

Spokane Transit Authority
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Approved at the
July 16, 2020
Board Meeting

BOARD OF DIRECTORS

Minutes of the July 1, 2020, Board Workshop Via
Video Conference
Spokane, Washington

MEMBERS PRESENT

Pamela Haley, City of Spokane Valley *Chair Pro Tempore*
Candace Mumm, City of Spokane
Chris Grover, Small Cities Representative (Cheney)
Josh Kerns, Spokane County
Karen Stratton, City of Spokane
Lori Kinnear, City of Spokane
Tim Hattenburg, City of Spokane Valley
Veronica Messing, Small Cities Representative
(Airway Heights) *Ex Officio*
Rhonda Bowers, Labor Representative, *Non-Voting*

MEMBERS ABSENT

Al French, Spokane County, Chair
Kate Burke, City of Spokane
Kevin Freeman, Small Cities Representative
(Millwood) *(Ex Officio)*
Mike Kennedy, Small Cities Representative
(Liberty Lake) *Ex Officio*

STAFF PRESENT

E. Susan Meyer, Chief Executive Officer
Brandon Rapez-Betty, Director of Communications
& Customer Service
Karl Otterstrom, Director of Planning & Development
Monique Liard, Chief Financial Officer
Nancy Williams, Director of Human Resources &
Labor Relations
Steve Blaska, Chief Operations Officer
Dana Infalt, Clerk of the Authority

PROVIDING LEGAL COUNSEL

Laura McAloon, McAloon Law PLLC

1. CALL TO ORDER AND ROLL CALL -

Chair Haley called the meeting to order at 11:30 p.m. and Dana Infalt conducted roll call.

2. FORECAST ASSUMPTIONS AND TRANSIT DEVELOPMENT PLAN

Monique Liard, CFO, advised staff's intent to conduct an interactive session which highlighted items and allowed for questions, answers, and feedback from Board members. She outlined the workshop objectives as being:

- Review current situation and economic scenarios
- Review affirmed core assumptions
- Review and affirm forecast assumptions
- Receive Board guidance for the development of the:
 - 2021-2026 Transit Development Plan (2021-2026 Capital Improvement Plan (CIP) and 2021-2023 Service Improvement Plan (SIP))

Ms. Bowers joined the meeting at 11:34

Ms. Mumm joined the meeting at 11:35

She noted the first few slides were presented at the June 18, 2020, Board Meeting with the first showing the original projected Small Starts Forecast. The situational overview reviewed the initial impact from COVID-19 and the forecasted impact, estimated as a combined and cumulative

revenue loss between \$78.3M to \$126.3M for the 2021-2026 forecast period compared to the Small Starts scenario. Ms. Liard advised that to overcome this shortfall will require a combination of quick wins, balanced, and transformative actions. As staff considered what an economic recovery could look like, they evaluated the following four scenarios against the Small Starts grant assumptions.

- Scenario 1 – assume recovery per International Monetary Fund (IMF) April 2020 publication – double recovery from the Great Recession – 6 years
- Scenario 2 – assume faster recovery – 3 years
- Scenario 3 – assume slower recovery – 10 years
- Scenario 4 – assume a skinny u-shaped recovery (18 months) due to vaccine availability

As discussed and approved at the June 18 Board meeting, Scenario 1 and 2 represented revenue gap to the Small Starts of \$126.3 and \$78.3M, respectively, and were the two scenarios that staff used for the forecast.

Ms. Liard reviewed the three main core assumptions that were validated at the Board meeting which included: 1) Ensure Financial Resilience, 2) Maintain Service Quality and State of Good Repair, and 3) Deliver STA Moving Forward (STAMF). After reviewing, Ms. Liard asked if there were any questions or comments. There were none.

Ms. Liard continued with the Forecast Assumptions and noted the Transit Development Plan (TDP) forecast assumptions had been upended by the pandemic and staff are coming to the Board a bit later than normal.

The 2020 Adopted Budget Operating Revenues of \$111,197,898 were reviewed showing the breakdown:

- Sales Tax \$87,312,896 – 79%
- Fares & Other Transit Revenue \$12,242,543 – 11%
- Federal Preventive Maintenance \$8,457,040 – 8%
- State Grants \$1,604,616 – 1%
- Miscellaneous Revenue \$1,580,803 – 1%

She pointed out that the fare revenue is the equivalent of approximately 80,000 hours of service provided every year. She noted it was critical to continue to maintain this source of revenue.

Ms. Liard examined the historical revenue forecasts and, specifically, the voter approved sales tax revenue and historical assumptions from 2014 through 2020. Historical trends demonstrate how the Board approached sales tax in the past with a steady view of how sales tax would move year over year. In 2020, staff are anticipating a potential 27% reduction in sales tax. The \$87M sales tax revenue budgeted for 2020 is now anticipated to be about \$61.7M. Ms. Liard also reviewed the 2007-2019 voter approved sales tax revenue history and noted the average for the period of 2008 – 2014 is 0.5%, advising this represented the last time we saw a great recession in the country.

Ms. Liard shifted gears to speak of anticipated assumptions. She provided estimates of the Revenue Forecast Assumptions of voter approved Sales Tax Revenue – post pandemic. She reviewed “Base Case – Small Starts Grant assumptions”, followed by Scenario 1 and Scenario 2 projections. All items were rounded (i.e., from 2.7% to 3%) in the base case. The percentages used were modeled on historical experience of the recession in 2008. She noted staff also consulted with external sources including the International Monetary Fund (IMF) and Grant Forsyth at Avista. Cumulative reduction in forecasted sales tax collections for 2021-2026 would be \$104.7M (18.2%) variance under Scenario 1 and 56.7M (9.8%) variance under Scenario 2. Ms. Liard paused to address any questions or comments. There were none.

She posed the question to the Board of which scenario they prefer staff use to forecast Sales Tax Revenue going forward. Staff is recommending using Scenario 1 with a 6-year recovery. This represents a more conservative recovery that allows STA to respond to a more depressed environment, while allowing staff to respond and adapt to ongoing changes in the economy.

Chair Haley asked if anyone had questions, comments, or objections to affirming the use of Scenario 1. Ms. Mumm expressed her desire to hear the Expense portion prior to deciding on a scenario for Revenue.

Rhonda Bowers asked what impact the reduced service needs would have on higher or faster recovery. She clarified if service needs could be slower in recovery than financial situation and what impact that would have. Ms. Liard said that it was based on the scenario for sale tax revenue, what became affordable for the agency in terms of being able to deliver service. She noted the expense portion of the presentation would likely cover this question and Ms. Mumm's, too.

Ms. Meyer suggested Ms. Liard move forward to the Expense portion and then return to the affirmation afterwards.

Ms. Liard moved forward to review the Operating Expenses from the 2020 budget.

The 2020 Adopted Budget Operating Expenses of \$84,121,288 were reviewed showing the breakdown:

- Fixed Route \$54,276,944 – 65%
- Paratransit \$17,089,208 – 20%
- Administrative \$10,187,356 – 12%
- Plaza \$1,876,076 – 2%
- Vanpool \$691,704 – 1%

Ms. Liard provided a detailed briefing on the Expenditure Forecast Assumptions which were aligned to adjusted revenue inflow to reach a target minimum cash reserve balance. The intent was to keep the agency financially resilient and avoid debt. Staff looks for places to find savings and ensure service levels are affordable and have identified savings opportunities in 2020 to carry forward into future years. Staff has accounted for a 3% increase in overall labor and are looking at ways to adapt to changing service levels and staffing proportionately. External services related to Paratransit have been terminated and STA will be insourcing to save about \$600K per year. Staff have worked with First Transit to align their staffing requirements which could save up to \$1.5M during 2020. Travel savings have been achieved during 2020 and training expenses have been reduced. Savings in fuel over budget have been realized, too. To date, staff have identified approximately \$5.5M of cost savings (6% reduction) over adopted budget and will continue to identify saving mechanisms.

Ms. Liard asked if that answered Ms. Mumm's questions and Ms. Mumm confirmed.

Ms. Liard then returned to the Revenue discussion and noted the Fare Revenue includes the user-paid share of service. Fare revenue is an essential part of STAMF that voters approved in 2016. Fare structure changed twice over last 5 years (\$0.25 in July 2017 from \$1.50 to \$1.75 and \$0.25 in July 2018 from \$1.75 to \$2.00).

She displayed a comparison of fare structure with American Bus Benchmarking Group (ABBG) agencies for context. STA fares are slightly above average but is one of only a few agencies that provides free transfers. STA's fare is well aligned to industry standards.

Fare revenue 2021 – 2026 – focus on ridership recovery. There was fare suspension for 3 months during 2020 and ridership dipped but has gradually increased. Continuing the trend of the most

recent ridership shows the first quarter of 2022 being when staff expect ridership to be at pre-pandemic levels.

Ms. Kinnear asked if we should consider if and when a vaccine becomes available. Ms. Liard noted staff have spoken about a vaccine and can revise to account for the positive impact a vaccine would have on ridership when that information is available.

Ms. Liard asked if there were any other questions on ridership assumptions? None were forthcoming.

She touched on the forecasted fare changes and noted the potential 2020 fare change has been deferred until 2023.

She advised the goal and objective was to ask for affirmations as staff goes through each section but wants to remain mindful that members may want to see more before they are comfortable offering their affirmation. Chair Haley concurred that she believed members would prefer to see the entire presentation before offering affirmations.

Ms. Liard covered federal and state grants, as well as the interest income earning rate. Staff assumed continued receipt of FTA Section 5307 Grant funds at 1% growth rate for 2021-2026. STA will receive \$23.4M from the CARES act in 2020 but have assumed no additional stimulus packages. State operating grants will stay at current funding levels.

Revenue hours are targeted at 488,000 hours by 2023 for Fixed Route (from a previous 515,000 hours). Staff believe the 488,000 allow STA to introduce service but in a revised fashion and provide the City Line service. STA expects Paratransit service to be flat throughout 2021-2026 period using 2017 hours of 166,700. With revenue hour targets, staff have reviewed the impact to staffing and updated the hiring plan and the fleet replacement plan.

Ms. Haley questioned the hours for Fixed Route of 488,000 by 2023 as an increase from current level of service. Ms. Bowers asked what current hours were without the changes. Ms. Liard advised they are estimated 453,000 hours. Ms. Bowers asked if that was pre-COVID or with COVID impact? Ms. Liard advised it reflects the 11% service reduction temporarily implemented during April, May, and part of June.

Ms. Liard asked the Chair if staff could get an affirmation now or at the end. Chair Haley asked her to continue and affirmations would come together at the end of the presentation.

Ms. Liard continued with the Expenditure Forecast Assumptions to cover the Capital Expenses. She advised staff is working through 2021-2026 CIP and planning to bring to July 16th Board meeting as Draft for review and to have the CIP approved with a TDP draft in September. Staff recommends continuing the fleet replacement strategy to appropriately fund and manage the replacement of its fleets. As with operating expenses, the goal is to ensure STA is deploying and aligning capital expenses in line with revenue forecasts.

Ms. Liard advised she had reached the end of the assumptions portion. She noted another element to consider is to implement an economic monitoring framework that would focus on four key areas to be consistent and provide an economic assessment annually, at a minimum. She provided detail of the four key indicators which would include:

1. Regional economic climate – taxable sales
2. Funding climate – future federal and state grant support
3. Ridership statistics – what is happening in the system and how are riders returning and enjoying new services being offered
4. Operating costs per revenue hour

This framework would be brought to the Board to show staff's continued evaluation and adaptation to environment going forward.

Ms. Liard asked if she could answer questions and how the Chair would like to proceed with the affirmations.

Chair Haley advised her to go back to the first affirmation slide and run through them all in sequence:

Assumption affirmations:

1) Revenue Forecast Assumption Affirmation – Scenario 1 or 2 - Sales Tax Revenue.

Mr. Grover advised a conservative period of recovery is prudent.

Mr. Hattenburg agreed with Mr. Grover and recommended the Scenario 1.

Ms. Mumm said that since we are so dependent on sales tax revenue, she advised she supported the 6-year recovery scenario but wanted to know when it would be revisited.

Ms. Liard advised it would be revisited at least annually but that staff are preparing to kick off the 2021 budget season and will be using the recommendations coming out of the TDP financial forecast to establish baseline. As staff progress through the budget season, they will collect additional information and make adaptations throughout the budget cycle and have a solid recurring timeframe in which updated information will be brought to the board.

Chair Haley asked if anyone disagreed.

Ms. Kinnear advised she would like to revisit upon moving into Phase III and look at trends at that point to consider adjusting. Ms. Kinnear also suggested a more frequent review than annually.

Chair Haley agreed and advised that the Board would revisit as soon as there is any change in current situation.

Ms. Liard added that staff are currently working on the financial forecast that goes into the TDP which is an annual activity and are striving to have it adopted in the September/October timeframe. As the Board sees the need to update that, it will be discussed. The next opportunity to look at the long-term forecast would be when staff complete the next TDP in July 2021. The upcoming 2021 budget process will be an opportunity to review assumptions in the short term.

Ms. Meyer advised that staff and the Board do not need to be constrained in when staff can look at the forecast. There are items that tie into planning the TDP and budget. She advised she would like to look at the forecast during Phase III and perhaps quarterly and would like to be flexible to consider as things change.

Chair Haley agreed and noted that Board members were nodding their heads in agreement.

Mr. Blaska reminded that during the past recession, the process and set of assumptions that the Board provided to staff resulted in a phased reduction. He said that STA only had to implement two of the phases because it was all built on flexibility to respond to change. He saw this process as being the same in being able to respond to changes.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Revenue Forecast Assumption– Scenario 1 – Sales Tax Revenue unanimously.

2) Revenue Forecast Assumption Affirmation - Fare Revenue – recovery to pre-pandemic levels by 1st Quarter 2022, the 2020 fare change deferred, the next fare change forecast in 2023.

Ms. Stratton asked could the fare increase be considered before 2023 or are we stuck with 2023? Ms. Meyer advised that is a Board decision and 2023 is the next scheduled change to

keep the farebox recovery at 20%. Ms. Stratton asked if it could change if the Board looked at a different scenario and Ms. Meyer concurred.

Ms. Mumm asked to clarify the focus on ridership recovery on the chart - from lows of 70% decline – currently 50%. Ms. Liard clarified that in April there were 10K riders per day compared to a “normal” ridership of 30K which equates to a 70% decline and is the low point of the pandemic ridership statistics. Since then ridership has recovered to approximately a 50% reduction from STA’s “normal” ridership. The statement implies that staff believe STA has reached the bottom at 70% and are now on a path to recovery that has hit approximately 50% and from there would be the trajectory of recovery. Ms. Mumm thanked Ms. Liard for the clarification.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Revenue Forecast Assumption - Fare Revenue unanimously.

- 3) **Revenue Forecast Assumption Affirmation – Other Revenue** – Include the Federal Transit Administration Section 5307 grant growth at 1% rate; no further stimulus packages; state operating grants remain at current funding level; and interest income earning rate at 1.75%.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Revenue Forecast Assumption – Other Revenue unanimously.

- 4) **Expenditure Forecast Assumption Affirmation – Operating** – Service Level Adjustments in context of allowable STAMF amendments, 3% increase beginning in 2021, carry forward savings from 2020 into future years.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Operating Expenditure Forecast Assumption unanimously.

- 5) **Revenue Hour Assumptions** – Target 488K hours by 2023 for Fixed Route, revised STAMF service deployment, new City Line service, Paratransit flat throughout TDP period using 2017 hours of 166,700, updated hiring plan, updated fleet replacement.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Revenue Hours Assumptions unanimously.

- 6) **Expenditure Forecast Assumption Affirmation – Capital (Fleet Replacement Strategy)**

Ms. Liard advised the Chair that staff have not provided the 2021-2026 Capital Improvement Program draft, and that this affirmation is solely focused on the fleet replacement and affirming such strategy.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Fleet Replacement Strategy unanimously.

- 7) **Ongoing Economic Monitoring – Key Indicators** – Regional economic climate – taxable sales, funding climate – future federal and state support, ridership statistics, operating costs per revenue hour.

Chair Haley asked if there were questions or anyone who did not want to affirm. There were no comments or objections.

Chair Haley affirmed the Economic Monitoring Key Indicators unanimously

Ms. Liard thanked the Board for their support in the affirmations of the requested assumptions. She reviewed the timeline and next steps for Baseline Assumptions approval, Transit Development Plan, Capital Improvement Plan, and Service Improvement Plan as well as the STAMF Amendments and the 2021 Strategic Plan and Budget.

She advised staff would bring the following items to the Board meeting on July 16th for further review, guidance, and approval:

- Affirmed forecast assumptions from Board Workshop
- Draft 2021-2026 CIP by major program
- Development of:
 - 2021-2026 Transit Development Plan
 - 2021-2023 Service Improvement Plan
- First draft STA Moving Forward revisions

Ms. Liard asked if anyone wanted to add anything. Ms. Mumm replied she would like some sort of health component, i.e., if COVID lasts longer, a health department factor to consider. Chair Haley agreed that would be a good factor to consider among key indicators. Ms. Liard asked if she could take it back and add it to the list of Key Indicators and it was agreed.

Chair Haley asked for questions or disagreements. Seeing none, she thanked everyone for attending.

3. ADJOURNED

With no further business to come before the Board, Chair Haley adjourned the meeting at 12:27 p.m.

Respectfully submitted,



Dana Infalt

Clerk of the Authority