C-TRAN

Adopted 2011–2012 Budget: Operating and Capital

C-TRAN Board of Directors Meeting
December 14, 2010

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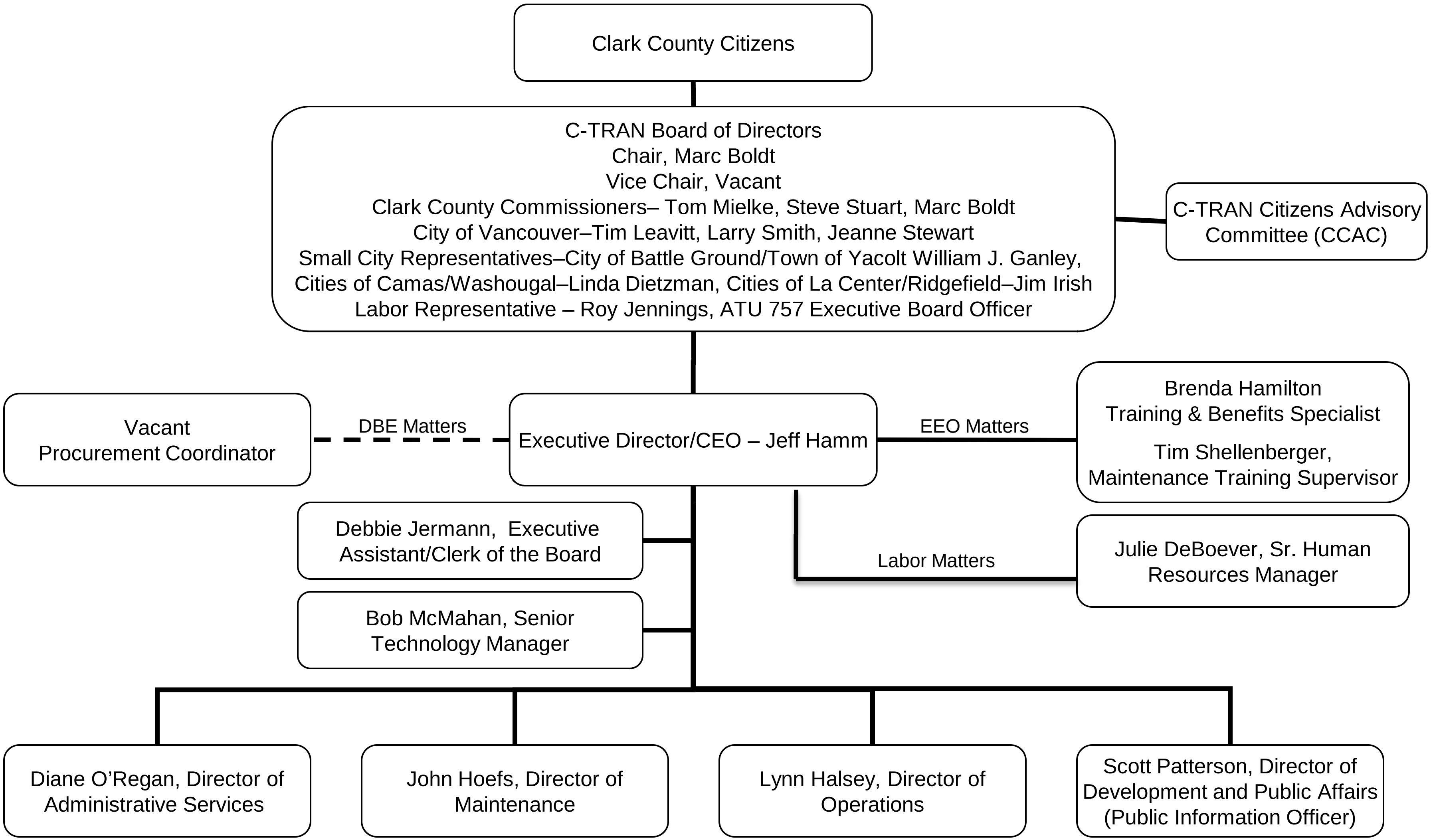
C-TRAN Organizational Chart

January 2011



BUDGET APPROACH

C-TRAN implemented the biennial budgeting process with the 2007-2008 budget cycle. Biennial budgets are useful for governments because they provide greater lead time for budget decisions and allow time to make appropriate adjustments to agency and department budgets. The major advantages of a biennial budget include:

- Improving long-range planning information and decisions.
- Providing the Operations department the ability to plan schedules and service modifications over a longer period of time and with more predictable service hour assumptions.
- Providing the policymakers more time to review the impacts of difficult decisions, such as fare or sales tax increases.
- Encouraging decision makers to focus on performance-based budgeting and the use of service standards to evaluate the effectiveness of programs.
- Reducing the amount of time the Board of Directors invests in the budgeting process.

As C-TRAN begins its third biennial budget cycle, policymakers are faced with a slow economy which translates to low sales tax revenues and a declining checkbook balance to cover operating deficits. In 2009, the Board of Directors approved a budget amendment for the 2009-2010 biennial budget reducing operating expenses by $5.7 million over the two years. Throughout the past year and a half, management has been making decisions to control or reduce costs in order to extend the time before service reductions are necessary. With the assistance of the American Recovery and Reinvestment Act (ARRA) grant funding and lower benefit costs, **C-TRAN was able to reduce the anticipated $10.8 million operating loss to an estimated $2.0 million**. See Exhibit A for more information on how C-TRAN has reduced costs.

A continuing emphasis on non-service reductions occurred as management developed the 2011-2012 biennial budget. The most important building block of this biennial budget has been to preserve service levels for as long as possible. Other considerations included; maintaining a state of good repair in the facilities and equipment, reviewing ways the agency could become more efficient, and discovering ways to reduce costs or at least maintain current costs.

THE FUTURE, THE PAST, AND THE PRESENT

The Future

The 20-Year Plan, "C-TRAN 2030", is a comprehensive strategy for enhancing public transportation for Clark County residents over the next 20 years. Guided by the Board of Directors' 50-Year Vision, C-TRAN 2030 is designed to respond to growing transportation needs and the need to provide expanded, reliable, and safe service. Maintaining and expanding transit service is vital for ensuring the economic vitality and quality of life in the region.

C-TRAN provides fixed route service on 18 local, 7 commuter and 4 limited routes in addition to deviated fixed route service known as the Connector, in Camas, Ridgefield and La Center. C-TRAN also operates C-VAN to provide ADA complementary Paratransit service for persons who are unable to use regular C-TRAN buses. The C-TRAN fleet currently has 168 vehicles to carry out these services.

In 2006, the C-TRAN Board of Directors created a 50-Year Vision that outlined a multi-modal future for transit in Clark County. The vision, updated in August 2009, is as follows:

50 YEAR VISION STATEMENT FOR C-TRAN

By 2060:
C-TRAN is recognized as one of the leading transit agencies in the country because we provide cost-effective, safe, accessible, convenient, innovative, reliable public transportation moving people within Clark County and throughout the southwest Washington/Portland region.

C-TRAN empowers citizens by providing mobility options that connects them with places of employment, education, health care, shopping, entertainment, recreation, social and religious functions.

C-TRAN is more than a bus system. As appropriate, C-TRAN is willing to provide traditional fixed route and bus rapid transit, trolley, streetcar, shuttles, Paratransit, connectors, light and heavy rail, vanpool and ridesharing services.

C-TRAN services contribute positively to the region's sustainability, livability and economic vitality by helping manage traffic congestion, reduce dependence on foreign oil, lower carbon emissions, contain transportation costs for employers and employees, enable denser land use and development of urban areas, and provide essential transport to persons with no other means of travel.

C-TRAN remains flexible and accountable as it grows and changes.

C-TRAN is cost effective and is a trusted steward of the public's resources.

C-TRAN's public transit network connects with transit systems throughout the region.

C-TRAN is the preferred form of transportation because, in addition to its efficiency, riders experience a pleasant, affordable, safe and secure trip.

The 20-Year Plan is essential to achieving this vision, and provides the framework for the incremental steps necessary to move toward the ultimate goal.

Over the twenty years of "C-TRAN 2030" the agency would need to raise revenue equivalent to an additional 0.5 (five tenths) percent sales tax. Nearly half, or 0.2 (two tenths) percent, would be dedicated to the anticipated growth of C-TRAN's Paratransit service, C-VAN. Roughly 0.2 (two tenths) percent sales tax would be dedicated to fixed route bus service improvements and the remaining 0.1 (one tenth) percent sales tax would be dedicated to the introduction of high capacity transit (HCT) to C-TRAN's system, including both Columbia River Crossing (CRC) light rail operating costs and the capital costs for the Fourth Plain Bus Rapid Transit (BRT) Project. The introduction of BRT leverages the hours available for fixed route bus service since those hours currently assigned to the Fourth Plain route could be reinvested in fixed route service.

The finance and capital plan associated with the "C-TRAN 2030" will require two separate votes over the life of the twenty years: 0.3 (three tenth) percent sales tax for the first ten years (Phase I), and an additional 0.2 (two tenths) percent sales tax for the final ten years (Phase II).

Phase I improvements would be divided in approximately the following manner:

0.1%	Preservation and enhancement of fixed route bus
0.1%	C-VAN Paratransit service increase
0.1%	High Capacity Transit (CRC Light Rail and Fourth Plain BRT)
0.3%	Total Sales Tax Increase for Phase I

Phase II improvements would be divided in approximately the following manner:

0.1%	Fixed route bus improvements
0.1%	C-VAN Paratransit service increase
0.2%	Total Sales Tax Increase for Phase II

The Past

In the 1999 general election, the Washington state voters approved Initiative 695 which repealed the value-based motor vehicle excise tax (MVET). MVET provided approximately 40 percent of C-TRAN's revenue, and revenue from this source ceased July 1, 2000. Extensive public outreach was held, and a service plan was implemented which reduced fixed route service about 13 percent over 1999 service levels.

In November 2004, voters rejected a ballot measure that would have increased the sales tax 0.3 (three tenths) percent for transit service, which would thereby help to make up for the loss of the MVET revenue. In response, the Board of Directors and management acted on a number of critical issues in 2005. These included:

- A new fare increase was implemented May 1, 2005 to increase farebox recovery
- The number of departments was reduced and several management/administrative positions were eliminated
- Non-represented employees voluntarily took a one year pay freeze
- The five year Service Preservation Plan was adopted which required a 0.2 (two tenths) percent sales tax increase for transit services
- C-TRAN's service area and taxing boundary was reduced.

The Board of Directors then presented a ballot measure to increase the sales tax by 0.2 (two tenths) percent to the voters within the new boundary. The ballot measure was approved by 68 percent of the voters.

After a long period where focus was primarily to secure needed funding, the Board of Directors and management were able to move forward on a number of issues. These included:

- Authorizing a service redesign geared to increase ridership and service efficiency
- Applying fixed route service standards to evaluate the efficiency and effectiveness of routes for service improvements
- Building the 99th Street Transit Center at Stockford Village to allow closure of the 7th Street Transit Center and support new express service on the I-5 corridor
- Defining C-TRAN's interest in high capacity transit both in the CRC project and the Fourth Plain BRT
- Adopting 20-Year Plan "C-TRAN 2030"

The Present

The Service Preservation Plan adopted in 2005 was a 5 year plan that forecasted the need for additional revenue in 2011 to sustain the business model including the service levels. In early 2009 when the poor national economy began impacting C-TRAN's ridership and revenues, management focused on cost containment (see Exhibit A). These efforts have assisted the agency to stretch the available cash and investments to sustain operations through 2012; however, a sales tax rate increase is required to preserve service beyond 2012. The Board of Directors has announced its intent to place ballot measures on the November 8, 2011 general election ballot for two distinct funding requests:

1. A 0.2 (two tenths) percent sales tax as allowed from RCW 36.57A to fund bus and Paratransit needs; and
2. A 0.1 (one tenth) percent sales tax as allowed from RCW 81.104 to fund (a) the operations and maintenance cost of light rail as part of the Columbia River Crossing project and (b) the capital and operations/ maintenance cost of C-TRAN's Fourth Plain Bus Rapid Transit project.

Further, the C-TRAN Board of Directors directed the Executive Director/CEO to begin the process for meeting the legal requirements associated with RCW 81.104. The C-TRAN Board of Directors recognized the RCW 81.104 requirements must be met prior to taking final action with the Clark County Auditor's office to place the ballot measure on the November 8, 2011 general election ballot.

BIENNIAL BUDGET THEMES AND PROJECTS

Every budgeting cycle, the C-TRAN Executive Staff develops themes to assist departments in assembling their budget proposals for the coming biennium. The themes are developed from important issues the agency will be facing over the next two years. Below are the themes and the projects included in the budget for the next biennium.

1. Revenue – This theme centers on developing measures to counter sluggish sales tax revenue and preparing for a sales tax ballot measure. It focuses on the pursuit of new revenue sources, grant opportunities, and modest annual fare increases.

    a. RCW 81.104 Costs – To use HCT funding, staff must prepare a system plan and a financial plan, which will likely require outside consultants to assist in the preparation to backfill expertise C-TRAN staff do not have. In addition, an Expert Review Panel (ERP) must be convened per RCW 81.104.110. The Board of Directors has provided direction to staff to request funding from the state legislature for the ERP.
    Local funding: $500,000 *Grant funding: $0*

    b. Election Costs – Costs of an election are allocated to agencies depending on the number of issues/races on a ballot for the election run. Staff recommends budgeting for two elections with two ballot measures on each election to ensure funding is available for a second ballot should it be needed. In addition, C-TRAN will provide factual printed material for voters.
    Local funding: $460,000 *Grant funding: $0*

    c. Grant Opportunities – Staff has been applying for every grant opportunity, provided they are consistent with the 20 Year TDP. Just recently, C-TRAN was awarded a State of Good Repair grant for $4.5 million for farebox replacement and repairs/replacements at its main facility. Local match has been set aside in the capital budget for other potential future grant opportunities.
    Local funding: about $6 million *Grant funding: up to $30 million*

2. Cost Containment & Reduction – This theme advances projects that will create greater cost efficiencies for the agency. Some cost containment projects may have added expenses in the short-term to save costs in the long-term.

    a. Agency-wide Reorganization and Labor Costs – Executive Staff has taken advantage of retirements and employee attrition in 2009 and 2010 to begin restructuring the agency. Twelve non-service related positions have been eliminated or are on-hold. In addition, later this year, at C-TRAN's request, WSDOT will conduct a peer review of the agency's Maintenance Department to determine if C-TRAN is organized properly to deliver high quality, efficient maintenance services for rolling stock and facilities.
    Local funding: about $835,000 annual savings *Grant funding: $0*

b. Bus Stop Safety, Streamline, and Improvement Project – This is a long-term effort to provide an in-depth operational assessment of bus stop locations and amenities for local routes and to facilitate improvements consistent with ADA regulations and best practices in the industry.
Local funding: $55,000 *Grant funding: $220,000*

c. Insta-Chain Auto Chaining System – During adverse weather conditions, chaining the fleet and responding to equipment needs stretches C-TRAN's labor resources over the limit. A bus equipped with an auto chaining systems allows the Operator to deploy the chains when needed. This project also saves damage repair costs which occur with the use of conventional chains.
Local funding: $155,000 *Grant funding: $0*

d. Complementary ADA Paratransit (C-VAN) – C-VAN service hours are not limited by a budget line item amount but must be adequate to meet all demand without exception according to the FTA. Ride denials are not allowed. In order to control costs C-TRAN has implemented a more stringent screening process for client eligibility certification, provided a Travel Training Program (noted below), made fare policy changes, and purchased smaller vehicles. Staff is in the process of implementing Integrated Voice Recognition software to remind customers of their rides and that C-VAN is on its way. Also, in early 2011, C-VAN will move to next day scheduling which will assist in reducing no shows and cancellations. Nonetheless, staff believes it is prudent to budget for small annual C-VAN service hour growth of 1.5 percent each year for the increasing population eligible for C-VAN services.
Local funding: $388,000 *Grant funding: $0*

e. Travel Training Program – This program is a continuation from the prior biennial budget and is 50 percent funded by a federal New Freedom grant. The program promotes Fixed Route use for people with disabilities, seniors, and those that currently use C-VAN.
Local funding: $43,000 *Grant funding: $43,000*

f. State of Good Repair – A major element of cost containment is maintaining facilities in a state of good repair. C-TRAN recently received grant funding to assist in this effort.
Local funding: about $1.1 million *Grant funding: about $2.2 million*

g. Traffic Signal Priority (TSP) Project – This project has potential to realize significant on-going operational savings costs for C-TRAN. The pilot project tests the effectiveness of TSP technology along Mill Plain and provides our jurisdictional partners time to examine the effects on traffic flow and their signalization systems. This project is in coordination and cooperation with the City of Vancouver and Clark County.
Local funding: $289,830 *Grant funding: $512,830*

h. Vehicle Replacement Program – Replace only 10 Opus buses and necessary C-VAN vehicles. Defer all other vehicle replacements.
Local funding: about $1.2 million *Grant funding: about $4.3 million*

3. Safety/Loss Control – This theme was created to improve our safety and security programs, address compliance concerns, and better manage risks.

    a. Fuel Price Risk Management Program – The goal for this program is to reduce price volatility and introduce price predictability in the budget, removing the possibility of fuel price increases causing cash flow issues. The 20 Year TDP requires predictability in the budget in order to find a buyer for debt instruments that will need to be issued pursuant to the adopted C-TRAN 2030 Plan. Exhibit B presents a recommended Board Policy to guide staff on the agency's risk tolerances and preferences. The cost per transactions is about $25,000 plus the cost of the fuel hedging instrument, which will come from the fuel budget.
    Local funding: $50,000 *Grant funding: $0*

    b. Self Insurance verses Washington State Transit Insurance Pool (WSTIP) –In the past C-TRAN has considered joining WSTIP but the agency had significant reserves to manage the claims without pooling with other agencies. Since there is less available uncommitted cash to cover unpredictable losses, staff proposes to join the pool to provide the budget with the stability that is needed. Exhibit C includes an analysis on WSTIP. The WSTIP program would require less than the anticipated costs associated with the self insurance liability.
    Local funding: $1,424,561 for WSTIP *Grant funding: $0*

    c. Loss Control Unforeseen Costs – Every year there are unforeseen operating costs of such importance that the agency has no option but to supply a solution to a safety or security problem to minimize risks for the agency. Staff recommends budgeting $100,000 per year for these types of costs which will be left unspent if no unforeseen event arises. This budget appears in the capital budget.
    Local funding: $200,000 *Grant funding: $0*

4. Planning & High Capacity Transit (HCT) Project Development – This theme centers on preparing the agency for the future by implementing the 20 Year TDP including related policies and procedures.

    a. Transportation Management Association – In an effort to assist the region in lowering transportation costs for employers and employees the creation of a Transportation Management Association (TMA) in greater downtown Vancouver is planned for 2011. Formation of the TMA and resulting expenditures would only occur if all three of the project partners; C-TRAN, the City of Vancouver, and a greater downtown business improvement district (BID), contributed $60,000 per year.
    Local funding: $120,000 *Matching funding: $240,000*

    b. CRC Consulting – It may be necessary to independently hire consultants to refine and advocate for C-TRAN's best interests in the CRC Project. This budget is limited to $100,000 per year on expenses relating to the CRC Project.
    Local funding: $200,000 *Grant funding: $0*

c. BRT Alternatives/Environmental Analysis – This project begins with hiring a Project Manager in 2010 to move forward the Fourth Plain BRT Alternatives and Environmental Analysis. Currently about $1.7 million federal funding has been awarded and additional grant funding is expected.
Local funding: $426,000 *Grant funding: about $1.7 million*

d. Agency-wide Strategic Unforeseen Costs – This provides a placeholder of funds for the Executive Director/CEO or the Board of Directors to utilize for agency-wide unbudgeted needs. Staff recommends budgeting $200,000 per year for these types of costs which will be left unspent if no unforeseen event arises.
Local funding: $400,000 *Grant funding: $0*

e. Super Stops – This is a continuation of an 80 percent funded grant project. Super Stops are designed to provide enhanced safety and passenger amenities at identified locations. One location is the stop just north of the Chase Bank at 13th & Broadway. Other stops are yet to be identified.
Local funding: $76,250 *Grant funding: $305,000*

f. Vanpool Program – This program is still in its infancy and is requiring more time to start up before it can cover the true cost of the program. The budget recommendation is to continue the program and fund the costs not covered by fares or volume of vanpools. The vehicles for this program were funded by grant money and some may need to be returned or paid back if this program continues to struggle; however the risk of payback is low.
Local funding: about $250,000 *Grant funding: $34,000*

5. Technology Efficiency, Maintenance, & Support – Like most medium sized transit agencies throughout the country, C-TRAN has invested in new technology to improve customer service, realize greater operating efficiencies, and make travel on public transit more safe and secure. In this biennial budget the focus is on completion and full implementation of projects underway which are likely to produce high value to C-TRAN customers.

a. Technology Road Map – C-TRAN has been approved for a 100 percent 2010 UASI Grant to construct a documented Technology Road Map to establish well targeted upgrades, deliver risk reduction, and improve business continuity. Staff is recommending to budget about $1.1 million over the five year capital budget to cover the costs of the recommended upgrades from the Technology Road Map.
Local funding: about $1.1 million *Grant funding: $25,000*

b. Optimizing Existing System Efficiencies – Identifying underperforming or underutilized software system is critical to improving performance. C-TRAN intends to engage a consultant to train Super Users within the organization to maximize utility of existing systems and improve productivity and expertise. This effort was undertaken in 2009 with the Fixed Route scheduling software, which in turn saved operating costs. Targeted systems over the next two years are identified as AssetWorks, INIT, and Trapeze as systems that have the potential for optimizing. In addition, this concept includes Crystal Reports training for multiple users to optimize the reporting of the data in the software systems. These efforts should have a direct impact on the quality of service provided to customers.
Local funding: $36,050 *Grant funding: $0*

c. Website Development and Maintenance – Any major addition in content, functionality, or needed repair to the website would require a qualified technician with PHP programming language.
Local funding: $9,000 *Grant funding: $0*

d. Farebox Replacement & Electronic Fare System – As noted previously, C-TRAN received a grant to replace the fareboxes and related software which is about 20 years old. This project will move forward in collaboration with TriMet to coordinate regional fare policy and obtain fare reciprocity.

115 Farebox Replacements	$1,610,000
Upgrade Mobile Data Terminals (MDT)	$1,500,000
Installation, Warranty & Training	$ 835,000
Back Office Fare Collection Equipment, software, and Spare Parts	$2,113,956

Local funding: about $2.7 million *Grant funding: about $3.3 million*

e. Bus Surveillance Wireless Enhancement – As the older surveillance systems fail they will be replaced with equipment which can download surveillance activity wirelessly and streamline the process. This project is grant eligible and may be expandable should a current grant request be awarded.
Local funding: $200,000 *Grant funding: potentially*

BUDGET COMPARISONS

To perform a meaningful analysis on the current adopted budget it is often compared to the prior adopted budget. The original 2009-2010 Biennial Budget is a good comparison for the next biennium to showcase major changes in the revenue and expenses or special projects proposed. Due to the cost constraints management has initiated, the adopted budget has significant exceptions from the original 2009-2010 Biennial Budget that require further explanation. For this reason a second comparison was developed which was based on a snapshot in time during the summer of 2010. At the August 10, 2010 Board meeting, the Board of Directors directed staff to prepare a baseline budget in order to have a comparison against the 2011-2012 Biennial Budget. The direction was to hold things constant (no cuts and no additions) to give the Board of Directors a point of reference. The detailed description of the Board's 2011-2012 Baseline Budget can be found in Exhibit D.

The following two pages are the adopted operating and capital budget summaries. The operating budget covers two years and the capital budget covers five years.

C-TRAN
2011-12 OPERATING BUDGET SUMMARY
379,834 Hours of Service in 2011
381,945 Hours of Service in 2012

	2011 Budget	2012 Budget	2011-12 Adopted Biennial Budget	2009-10 Original Biennial Budget	2011-12 Baseline Biennial Budget
Revenue					
Passenger Fares	$6,573,332	$6,945,677	$13,519,009	$15,858,115	$13,519,009
Bus Advertising Revenue	390,000	275,000	665,000	730,000	665,000
Interest Income	325,000	210,000	535,000	4,781,040	535,000
Sales Tax Revenue	21,650,000	22,080,000	43,730,000	51,510,000	43,730,000
Operating Grants	6,204,423	4,774,623	10,979,046	10,446,889	10,521,546
Miscellaneous	20,700	20,700	41,400	30,000	41,400
Total Revenue	$35,163,455	$34,306,000	$69,469,455	$83,356,044	$69,011,955
Expenses					
Salaries & Wages	19,635,953	19,834,066	39,470,019	43,434,407	40,708,956
Benefits	9,462,672	10,703,673	20,166,345	19,263,457	20,345,043
Services	4,573,958	2,918,034	7,491,992	7,144,997	5,097,480
Supplies	5,904,405	5,964,398	11,868,803	14,250,753	11,532,753
Utilities	533,989	546,768	1,080,757	1,177,672	1,080,757
Insurance	701,754	722,807	1,424,561	709,670	1,424,561
Taxes	6,500	6,500	13,000	7,560	13,000
Miscellaneous	382,297	387,144	769,441	798,743	722,621
Leases	222,367	228,666	451,033	748,031	451,033
Depreciation	5,984,000	6,087,000	12,071,000	11,000,000	12,071,000
Total Operating Expenses	$47,407,895	$47,399,056	$94,806,951	$98,535,290	$93,447,204
Less Non-Cash Depreciation	($5,984,000)	($6,087,000)	($12,071,000)	($11,000,000)	($12,071,000)
Net Operating Expenses	$41,423,895	$41,312,056	$82,735,951	$87,535,290	$81,376,204
Net Change in Fund Balance	(6,260,440)	(7,006,056)	(13,266,496)	(4,179,246)	(12,364,249)

C-TRAN
2011-12 CAPITAL BUDGET SUMMARY

			2011-12 Budget
Revenue - 2011			
Grant Revenue			$7,630,758
Total Revenue			$7,630,758
Capital Expenditures - 2011	**Grant**	**Local**	
Rolling Stock	$0	$194,104	$194,104
Facilities	2,525,400	1,222,706	3,748,106
Equipment	3,400,858	3,393,693	6,794,551
Planning	1,704,500	1,674,003	3,378,503
Total Capital Expenditures	$7,630,758	$6,484,506	$14,115,264
Revenue - 2012			
Grant Revenue			$205,200
Total Revenue			$205,200
Capital Expenditures - 2012	**Grant**	**Local**	
Rolling Stock	$163,200	$54,953	$218,153
Facilities	42,000	10,500	52,500
Equipment	0	500,000	500,000
Planning	0	1,247,877	1,247,877
Total Capital Expenditures	$205,200	$1,813,330	$2,018,530
Net Change in Fund Balance/Local Fund Requirement			($8,297,836)

2011-2012 ADOPTED OPERATING BUDGET

Service Hour Analysis

While the economic downturn (and its subsequent negative impact on sales tax revenues) limits C-TRAN's ability to increase fixed route service hours, the agency has continued to focus on implementing cost saving measures and improve service efficiency in order to preserve fixed route service hours. The agency had a 5.3 percent fixed route service reduction January 2010 (based on deployed hours), which eliminated the very least productive route and schedule segments of the service at that time.

The following table reflects the distribution of service hours by type for the 2011-2012 budget.

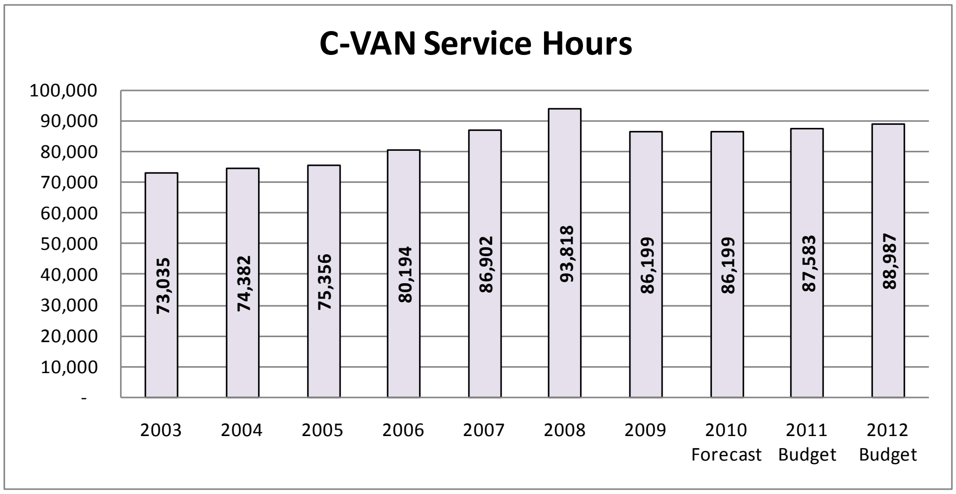
Service Hours	2010 Original Budget	2011 Budget	Increase (Decrease) from 2010 Budget	Percent Increase (Decrease)	2012 Budget	Increase (Decrease)	Percent Increase (Decrease)
Local/Urban	249,457	237,894	(11,563)	-4.6%	238,500	606	0.3%
Premium Commuter	49,601	45,896	(3,705)	-7.5%	45,996	100	0.2%
Connector	9,942	8,462	(1,480)	-14.9%	8,462	-	0.0%
ADA	106,081	87,583	(18,498)	-17.4%	88,987	1,404	1.6%
Vanpool	n/a	4,903	n/a	n/a	4,903	-	0.0%
Total Agency	415,081	384,738	(35,246)	-8.5%	386,848	2,110	0.5%

The fixed route service hours include the hours referenced above for the Local/Urban, Premium Commuter, and Connector services. Consistent with the January 2010 service change, these hours were calculated based on current 2010 daily service levels, with a small increase in 2012 to account for the larger number of weekdays in that year.

The service hour type "ADA" in the table above, refers to C-TRAN's complementary ADA Paratransit service (aka; C-VAN). As stated in Budget Theme 2.d., C-VAN is a service that cannot be limited by budget and it must be adequate to meet all demand without exception as mandated by the Federal Transit Administration.

Due to the downturn in the economy, fare increases, and implementation of key ADA Task Force recommendations, C-TRAN saw a reduction in the service hours required for the C-VAN service in 2009 and year-to-date 2010 (as compared to the original 2009-2010 budget). With this reduction, C-TRAN budgeted the 2011-2012 C-VAN service hours based on the 2009 actual service hours, plus a modest 1.5 percent increase each year to account for the growing population eligible for C-VAN services.

The below graph shows the C-VAN hours for the past 10 years and demonstrates the unpredictable nature of this service.



The Vanpool service hours referenced in the table are based on the assumption of eight vehicles in service at an average service hour per vehicle of about 613 service hours per year. This program was implemented in May 2009 and currently 5 vanpool vehicles are in service. The eight vehicles budgeted for 2011-2012, represent anticipated growth in the service due to increased outreach efforts.

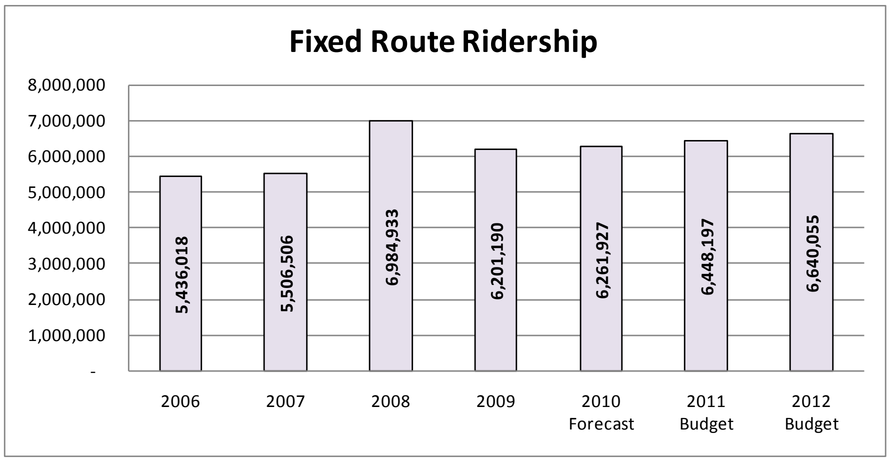
Revenue Analysis

The current sales tax revenue at 0.5 (five tenths) percent is not sufficient to sustain operations at existing service levels. Due to the economy sales tax collection has consistently been down between 14 and 18 percent from the highs of 2007. Earlier this year the Board of Directors approved the 20-Year Plan for a sales tax collection increase in January 2012, which requires a voter approved ballot measure of 0.3 (three tenths) percent in 2011 to implement. In September, the Board of Directors announced their intent to place a ballot measure on the November 8, 2011 general election ballot.

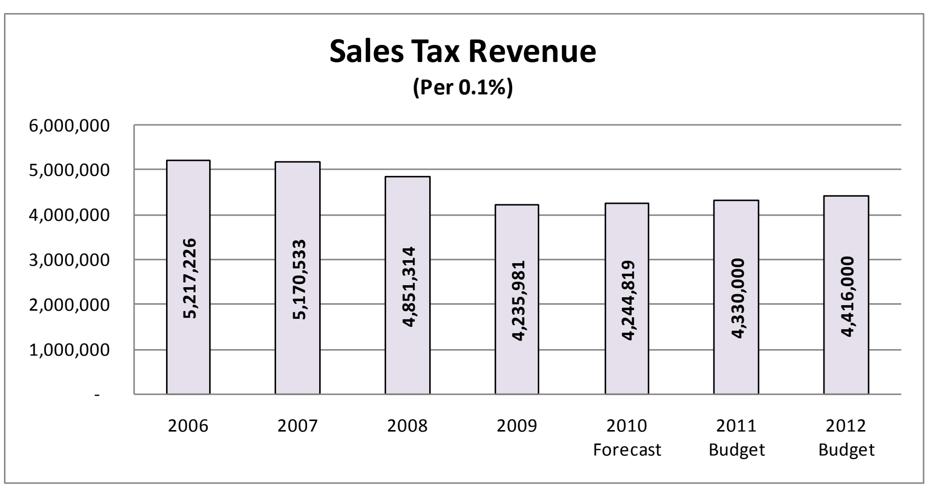
The 2011-2012 Operating Revenue budget is referenced and compared with the 2009-2010 original budget and the 2011-2012 baseline budget in the table below:

Revenue Descriptions	2009-10 Original Biennial Budget	2011-12 Baseline Biennial Budget	Increase (Decrease) from 2009-10 Original Biennial Budget	Percent Increase (Decrease)	2011-12 Adopted Biennial Budget	Increase (Decrease) from 2011-12 Baseline Budget	Percent Increase (Decrease)
Passenger Fares[1]	$ 15,858,115	$ 13,519,009	$ (2,339,106)	-14.8%	$ 13,519,009	$ -	0.0%
Bus Advertising Revenue[2]	$ 730,000	$ 665,000	$ (65,000)	-8.9%	$ 665,000	$ -	0.0%
Interest Income[3]	$ 4,781,040	$ 535,000	$ (4,246,040)	-88.8%	$ 535,000	$ -	0.0%
Sales Tax Revenue[4]	$ 51,510,000	$ 43,730,000	$ (7,780,000)	-15.1%	$ 43,730,000	$ -	0.0%
Operating Grants[5]	$ 10,446,889	$ 10,521,546	$ 74,657	0.7%	$ 10,979,046	$ 457,500	4.3%
Miscellaneous[6]	$ 30,000	$ 41,400	$ 11,400	38.0%	$ 41,400	$ -	0.0%
Total Agency	$ 83,356,044	$ 69,011,955	$ (14,344,089)	-17.2%	$ 69,469,455	$ 457,500	0.7%

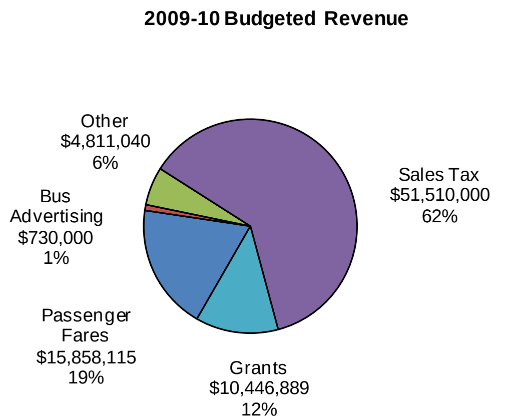
1. Moving into the last biennial budget cycle C-TRAN was experiencing significant ridership increases after a service redesign to improve ridership. The 2009-2010 budget continued the optimism in ridership increases, but the economy took a downward turn late 2008/early 2009 and high unemployment impacted ridership. Ridership increased almost 27 percent in 2008 then decreased 11 percent in 2009. This is important because the primary driver for Passenger Fares Revenue is ridership. The 2011-2012 budget adjusts for current ridership and includes small annual fare increases to have minimal impact on ridership. The proposed fare increases revenue approximately $328,000 over the biennium.

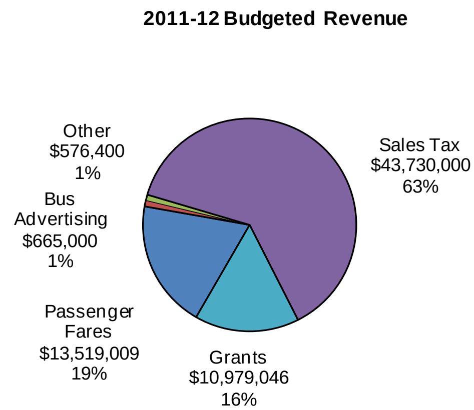


2. The 2011-2012 budget is reduced from the prior biennial budget to consider the impacts of the economy on the Bus Advertising Revenue.
3. Interest rates have plummeted and the market is does not look promising over the next 24 months. The low revenue for Interest Income is representative of current interest rates with C-TRAN's checkbook balance.
4. Sales Tax Revenue appears to have leveled after significant declines in 2008 and 2009. This assumption is critical for the agency since Sales Tax Revenue is over 60 percent of the agency's operating revenue and it is our most volatile source of revenue. The adopted budget represents a 2 percent increase in Sales Tax Revenues each year in 2011 and 2012.



5. The 2011-2012 budget includes the use of federal Section 5307 formula funds to address preventative maintenance costs. The budget also continues the use of Job Access/Reverse Commute (JARC) grant funds, New Freedom grant funds, and the use of the remaining portion of the awarded 2009-2011 Washington State Department of Transportation (WSDOT) Special Needs Program Formula grant funds. Due to concerns related to the Washington State budget, no Special Needs Program funds were budgeted outside of the current award.
6. Miscellaneous Revenue, like space rental income, is proposed to increase in the 2011-2012 biennium as a result of budgeting based on historic actual receipts.





Other revenue considerations were discussed, but not incorporated into the proposed budget due to the requirement for the need for additional information. As such, the following concepts will be developed during the 2011-2012 biennium:

- Other revenue sources granted via the state legislature;
- Potential Medicaid billing for medically eligible C-VAN rides;
- Early pay vendor discounts (already implemented with the fuel supplier); and
- Potential sale of owned property.

Expense Analysis

The budget approach included significant thought to the future ballot measure in November 2011, whether it passes or fails, and the impacts to the agency. The 2011-2012 budget was developed using the themes noted previously and is fiscally constrained, including non-service related reductions and tightly controlled expenses.

The 2011-2012 Operating Expense budget is referenced and compared with the 2009-2010 original budget and the 2011-2012 baseline budget in the table below:

Expense Descriptions	2009-10 Original Biennial Budget	2011-12 Baseline Biennial Budget	Increase (Decrease) from 2009-10 Original Biennial Budget	Percent Increase (Decrease)	2011-12 Adopted Biennial Budget	Increase (Decrease) from 2011-12 Baseline Budget	Percent Increase (Decrease)
Salary & Wages[1]	$ 43,434,407	$ 40,708,956	$ (2,725,451)	-6.3%	$ 39,470,019	$ (1,238,937)	-3.0%
Benefits[2]	$ 19,263,457	$ 20,345,043	$ 1,081,586	5.6%	$ 20,166,345	$ (178,698)	-0.9%
Services[3]	$ 7,144,997	$ 5,097,480	$ (2,047,517)	-28.7%	$ 7,491,992	$ 2,394,512	47.0%
Supplies[4]	$ 14,250,753	$ 11,532,753	$ (2,718,000)	-19.1%	$ 11,868,803	$ 336,050	2.9%
Utilities[5]	$ 1,177,672	$ 1,080,757	$ (96,915)	-8.2%	$ 1,080,757	$ -	0.0%
Insurance[6]	$ 709,670	$ 1,424,561	$ 714,891	100.7%	$ 1,424,561	$ -	0.0%
Taxes	$ 7,560	$ 13,000	$ 5,440	72.0%	$ 13,000	$ -	0.0%
Miscellaneous[7]	$ 798,743	$ 722,621	$ (76,122)	-9.5%	$ 769,441	$ 46,820	6.5%
Leases[8]	$ 748,031	$ 451,033	$ (296,998)	-39.7%	$ 451,033	$ -	0.0%
Depreciation[9]	$ 11,000,000	$ 12,071,000	$ 1,071,000	9.7%	$ 12,071,000	$ -	0.0%
Total Operating	$ 98,535,290	$ 93,447,204	$ (5,088,086)	-5.2%	$ 94,806,951	$ 1,359,747	1.5%
Less Depreciation	$ (11,000,000)	$ (12,071,000)	$ (1,071,000)	9.7%	$ (12,071,000)	$ -	0.0%
Net Expenses	$ 87,535,290	$ 81,376,204	$ (6,159,086)	-7.0%	$ 82,735,951	$ 1,359,747	1.7%

1. The 2011-2012 budget has 35 fewer positions than the 2009-2010 original budget. The breakdown is as follows:
    - 21 fewer fixed route coach operator positions. 18 were layoffs (13 involuntary, 5 voluntary). Of the 13 involuntary, 8 have been recalled or refused the recall offer. 5 remain on the recall list, 2 of the 5 are working as Paratransit coach operators.
    - 4 Paratransit coach operator positions were added in 2009-2010 original budget based on anticipated growth in demand, but never filled. The adopted budget maintains 2 of the positions which will remain unfilled unless needed to fulfill demand for the service. Net 2 fewer positions.
    - 12 fewer non-service related positions
        - 2 clerical
        - 2 maintenance
        - 8 non-represented, 6 of which were supervisors or managers
    - 5 positions will be reclassified and promotional pay given as a result of an Administrative Services department reorganization due to retirements.

The Board of Directors at the November 10, 2009 board meeting took action to freeze COLA, merit, and steps increases for all employee groups for one year. The non-represented and maintenance employees began that freeze January 1, 2010. The operators' contract expired August 31, 2010 and the remaining two contracts expire in spring 2011. Due to the unstable nature of the sales tax revenue the adopted 2011-2012 budget does not include pay increases for any employee group through the biennium, except the steps that continue to be paid while contracts are in negotiations. See the table below and additional information in the Schedule of Personnel in Exhibit E.

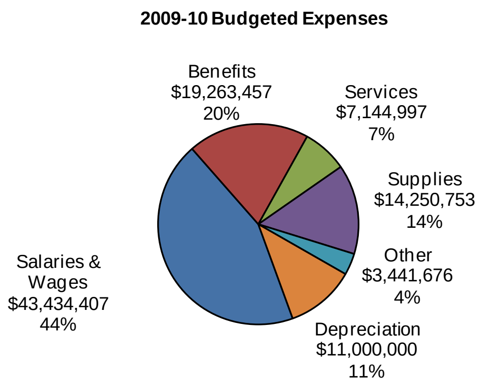
Employee Group	2010 Actual		2011 Budget		2012 Budget	
	Step	COLA	Step	COLA	Step	COLA
Non Represented	No	No	No	No	No	No
Maintenance; IAMAW	Yes	No	Yes	No	Yes	No
Operators; ATU	Yes	No	Yes	No	Yes	No
Dispatch; ATU	Yes	Yes	Yes	No	Yes	No
Clerical/Passenger Service Reps.; ATU	Yes	Yes	Yes	No	Yes	No

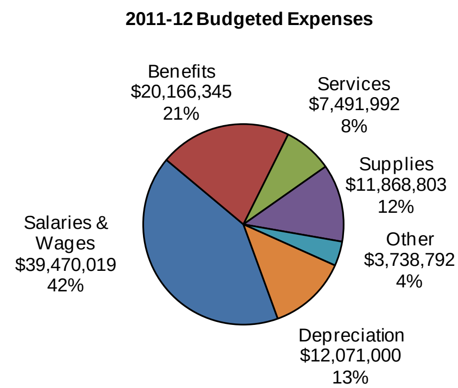
The shaded areas are subject to contract negotiations in which steps and/or COLAs can be negotiated in or out for these employee groups. A budget amendment would be necessary for any employee group to be granted pay increases.

2. Actual Benefits expenses for 2009 and 2010 were less than budgeted primarily due to the Office of State Actuary not increasing PERS rates as forecasted and the budget saving in benefits due to open positions. Normal cost increase due to price escalation were budgeted as follows:
   - Based on which plan employees have selected, medical premiums are budgeted to increase between 9.5 and 15 percent per year and dental premiums are budget to increase between 5 and 7 percent per year. All employee groups have agreed to share in the cost of the premiums and premium increases at some level.
   - Worker compensation rates are budgeted to increase between 3 and 5 percent. Extra prevention efforts are underway for 2011 and 2012 to assist in maintaining or reducing these rates.
   - PERS' current employer rate was budgeted 5.31 percent of gross pay through June 2011. The Office of the State Actuary forecasts this rate to increase to 8.70 percent for July 2011through June 2012 and to 9.39 percent July 2012 through June 2013 and was budgeted accordingly.

3. The Services expense category had the most opportunity for management to constrain costs and place tight controls on expenses. Management reduced expenses on routine consulting services, cancelled surveys and studies, and relooked at the approach to contract maintenance which accounts for the majority of the reduction between the 2009-2010 original budget and the 2011-2012 baseline budget. The adopted budget includes costs that are relevant to the important issues the agency will be facing over the next two years. The Services expense category includes $960,000 for election costs, $461,500 for facility state of good repair, $536,000 for the traffic signal priority project (grant funded), $200,000 for CRC consulting costs, $50,000 for fuel price risk management program, and small price increases for existing services.
4. Supplies primarily include fuel costs, which were budgeted at $3.00 per gallon in 2011 and $3.10 per gallon in 2012. This is down compared to the 2009-2010 budget of $3.50 per gallon in 2009 and $3.80 per gallon in 2010. The use of a fuel hedging instrument will allow this budget to stay on target (Exhibit B for more information). Additional supply expenses were budgeted for the equipment on the traffic signal priority project (grant funded) of $156,000 and the equipment to outfit the fixed route fleet with Insta-Chains of $154,550.

5. Utilities expense is proposed to decrease in the 2011-2012 biennium as a result of budgeting based on historic actual expenses.
6. Claims costs increased substantially 2009 and again in 2010. The adopted budget includes the costs to join the Washington State Transit Insurance Pool (WSTIP) to stabilize claims risk and provide predictability in the agency budget. Addition information on the WSTIP program is in Exhibit C.
7. The primary savings in the Miscellaneous expense category is eliminating almost all out-of-state travel and constraining in-state travel.
8. Leases expense is proposed to decrease in the 2011-2012 biennium as a result of budgeting based on historic actual expenses.
9. Depreciation increased due to the completion of capital projects in the last biennium (such as bus purchases, the implementation of the software project for maintenance and administration, and completion of the ARRA projects). Since cash is paid out when the capital asset is obtained, depreciation expense will not affect cash and investments.





Additional expense analysis by service type and mode can be found in Exhibit F.

Revenue less Net Expenses Analysis

In the 2011-2012 Biennial Budget, operating revenues less net operating expenses result in a budget deficit for each year. The cost constraining measures the Board of Directors and management have implemented over the last year and half have increased cash and investments to cover the deficit through the end of 2012 should a sales tax ballot not be successful.

Recap	2011 Budget	2012 Budget	2011-12 Biennial Budget
Total Revenue	$ 35,163,455	$ 34,306,000	$ 69,469,455
Total Net Expenses	$ 41,423,895	$ 41,312,056	$ 82,735,951
Deficit	$ (6,260,440)	$ (7,006,056)	$ (13,266,496)

2011-2015 ADOPTED FIVE YEAR CAPITAL BUDGET

Due to a decreased focus on C-TRAN's capital program to address the projected operating budget deficit, the revised capital program has two primary considerations: state of good repair and grant funded projects. The projects included in the capital program were reviewed, in detail, to ensure they met the 2011-12 Biennial Budget themes. Projects that did not fit in with the budget themes were either eliminated or deferred until the sales tax revenue is stabilized. The table below is a summary of the adopted capital budget projects. Detailed information on the projects listed can be found in Exhibit G.

	2011-2012			**2013-2015**			Total
	Grant	Local	Total	Grant	Local	Total	Local
Rolling Stock							
Replacement Buses-Fixed Route	$0	$0	$0	$4,221,400	$1,022,850	$5,244,250	$1,022,850
Replacement Buses-Demand Response	163,200	54,953	218,153	0	0	0	54,953
Vanpool Purchase	0	194,104	194,104	0	0	0	194,104
Subtotal	$163,200	$249,057	$412,257	$4,221,400	$1,022,850	$5,244,250	$1,271,907
Facilities							
Salmon Creek Park & Ride	$0	$200,000	$200,000	$0	$0	$0	$200,000
AOM Facility Improvements	2,178,400	935,956	3,114,356	0	0	0	935,956
Bus Stop Improvement Program	389,000	97,250	486,250	126,000	31,500	157,500	128,750
Subtotal	$2,567,400	$1,233,206	$3,800,606	$126,000	$31,500	$157,500	$1,264,706
Equipment							
Technology							
ITS/VAST	$3,358,778	$2,810,838	$6,169,616	$0	$0	$0	$2,810,838
Computer Systems and Equipment	42,080	609,900	651,980	0	600,000	600,000	1,209,900
Subtotal	$3,400,858	$3,420,738	$6,821,596	$0	$600,000	$600,000	$4,020,738
Other Equipment							
Maintenance Equipment	$0	$72,955	$72,955	$0	$0	$0	$72,955
Misc. Capital Repair/Replacement	0	400,000	400,000	0	600,000	600,000	1,000,000
Subtotal	$0	$472,955	$472,955	$0	$600,000	$600,000	$1,072,955
Planning							
4th Plain BRT Alternatives Analysis	$1,704,500	$426,125	$2,130,625	$0	$0	$0	$426,125
Grant Match (Associated w/20 Yr Plan)	0	2,495,755	2,495,755	0	3,743,631	3,743,631	6,239,386
Subtotal	$1,704,500	$2,921,880	$4,626,380	$0	$3,743,631	$3,743,631	$6,665,511
Total	**$7,835,958**	**$8,297,836**	**$16,133,794**	**$4,347,400**	**$5,997,981**	**$10,345,381**	**$14,295,817**

REMAINING CASH & INVESTMENTS

After all capital and operating commitments and the required reserves (See Exhibit H), the remaining balance of uncommitted cash and investments is estimated to be $3,645,863 on December 31, 2012. The remaining balance serves as a contingency resource for slower sales tax receipts and/or unanticipated expenses.

The estimated remaining 2010 cash payment towards operating is about $1,103,000. Should the 2010 capital projects not be completed in 2010, as anticipated, they will be rolled forward to the 2011 capital project list. The Claims Payouts noted below is the anticipated cash payments related to claims prior to January 1, 2011 and are required due to the transitioning from self insured to the WSTIP program.

The follow table shows the commitments on cash and investments.

Cash & Investments, September 30, 2010	$48,580,487
Less Remaining 2010 Payments towards Operating	(1,103,000)
Less Remaining 2010 Payments towards Capital Projects	(354,000)
Less Claim Payouts	(900,000)
Less 2011-12 Budget Deficit	(13,266,496)
Less Proposed Capital Budget 2011-2015	(14,295,817)
Less Capital Budget Contingency	(1,707,507)
Less Required Minimum Reserves	
Working Capital (Cash Flow)	(10,307,804)
Self Insurance	(3,000,000)
Estimated Remaining Cash & Investments not Committed at December 31, 2012	$3,645,863

By constraining and tightening expenses, deferring projects, and removing employee pay increases, the forecasted cliff of when the agency would start dipping into the 90 Days Cash on Hand working capital reserve moves into 2013.

EXHIBIT A
COST CONTAINING MEASURES

In late 2009 the board approved a budget amendment which included the following in service and non-service related reductions for 2009 and 2010:

- Reduced service by 5.31 percent impacting underperforming service and the related Fixed Route Operator wages and benefits = savings about $988,000
- Reduced non-service related wages and benefits by not filling 5 vacant positions = savings about $583,000
- Budgeted wage freeze for non-represented management and represented maintenance employees for 2010 = savings about $507,000. (Maintenance continue to receive steps)
- Reduced C-VAN service budget due to decreased demand and the related Paratransit Operator wages and benefits = savings about $233,000
- Reduced the budget for services provided from outside the organization (examples include surveys & studies, contract maintenance, and advertising) = savings about $493,000
- Cancelled training and seminars for transit agency employees and related officials = savings about $93,000
- Eliminated the employee tuition reimbursement program for non-apprentice positions = savings about $47,000
- Reduced the budget for fuel prices coming in less than budgeted = savings about $3.0 million
- Reduced the budget for utility costs coming in less than budgeted = savings about $77,000

In addition to the reductions above, savings in the budget are being realized in 2010. They are detailed below.

- Realized fuel and related supplies budget savings due to less than budgeted pricing = saving about $1.8 million
- Realized PERS budget savings due to lower rates than budgeted = savings about $1.2 million
- Defer budgeted marketing and ballot measure related expense until 2011 = savings about $615,000
- Defer budget on signal priority until 2011 = savings about $190,000
- Savings on the system signage budget = savings about $175,000
- Reduced scope of professional services retained and acquisition of supplies = savings about $938,000

Throughout the past year and a half management has been making decisions to control or reduce costs in order to extend the time before service reductions are necessary. This continuing emphasis on non-service reductions occurred as management developed the next biennial budget.

EXHIBIT B

FUEL PRICE RISK MANAGEMENT

Fuel Prices – What is the problem?

In the summer of 2008, the United States experienced volatility in fuel prices to well over $4.00 per gallon at the pump. C-TRAN had adequate reserves at that time and budgeted a reasonable average price to absorb the high summer prices. Since then C-TRAN has had to use reserves towards operating expenses and is less able to absorb unanticipated spikes in fuel prices. A solution to this potential problem is to implement a fuel price risk management policy. This policy would establish guidelines for the execution and management of various financial tools to protect C-TRAN's budget from the impacts of unusually high fuel price changes during the budget year. This is commonly referred to as "Fuel Hedging".

Why do a fuel hedge?

- Protects against unforeseen price increases
- Allows greater budget certainty
- Allows the reduction of a budgetary fuel reserve
- Hedge term can coincide with the budget year

Policy Statement

C-TRAN may execute an authorized hedging instrument transaction to the extent the transaction can be reasonably expected to achieve the following objectives:

- Protect the annual budget from the impact of fuel price increases beyond acceptable tolerances while taking acceptable risks to achieve that goal.
- Control budget risk and uncertainty; not the pursuit of lower pricing.
- No more than 90 percent of expected fuel usage will be hedged.

There are three types of hedging instruments authorized under the proposed Board policy. All hedging transactions are constrained by the limits set forth in the policy.

<u>Forward Contract</u>: This is entering a fixed-price-forward purchase contract with a fuel supplier. Regardless of the price in the market C-TRAN will have agreed to purchase fuel from a specific fuel supplier for a specific price.

Example: Agreeing to purchase 80,000 gallons per month for the next 12 months from a specific supplier for $2.50 per gallon. If the "spot" or current market price drops or increases C-TRAN still pays $2.50 per gallon.

<u>Exchanged Traded</u>: This is the purchase and sale of futures and options on commodities on the New York Mercantile Exchange (NYMEX). These hedging contracts are cleared through the exchange. There is no change to the existing, variable, price mechanism with our current supplier and C-TRAN could change suppliers at any time. The contracts would hedge C-TRAN by paying dollars to C-TRAN when prices are high that would effectively reduce the price of fuel purchase. When prices of fuel purchased in the regular market are lower, C-TRAN would pay away the difference if future contracts are used. Futures contracts are more similar to forward

purchases where C-TRAN locks in a fixed price, whereas options are more like insurance that pays off if prices rise beyond a certain "strike price." If C-TRAN purchased options, a premium is paid a the onset of the hedge, similar to an insurance premium. If prices fall, the price insurance is not used.

Over the Counter: This is the purchase, from approved counterparties, of over-the counter swaps and/or options, which are bi-lateral contracts between two parties, not a futures exchange. Like futures, swaps act to effectively fix a price over a period of time, whereas options act as price insurance.

> "Swap" Example: C-TRAN enters a fuel price swap at $2.35 per gallon for fuel that it uses. If the price of the capped fuel increases during the life of the hedge, C-TRAN will be reimbursed for the amount over $2.35 per gallon. If the price drops below $2.35 per gallon, C-TRAN pays the amount below $2.35 per gallon. In this case, C-TRAN is effectively locked into the price of $2.35 per gallon for the life of the hedge.
>
> "Option" Example: C-TRAN pays an option premium to purchase a price cap at $3.10 per gallon for fuel that it uses. If the price of the capped fuel increases during the life of the hedge, C-TRAN will be reimbursed for the amount of $3.10 per gallon. If the price drops C-TRAN continues to receive the benefit of the reduction in price.

The decision of which type of hedging instrument to use will depend on the price and market at the time C-TRAN is looking to enter a transaction. The board policy outlines the expected evaluation of financial and other risks for staff, Counsel, and the Financial Advisors prior to requesting Board of Director approval, possible delegation and execution of any transactions.

Budget Approval

The budget approval will set aside funding for the potential of a transaction in the future. It does not give staff authorization to enter a transaction, nor does it approve the Fuel Price Risk Management Policy. Staff will return to the Board of Directors with additional information.

Fuel Price Risk Management Policy - DRAFT

1 PURPOSE

C-TRAN recognizes that fuels used in its operations are broadly traded commodities and that commodity prices may be volatile and unpredictable. The purpose of this policy is to establish guidelines for the utilization and management of various financial tools to protect C-TRAN's budgets from the impacts of fuel price changes during a particular budget year. These guidelines confirm the commitment of C-TRAN to adhere to sound financial and risk management practices.

2 POLICY STATEMENT

C-TRAN may execute an authorized hedging instrument transaction to the extent the transaction can be reasonably expected to achieve the following objectives:

a. Protect the annual budget from the impact of fuel price increases beyond acceptable tolerances while taking acceptable risks to achieve that goal.
b. Control budget risk and uncertainty; not the pursuit of lower pricing.
c. No more than 90 percent of expected usage will be hedged.

3 DEFINITIONS

Hedge: The purchase of a financial contract as a temporary substitute for the purchase of a commodity (fuel) to be made at a later date. Hedging allows a fuel consumer to transfer price risk to financial instruments for a future fuel purchase.

Counterparty: In financial contracts, the persons or institutions entering the contract on the opposite sides of the transaction are called counterparties. C-TRAN is one Counterparty and the provider of the hedge is the other Counterparty. For hedges involving the physical delivery of a commodity, the Counterparty providing the hedge may or may not be the supplier of the commodity.

Basis Risk: The risk that the payments or receipts under a hedge contract do not match the payments due on the item being hedged (e.g., payments linked to a petroleum price index may not exactly match the actual cost of the diesel fuel).

4 AUTHORIZED HEDGING INSTRUMENTS

C-TRAN may utilize the following hedging instruments, if permitted by law, after identifying the objectives to be realized and assessing the risks:

a. Forward Contract: Entering a fixed price forward purchase contracts with fuel suppliers.
b. Exchange Traded: Purchase and sale of futures and options on commodities on the New York Mercantile Exchange (NYMEX). Other exchanges may be approved as needed.
c. Over the Counter: Over-the-counter swaps or options and contracts with counterparties that meet or exceed the credit rating thresholds of the policy.

5 AUTHORIZATION AND APPROVALS

C-TRAN staff, in consultation with its Counsel and Financial Advisor, will determine whether a proposed transaction complies with State law and any other applicable provisions of C-TRAN's policies and procedures.

Transactions shall be executed only after approval by the C-TRAN Board of Directors.

6 EVALUATION OF FINANCIAL AND OTHER RISKS

Prior to Board of Director approval and execution of any transactions, C-TRAN staff shall analyze all significant financial risks in a transaction, including, but not limited to the following, as applicable:

a. Liquidity Risk: Under what circumstances might the proposed transaction be terminated (other than at the option of C-TRAN)? At what cost? Does C-TRAN have sufficient liquidity (either cash, investments or ready access to third-party liquidity) to cover this exposure?
b. Basis Risk: How well does the price of the hedging instrument (i.e. the swap, cap or futures contract) hedge the actual price paid for C-TRAN's fuel purchases? Is there a high expected and historical correlation (R^2 is greater than 95%) between the index of the hedge and the price paid?
c. Counterparty Credit Risk: What is the credit-worthiness of the counterparty? What provisions have been made to mitigate exposure to adverse changes in counterparty credit standing?
d. Termination Risk: What circumstances would cause an early termination of a hedge and what would C-TRAN's liabilities be?
e. Legal Authority: Is there any uncertainty regarding the legal authority of any party to participate in the transaction?
f. Administrative Risk: Can the proposed transaction be readily administered and monitored by C-TRAN's finance staff consistent with the parameters outlined in this policy?
g. Public Perception: Does the proposed transaction create a perception that the objectives and outcomes will be anything other than what is described in this policy?

7 CONSTRAINTS AND LIMITS

C-TRAN intends to use fuel price risk management to reduce the impact of price volatility on the financial budgets only, not to speculate or use these instruments as a way to manage to an overall lower price of fuel on a multi-year basis. Any hedging transaction is therefore subject to the following constraints:

a. C-TRAN will not enter a transaction if:
    i. It is used for speculative purposes, such as potential trading gains, rather than for managing and fuel price risk in connection with C-TRAN's operations;
    ii. If a transaction would create extraordinary financial risk;
    iii. If C-TRAN would lack sufficient liquidity to terminate the transaction at prevailing market rates; or
    iv. If insufficient price "transparency" exists for C-TRAN and/or and its financial advisor to reasonably value the instrument, as a result, for example, of the use of unusual structures or business terms.
b. C-TRAN will hedge no more than 90 percent of expected usage in a given budget year. Example: if C-TRAN uses 100,000 gallons of fuel each month then no more than 90,000 gallons per month will be hedged.
c. If C-TRAN enters an over-the-counter hedge with a counterparty, the following constraints will apply:
    i. Documentation must be standard International Swap and Derivatives Association, Inc. (ISDA) documents for commodity transactions, reviewed by counsel and financial advisor, and approved by the Board.

ii. C-TRAN may not enter a new hedging contract with a counterparty that has a long-term credit rating lower than A or A2 or an equivalent by any nationally recognized credit rating agency.

iii. If the credit rating of a counterparty does fall below A2 or A during the term of the hedge, then the documents should require credit enhancement in the form of:

1. Collateral posting by the counterparty; or
2. Credit support or enhancement from either a parent firm or a third party that will raise the counterparty's effective credit quality to at least the A2 or A level; or
3. A ratings-based termination event that would allow for the transfer of the transaction to a higher rated counterparty.

8 REPORTING REQUIREMENTS

C-TRAN's finance staff will monitor this program and any transactions that C-TRAN enters into on at least a monthly basis.

C-TRAN's Director of Finance and Administration will provide a written report to the Board of Directors regarding the status of all related transactions on at least a semi-annual basis. The report shall include, but not be limited to highlighting, all material changes to the transaction(s) since the last report and ongoing risk analysis. The report should contain the following information regarding the hedge program:

a. A list of any transactions:
   i. New
   ii. Matured
   iii. Terminated
b. The performance of existing transactions including:
   i. The price of the fuel procured
   ii. The cashflows from the hedge, if any
   iii. A report on any realized risks, especially basis risk
c. The market value of any outstanding transactions, as applicable
d. The credit rating of any hedge counterparty
e. The amount, if any of collateral or futures margin either posted by C-TRAN or being held by C-TRAN, related to any hedge, as applicable.

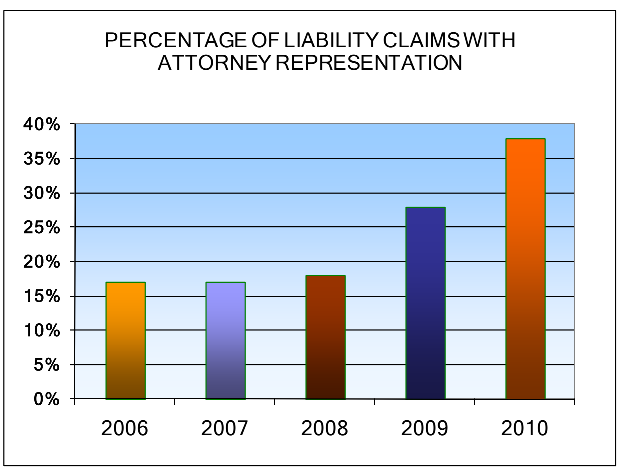
Transactions will be reported according to Generally Accepted Accounting Principles (GAAP), Government Accounting Standards Board (GASB), and Government Financial Officers Association (GFOA) accepted requirements.

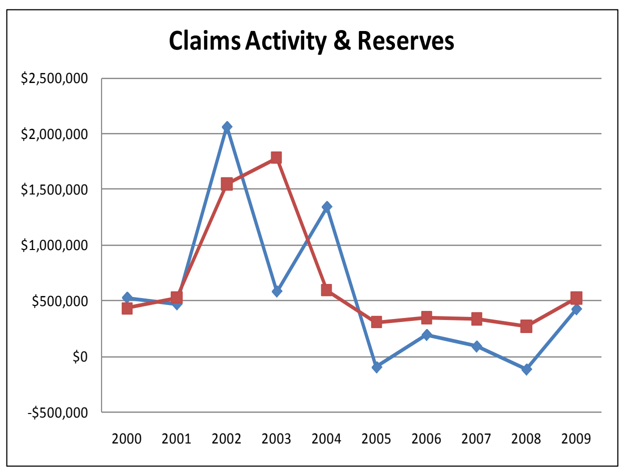
EXHIBIT C

WASHINGTON STATE TRANSIT INSURANCE POOL MEMBERSHIP

In the mid 1980's the transit industry was hit hard by the insurance market of the time. As insurance prices escalated by hundreds of percent and limits plummeted during this period, transit systems looked for relief. C-TRAN's insurer, Transit Casualty Company, was declared insolvent in 1985 which forced C-TRAN, along with many other agencies, to implement self-insurance programs. Many self-insurance consortiums called "pools" were also formed. On January 1, 1989, eight public transit agencies united to form a self-funded, liability only public insurance pool called the Washington State Transit Insurance Pool (WSTIP). Today, WSTIP's membership has increased to 24 Washington transits and the pool provides insurance for all transit system needs, other than employee benefits, including public liability, auto physical damage, property, crime, and excess loss liability.

C-TRAN has considered joining WSTIP in the past, but the agency had sufficient reserves to manage claims incurred without pooling with other agencies. At this time, however, staff believes it makes sense to join the pool to provide C-TRAN's budget with the stability needed. In addition, C-TRAN's current costs for services and payouts compare favorably to WSTIP's quote to join the pool. Staff's recommendation for the 2011-2012 C-TRAN Budget is to join the Washington State Transit Insurance Pool to stabilize claims risk and provide predictability in that area of the agency budget. (See Insurance and Risk Management Costs in the table below.)





Long-term Benefits of Joining WSTIP

- Predictable annual expense (based on mileage and rated for experience)
- Comprehensive well-managed insurance package
- Governance is by members of the pool; Controller Diane O'Regan would be C-TRAN's representative Board Member
- Premium costs are controlled due to the large size of the pool
- Provides first-dollar coverage on public liability claims

- Covers all modes of transportation, including Vanpool
- Eventual release of C-TRAN's $2,000,000 reserve set for public liability claims
- WSTIP includes "value added" services in its membership cost for such programs as transit related training, risk data management, safety grants for members, and national training for member risk staff.
- WSTIP provides expert risk management consulting services when problematic trends are detected at a member transit system.

Other Considerations

- The Board needs to be aware that, should C-TRAN join WSTIP, the agency would still be managing all unresolved claims incurred prior to January 1, 2011 12:00 a.m.
- C-TRAN would need to retain all or part of the $2,000,000 reserve for claims until the three year statute runs on all active and unreported claims incurred prior to January 1, 2011.
- As C-TRAN's "insurance company", WSTIP would be making the settlement decisions on claims.

C-TRAN will continue to retain all liability for unemployment compensation claims as administered by the Washington State Employment Security Department. Workers' compensation claims are insured with the Washington State Department of Labor and Industries.

Insurance and Risk Management Costs

	C-TRAN	WSTIP	Comments
WSTIP AL/GL/POL/Property *	**$0**	**$696,829**	
Self insurance loss fund (Liability and Property)	$425,942***	Included	
Legal Services *(in-house and out- sourced EST)*	$20,000	Included	
Legal Support Services *(experts, discovery costs, out sourced investigations EST)*	$4,000	Included	
(data base, actuary, technical services)	$8,000	Included	
Claims TPA and Subrogation Services	$40,000	Included	
Vanpool Insurance Coverage	$19,685	Included	
Auto Physical Damage and Property Insurance**	$132,500	Included	
Excess Liability Insurance	$141,500	Included	
Public Officials Bond	$263	Included	
AD & D Broker of Record Change Letter	$4,300	$4,300	Felonious Assault
Crime	$4,109	Included	
HR Legal	$1,500	Included	
Estimated Subrogation on C-TRAN vehicle damage- Reimbursed by WSTIP	$12,000	Included	Amount is difference in higher rate offered
SUB-TOTALS	**$813,799**	**$701,129**	
OPTIONAL COVERAGES			
Uninsured Motorist Coverage (Van Pool only)	N/A	$625	By Mode. May add
Risk Management Consulting Services	0	Included	
Training	$1,000	Included	
Grants / Scholarships / HRSentry Subscription	$7,500	Included	
Blanket Pollution	0	0	Optional- reject
Underground Storage Tanks	0	0	Optional- reject
Nose/Tail coverage for POL, EPL, EBL (2009/2010 POL – Public Officials Liability EPL-, Employment Practice Liability, EBL- Employment Benefits	0	Included	Application required $2 million deductible
Material Safety Data Sheets online	$8,000	Included	
Total with Options	**$830,299**	**$701,754**	

Notes:

* Assumes first dollar coverage for liability

** Assumes a $10K deductible for auto physical damage and all risk property

*** C-TRAN 2009 CAFR

EXHIBIT D

BOARD'S 2011-2012 BASELINE BUDGET DEFINED

At the August 10, 2010 Board meeting, the Board of Directors directed staff to prepare a baseline budget in order to have a comparison against the proposed budget staff will be presenting later this year. The direction was to hold things constant (no cuts and no additions) to give the Board of Directors a point of reference. Following are the items that will be included in a baseline budget:

- Current regular service and non-service operating costs as of August 1, 2010
- Current service hours for Fixed Route and C-VAN and current staffing levels except positions noted below
- Projects that have grant revenue
- Normal cost increases due to price escalations:
  - ✓ PERS rates at the recommended amount by the Office of State Actuary
  - ✓ Other benefit costs increase based on average increases
  - ✓ Fuel budgeted at $3.00/gallon in 2011 and $3.10/gallon in 2012
  - ✓ 3-5 percent increase for parts, lubricants, and tires
  - ✓ 1-3 percent increase for utilities
  - ✓ Larger increases for escalating number of claims and associated reserve increases
- The following actions as directed by the Board during the last budget amendment:
  - ✓ 1 year freeze of COLA for all pay groups
    - ▪ 2010 freeze for non-represented employees & maintenance contracts
    - ▪ 2011 freeze for ATU contracts
  - ✓ 1 year freeze of merit for non-represented employees in 2010
    - ▪ The forecast and direction from the Board included 1 year freeze of steps for contracted employees as well, but that has not actually occurred so the steps are included in the Board's baseline budget.
  - ✓ Includes 3.0 FTE work force attrition in 2010 (i.e. one receptionist, one dispatch supervisor, and one vehicle maintenance worker.) These positions remain vacant and will continue to be vacant in 2011-2012 with no additional funding.
- Pay increases in 2011 and 2012
  - ✓ COLA
    - ▪ 2011 resumes COLA increases for non-represented employees & maintenance contracts
    - ▪ 2012 resumes COLA increases for all employees
  - ✓ STEP/MERIT
    - ▪ 2011 resumes merit increases for non-represented employees and continues in 2012
    - ▪ 2011 & 2012 continues step increase for represented employees
- Includes local funding reserved for a capital budget as approved in the 2009-2010 Budget Amendment #1.

EXHIBIT E
REQUIRED SCHEDULES

C-TRAN
2011-12 BUDGET
Schedule of Personnel (501)

NUMBER OF POSITIONS

Positions	2010 Original Budgeted # of Positions	2011 Budgeted Positions	2011 Net Change in # of Positions	Percent Change in Positions	2012 Budgeted Positions	2012 Net Change in # of Positions	Percent Change in Positions
Fixed Route Coach Operators	206	185	-21	-10.2%	185	0	0.0%
Mechanics	52	50	-2	-3.8%	50	0	0.0%
Clerical & Dispatch	33	31	-2	-6.1%	31	0	0.0%
Paratransit Operators	64	61	-3	-4.7%	62	1	1.6%
Non Represented	71	63	-8	-11.3%	63	0	0.0%
Total	**426**	**390**	**-36**	**-8.5%**	**391**	**1**	**0.3%**

SALARY & WAGES

Positions	2011 Budget	2012 Budget	2011-12 Adopted Biennial Budget	2009-10 Original Biennial Budget	Net Change	Percent Change in Biennial Budget Amount
Fixed Route Coach Operators	$ 9,077,242	$ 9,133,188	$ 18,210,430	$ 20,243,058	$ (2,032,628)	-10.0%
Mechanics	$ 2,365,149	$ 2,386,518	$ 4,751,667	$ 5,065,602	$ (313,935)	-6.2%
Clerical & Dispatch	$ 1,483,767	$ 1,498,281	$ 2,982,048	$ 3,171,715	$ (189,667)	-6.0%
Paratransit Operators	$ 2,348,693	$ 2,445,092	$ 4,793,785	$ 4,945,800	$ (152,015)	-3.1%
Non Represented	$ 4,361,102	$ 4,370,987	$ 8,732,089	$ 10,008,232	$ (1,276,143)	-12.8%
Total	**$ 19,635,953**	**$ 19,834,066**	**$ 39,470,019**	**$ 43,434,407**	**$ (3,964,388)**	**-9.1%**

Note: # of positions for the 2011-2012 Biennial Budget will fluctuate in order to accommodate employee succession planning.

C-TRAN
2011-12 BUDGET
Schedule of Personnel (501)

NUMBER OF POSITIONS (Compared to Revised 2010 Budget)

Positions	2010 Revised Budgeted # of Positions	2011 Budgeted Positions	2011 Net Change in # of Positions	Percent Change in Positions	2012 Budgeted Positions	2012 Net Change in # of Positions	Percent Change in Positions
Fixed Route Coach Operators	185	185	0	0.0%	185	0	0.0%
Mechanics	52	50	-2	-3.8%	50	0	0.0%
Clerical & Dispatch	32	31	-1	-3.1%	31	0	0.0%
Paratransit Operators	60	61	1	1.7%	62	1	1.6%
Non Represented	68	63	-5	-7.4%	63	0	0.0%
Total	**397**	**390**	**-7**	**-1.8%**	**391**	**1**	**0.3%**

SALARY & WAGES (Compared to Revised 2009-10 Biennial Budget)

Positions	2011 Budget	2012 Budget	2011-12 Adopted Biennial Budget	2009-10 Original Biennial Budget	Net Change	Percent Change in Biennial Budget Amount
Fixed Route Coach Operators	$ 9,077,242	$ 9,133,188	$ 18,210,430	$ 19,511,226	$ (1,300,796)	-6.7%
Mechanics	$ 2,365,149	$ 2,386,518	$ 4,751,667	$ 4,867,602	$ (115,935)	-2.4%
Clerical & Dispatch	$ 1,483,767	$ 1,498,281	$ 2,982,048	$ 3,129,215	$ (147,167)	-4.7%
Paratransit Operators	$ 2,348,693	$ 2,445,092	$ 4,793,785	$ 4,772,637	$ 21,148	0.4%
Non Represented	$ 4,361,102	$ 4,370,987	$ 8,732,089	$ 9,309,407	$ (577,318)	-6.2%
Total	**$ 19,635,953**	**$ 19,834,066**	**$ 39,470,019**	**$ 41,590,087**	**$ (2,120,068)**	**-5.1%**

C-TRAN
2011-12 BUDGET
Schedule of Professional Services (503.03)

		2011		2012
OPERATIONS				
Functional Assessments		750		750
Fare Evasion Citation Program Legal Expenses		10,000		0
Physicals, Drug Screening, Audiogram		36,390		30,491
TOTAL OPERATIONS	**$**	**47,140**	**$**	**31,241**
M. D. I. T.				
General Maintenance Consulting (Engineering, Architects, Etc...)	$	56,000	$	11,000
Wetland Mitigation Monitoring		6,250		6,250
IT Resilience & Recovery Consulting/Study (UASI Grant Project)		25,000		0
Hardware and Software Trouble Shooting		44,625		13,950
Physicals, Drug Screening, Hepatitis B shots, Audiogram		10,077		8,763
TOTAL M. D. I. T.	**$**	**141,952**	**$**	**39,963**
ADMINISTRATIVE SERVICES				
Annual State Audit	$	26,000	$	26,000
Claims Adjuster		53,000		53,000
CPR Training		250		250
Drug and Alcohol Program		1,400		1,400
Employee Assistance Program		11,550		12,300
Family Medical Leave Second Opinion		1,500		1,500
Financial Advisor		5,000		5,000
Legal Representation in Procurement Areas		5,000		5,000
Legal Representation in Claims		40,000		40,000
Legal Representation in Personnel Areas		50,000		30,000
Worker's Compensation Administration and Investigation		2,000		2,000
Risk Master Technical Assistance		500		500
Physicals, Drug Screening, Hepatitis B shots, Audiogram		1,066		1,086
TOTAL ADMINISTRATIVE SERVICES	**$**	**197,266**	**$**	**178,036**
DEVELOPMENT & PUBLIC AFFAIRS				
Website Development	$	9,046	$	0
Community Report Card		0		24,950
Capital Engineering & Consulting		8,000		8,000
Signal Priority Project		272,000		0
Super Stops Project		107,000		0
7 th Street Excess Property Plan		0		8,000
Vanpool Driver Abstracts		400		400
Legislative Representation		104,000		106,000
TOTAL DEVELOPMENT & PUBLIC AFFAIRS	**$**	**500,446**	**$**	**147,350**
EXECUTIVE OFFICE				
Legal Representation for General Administration	$	80,000	$	80,000
Legal Representation for the Board		60,000		60,000
Organizational Development		15,000		15,000
CRC Consulting		100,000		100,000
TOTAL EXECUTIVE OFFICE	**$**	**255,000**	**$**	**255,000**
TOTAL PROFESSIONAL SERVICES	**$**	**1,141,804**	**$**	**651,590**

C-TRAN
2011-12 BUDGET
Schedule of Dues and Subscriptions (509.01)

	2011	2012
OPERATIONS		
Subscriptions	$ 349	349
TOTAL OPERATIONS	$ 349	$ 349
M/D/T		
Grounds, Equipment, and Maintenance	250	250
OPIS Fuel Pricing Daily Reports	900	900
Portland Area Network Users Group	80	80
Subscriptions	3,310	3,340
TOTAL M/D/T	$ 4,540	$ 4,570
ADMINISTRATIVE SERVICES		
Government Finance Officers Association	$ 300	$ 300
National Institute of Government Purchasing	150	150
National Public Employer Labor Relations	200	200
Society for Human Resource Management	160	160
Washington Finance Officers Association	100	100
Subscriptions	2,159	2,159
TOTAL ADMINISTRATIVE SERVICES	$ 3,069	$ 3,069
DEVELOPMENT & PUBLIC AFFAIRS		
Subscriptions	$ 788	876
TOTAL DEVELOPMENT & PUBLIC AFFAIRS	$ 788	$ 876
EXECUTIVE OFFICE		
American Public Transportation Association	$ 33,000	$ 34,650
Battle Ground Chamber of Commerce	1,107	1,125
Camas/Washougal Chamber of Commerce	584	600
Columbia River Economic Development Council (CREDC)	5,000	5,000
Greater Vancouver Chamber of Commerce	2,320	2,320
International Institute of Municipal Clerks	330	350
Vancouver Downtown Association	300	325
Washington Municipal Clerks Association	150	150
Washington State Transit Association	21,123	21,123
Southwest Washington Regional Transportation Council	25,000	25,000
Transportation Management Alliance	60,000	60,000
Subscriptions	479	479
TOTAL EXECUTIVE OFFICE	$ 149,393	$ 151,122
TOTAL DUES AND SUBSCRIPTIONS	**$ 158,139**	**$ 159,986**

C-TRAN
2011-12 BUDGET
Schedule of Training and Meetings (509.02)

	2011	2012
OPERATIONS		
Local Seminars/Training	$ 6,450	$ 6,450
TOTAL OPERATIONS	**$ 6,450**	**$ 6,450**
M/D/T		
APTA Transitech Conference	$ 1,800	$ 1,950
Crystal Reports Training	2,575	2,575
Outlook Exchange 2010 Upgrade Training	0	5,000
Local Seminars/Training	5,650	5,650
TOTAL M/D/T	**$ 10,025**	**$ 15,175**
ADMINISTRATIVE SERVICES		
FTA Drug and Alcohol Program National Conference	$ 1,200	$ 0
Pacific NW Purchasing Conference	1,200	1,250
Local Seminars/Training	3,450	3,450
TOTAL ADMINISTRATIVE SERVICES	**$ 5,850**	**$ 4,700**
DEVELOPMENT & PUBLIC AFFAIRS		
APTA Legislative Conference	$ 3,450	$ 3,450
Local Seminars/Training	4,425	4,425
TOTAL DEVELOPMENT & PUBLIC AFFAIRS	**$ 7,875**	**$ 7,875**
EXECUTIVE OFFICE		
American Public Transportation Association Conferences	$ 20,750	$ 17,600
International Institute of Municipal Clerks Conference	0	650
Local Seminars/Training	5,350	5,350
TOTAL EXECUTIVE OFFICE	**$ 26,100**	**$ 23,600**
TOTAL TRAINING AND MEETINGS	**$ 56,300**	**$ 57,800**

EXHIBIT F

OPERATING INFORMATION

2011-12 BUDGET

OPERATING INFORMATION BY SERVICE TYPE

Local/Urban	2011 Budget	2012 Budget	2011-12 Biennial Budget	2009-10 Original Biennial Budget
Passenger Boardings	5,716,234	5,886,807	11,603,041	11,893,062
Passenger Miles	28,000,172	28,835,700	56,835,872	63,870,357
Operating Miles	3,369,559	3,378,142	6,747,701	7,261,757
Operating Hours	237,894	238,500	476,394	498,914
In-Service Miles	3,121,828	3,129,780	6,251,608	6,736,063
In-Service Hours	227,319	227,898	455,217	489,343
Net Operating Cost (excludes depreciation, leases & other)	$26,191,043	$26,117,379	$52,308,422	$54,927,788
Operating Revenue	$4,342,609	$4,432,041	$8,774,650	$9,136,300
Passenger per In-Service Hour	25.1	25.8	25.5	24.3
Net Cost per Passenger Mile	$0.94	$0.91	$0.92	$0.86
Net Cost per Operating Mile	$7.77	$7.73	$7.75	$7.56
Net Cost per Passenger Boarding	$4.58	$4.44	$4.51	$4.62
Net Cost per Operating Hour	$110.10	$109.51	$109.80	$110.09
Operating Revenue per Passenger	$0.76	$0.75	$0.76	$0.77
Net Percent of Operating Revenue to Operating Costs	16.6%	17.0%	16.8%	16.6%

Premium Commuter	2011 Budget	2012 Budget	2011-12 Biennial Budget	2009-10 Original Biennial Budget
Passenger Boardings	709,494	730,779	1,440,273	1,859,914
Passenger Miles	3,475,357	3,579,619	7,054,976	9,988,460
Operating Miles	1,294,580	1,297,400	2,591,980	2,819,712
Operating Hours	45,896	45,996	91,892	99,202
In-Service Miles	863,208	865,089	1,728,297	2,045,731
In-Service Hours	32,548	32,619	65,167	62,178
Net Operating Cost (excludes depreciation, leases, & other operating expenses)	$5,052,940	$5,036,876	$10,089,816	$10,921,610
Operating Revenue	$2,329,505	$2,484,649	$4,814,154	$5,579,742
Passenger per In-Service Hour	21.8	22.4	22.1	29.9
Net Cost per Passenger Mile	$1.45	$1.41	$1.43	$1.09
Net Cost per Operating Mile	$3.90	$3.88	$3.89	$3.87
Net Cost per Passenger Boarding	$7.12	$6.89	$7.01	$5.87
Net Cost per Operating Hour	$110.10	$109.51	$109.80	$110.09
Operating Revenue per Passenger	$3.28	$3.40	$3.34	$3.00
Net Percent of Operating Revenue to Operating Costs	46.1%	49.3%	47.7%	51.1%

2011-12 BUDGET
OPERATING INFORMATION BY SERVICE TYPE

Connector	2011 Budget	2012 Budget	2011-12 Biennial Budget	2009-10 Original Biennial Budget
Passenger Boardings	22,469	22,469	44,938	70,371
Passenger Miles	110,061	110,061	220,123	377,920
Operating Miles	180,458	180,458	360,916	264,211
Operating Hours	8,462	8,462	16,924	19,884
In-Service Miles	125,206	125,206	250,412	158,015
In-Service Hours	6,763	6,763	13,526	15,250
Net Operating Cost (excludes depreciation, leases, & other operating expenses)	$931,628	$926,647	$1,858,275	$1,871,200
Operating Revenue	$34,108	$35,187	$69,295	$95,284
Passenger per In-Service Hour	3.3	3.3	3.3	4.6
Net Cost per Passenger Mile	$8.46	$8.42	$8.44	$4.95
Net Cost per Operating Mile	$5.16	$5.13	$5.15	$7.08
Net Cost per Passenger Boarding	$41.46	$41.24	$41.35	$26.59
Net Cost per Operating Hour	$110.10	$109.51	$109.80	$94.11
Operating Revenue per Passenger	$1.52	$1.57	$1.54	$1.35
Net Percent of Operating Revenue to Operating Costs	3.7%	3.8%	3.7%	5.1%

ADA	2011 Budget	2012 Budget	2011-12 Biennial Budget	2009-10 Original Biennial Budget
Passenger Boardings	204,132	207,194	411,326	494,132
Passenger Miles	1,228,056	1,246,477	2,474,533	2,653,681
Operating Miles	1,390,829	1,413,124	2,803,953	3,265,403
Operating Hours	87,583	88,987	176,570	212,162
In-Service Miles	1,225,231	1,244,872	2,470,103	2,885,248
In-Service Hours	77,967	79,216	157,183	188,256
Net Operating Cost (excludes depreciation, leases, & other operating expenses)	$8,478,020	$8,556,088	$17,034,108	$18,004,997
Operating Revenue	$217,810	$227,914	$445,724	$748,610
Passenger per In-Service Hour	2.6	2.6	2.6	2.6
Net Cost per Passenger Mile	$6.90	$6.86	$6.88	$6.78
Net Cost per Operating Mile	$6.10	$6.05	$6.08	$5.51
Net Cost per Passenger Boarding	$41.53	$41.30	$41.41	$36.44
Net Cost per Operating Hour	$96.80	$96.15	$96.47	$84.86
Operating Revenue per Passenger	$1.07	$1.10	$1.08	$1.52
Net Percent of Operating Revenue to Operating Costs	2.6%	2.7%	2.6%	4.2%

2011-12 BUDGET
OPERATING INFORMATION BY SERVICE TYPE

Vanpool	2011 Budget	2012 Budget	2011-12 Biennial Budget	2009-10 Original Biennial Budget
Passenger Boardings	32,256	32,256	64,512	n/a
Passenger Miles	872,879	872,879	1,745,758	n/a
Operating Miles	161,199	161,199	322,398	n/a
Operating Hours	4,903	4,903	9,806	n/a
In-Service Miles	161,199	161,199	322,398	n/a
In-Service Hours	4,903	4,903	9,806	n/a
Net Operating Cost (excludes depreciation, leases, & other operating expenses)	$96,082	$99,981	$196,063	n/a
Operating Revenue	$39,300	$40,886	$80,186	n/a
Passenger per In-Service Hour	6.6	6.6	6.6	n/a
Net Cost per Passenger Mile	$0.11	$0.11	$0.11	n/a
Net Cost per Operating Mile	$0.60	$0.62	$0.61	n/a
Net Cost per Passenger Boarding	$2.98	$3.10	$3.04	n/a
Net Cost per Operating Hour	$19.60	$20.39	$19.99	n/a
Operating Revenue per Passenger	$1.22	$1.27	$1.24	n/a
Net Percent of Operating Revenue to Operating Costs	40.9%	40.9%	40.9%	n/a

Definitions:
* Local/Urban service including fixed route service within the City of Vancouver and Urban Growth boundaries.
* Premium Commuter service is the express service from park and ride lots to downtown Portland.
* Connector service is the route deviated service within the small cities.
* C-VAN service is the required ADA service connected with local fixed route service.

2011-12 BUDGET

FEDERAL TRANSIT ADMINISTRATION (FTA) INFORMATION BY MODE

Ten Years

	2012 BUDGET	2011 BUDGET	2010 ORIGINAL BUDGET	2009 ACTUAL	2008 ACTUAL	2007 ACTUAL	2006 ACTUAL	2005 ACTUAL	2004 ACTUAL	2003 ACTUAL
PASSENGER BOARDINGS										
A. Fixed Route	6,640,055	6,448,197	7,240,801	6,216,043	7,005,249	5,528,184	5,455,784	5,631,165	6,826,008	6,679,455
B. Demand Response	207,194	204,132	247,066	200,504	225,368	208,731	192,052	180,264	178,652	189,143
C. Vanpool	32,256	32,256	not budgeted	14,086	n/a	n/a	n/a	988	26,318	36,442
Total	6,879,505	6,684,585	7,487,867	6,430,633	7,230,617	5,736,915	5,647,836	5,812,417	7,030,978	6,905,040
PASSENGER MILES										
A. Fixed Route	32,525,380	31,585,590	38,885,910	34,730,798	36,883,205	25,849,236	29,268,989	29,694,702	37,945,869	35,570,764
B. Demand Response	1,246,477	1,228,056	1,326,840	1,295,897	1,409,969	1,300,870	1,203,188	1,139,924	1,104,299	1,395,737
C. Vanpool	872,879	872,879	not budgeted	379,442	n/a	n/a	n/a	2,580	360,001	888,064
Total	34,644,736	33,686,525	40,212,750	36,406,137	38,293,174	27,150,106	30,472,177	30,837,206	39,410,169	37,854,565
OPERATING MILES										
A. Fixed Route	4,856,000	4,844,597	5,172,840	5,052,902	5,245,437	4,463,634	4,259,080	4,167,089	4,256,412	4,161,295
B. Demand Response	1,413,124	1,390,829	1,632,702	1,349,709	1,445,803	1,353,421	1,247,899	1,170,336	1,142,255	1,141,316
C. Vanpool	161,199	161,199	not budgeted	65,864	n/a	n/a	n/a	615	62,519	104,600
Total	6,430,324	6,396,625	6,805,542	6,468,475	6,691,240	5,817,055	5,506,979	5,338,040	5,461,186	5,407,211
OPERATING HOURS										
A. Fixed Route	292,958	292,252	309,000	305,299	310,570	272,910	254,035	255,216	269,292	267,650
B. Demand Response	88,987	87,583	106,081	86,199	93,818	86,902	80,194	75,356	74,382	73,035
C. Vanpool	4,903	4,903	not budgeted	2,141	n/a	n/a	n/a	31	1,895	3,223
Total	386,848	384,738	415,081	393,639	404,388	359,812	334,229	330,603	345,569	343,908
IN-SERVICE MILES										
A. Fixed Route	4,120,075	4,110,242	4,469,905	4,350,388	4,546,268	3,916,183	3,751,424	3,760,064	3,911,959	3,817,865
B. Demand Response	1,244,872	1,225,231	1,442,624	1,189,856	1,278,830	1,197,327	1,115,354	1,045,119	1,016,661	1,026,283
C. Vanpool	161,199	161,199	not budgeted	65,864	n/a	n/a	n/a	615	62,519	104,600
Total	5,526,146	5,496,672	5,912,529	5,606,108	5,825,098	5,113,510	4,866,778	4,805,798	4,991,139	4,948,748
IN-SERVICE HOURS										
A. Fixed Route	267,280	266,630	283,385	280,326	285,064	251,950	235,256	235,534	248,833	247,140
B. Demand Response	79,216	77,967	94,128	76,481	83,405	77,146	72,411	67,661	66,255	64,042
C. Vanpool	4,903	4,903	not budgeted	2,141	n/a	n/a	n/a	31	1,895	3,223
Total	351,399	349,500	377,513	358,948	368,469	329,096	307,667	303,226	316,982	314,405
NET OPERATING COST										
A. Fixed Route	32,080,902	32,175,611	34,240,940	28,689,099	28,283,504	23,970,530	21,255,407	19,864,065	19,724,094	19,731,628
B. Demand Response	8,556,088	8,478,020	9,129,408	7,816,398	8,791,796	7,753,950	6,787,272	5,122,262	5,115,421	4,489,742
C. Vanpool	99,981	96,082	145,213	281,796	n/a	n/a	n/a	26,687	42,956	64,318
Total	40,736,971	40,749,713	43,515,561	36,787,293	37,075,300	31,724,480	28,042,679	25,013,014	24,882,471	24,285,688
OPERATING REVENUE										
A. Fixed Route	6,951,877	6,706,222	8,186,762	6,670,570	6,346,589	5,345,781	4,818,489	4,606,865	3,876,010	3,627,654
B. Demand Response	227,914	217,810	378,011	230,340	266,498	234,627	241,677	158,469	74,693	84,458
C. Vanpool	40,886	39,300	181,452	37,348	n/a	n/a	n/a	1,107	47,194	68,294
Total	7,220,677	6,963,332	8,746,225	6,938,258	6,613,087	5,580,408	5,060,166	4,766,441	3,997,897	3,780,406

2011-12 BUDGET

FEDERAL TRANSIT ADMINISTRATION (FTA) INFORMATION BY MODE

Ten Years

	2012 BUDGET	2011 BUDGET	2010 ORIGINAL BUDGET	2009 ACTUAL	2008 ACTUAL	2007 ACTUAL	2006 ACTUAL	2005 ACTUAL	2004 ACTUAL	2003 ACTUAL
PASSENGERS PER IN-SERVICE HOUR										
A. Fixed Route	24.8	24.2	25.6	22.2	24.6	21.9	23.2	23.9	27.4	27.0
B. Demand Response	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.7	2.7	3.0
C. Vanpool	6.6	6.6	not budgeted	6.6	n/a	n/a	n/a	31.9	13.9	11.3
COST PER PASSENGER MILE										
A. Fixed Route	$ 0.99	$ 1.02	$ 0.88	$ 0.83	$ 0.77	$ 0.93	$ 0.73	$ 0.67	$ 0.52	$ 0.55
B. Demand Response	$ 6.86	$ 6.90	$ 6.88	$ 6.03	$ 6.24	$ 5.96	$ 5.64	$ 4.49	$ 4.63	$ 3.22
C. Vanpool	$ 0.11	$ 0.11	not budgeted	$ 0.74	n/a	n/a	n/a	$ 10.34	$ 0.12	$ 0.07
COST PER OPERATING MILE										
A. Fixed Route	$ 6.61	$ 6.64	$ 6.62	$ 5.68	$ 5.39	$ 5.37	$ 4.99	$ 4.77	$ 4.63	$ 4.74
B. Demand Response	$ 6.05	$ 6.10	$ 5.59	$ 5.79	$ 6.08	$ 5.73	$ 5.44	$ 4.38	$ 4.48	$ 3.93
C. Vanpool	$ 0.62	$ 0.60	not budgeted	$ 4.28	n/a	n/a	n/a	$ 43.39	$ 0.69	$ 0.61
COST PER PASSENGER BOARDING										
A. Fixed Route	$ 4.83	$ 4.99	$ 4.73	$ 4.62	$ 4.04	$ 4.35	$ 3.91	$ 3.54	$ 2.90	$ 2.96
B. Demand Response	$ 41.30	$ 41.53	$ 36.95	$ 38.98	$ 39.01	$ 33.65	$ 32.04	$ 26.07	$ 25.57	$ 22.50
C. Vanpool	$ 3.10	$ 2.98	not budgeted	$ 20.01	n/a	n/a	n/a	$ 27.01	$ 1.63	$ 1.76
COST PER OPERATING HOUR										
A. Fixed Route	$ 109.51	$ 110.10	$ 110.81	$ 93.97	$ 91.07	$ 89.72	$ 85.60	$ 79.43	$ 74.87	$ 74.67
B. Demand Response	$ 96.15	$ 96.80	$ 86.06	$ 90.68	$ 93.71	$ 83.70	$ 78.99	$ 63.64	$ 63.76	$ 58.74
C. Vanpool	$ 20.39	$ 19.60	not budgeted	$ 131.62	n/a	n/a	n/a	$ 860.87	$ 22.67	$ 19.96
OPERATING REVENUE PER PASSENGER										
A. Fixed Route	$ 1.05	$ 1.04	$ 1.13	$ 1.07	$ 0.91	$ 0.97	$ 0.89	$ 0.82	$ 0.57	$ 0.54
B. Demand Response	$ 1.10	$ 1.07	$ 1.53	$ 1.15	$ 1.18	$ 1.02	$ 1.14	$ 0.81	$ 0.37	$ 0.42
C. Vanpool	$ 1.27	$ 1.22	not budgeted	$ 2.65	n/a	n/a	n/a	$ 1.12	$ 1.79	$ 1.87
PERCENT OF OPERATING REVENUE TO OPERATING COSTS										
A. Fixed Route	21.7%	20.8%	23.9%	23.3%	22.4%	22.3%	22.7%	23.2%	19.7%	18.4%
B. Demand Response	2.7%	2.6%	4.1%	2.9%	3.0%	3.0%	3.6%	3.1%	1.5%	1.9%
C. Vanpool	40.9%	40.9%	not budgeted	13.3%	n/a	n/a	n/a	414.8%	10986.6%	10618.2%

Notes:

* Data for passenger boardings and passenger miles reflect the National Transit Database (NTD) data and are computed on a statistically sampled basis, and subject to statistical variations from year to year.
* Data for operating and in-service miles and hours match the NTD reported data.
* Net operating cost excludes cost of service contracted to the Tri-County Metropolitan Transit District, Portland, Oregon (TriMet), depreciation and leases to match NTD reporting requirements.
* Operating revenue includes passenger revenue, the sale of maps and rider's digests and advertising revenue.
* Effective January 2011 the Camas Connector service will be moving from Demand Response to Fixed Route. As such, for comparison purposes, all prior Camas Connector data will be

EXHIBIT G

FIVE YEAR CAPITAL BUDGET DETAIL 2011-2015

Rolling Stock

Buses

- Replacement Buses – A total of about $4.4 million in grant funds and about $1.1 million in local matching funds have been budgeted to purchase replacement buses. These funds are intended to purchase approximately 12 buses over the next five years (2 C-VAN buses in 2012 and 10 fixed route buses in 2014). The buses scheduled for replacement have reached the end of their useful lives and are buses for which C-TRAN has experienced escalating maintenance costs. Specifically, the 10 buses to be replaced in 2014 have continuously been unreliable and are required to be out-of-service routinely to address a variety of maintenance repairs.
- Vans Purchase for Vanpool – The vehicles on property were purchased using Washington State Department of Transportation (WSDOT) Vanpool Investment Program funds through agreement number GCA-5900. The funding agreement states should the equipment not be placed in service to expand vanpooling within 24 months from delivery date, the agency will pay WSDOT the cost of the equipment. The budget reserves funding of $194,104 to cover the cost of the remaining 8 vehicles that may necessitate a refund to WSDOT. Funding for future replacement of these vehicles has been deferred.

Support Vehicles

- Replace Maintenance Vehicles – A replacement schedule has been developed based on the mileage and condition of each vehicle; however all replacements have been put on hold.
- Replace Field Support/Security Vehicles – A replacement schedule has been developed based on the mileage and condition of each vehicle. Should the agency be required to pay for the Vanpool vans originally purchased by WSDOT, then management will consider at that time if any of those vehicles should be used to replace the field support/security vehicles. Otherwise, all replacement of support vehicles have been placed on hold.

Facilities

Transit Centers and Park & Rides

- Salmon Creek Park & Ride – As part of the WSDOT I-5/134th interchange project, C-TRAN's Salmon Creek Park & Ride will be relocated. Since the replacement of the park & ride is a Department of Transportation (DOT) requirement, it is anticipated there will be little, if any cost, associated with the move itself. However, since the park and ride lot is part of a long-term plan to reduce the number of single occupancy vehicles (SOV) in the I-5 corridor, a $200,000 budget has been included to address any potential needs that may arise that are outside of the costs cover by DOT.
- 99th Street Transit Center at Stockford Village – This transit center has surface water/drainage issues and required improvements to the bio-swale to maintain a state of good repair. The expense for these repairs ($120,000) is currently in the operating budget but depending on further investigation the expense may need to move to capital.

Administration/Operations/Maintenance (AOM) Facility at 65th Avenue

- AOM Facility Improvements – The state of good repair grant was received to replace the 27 year old paint booth and bus wash. Also, C-TRAN has owned the south lot property for 19 years with little improvement. The grant pays for improving the lot to bring it up to compliance with the City of Vancouver development codes and allows C-TRAN to end a lease agreement for off-site revenue vehicle parking. This project has about $2.2 million in grant funds and almost $1 million in local funds.

Passenger Amenities

- Bus Stop Safety, Streamline, and Improvement Project – Included in this category are the Transit Enhancement Funds allocated by FTA and other federal grants funds for a grant fund total of $515,000. Matching local funds of $128,750 were also budgeted. This project improves service and schedule reliability by improving route efficiency and includes on-going analysis of the bus stop program to ensure compliance with ADA regulations and best practices in the industry.

Equipment

Technology

- ITS/VAST Projects – Federal grant funds of about $3.3 million and local funds of about $2.8 million have been budgeted, which includes two major projects: Transit Signal Priority and Farebox Replacement/Electronic Fare Collection System. The Transit Signal Priority Project includes a pilot project on Mill Plain and the use of County equipment along Hwy 99, 78th Street, and 99th Street. The equipment allows the traffic signal light to stay green longer, if a bus is within a small range of the signal. This will save running time on each route and make schedules more reliable for the customer. The Farebox Replacement/Electronic Fare Collection Project received funding from the State of Good Repair grant. The equipment is on average 19 years old with a high failure rate and is no longer supported by the manufacturer. New technology in this area allows new fareboxes to accept a wider range of fare media including smart cards or debit cards for fare payment. This will increase convenience to passengers and reduce boarding time to improve route efficiency and on-time performance.

- Computer Systems and Equipment – The capital budget includes $1.2 million in local funds to be invested in C-TRAN's technology infrastructure over the next five years. The projects covered by these funds were prioritized based on their ability to increase efficiency, effectiveness, and overall agency productivity.

Other Equipment

- Maintenance Equipment – This is a Fall Arrest System, a safety device, for employees that are working on the roofs of buses to harness them to a trolley attached to the shop ceiling. In the event the employee were to fall from the roof, the harness and ratcheting cable system will slow the decent of the employee to a safe rate to get to the floor uninjured. Budgeted $72,955 in local funds.
- Miscellaneous Capital Repair/Replacement – Local funds of $1 million have been budgeted for unanticipated miscellaneous equipment needs during the next five years.

Planning

- Fourth Plain BRT Alternatives Analysis – $1.7 million in federal grant funds and $426,125 in local matching funds have been budgeted to complete a federally required alternatives analysis on C-TRAN's Fourth Plain BRT project. The funds will cover the labor cost associated with the hiring of a project manager and all other costs related to the completion of the project.
- Grant Match (Associated with the 20 Year Plan) – Approximately $6.2 million has been identified as potential local matching funds for any grants awarded in association with projects identified in C-TRAN's 20 Year Plan. These funds were previously allocated specifically towards bus replacement. In response to the economic downturn, the bus replacement schedule was put on hold in order to provide greater flexibility with the budgeted funds to maximize grant opportunities and to focus on projects as they fall within agency priorities.

EXHIBIT H
RESERVE POLICIES

The Board of Directors adopted board resolution BR-09-017 to establish a reserve policy to include Self-Insurance, Capital, and Working Capital.

Self-Insurance Reserve – By reconfirming this fund of $3 million the Board provides the ability to settle large claims beyond that provided for in the budget and available from existing cash sources in order to protect the Board personally. Two million dollars is the self-insured retention associated with an excess liability policy C-TRAN carries for public liability claims. One million dollars is set aside to self-insure the underground storage tank system. The $3 million total shall be a formal designation of investments reported in the Comprehensive Annual Financial Report (CAFR).
Insuring with WSTIP will eliminate the need for the $2 million self-insured retention long-term. It will continue to be needed for claims until the three year statute runs on all active and unreported claims incurred prior to January 1, 2011.

Capital Reserve – This reserve was established to provide the local funds to carry out the capital program as adopted or amended in the biennial budget. This reserve replaces the Asset Replacement reserve as reported in the CAFR and the $9 million for future bus replacement reserve. The formal designation of investments in the CAFR will match the total capital program and will be updated annually as capital projects are completed.

Working Capital Reserve – The goal of a minimum 90 Days Cash on Hand was established to create sufficient resources to cover cash flow until tax and grant revenues are collected. It also provides the ability for short term funding of operations during periods of economic downturn or unusual cost increases. This reserve is a goal rather than a Board designation and will not be reported in the CAFR. Rather it is a management tool to assist in budgeting cash flow and establishing future uses of cash and investments. The calculation uses the current adopted operating budget divided by 360 for the average daily cash usage. The available cash not committed for other purposes is divided by the average daily cash usage to reach the number of Days Cash on Hand.

EXHIBIT I

C-TRAN

BOARD RESOLUTION BR-10-015

RESOLUTION authorizing the adoption of the 2011-2012 Budget for the Clark County Public Transportation Benefit Area (dba C-TRAN).

WHEREAS, the C-TRAN staff has identified and hereby re-confirms five main themes for the agency to target in the next two years: 1) Revenue; 2) Cost Containment & Reduction; 3) Safety/Loss Control; 4) Planning & High Capacity Transit (HCT) Project Development; and 5) Technology Efficiency, Maintenance, & Support; and

WHEREAS, the 2011-2012 Budget supports these themes.

NOW, THEREFORE, BE IT RESOLVED BY THE CLARK COUNTY PUBLIC TRANSPORTATION BENEFIT AREA AUTHORITY:

That the 2011-2012 Budget be adopted; and

- That the C-TRAN Board of Directors resolves and approves the budget summaries and budget detail as attached and incorporated by reference herein as though fully set forth.
- The operating summary lists $35,163,455 in 2011 Revenue, $34,306,000 in 2012 Revenue, $41,423,895 in 2011 Appropriations before depreciation, and $41,312,056 in 2012 Appropriations before depreciation, resulting in a net loss, before depreciation, of $6,260,440 in 2011 and a net loss, before depreciation of $7,006,056 in 2012.
- The capital summary lists $7,630,758 in 2011 Revenue, $205,200 in 2012 Revenue, $14,115,264 in 2011 Capital Expenditures, and $2,018,530 in 2012 Capital Expenditures. The capital budget is subject to adjustment based on any previously board approved project using 2010 capital funding, where the project was expected to be completed by December 31, 2010, but where the project must continue into the 2011-2012 biennium.
- The 2011-2012 Budget also establishes a service level of 379,834 Fixed Route service hours in 2011 and 381,945 Fixed Route service hours in 2012.
- The 2011-2012 Budget may be amended from time-to-time to reflect expenditures approved by the Board, and expenditures shall be limited to the amount set forth by the Board for total Operating Expenses and total Capital Expenditures. Grant funded Capital Expenditures shall be incurred consistent with federal regulations.

ADOPTED at the regular session of the Board of the Clark County Public Transportation Benefit Area Authority, this 14th day of December 2010.

AYES: Marc Boldt, Linda Dietzman, Bill Ganley, Jim Irish, Roy Jennings, Tim Leavitt, Tom Mielke, Larry Smith, Jeanne Stewart, Steve Stuart

NAYS:

ABSENT:

Marc Boldt

Marc Boldt, Chair

CLARK COUNTY PUBLIC TRANSPORTATION BENEFIT AREA AUTHORITY · 1981 ·

Attest: D. Jermann

Debbie Jermann, Clerk of the Board