

Spokane Transit Authority
1230 West Boone Avenue
Spokane, WA 99201-2686
(509) 325-6000

PLANNING & DEVELOPMENT COMMITTEE MEETING

Wednesday, October 7, 2015, 10:00 a.m.
Spokane Transit Southside Conference Room

AGENDA

Estimated meeting time: 90 minutes

1. Call to Order and Roll Call
2. Public Expressions
3. Committee Chair Report (5 minutes)
4. Committee Action (5 minutes)
 - A. Approval of Minutes of the September 2, 2015, Committee Meeting – *Corrections/Approval*
5. Reports to Committee (15 minutes)
 - A. Proposed 2016 Operating & Capital Budgets (*E. Susan Meyer/Lynda Warren*)
6. Committee Action (55 minutes)
 - A. Board Consent Agenda
(*No items being presented this month*)
 - B. Board Action – Committee Recommendations Agenda
 1. Approval of the Draft Annual Strategic Plan (*Steve Blaska*)
 2. Forecast Assumptions Recommendation (*Narrated*)
7. Committee Information – *no discussion/staff available for questions*
 - A. Central City Line Preliminary Engineering & Design Update (*Karl Otterstrom*)
8. CEO Report (*Steve Blaska*) (5 minutes)
9. New Business
10. Committee Members' Expressions (5 minutes)
11. Review November 4, 2015, Committee Meeting Agenda
12. Adjourn
13. Next Committee Meeting: November 4, 2015, 10:00 a.m. (STA Southside Conference Room, 1230 W Boone Avenue, Spokane, WA)

Agendas of regular Committee and Board meetings are available the Friday afternoon preceding each meeting at the STA Administrative Office, 1230 West Boone Avenue, Spokane, Washington. Discussions concerning matters to be brought to the Board are held in Committee meetings. The public is welcome to attend and participate. Spokane Transit assures nondiscrimination in accordance with Title VI of the Civil Rights Act of 1964. For more information, see www.spokanetransit.com. Upon request, alternative formats of this information will be produced for people who are disabled. The meeting facility is accessible for people using wheelchairs. For other accommodations, please call 325-6094 (TTY Relay 711) at least forty-eight (48) hours in advance.

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 2 : PUBLIC EXPRESSIONS

REFERRAL COMMITTEE: N/A

SUBMITTED BY: N/A

SUMMARY:

At this time, the Planning & Development Committee will give the public an opportunity to express comments or opinions.

Anyone wishing to speak should sign in on the sheet provided and indicate the subject of interest.

RECOMMENDATION TO COMMITTEE: N/A

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 3 : COMMITTEE CHAIR REPORT

REFERRAL COMMITTEE: N/A

SUBMITTED BY: Al French, Chair, Planning & Development Committee

SUMMARY:

At this time, the Committee Chair will have an opportunity to comment on various topics of interest regarding Spokane Transit.

RECOMMENDATION TO COMMITTEE: N/A

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 4.A : **MINUTES OF THE SEPTEMBER 2, 2015 COMMITTEE MEETING –
CORRECTIONS AND/OR APPROVAL**

REFERRAL COMMITTEE: N/A

SUBMITTED BY: Angela Stephens, Executive Assistant

SUMMARY:

Minutes of the Month September 2, 2015 Committee meeting are attached for your information, corrections and/or approval.

RECOMMENDATION TO COMMITTEE: Corrections and/or approval.

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

Spokane Transit Authority
1230 West Boone Avenue
Spokane, Washington 99201-2686
(509) 325-6000

PLANNING & DEVELOPMENT COMMITTEE
MEETING 10:00 A.M.

Draft Minutes of the September 2, 2015, Meeting
Southside Conference Room

MEMBERS PRESENT

Al French, Spokane County*
Candace Mumm, City of Spokane
Shelly O'Quinn, Spokane County
E. Susan Meyer, CEO, Ex-Officio

MEMBERS ABSENT

Ed Pace, City of Spokane Valley

*Chair

STAFF PRESENT

Steve Blaska, Director of Operations
Beth Bousley, Director of Communications
& Customer Service
Steve Doolittle, Director of Human Resources
Karl Otterstrom, Director of Planning
Lynda Warren, Director of Finance & Information Services
Tammy Johnston, Budget & Accounting Manager
Susan Millbank, Ombudsman & Accessibility Officer
Merilee Robar, Executive Assistant, Finance & Information Systems

GUESTS

Amber Waldref, City of Spokane

1. CALL TO ORDER AND ROLL CALL

Chair French called the meeting to order at 10:10 a.m. Roll was called.

2. PUBLIC EXPRESSIONS

None.

3. COMMITTEE CHAIR REPORT

Chair French thanked those present for attending the meeting and those that attended the Planning & Development Committee special meeting in August.

4. COMMITTEE ACTION

A. MINUTES OF THE AUGUST 20, 2015, COMMITTEE SPECIAL MEETING

Ms. O'Quinn moved to recommend approval of the August 20, 2015, Planning & Development Committee special meeting minutes. The motion was seconded by Ms. Mumm. Motion passed unanimously.

B. BOARD CONSENT AGENDA

(No items being presented this month)

C. BOARD ACTION – COMMITTEE RECOMMENDATIONS AGENDA

1. FINAL DRAFT 2015 TRANSIT DEVELOPMENT PLAN (TDP)

Minor revisions have been made to the TDP since the June and August drafts were published. These revisions include typographical edits and a revision to the Board composition table. If approved, the TDP will be submitted to the state one month late due to detailed review. There are no penalties for late submittal; however, STA strives to meet the statutory deadline of September 1 each year. Mr.

Otterstrom reviewed highlights of the changes made to the draft since June. Chair French stated the recommendation to approve the TDP. Ms. O'Quinn expressed concern about approving the Capital Improvement Program within the TDP prior to Board approval of the 2016 capital budget and assumptions. Discussion ensued.

Ms. Meyer recommended deferring action on the TDP until agenda items 5.A – C were completed (Draft Annual Strategic Plan, Draft 2016 Operating & Capital Budgets, and Financial Forecasts).

Discussion ensued about revising the recommendation language for the TDP. Chair French asked if the group was comfortable with deferring action on the TDP until after items 5.A – C were covered. There were no objections.

5. REPORTS TO COMMITTEE

A. DRAFT 2016 ANNUAL STRATEGIC PLAN

The Annual Strategic Plan guides STA in its execution of doing business in a specific year. Ms. Meyer gave a detailed overview of the plan which was distributed to the Committee. The plan guidance is to maintain the current level of services with existing resources in 2016 with a focus in the following four areas highlighted:

1. Increasing bus ridership, primarily in collaboration with our partners using a Universal Transit Access Pass (UTAP)-- universities, City of Spokane and Spokane County to recoup the decline to date in 2015
2016 Ridership Goals:
 - o Fixed Route (bus): Recover 1.5% of the expected ridership decline in 2015 (through July)
 - o Paratransit: maintain 2015 ridership
 - o Van Pool Goal: 7%
2. Maintaining operating costs at or below 95% of the state urban average
3. Maintaining essential capital projects
 - o Plaza Renovation
 - o Business Systems Replacement
 - o Fare Collection Update
 - o West Plains Transit Center (WPTC)
 - o Central City Line
4. Planning for the future. Maintain the vision for sustaining and providing more and better transit service consistent with STA's comprehensive plan, Connect Spokane. Evaluate project and service costs in the 10-year plan
 - o Fares - no increase in bus and Paratransit fares and passes (or Van Pool) in 2016
 - o Staffing – adding two new positions – a Trainer and a Security Officer
 - o Compensation – contracts with all three labor groups are approved – no contract bargaining in 2016. Non-represented employees receive a 2.5% general wage increase (group's average wage remains below market).
 - o Benefits – Non-represented employees' share of medical premiums will increase for the higher cost Premera plan only. This is consistent with other represented work groups. Employer rates for the retirement benefit are expected to be stable for 2016.

There was discussion about vanpool ridership decline and recovery. Ms. O'Quinn asked about the proposed 2.5% general wage increase for the management group in comparison to the unions' 1.5% (ATU 1015), 1.0% (AFSCME), and 1.5% (ATU 1598) wage increases in 2016. Mr. Doolittle said that comparables are used to help determine where wages stand in the market for represented and non-represented employees. Ms. Meyer further explained that a top and bottom step have been added to represented (union) wage scales. The percentage increase is 2.5% of the 5% new step. This is not reported as a general wage increase. STA's goal is to be within 10% of market. This is applicable to represented and non-represented employees. In many instances, union employees are much closer to market than management positions. Mr. Doolittle explained that the ATU 1598 supervisors and management employees are 8 – 9% below market, while ATU 1015 and AFSCME Union employees are closer to 3-4% below market. Discussion ensued. Ms. O'Quinn suggested that a footnote be added to the 2016 Operating Budget Assumptions Expenses – Compensation slide in the budget presentation to reflect this information. Mr. Doolittle added that the union contracts are three year commitments and the graph does not show the general wage increases for additional years on the slide referred to. The management group does not have commitments for additional years. Discussion ensued regarding the number of upcoming retirements and insurance premium costs.

Ms. Meyer said that the draft Annual Strategic Plan will next go to the Board for information. The final draft will be brought to the Planning & Development Committee for a recommendation to the Board. No action on the 2016 Annual Strategic Plan was required at the September meeting.

B. DRAFT 2016 OPERATING & CAPITAL BUDGETS

Ms. Warren gave a detailed presentation regarding the 2016 Draft Operating and Capital Budgets and Budget Assumptions. Several handouts were distributed to the Committee prior to the meeting to provide further detail. Ms. Warren said the draft 2016 budget was built based on Board guidance to: sustain quality, preserve essential capital projects, maintain flexibility; and continue with a sustainable plan by avoiding long-term commitments that may not be funded. Ms. Warren reviewed assumptions in expenses including: personnel, compensation, benefits, and fuel. The presentation slide regarding "General Wage Increase" will be revised based on the Committee's earlier comments. Major operating expense changes for 2016 assumptions were reviewed and discussed. The total change in the budget is \$.1M over the 2015 budget. Estimated operating expenses for 2016 total \$65,628,496.

Ms. Warren explained the forecast process. The assumptions for the budget year are different than the assumptions for the forecast. Ms. Warren reviewed assumptions in revenue which include a sales tax revenue growth assumption based on Board guidance of 2.5% trend (was 3% thru 2013). Fare revenue is based on sustaining ridership levels for Fixed Route; sustaining ridership levels for Paratransit; and growing Vanpool ridership by 7% from 2015 projected. Discussion ensued about ridership and fare elasticity and possible correlations between increased fares and decreased ridership. Ms. Warren said that other major factors in assumptions include federal grants in the amount of \$7.7M, state grants in the amount of \$1.1M, and an interest rate assumption of 1.0% per Spokane County Treasurer. The 2016 estimated revenues is \$69,483,710. As with expenses, the revenue is very similar to past years. The 2016 Draft Capital Budget totals \$14,604,009 from federal, state and local funds.

The 2015 to 2016 budget comparison was reviewed.

	2015 Budget	\$ Change from 2015 Budget	% Change from 2015 Budget	2016 Draft Budget
Estimated Revenues:				
Fares & Other Transit Revenue	\$ 11,163,532	\$ (617,616)	-5.5%	\$10,545,916
Sales Tax	48,376,901	1,209,422	2.5%	49,586,323
State Grants	847,369	279,131	32.9%	1,126,500
Miscellaneous	670,914	(159,041)	-23.7%	511,874
Federal Preventive Maintenance	7,749,576	(135,480)	-1.7%	7,614,096
Federal Grants	-	99,000	-	99,000
Subtotal: Operating Revenues	68,808,292	675,417	1.0%	69,483,710
Federal Capital Revenue	3,110,914	(73,278)	-2.4%	3,037,636
State Capital Revenue	484,106	8,894	1.8%	493,000
Subtotal: Capital	3,595,020	(64,384)	-1.8%	3,530,636
Total Revenue	72,403,312	611,033	0.8%	73,014,346
Decrease/(Increase) in Cash Balance ¹	18,066,376	(9,273,493)	-51.3%	8,792,883
Total Source of Funds	\$ 90,469,689	\$ (8,662,460)	-9.6%	\$81,807,229
Estimated Expenditures:				
Fixed Route Bus	\$ 43,474,273	\$ (180,852)	-0.4%	\$43,293,421
Paratransit	12,029,757	(34,108)	-0.3%	11,995,648
Vanpool	870,447	(178,038)	-20.5%	692,408
Plaza	1,366,439	207,811	15.2%	1,574,249
Administrative	7,827,650	245,119	3.1%	8,072,768
Total Operating Expense	65,568,565	59,931	0.1%	65,628,496
% Administrative	11.9%	0.4%	3.0%	12.3%
Cooperative Street/Road Projects	-	-		-
FR & PT Fleet Replacement Allocation	6,252,791	(4,678,067)	-74.8%	1,574,724
Capital Expenditures	18,648,333	(4,044,324)	-21.7%	14,604,009
Total Expenditures	90,469,689	(8,662,460)	-9.6%	81,807,229
Total Use of Funds	\$ 90,469,689	\$ (8,662,460)	-9.6%	\$81,807,229

¹ Cash includes the Fleet Replacement account

The 2016 Cash and Reserve Analysis was reviewed.

	2016 Draft Budget
OPERATING ACTIVITIES	
Revenue (excluding capital grants)	\$69,483,710
Operating Expense	(65,628,496)
Revenue Over / (Under) Operating Expenses	\$3,855,214
CAPITAL ACTIVITIES (Local Funds)	
Purchase of Property, Plant, and Equipment	(11,073,373)
FR & PT Fleet Replacement Allocation	(1,574,724)
Total Local Cash Used for Capital Activities	(12,648,097)
NET DECREASE IN CASH	(8,792,883)
CASH (Projected beginning 2016)	45,702,522
CASH (Projected ending 2016)	36,909,639
BOARD DESIGNATED RESERVES	
Operating Reserve (15% of Operating Expenses)	(9,844,274)
Risk Reserve	(5,500,000)
Right of Way Acquisition Reserve	(4,950,000)
	(20,294,274)
2016 Estimated End of Year Cash Balance After Reserves¹	\$16,615,365

¹ Estimated end of year cash balance after reserves are used for future capital expenditures included in the 2016-2021 Capital Improvement Plan

It is expected that revenue will exceed operating expenses by \$3.9M which would go into the cash balance to fund capital projects. This is the only local source STA has for funding capital projects. If all continues as anticipated, STA would need to draw on cash \$8.8M in 2016. If reserves are removed from the cash balance at the end of 2016, an estimated \$16.6M would remain. Changes to the sales tax assumption would pose a small change to the amount of cash that would be drawn.

Next steps were reviewed to include further presentations to the Board and Committees, individual meetings with Board members if requested, citizen outreach in October (automated presentation), a public hearing at the October 22 Board meeting, presentations at the STA All Employee Meetings and request for adoption of the 2016 budget at the November 19 Board meeting.

Ms. Warren asked if there were any further questions on the budget piece. Ms. O'Quinn asked to receive a greater detailed budget. Ms. O'Quinn will share with Ms. Warren an example of a report from the Health District which has the amount of detail requested. Ms. Warren said staff will get that report to Ms. O'Quinn.

C. FINANCIAL FORECAST ASSUMPTIONS

Ms. Warren gave an overview of 2015 projections and historical financial information. The 2015 projections included 2015 revenue and operating expense projections and 2015 operating expense projections major changes. The 2015 projected revenue is \$69.5M. Ms. Warren cautioned that this projection is not a crystal ball but is an estimate based on the most current data available: sales tax revenue is based on August data; all other revenue sources are based on July data. Ms. Mumm stated that the City of Spokane goes out to 20/10/5 year trend lines. Ms. Meyer said it would be helpful to have that information shared with STA staff. Chair French asked if there was consensus in STA's meetings with financial staff from other jurisdictions about what they are using to create projections. Ms. Warren said there is not consensus, different jurisdictions do things differently, but she has reached out again to get more input. Discussion ensued. Ms. Warren reviewed the 2015 operating expense projections. The 2015 projected expenses total \$62.4M (based on July data). STA expects to be \$3M below budget, mostly due to fuel and deferred battery replacement savings. The expense projection depends heavily on timing (when bills come in). Chair French stated concern that fuel cell battery replacement is indicated as a savings when replacement is actually a deferral of expense rather than a savings. Ms. Warren agreed that the battery replacements are a deferral and will again be in the budget for 2016 and will continue to be in the budget until they are replaced.

Historical comparisons included charts illustrating: budget vs. actual revenue 2005-2014; sales tax revenue gap; budget vs. actual operating expenses 2005-2014; budget vs. actual for revenue & operating expenses 2005-2014; operating revenue vs. operating expenses 2005-2015 (projected); and operating revenue, operating expenses & local capital expense 2005-2015 (projected). Ms. Mumm applauded STA for making it through the recession with only two of the eight years of actual revenues below budgeted revenue. In reviewing the Operating Revenue vs. Operating Expenses 2005-2015 (projected) slide, Ms. Warren explained that the white space between the operating revenue and the operating expense lines (the accumulated difference) has been and will continue to be used to fund capital projects, including fleet replacement. Discussion ensued about the gap versus perceived gap. Ms. Mumm said that the goal is to not have these lines match. Ms. Warren agreed. Ms. Waldref said, to state it differently, that the gap illustrates operating without debt. Ms. O'Quinn expressed the opinion that STA is assuming that the accumulated difference doesn't exist projecting forward so it appears that there is a significant gap in

funding. Ms. Warren said that the accumulated difference is still assumed but the lines representing operating revenue and operating expenses are getting closer in the future.

Ms. Warren presented an Operating Revenue, Operating Expenses & Local Capital Expense 2005-2015 (Projected) slide which illustrates that the “gap,” or difference, between the Operating Revenue and Operating Expense is used to fund capital expenses:

2008 – 2015P Cumulative Difference in Revenue-Expenditure	\$55.5M
2008 – 2015P Local Portion of Capital Expenses	<u>\$54.3M</u>
Amount Difference Exceeded Capital (Banked)	\$ 1.2M

Further discussion ensued about assumptions for projections. Ms. Mumm said that the slide illustrates that the gap is being used for capital projects and is not over-reserve. Ms. O’Quinn expressed the opinion that based on the historical trend there is a considerable favorable variance that STA is not projecting in its forecast. Ms. Mumm said it is important that the Board take responsibility for those projections. Ms. Warren said this was a great segue to the next part of the presentations which will go into five different options for Board guidance to staff on which assumption to use. Ms. O’Quinn restated the estimation that STA is not sending the correct message regarding funding and projections. Ms. Mumm said that the reason the favorable variance (accumulated difference) exists is in large part due to planned projects being delayed. Mr. Otterstrom said there were also grants received that do not exist now for bus and bus facilities. If those grants had not been available the difference would have been negative now. There was discussion about grants that are included in projections. Mr. Blaska said that in 2010 and 2011 STA also took a service reduction. Projections before the service cuts would have had higher operating costs. Ms. Mumm said that STA cut service and delayed many projects, including the Plaza. Ms. Waldref added that real-time data was delayed. Mr. Blaska said that due to the service cuts the fleet was reduced by 20 buses which would have had to have been replaced otherwise. The fleet that remained operational was, however, replaced on time. Ms. Mumm said that it was important in telling the story of the accumulated difference slide that it illustrates a static service delivery and is representative of following the plan. Ms. Waldref added that within the 2008 – 2014 period, STA had to make changes that impacted the service level in order to not go into the negative. Ms. Waldref said that if it is the intention to cut another 10% in another 5 year increment, Ms. Waldref has not heard that from the Board. Ms. Warren reiterated that it is all in the assumptions which lead to the next presentation on assumptions.

Ms. Warren presented an overview of forecast assumptions on sales tax revenue and operating expenditure growth. The two major assumptions that affect the forecast are sales tax revenue and operating expenditure growth. Several charts were presented which illustrate the sales tax revenue trend: 1993-2013 using a 3% sales tax revenue trend; 1993 – 2026 sales tax revenue with 2.5% and 3% sales tax revenue trend; 2014-2026 sales tax revenue trend. Chair French said he would like to see the group reconcile the conversation regarding the long-term projection and the budget next year because the topics are beginning to morph together. Chair French expressed concern that the Committee is trying to solve two problems with one solution and it may not be helping. The challenge in the next couple of months is to decide on the 2016 budget assumptions. Another decision has to be made about how to project growth over the 10 year period to reflect when and if STA goes to a ballot measure. Chair French said the Committee could make a decision on what to recommend to the Board for a sales tax growth for 2016 as one decision and then circle back and have the discussion about what to do about a sales tax projection over the next 10 years. The Committee concurred. Ms. Warren said that because STA is still at the point where its revenue exceeds its expenses, the sales tax comes in as what it is and won’t substantially affect

the budget for 2016. If STA were budgeting excess expenditures over revenue and did not have the cash in the bank it would then be critical for next year. Ms. O'Quinn said she agreed but was concerned that the topic continues to be tied to when and if STA goes out for a ballot measure and what those assumptions are. Ms. O'Quinn stated that if statements about STA running out of money get mixed in with the budget and other conversations there will be scrutiny of the budget concerning what needs to be cut for the year to make sure that STA is not out of money in the long-term. Chair French said that one of the values that the Committee can provide to the Board is to separate those two conversations and de-link them so the Board can adopt a budget for next year. That would still leave time to return to the conversation about what STA is going to do for a 10-year period and what that entails. Ms. Mumm said she would like to talk about the year. Ms. Mumm asked if a recommendation should be made now on the 2016 sales tax revenue assumption. There was discussion about PTBA cities and county sales tax revenue averages. Ms. Mumm said that the City of Spokane's assessment indicated that the aggregate was well over 3%. Ms. O'Quinn said she did not know if the Committee should dive into the forecasting assumptions if the goal is to work on the budget for next year. Ms. O'Quinn said that if the Committee is in agreement that what is set for next year, is next year alone, and that a separate conversation will happen on the forecasting piece, she was in agreement. Ms. O'Quinn said she did not want to make a decision on the 2016 budget and be tied to that decision in the forecasting conversation. Ms. Warren said that typically the Board only talks about the forecast twice a year. The frequency it has been talked about this year is atypical. Discussion ensued concerning past Board direction on financial forecasts. Ms. O'Quinn suggested the forecasts were a subject for full Board discussion at a later date. Ms. Waldref said that now, over a year later, the Board has more information, more sales tax data, and she agreed that the data shows that the line is getting pushed out farther based on actual sales tax revenue data. Ms. Waldref said it is important to get the 2016 budget moving forward - STA is not in danger of cutting service in 2016. Ms. Waldref said she had hoped to get into the forecast conversations at this meeting because she feels a commitment to let the public know what the 10 year plan is going to be. Ms. O'Quinn said she was looking at the limited time left in the meeting but agreed that the Board needs to have the conversation sooner rather than later. Chair French said the Board can have the discussion about 10 year forecasting this month or next month as there is no reason to put it off. Chair French said his concern was that conversation might delay the ability to get the 2016 budget done, hence the suggestion to decouple it at least this year so staff has the ability to get the budget adopted.

Ms. Mumm moved to recommend that STA use the 3% sales tax revenue trend line for the basis of 2016 sales tax revenue.

Ms. O'Quinn asked what the revenue trend would be for just 2016. Ms. Warren said that based on the last 20 years it is 3% which would translate to a budget of 50.3M in sales tax revenue rather than \$49.6M for 2016. Ms. O'Quinn said she had one more question. Ms. Mumm said there needs to be a second for discussion because she had a motion on the floor. Ms. O'Quinn asked if the 3% is based on 3% growth of what STA ends the year at. Ms. Warren said that it was not based on 3% over what STA currently has, it is based on the trend line.

Ms. O'Quinn seconded the motion for discussion.

Ms. O'Quinn asked how the trend was budgeted prior to the 2.5% projection being put in place. Ms. Warren replied that the Board had instructed staff to vary the growth rate annually predicated on the current year's projection. Ms. Warren said STA has a 20 year trend of 3%. The original concept was to assume the continuation of that trend, but the Board wanted to be more conservative and instructed staff to use 2.5%

rather than 3%. If the trend line is adhered to, some years will be below and some above, but on average over the next 10 years the trend should continue. Ms. Warren said creation of a stabilization fund with the difference had been considered, but the reality is that the difference goes to the cash balance and funds capital projects. Chair French restated the motion on the floor for clarification. Discussion ensued as the motion was clarified.

Ms. Mumm restated her motion to recommend that the Board adopt a 3% sale tax revenue increase projection in the amount of \$50.3M for 2016. The motion passed unanimously.

4.C.1 FINAL DRAFT 2015 TRANSIT DEVELOPMENT PLAN (TDP)

The Committee returned to the topic of the Transit Development Plan that was earlier deferred. Mr. Otterstrom said the Transit Development Plan has a financial forecast that is representative of where the Board was last year. Mr. Otterstrom said that it includes guidance that there are no service cuts over the next six years and that the revenue required to sustain service is sought in some form or fashion.

Ms. Mumm moved to recommend adoption of the TDP as presented. Chair French said he did not want to second the motion as yet. Ms. Mumm stated the motion failed.

Ms. O'Quinn said that her only issue with the TDP is the capital piece that she feels is associated with the budget piece. Mr. Blaska suggested that the TDP could possibly be adopted as written with a footnote added to indicate that the 2016 capital (CIP) portion is subject to Board approval of the 2016 budget. Mr. Otterstrom said that could be written into the TDP resolution itself so that it is explicitly not approval of the CIP. Ms. O'Quinn said she could support that as it had been stated. Mr. Blaska restated that the 2016 portion of the CIP would be subject to modification based on what is adopted in the 2016 budget. Mr. Otterstrom added the TDP is proposed to be adopted by resolution so the Section 2 of the resolution could be modified to read something like: "The STA Board of Directors hereby adopts the TDP." Section 2, "The STA Board of Directors authorizes the CEO to administer the 2015 Transit Development Plan subject and conditioned upon approval of the capital and operating budgets in 2016" or with exception of the 2016 capital budget in terms of authorization to proceed with the plan." This would allow adoption of the TDP with exclusion of the capital budget for 2016 specifically.

Ms. O'Quinn moved to recommend adoption of the TDP with the exception of the 2016 Capital Improvements included in the Capital Improvement Program, which are subject to further consideration and approval in the 2016 Capital Budget. Ms. Mumm seconded the motion. Motion passed unanimously.

Mr. Otterstrom said that staff will draft the appropriate language for the resolution to the Board. Chair French said if there is any further revision to the language the staff crafts it can be done at the Board meeting.

6. COMMITTEE INFORMATION

(No items being presented this month)

7. CEO REPORT

Deferred in the interest of time.

8. NEW BUSINESS

None.

9. COMMITTEE MEMBERS' EXPRESSIONS

Ms. Mumm mentioned the Macklemore and Ryan Lewis music video, "Downtown," that was recently shot in Spokane. Ms. Mumm said the video featured a retro STA style bus. Ms. Bousley said it was not an actual STA bus as they did not come to STA with the request. Ms. O'Quinn said it had the STA colors and she had thought it was an STA bus. Ms. Meyer said she liked that idea. Ms. Mumm said it was good exposure for Spokane and STA.

10. REVIEW OF OCTOBER 7, 2015, COMMITTEE MEETING DRAFT AGENDA

As presented in the packet.

The assumptions forecast will be discussed at a future Board meeting. Chair French will bring this up at the Board Operations Committee meeting and come back to the Board with a format for the two separate conversations.

Chair French asked staff to circle back to the other jurisdictions and ask their financial people what they are using for their budget projections and methodology so there can be some consistency between what jurisdictions are doing and what STA is doing as far as projecting sales tax growth. Ms. Meyer said that Ms. Warren has sent out this question. Ms. Warren said she will follow up on it with the jurisdictions. Further discussion ensued about STA sales tax projection assumptions and next year's budget. Ms. Meyer said that staff will also reformat the budget detail and send that out as Ms. O'Quinn requested.

Ms. Meyer thanked STA's Finance staff for their work on the budget and for getting the budget turned around two weeks earlier than usual, in the midst of implementing STA's new resource system. Ms. O'Quinn said she appreciates getting the information early.

11. NEXT MEETING – WEDNESDAY, OCTOBER 7, 2015 10:00 A.M. STA SOUTHSIDE CONFERENCE ROOM, 1230 W BOONE AVENUE

12. ADJOURN

Chair French adjourned the meeting at 12:19 p.m.

Respectfully submitted,

Angela Stephens, Executive Assistant

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 5.A : **PROPOSED 2016 OPERATING & CAPITAL BUDGETS**

REFERRAL COMMITTEE: N/A

SUBMITTED BY: E. Susan Meyer, Chief Executive Officer
 Lynda Warren, Director of Finance & Information Services

SUMMARY:

At this time staff will present an automated video regarding the proposed 2016 Operating and Capital Budgets. This is an opportunity to answer any outstanding questions members of the Committee may have regarding the 2016 Operating and Capital Budgets.

A public hearing on the proposed 2016 Operating and Capital Budgets will be held at the October 22, 2015, Board of Directors meeting at 5:30 p.m. at 1229 W. Boone Avenue in the South Side conference room.

RECOMMENDATION TO COMMITTEE: Information only.

FINAL REVIEW FOR COMMITTEE BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____



2016 Draft Operating and Capital Budget

Vision/Mission

Vision

- We aspire to be a source of pride for the region.

Mission

- We are dedicated to providing safe, accessible, convenient, and efficient public transportation services to Spokane region's neighborhoods, business and activity centers;
- We are leaders in transportation and a valued partner in the community's social fabric, economic infrastructure, and quality of life;

Organizational Priorities

- Ensure Safety
- Earn and Retain the Community's Trust
- Provide Outstanding Customer Service
- Enable Organizational Success
- Exemplify Financial Stewardship

2016 Budget Guidance

- Sustain quality – regardless of service level.
- Preserve essential capital projects.
- Maintain flexibility – add revenue or reduce service when required.
- Continue with a sustainable plan by avoiding long-term commitments that may not be funded.

2016 Draft Budget Assumptions

2016 Draft Operating Budget Assumptions

Expenses (Slide 1 of 4)

- Personnel

Division	2015	Additions	2016
Fixed Route	367 FT 30 PT	1 Trainer 1 Security Officer	369 FT 30 PT
Paratransit	89 FT 5 PT		89 FT 5 PT
Vanpool	2 FT		2 FT
Administrative	42 FT		42 FT
Total	500 FT 35 PT	2 Full Time	502 FT 35 PT

FT = Full time PT = Part time

2016 Operating Budget Assumptions

Expenses (Slide 2 of 4):

- Benefits
 - Medical & Dental
 - 12.0% Medical Premium Increase
 - Premium Sharing for Premera plan of:
 - Employee Share from 5% to 7%
 - Employee Share for Dependents from 15% to 17%
 - 5% Dental Premium Increase
 - Retirement
 - Employer's retirement contribution rate
 - 11.18% January 1 2016 – December 2016
 - Employee's contribution rate
 - PERS 1 6.0% on-going (statutorily set)
 - PERS 2 6.12% January 2016 – December 2016
 - PERS 3 Varies 5% to 15%

2016 Operating Budget Assumptions

Expenses (Slide 3 of 4):

- Fuel
 - Diesel 19.0% decrease¹
 - Gasoline 21.5% decrease¹

	Per Gallon			2016 # of Gallons (appr)	Total Fuel Budget (appr)
	2014 Actual	2015 Budget	2016 Budget		
Diesel	\$2.99	\$3.70	\$3.00	1.4M	\$3.7M
Gasoline	\$3.01	\$3.61	\$2.83	0.2M	\$0.4M
Total				1.6M	\$4.1M

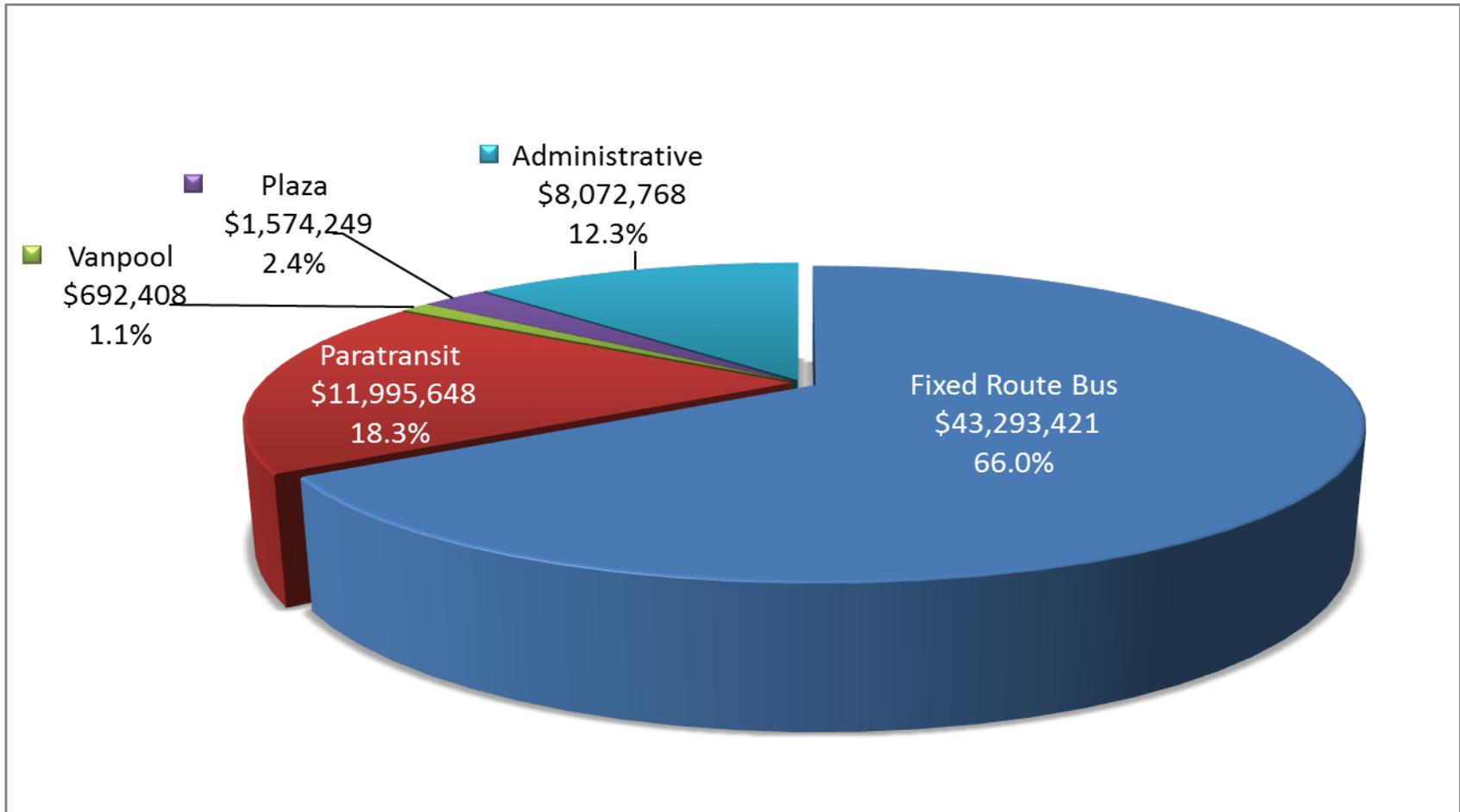
¹ Energy Information Administration June 2015 forecast with ½ standard deviation

Operating Expense Changes in 2016

Expenses (Slide 4 of 4)

Object	2015 Budget (Rounded)	\$ Change (Rounded)	2016 Budget (Rounded)	Increases/(Decreases) >\$100,000	Amount (Rounded)
Labor/Benefits	\$43.6M	\$1.0M	\$44.6M	Labor Medical/Dental Retirement	\$0.3M \$0.4M \$0.3M
Services	\$8.5M	\$0.4M	\$8.9M	Contracted Security Contractual Services	\$0.2M \$0.2M
Materials	\$10.3M	(\$1.3M)	\$9.0M	Fuel Vehicle Repair Materials	\$(1.1M) \$(0.2M)
Utilities Insurance Other	\$3.2M	\$0.0M	\$3.2M		
Total	\$65.6M	\$0.1M	\$65.6M		\$0.1M

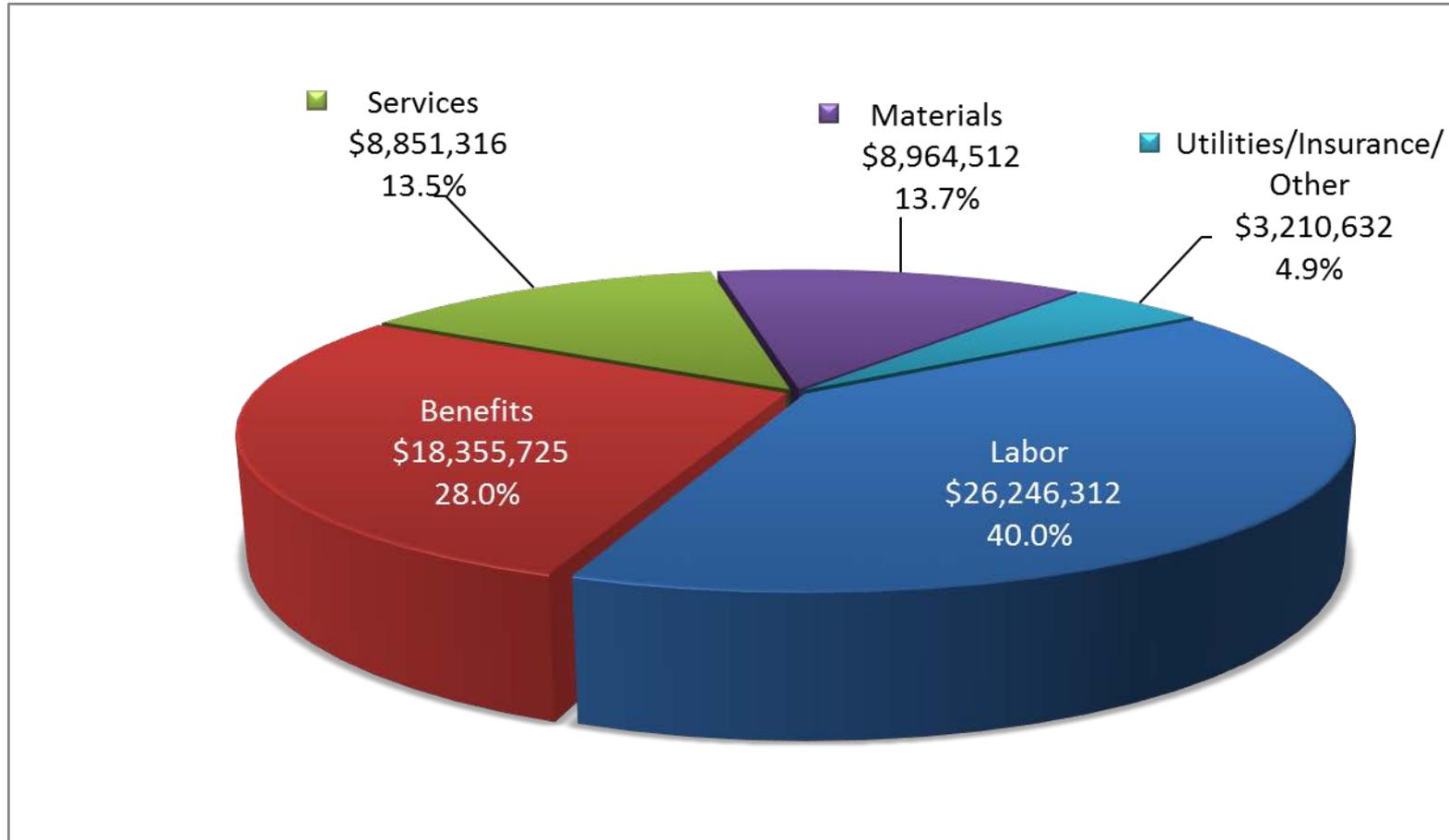
2016 Estimated Operating Expenses by Division



\$65,628,496



2016 Estimated Operating Expenses by Object



\$65,628,496

NOTE: As required by federal accounting standards, "labor" includes wages for work time only. "Benefits" includes wages for paid time off. "Materials" includes fuel costs. "Services" include contracted transportation, legal, etc.



2016 Draft Operating Budget Assumptions

Revenue (Slide 1 of 2):

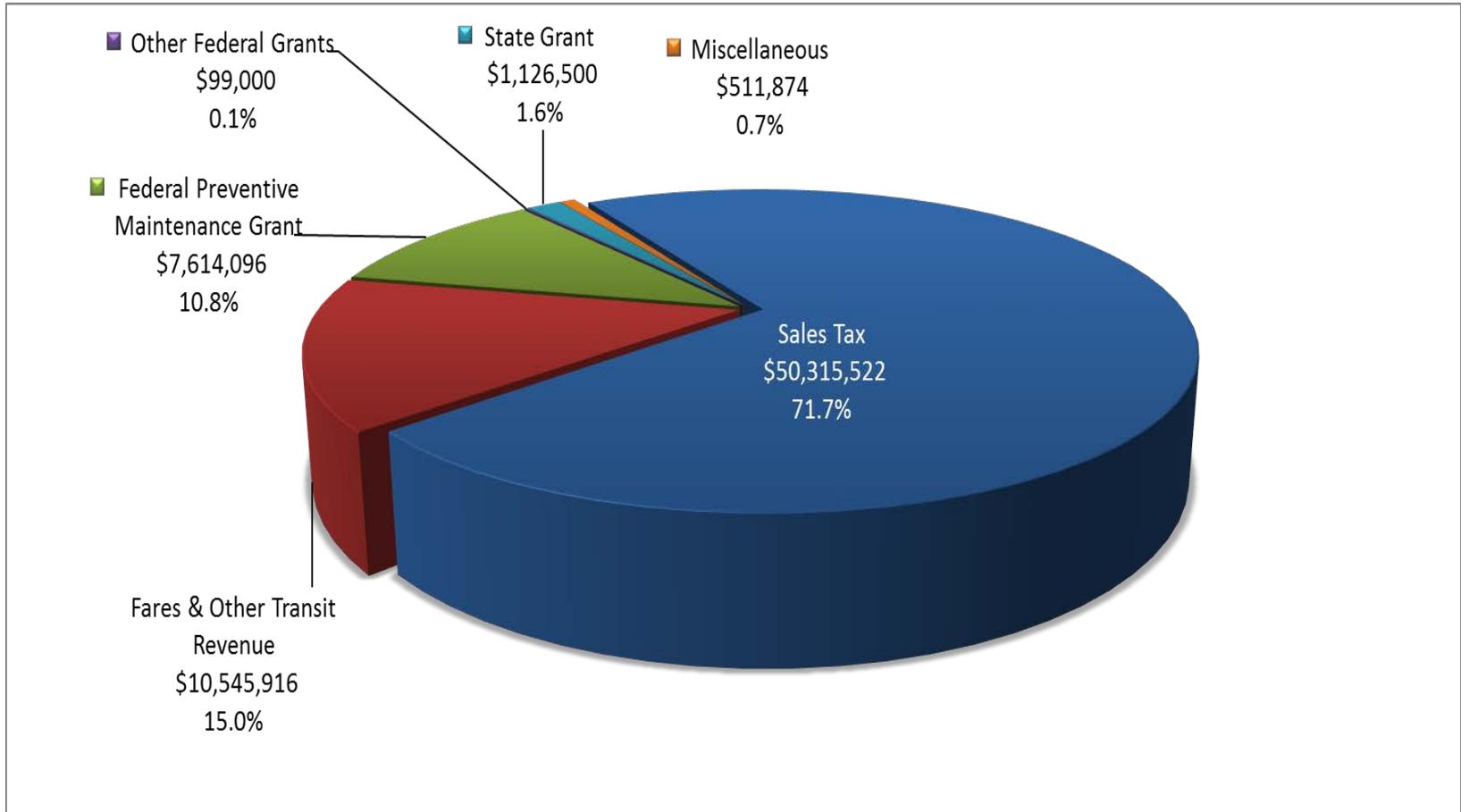
- Sales tax revenue growth assumption based on Board guidance of a 3.0% trend
- Fare revenue based on:
 - Sustaining ridership levels for Fixed Route
 - Sustaining ridership levels for Paratransit
 - Growing Vanpool ridership by 7% from 2015 projected

2016 Draft Operating Budget Assumptions

Revenue (Slide 2 of 2):

- Federal grants of \$7.7M
- State grants of \$1.1M
- Interest rate assumption of 1.0% per Spokane County Treasurer

2016 Estimated Revenues



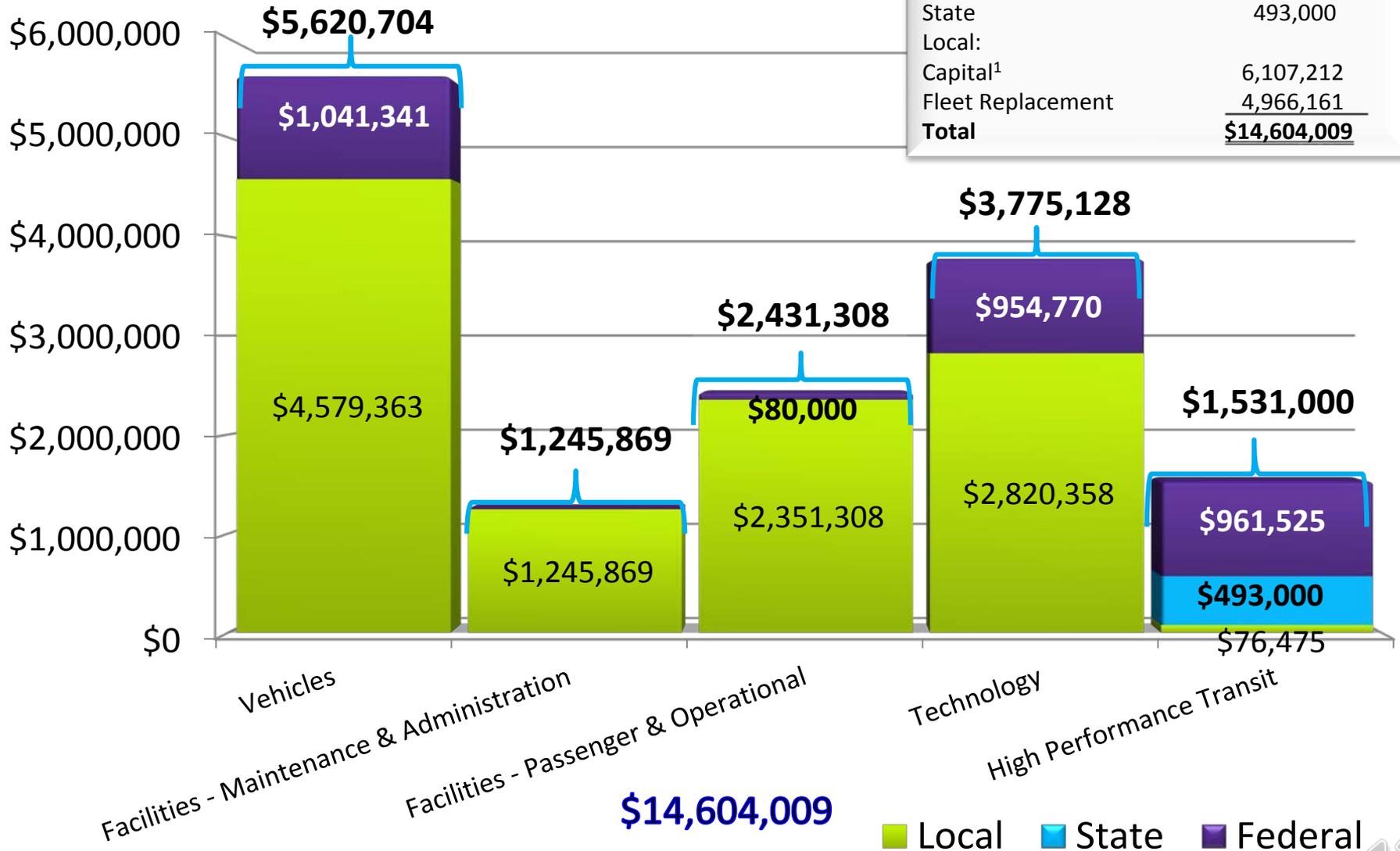
\$70,212,909



2016 Draft Capital Budget

Totals by Funding Source:

Federal	\$3,037,636
State	493,000
Local:	
Capital ¹	6,107,212
Fleet Replacement	4,966,161
Total	<u>\$14,604,009</u>



¹ Amount excludes Fixed Route Coaches and Paratransit Vans funded from Fleet Replacement Fund.



Budget Comparison 2015 to 2016

	2015 Budget	\$ Change from 2015 Budget	% Change from 2015 Budget	2016 Draft Budget
Estimated Revenues:				
Fares & Other Transit Revenue	\$ 11,163,532	\$ (617,616)	-5.5%	\$ 10,545,916
Sales Tax	48,376,901	1,938,621	4.0%	50,315,522
State Grants	847,369	279,131	32.9%	1,126,500
Miscellaneous	670,914	(159,041)	-23.7%	511,874
Federal Preventive Maintenance	7,749,576	(135,480)	-1.7%	7,614,096
Federal Grants	-	99,000	-	99,000
Subtotal: Operating Revenues	68,808,292	1,404,616	2.0%	70,212,909
Federal Capital Revenue	3,110,914	(73,278)	-2.4%	3,037,636
State Capital Revenue	484,106	8,894	1.8%	493,000
Subtotal: Capital	3,595,020	(64,384)	-1.8%	3,530,636
Total Revenue	72,403,312	1,340,232	1.9%	73,743,545
Decrease/(Increase) in Cash Balance ¹	18,066,376	(10,002,692)	-55.4%	8,063,684
Total Source of Funds	\$ 90,469,689	\$ (8,662,460)	-9.6%	\$ 81,807,229
Estimated Expenditures:				
Fixed Route Bus	\$ 43,474,273	\$ (180,852)	-0.4%	\$ 43,293,421
Paratransit	12,029,757	(34,108)	-0.3%	11,995,648
Vanpool	870,447	(178,038)	-20.5%	692,408
Plaza	1,366,439	207,811	15.2%	1,574,249
Administrative	7,827,650	245,119	3.1%	8,072,768
Total Operating Expense	65,568,565	59,931	0.1%	65,628,496
% Administrative	11.9%	0.4%	3.0%	12.3%
Cooperative Street/Road Projects	-	-		-
FR & PT Fleet Replacement Allocation	6,252,791	(4,678,067)	-74.8%	1,574,724
Capital Expenditures	18,648,333	(4,044,324)	-21.7%	14,604,009
Total Expenditures	90,469,689	(8,662,460)	-9.6%	81,807,229
Total Use of Funds	\$ 90,469,689	\$ (8,662,460)	-9.6%	\$ 81,807,229

¹ Cash includes the Fleet Replacement account

2016 Cash and Reserve Analysis

2016 Draft Budget

OPERATING ACTIVITIES

Revenue (excluding capital grants)	\$70,212,909
Operating Expense	(65,628,496)
Revenue Over / (Under) Operating Expenses	\$4,584,413

CAPITAL ACTIVITIES (Local Funds)

Purchase of Property, Plant, and Equipment	(11,073,373)
FR & PT Fleet Replacement Allocation	(1,574,724)
Total Local Cash Used for Capital Activities	(12,648,097)

NET DECREASE IN CASH **(8,063,684)**

CASH (Projected beginning 2016)	45,702,522
CASH (Projected ending 2016)	37,638,838

BOARD DESIGNATED RESERVES

Operating Reserve (15% of Operating Expenses)	(9,844,274)
Risk Reserve	(5,500,000)
Right of Way Acquisition Reserve	(4,950,000)
	(20,294,274)

2016 Estimated End of Year Cash Balance After Reserves¹	\$17,344,564
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¹ Estimated end of year cash balance after reserves are used for future capital expenditures included in the 2016-2021 Capital Improvement Plan.

Next Steps

- **September 2 Planning & Development Committee:** Draft 2016 Budget Review
- **September 17 Board Meeting:** Draft 2016 Budget
- Individual Board Member Sessions if Requested
- **October:** Citizen Outreach
- **October 7 Planning & Development Committee:** Proposed 2016 Budget
- **October 22 Board Meeting:** Public Hearing on Budget at 5:30 p.m.
- **October 27 All Employee Meeting:** Proposed 2016 Budget
- **November 4 Planning & Development Committee:** Recommendations of 2016 Final Proposed Budgets-Operating & Capital
- **November 19 Board Meeting:** Adoption of 2016 Budget

Questions?
lwarren@spokanetransit.com

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING**

October 7, 2015

AGENDA ITEM 6.B.1: DRAFT 2016 ANNUAL STRATEGIC PLAN

REFERRAL COMMITTEE: N/A

SUBMITTED BY: E. Susan Meyer, CEO

SUMMARY:

A critical review of the organization's fundamental direction is important to meet new opportunities and challenges. The Annual Strategic Plan provides guidance to help shape Spokane Transit's activities for the upcoming year.

Staff distributed a draft of the 2016 Annual Strategic Plan for review at the September 2, 2015 Planning & Development Committee meeting. The Board was asked to provide input and guidance on the draft plan at the September 17, 2015 meeting.

The final proposed 2016 Annual Strategic Plan is attached.

RECOMMENDATION TO COMMITTEE: Recommend approval to the Board of the 2016 Annual Strategic Plan as presented.

COMMITTEE ACTION:

RECOMMENDATION TO BOARD:

FINAL REVIEW FOR COMMITTEE BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

2016 Annual Strategic Plan

Introduction

Spokane Transit Authority remains a strong and vibrant organization because of the communities we serve, a strong governing Board that provides robust and thoughtful policy leadership, the 500-plus dedicated professionals who work here, our commitment to financial stewardship, and, of course our customers.

We are guided by our Mission, Vision and Priorities:

Mission

We are dedicated to providing safe, accessible, convenient, and efficient public transportation services to the Spokane region's neighborhoods, business and activity centers. We are leaders in transportation and a valued partner in the community's social fabric, economic infrastructure, and quality of life.

Vision

We aspire to be a source of pride for the region.

Priorities

- Ensure Safety
- Earn and Retain the Community's Trust
- Provide Outstanding Customer Service
- Enable Organizational Success
- Exemplify Financial Stewardship

Background

Operating costs for Fixed Route (bus) and Paratransit services continue to be the lowest of the large urban systems in the state. STA is well below the average cost for fixed route service, about 85%. Paratransit service is roughly 65% of the urban average, which means our communities receive more service for the dollar than in other areas in the state. (Through the second quarter of 2015).

The average number of passengers boarding a bus each hour it's in service is second only to King County Metro in the Puget Sound area. Farebox recovery, the portion of the trip cost paid by a customer, remained about 20% for bus service and about 5% for Paratransit, which are the objectives.

2016 Annual Strategic Plan

2016 Plan

We will maintain the current level of services with existing resources in 2016. Our efforts will focus primarily in four areas:

1. Increasing bus ridership, primarily in collaboration with our partners using a Universal Transit Access Pass (UTAP) - universities, City of Spokane and Spokane County - to recoup the decline to date in 2015;
2. Maintaining operating costs at or below 95% of the state urban average;
3. Maintaining essential capital projects; and
4. Planning for the future. Maintain the vision for sustaining and providing more and better transit service consistent with STA's comprehensive plan, *Connect Spokane*. Evaluate project and service costs in the 10-year plan **and conduct a review of and update the Comprehensive Plan in mid-2016.**

a) Ridership

After record ridership in 2014, bus ridership declined slightly in 2015--primarily among organizations with a Universal Transit Access Pass (UTAP), including universities and colleges, the City of Spokane and Spokane County. After contacting other agencies in Washington and other states, many of whom were also experiencing ridership declines, the consensus seemed to be that staff and students were more likely to have access to a car. Sustained lower cost of gas and the convenience of a car were thought to outweigh the value of riding the bus, cost savings, using the trip to work or study, etc. Van Pool ridership also slipped, owing, we believe, to the same reason as bus ridership. Paratransit ridership is down slightly as a result of special use vans operated by other organizations, Mobility Training and the In Person Assessment program for establishing Paratransit eligibility. Working with our UTAP partners we will develop and promote additional ways to win these bus and vanpool riders back. We will seek to maintain the other existing employer pass programs and expand to more employers. UTAP partners include the City of Spokane and Spokane County, Washington State University Spokane, the Community Colleges of Spokane, and Eastern Washington University. The new pass program just introduced at Gonzaga University has yielded **hundreds of trips** in the first few days.

2016 Ridership Goals

- Fixed Route (bus): Recover 1.5% of the expected ridership decline in 2015 (through July)
- Paratransit: Maintain 2015 ridership
- Van Pool Goal: 7%

2016 Annual Strategic Plan

b) Maintaining operating costs

Maintain operating costs at or below 95% of the statewide urban average. This is accomplished by smart service planning, maintaining a state of good repair with vehicles and facilities; and controlling labor, benefit and administrative costs.

c) Maintaining essential capital projects

With the Board's guidance to sustain quality service, we will continue and complete a group of multi-year capital projects which will result in the organization being even more efficient and effective, and make the system easier for customers to use.

Plaza renovation

With input from customers and downtown business stakeholders, the Board approved final plans for the Plaza remodel that have been developed using design principles that incorporate safety and security, and that will maximize space for transit use and customer service, minimize open, un-programmed areas, and provide a more visible security presence. The contract for construction is expected to be awarded in December of 2015 and the project completed in 2017.

Business systems replacement

The business system is being converted from the antiquated one that has been in place for over 20 years. The result will be significantly streamlined processes that will enable staff to spend more time on strategic efforts and less on the paper-intensive work required today. The project is expected to be complete in 2016.

Fare Collection Update

We will begin the **process of planning** the mid-life upgrade of our fareboxes. This is an opportunity to consider changes to improve the functionality **and introduce** different fare media. **This comprehensive review of various fare media and pass programs will shape the requirements for our fare collection system.**

West Plains Transit Center (WPTC)

The project will create connectivity among the three cities in the West Plains, which doesn't currently exist. It includes a park and ride lot on the south side of the freeway near the Medical Lake interchange off I-90, a flyer stop in the highway right of way, and connection by covered bridge to the new 100+ space park and ride lot. A total of \$8.8M in grants has been approved and/or programmed by the state. The project requires additional funding to complete. This is a continued planning effort for future service enhancements.

2016 Annual Strategic Plan

Central City Line

The Central City Line (CCL) will be a new 6-mile bus route connecting Browne's Addition to the west, and Spokane Community College to the east, by way of downtown, the University District and Gonzaga University. State and federal grants have been awarded to STA and will fund the work required during Project Development phase of the Federal Transit Administration's Small Starts grant program. It will include preliminary engineering and design, environmental assessments, and finalizing route and station locations. The application for the Small Starts grant will be made in 2016. The state legislature approved \$15M in capital funding for the project in 2015. If the application is successful, state funding will leverage about \$54M in a Small Starts grant. If a timely decision is made about the source of funding for operations, the project could begin service in 2020. This is a continued planning effort for future service enhancements.

d) Planning for the future

Maintain the vision contained in STA's Comprehensive Plan, *Connect Spokane*, and the 10-year plan. Update *Connect Spokane* in the second half of the year. Evaluate the costs of the new service and projects in the 10-year plan to ensure a balance between cost effectiveness and service quality.

Fares

Fare strategy is an essential component of meeting the financial requirements to sustain service and fund additional service. Although projected previously, there will be no increase in bus and Paratransit fares and passes (or Van Pool) in 2016. The Board's direction was to consider a fare increase only when it can be integrated into an action plan for the future. If a fare increase is contemplated for some time in 2017, we will conduct community outreach in 2016, with the goal of providing notice well in advance of any change. That strategy was well received when the Board made its last fare-increase decision in 2009. Fixed Route (bus) is close to meeting the farebox recovery objective of 20% and Paratransit is meeting its objective of 5%. (Farebox recovery refers to the portion of the trip cost paid by customers.)

Staffing

Since 2008, we have taken an incremental approach to adding new positions identified as strategic to the organization's success. This philosophy continues in 2016 with the addition of one position—a trainer—which is necessary to meet new-hire operator training and testing requirements, and annual advanced training for Fixed Route bus, Paratransit and Maintenance. Early in the 2016 budget planning, we also included **one** additional security position to increase the visibility of security in and around the Plaza.

2016 Annual Strategic Plan

Compensation

We are fortunate to have smart, dedicated and hard-working employees and our objective is to retain them and attract others by providing competitive, market-based compensation. Every two years, we compare the wages of STA positions with wages of similar positions in the local labor market, a small group of other transit agencies, and local governments.

Contracts with all three labor groups have been approved. The next contract to expire is in early 2017, making 2016 the first year in the past ten that we won't be bargaining one or more of the contracts.

Administrative (M&A) employees, who are not represented by a union, will receive a 2.5% general wage increase in 2016, which will still leave the group's average wage below market.

Benefits

Based on guidance from the insurance broker, STA is budgeting a 2016 rate increase of 12%. This is due, in part, to actual experience year to date 2015, which exceeds the budget. Final rates for all the medical plans are expected in October.

Employees in the M&A group will increase their share of medical premiums for the higher cost Premera plan only; from 5% to 7% for employee-only coverage and 15% to 17% for dependent coverage. In 2017, the employee-only premium share will go up to 10% and dependent share to 20%. This is consistent with the other represented work groups.

Employees may choose one of two Group Health plans or the lower cost, high-deductible Consumer Driven Health Plan (CDHP), introduced in 2015.

Employer rates for the retirement benefit increased from 9.21% to 11.18% in July 2015; they are expected to be stable through 2016. Employee rates also increased from 4.92% to 6.12%.

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 6.B.2 : FORECAST ASSUMPTIONS RECOMMENDATION

REFERRAL COMMITTEE: N/A

SUBMITTED BY: E. Susan Meyer, Chief Executive Officer
Lynda Warren, Director of Finance & Information Services

SUMMARY:

Last month staff provided the Committee with background information and five scenarios related to the forecast model. At its September 17, 2015 meeting, the Board reviewed the components of the forecast, as well as the various suggested assumptions. After that review, the Board asked the Committee to recommend assumptions to be used in future forecast models. Potential assumptions and recommendations will be discussed based on the various scenarios presented or other guidance the Committee may provide.

RECOMMENDATION TO COMMITTEE: Select a set of assumptions to recommend to the Board to be used in the forecast model.

FINAL REVIEW FOR COMMITTEE BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____



Forecast Assumptions

Purpose

The Board reviewed the forecast components at its September 17, 2015 meeting and asked the Planning and Development Committee to recommend guidance to the Board on the assumptions used in the forecast model.

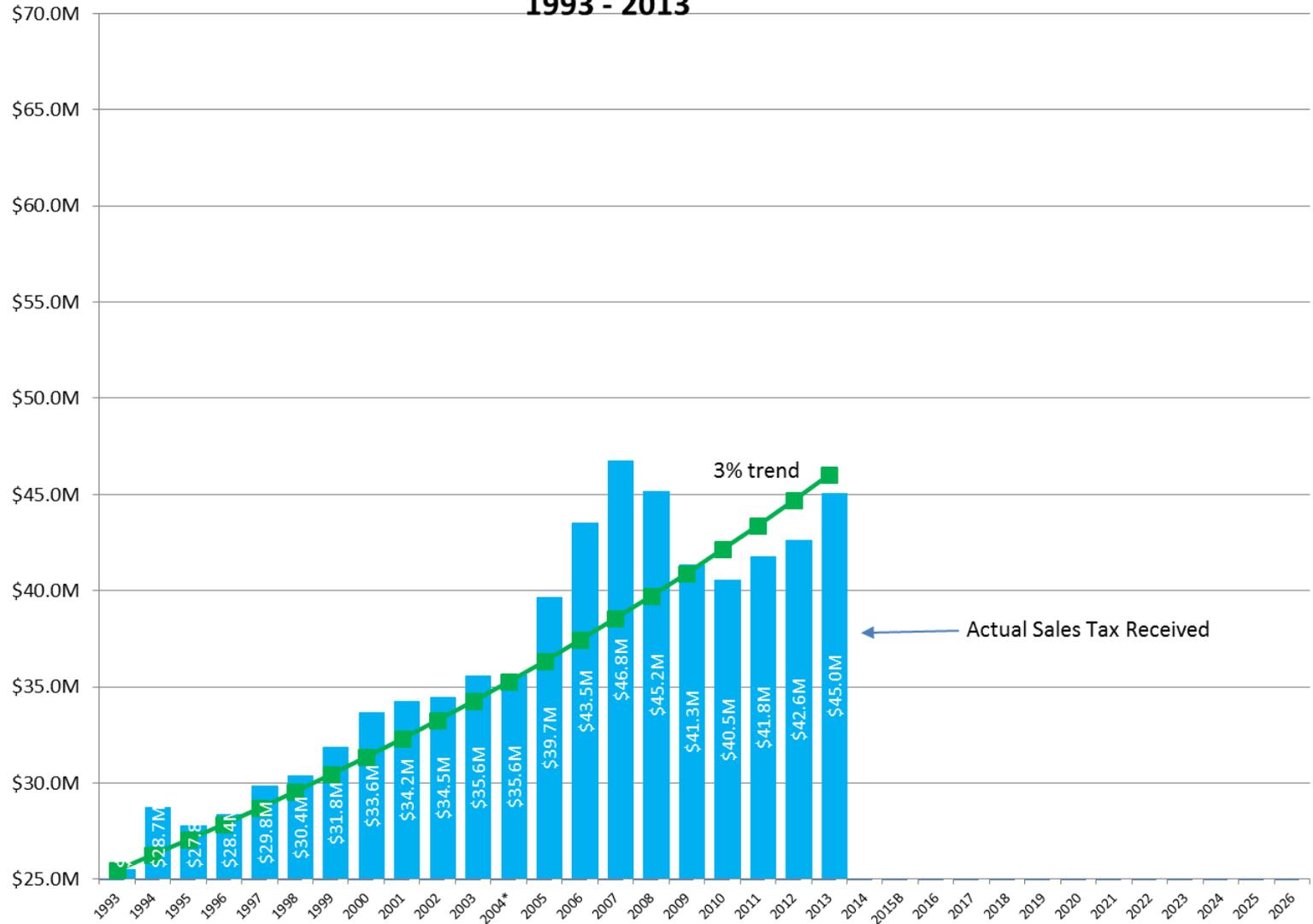
Assumptions

- Sales Tax Revenue
- Operating Expenditure Growth

TREND – SALES TAX REVENUE

Sales Tax Revenue

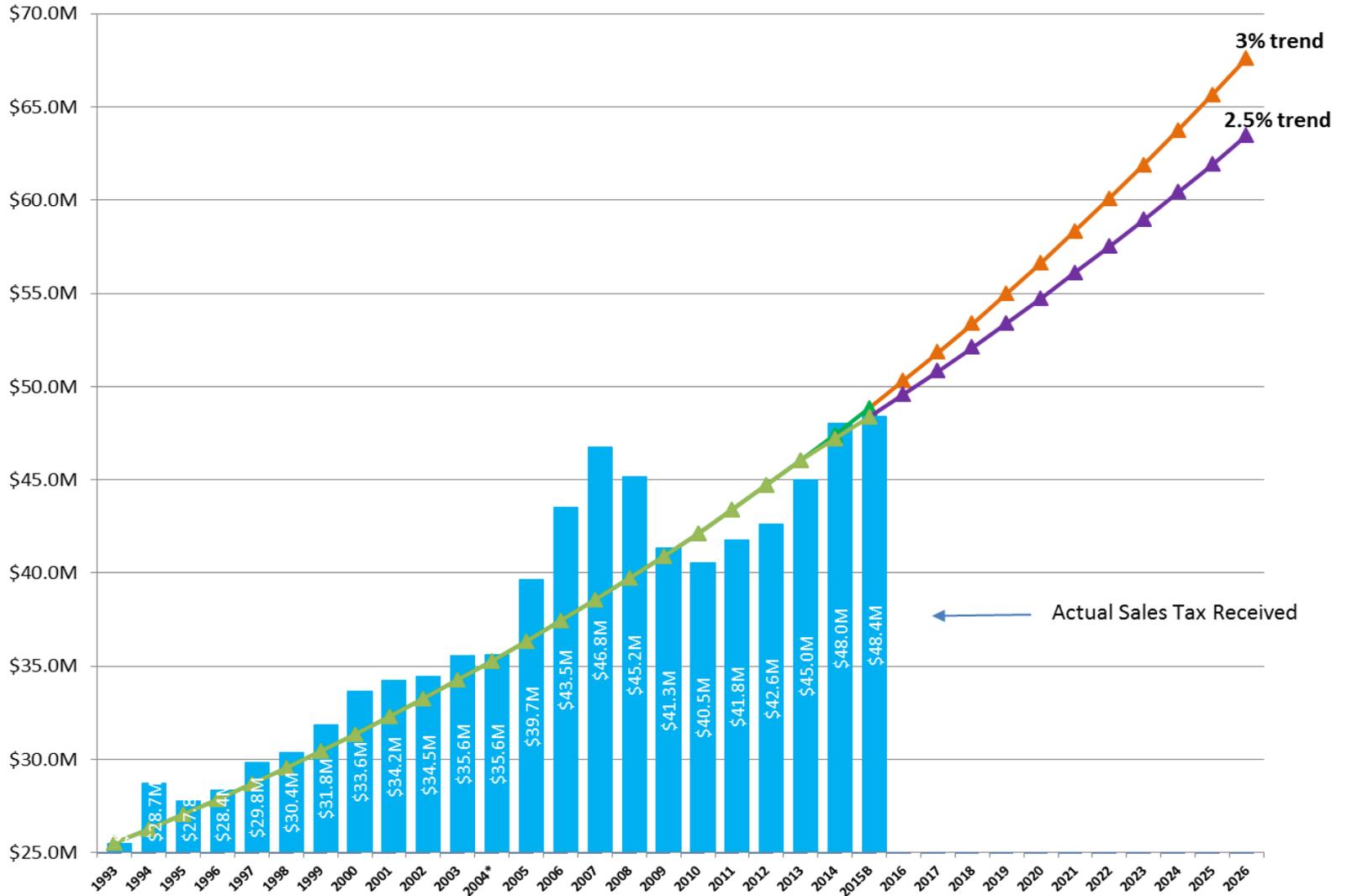
1993 - 2013



For illustrative purposes, shows sales tax revenue as if the rate was always 0.6%. *Sales tax rate changed in 2004.

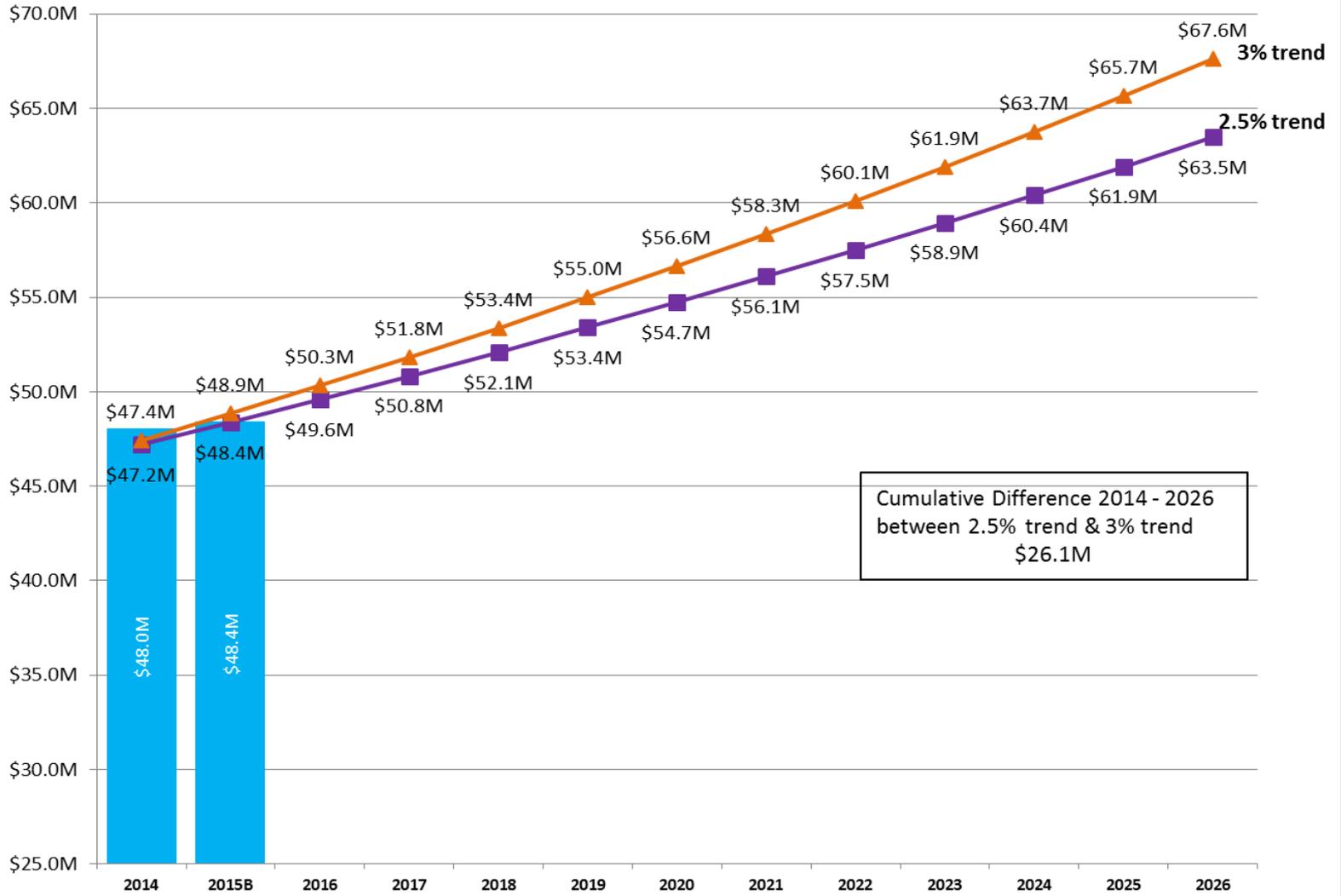
8/31/2015

Sales Tax Revenue 1993 - 2026



For illustrative purposes, shows sales tax revenue as if the rate was always 0.6%. *Sales tax rate changed in 2004.
8/31/2015

Sales Tax Revenue Trend 2014 - 2026



TREND – OPERATING EXPENSES

Expenditure Trends

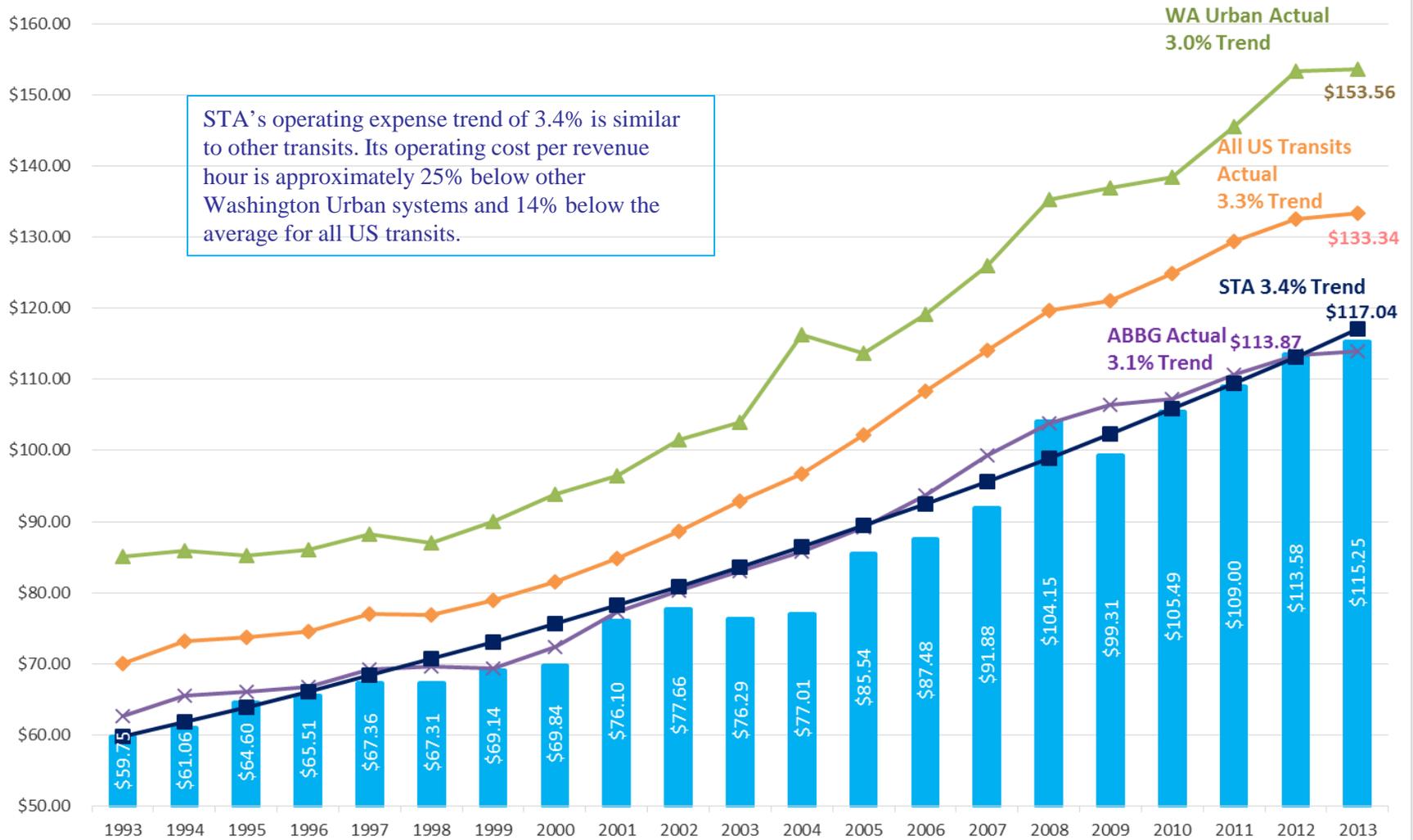
■ Comparables

- All U.S. Transits (Including STA)
- Other Washington Urban Systems (Excluding STA)
 - Everett
 - Pierce (Tacoma, Pierce County)
 - Community (Snohomish County)
 - King County
 - Ben Franklin (Tri-Cities)
 - C-Tran (Vancouver WA- Clark County)

Expenditure Trends

- American Bus Benchmarking Group (ABBG) (Excluding STA)
 - Austin
 - Buffalo
 - Pace-Chicago
 - Greater Cleveland
 - Dayton
 - Des Moines
 - Fort Worth
 - Lane (Eugene- Springfield, OR)
 - Orlando
 - Rochester Genesee (New York)
 - Rhode Island
 - San Bernadino
 - San Joaquin
 - Pinellas-St. Petersburg (Florida)
 - Utah
 - C-Tran (Vancouver, WA- Clark County)

STA & Various Transit Comparables (NTD Data) Fixed Route Operating Cost per Revenue Hour 1993-2013



FORECAST ASSUMPTIONS

Approaches

- Conservative

- Moderate

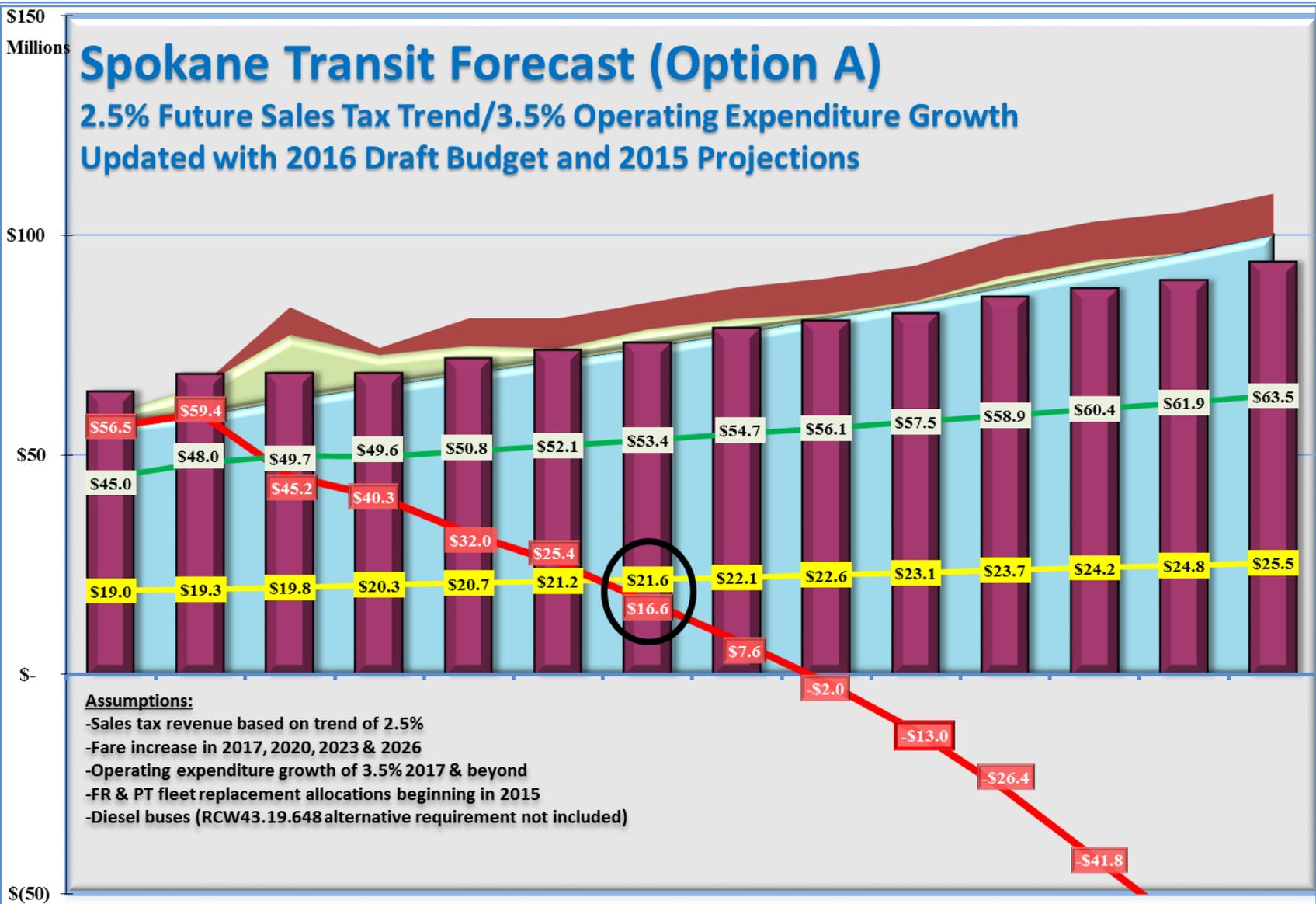
- Optimistic

Conservative Approach

- **Conservative – Option A (Status Quo)**
 - 2.5% Sales Tax Revenue Trend
 - 3.5% Operating Expenditure Growth
 - Starting the first year after the budget year

Spokane Transit Forecast (Option A)

2.5% Future Sales Tax Trend/3.5% Operating Expenditure Growth
Updated with 2016 Draft Budget and 2015 Projections



Assumptions:

- Sales tax revenue based on trend of 2.5%
- Fare increase in 2017, 2020, 2023 & 2026
- Operating expenditure growth of 3.5% 2017 & beyond
- FR & PT fleet replacement allocations beginning in 2015
- Diesel buses (RCW43.19.648 alternative requirement not included)

2013 A 2014 A 2015 P 2016 B 2017 F 2018 F 2019 F 2020 F 2021 F 2022 F 2023 F 2024 F 2025 F 2026 F

Operating Expense Local Capital Expense FR & PT Annual Fleet Replacement Revenue Board Designated Reserve Cash Balance (EOY) Sales Tax

2016-A 2Q - 2019

Moderate Approach

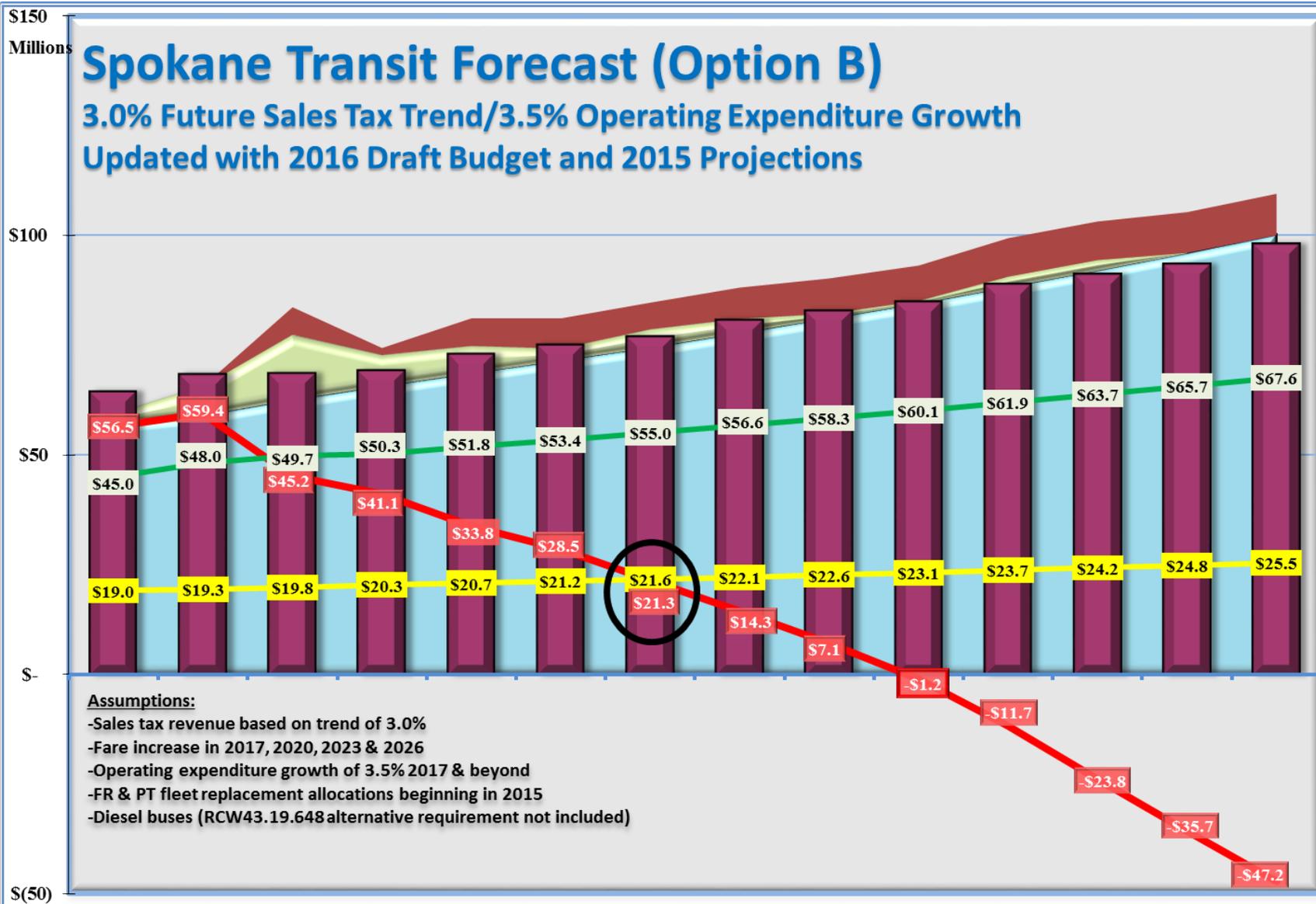
- **Moderate -- Option B**
 - 3.0% Sales Tax Revenue Trend
 - 3.5% Operating Expenditure Growth
 - Starting the first year after the budget year

- **Moderate -- Option C**
 - 3.0% Sales Tax Revenue Trend
 - 3.5% Operating Expenditure Growth
 - Starting the second year after the budget year

- **Moderate -- Option D**
 - 3.0% Sales Tax Revenue Trend
 - 3.0% Operating Expenditure Growth
 - Starting the first year after the budget year

Spokane Transit Forecast (Option B)

3.0% Future Sales Tax Trend/3.5% Operating Expenditure Growth
Updated with 2016 Draft Budget and 2015 Projections



Assumptions:

- Sales tax revenue based on trend of 3.0%
- Fare increase in 2017, 2020, 2023 & 2026
- Operating expenditure growth of 3.5% 2017 & beyond
- FR & PT fleet replacement allocations beginning in 2015
- Diesel buses (RCW43.19.648 alternative requirement not included)

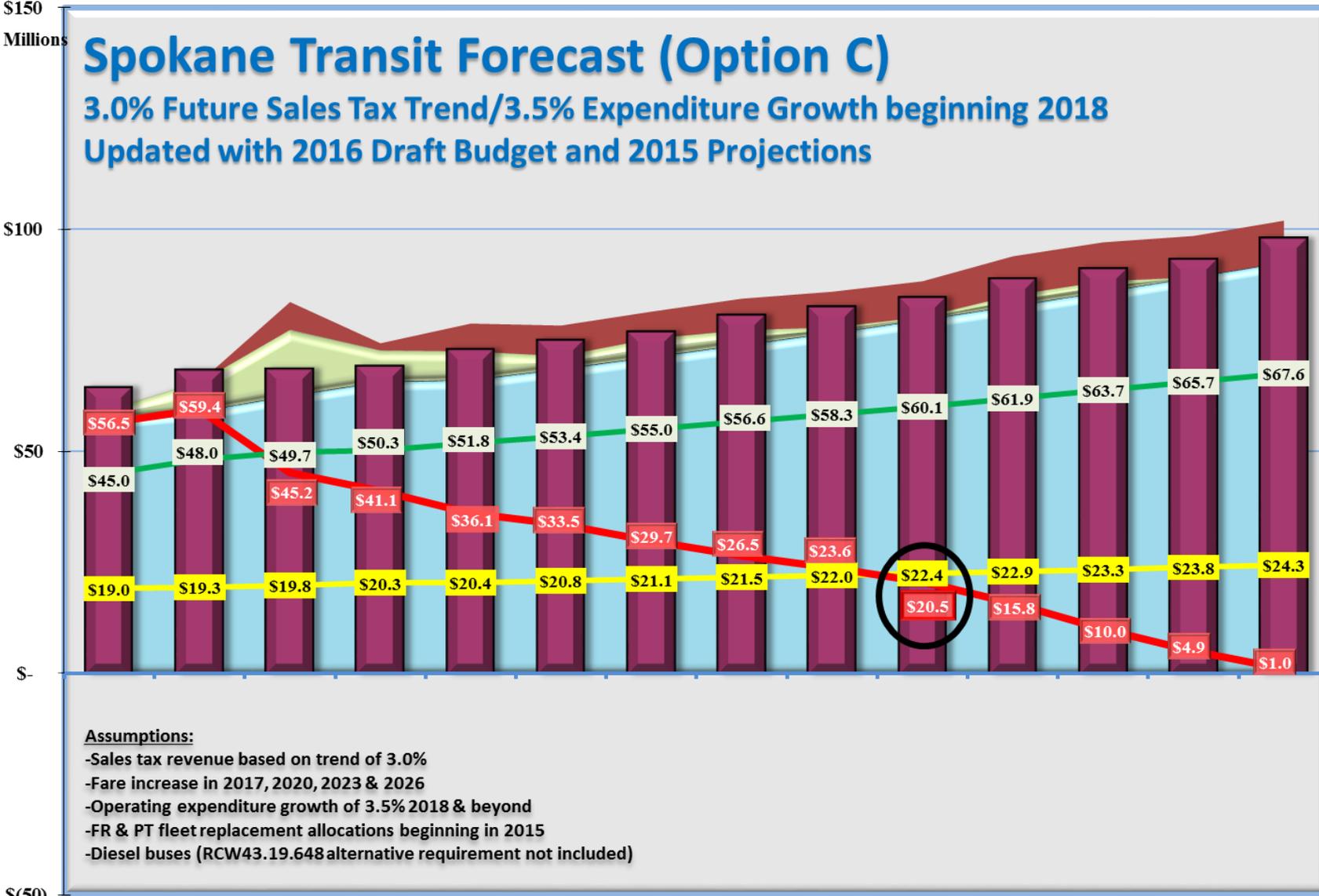
2013 A 2014 A 2015 P 2016 B 2017 F 2018 F 2019 F 2020 F 2021 F 2022 F 2023 F 2024 F 2025 F 2026 F

Operating Expense Local Capital Expense FR & PT Annual Fleet Replacement Revenue Board Designated Reserve Cash Balance (EOY) Sales Tax

2016-B 4Q - 2019

Spokane Transit Forecast (Option C)

3.0% Future Sales Tax Trend/3.5% Expenditure Growth beginning 2018
 Updated with 2016 Draft Budget and 2015 Projections



- Assumptions:**
- Sales tax revenue based on trend of 3.0%
 - Fare increase in 2017, 2020, 2023 & 2026
 - Operating expenditure growth of 3.5% 2018 & beyond
 - FR & PT fleet replacement allocations beginning in 2015
 - Diesel buses (RCW43.19.648 alternative requirement not included)

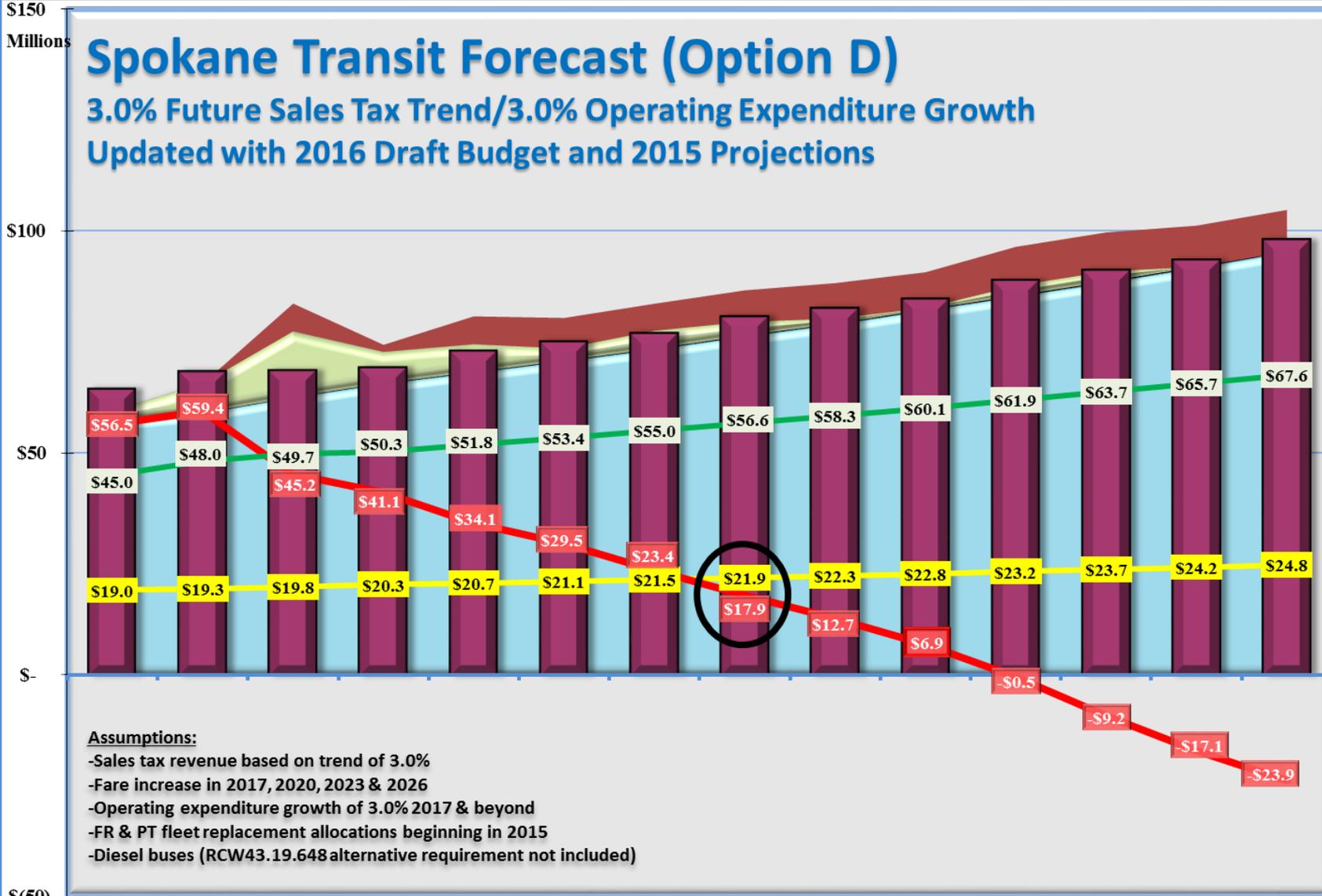
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Operating Expense Local Capital Expense FR & PT Annual Fleet Replacement Revenue Board Designated Reserve Cash Balance (EOY) Sales Tax

2016-C 2Q - 2022

Spokane Transit Forecast (Option D)

3.0% Future Sales Tax Trend/3.0% Operating Expenditure Growth
 Updated with 2016 Draft Budget and 2015 Projections



Assumptions:

- Sales tax revenue based on trend of 3.0%
- Fare increase in 2017, 2020, 2023 & 2026
- Operating expenditure growth of 3.0% 2017 & beyond
- FR & PT fleet replacement allocations beginning in 2015
- Diesel buses (RCW43.19.648 alternative requirement not included)

2013 A 2014 A 2015 P 2016 B 2017 F 2018 F 2019 F 2020 F 2021 F 2022 F 2023 F 2024 F 2025 F 2026 F

Operating Expense Local Capital Expense FR & PT Annual Fleet Replacement Revenue Board Designated Reserve Cash Balance (EOY) Sales Tax

2016-D 2Q - 2020

Optimistic Approach

■ **Optimistic – Option E**

- 4.0% Sales Tax Revenue Trend

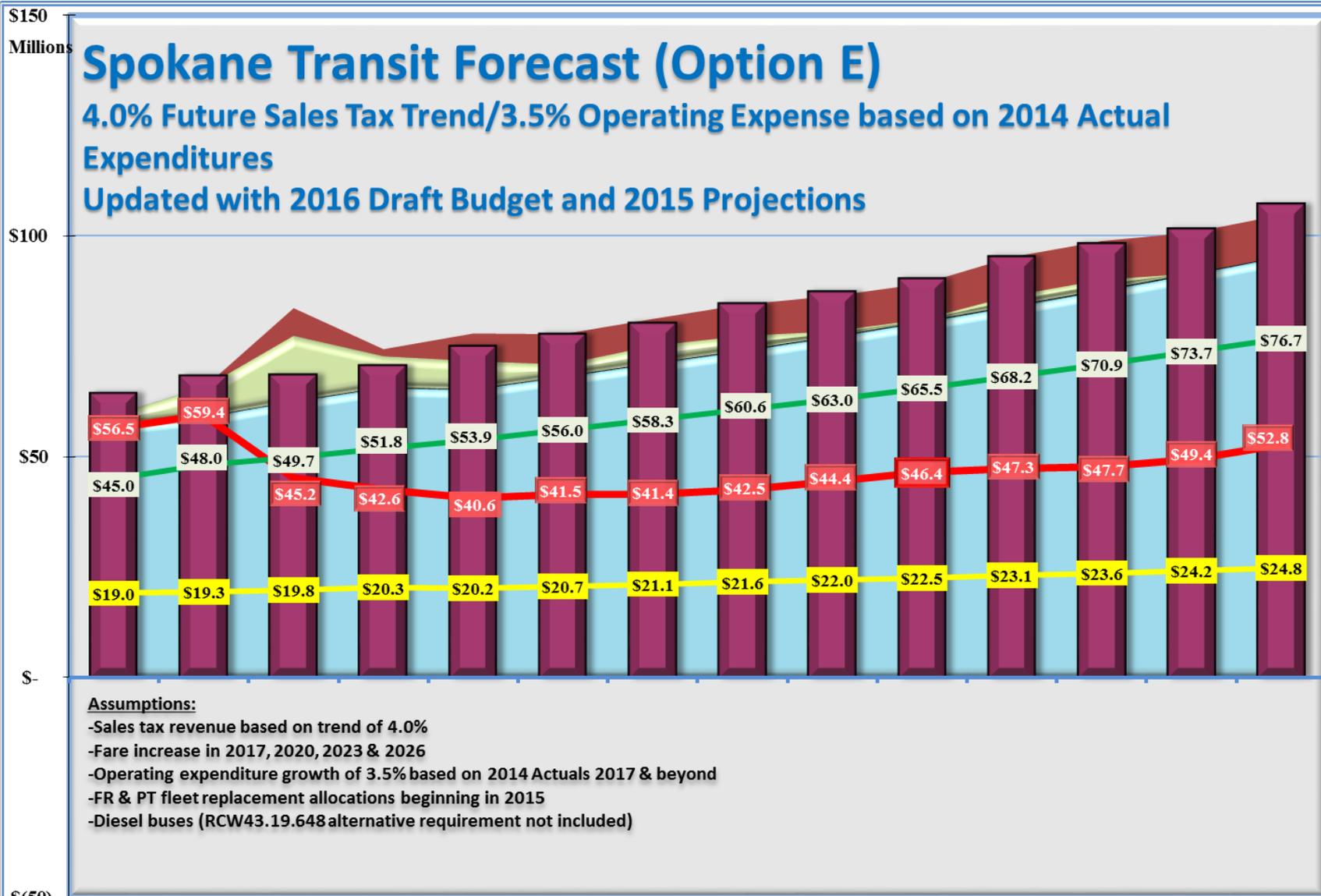
- 3.5% Operating Expenditure Growth

 - Based on 2014 actual

Spokane Transit Forecast (Option E)

4.0% Future Sales Tax Trend/3.5% Operating Expense based on 2014 Actual Expenditures

Updated with 2016 Draft Budget and 2015 Projections



Assumptions:

- Sales tax revenue based on trend of 4.0%
- Fare increase in 2017, 2020, 2023 & 2026
- Operating expenditure growth of 3.5% based on 2014 Actuals 2017 & beyond
- FR & PT fleet replacement allocations beginning in 2015
- Diesel buses (RCW43.19.648 alternative requirement not included)

2013 A 2014 A 2015 P 2016 B 2017 F 2018 F 2019 F 2020 F 2021 F 2022 F 2023 F 2024 F 2025 F 2026 F

Operating Expense Local Capital Expense FR & PT Annual Fleet Replacement Revenue Board Designated Reserve Cash Balance (EOY) Sales Tax

2016-E

Evaluation of each option

Option	Assumptions	Pro	Con
Option A (Status Quo)	<ul style="list-style-type: none"> ▪ 2.5% Sales Tax Revenue Growth Trend ▪ 3.5% Expenditure <ul style="list-style-type: none"> ▪ 1st year after budget year 	Consistent with the current method agreed to by the STA Board last year.	Extrapolates a conservative approach without accounting for more positive actuals/trends.
Option B	<ul style="list-style-type: none"> ▪ 3.0% Sales Tax Revenue Growth Trend ▪ 3.5% Expenditure <ul style="list-style-type: none"> ▪ 1st year after budget year 	Follows long-term trend for both expenditures and sales tax.	Does not fully reflect the trend of favorable expense variances.
Option C	<ul style="list-style-type: none"> ▪ 3.0% Sales Tax Revenue Growth Trend ▪ 3.5% Expenditure <ul style="list-style-type: none"> ▪ 2nd year after budget year 	May better reflect actual experience by providing a pause in expenditure growth to accommodate favorable expense variances.	May under-represent near-term inflation.
Option D	<ul style="list-style-type: none"> ▪ 3.0% Sales Tax Revenue Growth Trend ▪ 3.0% Expenditure <ul style="list-style-type: none"> ▪ 1st year after budget year 	Revenue growth is consistent with operating expense growth.	May under-represent long-term growth of expenditures.
Option E	<ul style="list-style-type: none"> ▪ 4.0% Sales Tax Revenue Growth Trend ▪ 3.5% Expenditure <ul style="list-style-type: none"> ▪ Based on prior year's actual 	Revenue expands faster than operating expenditures.	Disregards current and next year's budget which ignores most current information on labor contracts, benefit costs, fuel prices, etc. 4% sales tax rate is 33% higher than 20-year trend.

Other Considerations

- Shorten the forecast timeframe to match the Transit Development Plan (6 years)
 - The TDP, including the Capital Improvement Program, is the reasonable horizon for many agencies in determining necessary service levels and capital project planning
- Non-formula grants
- Board-designated reserves
- Remove the negative portion of the cash line

Purpose

The Committee to recommend guidance to the Board on the assumptions used in the forecast model.

Discussion & Recommendation

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING**

October 7, 2015

AGENDA ITEM 7.A: CENTRAL CITY LINE PRELIMINARY ENGINEERING AND DESIGN UPDATE

REFERRAL COMMITTEE: N/A

SUBMITTED BY: Karl Otterstrom, Director of Planning
Don Skillingstad, Capital Projects Manager

SUMMARY: In October 2014, a request was submitted to the Federal Transit Administration (FTA) to request entry into the Project Development phase of the Small Starts Major Capital Investment program. In November 2014, the STA Board authorized preliminary engineering to begin for the Central City Line, contingent upon approval by FTA for entry into Project Development. On June 30, 2015, the FTA approved STA's request and authorized the project to move forward.

The project team is made up of the following firms:

- CH2M HILL, Inc. (Prime Consultant)
- IBI Group, Inc. (Small Starts/Forecasting/Planning/ITS)
- Desautel Hege Communications (Public Outreach)
- HDR Engineering, Inc. (Traffic Modeling)
- Coffman Engineers, Inc. (Surveying/Mapping)
- LTK Consulting Services, Inc. (Station Planning/TSP)
- Leon Skiles & Associates, Inc. (Small Starts/NEPA)

Since the FTA's approval, staff has been working with CH2M to prepare a final scope of work and fee for the engineering, environmental and Small Starts application submittal phase (Phase C). The Independent Cost Estimate (ICE) and Cost Analysis has been completed, and the Work Order and Notice to Proceed have been issued.

The Strategic Overlay planning project, a separate but related effort, has also started. The purpose of the overlay planning project is to identify and define land use and economic development policies that support transit oriented development and ridership along the alignment. This project is being completed in cooperation with the City of Spokane.

On September 10th, Maurice Foushee, FTA Headquarters in Washington, D.C., and John Witmer, FTA Region 10, Seattle, visited STA to meet STA and city staff, tour the alignment and learn about the project in more detail. On September 17th and 21st, the STA Board or Directors and Spokane City Council, respectively, approved resolutions agreeing to a collaborative process to implement the Central City Line and agreed to the creation of a Steering Committee to provide policy level advisory input and direction to the STA Board and the City of Spokane City Council. On September 29th, a project kick off meeting and alignment tour was held with stakeholders from STA, City of Spokane, universities, business organizations, and others. The purpose of the meeting and tour was to provide stakeholders a general overview of both the overlay planning effort and the project development process, discuss the project scope and schedule, and identify issues and opportunities. On September 30th, STA staff and the consultant team met with the FTA to discuss the environmental process moving forward.

Staff has met with several neighborhood groups affected by the project to provide updates on the project and steps moving forward. Neighborhoods include Browne's Addition, Riverside, Logan and Chief Gary. Staff will continue to work with these neighborhoods throughout the project.

There are a number of key critical path items that must be addressed in the very near future. First and foremost is the identification and approval of the preferred alignment through the downtown core. Other critical path items include: completion of the NEPA environmental process, station and stop location planning, ridership forecasting and cost estimating. These last two efforts depend on the refining of the alignment definition through the downtown core.

The following is a preliminary milestone schedule moving forward:

Phase C (Current Phase)

- Winter 2015 Downtown Alignment Decision
- Summer 2016 NEPA/SEPA Completion
- Summer/Fall 2016 Submittal of Small Starts application
- Winter 2016 30% Design Completion

Phase D

- Fall 2017 Federal Funding Decision
- Summer 2017 60% Design Completion
- Summer 2017 Small Starts Grant Agreement
- Winter 2018 100% Design Completion

Phase E

- Spring 2018 Construction Start
- Summer 2020 Open for Service

RECOMMENDATION TO COMMITTEE: Information only.

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 8: CEO REPORT - INFORMATION

REFERRAL COMMITTEE: N/A

SUBMITTED BY: N/A

SUMMARY:

At this time, the CEO will have an opportunity to comment on various topics of interest regarding Spokane Transit.

RECOMMENDATION TO COMMITTEE: N/A

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 9 : **NEW BUSINESS**

REFERRAL COMMITTEE: N/A

SUBMITTED BY: N/A

SUMMARY:

At this time, the Committee will have the opportunity to initiate discussion regarding new business relating to Planning & Development.

RECOMMENDATION TO COMMITTEE: N/A

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 10 : COMMITTEE MEMBERS' EXPRESSIONS

REFERRAL COMMITTEE: N/A

SUBMITTED BY: N/A

SUMMARY:

At this time, members of the Planning & Development Committee will have an opportunity to express comments or opinions.

RECOMMENDATION TO COMMITTEE: N/A

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____

**SPOKANE TRANSIT AUTHORITY
PLANNING & DEVELOPMENT COMMITTEE MEETING OF**

October 7, 2015

AGENDA ITEM 11 : **REVIEW NOVEMBER 4, 2015, DRAFT AGENDA ITEMS –
INFORMATION**

REFERRAL COMMITTEE: N/A

SUBMITTED BY: Karl Otterstrom, Director of Planning



SUMMARY:

At this time, members of the Planning & Development Committee will have an opportunity to review and discuss the items proposed to be included on the agenda for the November 4, 2015 Committee meeting.

Proposed agenda items include:

- Minutes of the October 7, 2015, Committee meeting – *Corrections/Approval*
- Final Proposed 2016 Operating & Capital Budgets – *Board Action*
- Draft 2016 Planning & Development Committee Work Program – *Report*
- STA Moving Forward Ten Year Plan & Funding Discussion (By Request of the Board Chair) - *Report*

RECOMMENDATION TO COMMITTEE: Review and discuss.

FINAL REVIEW FOR BOARD BY:

Division Head _____

Chief Executive Officer _____

Legal Counsel _____