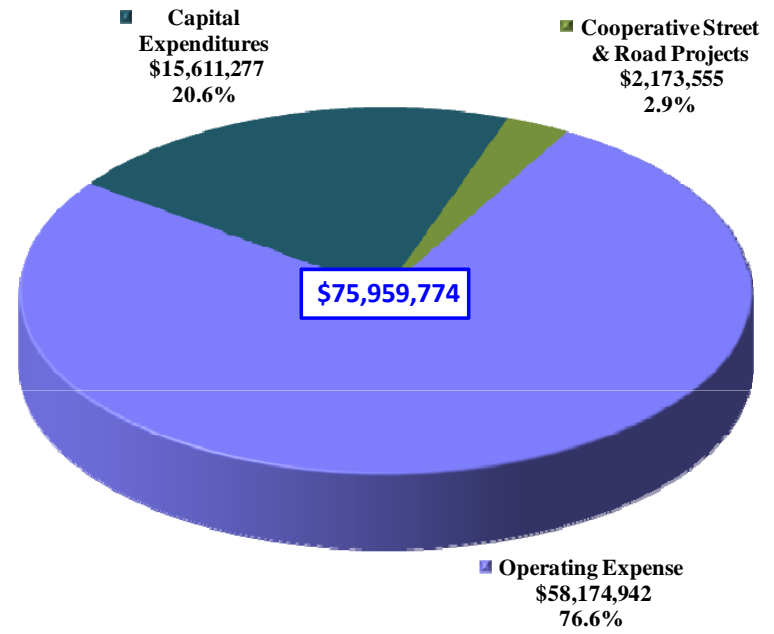
### Expenditures:

Fixed Route	\$39,088,757
Paratransit	11,326,930
Vanpool	639,466
Plaza	1,260,769
Administrative	5,859,021
	<hr/>
Operating Expense	58,174,942
Capital Expenditure	15,611,277
	<hr/>
Total Expenditures	73,786,219
Cooperative Street/Road Projects	2,173,555
Increase in Cash	-
	<hr/>
Total Use of Funds	<u>\$75,959,774</u>

### 2011 Budget - Source of Funds



### 2011 Budget - Use of Funds



# Cash and Reserves Analysis

	<u>2011 Budget</u>
<b>OPERATING ACTIVITIES</b>	
Revenue (excluding capital grants)	\$60,084,333
Operating Expense	<u>(58,174,942)</u>
<b>Revenue Over / (Under) Operating Expenses</b>	<b>\$1,909,391</b>
<b>CAPITAL ACTIVITIES (Local Funds)</b>	
Purchase of Property, Plant, and Equipment	(\$9,978,385)
Cooperative Street and Road Projects	<u>(2,173,555)</u>
<b>Total Local Cash Used for Capital Activities</b>	<b>(12,151,940)</b>
<b>NET DECREASE IN CASH</b>	<b>(10,242,549)</b>
CASH (Beginning of 2011)	<u>45,159,899</u>
CASH (End of 2011)	34,917,350
<b>RESERVES</b>	
Self Insurance Reserve	(5,500,000)
Board Designated Operating Reserve	<u>(8,726,241)</u>
<b>2011 End of Year Cash Balance After Reserves</b>	<b><u><u>\$20,691,108</u></u></b>

# 2010 Change in Cash

Estimated Decrease in Cash - 2010 Budget			(14,246,642)
<b><u>Adjustments</u></b>			
Capital Carryover	5,815,589		
Favorable Operating Expense Variance	4,497,514		
EOY 2009 Grant and Accrual Adjustment	4,200,418		
Cooperative Projects Carryover	1,179,000		
Total Adjustments			15,692,521
EOY 2010 Increase in Cash			1,445,879



# Questions on Operating Budget?

## 2011 Capital Budget

### Budgeted Projects

<u>Revenue Vehicles</u>	Quantity	Local	State	Federal	Total
Paratransit Vans	15	\$1,398,000	\$0	\$0	\$1,398,000
Vanpool Vans	9	\$234,000	\$0	\$0	\$234,000
<b>Total: Revenue Vehicles</b>	24	\$1,632,000	\$0	\$0	\$1,632,000
<u>Non-Revenue Vehicles</u>	Quantity	Local	State	Federal	Total
Non-Revenue Vehicles	6	\$351,000	\$0	\$0	\$351,000
<b>Total: Non-Revenue Vehicles</b>	6	\$351,000	\$0	\$0	\$351,000
<u>Maintenance &amp; Facilities</u>	Quantity	Local	State	Federal	Total
Boone - Facility Master Plan Program	0	\$610,000	\$0	\$0	\$610,000
Boone - Preservation and Improvements	0	\$1,044,446	\$0	\$1,836,054	\$2,880,500
Fleck Annex Preservation and Improvements	0	\$200,000	\$0	\$0	\$200,000
Miscellaneous Equipment and Fixtures	0	\$80,000	\$0	\$0	\$80,000
<b>Total: Maintenance &amp; Facilities</b>	0	\$1,934,446	\$0	\$1,836,054	\$3,770,500
<u>Technology &amp; Customer Service</u>	Quantity	Local	State	Federal	Total
Access and Security - Facility Cameras	0	\$410,000	\$0	\$0	\$410,000
Business Systems Replacement	0	\$80,000	\$0	\$320,000	\$400,000
Computers / Preservation and Maintenance Program	0	\$200,000	\$0	\$0	\$200,000
Fare Collection GFI	0	\$371,292	\$0	\$0	\$371,292
Operating & Customer Service Software	0	\$300,000	\$0	\$0	\$300,000
POS - Inventory Control	0	\$40,000	\$0	\$0	\$40,000
Radio Narrow Banding	0	\$1,750,000	\$0	\$0	\$1,750,000
Smart Bus	0	\$1,201,732	\$0	\$1,900,000	\$3,101,732
Vanpool Software	0	\$40,000	\$0	\$0	\$40,000
<b>Total: Technology &amp; Customer Service</b>	0	\$4,393,024	\$0	\$2,220,000	\$6,613,024
<u>Planning</u>	Quantity	Local	State	Federal	Total
Bus Stop Signage Replacement Project	0	\$6,500	\$0	\$45,491	\$51,991
Central City Line - HPT	0	\$125,000	\$40,000	\$160,000	\$325,000
High Capacity Transit Right of Way Preservation	0	\$450,000	\$0	\$0	\$450,000
Operational & Passenger Facilities Improvement Program	0	\$243,006	\$0	\$84,756	\$327,762
Plaza Renovation	0	\$843,409	\$1,246,591	\$0	\$2,090,000
<b>Total: Planning</b>	0	\$1,667,915	\$1,286,591	\$290,247	\$3,244,753
<b>Total Budgeted Projects</b>		\$9,978,385	\$1,286,591	\$4,346,301	\$15,611,277

# Outreach Process

- **October 20 Board Meeting:** Draft 2011 Budget
- **October 21 & 22:** Four Employee Briefings
- Individual Board Member Sessions if Requested
- **Early November:** Board Workshop if Requested
- **Early November:** Employee & Public Workshops
- **November 17 Board Meeting:** Public Hearing on Proposed Budget
- **December 15 Board Meeting:** Adoption of Budget