

Spokane Transit Authority  
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## **BOARD OF DIRECTORS**

Minutes of the June 29, 2011, Board Workshop  
Southside Conference Room, Spokane Transit  
1229 West Boone Avenue, Spokane, Washington

### **MEMBERS PRESENT**

Amber Waldref, City of Spokane, Chair  
Richard Rush, City of Spokane  
Nancy McLaughlin, City of Spokane  
Chuck Hafner, City of Spokane Valley  
Gary Schimmels, City of Spokane Valley  
Mark Richard, Spokane County  
Al French, Spokane County  
Rhonda Bowers, Labor Representative

### **STAFF PRESENT**

E. Susan Meyer, Chief Executive Officer  
Jim Plaster, Director of Finance  
Steve Blaska, Director of Operations  
Karl Otterstrom, Director of Planning  
Lynn Holmes, Assistant Director of Finance

### **MEMBERS ABSENT**

Josh Beckett, Small Cities (City of Liberty Lake)  
Brenda Redell, Small Cities (City of Medical Lake)

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#### 1. **CALL TO ORDER AND ROLL CALL**

Chair Amber Waldref called the meeting to order at 1:38 p.m. She welcomed City of Spokane Valley Council Member, Chuck Hafner, who has joined the Board replacing Council Member Dean Grafos.

#### 2. **PARAMETERS AND GUIDANCE FOR 2012 ANNUAL STRATEGIC PLAN AND BUDGET**

##### **Introduction**

Ms. Meyer said this is an informal workshop requesting the Board's guidance to staff in preparing a 2012 Budget and Strategic Plan. She introduced Lynn Holmes, Assistant Director of Finance, who joined STA three months ago. Ms. Meyer outlined the plans that go into the Strategic Plan, including the Capital Improvement Plan which was emailed to Board members in preparation for this meeting.

##### **2011 Budget Review**

Ms. Meyer said the 2011 budget revenue was estimated to include 65.9% in sales tax (\$39.5M) and operating revenue (fares) of 17.6% (\$10.5M). Total revenue is \$60.1M. The operating expenses for 2011 are estimated at 67.6% (\$39.1M) for fixed route, and 19.2% (\$11.1M) for paratransit with a total of \$57.9M. The difference in revenues and expenses helps pay for capital projects assisted by a drawdown of cash reserves if necessary.

The adopted budget for 2011 forecasted a -2.0% growth in sales tax and included fare increases and service reductions. Staff now proposes to defer the 2012 forecasted 7% service reductions from 2012 to 2013 since there have been key updates to the forecasted budget model as follows:

2010 actual sales tax growth is -1.9% (from -2.3% budgeted).

2011 budgeted sales tax growth is projected at 0.0% (from -2.0% budgeted).

Shift Phase 3 of 7% service reductions from 2012 to 2013.

Capital Program to include new Congestion Mitigation and Air Quality (CMAQ) federal grant (\$1.5M) for Smart Bus.

Mr. Rush arrived at 2 p.m.

#### Economic Outlook

Ms. Meyer pointed out some excerpts from a recent presentation by Steve Scranton, CFA, Washington Trust Bank to Greater Spokane Inc. Mr. Scranton said this is a balance sheet recession and consumer spending accounts for 70% of economic growth; jobs create income and income creates spending. He added that growth is expected to be slow, possibly rising from 1% to 3% over the next five years. Dr. Arun Raha, Chief Economist for the Washington State Economic and Revenue Forecast Council, said he believed recovery to be bumpy and fragile and there is a greater probability of a downside risk versus upside.

Mr. French added that those remarks were made several weeks and ago and currently the situation looks worse. The valuation of building permits in the City of Spokane has decreased by 33.6% from the first quarter of 2010.

Ms. Meyer said there has been a sales tax amnesty that invited people to pay late taxes without penalty. The STA sales tax distribution for May, 2011 was up by 4.2%. It could be concluded that without the amnesty, the growth could have been negative.

#### Sales Tax Assumptions and Revenue Considerations

Staff recommends a budget projection of 0.0% instead of -2.0% for 2011, 0.0% in 2012, 2% in 2013, and 3% for 2014 and beyond. The estimated cumulative decrease in sales tax revenue between 2008 and 2016 is \$108M. Two federal funding threats to STA are Section 5307 Formula Funds and Section 5309 (formerly known as earmarks). These may be reduced or eliminated. However, the State is working on a potential statewide transportation revenue package and in 2012 STA implements Phase 3 of the fare increase for paratransit. **Staff requests the Board concur with the 2011 updated financial forecast as a foundation for 2012 Budget development.**

Mr. Richard commented that the STA Board was more conservative than other Boards last year in budget projections.

Mr. Plaster said the sales tax revenues would have to decline by a negative percentage every month for the remainder of this year to end at 0.0% growth and he did not believe that would happen.

Mr. French said the "debt ceiling" could trigger a double dip recession.

Mr. Plaster said he will monitor the situation carefully and revise the projections in October if necessary.

**The Board concurred with staff's request.**

#### 2012 Essential Capital Projects

Ms. Meyer listed the capital projects noting that four have received grants: Fixed Route Coaches (6); Paratransit Vans (12); Smart Bus; Business Systems Replacement; Central City Line (STA portion at 20% match); Plaza Renovation; Facility Master Plan; and, other capital projects. Total: \$16.5M.

Mr. French asked how many have the potential for more grant funding.

Ms. Meyer said grants for the Central City Line are being pursued.

Mr. Otterstrom said the Smart Bus is a multi-year project and there is an opportunity to apply for further grants. He advised that more details will be discussed at the July 20 Board meeting.

Ms. Meyer said the Facilities Master Plan has been in the budget for several years and has been approved.

Mr. French said if the Board has approved it, why is the plan being brought back now?

Ms. Meyer replied that it is for disclosure and transparency.

Mr. Rush asked about the other capital projects listed at \$2.7M.

Mr. Plaster said those included vanpool and support vehicles, maintenance on equipment and facilities, security, computer maintenance, signage, and operations and passenger facilities.

Mr. Schimmels mentioned that a major roof repair is needed at the Boone Avenue facilities.

Mr. Otterstrom said that will be brought to the Committee and Board in July and 80% of the cost has been covered by a grant.

Mr. Richard said he could support the maintenance of buildings and equipment.

**The Board concurred with continuing essential capital projects to be approved during the Capital Improvement Plan process.**

#### Deferred Positions

Ms. Meyer said there have been no new positions at STA since 2010. Staff proposes to bring forward two of the nine deferred positions for 2012 and defer the others to 2013.

IT Applications Specialist: This position directly relates to new software applications, specifically Trapeze and Smart Bus.

HR Specialist: STA's HR department has four staff which is lower than its counterparts in the state. There are multiple unions and the bargaining and grievance processes take a lot of staff time.

The total compensation for these positions is \$186K.

Mr. Richard said if staff needs these positions he will support them. He said STA has a good partnership with its unions and has negotiated fair contracts.

Further discussion ensued about the other deferred positions.

**The Board concurred with funding two deferred positions in 2012 and with continuing to defer seven positions.**

#### Compensation and Benefits

Ms. Meyer said the Board has approved a major restructure of STA's healthcare and benefits with large savings as a result. The state healthcare board denied STA's application but Premera provided the same plan for STA in 2011. STA is appealing the PEBB denial. Management and administration employees received a 1% increase in salary this year and zero in 2010. Staff will share market compensation comparisons in September with the Board. Mr. Blaska said STA will soon start negotiating with ATU 1598 (supervisors) and AFSCME (paratransit).

Mr. French referred back to the 2011 updated forecast model. He asked if the drawdown on cash included capital projects. He asked how the \$11M in capital projects (including grant funding) compensates for the red cash line from \$35.9M in 2011 to \$26.2M in 2012.

Mr. Plaster said the capital projects shown do not include the grant funding.

#### General Direction

Ms. Meyer referred to the same principles as in previous years:

Sustain quality of service; preserve essential capital projects; maintain flexibility; and, continue with sustainable plan. Staff also recommends deferring Phase 3 of the service reductions from 2012 to 2013.

Ms. Waldref said it would require additional sales tax revenue to avoid the 2013 service reduction and draw down the cash reserves in 2017.

Ms. Meyer said if the economy improves and more grant applications are successful it may delay service reductions until 2017 or beyond.

Ms. McLaughlin asked why \$18.5M in capital projects was spent in two years.

Ms. Meyer said it included Cooperative Street and Road projects, Smart Bus and Business System projects all of which received Board approval as essential capital projects. Some projects were deferred.

#### Board Cash Designations

Ms. Meyer said in 2006 the Board approved the inclusion of \$5M in the capital budget for acquisition of right-of-way in the south valley corridor. Over the past years this funding has been carried over and is programmed at \$1M per year. Staff recommends moving the funds to a new Board designated reserve. She also proposed that the funding be used for any High Performance Transit corridor purchase.

Mr. Richard asked if it could be used for the downtown circulator (Central City project).

Ms. Meyer said it could be used for any corridor.

Mr. Hafner asked how this would affect the south valley corridor.

Ms. Waldref said the Board approved the High Performance Network last year and the south valley corridor is still designated but there are other corridors in addition.

Mr. Richard said the light rail project in the Spokane Valley had been abandoned but the Board said funds would be preserved for future land purchase opportunities. He added that he has not seen any results of an analysis in the valley where it would meet the demand for service.

Ms. Meyer said the City of the Spokane Valley Council changed their plans about a City Center concept which changed the type of transit that would have supported the center. The plan does not currently support premium transit.

Mr. Richard said this should have been part of a public discussion. He asked whether a needs assessment has been done.

Mr. Otterstrom said a Board workshop was held last year on High Performance Transit. It was found that the south valley corridor is not as strong as other corridors in North and South Spokane in terms of ridership. Part of the analysis was a travel demand model to be done by Spokane Regional Transportation Council (SRTC) and there are still outstanding pieces not completed.

Mr. Schimmels said the valley couplet has not been effective. The business density has changed for the worse with depreciation and vacant properties. The economy has not helped.

Mr. Richard said he did not believe the STA Board has had a discussion on the viability of the south valley corridor and its density. He apologized if he had missed a meeting but staff should have updated him on this issue. He said he is not comfortable with concurring with this proposal. If it is determined that the south valley corridor is not a priority, that should be the Board's decision following discussion. He added that it looks as though funds are being freed up for the City of Spokane corridors.

Ms. Meyer said she did not think right-of-way would need to be purchased for the Central City project. She added in 2006 only the south valley corridor had been identified; there was no High Performance Transit network at that time and no Central City project. The Mayor of the City of Spokane brought grant funding in for the latter. The alternatives analysis looked at the system as a whole and saw that there were other corridors ahead of the south valley in terms of ridership.

Ms. McLaughlin advised flexibility and timing with regard to land acquisitions for any corridor.

Mr. Hafner said he has not heard of another corridor.

Ms. Meyer said in conjunction with the Central City project, STA staff met with City of Spokane Valley staff to let them know that no alternatives analysis was being done on the south valley corridor.

Mr. Richard said that information had not reached the City Council.

Mr. Blaska said the \$5M is included in the capital program every year. Would the Board concur with the proposal to move those funds to a Board designated reserve?

Ms. Waldref asked for Board concurrence on this proposal.

Mr. French said if the money is undesignated in the general budget it looks as though STA has more available cash so why would there be a need for a tax increase.

Mr. Rush left at 3:04 p.m.

Ms. Waldref said the Board had a workshop last year on the High Performance Transit Network (HPTN) outlining the corridors.

Mr. Otterstrom said consultant, David Evans and Associates, assisted with the HPTN and it is included in STA's Comprehensive Plan.

Mr. French said this is a policy decision that should be made during a later Board meeting.

Mr. Otterstrom said he will bring it to the Board in the fall.

Mr. French asked if there are opportunities for purchasing real estate at this time.

Mr. Otterstrom said there are not.

Ms. McLaughlin asked if the Board could approve the staff recommendation to move the \$5M into Board designated reserves.

Mr. Richard asked where the \$5M is today.

Mr. Plaster said it is included in capital projects.

Mr. Richard said there is no cash flow problem at the present time. He does not appreciate this process and will not be comfortable until needs analysis is done on the south valley corridor. He has been politically involved in advising his constituents of this issue. He said he is hearing mixed messages from staff. He questioned whether the right-of-way analysis has been abandoned or deferred because of the travel demand model.

Ms. Meyer said last year it was decided to do an alternatives analysis on the Central City project.

Mr. Schimmels said he had no problem moving the funds into a Board designated reserve.

Mr. Richard said he is frustrated because the City of the Spokane Valley Council said they put a hold on the transfer acquisition and easement on the corridor until the analysis was done. He added that he would like more discussion on this topic.

Mr. Hafner said he was confused because he thought the analysis was going forward even if there is no city center. He added that maybe the valley staff had been informed otherwise but the council members have not.

Ms. Meyer apologized for not advising council members directly.

Ms. Waldref said it appeared some Board members supported transferring the funds into a Board reserve and others did not.

Mr. Richard said he was not supportive and there is no hurry to do it.

Ms. Meyer agreed the issue can be discussed at a Board meeting.

#### Strategic Planning – Central City Transit Alternatives Analysis

Ms. Meyer said the Core Stakeholder group met and recommended the locally preferred alternative be the electric trolley bus on the proposed alignment. When the alternatives analysis is complete, staff will decide what to do next. There will be a breakout session at the July 15 Board workshop with Doug Eadie to discuss these issues. STA is planning for reduced service in 2013 and at the same time planning for an enhanced system that requires more funding and a potential ballot measure.

Ms. Waldref said deferring the service reductions is a good step.

Ms. McLaughlin asked if these reductions would be reversed if more funding was found.

Ms. Meyer said even if funding was available, the 2010 and 2011 service reductions would not be reversed because it would not be cost efficient. However if night and weekend service were to be cut, they would be brought back when more funding was available.

Ms. Waldref said analyzing the High Performance Transit corridors is an important discussion.

Mr. Richard agreed and added that it would be important to show to business owners who would be asked to help with the funding. He asked about Doug Eadie.

Ms. Meyer said Mr. Eadie is a consultant with many years of experience in working with transit and other non-profit boards. He is coming to work with the STA Board on governance issues and also long term strategic planning.

Mr. Richard said this is good for the agency.

Next steps

Ms. Meyer said the draft 2012 Budget will be presented to the Board at the October 19 Board meeting. Individual Board member sessions will take place if requested and a Board workshop in early November. Also at that time, employee and public workshops will take place. There will be a public hearing at the November 16 Board meeting followed by Board adoption of the Budget at the December 21 meeting.

Mr. French wondered if there would be a quorum at a meeting so close to the holidays and suggested moving it back a week to December 14. Ms. Watson said she would email Board members to check their availability on this date.

3. ADJOURN

With no further business to come before the Board at this workshop, Chair Waldref adjourned the meeting at 3:41 p.m.

Respectfully submitted,

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