



Adopted 2023 Operating and Capital Budgets

December 15, 2022

Resolution Number 802-22



Current Vision/Mission

Vision

- Connecting everyone to opportunity.

Mission

- We provide safe, inclusive, convenient, and efficient public transportation services to Spokane area communities;
- We are leaders in transportation and a valued partner in the community's social fabric, economic infrastructure, and quality of life.

Organizational Priorities

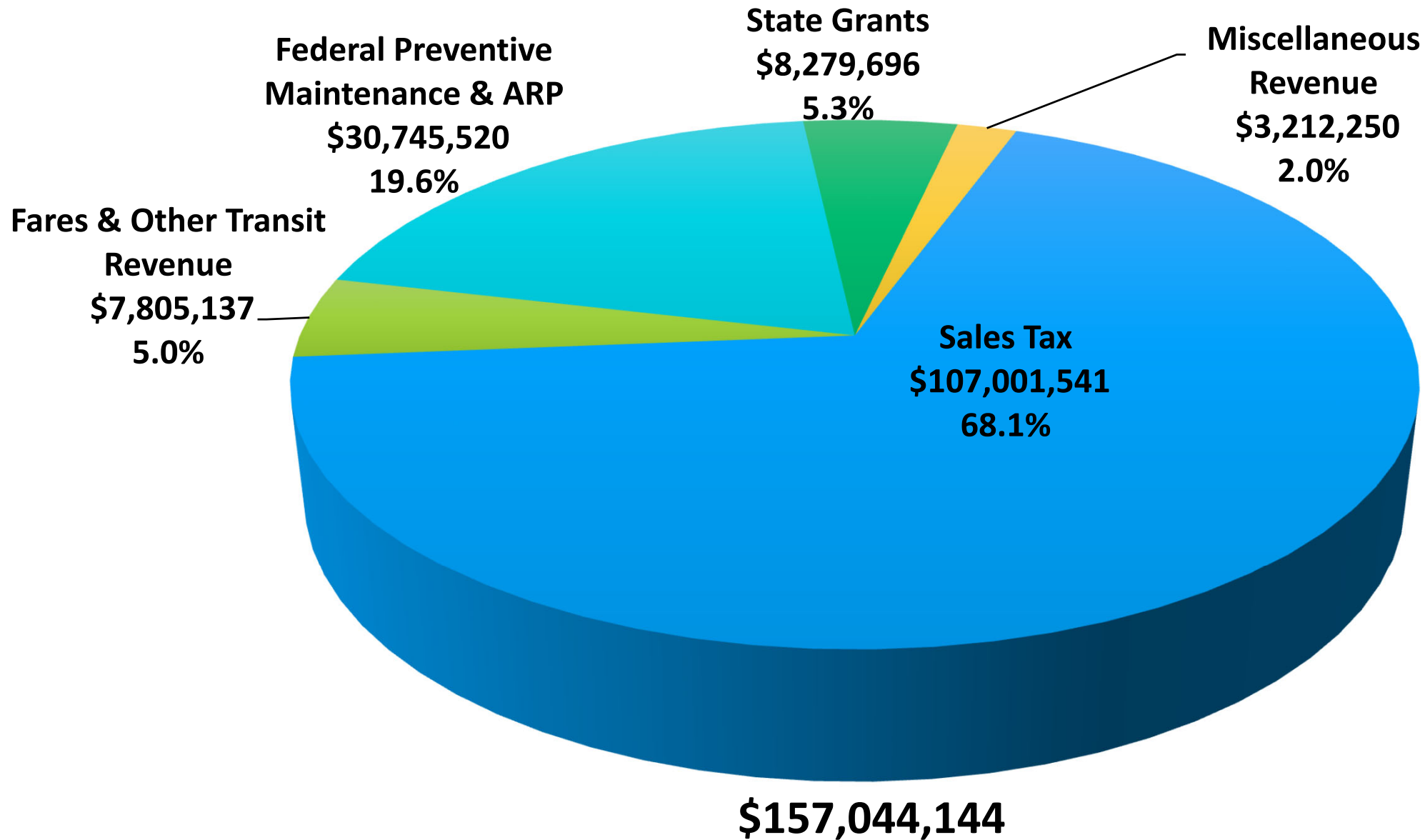
- Ensure Safety
- Earn and Retain the Community's Trust
- Provide Outstanding Customer Service
- Enable Organizational Success
- Exemplify Financial Stewardship

2023 Budget Guidance

- Foster and Sustain Quality
- Maintain a State of Good Repair
- Recover Ridership
- Proactively Partner in the Community
- Advance and Implement High Performance Transit
- Support 2023 Action Plan
- Ensure Financial Resilience through Sustainable Planning that Avoids Debt

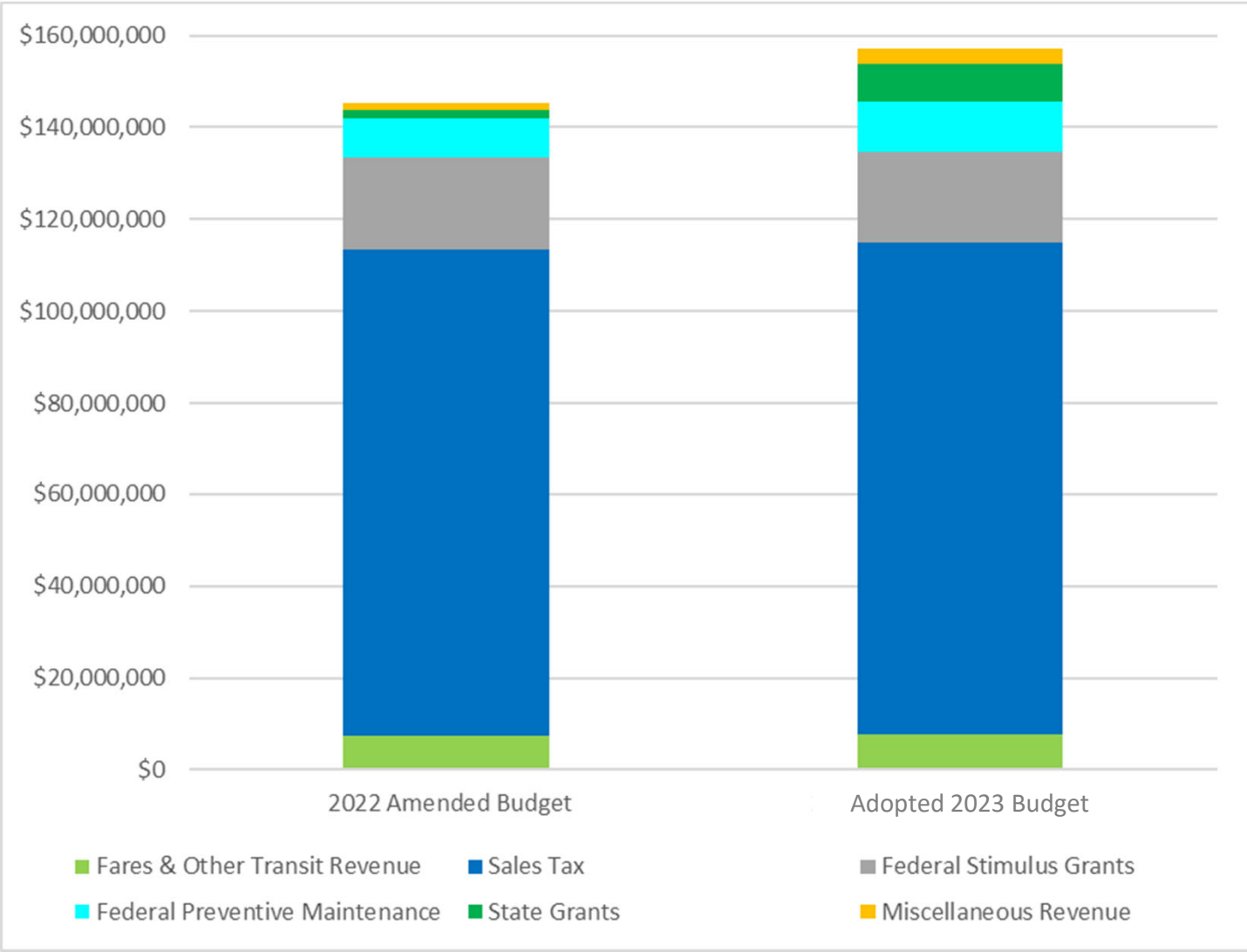
OPERATING REVENUE

2023 Operating Revenue



2023 vs 2022 Operating Revenue Budget

2023 Operating Revenue	\$ 157,044,144
2022 Operating Revenue	<u>145,244,932</u>
Operating Revenue Change	\$ 11,799,212 (8.1% Increase)



2023 Operating Budget Assumptions

Revenue – Sales Tax Recommendation

For 2023, staff recommends budgeted sales tax revenue be kept flat to 2022 actual through August 2022 and then use the 2022 budgeted revenue for September to December as detailed below:

2022 Actual Jan - Aug	\$ 73,018,922
2022 Budget Sept – Dec	<u>33,982,619</u>
2023 Sales Tax Budget	\$ 107,001,541

2023 Operating Budget Assumptions

Revenue – Fare & Other Transit

Fare revenue of \$7,805,137 based on:

- Fare structure effective 10/1/2022 reflective of zero-fare for youth, implementation of new reduced fare categories and introduction of fare capping
- Ridership Changes summarized below

Mode	2022 Budget	Adopted 2023 Budget	2023 Change
Fixed Route	6.3M	7.6M	20.6%
Paratransit	277K	366K	32.1%
Vanpool	88K	120K	36.4%

2023 Operating Budget Assumptions

Revenue – Fare & Other Transit

Farebox recovery

- Fully allocated farebox recovery for fixed route, measured as fixed route farebox revenue over allocated fixed route costs, is summarized below:

	2021 Actual	2022 Amended Budget	Adopted 2023 Budget	Objective
Recovery %	10.1%	8.4%	7.2%	20.0%

- The 2023 budgeted farebox recovery is constrained and below STA's stated objective impacted by:
 - Recovering ridership – post-pandemic
 - Introduction of new service where added costs precede added ridership
 - Introduction of fare capping, zero-fare and new reduced fare programs which attract riders while reducing fare revenue

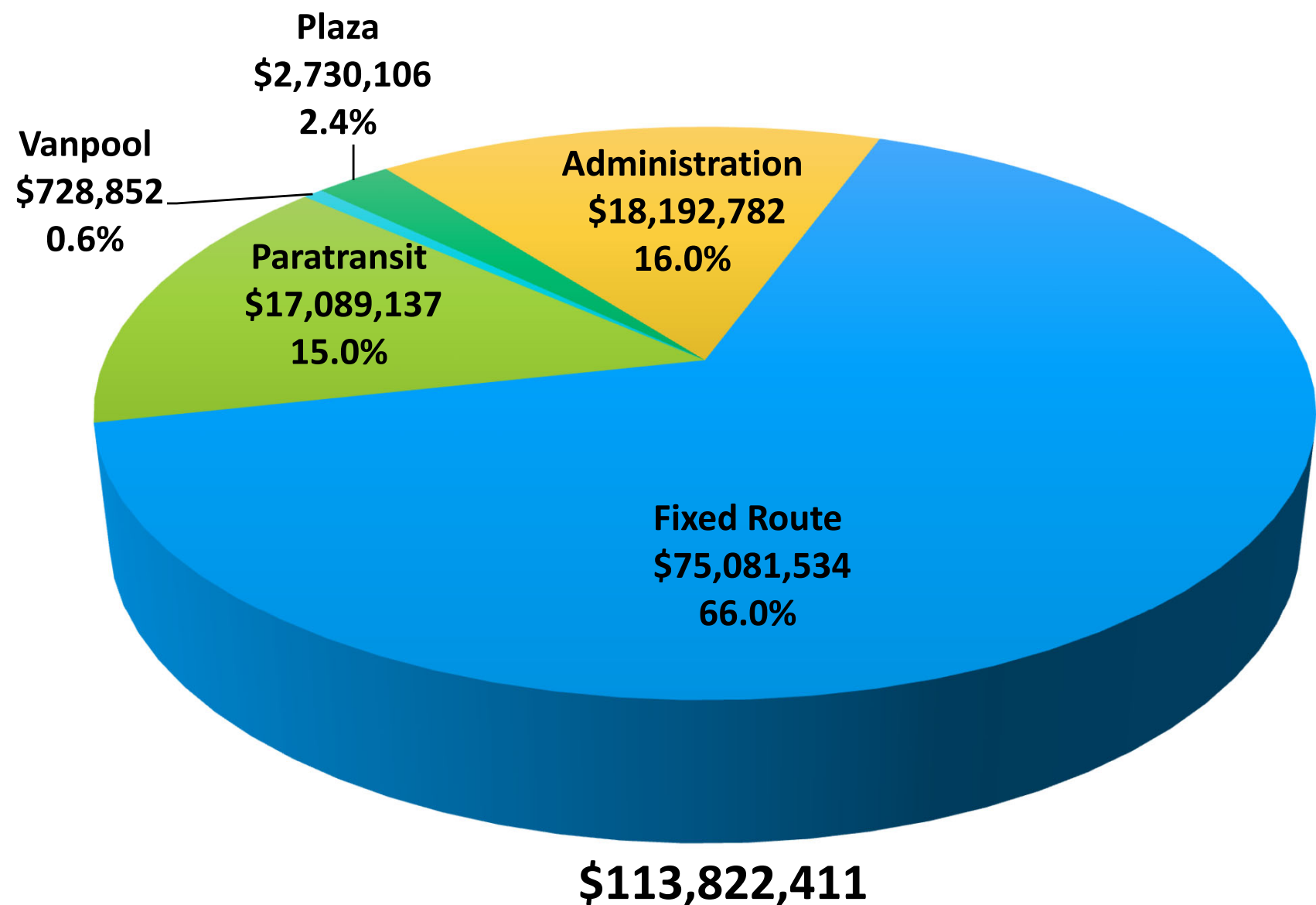
2023 Operating Budget Assumptions

Revenue – Grants and Miscellaneous

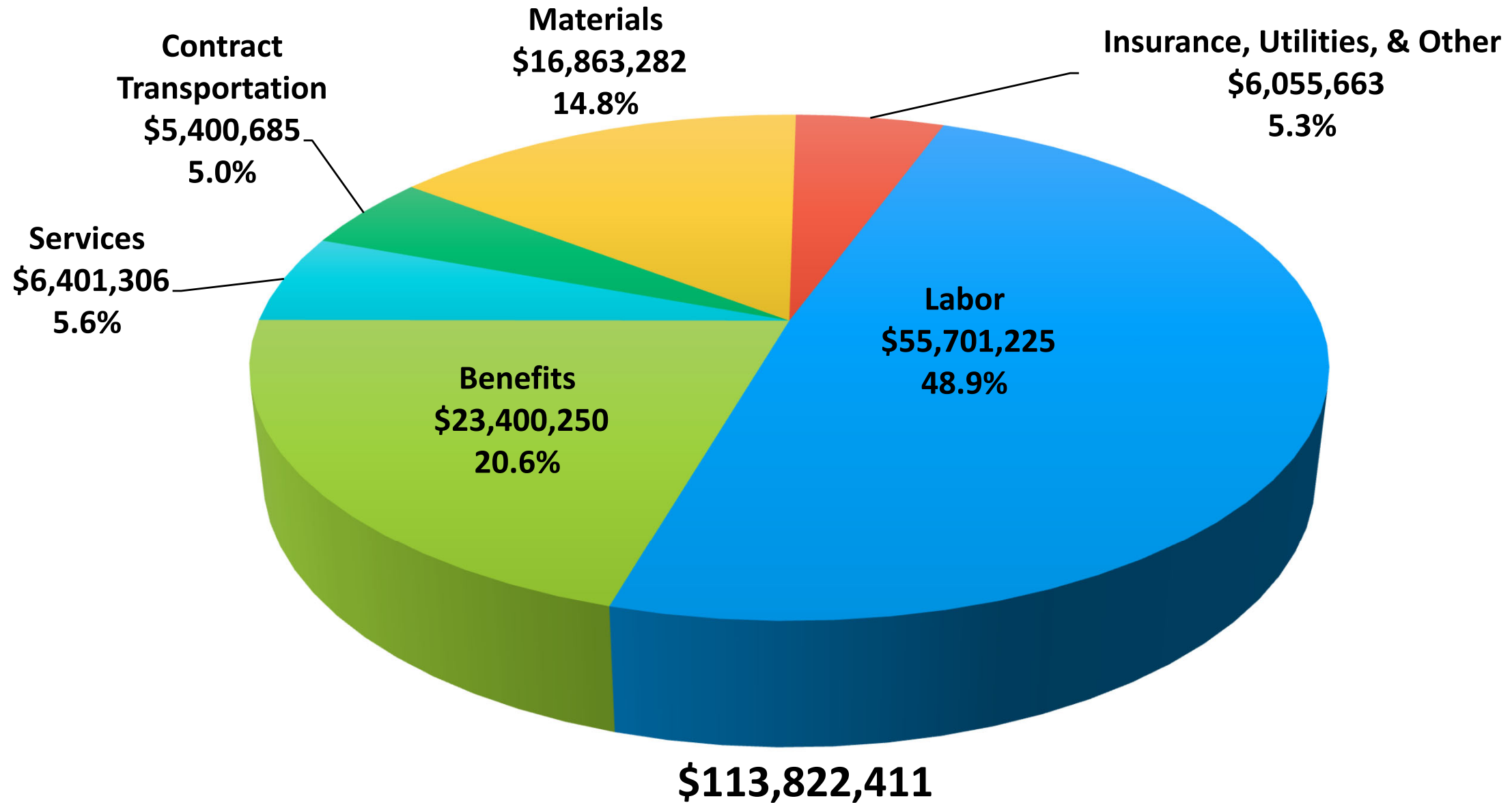
- Federal grants of \$30,745,520
 - 5307 Formula Funds - \$10,786,108
 - Federal Stimulus
 - ARP – remaining draw of \$19,959,412
- State Grants of \$8,279,696
 - Paratransit/Special Needs Formula - \$3,451,600
 - Move Ahead Washington Transit Support Grant - \$4,828,096
- Miscellaneous revenue of \$3,212,250

OPERATING EXPENSES

2023 Operating Expenses by Division

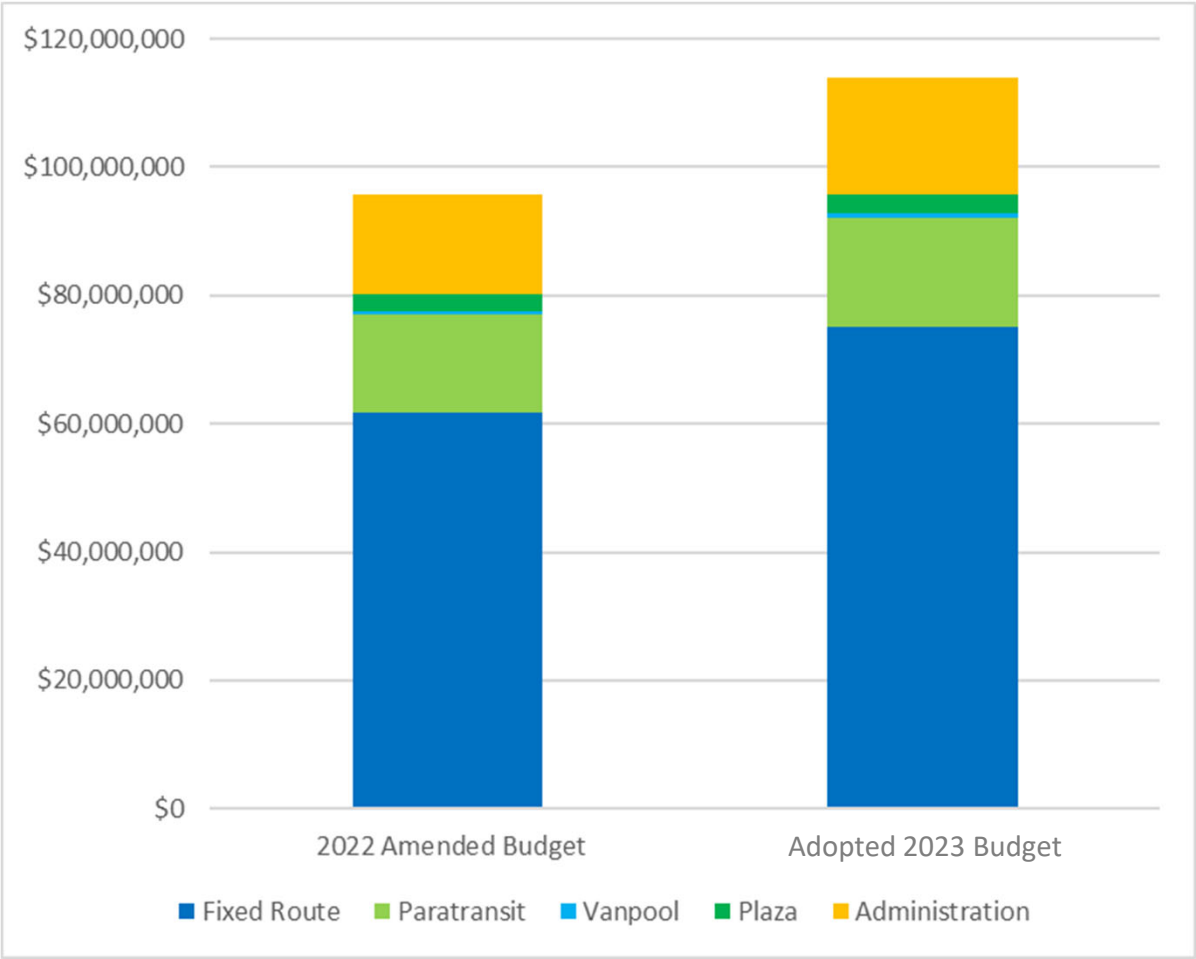


2023 Operating Expenses by Object



2023 vs 2022 Operating Expense Budget

2023 Operating Expense	\$ 113,822,411
2022 Operating Expense	<u>95,687,420</u>
Operating Expense Change	\$ 18,134,991 <i>(19.0% Increase)</i>

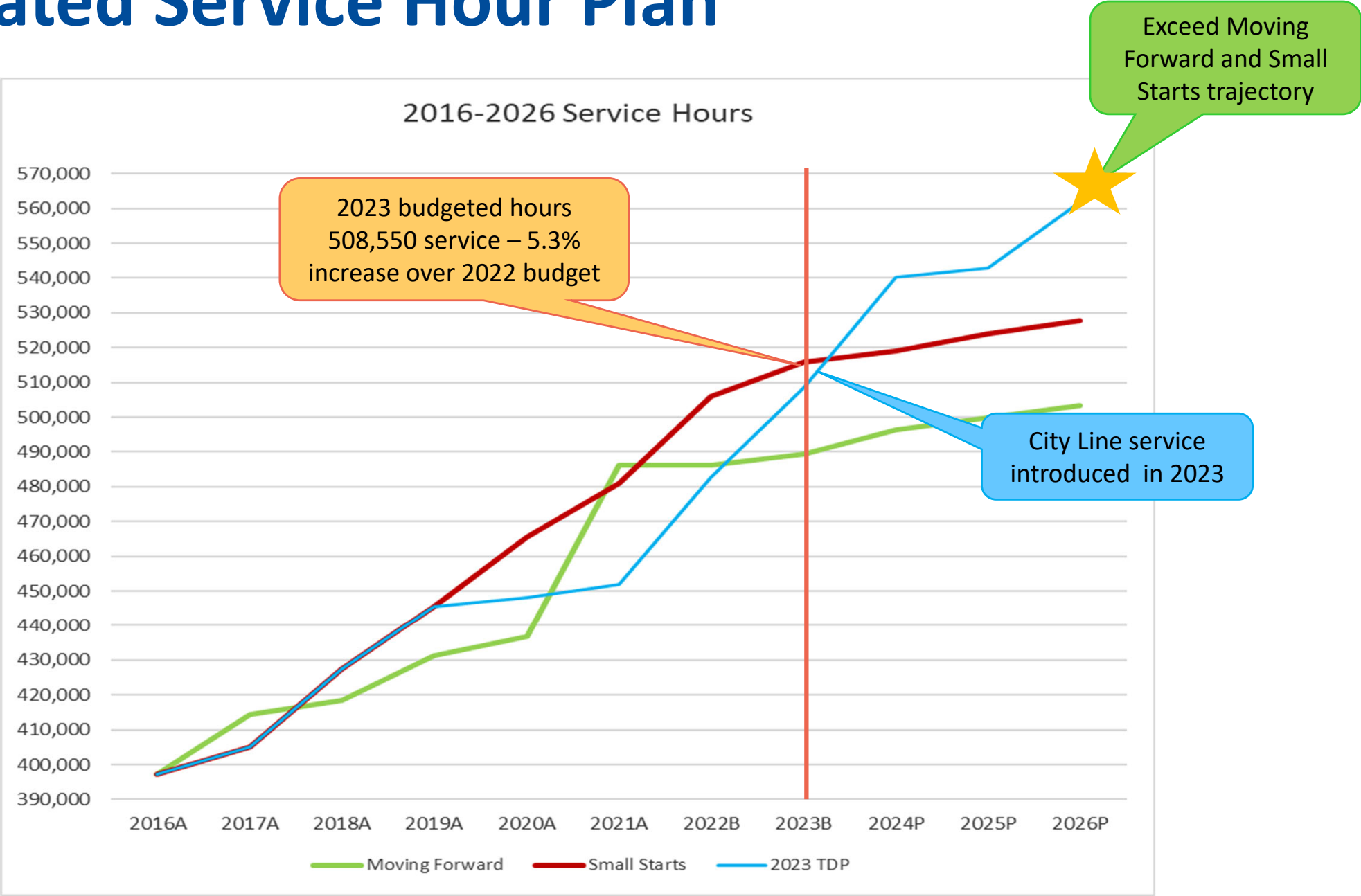


2023 Operating Expense Changes

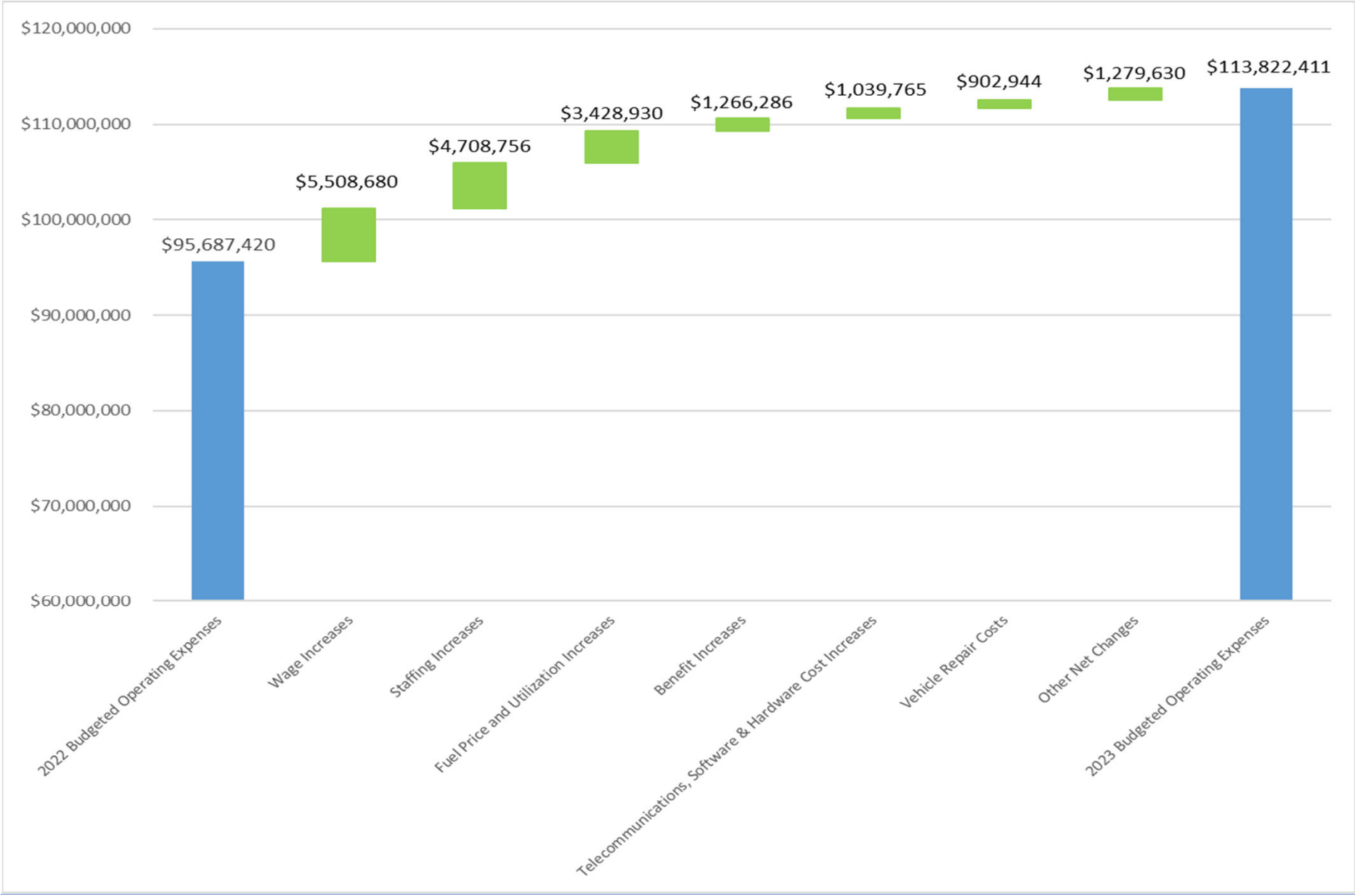
Object	2022 Budget (Rounded)	Adopted 2023 Budget (Rounded)	\$ Change (Rounded)	Increase/(Decrease)>\$100,000	
Labor/Benefits	\$67.6M	\$79.1M	\$11.5M (17.0%)	Labor Medical/Dental Retirement (FICA and Pension) State Industrial	\$10.2M \$ 0.6M \$ 0.4M \$ 0.3M
Services	\$6.7M	\$6.4M	\$-0.3M (-4.4%)	Plaza Contracted Maintenance and Janitorial Legal-General Consulting (Planning/Real Estate)	\$ 0.1M \$ 0.1M \$ -0.5M
Contracted Transportation	\$4.9M	\$5.4M	\$0.4M (8.5%)	Paratransit contracted service Fuel	\$ 0.2M \$ 0.1M
Materials	\$11.4M	\$16.8M	\$5.4M (47.3%)	Fuel (including lubricants/additives) Vehicle Repair Materials Information Systems Computer Hardware/Software Facilities and Grounds Repair Materials/Printing Supplies Plaza Furniture/Fixtures/Equipment	\$ 3.4M \$ 0.9M \$ 0.6M \$ 0.1M \$ 0.1M
Insurance, Utilities & Other	\$5.0M	\$6.1M	\$1.1M (21.3%)	Utilities Property & Liability Insurance Employee Recruitment	\$ 0.4M \$ 0.5M \$ 0.1M
Total	\$95.7M	\$113.8M	\$18.1M (19.0%)		

Note: Totals may not add due to rounding

Updated Service Hour Plan



Operating Expense Changes by Key Driver



2023 Operating Budget Assumptions

Expenses - Personnel

Division	2022 Positions	Changes	2023 Positions
Fixed Route	296 FT Coach Operators 22 PT Coach Operators <u>203</u> FT Other 521	Coach Operators (17 FT and 3 PT) Journeyman Vehicle Technician Servicers (2) / Cleaners (2) Security Officers (fare inspection) (4) Office Assistant-Training (PT) Reclass of Revenue Clerk to Finance (-1)	313 FT Coach Operators 25 PT Coach Operators 211 FT Other <u>1</u> PT Other 550
Paratransit	56 FT Van Operators 1 PT Van Operators <u>42</u> FT Other 99	Van Operator (6 FT and 4 PT) Supervisor	62 FT Van Operators 5 PT Van Operators <u>43</u> FT Other 110
Vanpool	1 FT		1 FT
Administrative	73 FT <u>1</u> PT 74	Sr Business Intelligence Analyst (IS) Capital Project Manager (Planning) Sr Transit Planner (Planning) Geospatial Data Analyst (Planning) Administrative Assistant (Planning)	78 FT <u>1</u> PT 79
Total	671 FT <u>24</u> PT 695	49 FT Net Additions 8 PT Additions	708 FT <u>32</u> PT 740

FT = Full time PT = Part time

2023 Operating Budget Assumptions

Expenses - Compensation

Employee Group	# of 2023 Budgeted Employees	Contract Term	2023 General Wage Increase
ATU 1015 (Fixed Route Operators, Maintenance, Facilities & Grounds, Customer Service & Clerical)	506	April 1, 2020 to March 31, 2023	9% - one-year renewal January 1, 2023 to March 31, 2024
AFSCME 3939 (Paratransit)	87	July 1, 2021 to June 30, 2024	2.25% plus 4.5% effective January 1, 2023
ATU 1598 (Fixed Route & Paratransit Supervisors)	31	February 1, 2021 to January 31, 2024	2.0% plus 4.5% effective January 1, 2023
Management & Administrative	116	At Will	4.0% plus 6% market adjustment effective December 18, 2022
Total	740		

2023 Operating Budget Assumptions

Expenses – Retention & Recruitment

Incentive Type	Budgeted # of Employees Eligible	Incentive Amount	Eligibility Period/Criteria	Budgeted Total
Retention Plan – Phase 3	635	\$2,000	December 1, 2022 to May 15, 2023	\$1,498,839
Retention Plan – Phase 4	659	\$2,000	May 16, 2023 to November 30, 2023	1,556,092
New Hire	67	\$3,000	\$1,500 after 30 days \$1,500 after 6-month probation	237,982
Employee Referral	57	\$1,000	\$500 after 30 days \$500 after 6-month probation	67,523
Total *				\$3,360,435

* The retention & recruitment incentive cost are captured in Administrative salary & wage expenses and benefits

2023 Operating Budget Assumptions

Expenses – Benefits (Medical & Dental)

Plan	2023 Premium % Increase	# of Employees Enrolled (as of September 2022)
Premera	10.5%	222
Kaiser Core HMO	6.7%	53
Kaiser Buy-up HMO	6.7%	308
Kaiser CDHP	4.7%	28
Washington Dental (preliminary)	0.0%	612

■ Retirement

- Employer's retirement contribution rate
 - 10.39%
- Employee's contribution rate
 - PERS 1 6.0% on-going (statutorily set)
 - PERS 2 *6.36% (legislatively set)
 - PERS 3 Varies 5% to 15%

*The Washington State Pension Funding Council approved the 2023-2025 state retirement plan rates effective 9/1/2022. The State Legislature will include these approved rates as part of the biennial budget for 2023-2025.

2023 Operating Budget Assumptions

Expenses - Fuel

Fuel Type	Average Price Per Gallon				2023 Fuel Budget (approximate)
	2021 Actual	2022 Budget	Aug-2022 YTD Actual	Adopted 2023 Budget ¹	
Diesel	\$2.38	\$2.85	\$3.96	\$4.87	\$7.0M
Gasoline	\$2.78	\$3.21	\$3.86	\$4.58	\$1.1M
Total Spend	\$3.5M	\$4.6M	\$4.1M		\$8.1M

¹ Energy Information Administration November 2022 forecast with 1/4 standard deviation

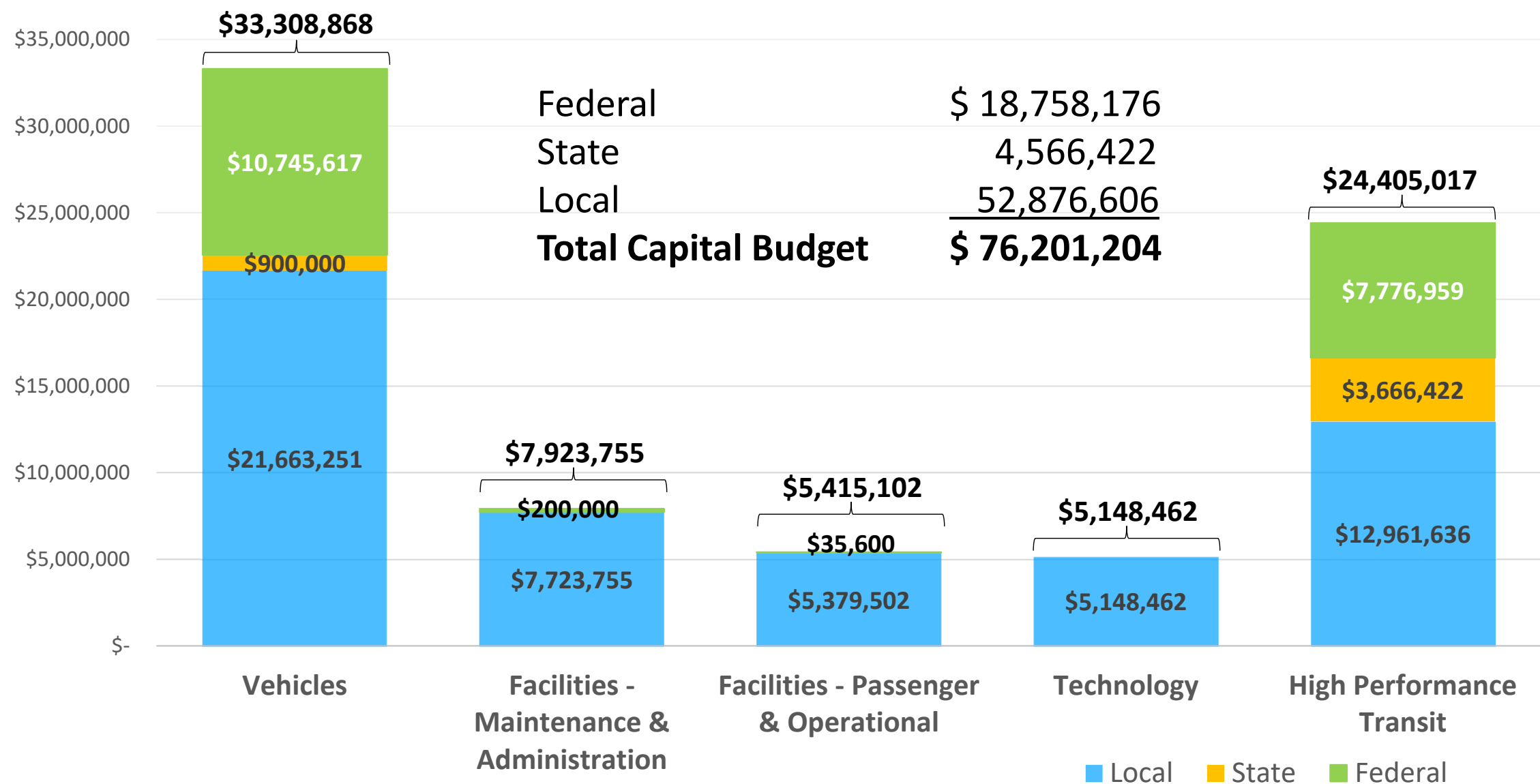
Capital

2023 Capital Budget & Budgeted Fleet Replacement Contribution

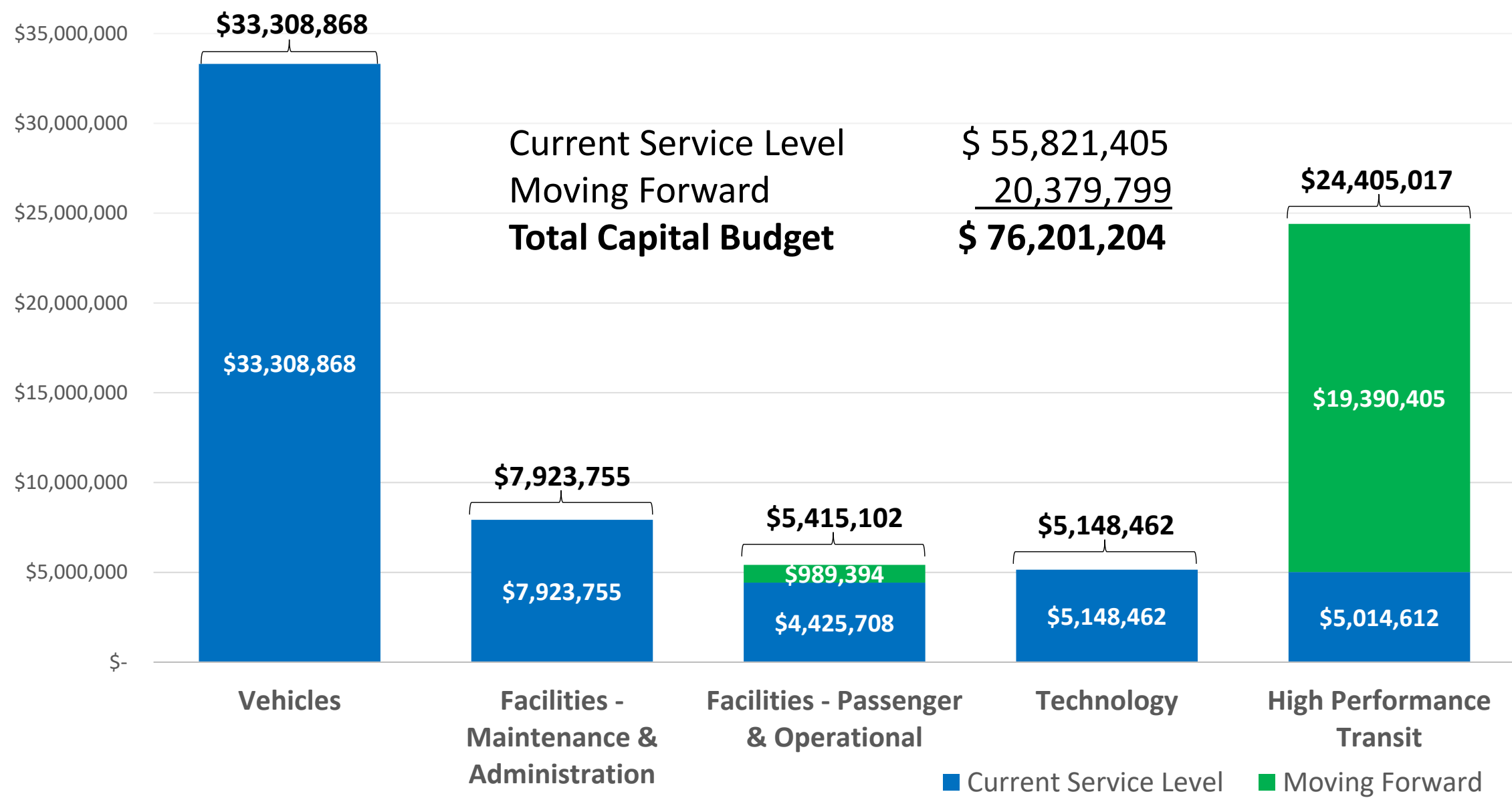
Funding Source	Amount	% of Total
Federal	\$18,758,176	24.6%
State	4,566,422	6.0%
Local (includes \$21,113,251 from Fleet Replacement Fund)	<u>52,876,606</u>	69.4%
2023 Capital Budget Total *	\$76,201,204	
Fleet Replacement 2023 Contribution	<u>16,108,885</u>	
Total 2023 Capital/Fleet Replacement Contribution Budget	\$92,310,089	

*2023 Capital budget was decreased by \$8,626,455 from 2023-2028 CIP which was included in the TDP to account for timing of projects and updates to costs – 2023 capital in CIP was \$84,867,660.

2023 Capital Budget by Funding Sources



2023 Capital Budget by Investment Type



Budget Comparison 2022 to 2023

	2022 Amended Budget	Adopted 2023 Budget	\$ Change from 2022 Budget	% Change from 2022 Budget
Estimated Revenues:				
Fares & Other Transit Revenue	\$7,458,902	\$7,805,137	\$346,235	4.6%
Sales Tax	\$106,074,026	\$107,001,541	\$927,515	0.9%
State Grants	\$1,708,713	\$8,279,696	\$6,570,983	384.6%
Miscellaneous Revenue	\$1,621,150	\$3,212,250	\$1,591,100	98.1%
Federal Operating Grants	\$19,959,412	\$19,959,412	\$0	0.0%
Federal Preventive Maintenance	\$8,422,729	\$10,786,108	\$2,363,379	28.1%
Subtotal: Operating Revenues	\$145,244,932	\$157,044,144	\$11,799,212	8.1%
Federal Capital Revenue	\$19,855,432	\$18,758,176	-\$1,097,256	-5.5%
State Capital Revenue	\$1,073,200	\$4,566,422	\$3,493,222	325.5%
Subtotal: Capital Revenue	\$20,928,632	\$23,324,598	\$2,395,966	11.4%
Total Revenue	\$166,173,564	\$180,368,742	\$14,195,178	8.5%
Decrease in Cash Balance*	\$5,828,569	\$25,763,758	\$19,935,190	342.0%
Total Source of Funds	\$172,002,133	\$206,132,500	\$34,130,368	19.8%
Estimated Expenditures:				
Fixed Route	\$61,844,542	\$75,081,534	\$13,236,992	21.4%
Paratransit	\$15,122,872	\$17,089,137	\$1,966,265	13.0%
Vanpool	\$645,680	\$728,852	\$83,172	12.9%
Plaza	\$2,509,662	\$2,730,106	\$220,444	8.8%
Administration	\$15,564,664	\$18,192,782	\$2,628,118	16.9%
Total Operating Expenses	\$95,687,420	\$113,822,411	\$18,134,991	19.0%
Capital Expenditures - Includes FR & PT Fleet	\$67,690,286	\$76,201,204	\$8,510,918	12.6%
FR & PT Fleet Replacement Allocation	\$8,624,427	\$16,108,885	\$7,484,458	100.0%
Total Use of Funds	\$172,002,133	\$206,132,500	\$34,130,368	19.8%

* Represents net decrease in cash from Cash & Reserve Analysis of \$4,650,507 less \$21,113,251 from reduction in Fleet Replacement Fund for purchase of vehicles.

2023 Cash and Reserve Analysis

	Adopted 2023 Budget
OPERATING ACTIVITIES	
Revenue (excluding capital grants)	\$ 157,044,144
Operating Expense	(113,822,411)
Revenue Over / (Under) Operating Expenses	\$ 43,221,733
CAPITAL ACTIVITIES (Local Funds)	
Purchase of Property, Plant, and Equipment	(31,763,355)
FR & PT Fleet Replacement Allocation	(16,108,885)
Total Local Cash Used for Capital Activities	\$ (47,872,240)
NET DECREASE IN CASH	\$ (4,650,507)
CASH (Projected beginning 2023)	\$ 206,666,896
CASH (Projected ending 2023)	\$ 202,016,389
BOARD DESIGNATED AND OTHER RESERVES	
Operating Reserve (15% of Operating Expenses)	\$ (17,073,362)
Risk Reserve	(5,500,000)
Right of Way Acquisition Reserve	(4,950,000)
<i>Real Estate Acquisition Reserve - Adopted Resolution 804-22</i>	<i>(25,000,000)</i>
Claims Reserve - L&I required	(357,000)
Total Board Designated & Other Reserves	\$ (52,880,362)
2023 Estimated End of Year Cash Balance After Reserves¹	\$ 149,136,027
2023 Estimated End of Year Fleet Replacement Fund Balance	\$ 21,904,532

¹ Estimated end of year cash balance after reserves are used for future capital expenditures included in the 2023-2028 Capital Improvement Plan as well as to support future 2025-2035 strategic planning initiatives to be defined.

Next Steps

Date (2022)	Action
October 5	2023 Draft Budget-Operating & Capital presented to the Planning & Development Committee
October 20	2023 Draft Budget-Operating & Capital presented to STA Board
November 2	2023 Proposed Budget-Operating & Capital & 2023 Strategic Plan presented to the Planning & Development Committee
November	Citizen and Employee Outreach
November 17	Public Hearing for the 2023 Proposed Budget-Operating & Capital
	Board adoption of the 2023 Action Plan
November 30	Recommendation of 2023 Final Proposed Budget-Operating & Capital presented to the Planning & Development Committee
December 15	Board adoption, by resolution, of the 2023 Operating & Capital Budgets

2023 Operating & Capital Budgets

Adopted by STA Board Resolution 802-22 on December 15, 2022

Source of Funds:		Use of Funds:	
Revenues	\$157,044,144	Operating Expenses	\$113,822,411
Capital Grants	\$ 23,324,598	Capital Projects	\$ 76,201,204
From Cash Balance	\$ 25,763,758	Fleet Replacement Allocation	\$ 16,108,885
Total Source of Funds	\$206,132,500	Total Use of Funds	\$206,132,500