

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

Draft Minutes of the July 11, 2013, Board Workshop  
Southside Conference Room, Spokane Transit  
1229 West Boone Avenue, Spokane, Washington

### **MEMBERS PRESENT**

Chuck Hafner, City of Spokane Valley, Chair  
Mike Allen, City of Spokane  
Amber Waldref, City of Spokane  
Nancy McLaughlin, City of Spokane  
Shelly O'Quinn, Spokane County  
Art Kulibert, Small Cities (City of Medical Lake)  
Richard Schoen, Small Cities (City of Millwood)  
Rhonda Bowers, Labor Representative

### **MEMBERS ABSENT**

Al French, Spokane County  
Gary Schimmels, City of Spokane Valley

### **STAFF PRESENT**

E. Susan Meyer, Chief Executive Officer  
Lynda Warren, Director of Finance & Information Services  
Steve Blaska, Director of Operations  
Karl Otterstrom, Director of Planning  
Steve Doolittle, Director of Human Resources  
Lynn Holmes, Assistant Director of Finance  
Tammy Johnston, Budget and Accounting Manager  
Susan Millbank, Ombudsman & Accessibility Officer  
Molly Myers, Communications Manager  
Joel Soden, Transit Planner  
Merilee Robar, Executive Assistant, Finance & Information Services

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

Chair Hafner called the meeting to order at 9:05 a.m. He noted that the objectives of this workshop are to discuss the 2014 Budget, Strategic Plan, and the Moving Forward project.

Ms. Meyer said staff appreciates the opportunity to receive Board guidance in order to develop the Strategic Plan and Budget. The draft Strategic Plan and 2014 draft Budget will be presented to the Planning & Development Committee and Board in September, with a public hearing on the Budget in October. The Strategic Plan will be considered by the Board for adoption at the October Board meeting and the Budget at the November Board meeting.

#### 2. **BUDGET GUIDANCE**

Ms. Meyer reminded Board members that the financial forecast to 2020 was presented in March. In this model cash declines to just the reserves (estimated at \$20 million) in the third quarter of 2016. With the growth in sales tax this year this will probably not occur until late 2017. The Board designated reserves include 15% of operating expenses, \$5 million for right-of-way acquisition, and \$5.5 million for self-insurance in the event of a catastrophe. Most local and state economists predict the financial forecast is for a slow and steady recovery from the recession. All jurisdictions show an average increase of 5.8% in sales tax through June 2013 over 2012; Spokane Transit is slightly ahead at 6.1%. Staff proposes to revise the sales tax projection for 2013 from no growth to 3.5%. This would change the baseline on projections for 2014 and beyond. Retail trade and construction are major contributors to the increase in taxable sales in 2012 and 2013.

#### **2013 Sales Tax Projection**

Ms. Meyer noted that the cumulative loss of sales tax is \$25.1 million since 2007 and called it "the lost decade" since this revenue will never be regained. If the growth continues, sales tax revenues may return to 2007 levels by 2017. She asked the Board to consider revising the 2013 projection to 3.5% from 0% as proposed by staff.

**The Board concurred.**

Sales Tax Projection – 2014 and Beyond

Ms. Meyer said staff recommends revising the 2014 and beyond sales tax assumptions as follows:

2014	1.5% from 1% (previously forecasted)
2015 and beyond:	2.0% from 1% (previously forecasted for 2015/2016 and 2.0% for 2017 and beyond)

The Board concurred that the forecasting must be conservative.

Ms. McLaughlin preferred 1.5% for 2015 and beyond.

Mr. Allen agreed.

Ms. Warren said the City of Spokane is expecting to end 2013 with 4% growth and is planning a growth assumption for 2014 of 2%.

Mr. Kulibert considered 2% to be reasonable as did Mr. Schoen.

Mr. Hafner pointed out that these percentages can be adjusted at the workshop next year if necessary.

**The Board concurred with 1.5% sales tax growth from 2014 to 2016 with 2% from 2017 and beyond.**

Ridership Assumption

Ms. Meyer said staff recommends the following ridership increase assumptions for 2014:

Fixed Route	1%
Paratransit	1.75%
Vanpool	8.9%

Vanpool ridership is estimated to be flat in 2013 due to a reduction in the number of vanpool groups.

Mr. Blaska explained that some Pullman commuters have been relocated and construction workers going to Moses Lake have finished their jobs which has stopped those extended commutes. Spokane Transit and Spokane County have jointly funded a Commute Finder program and will no longer be dependent on the State's Ridematch Program. The new program will begin soon and STA will step up its marketing effort at that time. STA gets State funding of between 80% and 90% of the cost of expansion vanpool vehicles.

Ms. Bowers said the increased ridership from Eastern Washington University students in Cheney was a surprise this year and asked if any other increases are anticipated.

Mr. Blaska said that ridership has now plateaued but anticipates a 1% increase from the Community Colleges of Spokane and their new Universal Transit Access Pass agreement or new STA pass program.

**The Board concurred with the ridership assumptions.**

Revenues from Grants

Federal Preventive Maintenance Grant (5307) is expected to increase by 1.4% to \$7.6 million.

Federal Operating Grants (5316) and (5310) are expected to increase by 191.7%:

- \$200K to preserve Medical Lake Service
- \$150K for Mobility Training

State Grants are expected to increase by 77%:

- \$800K Formula Distribution
- \$680K Special Needs
- \$175K Cheney Bus Service

Interest income is anticipated to be 0.75% according to Spokane County whose Treasurer manages STA's investments.

Mr. Allen said the City of Spokane is receiving higher investment income than the County by bringing the function in-house. Ms. Warren said she would research that with City staff.

Mobility Training costs approximately \$250,000 but the savings in deferred and avoided paratransit rides more than makes up for it.

**The Board concurred with the grant revenue assumptions.**

#### 2013 Expenditure Update

Ms. Meyer said projections for expenditures are 2.6% less than budgeted. Fuel was under budget.

Mr. Allen asked if staff has looked into buying fuel futures to lock in a price.

Ms. Warren said STA's legal counsel is researching that. She noted that Community Transit locked into fuel at \$4 per gallon which was much higher than actual for several years. Ms. Meyer noted that one advantage of fuel hedging is predictability of cost.

#### Fuel

Based on information from the Energy Information Administration (EIA), staff is recommending a lower per gallon cost for fuel in 2014 than in 2013 (2.7% lower for gasoline and 2.0% lower for diesel).

Mr. Allen asked about the value of Compressed Natural Gas (CNG).

Mr. Blaska said staff has researched this and found that gallon for gallon natural gas is cheaper; however, a fuel facility would need to be built on site in order to refuel 100 buses each night. The cost of maintenance of CNG fleets is 10% – 30% higher. Staff's analysis has been sent to Avista for review and once their comments have been received, an updated presentation on the subject can be made to the Performance Monitoring and External Relations Committee. He noted that Pierce Transit has a CNG fleet and had an explosion which resulted in having to fuel buses at SeaTac airport for an extended period of time. This cost exceeded the cost of the damage. They now have a second redundant fueling station.

#### Compensation and Benefits

Ms. Meyer advised that positions were reviewed in the Management and Administration group (non-union). After the adjustments, it was determined that this group of 59 employees is still under market by between -4.3 and -6.1%. Some positions were realigned internally at a cost of less than \$20,000. No other increase was given. Ms. Meyer said she may recommend a small general wage increase for the Management and Administration group.

Wage re-openers were settled with ATU 1015 and ATU 1598. AFSCME 3939 (paratransit) is going to arbitration on its contract since wages could not be agreed upon. There is still time to come to agreement prior to arbitration which is costly. The other unions and non-represented staff have taken 0% wage increases; AFSCME has not. The current contract expired in July 2012.

The cost of medical and dental benefits is expected to increase by 10% which includes approximately 2% (\$200,000) in new fees associated with the Affordable Care Act.

Ms. Meyer added that three years ago STA saved \$1.4 million by restructuring benefits.

Pension rates have increased by 9.21%. Employees contribute to the medical and pension plans.

#### Capital Projects

Ms. Meyer said the total budget for capital projects is projected to be \$22.3 million with major capital projects including vehicle replacements; communications technology; Smart Bus implementation; Boone Master Plan Phase 1 implementation; Business System Replacement; Plaza Renovations; and Central City Line accounting for \$19.4 million of that total. Some of these projects are moving forward to 2014 due to timing issues.

Ms. Meyer complimented the work of Finance Department staff Lynda Warren, Lynn Holmes, Tammy Johnston, and Merilee Robar for their excellent work on the budget.

3. STRATEGIC PLAN

Ms. Meyer read STA's Mission, Vision and Priorities which remain the same as last year and drive the Strategic Plan.

The elements that go into the annual Strategic Plan include the Comprehensive Plan; Service Implementation Plan; Capital Plan; Sales Tax; Fares, Grants and Other Revenues; Staffing; and Compensation and Benefits.

2013 Strategic Plan Status Report

Staff has illustrated this report with traffic signals to reflect the status of the Strategic Plan elements as follows:

- Green - on target
- Orange - minor adjustment
- Red - critical

Service

- Increase Fixed-Route Ridership by 1% over 2012
- Maintain Paratransit Ridership at 2012 level
- Increase Vanpool Ridership by 8.9%

Fares

- No fare increases
- Expand Pass Programs

Staffing

- Add three supervisors to meet requirements of Smart Bus technology
- Add one Customer Service Representative

Compensation & Benefits

- Apply to join the State's health insurance program for 2014
- Make progress toward providing competitive, market-based compensation

Major Projects

- Smart Bus Technology Project
- Boone Facility Master Plan
- Business Systems Upgrade
- Plaza
  - Operational improvements to outside of Plaza
  - Reconfiguration of interior of Plaza to maximize space utilization

Planning for the Future

- STA Moving Forward
  - High Performance Transit (HPT) Corridors
  - Plaza

Mr. Allen asked about the additional supervisors for the Smart Bus program.

Mr. Blaska said that until recently the supervisors for radio and window dispatch functions were housed together in the same small area. With the transition to Computer Aided Dispatch/Automatic Vehicle Locator (CAD/AVL) capabilities, supervisors will be located in two different areas.

Ms. Meyer said STA has applied again for the Public Employees Benefits Board (PEBB) Health Plan. STA previously was denied and appealed. According to PEBB, STA's risk profile came in slightly higher than the allowed Relative Underwriting Factor (RUF) (1.03 versus 1.0). The current Premera and Group health plans mirror the PEBB plan.

Implementation of Smart Bus is planned for 2014.

Mr. Allen asked if Smart Bus improvements will be in place for students to use by September 2014.

Mr. Blaska said probably not, although testing will be underway at that time to ensure the program is working correctly. Full implementation is projected for December.

Ms. Bowers asked if the new position of Director of Customer Service and Communications was in the budget.

Ms. Meyer said in 2009 the Board gave the CEO authority to determine staffing levels within budget and, due to favorable variances in the 2013 Budget, there will be adequate resources for this position.

#### Plaza Discussion

Ms. Meyer said operational improvements have been made to the exterior of the Plaza in the past year with the change of Wall Street to two-way traffic. The next step is to improve the interior and staff, with the assistance of Critical Data, Inc., has researched different types of businesses that may be interested in leasing space on the second floor. A food court has been taken off the list since those vendors tend to be more successful at street level. The Plaza has become a target for controversy and some downtown business owners believe STA operations should move out.

In 2008 Nelson/Nygaard Consulting Associates were hired by STA to research alternatives to the Plaza for transit operations in the downtown area. It was found that the Plaza has the capacity to serve transit until at least 2020. Other options were researched and all were more expensive; some also had a detrimental effect on transit customers and ridership. The Board, with the support of the Downtown Spokane Partnership (DSP), agreed unanimously at the time that STA should remain at the Plaza and make improvements to the facility.

Ms. Meyer added that without resolution on the Plaza, renovations and improvements, leasing options and the Moving Forward project cannot continue. She asked the Board what additional information they need from staff to make a decision about staying at the Plaza.

Mr. Hafner said this is an opportunity for open discussion on the subject by the Board. It is his opinion that STA has been a good neighbor and made all the changes requested but that is not enough for some groups downtown.

Mr. Allen said the Mayor of the City of Spokane and downtown property owners would like to see STA move its operations out of the downtown core. They believe that moving STA will also move the people who have been causing a nuisance with disruptive behavior. He added that they realize this cannot be accomplished immediately and there are plans to form a committee to see where downtown should be in ten years.

Ms. Meyer said she is on the DSP Board and agrees that some downtown business owners want STA to move out of the Plaza. She would like to see what happens when the smoking area at the Plaza is re-opened and the effect of the new police precinct on Riverside and Post is known. It must be understood that moving an entire transit operation would be expensive, leaving none of the remaining sales tax authorization for future projects such as those in the Moving Forward plan. The DSP Board has suggested a study on downtown in general; a vision for what it should look like, not simply to move the Plaza.

Mr. Hafner said Spokane Transit is a regional system and the Plaza is its hub. It does not just concern people in the downtown area. Ms. O'Quinn said STA must work in partnership with its neighbors downtown and show that it understands their concerns.

Mr. Hafner said STA has done everything it has been asked from increasing its own security to providing free parking at the Plaza for the new police precinct.

Mr. Kulibert said other issues should be addressed including people who are homeless.

Mr. Schoen agreed that the homeless congregate in the downtown area and support services are located there.

Ms. McLaughlin said she was on the STA Board when the Nelson/Nygaard study was done and encouraged staff to emphasize this study when speaking about the Plaza. She added that the security and police presence has increased since that time.

Ms. Bowers expressed her concerns about “finger pointing” at the Plaza. She said every city has these problems and if STA moves, the problems will not go away. STA has been very responsive and transit operations in the downtown area should not be disrupted.

Ms. Waldref said she was upset and frustrated about the situation. She added that the Moving Forward project would improve transit and bring more people downtown.

Ms. Meyer said the DSP plan to study options for a vital downtown likely would take between 12 and 18 months. The Mayor has asked Ms. Meyer to attend a meeting about the Plaza next week. Another organization has apparently expressed interest in the Plaza but does not want the entire space and wants to pay low rent.

Mr. Hafner said this discussion will be continued in committee and board meetings in the near future.

Ms. Waldref said she appreciated Mr. Allen’s work on panhandling issues and meeting with social services staff.

#### Moving Forward

The Corridor Advisory Panels have held meetings and representatives made a presentation to the Board in May. The future of the project hinges on the Plaza operation.

Ms. Meyer read a statement from the Strategic Plan approved by the Board in October, 2012:

*Completing the STA Moving Forward initiative will be our highest priority in 2013. After conducting a comprehensive assessment of future service and system opportunities (begun in 2012) the board will adopt a package of improvements that represents our community’s shared vision for additional public transportation investments when revenue is available.*

Plaza issues have been a distraction to advancing Moving Forward on the original timeline. Staff planned to preview project scenarios at this workshop but now will do so in September at a special Board workshop on a date to be determined. If the Board desires to go to a ballot measure in April 2014 for increased funding, the timing is critical.

Mr. Allen said there is no need for the Board to take formal action on staying at the Plaza; only if moving from it was a consideration.

Mr. Hafner agreed and no vote was taken. The consensus of the Board was to remain at the Plaza.

#### 4. ADJOURN

With no further business to come before the Board at this workshop, **Mr. Allen moved to adjourn the meeting, Ms. McLaughlin seconded and the motion passed unanimously.** Chair French adjourned the meeting at 1:19 pm.

Respectfully submitted,

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