

CITIZEN ADVISORY COMMITTEE

Meeting Minutes for October 8, 2008
Northside Conference Room

MEMBERS PRESENT

Fyrne Bemiller
Victor Frazier
Margaret Jones
Dean Lynch
David Swalling

STAFF PRESENT

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

MEMBERS ABSENT

Elaine Hoskin
Brenda Smits

GUESTS

Dennis Antonellis, ATU 1015 President

1. Call to Order and Introductions (David Swalling, Committee Member)

Chairman Swalling called the meeting to order at 5:05 p.m.

2. Minutes of the Citizen Advisory Committee – Corrections or Approval

a.) Chairman Swalling asked the Committee to address the meeting minutes of June 11, 2008.

The Committee reviewed and approved the minutes by consensus.

3. Financials

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

Mr. Plaster presented an updated financial forecast which was previously presented to the STA Board at their Financial and Planning Workshop on October 1, 2008.

Mr. Plaster began by stating the financial projection presented to the Board in December 2007 is no longer valid and said that the sales tax revenues have decreased from the amounts budgeted for 2008 and fuel costs have increased, creating a situation that changes the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 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% between 2011 – 2015. Staff has contacted other local jurisdictions as well as other transit agencies in the state and the financial projections are consistent.

Instead of a 3.5% budgeted growth rate for 2008, STA is experiencing a negative 2% growth rate, resulting in an unfavorable variance in 2008 of approximately \$-2.3 million to \$-2.7million. Fuel costs are much higher than budgeted, which has created an unfavorable variance in fuel for 2008 at approximately \$300k more than anticipated and is forecasted to be substantially higher in the future.

Mr. Plaster reported the 2009 Budget process is underway and the rollup of operating expenses has begun, however, is not yet complete. Ridership has increased far beyond expectation, however, with this increase comes unanticipated demands upon the system.

Mr. Blaska added to the discussion by telling the Committee members the direct application to the Tariff Policy project is based on this presentation and prognosis. At their workshop in October, the Board did elicit general guidance on what to look at for fare increases.

Mrs. Jones asked if wage increases will still take place under these financial conditions.

Mr. Blaska replied all STA employees except for about 38 people are negotiated under contracts.

Mr. Plaster said Mrs. Jones' question will be addressed in the scenario discussion later in the presentation.

Regarding the general guidance from the Board on the fare increase, Mr. Frazier asked what amount of increase was discussed.

Mr. Blaska replied it was about the same that the CAC was considering, about 25 cents.

Mr. Blaska continued by stating the Committee may need to consider a stair-step increase due to the fact that STA is so far behind in fare increases. He suggested proposing all information at the same time. Assuming 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 impact could be reduced to \$-27.5 million which is still not sustainable.

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 a growth of 3% between 2010 and 2015. The combined new decrease in projected cash between 2008 and 2015 is \$-61.4 million.

Mrs. Jones asked if a disaster plan has been developed.

Mr. Blaska replied the scenarios to be presented by Mr. Plaster address worst case scenario planning. He continued by stating with the severity of fuel and sales tax, all capital programs could be cancelled, except for bus replacement on a 15 – 17 year cycle, and it would still not change the situation to be sustainable.

Mr. Blaska stated STA is operating at about 80% of what it costs other agencies to deliver the same level of service. There could not be enough internal cuts to modify this scenario. Mr. Blaska suggested that there are two solutions; either a change in service level or a change in revenue, and the only one that STA has complete control over is change in service level. The scenarios presented are to communicate what level of revenue or what level of service reduction is needed in order to have a sustainable plan.

Mr. Plaster added STA is fortunate to have some cash to hopefully bridge a portion of the projections, however, the problem is much deeper than one could imagine.

Staff has prepared several scenarios to plan for this eventuality.

Scenario 1

Assuming the sales tax revenue decreases and increases in fuel costs outlined above; continuing the original 2009-2015 capital schedule; no fare increase and adding the proposed twelve new positions; the cash reserves would end in October 2010.

Scenario 2

Staff suggests modifying the capital schedule, deferring the new positions to 2011, imposing fare increases in 2010, 2011 and 2015 and reducing fixed route bus service by 4% in 2010. This would result in cash reserves ending in February 2012.

The reduced capital schedule would defer certain capital projects but keep the following: add security cameras at Boone and the Plaza only; replace the twenty year old maintenance, finance and human resources system; scheduled facility and grounds preventive maintenance; 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. This scenario considers an approximate base fare adjustment of 25% in 2010, 2011, and 2015.

Scenario 2a

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

Scenario 2b

Same as 2 but increase sales tax revenue by 0.1% in 2011. This scenario is not sustainable and cash reserves would end in early 2012.

Scenario 2c

Same as 2 but increase sales tax revenue by 0.2% in 2011. This scenario is sustainable with a minimum cash reserve of \$11.4 million in 2012.

Mr. Plaster submitted in 1981 the voters approved a .03% sales tax levy to fund STA, and the State had a matching motor vehicle excise tax which matched dollar for dollar. In essence, one could say that in 1981, STA existed on the equivalent of .06% sales tax funding, plus its fare revenues and some Federal assistance. Now, in 2008 STA is existing on the equivalent of .06% sales tax levy, fare revenues, Federal and State assistance. Unfortunately, due to current economic level of conditions, this level of funding is no longer adequate for the commitments that have been made at this point in time.

Mrs. Bemiller asked about new services that were previously suggested, and not implemented.

Mr. Blaska replied there were plans to have increased service to the airport and Liberty Lake. These two initiatives were already approved by the Board and were to be implemented in September 2008. By not implementing these services, it has been helpful to keeping close to budget. Mr. Blaska did say however, it is important to continue planning for enhanced services in the event there is more revenue that could be dedicated to public transit. Mr. Blaska continued to say that it is necessary to have more revenue to keep what we have now.

Mrs. Jones said if at all possible, it is necessary to maintain the STA facilities.

Mr. Lynch suggested to looking into a potential tax credit for utilization of solar panels as a power resource and cost savings for the STA buildings.

Mr. Blaska referred to the prognosis ten months ago when Committee members questioned why it is necessary to have a fare increase. It is now more obvious as the economy has a direct impact on STA's revenues. Mr. Blaska added that the Board asked the CAC to consider raising fares in the near term and in 2011 and the timing is important.

Mrs. Bemiller said she has seen a lot of companies in the United States in their "lean and mean years", and expressed that she is impressed with the decision making and the integrity of staff in both change and flexibility.

Mr. Plaster thanked Ms. Bemiller for her confidence, and mentioned STA feels very fortunate as they are aware of other transit agencies that have to make very tough choices immediately.

Mr. Blaska added to the statement of flexibility, in that STA does not need to do something today, rather, deliberate decisions and planning will be made to be implemented in 2011. Mr. Blaska said he wished that everyone shared Mrs. Bemiller's sentiment, however, when this type of message is sent out shortly after the sales tax reauthorization in May 2008, and less than six months later the conditions are causing STA to look for more revenue, or to cut service, this is a very tough message to send, and prudent planning is necessary.

Mr. Plaster stated the Board had a vigorous discussion at their financial workshop on October 1st, and wants to continue the planning process via another Board workshop which has yet to be scheduled prior to the November Board meeting.

Mr. Swalling thanked Mr. Plaster for his presentation. He reiterated the vast changes which have taken place in the world of economics and stated the Committee will do its best to work through the direct effects to STA, specifically the current focus on the Tariff Policy.

4. Tariff Policy

a.) The Committee elected to look at the Project Calendar prior to reviewing the Fare Structure Matrix.

Following their review, the Committee revised the project timeline as follows:

November 12, 2008/CAC	Finalize fare increase decision. Public outreach discussion.
December 18, 2008/Board	Present initial public outreach plan and proposal to Board.
January 14, 2009/CAC	Public outreach.
February 11, 2009/CAC	Public outreach.
March 11, 2009/CAC	Compose final recommendation to Board.
March 19, 2009/Board	Final presentation to Board.
April 16, 2009/Board	Public hearing.
May 21, 2009/Board	Final decision by Board.
October/November 2009	Potential implementation date – Phase I.
January 2010	Potential implementation date – Phase I.

Mr. Blaska spoke about the original project calendar, with the project targeted to be complete by the end of 2009, and mentioned that the initial reaction of STA Board Chair, Mark Richard, was to slow the process down. Now, the general feeling is to bring it back up to speed with a potential implementation in late 2009 or early 2010.

Mr. Lynch thought the fares were going to be decided at this meeting, and suggested that it should be finalized at the next meeting.

Mr. Blaska asked the Committee how they would like to address the second step of the fare increase and referred to the elasticity model and restated that the Board would like the Committee to implement two fare increases. The data on the comparative chart for other transits has changed, and STA's fare review/increase schedule is far behind. Most other properties have gone with a fare increase. If STA were to increase to \$1.25 in the first step, then it would be likely for the second step to have an increase to \$1.50. Mr. Blaska asked the Committee if they thought they could come to a final decision on the pricing at the next meeting in November, to which everyone replied "yes".

Mr. Swalling asked if the Board would expect a presentation on both fare increases at the November meeting, or just for the first increase.

Mr. Blaska replied the Board would like to see a presentation on two increases.

Mrs. Jones asked if the Board indicated what they would like to see for an increase. Mr. Blaska said that the \$.25 increments that the Committee is currently looking at are in the same range as the they were considering.

Mr. Lynch asked about the plan for public outreach.

Ms. Myers stated months ago discussions took place about having focus groups with key stakeholders. She continued to say if she knew about the target date for outreach, in addition to having the Board's approval, it could be done in January, 2009.

Ms. Millbank said the approach has changed because it is now known that STA does need a fare increase and the approach should now be one of informing the public as opposed to polling the public.

Ms. Myers said she would view public outreach as both purposes, to poll and inform, and it depends on what the focus and desired outcome is. She continued to say that the beauty of a focus group is that it is conducted in a controlled environment, with a neutral facilitator, and will provide an accurate view of the community, subsequently telling how difficult or easy this task will be, rather than assuming.

Mrs. Bemiller said she did not think the Committee needs to appeal to the public.

Mrs. Jones disagreed.

Mr. Lynch agreed with Ms. Millbank that the focus group may not be relevant to where the CAC is at this point. If the CAC recommends raising fares, the Board will likely do it. The Board is giving the CAC freedom whether to do a focus group or not, and knowing the Committee has studied the data in depth, will allow the Committee to make a recommendation. Mr. Lynch referred to the Community Forum that recently took place in September at the Plaza where the idea of a fare increase was shared with the public. Mr. Lynch said that ultimately, the public will just have to deal with it.

Ms. Myers said that this certainly changes from the previous plan.

Mr. Lynch stated perhaps for phase two a focus group could be utilized. He also mentioned that when speaking of focus groups this means additional costs for consultants and is a figure that the Committee needs to be prudent with.

Mr. Blaska noted if the schedule was altered due to the public outreach discussion, a decision could be made in March, 2009. This would still allow for two months of public outreach, a public hearing in March, and then a Board decision at the April 2009 Board meeting.

Mr. Blaska added by stating the logical times to implement are September and January. An April decision would allow for a September/October implementation, or giving six months notice would equal a January 2010 implementation. With regard to the mass consumers (DHS, EWU, SCC, etc.) notice would need to be given in order to allow for time to integrate the increase into their budget cycle.

Mr. Lynch asked if it would be possible to raise the fares in September/October, but hold the contracted passes to a January implementation.

Mr. Blaska said that perhaps the Special Needs grant may be able to bridge the gap.

Mr. Plaster stated that this may be possible and noted that the last fare increase gave a four month notice to all users.

Mr. Lynch suggested that a letter could be sent to these organizations to notify them of upcoming increases and the dates.

Mrs. Bemiller noted not all fare categories were going to have increases and perhaps the schools could be considered for the second phase.

Mr. Blaska said this could be addressed at the next meeting.

Ms. Myers stated in addition to working with the public, there are internal projects necessary to take place, such as changing all printed items with pricing and the fare instruments as well.

Mrs. Jones said the drivers would need education in addition to the public as they are often the first person that riders encounter.

Mr. Antonellis asked when staff plans to go out for another increase in sales tax revenue.

Mr. Plaster said the Board has not even deliberated this issue it is simply one scenario of many options to consider.

Mr. Antonellis said this would need to be timed carefully when also considering a fare increase.

Mr. Plaster replied in 2004 the fare adjustment was made in February 2002 and an election was in May 2004. He asked if you want the fare increase to precede the sales tax election or to follow it.

Mr. Blaska said that the first thing that non-riders would ask at election time is what have the riders contributed.

Mr. Antonellis submitted the fare increase should happen before another sales tax election. He also noted on the fare elasticity table that express service was receiving the same increase as local service. Mr. Antonellis asked why this service is not increased more as it is a premium service.

Mr. Lynch told Mr. Antonellis that the actual increase for consideration on a premium service such as the express routes is \$.50.

- a.) The Committee decided to review and populate the Fare Structure Matrix at the next meeting in November.

Mr. Lynch asked staff to email two tables to the CAC members. One with prices that currently exist and one with the new price, at zero elasticity, for review and return of the information back to staff. Staff will add two columns to the tables for Phase I and Phase II adjustments.

5. General Business

- a.) The 2008 Statewide Joint Citizen's Advisory Committee took place on September 19, 2008, in Lacey, WA. Spokane Transit was represented by David Swalling, CAC Chair; Victor Frazier, CAC Member; and Susan Millbank, STA Ombudsman.

Also in attendance were CAC members representing other agencies from across the state. Mr. Swalling made a short presentation recapping the Tariff Policy project. Overall, the attendees of the meeting felt it was beneficial to have the opportunity to network with other CAC's from across the state and hear of their

projects and specific areas of focus. Mr. Frazier was especially impressed with Intercity Transit's camera system and the level of safety, security, and documentation it provided.

6. Public Expressions

There were no public expressions at this time.

7. Agenda for Next Meeting

The next meeting will be held on Wednesday, November 12, 2008 – 5:00 p.m.

Items to be reviewed are pricing and public outreach.

8. Adjourn

With there being no further business to come before the Committee, the meeting was adjourned at 7:09 p.m.

Respectfully submitted,

Naomi Dunning
Executive Assistant