

CITIZEN ADVISORY COMMITTEE SPECIAL MEETING

Meeting Minutes for March 11, 2009
Northside Conference Room

MEMBERS PRESENT

Fyrne Bemiller
Victor Frazier
Margaret Jones
Dean Lynch
David Swalling, Chair

STAFF PRESENT

Steve Blaska, Director of Operations
Naomi Dunning, Executive Assistant
Susan Millbank, Ombudsman
Molly Myers, Communications Manager
Karl Otterstrom, Director of Planning
Jim Plaster, Director of Finance and Administration

MEMBERS ABSENT

Elaine Hoskin
Brenda Smits

GUESTS

None

1. CALL TO ORDER AND ROLL CALL

Chairman Swalling called the meeting to order at 5:05 p.m. and conducted roll call.

2. PUBLIC EXPRESSIONS

As the Tariff Policy Project draws to a close, Mr. Frazier suggested he would like for STA staff and the Committee to consider solicitation of the community for additional CAC members.

Ms. Myers reported through the CAC's public outreach process, there have been several people ask how they could become a Committee member.

Ms. Bemiller added she knows someone who is interested in applying as well.

3. MINUTES OF THE CITIZEN ADVISORY COMMITTEE - Corrections or Approval

- a.) Mr. Swalling asked the Committee to address the meeting minutes of January 14, 2009.

The Committee reviewed and approved the minutes by consensus.

4. TARIFF POLICY

- a.) **2008 Financial Highlights, 2009 YTD Sales Tax Review & Financial Forecast**

In response to the Committee's request for a financial update, Mr. Plaster reported the following:

Significant highlights of the 2008 year include increased ridership and decreased sales tax. Operational revenues enjoyed a favorable variance due to increased ridership, however sales tax revenues were 6.2% below budget on a cash basis. Federal assistance under Section 5307 funds was \$1 million more than budgeted and the anticipated federal stimulus funding will assist the 2009/2010 budgets.

Cooperative Street and Road projects are slated to be complete by the end of 2010. The actual cost of the sales tax election in May 2008 was \$117,000 compared to the budgeted amount of \$300,000. January and February 2009 sales tax revenues were both 5.5% below budget. This is particularly severe since the February sales tax receipts are from December holiday sales. The severe winter weather impacted the shopping opportunities during the holiday season.

Mr. Blaska added the CAC made the proposal based on economic assumptions presented mid to late 2008. This financial update confirms the trends presented last year as still being valid. There is still a decline in sales tax revenue and a

long-term challenge to sustain service even with economic stimulus funding.

Ms. Bemiller asked if there are conditions with the stimulus funding.

Mr. Blaska replied the funding needs to be obligated within six months of receiving notification of the funds.

Mr. Swalling asked at what point does the Board's "red flag" go up as far as addressing the decline in revenue.

Mr. Blaska said there will soon be a recommendation made to the Board. At some point a decision has to be made whether to reduce service or ask for additional sales tax revenue. He further stated staff is trying to extend this discussion as long as possible.

Mr. Swalling reported during the public outreach process, many people said they expect more service with an increase in fares, which creates a challenge when service cuts may take place instead. While this was not the charge of the CAC's Tariff Policy review, Mr. Swalling anticipates the public will have this general sentiment.

Mr. Blaska stated whatever the Board decides in May on the proposed fare increase, the messaging of why a fare increase is needed needs to be concise and the fare increase is only a portion of the solution to a decline in revenue, not the entire solution.

Mr. Swalling confirmed while presenting the draft proposal and/or speaking to the public, he has made it very clear that an increase in fares does not mean an increase in service.

Mr. Blaska said when asking for additional revenue via an increase in sales tax, an addition to the current service will be offered, so when the public votes, they will vote to sustain what they have now and for additional service enhancements.

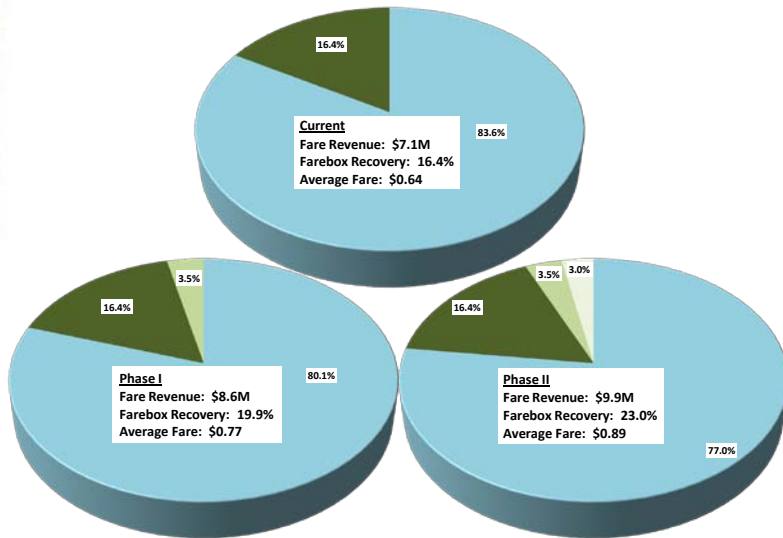
Ms. Myers added this reverts to basic education of where STA's revenue comes from and continuing the messaging already begun by the CAC's public outreach.

b.) Updated Fare Elasticity Model with 2008 Data

Mr. Plaster presented a comparison of 2008 vs. 2007 Fixed Route Actual Allocated Operating Expense Data. These charts do not reflect the Express Route approximated revenue.

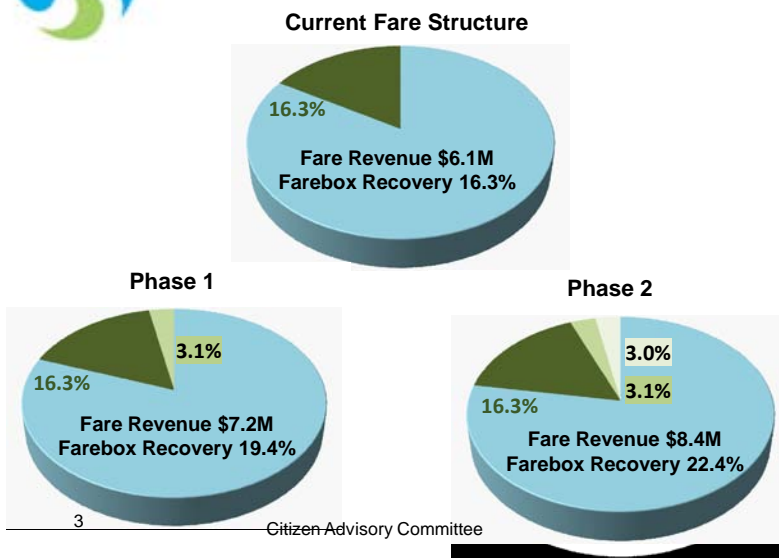
2008 Fixed Route Actual Allocated Operating Expense (\$43.3M). Current: Fare Revenue: \$7.1M; Farebox Recovery 16.4%; Average Fare: \$0.64. Phase I: Fare Revenue: \$8.6M; Farebox Recovery: 19.9%; Average Fare: \$0.77. Phase II: Fare Revenue: \$9.9M; Farebox Recovery: 23.0%; Average Fare: \$0.89. See chart below.

Fixed Route 2008 Actual Allocated Operating Expense (\$43.3M)



2007 Fixed Route Actual Allocated Operating Expense (\$37.3M). Current: Fare Revenue: \$6.1M; Farebox Recovery \$16.3%; Phase I: Fare Revenue: \$7.2M; Farebox Recovery: 19.4%; Phase II: Fare Revenue: \$8.4M; Farebox Recovery: 22.4%. See chart below.

Fixed Route 2007 Actual Allocated Operating Expense (\$37.3M)



Per Mr. Lynch’s request at the March 5, 2009 meeting, Mr. Plaster also provided fare elasticity data showing ridership reduction of -3.0% and -5.0%. Mr. Plaster informed elasticity is not a specific science, however, this data shows an estimated possible effect of these reduction in ridership factors.

A comparison of zero elasticity vs. a negative -3.0%. Phase I: Ridership decreases by -4.0% (475,569 passengers) and revenue would increase by approximately 14% (\$1M). Phase II: Ridership decreases by -8.0% (917,793 passengers) and revenue would increase by approximately 24% (\$1.7M).

A comparison of zero elasticity vs. a negative - 5.0%. Phase I: Ridership decreases by -7.0% (792,615 passengers) and revenue would increase by approximately 9.0% (\$659K). Phase II: Ridership decreases by -14 % (1,529,655 passengers) and revenue would increase by approximately 13% (\$922K).

Mr. Plaster stated he felt confident the price elasticity would not drop to -5.0%.

Mr. Otterstrom said there are so many variables in elasticity models when projecting into the future. In this scenario, only one factor is assumed to change, and the rest is held constant which is a scenario very unlikely to actually take place.

Mr. Lynch thanked Mr. Plaster for the information.

c.) Review Final Compilation of Public Comments

Ms. Myers provided a final compilation of the Public Feedback spreadsheet summarizing all public outreach. There were no questions for Ms. Myers.

d.) Discuss Final Recommendation and Presentation for the March 19, 2009 Board Meeting

Mr. Blaska presented the draft presentation with incorporation of all modifications discussed at the last meeting, including the primary changes; elimination of the Express Route fare category, and recommendation of extending the time period over which Paratransit fares would increase until 2012. Some minor changes were incorporated along with Mr. Lynch's comments submitted via email. Mr. Blaska stated the packet that is sent to the Board consists of a cover/summary page and the actual presentation itself (including the speaker's notes), all of which will be reviewed by the Committee at this meeting for any final input, edits, and subsequent final approval for presentation at the March 19, 2009 Board meeting.

In order to provide a thorough history demonstrating how the Committee arrived at their decision, they elected to take a portion of the initial presentation made to the Board in December 2008 and integrate it into the final recommendation presentation for March 2009.

Following an in-depth review of the cover/summary page, the presentation, and the speaker's notes, the Committee consented to the final work products for their inclusion in the March 19, 2009 Board Packet as well as presentation to the Board at their March 19, 2009 meeting. *The final items are attached for ease of reference.*

4. SET AGENDA FOR NEXT MEETING

Wednesday, April 8, 2009 – 5:00 p.m. (Regular Meeting) – Spokane Transit, Northside Conference Room

7. ADJOURN

With there being no further business to come before the Committee, the meeting was adjourned at 6:56 p.m.

Respectfully submitted,

Naomi Dunning
Executive Assistant