

Spokane Transit Authority
1230 West Boone Avenue
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BOARD OF DIRECTORS

Draft Minutes of the November 5, 2008, Board Financial and Planning Workshop
Southside Conference Room, Spokane Transit
1229 West Boone Avenue, Spokane, Washington

MEMBERS PRESENT

Dick Denenny, City of Spokane Valley
Allan Gainer, City of Cheney
Al French, City of Spokane
Nancy McLaughlin, City of Spokane
Richard Munson, City of Spokane Valley
Richard Rush, City of Spokane
Bonnie Mager, Spokane County

MEMBERS ABSENT

Patrick Rushing, City of Airway Heights
Mark Richard, Spokane County, Chairman

STAFF PRESENT

E. Susan Meyer, Chief Executive Officer
Jim Plaster, Director of Finance & Administration
Steve Blaska, Director of Operations
Mike Volz, Assistant Director of Finance & Administration
Molly Myers, Communications Manager
Tammy Johnston, Budget & Accounting Manager

PROVIDING LEGAL COUNSEL

N/A

GUESTS

Victor Frazier, Citizen Advisory Committee member

1. CALL TO ORDER

Acting Chairman Denenny called the meeting to order at 2:55 p.m. and conducted roll call.

2. 2009-2015 FINANCIAL UPDATE, 2009 BUDGET PLANNING AND TRANSIT PLANNING STRATEGIES – FOLLOW-UP

For ease of reference, the Powerpoint presentation for the meeting is attached to these minutes.

Ms. Meyer said this follow-up workshop is to discuss specifically the 2009 draft budget process and was requested by Board members at the October 1 workshop. The draft budget will be a topic for a public hearing at the November 20 Board meeting and the Board will consider its approval at the December 18 meeting.

Mr. Plaster outlined the organizational priorities:

- Increase ridership that meets or exceeds national average
- Constrain operating costs to 94% or less of statewide urban average
- Offer outstanding customer service
- Earn the community's trust
- Engage the public as we plan for the future

Mr. French suggested that staff change "earn" the community's trust to "maintain" since STA has made great strides and has already earned that trust.

The priorities that have been used during the budget planning process include:

- Sustain quality regardless of service level
- Preserve essential capital projects
- Maintain flexibility
- Develop a sustainable plan by avoiding long-term commitments that may not be funded
- Complete Transit 2020 – short and long range plans

At the last workshop, staff assumed a sales tax growth in 2008 of -2.0%; this has been revised to -2.5%. The projection for 2009 is -2.0% and 2010 is flat at 0%, whereas 2011-2015 is 3.0%. The chart showing sales tax assumptions for the various local jurisdictions shows STA in the middle at -2.4% as of October. The City of the Spokane Valley is assuming -6.0% for 2009 but the City of Spokane has recently proposed a budget assuming a growth of 2.0%. Mr. Munson said -2.5% for 2008 is too optimistic for Spokane Transit. He said that the high levels of growth since 2005 are attributable to the boom in real estate construction which is down in 2008 by 45%. In the Valley many auto dealerships have been hit hard by the depressed economy. Mr. French commented that he had spoken with financial expert, John Mitchell, about the economy. Mr. Mitchell advised that a turnaround could not be expected until the third quarter of 2009 at the earliest which makes the City of Spokane assumption of 2.0% growth unrealistic. Ms. Meyer pointed out that local jurisdictions have other sources of revenue and are not as dependent upon sales tax as STA. Mr. Denenny said there is always a rebound after an economic recession and it would be wise to retain the level of service with cash and put it back into reserves when the economy rebounds in 2010. Mr. French asked if the proposed fare increase would take place in 2009. The Citizen Advisory Committee will come before the Board in December with a fare proposal. If approved, the fare increase could go into effect in the summer or early fall. There would be plenty of time for public outreach. Mr. Munson said that the possibility of an economic stimulus package early in 2009 by the new President would help the construction industry through public works projects. He suggested STA budget for -3.5% for 2009.

Mr. Plaster obtained information from the Spokane County about industries and their revenues from October 2007 to October 2008; construction -2.4%; specialty trade construction -17.1%; motor vehicle parts -6.0%; -14.7% electrical goods/appliances; +22.5% gas stations. Spokane Transit does not get revenue from the gas tax. At the present time fuel prices have gone down which makes a difference of \$1.2 million from the fuel costs estimated at the October workshop. Mr. Denenny agreed with Mr. Munson; staff should model the impact of -3.5% for 2009 and look at the changes that may need to be made in 2010 and 2011. Mr. French remembered the proposed service reductions when he worked on STA's taskforce in 2003. He suggested staff look at routes with low ridership to see if they should be cut and the resources redeployed to be more cost-effective. Mr. Blaska said there is a 4% reduction in service levels proposed for 2010 and routes need to be prioritized.

Mr. Rush left at 3:45 p.m.

Mr. Blaska said that although Transit 2020 service plans cannot be adopted at this time, the plan will contain some ideas to help make the system more efficient. Route studies are being done now and there will be a presentation to the Board this winter, with a decision by spring, and possible implementation in September 2009.

Mr. Munson and Mr. Denenny reiterated the advice to budget for -3.5% sales tax for 2009. This can be adjusted up or down at a later date. Ms. Meyer asked the Board's advice for a sales tax growth assumption for 2010. The consensus was 2.0%. Mr. Plaster answered a question brought by Board members at the last workshop about fuel, could it be purchased on the state contract? He said the cost would be higher than STA is currently paying primarily due to the cost for delivery.

It is proposed to defer twelve new positions until 2011. Mr. French asked if any of these were critical. Ms. Meyer said a new custodian/laborer position was included to clean the approximately 100 bus benches that STA will need to maintain following their takeover from the City of Spokane. Mr. Munson suggested staff look into the possibility of assistance with this cleaning from Geiger, Scouts and service clubs. Ms. Meyer said this is a challenge since the benches need to be cleaned once a week. No advertising will be allowed on the benches so there is no source of revenue from them. Mr. Blaska said the existing shelters would be impacted

since they would not be cleaned as often. Ms. Meyer said the results of the APTA Peer Review last year showed that STA is understaffed, particularly in its Maintenance department.

Proposed constrained capital expenditures:

- Replace only 1990-1994 coaches in 2009 and 2010 and extend 25 1997 New Flyer coaches to 16-17 year replacement cycle.
- Vanpool expansion dependent upon state funding.
- Smart Bus: only security cameras funded in 2009 (other components deferred 2 years).
- Replacement of 20 year old financial, maintenance, Human Resources, payroll and other administrative infrastructure systems deferred one year.
- Most Park and Ride lots' additions and expansions deferred to 2012 and beyond.
- Majority of facility maintenance projects deferred to 2010-2013.

Mr. Plaster said the Washington State Transit Insurance Pool (WSTIP) is encouraging transit agencies to install cameras on vehicles but it is unknown whether they will reduce premiums as a result. Ms. Meyer said improvements/expansions to the Hastings and Liberty Lake park and ride lots will be included in the 2009 budget.

Mr. Plaster said the state funds very little towards transit although the federal grant for preventive maintenance is expected to be higher at \$7.2 million. This frees up local money to be used for capital improvements or other local needs. He explained that there is an increase in operating expenses of 6.8% for 2009 compared to 2008. Three percent of this increase is related to fuel and 1.8% in increased labor costs. The \$5 million earmarked for right-of-way projects has been deferred to \$1 million per year for five years. Ms. Mager asked if this was to be used for the purchase of property in certain areas. Ms. Meyer said it was to be used in the 15.5 miles from downtown, through the South Valley Corridor to Liberty Lake; nothing to the airport. Staff has been working on due diligence for property in the Valley. Ms. Meyer added that 70% of the right-of-way is in public ownership. Mr. Plaster outlined the proposal for position reclassifications and wage adjustments.

Mr. Plaster listed the proposed capital projects which include \$6 million in 2012 for expanded transit facilities. This may not be needed if service is not increased. The enhancements to the Plaza are budgeted at \$100,000 (planning and design) in 2009, \$1 million in 2010, and \$2 million in 2011. Total for capital projects for 2009 is \$16.9 million (of which \$9 million is for vehicles). \$2.8 million of that total is federally funded. Cash balances would trend to zero in early 2012. Ms. Meyer said it is anticipated that \$3.2 million will be carried over to 2009 for approved cooperative street and road projects. The billing at the end of the year from jurisdictions which have completed their projects is projected to be \$6 million. The funding set aside for cooperative street and road projects can be used for any other transit purpose but the Board approved these projects and jurisdictions rely on this funding as a local match. The funding has been dedicated through 2011 and projects have been submitted and approved. There followed a discussion by Board members about the use of transit funds for street and road projects. Mr. Munson said the jurisdictions need to get their projects done in a reasonable amount of time and if they do not, the transit funding should be reassigned. Mr. French said this program was started when STA had more money. Transit has responsibility for the effect buses have on roads. Ms. McLaughlin said the Board needs to reconsider this program for future years. Mr. French said STA and Spokane Regional Transportation Council (SRTC) adopted a Memorandum of Understanding on the issue. Some of the programs have little benefit to transit. Mr. Plaster said the projects must be on a bus route and the concrete intersections that have been built are an example of what STA has paid for.

This subject will be discussed further at a future Board meeting.

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3. ADJOURN

Acting Chairman Denenny adjourned the meeting at 4:55 p.m.

Respectfully submitted,

Jan Watson
Executive Assistant to the CEO
& Clerk of the Authority