



2012 Proposed Operating and Capital Budgets

Board Meeting & Public Hearing
November 16, 2011



Mission

- We are dedicated to providing safe, accessible, convenient, and efficient public transportation services to Spokane region's 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

2012 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.
- Prepare for phase 3 service reduction.



Economic Outlook

Washington Economic and Revenue Forecast Council's Economic & Revenue Update at October 11, 2011

- “The state’s economy is likely to outperform the U.S. in the near term.”
- “Washington exports were up 31.5% in the 2nd quarter of this year compared to previous year. Construction, however, remains weak and has a disproportionately negative impact on revenue.”
- “... the state’s economy is vulnerable to the uncertainty about the prospects for the national and global economies.”



Economic Outlook (continued)

Governor Gregoire's Budget Reduction Announcement on October 27, 2011

- We've already cut \$10 billion from state government over the last three years, which leaves very few options moving forward.
- ... the work of slashing our budget by another \$2 billion would be dreadful, and that's what it is. Washingtonians are going to get a lot less of what they need."
- "These choices were made out of necessity due to a drop in consumer confidence brought on by actions on Wall Street, inaction by Congress and the European debt crisis."



City of Spokane & Spokane County Building Permits

City	Permits	Valuation
January - September 2011	9,598	\$195,904,846
January – September 2010	10,418	\$210,456,790
Change	-820	-\$ 14,551,944
% Change	-7.9%	-6.9%

County	Permits	Valuation
January - September 2011	2,377	\$ 211,285,033
January – September 2010	2,340	\$ 164,397,111
Change	37	\$ 46,887,922
% Change	1.6%	28.5%



City and County Building Permits

- City of Spokane data from End of Month Summary (September 2011) from Sean Shields, Permit Coordinator for City of Spokane

- September highlights & trends:

- Construction permits dropped 17%; however, the valuation should be on pace with 2010
- September single-family housing starts bounced back with 31 permitted (most in any month since 2008)

- Spokane County data from its website

- Highlights 2011 versus 2010:

■ Industrial Buildings	\$43.6M	} \$48.9M
■ Educational (Public)	\$16.8M	
■ Apt-3 Story or Less	\$ 9.8M	
■ Residence	(\$9.2M)	
■ Education (Private)	<u>(\$15.1M)</u>	

2012 Operating Revenue Assumptions

- Sales Tax Revenue—0.0% growth in 2012 from 2011 projected growth of 3.4%
- Fare revenue:
 - Fixed Route 5% decline in ridership over 2011
 - Paratransit 25.4% increase in fares & flat ridership in 2012
 - Vanpool 12.8% increase for projected increase in service
- Federal Preventive Maintenance Grant—no expected increase or decrease
- State Grant—shift cash reimbursement for entire grant in 2011 (\$1.4M)
- Interest income—earnings rate of 0.75%

Sales Tax Assumptions

	<u>2011 Budget</u>	<u>2011 Updated Forecast (10/2011)</u>
2008 Actual	-3.5%	
2009 Actual	-8.4%	
2010 Actual	-1.9%	0.0%
2011 Budget/Projection	-2.0%	3.4% (1)
2012 Projection	<u>0.0%</u>	<u>0.0%</u>
2013 Projection	2.0%	2.0%
2014+ Projection	3.0%	3.0%

Estimated cumulative decrease in forecasted Sales Tax Revenue 2007 -2016 (2) **\$99.3M**

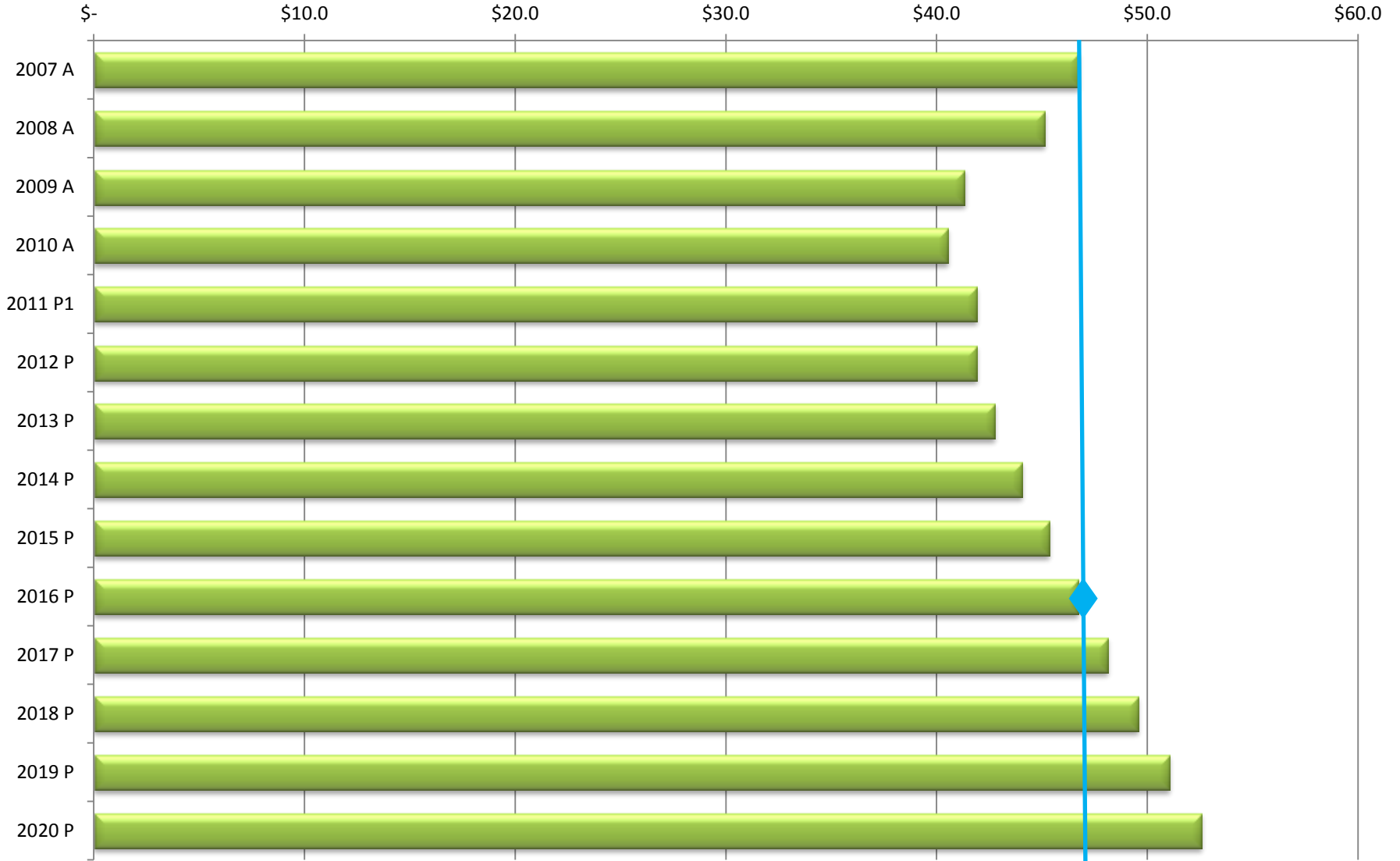
<u>Jurisdiction</u>	<u>2011 YTD (Sept.)</u>	<u>2011 Assump.</u>	<u>2012 Assump.</u>
City of Spokane	0.3%	0.5%	0.5%
Spokane Valley	4.9%	-2.5%	0.0%
Spokane County	4.8%	-1.2%	-1.0% (3)

(1) YTD for October 2011 is 3.5% increase over 2010. At December 2011 the increase is estimated to be approximately 3.4%.

(2) 2008 Budget (pre-recession) compared to 2011 updated forecast.

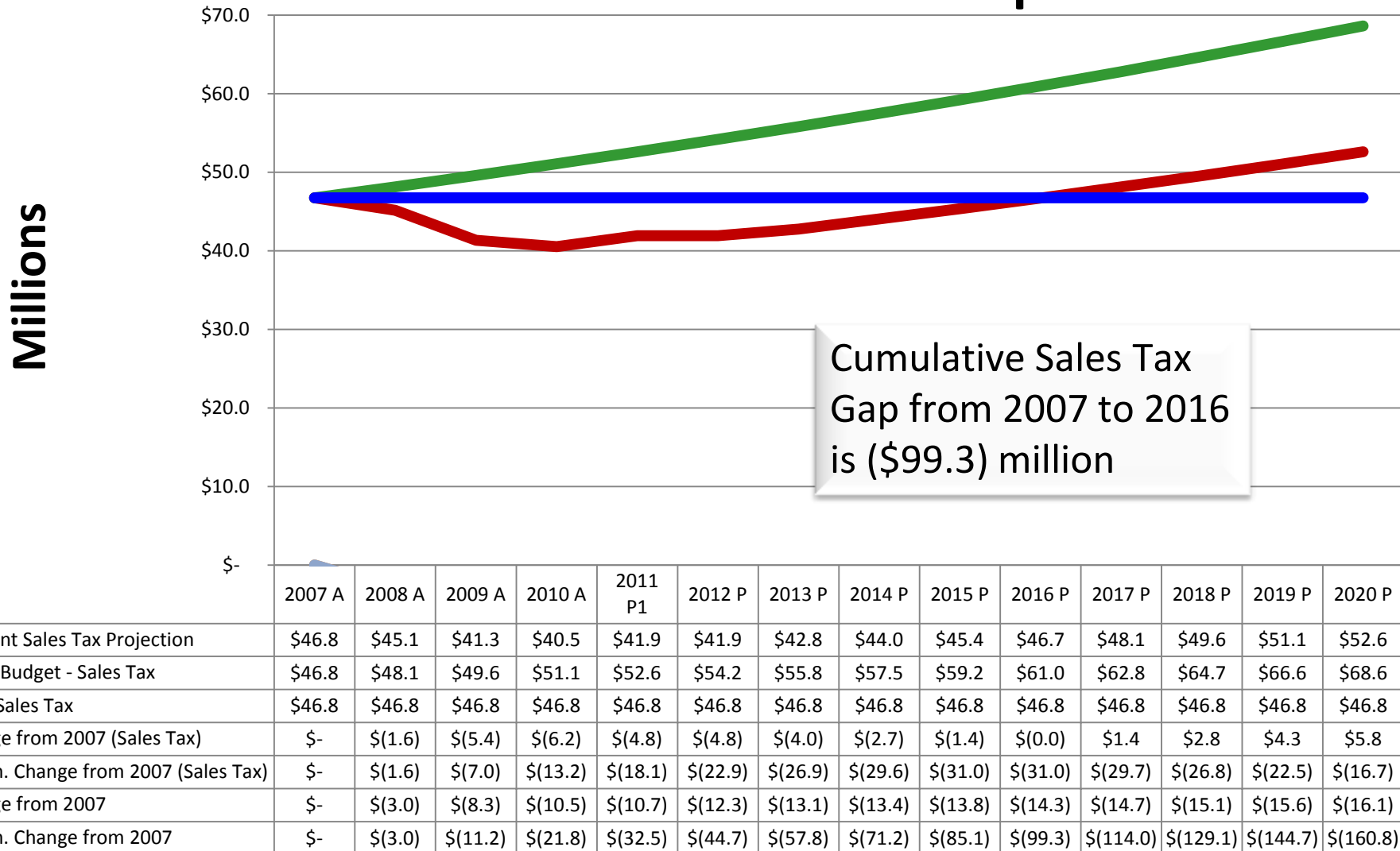
(3) 2012 projected over 2011 estimated subject to change upon updated DOR distributions

SALES TAX ACTUAL & PROJECTIONS (in Millions)



■ Current Sales Tax Projection

Spokane Transit Sales Tax Revenue Gap





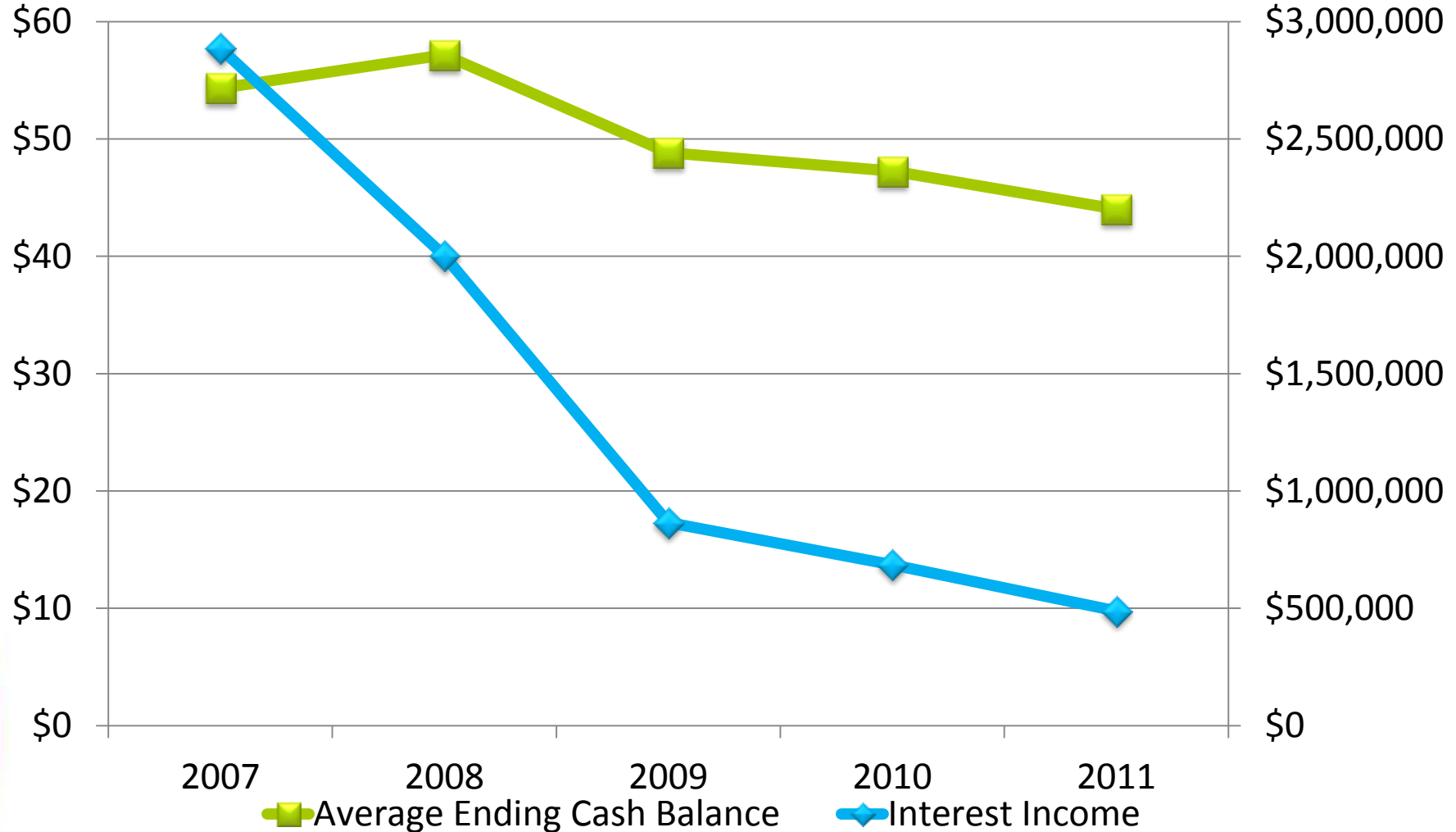
Fare Revenue – Fixed Route

	2012 Draft Budget with 7.2% decline in ridership	Change	2012 Proposed Budget with 5.0% decline in ridership
Fixed Route Fare Revenue	\$ 8,350,054	\$ 488,314	\$ 8,838,368
Paratransit/Vanpool/Other	1,654,000	1,168	1,655,168
Operating Revenue	\$10,004,054	\$ 489,482	\$10,493,536
Fixed Route Fare Revenue % of Operating Revenue	83.5%		84.2%

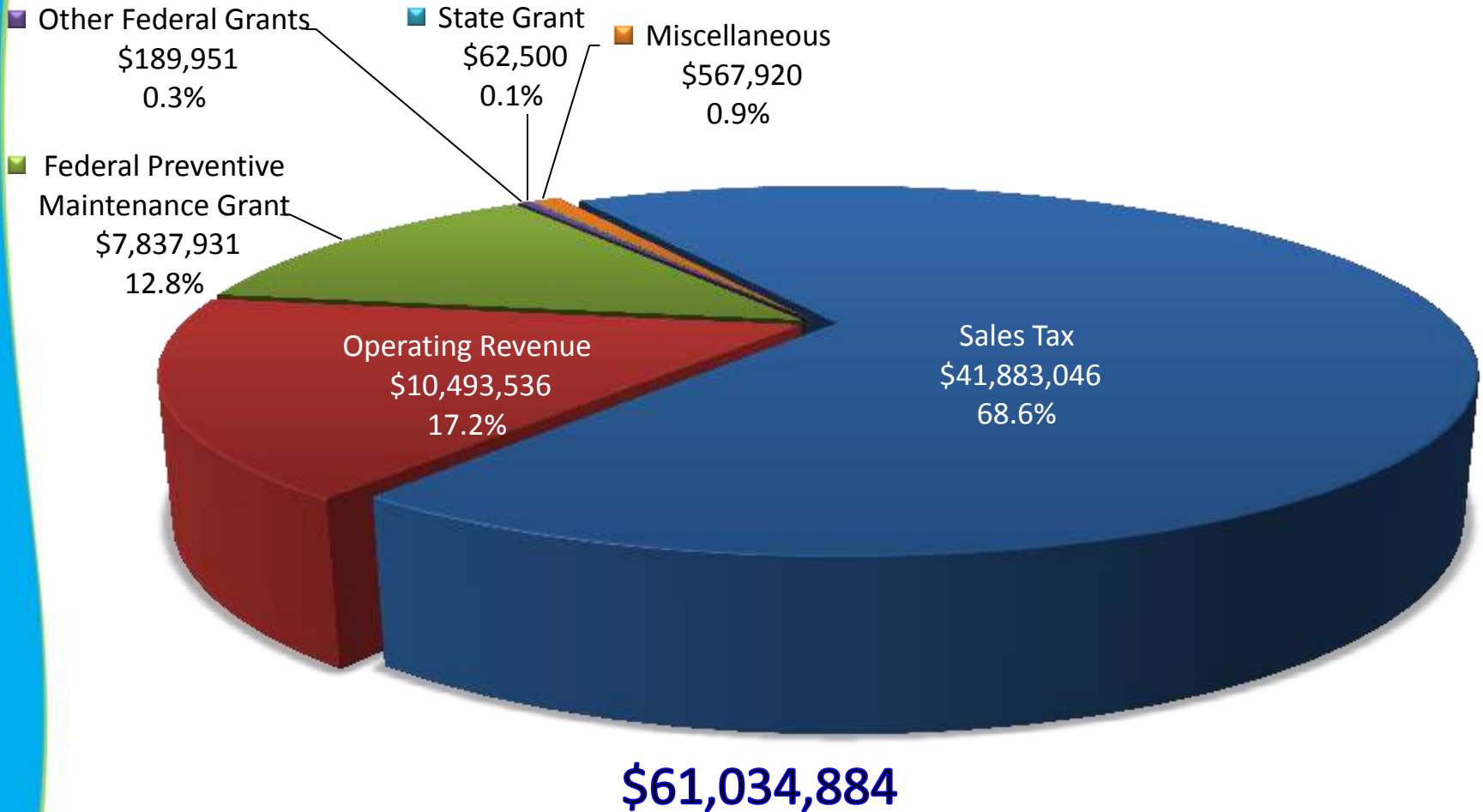


Interest Income

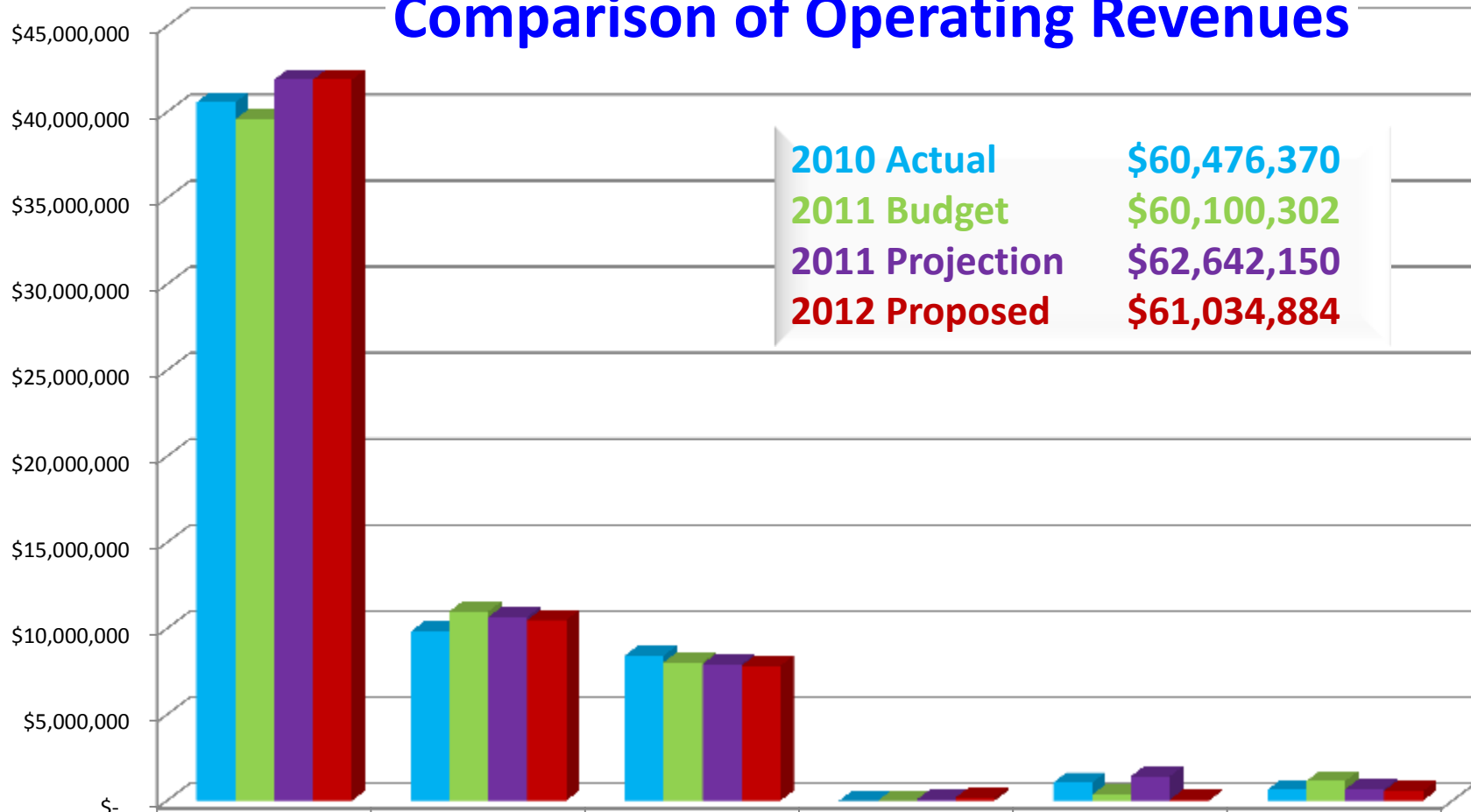
Millions



2012 Estimated Operating Revenues



Comparison of Operating Revenues



2010 Actual \$60,476,370
2011 Budget \$60,100,302
2011 Projection \$62,642,150
2012 Proposed \$61,034,884

	Sales Tax	Operating Revenue	Federal Preventive Maintenance Grant	Other Federal Grants	State Grant	Miscellaneous
2010 Actual	\$40,559,096	\$9,817,194	\$8,424,160	\$-	\$1,045,961	\$629,959
2011 Budget	\$39,577,592	\$10,999,079	\$8,037,000	\$-	\$348,654	\$1,137,977
2011 Projection	\$41,883,046	\$10,674,322	\$7,931,402	\$68,402	\$1,421,955	\$663,023
2012 Proposed Budget	\$41,883,046	\$10,493,536	\$7,837,931	\$189,951	\$62,500	\$567,920

2012 Operating Expense Assumptions

- Wages - No budgeted increases for 2012

- Benefits:

- Medical and Dental premiums increased 10%
- L&I rates increase of approximately 8%
- Additional holiday for ATU 1015 per contract

- Materials

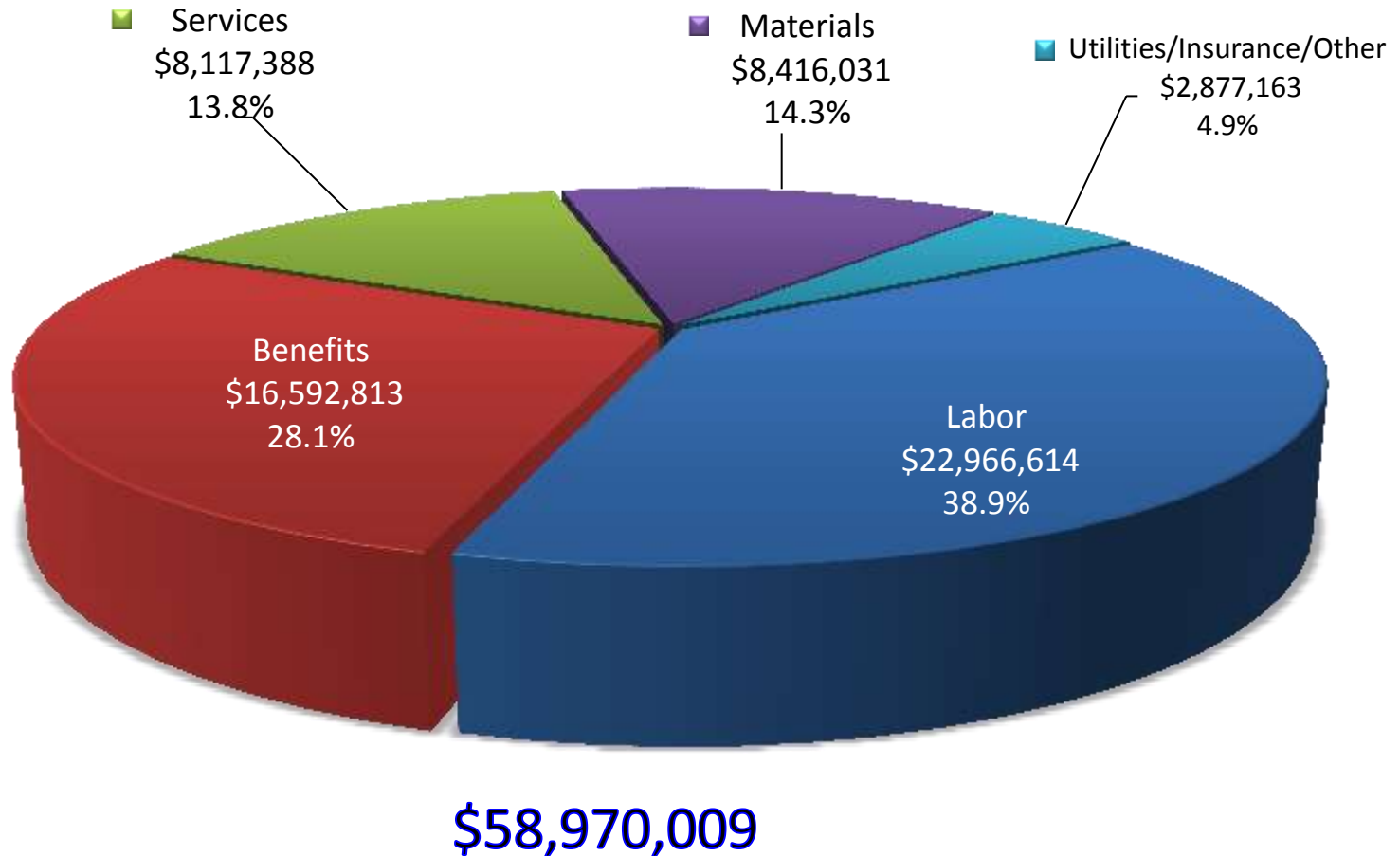
- Fuel - Budgeted using Energy Information Administration Forecast plus 1/2 standard deviation
 - Diesel increase is 19.5% for an average price per gallon of \$3.62
 - Gasoline increase is 23.2% for an average price per gallon of \$3.59

- Miscellaneous

- Utilities:

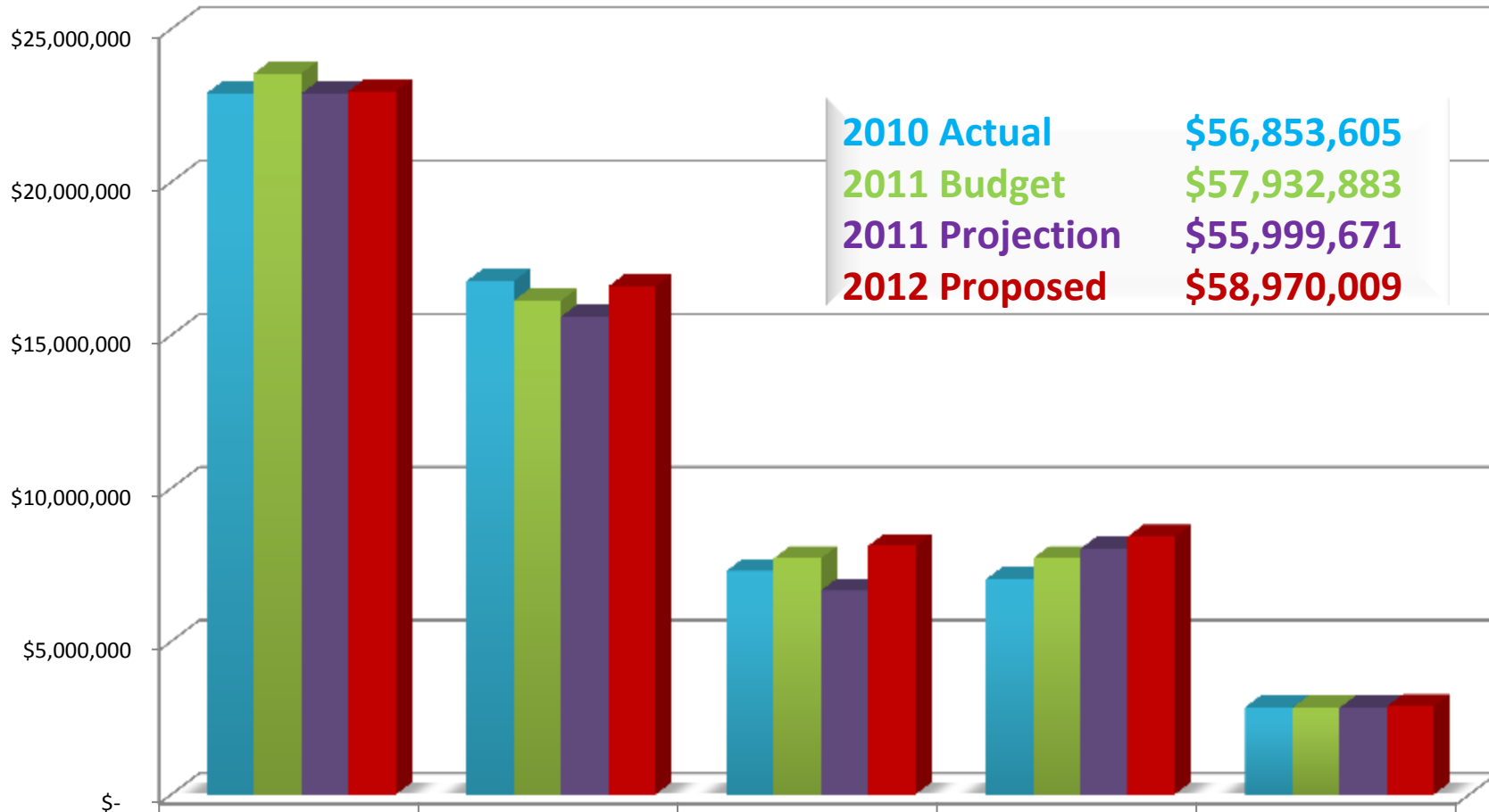
- Electric, Water, and Sewer: +10%
- Garbage: +5.5%
- Gas, Telephone, Cable: +5%

2012 Estimated Operating Expenses by Object



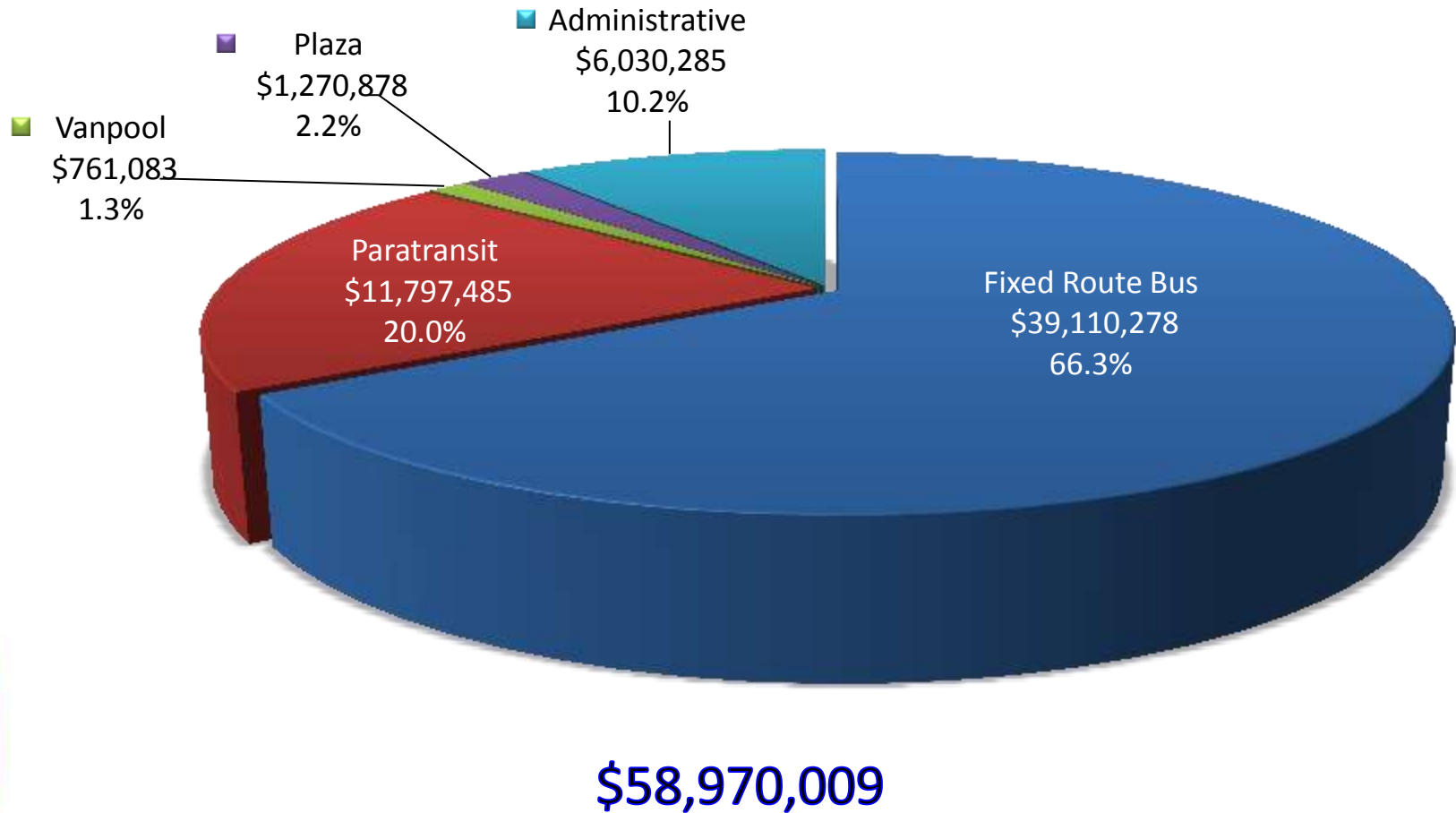
NOTE: As required by federal accounting standards, "labor" includes wages for work time only. "Benefits" includes wages for paid time off. "Materials" include fuel costs. "Services" include contracted transportation, legal, etc.

Comparison of Operating Expenses by Object

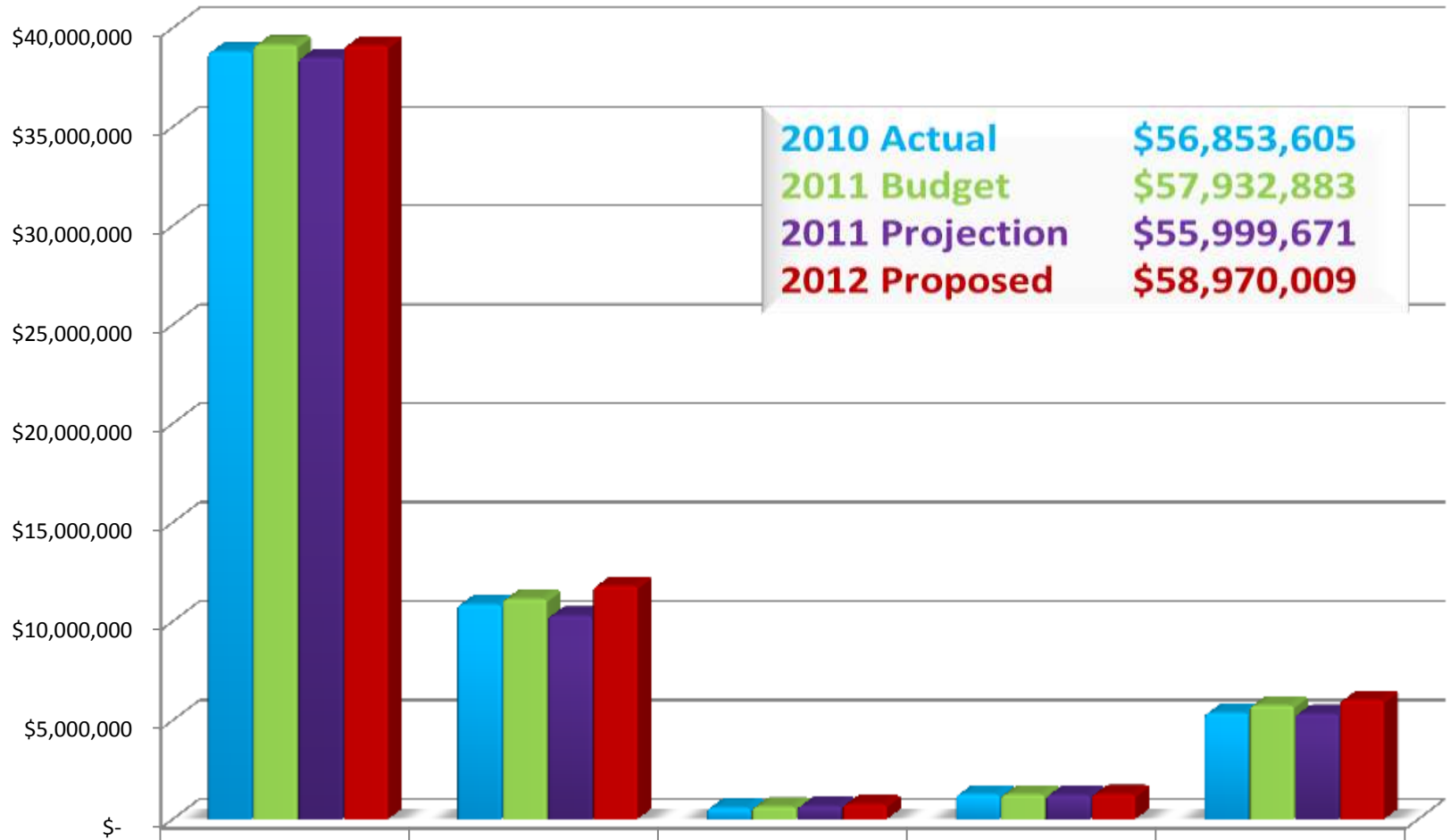


	Labor	Benefits	Services	Materials	Miscellaneous
2010 Actual	\$22,905,171	\$16,765,749	\$7,299,840	\$7,029,157	\$2,853,689
2011 Budget	\$23,547,289	\$16,124,940	\$7,711,405	\$7,712,190	\$2,837,059
2011 Projection	\$22,885,498	\$15,605,878	\$6,658,644	\$8,021,020	\$2,828,631
2012 Proposed Budget	\$22,966,614	\$16,592,813	\$8,117,388	\$8,416,031	\$2,877,162

2012 Estimated Operating Expenses by Division



Comparison of Operating Expenses by Division



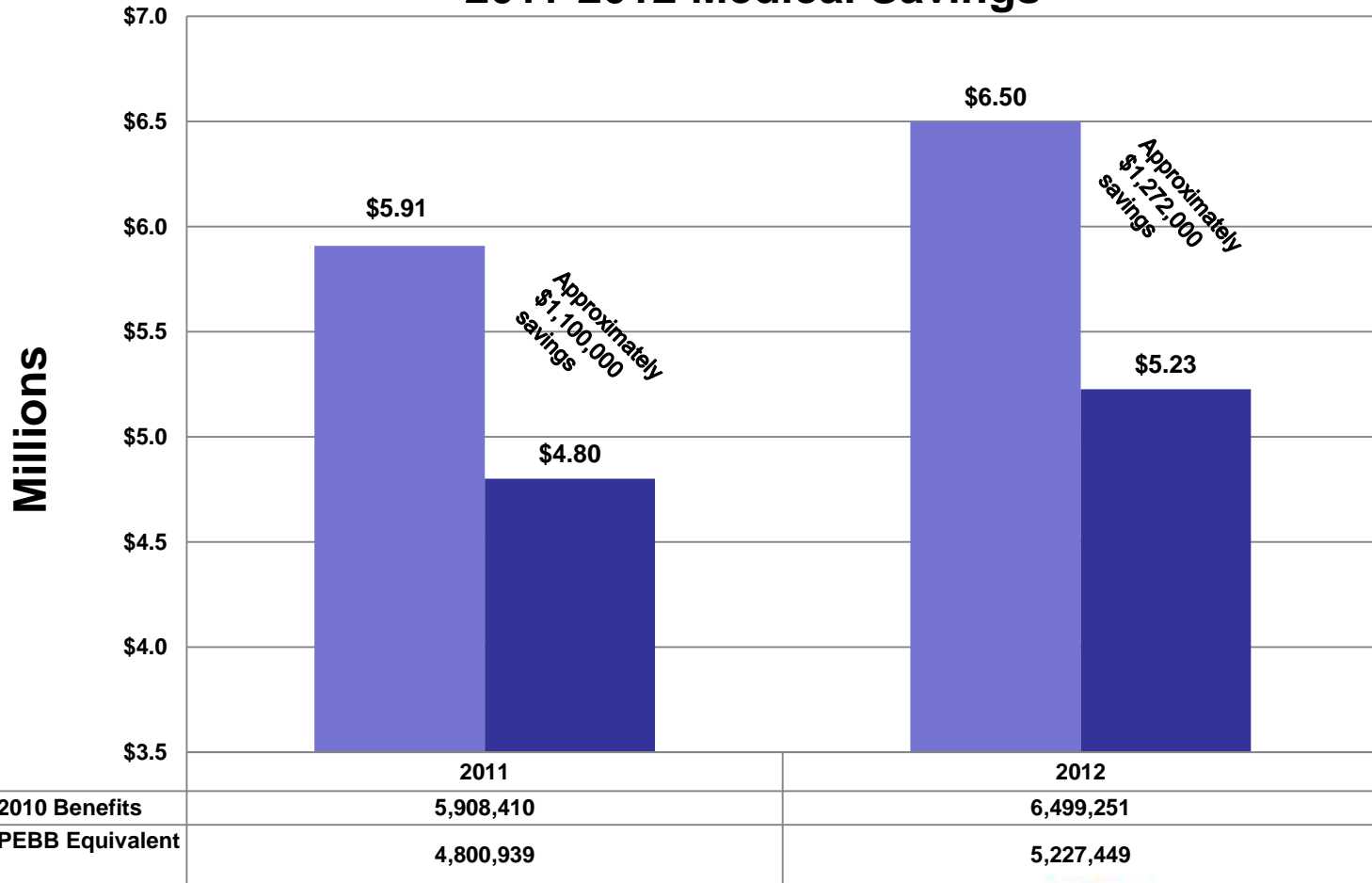
2010 Actual	\$56,853,605
2011 Budget	\$57,932,883
2011 Projection	\$55,999,671
2012 Proposed	\$58,970,009

	Fixed Route Bus	Paratransit	Vanpool	Plaza	Administrative
2010 Actual	\$38,793,958	\$10,856,020	\$575,587	\$1,261,719	\$5,366,322
2011 Budget	\$39,143,840	\$11,134,386	\$638,032	\$1,256,881	\$5,759,744
2011 Projection	\$38,484,932	\$10,287,805	\$670,862	\$1,231,279	\$5,324,793
2012 Proposed Budget	\$39,110,278	\$11,797,485	\$761,083	\$1,270,878	\$6,030,286



Benefit Restructuring Medical

2011-2012 Medical Savings

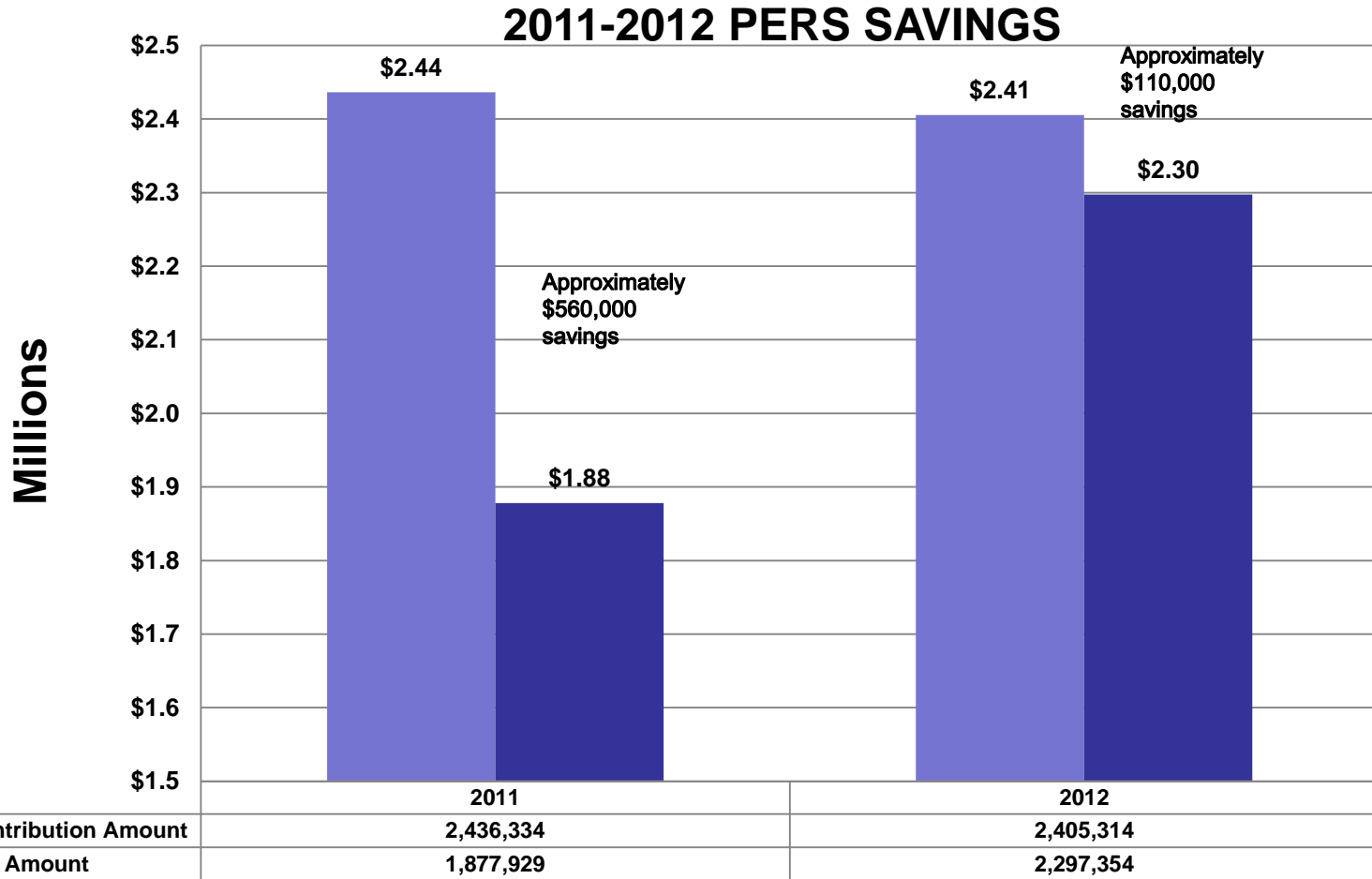


■ Projected STA Costs with 2010 Benefits	5,908,410	6,499,251
■ Projected STA Costs with PEBB Equivalent Benefits	4,800,939	5,227,449





Benefit Restructuring PERS



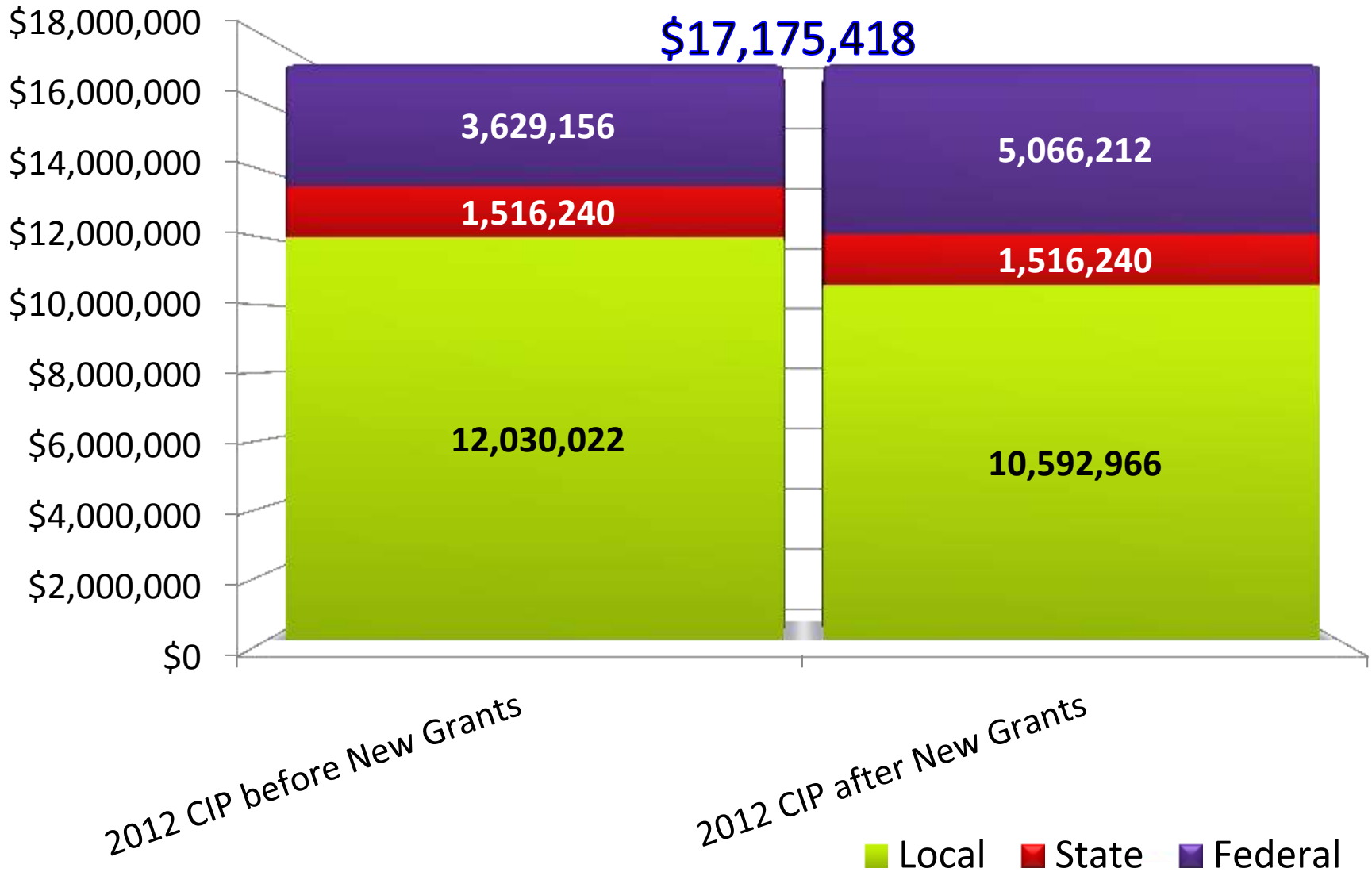
Filled Positions in 2012

Position	Department	# of Positions	Justification
IT Applications Specialist	Information Systems	1	Increasing technology requirements associated with Trapeze operating software, facility & vehicle cameras, phone system & Smart Bus
HR Specialist	Human Resources	1	Compensation & benefits
2nd Class Mechanic	Maintenance	1	Shift of position from Fixed Route to Vanpool for expansion of Vanpool Program
Total		3	

Deferred Positions (2013 & 2014)

Position	Department	# of Positions	Justification
2013:			
Transportation Supervisors	Fixed Route	3	Required for CAD/AVL (Smart Bus)
Customer Service Representative	Customer Service	1	Continued failure to meet call center quality standards
2014:			
Paratransit Reservationist	Paratransit	1	Increased demand (temporarily filled with driver position)
Communications Specialist	Communication	1	Increase level of effort toward electronic media, internet & social media
Total 2013 & 2014		6	

2012 Capital Improvement Plan (CIP)



Spokane Transit 2012 Capital Budget

Funded Projects

<u>Revenue Vehicles</u>	Quantity	Local	State	Federal	Total
Fixed Route Coaches	6	\$2,640,294		\$1,266,200	\$3,906,494
Paratransit Vans	12	\$234,264		\$937,056	\$1,171,320
Vanpool Vans	18	\$267,800	\$214,240		\$482,040
Total: Revenue Vehicles	36	\$3,142,358	\$214,240	\$2,203,256	\$5,559,854
<u>Non-Revenue Vehicles</u>	Quantity	Local	State	Federal	Total
Non-Revenue Vehicles	2	\$315,000			\$315,000
Total: Non-Revenue Vehicles	2	\$315,000			\$315,000
<u>Maintenance & Facilities</u>	Quantity	Local	State	Federal	Total
Boone - Facility Master Plan Program		\$2,411,426			\$2,411,426
Boone - Preservation and Maintenance	1	\$542,300		\$500,000	\$1,042,300
Miscellaneous Equipment and Fixtures		\$119,205			\$119,205
Valley Transit Center (Pence Cole) Preservation		\$153,367			\$153,367
Total: Maintenance & Facilities	1	\$3,226,298		\$500,000	\$3,726,298
<u>Technology & Customer Service</u>	Quantity	Local	State	Federal	Total
Access and Security - Facility Cameras		\$100,000			\$100,000
Business Systems Replacement		\$44,437		\$146,563	\$191,000
Computers / Preservation and Maintenance Program		\$303,338			\$303,338
Operating & Customer Service Software		\$290,400			\$290,400
Radio Narrow Banding		\$47,000			\$47,000
Smart Bus		\$720,200		\$1,980,800	\$2,701,000
Vanpool Software		\$57,000			\$57,000
Total: Technology & Customer Service		\$1,562,375		\$2,127,363	\$3,689,738
<u>Planning</u>	Quantity	Local	State	Federal	Total
Central City Line - HPT		\$200,000			\$200,000
Operational & Passenger Facilities Improvement Program		\$158,898		\$235,593	\$394,491
Plaza Renovation		\$988,037	\$1,302,000		\$2,290,037
South Valley Corridor - HPT		\$1,000,000			\$1,000,000
Total: Planning		\$2,346,935	\$1,302,000	\$235,593	\$3,884,528
Total Funded Projects		\$10,592,966	\$1,516,240	\$5,066,212	\$17,175,418

Spokane Transit 2012 Budget Changes

	2012 Draft Budget	Change	2012 Proposed Budget
Estimated Revenues:			
Operating Revenues	\$ 10,004,054	\$ 489,482	\$ 10,493,536
Sales Tax	41,589,526	293,520	41,883,046
State Grants	773,478	(710,978)	62,500
Miscellaneous	567,920		567,920
Federal Preventive Maintenance Grant	7,837,931		7,837,931
Federal Grants	189,951		189,951
Subtotal: Operating Revenues	60,962,860	72,024	61,034,884
Federal Capital Revenue	3,629,156	1,437,056	5,066,212
State Capital Revenue	1,516,240		1,516,240
Subtotal: Capital	5,145,396	1,437,056	6,582,452
Total Revenue	66,108,256	1,509,080	67,617,336
Decrease in Cash Balance	10,573,470	(1,409,080)	9,164,390
Total Source of Funds	\$ 76,681,726	\$ 100,000	\$ 76,781,726
Estimated Expenditures:			
Fixed Route Bus	39,110,278		39,110,278
Paratransit	11,797,485		11,797,485
Vanpool	761,083		761,083
Plaza	1,270,878		1,270,878
Administrative	6,030,285		6,030,286
Total Operating Expense	58,970,009		58,970,009
Cooperative Street/Road Projects	536,299	100,000	636,299
Capital Expenditures	17,175,418		17,175,418
Total Use of Funds	\$ 76,681,726	\$ 100,000	\$ 76,781,726

Budget Comparison 2012 to 2011

	2012 Budget	2011 Budget	\$ Change From 2011 Budget	% Change From 2011 Budget
Estimated Revenues:				
Operating Revenues	\$10,493,536	\$10,999,079	(\$505,543)	-4.6%
Sales Tax	41,883,046	39,577,592	2,305,455	5.8%
State Grants	62,500	348,654	(286,154)	-82.1%
Miscellaneous	567,920	1,137,977	(570,057)	-50.1%
Federal Preventive Maintenance Grant	7,837,931	8,037,000	(199,069)	-2.5%
Other Federal Grants	189,951		189,951	100.0%
Subtotal: Operating Revenues	61,034,884	60,100,302	932,582	1.6%
Federal Capital Revenue	5,066,212	4,346,301	719,911	16.6%
State Capital Revenue	1,516,240	40,000	1,476,240	3690.6%
Subtotal: Capital	6,582,452	4,386,301	759,095	17.3%
Total Revenue	67,617,336	64,486,603	2,196,151	50.1%
Decrease in Cash Balance	9,164,390	11,050,477	(1,886,087)	-17.1%
Total Source of Funds	\$76,781,726	\$75,537,080	\$1,244,646	1.6%
Estimated Expenditures:				
Fixed Route Bus	\$39,110,278	\$39,143,840	(\$33,562)	-0.1%
Paratransit	11,797,485	11,134,386	663,099	6.0%
Vanpool	761,083	638,032	123,051	19.3%
Plaza	1,270,878	1,256,881	13,997	1.1%
Administrative	6,030,285	5,759,744	270,541	4.7%
Total Operating Expense	58,970,009	57,932,883	1,037,126	1.8%
Cooperative Street/Road Projects	636,299	4,239,511	(3,603,212)	-85.0%
Capital Expenditures	17,175,418	13,364,686	3,810,732	28.5%
Total Use of Funds	\$76,781,726	\$75,537,080	\$1,244,646	1.6%

SPOKANE TRANSIT - 2010 to 2012 Budget Comparison

	2010 Actual	2011 Budget	2012 Proposed Budget
Estimated Revenues:			
Operating Revenues	\$ 9,817,194	\$ 10,999,079	\$ 10,493,536
Sales Tax	40,559,096	39,577,592	41,883,046
State Grants	1,045,961	348,654	62,500
Miscellaneous	629,959	1,137,977	567,920
Federal Preventive Maintenance	8,424,160	8,037,000	7,837,931
Federal Grants			189,951
Subtotal: Operating Revenues	60,476,370	60,100,302	61,034,884
Federal Capital Revenue	4,455,366	4,346,301	5,066,212
State Capital Revenue	502,884	40,000	1,516,240
Subtotal: Capital	4,958,250	4,386,301	6,582,452
Total Revenue	65,434,620	64,486,603	67,617,336
Decrease in Cash Balance	2,044,052	11,050,477	9,164,390
Total Source of Funds	\$ 67,478,672	\$ 75,537,080	\$ 76,781,726
Estimated Expenditures:			
Fixed Route Bus	\$ 38,793,958	\$ 39,143,840	\$ 39,110,278
Paratransit	10,856,020	11,134,386	11,797,485
Vanpool	575,587	638,032	761,083
Plaza	1,261,719	1,256,881	1,270,878
Administrative	5,366,322	5,759,744	6,030,286
Total Operating Expense	56,853,605	57,932,883	58,970,009
Cooperative Street/Road Projects	2,335,045	4,239,511	636,299
Capital Expenditures	8,290,021	13,364,686	17,175,418
Total Use of Funds	\$ 67,478,672	\$ 75,537,080	\$ 76,781,726

2012 Source and Use of Funds

Revenues:		Expenditures:	
Operating Revenues	\$10,493,536	Fixed Route Bus	\$39,110,278
Sales Tax	41,883,046	Paratransit	11,797,485
State Grant	62,500	Vanpool	761,083
Miscellaneous	567,920	Plaza	1,270,878
Federal Grants	8,027,882	Administrative	6,030,285
Operating Revenues	61,034,884	Operating Expenses	58,970,009
Federal Capital Grants	5,066,212	Capital Expenditures	17,175,418
State Capital Grants	1,516,240	Cooperative Street/Road Projects	636,299
Capital Grants	6,582,452	Capital and Cooperative Projects	17,711,717
Total Revenues	67,617,336	Total Expenditures	76,781,726
From Cash Balance	9,164,390		
Total Source of Funds	\$76,781,726	Total Use of Funds	\$76,781,726

2012 Cash and Reserve Analysis

	<u>2012 Budget</u>
OPERATING ACTIVITIES	
Revenues (excluding capital grants)	\$61,034,884
Operating Expenses	<u>(58,970,009)</u>
Revenues Over / (Under) Operating Expenses	2,064,875
CAPITAL ACTIVITIES (Local Funds)	
Purchase of Property, Plant, and Equipment	(10,592,966)
Cooperative Street and Road Projects	<u>(636,299)</u>
Total Local Cash Used for Capital Activities	(11,229,265)
NET DECREASE IN CASH	(9,164,390)
CASH (Beginning of 2012)	<u>44,186,169</u>
CASH (End of 2012)	35,021,779
RESERVES	
Self Insurance Reserve	(5,500,000)
Board Designated Operating Reserve	<u>(8,845,501)</u>
Total Reserves	(14,345,501)
2012 Estimated End of Year Cash Balance After Reserves	<u><u>\$20,676,278</u></u>

2011 Change in Cash

Budgeted Decrease in Cash - 2011	\$ (11,050,477)
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Estimated Variances

Favorable Revenue	2,442,776
Favorable Operating Expenses	1,934,192
Capital Projects	4,210,755
Cooperative Projects	1,897,036

Total Estimated Variances	\$ 10,484,759
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Estimated EOY 2011 Decrease in Cash	\$ (565,718)
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Outreach Process

- **October 19 Board Meeting:** Draft 2012 Budget
- **November 2:** Board Workshop
- Individual Board Member Sessions if Requested
- **November 8:** Employee Meetings (4 Scheduled throughout the day)
- **November 9:** Public Workshop at the Plaza at noon
- **November 10:** Public Workshop at the Plaza at 5 PM
- **November 16 Board Meeting:** Public Hearing on Budget
- **December 15 Board Meeting:** Adoption of Budget

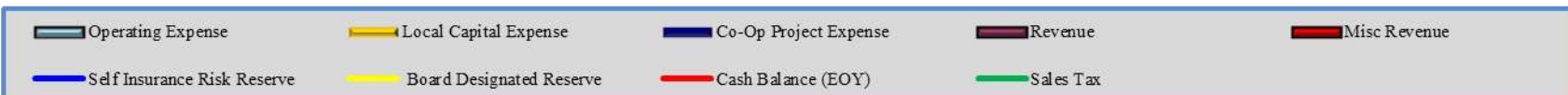
Millions

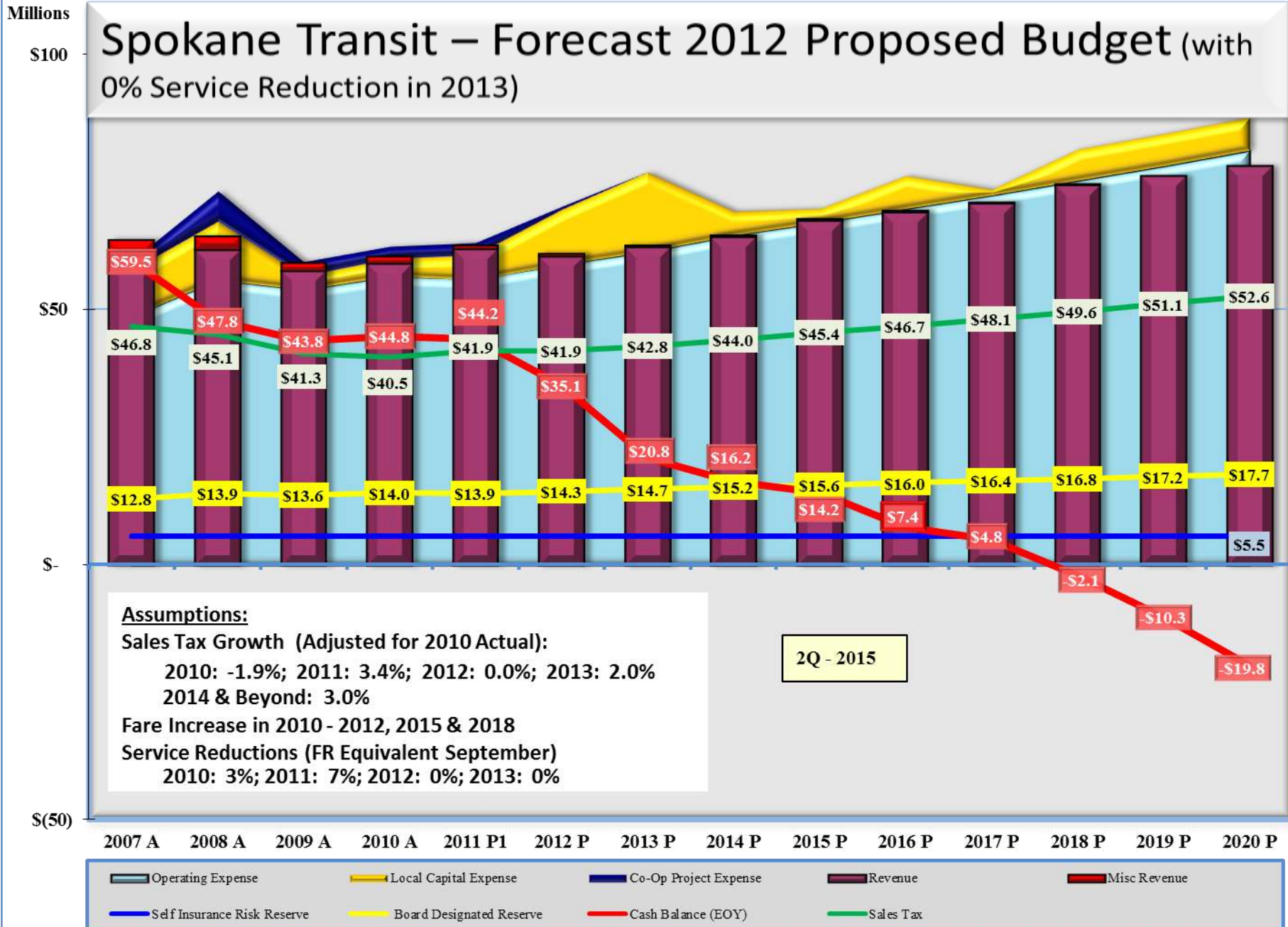
Spokane Transit – Forecast 2012 Proposed Budget



4Q - 2018

Assumptions:
 Sales Tax Growth (Adjusted for 2010 Actual):
 2010: -1.9%; 2011: 3.4%; 2012: 0.0%; 2013: 2.0%
 2014 & Beyond: 3.0%
 Fare Increase in 2010 - 2012, 2015 & 2018
 Service Reductions (FR Equivalent September)
 2010: 3%; 2011: 7%; 2012: 0%; 2013: 7%





Millions

Spokane Transit – Forecast 2012 Proposed Budget (with Sales Tax Growth to Eliminate 2013 Service Reduction)



Assumptions:

Sales Tax Growth (Adjusted for 2010 Actual):

2010: -1.9%; 2011: 3.4%; 2012: 3.0%; 2013: 4.0%
 2014 & Beyond: 3.0%

Fare Increase in 2010 - 2012, 2015 & 2018

Service Reductions (FR Equivalent September)

2010: 3%; 2011: 7%; 2012: 0%; 2013: 0%

2Q - 2018

\$ (50) 2007 A 2008 A 2009 A 2010 A 2011 P1 2012 P 2013 P 2014 P 2015 P 2016 P 2017 P 2018 P 2019 P 2020 P

