

Spokane Transit Authority
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BOARD OF DIRECTORS

Draft Minutes of the October 1, 2008, Board Financial and Planning Workshop
Southside Conference Room, Spokane Transit
1229 West Boone Avenue, Spokane, Washington

MEMBERS PRESENT

Mark Richard, Spokane County, Chairman
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

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
Gordon Howell, Planning and Grants Manager

MEMBERS ABSENT

Patrick Rushing, City of Airway Heights
Dick Denenny, City of Spokane Valley
Allan Gainer, City of Cheney

PROVIDING LEGAL COUNSEL

N/A

GUESTS

None

1. **CALL TO ORDER**

Chairman Richard called the meeting to order at 3:02 p.m.

2. **2009-2015 FINANCIAL UPDATE, 2009 BUDGET PLANNING AND TRANSIT PLANNING STRATEGIES - DISCUSSION**

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

Ms. Meyer said the purpose of the workshop is to analyze current trends in revenues and expenses in view of the fact that the financial projection presented to the Board in December 2007 is no longer valid. Sales tax revenues have decreased from the amounts budgeted for 2008 and fuel costs have increased, creating a situation that changes the planning and financial models through the year 2015. The projected cash impact of the decrease in sales tax revenue is \$-46.9 million, assuming a -2% decrease in 2008 and 2009, 0% in 2010 and +3% each year from 2011 – 2015. Staff has contacted local jurisdictions as well as other transit agencies in the state and the changes in the financial conditions are similar. The Citizen Advisory Committee has been working on STA's tariff policy and fares. Assuming base fare increases of 25 cents in 2010, 2011 and 2015 and the resulting increase in fare revenue plus an increase in FTA Section 5307 funding, the cash-flow impact could be reduced to \$-27.5 million which is still not able to sustain the operating and capital programs. The estimated cash impact of increased fuel costs through 2015 is \$-20.5 million assuming an increase of \$300,000 in 2008, \$2.6 million in 2009 and an annual growth of 3% between 2010 and 2015. The combined new decrease in projected cash between 2008 and 2015 is \$-61.4 million.

Staff has prepared several scenarios to consider alternate planning approaches for these significant changes in conditions.

Scenario 1

Assuming the sales tax revenue decreases and fuel costs increase as outlined above; continuing the concepts in the original 2009-2015 capital schedule; no fare increase and adding the proposed twelve new positions; all cash balances would be exhausted in October 2010. This would not be a sustainable plan.

Scenario 2

Staff suggests the possibility of modifying the capital schedule, deferring the new positions to 2011, imposing fare increases in 2010, 2011 and 2015 and implementing efficiency-based fixed route bus service reductions of 4% in 2010. This would result in all cash balances being exhausted in February 2012.

The reduced capital schedule would defer or alter certain capital projects as follows: delay system-wide security to cameras at Boone and the Plaza only; defer replacement of the twenty year old maintenance, finance and human resources system; defer scheduled facility and grounds preventive maintenance; perform Smart Bus planning only; expand only Liberty Lake and Hastings Park and Ride lots; and extend the vanpool program only if state funded. It is also proposed to sustain the downtown transit center changes, right-of-way preservation, and cooperative projects.

Scenario 2a

Same as 2, but in addition reduce the equivalent of fixed route bus service by 20.9% in 2011. This scenario is sustainable through 2015 with an estimated cash reserve of \$7.3 million in 2012.

Scenario 2b

Same as 2, but increase revenue by the equivalent of 0.1% sales tax levy in 2011. This scenario is not sustainable and all cash balances would be exhausted in late 2012.

Scenario 2c

Same as 2, but increase revenue by the equivalent of 0.2% sales tax levy in 2011. This scenario is sustainable with an estimated cash reserve of \$11.4 million in 2012.

Board members agreed that the new financial planning challenges are similar for local jurisdictions as well as other transit agencies. Mr. Munson suggested staff look at tax cost forecasts in government and industry areas. With the current financial climate it is difficult to predict. Mr. French suggested staff consider purchasing fuel through the state contract. Currently STA purchases fuel with the City and County. Mr. Munson said it was the wrong time to consider requesting a raise in the sales tax. He also said it would not be a popular action to raise fares. Ms. Meyer said there has been no increase in fares since 2002 and STA's fares are lower than most others in the state. Mr. Rush said if the fares are increased the number of riders may decrease. Mr. Munson suggested applying for funding through the Climate Change Committee. Ms. Mager was not optimistic about this possibility. It should be noted that bus riders are getting a good deal versus not only the increased cost of gas, but the cost of vehicle maintenance, insurance and parking fees. Ms. McLaughlin said an increase in the base fare from \$1.00 to \$1.25 was not inappropriate.

Mr. Munson suggested that STA take back cooperative project funding on projects that are not started on time. These delays have resulted in STA rolling the funding in the budget from year to year. These projects account for \$15 million through 2015. Ms. Meyer said staff would bring a list of cooperative projects to be discussed at the next meeting. Mr. French asked how many transit agencies obtain the maximum 0.9% of the sales tax. Ms. Meyer said two are at the maximum: King County Metro in

Seattle and Community Transit in Snohomish County. There are a number of agencies at 0.6%, many of which are discussing going to the voters for more.

Mr. French commented that the strong sales tax revenue in 2006/2007 was in part due to the robust housing market and it is doubtful whether that will happen again. Builders are going out of business and smaller, less costly, homes are being built. Mr. Blaska said there are so many variables, the best thing to do is to be flexible and do not begin any projects that cannot be sustained. Other transit agencies may not have cash reserves and have to make cuts immediately and increase fares.

There are different perceptions on fare increases. Some people think transit riders are not paying their fair share but some of those riders cannot afford to pay more. If fare increases are in steps, with delayed implementation and advanced notice, there may be more support and understanding. Mr. Blaska commented that the replacement of vehicles is very important as a priority. Some buses are 18 years old. The national average is 15 years and the FTA minimum life is 12 years. Mr. French said it was ironic that STA changed its purchases of buses from large vehicles to smaller ones from a political standpoint several years ago. Now with the large ridership increase it is now the other way around and larger vehicles are badly needed to accommodate the increases. Mr. French said according to financial advisors he has spoken with, real recovery in the economy is not expected until 2010. Ms. Meyer said STA is very dependent upon sales tax as it accounts for 74% of total revenue. Mr. French said he heard from another transit agency that they are saving money on their insurance premiums by installing security cameras in buses. He wondered if the cost would outweigh the benefits. Mr. Plaster said STA is in the Washington Transit Insurance Pool (WSTIP). WSTIP is looking at providing premium discounts for having cameras on vehicles. Board members agreed on the continuation of capital projects such as the downtown transit center changes; right-of-way preservation; and, cooperative projects.

Mr. Munson thanked staff for their efforts in providing this information for the Board to consider. Ms. Meyer thanked Board members for the productive discussion. She suggested the next step would be to have one-on-one budget meetings with Board members. The consensus among the Board members was to have another workshop in the same format before the November Board meeting.

3. ADJOURN

Chairman Richard adjourned the meeting at 4:33 p.m.

Respectfully submitted,

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