Spokane Transit
1230 W. Boone Avenue, Spokane, WA 99201
(509) 328-RIDE | www.spokanetransit.com

SPECIAL STA BOARD WORKSHOP

APPROVED Minutes of July 8, 2026*,* Meeting
STA Boardroom with Virtual Joining Option

MEMBERS PRESENT

Lance Speirs, Small Cities Medical Lake, *Chair*
Al French, Spokane County
Josh Kerns, Spokane County
Michael Cathcart, City of Spokane *(Virtual)*
Pam Haley, City of Spokane Valley
Sarah Dixit, City of Spokane
Tim Hattenburg, City of Spokane Valley
Dan Dunne, Small Cities Liberty Lake, *ex-officio*
Dan Sander, Small Cities Millwood, *ex-officio*
Elsa Martin, Small Cities Cheney, *ex-officio (Virtual)*
Bill Campbell, Small Cities Airway Heights, *ex-officio*
Rhonda Bowers, Labor Representative, *Non-Voting*

MEMBERS ABSENT

Kitty Klitzke, City of Spokane
Zack Zappone, City of Spokane

STAFF PRESENT

Karl Otterstrom, Chief Executive Officer
Brandon Rapez-Betty, Chief Operations Officer
Carly Cortright, Chief Communications & Customer Service Officer
Emily Poole, Chief Planning & Development Officer
Kade Peterson, Chief Information Officer
Nancy Williams, Chief Human Resources Officer
Robert Hamud, Chief Financial Officer
Dana Infalt, Clerk of the Authority

PROVIDING LEGAL COUNSEL

Megan Clark, Etter, McMahon, Lamberson, Van Wert and Oreskovich, P.C.

---

1. Call to Order and Roll Call - Chair Speirs call the meeting to order at 11:45 PM and the Clerk conducted roll call.
2. Approve Agenda – **Deputy Mayor Tim Hattenburg moved to approve the agenda as presented. Council Member Haley seconded and the motion passed unanimously.**
3. Framework & Process for Annual Budgeting – Mr. Otterstrom welcomed everyone to the Workshop and thanked board members for their continued support and attendance in the meetings held over the last several years. He noted this may be the last Board Workshop of the year and explained that, although budget discussions have been incorporated into other workshops and planning efforts in recent years, the Board has not held a workshop dedicated specifically to the budget in approximately eight years. The purpose of revisiting this format is to ensure alignment between the Board and staff during the budget development process.

   Mr. Otterstrom outlined the workshop objectives, which included reviewing the annual budgeting framework and process; providing an update on the status of the 2026 Action Plan, which serves as a key component of the budget; gathering Board input on the proposed 2027 Action Plan and discussing preliminary initiatives for the coming year; reviewing current operating budget conditions and seeking Board concurrence on budget assumptions and guidelines; and having a discussion on the philosophy and approach behind the new fund allocation structure previously approved by the Board.

Mr. Otterstrom emphasized that the workshop was designed to promote collaboration and alignment as staff prepares the 2027 budget.

He reviewed the budget development process, explaining that the workshop's purpose was to provide Board guidance on both the 2027 budget and Annual Action Plan. He noted that the Planning and Development Committee would continue to serve as the primary venue for Board engagement throughout the budget process, with opportunities for additional Board review, public presentations, and hearings before final adoption of the Annual Action Plan and budget in December. He also reiterated STA's mission, vision, and priorities, and reviewed the strategic goals of Connect 2035, emphasizing that these goals are implemented through the Annual Action Plan and Budget. While the workshop is focused on the operating budget, he noted that capital investments are largely guided by the Transit Development Plan and Capital Improvement Program.

4. Status of 2026 Action Plan

Mr. Otterstrom provided an update on the 2026 Action Plan, which is organized around the Connect 2035 goals of enhancing the customer experience, strengthening community partnerships, and building organizational capacity. Overall, he reported that progress was on track, with most initiatives advancing as planned. He highlighted adjustments to service optimization efforts, including the decision not to pursue a pilot service to Post Falls and the deferral of planned service changes in Peaceful Valley, while noting continued service improvements in northeast Spokane. He also discussed a change in approach to transit-oriented development efforts, shifting from providing assistance to local jurisdictions toward evaluating a potential pilot joint-development project that could position STA in a stronger leadership role. Additionally, he noted that development of a future clean-energy operations base remains a long-term objective, although the timeline has been extended and current efforts are focused on identifying and acquiring a future site.

In reviewing annual performance measures, Mr. Otterstrom reported that Fixed Route ridership is slightly exceeding 2026 projections and is on pace to meet annual goals. Paratransit ridership has stabilized following post-pandemic recovery and is expected to finish the year below budget projections but generally consistent with 2025 levels. Rideshare ridership continues to grow and is trending above the prior year, although it is not expected to achieve the ambitious growth target established for 2026. He also noted that STA Link, the agency's mobility-on-demand service, is too new to establish meaningful ridership targets, with staff expecting to develop performance measures for 2027 based on early operational experience.

Mr. Otterstrom concluded the action plan status update by explaining that the proposed 2027 Action Plan is intended to highlight STA's most significant strategic initiatives and projects, particularly those requiring Board oversight and direction. He noted that the proposed actions are largely driven by the adopted Connect 2035 strategic plan and are sequenced to support implementation of its long-term goals. He then invited staff to present proposed initiatives for Board consideration and feedback.

Ms. Emily Poole reviewed proposed 2027 initiatives under Connect 2035 Goal 1, *Elevate the Customer Experience*. Key initiatives included continued advancement of the Division Street Bus Rapid Transit; completion of the Argonne Station Park-and-Ride project; design and engineering work for the Wellesley High Performance Transit corridor; implementation of 2027 service revisions; deployment of wheelchair-accessible STA Link vehicles as part of a three-year mobility-on-demand pilot; monitoring and refinement of STA Link service; preparations for the Valley service restructure; and ongoing bus stop and shelter improvements. During discussion, Board members expressed interest in the rollout and public awareness efforts surrounding STA Link, and staff noted that a comprehensive marketing and outreach campaign was planned.

Dr. Carly Cortright reviewed proposed initiatives under Goal 2, *Lead and Collaborate with Community Partners to Enhance Quality of Life in the Region*. Priorities included formalizing a network of community-based organizations to support engagement and outreach; expanding tools and resources for limited-English-proficiency populations, including visual and multilingual communication methods; continuing partnerships with Visit Spokane to promote transit use among visitors; exploring integration of transit fares into event ticketing; advancing transit-oriented development partnerships; and expanding the Community Van program.

Discussion also included opportunities to strengthen multimodal connections through mobility hubs and bicycle amenities, including planned bicycle locker installations at the future Argonne Station Park-and-Ride and potentially other STA facilities.

Mr. Kade Peterson presented proposed initiatives under Goal 3, *Strengthen STA's Capacity to Anticipate and Respond to Regional Needs*. These included procurement of contracted paratransit services, implementation of a customer relationship management system to improve coordination and stakeholder engagement, continued deployment of an enterprise asset management system, construction of a vehicle operator training facility, advancement of the operations center project, renovations at the Plaza facility, and design work for a future paratransit and rideshare operations base.

Mr. Brandon Rapez-Betty reviewed key organizational priorities that are not directly tied to Connect 2035 goals but will require substantial Board involvement. These included a review and modernization of key performance indicators, completion of the required quadrennial review of Board composition and Public Transportation Benefit Area boundaries, updates to rules of conduct, review of fare programs and enforcement practices, updates to the Citizen Advisory Committee charter, completion of the triennial review process, development of the 2028–2033 Transit Development Plan, preparation for the next Comprehensive Plan update, as well as collective bargaining negotiations with ATU Local 1015.

During Board discussion, members suggested including a review of potential fare adjustments among the 2027 priorities, and staff agreed that preliminary policy work should begin in 2027. Board members also inquired about the potential effects of the upcoming tax measure, expansion of multimodal transportation options, and transit service to currently unserved areas of the Public Transportation Benefit Area. Mr. Otterstrom explained that any immediate impacts from the tax measure would primarily affect long-term capital planning rather than operating service. He further noted that STA would continue evaluating opportunities to expand STA Link service into additional areas ahead of current Connect 2035 timelines if initial deployments prove successful, and that future fare program reviews would include continued evaluation of the Opportunity Fare pilot program.

Mr. Otterstrom turned the presentation over to Mr. Robert Hamud**,** who reviewed current financial conditions and assumptions for development of the 2027 operating budget.

Mr. Hamud reported that 2026 revenues were generally performing as expected. Sales tax revenues were trending above budget through April, fare revenues were meeting projections, and interest earnings were exceeding budgeted levels. He noted that receipt of approximately $13 million in Federal Transit Administration Section 5307 formula funds had been delayed, likely due to federal staffing shortages, but staff anticipated those revenues would still be recognized for 2026. Overall, sales tax collections were exceeding both 2025 levels and prior projections, supported by continued growth in e-commerce activity, business-to-business transactions, and construction-related activity. While automobile sales tax revenues had begun to soften and would continue to be monitored, staff remained cautiously optimistic about revenue performance.

Mr. Hamud reviewed 2026 operating expenditures, noting that spending was currently tracking below budget. He cautioned that year-to-date expenditures may not fully reflect annual spending patterns due to timing differences in payroll, invoicing, project implementation, and recently approved programs that would not begin operations until later in the year, including mobility-on-demand services.

Looking ahead to the 2027 budget, Mr. Hamud outlined key operating assumptions, including continuation of contracted paratransit services, anticipated insurance cost increases, projected health insurance cost growth, implementation and expansion of STA Link services, and the exclusion of any assumptions related to future collective bargaining outcomes with ATU Local 1015. During the discussion, Board members asked about the treatment of labor contract negotiations in the budget process. Staff explained that negotiated compensation changes are not estimated in advance but would be addressed through a budget amendment if necessary following completion of bargaining.

Ms. Poole provided additional information regarding STA Link program costs. She explained that the mobility-on-demand operations contract is valued at approximately $6.6 million over its initial term and represents a relatively small portion of STA's overall operating budget. She noted that while mobility-on-demand services generally have a higher cost per rider than fixed-route transit, staff viewed the pilot program as an important opportunity to expand mobility options and better serve areas that are difficult to reach through traditional transit services. Mr. Otterstrom added that mobility-on-demand services typically cost more per passenger trip than fixed-route service and require careful monitoring to ensure resources are used effectively. He noted that the Board would receive separate reporting on STA Link operations as the program develops.

Following discussion, Board members expressed general support for the proposed budget assumptions and operating expenditure guidelines.

5. Board Guidance for Development of 2027 Budget and Action Plan

Mr. Hamud reviewed draft 2027 budget guidelines, which included continued implementation of Connect 2035 initiatives, maintenance of existing transit service levels, implementation of planned service improvements, limiting growth in operating expenditures when possible, reviewing professional service expenditures for efficiencies, maintaining current fare levels while conducting a fare structure review in 2027, and assuming reauthorization of the voter-approved sales tax measure in the baseline budget. He also reviewed anticipated federal and state grant funding levels and identified several risk factors requiring continued monitoring, including federal grant regulation changes, state transportation funding challenges, fuel price volatility, economic uncertainty, and the outcome of Proposition 1.

Mr. Hamud next presented information on STA's newly adopted fund structure. He explained that beginning with the 2027 budget, STA would transition from a single-fund structure to separate funds for operations, reserves, capital projects, vehicle replacement, technology projects, and real estate acquisition. He stated that the new approach would improve transparency, better distinguish operating and capital expenditures, and provide clearer accounting of project-specific funding. Staff reviewed how capital project funding would be appropriated, carried forward between budget years when necessary, and segregated from operating funds to eliminate the appearance of budget surpluses created by project delays.

Mr. Hamud outlined the proposed initial allocation of existing fund balances among the new funds, including reserves for operations, capital projects, vehicle replacement, technology projects, and future real estate acquisitions. He emphasized that future transfer amounts would be evaluated annually as part of the budget development process and could be adjusted by the Board.

Discussion ensued and members expressed support for the new fund structure, citing improved transparency, accountability, and ease of understanding. Several Board members commented that the separate funds would make it easier to explain STA finances to the public and better demonstrate how funds are reserved for specific purposes.

Commissioner French supported the new approach but encouraged staff to provide additional context when presenting fund balances to the public. He noted that large reserve figures could be difficult to interpret without explaining what those funds are intended to purchase or support. He suggested providing simple examples, such as the number of vehicles being replaced or the purpose of operating reserves, to help the public better understand the rationale behind reserve levels. Staff agreed and indicated that future budget presentations would include additional explanatory information.

Board members generally agreed that the proposed fund allocations appeared reasonable but requested supporting detail showing how major capital reserve amounts were calculated and tied to planned projects.

Mr. Hamud concluded his presentation by reviewing the proposed 2027 budget development schedule. Key milestones include presentation of the draft budget and Action Plan to the Planning and Development Committee in September, Board review in October, community outreach and stakeholder engagement in the fall, a public hearing in November, and final budget adoption in December.

Discussion ensued regarding the schedule, and Commissioner French encouraged STA to expand community outreach opportunities earlier in the budget process rather than relying on a single public hearing near the end of deliberations. He noted that earlier engagement would give the public a greater opportunity to participate and would further strengthen transparency and trust. Staff agreed to consider opportunities for additional outreach.

In closing remarks, Mr. Otterstrom thanked Board members for their participation and feedback. He noted that the discussion had provided valuable guidance for refining the 2027 Action Plan, improving communication regarding the new fund structure, evaluating future fare policy discussions, enhancing multimodal transportation initiatives, and strengthening public engagement during the budget development process. He expressed appreciation for the Board's continued involvement and stated that staff would incorporate the feedback into development of the draft 2027 budget and Action Plan.

6. Adjourn - With there being no further business to come before the board, Chair Speirs adjourned the meeting at 1:11 pm.

Respectfully submitted,

Dana Infalt

Dana Infalt
Clerk of the Authority