

Spokane Transit Authority  
1230 West Boone Avenue  
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(509) 325-6000

## **BOARD OF DIRECTORS**

Draft Minutes of the October 21, 2009, Special Meeting  
City Council Chambers  
808 West Spokane Falls Blvd., Spokane, Washington

### **MEMBERS PRESENT**

Dick Denenny, City of Spokane Valley, Chairman  
Mark Richard, Spokane County  
Nancy McLaughlin, City of Spokane  
Richard Munson, City of Spokane Valley  
Wendy Van Orman, City of Liberty Lake  
Al French, City of Spokane  
Richard Rush, City of Spokane  
Matthew Pederson, City of Airway Heights

### **MEMBERS ABSENT**

Bonnie Mager, Spokane County

### **STAFF PRESENT**

E. Susan Meyer, Chief Executive Officer  
Jim Plaster, Director of Finance & Administration  
Steve Blaska, Director of Operations  
Karl Otterstrom, Director of Planning  
Mike Volz, Assistant Director of Finance & Administration  
Steve Doolittle, Human Resources Manager

### **PROVIDING LEGAL COUNSEL**

Laura McAlloon, K & L Gates LLP

### **GUESTS**

Cody Zimbelman, Audit Manager,  
Washington State Auditor's Office

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

Chairman Denenny called the meeting to order at 5:37 p.m. and conducted roll call.

### **2. RECOGNITIONS AND PRESENTATIONS**

#### **A. 2008 State Audit Report**

Mr. Plaster introduced Cody Zimbelman, Audit Manager for the Washington State Auditor's Office representing the Spokane region. Mr. Zimbelman said the STA Audit Report represented the period January 1 – December 31, 2008. Areas covered in the audit include accountability for public resources, legal compliance, financial statements, and federal compliance. Other items reviewed include safeguarding of assets, payroll, open public meetings' compliance, and National Transit Database reporting. Mr. Zimbelman said there was a finding that Spokane Transit did not have internal controls in place to ensure compliance with the federal Davis-Bacon Act (prevailing wage) requirements. Spokane Transit did not obtain certified payrolls for two of its public works contracts. He added that this is a low-key finding and Spokane Transit has since rectified it. Ms. Meyer thanked Mr. Zimbelman and Spokane Transit's finance, planning and purchasing department staff for their efforts.

#### **B. Years of Service Awards**

Mr. Doolittle read the names of employees with 10, 15, 20, 25 and 30 years of service. Tammy Johnston in Finance and Dave Eyre in Paratransit were present. Kim Freeman, telephone operator at the Boone Avenue office, was recognized for serving Spokane Transit for 30 years. All these employees were commended for their years of service to STA and the community.

C. Third Quarter 2009 Employee Recognition Winners

Mr. Doolittle read the names of those employees who won the employee recognition awards for the third quarter of 2009. This program was approved by the Board to acknowledge employees who go the extra mile in the course of their work.

Ms. Meyer advised the Board of the unexpected passing of Coach Operator, Mike Stanton. Mr. Stanton had served Spokane Transit for twenty years and will be greatly missed. Mr. Denenny expressed his condolences on behalf of the Board.

3. PUBLIC EXPRESSIONS

Andrew Rolwes, representing the Downtown Spokane Partnership (DSP), spoke about the Plaza renovation. He said he appreciated the strong support of Spokane Transit in the downtown community. Although DSP agreed with STA's Board to keep the Plaza at its existing location, Mr. Rolwes said there is still a challenge with loitering, smoking, and criminal activity. He acknowledged that STA is continuing to work diligently to solve problems and urged the Board to move forward with the Plaza renovations.

4. BOARD ACTION: CONSENT AGENDA

**Mr. French moved to accept consent agenda items 4.A through E. Mr. Rush seconded and the motion passed unanimously.**

- A. Minutes of the September 17, 2009 Board Meeting.
- B. Motion to approve Accounts Payable Voucher and Warrant nos. 558558 through 558945, and Worker's Compensation Warrant nos. 203521 through 203679 totaling \$1,915,786.51 for the period September 1 through September 30, 2009.
- C. Motion to adopt a resolution approving STA's new Rules of Conduct and repealing Resolution No. 479.95.
- D. Motion to adopt a resolution approving the Board meeting calendar for November and December, 2009.
- E. Motion to repeal Resolution No. 634-08, adopted on February 21, 2008, and adopt a resolution increasing the petty cash fund balance to \$12,750.

5. BOARD ACTION: OTHER ITEMS

A. Revised Citizen Advisory Committee (CAC) Charter

Brenda Smits said the Citizen Advisory Committee has updated their charter with minor grammatical changes and she recommended Board approval. **Mr. Richard moved to repeal resolution No. 613-06 and adopt the proposed resolution and charter dated October 21, 2009. Mr. French seconded and the motion passed unanimously.**

B. Proposed Citizen Advisory Committee (CAC) Project

Ms. Smits advised that the committee has been looking at two new projects: sustainability from Spokane Transit's point of view; and, the Plaza enhancement. The CAC would be a sounding board for the Plaza enhancement and would work on both projects concurrently. They are also inviting applications for new members to join the committee. Mr. Munson asked if this involves staff time. Ms. Meyer said it does and staff supported the committee during the tariff policy project. Mr. Denenny commended the committee for their excellent work on that project. **Ms. McLaughlin moved to approve the sustainability program and a role in the Plaza Enhancement initiative as the next primary tasks for the Citizen Advisory Committee. Mr. French seconded and the motion passed**

**unanimously.** Ms. Meyer pointed out that Ms. Smits has been elected the CAC Chair. She thanked her and David Swalling, past Chairman, for their commitment.

C. Financial Consulting Services – Retirement Plans

Mr. Plaster asked the Board to approve the extension of a contract for an independent financial consultant for reviewing and evaluating retirement plans. In 2008 staff identified a need for these services to better understand regulations and laws dealing with retirement plans and also to assess rates and services being provided by the current provider, trustee and record keeper, ICMA-RC. Mr. Plaster explained that STA has been using the services of ICMA-RC since the 1980's. STA employees are not included in the Public Employees' Retirement System (PERS), but have Section 401 and 457 retirement accounts with ICMA-RC. In 2008, a consultant contract was awarded to Arnerich Massena and Associates for a period of one year with four, one year extension options under the authorization of the CEO. Under this contract, negotiation with ICMA-RC of a significantly lower market based rate structure was achieved. Staff has decided to pursue a formal competitive provider search in the next twelve months and would like to have Arnerich Massena assist with this in the option year two of their contract. The total combined second year cost will be \$65,000 for core services and a full provider search. Years three to five are \$35,000 per year for core services with a 3% price adjustment for years four and five. Mr. Plaster indicated the funding source will be covered by normal budgeted funds for retirement plan benefits which provide favorable budget variances due to employee turnover and unfilled positions. Mr. Richard asked about the flow of the contracts, both ICMA-RC and how the contract with Arnerich Massena has progressed. Mr. Plaster said ICMA-RC was selected in the 1980's since this firm was and is the predominant provider in the public sector. In recent years there has been a lack of success in obtaining a more beneficial fee structure. ICMA-RC will likely compete for the contract but staff requests an independent review of the fee structure and service on an ongoing basis since there is \$50M invested in the plan. Staff does not have this type of expertise. **Mr. French moved to approve the four, one year extension options of the services agreement with Arnerich Massena and Associates (AM&A) subject to annual staff review and approval by the CEO. Mr. Rush seconded and the motion passed unanimously.** Ms. Meyer said she was pleased with the work done by AM&A. She added that union leaders and managers are concerned about a potential change of providers; they want it to be seamless with a lot of information provided to employees.

6. BOARD INFORMATION

- A. Committee Minutes
- B. Miscellaneous Correspondence
- C. August 2009 Financial Results Summary
- D. August 2009 Financial Highlights
- E. August 2009 Operating Indicators
- F. 2009 Third Quarter Travel Report
- G. Proposed January 2010 Service Changes
- H. Draft Fixed Route Service Design Guidance: Principles, Policies and Performance Standards
- I. September Service Changes
- J. September 2009 Ridership Highlights
- K. Interlocal Agreement: Downtown Transit Alternatives Analysis

Mr. Munson asked why item 6.K did not need Board approval for the Interlocal Agreement with the City of Spokane. Ms. McAloon explained that it is actually a Memorandum of Understanding (MOU) that the CEO can sign. Mr. Munson said the Board approved an MOU with the Spokane Regional Transportation Council (SRTC). Ms. McAloon said this is a different situation since STA and the City of Spokane are doing a one-time project jointly. The SRTC MOU is an ongoing document that

involves the allocation of Section 5307 funds and is a metropolitan planning agreement approved by the federal government. STA will be the grantee for the federal funding for the downtown transit alternatives study. The study will not just look at streetcars but a range of transit alternatives for the downtown area. STA will have no direct cost for the project. Mr. Rush asked if this will be a component of the High Performance Transit Network (HPTN). Ms. Meyer said it will be done simultaneously.

7. STAFF REPORTS:

A. Draft 2010 Operating and Capital Budgets

Mr. Plaster said the Board held a financial and planning workshop on October 7, 2009 to give staff guidance in preparing the 2010 budgets. A year ago economic recovery was hopeful for 2010 but the reality is worse than expected and staff has lowered the sales tax assumptions (2008: -3.5% vs. 3%; 2009: -9% vs. -3.5%; 2010: -1% vs. 0%). This was based on input from the Board workshop. At the workshop the Board agreed to sustain quality regardless of service level; preserve essential capital projects; maintain flexibility; develop a sustainable plan; complete short and long term plans; and, implement a reduction of approximately 2% in fixed route service in September, 2010.

Forecasted sales tax change impacts show a cumulative decrease in sales tax revenue of \$81M between 2008 and 2015, and \$52M less than the Board designated reserve by 2015. The 2007 sales tax revenue level would not be restored until after 2015. There is no general wage increase budgeted in 2010 for administrative, security, or management employees. Two unions already had negotiated contracts for 2010: ATU 1015 will receive an increase of 1.5% in October 2010, and ATU 1598 an increase of 1% in January 2010. AFSCME 3939 is currently in mediation and an increase has not been budgeted. ATU 1015 received an increase of 3.3% in October 2009 for 2009. It is assumed that the cost of employee medical and workers' compensation benefits will increase by 10%. Mr. Richard asked if the unions would consider foregoing these increases. Ms. Meyer said the contracts have already been negotiated and signed. Mr. Richard added that the public would be concerned about the service reduction when STA employees received a pay raise. It must be well communicated.

Mr. Plaster said a sustainable plan, one which allows STA to continue operating at the current levy rate of 0.6% sales tax, assumes three phased estimated fixed route service reductions: 2010 – 2%; 2011 – 7% and, 2011 – 7%. Also included is a \$22.3M reduction in the capital budget for bus purchases and facilities expansion as a result of these service reductions. He said the sales tax revenue assumption for 2010 is \$40.7M (67.3% of the total vs. 70% in 2009). Operating revenue is projected at \$9.5M which is an increase from 2009 due to the fare increase. A federal preventive maintenance grant, state grant and miscellaneous investment income makes up the remainder for total revenue of \$60.4M.

Fixed Route Bus operations consume almost 68% of the budget with paratransit operations at 20% and the balance in the Plaza, Administration and Vanpool. Projected total expenditures are \$60.8M.

Mr. Munson asked what difference it would make to the budget if the unions gave up their pay increases. Ms. Meyer said the 3.3% increase for ATU 1015 for 2009 is already being paid since it was previously negotiated. The funds would help but would not make up the difference needed to balance the budget. Mr. Rush commented that STA is very vulnerable to the cost of fuel and what would the fuel price have to be to justify the expense of electric buses. Mr. Blaska said under the current hybrid program, fuel would have to average over \$4 a gallon for fifteen years to cover the difference in cost between a diesel and hybrid vehicle since it costs \$200K more. A full electric vehicle would cost \$800K more than diesel powered. Electric plug-in technology for vehicles as large as buses is still not yet widely employed and is considered cutting edge and very costly.

Mr. Plaster said that labor and benefits account for 67% of operating expenses. Capital expenditures are budgeted at \$16.7M for 2010. These include the purchase of vehicles; facilities and maintenance equipment; customer service and technology projects; and, planning projects. The latter includes the Plaza exterior enhancements, High Capacity Transit right of way preservation and environmental impact study for the south valley corridor. Mr. Richard asked, in view of the current budget situation, why continue to energize the south valley corridor when those funds could be used to sustain service. Ms. Meyer said the investment of \$500K now positions STA to obtain future federal funding. Mr. Richard asked if there is a local match. Ms. Meyer said yes; there would be a small starts program with an upper limit of \$75M and the project has to be shovel ready. The Board would decide if local funds would be added to the program.

Mr. Plaster said there will be a decrease of \$15.3M in cash in order to balance the budget. Cooperative Street and Roads projects are budgeted at \$5.2M. Staff is gathering information from the cities on the status of the remaining projects which will continue until 2011 and then the Board will decided whether or not to continue this program in the future. Mr. Plaster said the estimate should finish all the 2009 projects and the total commitment since 2005 has been approximately \$16.5M.

The estimated 2010 end-of-year cash is \$17.3M and is designated for capital projects. This does not include the Board designated reserve for self-insurance or 15% operating costs. The operating budget growth for 2010 totals 2.4%. The total number of proposed employees is 544.75 with one overall additional position by year end 2010. Mr. Plaster showed a table of comparisons between the number of employees at Spokane Transit vs. Community Transit and Pierce Transit. In 2007 the other agencies had 29% and 53% respectively more coach operators and 62% and 66% more administrative staff than Spokane Transit. Mr. Richard said it was phenomenal what STA's staff can do.

#### Capital Plan

Mr. Plaster said the capital plan will sustain quality regardless of the service level and preserves essential capital projects. Many projects have been cancelled or extended until 2012 and beyond. Essential capital projects that staff recommends moving forward, with the staffing required in parentheses, are:

- Smart Bus: Phase 1 Cameras on Buses and Paratransit Vans (Mechanic and Security Officer)
- Implement Trapeze Operations Module (Fixed Route Supervisor and Operations Analyst)
- Replace Old and Inefficient Business Systems for Finance, Human Resources, Payroll and Maintenance (Financial Analyst will offset unfilled position)
- Plaza Enhancements Design and Operational Improvements (Capital Projects Manager for 3 years)

It is estimated that the staffing will increase the budget by \$325K.

Mr. Plaster said he has no idea when recovery from the economic slump will occur; it will be a slow recovery and perhaps 2012 before it is reached. Under the revenue projections, including federal stimulus funding, and fare increases but no service reduction, cash will be depleted in the fourth quarter of 2012 and by 2015 they would be -\$52M. After the discussion at the budget workshop, staff proposes a sustainable plan to retain cash reserves until 2015 through phased service reductions of approximately 2%, 7% and 7% in September 2010, 2011 and 2012 respectively.

Mr. Plaster said staff will arrange a second Board workshop and/or one-on-one meetings with Board members if desired. There will be a public hearing at the November Board meeting with Board action in December. Mr. Denenny said there is a lot to review and consider.

8. **NEW BUSINESS** – None.

9. **CEO REPORT**

Ms. Meyer said she is a Co-Chair of the Downtown Transit Alternatives Analysis Core Team with Mayor Verner. Mr. Otterstrom is the Project Manager. A Sounding Board and Technical Advisory Group will also be created. Next steps in this project are to bring a draft scope of work to the Operations and Customer Service Committee in November for approval; release a Request for Proposals; advertise for Sounding Board recruitment in December; receive consultant proposals and the Board will award a contract in February, 2010. STA will provide staff support only.

At the last Board meeting Mr. French asked about passes for people who are unemployed to use the bus for their job search. Ms. Meyer said that 180 monthly passes are currently purchased by WorkSource and these are funded by the Workforce Investment Act. Staff is collaborating with WorkSource on two-hour passes and the vanpool program. Mr. French appreciated these efforts.

The U.S. Figure Skating event will be held in Spokane January 14–23, 2010. This is ten days compared to seven in 2007. STA will again provide shuttle service for attendees and the public with 10 minute frequency. The cost will be \$12 for ten days. Eight vanpool vans will be made available by STA for the use of event organizers; FTA has waived the charter regulations to allow this. Ms. Van Orman asked who would drive the vans. Ms. Meyer said STAR USA's transportation committee members would be trained to drive the vans.

Ms. Meyer reported that Fred Gilliam, CEO of Capital Metro in Austin, Texas, has retired. Mr. Gilliam was one of the members of the APTA Peer Review that came to Spokane to conduct a review in 2007. He will be missed and was a great resource to Spokane Transit.

Ms. Meyer said there will be an executive session to brief the Board about a labor contract.

10. **BOARD MEMBERS' EXPRESSIONS**

Mr. Richard asked about a second Board workshop and its timing. The Board settled on Tuesday, November 17, 2009 between 11a.m. and 2p.m. in STA's southside conference room.

11. **EXECUTIVE SESSION**

At 7:50 p.m., Ms. McAloon announced that the Board would adjourn for an Executive Session to discuss ongoing collective bargaining.

The STA Board of Directors will reconvene in open session at approximately 8:00 p.m. If it becomes necessary to extend the executive session, a member of the staff will return to announce the time at which the STA Board will reconvene. If any action is to be taken as a result of discussions in the executive session, that action will occur at the open public session.

At 8:00 p.m., Ms. McAloon returned to announce the Board would reconvene at 8:10 p.m. At 8:10 p.m. the Board of Directors reconvened and Chairman Denenny declared the meeting back in open public session.

12. **CABLE 5 BROADCAST DATES AND TIMES OF THE OCTOBER 21, 2009 BOARD MEETING:**

Saturday, October 24, 2009	4:00 p.m.
Monday, October 26, 2009	10:00 a.m.
Tuesday, October 27, 2009	8:00 p.m.
13. **NEXT COMMITTEE MEETINGS** (1230 West Boone Avenue, Spokane, Washington):

Operations & Customer Service	November 4, 2009, 1:30 p.m. (Southside Conference Room)
Citizen Advisory Committee	November 11, 2009, 5:00 p.m. (Northside Conference Room)
14. **NEXT BOARD MEETING: Wednesday, November 18, 2009**, 5:30 p.m., City Hall Council Chambers, 808 West Spokane Falls Blvd, Spokane, Washington.
15. **NEXT PUBLIC HEARING: Wednesday, November 18, 2009**, 5:30 p.m., City Hall Council Chambers, 808 West Spokane Falls Blvd, Spokane, Washington to discuss:

Draft 2010 Operating and Capital Budgets
16. **ADJOURNED**

With no further business to come before the Board, Chairman Denenny adjourned the meeting at 8:12 p.m.

Respectfully submitted,

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